

Here are some things I would like to discuss:

1.

## Money MGMT

Etc. etc. etc.

### ***Risk Management Vs. Money management***

Risk Mgmt: \$ per individual trade ==  
==money allocated by money management considerations  
\$ of stop loss

Money Mgmt: \$ allocation for total trading defined by % of equity.

Ex: Equity = \$1,000,000

Rule: Don't spend more than 1% of equity on any ONE idea (Steinhardt)

∴ **Each idea can risk \$10,000**

### **Suppose your risk analysis dictates \$2,000 stop loss for the trade**

That means you can put **max: \$10,000 ==5 contracts!!**  
**\$2,000**

Think about it: People trade 20 contracts with less than \$100,000 in their account.  
While CORRECT money and RISK managements dictate that you can only trade 5  
contracts with 1mm dollars! Nuff Said.

2. came across this while searching on the subject of R/R and trading (basic gambler's ruin problem):

"You have \$10 and your friend has \$100. You flip a fair coin. If heads comes up, he pays you \$1. If tails comes up, you pay him \$1. The game ends when either player runs out of money. What is the probability your friend will end up with all of your money? From the second equation above, we have  $p = q = .5$ ,  $W = \$10$ , and  $R = \$100$ . Thus the probability of your losing everything is:

$$1 - (10/(10 + 100)) = .909.$$

You will lose all of your money with 91 percent probability in this supposedly "fair" game.

Now you know how casinos make money. Their bank account is bigger than yours.. Eventually you will have a losing streak, and then you will have to stop playing (since the casinos will not loan you infinite capital).

A person who has \$1000 in capital and bets \$10 at a time has a total of  $W = 1000/10 = 100$  betting units. That's a fairly good ratio.

While a person who has \$10,000 in capital and bets \$1000 at a time has  $W = 10000/1000 = 10$  betting units. That's lousy odds, no matter the game.. It's loser odds."

3. How FX Markets are Manipulated  
by "anonymous" (actual name protected)

**The forex market is *for a fact* heavily manipulated by big money, that is large banks, central banks and large funds. As far as manipulation is concerned the market is stacked like loaded dice....it works as follows. This is not just theory, it is cold hard fact, I know I work close within the system every day and have for over ten years. The only people who would dispute what I am about to tell you are the very ones who DON'T want you to konw the actual truth.**

**Let's review this scenario. A "market maker" {a major bank) needs to take a position for the week. Before the market order is placed, the market maker gets "outsourced" advice about market direction from its contracted advisor(s). **Once that outsourced advice is obtained they advise their currency section to actually go the OPPOSITE way with their customer advice. Thus, their internal policy is one direction and their advice to retail customers is the *opposite*.** The scenario continues with the currency traders in the currency section NOT KNOWING the bank's internal direction. THIS IS KEPT SECRET. As soon as the bank's retail customers start to place their orders, and the market moves, the bank only then places its order the *opposite way* thus changing the market direction, trapping all the customers funds. As a result the bank makes a large profit at the expense of their clients**

whom they misadvised on purpose.

Let's continue by viewing retail trading platforms. When retail platforms get into "stop hunting" mode and start eating all the stops, they get close to where the bank's orders are. To protect their positions, the platforms then place huge market orders set to trigger just under critical resistance levels. The retail platforms, seeing these bank orders, will not dare try to turn the market to those levels in fear of triggering those orders, so they retreat back quickly. Now let's look at a central bank manipulative scenario.. Central banks are more simple to figure out. When they want to sell some of their currency reserves and it is mainly for a political reason, they inform certain institution such as their treasury, which in turn informs another institution (their major dealing bank) and the funds then have to go through a clearing house. When the clearing house gets the order, a signal is received by the above mentioned institutions in order that the institutions protect the central bank's position and don't trade against it.

Seeing this, these institutions perform the above scenario that we described again, and in turn make a lot more profit since the central bank funds move the market more. People who are the advisors of these large institutions (such as market making banks and central banks) for their "INTERNAL ADVICE" are, if they have arranged such, allowed to view in real time the flows that are *pending*. This is the key to trading using money flow as an indicator if the advisor is also a trader him/herself. It's easy for the advisor to see the flows as soon as the advisor advises because then he/she knows exactly which way the retail market will go. It must be stressed, that due to huge volumes going through, that there's a degree of error. **But the**

**error ONLY exists in the time frames,** as money naturally takes time to flow through and change the market movement significantly. That is why a good advisor/trader always tries to improve the time frames in their trading systems.

However, to be 100% correct with time frames is impossible, otherwise if the times were always exactly correct it would be like knowing the lottery number in advance, it would be foolproof. But as it is now, knowing money movement, the advisor/trader is certain of the market direction itself; the question is, how long will the move take? Well, that is why many professional traders decided this year (2005) to have only daily and weekly views instead of forming a long term view of 1 to 3 months. The reason for the reduction in time involving predictions is because of increasing liquidity in the market from "outsiders" (such as hedge funds) that may influence market movement on a monthly basis. **So professional traders now have a maximum of a weekly view knowing that the major banks always do business on a daily/weekly basis themselves.** Forex is like a 2 horse race in that the consultant/advisor knows which is going to win but doesn't know exactly the time the winning horse will get to the finishing line.

THE TRUTH???

The truth is the most valuable commodity in human society and for that reason, it is held by a few and rarely shared by the public..All governments tend to tell the selective truth or simply resort to telling lies to the public..**Anyone anywhere who tends to believe any government is liable to tell the truth should not be a trader in the first place.**We are, by virtue of the society we live and the education we receive, all biased to varying degrees..Same goes for the media.. Media is in the first place controlled by the media barons and biased towards their prejudice and views.. And the public is bombarded by the reports which in most cases are disguised as the truth while the truth can be a million miles away from the media report.. Having lived in different types of societies influenced by media and propagandas, I can say that the degree of propaganda and disinformation and mal-imformation perpetrated by the governments and media for whatever reasons is the main source of

most misunderstanding by the societies in question.. But then again, the governments or the powers, by their nature are incapable of telling the truth.. They even justify their actions by law by way of legislations.. For common folks it is hard to tell what is the truth, what is a disinformation, what is a propaganda ..And the common folks still believe they are guided by the truth just because the informations which are the cocktail of facts and disinformation are just **freely available**.. Again the truth is a rare commodity shared by a handful of folks who may even take those truth into their graves with them.. **It is only many years or decades or even centuries later when the truth is being told** ..But then again, it all depends on who is telling the truth.. No wonder then that the truth seeking operation is called "intelligence operations".. By that definition, most freely available informations via media or otherwise are not "intelligent" informations.. But then again, even intelligence operations fail miserably when it matters..911 is a good case study ,but then, who can say they really told the truth at all at the inquiry.. Most government's inquiries are just whitewash at best unless one was born yesterday to believe that..