

SUMMARY -

I traded January through December 2011. The first half of the year I was trading multiple systems. To be specific, I used my RSI “Zen” trade on the 30 second, 1 minute and 5 minute charts from 5:30 am to 7 a.m. twice a week; I traded two pivot point strategies from the 1-hour chart every day, which resulted in trades that lasted for weeks to months and required me to watch them constantly. The wins were numerous and the losses were few, but the losses usually took all my profits.

The second half of the year I had committed to trading the **Combo Trade strategy alone**. During this period of time, I had my focus on a single system of trading with a well-defined money management plan. Trade size was based upon a calculation which capped risk for each trade at 4% of my account balance (explained in more detail below). Because I had a defined trading plan for the second half of the year, it’s easy to pick out mistakes and see where I need to make corrections. During the first half of the year, when I used multiple trading systems, mistakes were random and difficult to account for. Those mistakes or trading weaknesses are the most difficult (if not impossible) to correct. An honest look through my trading year has produced some helpful information as I plan out my next trading year and make projections for 2012.

My greatest trading potential is achieved when I am trading a single system in a single account with a tight money and trade management plan so that mistakes can be spotted and corrected early.

Overview of my trading strategies in 2011:

1. **RSI Zen Trading**, 30 second, 1 minute, and 5 minute charts. This is a **fast-charts-fast-trades strategy** that uses no stop-losses, and it is one of my favorites

The duration these trades is normally seconds to minutes. It requires complete concentration with no distractions, and is normally performed between 8 am and 10 am Eastern Time, which is the first two hours of the U.S. trading session. Overall, this trading strategy is profitable with very few losses. On days when there are no losses, the strategy can produce 1 to 3% in a single session, and in days when there are losses, I quit trading when the loss is equal to 1 to 3%. If on any day I didn’t have complete diligence to turning off the system after 1 to 3% loss, the losses were double that. The subjectivity was a little bit dangerous, unless the trader is double checking results daily, which I did not do. This strategy produces very few trades with very few pips each, but they are large lot size trades, meaning they use a substantial portion of my available margin.

The danger of this system for me is the mindset. It really tweaks my mind for trading other slower strategies, or other strategies that require more frequent but smaller trade size. I get used the fast pace, the large trade size, and the ease of not using a stop-loss. I found myself being

impatient with other strategies when I switched over to another methodology, and constantly had to check myself that I wasn't increasing trade size, or failing to put stops in place or rushing through a setup that required more time. Because this is a rush-in-rush-out system of trading, I got a little fired up sometimes and wanted to add more sessions to get back a loss at times. The thoughtless rushing trading style makes me uptight before I realize it. I like this strategy but only in a controlled, 2-hour session, one or two days a week at most. Perhaps I will do some work to automate this strategy which I love, so I can add it back in without messing up my preferred trading mindset.

2. **Pivot point methodologies:** Monday Accelerator, missed daily pivot retracements, and Friday Fibonacci. **Slow-trades, slow-charts, high volume trading** which uses the great majority of my available funds for trading when stacking trades into these strategies.

These strategies do not use stops, and worked well before the FIFO was enforced preventing me from being able to pay down my losses with additional trades; and before Dodd Frank Act was enacted which removed my ability to hedge a loss and buy time to plan my way out of the losing position. This year my attempt to adjust these strategies with the changes that had come along resulted in me randomly mixing in trade management rules from other strategies to a point where I had no solid plans for stop losses. As a result I had hundreds of profitable trades, and a few losers which took back all the profits from the long hours of work I put into those trades. These strategies are awesome, but they will sit on the shelf this year for me. I hope the regulations that were forced on U.S. citizens will be challenged and one day removed so we can again more effectively use these strategies.

3. **Combo Trading Strategies:** Combo Trade (countertrend), Reverse Combo Trade (trend continuation). **Slow-charts-fast-trades.** No rushing! (Can you see the bright lights and hear that hallelujah choir?)

This has become my primary strategy, but it did not start that way. Years ago when I first developed it, this was the steadfast strategy, the go-to analysis whenever I have a trade in trouble. This strategy requires slow and thoughtful analysis of the daily charts which have Bollinger Bands and relative strength index indicators; and the 4-hour charts using moving averages, MACD, and RSI. In the past when I had a trade in trouble, I had no choice but to slow down and figure out how to proceed. It's no longer the back-up plan, rather it's my main trading tool now.

The slow moving charts give me plenty of time to plan out my potential setups to buy or sell. I don't have to know which way the market will go; this trading system produces a plan for either direction so I'm ready to take the trade. There are never any surprises. The setup actually takes days to weeks, but the actual trades when they come are usually complete in hours. The setups which I see coming for a long time can sometimes keep producing trades over and over for a period of a week, so all the time spent hunting is eventually rewarded. In terms of trader lifestyle, I think the best part is that the majority of the time spent in the market is done before I have the trade on, so there is no rush, there is no heavy burden of exposure to risk, and there is a well developed plan in place before I put up one dime.

This strategy has a simple and well defined money management plan, so it's easier to keep it in check. The danger of this trading methodology is that it requires solid commitment to stop-loss, because I trade it with a fairly large trade size producing a 4% risk per trade. The wins far outnumber the losses, but I can't be lulled into thinking the losses won't ever come. They will! And it's essential my stop-loss be exactly as planned. The other downside to this strategy is that the analysis requires some commitment of time and concentration ahead of the trading schedule. When the trader is used to immediate pay-off such as you get with shorter time frame trading strategies, it's possible to lose interest in this longer-term plan. It's only slow at first, though, because while I'm planning a trade which won't play out for a week or two, I could also be managing trades from setups I planned two weeks earlier. Once the system gets rolling, and my account is growing according to my projections, I never got bored again the rest of the year. I enjoy my new found position of "Don't rush me!" Oh man, that really works for me, after all these years of rushing.

FINDINGS:

1. **The second half of the year beat the first half several times over.** Using one trading methodology reduced my number of trades by 75%, and more than doubled my return. The year ended with the Combo Trading strategy only, using the daily and 4 hour charts. Losses and profits are not random, they actually show up on schedule.
2. **Getting more winning trades is easy to do.** What is hard is to not let the losers take over. I use a -70 pip stop loss as a rule. **Many** times, in my "wisdom" I pulled the stops. Sometimes I had good reason, and sometimes I just wanted to save the loss. Though I avoided a loss on a few occasions by pulling the stop, more often the trade resulted in a **greater loss than I had planned for**. I plan for the occasional -70 pip loss. I don't plan for pulling the stop and losing more. These losses are completely unjustified, unnecessary and easily avoidable. This isn't just a rookie mistake. It is an advanced trader mistake. The more I know about trading, the more reasons I can feed myself in that moment to "justify" pulling a stop. In the end, my report shows **my results would be at least 20% better if I had taken the -70 pip loss every time**. Ouch.
3. I noticed an increased number of trades that closed at break even (or closed within 3 pips of break even) as time went on. **With the increased number of break-evens, there was a decreased number of losses.** Interestingly, **there was not a decrease in the number of wins**. I thought there would be.
4. There are plenty of excellent Combo Trading opportunities in the market all year long. While November and December are typically difficult to trade, December was my best month this year in terms of win/lose ratio with 10 winners, 1 loser and 3 break-evens. Then again, maybe **I was at my best, and it has nothing to do with the time of year**.
5. **Less time in the trade means paying less roll-over.** Sometimes the roll-over was positive, but more often it was an expense. It was an expense I did not pay attention to. In one example, I held an AUD/USD trade for three months. The amount of roll I paid on that trade was equal to 7% of all my profit the month I closed it. And of course, I also lost the trade. I'm sure there were

no good reasons for holding the trade, but here is one more reason to close it. It costs money to hold it open, and I'll probably lose it anyway. **It pays to take the loss early.**

6. My broker was charging me **.50 cents for every transaction I made from my cell phone.** Wow. That slipped by unnoticed all year. I will certainly keep that in mind for my trading practice in 2012.

CONCLUSIONS:

1. Multiple strategies creates an environment where there is less accountability. I want more accountability, not less.
2. It pays 20% to take my loss at -70 pips every time. This means that I could have added 20% more profit to my account this year by simply *never changing the stop loss to go beyond 70 pips*. No pulling stops!
3. Break-even trades rock! Months in which there were an increased number of trades that closed within 3 pips of break-even had a markedly decreased number of losses, but there was no decrease in the number of wins. It pays to move my stop to break-even as early as possible, (+12 pips). Finding trades is not the problem.
4. The combo setups are abundant. It should be easy to **be patient and selective** when I know there are so many more to come.
5. I do my best trading when I am at my best as a trader. It is not necessarily related to time of year.

What did I do best?

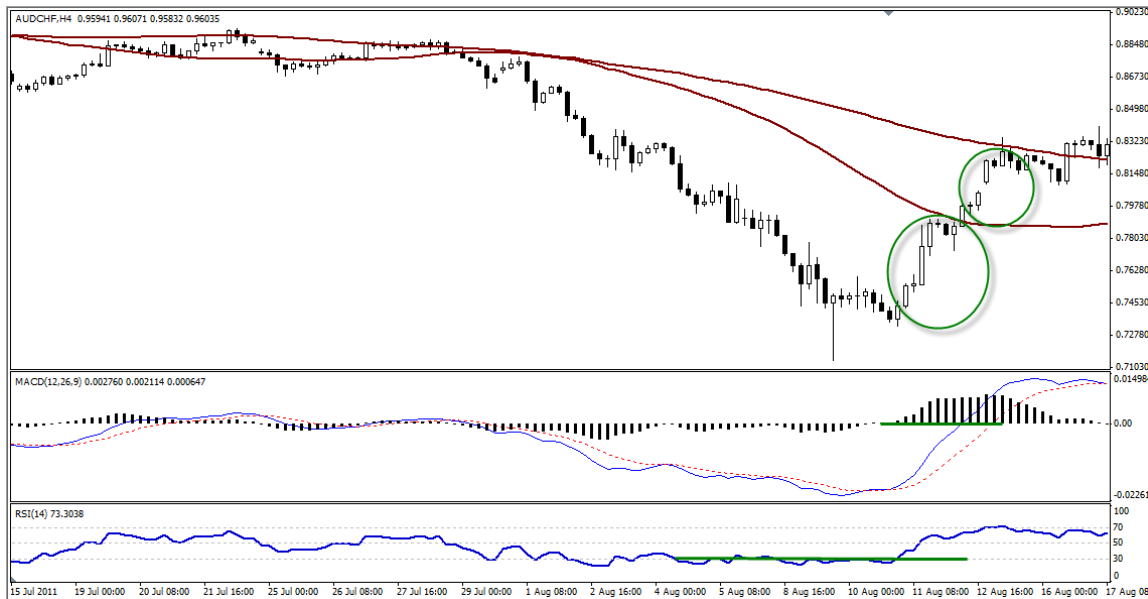
1. I am consistent. I did all my analysis first thing in the morning without fail. I kept impeccable trading notes every day. I see my trades coming for days and weeks, and I was ready to take them as planned. I show up every morning on time.
2. I have identified and removed random trading, random wins and random losses.
3. The second half of the year I had a plan, and I followed it.
4. I moved my stop to break-even early and it proved to reduce losses without reducing wins. This might be the best tool in the box.
5. I was surprised to see how November and December produced excellent results. I have readjusted my opinion of trading those months. Those are typically busy months in my home with my kid's holiday schedules, which can contribute to trade instability. As long as the trader

is stable and focused and sticking to the trading plan, the holidays did not disrupt my setups very much.

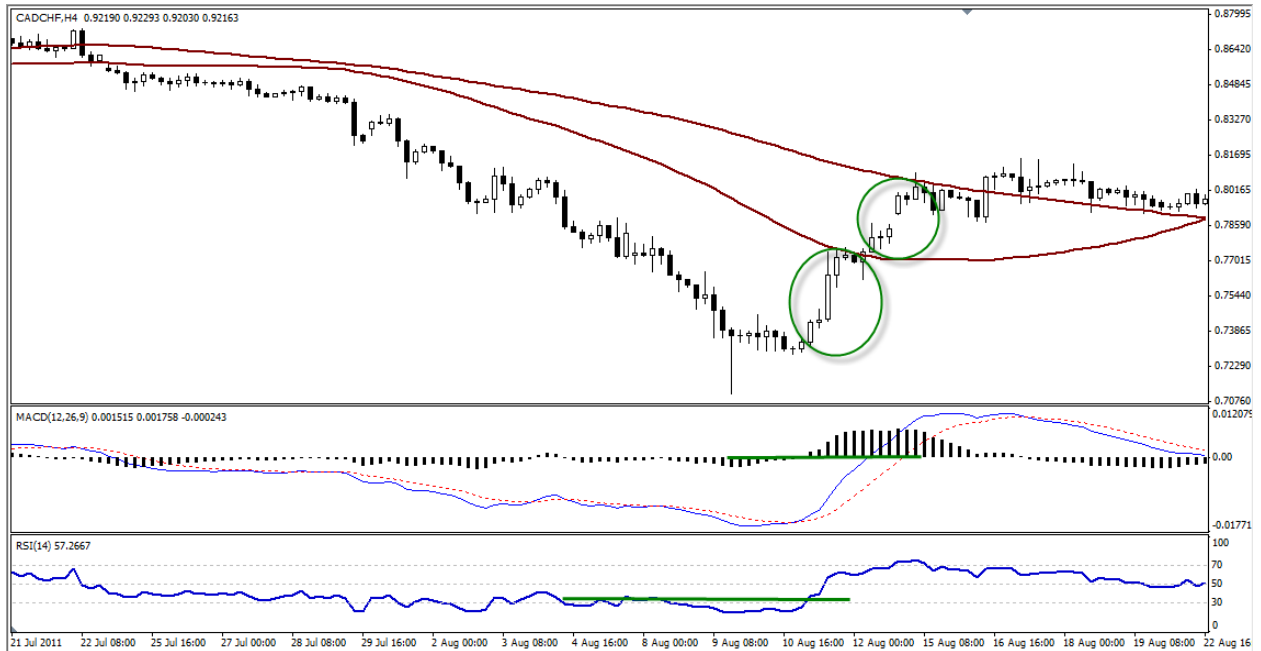
6. I have two favorite trade setups of the year.

The first was a setup I took on the CAD/CHF and AUD/CHF. I call it one setup because it was basically the same trade on for the Canadian dollar and the Australian dollar against the Swiss franc. There were rumors of Swiss National Bank intervention. It's my favorite trade because the intervention happened at exactly the same time that I got a Combo Buy trade setup. I held each position for close to 100 pips, though both moves gave over 400 to the first target, and about 300 more to the second target. Of course these giant moves were a result of bank intervention. I don't trade those fundamentals, but it was a really nice technical setup with a fundamental market move. Here are the charts:

AUD/CHF 4Hour chart:

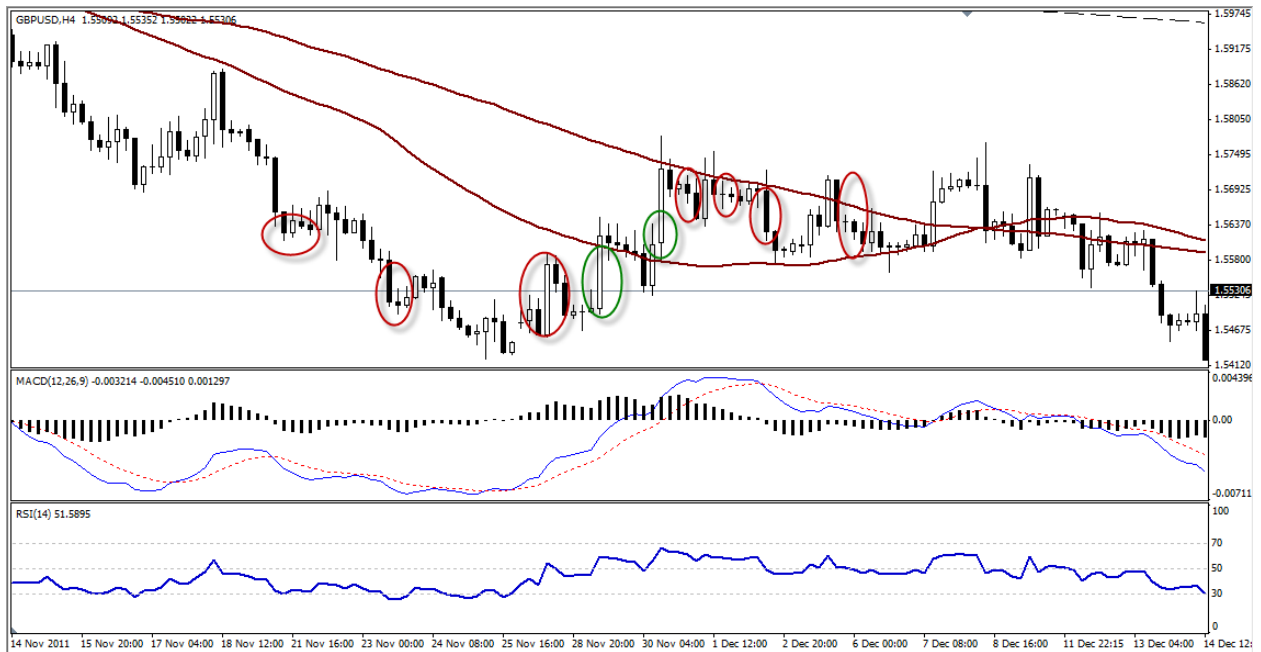


CAD/CHF 4Hour chart:



The second favorite setup was on GBP/USD in November. I took 30 pip buy and sell trades over and over as the Combo formations just kept coming. I drew red circles where I sold and green circles where I bought. Because I was taking 30 pips each time, I got my profits quickly without any losses.

GBP/USD 4Hour chart:



What did I do worst?

1. I pulled my stops more often than I care to admit. Results as above.
2. At the end of September and beginning of October I had a series of 3 losses. I do not normally have three losses in a row, and it was nearing the end of a month. I remember thinking “I can’t afford to take another loss.” as I pulled the stop out and ensured my loss would be even greater. Famous last words of trading fools and great traders alike. Wisdom says “You can’t afford not to take the loss.”
3. I make a point of being satisfied with taking 30 pips of profit at a time. This is not a bad thing, but I avoided holding some of the winners that could have and maybe should have been held to larger profit target. Perhaps once per month, with a break-even stop-loss in place, I could do a better job of letting one run to all the way to target, 100-150 pips or more if I’m lucky enough to have bank intervention on my side of the setup. The rest of the time, 30 pips is just fine.

Was I happy with the strategies? Was I focused?

Did I change the strategy? Why?

I’m thrilled the way this year played out because I learned a lot from myself. I can’t believe I finally took the leap of faith and dropped all my other well-practiced strategies (such as 30 second RSI Zen Trading, which I love), and committed some time to trading only one thing, the Combo Trade. I have been rewarded this year for my focus and my commitment to my trading plan. My own trading records have proven to me I have so much to gain from tightening down to one plan, one strategy, one account, **and doing it very well**. I can take credit for wins and I can plan for the losses. It’s a great feeling.

What’s next?

I will trade the next 12 months using Combo Trading techniques. I have created some projections for myself which I will evaluate every 90 days. (see below).

My trades are 30-50 pips.

Move to break even at +12 pips.

Stop loss -70 pips. Never pull it.

Occasionally, I will have setups with greater target potential, and with my stop set to break-even, I will hold for profits up to 100-150 pips, but my normal gain is between 30 and 50.

What pairs will I trade?

This is subject to change, but I’m beginning 2012 with my focus on GBP/USD, EUR/USD, GBP/CAD, USD/CAD, AUD/USD, NZD/JPY and CAD/CHF.

What are my projections for 2012?

I am aiming for 150 pips per month. I have prepared a projections spreadsheet below, which dictates my trade size for the month, and which will be updated every 90 days.

What is my strategy?

Combo Trading and Reverse Combo Trading techniques, as defined in the Combo Course site.

I do my analysis every morning, and post notes for the course members. I post some notes on my free blog as well. When I have an open trade I manage it all day and night if necessary until I am able to close it or move my stop to break-even. I do not stay up all night waiting for trades to open.

Regular accountability with regular communication and reports to the Yo's Combo Trading Members.

I normally have one position open at a time, but I will take up to three trades on three different pairs at a time. If there are more than three setting up at the same time, I pick three. I do not stack positions.

Personal motto for 2012:

It pays 20% to lose 70 pips. Don't pull the stops.

Projections table:

Sample table for my 2012 projections.

This table demonstrates my 2012 trading projections. In this table there is a beginning account balance of \$1,000. Taking 30 pips per trade, 5 trades per month, this table projects growth on \$1,000. This table is created for the purpose of talking about projections, and not my actual numbers.

Trade size is based on risk. I risk 70 pips every time I trade, therefore trade size is calculated so that a loss will equal 4% of my account balance. I calculate trade size at the beginning of the month, unless I have two losses, at which time I will re-calculate my trade size before the beginning of the next month. Risk/reward and money management are discussed below.

I will report quarterly actual trade performance.

Projections scenario

	Start of Mo.	Pips/trd	# trds	Ttl Pips	Leverage	PerPip	Gain	Total	Risk 70 pips	per win	per month
Jan	1,000	30	5	150	30	\$0.57	\$86	\$1,086	4.00%	1.71%	8.57%
Feb	1,086	30	5	150	30	\$0.62	\$93	\$1,179	4.00%	1.71%	8.57%
Mar	1,179	30	5	150	30	\$0.67	\$101	\$1,280	4.00%	1.71%	8.57%
Apr	1,280	30	5	150	30	\$0.73	\$110	\$1,390	4.00%	1.71%	8.57%
May	1,390	30	5	150	30	\$0.79	\$119	\$1,509	4.00%	1.71%	8.57%
Jun	1,509	30	5	150	30	\$0.86	\$129	\$1,638	4.00%	1.71%	8.57%
Jul	1,638	30	5	150	30	\$0.94	\$140	\$1,778	4.00%	1.71%	8.57%
Aug	1,778	30	5	150	30	\$1.02	\$152	\$1,931	4.00%	1.71%	8.57%
Sep	1,931	30	5	150	30	\$1.10	\$165	\$2,096	4.00%	1.71%	8.57%
Oct	2,096	30	5	150	30	\$1.20	\$180	\$2,276	4.00%	1.71%	8.57%
Nov	2,276	30	5	150	30	\$1.30	\$195	\$2,471	4.00%	1.71%	8.57%
Dec	2,471	30	5	150	30	\$1.41	\$212	\$2,683	4.00%	1.71%	8.57%
				1800			\$1,683	\$2,683			

Money Management:

I have an account for trading, and I want to trade it aggressively. I know my wins outnumber my losses, and risking 4% based on a stop loss of -70 pips provides a trade which is large enough to make a substantial difference, and small enough that I can sustain an occasional loss. I cannot sustain losses greater than 70 pips without reducing my trade size, which is why it is essential that I do not deviate from the plan.

Closing a trade before it reaches -70 is perfectly acceptable.

Most of my trades are opened and go quickly to a number between +10 and +20 pips, at which time I move my stop to break even. Many of my trades close at break even, a few go to loss, and a few more go to profit.

I do not limit my trading to 5 trades per month, nor do I limit my gains to 30 pips. That is an estimate for the purpose of making a projections spreadsheet.

For some traders this is an up-side-down risk:reward ratio. It is essential I not pull any stops, because my trading plan only works on my proven technique, which does not include changing the size of a my losses. My losses are fewer than my wins, and this money management practice works for me in this trading system.