



**By Avi Frister**

<http://www.forex-trading-machine.com>

**NEW!**

Click on the below banner to learn about my revolutionary method to trade the forex market:

Avi Frister's  
**Forex Trading Machine**  
*A Revolutionary and New Method to Trade the Forex Market*

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# The Forex Navigator System

A Forex Trading Machine Product

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## INTRODUCTION

As many of my students know my belief is that the most profitable forex systems (and for that matter any other type of systems be it for stocks, futures, options etc) are the ones that:

**A.**- Are not complicated to trade and

**B.**- Exploit the specific characteristics of the financial vehicle they trade

I can still remember when I started my journey as a trader over 10 years ago. I was convinced that in order for a system to be profitable it has to be complicated and it had to work across all markets. What nonsense 😊

If you are one of my long time subscribers you know what my thoughts are regarding successful trading:

**1** **You must have a good and simple system.** The system should be profitable in the long run and must be easy to implement. It should be of a mechanical nature, allowing little or no discretion or judgment from the trader's part. Especially if you are a starting trader, it is important that you follow **mechanical** hard-and-fast rules: if A=B than do C and D. The reason for this is simple.

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There are a lot of emotions that come into play when trading. If you have a set of rules to follow than you know exactly what to do and no matter what your feelings are telling you, you can ignore them and simply follow the precise rules dictated by your system. Over 80 % of my trading systems are 100% mechanical, no judgment or discretion required. Not that there are no profitable discretionary systems, but I personally like mechanical ones.

**2** **You must have a good set of money management rules.** Throughout my trading career I have come to learn that success in trading is not only about having a good trading system (of course that is VERY important) but also about having a good set of money management rules and principles. Trading without following these precise money management rules is a sure way to fail.

For those of you that are new to the business of trading let me explain what I mean by money management. The term refers to the principles and discipline you use in order to control your risk exposure when entering a trade. How much of your total capital you will risk on any individual trade, where will you place your stop loss, where will you place your profit objective, the ratio between your profit objective and your stop loss etc.

**3** **You must be able to control your emotions.** This is a very important rule a trader must learn to master. While trading, you are constantly presented with feelings such as fear, greed, and excessive excitement (for example, as a result of a winning streak). The reason many traders experience these type of feelings is simple, they don't have a good trading plan. They don't have a good and clear set of rules to follow. They will trade based on

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emotions rather than on signals issued by a *robust and profitable system*. They will not respect stop losses, profit objectives or any other important parameter essential for profitable trading.

I strongly believe in emotion-free trading. It is essential for success and that is how you will be the best of the best, by following a precise set of rules that are easy to implement and require absolutely no discretion.

## Leverage and Compounding

One of the true secrets of successful wealth building through forex trading is leverage and compounding on your profits. With the help of leverage you can buy much more currency than what your actual account size allows you on a 1 to 1 basis. When you use leverage, your FX broker allows you to increase your purchasing power by as much as 4,000%! As an example, for every USD \$1 in your FX account many brokers will allow you to purchase USD \$ 400. This is very powerful and can be very profitable. However, you must have an excellent strategy to manage this leverage issue well so you can take advantage of its maximum potential but at the same time manage your money well for minimum risk exposure.

So, leverage simply allows you have a much greater purchasing power and increase your profits per trade accordingly. Compounding allows you to formulate a strategy with the objective of building wealth from your profits. So, instead of taking money out of the account every time profit accumulates, those profits are used for future trades. Let's look at an example of

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how leverage and compounding can dramatically grow a small account size over time:

The following is a projection of three scenarios over a three year period each. The first starting with a USD \$3000 account, the second starting with a USD \$7,000 account and the third starting with a USD \$15,000 account. All three calculations are based on a 2% weekly net increase in account size. No profits are taken out of the account, *they are re-invested in next weeks trades.*

So, in other words, we will see how these three accounts would grow over a periods of three years based on the above criteria.

## **Example 1:**

*Starting Account Size – USD \$3,000*

Weekly increase in account size: 2%.

Account growth after 1 year: \$ 8,401

Account growth after 2 years: \$ 23,526

Account growth after 3 years: \$ 65,879

## Example 2:

*Starting Account Size – USD \$7,000*

Weekly increase in account size: 2%.

Account growth after 1 year: \$ 19,602

Account growth after 2 years: \$ 54,893

Account growth after 3 years: \$ 153,718

## Example 3:

*Starting Account Size – USD \$15,000*

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Weekly increase in account size: 2%.

Account growth after 1 year: \$ 42,005

Account growth after 2 years: \$ 117,628

Account growth after 3 years: \$ 329,396

Can you now see the power of compounding over time? I repeat, this is one of the greatest tools a trader has for building wealth. An account of USD \$3,000 could grow to \$ 65,879 in three years using correct money management rules and a good trading system(s). Same goes for an account of \$ 7,000 (to \$153,718) and an account of \$ 15,000 (to \$ 329,396).

Use a good money management system, a robust trading system, be disciplined and you could be amongst the 5% of traders who live the dream of creating true exponential wealth in the FX market.

## **Price Driven vs Indicator Based Trading**

It is not secret I base most of my trading on price alone. Most of the systems I create are based on using only the price of the financial vehicle I trade. I truly believe that price tells us all we need to know. However, this is not to say that indicator based trading is useless. Let's rephrase that: not all indicator based trading is useless.

I have created and traded 3<sup>rd</sup> party indicator based systems quite successfully over the years. But, and this is a big but, you have to be very careful which indicators you use and how you use them. One thing I have learned the hard way is that if you trade using

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indicators the conventional way your chances of success are not very high.

The key to trading with indicators is simple: do what most people don't do! Be unconventional. When everyone goes long, you go short. When everyone exists a trade you keep riding yours. In other words, think outside the box. I believe that success in trading like in everything else in life is greatly due to a "thinking outside the box" state of mind.

The very simple fact about trading with indicators is that 90% of traders using them follow them religiously. That is why they tend to not work. If you can come up with a system where you can outsmart those 90% of traders, you have a good chance of success.

The *Forex Navigator System* is based exactly on this type of reasoning. **It uses two common indicators in a non-common way!**

This system uses a combination of RSI and Bollinger bands, both of which you have probably heard of so I will not elaborate on. These indicators are available in all charting/trading platforms so you will not have a problem finding them.

The *Forex Navigator System* is a market specific day trading strategy. This means that I have decided that it works best on a certain currency pair and with certain *unique* filters that derive from this pair's behavior. The currency pair is GBP/JPY because:

- A. It has good intraday range
- B. It has good liquidity
- C. Its liquidity and volatility is **reliable**
- D. It moves without a lot of "noise".



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These four criteria are what make a currency pair an ideal candidate for day trading.

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## The Rules

Currency to be traded: GBP/JPY

Chart timeframe: 5 minutes

RSI setting: 14

Bollinger Bands setting: 20,2,SMA

### Step 1

We start viewing the 5 min GBP/JPY at exactly 00:00 EST. We wait for the RSI indicator to either reach a reading of 70 or a reading of 30.

The first reading that is reached will dictate if the trade is going to be a long trade or a short trade. If RSI reaches first a reading of 70 the trade will be short. If RSI first reaches 30, the trade will be long.

### Step 2

For **short** trade: we wait for market to penetrate lower part of Bollinger band by 3 pips and initiate trade at that same exact price.

For **long** trade: we wait for market to penetrate upper part of Bollinger band by 3 pips and initiate trade at that same exact price.

### Step 3

We immediately place out stop loss at 20 pips from entry.

### Step 4

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We place out take profit order at 50 pips from entry price.

## **Trade Management**

Since we are risking only 20 pips and going for a profit objective of 50 pips we can allow ourselves to re-enter trade if stopped out. At the end of the day, the GBP/JPY is quite volatile and hence that must be taken into consideration when trading it.

I will explain the trade management for long position, for short positions in is exactly the opposite.

So, if parameters are met as outlined above and we are in a long position but get stopped out we wait for market to now either penetrate the upper part of the Bollinger Band by 3 pips or we wait for the market to penetrate the lower part of the Bollinger band by 3 pips. Once trade is triggered again, be it long or short, we follow steps 3 and 4. If we get stopped out at this point we do not enter market again for the day.

Why?

Because we might be in a sideways market and one of the worst things a trader can do is chance a short term intraday swing on a sideways market day☺

Ok. Let's dive into some trade examples so that you can understand much better the system.

I will go over all trades between the 11<sup>th</sup> and 15<sup>th</sup> of February, i.e. all of last week.

## 5 Day Trade Examples

All times are EST time

### 11<sup>th</sup> of February 2008 Trade



We will quickly go over this first trade example so you can see how the trade worked out from start to finish on the same chart. On the next trade example I will be more specific in my explanation.

**A:** 00:00, start time.

**B:** RSI reaches 30 first. This means we will be looking for a long trade.

**C:** We were looking for market to penetrate upper part of Bollinger band by 3 pips and it did at 207.53. Long trade is triggered.

**D:** Stop loss is immediately placed 20 pips from entry at 207.33.

**E:** Profit target of 50 pips is reached at 208.03

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Trade outcome for 11<sup>th</sup> of February 2008: [+50 pips](#)

12<sup>th</sup> of February 2008 Trade



Ok, at point **A** we see the time from where we start to look for the trade setup. This is always going to be 00:00. Point **B** on the chart shows us the RSI reading at exactly 00:00, in this case it is 54.26.

Now, we have to wait for the RSI to either reach 70 OR 30 and follow the systems rules. Let's look at how this trade developed.

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So, we can see that at point **A** the RSI reaches 70. This means that we will be looking for a short trade. If it was the opposite and the RSI would have reached 30 first we would have been looking for a long trade.

At this point the RSI does not concern us anymore and what matters now is the market price and the Bollinger band. We are now waiting for the market to penetrate the lower part of the Bollinger band by 3 pips, and it does so at point **B**. We enter a short trade at 208.72 and immediately place our stop loss 20 pips from entry or 208.92 (point **C**). After stop loss is placed we either wait for the market to reach our profit objective of 50 pips or we enter a take profit order with our forex broker. At point **D** we can see the market easily reached out profit objective and the trade turned out to be a 50 pip winner.

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Trade outcome for 12<sup>th</sup> of February 2008: [+50 pips](#)

## 13<sup>th</sup> of February 2008 Trade



Trade development:

**A:** 00:00, start time.

**B:** RSI reaches 30 first. This means we will be looking for a long trade.

**C:** We were looking for market to penetrate upper part of Bollinger band by 3 pips and it did at 209.89. Long trade is triggered.

**D:** Stop loss immediately placed 20 pips from entry at 209.69. Market reached our stop loss and trade got stopped out for a loss of 20 pips.

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**E:** As per the system rules we re-enter trade at 210.08 (3 pip penetration of Bollinger band). In this occasion it was a long trade but could have been a short trade as well if the opportunity would have appeared first.

**F:** Stop loss immediately placed at 209.88.

**G:** Profit target of 50 pips is reached at 210.58.

Trade outcome for 13<sup>th</sup> of February 2008: +30 pips

## 14<sup>th</sup> of February 2008 Trade



**A:** 00:00, start time.

**B:** RSI reaches 70 first. This means we will be looking for a short trade.



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**C:** As expected the market penetrated the lower part of Bollinger band by 3 pips at 212.36. Short trade is triggered.

**D:** Stop loss immediately placed 20 pips from entry at 212.56. Market reached our stop loss and trade got stopped out for a loss of 20 pips.

**E:** As per the system rules we re-enter trade at 212.91 (3 pip penetration of Bollinger band). In this occasion it was a long trade but could have been again a short trade as well if the opportunity would have appeared first.

**F:** Stop loss immediately placed at 212.71.

**G:** Profit target of 50 pips is reached at 213.41.

Trade outcome for 14<sup>th</sup> of February 2008: **+30 pips**

## 15<sup>th</sup> of February 2008 Trade



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**A:** 00:00, start time.

**B:** RSI reaches 70 first. This means we will be looking for a short trade.

**C:** As expected the market penetrated the lower part of Bollinger band by 3 pips at 212.46. Short trade is triggered.

**D:** Stop loss immediately placed 20 pips from entry at 212.66.

**E:** Profit target of 50 pips is reached at 211.96.

Trade outcome for **15<sup>th</sup> of February 2008: +50 pips**

Total pips achieved between the 11<sup>th</sup> and 15<sup>th</sup> of February: **+210**

## Some Final Comments

The true success of a trader does not come from finding the perfect system. It simply does not exist. I know that especially new traders constantly look for that; the 90% success rate system! It doesn't exist. Over the long run every system has its drawdowns, times where market conditions change a bit and the system stop working temporarily. Most traders abandon the system at this point since they can't stand seeing a string of losers. And that my friend, is what separates successful traders from not successful ones. Successful traders know that every system they trade will have a drawdown and they are ready for it. They are ready for it because they employ correct money management rules. They know that success in trading is an outcome mainly of correct money management and emotion control.

Last week (Feb 11<sup>th</sup> – Feb 15<sup>th</sup> 2008) Forex Navigator did not have a losing day. Can anyone in the world guarantee us that next week will be the same? Or the week after that? Absolutely not! There will be good weeks and bad weeks.

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## Remember:

Success rate is not a constant in this business, money management is!

Keep your bets small and balanced, make sure that if you are hit you are not knocked out cold. Make sure to always be ready emotionally and financially for the next round.

I wish you all the best in your trading!

*Avi Frister*

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