Your First Profitable System

Market Types

Edge

A trading **edge** is a technique, observation or approach that creates a cash advantage over other **market** players. It doesn't have to be elaborate to fulfill its purpose; anything that adds a few points to the winning side of an equation builds an **edge** that lasts a lifetime.

Consistently Profitable

Stacking Edges

Becoming World Class at the important things

Categorizing market types

Exploiting the characteristics of that market type

Context

Match the tools and equipment to the appropriate environment.

January in Montana = no shorts

3 Types of Markets

Trending Market

Mean Reverting Market

No Go

Trending Markets

Bullish Trending Market:

Higher Highs

Higher Lows

Bearish Trending Market:

Lower Highs

Lower Lows

Euro / U.S. Dollar, 1440, FXCM O1.12141 H1.12215 L1.12108 C1.12196 +0.00050 (+0.04%)
Trending Market
1.25500
1.25000
1.24500
1.24000
1.23500
1.23000
1.22500
1.22000
1.21500
1.21000
1.20500
1.20000
1.19500
1.19000
1.18500
1.18000
1.17500
1.17000
1.16610
22:23:59
1.16000
1.15500
1.15000
1.14500
25
Mar
12
19
26
Apr
9
16
23
May
7
14
21
28

Trending Markets

Lower Win Rates

Higher Average Wins/ Lower Average Losses

“Let your winners run and cut your losers short”

Add to your positions as they continue moving

Mean Reverting Market

Clearly Identifiable Range

Failed Breakouts and Breakdowns

Price Reverts Back to a Median Price

Euro / U.S. Dollar, 1440, FXCM O1.12141 H1.12215 L1.12108 C1.12197 +0.00051 (+0.05%)
Mean Reverting Market
1.19000
1.18500
1.18000
1.17500
1.17000
1.16500
1.16000
1.15500
1.15000
1.14909
22:24:59
1.14500
1.14000
1.13500
1.13000
1.12500
21
Jun
11
18
Jul
9
16
23
Aug
13
20
Sep
10
17
24
Oct

Mean Reversion Market

Higher win rates

Lower avg win/ lower avg loss

“Cut your winners short & cut your losers short”

Take from your positions as they improve

No Go Market

Any unidentifiable market

No advantage with any of your setups

High risk and unknown reward