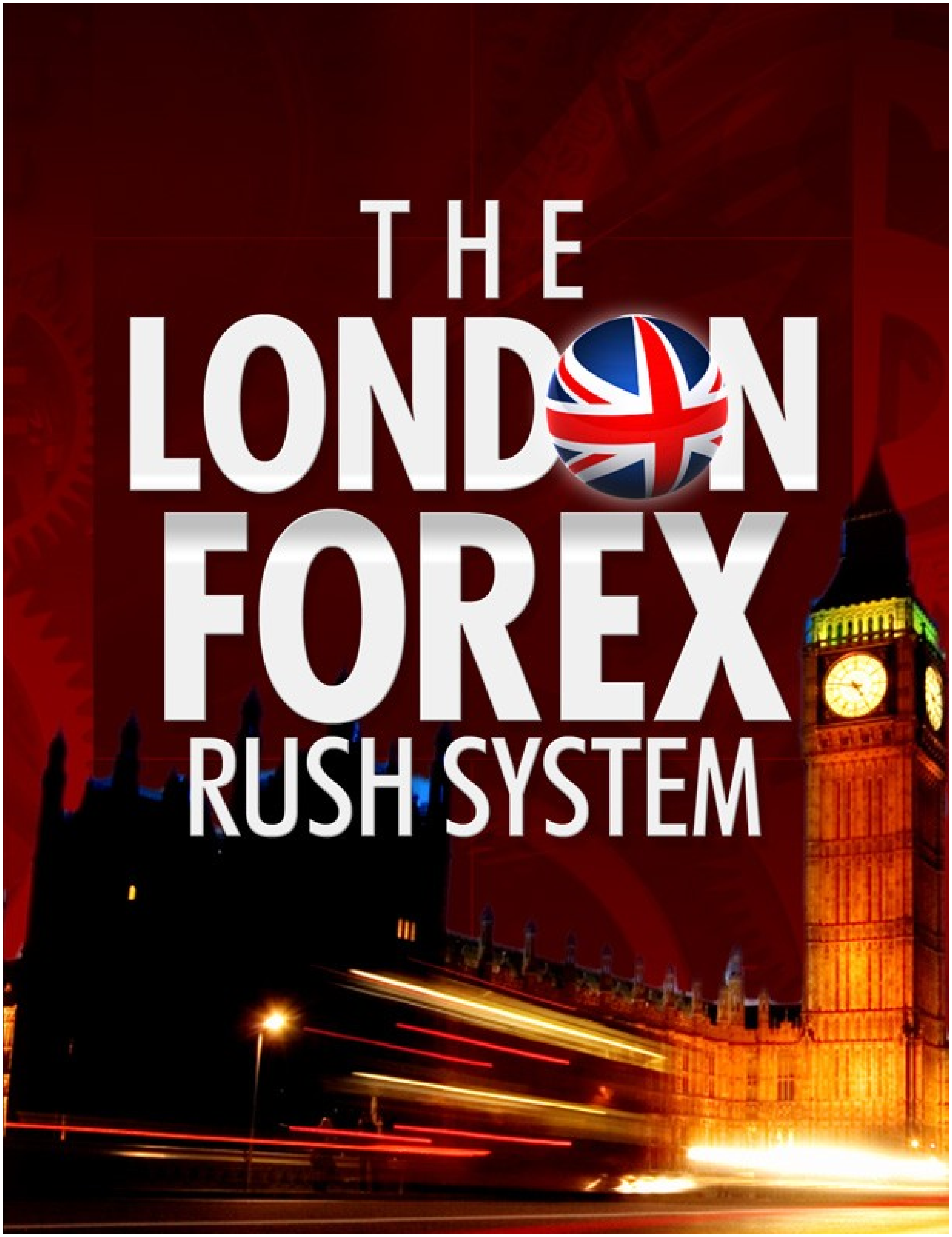

THE
LONDON
FOREX
RUSH SYSTEM

01 | Introduction

1.1 A Legacy From The Stock Markets – The Open Range Breakout

The London Forex Rush system is based on a powerful trading system that comes from the world of the stock markets. Intra-day stock traders have been exploiting the **Open Range Breakout** strategy for ages. And they continue to do so. That's because this strategy is easy to understand, simple to execute, and above all, profitable.

The Open Range Breakout intra-day stock trading strategy works like this: once the Wall Street opening bell rings at 9:30 am EST, breakout traders chart the first 20 or 30 minutes of action for certain, particularly volatile stocks. This opening timeframe is usually filled with wild swings as emotions run high in the early trading. Breakout traders mark the high and low point of that early period of volatility, and then watch closely to see which way the stock trends from there. Once the stock "breaks out" of that range, either to the upside or to the downside, the trader can confidently gauge the general direction the stock is likely to take for the rest of that trading session.

SUMMARY: The Open Range Breakout strategy attempts to predict a likely trend for the day by analysing the direction of the first "real" move once those initial, often confusing minutes have settled down.

Please keep this concept in mind, as it forms the basis for the London Forex Rush system.

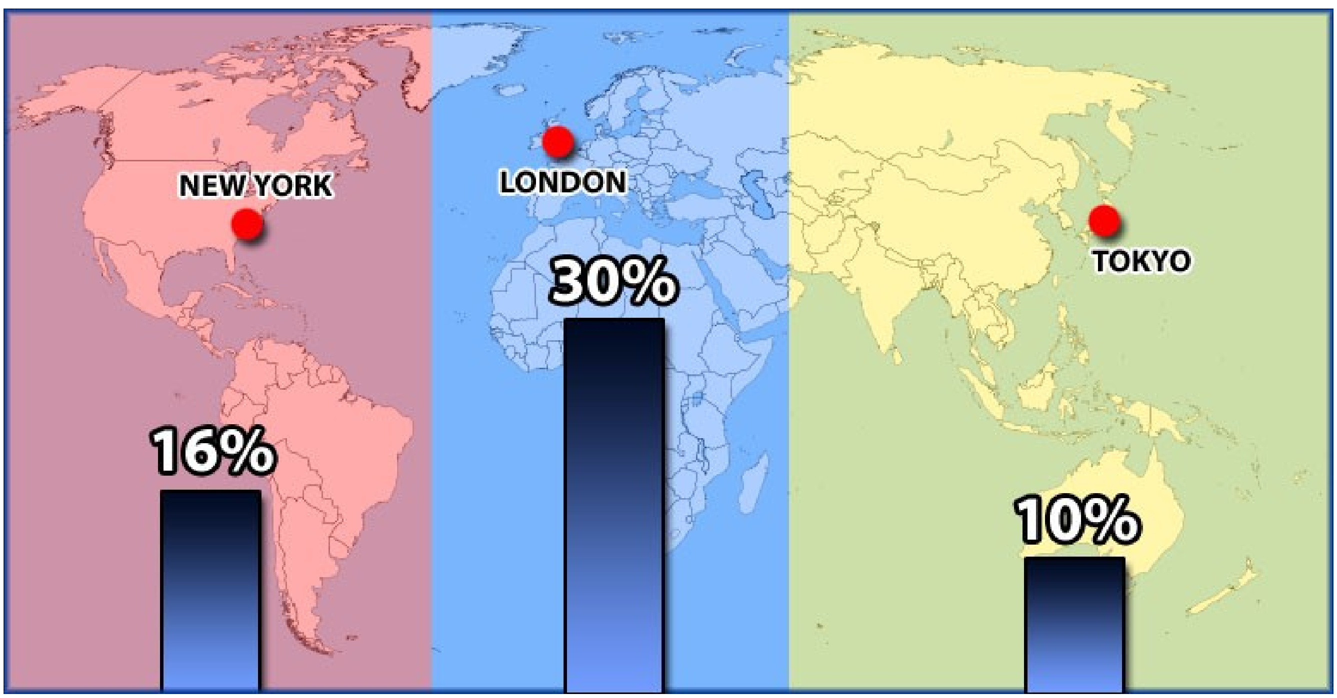
But before I explain just how we'll be putting this strategy to use, it's important that you understand a few key elements of the Forex markets.

1.2 The World's Three Major Markets

There are a number of financial hubs in the world: New York, Frankfurt, Hong Kong, Sydney, etc. However, three of them clearly stand out as the major exchange centers: London, Tokyo, and New York. Each of these stands as a financial reference point for its part of the world.

But even among these "Big Three" their respective trading volumes differ considerably and, most importantly for us, London has by far the most active Forex market.

Let me throw some figures at you: the volume of Forex transactions processed during London trading hours is typically close to 30% of the world's total daily volume (or about $580 billion US). New York does a little better than half that, with around 16% ($330 billion US). And finally, Tokyo typically sees about 10% ($210 billion US).



Remember this because, as you'll soon see, the London Forex Rush system allows us to put these differences in time zone and trading volume to work for us.

1.3 Seeking Volatility... And Finding The Sterling Pound!

So if we're trying to mimic the stock market's Open Range Breakout strategy into Forex, we need a candidate currency that's likely to be volatile early in the trading day.

Let's enter the GBP (Great Britain Pound or Sterling Pound) into the equation. Typically, this is by far the most volatile major currency. And its main crosses – GBPUSD, GBPJPY, GBPCHF, GBPAUD, GBPCAD and GBPNZD – will routinely pull out larger moves across the board than any other major currency. On any given day, all of the GBP major crosses will usually swing across a range of 150 pips and above. Luckily, we only need to be in position to grab a small portion of that range in order to make a healthy profit and grow our trading account.

1.4 The Tokyo Connection

Remember above, where I told you to bear in mind the differences in time zone and trading volume? This is where we exploit them.

We've already got our high-volatility currency picked out: the GBP.

Now, beyond volatility, the Sterling Pound has two characteristics associated with trade volume that make it perfect for our system:

1. The Pound is traded at very low volume during the Tokyo session.
2. The Pound is traded at very high volume during the London hours. Indeed, not surprisingly, it's where most of the daily trading for this currency is concentrated.

So on the one hand we have the volatile Pound contained within a fairly narrow range throughout the Tokyo trading day, but on the other, we have it springing to life as the world's most active Forex trading market opens.

If you're following so far, what we've got is a small, predetermined range (the Tokyo session), a high likelihood of a breakout move (during London session) and a high-volatility currency (the GBP). Does all that sound familiar? It's the formula from the Open Range Breakout strategy we mentioned right at the beginning!

But with the London Forex Rush system, we have another advantage that other kinds of Open Range Breakout traders don't have: the Tokyo and London markets overlap for one hour between 2 am and 3 am EST.

What that means, practically speaking, is that the London session can bee seen as a sort of "continuation" of the Tokyo session, but with wildly increased volume and volatility. The work of charting the "breakout range" the way the Open Range Breakout traders usually do in the first half hour has been done for us over the entire Tokyo session, so we're ready to capitalize on the high volume and volatility of the London session's passion for the Pound.

As the comparatively slow Tokyo session prepares to go to bed, the wild London one is just waking up. At that moment, around 3 am EST, there is significant market acceleration with thousands of transactions and trading orders going through.

That market acceleration creates violent swings during the first two hours of the London market, which continue until the trading frenzy calms down a little bit and things return to normality. We're looking to leverage that momentum, using the information we have from the day's trading in Tokyo.

1.5 Putting It All Together – The London Forex Rush System

Let's recap what we have got so far:

The Open Range Breakout is a strategy borrowed from the intraday stock markets. It seeks to recognize a stock's likely overall bias for the upcoming trading session by carefully watching for and monitoring its breakout from an early trading range established at the start of the session. The stock – or currency in our case – being tracked needs to be volatile to be useful for this purpose.

So…

1. The Sterling Pound is extremely volatile against other major currencies.
2. The London Forex market has the highest trading volume of all the major Forex markets, while Tokyo has the lowest.
3. The Sterling pound is hardly traded at all during the Tokyo session, while it is indeed traded heavily during London's.
4. The Tokyo market gives way to the London market between 2 and 3 am EST. At that precise time, the Forex markets experiment a rapid acceleration. This factor, combined with the previous three, makes a momentum breakout of the GBP-crosses rather likely.

Those are the four core pillars upon which the London Forex Rush system is built. We will be looking to trade the most volatile currency crosses (meaning GBP-pairs), right as the market goes through its most dynamic, accelerating period (the London market's first few hours), and we will be using the breakout from the range established during the Tokyo session as the trigger to our positions.

Needless to say, this a momentum-filled strategy!

02 | The Elements of The System

2.1 The Time Frame

More than perhaps any other system, the London Forex Rush system is focused on one particular time of day – those first two hours as the Tokyo market gives way to London. That means that we're going to be interested *exclusively* in taking trades during those two hours. The London market opens at 7 am GMT (which is 3 am EST), but we will need to be in front of our computers few minutes prior to that, so we can check our charts for possible trading opportunities.

By the way, just in case you're confused about world time zones and you're not too sure what EST or GMT translates to in your own time zone, you can compare the world's time zones at this website: http://www.timeanddate.com/worldclock/ .

2.2 The Trigger: The Tokyo Range

We will be using the trading range established during the Tokyo session as our entry signal. Or, more accurately, we'll be looking for the moment and direction in which the London session's price action breaks out of that range.

To make our entry point easy to find, we'll want to have the Tokyo range clearly marked on our charts. To do that, we'll mark both the Tokyo high and the Tokyo low with two horizontal lines.

So you're aware, the Tokyo market opens at 23 pm GMT and runs till 8 am GMT – or from 7 pm EST to 4 am EST. So what you'll need to do is draw two horizontal lines on each chart for GBP crosses: one at the GBP's high trading value during that time span, and another one at the low. Those two lines mark our main frame of reference – our breakout range.

As a general rule of the thumb, the tighter the Tokyo range has been, the better. That way, the explosion and direction of the breakout (if there is one) will be more pronounced as the London volume kicks in. Think of it like this: the Pound has been trying to break out of that tight Tokyo range the whole Tokyo day. The potential volatility has been there – this is the Sterling Pound, after all. But there simply hasn't been enough volume to propel it on its way. London fuels that volume, and recognizing this change is how we profit. That's why you want to see tight and sideways price action through the Tokyo session, followed by a momentum move during the first two hours of the London market open. Tokyo's constraint has set the parameters, and London's passion for the Pound forces it to break free of them.

Have a look at the picture above for a clear example of this phenomenon. You'll notice how price is squeezed tight from 7 pm to 4 am EST (Tokyo), but then it breaks free in a whiplash during the first hours of the London market. That's exactly the type of swing we're looking for!

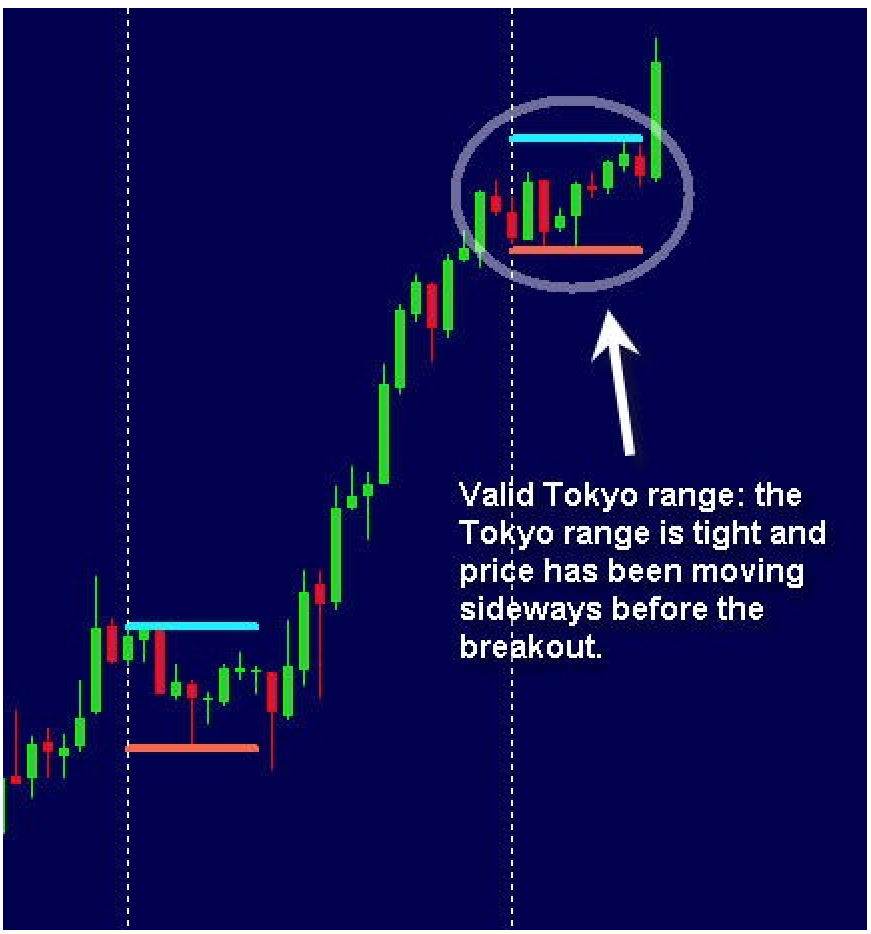
To make our point of entry crystal clear, we'll set the actual entry point for our trades exactly 5 pips beyond the lines set by the Tokyo session's high and low.

Let me stress this again, because it's important: **<u>the tighter and more horizontal the day's Tokyo range is, the better</u>**.

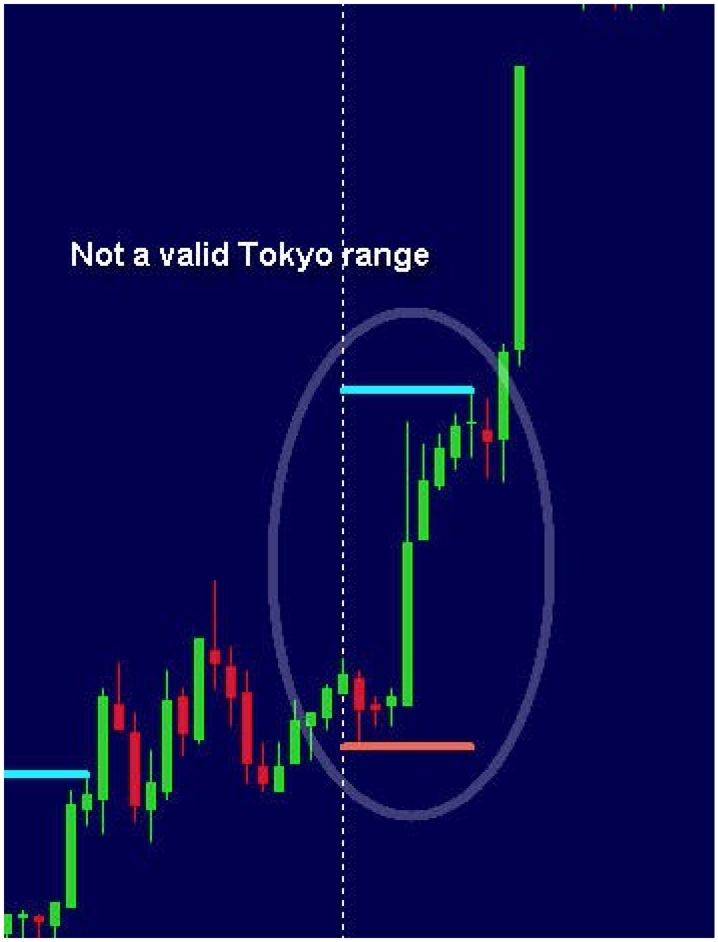
Here's why:

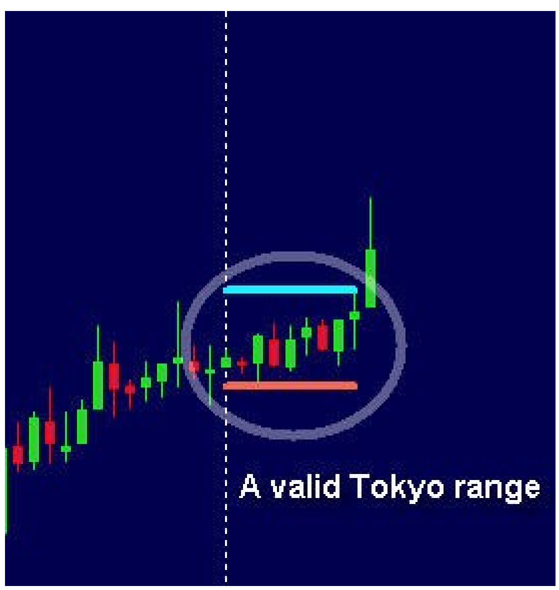
The London Forex Rush system is a momentum breakout strategy based on the market acceleration taking place during the first two hours of the London market. This is a fairly reliable phenomenon, based on the fact that the Tokyo Forex market for the GBP is typically rather sleepy, while the London market's is wide awake and very active. In order for us to see and capitalize on that momentum swing as the London volume kicks in, the price needs to appear to be slapped "awake" from a "dormant" status. If the Tokyo market has been surprisingly active for the GBP, and therefore price has been swiftly moving in any particular direction, there's no point in searching for a momentum punch at London open. The momentum is already there, carried over from Tokyo.

What we want is a sleepy GBP that's going to get a "wake up call" around 3 am EST. In order to get that, we'd like to see that tight, sideways Tokyo range. Let me show you some examples below of what is and what is not a valid Tokyo range:




Not a valid Tokyo range:
range is too wide and
price has not remained
flat at all


Not a valid Tokyo range


A valid Tokyo range

That ought to be clear. If not, go back and read that last section again because it really is *that* important. Always keep in mind that our goal is to profit from an explosive move in value as the usually-quiet Tokyo market gives way to fast-and-furious London. These are the market conditions this system was built to exploit, and it does so beautifully! So don't cripple your chances by venturing in when conditions are less than ideal. You'll find that, as long as your cherry-pick your setups, you'll easily profit from this strategy!

2.3 The Fuel: Momentum

It's important to understand that the success of the London Forex Rush system depends on momentum breakouts. If there's no momentum in the market this system **can not** excel. What that means for us is that we need to take notice when the day brings a flat or quiet market – and avoid that market like the plague.

Because of this, we will *only* consider the possibility of entering trades during the first two hours of the London session. That means that if the price hasn't broken out of the Tokyo range within the first two hours, we might be facing a quiet trading day. That's okay, but these are precisely the type of market conditions we hope to avoid. We will be waiting for the time when the market conditions are right, and then and only then will we pounce.

So please remember: if the Tokyo range hasn't been breached by 5am EST, we will not be taking any trades for the rest of the day.

2.4 What's The Market Bias: Buy, Sell or Flat?

The market bias, or “the trend,” will help us determine whether we want to search for long entries (meaning we’re looking to buy), short entries (looking to sell), or even if we simply don’t want to search for entries at all.

It’s an established fact that trading in the direction of the trend increases a trader’s win-to-loss ratio. This helps our overall scoring performance since we have the market inertia pushing our trade forward. That’s why we will only be interested in trading breakouts that take place in the direction of the market bias.

For example, if the market has been uptrending throughout the last few days, we will only be interested in breakouts of the upper band of the Tokyo range. In this case, should price drive through the lower band of the Tokyo range, we will simply pass on taking any trade on that currency pair for the time being.

Moreover, if the chart shows no clear bias through the last few days, it means the market has been fluctuating sideways, which makes it is too difficult to position ourselves to best take advantage of market momentum. Our best bet in a fluctuating market is to not search for any entry at all.


CLEAR DOWNWARD
MARKET BIAS
X
If the Tokyo range breaks to the downside we will search for short entries.
Alternatively, if it breaks to the upside, we will stay out of the market altogether

There is only **one exception to the rule of following the trend.**

Sometimes, shortly after the London market opens, you'll see price "spiking" in the direction opposite the trend, and break through the "wrong" band of the Tokyo range. But then, immediately after (and still within the first two hours of the London session) it will begin to swing back in the direction of overall market trend. When these two things happen, it's OK to ignore this early activity and look for possibilities to trigger our entry as usual. These spikes happen occasionally when large market players – investment banks, fund managers, etc. – run stoplosses early in the morning in order to shake weaker traders out of the market.

It is important for our purposes that we make sure that the spike reverses itself quickly. We can afford to stay in the market against a self-correcting spike, but not when it turns into a full swing against the trend. So please remember the following line: as long as within the first couple of hours, the spike dies out and begins to move solidly again in the direction of the trend, we might still profit from the day's activity.

2.5 The Trading Instrument: GBP-CROSSES

The London Forex Rush system trades exclusively GBP-crosses. Once again, this is due to both their high volatility, and the typical massive early-session volume influx. These are the two factors this system is designed to exploit.

We'll be following six of the major GBP-crosses: GBPUSD (Pound against the US Dollar), GBPJPY (Pound against the Japanese Yen), GBPCHF (Pound against the Swiss Franc), GBPCAD (Pound against the Canadian Dollar), GBPAUD (Pound against the Australian Dollar) and GBPNZD (Pound against the New Zealand Dollar). These six pairs are all a skilled London Forex Rush trader needs to build up his trading account.

You'll note we're excluding EURGBP (Pound against the Euro) as it simply lacks the volatility we require.

Now, be aware that many brokers don't offer certain of these trades. In particular: GBPCAD, GBPAUD and especially GBPNZD. But it's worth it to search for a broker who offers as many of these pairs as possible. The more pairs you can find, the more daily trading opportunities you will have. I personally recommend MIG FX: they offer all the currency pairs we need, their spreads are among the lowest for MT4-brokers and they are a secure and honest broker. Better still, MIG Forex features the very powerful (and free!) MetaTrader 4 charting platform which is the trading platform my custom indicators are coded for (more on my custom indicators in the following chapter).

I recommend you download their free demo here to test the waters. This will allow you to download their full charting platform immediately, with no risk involved.

This is what my charting screen looks like with MIG Forex:

2.6 Controlling The Risk: Stop Losses

As you may know, a stoploss is a pending order in the direction opposite your trade. For example, if you buy GBPUSD at 1.9800, you might place a sell stop order at 1.9750. That way, if price heads south, your maximum loss will be limited to 50 pips. Basically, once the price hits your stoploss, you're automatically exited out of the trade. Stoplosses are crucial in order to avoid unnecessary large losses. That's why every successful trader uses them religiously.

There are two ways you can set your stoploss in the London Forex Rush system, depending on your personal aversion to risk: an aggressive way and a conservative way.

1. **Aggressive stop loss placement:** the stoploss is placed 5 pips behind the Tokyo range mid-band. That is, you take the Tokyo range's high, subtract its low, divide the result by two, and set your stoploss 5 pips behind that figure.
2. **Conservative stop loss placement:** to take a more conservative approach, you can place your stoploss 5 pips behind the opposite Tokyo band from the breakout band. For example: if you buy the breakout of the Tokyo high, place your stoploss 5 pips below the Tokyo low.

So which is better? There's no right or wrong answer to that question. It depends entirely on how much risk you're willing to take as a trader.

I personally use the aggressive stoploss positioning. My reasoning goes like this: the London Forex Rush is a momentum-based technique. When the breakout we're looking for comes, we want the price to be moving away from the Tokyo trading range rather quickly.

If, once it breaks out and we have entered a trade, price comes back within the Tokyo range again, it may well mean that we were lacking the momentum we thought we had in the first place. Without that momentum, I don't feel the need to wait for the price to reach the opposite band of the Tokyo range in order to exit the trade.

In essence, I feel momentum is important enough an ingredient for our success that in its absence, seeing price returning to a level midway through the Tokyo band (plus 5 pips) is more than enough to get me to drop the position.

2.7 Exiting The Trade: Profit Targets

Profit targets are similar to stoploss orders, but in the opposite direction. They're pending orders that automate the exiting process when we hit out profit goal.

Why would you want to exit a profitable trade? Because as we already established, the Pound is volatile. We can judge with a fair degree of success when it will go in our direction, but we have to be aware it will always go the other direction sooner or later. Setting profit targets allows us to close a profitable trade at the point where we're satisfied with the profits we've already made – and exit before volatility takes us the wrong direction.

Remember, the London Forex Rush system aims to capitalize on two things: 1) The correlation between the Tokyo range breakout and the likely trend for the London session, and 2) the high volume in the first two hours of trading. So we aim to make most of our profits fast and early, then get out. History shows this is the most sensible plan to give us the best chance to build long term profits.

Just as we saw with our stoploss placements, our exits also allow both aggressive and conservative approaches.

So, how do we set them? Let's elaborate on this topic in detail:

Different currency crosses pour in different average daily moves. That means that while some might move 150 pips per day as an average (such as GBPUSD), others might move over 300 pips per day (such as GBPNZD). By averaging how many pips any particular currency pair has moved per day over the last X number of days (14 days is a commonly used number), we can arrive at the "average daily range".

We use the average daily range to determine our target profits. Here are the two ways of setting our targets:

1. **Aggressive target placement:** the aggressive approach seeks to exploit the full amount of the average daily range. Imagine we were seeking to enter a long (BUY) trade: we would calculate the average daily range (in pips) for a particular currency cross for the last 14 days; then we add that number to the Tokyo low for that day (or Tokyo high is it was a SELL trade). The resulting figure gives a potential point where, as a statistical average, that currency pair might be expected to run out of steam. So, by setting our target aggressively, we'll want to place our exit point just a little before that point, to be on the safe side.
2. **Conservative target placement:** the conservative approach is also based on the average daily range, but considers a psychological factor as well. It takes into consideration the "round number phenomenon". Round numbers are those price levels ending in "00" or "50" (for example: round numbers for GBP/USD would be 1.9700,

1.9750, 1.9800, 1.9850, etc). The "round number phenomenon" suggests that once the price has broken a round number, it tends to gravitate towards the next one. Moreover, if price can not break through a round number, chances are that it will fall back to the round number immediately below. Well, the conservative approach of placing our targets takes them into consideration so we exit the trade few pips before hitting a nearby round number in case price does bounce off that level.

Let's look at an example.

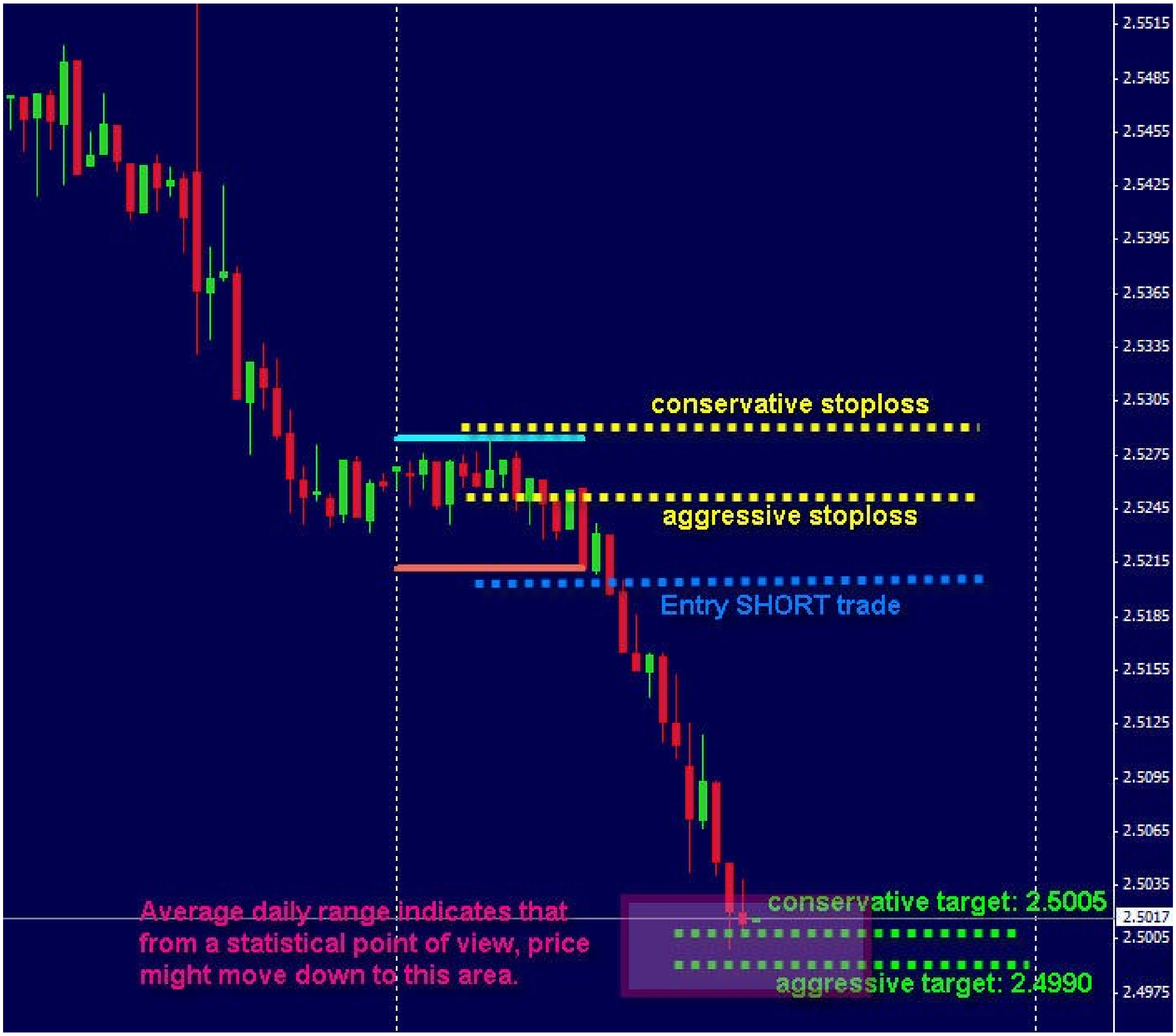
Let's say we take a long entry on GBPUSD at 1.9715 - that's our starting point. Now, let's say we calculated the average daily range, and by adding it to our Tokyo low, it takes us, in theory, all the way up to 1.9815 – which would be a gain of 100 pips.

The aggressive way of placing your profit target would be to set it just shy of 1.9815, at a number like 1.9810.

The conservative approach would suggest we exit the trade few pips before 1.9800 just in case the price does indeed finds resistance there and falls back.

I am a firm believer in the round number phenomenon. The markets are run by humans and are susceptible to group psychology. Therefore, I recommend using the conservative approach to setting your exit levels. I feel that in the long run, they will grow your account further than an overly aggressive approach will.

To see the round number phenomenon in effect, have a look at the GBPNZD chart below:



As you can see, the entry was taken as the price broke out of the Tokyo range in the direction of the down-trend. Now, the average daily move for this currency pair indicated that price might drop all the way down to a level a bit below 2.5000.

By setting the profit target conservatively – in this case, 5 pips before hitting the 2.5000 round number at 2.5005 – we can see how a potential loss was turned into a gain. Notice that the price did in fact find support and bounce back up from the 2.5000 level. Psychology can be a stronger market force than momentum so it’s best to take that into consideration.

One last point of clarification: even though we're only looking for entries when a breakout occurs in the first two hours of the London market, don't expect your profit target or stoploss to be hit within that time span. Usually, the trade will remain open for few hours after the two hour entry window closes. This is normal and furthermore acceptable. Remember, we were using that window of high volume only as a predictor of the overall daily trend, not as a profit target time frame.

2.8 Money Management: The Correct Lot Size

Proper Money Management is vital to the trader hoping to grow his account balance. We're intentionally dealing with a volatile currency here at the end of the day!

So even though every trade we take has all the hallmarks of a "good one," it's crucial that we don't over-leverage our trades. Never enter a trade with more contracts (or "lots" in the Forex lingo) than you can afford. The key concept here is capital preservation and slow-but-steady account growth. The Forex London Rush system is built on knowledge and long-term predictability. If we ignore these factors and over-extend ourselves, we'd be in fact treating trading like gambling and that's certainly not the right approach to trading, is it?

Let me stress this: to give ourselves the best chance for sustained account growth, we need to keep under systematic control how many lots we enter our trades with.

Here's a generally-accepted, and I think very effective rule: never risk more than a 3% of your account size on any given trade. That means that should our trade be stopped out for a loss, the impact on our account won't be any larger than a very acceptable 3%.

Calculating that 3% figure takes a little math, but it's not that hard to understand… and better still, I've automated the process for you in my custom indicator (once again, there's plenty of more info about the indicator in the following chapter). But since it's still worthwhile to understand how it works, let me dig a little bit in detail:

We know from our instructions above how to set the distance between the entry level and the stoploss level. Next, we need to know the value of each pip for one standard lot (100,000 units traded) for that particular cross. Once we know that, we can multiply that dollar amount by the number of pips in from entry level to stoploss. That gives us an idea how much we'd be risking, in dollars, if we trade one standard lot. As long as that result is not more than 3% of our total account balance, the trade is safe. If that result is more than 3%, we'll need to reduce our lot size.

It sounds more complicated than it is. Let's look at an example, and you'll see how simple it really is.

Say we have a $10,000 account and we're looking to enter a BUY order on GBPUSD at 1.9200. We've done our calculations, and we want to place the stoploss at 1.9155, so we're risking 45 pips in this trade.

The pip value for GBPUSD is $10/pip per standard lot, so if we take the trade with 1 standard lot and our stoploss is hit, we would lose 45 x $10 = $450.

Now, the 3% of our $10,000 account that we're willing to risk is only $300, which means $450 is more than we can safely risk. So we need to enter this trade with less than 1 standard lot. The appropriate lot size for this trade according to our money management rules should be 300/450 = 0.66 lots.

Again, it's worth understanding, but part of the beauty of the system is that it's fully automated! So keep reading because you're about to learn how I have automated the whole system into my own particular indicator!

03 | Automating The System

3.1 Applying The Indicators To Your Charts

The entire London Forex Rush system has been programmed to work seamlessly with the MetaTrader 4 platform. But before we can begin trading the London Forex Rush system, we need to download and install all the required elements of the system in your computer. For that reason I have recorded a video with all the instructions you need to have the London Forex Rush system running within five minutes! Here is the link to the tutorial video:

www.LondonForexRush.com/installation/installation.html

Please watch that video and follow the steps carefully. Once again, the recommended MT4 platform can be downloaded for free here.

When you placed your order, you received on your email the link to download this eBook, the system indicators and the template I personally use. Now you're ready to download those files into their appropriate folders:

- Download the indicators files (LondonForexRush.ex4 and MarketTrend.ex4) to the MetaTrader4/experts/indicators subfolder.
- Download the template (LondonForexRush.tpl) to MetaTrader4/templates subfolder.

Once you have downloaded all the indicators, you'll need to re-start your MT4 platform.

When you have the 6 Sterling Pound pairs charted in your screen, I recommend you to re-adjust them to fit your screen by clicking on the Window menu, and selecting the Tile Vertically option. Voila! Now your screen should look just like mine!

Now, please set all six charts to the Hourly (H1) time frame. That's the only time frame the London Forex Rush system pays attention to.

Okay, you're finally ready to investigate the indicators themselves…

3.2 Reading The Indicators

There are two indicators we'll be concerned with: the Market Trend indicator and the London Forex Rush indicator itself. Here you can have a look at what the indicators actually look like when applied on the chart.

Now let me debrief you on what each point means exactly:

1. The indicator will tell us **right at the London market open** (3 am EST), based on the factors the London Forex System uses to determine potentially profitable trades, whether there are any trading possibilities for each particular currency cross. At that precise time, it will give three possible readings: “Long trade,” indicating that we’re looking to BUY, “Short trade” indicating that we’re looking to SELL, and “No trade” indicating that we’re not looking to trade that currency pair at all – at least not today.

   If the indicator is set at “No Trade”, none of fields 3 through 6 will appear in the screen. This is because there are will be no valid entry, stoploss or exit levels assigned by the system.

   By the way, the indicator comes alive right at London open time and only stays on for the first two hours of the London session. Don’t worry if all the charts are in “no trade” mode before or after that time span. That’s just the default. It’s only when you see that at 3:00 am EST the indicator is still in “no trade” mode that there are actually no valid trading opportunities available.

2. The countdown ticks the first two hours of the London market. Remember that we’re only looking to enter the market if conditions present themselves within the first two hours of the London session (3 am to 5 am EST). Once those two hours have ticked away, the indicator will reset itself at “No trade” until the next day. So if the actual breakout move hasn’t taken place within the first two hours of the London session, we can in fact shut down the computer because no entries should be taken thereafter.

3. If the indicator shows either a BUY or SELL opportunity, it will also tell us our exact

entry level, which will be the high or the low of the Tokyo band (plus 5 pips) depending on what direction we are to trade.

4. The indicator will automatically calculate both aggressive and conservative levels for out stoploss. Again, I personally use the aggressive level.

5. It will do the same for our profit target levels. I use and recommend the conservative one.

6. Money management. As you can see in the screenshot above, the indicator gives two different options for the lot size to be traded – I told you it would be automated! The aggressive option is only to be used if you picked the aggressive stoploss placement, and the conservative in case you picked the conservative stoploss placement. Please don't mix these two.

   Finally, it's worth mentioning that the lot size multiplier has nothing to do with target placement. In the chart above, we can see how we should enter our BUY order at 1.9956. Then, if we place our aggressive stoploss at 1.9899, we should enter the market with 0.49 lots. Alternatively, if we decide to place our stoploss at a more conservative 1.9852, we should enter the market with only 0.28 lots. All calculations are done for you by the system. All that regardless of where we place our target.

7. The Market Trend indicator. This is a custom indicator that points out current market bias. A green color implies the market is trending upwards, and therefore we'll only interested in BUY entries. A red colour implies a downward trend, so we will only be looking for SELL entries. Finally, a grey color means that there's no strong bias either way, and it's best to not look for trades at all, at least for today.

8. The light blue line marks the high for the day's Tokyo session. If the system recognizes a BUY opportunity, the entry level will be 5 pips above that line.

9. The magenta line marks the low for the Tokyo session. If the system recognizes a SELL opportunity, the entry level will be 5 pips below that line.

As you can see, reading the indicators is both easy and intuitive. Once you've gone through it a few times, it will take you only a moment to recognize whether there are any trading opportunities on a given day.

This is what your daily routine trading with the London Forex Rush system will look like:

- Open up your charts few minutes before the London market kicks off. Quickly check the six GBP-pairs we keep track off.
- As the London session begins (3:00 am EST), look to see whether the London Forex Rush system is giving any trade signal. If not, then you're done for the day and you can shut down the trading station. If yes, stay on as the countdown begins to tick.
- Look at the Market Trend indicator and see in which direction you want the breakout to occur when the London market opens up: either to the upside or to the downside. Remember, if it's green you'll only be interested in upside breakouts. If red, only in downside breakouts. If grey, you'll be interested in no breakout at all.
- If the breakout does take place in the direction of the Market Trend indicator AND if the London Forex Rush indicator calls the trade, we will enter the market at the entry level specified by the indicator. Furthermore, we'll also punch in our stoploss, profit target and lot size as instructed by the indicator. It should go without saying that if the breakout takes place in the opposite direction, we should stay out of the market and take no trade. Moreover, if the breakout does take place in the direction of the Market

Trend indicator but the London Forex Rush indicator remains in “No Trade” mode, we will NOT trade that breakout. Trust the system ☺

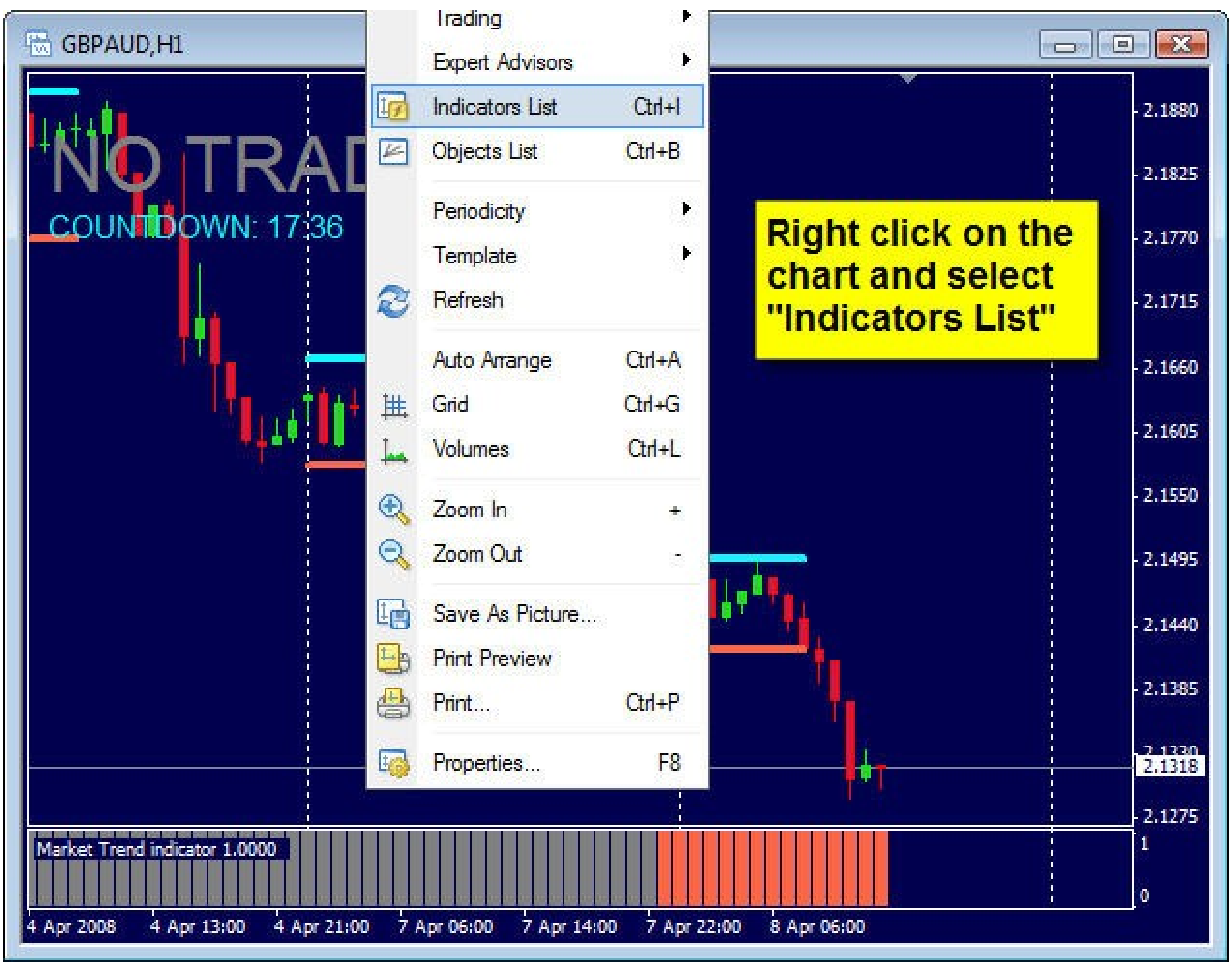
- If the breakout doesn’t quite happen before the two-hour countdown limit, it’s also time to call it a day: there’s not enough momentum in the market today for us to capitalize. Don’t second guess the system.

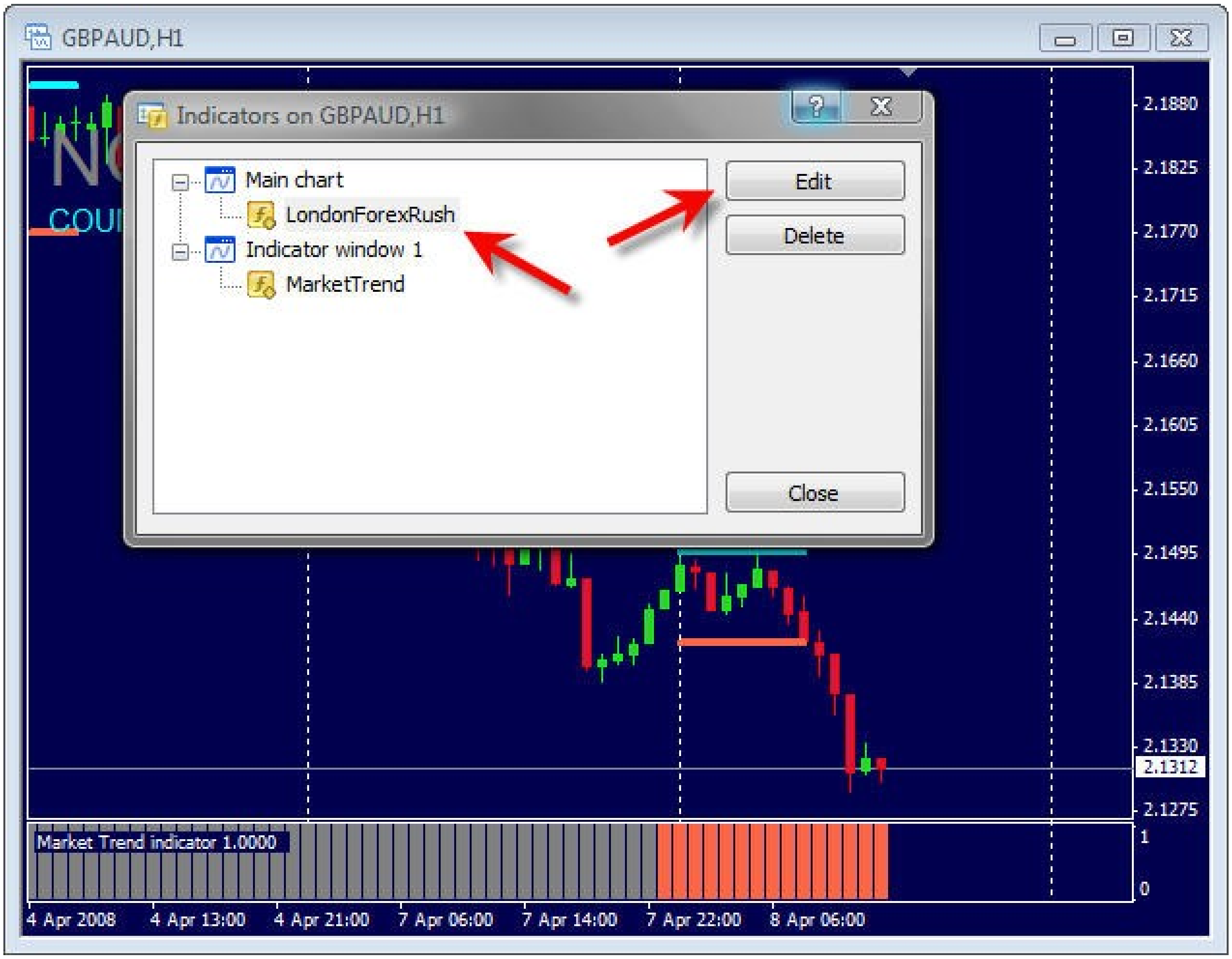
And that’s it. Simple, right? With so much of the process automated by our indicator, a little more than two hours a day is all we need to trade with the London Forex Rush system!

3.3 The Indicator Settings

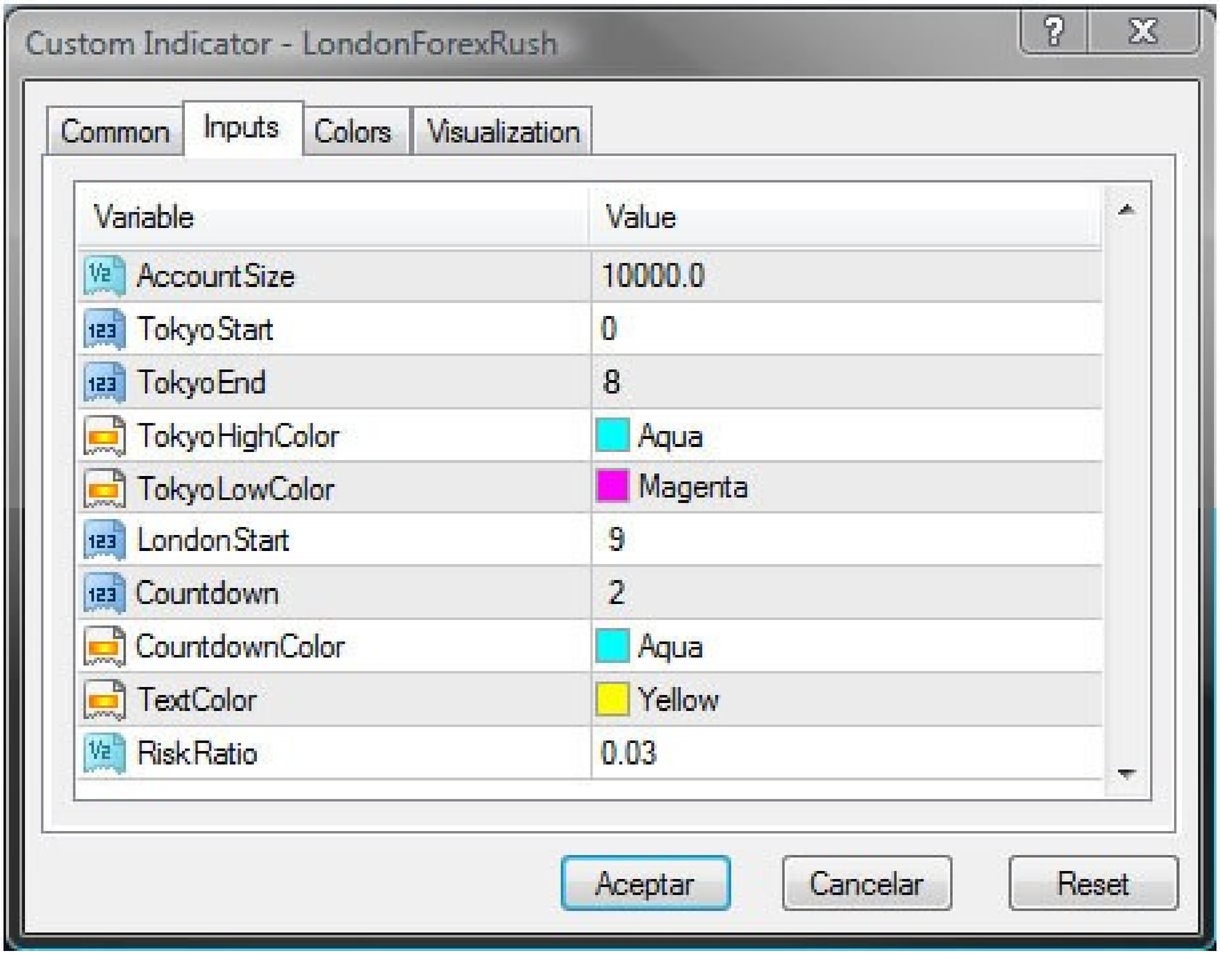
Before you begin using the London Forex Rush system, you'll need to adjust the London Forex Rush indicator settings to your own parameters. Let's do that now.

Once you have the six charts (one for each GBP-cross) loaded up on your screen, right click on one of them and select "Indicator list." A new window will pop up where you will see the LondonForexRush and the MarketTrend indicators. The MarketTrend indicator doesn't need any adjustment, so select the LondonForexRush indicator and click "Edit."




GBPAUD,H1
Indicators on GBPAUD,H1
Main chart
LondonForexRush
Indicator window 1
MarketTrend
Edit
Delete
Close
2.1880
2.1825
2.1770
2.1715
2.1660
2.1605
2.1550
2.1495
2.1440
2.1385
2.1330
2.1312
2.1275
Market Trend indicator 1.0000
1
0
4 Apr 2008
4 Apr 13:00
4 Apr 21:00
7 Apr 06:00
7 Apr 14:00
7 Apr 22:00
8 Apr 06:00

Now, the settings window should pop up. Click on the "Inputs" tab at the top of the window. This will take you to the indicator's parameters. Let's review them:



- **Account Size:** This is the size of your trading account in dollars. This is not automated so **you'll have to manually modify it after every trade** for the Money Management feature to work properly.

- **Tokyo Start:** This is the time of the day the Tokyo market begins, which is used to mark in your chart the beginning of the Tokyo range bands.

  If you use MIG FX as your charting platform (and I strongly recommend it), please leave this setting at 0 which means 00:00 or midnight Central Euro Time (MIG FX is a

Swiss brokerage firm and thus their servers are based on Central Euro Time). Every MT4 feed uses their own time zone, so if you don't use MIG you will need to convert 00:00 CET (6:00 pm EST) to whichever time zone your MT4 feed is based on.

- **Tokyo End:** the time of the day the Tokyo market ends, which is used to mark in your chart the end of the Tokyo range bands. Please set it equal to London Start minus 1 hour, despite the fact that in reality Tokyo actually closes one hour after London market opens – at the end of the day, our interest in the Tokyo market concludes once London opens, so we need to set the Tokyo End at 8 am CET or 2 am EST. If you use MIG, set it up to 8, and if you use another MT4 feed you will need to convert that.

  But like I say, as an overall rule of the thumb, the Tokyo End parameter is supposed to be set equal to the London Start parameter minus 1.

- **Tokyo High Color:** The color of the Tokyo high band. This is a matter of personal preference. The default is set to Aqua.
- **Tokyo Low Color:** The color of the Tokyo low band. The default is set to Magenta.
- **London Start:** The time of the day the London market opens up. Default settings for MIG is 9 meaning 9:00 am CET (3:00 am EST). Again, if you use another MT4 feed, you will need to convert 9:00 am CET (3:00 am EST) to whichever time zone your MT4 feed is based on.
- **Countdown:** This is the time span, beginning with the London market's opening, that we may trigger a trade. Leave it at 2, meaning 2:00 hours countdown limit.
- **Countdown Color:** The default is set at Aqua colour.
- **Text Color:** The color for the text entries such as "entry level", "aggressive and conservative stoplosses", etc. I recommend an easy to read, high-contrast color like yellow.
- **Risk Ratio:** the percentage of our trading account we will risk per trade. I recommend you to leave it at the default 0.03 (meaning 3% of your account size). If you're a conservative trader you might want to reduce it down to 0.02 or even 0.01 (2% and 1% respectively). If you have higher tolerance for risk, you may raise it but I certainly don't recommend this.

The indicator settings are pretty straight forward. The only point you might struggle with is setting the right times for the Tokyo start, Tokyo end and London start parameters. As indicated above, the indicator default settings is configured for MIG FX platform. However, if you're using another MT4 platform, here is a list of the time settings you should use:

	Tokyo Start	Tokyo End	London Start
MIG FX	0	8	9
Interbank FX	22	6	7
FXDD	1	9	10
Alpari UK	0	8	9
Crown Forex	22	6	7
FX open	1	9	10
ODL securities	22	6	7
FX pro	1	9	10
TradeView Forex	1	9	10
Ikon Royal	1	9	10

TWO IMPORTANT POINTS – PLEASE READ:

1) **It makes no difference where in the world you live**. The only thing that matters is where in the world your MT4 provider's server is located. So, for example, if your MT4 provider is Interbank FX, simply set the indicator parameters to *Tokyo Start 22*, *Tokyo End 6* and *London Start 7* as per the table above and you're good to go regardless of where you personally live.

2) **Summer Day Time does not affect the indicator setting.** Regardless of whether we are in winter or summer time, the London market still opens at 8:00 am London time or 3:00 am EST, so don't alter the indicator time settings due to summer time changes.

Alright, you're done adjusting your settings!

Now, right-click on the chart again. This time, select "Template", then "Save template" and finally over-write the old LondonForexRush template. The system will now use your selections as the defaults for that window.

One step to go, and you're all set up: apply the new template to every GBP-cross chart (six in total). Right click on each chart, select "Template," then "LondonForexRush" and you're done!

You're now finally ready to trade!

04 | Trading With The London Forex Rush System

4.1 It's a conservative system!

First of all, there is one thing that's worth noting: the London Forex Rush system is a conservative system and therefore it will only signal trade calls when everything falls in line. That means that **the indicator will not call for trades every single day**. So don't be surprised if the indicator remains on “No Trade” mode for few days in a row: when the perfect market conditions are not there it's best to not risk your money and wait it out until a better market outlook comes by.

Patience is fundamental for a trader, and sooner or later the indicator will find high-probability trades and will let you know so. Those are the trades worth taking!

4.2 The Trading Methodology

Let’s quickly review your daily trading routine:

1. Open your charts a little before the London market opens at 3:00 am EST. Make sure the six GBP-crosses are set to the H1 time frame, your internet connection is fine, and your MT4 platform is receiving the market quotes.

2. Simply wait for the London market to open at 3:00 am EST or 8:00 am London Time.

3. At 3:01 am EST, right as the London market opens, the indicator will come alive. It will call one of three things: a “Long Trade” opportunity, a “Short Trade” opportunity, or “No Trade” opportunity at all. If there is a trading opportunity, it will also point out the entry point, stoploss, profit target, and lot size levels.

4. Before taking a trade, check the Market Trend indicator to verify whether the chart is uptrending (green color), downtrending (red color), or not trending at all (grey color).

5. If the indicator calls a trading opportunity, we will only take that trade if two conditions are met: 1) if the breakout takes place before the countdown expires, and 2) if the breakout occurs in the direction of the Market Trend indicator. If both these conditions are not met, will pass on the signal given by the London Forex Rush indicator.

6. If all six charts remain in "No Trade" mode at 3:01 am EST, or if a breakout takes place in the direction opposite the Market Trend indicator, or if no breakout takes place before the countdown expires, we can switch off the computer. We will not take any trade for the rest of the day.

7. Finally, If we do take a trade, we will exit it as soon as either the stoploss or the profit target level is hit. Again, I recommend using the aggressive stoploss and the conservative profit target, but that choice is up to you.


GBPAUD,H1
SHORT TRADE
COUNTDOWN: 1:33
Entry: 2.1386
Aggressive Stop Loss: 2.1449
Conservative Stop Loss: 2.1502
Aggressive Target: 2.1301
Conservative Target: 2.1301
Aggressive Lot Size Multiplier: 0.42
Conservative Lot Size Multiplier: 0.25
London Forex Rush calling a short trading opportunity and the breakout is taking place to the right side and before the countdown ticks out.
VALID SELL TRADE!
Downtrend as per the Market Trend indicator
Market Trend indicator 1.0000
3 Apr 2008
3 Apr 20:00
4 Apr 04:00
4 Apr 12:00
4 Apr 20:00
7 Apr 05:00
7 Apr 13:00
7 Apr 21:00
8 Apr 05:00
8 Apr 13:00

4.3 Other Considerations

Those are the basics, but there are a couple situations that require a bit more careful attention by the trader. We'll go over those briefly now.

Spikes against the trend

As mentioned above, sometime, when the market opens, we might see a momentum "spike" against the trend which breaches the opposite band of the Tokyo range. Don't panic. There's a reason for it. The start of the London session is highly volatile, and high-volume. This creates a lot of "market noise." Large institutional traders take advantage of this confusion to run some stop orders, driving price in one direction momentarily. So don't be surprised if on occasion you see price shooting quickly against the trend, only to turn around immediately after. In trading lingo, you're seeing what is usually referred as "stop loss hunting".

When you see such a spike, remain calm and follow price action closely.

If the spike dies out quickly and begins to move back in the direction of the trend, you will carry on with your basic day's plan as if the spike had never happened. If it doesn't fully reverse itself, and continues to push against the trend, it's best to bail out until the next day. You don't want to fight the market forces.


GBPCHF,H1
NO TRADE
COUNTDOWN: -
Entry BUY
The counter-trend spike dies out quickly, so it's OK to keep on monitoring the chart as usual for an entry.
2.4385
2.4370
2.4355
2.4340
2.4325
2.4310
2.4280
2.4265
2.4250
2.4235
2.4220
2.4205
2.4190
2.4175
2.4160
2.4145
1
0
17 May 2007
17 May 19:00
18 May 03:00
18 May 11:00
18 May 19:00
21 May 05:00
21 May 13:00
21 May 21:00
22 May 05:00
22 May 13:00
22 May 21:00
23 May 05:00
23 May 13:00


GBPJPY,H1
NO TRADE
COUNTDOWN: -
In this case, the counter-trend move keeps on pressing down: it's best to look for trading opportunities somewhere else.
Market Trend indicator 1.0000
30 May 2007
30 May 19:00
31 May 03:00
31 May 11:00
31 May 19:00
1 Jun 03:00
1 Jun 11:00
1 Jun 19:00
4 Jun 05:00
4 Jun 13:00
4 Jun 21:00
5 Jun 05:00
5 Jun 13:00
243.05
242.85
242.65
242.45
242.25
242.05
241.85
241.65
241.45
241.25
241.05
240.85
240.65
240.45
240.25
240.05
239.85
239.65

Risk vs. Reward Ratio

This is an advanced Money Management concept that calculates how much we can possibly lose against how much we can possibly gain for a particular trade. Naturally, we'd like to be in a position where we have more to gain than we have to lose.

We calculate Risk vs. Reward as follows:

- Risk = distance in pips between the entry point and your chosen stoploss level.
- Reward = distance in pips between the entry point and your target level.
- Divide Reward by Risk and you will get a number. If that number is above 1, the reward is higher than the risk. This is what we're gunning for.

I recommend sticking to trades with a Risk vs. Reward ratio of 1.5 or higher. That way, even if you only make money on half of your trades, you still have a statistical edge and you will make money in the long term.

Let's imagine half of your trades are winners and the other half go belly up. If every winner grows your account by 1.5 units while every loser sets you back 1 unit, in the long run you still profit!

Play it safe, and success will come slowly-but-steadily in the long run.


Stoploss 230.70
SELL 229.10
Target 225.65
Risk: 230.70 - 229.10 = 160 pips
Reward: 229.10 - 225.65 = 345 pips
R vs. R: 345 / 160 = 2.15
Positive R vs. R ratio: it's OK to take the trade from a money management point of view.
239.25
238.10
237.00
235.85
234.70
233.60
232.45
231.30
230.20
229.05
227.95
226.80
225.65
224.55
223.40
222.25
221.15
220.00
218.85
1
0
14 Aug 11:00
14 Aug 19:00
15 Aug 03:00
15 Aug 11:00
15 Aug 19:00
16 Aug 03:00
16 Aug 11:00
16 Aug 19:00
17 Aug 03:00

Multiple, simultaneous trading opportunities

Some days, you'll see the London Forex Rush indicator calling possible trades for multiple GBP-crosses.

Don't get excited, and don't get ahead of yourself.

Taking multiple trades at the same time can be dangerous. When we expose that much of our account, any bad shift in the GBP-perception by the market might take a big chunk out of our account balance all of a sudden. You see, it would only take one turn in the market to cause you multiple (and simultaneous) losses, and we cannot afford that!

It's never wise to overexpose or overleverage yourself to the same currency, and since we only trade GBP-crosses the best way to handle this kind of situations is to simply pick one setup and ignore the rest for the day.

Which of course leads to the question: ***"If the indicator calls valid trading signals at the same time on different currency crosses, which one do I pick?".*** There are two good ways to choose the best trading opportunity when faced with more than one choice:

1. Calculate the Risk vs. Reward ratio for each, and pick the one with the **highest ratio.** This is probably the most sensible choice for conservative traders.
2. Watch them all, and pick whichever **breaks out from the Tokyo range first**. This is probably a more aggressive approach, but it's equally valid given that all the indicators are in our favour. Remember, this is a momentum-based system, and striking early gives the best chance to capture the market's early momentum.

Decide which one suits your trading personality better. **I personally prefer option #2.**

Moving your stoploss to a breakeven point

Sometimes, as we watch a trade unfolding in our favour, it can be tempting to re-adjust our stoploss to protect ourselves. And this **can** be a god idea…if we time the move correctly. But it can also come back to haunt us if we're not careful: if you tighten your stoploss too early, any random swing in price can knock you out of the trade, ruining a potentially-profitable day. Trailing the stoploss up too soon is a common beginner's mistake. The market is a living thing, and needs room to wiggle. You want to trust the system and believe in the trends without micro-managing your trades to death.

For the London Forex Rush system, I recommend you time the trailing of your stoploss with the opening of the New York market, which comes at 9:30 am EST, and here's the thinking: if the first two hours of the London market are the most volatile time of the day in the Forex market, the first two hours of the NY session are a close second. That means that we might see a second market acceleration at that point. And remember: that acceleration can go in either direction.

Don't trail your stoploss before the New York market opens. The trade does need time to unfold. Make sure you give it some breathing room, and don't worry about routine fluctuations. That's why you have a stoploss posted – so you know no fluctuation can prove too damaging.

If you want to be even more conservative, you might consider closing out a winning trade no matter what its current level is, right before the NY market opens. You can base that decision upon how well you've profited to that point. Following this train of thought, if our trade hasn't reached its final target by that time, I usually trail my stoploss to breakeven around 9:00 am EST just in case the NY open spurs price against me. If your trade has been successful so far, you're still facing the limited upside imposed by your profit target, but now that you're ahead, your potential loss is far greater. Be safe, rather than sorry.

Let me give you a quick example:

Let's assume you enter a trade as the London market opens, and you're hoping to gain about 120 pips. Now let's also assume that as the London market wears on, the trade moves swiftly in your direction. By 9:00 am EST (half an hour before NY open) you're sitting at 95 pips in profit. It might not be a bad idea to simply cash those pips off the table and avoid risking the extra volatility from the NY market's opening. You have only a little left to gain: 25 more pips. Do you want to risk giving 95 pips back to the market in order to squeeze out a final 25? In this scenario, it might be a good idea to be conservative and simply exit out at 9:00 am EST and call it a day knowing that 1) you've had a profitable day and 2) you played the game intelligently, exiting the trade ahead of the potential storm.

Summary: I do move stop to breakeven at 9:00 am EST, unless I am rather close to my final target in which case I simply close the trade and end my trading shift for the day.

05 | Epilogue

The London Forex Rush system is a fantastic trading strategy for those who want to specialize in a particular type of trading. This system focuses on momentum breakout trading. I am a firm believer in specialization no matter the professional field, and trading is no different. In the long run, it's far more profitable to master one single system than it is to dabble in several. You know, to exploit one single, reliable, recurring pattern, rather than trying to follow many.

All the professional traders I know have specialized in one particular trading strategy: some of them trade around news announcements and only around news announcements, some others trade stoploss-hunting techniques, some others rely on candlestick formations off the long term charts, etc. All are valid, but the universal theme is specialization. I myself have chosen to specialize in momentum breakouts around the first two hours of the London session – it's the only time of the day I enter trades and the only trading system I follow.

I love this system above all others because of its very particular time schedule: you really need to be focused for those two hours around the London open, but then if no trading opportunity has presented itself, you have the rest of the day free for other family or work commitments.

That means that if you trade full time, you have virtually the whole day free. And if you have a full time job, it's easy to work in the two hours necessary to stay on top of the London Forex Rush system. As long as you can dedicate two hours a day to your charts, you can trade this system successfully!

I hope you have found this introduction both helpful and enjoyable. And I hope the London Forex Rush system helps you along the way to all your financial goals. I am positive that if you take the time to master this simple system, and find the dedication to work at it every day, you'll find it as profitable and mesmerizing as I do.

Make sure to practice with a demo account at the beginning until you're comfortable with the system's indicators, concepts and, above all, trading results. So please stick to it! Soon you will see with your own eyes the system's enormous potential.

Cheers - to your trading success,

Al Russell

www.LondonForexRush.com