

FOREX ROBOTS REVEALED

*Forex Trader Reveals What You Must
Know Before You Buy Any Forex Robot!*



www.ForexRobotAdvice.com

Forex Robots Revealed

Specially Commissioned Report on What to Look For in a Forex Robot

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Introduction

Whether you are a total novice or you have some experience trading Forex, you have probably been intrigued by the advertisements for Forex robots, each successive one apparently behaving even better than the ones before.

They all seem to promise total “hands off” trading which will multiply your account incredibly every month. They all offer “proof” of this, in the form of back testing or documented trading which indeed shows the kind of return that you only dream about.

Despite their performance, these robots also seem remarkably affordable, and you may even have been tempted to buy one.

If you have, it may or may not have performed as you hoped. Whether it did or not, you have probably wondered how it does what it does, and may have been a little concerned to put your hard-earned money in an account that allows “black box” software total control of its destiny.

If you were not concerned, I expect you are a computer user who has never had a problem with their computer, and never suffered a system crash. This report is of no interest to either of you, but should be read by everyone else with an interest in Forex trading.

At this point, the cynical among you are probably wondering which Forex robot this report will recommend.

I have to disappoint you, as the purpose of the report is not to come down on the side of any particular robot, but to give you **unbiased and thorough advice on the pros and cons of the various types available so that you can decide for yourself.**

If you are ready to begin, let's get started.

Different Types of Forex Robots

What is a Forex Robot?

First, let's be clear what we mean by the term a Forex robot.

Traditionally, robots have been thought of as machines, perhaps with two arms, two legs, and a lot of flashing lights, as in the science fiction movies. The more usual reality is an industrial robot, such as those used to assemble motorcars, or spray paint them, which usually has just one long arm with a tool at the end.

In fact, the Merriam Webster online dictionary defines a robot as "a machine that looks like a human being and performs various complex acts (as walking or talking) of a human being". The second definition is "a device that automatically performs complicated often repetitive tasks", and this is more in line with the meaning in Forex robot.

There is no machine or device in the physical sense, but the Forex robot is a software program that will interface with an online trading site and make trades automatically for you. Another term that you may come across is *Expert Advisor (EA)*, and this can be the same thing as a Forex robot, or may just be software that will alert you to a trading opportunity, and require you to manually place the trade if you want to.

Now, when you trade Forex online you use what is called a trading platform, which shows you one or more price charts, together with other tools. A very common example of a trading platform is a MetaTrader 4, and you will find many of these robots are designed to interface with this platform, although some use custom software. The typical trading system is written in what is called the MQL-4 programming language, and if you want to, you can learn to write a system yourself. The more difficult part is to make it consistently profitable.

The robot will be protected, so that you cannot see the programmed commands and copy the ideas. This is the same as copy protection on regular software. What you will usually find is that there are some parameters which can be adjusted to enhance the robot's performance, and these are accessible to the user. They will have default values which you can change when you install the robot, or at any later time.

Trading Basics

That deals with the mechanics of a Forex robot, and now we must consider what goes on, and what triggers the commands to buy and sell.

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Without trying to teach you all the basics, you should understand that traders are always working to improve their anticipation of the market by inventing different calculations using the price movements and other factors, and there are a whole range of what are called indicators which use past information (the only information we have) to try to predict the future. The study of this is called technical analysis, and if you are interested there are thousands of books on the topic, and a generous amount of information available for free on the Internet.

Here is an example of a price chart. It shows the price of the Euro against the US dollar, and this pair is abbreviated to EURUSD.



You can see that this is an hourly chart (H1), so each of the black or white bars in the top section shows the range of prices at which the currency traded in one hour. The red line is a moving average for the previous 14 bars. The lower graph is the "stochastic indicator", one of the technical analysis tools used for trading.

Trading on the stock market for profit has gone on for more than 100 years, and although trading the Forex online is a recent development, the same principles derived from technical analysis are applied in trying to figure out what people will do and where the price will go.

It should be said at this stage that the majority of beginners who start manual trading fail to make a profit, and give up. It is not easy, and it takes a lot of work to become a profitable trader. One of the issues is that **humans are subject to emotions such as fear and greed**, and with the best analysis and system in the world, it is still quite easy for people to screw up because of these emotions. The robot has the advantage that it will always take the trades that are programmed without question.

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Despite the power of computers to do many tasks, trading remains fairly unpredictable and therefore difficult to automate. Another place where robots score over people is in the **ability to evaluate many parameters quickly at the same time**, making scalping a viable method of making a profit.

Scalping consists of placing a multitude of trades, opening and closing positions frequently to capture small profits. If you make many of these trades, the small profits add up to a good margin.

In fact, there are many different ways to trade for profit, whether trading manually or automatically. The success of some systems depends on the time frame that you choose to trade, that is the period of one price bar on the chart, and you'll find some robots are very specific on this and on the particular currency pair that you trade, as their algorithms have been optimized to these. Some even specify the time of day that trades are taken, as the market behaves differently when the Asian markets are open compared with the US ones, for instance.

Scalping

A common form of Forex robot is the **scalping robot**, as mentioned above. At this depends on fast action, the computer is well suited to run this type of strategy. Scalping in this context consists of making many trades, each one aiming for a small profit.

You may have heard of scalping being illegal. The truth is that there has been a lot of misrepresentation around the subject of scalping. In the context used here, scalping is legal but may be discouraged by a broker should they find that it is difficult to keep covering your trades, that is, passing the trades on to the market.

This is particularly a problem, of course, when you use a Forex robot which can make trades much more quickly and intensely than a person trading the account. Again, there have been stories that some brokers will not accept customers who use scalping Forex robots, or they may close your account if they find they are having difficulties. There are however much more fundamental problems with some brokers than this, as you will see in a later section.

Breakout

Another way of trading successfully is called **breakout trading**. A breakout, in trading, is when a price moves past a value which was considered to be the extreme it would reach. Examples of these extremes are called support and resistance, and they are usually located on the

chart by visually assessing how high and how low the price goes as it fluctuates. Support is a value that the price is not expected to go below, and resistance is at a value that the price can't seem to go above. The idea of trading a breakout is that once the value is breached, the price is free to and will carry on in the same direction. This is a familiar idea to traders, and has been shown to occur often with a breakout. For example, if the price rises through the resistance value, then experience shows it is likely to keep on increasing for a time. The robot would constantly review the support and resistance levels, and look for a breakout to place a trade.

Hedging

Less commonly, you may come across a hedging strategy used in a Forex robot. This quite simply takes two separate opposing positions or trades and when the price begins to move it exits the losing trade to minimize the loss, while continuing to make a profit letting the winning trade run higher. Sometimes a robot will be programmed to trade only when there are news events, and stay out of the market the rest of the time. This works on the basis that a news event is likely to trigger a movement in the price, and the hedging strategy means that the difficult prediction of which direction the price will move does not have to be made.

Indicators & Patterns

You may also find robots or expert advisors based on a set of technical indicators. Many of the indicators available attempts to show when prices are too high for the market, otherwise called overbought, or when they are too low, which is oversold. If the indicators are correct, then the price is due to come back to a more reasonable range, and that is the basis for trading.

Yet another way that traders seek profitable trades is by looking for patterns in the price chart. These have names like "head-and-shoulders", "double bottom", "cup-and-handle", etc. Software can watch for these patterns forming and generate an alert when they do. Usually traders will want any indication of a good trade setting up to be confirmed by another indicator, and Forex robots can be made to follow this principle.

The Two Markets

One problem that robots (and traders) face is that the market can behave in two fundamentally different ways.

One is called **trending**, when the price is setting an overall course upwards or downwards, and trades are usually selected to follow and profit from the trend.

The other is **range bound**, and this is when a price fluctuates up and down, but does not seem to make progress in either direction. If you look at the earlier chart, the first third is a clear uptrend, whereas the second part of the chart shows the price swinging up and down in a range bound manner.

Now you can see one of the problems faced when you're trying to find a profitable trade. **When the price is ranging, then technical indicators work well to identify times when the price is at its highest or lowest limit. However, if something happens to make the price break out of the range and start trending then your trade will be precisely wrong.**

Traders like to ride a trend, as the alternative of trading in a range is more limited, and may give smaller gains. Unfortunately, studies show that prices may trend only 30% of the time, which means that if you only trade in a trend, you may find that the conditions aren't suitable for your strategy most of the time. This does mean however those technical indicators should be right more often than they are wrong.

To some extent, these two different phases require different trading strategies to succeed. **That is why some robots will perform better in certain markets. Some robot vendors issue monthly updates, which one can only guess is to allow them to adjust their strategies for the current markets.** Other robots have been developed which can adapt or select the correct strategy.

Adaptive Expert Advisors

These special robots are known as the second generation of Forex robots, and are called **Adaptive Expert Advisors**. The claim with these is that they perform adjustments to their programs in response to the market conditions that are occurring.

This may either be done using intelligent systems that continuously vary and feedback the tweaks required, or it can also be dealt with by a robot which includes several different strategies, and selects which one to use according to the market conditions or to schedule. As this type of robot is a recent advance, they have not been tested so rigorously in life conditions, although they obviously perform well under back test conditions during development.

Drawdown

One important factor that you should look at which is often glossed over by the Forex robot vendors is the **maximum drawdown** that you can expect.

The *drawdown* is how much the account can lose with a run of bad trades.

I don't believe that a trading system has been invented that will never lose, even though some are quite impressive performers. When you lose, you do not want to lose too much of your account, otherwise it will inhibit you from trading and gaining back the losses. While no one can guarantee how long a run of bad luck you can have, by back testing the robot you can gain a good idea of how much you might expect your account to fluctuate.

The amount of the drawdown is related to **risk**. If the robot is designed to make small conservative gains, then the maximum drawdown is likely to be less than a robot which goes for occasional large swings to make the same amount of profit.

Operation

You will find that most of the Forex robots should be left on all the time, analyzing the market to look for opportunities. This means that if you run them on your personal computer, you will not be able to shut it down at night. In fact if you do, you may be left with an open trade that the robot has made which could prove expensive to you if the market runs in the wrong direction while the computer is off.

An alternative to this is called **Virtual Private Server** (VPS) hosting. In effect, you rent some space and computer power on a computer server elsewhere and this is maintained by technicians to run 24 hours a day. You benefit from not having to leave your computer on, and from having someone else ensure that nothing goes wrong with the operation.

How to Choose the Right Forex Robot

Now that you understand the principles of a Forex robot, you will be better able to make a decision on whether you want to use one of these, and what sort of robot you should look for. Without doubt, to think that you can set and forget a program, and let it make money for you while you are doing other things is very attractive.

Before making any commitments, you should be aware that there are many claims and misleading statements, particularly on the Internet, and it is up to you to check for yourself every claim on which your choice depends.

For instance, you may have heard that Internet forums are a good place to chat with other users and find out the truth about various topics. Certainly, you can enter various forums and look at the postings, but you may not know who is there out of a genuine spirit to help, and who is really trying to drum up business for their Forex robot. It is easy to assume another identity on the Internet for the purpose of posting good reports, and this is a practice used by many. After all, with the Internet, traffic is the name of the game and one way to generate traffic is to blog or contribute to forums. This is low cost and effective.

There are good robots, there are average robots, and there are probably robots which have been written by disinterested parties with little idea of trading, employed through a job site such as Rentacoder, Guru or Elance. While these job sites have a wealth of talent available, there is a bidding process for the job, and some entrepreneurs may choose the programmer on the basis of price without regard to their experience.

Having said that, there are several known names in the Forex robot field, such as FapTurbo and Megadroid, and you can be fairly comfortable that these are soundly based and effective.

If you see an advertisement for a Forex robot claiming 95% or 99% winning trades, then you should take care to investigate how they verify that claim. Bear in mind that the Internet is global, and the parties you are dealing with may not fall under the same legal jurisdiction as you, which makes any later claim of misrepresentation against them much more difficult.

The First 30 Days

The best companies tend to offer return guarantees with their Forex robot, where you may typically have 30-60 days in which to decide whether it will work and whether it will suit you. There are several aspects that you can check out in this time.

First, you can certainly open a demo account at most brokers, and set the robot to work to see what its current performance is. Typically, the vendor will have set the parameters that are adjustable, so you should see some profit "out-of-the-box".

Secondly, you can check out just how easy it is to modify the parameters, and to use the program in general. For the expert advisors that run on MetaTrader, this is usually standard and fairly simple. You simply copy the advisor into the required computer directory, it shows up the next time you open MetaTrader, and you drag and drop it into the chart that you want to trade – having first checked which charts are recommended for it.

You will usually find that the parameters dialog box opens, and you can change any numbers you want to as directed. When the robot is correctly installed and working, there will be a "☺" icon on the chart.

Back Testing

MetaTrader also has a built in strategy tester, which is available from the View menu. This allows you to select a historic period and run the robot to produce results.

There are two cautions about this. The first is that any back testing is subject to error, in that there are factors which make the results different from what would have been produced if the robot had actually been running during that time. The second caution is the standard one that past performance is no guarantee of future results.

This may be more than just a saying to prevent the robot developer from being sued if you lose money. In fact, depending how much the developer has optimized the robot to perform well on the back test, he may have actually harmed the more general performance. It is possible to over optimize the formulae to particular conditions, which will reduce the flexibility and performance on more general conditions. The desire to impress with historical gains can cause a little too much fine tuning.

You will learn a lot from observing how the robot makes its trades, and if you're fortunate you may even see some losses, which will give you an indication of what you may need to be able to tolerate when you have invested your money on the market. This practice run will also let you appreciate what is involved in leaving the robot running continuously, and may influence your decision on using a VPS.

Consistent performance is one of the keys to selecting a Forex robot that will keep you happy and be profitable. Regardless of the type of strategy, if it cannot produce acceptable performance in both trending and ranging markets, then you will find that you will be disappointed. The **Adaptive Robot** is one answer to this, although to say it is the only answer would be to deny the excellent performance which some other robots have achieved before this concept was developed.

For instance, FapTurbo is based on scalping the market yet is designed to behave predictably with that method. The trading is concentrated in the period when the Asian market is open, which time is known for its low volatility and propensity for ranging movement. Couple this with use on the major currency pairs, which behave most consistently, and it turns in a decent performance.

One measure of consistency is the **amount of drawdown** that may be expected, and this is a figure to which you must pay special attention. Your account can be literally crippled if a robot exhibits wild fluctuations in performance, and knowing that it is not likely to do so does not help when conditions arise that throw it off beam. If you study the robot's performance in a back test, you may be able to spot how good the robot is at this aspect.

Best v. Highest

When you are choosing a Forex robot, you will probably be impressed by figures that show how you could double your account in a short time. It is natural to believe that the robot which generates the most profit must be the best. However, the robot that produces the highest figures may not have the best strategy for you for several reasons.

The profits may have been generated by one or two high yielding trades, and this makes the consistency and repeatability of these results questionable. In turn, that means there may be less chance of a good performance in the future. An examination of the back test should reveal if this is the case.

Try to identify the worst string of losses in the back test. There are two measures of this – it may be the longest string of losing signals, or you may find the maximum amount lost in a bad trading period. It takes a long while to recover from a major hit to your account, however rare.

A system that appears to generate a good return, but does so through placing many trades may turn in a disappointing performance in the real world. This is due to churning and slippage. Churning is the cost of frequent trading, principally commissions if charged, or the spread, which is the difference between buying and selling prices. Any difference from the assumptions made in the test will compound up to have a big effect on the profits with a robot that trades frequently.

Slippage is the difference between the price you thought you would get, and what the broker actually achieves for you. When you trade, you can get around this by placing limit orders, although you stand the chance that the order will never be filled. You may not be able to specify this when the robot is placing trades for you.

NOTE: The Latest Rules

If you have recently looked into Forex trading, you may have been worried about rumors you have heard about rule changes which could possibly affect some Forex robots. When considering any robot, you should now check that the trading system will not infringe the latest rules.

The National Futures Association (NFA) regulates US Forex dealers, and they have issued a new Rule 2-43, which has been approved by the Commodity Futures Trading Commission (CFTC). It is basically a no hedging rule, or offsetting transactions as they prefer to call them.

The rule prohibits traders from carrying offsetting positions in the same account, and requires the dealer to close trades on a first in first out basis. This has caused many traders to overreact and claim that their livelihood is threatened. In fact, it may not affect most robots.

If the robot does not place hedging trades, then the rule will not apply to their trading. The other place where technically it could be an infringement is if the robot can place more than one trade in one currency pair. If the robot's algorithm requires it to place an opposite trade, then this could be seen as an offsetting trade to the original.

You should be able to rapidly clear up any doubt by asking the Forex robot vendor the basis of calculation and advice, and whether their robot

will comply when trading through the platform. If you receive anything other than a positive reply, you will probably want to go elsewhere. Certainly, if they don't know what you're talking about, then you will not have a basis for trust in their system.

Summary – you should look for –

- Ease of use
- Method of trading that fits into your trading plan
- Consistency
- Refund guarantee
- Good customer support
- Provide regular update
- Variables are adjustable

Beware of Forex Brokers

You may be wondering about the title of this section. Why do you need to beware of Forex brokers? Well, there are some tricks that they play that are not in your best interests, as I shall explain. Please don't think this applies to all Forex brokers, but there are certainly some dishonest ones, or at least ones that look first to their own best interests at the expense of their clients.

Spreads

Firstly, to set the scene, you must think about where brokers make their money. Typically when trading Forex you may not pay a commission but you do have a spread. A spread is a difference between the price that you can buy and the price that you can sell at.

For instance, at this moment of writing, I am looking at GBPUSD (British pounds and US dollars), and see 1.6476/1.6481 as the quoted prices. These prices are known as the bid and ask. The first currency named is traded for X quantity of the other currency. In this case 1 pound sterling will buy US\$1.6476, but if I want to buy 1 pound sterling I would need US\$1.6481. So the broker would make US\$0.0005 each time they bought and sold 1 pound sterling.

It certainly doesn't seem that the broker will get rich on that, but you must realize that the standard size traded is 100,000 units, so if the broker bought your lot of currency and sold it again they would make £50.

You should expect the spread to be lower on the major frequently traded currency pairs, but perhaps a little higher on exotics. Forex robots are usually designed to be traded on the majors.

If you use a scalping robot, whether you make a profit or loss may depend on how large the spread is, and you may be surprised to learn that this is not standard and can vary between the brokers and at different times of the day. The spread may range from a couple of pips up to ten pips, and if you're scalping for gains of ten pips, this can make the difference between profiting and losing, particularly when you take the inevitable losing trades into account.

Even though Forex is traded around the world, and is a huge marketplace at nearly \$4 trillion per day, there is not much uniformity when dealing with brokers. For instance, many brokers work their retail side from a dealing desk, so you may effectively be trading directly against the broker

if he chooses to not put your order on the market. This means if you are winning the broker can be losing. This whole system is open to manipulation, but you may not realize there is anything untoward going on.

Electronic Communication Network (ECN)

Some brokers have an ECN set up, which means the trades go through to the market, rather than being manipulated in house, and this will take care of any suggestion of impropriety. One way you can check whether your broker uses a dealing desk is to ask about the spreads. If your broker uses fixed spreads, then you can be fairly sure that they have a dealing desk, as the market usually dictates that spreads will vary according to conditions.

ECN is short for Electronic Communication Network, and this system was authorized by the Securities and Exchange Commission in 1998. With this you will get the same price information as any other trader, and you will not be trading against the broker at any time. Some names of ECN brokers include MB Trading, Hotspot, Dukascopy, Currenex, and FXDD. Make sure that you request an ECN account, as some brokers also use dealing desks.

Dealing desks can be prone to all sorts of tricks. For instance, the broker can send a fake spike that closes out your position on a stop loss order, rather than allowing you to stay in the trade and make a profit. The dealer can even give you a false quote when you come to close out your winning position. With a dealing desk, it is really up to the dishonest broker what price he charges you, and how big a spread you see.

With the popularity of Forex robots, brokers found that they were losing money and started to widen the spreads. There was also some suggestion that slippage increased – slippage is the difference between what you think you're placing a trade at and the amount it is actually executed at. Some brokers even refused to take accounts where robots were used, and closed accounts that were too successful.

For this reason, you may find some vendors of Forex robots recommend particular brokers, who they say are happy to take their customers. There may be an ulterior motive to this recommendation, as it is usual for the recommending party to get a commission for each new account referred. Given that you need an account to get anywhere with your trading, you may choose to take their recommendation anyway, but try to compare costs and services with others to make sure that you keep them honest and get the best deal.

Stop-Loss Hunting

While on the topic of market manipulation, there is another phenomenon that is found in the Forex market. You may have thought that the Forex market is so big that it cannot be manipulated by large investors making trades to affect the price, unlike the stock market. To a large extent, you would be right, but there is a technique called stop-loss hunting which provides the exception to this rule.

Stop-loss hunting happens when a price is manipulated artificially to hit the stop-loss price of a trader, and then goes back to its natural position decided by normal market forces. Stop-loss, as you probably know, is simply an order to sell the position if the price reaches a certain level, and it is used to get out of a trade if it looks like it is going against you. A stop-loss order placed with your broker will exit automatically if the price drops, even if you are not watching it.

Stop-loss hunting can be done by a wealthy institutional investor, and one of the ways that they manage to influence the market price is to wait for times when the trading volume is low. This happens in off-peak times, although these are difficult to find with a 24 hour worldwide market, and also before a big news announcement, when trading is likely to be light until the news is released. It is still difficult to do, so the main threat of price manipulation will come from a broker who runs a dealing desk.

Price manipulation catches out traders who place their stop-loss orders in the market, but with a Forex robot the robot may automatically generate a sell order at a certain price level, so the market may never know in advance what level it will sell at. However, the price shift designed to trap manual traders may still force your robot into selling action. Some robots may be programmed to get a second confirming signal before selling, but only if the developer has seen this as a serious threat. While you cannot do much about the price moving from a large institutional investor, as this is a genuine if temporary value change on the market, you can avoid problems with your broker by using ECN brokers which reflect the true markets.

Overseas Brokers

There is another disturbing development with foreign exchange brokers. You can find some reports of it on the Internet forums, and it is worse than merely manipulating numbers – it is downright fraud.

I'm referring to brokers that are based offshore or in Third World countries, and because of their location they are very difficult to pursue legally. It is very easy with the Internet to virtually copy a refined and

elaborate site, and appear to be a large corporation even if operating from the kitchen table. Appearances are deceptive.

The foreign or offshore broker may be more concerned with taking your money than paying back your winnings, and there have been reports of brokers who literally have held onto successful accounts and not paid out anything to the winning traders.

You can fight this sort of scam by seeking recommendations from friends, and by taking great care with anyone who you do not know. Even if the broker has an American address, it has been known for this to be the residential address of an unconnected person—in one case it was a foreclosed house. If you can't visit the broker's office, then at least you should make calls to the telephone numbers given, and see if the phone is answered in a businesslike manner, or whether it might be a personal line. Most reputable brokers will be included in business listings, and perhaps registered with the Better Business Bureau.

In case you think that this is mere scaremongering, you should note that the Federal Trade Commission states that typical broker scams cheat clients out of an average of \$15,000. In fact, the National American Securities Administrators Association has called Forex trading at best risky, and at worst outright fraud. You have reason to be very cautious when starting to trade Forex.

As so many people find Forex trading works for them, you should not let this put you off; but you should take it as a stern warning to do your due diligence thoroughly when selecting a broker, and not just take the cheapest one that comes along.

Summary – you should look for –

- Personal recommendation
- ECN, not dealing desk (*see below remark*)
- Low Spreads
- Well Established and Reputable
- Responsive

PS. Not many Forex Robots in the marketplace can be traded using ECN. One of them is **FAPTurbo Evolution** that trades with Dukascopy and they also offer a convertor tool - FAPConvertor. This is a tool that allows users to automatically convert each and every MetaTrader robot (such as Forex Megadroid & etc.) trade into the Dukascopy brokerage platform. However, they are now sold out!

Risk Management

If you monitor the average amount of losses and profits that robot achieves on back test, you will get a good idea of how well it is performing. For example, if you have a profitable system but the average losses are much larger than the average gains, the robot is depending on only a few signals to make all its profit. If you have a large number of losses but the average is low, then the robot is performing well to cut its losses quickly.

Usually it is considered that the greater the risk, the greater the potential reward, but this is not a hard and fast rule, and you want your trading robot to work on the winning side of this indication. In fact, the MetaStock system tester will calculate a reward/risk ratio for you. This varies from terrible, at -100, to excellent at +100.

Risk management is critical in making a profit in any sort of trading, and has several facets, not all of which you are in control of when you use a Forex robot.

Given that any system has times when there will be losses, a basic element of risk management is that you do not risk losing more than you can afford to. The losses that you will actually see are impossible to know, otherwise the system would be able to predict and eliminate them, but you must rely on historical evidence to get a feeling for this.

Some robots give you a chance to set the size of lot you will trade, giving you some manual control of the process. Robots will also calculate lot sizes for you, based on their programmed settings. Research what your robot will do, and if its approach appears too risky for your temperament, then scale back the amount of money that you put into its account at any one time. Once you have made a profit, you may want to protect some of it by withdrawing it from the account, even though that lessens the amounts that the robot can use to make more profits.

In talking about the way to choose a Forex robot, another aspect of risk management was mentioned. This is the amount of drawdown that you might expect with typical trading. This is something you will have researched in your robot's selection, and is critical to your long-term trading future. There will be times when successive losers impact your account, and you must be confident that these will not cut short your trading career.

Risk management is very important in Forex trading. This is for the simple reason that Forex allows you to leverage your initial investment to a great

extent. This is an advantage if you are in a winning situation, but if you trade and suffer big losses, your broker can even ask you for more money than you initially deposited.

You will usually be able to trade at least 100 to 1 on a standard account, and the ratio may be increased if you trade Forex Minis which are one-tenth of the size, or Forex Micros which are one-hundredth. Note that not all brokers deal with these smaller sizes. It is essential that you understand just what consequences the price movements can have on your money.

For instance a standard contract or "lot" is for 100,000 units of currency (not necessarily dollars). With the leverage of 100 to 1, this means you must put up 1000 units to enter a trade of a standard contract. The number on the right end of the price, the fourth decimal place, is called a Pip, which is a Percent In Point, or a percent of a percent. With 100,000 units, each Pip is worth 10 units of currency, say US\$10 if for example you are trading the USDCAD (US Dollar/Canadian dollar).

Some Forex robots I have used allow you to set the maximum stop loss level, which is how much the price can go against you before the trade must be closed out and you accept your loss. A well-known robot supplier recommends you use 300 for this figure in their robot.

You may well choose to agree with their number, and in the absence of any experience with the robot, this may be the best choice you can make. You must think carefully about the consequences to avoid having any surprises.

On the one hand, you do not want a stop loss level which is so low that the robot will exit fluctuating trades frequently. For instance, the robot I am currently testing is showing -136 on one open trade at this moment. Now, I don't know if the price will recover and the trade become a winning trade, if it will continue losing until it meets the stop loss, or if the robot will decide to cut the losses before it reaches that point. Perhaps there is an equal chance of each outcome. If the stop loss had been set at -100, then for certain this trade would have lost, in this case \$1000. But allowing the loss to run further gives the chance that it might recover and not lose anything.

On the other hand, you must consider that there is a slight chance the robot will continue losing until the stop loss is met. If you use the 300 number, then this corresponds to \$3000 loss on a single lot traded, which cost \$1000 to enter the trade.

What if you set the limit to 500 or 1000? The chance of the price going down to the limit becomes more remote, but the amount you lose gets larger. The number you use is necessarily a compromise. All you must realize is the consequences of a catastrophic market event on your account.

Final Words

Trading with any Forex robot can be fun, if you don't obsess about it. You do your work when you examine the different programs available, and make a selection based on the factors that are most important to you.

After a period of testing it with a demo account, to be sure that you understand how to set it up and that it is making money, then you must commit real money to it and allow it to do its job. The competing advertisements will claim that their latest expert advisor is better than the rest and an easy way of profiting from Forex trading.

With the contents of this report, you know enough to understand that such a statement glosses over the truth, and can be considered purely marketing. **Consistency and accuracy are important factors in making your choice, and bear in mind that it is your responsibility what you do with your money**, so don't expect the vendor to help you make good any losses if you are unfortunate enough to have them. After all, you really weren't considering cutting him another check to give him a share of your profit, were you?!

Forex robots have established for themselves a successful niche in the market, and can be effective, but you must always realize that **trading can be risky and there is no such thing as a sure thing on a consistent basis**.

Each trade placed is a new trade, and there is no balance that says that if you have lost several in a row, the next must win, or any of that nonsense.

The essence of trading is to make a profit, and you can do so in several ways. You may have less winning trades than losing trades and still profit, if your losses were cut short and your wins were large. It feels preferable to have more winning than losing trades, but the pattern of results will depend on the strategies that are programmed in, so the bottom line is the real proof of the worth of the system.

Money management and consistency are very important in making a success in Forex trading!

I sincerely wish you the best possible success as a trader, and in your life as a whole. **Stay focused, stay disciplined - maintains a positive attitude.**

Thank You.