

Forex Trading for Consistent Profit Using Harmonic Wave Convergence™ Technology



and

Introducing ShredderFX-30™
a trading strategy based on Harmonic Wave Convergence™
... using the MultiWave™ indicator

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REQUIREMENTS OF A CONSISTENTLY PROFITABLE TRADING SYSTEM

For the moment, I am going to ignore some of my usual teaching ... that is to say, I am not going to get really strong here on certain areas that are vital to successful trading, because they reside outside of a trading model. I'm referring to things like...

- **Time spent in self-development**
(books, CD's, seminars ... anything to promote and advance individual self-growth)
- **Time spent in market research**
- **Time spent doing trade set-ups**
(trading takes only seconds ... because that's all it takes to click a BUY or SELL button and place a stop loss... but success is in the set-up, being selective, and consistently applying your trading system criteria)
- **Time away from the Forex**
(time away from the is necessary and vital to your relationships and your health)
- **Good nutrition, good sleep, good physical activity**
(all of which will make you a better trader)

So, let's get down to the elements required in a trading system in order for it to be a real long-term winner that generates strong Forex profits. Most trading models and strategies are flawed because they either are very weak, or totally lack, one of these essential components.

The strategy must be based on the way market price actually moves...

This is a challenge, in and of itself, because most traders are not aware of how price moves. Oh, they are aware of up trends, downtrends, and sideways trends ... but I am talking in much smaller increments.

The strategy must have all potential support and resistance identified...

For now, just understand that the Pivot Point traders, and the Fibonacci traders, and the daily close traders, and the Murray Math Line traders, and countless other S&R sub-systems, are all using great forms of S&R. The challenge is, each one leaves out everything else. And that "everything else" is vital to understanding where price may potentially breath, stall, exhaust, and turn. What is needed is not a handful of support and resistance lines, but an entire grid of potentiality, that when combined with other factors, pinpoints *reversals* (and we'll talk about why I like reversals later, too)

The strategy must have price targeting based on how price moves, not just S&R...

This is the classic mistake most systems make. They base their profit taking on S&R. What I will demonstrate is that S&R covers multiple time periods (*even as you are looking at one chart*). One S&R line might be a temporary breathing point for a 5-min trend (*which if examined on a 5-minute chart would have 5-minute candle closes and reversals*), for which a 30-minute candle would cruise right past on a 30-minute chart. The reality is, sometimes the 5-minute S&R is in charge, other times it's the 30-minute (*and then 1-hour, 4-hour, and so on*). What I have done is created a way of viewing all these different time-period-based S&R's on one chart. You'd be amazed to see how market price movement is passed back-and-forth between the various time periods. The bottom line, you need a targeting system based on the price movement of all the time periods, not one that is specific to the time-period of your trading chart.

To have full precision in trading, the strategy needs to know what the various waves in price movement are doing

Now we get into the core essence of my discovery. And hey, maybe someone else has seen this, too, I just haven't seen it referenced yet if they have. What I am saying here comes down to understanding waves, having a conceptual knowledge of how waves operate (*and once that is in place, what we are doing is really a no-brainer*). But the full power of trading is not fully experienced until you know and can use Harmonic Wave Convergence™. This is the magic point where all the waves come together to terminate a trend move.

The strategy must have a high winning percentage, using a low-risk entry, and provide a high-yield return

If that sounds like the Holy Grail of trading, it pretty much is. But let's think about this. If we recall that successful trading is 85% psychological, we best have a model that promotes our psychological growth. That is not going to be achieved with a model that has a 30, 40, 50, or 100-pip stop-loss. That's not to say those models cannot work for very, very experienced traders, but for the vast majority of Forex traders who have not completed that psychological growth, you want a strategy that works with, not fights, that emotional side of trading.

Likewise, once you understand how Harmonic Wave Convergence™ works, you'll understand how we can have such low-risk entries. And trust me, I'll take you down a path of truly understanding what risk is (*because for the most part, what is typically taught or available on the subject only touches the tip of the iceberg*). Regardless of what risk you have in the trade (*as traditionally measured by some percentage of your core equity in your trading account*), there are other risks involved, as well. Having seen hundreds of models, I can tell you these other risks are almost always overlooked, and yet are vital to being successful.

The strategy must have a sizeable return

And by return, we are talking ROI, not pips. Pips are not a way to measure trade success... not even "just chart pips" (*not impacted by the number of lots in the trade*). The folks that sell courses, or signal services, that talk about their pip gains, are totally misleading traders. Totally! Using the same downside risk, with the same size trading account, I can make a 20-pip trade that has as much ROI in it as my peer who gets 100-pips. So, in the end, what 99% of the traders feel is a standard measure (*"How many pips did you make in that trade?"*), is not standard at all. A pip is not a pip, and I'll explain that later, as well.

Introducing ShredderFX

ShredderFX trading from PipClub introduces and uses Harmonic Wave Convergence™. With this (trademarked) technology as the foundation, ShredderFX uses the two remaining components that most trading systems lack

- A Support and Resistance grid that captures 99% of the market turn-arounds
- A profit-taking price-targeting strategy based on the natural harmonics of price movement

We're not going to spend time on these two issues in this paper, but do understand that they are vital to trading success and just about every model or strategy we've examined misses one or both of these crucial elements.

In quick summary, here's what trading with ShredderFX allows us to do:

- Isolate trade-entries down to a 3 to 5-pip zone (*because of the combination of our incredible S&R turn-around system and our MultiWave™ indicator utilizing Harmonic Wave Convergence™*).
- Enter trades with a 10-pip stop loss over 85% of the time. This allows us to put the same risk into the trade that our peers with 50-pip stop-losses do ... the difference is when we both make the same number of pips in a trade, we make 5 TIMES the profit. Compound that, and it is staggering.
- When we lose a trade, we only have to gain 10-pips in the next trade to reach break-even. What about those with a 50-pip stop-loss? How many 10-pip trades do you think are available (*in any given time period ... day, week, etc.*) compared to 50-pip trades? Which loss (*10-pips or 50-pips*) do you think will hurt you more psychologically?

- Our profit-taking is done on a price-targeting system that is unique to this model, invented by the model's creator, and uses harmonic wave movement to typically nail 5 of 8 price targets *to-the-pip*. It may sound bold, but when you see it happen consistently, you'll understand we have tapped into exactly how price moves in the market and indeed proves that the market is not random at all.
- When we do get stopped out (about 15% of the time), we were not wrong, just early. This is because we trade reversals, and when you trade a reversal at exhaustion and you are wrong, in our model, the price merely moves to our next S&R level and then reverses there. So we merely get in "one-level higher" and earn back our loss and then some as the trend reverses.
- Because of the hard bounce that typically occurs in a reversal, we are much quicker into break-even with our stop-loss than almost all the "with-the-trend" systems that are being traded.
- Our system is based on natural harmonics, and so we have the ability to trade at the intra-day level, as well as the more lifestyle-affording 4-hour level.

WHY REVERSAL-BASED SYSTEMS ROCK

The Trend is Your Friend adage is seemingly a phrase instilled in every Forex trader. Go with it if you like. But I prefer reversals ... but rest assured, once in a trend, I do the things good trend-followers should do. But the question has always remained ... ***Just how do you have a great entry into a trend?***

So, what I recommend to traders is a new motto ...

The Trend is Your Friend – Especially When It Ends!

I can spend a great deal of time on why I believe reversal-based systems are much easier to trade, more readily available, and create more profit than traditional, with-the-trend strategies. But, in an attempt to keep this down to a novella instead of a novel, I'll just summarize:

Indicators

Most with-the-trend systems rely on lagging indicators Moving average crosses, MACD, CCI, or other indicators that use moving averages, and accordingly, entry is typically anything but precise.

Our reversal strategy uses real-time indicators, and typically can nail the entry within a 3 to 5-pip range

Where Are The Waves?

Most with-the-trend systems are not using wave structure for entry. Accordingly, entry may be just pips away from a retracement or reversal, and so, the with-the-trend trader has to allow for these retraces and reversals by utilizing fairly large stops (*30, 40, 50, even 100 pip stop-losses*).

Our reversal strategy has a precise entry point, and thus, we can enter with extremely tight stop-losses (typically, 10 pips or less).

Using similarly sized trading accounts, with the same percentage risk in the trade, the difference between a 10-pip stop loss and a 30-pip stop loss is 3x the profit for the same raw pip gain. And that's just on the first trade. When you compound the results, it becomes exponentially larger at an increasing pace. The difference between a 10-pip stop-loss and anything else is incredibly significant.

How Much of the Move is Left?

Most with-the-trend systems, because they are not using wave structure for entry, do not know how much longer the with-the-trend move is going to last. In fact, because they use lagging indicators, they generally miss the end of the trend significantly, and give back earned profit.

Our reversal system is entering at the very start of the next trend move. We know exactly where in the trend we are entering.

What Happens When You Are Stopped Out?

Most with-the-trend systems get stopped out either when there is a retracement and the stop is set too short (*again, because the trader does not know where the wave structure is*), or because the trend actually exhausted and fully reversed. When a with-the-trend trader gets stopped out, they were wrong. Period. What's the next move? Do you get back in another trade in the opposite direction? Do you wait it out and see if it was merely a bounce of a Fibonacci retracement and resumes the direction you originally were trading? It's not an easy decision.

With our reversal system, when we are stopped-out, it's not because we were wrong, it's because we were early. We merely over-anticipated the reversal point. And because of the technology we use, that happens less than about 15% of the time. What typically happens when we are stopped-out is the price moves up to our next S&R level and reverses there. Not only do we make back the 10-pips we lost in the first trade, but typically make more than if the trend reversed at our first entry.

Recovering the Loss

When using a with-the-trend strategy, when you get stopped out, to get back into the game, you have to at least recoup what you lost. While that's not very profound, what it does mean is if you had a 40-pip stop loss, you have to win a 40-pip trade to get back to break even.

With our tight-stop reversal-based system, when we get stopped out, we only need 10 pips to be back in profit.

Now, let me ask a simple question ... *What do you think the availability of a 10-pip trade is versus that of 40-pip trade in any given day?* Not that we go hunting for 10-pip trades, but only needing 10-pips to get to break-even after a loss (*versus 30, 40, or 50-pips*) is a very important consideration.

Emotional Challenges

When a trader gets stopped out in a with-the-trend trade, because of the typically larger stop-loss, they can suffer some emotional challenges. If using percentage-risk into your trades, the reality is 2% in a trade is 2%, regardless of whether you place that in a 10-pip stop-loss or a 50-pip stop-loss. However, there is a HUGE difference on the psychological side. After getting stung on a 50-pip loss, the typical trader is very often a little trigger-shy on the next trade. How many times after a loss in a with-the-trend trade, did you hold back on the next trade, only afterwards to say, *"I knew I should have entered that trade"*?

Not only do we make incredibly more profit, pip for pip, with our reversal-based strategy ... but when we lose, we are right back in the game at much faster paces. And the sting of a 10-pip loss is readily shrugged-off with the knowledge that only 10-pips in the positive has you back at break-even.

As an example, I can easily state that I would rather lose three 10-pip stop-loss trades in a row with our strategy, with 2% in each trade, than I would one 50-pip stop-loss trade with 2% in it in a with-the-trend strategy. Yes, I am saying I would rather draw down 6% than 2%, because I know how easy it is to gain back 10-pips, and I will most likely get 30-pips (*typically in one trade*), before the other trader will get their 50-pip trade. *Again, this is a huge psychological difference.*

If you haven't yet considered the realities of a good reversal-based strategy, hopefully I have perked your interest.

THE ESSENCE OF ELLIOTT WAVE – WAVE AND SUB-WAVE STRUCTURES

The assumption, here, is that you are an intermediate to advanced trader. Hopefully, a Forex newbie is looking elsewhere for their Forex101 material. That being the case, the second assumption is that everyone has at least heard of Elliott Wave.

Now, I am not going to elaborate on the study of Elliott Wave patterns, targeting, and all of the nuances associated with Elliott Wave. I also know many traders have looked at, and run from, Elliott Wave. For the most part, this is because somehow they misunderstood the reality. Elliott Wave is not a trading strategy or model. It merely is a vehicle for understanding wave movement, labeling that movement, and providing generalized targeting information.

When I ask traders what they think of Elliott Wave, here are some of the common responses:

- *Elliott Wave is very complicated. A lot details. It's a study all by itself*
- *I think Elliott Wave is mostly a myth. It may be there sometimes, but not all the time*
- *Elliott Wave is hard to grasp.*
- *Finding the count is challenging*
- *Once found, I've seen the count change (flip), and so that would screw up my trading*
- *I could take three Elliotticians and have them do a count, and I might see three different counts*
- *I just couldn't see how Elliott Wave, with all that is involved, and all the inconsistencies, could actually benefit my trading*

So, there you have it. Does that sound like anything you might have said, or what you may have experienced? I'll repeat, Elliott Wave is not a trading model. Unfortunately, most traders have not comprehended that as they approach Elliott Wave, or better said, most Elliott Wave teaching material is all about Elliott Wave, and not how to *incorporate* Elliott Wave into one's trading. That last part is key, because when you have a model than incorporate the realities of Elliott Wave, you have a model that works with market price movement, not against it, and surely not in just a random way.

Whether you want to be specific with Elliott Wave or not, I'll just say that price does move in very precise patterns. But, whether you believe that is truly to the parameters of Elliott Wave or not, is not significant, all I need you to understand today is that price moves in waves.

I will use some very elementary Elliott Wave to demonstrate what you need to understand here. Let's take a look at an example ... and the time period is not relevant. Let's just say we are on X-period chart. When we have measurable waves, they have a starting-point, and an end-point. That is typically easily seen. Let's look at Figure 1.

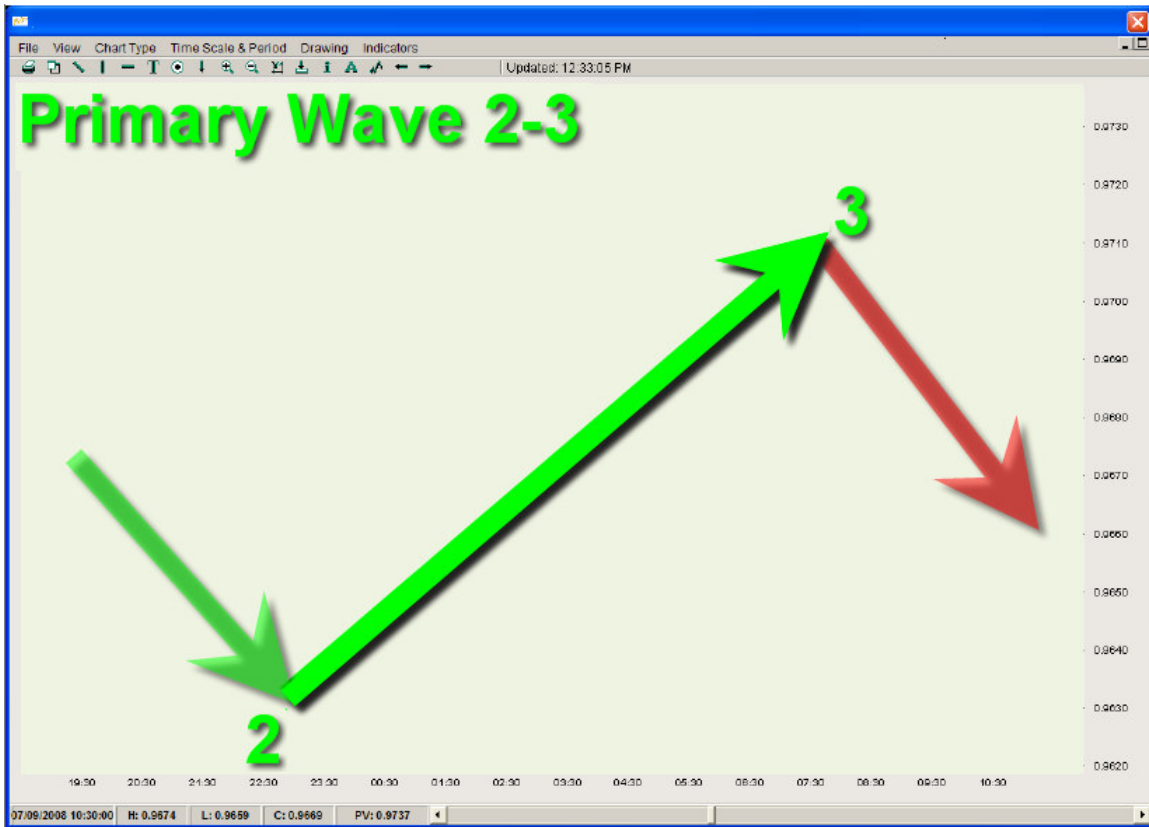


Figure 1. The start and end of a primary trend wave on our time-period

We'll use a simple Elliott Wave 3 here to make the picture clear. In the above example, we have a previous Wave 2 termination, a reversal, and then a wave 3 termination, and again, another reversal.

Let's focus on the 2-3 wave. If we were an Elliottician and were good at counting Elliott Waves, our chart's wave count would look just as we have it.

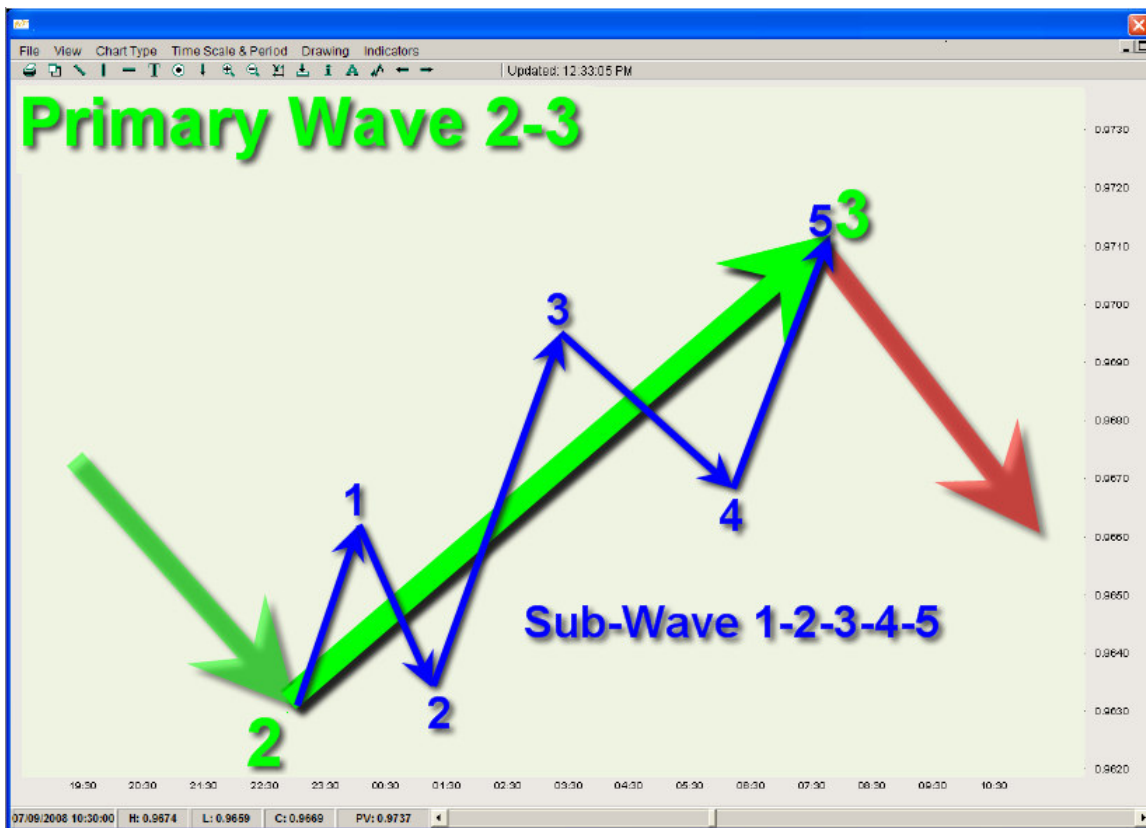


Figure 2. The 5-wave sub-wave structure that makes up primary wave 2-3.

However, there is also a (*blue*) sub-wave set that comprises the (*green*) 2-3 wave. In the case of this particular primary wave, it would be a (*blue*) five-wave sub-wave set, and very well might look like the chart in Figure 2 above.

Of significance to note, the (*blue*) 5-wave sub-set has as its origin the previous (*green*) primary wave 2 termination, and the (*blue*) 5-wave sub-set's last wave, sub-wave 5, will have its termination point create the (*green*) primary wave 3 termination point.

And then the entire primary wave reverses direction, and we have a different counting structure to contend with ... but that primary structure also has a sub-wave structure, too.

Now the challenge for the lay trader (*the non-Elliottician*), is that these sub-waves are not always readily seen. I have seen trend moves where my 9 year-old could pick them out, and the other 85% of the time, I struggle to complete the count. And even if you went to a lower level chart, the count is rarely very discernable except for the most seasoned Elliott Wave counter. Nonetheless, those sub-waves are there.

And like Orion's Belt in the movie, "Men In Black", the universe can get bigger and smaller. Inside our (*blue*) sub-wave set, in wave 2-3, we also have 5 smaller sub-waves, and so on. Likewise, the (*green*) primary wave 2-3, is but part of a 1-2-3-4-5 wave structure of an even larger wave.

But let's not get lost here. The focus is on our trading, not Elliott Waves counts at zoomed-in or zoomed-out levels. The point is just to understand that at the wave level we are trading, there is a sub-wave structure that comprises that wave.

Are you with me so far? If not, please read this section again, until it is absolutely crystal clear. Again, the importance is not on Elliott Wave counts, as much as the general understanding that the

primary level wave count (*the time period for which we are trading*) has a sub-wave structure, and that sub-wave structure's last wave will create the termination point for the primary wave.

MEASURING TREND (WAVE) STRENGTH

At this point, I need to make a point, which has been somewhat presumptive until now. But I wanted to remove my presumed opinion of the reader's understanding and instead just outright state it ... In terms of what we see on our charts, I hope you understand that our discussion regarding waves is synonymous with trends. In other words, when I talk about a primary level wave (*the primary wave at the time period we are trading*), I am also referring to what most traders will call a trend. Granted there are general trends, major trends, minor trends, daily trends, you name it. But going back to our primary wave 2-3 in the previous Figure 1 ... Let's assume that was a 30-minute chart ... so we should be able to easily see that could be considered an intra-day up trend which we have labeled 2-3. For the sake of our conversation, we are going to equate wave and trend (*if we are speaking of both at the same time period level*).

Now, let's talk about how most trends are measured. For most traders, we have several indicators that help us understand trend movement. At least the typical trader thinks this way.

When you consider trend strength indicators, such as a Relative Strength Indicator (RSI), or Stochastics, the reality is these are more precise (*more of the time*) in ranging markets.



Figure 3. A ranging market with trend strength

In the above example, we see a ranging market. In such cases, trend strength indicators typically will show overbought or oversold conditions as the trend exhausts in each direction. In its own way, the trend strength indicator (*such as RSI*), will calibrate itself (*top to bottom*) based on the range it senses price moving through.

Side note:

Many traders are not aware that the overbought and oversold boundaries are not truly fixed (*as an example: 70-30 or 80-20*), but will give optimal readings only when paired with the appropriate period being studied. In other words, if your chart's RSI defaults to 70-30 for overbought-oversold boundaries, it is assuming you are looking at a 21-day period. Therefore, if you are using a 9-period, or 14-period, you will want more precise overbought-oversold boundaries. So, before you start trying to use such indicators to evaluate trend strengths or near exhaustion points, you may wish to examine the precise overbought-oversold settings for the period you are studying, otherwise you very well may get less than optimal results in measuring trend strength.

Many traders use RSI as a common trend strength indicator and typically as RSI(21), RSI(14), and RSI(9). The reality is, with these size periods, RSI cannot pinpoint a potential turn-around. At best, when used as a secondary indicator, it may give a generalized sense of overbought or oversold (*again, assuming you have your boundaries for such "tuned" to the period you are using*), but cannot do such without a lot slush... meaning even if it signals overbought, the currency could easily still run up another 50 to 100-pips. In order to get closer with pinpointing the turn-around, one must use significantly shorter periods.

Okay, so now we know we have indicators that can fairly accurately measure trend strength in a ranging market ... *but what about the other markets?* Good question.



Figure 4. A upward trending market with trend strength

When price movement is trending (*up or down*), as long as the overall slope of the trend is not too steep, the same trend indicators will suffice for measuring trend strength. They will calibrate

themselves to an extent, based on the trending range, and thus provide fairly accurate overbought and oversold conditions.

So at this point, we've covered ranging markets and typical, somewhat gently trending markets. *What about those steep trend moves?* Again, another good question.

When Trend Strength Indicators Run Out Of Real Estate ...

Lastly, we have to consider a strong, impulsive-type move, which will break our ranging or slightly trending market.

This is THE condition where trend strength indicators fail ... and have an inability to show exhaustion areas of overbought or oversold conditions.

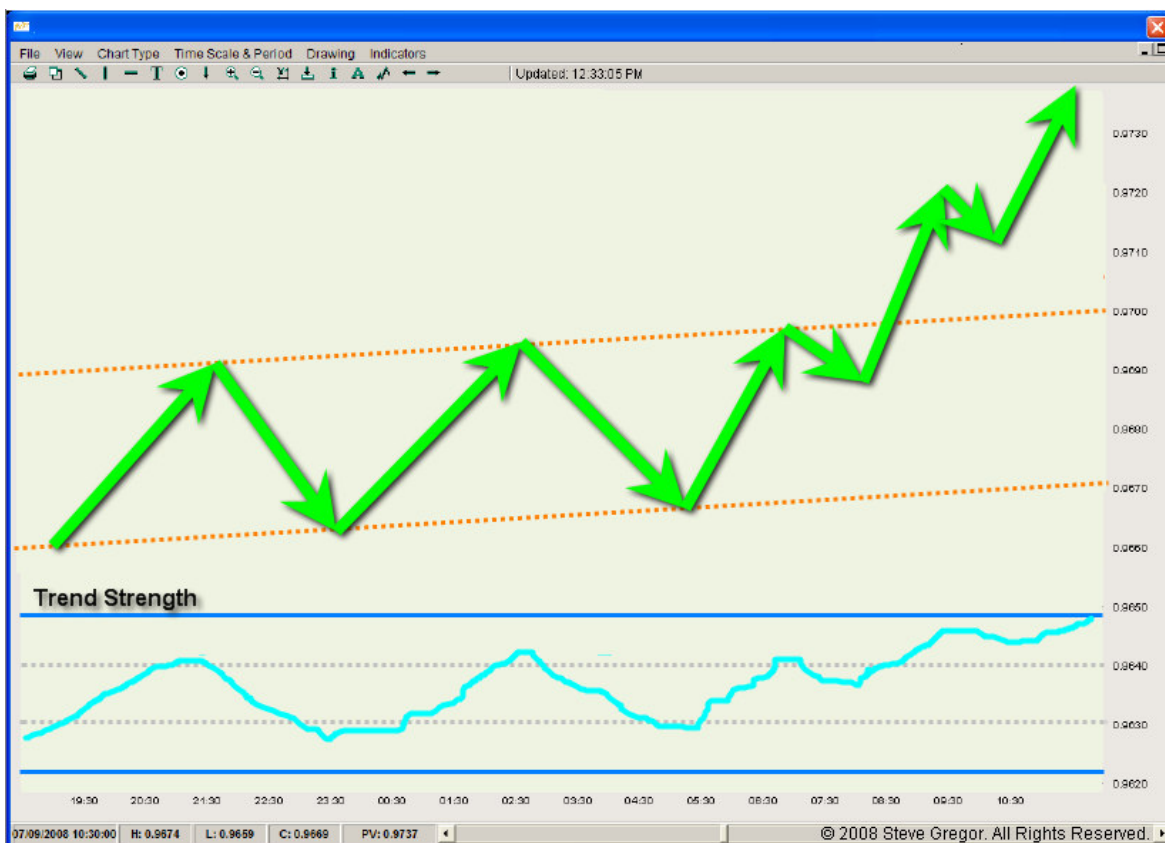


Figure 5. A slightly upward trending market, which then breaks the trend with a strong, impulsive move

Essentially what happens is that the trend strength indicator simply runs out of real estate. It is expected to find the ceiling for price based on previous calibration, but in the above example (Figure 5), the price merely kept rising, without establishing typical correction as it continued to rise. Hence, the trend indicator signals overbought conditions from the time price breaks the trending range ... and never has time to re-calibrate as price never really drops sufficiently enough.

Accordingly, not only does the indicator signal overbought, it can be stuck in an “pegged” position at the top of the trend strength scale (*in the case of a 0 to 100 scale, it could be hanging up at 95 to 99 from the time the price broke the trending range - depending on the period parameter you are using at the time*). At this point, this indicator has little value in being able to pick the end of the trend, or the exhaustion point you may desire to locate.

If you were to use the overbought extreme as the exhaustion point and reversal (*in the above example*), you may miss it by 50 to 100 pips, or more, depending on the time period you are examining. It can easily create a very frustrating situation for the trader. Worst case, this is the stuff that forces traders into 100-pip stop-losses.

HARMONIC WAVE CONVERGENCE™ TO THE RESCUE

It wasn't until my foundational study of Elliott Wave was complete that I was able to establish the concept of Harmonic Wave Convergence™, create an indicator, and then validate it's precision with trading. Remember in our discussion of waves (*and trends*), we determined that our primary level wave is comprised of a sub-set of waves, and that our primary wave cannot terminate until the sub-wave set is terminated. With this understanding, let's march forward and Harmonic Wave Convergence™ will readily be understood.

The Football Game Isn't Over Until the Last Quarter Ends ...

For those that know American football (*punt, pass, and kick ... not soccer*), I'd like to take you to the waning moments of the game. At a professional game, we know that the contest is a full 60-minutes, dragged out to sometimes over 3-hours with time-outs, halftime shows, on-air commercials, coaches' challenges, and injuries. But the game as measured by the head referee, is 60-minutes in length. Consider that 60-minute game our *primary level wave*.

As fans of the game, we keep track of the game by the scoreboard clock, which measures the 15-minutes of each of the four quarters. Consider the scoreboard clock our *sub-waves*.

If we were sitting in the stadium, and we know it's the second half (*we watched the half time show*), and we know the 3rd quarter ended, because we watched the teams exchange respective halves of the field, even without looking at the clock, we know we are in the 4th quarter. If we continue to avoid looking at the clock, we can only roughly judge where the 60-minute game clock truly is... we can listen to the intensity of the fans (*based on the score of the game*), we can watch the number of time outs, etc. But if you were sitting next to me, and I asked you to tell me how much time was left in the game (*without looking at the scoreboard clock*), you'd have at best, a good guess. *But would it be precise?* Not unless you were lucky.

So, the analogy at this point is that we can sense a trend may be exhausting ... and our primary level trend can be measured by our chart's trend strength indicator. But we can only guess how close that primary level wave is to ending (*and it wouldn't be nearly as accurate as our guess as to how much time was left in the football game*). And a worse case, if we were in a steep, breakout kind of move, our trend strength indicator is pretty much useless.

Now, back to our football game ... all of sudden we hear the massive, 70,000 fans counting down ... 7 ... 6 ... 5 ... 4 ... 3 ... 2 ... 1 ... and then the cheers. GAME OVER! At the precise moment that 4th quarter clock counts down to **00:00**, our 60-minute game is over.

The important thing to note: the 60-minute game cannot end until that last, 15-minute quarter, has its countdown to **00:00**

And, just as we learned (*all the way back in Figure 1*), our primary level wave cannot end until the last of the sub-waves terminates, too.

Hopefully, this is starting to make sense. And look, we haven't even been counting Elliott Waves and getting all frustrated with what that count is. *Hmmmmmmmmmm*.

Introducing MultiWave™

MultiWave™ is a very short-period, wave strength indicator, which can depict different wave levels' strengths - all in one view – all on one chart. I am sure some of you already know where I am going at this point. And for those that don't, hang on, this is really cool stuff.

In addition to studying a shortened period, we've extended the overbought and oversold range boundaries to 89 and 11.

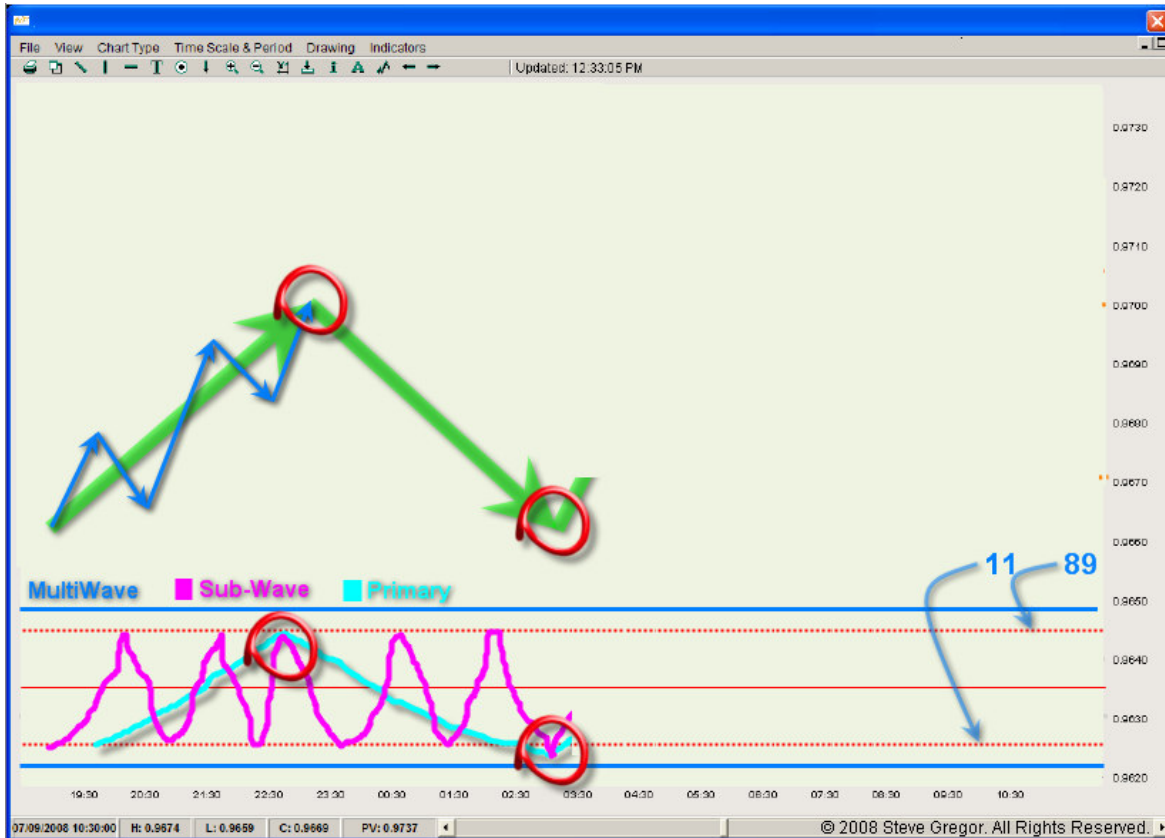


Figure 6. The MultiWave™ indicator shows the Harmonic Wave Convergence™

The MultiWave™ indicator tracks multiple waves, in this example, the primary level wave, and the sub-wave set underneath. On the indicator, as you can see by the legend on the chart, the primary wave strength is blue, and the sub-wave strength is magenta.

Note how each wave strength is tracking its appropriate wave. The primary wave strength essentially goes from the bottom of the MultiWave™ indicator scale to the top, as price goes from the bottom of the price range to the top (*in the first primary level wave*).

Underneath, however (*and not visible on our actual price chart*), is the sub-wave price movement that makes up that first primary level wave. We do plot the wave strength for that sub-wave set right on top of the wave strength for the primary level wave, just as you see it in the above example. As you can see (*if you could note the underlying price on a shorter-term period chart*), the sub-wave strength also goes from bottom to top and top to bottom with each of the sub-waves.

And most importantly, what you should see in the MultiWave™ indicator channel is that when the last of the sub-waves converges with the extreme of the primary wave, we then know our primary level wave has terminated, and that represents the price area where the

trend has exhausted. Voila! We have Harmonic Wave Convergence™. Game Over! It's just like that 4th quarter clock hitting 00:00. The quarter AND the game have both count down to zero. *How sweet it is!*

If this isn't a major "oooo ah" moment for you, I don't think anything you possibly could learn about the Forex would create one.

We've always had the ability, with just the primary level wave strength indicators, to target a "general zone" of overbought (or oversold). But with MultiWave™, what we have is no longer a "general zone", but a very precise, "within pips", exhaustion price. And this difference means something as simple as 10 to 20 times the account balance size in just 30 intra-day trades. That's why it is so significant for traders. And, when combined with the remaining elements of my overall trading strategy, you will see why I believe we have the lowest-risk, highest yield strategy available for Forex traders in the market.

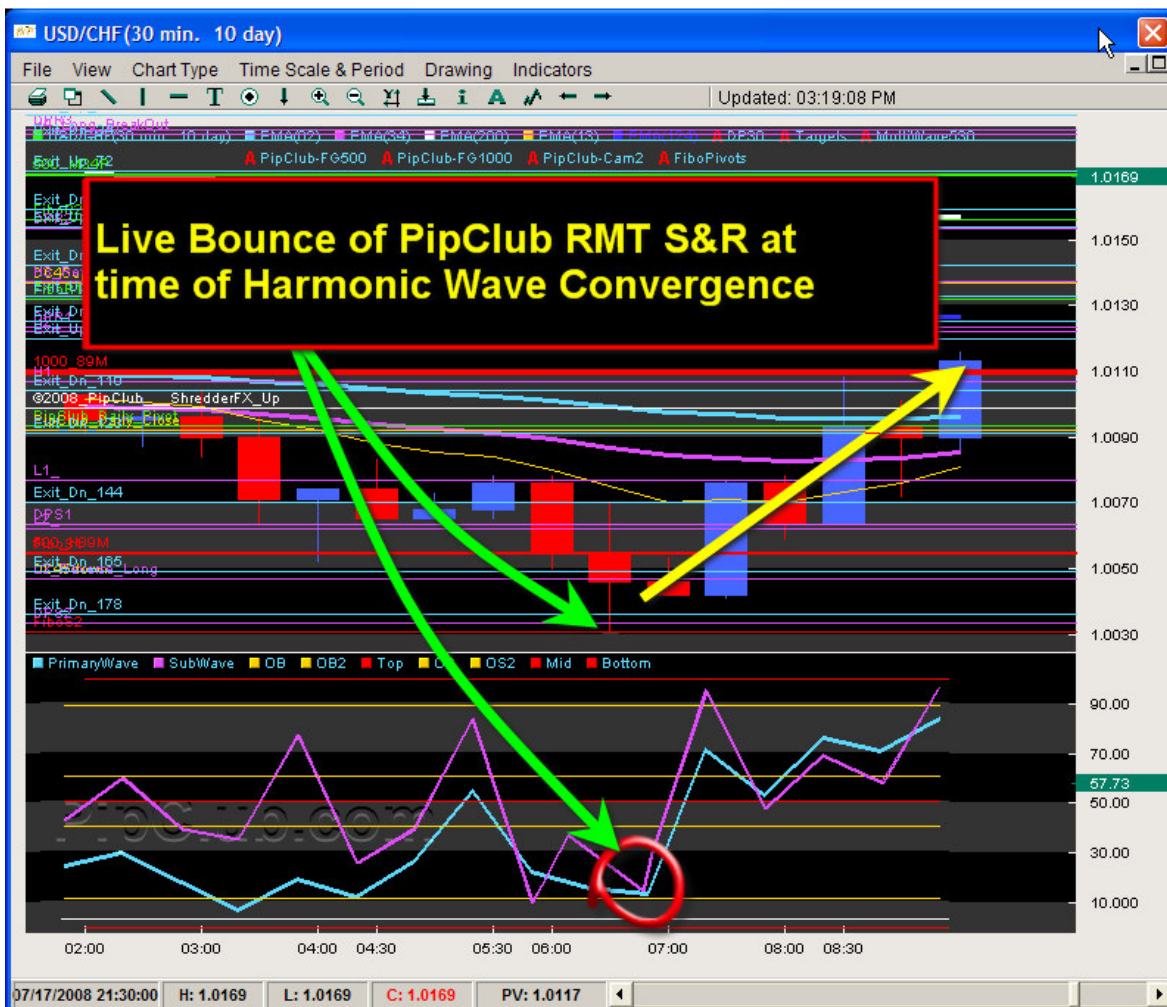


Figure 7. The MultiWave™ indicator shows the Harmonic Wave Convergence™ on a 30-minute chart.

In Figure 7 above, we are looking at our MultiWave implementation on a 30-minute chart. As in our drawings previously, our primary wave is blue, and our sub-wave structure is purple.

Our trading model, ShredderFX, uses a very elaborate support and resistance grid, which generates what we call Reverse Momentum Trades (RMT). When we have a specific candle formation (*there are only 3 to pay attention to*), interact with one of our RMT lines, at the time of

Harmonic Wave Convergence™, we have a true reversal that typically takes place in a 3 to 5 pip zone. ***It's a thing of beauty.***

A simple, very predictable bounce, in a tightly defined range, yields 80 pips in quick order. Because of the risk in a 10-pip stop-loss, those 80 pips are equal to 160-pips for those that use a 20-pip stop-loss, and 400-pips for those that would have had a 50-pip stop loss.

Side Note:

When you see a company or trader marketing the number of pips they trade, understand that a pip is not a pip. Just as we showed you above, if you take two traders who each put 2% into their trade, but one uses a 10-pip stop-loss and the other a 30-pip stop-loss, when they lose, they both lose the same amount of money (*the 2% they risked*) ... but when they both win, the trader with the 10-pip stop-loss makes 3 times the profit. This is one reason I don't listen to signal services or trading companies that talk about the pips they make. When I find out they're trading with 100-pip stop-losses, their claim of 800-pips a month is equal to my 80-pips. Bottom line, a pip is not a pip, UNLESS you know the size of the stop-loss being traded.

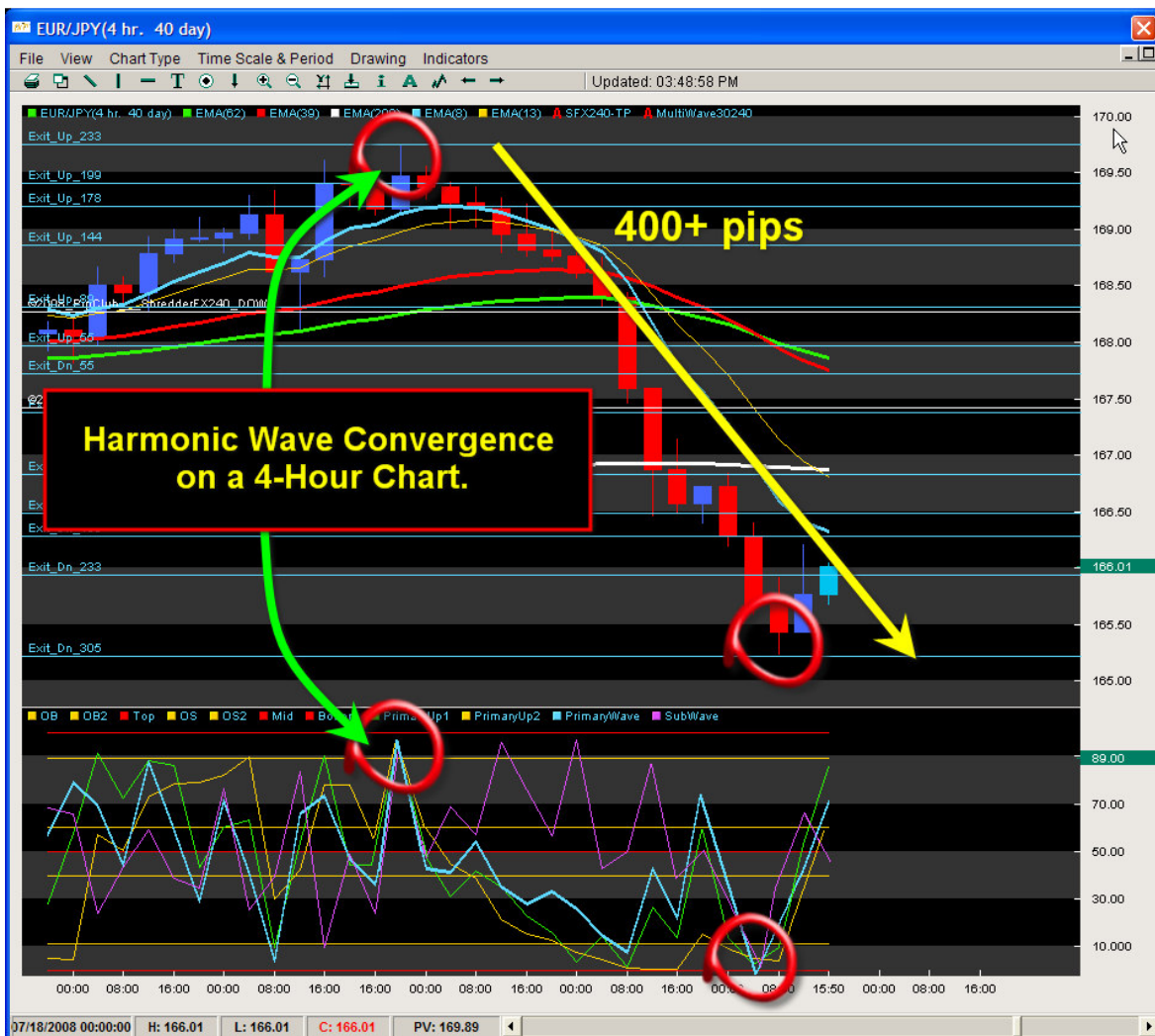


Figure 8. The MultiWave™ indicator shows the Harmonic Wave Convergence™ on a 4-hour chart.

In Figure 8 above, we are looking at our MultiWave™ implementation on a 4-hour chart. As in our drawings previously, our primary wave is blue, and our sub-wave structure is purple. But here we also have two additional higher wave levels, and so we are looking for the convergence of four different wave levels in order to pinpoint, with laser-precision, our wave exhaustion point and our trade entry.

As you can see, when that convergence occurs at such significant levels, the resultant moves are typically very strong. Again, because of the technology, we can even enter a 4-hour trade with very precise, targeted-zones, and once again utilize very tight stop-losses.

Understand a 400-pip gain with a 10-pip stop-loss (assuming you did not leg down along the way, which any prudent trader would do), as you see above, would require the 100-pip stop-loss trader gaining 4,000 pips to make the gains equal. Can you say, "WOW"? Again, repeat it with me, "a pip is not a pip UNLESS you know the size of the stop-loss being traded".

Harmonic Wave Convergence™ truly creates the trading environment I was searching for my entire time in the Forex. It allows for very stress-free trading, incredibly high returns for very low risk, and an abundance of easily, identifiable trades on all pairs all throughout the trading day. I will note that Harmonic Wave Convergence™ as measured by MultiWave™, works in conjunction with the

PipClub support and resistance grid and candlestick formations, which are all readily learned and applied.

Follow-Up

PipClub.com offers two courses that teach profitable-trading strategies based on Harmonic Wave Convergence™.

For more information (*and to view a brief movie introducing ShredderFX*), visit

<http://www.PipClub.com>

For information about the courses, or the **PipClubBootCamp**, select **FXTradersUniversity** from the drop-down menu.

BACKGROUND

I am not an incredibly knowledgeable trader. There are tons of traders with a much stronger understanding of central bank strategies, a better grasp of the formulas inside specific indicators, and more knowledgeable about math and statistics, than I would ever be able to deploy. At the other end of the continuum, I also know there are substantially more traders who have collections of 5,327 custom indicators for their trading platforms.

A good trading partner of mine constantly reminds me that focus and practice is good only if you focus and practice on the right thing. Granted, currency trading is a life skill, and all life skills need repetition to be mastered. However, because of the nature of the education process for currency traders, many are self-taught. As a result, many traders go down paths that take them to anywhere but what trading is about. Unfortunately, this represents the vast majority of that 95% we hear so much about (*as the attrition rate for Forex traders*). And like the blind leading the blind, it's amazing how many traders take the advice of other traders who have yet to find any consistent success trading, and they take that advice as if it is part of the Golden Rules of trading the Forex.

I love to coach. In my professional career, my greatest sense of fulfillment has always come from helping others. In the corporate world, that was helping green managers become seasoned players, or a new sales rep become a sales giant. Coaching is in my blood. Outside of work, I've coached football and basketball and helped with gymnastics. I just love to find a way to communicate the message to others, and get great satisfaction when I see the light-bulb start glowing. Over the past several years, I have been associated with several different organizations involved in the field of Forex education. One was an outright MLM. Bad idea. The infrastructure was there, but the owners were fighting over \$millions, while thousands of traders were waiting to be taught to trade. The second I was Director of Training and Development, but just felt much more could be done. So, I did what most people who love to coach does, I started my own trading company. The bottom line with all this Forex education discussion is that in some form or another, I've seen the ranks of some 12,000 traders who have shown an interest in the Forex. I've seen what the successful traders have done and I have seen what the less-than-successful have done. Because of the sampling, it's not hard to start to realize what it truly takes to be a trader, and then, a successful (*read "profitable"*) trader.

I've discovered that the vast majority of traders have strong egos. They believe they can be self-taught when it comes to trading. I think there is a timing thing here, though, as the advent and growth of the Internet has complimented these traders' thinking. In other words, the vast majority of free information available on the Internet lends many traders to think everything they possibly need to know is just a few keystrokes away. I won't make any profound declarations here, just an honest observation after having worked with many, many traders.... The traders that attempt to learn the Forex on their own represent the highest percentages of failures. They are the traders that go from message board to message board, from forum to forum, and treat everything they read and see as being true, not realizing the vast majority of that stuff is written by Forex newbies with maybe even less trading insight than they have. And this results in strategy jumping, the constant search for the Holy Grail, and going down the wrong path.

And while on this track, I will also state that I have run into very few traders who truly understand risk and money management, and the incredible significance psychological growth plays in their Forex journey. And if you are not yet aware, that represents about 85% of what it takes to become successful. New traders just don't get that the technicals are maybe 15% of the formula for success.

Okay, so let's bring everything together here...

I wanted a trading model that would be duplicatable to the highest degree. We know there are many factors that create a trader, so when it comes to the strategy itself, you have to have an approach that is as much objective-criteria based as is possible. And so, in general terms, that's what has guided me. Other than that, I've had a ton of luck, as well.

As I was starting out as a trader, I did what most traders do; I was looking for something better, something special. It was easier than then it is now. I recall my first Google search on "Forex training". I think I had 577 hits. Today, it's upwards past 750,000. That's a lot of growth in just a few years! So, though I believe I found the proverbial needle-in-the-haystack, the odds were more in my favor then, compared to what they would be now.

But, I will confess to being very analytical. I am analytical in the sense that I want explanations of how things work, not just randomness. As an example, while a 6-12 or 5-13 cross may show trending, I would want to know the "why". Otherwise to me, it was randomness. And I knew early on that random-based systems were not going to be the key to consistent trading success (*I'll explain later why about 99% of all the trading models are random, IMHO*).

In my search, I stumbled upon Vegas' original 4-hour tunnel model. It was the first model where I felt the trader was basing the strategy on something centered on how price actually moved, and not just that randomness that I felt everyone else was attacking. I worked that 4-hour model hard, and found many attributes that were extremely powerful. But I also found many weaknesses with it. But nonetheless, if I never found it, I would not have evolved and discovered what I have, so I am thankful I found it.

After pushing the Vegas 4-hour model, I continued my search, there was more to discover ... and found some work by Rob Booker. You have to love Rob. He's got one of the best attitudes, outlooks, and personalities I've ever seen ... in the Forex and out of the Forex. I was intrigued with his early 5-13-62 model. So I started pushing the envelope of it. In fact, I found some things interesting from Vegas' model that fit into Rob's model, and today, much of the foundation of my trading has its origins there. I've tried to keep Rob somewhat up-to-date on my progress, but he ultimately will only know how it has all come together when he reads this paper. But, thanks Rob, for all you have contributed to the Forex, and for making that original 5-13-62 e-book available.

ACKNOWLEDGEMENTS

And before we get underway into what you really want to read about, I want to just thank a few other folks, too. There are always people behind the scenes that in some way influenced us or helped evolve our thinking. In addition to the Vegas team and Rob Booker influencing me, there are two trading brothers, Robert and Joe Manuse, for whom I spent countless hours trading and researching with over Skype and GoToMeeting sessions. I mean "countless". These are two guys that have the same kind of mind and trading insight as I do. Much of how I think resulted from my interaction with them and the way they operate. We don't trade as much together as we used to, our lives sort of put some distance in there, maybe someday we will again. But, thanks Rob and Joe. I also have to acknowledge Josh "JD" Dillingham for kick-starting my insight into wave strength. Bryan Edwards has been my number-one student, and helped to validate much of what I do today. He's going to be one of the best in the Forex. And I couldn't miss Laurie Pate, whose mind, heart, and passion could not be more aligned with mine. She's been a great influence because she embodies discipline in her trading. She doesn't know how much she has impacted me (*I guess she will now*). And with her, we also have spent hundreds of hours in Skype and GTM sessions reviewing charts and trades. And there have been many other strong supporters along the way ... Patrick Conway, Marion Collins, Alan Schulz, Phil Burnam, Bill Lane, Ray Cannon, Greg Bonemeyer, Drew Spears, Dan Sternberg, Arch Magnant and many others ... all whom have followed me without question through the years and provided feedback that helped enhance the trading strategies. And life has to have its lighter moments, so many thanks to another set of supporting traders, Dave Manning and Fara Hosseini ... you guys put the Fun in Forex. On a more technical front, special thanks to Paul Simsic - for all those last minute requests being delivered without complaint. I also want to thank John Hayes, one of the grandfathers of the Forex, for his insight and passion. If you ever listen to John talk, you'll be mesmerized and sold on the Forex forever. And of course, I need to make a call out to Rish Koya, who has shown me that patience and persistence are vital to success. Lastly, to April, Courtney, Dallas, and Catriona, thanks for being the great kids you are, so I am motivated to do the things I need to do.

Of course, there are many others I would like to thank, but for the sake of embarrassment (*and potential lawsuits*), I will not do so by name. These are the traders that pretended they knew what they were doing, even able to use smoke-and-mirrors to convince others of the same. There have been many ... from supposed trading leadership positions to various company executives. And from these folks, I learned exactly what NOT to do, and so I am thankful to them, as well.

DISCLAIMER

Before deciding to participate in the Forex market, you should carefully consider your investment objectives, level of experience and risk appetite. Most importantly, do not invest money you cannot afford to lose.

There is considerable exposure to risk in any off-exchange foreign exchange transaction, including, but not limited to, leverage, creditworthiness, limited regulatory protection and market volatility that may substantially affect the price, or liquidity of a currency or currency pair.

More over, the leveraged nature of forex trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin requirement, your position may be liquidated and you will be responsible for any resulting losses. To manage exposure, employ risk-reducing strategies such as 'stop-loss' or 'limit' orders.

There are risks associated with utilizing an Internet-based trading system including, but not limited to, the failure of hardware, software, and Internet connection. Neither PipClub nor Steve Gregor is responsible for communication failures or delays when trading via the Internet.

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