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SUNIL MANGWANI

FIBONACCI RELOADED

Sunil Mangwani is a Physics graduate who also has a degree in Financial Management. He has been trading the forex market for the last ten years and devises simple trading strategies based on his vast knowledge and in-depth study in the field of technical analysis. Mangwani specialises in trading with price action and Fibonacci ratios. He uses Fibonacci ratios to effectively trade advanced chart patterns such as Divergences, Wolfe Waves and Harmonic Patterns. He trades these patterns on live markets, with consistently profitable performance, and his personal mentorship program has benefitted large numbers of traders. Mangwani participated in various conferences and trading expos such as the "Asian Trader & Investor Convention" (Mumbai, India); "The International Traders Conference (ITC)" (Barcelona, Spain); The London Investors Show; The World Money Show in London etc. He also conducts specialised workshops on technical analysis for select groups of traders all over the globe. His website is www.fibforex123.com.

➔ TRADERS´: Do you remember your first experiences trading?

I started trading about ten years back when I came across an article about the use of technical analysis in trading. Charts, figures and mathematics have always intrigued me and I decided to look deeper into it. My first experiences were disastrous. Like most new traders, I assumed I could make money by studying indicators and opened a mini account after two months – which went kaput within a couple of weeks. It was a very disheartening start, but I figured I could improve and it should not be too difficult.

I opened another mini account, which lasted longer: three weeks. So, it was back to the drawing board.

Though the initial starts were discouraging, I kept going on with the simple reason that if some traders are making money, then there has to be a way.

TRADERS´: How long did it take you to become consistently profitable?

More than four years. It took a lot of patience and discipline to stick to it, in spite of the fact that I could not make money from trading in the initial years. One of the reasons why I was not successful earlier was that I had unrealistic expectations from trading. I was expecting handsome profits, without really understanding the market and this built a lot of unnecessary pressure. The second reason was that I was not following the crucial factors of "Money Management" and the "Mind" factor.

TRADERS´: Did you ever trade any markets other than FX?

No, I have traded mainly the forex markets. I also trade Gold, Silver and the US Indices mainly because of their strong correlations with the currencies as I tend to keep track of any factor which would influence currency movements. I have stuck to forex because of two distinct advantages. It is a little known fact, but over 65 per cent of the trading in forex is non-deliverable. This data is available on the Bank of International Settlement (BIS) website www.bis.org which keeps track of the forex statistics. This implies that a large portion of trading is done for speculative purposes. This speculative trading, or the reason to buy/sell currencies is mainly based on systems which give technical analysis more weight than fundamental analysis. When a trader/investor buys/sells equities/commodities etc, he looks at the company performance, government policies, seasonal trends and other fundamental factors to identify a profitable stock/commodity. But in currency trading, unless you are a longer term position trader, the fundamental factors which affect the currencies (such interest rates, GDP, employment figures, etc) do not influence the markets on a micro level. While this does not diminish the importance of fundamental analysis, one can take high probability trades based on the charts. Hence, it is the only market which moves more on technicals than on fundamentals. The second fact of course is that it has huge volumes and tends to trend more than any other financial instruments, which makes it ideal for technical analysis.

TRADERS´: What makes it hard to trade forex from your point of view?

Since the spot forex is still unregulated (unlike the currency futures) you have to be careful in choosing your broker. There are a lot of "fly-by-night" brokers, who may offer tighter spreads and lower margins, but they would trade against you to make extra profits, with no guarantee of your deposits. Secondly, the very fact that forex is a 24 hour global market gives it certain drawbacks. Any global factors/incidents/events etc tend to influence the market and one has to take into account that anything can happen, at any time. Similarly any natural calamity or act of terrorism will influence the market.

TRADERS´: So, what are the advantages and good things about trading FX?

The same fact that forex is a 24 hour global market gives it the advantages. Since the market does not have a "central exchange" and is spread globally, it is difficult for any institute/company to manipulate the market in any way. A retail trader has access to the same data available to larger institutes/funds etc. Every broker offers a free demo account, with live data. This is an excellent way to practice the techniques and understand the orders etc, before committing your capital. Also, you are free to choose your own time zones depending on your location. In addition, the transaction costs in forex trading are very low as compared to other financial instruments. Finally, one can buy and sell the currencies with no restrictions, thus getting better profit potential regardless of market direction.

TRADERS´: Forex is by far the biggest financial market in terms of trading volume, and it is known to be very highly efficient. Did you ever think about the academic idea of efficient markets? From that point of view, it should be very hard if not impossible to be consistently profitable in Forex as it is so efficient. Is there a missing link, or do some traders just have an edge others don't, which makes them money in the long run?

An Efficient Market can be defined as: "At any given time, prices fully reflect all available information on a particular market. Thus, no investor has an advantage in predicting a return on the financial instrument." But the key to any efficient market is high liquidity. The incredible volume traded in the FX market, thus contributes to the integrity of the market as it is virtually impossible for an individual or group to manipulate prices. My personal observation has been that there is a pattern in the price movement. While price movements may appear to be random, every wave/trend tends to give clues for expected moves. There is always a "method behind the madness" which can be exploited by using technical analysis. Thus it is possible to be consistently profitable in this market. But the statistics say that only a small percentage of traders manage to achieve this. There is no missing link here, but the simple fact is that the successful traders follow the principles of Money Management. This, according to me, is the edge that the successful traders have over the others.

I learnt this the hard way and my earlier failures were mainly because I was not following the concepts of Money Management.

TRADERS´: What time horizon are you trading on, and why?

I usually trade on the higher time frames – the 1 hour, 4 hour and Daily. The principles of money management work better on higher time frames and it gives me enough time to plan the trade. Plus price tends to respect levels of support/resistance and the Fibonacci ratios better on higher time frames. Smaller time frames tend to have a lot of "noise" resulting in whipsaw moves and one would not have time to plan the trades. I do follow some highly effective "intraday strategies" which are traded on the 15-minute chart, but I make sure to have a precise trade plan built for the trade.

TRADERS´: Please tell us about the concept to use Fibonacci numbers and ratios in trading.

Fibonacci ratios are derived from a mathematical series discovered by Leonardo Fibonacci, where the Golden Mean of 0.618/1.618 is the key. These ratios are present in nature and can be seen in art, architecture, music and various other fields. The financial markets too tend to respect these ratios widely. Since price never moves in a straight line, but rather in a series of pullbacks/retracements and expansions, these create opportunities to apply the Fibonacci ratios. The simplest way of understanding the use of the ratios, is that during retracements and expansions, price tends to move towards these ratios for support or resistance. In a way these ratios act as magnets and a trader can reasonably predict the level of support/resistance based on these ratios. There have been a lot of theories about why they work or do not. The simplest explanation could be that a large number of traders follow these ratios, and tend to react when price approaches these levels – which becomes a "self-fulfilling" condition. Or we could go by a logical explanation (and a humorous one). It is a little known fact that there are Fibonacci ratios present in the human body.

For example, if we take the total height of any individual (head to toe) and divide it by the measurement of head to belly-button, it will always be 1.618 (app). Similarly, if we take the total length of a person's arm (shoulder to fingertip) and divide it by the measurement of shoulder to elbow, it will always be 1.618 (app). Now, humans drive the financial markets and thus the Fibonacci ratios would have a role to play in the markets. Logical? I think so. The Fibonacci ratios can be very effective, if they are used in the correct way. Ironically, even though it is one of the most effective tools of technical analysis, it is also the most misunderstood. The ratios can help anticipate when the market makes a major turn and identify key turning points for tops and bottoms. But most traders tend to use the standard "Fibonacci retracement" ratio

I could not make money from trading in the initial years.

INFOBOX: FIBONACCI EXTENSIONS

Leonardo Fibonacci was a 13th century mathematician who, among other things, noted that there are certain ratios that tend to reoccur in nature. The common ones that he identified were 38.2%, 50%, and 61.8%. There is evidence of Fibonacci ratios operating throughout nature. One can use these naturally recurring ratios to help anticipate stock market activity. What you can do is watch for retracements to these levels. For example if a stock has just completed a 10-point run, say from $90 to $100 and is now pulling back. We would expect the stock to retrace to $96.18 (38.2% retracement from $100) if it does not turn there we would next watch at $95 (50% retracement from $100) and the next level would be $93.82 (61.8% retracement from $100). In addition, you can look for extensions from these levels. Extensions consist of all levels drawn beyond the standard 100% level and are used by many traders to determine areas where they will wish to take profits.
Source: www.topgunsoftware.com

for all situations, along with the standard numbers of 38.2; 50.0 and 61.8. But there are different Fibonacci ratios like Expansion, Fans, Arcs and each ratio should be used for the appropriate setup.

TRADERS´: Most trading systems are based on indicators and most traders consider indicators to be the main essence of technical analysis. You tend not to use indicators. Why?

I do not use indicators as most indicators are lagging. While this does not mean that indicators are worthless, they should be used in appropriate situations. For example I use the Slow Stochastic to identify a "regular divergence". While the divergence can be identified by other indicators like MACD (Moving Average Convergence/Divergence), RSI (Relative Strength Index), CCI (Commodity Channel Index) etc, the slow stochastic has certain characteristics which make it ideal to differentiate between the divergence class A, B or C. But subsequently, the use of the Slow Stochastic is restricted only to the identification of the divergence. The trade plan of the divergence then takes into account the price action and the use of Fibonacci ratios to decide on the entry, stop and targets.

One should never use indicators to determine trading parameters like entry and target levels. For example if you are going to enter a trade on the crossover of the signal lines of the MACD, or the crossover of two different moving averages, you are headed for trouble. Since the indicators are lagging, you will enter a trade when most of the movement has already taken place and you get in when the supply/demand is running out. Quite frankly, I do not need any indicators as I find the confluence of support/resistance levels; trend lines and Fibonacci ratios, more than enough to understand the price movement.

TRADERS´: Could you tell us about the importance of a trade plan?

A trade plan is often the thin line between success and failure and a trader has a better chance of

F1) HARMONIC PATTERN ON THE GBP/USD

This Harmonic Pattern was confirmed by point D forming precisely at the confluence of the Fibonacci ratios. Price tends to reverse from this confluence zone and we can expect price to rally and form a larger impulsive wave.
Source: www.metatrader4.com

F2) ACTUAL TRADE ON THE GBP/USD

After entering the position, the stop was placed below point D. The price objective was the main target T3 at the Fibonacci projection level 127.2, T1 and T2 being intermediate target levels. Price continued way beyond the expected target and Mangwani followed price by moving his stops further up, till the last lot got stopped out by price.
Source: www.metatrader4.com

succeeding if he/she has a precise trade plan which includes the concept of 3M's – Money, Mind and Method. If a trade plan is distributed on a scale of ten, the money management part would constitute five parts ("Money"). The discipline and patience to follow the plan would constitute three parts ("Mind"). The technical analysis/methods would constitute only two parts ("Method"). Thus one can see that "technical analysis" or trading systems form a very small part in the overall picture. Most traders look only at a trading technique and do not take into account the crucial factors of Money and Mind. It is not surprising that most traders lose money, since they are concentrating only on 20 per cent of the factors needed for trading (I would say five per cent, since they often follow techniques based on indicators). A trade plan has to be very precise (like a pilot's checklist) and it should clearly define the entry, stop and expected targets of the trade. This enables the trader to calculate the risk-to-reward ratio and the "Position Sizing". It should also include points such as where should one take partial profits, how would one manage the trade if it runs successfully and what should one do if price goes against you. It is crucial that all these points are clearly defined BEFORE one enters a trade.

One of the primary advantages of a precise trade plan is that takes away the emotions from the trading process. Human emotions play a huge part in trading and can be a major disadvantage. With a trade plan, a trader will not "second-guess" the motives and will also not let fear and greed cloud the trade. Hence one must have a trade plan and one must have the discipline and patience to follow it, regardless of the trade outcome.

Also Trade management is very crucial and one must manage the trades. It is not a "fire-and-forget" system where you can take a trade and hope that it will reach the desired target or get stopped out. The market is ever changing and one must be around to manage the trade as and when it moves, whether in your favour or against you. I get a lot of questions on this and can give a simple analogy. If you had a regular "brick and mortar" business, would you visit the office once in the morning, give directions, spend the day playing golf and come back in the evening, hoping that everything went smoothly? Once you enter the trade, the markets take over and the trade is out of your control. You can only manage the trades with the correct principles of 3M's which is what a trade plan is all about. Most new traders think that finding a system is the most important thing. While it is, if you do not have your money management, discipline and emotions in order, you chances of succeeding are very slim.

TRADERS´: Please tell us about your trading setups. Can you give us a few trade examples including entries, position management, and exits? Please go into details as far as possible.

My trading setups are based mainly on price action, which include simple levels of support/resistance, trend lines and Fibonacci ratios.

I trade mainly with selected patterns – The Advanced 1-2-3 pattern, Divergence (Regular and Hidden), Harmonic Patterns and Wolfe Waves. I call them the "cornerstone" techniques as one of these patterns is always present when price changes trend (or continues with an existing trend). The most crucial factor is that I have a precise trade plan for all the setups, with the concepts of the 3M's which gives me the edge.

TRADERS´: Can you please take examples of each of the patterns for us to understand each trade setup and the importance of the trade plan and trade management?

Yes, of course. Let us get started with Harmonic Patterns. They are the most precise patterns since they are based on accurate Fibonacci ratios. Unlike other patterns that work with the fibs, the harmonic patterns exhibit a precise harmony with the Fibonacci ratios, which make it very accurate and one can determine the expected moves.

F3)) BEARISH DIVERGENCE

Figure 3 shows a "Class A" bearish divergence, which was identified when price made higher highs and the Slow Stochastic made lower highs. Mangwani uses Fibonacci Projections to calculate the price targets for the divergence, with the 127.2 being the primary target. In this pattern, the 78.6 Fib projection level plays a very important role and we take initial profits at this level.

Source: www.metatrader4.com

There are different types of Harmonic Patterns, and I would like to speak about the Gartley Pattern.

This is a frequently occurring pattern and very accurate since price respects the Fibonacci levels very precisely. In this 5-point pattern labelled as X-A-B-C-D, the price points tend to form at the following ratios:

B = 50.0 / 61.8 of X-A
C = 50.0 / 61.8 of A-B

The defining factor of the pattern is point D, which always forms at a confluence of two Fibonacci ratios:

D = 78.6 of X-A and 127.2 / 161.8 of B-C

Figure 1 shows an example of a Harmonic Pattern on the GBP/USD on the daily time frame. This Harmonic Pattern was confirmed by point D forming precisely at the confluence of the two Fibonacci ratios stated above. Price tends to reverse from this confluence zone and we can expect price to rally and form a larger impulsive wave. I started preparing my trade plan and executed as follows:

- Entry was based on Fibonacci ratios and trend lines
- Stop was placed below point D
- Price objective – main target T3 at the Fibonacci projection level 127.2 and T1 and T2 as intermediate target levels.

This accuracy of the fib levels enabled me to calculate my risk-to-reward ratio and decide my position sizing. Figure 2 shows the actual trade. The trade was managed as I closed one lot when price reached T1 and shifted my stop to the entry level. At this stage I was in a "free trade" as my risk was zero and had already locked in some profits. If for some reason, price would have turned, I would walk away with a small profit and no loss. I closed the second lot when priced reached T2 and shifted my stop further to T1; thus locking in more profit. When price achieved the final target level T3, I moved my stop to T2 and let the last lot ride just in case price decided to go further. Price continued way beyond the expected target and I followed price by moving my stops further up, till the last lot got stopped out by price.

TRADERS´: What about the so-called Regular Divergence pattern?

It is one of the most effective reversal patterns, and the precise rules for the setup make it even more effective. The pattern is identified with the help of the Slow Stochastic indicator, but once again, it is confirmed by Fibonacci ratios. I trade only the divergence "Class A", since it is a high probability trade. Figure 3 shows a "Class A" bearish divergence, which was identified when price made higher highs and the slow stochastic made lower highs. This is a strong indication of "loss of momentum" and thus a possible change of trend. The trade plan was prepared after confirming with the Fibonacci ratios. I use Fibonacci Projections to calculate the price targets for the divergence, with the 127.2 being the primary target. In this pattern, the 78.6 Fib projection level plays a very important role and I take initial profits at this level.

TRADERS´: What is the main concept of the 1-2-3 Pattern?

It is one of the simplest patterns to trade and highly effective. The advantage is that it occurs at the beginning of a new trend as well as in an existing trend. Since price moves in a series of pullbacks, it occurs quite frequently. In Figure 4, I identified and confirmed the 1-2-3 Pattern with Fibonacci fans. A 1-2-3 Pattern is valid only if it forms within the Fibonacci fan levels. It is a high probability setup if it forms precisely at the 88.6 fan level. Once price found resistance at the 88.6 fan level, I used the Fibonacci Expansions to determine the target, with the Fibonacci Extension 127.2 as the primary target. As can be seen in Figure 5, price reached the expected target and managed the trade by taking intermediate profits and shifting stops to lock in profits.

TRADERS´: Why not trade the 1-2-3 Pattern the conventional way as most traders do?

F4) 1-2-3 PATTERN

Mangwani identifies and confirms the 1-2-3 Pattern with Fibonacci fans. A 1-2-3 Pattern is valid only if forms within the Fibonacci fan levels. It is a high probability setup if it forms precisely at the 88.6 fan level. Once price found resistance at the 88.6 fan level, he used the Fibonacci Expansions to determine the target, with the Fibonacci Extension 127.2 as the primary target.
Source: www.metatrader4.com

Trading this pattern in the conventional way has some drawbacks from the money management perspective. The standard entry would be on the break of point 2 of the pattern, with the stops being placed above point 1. This increases the risk tremendously, which has a negative effect on the risk-to-reward ratio. My first priority as a trader is to reduce my risk, albeit with the correct technical parameters. Hence I have modified this pattern, to get an earlier entry based on certain Fibonacci levels and other factors, as seen in Figure 5. This reduces the risk to a large extent, thus increasing my risk-to-reward ratio. I call this the advanced 1-2-3 Pattern. Figure 5 also shows the price target as I use the Fibonacci Expansions with the Fibonacci Extension 127.2 as the primary target. As can be seen, price reached the expected target and I managed the trade by taking intermediate profits and shifting stops to lock in profits.

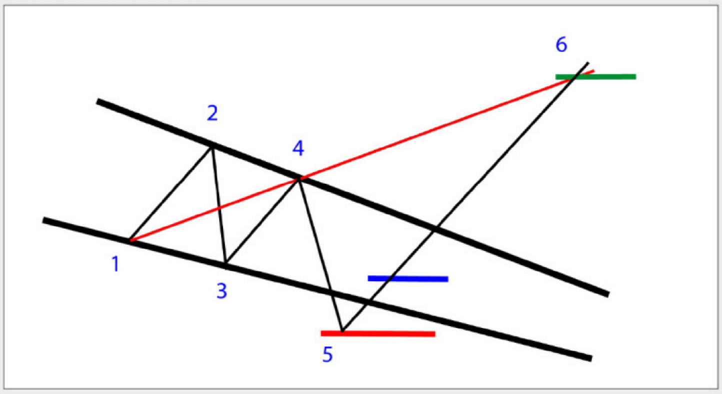
TRADERS´: Finally, please tell us some details about trading Wolfe Waves.

The Wolfe Wave is a natural pattern found in every market. Its basic shape shows a fight for balance, or equilibrium, between supply and demand. This naturally occurring pattern was not invented, but rather discovered as a means of predicting levels of supply and demand. These patterns are very versatile in terms of time, but they are specific in terms of scope. The overriding factor in identifying the Wolfe Wave pattern is symmetry. When there is certain symmetry between 1-3-5, price tends to move to the specific target of line 1-4 (Figures 6 and 7). Therefore, the Wolfe Wave is a very precise reversal pattern with the price objective being clearly defined. The main advantage of this pattern is the high risk-to-reward ratios one can get; usually around 1:4. As we can see in Figure 6, the price objective is simply a trend line connecting the point's 1 to 4. Once again, the most important factor in all these techniques is the precise trade plan built for each.

F5) ACTUAL TRADE ON THE AUD/USD

Figure 5 shows the entry, stop, and target of the trade identified in Figure 4. Source: www.metatrader4.com

F6) BULLISH WOLFE WAVE



The overriding factor in identifying the Wolfe Wave pattern is symmetry. When there is certain symmetry between 1-3-5, price tends to move to the specific target of line 1-4. The main advantage of this pattern is the high risk-to-reward ratios one can get (usually 1:4). The price objective is simply a trend line connecting the point's 1 to 4. Source: TRADERS` Graphic

TRADERS´: What about news events – do you lower your position size before important data gets published? And what if there is a sudden surprise and you are invested in a full position?
I do not trade the news at all and during times of important new release (like the US non-farm payrolls) I make sure my open positions are either protected with a proper stop-loss, or they are closed. As far as surprise news/events affecting the trades, all my trades have a stop-loss in place and there is no exception to this rule. Trading without stops is like walking the tight rope without a safety net. And if my trade is stopped out by unforeseen circumstances, I just accept the loss as a part of trading and move on to the next trade.

TRADERS´: What about slippage in FX trading? Do you use techniques to minimise it?
Unfortunately this is a common phenomena and one cannot avoid it completely. Trading on higher time frames minimises the effect of slippage to a large extent.

TRADERS´: How can you make sure your broker does not cheat on you? Forex is OTC (over the counter) so you cannot exactly prove whether the quotes you are trading on are actually based on the interbank market pricing all the time. And "losing" only one pip that way on each trade is not acceptable.
Once again, since the OTC market is still unregulated this can happen. The only safe guard one can take is to open an account with a reputable broker who is registered with the financial authorities. Or open an ECN account (which still does not guarantee the correct interbank pricing). A trader has to take into these factors as an extra cost and build his/her trade plan to include these. Which brings me back to the same point – trading on higher time frames. If a trader is scalping, losing one pip can make a huge difference, but this extra costs gets compensated when you are trading on the 4-hour chart.

TRADERS´: Do you use any screening techniques to find the best currency pair to trade?
My screening technique is based on technical setups rather than the currencies. I start my day by scanning the different currencies for patterns. Once I have identified a possible setup, then I drill down to that time frame and start preparing my trade plan. I will enter a trade only if price confirms the setup conditions.

TRADERS´: Please tell us about the risk and money management rules you apply.
I follow strict rules for risk and money management, which I never deviate from, ever.

I consider these following rules to be the "holy grail" of trading:

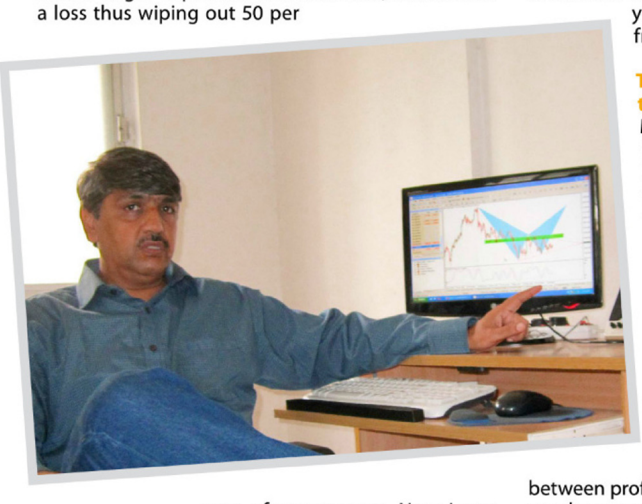
1. All the trades have a stop-loss.
2. I trade with multiple lots; three lots are ideal.
3. My risk-to-reward ratio is always (1:2) minimum.
4. Position sizing: I never risk more than two per cent of my account at any given time, including all open trades.

I can assure every trader that following just these rules will put them in the top 15 per cent category of the traders who make money.

TRADERS´: Speaking about risks and rewards, what was the worst loss you ever had in trading? Also, what was the greatest winning trade?
Let us start with the losing trade, as I believe a trader must concentrate more on losing trades than on winning trades. My worst loss was in my initial stages, among the times when I had blown my accounts. It was not a single loss, but a series of losing trades which was a very expensive lesson learnt. The reason I want to mention this particular example, is that this loss incurred by not following the concepts of 3M's and I still see a lot of new

F7) ACTUAL TRADE BASED ON WOLFE WAVES

Figure 7 shows an actual trade on the EUR/USD using Wolfe Waves (ww). Source: www.metatrader4.com traders having similar losing trades. I took a long trade on the EUR/USD on the 5-minute time frame using high leverage, thus exposing almost 20 per cent of my capital in this trade. It turned into a losing trade with my stops being taken out. This down move in the currency formed another pattern (or so I thought) and I immediately took another long trade with a larger exposure. This trade too, turned into a loss thus wiping out 50 per



cent of my account. Now I was in the "revenge" phase and wanted to get back to the market. I waited for some time till I identified a perfect bullish divergence pattern. Now this cannot go wrong and I needed to recover my capital. So I took this trade by risking almost all of the left-over capital. Price moved in my favour, and my hands stopped sweating. Take some profits, take some profit; screamed my logical mind. But greed overcame that, as I wanted all my losses recovered. And then BOOM – in a fraction of a second, price turned and the EUR/USD dropped 200 pips. I remember it was the US Fed chairman's comment on the US interest rates. I blew my entire account in a matter of four hours. Lessons learnt – After a losing trade, close the computer, go for a walk, clear you head and come back with a fresh mind. Never over expose your account. Do not get into the "revenge" mode, as the market is always right. One cannot predict what will happen in the next five minutes, so take profits whenever you can. Do not trade on too small time frames.

TRADERS´: And your greatest winning trade?

My greatest win was trading a Harmonic Pattern on the GBP/USD daily time frame. It was a text book "Gartley" Pattern, which I managed to enter at the right time. The initial risk-to-reward ratio was an excellent (1:6) and price continued beyond the expected target with a final RR ratio of (1:11). Since currencies tend to trend for a longer period of time, a forex trader must "milk" the trade of all possible profits and at the same time, protect the profits – which was how this was traded. It was a perfect example of trade management, as I was in the trade for three months, moving my stops and taking in between profits with a net gain of 2600 pips. You can see the corresponding chart in Figure 2. I now use this specific trade as a textbook pattern.

TRADERS´: What are the pitfalls traders must avoid?

Do not trade, just because price is moving and you need to get a piece of the action. These large moves are usually "fake moves" designed to trap amateur traders. Prepare a trade plan and have the discipline and patience to follow it. Trade only when you identify a setup as per your plan. If you do not get the required setup, do not trade; even if price is moving 200 pips without you. Remember, staying out is also a position and you do not have to trade every day. Always follow the rules of money management. Do not follow indicators blindly, as most indicators are lagging.

TRADERS´: Thinking of a developing trader, what would you tell him he needs to do to become successful?

Keep your expectations realistic. Decide what you want from trading and set realistic goals. Most new traders think it is a "Get rich overnight" scheme and want to double their capital in one month and buy a Ferrari by the end of the year.

It has to be treated like a business and one has to put in the required time and effort. Familiarise yourself with the market conditions with a demo account till you are confident. Open a small live account and trade

In a way Fibonacci ratios act as magnets.

on it till your account is in profit. Then think about trading with larger amounts. You must feel the pinch of losing money, which cannot happen with a demo account.

I know a lot of traders who have made huge amounts on demo accounts, but could not manage to make even a $ 100 profit on a real account. In a demo account you can risk 50 per cent of your capital on one trade, but you would not do that when your hard earned money is on the line. You must have a trade plan with the 3M's. Focus on your trading process and not on the outcome.

Losing trades are a "part and parcel" of trading and do not expect to get all your trades correct. Accept the losses and learn to see failures and setbacks as opportunities for learning.