

THE POWER OF SYNTHETIC TRADING

A Complete Mastery Guide to Synthetic Indices on Deriv

Written by

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This book is written for educational purposes only. Trading synthetic indices on Deriv or any other platform involves significant risk, including the possible loss of your entire capital. The strategies, techniques, and information presented in this book are based on the author's research and experience and are not guaranteed to produce profits. Past performance is not indicative of future results.

The author, Williams Eric, makes no representations or warranties regarding the accuracy or completeness of the information herein. You are solely responsible for your trading decisions. Please consult with a qualified financial advisor before engaging in any form of trading.

Synthetic indices are simulated financial instruments. While they operate 24/7 and are not influenced by real-world economic events in the traditional sense, they carry their own unique risks including extreme volatility. Trade responsibly.

Foreword

In the world of financial markets, few instruments are as misunderstood — and as powerfully profitable — as synthetic indices. When most traders hear about Deriv's synthetic markets, they either dismiss them as gambling or dive in recklessly without understanding the mechanics underneath.

This book was born out of years of engagement with the synthetic market. I have watched traders blow accounts in hours and I have watched disciplined traders build consistent income streams month after month. The difference was never luck. The difference was always knowledge, structure, and discipline.

The Power of Synthetic Trading is designed to take you from complete beginner to a strategically informed trader. We cover everything — from what synthetic indices are, how they are constructed, when to trade them, and most critically, how to trade them with a structured edge.

You will learn the five most powerful strategies proven to work on synthetic indices, including top-down analysis, support and resistance, chart patterns, Fibonacci retracement, trendline analysis, and liquidity concepts. Each strategy is explained with depth, context, and actionable application.

Equally important, you will learn the art of risk management — because without it, no strategy in the world can save you.

This is not a get-rich-quick guide. This is a professional trader's manual. Read it carefully. Study it repeatedly. Apply it with discipline.

The synthetic market is open 24 hours a day, 7 days a week, 365 days a year. The opportunity never closes. The only question is: are you ready to trade it right?

— **Williams Eric**

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CHAPTER ONE

What is Synthetic Trading?

Synthetic trading is the practice of buying and selling financial instruments that are artificially constructed — not derived from a real underlying asset like a stock, commodity, or currency pair, but instead generated algorithmically to simulate the behavior of real financial markets. These instruments are called synthetic indices.

Unlike traditional financial markets that are tied to the performance of economies, companies, or commodities, synthetic indices are powered by a proprietary random number generator (RNG) algorithm. This means their price movements are mathematically generated under defined statistical parameters, producing movements that mimic the volatility, trends, and patterns found in real markets.

The Core Concept

To fully understand synthetic trading, you must first understand the word 'synthetic.' In the context of finance, synthetic means artificially created to replicate the characteristics of something else. Synthetic indices replicate the trading environment of real financial markets — volatility, price swings, trends, consolidations — without being affected by news events, economic data releases, or political decisions.

Key Insight: Synthetic indices are never affected by geopolitical events, earnings reports, or central bank decisions. This makes them uniquely consistent in their mathematical behavior.

Why Synthetic Trading Exists

Synthetic trading was developed to solve several problems that traditional traders face:

- **Market Hours:** Traditional forex and stock markets have opening and closing times. Synthetic markets are available 24/7, every day of the year.
- **News Risk:** Real markets can spike dramatically due to unexpected news. Synthetic markets eliminate this unpredictability.
- **Accessibility:** Synthetic indices can be traded with small capital, making them accessible to traders from developing economies.
- **Consistency:** The parameters that govern synthetic market volatility are published and fixed, giving traders a defined statistical environment.

The Mathematics Behind Synthetic Indices

Synthetic indices are generated by a cryptographically secure random number generator (CSRNG) that produces random outputs. These outputs are then processed through a defined algorithm that converts them into price values. The algorithm ensures that certain statistical properties are preserved — such as average volatility level, distribution of price moves, and the probability of specific events.

For example, the Volatility 75 Index (VIX 75) is designed to simulate a market with a 75% volatility parameter. This means price moves in this index are significantly larger per tick compared to indices with lower volatility settings.

Is Synthetic Trading Real Trading?

This is one of the most common questions new traders ask. Yes — synthetic trading is real trading in every meaningful sense. You place real money, you profit in real money, and you can lose real money. The psychological, technical, and risk management principles are identical to those used in forex or stock trading.

What is artificial is only the underlying price source. The human decision-making, analysis, strategy, and discipline required are entirely real and entirely demanding.

CRITICAL POINT

Synthetic indices DO form real chart patterns, trends, support and resistance levels, and respond to technical analysis. This is because the RNG algorithm produces statistical distributions that naturally create these structural patterns over time.

Who Trades Synthetic Indices?

Synthetic indices attract a diverse community of traders:

- Retail day traders seeking high-volatility opportunities without waiting for market hours
- Scalpers who need rapid, consistent price movement to execute short-term trades
- Systematic traders who run algorithmic strategies on consistent market behavior
- New traders learning technical analysis in a controlled environment
- Traders from Africa, Asia, and Latin America who face restrictions in traditional markets

CHAPTER TWO

The Deriv Platform — Your Synthetic Trading Home

Deriv (formerly known as Binary.com) is the primary and most established platform for synthetic indices trading globally. Founded in 1999 and rebranded to Deriv in 2020, it has grown to serve over 2.5 million active traders across 190+ countries.

Deriv is the exclusive provider of synthetic indices and the only platform where you can access instruments like the Volatility 75 Index, Boom and Crash indices, Jump Indices, and Step Indices. These products are proprietary to Deriv and cannot be traded on any other platform.

Deriv Trading Platforms

Deriv offers multiple trading interfaces to cater to different trading styles:

DTrader

DTrader is Deriv's flagship web-based platform. It provides access to all synthetic indices in a clean, intuitive interface. Traders can choose between digital options (Up/Down, Digits, Touch/No Touch) and CFDs (Contracts for Difference) on synthetic indices.

MT5 (MetaTrader 5) on Deriv

MetaTrader 5 integrated with Deriv's synthetic feeds is the most powerful way to trade synthetic indices professionally. MT5 allows full use of technical analysis tools, custom indicators, expert advisors (EAs), and detailed charting. This is the recommended platform for strategy-based trading.

Deriv X

Deriv X is a customizable multi-asset trading platform. It provides a flexible dashboard where traders can set up multiple chart views, track positions, and access synthetic indices alongside forex and commodities.

SmartTrader

SmartTrader is a simplified options-based interface for trading binary options and multipliers on synthetic indices. It is best suited for traders who prefer defined-risk trades.

Account Types on Deriv

Account Type	Description
Demo Account	Free virtual money account. Ideal for practice, strategy testing, and learning. No real money risk.
Real USD Account	Live account funded with real USD. Connects to MT5, DTrader, and Deriv X.
Synthetic Indices Account (MT5)	MT5 account specifically for synthetic indices. Offers leverage up to 1:1000 on selected indices.

Financial Account (MT5)	MT5 account for forex, commodities, and CFDs alongside synthetics.
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Minimum Deposit and Leverage

Deriv allows traders to start with as little as \$5 USD on real accounts. Leverage on synthetic indices on MT5 can reach up to 1:1000, though this is a double-edged sword that amplifies both profits and losses. For beginners, starting with low leverage (1:50 to 1:100) is strongly advised.

Why Deriv is the Best Platform for Synthetic Trading

- Exclusive access to proprietary synthetic indices not available anywhere else
- Regulated by multiple authorities including the Malta Financial Services Authority (MFSA) and the British Virgin Islands Financial Services Commission
- 24/7/365 market access with no downtime
- Tight spreads on popular synthetic indices
- Free, unlimited demo accounts
- Full MT5 integration with all professional charting tools

CHAPTER THREE

Types of Synthetic Indices on Deriv

Deriv offers a rich ecosystem of synthetic indices, each with unique volatility characteristics, trading behavior, and ideal use cases. Understanding each category is foundational to selecting the right instrument for your strategy.

Category 1: Volatility Indices

Volatility Indices are the most popular category of synthetic indices on Deriv. They simulate a market with a constant volatility level, expressed as a percentage. The higher the volatility number, the larger and more frequent the price swings.

The Full Volatility Index Family

Index Name	Volatility Level & Behavior
Volatility 10 (V10)	Lowest volatility. Slow, steady price movement. Best for beginners and long-term swing trades.
Volatility 10 1s (V10 1s)	1-second tick chart version of V10. Faster execution, same low volatility.
Volatility 25 (V25)	Low-medium volatility. Moderate price swings. Good for conservative scalping.
Volatility 25 1s (V25 1s)	1-second version of V25. Useful for high-frequency strategies.
Volatility 50 (V50)	Medium volatility. Balanced swings. Popular for intraday trades.
Volatility 50 1s (V50 1s)	1-second tick version of V50. Fast execution, medium volatility.
Volatility 75 (V75)	High volatility. Large, fast swings. The most traded synthetic index globally. Favored by experienced traders.
Volatility 75 1s (V75 1s)	1-second tick version of V75. Extremely fast movements. High risk, high reward.
Volatility 100 (V100)	Highest volatility. Maximum price swings. Requires strong risk management.
Volatility 100 1s (V100 1s)	1-second version of V100. The most aggressive synthetic index available.
Volatility 150 1s (V150 1s)	Ultra-high volatility. Reserved for highly experienced traders only.
Volatility 200 1s (V200 1s)	Extreme volatility. For expert traders with strong systems and tight risk management.
Volatility 250 1s (V250 1s)	The highest volatility index on Deriv. Extreme price movements every second.

The '1s' suffix means price updates occur every 1 second rather than every tick. This creates denser price history and is often preferred for scalping strategies.

Category 2: Crash and Boom Indices

Crash and Boom indices are among the most unique and exciting instruments on Deriv. Unlike volatility indices that move in both directions continuously, Crash and Boom indices have a defining asymmetric characteristic: they trend steadily in one direction punctuated by sudden, sharp spikes in the opposite direction.

Boom Indices

Boom indices trend downward (bearish) most of the time, occasionally experiencing sharp upward spikes. These spikes (booms) occur on average at a statistically defined frequency — either every 300, 500, or 1000 ticks.

- Boom 300: Spike occurs approximately once every 300 ticks (most frequent boom)
- Boom 500: Spike occurs approximately once every 500 ticks
- Boom 1000: Spike occurs approximately once every 1000 ticks (least frequent)

Crash Indices

Crash indices are the mirror image of Boom. They trend upward (bullish) most of the time, with occasional sudden sharp downward crashes. Again defined by average tick frequency:

- Crash 300: Crash spike occurs approximately once every 300 ticks
- Crash 500: Crash spike occurs approximately once every 500 ticks
- Crash 1000: Crash spike occurs approximately once every 1000 ticks

TRADING BOOM & CRASH

The strategic approach to Boom and Crash indices is to trade WITH the trend (buy Boom spikes, sell Crash spikes) or to anticipate the spike direction and position before it occurs. Never trade AGAINST the spike direction using large positions as the spike can be hundreds of pips in milliseconds.

Category 3: Jump Indices

Jump Indices are a newer category that combine standard continuous price movement with programmatic random jumps at defined average intervals. A jump is a sudden, instantaneous price move that is larger than typical tick movement.

- Jump 10: An index with 10% volatility that experiences jumps approximately once per minute on average
- Jump 25: 25% volatility level with jumps once per minute on average
- Jump 50: 50% volatility with jumps every minute
- Jump 75: 75% volatility with jumps every minute
- Jump 100: 100% volatility with jumps every minute

Jump indices are particularly suitable for traders who want to capture explosive moves. The combination of regular volatility PLUS sudden jumps creates opportunities for breakout and momentum strategies.

Category 4: Step Index

The Step Index is one of the most unique instruments in the Deriv ecosystem. Unlike all other synthetic indices, the Step Index does not move continuously — it moves in discrete fixed-size steps. Every tick, the price either moves up by exactly one unit, down by exactly one unit, or stays the same.

This creates a staircase-like price movement pattern. The probability of moving up or down at any given tick is equal (50/50). This statistical property makes the Step Index particularly useful for binary options strategies and for understanding basic probability in trading.

Key features of the Step Index:

- Tick size: Fixed, equal steps in both directions
- Volatility: Relatively low compared to V75 or V100
- Strategy suitability: Best for digit strategies (Over/Under, Odd/Even, Matches/Differs) and basic trend scalping

Category 5: Range Break Indices

Range Break Indices simulate market behavior where price trades within a range for extended periods and then breaks out sharply. This mirrors real-world market consolidation and breakout dynamics.

- Range Break 100: Breaks out of range approximately once every 100 candles
- Range Break 200: Breaks out approximately once every 200 candles

These indices are ideal for breakout traders who specialize in identifying consolidation patterns and positioning for the subsequent explosive move.

CHAPTER FOUR

Examples of Synthetic Assets Explained

To give you a practical, concrete understanding of synthetic assets, this chapter walks through real trading examples on specific synthetic instruments. By seeing how these instruments actually behave, you will develop the intuition needed to trade them effectively.

Example 1: Trading the Volatility 75 Index

The Volatility 75 Index (V75) is the crown jewel of synthetic trading. It is the most traded, most discussed, and most analyzed synthetic index on the platform. Its high volatility creates significant profit potential and equally significant risk.

Scenario: You are analyzing the V75 on a 1-hour chart. You identify that price has been in a bullish trend for the past 8 hours, forming higher highs and higher lows. Price has now pulled back to a strong support zone at a previous resistance area (a classic support-resistance flip). You prepare to enter a buy position.

Trade Setup:

- Entry: Buy at 542,100 (at the support flip zone)
- Stop Loss: 541,200 (below the structure, 900 points)
- Take Profit: 544,500 (next resistance zone, 2,400 points)
- Risk-Reward Ratio: 1:2.67

With a \$10 position size at standard leverage, a 2,400-point move translates to meaningful profit depending on your account size and lot size configuration.

V75 Tip: The Volatility 75 Index moves approximately 200-500 pip equivalents per hour during its most active periods. Always use wider stop losses than you would on forex to account for this natural movement range.

Example 2: Boom 500 Spike Trade

The Boom 500 Index trends downward between spikes. A spike trader positions BEFORE the spike by waiting for the price to reach a historically significant low level where a bounce (spike up) is likely.

Scenario: Price on Boom 500 has been declining steadily for 400 ticks. Statistical expectation tells you a spike is due. You observe a cluster of support at a round number level. You enter a small BUY position.

Trade Setup:

- Context: 400+ ticks since last spike on Boom 500
- Entry: Buy at support cluster (round number + previous spike origin)
- Position Size: Small (1-2% of account) due to uncertainty of exact spike timing
- Profit Target: First spike target (200-500+ points above entry)
- Risk: Price may continue declining for another 100-200 ticks before spiking

IMPORTANT

Boom and Crash spike trading is probabilistic, not certain. The '500 tick average' means sometimes spikes happen at tick 200, sometimes at tick 800. Always size positions conservatively to survive through the uncertainty window.

Example 3: Step Index Digit Strategy

The Step Index is uniquely suited to digit-based binary options strategies on Deriv's DTrader platform. Because each tick moves in fixed equal steps, the price endings (last digit of price) follow predictable statistical patterns.

Scenario: You observe that the last digit of the Step Index price has not shown '5' in the last 12 ticks. Since each digit has a theoretical 10% probability of appearing, a gap like this creates a statistical anomaly worth exploiting with a 'Matches 5' trade.

This is a pure probability trade and is not based on chart analysis. It works because the Step Index's uniform distribution means digit frequencies tend to revert to the mean over time.

Example 4: Jump 75 Breakout Trade

The Jump 75 Index provides regular periods of calm movement interrupted by explosive jumps. A breakout strategy on this index involves identifying consolidation periods (low volatility zones) and positioning for the next jump.

Setup:

- Identify a period of 3-5 candles (5-minute) where the price range is abnormally tight
- Draw a horizontal channel around this consolidation
- Place a pending Buy Stop above the channel and a Sell Stop below it
- When price breaks out (often accompanied by a jump), the appropriate order triggers
- Cancel the untriggered order immediately after one triggers

This breakout-pending-order approach captures jump momentum without needing to predict direction.

Example 5: Range Break 100 Strategy

The Range Break 100 Index provides one of the cleanest breakout trading setups. Price consolidates in a defined range, then breaks out dramatically. The strategy is straightforward: identify the range, wait for the break, trade the breakout.

- Mark the upper and lower boundaries of the current range
- Wait for a candle to close OUTSIDE the range boundary with strong body (not a wick)
- Enter in the direction of the breakout on the retest of the broken range boundary
- Target: 1.5x to 2x the range height
- Stop: Back inside the range (invalidation of breakout)

CHAPTER FIVE

How to Trade Synthetic Indices

Trading synthetic indices follows the same fundamental process as trading any financial instrument: analyze the market, identify an opportunity, manage your risk, execute the trade, and manage the position. However, the specific nuances of synthetic indices require additional knowledge that this chapter provides.

Step 1: Choose Your Platform and Instrument

Before placing a single trade, you must decide which instrument you are trading and on which platform. As established, Deriv's MT5 is the recommended platform for strategy-based trading.

Beginner recommendation: Start with Volatility 50 or Volatility 75 on a demo account. These provide enough volatility for learning without the extreme aggression of V100 or V150.

Step 2: Select Your Timeframe

Timeframe selection is critical and should match your trading style:

Trading Style	Recommended Timeframes
Scalping	M1, M5 (primary chart) with M15 for context
Day Trading / Intraday	M15, M30 (primary) with H1 for context
Swing Trading	H1, H4 (primary) with Daily for context
Position Trading	H4, Daily (primary) with Weekly for context

Step 3: Perform Technical Analysis

Technical analysis on synthetic indices works the same way as on forex or stocks. Price forms trends, reversals, patterns, and structure. The key difference is that you are not factoring in fundamentals — it is purely technical.

Your analysis checklist before entering any trade:

1. Identify the overall trend on the higher timeframe
2. Mark key support and resistance levels
3. Identify the current price structure (trending, ranging, or reversing)
4. Find a high-probability setup that aligns with your strategy
5. Confirm with at least one additional confirmation signal
6. Define your entry, stop loss, and take profit BEFORE entering

Step 4: Execute the Trade

On MT5 with Deriv synthetic feeds, you execute trades as follows:

- Right-click on the chart → Trade → New Order
- Select the instrument (e.g., Volatility 75 Index)
- Choose Buy or Sell
- Set your lot size (position size)
- Set your Stop Loss and Take Profit levels
- Click 'Buy' or 'Sell' to execute

Always input Stop Loss and Take Profit at the point of order entry. Never trade synthetic indices without predefined exit levels — the speed of movement can make manual management very difficult.

Step 5: Manage the Trade

Once in a trade, your job is management, not prediction. Management involves:

- Monitoring whether price is respecting your analysis
- Moving stop to breakeven when price reaches 50-60% of your target
- Partially closing positions at key resistance levels to lock in profits
- Exiting immediately if price structure invalidates your original thesis

Types of Orders Available on Deriv MT5

Order Type	Description & Use Case
Market Order	Executes immediately at current price. Use when you need immediate entry at key levels.
Limit Order (Buy Limit/Sell Limit)	Executes when price RETURNS to your specified level. Use for pullback entries.
Stop Order (Buy Stop/Sell Stop)	Executes when price REACHES a new high or low. Use for breakout entries.
Stop Loss	Protective order to exit automatically at maximum loss level.
Take Profit	Automatic exit at target profit level.
Trailing Stop	Dynamic stop loss that follows price as it moves in your favor.

CFDs vs Digital Options on Synthetic Indices

Deriv offers two primary ways to trade synthetic indices:

CFD Trading (via MT5)

Contracts for Difference allow you to profit from price direction without owning the underlying asset. You can go LONG (buy) or SHORT (sell). Profits and losses are based on the number of pips the price moves in or against your direction, multiplied by your position size. This is the professional's preferred method.

Digital Options (via DTrader/SmartTrader)

Binary-style options where you predict whether price will be higher or lower than the current level after a defined time period. The payout is fixed (e.g., 80% of investment if correct) and the loss is the full investment if incorrect. Simpler but less flexible than CFD trading.

CHAPTER SIX

Peak Periods in Synthetic Trading

One of the most frequently asked questions about synthetic indices is: 'When is the best time to trade them?' Given that synthetic markets are open 24/7 with no downtime, this question has a unique answer compared to traditional markets.

Synthetic indices are algorithmic — their volatility is mathematically constant. The Volatility 75 Index maintains its 75% volatility parameter regardless of the hour. This means there are no official 'market sessions' like London Open or New York Close that influence the index itself.

However, there IS a significant influencing factor on peak trading periods: TRADER ACTIVITY.

How Trader Activity Creates Peak Periods

When more traders are active on Deriv's platform, the following effects occur:

- Tighter spreads: More liquidity from active traders reduces bid-ask spreads
- Sharper technical levels: More participants watching the same levels creates stronger reactions
- Cleaner patterns: High-participation periods produce more technically consistent price formations
- Better execution: Platform performance is optimized during high-traffic hours

The Global Trading Windows

Since Deriv is a global platform with users from every continent, you can map peak activity windows to global time zones:

Time Window (UTC)	Region Active & Characteristics
00:00 – 03:00 UTC	Asia Pacific peak. Australian and Southeast Asian traders. Moderate activity, often ranging price action.
03:00 – 06:00 UTC	Asia-to-Europe transition. Indian subcontinent traders peak. Increasing activity.
06:00 – 10:00 UTC	European morning. European and African (West Africa GMT) traders come online. Strong technical moves begin.
08:00 – 12:00 UTC	PEAK WINDOW 1. Highest global activity. West Africa (GMT+1), Europe, Middle East all active simultaneously. Best technical setups form.
12:00 – 15:00 UTC	Midday European session. Slight lull in activity. Ranging can dominate.
14:00 – 18:00 UTC	PEAK WINDOW 2. Americas come online. North and South American traders join Europe. Another high-activity surge.
18:00 – 22:00 UTC	North American evening. Heavy activity from US and Canadian traders. Often continues trending moves.

22:00 – 00:00 UTC	Wind-down period. Decreasing activity. Caution advised for new position entries.
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Nigeria / West Africa Peak Trading Times

For traders based in Nigeria and West Africa (UTC+1), the following windows are most strategically valuable:

- Morning Session: 9:00 AM – 12:00 PM WAT. Corresponds to peak EU/Africa activity (08:00–11:00 UTC). Best for clean setups.
- Afternoon Session: 3:00 PM – 7:00 PM WAT. US traders begin, creating second volatility surge (14:00–18:00 UTC).
- Evening Session: 7:00 PM – 10:00 PM WAT. US session in full swing. Good for continuation trades.

As a West African trader, your 9 AM to 12 PM and 3 PM to 7 PM windows are your golden hours. These align with the highest global participation in synthetic markets.

Intraday Volatility Patterns on Synthetic Indices

While algorithmic volatility is constant, price behavior in practice shows patterns within trading sessions:

Opening Impulses

At the start of major participation windows (particularly the 08:00 UTC and 14:00 UTC windows), price often makes an initial strong directional move (the 'opening impulse'). This move can be either the beginning of a genuine trend or a fake-out before the true direction is established. Experienced traders wait for confirmation rather than chasing the first candle.

Midday Consolidation

Between the European morning and US afternoon sessions (roughly 12:00–14:00 UTC), synthetic indices often enter consolidation phases. Range-bound strategies work better during these periods, while trend strategies may generate false signals.

Session Continuations

When a trend is established in the early EU session, it frequently continues into and through the US session, especially if the trend aligns with a clean technical structure on higher timeframes. These continuation setups are among the highest probability trades in synthetic markets.

Volatility Spikes and Their Timing

On V75 and higher volatility indices, programmatic volatility spikes can occur at any time. However, traders report observing that the most extreme moves (the ones that blow improperly managed accounts) often occur during session transitions — specifically during the brief periods when one major trading region is finishing and another is beginning. During these windows, momentary thin participation can allow larger algorithmic moves.

When NOT to Trade Synthetic Indices

- Deep night hours in your time zone when you are fatigued — emotional and cognitive performance degrades
- Immediately after suffering a loss, until you have assessed what went wrong
- During platform maintenance windows announced by Deriv
- When your internet connection is unstable — slippage risk increases dramatically
- When you have not completed your analysis — intuition trading without structure is gambling

CHAPTER SEVEN

Top 5 Strategies That Work on Synthetic Indices

After extensive market study, community analysis, and pattern recognition across thousands of hours on synthetic indices, the following five strategic frameworks consistently produce profitable results when applied with discipline.

These are not isolated techniques — they work best when layered together. A trade that aligns with all five frameworks is a high-confidence trade. A trade that contradicts three of them should be avoided.

Overview of the Five Strategies

Strategy	Core Principle
1. Top-Down Analysis	Analyze higher timeframes first to establish directional bias, then execute on lower timeframes.
2. Support & Resistance	Trade reversals and breakouts at key price memory zones where supply and demand interact.
3. Chart Pattern Trading	Identify recurring geometric price formations that predict future direction.
4. Trendline Analysis	Follow and trade the structural trend using dynamic support and resistance lines.
5. Fibonacci Retracement	Use mathematical ratios derived from natural sequences to identify pullback entry zones.

Two additional frameworks that enhance these strategies are covered in subsequent chapters: Liquidity Area Mapping and Candlestick/Price Action Analysis.

The most powerful trades occur when all frameworks align. For example: price is in an uptrend (Top-Down), pulled back to a support zone (S/R), formed a bullish chart pattern (Chart Pattern), at a trendline (Trendline), and at the 61.8% Fibonacci level (Fibonacci). This confluence creates a very high-probability entry.

CHAPTER EIGHT

Strategy 1 — Top-Down Analysis

Top-Down Analysis is the most fundamental and important analytical framework in professional trading. It is the process of beginning your market analysis at the highest timeframe and progressively working down to lower timeframes to find precise entry points.

The principle is simple but profound: the higher the timeframe, the more significant the price levels and structures. A support level on the Daily chart carries far more weight than a support level on the 5-minute chart. Top-down analysis ensures you are always aware of the macro context before making micro decisions.

The Top-Down Framework

Level 1: The Weekly Chart (Macro Trend)

Begin on the Weekly chart. This is your strategic big picture. On the Weekly chart, ask yourself:

- Is the overall trend up, down, or sideways?
- Where are the major resistance and support levels?
- Has price been trending for a long time — is a reversal possible?
- What is the overall structure: expanding, contracting, breakout pending?

The Weekly chart tells you the WAR. You are not going to trade on this timeframe, but you need to know which side the war is being won.

Level 2: The Daily Chart (Tactical Trend)

Move down to the Daily chart. This is your tactical intelligence layer. On the Daily:

- Confirm the trend direction visible from the Weekly
- Identify the most recent swing high and swing low
- Mark the most important S/R levels (where price has repeatedly reacted)
- Assess whether price is approaching a decision zone (support/resistance, Fibonacci level, pattern completion)

The Daily chart tells you the BATTLE. You are beginning to identify where the next significant move might originate.

Level 3: The H4/H1 Chart (Operational Analysis)

Move to the 4-Hour or 1-Hour chart. This is where you begin identifying specific setups:

- Is there a pattern forming (double top, head and shoulders, triangle)?
- Is price respecting a trendline?
- Is there a pullback within the daily trend forming at a key level?
- What is the structure on this timeframe — is it aligned with the higher timeframe?

Level 4: The Entry Timeframe (M15/M5)

Finally, zoom down to your entry timeframe. This is where you execute the trade. Here you look for:

- A precise candle formation confirming your setup (engulfing, pin bar, etc.)
- A break-and-retest of a minor structure within the overall setup
- Momentum alignment (price moving toward your direction before entry)

Golden Rule: Never enter on the lower timeframe until the higher timeframe analysis supports your direction. A buy signal on M5 means nothing if the Daily chart is in a clear downtrend.

Top-Down Analysis Applied to Volatility 75

Let us walk through a complete top-down analysis example on the V75 Index:

7. Weekly Chart: V75 is in an overall uptrend. Price has been making higher highs and higher lows for the past 6 weeks. We are BULLISH at the macro level.
8. Daily Chart: Price pulled back over the last 3 days to a previous resistance zone that has now flipped to support. This is a tactical buying zone. Bias confirmed: BULLISH.
9. H4 Chart: A small bullish flag pattern is forming at the daily support zone. Price is consolidating above this level. This operational signal says: prepare to buy.
10. M15 Entry Timeframe: A bullish engulfing candle forms at the bottom of the flag, confirming buyers are defending the level. THIS is the entry signal.

This trade has support from FOUR timeframes. It is a high-probability setup. Compare this to a trader who sees only the M15 engulfing candle and enters without context — they have no idea if this setup is aligned with anything meaningful.

The Most Common Top-Down Analysis Mistakes

- Skipping higher timeframes entirely: Entering on low timeframes without Weekly/Daily context
- Forcing a trade because lower TF shows a setup but higher TF is clearly against it
- Using too many timeframes and becoming paralyzed by conflicting signals
- Changing bias too quickly based on one candle movement on lower TF

Recommended workflow: Check Weekly (2 minutes), Daily (5 minutes), H4 (5 minutes), then spend most time on H1/M15 for entry mechanics. Total analysis time: 15-20 minutes before deciding to trade or wait.

CHAPTER NINE

Strategy 2 — Support and Resistance

Support and Resistance is perhaps the oldest and most enduring concept in all of technical analysis. It is the bedrock upon which virtually every other strategy is built. Understanding support and resistance at a deep level will transform your trading more than any indicator ever could.

The Fundamental Concept

Support is a price level where buying interest is strong enough to prevent price from falling further. It acts as a floor. Resistance is a price level where selling pressure is strong enough to prevent price from rising further. It acts as a ceiling.

These levels exist because of human (and in the case of synthetic indices, algorithmic) price memory. When price reaches a level where a significant amount of buying or selling occurred in the past, similar reactions tend to recur because the market 'remembers' that level.

Types of Support and Resistance

Horizontal Support and Resistance

The most basic form. A horizontal price level where price has bounced multiple times. The more times price has touched and reacted to a level, the stronger that level becomes.

Identifying strong horizontal levels:

- At least 2-3 clean touches where price reversed or paused significantly
- The touches are spread across time (not just on one day)
- Price closed above/below the level cleanly without excessive wicks through it

Previous Swing Highs and Lows

In a trending market, the most recent swing high (in an uptrend) becomes resistance, and the most recent swing low becomes support. These are dynamic levels that update as price makes new swings.

Support/Resistance Flip (Role Reversal)

One of the most powerful concepts in S/R analysis is the flip. When a resistance level is broken and price consolidates above it, that former resistance BECOMES support. The same principle applies in reverse.

The Support/Resistance Flip is one of the highest-probability setups in synthetic trading. When price breaks a key resistance, pulls back to test it (now as support), and shows a bullish confirmation candle at that level — this is an elite entry.

Psychological Round Number Levels

On synthetic indices, round numbers (e.g., 45,000.00; 50,000.00; 100,000.00) act as significant psychological support and resistance levels. Price tends to slow, consolidate, or reverse at these levels with above-average frequency. Always mark major round numbers on your chart.

Weekly and Daily Open/High/Low Levels

The opening price of a new week or trading day, and the previous week's/day's high and low, serve as important S/R levels. These are widely watched by institutional participants and algorithms alike.

Support and Resistance Zones vs Lines

A common mistake made by new traders is drawing support and resistance as thin, precise horizontal lines. In reality, S/R should be drawn as ZONES — areas of price significance that may be 50-200 points wide on V75.

Why zones are more accurate:

- Price rarely reverses at the exact pip of a historical level
- Zones account for the wicks above and below the 'official' level
- Zones prevent you from being stopped out by normal price noise at the level

The Strength of a Support/Resistance Level

Not all S/R levels are equal. Here is how to assess strength:

11. Number of touches: More touches = stronger level
12. Time between touches: Wider time gaps = more significant level
13. Volume of reaction: Levels where price reversed with large, strong candles are more powerful
14. Timeframe of origin: A level originating on the Daily chart is more powerful than one on M5
15. Distance since last touch: Untested levels that formed a long time ago may have diminished significance

Trading the Bounce

The Bounce strategy trades price returning to a support level in an uptrend and buying the reaction. Here is the full setup:

16. Confirm uptrend on higher timeframe
17. Identify a key support level (preferably S/R flip or major swing low)
18. Wait for price to pull back into the support zone
19. Look for a confirmation candle (pin bar, engulfing, inside bar breakout) at the zone
20. Enter BUY with stop below the zone
21. Target the most recent swing high or next resistance level

Trading the Breakout

The Breakout strategy trades price decisively moving through a resistance level, suggesting the start of a new bullish leg:

22. Identify a strong resistance level that has been tested multiple times
23. Wait for price to approach the level with strong momentum
24. Watch for a close ABOVE the resistance level with a full-bodied candle

- 25. Enter BUY on the pullback (retest) of the broken resistance now acting as support
- 26. Stop: below the retest candle low
- 27. Target: projected move equal to the base structure that preceded the breakout

WARNING: FALSE BREAKOUTS

Synthetic indices, particularly on lower timeframes, produce frequent false breakouts — price spikes briefly above resistance then immediately reverses. ALWAYS wait for a candle CLOSE above the level before considering a breakout valid. Never enter on a wick breakout alone.

CHAPTER TEN

Strategy 3 — Chart Pattern Trading

Chart patterns are recurring price formations that appear on price charts. They emerge naturally from the collective behavior of buyers and sellers and represent measurable psychological shifts in market sentiment. Because synthetic indices are statistically driven with natural distribution properties, they produce the same chart patterns seen in traditional markets — often with remarkable clarity.

Understanding Chart Patterns

All chart patterns fall into two fundamental categories:

- Continuation Patterns: Price takes a pause within an existing trend before continuing in the same direction
- Reversal Patterns: Price signals the exhaustion of the current trend and suggests a change in direction

Knowing the category of a pattern is crucial before trading it. A reversal pattern in the middle of a strong trend is a low-probability trade. A continuation pattern in the direction of the dominant trend is a high-probability trade.

Continuation Patterns

Bull Flag and Bear Flag

Flags are among the most reliable and frequently occurring patterns in synthetic index trading. A Bull Flag forms when price makes a strong upward move (the flagpole), then consolidates in a tight downward or sideways channel (the flag), before resuming the uptrend. A Bear Flag is the mirror image — a strong downward move followed by a tight upward consolidation before the downtrend resumes.

Trading the Bull Flag:

28. Identify a strong bullish impulse move (the flagpole)
29. Watch for a tight, structured pullback (the flag) — 3 to 7 candles is ideal
30. Enter BUY when price breaks ABOVE the upper boundary of the flag channel
31. Stop: Below the lowest point of the flag
32. Target: Project the flagpole length from the breakout point

The Bull Flag is arguably the most reliable pattern on V75 and V50. Look for flags on M15 and H1 timeframes where the structure is cleanest.

Ascending and Descending Triangles

Triangles form when price oscillates between a horizontal level and a converging trendline. An Ascending Triangle has a flat top (resistance) and a rising bottom (buyers getting more aggressive). A Descending Triangle has a flat bottom (support) and falling top (sellers getting more aggressive).

Trading Ascending Triangle:

33. Draw the flat resistance ceiling and the rising support trendline
34. Monitor as price compresses toward the apex (where the lines converge)
35. Enter BUY on a decisive close ABOVE the flat resistance
36. Stop: Below the most recent higher low inside the triangle
37. Target: Height of the widest part of the triangle projected upward from the breakout

Symmetrical Triangle

A Symmetrical Triangle forms when both highs and lows are converging — lower highs and higher lows compressing price into an apex. This pattern is direction-neutral. The breakout direction determines the trade.

Trading the Symmetrical Triangle:

38. Draw both converging trendlines
39. Set pending Buy Stop above upper trendline and Sell Stop below lower trendline
40. When price breaks decisively, the corresponding pending order activates
41. Cancel the opposite pending order immediately
42. Stop and target based on triangle measurement rules

Bullish and Bearish Pennants

A Pennant is similar to a flag but the consolidation forms a symmetrical triangle rather than a parallel channel. It is a very compact continuation pattern that forms after strong impulse moves. Trading rules mirror the flag pattern — trade the breakout in the direction of the preceding impulse.

Cup and Handle

The Cup and Handle is a powerful bullish continuation pattern. Price forms a rounded bottom (the cup — can take hours to days on synthetic indices), then a brief shallow pullback (the handle). The handle is the final pause before a strong upside breakout. Entry on the breakout above the cup's rim level with a target equal to the depth of the cup projected upward.

Reversal Patterns

Head and Shoulders (and Inverse H&S)

The Head and Shoulders is the most famous reversal pattern in technical analysis. It signals the end of an uptrend. It consists of three peaks: a left shoulder, a higher head, and a right shoulder (lower than the head). The 'neckline' connects the troughs between the shoulders and head.

Trading Head and Shoulders:

43. Identify the pattern: uptrend, left shoulder, head (highest point), right shoulder
44. Draw the neckline connecting the two troughs
45. Wait for price to break BELOW the neckline with conviction
46. Enter SELL on the retest of the broken neckline from below (now resistance)
47. Stop: Above the right shoulder high
48. Target: Distance from head to neckline projected downward from the neckline break

The Inverse Head and Shoulders is the bullish mirror pattern, signaling the end of a downtrend. All rules are reversed — look for a pattern in a downtrend and trade the upside breakout of the neckline.

Double Top and Double Bottom

These are simpler but equally powerful reversal patterns. A Double Top consists of two peaks at approximately the same level, with price failing to make a new high on the second attempt. This signals buyer exhaustion.

Trading Double Top:

49. Identify two peaks at roughly the same level in an uptrend
50. Draw the 'neckline' at the trough between the two peaks
51. Wait for price to break **BELOW** the neckline
52. Enter **SELL** — either at the break or on retest of neckline from below
53. Stop: Above the double top peaks
54. Target: Height from peaks to neckline projected downward

The Double Bottom is the exact reverse — two troughs at similar levels in a downtrend, signaling seller exhaustion and a potential upside reversal.

Triple Top and Triple Bottom

The Triple Top/Bottom is a stronger version of the Double Top/Bottom, with three touches at the same level before reversal. The three failures to break through make the eventual breakdown/breakout even more powerful. Trading rules are identical to Double Top/Bottom with extended targets.

Rising and Falling Wedge

Wedges are countertrend patterns that signal exhaustion within a move. A Rising Wedge forms when both price highs and lows are rising, but the lows are rising **FASTER** than the highs, creating a narrowing upward formation. Despite the upward price movement, this is a bearish pattern that typically resolves with a sharp breakdown. A Falling Wedge is the bullish counterpart.

Trading Falling Wedge (Bullish):

55. Identify falling wedge in a downtrend (corrective or reversal)
56. Both trendlines slope downward with converging angle
57. Enter **BUY** on breakout above the upper descending trendline
58. Stop: Below the most recent low inside the wedge
59. Target: Origin of the wedge (the widest point) projected upward

Chart Pattern Tips Specific to Synthetic Indices

- V75 produces flags and triangles frequently on M15 and H1 — these are your best hunting grounds
- Boom and Crash indices form patterns in the downtrend/uptrend sections between spikes — H1 and H4 work best
- Jump indices sometimes produce wedge patterns as the market compresses before a programmatic jump

- Always wait for candle CLOSE confirmation on the breakout — synthetic indices produce many fake breakout wicks
- Measure your targets precisely using the pattern projection rules — synthetic indices often respect measured moves with remarkable accuracy

CHAPTER ELEVEN

Strategy 4 — Trendline Analysis

Trendlines are one of the most elegant tools in technical analysis. A trendline is a straight line drawn across a series of price points that represents the dynamic direction of price movement. Unlike horizontal support and resistance levels, trendlines move with the market, providing dynamic support and resistance that evolves over time.

What is a Trend?

Before drawing trendlines, you must understand what a trend actually is. A trend is the general direction in which price is moving over a specific period. Three types of trends exist:

- **Uptrend:** Defined by a series of Higher Highs (HH) and Higher Lows (HL). Each new peak is higher than the previous, and each new trough is higher than the previous.
- **Downtrend:** Defined by a series of Lower Highs (LH) and Lower Lows (LL). Each new peak is lower than the previous, and each new trough is lower than the previous.
- **Sideways (Ranging):** Price moves horizontally between a ceiling of resistance and a floor of support, with no consistent progression in either direction.

Drawing Valid Trendlines

The rules for drawing a valid trendline are specific:

Uptrend Trendline

An uptrend trendline is drawn beneath price by connecting two or more significant LOWS. The line serves as dynamic support. When drawn correctly:

- Connect at least two prominent swing lows
- The second low must be higher than the first (confirming the uptrend)
- The line should not cut through ANY candle bodies — it should touch the bottoms of wicks or candle bodies cleanly
- Three or more touches confirm the trendline's validity

Downtrend Trendline

A downtrend trendline is drawn above price by connecting two or more significant HIGHS. It serves as dynamic resistance:

- Connect at least two prominent swing highs
- The second high must be lower than the first
- No candle body should close above the line
- Three or more touches strengthen the trendline

Trendline Trading Strategies

Strategy 1: The Trendline Bounce

The most straightforward trendline strategy is trading the bounce. In an uptrend, when price pulls back to touch the uptrend trendline, this is a potential buying opportunity.

60. Draw your uptrend trendline connecting the significant swing lows
61. Wait for price to pull back and approach the trendline
62. Watch for a confirmation candle AT the trendline (pin bar, engulfing, morning star)
63. Enter BUY with stop below the trendline
64. Target: Previous swing high or next resistance level

Trendline bounces are most powerful when the trendline intersects with a horizontal support level, a Fibonacci retracement level, or a key round number. Triple confluence = elite setup.

Strategy 2: The Trendline Break and Retest

When a trendline is eventually broken, it often signals a change in trend. After the break, price frequently returns to test the broken trendline from the other side (now reversed in its role). This retest is a very high-probability entry for the new direction.

65. Confirm trendline break: Price closes BEYOND the trendline with a full-bodied candle
66. Wait for the retest: Price pulls back to the broken trendline
67. Look for rejection candle at the retest
68. Enter in the direction of the break
69. Stop: Beyond the trendline on the wrong side
70. Target: Minimum 1:2 risk-reward, ideally targeting next major S/R level

Strategy 3: Channel Trading

A channel is formed by drawing a second trendline parallel to the first, enclosing price between two boundaries. In an uptrend, the lower boundary is the trendline (support) and the upper boundary is the channel ceiling (resistance).

Channel trading strategy:

- Buy at the lower channel boundary (trendline support) with target at upper channel boundary
- Sell at the upper channel boundary with target at lower channel boundary
- Exit or reverse when price breaks definitively outside the channel
- A break above the upper channel boundary signals acceleration of the trend
- A break below the lower channel boundary (in uptrend) signals trend reversal

Trendline Slope and Its Meaning

The angle of a trendline carries important information:

- Steep trendline (45°+): Strong, fast trend. Often unsustainable. Watch for exhaustion candles.
- Moderate trendline (25°–45°): Healthy, sustainable trend. Most reliable for bounce strategies.
- Shallow trendline (<25°): Weak trend. More prone to breaking. Prioritize other tools.

On synthetic indices, V75 often produces steep trendlines due to its high volatility. These steeper trendlines break more frequently, so always have a plan for the break scenario.

Trendlines on Different Synthetic Instruments

- Volatility Indices (V25, V50, V75): Trendlines form clearly on all timeframes. H1 and H4 trendlines are most reliable.
- Boom Index: The downward trend BETWEEN spikes forms a natural declining trendline. Selling at this trendline resistance (between spike bounces) is a high-probability trade.
- Crash Index: The upward trend between crash spikes forms a rising trendline. Buying at this trendline support is the equivalent play.
- Jump Indices: Trendlines form but are frequently violated by jump events. Use wider stops or wait for post-jump trend establishment.

Fan Lines — Advanced Trendline Concept

Fan lines are a set of three trendlines drawn from the same pivot point at progressively shallower angles. When the first steep trendline breaks, price often slows and forms a new trendline at the next angle (the second fan line). When the second breaks, the third defines the final phase before a full reversal. Fan lines help you track the deceleration of a trend over time.

CHAPTER TWELVE

Strategy 5 — Fibonacci Retracement

Fibonacci Retracement is a technical analysis tool based on the mathematical relationships discovered by the 13th-century Italian mathematician Leonardo Fibonacci. The Fibonacci sequence (0, 1, 1, 2, 3, 5, 8, 13, 21, 34, 55, 89...) produces a series of ratios that appear with remarkable frequency in nature, art, architecture, and — relevant to us — financial markets.

The Key Fibonacci Ratios

The key ratios derived from the Fibonacci sequence are:

Fibonacci Level	Significance in Trading
23.6%	Shallow retracement. In very strong trends, price may only pull back to this level before continuing.
38.2%	Minor retracement. Common in strong trends as a pause point before continuation.
50.0%	Not a true Fibonacci ratio but widely used. The halfway pullback is psychologically significant.
61.8% (Golden Ratio)	The most important Fibonacci level. The 'Golden Ratio.' The majority of high-probability retracement entries occur here.
78.6%	Deep retracement. Signals a weaker trend. Price that pulls back this deep may continue to full reversal.
100%	Full retracement. Trend has completely reversed.

The 61.8% Fibonacci level, known as the Golden Ratio, is the single most important level for synthetic index traders. When price pulls back to the 61.8% and shows a reversal confirmation candle, you have one of the highest-probability entries in technical analysis.

How to Draw Fibonacci Retracement on Synthetic Indices

On MT5 with Deriv:

71. Click Insert → Fibonacci → Retracement in MT5
72. For an upswing: Click at the SWING LOW (start of the move) and drag to the SWING HIGH (end of the move)
73. For a downswing: Click at the SWING HIGH and drag to the SWING LOW
74. The Fibonacci levels will appear automatically between the two points
75. Watch price as it pulls back and reacts to the key levels

Fibonacci Trading Setups

Setup 1: The Golden Zone Buy

The Golden Zone refers to the area between the 50% and 61.8% Fibonacci levels. Price pulling back into this zone in an uptrend presents one of the cleanest buy setups in trading.

76. Confirm uptrend on higher timeframe
77. Identify the most recent major swing low and swing high
78. Draw Fibonacci from swing low to swing high
79. Wait for price to pull back into the 50%-61.8% zone
80. Look for confirmation: pin bar, engulfing candle, bullish divergence on RSI
81. Enter BUY at 61.8% (or wait for a close back above 50% from below)
82. Stop: Below the 78.6% level or below the swing low
83. Target: 127.2% and 161.8% Fibonacci extension levels

Setup 2: Deep Retracement (78.6%) Trade

When price pulls back to the 78.6% level, the trend is weakening but not yet reversed. This is a high-risk, high-reward trade for experienced traders only. The trade works when a strong support level coincides with the 78.6% Fibonacci level.

The setup requires additional confirmation from other tools (trendline, S/R level, RSI oversold, pattern) before entry. Stop must be below the 100% level (swing low) with tight risk management.

Setup 3: Fibonacci Extension Targets

Fibonacci is not just for entries — it is also for setting profit targets. After entering at a retracement level, use Fibonacci extensions to project where the next impulse leg will reach:

- 127.2% extension: First target in a moderate trend continuation
- 161.8% extension: Primary target in a healthy trend — the most commonly hit extension
- 200% extension: Strong trend continuation target
- 261.8% extension: Explosive move target — seen in V75 and V100 breakout trades

Fibonacci Confluence Zones

The highest-probability setups emerge when Fibonacci levels align with other technical elements. This alignment is called a confluence zone:

- 61.8% Fibonacci + horizontal support level = STRONG BUY zone
- 61.8% Fibonacci + trendline = STRONG BUY zone
- 61.8% Fibonacci + round number level = STRONG BUY zone
- 61.8% Fibonacci + previous resistance flip = VERY STRONG BUY zone
- 50% Fibonacci + chart pattern completion = HIGH-PROBABILITY setup

RULE OF CONFLUENCE

The more technical factors that align at the same price level, the higher the probability of a significant reaction at that level. Always look for at least TWO elements converging before taking a Fibonacci trade.

Fibonacci Application on Specific Synthetic Indices

V75 Fibonacci Trading

The V75 Index responds beautifully to Fibonacci levels, particularly on the H1 and H4 timeframes. The large price swings create clear, measurable impulse moves that make Fibonacci placement straightforward. The 61.8% level on H4 V75 is respected with remarkable consistency.

Boom and Crash Fibonacci

On Boom and Crash indices, apply Fibonacci to the post-spike moves. After a Boom spike, price declines in a measured move. Fibonacci on the spike down identifies where the next bounce may occur. After a Crash spike down, Fibonacci on the spike up identifies where the next bearish continuation may begin.

Jump Index Fibonacci

Jump indices produce sharp impulse moves during jump events. After a jump, price often retraces 38.2%-50% before the next jump continues the trend. Drawing Fibonacci from the pre-jump base to the jump extreme identifies these retracement entries.

CHAPTER THIRTEEN

Liquidity Areas and Smart Money Concepts

Liquidity is one of the most powerful and misunderstood concepts in modern technical analysis. Understanding where liquidity pools exist in the market — and how institutional-level algorithms target these pools — can give you a significant edge in synthetic index trading.

What is Liquidity in Trading?

Liquidity refers to the ease with which an asset can be bought or sold without significantly affecting its price. In trading, liquidity zones are areas where a large number of pending orders (buy stops, sell stops, stop losses) are clustered. These clusters of orders represent 'pools of liquidity' that algorithms and larger participants will target to fill their own large orders.

Where Liquidity Pools Exist

Liquidity clusters around obvious, predictable price levels that large numbers of traders use:

Above Equal Highs

When price makes two or more highs at approximately the same level, traders widely place buy stop orders just above these highs (expecting a breakout). This creates a dense pool of buy orders above the level. Algorithms will frequently spike price above these highs to access this liquidity, then reverse sharply — this is called a 'stop hunt' or 'liquidity sweep.'

Below Equal Lows

Similarly, equal or double bottoms accumulate sell stop orders (and stop losses from longs) just below the lows. Price will frequently spike below these lows to trigger these stops, then reverse upward.

Below Round Numbers

Retail traders commonly place stop losses just below round numbers (e.g., below 50,000). Algorithms know this and will push price below the round number to trigger these stops before reversing.

Previous Week/Day Highs and Lows

The previous week's or day's high and low are widely used as reference points by traders who place stops just beyond these levels. These are therefore liquidity-dense zones.

The Liquidity Sweep Setup: Price takes out a liquidity pool (spikes above equal highs or below equal lows), then immediately reverses and closes back inside the range. This sweep + reversal is one of the most reliable reversal signals in synthetic index trading.

The Liquidity Sweep Trade

Step-by-step execution of a liquidity sweep reversal trade:

84. Identify a level with clear equal highs or equal lows on M15 or H1 chart
85. Mark the liquidity zone just above/below these levels
86. Wait for price to aggressively sweep through the level (a spike through it)
87. Watch the next candle — does price reverse back inside? Look for a strong rejection candle (pin bar or large engulfing) back inside the range
88. If yes — enter in the reversal direction
89. Stop: Just beyond the sweep extreme (furthest point of the spike)
90. Target: Opposite side liquidity pool or previous major S/R level

Order Blocks

An Order Block is a specific candlestick or group of candles that represents an area where a large volume of orders was placed before a significant price move. These blocks act as strong support or resistance when price returns to them.

Identifying a Bullish Order Block

A Bullish Order Block is the last bearish (red) candle before a sharp upward move. This candle represents where large buy orders were accumulated. When price returns to this candle's range, it often finds strong support.

Identifying a Bearish Order Block

A Bearish Order Block is the last bullish (green) candle before a sharp downward move. When price returns to this candle's range, it often meets strong resistance.

Fair Value Gaps (Imbalances)

A Fair Value Gap (FVG) is created when price moves so quickly that there is a gap between the wicks of three consecutive candles. The middle candle's body completely separates the first and third candle, with no price action overlapping. This represents an imbalance — the market moved too fast and will frequently return to 'fill the gap' and rebalance.

On synthetic indices, particularly V75 and V100, Fair Value Gaps form frequently during high-momentum moves. Trading the fill of these gaps is a high-probability short-term strategy:

91. Identify a 3-candle sequence where candle 1's high does not reach candle 3's low (for a bullish FVG)
92. Mark the gap between candle 1 high and candle 3 low
93. Wait for price to pull back into the gap
94. Enter in the direction of the original move (this is a continuation trade)
95. Target: 50% or 100% fill of the gap, or the next S/R level beyond

Break of Structure (BOS) and Change of Character (ChoCH)

These are the most important structural signals in smart money trading:

Break of Structure (BOS)

A BOS occurs when price breaks the most recent swing high (in an uptrend) or swing low (in a downtrend), confirming that the trend is continuing. A BOS is a TREND CONTINUATION signal. After a BOS, look for pullback entries in the direction of the break.

Change of Character (ChoCH)

A ChoCH occurs when price breaks in the OPPOSITE direction of the current trend for the first time. It signals a POTENTIAL REVERSAL. After a ChoCH, the market may be transitioning from uptrend to downtrend (or vice versa). Wait for confirmation before trading the reversal — the first ChoCH can be a false signal.

CHAPTER FOURTEEN

Candlestick and Price Action Mastery

Candlestick analysis is the language of the market. Every candle tells you exactly what happened during that time period — where price opened, what extremes it reached, and where it closed. Learning to read this language fluently is essential for any synthetic index trader.

Anatomy of a Candlestick

A candlestick consists of four elements: Open, High, Low, and Close. The 'body' is the rectangle between open and close. 'Wicks' (also called shadows) extend from the body to the high and low. A bullish candle (green/white) closes above its open. A bearish candle (red/black) closes below its open.

The Most Important Reversal Candles

Pin Bar (Rejection Candle)

A Pin Bar is the most powerful single-candle reversal signal. It has a very small body and a very long wick (shadow) in one direction. The long wick shows that price was pushed strongly in one direction but rejected and reversed back significantly.

- Bullish Pin Bar: Long lower wick, small body at the top. Shows strong rejection of lower prices. Signal: BUY.
- Bearish Pin Bar: Long upper wick, small body at the bottom. Shows strong rejection of higher prices. Signal: SELL.

For a valid Pin Bar: The wick should be at least 2/3 of the total candle length. The body should be in the upper or lower third of the candle range.

Engulfing Candle

An Engulfing pattern consists of two candles where the second candle's body completely engulfs the first candle's body. A Bullish Engulfing (large green candle engulfs preceding red candle) signals reversal from down to up. A Bearish Engulfing (large red candle engulfs preceding green candle) signals reversal from up to down.

Doji

A Doji has virtually equal open and close prices, creating a cross or plus-sign shape. It represents indecision. A Doji at a key S/R level or at the end of a trend signals potential reversal. The context around the Doji (where it appears) determines its significance.

Hammer and Hanging Man

A Hammer is a small body at the top with a long lower wick, appearing after a downtrend. It is a bullish reversal signal. The Hanging Man has the same shape but appears after an uptrend — it is a bearish signal. Same candle shape, opposite meaning based on context.

Morning Star and Evening Star

Three-candle reversal patterns. The Morning Star forms in a downtrend: first a large bearish candle, then a small indecision candle (gap or doji), then a large bullish candle closing into the first candle's range. This is a strong bullish reversal signal. The Evening Star is the opposite, forming in an uptrend as a bearish reversal signal.

Continuation Candles

Marubozu

A Marubozu is a candle with no wicks — just a full body from open to close. A bullish Marubozu (all green) shows dominant buying pressure throughout the period. A bearish Marubozu shows dominant selling. These candles appear in strong trends and confirm momentum direction.

Inside Bar

An Inside Bar is a candle whose entire range (high to low) is contained within the range of the preceding candle (the 'mother bar'). It signals indecision and compression. After an Inside Bar, a breakout in either direction often leads to a strong move. Trade the breakout: Buy Stop above mother bar high, Sell Stop below mother bar low.

Price Action Principles for Synthetic Index Traders

- Higher timeframe candles (H4, Daily) are more significant than lower timeframe ones
- A candle's CLOSE is more important than its wick — always wait for the candle to close before acting on a signal
- Single candles in isolation mean little — context (trend, location, S/R) is everything
- The best price action signals appear AT key levels — pin bars and engulfings in the middle of nowhere are meaningless
- V75 and V100 produce frequent wick movements that may look like reversal signals but are normal noise — use higher timeframes to filter

CHAPTER FIFTEEN

Moving Averages and Indicator Confluence

While price action is primary, technical indicators serve as powerful secondary tools for confirmation and filtering. The key principle: indicators are confirmation tools, not decision tools. Never enter a trade based solely on an indicator signal.

Moving Averages

A Moving Average (MA) smooths price data by calculating the average price over a specified number of periods. It reduces noise and reveals the underlying trend direction.

Simple Moving Average (SMA)

The SMA calculates a straight arithmetic average of prices over N periods. Key SMAs used on synthetic indices:

- 20 SMA: Short-term trend. Reacts quickly to price changes. Used for entries in fast markets.
- 50 SMA: Medium-term trend. Used as dynamic S/R and trend identification.
- 100 SMA: Medium-long-term trend. Major confluence level when price tests it.
- 200 SMA: The benchmark. When price is above the 200 SMA, the long-term trend is bullish. When below, bearish.

Exponential Moving Average (EMA)

The EMA gives more weight to recent prices, making it more responsive to current market conditions. For synthetic indices, EMAs are generally preferred over SMAs because of the higher volatility — you want a faster-reacting MA.

The 20 EMA and 50 EMA combination is a popular setup: when the 20 EMA is above the 50 EMA, the market is in a bullish bias. When it crosses below, bearish bias is confirmed.

The Golden Cross and Death Cross

The Golden Cross (50 SMA crossing above 200 SMA) is a powerful bullish signal. The Death Cross (50 SMA crossing below 200 SMA) is a powerful bearish signal. These are long-term signals, most meaningful on H4 and Daily charts.

Moving Average Bounce Trading

In a strong trend, price frequently 'bounces' off the 20 or 50 EMA without breaking it. This provides a systematic entry method: in an uptrend, buy when price touches and shows a bullish candle at the 20 EMA. Stop below the MA. Target the next swing high.

Relative Strength Index (RSI)

The RSI measures the magnitude and speed of price changes on a 0-100 scale. Key readings:

- Above 70: Overbought territory. Price may be due for a pullback.
- Below 30: Oversold territory. Price may be due for a bounce.

- Midline (50): Acts as trend indicator — above 50 is bullish, below 50 is bearish.

RSI Divergence is the most powerful RSI signal: when price makes a new high but RSI makes a lower high (bearish divergence), or price makes a new low but RSI makes a higher low (bullish divergence), it signals momentum weakness and potential reversal.

MACD (Moving Average Convergence Divergence)

The MACD consists of two lines (the MACD line and signal line) and a histogram. Key signals:

- MACD crosses above signal line: Bullish momentum signal
- MACD crosses below signal line: Bearish momentum signal
- Histogram expanding: Momentum accelerating
- Histogram contracting: Momentum weakening
- MACD divergence (same principle as RSI divergence): Strongest signal

Bollinger Bands

Bollinger Bands consist of a 20 SMA in the middle flanked by two standard deviation bands. Key applications on synthetic indices:

- Squeeze: When bands narrow significantly, volatility contraction signals an imminent explosive move
- Expansion: Bands widening confirms strong momentum in the direction of the trend
- Price touching outer band: In a range, this signals potential reversal. In a trend, it can signal continuation
- Riding the upper band: Price consistently touching and staying near the upper band confirms a strong uptrend

Bollinger Band Squeeze on V75 and Jump Indices is particularly powerful. When the bands compress to an unusually narrow range, the subsequent breakout can be explosive. This is a high-probability setup for directional trades on these volatile instruments.

CHAPTER SIXTEEN

Risk Management — The Non-Negotiable Foundation

If strategy is the engine of your trading operation, risk management is the chassis. Without it, even the most sophisticated strategy will eventually destroy your account. In synthetic index trading, where V75 can move 500 points in minutes and V100 can devastate an unleveraged account in a single session, risk management is not optional — it is survival.

Professional traders know a simple truth: it is not the winning trades that determine your long-term success, it is how small your losing trades are. You can win 45% of your trades and still be very profitable if your winners are significantly larger than your losers.

The Core Risk Management Principles

Principle 1: The 1-2% Rule

Never risk more than 1-2% of your total trading account on a single trade. This is the gold standard of professional risk management and it is non-negotiable for synthetic index traders.

Example: With a \$500 account, 1% risk = \$5 maximum loss per trade. With a \$1,000 account, 2% = \$20 maximum loss per trade.

Why this matters: Even with 10 consecutive losses (which can happen to any trader), you have only lost 10-20% of your account. You remain in the game, psychologically intact, and capable of recovering.

The trader who risks 10% per trade will destroy their account within 10 losing trades. The trader who risks 1% per trade can sustain 50 consecutive losses and still have 60% of their account intact. Longevity is the foundation of profit.

Principle 2: Always Use a Stop Loss

Every single trade on synthetic indices must have a predefined stop loss. No exceptions. The synthetic market can move hundreds of points in seconds, and without a stop loss, a 'temporary adverse move' can become a catastrophic account wipeout.

Setting stop losses correctly:

- Stop loss placement is technical, not arbitrary. Place it at a level that INVALIDATES your trade thesis — not just a random distance away.
- For V75: Stop losses of 200-500 points are normal for intraday trades. Do not use 50-point stops on V75 — normal price noise will trigger them.
- For V10/V25: Tighter stops of 50-150 points are appropriate given lower volatility.
- For Boom/Crash: Stops must account for potential spike distance — use 300-500 point stops minimum.

Principle 3: Risk-Reward Ratio

The risk-reward ratio (R:R) compares your potential profit to your potential loss. Never take a trade with less than a 1:1.5 ratio, and aim for 1:2 or higher as a standard.

Risk-Reward Ratio	Minimum Win Rate Needed to Profit
1:1	51% — Barely profitable after spreads
1:1.5	40% — Profitable with below-average accuracy
1:2	34% — Profitable even with frequent losses
1:3	25% — Significantly profitable with modest accuracy
1:4+	20% — Elite traders achieve these ratios consistently

Principle 4: Position Sizing

Position sizing determines how many lots or contracts you trade based on your account size, risk percentage, and stop loss distance. The formula is:

Position Size = (Account Size × Risk%) ÷ (Stop Loss in Points × Point Value)

Example: Account = \$1,000. Risk = 1% = \$10. Stop Loss = 200 points. Point Value on V75 = approximately \$0.01 per point per 0.01 lot. Position Size = \$10 ÷ (200 × 0.01) = 0.05 lots.

Always calculate your position size BEFORE entering a trade, not after. Using a position sizing calculator (freely available online for MT5) eliminates the guesswork.

Principle 5: Daily Loss Limit

Set a maximum daily loss threshold — typically 3-5% of your account. When you hit this limit, STOP trading for the day, regardless of how many setups you see. Bad trading days are normal. Bad trading days compounded by revenge trading are catastrophic.

Similarly, if you have had a great day and are up 5-8%, consider stopping or significantly reducing position sizes for the remainder of the day to protect your gains.

Principle 6: Never Move a Stop Loss Against You

Once you enter a trade and the stop loss is placed, you may only move it IN YOUR FAVOR (to breakeven or beyond). Never, under any circumstance, widen your stop loss because price is approaching it. If price reaches your stop, the trade was wrong — accept the loss and exit.

Moving stops against the trade is one of the most common ways traders transform small, manageable losses into account-destroying disasters.

Leverage Management

Deriv MT5 synthetic accounts can offer leverage up to 1:1000. This is extraordinarily high and extremely dangerous in inexperienced hands.

Account Level / Experience	Recommended Maximum Leverage
Complete Beginner (Demo)	1:50 or lower to understand mechanics
Beginning Live Trader	1:50 to 1:100
Intermediate Trader	1:100 to 1:200
Experienced Trader	1:200 to 1:500 with strict risk management

Professional / Proven System

Up to 1:1000 ONLY with mechanical position sizing

LEVERAGE WARNING

Higher leverage does NOT increase your probability of winning. It only amplifies both gains and losses. A 1:1000 leveraged position on V75 can result in a margin call within minutes if not managed with precision. Most retail traders who blow accounts do so because of excessive leverage, not poor strategy.

Drawdown Management

Drawdown is the reduction in account balance from a peak to a trough. Understanding and managing drawdown is critical:

- Maximum Acceptable Drawdown: Define your personal maximum drawdown tolerance (e.g., 20% of account).
- When drawdown reaches 20%, reduce position sizes by 50% until account recovers
- If drawdown reaches 30%, stop trading and review your strategy — something is broken
- Never 'double down' to recover losses — this is a gambling mentality that ends careers

The Psychological Math of Account Recovery

Understanding the asymmetry of losses is critical motivation for protecting your capital:

Account Loss	Return Required to Break Even
10% loss	11.1% return needed
20% loss	25% return needed
30% loss	42.9% return needed
50% loss	100% return needed
75% loss	300% return needed
90% loss	900% return needed

This table illustrates why protecting capital is the primary objective. A 50% loss requires doubling your remaining capital just to break even — an enormous psychological and financial burden.

CHAPTER SEVENTEEN

Entry Concepts and Trade Execution

Strategy tells you WHERE to trade. Entry concepts tell you HOW and WHEN to pull the trigger. The quality of your entry determines your risk-reward ratio, your psychological comfort with the trade, and your overall profitability. A great setup entered at the wrong moment is often a losing trade.

The Three Entry Methods

Method 1: The Aggressive Entry (Candle Signal Entry)

The Aggressive Entry is entering a trade based on a single candle confirmation signal at a key level. This method provides the best possible entry price (deepest into the zone) and therefore the best risk-reward ratio.

How to execute:

96. Price pulls back to a key support level or Fibonacci zone
97. A confirmation candle forms (pin bar, engulfing, doji with follow-through)
98. You enter AT THE CLOSE of the confirmation candle (or on the open of the next candle)
99. Stop: Below the low of the confirmation candle or below the zone
100. The trade is entered before full confirmation — requires experience to execute reliably

Advantage: Best entry price, widest room for price to move in your favor before reaching target.

Disadvantage: Higher probability of being wrong — the signal candle may fail.

Method 2: The Conservative Entry (Break-and-Retest)

The Conservative Entry waits for additional confirmation before entering. You wait for price to break a minor structure level, then re-test it before entering in the breakout direction.

How to execute:

101. Price is at a support zone in an uptrend
102. A minor resistance level forms within the zone (a small flag or consolidation)
103. Wait for price to break above this minor resistance
104. Enter BUY on the retest of this minor resistance (now support)
105. Stop: Below the minor resistance or the zone low

Advantage: Higher probability entry — the break and retest confirms buyers are in control.

Disadvantage: Later entry means slightly worse price and potentially smaller risk-reward.

Method 3: The Pending Order Entry

The Pending Order Entry pre-places an order at a specific price level before price reaches it. This is ideal when you identify the exact entry level in advance and do not want to watch the chart continuously.

Types used for entries:

- Buy Limit: Pre-placed buy order below current price (for pullback entries in uptrend)
- Sell Limit: Pre-placed sell order above current price (for pullback entries in downtrend)
- Buy Stop: Pre-placed buy order above current price (for breakout entries)
- Sell Stop: Pre-placed sell order below current price (for breakdown entries)

Important: Always attach a Stop Loss and Take Profit to your pending order at the time of placement. If price reaches your pending order while you are away from the chart, your risk parameters will be automatically enforced.

Entry Confirmation Checklist

Before entering any trade, run through this mental checklist:

106. Is the higher timeframe trend in my favor?
107. Is price at a key technical level (S/R, Fibonacci, trendline)?
108. Is there a specific entry signal (candle pattern, break-retest, pattern completion)?
109. Have I defined my stop loss level — and is it technically valid?
110. Is my risk-reward ratio at least 1:1.5 (preferably 1:2 or higher)?
111. Does my position size respect my 1-2% account risk rule?
112. Is this trade aligned with at least 2-3 confluence factors?

If you cannot answer YES to all seven questions, do not enter the trade.

Entry Timing on Different Synthetic Indices

V75 Entry Timing

Due to V75's high volatility, entries must be swift and precise. Once a signal forms at a key level, hesitation of more than 1-2 candles often means missing the move entirely or entering at a much worse price. Use the aggressive entry method on M15 for V75 scalping, and conservative entries on H1 and above for swing trades.

Boom/Crash Entry Timing

Entry timing for Boom and Crash requires patience. The systematic approach: for Boom (trending down), wait for price to dip toward a support level between spikes. Enter a small position expecting either a bounce at support or a coming spike. Do not try to catch the exact spike candle — position BEFORE and let the spike come to you.

Step Index Entry Timing

Step Index entries for CFD trading use the same rules as volatility indices. For digital options on Step Index, entries are based on tick count analysis and digit frequency statistics rather than chart patterns.

Partial Profit Taking and Trade Management

Professional traders rarely aim for a single all-or-nothing exit. Partial profit taking is a technique where you close portions of your position at multiple target levels:

- Close 50% of position at first target (1:1 or 1:1.5 R:R) — this pays for the initial risk
- Move stop to breakeven on remaining position (risk-free trade)

- Let remaining 50% run to a larger target (1:3 or higher R:R)
- This ensures you never have a full-size losing trade after partial profit is secured

The most consistent traders in synthetic indices are not those who catch the biggest moves — they are those who take partial profits methodically, protect their capital with stop management, and repeat their process thousands of times.

CHAPTER EIGHTEEN

Trading Psychology and Mental Discipline

Ninety percent of professional traders will tell you that mindset is the decisive factor in long-term trading success. Your strategy can be perfect on a demo account and fail spectacularly on a live account — not because the market changed, but because your psychology changed when real money was at risk.

The Six Core Psychological Challenges

1. Fear of Missing Out (FOMO)

FOMO drives traders to chase moves that have already happened, entering at the worst possible time with the worst possible risk-reward ratio. You see price moving strongly and you want to participate — so you abandon your analytical framework and jump in.

Solution: Accept that every missed trade will be replaced by another setup in the next hour, day, or week. The synthetic market runs 24/7. Setups never run out. Missing a move is not failure. Chasing a move recklessly IS failure.

2. Revenge Trading

After a loss, the emotional drive to immediately 'win it back' leads to impulsive trades taken outside your strategy rules. These revenge trades almost universally result in additional losses, compounding the psychological damage.

Solution: After any losing trade, enforce a mandatory 15-30 minute cooling period before looking at the chart again. Review what went wrong objectively, then return with a clear head.

3. Overtrading

The synthetic market is always open and always moving. This 24/7 access is a double-edged sword — it enables trading anytime, which enables excessive trading. Overtrading depletes capital through spreads and commissions, and more importantly, through low-quality trades taken out of boredom or impatience.

Solution: Define a maximum number of trades per session (e.g., 3-5 trades per day). Once you reach this limit, close the platform regardless of what you see.

4. Analysis Paralysis

The opposite of FOMO — the trader sees a setup, second-guesses themselves endlessly, adds more indicators, switches timeframes, and ultimately misses the move entirely because they could not commit to a decision.

Solution: Create a simple, decisive trading checklist. When all checkboxes are ticked, you execute. Remove the ambiguity that feeds paralysis.

5. Attachment to Winning Streaks

After several winning trades in a row, traders often develop overconfidence. They increase position sizes, take lower-quality setups, and stop respecting their risk management rules because 'they are on a roll.'

Solution: Winning and losing streaks are statistically normal. Treat each trade as a completely independent event. Your position size should be determined by your account and risk rules — never by your recent performance.

6. Inability to Accept Losses

Losses are the cost of doing business as a trader. Even the best strategies in the world lose 30-50% of trades. The trader who cannot emotionally accept losses will hold losing trades far too long, hope instead of act, and eventually suffer catastrophic losses trying to avoid small ones.

Solution: Reframe losses. A stopped-out trade is not a failure — it is a piece of data about the market. It cost exactly what you pre-defined it would cost. That is not failure. That is professional trading.

Building a Trading Routine

Discipline is built through structure. A consistent daily trading routine removes ambiguity and emotional decision-making:

113. Pre-session preparation (30 minutes): Review higher timeframe charts. Identify key levels for the session. Identify potential setups. Set alerts at key levels.
114. Trading session (defined hours only): Trade ONLY during your peak windows. No exceptions.
115. Post-session review (15 minutes): Record every trade in your journal. Note entry, exit, result, and lesson.
116. Weekly review (60 minutes): Analyze all trades from the week. Identify patterns in both successes and failures. Adjust if necessary.

The Trading Journal

A trading journal is the most underrated tool in a trader's arsenal. Successful traders keep meticulous records of every trade. Your journal should record:

- Date and time of trade
- Instrument traded (V75, Boom 500, etc.)
- Timeframe analyzed
- Entry price, stop loss, take profit
- Reason for entry (which setup, which confluence factors)
- Result (profit/loss in dollar amount and percentage)
- Trade screenshot from entry to exit
- Lesson or observation from the trade

Reviewing your journal after 50-100 trades reveals patterns — your most profitable setups, your most costly mistakes, your psychological weaknesses. This data is invaluable for improving your performance.

CHAPTER NINETEEN

Building a Trading Plan for Synthetic Indices

A trading plan is your personal business document for the market. It converts subjective, emotional decision-making into an objective, rules-based system. Professional traders do not improvise — they execute a plan. This chapter helps you build yours.

The Components of a Complete Trading Plan

1. Market and Instrument Selection

Define exactly which synthetic index or indices you will trade. Specialization beats diversification for new traders. Master one instrument — ideally V75 or V50 — before expanding to others.

Recommended starting instruments by experience level:

- Complete beginner: Volatility 10 or Volatility 25 on demo account
- Intermediate: Volatility 50 or Volatility 75 on small live account
- Advanced: V75, V100, Boom/Crash, Jump Indices

2. Timeframe Specification

State clearly which timeframes you use for analysis and which for entry. Example: 'I use Daily and H4 for trend analysis and context. I use H1 for setup identification. I use M15 for entry execution.'

3. Strategy Rules

Write down your strategy rules in precise, unambiguous language. Example:

- I trade ONLY in the direction of the H4 trend
- I enter ONLY at key support/resistance levels confirmed by Fibonacci retracement
- I require at least one candle signal (pin bar or engulfing) for entry
- I enter ONLY on candle close confirmation — never on wicks

4. Risk Parameters

Define all risk parameters explicitly:

- Account size: \$_____
- Maximum risk per trade: 1.5%
- Maximum daily loss: 4%
- Maximum trades per session: 4
- Minimum Risk-Reward ratio: 1:2

5. Trading Hours

Define your trading session based on your time zone and the peak activity analysis from Chapter 6. Stick to these hours rigorously.

6. Trade Management Rules

Define how you manage open trades:

- Move stop to breakeven when price reaches 50% of target
- Take 50% profit at first target, let remainder run
- Exit 100% at end of session if trade is not at target

7. Rules for NOT Trading

Equally important as rules for trading are rules for when NOT to trade:

- Do not trade within 30 minutes of waking up
- Do not trade immediately after a loss — mandatory 30-minute break
- Do not trade when emotionally compromised (angry, tired, stressed)
- Do not trade if your last 5 consecutive trades were losses — review first
- Do not increase position sizes to recover losses

Sample Trading Plan Template

SAMPLE V75 SWING TRADING PLAN

Instrument: V75 | Trend timeframe: H4 | Setup timeframe: H1 | Entry timeframe: M15 | Strategy: Top-down S/R + Fibonacci confluence | Entry: Pin bar or engulfing at 50-61.8% Fib in H1 support zone | Stop: Below swing low | Target: Previous swing high | R:R minimum: 1:2 | Risk per trade: 1% | Session: 9AM–12PM and 3PM–7PM WAT | Daily loss limit: 3% | Journal: Every trade recorded.

CHAPTER TWENTY

Advanced Concepts and Final Words

This final chapter covers advanced concepts for traders who have mastered the fundamentals and are looking to elevate their synthetic trading to the professional level.

Multi-Timeframe Confluence Scoring

Advanced traders develop a scoring system that quantifies the quality of a trade setup. Each confirmatory factor adds a point to the score. Only trades above a threshold score (e.g., 7/10) are executed.

Sample scoring framework:

- Higher TF trend alignment: +2 points
- Key S/R level: +2 points
- Fibonacci confluence (50/61.8%): +2 points
- Chart pattern present: +1 point
- Trendline confluence: +1 point
- Liquidity sweep detected: +1 point
- Candle signal confirmation: +1 point

Maximum score: 10. Minimum to trade: 7. This mechanical scoring system prevents low-quality trades and builds consistency.

Correlation Between Synthetic Indices

Experienced traders note that certain synthetic indices show periods of directional correlation — when V75 is trending strongly upward, V50 and V25 often move in the same general direction. This is not a mechanical guarantee but a statistical tendency worth observing. Trading in the direction of multiple correlated indices adds a layer of confluence to your directional bias.

Algorithmic Trading on Synthetic Indices

MT5 supports Expert Advisors (EAs) — automated trading programs that execute trades based on pre-defined rules. Synthetic indices, with their 24/7 operation and consistent statistical properties, are ideal for algorithmic trading.

For traders with programming knowledge (MQL4/MQL5), developing an EA that:

- Identifies trend direction using MA crossover
- Waits for price to reach a Fibonacci level
- Confirms with RSI
- Executes with pre-defined risk parameters

...can run continuously and exploit the 24/7 nature of synthetic markets without human emotional interference. However, all EAs require extensive backtesting and forward testing before live deployment.

Advanced Boom and Crash Trading Techniques

The Tick Count Method

Since Boom and Crash spikes occur on AVERAGE every N ticks, experienced traders maintain a mental (or digital) tick counter. When approaching the average interval (e.g., approaching tick 450 on Boom 500), they reduce or close short positions and prepare to benefit from the spike.

Important caveat: 'Average' means statistical expectation over many occurrences. Individual intervals can be dramatically shorter or longer than the average. Never bet your entire position on an expected spike at a specific tick count.

Spike Riding

The Spike Riding technique involves entering at the very beginning of a confirmed spike and exiting within the same candle or the next candle. This requires extremely fast execution and is best done with a pre-placed take profit target. The entry is the confirmation of the spike candle opening, with a tight target of 50-100 points capture on the spike move.

Session Statistics and Backtesting

One of the significant advantages of synthetic indices over real markets is the ability to backtest strategies using years of clean price data that is unaffected by one-off news events. On MT5, the Strategy Tester allows you to run historical backtests on synthetic indices with tick-level data accuracy.

A properly backtested strategy on synthetic indices should show:

- Minimum 2-3 years of data tested
- Win rate and average R:R clearly understood
- Maximum drawdown within acceptable parameters
- Results consistent across different market regimes (trending, ranging, volatile)
- Forward test on demo for 3-6 months before live deployment

Scaling a Synthetic Trading Business

Once you have a consistently profitable system, the path to scaling is straightforward:

117. Start with minimum viable capital on live account (\$100-\$500)
118. Prove the system works for 3+ consecutive months with stable returns
119. Increase account size gradually — by adding capital, not by withdrawing less
120. Maintain the same percentage-based risk management regardless of account size
121. At a certain account size, profits begin compounding significantly

The goal is not to 'get rich quick' — the goal is to build a repeatable, scalable system that generates consistent returns over time. A trader who makes 10-15% per month consistently on a properly managed account is building substantial long-term wealth.

Closing Words — The Power is in the Process

You have now completed a comprehensive journey through the world of synthetic trading. From understanding what synthetic indices are and how Deriv powers them, to mastering the five core strategies, risk management principles, and advanced trading concepts — you are equipped with the knowledge that separates professional traders from gamblers.

But knowledge without application is worthless. The real work begins now. Open your demo account. Apply one strategy at a time. Build the habit of analysis, discipline, and journaling. Make mistakes — and learn from every single one.

The synthetic market will be here tomorrow, next week, next year, and beyond. There is no rush to make all the money today. There is every reason to build the skills that will generate income consistently for decades.

The power of synthetic trading is not in the charts, the indicators, or even the strategies. The power is in YOUR process — your consistency, your discipline, your commitment to continuous improvement.

Master the process. The profits will follow.

Williams Eric

Author, The Power of Synthetic Trading

Glossary of Key Terms

Ask Price: The price at which you can BUY an asset. Slightly higher than the bid price.

Bid Price: The price at which you can SELL an asset. Slightly lower than the ask price.

Boom Index: A synthetic index that trends downward with periodic upward spikes.

Breakout: When price moves decisively beyond a support or resistance level.

CFD: Contract for Difference — a derivative instrument that mirrors price movement of an underlying asset.

Change of Character (ChoCH): The first break of market structure in the opposite direction of the prevailing trend.

Crash Index: A synthetic index that trends upward with periodic downward spikes.

Drawdown: The reduction in account equity from a peak to a trough.

EMA: Exponential Moving Average — a moving average that gives more weight to recent prices.

Fair Value Gap (FVG): A price imbalance created when three consecutive candles leave a gap between the first and third candle's wick.

Fibonacci Retracement: A tool using natural mathematical ratios to identify potential pullback levels.

Head and Shoulders: A three-peak reversal pattern signaling the end of an uptrend.

Leverage: The ability to control a larger position with a smaller amount of capital.

Liquidity Sweep: When price temporarily moves beyond a key level to trigger stop orders before reversing.

Lot: A unit of trading size. 1 standard lot = 100,000 units. 0.01 lot = 1,000 units.

MACD: Moving Average Convergence Divergence — a momentum and trend indicator.

Margin: The capital required in your account to maintain a leveraged position.

Order Block: The last candle before a significant price move, often acting as future S/R.

Pin Bar: A single candlestick with a small body and long wick, indicating rejection of a price level.

Pip: The smallest price increment in a quoted pair. On synthetic indices, equivalent to the minimum price movement.

Risk-Reward Ratio: The comparison between the potential loss (risk) and potential gain (reward) of a trade.

RSI: Relative Strength Index — a momentum oscillator measuring overbought/oversold conditions.

Spread: The difference between bid and ask price — the broker's primary fee.

Stop Loss: A pre-defined order to exit a trade at a maximum loss level.

Support and Resistance: Price levels where buying or selling pressure is expected to be significant.

Swing High/Low: A candle whose high/low is higher/lower than the surrounding candles, identifying trend turning points.

Take Profit: A pre-defined order to exit a trade when a profit target is reached.

Tick: The smallest movement in price. On 1-second indices, a tick occurs every second.

Trendline: A diagonal line drawn across price highs or lows to represent dynamic S/R.

Volatility Index: A synthetic index with a defined volatility parameter (e.g., V75 = 75% volatility).

About the Author

Williams Eric is a professional synthetic indices trader, market analyst, and trading educator with years of active experience in the Deriv ecosystem. His trading methodology is built on the convergence of classical technical analysis, smart money concepts, and the unique statistical behavior of synthetic markets.

Through his work, Williams Eric has helped hundreds of aspiring traders develop the discipline, structure, and strategic knowledge required to approach synthetic markets professionally. He believes that financial freedom through trading is achievable — not through shortcuts or luck, but through mastery of process, strict risk management, and unrelenting consistency.

The Power of Synthetic Trading represents the culmination of his market experience, offered to the next generation of traders who are ready to approach this opportunity with the seriousness it deserves.

"Master the process. The profits will follow."

— Williams Eric