

THE CORRELATION SECRET

"Discover the little known secret that powerful institutional traders use repeatedly to profit from the fundamental connectivity of different currency pairs..."

By Jason Fielder

Dear fellow trader,

I would like to open up this report with some rather SHOCKING observations. They may seem unrelated at first, but bear with me because I promise these observations have everything to do with YOU becoming a more confident and profitable Forex trader.

Ok, I hope you're ready because here comes the first "SHOCKING OBSERVATION"...

SHOCKING OBSERVATION #1:

As temperatures INCREASE, sales of ice cream INCREASE as well.

SHOCKING OBSERVATION #2:

As temperatures DECREASE, the volume of clothes that people wear INCREASES.

Wow, that's some seriously shocking stuff, isn't it? ☺

Ok, ok...by now you probably realize that I'm joking. Clearly there's nothing shocking about these observations. In fact, they're about as common sense as it gets. Everyone knows that as the weather warms up, people like to eat ice cream because it's cooling and delicious to eat in the summer heat.

Furthermore, we all know that as the weather turns colder, people tend to wear more clothes because it's necessary to stay warm.

These relationships (i.e. increased temperatures = increased ice cream sales AND decreased temperatures = increased clothing volume) are so "common sense" and fundamental, in fact, that we likely ignore them completely.

But imagine if blatantly obvious relationships like these existed in the Forex market? And more importantly, imagine if these "common sense" and "fundamental" relationships could be used to give you an edge and actually **increase your trading accuracy and profitability?**

Well believe it or not, these relationships do exist in the Forex market...

They're called CORRELATED PAIRS, and in this report I'm going to show you how you can capitalize on these correlated pairs (and **correlation trading** in general) to make more money than you've ever made before trading the Forex.

I'm even going to give you one of my tested and proven correlation trading strategies (it's called "Follow the Leader") that you can begin trading almost immediately.

But before we get into the trading strategies themselves, we first need to take a closer look at correlated pairs so you can see how they work (and more importantly) how we use them to get an **unfair advantage** over just about every other trader...

What Do Correlated Currency Pairs Look Like?

The first step to profiting from correlated pairs is to learn how to recognize them.

Fortunately for us, that step is actually quite easy as you can see by the screenshot below:



Even at first glance, you should be able to detect a clear relationship between these two correlated currency pairs: EUR/USD and USD/CHF

Can you see how they're almost always moving in opposite directions? Can you see how when the EUR/USD goes up the USD/CHF tends to go down...and vice-versa?

If not, look again...

(NOTE: This time I've placed lines on the chart to make the relationship even more

obvious.)



As you can clearly see, the charts for the EUR/USD and USD/CHF are almost perfect mirror images of one another. When the EUR/USD goes down, the USD/CHF tends to go up. And when the EUR/USD goes up, the USD/CHF tends to go down.

This relationship is known as a **NEGATIVE CORRELATION**, because these two correlated pairs (almost) always move in opposite directions of one another.

If the concept of negative correlation is still a bit unclear, think back on the 2nd “Shocking Observation” I gave you at the start of this report. If you recall...

*As temperatures **DECREASE**, the volume of clothing that people wear **INCREASES**.*

So in other words, temperature and clothing volume almost always move in opposite

directions.

As temperatures **DECREASE**, clothing volumes **INCREASE**.
As temperatures **INCREASE**, clothing volumes **DECREASE**.
(Think summer bikinis.) ☺

Ok, by now you should have a pretty firm grasp of **NEGATIVE** correlation and what it looks like, so let's move on to the second type of correlation: **POSITIVE CORRELATION**.

The screenshot below is an example of two **POSITIVELY correlated** currency pairs:



Unlike the previous example, these currency pairs are moving more or less parallel to one another. Once again, to further illustrate this point I have drawn lines on the chart to show the correlated movements of these two pairs over time...



This example is similar to “Shocking Observation #1”:

As temperatures INCREASE, ice cream sales also INCREASE.

So once again, since the movement of both temperature and ice cream sales are in the same direction, this is an example of POSITIVE CORRELATION.

By now you should have a firm understanding of positive and negative correlations and how to recognize them on a chart, so next let’s discuss why some currency pairs are correlated and others are not...

It's All About the FUNDAMENTALS

At this point you're probably wondering, why are currency pairs (like the EUR/USD and USD/CHF) correlated in the first place? What causes these positive and negative relationships to exist?

Well much like our temperature and ice cream and temperature and clothing examples from before, **currency correlations come down to basic fundamentals.**

Increased temperatures are correlated to increased ice cream sales and decreased temperatures are correlated to increased clothing volume for two simple but *extremely powerful* **FUNDAMENTAL FACTORS**: comfort and survival.

People eat ice cream when it gets hot because it makes them comfortable, and they wear more clothing when it gets cold for the same reason...comfort (and in some cases survival).

The point is, the factors that drive these correlations are deeply rooted in daily life. They won't change! Not this year...not in 10 years...NOT IN 100 YEARS!

The fundamentals behind these correlations are UNIVERSAL!

The same is true for correlated currency pairs...

There are literally *dozens* of correlated currency pairs, but what follows is a partial list of some of the most significant pairs, and the fundamentals that back them:

The EUR/USD and GBP/USD, for example, are positively correlated because the base currencies (i.e. the first currencies listed) of these pairs – the EUR and the GBP – represent European Union Member States, so they're very, very similar both from a monetary policy and from a geographical sense.

In other words, when EU makes a shift in monetary policy or when there's a major change in the European economy, both the EUR and the GBP are affected in the same way, because they're both *European currencies*.

The EUR/USD and USD/CHF, on the other hand, are negatively correlated because the base currency of the first pair (the EUR) and the base currency of the second pair (the USD) have very different monetary policies, economics and geographic locations. So for the same reason the previous pairs were positively correlated, these pairs are negatively

correlated.

Now, allow me to let you in on yet another fact:

Did you know that currency pairs with **CAD, NZD and AUD** as their base currencies will all tend to be **POSITIVELY** correlated with one another?

It's true, and in this case it has nothing to do with monetary policy, and it certainly has nothing to do with geography. (After all, Canada and New Zealand couldn't be farther apart!)

In this case, the CAD, NZD and AUD are all correlated because all three countries (Canada, New Zealand and Australia) are heavily dependent on commodity exports, meaning their currencies all have strong ties to the commodities markets.

Therefore, as commodities move, so too do these three currencies...and typically in the same directions.

By the way, if by any chance you've found this section confusing, please... **DON'T WORRY ABOUT IT!!**

I have some good news...

Just like you don't need to fully grasp the workings of an internal combustion engine to drive a car, you also don't need to fully grasp the detailed fundamentals behind the different currency pair correlations to profit from them!

In fact, all you really need to know is:

Strong fundamentals are behind correlated currency pairs. This gives you a consistent, predictable model from which to trade.

In other words, just like we can count on increased temperatures remaining correlated with increased ice cream sales (because it's backed by **FUNDAMENTALS** of daily life), you can also count on the EUR/USD and GBP/USD remaining correlated because they too are backed by...

...**UNIVERSAL MARKET FUNDAMENTALS.**

Predictable Volatility = Profit Potential

Now that you understand what correlation is, how to recognize it on a chart and the fundamentals that back it, it's now time to discuss **how we use correlation to gain an edge over other traders.**

When most traders look at correlated pairs, they focus the bulk of their attention on the 98% of the time that the currency pairs do what they're supposed to do and remain correlated.

Not me...**I've always been more interested in the 2% of the time when correlated pairs FALL OUT of correlation.**

(And if by any chance you're worried 2% doesn't sound like a lot, I can let you in on a little secret... it's PLENTY often to produce continuous trading opportunities, if you know what to look for!)

Oh, by the way, I realize it may sound a bit counter-intuitive, to look for a correlation "fall out" so please hear me out...

You now know that correlations are backed by fundamentals. But not just any fundamentals...correlations in the Forex market are backed by UNIVERSALE MARKET FUNDAMENTALS.

In other words, the currency pairs we're trading aren't correlated because some over-optimized, made up indicator says that they're correlated...

...they're correlated because REAL-WORLD market forces dictate that they MUST be correlated.

So why does all this matter and what does it have to do with gaining that "edge" that I promised?

Well, it's simple...

If we know that certain pairs are correlated, and that those correlations are backed by real-world market forces, then the 2% of the time when those pairs fall out of correlation...we know that **something has gone wrong.**

We don't know what has gone wrong, necessarily, but we do know that at least one of

the currency pairs isn't acting like it should.

For example, remember the EUR/USD and USD/CHF?



These pairs have a high NEGATIVE CORRELATION, meaning they should more or less move in opposite directions to one another.

If all the sudden these pairs fall out of correlation and begin to move parallel to one another, then we know that something is “out of whack”.

And while it doesn't happen all that often, it's these times when things go “out of whack” that we're able to gain an edge.

You see, when correlated pairs fall out of correlation, it's just a matter of time before they go back into correlation. AGAIN, these are UNIVERSAL MARKET FUNDAMENTALS that are causing these correlations, and it's these market

fundamentals that will force the pairs back into correlation.

So here's what we know...

- **We know that something has gone “wrong”** because the currency pairs aren't behaving like they should...
- **We know that the pairs will eventually be forced back into correlation** by real-world, fundamental market forces...
- **We know that when the pairs move back into parity (i.e. correlation) that the “movement” will create significant profit opportunities...**

Did you catch that last one?

- **We know that when the pairs move back into parity (i.e. correlation) that the “movement” will create significant profit opportunities...**

This is the single most important point of this entire section, so don't miss it...

When correlated pairs fall out of correlation, a small moment of opportunity is created because we now **KNOW** that there will be movement (i.e. volatility) when the pairs move back into parity. **And where there's VOLATILITY, there's the potential for profit.**

Here's the deal: As a trader, it is impossible to profit without movement in the markets. We **NEED** volatility or we don't make money.

But volatility alone isn't enough. To trade with maximum confidence and accuracy, we need **PREDICTABLE VOLATILITY**...and that's exactly what correlation trading gives us.

As correlation traders, we know that when correlated pairs fall out of correlation that they will return. And it's when things return to “normal” that we're able to take our profit.

The Giant FLAW In Correlation Trading

The fact that you're still reading this report suggests that you're probably getting excited about this concept of Correlation Trading. After all...

- **Correlation Trading is easy to identify and trade...**
- **Correlation Trading is backed by proven, timeless, universal market fundamentals...**
- **Correlation Trading gives us the PREDICTABLE VOLATILITY we need to trade with confidence and accuracy...**

It all sounds great, doesn't it!?

Well unfortunately, Correlation Trading does have one GIANT FLAW.

While correlations will tell you that a move is about to occur, correlation alone doesn't tell you which pair is moving or the direction it will be moving in.

In other words, you know you need to put on a trade, but you don't know which pair to trade or whether you need to buy or sell short.

This massive limitation in Correlation Trading has stifled traders for years, which is why so few traders use correlations despite its obvious benefits. **In fact, chances are you hadn't even heard of Correlation Trading prior to downloading this report!**

Of the handful of traders who did trade with correlations, most just used it as a filter to increase the accuracy of an already-profitable system.

Well I for one wasn't willing to stop there...

You see, as a full-time trader, researcher and system developer, I know that **identifying PREDICTABLE VOLATILITY is half the battle**. Determining entry and exit points is simply a matter of testing and a whole lot of trial and error.

So when I stumbled across Correlation Trading over a year ago, I knew I had found something that was worth my time. Immediately I threw everything I had into it...all my personal free time, and every member of my research team that I could allocate to the project.

It took the better part of 12 months, but eventually we were able to crack the “Correlation Code”.

In those 12 months, my team and I researched, developed and tested 82 different strategies for capitalizing on correlation trades.

When the dust settled we were left with **only 8 that made cut...**and because you've take the time to download and read my report, I am now going to share one of my favorites with you.

Follow The Leader

The strategy is called “Follow the Leader”, and while it’s one of the simplest of the 8 strategies my team and I developed, it’s no less powerful.

Candidly, I’m hoping that by letting you test-drive one of our proven strategies that **you’ll want to become a member so you can gain access the other 7 strategies in “The Correlation Code”**.

If you’re interested in the “Correlation Code”, you can get more information by going to:

<http://www.correlationcode.com> (If this re-directs to the blog, it just means you can't see the code “quite yet”, but be patient, it won't be long!)

...and by visiting the training blog at:

<http://www.correlationcode.com/blog>

When you visit the blog, you’ll find a number of other videos and reports related to correlation trading, so you’ll definitely want to check it out.

But for now, let’s dive into the “Follow the Leader” strategy so you can start profiting **RIGHT NOW...**

The “Follow the Leader” Correlation Trade

Like all correlation trades, “Follow the Leader” waits until two correlated pairs go “out of whack”, and then quickly capitalizes on the opportunity to scalp some quick pips out of the market.

Here’s how it works...

For this system I like to trade the EUR/USD along with the GBP/USD. These pairs are positively correlated, so as expected they are more or less moving parallel to one another (as you can see in the screenshot on the next page).

But when we’re trading with correlation, we’re not only looking at direction...we’re also looking at the RANGE.

“Range”: The difference between the high and the low prices during a specified period of time.

We know, for example, that **the GBP/USD normally has a much larger range than the EUR/USD**. (NOTE: I don’t have the time right now to go into why the range of the GBP/USD is larger, but if you look at the two charts side-by-side you’ll be able to see with the naked eye what I’m talking about.)

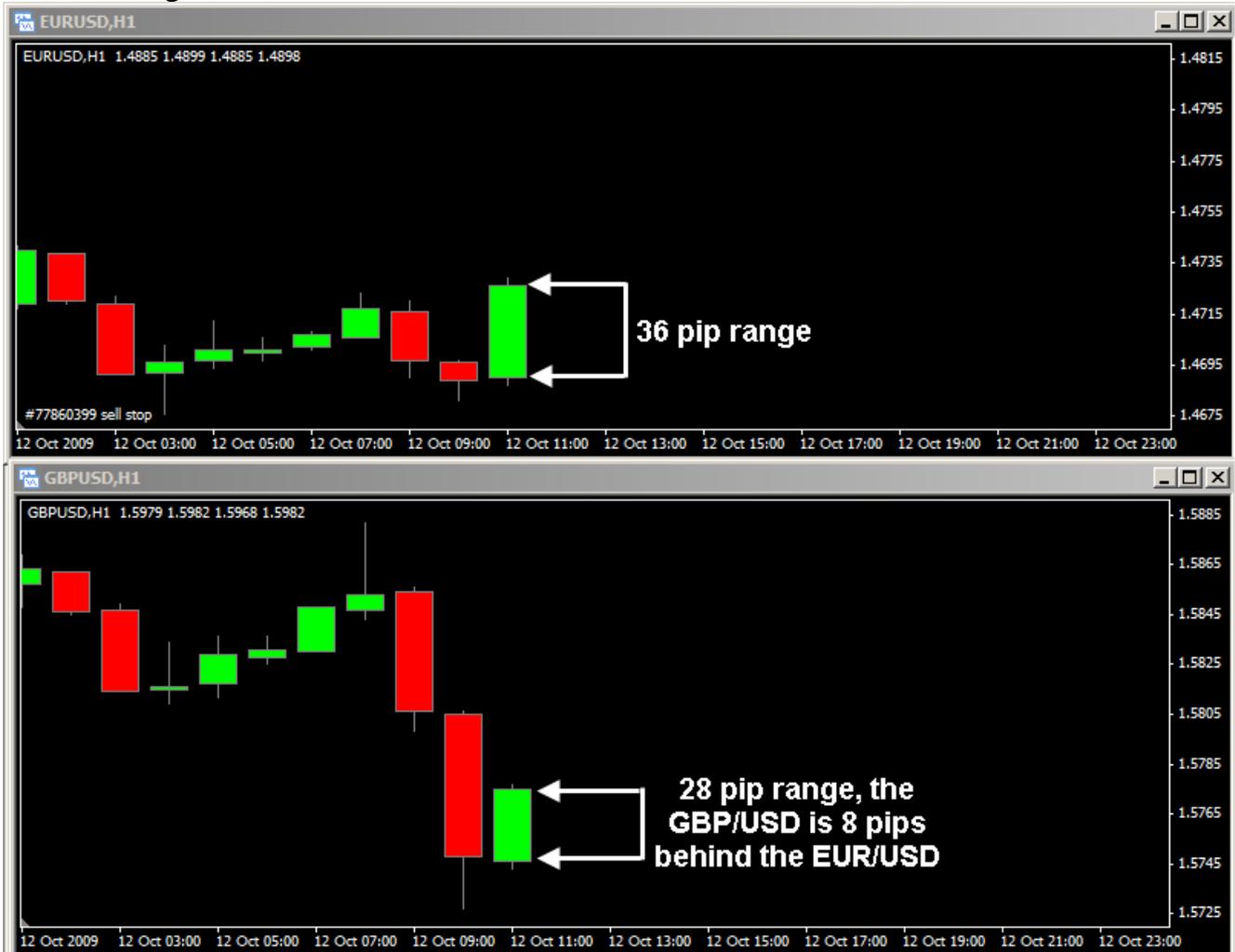
In other words, while these correlated pairs will generally move in the same direction, the GBP/USD should have lower valleys and higher peaks than the EUR/USD. So, when we see that the range of the GBP/USD is lagging behind the range of the EUR/USD for one bar (see screenshot below), we have a potential trade setup.

Once the “range lag” is **20 pips or greater**, we take the trade with the expectation that the GBP/USD will make up the “gap”, and overtake the range of the EUR/USD within a few bars.

Remember, we know this is an extremely high probability trade, because “Fundamental Law” dictates that the pairs **MUST** remain in correlation, so therefore we know that they will eventually “snap back”.

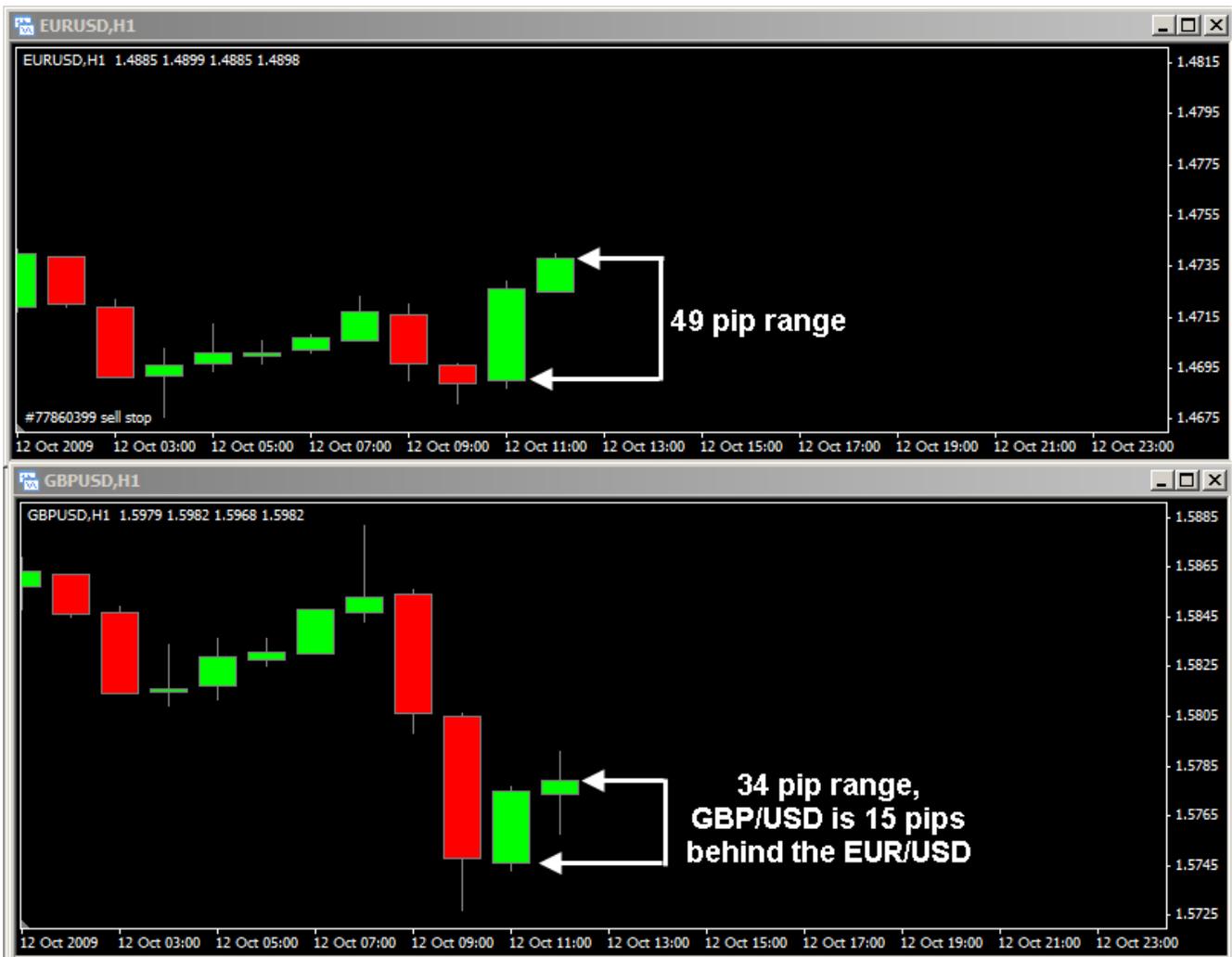
Like I said, it’s a simple strategy, but because it’s backed by market fundamentals it’s one of the most accurate (and profitable) intra-day strategies I’ve ever traded.

Ok, so let's go back and take a look at the chart...



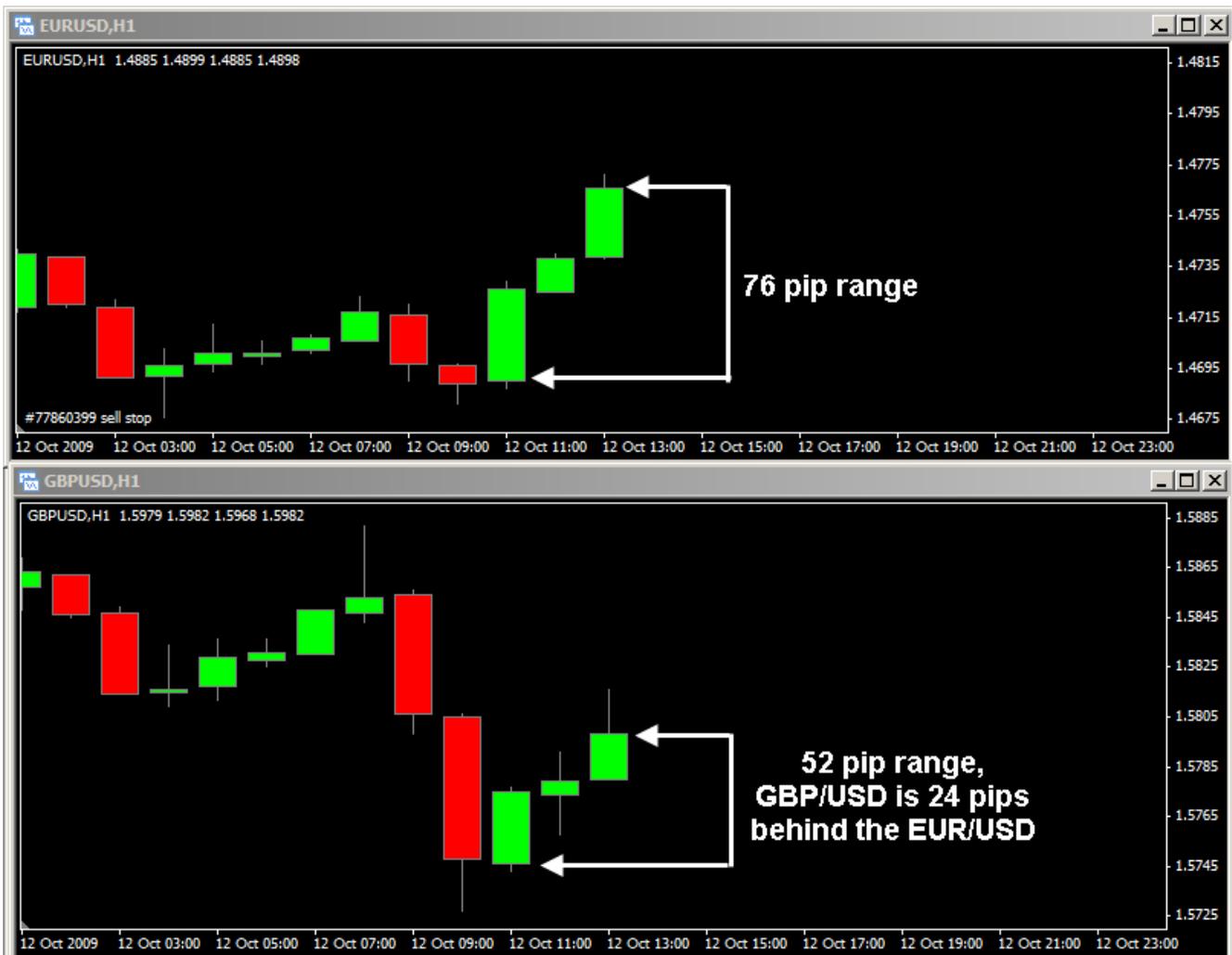
Right now the range of the GBP/USD is lagging the EUR/USD by 8 pips. That's enough of a lag to take notice, but it's not enough to take the trade yet.

Remember, **I like to see at least a 20 pip lag before I take the trade**, so I'll watch it for another bar and see what happens...



When the second bar closes, the range is now lagging by 15 pips. It's still not enough for me to take the trade yet, but the fact that the range lag still hasn't corrected itself (and is actually growing wider) has me very excited.

I'll wait and watch it for one more bar and see if the "range lag" or "crack" widens enough for me to take the trade...

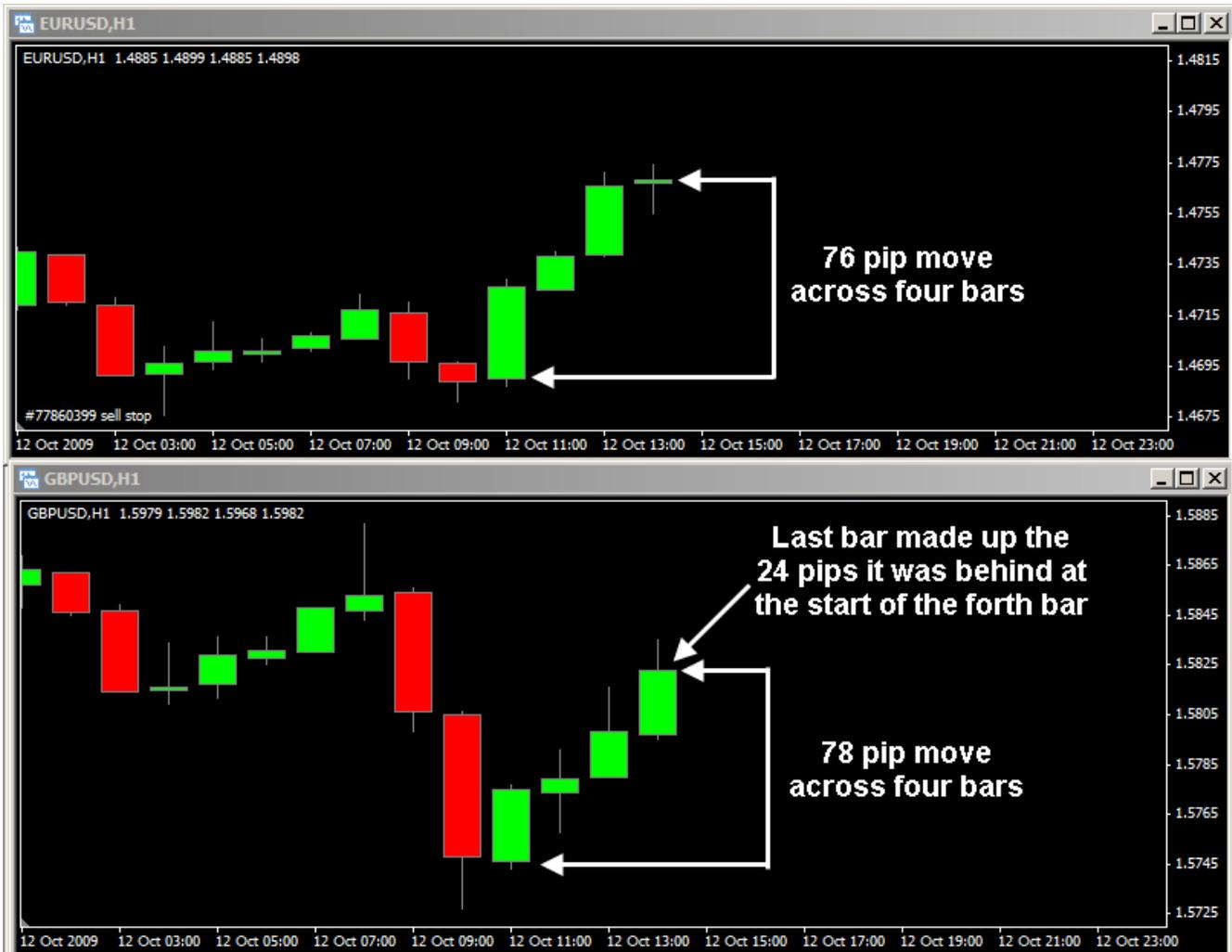


The third bar has closed, and the “range lag” has now widened to 24 pips. That’s greater than the 20 pip minimum I need, so I’m going to take this trade and go long on the GBP/USD.

My expectation is that the GBP/USD will at a bare minimum make up the 24 pip “range lag” or “crack”...and possibly even go beyond that since historically the range of the GBP/USD is supposed to be LARGER than the EUR/USD

And again, when we’re trading with correlation and something goes “wrong” (as is the case with this “range lag”), that usually means there’s a profit opportunity just around the corner. :)

Now that we’re in this trade, let’s watch it and see what happens next...



As you can see, the very next bar the GBP/USD made up the “range lag” and returned to “normal” just as we expected it to. **We then exit the trade at the end of the bar and pocket the 24 pips.**

So there you have it...the **“Follow the Leader”** strategy!

So to recap, all you need to do is:

- 1) Watch these 2 pairs simultaneously.
- 2) Track the movement of both pairs at the close of each bar.
- 3) Once you see one of the pairs begin to pull away, pay attention because you are now looking at a potential trade setup.

- 4) Calculate the “range lag” or “crack” and when it exceeds 20 pips, you’re ready to pull the trigger, and you know what your target will be, as it will be always be about equal to the “range-lag”!

I’m confident that this one strategy alone will make you a more confident, accurate and profitable trader, as these trades are ultra high probability trades to take, and I LOVE when they set up...

NOW, if you want to learn three (3) ways to optimize “Follow the Leader” even more, and see some live correlation examples, you’ll want to watch the potent bonus video I posted to my blog at:

<http://www.CorrelationCode.com/blog/?p=9>

How You Can Use This New-Found Knowledge To Become a More Accurate, Confident and Profitable Trader

At this point you have a couple of options...

- 1. You can take this information, do nothing with it and stick with your normal trading plan.** And that may very well be the best option if you're a highly profitable trader, but I'm guessing you wouldn't still be reading this report if that were the case...
- 2. You can use correlated pairs like a lot of other “pseudo-correlation-traders”...as a filter for an already-profitable system.** That said, you'll need to have an already-profitable system that's worth trading on top of correlated pairs, and even then you're leaving money on the table by not fully maximizing correlation trading...
- 3. You can keep watching your email very closely, as over the coming days I'll be releasing a number of videos that will delve far deeper into the concept of Correlation Trading. I'll be demonstrating optimization techniques, illustrating some of my other even MORE powerful strategies, showing you how I take these “Ultra High” probability trades in real time, and...**

I'll soon be showing you how get access to all my proven, profitable trading strategies so that YOU will be able to trade correlation like the pros! (And believe me it's very exciting stuff!!)

Depending on when you are reading this report, “Correlation Code” may not be available yet (or it may have even sold out). To check on availability and to see if you qualify, please go to:

<http://www.CorrelationCode.com>

And again, if it takes you to the blog, that simply means it isn't available just yet, so keep watching for more trading videos, and I'll soon be revealing how you can learn more about “The Correlation Code”.

It's the single most important discovery I've made in my 15+ years of trading, and I'm about to share it with you. So if you're serious about being a far more confident and accurate trader, and you want to trade at the “Professional” level, Correlation Trading can get you there a lot faster you likely ever imagined.

This is VERY powerful stuff.

Thanks for reading, and as always...

Good trading,
Jason Fielder

About the Author

Since you may not know who I am, I thought it would be appropriate to introduce myself.

My name is Jason Fielder, and I am a professional currency trader.

The fact that you haven't heard of me is no surprise. I have never been comfortable in the spotlight and have purposely remain "underground".

I don't write books...

I don't try to get on CNBC, and...

I don't go from city to city doing "dog and pony shows" so I can sell a room-full of people my overpriced, piece-of-crap, blinking-light, "black box" software.

I'm a trader, a system developer, a husband, and an amateur surfer (not necessarily in that order as my wife likes to remind me).

Trading is what I love, and trading is what I DO as a profession.

I also enjoy teaching and helping other active traders get an edge. I know from personal experience that most trading systems and advice are 100% crap, and it's my mission to provide something that actually works to independent traders just like me.

That's why you're reading this report...I truly enjoy sharing what I know with traders who are just like me.

If you like what you've seen here and you want to learn more about what I trade and how I trade, I invite you to check out my CORRELATION CODE by going to:

<http://www.CorrelationCode.com/blog>