Modern trading has progressed to levels never seen before. However, the overwhelming amount of information associated with this endeavor often contributes more to confusion than clarity—especially in today’s dynamic foreign exchange market.

Nobody understands this better than author Ilian Yotov, a longtime Forex strategist and creator of The Quarters Theory. Now, with this new book, Yotov shows how to improve and simplify the decision-making process in foreign exchange trading through the use of his revolutionary approach—one that can be applied to the price behavior of currency exchange rates and trend developments in the Forex market.

This detailed guide provides currency traders with a well-rounded introduction to the unique attributes of The Quarters Theory and offers many real-life market examples, variations, and innovative Forex trading strategies. Along the way, it also effectively outlines how this reliable new compass—which will help you navigate the daily fluctuations in currency prices—works, and reveals what it takes to consistently make better trading decisions and capture consistent returns by utilizing The Quarters Theory method.

Praise for

“The Quarters Theory

“Having a trading plan is essential for every trader. Reading Ilian Yotov’s The Quarters Theory and understanding its unique premise could help you formulate better your own trading plan for the currency markets.”

—STEVE MEIZINGER, Director of Education, International Securities Exchange (ISE)

“The Quarters Theory is a must-read book for every currency trader.”

—JULIEN HEIDERSCHEID, Sales Director and Partner, Trading Central

“Ilian has provided a unique perspective on how to establish a fully integrated Forex trading system powered off the psychology of the base-10 number system in our world. It’s extremely interesting and definitely worth the read for new and old traders alike.”

—JACK CROOKS, Chief Investment Officer, Black Swan Capital LLC

“Ilian has a unique premise on when to trade the Forex markets. This book gives new and professional traders a clear and concise explanation of price action that is essential to understand when trading the Forex markets. For those of you looking for a better understanding of how the Forex markets work, make sure that you read this book as thoroughly as I did because it was so insightful.”

—RICARDO MENJIVAR, futures and Forex broker, PFGBEST

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The Quarters Theory
Founded in 1807, John Wiley & Sons is the oldest independent publishing company in the United States. With offices in North America, Europe, Australia and Asia, Wiley is globally committed to developing and marketing print and electronic products and services for our customers’ professional and personal knowledge and understanding.

The Wiley Trading series features books by traders who have survived the market’s ever-changing temperament and have prospered—some by reinventing systems, others by getting back to basics. Whether you are a novice trader, professional or somewhere in-between, these books will provide the advice and strategies needed to prosper today and well into the future.

To my wife and family
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Preface

Do you believe that everything happens for a reason? I haven’t always been a strong proponent of this theory, but looking back at certain events in my life has made me a believer.

I was introduced to the “forbidden” world of foreign currency exchange in communist Bulgaria at the tender age of eight, when in 1979 my father was arrested by the communist militia because of his involvement in a black market currency exchange. My family was told that my father owned and dealt with those “evil” U.S. dollars, British pounds, German marks, and other foreign currencies that the “capitalist pigs” use to buy their “rotten” goods and services “produced with the blood, sweat, and tears of the proletariat.” It was a true baptism by fire. To prove that the apple doesn’t fall far from the tree, as a high school and a college student, I made money soliciting currency exchange from foreign tourists and foreign exchange students, and exchanged currencies on Magura Street (communist Bulgaria’s black market version of Wall Street). Is it any wonder that I turned out to be a currency trader?

My life’s experiences have taught and continue to teach me some valuable lessons that I apply in my trading. But as a trader, I will admit that nothing educates and disciplines better than the most devastating loss that a trader can ever experience in his or her career. I’m not talking about the periods when you hit the wall after you’ve been on a roll and are feeling invincible. One can learn to get over those fairly quickly. What I’m referring to is the big one, the tsunami that shatters many months of hard work and consistent profits with a violent blow that lasts only a few minutes.

My big one was planned to be exactly that—big. However, it was supposed to be a winning big one. This was to be the one that takes a trader into the stratosphere of trading greatness, delivering a life-changing 1000+% return. So, as Jesse Livermore would have said, I “took the plunge.”

I’d had a great sequence of several big winning months before and I felt that I was bulletproof—exactly the right mixture of self-confidence and arrogance that was enough to blur the lines between a trade and a gamble, and to make me throw almost my entire account at this trade. All went...
out of the U.S. dollar and all went in Euros and Swiss francs as soon as Colin Powell made the case for the war in Iraq to the United Nations. My conceited mind was so certain about the success of this trade—at all, it’s been historically proven over the past 200 years that when the United States goes to war, the U.S. dollar goes down. My ego had blindsided me so much that I didn’t even bother placing any stops to protect myself. After all, why would I need any protection if I was invincible?

You’ve probably already figured out how this story ends. The tsunami of hundreds of PIPs against me right after the war announcement was enough to make me spend the rest of the day picking up the pieces of what was left of my trading account and licking the wounds of my traumatized trader’s psyche. It was a devastating experience, but I am grateful that it happened to me, because in the days and months of soul searching that followed, I became a born-again trader with a revived mindset and a completely new trading method.

This is how The Quarters Theory was born. It was a result of my rigorous process of recovery from the turmoil that I had inflicted on my trading account and on myself. Whether I wanted it or not, I was taken back to Square One. From that point, there was no other way to go but back to the basics, rebuilding from the ground up. And what better way to get back to the basics than focusing on the most basic unit of information for every trader—the price? I had to get away from the clutter of charts and technical indicators, and be absent from the never-ending hunt for volatility and the scalping stampedes during news events.

The Quarters Theory was my solution to the need I had for that extra edge through an unprecedented, innovative methodology based on a fresh new approach and a deeper perception of price behavior in the daily fluctuations of currency exchange rates. I discovered during my period of trader revelation how to distinguish myself from the herd. I have strived for and I have found a simple, yet effective, unique, yet not abstract method that serves as a reliable compass to navigate me through the high waters of market volatility and uncertainty. With The Quarters Theory, I have created an orderly, familiar, systematic, predictable environment and trading methodology that allows traders to break free from the dogma of chaos and the perceptions of market randomness.

I first introduced The Quarters Theory to a large audience of traders in 2005 when I was invited as one of the FX strategists of a new startup financial network called Traders Television. In the following months, I was also asked to host the advanced Forex training program of “Trader Talk Live,” an Internet broadcast focused on trader education. I knew from personal experience that The Quarters Theory is immensely helpful, but I will admit that even in my wildest dreams I did not expect the type of overwhelming response that I received when I started sharing my method with other
currency traders. My audience grew, the word of mouth was spreading, and it was only a few short months before the unsolicited testimonials from traders, whose trading results had improved dramatically as a result of my teachings, began filling my e-mail box. It was official: The Quarters Theory was helping and I was humbled and happy to be able to make a difference for thousands of traders.

In recent years, interest in The Quarters Theory has continued to grow as a result of my appearances as a speaker at educational seminars and webinars, through my weekly publications and columns on popular financial websites, as well as through my daily “All Things Forex” broadcast and my website www.allthingsforex.com.

I hope that you will enjoy what you are about to discover in this book and that you find The Quarters Theory to be a meaningful and substantial way to improve your methods of trading currencies on the Forex market and to experience consistently better trading results.

Ilian Yotov
The Quarters Theory improves and simplifies the decision-making process in foreign exchange trading through the use of a revolutionary new methodology applied to the price behavior of currency exchange rates and trend developments in the Forex market. This book provides currency traders with a step-by-step guide to the unique premise of The Quarters Theory and offers many real-life market examples, variations, and innovative Forex trading strategies. Ilian Yotov, a longtime Forex strategist, delivers a new, reliable compass to help you navigate through the complexities of the daily fluctuations in the prices of currencies. He shows unique ways leading to consistently better trading decisions and helps maximize your trading results.

The Quarters Theory

- Introduces a fresh new approach to foreign currency trading
- Offers innovative trading techniques that combine the methodology of The Quarters Theory with fundamental and technical analysis
- Provides proprietary Forex strategies that investors and traders of all proficiency levels can use to reap significant returns

With The Quarters Theory as your guide, you will quickly gain that extra edge that will help you to make more profitable decisions in your Forex trading activities.