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PROP FIRM
SUCCESS

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How to Pass a Prop Firm Challenge?

This article provides guidelines for passing a prop firm challenge in Forex. If you are already profitable, continue with your strategy; otherwise, you can apply the insights shared here. All the content is based on my personal experience with trading styles and psychology. These insights are entirely derived from the strategy and trading plan that helped me pass two prop firm accounts within the legal time frame (these accounts had no time restrictions). The goal of this article is to help fellow traders seeking success in prop firms. Remember, every trader must customize their own strategy, and trust in that strategy is crucial.

Section 1: Choosing the Right Prop Firm with Unlimited Time – Advantages and Disadvantages

Everything discussed in this section is based on my personal experience. Both from a trading and psychological standpoint, it's all centered around the trading plan I developed and followed rigorously, which enabled me to pass two prop firm challenges. You can personalize this information based on your strategy or implement whatever you find most suitable.

I recommend thoroughly reviewing the conditions of any prop firm you choose. Factors to consider include minimum trading days, daily and overall drawdown limits, spread differences across currency pairs, and so on. While my strategy might work for you, it's crucial to adapt it to your personal style. I suggest choosing a prop firm with no time limit, which some firms offer.

Advantages and Disadvantages of Unlimited Time Prop Firms:

Advantages:

- **Reduced Psychological Pressure and Time Constraints:** You have more time to select better trades.
- **Increased Calm in Trading:** Unlimited time allows for more logical and non-hasty decision-making.
- **Lower Risk per Trade:** With sufficient time, you can apply a lower percentage of risk to your trades.

Disadvantages:

- **Less Focus on Time:** The absence of a time limit may lead to reduced focus and motivation.
- **Higher Costs:** Some prop firms may charge more for offering unlimited time.

Remember, confidence in your strategy and consistency in execution are key. You may experience a losing streak over a week (which won't wipe out your account with proper risk management and a detailed plan). However, by sticking to your plan, long-term results will be positive. Test your strategy over 100 trades, then adjust it based on the results.

Section 2: Useful Tools

1. Best Free Site for Checking Forex News:

<https://www.forexfactory.com/calendar>

Make sure to avoid entering trades during news events, as your stop loss is likely to get hit. Therefore, always check the news before entering any trade.

Date	Time	Currency	Impact	Detail	Actual	Forecast	Previous	Graph
Mon Oct 16	12:30am	JPY		Revised Industrial Production m/m	-0.7%	0.0%	0.0%	
	2:00am	EUR		German WPI m/m	0.2%	0.3%	0.2%	
	4:30am	GBP		MPC Member Pill Speaks				
	5:00am	EUR		Trade Balance	11.9B	5.4B	3.5B	
	All Day	EUR		Eurogroup Meetings				
	8:30am	CAD		Manufacturing Sales m/m	0.7%	1.1%	1.6%	
		CAD		Wholesale Sales m/m	2.3%	2.5%	0.0%	
		USD		Empire State Manufacturing Index	-4.6	-6.4	1.9	
	10:30am	CAD		BOC Business Outlook Survey				
		USD		FOMC Member Harker Speaks				
	4:30pm	USD		FOMC Member Harker Speaks				
	5:45pm	NZD		CPI q/q	1.8%	1.9%	1.1%	
	8:30pm	AUD		Monetary Policy Meeting Minutes				

2. Best Free Expert Advisor for Risk and Money Management:

<https://www.trading-deals.com/td-tool/>

The **Money Management Tool TD** in MetaTrader helps traders manage their positions by automating risk control. It calculates position sizes based on account balance and predefined risk parameters, ensuring proper capital management for each trade.



3. Best Free Site for Getting Trading Insights:

<https://www.forexmentor.org/>

If you're struggling to make trading decisions initially, you can use this site to receive daily signals from professional traders specializing in ICT Price Action and RTM Price Action. (Please refrain from directly using the signals; instead, observe them to gain a better understanding of potential setups and train your perspective.)

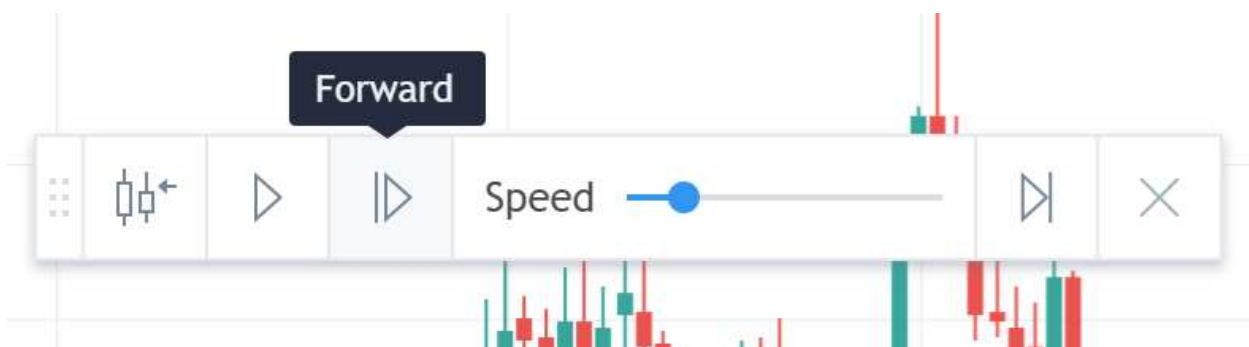


The screenshot shows the website WWW.ForexMentor.ORG with a dark theme. On the left, there is a sidebar with four trader profiles: Michael H..., Mansor Sapari, Nora Karim, and a VIP Signals section. The main area displays a table of trading signals with columns for Order, Time, Symbol, Entry Price, and Take Profit (TP). Each signal includes a trade type (BUY or SELL), a timestamp, the currency pair, the entry price, and the take profit level. A note at the bottom states: 'The maximum allowed risk is 2% , but risk management is the responsibility of the trader.'

Order	Time	Symbol	Entry Price	Take Profit (TP)
SELL	2023.11.29 08:30	AUDUSD	0.6645	0.65920
Set SL based on your personal strategy.				
DayTrade				
SELL	2023.11.27 14:00	GBPJPY	188.285	187.115
Set SL based on your personal strategy.				
DayTrade				
BUY	2023.11.24 15:30	EURUSD	1.0910	1.0940
Set SL based on your personal strategy.				
DayTrade				
BUY	2023.11.22 14:10	XAUUSD	1988.60	2025.70
Set SL based on your personal strategy.				
Swing				
SELL	2023.11.16 14:08	ETHUSD	2063	1970
Set SL based on your personal strategy.				
DayTrade				

4. Best Methods for Back testing:

You can use the site tradingview.com for back testing. However, to access the back testing feature, you'll need to purchase a Trading View Pro account, which can be costly! If you can afford the Trading View subscription, that's great, but if not, you can utilize free websites that offer similar features. Still, the best method for back testing is to create a demo account with a broker since it's free and allows you to practice proper money management in your trades.



Section 3: Strategy, ICT Style, and Understanding the Rules

Before learning any style or strategy, the first step is to define a roadmap for ourselves:

Strategy:

Begin by enrolling in a course on the specific trading style you want to master. For example, in my case, I focus on ICT style, analyzing optimal zones and determining entry and exit points.

Key Concepts to Understand:

- **What is an Order Block?**
- **Why does it form?**
- **Concepts like liquidity, order flow, and more.**

Rules:

- How do we identify structure?
- Why do we label a zone as an order block?

Once we understand these fundamentals, we transfer this understanding to our trading plan.

Example of a Personal Trading Plan:

- **Idea and Entry Timeframes:** These can vary. For instance, the idea timeframe might be 15 minutes, and the entry timeframe could be 5 minutes. The key is to remain flexible and not rely on one specific timeframe.
- **Identifying Opportunities:** Identify valid order blocks and look for patterns that confirm your strategy before entering a trade. Do not deviate from your plan, even if you go a week without finding suitable zones or order blocks.
- **Risk Management:** Always exit part of your position during key structure points. This not only gives you psychological comfort but also reduces your trade risks.
- **Target Management:** Predetermine your targets. Know when to exit portions of your position or when to move to break-even during each phase of the trade. For my personal strategy, because my trades are scalps, I always move to break-even after the second structural break (explained later) and never enter trades with a risk-to-reward ratio below 1:5. Trust your strategy.

Section 4: Psychology in Trading

Another essential part of the trading plan involves psychology and knowing yourself (I recommend documenting all these aspects to avoid deviation from your plan).

Trading psychology is critically important. A daily routine helps prepare your mind, leading to better trades.

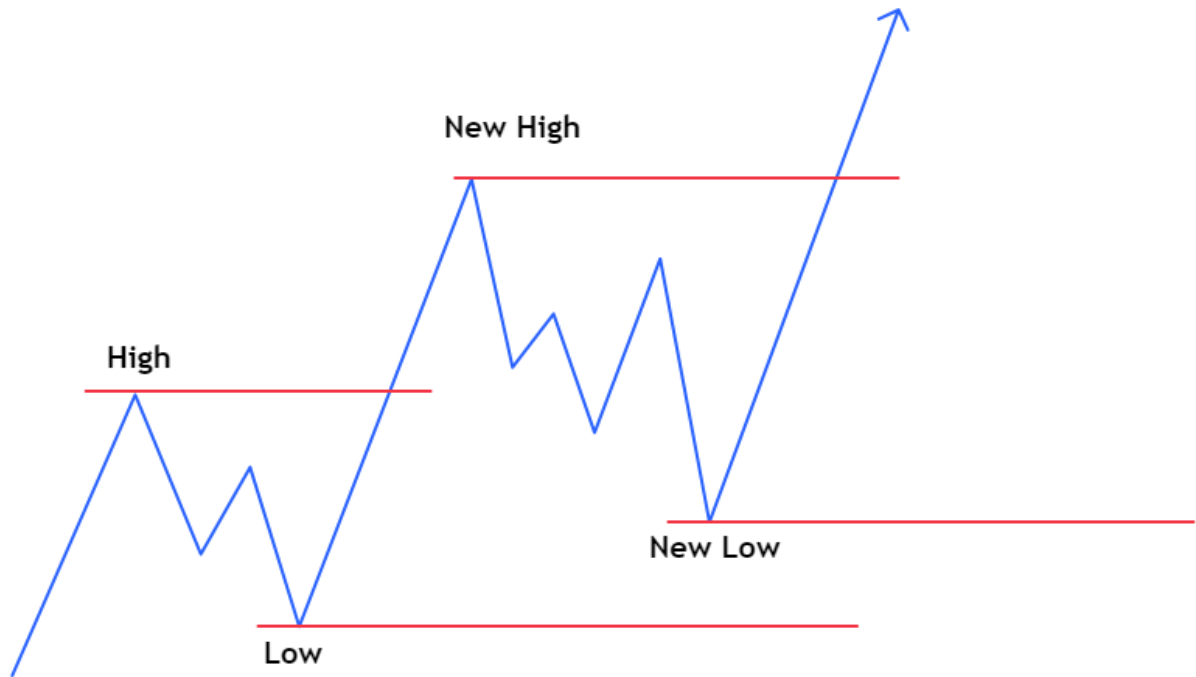
- **My Trading Time:** I focus on the first 2 hours of the London session and the first 2 hours of the New York session, trading only the EUR/USD pair. You can adjust your trading times and pairs according to your needs and preferences.
- **Mental Breaks:** If you're not feeling well, it's better not to trade. Your psychological state plays a huge role in success, and poor decisions are often made when you're not mentally ready.
- **Limit of 2 Stop-Losses Per Day:** I don't trade further after reaching two stop-losses.
- **Never Increase Risk After Losses:** Even if I have been losing for a week, I never increase my risk.
- **No Forced Trades:** I never force trades.
- **Risk Per Trade:** I never risk more than 0.25% of my account per trade.

Stick to the fixed risk percentage you've set (for prop trading, a reasonable percentage is 0.25%). If you have a losing streak, don't change your risk percentage for upcoming trades. Continue with the same level of risk.

I hope this guide has been helpful. More detailed explanations of my personal strategy will follow in the next sections. I've kept things concise to avoid unnecessary details. Please approach the learning process with an open mind, as understanding every detail is crucial for finding the optimal zones and making accurate entries.

Section 5: Understanding Trends

Before anything else, you need to accurately identify the trend. You can determine the trend on any timeframe, using your idea timeframe, and always trade in the direction of the trend. Prices typically move like this:



Principle 1: Always look for the Second Break to Confirm the Trade Direction

when the first break occurs, we cannot immediately conclude that the trend has changed. We need more confirmation for our order block and zone. When the second break happens, it confirms the bullish trend for us, indicating that the trend has either shifted to an uptrend or continues in the same direction.

These highlighted highs and lows are referred to as *major levels*, and I only trade these major zones.

There's no need to discuss whether the main price trend on the weekly or monthly chart is bullish or if the 4-hour trend is bearish. Which one is more important? As I've mentioned, don't get too attached to a single timeframe. For example, I identify the trend in the 4-hour timeframe based on breaks. I then determine the range between my major highs and lows. Next, I move to a lower timeframe, such as the 1-hour or 15-minute chart (whichever timeframe you prefer). If the price is near a high, I wait for a sell setup and entry confirmation (or for the high to be broken, leading to further setups), and so on.

The highs and lows between these ranges are called *minor levels*, which you can also trade based on your plan. This is just a general explanation—don't worry, I will show it more clearly on the chart with examples later.

Section 6: Understanding Market Structure

To recognize market structure, we need to mark the highs and lows on the chart. Make sure to practice this in any timeframe you prefer (many traders make the mistake of misidentifying the highs and lows, leading to their first error). Take a look at the following example:



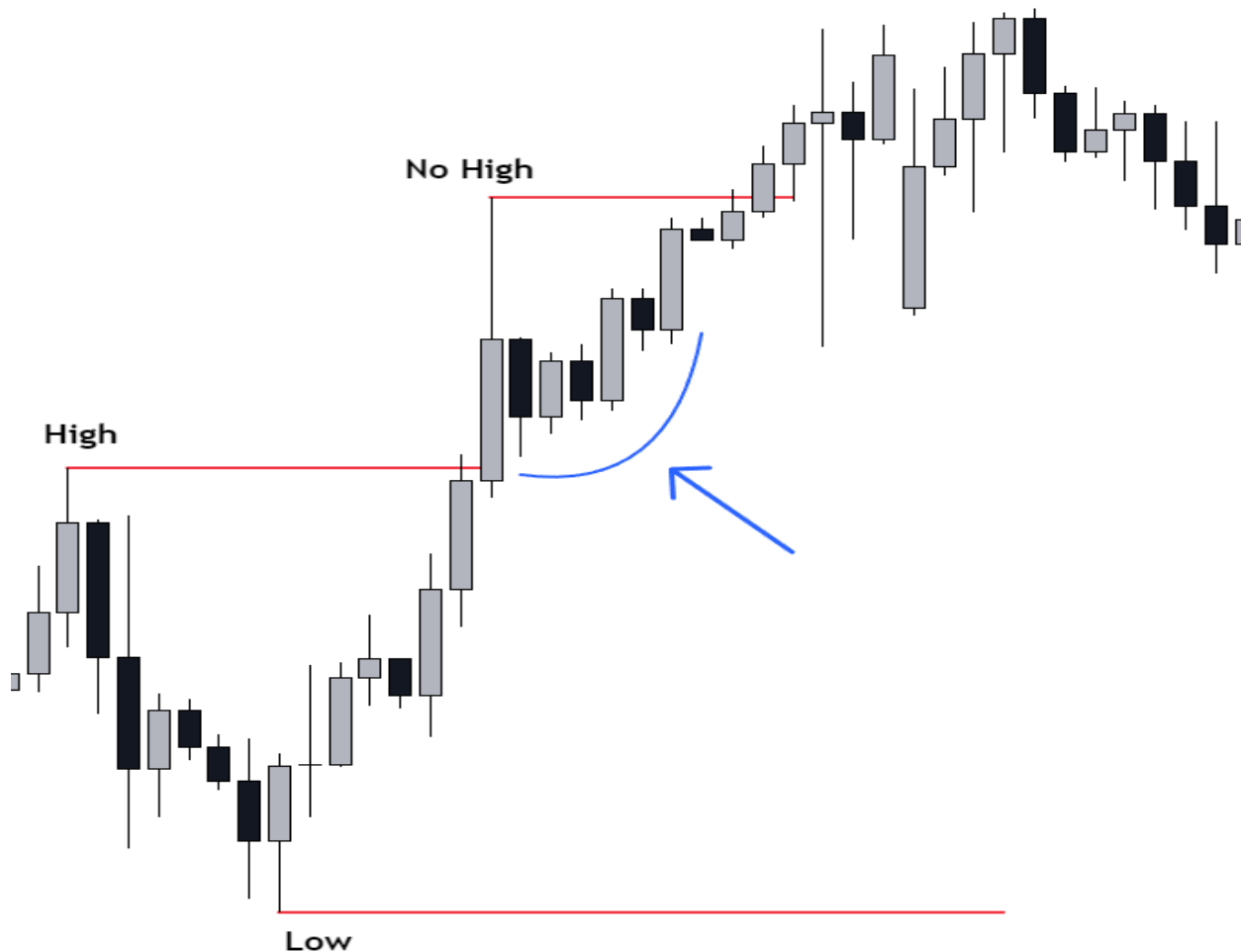
It doesn't matter where you are on the chart; simply mark any area with a horizontal line and practice. Over time, you won't need to draw lines anymore. The key point is that we always mark the highest point the price has reached. First, identify the **High**, and then go back from where the **High** is drawn and mark the **Low**.

There is an important point when it comes to correctly identifying the **High** and **Low**:



Any point we consider as a **High** (in an uptrend) must be a candle whose body (the color of the candle doesn't matter) completely covers the lower shadow of the previous candle. Once the **High** is identified, we go back from that peak and the first candle whose body covers the lower shadow of the previous candle will be our **Low**.

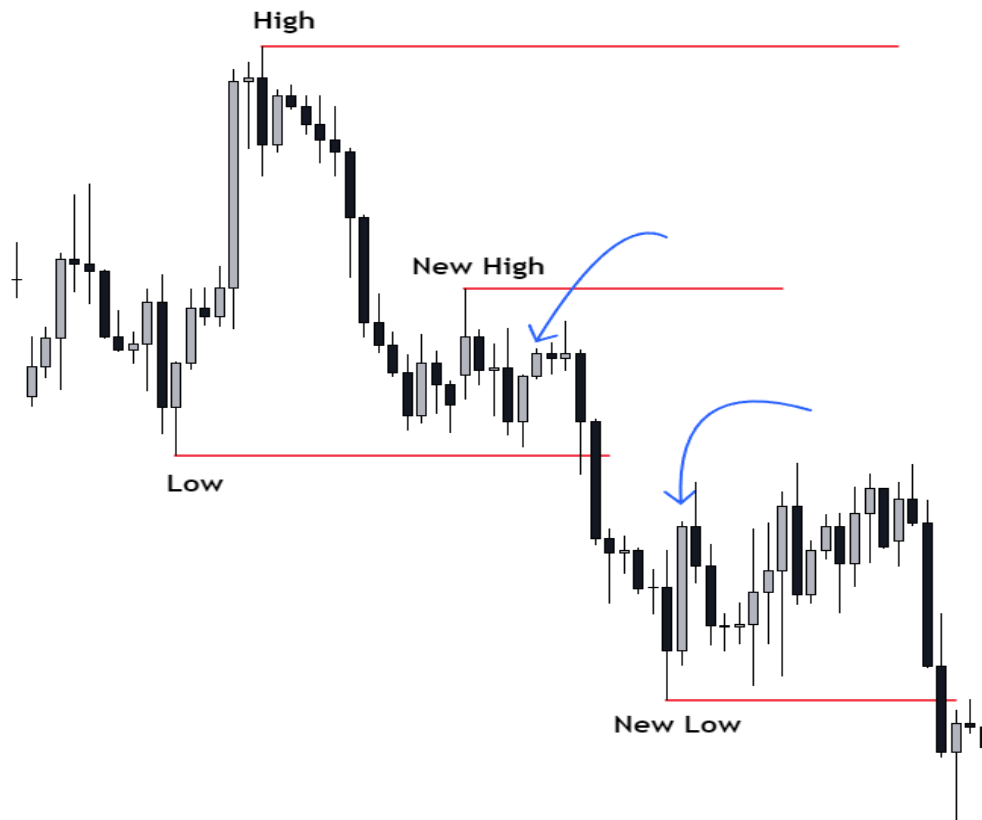
Here's an example showing that a **High** has not yet been formed:



And another point: we said that the highest point the price has reached is our ceiling. For a breakout and the formation of new highs and lows, the price must break through that ceiling or horizontal line with the body of the candlestick, and the body must close above it.

For the bearish scenario, the opposite applies: the lowest point the price has reached is our floor. For a breakdown and the formation of new lows and highs, the price must break through that floor or horizontal line with the body of the candlestick, and the body must close below it.

For the bearish scenario:

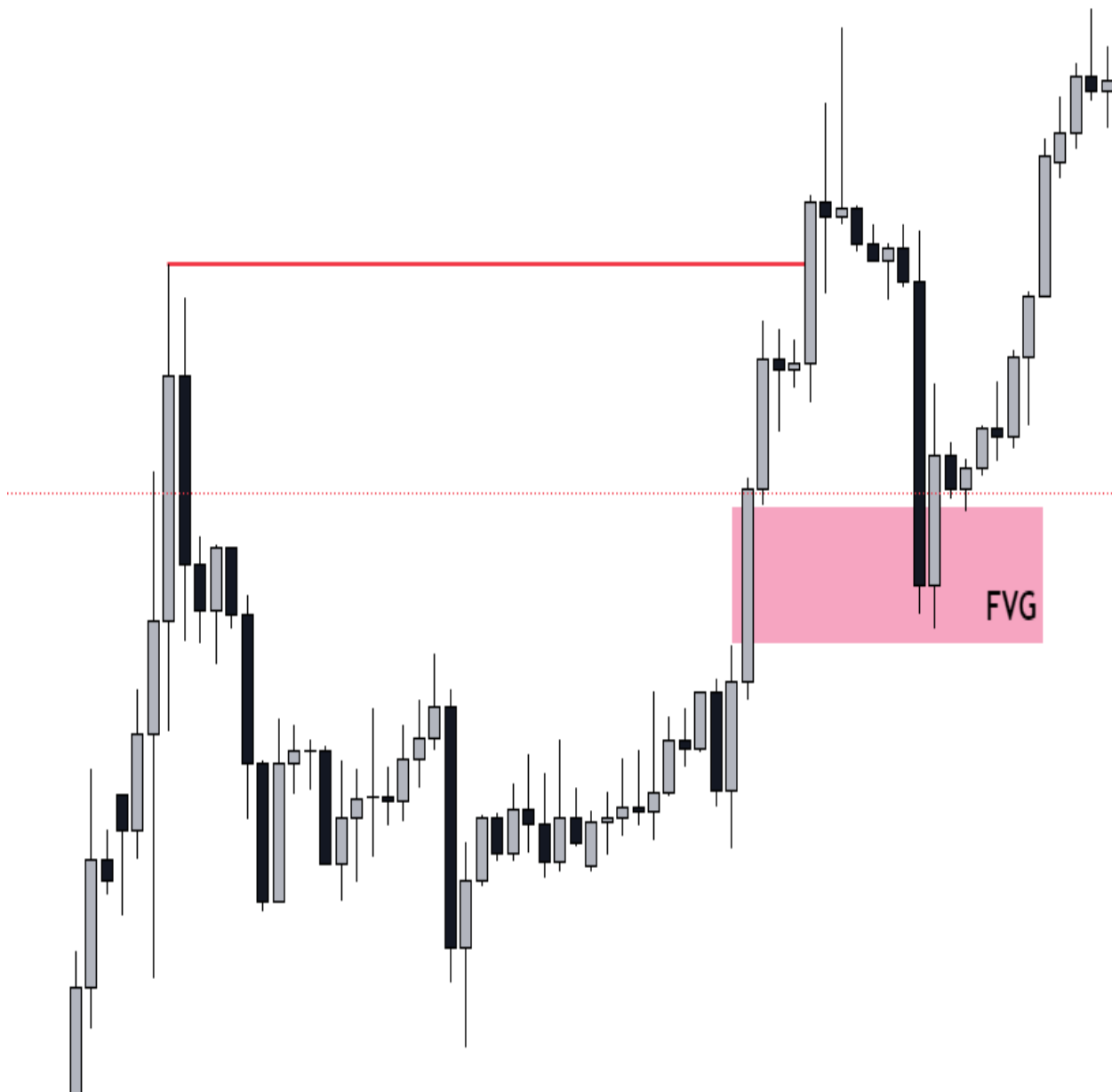


When a low is broken, the new low requires the following candlestick's body to cover the upper shadow of the previous candlestick (the color of the candlesticks does not matter). Once the Low is identified, we trace back from that point to find the first candlestick whose body covers the upper shadow of the previous one, and that becomes our new High.

I tried to explain the concept of trend recognition and structure break as simply and concisely as possible. Please practice it, as it is very practical and important for us. Remember, our goal is to have a clear and simple chart that allows us to trade with a calm mind. The more cluttered the chart, the harder the decision-making and the more confusion it causes.

Section 7: Understanding Order Blocks and Liquidity

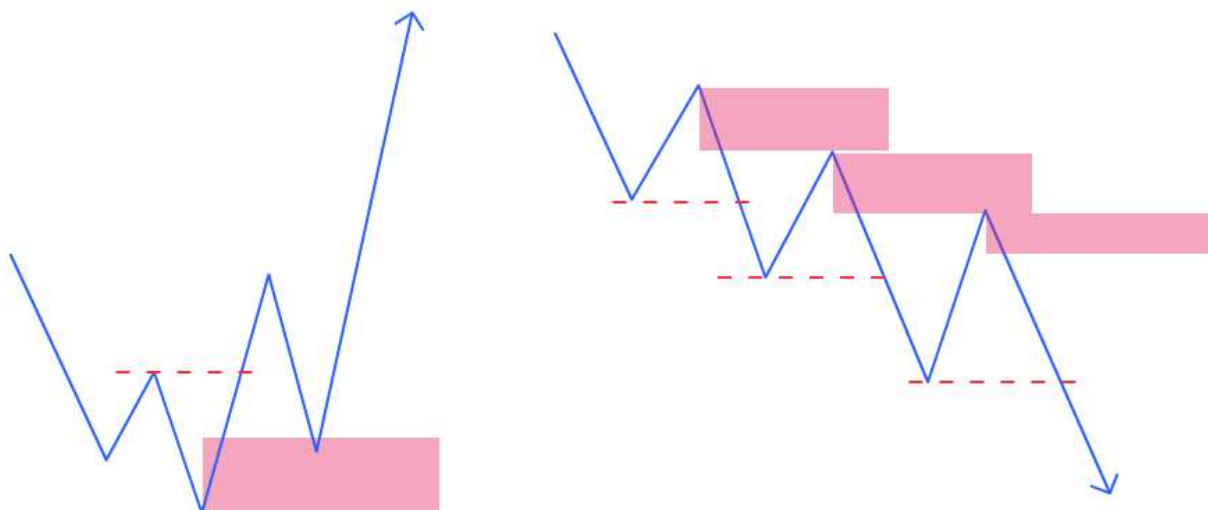
The most important factor in price movement is liquidity, which banks and large institutions seek to accumulate. These areas are our entry points. Generally, there is liquidity above every high and below every low, and when an imbalance occurs in the market, the price tends to return and balance those areas where only buying or only selling has occurred. (For example, if only buy orders are formed in a zone, pushing the price upwards, the sell orders, or liquidity, remain, and the price attempts to collect them):



As shown in the image below, after a bullish move and the creation of an imbalance, the price attempts to balance itself:

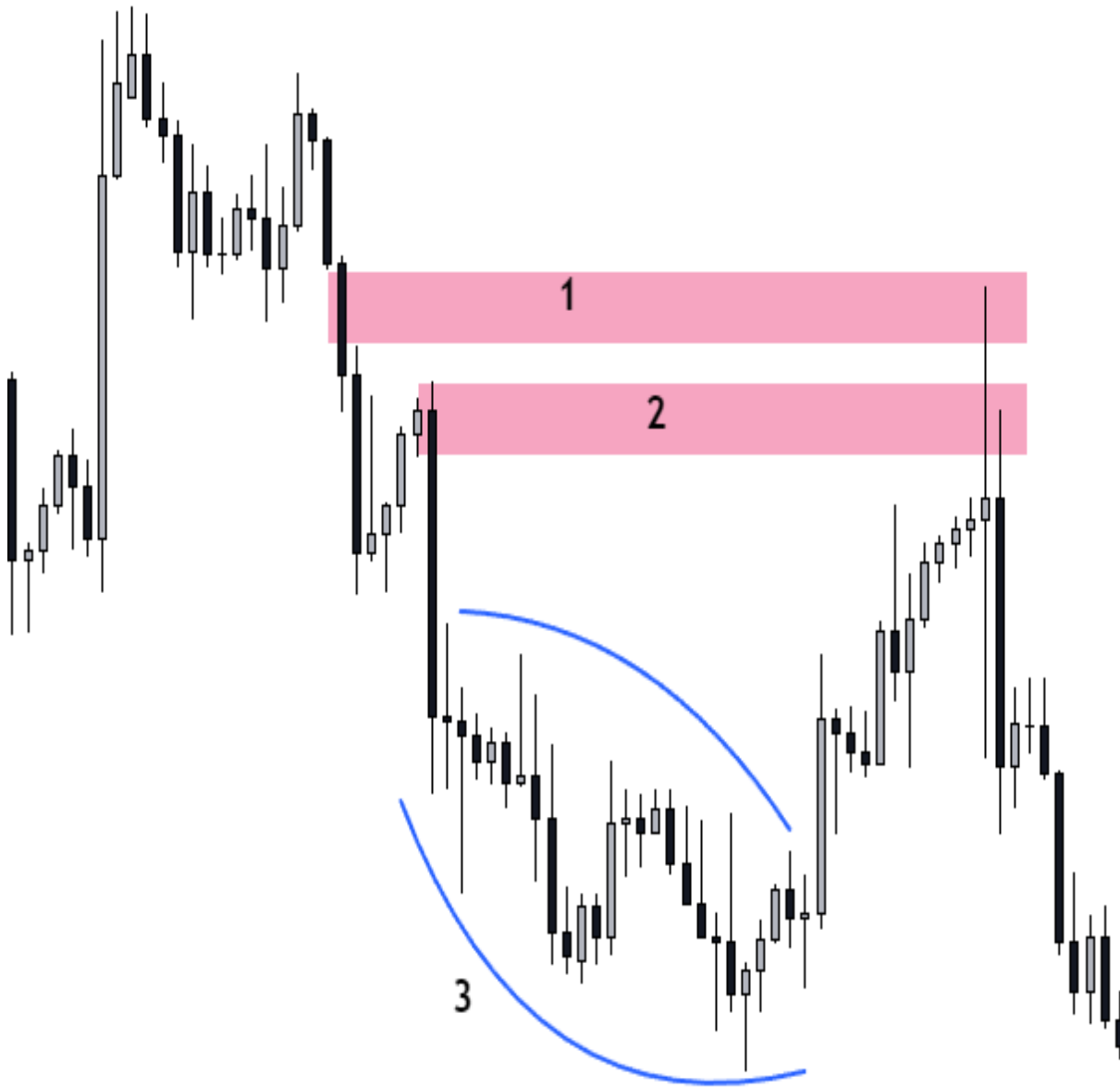


Order Block: The last purchase or sale made by banks and large institutions. For an order block to form, the price must break the structure:



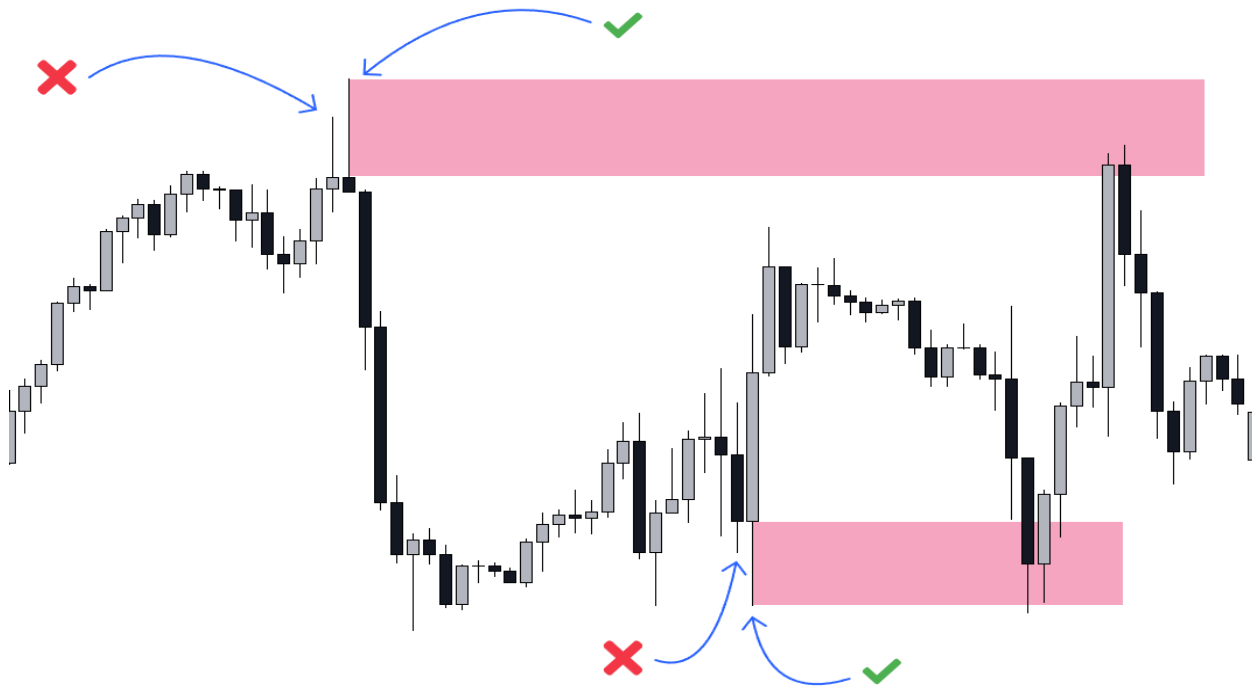
What we want from an order block:

1. It must break the structure.
2. The price movement should create an imbalance.



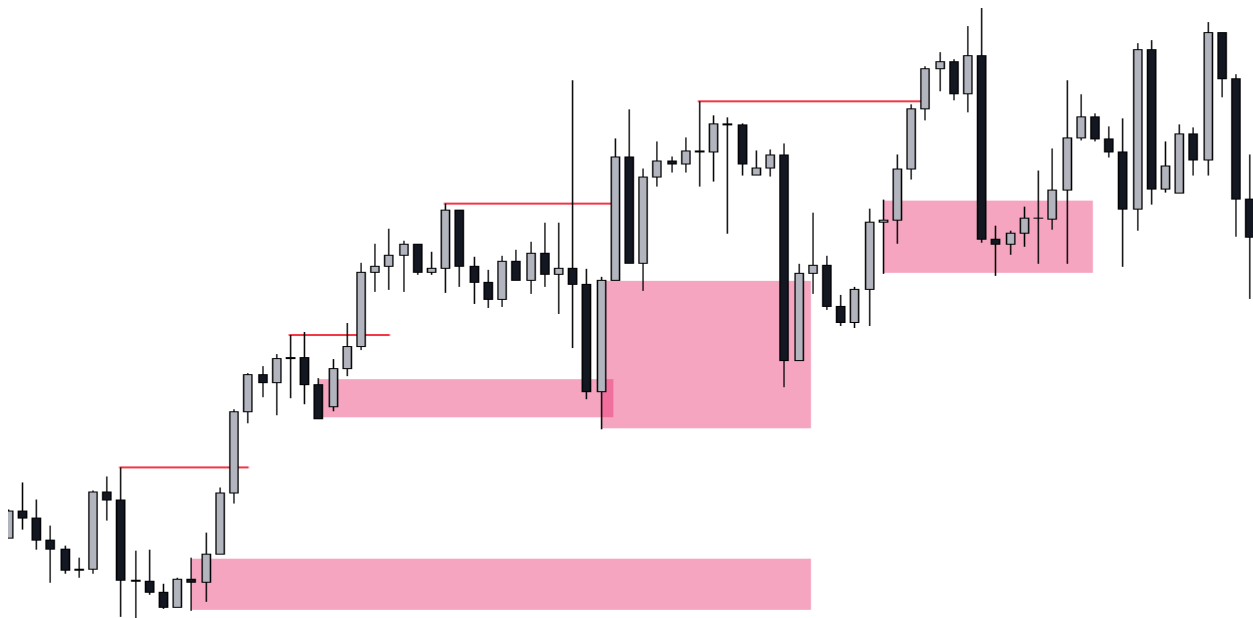
As shown in the example above, zones 1 and 2 clearly show the imbalance and good price movement, which are the areas we are interested in. In zone 3, we can see how the candlesticks, with their wicks, collect liquidity if there is any. Therefore, we always seek Fresh and clearly defined zones.

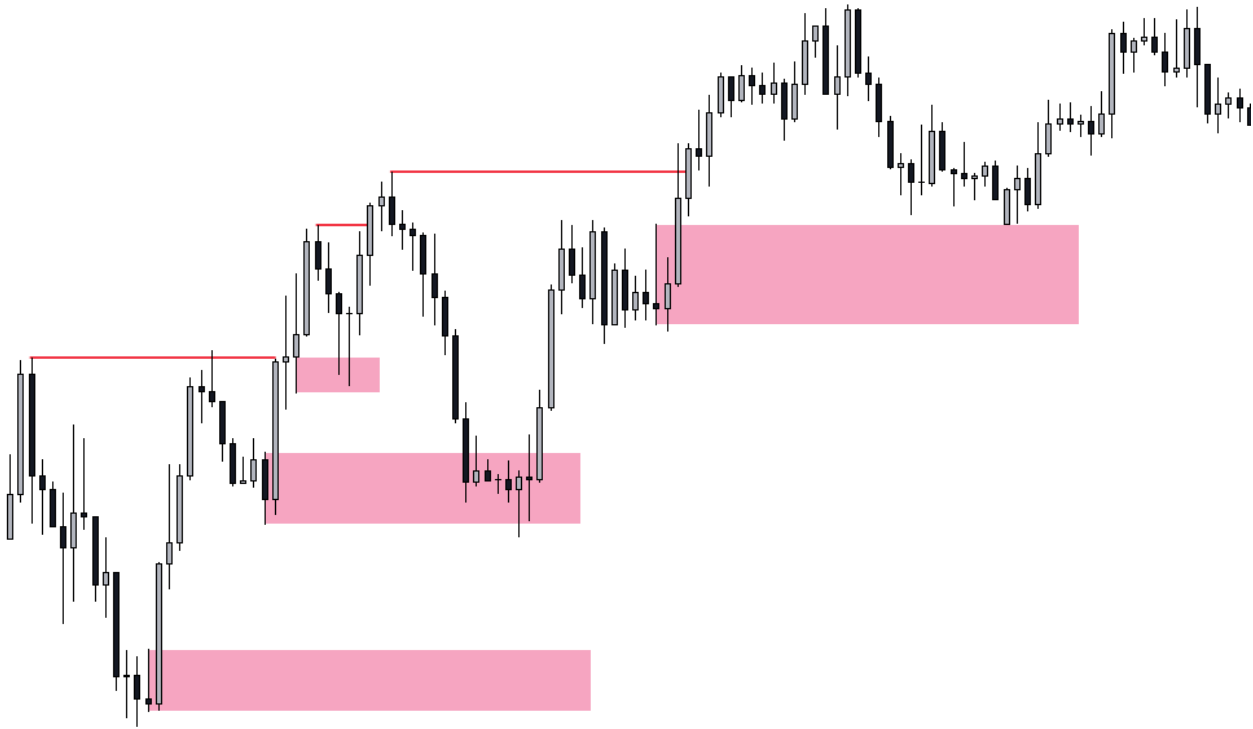
Another point to note is that long wicks are also important for us as they are a place where liquidity accumulates. However, one important thing to pay attention to:



As we can see, the wick of the candlestick on the left has already been tested by the next candlestick and has collected liquidity. So if the wick of the candlestick on the right is small, we consider that area tested and risky, and it doesn't count as a valid zone.

Here are a few examples of order block zones for better understanding (you can accept or reject these zones based on your plan, just for familiarity):





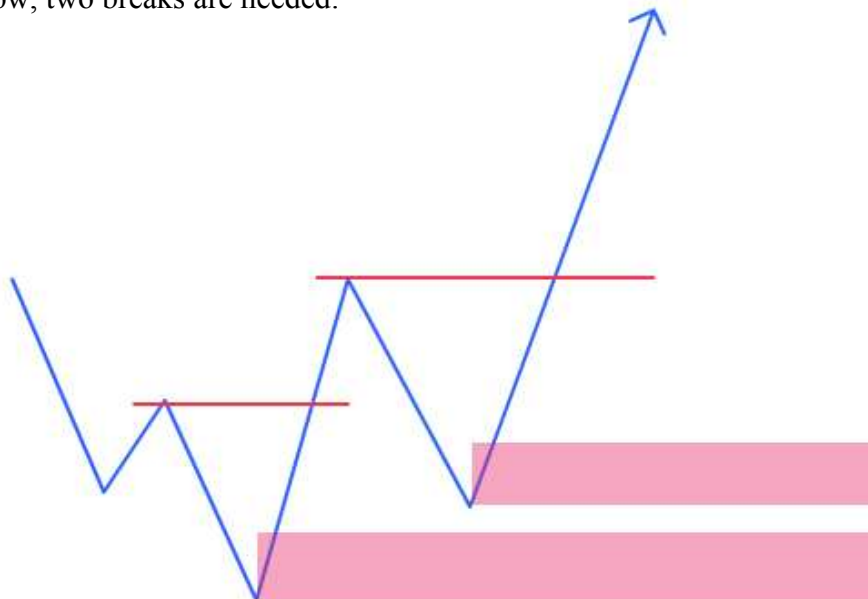
These supply and demand zones, order blocks, or liquidity accumulation points are the areas we target for entry.

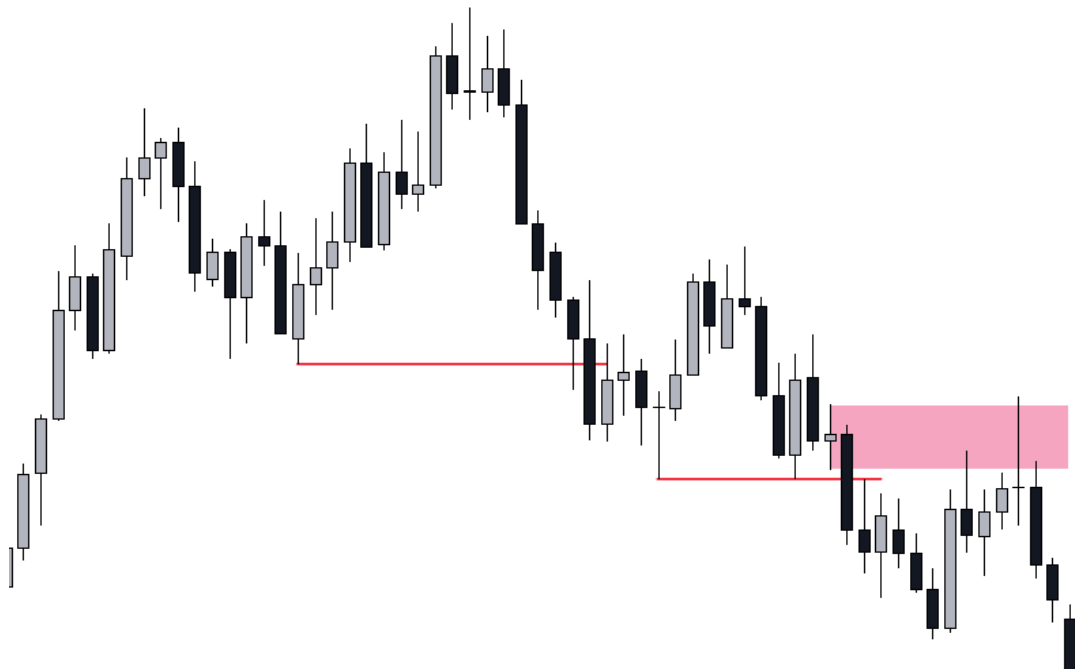
Note: Any zone you draw remains valid as long as the price does not close below the zone with the body of the candlestick in the idea timeframe (not the entry timeframe).

Section 8: Order Flow

When the price hits the order blocks and continues its movement, we say that an order flow has formed. When we are looking for an entry for a position, and an order flow is created, entering a position in the same direction increases our win rate significantly. So, by understanding the order flow, we can increase our success rate and reduce the chances of being stopped out.

To create an order flow, two breaks are needed:



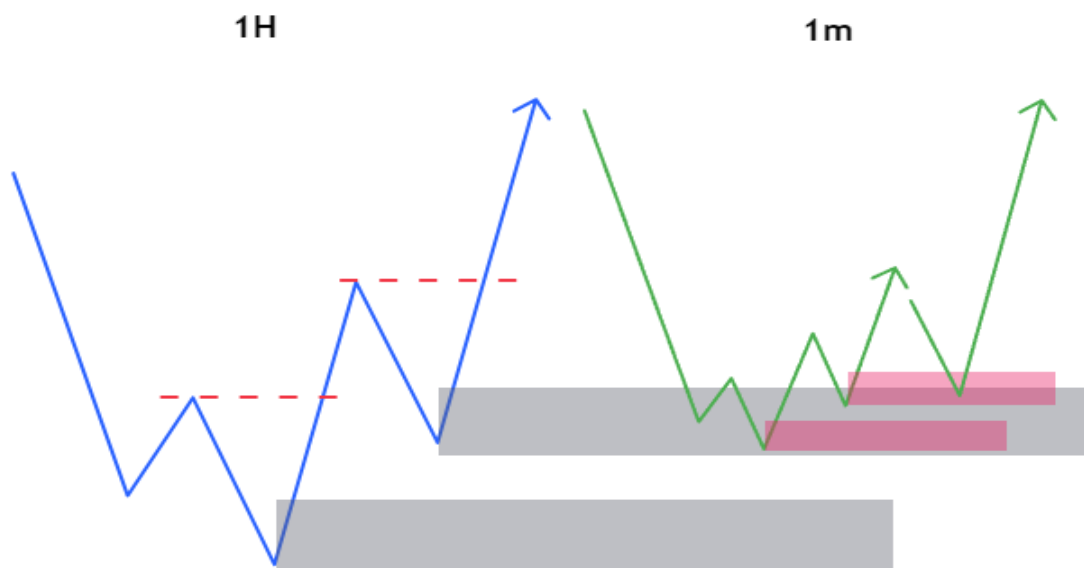


When the second break occurs, we say that the order flow has changed, and we seek a position in the same direction.

So, when I identify an order flow or see two consecutive breaks, I draw the order blocks for both zones related to the first and second breaks. (The number of order blocks in any timeframe should not be too many to avoid confusion; if the 15-minute timeframe is your ideal, and there are too many order blocks, go up one timeframe until only a maximum of two order blocks are visible). These are the areas we want to enter. We wait for the price to reach these areas.

Section 9: Confirmation and Entry

Our confirmation is exactly a smaller order flow in a lower timeframe. To be clear, if my ideal timeframe is 1 hour, I identify the order flow and draw the order block for the price to hit my zone. After the price touches the zone, I look for a smaller order flow in a 1 to 5-minute timeframe for entry. Ultimately, this is what we want on the chart:



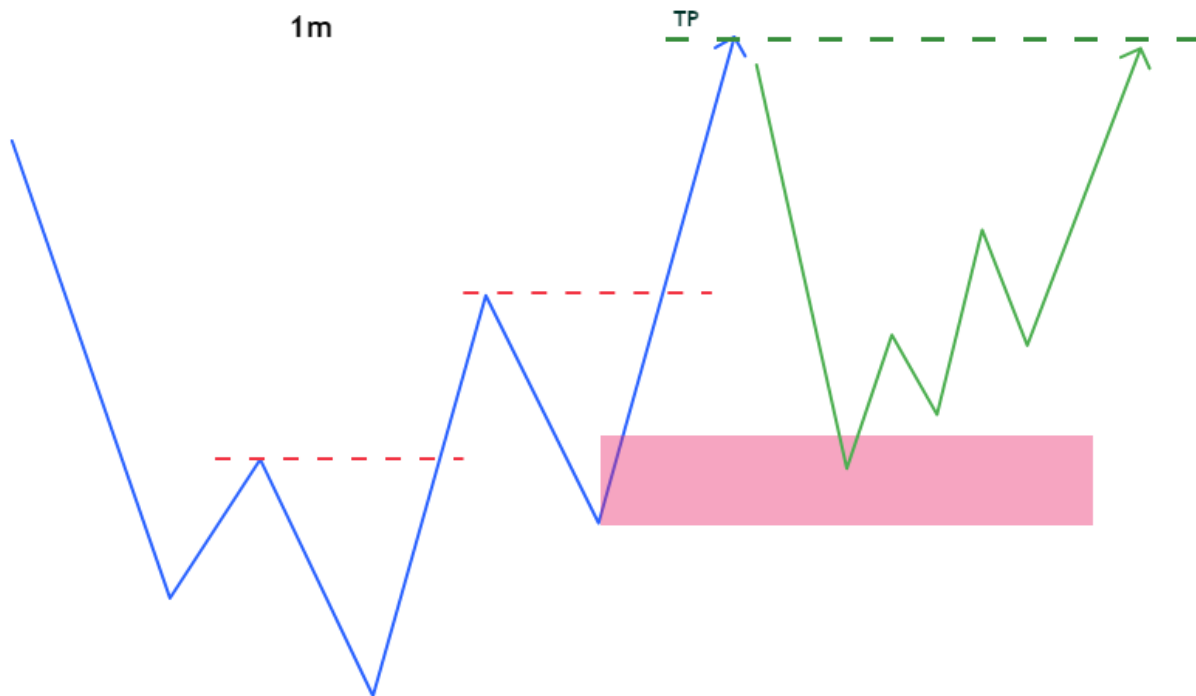
You can enter in the 1-hour timeframe after the first break with confirmation, or even in the 1-minute timeframe after the first break in the 1-minute order block. However, the second structure break always increases your success rate, and personally, I always wait for the second break for entry.

Note: If there are too many breaks in the 1-minute timeframe or the price moves far from your order block, move up one or two timeframes to find 3-minute or 5-minute order blocks. The reason is that the higher the price goes (in a bullish scenario), the more it needs to rest and correct. So, don't chase the price.

Note: According to your plan, you need to determine which zone you want to enter. If you place an order in the lower zone of the above chart, the price might never reach it, but it is lower risk and more reliable. The second zone has a higher probability of being reached but may pass through to collect lower liquidity. So, practicing and understanding this concept is up to you.

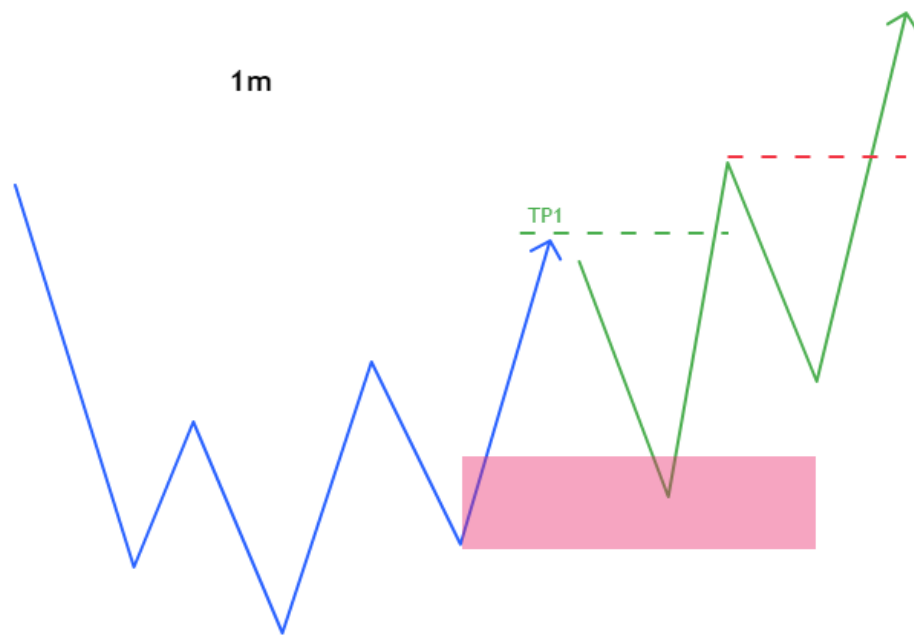
Section 10: Target Setting

When setting targets, always remember that the first target is the high or low where the price reversed to capture the order block (your entry timeframe):

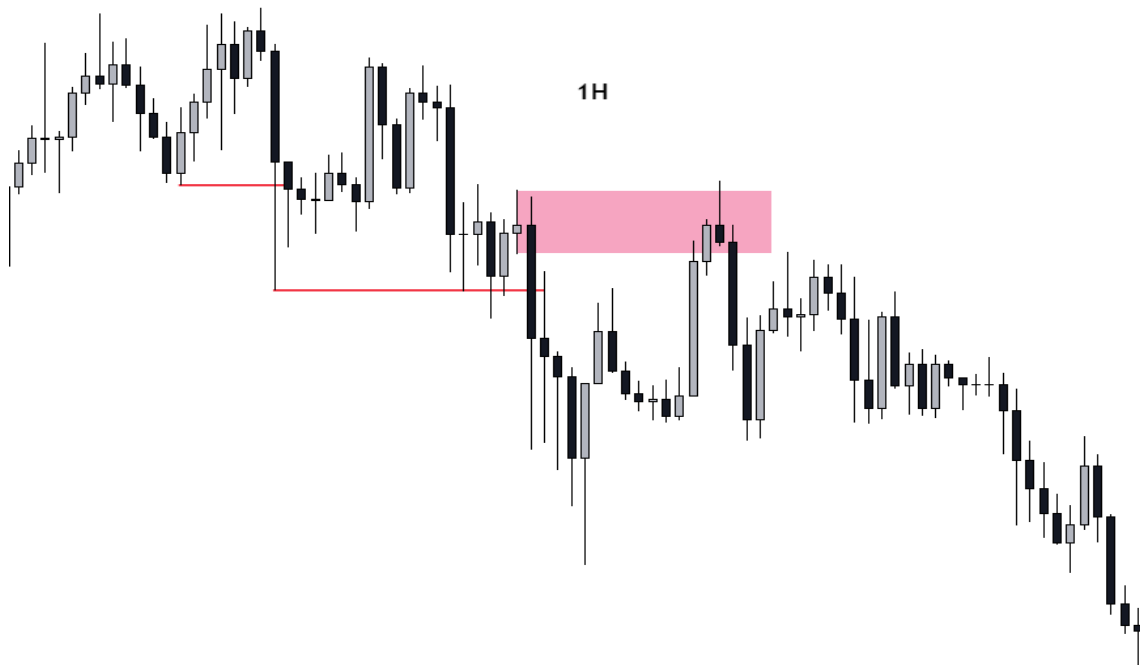


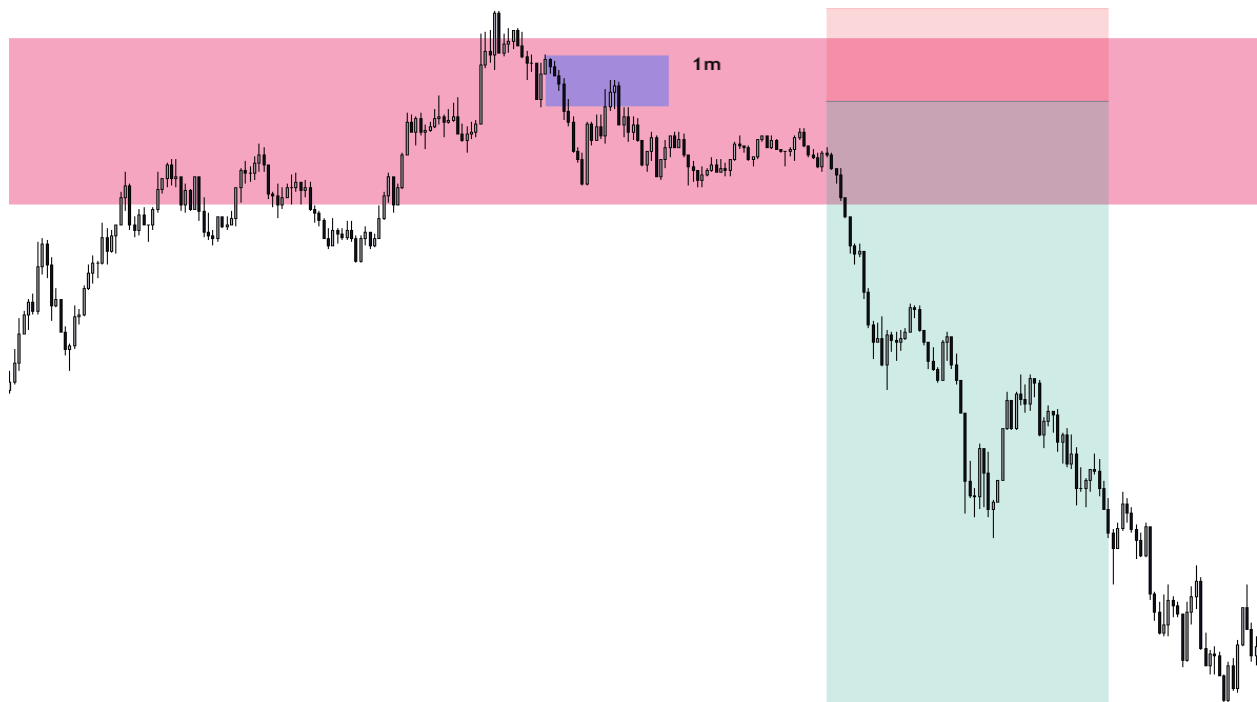
But the main target becomes the high or low of your ideal timeframe.

My personal plan: After entering a trade, I do nothing after the first structure break, not even risk-free adjustments, because the price might return, capture the formed order block, and hit my stop. So, I wait for the second break to go risk-free, and I reduce the trade size in the structures or close the entire trade at a 5R reward.



Example of ideal and entry timeframe:





“This was my entire strategy and trading plan. It might seem simple, but remember, the more cluttered the chart, the more your mind gets engaged. Always trade what is entirely clear to you; if you have even the slightest doubt, do not enter. Follow your written plan exactly”.