

# SCORPIONFX

SINCE 1995

**HOW WE MADE 2,000 PIPS DURING  
A CENTRAL BANK DISASTER.**

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## HOW WE MADE 2,000 PIPS DURING A CENTRAL BANK DISASTER:

This document explains our performance during the notorious “SNB crisis” of 2015.

**AN EVENT *SO EXTREME*, IT COULDN'T EVEN  
BE PUT INTO MATHEMATICAL CONTEXT:**

On January 16th, 2015 we experienced **the most dangerous, the most extreme and the most volatile event** in the **HISTORY** of the currency market. As this was the day that the SNB (Swiss National Bank) sent shockwaves through the financial system when they suddenly unpegged their currency from the Euro.

This was an unprecedented move by a major Central Bank. And when the news hit, **volatility** in the market simply **EXPLODED**.

Here is part of a Saxo Bank summary of the event:

*“Following the move, the franc rapidly appreciated in value. Gaining **20%** against the Euro in just **one** minute. And as much as **41%** at its peak. Putting enormous stress on numerous entities ranging from currency brokers to hedge funds.”*

**Goldman Sachs CFO** (Harvey Schwartz) called the move by the SNB **"a 20-standard-deviation event"**. And just to put that into better statistical perspective, a much smaller **"7-standard-deviation event"** should only occur once every **ONE-BILLION** years (according to Wikipedia).

In fact, in terms of ‘statistical probability’, **there isn't even a number large enough to express the odds** of going through a 20-standard-deviation event. In other words, this event was so extreme, that it can't even be put into mathematical context.

But regardless of how incredibly rare (and how unexpected) this event was, the only thing that matters is that it happened. And this is why you must always remember that there are **NO GUARANTEES** in the markets. And **ANYTHING can happen**. As there are a number of events that can occur with no prior warning, that can cause serious damage to your capital. And **potentially even wipe you out**. Whether it is a flash-crash, a geopolitical event or a surprise move by a Central Bank.

**Not even the Central Bank of Switzerland can be trusted**. And keep in mind, before the SNB made this move, they were regarded as one of the most respected and stable Central Banks in the entire world. And most market participants were caught off-guard because **no one ever imagined** that the SNB would suddenly change their position on the Euro.

To put it in perspective, their peg to the Euro had already been in place for over three years. And most market insiders expected the peg to remain in place for years to come. With some experts believing the peg would remain in place forever. According to reports, **even the Swiss economic minister (Johann Schneider-Ammann) was taken by surprise**.

## **SHOCKWAVES AND DESTRUCTION** **THROUGHOUT GLOBAL MARKETS:**

Hedge-funds all over the world suffered billions of dollars in combined losses because of this event. And not only hedge funds focused on FX. But hedge funds focused on various other asset classes as well. Including equities, bonds, and commodities. And this occurred because there were numerous positions across a number of asset classes, that counted on this peg to hedge their overall exposure to currency fluctuations.

One such example was Everest Capital, who had to close its \$830 million dollar flagship fund (called "Global Fund"). After being wiped out by the event. And it is important to note that this was a highly experienced, 25-year-old hedge fund. Who had people like George Soros and Nelson Peltz as early backers. And had ties to very high-level U.S. government officials, such as Condoleezza Rice and Richard Gates (among others).

Not only hedge funds, but major banks suffered as well. As institutional giants such as Citigroup, Deutsche and Barclays experienced a combined \$300 million dollars' worth of FX trading losses. Equity markets around the world also tanked the morning after this event. Erasing tens of billions of dollars of shareholder equity in a matter of hours.

There were also massive losses incurred by some of the largest retail-brokers, such as FXCM and AlpariUK. And to give you an idea of the volatility, from a retail traders' perspective, FXCM quotes bounced within a 6,000 pip range in 2 seconds!

Stop and think about that for a second. Try to imagine what it would look like, if you are sitting in front of your platform and you see prices bounce around a 6,000 pip range. What do you think would happen to your stops? Do you think they would hold?

FXCM lost a total of over \$225 million because of this event and their stock plummeted 90% the next day. The only reason they didn't go out of business is because they received a \$300 million dollar bailout loan by Leucadia National Corp. The owner of Jefferies Group.

While AlpariUK had no such bailout available and was immediately forced into insolvency.

In addition to all these large players who took massive losses, there were billions more dollars that were also lost by smaller, lesser-known firms and retail-traders of all sizes. And many of these people lost so much money that they were NEVER able to recover. Such as Excel Markets (in New Zealand) who had to close their doors overnight.



Even the Swiss Central Bank ended up reporting a massive loss of 50 billion Francs, at the end of the first half of 2015.

**UNLIKE SO MANY OTHERS,  
OUR TEAM WAS FULLY PREPARED:**

Thanks to some excellent work by our team, we were positioned perfectly when this event happened. And we actually made over 2,000 pips that day. Take a look at the image below for reference and you will see that we never even touched the highly volatile EURCHF pair during that week:

Open Positions (11)					Summary (3,16)	
Sym...	A...	S.	P/L	Gross ...	Time	
AUD/JPY	146	B	-5.7	-70.76	1/16/2015	
AUD/NZD	146	B	-41.2	-468.73	1/16/2015	
EUR/CAD	104	S	54.2	470.28	1/15/2015	
EUR/GBP	78	S	172.4	2,035.68	1/8/2015	
EUR/NZD	104	S	25.8	209.09	1/15/2015	
GBP/AUD	81	S	84.9	565.78	1/15/2015	
GBP/CAD	81	S	8.3	56.09	1/16/2015	
GBP/JPY	61	S	185.4	961.61	1/9/2015	
GBP/NZD	81	S	-31.5	-198.82	1/15/2015	
NZD/CAC	146	B	-30.3	-369.08	1/15/2015	
NZD/JPY	146	B	4.1	50.90	1/16/2015	
				426.4	3,242.03	

  

Closed Positions (11)					Orders (11 Stop/Limit)				
Symbol	Am...	S.	P/L	Gross ...	Com	Roll	Open Time	Close Time	
CAD/JPY	100	S	180.5	1,535.68	12.00	-30.50	1/9/2015 15:58	1/16/2015 16:...	
GBP/CAD	81	B	-33.5	-226.57	9.72	0.00	1/15/2015 18:20	1/16/2015 16:...	
NZD/JPY	110	S	49.9	466.63	13.20	-88.55	1/12/2015 16:55	1/16/2015 15:...	
AUD/NZD	146	S	-85.5	-971.71	17.52	0.00	1/15/2015 18:13	1/16/2015 15:...	
AUD/JPY	146	S	-98.3	-1,221.33	17.52	0.00	1/15/2015 18:18	1/16/2015 12:...	
NZD/CHF	110	S	1,090.8	13,746.53	13.20	-93.39	1/12/2015 16:57	1/16/2015 08:...	
CAD/CHF	100	S	1,272.7	14,580.89	12.00	-33.50	1/9/2015 16:13	1/16/2015 08:...	
GBP/CHF	81	S	-156.6	-1,461.19	9.72	0.00	1/15/2015 17:59	1/15/2015 23:...	
AUD/CHF	146	S	-87.6	-1,486.85	17.52	0.00	1/15/2015 18:16	1/15/2015 21:...	
CHF/JPY	122	B	-161.9	-1,703.37	14.64	0.00	1/15/2015 18:21	1/15/2015 21:...	
AUD/NZD	110	B	31.5	270.96	13.20	-20.35	1/9/2015 16:01	1/15/2015 18:...	
				2,002	23,529.67	150.24	-266.29		

**SAME DAY THE SNB (SWISS NATIONAL BANK) REMOVED THE FLOOR AGAINST THE EURO.**

**OVER 2000 PIPS AND \$23,529**

**PLEASE NOTE:**

WE CONDUCT THE MAJORITY OF OUR IN-HOUSE TRADING THROUGH OPTIONS. BUT OPTIONS CONTRACTS ARE TRADED PRIMARILY THROUGH USD PAIRS. AND WHEN TRADING USD PAIRS, IT IS NOT POSSIBLE TO TRADE CROSS-PAIRS IN THIS EXACT MANNER (SEEN ABOVE).

**FOR EXAMPLE:**

INSTEAD OF SIMPLY BUYING THE GBP/CHF (AS YOU NORMALLY WOULD IN YOUR RETAIL ACCOUNT), WE NEED TO OPEN TWO SEPARATE TRADES. FIRST WE NEED TO BUY GBPUSD CALLS AND THEN WE ALSO NEED TO BUY USDCHF CALLS. AND THESE TWO POSITIONS THEN PROVIDE US WITH THE SAME EFFECT AS YOU WOULD GET, WHEN YOU SIMPLY BUY THE GBP/CHF CROSS-PAIR ON YOUR RETAIL PLATFORM.

WITH THIS BEING SAID, THIS SCREENSHOT (ABOVE) CAME FROM A SMALL MIRROR ACCOUNT THAT WE USE FOR KEEPING OUR PRIVATE CLIENTS INFORMED OF ALL THE TRADES THAT WE ARE CURRENTLY IN. AND THIS IS NOT A SCREENSHOT OF OUR OPTIONS POSITIONS FOR THAT DAY. OTHERWISE, WHAT YOU WOULD SEE HERE WOULD BE SEVERAL DOZEN USD PAIRS. IN A COMPLEX SERIES OF STACKED AND HEDGED POSITIONS.

We sincerely hope you find this information helpful for your long-term trading development. And do not hesitate to contact us if you have any questions about any of this.

We are always here to help.

**Support Team**

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