

Trading System

The following example introduces statements for building a trading system and back testing the results. No claim is being made that this example will be profitable in the future.

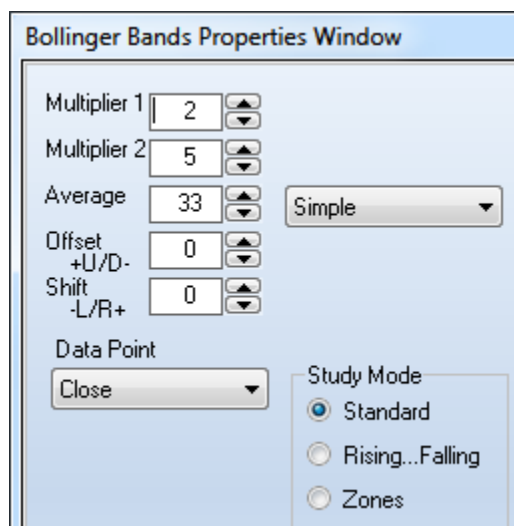
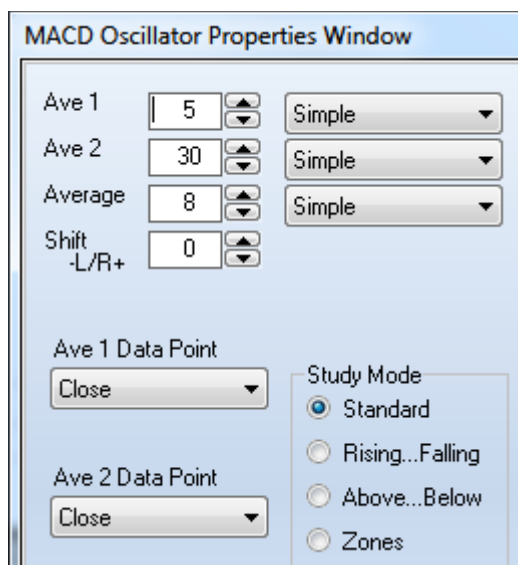
“Past Performance is not an indicator of future results.”

The example is simple for the sake of being a teaching tool, yet complex enough to illustrate a variety of trading statements. The example uses the following:

- A MACD study will be used to signal when to place a Buy Stop.
- A Bollinger band study will be used for entry and exit stops.
- A DYO study implements the trading logic and displays the stop placements.
- The DYO sets a Buy Stop, Sell Limit for a scalp objective, and a trailing Sell Stop.

The MACD study parameters are 5, 35, and 8. The lines are not plotted.

The Bollinger band parameters are 2, 5, 33. The lines are not plotted.



Rules:

Place a Buy Stop at the upper Bollinger band when the MACD is above zero and above its average.

At the same time, place a Sell Limit order at a scalp objective above the upper Bollinger band.

When a long position is taken, place a trailing Sell Stop at the lower Bollinger band and move this stop as the lower band changes.

For the sake of simplicity, this example only shows the rules for a long position. The inverse logic would be applied for entering and managing short positions.

System Implementation:

The system rules are implemented by the following Design Your Own (DYO) study.

Study Name MACD Bollinger	Study Location Chart	Marker Location Study Value	Label Location None	Grid Tab Default	<input type="checkbox"/> Use as Default			
Study Scale Chart Scale	Variables File Ensign	Message Location None	<input type="checkbox"/> Draw Behind Bars					
Message Text	Font True False Panel	<input type="checkbox"/> Privatize						
	Black Green Red Yellow	<input type="checkbox"/> Close Only						
Sound	Trading System				<input type="checkbox"/> Show Values			
<input checked="" type="radio"/> Silent <input type="radio"/> Beep <input type="radio"/> Voice <input type="radio"/> WAV <input type="checkbox"/> Sound once per bar	Price Last	Quantity 1	Commission 0	<input type="checkbox"/> Email				
WAV file					<input type="checkbox"/> Auto Remove			
<input checked="" type="checkbox"/> Auto Completion								
Category	Variable	Selection #1 & #3	Op. [#]	Selection #2 & #4	Offset	Show	Marker	Color
Study	26 MACD	= MACD 5,30 HH I		MACD value	0	<input type="checkbox"/>		
		(0	<input type="checkbox"/>		
A	Study	[MACD] := MACD.MACD value				<input type="checkbox"/>		
B	Study	[MACDave] := MACD.Average value				<input type="checkbox"/>		
C	Study	[Bollinger Upper] := BOL.1st Upper band				<input type="checkbox"/>		
D	Study	[Bollinger Lower] := BOL.1st Lower band				<input type="checkbox"/>		
E	Expression	[28] := ([MACD] > 0) AND ([MACD] > [MACDave])		ZON		<input type="checkbox"/>		
F	Flag	[Rule1b] := [E] goes True		ZON		<input type="checkbox"/>		
G	Action	if ([Rule1b] AND Position is Flat) then Buy Stop Price := [Bollinger Upper]				<input type="checkbox"/>		
H	Expression	[Long Scalp] := [Bollinger Upper] + 0.003				<input type="checkbox"/>		
I	Action	if ([Rule1b] AND Position is Flat) then Sell Limit Price := [Long Scalp]				<input type="checkbox"/>		
J	Action	if (Position is Long) then Sell Stop Price := [Bollinger Lower]			[D] Value	<input checked="" type="checkbox"/>		
K	Expression	[0] := Sell Limit Price			Study Value	<input checked="" type="checkbox"/>		
L	Expression	[0] := Buy Stop Price			Study Value	<input checked="" type="checkbox"/>		

A and B - read MACD study values into variables for use on Row E.

C and D - read Bollinger study values into variables for use on Rows G, H and J.

E - tests for the MACD value being above zero and being above its average.

F - is the signal. When Row E changes from False to True, place a Buy Stop which is done by Row G. The location of the buy stop is the upper Bollinger band price.

H - calculates the scalp objective by adding 30 pips to the Buy Stop price.

I - uses the same Row F signal and sets the Sell Limit at the scalp objective.

J - will place and move a Sell Stop when the trade position is Long. This stop will be the lower Bollinger band value. Row J also plots a red line at this stop value from Row D.

K - plots a blue line at the Sell Limit which is the scalp objective.

L - plots a green line at the Buy Stop, and a price penetration of this stop initiates a long position.

Chart Example:



This example is from December 29th, 2010, on a 2-minute EUR/USD chart. This section of the chart shows 3 trades, the 1st of which was stopped out at a small gain. Trades #2 and #3 are the break out trades the system seeks, which achieved the scalp objective of 30 pips.

Trade Results:

Click the Trade Report drop down menu on the Account button on the Main ribbon to see a ledger of trade results, such as this example for the EUR/USD.2 minute chart.

Trades		New	Edit							
Account Balance	\$	3,857.00	Winners	28	53	\$	5,887.00	Average Win	\$	210.25
Market Value	\$	0.00	Losers	25	47	\$	-2,030.00	Average Loss	\$	-81.20
Today's Change	\$	0.00	Total	53		\$	3,857.00	Average Trade	\$	72.77
Symbol	Pos	Quantity	EntryDate	EntryPrice	ExitPrice	Profit/Loss	Balance	Notes		
15	EUR/USD	L	1	12-28-10	1.31125	1.31007	\$ -118.00	\$ 717.00	18:22 - 18:40	
16	EUR/USD	L	1	12-28-10	1.31121	1.31246	\$ 125.00	\$ 842.00	20:44 - 00:02	
17	EUR/USD	L	1	12-29-10	1.31271	1.31347	\$ 76.00	\$ 918.00	01:00 - 03:24	
18	EUR/USD	L	1	12-29-10	1.31269	1.31291	\$ 22.00	\$ 940.00	06:38 - 09:52	
19	EUR/USD	L	1	12-29-10	1.31434	1.31734	\$ 300.00	\$ 1,240.00	11:30 - 11:42	
20	EUR/USD	L	1	12-29-10	1.31907	1.32207	\$ 300.00	\$ 1,540.00	12:58 - 13:06	
21	EUR/USD	L	1	12-29-10	1.32254	1.32209	\$ -45.00	\$ 1,495.00	15:10 - 17:36	
22	EUR/USD	L	1	12-29-10	1.32240	1.32540	\$ 300.00	\$ 1,795.00	19:12 - 20:06	
23	EUR/USD	L	1	12-29-10	1.32464	1.32433	\$ -31.00	\$ 1,764.00	20:08 - 21:12	

The 3 trades shown on the chart on December 29th, 2010, are rows 18, 19, and 20 in the Trade Report.