Trading Info

Date / Updated	**03/08/2011 / 12/29/2011**
Subject	**Going Home Trading Method**
Source	**http://www.forexfactory.com/showthread.php?t=160912**
Remarks	-

Dreamliner   **Hedge and Correlation Strategy**
          aka   **Going Home Trading Method**

Following is the summary of Dreamliner's thread. Started with correlation, remaining there, but refining the method. So best start reading the thread at page 95-96 and 100.

Dreamliner returned these days and added the 'hook'-feature. Read last changes at page 2 in this summary or post # 3356 in the thread.
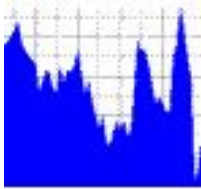
Introduction

There are 5 Simple Steps to the new **"Going Home Trading Method"**, formerly known as the "Hedging and Correlation" Method. We are still hedging and correlating, just that the new name will help us visualize what we are wanting to accomplish in this trading system, and we have modified our entries and exits after a very long time of practicing.

Most pairs that are positively correlated above 75% *"live"* below the 20-25% "difference" line on our one indicator that we use (see below—thanks to SMJones for developing it!). This is their home. Sometimes they will travel a little ways away from home (like up to 50%) and occasionally they will make a long trip (over 80%). But of course "*there's no place like home*" so they eventually return to under 20%, where they live most of the time. We will open trades when the pairs are away on a trip, helping them to get back home, and we will profit on the way back.

There are only 5 steps to trading this successfully:

1. Go to http://www.mataf.net/en/tools/01-01-correlation and click on "Forex Correlation" under "Tools and Charts". Put a check on all pairs.

2. Scroll down to "Daily" and note each pair with a positive correlation of 75% or greater (I am currently monitoring 25 pairs, which is very easy to do using the indicator mentioned below).

3. Open 5M charts on your MT4 platform for all the pairs selected in the steps above. Place the "Stochastic Different Pairs 1.4b" indicator on each of the charts.

4. When a 5M bar (candle, whatever) closes above 80% differential sell the pair that is high, buy the pair that is low.

5. Close at 50%, or lower, depending on your risk tolerance.

This particular method is a short term strategy that has you in and out quickly.

Benefits:

1. No monitoring charts needed. You can set the "Stochastic Different Pairs 1b" to alert you via pop-up on the computer, or email to your cell phone.

2. "Built-in" stop-loss. This means that since we exit at 50% we are out with either a profit or a loss, therefore we do not need to put stop losses on with our trades. We will simply close out when the difference reaches 50%.

3. "Built-in" trend/sideways moving market protection. When nothing much is happening the "difference" percentage drops below 20 and we do nothing.

4. Numerous opportunities to trade throughout the day. You can trade this method anytime of the day or night. No more "first hour of the session only", though there certainly is more activity during "session" times.

This method would no doubt work for longer time frames as well, and in this thread you can feel free to test different timeframes, different entry/exit criteria, different anything. It would be good if you were to report your findings (even trading negatively correlated pairs, if you have a strong constitution). There are also EAs developed for this method.

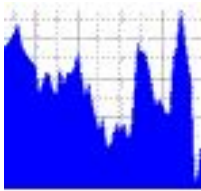==2011/11/08   Completion (small change) of Strategy==

Dreamliner / Post # 3356
Rethinking This Method

Greetings all,

I have not been on this thread in some time. Due to nobody's fault, this thread got somewhat bloated and convoluted, and because of that I lost focus. In other words, I could no longer see the forest (successful forex trading) for the trees (numerous indicators, methods, EA's, differing viewpoints, etc.) with this method.

However, a friend (only1Kader) contacted me recently and told me how he had doubled several live accounts with this method, and it got me rethinking it. Now, after having reviewed the original method, the "K.I.S.S." method recorded on the very first page, I reexamined this method with fresh eyes and have come to the conclusion that the method as originally presented has merit.

I have decided to continue to trade this method live, exactly as presented on page 1, with one small variation: I'm now looking for "hooks" to trade (see attachment). This means that when the "difference" takes a trip above 80 percent we wait for it to close above 80 and begin a trip back

home, thereby forming a "hook". We then open our positions at that point.

A picture is worth a thousand words, so you'll see the hook in the picture. Either one/both of these trades could have been taken profitably.

So I am back with this method and open to any thoughts you might have about it as well. I'm hoping we can keep the "bloat" (extraneous different methods/indicators/EAs, etc.) to a minimum and just focus on the method itself. After all, our objective is to make money trading the forex market. I had lost focus on that for a while, but have returned now.
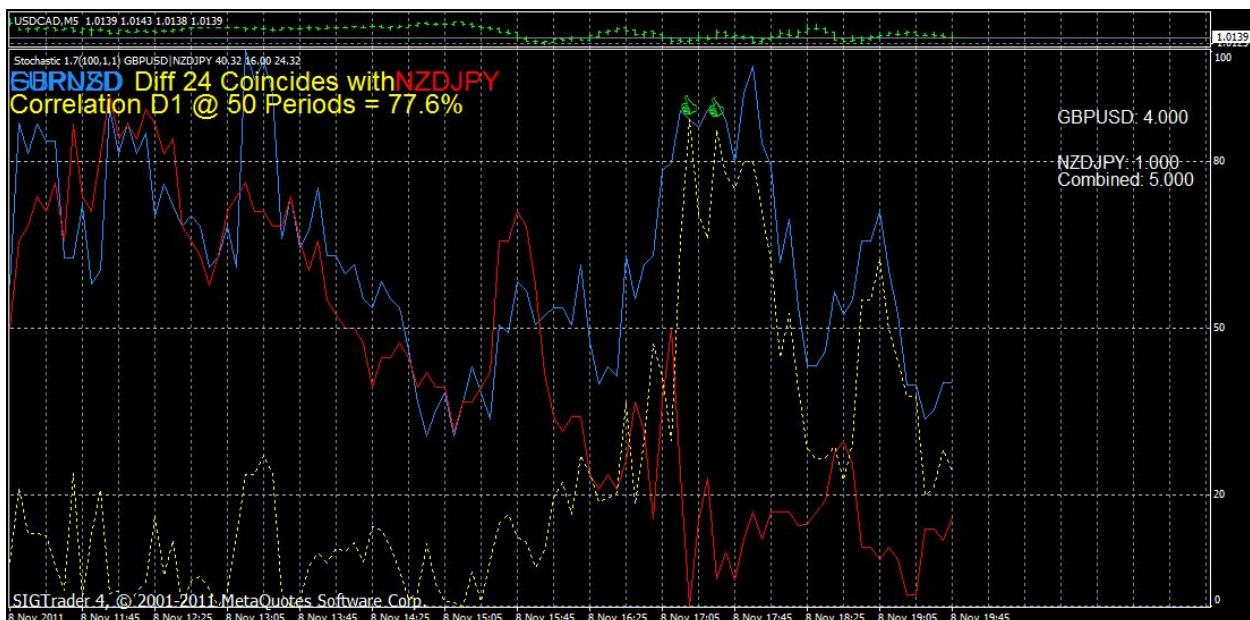

Chart larger version at
http://www.forexfactory.com/attachment.php?attachmentid=826484&d=1320770921

Most recent used EAs and TPL

Tradable Correlations 1.8 (1).ex4
http://www.forexfactory.com/attachment.php?attachmentid=826815&d=1320809745

Stochastic different pairs 1.7_3.ex4
http://www.forexfactory.com/attachment.php?attachmentid=826817&d=1320809745

correlation.tpl
http://www.forexfactory.com/attachment.php?attachmentid=826821&d=1320809927
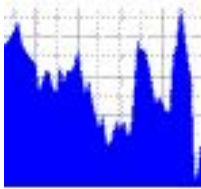
Comments by contributors from beginning
[you are asked to excuse any spelling mistakes]

Caillou
using only M5 / only positive correlated pairs / entry stochastic difference above 80% / TP at stochastic cross (means stoch diff level 0)

Smjones
A negative Stoch difference on the Tradable Correlation table means the last currency is on top. a positive Stoch difference means the first currency is on top.

ESTrader
Great system. I have been trying this system on a demo for last 3 days. total profit 620 pips. Basically I wait until diff is 80, then take the trade. If it goes to 90 add another contract and finally if it goes to dif of 100 add another contract. Close position if it is in profit or wait until diff comes to 50.

Ckp
Critical points to consider: Time Frame and Choice of Pair
Hi Dreamliner

I have been trading correlations for 6 months with good success and would like to share some important points that have really helped me to avoid losing trades; Time Frame and Pair Choice.

Time Frame:
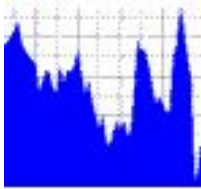In my experience M1 and M5 are just too short and consistent profits will elude you.

I have been trading M15 and M30. If I get a signal in M15, i try to compare the same signal in M30. If M30 is still a long way off from a signal, I wait longer until I feel comfortable or until both M15 and M30 give a signal. Over time you will get a feel for the pairs and their movements and when to enter. M15 and M30 give regular signals with acceptable draw down.

H1, H4 and D1 take a lot longer to give signals and draw down can be significantly more. In a nutshell: Less signals, more stable, more draw down, higher profit per trade, BUT less trades.

Pair Choice:
Don't trade negatively correlated pairs! Not worth it! Believe me I've tried.

Trade only positively correlated pairs with a total of 3 different currencies one of which "MUST" be hedged ie: (Buy)EurCad (Sell) EurUsd. This way you are hedged for any risk event on "EURO". Risk events for "CAD" or "USD" increase the deviation between "CAD" and "USD" and is where you make your money on entering when they are about to retrace (READ: Overbought - Oversold). This way your risk is reduced.

The only risk to really watch out for is risk events that strengthen (or weaken) both "CAD" and "USD" at the SAME TIME! So always check the news for the 2 "NON Hedged" currencies before placing your trade.

Here is a list of pairs I have traded on M15 and M30 with consistent profits. I chose pairs based on correlation periods over 6 months (120 trading days) and 12 months (240 trading days). All pairs are correlated above 80%, at least on my brokers platform. Some pairs may be missing because my broker does not have it.

EURCAD EURUSD   EURJPY EURUSD
EURAUD EURCHF   EURAUD EURUSD
EURCHF EURJPY   GBPJPY GBPUSD
AUDCAD AUDUSD   AUDCAD AUDJPY
USDCHF CADCHF   AUDUSD AUDCAD
EURUSD EURCAD

Roundrock
My observation is like this:
Entry at 80 diff. now the diff goes to 85-90, we are in DD. to cover this DD, diff has to come down twice as much as it went up. That means if it goes to 9- from 80, then when it comes to 60, we are BE. Exit at 50 would just give small, very small profit

so entry is the key. We should enter at the highest diff as possible. that's why i moved to 90 as entry. also exit at 20 instead of 50 gives more pips but keeps you in trade longer and if it goes back to 80, now you need to wait longer...

perfect trade is when you enter at 90 diff and it starts moving in yr direction and diff never goes up but keeps coming down and hits 20. On M15 you can get entries at 90. Just be patient

If you enter at 80 and it goes up, average at 95. You will make money.

Zr-fx
EURCHF-GBPAUD also closed at about -80. That's most of last week's profits now gone.
I will leave things as they are for this week then review the trades to see if we draw any conclusions regarding triplets or quad trades. ==However it seems safe to say that exiting at 10% on these losing trades has cut down the DD considerably==.

NAVK
I am using Smjones indicator to see correlations. I use SQ's EA for auto trading. Testing in hourly and 5 min. Both have resulted good profits. At times DD was max about 120 pips. Can live with it.

I use SQ's basket profit indi for manual trading. If used correctly, DD could be much lower by
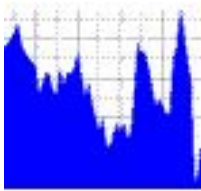
using this indi.
I use Mataf site to see daily volatility in order to avoid high volatile pairs.

Q
HOW TO USE daily volatility (MATAF) IN THIS STRATAGY

A
If you look at mataf link which i posted, it will give you volatility of various pairs for the current week or past weeks. GBPCHF,GBPJPY, GBPCAD have high volatility means big movements compared to other currency pairs.

If the volatility of certain pairs are high, when you trade in this strategy, whenever the trades are going opposite, we will come across big DD. To avoid big DD, i do not use these pairs

Q
if we avoid these pairs then we are not getting much signal most of the baskets are belongs to these pairs. anyway how many past weeks you check ?

A
Use the correlation indi in 5 min stoc frame. You will see lots of other pairs excluding these pairs. I avoided the high volatile pairs after checking which one had large DD in basket trading.

Roundrock - add another lot

I took sq ea and modified it to place another lot if the DD reaches a specified value and the sto diff is still above a specified value. so far results are good
This is how it works.
enter 0.1 lot at sto diff > 94
exit for this is either sto diff 20 or cash profit 15$
if DD of this reaches 10$, order another 0.1 lot at the current market price
exit for this add lot is either sto diff 20 or cash profit 25$

most of times i have seen a DD, even if we enter at sto 95. so adding another lot averages the cost and even if 2nd lot gives a small profit, overall we can reach BE quickly. however if it continues to go against you, then the losses will double. but with M5, it comes back. if you see a huge DD, then change the exit to sto 50 or at BE
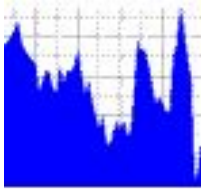
i have tried this only on M5

Roundrock
Very profitable EA
It is a simple system and let's not make it too complex by reversing the trades.
My rules are very simple

Trading Info

1. I trade only M5
2. I trade only triplets
3. I trade only few selected pairs that have less spread and are less choppy. I removed GBPCHF, GBPCAD. I am thinking of removing CHF/JPY Pairs. May be I will have more strict entry criteria
4. At start of week, I select the pairs based on the indi and open those charts (around 12 last week).
5. Load EA on each chart
6. I do not follow same entry criteria on all charts. But you can try your own comfort zone settings.
7. Entry at sto diff >90. With USDCHF/USDJPY it is 95.
8. Add another lot at DD 15 pips (including spread). But sto diff must be above 70 for add
9. Exit ALL at same time. either sto diff 20 or original pips profit 15 which would translate to 30 pips for 2nd lot
10. I added UseTradingHours logic which would stop EA during my lunch /dinner break. Also during late US Session.
11. I take my account size and take each basket risk as 5% (another 5% for add) and derive the lotsize and max baskets. I added MaxOpenOrdersAllowed and EA will not place orders beyond this. Otherwise you will end up with bad MM and one leg some times. My comfort zone is max 3 baskets at a time with scope to add

This plan is working out well. As already said by others, its not a EA to set and forget (I do not think there is one). You need to keep watching now and then. You can set alerts when signal is given.

Closing orders is an issue sometimes, I do not know what is causing this, the code looks good, but I added logic to keep trying until all orders are closed.

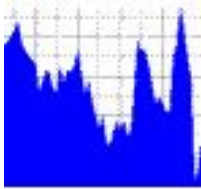I don't trade anything else in this account.

One thing missing in my plan is about the news. I can't integrate news with the EA. It is a manual step. Navk mentioned Fridays are bad for this strategy, Mondays are ok, you get less signals. If you really want to tighten the EA, everyday you wake up and check the news calendar and use trading hours settings to avoid placing new orders. This has to be at each chart level.

ROUNDROCK
Changed my rules (03/17/2011)

Based on recent Japan meltdown, I changed my entry criteria

1. Selection of pairs is the KEY.
   I check these conditions before I pick the pairs, I do this every day morning

a. Correlation must be above 80. Check mataf for confirmation

b. Check the stochastic difference movement history for last 3-5 days, use Stochastic different pairs 1.7b indi for this. If the movement is within 10-80, then its good. If it exceeds 80 and stays there for long time or hitting 80 too frequently, its nit good. also if it hits 80 and drops down quickly its good
c. remove crazy pairs like gbpjpy, nzdjpy, gbpchf, eurchf, gbpaud...
d. i prefer tripltes only. but u can try quads too with above rules

2. Once u select pairs, next is entry criteria. I use different sto diff for diff pairs.
    Based on movement history it could be 80, 85 90.

3. I add only once. If the combined DD goes to 30 pips, then I add another equal lot

4. Lot size is crucial. Choose conservatively

5. Stop loss is MUST. Put some number. But put always.
    I prefer 80 pips (combined for both lots)

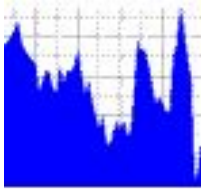6. Exit is by sto diff 15 or combined pips 15

NAVK
The correlation changes every day. You need to load tradable correlation 1.8 indicator and check after Asian open. Many of EURAUD basket pairs are now out of correlation.

Look for correlation above 75 and also use stochastic indicator to see the history of deviations for a week at least. This will help you to fix stochastic entry in your EA.

If the DD goes beyond 20 or 25 pips, add similar or slightly bigger lot in order to average it.
If the DD goes beyond 20 to 25 pips, entry and exit should be manual for such baskets.

The key is tradable correlated pairs. The pairs in correlation today may not be in correlation tomorrow. If you forget to see the correlation after Asian open, you are like to pay the price.

Trading Info

Used latest version	Stoch Diff 2 Pair EAsq 2011.03.01.mq4	[Squalou]
	OverLayChart.mq4	[Squalou]
	OffChartPrice.mq4	[SMJones]
	for what purpose?	

to test it …   **Caillou**
Using Trade Manager of Steve Hopwood
🔸 Multi purpose trade manager.mq4
Settings
In MPTM EA, all settings default and I change only this:
Global Order Closure Settings
Global Order Closure Enable: True
Profit in Dollars: True
Dollar Profit: 10 (or whatever you want)
The EA will close all open trades when global result is 10.-$.......

Tradable Correlations 1.8.mq4
                -> see PDF for settings

Tradable Correlations_StochDiff v3.mq4   [Kilian]
            more than 1 version / TF on screen
            3rd number is the spread of both pairs combined
together with   multitimeframe5,15,30.tpl

Desaster EA   CloseAll.mq4   [NanningBob]
see post #2018   http://www.forexfactory.com/showthread.php?p=4360073#post4360073
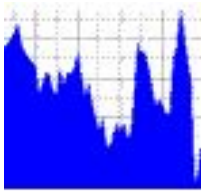
AVOID FOLLOWING PAIRS

NAVK   GBPCAD, GBPCHF, only during US session GBPJPY
Roundrock   GBPCAD, GBPCHF, thinking about excluding GBPJPY
n/a   GBPCAD, GBPCHF, GBPJPY

Trading those Pairs

Roundrock   EA, EC, EU, ECHF, EJ, GA, GU, GJ, AU
            EURAUD, EURCAD, EURUSD, EURCHF,
            EURJPY, GBPAUD, GBPUSD, GBPJPY, AUDUSD

Some results …
may be continued:

Replenishments to summary dated 03/08/2011

Friday Report
pvpn 29.04.2011

I'd like to give some report on my testing (2 weeks so far).

This week has been good. Average on 2 weeks has been 325pip/week earned (totaling 650 pips now). There has been some DD of 100 pips closed at B/E or with profit.

It seems that DD can be avoided by simple rules: open trade when stoch diff starts to retrace.

However, when the basket is well balanced DD is limited and I have yet to see it exceeding 150 pips.

This week I implemented some better trade management (mainly trailing stops) but I'm still lacking more advanced features (like averaging down).

I'm considering whether to go live and use real money.

It would be nice to know if anybody is using this method live and would like to share their broker and/or settings, and off-course their success rate.
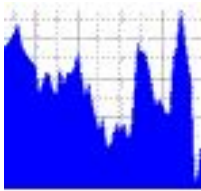

Roughtrader   22.11.2011
New Correlation Indicator

Hi guys! it's soon Christmas!
Here is my little contribution to this thread and community.
this is a indicator to MT4 my programmer made for me a while back,
it shows the correlation between pairs so you wouldn't have to visit
Forexticket every time, I hope you find it useful. enjoy

TableOfCorrelation

	EURUSD	EURJPY	GBPUSD	USDCHF	USDJPY	USDCAD	AUDUSD	NZDUSD
EURUSD	-------	+0.95	+0.94	-0.97	+0.39	-0.80	+0.78	+0.84
EURJPY	+0.95	-------	+0.91	-0.97	+0.67	-0.79	+0.76	+0.87
GBPUSD	+0.94	+0.91	-------	-0.90	+0.43	-0.91	+0.90	+0.93
USDCHF	-0.97	-0.97	-0.90	-------	-0.54	+0.75	-0.72	-0.83
USDJPY	+0.39	+0.67	+0.43	-0.54	-------	-0.40	+0.36	+0.53
USDCAD	-0.80	-0.79	-0.91	+0.75	-0.40	-------	-0.97	-0.94
AUDUSD	+0.78	+0.76	-0.90	-0.72	+0.36	-0.97	-------	+0.96
NZDUSD	+0.84	+0.87	+0.93	-0.83	+0.53	-0.94	+0.96	-------

⬡ TableOfCorrelation.ex4 (15.8 KB, 83 views)

Q
chart based on minute, hourly or daily values?

A
by Roughtrader
it's based on correlation, it's really advanced stuff.
I wish I could tell you more.
but I know my coder had to work on it for quite some time.
you just change the timeframe in MT4 and the indicator will adapt automaticly to the new timeframe,
I suggest keeping the periods to 50,
I noticed thats the closest to the Forexticket site,
but feel free to experiment

maxdoom 29.11.2011
How I trade this …

I started trading a strategy very close to this about 2 months ago so you might find it useful if I tell you how I trade it...

Signal:
I use a raw stochastic of the pip difference between the pairs. I sell @ 100 buy @ 0 and exit at 50.
A raw stocastic is a stocastic calculated without the MA to smooth it. This makes it a more timely signal which is what you need for this kind of trading.

Correlation:
I calculate the RANK correlation only for signal verification.
I only take the trade if the current correlation is between -0.25 & +0.80.
I do not trade if they are > 0.80 correlated because the profit potential is too small if they are too close.
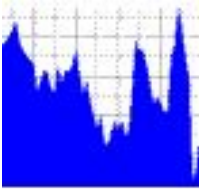I do not trade if it is < -0.25 because it means they are moving too far apart and it could mean a big move is underway that will suck you into a big DD.

Position Size:
I have a primary value say 1.0 lot for the first pair, I then adjust this amount twice for the second pair, first to get them to equal $ amounts per pip, then I adjust for volatility as each pair will have a different daily pip range so I use an ATR calculation to adjust the lot size again.

TP & SL:
None I use the signal it is the only logical thing to do as price was not a factor in entry. Once it

hits 50 the mean there is no point being in the trade anymore as they are back to normal so exit.

Timeframe:
I have been testing on M1, M5, M15 H1 and so far M5 seems the most consistent and profitable.
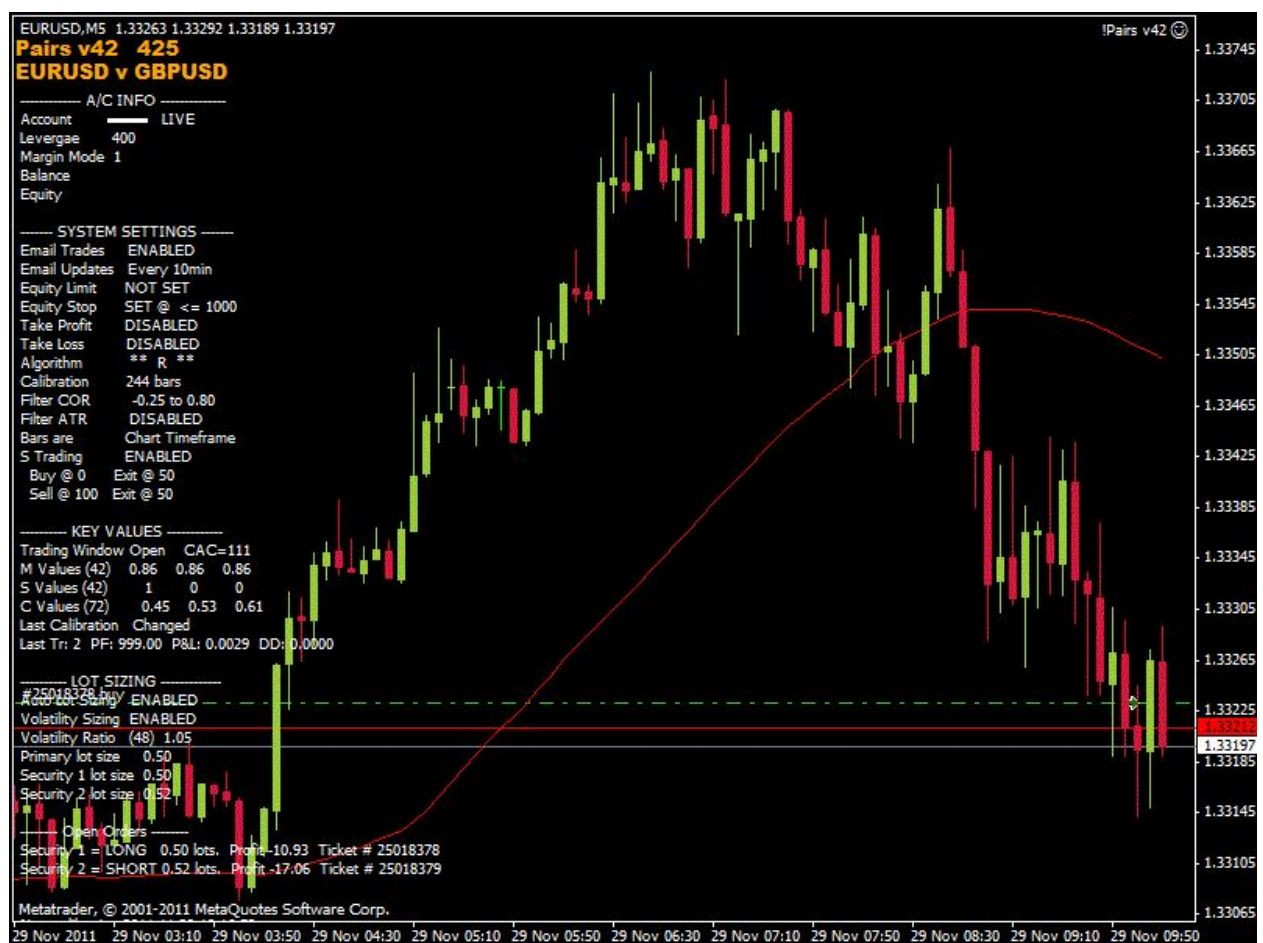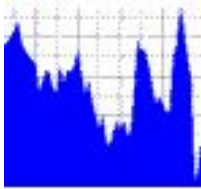I have been running this on Live with M5 for two months.

Pairs:
So far I have limited it EU v GU but I am just starting to expand out.

Success?
Well so far but they have been three big losing days when the markets went completely mad otherwise it posts a steady profit every day with 2-5 trades.

I use an EA that I have developed to trade this screen shot attached.

29.11.2011
maxdoom is using a 'raw stochastic' to calc and exec the pair trades:

The raw stochastic is a custom calculation defined as follows:

Stoch value = Close - min(Ln) / Max(Hn) - Min(Ln)

where Min(Ln) = lowest low of n periods
where Max(Hn) = highest high of n periods

this is the raw stocastic to get this back to an ordinary stoch value the normal indcators would apply a 3 period or greater moving average to the answer but that causes lag.

I have attached an indicator that I wrote to cover this. If you put a second symbol name in then it will also add that raw stoch to the indicator window and the diff betweeen the two.

I would never use a value of 1500 for a stochastic for the following reasons:

A stochastic is a value of 0 - 100 (normally) that indicates how high the current close (normally) is comapred with the last n periods. So if you had 10 periods set and it was making a new 10 bar high on the close you would expect a value of 100 as the stocastic reading.

So when it comes to knowing how high the current price is compared to the last 1500 periods I would question what value that info has to trade from as the period is just too large. If I thought a 1500 period was worth using then I would probably look for a larger timeframe and use a smaller period.

The period value for my stochastic is the only parameter in my trading system that directly impacts the signal and I have a maximum value set for TF M1 = max 240 all others max 100. but my system auto calibrates itself and rarely using a period near these maximums.

I hope this is clear and helpful
Attached Files
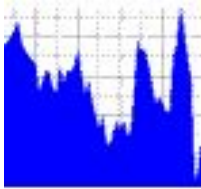!Stochastic RAW.ex4 (3.5 KB, 109 views)

Q
Please can you illustrate how you use this indicator in trading with charts if possible? THANKS

A
This indicator is just the Raw Stochastic plus will show the diff between two pairs raw stochastic values.

You could use to trade as follows:
Sell Pair 1 & Buy Pair 2 when yellow line (diff) makes a new n period High

Buy Pair 1 & Sell Pair 2 when yellow line (diff) makes a new n period Low

However I put the indi up to demonstrate the difference between a raw and normal stochastic value.

The way I trade pairs is to use a raw stochastic calculation on the pip differences between two pairs. I do this through my EA so I don't need an indi for it but I can alter this one to show that too if anybody wants it. That way you would just trade when it hits 100 or 0 and exit at 50.

01.12.2011 maxdoom
Ratio - Raw Stochastic Indicator

okay attached is an indicator that shows a 'raw stochastic' calculated on the difference between two pairs.

The difference is calculated as a ratio as follows: Pair1 / Pair2

This gives the same results as using pip difference but it is an easier calculation that works across all pairs and digits without the need to change it.

The raw stochastic shows the current ratio value versus the last n periods.

So if you see a value of 100 then you know that the current value is at a high for the last n periods. 0 would mean a low of the last n periods.

I trade this as follows:

Place indicator on Pair1 and set the Pair2 name and n period value in the indicator settings.

If 100 - Sell Pair1 & Buy Pair2
If 0 - Buy Pair1 & Sell Pair2
Exit at 50 in both cases.

Once a trade is open I ignore all other signals until it has reached 50 and I exit. So the indicator may show many 100 values but because you enter on the first valid setup you would be ignoring the following ones as you are in a trade already.

I only trade this between 6am and 4pm GMT for EU v GU. hours need to be adjusted depending upon the pairs you choose. I would only ever trade the market hours for those pairs otherwise you will run into liquidity issues.

I have included the source if you want to mess with it. Please choose your own period settings.
RatioRawStoch v1.mq4 (3.3 KB, 151 views)
RatioRawStoch v1.ex4 (3.1 KB, 84 views)
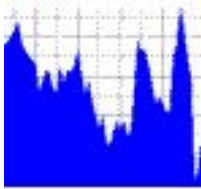
02.12.2011 maxdoom
EA to manage exit of pair trades on TP and/or SL

Altos,
attached is the EA we discussed. I placed it here in case anybody else wants it.

It works as follows:

Attach to any active chart on your MT4 something that generates ticks all the time as it only processes on a tick.

It will gather up and manage as a single set upto 10 separate sets of trades and there can be upto 10 trades per set.

Each set is distinguished by the Comment field 1st two characters.
The 1st charactor is a letter prefix that you can set in the EA say "P" for pair this will be the same across all sets.
The 2nd is the set it belongs to ie: P1 = set one P3= set three.
You can have sets 0-9 so ten sets.

If the TP or SL total is reached for a set it will close the entire set.

It has an information display on the chart.

EA Parameters:

sPrefix = Single character prefix that you must put as the first Comment character when you open the trade.

dTP = Take Profit value - this is the sum of all trades in the set
dSL = Stop Loss value - sum of all trades in the set MUST be negative

iCheckPeriod = number of seconds between refreshing the data and checking for close actions. If you have this set at 0 then it will check every tick. But may be cpu intensive as it has to query your account everytime and sort through all the open trades.
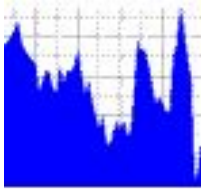
iTradeDelay = number of seconds delay between retrys if a close action fails. I would leave this at 0.5 seconds unless you have need to alter it.

If dTP or dSL are set to 0 then it will not close any trades with that feature.

You can run multiple versions by using more than one chart but you must use a different prefix for each version. PLEASE TEST ON DEMO to ensure that it works properly for you.

Regards
🔶 Close Pairs v3.ex4 (6.0 KB, 80 views)

Q
Hi Max, - a question if you would. In the pic below I have P P1 P2 etc - no seperators. If I put in a profit of, say, $100. does this mean the EA would close out P3 when it reached $100 and P9 when it reached $100 etc etc. It is not related to the global total is it ?

A
You are using this wrong, the prefix should just be a single letter, for example "x".

Then when you want some trades to be managed by this EA for exit you must enter the same letter plus a number 0-9 in the comment field for the trade (see attached example). Repeat this for every trade that you want to be managed as a single set.

So if you had two pair trades on you need two sets as follows:

EURUSD - Comment = x0
GBPUSD - Comment = x0

USDJPY - comment = x1
AUDJPY - comment = x1

now you have two sets being managed, you can have 10 sets in total (0-9) and between 1 and 10 trades per set.

All sets with the same prefix will use the same SL and TP as set in the EA. And this is an overall SL & TP for the set.

If you want to have different SL and TP for different sets use the EA twice with a different prefix in each instance.

I have attached an example in use and also an example trade entry comment field.
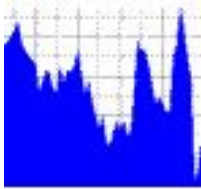
As you can see the 5 trades are managed in two sets denoted by the first two characters of the comment field - you can type what you like after the first two characters.

08.12.2011 superbandam
Strategy: Diversifying

Hopefully , i didnt interrupt your discussions, just want to update here. After a few years trading this method on EURGBP on H4 successfully, i decided that the tf h4 is too slow..sometimes i get a trade after 2 weeks max...thats incredibly slow..but so far no losses for a few months.I do get some losses here and there but quickly recouped by the next few trades.

Next , i also decided to speed things up , i switched to H1 for faster trades. I knew in my experience when you get to the lower tf ,faked signals began to appear. I mused ,thinking how

to compensate/overcome this trouble. I found the answer to be diversification , i added one other correlation trade pound dollar at the same time trading the usual eurusd/ gbpusd combo =/ Eurgbp . The result is the drawdown is somewhat controlled/ lessen...i ended up closing when the equity is in the plus side,even though the eurgbp trade is still in the minus.

Its amazing what happens you have more pairs to play at your side..even trading eurusd /gbpusd combo is a type of diversification.

I tested this theory on an unrelated system which is a trending system 7 pairs in total...at one point 2 - 3 pairs hit SL,or u can hedge them, the other 4 -5 pairs shows you some profit in the equity side. Hence proves the power of diversification...the more pairs you trade ,the more profitable. I cant imagine trading a single pair only for a trend following system...it will be a sl streak for sure.

Try to do this on correlation method...you get better results faster,with better chances of profit..not much to worry about sudden decorrelation,market shakeups ..since the other trades will cover your losses. I will try to add more pairs to play if we can get the profit faster,with zero risk of blowout.

11.12.2011 superbandam
for xfran..and others still looking..
there are two ways i make money using this method,i will discussed one i use for 2 years for now

1) Timeframe H4 , indicator Neutral hedge overlay.mq4(indi settings..change to -1 for pair mirroring box) ,bollinger bands,13ma for max target profit.Imho the slowest way to make money ever..but so far in 2011 i only remember 2 losses vs 30> 40++ times winning ... i lost count...those two losses occur because i played h1 tf...the rest on H4 all winners.Overlay GBPUSD on eurusd chart ,key in GBPUSD on neutral...mq4 indicator thanks to the creator of this indicator

2) Im too lazy to post screenshot..lol, btw open a EURGBP h4 chart, put those bollinger bands on ,wait for the EURUSD chart ...... wait for the neutral indicator to say OK not otherwise..check wether the indicator says buy eurusd sell gbpusd (1)or sell eurusud and buy gbpusd (2)...if you got it ok...proceed to EURGBP chart ,if conditions is (1) look for buy EURGBP vise versa for sell

3) Lets proceed on ..lets say conditions are (1) we are buying ,make a trendline on eurgbp chart, if trendline is broken buy...do this for (2)

4) The trendline contribute to the highest winning rate i have ever had in such a long period of time.We are counter trading here so u know the purpose of propping a bband indi.

5) (*) tp 10 -20 pips or 13ma, i know the risk reward will be horrible, but the winning rate is so high you can overcame those losses without too much trouble. SL i used for eurgbp was 100 -
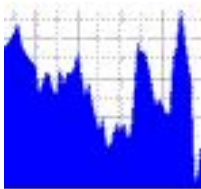
150 pips.If you used b eurusd s gbpusd instead of direct eurgbp trade how do u put the sl?

6) It helps a lot to learn about candlestick basics,trendline break etc..but it cannot stand alone, we still need to know the correlation ....etc

7) Pray...
Maybe i should make a tutor program should there will be a demand lol...maybe im not that qualified..hehe

8) Be sceptical to your performance and always look for room of improvement

9) Diversify if you can..which is my second method ...but for now try to master EURGBP or other high correlated pairs

10) Pls do this on demo account first before moving on to real account

(*) corrected numbering

27.12.2011 superbandam
I did play the original correlation strategy, although the updated one does'nt differ much.
I do recommend if you want to go live with the strategy to incorporate some basic tools like trendline and candlestick analysis with the underlying pair eg. EURUSD GBPUSD = EURGBP, eg AUDUSD NZDUSD = AUDNZD. It turns out after a year and plus trading my hit rates is so high that i only has 2 losses this year. I can say that the hit rate can reach 90% ..i go for the usual 10 - 20 p tp with a emergency SL of 100p. Its a horrible risk reward but felt confident enough to trade this live for 1year plus...a few months more than i will have 2nd year anniversary of profitable trading lol.

I never ever did have this kind of consistency with a system before, even if the SL hit in a black swan, im confident i wil get back what i lose in a short amount of time.
Some times i wonder if i was the only one trading this live . We all know most will lose when correlation goes away, but trendlines analysis will keep the bad trades away. Also in 5 -6 months if i do keepup with the winning rate i will reach 100%win rate without any loss.Hopefully the sl wont hit ever..lol

I mainly trade the H4 but the trades are so few i went for H1..still got a good rate reaching for 10 - 20pips tp. Although it could reach for more i wouldnt want to worry about an opened trades...what i did usually was open trades.. close to platform or go to bed.Check it out a few hours later usually in tp already.

Whats weird was when i ditch the correlation in a test, trading only with the trend with trendline i start losing...but the combination of them is like the sky and the earth comparison...go figure.
Try to make sure to win 9 out of 10 trades at least...why? Less than that makes trading like a complete waste of time.Having 2 losses in a 10set of trades is like throwing away time and money which is precious..why go for 8/10??You should try go for 10/10 when you actually can
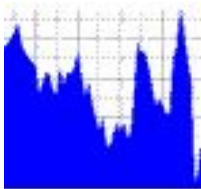
all of that without hitting the SL. SL to me is like a emergency situation, a safety to prevent large losses thats all. You should work to get your entry right feeling confident so you can sleep at night without worrying.
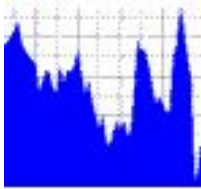
Another advice, dont go for non correlated pairs.If you want to trade pairs other than EURGBP ...know their ATR..i used the daily to set the maximum SL ,thats how i get the 100 sl for eurgbp, other pairs i dont know..go get a atr indicator/calculator ,very useful to set SL which is not supposed to get hit. Dont try to overleverage, often a repeated advice but still important.
The biggest barrier that i have currently is the money not pips. I just cant feel when to increase the lot/compounding even after so many trades. I got 2 choices..trade even more frequently or gradually increase the lot...i think this is the part that will decide whether you make small amount of money or a large amount of money..but i think when i hit the 2 years mark i will play with bigger size gradually.

Go and see the whole FF for strategies that can last this long, i knew several threads..maybe 10 -20 threads max that can make money in a long term...but most garbage system can only last a few months..6 months mark is a bit generous..but a lot of systems are very vague...and some require so many pairs to be successful.I can say that you can make it even using only 1 pairs.Master your chosen pairs and then try to diversify...repeating the same hit rate as your mastered pair.

I have heard that some will average in after 100p > sometimes i heard traders average about 4 5 times total still end up in profit, but the trades takes about a month or so. I have averaged only once or twice but lastin about two weeks..it finally hit breakeven. Combine with trendline break/some divergence,some crossever i did not have to average ever.The first few months of live trading i did not have SL..but months ago i started to put SL since i knew i will get a high rate winners.

The weird thing is that S&R is useless to me, the times that i want it to bounce it breached the S&R and runs.Lucky me didnt trade based on S&R.S&R will only work in high tf imho.
Dont be greedy..go figure. Try to get winning streaks not a losing streak.Some years ago i have tried trending strategy scalping and bouncing S&R scalping...9 - 10 losses in a row was not rare at all..to me every SL hit is wasted time and money ..since you have to trade just to breakeven and recoup loses. So many business closed down when they have too many or too frequent losses.In forex, it meant death in thousand cuts.

Some times i wonder how a lot low risk high reward system makes money.SInce they loose most of the time, they have to depend on a trades which will be homerun which is rare. Since we all human, whatif...they slept in a signal, whatif they missed a trade which is the homerun one in a set of trades..because they had to pickup their kids in school.Ohh the cat died so i had to bury it hastily.Whatif i had to cook my own meal which takes one hour.Whatif i had diarehea i had to be in toilet for half hour.Whatif i had distractions left and right in a day. I cant trade 5 days a week 24/5.What if i had a good system but i usually missed the wining ones!!! Unless you are a robot, you cant trade without a high win rate. You could have r:r 1:2 or 1;3 but you must have high winning rate.In an exam you should try your damndest to get 90% up..try to do it...

Try try try try try try hardest and damnest...But once in awhile dont be upset the sl hit, because you know the next trades will be green..

Q
Thank you very much superbandam3 for your post. It's really wonderful to find people here like you spending a lot of their time to help the others.
Regarding your strategy, I have few questions:
1) with TF H1 what is the average number of trades you can have per day?
2) are you trading only EURUSD/GBPUSD and AUDUSD/NZDUSD ?
3) Could you post here the tools you are using and the charts templates?
Thanks for your help

A
Answers to your question
1) For eurusd/gbpusd trades i do get 2 - 3 trades per week, more pairs means more trade
2) I exclusively trade EURGBP crosspair..it will take months or years possibly to master additional pairs at least for me lol..perhaps im a slow learner
3) Perhaps a few images will help
4) Caution...this is a result of 2years plus work..a loong time so digest carefully

This will look like garbage..but thats how i did it, on the first chart u will see EURUSD overlayed with GBPUSD which is blue,EURGBP is the red one for reference..normal market alignment ..EURUSD in the middle,EURGBP lowest or highest, GBPUSD is highest or lowest.. u will see a buy eurusd sell gbpusd or buy eurgbp for me...reverse for sells
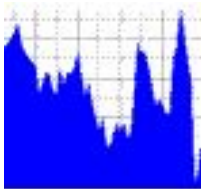
But i wont pull the trigger yet , on the second chart on eurgbp i do something extra...i added iregr mq4 the two yellow curving line , google it ,default settings ,twink it if you want..the indicator looks for price trend weakness giving more power and probability of success .Near/Touch lower band buy signal, Near/touch higher band sell signal...mean reverting
Another trigger shown here trendlines...look at the pic ,look at the trendline ,a bull candle breaking and closing from the trendline confirms a buy signal..i will take this signal

The yellow line is the my target area 13ma ,or middle BBand
Dont trade if its above the middle bband ,vice versa for sells

-Indicators on the first chart Neutral hedge overlay mq4...the settings are obvious based on the first pic
-tsr daily range calculator mq4

This is my new years present for you ,haha..

summarized by **FOREX FACTORY** member **josch**