Bilstein

Here's an unpopular opinion:

If you want "truth" throw your money into the market and figure it out. You'll be surprised how many 1,000 page threads and systems here (on all forums, really) are run by IT professionals and college students on demo accounts. If you want truth, go risk suffering massive losses. If you want truth, don't waste money on classes or indicators; waste it trading. The losers on forums will tout that Forex is a scam and filled with lies. The winners (for the most part) are trading either tiny accounts or demo accounts, have been for years, and their only real claim to victory is maintaining a thread on a forum that lasts longer than a year and a post count that makes you wonder if they even have time to do any analysis.

When you're in business for yourself, there is no limit to the amount of people who want to tell you how to do it, usually in exchange for a fee. Learn by doing. It's easier. If you fail, and can't find it in yourself to get back on the horse, then you're in the wrong business. Come to terms with it. The only thing traipsing forums will get you is either too much unnecessary information or too much misinformation. Either way, it makes running your business more difficult. You'll constantly question yourself, you'll constantly question your methodology, you'll constantly question your broker, and you'll constantly question the market.

1-You won't get rich fast - if at all.
2-No one here will help you get rich fast - if anything, the opposite will happen.
3-There is no holy grail; no indicator will get you rich.
4-You'll never predict the future with 100% accuracy. If you do it a few times, don't get your hopes up.
5-It isn't as complicated as you think.
6-If the right way to do it was on the internet, everyone here would be rich.
You'd be surprised what you could accomplish with perseverance

Every position you hold is subject to rollover (or swap) if held overnight. Some positions will pay rollover and others will charge it. When you take an "inventory management" style to trading, you're holding several positions in different pairs at the same time, for extended periods of time thus exposing you to either being charged rollover, or rollover being paid to you. For example:

Yeah, what Rap is saying he's doing is ensuring the majority of his inventory is long because a lot of pairs are paying rollover to hold buy position. These payments are applied directly to your balance so, by holding them all, your balance is going up a little every day and offsetting bits of your inventory that are going against you. If you manage your inventory correctly, and cycle out losing positions over time - as opposed to all at once - you give yourself time to stay ahead of booked losses. I mean, it's almost an art form. I've been trading like this for a long time. Not the exact same way Rap trades, I maintain a rather large account so my risk model is significantly different. I've been following this thread for a while now and was hesitant to participate because I know, to most, trading without a stop loss is a cardinal sin. In reality, when you have the capital, and trade the proper lot sizes, you don't need charts at all, your terminal window becomes your chart and you manage inventory with an accounting perspective; focusing on the capital as opposed to an array of charts and indicators.

I use a time and percentage of equity model to book losses. If a trade doesn't turn positive in 3 days or it turns into a loss equivalent to 0.07% of equity, I book the loss and re-enter in the same direction. I also tie my total "debt load" to 1% of balance. Since most (if not every) pairs can move against you, I have a "backup" risk plan so all of my inventory can only lose me that 1%-5% at most. I change this parameter every 3 months relative to performance of the account and overall market sentiment. I'm holding a shorts in a few pairs but most of my inventory has been skewed to the buy side as well because of the positive rollovers.

I close any trades that are profitable by the end of the day. Although, sometimes I get impatient and do it earlier (around 5PM), I try to book gains at 8PM EST. That's when a new daily candle opens for me (on my side of the planet) so I typically cycle my inventories in one fell swoop. Anything that is in profit gets booked. Losing trades will float but within my time and capital risk parameters. I'm not Jesus so, I do still do my share of looking at charts. But nothing more than a simple line chart with a grid; major lines every 1,000 points, minor lines every 250. I also keep my eyes on correlation tables because sometimes, I mix my inventory up a bit. When I started doing it, I legitimately just bought every major pair. I don't do exotics because the spreads suck and they're prone to some stupidly serious movements. But basically, I bought every pair that had AUD, CHF, JPY, GBP, NZD, EUR, CAD, or USD in the pair from there, I just managed it. You'll have days where a lot of the pairs go against you but, never a day where they all go against you. You're always adding something to your balance via profits and swaps. From there, you just cut losses off slowly. This keeps your balance healthy. Add in a little basic analysis and you can mix the inventory up.

I went through my period where I tried every different strategy under the forums. Picking highs and lows is for show offs. It leaves too much on the table. Basically, all you need to know is up or down - how much will the close change from the open? That's all that matters. My initial thought, when I started, was that if I buy AND sell these pairs, there's a lot of variability. Pairs moving in opposite directions leaves a higher chance of every trade going against you so, I just picked one direction and went that way. It's also nice to not care at all when rate decisions or NFP comes rolling across the wire. I've sat and watched those numbers go crazy and yeah, sometimes it's scary stuff but, when you're going the same direction on everything some pairs go sour, others go very well. At the end of the day, cash out the ones that go well, manage the ones that don't. It's simple in concept but it does require a deal of focus. Admittedly, at first, I looked at it as an easy way to get out of actually having to "pick" pairs and prices and in a way, it allows for that. But you can't just not pay attention to it, lol.

Yeah, it is a relatively laid back way to do it. To me, the real fun part about trading this way is how deeply you can customize the method. There's so many different ways to manage the risk, and the inventory. You can do it on just about every time frame, though I wouldn't dare try it on less than an hour. Obviously, if you do it on time frames lower than a day, it takes quite a bit more effort. The way I go about it keeps my thoughts on my capital; my capital is my indicator. As pertains to swaps; I'm literally always in the market. I get paid or charged the swap at 5PM as well, though my broker triples the rollover on Wednesday to cover the weekend. So I'm holding inventory 24/7/365. I can trade relatively large lot sizes but I don't. I keep it reasonably small so I can hold more pairs at one time and that way, even in the worst possible case imaginable, I won't blow my account.

It isn't that trading without stop losses is the only way to trade, just that it is definitely possible to make money doing it. I think well capitalized traders and experienced around here are more the kinda guys who are picking highs and lows, trading large lot sizes in one pair so naturally, they're not turned on by trading without stop losses as they could suffer heavy losses in intraday fluctuations. Your "little fish" is just afraid of losing money. They're betting $1,000 (or less) that they can quit their full-time jobs with Forex in a month. They're trying to trade minuscule time frames with 10-point stop losses. They're so used to being stopped out that trading without a stop loss is madness to them. They're the kind of people who'd spend $5,000 learning to trade only to actually wager $1,000 (or less) on the market. They're more obsessed about being right or wrong than they are about making money. There's a million different ways to trade. Trading 26 pairs without stop losses is definitely one of them. But you have to be well-capitalized or trade conservative lot sizes in order to do it and I'll bet there's more people on any given Forex forum who are neither than there are people who are both or hell, even one of the two.

You do have to trade smaller lot sizes. But "smaller" is relative to how much capital you have. For some, "smaller" may mean 1K lots all the way up to 100K+ lots. That's why under-capitalized traders can't trade without stop losses. Personally, I've never ran two accounts. I've been running the same one for almost a decade. I figure running two accounts might be outside of my "attention span" - heh. I have altered risk management strategies several times throughout the time I've been managing this account, though.

Another point, under-capitalized traders have the tendency to be far more emotional about their money, especially as pertains to unrealized losses. When I first started trading this way, I had to learn not to bail out when the market gets hot because bailing out early typically results in more realized losses. Since I cycle my inventory daily (at the open) I'm realistically only subject to whatever change there is on any given pair - for the day - I'm holding. I could be holding 10 trades that are up on the day and 15 that are down but at the end of the day, I book all of my gains (adds to equity) and book a one smaller loss relative to the gains I took. If I can pull $1,200 in gains out of the market in a day and bail on $350 in lost trades, I'm still doing well. Do this all year long, and it isn't as nightmarish as it sounds.

I'm always shuffling inventory; switching biases based on any technical or fundamental information. Technically speaking (charts) I'm really only watching closing prices around major 1,000 point intervals, minor 250 point intervals, and general trend direction. But if you're going to trade this way, it helps greatly to be well-funded and to trade in lot sizes that are proportional to your account size. Essentially, lot sizes that are small enough that wicked fluctuations in the market won't tear your drawdown level to pieces. Just because you can trade 500K lots doesn't mean you should.

I book all profits, yes. The only way I've ever booked all my losses is if my gains for the day offset my losses by at least 2-to-1. That doesn't happen very often though sometimes, you get lucky. Every day I'll book a at least a single loss and either re-position or switch positions on the pair. Doing so keeps inventory from going haywire against me in a given period of days. Since I trade - for the most part - with the swap, every day my balance/equity increases a little just by the swap alone. On top of that, I book profits on "x" number of trades a day as well. Every gain I book means I can handle a little more risk.

The interesting thing about using your capital as an indicator is you develop a good sense of when a trade has "gone too far" and isn't going to bounce back anytime soon.

Edit: Oh yes, at the same time every day. Generally speaking. If my personal schedule is a little squiffy, I may do it earlier (before 8PM EST) but I try never to do it later than 8PM. Sorry, forgot to throw that in there.

Personally, I don't understand why people have such a hard time wrapping their heads around trading this way. I get the fact that the lion's share of retail traders won't want to trade like this, I really do. But just because you don't understand it doesn't mean it doesn't work. Is it hard to get used to carrying a floating loss most of the time (debt)? Yeah, it's hard to get used to, it takes time. Does not using a stop loss automatically mean you'll blow your account? No. Not at all. So long as you (1) have the capital and (2) trade appropriate volume.

I'm in 28 pairs now, looking to add USDCNH and USDHKD into the inventory. Yesterday was a fantastic day, today's a little rougher. But instead of pruning over charts for perfect price points and perfectly-timed entries, I just manage my inventory over time. Anyone can tell me I'm going to "blow my account" trading this way but, realistically speaking anyone who says that to me (1) doesn't know how much capital I manage and (2) assumes that I just found a thread on Forex Factory and started trading this way. It's been working well enough for me all this time and I'm not going to change it because some random person on the internet tells me I'm going to "blow my account". I mean, I'd have to try really, really hard to blow my account.

<<<<Bilstein (post #1822) brings up the interesting point re floating (unrealized) losses. How relevant are they?>>>
In one sense, they are real. For example, suppose your account balance is 10k, but 2k of this is currently in floating losses (using MT4 terminology: Balance=10k; Equity=8k).
1. You suddenly need money for an unexpected emergency. Alas, you can withdraw only 8k from your account.
2. The floating losses consume margin, meaning that you have only 8k available for use in other trades.
3. If the losses do worsen to the point that you get a margin call, then yes, they suddenly become very real!
4. If I was to realize the 2k loss by closing it, and then immediately open an identical position (size and direction), then (apart from the additional spread cost) my account equity, exposure to risk, and available margin all remain exactly the same. And price will continue to move exactly as it would have done; consequently P/L-wise, the new position will perform exactly as the prior one would have. Hence a $2,000 floating loss and a $0 floating loss are exactly the same: it is the size of the currently open position that determines the risk exposure; the current P/L of the position is irrelevant.>>>>>>

First off, Hanover it's a pleasure to speak with you!

You bring up excellent points, as I mentioned, trading this way definitely isn't for everyone. But I'd be denying the fact that it works for me if I didn't step up and at least attest to it being possible.

(1) Is a good point. Thankfully, I'm not in that position. If we were to address the point further, we'd be delving into my personal finances. I'm lucky enough to be in a position where the capital in my trading account is capital I am and always have been ready to lose.

(2) Is the BIG point. Margin consumption is extremely important. Trading like this can eat up margin real quick and if you don't control floating losses, next thing you know POOF margin call, you're out of the game. One can work around it with a very basic risk model. Personally, I stick with keeping my "debt load" (floating losses) at 1-5% of account balance. Match this with a reasonably proportional trade size and reaching that 1-5% isn't something that happens in a given day, week, or heck, even a month. I know Rap mentioned earlier in the thread about his margin ratio, I do the same thing; set myself a limit on my margin consumption and I'm good to go.

(3) The method isn't without responsibility. I dunno how others do it, but you don't just let losses float forever. For example, as I mentioned, yesterday was a great profit day for me. However, today my positions in the EURJPY and NZDCAD were total crap. So, I closed them out and re-positioned myself in them. I'm holding other floating losses but I typically stick to my "top tier" floaters (the top-line items in your MT4 terminal window) and cycle them out slowly over time.

We all know that trades can sometimes "come back" even though relying entirely on trades coming back is a little silly, since I don't close my floating losses all out at one time, I give myself time to book more profits and more time for other trades to come back which, sometimes they do, sometimes they don't. There's other facets to how I manage my risk and keep myself from getting boned - even on heavily volatile days - but the way I do it will be different from someone with more or less capital than I have so I apologize for the lack of formal detail.

Edit: At the end of the day, all you're really doing is managing one big position in different legs spread across multiple pairs. That's the simple way of looking at it. Every pair has it's positive and negative correlations so, while I'd prefer to be either buy-side only or sell-side only at any given time, lately, I find myself getting "adventurous" and mixing up my inventory. If, for example, your maximum trade size is 100K (for argument's sake) you could take that 100K and divide it up into legs across multiple pairs. There's no "rule" saying you shouldn't use a stop loss, I just don't.

It depends. I do my fair share of analysis but I focus mainly on the big 00 levels and every 250 point mark in between as levels of support and/or resistance. If I book a loss, I'll switch sides on the trade if my analysis (the best of my ability to do so, lol) warrants it. Sometimes, I'll just take a hit on a correction and jump back in at the same direction and at the end of the day, you close the position for a profit. Now, I'll be the first to admit, while trading this way can work - assuming your risk model is good - it is a slower method. You won't make bank immediately like you would hitting a home run on one huge position.

I feel it's worth mentioning again to avoid any confusion. Letting losers run forever is irresponsible and "hopeful" at best. I don't personally put too much stock in hope, never have. Floating losses have a 3-day expiration date on my end. I cycle my trades at 8PM EST (when a new day starts) so any floating loss is only subject to 3 days worth of change. The only way I'll book a floating loss early is if it hits a certain percentage of my equity within that 3-day period (really bad trade). Slim is right, about size. As I mentioned before, we all have a "maximum size" relative to our account balances. The only difference, realistically, between the guy who's trading his max size in one pair and myself is that I'm doing it across 28 pairs. Positive and negative correlations that occur naturally in the market simply alleviate the absolute necessity for a stop loss. Today's good trades are tomorrows bad trades and vice versa. I started with 1K years ago, despite the fact that I maintained a large balance, I still played it safe. As time went on, I got used to holding "debt" (floating losses) and my balance/equity increased, I incremented my size.

For me, the only real downside to the way I trade is if I ever want to be completely out of the market, my debt load has to be as close to $0.00 as humanly possible. That hasn't happened in months so basically, I'm always watching; monitoring on the phone while I'm out and about, at my desk from 8-5, etc. I took a liking to the method quickly because it made me feel like I was doing "more work". I've never been much of a coder, or the kinda guy who asks people to do it for me so the manual aspect of it is appealing.

Hi GEfx,

I wouldn't necessarily consider it a "better" way to trade nor would I consider trading without a stop loss to give you any sort of advantage. I think it just depends on the type of person you are. Personally, I prefer managing trades like a shop, stocking shelves - if you will - as opposed to picking and choosing targets and worrying about timing. Every piece of inventory has an expiration date; 3 days in my case. Every profitable trade gets booked at the close of business each day and either re-opened or re-positioned. Not using a stop loss doesn't put me ahead of the curve or anything like that and in reality, the method doesn't require me to not use a stop loss, I just don't. At the close of every day, I'm booking some degree of profit; sometimes boat loads, sometimes just a cup full (with swaps as well) which leaves my balance and equity always increasing by just thatmuch more.

I can say it's easier on the mind - but that's just me personally. I've gotten to the point where if I use candlestick charts, for example, my performance suffers because it makes me think too much and question myself. Essentially, using my capital as an indicator alongside a basic line chart keeps me more focused on my capital and less focused on wicks, patterns, or any other of the myriad of things traders have the propensity to get lost in. I suppose the reason I wouldn't call the method an "edge" is because I have crummy days too, just like everyone else. Sometimes I find myself hitting brick walls, unable to increase my balance any further and going into limbo, lol. But, as with any trading method (unless one really sucks at it) these moments pass, ya know?

I'm actually surprised at how well this discussion is going. I avidly avoid posting because I see all the pissing contests that happen here, But I'm happy for good company, inquisitive minds, and good conversation.

I may be interpreting your example(s) incorrectly, if so, forgive me and feel free to correct me. But this is why I prefer to be predominantly buy-side or sell-side with my inventory. In my eyes (I simplify stuff, sorry), buying and selling the 28 pairs I trade just increases the uncertainty and variability as pertains to the inventory. I know, every day, by buying (or selling) all 28 pairs that I'm going to have some losing positions at the end of the day. Aside from my definitive risk parameters for each position, I book all the profits each day and cycle out losers as a percentage of gains that I've booked or if they've hit my risk parameters.

I don't personally think my approach is more advantageous than someone who places individual trades. But trading the way I do keeps me out of the "analysis pit" and I just prefer it that way because I spent too much time in that pit. I suppose you could say the reason I don't use stop losses is to "give trades a chance" but not too much of a chance - hence the 3-day expiration period. I don't have to worry about things like premature exits, exact targets, or news-driven volatility.

A conversation between my wife and I:

See, the way I look at it is.. Well, think of all these people across the world on these Forex forums. They all want to be wealthy, they all want to run successful businesses through trading. Everyone thinks they're a bad-ass, everyone thinks they're on some amazing, ideological journey toward "financial enlightenment". But here's the thing, if I gave you a million dollars to start a cleaning business (my wife runs a large cleaning company) - how long do you think you could stay in business if no one ever paid for services? Or hell, what if 30% of customers paid for services? Not very long. There's this age-old philosophical debate about whether or not trading is gambling. When I think of gambling, I think of someone taking their fixed $100, $1,000, or their $100,000 to the casino, risking it, and either losing it all or making a bunch, right? When I think of managing a fund (or an account), I think of constant inflows. I make money from trades that are profitable, I make money from swaps, I deposit money into my account, at the end of a given period of time, if I've generated a profit, I pay myself. You think hedge funds, investment banks, or whatever say "Okay guys, we have a few million dollars, that's it, lets go see if we can make it in the markets!" Hell no they don't. They have entire teams of people clawing out for investor money. You think they're leveraging the shit out of what little money they can scrimp together and banking on "home run trades"? Hell no, they're holding instruments that pay interest and dividends, exchanging inventory constantly with other parties, banking fees and such. It's a machine that turns over inventory at a mind-boggling pace. This whole retail concept of taking a fixed amount of money, leveraging themselves to the brim, and expecting to reach "financial freedom" with it is, in my eyes, the source of so much pain, resentment and misunderstanding with retail traders. They look at themselves as rebellious cowboy bad-asses on some grand adventure towards something that goes against the "status quo" of day-to-day work. The reality is, if these people were doing it right, they wouldn't bother stopping to tell you that you're doing it wrong.

If I'm holding a trade that, say, pays me on the swap and, in the ridiculously unlikely event that the price of the pair returns to ZERO would only lose me $10,000 then what the hell is wrong with holding it forever and collecting the swap? Now, granted, when the interest rate differential changes and I have to unwind the position, things start to get a little nerve racking. But that's why you're always funding, adding money to the account, whether it's your own capital or - if you have the balls - other peoples' capital. At the end of the day, starting with a fixed amount of capital and hoping you can make a business out of it by banking that your only source of income is winning trades is gambling.

That's the way I see it anyway.

Diversifying your account across dozens of pairs - even exotics - with small lots and low leverage gives you more control of your total position. For example:

1K lots across 30 pairs is essentially a 30K lot in a single pair. After initiating the total position, there's many ways you can manage it without a stoploss. I mean, a 1,000 point loss in any of the pairs would only be a $100.00 loss (with the exception of the exotics) per position as your majors typically have a tick value of at least 0.90 to 1.1. In the event of a total loss it's still only $3,000.00 - if even that. But since each pair is dynamic and you're dealing with positive and negative correlations, it's not like you're going to initiate all 30 positions and be down $3,000.00 the next day. Also, who's going to let a single trade go against them 1,000 points?

After initiating the position, it's really up to you how you manage it. Personally, I use a very simple time-filter for bad trades (an "expiration date" if you will) along side a percentage of equity - but that's me. You can add to winning positions and cut losers super short if you want. Given the fact that none of us really knows when a big trend is beginning, ending, or whether or not it will continue, the simplest approach, for me at least, has just been to always be in the market. Since I don't trust the stupid thing, I typically cash out winners and re-enter at the end of every day but, again, that's just me. It blows my mind how fast winning and losing trades can switch sides in a given day, especially on heavy news days; winners become losers, losers become winners, some return to break-even. There's a little more "manual labor" in trading this way but I'll tell you what; it's a whole lot better than farting around, waiting, looking for that perfect setup, and toiling over a myriad of data just to come to one decision.

I mean, total position size, pairs involved, and increment size is completely up to you. Can you use stoplosses? Of course you can. Are you going to burn your equity if you don't? Well, that depends on capitalization. If you're trading with $100 - probably, lol.

Hi Dave,

It looks like things are going well for you so far. Remember that trading this way isn't "risk proof" - you'll still have your bad days, just like any other trading method. I've been away coding an EA to do my inventory management for me and just started running it on a demo account to ensure proper functionality. I'll let you guys know how it turns out. Preliminary back-tests on individual pairs (8 years of trading, no stop losses) look pretty good so, we'll see I suppose. I was always afraid to venture into the automated trading world because I lacked confidence in my ability to code but I must say, learning a programming language is an adventure in itself!

Remember not to pray for your losing positions to come back, manage them with confidence; know when to cut 'em off. As time goes on, you'll learn different ways to manage your inventory without having to worry about "heavy news days" and adverse market activity. Everything you work for can be taken away (and then some) if you lose focus, get lazy, or get overconfident. One thing I will tell you, in my testing and experience is that trading this way has a crux and it's reversals. I primarily determine the buy/sell decision based on the direction of the monthly candle:

If yesterday's close is above the monthly open->buy
If yesterday's close is below the monthly open->sell
(Not a recommendation, that's just how I do it)

As such, ranging months will result in some minor, but controllable draw-down. Reversals on the month can be a bite in the ass but are also manageable so long as your position size is adequate and you're quick to adapt to change. As with any system, good trends typically result in some great day-to-day profits. Limiting your exposure to a certain amount of days and a percentage of equity is helpful when the "bad times" come. But manage it right, stay humble, and adapt to change in market conditions and you won't "blow your account" like everyone says you will. Remember, when you're holding 30+ pairs in your inventory, you're really only managing one big position that you can cut the bad parts out slowly. In doing so, you'll give yourself the time to re-evaluate each "leg" of the "position" (inventory) and re-position as needed.

The toughest part about programming it into an EA is the adaptability. As I mentioned before, always being in the market is a challenge to manage manually as well as challenging for your brain, lol. You'll have times where the market does virtually nothing for weeks on end and you'll have reversals and big trends. But I'd imagine if you're into automated trading, you never really code the same robot once given that the market doesn't stay the same forever. Simplicity is key; take profits at the end of each day, set limits on losers - no matter what those limits are - and don't be afraid to re-evaluate them and change directions if needed. But I'll be around. I'm going to subscribe to your thread to watch how it goes for you, hopefully well! I don't post so much because the conflict(s) disinterests me so please, forgive me for that.

My management system has a lot of discretionary trading involved. I just finished coding an EA to manage it all for me but even still, the program itself allots for discretionary opening and closing of trades.

I'm still of the opinion that the key to long term survival - and even advancement - in this business is to continue funding the account (as well as withdraw) as opposed to taking what meager capital you can scrounge up and risking only that. Companies that utilize markets to make their money never go into battle with a fixed amount of capital. I think, at that point in the equation, is where retail mindset evaporates. Most retail traders begin with a fixed amount of capital, usually, it isn't a lot. As such, they want to hang on to every penny they can; super tight stops rationalized by the whole "risk/reward" adage. As time goes on, they get used to being stopped out all the damn time. The people who come in and say "no stop loss will blow your account" are people who only have so much money to risk and can only afford to lose it all once. If you're actually in this business and use it as a way to generate a living, eventually, you're going to lose what you started with. Even if you start with $20K and work your way up to $100K, chances are, somewhere in between, your aggregate losses will eventually add up to that original $20K.

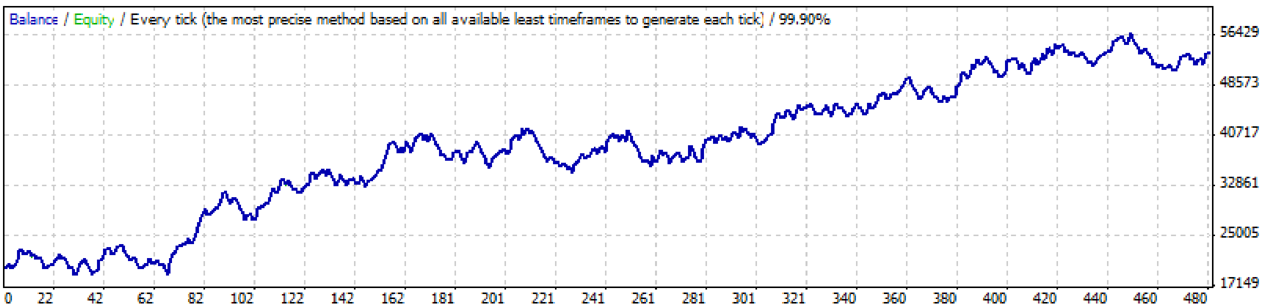
If you can blow your account trading without a stop loss there's two reasons for it:

(1) You don't have enough money
(2) Your lot sizes are irresponsibly large

For example, if you have an account with $20,000 in it and you're trading 1K lots, you can legitimately enter a handful of pairs that can return to 0 and still not wipe out your account. As such, this allots you the freedom to open dozens of 1K positions across a multitude of pairs and simply manage it from the terminal window. Not that you want to hold losing positions forever but, given the amount of price movement and time it would take for an individual position to significantly impact the account, you have more than enough stretch to manage it, even manually. It's simple, most retail folks want to be "day traders" - okay, trade every day. How do you know whether or not to buy or sell for the day? Complex indicators littering your screen? Technical analysis? Why not just month is up -> buy every day or month is down -> sell every day? How do you manage losers? Well, you could always use a stop loss, but if the month is still going in the direction of the trade why not give it 2-3 days to recover? Think the month may be reversing off a high or low? Okay, so switch sides of the market. Think the month is sideways (lots of days crossing the monthly open)? Okay, stay out of that pair, move to another.

Will you take losses? Of course. But you're trading in the direction of a monthly bar (or trend) and, just like everyone else, you're making a guess that whatever condition the market is in when you entered will continue for at least enough time for you to make a profit. Most people fight market complexities with analytic complexity. I'd rather find a way to fight it with simplicity. To me, ignoring all the minutia is the way that suits me.

In my adventure translating my management system into an EA I've done dozens of back tests over 7-8 years of data. None of which result in the account being blown. This was the last back test I ran on a single pair. Currently forward testing it on demo to make sure it doesn't do stupid stuff. The entry and exit criteria are ridiculously simple. The only thing I needed to perfect was the management criteria. While I understand that back tests mean diddly squat when it comes to profitability, at least trading without a stop loss didn't result in the account being "blown" as some would believe.



I mentioned in my post that I can only test it on one currency at a time. The entry criteria are completely static relative to the monthly open. On up months, I buy every day, on down months, I sell every day. At the end of each day, I close trades in a profit, losers are given both a certain amount of days to recover and a maximum percentage of equity to lose before being closed out automatically. The strategy will face it's challenges, particularly during ranging months that involve daily price action crossing the monthly open several times a month and during big monthly reversals. While I've been handling such situations manually for a long time it's a little harder for me to code that into an EA but I'm working on it.

I've ran the strategy on multiple individual pairs trading 1K, 10K, and 100K lots with a starting balance of $20K and no stop losses. Still have yet to blow out an account. The strategy seeks to take a user-defined percentage of equity risk and spread it across however many positions are in the orderbook (total orders). On top of that, the program allots for manually opened/closed trades as well. Given that the system only trades at a certain time (beginning and end of each day), bad trades can not only be closed out, but re-positioned (in the preferred direction). I'd like to be able to code procedures for dealing with big reversals on the month and avoidance procedures for ranging months but, like I said, I'm getting there, lol.

Basically, my EA trades the way I always have; by isolating the month and trading every day of the month and capitalizing on the net change of the month on a day-to-day basis.

To put it plainly; trading without stop losses really isn't all that big of a deal so long as the trader does his or her due diligence in managing losing trades. To be honest, while trading without a stop loss doesn't necessarily give you a "statistical edge" it definitely refines your mindset when it comes to risk and capital management. The more you do it, the more self-control you learn and the quicker you can adapt to market changes without combing over dozens of indicators or being paralyzed by technical analysis.

How many idiots leverage themselves to the hilt on a single stupid trade with a 10-20 point stop loss day in and day out? Just go out and explore some threads to find out how man of 'em do. Plodding through philosophical platitudes and "us vs them" mentality with their brokers, blaming everyone but themselves. To me, regardless as to what trading plan you use, if you're not doing what 95% of the people on this forum (or any forum) are doing then you're on the right track.