

The Beast



USER'S MANUAL

By: Steve Hopwood

A Steve Hopwood Production
Original Screenplay by MacMan
Directed By Nanningbob
Production Assistants FX Dragon, Krypty
Supporting Cast and Credits: All other contributing members at Forex Factory
too numerous to list

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GENERAL INFORMATION

Remember: **this is an H1 trading system**. Trading the lower time frames is a waste of time; trading the higher buggers up The Beast's calculations.

The Beast has two trading systems:

1. A retrace system based on an idea by MacMan. It uses a “sixths-line” calculation to find optimum Entry and Exit points calculated from bar history for individual pairs. These calculations produce 5 horizontal lines which are automatically plotted on your chart for you; these lines are then used by The Beast for Entries and Exits. The bar history is recalculated at every new bar - enough movement and you get new Entry and Exit points; any unfilled pending orders are moved in line with the new Sixths values.
2. A trend-following system that trades out of the box created around the middle white line.

Relevant User Inputs are in **red**; brief descriptions of important inputs are in **blue**. The Trade Management Module is basically from the Multi Purpose Trade Management EA coded by Steve Hopwood, and so it isn't covered in depth here. If you aren't familiar with it you should be - very nice piece of work. Both the MPTM EA and the detailed instructions .pdf can be downloaded here:

<http://www.forexfactory.com/showthread.php?t=89371>

Nanningbob's original method can be found here:

<http://www.forexfactory.com/showthread.php?t=246113>

Live trading

I trade TB live on most available pairs. I try to release TB using the inputs I am trading live, apart from the lot sizes; I do not always remember to turn back input values, so user beware when you download an update..

If you trade TB live on an account, it is best not to trade another system on the same pairs. TB regards *any* open trade as its own.

Users need to hide as much information about their activities from the criminals as possible. Magic numbers and trade comments make it obvious when a trader is using a trading robot. This is why TB has no magic number and I release it with blank trade comments. The crims can still work out we are using a robot, but there is no need to make it easy for them.

TRADING STRATEGY – EVOLUTION OF A BEAST

A few months ago, Naningbob posited this basic strategy:

- Pull the H4 chart out until you can see the previous 4 weeks work of trading
- When the market is in the top/bottom sixth of the chart, it is ready to retrace back towards the centre.
- As an aid to dividing up the charts, Bob published a Sixths indicator that draws the relevant lines on your chart.

Bob makes great use of Bollinger Bands as an extra trade filter. Read his strategy at <http://www.forexfactory.com/showthread.php?t=246113>. New/inexperienced traders can learn how to trade by reading here and following Bob's methods manually.

Using the Sixths indicator, the top and bottom Gold lines delineate the trading zone. In between the top and bottom green lines are the 'killing zone' where most traders try to catch the trend and get financially murdered by this attempt. Bob's premise is simple; wait until the trend has run its course temporarily, then trade the inevitable retrace.

I coded NB V5. It was succeeded first by The Beast, then by The Old Beast. I cannot recommend NB V6 for actual trading and mention it only because it is part of the evolution of The Beast, which would not have been born without NB V5. The thread is found at <http://www.forexfactory.com/showthread.php?p=3913795#post3913795>.

A few weeks after I published NB V5, MacMan contacted me to ask me to code a robot to trade his slant on Bob's system. MacMan is one of the best and most clever traders here at FF; when he posts, take notice of what he says. He wanted an ea that:

- H1 charts
- When the market is above the Sixths top Gold line, send a pending Primary sell trade at the Gold line and a secondary trade for half the lot size at the top Green line. Vice-versa at the opposite end of the chart for a buy.
- Close both trades when the market reaches the middle White line.

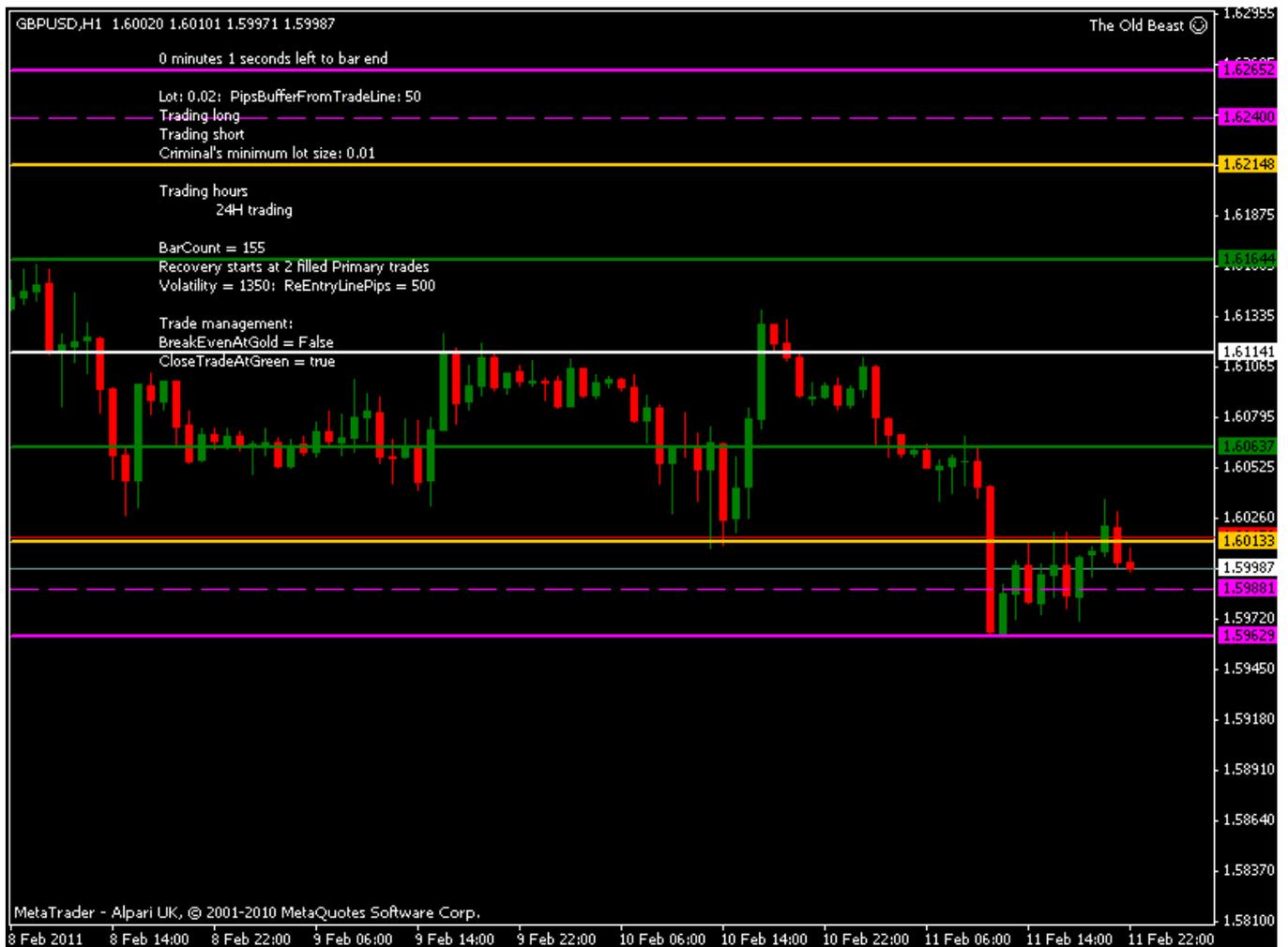
Thus was born The Beast. I published it at FF and there followed several weeks of development. There are a couple of threads devoted to this:

- <http://www.forexfactory.com/showthread.php?t=259284> where I first posted The Beast.
- When this descended into farce, I opened a second at <http://www.forexfactory.com/showthread.php?p=4135863&posted=1#post4135863>. Some serious development continued throughout this thread.

During The Beast's development, we battled constantly with drawdown, as the market allowed trades to fill at the Gold lines then carried on its merry way in the direction of the original trend. Despite this, many of us were trading TB live and making pips.

I noticed that the market did not often move outside the areas that would be delineated by the high and low from which the Sixths are calculated, so I added these lines to TB, along with dashed lines half-way between the top Magenta line and its partner Gold line.

With TB running, your chart will look something like this, if you pull out so you can see the whole sixths system:



I coded TB to send pending trades when the market reaches the outer Magenta lines, the price represented by the dashed lines.

I started to experiment with versions of The Beast that used what I light-heartedly call Stealth Technology, calling these Experimental versions. Eventually, one emerged that looked to have a future and so the live-trading version morphed into The Beast (TB). From here on, this is the version that this document describes.

Many of us are trading this version of TB live and making pips from it. The robot you want to trade this is **The Beast**; it is available from post 1 in the thread from which you downloaded this document.

Our experiments with Stealth Technology are not continuing. Also, Bob published and H1 trend-trading system that meshes perfectly with the counter-trend method. I amalgamated the two systems into Beastie. Find Beastie at

<http://www.forexfactory.com/showthread.php?p=4331411#post4331411>; it has the same counter-trend trading engine as TB; in fact, we developed the Volatility stuff used here in Beastie's thread. New traders, there is a section for you at the end of this document that describes how to spot a trend and therefore when to look for the retracements that this robot trades.

The Beast has no Stealth Technology because:

- Some traders are unable to use it on their platforms
- Some traders prefer the security of seeing actual pending trades sent to their platform, rather than held in virtual memory as required by Stealth.

I closed TB's thread for a while because I thought that Beastie would offer us everything we need. This assumption turns out to be incorrect, but a lot of the thread is irrelevant to TB as it now is. Read post 1 with care, then cut to post 620 on page 42 to catch up with any subsequent developments (<http://www.forexfactory.com/showpost.php?p=4391476&postcount=620>), and see how Experimental Old Beast morphed into The Beast you have downloaded.

Profitable trade exit:

You have various trade-closure level options, including one to tell TB to calculate the level for you:

- **CloseTradeAtGold:** closes the trade when the market reaches the gold line
- **CloseTradeAtGreen:** closes the trade when the market reaches the nearest green line
- **CloseTradeAtMiddleWhiteLine:** closes the trade when the market reaches the middle white line

AutoCalcTradeClosureLine: tells TB to calculate the appropriate trade closure line according to the pair's volatility: as calculated by TB. How you set these depends on what you want TB to do:

- TB to take complete control of CT trade-closure:
 - Set all of the CloseTradeAtxxx inputs to false Set AutoCalcTradeClosureLine to true
- Select the trade-closure line yourself then have Beastie close the trade when appropriate::
 - Set one of the CloseTradeAtxxx inputs to true
 - Set AutoCalcTradeClosureLine to false
- Take full manual control of all CT trade closure:
 - Set all of the CloseTradeAtxxx inputs to false
 - Set AutoCalcTradeClosureLine to false

White Box Trading

If enabled, wbt works like this:

- The market enters the box around the middle white line
- TB places pending buy and sell orders above and below the box.
- Eventually, one of the pendings will fill. From here either:

1. The market will cooperate and continue to move in the direction of the trade. When the trade hits tp, TB will delete the partner pending trade.
 2. The market will retrace and fill the partner pending as well. Eventually, one of these will hit tp leaving its partner open and heavily into dd. From here, TB will regard this as a normal counter-trend and manage it to closure through Recovery. This is where Pippo's brilliant 1.2.6 Recovery comes into play.
- The inputs are:
 - DoWhiteBoxTrading: enables/disables this style of trading.
 - WhiteBoxPips: sets the box size. TB draws white dotted lines WhiteBoxPips above and below the middle white line.
 - PendingHedgePips: the distance from the box hi-lo to send the pending trades.
 - BoxBreakevenProfit: the amount of profit to lock in when the market reaches the gold line (irrelevant unless CloseBoxTradesAtMagenta is selected).
 - CloseBoxTradesAtMagenta, CloseBoxTradesAtGold, CloseBoxTradesAtGreen: enable one of these as your box trade take profit.

NANNINGBOB RECOVERY SYSTEM

Once a trade is open, TB should not take out new trades at less than **MinPipsFromLastEntry** pips distance from an existing trade (at the time of writing defaults to **50**). This means that the first trade is quite a long way into drawdown when the second is taken.

Once **Start_Recovery_at_trades** trades are open (defaults to **2**), TB concludes that Recovery is necessary and begins the process.

You have 3 choices of Recovery:

- 1.1.3.3
- 1.1.2.4
- 1.2.6 (the default)

TB works out the breakeven take profit for the basket of open trades and adjusts the tp's accordingly.

It draws a breakeven line on the screen. If users highlight and move this line, TB will adjust the tp's according to the new value of the line.

When in Recovery, TB draws the re-entry line - you have to understand Bob's Recovery to understand this – visit his thread to read about it. You can set the re-entry line distance with the **ReEntryLinePips** input.

Leave this set to zero to have TB calculate it for you.

By the time Recovery kicks in, the market has a fair way to go to recover to breakeven. A move strong enough to do that most likely has some strength left, so **RecoveryBreakEvenProfitPips** allows you to add a few pips to the breakeven tp.

You can opt out of Recovery and have a stop loss instead. Just do not opt for *both* Recovery and SL - you will cause chaos.

Recovery is not easy to understand, so I have added a full description at the end of this pdf, just ahead of the 'Basics for Newbie's' section.

HEDGING

There is an unbreakable, unshakable, unavoidable rule when trading Forex and it is this: if an event *can* happen, and said event is bad for you, then it *will* happen. Therefore, there will come a time when a pair trends massively against you and leaves your initial and Recovery trades ridiculously into drawdown.

In this event, TB will attempt to hedge you out of trouble if hedging is enabled. The first thing TB tries to do is ascertain whether the market is trending against you by consulting the D1 Rsi(20). This will result in 3 possible readings:

- Rsi > 55: market is trending upwards
- Rsi < 45: market is trending downwards
- Rsi in between 45 - 55: market is ranging

There is a multi-timeframe Rsi attached. This will display the D1 Rsi(20) on your H1 charts. You don't need it, but it is available if you want it.

If you have hedging turned on (i.e. **UseHedging = true**) then TB will hedge trades at **HedgeAtLossPips** if the market is trending in favour of the hedge trade and against your original trade. TB will then monitor the entire position and close it at breakeven.

The long term success of this strategy is yet to be proven. Remember also that hedging is not available to those of you whose accounts are held by US criminals; you need to remember to turn hedging off.

Stop Loss

If you turn the stop loss on and leave it set to zero, TB will calculate the stop for you, using $Atr(20) * 3$.

SETTING UP The Beast

Initial setup

Close down your MT4 platform.

- The Beast calculates the Sixths lines for you. The indicator it simulates is attached for you to play with, but you do not need it.
- Download 'The Beast.mq4' to your Expert's folder.

Restart your platform.

- If on demo, start as many charts as you want (don't trade live until you understand the behavior of the bot).
- **Use H1 charts**
- Load The Beast onto each chart.

If this is a newly downloaded demo, you need to make sure Expert Advisors are enabled. MT4 defaults to a neat little trick; ea's are disabled and you can stare at one for days wondering why it is refusing to work. So:

- Click Tools|Options and select the Expert Advisors tab.
- Put ticks in the boxes next to:
 - Allow Expert Advisors
 - Allow live trading
 - Allow DLL imports
 - Allow external experts imports
- Remove ticks from all other boxes
- Click the OK button
- If EA's are now enabled, yours will be showing a smiley face in the top right corner of your chart. Previously, it would have been wearing a frown.

Downloading updates

This appears to be beset with difficulties. On the face of it, this should be a simple matter: close down the platform; download the update; restart the platform; voila, updated version in place, yes?

Not every time, it seems. It transpires that a download can *appear* to be successful even though it has actually failed, and you are left with the original version not the latest with no intimation that this has happened. No idea why this happens but I can suggest two possible reasons: MT4 is crap; Windows is crap. Put two lots of crap together and you are left with a whole heap of crap.

So, when downloading an update, here is how to attempt to make sure you really do have the latest version:

- shut down the platform.
- use Windows Explorer or some-such to delete/rename both the .ex4 and mql4 files

- restart the platform to make sure the ea has disappeared
- shut down the platform again
- download the updated EA
- restart the platform
- re-drag the updated EA onto your charts

Bit of a faff but there is nothing I can do about this. Hey, look on the bright side. You are getting an EA that should cost \$thousands for free; all you have to do is a bit of faffing around.

INPUTS AND OPTIONS

Note: all pip inputs require you to enter them as 'proper' pips as shown in the defaults. TB automatically adjusts these inputs to cater for different digit criminals.

General inputs

General EA inputs settings are defaults and have been optimized. It is recommended you leave them at these settings until you are familiar with TB and how it operates.

Lot=**0.02**

User defined lot sizes for your trades. Make sure the lot sizes are acceptable to your criminal.

StopTrading=**false**

true, turns off TB EA
false, turns on TB EA

TradeLong=**true**

true, allows long trading (i.e. Buys)
false, stops long trading

TradeShort=**true**

true, allows short trading (i.e. Sells)
false, stops short trading

MaxTradesAllowedPerPair=**5**

Maximum number of trades per pair after original Entry

MaxOpenPairsAllowed=**5**

Tells TB how many pairs you will allow to be traded at any one time. It will continue to add Recovery/Hedge trades, but should not start trading new pairs.

PipsBufferFromTradeLine= **5**

sends the Primary pending trade when the market comes within this number of pips of the outer lines

MinPipsFromLastEntry=**50**

Minimum number of Pips away from last trade before re-entry

MaxSpread=**120**

Tells TB what is the largest spread you will accept. If exceeded, TB will abort sending a fresh pending trade, or delete an existing one. This you enter as your criminal displays them, so the default is for a 5 digit crim; if yours is still a 4 digit, then you need to adjust this considerably.

TouchesRequired=**0**

There is a new input: TouchesRequired. This tells TB how many times the market must breach the buffer around the outer magenta lines to trigger a trade. Leaving the default at zero or 1 turns this off and TB will display no information about it.

Trade Style Choices

CounterTrendTrading=**true**

This is if you want to do counter trend trading as described per basic system of Nanningbob

OnlyCTTradeForRecovery=**false**

This is primarily used in conjunction with White Box

UseZeljko=**true**

The function is called just before TB and EOB sends a trade, and works out whether the proposed trade would break the only-trade-a-currency-twice-if-the-trades-balance rule. The function splits up the chart pair into its constituent currencies and aborts the trade by returning 'false' if the trade would not balance with an existing one.

OnlyTradeCurrencyTwice=**true**

Made only to trade a currency twice an option, for example GU and EGpb

White Box Hedge Trading

DoWhiteBoxTrading=**true**

Draws a box around the middle white line, to create a trade-from-within area. The box size is a user input.

When the market enters the box, place pending buy and sell trades x pips above the box for the buy, and below for the sell. No stop loss. Take profit is whichever dashed magenta line is appropriate.

WhiteBoxPips=**10**

PendingHedgePips=**10**

BoxBreakEvenProfit=**10**

CloseBoxTradesAtGold=**false**

Available Margin checks

There are 2 account margin filters to prevent TB taking trades when the margin is getting low.

UseScoobsMarginCheck=**false**

UseScoobs will stop trading if your account margin > your free margin divided by 100

UseForexKiwi=**true**

UseForexKiwi will stop trading if your margin percent drops below your selected figure.

Watch the defaults; they are my preferences.

FkMinimumMarginPercent=**1100**

Bar Count

BarCount=**0**

Leave at 0 to have TB calculate Bars Back for you (highly recommended)

UseMax=**false**

UseChaserL=**true**

Calculated on a 20 day bar count

CCIHelp=Hourly Period for CCI MA

CCIPeriod=**120**

Gold Line Stuff

BreakEvenatGold=**false**

GoldLineBEP=**10**

Trade closure

CloseTradeAtGold=**false**

Closes the trade when the market reaches the gold line

CloseTradeAtGreen=**false**

Closes the trade when the market reaches the nearest green line

CloseTradeAtMiddleWhiteLine=**false**

Closes the trade when the market reaches the middle white line

AutoCalcTradeClosureLine=**true**

Tells Beastie to calculate the appropriate trade closure line according to the pair's volatility.
Calculated by Beastie.

How you set these depends on what you want Beastie to do:
Beastie to take complete control of CT trade-closure:

set all of the CloseTradeAtxxx inputs to false
set AutoCalcTradeClosureLine to true

Select the trade-closure line yourself then have Beastie close the trade when appropriate:
set one of the CloseTradeAtxxx inputs to true
set AutoCalcTradeClosureLine to false

Take full manual control of all CT trade closure:
set all of the CloseTradeAtxxx inputs to false
set AutoCalcTradeClosureLine to false

Volatility inputs

Beastie calculates the volatility of a pair by working out its average pips movement per day, over the period set in **LookBackDays**. The four inputs that follow this allow you to set your boundaries for levels of volatility that Beastie works with:

Recovery

all four inputs are used to calculate the re-entry line.

Trade closure

LowVolatility: trades close at the Gold line

Medium and HighVolatility: trades close at the Green line

PsychoticallyDeranged: trades close at the middle White line

Swap Filter

CadPairsPositiveOnly = **True**

AudPairsPositiveOnly=**True**

NzdPairsPositiveOnly=**True**

I have added filters that allow you to make TB trade only in the direction of positive swap on the CAD, AUD and NZD pairs. Sing out if you want any more added. The inputs are CadPairsPositiveOnly etc; when enabled TB will trade only in the direction of positive swap, apart from hedging.

Recovery

UseRecovery=**true**

true, uses Macman style Recovery

false, Recovery is disabled

Start_Recovery_at_trades=**2**

Number of trades before Recovery kicks in

Use1.1.3.Recovery=**false**

Use1.1.2.4.Recovery=**false**

Use1.2.6Recovery=**true**

ReEntryLineColour=**Turquoise**

BreakEvenLineColour=**Blue**

ReEntryLinePips=**0**

Leave at 0 to have TB calculate Bars Back for you (highly recommended)

RecoveryBreakEvenProfitPips=**20**

Number of pips above BE to attempt small profit when in Recovery Mode

UseRecoveryTradeProfitLockin=**false**

Rts=Recovery Trailing Stop

UseRecoveryTrailingStop=**true**

RecoveryTrailingStop=**10**

RecoveryStopLossLineColour=**Red**

Manual Control of Outer Lines

ManuallySetHiLo=**false**

AutoAdjustToNewHiLo=**false**

This is the input to tell whether or not to adjust to new hi-lo's made by the market.

Drag the robot onto a chart, setting ManuallySetHiLo to true. TB draws the lines automatically at first. To adjust them, either click and drag, or use the horizontal line price property box. The EA then automatically adjusts the other lines.

Stop loss

UseStopLoss=**false**

false, Stop Loss is not used

true, Stop Loss is used – **Warning** – Do NOT use with **UseRecovery=true**

StopLoss=**0**

Number of Pips to use for Stop Loss if enabled

TRADE MANAGEMENT MODULE

Most of these are copied from Multi Purpose Trade Manager, known universally as mptm. There is a detailed user guide for mptm. The manager and guide are available free at <http://www.forexfactory.com/showthread.php?t=89371>

These features are available within TOB:

- Break even settings
- Jumping stop loss settings
- Trailing stop loss settings
- Candle trailing stop settings
- Hidden stop loss settings
- Hidden take profit settings
- Hedging

Candlestick trailing stop

UseCandleTS=True

I have added the candlestick trailing stop requested by several users. Set UseCandleTS to true to use this. It should move the stop of a trade to the hi-lo of the previous candle, so long as the trade is in profit and there is sufficient distance between the stop and the market to allow the stop to be set. A good use for this feature would be: turn off the automatic trade closure line feature and set the white line as your closure target. This would take advantage of a big move.

Trading hours

You set these up using your own local time – no need to worry about criminal's time, GMT, sacrificial chickens or anything else. Use a 24 hour clock.

start_hourm = 0: Morning start time

end_hourm = 12: Morning end time

Trade_Hours_E= "Evening Hours 12-24"

start_hour = 12: Afternoon start time

end_hour = 24: Afternoon end time

DISCLAIMER AND RISK DISCLOSURE:

Trading foreign exchange on margin carries a high level of risk, and may not be suitable for all investors. The high degree of leverage can work with as well as against you. Before deciding to invest in foreign exchange you should carefully consider your investment objectives, level of experience, and risk appetite. The possibility exists that you could sustain a loss of some or all of your initial investment and therefore you should not invest money you cannot afford to lose. You should be aware of all the risks associated with foreign exchange trading, and seek advice from an independent financial advisor should you have any doubts.

I will put this a tad more bluntly:

Most Forex traders lose all their money.

- Using The Beast in trading Forex does not guarantee success.
- Trading with The Beast could lead to serious financial loss.
- Trading The Beast without understanding its underlying trading strategies *guarantees* traders will lose their money.
- To trade The Beast, you have to understand how to use the Sixths indicator. To learn how to do this you need to learn NanningBob's V5 trading system, so go to <http://www.forexfactory.com/showthread.php?t=246113>

Good luck. Have fun. The rest of us are. We are making money as well.

The RECOVERY SYSTEM

Nanningbob's Recovery system is based on this very simple principle: no matter how far a market moves, it *will* retrace eventually. As I often put it, "Dem markets dey go up, den dey go down again, den dey go up again, den....."

So, rather than insert a conventional stop loss and crying when it is hit, Recovery allows you to ride the move against you and enter with additional trades when the moment is right. You will see these options in the Recovery inputs:

- Use1.1.3.3Recovery
- Use1.1.2.4Recovery
- Use1.2.6Recovery

Isolate the numbers from these inputs and we are left with:

- 1.1.3.3
- 1.1.2.4
- 1.2.6

In Nanningbob-style trading, we talk about trades at Level 1, Level 2, Level 3 and Level 4. Level 1 is the initial trade. Levels 2, 3 and 4 are Recovery trades. The digits in the 1.1.3.3 and 1.1.2.4 refer to multipliers of the initial lot size So:

- in 1.1.3.3:
 - 1 is the L1 trade (Level 1 or initial trade) at your chosen lot size
 - 1 is the L2 trade at your chosen lot size
 - 3 is the L3 trade at your chosen lot size x 3
 - 3 is the L4 trade at your chosen lot size x 3
- in 1.1.2.4:
 - 1 is the L1 trade (Level 1 or initial trade) at your chosen lot size
 - 1 is the L2 trade at your chosen lot size
 - 2 is the L3 trade at your chosen lot size x 2
 - 4 is the L4 trade at your chosen lot size x 4

TB will only send Recovery trades when:

- The trade has moved ReEntryLinePips against you **and**
- The conditions are correct to enter a trade, i.e. the market has touched the relevant outer magenta line and has triggered a pending trade. It will **not** merely send a trade because the market has moved x pips against you. In other words, it trades Recovery as it trades normally.

Here is how it works. Imagine you are using 1.1.2.4 and RecoveryLinePips = 100 (proper pips, not 5 digit wally-plonker-dipstick-crim points):. For the purpose of this example, imagine that 1 pip = \$1:

- An L1 sell trade fills. The market continues to rise and goes 100 pips against your trade.
- TB looks for an opportunity to enter an L2 sell trade at your normal lot size. This arises, so you have two trades open:
 - L1 is -\$100
 - L2 has just opened at your normal lot size.
- The market co-operates and begins to fall. If falls 50 pips. At this point:

- L1 is -\$50
- L2 is +\$50
- so the position is at breakeven and can close
- Suppose the market refuses to cooperate and rises another 100 pips, so now:
- L1 is -\$200
- L2 is -\$100
- TB looks for an opportunity to enter an L3 sell trade at double your normal lot size. This arises, so you have three trades open::
- L1 is -\$200
- L2 is -\$100
- L3 has just opened
- The market co-operates and begins to fall. Because your L3 trade is at double your lot size, we double the effect of the L3 on the open basket of trades. The market falls 75 pips
- L1 is -\$125
- L2 is -\$ 25
- L3 is +\$150
- so the position is at breakeven and can close
- Suppose the market refuses to cooperate and rises another 100 pips, so now:
- L1 is -\$300
- L2 is -\$200
- L3 is -\$200
- TB looks for an opportunity to enter an L4 sell trade at four times your normal lot size. This arises, so you have four trades open::
- L1 is -\$300
- L2 is -\$200
- L3 is -\$200
- L4 has just opened
- The market co-operates and begins to fall. Because your L4 trade is at double your lot size, we quadruple the effect of the L4 on the open basket of trades. The market falls 90 pips
- L1 is -\$210
- L2 is -\$110
- L3 is -\$20
- L4 is +\$360
- so the position plus a few, is at breakeven and can close

The reality is that L3 is rarely reached, although it does happen occasionally. I have yet to reach L4 in my live or demo trading. It will happen one day, but you can see that this involved a *huge* movement against my original trade.

This process is self-limiting and holds within it the means to get out of an increasingly nasty situation. Once a L4 trade is sent, TB can do no more and it is up to traders to manage their way out of the situation. Turn off the bot. Suppose the market continues to move against the trade and moves a further 100 pips against us?

- Now we have:
- L1 is -400 (original lotsize)
- L2 is -300 (original lotsize)
- L3 is -200 (original lotsize x 2)
- L4 is -100 (original lotsize x 4)

- From here, we start closing trades in the order of oldest first. A re-entry opportunity arises so we::
- Close the L1 trade and cry
- Mentally move all the trades down a level, so the old L2 is now L1, old L3 is now L2 and old L4 is now L3
- We start the lot size process afresh, so the new L4 trade is the original lot size.

Reaching the point described in the last paragraph would not be a happy experience, but it is important to remember that **there will never be more than 4 trades open**, so we cannot blow our accounts unless we start with an oversized lot size to kick off with. The worst losing trades always get kicked off the end. It will make a dent in the account, but will take a long time; in the meantime, other successful trades are continually adding to the balance to offset the problem.

Mind, if *this* does not convince you to trade tiny lot sizes, then you are an idiot and should be shot.

Also, if it makes you want to use stop losses instead then go ahead and try them. You *might* keep it up for a week, if you are absolutely determined to ignore the advice of all the experienced traders that sl's and this trading system do not go together; I doubt it.

The BASICS FOR THE NEWBIES

Newbie traders, be afraid. **Be very afraid. You are going to lose your money when you start trading live.** Unless you are exceptionally clever, it will take you two years of hard study to stop losing money. By then, you will have blown an account or five. If you last that long, you will stop losing and start to understand what you were doing wrong. When you go live, do so with a couple of hundred dollars that you can afford to lose. **Do not** start a large live account.

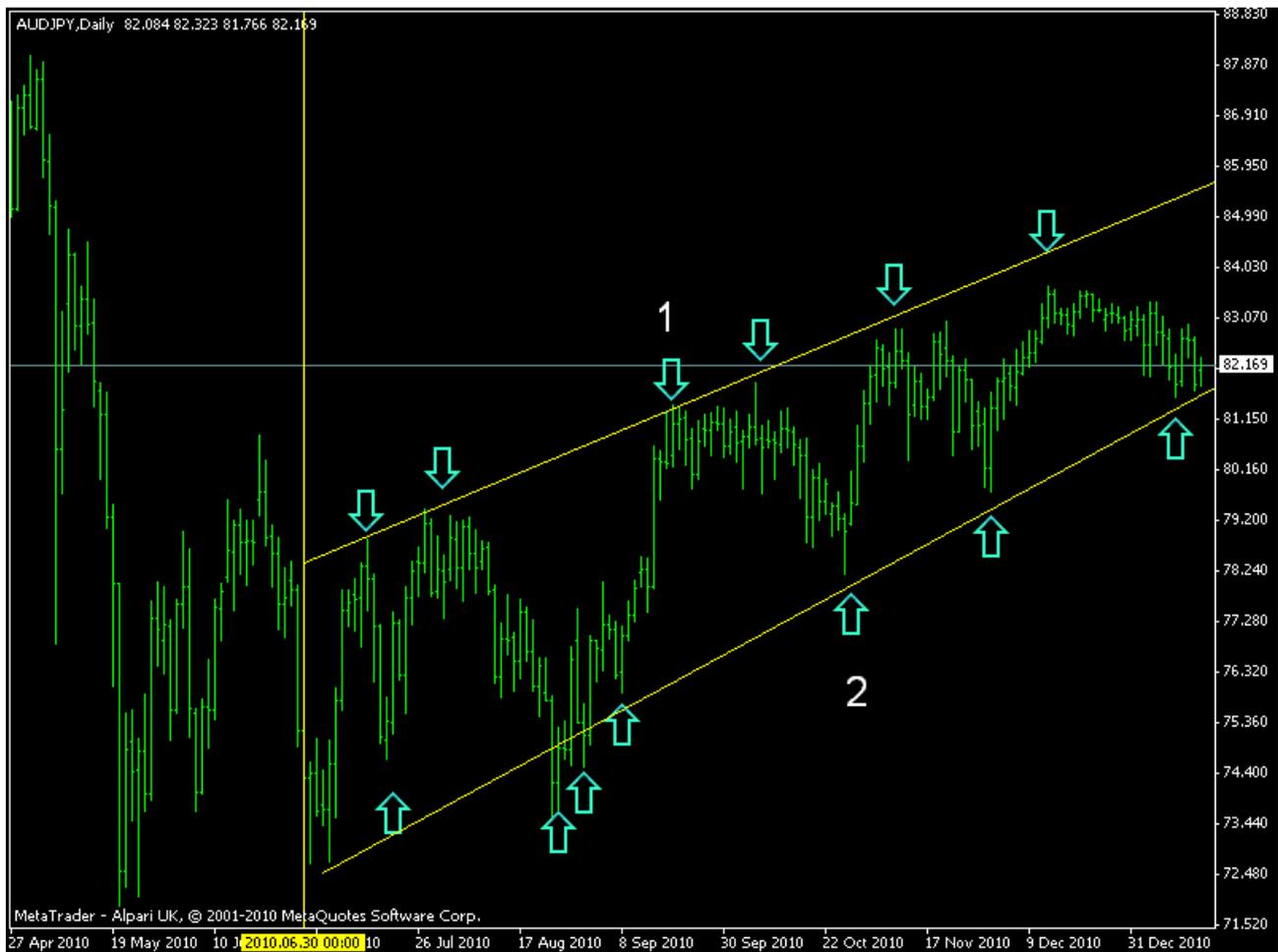
Identifying a trend

You will often hear different varieties of statements about trend trading. The most common ones are:

- Trade with the trend
- Let the trend be your friend

If you have been trying to follow this advice and trade in the direction of the prevailing trend, and are not already an experienced trader, then your attempts to do so will often have met with failure. Time and again, you will have identified a trend and jumped on the bandwagon, only to see the market instantly reverse against you and eventually stop out the trade – often minutes before the market resumes in the direction of the trend.

Spotting a trend is relatively easy. Look at this chart and ignore the numbers 1 and 2 for now:



Look at the candles to the right of the yellow vertical line. They are tracking upwards. Our reading tells us that an uptrend consists of higher highs and higher lows, but this is not always a simple concept to grasp when faced by charts we basically do not understand.

Now look at the downward pointing arrows; these highlight new highs – what we call a 'swing high'. These rise towards the right of the chart.

Then look at the upward pointing arrows. Leaving aside the blip of the second one, they are all rising. These highlight higher lows – what we call a 'swing low'.

So, we have rising highs and rising lows; we are in an uptrend.

This is a doddle to see in hindsight, but what of the reality of the actual moment in time we occupy? What is going to happen? Look at the final candle in the chart. What happens next? Will the trend continue? Will it reverse? Nobody knows, so we do not try to guess.

Next, look at what happens in between the highs. The price dips, often a long way. We call this a 'retracement'. The market moves in waves like this all the time. So, even a strong

trend will have periods when the market is moving in the opposite direction. So, we can identify that:

- **An uptrend** is characterized by higher high points (peaks) and higher low points (troughs). Each peak is followed by a trough, where the market has retraced to a new low, but the low is higher than the previous one.
- **A down trend** is characterized by lower low points (troughs) and lower high points (peaks). Each trough is followed by a peak, where the market has retraced to a new high, but the high is lower than the previous one.

This pattern of price movement followed by retracement causes newbie traders no end of trouble. Time for some homework. Go to some charts and identify some trends for yourself. Work out how to draw the trend lines with the tool provided for you by the mt4 platform. You will learn much.

Now I can describe where newbie traders get things so horribly wrong in your early trading attempts. Go back to the chart above and look at the lowest point in the market a few candles to the left of the vertical yellow line – just above where it says 'Alpari UK'.

The market had dropped with stone-like determination. Imagine you are at that point in time – you cannot see the rest of the chart because it has not happened yet. The market is clearly trending down; it is going to hell in a hand basket Time to sell, so you take out the sell trade.

Just before the market starts to scream upwards. Again. As usual. If you were lucky/determined then you might have exited with a small loss a few days later. If not, the price never again reached your entry price and your stop was hit – or you are stuck with an open trade so far into draw down that the cost of closing it is horrible.

So, whilst all this has been going on, you have been reading and learning. You now realise that it takes time to identify that a trend is in place and are prepared to wait. Finally, you identify that an uptrend is in place. By the time you get to the point marked 1 on the chart, you have recognized higher highs and lows; the market is trending upwards. Remember, you cannot see the rest of the chart and do not know what will happen next.

At this point in our development as traders, most of us still had trouble coming to grips with another couple of central tenets of trading, which are:

- when the price is high, the experts will be selling – 'sell into a rising market'.
- When the price is low, the experts will be buying – 'buy into a falling market'.

This is counter-intuitive. The market is trending up; the price is rising; surely we should be

buying?

So, at point 1 you confidently take the buy trade.

Just before the market plummets. Again. As usual. If you have balls of steel and stay with the trade, it works out eventually – very, very well in fact. Most of us will have closed it either manually or at a stop loss a long time before it turns around.

The point at which you *should* have bought is point 2 on the chart. The trend is established; the market has followed one of its wave-like retracements and the time is ripe for entering the trade.

I provide all this for information and enlightenment only. TB makes no attempt to trade the trend. TB scalps the inevitable retraces that occur during a trend, or the move from the middle of the Sixths to the top/bottom (white box trading)..

Once more concept that newbie's often fail to grasp immediately. There is a **trade setup** and a **trade trigger**.

- The trade setup is when conditions are right for trading in general terms. For example, we want to buy a pair so we want an uptrend. When we have firmly established that the trend is up, this is the trade setup. On the chart higher up in this pdf, the setup occurs at point 1, when we have identified the uptrend.
- The trade trigger is that precise moment when it is right to enter the trade. On the chart higher up, the trigger is point 2, when the retracement is at its lowest.

For TB:

- Counter-trend trading:
 - The *setup* is the market reaching the outer, solid magenta lines.
 - The *trigger* is the market retracing to the inner, dashed magenta lines.
- White box trading:
 - The *setup* is the market reaching inside the white box
 - the *trigger* is the market filling one or both of the pending trades