

## **Sentry User's Guide and Strategy Explanation**

### **Intro Into Market Spikes**

After years of trading high impacting news releases in the forex and futures markets, by using expensive high end news feeds and specialty software to trade market "spikes" (fast move up or down), I began to see a particular pattern emerge within these spikes. Not only for news releases but for MANY other reasons as well. Some of these reasons can be: Break of Support or Resistance areas, broken Trend Line, Price breaking through Big Round Numbers, Break of Popular Moving Averages, natural disasters, breaking news, etc.

Every time this happens traders and automated trading robots enter the market (in milliseconds) for quick profits. This causes the markets to spike. Sometimes you might see these moves and join in. Then what happens to this move, the breakout? It turns right around and heads back to your stop loss or point of origin. The reason for the spike was the reaction from the robots and the very fast traders, but what was the reason for the spike to collapse? The answer is simple: Profit taking or exiting of positions by the traders and robots that entered into the market before you did.

I'll explain. Let's say the market spiked up after the news, broken trend line, round number, etc.. Well the market spiked up because everyone very quickly bought the currency pair with BUY orders. When they went to exit their positions for the quick profits they used an equal amount of SELL orders. This drove the market back down a bit. I'm telling you that this much of the move is predictable! It happens around the clock, a minimum several times a week, per currency pair.

So what can we do with this information? Build a new way of trading spikes and times with expanding volatility. These days that have expanding volatility (bars and moves that are larger than normal days), especially following news releases for up to 30 minutes, are happening 4 times as often as they were just 5 years ago. The markets have changed and we have our finger on the pulse.

**The strategy works like this** - The market jumps or spikes a few ticks, traders and other robots react and push it further -or- push the move back to the point of origin. Sentry waits for these panic moves and trades **after** the initial retracement (pull-back). Then it places a BUY\_ORDER a predetermined amount above the high of the bar and a SELL\_ORDER a predetermined amount below the low of the bar.

If the initial move was correct the second push will continue in the direction of the initial spike and we will scalp a few pips safely off the continued push to extend beyond the initial move. Or if the first move was weak or incorrect the market will head the other direction and pick up our order in the opposite direction of the initial move and scalp a few pips as the move is extended. Simple and beautiful. It works! Statistically this strategy has huge potential.

Spike happens and market retraces a bit. Pending orders are set. (below)



The REAL move happens and the Advanced Trailing Stop is engaged. (below)



**The trade closes for quick safe profits.**



### **Instructions for testing:**

1. Download a free copy of Sentry.
2. On your MT4 platform, Go to Tools> History Center.
3. Download History for EURUSD.
4. Open the Strategy tester and select a date to start the test.
5. Select the "1 Minute Time Frame."
6. Select "Every Tick" for testing model.
7. Set spread at 1-10 points. A real ECN account never goes over 5 points on EURUSD and neither should yours ;).
8. Run back-test.

### **Instructions for live execution:**

1. Get an ECN account with a low spread. ECN is critical because they pass your trades onto the market and do not get upset when you start making large amounts of money. A real ECN will be happy when you're successful (believe me) and you will not have problems making withdrawals.
2. I recommend a VPS close to your broker. It's not necessary but if you're dead serious about making the most money possible. It's worth the ~ \$ 50 a month. You'll get slightly better fill prices with reduced latency.
3. Run pairs that have a decent spread (if you're using a 5 tick trailing stop you do not want to get into trades when the spread is 5, get it?). This is not rocket science, you can do it.

**Note on optimizing:** Default settings are great for running on EURUSD. It is possible there are better settings for a particular pair or instrument. I leave finding those settings up to you. I strongly recommend always using the 1 minute time Frame.

### **Description of User Defined Variables**

- **Money Management** - choose between "Dynamic Lots" and "Static Lots" in the drop-down menu.
- **Risk Setting** - risk setting to be used with dynamic lot sizing.
- **Fixed Lot Size** - if using fixed lots, this will be the lot size.
- **Max Spread Live** - maximum spread allowed at time of trade.
- **Max Spread Avg** - maximum average spread (last 30 ticks) allowed for operation.
- **Offset Above/Below bar** - (pips) This is the amount of pips above and below the bar the stop orders will be placed.
- **Min Spike Size** - (pips) The Minimum spike size to be considered.
- **Max Spike Size** - (pips) The maximum spike size to be considered.
- **Spike/Retrace Time** - (seconds) The max time allowed for the spike and retracement to happen.
- **Max Fill Time** - (seconds) The max time allowed for the pending orders to be filled.
- **Retracement Percentage** - Example = 20. If 20 is entered the spike must retrace 20% of the entire movement to be considered for trade.
- **Initial Stop** - (pips) This is the number of pips to be used as the initial stop loss before the trailing stop is activated.
- **Trailing Stop** - (pips) Number of pips to be used for the trailing stop.
- **TS Activation** - (pips) Number of pips the market must move into profit before the trailing stop is activated.
- **Trailing Step** - (pips) Number of pips you'd like the trailing stop to "jump" by. For example 0.5 entered would have the trailing stop (Any size trailing stop) only move in 0.5 pip increments.
- **ATR1** - Period for ATR1. This is used with the next two variables in a calculation for trading often on high volatility days
- **ATR2** - Period for ATR2. Same as above.
- **ATRx** - ATR Multiplier. This multiplier is used in the algorithm mentioned above.
- **Target Profit** - static target profit. Not recommended. Trailing stop is always recommended.
- **Enable One Shot Entry** - When true. Entry will only be attempted once per bar
- **Friday Exit** - Set true to exit trades on Friday
- **Exit Hour** - Hour to exit on Friday
- **Enable Broken Trade Check** - When set true, this will check for broken trades as soon as they have been opened. A broken trade is a trade with no protective stop loss.
- **Emergency Close** - If set to true and "enable broken trade check" was not able to place the proper stop loss (because of fast moving market) a MARKET CLOSE order will be sent to close the position immediately.
- **Max Order Retry** - The max number of tries to resend an order.

- **Time Filtering** - choose from "No Filter" (trade all the time), "Skip Quarters" (skips trading if minute is 00,15,30,45 to avoid news spikes), and "Quarters Only" (only trades if minute is 00,15,30,45 to capture most news spikes) in the drop-down menu.
- **Initial Balance** - choose between "Account Balance" (access to the entire account balance for calculations) and "Specified Balance" (set a specified balance for EA to use) in the drop-down menu.
- **Specified Balance** - amount to be used with a specified balance if selected.
- **Broker Digits** - choose between 5-digit and 4-digit brokers in the drop-down menu.
- **Auto Adjust TP/SL** - Set true and the EA will automatically adjust your Stop loss and Target profit levels to levels bigger than your brokers minimum stop levels.
- **Show Alerts** - choose between showing or hiding alerts from the EA.
- **Display Background** - choose between Solid and Transparent display background.
- **User Defined Tag** - User defined trade tag
- **Pending Expiration Hours** - Number of hours to hold pending orders as valid. With default settings pending orders are deleted in 120 seconds. This is just for a disconnection emergency backup.
- **Magic Number** - serial number for the EA.