

Strategy explanation

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. From that point on it's anybody's guess as to where it might go.

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 and head right back down to your stop loss? 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 to the origin. 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.

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. Silicon Phoenix waits for these panic moves and trades immediately after sensing certain behaviors, so long as both the spread and average spread are below a predefined limit (very important feature).

Our trade is the FADE.

Fading is waiting for the spike to happen and entering the moment the direction changes. The instant the fast traders and robots reverse their original positions and exit the market. So when the spike goes up, then stalls, then reverses, we want to hop in at the beginning of the reversal and exit for a small profit. Statistically this strategy has huge potential.

Instructions for testing:

1. Download a free copy of Silicon Phoenix.
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 A: 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 setting up to you. I would not want to be accused of "curve fitting". Default settings work on any currency pair, on any time frame. I strongly recommend always using the 1 minute time frame.

User Defined Variables:

- **Money Management** - Choose between "Dynamic Lots" and "Static Lots" . 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.
- **Entry Logic Choice** - Choose to either use Market orders or pending orders for the FADE entry. Market orders will get more trades. Pending will be more selective due to the spread filters deleting the pending orders when the spread widens. The market order entry only needs a low spread for a moment for a sniper entry.
- **Pending Order Trail** - Distance (pips) to trail the pending order entry below price. Pending fade entry.
- **Min Spike Size** - Minimum distance (in pips) the market must move for a trade to be considered.
- **Max Fill Time**- Opportunity measured in seconds.
- **Initial Stop Loss** - The amount to be used for the initial stop loss. In pips
- **Trailing Stop** - Distance (in pips) to trail open position.
- **TS Activation** - The amount in pips price must move into profit before the trailing stop is activated.
- **Trailing Step** - In pips. For example trailing step of 5 pips, trailing stop will be moved every 5 pips the trade moves into profit. The Stop will be placed at the "Trailing stop" distance.
- **Dev 1** - Deviation Measurement used in entry logic. Price must penetrate this deviation to be considered for fade entry.

- **Dev 2** - Deviation Measurement only used in "Fade" strategy. Price must penetrate this deviation to be considered for fade entry.
- **Max Open Positions** - Max number of positions that can be opened at the same time.
- **Trades Per Bar** - Max number of trades allowed in one bar.
- **Target Profit** - Static target Profit. Not recommended. Trailing Stop is always recommended.
- **Stop Loss** - Static stop loss. Not recommended. Trailing Stop is always recommended.
- **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). Drop down menu.
- **Initial Balance** - Choose between "Account Balance" (Access to entire account balance for calculations), and "Specified Balance" (Set a specified balance for EA to use). Drop down menu.
- **Specified Balance** - Amount to be used with specified balance if selected.
- **Broker Digits** - Choose between 5 Digit and 4 Digit brokers. Drop down menu.
- **Show Alerts** - Choose between showing or Hiding alerts from the EA.
- **Display Background** - Choose between Solid and Transparent display background.
- **User Defined Tag** - Will be placed in the trade comment section.
- **Pending Expiration Hours - 2.** Not necessary to adjust. Most pending orders are only held in place a few seconds. This is just a precaution.
- **Magic Number** - Serial number for EA.