

All in One Flag Trading v2

Overview

This document explains the concept and functionality of my “All in One” Flag Trading indicator.

The document does not explain the principles or methodology behind the “Flag Trading” methodology.

For a detailed thread discussing the merits and basics of this system please go to <http://www.forexfactory.com/showthread.php?t=280673>

NB. Any references to colors / values in this document relate to the default settings.

Concept

The idea behind the creation of this indicator was to have one indicator that showed all the pertinent information that was required to trade using the Flag Trading methodology.

Previously a number of different indicators and Forex knowledge was required to trade this system effectively.

Simply put, I wanted an indicator that would show me all valid pullbacks, as well as 123's along with any divergence that may exist in one convenient indicator.

Functionality

When this indicator is added to a chart it will show the user in clear and concise manner the following

- Valid Setup Bars (SUB)
- Angle of pullbacks
- 123's both trend & countertrend
- Bullish & Bearish divergence (Hidden / Regular)
- Depth of CCI retracement
- Approximate SL required

The indicator was designed to be easily modifiable by the user through the use of parameters and global variables. The default settings however reflect the recommended values as stipulated by the method's creator Divergence.

Usage

IMPORTANT:-

The control of the sending of alerts of possible trades is done at the level of MT4, not per currency pair. To switch on the alerts go into the global variables (F3) and find the variable “!AIOFlagTradingAlert”, set to 1 if you wish alerts to be sent, set to 0 if no alerts are to be sent.

Alerts are sent based on the current trend defined by the trend change line (see below for detailed information on the trend change line), alerts will only be sent for opportunities in the direction of the trend, or for countertrend 123 opportunities.

Pullbacks & 123's are checked for both long & short regardless of the defined trend, they are also highlighted regardless of the SL requirement.

The first time the indicator is used on a particular currency pair a global variable will be created for that currency pair for the “addition” pips (this is usually the average spread for the pair). Therefore after adding the indicator to a new currency pair ensure you go into the global variables and set the variable “!FlagTrade_Addition_xxxxxx” (where xxxxxx is the currency pair) to the correct value.

The main indicator window can be split into 3 different sections, they are as follows

- Divergence section
- CCI section
- User information section

A detailed description of each section follows.

In addition the indicator will plot on the main chart, see below for details.

Divergence section

In this part of the window the RSI values are plotted in a line graph. There are 2 separate lines plotted for the RSI, the green line is based on the High price of the bar, the white line is based on the Low price of the bar.

The different types of divergence are color coded, they are as follows

- Blue – Regular Bullish Divergence
- Red – Regular Bearish Divergence
- Aqua – Hidden Bullish Divergence
- Tomato – Hidden Bearish Divergence

The indicator can automatically plot divergence based on fractals. The number of fractals to look back for divergence is user definable. Note – the indicator will only plot the first instance of divergence per fractal.

There is the ability to check for divergence manually. This ability can be switched on & off via the script provided with the indicator.

If manual divergence checking is switched on, 2 vertical yellow bars will show on the chart (by default they remain ahead of the current bar until manually moved).

To check for manual divergence, drag and drop both the vertical lines on to the bars where you wish to check for divergence. It will then automatically, check and (if necessary) show the divergence that exists between the 2 points.

To remove the manual divergence without switching off the ability, drag the 2 vertical lines back ahead of the current bar.

CCI section

The CCI section at the bottom of the indicator window shows the status of the corresponding bars CCI value using a colored dot. The color coding is as follows

- Blue dot – CCI of the bar is greater than 50
- Red dot – CCI of the bar is less than -50
- Light Gray dot – CCI of the bar is between 50 & - 50 (non inclusive)

User information section

This section on the right hand side of the indicator window details all the necessary information pertinent to trade opportunities. The information displayed is as follows

- Angle – the angle of the trendline of the last calculated pullback
- PBack – indicates that a pullback has occurred, the color of the text denotes the direction (Blue – long, Red – short). A yellow number (50 or 0) may appear before the “PBack” text. This denotes the level that the CCI retraced during the pullback. If 50 is displayed this means that the CCI never went below 50 (or above -50) during the pullback, if 0 is displayed this means that the CCI never crossed the 0 line during the pullback.
- 123 – this indicates that this trade would also be classed as a 123 trade (again the color of the text denotes the direction)
- SUB (followed by a number) – this indicates that the previous bar was a valid Setup Bar (color = direction), the number is the calculated SL (based on the new or old rules – see parameters section for clarification)
- “Div text” – this shows the last divergence that was found automatically. Note – this divergence may or may not be still active

Main chart window

The indicator also plots on to the main currency chart window. On the main chart the following information is displayed

- 123 – numbers 1,2 or 3 are plotted above / below candles that form part of a 123 pattern – the color of the number denotes the direction.
- Divergence – the divergence lines from the indicator window can also be plotted on the main chart window, the color coding remains the same as the indicator window (this is parameter driven and can be switched off if not required)
- Pullback line – a white line will be displayed showing the last pullback that was calculated
- Trend Change line – a thick magenta line will be displayed to show the level that defines the change of trend, this line should be moved manually by the user to the appropriate LH or HL that is active. If the last bar closed below this line the trend is considered down, if the close was above then the trend is considered up.

Parameters

The indicator is parameter driven, most of the parameters can be left at default.

There are some parameters that are not defined in the indicator but instead within global variables (F3).

Global Variable parameters

Parameter	Description
!AIOFlagTradingAlert	Defines whether or not alerts should be sent for ALL instances of the indicator regardless of the currency pair.
!FlagTrade_Addition_x	Defines the number of pips that should be added to the calculated SL for the spread. NB. A separate variable is created per currency pair that the indicator has been added to.

Indicator parameters

Parameter	Description
xi_SMA	The simple moving average period to be used
xi_CCI	The CCI period to be used
xi_RSI	The RSI period to be used
xb_SUB.Direction	If the SUB must be in the direction of the intended trade (true/false)
xb_SUB.is.SL	true - if the length of the SUB is the stop loss (new rules), false – if the stop loss is calculated based on the last swing or point 3 (for 123's) NB. The final figure has the “addition” pips from the global variables parameter added to it
xd_SMA.Pips	The maximum number of pips the High/Low of the SUB can be from the SMA, ignored if the SUB crosses the SMA
xd_123.Pips	The maximum number of pips the High/Low of the SUB can be from Point 2 for this to be a valid SUB for a 123
xd_Level	The minimum level of the CCI for a valid SUB for long (automatically negated for short) NB. This figure can appear before the “PBack” text if the CCI did not retrace at least to it
xi_PB.Max.Bars	The maximum number of bars to look back for a pullback
xb_Show.123	Calculate and show 123's
xi_123.Max.Bars	The maximum number of historical bars to calculate 123's for on initial load
xi_123.Pnt3.Max.Bars	The maximum number of bars the SUB must be from the definition of point 3 for this to be a valid 123 setup
xd_Min.123.Pips	The minimum number of pips that a 123 must be before it is valid (Point 2 to 3)
xb_Pnt3.Pnt1.Combined	true – if Point 3 of a 123 can also form the Point 1 of the next 123 (ie. Double 123's), false – if the next Point 1 must be at least 1 bar after Point 3
xb_Show.Regular	true – if regular divergence is to be calculated
xb_Show.Hidden	true – if hidden divergence is to be calculated
xb_Show.On.Chart	true – if the divergence lines are also to be shown on the main price chart
xi_Div.Max.Fractals	The maximum number of fractals the indicator is to look back for divergence
xi_Div.Max.Bars	The maximum number of bars the indicator is to look back for fractals
xi_Manual.Div.Offset	The number of bars in front of the current bar the manual divergence lines are defaulted to
xc_Bullish.Reg	Color for regular bullish divergence
xc_Bearish.Reg	Color for regular bearish divergence
xc_Bullish.Hid	Color for hidden bullish divergence
xc_Bearish.Hid	Color for hidden bearish divergence
xi_Div.Width	Width of the divergence lines

xc_Bull	Color for bull signals
xc_Bear	Color for bear signals
xc_Text	Color for text on the screen
xc_Warning	Color for the CCI retracement warning text
xc_PullBack	Color for the pullback trendline
xi_PB.Width	Width of the pullback trendline
xc_TC.Line	Color for the trend change line
xi_TC.Width	Width of the trend change line
xc_Manual	Color of the manual divergence guide lines
xc_Background	Color of the chart background
xs_Obj.Pfx	Unique identifier given to objects created by the indicator

Other Information

The indicator should be placed in theexperts/indicators/ folder.

The script should be placed in theexperts/scripts/ folder.

It is recommended to add a “Hotkey” for the script so that it can be run easily on the chart.