

BUY LOW – SELL HIGH

TraderYoung's Notes on Trader101 System

This is my Analysis of Phase 1 of this System described so able by Trader101 and with great respect to his work and to everyone who has contributed to this post. (Note: This Analysis does not address the BUY/SELL All 14 Pairs also discussed on the post.)

I now call this approach **Buy Low - Sell High** - (How's that for originality? LOL)

Why does this system Work? - It lets you Buy Low – Sell High, safely.

What you are doing – is creating a “basket” of currency pairs – that all together – balance each other out completely – By “balance out” – I mean that each LONG Currency side of a pair is offset by a same and corresponding SHORT Currency side of another pair, and visa versa.

I.E., for every EURUSD (which is LONG EUR and SHORT USD) there is somewhere in the combination of pairs both:

A SHORT EUR

A LONG USD

And since each of those have to be part of a pair – the other side of those pairs have to be in balance as well!

Any fully balanced combination of pairs will do as a minimum, but

1. the more pairs involved the better hedge you have against non-market forces (news!)
2. you want only the “best Liquidity” – and lowest spread currencies

So you have to balance these two concepts with what is available to you from your broker.

The 14 Pairs that Trader101 has identified seem ideal, as long as your broker supports them. If not – use my spreadsheet to help identify what pairs you can use.

This combination of pairs can now act like a “virtual” trade – all combined into one line on the chart! – and now act as a “virtual currency” – which represents the Daily Profit of the basket of pairs

The original value of this “Virtual Currency” is pegged at almost zero – at the time you create it (when you execute the TradeHedge script (actually somewhat below zero – the sum of all the bid-ask spreads).

This represents the ZERO line- on a Profit/Loss Graph. What we are looking for is not the price of the pair, but the **PROFIT OF THE PAIR – AS COMPARED TO – THE PROFIT OF THE VIRTUAL CURRENCY (I now call “VC”, for short)**

What you are actually doing is trading the profit of a specific currencies pairs against this profit of the VC, that is:

1. When a currency pair is valued “BELOW” the VC zero line – BUY IT (**BUY LOW**)
2. When a currency pair is valued “ABOVE” the VC zero line – Sell it (**SELL HIGH**)

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Now, to avoid confusion for newby's, (back to Forex 101) remember that each currency pair is composed of two currencies, one you BUY, the other you SELL

Example EURUSD:

When you Buy the EURUSD pair - you actually Buy EUR and SELL USD

When you Sell the EURUSD pair - you actually Buy USD and SELL EUR

So don't be confused by this double meaning of

Buy/Sell Pair – vs. Buy Low/Sell High

We can't seem to avoid this double terminology – so we will have to live with it.

TO live with it – Remember these simple rules:

- A BUY currency Pair (i.e. BUY EURUSD) has Value when POSITIVE – so you follow the simple rules **BUY LOW (value)– SELL HIGH (value)**
 1. **When a BUY currency Pair is BELOW the zero line (of the “VC”) –it has negative value – BUY IT**
 2. **When a BUY currency Pair is ABOVE the zero line (of the “VC”) – it has positive value -SELL IT**
- A SELL currency Pair (i.e. SELL EURGBP) has VALUE when NEGATIVE (that is – you have to reverse the sign of the “Profit” column for these pairs to make sense of this) – so you follow the simple rules **BUY LOW (value)– SELL HIGH (value)**
 1. **When a SELL currency Pair is ABOVE the zero Line (of the “VC”) – has negative value - BUY IT**
 2. **When a SELL Currency Pair is BELOW the zero Line (of the “VC”) – has positive value - SELL IT**

Obviously you will be better off the further away from the zero line the pair you choose to trade is when you take the trade or close it out.

THAT'S IT!

Since currency pairs fluctuate in value with respect to the world-wide basket of currencies – even Virtual Currencies! - **remember to protect yourself before anything else!**

NEWS AND SUDDEN MARKET SHOCKS EFFECT EVERY CURRENCY – IN AN UNPREDICTABLE FASHION – all you can do is:

Not Trade!

Be Prepared to GET OUT FAST!

I would strongly recommend setting up EA (on any active pair) as described on the post for

2ProtectAccount

Close-Trade_After_Account_Lose_Too_Much

Close-Trade_After_Account_Profit_Realized

As very well described in Luke's Video on the thread.

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EA MONEY MACHINE

It should be fairly straight-forward to write the following in MetaTrader. (I am an experience programmer – but new to the MetaTrader platform – so I can do it – but not quickly)

Indicator showing:

- showing the NET BAR PROFIT of all Pairs in your Virtual Currency – This will be the “zero Line” in every time frame and every bar.

(Hint: Allow user to enter/save the currency pairs they are using.)

- Then Plotting the NET BAR PROFIT of the Current Pair Above/Below that zero line – for every time frame and every bar (and taking into account if it is a BUY or SELL pair).
- This will indicate if it is time to BUY or SELL that currency Pair.

EA that will automatically:

Compute the values in the indicate above and then execute the trade (no need for a demo platform vs. a live platform)

1. Buy - when Currency is a given amount below/above zero line (or a percent of the total Virtual Currency high/low)
2. With some kind of built in profit/loss protection as given in the EA's above

AN EA of this kind should be able to be back-tested – as long as you have the price history for all the pairs on your workstation.

(Actually – One EA could theoretically plot and trade ALL 14 currency pairs – although Meta Trader has a limitation that any EA attached to a chart is only activated when there is a price tick – so you might want this to attach only to a very active pair - and would not be the ideal back-test process.)

Steven R. Young

TraderSYoung