

Following on numerous mails, I would like to point out that this is NOT a trading system and a straight implementation of MakeGrid on any currency pair is bound to blow your account - sooner or later - unless you are very rich and patient.

Risk

As a simple exercise, try calculating the drawdown on your account for 1k lots on a 6 pip grid over a range of 3000 pips (this is typical of an annual move).

It comes out to something like 60'000 \$ depending on the pair you trade. That is a lot of money for something like 300 pips a day.

Other than that, I found it to be a super tool to learn the different ways of trading grids and the variants that people in the boards were mentioning and trying.

After back and forward testing it with a lot of variants, I really changed my way of looking at grids. It is a really strange beast to trade.

Before trying this with real money, please do your maths. Your account should be able to handle a 3000 pip drop in a few days without being near a margin call. Personally, I use 50 pip grids and count 4 - 6000 \$ of Equity per currency traded per 1000 lot size. Also, watch out for rollover interest / charges as, depending on the broker, this can really mess you up. Having lots of GBP/JPY short positions is not a good idea!

What the EA does

The basic program does the following: Every few minutes (determined by UpdateInterval), it will calculate the first entry price at current price minus gridsize * gridsteps / 2.

ex. if we are at 1.2000, gridsize is 50, gridsteps is 12, $50 \times 12 / 2 = 300$.

The first order would be placed at $1.2000 - .0300 = 1.1700$ and the last order at 1.2300. This gives 12 orders at 50 pip intervals. Note that orders are placed at round numbers : 100, 150, 200 etc for a 50 pip grid, 10, 20, 30, 40 etc for a 10 pip grid.

Before placing orders, the EA looks to see if we either have a position or an existing order near the relevant price. By 'near' I mean within 9/10th of the grid size. i.e. for a 50 pip grid, the EA will look to see if we have an existing order or position 45pips above or 45 pips below the required price.

This looks a bit extreme but is a simple way to reduce the risk of duplicate positions.

If an order / position does not exist at the slot, it will create one (stop or limit) with the TP and SL as specified. TP is necessary, SL is optional.

There are many flage to determine whether the order should be placed. They are discussed below.

Once it has placed orders, it can do some housekeeping. For example, it can delete orders that are too far out (in our example, orders that are more than 300pips away from the current price) so as to limit the server load. It can also delete orders after a specified number of hours.

Parameters

There are lots of different flags that allow you to test variants :

Lots - the lot size you want to trade.

GridSize - the interval between orders, in pips

GridSteps - the number of open orders the EA will try to set above and below the current price

TakeProfit - the TP in pips

StopLoss - If you want a stoploss, specify in pips. 0 means no stoploss.

wantLongs - if you want longs to be opened. ex. eur/huf, you may not want longs

wantShorts - if u want short positions opened.

- if both are true, both longs and shorts will be opened

Some people wanted to open positions only if 'with the trend' (i.e. for longs, above the current price) and others only against the trend (i.e. if longs, only below the current price).

wantBreakout - sets orders above the price for longs and below the current price for shorts

wantCounter - sets long orders below the current price, shorts above current price.

GridMaxOpen - will make sure that no more than this number of positions is open at any one time. This is a way of limiting drawdown risk.

minFromPrice - this is the minimum distance, in pips, from the current price, that one can place a trade. For example, we only want a breakout of at least 30 pips from the current price. This can be used in conjunction with wantBreakout and wantCounter.

All the above parameters will work on ANY time frame chart and give exactly the same results. The parameters below are time frame dependent. I have mostly used them on 5 min charts but lots of people have tried on longer time frames.

It is possible to limit long orders only if they are above an EMA and shorts below. The EMA period is set by the EMAPeriod flag and the flag is limitEMA. If true, it will test this condition. The housekeeping routine will remove orders that end up on the wrong side of the EMA.

UseMACD and useOSMA are similar. If true, only longs will be placed if the MACD (OsMA) signal is above zero. All short orders will be cancelled.

The opposite is true for MACD below zero. All the MACD parameters are specifiable (fast and slow ema, signal period), including the chart time frame (timeFrame).

When either of these signals is true, it is possible to have the EA close open positions (whether gain or loss) that are on the wrong side. i.e. if MACD crosses up, all short orders are cancelled but if CloseOpenPositions is true, all short open positions are closed. The new grid is setup as a long grid.

These flags work in conjunction with wantLongs and wantShorts.

Hence it is possible to setup a grid of longs only, above the 34 EMA, above the current price plus 20 pips (minFromPrice) and only if MACD is positive.

With a bit of simple programming, you can change either of these to use your favourite index.

Future direction

I regularly add in suggestions other traders have found useful. I have not read this whole thread so if someone can summarise the variants that are needed, I may try to program them in.

However, as a good contribution to the advancement of grid trading, if someone has an effective way of limiting drawdown, I will be very happy to hear it.

Other than MACD and OsMA, I have not found that the other methods are useful in improving the system. These can limit the drawdown by up to about 50%.

In particular, I have found that any stoploss, time limit or CloseOpenPositions lead to losing strategies.

For real trading, the main direction I have moved in is trading a group of selected currency pairs. This is impossible to backtest properly on MetaTrader so I have an API as well as some custom programs and tons of tick data.

Conclusion

I hope this short tutorial on MakeGrid helps better understand how it works and the risks inherent in grid trading. If we can come up with ways to reduce drawdown, then we can have a good simple automated trading system that would be accessible to the normal retail trader.

Dream on!