Daily 10% Breakout

This system is meant to be a simple fix and forget daily breakout system. It is derived from the daily range of the previous day, and hinges on the hope that today will have a breakout of 10-15%. This is not a system that will give you a home run in one day, but will hopefully give you steady cash flow regardless of market conditions. I would try it with any pair, but to date I have only seen proven success with USD/JPY. As with any system proper equity management is key.

Guidelines

1. Calculate previous day's range.
2. Set a **Buy** and a **Sell** order 10% above and below current close price.
3. Set a **Stop Loss** at 2 times your **Buy** or **Sell** order.
4. Set a **Target Profit** at 10% above or below your **Buy** or **Sell** order.
5. Keeping Equity Management in mind set a new order before each major session open.

Example

% of Daily Range	Pair	Close @	High	Low	Daily Range
10%	USD/JPY	96.433	97.266	95.959	131

Buy Order	Buy SL	Buy TP	Sell Order	Sell SL	Sell TP
96.564	96.302	96.694	96.302	96.564	96.172

Background
This system is not 100% original it is born from the Daily Quarter System or Simple Trading with Daily Range. I have been following these two treads for the past month or so and noticed that although they do work, the reward to risk ratio was 1:2, and I was losing pips. At 1:2 ratio you need to win approx 67%+ of the time with the daily range being consistent to breakeven. The best way to increase win % was to lower the TP % from 25% to 10% of daily range. You will sacrifice daily pips, but will win more often, which in turn will increase your profits.

Variations/Ideas
Below are a couple other variations that I have been knocking around, none are proven but all should keep with the theme of the system.

1. When trading more than one lot, micro or full, tier the lots as if the previous lot had won.
2. Max out lots using Kelly Optimization Model (See Equity Management)
3. Set a second order to open once the TP was hit for another 10% in pips and SL back at the original open.
4. Set a second or third order to open once a TP was hit with SL back at the original open and a Trailing Stop of 10, 15, 20 pips??

Live Results Since May 11
Using both Daily Qtr and Daily 10%

Preformace Summary	Win %	Total Wins	Lose %	Total Trades	Net Pips
Pairs					
EUR/USD	50%	1	50%	2	(40)
USD/JPY	91%	30	9%	33	467
GBP/JPY	60%	9	40%	15	(253)
EUR/JPY	50%	3	50%	6	(69)
GBP/USD	63%	15	38%	24	32
NZD/JPY	50%	1	50%	2	(62)
AUD/USD	67%	2	33%	3	(92)
USD/CAD	33%	1	67%	3	(183)
AUD/JPY	50%	1	50%	2	(86)
EUR/CHF	0%	-	100%	1	(40)
Totals				91	(325)

Live Results Since May 11
Using Daily 10% only

Preformace Summary	Win %	Total Wins	Lose %	Total Trades	Net Pips
Pairs					
USD/JPY	90%	18	10%	20	168
GBP/JPY	50%	1	50%	2	(31)
EUR/JPY	0%	-	100%	1	(53)
GBP/USD	50%	3	50%	6	(91)
USD/CAD	0%	-	100%	1	(171)
Totals				30	(178)

Equity Management

Equity or Money Management is critical when trading Forex. Most equity management theories say only trade 1-5% of total equity. As much as I agree you need to limit your risk, I use a different method to manage my risk.

Before each day I calculate my Target Profit in dollars and pips, and my potential losses. Since this is a fix and forget system, I have to assume the worst. My potential loss assumes that I lose on both my buy and sell trade. This number is my max exposure and what I base my risk tolerance on. So how much risk can you handle? If your max exposure is only 1-5% of your equity, your ROE will be paltry at best. I would suggest a max exposure of 20-25%; this should give you good solid profits while keeping your risk in check.

In an attempt to maximize profits, I have adopted a modified version of the Kelly Optimization Model.

Current Model:

$2p-1=x$

My Modified version:

$1.75p-1=x$

p=probability/Win%
x=risk/max exposure %

Example

Current Equity	$ 1,500					
Pair	**FXCM Micro Lots per Trade**	**Cost Per Pip**	**Target Pips**	**Target in $$**	**Exposure in Pips**	**Exposure in $$**
USD/JPY	120	12.00	13	156.84	26	313.68
					Max Exposure	627.36
					% of Equity	42%
						Kelly Op %
						43%