

Pending Order Grid System

By Simplecoders

10 _____
9 _____
8 _____
7 _____
6 _____
5 _____
4 _____
3 _____
2 _____
1 _____

Each line indicates the grid levels with a 20 pip distance.

The Strategy:

Say the distance between two grids is 20 pips i.e., the distance between 1 and 2, 2 and 3 so on is 20 pips.

The current price is at say number 4.

So the pending orders are placed at 5(Buy pending order) and 3(sell pending order)

Scenario during trending times :

- (1) When the buy order at 5 is triggered the pending sell order will be cancelled and another pair of buy and sell pending orders will be placed at 6 and 4 respectively.
- (2) When the buy order at 6 is triggered, the pending sell order at 4 is cancelled and another pair of buy and sell orders will be placed at 7 and 5 respectively.
- (3) The reverse will be the process if sell orders are triggered.
- (4) The above process will go on until all the trades are closed at pre-designated profit or at the end of the day for NFA compliant brokers like IBFX.

But such a nice trending scenario does not occur quite often.

Scenario during ranging times :

- (1) When the buy order at 5 is triggered the pending sell order at 3 is cancelled and another pair of buy and sell pending orders are opened at 6 and 4 respectively.
- (2) When the price come back to 4, the sell order at 4 is executed and the pending buy order at 6 is cancelled. And another pending sell order at 3 is placed (no pending buy order at 5 is placed as we have already one buy order at 5. At this point of price we have -20pips loss for buy order and 0 pips loss at sell order.
- (3) If the price goes back to 5 a pending buy order at 6 is placed.
- (4) If the price ranges between 4 and 5 throughout the day the net loss will be contained to -20 pips only for the day.

In a similar way the net loss can be calculated if the price ranges between say 1 and 10 continuously throughout the day. It will not be more than -20 pips for the day. (Hope I am right!).

In general the net loss will not be more than the distance between two grids in terms of pips + the spread.

The less the distance between the grid, more the chances of good profits.

But manually it is tougher to carry out. Hence we need an EA to execute the trades.