Rotational Hedge System

The basic concept of the rotational hedge system is to hold 3 open orders untill a large open profit is acheived by using weighted hedging on a single pair. There are 3 basic money management systems. That can be applied. This style of hedging should be used on pairs that trend well. In uncertiant markets the system sets up weighted hedges to attempt to be on the right side of the market when the breakout occours.

MM System 1 Passive equal lot sizeing.
Equal lot sizing is effective but to use it you will not be able to take profit. On all large moves as you will need to maintain a weighted hedge at all time. On the equal lot sizing method the danger is apparent when the second order is placed and a lock hedge is acheived while waiting for the third order to fire off.

MM System 2 Slight Agression lot sizeing.
This is a simple way to produce a weighted hedge with a 50% ROP at all times that 2 or more orders are open. The sequence is as follows. 1, 2, 3, 3, 3, 3 The first two orders are smaller to setup the hedge without generating a lock hedge.

MM System 3 High Agression Lot Sizing.
This money management system way to produce a weighted hedge. With a ROP above 50 percent. Keep in mind with higher agression comes greater risk. The lot sizes are calculated by mutiplying the slight agression lot sizes by X. 1x, 2x, 3x, 3x, 3x, 3x

The following pages will demonstrate all three money management systems using a 3 50 EMA cross on the British Pound 4 hour chart. To keep it simple I will use a mini account to keep round dollar amounts for gagueing profit and loss. In addition the examples will use improper exiting methods.

MM system 2 Slight Agression

Open Order 1 Short 1.9588
Lot size 1

Open Order 2 Long 1.9678
Lot size 2

Open Order 3 Short 1.9655
Lot size 3

Open Order 4 Long 1.9739
Lot size 3

Order 1 closed @ 1.9739
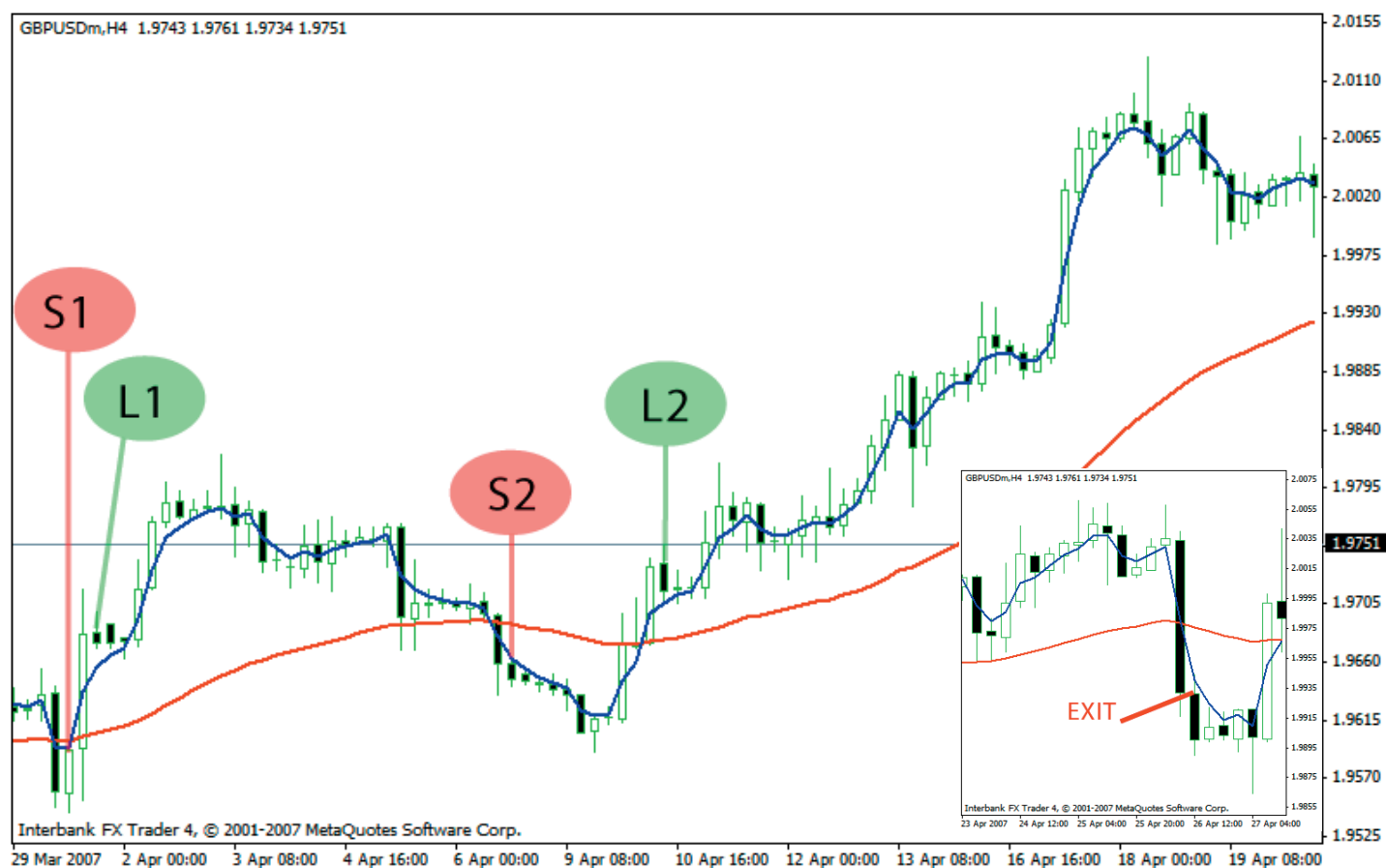Pipcount 151
Dollar amount -$151

Hedge Set
Final exit 1.9930

Close alll open orders
Orders 2, 3 and 4
Profit and loss per order.

Order 2
Pipcount 282
Dollar amount $564

Order 3
Pipcount -275
Dollar amount -$825

Order 3
Pipcount 175
Dollar amount $525

Set Total Profit $113

MM system 3 High Agression
X=3

Open Order 1
Short 1.9588
Lot size 3

Open Order 2
Long 1.9678
Lot size 6

Open Order 3
Short 1.9655
Lot size 9

Open Order 4
Long 1.9739
Lot size 9

Order 1 closed @ 1.9739
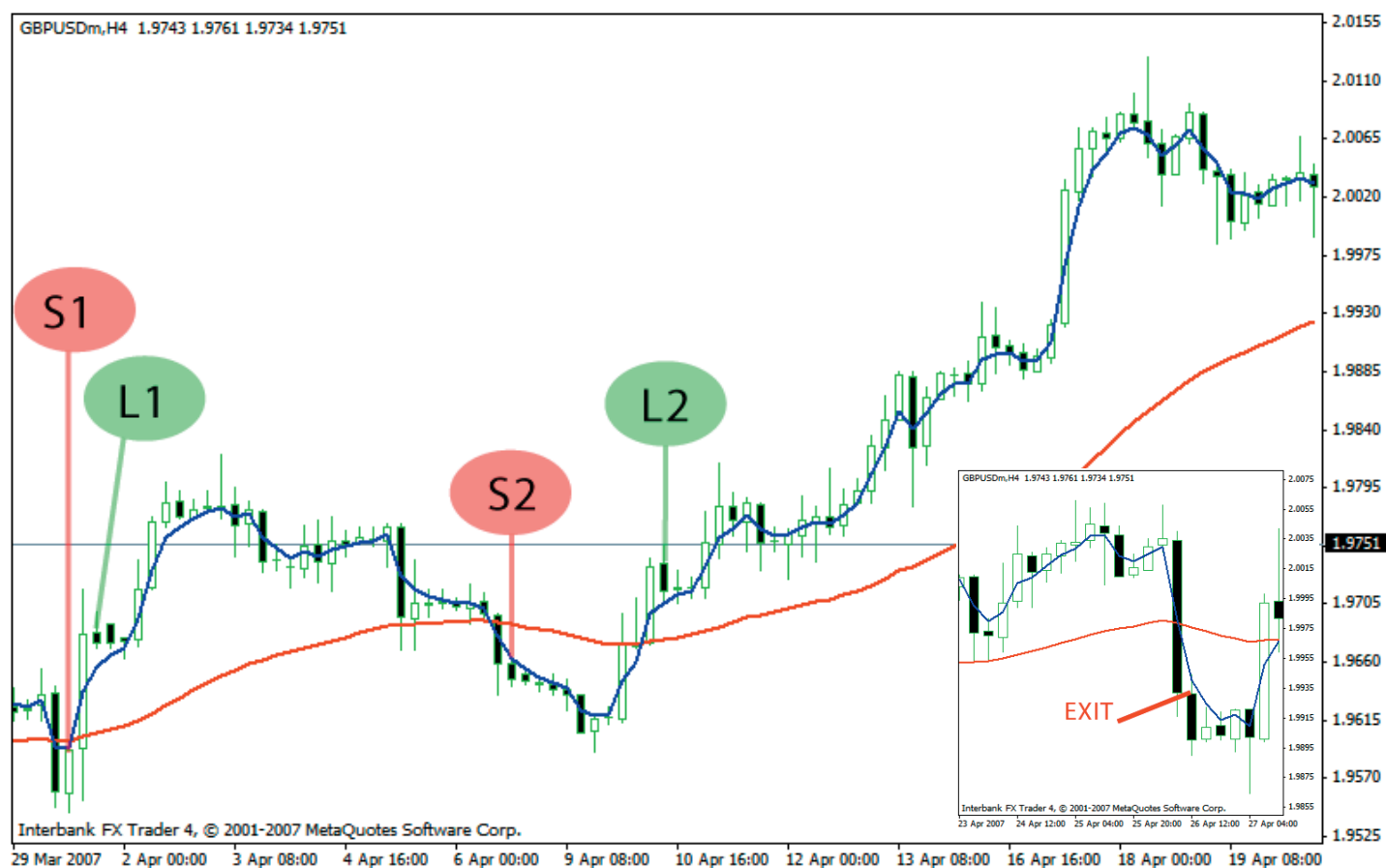Pipcount 151
Dollar amount -$453

Hedge Set
Final exit 1.9930

Close alll open orders
Orders 2, 3 and 4
Profit and loss per order.

Order 2
Pipcount 282
Dollar amount $1,692

Order 3
Pipcount -275
Dollar amount -$2,475

Order 3
Pipcount 175
Dollar amount $1575

Set Total Profit $339

MM system 3 High Agression
X=4

Open Order 1
Short 1.9588
Lot size 4

Open Order 2
Long 1.9678
Lot size 8

Open Order 3
Short 1.9655
Lot size 12

Open Order 4
Long 1.9739
Lot size 12

Order 1 closed @ 1.9739
Pipcount 151
Dollar amount -$453

Hedge Set
Final exit 1.9930

Close alll open orders
Orders 2, 3 and 4
Profit and loss per order.

Order 2
Pipcount 282
Dollar amount $2,256

Order 3
Pipcount -275
Dollar amount -$3,300

Order 3
Pipcount 175
Dollar amount $2,100

Set Total Profit $603