

User's Guide

TrendStuffer Trading System Official User's Guide

Installing, setting up and using the TS system.

TrendStuffer Trading System Official User's Guide

Version 5.0

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Table of Contents

1 Table of Contents	3
2 Introduction	4
Security Information	4
Getting Help	4
Other Resources	4
3 The TrendStuffer Trading System	5
About	5
History	5
Why is it good for you?	5
4 The MetaTrader 4 platform	6
About	6
Expert Advisors	6
5 Installation	7
MetaTrader 4 Client	7
TrendStuffer Trading System Installation from TSSsetup.zip archive	10
6 Using the TrendStuffer Trading System	10
Starting the MetaTrader 4 Client	10
Configuring the Manual Trading Indicator for your style	11
Trading with the Manual System (Indicators)	12
Configuring the Expert Advisors	12
EA parameters	13
Trading with the Expert Advisors	16
Backtesting the Expert Advisors	16
TrendStuffer VIP Club	17
Get 0-1.5pips spread on EUR/USD and a free copy of TSS v4.0	17
Backtesting Guide by MCBoogs for MetaTrader 4	18

Introduction

Security information

Keep your TrendStuffer package and files safe, don't share it with anyone else because every package we send out is unique and if we experience abuse we reserve the right to suspend the software and support until the case is investigated.

Also keep your TrendStuffer official webpage login name and password safe to avoid unnecessary conflict if someone manages to "break" into your account.

Getting Help

If you still have unanswered questions after reading this guide, you still have a few options where to get information from. I would recommend using the official TrendStuffer forum before anything else. Someone of the TS team visits the forum every day and tries to answer the questions which appear there and discuss everything else with the users. Fortunately we have about 150 forum users already and some of them are very helpful and try to do everything they can to guide the newcomers.

If you have a confidential question that has no place in the forum, you can always write an e-mail to info@trendstuffer.com but due to the very high amount of e-mails we receive day by day please allow us a little delay replying to your questions. We'll try to answer to each and every one of these e-mails in detail and also make sure that no one gets stuck with a problem.

Other resources

You can always find more information about the MetaTrader 4 platform at its developer's official website, www.metaquotes.net. The software has a built-in automatic update utility that prompts to download and install the latest version, and it's highly recommended by us also, to always use the newest build available.

Don't forget to check the TrendStuffer official website every once in a while because we update it quite frequently and I assume you don't want to miss out on a great opportunity.

The TrendStuffer Trading System

About

The TrendStuffer System is a complex strategy that does not involve any of the "regular" indicators used in financial markets nowadays, like the MACD, RSI or moving averages. It adapts itself to current market conditions using complicated algorithms based on price action.

Important! There are two parts of the system. The **manual trading** part was designed to help pro or semi-pro traders with by adding a tool to their palette which can help them make decisions. We provide a template which you can begin with (using the indicator itself and an MTF indicator to confirm the trend) but the main goal of the manual system is to let you customize it your own way, to your own style.

The other part is the **automatic trading robot** - it's called expert advisor in the MetaTrader 4 jargon - which trades automatically without any need of human intervention. You just set it up and attach it to a chart (in the TrendStuffer case usually a GBP/USD chart) and leave it there running 24/7 on a machine that you never switch off. It produces extremely good results without the need of any forex trading knowledge.

History

After spending thousands of hours trying to find the perfect system (often referred to as the "holy grail" in Forex jargon) which can make money in any market conditions on any currency pair we came up with the basic idea of the TrendStuffer system. After building the first version of the expert advisor (automatic trader software) we immediately realized that it has a huge potential but needs more polishing. In the summer of 2006 we built several versions of the EA and decided to go live during the Fall of the same year, and accepted a few more members in this private testing phase. From their feedback we developed the manual trading part of the system you can read more about it in the About section above.

After releasing the software to the public, a few updated versions have been already sent out to customers but that's only the top of the iceberg.

There are still a lot of things to do with this great system, for example optimizing for other pairs besides Cable, developing more types of EAs with additional filters and functions, etc. It is certain though, that we'll focus on the automatic part of the system, because we think it has a lot more potential than the manual version which requires a lot of human intervention and thinking and serious decision-making.

Why is it good for you?

Because it makes you money, good and passive income one should say. Passive is the key word, because you literally don't have to do anything and it gives you a yield that no regular bank offers. This is the beginning of the modern era, when you and me and all the other small investors have access to a market which 15 years before was available for huge interbanks only.

The MetaTrader 4 platform

About

MetaTrader 4 Client Terminal is the client part of online trading platform MetaTrader 4. The program has a simple and user friendly interface that allows traders to monitor their transactions and their account as well as perform technical analysis and develop trading strategies of their own. It is the best solution for trading on Forex, CFD and Futures markets.



Client terminal MetaTrader 4 key features:

- working with securities of Forex, Futures and CFD markets;
- various execution technologies: Instant Execution, Request Execution, Market Execution;
- confidentiality of all trading operations;
- unlimited charts quantity;
- support of various timeframes (from minutes up to months);
- large number of technical indicators and line studies;
- experts, custom indicators and scripts;
- more than 20 supported languages;
- realtime data export via DDE protocol;
- signals of system and trading actions;
- getting on-line news from financial markets;
- internal e-mail system;
- printing charts and completed trading transactions statements.

Expert Advisors

The **Expert Advisors** technology is a new method of trading which frees you from daily manual routines. Expert Advisor written in MetaQuotes Language 4 (MQL 4) automatically analyses current market situations, opens/closes positions and places/modifies/deletes orders.

With the help of **Expert Advisors** you can:

1. avoid everyday manual routines by automating the process of trading and monitoring orders;
2. be more scientific and rational in your decision making process;
3. keep track of the current market situations.

Installation

MetaTrader 4 Client

1.) Download the latest build of the MetaTrader 4 Client from the official website of MetaQuotes Corp. (use the link below) or use the link provided by your broker company.

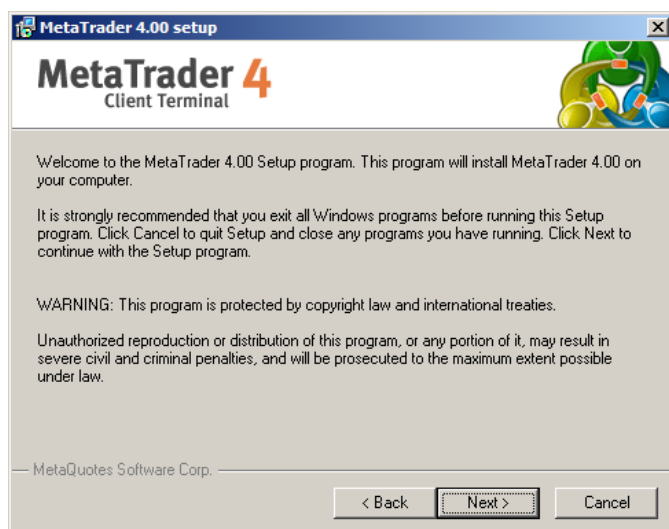
<http://www.metaquotes.net/files/mt4setup.exe>

2.) Run the **mt4setup.exe** file the same way you launch any Windows program.

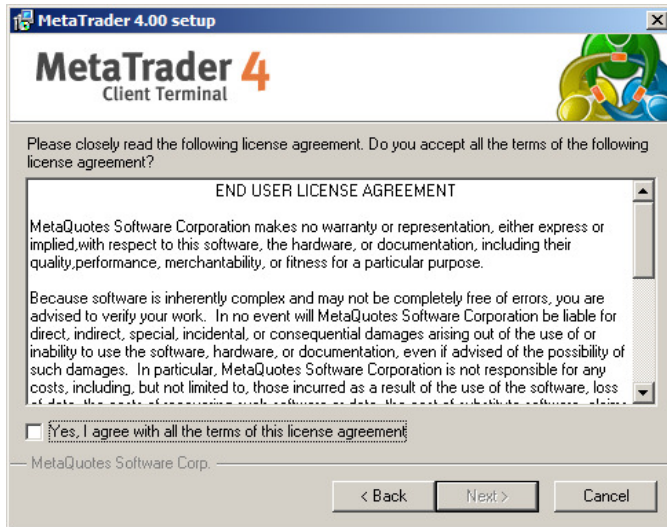
3.) After the following menu pops up, select your language and click "Next >". For easier understanding we'll use the English interface of the MetaTrader 4 Client.



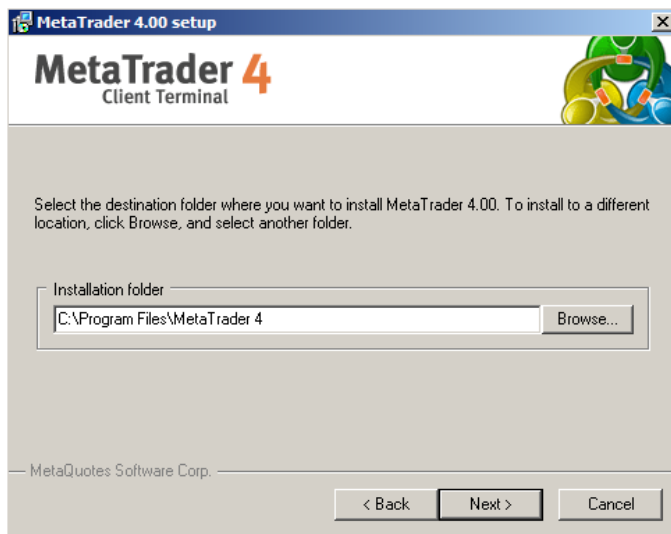
4.) Read the following notice and then click on the "Next >" button again.



5.) If you agree to the license agreement check the box "Yes, I agree..." and click the "Next >" button once again.



6.) Select the folder you want to install MT4 to, or just leave the default value, and click "Next >".



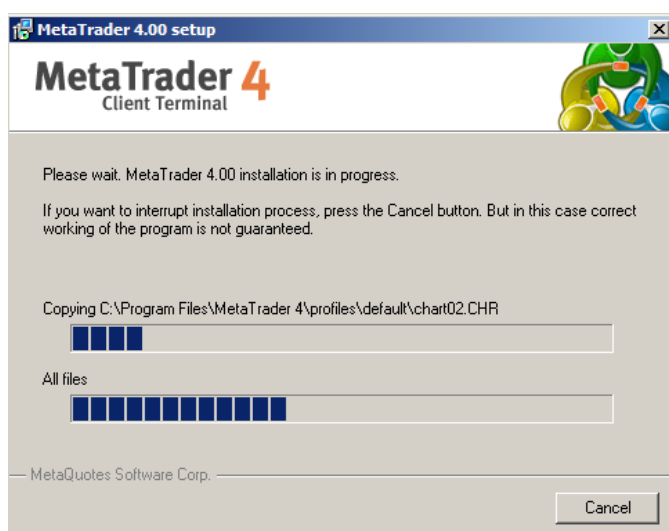
7.) On this screen you can select the folder in your start menu you would like the MT4 icons/shortcuts added to. You can select a folder or just leave the default values and hit "Next >".



8.) The installation is now ready to begin, so just hit the "Next >" button and it will start immediately.

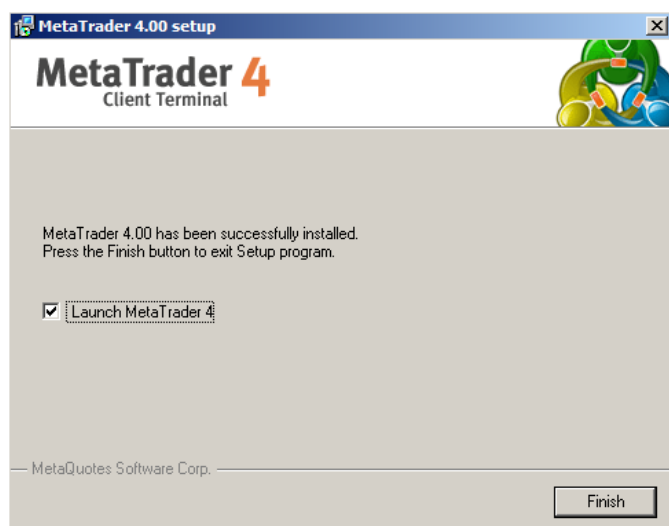


9.) Sit back and relax while the installation process finishes.



10.) After the installation is complete you can immediately start the MetaTrader 4, but it is advised to install the TrendStuffer System first, because MT4 has to be closed when you install TrendStuffer.

Click "Finish" to exit the installation program.



TrendStuffer Trading System Installation from ZIP archive

The package contains:

- 2 files in the experts\indicators folder
- 1 file in the experts folder
- 1 file in the templates folder

1.) Unpack (decompress, extract) the ZIP file to an empty folder. Copy the following files from the experts\indicator folder to the "experts\indicators" folder in your MetaTrader 4 folder.

eg.: C:\Program Files\MetaTrader 4\experts\indicators

TrendStuffer-X-base.ex4

TrendStuffer-X-indicator.ex4

2.) Copy the following files from the experts folder to the "experts" folder in your Metatrader 4 folder.

eg.: C:\Program Files\MetaTrader 4\experts

TrendStuffer-eXtended-EAv1.ex4

3.) Copy the following file from the templates folder to the "templates" folder in your MT4 folder.

eg.: C:\Program Files\MetaTrader 4\templates

TrendStuffer-X-template.tpl

4.) That's it, manual installation done!

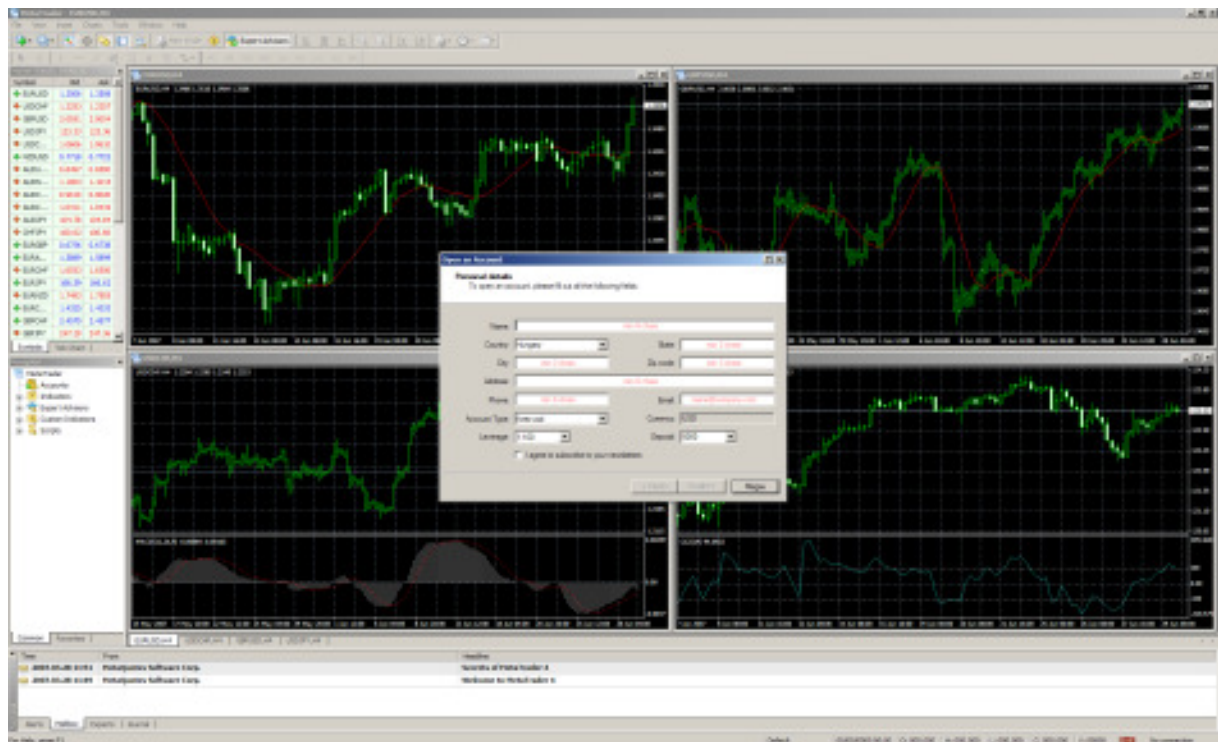
Using the TrendStuffer Trading System

Starting the MetaTrader 4 Client

After you've finished the installation procedure, you can start the MetaTrader 4 Client from your desktop or from the Start menu via MT4's shortcut.

Attention! If the MT4 Client was running while you installed the TrendStuffer package, you have to restart MT4 (exit and start it again), otherwise you won't be able to use the TrendStuffer System.

Once you've started the terminal, it will ask you if you want to register a new demo account, or - by cancelling this sub-window - you want to sign in to an existing account with your login name and password provided by your broker company.



You should see this window when you first start the MetaTrader 4 Client.

If you want to create a new demo account, fill out the form you can see in the middle of the screenshot above. It's free and most brokers don't set time-limits neither, so you can use it for as long as you want. I would recommend setting a deposit amount about 100.000(\$), remember, it's only play money and you don't want to throw it away too soon while you're only experiencing with the interface.

Configuring the Manual Trading Indicator for your style

By default there are automatic Pivot and Fibonacci lines on your chart, if they annoy you, switch them off by hitting Ctrl+i which brings up the Indicators list, there you have to select the indicator in "Indicator window 1". After a settings sub-window pops up, select the second tab "Inputs". And now let's see what these parameters mean one by one.

"TSVar1" – this is where you set the internal parameters of the system. By default it's a tight one, giving lots of signals. Please check the website for new parameters, or you can backtest and/or optimize one for yourself. This parameter was introduced with the eXtended edition, and it is the most powerful of all.

"TSVar1" – same like above.

"GiveAlert" - if this is set to True the indicator will display a popup window every time a new trading setup is confirmed and if you have the alarm sounds enabled in MT4 it will make a noise at the same time to alert you both audio-visually. Remember, this alert only searches the upper band (more about bands later) of the indicator's red-blue-gray colored lines in the bottom of your screen and because of this every time a new alert comes up, you'll have to check whether it is confirmed by the second band or your own indicators. This is one of the reasons that we call this a manual system and not an automatic robot. It only advises and doesn't signal an exact trade. You'll have to decide on your own whether you take it or not.

"BigLogo" - this is the TrendStuffer.com text you can see in the background written with a font like 72... If you want to turn it off, you can do it here by switching this parameter to False.

"ShowComments" - this is the text you see in the upper left corner of your chart when enabled. It has some useful information in it so it's advised to have it turned on unless you really know what you're doing in the forex world.

"Show_PivotLines" - the aforementioned Pivot Lines displayed on your chart with gray lines. These are calculated every day with a popular formula and most of the traders look at these lines every day this is why they are generally used as major resistance and/or support lines.

"Show_FibLines" - Fibonacci ratios are commonly used by forex traders, these lines are calculated from the values of the day before (high and low points during the day). Often used as major support or resistance lines. You can switch them off if you don't want to have them on your chart. You can always find new information about Pivot and Fibonacci lines by typing them into a Google terminal, you'll get millions of links for sure.

"Show_Daily_HI_LOW" - these are the high and low points from the day before, also used as support and/or resistance lines. They can also help manual traders, but as always, you can switch them off here.

"Show_Daily_OPEN" - almost the same as *Show_Daily_HI_LOW* but this one shows current day's open price with a nice green line. Also used as support/resistance.

"FibLines_Back_DATE" - this is 0 by default which means the Fibonacci Lines (*Show_FibLines*) are calculated using previous day's data. This could be useful if your broker supports "Sunday trading" which means they provide a few hours of trading time during Sunday evenings European time. Then the lines calculated off these thin-volatility trading hours are useless, instead you want to use previous Friday's data. In this case you should change the default "0" to "1" but if you want to use Thursday's data you should enter 2, then for Wednesday 3... you get the idea.

"Back_TEST_Days" - the same as above but with Pivot and other lines. Set this also to 1 if you want to avoid "Sunday-calculations"...

Trading with the Manual System (Indicators)

It is very easy to follow the trading advises the manual trading system (= the indicators) give you. Once the TSS indicator (the band in the downside of the screen) changes its color you have to enter. If it's changed to blue, buy. If it was blue before but the last and current bar is red, then sell. It is important to wait until the bar closes, because in the meantime it is possible that the price moves back and forth enough for the bar to change back to blue then again to red, back to blue, again red, etc. But if the bar has closed, it won't change its color anymore.

Summarizing in two sentences:

When to Enter: when band (indicator) changes its color and the last bar/candle is closed.

When to Exit: when band (indicator) changes its color and the last bar/candle is closed. This is a stop and reverse method.

Configuring the Expert Advisors

Attaching and expert advisor to a chart is very easy. After that you'll have to configure it to meet your trading style - or alternatively you can just keep the default settings - and start it with a click of a button.

To add an expert advisor to your chart, first open a fresh chart by clicking File->New chart->GBPUSD. Best timeframe is used for each pair and they differ from each other obviously, based on price action, trendedness, etc. Please refer to the website and/or forum for more (up to date) information.

By default you have the Navigator window open in your MetaTrader 4 on the left side, but if not, click View -> Navigator, or Ctrl+N hotkey. In the Navigator window it's easy to find the Expert Advisors section, from there you have to select the "*TrendStuffer-eXtended-EAv1*" file.

Click on it, hold down the mouse button after clicking and drag'n'drop the file on your chart. The EA is now attached to the chart. A popup dialogue will ask you a few things how would you like to handle this EA.

Even if it's a demo account, CHECK the "*Allow live trading*" box, and DON'T CHECK the "*Ask for manual confirmation*". Now let's move on to the Inputs tab in this popup window, that's where the real fun begins.

EA parameters

UseMicroLots: Setting this as 'True' means enabling your trade to use micro lots, such as for example: 0.01, 0.56, 1.45 and so on. Please be SURE that your broker and account supports trading Micro Lots before turning this on. If your broker or account does not support it, and you have it set to 'True' your broker might reject your order, then the order will not be filled. If your broker and account supports the use of Micro Lots, then it is recommended to have this set 'True' for reason being it would help to calculate the correct percentage of each position better, otherwise, the lowest lot size it'll use would be 0.1 lot.

MaxSlippage: Default value is set to 5 pips. This is the maximum slippage allowed for your broker to fill your order. For example: If the EA places a Buy @2.0450, you will allow the broker to fill the order at any price between 2.0450 to 2.0455 in case the price starts to move away. If the price moves too fast and passes 2.0455 before your order can be filled, then your order will not be filled. This is to protect orders being entered way off the price you wanted.

OrderTriesNumber: Default value is set to 10 times. This is the number of times the EA will keep trying to get the order filled by the broker. At times when the price is moving fast, it might take more than one try to get the order through to the broker.

StartHour: Default value is set to 0, which is 00:00 (broker time). This is the time the EA will start trading for the day. (with the default start and end hour settings, the EA will be trading 24 hours a day)

EndHour: Default value is set to 24, which is 24:00 (broker time). This is the time the EA will stop trading for the day. In this case, it will never reach since the day only goes to 23:59.

ExpirationHour: Default value is set to 24, which is 24:00 (broker time), or OFF as 24:00 will never hit as 23:59 turns to 00:00. This is the time the EA will close ALL open positions placed by the Trendstuffer EA.

DetailedLog: Default value is set to 1 which is True. If set at 0, it would be False. This will provide you detail logs of many different information under the Experts tab located on the bottom of your platform.

Strategy: Default value is set to 3 (AdvanceStrategy), If you wish to change to Single Position or ThreePositions strategy, you may do so by changing the number here according to what's shown in the window. However, DO NOT change the Strategy of the EA when there is a position already opened by it. The EA remembers the trade it placed by the Magic Number attached to it when it

opened. If you change the Strategy during an open trade, the EA will not see that trade anymore and will not make anymore adjustments to it.

Single Position: The EA will open one single position, and will keep that position open until its trend indicator changes trend (color) or hit its SL/adjusted SL.

ThreePositions: The EA will open one single position and will close part of its lot as TPs/SLs are hit within that lot (three positions total). For example: After its first position hits TP, the second and third position will have PP (pip protect) placed while trying to reach its next TP target (second position TP), then same would happen once the second TP is reached, PP will still be in place for the third. If you PP is hit before the TP, then all your positions will be closed.

AdvanceStrategy: The EA will open one single position and will close part of its lot as TPs/SLs are hit within that lot. This works almost the same as the ThreePositions Strategy, but adds a fourth position to ride the remaining trend just like the Single Position Strategy. Therefore, it'll be possible to not only take early profits, but also ride the remainder of the trend with the last open position, ***combining the best of both strategies.***

LotCalc: Default value is set to 2 (Automatic calculations). This is where you can choose if you would like the EA to calculate your lot size. Automatic calculations will only use the percentage risk you've allowed it to use. If you would like to use the Manual lot size entered, then enter 1 (Manual input) here.

MaximumRisk: Default value is set to 5 (5%). This is where you can adjust the Maximum Risk in percentage you would allow the EA to use per trade for the Single Position Strategy.

MaximumRisk3P: Default value is set to 5 (5%). This is where you can adjust the Maximum Risk in percentage you would allow the EA to use per trade for the ThreePositions Strategy.

ThreePWeighting: Default value is set to 2 (Standard). This is where you can choose how the lots will be divided within that single lot using the ThreePositions Strategy. For example with the Standard option: First divided position will use 50% of the lot, second with 30%, and third with 20%. If you would like to adjust your own percentage to use for each divided lot, you may enter 4 (Manual weighting) and enter your own percentage numbers below in the ThreePWManual1stP, 2ndP, and 3rdP. Please MAKE SURE that the total adds up to 100%.

MaximumRiskAS: Default value is set to 5 (5%). This is where you can adjust the Maximum Risk in percentage you would allow the EA to use per trade for the AdvancedStrategy.

ASWeighting: Default value is set to 2 (Standard). This is where you can choose how the lots will be divided within that single lot using the AdvancedStrategy. For example with the Standard option: First position will use 30% of the lot, second with 20%, third with 10% and fourth with 40%. If you would like to adjust your own percentage to use for each divided lot, you may enter 4 (Manual weighting) and enter your own percentage numbers below in the ASWManual1stP, 2ndP, 3rdP and 4thP. Please MAKE SURE that the total adds up to 100%.

SinglePlot: Default value is set to 1.0 lot. This is where you can enter your own lot size to use for the Single Position Strategy if you choose the Manual input to calculate the lot size.

ThreePlot1stP/ThreePlot2ndP/ThreePlot3rdP: Default values are set to 0.5 lot for 1stP, 0.3 lot for 2ndP, and 0.2 lot for 3rdP. This is where you can enter your own lot size to use for the ThreePositions Strategy if you choose to use Manual input to calculate the lot size.

ASLot1stP/ASLot2ndP/ASLot3rdP/ASLot4thP: Default values are set to 0.3 lot for 1stP, 0.2 lot for 2ndP, 0.1 lot for 3rdP, and 0.4 lot for 4thP. This is where you can enter your own lot size to use for the AdvancedStrategy if you choose to use Manual input to calculate the lot size.

SingleMagic: This is the Magic Number used for the Single Position Strategy. Each EA's Magic Number MUST be different from each other within its own EA and other EAs being used. This is so that the EAs won't confuse positions entered by other EAs and try to make adjustments to trades it didn't place. This number can be changed to any number you like as long as it is different from other Magic Numbers. However, DO NOT change the Magic Number of the EA when there is a position already opened by it. The EA remembers the trade it placed by the Magic Number attached to it when it opened. If you change the Magic Number during an open trade, the EA will not see that trade anymore and will not make anymore adjustments to it.

TakeProfit: Default value is set to 800.0 pips. This is the Maximum Take Profit for the Single Position Strategy the EA will use for the position. Once it reaches this number, the position will close. However, do understand that this number will more than likely not be reached. It is set this high so that the position will be allowed to ride the trend for as long as it can before the trend indicator changes its trend (color), for which then it will exit the position. Most exits will either be caused by the changing of its trend indicator or upon reaching its SL/Adjusted SL.

StopLoss: Default value is set to 150.0 pips. This is the maximum Stop Loss(SL) for the Single Position Strategy the EA will use for the position. Once it reaches this number, the position will close. However, do understand that this number is not always hit, as more than likely, the position will exit before hitting this SL as its trend indicator changes its trend (color).

UseTrailingStop: Default setting is 'false' OFF, but can be changed to 'true' ON, if you would like to use the default trailing start/stop values, or your own values. (Note that the EA already has an Auto Trailing feature build in, and will automatically readjust its SL as the price moves. This feature is so you could use your own Trailing Stop values and not the EA's default values)

TrailingStart: Default value is set to 70 pips. This is when you would like your Trailing Stop to start its adjustments. It can be changed to any value of your choosing if you choose to do so.

TrailingStop: Default value is set to 110 pips. This is the distance the trailing stop loss will follow your position.

UseBreakEven: Default setting is 'false' OFF, but can be changed to 'true' ON, if you would like to use this feature. What this does is that upon reaching the 'BreakEvenDistance' number, in this case +20 pips with default setting, it will readjust its SL to the value set in the 'BreakEvenSLTo' number, in this case to +5 pips with default setting.

BreakEvenDistance: Default value is set to 20 pips. Upon reaching the value entered here, the Break Even feature will be triggered, and SL will be adjusted to the 'BreakEvenSLTo' value. This can be changed to your own preference.

BreakEvenSLTo: Default value is set to 5 pips. This is the value in which the SL will move to upon hitting the BreakEvenDistance value. This can be changed to your own preference.

ThreePMagic: This is the Magic Number used for the ThreePositions Strategy. Each EA's Magic Number MUST be different from each other within its own EA and other EAs being used. This is so that the EAs won't confuse positions entered by other EAs and try to make adjustments to trades it didn't place. This number can be changed to any number you like as long as it is different from other Magic Numbers. However, DO NOT change the Magic Number of the EA when there is a position already opened by it. The EA remembers the trade it placed by the Magic Number attached to it when it opened. If you change the Magic Number during an open trade, the EA will not see that trade anymore and will not make anymore adjustments to it.

TakeProfit3P1/TakeProfit3P2/Takeprofit3P3: Default values are set to 20 pips for 3P1, 50 pips for 3P2, and 80 pips for 3P3. This is where you can enter your own TP targets to use for the ThreePositions Strategy. (Mark, I left this as the way it was because I wasn't sure if you also want to change this to be the same as the AdvanceStrategy numbers, so please change this if need to)

StopLoss3P1/StopLoss3P2/StopLoss3P3: Default values are set to 40 pips for 3P1, 70 pips for 3P2, and 90 pips for 3P3. This is where you can enter your own SL targets to use for the ThreePositions Strategy. (Mark, I left this as the way it was because I wasn't sure if you also want to change this to be the same as the AdvanceStrategy numbers, so please change this if need to)

First3PSLTo: Default value is set to 5 pips. This is the PP number that will be placed on the 3P2 and 3P3 positions once the 3P1's TP value has been reached.

ASMagic: This is the Magic Number used for the AdvancedStrategy. Each EA's Magic Number MUST be different from each other within its own EA and other EAs being used. This is so that the EAs won't confuse positions entered by other EAs and try to make adjustments to trades it didn't place. This number can be changed to any number you like as long as it is different from other Magic Numbers. However, DO NOT change the Magic Number of the EA when there is a position already opened by it. The EA remembers the trade it placed by the Magic Number attached to it when it opened. If you change the Magic Number during an open trade, the EA will not see that trade anymore and will not make anymore adjustments to it.

TakeProfitAS1/TakeProfitAS2/TakeProfitAS3/TakeProfitAS4: Default values are set to 50 pips for AS1, 55 pips for AS2, 80 pips for AS3, and 500 pips for AS4. This is where you can enter your own TP targets to use for the AdvancedStrategy. Do note that the default values has been tested to give back the best overall returns.

StopLossAS1/StopLossAS2/StopLossAS3/StopLossAS4: Default values are set to 50 pips for AS1, 55 pips for AS2, 70 pips for AS3, and 150 pips for AS4. This is where you can enter your own SL targets to use for the AdvancedStrategy. Do note that the default values has been tested to give back the best overall returns.

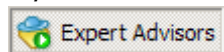
FirstASSLTo: Default value is set to 5 pips. This is the PP number that will be placed on the AS2, AS3 positions once the TakeProfitAS1 value has been reached.

Trading with the Expert Advisors

So you drag'n'dropped the EA file to the chart and configured everything in the Inputs tab, now hit OK. A smiling or a sad face should appear in the upper right corner of your chart. If it's not smiling, the EA is NOT trading automatically, and there's something wrong.

Check the Tools -> Options -> Expert Advisors tab and be sure that the "Enable Expert Advisors (...)" option has its checkbox checked. The "Allow live trading" option should be checked also. Click OK, and check whether the face in the upper right corner of your chart is smiling yet. If not, you haven't done something that I've written in this guide so please read once more the "*Configuring Expert Advisors*" section once more and this section also.

If you want to disable the Expert Advisor you have a few options to do that: click on the



button in your toolbar and the EA will stop functioning. You can remove it from your chart by right-clicking somewhere in the chart and selecting "Expert Advisors -> Remove". Or you can just close the chart and the EA automatically shuts down.

Remember, if you want to run the EA 24/7 you WILL need a PC that's running without any interruption. If you don't have such computer, you can rent a Virtual Private Server (VPS) or sometimes it's called a Virtual Dedicated Server for about \$15/month. I personally use GoDaddy.com's service it's reliable and cheap in my opinion. They call it Virtual Dedicated Server.

Backtesting the Expert Advisors

If you want to see how the EAs performed in the past, or maybe want to optimize their parameters you can do so by using the internal Strategy Tester in your MetaTrader 4 Client. Backtesting can have

very different results because the modelling quality is different each time you do a backtest if not using proper historical data. If you don't get results of 90% modelling quality then your backtest results are not reliable at all, and you shouldn't take them seriously, in fact you should discard them as they can be very misleading. You can find a backtesting guide at the end of this document.

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Backtesting Guide by MCBoogs for MetaTrader 4

MCBoogs' MT4 Backtesting FAQ v1.0

I decided to write up this little tutorial, because backtesting different systems comes up very often in threads on this forum. There seems to be a lot of confusion about reliability issues and how to go about achieving the most accurate possible results. I am not a programming or trading guru, but I believe I can provide a helpful little FAQ on backtesting using MT4.

Good backtesting is important when considering a system-trading approach, because you want to have some idea of the feasibility of your idea before you go live with it [at least I do]. If you're backtesting with a 50% model quality, eh... you can't really be sure what's going on. If you have a 90% modeling quality, you can have more confidence on how your system actually would have performed.

Contents:

- Section 1: Is MT4 Backtesting Reliable?
- Section 2: Downloading/Importing/Converting 1M Data
- Section 3: Configuring the Backtester
- Section 4: Other Issues

Section 1: Is MT4 Backtesting Reliable?

This question often gets pretty heated and people even get to the point of flaming each other about it. Backtesting in MT4 can be reliable, but its reliability is contingent upon the data you are backtesting on. Demo account data that is streamed in through a demo account broker has gaps, holes, and is basically not suitable for testing.

When backtesting, you want to use the EVERY TICK MODEL and have accurate 1M data to get the most accurate test possible. The 1M data is important, because the EVERY TICK MODEL uses whatever the smallest available timeframe available is and "fakes" the movement of price within the smallest available bars. Having 1M data allows for the fractal interpolation within bars to occur only within the very narrow range of 1M bars.

The easiest [and only] solution to this is to use good 1M data. The most complete data you can get [at least for free] is from Alpari's Databank. They have data in MT native format, on the 1M timeframe back through mid 2004. However, setting up the data for use requires some doing.

Section 2: Downloading/Importing/Converting 1M Data

(1) You need to modify MT4 to allow for more bars. Go into the Tools Menu, then go to Options [or just hit C+O]. Go into the charts tab and put in 999999999999 for bars in history. MT4 will default to whatever it's maximum is.

[Note: The reason MT4 has a limited bar count to begin with is because more bars (particularly when used in backtesting models) means MT4 is going to eat up more HD space.]

(2) Download the 1M data from Alpari's Databank in whatever currency[ies] you're going to test on.

(3) Import the data into MT4 using the History Center. Go to Tools => History Center [or push F2]. Make sure you import it in proper currency and in the M1 timeframe. You don't want EURUSD data being imported into USDCAD for instance.

(4) Convert the data using the period converter script included in MT4 [you only have 1M bars right now]. You have to open offline charts to do this.

-Go to the File Menu, then Open Offline, select the 1M data of the currency you need to convert. A chart will pop up with that data.

-Then drag & drop the period_converter script onto the offline chart. The ExtPeriodMultiplier int that

you can modify is the multiplier you are applying to the chart. So making it 5, will convert 1M data into 5M data.

-For simplicity's sake, you need to run the period converter with the following integers to get all the backtesting timeframes: 5,15,30,60,240, and 1440.

[NOTE: you can also convert 1M data to timeframes not native to MT4 if you want to do some indicator analysis or something on another timeframe.]

Congratulations, you have now imported and converted data into MT4. Now, for the sake of illustrating one of my earlier points, open up a currency you have imported data on. Look at the difference in the bars from the downloaded data as opposed to data streamed in from a Demo broker [So, if you downloaded 1M data from July 04 to August 05, look at the chart at August 05's end and September 05's beginning]. You will notice that the bars (on every time frame if you have converted them properly) from your downloaded time period will be more complete.

Section 3: Configuring the Backtester

Now that you've successfully imported complete data, there are a few more things you need to do to run a reliable backtest.

(1) Check the recalculate option the next time you run a backtest, because you need the backtester to utilize your shiny new happy data (which it won't do unless you tell it). Anytime you import new data, you need to recalculate (I recalculate every few tests just to feel safe, maybe its a reflection of internal confidence problems, but that's for another FAQ).

(2) Check the use date option and set the date range only over a time period where you have good reliable data. This way you're only backtesting the good stuff. It will be reflected in the modeling quality percentage.

(3) Make sure the model is set to EVERY TICK. If you're not, all this hard work we just did was for nothing. I addressed why we do this earlier in the FAQ.

Section 4: Other Issues

MT4 is a work in progress, sometimes there are strange bugs that crop up in backtesting. However, usually when you think you have a bug on your hands, there is something wrong with your code. I can't emphasize enough how important debugging is. If you have problems, check your code first because it's probably the problem. If you really think you have a legit bug on your hands, post it to the MT4 forums.

Because you are not actually backtesting on every tick that happened [you are dealing with an interpolation on 1M data], it is still not a perfect reproduction of what actually happened in the markets. Because of this, 1M and 5M scalping EAs that get in and out of trades really quickly will run into some problems just because of this limitation. The longer timeframe you are trading on, the less likely your testing is to be hampered by this.

Well, that's all I can think of now. I read this over, I think I made everything clear and have the steps outlined correctly. If you notice a mistake, let me know, and I'll correct it in my next version of the MT4 Backtesting FAQ.

End of TrendStuffer Trading System Official User's Guide

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Thank you.