

*My demo traded experience of
the:*

Don Steinitz HAS System

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Written by:
WB

Disclaimer:

*This document is to be used for entertainment purposes only. It is **NOT** intended to be a training course for the Don Steintz HAS system, and is merely represented as some of my thoughts on the system. All FOREX risks are assumed by the individual trader. FOREX trading is an extremely high risk endeavor and should not be undertaken lightly. This document does not serve as, intend to, or constitute appropriate experience to trade the FOREX market. This document is provided without warranty of any kind.*

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Setting up the system

My experience with the Don Steinitz HAS method (DS HAS) has been with the Metatrader Platform, and I first learned about the method at the www.forex-tsd.com forum. Additional information can be found at the www.forexfactory.com forum, although active discussion is now taking place on the Forex-TSD website.

Also required is a FOREX broker that supports the Metatrader platform. There are literally dozens, if not hundreds, of these companies and looking through the forums to find firms is a way to discover one that others have used.

The Metatrader Platform runs on various versions of Microsoft Windows™ and is downloaded to your personal computer. While using manual or automated trading with Metatrader you must keep your computer on! Turning it off will remove your ability to trade and your positions will be orphaned and subject to the vagaries of the market.

The DS HAS method requires the use of three indicators programmed for the Metatrader platform, and these can be found in Post # 1 of the “Suggestions for Trading Systems” thread, under the “Steinitz Method Revealed”. This thread is currently located here:

<http://www.forex-tsd.com/suggestions-trading-systems/6911-steinitz-method-revealed-here.html>

If the above link is not functional you will have to perform a manual search as the content of the forum could change at any time.

Metatrader Information

For more information regarding the Metatrader platform see <http://www.metaquotes.net/> or your Broker of choice. Instructions about how to download the Metatrader Platform with user guides, support, and so forth can be found here: <http://www.metaquotes.net/download/>

All Internet URLs were current at the time of writing but since I have no control over website content they may change at any time.

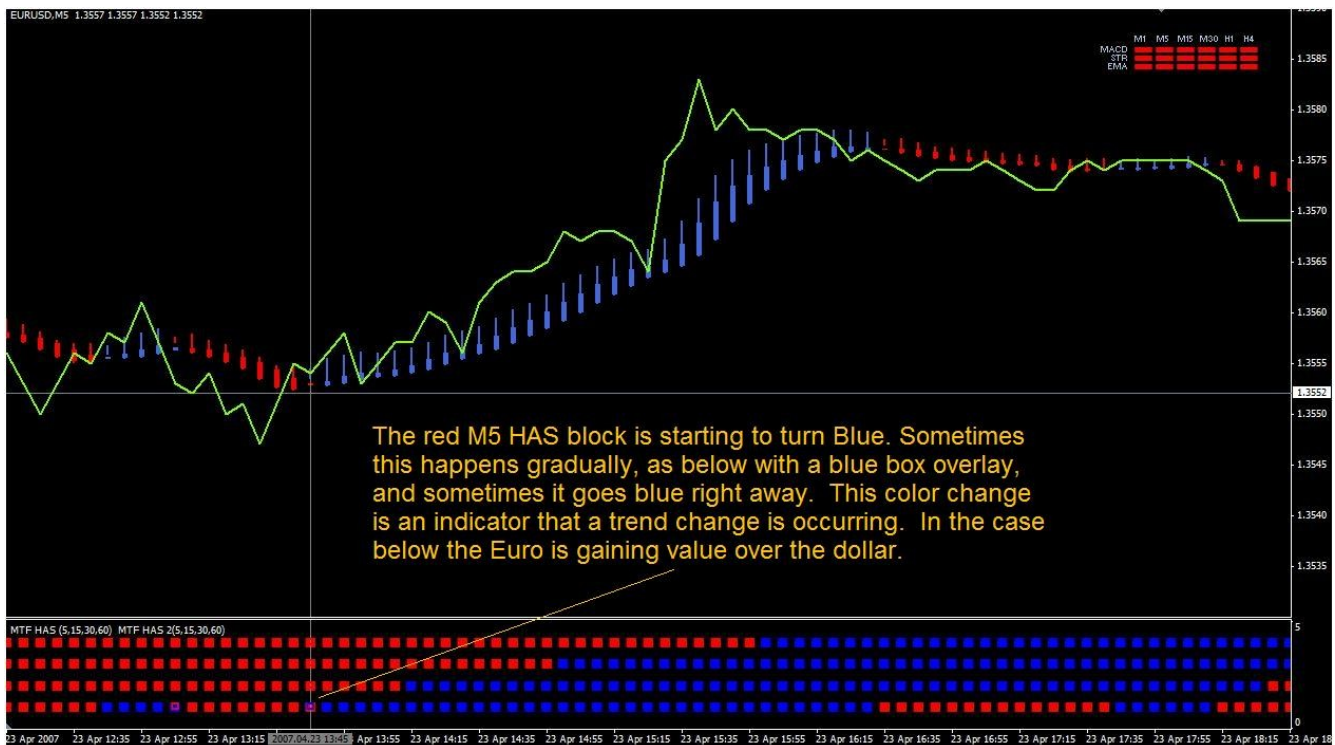
Working with the 5 minute chart

I have found that the 5 minute chart is the smallest applicable time-frame for the DS HAS system, and the most suitable for detecting rapid change in the value of the target currency.

Examples of my experiences with the system on the EUR/USD currency pair can be found below. The system can be used on most any pair as far as I know, but as I am most familiar with the EUR/USD pair that is what I'm currently using on my demo.

One of the benefits of the DS HAS system is it's simplicity, which can be seen from the charts below. Few indicators are used, and interpretation of these indicators is quite straightforward.

A potential opportunity in the making!



The lowest red/blue dotted bar you see in the picture above is the MTF HAS 5 minute bar. We are looking at this on a 5 minute chart so the 5 minute time-frame must be selected for the chart while working with the M5 HAS bar. The M5 HAS bar has 3 bars above it which represent the M15, M30, and 1 Hour time-frames. We will discuss these bars a little later.

***Note:** You may need to zoom in your word processor to see the chart better.*

When the 5 minute indicator changes color it means that a trend is reversing. This is great information because it allows us to position a possible trade early on as the new trend forms – thereby giving us the best opportunity to maximize the PIPS we can gain from the trade.

Having secured a possible trade entry point we now need to determine if the trend reversal is sustainable and will move the price enough for us to harvest some PIPS from it. Determining whether a trade will be a good one or not is extremely difficult for inexperienced traders and not at all easy for the “old gray beards”. Fortunately the DS HAS system helps us here as described in the next section.

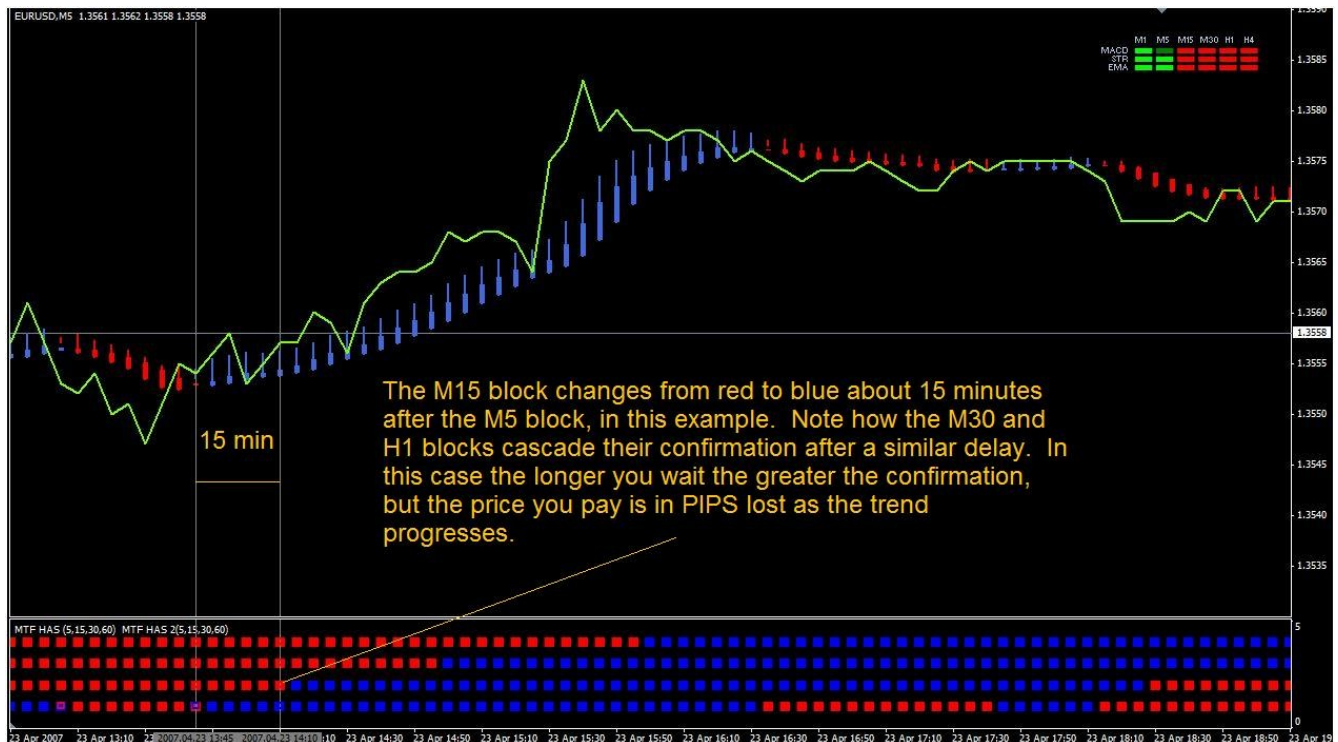
Side Note -

The DS HAS system described in this document relies completely on what is known as technical analysis. Technical analysis suggests that it is possible to predict the future behavior of a currency (or stock, commodity, etc.) by knowing it's behavior in the past. This fascinating subject is hotly debated, and a wonderful subject for study. Try searching for it on one the following sites: www.wikipedia.com and www.babypips.com

The technical analysis doctrine can be enhanced by employing what is known as fundamental analysis. You could think of this as “doing your homework” on the subject currency. Let's say there are world events impacting the Euro or US Dollar – how might these events impact the value of the currency? A good news statement of “reduced US unemployment” might strengthen the US Dollar for example.

Because the DS HAS system uses technical analysis as the core of it's decision making it might not be necessary to combine it with fundamental analysis. Like everything else to do with FOREX, and this document, you must make the journey and discover for yourself!

Is this opportunity real?

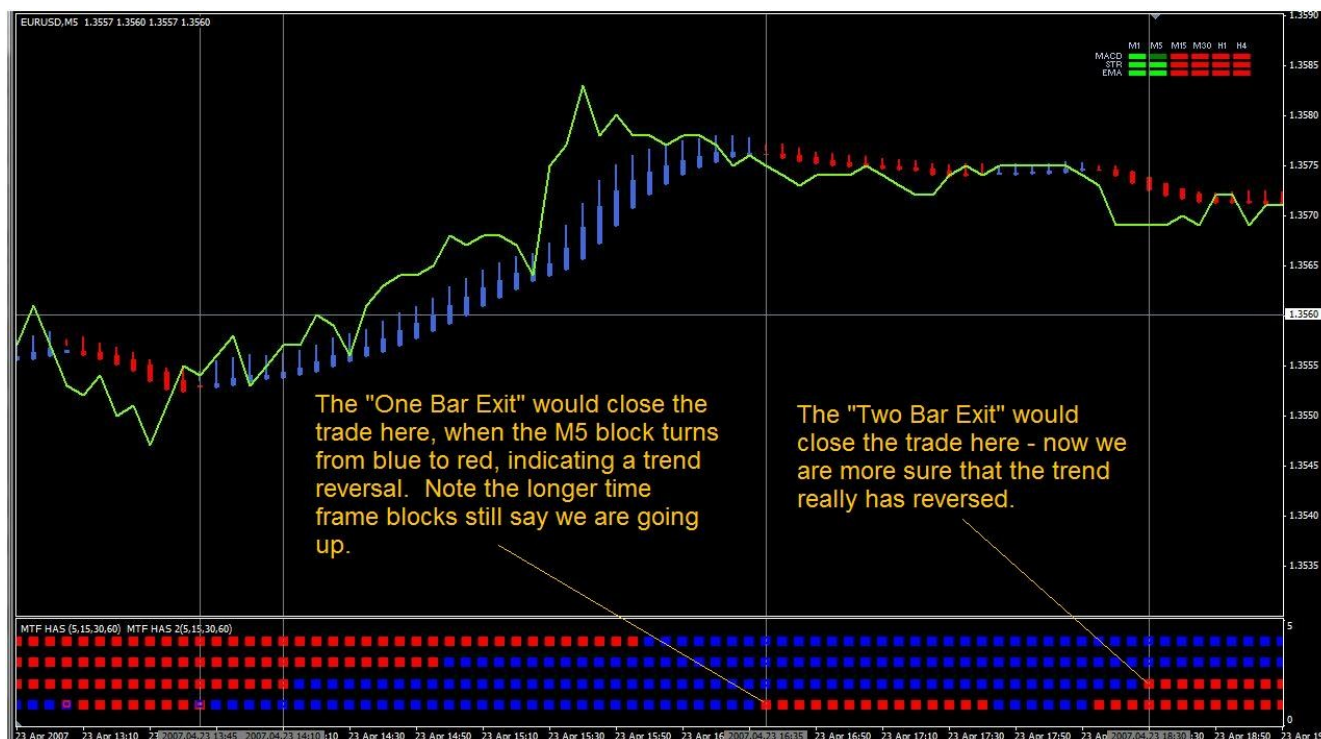


When working with the DS HAS system we can use the longer time frames of the indicator to determine how persistent/aggressive the trend is. If the longer time frames start to echo the 5 minute time frame then we have additional evidence that the trend is sustainable enough for us to earn pips from it. In this case the M15 HAS bar indicator turns to blue about 15 minutes after the M5 bar signaled a trend change. Notice how the other time frames (M30, H1) also cascade in with confirmations after similar amounts of delay.

Losing 15 minutes while waiting for confirmation may seem extreme on a 5 Minute time frame and it very well may be – I have no idea. If we were to enter the trade at the moment of M15 confirming the M5 bar we would have reasonably convincing evidence that a sustainable trend is occurring – which is very nice to know :-)

Also check out the size and shape of the rising blue bars on the chart. The length of bar and tail is important as you can see. To me as the bars increase in length the trend is getting stronger, as they start to shrink the trend is slowing – get ready for an exit signal. The light green line dancing around the bars is the currency price shown as a line.

How do I know when to exit the trade?



People tell me that the exit of a trade is everything and I believe them. To me the big dilemma is knowing when to get out while avoiding the emotional response of thinking “I left pips on the table”. A separate discussion of money management and controlling one's emotions is required for this I'm afraid :-)

The One Bar Exit

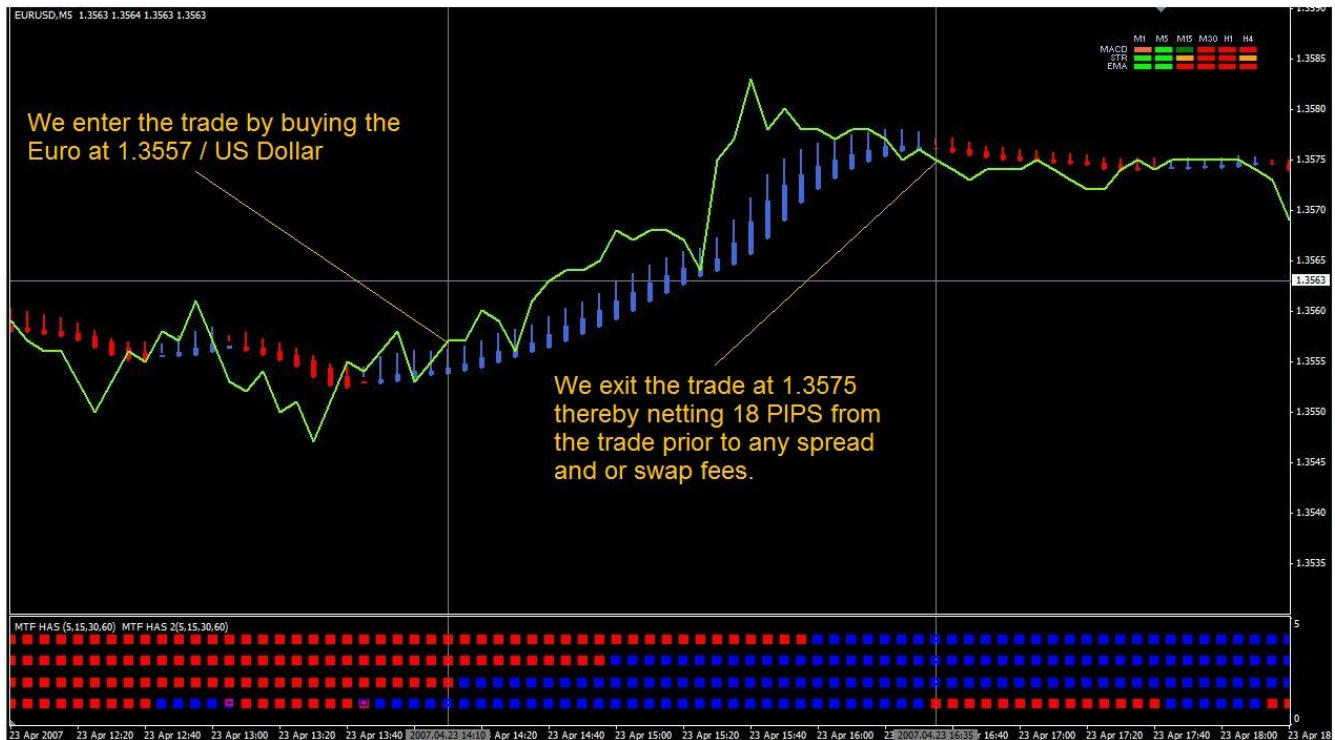
In the above case our exit point is clearly defined while working only on the 5 minute EUR/USD chart, and only considering the M5 indicator bar. Simply put – when the M5 indicator bar indicates a trend reversal close the trade. In this case the strategy works perfectly and, for me, is backed up by the shrinking blue bars, reduced slope, and smaller tails on the bars. As the bars shrink and tip over from a steep climb to a more level stance the trend is ending. Naturally there are cases where we may not have made enough PIPS on this trade and we need to figure out what to do. More on that later as we consider different methods to use the DS HAS system.

The Two Bar Exit

A more traditional approach to the DS HAS exit system might be called the “Two Bar Exit”. In the above example we closed the trade when the M5 bar turned from blue to red. This might have dropped us out of a trade early, leaving PIPS for some other trader to gobble up. The Two Bar Exit requires that 2 Bars be in agreement before the trade is closed. In the example above we would wait for the M15 (the next longer time frame) to turn from blue to red, then we would close the trade. This could provide more certainty that the trend had truly ended.

***Note:** If you visit the referenced forums you will find much discussion concerning exit points for the DS HAS method and exit points for many, many, more methods. Enjoy the discussions – occasionally they yield truly inspired information.*

Trade Analysis – how did we do?



So how did we do? Well, on the 5 minute EUR/USD demo chart, and using the “One Bar Exit”, we have been able to generate 18 pips from our hypothetical trade (not including spread, swap etc.) The trade lasted about an hour, 15 minutes of which was spent waiting for confirmation of our initial entry signal.

There is no such thing as a typical trade, and the above demo screen shots can only show one possible scenario. My experience to date, however, suggests that the concepts discussed can be repeated - and repeatability is one of the key tenants of a reliable trading system.

So what's next?

Now we can move onto longer time-frames and see if we can apply the same methods in search of more PIPS per trade by holding a trend for longer periods of time.