

Expert4x.com

*The Expert4x, No stop, Hedged,
GRID trading system
and
The Hedged, Multi-Currency,
Forex trading system*





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(Available in the Grid Trading Ebook and the Hedged, Multiple Currency System Ebook)

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Introduction

The Multicurrency Hedged Forex trading system has been developed and refined by Expert4x over the last few months of 2008. The Multicurrency Hedged system is an adaptation of the mechanical **No stop, Grid Forex trading system** which produces great results in sideways and slowly trending markets but has the disadvantage of potentially incurring big losses in trending markets. It is important to understand the principles of the No Stop, Hedged, Grid Trading system to appreciate the advantages of the Multicurrency, Hedged, Forex, Trading system.

What we will be covering in the next few pages is a semi mechanical trading system which has a mathematical and statistical basis. If you are a traditional Forex trader using technical analysis, fundamental analysis, indicators, charts and all the traditional trading tools please forget everything you have ever learnt about trading. This method does not use any of the above tools. It is a numbers technique with mathematical basis. To a large degree these systems are **risk management techniques** rather than **trading systems**. They have also been developed and learnt from certain techniques used by index traders (E mini's) to manage losses when a trade goes against them.

Limitations of this Ebook: - This Ebook attempts to explain the main concepts of the various systems used to trade the Forex Market. When reading this book, please therefore concentrate on understanding the overall concepts and approach. These may be foreign to many Forex Traders so don't worry I you battle at first.

We have not gone into all the minute (smallest) details required to trade this system, much of which is common sense to Forex traders. We have covered areas like currency volatility, relative strengths, the use of pending orders and currency Gap and beat sizes etc at a fairly high level.

There are many GRID trading system and HEDGED trading systems around. The techniques in this books are have been developed by Expert4x.

You will learn most about the system if you trade it. For a marketing view of the GRID technique please view:

<http://www.forextradersupportservices.com/GRIDSystem.html>

and for a marketing view of the Hedged, multicurrency technique please view

<http://www.forextrading-alerts.com/>



Background to the development of the Expert4x, No Stop, Grid, Forex Trading System

This No Stop, Grid concepts have been developed after many years of hands on, practical, conventional Forex trading. FOREX TRADING in general is exciting and very challenging. It has however a few general disadvantages which we have tried to overcome. They are

- 1 Getting the direction 100% wrong. This is not very uncommon even with experienced traders as most use support and resistance to trade. When reaching strong support or resistance there is always the question – will it break through or bounce?
- 2 Stops being hit – sometimes it even looks like the broker is cleaning our stops on purpose. Stops are often too big and other times they seem too small.
- 3 Stops being hit and the price going straight to the target set anyway.
- 4 The need to watch the charts constantly to take advantage of moves in the market.
- 5 Getting out at the right time. The biggest trading challenge. Often we would get out of a deal at +100 and then watch the price go for another 200 pips. Other times the price would get within pips of our target and then would violently reverse.
- 6 The need to supervise a deal – many times one cannot stop watching screen as the deal progresses.

So we set out to design a trading system where:-

- 1 You would not need to know the direction of the price movement!
- 2 You would not use stops!
- 3 You would not use charts once the deal has been established!
- 4 You would not need to supervise the deals or watch the screens.
- 5 You would make money

Nature of the Forex market

What makes these systems work, is the erratic, spikiness of the price movements in the Forex market. When we looked at the Forex Market's daily and 4 hour charts we found some interesting facts:

- 1 The market is basically driven by human emotions such as fear and greed and new information and news can dramatically impact price movement literally within minutes. This makes the market erratic and random in the short term but more predictable in the longer term.



2 The market tends to trade sideways in an erratic spiky movement.



3



4 The rest of the time it trends strongly in a particular direction 10% of the time.



5 So 90% of the time the market is retracing between 30% and 200% of the previous movement. It would move from A to B and then to C. The distance between B and C could be anything between 30% and 200% of the original A to B move.





- 6 90% of the time the currencies trade in waves that have “beats”. Up so much, down so much, up so much, down so much, etc. A bit like music or dancing.



- 7 The longer the chart used, the more reliable the beat and the retracements would be. We started using only the 4 hour chart (or the 1 hour condensed) to study these beats and retracements.



Now, the challenge is how do we find a system that meets our requirements and at the same time takes advantage of the seemingly erratic and random short term movements of the Forex market?



The No stop, Hedged GRID System

Our 1st major step to achieving our goals was the development of the no stop, hedged, GRID system

The grid system works like this (To keep things simple we are ignoring the spread):-

- 1 You decide on a grid size for your currency. Let's say 200 pips for the GBP. (By the way the grid size you use is the most important item critical to the success of the system)
- 2 You enter in to a BUY and SELL transaction simultaneously where ever the price of your currency currently is. You use no stops for the transactions and have a 200 pip targets. Alternatively you can use pending orders to enter at a "nice" price like 1.4800 which will make calculations a lot easier.
- 3 You then create a series of BUY and SELL pending orders on each level 200 pips above and below your entry price for say 3 levels (you can do more if you like) – this means the price has to move 600 pips upwards or downwards before you run out of orders. We also want all the orders to activate at the same time once a grid level is reached so care should be taken to make sure that the Buy and Sell activation levels result in simultaneous activation.
- 4 When the price moves 200 pips in either direction your positive transaction will be "cashed in" (terminated or close the transaction positively as it has reached its target), and the next set of buy and sell orders will activate. If the movement was up you now will have 2 active sells and 1 active buy. The basic rule of grid trading is that you should always be in a position to cash in positively no mater which way the market moves.
- 5 You would now also replace the cashed in transaction to make sure that the grid remains complete with a buy or sell pending order on each level.
- 6 When the total of all transactions "cashed in" and those transactions still active adds up to a positive gain at any cash in GRID level you would close all unnecessary transactions (transactions with a positive or negative balance) and start again.
- 7 Steps 3 to 7 will be repeated over and over again.

That's it. The diagrams that follow shows some of the possible price movements in the 1st 3 Grid levels. Please view our GRID trading Videos linked later on, in this book for more information on this technique.

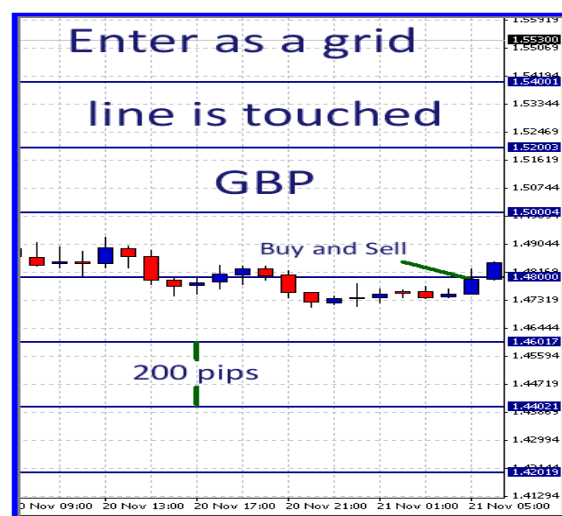


Example of the application of the previous steps:-

Step 1:- Create a 200 pip grid



Step 2: Enter the market with a buy and a sell. This can be done using market or pending orders. Assume a SELL of 1.2800 and a BUY of 1.2803 (spread is 3 so these are simultaneous). Step 1 and 2 can be done in the other way round – you can enter the market and build the grid around your entry.





Step 3 Load the pending orders.

Based on the assumed entries your order would be:-

ACTIVE - Entry:

BUY 1.4803 Active – Target 1.5000 (No Stop)

SELL: 1.4800 Active – target 1.4603 (No Stop)

PENDING ORDERS:

BUY 1.5003 Waiting – Target 1.5200 (No Stop)

SELL 1.5000 Waiting – Target 1.4803 (No Stop)

BUY 1.4603 Waiting – Target 1.5000 (No Stop)

SELL 1.4600 Waiting – Target 1.4403 (No Stop)

Etc for 2 to 3 levels

Step 4 Assume the Price moves up by 200 Pips

You pending orders at that level will activate and your buy will reach its target all at the same time. Using brokers with fixed spreads in recommended. Your status will be:-

Active:

SELL 1.4800 carrying a loss of 203 pips

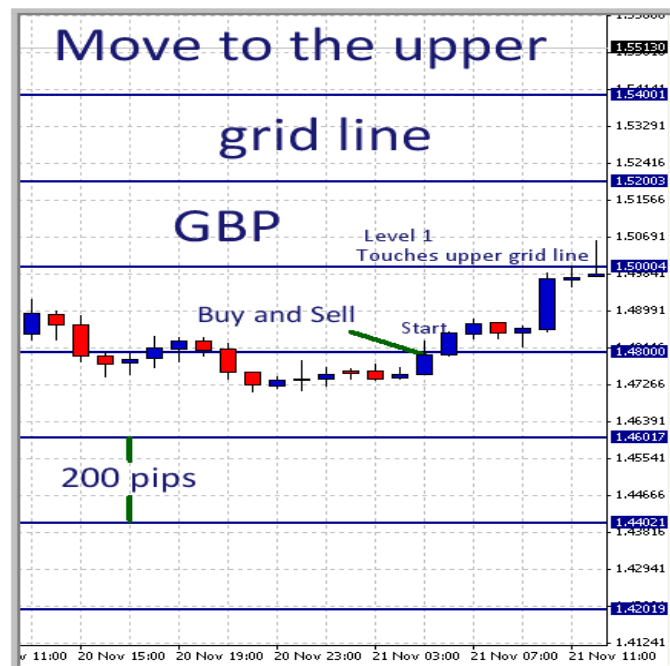
BUY 1.5000 Loss of 3 pips

SELL 1.5000 Loss of 3 pips

Cashed in:

BUY 1.4803 at a gain of 197 pips

Current position: loss of 12 pips = the spread on 4 transactions.





Step 5: Replace the cashed in transaction

This will keep the grid complete. This does not have to happen immediately but can be done at any time before the price reaches the entry price of the original cashed in transaction

Step 6: Assume the price retraces back to the entry level (1.4800)

Your status will be:-

Active

Buy 1.5003 at a loss of 203 pips

Sell 1.4800 at a loss of 3 pips

Cashed in (as target was reached)

Sell 1.5000 at a Gain of 197 pips

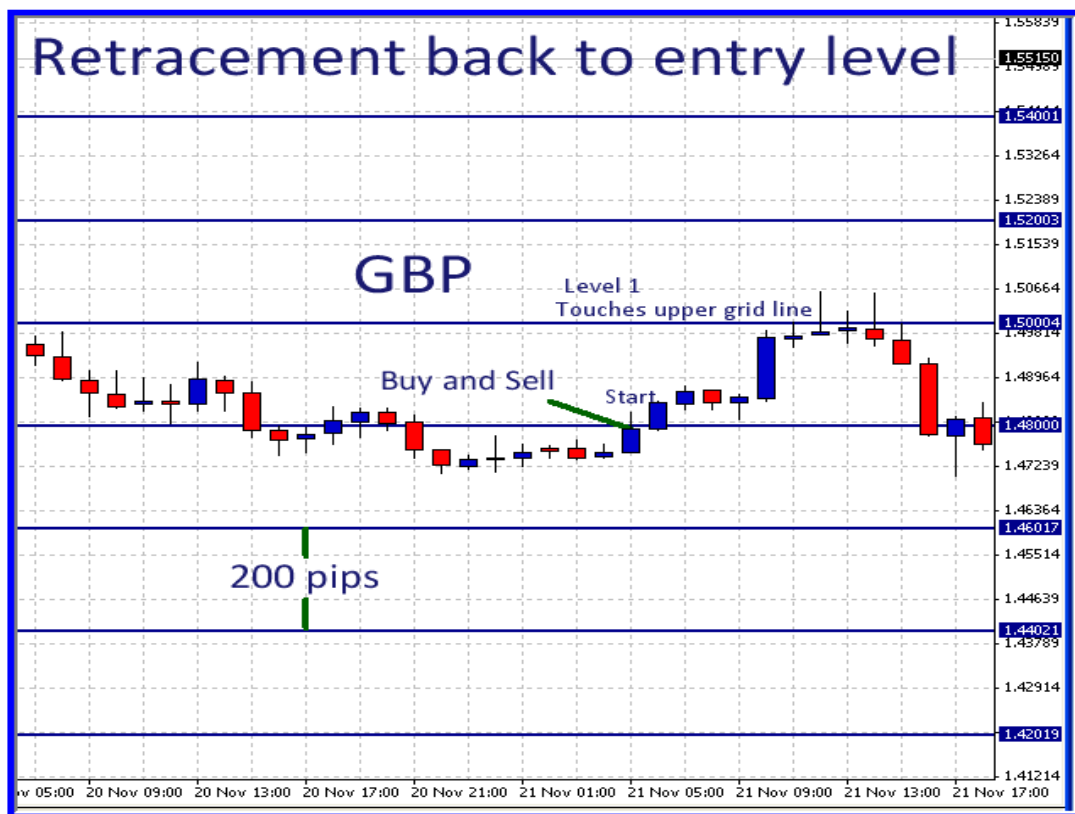
Buy 1.4803 at a gain of 197 pips (from step 4)

Now if you add all 4 transactions up you have a gain of 188 pips!!!!

You would close the 1.5003 Buy at a loss as that transaction has become **unnecessary**.

You would keep the Sell of 1.4800 that is active as you would need it to start the next grid set of transactions.

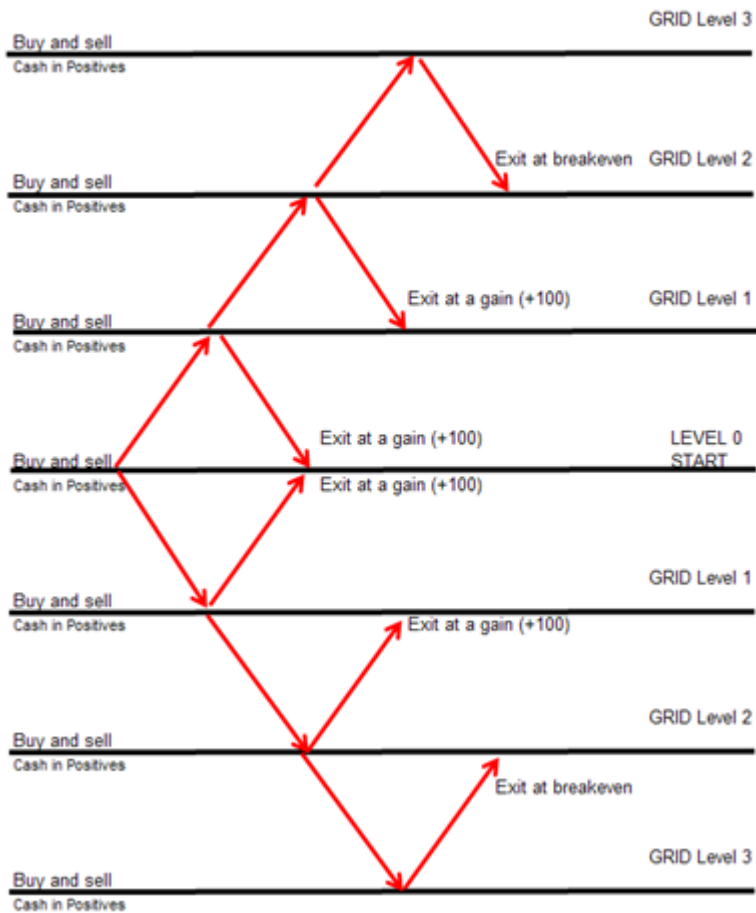
By replacing the cashed in buy of 1.4803 with a pending order you now have an active Buy at 1.4803 to go with your active sell of 1.4800 and you can start trading again – you are in the same position as you were in step 2 and 3





An Example of a grid trading structure

(Assuming gaps of 100)



It meets our criteria –

- 1 No stops
- 2 No worry about direction
- 3 No need for charts – you are using a series of orders placed on your dealing station.
- 4 No need to supervise as you can automate the system using pending orders with large Gaps of 200 pips that allow you enough time to replace cashed in orders.
- 5 It is highly profitable in a sideways or slowly trending market



[Grid Trading Videos](#)

For more information about Grid Trading please watch our Grid Trading Videos:

Trade of the day: GBPJPY 1000 pip	1000pips
July 2008 trading results	July 2008
3250 pips in 41 days	3250 pips
Introduction to Grid Trading	Introduction
Basic concepts	Grid Concepts
Making money using Grid trading	Money 1
More money making movements	Money 2
Managing Trends	Trends
Trade of the day: GBPJPY 1000 pip	1000pips
July 2008 trading results	July 2008
3250 pips in 41 days	3250 pips

[Examples of a live traded Grid system](#)

Currently there is a live traded version of the Grid System available on the FREE automatic ZuluTrade site at <http://expert4x.zulutrade.com/Index.aspx?> . The alert supplier is Expert4x .

There is also trading records and history available on www.expert-4x.com to trial, monthly and quarterly subscribers.

[GRID trading tools](#)

There is also a number of Grid Trading tools www.expert-4x.com to trial, monthly and quarterly subscribers.

- 1 There is a **[Grid Trading Expert Advisor \(EA\)](#)** for traders wishing to trade their own grid trading strategies. It is fully automated and offers flexible grid sized, lots sizes and managed exit points.



This expert advisor is only available to monthly subscribers in their 2nd month of subscription or quarterly subscribers.

- 2 **Grid Setup Tool** which will give you your own personal grid structure based on any strategy you want to use incorporating variable and fixed grid sizes and spreads.
- 3 **Risk Calculator and Strategy Evaluation Tool** which will allow you to calculate the long term impact of varying grid sizes, lots sizes, spreads, margin requirements and sizing of trading account.

Weakness of the No Stop, Grid system

Should the market start trending strongly with no or little retracement your number of open trades against the trend increases. This makes your carrying losses increase exponentially (more and more loss making transactions get added) whereas your cashed in transaction occur on a linear bases (one by one). You could wipe your account out very quickly.

An Example of a grid trading in a trend with no retracement

(Assuming gaps of 100 the loss after a 800 pip trend is - 2800 pips)

	Total Cashed in	Carrying Loss	GRID Level
Buy and sell Cash in Postives			GRID Level 0 START
Buy and sell Cash in Postives	100	-100	GRID Level 1
Buy and sell Cash in Postives	200	-300	GRID Level 2
Buy and sell Cash in Postives	300	-600	GRID Level 3
Buy and sell Cash in Postives	400	-1000	GRID Level 4
Buy and sell Cash in Postives	500	-1500	GRID Level 5
Buy and sell Cash in Postives	600	-2100	GRID Level 6
Buy and sell Cash in Postives	700	-2800	GRID Level 7
Buy and sell Cash in Postives	800	-3600	GRID Level 8





It is important not to trade the grid trading system when the market starts trending. Trending markets are normally identified by a major trendline violation on the monthly or weekly charts. Expert4x stopped its GBP and GBPJPY Grid trading groups profitably in August when this happened and switched over to the Hedged, Multicurrency Forex System which does well in BOTH trending and sideways markets.



Further more, most failures in GRID trading happen when traders use GRID sizes that are too small. The table below shows the typical GRID sizes used by Expert4x.

Approximate Grid sizes used		
Currency	Slow market	Volatile market
EURUSD	120	300
GBPUSD	150	350
USDCHF	100	200
USDJPY	120	220
GBPJPY	200	400
EURJPY	180	360



[The development of the Hedged, Multicurrency Forex system](#)

Taking all to good aspects of the Grid system which is highly profitable in a sideways and slowly trending market into account we needed to find a system that would allow us to trade “with the tend”.

We needed to find a way of not being exposed to the exponential increases of losses if the direction was wrong – such as using other currencies to hedge the direction.

The Multicurrency Hedged Forex trading system has been developed and refined by Expert4x over the last few months of 2008. It is an adaption of the mechanical **No stop, Grid Forex trading system**. The results at the moment show that this unconventional, 80% mechanical system is one of the few reliable Forex trading systems one can trade with **Peace of Mind**. It has dealt with all the weaknesses of the No Stop, Hedged, Grid, Forex trading system.

For more details of this system please go to <http://www.forextrading-alerts.com/>

The rest of this Ebook discusses the Hedged, multicurrency alert service is available to Trial, Monthly and Quarterly subscribers of the Hedged multicurrency alert service. If you are already a subscriber you can download this book from the members’ page. You will be able to access it even if you merely take a trial subscription – please go to <http://www.forextrading-alerts.com> for details on how to become a member.

QUESTIONS ON THE NO STOP, GRID TRADING SYSTEM

Please bear in mind that this is merely an overview of the No Stop, Grid trading system as used by Expert4x. It is not meant to be a detailed instruction manual. If you understand the overall objectives and general approach used you should be able to implement and trade a reasonable version of this system. Please bear in mind there is no perfect version or way of trading this system, so please do not look for perfect rules to follow.

We are however happy to answer any reasonable well thought out questions you may have. Rather than asking us for a straight answer we appreciate questions where the trader has identified 2 or 3 possible answers and is asking us for guidance on which could be more correct.

Please contact us at info@expert4x.com with any questions you may have.

We hope that you have enjoyed learning about the Expert4x, No Stop, Hedged Forex trading system. Please visit www.expert4x4free.com/Expert4x.html for more free and paid services offered by Expert4x.