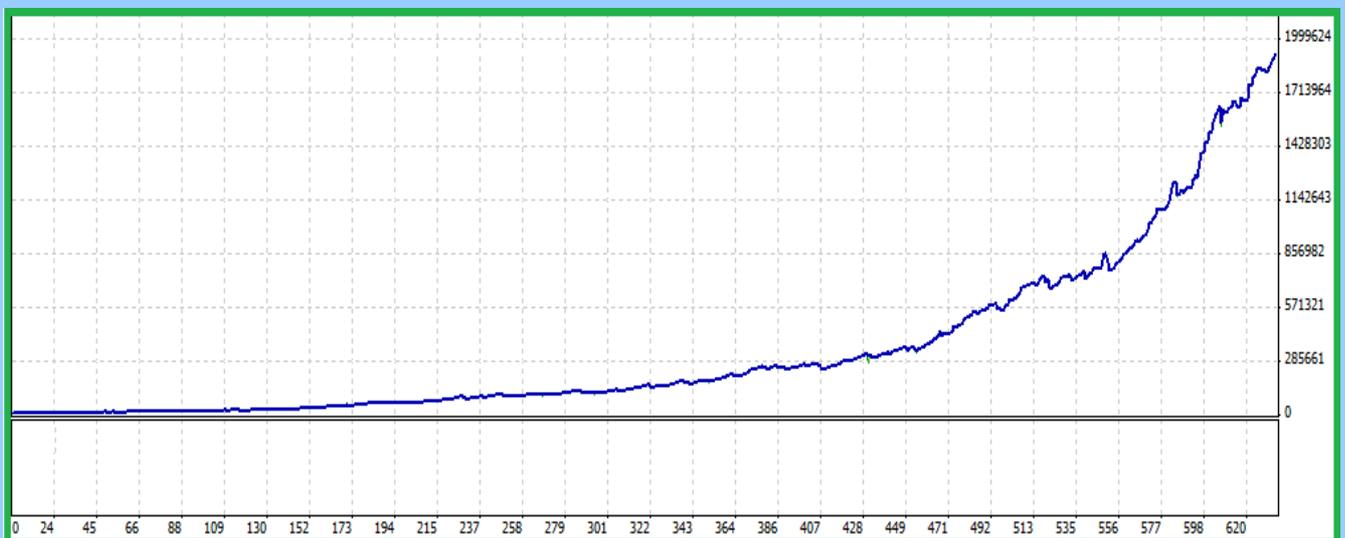


StaidForex



**FULL AUTOMATIC MT4 TRADING SYSTEMS WITH
ADVANCED MARKET CONDITION ADAPTATION, SAFE
MONEY MANAGEMENT AND CAPITAL PROTECTION**



STAIDFOREX 1.2

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1 StaidForex Overview

1.1 Why most of the EA on the market create loss in the medium term

Despite to very exciting backtest, several EAs are not able to deliver concrete and consistent return.

It is not difficult to build an EA able to perform very good backtest, the problems come when the reality of price movements and broker behaviour hit this kind of very fragile and not well proved EAs.

If you wish you can read more about how easy is to build EA having good backtest at <http://articles.mql4.com/163> on the article: *My First "Grail"*. What happen when we try to install these EAs on a live account ? Simply they will start to lose money !

The main point here is that to have a good backtest is a must but is not enough at all to make money.

We need to analyze several others points to for a given EA in order to realize if there are relevant probabilities to make money and, if yes, how we can use this given EA.

We need to take always into consideration that the broker market has an huge potential and several benefit compared with other possible trading arena (e.g. Stock Market) like huge liquidity, 24/5 no stop open market. At the same time "the instand price of PAIR" doesn't exist because there is not a central authority providing this data. Then different brokers, even if on average tend to follow the same price trend, have a lot of differeces in tems of instant price, frequency of price update, lateny time, instant spread, order execution quality. Even considering a list of very weel reputated and fully regulated broker we can see clear and evident differences in their own data feed.

You can easily appreciate it looking at the following link:

<http://www.myfxbook.com/forex-broker-quotes>

As consequence, typical fragile EAs problems are:

- specific broker dependency
- broker execution dependency in terms of spread, slippage, latency time.
- market conditions change

2 Why StaidForex is different

2.1 Trading System Robustness

Staid Forex is an EA that works on 4 different charts (with different configuration), more precisely, StaidForex is a portfolio of 4 different Trading Systems::

- StaidForex on EURUSD M15
- StaidForex on EURUSD H1
- StaidForex on GBPUSD M15
- StaidForex on GBPUSD H1

Most of research, study and energy behind StaidForex project was spent following the main goal to achieve robustness, consistency, high risk control degree, broker independency. To get a good backtest equity curve was also a target but the previous points were never sacrificed just to achieve a "nice to see" backtest equity curve.

StaidForex Robustness was achieved also thanks the following points:

- All the opened trade have their own StopLoss and Take Profit. This give safety on maximum risk/trade even if the MT4 should have any connection problem with the broker during the trade life.
- Both StopLoss and Take Profit are identify according with current market condition. E.g. We could identify similar entry logic situation in terms of trend but the volatility of the market can be very different. For this reason the StopLoss and TakeProfit are not evaluated on a fix way in terms of number of pips but in terms of proportion of the current market volatility measured with ATR indicator.
- The Stop Loss found for each trade is the main drive to set the maximum risk taken for each trade, then is the main driver to identify the most consistent lot size to be invested on each trade.
- As consequence on a more volatility market the Stop Loss and the Take Profit will be langer in terms of Pips in order to keep anyway good chance to win the trade but, at the same time, the lot size invested will be smaller in order to keep the same overall Risk in terms of money lost we market goes against our trade.
- Anyway StaidForex doesn't leave the open trades on their own destiny once opened. StaidForex continue to monitor the market condition in order to evaluate if the market is not going as expected and, in this cases, StaidForex take decision to close the Trade even if StopLoss and TakeProfit are not reached yet.
- All StaidForex trading logic was build in order to evaluate the market situation and take decision to open a trade and/or to close a trade at bar open only. e.g. For H1 chart

StaidForex look at the market situation and eventually take decision to open trade or to close opened trade at X:00 (hour X and minute 0) but then StaidForex doesn't take any decision between hour X:00 and X+1:00. What can happen inside a bar time is only trigger of StopLoss or TakeProfit.

- The EA was optimized not with target to achieve the best overall equity curve, but to achieve consistent results between different years.
- The best EA configuration candidates were found with the previous optimization approach using data between 2002-2011 (In Sample Period).
- The best candidates were selected testing the results on period of time not used for the optimization (Out Of Sample Period). This period were 2012-2013 and 1986-2001.
- The final configuration candidates were tested on different historical data sources and the ones with most consistent results was validate. The data source list used includes:
 - FXCM (2002-2013)
 - Alpari UK (2000-2013)
 - Dukascopy (2003-2013)
 - <http://forexdata.biz/> (1986-2013)

All the previous points give us an high level of broker data feed independency and also give us an high leve of backtest model independecy. Backtest with open bar model is not so much different than 99% precision tick model backtest. All this means high robustness to keep the same statistical behaviour on different brokers and during different market conditions.

2.2 Portfolio Money Management and Risk Management

To have a good Trading System is not enough to make money if we are not able to manage the related risk and to protect our money in the periods where the market goes against our trades.

StaidForex has 4 different money management modes:

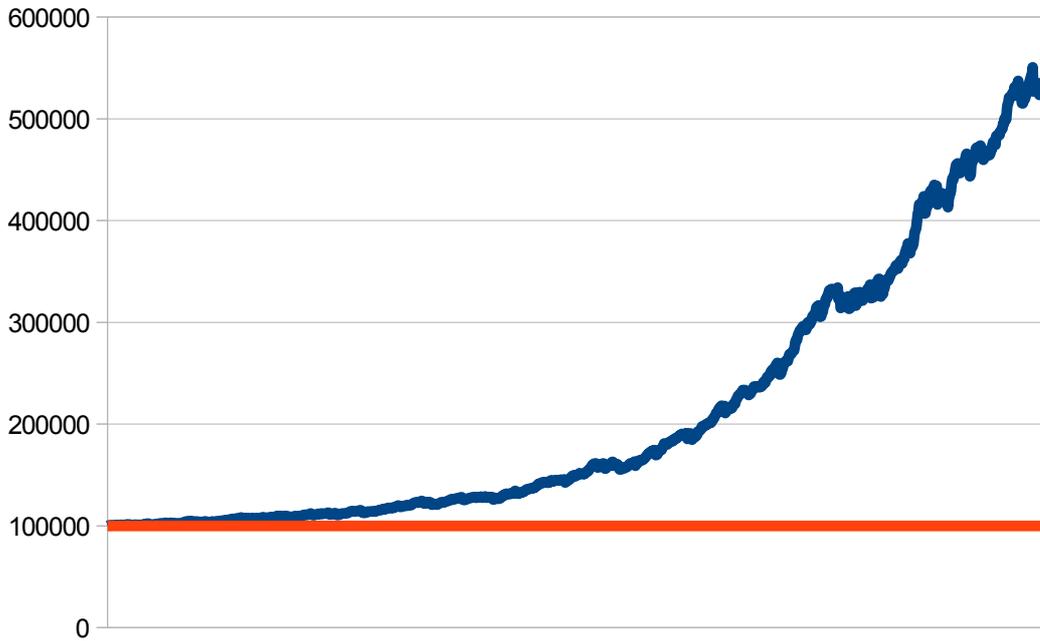
- 1: **Fixed Lot:** StaidForex invests a fixed lot with no dependency on the risk this will bring, on the current market condition or the account size.
- 2: **Fixed Money Risked:** The lot size invested on a trade is calculated in a way where, if the market goes against the trade, the money lost will be very close to the specified amount (based on the account currency and not with the Pair components).
- 3: **Risk (*):** The lot size invested on a trade is calculated in a way where, if the market goes against the trade, the money lost will be very close to the specified percentage of the account. On top of this there is also a Maximal Drawdown protection feature where the Lot Size is decreased even more if the already achieved Drawdown of the specific Trading System profit is more close to the worst case found in the Trading System backtest. THIS CAN PREVENT US TO SEE A WORST SPECIFIC TRADING SYSTEM DRAWDOWN THAT THE ONE MEASURED IN THE BACKTEST FOR EACH TRADING SYSTEM.
- 4: **Capital Protection (*):** The principle is similar with the previous point but in this scenario there is a stronger "cooperation" between the different Trading Systems in order to secure not only a precise Maximum Drawdown of each Trading System but also a maximum Drawdown in the account Capital. THIS CAN PREVENT US TO SEE A WORST OVERALL CAPITAL DRAWDOWN THAT THE ONE MEASURED IN THE BACKTEST FOR EACH TRADING SYSTEM. The main difference with point 3 are:
 - The Risk for each trading system is selected automatically according with the configured maximum allowed Capital Drawdown.
 - The weight of different Risk for each Trading System is based on the statistical result of the backtest on how they can cooperate better in order to minimize the impact on the overall Capital and, at the same time, burst the profit.
 - Anyway an active mechanism reduce the Lot Size even more if the already achieved Drawdown of the overall Capital is more close to the worst case found in the portfolio backtest.
 - As result of this mechanism, each Trading System invest more if it is in the right market situation and he is winning on the other side the trading system decrease the risk taken per trade if it is in the wrong market situation and it is achieving loss (even if there are a lot of money in the account and the other Trading Systems are winning).
 - The risk taken on the "gained profit" is typically higher than the risk taken on the "Capital". This allow us to keep excellent profitability even if we use very strong and very safe capital protection mechanism.
 - At the beginning of the Account life the "Capital" is obviously the amount of money founded on the Account. Considering that StaidForex take more risk on the achieved

profit than on the Capital, once the account start to make money we can define different criteria how to move achieved profit to the Capital asked:

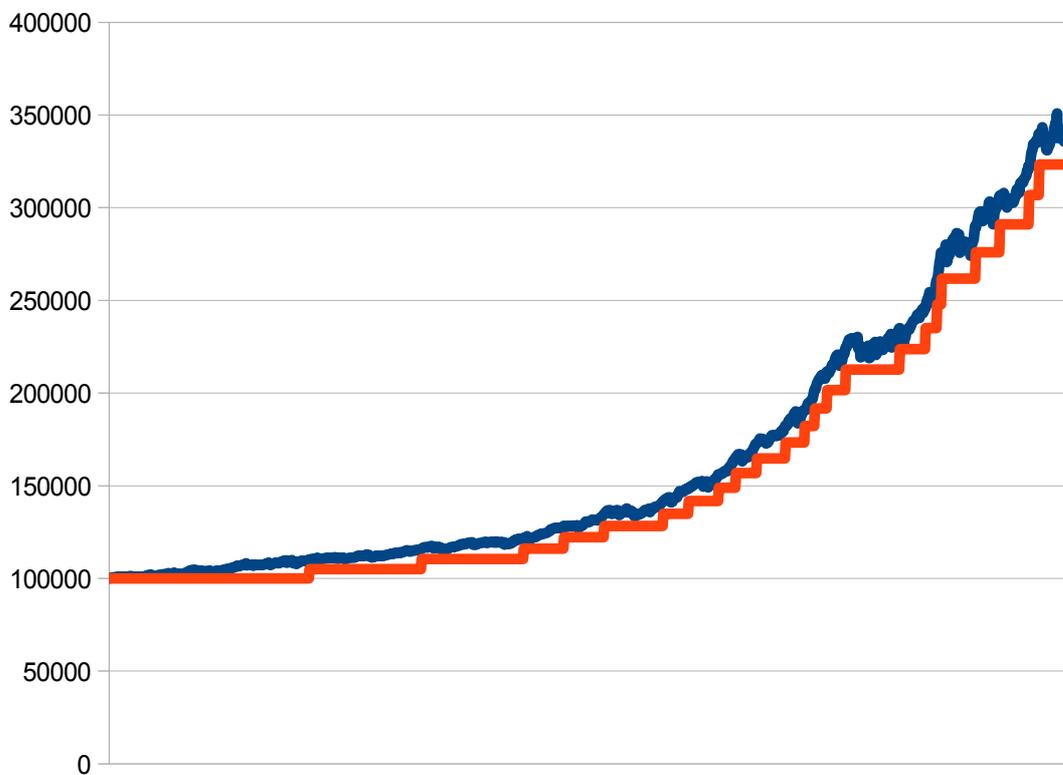
- We can decide se a capitalization rule in a way that once a any profit is achieved, if it remain for nn days it become Capital than, since this time, it is also protected with the Maximum Capital Drawdown mechanism
- We can decide se a capitalization rule in a way that once a profit of X% is achieved, and Y% of this become Capital, since this time, it is also protected with the Maximum Capital Drawdown mechanism
- The previous rules can also be used togheter.
- Using capitalization the oeverall achieved profit is less than we don't use capitalization. We can see this situation like an "insurance cost", meaning that when we acheve a profit we reinvest part of it on an "inurance mechanism" that prevent us to see huge drop in the future of this already achieved profit.
- In the following figures you can see an example of capitalization impact. Blu line is the equity curve and red line is the current capital. Both figures are related to the same trading system with a starting capital of 100.000 USD with a capital max drawdown protection of 5% max loss on the current capital. In the figures N.1 no capitalization mechanism is present, in the figures N.2, 50% of the achieved profit become capital every time the chieved profit reach 10% of the previous capital.

(*) These mechanism works better when the account size is enough compared with the broker allowed minimum Lot Size.

NO CAPITALIZATION



CAPITALIZATION 10%-50%



3 What do you need to know before to use StaidForex

In order to reduce risk to lose money and increase our chance to really make money with an automatic trading systems we must have all the following things, having only one less will bring us to secure loss:

- good trading system
- good awareness of his statistical behaviour
- good awareness of our personal capability to tolerate drawdown in terms of depth and duration
- money management configuration consistent with BOTH the previous 2 points
- follow the system and give it room and time to work at least until it is inside his statistical behaviour parameters.

An example of typical situation where people even when they have good trading systems still will lose money is:

- the people see a trading system able to generate an average yearly profit 4 times the maximum drawdown.
- these people want to make 200% profit every year, then they set the parameters according with this target. This means that the trading system, even when it work well can generate a drawdown 1/4 of the profit = 50% of the capital. But these people emotions and actions are driven by the profit and they don't consider the drawdown and don't consider the psychological effect of the drawdown on theirsself.
- The trading system start to work on a 20.000 USD account but, after 1 months the account lost 8.000 USD and is at 12.000 USD. The people get very upset, they believe the system is not working and remove it
- The month after the system could have recovered all the lost and could have started to make money but they removed the system and remained only with their 12.000 USD in the account.
- Where is the bug in this example ? Not in the system, it was working exactly good both in the first and in the second month because it was still inside his own statistical parameters. The problem here is that these people want to see only the profit potential of a trading system, they don't want to see the drawdown (that is absolutelly normal in all the good trading systems) and even less the don't want to see in advance the psychological effects on theirsself of this drawdown.

With StaidForex we give you an unique very good trading system portfolio with a very strong, flexible and safe portfolio money management system but if you want to make money you MUST:

- Look carefully at the following statistical analisys and undestand the statistical behaviour of the system in terms of possible profittability variations between months and between years, drawdown depth, drawdown duration.
- Try to immagine how do you feel seeing your account lossing money for 5%, 10% ... 40%

for the double time of the maximum showed in the statistical analysis. Select the Capital protection money management mode of the portfolio and select the level of maximum drawdown you are confident you can tolerate keeping sleep well in the night.

- Use it and don't remove the system until:
 - You gained enough money and you don't want to gain more or
 - The system is still behaving inside his statistical parameters
- Never interact with the system e.g.: never close trade manually and let it run his own statistical flow

PLEASE REMEMBER VERY WELL THE FOLLOWING SIMPLE EXPLANATION ABOUT THE FOREX BUSINESS:

"The forex trading is a legal serious business not very different than any other legal serious business: in any legal serious business it is normal to have cost, what it counts at the end is that your income will be higher than your cost even if the income typically comes after you take the cost and it is very important that the business reality is not so much different than the business plan. With the same approach you need to consider forex trading loss like a business cost and the win like the business income. The business plan here is the trading system statistical behavior, your analysis on your risk tolerance, your decision to select the risk level and your capability to seriously follow all the aspects of this plan".

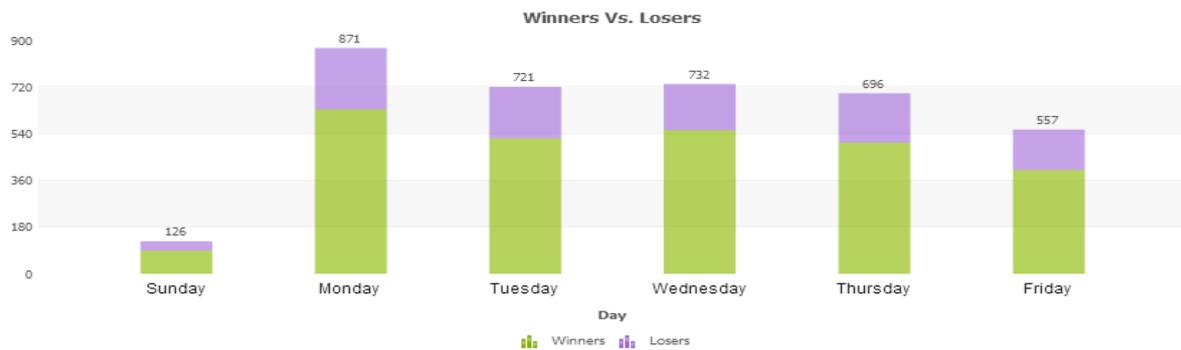
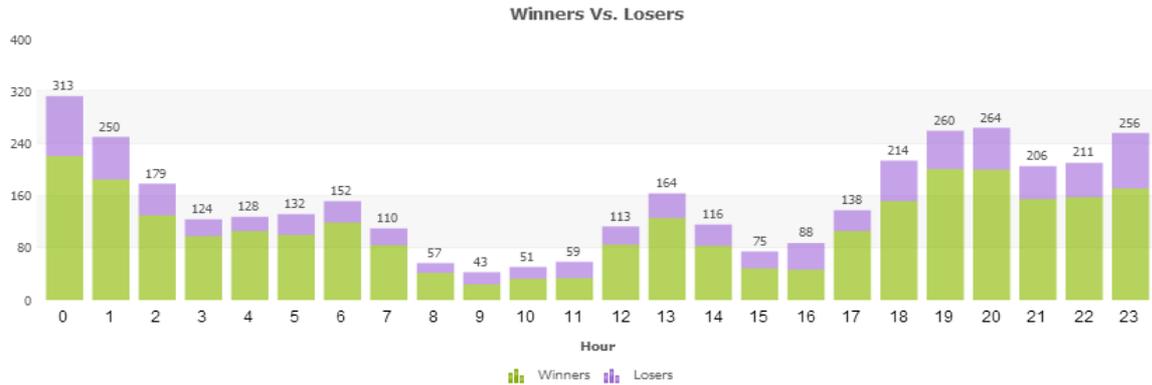
PLEASE NEVER FORGET:

"Legal serious business with no cost doesn't exist. In the same way legal serious trading systems with no loss and no drawdown doesn't exist!"

4 StaidForex statistical analysis

4.1 Which time StaidForex trade ?

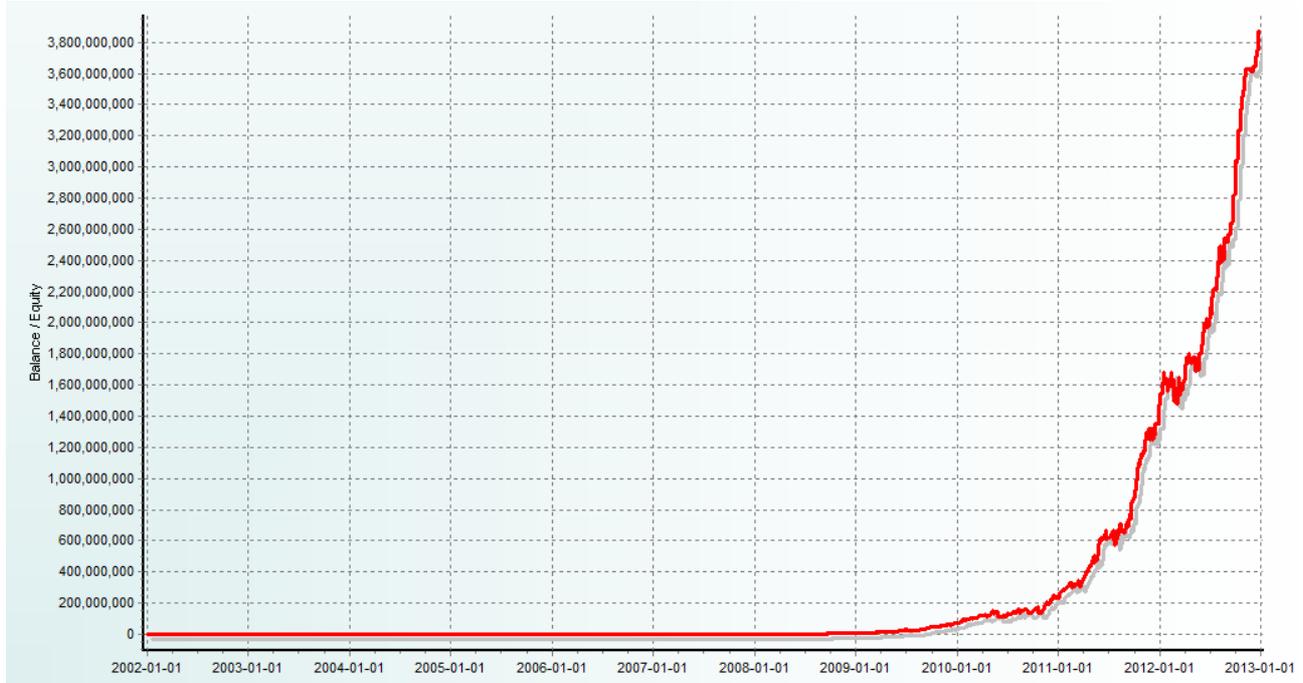
As you can see from the following figures, StaidForex is active on a 24x5 base. It can open trade and can be profitable at any time of the day and any day of the week. The average trade duration is 6 hours.



4.2 Which profit and drawdown we can expect from StaidForex?

In the figures below you can see data related to full portfolio backtest analysis on the last 11 years. The backtest was executed with MT4 using fxcm historical data with 2.5 pips spread for each of the 4 trading systems and portfolio analysis was done with www.asirikuy.com tools.

EQUITY CURVE STARTING WITH 10.000 USD ACCOUNT



Portfolio statistics

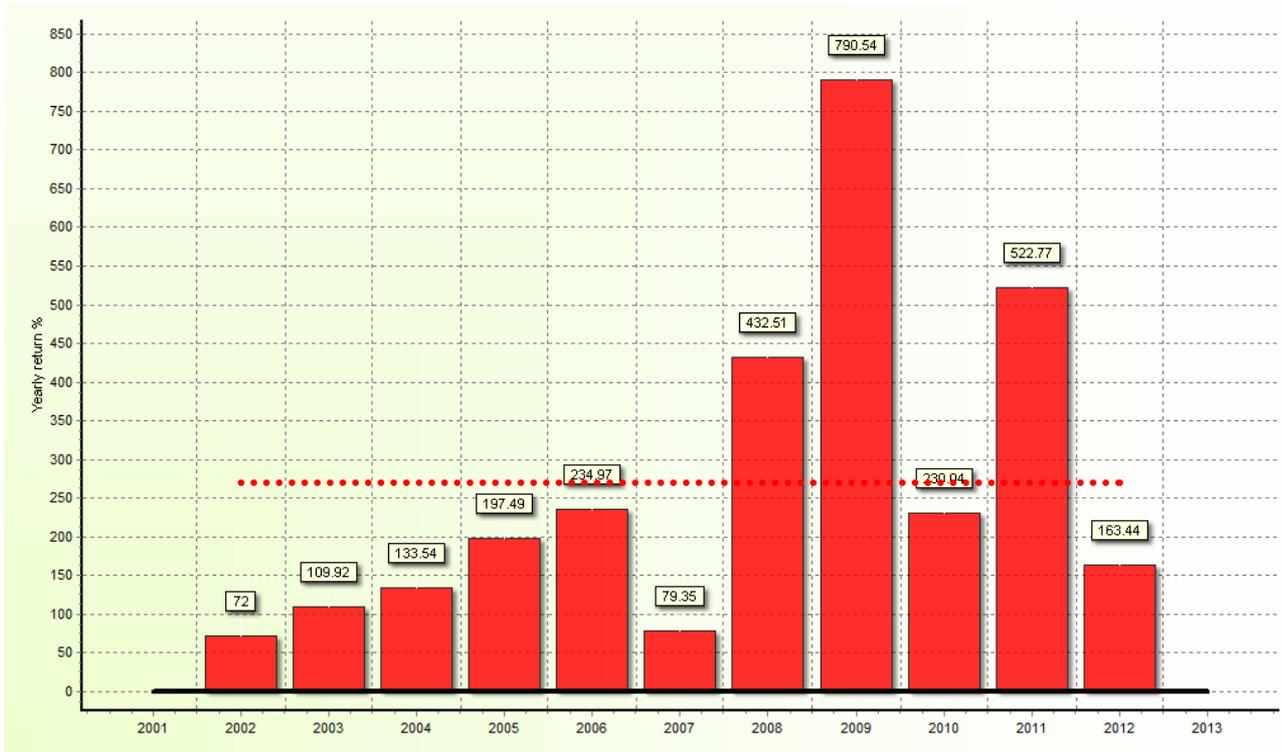
Profit & drawdown	Balance derived	Equity derived
Number of years	11	
Average annual return (AAR%)	269.69	
Compound annual growth rate (CAGR%)	222.08	
Maximum drawdown %	28.60	0.00
Maximum drawdown period in days	119	0
AAR / Maximum drawdown ratio	9.43	0.00
Market efficiency burst risk %	37.54	

Win & loss	
Overall reward to risk ratio	0.95
Win to loss ratio (Longs, Shorts)	73:27 (73:27, 74:26)
Profit factor	2.62
Total number of trades (Longs, Shorts)	3700 (1897, 1803)
Average no. of trades/week	6.4
Average trade duration(days hh:mm) (Min, Max)	06:04 (00:14, 3d 15:14)
Stop loss min/max in pips	0.00210, 0.04100
Maximum consecutive winning trades	28
Maximum consecutive losing trades	10
Maximum consecutive winning months	22
Maximum consecutive losing months	2
Maximum consecutive winning years	11
Maximum consecutive losing years	0
Maximum simultaneously open trades	4

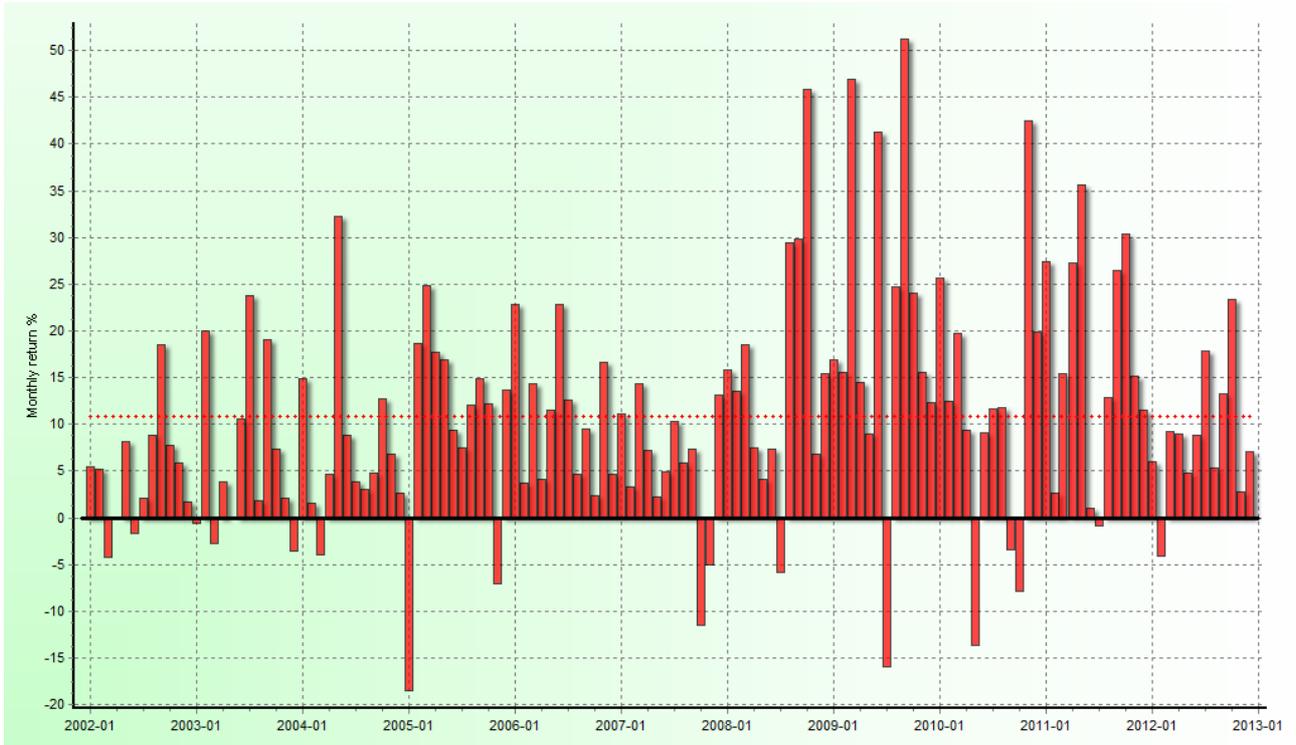
MONTECARLO SIMULATION WITH 100.000 ITERATIONS

Average of DD values higher than 95% of cases	34.48
Average Maximum Draw Down	23.27
Average Final Balance (as % change from Initial Balance)	47472262
Worst Case Draw Down Scenario	48.91
Worst Case Consecutive Losses	12
Best Case Consecutive Wins	48
Average Compounded Yearly Profit	228.13
AAR to Worst Case Ratio	4.66
AAR to DD95% Avg Ratio	6.62
Probability to pass Chi-Squared Test	100

YEARLY RESULTS:



MONTHLY RESULTS:



5 How to open a broker account and install MT4

We suggest to use FXCM, in our opinion, one of the best and more serious broker

<http://www.fxcm.com/products/metatrader-4/>

Please open an account (live or demo) and follow the related instruction from the broker website.

6 How to Setup StaidForex

6.1 Software activation

You need to activate your licence and link it with your MT4 account number.

You can do it from the link: www.staidforex.com/memberarea

6.2 Software Installation

After had downloaded the installation package StaidForex.zip you can unzip it and you will find there 2 files staidforex.ex4 and staidforex.dll that need to be installed on your MT4 installation folder. e.g.

If your MT4 is C:\Program Files (x86)\FXCM MetaTrader 4

copy the file staidforex.ex inside the folder:

C:\Program Files (x86)\FXCM MetaTrader 4\experts

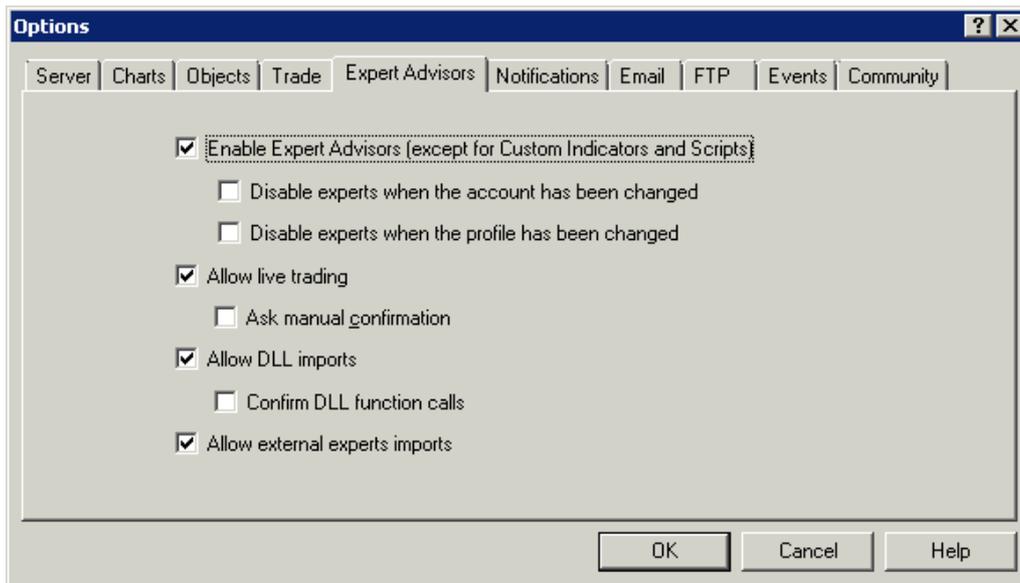
then copy the stadiforex.dll file inside the folder:

C:\Program Files (x86)\FXCM MetaTrader 4\experts\libraries

You can now launch your MT4 and login on your broker account.

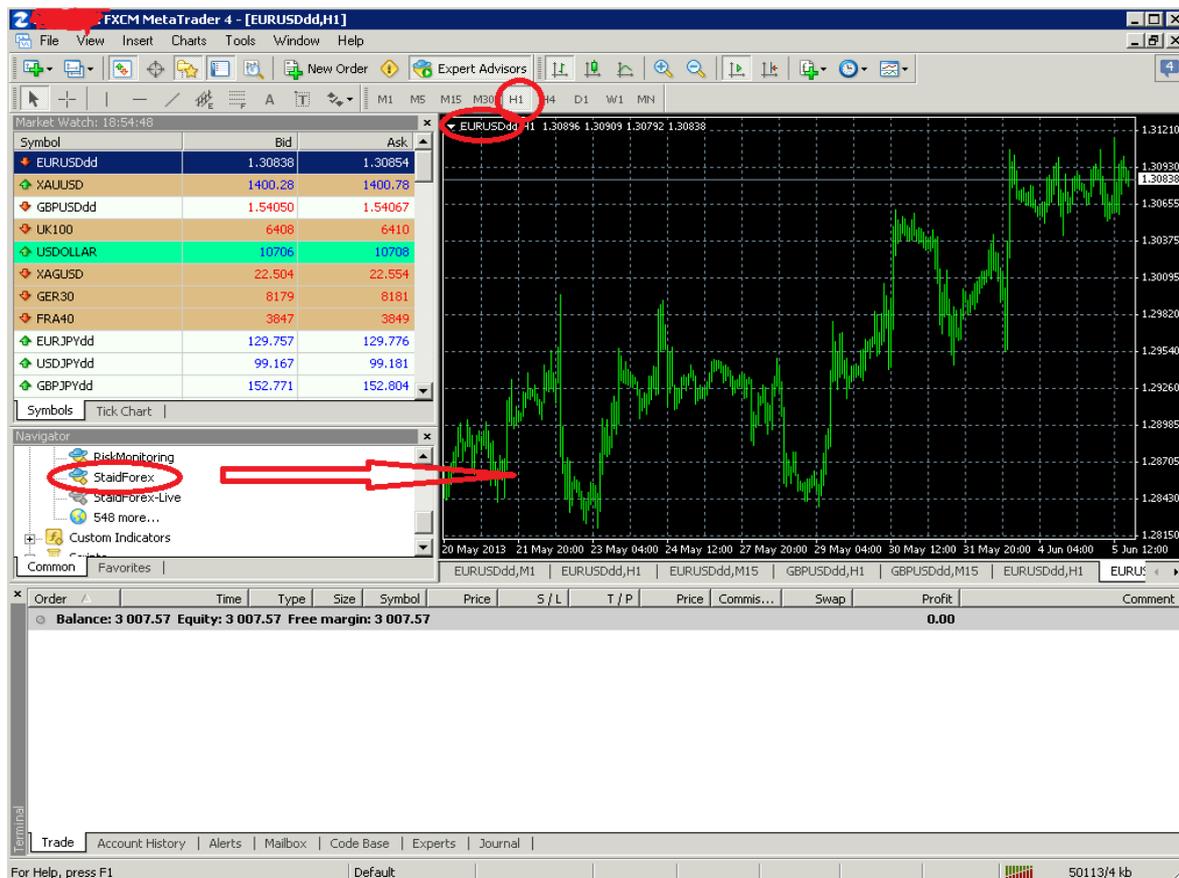
Secure that your MT4 allow a proper expert advisor execution:

go to menu tools->options-expert advisor and configure the flags like the following figure:



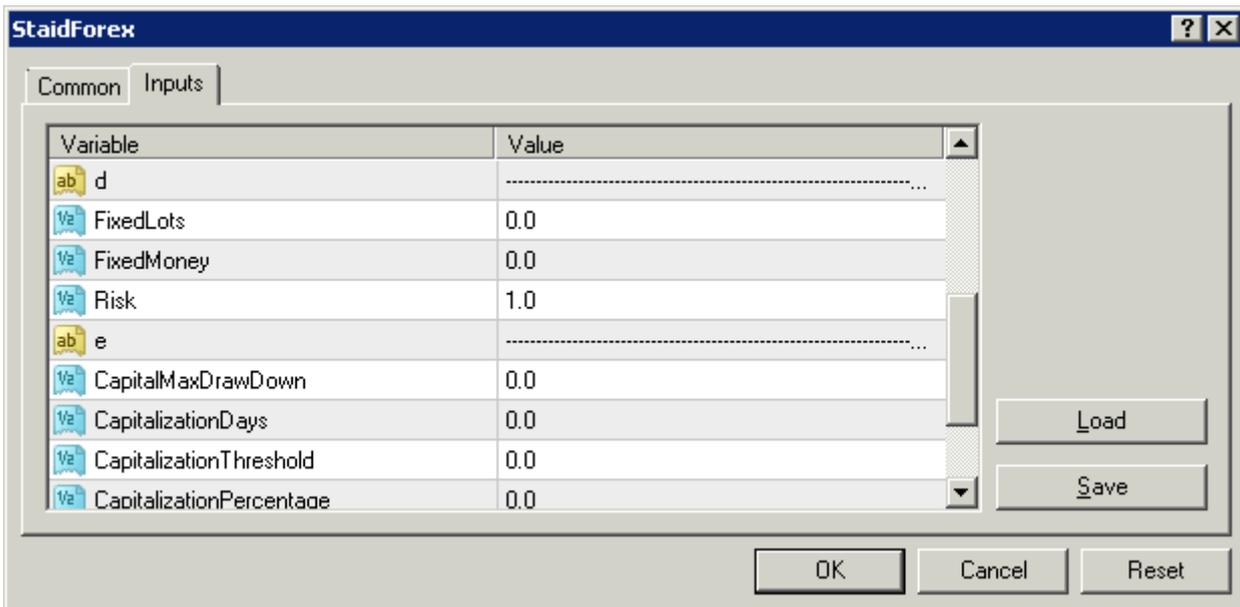
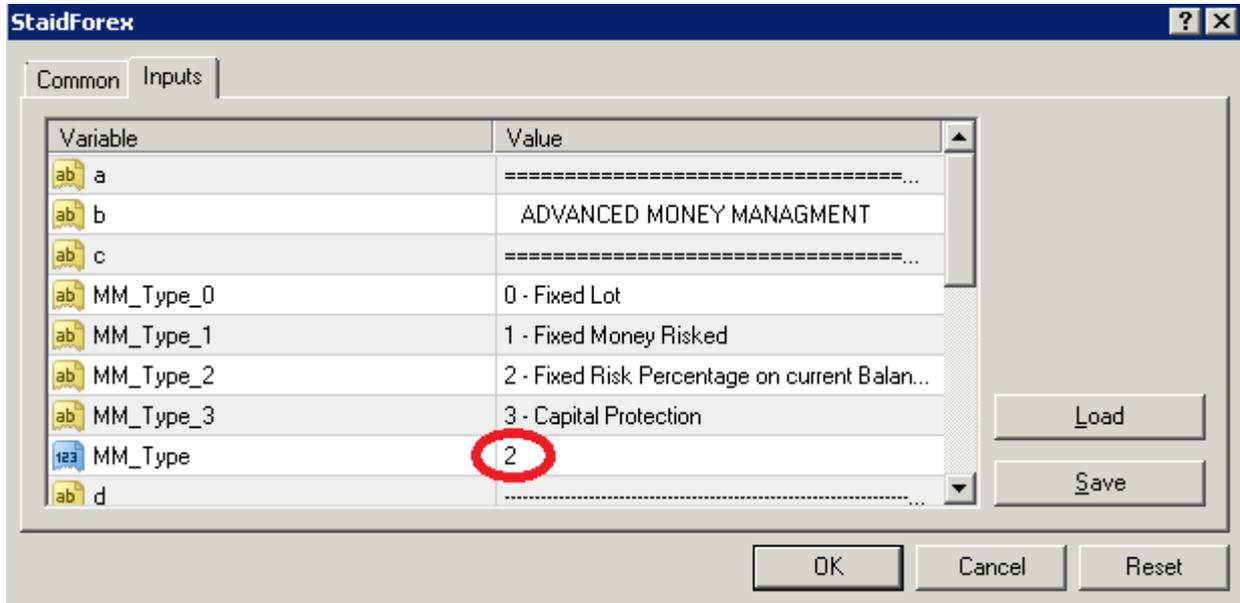
Then you can attach the EA on the related 4 different charts:

- EURUSD M15
- EURUSD H1
- GBPUSD M15
- GBPUSD H1



6.3 Software configuration

As already explained in the previous section, StaidForex has a very powerful portfolio money management, anyway it also allows you to adopt more traditional money management approaches as well:



MM_Type: Is then the main configuration parameter where you can decide which money management approach you want to follow.

According with this parameter you need also to:

If $MM_Type=0$ you need to configure the following parameter:

FixedLots (*mandatory*): the fixed lot size for each trade. In this case all the trades will be opened with the same size without any relation with the account balance, the trade risk or any other situation.

If MM_Type=1 you need to configure the following parameter:

FixedMoney (*mandatory*): the fixed amount of money risked for each trade. e.g. If you set 100 USD all the trades will be opened with a specific lotsize in a way that if the StopLoss will be reached the loss will be around 100 USD.

If MM_Type=2 you need to configure the following parameter:

Risk (*mandatory*): the fixed percentage of money risked for each trade compared with the account size. e.g. If you have an account of 50.000 USD, MM_Type=2 and Risk=1, the next the trade will be opened with a specific lotsize in a way that if the StopLoss will be reached the loss will be around 500 USD (=1% of 50.000 USD).

If MM_Type=3 you need to configure the following 4 parameters:

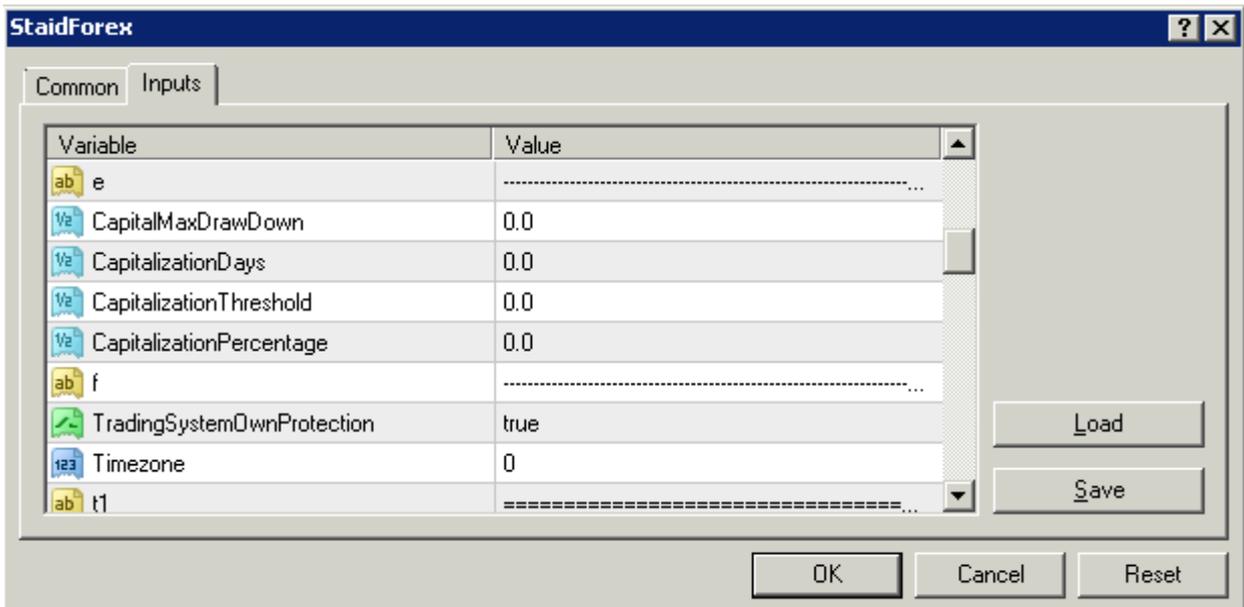
CapitalMaxDrawdown (*mandatory*): it is the maximum allowed on the Capital drawdown. According with this parameter all the 4 trading systems Risk in the 4 chars will be automatically configured in order to follow the more probable portfolio combination to optimize profit/drawdown ration keeping the drawdown below this amount. StaidForex will then do everything possible to protect the capital from hitting a larger drawdown including a progressive reduction of lotsize for each trade if the drawdown will start to be close to this level. At the same time StaidForex will risk more on the already achieved profit. The maximum allowed portfolio drawdown on the profit is 40%. The maximum allowed drawdown on the capital can be any number between 0% and 40%.

At beginning of the account life the capital is the total amount of deposit into the account. Once our account will grow, we can define different combination of rules to automatically move some achieved profit to the capital basket, then to secure also this achieved profit will be "protected" from larger drawdown.

CapitalizationDays (*optional*): The amount of profit achieved at any time and not lost for the same amount of days will automatically become capital too.

CapitalizationThreshold (*optional*): if we achieve the related percentage of profit related to the current capital size, the percentage of this profit defined with the followed parameter will automatically become capital.

CapitalizationPercentage (*optional*): see previous description



TradingSystemOwnProtection: it works only for MM_type = 2 or MM_type = 3 if set to true, on top of the eventually capital protection we will have a specific TradingSystem drawdown protection. It means we can have 3 TradingSystems being in good market situation and achieving a stream of win and only one TradingSystem that is losing money in a way that the overall account is gaining money. Setting this parameter to true we will secure that also in this situation the investment size of the losing trading system will decrease, then the loss will decrease and the net gain will increase. We strongly recommend to keep this parameter true all the time.

Timezone: It makes sense to use it only for backtest. For live trading this parameter is always calculated automatically.

7 Broker Monitoring

For each trade we carefully monitor the broker execution quality in terms of: spread, slippage, execution time. You can see it in the experts tab. e.g:

2013.04.12 01:00	StaidForex: invalid handle - 1 in FileWrite
2013.04.12 00:00	StaidForex GBPUSD,H1: BROKER MONITORING - ORDER CLOSE - Execution time: 0 ms Slippage: 0.0 pips Spread: 2.7 pips
2013.04.12 00:00	StaidForex GBPUSD,H1: close #1234 buy 22.88 GBPUSD at 1.53919 sl: 1.53339 tp: 1.54169 at price 1.53859
2013.04.11 20:00	StaidForex GBPUSD,H1: BROKER MONITORING - ORDER MODIFY - Execution time: 0 ms Spread: 2.7 pips
2013.04.11 20:00	StaidForex GBPUSD,H1: modify #1234 buy 22.88 GBPUSD at 1.53919 sl: 1.53339 tp: 1.54169 ok
2013.04.11 20:00	StaidForex GBPUSD,H1: BROKER MONITORING - ORDER SEND - Execution time: 0 ms Slippage: 0.0 pips Spread: 2.7 pips
2013.04.11 20:00	StaidForex GBPUSD,H1: open #1234 buy 22.88 GBPUSD at 1.53919 ok

In the next release we will add an even more advanced broker execution quality analysis tool, in order to let you benefit of the 100% of StaidForex profit potential and avoid to have hidden problems with your broker.

8 Conclusion

You can frequently look at our website for important information or for exciting initiatives:

www.staidforex.com

If you have any question, you can always send as an email at support@staidforex.com