

ARDESHIR MEHTA

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12:30 AM BREAKOUT STRATEGY: AN ATTEMPT TO MAKE A PROFIT OF 5-10% PER TRADING DAY

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- Use OANDA'S "FXTrade" Java-based platform.
- Trade the EUR/USD pair exclusively, using 30:1 leverage.
- Set trades at 12:30 am (\pm 15 minutes), at the beginning of every trading day, as follows:
- Set 5 pending trades with 90% of your Leveraged Net Asset Value ("NAV") on either side of the price line, the first trade 10-12 pips away from the price line, the second 30-36 pips away from the first, the third trade 10-12 away from the third, and so on. There will be a large gap between the first and second trades, while the gap between subsequent trades will be 10-12 pips. (You don't have to be *exact* about the 10-12 pips; space them out *more or less* evenly.)
- The pending trades below the line should, of course, all be limit *sell* trades, while the pending trades above the line should all be limit *buy* trades.
- All trades should have a 7-pip take-profit and a 65-pip stop-loss.
- Once the first trade has taken profit, at your discretion move the next trade to right below or above (depending on the direction of the trend) where the first trade took profit. Likewise, when the second trade has taken profit, at your discretion move the next trade to right below or above (again, depending on the direction of the trend) where the second trade took profit. And so on.
- If you have taken more than 7% profit for the day, close all remaining trades and stop trading for the day.
- If you haven't taken *at least* 5% profit, *and* if the trend direction in the 15 or 30 minute chart reverses significantly after you wake up, say, at 8:00 am or thereabouts, move the set of pending trades furthest away from the price line to maintain them 10-12 pips away from the price line, and then 30-36 pips away from the next-furthest trade from the price line, and so on, as before. Then switch to the 1 minute chart, and if the colour of the *heikin ashi* candles reverses after any trade has been triggered, close that trade, even at a small loss if necessary. Otherwise let the profit be taken automatically.
- If the price reverses yet again in the 30 minute chart between 11:30 am and 3:30 pm, move and/or replace trades that have taken a profit or a loss, at your discretion.
- Don't set or move any trades after 3:30 pm.

THE REASONING BEHIND THE STRATEGY:

At 2 am Eastern Standard Time in North America, it is 8 am European time, and the Europeans start trading. About an hour later the Brits also start trading. This causes a sharp rise in volatility in the EUR/USD pair around that time, which causes the price to move, on the average, anything between 50 and 150 pips in one or both directions. Most of the time it moves anything between 15 and 50 pips in one direction, and then reverses and goes at least 80 pips in the other direction. It also often reverses after that and returns to more or less where the price line was at 2 am.

Thus the spacing recommended above makes it very likely that 2 to 5 trades will take profit in one or the other direction; and on several occasions, all the trades in both directions may take profit. However, every single day of the week, the price will usually move between 10 and 17 pips, or between 20 and 27 pips, or between 30 and 37 pips, or between 40 and 47 pips, or between 50 and 57 pips, or between 60 and 67 pips, or between 70 and 77 pips, and then go the other way; in those cases, one of the trades that are triggered will take a loss, which will depend on how far the price line moves in the "wrong" direction after having been triggered and then hits its stop loss (as will be the case usually), or is closed at the end of the day (more unusually).

But if that happens, many if not all the other trades will, in *most* cases, still take profit, thereby reducing the impact of the losing trade. And there may well be only 1 or at most 2 losing trades per day, and although there may be a loss every day, it will be only 28 pips, or worth 4 winning trades; and these losses will be negated by *many* winning trades over the same week or even the same day. (Some days, and even some weeks, will, however, show a net loss. The trader just has to accept that as a fact of life when trading.)

If on the average there are 15 winning trades and 2 losing trades per day, since each losing trade will be worth 4 winning trades, the net win will be 7 trades. Since a 7-pip take-profit per trade is a tad 1% of the account (1.03% to be exact), 7 net wins equals 7% per day.