How to make an automatic forex trading strategy

This guide was written with MQL in mind but could work for any scripting language. The idea of the scripting language should not be overcomplicated – the language serves as a set of commands which will tell your strategy how to behave.

Components of a working strategy:

1. Filters – You should have to meet several global criteria before looking for signals. Filters could be time of day, volatility, or indicator based. Each strategy should have several filters which should be adjustable by the user. Too many filters will produce no trades.
2. Inputs – When coding, make use of inputs as much as possible. Instead of 'hard coding' a value into a strategy, declare it as a global variable or global input which can be changed later without actually changing the code.
3. Fungible – Strategy should port well to other time frames and crosses. Once you have the template you can make specific strategies for specific circumstances such as the EUR/JPY version or the EUR/USD 5 minute.
4. Money Management – Strategy should have solid money management which is outside the realm of the actual signal / strategy. The money management module of the strategy is almost a strategy by itself. If you have the correct signal to buy, how many lots do you buy? This question is more important than what price to buy.

Choose your set of indicators and stick to finding patterns within those indicators. We prefer Bollinger Bands because they are based on standard deviations. One could literally make hundreds of strategies just based on Bollinger Bands.

Look at the charts and try to determine patterns. When making the strategy attempt to make it such that you can slightly adjust the pattern rule for testing – the first pattern you program will not likely be a profitable one.

Inputs can be optimized, so if you want to find the best setting amoung a group it is best to program 'x'.

The order in which commands are executed can influence the results of the strategy so be careful to order syntax commands in the logical order you want. Programming a trading strategy is unlike programming a software application, because the syntax can compile correctly and there can be an unoptimized order

of instructions. There are many ways to code the same strategy, each which may result in varying results.

Most strategies are rule based on bars. A bar is the time value based on the chart that is displayed. For example on the below 30 minute chart each bar represents 30 minutes.

Take the example of the 30 Minute EUR/USD Chart:

Charts that are statistically important for strategy idea generation:

15 minute, 30 minute, 1 hour, 4 hour, 1 day.

The 5 minute time frame is so small many events mathematically displayed on the 5 minute may be aberrations and not true trading signals.

How can we make a rule to generate a buy signal?

If the previous 3 bars are below the Bollinger band, then sell.

Each entry signal should be integrated with the money management module. So now we have a sell signal – which is sent to the MM module, which will tell us (based on account value, margin requirements, and other settings) what SIZE of a position to trade.