

PBGrid V1.0.3

User's Guide

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1. Introduction

Forex is the largest and the most liquid market in the world. With an average daily trade volume of over \$3 trillion no other market can beat it. Forex market which is an Over-The-Counter (OTC) market is open 24 hours a day for 5 days a week.

Entering the forex market is very easy. You can open an account with less than \$300 and enjoy the high leverage of 100:1 or even more. For many people this means making big money in a short period of time. The temptation is high but unfortunately the reality is different. The majority of inexperienced traders lose in this market. Many of them even blow out their accounts completely in a very short period of time. It is not easy to constantly make money in forex.

To be a successful trader you need to be a disciplined, knowledgeable person. You need to learn several skills including fundamental and technical analysis methods, and risk and money management techniques. The psychology of trade also plays a key role in your success as a trader.

Traders can be categorized as **mechanical** and **discretionary**. A mechanical trader sets up some strict rules for his/her trading and sticks with them all the time. A discretionary trader considers his/her power of judgment at the time of trading. I am not a fan of discretionary trading. In a mechanical approach you can estimate the likelihood of your success and based on that likelihood you can make correct decisions. A discretionary trader has no clear way to evaluate his/her likelihood of success. A discretionary trader could be more successful than a mechanical trader in short term trading but in the long run it is the mechanical trader who wins the most. There might be some exceptions but in general mechanical trading is the right way to go.

The ultimate mechanical trader is the computer. Even a highly-disciplined manual mechanical trader is not 100% free from discretion. If you leave your trades to your computer it never breaches the rules you have set for it.

A computer is a machine and it cannot setup trading rules. It is you “the trader” who needs to define these rules for the computer to make your computerized trading experience a successful one. I believe that PipBoxer is one of those successful set of rules. I will explain this in more detail throughout this guideline.

There are several tools available to trade forex. Probably one of the most successful ones is MetaTrader. This software application enables the trader to analyze and enter the market at the same time. Unlike traditional trading platforms you do not need a chart provider to analyze the market. MetaTrader provides you with the chart and almost every necessary tool to analyze the chart.

Another nice feature of MetaTrader is the ability to install and run customized tools. These tools are in the form of indicators, scripts, and Expert Advisors. Since PBGrid is an Expert Advisor (EA) I will explain the use of EAs and how to attach them to a chart in the next section.

2. Attaching an EA to a Chart

One of the reasons that MetaTrader 4 (MT4) is a highly regarded trading platform is its capability to automatically run trading orders. The tool that traders use to conduct such automated trades is called an EA (Expert Advisor).

An EA is a software program that a trader can use within the MT4 terminal. A trader may use an EA for different reasons, including but not limited to analyzing the market and creating trading signals, conducting fully automated trades, defining complex criteria for running a trade, and so on.

In order to be able to use an EA you must attach it to a chart. If you attach an EA to a chart it uses the chart tick movements to analyze the market and do its job. For example if you attach an EA to the USDJPY chart the EA will run every time the price of USDJPY moves. Let's see how to attach, compile, and use EAs.

The Location of EAs on Your Computer

You need to place your EAs in the “experts” folder. If for example you have installed MetaTrader in a folder called “My Trading Station” under drive C: the address to this folder could be “C:\Program Files\My Trading Station\experts”.

EA Formats

EAs are available in two different formats: the raw format (or source code) and the compiled format (or executable version). The file extension for EA source codes is *.mq4 (e.g. PBGrid.mq4) and the file extension of EA compiled programs is *.ex4 (e.g. PBGrid.ex4). The default location for both formats is the “experts” folder.

You cannot use the source code to run the EA. You must compile the source code first to make it an executable file. On the other hand the compiled (*.ex4) format is ready to use. **You don't need the source code to run the compiled format.** So eventually all you need is the compiled file.



You always receive PBGrid files in compiled format so you do not need to compile EAs.

The following section is just for your information. You do not need to compile PipBoxer EAs.

Compiling an EA

If you place an error-free source code in the “experts” folder and then start MT4 it automatically compiles the EA and creates the *.ex4 file. You may also compile the EA yourself as follows.

When you install your MT4 trading terminal you also install an application called MetaEditor. The installation is done automatically. You can use MetaEditor to develop EAs. You also use MetaEditor to compile EAs. So if you receive the source code of an EA (i.e. the *.mq4 file) use the following steps to compile it. If you already have the compiled file in hand skip this procedure.

1. From the MT4 terminal run MetaEditor. You can find the MetaEditor icon on the Standard toolbar of the MT4 terminal (Figure 1).



Figure 1

2. In the MetaEditor window open the EA source code. You can either use the File>Open to locate and open the file or double-click the file name in the “Navigator” window. This window is located on the right side of the MetaEditor window by default.
3. On the MetaEditor toolbar click the “Compile” button (Figure 2).



Figure 2

4. If the code contains no errors the application creates the compiled (*.ex4) file and you are ready to use the EA. The error messages appear on a window called “Toolbox” embedded in the MetaEditor environment. If you receive a

message similar to the one shown in Figure 3 you are good to go. If not, you either need to fix the error yourself or contact someone who is an MQL developer.

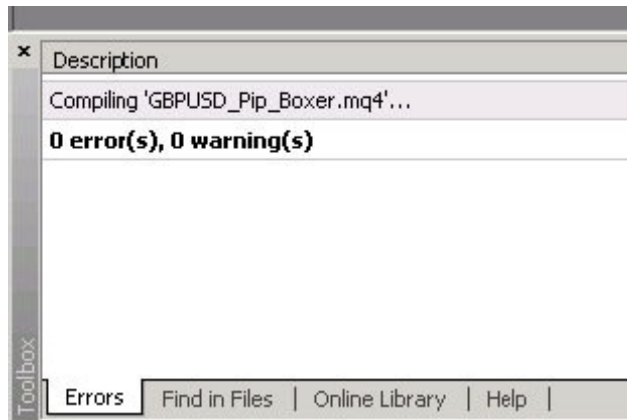


Figure 3

5. Close MetaEditor.

Now you are ready to use the EA.

Attaching the EA

To attach an EA to a chart use the following steps.

1. In the MT4 terminal open the desired chart.
2. Select the proper time frame by clicking one of the icons on Periodicity toolbar or Chart > Periodicity menu.



PBGrid is independent of timeframe. You may select any Periodicity for it.

3. Make sure that the “Navigator” window is open. The default location of this window is below the “Market Watch” window on the left side of the MT4 terminal (Figure 4). If the “Navigator” window is not open either press Ctrl+N or from the View menu select Navigation.

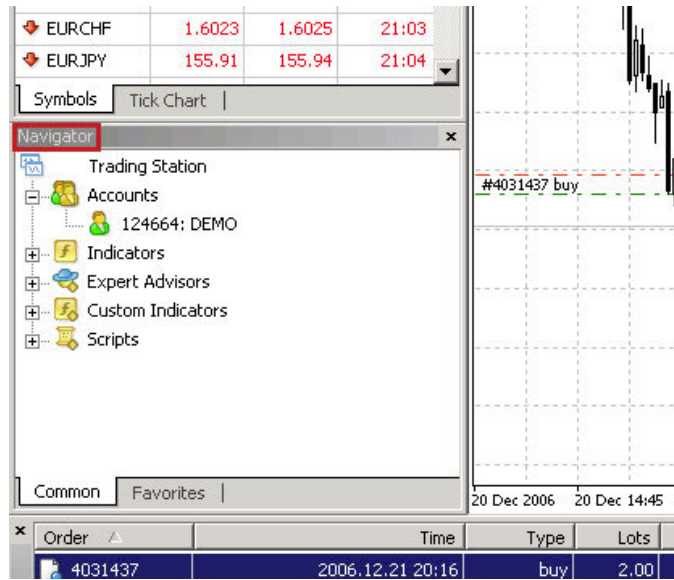


Figure 4

4. In the “Navigator” window click the “+” sign next to “Expert Advisors”. The list of current EAs appear in the window.
5. From the list either drag-and-drop the EA to the chart or double-click it. A dialog box appears.
6. On the “Common” tab select the “Allow live trading” option (Figure 5). If you do not select this option the EA does not enter trades automatically.

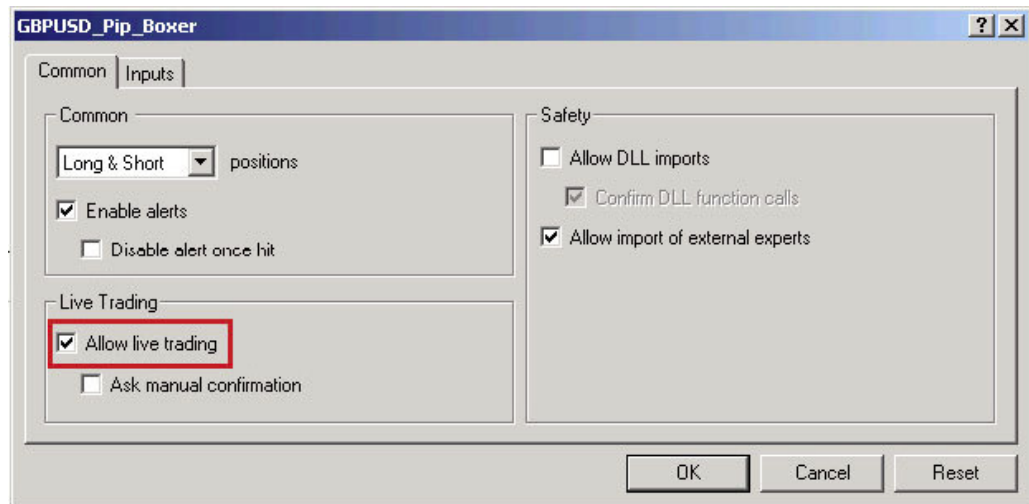


Figure 5

- On the same dialog box select the "Inputs" tab. The tab is located at the top of the dialog box. In this tab you can make any changes to external variables (Figure 6).

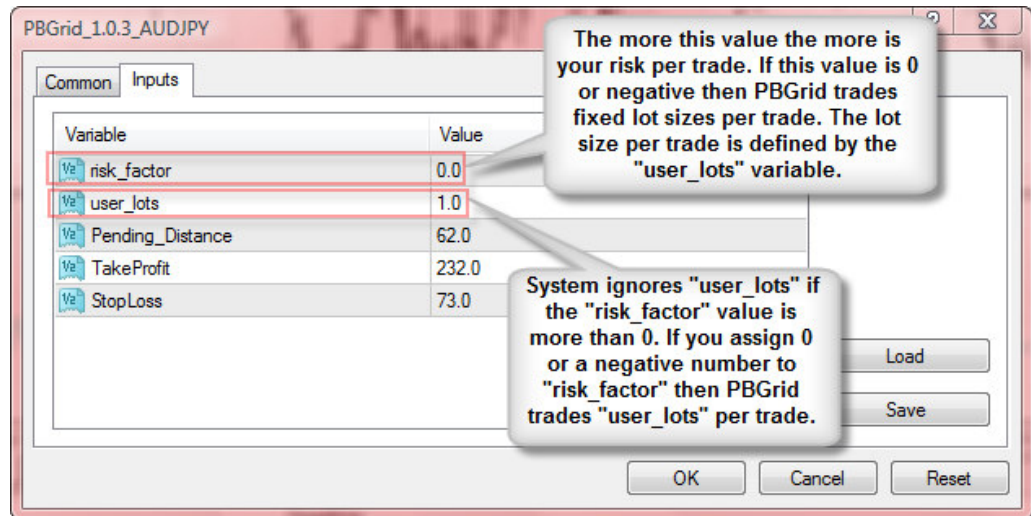


Figure 6



PBGrid input variables are already preset. The only variables that you might like to change are "risk_factor" and "userLots". The "risk_factor" variable increases/decreases your risk level. If you increase the value of this variable you increase your risk level. If you set 0 to this variable then PBGrid trades fixed lot size according to the value entered for the "userLots" variable. See figure 6 for more information.

- Click OK. A smiley (happy face) appears on the upper right corner of the chart indicating that the EA is running (Figure 7).

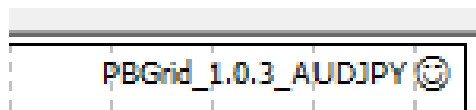


Figure 7



You may see an "x" sign instead of the happy face. This means that all of the EAs are deactivated. To activate EAs from the Standard toolbar press the "Expert Advisors" icon (Figure 8).

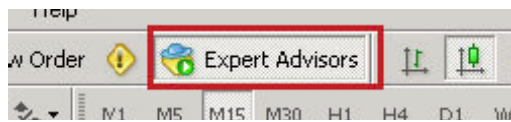


Figure 8

If instead of the happy face you see a sad face it means that this EA is not allowed to trade live. To enable live trading:

1. Press F7 to see the EA properties dialog box.
2. Select the “Common” tab.
3. Select “Allow live trading” (Figure 5).

Changing the Properties of an Attached EA

To change the properties of an EA that is attached to a chart use the following steps:

1. In the MT4 terminal open the chart.
2. Press F7 to see the EA properties dialog box. Alternatively, you may right click on the smiley located on the upper right side corner of the chart and select Properties from the pup-up menu.
3. To change the values assigned to external variables, select the “Inputs” tab and make the desired changes or click Reset to restore the original settings of the EA.
4. To change other options select the “Common” tab and select or deselect desired options.
5. Click OK.



Some brokers disable EAs by default. You need to contact your broker and ask them to activate EAs for your account. They usually ask you to submit a form.

3. The PBGrid Strategy

PBGrid is all about money management. The entry to the market is very easy. Unlike many other systems it doesn't use sophisticated methods to enter the market. However, when it comes to managing open trades it uses a complex money management approach that turns it to a successful trading system. PBGrid uses three steps to complete a trade.

1. Placing pending orders.
2. Position sizing.
3. Managing open orders.

Placing Pending Orders

Let me give you a scenario to have a better understanding of how PBGrid places pending orders. Assume that you have attached PBGrid to an AUD/JPY chart. Let's assume that the current Bid price is 86.47 and the spread is 10 pips. Also assume that the current value of the "Pending_Distance" is 62 pips.

The first step is to make sure there are no open trades that have been opened by PBGrid today. In this case PBGrid places two pending orders a Sell Stop at 85.85 (i.e. 86.47 minus 62 pips) and a Buy Stop at 87.19 (i.e. 86.47 plus 62 pips plus 10 pips for spread).

If price hits one of the pending orders PBGrid cancels the other one.

If you manually delete one of the pending orders PBGrid resets the pending orders. This means that it deletes the other pending order and places two new pending orders according to the current price. For example if the current Bid price is 86.37 the new Sell Stop price would be 85.75 and the new Buy Stop price would be 87.09.

* Pending_Distance is one of the user input variables. These variables are set for the maximum profit but the users can change their values at their own discretion.

Figure 9 helps you to have a better understanding of how this system works.



Figure 9

If the open trade of the day closes the same day PBGrid places two new pending orders.

If the open trade stays open PBGrid places two new pending orders the next day.

Position Sizing

PBGrid uses a fixed ratio position sizing technique. This basically means that the larger your equity the bigger the position per trade. The formula looks like the following.

$$\text{Lot\#} = (\text{risk_factor} \times \text{Account Equity}) / \text{Lot Size}$$

Lot # The number of lots to be traded per order

risk_factor A value that defines the magnitude of your risk per trade

Account Equity Your account balance + the current open profit

Lot Size The size of every lot in your account (usually 100,000 units for standard accounts and 10,000 units for mini accounts)

For example if your account equity is \$10,000.00, your risk_factor is 1, and you are trading a standard account the value of Lot# would be 0.1 of a standard lot. It means that the system trades 0.1 lots per trade.

There are of course many adjustments behind the scene. For example PBGrid considers the fact whether your broker allows you to trade min lots or micro lots at all. It also enters a trade with minimum allowable lot# if the calculated lot# is less than that. In the previous example if your broker lets you trade micro lots and your account

equity reaches \$11000 PBGrid trades 0.11 lots per trade. This means that for every \$1000 in your account it trades 0.01 lots. If you increase the risk_factor (see Figure 6 on page 9) to 2 then for PBGrid will double the size of its positions. It trades 0.2 lots if your equity is \$10000 and 0.22 if it is \$11000.

Managing Open Orders

As I mentioned already, PBGrid is all about money management. It comes with a complex set of money management tools that constantly move Stop Loss and Take Profit to get out of a trade with the best results possible. While we cannot reveal the specifics of those tools we can assure you that we have done our best to make them effective.

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4. Trading with PBGrid

Trading with PBGrid is very easy. The first step is to place PBGrid file in the “\experts” folder of your MetaTrader platform. For example if you have installed MetaTrader 4 in “C:\Program Files\Interbank FX Trader 4” then the correct location of PBGrid files would be “C:\Program Files\Interbank FX Trader 4\experts\PBGrid_1.0.3_AUDJPY.ex4”. The exact name and path of the file could be different. When you place the file in the correct folder make sure to restart MetaTrader 4.

When you are done with installation you need to attach PBGrid to the correct chart. For example PBGrid for AUDJPY needs to be attached to an AUDJPY chart. The timeframe of the chart is not important. Please refer to chapter 2 for more information about attaching PBGrid to chart.

You may decide to change the parameters of PBGrid at the time of attachment or afterwards. If you have already attached PBGrid to the chart press F7 to see the properties of PBGrid. Figure 10 shows you a list of user input parameters.

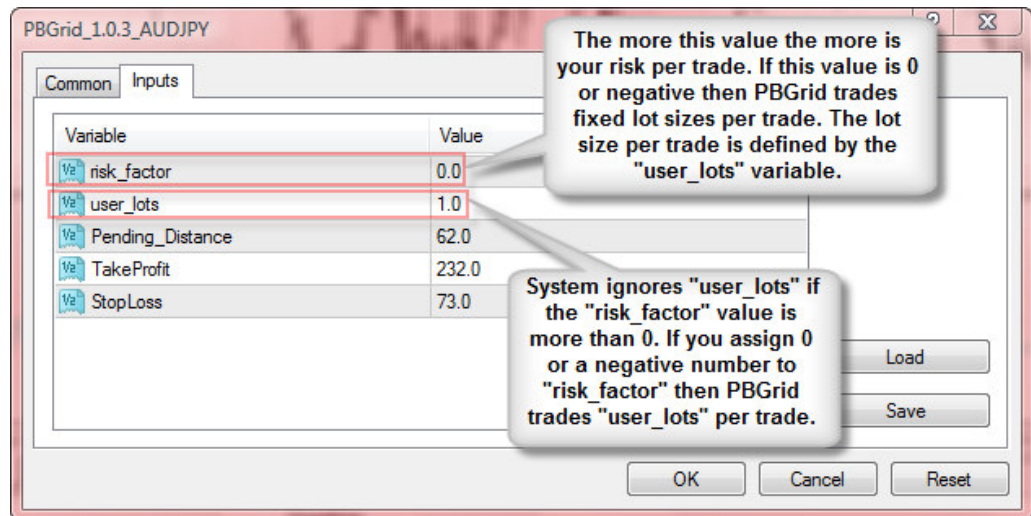


Figure 10

risk_factor: This variable defines your risk level. If you assign a positive value to this variable PBGrid ignores “user_lots”. If you assign 0 or a negative value to this variable, PBGrid uses “user_lots” as the number of lots per trade. See section 3 for more information about “risk_factor”.

user_lots: Defines the number lots to be traded per order. This variable is effective only if “risk_factor” is 0 or negative. It defines the number of lots. For example if “user_lots” is 1 PBGrid trades 1 lot per trade. This could be a standard lot or a mini lot according to your account type.

Pending_Distance: Defines the distance of the pending order from the current price at the time of placing the pending order. This distance is in pips.

TakeProfit: Take Profit in pips.

StopLoss: Stop Loss in pips.

While you can change the values of “Pending_Distance”, “TakeProfit”, and “StopLoss” we suggest keeping them as they are. We have optimized these values based on back-test results.

5. Beware of Risks

Forex traders are aware that this market is probably one of the riskiest markets in the world. There are several reasons that make Forex a risky market. The fundamentals behind forex are very complex and make it unpredictable. Forex is directly affected by both economic and political news. The highly leveraged environment of forex is another reason that makes it so risky.

Other than the inherited risks of forex trading there are many other risks that you need to take into account. Some of them are as follows.

The Internet Connection

The MetaTrader client terminal is by default located on your computer. On the other hand you need information through the internet to be able to enter and manage trades. One of the greatest risks that you may encounter is being disconnected from the internet. There are different ways that you can cope with this risk. For example you can get a good and reliable internet service and also attach your computer to a UPS machine to make sure the system is always on. The other solution could be installing the terminal on a Virtual Dedicated Server (VDS) also known as a Virtual Private Server (VPS). Many of such servers guarantee over 99% uninterrupted connection to the internet. If you want to use a VDS service make sure it really works for you.

The Server Connection

Even if the trading terminal is connected to the internet all the time it may get disconnected from the trading server. There is no specific solution to this problem. That's why PBGrid always uses its trading tools to define SL and TP clearly. In case of disconnection from the trading server the worst case scenario would be hitting the SL.

The Broker

Know your broker. Some brokers do not honor TP or SL all the time and may put you into trouble. PBGrid uses some tools to mitigate the broker's interference but at the end of the day it is you who should select the broker wisely.

The Trader

PBGrid is a mechanical system that works based on solid rules but if you are not a disciplined trader you may ruin everything. Make sure to close a trade manually only if you are quite sure that it won't work for you. Sometimes a trade moves against you for several days but eventually hits the TP. PBGrid MM tools can help you to take care of your trades but your interference can ruin the overall performance of the system. If you do not feel comfortable with PBGrid demo trade it for a while and enter live trades only if you feel this is the right system for you.

Trading with fixed lot size is not a good idea. I suggest using risk management tools to make sure the drawdown is under control. Do not increase "risk_factor" to large numbers. It can be destructive especially on a live account. If you want more, trade more than one pair.

The EAs

The built in risk manager in PBGrid calculates lot size based on your equity. However, the brokers do not allow you to trade any number of lots you want. For example the calculations might show that you need to trade 1.072 lots while your broker might not allow you to trade less than 0.1 fractions. This means that you either need to trade 1 lot or 1.1 lots. The system rounds the number to the nearest value allowed by your broker. In this case it would be 1.1 lots which is more than the calculated lot size. Therefore if the trade hits the SL you will lose a little bit more than what you expected. Be prepared for such incidents.

Although I have done my best to predict all policies set by the broker there might be exceptional cases that you would see contradictions between the broker's policy and the EA. For example the price approaches the TP and the EA tries to move the SL to near the TP but the broker doesn't accept the request. Such incidents might happen if the price is very near to the TP. You might rarely encounter such problems. One approach is to manually correct the trade to the nearest value allowed by your broker. You may also contact your broker and ask them to fix the problem. They might be able to help. While I cannot guarantee to be able to fix such broker related problems you may also contact me via info@pipboxer.com to see if I can modify the program to deal with such situations.



6. Terms, Conditions, and Disclaimer

Please visit <http://www.pipboxer.com/termsandconditions.php> for the latest version of terms, conditions, and disclaimer. You will also see our Privacy Policy there. If you have any questions regarding these issues please contact policies@pipboxer.com.

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