



# The Forex Torpedo Strategy Manual





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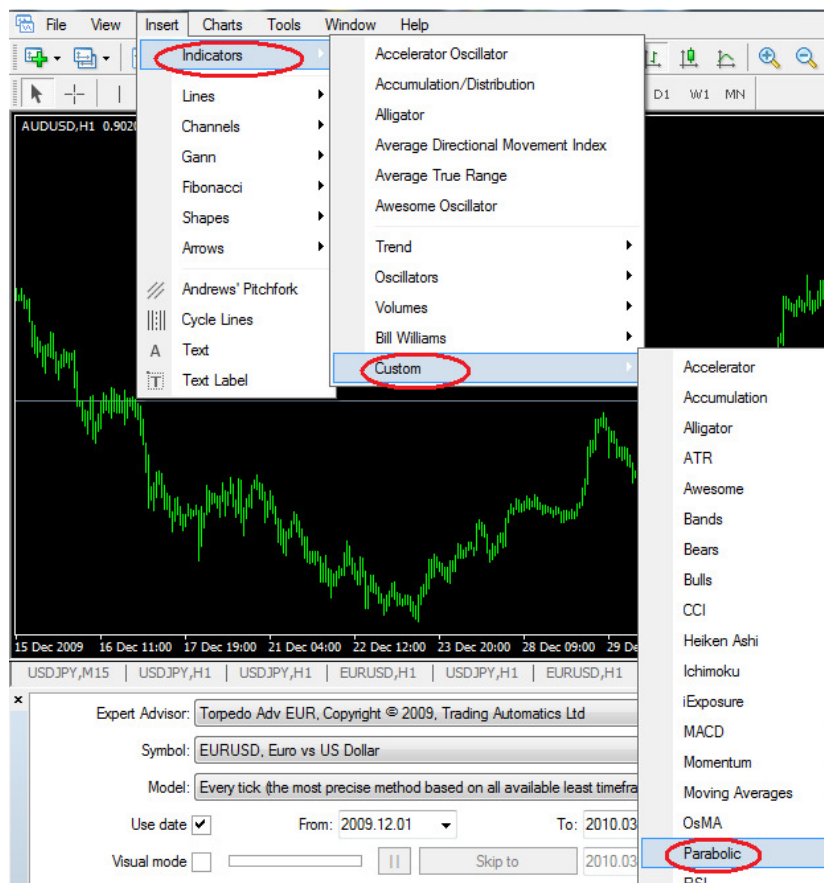
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## The Torpedo Robot Strategy

The Torpedo uses the Parabolic SAR Indicator, found under INSERT, then INDICATORS then CUSTOM.





This indicator tells the trader of the potential momentum of the markets prices shown through a series of dots either above or below the currencies prices on a chart.

The parabolic SAR was developed by Welles Wilder a renowned technician.





## Torpedo LONG Entry Rules

- 10 rising Parabolic SAR dots
- Parabolic SAR dots must be below the market prices

## Torpedo SHORT Entry Rules

- 10 falling Parabolic SAR dots
- Parabolic SAR dots must be above the market prices

**INPUTS (these inputs are not visible and is purely to show you the programming)**

- SAR step 4
- SAR entry 10
- SAR exit 14





## Stop Loss

Once the Torpedo Robot has taken a trade it will immediately place a Stop Loss to the order at 90 pips from the entry price.

This means should the market go against you at some point and reach that distance the trade will automatically be closed out.

The risk per Lot per trade is 90 pips.

DEFAULT STOP LOSS = 90 pips.

## Profit Target

The Torpedo Robot will also Take Profit for you and reduce the 90 pip risk per lot on the trade by closing out half (50%) of your Lots when it reaches the 50 pip Profit Target.

So if you took 2 Lots for a trade and the value per pip was \$1. That means your total risk on the trade is \$180 ( $\$90 \times 2$ ).

Once the market reaches the Profit Target of 50 pips, the Torpedo Robot automatically close out 1 Lot (50%) and that means you now have \$50 in the bank. The remaining risk is now left at the 1 remaining lot with the Stop Loss still 90 pips from the entry price ( $\$90$  less the  $\$50$  profit taken =  $\$40$  new risk).

This means that if the market swung around and hit the stop loss even though you lost \$90 on the second Lot, you still have \$50 profit from the first Lot which means a reduced loss of  $-\$40$ .





## Break Even

The Torpedo Robot also has further built in profit protection and risk minimisation tools, this one comes in the form of moving the Stop Loss to break even (entry price) when a certain level of profit has been reached.

The Torpedo has been programmed with a 175 pip profit breakeven point.

So although the robot would have closed out 50% of the trade at the Profit Target, now once the market has moved 175 pips into profit the Stop Loss is immediately brought up to the entry price protecting the profit already captured at the Profit Target and not letting the 2<sup>nd</sup> half of the trade eat into the original profits should the market suddenly reverse.

## Trailing Stop Loss and Final Exit

The Parabolic SAR identifies momentum in the market, and upon change in momentum the dots also change direction.

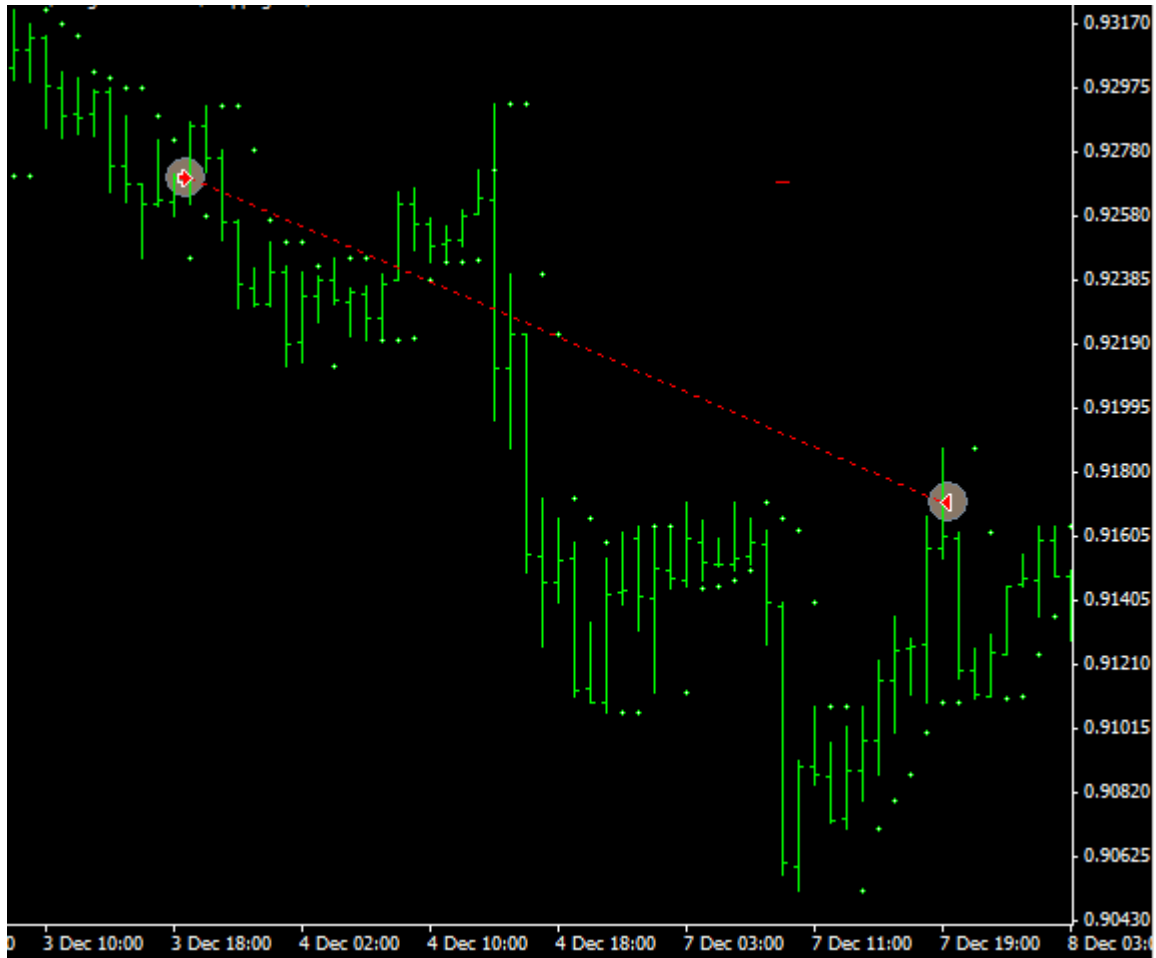
The robot will exit the market should there be 14 SAR dots into the opposite direction, or should the Trailing Stop Loss be hit, whichever is sooner.

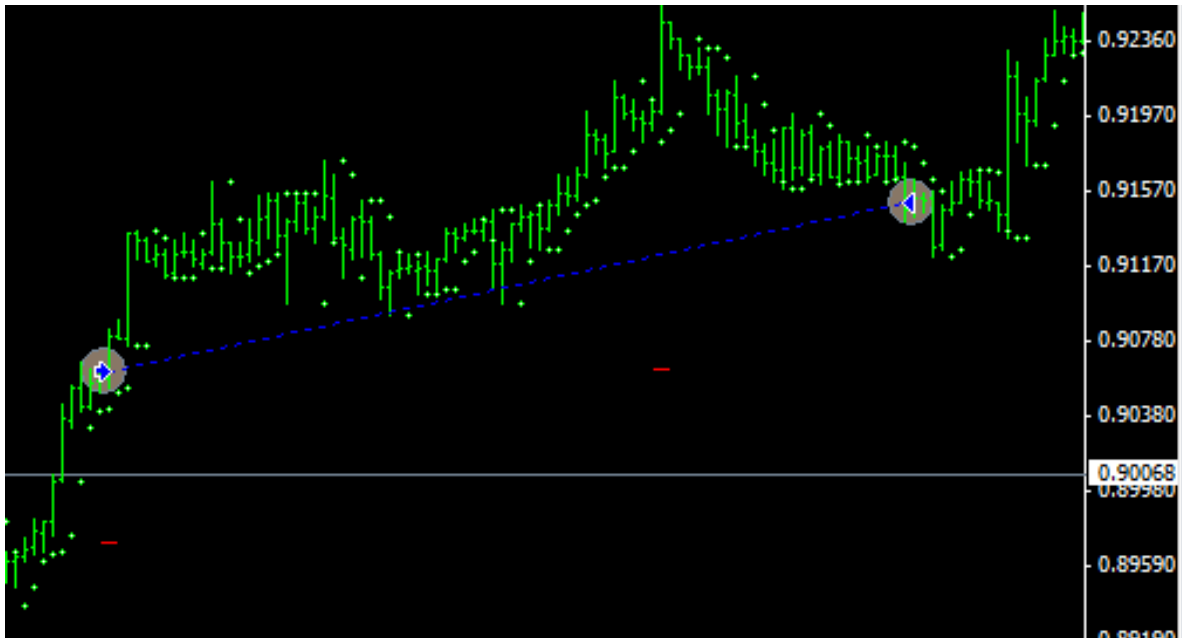
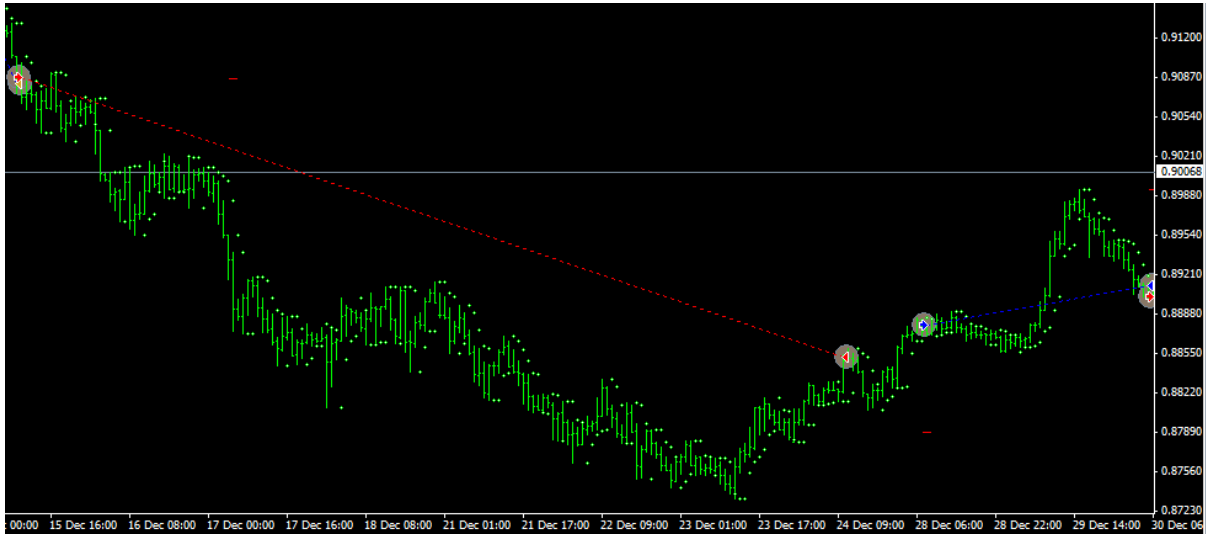
This acts as a trailing stop loss and further protects profits made.





## Watching the EA trade





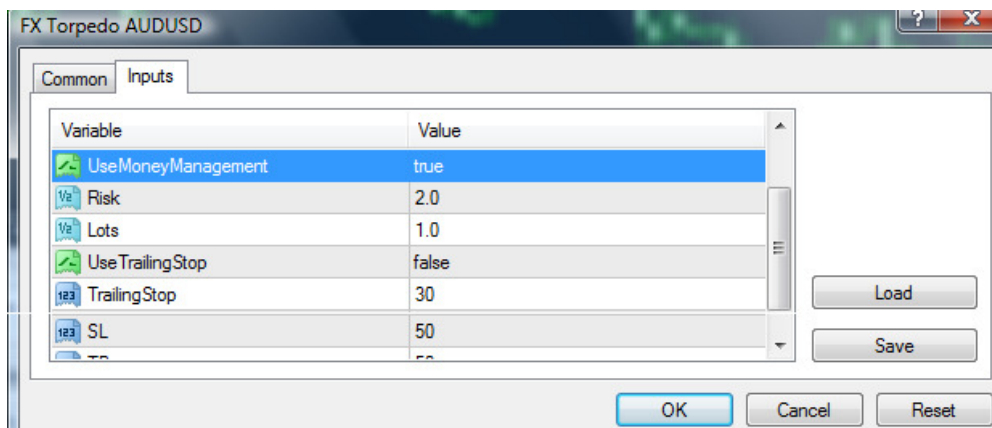


## Default INPUT Settings

The DEFAULT settings are what you see below.

These default settings are the 'best' performing settings for each EA. So please leave all as they are except for the RISK setting.

RISK and/or Lot Settings: The important setting you need to consider changing is the risk input. Please now go to the next page to read your options for the risk settings.





## **Risk Input Settings (POSITION SIZING).**

Risk management is the most important component to trading. And best to work on the basis of a worst case scenario.

The Forex Torpedo has two settings that can be used to determine the POSITION SIZING that the robot will take on each new trade.

- 1. Money Mgt with RISK%**
- 2. Or standard LOTS**

**Risk % - To use this function turn Money Management to TRUE**

The Forex Torpedo default for the Money Management Risk Setting is 2%.

This means that the robot will automatically calculate the appropriate number of Lots (your position size) according to the new account balance after each trade (running account balance).





If your starting balance is \$2,000 and you set your risk at 5% this means that on each trade you do not want to risk more than \$100 on each trade. And if the Stop Loss was at 70 pips from the entry and if your Accounts pip value was \$1 per pip movement, then your risk is \$70 per 1 lot.

To calculate your position size for each trade the robot calculates;  $\$100 \div \$70 = 1.4$  Lots it can enter into.

If your trade is profitable and you make a \$200 profit then on the next trade the robot automatically makes the same calculation but on the new \$2,200 balance.

This is the better setting as you know exactly how much of your account you are risking on each trade as a percentage and works as a sliding scale.

Turn the default figure up or down to suit your individual risk profile.

**Remember the more Robots you have on your trading account all trading at the same time the less this Risk% should be – try starting with them all at 1% risk, with no more than 6 robots trading at the one time.**





## Lots

If you want the robot to enter into an exact number of lots every time it trades you put a number in here. For example: **1** (Lot).

**But for the Lot Input to work you need to change the MONEY MANGEMENT to FALSE.**

Let's assume you had an Account where every 1 Lot meant you could lose or gain \$1 per pip movement.

If the Forex Torpedo 's Stop Loss for a trade was at 70 pips. This means for every 1 Lot entered into within a Micro Account the maximum risk of the trade is \$70 (70 x \$1).

If your starting balance was \$2,000, then your \$70 dollar risk on your 1 Lot is a 3.5% risk of your starting balance (\$70 divided by \$2,000). This is a comfortable risk.





But what if you had 3 losing trades in a row, and each time you lost \$70, your loss would be \$210 in total leaving \$1,790. But your total risk on your account balance is increasing...

On your 4<sup>th</sup> trade your risk has increased to 3.9% (\$70 divided by the new balance of \$1,790). And would continue to do so if your balance decreased.

The best control is to use the ' Money Mgt Risk %' setting explained on the previous page.

## **ECN Broker**

Your broker should tell you on their website if they are an ECN Broker, ensure that you reflect this as True or False within this setting.

What is an ECN Broker?

[http://en.wikipedia.org/wiki/Electronic\\_communication\\_network](http://en.wikipedia.org/wiki/Electronic_communication_network)

If you are unsure and your EA is not trading try changing this setting to the opposite and wait for a few days.





## 5 digit broker setting

Ensure you have your 5 digit broker set correctly to your brokers specifications. To find out if your broker is a 4 or 5 digit broker count the digits to the right of the decimal point on the EURUSD chart – if there is 4 they are a 4 digit broker. If this setting is not correct you may find that your Stop Loss or Profit Target may become too wide.

This broker below is a 5 digit broker – see there is 5 digits to the right of the decimal point.





## Common Questions

### My EA is not trading?

First ensure you know the frequency of your EAs trades. Some Eas take a number of traders per day and others only a few per day or month. So you may need to be patient.

The Torpedo Eas should take a couple of trades per week at the very least.

While you are waiting here is a few things you can check.

- Please check that you have the LIVE TRADING TICKED – double click under each SMILEY FACE on each chart and check the COMMON TAB.
- ALSO importantly go into TOOLS then OPTIONS then EXPERT ADVISORS on your tool bar and make sure the ALLOW LIVE TRADING is ALSO ticked.
- Some people have found that although they had their smiley faces ticked but didn't have the "allow live trading" ticked under the Tools/Options and that is why their ea wasn't trading.
- Is your 5 digit and ECN broker settings correct to your broker?
- Try changing your ECN input setting (double click on the smiley face and changing it to the opposite to what you currently have -do this on each chart – if nothing after 24hrs change back and see how you go for another 24hrs (open market hours).





## How do I know my EA has taken trades?

When the robot takes a trade you will see an obvious green (entry) line or a red (stop loss) line across your chart, showing the price that it has entered the trade. The stop loss is shown as a small red line.

If you had 3 EURUSD charts open, each with a different robot and only 1 robot took a trade, you will see the horizontal entry lines across all 3 of the EURUSD charts... To find out which chart/robot the trade executed on you can distinguish it by a grey circle with an arrow in it pointing to the exact entry which that robot entered the trade.

You will see all OPEN trades in the TRADE tab within the TERMINAL window.

Any closed trades are located in the ACCOUNT HISTORY tab in your terminal screen.





## Strategy or Back Testing

Many people misunderstand Strategy Testing (back testing) and expect Trading Robots to perform in a Strategy Test that spans across many years. The important thing to note is that the market behavior is very different now than what it was going back 2-3 years so for a robot to be successful the settings must change.

The settings we use on the robot today are vastly different than what would have suited the market 2+ years ago, the reason for this is the difference in volatility. Most Eas default settings have been optimized to suit the current market conditions.

Also in your Strategy Test results there must not be any 'Mismatched Errors' and the modeling quality should be at least 90%. If you have mismatched errors you will need to clean your data by doing the following; you may likely need to do a few downloads within the History Centre for the currency pair, eg; AUDUSD to fix the problem.

Go to TOOLS then HISTORY CENTRE then open up the AUDUSD folder and double click on the 1-MINUTE name and then click DOWNLOAD - click OK / YES to all the questions...

As mentioned, you may need to do this a few times - then rerun the Strategy Test and ensure there is zero for 'mismatched errors'.

Please also ensure your Input Settings stay on the DEFAULTS as they were when you purchased (except for the Money Mgt risk settings should be appropriate for your own trading comfort level).

If you want to ensure they are the original defaults double click on the Smiley face on the top right of your AUDUSD 1 hour chart and then under the INPUTS tab please click the RESET button (not forgetting you will need to change the Money Management Risk%).





## Do I need to leave my PC running?

The robot only places new trades when the computer is running. If you cannot leave your computer running the whole time the best thing for you to do is to have the robot running on a Virtual Private Server (VPS). See these guys [www.forexvps.com](http://www.forexvps.com) you will only need the basic package.

## Forex Torpedo Support Team

<http://www.forextorpedo.com>

[support@forextorpedo.com](mailto:support@forextorpedo.com)





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