How To Build Your Own ATM

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How many of you have wanted to build your own system but thought it would be too complicated to do?

Now, if you've ever downloaded a system, either a free one from a forum, or bought one, raise your hand.

So, let me ask you guys all a couple of quick questions...

After you started trading with your new system, how many of you "tweaked" that system by adding or deleting indicators to customize it?

The "Big Question," of course is why do you want to trade? Why do we do it?

That is a question we all have the same answer to, right? To make money!

Now, *why* you want to make money is your own thing...

You could need to dig out of debt...

Want to pay off your house...

Send the kids to college...

Or retire without a care in the world...

But when we are honest, it's less about the money than about what the money can buy us…

FREEDOM!

I get it, I am here talking to you today because of the freedom trading has given me, and I know firsthand the hunger, the drive to succeed...

I've been right where you are today, and I want to assure you that it is absolutely possible to make all the money you will ever need from trading.

I want you to have the same experience I have had... Of making $13,000 in a single day... Five figures in under a month...

Recently, I made $64,909.00 in just 16 days...

And some buddies of mine just told me they've made $1.3 million and counting in the last year...

All from trading.

So, whatever you need your cash to do for you, whether it's free you from debt, or free you to design the life you want, I am here today to help you do just that.

And that's what I'm going to give you today, your own blueprint to build your very own trading system...

One that I've used myself to make big, consistent profits in the market...

353.69% in a month return on investment, in fact.

And more importantly, I'm going to show you how to test it, build it, and use it profitably.

I've divided into two parts:

Part 1 will cover the basic concepts and tests conducted on the individual components of this unique and powerful trading system.

So you'll see why I chose them and why they work

And Part 2 will go into greater detail on exactly how and why this system works, and how you can build your very own version to improve your trading immediately.

In fact, I'm even giving you this presentation in PDF form as a gift to download after the webinar so you have a quick reference guide.

The trading system you will learn about today generated a 353.69% profit during one month of trading...

This system can be very powerful in the hands of responsible traders.

If you're anything like me, then I know that you are excited to learn all about how this awesome trading system works, and we will…

But before we discuss the actual trading system itself, I am going to introduce you to the concepts and testing techniques that inspired and created this particular system.

You'll get all the methodology used to test a range of different indicators and identify their strong and weak points.

If you've been trading for any amount of time, you have probably wondered how good trading systems are developed and tested.

Here's how I do it:

I came up with a few simple ideas for a basic trading system. Then I tested each concept manually, and they seemed to perform very well.

However, I needed scientific proof that it worked, so I proceeded to test each of the components of the system by itself, to see where I could improve the results…

And finally I tested all of the components together.

To keep your blueprint as simple as possible, I have decided to work with a handful of common, standard technical indicators that are available on nearly all trading platforms available today.

However, it is important to note that the testing and evaluation concepts that you are about to learn about can be applied to all standard and custom technical indicators alike.

Essentially, if you can copy the testing methodologies you will learn about today, you will also be able to create your own unique powerful trading systems.

In the second part of this webinar you will learn about the result of all my testing: the trading system itself.

I will introduce you to the system rules for Buy and Sell trades and I will show you a wide variety of trade examples together with full explanations.

This is a tried, tested and proven trading system that has generated a 353.69% profit after a single month of live trading, so I'm sure that you will enjoy trading it.

Let's begin!

METHODOLOGY

I would like to give you a bit of background information on the actual methodology being used to conduct the tests you are about to see.

It is also important to note that when I tested the individual components of the system, I used a fixed lot size of 0.1 and starting balance of $10,000 across all the individual tests.

If you have been trading for any amount of time, you will know that there is usually more than one way to identify trades using the majority of the indicators that are out there.

For example, the MACD indicator can generate a setup or a signal for a Buy or a Sell trade in one of two different ways...

The first setup or signal is generated when there is a crossover of the MACD Line and the Signal Line and the second signal is generated when there is a crossover of the MACD Histogram and Zero Line.

Usually only one of these two setups or signals can be generated at any given time (with certain indicators they can occur at the same time, but very rarely do) and as a result, it is difficult to decide which conditions to incorporate into the rules of a trading system.

The logical way to determine which technique works best is to test all possible setups and see which produces the best results.

So, I started testing a range of different indicators and compared the results of one particular setup against the other available setups on each indicator

As with the MACD example mentioned earlier, you will get to see the results of these tests later in the webinar.

This helped me to determine which setup would produce the best results and this could then be included as a criteria for a valid entry as part of my trading system.

Initially I tested an indicator's setup or signal without a stop loss or a take profit level – I was only entering trades when the setup or signal had occurred and exited the trade when the opposite setup or signal occurred.

For example, when a buy signal occurred, I entered the market with a buy order and remained in the trade until a sell signal had occurred. At this stage, I would close the buy trade and enter the market with a sell trade, and so on and so forth.

The next step was testing the results with optimized stop loss and take profit levels to see what impact this would have on the original results.

The final step was combining the very best results from the indicators used in the test together to create a truly powerful trading system.

Let's take a closer look at each of the tests conducted on each indicator then get to grips with how the system works.

MACD

The first indicator that I tested was the MACD.

The MACD indicator is the moving average convergence/divergence indicator developed by Gerald Appel in the late 1970s and is based on the relationship between two price-based moving averages.

There are two popular configurations or settings for the MACD indicator.

The first is based on calculations using three moving averages: a 26-period, a 12-period, and a 9-period moving average.

The second is based on calculations using three different moving averages: a 17-period, an 8-period, and a 9-period moving average.

The MACD based on longer time frames is less volatile than the MACD based on shorter time frames, and as a result, it will generate fewer buy and sell signals.

The MACD indicator consists of a:
    a)   MACD Line
    b)   Signal Line
    c)   Histogram

The MACD indicator can be used in different ways, but the most common method, and the one I used in my testing, is the crossover.

I used two types of crossovers in my tests:

a)   MACD Line and Signal Line crossover

b)   MACD Histogram and Zero Line crossover

MACD Line and Signal Line Crossover

Let's take a look at the rules first:

- BUY SIGNAL: MACD Line crosses over the Signal Line
- SELL SIGNAL: MACD Line crosses below the Signal Line

As I mentioned when discussing the methodology, the first set of tests were done with signals only.

That means when a buy signal occurs, a buy trade will be entered. The trade will be closed when the opposite signal, i.e. sell signal, occurs.

As a buy trade is closed, a new sell trade is opened. Then the sell trade will be closed when the new buy signal occurs and another buy trade will be opened.

Let's take a look at the results of the test over the period of one year on the EURUSD currency pair.

Profitable trades
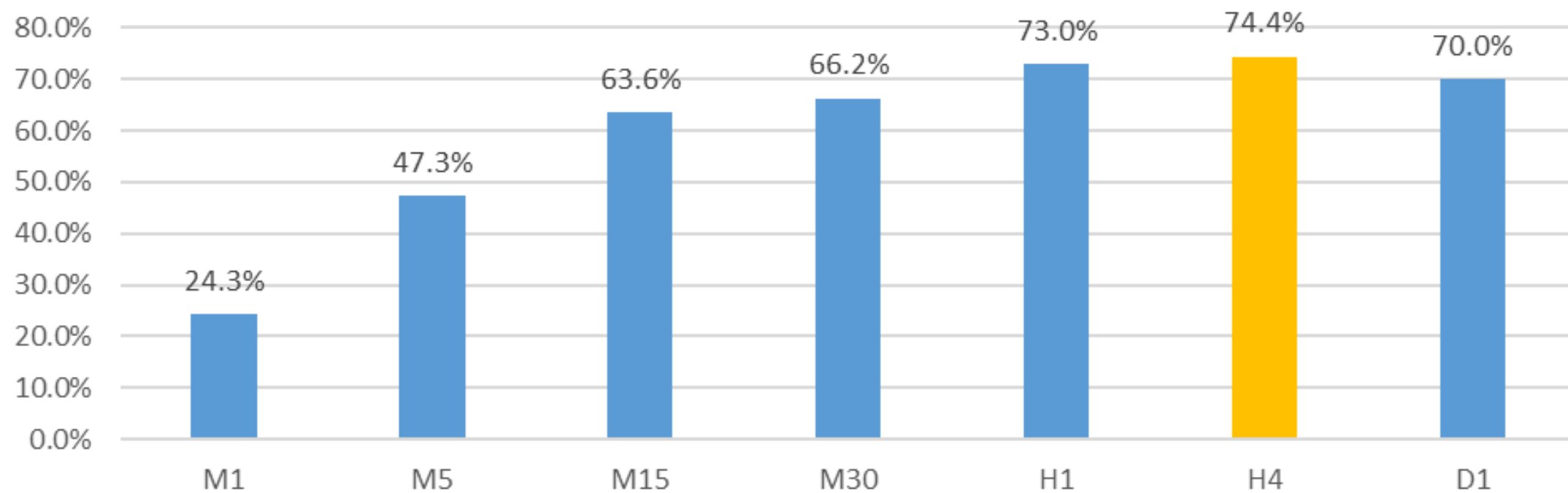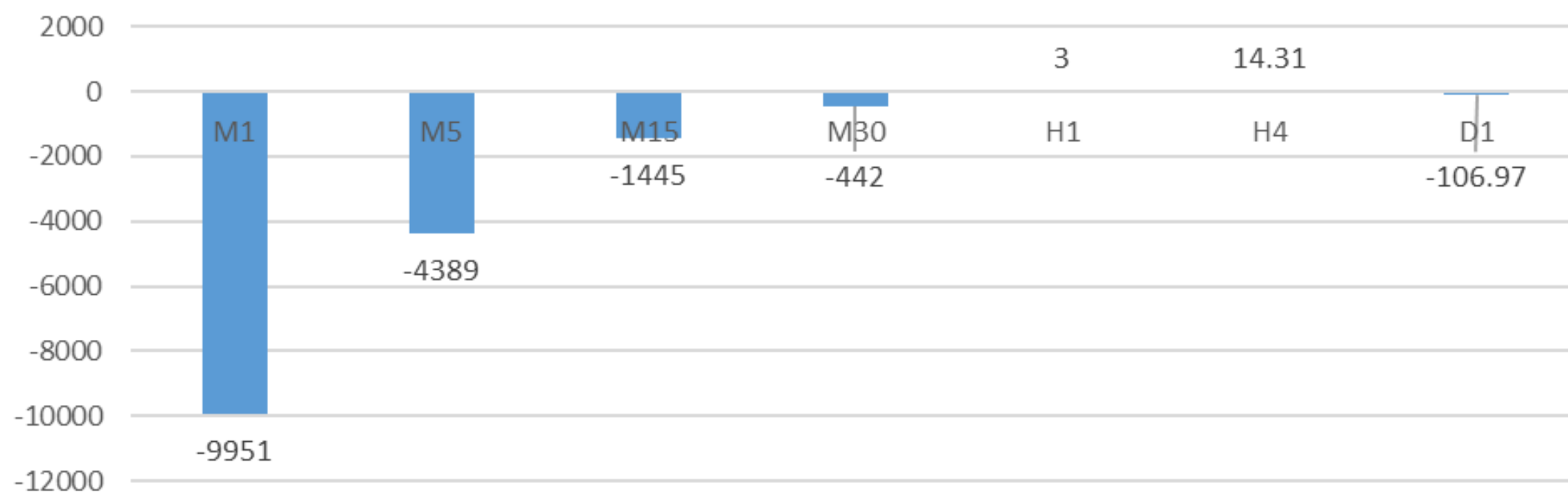
Maximal Drawdown
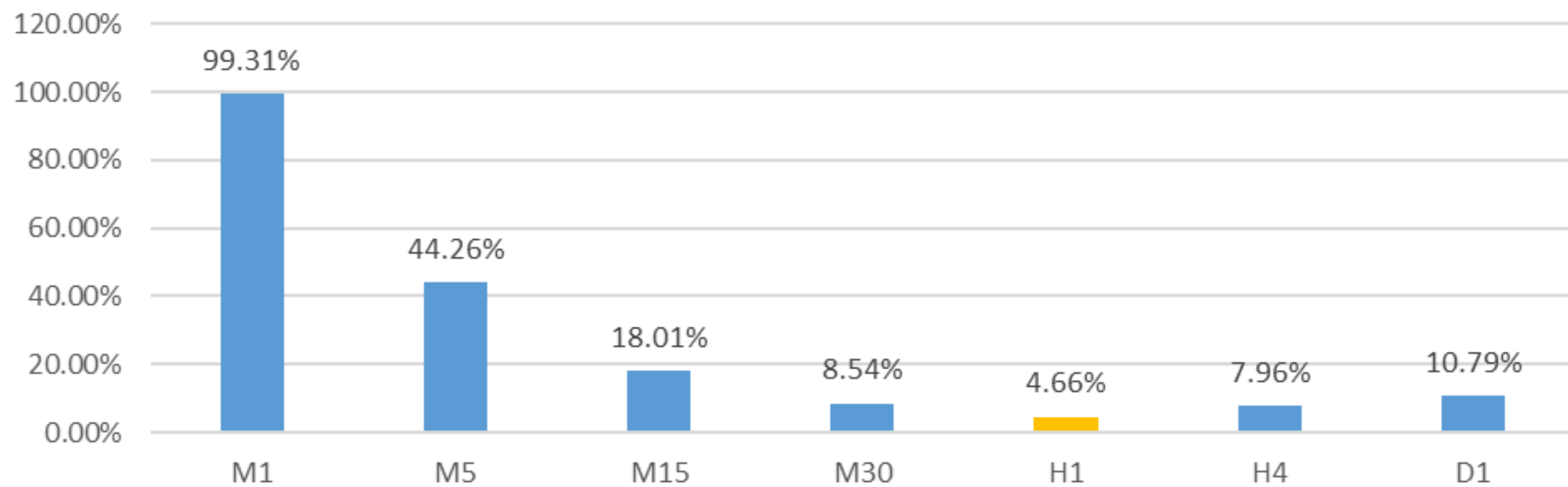
We can see a few things from these results:

1. The time frame with the highest win percentage is the H4 (4 Hour), followed by H1 (1 Hour) timeframe
2. The most profitable time frame is the H4, followed by the H1 timeframe
3. The lowest drawdown is on the H1, followed by the H4 time frame

I performed the same tests on the GBPUSD, USDJPY and AUDUSD currency pairs, with very similar results.

A low drawdown of 4% tells me one more thing – I can increase my lot size and gain more profits without too much risk.

In my own trading experience, an acceptable drawdown level is anything below 10%, so there is a lot of room to increase my lot size (and subsequently my drawdown as well) and still remain below 10% drawdown.

Even after a single test you should be able to see the value in this approach. By simply testing one of the indicator's setups or signals across a range of different time frames we were able to identify areas where we can gain an advantage.

We also have a really good idea of the type of returns we can expect to achieve by trading in this manner. However, at this stage, we have only conducted half the test on this particular indicator.

Remember, there is more than one way to identify setups or signals using the MACD indicator and at this stage we have only tested one of the methods.

Let's now take a closer look at how the results would differ if we had decided to trade the MACD indicator by identifying trade setups only when the MACD histogram crosses either above or below the zero line.

MACD Histogram and Zero Line Crossover

Let's take a look at the rules first:

•   BUY SIGNAL: MACD Histogram crosses over the Zero Line

•   SELL SIGNAL: MACD Histogram crosses below the Zero Line

As mentioned with the methodology, the first set of tests were done with signals only. That means that when a buy signal occurs, a trade will be entered. The trade will be closed when the opposite signal, i.e. a sell signal, occurs.

As a buy trade is closed, a new sell trade is opened. Then the sell trade is closed when the new buy signal occurs and another buy trade will be opened.

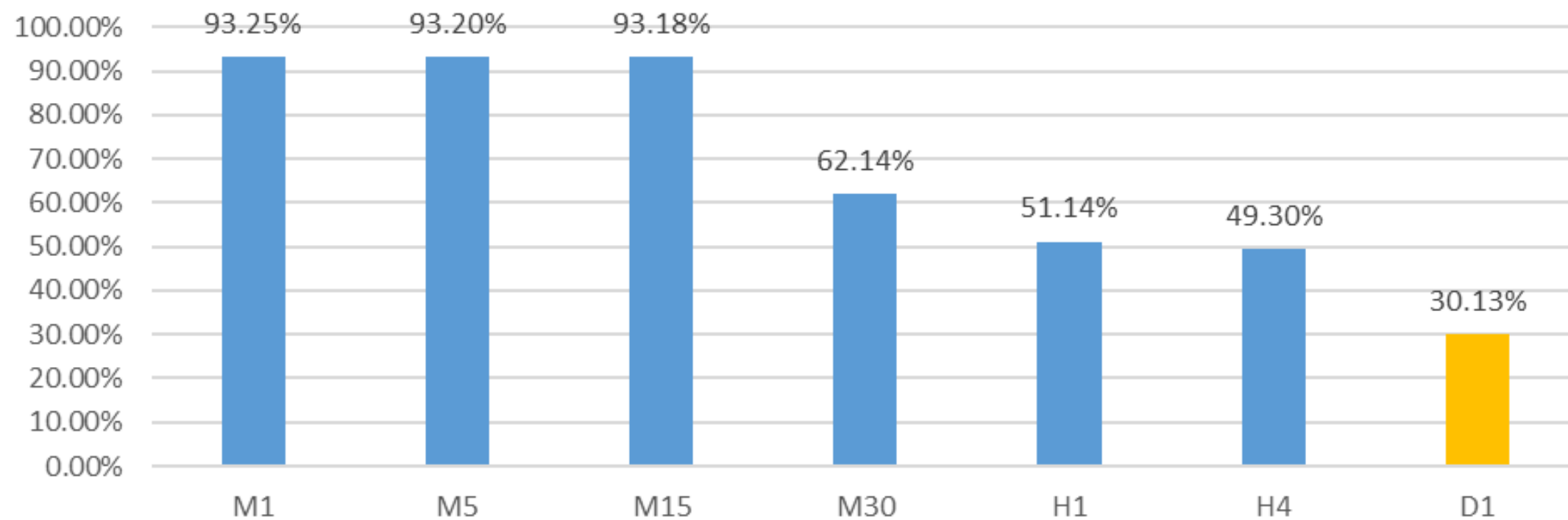Let's take a look at the results of the test over a period of one year on the EURUSD.

Profitable trades

Timeframe	Percentage
M1	27.0%
M5	43.1%
M15	47.5%
M30	57.3%
H1	62.2%
H4	66.7%
D1	70.8%
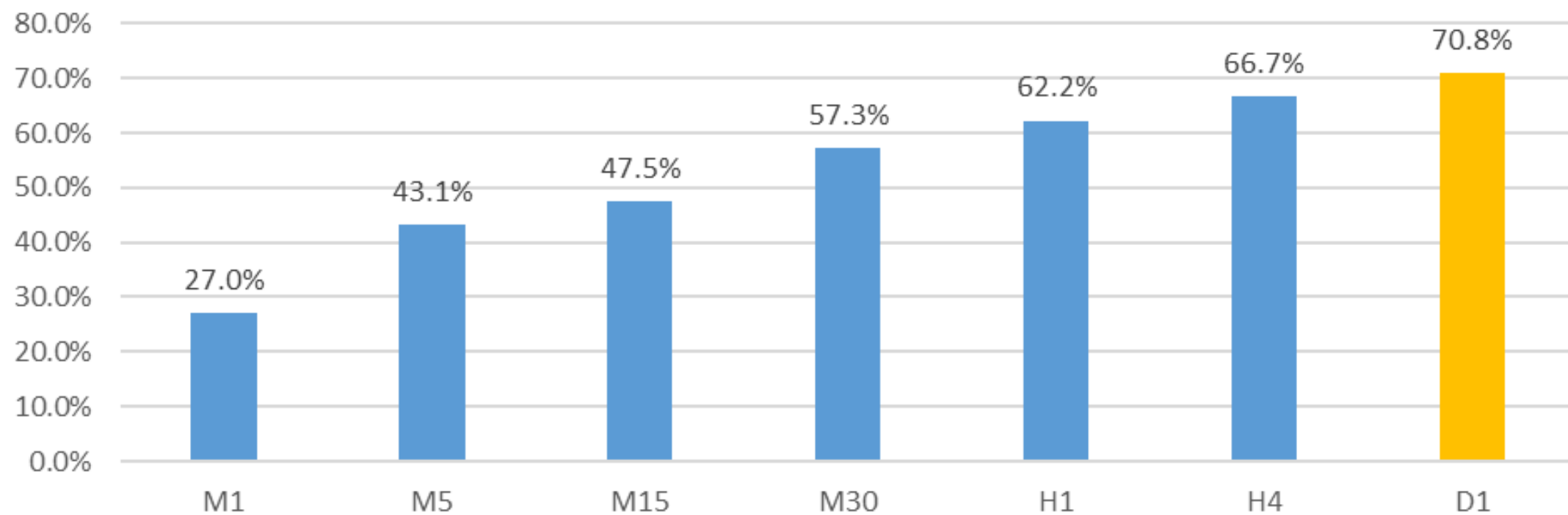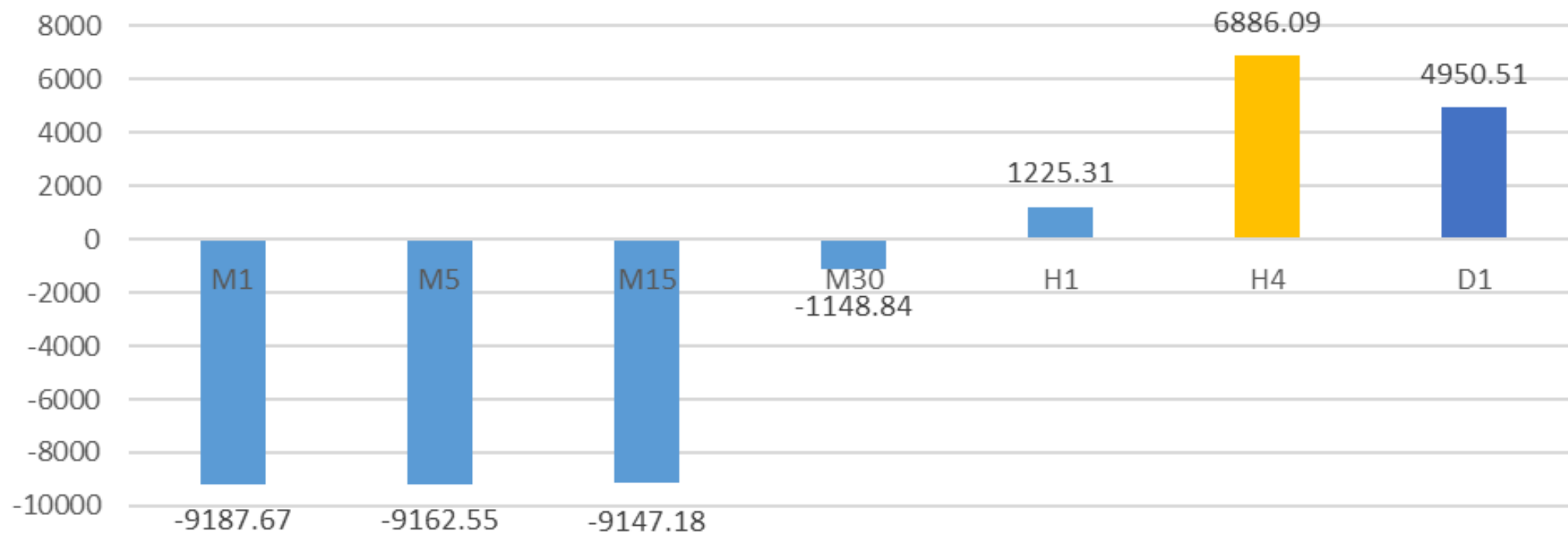
Once again, we can see a few things from these results immediately:

1. The time frame with the highest win percentage is D1 (Daily), followed by the H4, and H1 time frame.
2. The most profitable time frame is the H4 timeframe.
3. The lowest drawdown is on the D1, followed by the H4 time frame.
4. Higher time frames proved to be more profitable and reliable than the lower time frames.

CONCLUSION

From the basic tests I did, we can clearly see that the MACD gives us the best results on the higher time frames, like the H1, H4 and D1 and the MACD Histogram crossover vs. Zero Line produces a healthier profit. This will be very important when we start to build our system.
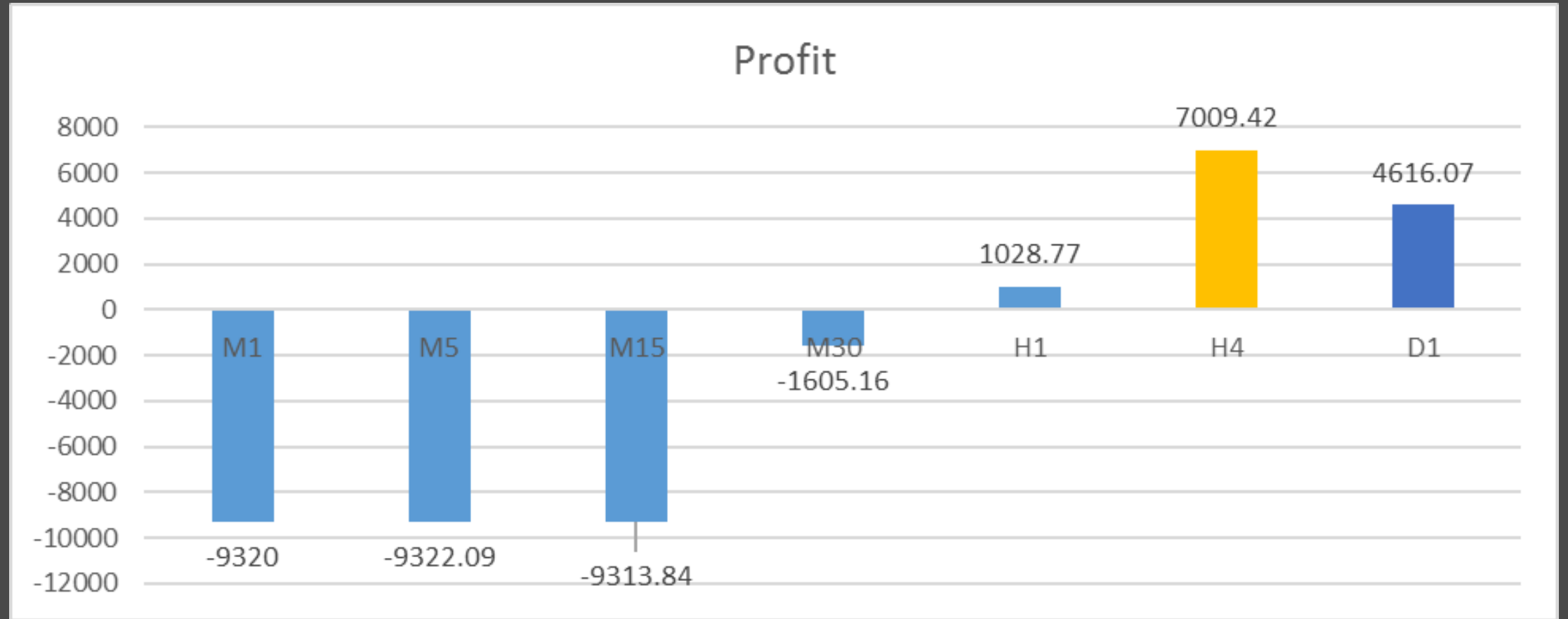
IMPROVEMENTS

After seeing the results of placing the trades one after the other, I tried testing the same strategy again, only this time with the usage of a Stop Loss (SL) and a Take Profit (TP). Optimized Stop Losses and Take Profits improved the results drastically.
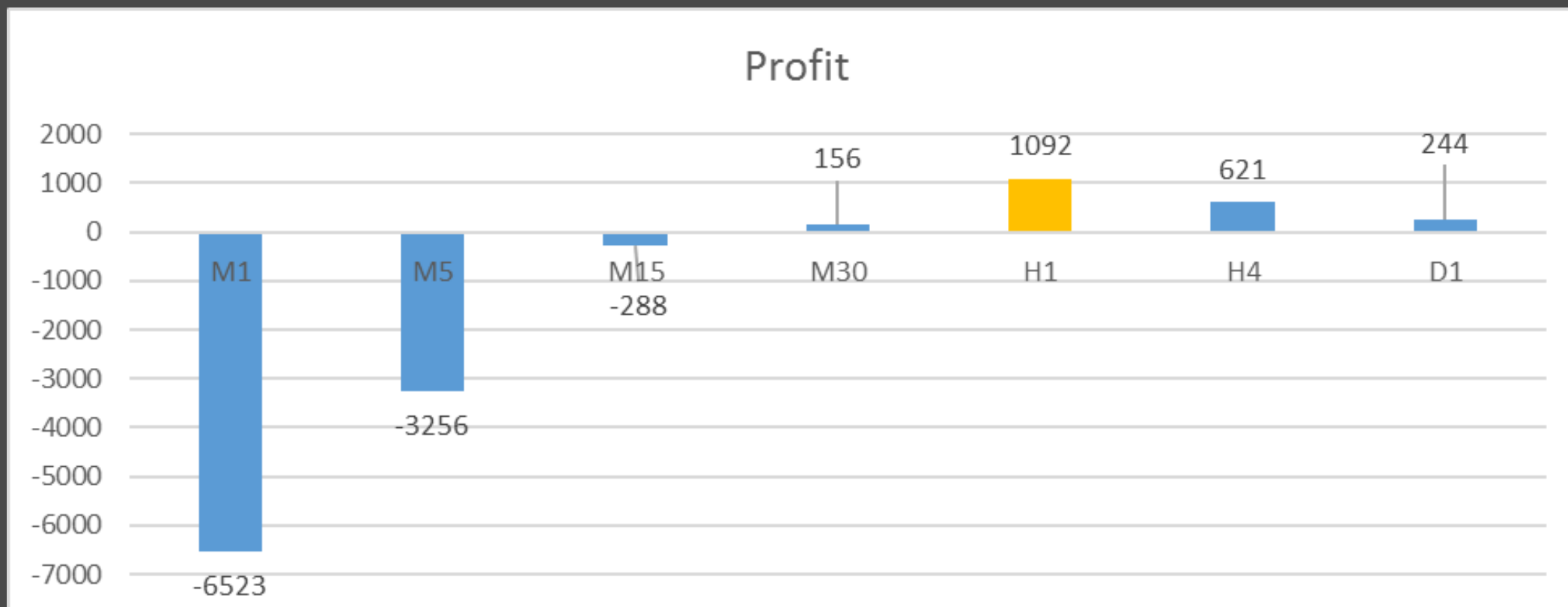
MACD Histogram vs Zero Line

As we can see from the results, including take profit and stop loss levels did improve our results on MACD Line vs. Signal Line crossover.

The results I got from the MACD Histogram vs. Zero line proved to better on all time frames except H4, therefore I can conclude that the overall results did produce slightly better results.

RELATIVE STRENGTH INDEX (RSI)

The next indicator that I tested was the Relative Strength Index.
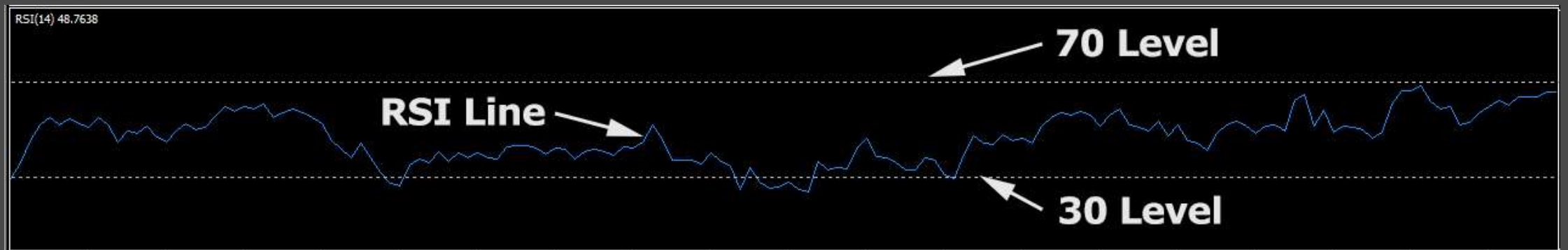
Commonly referred to as the RSI, it is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between zero and 100.

RSI is considered overbought when above 70 and oversold when below 30.

Let's take a look at the rules used in these tests:

- BUY SIGNAL: When the price crosses the 30 RSI from below.
- SELL SIGNAL: When the price crosses the 70 RSI from above.

As I discussed in the methodology, the first set of tests were done with signals only. That means that when a buy signal occurs, a trade will be entered. The trade will be closed when the opposite signal, i.e. a sell signal occurs.
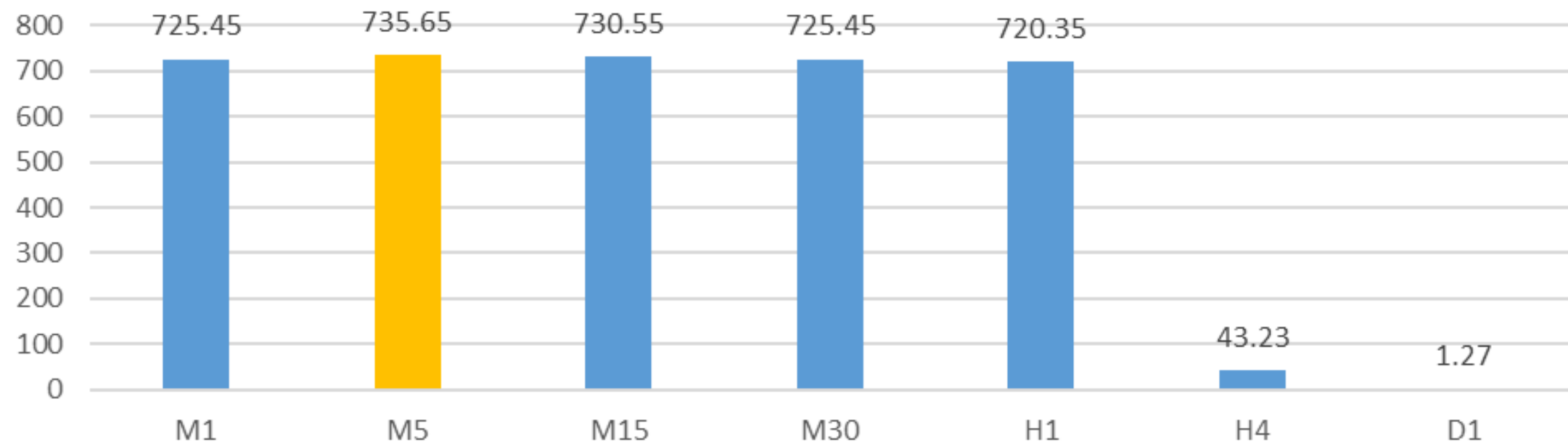
As a buy trade is closed, a new sell trade is opened. Then the sell trade is closed when the new buy signal occurs and another buy trade will be opened.

Let's take a look at the results of the test over the period of one year on the GBPUSD currency pair.
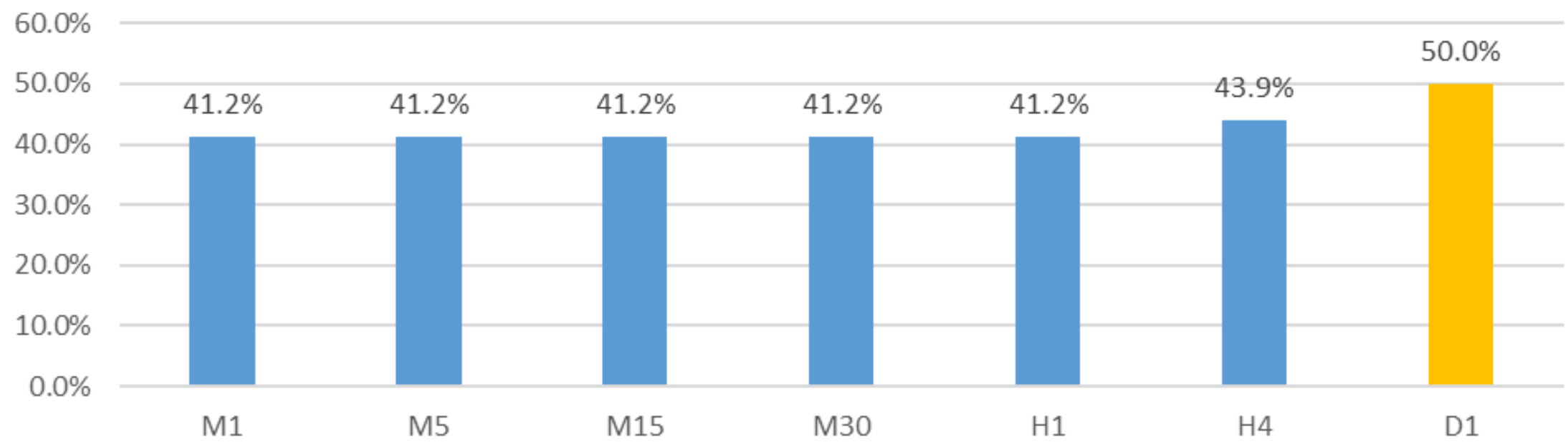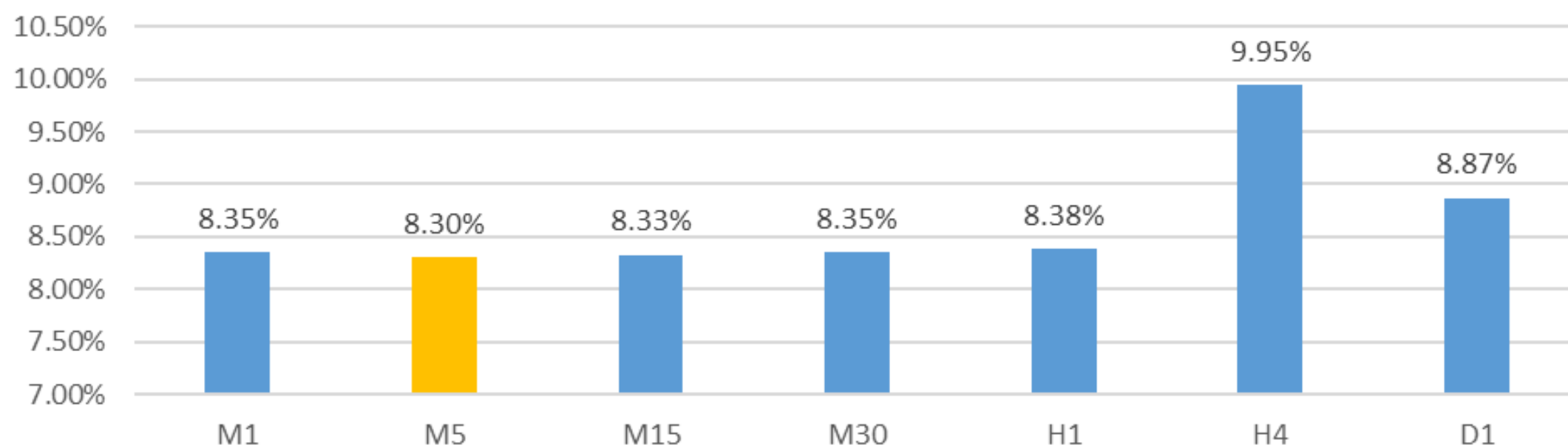
Maximal drawdawn

CONCLUSION

From the results, we can see that the highest win percentage is on the D1 (Daily) time frame, while the most profitable time frame is M5 (5 Minute).

However, the most important thing to notice here is that all time frames proved to be profitable, while with the MACD only the H1 (1 Hour) and H4 (4 Hour) were profitable. Time frames from M1 (1 Minute) to H1 (1 Hour) showed similar results.
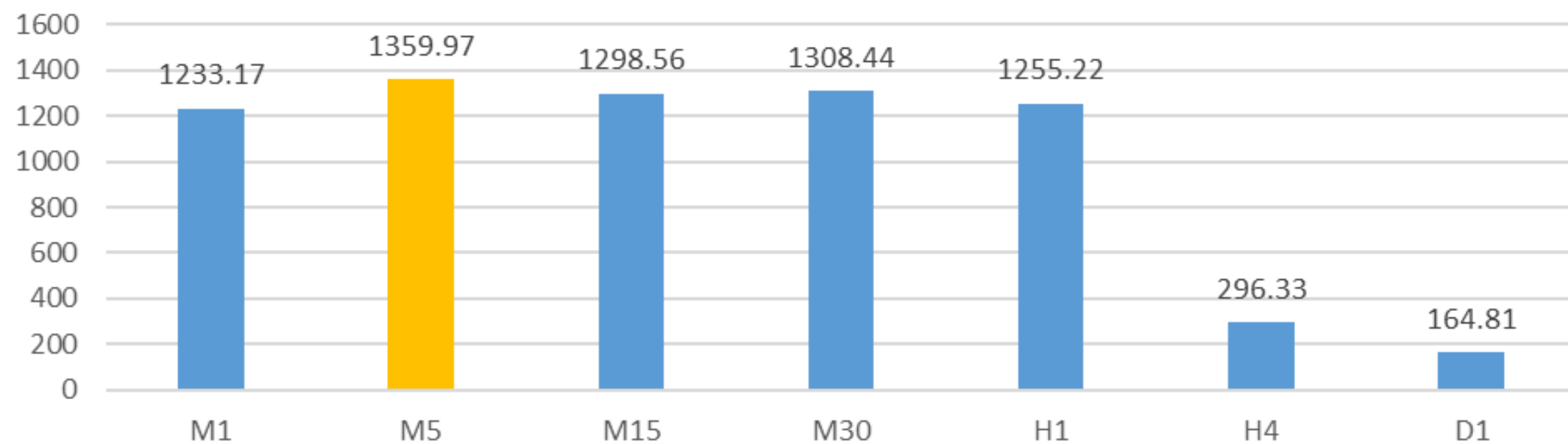
IMPROVEMENTS

One of the ways to improve the results is to introduce the Take Profit and Stop Loss instead of closing the trade only when the opposite signal occurs, because that's often too late.

Since I didn't want to wait for the price to start reversing to exit the trade, introducing the Take Profit and Stop Loss levels was the best tool to avoid that.

From the results that I'll show on the next slide, we can see that the results improved.
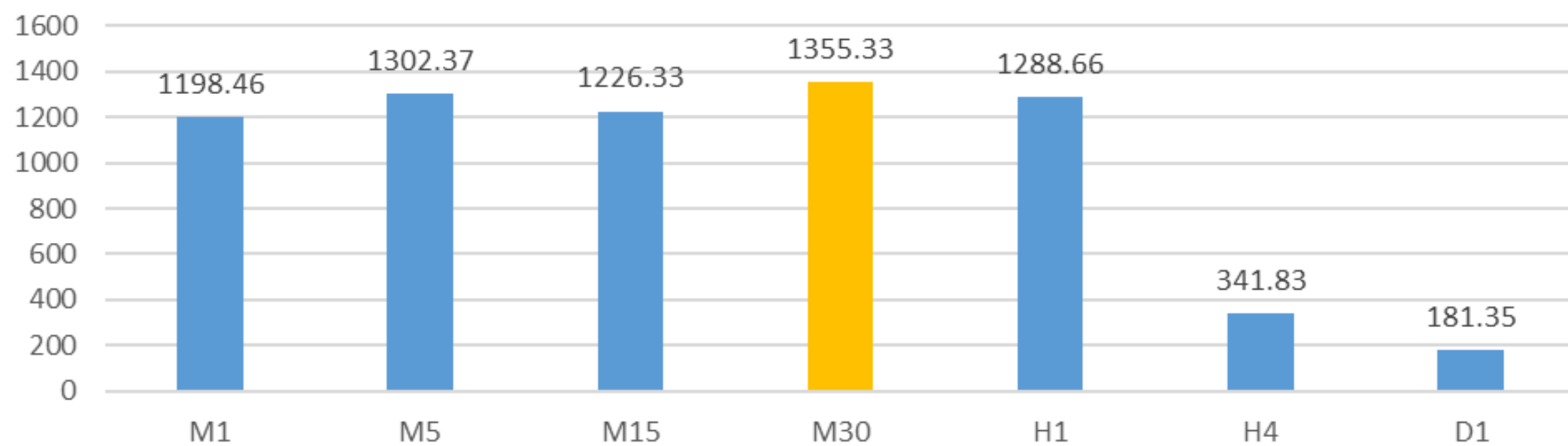
Profit

	M1	M5	M15	M30	H1	H4	D1
Profit	1233.17	1359.97	1298.56	1308.44	1255.22	296.33	164.81

The second improvement for the RSI was testing it with different settings. This time I used 50 as a Buy and Sell threshold. Since I know that the RSI performed better with the Take Profit and Stop Loss included, I tested it with those included right away.

Here are the results:

Profit

The results showed a similar outcome, with slightly lower success on lower time frames and slightly better success on the higher time frames. This is the reason I chose to use the RSI setting of 50 with my trading system.

EXPONENTIAL MOVING AVERAGE (EMA)

The Exponential Moving Average (EMA) is a variation of the more basic Simple Moving Average (SMA) indicator.

It lends more weight to recent data than the Simple Moving Average, which actually drops old data from its sample. In this case the historical data is always carried forward by using the result from the prior period as a basis for the calculation.

From my experience and tests, I noticed that the EMA 50 was the best performing one. It is also an EMA that is being used by many other traders out there, so it can be quite valuable to observe and pay attention to this indicator as it may accurately reflect the state of the current market sentiment.

Let's take a look at the rules used on these tests:

- BUY SIGNAL: When the price closes above the EMA 50
- SELL SIGNAL: When the price closes below EMA 50

Using the Methodology I described, the first set of tests were done with signals only. That means that when a buy signal occurs, a trade will be entered. The trade will be closed when the opposite signal, i.e. a sell signal occurs.

As a buy trade is closed, a new sell trade is opened. Then the sell trade is closed when the new buy signal occurs and another buy trade will be opened.
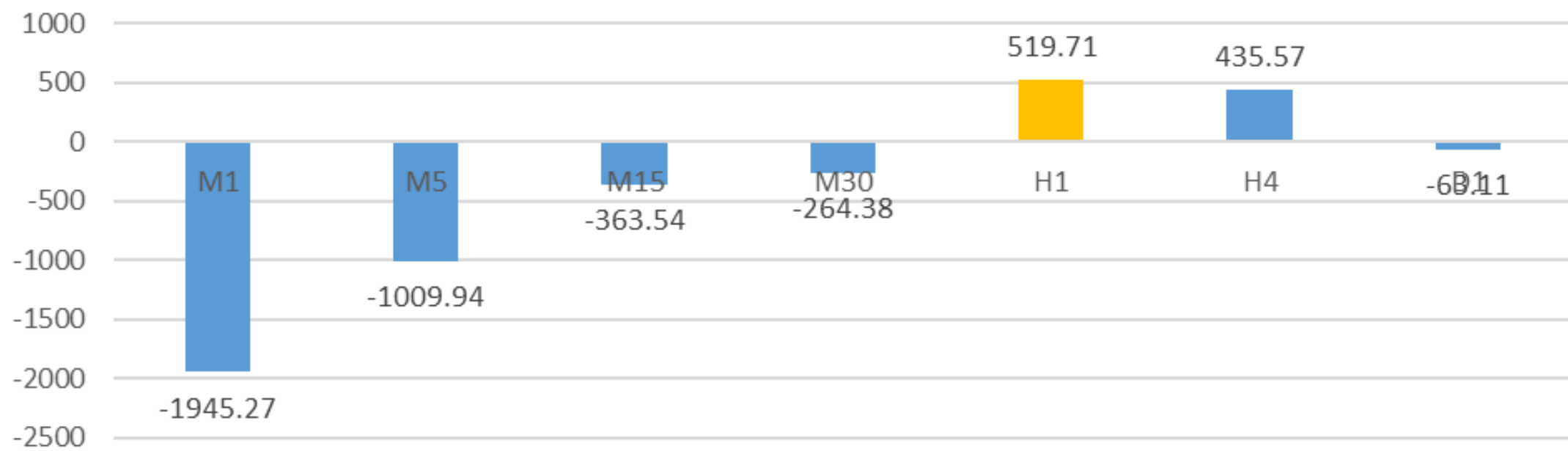
Essentially, in this test I opened a buy trade when the price closed above the EMA 50 and closed it when the price closed below the EMA 50. At that time I would then open a sell trade and remained in the position until a buy signal occurred.
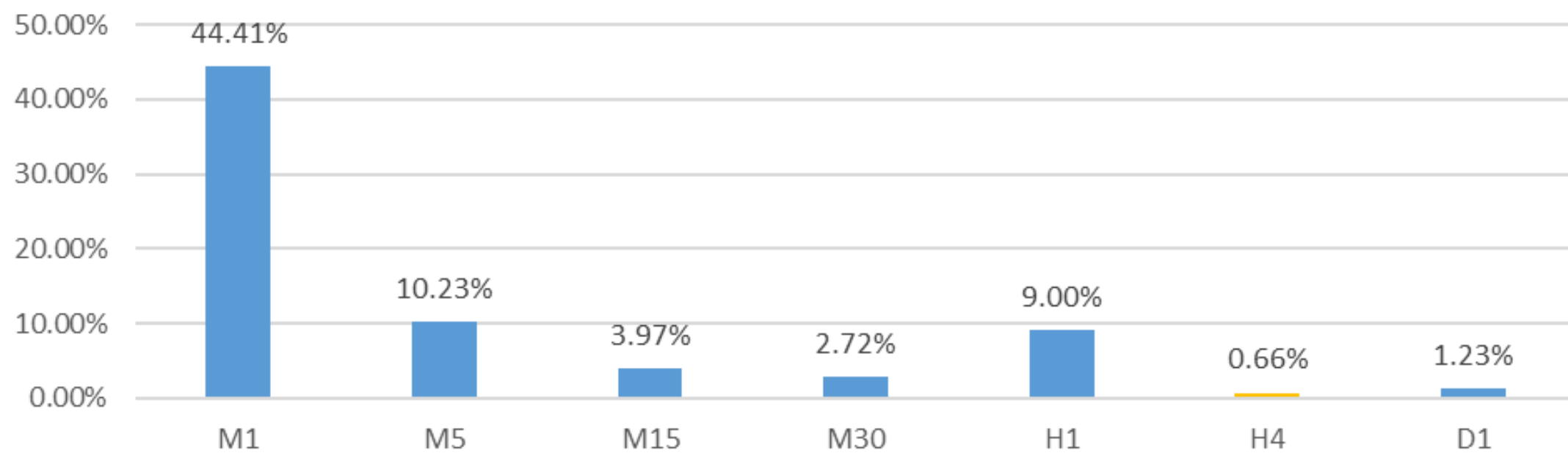
Let's take a look at the results:

Profitable trades
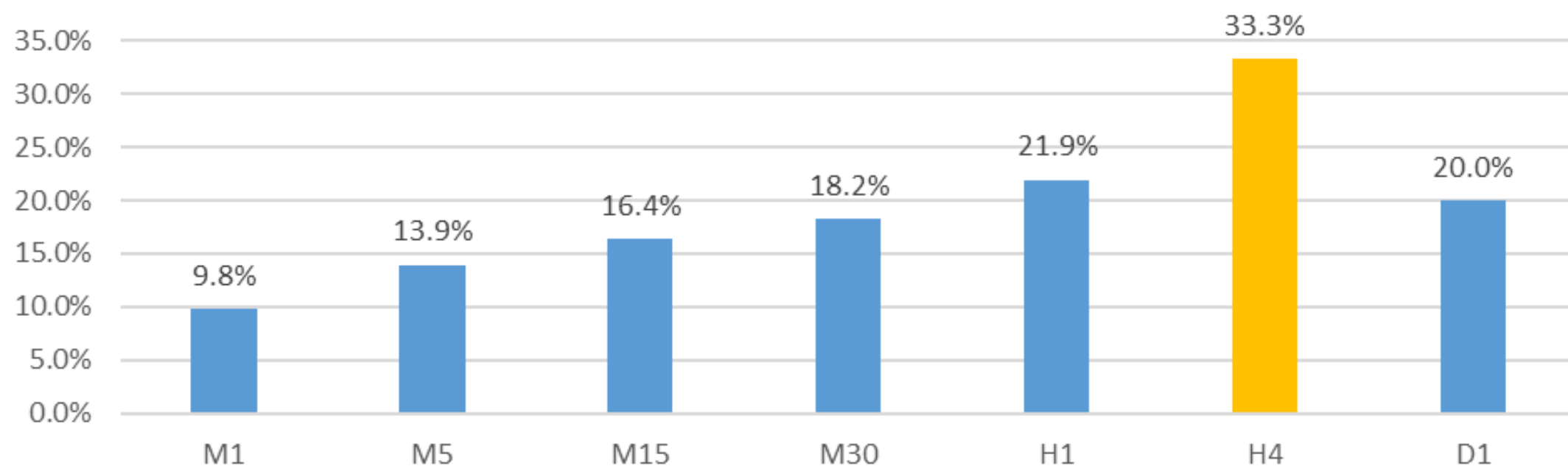
Profit

Maximal drawdawn

CONCLUSION

From the tests you just saw, it was clear that the most profitable time frame is the H1 (1 Hour), while the drawdown is quite small. Which means I could increase my lot size, therefore increasing my profits too without exceeding my acceptable 10% drawdown limit.

I also noticed that this method can be profitable even with the win ratio below 50%, which means my winning trades are much higher in profit than my losing trades.

This is very important to me, because I know I can filter out a lot of possible losing trades when I'll combine this method with other indicators.

IMPROVEMENTS

Once again, introducing the stop loss and take profit levels improved the results.

PIVOT POINTS
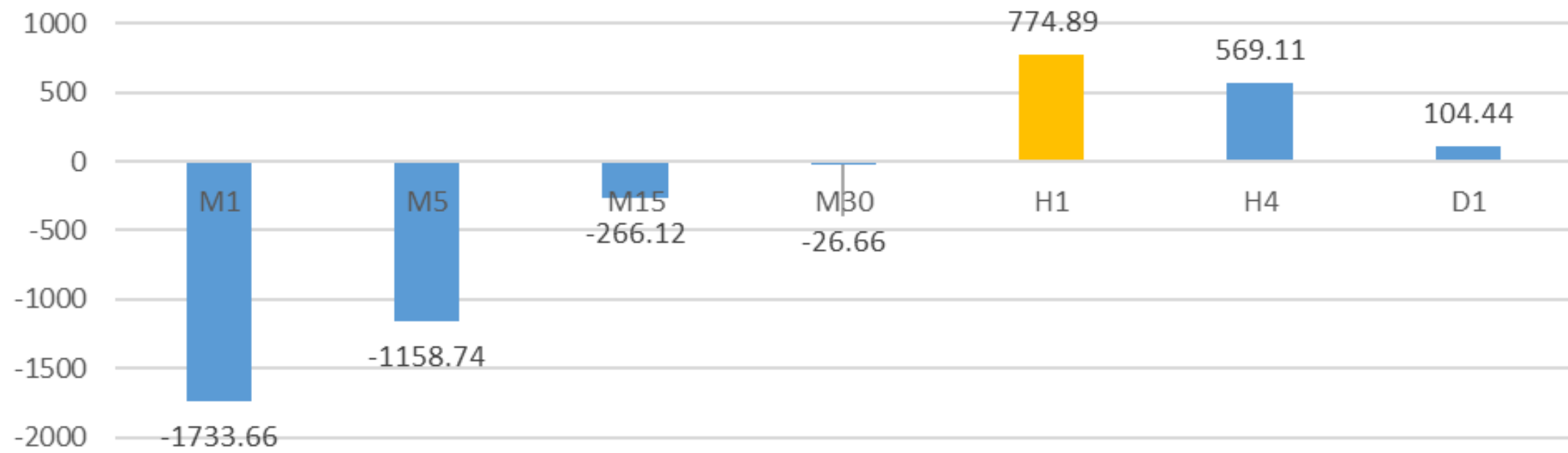
Pivot Points were originally developed by floor traders in the equity and commodity exchanges.

They are calculated based on the high, low, and closing prices of previous trading sessions, and are used by traders to predict support and resistance levels in the current or upcoming session.

Pivot Points have become a very well-known and widely used technical analysis tool. Just like with trendlines, to understand Pivot Points, you need to understand Support and Resistance.

When using this indicator as part of our trading system, we will be looking to identify areas where price crosses either the support or resistance lines to highlight areas where we may consider entering the market with a trade.

Provided that there is confirmation from the rest of our system indicators, of course.

We will also be using the support/resistance lines drawn by the Pivot Points indicator to identify areas where we may consider placing out Stop Loss and Take Profit levels.

Support and resistance are areas on the chart that are constantly tested by the price. That means the price will tend to stop and reverse at certain predetermined price levels.

It can be a huge advantage for any trader to know where those levels are, since it will be much easier to predict the price movements.

On the other hand, once the price breaks through the support or resistance level, it means it is gaining momentum and we want to take advantage of that. That is exactly why I included it in this system, since it's such a valuable asset.

There are a lot of free Pivot Point calculators and indicators available on the web, but for this system we will be using the Pivot Point indicator included on the download page.

Essentially, there will be no need for you to calculate the Pivot Points manually, simply install the Pivot Points indicator then apply it on your charts and the Pivot Levels will be inserted on your charts automatically.

All the same, let's take a look at how we can calculate them ourselves:

Pivot Point = (Previous High + Previous Low + Previous Close) / 3

The calculated Pivot Point is used to determine support and resistance levels:

Resistance Level 1 = (2 * Pivot Point) - Previous Low

Support Level 1 = (2 * Pivot Point) - Previous High

The calculated Pivot Point is used to determine support and resistance levels:

Resistance Level 2 = (Pivot Point - Support Level 1) + Resistance Level 1

Support Level 2 = Pivot Point - (Resistance Level 1 - Support Level 1)

The calculated Pivot Point is used to determine support and resistance levels:

Resistance Level 3 = (Pivot Point - Support Level 2) + Resistance Level 2

Support Level 3 = Pivot Point - (Resistance Level 2 - Support Level 2)

Of course, as mentioned earlier, you won't have to calculate the Pivot Points yourself, but it's essential that you understand the principles they work on. That is the base for any kind of scientific approach to developing a system.

At the end of the results of the tests, I hope you realize why the good, reliable, and successful systems are based on science and numbers, not pure luck.

I'm sure you noticed that creating a system isn't piece of cake, especially creating a profitable one.

THE SYSTEM
(PUTTING IT ALL TOGETHER)

After combining all the components and testing them, the result is this very profitable system.

The system can be traded on a wide variety of currency pairs, but in my own testing, I have found that it works best on the GBPUSD, EURUSD, USDJPY and the AUDUSD currency pairs.

The system itself can be applied to all trading time frames, but based on the results of our tests we want to focus the majority of our trading on the time frames that have performed the best. In particular, the H1 and H4 time frames.
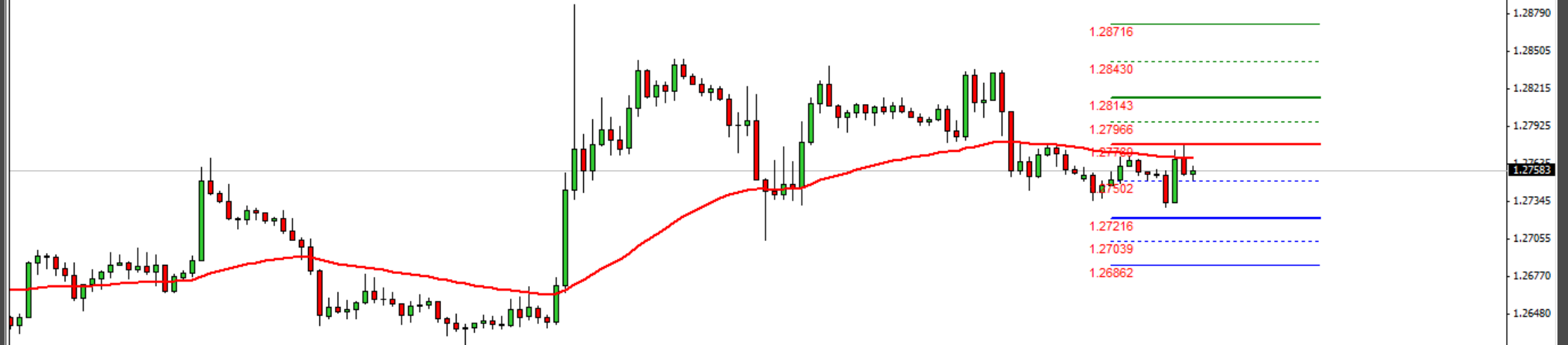
Here's a list of the indicators that we will be using:

- Pivot Points indicator with default settings
- Exponential Moving Average set to 50
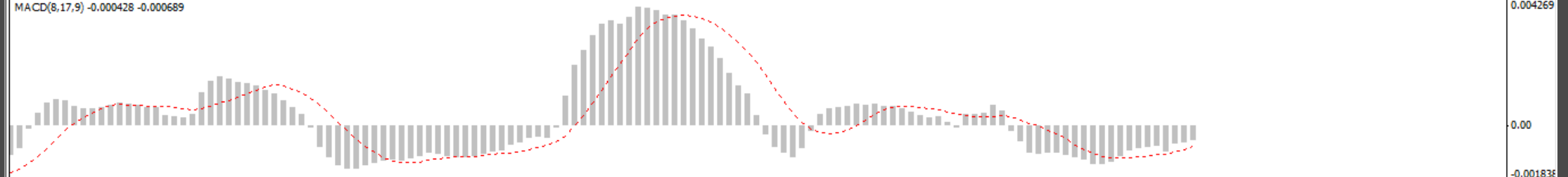- MACD set to 8,17,9
- RSI set to 14 period

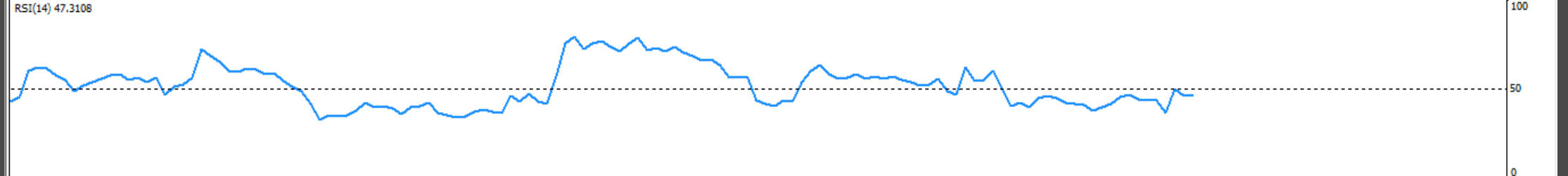This is what the chart with all the indicators looks like:

Let's take a closer look at the rules for entering the market with a Buy and Sell trade, and finally take a look at a few examples that will show you exactly how the system works.

RULES

The rules for this trading system are very straightforward and easy to understand. It relies on simply observing the indicators that we have on our charts and confirming that the conditions for a valid Buy or Sell signal are being met.

If all of the conditions for either a Buy or Sell trade are met, we may proceed to entering the trade by placing a market order on our trading platform.

It is important to wait for the current candle to close, then confirm the conditions for entry are being met before entering the market with a trade. Here's a list of the rules for buy and sell trades:

BUY TRADE RULES

1. The current price candle should be above the 50 EMA.

2. The MACD histogram should be above the zero level.

3. The RSI should be above the 50 line.

4. The entry is above a broken Pivot Point support or resistance line.

5. The Stop Loss is placed below the closest/next Pivot Point level.

6. The Take Profit is placed at the nearest Pivot Point level.

SELL TRADE RULES

1. The current price candle should be below the 50 EMA.

2. The MACD histogram should be below the zero level.

3. The RSI should be below the 50 line.

4. The entry is below a broken Pivot Point support or resistance line.

5. The Stop Loss is placed above the closest/next Pivot Point level.

6. The Take Profit is placed at the nearest Pivot Point level.

EXAMPLES

BUY TRADE EXAMPLE 1

EURUSD.H1 1.26582 1.26604 1.26429 1.26477

4. Buy Entry Point - Price closed above the pivot point level

5. Take Profit

3. Price is above EMA 50

6. Stop Loss

MACD(8,17,9) 0.001040 0.000480

1. MACD Histogram is over 0

RSI(14) 60.3856

2. RSI is over 50
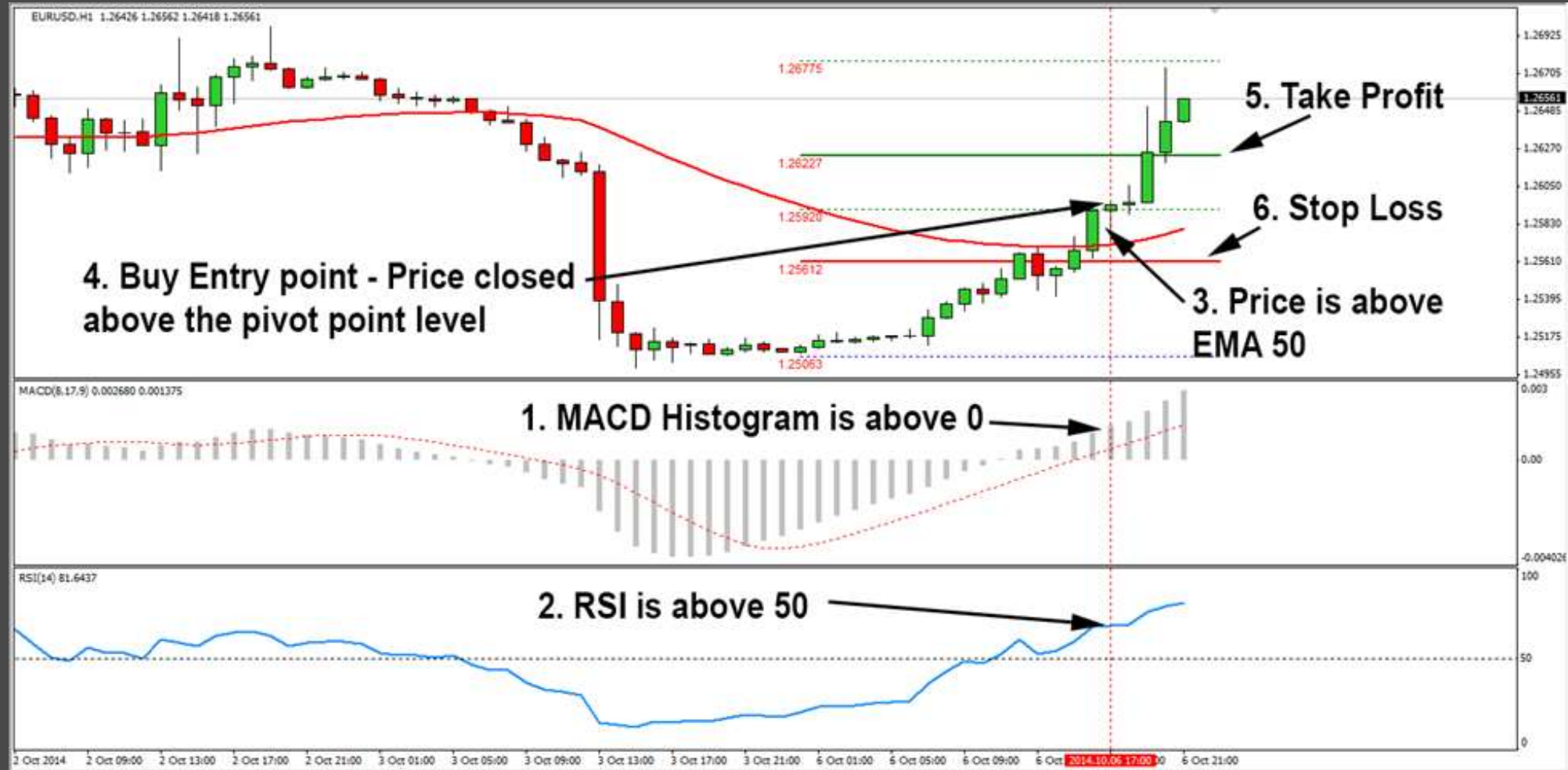
BUY TRADE EXAMPLE 2

SELL TRADE EXAMPLE 1

SELL TRADE EXAMPLE 2

And that is how you construct your own system!