

# AUTOMATED TRADING WITH INTERBANK FX TRADER 4

The trading industry has long focused on providing their customers with strategies. Take any major trading software and you will find a slew of "plug-ins" and "add-ons", with the names of Elliott Wave, Bollinger Bands, candlestick patterns and many others. These add-ons will display signals and sometimes recommendations on the end user's charts. One still had to pull the trigger; the program went only as far as telling you what to trade, what stop losses and profit targets to use, but it never actually executed the trade. In the last few years more attention has been given to automated trading but only a handful of trading platforms offer this technology today. One such is Interbank FX trader 4.

## What is automated trading?

Automated trading is the ability to let your computer place trades based on your strategy. In Interbank FX trader 4, automated trading is done through what we call an "Expert Advisor". An expert advisor (expert) is the program you attach to a chart to execute trades for you. The expert has to be programmed. However, an expert advisor will not modify a stop loss because it believes the market will turn around and try to give its trade one last chance. It won't modify the profit target of a trade because suddenly it thinks it can make more money. The execution is done within seconds; it simply sees a signal and places the trade.

There are other interesting facets to automated trading. It is not just about emotions. If you have been trading FX, with an expert attached to your chart you can set a trailing stop or a stop loss and a profit target. This brings up another advantage of automation; the 24 hour market: your strategy could

trigger many signals and make profit during times you could not trade at before.

## Scanning opportunities

Another interesting benefit is that you can program your expert to scan for opportunities on any and all available instruments and periodicities. No longer will you need to open 15 charts to make sure you don't miss out on a good trade, the expert can make sure you see any available opportunity and trade them for you.

Automated trading has also brought up new strategies that could not have been profitable in the past due to human limitations. In theory, if you had a strategy with 51% accuracy and you traded for small profits/losses (a few pips, and I'm not referring to scalping here) and traded very often (hundreds of trades a day) then you would in theory make money every day. Only a computer program could execute hun-

dreds of trades every day.

## How to write an Expert Advisor?

How does one write an automated strategy? A big mistake made by traders is to look for an expert that was created by some other party and try to see if it makes money or matches their own strategy. I personally think of an automated expert not as my replacement or a money making machine but more as my backup or substitute. If I can't trade for any reason then I will let my substitute go in for me.

Before using an automated system, experience of discretionary trading is required in order to understand the signals produce by automation. An experienced trader will also be familiar with several indicators; in effect they are already using a system but automation requires programming. What most programmers would tell anyone interested in automating their strategy is to write down why they placed a trade on paper.



Keep a journal of your trades for maybe a month. See what trades were good, which were not but most importantly, why a trade was entered. What did the user see on the chart that made him/her place a trade and set the stop losses and profit target as they did.?

The programming languages are powerful and very flexible. You can decide to only trade during specific hours or specific days. Some people have created experts based on moon cycles; nothing is impossible as long as you can specifically define it. Of late, "news trading" has been very popular and some programmers have created experts to read a text file containing dates and time of news announcements and used that to trigger trades. It can be very complex but it is my belief that most strategies can be programmed.

### How to test the expert advisor?

Many platforms will provide you with a "back tester" or a "simulator" of some sort. In my opinion these should be called "debuggers" but I will come back to this later. So you run your simulation and get a report. Regardless of whether or not you have made profit, I encourage you to only look at the trades. Did it place the entry and exit points according to your criteria? If not, spend some time adjusting the code to fix the errors, regardless of profit. This is another pitfall common to programmers - curve fitting. Do not get lured by some extraordinary results; stay the course and stick to your original design. The same goes with bad results; do not just give up on your expert advisor

because the results look poor. At this point in the design process you should only focus on getting entry and exit signals to match your original strategy, nothing else. Do not waste your time optimizing and curve fitting.

No matter how great a platform claims their back testing or simulations to be, nothing will be as good as the real thing. Run the strategy live on a dummy account. That is why I ask people not to waste time curve fitting their systems and why I call the "back tester" the debugger because its only use should be to check that the signals are accurate. The only people who care about simulation results are businesses who are trying to sell you an add-on and are trying to prove it works.

### How to use an expert advisor on the Interbank FX Trader 4 platform?

Expert Advisors are located in the Navigator window. It should be on the left side of the platform window. If you do not see it, click on "View" and then "Navigator". In this window you should see 5 groups (Accounts, Indicators, Expert Advisors, Custom Indicators and Scripts). Click on the plus sign to the left of expert advisor to expand the group and see the list of experts available to you. To apply an expert to a chart you simply need to drag and drop one of the experts from the navigator list to a chart.

A pop up window will then appear. You will be asked whether to place both Long and Short trades triggered. There will be options about alerts that are self explanatory but the most important input to look for is "Allow Live Trading" and "Ask Manual Confirmation". In order for your expert to execute trades live you have to check "Allow Live Trading". Ask manual confirmation should be

unchecked; however you could use this option for debugging and testing. Now on your chart, in the top right corner you should see the name the expert you attached and most likely a cross (You will see a cross, a happy or a sad smiley). The cross means that automated trading was not enabled. To enable it, click on Tools, Options, and Expert Advisors and check the very first box titled: Enable Expert Advisors. Now you should see a happy smiley next to the name of the expert. This means that now your expert is running and will place trades. If you see a sad smiley it means you did not check the "Allow Live Trading" option.

### What can I write with the MetaEditor? What are the limitations?

The programming language used in Interbank FX Trader 4, is similar to C. Any C based programmer will be able to pick up the language fairly quickly. It is very powerful and flexible. I have yet to run into something that I could not accomplish using functions already built in the language and best of all I know that if I ever ran into such limitations I can create my own set of tools in a Dynamic Link Library and import them.

I have created an expert template to help newcomers program their first expert advisor. It can be found on [www.interbankfx.com](http://www.interbankfx.com); click on Forum, go to our tools library and select the Code Snippet index, there pick "Patrick's Expert Template". There is also a training video on how to use the template in our Education Library forum. With the Interbank FX framework, users only need to come up with the logic for the entry and exit signals to reap the benefits of automated trading.

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**Patrick Nouvion is a software engineer at Interbank FX.**

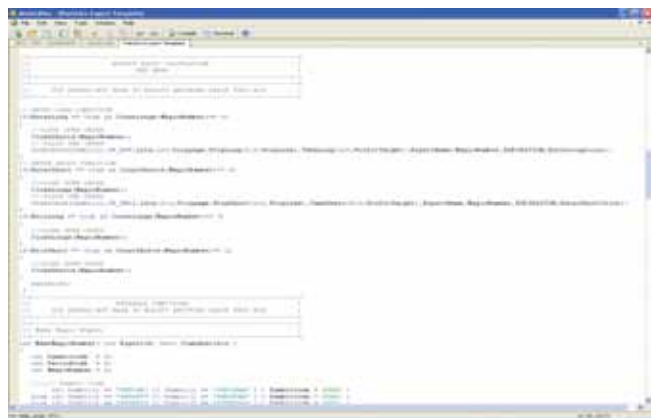


Figure 2.