SteadyWinner EA
(Version 6.0a)
User Manual

An EA used by the developer himself

on his live account

Honesty is our Policy

Chapter 1 - Introduction

SteadyWinner EA (V6.0a) – User Manual

This document will attempt to introduce you to the possibilities of automated forex trading, and it will also guide you through the setup of the SteadyWinner EA (V6.0a).

What is Forex ?

The foreign exchange (Forex or FX) market is by far the largest market in the world, in term of cash value traded. It includes trading among large banks, central banks, currency speculators, multinational corporations, governments, and other financial institutions. The trade happening in the Forex markets across the globe currently counts in trillions a day. Retail traders are a small part of this market.

Characteristics of the Forex market

Enormous trading volume

Low minimum investment

Very high liquidity

Geographically decentralized

Long trading hours - 24 hours a day (closed on weekends)

Large variety of factors affecting currency exchange rates.

How can I participate ?

There are hundreds of retail Forex brokers online. Some their own trading platforms, but many also use the MetaTrader 4 trading platform. Individuals can open a standard, mini or micro forex trading account with a broker and take part in the market. Free demo accounts are usually offered. Here below are some reputable borkers.

Alpari (UK) - http://www.alpari-idc.com

FXDD (USA)- http://www.fxdd.com/index.html

GoMarkets (Australia) - http://www.gomarketsaus.com/

(I use GoMarkets as my broker.)

What is a Trading Platform ?

A trading platform is the software that you have to install on your computer in order to be able to interact with the trading desk. It usually has a place for live market quotes, charts and your account information. You use the trading platform to open or close trades, adjust take profit and stop loss levels and so on.

What is MetaTrader 4 ?

MetaTrader 4 is a free trading platform developed by a company called Metaquotes software (www.metaquotes.net) and is one of the most popular trading platforms among retail forex brokers. MetaTrader gives a trader the ability to write a program which completely automates the trading operations of the MT4 platform using the MQL4 programming language.

What is an Expert Advisor ?

An Expert Advisor (EA) is a program written in the MQL4 programming language that has the ability to automate the opening and closing of live trades on the MetaTrader 4 forex trading platform. It can also manage stop loss, take profit and trailing stop levels according to preprogrammed parameters. Every EA trades differently. A well-tested, solid EA can be left unattended to trade a live trading account, hoping that the balance will grow as a result of the program's logic to enter the market.

Requirements for setting up an automated trading system

- A computer
- An Internet connection
- MetaTrader 4 (Free download)
- An Expert Advisor program (like SteadyWinner EA)
- A demo or live account with a forex broker
- You may need a VPS later on if you don't want to switch on your computer 24 hours a day, Monday to Friday.

Chapter 2 - The trading logic of SteadyWinner
Trading Method

SteadyWinner is based on three simple principles:

1. **Follow the trend**. There are many indicators helping traders find out the trend. The indicator being used in SteadyWinner is just some Exponential MAs in different time frames. The method is very simple, but surprisingly effective.

2. **Enter buy or sell when there is a good position**. A good position to buy is when the trend is going up and we buy when there is a pullback. And we do the opposite to make a sell entry. A good positon is sometimes more important than whether we are with the trend or not.

3. **Exit when there is a good position.** There is a fixed take profit and a stoploss for each order. However, the EA will try to find a better position to escape when the market situation is not favourable. This help to reduce losses and drawdown.

Here below we will explain the above points in detail. I know it is not the norm for EA developers to spell out their strategy. If you find this section too long or too technical, you can skip it and come back later.

We want to go into detail because from the discussion in some forex forums, we sense that many users do not understand the strategy we use. And this will affect their confidence in trading, especially while the EA is losing.

Here is a screenshot of the trades opened by the EA. The horizontal line is EMA750, which served as a division line between buy and sell trades. When price is above the EMA, we only buy. When price is below the EMA, we only sell. As you can see, we use the EMA as a trend filter. There are several EMAs on different timeframes to do the same job. It is difficult to show them all on one chart. But, when we say we use EMAs, we do not mean that we trade the EMA crosses.

I want to make this point clear, because when I said we follow the trend and we use MAs, many users instinctively think that we are trading MA crosses. This is what they learned about MAs. Some users asked for a refund because we miss all the big trends, and it is unlike any of the trend-following systems they knew.

To continue, I want to introduce to you a book by Richard L. Weissman called "*Mechanical Trading system: paring trader psychology with technical analysis*". I mention this book because it provides us with the necessary terminology. In his book, Weissman said there are basically two types of trading systems: trend-following systems and mean-reversion systems.

A typical trend-following system is to trade the MA crosses, which is a classic strategy. There are many free MA crosses EAs on the forums and I guess not many people are using them. Why? It is because a lot of patience is needed. Such EA cannot be put on a M15 chart or H1 chart. It has to be on a daily chat or weekly chart. An opened trade can lasts for months. Also there can be big drawdown.

Another type of system is mean reversion. That is to enter the market when it reaches extreme overbought or oversold conditions, and we expect the market to go back to the middle. A typical system of this is the RSI system. The drawdown is smaller, but there is a lot of stress as the execution of the trades has to be fast and accurate.

SteadyWinner is both a trend following system and mean reversion system. In trading principle 2 we mentioned above, we use WPR to detect short-term overbought or oversold conditions. But we found that this alone cannot be profitable. We need something called a trend filter. We use several EMAs on different timeframes to find out the direction and trade only in that direction.

Here is an enlarged screenshot on M1 chart. We can see [1] that the EA follows the trend and opens a sell trade, and [2] the EA opens the sell trade when WPR reaches the top (-0.01) and a reversion is expected.

So the strategy SteadyWinner using can be called, in academic terms, a trend-following mean-reversion system. Since the profit for each trade is small, we can also simply call it a trend-following one-sided scalper.

Why choosing this strategy? It is because of the development history and also our trading psychology. A few years ago, I wanted to build a scalper on M1 chart with a high trading frequency so that there can be small but quick profits. However, for a long time, I could not make the EA profitable, so I began to add filters. When enough trend filters are added, the EA became profitable, but not many trades are left. The end product became SteadyWinner.

The EA is called by this name because the win rate is high and the profits are small. When tuning the EA, I found that it is actually a matter of choice. We can have more trades by loosening the trend filter, but that means including more bad trades. We can have a higher profit, but that means a bigger drawdown, too. So, what is a good EA after all? My choice would not be the one with the biggest profit, but the one with the smallest drawdown. I mean the one I do not have to worry about. This finally becomes the core value of SteadyWinner.

So the EA is for traders who do not like big drawdown and are willing to take only small risk. Psychologically, we feel safe. But since it is also a mean reversion system, when the EA opens trades, it is trading against the market, though still going along with the long-term trend. It can be scaring. So, please do not look at it when the EA is trading. In many cases, the EA will suffer some losses first, and you will probably have an urge to terminate the trades manually. The strategy SteadyWinner used is not for human beings.

There is one more important thing we have to say about its strategy. If you look at the MQ4 source code file, you will see two BuyOpen and SellOpen conditions. One entry condition is for normal market situation, the other is used after a trade is lost. This measure is to avoid tackling the market with only one fixed strategy.

We have made the take profit and stop loss very tight. When we win, we try to grab the money and run. Why not the opposite as it is taught in many textbooks? It is because we want to have a higher win rate and a low drawdown. The smaller the profit we take, the lower the drawdown. As pointed out by some members in forex forums. This EA deliberately limits the profit. We do not maximize the profit. Our main objective is to minimize the drawdown so that we can have a smooth equity curve. If you do not see this point, you will find the EA behaving strangely. That is why I have to tell you all these beforehand.

Are we giving away too much of our profit? No, in forex, money is like an infinite spring. When we come to a spring, how much will we drink? Moreover, in SteadyWinner profit does not come from big killings, but from the small winnings and the compounding effect of the Money Management system. If we do not have big losses, eventually small profits will accumulate and become a big sum. Even a safe and conservative system can be very profitable.

There is too much to be said. If you have mastered MQL4 language, you will be able to see how all these are done through the code.

Chapter 3 - How to set up SteadyWinner V6.0a

1. Download and install MetaTrader 4 from your chosen broker (For example, free download at http://www.gomarketsaus.com/)

2. When you run MT4 for the first time, it will prompt you to open a demo trading account. Do so. It is free. Some demo accounts expire in three months. Demo accounts at some brokers never expire. Of course, if you have a live account, you can set up SteadyWinner EA on your live account.

3. Place the EA file (.mq4 or .ex4) in the "experts" folder while MetaTrader is not running. If you use GoMarkets as the broker., the 'experts' folder of your MT4 installation is: C:\Program Files\Go Trader MT 4\experts\

4. Restart MT 4. You will see the new EA in the navigator window on the left under "Expert Advisors" as below
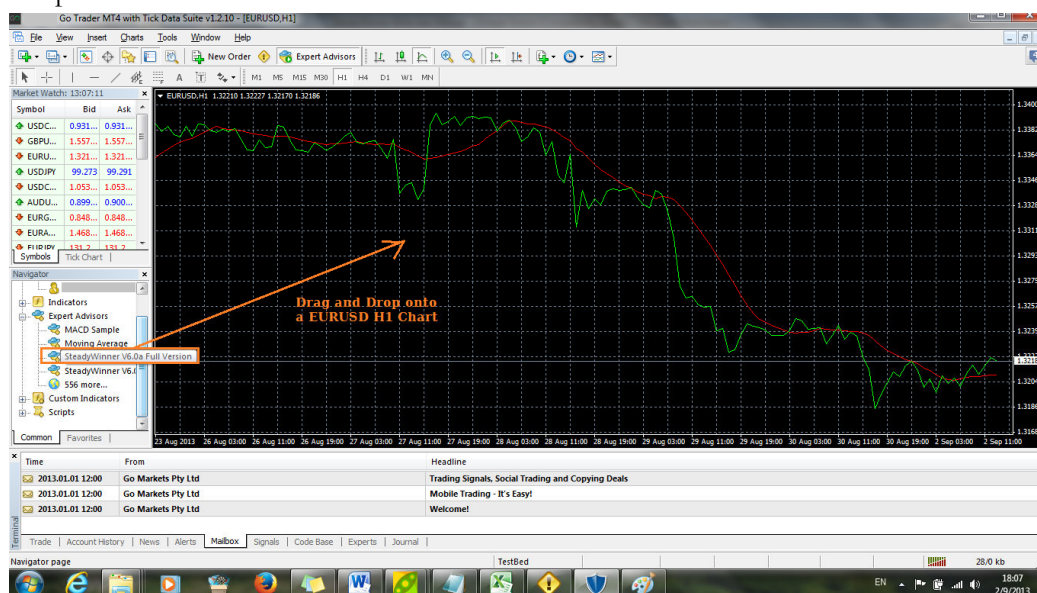
5. Open a EURUSD H1 chart. Drag-and-drop the icon of the EA to the chart you want to run it on. This will result in a pop-up box. Make sure you click on "Allow live trading" under the 'common' tab of that box so that the EA will work. Click OK. If you did everything right, you will see a tiny smiling face at the top right hand corner of the chart with the name of SteadyWinner V6.0a. Your automated trading system is now up and running.
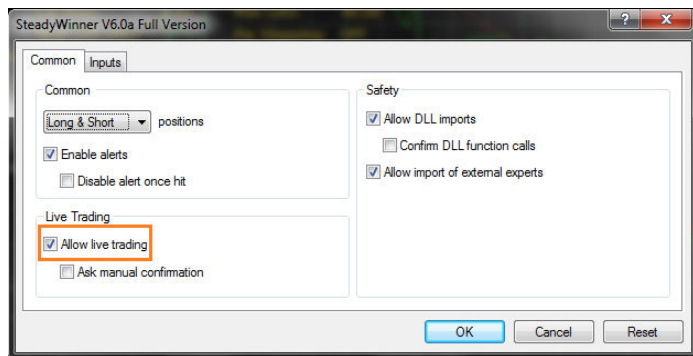
NOTE: Everything is hard-coded in the EA. Even if you put it on another timeframe, the result is just the same.

If the little face is not smiling (if it is a frown), it means you did not check the "allow live trading" check box when you attached the EA. To fix this, simply right click anywhere on the chart, and select "expert advisors" from the drop down menu and then "properties" to get to the current EA's properties. Once there, on the common tab, click to "allow live trading" and click "OK".

If there is still no smiling face, try to check if you have clicked the "Expert Advisor" button on top and make it green. That is it !
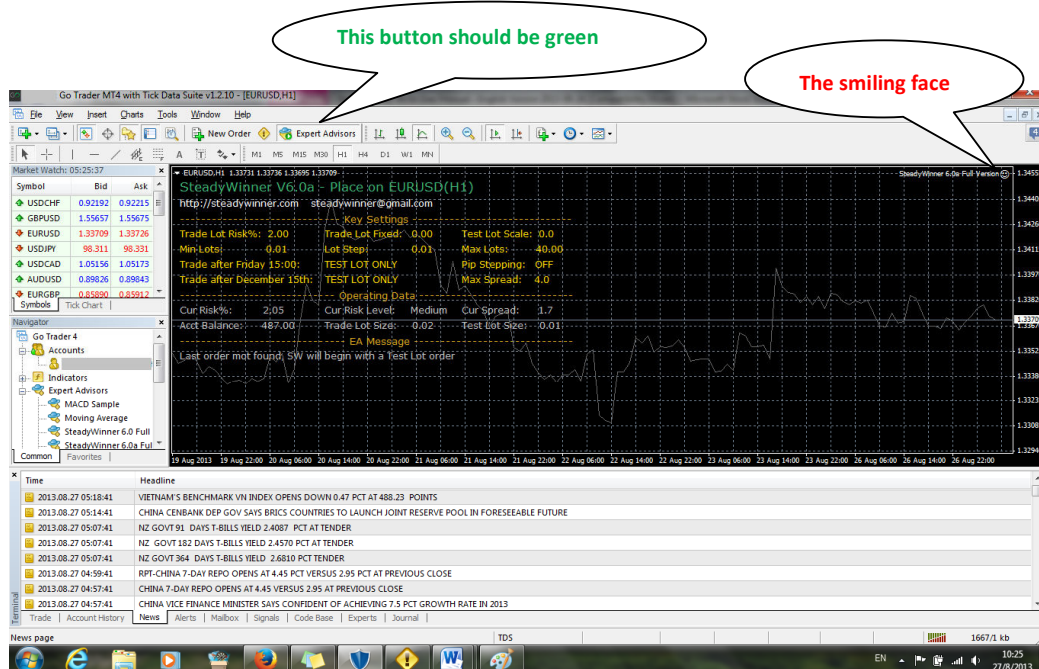
Note:

For the EA to work, you must switch on your computer 24 hours a day, Monday to Friday. If you find this too troublesome, you can put it on a VPS (Virtual Private Server).

Chapter 4 - SteadyWinner V6.0a Parameter Settings

We have re-organized parameter settings of SteadyWinner V6.0a. All customers please read this section very carefully before changing any parameter value.

Note: Small Account Version has Personalization Settings only. Other Settings are exclusive for Full Version.
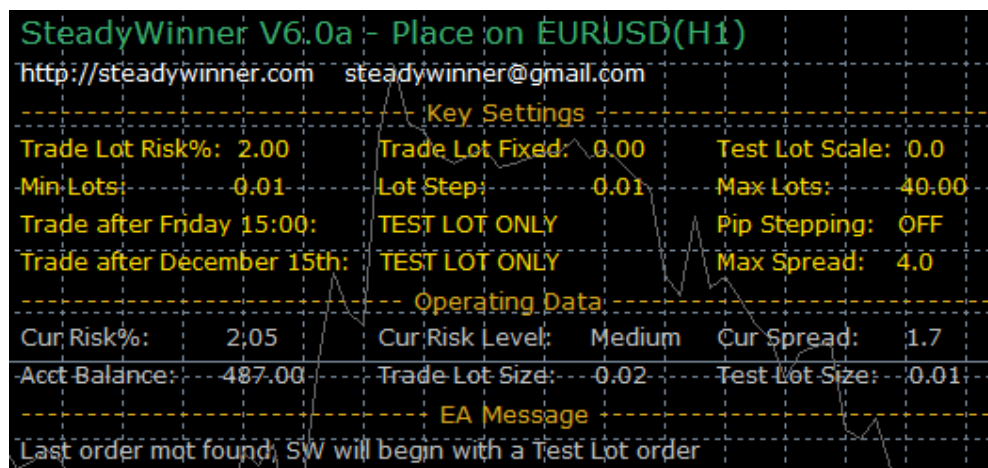
Follow these steps to open the inputs tab: **right click** anywhere in the chart – when you see the menu, choose **Expert Advisor** – then **properties** – then click **Inputs** tab**.**
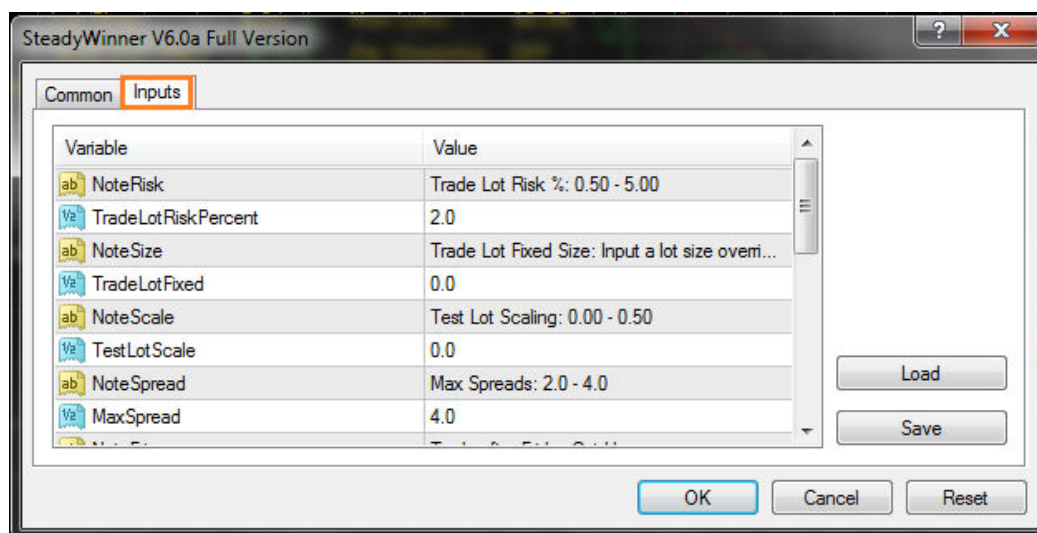
MONEY MANAGEMENT SETTINGS (Full Version Only)

TradeLotRiskPercent - Default is 2 (2%), Valid range is 0.50 – 5.00

TradeLotRiskPercent defines how many % of your Account Balance you want to risk per trade. Based on this value and stoploss, SteadyWinner will calculate the correct Trade Lot size.

TradeLotFixed - Default is 0

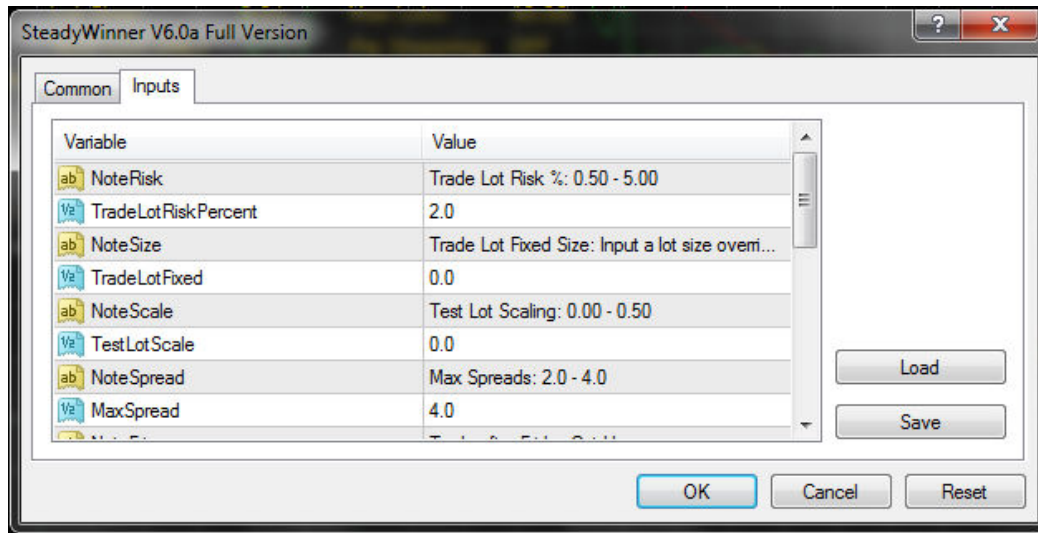TradeLotFixed defines a fixed lot size for SteadyWinner Trade Lots. Inputting a value here will disable the TradeLotRiskPercent parameter. Please leave it 0 if you want SteadyWinner Money Management calculate the trade lot size for you.

TestLotScale - Default is 0.00. Valid range is 0.00 – 1.00

TestLotScale controls how SteadyWinner shrinks the Test Lot Size. You can input 0 to use your account's minimum lot size. If you input a non-zero value, Test Lot size will be calculated as **TestLots = TestLotScale x TradeLots**

Note:
We highly recommend you read money management section carefully to gain full understanding of the parameter usage and their theories behind.

TRADE PROTECTION SETTINGS (Full Version Only)
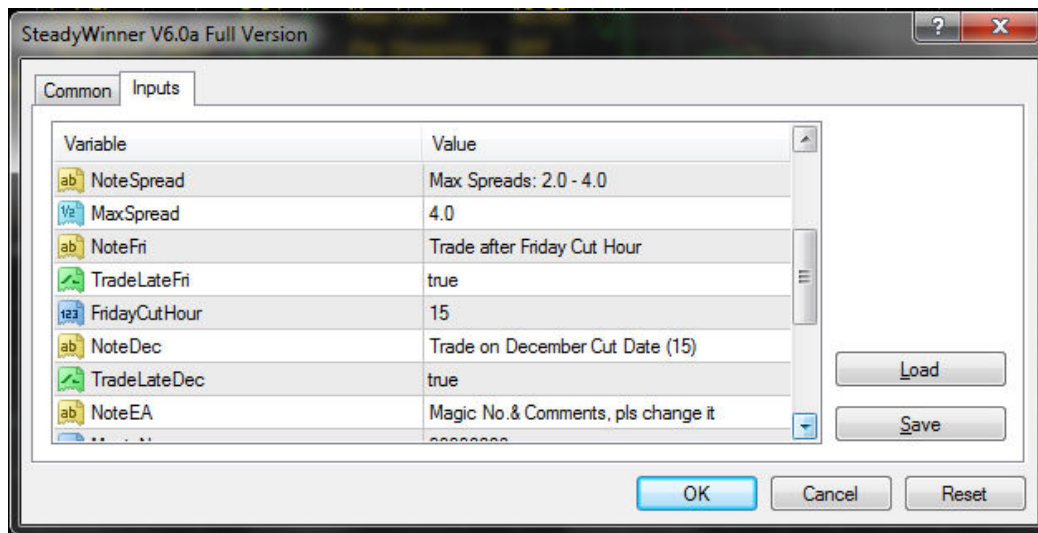
MaxSpread - Default is 4.0, Valid Range is 2.0 – 4.0

If you input a non-zero value here, SteadyWinner will compare the current spread with your input value and will stop trading if the current spread of EURUSD is higher than your input value. This prevents SteadyWinner from trading if the Spread is too high. NOTE: If your broker's EURUSD spread often runs above 4, you should consider switching broker as it is hard for SteadyWinner to make profit under such trade term.

TradeLateFri - Default is True

You can set it False if you do not want SteadyWinner to trade on Friday after **FridayCutHour**.

If **TradeLateFri** is false, SteadyWinner stops trading on Fridays after **FridayCutHour**.

If **TradeLateFri** is true, SteadyWinner only opens trades at Test Lot size after that time.

FridayCutHour - Default is 15, Set according to GMT 13:00

This is the **FridayCutHour** mentioned above. 15 here means 15:00 as we are using GoMarkets with GMT offset +2. Please set according to your broker's GMT offset. This parameter is not that important. If you do not know your broker's GMT offset, you can simple use the default value.
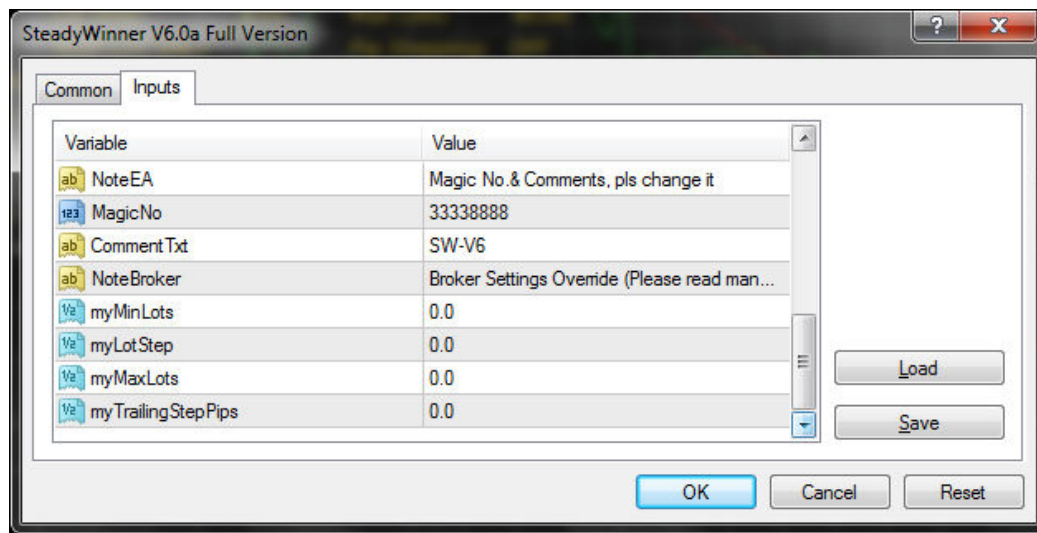
TradeLateDec - Default is True

You can set it False if you do not want SteadyWinner to trade in year end after 15th of December.

If **TradeLateDec** is false, SteadyWinner stops trading after 15th of December.

If **TradeLateDec** is true, SteadyWinner only open trades at Test Lot size after that date.

PERSONALIZATION SETTINGS

MagicNo - Default is 338833. **(We highly recommend you change it)**

MagicNo is used by an EA to track and manage its own orders. By using different Magic Numbers for EAs you use, all EAs can "live peacefully" together and will not mess with orders from other EAs. We recommend you change it, so each SteadyWinner customer uses different magic number and make those market makers difficult to corner SteadyWinner(s).

Comment - Default is SW-V6. **(We highly recommend you change it)**

Comment is written by EAs mostly for human users to recognize the EA's order. It is not as safe as MagicNumber as MT4 will modify the comments. For example, MT4 will add [sl] to the end of comment if the order was closed by a StopLoss hit or add [tp] if the order was closed by a Take Profit hit. For similar reason like MagicNo, we recommend changing the default to something only meaningful to you.

BROKER ACCOUNT SETTINGS OVERRIDE (Full Version Only)

For most users, SteadyWinner V6.0a can detect and use your broker's server setting. You only need to change them if you have special needs. Please read below
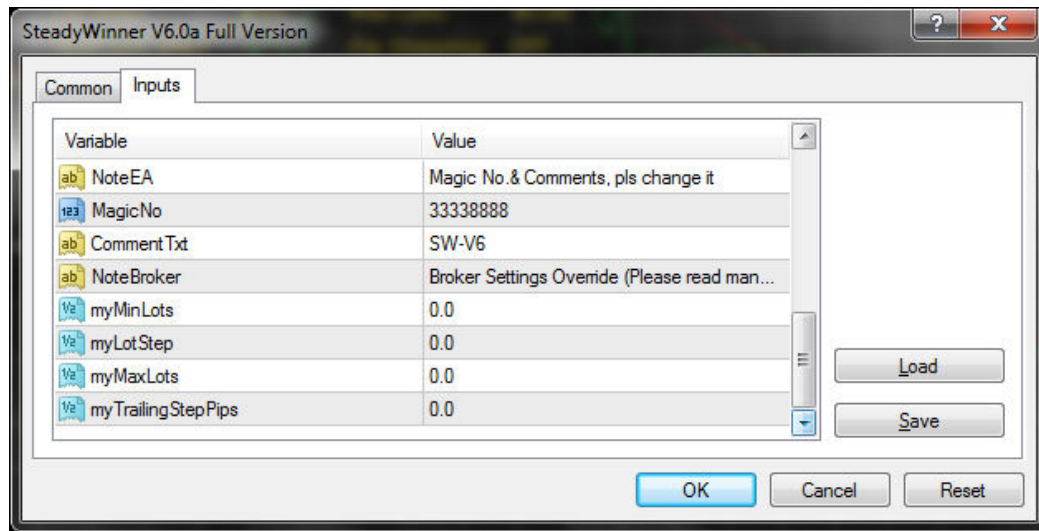
MyMinLots   Leave it 0 unless you really need to change them

Some brokers like early cases of FX Open ECN account only allow minimum order size of 0.1 Lot, but their MT4 sever had a setting of MinLot = 0.01 and showed error message if one really tried to open order with 0.01 Lot Size. Please input the correct MinLot if this is your case (you can ask your broker for correct figure of MinLot).

MyLotStep   Leave it 0 unless you really need to change them

This setting override the broker's LotStep. If your broker set MinLot = 0.01 and LotStep = 0.01, then you can trade 0.01, 0.02, 0.03, …… Up to the MaxLot.

MyMaxLot   Leave it 0 or change them according to your needs

This setting override the broker's MaxLot. You may need to use this setting if you have needs like below.
Scenario 1: If your broker allow you to trade (say) up to 3 to 5 Lot maximum but you found re-quote or unfavorable execution above 1 lot, you can set MyMaxLot = 1.00 Lot
Scenario 2: If you are running many EAs and you want to allocate SteadyWinner to open say 0.5 Lot maximum, then you can set MyMaxLot = 0.50 Lot

MyTrailingStepPips   Default is 0. For brokers with 5-digit pricing only.

Some brokers have limited server capacity and don't like EAs modifying StopLoss frequently (Trailing Stop). If this is your case, you can set SteadyWinner to trail StopLoss every 0.3, 0.5 or 1.0 pip(s). Please don't change this for brokers with 4-digit pricing.

SteadyWinner broker requirement

Technically, the money management of Steadywinner V6.0a is very advanced. It can run on all brokers, be it 4 or 5 digit brokers, nano, micro, mini, or standard accounts, normal broker or ECN broker. It can calculate lotsize correctly for accounts based on US dollars, Euro, Pounds, Australian dollars, Yens, and so on. No extra setting is needed.

However, SteadyWinner's trades are mostly short term so the ability to maintain spread of 2 pips or lower would be very helpful. Most popular and regulated brokers can easily meet that spread requirement. Those brokers are usually strong in liquidity, server and network infrastructure. Customers can enjoy better order execution and account service. And they must somehow provide customer capital protection per regulation requirements.

SteadyWinner capital requirement

The minimum required capital is calculated from your account's Pip value, Minimum Lot size, EA's Stoploss (in pips) and your Risk% setting. The following chart gives capital requirements of common account types and settings.

For Small Account Version, please use figures from the 2% column

Account Type	Standard Accounts				
Pip Value	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
MinLots	1	1	1	1	1
StopLoss	50	50	50	50	50
TradeLotRisk%	1	2	3	4	5
Minimum Capital	$ 100,000.00	$ 50,000.00	$ 33,333.33	$ 25,000.00	$ 20,000.00
Account Type	Mini Accounts				
Pip Value	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
MinLots	0.1	0.1	0.1	0.1	0.1
StopLoss	50	50	50	50	50
TradeLotRisk%	1	2	3	4	5
Minimum Capital	$ 10,000.00	$ 5,000.00	$ 3,333.33	$ 2,500.00	$ 2,000.00
Account Type	Micro Accounts				
Pip Value	$ 10.00	$ 10.00	$ 10.00	$ 10.00	$ 10.00
MinLots	0.01	0.01	0.01	0.01	0.01
StopLoss	50	50	50	50	50
TradeLotRisk%	1	2	3	4	5
Minimum Capital	$ 1,000.00	$ 500.00	$ 333.33	$ 250.00	$ 200.00
Account Type	Nano (and some broker's Micro / Practice Accounts)				
Pip Value	$ 1.00	$ 1.00	$ 1.00	$ 1.00	$ 1.00
MinLots	0.01	0.01	0.01	0.01	0.01
StopLoss	50	50	50	50	50
TradeLotRisk%	1	2	3	4	5
Minimum Capital	$ 100.00	$ 50.00	$ 33.33	$ 25.00	$ 20.00

Note: The figures above are just minimum requirements. We recommend users have some buffer capital to cope with bad conditions. A 20% - 50% buffer is recommended depending on your risk% setting.

Even when you have non-standard account lot size or non USD accounts, SteadyWinner can still calculate your Minimum Capital requirement and will display warning message if your account balance falls below safety levels.

If you use TradeLotRisk% (Full Version Only) setting and you see on screen the CurRisk% value is higher than the TradeLotRisk% value, it means your account balance is now below minimum capital requirement. SteadyWinner is already trading with lowest TradeLot size and it can no longer shrink the lot size to bring the risk level within your set limit (TradeLotRisk%).

Whether you use TradeLotRisk% or TradeLotFixed, if your account balance falls too low that causes CurRisk% exceed critical levels of 5% or 10%, you will see the following messages on screen.

The message **"SW ALERT: CurRisk > 5%, pls bring Acct Balance above $XXXX"** in pink color, means your account balance has fallen to a very low level that your current risk level is becoming high. SteadyWinner can still continue to trade but please deposit money to bring your account balance above $XXXX, the minimum capital requirement.

The message **"SW STOPPED: CurRisk > 10%, pls bring Acct Balance above $YYYY"** in hot pink color, means your account balance has fallen to a dangerously low level. SteadyWinner will stop trading to protect the remaining capital and prevent margin calls from your broker. Please deposit money to bring your account balance above $YYYY, the minimum capital requirement.
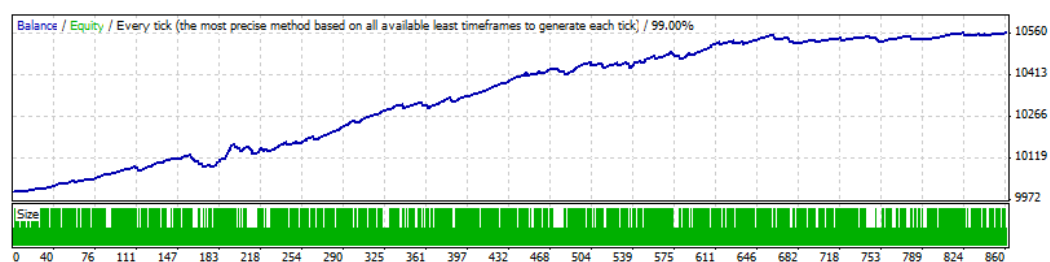
Chapter 5 - Money Management

SteadyWinner V6.0a Small Account Version – trading 0.01 and 0.02 lots fixed

Small Account Version is in itself long term profitable. It is fully workable on a demo account or a live account and will never expire. The only limitation is that the order lot sizes are fixed, 0.01 and 0.02 lots for micro accounts, 0.1 and 0.2 lots for mini accounts and 1 and 2 lots for standard accounts.

==If your account balance is under US$750, you don't need to upgrade yet as the full version trades exactly the same way on a small account==

V6.0a Small Account Version   99% backtest   01 Apr 2007 - 31 Aug 2013   (0.01, 0.02)

SteadyWinner V6.0a Full Version – is a 2% trader (by default)

The default value of V6.0a (full version) is to risk only 2% of your account balance per trade. The money management part can modify the order lot sizes when the account is growing bigger, which creates a compound effect. It is the compound effect that generates significant profit in the long run. Compare the two pictures and you can see the point. It is the same EA, but with compound effect, there is a big diffrence in the profit. For the same starting point $10000, the total net profit of the above picture is 560.78, while the total net profit of the picture below is 20529.98.

V6.0a Full Version   99% backtest   01 Apr 2007 - 31 Aug 2013   (2% Risk)
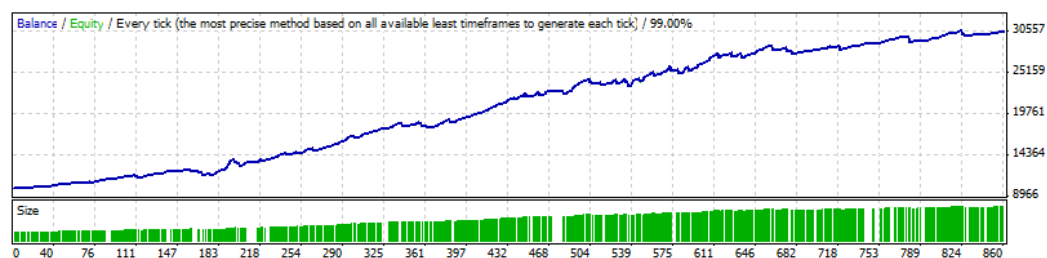
If you like this EA, you should upgrade to the Full Version.

Why are there so many short green bars (smaller lot sized orders) in the charts?

SteadyWinner is designed to use 2 lot sizes. The normal lot size is called **TradeLots** and it is, by default, calculated so that a trade only risks 2% of your account balance maximum. The smaller lot size is called **TestLots** and SteadyWinner uses it after a losing trade to protect the account from consecutive big losses.

TradeLots - Why 2 percent?

The 2% principle is famous in gambling and risk theory. Suppose I am a gambler and I have 10000 dollars. How much should I bet? The answer is 200 dollars. That means if I lose, I will only lose 2 % of my account balance. If we bet $300 (3%), we are taking too much risk and will lose faster than a gambler who is risking 2%. If we bet $100, we are a bit conservative and will not win as much as a gambler risking 2%.

In forex, the calculation of risk is first determined by the leverage, and then by the stoploss. Suppose we use a broker with a leverage of 1:100, and our Stoploss is 50 pips. If we have a $10000 account, we should open a trade with 0.4 lots. If we win a little bit, we try 0.41 or 0.42 lots . If we lose a little, we try 0.39 or 0.38 lots. The lot size is always 2% of our account balance. In this way, we can always keep a balance between risk and growth. Without money management, the EA will run wild and damage the account.

Please read the following webpage and you will understand more.
http://www.babypips.com/school/dont_lose_your_shirt.html

Why a conservative MM is more profitable than an aggressive MM?

There are many EAs with Martingale Money Management on the market. People get used to them and believe this is normal. Actually, the Martingale system was first used in gambling. When a gambler loses, he increases his bet, usually by doubling it, hoping to recover his losses. The classical progression is 1, 2, 4, 8, 16, 32 …. There are milder variations like 1, 2, 3, 5, 8, 13 …. The thinking behind is the same, they want to solve their problem by increasing the lot size.

This kind of EAs is very dangerous. They will blow up your account. The Martingale system is used by gamblers because they have no choice. The result of gambling is unpredictable, and they have in theory a 50% winning rate. They can only use Money Mangement to increase their chance. Forex is different. Many traders and EAs have a winning rate more than 50%. They can win in the long run even with a flat bet. There is no reason to take such a big risk.

As an experiment, I coded a Martingale version of SteadyWinner. Though with a 85% win rate, still it got busted in some extreme market conditions. Even I modified it and made the result more consistent, the result is far from satisfactory. It is because we have to start with very small lotsize and therefore results in small profits.

The secret to big profit is to buy with bigger lotsize, but we cannot jump to big lotsize; otherwise, we will overtrade. We have to build ourselves up and the best method is compounding. To have the best effect on compouding, we have to avoid big drawdown, because it takes more effort to climb than to fall. To avoid big losses, I found two ways: [1] stop trading after one loss. [2] give away some profits.

The above principles are behind the Money Management in SteadyWinner. We always trade 2% to avoid overtrading. We stop trading (use TestLots) to avoid big losses, and we give away profit (take profit = 50) to avoid big drawdowns. If we do not aim at big profits, we will not have big losses.

This method looks conservative, but in the long run, it is much more profitable than any aggressive money mangement system I have seen.

TestLots - What are testing trades?

The idea of the testing lots comes from the gamblers. Gamblers are people trying to make a profit in an impossible situation. They know they will eventually lose if they bet long enough. So, experience tells them only to place their bet when luck is on their side. But the casino has a rule: anyone who occupies a seat must bet. So, the gamblers developed a strategy that when they are winning, they will place a normal bet. When they are losing, they will place a minimum bet just to keep them in their seats.

For Forex, we developed the idea of the testing trade. By default, SteadyWinner uses TestLots that is the smallest possible order lotsize for the account and the TestLotScale is set to 0 to indicate this. Remember what the textbooks said when we learned how to trade? When something goes wrong, get out of the market immediately. By doing so, we can avoid end up in a catastrophe. Retreating to TestLots actually means stop trading.

Why TestLots? It is because we need to test when the market will become favorable again. We test with minimum lotsize until we win one trade back. This strategy is to think about losses first.

By using this Money Management method, our account will remain intact even if we lose 10 or 20 times.

In V6.0a, users can choose their Test Lot scaling from 0.00 to 0.50, but we should do so with great caution. If we change it to 0.5, which means half of the TradeLots, there will be a chance to suffer big losses.

It is because SteadyWinner is a trend following EA. When the market is ranging, we will have more losses than winnings. If you look at the backtest reports, you will see that the losses are crammed together. We must understand the risk before increasing the TestLots.

For those who are not convinced, I want to tell you a story. I was once criticized in a Chinese forum. The critic said I must be cheating, because he found in the trading reports most of the winning trades were big, while the losing trades minimum. He said I must have used some "future code". Of course, I wish I could see the future, but the trading was so just because I used the default setting.

Love your losing trades

Most traders are afraid of losing, but if you use the default setting, you will love your losing trades, especially when they come in a row. There is a Chinese idiom saying: "One will win only when one loves to lose". The winning rate of SteadyWinner is about 85%. That means we will lose 15% of our trades. Losing is part of trading. But if we know how to lose, the result can be very different.

Why are there so many TestLots (0.01) trades?

Some users asked why there are so many TestLots (0.01) trades. Actually, there are 4 conditions under which SteadyWinner will open orders in TestLots.
[1] When SteadyWinner is first used in an account.
[2] When previous order closed with a loss.
[3] When it is on Friday afternoon. (if TradeLateFri is set to True)
[4] When it is the second half of December. (if TradeLateDec is set to True)

Is it possible to manually control my risk?

Yes, some users have valid reasons to control risk manually. In version 6.0a, there are 3 parameters you can set.
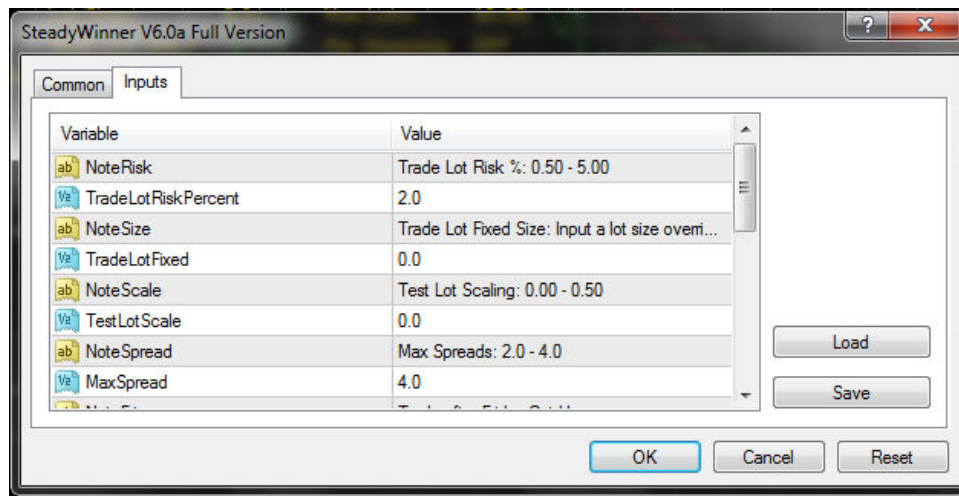
Parameters for TradeLots control

TradeLotRiskPercent can be set between 0.5% and 5% with 2 decimal place precision. Any input value below 0.5% will be adjusted to 0.5% those above 5% will be adjusted to 5%.

TradeLotFixed defines a fixed lot size for SteadyWinner orders. Inputting a valid lot size here will disable the TradeLotRiskPercent calculation.

Note: We highly recommend you leave it 0. If you have real needs to set your fixed TradeLots, SteadyWinner still want to help you by using your inputted lot size and current account balance to calculate your current risk%. Please pay attention to CurRisk% display on screen and keep your risk level within 0.5% - 5% range.

Parameter for TestLots control

TestLotScale controls how SteadyWinner shrinks the Test Lot Size. You can input 0 to use your account's minimum lot size or input any number above 0.00 and up to 1.00 as a multiplier to Trade Lot size when calculating Test Lot size. Common values:
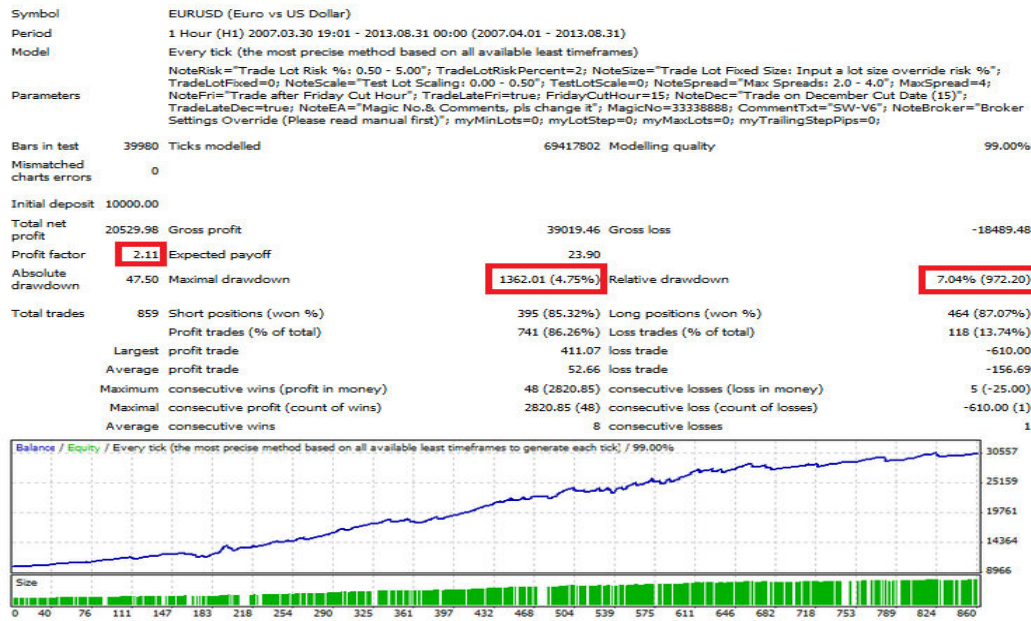
| Values	Meaning
0	*TestLot = Accounts Minimum lot* **(SW Classic, Highly Recommended)**
0.2	*TestLot = 1/5 TradeLot*
0.25	*TestLot = 1/4 TradeLot*
0.33	*TestLot = 1/3 TradeLot*
0.5	*TestLot = 1/2 TradeLot*

Performance comparison – 2% Risk vs. 5% Risk

2% risk, 0 test lot scaling is the default setting, it is very safe with profit factor above 2 and both maximal and relative drawdown well under 10%.

With 5% risk (highest) setting, the profit is nearly 6 times higher due to compound effect but profit factor fell under 2 and both maximal and relative drawdown rose above 10%.
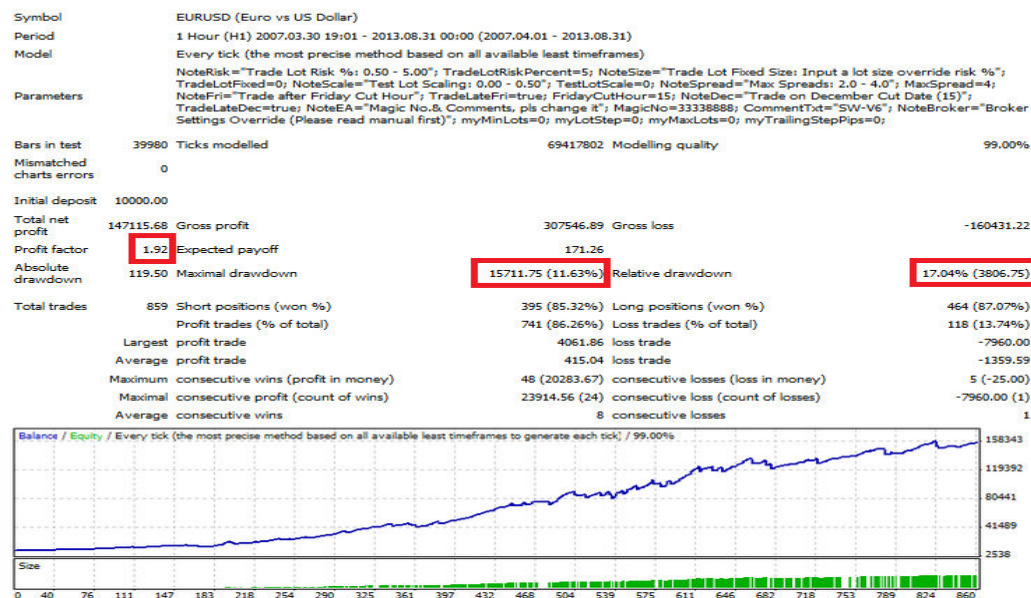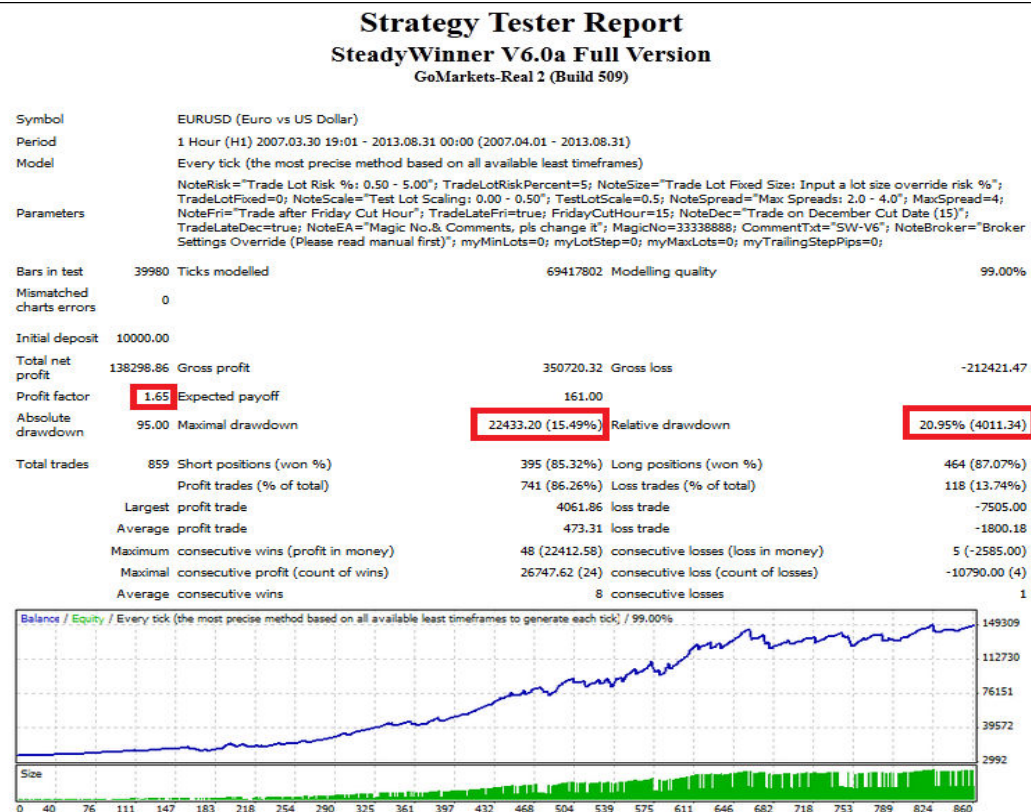
Performance comparison using TestLotScale=0.5

The following test still has Risk = 2% but TestLotScale = 0.5. Surprisingly, the profit is lower, the PF is also lower (EA not as stable) and both drawdowns are worsened.

Similar test with 5% risk is even worse, PF is down to 1.64 and the relative drawdown is above 20%. The profit is not bad but the EA is now much more risky.

When studying backtest reports, besides the profit figure, we need to look at 3 key performance indicators that show us how stable the EA is. Put it simply without complicated maths:

Profit Factor is Gross Profit : Gross Loss ratio, PF > 1.5 is good, PF > 2 is better.
Maximal Drawdown is the maximum loss dollar (%) value the EA had suffered.
Relative Drawdown is the loss % (dollar) in relation to the highest peak.

Why do we still recommend the classic setting?

As you can see from the reports above, 2% risk is the best setting and makes the EA very safe. It is sufficient for most users. The higher risk levels should be used with caution.

And for Test Lot, again we recommend leave the scaling 0, which means using Minimum lot size allowed in the account. It is designed to protect the account from consecutive losses and is the classic setting used by previous versions of SteadyWinner EA.

Why do we emphasize low risk, is risk/reward supposed to be proportional?

Not really and there are some complications. Let me tell the story:

Imagine you had $100 and you just lost 2% that is $2, now your base capital is $98, you need a gain of 2.04% to bring your capital back to $100. If you lost 20% ($20), your base capital is only $80 and you need a 25% gain to recover the $20. If you lost 50% ($50), you only have $50 base capital and you need a 100% gain just to win back the $50. Which one is easier, gaining 2% or 50%?

Don't forget, if your capital shrinks, based on the same risk setting, your lot size also shrinks. 2% of $100 is $2 and 2% of $50 capital is only $1. Your lot size will be halved and your recovery speed would be halved. But if you lost only 2% and still have 98% of the original capital, the lot size won't change (much) and recovery is easier and quicker.

What if you still keep the same lot size after a loss? Then, you are no longer sticking to the 2% risk rule. If your lot size means 2% risk for $100 capital, the same lot size would means 4% for $50 capital. Your capital could drain much faster and you might receive margin call from your broker.

Please remember even SteadyWinner uses TestLot after losing a trade, sometimes we could still have several big losses within a short period. Please read again the maximum / relative drawdowns figures in the backtest reports above. The higher the risk% setting, the heavier the drawdown value becomes.

That's why SteadyWinner was designed to control losses before considering wins. We would discard a highly profitable version if the risk is unacceptable because in the trading world, profit is only potential but risk is certain.

Why did we finally open the Money Management control to users?

We have been listening to our customers and understand some users might need to, for example, copy trades to other (traders) accounts and they really need a set of TradeLot size and TestLot size that can be easily scaled up and down.

If you MUST manually set TradeLotFixed and use TestLotScale=0.5, please pay attention to the CurRisk% display on screen and keep your risk low.

Chapter 6 - Essential Mindset and Knowledge for EA Traders

The Trader's mindset is very important

So, is SteadyWinner the holy grail? No, far from it. To win consistently, one more thing is needed, that is the healthy trading mentality of the users.

We have noticed that without a healthy trading mentality, users of a good EA can be losing heavily too. Here I want to introduce a book by Richard L. Weissman "*Trade like a Casino: find your edge, manage risk, and win like the house*". In this book, the auther discussed why the casino always win and the gambler always lose. It is because the casino has an edge (a postive ecpectancy model), while the gamblers have not. The casino does not have to cheat. They simply follow the rules no matter what happens and will eventually win. The gamblers, though sometimes win, will eventually lose.

Forex is a game in which the traders can enjoy an edge. If they have a postive ecpectancy model and follow the rules, they will eventualy win. But because of the weakness in human nature, very few traders can do that. For most traders, when they win, they tend to overtrade; when they lose, they start to complian and cannot stick to their system. If these human fallacies are not overcome, even the best EA cannot offer any help

Here below is what Weissman wrote in the introduction of his book: "Chapter 12 explores the psychology mindset required to succeed with a postive expectancy model. I call it **even-mindedness**. Successful traders shouldn't care about the result of any specific trade because they consistently employ positive epectancy models combined with robust risk management techniques. Since that is the case, if they do care, then they (a) haven't done enough research to be certain that it is a positive expectancy trading methodology, (b) are not managing the risk, (c) are letting previous negative trading experiences sabotage their edge, or (d) are addicted to the gambler's mentality of needing to win as opposed to knowing that they will succeed."

So, after all in trading, the most important factor is the trader himself.

Do not watch your EA trade

Take a look at the example below. It is a section of SteadyWinner's backtest
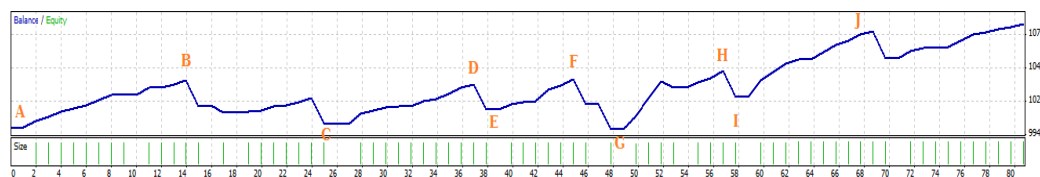
We can see from Point A to J that this EA was profitable within the period. But assume you started the EA at point A and monitored its trade, you might stop at point C or with a little more tolerance quit at point G because you saw the EA gave back all the gaining and even cut into your capital and you didn't know what could happen next! If you happened to start near point F, the big losses might prompt you to lower the lot size or stop the EA. If you started near point I, you might think the EA was bullet proof and wanted to increase lot size to enjoy bigger wins.

No EA can avoid all losing trades but a good EA is designed to recover from those losing trades and resume making profit automatically. Those temporary losses like above really don't matter much in the long run!
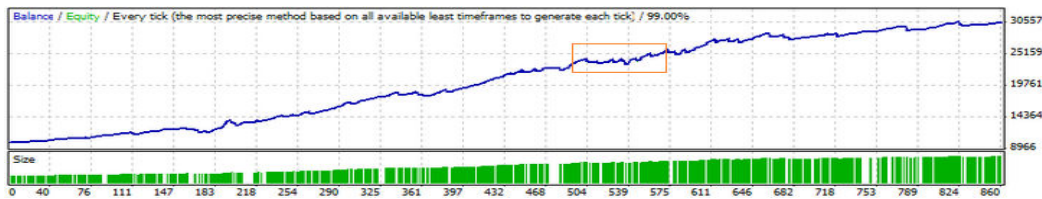

However, if you stop your EA, the damage is done and can no longer be recovered. If you scale down the lot size after a losing trade, you could have lowered your risk but might as well end up slowing down your recovery from the following winning trades. If you scale up the lot size after some wining trades, you are hoping to maximize your profit but a sudden losing trade could deliver more powerful damage due to the lot size increment.

No one can predict when the EA will win (or lose), otherwise, you could have avoided all the losses. Those who micro manage EAs usually end up minimized their gains while maximized losses. Soon, they would become so frustrated and lose faith trading the EA.

Human intervention makes us impossible to assess the EA's true performance. Watching the struggling trades alone give us a lot of frustration and pain. We are glued to our computer chair, follow every trades from beginning to end. We can't eat well, we can't sleep well and that's not good for our health.

Trust our EA and give it room to perform.
Before we activate an EA in our account, we should have done all research to understand how the EA trades and we should have backtested it to make ensure we are comfortable with its performance and risk. A good EA usually has Profit Factor > 1.5 (or even better above 2) and Maximal Drawdowns < 10%, so it can quickly recover from minor losses.
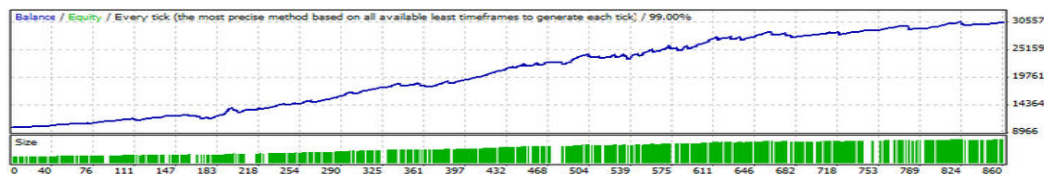
If we decide to run the EA, we should
1. Only use spare money that we can afford to lose to trade.
2. Open a Live Account with a regulated broker
3. Decide a low risk level that we feel comfortable.
4. Setup the EA on a live chart, enable live trading and then let it perform.

We should only review its performance after an observation period - say 2-3 months, or after at least 100 trades before we make any change.

I did not say we cannot make adjustments during the period. We can set higher risk ratio after we have enough profit that we withdraw all the capital. We can also set a quota that we decide to stop the EA if its accumulated losses exceed that quota. After the observation period, we can stop the EA if we are not happy with its performance.

An EA trader should behave like a senior manager, not a foreman.

Trade with only our own spare money we can afford to lose
This is always true, losses are part of trading game and no one can eliminate them. We are not supposed to trade with money that would be used to sustain our living (meals, gas, mortgage payment, etc.) and we must not trade with money we borrowed. Doing so will put us under a "MUST WIN" pressure and we cannot calm down and make good decisions.

We are supposed to trade only with our own spare money and we must be prepared to loss some (or even all) of it, and we need to support our EA and hold on during a storm, until our trading result turn around.

You might say, "Hey wait, that's my money, I cannot let the stupid EA lose it. I would rather use it for a big meal or a new gadget." or "My wife will kill me if she knows I lose money trading forex". If this somehow describes your situation, then we suggest you do not trade forex at all.

SteadyWinner is not an automated version of manual trading method

We also want to point out that SteadyWinner is not an automated version of conventional manual trading method. We often receive questions like "Why did SteadyWinner enters so early and suffered the heavy losses before break even?", "There was a nice trend formation on H1 chart yesterday afternoon, why didn't SteadyWinner trade it?"

Unlike human beings, EAs have no eyes and can't look at charts. They are computer programs that can read prices and calculate indicator values from them. All calculations are performed every tick (or price update). If a change in price causes a change in an indicator value that triggers an order closing criteria, the EA will go ahead and close the orders even the indicator value just crossed the line by 0.00001. The comments like "late entries", "premature exits" or "a nice trend wasted" do not apply well to EAs.

In SteadyWinner, entries are triggered by a set of indicator criteria while exits are triggered by stop loss hit, trailing stop hit or by indicator criteria met for closing which ever happen earliest. When we designed the EA, we tried countless combination of indicators and entry / exit criteria and cherry picked a set that could produce the best long term (test) results. Occasional losses are still unavoidable. But if we let it run long enough, it will turn around and the losses will be well offset by the much stronger wins.

Manual trading has been around for more than 100 years with rules well established. Automated trading is still evolving so let's treat it with an open mind.

Under what conditions will we lose?

SteadyWinner is a trend follower. If there is a trend in the market, it will win. If the trend ends and turns to another direction, it will lose. If the market turns again and again, there will be consecutive losses. But SteadyWinner will survive, because it will have turned to 0.01-mode. The only way to kill it is one lose one win, one lose one win, and so on. If you look at the charts in the backtests, you will see that the curves are not always smooth. There are some winkles. For V6.0a, the maximum drawdown is around 15%-20% even if you use a risk level of 5% and enable TestLotScale=0.5. If you are unlucky to use the EA at the beginning of a drawdown, it is possible that you lose around 15%-20% of you balance and you will have a hard time win it back. So keep your risk low.

Why there is no trade?

SteadyWinner V6.0a is designed to maximize profit, not actions so trades are not evenly distributed. Sometimes, it trades only 0-2 orders per week. Sometimes, it trades several orders a day. When you first install SteadyWinner V6.0a on a new account, it may take 1-2 days to collect history data for the indicators. So, some patience is needed.

The 3 Ms of Successful Trading

Every trader who wants to trade the market successfully should master the 3 Ms

1. Mind – The correct mindset for managing our trades (be it manual or through an EA) as well as handling winnings and losses. We just briefly discussed that.

2. Method – The rules for entries and exits. If you use an EA like SteadyWinner to trade, this is usually automatic.

3. Money management – The art of controlling trade size and funds, again this is automatic for an EA like SteadyWinner.

They are like 3 legs of a tripod. Missing any one leg, the tripod simply falls. A trader needs to master all the 3 Ms in order to "stand" in the trading game. And we are not just selling you a trading robot. We want to give you more support towards your successful trading career.

Closing remark

That's all. We wish you good luck in your trading. Just remember to keep your risk low and do not manual manage the EA's trades daily.

If you like to learn more about SteadyWinner or Forex, we have provided 3 appendixes filled with resources. We hope you like them. If you have any questions, please feel free to write to: steadywinner@gmail.com

We want to take this opportunity to thank all those who have helped to make SteadyWinner a better product.

Happy trading!
Ming and Henry
SteadyWinner Development Team

Appendix A - The story of SteadyWinner

Including this one, six versions of SteadyWinner have been released. What are their differences?

V1 is the original idea. It is based on multi-timeframes. We buy only when the price is above EMA700 in the following 5 timeframes: M1, M5, M15, M30, and H1. That means the EA will only open trades when there is an obvious trend. Normally, a human trader will not look at so many charts, but a robot can do the job easily. Once we are in the right direction, it is hard to lose. The coding of V1 was done in one sleepless night, and is therefore, a bit primitive.

V2 is a refined version, adding some filters to make it more stable. V2 has a stop loss of 200 pips, a takeprofit of 50, and a trailing stop of 20.

The main improvement in V3 is the stoploss. V3 has a stoploss of 50, a take profit of 12 and a trailing stop of 12. With a tighter stoploss, there will be more trades, and therefore, more profit.

V4 is a big change. We reduced the number of EMAs to three: M1, M5, M15. Compared with V2 and V3, V4 is less stable and not all the trades are good ones, but it is compensated by a lot more trades. In the short run, V4 may not be as good as V3, but in the long run, because of the compounding effect, it will supercede V3. Also a new feature is added to the exit of V4 to make the drawdown smaller.

V4 seemed not very successful since many users cannot bear the drawdowns. Therefore, the main objective of V5 is to restore stability. We increase the number of EMAs from three to four. Also, we use one more indicators to measure the over-bought and over-sold positions. Although the total number of trades reduces, the number of bad trades reduces significantly too. The previous four versions can pass 90% backtests for more than ten years. And V5.0 can pass not only those tests, but also the 99% tick data backtest from 2007 to 2011. As far as I know, only a couple of EAs on the market can do this.

Due to the European Debt crisis, the 2012 to first half of 2013 had been a hard time for SteadyWinner; therefore, we tried harder to improve the EA. It is good to have an EA developed in a difficult time. It will be more solid and can withstand difficult market situation. We have developed a few Beta versions. The final version is a combination of

the best of them. That is why there are two strategies built inside V6.0a as if you are running two EAs together.

Another big difference between V5.0 and V6.0a is the stoploss and the number of trades. V6.0a has a smaller stoploss of 50 pips. With risk per trade still set at 2% of the Account Balance. Also, the number of trades increases slightly so that the overall effect is an obvious increase in profit. The only shortcoming is that the Profit Factor drops.

All these EAs are brothers and sisters. We do not recommend using any of the prior versions together with V6.0a, because when they lose, they lose together. This will increase the drawdown.

Appendix B – A Quick Tour on Backtesting
## How to perform a conventional MT4 backtest properly

Backtesting in Metatrader is not as easy as we first thought. Please follow the steps below and you will get better results. Historical data is essential in backtesting, you must download them from reliable sources.

If you are new in backtesting, please start by donwload historical data from **Tools – Hisotry Center – Forex – EURUSD – Download**. It may take a few minutes as the files are very big. The download screen should look like this:
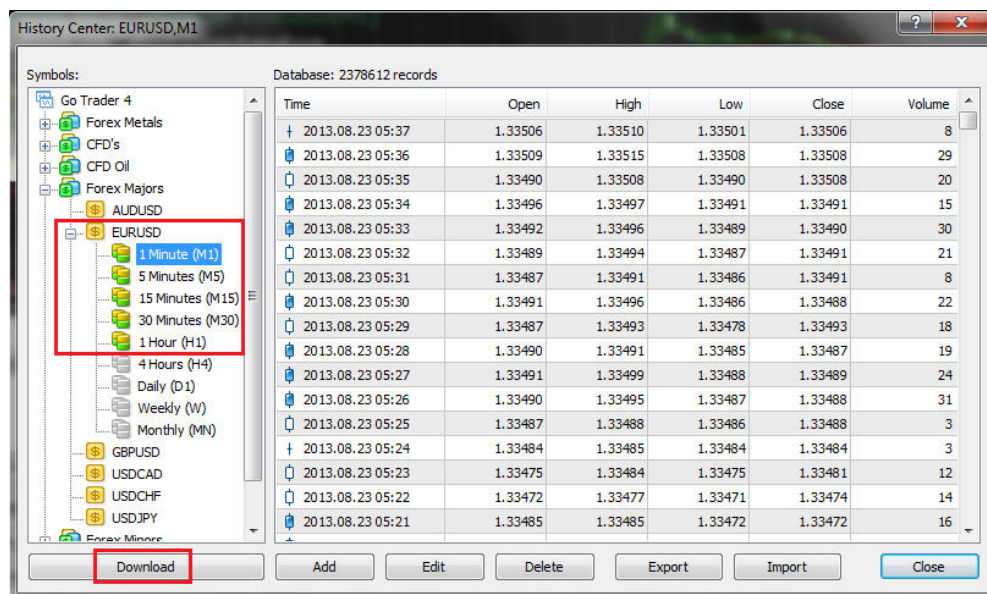

Please make sure you download all M1, M5, M15, M30, H1 data because SteadyWinner use multiple timeframe prices to calculate indicator values. Otherwise, you cannot test properly.

Before you start backtesting, make sure you enter a spread, otherwise, MetaTrader 4 will use your account's current spread and your backtest results are likely to be different every time. After setting the spread, you may enter a date range and then click [Start]. We usually use a 2pips (20 points for 5-digit quote) for backtesting spread as this is higher than normal spreads of most popular brokers.
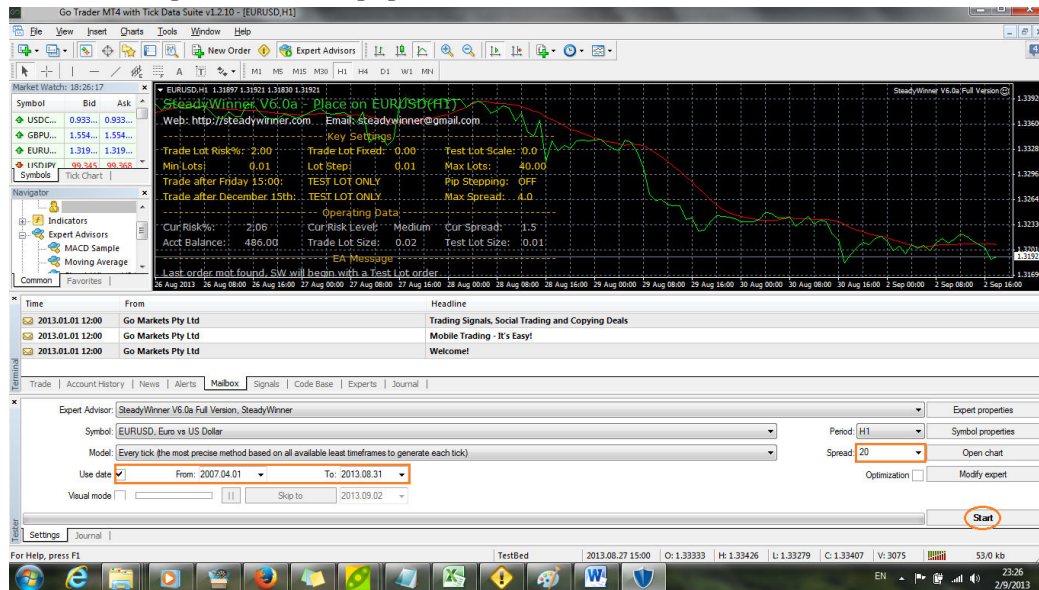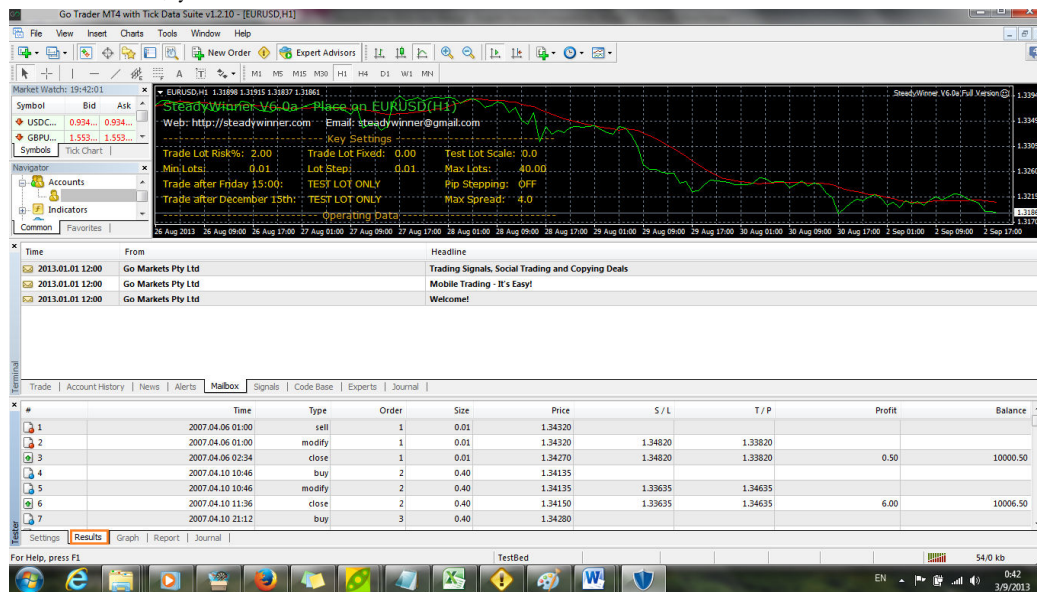

Note:

If you want to backtest with different parameters, may be TradeLotPercent=5 and see what would happen, you can Expert properties panel, click the input tab. Change the value from 2 to 5 and click [OK]. You can change other parameters as well.
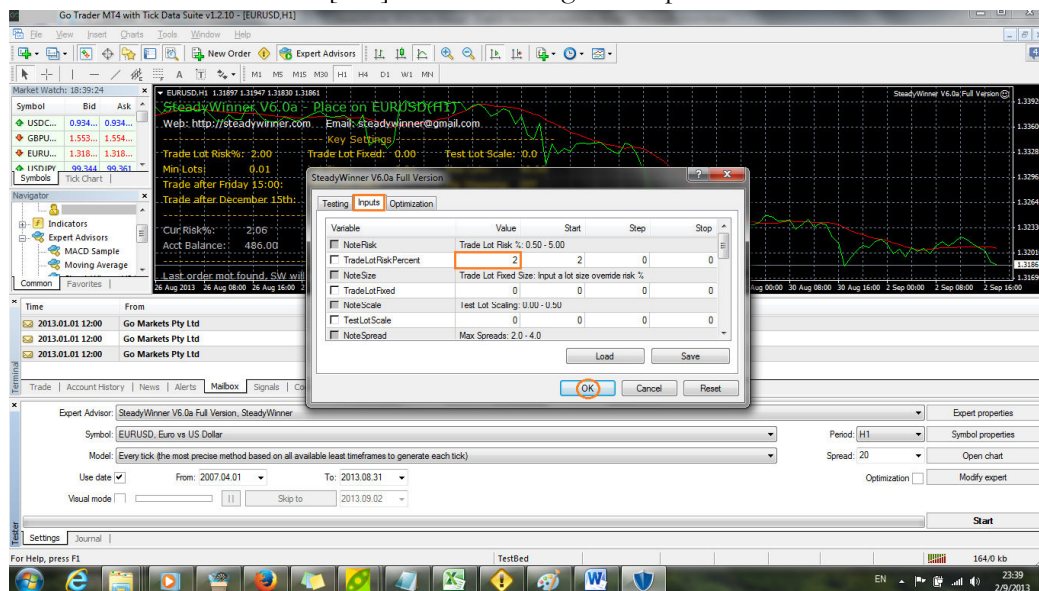
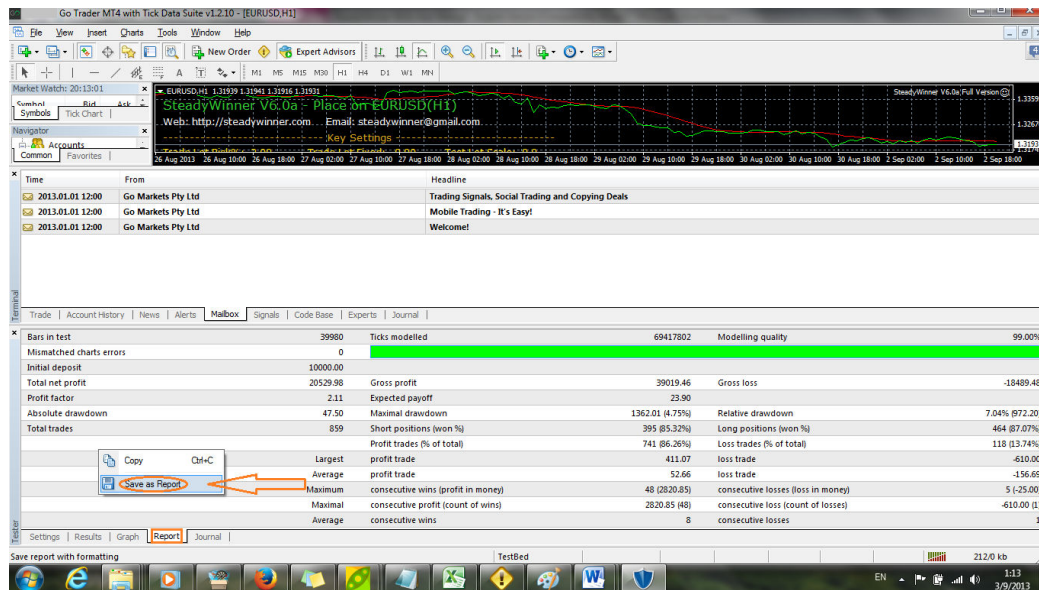After the test, you can click the **Results** tab shows the details of each transaction.

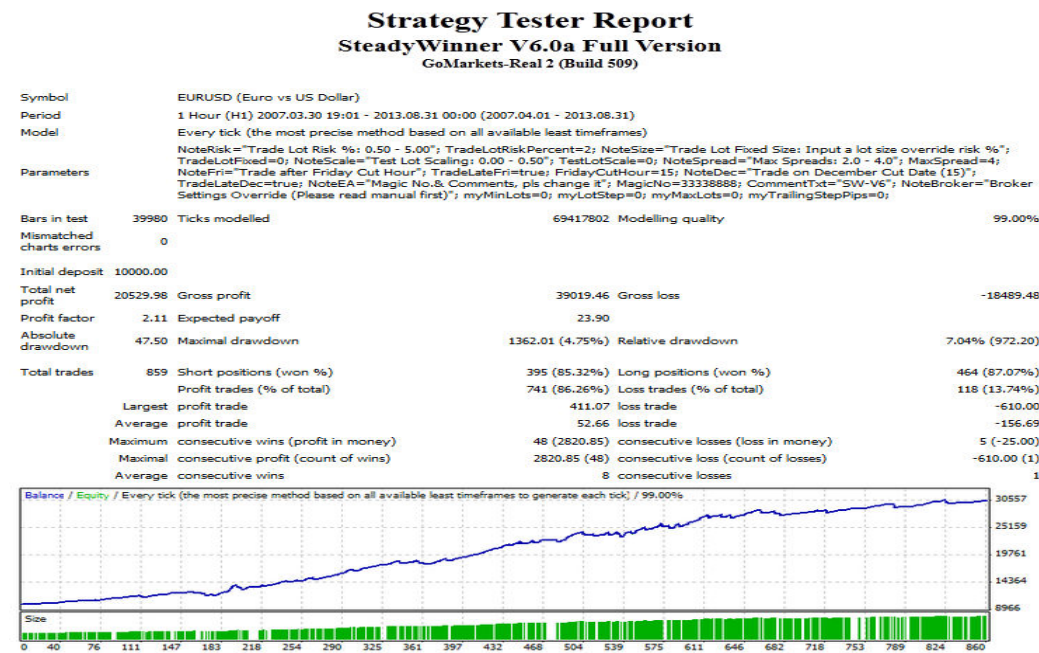Clicking the **Graph** tab shows the equity curve.
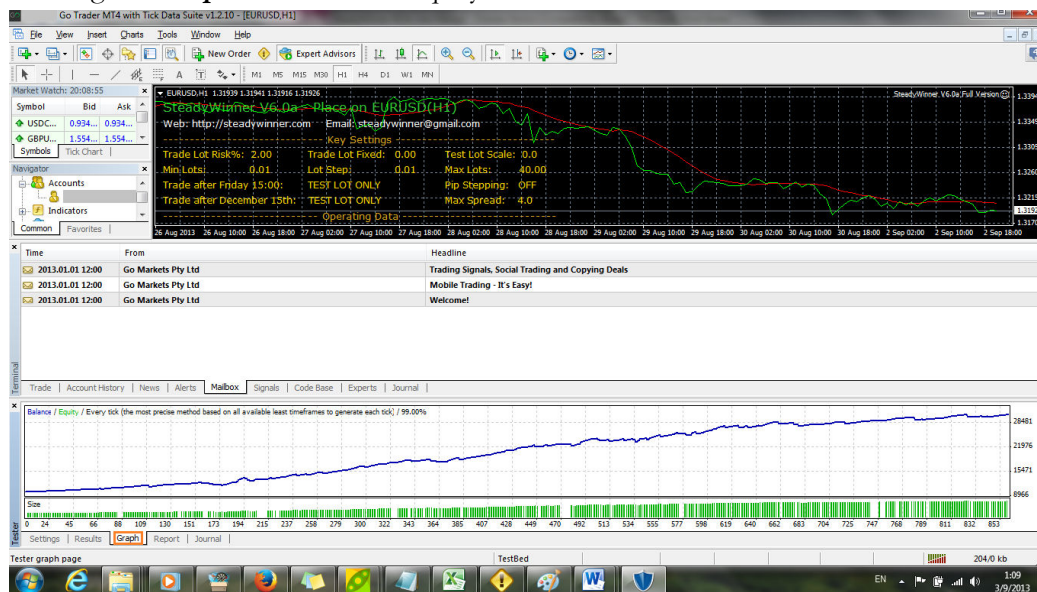
The **Report** tab is a summary, showing Profit Factor, Maximum and Relative Drawdowns.

We can save the report by Right Click anywhere on the summary and select "Save as Report" from the pop-up menu.

Here is a sample tester report:

More Precise Backtesting with Tick Data

The historical data above are from Metaquotes, which are downloadable no matter which broker you use. Though far from perfect, the Metaquotes data is widely used since it is free. It is good for testing mid to long term strategies. But SteadyWinner's trades are mostly short term so we are using more precise Tick Data system for backtesting.

To understand why, let's look at a 1 minute candle as an example. It only tells us the **Opening**, **Highest**, **Lowest**, **Closing** price within that minute. But it doesn't tell us whether the price reached the **Highest** point first or the **Lowest** point first.

The diagram below shows 2 possible price movement patterns within 1 minute that would produce exactly the same M1 candle. However, to an EA seeking only a few pips, such difference could mean live or death.
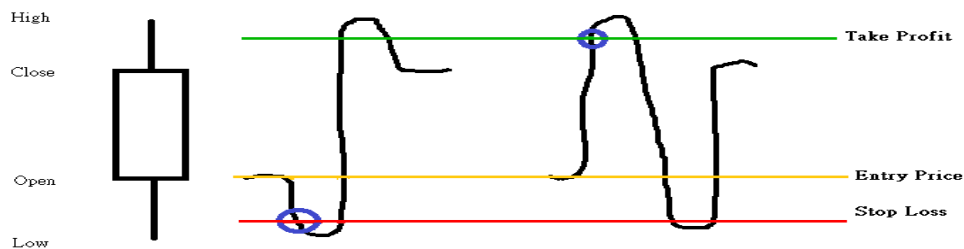
Assume the EA opened a BUY order with **Entry Price** at the orange line, **Stop Loss** at the red line and **Take Profit** at the green line. If the price hit the **Lowest** point first, the order would be closed by **Stop Loss** (the left blue circle). But the order could be closed with a **Take Profit** if the price hit the **Highest** first (the right blue circle).

We need a set of data that simulate every movement within the minute and that is where tick data backtesting come in as it gives a more accurate picture of how SteadyWinner would have performed in history. The backtesting process is the same, but with tick-by-tick data, the modeling quality is better. All the backtest reports we used in this manual are Tick Data backtesting reports (you can tell by the 99% modeling quality).

Recently, MetaTrader 4 no longer allows backtest using outside data source. So we need a tool to overcome this limitation. We are using Birt's Tick Data Suite from EA review dot net. Since this is a commercial product, we are not going to discuss details here. If you want to do your own Tick Data backtesting and are interested in Tick Data Suite, please visit Birt's website: http://eareview.net/tick-data

Backtesting Criteria for SteadyWinner V6.0a

We find SteadyWinner's Tick Data backtest results vary among years but, overall, we managed to get our EA pass the following requirements.

1. Profit Factor >= 2

Profit Factor = Sum of dollar won / Sum of dollar lost (in the test period)
It is the simplest and most reliable Performance Indicator of an EA. A Profit Factor of 2 means for every 1 dollar we lose, we expect to gain 2 dollars back. PF under 1.5 means the EA was struggling. However, PF as big as 10 is too good and unsustainable.

2. Maximal Draw Down < 10 (or 15% max)

The maximum drawdown MAX DD indicates how much % of capital we could lose according to history backtest if we start at the worst point and suffer many losses. At SteadyWinner, we believe any EA having MaxDD > 15% is no good.

3. A respectable Equity Curve

We don't believe in silky-smooth or straight-line equity curve. An EA trading for months without a single loss is incredible. We think a natural Equity Curve of an EA should have some drawdowns, but we try to make sure the EA does not take too long to recover from such a drop. Interestingly, EAs with PF>2 usually have nice Equity Curves.

Appendix C – Resources to learn forex and MQL4

If you like to know more about forex trading, you can learn from the following sources:

For Forex beginners
http://www.babypips.com/school/

Learn how to use Metatrader (Metaquote Official Website)
http://www.metaquotes.net/en

Popular Forex forums
http://www.mql4.com/
http://www.forexfactory.com/
http://www.forex-tsd.com/
http://www.donnaforex.com/
http://indo-investasi.com/

Learning how to write MQL4 code
MQ4 is very similar to the C programming language. Once learned, you can code your own EA or customize existing ones. Below are some resources to learn MQ4. It would be much easier if you have programming experience in C.

[1] The MQ4 course by Coder Guru. This is the first book I read, but the English is sometimes unreadable.
http://www.forexmt4.com/_MT4_Tutorials/Mql%204-%20Metatrader%204%20Development%20Course.pdf

[2] A book by S. Kovalyov at http://forum.mql4.com/12929
    This book is free on http://www.mql4.com/ but is difficult for beginners.

[3] "MQ4 for Traders" by David M. Williams. This is an easy book, but you have to pay for it. The author also offers a free email course on his website. I suggest you read this book first. http://www.iexpertadvisor.com/metatrader-mql-expert-advisor.htm

[4] There is a new book called "Expert Programming" by Andrew R. Young. It is the first comprehensive guide to MQL programming. The author is an experienced coder, and he gives in-depth analysis on building complicated EAs. Source code is included. You can buy it from Amazon or other online book stores.

Where to buy SteadyWinner?

SteadyWinner V6.0a Small Account Version is free. If you have an account capital below $750, you don't need to buy the full version. Full version has money management and risk control feature and is available at http://steadywinner.com for only US$88.00.

We are traders ourselves and we don't like trading black box systems. That's why we provide source MQL4 files to all paid customers. It is for you to see how SteadyWinner trades. And our product is very much underpriced. If you like our product, please support us by buying your own copy.

Refund Policy

We assume that you have run the demo version for some time before making any purchase. However, if for any reason you cannot run the EA or find it unsatisfactory, a refund is possible. The distribution is through ClickBank. They will hold the money for 60 days in case customers have complaints. We are honest EA developers. Any claims for refund will be handled according to the rules set by ClickBank.

Unfortunately, we found some abuse on this policy. Usually, these are users who know very little about backtesting. For example they buy the EA on Saturday and backtest it without knowing how to correct the weekend high spread. Some of them even do not bother to download the historical data. Of course, the results were disappointing. They thought they were scammed and asked for a refund on Sunday or Monday. Such misunderstanding could be avoided if they try our demo version first and contact us if they have questions.

That is why we want to set a restriction that we will entertain request for refund after 40 days. One or two weeks are too short a time to judge an EA. We will not ask for your trading records, but we do hope that you have used it for some time, live or demo. Also, if you can, please state a specific reason for refund, this will help us improve our products in the future.

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