

Why EA?! Advantages and Disadvantages!

Hey there, hope you are enjoying the course as much as I enjoyed creating it! This Udemmy journey of mine started in May 2014. It was tough but really rewarding – especially so when I get personal emails thanking me for my work.

I'm going to shamelessly ask if you could to post an honest review. It will take you 20 seconds (3 seconds if you skip the qualitative part). This will really help potential students and the author (me!). Thanks in advance! Rock on! =)

Commercial EA sellers tend to oversell their robots, labeling them as no-brainer money-making machines. But of course we know that this is just half-truths at best.

Hence, it is important to understand the advantages and disadvantages of EAs in order to ensure it fits with your career/financial/life goals.

Advantages

Freedom

Expert Advisors give you independence from your computer screens. An EA can execute your trading systems without any human intervention and therefore you can be sleeping (assuming you set some alerts), working a full-time job or tanning at the beach while the expert advisor is doing all the trading for you.

Speed

EAs have the ability to execute orders at an extremely rapid speed. If there is a 100 pip market movement in 2 minutes it is very unlikely that you will have the time to do as many things as a computer could. Given the ideal trading environment, an EA is able to open, close or modify positions in split seconds making the execution of the trading strategy much more reliable than what it would for you.

An EA can watch an almost unlimited number of data streams. You of course, are unable to check 20 indicator variables on 10 currencies at the same time. Well, an expert advisor is capable of doing all these things for you. As you can see, what it means to have an expert advisor is to have an extremely large number of possibilities. The fact of having a computer script execute our trading system allows us to explore trading techniques that were previously impossible to do with manual trading, it also gives us the possibility to use an unmentionable number of data streams and it makes trading independent from us, so to speak.

Capturing all targeted moves

EAs operate 24/7 and thus catch many market moves you would be unable to execute due to you being a human being (you have to sleep, eat, have fun etc). This is also a major advantage since the expert advisor is able to "watch" the market with far more efficiency and diligence than any human being.

Systematic

EAs executed their rules religiously with no emotions whatsoever. Hence, you can be sure that your strategy will be run exactly as you designed it. A manual trader on the other hand may be “flexible” with his or her trading rules and not follow them exactly. This is especially so after a huge loss or win.

Disadvantages

Inflexible

Being systematic can also be seen as a disadvantage. The disadvantage of automated trading systems is that they are inflexible. An automated trading system cannot do anything outside of its coding and is therefore limited to the logic you fix it to. The main problem with this is that the expert advisor may stop working profitably if market conditions change against it, how far the expert advisor can adapt to changing market conditions depends mainly on the logic you give it.

Black Box

They can be used as black boxes! This is a great disadvantage of automated trading systems because it means that people who have no idea of how a system actually works can load it on a trading platform and make it trade. What you get then is someone who does not understand what the system does or if it is profitable or not running a system on their computer. This of course is the area commercial expert advisor sellers exploit and an area you should be careful about. Do NOT trade any automated trading system you do NOT fully understand.

Emotions

People are deceived into thinking that there are no emotions in automated trading. This is a huge mistake and something that has made automated trading more difficult for the people who want to profit from it. Although the EA has no emotions, the trader that controls its workings does have emotions. The nature of the emotions experienced during the use of an automated trading system are different than those experienced when trading manually but they can be as or even more destructive. The trader may be tempted to temper with the EA's rules or shut it down altogether unnecessarily.

EA testing can be unreliable

Expert advisor testing can be unreliable. A great problem arises when you combine the unreliability of some of the tests with the fact that black boxes can be sold. What you get is people buying systems that they think will perform great only to find out that their accounts get wiped out.

In other cases, users create their own EAs with irrational design/testing methods. Designing Robots is both an art and a science. It is the reason why this course was created. Poor design methodologies will lead to poor understanding and management of the robots. This will eventually lead to capital ruin.