**CHAPTER III**

static is dynamic  
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In this chapter, we’ll learn the principle behind nature's so-called “*dynamic static*”, which means when the market seems moving no-where, you still can make huge profits.

**PROBLEM-SOLUTION**

If the market doesn’t fluctuate, traders lose their time. For open positions, swap fees can be an important factor. The worst thing a trader can lose is his/her patience. A small fluctuation in favor of your positions combined with high leverage can produce huge profits. However, using our trading philosophy called Trending-Cost-Average (**TCA**), even when the price seems to stay static could mean tremendous profits.

**PHILOSOPHY**

What if gold fluctuations seem going nowhere, could you still make money off it, using the Trending-Cost-Average philosophy?

Absolutely!

Just take a look at the following case study.

Being a Fund Manager/Trader, you shouldn’t have to stare at the screen all the time. Doing so would be counter productive. Many times, you glimpse at the screen, register the gold price in your short memory, then get off, doing something else.

A few days later, you come back to the computer screen, take a look at the gold price, and it seems like the price remains the same. Actually, the prices did fluctuate, but then came back to the former price which you did register in your memory.

**THE SOLUTION**

All you have to do in order to make a great profit is doing two things: First, you set the **eTP** a little higher than the current price. Second, you set the Automated Trading Robots to enter small trades when gold deviates from the current price. In effect, when gold drops its price, you buy gold at a lower price. The more its price plunge, the better price you get. So, when gold gets back to its seem-to-be static price, it’s time to cash out for profits.

**STRATEGY & TACTICS**

Of course, this whole philosophy is built on the premise that gold is in a trend, where if its price drops, it should rise back to the original price that you registered in your short memory before continue moving to higher highs.

Our strategy remains the same. We spread our capital out evenly on the trading range, entering small trade on each Price Point (**PrPt**). When gold deviates from its initial price that we registered, the Automated Trading Robots will enter trades. So, when gold comes back to that initial price, we cash out for profits.

Our tactics remain the same. No multiple trades on the same Price Point (**PrPt**). We also set the Loss-Cutting Threshold (**LCT**) about 50 Price Points from the end of the allowable trading range (**mTP**).

**DEFINITIONS**

**PrPt** is the price point, which is the distinct gold price without any decimal. For example, 1901 to 1902 is one price point.

**mTp** is the opposite end of the trading range, as opposed to the **eTp**. These two numbers define the trading range.

**rmTp** is the real max trading range. Before the trades, we define **mTp** as one end of the trading range, which is the max allowed trade at **mTp**. However, more than likely, the market price does not reach **mTp**, but reverse its direction and hit the **eTp**. In those cases, **rmTp** is the **real mTp**, instead of the projected allowed **mTp**.

**hA**is the healthy account, which is when a trading account has sufficient capital to withstand all the negative unrealized losses when the market moves against you down to the Loss-Cutting-Threshold (**LCT**).

**CASE STUDY**

To better understand the theories, let’s dive into the following case study:

**CASE STUDY 3 (static gain)**

Our trading capital is $10,000.

It’s Monday morning. Let say the current gold price is 1907.

We expect the intra-week high gold price to be around 1950.

We are willing to long gold in 1850...1950 range.

We define the Loss-Cutting Threshold at 1800.

So, we spread out our capitals, and therefore, for each price, we buy ONE ounce of gold.

This time, gold doesn’t rise but keeps dropping. It drops to 1860. Then Friday morning it bounces back to our **original Monday morning price, at 1907** – which is the initial entry price at the top of the price range. **Should we break even?**

No, we actually would make $1,128 - which is an 11% gain, but Why?

Here’s the math:

We bought 47 oz of gold with an average price of 1884. So, Friday morning, when gold comes back to its Monday’s price which is 1907, on average, each oz of gold we would make $24.

Therefore 47 x $24 = $1,128 profit.

So, an 11% capital gain within a few days - even when the gold price seems to be static - is again, not a bad idea.

**The logic:**

As long as we can spot the major trend and bet on it, we have no choice but making money. This is especially true when initially the market moves against you at first - when you actually entering incremental trades – then it comes back to the initial price at the preferred end of the trading range, which is the starting price, in this case. Following is the illustration.

Let’s define **rAEPr** as *the real Average Entry Price*, and the shaded price range is the trading range.

The following illustration could help you to better understand this case study:

Chart

Description automatically generated

Illustration III\_b

**FORMULA(s)**

For now, let’s drill into the second most important variable of this mathematical model: the AVERAGE ENTRY PRICE.

This is the formula:

**rEAPr** = (**eTP** + **rmTP**) / 2

Where **eTP** is 1907, **rmTP** is the real max Trading Price of the trading range, which in this case is 1860.

**ELABORATIONS**

At this point, if you are confident that you’ve understood the subject matter, you can jump to the recap. However, if you feel like needing more in-depth understandings, please continue reading...

You just saw that even in the event the market moved 47 price points against your expectation, you ended up profited so much.

This case study is a historical data from October 28th to November 3rd of 2020. One may argue that what if when the gold price dropped to 1860, and continue dropping instead of bouncing back to the initial price 4 days ago on October 28th, which was 1907?

Despite the fact that the data is historical, of course, this case study was still built on the assumption that when gold is on the uptrend, even if its price drops 100 price points, the odds of it bouncing back to the initial price, and continue to go higher is extremely high.

However, we still have at least two major factors to consider:

1. The trading range
2. The cut-loss tolerance

The wider the trading range you define, the more capital you need in order to have a healthy account (**hA**).

In the event when you have entered all the trades up/down to the end of the trading range (**mTP**), then the Automated Trading Robot will stop, allowing no more trades. Should the market keeps moving against your open positions, we don’t cut losses right there and then. We should reserve some cushion before voluntarily cutting losses. There should be a buffer price point between the **mTP**and the Loss-Cutting-Threshold (**LCT**).

In doing so we are willing to take a little more loss should the gold price goes past the **LCT** but reducing the frequencies of loss. Most of the time, the market won’t go that far if we'd spotted a strong trend. Therefore, no loss should be incurred.

***SWEPT-OUT TRADES***

The most frustrating moments in your trading career are those when the market moves against your trading positions to the point of stopping you out. However, right after touching your stop-loss, the market reverses its direction and moves towards your **eTP**.

Well, trading with our system you shouldn’t have to worry about that problem. Why? Because instead of being stopped out for a large position, our Automated Trading System will proactively cut off small losing positions INCREMENTALLY. So, when the market reverses its directions, you are only being cut loss for much smaller magnitudes.

For example, should the gold price have dropped down to 1795 – which is 55 price points past the real historical case - the Automated Trading System will only cut-loss five small positions. However, the details will be discussed in detail in the following chapters.

**RECAP**

If the market seems going no-where, it could mean great profit if you apply our Trending-Cost-Average philosophy and trading practice. The condition is that the price has to deviate from your price impression then come back to the original price that you registered in your short memory. The more deviation, the more money you make, because the more trades you could enter (of course within the trading range).

However, if the price deviates so much, to the point of past the Loss-Cutting Threshold (**LCT**), then you should have some voluntary loss due to the Automatic Trading System (**ATS**) cutting loss incrementally to prevent your account from further losses.