**SESSION III**

static is dynamic

**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 patience. Small fluctuation in favor of your positions combined with high-leverage produce huge profits. However, using our trading philosophy called Trending-Cost-Average, even when price seems to stay static could mean tremendous profits.

**PHILOSOPHY**

What if gold fluctuations seem going nowhere, could you still make money of 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 times. Actually, 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 latter, 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 perform to make 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 with lower price. The more its price plunge, the better price you get. So, when gold get back to it 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, whereif 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 PricePoint (**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 tactis remains the same. No multiple trade on the same PricePoint (**PrPt**). We also set the Loss-Cutting Threshold (**LCT**) about 50 PricePoints from the end of the alloweable trading range (**mTP**).

**DEFINITIONS**

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

**mTp** is the opposite end of the trading range, as opposed to the **eTp**. These two number 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 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 unrealised 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 intra-week high gold price to be around 1950.

We are willing to long gold in the 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 keep 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 price range. **Should we break even?**

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

Here’s the math:

We bought 47 oz of gold with the 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, 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 specially 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 prefer end of the trading range, which is the starting price, in this case. Following is the illustration.

Let’s define **rAEPr** as *real Average Entry Price*, and 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:

**rAEPr** = ( **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 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 gold price goes past the LCT, but reducing the frequencies of loss. Most of the time, the market won’t go that far it we’ve spotted and strong trend. Therefore, none loss should be incured.

***SWEPT-OUT TRADES***

The most frustrating moments in trading career are those when the market moves against your trading positions to the point of stopping you out. However, right after touching your stoploss, 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 gold price 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 details in the following sessions.

**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 being that the price has to deviate from your price impression, then comes 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 entery (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 Automati Trading System cutting loss incrementally to preven your account from further losses.