

Trading Strategy (Test Stage)

Traded instrument: USD/TRY

Reason for choice of instrument: ATR size and strong directional performance.

Strategy: intraday.

Type of strategy: straddle.

Edge potential: to be confirmed.

Period for testing: six months (20th February - 20th August 2017).

Maximum daily profit sought: $\frac{3}{4}$ of standard setting (14-day) Average True Range.

Entry strategy: two entry orders, long and short, set at the nearest whole-number level (distance from price may differ for short and long depending on bid-ask spread; the impact of this asymmetry will be assessed in due course). Order must be at the next available whole-number level only if Bid or Ask price (whichever is closer) is AT LEAST fifty (50) pips away from it; if not, then the next whole-number level up (or down) will be used.

Type of entry order set-up: manual but GTD automatic cancellation by 10pm GMT intraday if untriggered.

Time of daily entry orders set-up: between 7am (start of Frankfurt session) and 8am (start of London session).

Risk controls:

- a) maximum exposure size: 5k per trade (0.1 leverage);
- b) maximum numbers of potential trades per day: two (one long, one short);
- c) maximum total exposure as % of equity per trade (that is, size of stop-loss); variable, depending on ATR; on a 500-pip ATR, stop loss is $\frac{1}{4}$ of ATR, making for a risk exposure of 0.02% of equity.

Targets: $\frac{3}{4}$ of 14-day ATR.

Overriding of triggered entries: if trades have not hit either stop-loss or profit target by the time the next-day orders are set up, the trades will be closed manually; ideally all trades will be closed by 10pm, although see 'Roll-over' paragraph below.

ROLL-OVER: given the interest rate differential in favour of the TRY, short trades left open beyond 10pm will accrue positive roll-over, that is, interest. This will mitigate a negative outcome or enhance a positive one for trades left open after 10pm.