

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).

Type of entry order set-up: manual but GTD automatic cancellation by 9.59pm GMT intraday if untriggered.

Time of daily entry orders set-up: variable between 10pm (start of Asian session) and 8am (start of London session) GMT.

Best FXCM spreads for this pair are in the European and US session, thus the ideal entry would be between 7am (start of Frankfurt session) and 8am.

Risk controls:

- a) maximum exposure size: 1% (e.g. 5k for a 50k account equity) per trade;
- 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.