Forex Market Geometry

System manual

Risk Warning

Before deciding to participate in the Forex market, you should carefully consider your investment objectives, level of experience and risk appetite. Most importantly, do not invest money you cannot afford to lose.

There is considerable exposure to risk in any off-exchange foreign exchange transaction, including, but not limited to, leverage, creditworthiness, limited regulatory protection and market volatility that may substantially affect the price, or liquidity of a currency or currency pair.

More over, the leveraged nature of forex trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin requirement, your position may be liquidated and you will be responsible for any resulting losses.

1. Setting up MT4
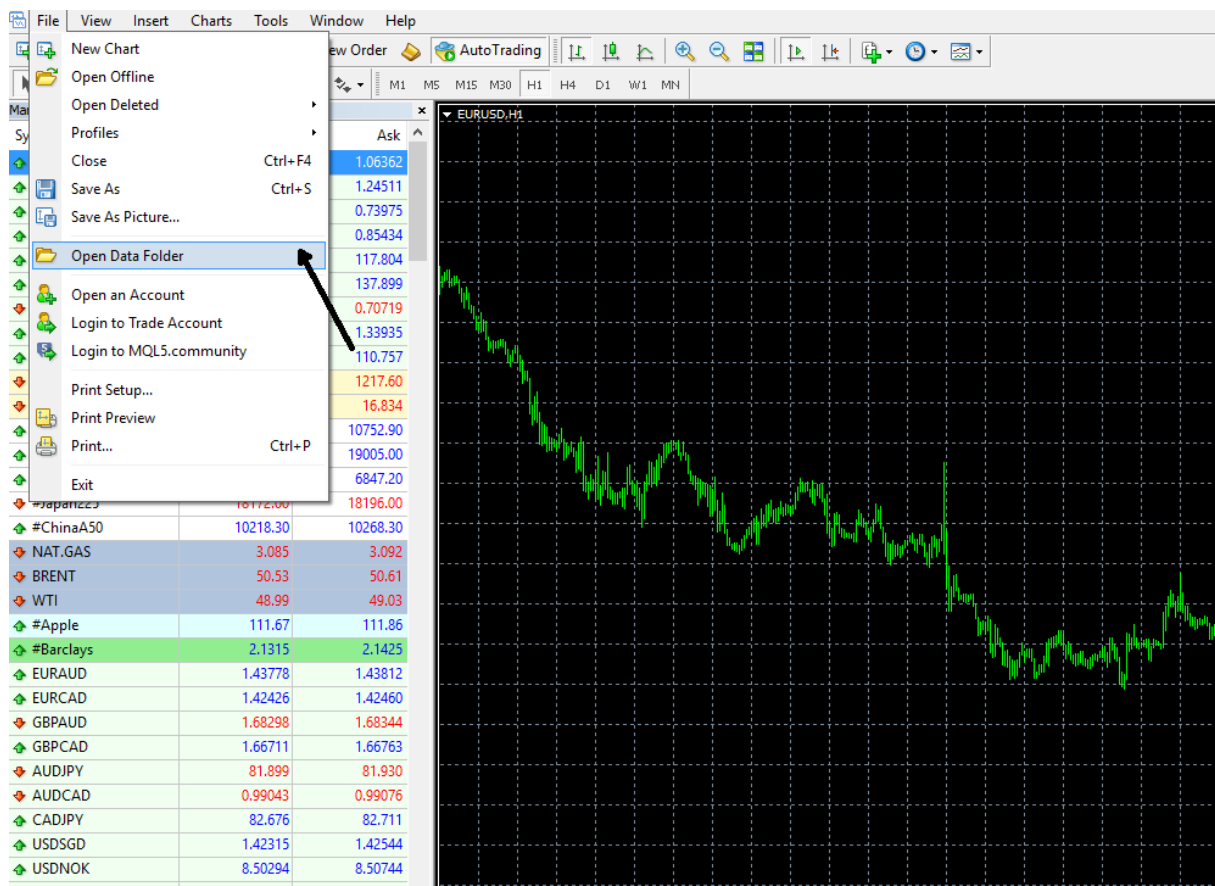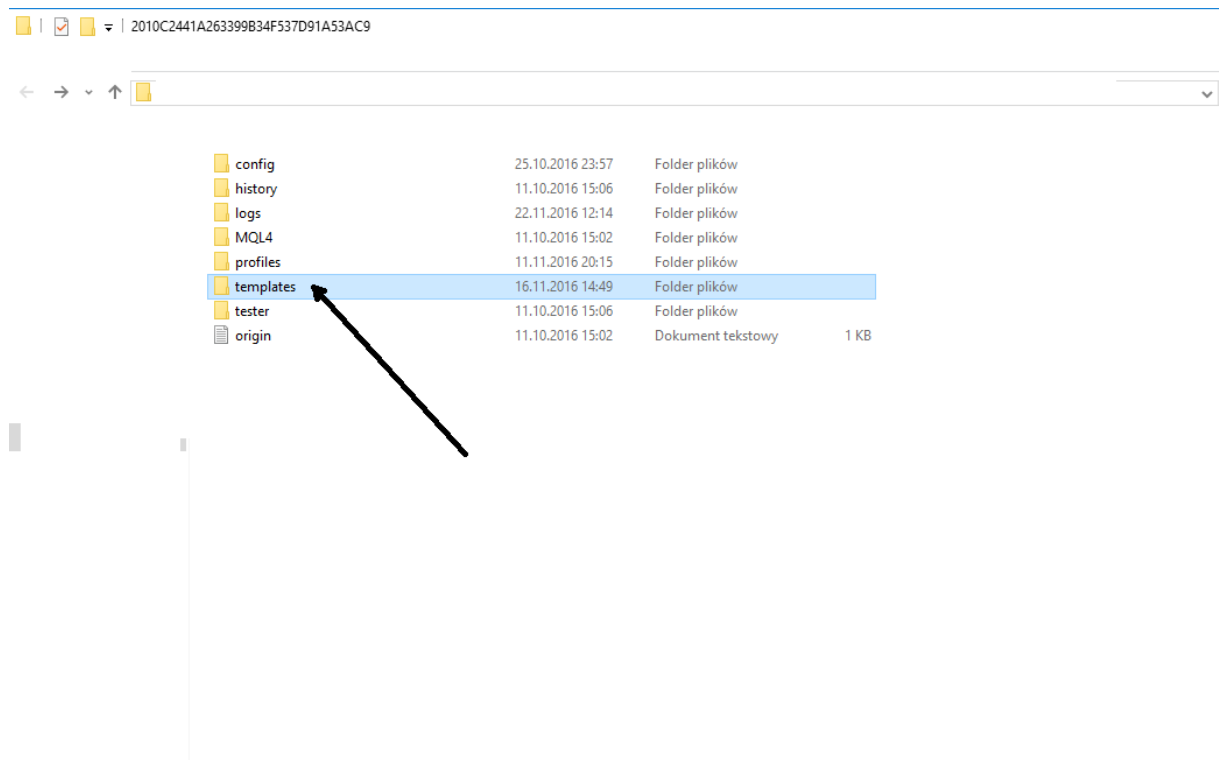
- open the mt4 platform

- select "open data folder" from the upper "file" tab

- go to the "templates" folder and copy the "fxmarketgeometry.tpl" file here

- go back to the main directory and then go to the folder: mql4:/indicators

- copy "MarketGeometryTrend.ex4" file here

- finally, restart the MT4 platform

2. System overview.

The system's main element is the spreadsheet. It can be opened in any Excel-type program. If you don't have such software on your computer, you can use Open Office for free (link to download: http://www.openoffice.org/download/).
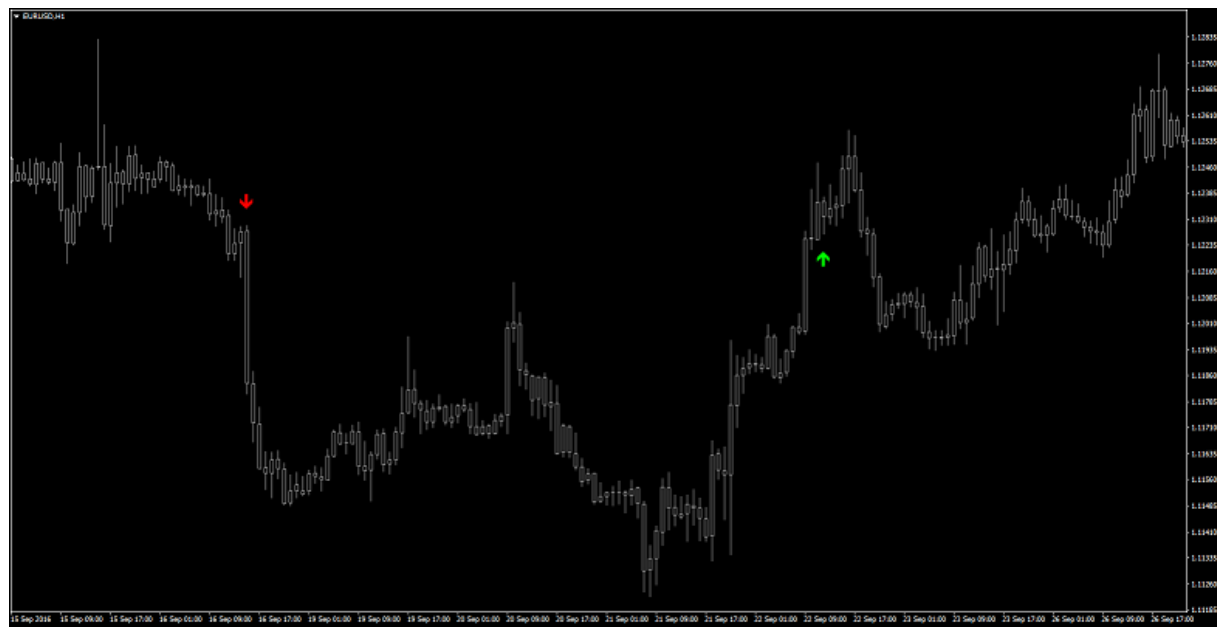

The indicator showing the market sentiment on the MT4 chart is a smaller but equally important element. We will use both these tools to properly read signals.

3. Elements of the system:

Let's get to a more detailed description of the tools necessary for trading. Let's take a closer look at the spreadsheet first. This is what we see after launching it.

There are three colored sections in the center part. Looking from the top: green, blue, purple. These sections have been introduced to separate three different modes of the system's operation. So, looking from the top, we have:

Green - safe mode. Entries have a larger margin of error, but do not offer high RR ratios.

Blue - standard mode. The most frequently used mode which provides compromise and versatility from among all the other modes.

Purple - aggressive mode. It offers the highest potential profit per transaction, with the highest risk.

Each section features, successively: Entry (entry level), SL (stop loss order level), TP1 (take profit level one), TP2 (take profit level two).
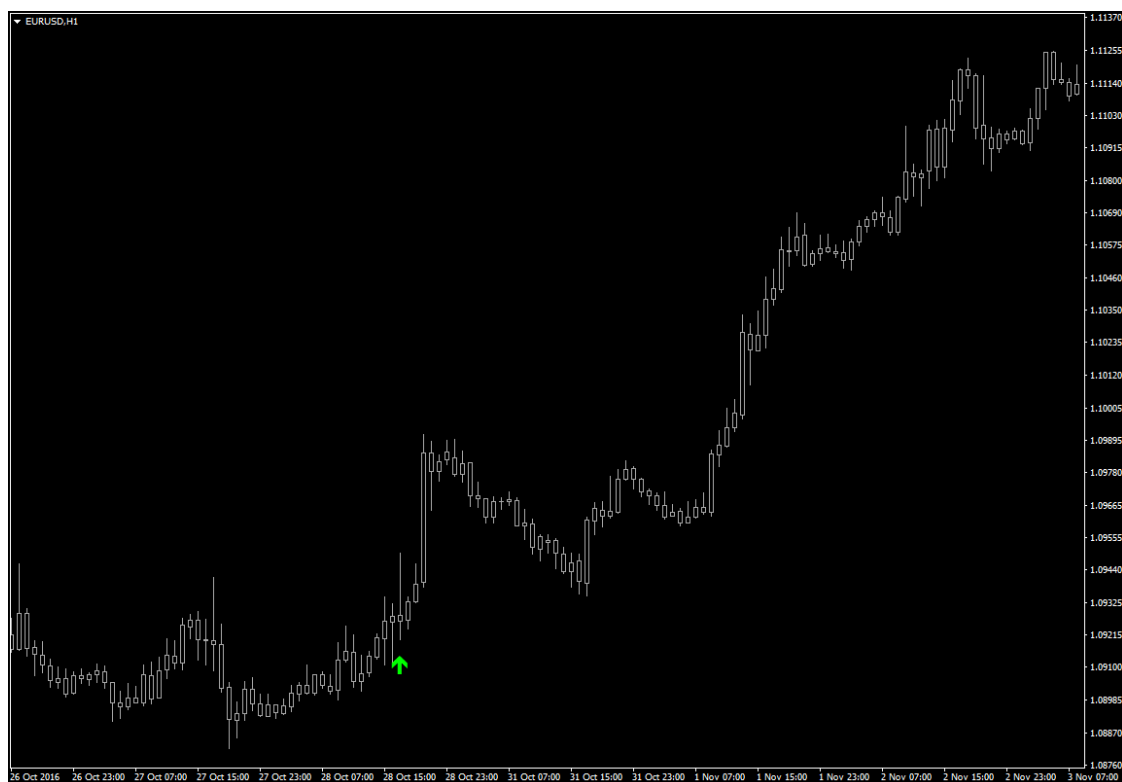

Each section has two tabs marked as "Bull Market" and "Bear Market". Depending on the preferred mode and current market sentiment, we will check the price levels in appropriate sections

How to tell which tab is the right one? Here's where an indicator installed on the MT4 platform comes to the rescue. Reading it is very simple:

Green indication - the bull market
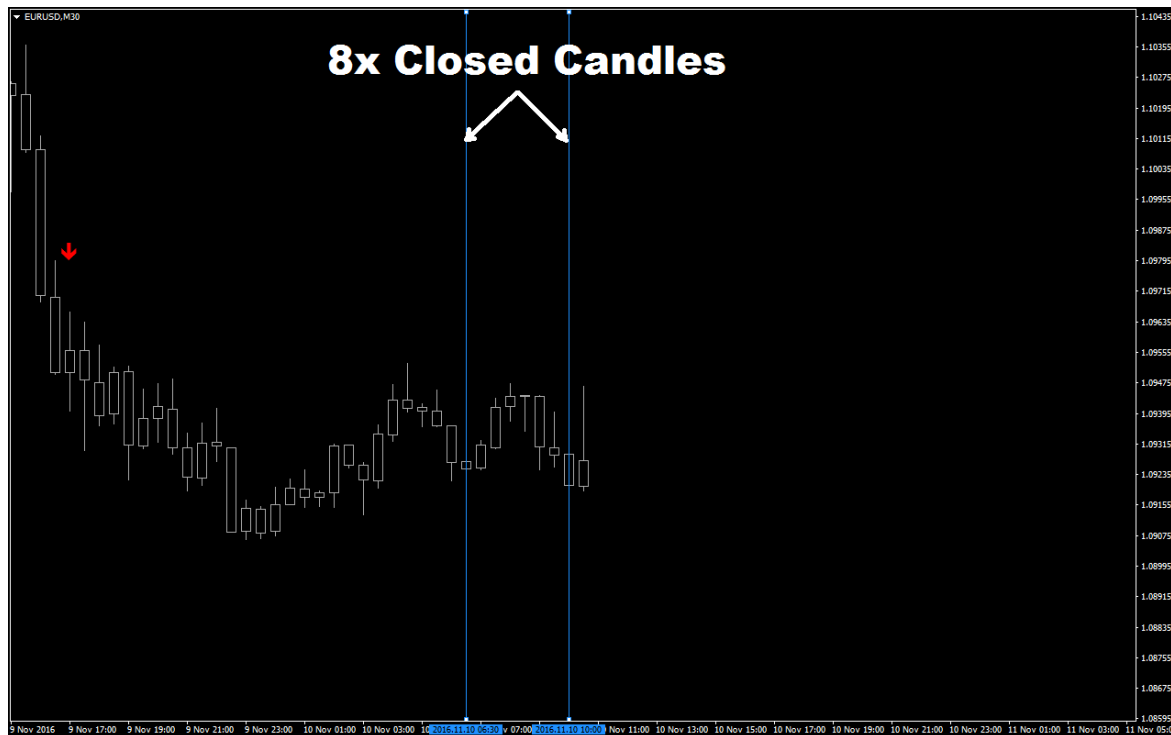

Red indication - the bear market

4. Entering data into the spreadsheet. Calculating basic price levels.

In order for the spreadsheet to calculate price levels, we must first designate an appropriate time period which will be accounted for by the included algorithms.

The system works on m30 TF. After initiating the chart of a given instrument, we set TF=m30.
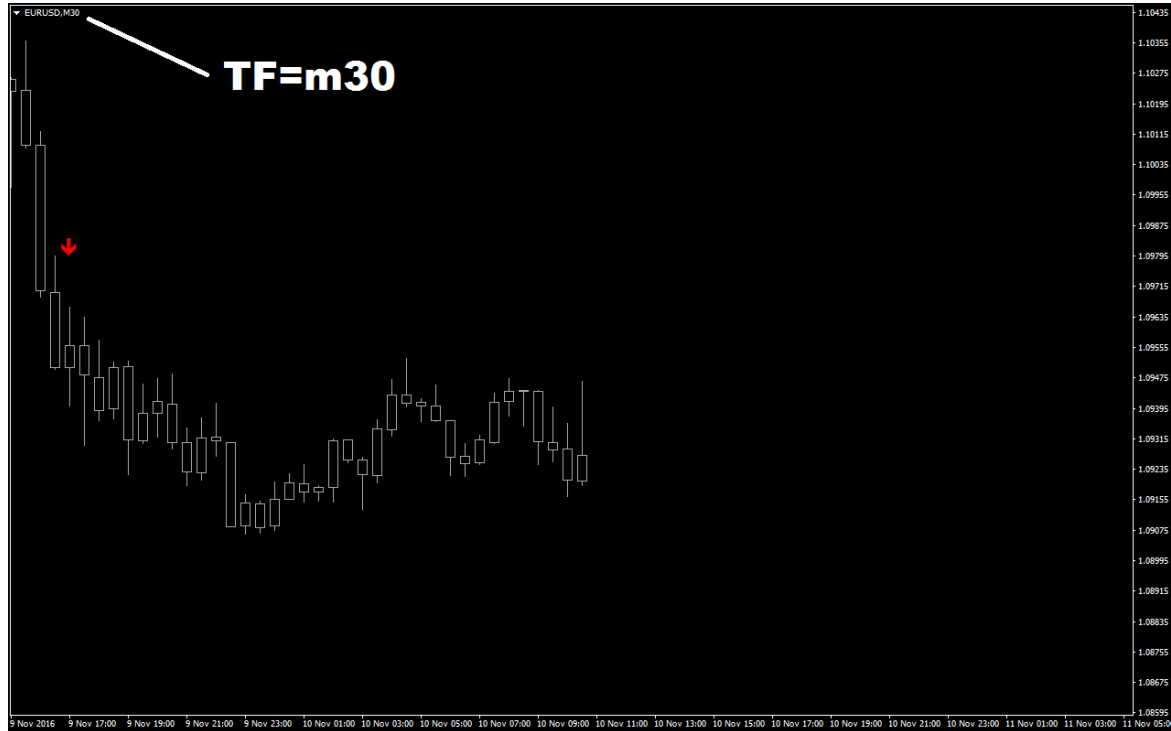
The next step will be selecting the area to calculate the price levels. Please select the time period covering eight candles back (we do not include the current candle).

Then we should mark the highest price and the lowest price in this time period.

The highest price in this price range is: 1.09476

The lowest price in this price range is: 1,09197

We enter these levels into the spreadsheet.

Another thing we should check is the market sentiment. See what direction the last arrow on the chart points at.

We can clearly see that for some time we are dealing with a bear market. We should therefore check the tab on the right side, which show the price levels for this type of market.

We are interested in standard mode (blue section), so we should check the price levels in blue right tab, (bear market / standard mode).

The sheet shows us the following levels:

Entry: 1.09131

SL: 1.09337

TP1: 1.08918

TP2: 1.08746

We mark these levels on the chart:

(Levels are marked only for learning purpose, when you know the price levels, you can of course set pending order right away)

Knowing the price levels, we can set pending order right away, or wait for the price to hit the level and open "market" type position.

The price for the opening sell trade is level: 1.09131.

Stop lose should be set at a level: 1.09337

Take profit should be realized at: 1.08918 or 1.08746 level.

Few hours later.

As you can see on the picture above, the price reached both take profit levels.

Levels of TP1 and TP2 should be realized depending on the market conditions. For example, if the price moves rapidly, it is worth waiting for TP2 level. If the price moves reluctantly and often consolidates, consider the realization of a profit on TP1.

5. Trade examples.

We open the chart in the morning.
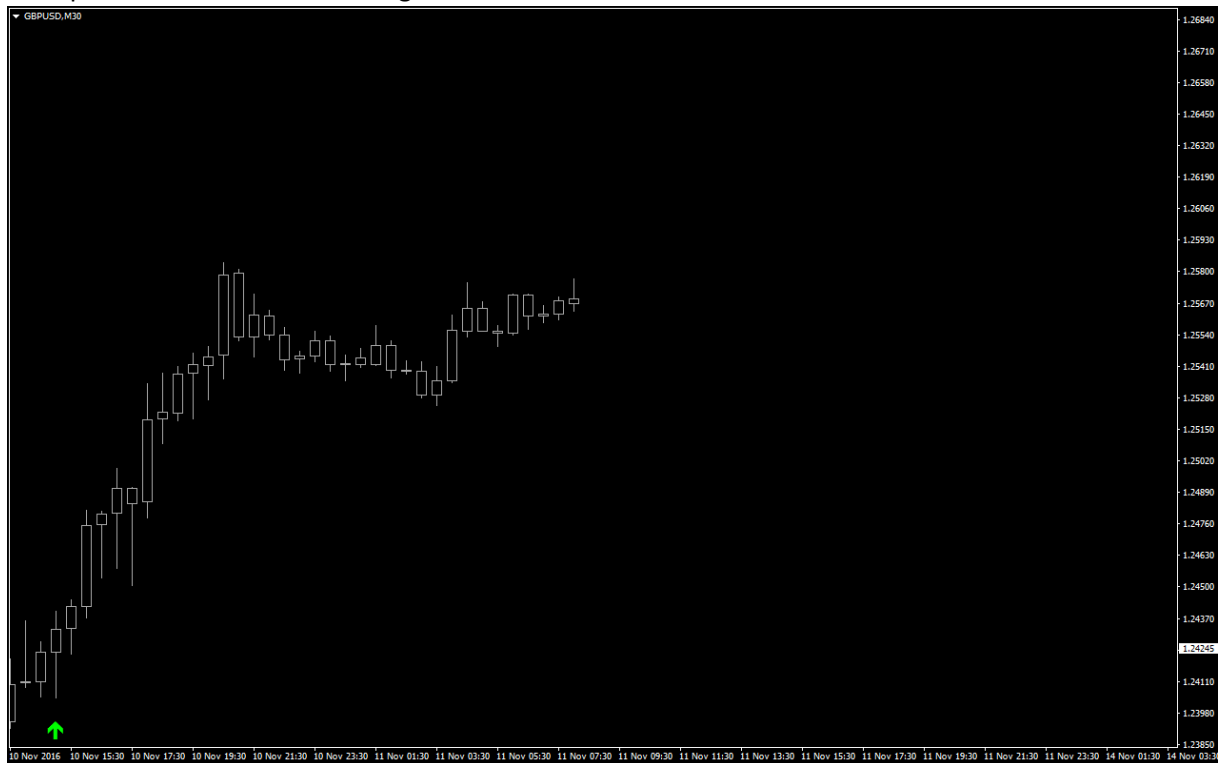
We count 8 candles back, not including the current candle.
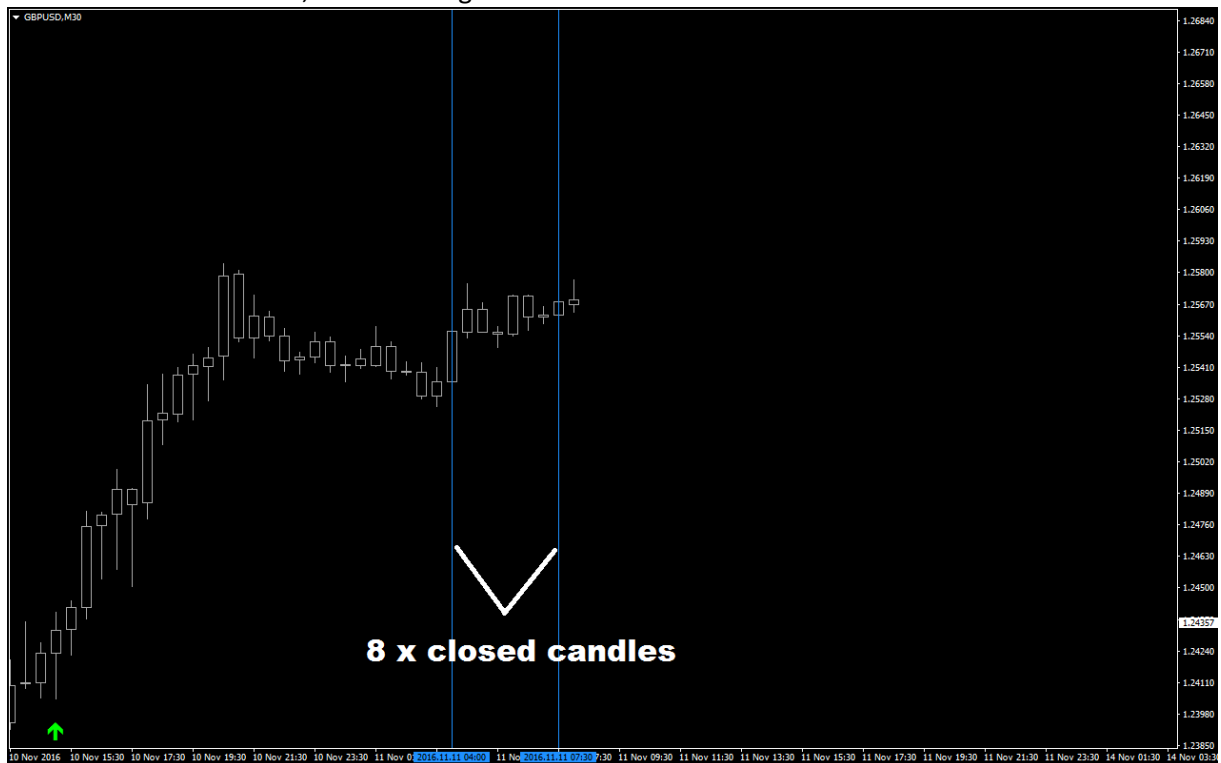
We set the highest price and the lowest price for marked area.
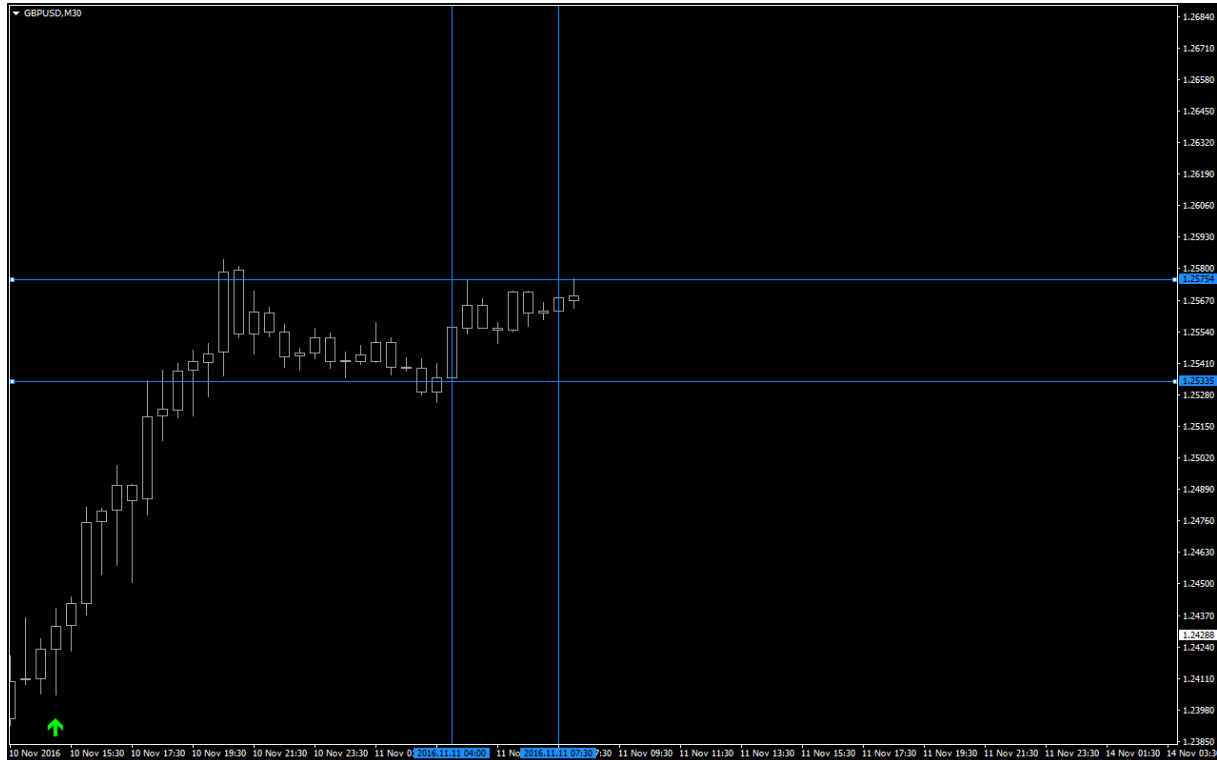
The highest price: 1.25754. The lowest price: 1.25335. We enter these levels into the spreadsheet.

We check the market sentiment. The last reading of the arrow points to the bull market.
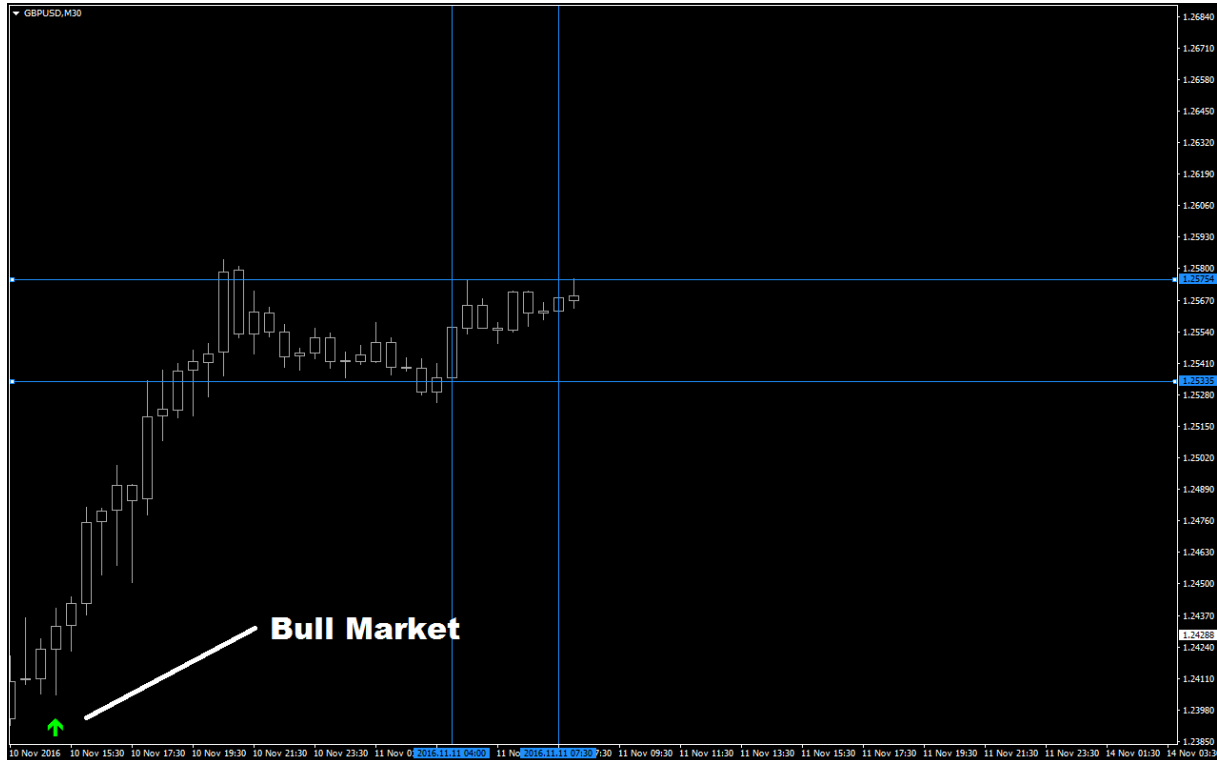
We check the left side of the sheet.

This time we are interested in safe mode, so we check left green tab.

The sheet shows us the following levels:

Entry: 1.25888

SL: 1.25335

TP1: 1.26257

TP2: 1.26592

We mark these levels on the chart:

Knowing the price levels, we can set pending orders right away, or wait for the price to hit the level and open "market" type position.

The price for the opening buy trade is level: 1.25888

Stop lose should be set at a level: 1.25335

Take profit should be realized at: 1.26257 or 1.26592 level.

Few candles later price hit both TP levels.

5a. Levels Recalculation.

It may happen that although we calculated the levels and have set pending order, the price hasn't reached our level and we didn't enter the market.

in the example below, we can see a bull market and a buy pending order calculated on the basis of the last 8 candles.

If the price does not trigger our buy order over the next 8 candles, we need to recalculate our levels using the same logic as before.
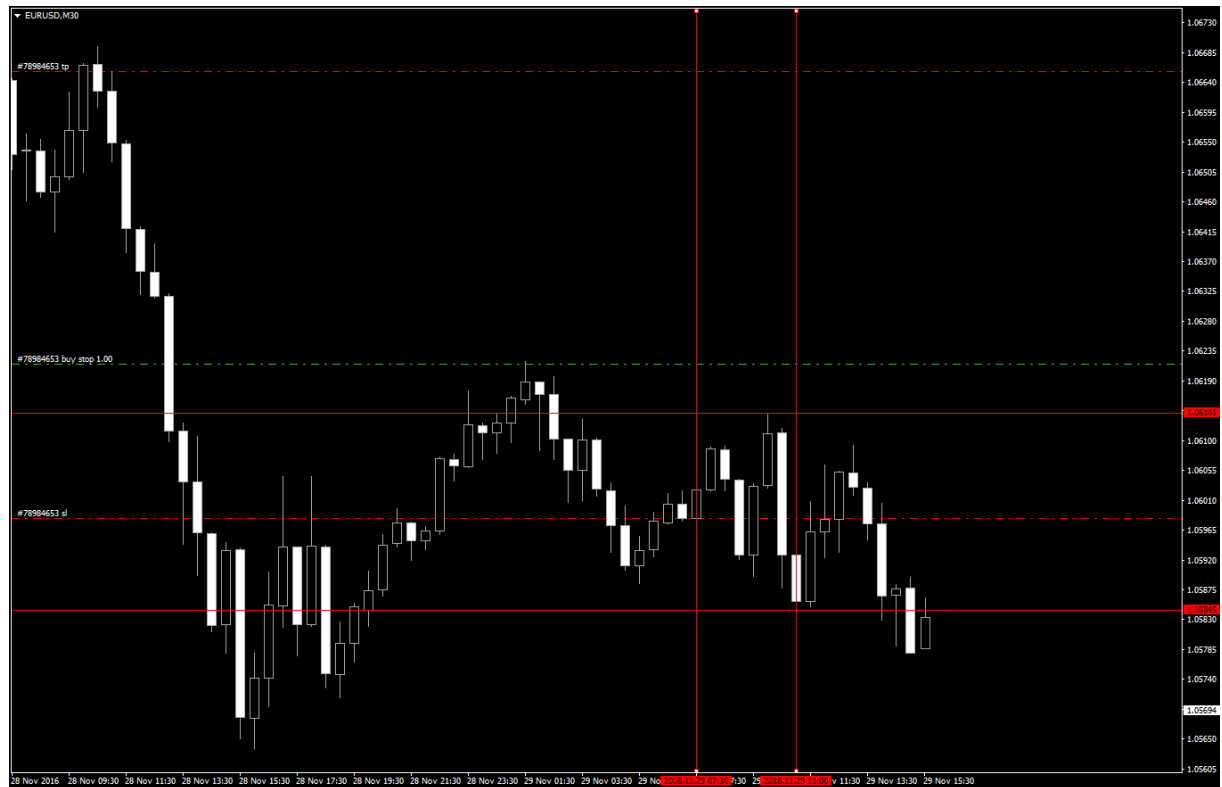
We count 8 candles back, not including the current candle.

We set the highest and the lowest price for this time period.

We enter those levels into the sheet.

We set a new pending buy order.

6. Advanced calculation of price levels.

Before you delve into this chapter, make sure you are very well acquainted with the basic principles of the system (calculating basic price levels – chapter '4').

The system can also be used to calculate the price levels for any period of time. This may be, for example, the European, Asian or American session.

We can calculate price levels based on a narrow consolidation range etc.

Example:
After opening the chart on early European session we can see that the Asian session took place in a very narrow price range.
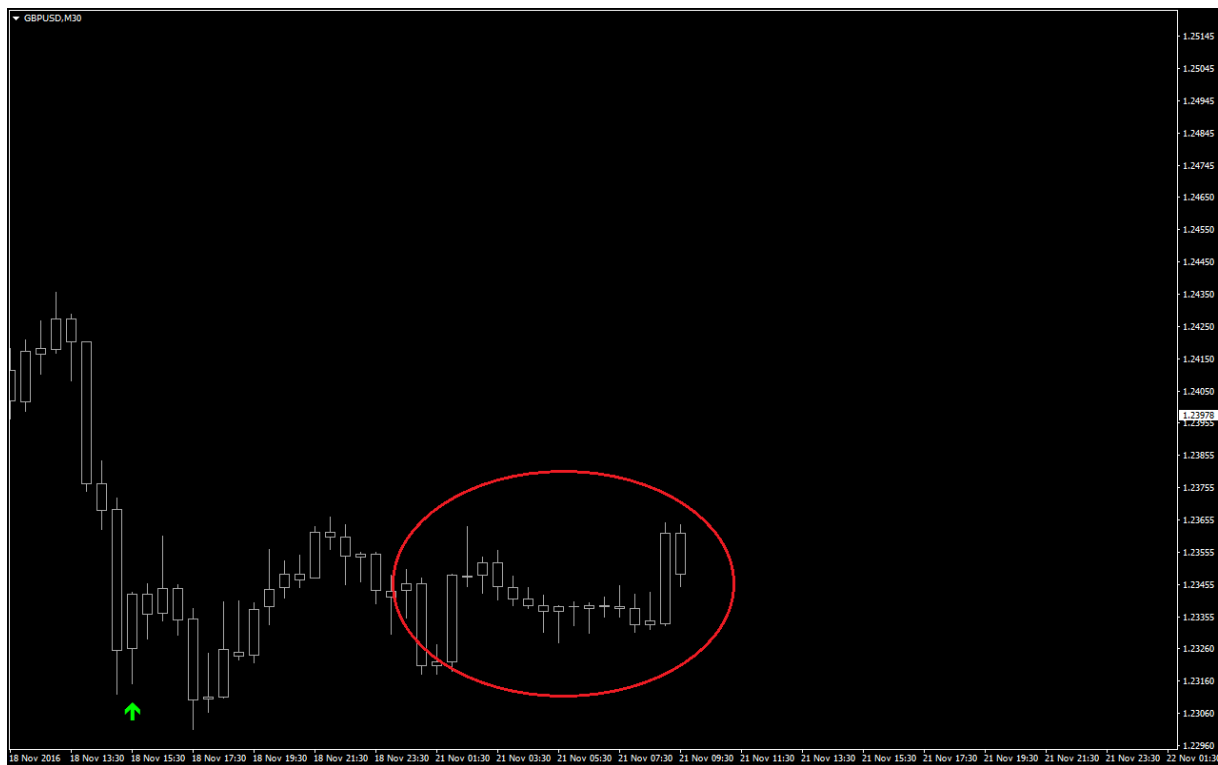
We mark this price range within Asian session and introduce highest and lowest price to the sheet.

As we can see on the previous chart currently we have a bull market (the last arrow is green), so we are interested in the left side of the sheet. We pick the most versatile mode (blue).

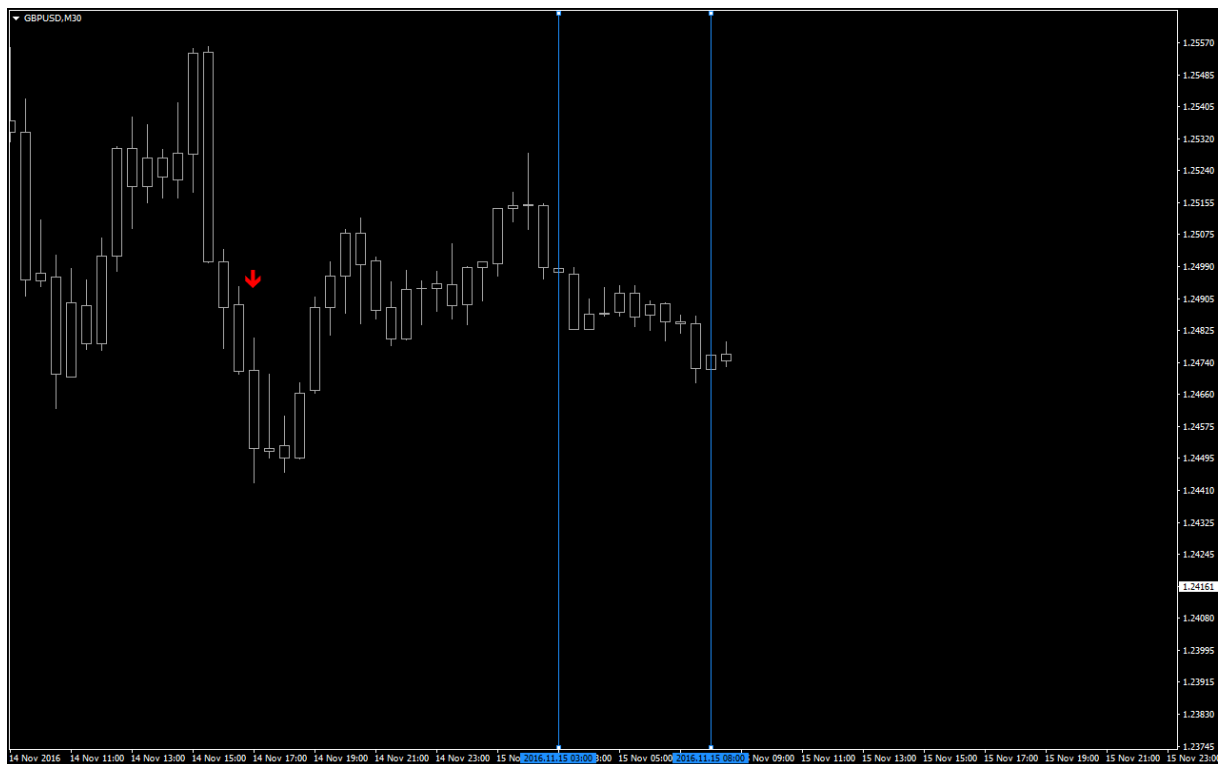The sheet shows us the following levels:
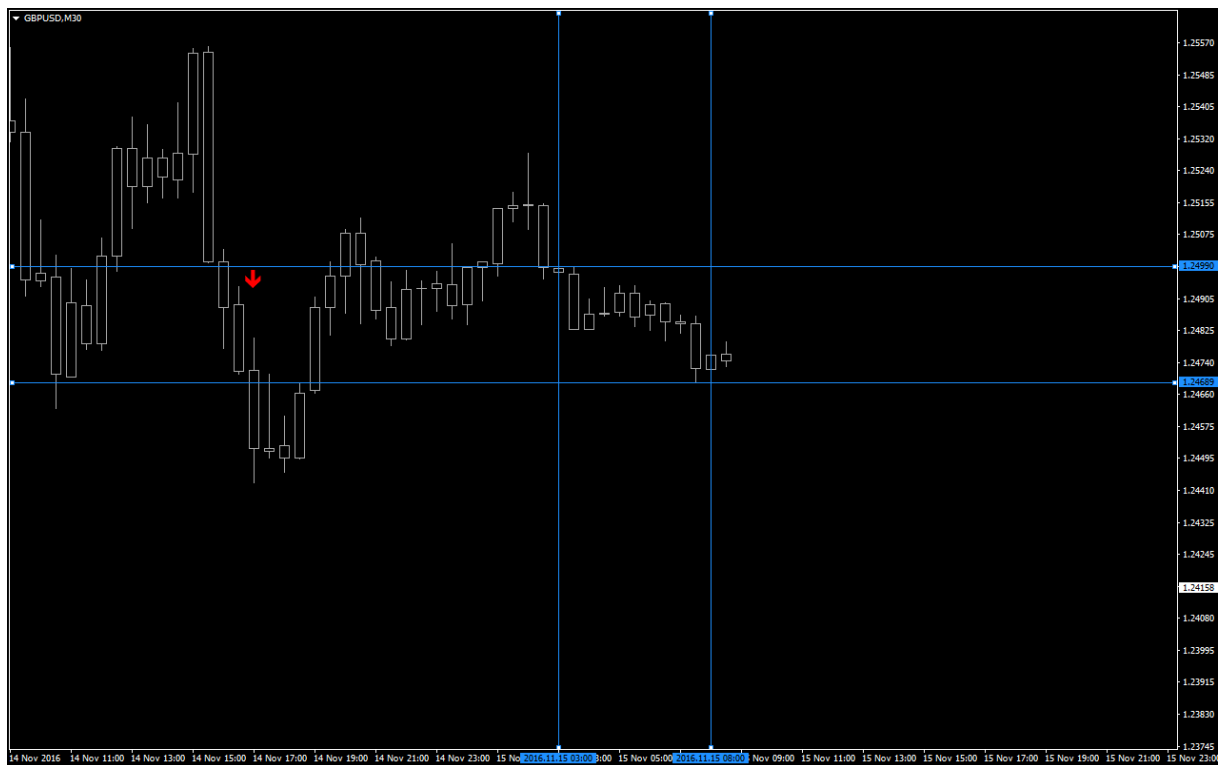
We set pending order.

Price hit take profit level

Trading the regular hours.

The system can also be used for trading with regular time periods. Let's say you start work at 9:00 am. So you can calculate levels every day based on the same period of time, for example, 3:00-8:00.

We mark 3:00-8:00 on the chart.

We set the highest and the lowest price for this time period.

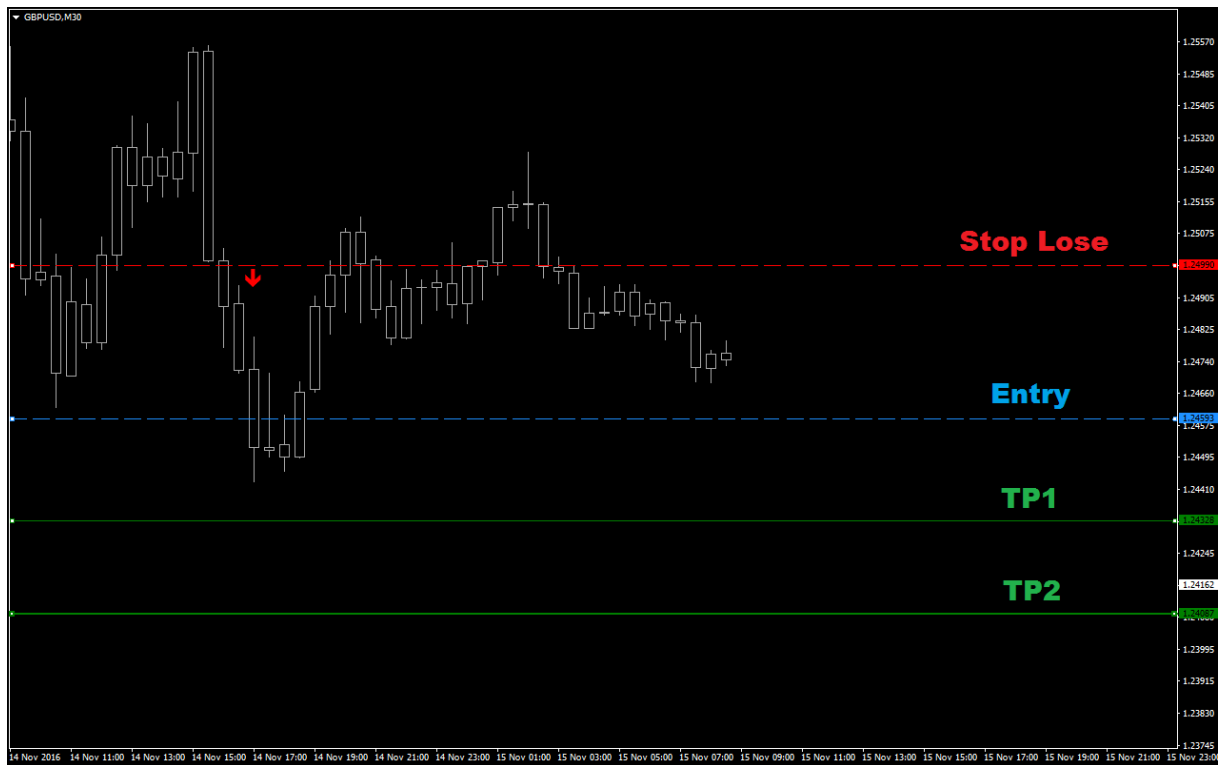We enter these levels into the spreadsheet.

As we can see on the previous chart currently we have a bear market (the last arrow is red), so we are interested in the right side of the sheet. We pick the safe mode (green).

The sheet shows us the following levels:
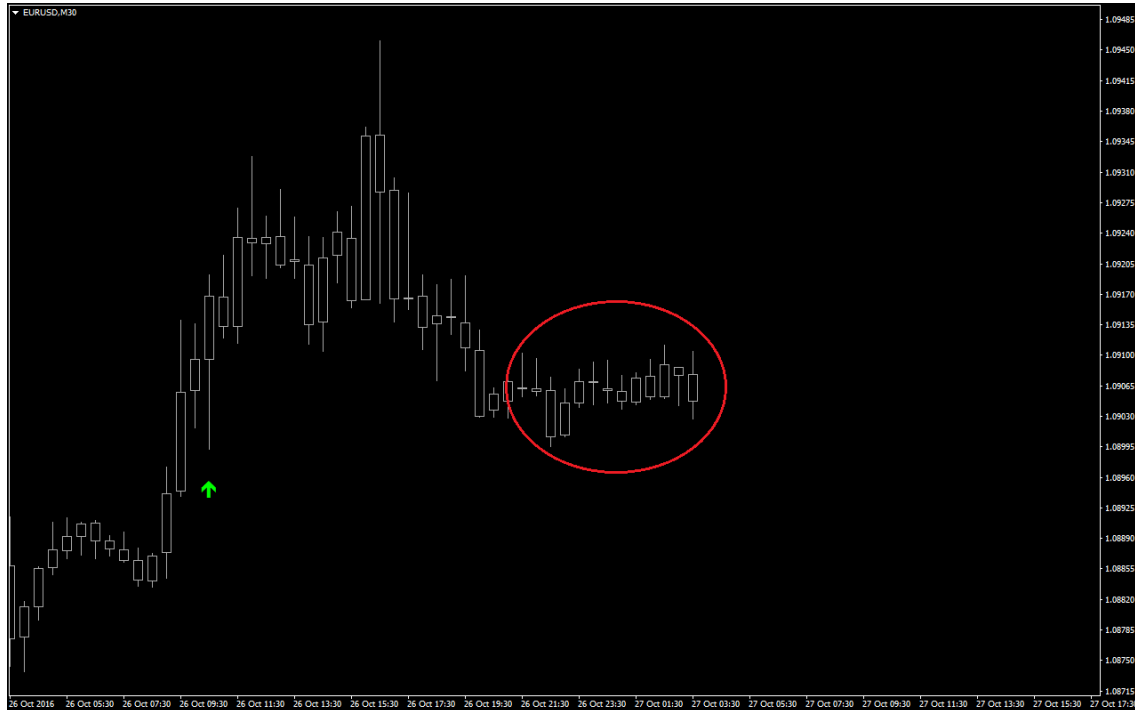
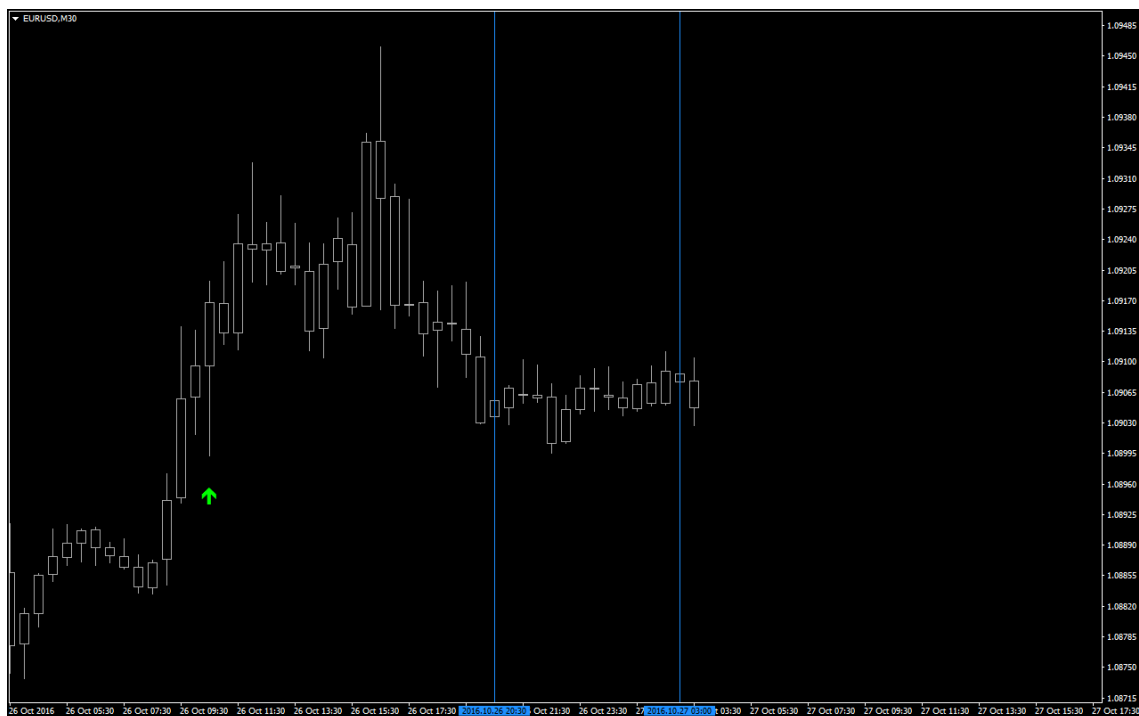We set pending order.

Price hit take profit level
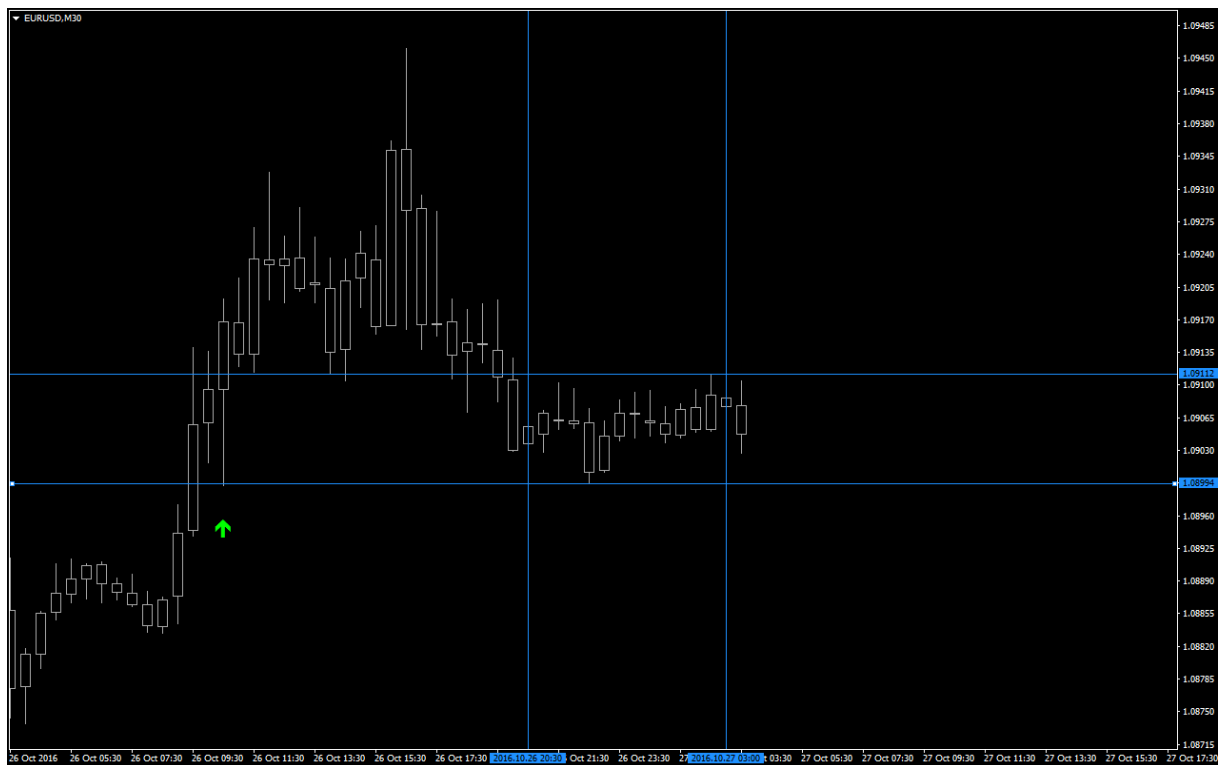
Trading from the narrow consolidation.

The system can also be used for any period of time when the price is in consolidation. The period when the price is in a narrow range is usually an excellent opportunity to join a further movement in accordance with the sentiment of the market.

Mark consolidation on the chart.

We set the highest and the lowest price for this time period.
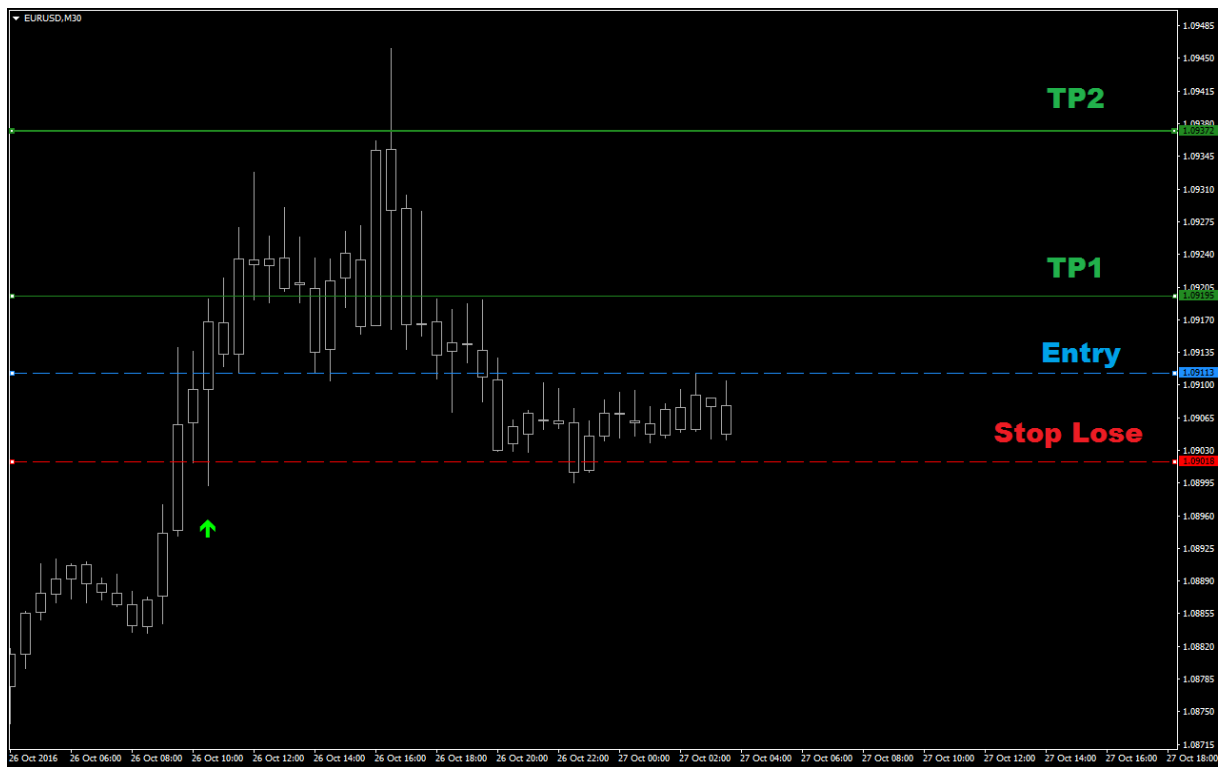

We enter these levels into the spreadsheet.

This time we are interested in aggressive trade, so pick the purple tab on the left according to the sentiment of the market (green arrow - bull market).

The sheet shows us the following levels:

We set pending order.

Price hit take profit level.

7. System summary

- Depending on the preferred risk and trading experience select the right trading mode (safe, normal, aggressive).

- Levels of TP1 and TP2 should be realized depending on the market conditions. For example, if the price moves rapidly, it is worth waiting for TP2 level. If the price moves reluctantly and often consolidates, consider the realization of a profit on TP1.

- As with any other technique, before each trading session it's good to check the calendar of economic news. If the market expects the high impact data, you should let go of the trading on the instrument to which they relate (eg. 'Red' data for GBP – do not trade GBP / USD pair).

-Try to open transactions on the main sessions (European / US session), when the market offers the greatest dynamics and try to avoid 'dead' hours (after main session close, or bank holiday).

- Take extra care on days when the market is expecting the highest priority data such as NFP, FOMC or ECB conference.

it may happen that the market will be very hesitant about the direction (you can easily notice that watching 'MarketGeometryTrend' indicator:. If it changes it's indication very often better to look for trade on other instrument.