

Finding profitable trading robots through a robust and
repeatable process

E.A. EVALUATION PLAN

Step 1 – Searching for EA's

- ⦿ The purpose of this phase is to wade through the endless marketing & demo accounts and determine which EA's are delivering real performance.
- ⦿ Key features to consider in EA's:
 - Trade on multiple pairs (not crucial but preferred)
 - Back test successfully (from an independent resource) over a variety of market phases
 - Risk Vs. Reward within my comfort zone (especially if system is martingale)
 - Does it hedge losing trades?
 - Timeframes – scalper, overnight, weekly holding periods
 - Entry type - Trend following, breakout, grid, etc.
 - Multiple positive feedback on forums
- ⦿ Tools/Resource:
 - www.forexpeacearmy.com
 - www.4xproject.com
 - www.forex-robots.com
 - Blogs of people on similar journey

Step 2 - Watching

- ◎ Once I have isolated the EA's most likely to succeed, I then watch the live tests and monitor feedback on websites.
- ◎ EA cannot pass to step 3 unless:
 - At least 1 independent test has doubled account
 - Forward tests match back test performance (drawdown %, win/loss %, etc)
 - Sufficient confirming reports appear on forums
 - Support from vendor of a satisfactory nature

Step 3 – Purchase and demo

- ⦿ Purchasing the EA to test is the first commitment of capital. I must be certain that research into the EA at this point is likely to yield profits. It is acceptable to pass on an EA or leave it in step 2 if it doesn't feel right.
- ⦿ Avoid high priced EA's (\$500 USD max)
- ⦿ Understand T&C's – Refund policy, etc.
- ⦿ Once acquired, test on demo accounts with same settings as per monitored demo to ensure consistency.
- ⦿ Monitor results in a weekly tracker, with standard metrics and open loss/drawdown (especially for hedging EA's).
- ⦿ Try to push it – test EA on more aggressive risk settings to validate performance/behaviour

Step 4 – Live test (Small \$)

- ⦿ This step is designed to weed out the difference between demo and live trading. Sometimes this difference can effects the EA's performance. The amount of money committed is pure risk capital and I am prepared to lose it (although that is not the intention).
- ⦿ Establish a small test account of ~\$250 USD.
- ⦿ Week 1 - Evaluate EA with same settings used on demo, however reduce risk
- ⦿ Week 2+ Return risk as per demo

Step 5 – Managing growth & risk

- Assuming the previous steps have resulted in a profit, I will manage the account & EA according to the rules below.
- Once live account > \$1,000 USD then withdraw 50% of profit each month. At this point, I care if I lose it.
- Once live account > \$5,000 USD then reduce risk. At this point I move to defence.

Other considerations

- ◉ Minimise work/keep a balance – this is not meant to take over my life.
- ◉ Maintain a tacking table of each EA's and where it falls in the steps, updating it weekly.
- ◉ Minimise logging into the VPS at every spare moment
- ◉ Keep good notes on each EA's settings/behaviour – it's easy to lose track and good as a back-up tool.
- ◉ All EA's to be hosted on VPS.
- ◉ Patience is a virtue – searching, watching and demo (Steps 1, 2 & 3) may take 1 year to complete.
- ◉ Repeat process regularly to ensure a basket of profitable EA's are maintained.
- ◉ Aim for a > 2:1 relationship between successful demo & account reaching \$1,000 USD