

Module 8: Automating the transactions

What makes the grid system attractive to many traders is that can be automated quite easily.

Please note that some broker accounts do not allow buy and sell transactions at the same time - if this the case you will have to open 2 accounts with the broker and use one for the sell transactions and the other for buy transactions.

Automating the GRID setup

To do this we use Entry orders (waiting orders) with preset Targets. This way a grid with preprogrammed transactions can be established which then requires less supervision. Normally one would make sure that there are transactions in place that cover between 500 and 700 pips above and below the current price.

Below is an examples of a Buy Entry order. [01/buy{/gallery}](#)

Below are examples of Sell entry orders. Please click on charts to increase their size. [01/sell{/gallery}](#)

Note no stop required and the differences between buy entry values and sell entry values to make the transaction occur at the same value. The differnece is the spread which in this case in 2 on the EUR

Click here to see the a typical grid setup:
[Typical Grid Setup](#)

The only action is for the trader to replace any Entry orders for transactions which have reached their target. So if a sell at 1.4500 reaches it target of 1.4402 it will be cashed in. Therefore there will no longer be a Entry order that sells at 1.4500 with a target of 1.4402 and we simply replace this order. This order can be replaced anytime before the price reaches 1.4500 again.

Automating the Cash in process when a group of transactions have the potential of being positive

One of the trading methods of reducing risk when trading the Grid system is to cash in all transactions, when the current group of transactions go positive. (See module 9 on how to trade trending markets). In order to automate this aspect we use stop orders to cancel unnecessary transactions.

EXAMPLE:

If we were to start a 100pip grid system we would enter a buy (Buy 1) and a sell (Sell 1) at any selected level. For this example let's use 1.0000. Now let's say the price moves 100 pips up to the next grid line at 1.0100. The Buy (Buy 1) will be positive and it will automatically be cashed in as we have set a target cash order (see above). The Sell (Sell 1) will still be open and be trading at a negative of -100. At this time a new buy (Buy 2) and a new sell (Sell 2) will automatically activate because we would set our grid up that way (again see above). At this stage the status will be neutral (Buy 1 = +100, Sell 1 = -100, buy 2 = 0 and sell 2 = 0).

Now there are 2 possibilities:

- > The price can continue upwards to the next grid line (1.0200)
- > or it can go down back to the starting grid line (1.0000).

We need to calculate the potential profitability in both cases.

If the price goes up to 1.0200 the status of the group of transactions will be -100 and there will be no need to cash in our group of transactions as we only do this when the whole group is positive:- (Buy 1 = +100 (cashed in), Buy 2 = +100 (cashed in), Sell 1 = -200 and sell 2 = -100)

If the price goes down back to 1.0000 the status of this group of transactions will be positive by +100 and we will want to cash in unnecessary transactions. (Buy 1 = +100 (cashed in), Sell 2 = +100 (cashed in), Sell 1 = 0 (back at it entry point) and buy 2 = -100 = Overall +100) Buy 2 is no longer required as we want to start a new group of transactions with only a buy and a sell at this level (1.0000) which would give a neutral start. Buy 2 is therefore an unnecessary transaction.

The way to automated the cancelation of Buy 2 if the price goes back to 1.0000 is to place a stop order on buy 2 when it is at level 1.0100 in anticipation of the price going down. (If the price goes up this stop is not affected).

Likewise it is important to know (by calculation) when and where to place stop orders when a group of transactions have the potential of going positive at anytime as the Grid system is traded. This comes very quickly with experience and in our alert service we pre-warn traders of these requirements.

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QUESTIONS OR COMMENTS REGARDING THIS MODULE

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