



Take Advantage of Explosive Breakouts

Forex Breakout System Manual

“Learn to Trade Forex like a Bank Trader”

“Bank Traders are Range Traders”

1	Introduction	pg 2
	A welcoming note from the authors	
2	The Breakout Trading System	pg 3
	The origins of signaling, the trading day and the breakout	
3	Installing the System	pg 6
	Our state-of-the-art installer, and adding the Expert	
4	Using the Expert Advisor	pg 8
	What the settings are and what they do	
5	Troubleshooting the Expert	pg 13
	When things don't seem to be working	
6	Using the Indicators	pg 14
	Learn, Test and Analyze	
7	Opening a Trading Account	pg 15
	When things don't seem to be working	
8	Conclusion	pg 18
	Success is a journey, not a destination	

www.forex-breakout-system.com



Welcome

Hi, my name is Dave, and I have been involved in the Forex market for quite a few years, but not in the way you'd think; my background is in Real-Time Systems Analysis and Development.

I work with a number of professional traders who teach me their systems, and I would automate, test and analyze their theories and assumptions. The reality is, to find 1 theory that is useful; we would have to test at least 100. The result of this exhaustive process would lead us, time and time again to a simple conclusion...

The simpler the theory, the more consistent the gains and it doesn't get any simpler than trading ranges!

Please take the time to read this manual; it contains a lot of useful information.

Dave

Description:

The Forex Breakout System can be traded manually. An Expert Advisor, or Trading Robot, has however been provided. This Expert Advisor, or EA, is an execution based Automated Trading System. This means that it is designed to execute your instructions based on your settings. This system does not come with predefined settings; you define the settings. The EA will place the orders, execute the trade and apply the money management rules that you have pre defined. So long as your computer is on and the EA is attached to your chart the EA will carry out your instructions everyday until removed or disabled.

Risk Disclaimer:

Forex in itself is a very risky business and is not suitable to everyone. Traders should understand that high or total loss of capital is possible if they do not understand what they are doing. It is important to understand all aspects of trading Forex before placing real money into the market. Leverage, gearing, pip value, swap rates and margin call require your full understanding. When trading with an Expert Advisor your computer is required to be on at all times. Delayed internet connections or total loss of connection will not allow the Expert Advisor to work. Though the Expert Advisor is an automated execution system it is best that you monitor it to ensure that your system is always on and functioning properly. This may affect the performance of the system or result in losses. Only trade with suitable risk capital. This means only trade with capital that you can afford to lose or will not influence your lifestyle if lost.

Acknowledgements:

By loading this Expert Advisor to your live account you accept that you have taken or wavered the opportunity to test the system on a demo account for a full month. You accept that you understand the dynamics of trading as well as all the associated risks especially those associated with using an Expert Advisor. You also accept and acknowledge that you are using the system to execute trades with your own predefined risk profile and settings. You also agree that claim shall be made to any parties or companies involved in the development of the Forex Breakout System EA in regards to any losses that you sustain in trading. *Should you not agree to the above mentioned, do not load the EA.*



The Breakout Trading System

To understand why breakout trading works, you'll need to understand what signaling is, and why it developed:

AN EXTENSIVE BODY of research in open economy macroeconomics has examined the impact of central bank interventions on exchange rate dynamics. Traditional explanations rely on fundamentals and rational expectations models of exchange rate determination to examine the effects of central bank interventions (Dominguez and Frankel 1983a, 1983b, 1983c)

A more recent strand of the literature investigates the market microstructure effects of central bank interventions (Peiers 1997, Naranjo and Nirmalendran 2000, Evans and Lyons 2003a, Dominguez 2003). Empirical market microstructure research notes that the failure of previous work to identify the impact of central bank interventions on exchange rates may stem from a lack of statistical power in studies that use data at more aggregated frequencies--a shortcoming that may be resolved by using higher frequency data (Evans and Lyons 2002, 2003b). **In particular, a drawback with using aggregate data at daily or weekly frequencies is that the empirical estimations fail to unravel mechanisms by which market participants assimilate information about interventions.**

Bank traders know exactly how this is done: they signal each other about their targeted movements for the day.

What is signaling

Signaling is a way of communicating information. Everybody signals, but not everybody is conscious of the form that the signals take, and once you recognize the signals, you will be able to choose how you will react.

Interbank traders cannot directly communicate their intent for a variety of reasons, but communication can be implied by actions.

For example, the act of firing a shell at the enemy but at the same time each day could be an attempt to communicate that the shell is not fired in earnest but purely for form. The soldiers receiving the regular and predictable shell fire can take precautions, such as keeping under cover at the same time each day, and thereby avoid casualties. In return, they could recognize the communication and conduct their patrols along the same routes each night, thus warning rival patrols from the 'helpful' shell firers not to stray into areas where they would have to be taken prisoner or, worse, shot at.

Both sides by their actions have informally 'communicated' their intent under the noses of the more conventionally belligerent of their safely distant commanders.

Such local pacts were in fact common place during the static trench warfare of the First World War, without the soldiers involved acting treasonably by direct communication with the enemy.

Can you see the similarities to the Forex Market? Can you see the differences? *(Realize that in this interbank war, you and I are no more than peasants and at best will considered collateral damage)*



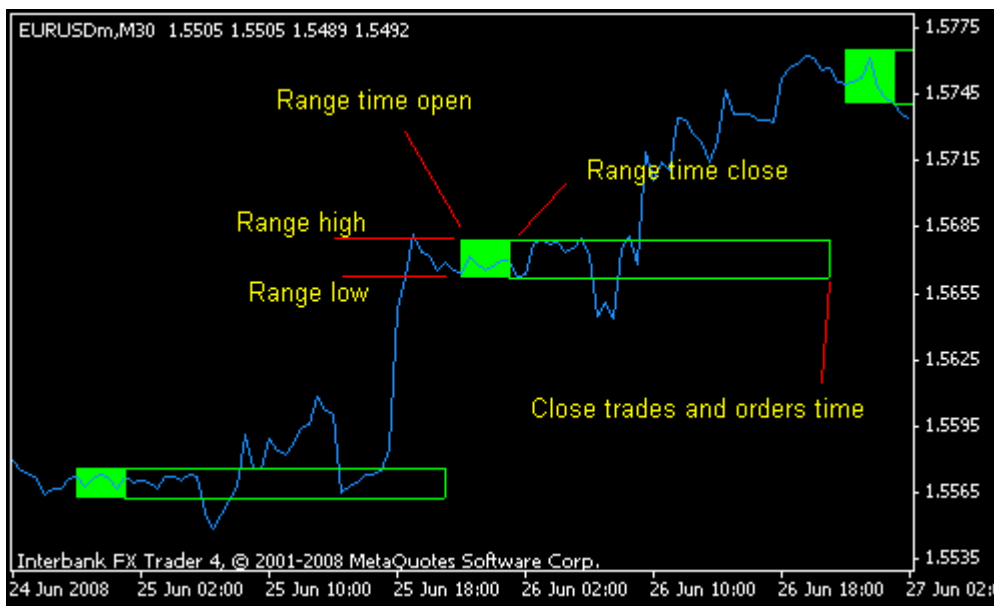
Signaling Times

The point to these signals is that they are not fixed and formulae based. *(If they were, it would exactly be covert communications would it?)*, but there is enough communication so that reliable information can be gathered and used to make a decision.

These signal times are the pre-market hours; the hours before the major markets open. They provide the information about the direction the market is going to take, and when that direction will be decided.

This information will help you to follow the market makers. Remember the Forex market is a \$3 Trillion Dollar a Day market – your trading isn't going to affect the market *(unless you work for a bank!)*

This will illustrate it more – *this is generated by the "FBS Breakout" indicator*



- The solid green box shows the pre-market times, and the high and low values reached during that time: the signaling
- The extension to the box shows the rest of the trading day.
- The blue line is the Bid line *(normally you would have candles, but this is done for clarity)*
- Quite simply, when the signaling range is breached, **follow the market**



The Trading Day around the World

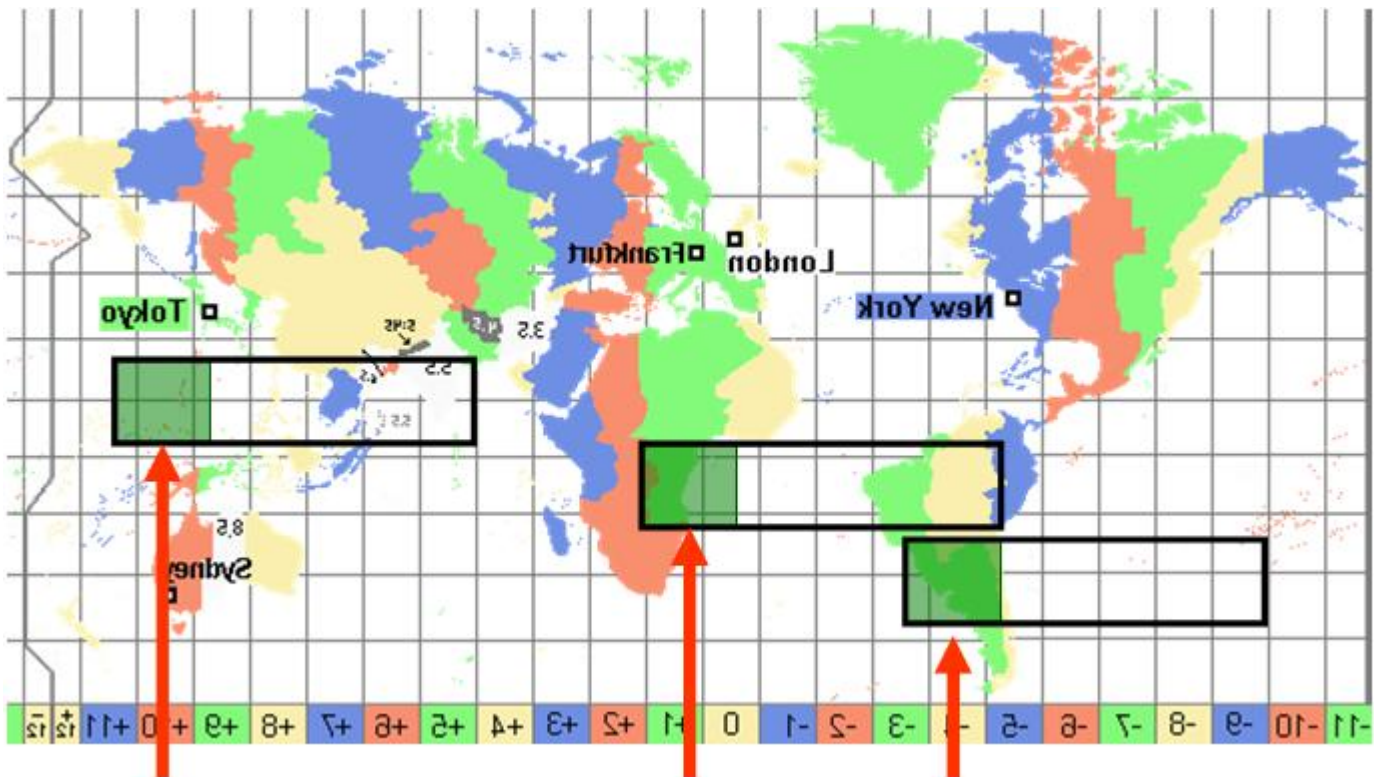
These signaling times occur at least 3 times during the trading day: The Asia/Tokyo market open The London market open and the New York market open.

Market	Pre-Open Time	Market Time
Asia	22:00 – 01:00	00:00 – 09:00
London	04:00 – 08:00	08:00 – 17:00
NY	10:00 – 14:00	13:00 – 22:00

all times are GMT

Without a doubt, we prefer to watch the Asia market open, but we are usually asleep at that time, that's why we developed the Expert Advisor.

One interesting way to look at the breakouts and the time zones is like this



(the chart times go from left to right, but the world turns from right to left, that's why we reversed the map!)

One very important thing to remember is that this is not a 100% accurate system, but, with good money management, it will result in consistently profitable results

The results on our website are from our live trading account – not a demo and not a back test. And they are just from London Breakout using 04:00 to 08:00 times.

I really hope that by this point you have had a “light-bulb” moment and you can't wait to see it on your chart.



Our State of the Art Installer

To make sure that you get the most out of the system as fast as possible, we've developed an installer that will do it all for you

To get this manual, you have already started the installer

The installer will

- Put all the manuals in an easily accessible point
- Register and authenticate your system
- Copy all the necessary files to the right directories



The installer will place all the manuals and other systems you need in the "Forex Breakout System" group under your "Programs" folder, to access it, click

"Start" à "All Programs" à "Forex Breakout System"

Here you will find the links to all the manuals provided and our File Copying and System Registration program called "MT4 Installer"

The MT4 Installer looks like this when you first run it.



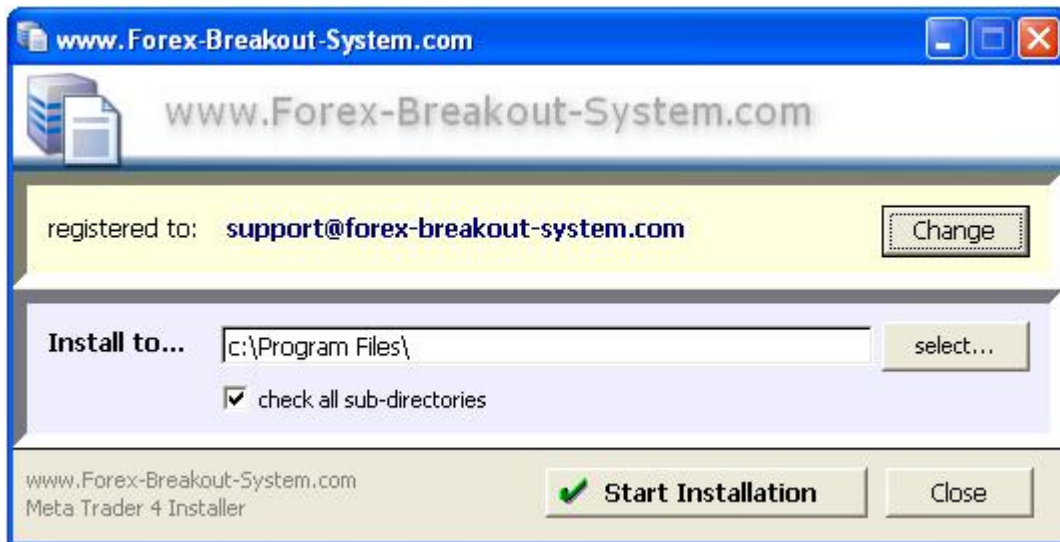
Make sure you enter the email address that you supplied when you purchased the system!

We've gone to great lengths to make sure that this system is only used by genuine license holders. You've paid good money for this system, and your part of society that knows that the value of education. "If you think education is expensive, try ignorance!" - Derek Curtis Bok

If you do experience any issues, don't hesitate to contact us.



At any point you can run the “MT4 Installer” this will help you to copy the necessary files to your MetaTrader 4 installations



By clicking the **“Start Installation”** button the system will automatically scan the sub-directory specified for Meta Trader installations, and copy the necessary files to the right folders – this might take a few minutes, depending on the size of your system!

After it has completed, you may need to restart your terminal to see the indicators and experts in the “Navigator” pane of your terminal.

This system can be run, as many times as you wish, existing installations will not be affected!

“Start” à “All Programs” à “Forex Breakout System” à “MT4 Installer”

It’s as easy as that!



Using the Expert Advisor

Attaching the Expert to a chart

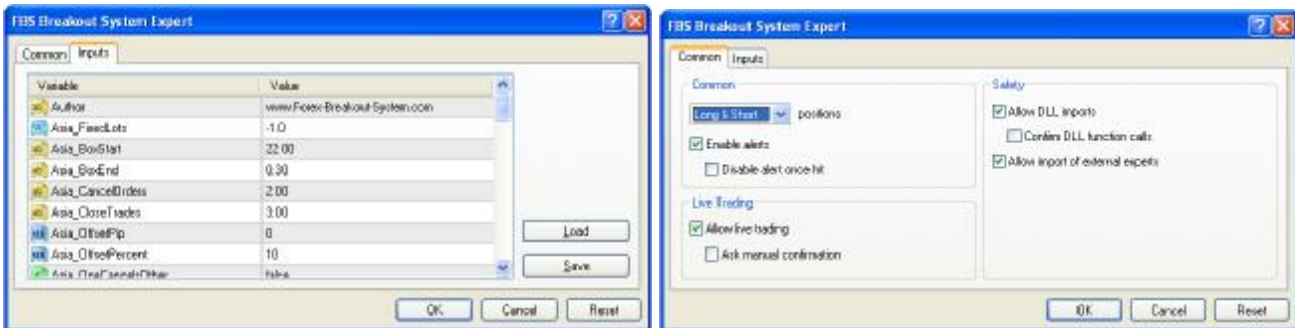
In your terminal window, you will see the “Navigator” pane (if not, press Ctrl-N)

Under “Expert Advisors” tree you will find
- **FBS Breakout System Expert**



Under the “Custom Indicators” tree you will find
- **FBS Breakout**
- **FBS Breakout Pivots**
- **FBS Candlestick Patterns**
- **FBS Fisher**
- **FBS Pivots**

To attach the expert to the chart, double click on it, or drag it to the chart, or right click and select “Attach to Chart”, as you do this a window will appear like this where you can change the settings...



What is important is that the “Allow Live Trading” and the “Allow DLL imports” is ticked.
(these settings use the defaults as defined under the menu “Tools” >> “Options” >> “Expert Advisors”)



What the settings are and what they do

The settings are divided into groups for “Asia”, “London” and “NY”, they all follow the same principles, and can be used at the same time. For clarity we will only discuss the settings for the “Asia” group.

Note	Setting	Default	Purpose
1	Asia_FixedLots	-1	The amount of lots to trade. <i>a setting of -1 will trade the minimum possible lots size for the account</i>
2	Asia_BoxStart	<i>specific</i>	The start time of the box for the signal range. <i>(blank deactivates)</i>
2	Asia_BoxEnd	<i>Specific</i>	The end time of the box for the signal range <i>(blank deactivates)</i>
2	Asia_CancelOrders	<i>Specific</i>	The time at which open orders will be cancelled
2	Asia_CloseTrades	<i>specific</i>	The time at which open trades will be closed
3	Asia_OffsetPip	0	The number of pips to adjust the signal range by
3	Asia_OffsetPercent	10	The percentage to widen the signal range by
4	Asia_OneCancelsOther	False	When an order is converted to a trade, what happens to the opposite
5	Asia_SL_OppositeSide	True	Where to place the Stop loss of the orders
5	Asia_StopLoss_Pips	0	Fixed pip value of the orders
6	Asia_Trailing_StopLoss_Pips	50	Fixed pip trailing stop
7	Asia_TakeProfit_Pips	0	Fixed pip Take Profit level
8	Asia_BreakEven_Pips	30	Fixed pip value to move the trade to breakeven
8	Asia_BreakEven_ClosePercent	50	Partially close the order when moved to breakeven
9	Asia_BoxColor	0	The display color of the box



Notes about the settings

Note	Description
1	<p>Lot Size</p> <p>This is the lots size to trade for each order. If you have a standard account 1 lot is 1 standard lot</p> <ul style="list-style-type: none">- If this value is zero, that group will not trade
2	<p>Range Times</p> <p>Range times are entered in the format HH:MM using 24 hour format e.g. 22:00 or 03:00 If the start time is greater than the end time, it is assumed to be for the previous day, e.g. 22:00 to 03:00 = 22:00 yesterday to 03:00 today.</p> <p>Cancel Orders time is the time after the specified range end time, as above. Close Trades time is the time after the specified range end time, as above.</p> <p>The times entered must be based on your broker's time. The times we have suggested are GMT. You must convert the times to your broker's time.</p> <ul style="list-style-type: none">- If the start time or end time is invalid, the group will not trade- If a cancel or close time is invalid, it is ignored.- The times must be appropriate for the chart time frame, e.g. 08:15 to 10:00 must be loaded on a 15 minute chart at most.
3	<p>Offsets</p> <p>This can increase or decrease the levels of the signal range where the orders are placed. A positive value increases the range, a negative value decreases the range A fixed pip value supersedes the percentage value. To use the percentage value, the fixed pip value must be zero.</p> <p>By default we add 10% to the signal range so we are not triggered by any re-tests of this range. It is useful as it directly links to the volatility of the pair.</p>
4	<p>One Cancels Other</p> <p>When you have orders on both sides of the range, if one order is converted to a trade, this determines if the opposite side order is cancelled, or left alone.</p> <p>The default is false as we prefer to make sure we catch any "double breaks" – sometimes one side is broken and can easily make 30 pips, before turning around and plummeting through the other side (as seen in the examples)</p>
5	<p>Initial Stop Loss settings</p> <p>You can have either a fixed stop loss, or it can place the stops on the opposite side of the signal range. See note 4 and the examples for more about this. The default is to use the Opposite side, and if this is true, it will override the fixed pip setting.</p>



6	Trailing Stop loss This is only activated when the trade is in profit by at least the size specified here. This is a ratchet type stop loss adjustment, and is only adjusted in the direction of the trade. This works well with the breakeven settings and close partial settings to catch the big moves (see the examples)
7	Take Profit Pips This is a fixed pip Take profit setting Default is zero as we believe that it can reduce the profitability, but remember, nobody ever went broke by taking profits. See the examples and note 6 and note 8
8	Break Even Management When the trade is in profit by this value in pips, the trade will be moved to breakeven, that is the stop loss is moved to the entry price, making it a “free trade”. You also have the option to partially close the trade at this point The default is to take 50% after 30 pips, this allows us to easily catch the break, bank some profit, and wait for the big move with our “free trade” portion, and it protects us from the “double break” scenario (see note 4) This is where the real benefit of this Expert is. When this is used with the trailing stop, you can bank a part of the trade, and leave it to catch any subsequent big moves (see examples and notes 4,6,7)
9	Asia Box Color you can specify your own color here, or let the system use the default

Experts always do exactly what you tell them to do, even if it is not what you want them to do. Understand the settings, and the expert will do exactly what you want it to do.

Practice with the settings on a demo account before you go live, you must be confident in your knowledge before going live.

If you look again on the website, you can see exactly how the settings would have behaved for the three examples given there.



Example Setups

Using the indicator to show the different options

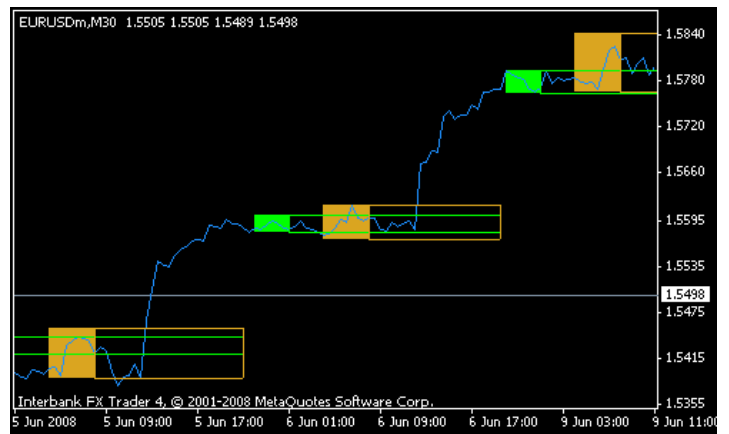
This picture is of a single box with no offset pips.



Example of a range box with offset pips of 15.



Example of two range boxes.



The settings used to get the results shown on the statement on the website we achieved those results using only GBP/USD between 4am GMT and 8am GMT with a 40 Trailing Stop Loss and a 40 Take Profit.

The purpose of this indicator is to give you the tools to be able to do your own back testing to find highly profitable ranges.



Troubleshooting the Expert

As much as we think it should work all the time, every time, these little tips will help when it doesn't seem to be working properly.

Without a doubt, the 3 areas that are 80% of all reported problems are

1. No lot size specified, or incorrect lot size specified

either it is still set to zero, or, the lots size is not acceptable for trade (e.g. 0.001 lots is too small for the broker)

2. Invalid start and end times specified

with out these time entered correctly (HH:MM format in 24 hours e.g. 01:30 or 08:00 or 17:00) we can do nothing, and nothing will happen!

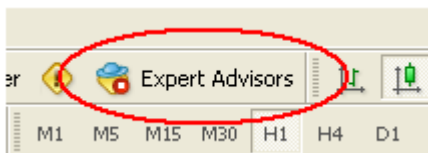
3. Incorrect chart time frame for the times specified

we know that data can be gathered from other chart timeframes, but we have had intermittent errors using this approach, that is why we have insisted that the current chart contain the data that is appropriate for the times specified

this means that is a time of 08:15 is specified it needs to be on a 15 minutes chart or lower (by lower we would mean a 5 or 1 minute chart). The chart period must be applicable for all time provided in all of the groups (Asia, London and NY)

Any other appropriate information will be given in the "On Screen" log display

The other thing that can stop the Expert's functionality is general terminal settings (see page 8 for details) , make sure you have a "smiley face" in the top right hand corner of your chart.



DISABLED



ENABLED

IMPORTANT NOTE

The EA cannot be placed on 2 or more charts of the same currency pair.

Meta trader provides no way for us to distinguish the same pair on different charts and they will conflict with each other. This is why we provided entries for the Asia, London and NY times on a single EA. **You can place the EA on more than 1 chart, so long as the currency pairs are different!**



Using the Indicators

In addition the Expert Advisor we have provided you with additional value by providing 5 indicators.

Two of the indicators, the “FBS Pivots” and the “FBS Fisher”, are freely available from our website and have their own manuals, please read through them, as they contain useful information particularly relevant to these advanced.

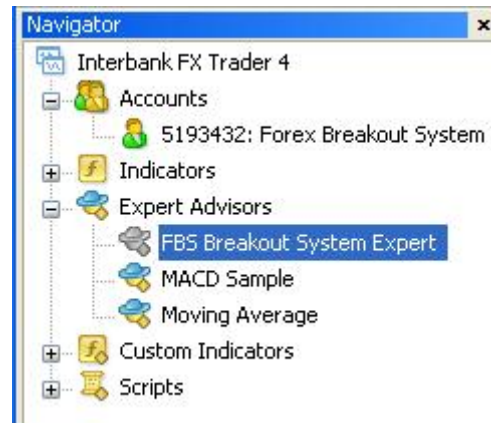
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Under the “Custom Indicators” tree you will find

- **FBS Breakout**
- **FBS Breakout Pivots**
- **FBS Candlestick Patterns**
- **FBS Fisher**
- **FBS Pivots**



To attach the indicator to the chart, double click on it, or drag it to the chart, or right click and select “Attach to Chart”, as you do this a window will appear like this where you can change the settings...

(if you have any licensing issues, please run the “MT4 Installer” described on page 7.

Indicator – “FBS Breakout”

This indicator copies the exact same functionality as the expert, but it does not make any trades!

Using this, you can experiment with various range times and offset values.

Indicator – “FBS Pivots” & “FBS Breakout Pivots”

The “FBS Pivots” is a free indicator with its own manual, and shows the daily pivot values.

The “FBS Breakout Pivots” is an indicator that calculates the pivot values for the signaling range. Understand how to use pivots from the manual, can you will see how uncanny this indicator is at showing support and resistance levels after the signaling range!

Indicator – “FBS Candlestick Patterns”

Unique to FBS. This indicator will show 1,2,3,4 and 5 day reversal and continuation patterns. The system can recognize 68 pattern formations and displays their name and psychology. Just place your mouse over the indicator for the information.

Combine western technical’s with Japanese Candle sticks for a real trading advantage



Register your account

FX-Revolution is the preferred place to trade the EA. The accounts are opened with Interbank FX **through** FX-Revolution. Accounts opened through FX-Revolution are able to be monitored for success and will also benefit from information sharing regarding the system and certain system setting results. FX-Revolution runs tests on various settings every month and will be sharing the results with the FX-Revolution members.

To open an account please use the following links:

To open a live or demo account please go to www.fx-revolution.com

Once you have completed the demo registration form you will be e-mailed a link to download the software. Click on “Run”. The software will begin to install itself and present you with a page such as the one below.

Open an Account

Personal details
To open an account, please fill out all the following fields:

Name: min 6 chars

Country: State: min 2 chars

City: min 2 chars Zip code: min 3 chars

Address: min 6 chars

Phone: min 6 chars Email: name@company.com

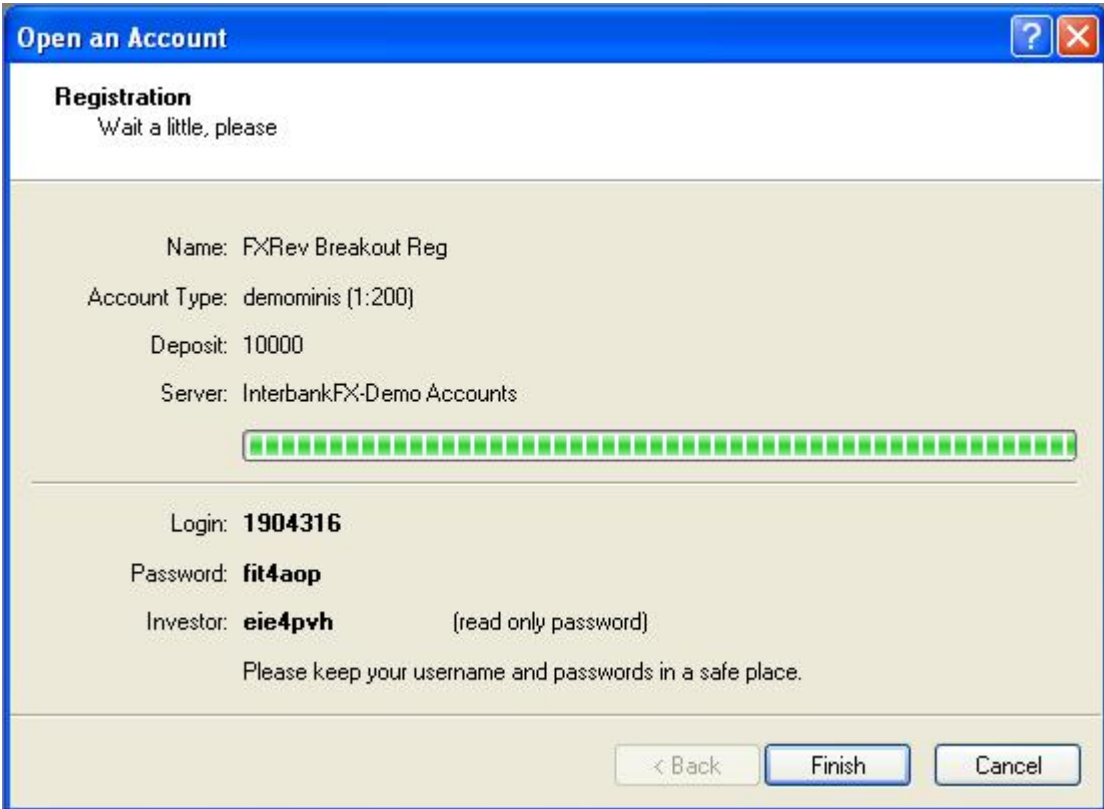
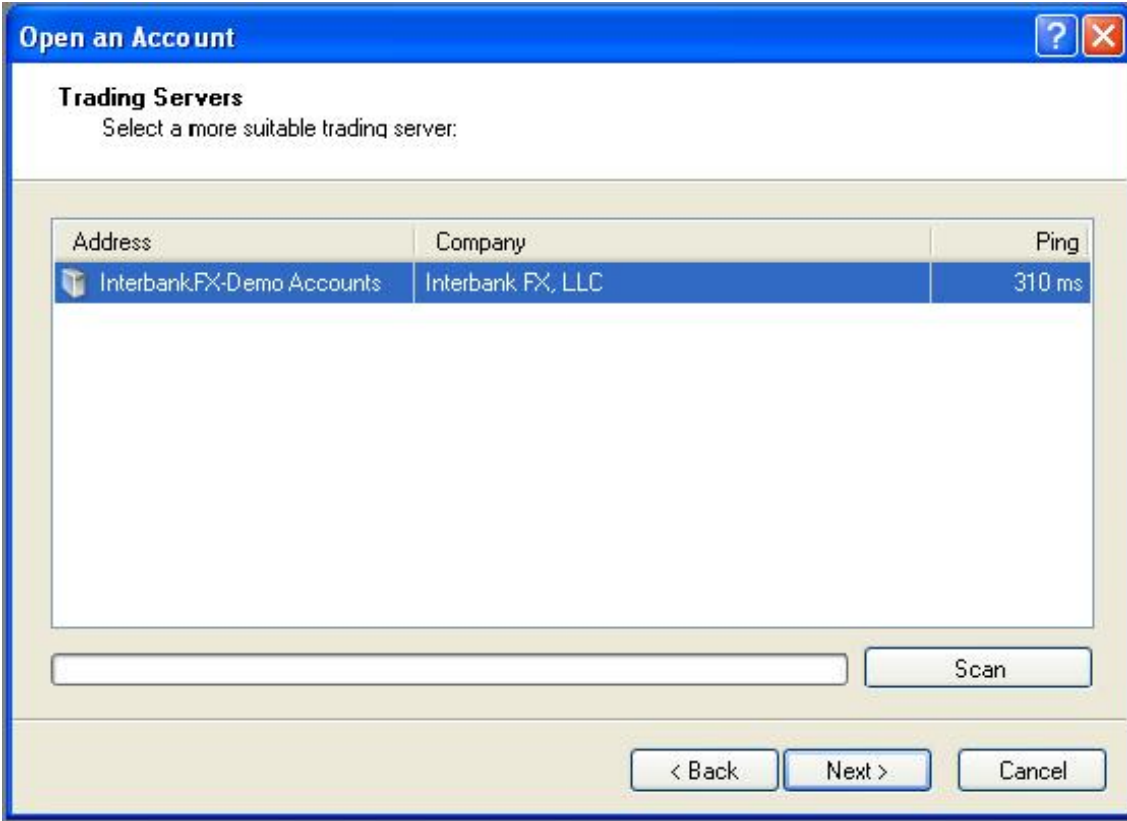
Account Type: standard Currency: USD

Leverage: 1:200 Deposit: 10000

I agree to subscribe to your newsletters

< Back Next > Cancel

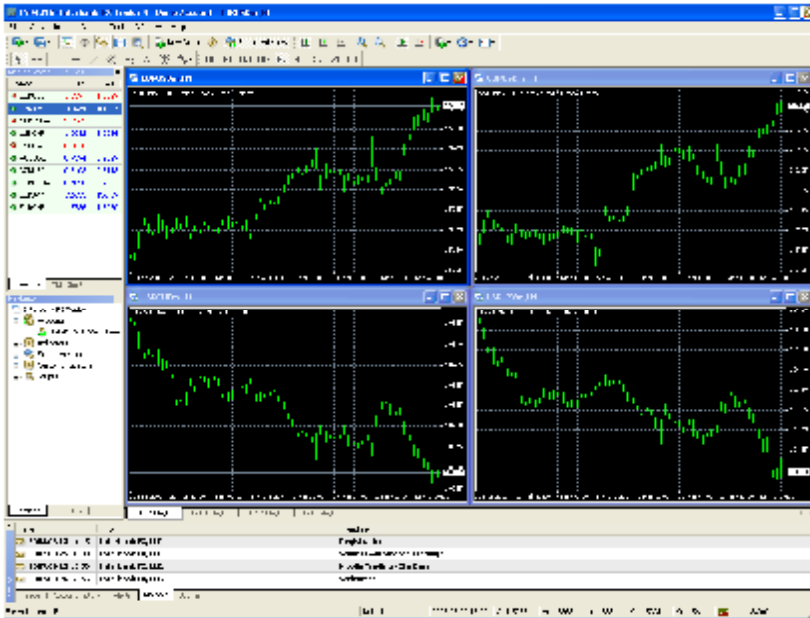
Complete all the required fields highlighted in red. In the “**Account type**” select mini or “**standard account**”. Choose the amount of money you would like to run the test on in the “**Deposit**” section. Click on the “**I agree**” section. The “**next button**” should now appear and can be clicked. If the next button has not appeared then you have not entered in the required information correctly.



Click on “next” to allow the software to locate the server and test the connection. If the connection is successful you will be generated a username and password as shown in the picture below. You can jot



it down if you want to however you will be able to retrieve it later within the system. You can now click on "Finish".



Time	From	Headline
2008.03.13 14:45	Interbank FX, LLC	Registration

Registration

From: Interbank FX, LLC
Date: 2008.03.13 14:45
Subject: Registration

Dear FXRev Breakout Reg!

Thank you for signing up.
An account has been opened for you with the following parameters:

Name : FXRev Breakout Reg
Email : rene@fx-revolution.com
Login : 1904316
Password : fit4aop
Investor : eie4pvh (read only password)

Interbank FX, LLC
3165 South Millrock Drive, Suite 200



Conclusion

We are all different. Traders across the globe trading the breakout system need to find settings that suit them best. Some traders that we know only go for 15 pips on the breakout. Others look to go for 100 pips profit. There are also a few that believe that keeping the trade in the market all the way until the next range time is the best way to maximize the trade potential. This is the very reason that we designed the FBS Breakout indicator. The indicator is going to help you find the ranges that suit you. You can load it on as many demo accounts as you like.

I think you have more than enough to keep you busy for now. Enjoy the software and please share your success with us. The Forex market is big enough for all of us and I believe strongly in sharing and encourage you to do the same.

Trade safe, enjoy the software, tell your friends and have fun!

Yours sincerely

Dave & the Forex Breakout Team

support@forex-breakout-system.com

www.forex-breakout-system.com



Take Advantage of Explosive Breakouts