



Trend Following
traders

AI-Powered Data & Quant
Trading Community

TREND FOLLOWING IN 2026

DIRECTIONAL AND QUANTITATIVE TRADING
WITH ARTIFICIAL INTELLIGENCE

STEFANO MASTRIA

2026

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Chapter 1

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Based on content from the Trend Following Traders YouTube channel and over 15 years of experience in the forex market.

Chapter 2

Foreword

My name is Stefano Mastria, and I have been trading in the forex market since 2009. In 2014, I created the **Trend Following Traders community**, with the purpose of forming work teams to improve my assets and to enable all members to create new and better ones.

Over more than 15 years of activity, I have developed several trading methods, both for medium and long-term operations with Trend Following, and for short-term objectives with the Cash Method. I have always believed in the value of **planning and research** as the central node of the business.

1 The Leap in Quality

This ebook tells the story of an important evolution in my journey: the integration of Artificial Intelligence and quantitative trading into my market approach, while keeping firm the principles of directional trading that have accompanied me from day one.

It's not about abandoning what works. The Trend Following principles I have always taught – cutting losses, letting profits run, managing risk – remain fundamental. But today I have tools at my disposal that allow me to take all this to a higher level.

The result is a **dual-track approach**: on one side, directional trading with the Cash-AR 2026 Method and its 5 signals; on the other, automated quantitative trading with StrategyQuant and a system of Expert Advisors that operates 24 hours a day. Two souls of the same project, united by the same philosophy: **small and precise stops, high returns when the market allows**.

2 Artificial Intelligence as an Accelerator

Artificial intelligence deserves a chapter of its own. I designed many of the tools described in this ebook several years ago, without ever being able to develop them. I hired developers, I involved other traders to support me, without achieving anything concrete.

Today, thanks to **Claude Code**, I have been able to develop on my own in a few weeks what would have previously required years and a dedicated team. The Power Tool for balance control, the data analysis platform, the TradingView indicators, the quantitative strategy management system: all of this was born from the integration between my trading expertise and artificial intelligence's ability to translate ideas into working code.

I'm not a die-hard fan of artificial intelligence. I recognize it as a great tool, like a knife: it can be used for good or evil. But in our field, acquiring specific expertise in the use of this tool will give us an **enormous competitive advantage** in the coming years. It is on this advantage that the work described in these pages is founded.

3 The Three Competencies of the Modern Trader

Anyone approaching this path must develop three fundamental competencies:

1. **Trading competency:** understanding markets, reading charts, interpreting liquidity behavior, managing risk. Without this foundation, no tool can help.
2. **Competency in using artificial intelligence:** learning to dialogue with AI to develop tools, analyze data, automate processes. You don't need to be a programmer; you need to know what to ask and how to ask it.
3. **Competency in data analysis:** collecting, organizing, and interpreting data to make better decisions. The ability to have data and analyze it has always provided a great strategic advantage in trading – an advantage that was previously available only to large funds.

4 Why This Ebook

I share this information for the same reason I have always shared my work through the Blog, YouTube, and the Community: **to attract motivated people** to study and improve their trading, willing to collaborate together.

I could have developed all this to use exclusively in my private sphere. Instead, I chose to put it in the community, so that you can use it too and perhaps start a discussion, share strategies, and do group work useful to everyone.

This is not a path for everyone. It requires:

- Patience in the research process
- Discipline in applying systems
- Open-mindedness toward new tools
- A healthy, mature, realistic approach

As Larry Williams said, **trading is like a foreign language**: it requires commitment and continuity to be learned. If you are willing to bring these qualities to the table, the information contained in this ebook will be useful to you, at least as much as it has been for me.

5 The Path of This Book

The book is structured in five parts that follow a logical path.

In **Part I** you will find the basics: how Trend Following works, how to read bar charts, Dow Theory applied to the study of liquidity, the 4 phases of a trend. These are the foundations on which everything else is built.

Part II is dedicated to directional trading: the Cash-AR 2026 Method, its 5 signals, reaction points, trading decisions, and money management. It is the heart of the manual operations I have practiced since 2009.

Part III tells the story of the transition to quantitative trading: how to go from trader to money manager, how to configure StrategyQuant for automated strategy research, and the three-phase journey from backtest to real production.

Part IV explains the role of artificial intelligence: Claude Code's three functions for trading, the Power Tool for balance control, the data analysis platform, and the quantitative strategies database.

Part V looks to the future: the community as a collaboration tool, the partners we work with, and the vision of a competitive advantage built on expertise, data, and artificial intelligence.

Work more in the planning and research phase, to work less and better in the operational phase.

<https://TrendFollowingTraders.com/blog>

Chapter 3

How Trend Following Works

1 Trend Following: Trading on Reality

Trend Following is a trading approach that exploits large market variations. It is neither better nor worse than other methods: it is simply different. It is the approach I chose in 2009 and which, with due evolutions, I continue to practice and teach in the community.

The basic idea is simple: markets go through phases where liquidity moves decisively in one direction, creating trends that can last days or weeks. Trend Following aims to catch these trends, managing with discipline the periods when the market does not offer clear opportunities.

It's not about predicting where the market will go. It's about **observing what the market does** and reacting accordingly. As I often say: we don't have to invent anything. The market itself tells us what to do, through liquidity movements, technical confirmations, the signals it produces to function. Our job is to learn to read them.

2 Trend Following vs Short-Term Trading

To understand Trend Following, it's useful to compare it with short-term trading.

In **short-term trading**, you expose a risk to realize a profit with a market variation similar to the risk exposed, during the same day. The goal is to capture quick movements, limited in time and amplitude.

In **Trend Following**, the mechanism is different. You expose a contained risk – a small and precise stop – to access a potentially much larger profit. But to obtain this profit, you must give the market time. The profit is built over days, sometimes over weeks.

The fundamental difference lies in the **relationship between risk and time**. Short-term trading seeks immediate results with risk proportional to return. Trend Following accepts giving more time to the market, knowing that when the opportunity generates a trend, the profit will be many times greater than the risk exposed.

Neither approach is superior to the other. Each has its own advantages and challenges. But Trend Following, by its nature, lends itself to more structured risk management and a decidedly asymmetric risk/reward ratio.

3 The Asymmetric Risk/Reward Ratio

The central principle of Trend Following can be summarized as follows: **small and precise stops, high returns when the market allows.**

This concept deserves attention because it represents the heart of the entire approach. It's not about being right more often than being wrong. It's about making sure that when you're right, the profit is much larger than the small expenses accumulated when things don't go as planned.

In practical terms, on a market like gold dollar, a stop of 100 dollars can give access to a profit of 2,000, 5,000 or even more, when the market develops a trend with supporting liquidity. The risk/reward ratio can reach 1:10, 1:20, sometimes 1:30.

This doesn't happen every time. In fact, most of the time the market doesn't develop the expected trend and the operation closes with a small expense. But when the right opportunity comes – one loaded with liquidity, with Large Traders supporting the movement – a single profit can compensate for many small expenses and generate a high net result.

As **Larry Williams** said: *"We cannot control the market, but we have full control of risk."* Expense control is the real secret to earning in financial markets. Profits need time to mature; to give the market time, you must manage risk with precision.

4 The 3 Levers: Risk, Time and Capital

The asymmetric risk/reward ratio is not an abstract concept. It translates into practice through the balancing of three fundamental levers: **risk, time and capital**.

The same trading opportunity can be managed in very different ways. Depending on how we balance these three levers, we can create **asset variants** with opposite characteristics: assets that produce with greater continuity, or assets that produce higher but less frequent profits. The choice depends on each trader's objectives and needs.

Let's take a concrete example. A weekly congestion on euro dollar develops 4 to 8 times per year and can generate medium-term profits up to 300 pips, or long-term profits up to 500-700 pips. With a stop of 100 pips and a capital of 25,000, we can build two very different variants:

300 pip variant: the profit matures in 15-20 days. It occurs about 4 times per year. When the market develops wide trends, performance is high. In years without significant trends, expenses accumulate.

150 pip variant: the profit matures in 5-8 days. It occurs 5 to 10 times per year. Single performance is lower, but frequency is much higher.

Which variant works better? Data over multiple years of history shows a counterintuitive truth: the 150 pip variant – the one with more contained profit – produces results **4 years out of 5**. The 300 pip variant, more ambitious, produces only **3 years out of 5**. All things considered, a more frequent profit pays more than a higher but less consistent profit.

The lesson is clear: don't chase the great annual performance. Aim for **reliability over time**. The value of a trading plan is not in the single extraordinary performance, but in the ability to produce results consistently, year after year.

The three levers are **intimately connected** to each other. As Larry Williams teaches, time is the most powerful ally, and we can have it by controlling risk. If we have the ability to control risk – zero it out beyond certain thresholds – we can give the market all the time needed to develop the trends that generate profit. To access trends you need time. To leverage time you need to manage risk. The circle always closes there.

5 The 4 Operational Phases

Trend Following is not improvised. It requires a structured process in four phases, similar to that of a hedge fund.

5.1 Phase 1: Research

The research phase aims to study **low-risk recurrences**: events that repeat in markets and that give access to sufficiently wide trends. These events are studied, catalogued, data is collected to ensure the trader competitive and above all low-risk work.

In our community, research is a continuous activity. We collect data on how markets behave in different time slots, how they react to certain price levels, which technical configurations offer the best probabilities of success. This work of data collection and analysis is what allows us to operate with an edge.

5.2 Phase 2: Planning

Planning work serves to study **asset variants** and find the right management approach. Once trading opportunities have been identified in the research phase, the optimal plan must be built to profit consistently.

In professional settings we talk about **trading plan** and **financial asset**, not “trading strategy” – a more common and somewhat more retail term. The distinction is not just terminological: it reflects a different approach to work, where every detail is planned before operating.

5.3 Phase 3: Management

When implementing a management for the first time, thanks to the preventive planning work, the trader is able to obtain results from the first year. But management in the real market inevitably brings to light problems that had not emerged in the planning phase.

Every day you work, generate a profit or incur small expenses. **Daily reporting** work is fundamental: it serves to understand the **gap** between what the market and the strategy allowed and what the trader was actually able to do. This is how you understand where to improve.

5.4 Phase 4: Optimization

Optimization serves to apply corrections: both for the trader's **application** problems and for the plan's **design** problems. Usually you work at year-end to ensure competitive management year after year.

These four phases are not a linear path that is completed only once. They are a **continuous cycle**: research, planning, management, optimization, and then research again. The work to stay competitive never stops. You don't learn one thing that sustains you for life. Those who approach the sector often arrive with a completely wrong idea of how this activity works.

6 Working Like a Hedge Fund

In the community we work similarly to a hedge fund: **plan every detail before operating**. This means dedicating most of the time to the research and planning phase, to work less and better in the operational phase.

The approach is structured on multiple levels. Monthly and weekly charts serve to determine the strategic perspective and long-term targets. Daily charts serve to define the operational context. The 5-minute time frame is the level where you actually operate.

This **top-down approach** – from the primary trend to operational timing – is the same used by professional managers. The difference is that today, thanks to technology and artificial intelligence, even a single trader can equip themselves with the necessary tools to operate with this level of rigor.

The result is an operation focused on **few events, at the right moments**. It's not about sitting in front of charts all day looking for signals. It's about knowing exactly what to look for, where to look for it, and how to manage it.

7 The Event-by-Event Path

Trend Following builds profit through an **event-by-event path**. It is essential to understand how this path works, because it defines the daily reality of this activity.

The forecasting techniques we use – based on the study of liquidity, Dow Theory, bar charts – allow us to find valid opportunities. But we must be aware of the **forecasting limits**: it is not possible to profit every time.

Here's how the path works:

1. **Unsuccessful event**: the market doesn't develop the expected trend. Thanks to management techniques, a small expense is always ensured – a small and precise stop that limits the loss.
2. **Unsuccessful event**: another small expense. A step forward toward the next opportunity.
3. **Successful event**: the market develops a trend with supporting liquidity. The profit is wide – many times greater than the risk exposed.

The net result of this path is positive: small expenses accumulate slowly, but profits, when they come, are sufficiently wide to cover all expenses and generate a high net return.

Without a trend, however, it is not possible to profit with this approach. Trend Following depends entirely on the market's ability to develop significant directional movements. When the market stays in range, small expenses accumulate while waiting for the next opportunity.

8 The Masters and Theoretical Foundations

My approach to Trend Following has been profoundly influenced by some great authors and a theory that I consider the foundation of my way of operating.

Van Tharp was fundamental in understanding that forecasting work alone is not enough. It must be completed with **management**. Management techniques – position sizing, risk management, discipline in execution – are what transforms a good trading idea into a concrete result. His teaching can be summarized as follows: it's not the trading system that makes the difference, but the way you manage it.

Larry Williams taught me the value of **risk control**. His phrase – *"We cannot control the market, but we have full control of risk"* – is a principle I apply every day. Williams also compared trading to a **foreign language**: it requires commitment and continuity to be learned. There are no shortcuts.

Joe Ross taught me to **trade on reality**. Not on expectations, not on predictions, but on what the market actually does. His pragmatic approach – observe, react, manage – is at the foundation of how I operate and teach in the community. From Joe Ross I also learned to demand the **best of the best** from the market, even with a touch of positive arrogance: don't chase opportunities, but demand only optimal conditions.

John Murphy, with his book *Technical Analysis of the Financial Markets*, remains a fundamental reference. One of his phrases has accompanied me for years: *"If we dedicate ourselves to learning from the past, we will understand the future."* It is the deep meaning of the research work we do every day.

8.1 Alan Andrews' Action and Reaction Theory

A special place in my journey is occupied by **Alan Andrews' Action and Reaction Theory**, which I studied through **Patrick Mikula's** book, *Technical Analysis Systems Based on Trendlines*. Mikula reports what Andrews explained during his courses in the '60s and '70s, and what he describes is very interesting: the possibility of finding **repeating events** in markets that produce reactions with a certain degree of reliability.

Andrews' theory is at the foundation of my trading. From it I developed three operational methods that I use in the community:

- **DTA** (variable distance levels): the bridge between theory and practical operation. A mother oscillation is analyzed on the daily timeframe to reveal the progression with which the market develops small-range channels, which anticipate wide-

range channels.

- **DTR** (fixed distance levels): equidistant levels that intercept the frequency with which the market propagates. The **pivots** that develop on these channels are the key: they indicate reaction points where the market changes direction.
- **DTF** (Andrews pitchfork): the classic tool of the theory, used to contextualize trends and subdivide channels into intermediate structures.

From the DTR method I then developed the **Cash Action-Reaction Method**, which represents the most recent evolution of my approach to short and medium-term directional trading.

All three methods seek the same thing: the **frequency with which the market propagates**. Different approaches, same fundamental conclusions. It's not necessary to master all three: specializing in one is enough to have a concrete operational edge.

These authors and theories did not invent secret techniques. They codified principles that work: **cut losses, let profits run, manage risk, trade what you see, not what you think**. Principles simple in formulation, difficult in daily practice.

Trend Following doesn't promise easy gains. It promises a structured approach, based on risk management and discipline, that produces results over time. Like any professional activity, it requires study, practice, and constant commitment to stay competitive.

<https://TrendFollowingTraders.com/blog>

Chapter 4

Technical Analysis: Reading Bar Charts

1 The 4 Main Bars

Bar charts are the fundamental tool for studying context and anticipating wide market variations. Liquidity behavior emerges from chart details, and to read it we must know four main bars: the **Trend Bar**, the **Pivot Bar** (or collapse bar), the **Inside Bar** and the **Outside Bar**.

Each of these bars tells us something precise about liquidity: whether it's present, absent, stationary, or whether the market is in a chaotic condition. With these four pieces of information we can understand if Large Traders are supporting the development of a new trend, or if it's time to stay out.

2 The Trend Bar: Confirmation of Supporting Liquidity

The Trend Bar is the most important bar. It's the one that **confirms the presence of liquidity** supporting a directional movement.

It has a repetitive and easy-to-identify behavior. Two characteristics define it:

1. **It always configures reduced profit-taking**, within 33% of the previous bar, maximum 50%. As Dow Theory explains – which we'll explore in the next chapter – a trending market always develops contained profit-taking before continuing. If profit-taking is short, it means Large Traders haven't cashed their positions: there's still interest in developing the trend.
2. **It only exceeds the high of the previous bar** (in an uptrend) or **only the low** (in a downtrend). It doesn't do both. This information will be useful in operational management.

Trend Bars don't appear isolated. **They work in groups**: a trend segment is formed with 2-3 trend bars, most of the time. After 2-3 bars the segment reaches exhaustion and profit-taking begins.

When a Trend Bar **closes beyond a group of bars** – what we call congestion – and also configures reduced profit-taking, we have solid confirmation: there's supporting liquidity and there's potential to anticipate a new trend.

3 The Pivot Bar: Lack of Liquidity

The Pivot Bar, or collapse bar, is the opposite of the Trend Bar. It indicates **lack of liquidity**.

The mechanism is this: Large Traders move price beyond key points – beyond a congestion, beyond a significant level – in search of liquidity. It's a form of manipulation: they're looking for other operators willing to support the movement.

If they find liquidity, the bar closes beyond the level and profit-taking remains reduced. Large Traders maintain positions to support trend development. In this case we have a Trend Bar.

If they **don't find liquidity**, the attempt fails. The market variation beyond the bar group is followed by a collapse: Large Traders withdraw liquidity at day's end. This is the **Pivot** – a collapse that tells us there's no potential to exploit.

The distinction is clear:

- **Trend Bar** = presence of liquidity = potential to exploit
- **Pivot Bar** = lack of liquidity = no potential to exploit

4 The Inside Bar: Stationary Liquidity

The Inside Bar indicates that **liquidity is stationary**. Large Traders aren't building anything at that moment.

When we detect an Inside Bar, we determine the boundaries of the **mother bar** – that is, the last available Trend Bar – to understand what Large Traders are doing. The Inside tells us we're waiting: the market hasn't taken a direction yet. The mother bar boundaries become our reference point to understand when liquidity will start moving again.

5 The Outside Bar: Chaotic Behavior

The Outside Bar is the bar that indicates **lack of clarity**. There's no direction, market behavior is chaotic.

The rule is simple and admits no exceptions: when we see Outside behavior, **we're always out of the market**. You don't operate in chaotic conditions. You wait for the market to show readable behavior again.

6 Trend Bars in Groups: Segments

As we've seen, Trend Bars work in groups. A **trend segment** is formed by 2-3 consecutive trend bars. This is data that confirms itself by studying past charts on any market and any reference time frame.

When we read a segment that has reached the third bar, we know it's in an **exhaustion phase**. From that point we start waiting for the corrective phase: the profit-taking that follows the segment and will give us the information needed to understand if the trend will continue.

After the trend segment, the in-trend collapse (the pivot), and then profit-taking. If these are reduced, we prepare to catch the new trend. If they're too wide, the trend is exhausted.

7 Discovering Large Traders' Moves

The big picture is this: Large Traders move **most of the liquidity** in markets. Our job is not to compete with them, but to understand what they're doing to operate in the same direction.

If they're supporting trend development, we hook on and follow the movement. If they're stationary, we're stationary too. If the market shows chaotic behavior, we stay out.

Bar study provides us with the tools to read liquidity behavior. The Trend Bar confirms there's a movement in progress. The Pivot warns us the attempt has failed. The Inside tells us we're waiting. The Outside tells us not to operate.

These are few elements, but sufficient to understand a bar chart and to make operational decisions consistent with what the market is actually doing. It's not about predicting: it's about **observing and reacting**.

Reading bar charts means reading liquidity behavior. Four bars, four pieces of information. The simplicity of this approach is its strength: few elements, but clear and reliable.

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Chapter 5

Dow Theory and Liquidity Behavior

1 Dow Theory Applied to Forex

Dow Theory is one of the most powerful tools available to traders. It explains many useful topics for understanding financial markets, but we focus on one specific aspect: the **profit-taking that develops before a new trend**.

The principle is simple: a trending market always develops **reduced profit-taking** before continuing in the same direction. By studying past charts – on any market and any reference time frame – you realize this is indeed the case. It's not an abstract theory: it's observable and repetitive behavior.

John Murphy, in his book *Technical Analysis of the Financial Markets*, offers an excellent explanation of Dow Theory. It's a reference I recommend to anyone who wants to delve deeper into this topic. His phrase – *"If we dedicate ourselves to learning from the past, we will understand the future"* – summarizes the deep meaning of the work we do every day.

2 Profit-Taking as a Large Trader Signal

Why does profit-taking tell us so much? Because it reveals Large Traders' behavior – the operators who move most of the liquidity in markets.

A trend develops because Large Traders supported its development. When the trend segment reaches exhaustion, someone cashes positions: this is when profit-taking develops.

Now, the crucial point: **how much do they cash?**

If profit-taking is **reduced**, it means Large Traders haven't cashed positions significantly. They're still intending to develop the trend, to support trend development to reach a greater profit.

If profit-taking is **too wide**, it means they've cashed positions. The trend is exhausted. The liquidity that supported it is no longer there.

By reading these details we're able to understand how the market is configured and we can correct our management: take greater profit when there's greater potential, cash out when potential vanishes. Of course you act **beforehand**: when we detect profit-taking that's too wide, it's already late. The profit is already being taken away.

3 The 33% and 50% Threshold

Dow Theory provides precise parameters for measuring profit-taking:

- **Within 33%:** liquidity is solid. Large Traders haven't cashed significantly. There's strong potential for developing a new trend segment.
- **Between 33% and 50%:** liquidity is still supporting, but with less force. There's still potential, but context must be evaluated carefully.
- **Beyond 50%:** liquidity has been balanced. Those who supported trend development have cashed out. The trend is exhausted and a possible trend reversal is configured.

These thresholds are not arbitrary. They emerge from systematic chart study and confirm themselves with surprising regularity. After obtaining liquidity confirmation – a Trend Bar closing beyond a congestion, as we saw in the previous chapter – we measure profit-taking against that bar. The measurement takes a few seconds: just open the chart and verify where profit-taking falls relative to the just-concluded trend segment.

4 Strategic Time Frames

To correctly apply Dow Theory, we must use the right reference time frames. Not all charts are read the same way.

Monthly charts: indicate the **primary trend**, the direction of most liquidity. It's the highest level of analysis, the one that defines the long-term strategic context.

Weekly charts: provide the **strategic context** of medium term. Within a monthly bar, multiple weekly bars develop forming entire market cycles. Reduced profit-taking on weekly indicates the possibility of new development on monthly.

Daily charts: show **liquidity behavior day by day**. It's the operational level where daily profit-taking is measured and management decisions are made.

Intraday charts – for example 5-minute – are a completely different dynamic and must be treated differently. They don't mix with analysis on higher time frames.

5 The Top-Down Approach: From Primary Trend to Operational Timing

Analysis always develops **from top to bottom**. You start from the highest time frame and descend to have increasingly precise timing.

On **monthly** you determine primary trend direction. On **weekly** you study strategic context: how market cycles are developing, where profit-taking falls, what price pattern is forming. On **daily** you evaluate liquidity behavior and make operational decisions.

It's the same approach used by professional managers and large funds. The difference is that today, thanks to technology, even a single trader can apply this level of rigor efficiently.

The objective is clear: **limited risk**, entering and exiting at the right times. You operate when strategic context is favorable and liquidity confirms direction. You stay out when context doesn't offer adequate conditions.

6 Studying Liquidity in Daily Practice

In daily practice, applying Dow Theory follows a structured process that develops through **progressive clues**.

The **first clue** emerges from studying daily charts in the morning. Profit-taking is measured against the previous day's bar. The evaluation takes a few seconds: you open the chart and determine if there's supporting liquidity, if there's a clear direction. Profit-taking within 33-50% confirms liquidity is still there. Profit-taking that's too wide indicates it's been cashed.

The **second clue** comes from overnight data. Overnight data provides a very clear indication of how liquidity moved during the night. This is particularly useful on markets like dollar/yen, which move decisively even in overnight sessions.

The two clues together determine the operational decision. When overnight data shows a strong liquidity push, you work with a breakout signal. When overnight data indicates weakness – a more chaotic, less clean market – you work with an internal pullback. These are two different tools for different conditions. The decision-making process is based on data, not expectations.

Dow Theory applied to Forex doesn't require complex tools. It requires the ability to measure profit-taking with precision and the discipline to act only when data confirms the presence of supporting liquidity. It's a work of observation and patience.

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Chapter 6

The 4 Phases of a Trend and Trend Structure

1 The 4 Phases of a Trend

A trend does not develop linearly. It always consists of **four phases** that alternate cyclically:

1. **Trend segment:** this is the phase where the market moves decisively in one direction. It develops with 2-3 trend bars – as we saw in previous chapters – and represents the moment when liquidity is active and Large Traders are supporting the movement.
2. **In-trend collapse (pivot):** after 2-3 bars, the segment reaches exhaustion. The market tries to continue but doesn't find sufficient liquidity. A pivot occurs – a collapse that signals the temporary end of the directional movement.
3. **Corrective phase (profit-taking):** this is the moment when some operators cash their positions. Profit-taking develops and we measure it to understand if the trend is still alive or exhausted. As Dow Theory explains: profit-taking within 33-50% indicates the trend will continue; beyond 50%, the trend is exhausted.
4. **Counter-trend collapse:** this is the transition point. If profit-taking is reduced, a new trend segment in the same direction starts from here. If profit-taking is excessive, the market reverses and a new trend begins in the opposite direction.

These four phases repeat regularly on all markets and all time frames. Studying them means having a clear map of where we are within a trend and what to expect.

2 Active Phase vs Passive Phase

The four phases are divided into two distinct operational moments:

The **active phase** is the trend segment. It's the moment when the market moves, liquidity is present, and we can look for operational opportunities. The active phase of a primary trend lasts 2-3 bars. When we read a segment that has reached the third bar, we know it's in an exhaustion phase and we start waiting for the correction.

The **passive phase** is the corrective phase. It's the moment when the market corrects and we are stationary – exactly like Large Traders. During the passive phase our task is twofold:

First thing: detect profit-taking to understand if the market is still in trend. If profit-taking is reduced, there's still potential. If it's too wide, the trend is exhausted.

Second thing: study the **price pattern** forming in the corrective area. The pattern gives us information on how the trend is developing and allows us to establish a strategic perspective.

During the passive phase you wait and study data. During the active phase you operate. The trader who confuses these two moments – who tries to operate during the passive phase or doesn't study during correction – compromises the quality of their work.

3 Price Patterns and Objectives

The price pattern that develops in the corrective phase determines the profit objectives of the next active phase. This is data that emerges from systematic chart study and confirms itself regularly.

Congestion with less than 5 weekly bars: this is the most common pattern in trending markets. It produces profit objectives between 300 and 500 pips in the active phase. It's a pattern that offers a good balance between profit amplitude and realization frequency.

Ross Hook (or similar pattern): this is a corrective phase that reacts quickly. The market corrects little and restarts immediately. The objective is more contained – about 300 pips – but the speed of reaction indicates strength. Joe Ross codified this pattern in his books and remains an important reference for those operating with Trend Following.

Congestion with more than 5 weekly bars: this is the pattern that anticipates the widest trends. When the market accumulates for a prolonged period, the next active phase can generate movements up to 1,200 pips. These are the least frequent but most profitable opportunities.

The price pattern also provides another fundamental reference point: the level beyond which it's possible to confirm liquidity presence. When the market exceeds that level with a Trend Bar and reduced profit-taking, we have confirmation that Large Traders are supporting the development of a new trend.

4 The Equilibrium Band in the Forex Market

In the forex market there's a concept that must be understood to correctly contextualize trends: the **equilibrium band**.

The equilibrium band is the historical area within which trends develop. The Central Bank has the task of ensuring exchange rate equilibrium within this area. We read the boundaries of this band on the monthly chart and work within it.

The market rarely exceeds the historical highs and lows of the equilibrium band. It only does so when something truly important happens – major economic or geopolitical events. Otherwise, trends develop within these boundaries.

This gives us a long-term strategic context: we know within which limits the market tends to move and we can calibrate our expectations accordingly. A trend approaching the equilibrium band boundaries has less room to continue. A trend starting from the center of the band potentially has much more room.

5 Round Levels and Liquidity Confirmation

Round levels – round numbers like 1.1000, 1.1500, 2,000 on gold – are key points where the market reacts more frequently. They are levels where Large Trader liquidity concentrates and where confirmations or failures of directional movements often develop.

Liquidity is confirmed beyond a key point: a round level or the high of the most significant trend bar. When the market exceeds a round level with force – with a Trend Bar closing beyond, accompanied by reduced profit-taking – we have solid confirmation of supporting liquidity presence.

Round levels, trend study, individual bar behavior, and price patterns: together, these elements close the circle and allow us to anticipate a trend with few but reliable tools.

6 Multi-Timeframe Market Cycles

The four phases of a trend are observed on every time frame, but the relationship between time frames is what makes analysis truly powerful.

A **monthly market cycle** is formed by a trend segment of 2 monthly bars. Within each monthly bar, multiple weekly bars develop forming entire market cycles: trend segment, collapse, profit-taking, restart.

The process replicates in cascade: within weekly bars, daily cycles develop, and within daily ones, intraday cycles develop.

The operational approach exploits this multi-timeframe structure:

- **Monthly:** primary trend direction and position within the equilibrium band are determined.
- **Weekly:** market cycles, price patterns, and profit-taking are studied to establish strategic context.
- **Daily:** liquidity behavior is measured day by day and reaction points are identified.
- **Intraday** (5 minutes, 1 hour): this is the level where you actually operate, seeking precise timing to enter with limited risk.

Each time frame tells the same story seen from a different perspective. The four phases repeat on each of them. The key is reading higher time frames to understand context and descending to lower time frames to find the right moment to operate.

This approach – from monthly to intraday, from broad to precise – is what allows operating with limited risk and awareness of where we are within the market's broader structure.

The four phases of a trend are the language with which the market speaks to us. Learning to recognize them – knowing if we're in an active or passive phase, if profit-taking is reduced or excessive, what pattern is forming – means having the tools to operate with method and patience.

<https://TrendFollowingTraders.com/blog>

Chapter 7

The Mental Approach to Trading

1 Trading is 50% Technique and 50% Psychology

Trading activity is **50% technical approach and 50% psychological approach**. This is a concept I repeat often, inspired by Van Tharp's book *Super Trader*, and it represents a fundamental truth for anyone operating in markets.

A trader with a strong, valid, competitive psychological approach will be able to produce results even with a poor trading strategy. The opposite is not true: the best trading strategy in the world, in the hands of a trader who hasn't prepared sufficiently from a psychological standpoint, won't work.

This statement may seem provocative, but it reflects evidence I've observed over more than 15 years of activity and that all great traders confirm in their books. Technique can be learned. The discipline to apply it every day, managing emotions and negative thoughts, is the real challenge.

2 The Mind as a Garden

Our mind is like a **garden**. If we neglect it, weeds will grow. We must learn to recognize those weeds – negative thoughts, expectations, emotional interference – to uproot them before they compromise our work.

A neglected garden leads to imprecise actions that don't generate profits. A psychological approach carefully tended in every detail simply produces better quality actions. Nothing more, nothing less.

The actions we implement are the result of what we've thought. **If we think well, we'll do well. If we think badly, we'll do badly.** Caring for the psychological approach means caring for our **internal dialogue**: what we think every day when implementing the actions planned.

3 Don't Create Expectations

The first fundamental psychological technique: **don't create any expectation about the result of a single trade.**

When we enter the market, a very specific thought activates. Especially beginners start creating an expectation about what the market should do. This is counterproductive, a weed to uproot immediately.

We must eliminate every expectation and limit actions to what the data suggests we do. It's the market that tells us what to do that day: either to ensure a small expense or to secure a profit. We do part of the work, the market does part.

Expectation is not based on data. It's not based on something realistic. It's therefore a **disturbing element**, and all disturbing elements must be eliminated at the root.

The awareness to develop is this: we can generate profit on an annual basis, at most on a monthly basis, but we can never have profit every day. The market maintains and preserves a certain level of unpredictability. After adequately selecting opportunities and managing them, the trader must simply study the reaction the opportunity produces. It's **continuity** that gives results, not the outcome of a single event.

4 Manage Data, Forget About Money

The second technique: **limit yourself to managing the data emerging from the market every day and forget about money.**

Our job is to manage data. Every day the market tells us what to do. Depending on how the market reacts, we know if we must implement actions to guarantee small expenses or to generate a profit. Nothing more, nothing less. Everything inserted emotionally between what the market tells us and what we already know we must do is a disturbing element.

If we're there watching market oscillations and every time we think that's money, we inevitably get disturbed by our emotional reactions. And these reactions are useless.

Imagine a **scientific researcher**, a mathematician. They deal with charts, numbers, values. They don't worry that all this has to do with money. We must use the same approach: every day we deal with data, charts, and economic values. We simply manage them as planned.

This way we ensure the continuity needed to overcome unsuccessful opportunities and reach those that generate profit.

5 Don't Link Your Value to Market Results

Profit comes at year-end, sometimes at month-end, but not always at day's end. If emotionally, every time we face an expense, we create a problem – “I did well, I didn't do well, I'm good because I had a profit, I'm not good because I had an expense” – we're making a serious mistake.

Linking our professional value to what the market does is **madness**. The value of what we do is **independent** of what the market does. We've extensively studied, planned everything needed to generate results. There are more complex market periods where we have a bit more difficulty: our value remains high nonetheless.

Every time we link expenses and profits to personal victories or defeats, **we undermine our continuity**. And we need continuity to generate profits.

Only in one case is it right to worry: when we don't correctly manage expenses, when an expense goes beyond plan rules. There we've made a serious mistake. But if we manage everything well, we must move forward without burdens. Profits are found just beyond the expenses and problems we're called to manage every day.

6 The Two Balances: Experience and Economic

I reason in these terms: every day my task is to feed two balances. A **balance in terms of experience** and a **balance in economic terms**.

When I work on opportunities, when I work on the market, I focus on acquiring experience and studying what I do every day. The balance in terms of experience grows, grows, grows. Once it has grown, **it cannot decrease**. It's a permanent asset: once acquired, no one can take it away.

Profits can come and go. The balance in terms of experience, however, once acquired, also brings the economic balance along. When our experience reaches a certain level, profits begin to grow consistently, confidently, strongly.

The advice is this: especially beginners shouldn't worry about the economic aspect. **They should first worry about the balance in terms of experience.** If an opportunity doesn't convince, it doesn't matter: study it, and that day the balance in terms of experience has grown anyway. This is a profit.

If instead you worry about profits instead of experience, you won't last long in this sector. It's a rule I've seen confirmed many times.

Either you correctly manage an opportunity, or you don't. **Never do a half job.** But even when you don't operate, you study: the balance in terms of experience grows anyway.

7 Winter Always Comes

In some periods profits come more easily and frequently. But it's not always so. **Winter always comes.**

Trading activity works this way: there are periods where we can carry out certain activities and other periods where we must face more complex conditions. We can't do the same thing all year in the same way. We need more solutions.

We must learn to stay competitive in the market **even when conditions are complex**. Celebrating too much when we've had a profit and creating a problem every time we struggle a bit is counterproductive. It undermines continuity.

It's continuity that gives profit, not the outcome of a single event or a short market period. Once this reality is metabolized, you simply work without creating problems. Those who don't metabolize this reality arrive at week's end, month's end, **psychologically destroyed**.

8 Think About Expenses to Earn

To mature a profit, the trader must correctly manage expenses every day. This is a fundamental lesson: **don't think about profits, think about expenses to earn.**

We lay the foundations for a high net profit when we manage expenses. That's where we must do great work. If every day we have expense control, we lay the foundations for an important result. Sitting there thinking about profit, talking only about profit, is useless.

All great traders report the same evidence. In **Van Tharp's** books, in **Jack Schwager's Market Wizards** series – where the world's greatest traders were interviewed – everyone says the same thing: **if you become good at managing expenses, you acquire control of the activity, and this will open the doors to profits.** If instead you only think about profits, profits won't come.

Profits are found just beyond the expenses and problems we're called to manage every day. You must become good at managing unsuccessful opportunities, at overcoming and anticipating daily problems. Profits are just beyond all this.

9 Negative Thoughts to Eliminate

Throughout my experience I've identified a series of recurring negative thoughts that every trader must learn to recognize and eliminate. They're weeds that, if not uprooted, compromise continuity and therefore results.

9.1 When you analyze and don't find opportunities

Impatience activates: "maybe I should enter anyway". Trading activity produces results not with many events, but with **few high-quality opportunities**. Great profit objectives often derive from managements that required fewer but better quality opportunities. We must demand the **best of the best** from the market, even with a touch of positive arrogance. Never chase opportunities.

9.2 When you enter the market

Beginner traders see the market oscillate and start thinking: "what if I wait a bit longer?", "what if the market restarts after I've closed?". Weeds to uproot. The trader must execute their plan rules to generate continuity. If conditions lead to a small expense, ensure the small expense. Even if the market then develops a great movement, it doesn't matter. We can't generate profit with all events.

9.3 When you have an expense

Beginner traders, when they have an expense, start doubting: "this thing doesn't work". Worse still: "I've had a defeat". Expenses are **data**, nothing more, nothing less. The market shows us data, we implement actions planned. A period with more consecutive expenses can happen. Normal. Don't interpret data as something emotional.

9.4 When you have a profit

Here too, attention. Beginner traders tend to celebrate profits too much. This is as counterproductive as creating problems with expenses. In this regard, I remember an event that marked me deeply. As a beginner, on dollar/yen, I obtained a 500 pip profit in a few hours thanks to economic news. I naively thought I could replicate that thing always. Then reality hit me: challenging news with open risk can generate equally rapid losses. That wound is still imprinted in me: today, if I have open risk and there's news coming, I close an hour before. I still feel physical pain thinking about that situation.

Wounds are the **best teachers**. What we learn from pain remains imprinted forever.

10 Trading Is Not a Salary

A very common mistake, especially among those approaching this activity, is thinking of trading as something that can be configured as a **salary**. It's not.

The activity must be configured as an **entrepreneurial activity**. We work to get orders, contracts. These orders don't come every day. Our client is the market: it gives us jobs in certain periods. When we see the market has nothing to offer, we wait. No problem, because we know our market, every year, has always produced what we need.

The continuity we must have in mind shouldn't be daily, but **annual**. The balance is done on an annual basis, not every day. The best opportunities develop every year with a certain frequency, but not every day. Accept the fact that there can be one or two weeks where practically nothing is done: you study, collect data. Then comes the week where everything is done together and the result is built.

One must operate **without anxiety**, without creating useless emotional problems. Zero out emotional interference, because it disturbs operations and result quality. Respect market times and ways. Markets have always done their job. If we're able to respect their times, we'll be able to reach profit objectives.

Caring for the psychological approach allows operating week after week mentally fresh. A person with unresolved internal conflicts, who relates badly to expenses, badly to profits, badly to opportunity selection, arrives at month's end destroyed. The mental approach is what distinguishes those who last in this sector from those who don't.

<https://TrendFollowingTraders.com/blog>

Chapter 8

The Cash-AR 2026 Method: The 5 Signals

1 The 5 Signals of the Cash-AR Method

The Cash Action-Reaction 2026 Method is the result of long research work carried out over the years with the objective of finding an effective and at the same time simple operational solution that respects the characteristics of the markets on which we work.

It's the best of the best I've developed, starting from the five trading methods built over the years within the community. This method lends itself well both to work on gold dollar and silver dollar – markets that in previous years I hadn't considered because with the opportunities from previous methods I wouldn't have done good work – and to all the markets I've always worked on: euro dollar, pound dollar, and dollar yen.

The method is a directional method that involves strategic work on monthly, weekly, and daily charts to make decisions, but then operates on a small time frame, the 5-minute. The objective is to gain positions with very small stops to exploit a risk/reward advantage of even 1:10, 1:20, 1:30.

The five signals are not secret or complicated signals. They are the result of studying what the market does to function. The market develops certain behaviors; when it develops them in a certain context, we can do something accordingly. When it doesn't develop them, we stay still. Period.

Here are the five signals:

1. **Breakout (BK)**: signal that exploits the explosive liquidity push beyond key zones.
2. **Internal Pullback (IP)**: signal that anticipates liquidity confirmation, working before the buy/sell zone.
3. **Trend Pullback (TP)**: signal that exploits price return to the buy/sell zone after a liquidity push.
4. **Intraday at 33% (ID33)**: signal based on Dow Theory, which exploits reduced profit-taking after a trend segment.
5. **Liquidity Confirmation (LC)**: signal that exploits trend bars confirming liquidity presence beyond key zones.

2 The 4 Time Areas

The trading day is divided into four time areas. Each offers different possibilities and each trader can specialize in the area most compatible with their needs.

Hot Zone (06:00-08:00): this is the time area I prefer to exploit every day. If you do good work in the Hot Zone, you can capitalize the entire day having taken position in the morning in those two hours. It's the ideal area for breakout and internal pullback signals.

European Session (08:00-12:00): offers additional opportunities for internal pullbacks and liquidity confirmation signals. European markets are in full activity and liquidity is generally good.

American Session (12:00-17:00): particularly useful on markets like gold dollar and silver dollar, which move decisively even in the afternoon. Offers opportunities for trend pullbacks and intraday signals.

London Close (17:00-20:00): coincides with the closing of London markets. The more you go toward day's end, the more you work to take positions to hold overnight. This poses advantages and limits that must be evaluated for each market.

Every market offers solutions in these four time areas. You don't have to learn to exploit them all: you can choose an area to specialize in and build your operations around that.

3 The 5 Signals in Detail

3.1 Breakout Signal

The breakout signal is the simplest and most direct. It's used only with a low-risk setup.

The condition is this: if the context is trending – so there's liquidity confirmation beyond a daily congestion with reduced profit-taking – I configure a buy stop order on the buy zone or a sell stop order on the sell zone.

But two additional conditions are needed:

1. An **overnight liquidity push**: overnight data must show strength and directionality.
2. A **congestion just below the buy zone** (or above the sell zone): the market must have accumulated overnight, ready to push.

When these conditions occur, the market tends between 6 and 8 to develop a strong, explosive push. This push is a search for liquidity: it can succeed – the market distances itself, we cover risk and stay in position – or it can develop as a false breakout. In both cases, risk is contained: if the push fails, the expense is minimal.

3.2 Internal Pullback Signal

The internal pullback is a signal that anticipates liquidity confirmation. You don't work beyond the congestion, but before – inside the congestion itself.

The timeline is this:

Phase 1 – Identifying the reaction point: when the market develops a pivot in a strategic area – a point where it has already reacted previously – that becomes the starting point. From there you start looking for internal pullbacks.

Phase 2 – Studying overnight data on 5-minute: a “box” is built inside the overnight data base and the first overnight reaction point is filtered. Then you wait for a second reaction point aligned with the first, to understand which reaction point the market is respecting in the morning.

Phase 3 – The opportunity: the market tends to retest the same area, even exceeding the first pivot's range. When it does, we have a valid opportunity to take position with a low-risk or high-return setup.

The internal pullback can be managed as low-risk or high-return. Low-risk works with

limit orders on strategic areas. High-return waits for a more precise event on that area – a pivot with the right characteristics – and exploits it with a smaller stop and a size worth more.

3.3 Trend Pullback Signal

The trend pullback involves working in a context where the market has already pushed beyond the buy/sell zone.

The mechanism: the market develops a liquidity push beyond the buy zone, then returns to retest this zone or an area nearby. This way it forms a pivot that becomes our operational reference.

The order can be low-risk – a limit on the buy zone, with stop below – or high-return, waiting for a pivot with the right characteristics on that area to enter with a smaller stop.

When the market reacts on that area, it develops the false breakout and restarts. If we're positioned, we exploit the entire push of the new trend phase.

3.4 Intraday at 33% Signal

This signal is based directly on Dow Theory. When the market develops a liquidity push beyond the buy/sell zone, we evaluate the trend segment's progress: where it starts, where it ends, where it collapses.

We measure profit-taking: if it stays within 33% – maximum 50% – and a pivot with strategic value develops in that area, we evaluate a high or very high return order.

This signal is not managed with low-risk limit orders. It's managed only as high or very high return, because it requires the pivot on a precise area. If the pivot doesn't occur, nothing is done.

3.5 Liquidity Confirmation Signal

It's the simplest and most truthful signal. It exploits what the market must do to support trend development.

The best context: starting from a reaction point, the market develops the first, second, third trend bar. In each of these phases, we can intercept a bar that confirms liquidity.

A confirmation bar is a 5-minute trend bar that opens and closes beyond the buy zone and develops reduced profit-taking. When we read this type of event, we can

hook it with a high-return order. The market, in certain cases, tends to develop wide movements.

4 The Event Timeline

Each signal involves an event timeline that must be followed from morning to evening. There's no room for doubts: the market either does something or doesn't. If we learn to follow this timeline, we also zero out emotional interference.

Emotional interference emerges when we don't know what to do or don't have clear ideas. If we have a clear plan – we know what to look for, when to look for it, and up to what point – there's never room for uncertainty.

The process is this:

1. **The evening before:** strategic time frames (monthly, weekly, daily) are studied to determine context and perspective.
2. **Early morning:** overnight data is analyzed with the indicator developed for TradingView. Overnight data, together with daily data, indicates a strategic context showing strength and directionality.
3. **In the chosen time slot:** the specific timeline of the signal compatible with the day's conditions is followed. If the timeline completes, you operate. If it doesn't complete, you stay still.
4. **At day's end:** all events are studied, those worked on and those not exploited, to feed the balance in terms of experience.

5 The 5 Markets

The five markets on which the method is tested are:

- **EUR/USD** (euro dollar): the simplest market. When a good opportunity aligns, the risk/reward ratio is very advantageous. Opportunities are less frequent, but when they come they're clear and react cleanly.
- **GBP/USD** (pound dollar): correlated with euro dollar. The two markets should be observed together to exploit their characteristics. When liquidity is detected on one side, it's confirmed on the other.
- **USD/JPY** (dollar yen): a market that moves decisively even in overnight sessions. Overnight data on this market is particularly useful for morning operational decisions.
- **XAU/USD** (gold dollar): a market that develops many opportunities and pushes well even in the afternoon and overnight. Requires stops calibrated differently than forex markets, but offers an excellent risk/reward ratio.
- **XAG/USD** (silver dollar): correlated with gold dollar. Offers slightly lower profits than gold but with recurrences similar to euro dollar. A high-quality market that lends itself well to the method.

Each market has its own advantages and limits. Operations must be adapted to what each market can give: different stops, different sizes, different maturation times. What works on euro dollar doesn't necessarily work the same way on gold dollar.

The Cash-AR 2026 Method is not a magic formula. It's the result of years of study on how markets work, translated into five operational signals that the market produces to function. Following the event timeline, respecting conditions, controlling risk: all work reduces to this.

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Chapter 9

Context, Reaction Points and Trading Decisions

1 Reaction Points: Strategic Areas

Reaction points are the foundation of operations in the Cash-AR Method. They are areas where the market has already reacted previously and where it tends to repeat that behavior with a certain reliability.

As Joe Ross taught: we trade on reality, on what the market produces to function, without inventing anything. Reaction points are exactly this: evidence the market provides us, points where Large Traders have already moved liquidity and where they're likely to do so again.

The mechanism is this: Large Traders need to move price beyond certain key points because that's where other Large Traders' liquidity arrives. If it arrives, price confirms liquidity and develops a new trend. If it doesn't arrive, price collapses and we detect a pivot – a reaction point that tells us the market is not ready to go beyond that threshold.

We use two main elements for trading:

1. **Reaction points:** where the market has already collapsed, where it has already shown a limit. These are areas the market tends to respect when it returns to them.
2. **Liquidity confirmations:** trend bars that close beyond a group of bars with reduced profit-taking. They confirm that Large Traders are supporting the development of a new trend.

When we have a reaction point and then a liquidity confirmation, we know the market will tend to develop until the next target. This way we build an opportunity pipeline: from the reaction point to confirmation, and from confirmation to the strategic target.

2 Studying Liquidity: Dow Theory Applied to Daily Data

Every morning, the first task is to verify the presence of supporting liquidity. It's the first thing we do when we open charts. If context indicates Large Traders are injecting liquidity to support trend development, we dedicate ourselves to researching new opportunities. If liquidity is missing, we avoid looking for opportunities.

The **first clue** emerges from applying Dow Theory to daily data. Profit-taking is measured against the previous day's bar. The evaluation takes a few seconds:

- **Profit-taking within 33%:** strong presence of supporting liquidity. Large Traders haven't cashed significantly. There's strong potential for developing a new segment.
- **Profit-taking between 33% and 50%:** liquidity still supporting, but with less force. The clue is positive, but context must be evaluated carefully.
- **Profit-taking beyond 50%:** liquidity has been balanced. Those who supported the trend have cashed out. The trend is exhausted.

This first clue integrates with studying reaction points visible on strategic time frames. If on weekly we detect a reaction point with a trend bar confirming liquidity, and on daily profit-taking is reduced, the picture is clear: there's direction and there's strength.

3 Overnight Data: The Second Clue

The second clue – extremely important – comes from overnight data. Overnight data gives a clear indication of how liquidity moved during the night, especially on markets like dollar yen that move well even in overnight sessions.

To analyze overnight data I developed with artificial intelligence an indicator for TradingView that shows market behavior from 20:00 the previous day until 06:00 in the morning. The indicator visualizes overnight zones, reaction points, and data structure, then divides the day into the four operational time areas.

Overnight data behavior is essential to understand what the market will do during the day. Based on the patterns the market assumes during the night, it then tends to produce a certain type of reaction during the day.

Two main scenarios:

Overnight data with strong liquidity push: the market pushed decisively during the night and formed a congestion just below the buy zone (or above the sell zone). In this case you work with a breakout signal. The overnight push indicates Large Traders are active and the market is ready for an explosive movement.

Overnight data with weakness or chaotic behavior: the market moved without a clear direction, with more chaos and less cleanliness. In this case you can't work with breakout but work with internal pullback. Liquidity is there, but less concentrated, and a different approach is needed to intercept it.

4 The Decision-Making Process: First Clue + Second Clue

The two clues together determine the day's operational decision. The process is structured and leaves no room for improvisation:

Step 1 – Strategic context: monthly, weekly, and daily charts are consulted. Primary trend direction is determined, active reaction points are identified, and where profit-taking falls is measured. This defines **whether** to operate and **in which direction**.

Step 2 – First clue (daily data): profit-taking is measured against the previous day's bar. Whether there's supporting liquidity is determined. If profit-taking is reduced, there's a positive first clue. If it's too wide, you stop.

Step 3 – Second clue (overnight data): overnight data is analyzed to determine **how** to operate. Overnight data indicates which type of signal is compatible with the day's conditions.

Step 4 – Operational timeline: based on the two clues, the specific timeline of the identified signal is followed. Data development is monitored in the chosen time slot and action is taken only when the timeline completes.

This process is based on data, not expectations. As Joe Ross explained: we trade on reality. We watch data development; data shows what the market does. If it does a certain thing, for us it means doing another thing accordingly. Otherwise, stay still.

5 The 5 Markets and Their Characteristics

Each market has specific behavior that must be understood and respected. You can't apply the same approach to different markets without adaptation.

EUR/USD and GBP/USD: these are correlated markets. When liquidity is detected on one side, it's generally confirmed on the other. They should be observed together. In certain periods they offer fewer opportunities than precious metals, but when the opportunity aligns it's very clear and clean. On these markets it's better to use high-return orders and cash out a bit earlier, because they give a bit less in certain periods.

USD/JPY: a market that moves decisively even at night. Overnight data is particularly significant. It offers explosive liquidity pushes that lend themselves well to breakout signals. The optimal stop is around 20 pips for low-risk orders.

XAU/USD (gold dollar): the market with the most opportunities. Pushes well even during the American session and overnight. Requires different stops – around 1500 points for low-risk orders – and a calibrated size. A risk of \$45-50 can develop over 24 hours to \$900 with a low-risk setup, and much more with high and very high return setups.

XAG/USD (silver dollar): correlated with gold dollar. When a signal is detected on both markets, it means there's a lot of liquidity and a lot of strength to exploit. This is particularly useful for medium and long-term work. Offers slightly lower profits than gold but with great quality.

6 Correlations: Gold/Silver, Euro/Pound

Correlations between markets are a concrete operational tool, not a theoretical concept.

Gold dollar and silver dollar have a strong correlation. When we detect a signal on one and confirm it on the other, it means liquidity is abundant and strength is greater. This allows us to exploit a small stop to hook the market at the right moment and let ourselves be carried by the liquidity push.

Similarly, euro dollar and pound dollar are correlated. If one does something, the other generally follows. They should always be observed together: if we see a lot of liquidity on one side, we see it on the other too. These are markets that offer many quality opportunities, but their potential is fully expressed only when read as a pair.

When one market of the pair is unclear – for example pound dollar has ambiguous reaction points and direction is undefined – focus on the other market of the pair, or wait for the picture to clear on both.

7 The TradingView Indicator for Overnight Data

The TradingView indicator, developed with artificial intelligence, is a fundamental tool in daily operations. It works like a compass to find the right signal at the right moment.

The indicator shows:

- **Overnight data** (from 20:00 to 06:00): displayed in white, allowing immediate evaluation of overnight push quality.
- **The four time areas:** Hot Zone, European session, American session, London Close – each highlighted for clear monitoring.
- **Reaction points:** pivot bars compatible with the method are automatically recognized and shown in yellow. Artificial intelligence, through PineScript, identifies those patterns that have strategic value for the method.
- **Buy/sell zones:** boundaries beyond which market behavior changes nature.

There's a fundamental technical difference between signals that develop inside zones and those that develop beyond. Inside zones we're in an early warning phase: there's little liquidity and the market can develop chaotically. Beyond zones, if the market pushes, it's only because there's a lot of liquidity. That behavior is essentially different and must be treated with different tools.

Trading decisions don't come from intuition. They come from methodical data study: strategic context, the first clue on profit-taking, the second clue on overnight data. Two clues that, together, define what to do and how to do it. Everything else is discipline in execution.

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Chapter 10

Money Management and Risk Control

1 Control Risk, Not the Market

Larry Williams in his books has always explained a principle I apply every day: **we cannot control the market, but we have full control of risk and we are called to exercise that control.**

The market retains a certain level of unpredictability and this is normal. We study markets, understand how they work, identify behaviors that repeat – but we must be aware that a certain number of times things won't go as planned. The difference between a trader who thrives and one who doesn't lies entirely in managing those moments.

Williams also explains the difference between very short-term trading and medium to long-term trading. Very short-term trading forces you to risk a lot to take little from a small variation. It's riskier trading. From the beginning I preferred a different approach: control risk, risk little every day, build work as you build a company – founded on risk control that can be scaled and grown over time.

The basic concept of the money management strategy is to ensure **expense control**: I can sustain more than one unsuccessful opportunity without worrying about consequences, because then one single opportunity that develops well is enough to cover all expenses and have a positive difference in the balance.

2 Small and Precise Stops, High Returns

The money management strategy of the Cash-AR 2026 Method is structured on **three return levels**, each with different characteristics:

2.1 Low-Risk Setup

The low-risk setup uses limit orders positioned on strategic areas. The stop is a bit larger than other setups, but the size is more contained in economic terms.

On **gold dollar**, the optimal stop for low-risk orders is about 1500 points. The risk is 0.06% of capital – practically nothing. With a risk of \$45, the position can develop over 24 hours to \$900: a ratio of 1:20.

On **euro dollar**, the low-risk stop is 15 pips. A small stop, very small, that gives the market room up to 500 pips over the week. The result: contained risk, potential much wider than what was risked.

The low-risk setup is the one used for breakout signals: it has a slightly larger stop and more limited size, because it exploits a stronger push where the probability of immediate success is greater.

2.2 High-Return Setup

The high-return setup uses the same risk in economic terms – \$45-50 – but with a smaller stop and a size worth more.

The difference is concrete: where the low-risk setup requires a 30,000 point variation to reach \$900, the high-return setup already reaches \$1,000 with half the variation. In practice, the position is worth double that of low-risk.

It's used for internal pullback, trend pullback, and intraday at 33% signals. It requires a more precise event – the pivot with the right characteristics on a strategic area – but when it occurs it offers a significant advantage.

2.3 Very High-Return Setup

The very high-return setup works on even smaller pivots, with better context: the best of the best. The stop is the most contained and the position can be worth up to \$4,500 on gold dollar.

I risk little, but it's calculated risk to be maximized. It's used only in ideal conditions, when all context elements are aligned.

2.4 Adaptation by Market

Each market and each preset involves a different configuration. You can't do the same thing on different markets: each market has its spaces, needs different stops, different size. Optimization work serves to maximize results for each market.

Gold dollar: risk \$300 for potential profit of \$3,000-6,000 over 24 hours with high-return setup. It's the market that offers the widest ratio.

Silver dollar: risk \$300 for potential profit of \$2,000-4,500 in 24 hours. A bit less than gold, but still a market of great value.

Euro dollar and pound dollar: the risk/reward ratio is even more favorable in relative terms. Opportunities are less frequent, but when they align they're clear and clean. On these markets it's better to cash out a bit earlier, because in certain periods they give less than precious metals.

3 The Strategy-Results Gap: Daily Reporting

There's a principle that deserves maximum attention: **having a good strategy isn't enough, you also need to know how to execute it.** And the distance between the two – the gap between what the strategy allows and what the trader actually manages to do – is the terrain where you work to improve.

Reporting work is extremely important. Every day you work, generate profit or incur small expenses. But beyond the result, a balance is needed that reflects:

- **What the market and strategy allowed:** opportunities that presented themselves, profits that could have been realized following the plan perfectly.
- **What the trader managed to do:** opportunities actually intercepted, profits actually realized, mistakes made.

The difference between these two data points is the gap. That's where errors and imperfections to correct are found.

A concrete example: one Monday on gold dollar, closed a trade at \$1,000 profit. If I had let the position mature until the next morning – Tuesday at 6:00 – I would have taken \$3,006. The management imperfection: having cashed too early on a market that could give more.

The error isn't dramatic: there was profit. But understanding the gap allows correcting the approach. On markets like gold dollar and silver dollar you can allow more time. On markets like euro dollar and pound dollar, which give less in certain periods, it's better to cash earlier.

4 Documenting Errors for Continuous Improvement

Daily reporting doesn't just serve to measure the gap. It serves to make strategic decisions on how to evolve your operations.

It's through this documentation work that I understood, for example, that I needed to abandon Bitcoin dollar as a reference market. It wasn't compatible with the type of operations I implement: it was unnecessarily complicated and didn't produce quality work. I replaced it with silver dollar, which instead lends itself well to the method and offers great quality profits.

These are decisions that emerge from data, not feelings. Documenting opportunities, comparing what was done with what could have been done, identifying recurring errors: this cyclical process is what allows staying competitive year after year.

Main errors to monitor:

- **Cashing too early:** on markets that can give more, like gold and silver, not giving the position sufficient time to develop.
- **Not adapting to the market:** applying the same approach to different markets without considering their specificities.
- **Not working when conditions were valid:** opportunities that presented themselves but weren't intercepted due to lack of attention or preparation.
- **Working when conditions weren't valid:** operating in ambiguous contexts, without the two clues aligned.

Every documented error is a step forward toward more precise execution. As I repeat in the community: we feed two balances every day – a balance in terms of experience and an economic balance. The balance in terms of experience is an investment made every day, even when there wasn't time to trade. In the evening you sit down to study data and understand what the market did and what could possibly have been done.

Profits are found just beyond the expenses and problems we're called to manage every day. If you only talk about profit without explaining everything that comes before, it will never be possible to get there. You must talk about reality – which may be less appealing, but it's the foundation of the work.

Money management is not a trading accessory. It's the heart of the activity. Controlling risk, calibrating stops for each market, documenting the gap between strategy and

results: it's this daily, methodical, patient work that transforms a trading plan into a positive balance.

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Chapter 11

From Manual Trading to Automated Trading

1 The Transition: From 100% Manual to 80% Automated

I have always done manual trading. I study markets, sit on charts on the right days, and do what I need to do: catch trends with limited risk, with precise and very small stops, to exploit liquidity at key moments. It's an activity I've practiced since 2009 and which has undeniable advantages: the trader's intellectual capacity can never be replaced by software.

But manual trading also has clear limits. As private traders we can work on few markets that we know very well, in specific time slots. Beyond that limit it's difficult to go: if we work too much, the quality level of management drops and we accumulate expenses and errors. I know this very well – I know both the advantages and limits of my activity.

What I've always wanted to do is **automate certain processes** to delegate to software the search for opportunities and initial management, while remaining in control for the 20% that matters most: balance control. In the past I tried several times without success. I hired developers, I hired traders, I instructed them to develop automated strategies capable of managing my signals. All useless: a lost investment, a useless waste of time.

When artificial intelligence arrived, I decided to try again. And what I developed over the past year is something surprising – something I had never been able to do either with flesh-and-blood developers or with traders supporting me.

2 From Trader to Money Manager: Administering Strategies

The transition I'm facing is leading me to become more of a **manager** who administers their traders, rather than a trader sitting in front of the monitor for hours. The software finds signals, manages them, and I administer the balance. It's what I've always wanted to do.

The concept is this: each quantitative strategy is like a specialized trader. It works on a specific market, in a specific time slot, with precise rules. Like a hedge fund manager, my task is to evaluate each trader's performance – in this case each software – and make balance decisions.

Each trader at day's end accounts for what they did. Did they do well? Did they do badly? You reflect on the actions they implemented. In our case, we're managers of our software. When software accumulates too many expenses, we stop it. When conditions aren't optimal, we pause strategies. Software is never 100% autonomous: trader intervention is always needed upstream to decide and control.

3 Automated Overnight Trading

One of the most significant advantages of automated trading is the ability to operate in time slots that manual traders can't cover.

The **overnight time slot** is particularly interesting on markets like gold dollar and silver dollar, which move decisively even at night. Software works tirelessly: it analyzes data, finds signals, manages positions, protects profits with trailing stop – all completely automatically, 24 hours a day, without ever getting tired.

But it's not just night. There are delicate and very important time slots – like 4 to 8 in the morning, or the London Close session from 17 to 20 – that anticipate overnight movements and that manual traders struggle to cover consistently. With software, specialized strategies can be created to get the best from each time slot on each market.

The result is operations covering much more ground than possible with manual trading alone. More markets, more time slots, more opportunities – all managed with the same discipline and risk control.

4 Advantages and Limits: Software Continuity vs Trader Capability

The comparison between manual and automated trading is not about which is better. They are different tools with complementary strengths.

Advantages of manual trading:

- The trader's intellectual capacity is irreplaceable. The trader understands context, interprets nuances, makes decisions no software can completely replicate.
- The trader can immediately adapt to new or unexpected conditions.
- On signals they know well, the trader can reach a very high level of precision.

Limits of manual trading:

- You can only work on few markets in specific time slots.
- Continuity is limited: if we work too much, quality drops.
- The emotional component can interfere with decision quality.

Advantages of automated trading:

- Works tirelessly, without breaks, without emotions.
- Can operate on more markets and more time slots in parallel.
- Follows instructions to the letter: doesn't think "but now it's late" or "this detail doesn't convince me". If parameters are compatible, it takes position. Period.
- Finds signals the trader would have discarded but that are valid. In some cases does even better work than the trader.

Limits of automated trading:

- Doesn't understand context like a trader does.
- In periods when the market changes behavior, the strategy can accumulate expenses.
- Requires long and complex initial research work to arrive at competitive strategies.

The optimal solution is not one or the other, but the combination of both. Manual trading remains the foundation – the competency we need both to operate directly and to develop and evaluate automated strategies. Automated trading is the complement that allows us to scale the activity, cover more ground, and administer the balance with greater efficiency.

The goal is to arrive at a 2.0 version of your trading: strategies find signals, manage

them, and we administer the balance. From trader to money manager – with the awareness that trading competency remains the foundation of everything.

The transition from manual to automated trading is not an abandonment. It's an evolution. You bring with you everything you've learned – market competency, the ability to read liquidity, discipline in risk management – and apply it to a broader scale, with more powerful tools.

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Chapter 12

StrategyQuant: Configuration and Strategy Research

1 StrategyQuant: The Software for Quantitative Trading

StrategyQuant is the software I use to calculate quantitative strategies. The term **quantitative strategy** indicates a strategy that is calculated and defined based on analysis of a large mass of data. It's something that until a few years ago was only possible for large billionaire hedge funds that could invest significant resources. Today, thanks to this software and artificial intelligence, we small private traders can do competitive work – at least as competitive as the work of large funds has always been.

The basic operation is this: we provide the software with a **configuration file** that describes the search criteria – market, time frame, time slot, analysis tools, risk parameters. The software calculates thousands of combinations, tests each one on years of historical data, and returns the strategies that meet the established criteria. The result is a ready-to-use MQL5 code that we can put to work on MetaTrader in a completely automatic way.

2 Basic Functions: Random and Genetic Build Mode

StrategyQuant offers two search modes used in different phases of work.

Random Build Mode: this is the fastest mode. In a couple of days it returns a significant number of strategies that we can begin to evaluate. It's used in the initial phase to understand if our ideas hold up – if the functions we've combined in the configuration file make sense, if they develop good trading activity or not. The possible combinations are many: a fast tool is needed to understand if we're on the right track.

Genetic Build Mode: this is the most precise mode. It can take several weeks of processing depending on configuration. It's used when we already have a valid configuration file – validated with the random method – and want to arrive at the final strategy. Genetic calculation takes the best ideas emerged from random research and evolves them through successive generations, finding ever better optimal combinations.

The company recommends a two-phase approach: first a general search with the random method to bring out the first valid strategies, then the best ones are selected and inserted as a starting point for genetic simulation, which refines them further.

3 Building Blocks: Levers for Combining Strategies

Building blocks are the most important part of configuration. This is where everything is decided. You provide the software with tools to form a strategy, and it tries all combinations based on available data.

Building blocks are divided into three sections:

Signals: define the conditions for which the software makes or doesn't make a decision. Rules like "if this condition is always true" or "if this condition is always false" are configured – tools to evaluate a series of conditions and decide whether to operate or stay still. The importance level assigned to each block determines priority: the higher the level, the more the software will use that block to find solutions.

Indicators: allow adding technical indicators to the evaluation. I'm not a lover of indicators – I prefer reading price, what it does and doesn't do. But two indicators have proven valid for this activity: **Bear Power** and **Bull Power**, developed by Alexander Elder, which measure trend strength. I wouldn't use them for manual trading, but for quantitative trading they work well.

Stop and Limit: define order management. You can configure the use of market orders, stop orders, and limit orders. Rules for break-even stop loss, early exits before take profit, and other management logic that the software will evaluate during research can be enabled.

Each block is assigned an importance level. For example, to **doji bars** – which develop the reaction points fundamental to my activity – I assign a very high importance level, so the software prioritizes this tool in strategy construction. The same for conditions on the small hourly bar, which generally anticipates a liquidity explosion.

4 Multi-Time Frame: M5 Operational + Strategic Time Frames

Multi-time frame configuration is one of StrategyQuant's most powerful aspects. It replicates the same logic we use in manual trading: higher time frames for strategic context, operational time frame for execution.

A **main chart** is configured – the operational time frame where the software emits orders – and up to three supplementary **subcharts** that serve to evaluate context.

The configuration I use:

- **Main chart: 5 minutes** – this is the operational time frame. It allows the use of very small stops at precise points.
- **Subchart 1: H1** – provides short-term context. Fewer opportunities but better quality.
- **Subchart 2: daily** – defines liquidity behavior day by day.
- **Subchart 3: weekly** – determines medium-term strategic context.

The software crosses data from all time frames to find the right day and the right moment. This way the strategy doesn't just fire orders: it evaluates strategic context exactly as an expert trader would, and operates only when conditions on different time frames are aligned.

You can also develop a single strategy on one time frame – simpler, more elementary – but the multi-time frame solution produces significantly better results, especially in the long term.

5 Indicators: Bear Power, Bull Power, Doji Bars

As mentioned, I'm not a lover of indicators for manual trading. But for quantitative trading, some indicators have proven particularly useful.

Bear Power and Bull Power are two Alexander Elder indicators that measure respectively seller and buyer strength relative to a moving average. They provide the software with an objective element to evaluate trend direction and intensity. In configuration I insert them with a high importance level, so the software takes them strongly into account in strategy construction.

Doji bars – or hammer in bullish variants, shooting star in bearish variants – are the key tool. They develop the reaction points that are at the foundation of my trading activity. I assign these bars the highest importance level among all building blocks, because that's where the best signals come from.

Beyond these, **custom conditions** can be created using StrategyQuant's Algo Wizard. For example, I created a condition that prevents the software from opening a new position when it already has an open order with exposed risk – to avoid duplicating risk on the same day.

6 Filters, Ranking, and AWS Cloud Infrastructure

Once research is started, StrategyQuant produces thousands of strategies. Selection work is fundamental.

Automatic filters eliminate strategies that don't meet basic criteria: those that don't produce trades, that produce too many, that have ambiguous results or out-of-range parameters. This first filter drastically reduces the number of strategies to evaluate.

Ranking determines how to order remaining strategies. Weights can be assigned to different parameters:

- **Average profit per month:** high weight, because it indicates continuity.
- **Average trades per month:** to favor strategies that achieve results with fewer operations.
- **Annual percentage return:** significant weight to evaluate overall performance.
- **Return to drawdown ratio:** to favor strategies with a contained risk profile.

Each parameter has a weight from 1 to 10 or more. The software orders strategies based on this composite ranking and presents the best at the top of the list.

6.1 Cloud Infrastructure

Research work requires **significant computing power**. It's not something that can be done on a home PC. I use virtual machines on Amazon AWS:

- A machine with 8 cores and 32 GB of RAM for random research and configuration file testing – costs about €250 per month.
- A more powerful machine with 32 cores for final genetic calculations – costs about €1,000 per month, but is only used for limited periods during intensive research phases.

These machines work day and night without ever stopping, calculating thousands of combinations until finding optimal solutions. Computing power determines research speed: with the more powerful machine, work that would take weeks is completed in a few days.

7 Gold Dollar as the Ideal Market for Quantitative

Among the markets tested, gold dollar has proven most suitable for quantitative trading. It lends itself very well to this activity for several reasons:

- You can work in different time slots – morning, afternoon, night – with valid opportunities in each.
- It offers a large number of events that can be exploited.
- It works well for both short-term, medium, and long-term trading.
- The risk/reward ratio is very favorable: contained stops and wide movements when the market develops a trend.

The first strategies developed on gold dollar returned significant results: average annual profits up to 50% on historical basis with contained drawdowns. When the strategy catches the right trend – as happened with a single opportunity that produced \$43,000 on a test account – the potential is enormous.

After gold dollar, work progressively extends to other markets: silver dollar, euro dollar, pound dollar, dollar yen. And then even further ahead, S&P 500 and American stocks of large capitalized companies. Each market requires specific configuration and dedicated research work, but the methodology is the same.

StrategyQuant doesn't replace the trader's competency. It amplifies it. The trader knows markets, knows what to look for, understands context. The software executes millions of calculations to find the optimal combination among all the tools the trader has provided. It's the collaboration between human experience and computing power that produces the result.

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Chapter 13

From Backtest to Production: The 3-Phase Journey

1 The Path from Research to Real Market

A quantitative strategy doesn't go from research to real market in one day. There's a structured three-phase path that serves to validate the strategy, collect data, and build the confidence necessary to put it into production with real money.

This path is the same followed by professional funds. The difference is that today, thanks to technology, we can replicate it as private traders with an accessible investment.

2 Phase 1: Backtest with 8 Years of Data

Backtest is the first validation phase. StrategyQuant calculates the strategy on a historical data sample – in our case 8 years – and returns a detailed analysis of how the strategy would have worked in that period.

The backtest shows us:

- **Net profit year by year:** how the strategy performed in years with strong trends and in years without significant trends.
- **Maximum drawdown:** the widest loss the strategy suffered before recovering. It's the most important data for calibrating money management.
- **Individual operations:** how much it risks per trade, how much it earns when it catches the trend, how many expenses accumulate before finding a profit.
- **Paths leading to profit:** how many unsuccessful operations precede each significant profit. If the ratio between expenses and profits works, the strategy is valid.
- **Best days and time slots:** when the strategy produces the most and when it costs the most.

The backtest provides a first picture of the strategy. If data is promising – stable average annual profit, contained drawdown, favorable expense/profit ratio – you move to the next phase.

But backtest has a fundamental limit: it works on historical data. Historical data is an indication of how the strategy might work, not a guarantee of how it will actually work. That's why phase 2 is needed.

3 Phase 2: 6 Months of Virtual Account for Validation

The second phase involves putting the strategy into operation on a **demo account** – a virtual account with real market data but without actual money.

In this phase the strategy works day by day on real data, in real time. This is where differences emerge between what the backtest showed and what the market actually produces. Six months is the minimum time needed to:

- **Verify correspondence with backtest:** real data must confirm the dynamics observed in historical data. If the strategy in backtest produced a certain average monthly profit, live data must be reasonably aligned.
- **Identify problems not emerged in backtest:** execution slippage, anomalous behavior around economic news, weekly opening gaps. These are details that don't emerge in backtest but that in the real market can make a difference.
- **Test the control dashboard:** the Power Tool that controls the balance – with monthly drawdown limits, profit targets, operation blocking – is validated together with the strategy. If the dashboard manages to contain expenses in negative months and let profits run in positive months, the system is ready.
- **Collect data for the analysis platform:** live data feeds the analysis platform I developed with Claude Code. Every 30 minutes data is automatically updated and I can consult in real time how the strategy is working.

Research accounts are the bridge between theory and practice. They're analyzed with the same tools, compared with backtest data, and the decision to move to production is made only when live data confirms strategy validity.

4 Phase 3: Real Production

The third phase is putting into production with **real money** – on your own account or on a prop trading account.

At this point the strategy has passed two validation levels: historical backtest and six months of operation on real data. Risk is not eliminated – it never is – but it's known and quantified.

In production, the Power Tool controls the balance with precise rules:

- **Monthly drawdown limit:** if expenses in the month exceed a preset threshold – typically 2% – the software blocks issuing new orders until the next month. This protects capital in periods when the strategy doesn't find the right conditions.
- **Monthly profit target:** when profit in the month reaches a preset threshold – typically 10% – the software can reduce operations or stop, protecting realized profit.
- **Non-operational days block:** you can configure that the strategy works only certain days of the week. For example, only Monday through Wednesday, excluding Thursday and Friday which generally aren't optimal days for certain markets.

Production is not the final finish line. It's the beginning of a new cycle of data collection and optimization. Live production data is analyzed with the same attention as research data, and the strategy is updated when data indicates the need for intervention.

5 Backtest vs Live: Comparing Historical and Real-Time Data

The comparison between backtest and live data is a fundamental and ongoing activity. The analysis platform I developed allows viewing both datasets side by side, to understand how close the real strategy is to the theoretical model.

Backtest data shows the strategy in ideal conditions – perfect executions, no slippage, no interruptions. Live data shows reality, with all the imperfections of the real market.

The platform allows analyzing:

- **Month by month:** how each month went compared to backtest. Which months produced more expenses than expected, which produced less profit.
- **Paths leading to profit:** how many expenses accumulate before each profit. If in live the cycles are longer or more expensive than backtest, intervention is needed.
- **Days and time slots:** if certain days or time slots in live produce different results from backtest, you can intervene with dynamic optimization.

Dynamic optimization is a feature that allows testing different configurations on available data. You can modify lots, enable or disable trading days, set drawdown limits, filter by signal or time slot – and immediately see how results change.

This possibility of dynamically analyzing and optimizing data is what allows us to continuously improve: the more data we accumulate, the more competitive we'll be over time.

6 Normalized Data: Risk Standardized at -\$300 per Setup

To compare different strategies on different markets, a data **normalization system** is needed. In the community we use a standardized risk of -\$300 for each setup.

This means that each strategy, regardless of the market it operates on and the size used, is reduced to a base risk of \$300 per operation. This way we can directly compare:

- A strategy on gold dollar with 1500 point stop and a strategy on euro dollar with 15 pip stop.
- An aggressive strategy with high size and a conservative strategy with reduced size.
- Strategies operating in different time slots and with different trading frequencies.

Normalized data allows classifying strategies objectively in the analysis platform. The ranking takes into account the ratio between profit and drawdown: strategies that produce more profit with less drawdown rise to the top.

This classification is fundamental for production decisions: when deciding which strategy to put on a real account, you choose from the top of the ranking – that is, the strategies that have demonstrated the best ratio between return and risk both in backtest and in virtual account.

In the community, strategies are shared in normalized format. Each user can download them, test them on their research account, and then – if data confirms validity – put them into production. This activates a collaboration where research work is shared and benefit is for everyone.

From backtest to production: a three-phase path that transforms an idea calculated on historical data into a real operational activity. Each phase serves to reduce uncertainty and build confidence. No step is skipped: haste is the enemy of quality in quantitative trading as in every other professional activity.

<https://TrendFollowingTraders.com/blog>

Chapter 14

Claude Code: The 3 Functions for Trading

1 Artificial Intelligence at the Service of Trading

Claude Code is the artificial intelligence I use to fulfill three fundamental needs that make my trading more competitive, both directional and automated quantitative.

Everything I've developed – the Power Tool, the analysis platform, the strategies database – I had planned over 10 years ago without being able to realize it. I had hired developers, traders, tried to train them, without achieving anything. Then artificial intelligence arrived and everything changed.

The feedback I receive from this tool is formidable. From a qualitative and efficiency standpoint, Claude Code allows fulfilling the needs of an entire work team. It understands trading: all the technical terms I give it, it understands. It understands development: it knows MQL5 language for MetaTrader, PineScript for TradingView, PHP for web data analysis. It understands quickly and can also work in parallel – multiple terminal windows allowing managing different activities simultaneously.

An episode I'll remember forever: I was describing to Claude Code how a certain bar should work in my trading. At one point it responds: "Excuse me Steve, but you're describing a doji bar." And it was right. When I explained the same things to flesh-and-blood developers, despite my attempts, they didn't understand anything. Artificial intelligence not only understood what I wanted, it also understood my trading language and translated it into code I can use.

The three main functions are:

1. **StrategyQuant file configuration**
2. **Custom Power Tool development**
3. **Dynamic data analysis**

2 Function 1: StrategyQuant File Configuration

StrategyQuant, to start a research job lasting days or weeks, needs a configuration file. If the file isn't configured well, time is wasted. Since the computing station costs about \$2,000 per month rent on Amazon AWS, I need to maximize its value.

To optimize configuration files, I get help from Claude Code. The process is this:

Phase 1 – Preparation: I create a working directory, insert my configuration files and explain my needs to Claude Code. I tell it what I want to obtain: on which market, in which time slot, with what type of stop and profit.

Phase 2 – Dialogue and correction: Claude Code analyzes the file, identifies criticalities and proposes an improved version. I supervise it and indicate priorities: "We need to do more like this than like that, more in one way rather than another." If I make an erroneous evaluation regarding StrategyQuant's operation, it tells me – and more than once it has corrected me.

Phase 3 – Results analysis: once StrategyQuant has completed the calculation, I share the results with Claude Code. It analyzes in a few minutes what would take a person a week: it reads MQL5 files, examines backtest data, evaluates individual strategy statistics and returns a clear summary with strengths and weaknesses.

Phase 4 – Iteration: based on the analysis, we prepare together the next configuration file. The cycle repeats – configuration, processing, analysis, improvement – until arriving at ever more precise and efficient strategies.

A concrete example: version 1.4 research work discarded 1,800,000 strategies that didn't match parameters and brought out 45. Claude Code analyzed the results and commented that the 0.0025% rate indicated well-calibrated filters. Then it examined the best strategy – 181, which works on gold dollar at 5 minutes with daily sub-chart – and returned all key parameters: 200 trades in 8 years, final balance of 42%, risk/reward ratio of 1:28.

Imagine doing such work by hand, sifting through 1,800,000 strategies. It's impossible. With artificial intelligence it's done in a few minutes.

3 Function 2: Custom Power Tool Development

The second function is developing **Power Tools** – custom tools to control both quantitative and directional strategies.

StrategyQuant produces strategies that work completely automatically, but doesn't offer tools to control the balance. It's a fundamental component that's missing and that I compensated for by developing the Power Tool with Claude Code.

The development process works like a dialogue with a technical team: I explain what I want, it proposes the solution, we test it together, fix bugs, and iterate until the stable version.

When it finds a problem in the code, we discuss it. I return test data – error messages, anomalous behaviors – and it develops a correction. Knowing the strategy's MQL5 code, it knows exactly where to intervene.

What's surprising is that I have no software development competency. Despite this, I've managed to develop professional tools that normally require an entire work team in a hedge fund. It's the combination between my trading competency and artificial intelligence's technical capability that produces the result.

Beyond the Power Tool for MetaTrader, I also developed with Claude Code the indicator for TradingView in PineScript – the one that analyzes overnight data and identifies reaction points compatible with the method. Artificial intelligence knows PineScript and translates into code what I describe in trading terms.

4 Function 3: Dynamic Data Analysis

The third function is the most strategic: the ability to analyze large masses of data dynamically and quickly.

Every trader, to develop a competitive activity, needs data. Our ability to analyze this data dynamically is essential. The more efficient we are in analyzing large masses of data, the more we'll be able to develop competitive strategies.

With Claude Code I developed an entire analysis platform – the one we use in the community – in a few weeks. The platform includes:

- **Research account rankings:** ordered by profit/drawdown ratio, updated every 30 minutes.
- **Backtest analysis:** import and analysis of StrategyQuant data on 8 years of history.
- **Dynamic optimization:** possibility to test different configurations and immediately see effects on data.
- **Production accounts:** management of real accounts with overall calculation of personal fund.
- **Directional backtest:** specific analysis for Cash-AR strategy with the five signals.

All this is developed on WordPress with PHP and updates automatically by connecting to MetaTrader platforms via a publisher that transmits data every 30 minutes.

I would have developed this platform only for my private use. Then I decided to share it in the community because if other users use it too, a constructive discussion is activated to do good work together. It's the same logic as trading: the more data we accumulate, the more competitive we'll be.

5 AI as Accelerator: From Years of Development to a Few Weeks

The fundamental point is not artificial intelligence itself. It's the fact that it allows a trader with specific competency – but without software development skills – to translate their ideas into operational tools in very quick times.

Everything I planned over 10 years ago, and that I had never been able to realize despite investments in developers and collaborators, I built in a few weeks with Claude Code. The dashboard to control the balance, the data analysis platform, the optimized configuration files, the TradingView indicator – everything.

In this era, acquiring specific competency involving the use of artificial intelligence is essential in any field of work. In our sector, competitive advantage today is played on three competencies:

1. **Knowing trading:** understanding how markets work, how liquidity moves, how to read charts.
2. **Knowing how to use artificial intelligence:** dialoguing with the tool, explaining what's needed, correcting solutions together.
3. **Knowing how to analyze data:** collecting, organizing, and interpreting data to make better decisions.

Those who acquire these three competencies today, at this historic moment, will have an enormous competitive advantage in the medium and long term. That's where the game is played.

Claude Code doesn't replace the trader. It empowers them. Trading competency remains the foundation – without it, no tool can produce results. But with the right competency, artificial intelligence becomes the multiplier that transforms ideas into operational tools and data into decisions.

<https://TrendFollowingTraders.com/blog>

Chapter 15

The Power Tool: Balance Control and Risk Management

1 The Power Tool for Directional Trading

The Power Tool is the instrument I developed with Claude Code to control the balance of my operations – both directional and quantitative. It's an Expert Advisor for MetaTrader that integrates all the modules necessary to operate with method and to administer strategies with the precision of a managerial dashboard.

For directional trading, the Power Tool was born from the need to speed up execution and protect positions. When I operate in the Hot Zone – from 6 to 8 in the morning – movements are rapid and tools are needed that allow me to take position with an already calculated stop, without having to make manual calculations at decisive moments.

The first module developed was that of **quick orders**: a panel that allows sending orders to market with predefined stops, automatic risk calculation, and predefined orders on buy and sell zones. Limit orders, stop orders – all ready to be executed with one click.

Around this central module, I built four support modules:

Profit monitor: monitors profits week after week. Displays the totality of open positions and the overall balance. Allows keeping management progress under control in real time.

Order management: delegates to software the management of slippage risk beyond a certain threshold. When execution produces slippage greater than expected, software intervenes automatically.

Setup bar stop: protects the position relative to the setup bar used for entry. The 5-minute bar that generated the signal becomes the reference: software doesn't allow price to exceed that bar's boundaries. If the market oscillates within the setup bar range, fine; if it goes beyond, software closes the position. This allows reducing risk when a pivot bar doesn't have the liquidity it seemed to have.

Trailing stop: the most recent module, developed to manage signals evaluated in the afternoon and at night. It works like this: an activation threshold is set – for example \$500. When profit reaches that threshold, software sets the stop at break-even and begins protecting capital. From that point, every time the market advances \$100, the stop advances \$100, always leaving an oscillation margin. If the market moves from \$500 to \$600, software protects \$500. If it reaches \$700, it protects \$600. And so on.

2 Power Tool 4.0 for Quantitative

Version 4.0 of the Power Tool was designed specifically to control quantitative strategies. It's the leap in quality that made possible the transition from trader to money manager.

StrategyQuant produces strategies that work completely automatically, but doesn't offer tools to control the balance. Power Tool 4.0 fills this gap by integrating into the strategy the control functions needed to administer risk with the precision of a professional fund.

The Power Tool for quantitative works differently from the directional one. It's not about executing orders manually, but about **supervising** strategy behavior and intervening automatically when conditions require it.

The philosophy is this: the strategy finds signals, manages them, emits orders. The Power Tool checks that everything happens within the limits we've established. If the strategy accumulates too many expenses, the Power Tool stops it. If it reaches the profit target, the Power Tool stops it. It's the automatic supervisor that administers the balance while the strategy operates.

3 The 5 Integrated Modules and 3 Presets

Power Tool 4.0 integrates five modules that work together:

Module 1 – Balance control: displays in real time the month's profit, accumulated drawdown, distance from profit target and drawdown limit. At a glance you understand how management is going.

Module 2 – Drawdown limits: three levels of protection. Daily drawdown at 0.5% – if in one day the strategy accumulates expenses above this threshold, it no longer emits new orders until the next day. Monthly drawdown at 2% – same logic on monthly basis. Annual drawdown at 10% – long-term protection.

Module 3 – Profit target: when profit in the month reaches a preset threshold – typically 10% – the Power Tool stops operations. This protects realized profits and prevents the strategy from returning to the market what it earned.

Module 4 – Time slot management: allows enabling or disabling trading in specific time slots and days of the week. If data shows Friday is a costly day for a certain strategy, Friday can be excluded without modifying the strategy itself.

Module 5 – Risk Calculator: the latest module developed, which displays in real time exposed risk, potential risk/reward ratio, and history of recent managed operations. Allows administering risk with the same visibility as in manual trading.

The **3 presets** correspond to the three money management levels of the Cash-AR Method:

- **Low risk:** larger stop, more contained size. For breakout signals.
- **High return:** smaller stop, size worth more. For pullbacks and confirmations.
- **Very high return:** minimum stop, maximum position. Only in ideal conditions.

Each preset has its own configuration of stop, size, and management parameters. The appropriate preset is selected and the Power Tool automatically calculates everything else.

4 Safety Measures in Automated Money Management

One of the most critical aspects of automated trading is money management safety. An error in size calculation can transform a \$200 risk into a \$2,000 risk – and it happened during testing.

The bug I encountered was this: the Risk Calculator module showed correct data on screen, but then executed orders with a size ten times greater than planned. I set 0.20% of capital and it, instead of executing a stop at \$200, did it at \$2,000.

From that experience I inserted in the Power Tool a **fundamental safety measure**: before executing any order, software verifies that the calculated size is consistent with the set parameters. If it detects a discrepancy – if size is greater than a preset maximum threshold – it blocks order execution and records the anomaly in the log.

It's a risk we can't run. If we do good work for many months and then software emits an order worth ten times as much, it's a disaster. The safety measure eliminates this risk at the root.

The reliability level of software is earned over time. It must be developed well, yes, but there are many things to do and doing them all from the beginning is difficult. You must study the tool, understand what it does well and what it doesn't do well, implement corrections and move forward. That's why version numbers exist: each version solves problems from the previous one and introduces field-tested improvements.

Collaboration with Claude Code is fundamental in this phase too. When I find a bug, I describe it in natural language – “the trailing stop doesn't activate on the second operation” or “the size is off compared to the calculation shown” – and it analyzes the MQL5 code, identifies the problem, and proposes the correction. In some cases it asks me to do specific tests and return the data to better understand the anomalous behavior. It's a technical dialogue that produces concrete results.

The Power Tool transforms the trader into a manager. You're no longer in front of the monitor looking for signals: you administer a balance. You check that strategies work within established limits, protect profits, stop expenses when they exceed thresholds. It's the difference between doing trading and managing a trading activity.

<https://TrendFollowingTraders.com/blog>

Chapter 16

The Data Analysis Platform

1 Technical Analysis Based on Data: Directional and Quantitative

The analysis platform is the tool I designed over 10 years ago and finally realized with Claude Code in a few weeks. It's a web platform integrated in the community that allows collecting, analyzing, and sharing trading data – both for automated quantitative strategies and for directional trading.

The basic idea is simple: the trader who has data available and the ability to analyze it has an enormous competitive advantage. It's an advantage that was previously reserved for large funds, because significant investments were needed to develop systems of this type. Today, with artificial intelligence, even a single trader can build professional-level analysis tools.

The platform works like this: each user connects their MetaTrader platforms – on PC or remote VPS – via a publisher that automatically transmits data every 30 minutes. Data is processed and presented in real time, with rankings, statistics, and dynamic analyses.

I developed two distinct sections, because quantitative and directional trading have different analysis needs:

Quantitative section: analyzes automated strategies. Operations are generated by software, one at a time, on a single market. Analysis focuses on expense/profit ratio, management cycles, and correspondence between backtest and real data.

Directional section: analyzes Cash-AR Method operations. Here you work on multiple markets with five different signals, three money management levels, and four time slots. Analysis must account for all these variables and allow filtering data for each combination.

2 Account Ranking by Profit/Drawdown Ratio

Account ranking is the platform's starting point. All accounts – both research and production, both quantitative and directional – are ordered based on the ratio between profit and drawdown.

The criterion is precise: it's not the account that earns the most at the top, but the one that earns the most relative to the risk it took. An account producing 30% profit with 5% drawdown is worth more than one producing 50% with 20% drawdown. The ranking reflects this principle.

Each account presents **badges** indicating strategy configuration:

- The market it operates on
- The strategy code
- The operational and strategic time frame
- Direction (buy only, sell only, both)
- Operational time slot
- Stop loss and take profit
- Daily, monthly, and annual drawdown limits
- Profit target

These badges allow understanding at a glance how each strategy is configured and comparing it with others.

3 Integrated Backtest from StrategyQuant

For each quantitative strategy, the platform allows importing and consulting backtest data processed by StrategyQuant. It's 8 years of historical data showing, on paper, how the strategy would have worked.

Backtest consultation is structured on multiple levels:

Overall view: total profit over all years, maximum drawdown, number of operations, risk/reward ratio.

Annual view: month by month, how each year went. Which months produced profit, which accumulated expenses. The year's maximum drawdown, maximum profit.

Days and time slots: analysis of which days of the week produce more and which cost more. Which time slots are more favorable. Having 8 years of data, these statistics become very reliable.

Days to mature a profit: how long it takes the strategy to transform a signal into a closed profit. Fundamental data for calibrating expectations and money management.

Paths leading to profit: each management cycle – from first expense to the profit that covers it – is displayed as a sequence. You see how many unsuccessful operations precede each profit, what's the average cost of each cycle, and how long it lasts. If the ratio between expenses and profits works, the strategy works.

This backtest data is then compared with live data collected from the research account. Comparison is key: if real data confirms backtest dynamics, the strategy is ready for production.

4 Advanced Filters and Dynamic Optimization

The platform's most powerful feature is **dynamic optimization**. It allows testing different configurations on available data and immediately seeing the effects.

For **quantitative strategies**, you can modify:

- **Lot:** reduce or increase size to see how risk and profit change. If I want to test the strategy on a small account, I reduce lot and verify numbers are sustainable.
- **Monthly drawdown limit:** set a ceiling – for example 2% – and see how the strategy behaves in negative months. The system blocks operations that would have exceeded the threshold and shows the savings obtained.
- **Profit target:** set a monthly goal and see if the strategy reaches it regularly.
- **Operational days:** exclude specific days of the week and verify the effect on overall performance.

For **directional trading**, filters are even more specific:

- **By signal:** only breakout, only internal pullback, only liquidity confirmation – each signal can be analyzed separately.
- **By time slot:** Hot Zone, European session, American session, London Close. A user who only works in the morning can filter data and see how signals perform in their time slot.
- **By market:** only euro dollar, only gold dollar, or any combination.
- **By money management level:** only low risk, only high return, only very high return.

Dynamic optimization updates all data in real time: rankings, paths, statistics, charts. A parameter is modified and the effect on the entire set is immediately visible.

Configurations can be saved as presets. I myself publish my optimized configurations for each strategy – those I consider best from my point of view – and users can consult them, modify them, and save their own.

5 A Competitive Advantage Previously Reserved for Large Funds

Having this data available day by day, for each strategy, on each market, with the ability to analyze it dynamically – this is the competitive advantage that makes the difference.

Large hedge funds have always had access to this type of analysis. They hired teams of analysts, developers, and data scientists to build proprietary platforms that did exactly what our platform does: collect data, analyze it, optimize strategies, make decisions based on numbers.

Today, thanks to artificial intelligence, a single trader can develop the same tools with an accessible investment. No need to hire anyone. What's needed is trading competency to know what to analyze and the ability to dialogue with artificial intelligence to translate needs into working code.

The platform is not an arrival point. It's a starting point that is improved day by day. Every bug reported by users is fixed. Every new need is evaluated and, if compatible, implemented. Software evolves quickly – much faster than would be possible with traditional development – because artificial intelligence allows making changes and additions in very reduced times.

The more data we accumulate in the platform, the more we'll be able to make precise decisions. Imagine in one year, two years, how much data it will be possible to acquire both on quantitative and directional trading. That database will become an ever broader, ever harder to replicate competitive advantage.

The analysis platform is where data becomes decisions. Collecting data isn't enough: you must know how to analyze it, filter it, compare it with expectations, and draw operational conclusions. It's this work – methodical, daily, shared – that transforms trading from intuitive activity to professional activity.

<https://TrendFollowingTraders.com/blog>

Chapter 17

The Quantitative Strategies Database

1 Hundreds of Strategies with Normalized Data

The quantitative strategies database is the platform section where I publish all strategies I develop with StrategyQuant and make available to the community for testing and collaboration.

The goal is to reach several hundred strategies over the course of the year. Each week I select a group from StrategyQuant's processing, optimize them, integrate them with the Power Tool, and publish them in the database. Users can consult them, download them, test them on their research account, and then – if data confirms validity – put them into production.

Each strategy in the database comes with:

- **Normalized backtest data:** 8 years of historical data analyzable in the platform with all details – annual profit, drawdown, best days, paths leading to profit.
- **Descriptive badges:** market, time frame, direction, time slot, stop loss, take profit, and all configuration parameters.
- **MQL5 file + Power Tool:** strategy code ready to be loaded on MetaTrader, with Power Tool already integrated for balance control.
- **A video tutorial:** where I explain the strategy, my point of view on the data, how I would experiment with it and how you can experiment with it.

The fundamental aspect is **data normalization**. Each strategy, regardless of the market it operates on and original size, is reduced to a standardized risk of about \$300 per setup. This allows comparing different strategies objectively.

Why is normalization important? Because without a common parameter, it's not possible to compare a strategy that risks \$50 on euro dollar with one that risks \$500 on gold dollar. With normalization, drawdown, profit, and management paths become comparable and we can order strategies based on their real value.

2 Filters by Market, Time Frame, Win Rate, Drawdown

The database grows week after week. To navigate among hundreds of strategies, effective filters are needed.

Available filters allow searching strategies based on:

- **Market:** only gold dollar, only euro dollar, only silver dollar, or any combination.
- **Time frame:** strategies operating on M5, H1, or other time frames.
- **Direction:** buy only, sell only, or both directions.
- **Time slot:** strategies that work at night, in the Hot Zone, in European or American session.
- **Win rate:** percentage of profitable operations.
- **Drawdown:** to exclude strategies with too high drawdown.
- **Risk/reward ratio:** to favor strategies with small stops and wide profits.

By combining these filters, each user can find the strategy closest to their needs. Those who want a night strategy on gold dollar filter by night time slot and XAU/USD market. Those who prefer a conservative strategy on euro dollar filter by low drawdown and EUR/USD market.

For each selected strategy, backtest data, dynamic optimization, and file download can be accessed. Data is analyzed, tested on a virtual account for a few months, and then decided whether to put into production.

3 The Duplication Problem with Prop Firms

A practical aspect to consider when working with shared strategies is the **duplication problem**, especially with prop trading companies.

Prop firms – like The5ERS, Darwinex Zero, and others – look for traders with their own strategies. When they detect that two users are executing identical or very similar operations, they interpret it as a signal that both are using the same software purchased elsewhere, not an internally developed strategy. In that case they can block accounts.

To avoid this problem, I've adopted two measures:

Similar but not identical strategies: I publish in the database strategies that share the same base logic but with parameter variations – different time slot, different stop, different strategic time frames. This way each user can choose a slightly different variant, reducing duplication risk.

Distribution across different partners: in the community we've created work groups dedicated to prop trading companies. If I work with strategy 131 on one partner, another user can work with the same strategy on a different partner, where duplication isn't a problem.

There are many variables in play: broker, schedule, specific strategy version. With minimal attention, the duplication problem doesn't arise. But it's an aspect to know and manage.

4 Collaborative Distribution: 95% Free, 5% Reserved

The strategy distribution model follows a clear principle: the good part – about 95% – is shared freely in the community. The remaining 5% stays private.

Private strategies are those I use directly for my personal trading. I share backtest data and statistics – because they can be inspiration for developing similar solutions – but not the MQL5 file. This to avoid direct duplication on my own prop trading accounts.

Public strategies are downloadable with the full package: MQL5 file, integrated Power Tool, backtest data, video tutorial. The user downloads, opens a research account, starts the strategy, and begins collecting data. Data is transmitted to the platform and becomes part of the shared information heritage.

The logic is collaborative: my research work with StrategyQuant produces strategies. I share them. Users test them on real markets and contribute with their own data. The more data we have, the more we can validate or discard strategies. The more users test, the faster the validation process.

In exchange for strategy download, I ask one thing only: return the data. Connect the account to the platform, share results, and activate a constructive discussion. This is how good group work is done: everyone contributes with their own data and everyone benefits from collective analysis.

This model – free strategies in exchange for shared data – is what allows the community to grow as a small collaborative fund. We're not a fund in the traditional sense: everyone operates with their own capital, on their own accounts, with their own choices. But we share strategies, data, and analyses, and this gives us an advantage that a single private trader, alone, could never have.

The strategies database is not a static library. It's a living organism that grows with each new strategy published, with each research account activated, with each piece of data shared. The more the database grows, the more analyses become precise and production decisions become reliable. It's the competitive advantage of collaboration.

<https://TrendFollowingTraders.com/blog>

Chapter 18

The Community: Collaborating to Grow

1 The Origin of the Trend Following Traders Project

The Trend Following Traders project was born in 2014 with a precise purpose: to facilitate collaboration among traders.

I started trading in 2009, first as a simple enthusiast, then with the awareness that it was possible to capitalize on advantages in this activity. By studying, I understood that to stay competitive, constant research work and continuous comparison with other traders is needed. You can't do everything alone. The market evolves, conditions change, strategies that work today might not work tomorrow. A permanent discussion base is needed.

The project serves users, but it also serves me. It allows me to activate discussions and keep the research process active. It's a virtuous circle: I share what I learn, users contribute with their experiences, and from collaboration come insights I would never have had alone.

Over these years I've seen users surprise me multiple times, developing activities in better ways than I had imagined. Collaboration from 2014 to today has always produced good results. It's confirmation that the model works.

2 Two Parallel Paths: Directional and Quantitative Trading

My trading has always been **manual and directional**: reaction points, small stops, high risk/reward ratios. It's the foundation of trend following – studying how markets work and exploiting trends. A very simple philosophy explained within the training path.

In the last year, however, I've introduced a new component into the project: **quantitative trading** and **artificial intelligence**. Quantitative trading is a type of completely automatic trading that travels alongside manual trading. It doesn't replace it, it integrates it.

In the past I had tried to hire developers to build a team and automate the processes I had in mind, without success. In the last year, with StrategyQuant and Claude Code, I've made notable advances. What seemed impossible has become achievable in weeks instead of years.

This opens doors to developments useful for all users. A historical problem of the community was that many users, despite having studied the method, struggled to implement it in manual trading. Now it's possible to take two parallel paths: manual trading for those with time and aptitude, and the search for completely automatic strategies for those who prefer a different approach. It's a transition phase – from what I've always done to innovative development with artificial intelligence.

3 The Training Path: From 6 to 12 Months

The community's training path lasts from six to twelve months, depending on each user's pace. It serves to acquire the technical competency necessary for both directional and automatic trading.

The path is structured in progressive courses:

The Startup Course lasts about two weeks and is dedicated to trend following basics. It covers fundamentals: how markets work, how to read charts, how to identify trends.

The V1 Course lasts twenty weeks and presents three trading strategies. It's the heart of the directional method, with periodic tests – some automatic, others personally verified – to ensure concepts have been understood.

The DV2 Plus Course lasts twenty-five weeks and is dedicated to research and planning techniques. These techniques were typical of large investment and speculative funds; here they are adapted to the needs of private traders.

Larry Williams said that learning trading is like learning a foreign language. Commitment and continuity are needed. It's not a path for superficial curious people – it's a constructive path for those who want to acquire real competency.

4 Work Teams: Discussion and Comparison

Beyond courses, the community is organized into **work teams** – discussion spaces dedicated to specific topics.

The main teams are:

Startup Team: basic topics, weekly Tuesday appointment, for those starting the path.

Tutorial Team: practical deep dives, some also published on YouTube, with step-by-step guides on tools.

Psychology and Mental Approach Team: one of the most important teams. Trading has ups and downs, and in complex periods collaboration helps maintain course.

Quantitative Trading Team: dedicated to quantitative research and artificial intelligence. While studying directional trading, you always keep an eye on the innovative field of quantitative calculation.

Each team has live appointments reserved for community users. There's dialogue, questions are answered, markets are analyzed, opportunities are studied, results are compared. These are deep dives not found in video lessons.

Team access is through the reserved area. You start from basic teams and progress toward more advanced ones as you complete the training path.

5 The Fund Structure: Each User as a Fund

A distinctive characteristic of the platform is the **fund structure**. Each user is identified as an independent fund, with all their accounts – research and production, algorithmic and directional – aggregated under a single identity.

This allows an overall view of each trader's work. You don't look at a single account, but at the set of strategies that make up the fund. Total profit, aggregated drawdown, month-by-month evolution – everything is calculated at fund level.

The community ranking orders funds based on profit/drawdown ratio, not absolute profit. A fund that generates a lot of profit but with high drawdown ranks lower than a fund with lower profits but better risk management. It's management quality that counts, not absolute numbers.

Each user can see their own accounts and others' accounts. Transparency is total: operations, drawdowns, difficult moments and positive moments are visible. This creates constructive discussion about results – you learn as much from successes as from errors.

6 Real-Time Updating

Platform data updates every thirty minutes. Accounts connected to MetaTrader automatically transmit operations, and the platform recalculates statistics in real time.

This means you can follow strategy progress day by day. Expenses, problems, open operations are visible. You don't have to wait for month's end to know how an account is going – information is always available.

Continuous updating is fundamental for collaboration. If a strategy is going through a difficult period, the community can discuss it immediately. If it's performing well, you can understand why and draw useful lessons.

7 The Value of Collaboration

The advantage of a community is not just access to strategies or tools. It's **daily comparison**.

Trading is a solitary activity by nature. You sit in front of charts alone, make decisions alone, face losses alone. This solitude can become a burden, especially in complex periods. Comparison with other traders helps maintain perspective, avoid emotional decisions, understand that difficult moments are part of the journey.

But there's more. Every tool has advantages and limits, nothing comes easily. Constant work is needed to stay competitive. Group discussion allows exploring these advantages and limits together, with different points of view. What seems an insurmountable problem to me might be an obstacle already overcome for another user.

The community creates a **common cultural base**. The same concepts, the same language, the same market approach are shared. This makes dialogue more effective. No time is wasted explaining basics – you can go straight to the point.

8 Three Competencies to Develop

To capitalize maximally on work in the community, **three competencies** need to be cultivated in parallel:

The first is **trading competency**: understanding how markets work, recognizing patterns, managing risk. It's the foundation without which everything else makes no sense.

The second is **the ability to use artificial intelligence**: leveraging tools like Claude Code to accelerate development, automate processes, analyze data.

The third is **data collection and analysis**: acquiring data day after day, normalizing it, comparing it, drawing conclusions. The more data you have, the better the decisions.

These three competencies reinforce each other. Trading competency guides the collection of the right data. Artificial intelligence accelerates analysis. Data feeds the improvement of trading competency. It's a virtuous cycle that improves week after week.

9 Not for the Curious: Commitment and Continuity

The Trend Following Traders project is not for everyone. It's not for those seeking easy solutions or miraculous systems. It's for those willing to commit, to study, to do constructive work over time.

The training path includes tests to pass. Some tests are automatic, others are personally verified. The goal is not to exclude people, but to ensure those accessing advanced teams have the competency necessary to participate constructively.

Emotionality in trading emerges when we don't know what to do. Unplanned trading becomes emotional. The training path serves exactly this: building a solid foundation that allows making decisions with method, not with momentary impulse.

Those seeking immediate results without commitment will be disappointed. Those instead willing to invest six months, a year, the time necessary to acquire real competency, will find in the community a structured and supported growth environment.

The community is not a service to consume. It's a project to contribute to. Every user who shares their data, who participates in discussions, who reports a problem, makes the community stronger for everyone. This is how we grow together.

<https://TrendFollowingTraders.com/blog>

Chapter 19

The Partners

1 Prop Trading Companies

Prop trading companies – also called prop firms – have become an important component of the operational journey for many community traders. These are companies that provide capital to traders, allowing them to operate with much larger funds than their personal ones.

The model is simple: the prop firm provides a trading account with its own capital. The trader operates on that account, respecting risk management rules – typically a maximum daily and monthly drawdown. If the trader generates profits, they retain a percentage. If they exceed drawdown limits, they lose access to the account.

For the private trader, prop firms represent a concrete opportunity to scale their activity without having to invest significant personal capital. For the community, they've become the main channel for **putting validated quantitative strategies into production**.

2 Darwinex: Broker and Prop Trading

Darwinex is one of the most used partners in the community, and has an interesting particularity: the same company offers two distinct services.

On one side there's **Darwinex broker**: demo accounts and traditional real accounts, where you operate with your own capital. Demo accounts are fundamental for the research phase – they allow testing strategies on real market data without risking money.

On the other side there's **Darwinex Zero**: the prop trading division. Here you operate with Darwinex's capital, following their risk management rules. If you respect parameters and generate profit, you receive a share of profits.

I've started a collaboration with Darwinex to address a practical problem: demo accounts expire. Typically every one or two months the demo account is closed, forcing you to open a new one and causing misalignment in data. For research work lasting months or years, this interruption is a problem.

The request to Darwinex was clear: demo accounts with long or infinite expiration, dedicated to community research work. The demo phase is a fundamental intermediate step in the **backtest** → **demo account** → **production** journey. Strategy imperfections must be corrected before putting them into production, and to correct them, data over prolonged periods is needed.

3 The5ERS, Pine Funded and Other Partners

Beyond Darwinex, the community works with several other prop trading companies. **The5ERS** and **Pine Funded** are among the most used. Each company has its own rules, its own drawdown limits, and its own profit split conditions.

Partner diversification is not random. It serves to solve the **duplication problem**.

Prop firms look for traders who develop their own strategies, not people copying systems purchased elsewhere. When they detect that two users are executing identical or very similar operations, they can block both accounts.

In the community, where quantitative strategies are shared, this becomes a real problem. If two users load the same strategy on the same prop firm, operations will be identical and duplication will be detected.

The solution is organizational. I've created **dedicated work groups** for each prop trading company. If I work with strategy 131 on The5ERS, another user can work with the same strategy 131 on Pine Funded or on Darwinex. Different partners, no duplication problem.

Alternatively, in the database I publish similar but not identical versions: same base logic, but with parameter variations – different time slot, different stop, different strategic time frames. Each user chooses a variant, and executions are sufficiently different not to be detected as duplications.

4 Research Accounts and Production Accounts

The distinction between **research accounts** and **production accounts** is central to the community's workflow.

Research accounts are demo accounts – virtual, with no real money at stake. Their purpose is to acquire data. A strategy that has passed the backtest phase is loaded on a research account and left to work for some months. Operation data is transmitted to the platform and analyzed.

Production accounts are real accounts: prop trading with partner company capital, or private accounts with personal capital. Here actual profit is generated.

The passage from research to production is not automatic. Validation is needed. If research account data confirms what backtest promised, the strategy is promoted to production. If data shows problems – higher than expected drawdown, inconsistent behavior, execution inefficiencies – the strategy stays in research phase or is discarded.

This process protects capital. Better to discover a strategy doesn't work on a demo account than on a real account with real money.

5 Overnight Trading and Impossible Opportunities

One of the most interesting applications of quantitative trading with prop trading partners is **automatic overnight trading**.

Automatic strategies can work while we sleep. Some strategies in the database operate in the 18:00 - 9:00 time slot, covering the Asian session and European night hours. It's a time when a human trader can't be present, but where opportunities exist.

I've seen strategies catch trends at one in the morning on Darwinex, on gold dollar, with risk/reward ratios of 1:50 – risk \$18 for potential profit of \$9,400. These are opportunities that with manual directional trading I could never have caught, simply because I can't be in front of charts at night.

Prop firms allow exploiting these opportunities with significant capital. If the strategy is validated, overnight trading results become real profits.

6 The Value of Partnership

Collaboration with prop trading companies is not just a matter of capital. It's a structural element of the community's business model.

Partners provide financial infrastructure: capital to operate, demo accounts for research, execution systems. The community provides competency: validated strategies, data analysis, risk management.

It's a symbiotic relationship. Prop firms need competent traders who generate consistent profits. The community needs capital to put developed strategies into production.

Dialogue with partners is continuous. It's not just about opening accounts and operating. Conditions are discussed, specific tools are requested – like long-expiration demo accounts – new collaboration methods are explored.

As the community grows and results consolidate, partnership possibilities increase. The more data we have, the more we can demonstrate our strategies' value. The more capital we can manage, the more we can distribute the load across different partners avoiding duplication problems.

7 Managing Diversification

With different partners available, management becomes an aspect to tend to. Not all strategies work the same way on all brokers. Execution conditions vary: spread, slippage, rollover times. A strategy that performs well on Darwinex might behave differently on The5ERS.

For this reason, the analysis platform allows comparing results by partner. You see your personal fund's aggregated data, but can also filter by individual account and company.

The recommendation is to test each strategy on the specific partner where you intend to use it, in the research phase, before moving to production. Backtest data is a starting point, not a guarantee. Validation on demo account with the actual broker closes the circle.

Partners are not simple service providers. They're an integral part of the ecosystem that makes professional quantitative trading possible for private traders. Choosing the right partners, managing diversification, and maintaining collaborative relationships is as important as developing good strategies.

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Chapter 20

Conclusion: The Competitive Advantage

1 A Dream Realized After Ten Years

Everything I've described in this book I had planned over ten years ago, without being able to realize it.

I had in mind the data analysis platform, the quantitative strategy management system, the tools for balance control. I had hired developers, involved other traders to support me. I never arrived at anything concrete. The ideas were there, the trading competency was there, but the bridge that could translate all this into working tools was missing.

Then artificial intelligence arrived. I started testing, saw it worked, and in a few weeks I realized what previously would have required years and a dedicated team.

I don't say this to boast. I say it because this is the reality. Claude Code has allowed me to fulfill the needs of an entire work team. It understands trading – all the terms I give it, it comprehends. It understands development – it knows MQL5, PineScript, PHP. It understands quickly and can work in parallel: while it does one thing, I do another.

It's like having a team always listening that takes on every problem and solves it. Every terminal window is an interlocutor connected to my files, that updates, creates, modifies – does everything it needs to do.

2 The Three Competencies of the Modern Trader

In this era, acquiring specific competency involving the use of artificial intelligence is essential in any field of work. This tool is changing the world, changing professions. In our sector, the first results are those I've described in these pages.

But artificial intelligence alone is not enough. A foundation is needed to build on. That's why I've talked about **three competencies** to develop in parallel.

The first is **trading competency**. Understanding how markets work, recognizing trends, managing risk. It's the foundation without which no tool can help. Van Tharp, Larry Williams, all the greats in our sector have always taught: the trader needs to know very well how reference markets work to develop the activity well. The more we know, the more competitive we'll be.

The second is **the ability to use artificial intelligence**. You don't need to be a programmer. You need to know what to ask and how to ask it. It's a competency developed with practice: dialoguing with the tool, testing, correcting, iterating.

The third is **data collection and analysis**. Every trader needs data to develop a competitive activity. Our ability to analyze this data dynamically, quickly, is essential. The more efficient we are in analyzing large masses of data, the more we'll be able to develop competitive strategies and activities in markets.

These three competencies reinforce each other. Trading competency guides the collection of the right data. Artificial intelligence accelerates analysis. Data feeds continuous improvement.

3 The True Strategic Advantage

The trader's true strategic advantage is having control over data. Knowing it, being familiar with it, having it available, being able to consult and enrich it.

Once this advantage was reserved for large hedge funds. Teams of developers, expensive infrastructure, years of work were needed. The small private trader didn't have access to these resources.

Today the situation has changed. With StrategyQuant and Claude Code, I have computing power comparable to that of a small hedge fund at my disposal. The workstation on Amazon AWS costs me \$2,000 per month – a significant investment for a private individual, but accessible. In the past, the same level of computational capacity would have been unthinkable.

And it's not just a matter of computing power. It's the ability to transform ideas into working tools in quick times. The Power Tool, the analysis platform, the strategies database: all this was born in weeks, not years.

4 The Path from Backtest to Production

I've described a three-phase path: **backtest**, **demo account**, **production**. It's a path that requires patience, but protects capital.

In the backtest phase the strategy is studied on paper. Eight years of historical data are analyzed, patterns are identified, drawdowns are calculated. Claude Code helps develop StrategyQuant configuration files, optimizing the research cycle.

In the demo phase real functioning is verified. The strategy is loaded on a virtual account and left to work for months. Data is transmitted to the platform and compared with backtest. If there's coherence, you proceed. If there are discrepancies, they're analyzed and corrected.

In the production phase actual profit is generated. On real accounts, on prop trading accounts, with capital at stake. Only at this point has the strategy demonstrated its value.

This path repeats for each strategy. It's a cycle: configuration, processing, results, analysis, correction, new iteration. Until arriving at ever more precise, ever more efficient solutions.

5 A Knife: Can Be Used for Good or Evil

I'm not a die-hard fan of artificial intelligence. I recognize it's a great tool, but like a knife it can be used for good or evil.

In our field, the use is clear: accelerate research, develop better tools, analyze more data in less time. It's a constructive use that makes us more competitive without harming anyone.

But it's important to maintain a critical approach. Artificial intelligence doesn't replace trading competency. It doesn't replace experience. It doesn't replace human judgment. It's a very powerful tool that amplifies what we already know how to do. If we don't know what to ask, we won't get anything useful.

That's why the community's training path starts from trading basics, not from artificial intelligence. First you understand how markets work. Then you learn to use the tools.

6 Work More in Planning, Work Less in Operations

The philosophy guiding my entire approach can be summarized in one phrase: **work more in the planning and research phase, to work less and better in the operational phase.**

Unplanned trading becomes emotional. Emotionality emerges when we don't know what to do. If instead we have a plan, if we have data, if we've tested strategies, operations become execution of an already defined process.

This doesn't mean there won't be difficult moments. Trading has ups and downs, it's part of the game. But with a plan and data, difficult moments are faced with method, not panic.

7 The Future Is in Collaboration

I chose to share all this in the community instead of keeping it for exclusive use. Not for abstract altruism, but because collaboration generates value for everyone.

Every user who shares their data enriches the database. Every strategy tested by more people is validated faster. Every discussion about results produces insights we wouldn't have had alone.

The community is not a service to consume. It's a project to contribute to. This is how we grow together, this is how a lasting competitive advantage is built.

8 An Invitation

If you've made it this far, you have a choice to make.

You can consider this book as interesting reading and return to your routine. Or you can decide to put into practice what you've read: study markets, learn to use artificial intelligence, collect and analyze data.

The path is not short. As Larry Williams said, learning trading is like learning a foreign language. Months are needed, perhaps years. Commitment and continuity are needed.

But if you're willing to take it, the information contained in this book will be useful to you. And if you want, you can join the community to take this path together with others who share the same goal.

Studying and understanding how artificial intelligence works now, in this era, is essential. The first to acquire this competency will have an advantage over everyone else. It's on this advantage that the work described in these pages is founded.

Competitive advantage is not inherited. It's built day by day, with competency, data, and ever better tools. Artificial intelligence is the multiplier that makes possible what was previously impossible. It's up to us to decide how to use it.

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