Our guide to ten popular Auto-Trading Strategies

No1. Trailing Stoploss Reversal Level Cross System

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The City Index AT Pro platform offers over 100 Automated Trading Strategies which can be used to generate trade signals and place automated trades on your account.

We appreciate that when looking at automated trading systems for the first time, they can be intimidating, and it's hard to know where to start or what strategy will work best for you. That is why we have put together these guides to getting started with ten of the most popular strategies as used by our clients.

Of course, there's no such thing as a 'holy grail' trading strategy that will work on all products, over all time frames, all of the time, but by learning what each strategy does and their strengths and weaknesses you can start to get an idea of what strategies suit your trading style.

The Advantage Trader Auto-Trading strategies currently work on a 'Complete Bar' mode, which means that trading systems request a trade on the open of the next, newly forming chart interval, rather than placing a trade at the point in time a signal is generated.

Please note: Auto-Trading strategies can be high risk – you are permitting the trading platform to trade automatically on your behalf. We highly recommend that you test whatever strategy you are planning on using thoroughly, and start with small stakes to control your exposure. City Index will not be responsible for any losses incurred as a result of using the Auto-Trading Strategies. You can learn how to run the Back-Testing tool to test strategies on the product you are thinking of trading by visiting the Auto-Trading Systems section of the City Index website.

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Trailing Stoploss Reversal Level Cross System

Risk: Low to medium.

Strategy type: Reversal, Trend Breaking.

Recommended timeframes: Best suited to longer time-frames (1hr+)
but can be used in shorter time frames with caution.
We recommend using the 30m, 1hr and 4hr settings.

Attention required: Low.

Overview

**The Trailing Stoploss Reversal Level Cross System uses the Trailing Stoploss
Reversal Level Indicator to generate signals for potential trading opportunities.**

The Trailing Stoploss Reversal Level indicator is a popular indicator with traders. It
plots a line that "trails" (or follows) above or below the products price as the price
moves down or up. It can be set to trail above or below prices by a level of volatility,
or a user-defined number of pips - this can be selected in the 'Edit' function to allow
fine-tuning of the indicator (using the 'TSRL Mode' selector below; Fig. 1):

Fig. 1

Trailing Stoploss levels, whether volatility-based or pip-based, are popular with
traders as a non-emotional trading and exit strategy. Trailing Stoplosses help to
remove the emotion that can be involved with holding and exiting trades, thereby
helping to control risk.

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The signals are generated using the following logic:

Long Entry = Close price crosses above the Trailing Stoploss Reversal Line

Long Exit = Close price crosses below the Trailing Stoploss Reversal Line

Short Entry = Close price crosses below the Trailing Stoploss Reversal Line

Short Exit = Close price crosses above the Trailing Stoploss Reversal Line

Fig. 2

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This system is used by traders to instigate 'place and forget' trades that the strategy executes on your behalf. These are generally 'low-risk' trades as the position will be closed automatically by the system if the price reverses and trades through the trailing stop loss line.

If the strategy enters in to a long position as a result of the price moving back above the TSLR line, as in the example on the left of the chart above (Fig. 2), then the TSLR line will shift and re-establish itself at the distance from the execution price specified in the settings above. If the price climbs, the TSLR line will track it higher but will never retreat away from the price, meaning that the position will be backed by a rising stop loss that could lock in a profit if the price reverses. If the price does start to reverse and cuts back through the TSLR line then your long position will be closed and a short position opened.

This trade is more suited to trending markets, as you want the trend to break and reverse. It does not work as well in sideways moving markets as a reversal signal may trigger with the position sitting at a loss. Please note – the trades are only placed when a candle closes above or below the TSLR line. It is possible that the price may dip through the line on occasion, but only places the trade when the candle closes above or below, placing the trade at the open of the next new candle. Two examples of this can be seen in the chart above to the right of the yellow arrow where the price traded through the dotted line but closed above it.

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If you reduce the number of 'pips to trail', if the TSRL Mode is set to pips, or reduce the ATR Periods if set to volatility, the Trailing Stoploss line will tighten up closer to the current price. This will result in more signals being generated, which you could possibly benefit from by opening trades earlier in a move, but can also result in more losing trades if the price reverses frequently in a volatile market. Please ensure you test any changes to your settings thoroughly before switching the Auto-Strategy on in the live market.

More information on how to back-test your strategies can be found on the Auto-Trading systems section of the City Index site at **www.cityindex.co.uk/platforms-and-tools/auto-trading**

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