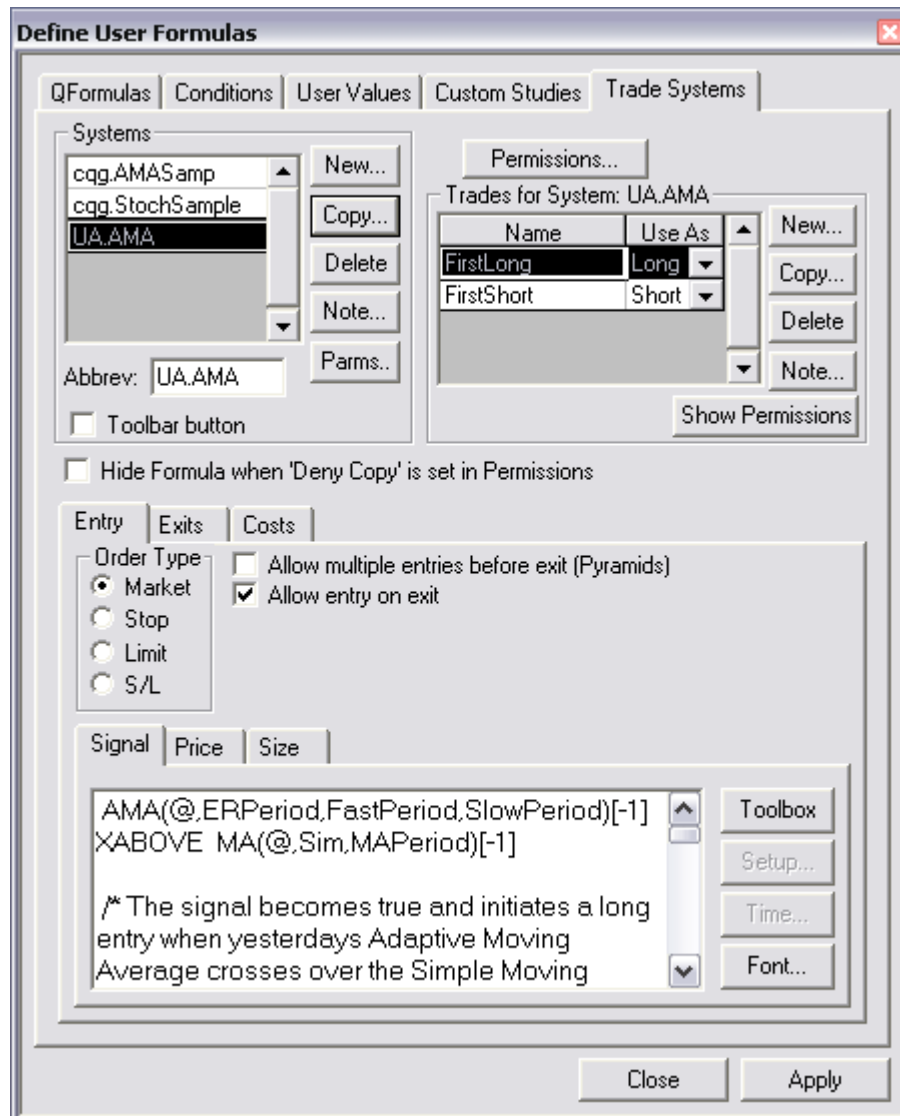


Trading Systems

Trade Systems are part of the **Define User Formulas** window. To access them:

1. Click the **System** button.
2. Select **Define User Formulas**.
3. Click the **Trade Systems** tab.



CQG Trade System Samples

CQG provides two trade system samples for you: `cqg.AMASamp` and `cqg.StochSample`.

cqg.AMASamp Signal

`AMA(@,ERPeriod,FastPeriod,SlowPeriod)[-1] XABOVE MA(@,Sim,MAPeriod)[-1]`

The signal becomes true and initiates a long entry when yesterday's Adaptive Moving Average crosses over the Simple Moving Average from yesterday.

Parameters have been configured for the studies AMA (ERPeriod, FastPeriod, SlowPeriod) and MA (MAPeriod). The parameters make changing the associated periods easier from the chart window. These parameters are available for the entire trade system, so they may be used in both entries AND exits.

To change the values for these parameters, right-click on the trade system as it is displayed on the chart and select "Modify..." The parameter names will appear as column headers and the values will be found under those headers.

The Order type for this Entry is a Market Order. This means that the Trade will be executed at the Price specified in the Price tab when the Signal is true. The other order types include Stop, Limit and S/L (Stop/Limit).

The Allow multiple entries before exit (Pyramids) is fairly self-explanatory--it allows additional entry trades to be placed if the condition for that entry is hit before the exit condition is met.

The Allow entry on exit allows an entry to be placed on the same bar that is an exit for a previous trade(s). This is especially useful for Stop-and-Reverse systems.

cqg.AMASamp Price

Open(@): The price used for the trade is today's open as the signal happened yesterday.

cqg.AMASamp Size

In this sample, the trading system trades 7 contracts. This field could also be a formula evaluating the number of contracts based on market conditions.

cqg.StochSample Signal

`B.cqg.StochXAbove(@,XUpThreshold,SSKPeriod)`

This System relies on the condition `cqg.StochXAbove` and `cqg.StochXBelow`. It is a reverse type system. That is, when it exits a long it also enters a Short and vice-versa. The Threshold values and SSK Period are parameters that may be optimized.

The orders in this system are all signal based.

cqg.StochSample Price: `Close(@)`

cqg.StochSample Size: 1

Creating a Trading System

Creating a trading system involves 5 steps:

1. Naming the system.
2. Naming the long and/or short trades for the system.
3. Establishing entry characteristics for the long and/or short trades.
4. Establishing exit characteristics for the long and/or short trades.
5. Designating a commission amount and commissions scheme (either fixed or per contract).

The limit for total combined number of entries and exits per trading system is 140.

Note: You can have multiple entries and exits for the same trading system.

Naming the Trading System

1. Click the **New** button in the **Systems** section of the **Trade Systems** tab.

This displays the **Create a New Trade System** window.

2. Input a name and an abbreviation for the new trade system.

The abbreviation appears as the toolbar button name. Additionally, **COG** uses the abbreviation name when you use one trading system as the basis for another trading system.

By default, COG automatically uses the first seven characters of the system name as the abbreviation. However, you can change the abbreviation, if desired by:

1. Clicking in the **Abbrev:** box.
2. Entering the desired abbreviation name.
3. Select the **Toolbar button** checkbox to place a button on the application-specific toolbar, allowing users to display the trading system in a chart window with one click.
4. Click the **OK** button to save the new name and abbreviation and close the **Create a New Trade System** window.

Or,

5. Click the **Cancel** button to close the **Create a New Trade System** window without creating a new name or abbreviation.

Entering a Note

Users can easily enter a note about a trading system or trades within the trading system.

1. Click either the **Note** button associated with the trading system name or the **Note** button associated with the trades for the trading system.

This displays the **Note** window.

2. Enter the desired note text.

Naming the Trades Associated with the Trading System

The second step involved in defining a Trading System is to name the trades comprising the system.

1. Click the **New** button in the **Trades for System** section.
2. Enter a name for the new trade.
3. Click the **OK** button to record the new trade name and close the **Create a New Trade** window.
4. Select the type of trade from the dropdown list in the **Use As** section.

Choices include **Long**, **Short** or **Off**.

If **Off** is selected, the trade will still be part of the current trading system but will not be considered in the current evaluation.

Designating the Order Type

The first step in establishing the entry characteristics is designating an entry signal.

1. Click the **Entry** tab.
2. Select the **Order Type**.

Designating the Order Characteristics

Select one or more of the **Allow multiple entries before exit (Pyramids)** and/or **Allow entry on exit boxes**.

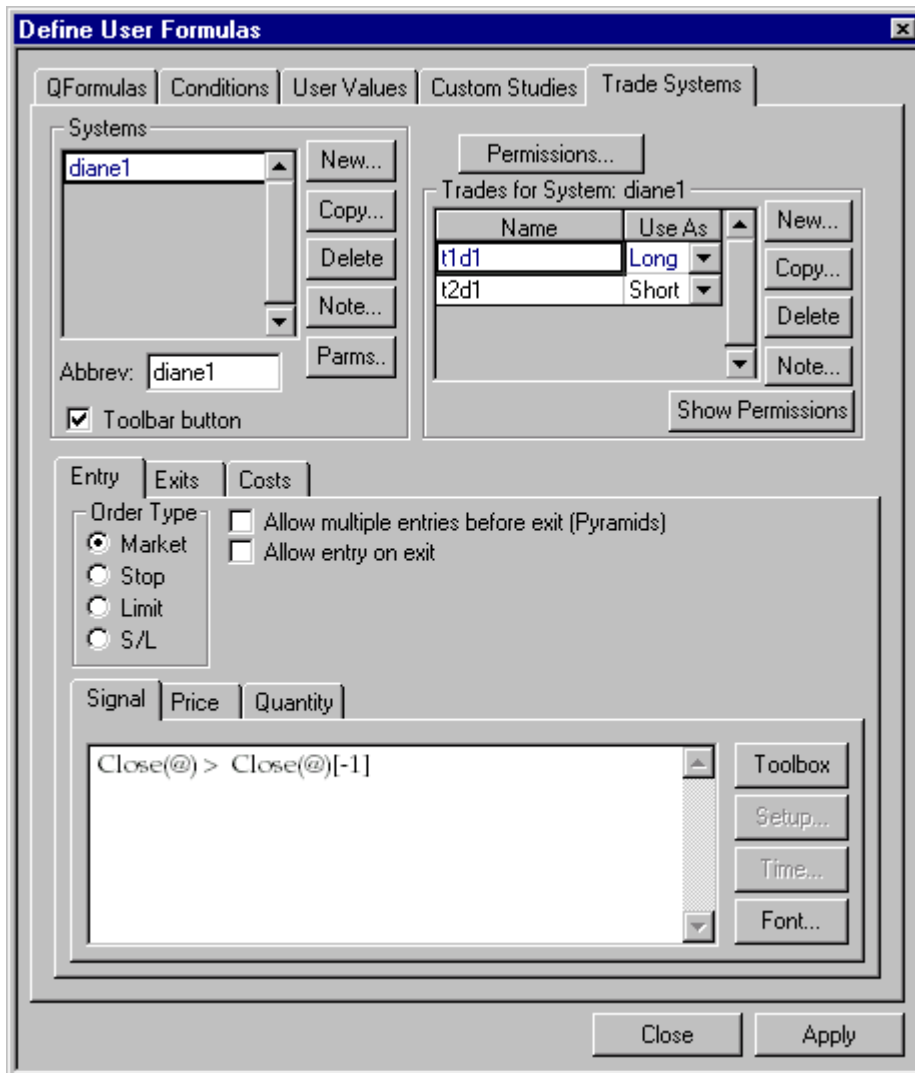
- Selecting the **Allow multiple entries before exit** checkbox allows positions to accumulate without being closed until the exit signal becomes true.
- **Selecting the Allow entry on exit** checkbox allows entries and exits to occur on the same bar. When the box is not checked the system will wait at least until the next bar before generating an exit signal.

Potential Timeframe Problem in Trading Systems Formulas

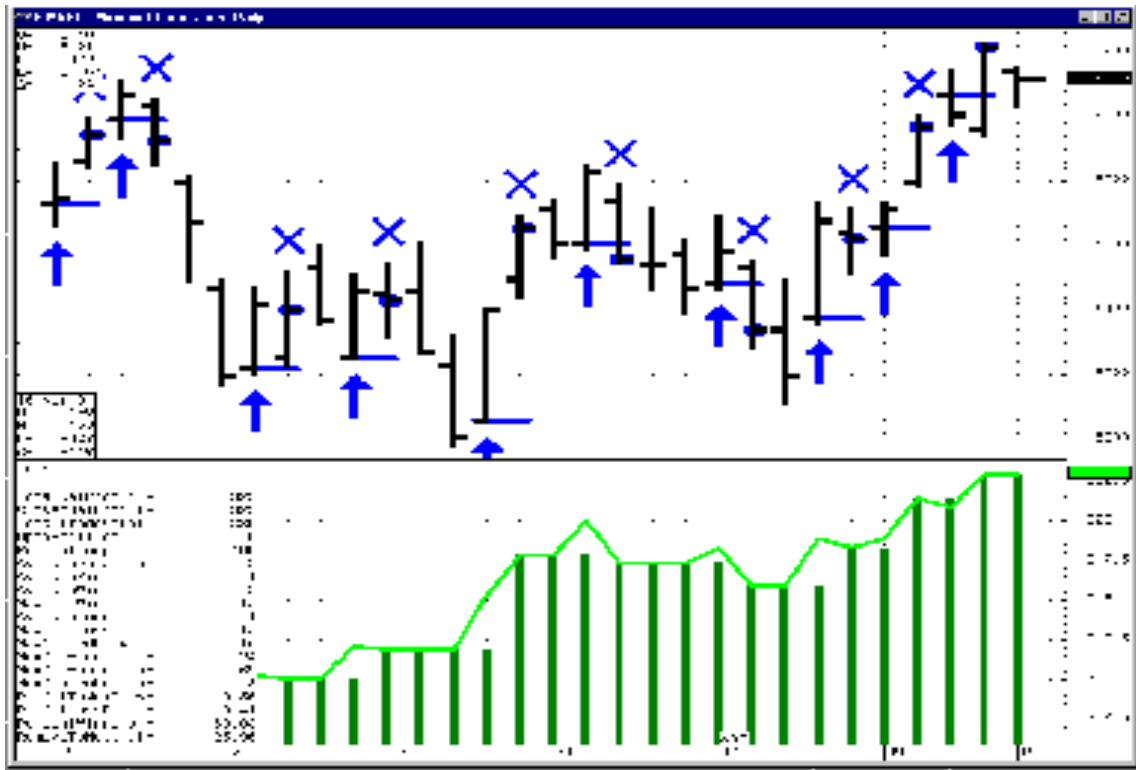
Because some values (high, low, and close) are not known until after a market's close, you can set up a trading system that will appear to be extremely successful, but won't work in reality. The following examples illustrate what can happen:

Example #1:

In this example, the system is set up to enter on today's Open (the Order Type button) whenever today's close is greater than yesterday's close. However, you won't know the value of today's close until after the close occurs, so you can't truly base entry decisions on that future event.

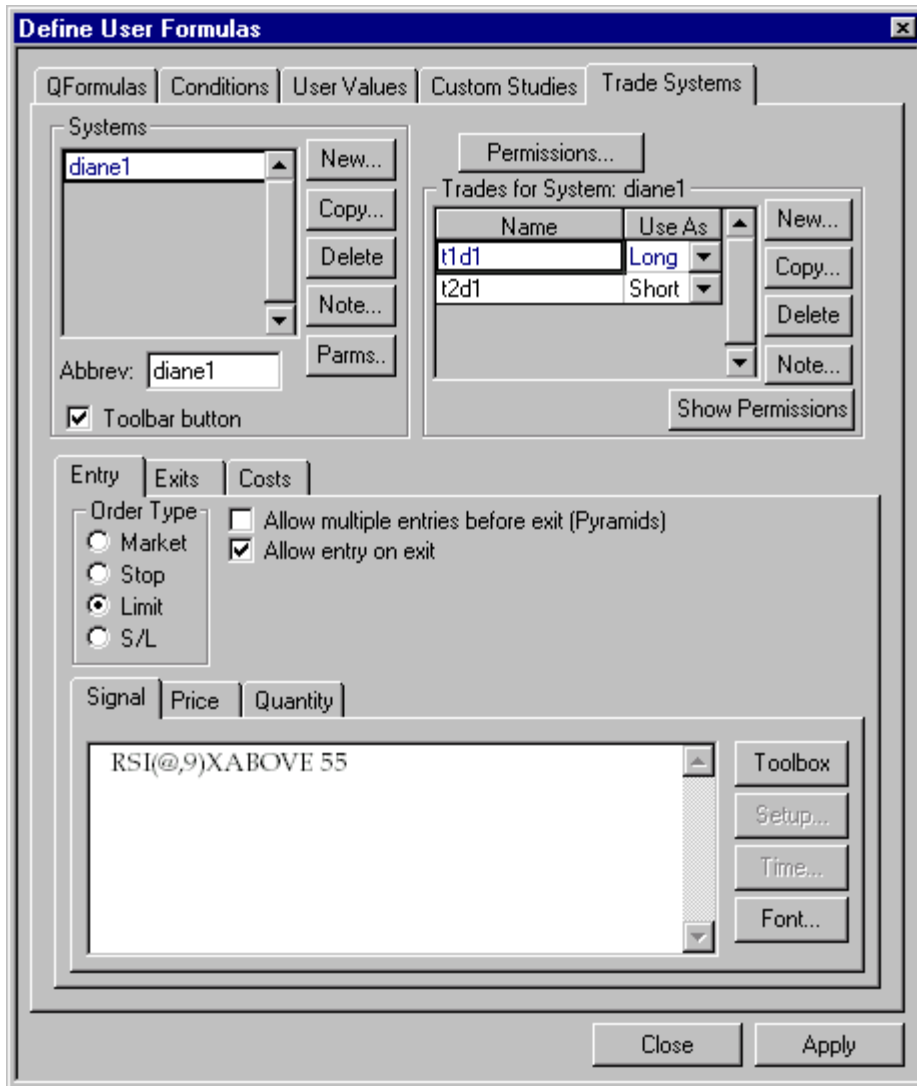


The graph shows the results of implementing this trading system. It reports a great profit profile. Unfortunately, it doesn't work like that in reality.

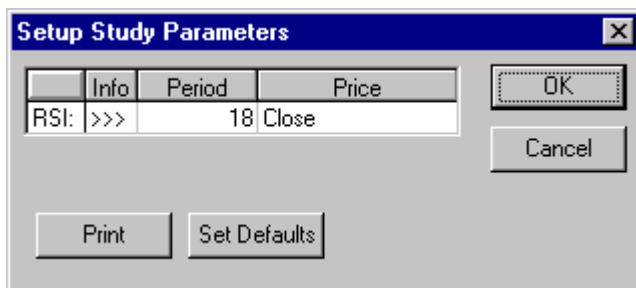


Example #2:

This example illustrates a less obvious time-based mistake. Once again, the system is set to Enter on Open. This time the signal is based on an RSI.



While that might be fine, in this case, there will be a problem because the RSI is based on the closing price.



Once again, you have extremely profitable results reported in the graph below, but that's because it reflects decisions that are based on future events, as a result of the RSI having a closing price parameter, while the trading system has an Open order type.



If you see remarkably profitable results reported by your trading system, check all your values to be sure your trading system isn't acting on information you won't have in real-time.

Designating the Entry Signal

1. Click the **Signal** tab to define the actual entry signal.
2. **Trading System signals** are defined using the **Formula Toolbox**, exactly the same way Q Formulas, Conditions, User Values and Custom Studies are specified.
3. Click the **Toolbox** button.
4. Insert the desired elements from the **Formula Toolbox**.

Note: Signals yield true or false values.

Designating the Entry Price

1. Click the **Price** tab.
2. Designate the price (using the **Formula Toolbox**) to be used for the entry signal.

A price can only be designated when either a Stop or a Limit order has been designated as the order type, since Open and Close already refer to a specific price.

The price designation operates in conjunction with the signal designation. In other words, the price parameter tells the system where to execute the order once the designated signal becomes true.

Designating a Quantity

1. Click the **Quantity** tab.
2. Input the quantity for each trade.