

# Daily20pip Trading System Manual

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## **Introduction:**

The Daily20p (D20p) system is a once a day system trading the GBP a bit before the opening of the London market. It is a breakout system based on the daily pivot point. There are some days that are "No Trade" days, as the Entry Levels do not get hit.

## **Overview of this Manual:**

The intent of this paper is to quantify the various components of the D20p system, and offer various modifications suggested by it's various users. It is all for your consideration and should not be followed blindly. Rather one should endeavor to grasp the intent of the system, and follow the forum discussions regarding specific day-by-day trades. The best learning is by tracking the trades, and their subsequent discussions, while demo-ing the system yourself, on your own platform.

It is hoped that this document will be an evolving work, being updated as new concepts and procedures become developed.

Virtually all of this information can be found on the forums at [daily20pip.com](http://daily20pip.com). These forums should continue to be the foremost source for system information, as you get daily feedback and analysis of these trades.

We also assume that you have a basic knowledge of Market, Stop & Limit Orders, how they function, and how to apply them. We will not discuss them here.

This Manual will be organized as follows:

- Calculation of daily Pivot Point. (PP)
- Calculation of corresponding Trade Entry Levels. (BuyA, BuyB, SellA, SellB)
- Mod's Basic System (used for the website signals)
- Presentation of Trade Entry method options.
- Discussion of the Trade Time Window.
- Presentation of Trade Entry rules by method.
- Discussion of variations to the "basic" rules.
- Setup of MetaTrader4. (Indicators, ExpertAdvisers, etc.)
- Appendices (future)

## **Calculation of Daily Pivot:**

This calculation is made at the new day of your broker/chart. Mod's broker is GMT+3 (during Daylight Savings time, +2 when in Standard time.) You may have different times, or slightly different numbers with your broker at the same time, so you have to allow a little variance. In any case, the PP calc is to be done after the close of a day. Trader feedback has indicated that these differences are minor, and while may introduce slightly different trade results on a day-to-day basis, there is virtually no long-term difference in Win/Loss percentages.

The calculation is conventional and very simple:  
Determine the High, Low, and Close of the previous day.

$$PP = (H + L + C) / 3$$

### Calculation of the Trade Entry Levels:

There are four Trade Entry Levels calculated, based on the Pivot Point:

$$\begin{aligned} \text{BuyA} &= PP + 21 \\ \text{BuyB} &= PP + 41 \\ \text{PivotPoint} \\ \text{SellA} &= PP - 21 \\ \text{SellB} &= PP - 41 \end{aligned}$$

Please note that there is a calculator on the website ( [www.daily20pip.com/signal/](http://www.daily20pip.com/signal/) ), and an Excel spreadsheet available on the forums to perform this calculation for you. You simply enter the HLC values, and the calculator gives you the rest.

DAILY 20 PIP		BUY B 20470	
20474	High	BUY A 20450	
20465	Close	Calculate!	20429
20348	Low	SELL A 20408	
forex signal ver 2.5 © daily20pip.com		SELL B 20388	

This gives you four entry points, which you use according to the following rules.

### Mod's Basic System: (used for the website signals)

This section is to clarify what Mod uses to generate his website signals. These signals are generated *after* the new day, but *before* tradetime, usually by several hours. Once given, they do not change.

Mod uses a simple "Follow-the-Price" system, applied at the new day. Mod will determine two things, and two things only:

- Trade Direction (Buy or Sell)
- Entry Level (Either BuyA or SellA, depending on TradeDirection above)

His determining factor is the market price compared to the calculated Pivot Price at **new day**.

- If Market > PP, then the signaled trade is a BUY.
- If Market < PP, then the signaled trade is a SELL.

Entry Level will always\*\* be at PointA.

\*\* the Level B entries discussed below are considered an advanced strategy. Mod deals ONLY with price at new day. It is virtually mathematically impossible for the Market price at new day to be 41 pips (or more) above the calculated PivotPoint, so his signals will never be a PointB entry.

This is the simple, basic, and "safe" system. It is recommended that one master this system before moving on to the more advanced trades covered below.

### **Trade Entry Methods:**

There are two methods of entering a trade by the D20p system. (Well, maybe three, if you use the SimpleEA...see the Variations section.)

1. "Follow-the-Price" (FTP) method. This is what is considered the basic, and safest, method. Mod uses this method in determining his posted signals on the website.
2. "GBP Filter" (GBPF) method. This one is a little more aggressive, and utilizes a separate "GBP Filter" indicator.

FTP determines the trade type at the beginning of a new day. The Entry Level will always be at BuyA or SellA. (adjustment to LevelB as a response to market movement is considered an advanced technique.)

GBPF determines the trade type at the beginning of the new TradeTime. The Entry Level may be at either the LevelA points, or the LevelB points, depending on the market price at TradeTime. (As above, further adjustment of a LevelA entry to a LevelB entry in response to market movement is considered an advanced technique.)

### **Trade Times:**

This topic has been the source of much heartache. If you understand this, you will be way ahead in applying this system wherever you live!!

The TradeTime is the time at which you will actually begin to look for and take a trade. The end time is when you stop looking for, after which, you will not take a trade.

The TradeTimes for the D20p system are from 0600 to 1700 **London** time.

(Did I say "London" time??? Why, yes I did....)

London has a daylight savings time change. So, for half the year, London time is *the same* as GMT (Standard time), and for half the year London time is *GMT+1* (Daylight Savings time).

So, to apply the D20p methodology, you need to change your times twice a year accordingly.

### **Trade Entry Rules (regular Follow-the-Price):**

(NOTE: screen shot examples to follow)

All discussions here will be in terms of a BUY trade. A SELL trade is identical, only the other way....

StopLoss is set at 30p. TakeProfit\*\* is set at 20p. (\*\* see Variations section)

The buy or sell trade type is determined at the opening of the NEW DAY BAR. At this point, the new PP is calculated, and the new Trade Entry Levels are calculated.

If the new day opening price is ABOVE the PP, the trade is to be a BUY.

If the new day opening price is BELOW the PP, the trade is to be a SELL.

From here, there will be one of three scenerios: (again, in terms of a Buy trade...)

1. Price (at TradeTime) will be below BuyA and above SellA. This is the "basic" setup, and is most common. It is also the simplest to implement. In this case, you simply BUY at a touch of BuyA. The trade progresses to hit either the TakeProfit or the StopLoss.
2. Price at TradeTime is *above* BuyA, but *below* BuyB+20. In this case, the BUY trade is taken if, and only if, the price retraces back to touch the BuyA level. (\*\* see Variations section)
3. Price at moves by TradeTime, or later, to *above* BuyB+20. In this case, BuyA entry can be adjusted to BuyB, with the BUY trade is taken if, and only if, the price retraces back to BuyB. [*This is considered an advanced technique...the basic method would leave the EntryLevel at BuyA.*]

That is it. One of these three scenerios will ALWAYS be present at trade time, but you may not take a trade every time. For example, in Scenerio3, the price may not retrace back to BuyB level by the Trade End time. So that day is a "No Trade" day.

### **Trade Entry Rules (GBPFilter):**

This method is actually very similar to the above. The only thing that is different is the method of determining the Buy or Sell trade, and the time it is done.

FTP determines trade type at the opening of the new day bar.

GBPF determines the trade type *at TradeTime*.

You must have the GBP Filter indicator applied to your 1 hour GBPUSD chart (see MT4 setup.)

At TradeTime (0600 London Time), you compare the Price to the value of the indicator.

If the Price is *above* the Indicator line, the trade is a BUY.

If the Price is *below* the Indicator line, the trade is a SELL.

That's it! The remainder of the process is identical to the above. You absolutely will have one of the three scenarios presented above. Depending on the scenerio, you determine your Entry Level.

## Example Trades & Discussion:

### Scenerio1: (Price below BuyA, but above Sella)



Here is one that is a (OMG!!!) a loss!!! Just for a little reality check, losses happens.

But here, we can see a classic Scenerio1.... Price at opening of the new day ("A") is below BuyA, but above Sella. Same is true for TradeTime ("B"), price is below BuyA, and above Sella.

At "A", we determine our PivotPoint and our Entry levels. For FTP, we also determine Buy/Sell. Open price at the new day is clearly above the Pivot Point so it is a BUY.

At TradeTime, Point "B", we see that the price is clearly above the GBP Filter, so GBPF says BUY as well.

At Point "C", (not placed so well on the graphic... sorry...), we see that Level BuyA is hit, so by all methods, a BUY is taken. Well... the chart tells the story from there.... And we sustain a Loss. No bigee. Really.

## Next Example of Scenerio1:



Same setup here... New Day is at vertical dashed purple line, TradeTime at vertical dashed blue line.

FTP: At NewDay, price is clearly below the pivot point ("A"), so trade would be a Sell

GBPF: At TradeTime price is also clearly below the GBPfilter line ("B"), so trade would be a Sell.

As you see, at TradeTime, the price went opposite, up. But, the SellEntry point was never hit, so both the FTP and GBPF trades are a "No-Trade", which is just fine. No harm, no foul.

But! The TrueFollowThePrice (TFTP) entry ("C"), (see the Variations section), was a WIN. This method does not predetermine the Buy/Sell, but rather enters at whichever EntryLevel hits first. Here, it would have taken a Buy, and subsequently a Win of either 20p or 30p (again, see the Variations section.)

**Scenario2:** (Price above LevelA, but below LevelB+20p)



This example is really two examples. First, it is a Scenario2 for the FTP method, and secondly, a Scenerio3 for the GBPF method. This Broker is GMT+3, at the time of this trade.

FTP: Trade type is determined at new day (vertical purple dashed line), chart time 0000, Point A above. Bar opens above LevelA, but below LevelB (Level2 in the indicator). So, we are to wait for a Touch of A (Level 1 in the Indicator). It never happens, so this is a No-Trade.

GBPF: At TradeTime (vertical blue dashed line), 0800 chart time, Price is WAYYYYYY above the GBPfilter line (gold), so trade is a BUY. Since Price at TradeTime is more than 20p above LevelB, trade is to be taken at touch of BuyB. The price does indeed touch BuyB within the Trade Time window, so a Buy is taken. After a slight dip, the price rises to hit the TakeProfit. WIN!

**Scenario3:** (Price above LevelB+20p)

See above discussion for a GBPfilter example of Scenario 3.

We may have to wait a while before we see a Scenerio3 for the FTP method... Mathematically, it is pretty much impossible... but when and if it happens, I will revise and repost!!

Usually (always!) it will take some time from new day for the price to move to 41 pips above PivotPoint, or more. It may happen before TradeTime, it may happen after TradeTime. It would be considered an advanced technique to adjust the Entry Level to BuyB, IF the price indeed moves that far.

## Variations:

1. In Trade Scenario2, (Price is above BuyA, but below BuyB+20p), we say to take a trade at the *TOUCH* of A if the price retraces down. The Graphic, and the earlier information stated that we are to wait for a retracement to 5-10 pips BELOW A. This had been referred to as the 5-10 pip rule. However, recently, we have been taking these trades at a Touch of LevelA, and have been more successful. What would have been No-Trades, have been Wins. I believe that we can call this an improvement, but time will tell.
2. TakeProfit can be raised to 25 or 30 pips. There have been those on the forums that have specifically tracked this. It has appeared in these forward-tested results that a TakeProfit of 25 pips has had the identical win rate as 20pips, and I believe that 30 pips has had maybe one less win in the last month or so... More specific and current data can be found here: <http://daily20pip.com/forum/viewtopic.php?t=293&start=40>
3. There is a variation of the standard Follow-the-Price method that is under development. Currently, only one pending trade is put for each day, depending on the Buy/Sell tradetype determination by either the GBPfilter or the FTP methods. In either case, ONLY that trade will be taken. I.e., if a Sell is determined, and the market takes off up, a Buy trade is not taken.

This variation is incorporated in the Simple D20p EA below, and the coming full version EA... It is very difficult to manually place two potential entries, as it would be possible for one to trigger, sustain a loss, and trigger the second, reversing to sustain two losses in one day. Unless one could attend the computer, this is a very real possibility. With an EA, once one position is triggered, the other can be immediately cancelled. In true "Follow-the-Price" fashion, we would let the market dictate whether we take a buy or a sell, and not predetermine it. If the market goes up and hits the Buy level, we enter. If it goes down and hits the Sell entry, we sell. We take what the market gives us. This could be called the "TrueFollowThePrice" (TFTP) entry, but is only available with the Expert Adviser. It needs more testing to determine if this additional logic adds any wins (or losses) to the record or not. This method would not *eliminate* any trades taken, but may take *additional* trades that happen if the market goes distinctly opposite the FTP or GBPF predicted trade direction. Of course, these additional trades can then be either a Win or a Loss. There is no guarantee that this method would add Wins, but is worthy of investigation.



## **MetaTrader4 Setup:**

Metatrader4 is sort of the preferred platform by default. While this method can be traded with any platform that offers a 1 hour chart of the GBPUSD, there are several indicators and ExpertAdvisers available for MT4 that make things pretty nice!

We are assuming you already know how to apply indicators and EA s in MT4....

### Available Indicators:

All of these are available on the site forums, although you may have to do some searching to find them!!

1. D20p Pivots: I think this is also called TX Pivots or something like that. This will calculate the PivotPoint, all 4 entry levels, and show them as lines and colored Buy/Sell bands. These calcs are virtually the same as Mods', so technically, you can use these numbers to base your entries on and be just fine. The main thing you have to set on this indicator is the start of the new day...
2. MultiTimeLines: This little indicator draws a vertical line at your broker new day, 0000 chart time, and allows you to add up to 4 additional vertical dashed lines at whatever time you want. You provide the times in the indicator input screen. I use two of the times to show the start and end of the D20p trade time window, and leave the last two at 0000.
3. GMTtime: handy little indicator that shows GMT time and your Brokers' server time in the upper right corner of the chart, under any EA name you might have up there.

All three of these are present on the example screen shots in this Manual.

### Available Expert Advisers:

There are essentially three at this point in time. One is free, but un-finished, and found on the EA Testing thread in the forums. I have not used it but I hear it works OK....

That same author has a commercial one available for purchase, and is listed on the Buy/Sell/Trade thread on the forum.

The third is called the "Simple D20p EA", and is available for free under the forum thread by that name. It comes with a pdf that explains it's use.

A fourth is under development, and is hoped to incorporate all of the logic for the D20p system for both the Follow-the-Price and GBPFilter methods of entry.