

BREAKOUT BOXES

Version 1.0 10/30/2009

Daily/Weekly Box Indicator for MetaTrader 4

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BREAKOUT BOXES

This indicator was created to complement or assist with the "Asian Session BreakOut" strategy, which is also known by many other names or titles across the various Forex Forums.

It is essentially two indicators in one. First, it will highlight the high and low extremes of the Asian Session beginning with the Sydney open on Sunday Night (US Time) – or whatever time/day you specify as the "beginning" of your Asian Session.

The weekly box remains highlighted for you all week.

Secondly, the indicator will draw another box for the Asian Session ***each day***. This DAILY box redraws every day. Again, the start and end times for the daily session you want to "box" is user definable.

NOTE: The following pages do **NOT** present, give, or endorse any trading **advice**.

I am merely explaining the system that gave birth to this indicator.

Use your own knowledge, judgment, experience, and risk acceptance levels when trading. There is no explicit or implicit guarantee of profits using this system or indicator.

THE STRATEGY

First, let me explain the basic strategy if you are not already familiar with the concept.

I also want to make it abundantly clear at this point right up front that *I did not originate this strategy*. Nor is all the code in this indicator entirely 100% uniquely mine.

I first read about the strategy at Forex Factory in the thread: <http://www.forexfactory.com/showthread.php?t=168161>

It has been noticed by some number crunchers (who spend way more time staring at charts than I do) that how the Asian Session goes on the first day of the week can actually be a pretty reliable indication of how a pair will trade for the remainder of the week. You simply wait for the price to “break out” of one side of the box or the other and then you enter the market in that direction. If price breaks out below the low of the box, you enter **SHORT**, or if the price breaks out past the high of the box, you enter **LONG**.

Over time, this strategy has been (and continues to be) tweaked some here and there, and so there are no “hard and fast rules”, only observations and suggestions really.

It should be noted here that this system **seems** to work “best” or hold accurate the most often, with the **JPY** pairs. But keep in mind there are never any guarantees. In the screen shots that follow, I was using the indicator on the EURUSD pair.

Another key factor with this strategy is that it is a **once or twice a week signal system** (as explained more below). Generally, you set your **ENTRY ORDERS** for going **both** LONG and SHORT along with the recommended STOP LOSS positions for each (also explained below) once the Asian Session box is completed Monday morning and then you leave it alone the rest of the week.

The recommendation is that you only close out your position at the end of the day Friday, or whenever your STOP LOSSES are triggered.

THE BUFFER

The first way this system was modified as people experimented with it, was to add a "buffer" of 20 pips to the high and low of the box which the price must break through before you accept it as a signal to enter the market. This helps (somewhat) prevent "false" breakouts.

Along with the actual box high and low demarcation lines, this indicator draws "buy now" and "sell now" lines at these buffer points (which is configurable as some people prefer different size buffers).

STOP LOSSES

For Stop Losses, there is some debate as to whether it is best to put your SL at (or just before) the entry point on the **opposite** side of the box, or at the midway point between the box's high and low. There are both schools of thought – so it is really up to you.

If your entry gets triggered and then price retraces across the box (which should trigger your SL), you can re-enter in the other direction by already having an opposite **ENTRY (Sell Stop/Limit) ORDER** waiting there on the other side of the box that would get triggered soon after your STOP LOSS from the other direction.

However, if that happens, **that will be your last trade entry of the week.**

If price once again retraces and goes across the box the other way during the week – you get out and **do not trade** that pair any more that week.

PROFIT TARGETS

The system uses three levels of (discretionary) targets for profits. The lowest being the range or width of the original box. That is called the **1X target** and the consensus seems to be that if you consistently get out at this target, you will ultimately **probably not be profitable over the long haul**. The second target is, of course, **2X**, or two times the width of the box. Finally, the **3X** target is the key target zone.

Apparently, historically, price seems to often reach and/or exceed that largest target level. ***The consensus is that if you can consistently wait until 3X has been reached to take your profit, you will be profitable with this system in the long run.*** You may have weeks here and there where you get stopped out, or fail to reach a given profit target before the end of the week – but, ***overall*** – the profit from 3X onward more than makes up for it (***theoretically*** – according to the disciples of this trading strategy).

Of course there are numerous variations of this, like taking off portions of your position at each target level, when and where to set break-even stops, whether to ever use a trailing stop, etc. Everyone has their own style and opinions about these topics.

THE DAILY BOX

This indicator will also draw a box demarking the Asian Session (*or any stop-start time period you want to specify*) for each DAY in a separate set of colors. By default, the **WEEKLY** box markers are all some shade of **Blue** while the **DAILY** markers are all shades of **Purple**.

The daily markers all follow the same set of rules as the weekly box. The entry, stop loss, and take profit positions are the same only keyed to the current day. Some people like to rely on only breakouts signaled for the current day – and among that set of traders, there are those who use the Asian Session as their box, while others use the first couple of hours of the New York session to form their box. This indicator lets you specify whatever beginning and ending hour you want for your daily box.

The indicator highlights the “targeted” session in one color and then the rest of the day in a different shade of that color (all user configurable).

THE INDICATOR



High level overview of an hourly chart from start of week to end of week

The blue box is the weekly box (in this case, the week of October 26th through the 30th), and so, as you can see, it remains highlighted for you the entire week. It will start redrawing at the hour and day when you told it your broker's week starts.

Note that at the beginning of the week, the weekly and daily boxes (since they are the same on day-one), will overlap each other exactly.

The very light blue frame around the weekly box denotes the entry trigger lines, which in this example are 20 pips above the box high and below the box low. The weekly profit **targets** are blue lines.

The purple box and lines, in this case, are for the Asian Session of Friday, October 30th, 2009.



Zoomed in screen shot showing the current day box

INFO GAUGE

"Gauge" that displays to remind you what time periods each box covers as well as the pip range of each. Also provides a "heads up" on where you should be in terms of trading positions.



TARGET ZONE SHADING

You have the option to turn target zone shading on or off independently for both the weekly and daily boxes. By default, the shading is OFF. In the screen shot below, you can see that where the uppermost shaded target zone for the current day overlaps the weekly box, MT4 blends the two colors together – which I don't like, but I have no control over that.

