

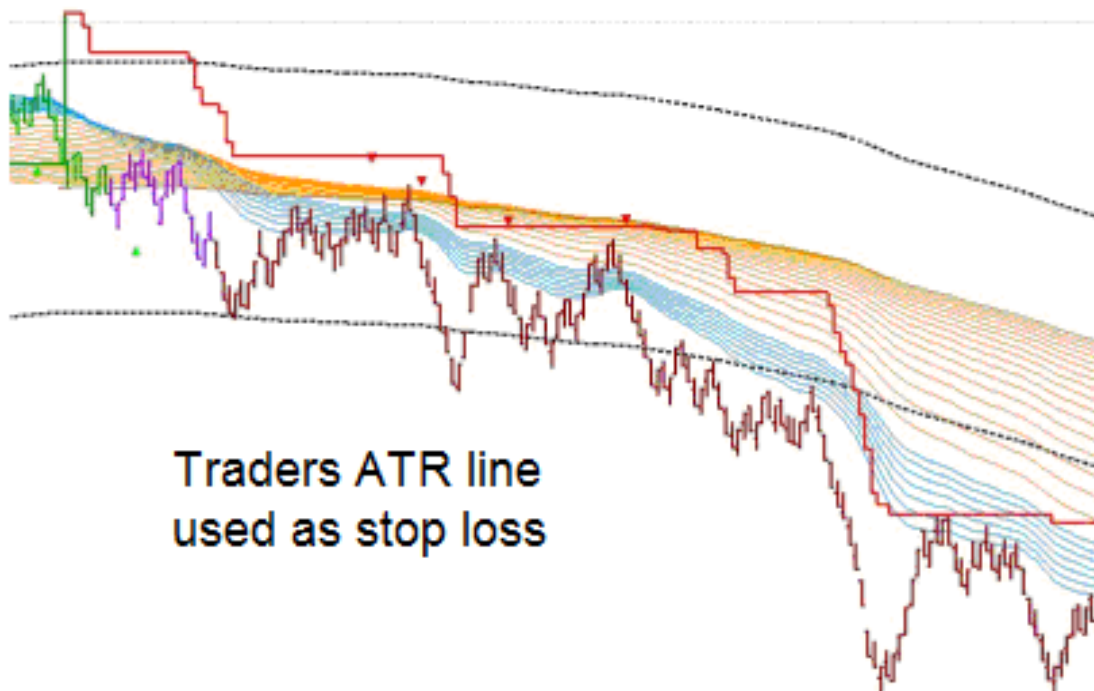
ANTS TRADE MANAGEMENT

By Daryl Guppy

Last week we discussed the entry set up for ANTS. This week we discuss how the trade is managed using other aspects of the ANTS system. We apply ANTS system trading to FX markets and to E-minis on the DOW and S&P. The approach is most effective in deep and liquid markets. It's the depth of liquidity in the FX market that offers unique advantages for independent traders who want to trade for a living. The ANTS system is now available on the MT4 platform, Oanda and on the Esignal platform.

There are two steps in the ANTS trade management. They are:

- Use ATR as the stop
- Set a defined trade target which has a high probability of being reached.



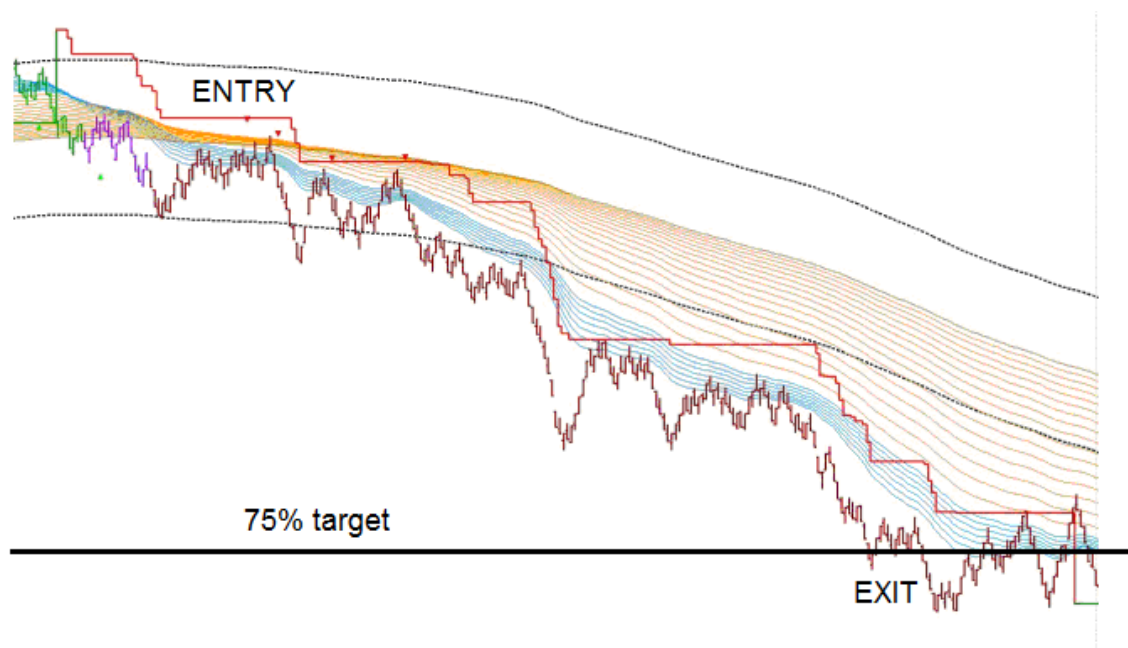
The key is the construction of the underlying range bar chart. The time frame is adjusted. During periods of no activity the time frame is compressed. During periods of high significant activity the time frame is expanded to show the price activity. The construction of the range bar captures significant movements. The shift to a new bar is determined by price activity, not by time elapsed.

This means the ATR stop is applied not to price, but to changes in the activity of price based on range breakouts. The ATR becomes a derivative of a derivative and this significantly improves reliability.

The Traders ATR calculation is applied as the stop loss once the trade is opened. The Traders ATR calculation uses the ATR value. In a short side trade this

value is added to the high of the current bar. A move above the ATR line is an exit signal. In a long side trade, the ATR value is added to the low of the bar. A close below the ATR line is an exit signal.

This is a very robust stop loss method. However, in the ANTS system the ATR is applied to a range bar chart. This significantly improves the reliability of the ATR signal. Most of the false exit signals are eliminated.



The second step is to set the exit target. The 5 day trading range of price is known. It's part of the selection process for suitable currency pairs or trades. Large daily price range provides consistent opportunity.

The trade target is 75% of the 5 day average range of prices. There is an 85% probability that the 75% trade target will be achieved. Some traders tighten the stop once the 75% target has been achieved and ride the trade further. They will use the ATR as the stop loss once price moves beyond the 75% target level.

Our preference is to exit on a close below the 75% target level. Our objective is consistent trading returns. A close above the ATR line before the 75% target is achieved is an exit signal.

There are four unique advantages with the ANTS system.

ADVANTAGE 1

When the GMMA is calculated on the closing price on a range bar chart this improves the identification of the underlying trend. It removes many of the confusing signals from the short term GMMA and allows for clearer trend definition.

ADVANTAGE 2

When the super Guppy component is calculated using the range bar as the starting point then there is a clearer understanding of trend strength and trend limits. Bubbles in the super Guppy are more easily identified and more reliably used

to identify pull back and trend retracement opportunities. This lies at the heart of ANTS trading.

ADVANTAGE 3

The proprietary ANTS indicator algorithm provides a reliable entry and exit signal on these trend changes. The reliability is increased because only the significant price activity is used in the calculation. The range bars remove the market noise and ANTS identifies the clear trend change signals.

ADVANTAGE 4

When we apply an adjusted ATR calculation it uses the modified range bar price and time frame for the stop loss calculation. This results in a more reliable ATR signal because the range at the heart of the ATR calculation is more effectively defined.

The result is a trading approach that has a high level of consistency and reliability. These notes have covered one of the suites of trading solutions in the ANTS system.