

# PTA will now give real time FOREX entry and exit signals

As you may have read on our twitter channel recently we are introducing into the Pairtrade Alerts service real time FX entry and exit signals starting today in addition to our already existing real time ETF entry and exit signals.

Our interest towards FX trading has grown strongly all year as volatility in the stock market has decreased from prior years and stocks have never been more correlated to the overall market than they are now, this low dispersion makes alpha generation very challenging in equities, this is also supported by decreased performance this year in hedge funds focused on market neutral strategies in equities, hence why we moved into commodity/energy/bond ETFs and are looking to further diversify our trading into FX. The ability to recognise changing market conditions and quickly adapt is the key to survival in trading.

As you probably already know, FX trading is quite lucrative due to the available leverage (up to 200:1 with some brokers), around the clock trading, deep liquidity, cheap access, consistent movement, reduced ability to manipulate, prices affected by many global economic factors, not subject to price spikes from earnings, litigation, takeovers, bankruptcies and other stock specific risk factors. Also, you may know the FX world is full of snake oil schemes, and useless trading strategies based on market patterns that only last months, then those systems melt like snow in the sun. Our strategy has stood the test of time and is very robust in its nature, we trade all currency pairs with the same parameters, it is not optimized to show profits.

Never before has there been a FX real time trading signal service based on the mean reversion strategy. We are the first providers of such a service. We have spent the last 4 months perfecting our FX trading strategy with countless hours going into design, development and back testing of the system. These are the following statistics from our 8 year back test on the FX trading strategy;

<b>Period:</b>	Jan 2002 – May 2010
<b>Trades:</b>	1366 (170 per year)
<b>Wins:</b>	1030 (75.43%)
<b>Average Trade Length:</b>	17 days

Using 20% of your account in each trade resulted in the following performance;

<b>Average yearly return:</b>	31.69%
<b>Compounded return for 2002-2010:</b>	1130.95%
<b>Best month:</b>	29.85% (Nov 08)
<b>Worst month:</b>	-24.31% (Jul 02)
<b>Winning Months:</b>	74.25%
<b>Largest Peak - Trough Draw down:</b>	-33.44% (Jun-Jul 02)
<b>Most Consecutive Losing Months:</b>	3 (Sep - Nov 05)
<b>Most Consecutive Winning Months:</b>	9 (Jan - Sep 03)

As you probably already know, our ETF trading alerts are posted between 3:30-3:50pm New York time each day, our **FX alerts will be posted between 3:00-3:30pm New York time** each day allowing you to enter your FX trades before ETF trades, we choose this time because it's at peak liquidity in the FX markets(which means tighter spreads) and is a time when there are generally no economic announcements around the globe which can cause sharp spikes in FX rates.

This was also the same time used in our back testing for entry and exit prices. [Go here](#) to convert the above New York times to your local time.

This is an example of what a FX entry alert will look like on our twitter channel;

**20/05/2010 Enter Trade GBPJPY.FXCM/USDCAD.FXCM - Long GBPJPY.FXCM at 128.7500, Short USDCAD.FXCM at 1.0691 Layer 1**

Please ignore the word layer 1, it refers to our software which allows multiple entries, we do not use multiple entries in PTA. The .FXCM extension refers to our real time data source, which is a high quality feed from Barclays and FXCM. There will always be a long signal for one FX pair and a short signal for another FX pair, in the above entry we are going long GBPJPY and at the same time going short USDCAD.

Below is an example of what a FX exit alert will look like;

**10/06/2010 Exit Trade AUDUSD.FXCM @ 0.8501/CHFJPY.FXCM @ 79.9730**

Just as in ETFs, we are aiming to be dollar neutral in our currency trading too. This involves performing a simple calculation before you place each trade. Ideally you want a fixed % of your real time base currency a/c balance in each trade, we recommend 20% in each leg of each trade, closer to 10% if you're conservative and closer to 30% if you're aggressive. [Use this spreadsheet](#) that will automatically work this out for you.

We will only be trading the major most liquid currency crosses during peak liquidity after New York lunch. Here is a list of which currency pairs we will be trading.

AUDCAD, AUDCHF, AUDJPY, AUDNZD, AUDUSD, CADJPY, CHFJPY, EURAUD, EURCAD, EURCHF, EURGBP, EURJPY, EURUSD, GBPCHF, GBPJPY, GBPUSD, NZDJPY, NZDUSD, USDCAD, USDCHF, USDJPY.

At times there will be days where there are multiple alerts on the same currency cross, so we will have multiple positions in the same currency, so we stress that you don't place a significant portion of your account in each trade, ideally 20%, even though most brokers offer 100:1 leverage, you won't need more than 15:1 leverage with our system. As with our ETFs we don't use price stops, rather we use a 40 day time stop, exit all positions within 40 days.

As with our ETF signals, there number and frequency is near random, some weeks there won't be many signals at all, then one day there might be 8 or more combined, the market offers opportunities at random, not evenly every single week. Also, we have implemented a maximum number of trades, 20 for ETFs and 20 for FX, so we will never have more than 40 pair trades open at any given time.

To the automated spreadsheet users; our developer is currently working on integrating FX trading signals into the spreadsheet for automatic execution in your IB trading a/c alongside the ETF signals, which you can now use to trade ETFs only, FX only or both. We will have this available within 1 week. If you don't have the automated spreadsheet and wish to have you trades placed 100% hands free please [visit here](#).

We are very excited to bring you FX trading signals, we strongly believe it will greatly enhance our service by adding diversification to our portfolio's and provide a catalyst for increased trading performance, we already have a profitable published track record spanning nearly 2 years, and our introduction of FX trading will further smoothen our equity curve and increase our profits.

Soon we are adding a members log on area to our website, which will show you our current open positions and other relevant trade information at a click, this will make following our trading strategy much easier for you. We will give you access to the new members log on area within the next week.

Remember successful trading is all about having realistic expectations wed with disciplined patience, don't expect every day or every week to be profitable, you have to expect up and down weeks, review your results at the end of

each month, use prudent risk management and learn to un-attach your emotions from daily changes in your PnL and you will find your trading nirvana.

**To sum up changes and how our service works;**

- FX trading signals given between 3-330pm NY time Monday-Friday
- ETF trading signals given between 330-350pm NY time Monday-Friday
- Average holding time of each trade is 17 days
- Recommend placing 4% of your a/c in each leg of a ETF pair trade
- Recommend placing 20% of your a/c in each leg of a FX pair trade
- Recommend trading dollar neutral, equal dollar exposure on the long and short
- We don't use price stops, only a 40 day time stop
- Approximately 300 unique ETF and FX signals combined per year
- Expect up and down weeks but we will outperform the market on a monthly basis

Now you have access to a diversified trading strategy that covers commodities, energy, bonds (via ETFs) and foreign exchange. Trading these large, liquid instruments will keep us in the game for the long term as we don't have the concentrated risk associated with stocks and mean reversion strategies tend to work better on the most liquid instruments.

We hope you continue to tune in daily to our twitter channel as our goal is to have the best real time trading signal service on the web and we have no plans to slow down, we are always here for the long term. We look forward to further delivering on our promises and helping you grow your trading account well into the future.

As always, if you have any questions or suggestions on how we can improve our service, please don't hesitate to email us at [support@pairtradealerts.com](mailto:support@pairtradealerts.com) we appreciate your feedback and we will quickly reply to all queries.

Best regards,

**Jared Mann.**

