

Hedge Trimmer

HedgeTrimmer is an EzeFX product, free to members

What is HedgeTrimmer?

HedgeTrimmer is a Forex Expert Advisor (EA). But unlike most EAs, HedgeTrimmer is designed for rescue and repair work, not general trading.

This new EA uses our latest superclose module to monitor and close the trades created either manually or by other EAs which are putting your account in danger, aiming to restore the account to good health so you can remove it and then continue normal trading.

So the most successful result for HedgeTrimmer is for it to be removed after it has done its work.

Why do you need it?

Many traders will have experienced the agony of realising that their account is heading towards a margin call. Usually, they take one of two actions, either removing the EA (if one is involved) and taking a considerable loss or putting in a hasty hedge trade to stem the increasing drawdown.

The advantage (if it can be called that) of taking the first action is that there is no further pain after the initial loss. While taking the second action may keep the account intact, it leaves a massive problem of what to do next.

So if you don't want to close those losing trades and see your money lost for ever and don't want to put in a hedge with absolutely no idea how to get rid of it, you need HedgeTrimmer.

What does it do?

Just what it says on the tin. It first creates the perfect hedge trade and then manages the situation automatically until the issue is resolved. Imagine trying to slowly reduce a hedge manually. Even if you are good at maths, working out how to open and close the required trades manually in a fast moving market will give you a headache.

Add in the likelihood that many opportunities to reduce a hedge will come while you are asleep and the significant time delay involved in manual order processing which will inevitably lead to unexpected results especially if this work is carried out in haste and mistakes are made. One wrong move could be a disaster.

So HedgeTrimmer does two things. It gives you time to think and it deals with the hedged trades automatically 24/5, giving you peace of mind.

As a by-product, reducing the hedged lot sizes should also reduce the margin requirement. If your broker account offers low leverage, this will be very important to you.

How does it work?

The mechanics are quite simple. This is why it is possible to reduce a hedge manually if you have a brilliant mathematical brain and the time to use it. Well, you may have one but not both! Here are the steps:-

1. Wait for one of your open trades to get into profit by a suitable amount and close it.
2. Calculate how much of a losing trade or trades you can close to balance the closed profit value. Fully or partly close those as required.
3. Open a new trade in the same direction as the profit but with a reduced lot size, balancing the losing lot size.

You can probably see clearly now that even if you only have one buy and one sell trade, the work involved is significant. Now imagine doing the same with 10 or 20 open trades, a mixture of buys and sells.

HedgeTrimmer does all the above according to your settings. You choose which trades to deal with, the level of profit (if any) to take when each basket is closed, the minimum pips required to close any profitable trade and the spread limit above which nothing will be done. This is because hedge reducing options often occur when spreads are at their highest. If you don't realise this you could lose all the benefit of your hedge reduction and more.

Is there a downside?

There is a downside in all trading activity whether done manually or by EA. HedgeTrimmer is no exception.

Although HedgeTrimmer deals automatically with reducing your hedged pair, the inevitable result of a long term effort is rising buy trade open prices and falling sell trade open prices. This leaves an increasing gap between buys and sells and means the price must move further and further in either direction for new hedge reductions to be possible so this job becomes harder over time.

To assist HedgeTrimmer it is possible for you to add manual trades into the account while the price is within the gap area although we cannot prove whether this action is likely to be effective or not.

But the aim of HedgeTrimmer if the gap is wide will probably have been achieved, allowing the remaining hedged trades to be closed manually, accepting a loss which will be very much smaller than it was originally.

Can it be tested?

HedgeTrimmer can be backtested in order to check out the way it deals with trades.

This is accomplished by the EA opening new trades at intervals when running in backtest mode, so that there is something to hedge.

Unlike a normal backtest, this provision is not expected to produce profits but to provide understanding.

Is it running live?

We now have a number of HedgeTrimmer EAs running on live and demo accounts.
