ATR Stops

We will now apply the concept of ATR to stop losses.

Understanding ATR Stops

Definition of ATR Stops: Stop loss amount that is equivalent to a certain amount of ATR.

Example (comparing hard stops and ATR stops)

Fixed hard stops: 30 pips

ATR stops (Eg 1): 2 * ATR(20) (i.e. ATR(20) multiplied by 2)

ATR stops (Eg 2): 3 * ATR(40)

Case study

Note that this stop amount, once decided at the start of the trade, does not change throughout the lifetime of the trade.

Let's say that our ATR stops are 2 * ATR(20). We fired a trade at 1500hrs. At 1500hrs, 2 * ATR(20) is 70 pips. Thus, our stop loss amount is 70 pips, and this value doesn't not change anymore (even when ATR(20) changes as time goes by).

Introducing Bella 1.01

Bella 1.01 is essentially Bella 1.00 + ATR stops.

Rules of Bella 1.01

Entries:
- Enter a long trade when SMA(10) crosses SMA(40) from bottom if High[1] - Low[1] is greater than High[2] - Low[2]
  Plus Addition Rule:
  1) SMA(20) shift 1 of TF H1 is > SMA(20) shift 1 of TF H4
  2) SMA(20) shift 1 of TF H4 is > SMA(20) shift 1 of TF D1

- Enter a short trade when SMA(10) crosses SMA(40) from top if High[1] - Low[1] is greater than High[2] - Low[2]
  Plus Addition Rule:
  1) SMA(20) shift 1 of TF H1 is < SMA(20) shift 1 of TF H4
  2) SMA(20) shift 1 of TF H4 is < SMA(20) shift 1 of TF D1

Exits:
- Exit the long trade when SMA(10) crosses SMA(40) from top
- Exit the short trade when SMA(10) crosses SMA(40) from bottom
- **2*ATR(20) hard stop**

Position Sizing
  - Enter 1 lot at a time
  - Maximum number of open positions = 1