

Engulfing Thrust Hedge

Expert Advisor Documentation

PLATFORM

MetaTrader 5 (MT5)

TYPE

Price-Action Breakout (Pivot Thrust)

TIMEFRAME

M5 / M15 / M30

WEBSITE

www.algotbot.live

⚠ Important Disclaimer This document is for educational and informational purposes only. It does not constitute financial or investment advice. Trading forex, CFDs, and other leveraged instruments involves substantial risk of loss and is not suitable for all investors. Past backtest performance does not guarantee future results. Never trade with capital you cannot afford to lose.

Overview

Engulfing Thrust Hedge is a pure price-action scalper that uses **no indicators** — no moving averages, RSI, ATR, or Bollinger Bands. Instead it reads raw candle structure around the classic **floor pivot** levels and trades the first decisive thrust through the central pivot.

Six ideas are fused into a single engine: floor **pivots**, the **engulfing** candle pattern, a momentum **breakout** (the thrust), a quick **scalp** target, a false-break **reversal**, and a managed **hedge**.

The edge thesis: the central pivot **PP** is the intraday line separating bullish from bearish control, so the first clean thrust through it tends to extend toward the next pivot — **R1** above, **S1** below. A candle that *engulfs* the prior candle *and* closes decisively across **PP** is exactly that thrust: one side has just overwhelmed the other right at the reference level. The EA scalps that continuation.

The failure mode of every breakout system is the **false break** — price pops across, traps the breakout crowd, then snaps back. Rather than simply absorbing that stop, when price falls back through **PP** the EA deploys an opposite **hedge** leg that rides the reversal the other way, converting a textbook "bought the high of a fakeout" loss into a scratch or a win. The hedged pair is then banked at a money **basket** target the instant net floating P/L turns sufficiently green.

Design philosophy. This is the deliberate mirror of a pivot-fade system. A fade trades the level expecting it to *hold*; Engulfing Thrust Hedge trades the level once it *breaks*, and only reverses (via the hedge) if the break is rejected.

How It Works

1. Floor pivots (recomputed every closed bar)

On each freshly closed bar the EA looks back over `PivotLookback` closed bars whose window **ends one bar before** the signal candle. From that window it takes the highest high `H`, the lowest low `L`, and the window's last close `C`, then derives the standard floor pivots:

```
PP = (H + L + C) / 3
R1 = 2 * PP - L
S1 = 2 * PP - H
range = H - L          (== R1 - S1)
```

Every buffer, stop, target, and trigger is sized as a fraction of `range`, so the strategy scales to any symbol or timeframe with **no hard-coded pip values**.

2. Entry rules (flat only)

Entries are evaluated once per closed bar and only when the account is completely flat. The long and short rules are exact mirror images.

LONG — BULLISH ENGULFING THRUST

- The prior bar's structure sat at or under `PP`.
- The just-closed bar is a **bullish engulfing** bar — it engulfs the prior bearish body (close \geq prior open, open \leq prior close, and its body is at least as large as the prior body).
- Its body is at least `BodyFrac × range` (a real thrust, not noise).
- It closes at least `BreakFrac × range` **above** `PP` (a clean break).

Bulls seized control through the pivot → **buy the thrust, target R1**.

SHORT — BEARISH ENGULFING THRUST

- The just-closed bar is a **bearish engulfing** bar swallowing the prior bullish body.
- Its body is at least `BodyFrac × range`.
- It closes at least `BreakFrac × range` **below** `PP`.

Bears seized control through the pivot → **sell the thrust, target S1**.

3. Stop loss & take profit (base leg)

- **Stop loss** is placed a structural pad ($\text{StopFrac} \times \text{range}$) *beyond* the false-break trigger, so the hedge always engages before the base stop is hit.
- **Take profit** is the outer pivot (R1 for longs, S1 for shorts), with a minimum-reward floor of $\text{RewardFrac} \times \text{range}$ applied if the measured move is too tight.
- All stop/target distances respect the broker's minimum stop level.

4. The hedge — a false-break reversal leg

While the single base leg is open, the EA watches intrabar (on every tick). If price travels $\text{FalseBreakFrac} \times \text{range}$ back **beyond** PP — the thrust has clearly failed — an opposite market leg is opened. The account now holds **both directions**: a genuine locked hedge that rides the rejection the new way and offsets the trapped base leg.

The hedge's own stop is placed where PP would be reclaimed (invalidating the reversal), scaled off the actual $\text{PP} \rightarrow \text{trigger}$ distance via ReclaimFrac and RewardFrac .

Hedging account required. The signature mechanic locks both directions at once, which only exists on a **hedging** account. On a netting account the opposite leg would net out and the strategy will not behave as designed. The MQL5 build prints a warning at init if it detects a non-hedging account.

5. Basket money management (the dominant exit)

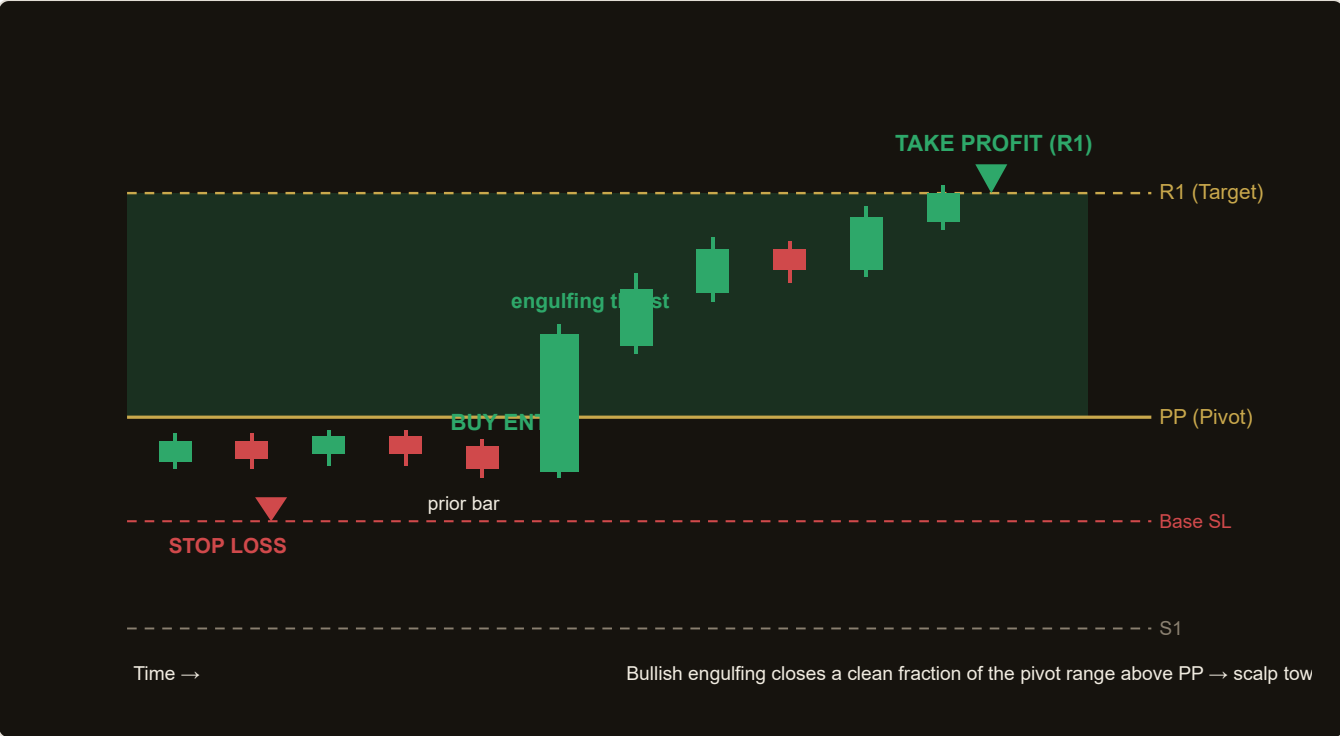
Whenever any exposure is held, net floating P/L (profit + swap across all legs on this symbol and magic) governs the exit:

- Net floating P/L $\geq \text{BasketTpMoney}$ → **close everything** (banks the recovery or win).
- Net floating P/L $\leq -\text{BasketSlMoney}$ → **flatten everything** (a hard ceiling on hedge risk; the danger is a strong one-way trend *after* the hedge locks).

Note. Entry logic is gated to one pass per freshly closed bar, but the basket money management and the false-break hedge run on *every tick* so they can react intrabar.

Strategy in Action

The illustration below shows an example of how the strategy identifies a setup and triggers its entry and exit. This is a simplified, illustrative example for educational purposes — not real market data.



Illustrative example only. Actual market behaviour varies.

Parameters

Parameter	Default	Description
PivotLookback	20	Number of closed bars whose H/L/C define the floor pivots; the window ends one bar before the signal bar. Range 5–150, step 1.
BreakFrac	0.05	The engulfing close must clear PP by at least this fraction of the pivot range to count as a clean break. Range 0.00–0.60, step 0.01.
BodyFrac	0.20	The engulfing body must be at least this fraction of the pivot range — a real thrust, not noise. Range 0.02–1.50, step 0.02.
FalseBreakFrac	0.25	Distance back beyond PP that confirms the thrust has failed and deploys the reversal hedge. Range 0.05–1.50, step 0.05.
StopFrac	0.40	Extra base-stop pad placed beyond the false-break trigger (fraction of the pivot range). Range 0.05–2.50, step 0.05.
RewardFrac	0.60	Minimum reward distance for the base scalp target (fraction of the pivot range). Range 0.20–4.00, step 0.10.
ReclaimFrac	0.35	Hedge invalidation pad: if price reclaims PP by this, the reversal hedge is wrong. Range 0.05–1.50, step 0.05.
BasketTpMoney	30.0	Close the whole basket once net floating profit reaches this (account currency). Range 5.0–2000.0, step 5.0.
BasketSIMoney	300.0	Flatten the whole basket once net floating loss reaches this (account currency). Range 50.0–100000.0, step 50.0.
MaxSpreadPoints	50	Skip new entries while spread (points) exceeds this; 0 disables the filter. Range 0–500, step 5.
Lots	0.10	Fixed trade volume per leg, snapped to the symbol's volume step and min/max limits. Range 0.01–1.00, step 0.05.
Magic	8310	Magic number identifying this EA's positions on the symbol. Range 0–9,999,999, step 1.

Recommended Settings

The strategy is designed for liquid, momentum-prone instruments where decisive pivot thrusts and the occasional fakeout alternate.

- **Symbols:** FX majors such as EUR/USD or GBP/USD, or XAU/USD (gold).
- **Timeframes:** M5, M15, or M30 — the EA runs on whatever timeframe is selected at backtest or attach.
- **Account:** a **hedging** account is mandatory for the reversal hedge to function.
- **Spread:** keep `MaxSpreadPoints` tight on low-spread instruments; raise it for gold or wider-spread brokers.

Example — EUR/USD on M15

Leave `PivotLookback = 20` so pivots reflect roughly the last five hours of structure. With `BreakFrac = 0.05` and `BodyFrac = 0.20`, only genuine engulfing thrusts that close clearly beyond PP trigger an entry. Size `BasketTpMoney` and `BasketSlMoney` to your account: at `Lots = 0.10` the defaults of `30 / 300` give a conservative 1:10 bank-to-ceiling ratio that lets the hedge work before the basket SL caps the risk.

Tip. Because every distance scales off the pivot range, the same fractional settings transfer across symbols and timeframes. Tune the money-management values (`BasketTpMoney` , `BasketSlMoney` , `Lots`) to your account size first, then refine the structural fractions.

How to Install on MetaTrader 5

- 1 Copy `EngulfingThrustHedge.ex5` to your MT5 `MQL5\Experts\` folder
- 2 Restart MetaTrader 5 and refresh the Navigator panel
- 3 Drag the EA onto a chart matching the recommended symbol and timeframe
- 4 Configure the input parameters and click **OK**
- 5 Enable **Algo Trading** in the MT5 toolbar

Before going live: confirm your account is set to **hedging** margin mode. On a netting account the opposite hedge leg nets against the base leg and the strategy will not perform as intended.

Risk Warning

Trading foreign exchange, CFDs, and other leveraged financial instruments involves substantial risk of loss and is not suitable for all investors. The strategies and tools described in this document are provided for **educational purposes only** and do not constitute financial advice, investment recommendations, or solicitation to trade. Always consult a qualified financial adviser before making trading decisions. Past backtest performance is not indicative of future results.