

False Breakout Hedge

Expert Advisor Documentation

PLATFORM

MetaTrader 5 (MT5)

TYPE

Pivot Breakout & Recovery Hedge

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

False Breakout Hedge is a pure price-action Expert Advisor that uses *no indicators whatsoever* — no moving averages, RSI, ATR, or Bollinger Bands. Its entire decision logic is built from classic discretionary tools: daily floor pivots, the engulfing candle pattern, a confirmed pivot breakout, a managed reversal hedge, and tight scalp targets.

The edge thesis is simple. Floor pivots (PP, R1, S1, R2, S2) are the levels intraday desks anchor to, so a decisive close through R1 or S1 — printed as an engulfing bar that swallows the prior candle — is a high-quality momentum break that tends to run toward the next pivot. But pivots are also where false breaks are manufactured: stops get swept just past the level and price snaps straight back. A naive breakout trader wins the clean breaks and bleeds on the fakeouts.

This EA addresses both outcomes. It rides the engulfing breakout toward the next pivot, and the instant a later candle *closes back through the broken level* — confirming the breakout was false — it stops defending and fires an opposite recovery **hedge** that rides the snap-back. The locked pair is then banked the moment net floating profit turns sufficiently green, turning the classic "bought the high of a fakeout" loss into a scratch or a win.

What makes it adaptive: every distance the EA uses — break confirmation, stop pad, scalp target, false-break trigger — is expressed as a fraction of the session range ($H-L$), never a hard-coded pip value. The same settings therefore scale across FX majors, metals, and index CFDs, and across any timeframe selected at backtest time.

How It Works

1. Session Floor Pivots

Each closed bar is folded into a running session keyed by its UTC calendar day. When the day rolls over, the just-completed session's High, Low, and Close define the pivots that stay **fixed for the entire new day** — they never repaint intrabar:

```
PP = (H + L + C) / 3
R1 = 2 * PP - L      S1 = 2 * PP - H
R2 = PP + (H - L)    S2 = PP - (H - L)
range = H - L        (the unit every distance scales to)
```

2. Entry — Engulfing Breakout (flat only)

The EA only hunts a new setup when completely flat. Both directions are strict mirror images and require the just-closed signal bar to be a high-conviction engulfing candle whose body is at least `MinBodyFrac` of its own range.

- **Long** — a *bullish engulfing* bar that fully swallows the prior bearish body, opens at or below `R1`, and closes decisively above it ($\text{Close} > R1 + \text{BreakFrac} \times \text{range}$). Resistance has failed up → buy the break, scalp toward R2.
- **Short** — a *bearish engulfing* bar that swallows the prior bullish body, opens at or above `S1`, and closes decisively below it. Support has failed down → sell the break, scalp toward S2.

3. Stops & Scalp Targets

The base stop loss sits a structural pad ($\text{StopBufferFrac} \times \text{range}$, floored at the broker minimum stop distance) beyond the engulfing bar's opposite extreme. The take profit aims at the next pivot (R2 for longs, S2 for shorts) but is **capped to a scalp-sized** $\text{TpFrac} \times \text{range}$ so profits are taken quickly rather than held for the full pivot run.

4. The False-Break Hedge (signature mechanic)

While the lone base leg is open, the EA watches every freshly-closed bar. If a candle *closes back through the broken level* by $\text{FailFrac} \times \text{range}$, the breakout is declared false and an opposite market leg — sized at

`base × HedgeMult` — is deployed to ride the reversal. The account now holds **both directions**: a genuine locked hedge that turns the fakeout against you into the trade you want.

Confirmed, not intrabar: the hedge triggers on a candle *close* back through the level, not on a passing wick. This deliberately ignores stop-hunt spikes and only reacts when the break is structurally invalidated.

5. Basket Money Management (dominant exit once hedged)

Once any exposure is held, net floating P/L (profit + swap across all legs) is checked on every tick:

- Net floating \geq **BasketTpMoney** → close everything and bank the recovery / win.
- Net floating \leq **-BasketSIMoney** → flatten the basket (hard cap). The failure mode is a violent one-way trend right after the hedge locks.

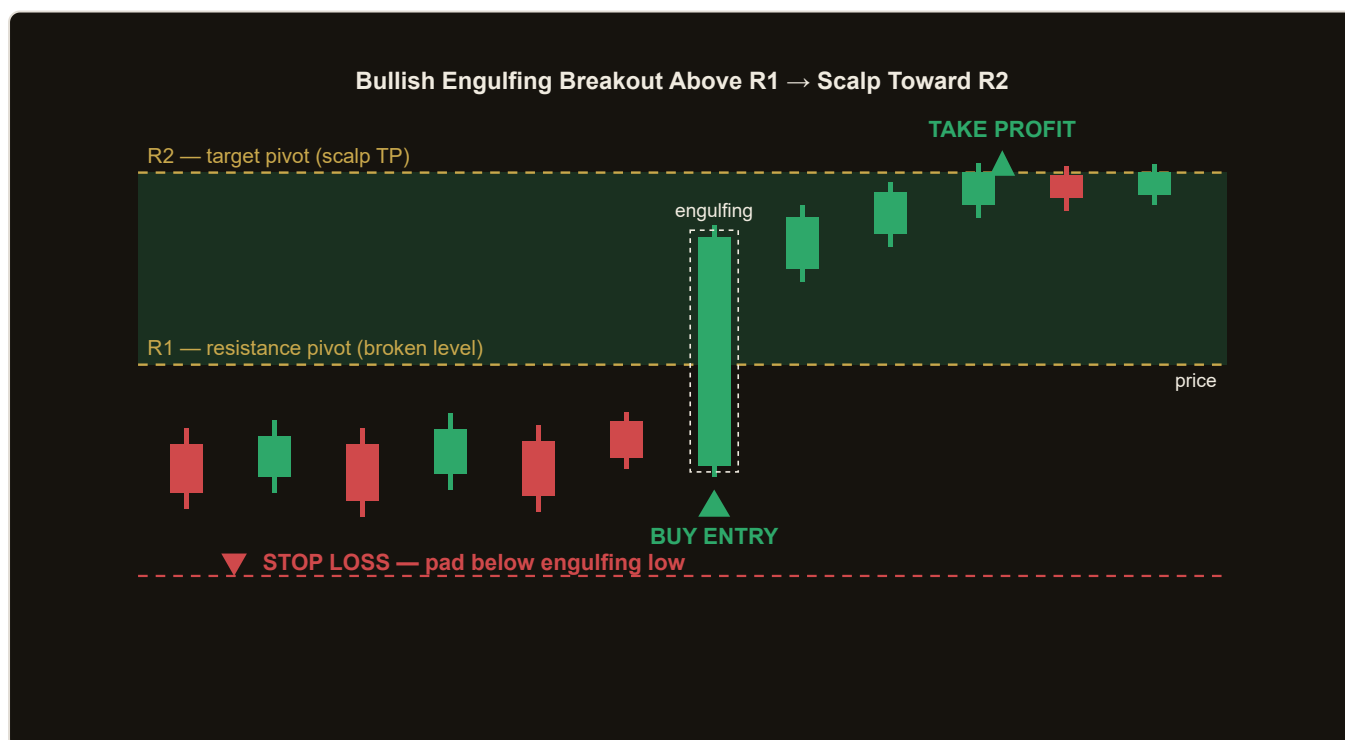
Individual SL/TP levels remain in place as backstops, but the basket targets are what close the locked pair.

6. Spread Filter

Because the strategy scalps, new entries are skipped whenever the current spread exceeds `MaxSpreadPoints` (set to `0` to disable). This protects the tight targets from being eroded by widening spreads.

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.

Worked example (the hedge path)

Suppose the session range is 80 pips with R1 at 1.1000. A bullish engulfing bar opens at 1.0995 and closes at 1.1010 (above $R1 + \text{BreakFrac}$), so the EA buys 0.10 lots aiming at R2. Two bars later price closes back at 1.0990 — below R1 by more than $\text{FailFrac} \times \text{range}$ — confirming a false break. The EA deploys a 0.15-lot sell hedge ($\text{HedgeMult} = 1.5$). As price slides toward the central pivot, net floating P/L reaches BasketTpMoney and the whole basket is closed in profit.

Parameters

Parameter	Default	Description
MinBodyFrac	0.55	Engulfing body must be at least this fraction of its own high–low range (conviction filter). Range 0.20–0.95, step 0.05.
BreakFrac	0.05	How far beyond the pivot the bar must close to count as a real break, as a fraction of the session range. Range 0.00–0.50, step 0.01.
TpFrac	0.60	Scalp take-profit distance as a fraction of the session range (then capped at the next pivot). Range 0.10–3.00, step 0.10.
StopBufferFrac	0.15	Stop pad placed beyond the engulfing bar's opposite extreme, as a fraction of range. Range 0.02–1.00, step 0.01.
FailFrac	0.10	A close back through the broken level by this fraction of range = confirmed false break → deploy hedge. Range 0.02–1.00, step 0.01.
HedgeMult	1.50	Recovery-hedge volume as a multiple of the base leg. Range 0.50–3.00, step 0.10.
BasketTpMoney	30.0	Bank the whole basket once net floating profit reaches this amount (account currency). Range 5.0–2000.0, step 5.0.
BasketSiMoney	400.0	Flatten the whole basket once net floating loss reaches this amount (account currency). Range 50.0–100000.0, step 50.0.
MaxSpreadPoints	40	Skip new entries while spread (points) exceeds this (0 = off) — scalping needs a tight spread. Range 0–500, step 5.
Lots	0.10	Base order volume in lots. Range 0.01–1.00, step 0.05.
Magic	8310	Magic number used to identify and manage this EA's positions. Range 0–9,999,999, step 1.

Recommended Settings

The strategy is designed for liquid range-then-trend instruments where pivot breakouts and fakeouts alternate.

- **Instruments:** FX majors (EUR/USD, GBP/USD, USD/JPY), XAU/USD, or a liquid index CFD.
- **Timeframes:** M5, M15, or M30 — the EA folds the prior calendar day into pivots regardless of the timeframe chosen.
- **Spread:** trade only on tight-spread accounts (ECN/raw) and keep `MaxSpreadPoints` active so scalp targets are not eroded.
- **Basket sizing:** set `BasketTpMoney` and `BasketSlMoney` in proportion to your `Lots` and account size — the defaults assume roughly 0.10-lot base exposure.

Tip: backtest each symbol/timeframe combination separately before going live. Because all distances scale to the session range, the same parameter set behaves differently on a quiet pair versus a volatile metal — confirm the basket money targets are realistic for the lot size you intend to run.

Hedging account required. This EA holds long and short legs simultaneously, so it must run on an MT5 *hedging* account, not a netting account. The hard `BasketSlMoney` cap is essential: the worst case is a strong one-way trend immediately after the hedge locks. Never disable it.

How to Install on MetaTrader 5

- 1 Copy `FalseBreakoutHedge.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

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.