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Ichimoku Baseline Breakout

Expert Advisor Documentation

PLATFORM	TYPE	TIMEFRAME	WEBSITE
MetaTrader 5 (MT5)	Trend Following (Ichimoku)	H1 / H4 (any)	www.algobot.live

Overview

Ichimoku Baseline Breakout is a clean, rule-based trend-following Expert Advisor built on the classic Ichimoku Kinko Hyo framework. Rather than trading every Ichimoku signal, it waits for a very specific, high-quality setup: a pullback to the **Kijun-sen (baseline)** that is reclaimed *in the direction of the cloud*. This keeps every trade aligned with the dominant trend while entering on a controlled dip rather than chasing extended moves.

All four Ichimoku components are derived purely from bar highs and lows — no closing-price averages are used:

- **Tenkan-sen (Conversion line)** — midpoint of the last `TenkanPeriod` bars (a fast midpoint).
- **Kijun-sen (Baseline)** — midpoint of the last `KijunPeriod` bars (a slow midpoint that also drives the cloud displacement).
- **Senkou Span A** — the average of Tenkan and Kijun, plotted `Displacement` bars ahead.
- **Senkou Span B** — midpoint of the last `SenkouBPeriod` bars, also displaced forward.

The gap between Span A and Span B forms the **Kumo (cloud)**. Because it is displaced forward by the Kijun length (26 in classic settings), the cloud that price sits in *now* was computed `Displacement` bars ago — a genuine leading trend filter. Risk is managed with an ATR-based stop-loss and take-profit, a strict one-position-per-magic rule, and an optional early exit when price closes back through the baseline against an open trade.

> **Design philosophy:** The EA "buys strength that dips to its baseline and resumes, and sells weakness that rallies to its baseline and rolls over" — but only ever in the cloud's direction. That single constraint keeps the system on the right side of the dominant trend.

How It Works

The strategy operates on a single, self-contained timeframe and acts **once per completed bar**. On each new bar it recalculates the live Ichimoku lines from the just-closed bar and the displaced cloud sitting beneath current price, then evaluates entries and exits.

Long Entry Conditions

A long position is opened only when *all four* conditions are simultaneously true on the just-closed bar:

- **Trend filter:** Close is *above* the Kumo (`close > cloudTop`) — confirming an uptrend.
- **Line alignment:** Tenkan-sen is above Kijun-sen (`tenkan > kijun`) — a bullish bias.
- **Pullback:** The previous close was at or below the baseline (`closePrev ≤ kijunAgo`).
- **Reclaim:** The current close has just crossed back above the baseline (`close > kijun`).

Short Entry Conditions

A short position is the exact mirror image below the Kumo:

- **Trend filter:** Close is *below* the Kumo (`close < cloudBot`) — confirming a downtrend.
- **Line alignment:** Tenkan-sen is below Kijun-sen (`tenkan < kijun`) — a bearish bias.
- **Rally:** The previous close was at or above the baseline (`closePrev ≥ kijunAgo`).
- **Loss:** The current close has just crossed back below the baseline (`close < kijun`).

Stop-Loss & Take-Profit

Position sizing of risk is driven entirely by the Average True Range (ATR) measured on the just-closed bar:

```
Long:   SL = entry − AtrStopMult   × ATR
        TP = entry + AtrTargetMult × ATR

Short:  SL = entry + AtrStopMult   × ATR
        TP = entry − AtrTargetMult × ATR
```

With the defaults (`AtrStopMult = 2.0`, `AtrTargetMult = 3.0`) this gives a **1.5 : 1 reward-to-risk ratio**. The stop and target automatically widen in volatile conditions and tighten in quiet ones.

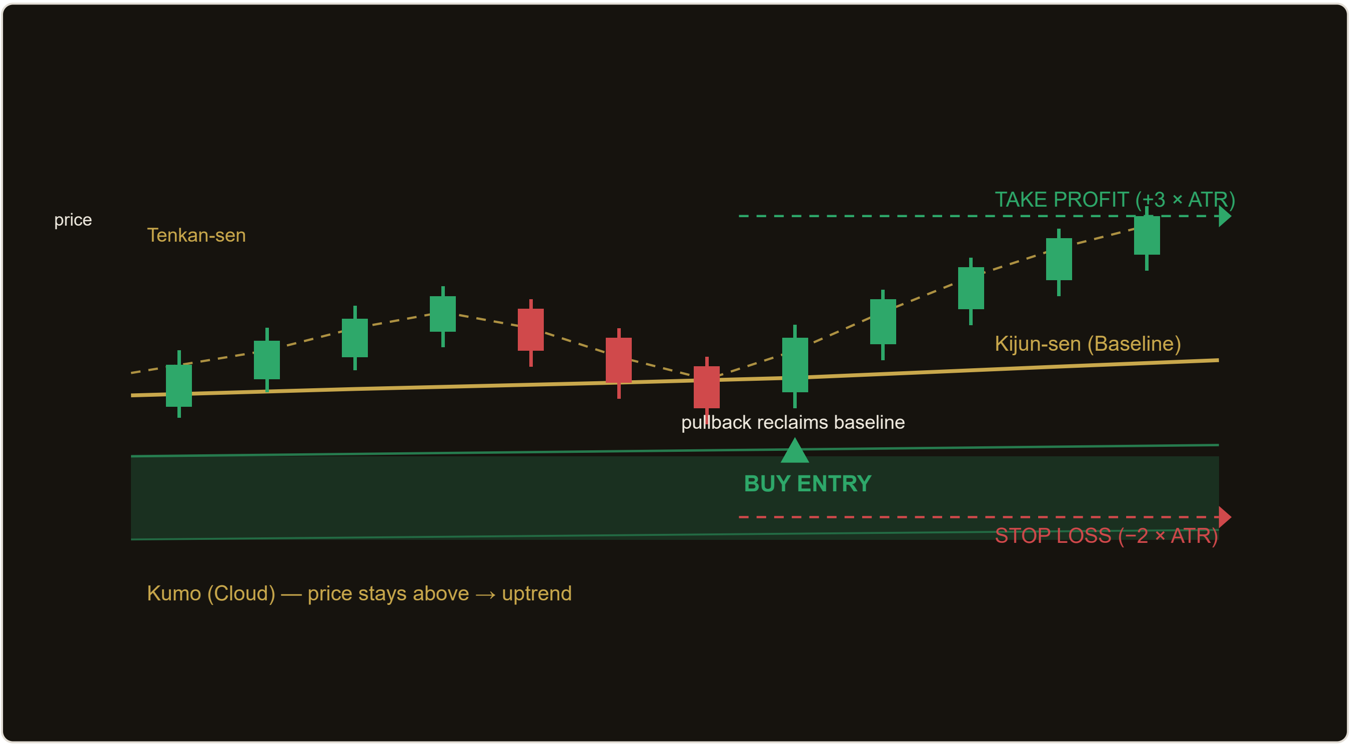
Baseline-Break Exit (optional)

When `UseBaselineExit = 1`, an open trade is closed early if price closes back through the Kijun *against* the position — a long is exited when `close < kijun`, a short when `close > kijun`. The reasoning: once price loses the baseline in the wrong direction, the trend structure that justified the entry is broken. Setting this to `0` relies on the ATR stop/target alone.

> **One position per Magic:** The EA never stacks trades. While any position tagged with its Magic number is open, the strategy manages only that position and will not open another until it closes.

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
TenkanPeriod	`9`	Conversion-line lookback (fast midpoint). Range 5–15, step 1.
KijunPeriod	`26`	Baseline lookback (slow midpoint); also drives the cloud displacement. Range 15–40, step 1.
SenkouBPeriod	`52`	Second cloud-span lookback (widest midpoint). Range 30–80, step 2.
AtrPeriod	`14`	ATR lookback used for stop / target sizing. Range 7–30, step 1.
AtrStopMult	`2.0`	Stop-loss distance as a multiple of ATR. Range 1.0–4.0, step 0.25.
AtrTargetMult	`3.0`	Take-profit distance as a multiple of ATR. Range 1.0–6.0, step 0.25.
UseBaselineExit	`1`	1 = also exit when price closes back through the Kijun against the position; 0 = SL/TP only. Range 0–1.
Lots	`0.10`	Trade volume in lots. Range 0.01–1.0, step 0.05.
Magic	`9026`	Magic number used to identify and manage this EA's positions.

> **Tip:** `KijunPeriod` does double duty — it is both the baseline lookback and the cloud's forward displacement. Increasing it makes both the baseline and the trend filter slower and smoother; decreasing it makes them more reactive but noisier.

Recommended Settings

The defaults reproduce the classic Ichimoku 9 / 26 / 52 configuration and are a sound starting point. Because the EA runs on whatever timeframe the chart is set to, choose the timeframe to match your trading style.

SUGGESTED BASELINE

- **Symbols:** Trending major FX pairs (e.g. EUR/USD, GBP/USD, USD/JPY) and index CFDs.
- **Timeframe:** H1 or H4 — long enough for the cloud to define a meaningful trend, short enough to see multiple baseline pullbacks.
- **Ichimoku:** Tenkan 9, Kijun 26, Senkou B 52 (classic).
- **Risk:** `AtrStopMult 2.0`, `AtrTargetMult 3.0` for a 1.5:1 reward-to-risk profile.
- **Baseline exit:** Leave `UseBaselineExit = 1` to cut trades quickly when the trend structure breaks.

Example — conservative H4 configuration

Keep the classic Ichimoku periods but widen risk to ride larger H4 swings: `AtrStopMult = 2.5`, `AtrTargetMult = 4.0`, `Lots` sized to no more than 1–2% account risk per trade. This favours fewer, larger trend trades over frequent scalps.

Always validate first. Before any live deployment, backtest and forward-test on a demo account with your broker's spreads and the exact symbol/timeframe you intend to trade. Optimise the ATR multipliers and Ichimoku periods to your instrument's volatility.

How to Install on MetaTrader 5

1. Copy `IchimokuBaselineBreakout.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

Note: The EA needs sufficient bar history to compute the displaced cloud — at least `KijunPeriod + SenkouBPeriod + 2` bars (roughly 80 with the defaults). On a fresh chart, allow it to load enough history before expecting signals.

Risk Warning