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Separating Lines Continuation

Expert Advisor Documentation

PLATFORM	TYPE	TIMEFRAME	WEBSITE
MetaTrader 5 (MT5)	Trend Continuation (Candlestick Pattern)	H1 (single timeframe)	www.algobot.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

Separating Lines Continuation is a trend-following Expert Advisor built on the classic Japanese "*Separating Lines*" two-candle pattern. Unlike reversal patterns, Separating Lines is a recognised **continuation** signal: it aims to re-enter an existing trend after a brief, shallow counter-trend pause has been decisively rejected in a single bar.

The defining feature of the pattern is that the two candles are **opposite colours but share (roughly) the same open**. After one counter-trend candle prints, the very next candle re-opens right back at that candle's open — erasing the pause — and then drives on strongly in the direction of the prevailing trend. Traders who tried to fade the move are trapped in a single bar, leaving a high-conviction footprint.

To keep signals selective and aligned with the dominant trend, the EA layers three filters on top of the raw pattern:

- **Trend filter (EMA):** a rising / falling exponential moving average must agree with the trade direction, and the separating candle must close on the correct side of it.
- **Snap-back tolerance (ATR):** the two opens must match within a fraction of the Average True Range — the "separating" snap-back that distinguishes this setup from a plain engulfing or inside bar.
- **Conviction filter (ATR):** the separating candle's body must exceed a minimum ATR fraction, filtering out weak, indecisive bars.

Risk is managed entirely with volatility-adaptive stops and targets expressed as ATR multiples, so the EA automatically scales its risk to current market conditions. It operates on a **single timeframe** and holds at most one position at a time.

> **The selective edge.** Requiring the open to snap back to the prior candle's *open* — not merely its close — is what separates this pattern from a generic reversal or engulfing setup. That precise re-opening is the signature of a trend that refused to give ground.

How It Works

The EA acts **once per newly-formed bar**. On each new bar it evaluates the bar that just closed (shift 1) together with its predecessor (shift 2), then checks the trend, pattern and conviction conditions before sending an order.

The Separating Lines Pattern

- **cur** — the just-closed candle (the "separating line").
- **prev** — the candle immediately before it (the counter-trend "pause").
- The two candles are **opposite colours** and their **opens match** within `OpenToleranceAtr × ATR`.

Long Entry — Bullish Separating Line (Uptrend Continuation)

All of the following must be true on the just-closed bar:

- **Trend is up:** the EMA is rising (`emaNow > emaPast`, measured over `SlopeLookback = 3` bars) *and* the separating candle closes **above** the EMA.
- **Prior candle was a pullback:** `prev` is bearish (closed below its open).
- **Separating snap-back:** `cur` is bullish and its open is within `OpenToleranceAtr × ATR` of the prior candle's open.
- **Conviction:** the current body `|Close − Open|` is at least `MinBodyAtr × ATR`.

→ **Buy at market** (at the Ask). Stop loss and take profit are placed at ATR multiples below/above entry.

Short Entry — Bearish Separating Line (Downtrend Continuation)

The exact mirror image:

- EMA is falling *and* the separating candle closes **below** the EMA.
- The prior candle was bullish (a counter-trend bounce).
- The current candle is bearish and re-opens within tolerance of the prior open, with a body ≥ `MinBodyAtr × ATR`.

→ **Sell at market** (at the Bid), with the ATR-based stop above and target below.

Exit Logic — Stop Loss & Take Profit

Every position is opened with a fixed, volatility-scaled bracket. There is no trailing stop or discretionary exit — the trade runs to whichever level is reached first:

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

With the defaults (`AtrStopMult = 1.5`, `AtrTargetMult = 2.5`), each trade risks 1.5 ATR to target 2.5 ATR — a reward-to-risk ratio of roughly **1.67 : 1**.

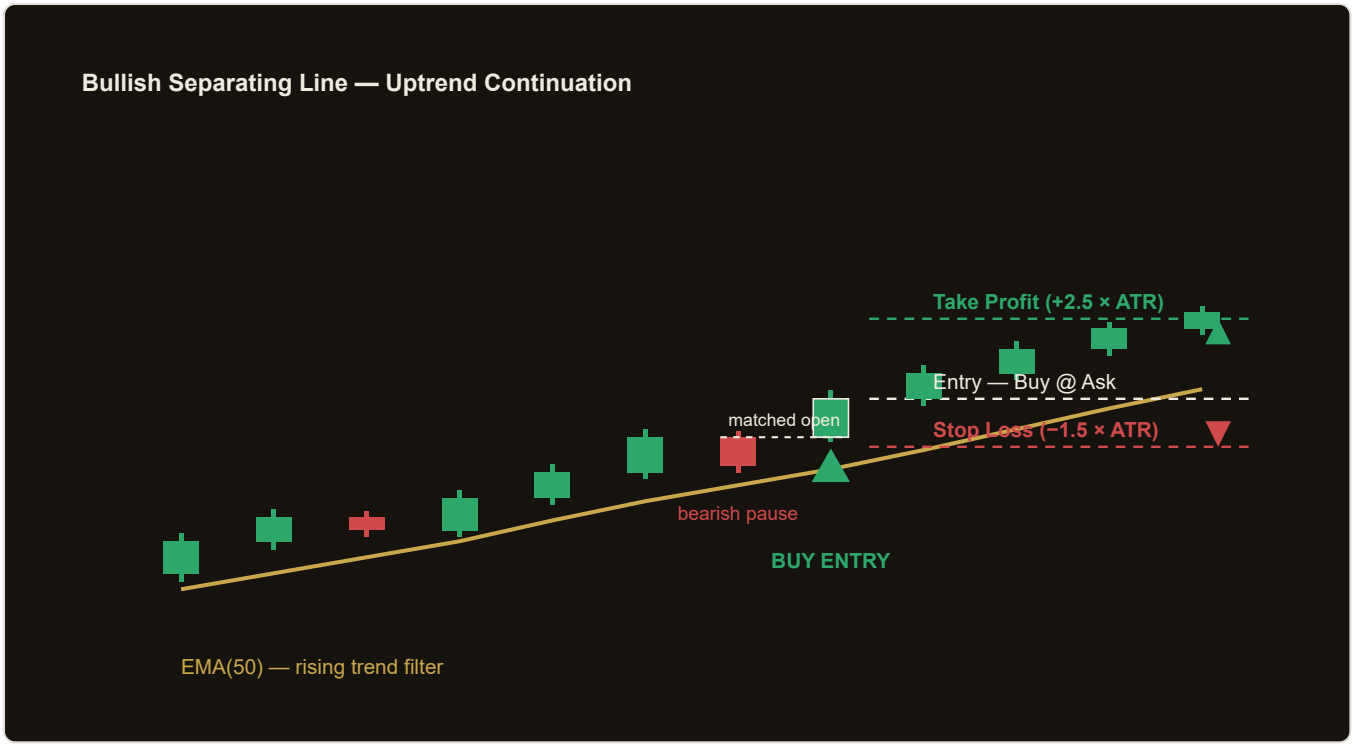
Trade Management Rules

- **One position at a time:** if a position with this EA's magic number is already open on the symbol, no new signal is taken.
- **Bar-close evaluation:** signals are read from completed candles only, avoiding intra-bar repainting.
- **Warm-up:** the EA waits for enough history to compute the EMA, its slope window and the ATR before trading.
- **ATR everywhere:** a single ATR value drives the open-match tolerance, the body-conviction threshold and the stop/target distances.

> **Note.** Because tolerance, conviction and risk all scale with ATR, the strategy adapts automatically to changing volatility — the same parameter set behaves consistently across quiet and active market phases.

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
TrendEmaPeriod	`50`	Length of the EMA trend filter. Its rising/falling slope sets the trade direction and the separating candle must close on the correct side of it. Range 20–200, step 10.
AtrPeriod	`14`	Averaging length of the ATR. A single ATR value drives the open-match tolerance, the body-conviction filter and stop/target sizing. Range 5–30, step 1.
OpenToleranceAtr	`0.10`	How closely the two candle opens must match, as a fraction of ATR. Smaller = stricter snap-back and fewer signals. Range 0.02–0.60, step 0.02.
MinBodyAtr	`0.50`	Minimum body size of the separating candle, as a fraction of ATR — the conviction filter that rejects weak, indecisive bars. Range 0.10–2.00, step 0.10.
AtrStopMult	`1.5`	Stop-loss distance from entry, in ATR multiples. Range 0.5–4.0, step 0.5.
AtrTargetMult	`2.5`	Take-profit distance from entry, in ATR multiples. Range 0.5–6.0, step 0.5.
Lots	`0.10`	Fixed order volume in lots. Range 0.01–1.0, step 0.05.
Magic	`8123`	Magic number that tags this EA's orders so it can manage its own single position independently of other charts and EAs.

> **Tuning tip.** `OpenToleranceAtr` and `MinBodyAtr` together control trade frequency. Loosening the tolerance or lowering the minimum body produces more (but lower-quality) signals; tightening both yields fewer, higher-conviction separating lines. Adjust one at a time and re-test.

Recommended Settings

The strategy is designed for a **single timeframe**. It suits liquid FX majors on intraday-to-swing horizons where clean candlestick structure forms.

- **Symbols:** major FX pairs (e.g. EURUSD, GBPUSD, USDJPY) with tight spreads.
- **Timeframe:** H1 as a starting point; H4 for a lower-frequency, swing-oriented profile.
- **Trend filter:** keep `TrendEmaPeriod = 50` for a balanced trend definition; increase toward 100–200 to trade only stronger, more established trends.
- **Risk bracket:** the default 1.5 / 2.5 ATR stop/target gives a ~1.67:1 reward-to-risk. Raise `AtrTargetMult` for trend-riding, lower it for a higher hit rate.
- **Position size:** set `Lots` conservatively relative to account equity — the fixed lot does not auto-scale with balance.

Example — EURUSD H1, default settings

Price is in a steady uptrend with a rising EMA(50). A single bearish candle prints a shallow pullback but still closes above the EMA. The next candle opens within 0.10 × ATR of that bearish candle's open, turns bullish, closes above the EMA and its body exceeds 0.50 × ATR. The EA buys at the Ask, sets the stop 1.5 × ATR below entry and the target 2.5 × ATR above — then lets the bracket resolve the trade.

> **Optimisation caution.** Because tolerance, body and risk all scale with ATR, avoid over-fitting the multipliers to a single instrument or period. Validate any change on out-of-sample data and across multiple symbols before trading live.

How to Install on MetaTrader 5

1. Copy `SeparatingLinesContinuation.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

Backtesting first. Before going live, run the EA in the MT5 Strategy Tester on "Every tick" modelling with quality history. Confirm the separating-line pattern is firing as expected and that spread and slippage assumptions are realistic for your broker.

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.