

Sequential Setup Reversal

Expert Advisor Documentation

PLATFORM

MetaTrader 5 (MT5)

TYPE

Mean Reversion (Price-Action Exhaustion)

TIMEFRAME

H1 / H4 (Swing)

WEBSITE

www.algobot.live

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Overview

Sequential Setup Reversal is a pure price-action exhaustion system inspired by Tom DeMark's classic "Sequential Setup" counting logic. It uses *no* oscillators, moving averages, or volume to generate its signal — only the geometry of closing prices measured against their own recent history. The strategy hunts for markets that have quietly overstretched themselves in one direction and are ripe for a snap-back the other way.

The defining twist that separates this from a naïve "consecutive closes" streak is the **comparison lag**. Instead of comparing each close to the bar immediately before it, every close is compared to the close a fixed number of bars earlier (default 4). A run of qualifying bars therefore tolerates small intrabar wobble and instead captures a genuine, *sustained* directional drift — a far more robust fingerprint of a trend that has exhausted itself.

When a persistent downdrift completes, sellers are deemed exhausted and the EA buys the anticipated bounce; when a persistent updrift completes, buyers are deemed exhausted and it sells. Every trade is protected and targeted with **ATR-scaled** stop-loss and take-profit levels, so the position is given room proportional to the market's current volatility. The rules are fully symmetric and distinct for long and short.

How It Works

The Lagged Setup Count

On each freshly closed bar the EA walks backwards from the most recent completed bar and counts how many consecutive bars satisfy a *lagged* comparison against the close `ComparisonLag` bars earlier:

- **Buy setup** — a run of `SetupLength` consecutive bars whose `Close < Close[LAG bars earlier]`. Price has drifted persistently *down* → sellers are exhausting → prepare to **BUY**.
- **Sell setup** — a run of `SetupLength` consecutive bars whose `Close > Close[LAG bars earlier]`. Price has drifted persistently *up* → buyers are exhausting → prepare to **SELL**.

The counter stops the instant a bar fails the test, so any interruption resets the setup and a brand-new one must form from scratch. Because a single close cannot be both below and above its lagged reference at once, the buy and sell setups are mutually exclusive.

The Perfection Filter

When `RequirePerfection = 1`, the raw count must also pass a DeMark "perfection" test that proves the move pressed to a *fresh* extreme right at the point of exhaustion — the classic spot where a counter-move ignites:

- **Buy** — the lower of the last two setup bars' lows must be at or below the lower of the two bars before them (a fresh low).
- **Sell** — the higher of the last two setup bars' highs must be at or above the higher of the two bars before them (a fresh high).

Tip: Setting `RequirePerfection = 0` accepts the raw count and produces more (but lower-quality) signals. Keeping it at `1` is the DeMark-faithful behaviour and filters for setups that genuinely spiked to a new extreme at the moment of exhaustion.

Entry

The signal fires **exactly once**, on the bar that completes the count (`run == SetupLength`). A longer run does *not* re-fire, and only one position per magic number is allowed open at a time. Entries are taken at market:

- **Long** — buy at the current *Ask* after a completed, perfected buy setup.
- **Short** — sell at the current *Bid* after a completed, perfected sell setup.

Exit — ATR-Based Stop & Target

There is no discretionary or trailing exit logic; the trade is fully managed by the volatility-scaled bracket placed at entry. Using the ATR of the last `AtrPeriod` completed bars:

```
Stop distance    = AtrStopMult    × ATR
```

```
Target distance = AtrTargetMult × ATR
```

```
Long : SL = entry - stopDist    TP = entry + tpDist
```

```
Short: SL = entry + stopDist    TP = entry - tpDist
```

With the default multipliers (**1.5** stop, **2.0** target) each trade carries a built-in reward-to-risk ratio of roughly **1.33 : 1**, while the ATR scaling adapts the absolute distances to whatever noise the market is currently exhibiting.

Worked example — buy setup (defaults)

Over 9 consecutive bars each close prints below the close 4 bars earlier, and the last two bars press to a fresh low (perfection passes). The 9th bar closes the count and the EA buys at the Ask. If $ATR(14) = 0.0020$ on EURUSD, the stop sits $1.5 \times 0.0020 = 30$ pips below entry and the target $2.0 \times 0.0020 = 40$ pips above it. The position then runs untouched to whichever bracket is hit first.

Execution Notes

- **One bar, one decision.** Logic runs only on a new bar (the forming bar's timestamp changes), acting on stable, completed OHLC.
- **Single timeframe.** Every bar query uses the chart's own timeframe, so the EA runs on whichever timeframe you attach it to.
- **History guard.** The EA waits until enough bars exist for both a full setup window (**SetupLength** + **ComparisonLag**) and a valid ATR before it will trade.

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.

Recommended Settings

The strategy was designed for liquid FX pairs on swing timeframes, where sustained multi-bar drifts and their exhaustion points are most reliable.

- **Symbols:** major FX pairs (EURUSD, GBPUSD, USDJPY, AUDUSD) with tight spreads.
- **Timeframe:** H1 or H4 — long enough that a 9-bar setup represents a meaningful drift, not intrabar noise.
- **Setup length:** keep `SetupLength = 9` (the DeMark canonical count); shorten toward 5–7 for more frequent, less selective signals.
- **Perfection:** leave `RequirePerfection = 1` for higher-quality entries; disable only when back-testing raw signal frequency.
- **Risk bracket:** defaults of `1.5` stop / `2.0` target suit H1/H4; widen the target on trendier pairs, tighten the stop on ranging ones.

Note: Because this is a counter-trend / mean-reversion system, it will occasionally fire against a strong, still-accelerating trend. The ATR stop is what caps the damage on those bars — always confirm the stop distance is sensible for your account risk before going live. Size `Lots` so a full `AtrStopMult × ATR` loss stays within your per-trade risk budget.

How to Install on MetaTrader 5

- 1 Copy `SequentialSetupReversal.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

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