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Value Skew Breakout

Expert Advisor Documentation

PLATFORM	TYPE	TIMEFRAME	WEBSITE
MetaTrader 5 (MT5)	Price-Action Breakout	H1 (adaptable)	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

Value Skew Breakout is a pure price-action breakout Expert Advisor. It only trusts a range break when the market's "value" was already leaning in the direction of the break. No technical indicator drives the signal — every entry gate is derived from raw OHLC data. The Average True Range (ATR) is used solely to size the compression filter and the stop/target, never to generate a signal.

The core idea is simple. Inside a consolidation, the location of each bar's **close** within the whole range quietly reveals who is winning. If closes keep printing in the **upper** part of the base — every dip is bought and sellers can never drag a close back down — that is **accumulation**: supply is being absorbed. If closes keep pinning to the **lower** part, that is **distribution**. Naive range-breakout systems get chopped up because they take the break regardless of this footprint, and the most dangerous breaks are stop-runs that spike *through* one edge while value actually sat on the opposite edge.

Value Skew Breakout measures the **value skew** of a settled base — the average location of every base bar's close within the range (1.0 = every close at the top, 0.0 = every close at the bottom) — and takes a freshly-closed breakout only when the break *agrees* with that skew. A break backed by prior accumulation (or distribution) is more likely to hold.

> **What makes it different:** Instead of asking only "did price break the level?", this EA first asks "was value already leaning this way?". The value-skew gate filters out low-conviction breaks and stop-run traps, while a compression filter insists the break comes from a genuinely tight base rather than an already-extended, trending "range".

How It Works

The Base Window

On every completed bar, the EA looks back over the last `RangeBars` bars *immediately before* the freshly-closed trigger bar. Across that window it records the highest high (the **base top**) and the lowest low (the **base bottom**). The distance between them is the base **height**.

Compression Gate

The base height must be tight relative to volatility: `height ≤ CompressionMult × ATR`. If the range is wider than this, the market is treated as already extended or trending and the break is rejected. This ensures breakouts fire from coiled, low-volatility bases rather than sprawling ranges.

Value Skew

For each bar in the base window, the EA computes where its close sits within the range as a fraction from 0 to 1:

```
closeLocation = (Close - baseBottom) / (baseTop - baseBottom)
avgPos        = average of closeLocation over all RangeBars bars
```

An `avgPos` near **1.0** means closes were consistently pinned high (accumulation); near **0.0** means they were pinned low (distribution).

Entry Logic

A position is opened only when both the skew and the break agree:

- **Long entry** — value skewed high (`avgPos ≥ SkewThreshold`) *and* the trigger bar closes **above the base top**. Entry is placed at the current Ask.
- **Short entry** — value skewed low (`avgPos ≤ 1 − SkewThreshold`) *and* the trigger bar closes **below the base bottom**. Entry is placed at the current Bid.

Worked example (long)

With `SkewThreshold = 0.58`, suppose the last 20 base bars produced an `avgPos` of 0.71 — closes were clearly clustered high in the range. The next bar then closes above the base top. Because 0.71 ≥ 0.58 and the break is upward, the EA buys. Had `avgPos` been 0.50 (neutral value), the same upward break would have been **ignored**

as unconfirmed.

Exit Logic (Stop Loss & Take Profit)

Both stop and target are ATR-scaled, so risk adapts to current volatility:

- **Stop loss** is placed `AtrStopMult × ATR` away from entry (below for longs, above for shorts).
- **Take profit** is set at a fixed reward-to-risk multiple: `RewardMult × risk`, where `risk` is the entry-to-stop distance.

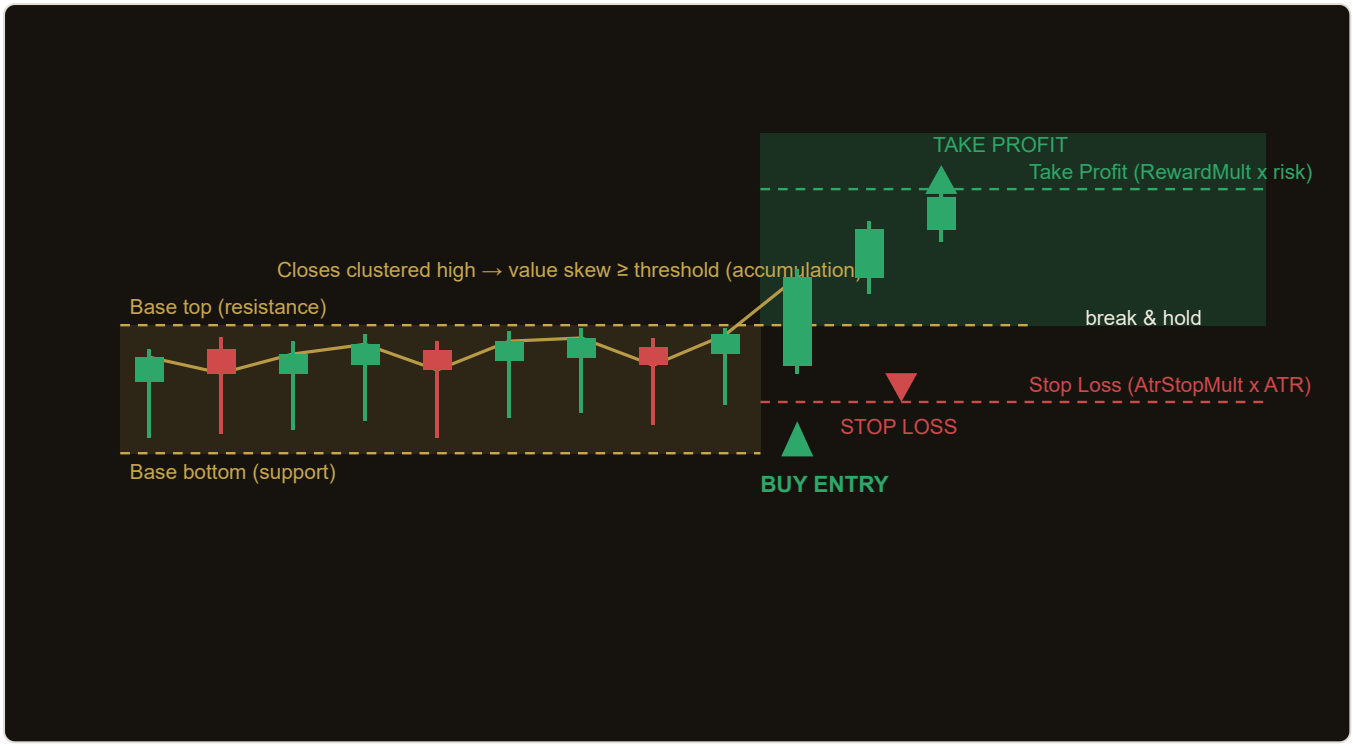
With the defaults (`AtrStopMult = 1.5`, `RewardMult = 2.0`) each trade risks 1.5×ATR to target 3.0×ATR — a 2:1 reward-to-risk profile. Once the trade is live it is left entirely to the fixed SL/TP; there is no trailing stop.

Trade Management

- The EA acts **once per completed bar** — the forming bar is ignored, and only the just-closed bar is evaluated as the breakout trigger.
- Only **one position per magic number** is held at a time. While a trade is open, no new entries are considered until it closes at its stop or target.
- All logic uses OHLC on the single chart timeframe, so the EA runs on whatever symbol and timeframe you attach it to.

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
RangeBars	`20`	Length of the base window — the number of bars immediately before the trigger used to measure the range and value skew. Range 8–60, step 1.
SkewThreshold	`0.58`	Minimum average close-location required for a valid skew. Longs need `avgPos ≥ SkewThreshold`; shorts need `avgPos ≤ 1 − SkewThreshold`. Higher = stricter conviction. Range 0.52–0.80, step 0.01.
CompressionMult	`2.8`	Maximum base height as a multiple of ATR. Breaks from bases wider than `CompressionMult × ATR` are rejected. Range 1.0–6.0, step 0.2.
AtrPeriod	`14`	Number of bars used to compute the ATR that scales the compression filter, stop, and target. Range 5–40, step 1.
AtrStopMult	`1.5`	Stop-loss distance from entry as a multiple of ATR. Range 0.5–4.0, step 0.1.
RewardMult	`2.0`	Take-profit distance as a multiple of the entry-to-stop risk (reward-to-risk ratio). Range 0.5–6.0, step 0.5.
Lots	`0.10`	Fixed trade volume in lots. Range 0.01–1.0, step 0.05.
Magic	`7734`	Magic number identifying this EA's trades. Only one position per magic is held at a time.

Recommended Settings

The default parameters are a balanced starting point. Because every gate is derived from OHLC and volatility is ATR-normalised, the EA adapts to different instruments and timeframes without re-tuning the price levels.

SUGGESTED DEPLOYMENT

- **Symbols:** Liquid major FX pairs (e.g. EUR/USD, GBP/USD) and index CFDs that form clean consolidations.
- **Timeframe:** H1 is a solid default. Higher timeframes (H4) produce fewer, higher-quality bases; lower timeframes generate more signals but more noise.
- **Skew conviction:** Raise `SkewThreshold` toward 0.65–0.70 for stricter, rarer breakouts; lower it toward 0.54 for more frequent entries.
- **Compression:** Tighten `CompressionMult` (e.g. 2.0) to demand very coiled bases; loosen it to accept broader ranges.

> **Tip:** Always run a backtest and forward-test on a demo account for your chosen symbol and timeframe before committing real capital. Optimise `SkewThreshold` and `CompressionMult` together — they jointly control how selective the breakout filter is.

> **Position sizing:** The `Lots` input is a *fixed* volume and does not scale to account equity. Set it in proportion to your balance and risk tolerance, and remember that the ATR stop distance varies with volatility, so the cash risk per trade will not be constant.

How to Install on MetaTrader 5

1. Copy `ValueSkewBreakout.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.