

Introduction

This Multi-currency meter measures the relative distances from major currency pairs to a long moving average. The relative distances are used to calculate individual currencies (currency singles). Currency singles represent a specific world economy and is shown on the indicator as a colored line.

The currencies (currency singles) described by this indicator include:

AUD, CAD, CHF, EUR, GBP, NZD, USD, JPY.

The reason to separate individual currencies from currency pairs can be understood from the following example:

Consider a chart of EURUSD in which prices are rising. Are the rising prices due to the Euro (EUR) economy rising or because of the U.S. Dollar (USD) economy falling—or are both conditions true? The Multi-currency Potency Meter gives a relative measure of the strength and weakness of EUR and USD in this context to make this determination.

After separating into distinct currencies, this indicator then combines the **strongest** currency singles with the **weakest** to determine which currency pairs are the most “potent.” Potent currency pairs have price movement and direction and therefore provide the best instruments to find high probability trades.

This indicator can be placed upon any chart.

Updates occur every second if a tick on the underlying chart has come in.

Disclaimers

Mac & Linux

Do not download this product if you have a Mac.

Wine doesn't support the Market tab. Do not download this product if you do not have a Markets tab in MT5.

MT4

There is currently no plan to port this indicator to MT4.

The Panel

Key Column



Figure 1

The key column shows a graded color “temperature” key, from green to red. This color gauge is used in the Potency column to specify the current currency strength relative to the past. The number of colors shown in the key is variable in the Full Version.

Potency

Key	Potency	
	CHF +1.35	
	USD +1.26	
	NZD +1.24	
	AUD +1.03	
	EUR +0.82	
	CAD +0.60	
	JPY +0.44	
	GBP +0.32	

Figure 2

The relative strength (ranking) of each “currency single” is determined then inserted into the Potency column. These are sorted from highest to lowest, as can be seen in Figure 2: CHF with +1.35 is the highest depicted, and GBP is +0.32. Each currency single is assigned a Key color based upon one of two methods:

1. The relative strength value relative to current values in the list.
2. relative strength value relative to prior values. This number is calculated from all values for each bar on the underlying chart.

Values in the Potency column are updated every second based upon real market conditions.

To the right of each currency single in the Potency column is a 20x20 pixel box with the line color of that currency.

Optimum Pairs

After the Potency column has been populated, the indicator will choose the **strongest** and **weakest** currency singles to combine into the most potent currency pairs. Basically, the currency pair is comprised of the strongest currency pitted against the weakest. These are populated into the Optimum column.

Key	Potency	Optimum
CHF	+1.35	GBPCHF DOWN
USD	+1.26	GBPUSD DOWN
NZD	+1.24	GBPNZD DOWN
AUD	+1.03	CHFJPY UP
EUR	+0.82	USDJPY UP
CAD	+0.60	NZDJPY UP
JPY	+0.44	CADCHF DOWN
GBP	+0.32	GBPAUD DOWN
		USDCAD UP

Figure 3

In Figure 3 we see CHF has the highest relative strength of +1.35. That is why it is at the **top** of the Potency list.

We also see that GBP has the lowest relative strength of +0.32, and that is why it is at the **bottom** of the Potency list.

There is no currency pair “CHFGBP,” so we reverse the base and quote and set the direction to DOWN.

Thus, GBPCHF is the “most potent” currency pair. This pair should have the most activity and high probably trading potential. Look to these pairs for trend following or reverting (back to long moving average) trades.

Least Optimum Pairs

The currency pairs at the bottom of the list are currency pairs comprised of currency singles with the least amount of distance between them. These typically define flat markets.

For example, in the above picture, the difference between JPY and GBP is 0.12. These two currency singles are very close to one another, therefore the currency pair GBPJPY will have prices close to its long-term moving average. Essentially, this denotes a relatively **flat** market. Look to these pairs for breakout trading.

Features

The FREE version is available only at <http://www.garot.com/trading/>. The full version can be purchased through the MQL5.com Market Place. Please see the disclaimers section of this documentation before buying this product.

FREE	FULL
H4 Chart Period (only)	H1,H4,D1 Chart Periods
Optimum shows seven major currency pairs	Optimum shows 28 currency pairs

	Clicking a currency pair will switch to that chart (if already open) or open a new one.
	Variable number of colors (from green to red) in the Key
	Ability to Auto-Resize indicator to full chart size
	Will show values in Data Window

Keystrokes

‘p’

The ‘p’ key is a toggle to show/hide the panel.

‘s’

The ‘s’ key is a toggle that multiplies the last 5 values of the chart lines in order to emphasize the separation. This is for visual inspection only; do not use the resulting values for anything.

How To Use This Indicator

Loading the indicator and choosing parameters

Start the indicator on any chart. I recommend using a chart that has some trading activity because ticks received by the underlying chart cause the indicator to update its values. That said, updates are only shown every second. I generally choose a currency after I have loaded the chart by choosing something low in the Optimum list. To change to this chart simply press the spacebar (this is an MT5 feature, not part of the indicator). Type in, for example, “GBPCHF” and press ENTER.

Note: If you choose an underlying chart that you haven’t used before, MT5 must load data for that chart, even though that particular data isn’t used in calculating the currency singles. The indicator still uses the bars as sequences for the other currency pairs used in the calculations. Thus, if you put this indicator on an exotic (e.g. AUDDKK), data for AUDDKK must be loaded from the server. You may see flickering as the data loads. Also note, as mentioned above, AUDDKK can be sparsely traded, so updates to values may occur less frequently than every second.

The default parameters supplied with the indicator are generally what I use. Sometimes I will change the Hist. Lookback to something more recent, like the past week, so get a sense of “potency” values relative to the week. I never go beyond a year for this value as that doesn’t make much sense to me.

Interpretation

The following is a description of how this indicator can be used for discretionary trading, i.e. manual trading, where the trader chooses trades.

Typically I run the MCPM indicator on the H4 time frame.

I will click the top currency of the “Optimum” column to open that chart.

On that chart, my default template (Default.tpl) has a 200 EMA, 20 EMA, and 5 EMA. I know that prices will be far enough away from the 200 EMA to be interesting—meaning there should be some sort of trade available. The direction of the 20 EMA gives me a sense where the trade is going. The direction of 5 EMA tells me what’s happening within the last few bars, and the current candle direction and wicks tell me what’s happening “right now.”

I’ll drill down to the H1 (on the chart, not the indicator). H1 gives me a sense of what is happening right now but doesn’t show me all the noise of shorter time frames. I get a better sense of what is going on with prices than H4. If a trade strikes my fancy, I will usually do it on the H1 time frame.

I will look at the 5 EMA and 20 EMA as well as current candle positions. I look at the candle wicks—who is winning, bulls or bears? This can also be seen through Bears Power and Bulls Power.

I may look at Donchian Channels. Is there still volatility of prices, and are these directional?

Based upon what I have observed as described above, I generally make one of three choices:

1. Place a trade that reverts. This is a trade in which prices revert to the 200 EMA. Prices and moving averages always meet eventually—that’s the nature of moving averages. The question is: when. The answer is, of course, when the steam of the trend ends.
2. Place a trade with the trend. This is a trade continuing with the direction of the 200 EMA. This means I believe the trend will continue. No trend continues forever, but it may continue long enough for me to make some money. I will often use the last 4 to 5 H1 bars to find a support and resistance line, or I will use ATR. I usually use a Reward Risk Ratio of 1.5 to 2.0. I will set the lot size based on how strongly I feel prices will go to the SL and TP I envision.
3. Place no trade. If I cannot get a good sense that the market will go in one or the other direction, I can just say “no.” Then I will look at the next chart listed in the “Optimum” column to see if there are any interesting trade opportunities there.

The interpretation I describe is something that could be done on any chart at any time by anyone. The value of this indicator is to choose the most “optimum” charts in which trades like this are available. You want trades that go somewhere. You don’t want to place a trade then come back the next day to find it did nothing. Thus, with this indicator, and your setups, you are choosing higher probability trades that will actually do something.

Issues

Flickering, lines re-draw

This is caused by the indicator loading data for the seven base currency pairs it uses to perform calculations. This will likely occur the first time the indicator has been loaded, but it should stop within a few minutes.

If this issue persists, try removing historical data in:

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... \bases\<<brokername>\history\
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Indicator's Parameters

GridOn – Show/hide the chart grid

GridColor – When GridOn is true, this specifies the color of the grid

ColorGradeHistorical – When true, the Potency colors are based upon historical values. When false, the Potency colors are based upon the range of Potency (currency singles) values.

HistoricalLookback – When ColorGradeHistorical is true, this number tells how many previous bars to use in the calculations for color grades. Only used if there are this many bars are available.

ChartTimeFrame – The Chart Period. For the full version, these are H1, H4, or D1.

ShowData – Show values for each currency single in the Data Window.

NumColors – Number of Key Colors.

AutoSize – When true, the indicator window will expand to fill the full chart size.