



Elder-disk for MetaTrader 4

Thank you for purchasing this Elder-disk. It was developed by Dr. Alexander Elder, the author of *Trading for a Living*, *Come into My Trading Room*, and other books, and eSoftrade, a software engineering company, in order to apply Dr. Elder's trading methods using MetaTrader 4 platform.

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To access the features of Elder-disk described here in your MetaTrader 4 platform, you must have the password you received when purchasing this Elder-disk.

MetaQuotes provides help, documentation, videos and programming guides for their platform in dedicated site at www.mql4.com. Please consult those help files for any problems using MetaTrader 4 platform.

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Introduction

The tools presented here implement the concepts from the book ***Come into My Trading Room*** (available from www.elder.com and amazon.com, among others). We highly recommend reading this book in order to understand the construction and principles behind the indicators. This Manual is designed only to explain how to implement these indicators. **No trading advice is offered or implied.**

This Elder-disk is provided with its documentation in Portable Document Format (PDF) format (this document) and in HTML format. It is also containing source code of all described indicators.

This document is printer-friendly using captures of MetaTrader 4 screen with white background. HTML version of the manual shows MetaTrader 4 screen captures with default colors.

Refer to next section to install indicators, libraries and documentation in your MetaTrader 4 environment.

IMPORTANT: this disk will only work with version 4 of MetaTrader.

Note: to find what version of MetaTrader you are running, start MetaTrader, go to Help menu and select "About".



Installation

Double click the `ElderDiskSetup.exe` file to launch the installation. You will be prompted for your MetaTrader 4 installation path. You can use default in case your MetaTrader 4 installation path is the same.



Custom indicators, libraries and profiles will then be automatically installed in your MetaTrader 4 environment.

Indicators and libraries come in different versions: MQ4/MQH (source code in text format) and EX4 (executable version).

Custom indicators, libraries and profiles are located in the following directories:

- Custom indicators are stored in the `experts/indicators` directory;
- Libraries are stored in the `experts/libraries` directory;
- Profiles are stored in the `profiles` directory.

Indicators

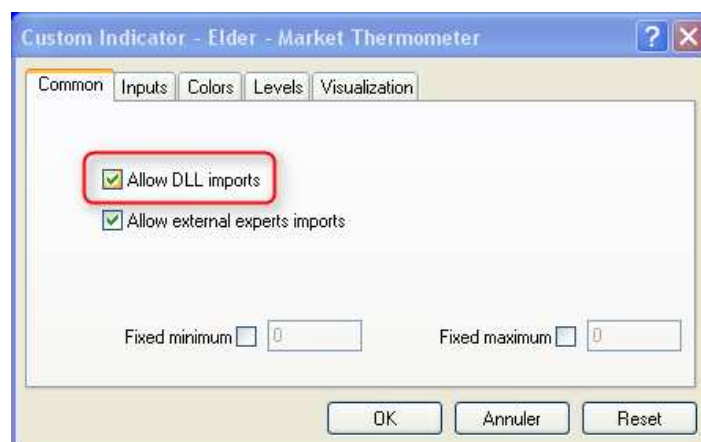
The indicators are described in an alphabetical order.

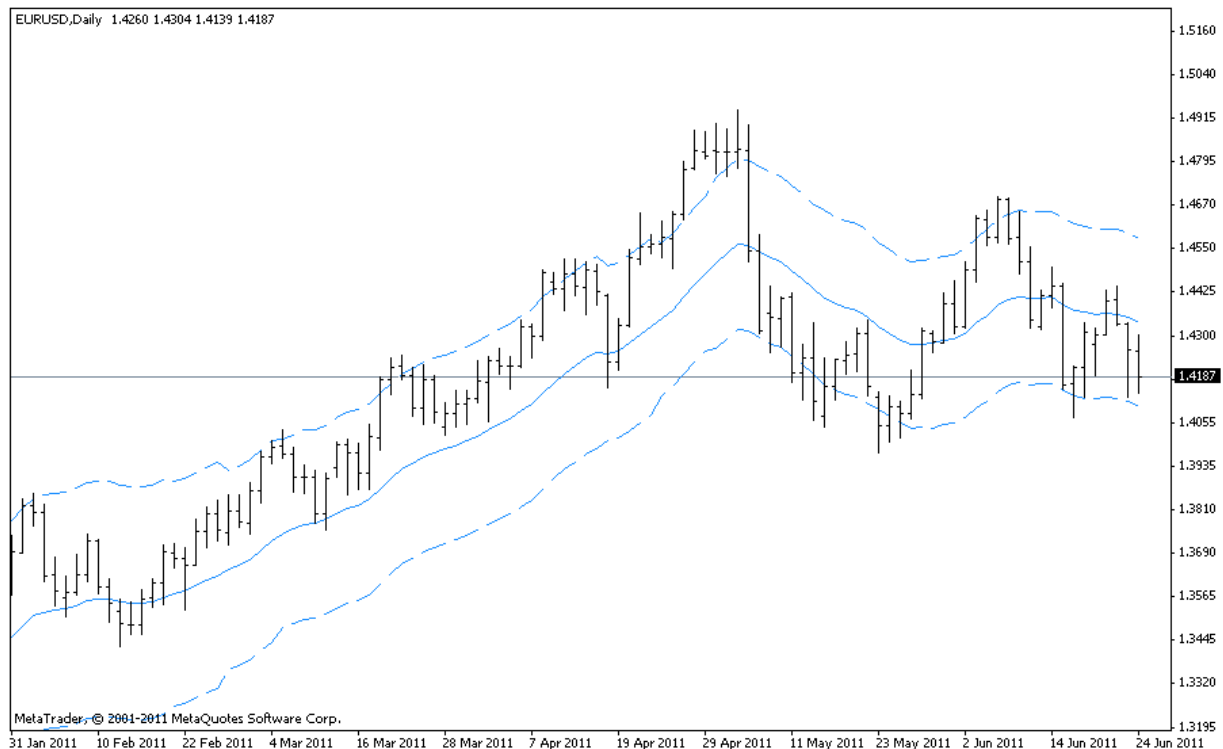
Parameters (defaults) – most indicators have parameters that can be changed. These are marked by bullet points, listing their default values and giving brief descriptions. Parameter values can be modified for each indicator using Indicator Properties panel (accessible via contextual menu or via the Indicators list).

Format Tips: Many indicators contain multiple plots that must be formatted to provide correct images. Some are simple and obvious, others quite complicated. This section tells you how we have done it for our templates. You can easily modify the results by setting your own colors, line widths, styles, etc. in the Custom Indicator window.

Each indicator is shown in a sample chart, so you can see how we intended it to look. The charts are for illustration purposes only, and the stocks have been chosen at random. The functions not referenced in this section of the manual are helper functions for other indicators and/or screeners and are not intended to be used as indicators.

Note: some indicators use code libraries (DLL) during their execution. You must allow those indicators to use DLLs by ticking the “Allow DLL imports” box in the indicator properties panel.





Elder – AutoEnvelope

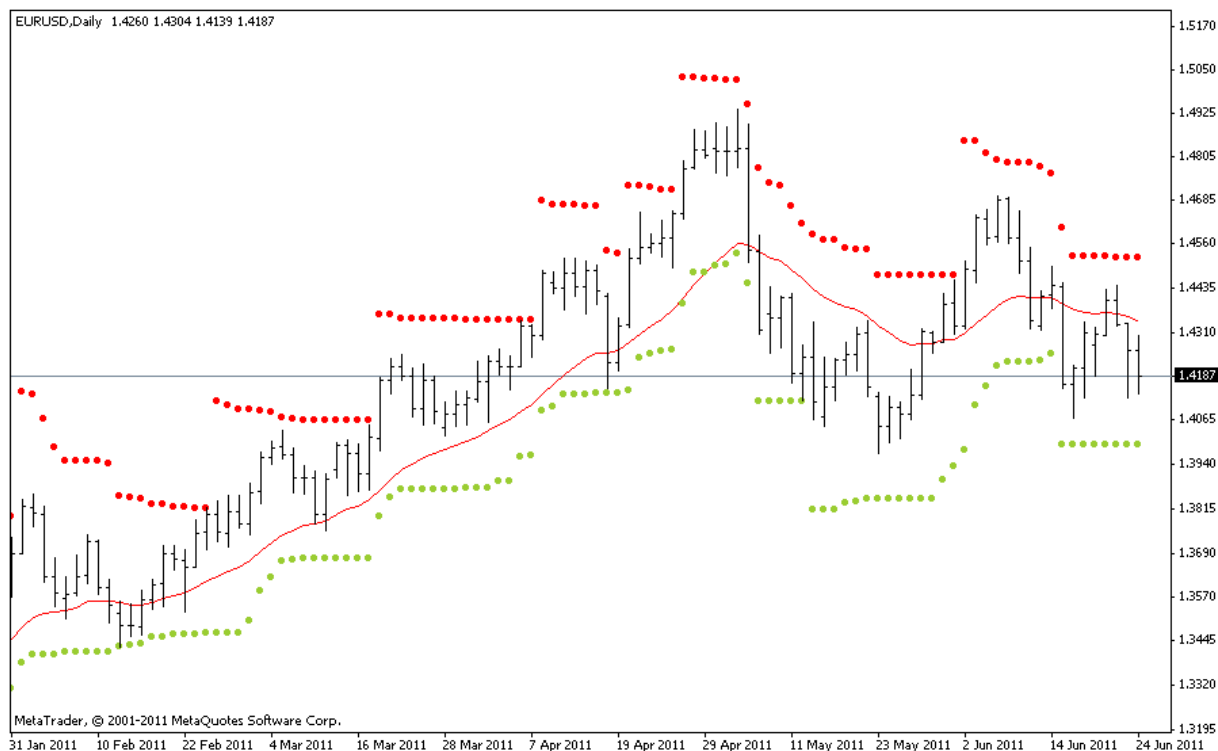
Envelopes or channel lines are set parallel to the moving average (to the slow MA if you use two MAs). The two channel lines must contain approximately 95% of all prices for the past two or three months on a daily chart, with only the extremes protruding outside. Channel lines provide attractive profit targets – sell longs near the upper line and cover shorts near the lower line.

The AutoEnvelope is a custom indicator – an original tool that automatically selects channels width by calculating a standard deviation for the last 100 bars. It is designed to use either a fixed channel size or to change value at most once a week (once a month on a weekly chart), making it suitable even for intra-day data (use the 'Fixed_Channel_Size' input parameter to switch from one mode to the other).

The EMA is plotted in addition to the AutoEnvelope. This combination allows you to change the EMA and have the envelope follow it without adjusting two separate indicators. If you do not want to see the moving average, go into the indicator properties and change its color to None.

- **EMA_Length (22)** – This is the number of bars for the Exponential Moving Average plotted in the center of the channel.
- **Factor (27)** – This is the number of standard deviations (expressed in the tenths) for creating the channel. Statistically, 2.7 is the proper size to use, but that assumes a standard distribution, which is not always present in the markets. We find that 27 works for most stocks using daily data, but you may want to adjust this Factor to fit your trading vehicle and style.
- **Fixed_Channel_Size (True)** – Channel can be either fixed or dynamic. If fixed size is true, channel corresponds to the channel size at the right edge. Otherwise, channel size is changing once a week.

Format Tips: Auto Envelope has three plots – the central EMA and the upper and lower channel lines. We use the same blue color for all, with a slightly thicker EMA in the center and dashed lines for the channel lines.



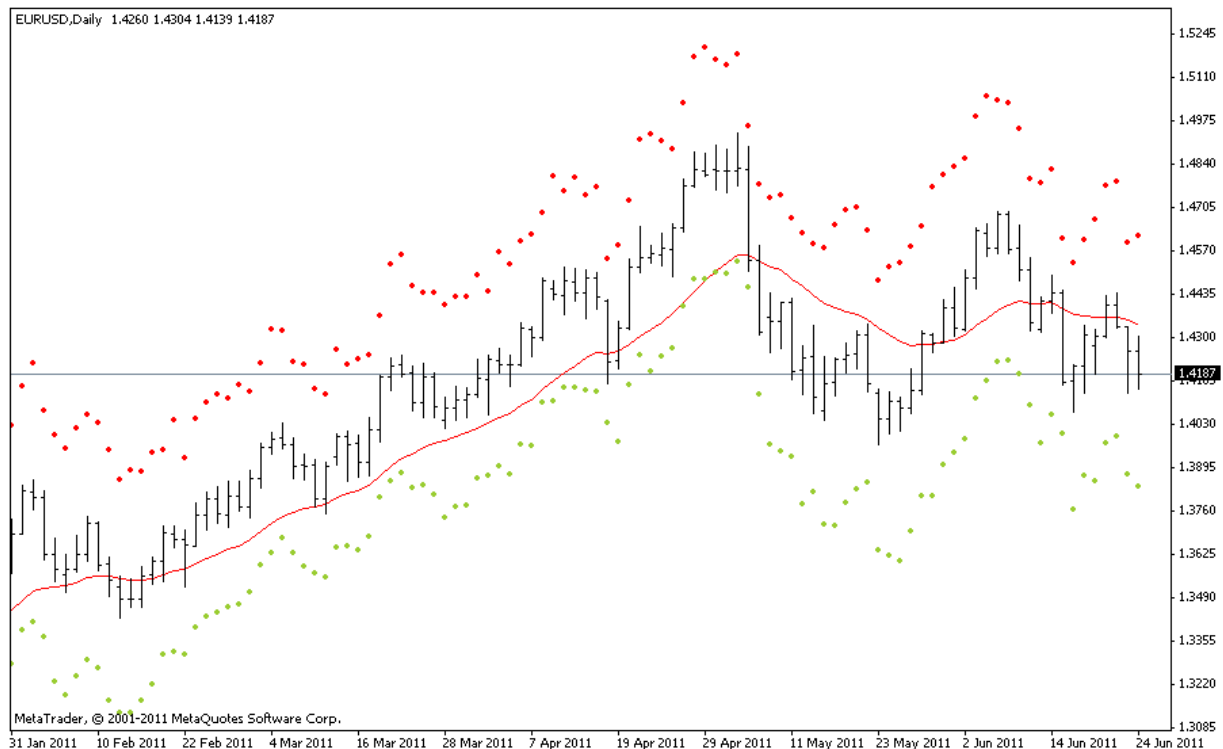
Elder – Chandelier Long and Elder – Chandelier Short

The Chandelier Exit, introduced by Chuck LeBeau, is described in *Come into My Trading Room*. It calculates each stop on a long position in an uptrend from the highest point reached during that rally, and gets its name from the chandelier, which hangs from the highest point in the room. The Chandelier Exit uses a multiple of the Average True Range (ATR), subtracting it from the highest high since the trade was entered. It creates a new trade whenever the previous trade is stopped out. For stops on short positions, it reverses the direction and adds the multiple of the ATR to the lowest low since the trade was entered. Chandelier Stops differ from traditional stops by having the ability to move against you if the anchor point stays the same but the ATR increases due to volatility. A more conservative approach is to ignore any change in a stop that increases your risk

Both long and short strategies use the same parameters, allowing you to display one or both on your chart. The two are provided as separate indicators to allow you to disable one, eliminating visual clutter if you trade only in one direction.

- Factor (3) – This is the factor for multiplying the ATR when computing the Chandelier. You may use fractions – this does not need to be an integer.
- ATR_Days (22) – Number of days for computing ATR.
- Wingding_Symbol (159) – Symbol to be displayed (refer to Wingding symbol table in annex).

Format Tips: Chandelier Stops are plotted using discrete dots. Choose a moderate size, or the dots will be hard to see. Use red dot for Chandelier Short and green for Chandelier Long.



Elder – Chandelier Long Entries and Elder – Chandelier Short Entries

One of the key rules in trading is never move your stops in such a way that your risk increases. Our stop sequence shows the automatic tightening of stops. They appear as a series of decreasing risk points until the trade is eventually stopped out. The problem is that if you enter a trade at any other point than the initial dot of the sequence, you may be placing the stop too close. Stop-entry plots show you the initial value for the stop for each bar. You can use them when you put on a trade, and increase (or decrease) the value each day until you eventually hit a stop.

The entry indicators have exactly the same parameters as the stop sequences.

- Factor (3) – This is the factor for multiplying the ATR when computing the Chandelier. You may use fractions (i.e. 3.3 or 2.7, etc).
- ATR_Days (22) – Number of days for computing ATR.
- Wingding_Symbol (119) – Symbol to be displayed (refer to Wingding symbol table in annex).

Format Tips: Chandelier Stop Entries are plotted as small dots that overlay the large dots for the stop sequences. Note that the beginning dot of every stop sequence is always the same value as an entry.



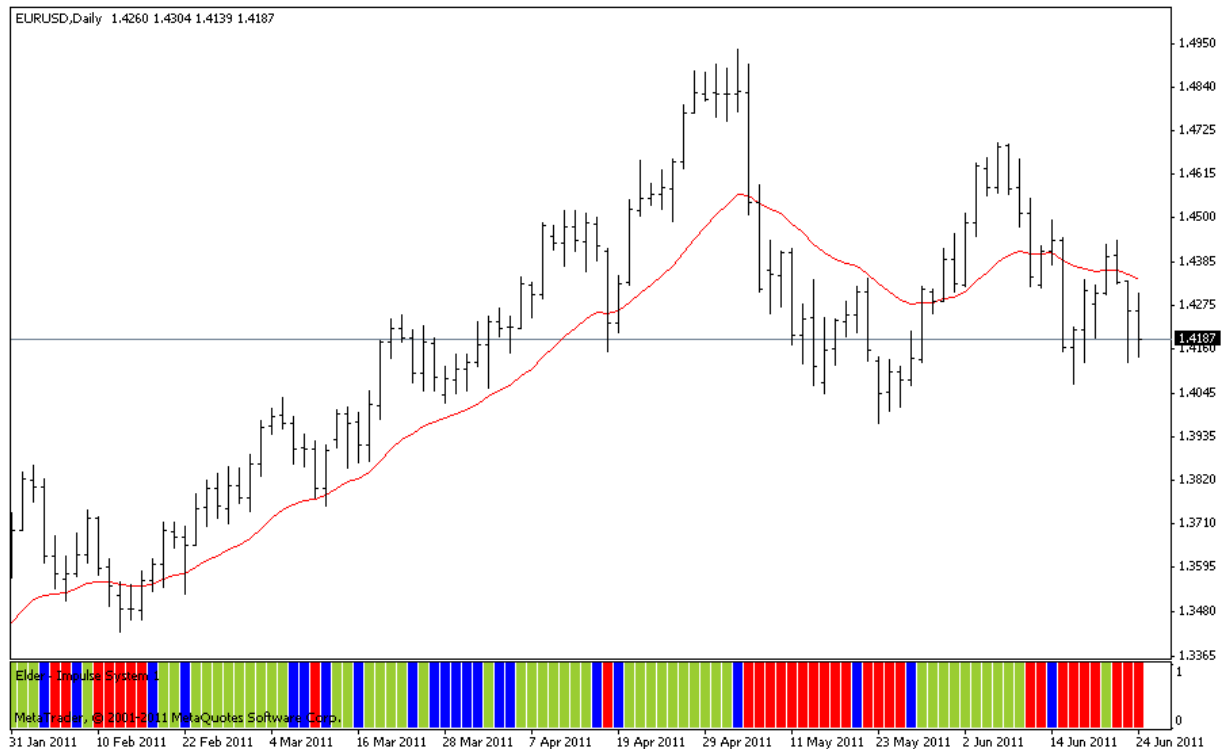
Elder – Elder-Ray

Elder-Ray is made of both Bull Power and Bear Power. As described into *Come into my Trading Room*, it is tracking the relative power of bulls and bears by measuring how far the high and the low of each bar get away from the average price.

Elder-ray is an indicator developed by Dr. Elder and named for its similarity to x-rays. It shows the structure of bullish and bearish power below the surface of the markets. Elder-ray combines a trendfollowing moving average with two oscillators to show when to enter and exit long or short positions.

- EMA_Length (13) – This is the length of the Exponential Moving Average for both Power lines.

Format Tips: Bull Power is represented using a green line, Bear Power is represented with a red line.



Elder – Impulse System

The Impulse System was first described in *Come into My Trading Room*. It uses the direction of MACD-Histogram and an exponential moving average of price to define an impulse. The rule is never to trade against the impulse.

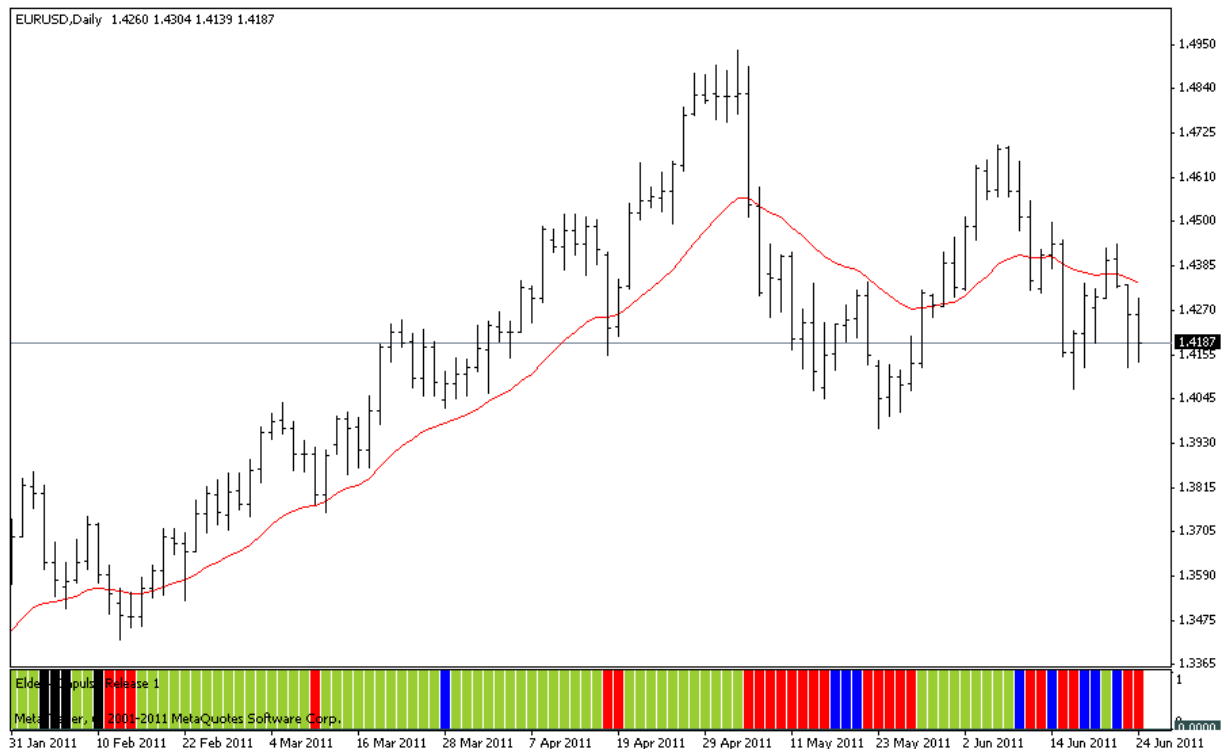
Its color code gives you several signals:

- When both the EMA and MACD-Histogram are rising, the Impulse system colors the bar **green** (no shorting permitted).
- When both the EMA and MACD-Histogram are falling, the Impulse system colors the bar **red** (no buying permitted).
- When the EMA and MACD-Histogram are pointing in different directions, the Impulse system colors the bar **cyan** (you may go long or short).

Parameters are the MACD ones plus the EMA:

- MACD_Short_Length (12) – The short EMA for the MACD calculation.
- MACD_Long_Length (26) – The long EMA for the MACD calculation.
- MACD_Smoothing_Length (9) – The smoothing value for the MACD Signal line.
- Short_EMA_Length (13) – The short-term price EMA.

Format Tips: There are 3 plots – each is either 0 or 1 and only one appears at a time. Choose medium size histogram style, color-coding its bars as appropriate: red for "No long allowed" , green for "No short allowed" and blue for "Both allowed".



Elder – Impulse Release

The purpose of Impulse Release is to prevent trading in the wrong direction. While the Impulse System operates in a single timeframe, Impulse Release is based on two timeframes. It tracks both the longer and the shorter timeframes to find when the Impulse points in the same direction on both.

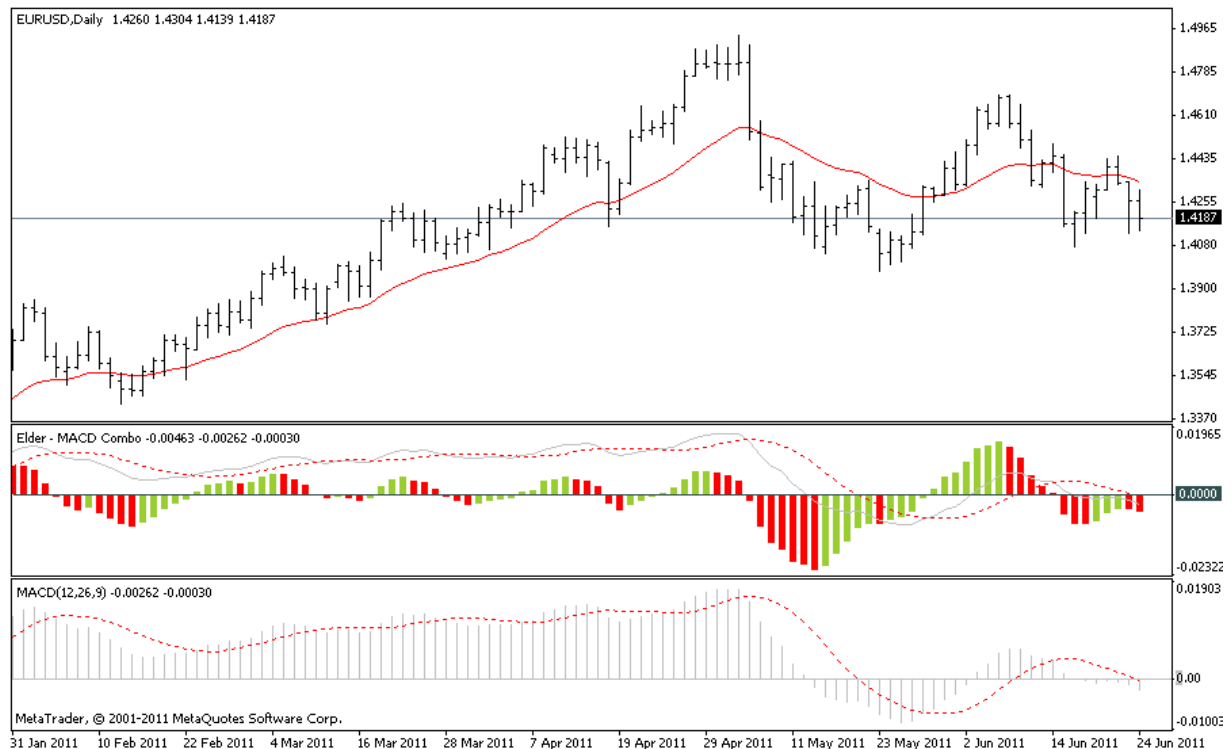
Its color bar flashes several signals:

- If one timeframe is in a buy mode and the other in a sell mode, the signal is “No Trade Allowed”, a **black** bar.
- If both are neutral, then any trades are allowed, showing a **cyan** bar.
- When one is bullish while the other is either bullish or neutral, there is a **green** bar, allowing traders to buy and prohibiting shorting.
- When one is bearish while the other is either bearish or neutral, a **red** bar signals that shorts are permitted, while long trades are not allowed.

Parameters are the MACD ones plus a time ratio.

- MACD_Short_Length (12) – The short EMA for the MACD calculation.
- MACD_Long_Length (26) – The line EMA for the MACD calculation.
- MACD_Smoothing_Length (9) – The smoothing value for the MACD Signal line.
- Short_EMA_Length (13) – The short-term price EMA.
- TimeRatio (5) – The ratio between the two timeframes. For a system using daily for the short and weekly for the long use 5. If you are trading 10-minute bars and using hourly charts as long-term, use 6, etc.

Format Tips: There are 4 plots – each is either 0 or 1, and only one shows at any given time. Choose medium size histogram style, color-coding its bars as appropriate: green for “No Short allowed”, red for “No Long allowed”, blue for “Both allowed” and black for “None allowed”.



Elder – MACD Combo

MACD-Histogram tracks the difference between the MACD line and the Signal line (which is the exponential moving average of the first line). For better visibility, when plotting the lines and the histogram in the same window, we scale up the histogram by a factor of 2. Furthermore, we use two separate plots for the histogram, which allows us to color-code the bars for upticks and downticks.

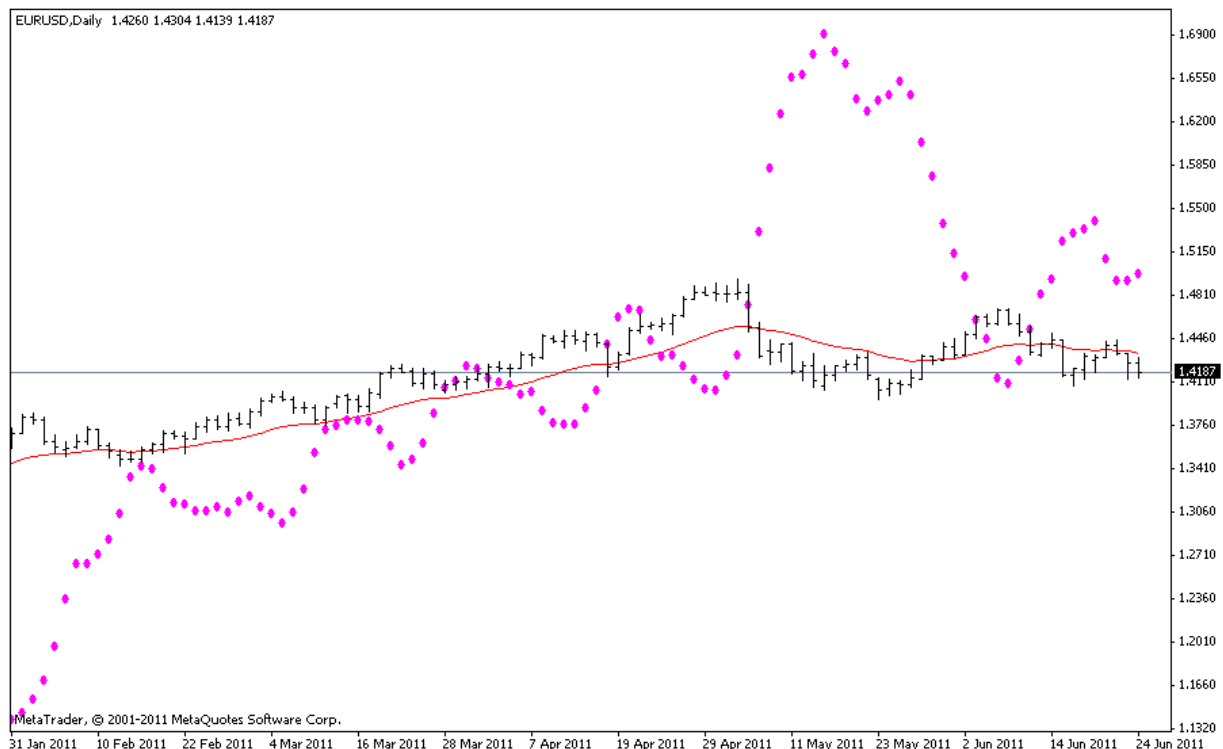
Default MACD indicator provided by MetaTrader 4 (third indicator in view above) is showing MACD line as a histogram. However this is not the MACD Histogram. MACD Combo is showing the MACD Histogram along with the MACD and Signal lines.

The MACD Combo overlays MACD lines on MACD Histogram. Putting both plots in the same window enables you to change both with a single parameter change.

- MACD_Short_Length (12) – The short EMA for the MACD calculation.
- MACD_Long_Length (26) – The long EMA for the MACD calculation.
- MACD_Smoothing_Length (9) – The smoothing value for the Signal line.

- Time_Ratio – Normally 1, showing MACD for the same timeframe as the price chart. If, on the other hand, you are looking at a daily chart and want to see a weekly MACD, set this to 5, multiplying all the parameters above by five.
- Display_Factor (2) — The scale factor.

Format Tips: MACD-Histogram should be plotted as a histogram, by definition. Choose either a single color for the indicator or one color for Up and another for Down. If you use the Combo, there are four separate plots, the MACD-Histogram Up and Down and the MACD and Signal Lines.



Elder – MACD-Histogram XOver

This indicator was developed by John Bruns to predict the price point at which MACD-Histogram will reverse the direction of its slope. The indicator is plotted one day ahead into the future, allowing, if your strategy depends on MACD-Histogram, to predict its reversal point for tomorrow (or the next bar in any timeframe). If the closing price tomorrow is above the value of this indicator, then MACD-Histogram will tick up. If the closing price tomorrow is below the value of this indicator, then MACD-Histogram will tick down. This is especially useful on the charts of the longer timeframes and when using the Impulse system whose color depends in part on the slope of MACD-Histogram.

Use the same values as the MACD Combo which you want to anticipate. If you use the default values for MACD Combo, then accept the values below.

- MACD_Short_Period (12)
- MACD_Long_Period (26)

- MACD_Smoothing_Period (9)
- Time_Ratio (5) – the default here is set to 5 (weekly)
- Wingding_Symbol (115) – the default symbol to be displayed (refer to Wingding symbol table in annex).

Format Tips: MACD-Histogram XOver is shown as a symbol plot. Choose a medium weight and a distinctive color. The timeframe is set at 5, showing a weekly histogram on a daily plot. Note how the wide swings affect the Y scale of the chart and tend to compress the price plot.



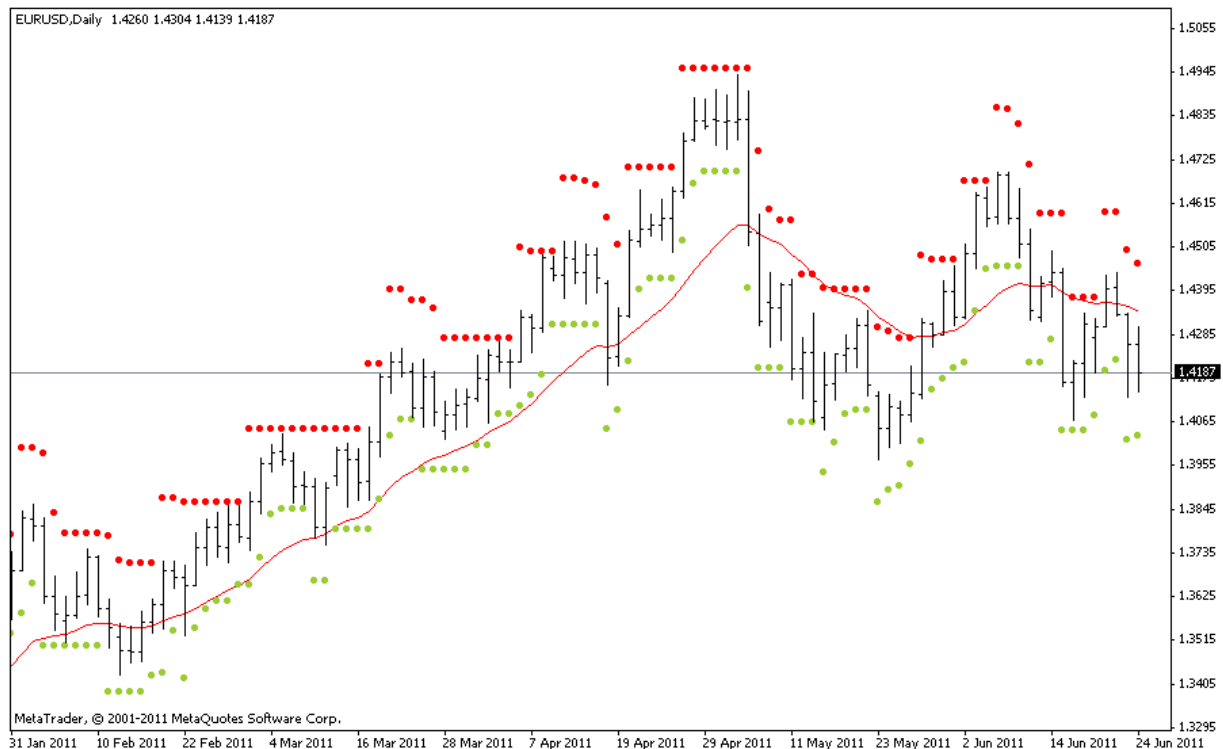
Elder – Market Thermometer

The Market Thermometer is described in *Come into My Trading Room*. It measures the degree of volatility, as reflected in greater or smaller intraday ranges. When the Market Temperature spikes above its average or stays below its average for a number of days, it gives trading signals, as described in the book.

- Thermometer_EMA_Length (22) – The length of the moving average of the Market Temperature. The default 22, the average number of trading days in a month.
- Spike_Alert_Factor (3) – If the Temperature exceeds its EMA by this factor, a visual indication appears on the chart.
- Quiet_Alert_Count (6) – If the Temperature remains below its EMA for this number of trading days, a visual indication appears on the chart.
- Spike_Symbol (182) – The symbol to be displayed as Spike alerts (refer to Wingding symbol table in annex)

Spikes are highlighted with yellow stars. Quiet periods are marked with dark blue bars throughout the quiet period. Spikes are truncated at 6 times the current average. This prevents a single extra-large day from compressing the entire graph.

Format Tips: The Temperature is plotted as a thick silver histogram, its average as a thin dashed red line. The spikes are represented with a yellow star at the top of the bar. The quiet zone is represented with dark blue bars.



Elder – SafeZone Long and Elder – SafeZone Short

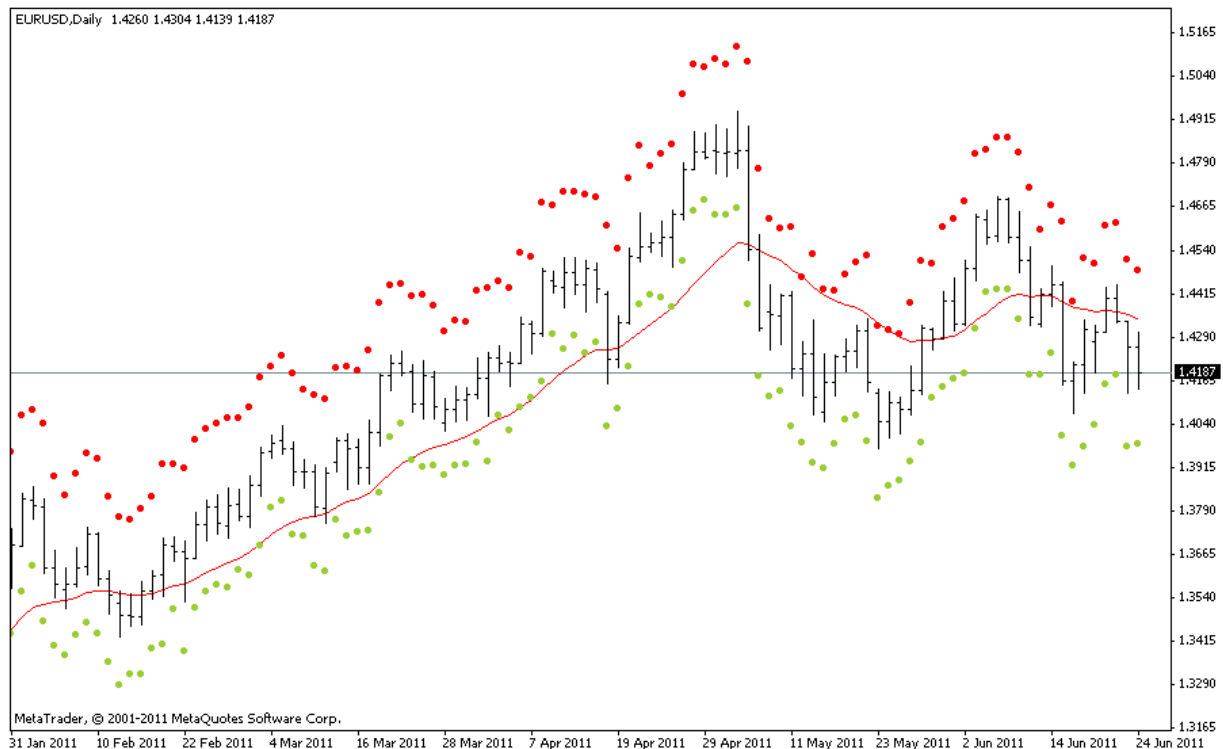
SafeZone is a method for setting stops on the basis of recent volatility, outside the level of market noise. It is described in *Come into My Trading Room*.

In an uptrend, SafeZone defines noise as that portion of the current bar that extends below the low of the previous bar, going against the prevailing trend. In a downtrend, SafeZone defines noise as the portion of the current bar that extends above the high of the previous bar, against the downtrend. It averages the noise level over a period of time and multiplies it by a trader-selected factor. For long trades, SafeZone subtracts the average noise level, multiplied by a factor, from the current low, and for short trades, it adds it to the latest high to compute the stop. Stops are allowed to move only in the direction of the trade, always tightening. When a trade is stopped out, this indicator reverses and starts a new sequence.

Both long and short strategies use the same parameters. You can plot either one or both indicators. They are provided as two separate indicators, allowing you to eliminate clutter if you trade in only long or short.

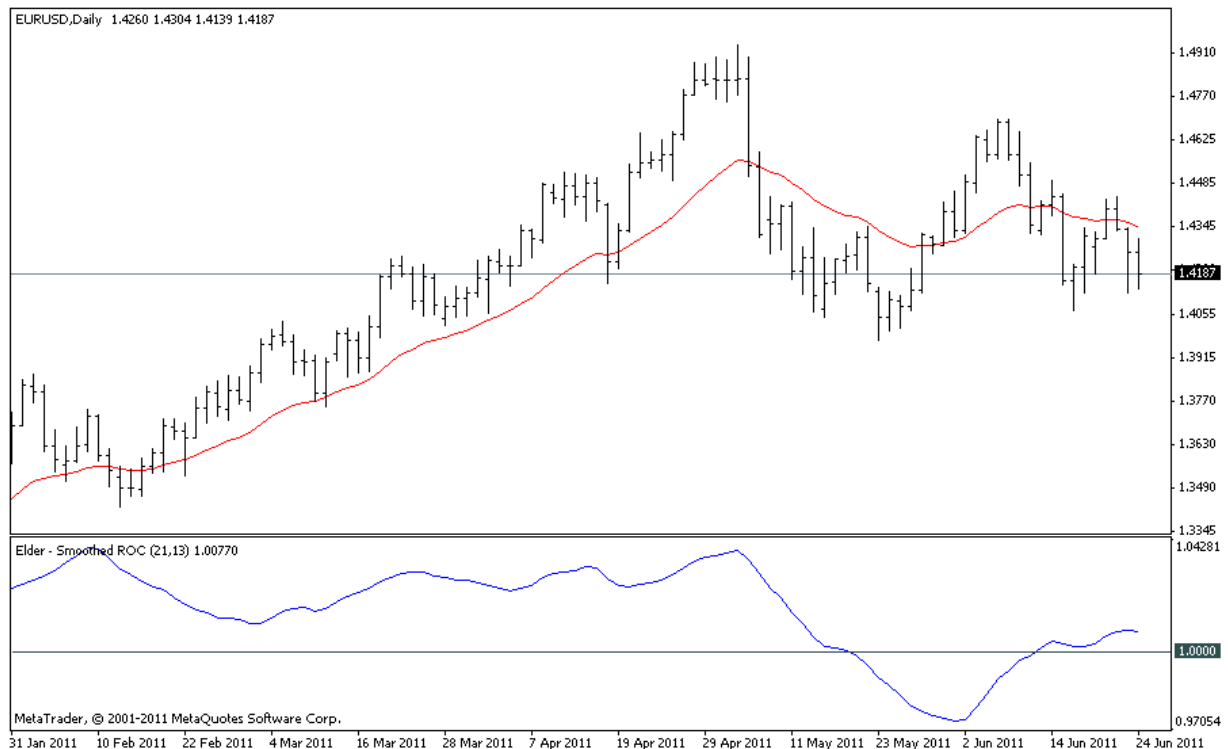
- Factor (2) – This is the factor by which we multiply the average level of noise computed by SafeZone.
- Lookback_Period (99) – The number of days that the SafeZone looks back when calculating an average market noise.
- Wingding_Symbol (159) – the default symbol to be displayed (refer to Wingding symbol table in annex).

Format Tips: SafeZone Stops are best plotted using discrete dots. Choose a moderate size, or the dots will be hard to see. We use red for SafeZone Short and green for SafeZone Long.



Elder – SafeZone Long Entries and Elder – SafeZone Short Entries

As described in the Elder - Chandelier Entries section, these plots show the bar-by-bar entry points for initial stops so you can begin a trade at any point and get the correct value. Remember that you may never move a stop so as to increase your risk.



Elder – Smoothed Rate of Change

This indicator, developed by Fred Schutzman, is described in *Trading for a Living*. It is created by calculating the rate of change for an exponential moving average of closing prices. When it changes direction, it helps identify and confirm trend changes.

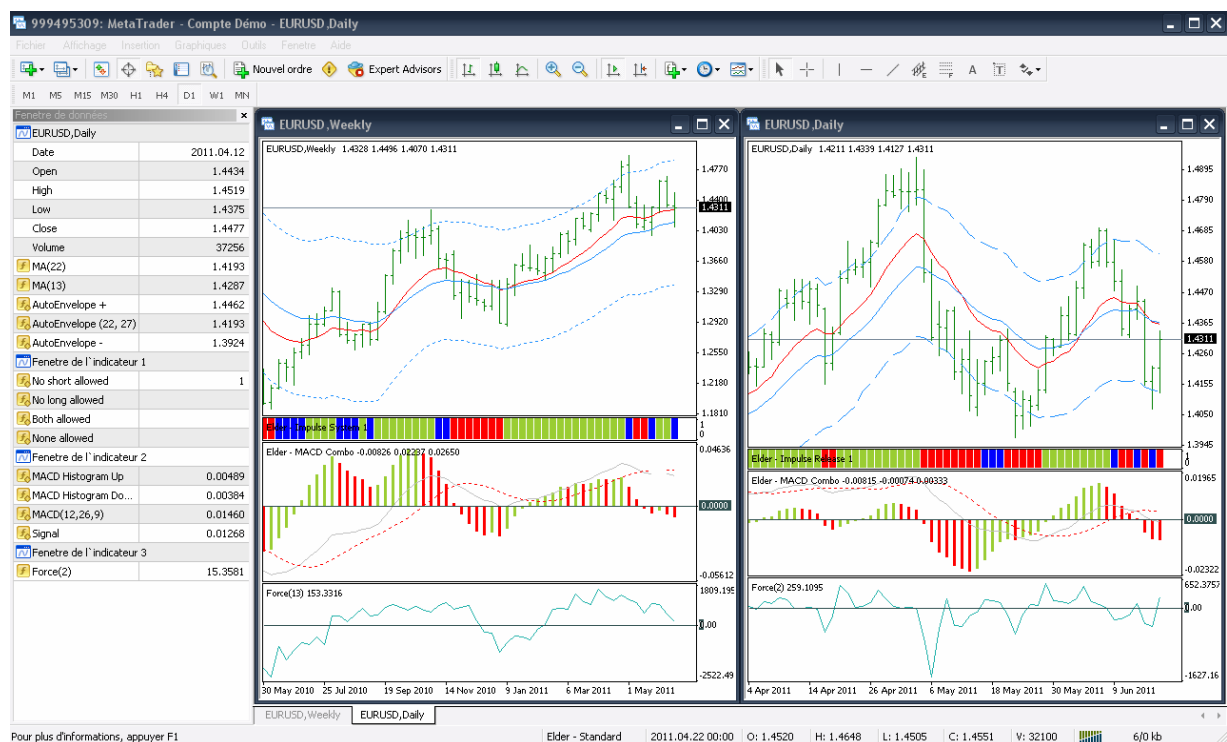
- Smoothing_EMA_Length (13) – The length of the EMA used for smoothing.
- ROC_Period (21) – The length of the rate of change calculation.

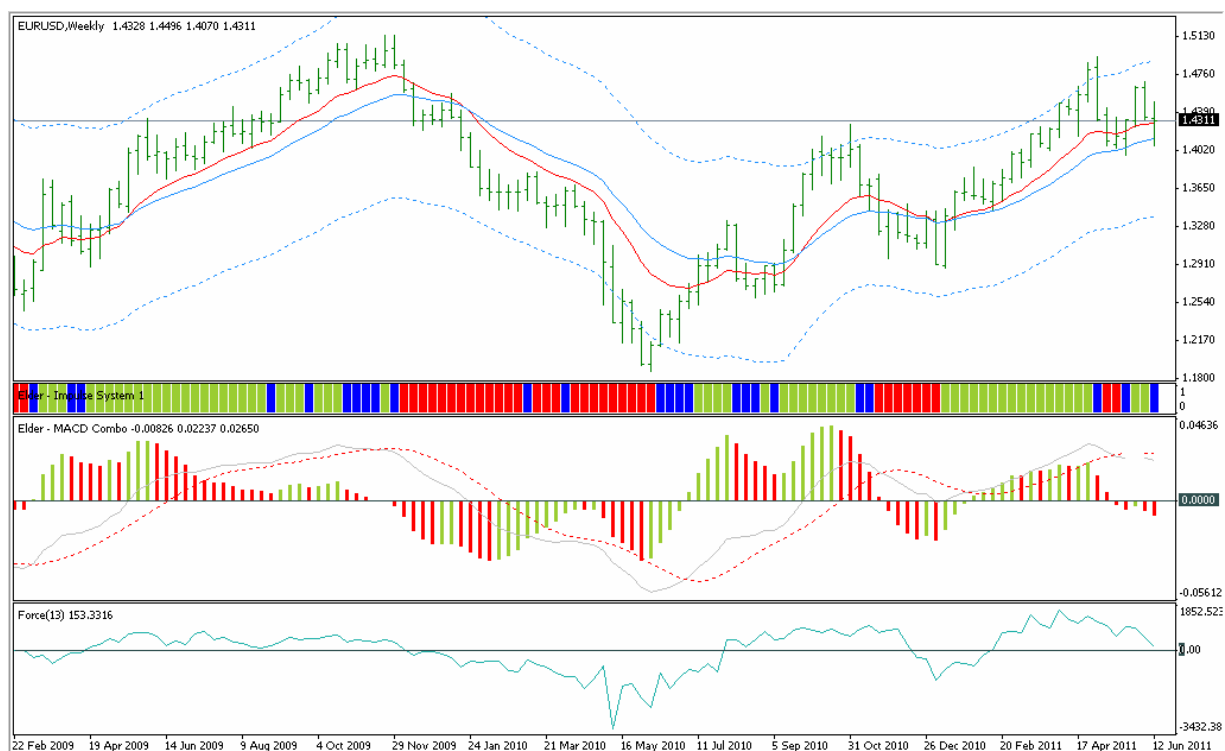
Format Tips: We plot the ROC as a blue line and its moving average as a red line. A single horizontal line is also drawn at 1.

Profiles

Elder – Standard profile

Elder Standard profile includes weekly and daily charts. To follow the classic Elder method, you would look first at your long-term weekly chart, make a strategic decision to go long or short, and then switch to the shorter-term daily chart to make tactical entry and exit decisions.





Weekly window

The weekly chart features:

- A 13-week EMA in red and a 26-week EMA in blue. The shorter EMA is used to create the weekly impulse. The longer EMA forms the basis of the AutoEnvelope indicator;
- The AutoEnvelope in blue to help define profit targets;
- The Impulse System;
- The MACD Combo with a double factor for the MACD Histogram;
- The Force Index EMA using a 13-week EMA.

MACD Combo

The MACD is a standard 12-26-9, using exponential averages. The MACD is also tied to the weekly Impulse. We have added a histogram overlay in the MACD window. Its scale factor is set to double the distance of the MACD lines, for better visibility. You can edit this by right clicking the histogram and changing the Scale Factor.

Elder - Force Index

Force Index links volume and price change. This tool for measuring the force of market moves was first described in *Trading for a Living* and elaborated in *Come into My Trading Room*. Technically, it plots a moving average of the change in price multiplied by volume. The default moving average for the weekly charts is a 13 week EMA.

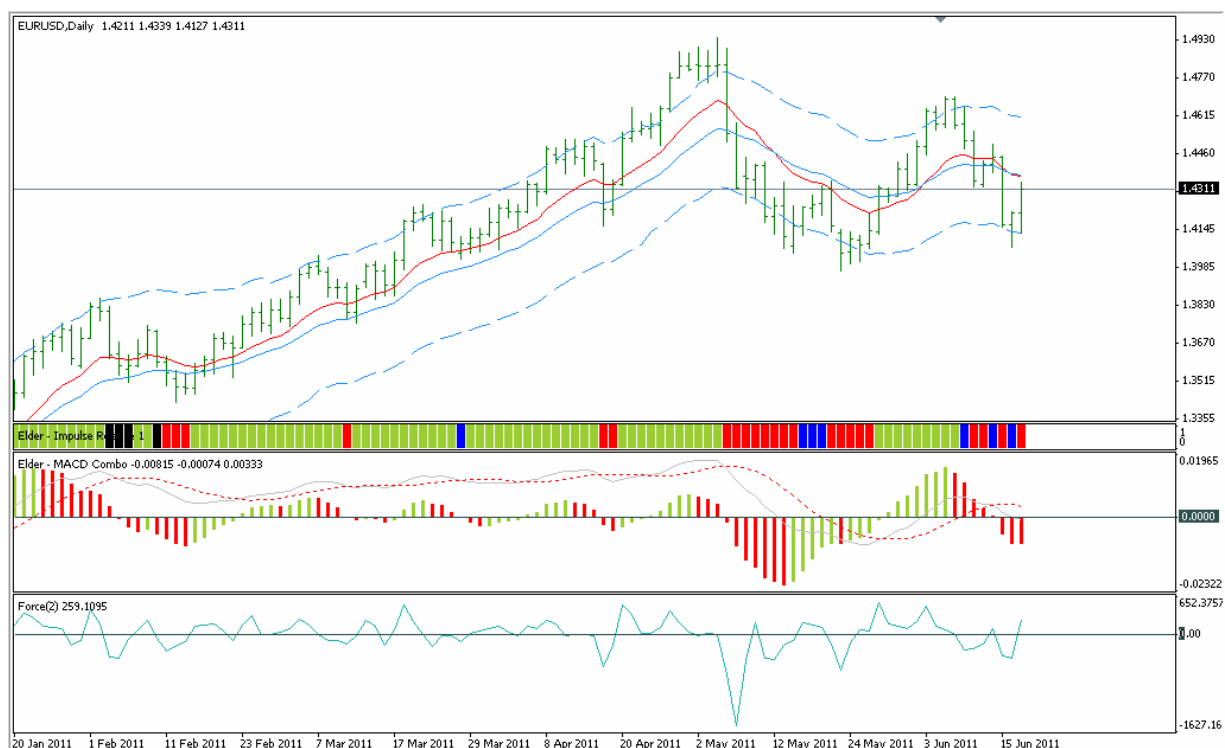
Elder - Impulse System

The Impulse System uses the slope of MACD Histogram and fast EMA to give you trading signals:

- When both the EMA and MACD-Histogram are rising, the Impulse system colors the bar **green**. Long positions are allowed.
- When both the EMA and MACD-Histogram are falling, the Impulse system colors the bar **red**. Short positions are allowed.
- When the EMA and MACD-Histogram are pointing in different directions, the Impulse system colors the bar **cyan**. You can go either long or short.

AutoEnvelope

AutoEnvelope is described below in the daily section. The 26-bar EMA is the centerline of this plot. If you don't want to see the Envelope, either set the top and bottom line color to 'None' or delete it entirely and replace it with a moving average.



Daily window

The daily chart features:

- A 13-day EMA in red and a 22-day EMA in blue. The shorter EMA is tied to the Impulse system, described below. The longer EMA forms the basis of the AutoEnvelope indicator, described below.
- The AutoEnvelope to help set short term profit targets.
- The Impulse Release Bar.
- The MACD lines 12/26/9 with and overlaid MACD histogram.
- The Force Index EMA is set to 2 on the daily chart to better track short-term activity.

AutoEnvelope

The AutoEnvelope feature helps you identify profit targets.

In an uptrend, set your target near the upper channel line. In a downtrend, set your profit target near the lower channel line. In relatively flat trading ranges, you can use both channel lines: buy near lower channel line and sell near upper channel line. You can also reverse: short near upper channel line and cover near lower channel line.

Daily Impulse

The bars on the daily chart are colored the same way as they are on the weekly.

Elder - Impulse Release

The Impulse Release uses both the weekly MACD and the daily MACD to determine trading directions. You should never trade against the Impulse Release.

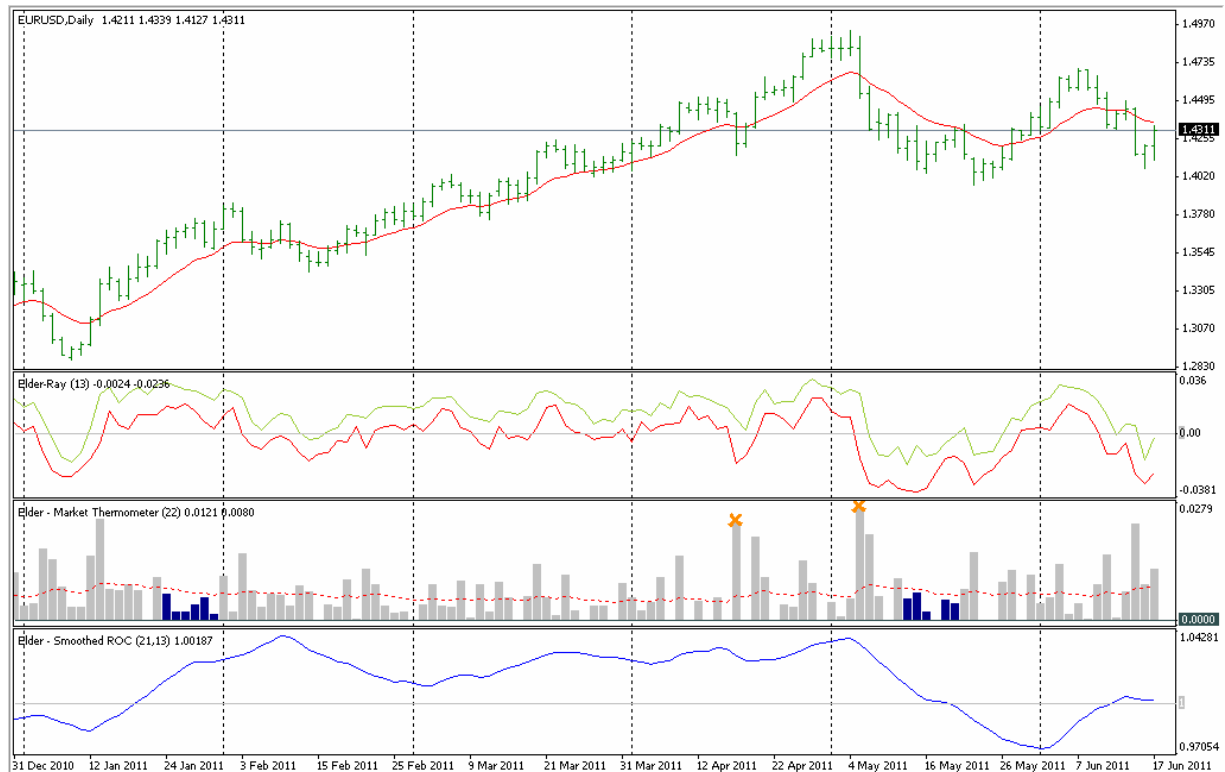
- If one timeframe is in a buy mode and the other in a sell mode, the signal is “No Trades Allowed”, a **black** bar.
- If both are neutral, then any trades are allowed, showing a **cyan** bar.
- When one is bullish while the other is either bullish or neutral, there is a **green** bar, allowing you to buy and prohibiting shorting.
- When one is bearish while the other is either bearish or neutral, a **red** bar signals that shorts are permitted, while long trades are not allowed.

Elder - MACD Combo

Other than using the daily data, its construction is identical to the Weekly version.

Elder - Force Index

Once again the same indicator as the weekly but set to an EMA of 2 for a better tracking of short-term pullbacks. It is otherwise identical to the Weekly version.



Elder – Other Indicators profile

This template combines some of the less frequently used custom indicators:

Bulls Power and Bears Power lines

Bull Power and Bear Power are the components of Elder-ray, an indicator described in *Trading for a Living* and *Come into My Trading Room*. Bull Power measures the spread between each bar's high and the EMA. Bear Power measures the spread between each bar's low and the EMA. The default EMA is 13 days; changing it will affect the Bull and Bear Power Plots.

Market Thermometer

Market Thermometer represents the market degree of volatility.

Spikes are highlighted by yellow bars. Spikes are truncated at 6 times the Thermometer EMA to prevent chart to be compressed because of a single extra-large day.

Quiet periods are highlighted with dark blue bars throughout the quiet period.

Smoothed Rate of Change

This indicator, described in *Trading for a Living*, tracks the rate of change for an exponential moving average of closing prices. When it changes direction, it helps identify and confirm price trend changes. You can adjust the lengths of the moving average and the rate of change.

Annex - Wingdings font symbols

Copied from [MQL4 Community website](http://www.mql4.com)

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Support

Elder-disk for MetaTrader 4

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eSoftrade experts are also available for private consulting and custom programming – please inquire directly if interested.

If your email address changes, please advise us at info@elder.com – we need your address to offer you our latest updates.