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How to desogn a trading system???

Ur trading system should contain 2 parts

1. Define context

2. Entry exit set up and rules

Let's see them in detail

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When u define the context u are essentially removing all the trades which are against the trend.
Suppose u objectively found trend is Bullish with any tools of ur choice. Then all the shorting signals ur entry exit method generates can be avoided

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The tools u use to define the context of the major trend can b anything
1. Supertrend positive
2. Price > EMA 20 > EMA 50
3. MACD abv zero and abv signal line
4. Price and rising vwap
5. Price is riding through upper Bollinger Band since last >20 bars

These are examples

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This is one part of defining the context. Now how about ensuring the trend in this TF is same as the one from HTF as well??
This will add lots of odds in trade success.
Suppose ur trading TF is 5min, then a check up in 25min TF is highly desirable.

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If 25min TF too is Bullish, the the context is defined completely. But how to define trend in 25min TF ??

One method as follows
1. Last 25min candle has abv average volume and abv average spread with a close near high

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2. In last 10 candles, there must be >3 such candles
3. Price should be trading abv 20EMA
4. 20EMA rising since last 20+ bars

Now the context is completed and one can look to move on to the second part which is entry/exit strategy.

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Here there can b 2 approaches
1. breakout trading
2. Pullback trading

With the abv mentioned conditions, u made sure that the chose scrip is objectively bullish and hence suitable for trend continuation after a pullback or even a straight breakout

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Suppose u opted for pullback Trading, here there must 2 tools ready.
1. Recent two swing pivot highs and two swing pivot lows which are immediately below the price
2. Last 2 demand zones

These are the support levels the scrip is pulling back to

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U must choose the support which is strongest using the concept of ConfluencE. Suppose one swing high, one swing low and a demand zone lies at same level, it has high probability to reverse the price to trend direction. Likewise choose the strongest support level and wait

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Once price reaches There, wait if price reverses there. Suppose u get a good reversal candlestick pattern there with increasing volume, ur entry set up is good and ready. Go long abv reversal pattern high with SL below it.

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For target, either use
1. Fixed levels as 1.5R,2R and 3R with partial profit booking of 25%, 50% and 25% at each level.
2. TSL indicator such as Supertrend.

My advice would be to use fixed target levels in day trading in lower TF. It's nearly impossible to use TSL there

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Next strategy is to use breakout instead of reversal from pullback. Here everything is much easier. Wait for the breakout after a consolidation or a pullback. See if breakout volume is at least 40% higher than the average volume, then it's a good breakout and long entry

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SL can be kept below lowest low of last three candles and for target use any of the abv mentioned methods.

Here the execution part is finished. The advantage here is everything is objective including the context and entry/exit strategy. It can be easily coded.

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Once u code ur idea, u must back Test it in chartink which is free and start with minimal position sizing such as 1 unit share. This will help u to know about ur strategy inside out at minimal cost. U will spot a few holes in beginning stages bland will optimise it live.

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Once u start seeing error free execution and satisfactory performance with smaller size, u can opt to increase the trading size according to ur capital & find peace with market and trading success.

Good luck
Cheers

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I intend to write on less popular or important topics often. But it depends on the public interest. In that regard, LIKE, RETWEET & COMMNENT ur thoughts here.

I will come up with another interesting topic after a few days.
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