

The Forex Cabin

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1. Risk Disclosure

Trading Forex and CFDs which are leveraged products involves a substantially high level of risk. As a result of this you may lose the entire capital you have invested. Therefore you should not invest any money that as a person you cannot afford to lose or cause you financial distress. As these products may not be suitable for everyone you should ensure, prior to entering into any trades that you fully understand all the risks involved with trading in the foreign exchange markets and seek professional independent advice from a financial advisor if required.

MT42Excel is provided as informational, educational software and therefore it does not constitute investment advice in any form. We (the operators of www.theforexcabin.com) will not accept liability for any loss or damage, including without limitation to, any loss of profit, which may arise directly or indirectly from use of or reliance on such information.

This product is not aimed for distribution to any person or country where there are regulations that forbid the distribution or use of such information or trading in any financial instruments. It is the individual's responsibility to ensure these provisions and comply with the laws and regulations of the country the visitor resides in.

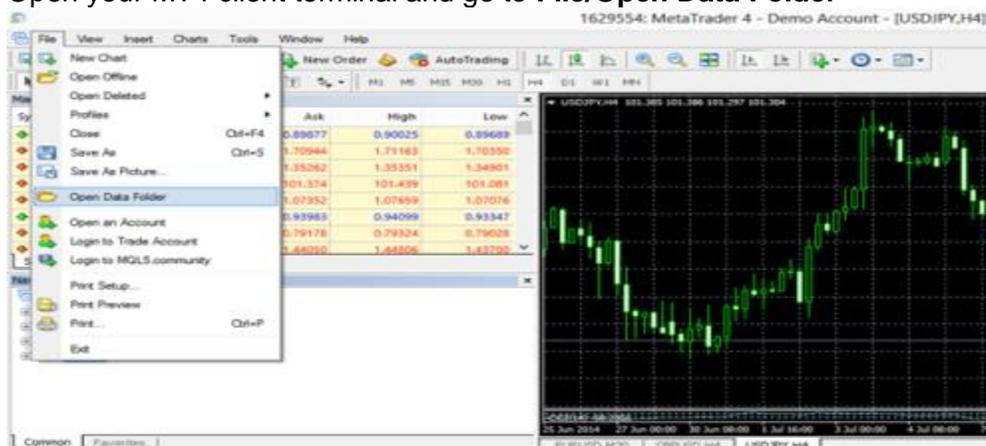
For more information read [here](#).

2. Installation

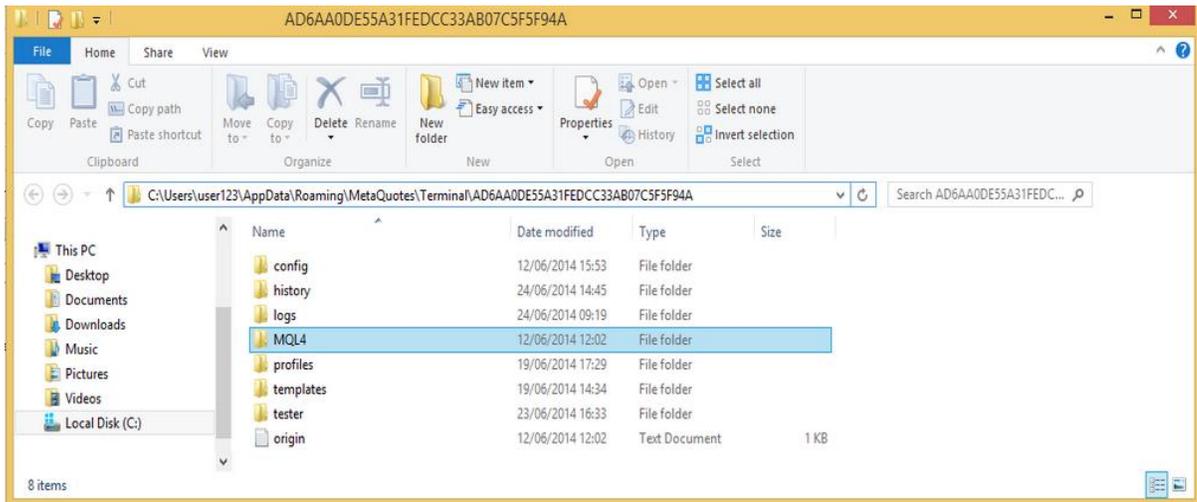
- a. Copy the Currency Power.ex4 indicator.



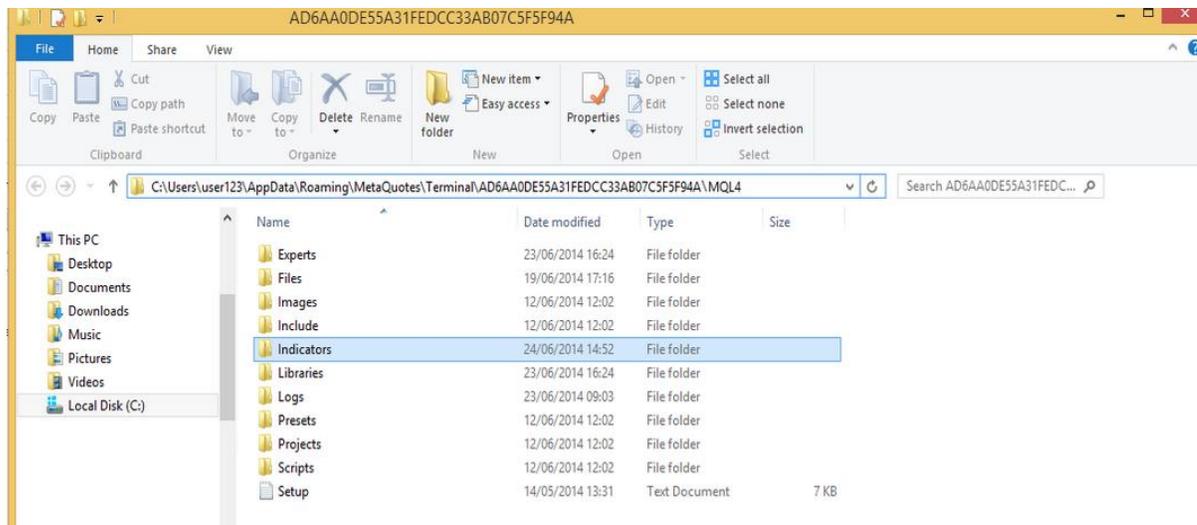
- b. Open your MT4 client terminal and go to **File/Open Data Folder**



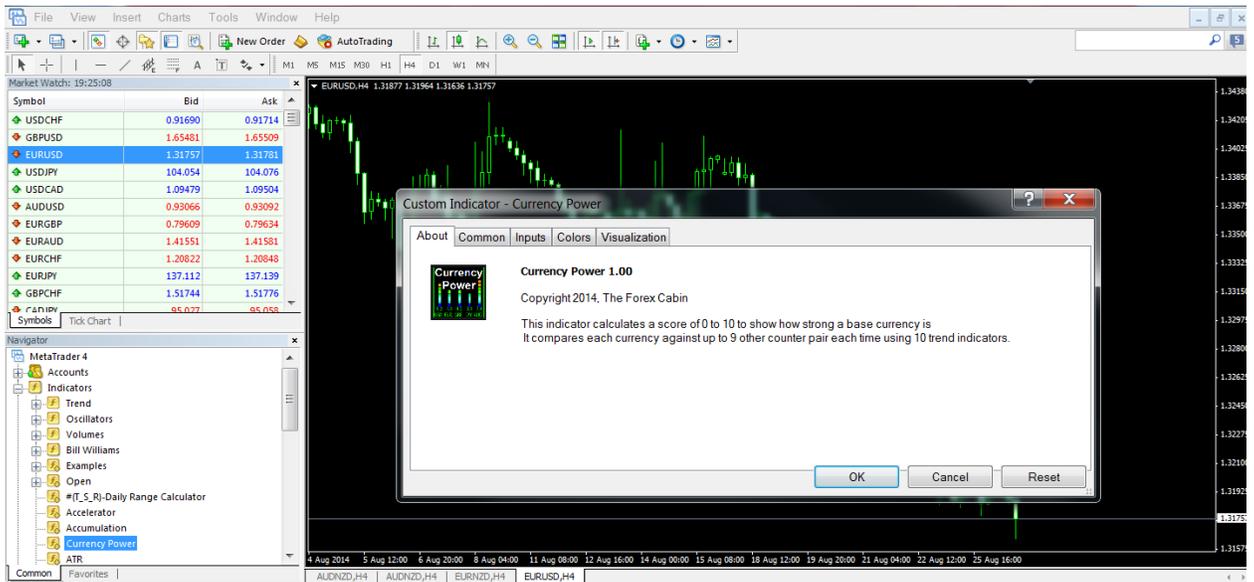
c. Open **MQL4** folder



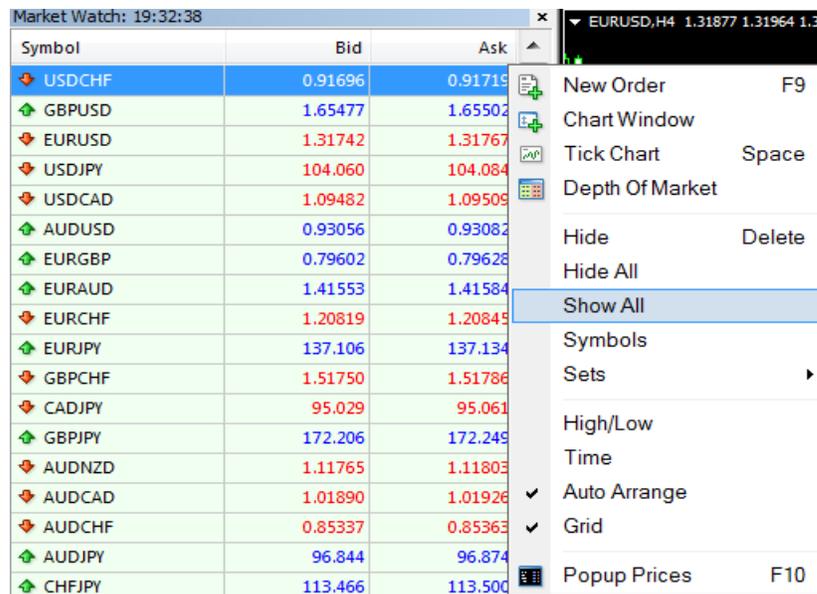
d. Open the **indicators** folder and paste the Currency Power.ex4 there



e. **Restart** the MT4 platform and go to the **Navigator** window and **locate** the Currency Power indicator from the **Indicators (for MT4 build 670+)** or the **Custom Indicators (for MT4 build prior to 670)**. **Attach** the indicator to a symbol that updates frequently such as the **EURUSD**. Select the timeframe at which you wish analysis to be carried out



- f. Ensure that all the currency pairs that are to be analysed appear in the Market Watch. If a pair to be analysed is missing from the market watch, then it will be excluded from the calculations. You can do this by right clicking on the Market Watch and Clicking on Show All. It is possible that your broker may not have some of the pairs and they will be ignored.



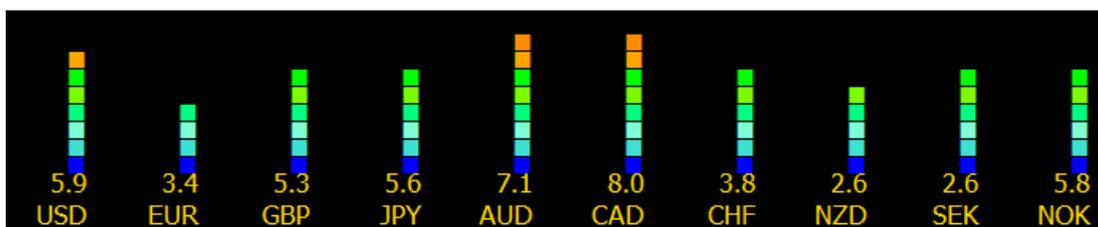
3. How to use the indicator

This indicator shows a value of 0 to 10 for each of 10 base currencies showing how strong the specific base currency is.

A value closer to 10 implies a strong base currency whose value is increasing.

A value closer to 0 implies a weak base currency whose value is decreasing.

This value is calculated by comparing a currency against several of its counter currencies to provide a general overview of how strong this base currency is in the markets and not just against a single currency.



Usage1 : As a general market overview.

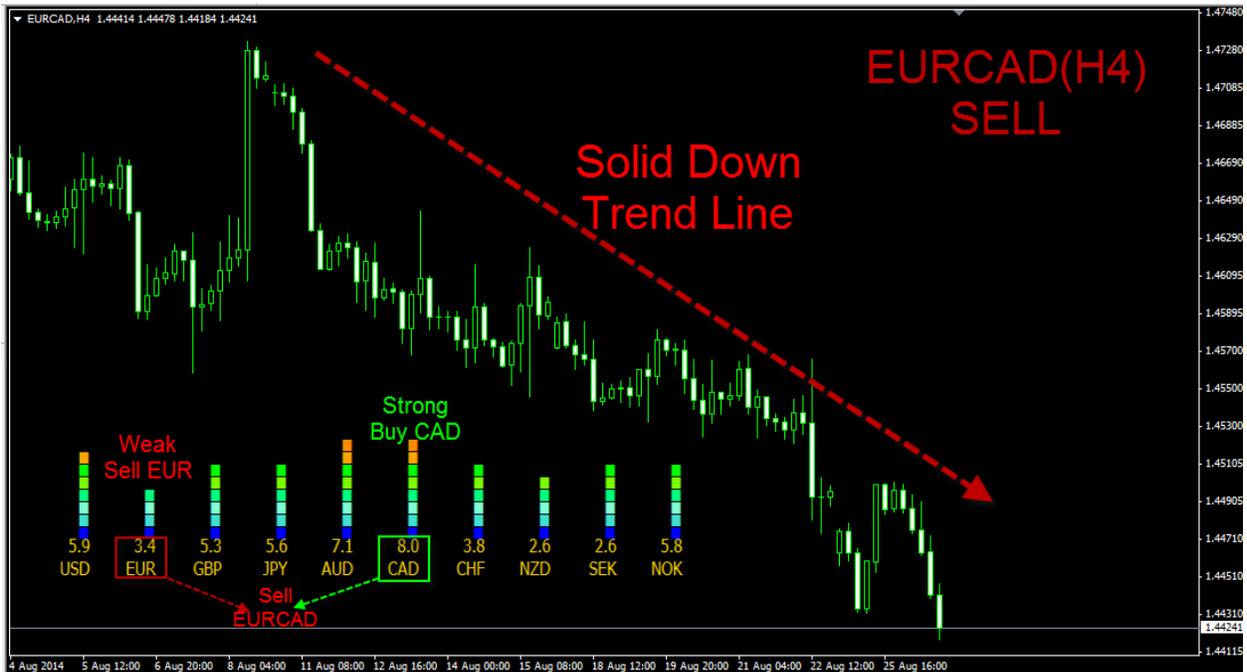
Just look at the values each base currency carries. In that way you can determine which currencies have been rising and which have been falling. The higher their value the stronger the currency has been at that moment , the lower their value the weaker the currency has been at that moment. Also try to change timeframes to see how the values change. So in the above CAD and AUD are rising, while EUR,CHF,NZD, SEK are falling.

Usage2 : Find pairs to trade.

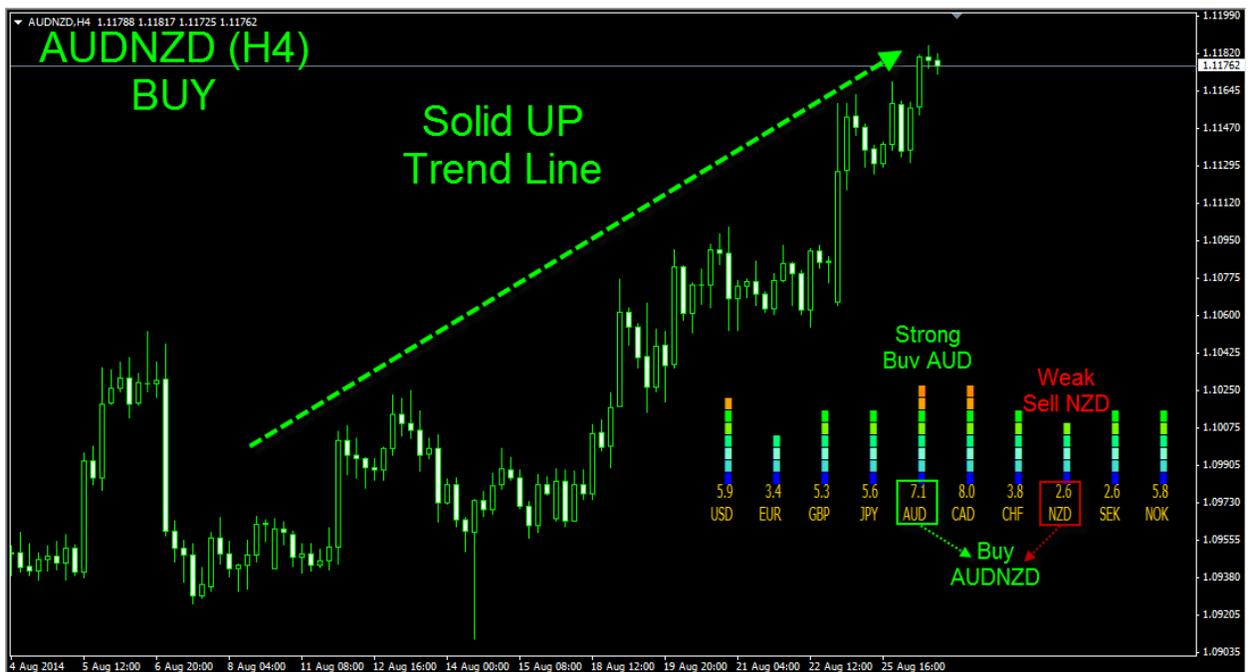
Look for a base currency with a high score (eg above 6.5) and for a base currency with a low score (eg below 4.5). Buy the currency with the high score while selling the currency with the low score.

Check the next page for examples.

Example 1: CAD has a high score of 8.0 while EUR has a low score of 3.4. So sell EUR and buy CAD. Hence SELL EURCAD. It can be seen at the chart below how EURCAD is falling.



Example 2: AUD has a high score of 7.1 while NZD has a low score of 2.6. So buy AUD and sell NZD. Hence BUY AUDNZD. It can be seen at the chart below how AUDNZD is rising.



4. Calculations

This section will describe how the score is derived for each base currency. It's a more technical part and you should read it if you want to understand how calculations are performed and the use of weights.

There are two steps for calculating the score of a base currency.

Step 1: Calculate the Currency *Pair Score*

1a. Create the currency pair combination: The indicator will search if the currency pair combination is A/B, B/A or if it does not exist exclude it from the calculation.

1b. Indicator calculations: The following 10 indicators are used. Each indicator adds +1 or -1 to the currency pair total score.

Moving Average Long (MaLong): Compares the current market price of currency pair against a longer period Moving Average.

- If market price is above MaLong +1 is given
- If market price is below MaLong -1 is given

Moving Average Short (MaShort): Compares the current market price of currency pair against a shorter period Moving Average.

- If market price is above MaShort +1 is given
- If market price is below MaShort -1 is given

Moving Average Crossover (MaCross): Compares the values of two different Moving Averages

- If MaShort is higher than MaLong +1 is given
- If MaShort is lower than MaLong -1 is given

Relative Strength Index (RSI)

- If RSI is higher than 50 +1 is given
- If RSI is lower than 50 -1 is given

Moving Average Convergence Divergence (MACD) vs 0

- If MACD is higher than 0 +1 is given
- If MACD is lower than 0 -1 is given

Moving Average Convergence Divergence (MACD) vs Signal

- If MACD is higher than its Signal value +1 is given
- If MACD is lower than its Signal value -1 is given

Parabolic Stop and Reverse (SAR)

- If market price is above SAR value +1 is given
- If market price is below SAR value -1 is given

Momentum (MOM)

- If MOM value is above 100 +1 is given
- If MOM value is below 100 -1 is given

ADX Average Directional Movement Index(ADX)

- If ADX value is above its Directional Movement Value +1 is given
- If ADX value is below its Directional Movement Value -1 is given

Acceleration (AC)

- If AC value is above 0 +1 is given
- If AC value is below 0 -1 is given

1c. Transformation: After the currency pair score is calculated (it can be anything from -10 to 10) the following calculation is applied in order for the currency pair score value to be in the (0-10) range.

$$\text{Currency Pair Score} = (\text{Currency Pair Score} + 10) / 2$$

Step 2: Calculate the ***Weighted Average*** of all the ***Currency Pair Scores*** related to that base currency.

This will be the final value of 0 to 10 for the specific base currency.

Note: There is the option whether or not weights are to be used.

Using Weights: User has the option to set different weights for each currency in order for a specific pair to have a greater impact in the overall calculation.

The next two pages show examples on how scores are derived with and without the use of weights.

Example1: The Currency Power Value of USD is to be calculated without Weights. (Equally Weighted)

Base Currency	USD	Currency Pair Initial Score	Currency Pair Transformed Score	Weight	Weighted Currency Pair Transformed Score
Currency Pair	EURUSD	1	5.5	1.0	5.50
	GBPUSD	9	9.5	1.0	9.50
	USDCHF	9	9.5	1.0	9.50
	USDJPY	-3	3.5	1.0	3.50
	AUDUSD	-7	1.5	1.0	1.50
	USDCAD	7	8.5	1.0	8.50
	USDNZD	-9	0.5	1.0	0.50
	USDSEK	-5	2.5	1.0	2.50
	USDNOK	9	9.5	1.0	9.50

Total Weighted Currency Pairs Score	50.50
Sum of Weights Being Used	9.00
Base Currency Score	5.61

On the first table for each of the 9 USD pairs the Initial Score (-10, 10) is calculated using the 10 indicators.

Then the Transformed Score is calculated (0-10).

Since all currencies carry equal weight (1) then the Weighted Currency Pair Transformed Score is the same as their Transformed Score.

The total sum of these Currency Pairs is 50.5.

Divide this by the 9 Currency Pairs score gives a value of 5.61 which is the final value for USD.

Example2: The Currency Power Value of USD is to be calculated with Weights.

Base Currency	USD	Currency Pair Initial Score	Currency Pair Transformed Score	Weight	Weighted Currency Pair Transformed Score
Currency Pair	EURUSD	1	5.5	5.0	27.50
	GBPUSD	9	9.5	4.0	38.00
	USDCHF	9	9.5	3.0	28.50
	USDJPY	-3	3.5	2.0	7.00
	AUDUSD	-7	1.5	2.0	3.00
	USDCAD	7	8.5	2.5	21.25
	USDNZD	-9	0.5	1.4	0.70
	USDSEK	-5	2.5	1.0	2.50
	USDNOK	9	9.5	1.0	9.50

Total Weighted Currency Pairs Score	137.95
Sum of Weights Being Used	21.90
Base Currency Score	6.30

The same example as above but it can be seen that the difference in weights creates a different Weighted Currency Pair Transformed Score for each combination as well as the Sum of Weights Being Used.

5. Options/Parameters

----Currency Settings-----: These options relate to the currencies will be used in the creation of the table.

Currency#: Select which base currency to be used in position #. Important to write only a currency, not a currency pair.

terminalsuffix: If your broker is using a suffix in the symbols' name include it here.

terminalprefix: If your broker is using a prefix in the symbols' name include it here.

useweights: Setting this to true will imply that each currency will carry different weight in the overall calculation of individual currency power. Setting it to false will imply equal weights for all currencies.

weightsCurrency#: Here you define the weights each currency will take in the strength calculation of the currency#. Need to enter 10 numbers separated by a comma “,”. The nth number will correspond the weight of the nth currency. (**Example:** Currency# is USD. The string is “1,2,3,4,5,6,7,8,9,10”. Currency pair #1 will get a weight of 1, currency pair #2 will get a weight 2, currency pair #3 will get a weight 3, currency pair #4 will get a weight 4, currency pair #10 will get a weight 10.

Read more about weights and calculation in calculation section.

----Indicator Settings-----: These options relate to the indicators parameters that will be used. Default values are in the brackets.

shift(0): How many periods(candles) back the analysis is to be carried out. Change this number to see how the currency powers change over time.

MaLongMethod(0): Averaging enumeration method for longer period Moving Average. Can take the following values. (0:Simple, 1:Exponential,2:Smoothed,3:Linear-Weighted)

MaLongLength(55): Averaging period for calculation of longer period Moving Average indicator.

MaShrtMethod(0): Averaging enumeration method for shorter period Moving Average. Can take the following values. (0:Simple, 1:Exponential,2:Smoothed,3:Linear-Weighted)

MaShrtLength(20): Averaging period for calculation of shorter period Moving Average indicator.

RSIlength(14): Averaging period for calculation of RSI indicator.

RSIlevel(50): Threshold level above/bellow which the trend is determined Up /Down using RSI indicator.

MACDFastEMA(12): Fast EMA averaging period for calculation of MACD indicator.

MACDSlowEMA(26): Slow EMA averaging period for calculation of MACD indicator.

MACDSMA(9): Signal line averaging period for calculation of MACD indicator.

SARstep(0.02): Stop increment for Parabolic SAR indicator.

SARmax(0.2): Stop increment for Parabolic SAR indicator.

MOMlength(22): Maximum stop value for calculation of Momentum indicator.

MOMtrendLevel(100): Threshold level above/bellow which the trend is determined Up /Down using Momentum indicator.

ADXperiod(14): Averaging period for calculation of the Average Directional Movement Index indicator.

-----Text Settings-----: These options relate to the display of text in the currency power table.

textColor: Color of text to be displayed.

TextSize: Size of color to be displayed.

corner: Value 0 to 4 to determine corner location of table.

xstart: Horizontal coordinate for start of location of table.

xgap: Horizontal gap of shapes used in the table.

ystart: Vertical coordinate for start of location of table.

ygap: Vertical gap of shapes used in the table

-----Color Settings-----: These options relate to the colors displayed in the currency power table.

emptybarcol: Color to be used for the part of the bars that is not filled. If you want it not be displayed you can set it the same as the chart background color.

lvcol#: Color to be used for part of the bar that gets a currency power score of #.