

# Soybean Trading System



**By Kevin J. Davey - Award Winning Trader**

**[www.kjtradingsystems.com](http://www.kjtradingsystems.com)**



## Introduction From Kevin

Hello Fellow Trader!

Has this ever happened to you?



Well, it certainly used to happen to me. But no longer! Over the years, I've learned how to produce trading strategies that work in real time. This document contains just one of those strategies. It is for the Soybean market, and I personally trade it with my own money.

I can teach you how to create strategies like this – just review the Special Offer section at the end of this e-book. But for now, let's talk about Soybeans!!!

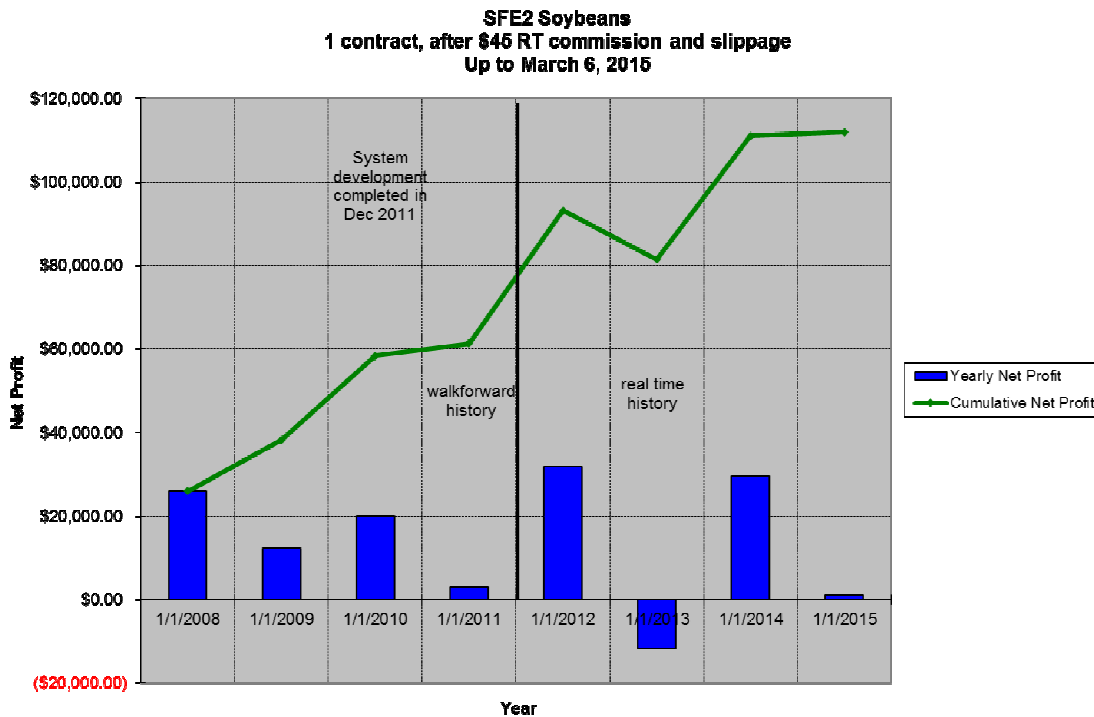
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Included in this manual is a trading system I developed in 2011, updated with walkforward history through March 6, 2015:

- **SFE2 Soybeans** - part of a diversified trading system I trade, it trades Soybean futures



So, without further ado, I present this trading system.

Enjoy!!

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# Simple Futures Execution 2 Trading System

## Trading Manual

Original Release Date: July 2012  
Latest Release Date: March 2015

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## Introduction

Thank you for reading about SFE2 (Simple Futures Execution) Soybeans Trading System. I hope you are able to use, trade, modify, inspect and benefit from it. Hopefully this system will be profitable for you, both monetarily and intellectually.

Feel free to use this system as-is, or modify it to suit your needs. **SFE2 Soybeans can be used for your own personal trading, but are not to be shared with others. Please respect my intellectual property rights.**

## Warning

Before you go any further, make sure you read and understand the disclaimer at the bottom of the page. The US government requires it, and it is there to protect you. Keep this warning in mind when you look at trading systems - it will help you immensely.

**NOTE: This document contains code for the SFE2 Soybeans system only. The other strategies in the full SFE2 package are completely different (different markets, different timeframes, different entries, different exits). 3 unique strategies - different ways to trade successfully trade the futures markets.**

**Also, the complexity of each strategy I create varies. Some, like SFE2 Soybeans, are simple. Others are more complicated. But, in general, I try to keep everything simple!**

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## What Makes This Document Unique

In almost any system I've ever seen for sale, all that is discussed are the high profits, low risk and the ease of using the system -- making it sound like cash in the bank.

As a real trader, I can tell you that is all BS. Trading is hard, and no system is perfect, not even this SFE2 Soybean system. I have no trouble telling you that. But in this document I am going one step beyond what other system vendors do...

First, I discuss some of the disadvantages in the system. What makes a system less than perfect? -- I tell you, so you'll be better informed. You might find other "flaws" in the system, too. (Hint: If you ever find what you think is a "perfect" system out there, chances are it won't work in the future. The adage "if it looks too good to be true, it probably is" definitely holds with trading system results!)

Second, I also provide some ideas on how to improve what I've given here. As I said, no system is perfect, and it is always a fine line between making a system better, and overfitting, overoptimizing or curve fitting a system (which all are detrimental to future performance). My goal with the SFE2 Soybean system was to create something simple and robust. At the same time, I know this system can be improved. So, I've provided some ideas. Just be careful if you venture into making improvements! It is easy to turn a robust system into a terrible one.

## OK, So What is SFE2?

SFE2 (Simple Futures Execution) consists of 3 independent trading systems:

- [SFE2 Soybeans \(symbol S\)](#) <<< **included in this document**
- SFE2 Coffee (symbol KC)
- SFE2 Japanese Yen (symbol JY)

As the SFE2 (Simple Futures Execution) name implies, the three component strategies in this package are not complicated. In fact, a couple of them are really simple. Why is this good? Well, I've always seen that the simpler a trading system is, the more likely it is to keep working in the future. Maybe your

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experience is different, but for me, simpler systems seem to hold up better over time.

Think about a trading system with 1000 rules and parameters - one that produces a super smooth equity curve in backtesting. Now think about a system with just 2 rules, and an upwardly rising, but jagged, equity curve.

Which do you think will do better going forward? My money will always be on the simpler system.

The SFE2 systems were developed with the principle of Occam's Razor in mind. If you are interested, I have a short article on my website about it:  
[http://www.kjtradingsystems.com/sharpen\\_trading\\_with\\_occams\\_razor.html](http://www.kjtradingsystems.com/sharpen_trading_with_occams_razor.html)

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## SFE2 Soybeans

### SFE2 Soybeans - General Description

SFE2 Soybeans trades the Soybeans futures, listed on the CBOT (now part of CME) exchange. Results shown are for trading the regular size contract. There is a mini contract, but I'd be careful trading that, as the bid/ask spread can sometimes be very large. It is an option, though, for smaller size accounts.

SFE2 Soybeans uses both volatility and momentum to establish trades. The general idea is that when the volatility is well above average, and the momentum is in your favor, it is generally a good time to enter a trade. Pretty simple, right?

SFE2 Soybeans uses Daily bars.

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There is a large (\$5,000) stop loss for this system. This kind of wide stop isn't hit all that often (a reversal signal will usually occur first), but it is there just in case. Note that this is not a stop sent to the exchange - rather, if the position loss after any given day is less than -\$5,000, then the system will exit the next bar at market open. This makes the system easy to monitor for part time traders.

## SFE2 Soybeans - Code, Plain English

*Note: All the steps below are also detailed in the Tradestation code section. If case of discrepancies, the Tradestation code shall always have precedence. If any of the steps below are confusing or appear to conflict, please e-mail me for clarification. Do not trade with any code you create, or the Tradestation code, until you are comfortable with the signals given.*

IMPORTANT NOTE: In the code below, you'll see monthly "if" statements where the parameters xr and daysback are changing. This is part of my process – walkforward testing. These parameters are determined BEFORE the dates they apply, so the results are truly out of sample.

1. Use daily bars, backadjusted continuous contract.
2. At the end of the day, calculate today's range:  $\text{Rrange} = \text{high} - \text{low}$ .
3. If Rrange is greater than the average RRange of the last "xr" bars + 2 times the standard deviation of RRange for the last "xr" bars then Condition 1 is true.

If  $\text{Rrange} > \text{average}(\text{Rrange}, \text{last "xr" bars}) + 2 * \text{std deviation}(\text{Rrange}, \text{last "xr" bars})$  If this is true, then Condition1 is true.

4. If Condition1 is true, and today's close is greater than the close of "daysback" bars ago, then buy next bar at market, reversing any short position if applicable.
5. If Condition1 is true, and today's close is less than the close of "daysback" bars ago, then sell short next bar at market, reversing any long position if applicable.

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6. If more than 100 days have elapsed since entry, OR if the current position profit (per contract) is less than -\$5,000, then exit entire position at the start of the next bar.

6. The values of "xr" and "daysback" may change every time the walkforward optimization is performed. From now until August 5, 2014, the value of "xr" is 22, and the value of "daysback" is 10. See the Tradestation code below for how these values have changed over the last few years.

## SFE2 Soybeans - Code, Tradestation Easy Language

```

var:xr(1),daysback(1);
var:rrange(0);
  if date >= 1011001 and date < 1011030 then
  begin
    xr = 18 ;
    daysback = 5 ;
  end ;
  if date >= 1011030 and date < 1011130 then
  begin
    xr = 18 ;
    daysback = 5 ;
  end ;
  if date >= 1011130 and date < 1020103 then
  begin
    xr = 18 ;
    daysback = 5 ;
  end ;
  if date >= 1020103 and date < 1020204 then
  begin
    xr = 18 ;
    daysback = 5 ;
  end ;
  if date >= 1020204 and date < 1020306 then
  begin
    xr = 22 ;
    daysback = 2 ;
  end ;
  if date >= 1020306 and date < 1020405 then
  begin
    xr = 19 ;
    daysback = 2 ;
  end ;
  if date >= 1020405 and date < 1020506 then
  begin
    xr = 19 ;
    daysback = 2 ;
  end ;
  if date >= 1020506 and date < 1020605 then
  begin
    xr = 15 ;
    daysback = 15 ;
  end ;
  if date >= 1020605 and date < 1020705 then

```

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```

begin
  xr = 18 ;
  daysback = 15 ;
end ;
if date >= 1020705 and date < 1020805 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1020805 and date < 1020904 then
begin
  xr = 15 ;
  daysback = 19 ;
end ;
if date >= 1020904 and date < 1021003 then
begin
  xr = 21 ;
  daysback = 19 ;
end ;
if date >= 1021003 and date < 1021101 then
begin
  xr = 20 ;
  daysback = 19 ;
end ;
if date >= 1021101 and date < 1021203 then
begin
  xr = 20 ;
  daysback = 19 ;
end ;
if date >= 1021203 and date < 1030106 then
begin
  xr = 20 ;
  daysback = 19 ;
end ;
if date >= 1030106 and date < 1030205 then
begin
  xr = 20 ;
  daysback = 19 ;
end ;
if date >= 1030205 and date < 1030307 then
begin
  xr = 20 ;
  daysback = 19 ;
end ;
if date >= 1030307 and date < 1030407 then
begin
  xr = 20 ;
  daysback = 19 ;
end ;
if date >= 1030407 and date < 1030507 then
begin
  xr = 17 ;
  daysback = 19 ;
end ;
if date >= 1030507 and date < 1030606 then
begin
  xr = 17 ;
  daysback = 19 ;
end ;
if date >= 1030606 and date < 1030708 then

```

---

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```

begin
  xr = 17 ;
  daysback = 19 ;
end ;
if date >= 1030708 and date < 1030806 then
begin
  xr = 17 ;
  daysback = 19 ;
end ;
if date >= 1030806 and date < 1030905 then
begin
  xr = 17 ;
  daysback = 19 ;
end ;
if date >= 1030905 and date < 1031006 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1031006 and date < 1031104 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1031104 and date < 1031204 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1031204 and date < 1040106 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1040106 and date < 1040205 then
begin
  xr = 17 ;
  daysback = 4 ;
end ;
if date >= 1040205 and date < 1040308 then
begin
  xr = 17 ;
  daysback = 4 ;
end ;
if date >= 1040308 and date < 1040406 then
begin
  xr = 17 ;
  daysback = 4 ;
end ;
if date >= 1040406 and date < 1040506 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1040506 and date < 1040607 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1040607 and date < 1040707 then

```

---

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```

begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1040707 and date < 1040805 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1040805 and date < 1040903 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1040903 and date < 1041005 then
begin
  xr = 17 ;
  daysback = 3 ;
end ;
if date >= 1041005 and date < 1041103 then
begin
  xr = 20 ;
  daysback = 10 ;
end ;
if date >= 1041103 and date < 1041203 then
begin
  xr = 19 ;
  daysback = 6 ;
end ;
if date >= 1041203 and date < 1050105 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1050105 and date < 1050204 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1050204 and date < 1050308 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1050308 and date < 1050407 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1050407 and date < 1050506 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1050506 and date < 1050607 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1050607 and date < 1050707 then

```

---

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```

begin
  xr = 19 ;
  daysback = 10 ;
end ;
if date >= 1050707 and date < 1050805 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1050805 and date < 1050906 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1050906 and date < 1051005 then
begin
  xr = 19 ;
  daysback = 7 ;
end ;
if date >= 1051005 and date < 1051103 then
begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1051103 and date < 1051205 then
begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1051205 and date < 1060105 then
begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1060105 and date < 1060206 then
begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1060206 and date < 1060308 then
begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1060308 and date < 1060406 then
begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1060406 and date < 1060508 then
begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1060508 and date < 1060607 then
begin
  xr = 18 ;
  daysback = 4 ;
end ;
if date >= 1060607 and date < 1060707 then

```

---

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```

begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1060707 and date < 1060807 then
begin
  xr = 19 ;
  daysback = 4 ;
end ;
if date >= 1060807 and date < 1060906 then
begin
  xr = 19 ;
  daysback = 1 ;
end ;
if date >= 1060906 and date < 1061005 then
begin
  xr = 19 ;
  daysback = 1 ;
end ;
if date >= 1061005 and date < 1061103 then
begin
  xr = 19 ;
  daysback = 1 ;
end ;
if date >= 1061103 and date < 1061205 then
begin
  xr = 19 ;
  daysback = 1 ;
end ;
if date >= 1061205 and date < 1070105 then
begin
  xr = 18 ;
  daysback = 1 ;
end ;
if date >= 1070105 and date < 1070206 then
begin
  xr = 17 ;
  daysback = 18 ;
end ;
if date >= 1070206 and date < 1070308 then
begin
  xr = 17 ;
  daysback = 18 ;
end ;
if date >= 1070308 and date < 1070409 then
begin
  xr = 17 ;
  daysback = 18 ;
end ;
if date >= 1070409 and date < 1070508 then
begin
  xr = 15 ;
  daysback = 13 ;
end ;
if date >= 1070508 and date < 1070607 then
begin
  xr = 17 ;
  daysback = 18 ;
end ;
if date >= 1070607 and date < 1070709 then

```

---

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```

begin
  xr = 17 ;
  daysback = 18 ;
end ;
if date >= 1070709 and date < 1070807 then
begin
  xr = 17 ;
  daysback = 18 ;
end ;
if date >= 1070807 and date < 1070906 then
begin
  xr = 17 ;
  daysback = 18 ;
end ;
if date >= 1070906 and date < 1071005 then
begin
  xr = 21 ;
  daysback = 19 ;
end ;
if date >= 1071005 and date < 1071105 then
begin
  xr = 21 ;
  daysback = 19 ;
end ;
if date >= 1071105 and date < 1071205 then
begin
  xr = 21 ;
  daysback = 19 ;
end ;
if date >= 1071205 and date < 1080107 then
begin
  xr = 21 ;
  daysback = 19 ;
end ;
if date >= 1080107 and date < 1080206 then
begin
  xr = 21 ;
  daysback = 19 ;
end ;
if date >= 1080206 and date < 1080307 then
begin
  xr = 21 ;
  daysback = 19 ;
end ;
if date >= 1080307 and date < 1080408 then
begin
  xr = 21 ;
  daysback = 6 ;
end ;
if date >= 1080408 and date < 1080507 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1080507 and date < 1080606 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1080606 and date < 1080708 then

```

---

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```

begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1080708 and date < 1080806 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1080806 and date < 1080905 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1080905 and date < 1081006 then
begin
  xr = 23 ;
  daysback = 7 ;
end ;
if date >= 1081006 and date < 1081104 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1081104 and date < 1081204 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1081204 and date < 1090106 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1090106 and date < 1090205 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1090205 and date < 1090309 then
begin
  xr = 21 ;
  daysback = 7 ;
end ;
if date >= 1090309 and date < 1090407 then
begin
  xr = 20 ;
  daysback = 7 ;
end ;
if date >= 1090407 and date < 1090507 then
begin
  xr = 20 ;
  daysback = 7 ;
end ;
if date >= 1090507 and date < 1090608 then
begin
  xr = 20 ;
  daysback = 7 ;
end ;
if date >= 1090608 and date < 1090708 then

```

---

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```

begin
  xr = 20 ;
  daysback = 7 ;
end ;
if date >= 1090708 and date < 1090806 then
begin
  xr = 20 ;
  daysback = 7 ;
end ;
if date >= 1090806 and date < 1090904 then
begin
  xr = 20 ;
  daysback = 7 ;
end ;
if date >= 1090904 and date < 1091006 then
begin
  xr = 18 ;
  daysback = 1 ;
end ;
if date >= 1091006 and date < 1091104 then
begin
  xr = 22 ;
  daysback = 1 ;
end ;
if date >= 1091104 and date < 1091204 then
begin
  xr = 22 ;
  daysback = 1 ;
end ;
if date >= 1091204 and date < 1100106 then
begin
  xr = 22 ;
  daysback = 1 ;
end ;
if date >= 1100106 and date < 1100205 then
begin
  xr = 22 ;
  daysback = 4 ;
end ;
if date >= 1100205 and date < 1100309 then
begin
  xr = 22 ;
  daysback = 1 ;
end ;
if date >= 1100309 and date < 1100408 then
begin
  xr = 22 ;
  daysback = 1 ;
end ;
if date >= 1100408 and date < 1100507 then
begin
  xr = 22 ;
  daysback = 1 ;
end ;
if date >= 1100507 and date < 1100608 then
begin
  xr = 22 ;
  daysback = 1 ;
end ;
if date >= 1100608 and date < 1100708 then

```

---

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```

begin
  xr = 22 ;
  daysback = 1 ;
end ;
if date >= 1100708 and date < 1100806 then
begin
  xr = 20 ;
  daysback = 2 ;
end ;
if date >= 1100806 and date < 1100907 then
begin
  xr = 20 ;
  daysback = 2 ;
end ;
if date >= 1100907 and date < 1101006 then
begin
  xr = 23 ;
  daysback = 16 ;
end ;
if date >= 1101006 and date < 1101104 then
begin
  xr = 15 ;
  daysback = 16 ;
end ;
if date >= 1101104 and date < 1101206 then
begin
  xr = 15 ;
  daysback = 16 ;
end ;
if date >= 1101206 and date < 1110105 then
begin
  xr = 15 ;
  daysback = 16 ;
end ;
if date >= 1110105 and date < 1110204 then
begin
  xr = 21 ;
  daysback = 15 ;
end ;
if date >= 1110204 and date < 1110308 then
begin
  xr = 16 ;
  daysback = 20 ;
end ;
if date >= 1110308 and date < 1110406 then
begin
  xr = 16 ;
  daysback = 20 ;
end ;
if date >= 1110406 and date < 1110506 then
begin
  xr = 16 ;
  daysback = 20 ;
end ;
if date >= 1110506 and date < 1110607 then
begin
  xr = 15 ;
  daysback = 20 ;
end ;
if date >= 1110607 and date < 1110707 then

```

---

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```

begin
  xr = 15 ;
  daysback = 14 ;
end ;
if date >= 1110707 and date < 1110805 then
begin
  xr = 15 ;
  daysback = 14 ;
end ;
if date >= 1110805 and date < 1110906 then
begin
  xr = 15 ;
  daysback = 14 ;
end ;
if date >= 1110906 and date < 1111005 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1111005 and date < 1111103 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1111103 and date < 1111205 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1111205 and date < 1120105 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120105 and date < 1120206 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120206 and date < 1120307 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120307 and date < 1120405 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120405 and date < 1120507 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120507 and date < 1120606 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120606 and date < 1120706 then

```

---

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```

begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120706 and date < 1120806 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120806 and date < 1120905 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
if date >= 1120905 and date < 1121004 then
begin
  xr = 22 ;
  daysback = 12 ;
end ;
if date >= 1121004 and date < 1121102 then
begin
  xr = 22 ;
  daysback = 12 ;
end ;
if date >= 1121102 and date < 1121204 then
begin
  xr = 22 ;
  daysback = 12 ;
end ;
  if date >= 1121204 and date < 1130104 then
begin
  xr = 22 ;
  daysback = 12 ;
end ;
if date >= 1130104 and date < 1130203 then
begin
  xr = 22 ;
  daysback = 12 ;
end ;
  if date >= 1130203 and date < 1130307 then
begin
  xr = 22 ;
  daysback = 12 ;
end ;
  if date >= 1130307 and date < 1130408 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
  if date >= 1130408 and date < 1130507 then
begin
  xr = 18 ;
  daysback = 13 ;
end ;
  if date >= 1130507 and date < 1130606 then
begin
  xr = 22 ;
  daysback = 13 ;
end ;
if date >= 1130606 and date < 1130708 then

```

---

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```

begin
  xr = 22 ;
  daysback = 13 ;
end ;
if date >= 1130708 and date < 1130806 then
begin
  xr = 22 ;
  daysback = 13 ;
end ;
if date >= 1130806 and date < 1130905 then
begin
  xr = 22 ;
  daysback = 13 ;
end ;
  if date >= 1130905 and date < 1131004 then
begin
  xr = 22 ;
  daysback = 7 ;
end ;
if date >= 1131003 and date < 1131101 then
begin
  xr = 22 ;
  daysback = 7 ;
end ;
if date >= 1131101 and date < 1131203 then
begin
  xr = 16 ;
  daysback = 8 ;
end ;
if date >= 1131203 and date < 1140103 then
begin
  xr = 16 ;
  daysback = 9 ;
end ;
if date >= 1140103 and date < 1140204 then
begin
  xr = 16 ;
  daysback = 9 ;
end ;
  if date >= 1140204 and date < 1140306 then
begin
  xr = 16 ;
  daysback = 9 ;
end ;
    if date >= 1140306 and date < 1140404 then
begin
  xr = 16 ;
  daysback = 9 ;
end ;
      if date >= 1140404 and date < 1140506 then
begin
  xr = 22 ;
  daysback = 10 ;
end ;
        if date >= 1140506 and date < 1140605 then
begin
  xr = 22 ;
  daysback = 10 ;
end ;
          if date >= 1140605 and date < 1140707 then

```

---

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```

begin
  xr = 22 ;
  daysback = 10 ;
end ;
  if date >= 1140707 and date < 1140805 then
begin
  xr = 22 ;
  daysback = 10 ;
end ;
  if date >= 1140805 and date < 1140905 then
begin
  xr = 22 ;
  daysback = 10 ;
end ;
  if date >= 1140905 and date < 1141003 then
begin
  xr = 22 ;
  daysback = 10 ;
end ;
  if date >= 1141003 and date < 1141103 then
begin
  xr = 22 ;
  daysback = 10 ;
end ;

  if date >= 1141103 and date < 1141230 then
begin
  xr = 15 ;
  daysback = 10 ;
end ;
  if date >= 1141230 and date < 1150130 then
begin
  xr = 15 ;
  daysback = 10 ;
end ;
  if date >= 1150130 and date < 1150303 then
begin
  xr = 15 ;
  daysback = 9 ;
end ;
  if date >= 1150303 and date < 1150403 then
begin
  xr = 15 ;
  daysback = 9 ;
end ;
rrange=high-low;

if rrange>2*stddev(rrange,xr)+average(rrange,xr) and close>close[daysback] then buy next
bar at market;
if rrange>2*stddev(rrange,xr)+average(rrange,xr) and close<close[daysback] then sellshort
next bar at market;

if barssinceentry>=100 or openpositionprofit<-5000 then begin
  sell next bar at market;
  buytocover next bar at market;
end;

end;//date

```

---

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## SFE2 Soybeans - Sample Signals

Here is a chart showing 2 short signals and 2 long signals. Note that entries catch long trends, and exit losers relatively quickly.



Figure 1 - SFE2 Soybeans - Sample Signals

## SFE2 Soybeans- Performance Results

Results of the walkforward testing are shown below, followed by a closed equity curve. Note that the start date shown is not the start date for actual trades. This is due to the walkforward test process. Any trade open on end date was closed for this report.

The first trade for SFE2 Soybeans occurs on 10/2/2001.

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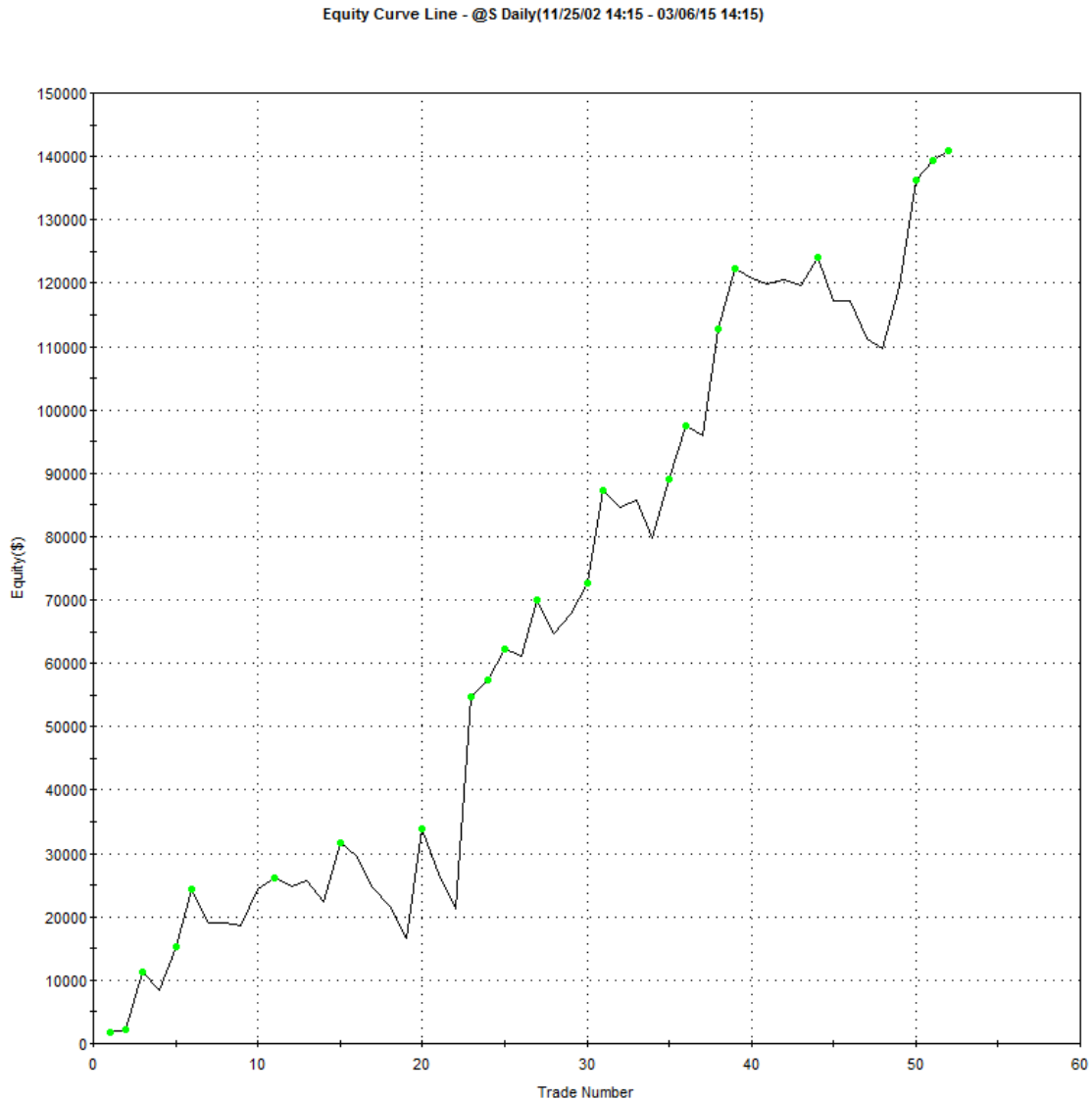
TradeStation Strategy Performance Report - @S Daily (11/25/2002-3/6/2015)			
Account (US Dollar)   All data			
Display: Column View			
TradeStation Performance Summary <span style="float:right">Collapse</span>			
	All Trades	Long Trades	Short Trades
Total Net Profit	\$140,972.50	\$92,455.00	\$48,517.50
Gross Profit	\$216,015.00	\$124,455.00	\$91,560.00
Gross Loss	(\$75,042.50)	(\$32,000.00)	(\$43,042.50)
Profit Factor	2.88	3.89	2.13
Roll Over Credit	\$0.00	\$0.00	\$0.00
Open Position P/L	(\$172.50)	(\$172.50)	\$0.00
Select Total Net Profit	\$107,430.00	\$92,455.00	\$14,975.00
Select Gross Profit	\$182,472.50	\$124,455.00	\$58,017.50
Select Gross Loss	(\$75,042.50)	(\$32,000.00)	(\$43,042.50)
Select Profit Factor	2.43	3.89	1.35
Adjusted Total Net Profit	\$84,831.52	\$51,221.96	\$10,582.81
Adjusted Gross Profit	\$175,192.00	\$93,341.25	\$65,128.90
Adjusted Gross Loss	(\$90,360.49)	(\$42,119.29)	(\$54,546.09)
Adjusted Profit Factor	1.94	2.22	1.19
Total Number of Trades	52	26	26
Percent Profitable	53.85%	61.54%	46.15%
Winning Trades	28	16	12
Losing Trades	24	10	14
Even Trades	0	0	0
Avg. Trade Net Profit	\$2,711.01	\$3,555.96	\$1,866.06
Avg. Winning Trade	\$7,714.82	\$7,778.44	\$7,630.00
Avg. Losing Trade	(\$3,126.77)	(\$3,200.00)	(\$3,074.46)
Ratio Avg. Win:Avg. Loss	2.47	2.43	2.48
Largest Winning Trade	\$33,542.50	\$17,205.00	\$33,542.50
Largest Losing Trade	(\$7,145.00)	(\$7,145.00)	(\$6,870.00)
Largest Winner as % of Gross Profit	15.53%	13.82%	36.63%
Largest Loser as % of Gross Loss	9.52%	22.33%	15.96%
Net Profit as % of Largest Loss	1973.02%	1293.98%	706.22%
Select Net Profit as % of Largest Loss	1503.57%	1293.98%	217.98%
Adjusted Net Profit as % of Largest Loss	1187.29%	716.89%	154.04%
Max. Consecutive Winning Trades	4	4	2
Max. Consecutive Losing Trades	4	2	4
Avg. Bars in Total Trades	50.77	56.54	45.00
Avg. Bars in Winning Trades	70.50	70.00	71.17
Avg. Bars in Losing Trades	27.75	35.00	22.57
Avg. Bars in Even Trades	0.00	0.00	0.00
Max. Shares/Contracts Held	1	1	1
Total Shares/Contracts Held	53	27	26
Account Size Required	\$15,080.00	\$7,145.00	\$15,760.00
Total Slippage	\$2,080.000	\$1,040.000	\$1,040.000
Total Commission	\$260.000	\$130.000	\$130.000

**Figure 2 - SFE2 Soybeans - Performance Summary**

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**Figure 3 - SFE2 Soybeans Closed Trade Equity Curve**

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## SFE2 Soybeans - Downside to System

To be successful, SFE2 Soybeans really needs a sustained, large trend. Sideways action is a killer for this type of approach. Since it is a traditional trend following method, drawdowns can be significant.

This system is not suited for people who like a high winning percentage, and/or cannot withstand large daily equity fluctuations. It is also tough to sometimes have a significant profit, and watching most or all of it evaporate. In the short term, that makes this system tough to trade. But in the long term it is worth it.

## SFE2 Soybeans - Ideas for Improvements

If you are inclined to do your research, and make your own improvements, I'll give you a few ideas. You might wonder why I did not already add them in. The answer is pretty simple - once I find something good that works reasonably well, I stop. I feel the more I try to improve something, the more risk I run of over fitting, curve fitting, introducing hindsight bias, etc.

For most of these suggestions, you might find them in other trading systems you use. In those cases, you can just adapt what is in one system, and apply it to this one.

1. Incorporate a trailing exit or a breakeven stop.
2. Make the initial stop smaller, or possibly dependent on current volatility.
3. Exit all trades after "x" days, regardless of current profit/loss.
4. Trade multiple contracts, and have exits at different profit levels.

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## Walkforward Reoptimization - Keep It Fresh

The thing I like most about walkforward optimization is that you keep the system "fresh," since key parameters change over time, adapting to the changing market conditions. I think this helps keep it robust.

The good news is that I am going to teach you right here how to do it, and give you all the important parameters I use. So, just keep this manual, and you'll never need my help!

I'll walk you through the general process, and then provide the details for each system, so you can do it yourself.

### General Procedure - Future Walkforward Optimizations

Using your backtest software, run an exhaustive (complete) optimization with the following characteristics:

**TRADING DAYS "IN" PERIOD** - this is the amount of trading days you'll want to optimize over. So, if today is January 1, 2012, and the "IN" period is 1008 trading days (4 years), I'd want to optimize over the period January 1, 2008 to January 1, 2012.

**NOTE:** Make sure you also include time for the calculations to start up, so that trades can be taken the first day of the optimization period ("maxbarsback" in Tradestation).

**ANOTHER NOTE:** When you reoptimize, make sure it is a version of the strategy that has all the walkforward code stripped out of it. This will be a different version that you use to trade day to day. Your "optimization version" should be setup to allow you to optimize the variables "xr" and "daysback."

**TRADING DAYS "OUT" PERIOD** - this is the amount of trading days the latest walkforward results will be valid for. So, if "OUT" period is 252 trading days (1

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year), and I optimize today, January 1, 2014, then I can use these results until January 1, 2016. On that date, I'll have to reoptimize.

**PARAMETERS** - these are the variables I have to optimize with. Your testing software should run all the cases shown, and then present you with the overall "best" case. To keep things simple, I assume that the "best" case is the one that provides the greatest Net Profit over the period in question. Feel free to use something different if you wish (like Return on Account, or Max Drawdown, or Expectancy, etc.)

**SCHEDULE** - You'll want to keep a list of when the next optimization needs to be completed. For the SFE2 Soybean system, the reoptimization is every 21 trading days, around the 5th of the month. You can probably modify this to be the 1st of each month, if that is easier to remember. But, right now I reoptimize on or around the 5th of each new month.

## SFE2 Soybeans- Walkforward Optimization Details

**TRADING DAYS "IN" PERIOD** - 378 days

**TRADING DAYS "OUT" PERIOD** - 21 days

**PARAMETERS** -

xr = 15 to 25, increment of 1  
daysback= 1 to 20, increment of 1

220 TOTAL ITERATIONS

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## Walkforward Example

Since this might still be a little confusing to you, let's look at an example.

First, if you are a Tradestation user, you want to create a copy of the strategy, remove all the walkforward statements in the strategy (the "if date=xxx then ..." blocks), and then change the variables you want to optimize from "vars:" to "inputs:" That will allow you to actually use the exhaustive optimizer in Tradestation.

Let's say we want to create the next set of walkforward parameters for SFE2 Soybeans. We see that the next Soybean optimization needs to take place on 8/5/2014. So, on that day, we run an optimization using the values shown earlier.

**TRADING DAYS "IN" PERIOD - 378 days (roughly 1.5 years)**  
(so, start on 2/5/2014, end date 8/5/2014)

**Note this does not account for MaxBarsBack (initialization period). You should add MaxBarsBack to the number of trading days (ie, 378+ MaxBarsBack)**

**TRADING DAYS "OUT" PERIOD - 21 days**  
(so, new parameter values will be good until 9/5/2014)

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**PARAMETERS -**

xr = 15 to 25, increment of 1  
 daysback= 1 to 20, increment of 1

**220 TOTAL ITERATIONS**

So, we run all 220 iterations, and determine the case with the best overall Net Profit. Let's say that the best Net Profit occurred when xr = 20 and daysback=12. That means, for the period of 8/5/2014 to 9/5/2014, we want to use those values. In Tradestation code format, that looks like this:

```
if date >= 1140805 and date < 1140905 then
begin
  xr = 20 ;
  daysback = 12;
end ;
```

Once we update our trading code with the above "if" block, we are good to go until the next walkforward optimization on 9/5/2014.

Note that due to holidays, exchange closures, leap years, etc, 252 trading days might not exactly equal 1 calendar year. If you are doing this by hand, it should be close enough to assume a year. If you have walkforward trading software, the software itself should tell you when the next optimization date is.

## What if Things Go Wrong?

I'm not sure any trading system lasts forever. Just ask "Buy and Hold" strategy followers in the stock market how that worked out in 2008! "Buy and Hold" took a severe beating during the Financial Crisis.

It is easy to know when to start following an advisor or trading system - start trading as soon as you have determined it is the right investment for you. But, do you know when you'll stop following that new system?

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Whether you are following your own trading system, or following an advisory, newsletter or some other service, if you don't have an exit plan for discontinuing it, you should.

Why? Studies have shown that when people are under stress, many times they make poor decisions. Certainly if you were losing money with your systems you would be stressed. Consequently, you might make a knee jerk reaction to the losses, or you may stick your head in the sand and avoid a decision all together. Both scenarios can be dangerous. So, the time when you are losing is a bad time to determine when to exit.

Ideally, you already determined when to stop trading when you first decided to trade the system. If not, it is not too late. Just determine the metric(s) that are most important to you. They could include such things as:

- Maximum drawdown
- Consecutive losers in a row
- Amount lost in a week/month/year
- Overall profit after X months
- Overall winning percentage dips below XX %
- Significant break in your personal equity trendline, or equity moving average
- New highs, or breaking of another "good" metric (yes, some people try to quit at the top)
- Anything that can be measured and monitored

The exact condition you select probably is not as important as writing it down and sticking to it. That is the key. **It needs to be solid, definitive and written down.** Ideally, you'll also tell your spouse or a friend, too, since it is harder to back out when you make the proclamation public.

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I've heard that one money management firm's exit criteria is 1.5 times the maximum drawdown, and a 24 month commitment. Those aren't bad, but the best one is the one that you feel comfortable with - one you can stick with.

You'll definitely worry less about your system's performance if you write down and follow your exit plan - BEFORE you start trading!

## Conclusion

Ultimately, your success with this system depends a lot on you. First, you have to be willing to be patient, and evaluate it over time, before committing real money to SFE2 Soybeans (and bringing emotions about money into the situation).

Next, you have to gain confidence to trade without question. Cherry picking trades, unless you've fully tested out the cherry picking method, is a dangerous way to go. When I trade, I take every signal a system gives me, because I don't know what is going to happen. For me at least, signals I feel least confident in always seem to do best, so taking all signals is definitely good for me!

Finally, you need to make sure all the other things I haven't discussed, such as position sizing and money management, are taken care of as well. Overtrading and under capitalization kill more trader accounts than anything I know, so be extra careful.

With any new system I trade, I have had the most success by trading the smallest size possible at first, and then gradually increasing size as profits accumulate. I suggest you try this approach, too.

Start small, but eventually think big.

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I wish you nothing but success with the SFE2 Soybeans system. Of course, if you have questions, please feel free to e-mail me.

Good Luck, and Happy Trading!

## Special Offer

If you are serious about trading strategies, and if you'd read this far I assume you are, my strong recommendation is to learn to create strategies yourself. It is hard work, but in the long run you'll be better off – you will be able to create trading strategies for any market, tailored to your goals and objectives.



**I can help you create strategies just like the Soybean strategy.** I teach my whole development process in a one day online class called the “Strategy Factory Workshop.”

I follow it up with 6 months of personal support.

If you want to find out more, just go to <http://www.bit.ly/kevinworkshop> , or go to my website [www.kjtradingsystems.com](http://www.kjtradingsystems.com). When you sign up, just mention this e-book, and I'll provide 3 extra months of support absolutely free!

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