

The Recovery system

Nanningbob's Recovery system is based on this very simple principle: no matter how far a market moves, it *will* retrace eventually. As I often put it, "Dem markets dey go up, den dey go down again, den dey go up again, den....."

So, rather than insert a conventional stop loss and crying when it is hit, Recovery allows you to ride the move against you and enter with additional trades when the moment is right. There are many forms of this but a lot of professional traders use 1.1.2.4

In Nanningbob-style trading, we talk about trades at Level 1, Level 2, Level 3 and Level 4. Level 1 is the initial trade. Levels 2, 3 and 4 are Recovery trades. The digits in the 1.1.3.3 and 1.1.2.4 refer to multipliers of the initial lot size So:

- in 1.1.3.3:
 - 1 is the L1 trade (Level 1 or initial trade) at your chosen lot size
 - 1 is the L2 trade at your chosen lot size
 - 3 is the L3 trade at your chosen lot size x 3
 - 3 is the L4 trade at your chosen lot size x 3
- in 1.1.2.4:
 - 1 is the L1 trade (Level 1 or initial trade) at your chosen lot size
 - 1 is the L2 trade at your chosen lot size
 - 2 is the L3 trade at your chosen lot size x 2
 - 4 is the L4 trade at your chosen lot size x 4

TOB will only send Recovery trades when:

1. The trade has moved ReEntryLinePips against you **and**
2. The conditions are correct to enter a trade, i.e. the market has touched the relevant outer magenta line and has triggered a pending trade. It will **not** merely send a trade because the market has moved x pips against you. In other words, it trades Recovery as it trades normally.

Here is how it works. Imagine you are using 1.1.2.4 will use Recovery when a trade has gone bad by 100 pips (proper pips, not 5 digit wally-plonker-dipstick-crim points):. For the purpose of this example, imagine that 1 pip = \$1:

- An L1 sell trade fills. The market continues to rise and goes 100 pips against your trade.
- An opportunity arises to enter an L2 sell trade at your normal lot size, so you have two trades open:
 - L1 is -\$100
 - L2 has just opened at your normal lot size.
 - The market co-operates and begins to fall. If falls 50 pips. At this point:
 - L1 is -\$50
 - L2 is +\$50
 - so the position is at breakeven and can close
 - Suppose the market refuses to cooperate and rises another 100 pips, so now:
 - L1 is -\$200
 - L2 is -\$100
 - An opportunity arises to enter an L3 sell trade at double your normal lot size, so you have three trades open:
 - L1 is -\$200

- L2 is -\$100
- L3 has just opened
- The market co-operates and begins to fall. Because your L3 trade is at double your lot size, we double the effect of the L3 on the open basket of trades. The market falls 75 pips
 - L1 is -\$125
 - L2 is -\$25
 - L3 is +\$150
 - so the position is at breakeven and can close
- Suppose the market refuses to cooperate and rises another 100 pips, so now:
 - L1 is -\$300
 - L2 is -\$200
 - L3 is -\$100
- An opportunity arises to enter an L4 sell trade at four times your normal lot size, so you have four trades open::
 - L1 is -\$300
 - L2 is -\$200
 - L3 is -\$100
 - L4 has just opened
- The market co-operates and begins to fall. Because your L4 trade is at double your lot size, we quadruple the effect of the L4 on the open basket of trades. The market falls 75 pips
 - L1 is -\$225
 - L2 is -\$125
 - L3 is +\$50
 - L4 is +\$300
 - so the position is at breakeven and can close

The reality is that L3 is rarely reached, although it does happen occasionally. I have yet to reach L4 in my live or demo trading. It will happen one day, but you can see that this involved a *huge* movement against my original trade.

This process is self-limiting and holds within it the means to get out of an increasingly nasty situation. Suppose the market continues to move against the trade and moves a further 100 pips against us?

- Now we have:
 - L1 is -\$400 (original lotsize)
 - L2 is -\$300 (original lotsize)
 - L3 is -\$200 (original lotsize x 2)
 - L4 is -\$400 (original lotsize x 4)
- From here, we start closing trades in the order of oldest first. A re-entry opportunity arises so we::
 - Close the L1 trade and cry
 - Mentally move all the trades down a level, so the old L2 is now L1, old L3 is now L2 and old L4 is now L3
- We start the lot size process afresh, so the new L4 trade is the original lot size.

Reaching the point described in the last paragraph would not be a happy experience, but it is important to remember that **there will never be more than 4 trades open**, so we cannot blow our accounts unless we start with an oversized lot size to kick off with. The

worst losing trades always get kicked off the end. It will make a dent in the account, but will take a long time; in the meantime, other successful trades are continually adding to the balance to offset the problem.

Mind, if *this* does not convince you to trade tiny lot sizes, then you are an idiot and should be shot.

Good luck.