

# WHAT IS AUTOMATED TRADING AND WHAT ARE THE BENEFITS?

Automated trading can help you increase the efficiency of your trades – by enabling faster execution of your CFD trading strategies. Learn more about the benefits of our automated trading platforms and find out how they can add value to your strategy.

# WHAT IS AUTOMATED TRADING?

Automated trading is the most superior form of trading in the modern era and automated-trading strategies can transform the entire trading process much more result-oriented.

Auto trading enables you to carry out many trades in a small amount of time, with the added benefit of taking the emotion out of your trading decisions. That's because all the rules of the trade are already built into the parameters you set. With some algorithms, you can even use your pre-determined strategies to follow trends and trade accordingly.

The trades can be executed precisely at the price and volume specified with minimal execution time. It mitigates the losses caused due to the time lag across placing the order and executing the order.

Automated trading is not biased by human emotions. A human trader might continue with a loss-yielding trade with the hopes of making profits or may give let go of a profit-making trade with the fear of losing.

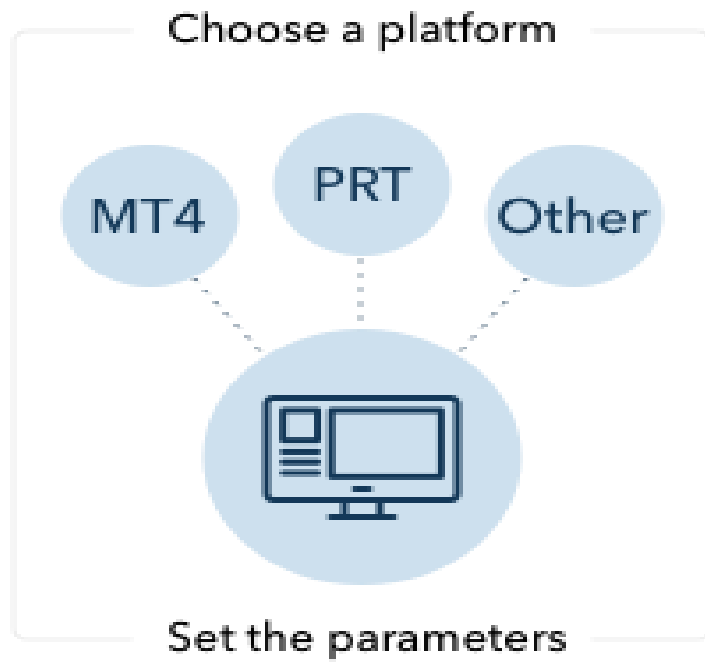
## HOW DOES AUTOMATED TRADING WORK?

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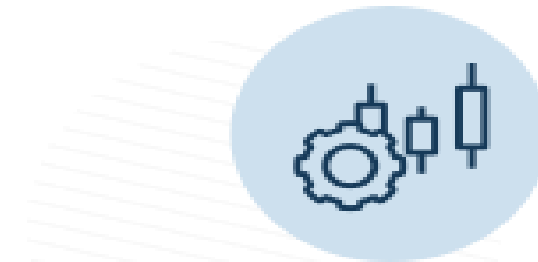
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First, you will choose a platform and set the parameters of your trading strategy. You'll use your trading experience to create a set of rules and conditions, and then your custom algorithm will apply the criteria to place trades on your behalf. These factors are normally based on the timing of the trade, the price at which it should be opened and closed, and the quantity.

The automated trading strategy that's been set will constantly monitor financial market prices, and trades will automatically be executed if predetermined parameters are met. The aim is to execute trades faster and more efficiently, and to take advantage of specific, technical market events.



Create a set of rules  
and conditions



Algorithm places trades  
on your behalf



# WHAT ARE THE BENEFITS OF AUTOMATED TRADING?



With automated trading, you can:

- Fit your strategy around your schedule – execute trades automatically, day or night
- Reduce the impact of emotional and gut reactions with planned strategies
- Identify new opportunities and analyze trends with a wide range of indicators
- Execute multiple real-time trades simultaneously and remove manual execution

# WHAT PLATFORMS CAN YOU USE FOR AUTOMATED TRADING?

The platform you'll use for automated trading will depend on your trading preferences.

## MetaTrader4

[Customize your trading experience](#) by building your own expert trading algorithms, creating indicators, and placing a range of orders. Plus, import Expert Advisors (EAs) to help you find opportunities according to your pre-defined parameters. EAs can either notify you of an opportunity or open a position automatically.

## APIs

Build your own platform and create advanced trading solutions from scratch. [This platform](#) enables you to code your algorithms from the ground up. Orders are filled using market-leading IG technology, ensuring you get the best execution. You can view real-time and historical market prices, analyze market instruments and trader sentiment information, maintain watchlists and more.

## WHAT PLATFORMS CAN YOU USE FOR AUTOMATED TRADING?

BitRobo are working hard to establish themselves as a reputable robot trading platform with 24 hour customer support, 7 days a week. They also offer trading systems that you won't find on other platforms as well as the option to trade even when not active online although the safeguard of an automatic stop loss means that you won't lose too much on a bad day.

APIs

Unlike some robot software offerings that make lots of bold claims, DAX robot is straightforward and transparent with everything you need to know listed on their website for all to see. From details of every broker to the breakdown of trading systems and signals all of the information is displayed clearly. All you need to do is choose your broker and select your settings.

# TOP 5 AUTOMATED TRADING STRATEGIES

## 1. Momentum and Trend Based Strategy

These automated trading strategies are the easiest and most extensively used. They follow the mainstream trends and the momentum in the market to execute trades.

The technical indicators such as moving averages and price level movements are reviewed to generate buy or sell orders.

These orders are automatically executed when a certain set of conditions are met as per the technical indicators mentioned.

This strategy also takes into account the historical and current price data to review if the trend could continue or not and executes decisions accordingly.

No complex predictions are needed to be made, but straight and convenient trend following. If the desired event happens, trade is executed, else not.



# TOP 5 AUTOMATED TRADING STRATEGIES

## 2. Arbitrage Strategy

Arbitrage strategy makes use of such arbitrage opportunities by enabling the computers to locate the opportunity as soon as viable and executing the trade if certain criteria are met.

If a stock is available at a lower price on a certain exchange and at a higher price on the other, the input algorithm instantaneously realizes the price differential.

The algorithm then initiates a trade to purchase on the low-priced exchange and sell on the high-priced exchange.

Situations like these demand exceptionally high speed and accuracy, which is often arduous to achieve for humans but not for automated trading.

Even though the price difference between such exchanges might not too much, the volumes of such trades must be kept high to secure decent amounts of profit.

# TOP 5 AUTOMATED TRADING STRATEGIES

The algorithm receives feeds from both the exchanges regarding the price of the company's stock and using the forex rates, the price in one currency would be converted into the other.

If the algorithm identifies a large enough price differential in both listings due to the varying currency rates, a buy order would be placed automatically on the lower-priced exchange and a sell order on the higher-priced one.

## **3. Mean Reversion Strategy**

Mean reversion strategy is one of the automated trading strategies based on the basic idea that the rates of security might fluctuate, but will eventually return to an average or mean value after a certain point in time.

It is sometimes referred to as the counter-trend or reversal strategy.

This strategy identifies the upper and lower price limit of a stock, then the algorithm runs to execute orders just as soon as the price surpasses the normal range.

# TOP 5 AUTOMATED TRADING STRATEGIES

The algorithms deduce an average price as per the historical data of the security and perform a trade anticipating that the prices would come back to the mean price point.

This implies that if the prices are exorbitant, they would come down, and if they are hit a rock bottom, they would surely go up. This automated trading strategy is beneficial when the prices are at the extremities and the traders can gain profits from the mercurial trends of the market.

However, this strategy might even backfire when the prices might not end up reversing as fast as initially thought and by that time, the shifting average matches up with the price, causing a reduced reward to risk ratio.

## **4. Statistical Arbitrage Strategy**

Statistical arbitrage strategy is considered as one of the short-term automated trading strategies.

## TOP 5 AUTOMATED TRADING STRATEGIES

It is based on the trading opportunities that surface because of the price inefficiencies or misquoting the price of the available securities.

This happens in securities that are linked to each other or are similar. It has been evident over the years that inefficiencies and misquoting are not bound to stay for a prolonged period.

They get amended in a short while and thus, automated trading becomes an efficient way to identify them and yield profits.

In this case, the algorithms are comprised of complex mathematical models that perceive the price inefficiencies swiftly and execute the trade even before the correction of the prices.

According to the statistical arbitrage strategy, the algorithm immediately detects the fall in a stock price and buys it, only to be sold later when the price gets corrected, resulting in a profit.

# TOP 5 AUTOMATED TRADING STRATEGIES

## 5. Weighted Average Price Strategy

This is regarded as one of the most efficient automated trading strategies. It is either based on a time-weighted average price or volume-weighted average price.

The orders are huge but they are not released altogether. The orders are released in small packets either via historical volume profiles of the stock or specific pre defined time slots that happen across a start and end time.

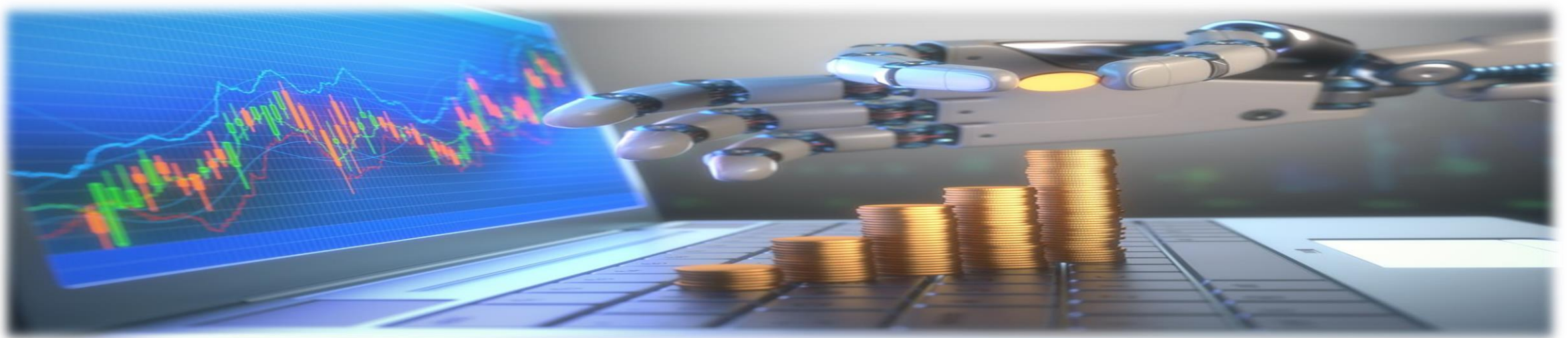
This strategy's objective is to execute the order as close as viable to the volume-weighted average price or the time-weighted average price so that there is less impact on the market.

## FINAL WORDS

Thus, we conclude that there are multiple strategies to be chosen while considering automated trading.

The algorithms are designed such that they are compatible with the strategy picked by the trader and the orders get executed accordingly.

Even though it is the algorithm that places the orders, it is the trader who designs the algorithms as-well-as the strategies.





# THANK YOU

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