

# USERGUIDE | MT4+ CORRELATION MATRIX

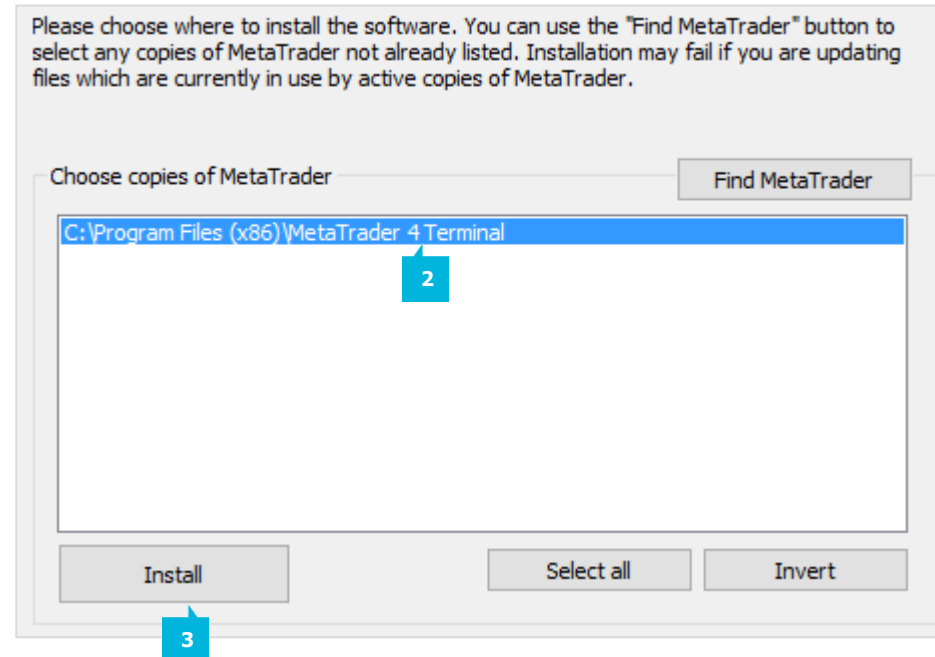


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In order to install **MT4+ Correlation Matrix**, follow the steps below:

1. Click [here](#) to download the retrofit installer containing the full package of JFD MT4+ exclusive add-ons.
2. Run the installer file (1) on your computer.
3. Select the MetaTrader 4 terminal folder (2) where you would like to install the Add-ons package and press the **Install** button (3).
4. Press **OK** in the confirmation dialog box that will appear after successful installation.

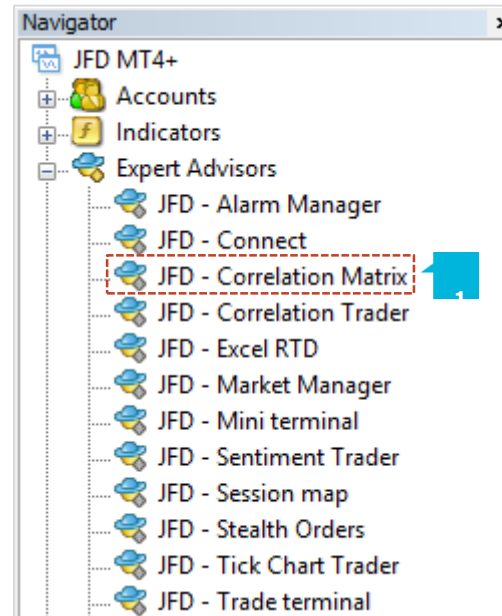
Name <	Type	Size	Packed
JFD-MT4-Apps.exe	.exe	3.0 MB	3.0 MB



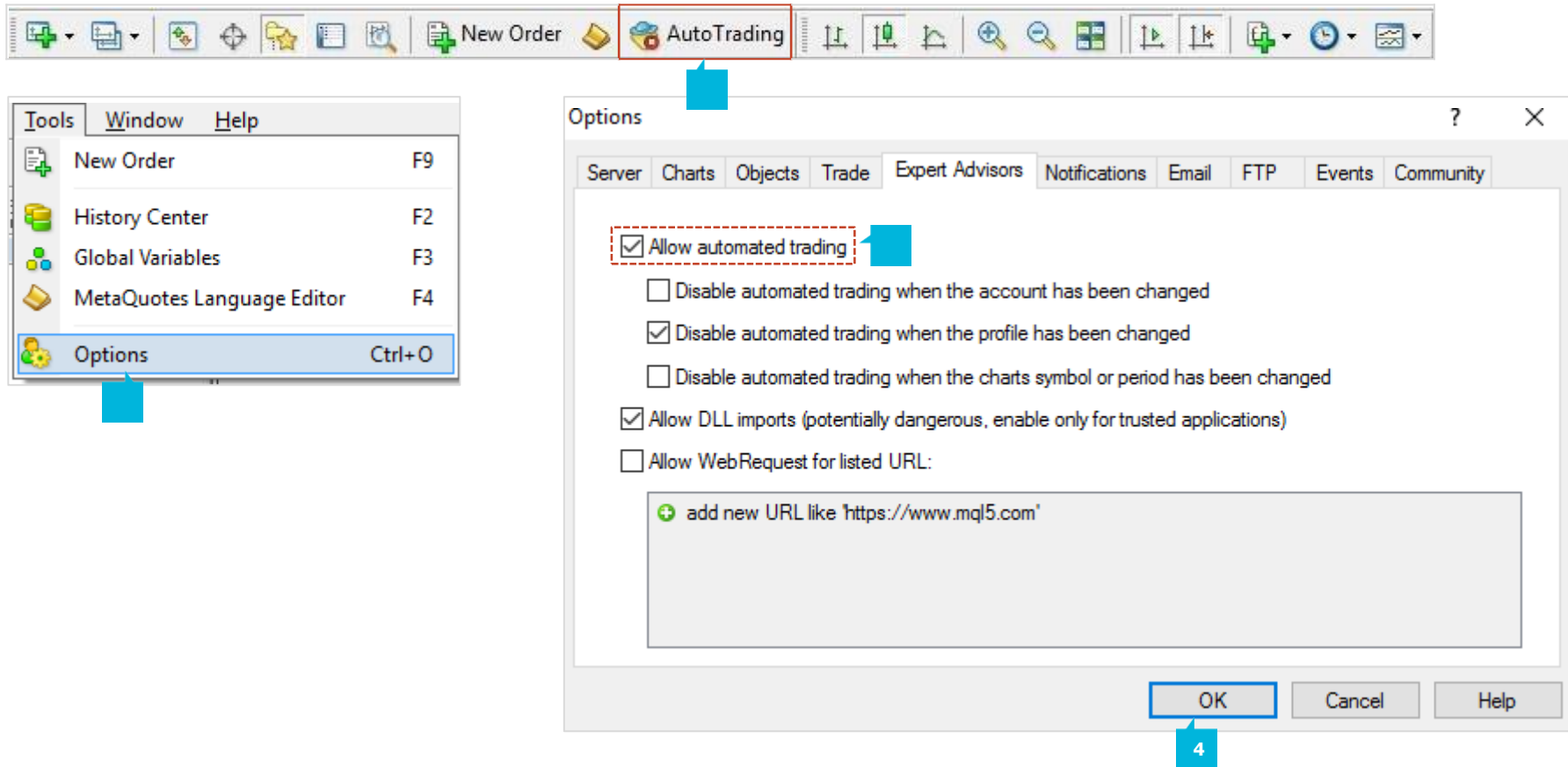
**NOTE**

Before installing JFD's MT4+ Add-ons, close your MT4 terminal. The add-ons cannot be installed if the MetaTrader 4 terminal is running.

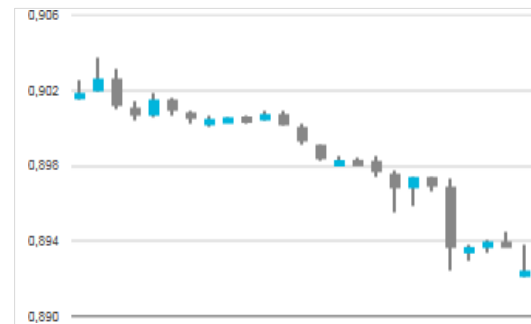
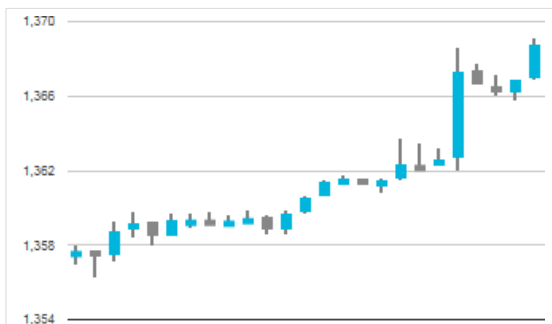
After successful installation, open your MT4+ terminal and you will find the **MT4+ Correlation Matrix (1)** along with all other JFD Add-ons in the **Navigator** window under **Expert Advisors**.



In order to use the add-ons, the Expert Advisors should be enabled. Simply click the **AutoTrading** button (1) on the top toolbar. Alternatively, you can open **Tools** main menu and select **Options** (2). In the dialog box that will appear, open the **Expert Advisors** tab (3) and make sure that the check-box **Allow Automated Trading** (4) is ticked. Then press the **OK** button (5).

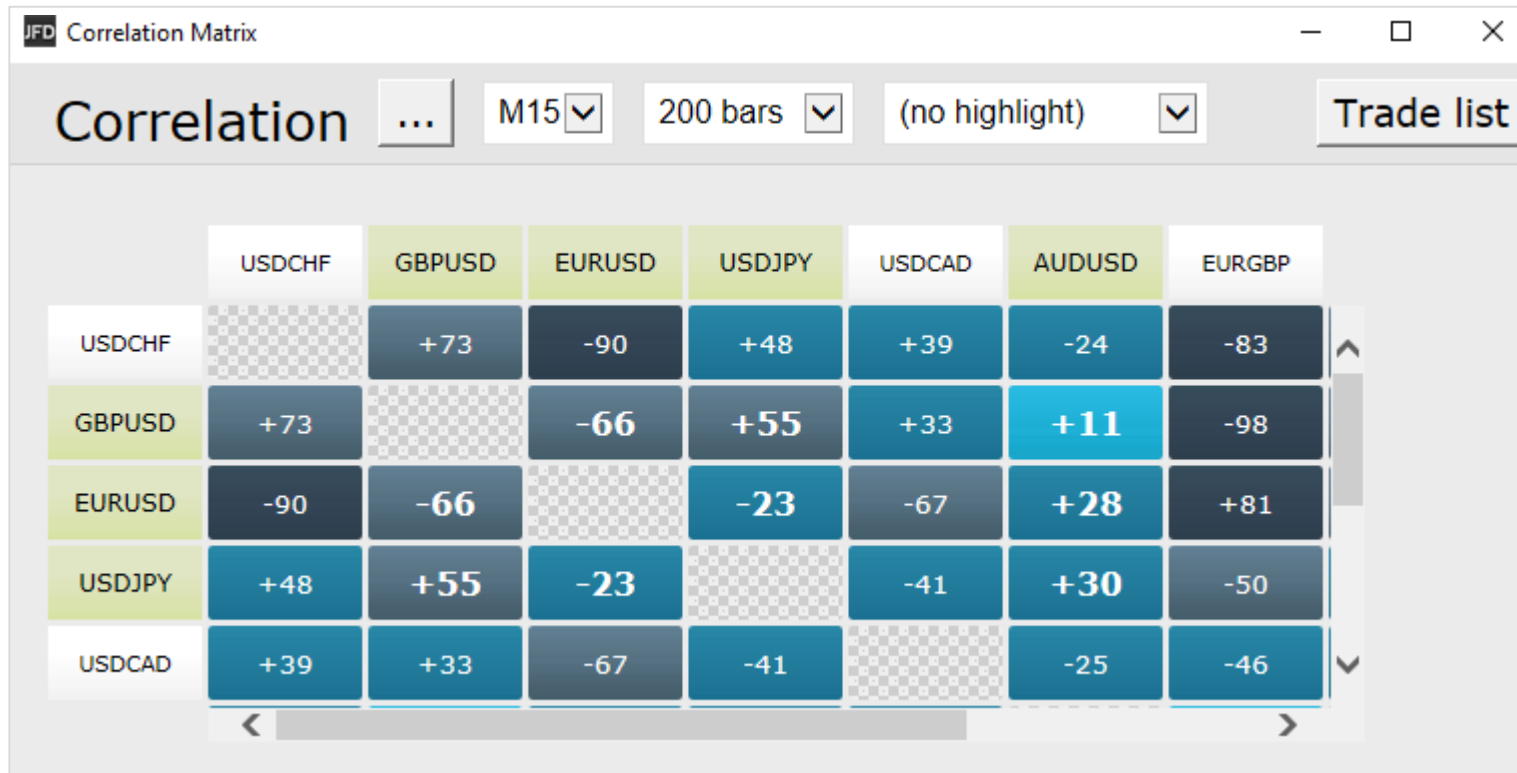


The **MT4+ Correlation Matrix** shows the correlation between symbols over a configurable timeframe and number of bars, for example the last 100 H1 bars. Correlation is measured on a scale from -100 (the price movements in symbol A and B have been exactly opposite - A went up when B went down and vice versa - negative correlation) to +100 (the price movements in symbol A and B have been identical positive correlation), while 0 means that the symbols have moved independently. Correlation can have a major effect on your trading risk. For example, we can look at the H1 charts for EURUSD and USDCHF over a same time period and see that these symbols have very strong negative correlation. If you were long on EURUSD and short on USDCHF over this period, or vice versa, then you would have seen very similar profits on both positions. In effect, you did not have two positions: you only really had one position. If you were long both symbols, or short both symbols, then you probably had a profit on one and a matching loss on the other. It is generally advisable to minimise the correlation between your open positions. Otherwise, you are either trading the same price action twice over, or you have two positions which cancel each other out. The **MT4+ Correlation Matrix** helps you to identify symbols with strong or weak correlation.



**A. THE MATRIX**

The **MT4+ Correlation Matrix** shows the correlation between a grid of selected symbols.



Each cell in the matrix is colour-coded :

-21	No correlation (0 to $\pm 25$ )
+31	Weak correlation ( $\pm 25$ to $\pm 50$ )
-64	Medium correlation ( $\pm 50$ to $\pm 75$ )
+91	Strong correlation ( $\pm 75$ to $\pm 100$ )



It makes little difference whether values are positive or negative (e.g. +90 or -90), and the meaning depends on whether you are long or short each symbol. For example:

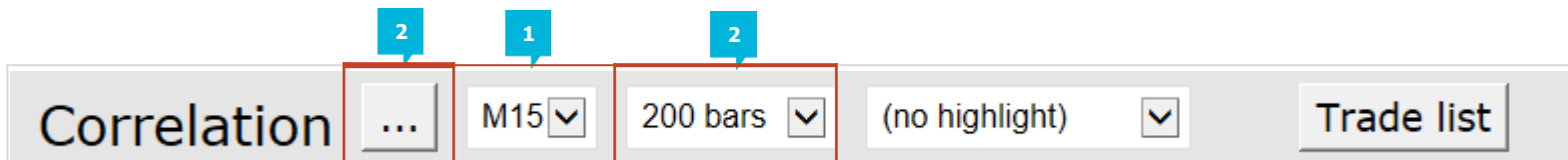
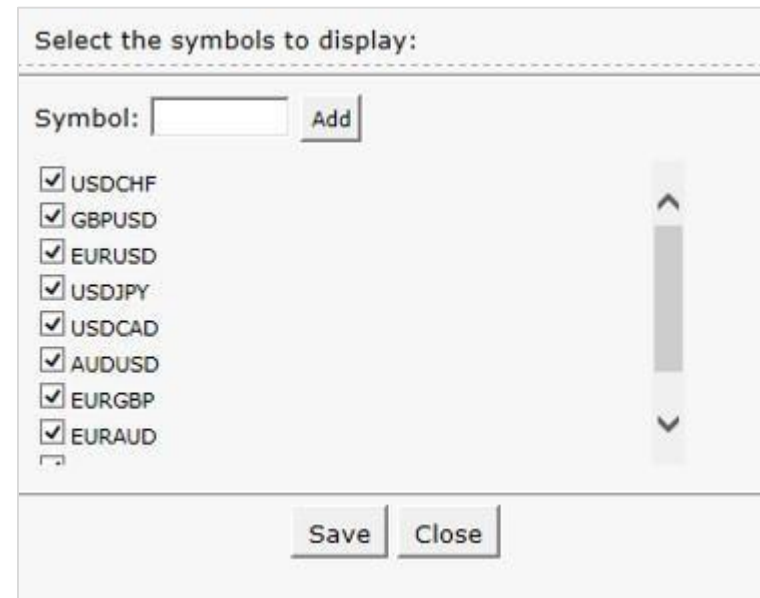
- +90. If you are long both symbols, or short both symbols, then you will tend to see identical profits or losses on both positions. If you are long one symbol and short the other, then you will tend to have a matching profit and loss.
- -90. If you are long both symbols, or short both symbols, then you will tend to have a matching profit and loss. If you are long one symbol and short the other, then you will tend to see identical profits or losses on both positions.

The checkered cells show rows and columns which are the same (i.e. correlation of EURUSD against itself is meaningless). The grid is symmetrical either side of the checkered line: e.g. the correlation of EURUSD against USDCHF is the same as the correlation of USDCHF against EURUSD.

	NZDSGD	AUDNZD
AUDNZD	-69	
AUDSGD	+66	+8

**B. CHANGING THE PARAMETERS FOR THE CALCULATION**

You can use the fields at the top of the matrix to choose a **timeframe** (e.g. H1, D1) (1) and a **number of historic bars**, e.g. 25, 100, 500 (2). Correlation between symbols changes over time, and recent correlation may not continue in future. As a general rule, the settings which you choose should be related to how long you intend to keep open positions for. For example, if you expect a position to be open for 24 hours, you might want to look at H1 correlation over the last 50 or 100 bars (roughly 2 or 4 days). You can choose which symbols to include in the Matrix by using the **Three Dots** button (3). It then shows the list of symbols which are currently being displayed, and a list of all available symbols.



### C. HIGHLIGHTING CORRELATION STRENGTH

The **strength field** (1), next to the bars field, lets you highlight different types of correlation in the grid. For example, if you pick *Strong* then the grid highlights correlation above  $\pm 75$ , and grays out all weaker correlations.

The screenshot shows the 'Correlation Matrix' window with a dropdown menu open for the 'Strength' field. The menu options are: (no highlight), Strong, Medium, Weak, None, Strong or medium, and Weak or none. The 'Strong' option is selected and highlighted with a red dashed box and a blue arrow labeled '1'.

	USDCHF	GBPUSD	EURUSD	USDJPY	EURGBP
USDCHF		+70	-92	+33	-81
GBPUSD	+70		-69	+45	+46
EURUSD	-92	-69		-17	-71
USDJPY	+33	+45	-17		-40
USDCAD	+50	+46	-71	-40	

**D. TRADE LIST**

The **Trade List** button (1) shows the average correlation between a list of selected symbols – for example, positions you are currently trading, or positions which you intend to open in future. The list shows the average correlation, and also marks any symbols which have strong correlation with another symbol on the list. In the following example the overall average is **weak correlation** (2), but AUDUSD and NZDUSD have strong correlation with each other.

Select a combination of symbols to trade: Close

- USDCHF
- GBPUSD
- EURUSD
- USDJPY
- USDCAD
- AUDUSD
- EURGBP
- EURAUD
- EURCHF
- EURJPY

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± 0.35
Average: Weak correlation
»

Correlation
...
M15
200 bars
(no highlight)

Trade list

1

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