

ADX Trend Following strategy

ADX trend strength, DI direction and a 50 EMA exit, with an AUDUSD example and a free Pine Script. By M. A. Horaira, updated 10 October 2026.

THE RULES

- **Market:** any major pair, 4-hour chart (example: AUDUSD)
- **Trend strength:** ADX (14) above 25 and rising
- **Direction:** +DI above -DI and the price above the 50 EMA (mirror for shorts)
- **Trigger:** the ADX crosses above 25, or +DI crosses above -DI while the ADX is above 25; enter at the close
- **Stop loss:** $2 \times \text{ATR}(14)$ from the entry
- **Exit:** a close back below the 50 EMA (above it for shorts); no target
- **Size:** risk 0.5% to 1% of the account on the $2 \times \text{ATR}$ stop

WORKED EXAMPLE

AUDUSD 4H: ADX crosses 25 (25.1), +DI 26.4 > -DI 6.5, close 0.6624 above the 50 EMA. Stop $2 \times \text{ATR} = 0.6586$ (38 pips). \$10,000 at 1% = 0.26 lots. Exit on a close below the 50 EMA at 0.6722: +98 pips (about 2.6R).



Illustrative chart drawn to show the rules, not a real day's prices.

LOT SIZE

Lots = money at risk ÷ (stop in pips × pip value per lot).
On EURUSD, GBPUSD and AUDUSD one standard lot is \$10 a pip. Risk the same 0.5% to 1% on every trade.

BEFORE EVERY TRADE

- ☐ ADX above 25 AND rising?
- ☐ +DI above -DI, price above the 50 EMA?
- ☐ Trigger candle (ADX cross or DI cross)?
- ☐ Stop $2 \times \text{ATR}$, sized from it?
- ☐ Exit only on a close below the 50 EMA?

BACKTEST IT BEFORE YOU TRADE IT

1. Open the chart on TradingView.
2. Pine Editor → paste the free script → Add to chart.
3. Settings → Properties: add your commission and slippage.
4. Look for 100+ trades, a profit factor above 1 after costs, and a drawdown you can live with.
5. Check the same settings on other dates, then demo trade for a few weeks.
6. Free script: pipledgerfx.com/downloads/trend-following-strategy.pine

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