

Automating Your Trading Methodology in Bluewater

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Automation is not magic. It's structure. Before you can automate your trading methodology, you must first **prove** that your methodology works manually inside Bluewater Trader—using your charts, your studies, your order strategies, and your execution rules. Only then can you translate that methodology into a **state-event machine**, the foundation of every automated strategy in Bluewater.

This knowledge nugget walks you through the entire process:

1. **Set up Bluewater charts and studies to trade your methodology manually**
2. **Define your trade logic clearly enough to automate**
3. **Build a state-event machine that represents your trading behavior**
4. **Draw the states, transitions, and conditions**
5. **Translate that structure directly into Bluewater's Strategy Builder**
6. **Define entry and exit logic**
7. **Attach order strategies to support your automated trade strategy**

By the end, you'll understand exactly how to turn your trading methodology into a repeatable, programmable, automated system.

1. Start With Manual Trading: Prove Your Methodology Inside Bluewater

Automation begins with **manual clarity**. You cannot automate what you cannot describe. And you cannot describe what you cannot execute manually.

So the first step is simple:

Set up Bluewater Trader so you can trade your methodology manually with confidence.

This includes:

A. Configure Your Charts

- Choose your timeframe (1-min, 5-min, 30-min, etc.)
- Add your preferred chart type (candles, bars, Renko, etc.)

- Add your studies (moving averages, VWAP, Market Profile, order flow tools, etc.)
- Add your custom indicators if needed
- Organize your workspace so you can see everything clearly

Your chart should visually express your methodology.

B. Add Your Studies and Signals

If your methodology uses:

- Trend filters
- Momentum indicators
- Market Profile levels
- Order flow signals
- Liquidity zones
- Bias conditions

...you must configure them exactly as you trade them manually.

C. Define Your Manual Entry Conditions

You should be able to say:

- “I enter long when X happens.”
- “I enter short when Y happens.”
- “I avoid trades when Z happens.”

If you cannot articulate your entry conditions, you cannot automate them.

D. Define Your Manual Exit Conditions

You should know:

- When you take profit
- When you stop out
- When you scratch a trade
- When you reverse
- When you stand down

Automation requires clarity.

E. Configure Your Order Strategies

Bluewater's order strategies allow you to:

- Place bracket orders
- Auto-manage stops
- Auto-trail
- Auto-scale
- Auto-break even

These are essential for automation because your Trade Strategy will call these order strategies automatically.

Once you can trade your methodology manually—cleanly, consistently, and confidently—you are ready for automation.

2. Understand What a State-Event Machine Is

A **state-event machine** (also called a finite state machine) is a simple but powerful way to model trading behavior.

It consists of:

- **States** → the condition your strategy is currently in
- **Events** → things that happen in the market
- **Transitions** → rules that move your strategy from one state to another

A state-event machine is perfect for trading because trading is inherently state-based:

- You are either **flat**
- Or **long**
- Or **short**
- Or **waiting**
- Or **<any other state you need to track>**

Every trading methodology can be expressed as a set of states and transitions.

Bluewater's Strategy Builder is built around this concept.

3. Define Your Trading States

Here are the core states almost every trading methodology needs:

State 1: FLAT

You have no position. You are waiting for a valid setup.

State 2: LONG

You are in a long position. Your long order strategy is active.

State 3: SHORT

You are in a short position. Your short order strategy is active.

State 4: WAITING

You are waiting for confirmation. This is optional but useful for multi-step setups.

These states form the skeleton of your automated strategy.

4. Draw the State-Event Machine

Below is a conceptual diagram of the state-event machine. Imagine each state as a bubble, with arrows connecting them.

5. Define the Events (Conditions) That Move You Between States

Events are conditions that trigger transitions.

Here are common events:

Event A: Long Setup Triggered

Conditions:

- Trend filter bullish
- Momentum positive

- Price above key level
- No stand-down conditions

Transition:

- FLAT → LONG

Event B: Short Setup Triggered

Conditions:

- Trend filter bearish
- Momentum negative
- Price below key level
- No stand-down conditions

Transition:

- FLAT → SHORT

Event C: Long Exit Triggered

Conditions:

- Stop hit
- Target hit
- Trend reversal
- Time exit

Transition:

- LONG → FLAT

Event D: Short Exit Triggered

Conditions:

- Stop hit
- Target hit
- Trend reversal
- Time exit

Transition:

- SHORT → FLAT

Event E: Reverse Long → Short

Conditions:

- Strong bearish signal
- Trend flips
- Momentum shifts

Transition:

- LONG → REVERSING → SHORT

Event F: Reverse Short → Long

Conditions:

- Strong bullish signal
- Trend flips
- Momentum shifts
- Bias changes

Transition:

- SHORT → REVERSING → LONG

Event G: Stand Down

Conditions:

- News event
- Volatility spike
- Market outside structure

Transition:

- ANY STATE → STAND DOWN

6. Translate This Directly Into Bluewater's Strategy Builder

Bluewater's Strategy Builder allows you to define:

- States
- Events
- Conditions
- Transitions
- Entry logic
- Exit logic
- Order strategies

You simply take the state-event machine you designed and enter it into the Strategy Builder.

For example:

State: FLAT

Transitions:

- If LongSetup = true → EnterLong
- If ShortSetup = true → EnterShort
- If StandDown = true → GoToStandDown

State: LONG

Transitions:

- If LongExit = true → ExitLong
- If ReverseShort = true → ReverseToShort
- If StandDown = true → ExitLongAndStandDown

State: SHORT

Transitions:

- If ShortExit = true → ExitShort
- If ReverseLong = true → ReverseToLong
- If StandDown = true → ExitShortAndStandDown

State: EXITING

Transitions:

- When exit order fills → FLAT

State: STAND DOWN

Transitions:

- If conditions normalize → FLAT

This structure is clean, logical, and easy to automate.

7. Define How You Enter Trades

Your entry logic must be explicit.

- Market Order
- Long or short Order Entry Strategy

8. Define How You Exit Trades

Exit logic must be equally explicit.

- Market Order
- Strategy Exit using Flatten
- Long or short Order Exit Strategy

9. Create Order Strategies to Support Your Trade Strategy

Your Trade Strategy does not manage stops or targets directly. It calls **Order Strategies**, which do the following:

- Place bracket orders
- Manage stops
- Trail stops
- Scale out

- Break even
- Auto-cancel
- Auto-reverse

You will create:

- **Long Exit Order Strategy**
- **Short Exit Order Strategy**
- **Strategy Exit Condition**

Your Trade Strategy simply triggers them.

10. Final Takeaway: Automation Is Structure

Automation is not about coding. It is about **clarity**.

You must:

1. Trade your methodology manually
2. Define your states
3. Define your events
4. Define your transitions
5. Build your state-event machine
6. Enter it into Bluewater's Strategy Builder
7. Attach order strategies
8. Test and refine

Once you do this, your trading methodology becomes:

- Repeatable
- Consistent
- Emotion-free
- Executed with precision
- Fully automated

This is how professionals automate their trading inside Bluewater.