TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time!®

USER'S GUIDE

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INTRODUCTION TO FUTURES

INTRODUCTION TO FUTURES

The Basics of Futures Trading

Introduction

The Stock Market evolved into being a way for companies to raise capital. By exchanging ownership in a company for cash, early business ventures were able raise capital to buy equipment, or build factories. Companies hundreds of years ago, as well as today, primarily use the stock market as a means to raise capital.

The modern futures market evolved not from a need to raise capital, but from a need to transfer risk. The futures market makes it possible for those who wish to manage price risk (hedgers) to transfer that risk to those who are willing to accept it in the hopes of a profit (speculators).

Futures markets are first and foremost a risk transference vehicle. Futures markets also provide price information that the world looks to as a benchmark in determining value of a particular commodity or financial instrument on any given day or at any specific time of the day. These benefits, risk transference, and price discovery, reach every sector of the economy of the world where changing market conditions create economic risk; including such diverse fields as agricultural products, foreign exchange, imports, exports, financing and investment vehicles.

What are Futures?

Futures contracts are standardized to meet the specific requirements of buyers and sellers for a variety of commodities and financial instruments. Quantity, quality, and delivery locations (all the essential ingredients) are pre-established. The only variable is price, which is discovered through an auction-like process on the trading floor of an organized futures exchange.

For example, assume an individual buys one contract of March Corn at $2.25 per bushel on January 2nd, initiating a long position. This contract calls for the delivery of 5,000 bushels of Number 2 Yellow Corn seven days before the last business day of the delivery month (March) at an exchange-recognized facility. If on February 15th, the purchaser of the March Corn contract wishes to exit his position, he can do so by selling one March Corn contract.

Assuming that the contract was sold at $2.45 per bushel, the holder of the March Corn contract would receive $1,000.00 before

broker commissions and fees for holding the position for six weeks:

Profit or Loss = Sale Price – Purchase Price * # of bushels ($2.45 - $2.25 = $0.20 * 5,000 = $1,000.00)

Our person in this example is $1,000.00 richer for the experience, and has no further obligation in the Corn market because the sale of the March Corn futures contract at $2.45 per bushel offset the earlier purchase at $2.25 per bushel.

Notice in this example, that all of the features of the contract were predetermined by the exchange except price.

- Quantity: 5,000 bushels for Corn futures
- Quality of the Corn: #2 Yellow
- Delivery time: 7th to last business day of the contract month
- Location: exchange-recognized warehouse or transfer station

Because futures contracts are standardized (with the only variable being price) buyers and sellers are able to exchange one contract for another and actually offset their obligation to deliver or take delivery of the commodity underlying the futures contract.

Offset means taking an equal and opposite position in the futures market to one's initial position.

Margins and Guaranteeing Futures

The exchanges and their members are able to guarantee all trades because they require all parties in a transaction to deposit performance bond margins.

Performance bond margins are financial guarantees required of both parties (buyers and sellers) of futures contracts to ensure fulfillment of the contract obligations.

That is, buyers and sellers are required to take or make delivery of the commodity or financial instrument represented by the futures contract unless the position is offset before contract expiration.

Before entering into a transaction, both parties have to post Initial Margin Requirement. The Initial Margin Requirement is the amount of money a party must have on account with a clearing firm (your broker) at the time the order is placed.

Initial margin funds must be on deposit before any trade can be accepted. Maintenance Margin is a set minimum margin (per outstanding futures contract) that a party to a futures contract must maintain in his/her margin account to hold a futures position.

Initial Margin Requirements vary from commodity to commodity, but are generally between 5% and 10% of the total value of the contract.

For example, if March Corn futures are trading at $2.11/bushel, the initial Margin Requirement for CBOT Corn futures is $405.00 per contract, with a maintenance margin requirement of $300.00. Our speculator would have to have at least $405.00 on deposit with his broker before he could enter the market. He would need to have an account liquidating value of at least $300.00 per contract in order to stay in the position.

Let's assume that our speculator has $1,000 in his account and decides to buy 2 contracts of March Corn at $2.35/bushel on January 2nd. He is able to buy 2 contracts of March Corn because he has more than the initial margin requirement of $810.00 ($405.00 initial margin x 2 contracts = $810.00). With $50.00 round turn commission rate ($25.00 in, $25.00 out) our speculators broker would charge him $50.00 in commissions as well. Assume that March Corn settled at his entry price of $2.35/bushel. His account liquidating value would be $950.00, or $1,000.00 initial deposit - $50.00 commission to buy 2 contracts of Corn. Since the liquidating value of the speculators account (Funds on Deposit + Open Position Profit or loss) is greater than the maintenance margin requirement of $300.00 per contract or $600.00 for 2 March Corn, he is able to stay in the trade.

The next day, much to our speculators detriment, Corn prices drop by 5 cents. Our speculator now has an open position loss of -$500.00 and an account liquidating value of $450.00 ($1,000.00 - $50.00 commission - $450.00 open position loss = $450.00). Since this value is less than the Maintenance Margin requirement of $300.00 per contract, or $600.00, our speculator is on a Margin Call.

In order to keep the position, the speculator must either send enough money to bring the account back above the Initial Margin Requirement of $810.00 or liquidate the position. The Maintenance Margin Requirement is the minimum amount of money, which must be in the account (including open position profits and losses) to maintain an open position in the futures market. If the value of the account dips below this level, then the account holder must either send additional funds to his/her broker or liquidate the position. Usually, traders have 5 business days to get funds posted to the account, but in some cases the brokerage firm may liquidate the futures positions in order to meet the Margin Call.

Note: Brokerages have the right to liquidate your position immediately, and many may require you to wire funds immediately

to avoid liquidation. Also be aware that margin requirements are subject to change without notice.

Remember, Initial Margin is the minimum amount of money you must have in your account to open up a futures position. Maintenance Margin is the minimum amount of money you must have in your account to maintain the position. So in our Corn example, the initial margin was $405.00 per contract, meaning that a trader must have at least $405.00 per contract in his/her margin account before a Corn futures position can be entered into. After the position is entered into a balance of $300.00 per contract or the Maintenance Margin must be maintained in order for the position to be left open. If the available funds in the account (funds deposited + open position profit or loss) are less than the Maintenance Margin Requirement, then more funds must be deposited or the futures positions will be liquidated or offset by taking an opposite position in the futures market.

Reminder: Long or buy positions are offset or closed by selling, while short or sell positions are offset or closed out by buying.

The dual margining system (initial and maintenance) of the futures market ensures that all positions are adequately financed, insuring the integrity of the futures market. The exchanges set the minimum margin requirement based on the volatility and dollar value of the contract. Margin levels are subject to change both up and down at the discretion of the Exchange. Most brokerage firms charge the exchange minimum margin, but they are entitled to charge more, so be sure to check with your broker before entering into any futures transaction.

The Long and Short of Trading

There are two basic positions one can have in the futures markets:

1. A long position entails the purchase of futures contracts in anticipation of rising prices.

Purchasing a futures contract enters into a long position. Long positions are profitable if the underlying futures contract increases in price during the holding period. Selling the same quantity and contract month that one initially purchased offsets a long position. Long positions are typically used by consumers to hedge against rising prices, and initiated by speculators in anticipation of higher prices.

2. A short position entails the sale of futures contracts in anticipation of lower prices.

A short position is entered into by initially selling a futures contract. In the futures market, unlike the stock market, it is just as easy to establish a short position as a long position. Short positions are profitable if the underlying futures contract decreases in price during the holding period. Buying the same quantity and contract month that you initially sold offsets your short positions. If the resulting purchase price is less than the original sale price, a profit is achieved. However, if the resulting purchase price is greater than the original sale price, a loss is incurred.

Commodity producers who wish to avoid potentially lower prices - as a short position increases in value and prices decline - usually establish short positions. Speculators anticipating lower prices in the future establish short positions.

Calculating Profit/Loss:

To figure out the profit or loss associated with a position is the same regardless of either a long or short position. The profit or loss from a futures position is calculated as follows:

Profit or Loss = Sell Price – Buy Price x Contract Size x Number of Contracts

For example, assume a speculator thinks that Corn prices will go down in the coming weeks. As such, he sells 2 March Corn contracts at 235 ($2.35 per bushel, but corn prices are quoted in cents per bushel, so the price is said to be 235 cents per bushel), thus initiating a short position.

Having studied the behavior of Corn, using his Track ‘n’ Trade software, our speculator was correct, and Corn prices fell from 235 to 220 over the next two weeks. Given the –15 cent drop in Corn prices, our speculator has a $1,500.00 open position profit, and decides to “cash in” his winning by buying 2 March Corn futures at 220.

Profit or Loss = Sell Price – Buy Price x Contract Size x Number of Contracts

= 235 – 220 = +15 cents

= $0.15 x 5,000 bushel contract size = $750.00 per contract

= $750.00 per contract x 2 contracts = $1,500.00 (before commissions and fees.)

Now assume that another speculator buys (initiating a long position) 2 March Corn at 235. After two weeks, prices again drop by –.15 cents to 220, at which time he offsets the long position by

selling 2 March Corn at 220. His loss from the transaction would be -$1,500.00before commissions and fees.

Profit or Loss = Sell Price – Buy Price x Contract Size x Number of Contracts

= 220 – 235 = +15 cents

= -$0.15 x 5,000 bushel contract size = $750.00 per contract

= -$750.00 per contract x 2 contracts =- $1,500.00 (before commissions and fees.)

As you can see, whether you are long or short, the basic idea of speculating in the futures market is to “BUY LOW” and “SELL HIGH.” In the futures market this can be done in any order. You can initiate a Long Position by buying the futures first and then at a later time offsetting by selling, and you profit if the sale price (exit price) is higher than the purchase price (entry price). Or, you can initiate a Short Position by selling the futures first and then offsetting the contract(s) at a later time by buying them. A profit will still occur if the sale price (entry price) is higher than the purchase price (exit price).

Of course the profit or loss amount is determined by the contract you are trading. Each market is quoted differently. Some markets are quoted in points, while others are quoted in cents.

Points vs. Cents:

Quoting Prices and Calculating Profit or Loss

Each futures contract is quoted in a slightly different manner, and as such your profit or loss calculation for most markets is slightly different. The following is a basic highlight of the major markets and how they are quoted. Of course, Gecko Software’s Track ‘n Trade® Pro charting software has tools to convert price moves to profit or losses, but we thought we would show you a few examples so you can understand how they are quoted.

Grains:

Corn, Wheat, Oats, and Soybeans are quoted in cents per bushel. The contract size for all of these is 5,000 bushels. For example, a Corn price of 235 is really $2.35 per bushel. Each of these grains moves in 1/4-cent increments, which equates to $12.50 before commissions and fees. Profit or loss of 1 cent move = $50.00 before commissions and fees.

Meats:

The contracts are quoted in cents per pound. So if Live Cattle is trading at 74.00, the price is actually 0.74 cents per pound. Meat

prices move in 0.025 cents per pound increments, but usually the last 0.005-cent per pound is dropped, so a price quote of 74.02 is really 74.025, while a price quote of 74.17 is actually 74.175. Live Cattle, Lean Hogs and Pork Bellies contracts all call for delivery of 40,000 pounds, thus a 0.025-cent per pound is worth $10.00 before commissions and fees. Profit or loss of a 1 cent move = $400.00 before commissions and fees. Feeder Cattle prices are quoted the same way, except that Feeder Cattle futures call for 50,000 pounds, thus a 0.025 cent move is worth $12.50 and a 1 cent move in Feeder Cattle = $500.00 before commissions and fees.

"Softs" or Exotics:

Coffee, Sugar and Orange Juice are all quoted in cents per pound, but each has a different contract size. For example, a Coffee price of 50.40 is 50.40 cents per pound, while an Orange Juice price of 89.95 is 89.95 cents per pound, and a Sugar price of 762 is really 7.62 cents per pound (decimal is moved over in Sugar, as prices are quoted in cents per hundred weight). Now, just to confuse everyone, Cocoa prices are quoted in dollars per metric ton, so a price of 1301 is really $1301 per ton.

The contracts size for Coffee is 37,500 pounds, so a 1-cent move is worth $375.00 before commissions and fees. Orange Juice futures call for delivery of 15,000 pounds so a 1-cent move is worth $150.00 before commissions and fees. Sugar is traded in 112,000-pound increments, so a 1-cent move in Sugar is equal to $1,120.00 before commissions and fees. Cocoa contracts call for 10 tonnes at delivery so a $1 move in Cocoa is worth $10.00 before commissions and fees.

Metals:

Gold, and Platinum prices are quoted in dollars per troy ounce. Most quote vendors display there prices in this format as well, so prices are easy to read. A Gold price of 285.10 is $285.10 per troy ounce, while a Platinum price of 475.5 is $475.50 per troy ounce. However, each contract has a different contract size. Each Gold futures contract represents 100 troy ounces, so a $1.00 per troy ounce move equates to $100.00 before commissions and fees. Platinum futures represent only 50 troy ounces, as Platinum is much more rare than Gold. Each $1.00 per toy ounce move in Platinum is equal to $50.00 before commissions and fees.

Silver and Copper Futures are quoted in cents; cents per troy ounce in Silver, and cents per pound in Copper. For example, a Silver price of 452.5 is actually $4.525 per ounce, while a Copper price of 70.20 is really $0.7020 per pound. Each Silver contract represents 5,000 ounces; therefore a 1.0-cent move equals

$50.00 before commissions and fees. Copper contracts control 25,000 pounds of copper; therefore a 1.00-cent move equals $250.00 before commissions and fees.

Petroleum:

Crude oil is quoted in dollars per barrel (bbl). A price of 20.50 is $20.50 per barrel. Each contract represents 1,000 barrels of oil; therefore a $1.00/barrel move is equal to a $1,000.00 profit or loss before commissions and fees.

Heating Oil and Unleaded Gasoline are just like they are at the pump (but lower as taxes are not included nor service station mark-ups), in cents per gallon. Therefore a price of 52.46 is $0.5246 per gallon. Both contracts call for delivery of 42,000 gallons, therefore a 1-cent per gallon equates to $420.00 before commissions and fees.

Currencies:

Currencies represent an exchange rate, or how many US Dollars it take to buy one Swiss Franc, Japanese Yen, Euro, or Mexican Peso. Prices are quoted in many different fashions, but the basic convention is that a 0.01 move in the Swiss Franc, or Yen equals $12.50 before commissions and fees because of the contract size. The Canadian Dollar, US Dollar Index, and Euro have a different contract size, and therefore a 0.01 move equates to $10.00 before commissions and fees.

Financials:

The same basic principles apply to the financial markets, which are generally quoted in terms of points. Prices are usually read as is, though some like the treasury securities (US, TY, FV, TU) are traded in different combinations of 1/32nd or 1/64th. Each of these markets has the dollars per point already calculated into Gecko Software's Track 'n Trade application, and a list of the different contract sizes and pricing terms are available from the various exchanges they trade on, as they do not follow a single convention.

Margins, Cents, Points & the Power of Leverage

Before entering into either a long or short position, one must post a performance bond, or have the Initial Margin Requirement necessary. Because it is only necessary to post a fraction of the underlying value of the worth of the underlying contract, futures are a highly leveraged trading vehicle.

Initial Margin Requirements vary from market to market, but generally are only 3% to 18% of the value of the underlying contract value.

For example, with March Corn trading at 211 per bushel ($2.11/bushel), the current initial margin requirement is $405 per contract. Each Corn futures contract represents 5,000 bushels of Corn, so the underlying value of a contract of Corn at 211 is $10,550. In other words, for $405 you can control $10,550 worth of Corn. Thus, by putting up just 3.9% of the value of the contract, you can control 5,000 bushels of Corn (remember, margin requirements are subject to change without notice).

In the above example, a 1-cent move in the price of Corn ($50.00 before commissions and fees) represents a 12.3% return on the initial Margin Requirement. This is the power of leverage. A small move in the price of the futures contract can mean a large move in your account.

Another example, a 3.9% move in the price of Corn could yield a 100% return, double your money, or lose it all, if properly or improperly positioned. The power of trading on margin is that a small move in the price of the underlying equates to a large return (either positive or negative) on the money posted.

Just as leverage magnifies the amount of force used, as in the case of pulleys allowing men to lift very heavy objects, financial leverage magnifies the amount of money, which can be made or lost in the markets. As they say in Chicago… “The futures markets have made millionaires of more young men than Rock and Roll.”

However, we want to point out that leverage is a two edged sword. Over leveraging your trading is a sure fire way to lose your money…and fast. Think about the leverage of a roulette wheel. Each bet in roulette on a specific number pays off at 35 to 1. For example, if you bet “6” and the ball bounces and lands on “6”, every $1 you bet is paid back to you with $35 dollars. 25 to 1 is great leverage.

Now, assume that you start off with $1 and bet “6” and win. You now have $35 and bet it all on “6”, which comes up again. You take your $1,225 winnings and let them ride on “6” again and win, reaping $42,875. “You can win big, even if you don’t bet big” as they say…let it ride again, making a phenomenal $1,500,625. You let it ride one more time, and up pops “00”. You loose everything.

Though roulette is strictly a game of chance, the above results are possible with futures due to the leverage involved. For example,

you buy 1 Corn futures contract at 210 and the price goes up to 219, giving you open position profit enough to post margin for a second contract. Prices then rise another .04 cents, and you buy a third contract. With Corn prices having risen .13 cents, you were able to buy 3 contracts with an initial investment of only $405.00 However, all it takes is a .05 cent decline in the price of Corn and all your profits are gone. Of course another 5-cent rise would yield a $1,450.00 profit or a 358% return on the initial margin.

It is possible to make highly leveraged, and possibly highly profitable transactions in the futures markets by trading with relatively little financial cushion and pyramiding contracts. However, it has been our experience that those that practice this type of trading generally do not "break the bank" unless of course you are referring to your own bank account, which is usually drained quickly using this type of money management.

Most people are attracted to trading futures because of the leverage involved, and it is the leverage involved which seems to do in most traders. Though futures trading should only be done with genuine risk capital, this does not mean you should take undo risk.

As a general rule of thumb, traders should learn to diversify their risk, only placing a small percentage of their capital at risk at any one time.

Though this style of trade will reduce your "bang for your buck" in the short run, it may prevent you from getting the "bust for your buck" common to many futures traders. Remember, in order to learn this game, you need to be able to stick around to learn all the rules (both written and unwritten), and the only way to stick around is through prudent money management.

Orders to Manage Your Future

The size of your account and the amount of risk you are personally able to bear is a completely personal matter. Some very successful traders, like Richard Dennis who is rumored to have parlayed $1,000.00 into several million in the futures markets, have made fortunes starting with relatively small sums of money. **Most professional fund managers risk as little as 1% of their account equity on any given trade.** Though both of these are probably out of the question for most people starting out in the futures market, as the odds of turning $1,000.00 into several million in a couple of years is akin to hitting "6" on the roulette wheel 5 times in a row. Also, risking 1% of a $1,000 means only risking $10.00 per trade, which just is not practical. However, by maybe postponing your entrance into the futures

market until you have, for example, a $5,000.00 minimum of genuine risk capital (not the kids college fund, the rent, or your next mortgage payment), you could achieve a level of diversity and risk, theoretically then risking 10% of your account ($500.00 before commissions and fees) on any one trade is realistic. This would greatly reduce your risk of ruin, increasing your ability to trade longer and hopefully become more proficient in the long run.

Types of Orders

At the core of all risk management and trading is using the appropriate order for your market objective. The following are some basic definitions of the common order types, all of which can be replicated in Gecko Software's Track 'n Trade Pro charting software.

The Market Order

The market order is the most common type of order. With a market order the customer states the number of contracts of a particular delivery month of a specific commodity he/she wishes to buy or sell. The price of the order is not specified, as the market order is filled "at the market" or at the current price when the order enters the trading pit. Market orders are placed when the speculator or hedger wants in or out of the market fast, since time is the most important factor in this type of order, not price. **Market on Close** is a common variation of this type of order, and is used when the trader wishes to have his/her order executed during the closing of the market (closing range). The **Market on Open** is another common variation, instructing the order to be filled during the markets opening price range.

The Limit ("Or Better") Order

The limit order specifies a price limit at which the order can be filled. The limit order can only be filled at the specified price "or better". For example, a customer wishing to buy two July Corn contracts at 210 when July Corn is trading at 211 would place the following order: "Buy two July Corn at 210, limit."

Buy limit orders must be placed at the current market price or lower; this is because when buying you want the lowest price. The lower the price the better, and limit orders can only be filled at the specified price or lower. Hence one can only place a limit buy order at the current price or lower.

A customer wishing to sell two July Corn contracts at 215 when July Corn is trading at 211 would place the following order: "Sell two July Corn at 215, limit."

Sell limit orders must be placed at the current market price or higher; this is because when selling you want the highest price

possible. The higher the price the better, and sell limit orders can only be filled at the specified price or higher.

An important note about limit orders is that when a buy limit is placed above the market it can turn into a market order, and get filled immediately. This is because if the current price is below the limit price, the market is in a better situation and it becomes a market order. The same principle applies to sell limits: when a sell limit is placed below the market, it becomes a market order, as the higher market price is better.

Remember: Gecko Software's Track 'n Trade program helps you learn all these rules by allowing you to simulate placing these orders, allowing you to practice, and make sure you have each order under your belt, before ever moving on to trade the live markets.

Stop Order

A stop order is not executed until the market reaches the specified price level.

Once the stop level is hit, the stop order becomes a market order. Buy stops are always placed above the market, while sell stops are placed below the market.

For example, a customer wishing to buy July Soybeans at 485 when the current market price is 475 would place a stop order: "Buy one July Soybean at 485, stop." If the Soybean market trades as high as 485 or is bid at 485, the order would become a market order and would be filled as quickly as possible.

A customer wishing to sell July Soybeans at 465 when the market is currently priced at 475 would place a stop order as follows: "Sell one July Soybean at 465, stop." If the Soybean market traded as low as 465 or was offered at 465, the order would become a market order and would be filled as quickly as possible.

Stop orders are usually used to liquidate earlier transactions, to cut losses, or protect profits. For example, let's assume that a speculator bought three July Corn at 210 and the market is currently trading at 225. He/she may wish to protect some of his/her 15-cent profit per contract ($2,250.00 profit before commissions and fees) by placing a sell stop at 220, to protect 10 cents ($1,500 of the profit before commissions and fees). Placing the following order would do this: "Sell three July Corn at 220, stop."

There are many other different types of orders, such as stop limits and market if touched orders, but the above orders are the most commonly used and are really the only orders a beginning trader needs to learn.

Look Before You Leap:

Getting Ready to Start Trading Futures

Before starting a business it is important to have a business plan and have adequate capital. Most new businesses start off with a dream, and the proprietors are willing to work hard. Despite the hard work, they fail because of unforeseen difficulties, poor preparation, or lack of capital. Remember this when starting your trading business, and try to have adequate capital, and plan for the unforeseen by developing and testing a trading plan.

> **Before trading, it is imperative that you develop a trading plan.**

Your trading plan should be capitalized with money you can afford to lose. Generally trading funds are categorized as genuine risk capital if it is money that you can afford to lose. Again, this is not your child's college education fund, the mortgage money, or grocery money. Proper planning and adequate capitalization are the cornerstones of any new venture.

The **first step** in building a house is drawing up plans for the completed house. The workmen who erect the house consult the blueprints when placing walls, placing sinks, appliances, and electrical outlets. The transition from bare ground to a finished home is laid out in the blueprints, or the plan for the completed structure. Trades should be planed with as much detail. Every situation should be planed for, so decisions are made not in the heat of the moment when money is on the line.

The goal of your trading plan is to allow you to make decisions before things happen, giving you a blueprint for trading before entering the market. A basic trading plan should include the following features as a minimum:

- Trade entry
- Initial risk or stop loss point
- Criteria for stop loss movement
- Criteria for profitable trade exit

Once you have developed your trading plan, put it to the test by "Paper Trading." Paper Trading is fictitious trading, or simulated trading, best done using Gecko Software's Track 'n Trade Pro market simulator program, in which you simulate buying and selling futures contracts, therefore not risking real money. The whole purpose of paper trading is to be as realistic as possible when doing it. It does no good to practice trading with a million dollars, if you are going to start with $10,000. Don't practice your trading in the S&P if you are intending to actually trade Corn. Keep your practice as realistic as possible.

The one major downfall to paper trading is that it does not involve real money. It is very easy to live through a fictitious losing streak but quite different to live through it when it is your money on the line. Because paper trading does not involve real money, your emotions are kept at bay, but tend to creep up when real money is involved.

Gecko Software's Track 'n' Trade Pro Charting Program comes with over 25 years of historical data on over 50 different markets, allowing you to learn the markets and develop a trading plan. Four different Plug-in are available for Track 'n Trade Pro to help you maximize your trading strategies. The Plug-ins are listed below:

Accounting Plug-in - Enables Track 'n Trade Pro users to simulate placing life like orders, applying deposits and making withdrawals. Also, it keeps track of commissions paid to your simulated (or live) broker, tracks orders placed, profits & losses and even simulates margin calls.

Options Plug-in – The order tools included with this Plug-in automatically snap to the different strike prices then it shows you the actual dollar value of the option on that particular day. Track 'n Trade Pro users who have this Plug-in keep track of options profit and losses concurrent with your futures orders, allowing them to practice mixing futures and options strategies simultaneously.

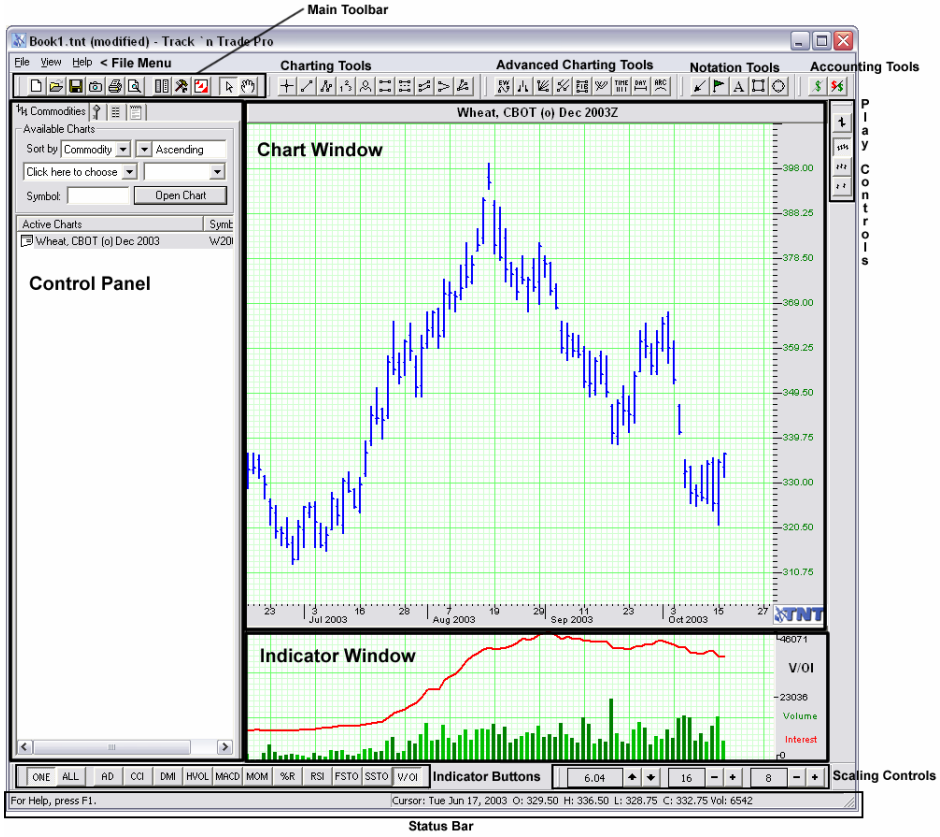
Seasonal Plug-in – Comprised of three indicators for the seasonal market, this plug-in assists the Track 'n Trade Pro user to calculate Seasonal Trends, Market Probability, and gives Historical Averages. All this information is based on what has happened in the past to a particular seasonal contract.

Spreads Plug-in - Place orders directly on the spread chart and let Track 'n Trade automatically simulate placing both orders in the opposing contracts, then calculates your daily profits and losses in the Accounting and Simulation Plug-in module.

So, before ever attempting to trade in the futures market, develop a strategic plan. Your trading plan should be realistic and well tested over past history. Once it has been developed, take six months and paper trade; "simulate" trading in "real time", using Track 'n Trade Pro. If the plan still holds up, then remember the mantra of futures traders: **"Plan your Trade, and Trade Your Plan."**

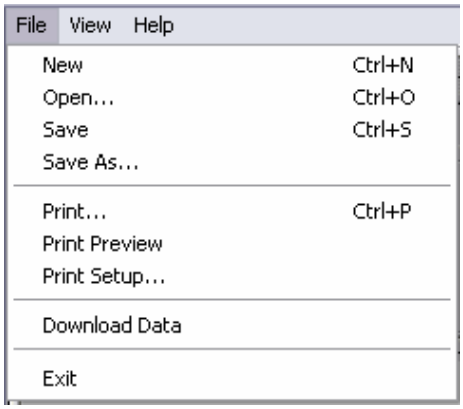
Good Luck,
Lan H. Turner, CEO
Gecko Software, Inc.

Track 'n Trade Intro



This section includes a quick look at Track 'n Trade Pro features and there location in the software. For more information see the following sections referenced.

File Menu – This menu consists of File, View, and Help.

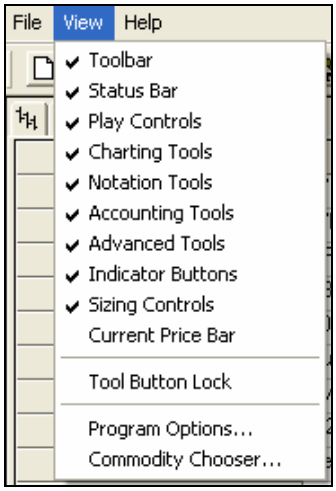


The File Menu consists of:

New: Opening New Chartbook
Open: Opening a Saved Chartbook
Save: Saving current Chartbook with existing name, if Chartbook has been saved. If it hasn't' the Save As window will open for you to name the Chartbook that you are working on.
Save As: Opens the Save As window allowing you to choose a location to save the Chartbook (default My Defaults) and name the Chartbook.
Print: Print the Chart Window. You will need to click in the Chart Window if this option is not available.
Print Preview: Opens a window showing you what the chart will look like when it is printed.
Print Setup: To change the printer options before printing.
Download Data: To open the data download utility.
Exit: Closes the Program.

See the following sections for more information:

- Creating Chartbooks From Start to Finish
- Data Downloads



The View Menu controls the toolbars that are showing in the software. Click on to toggle them on or off. If a check mark is in front of the option it is selected and shown in the software.

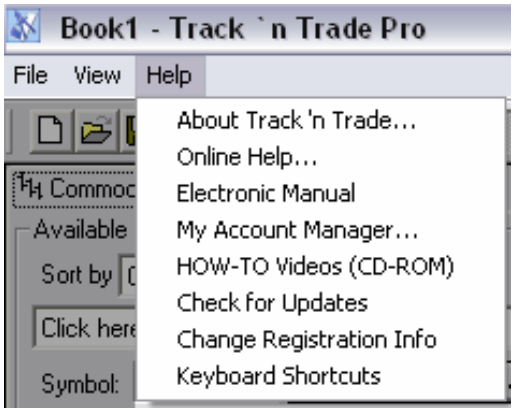
Tool Button Lock: This option gives you the ability to lock a tool selected until you select another tool. Normally when you click on a tool, you draw one item and then the tool ends and you are defaulted to the pointer tool.

Program Options: Select this item to open the Program Options section.

Commodity Chooser: Select this item to open the Commodity Chooser section.

See the following sections for more information:

- Program Options
- Data Downloads



The Help Menu gives you information about your software needed for technical support as well as links for accessing documentation for the software.

About Track 'n Trade: Select to get information about the version installed, activation code, and plug-ins installed.
Online Help: Link to http://help.geckosoftware.com
Electronic manual: Opens the manual.
My Account Manager: Open an internet page that you can use to update your customer information, payment information, and placing additional orders.
How-To Videos (CD-ROM): Instructions on playing videos.
Check for Updates: This option is used to check for new updates for the software or to update your version of the software to include any new plug-ins you may have purchased.
Change Registration Info: If you mistyped your Activation Code or needed to change your code for any reason, click on this option to change the Activation code.
Keyboard Shortcuts: Select to get information on the quick reference list of keyboard shortcuts for common commands.

Main Toolbar – This menu consists of quick buttons for: Open, New, Save, Capture, Print, Preview Print, Commodity Chooser, Program Options, Data download, Pointer and Hand Tool.

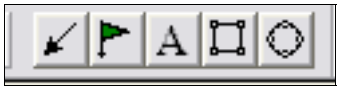
These features are covered in the following sections:
- Creating Chartbooks from Start to finish
- Data Downloads

Charting Tools – This toolbar consists of the: Cross-hair, Line, Multi-Line, 1-2-3, Head & Shoulders, Channel, N%, Inclining/Declining, Wedge, and Trend Fan Tools

These tools are covered in the Analyzing Charts with Charting Tools section.

Advanced Charting Tools – This Toolbar consists of the: Elliot Wave, Dart/Blip, Gann Fan, Andrew's Pitchfork, Fibonacci Retracement, Fibonacci Arc, Fibonacci Time Zone, Day Offset, and the Arc Tool.

These tools are covered in the Advanced Charting Tools section.



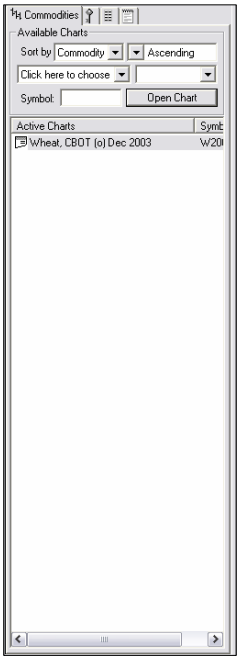
Notation Tools – This Toolbar consists of the Arrow, Flag, Text, Box, and Circle Tool.

These tools are covered in the Personalizing Charts with Notation Tools section.

Accounting Tools – This toolbar consists of the Dollar Calculator and the Risk/Reward Tool.

These calculators are covered in the using Calculators Section

Control Panel – The Control Panel consists of the Commodity, Key, Data and Notes Tabs.



Commodity Tab: This section of the Control Panel gives you the ability to open a chart, add a chart to your Chartbook, and select between the charts that are open.

See the *Creating Chartbooks from Start to Finish* section for detailed information.

Key & Data Tabs: These sections display the key details and data from the contract displayed in the Chart Window.

See the *Data Download* section for detailed information.

Notes Tab: This section gives you the ability to save notes with charts.

See *Personalizing Charts with Notation Tools* section for detailed information.

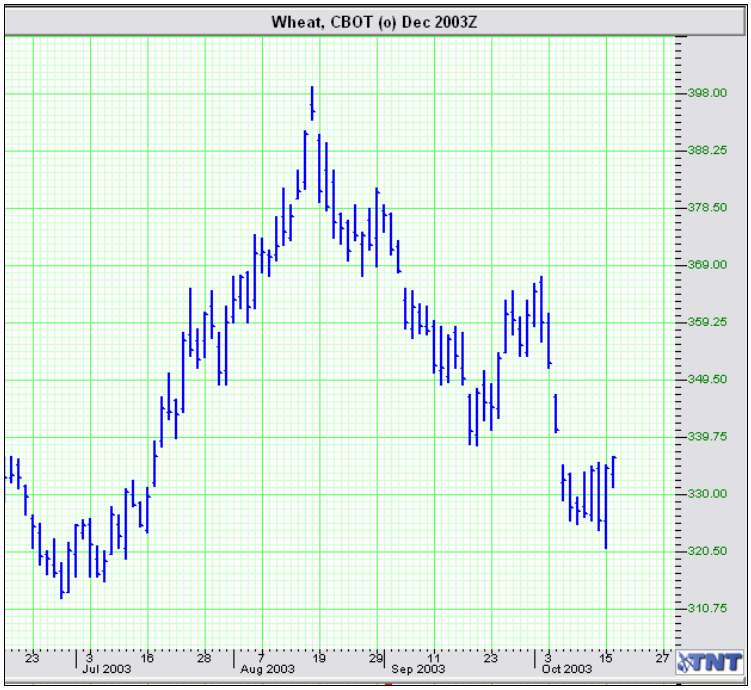
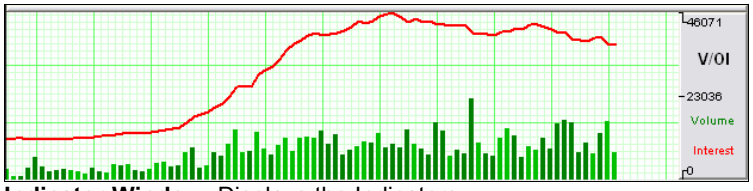


Chart Window: Section of the software that displays the chart.

Play Controls: These controls consist of the center chart button, and the daily, weekly, and monthly chart buttons.

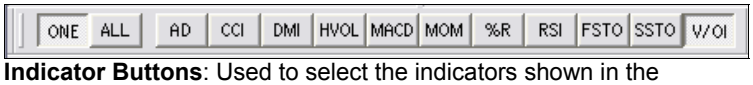
Center Chart Button: This button scales the price bars based on the highest/lowest values displayed in the chart window. For more information on Scaling, see the *Creating Chartbooks from Start to Finish* section.
Daily Chart Button: Automatically selected when opening a chart.
Weekly Chart Button: Opens a long-term weekly chart based on the daily chart shown.
Monthly Chart Button: Opens a long-term monthly chart based on the daily chart shown.

See the *Long-Term Chart* section for more information.



Indicator Window: Displays the Indicators

See the *Indicators* section for more information.



Indicator Buttons: Used to select the indicators shown in the Indicator window

See the *Indicators* section for more information.

Scaling Controls – Gives the user quick access to changing the price bar and ruler scaling.

See the *Creating Chartbooks from Start to Finish* for detailed information.

Status Bar - The status bar gives you the cursor location. You have two values displayed:
- Your mouse position when your mouse pointer is over the Chart Window.
- The last day shown on the chart.
- The cursor bar is also available in a floating tool bar see the View menu

KEYBOARD SHORTCUTS QUICK REFERENCE

CTRL and ↑	Scroll Chart Up
CTRL and ↓	Scroll Chart Down
CTRL and ←	Scroll Chart left
CTRL and →	Scroll Chart Right
Page Up	Half Screen Scroll Up
Page Down	Half Screen Scroll Down
Ctrl and Page Up	Quarter Screen Scroll Up
CTRL and Page Down	Quarter Screen Scroll Down
←	Step Chart Back 1 Tic
→	Step Chart Forward 1 Tic
HOME	Step Chart to Beginning
END	Step Chart to End of Data
SHIFT	Highlight Day Under Cursor
DELETE	Delete Selected Tool
TAB	Move to next open Chart
SHIFT and TAB	Move to previous chart
CTRL	Lock tool to 45 or 90 Degrees
+	Increment Calculator
-	Decrement Calculator
F9	Toggle for text on Chart Pivot Points Indicator
H	Toggle key for showing the Control Panel

TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

CREATING CHARTBOOKS FROM START TO FINISH

Creating Chartbooks from Start to Finish

All you need to know about creating your own Chartbooks

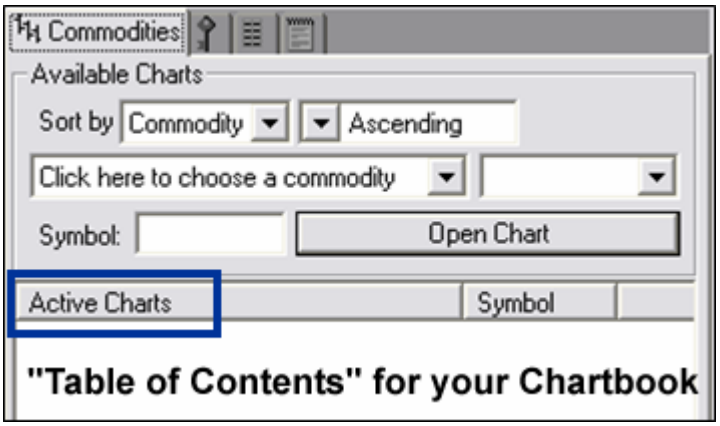
Introduction:

Just like a novel is made up of many single pages, a Chartbook contains many individual charts. Track 'n Trade Pro gives you the ability to save charts in one file; which is called a Chartbook. Each Chartbook can contain several charts; these charts are like the “pages” of your Chartbook.

Every time you open Track ‘n Trade Pro a blank Chartbook named Book1 will open. You can either continue with the new Chartbook that is open or you can open a Chartbook that has already been created.

Each chart that you open and view from the Commodities tab is listed below in the Active Charts list found on the left side of the screen. This list is your "Table of Contents" per say for your Chartbook. Charts are listed in Alphabetical order in this window. To switch between charts simply double-click on the different charts listed.

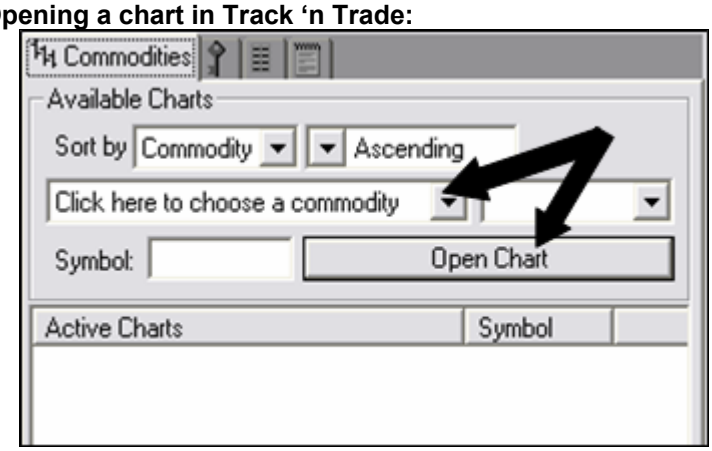
Active Charts List in Track ‘n Trade:



Opening or Creating a New Chartbook

After opening Track 'n Trade Pro, a new Chartbook has already been started for you. It is called Book1. All this Chartbook needs are "pages" or charts added to it. You can add pages to your Chartbook by simply opening charts using the Commodity Tab. See below.

Opening a chart in Track 'n Trade:



1. Choose your commodity from the dropdown menu. Then choose the month and year from the dropdown menu to the right.
2. Click on the Open Chart button to open your chosen chart.

Sorting the Commodity List:

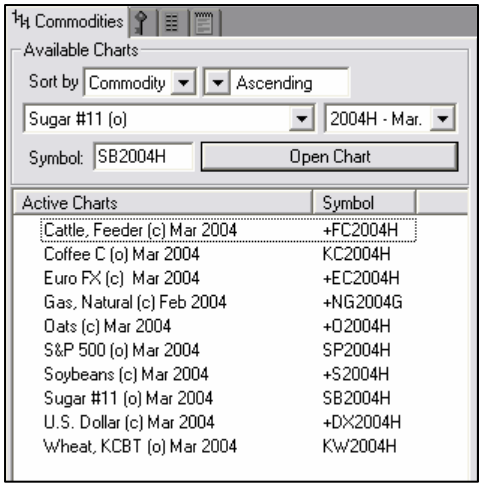
Notice that you have sorting options above the "choose a commodity" drop down menus. You can sort commodities by Group or Exchange, plus you can display them in an ascending or descending order.

Symbol Search:

If you know the symbol of the chart that you are opening, you can type the symbol into the box after *Symbol.* A complete list of Commodity Symbols and Commodity Month Symbols can be found in the Data Download Section.

Adding/Removing Charts in your Chartbook

Now that you have charts in your Chartbook you might want to delete some of the charts you have opened before you save it as a Chartbook.



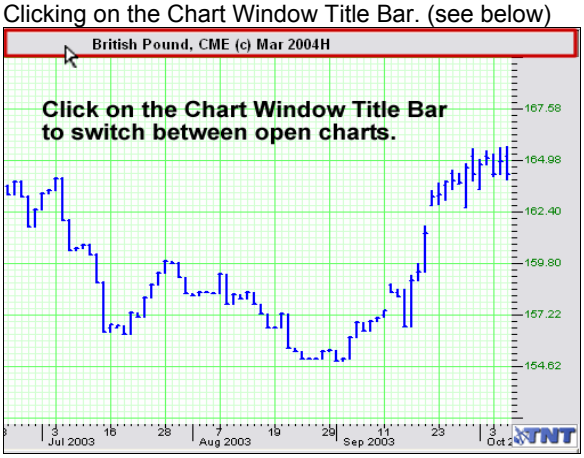
To Remove a Chart:
Simply select on the chart by clicking on it, then right-click and select "Delete Chart".

To Add a Chart:
Simply open another chart using the instructions found in "Opening a New Chartbook".

Switching between Charts in your Chartbook

When you have several charts open in Track 'n Trade Pro, you are able to switch back and forth between the charts listed in the Active Charts by:

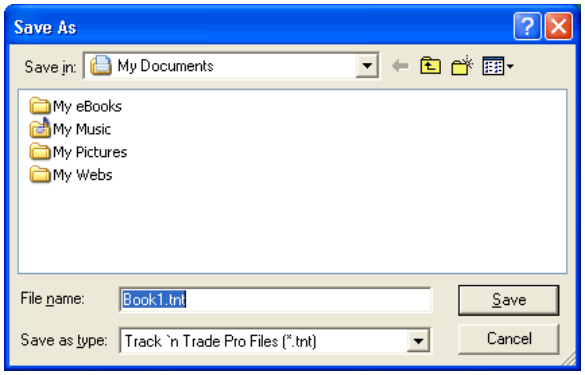
1. Double-clicking the chart in the Active Charts list.
2. Pressing the Tab key on your keyboard.
3. Clicking on the Chart Window Title Bar. (see below)



Saving and Closing a Chartbook

When you have your Active Chart list the way you want it, you can save it as a Chartbook and have it available to open later.

To Save a Chartbook, click on the File menu and then choose Save Book As. This will open the Save As window.



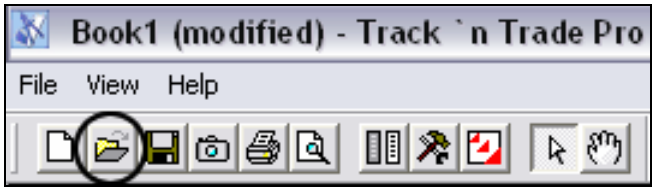
In the Save As window, you will need to note two things:

First look at the folder specified next to the words *Save In*. The default folder is *My Documents*; it is recommended that you use the default folder unless you are familiar with the directory structure of Windows and feel comfortable browsing to other folders. **This is the location in which your Chartbook will be saved.**

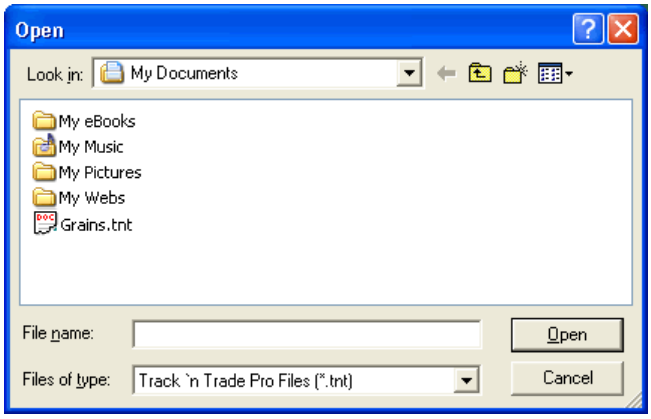
Second, notice the name of your file (Default is Book1.tnt) located after *File Name*. It is recommended that the Chartbook be renamed, so as not to accidentally over-write this file the next time a file is saved. Some Track 'n Trade users have named Books according to Groups, Commodities, or Exchanges, depending on the charts that they are saving in the Book. As you become familiar with Track 'n Trade, you will soon develop a system of your own.

Opening an Existing Chartbook

To open an existing Chartbook click on the Open Folder button shown circled in the main Toolbar, or click on the File Menu and select *Open*.



The following screen will appear:

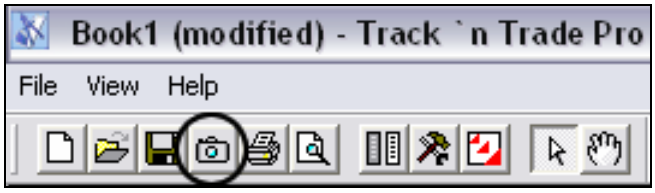


In the Open window, select your file and click on the Open button. In the screenshot above the Chartbook is named “Grains.tnt”. Another way to access recently saved Chartbooks, is to go to the bookmarked section at the end of the File Menu.

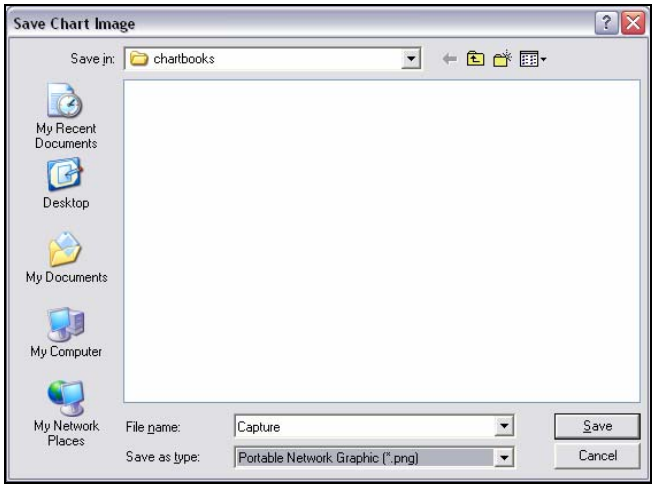
Saving Charts as an Image

Many Track 'n Trade Pro users include Chartbooks and images of their charts in emails, websites etc. To save the current chart as it is on your screen to an image follow these instructions:

Step One: Click on the Screen Capture button in the Main Toolbar. See below:

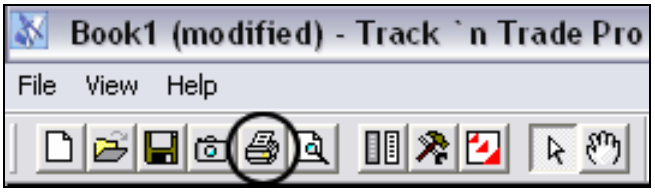


Step Two: The Save Chart image window will appear. In this window you may specify: file name, location and file type. Once the image is saved you are ready to email or import this graphic into your document. The standard web file types are .gif or .jpg.



Printing a Chart

To print a chart in Track 'n Trade Pro, click on the *File Menu* and select *Print*. This will open the Windows Printer Screen for your default printer. You can also print a Chart by clicking on the Printer button circled below on your main Toolbar:



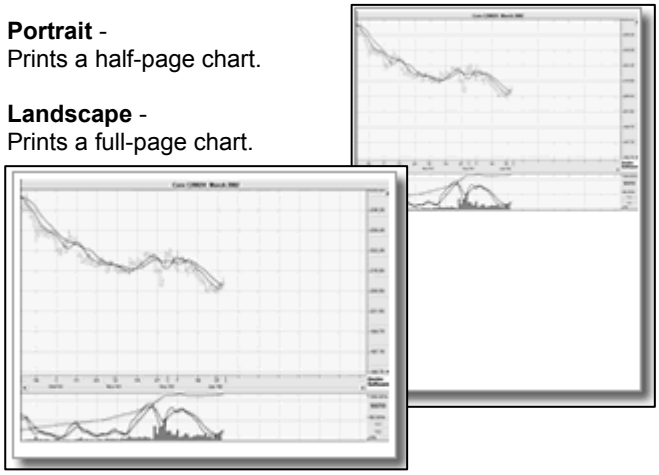
The printed chart will always have the indicator window printed at the bottom of the chart. The size of the chart will depend on the size that it is when you press the Print button.

For an idea of what the chart will look like, click on the  Print Preview button to view the output before printing the chart. Also printed on the chart are the last day's Open, High, Low, and Close.

Printing Options:

Portrait -
Prints a half-page chart.

Landscape -
Prints a full-page chart.



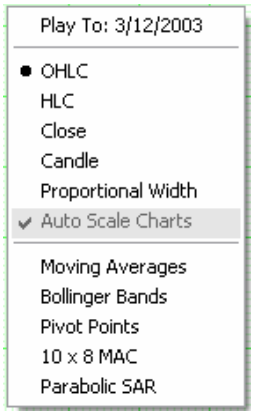
Scaling a Chart

There are many scaling tools available for you use for scaling your charts in Track ‘n Trade Pro. Take a look at each individual tool and how to use them.

Auto Scale Charts:

The Auto Scale Chart feature in Track ‘n Trade Pro forces the chart to scale the price bars displayed in the chart window based on the highest and lowest point available in this set of price bars.

If you have the Accounting & Simulator Plug-in, which includes the play controls, the Auto Scale Chart feature will re-scale the chart each time you click a Play button.



Turning on the Auto Scale Chart Feature:
Right-click on the Chart Window, to see the menu shown at the left, and select the *Auto Scale Chart* option. You will notice that a check mark will appear when this option is selected.

You may also select this feature in the Program Options.

Sizing Controls:

A. The first set of controls scales the vertical height of the price bar.
B. The middle set of controls scales the number of price bars displayed per inch on the chart.
C. The last set of controls scales the days along the bottom of the chart and the points displayed on the right side of the chart.

TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

DATA DOWNLOADS

DATA DOWNLOADS

Update your Track ‘n Trade Pro Database with the simple click of a mouse!

Introduction

The Data Download Utility in Track ‘n Trade Pro is simple to use. Easily control the commodities that you download with the Commodity Chooser and keep current with the Data Utility.

Commodity Chooser:

The Commodity Chooser is a utility for managing the available commodities.

To open the Commodity Chooser:

Click on the View Menu and selecting “Commodity Chooser” or click on the Commodity Chooser button on the main Toolbar.

Selecting/Deselecting Commodities:

You may select/deselect futures and options data for each commodity by clicking the appropriate check box. The options data is only available if you own the Options Plug-in and the Futures & Options Subscription service.

If you would like to select all futures/options or deselect all futures/options data click on the + and – buttons at the end of each column.

Note: Saved Chartbooks containing charts from commodities that you have removed from the chart window, will not be affected by the Commodity Chooser. This utility will not delete data from your hard drive. You will still be able to access your previously saved charts. The Commodity Chooser will only hide this commodity from the Commodity Tab and from the Daily Downloads.

Adding Commodities:

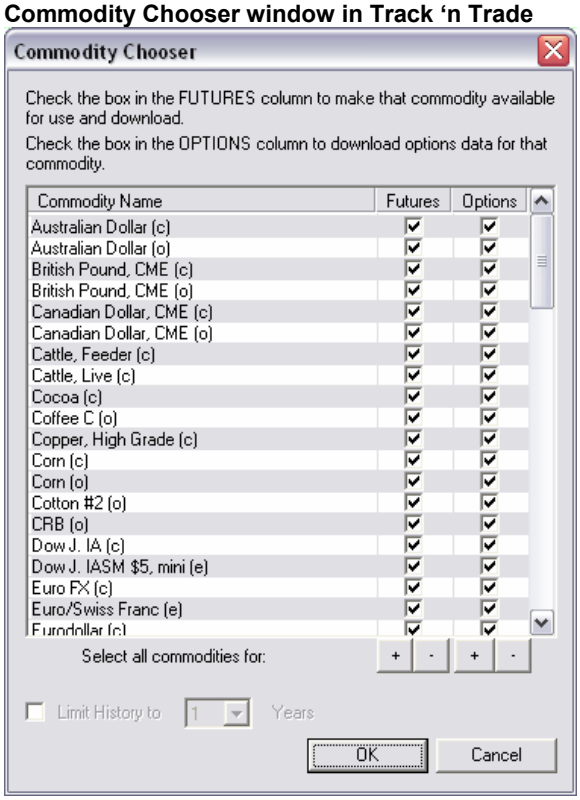
When you add commodities to your data set, the Data Download Utility will retrieve any missing historical data for the commodity on the next data download.

Limit Historical Data:

If you would like to limit the contracts listed in the Commodity Tab drop down menu, select the “Limit History to ___ years” and then select the number of years that you would like to see in the drop down menu.

Note: This option does not change the amount of data stored on your hard drive, it simply controls the data that is displayed in the Commodity Tab. If you were to manually type the symbol (in the symbol search) to a chart not seen in the menu, it would still be displayed.

Commodity Chooser window in Track ‘n Trade



Commodity Symbols

Track 'n Trade Pro will accept contracts typed in the following

format:

Track ‘n Trade Pro Commodity Symbols

Symbol	Name	Exchange	Group
+AD	Australian Dollar (c)	CME / IMM	currencies
AD	Australian Dollar (o)	CME / IMM	currencies
+BP	British Pound, CME (c)	CME / IMM	currencies
BP	British Pound, CME (o)	CME / IMM	currencies
+CD	Canadian Dollar, CME (c)	CME / IMM	currencies
CD	Canadian Dollar, CME (o)	CME / IMM	currencies
+EC	Euro FX (c)	CME / IMM	currencies
+JY	Japanese Yen, CME (c)	CME / IMM	currencies
JY	Japanese Yen, CME (o)	CME / IMM	currencies
+MP	Mexican Peso (c)	CME / IMM	currencies
MP	Mexican Peso (o)	CME / IMM	currencies
+SF	Swiss Franc (c)	CME / IMM	currencies
SF	Swiss Franc (o)	CME / IMM	currencies
RZ	Euro/Swiss Franc (e)	NYBOT / FINEX	currencies
+DX	U.S. Dollar (c)	NYBOT / FINEX	currencies
DX	U.S. Dollar (o)	NYBOT / FINEX	currencies
+NG	Gas, Natural (c)	NYMEX	energies
+HU	Gasoline, Unleaded (c)	NYMEX	energies
+HO	Oil, Heating (c)	NYMEX	energies
+CL	Oil, Light Crude (c)	NYMEX	energies
+MB	Municipal Note 10 yr (c)	CBOT	financials
+US	U.S. T-Bond 30 yr (c)	CBOT	financials
US	U.S. T-Bond 30 yr (o)	CBOT	financials
+TY	U.S. T-Note 10 yr (c)	CBOT	financials
TY	U.S. T-Note 10 yr (o)	CBOT	financials

+TU	U.S. T-Note 2 yr (c)	CBOT	financials
TU	U.S. T-Note 2 yr (o)	CBOT	financials
+FV	U.S. T-Note 5 yr (c)	CBOT	financials
FV	U.S. T-Note 5 yr (o)	CBOT	financials
+ED	Eurodollar (c)	CME / IMM	financials
ED	Eurodollar (o)	CME / IMM	financials
+EM	LIBOR, 1mo (c)	CME / IMM	financials
EM	LIBOR, 1mo (o)	CME / IMM	financials
+C	Corn (c)	CBOT	grains
C	Corn (o)	CBOT	grains
+O	Oats (c)	CBOT	grains
O	Oats (o)	CBOT	grains
+RR	Rice, Rough (c)	CBOT	grains
RR	Rice, Rough (o)	CBOT	grains
+SM	Soybean Meal (c)	CBOT	grains
SM	Soybean Meal (o)	CBOT	grains
+BO	Soybean Oil (c)	CBOT	grains
BO	Soybean Oil (o)	CBOT	grains
+S	Soybeans (c)	CBOT	grains
S	Soybeans (o)	CBOT	grains
+W	Wheat, CBOT (c)	CBOT	grains
W	Wheat, CBOT (o)	CBOT	grains
KW	Wheat, KCBT (o)	KCBT	grains
MW	Wheat, MGEX (o)	MGEX	grains
+DJ	Dow J. IA (c)	CBOT	indices
YM	Dow J. IASM $5, mini (e)	CBOT	indices
+GI	GSCI (c)	CME / IOM	indices
+ND	NASDAQ 100 (c)	CME / IOM	indices
NQ	NASDAQ 100, mini (e)	CME / IOM	indices
NK	Nikkei 225 (o)	CME / IOM	indices
+RL	Russell 2000 (c)	CME / IOM	indices
+SP	S&P 500 (c)	CME / IOM	indices
SP	S&P 500 (o)	CME / IOM	indices
ES	S&P 500 Stock, mini (e)	CME / IOM	indices
+MD	S&P MidCap 400 (c)	CME / IOM	indices
MD	S&P MidCap 400 (o)	CME / IOM	indices
CR	CRB (o)	NYBOT / NYFE	indices

YX	NYSE Composite, regular old (o)	NYBOT / NYFE	indices
+FC	Cattle, Feeder (c)	CME	meats
+LC	Cattle, Live (c)	CME	meats
PB	Hogs, Frozen Bellies(o)	CME	meats
+LH	Hogs, Lean (c)	CME	meats
DA	Milk, fluid class III (o)	CME	meats
+HG	Copper, High Grade (c)	NYMEX / COMEX	metals
+GC	Gold (c)	NYMEX / COMEX	metals
+PA	Palladium (c)	NYMEX / COMEX	metals
+PL	Platinum (c)	NYMEX / COMEX	metals
+SI	Silver (c)	NYMEX / COMEX	metals
LB	Lumber, random length (o)	CME	softs
+CC	Cocoa (c)	NYBOT / CSCE	softs
KC	Coffee C (o)	NYBOT / CSCE	softs
SB	Sugar #11 (o)	NYBOT / CSCE	softs
CT	Cotton #2 (o)	NYBOT / NYCE	softs

Legend for the Commodity Symbols:
+ Refers to a Combined Contract
(c) Combined Data
(o) Open Outcry Session
(e) Electronic Session

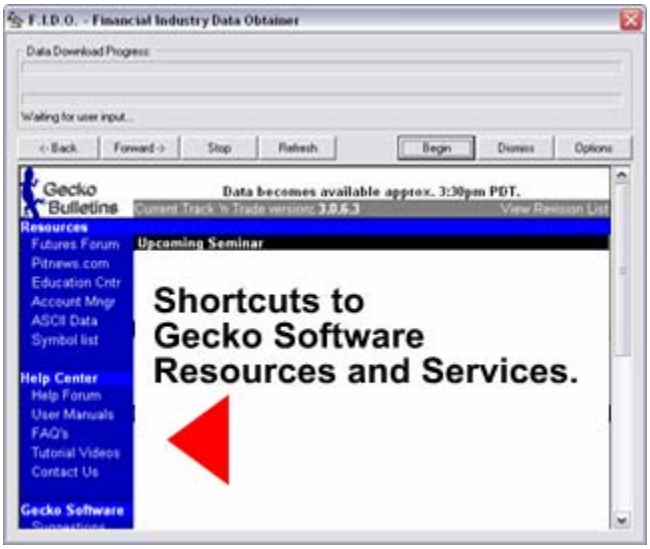
Commodity Month Symbols:

Month	Symbol	Month	Symbol
Jan	**F**	Jul	**N**
Feb	**G**	Aug	**Q**
Mar	**H**	Sep	**U**
Apr	**J**	Oct	**V**
May	**K**	Nov	**X**
Jun	**M**	Dec	**Z**

Data Download Utility

To perform a Data Download:

Click on the Data Download icon (shown below) on the main Toolbar. This will open the Data Update Internet Download screen. Notice that the Track 'n Trade program will close and the data download program – "FIDO" will open.

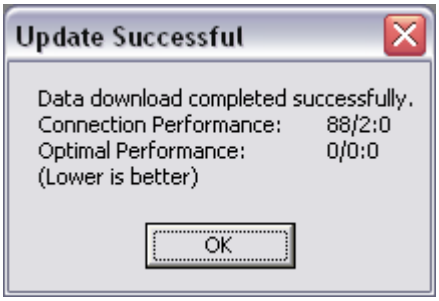


Note: When the program closes, all changes are saved on your working charts and will be reopened to the last chart you were working on when finished.

Before opening the Data Update Window, Track 'n Trade will check for product updates. If one is available you will be notified and given a window to choose Yes or No on the update. It is recommended that you install each update as it becomes available. After you are finished with the program update, you will be returned to the data download window.

Click on **BEGIN** to start the data download. Watch the status bar to see the progress of the data download.

When the download is complete the following window will appear:



Click on “OK” button and then **DISMISS** to exit the Data Download Utility. You will notice that the bottom Status Bar will display DATA CURRENT when finished.

Note: The Data Download Utility (FIDO) is able to detect the last date available in your database. Therefore, if you add a commodity or miss a couple of days, your data will be completely updated upon the next data download session.

To Stop a Data Download:

If you need to end a data download before it is finished with all of the contracts, click on the **DISMISS** button. This will signal the Data Download Utility to end the download after the current commodity is finished.

Note: Do not press the power or reset buttons if the Data Downloader freezes and you are unable to close the window. If this happens, press the buttons CTRL, ALT, DEL at the same time to open the Tasks Screen (Only press them ONCE). Then Select Spot.exe from the window and click on End Task. This will close the Download Program and allow you to restart the program and download utility.

Data Tab

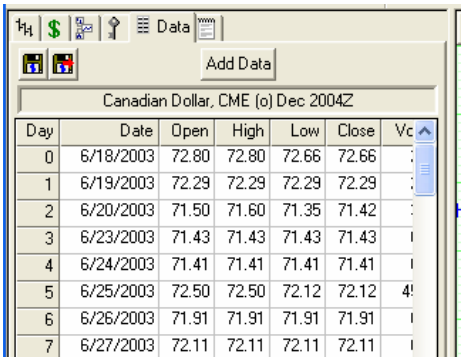
The Data Tab is the tab with the graphic that looks like a spreadsheet. Click on the tab and it will expand to say “Data” as you see in the screen shot below. This tab is a spreadsheet representation of the data available in the specific contract that you are currently viewing in the chart window. The Data Tab has values for the date, open, high, low close, volume, open interest, and each indicator for each day on the contract.

 The left disk button is used to save any changes you have made to the data in the Track 'n Trade Pro database so they are available the next time you run the software. You can use this feature to adjust the open, high, low, close, volume and open interest values if you don't agree with them.

Note: If you let Gecko Software Technical Support know about the data that seems incorrect, they can research your data question and make a correction available on the next data download or help you understand why the data is correct.

 The disk button with the red arrow on it is for undoing any data changes you have made but have not saved. You can change a value in Track 'n Trade and see the results of that change on your current chart without saving the changes. If you mistyped a value, just click this reload button and the data will reload from the disk. If you have already saved the incorrect value, this action will not recall the original value. In that case, just type the correct value in and push the save button.
The software chooses the most appropriate format for displaying the data in the data tab and elsewhere in the software from one of three categories:

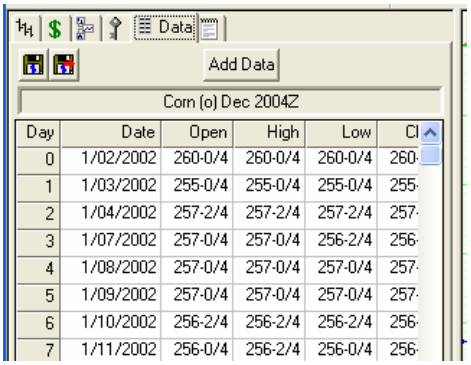
Decimal
Most commodities are traded as decimal values and will be displayed as a decimal everywhere.



Day	Date	Open	High	Low	Close	Vc
0	6/18/2003	72.80	72.80	72.66	72.66	
1	6/19/2003	72.29	72.29	72.29	72.29	
2	6/20/2003	71.50	71.60	71.35	71.42	
3	6/23/2003	71.43	71.43	71.43	71.43	
4	6/24/2003	71.41	71.41	71.41	71.41	
5	6/25/2003	72.50	72.50	72.12	72.12	4
6	6/26/2003	71.91	71.91	71.91	71.91	
7	6/27/2003	72.11	72.11	72.11	72.11	

Fractional

Some commodities, notably the CBOT grains, are traded as halves (1/2) quarters (1/4) and eights (1/8) and quoted as such by the exchanges. Some of these commodities trade in quarters but are quoted as though they trade in eights for historical reasons. For example Corn, while traded in quarters, is quoted as either 3106 or 310-3/4 with both numbers representing the same quote. In these
cases the software will output the quote as 310-3/4 to avoid confusion.

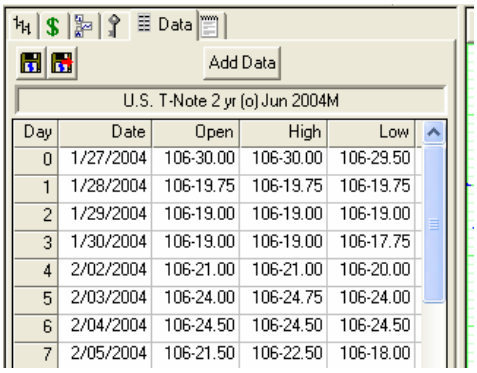


Day	Date	Open	High	Low	Cl
0	1/02/2002	260-0/4	260-0/4	260-0/4	260-
1	1/03/2002	255-0/4	255-0/4	255-0/4	255-
2	1/04/2002	257-2/4	257-2/4	257-2/4	257-
3	1/07/2002	257-0/4	257-0/4	256-2/4	256-
4	1/08/2002	257-0/4	257-0/4	257-0/4	257-
5	1/09/2002	257-0/4	257-0/4	257-0/4	257-
6	1/10/2002	256-2/4	256-2/4	256-2/4	256-
7	1/11/2002	256-0/4	256-2/4	256-0/4	256-

Short Fractional

A few commodities, notably the CBOT U.S. Treasury commodities, are traded in much smaller fractions such as thirtyseconds (1/32) and halves or quarters of thirtyseconds (1/4 of 1/32). This leads to quotes like 101317 which means 101-31.75/32. One quarter of one thirtysecond is one hundred and twenth eighth (0.25/32
== 1/128). To keep the data format short yet display the full precision of the number the software quotes these numbers as 101-31.75 and drops the fraction (/32). Where space is more

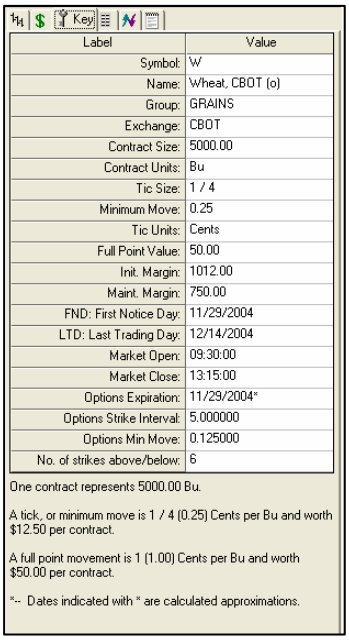
restricted such as the vertical price scroll bar the last digit may be truncated to 101-31.7.



Day	Date	Open	High	Low
0	1/27/2004	106-30.00	106-30.00	106-29.50
1	1/28/2004	106-19.75	106-19.75	106-19.75
2	1/29/2004	106-19.00	106-19.00	106-19.00
3	1/30/2004	106-19.00	106-19.00	106-17.75
4	2/02/2004	106-21.00	106-21.00	106-20.00
5	2/03/2004	106-24.00	106-24.75	106-24.00
6	2/04/2004	106-24.50	106-24.50	106-24.50
7	2/05/2004	106-21.50	106-22.50	106-18.00

Key Tab

The Key Tab is the tab with the graphic that looks like a Key. Click on the tab and it will expand to say “Key” as you see in the screen shot below. The Key Tab displays the information from the exchanges on the contract that you are currently viewing in the Chart Window. See what each value represents below.



Label	Value
Symbol:	W
Name:	Wheat, CBOT (o)
Group:	GRAINS
Exchange:	CBOT
Contract Size:	5000.00
Contract Units:	Bu
Tic Size:	1 / 4
Minimum Move:	0.25
Tic Units:	Cents
Full Point Value:	50.00
Init. Margin:	1012.00
Maint. Margin:	750.00
FND: First Notice Day:	11/29/2004
LTD: Last Trading Day:	12/14/2004
Market Open:	09:30:00
Market Close:	13:15:00
Options Expiration:	11/29/2004*
Options Strike Interval:	5.000000
Options Min Move:	0.125000
No. of strikes above/below:	6

One contract represents 5000.00 Bu.

A tick, or minimum move is 1 / 4 (0.25) Cents per Bu and worth $12.50 per contract.

A full point movement is 1 (1.00) Cents per Bu and worth $50.00 per contract.

*-- Dates indicated with * are calculated approximations.

Symbol - Gecko Software's symbol for the commodity. For Track 'n Trade Pro v4.0 we have re-done our symbology to make our symbols match the exchanges as much as possible.

Name - Short name including an indication of the session type. Types include (o) for open outcry and (c) for combined. **Group** - The group that Gecko Software has put the commodity in.

Exchange - The exchange where the commodity’s trades are processed. Sometimes a primary exchange will be listed with a subsidiary exchange, Eg NYMEX/COMEX.

Contract Size - The number of units that one contract represents.

Contract Units - The unit measurement.

Tick Size - A tick is defined by the exchanges as the smallest increment the quote of a contract will fluctuate. This is also called the minimum move or a point.

Minimum Move - The tick size is displayed as a decimal value instead of a fraction.

Tick Units - The unit of measure for quotes. This is usually the same as the unit the exchange uses. If Gecko Software uses a different unit than the exchange, we will adjust the full point value so that all accounting is still correct.

Full Point Value – This value represents how much a move in the ones place is worth. For the few commodities that trade in whole values this is the same as the minimum move. Generally it represents several minimum moves.

Init. Margin - The initial margin is the amount the Exchange and your Brokerage Firm requires you to have available in your account at the end of the first day your order is filled in the market.

Maint. Margin - The maintenance margin is the amount of available funds required to be in your account at the end of each trading day after the first day your order is filled. It is generally a smaller amount than the initial margin.

FND: First Notice Day - Depending on the exchange this date can indicate various rules have come into effect. Overall this is a warning that the contract will expire soon. This value is different per contract and applies to the contract that is currently open in the charting window.

LTD: Last Trading Day - The last day that you can trade the contract month that is currently open.

Market Open - The time that the market opens. This time is the exchange's time zone as listed on the exchange's web site.
Market Close - The time that the market closes. Like market open, it is in the exchange's time zone. Time is in 24 hours, so 13:15 is 1:30PM. (Subtract 12 hours from values greater than 12:00.)

Options Expiration - The date that options for the active contract will expire worthless or be automatically exercised into futures orders.

Options Strike Interval – The value for the minimum spacing between options, as listed by the exchange. Some contracts have rules that make strikes further out of the money or on contracts that aren't the next to expire have larger strike price intervals. Track 'n Trade auto-generates strikes on all contract months at the minimum strike price value.

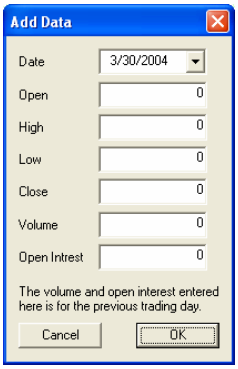
Options Min. Move – The value of the minimum price fluctuation for the options contract, this is similar in function to the futures minimum move.

No. of strikes above/below: Track 'n Trade Pro v3.0 uses this value to know how many strikes above the highest high and below the lowest low to auto-generate. If the exchange sends data out on strikes outside of these ranges, they are also available in the software.

Below this table is a description of the units used, the calculations for the minimum move, and the full point movement.

Importing Data

Track ‘n Trade Pro gives you the ability to import a day’s worth of data to any contract. To add data, open the contract you would like to add the data to and then click on the Data Tab in the Control Panel. Click on the “Add Data” button and the Add Data Window will open. This window gives you the ability to add the values for the contract’s Open, High, Low, Close, Volume, and Open Interest for a specified date.



One day of data can be added to a contract, and then a data download must be completed before another day can be entered. Any data entered through the Add Data option, will be overwritten in the database by the data downloaded.

Note: If the contract you have selected is expired, you will not be able to add data to this contract.

Exporting Data

Data subscribers, to Track ‘n Trade Pro, have the ability of exporting data as an ASCII file. There are two ways of exporting data: from the software and from the internet.

Export from the software – In the Commodity Tab right click on the contract in the Active Charts list. A quick menu will open giving you the option of Deleting the Chart or Exporting the Data. Select the Export Data option and a Save Window will open. Type a name in the File name section and then select a save location with the Save in drop down menu. This option will save your data for the selected contract in a “csv” or “comma separated value file. This file can be opened by a spreadsheet type application.

Exporting from the ASCII Data Download Website – If you are interested in downloading multiple Commodities and contracts along with customizing the data format, visit the ASCII Data Download Website at: http://ascii.geckosoftware.com/

Firewalls

A firewall is a piece of software or hardware that protects your computer from other people accessing your computer from the Internet. A firewall only allows basic types of Internet and Network communications, such as surfing the Internet. When you log onto the Internet or your network, you are open to attacks from other people. Although attacks are rare, they do pose a big enough threat to warrant the protection or a firewall.

Track ‘n Trade Pro uses a special utility called the “Data Downloader” or “FIDO” to download the current market data and update the charts. The Data Downloader does not use conventional means to download the data in order to speed up the downloading process. Because of this, Track ‘n Trade Pro may encounter problems downloading through the firewall. It may appear that the downloader is idle for a long period of time and then it will display an error stating it could not find the server. This is because the firewall does not allow the server from sending the new data to your computer.

Track ‘n Trade Pro has a new feature to allow for both standard and non-standard methods for downloading data. The standard method uses port 80 which is accepted by most firewalls as regular traffic, but this method is slower. The non-standard method uses port 60184 and will need to have an exception made in order for this method to work with a firewall; this method is much faster than Port 80 in downloading data.

Configuring Track ‘n Trade Pro for Firewalls:

1. Click on the Data Download button from Track ‘n Trade Pro toolbar, which will start FIDO, Track ‘n Trade Pro’s Data Download Utility.
2. There is a button located on the far right called “Options”. Click this button.
3. This will open a new window where you can select which method to download data.
4. If you are working behind a firewall, select “Port 80”, and then click “OK”.
5. Once done, click “Begin” to start downloading data.

TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

ANALYZING CHARTS WITH CHARTING TOOLS

ANALYZING CHARTS WITH CHARTING TOOLS

Applying Technical Formations

Introduction

Track ‘n Trade Pro has a complete set of charting tools that enable the futures trader to apply concepts from Technical Analysis to their charting. Take a look at some of the Technical Analysis formations and trends in this chapter and see how to apply these concepts in trading with
Track ‘n Trade Pro charting tools.

For more information on these formations and tools see Gecko Software Educational CDs available on trackntrade.com.

The first tool in the Charting Toolbar is the Crosshair Tool. Although this tool is not used in helping you define and technically analyze data, it is used when lining up your technical indicators and recurring patterns.

Crosshair Tool

The Crosshair Tool is used to draw a line vertically and horizontally on the chart. The vertical line is drawn through the Indicator Window as well. To help place the Crosshair line on a specific value you will notice the cursor price is displayed on the vertical line of the crosshair.

Charting a Crosshair:

1. Select the Crosshair Tool from the Charting Toolbox.
2. Click on the Chart Window to place Crosshair.

Moving a Crosshair Drawing:

1. To select the Crosshair, click on the center point or lines of the crosshair and drag to the new location, release mouse button to place. Note: The tool is selected when a box appears at the center point.

Deleting a Crosshair Drawing:

1. There are two ways to delete the Crosshair tool.
2. Select the Crosshair drawing by clicking on it and press the Delete Key on your keyboard.

3. Place mouse cursor over the Crosshair and right click. In the popup menu, select Delete.

Deleting only the Horizontal/Vertical Line of the Crosshair:

1. Right-click on the center point of the Crosshair to view the properties menu.
2. Select/Deselect Show Horizontal (Vertical) Line. A check will appear in front of the item when it is shown.

Changing Properties of a Crosshair:

Right-click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the Crosshair.

Line Thickness: Changes the thickness of the Crosshair lines. Choose values from 1-6.

Line Style: Changes the line style of the Crosshair lines. Choose from solid, dashed, dotted and more.

Font: Changes the font that the cursor price is displayed in.

Show Text: If this option is selected, the text will stay on the chart after the Crosshair has been drawn, If not selected the value will only appear when drawing the Crosshair.

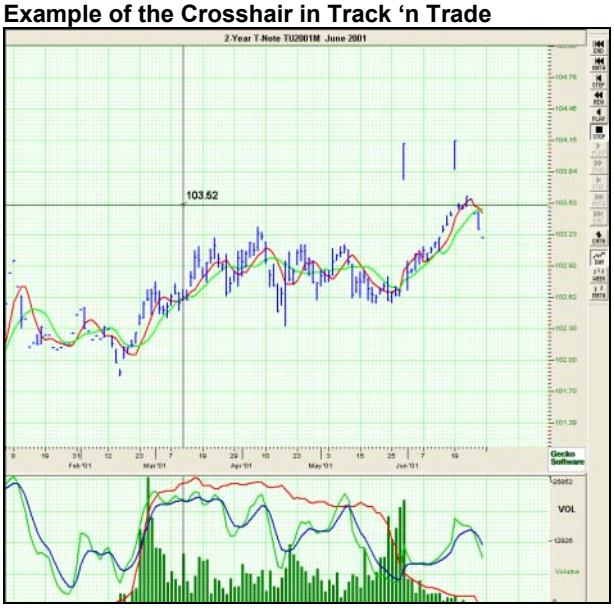
Vertical Line: Select/Deselect to view or hide the vertical Crosshair line. Note: If both the vertical and horizontal lines are deselected, the crosshair tool will be deleted.

Show Horizontal Line: Select/Deselect to view or hide the horizontal Crosshair line. Note: If both the vertical and horizontal lines are deselected, the crosshair tool will be deleted.

Setting: To define the date and value of the Crosshair, select settings and type in the values. You can also choose to view or not view the horizontal and vertical lines.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the 1-2-3 drawing.

Example of the Crosshair in Track ‘n Trade

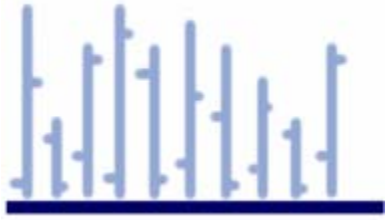


Technical Analysis

The remaining nine charting tools are used to identify Technical Analysis formations and trends. Take a look at the different patterns available then read about how to use each of the charting tools and apply the Technical concepts learned.

Support

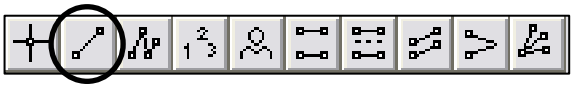
Markets have a tendency to move in troughs and peaks, or more appropriately “Support and Resistance”. These troughs are called Support. The term is self-explanatory and indicates that support is a level or area on the chart “under the market” where buying interest is strong enough to overcome selling pressure. Therefore a decrease in price is reversed and prices rise once again. Typically a support level is identified by a previous set of lows.



Resistance

Essentially, resistance (or the “peaks”) is the opposite of support. Resistance is defined as a horizontal ceiling where the pressure to sell is greater than the pressure to buy. Therefore, an increase in price is reversed and prices revert downward. Typically, support can be located on a chart by a previous set of highs.

Line Tool



To draw a support/resistance line (also referred to as a trend) use either the Line or Multi-Line Tools.

Drawing a Line:

1. Select the Line Tool.
2. Left click on the chart where you want the Line to begin.
3. Hold down the mouse button and move to the position where the Line ends.
4. Release the mouse button to place.

Resizing the Line:

1. Select the Line drawing by clicking on it. You will know the Line is selected when boxes appear at the ends of the Line.
2. Click on a box and drag to the desired length. Release the mouse button to place the end point of the Line.

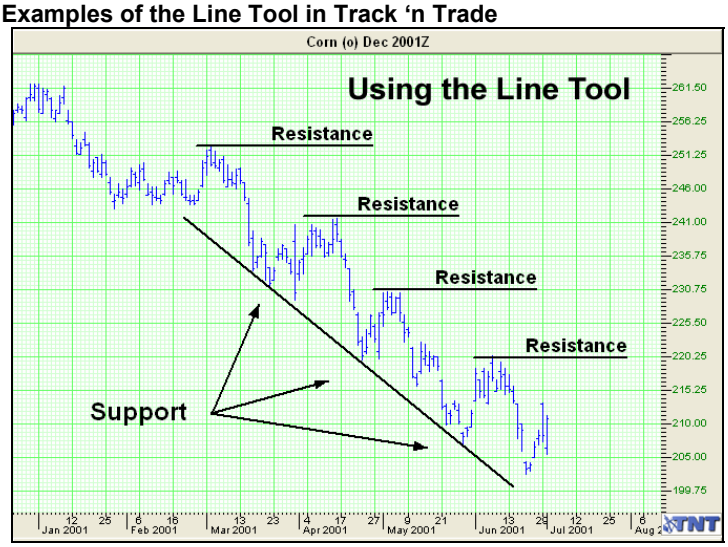
Moving the Line:

1. Select the Line drawing by clicking on it.
2. Click on the Line (not on a box) and drag to new location and release mouse button to place.

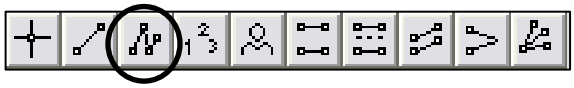
To Delete the Line:

Left click on the Line Tool to select, and then press the Delete key on your keyboard. Or, right-click the line and select Delete on the popup menu.

Examples of the Line Tool in Track 'n Trade



Multi-Line Tool



Some contracts will have a continuous line/trend of alternating support and resistance. You may illustrate these multi-lines with the Line or Multi-Line Tool.

Drawing a Multi-Line:

1. Select the Multi-Line Line Tool.
2. Left click on the chart where you want the Line to start.
3. Move the mouse to the next point on the Multi-Line and left click to place.
4. Repeat step 3 until the last point. When placing the last point on the Multi-Line, right click to place.

Resizing the Multi-Line:

1. Select the Multi-Line drawing by clicking on it. You will know the Multi-Line is selected when boxes appear at the ends of the Multi-Line.
2. Click on a box and drag to the desired length. Release the mouse button to place the end point of the Multi-Line.

Moving the Multi-Line:

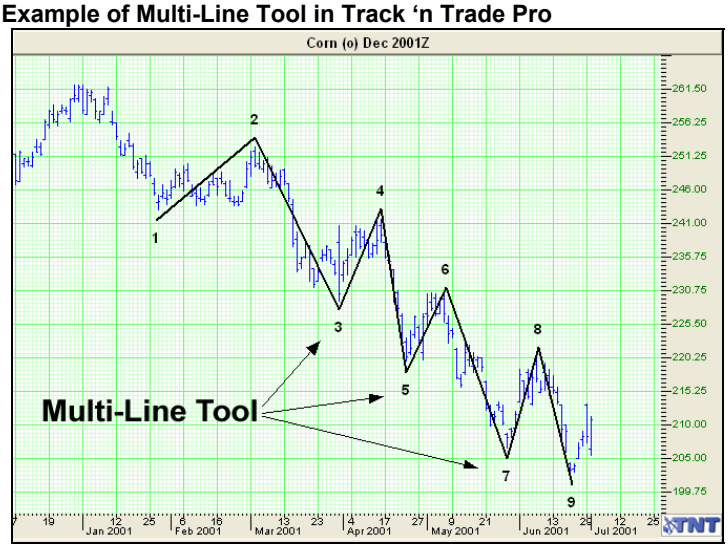
1. Select the Multi-Line drawing by clicking on it.

2. Click on the Multi-Line (not on a box) and drag to new location, release mouse button to place.

To Delete the Multi-Line:

Left click on the Multi-Line Tool to select, and then press the Delete Key on your keyboard. Or, point mouse cursor over the Multi-Line and right click. Select Delete on the popup menu.

Example of Multi-Line Tool in Track 'n Trade Pro

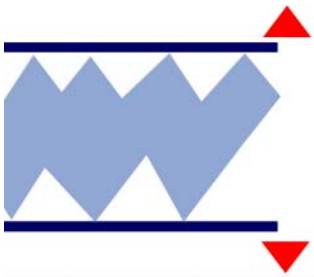


Channels

The Technical Formation called a Channel consists of a section of price bars that are between parallel support and resistance lines. There are three types of channels the first is the Narrow Sideways Channel, then the Inclining Channel, and finally the Declining Channel.

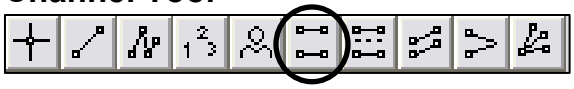
Narrow Sideways Channel

A Narrow Sideways Channel is a formation that features both resistance and support with a sideways movement. Support forms the low price bar, while resistance provides the price ceiling.



To trade a Narrow Sideways Channel:
Place an order to buy on a break up and out of the channel, or sell on a break down out of channel.

Narrow Sideways Channel Tool



To illustrate a Narrow Sideways Channel in a chart use the Narrow Sideways Channel Tool.

Drawing a Narrow Sideways Channel:

1. Select the Narrow Sideways Channel Tool from the Charting Toolbox.
2. Position the mouse pointer where you would like to place the top left point of the channel and left click, continue to hold down the mouse dragging it to the right bottom point of channel, release mouse button to place.

Moving the Narrow Sideways Channel:

Select the channel drawing by clicking on it, drag to the new location and release the mouse button to place.

Deleting the Narrow Sideways Channel:

Select the drawing by clicking on it and press the Delete Key on your keyboard. Or, point mouse cursor over the Channel and right click. Select Delete on the popup menu.

Resizing the Narrow Sideways Channel:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.

2. Click on one of the boxes on the corners to drag the select point and release the mouse button.

Changing Properties of a Narrow Sideways Channel:
To view the properties menu right-click your mouse on the channel drawing tool. Properties that can be changed are:

Foreground: Changes the top and bottom lines of the channel.

Background: Changes the inside colors of the channel.

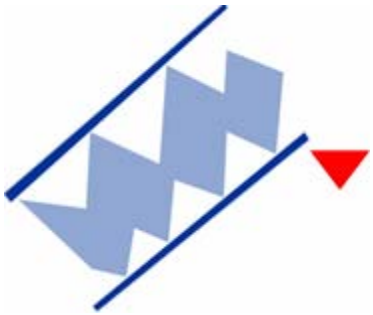
Line Thickness: Changes the thickness of the channel lines. Choose values from 1-6.

Line Style: Changes the line style of the channel lines. Choose from solid, dashed, dotted and more.

Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to back when you need to access a tool under the Narrow Sideways Channel drawing.

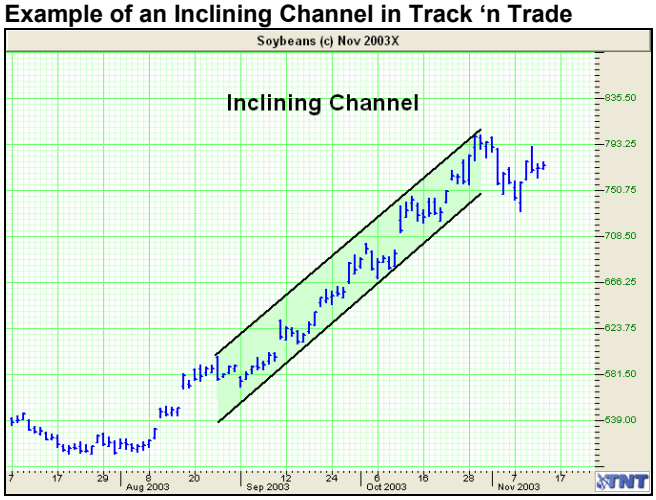
Inclining Channel

The Inclining Channel is a formation with parallel price barriers along both the price ceiling and floor. Unlike the sideways channel the inclining channel has an increase in both the price ceiling and price floor. The breaking of the bottom trend line on this formation shows a change in trend from bullish to bearish.



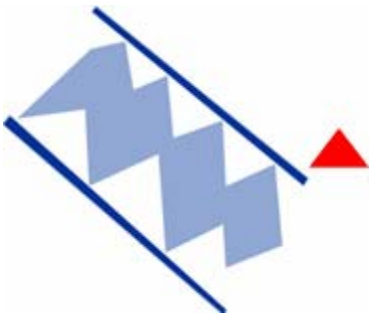
To trade an Inclining Channel:
Place an order to sell on the break down and out of the channel.

Example of an Inclining Channel in Track 'n Trade



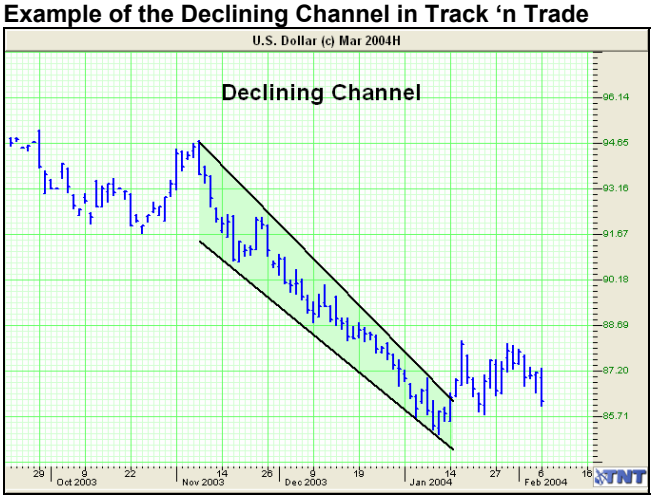
Declining Channel

The Declining Channel is the exact opposite of the Inclining Channel Formation. The Declining Channel has a decrease in both the price ceiling and price floor. The breaking of the top trend line on this formation shows a change in trend from bearish to bullish.



To trade a Declining Channel:
Place an order to buy on the break up and out of the channel.

Example of the Declining Channel in Track ‘n Trade



Inclining/Declining Channel Tool

You can identify an Inclining/Declining Channel by using the Inclining/Declining Channel Tool.

Drawing an Inclining/Declining Channel:

1. Select the Inclining/Declining Channel Tool from the Charting Toolbox.
2. Position the mouse pointer where you would like to place the top left point of the channel and left click, continue to hold down the mouse dragging it to the right bottom point of channel, release mouse button to place.

Moving the Inclining/Declining Channel:

Select the channel drawing by clicking on it, drag to the new location and release the mouse button to place.

Deleting the Inclining/Declining Channel:

Select the drawing by clicking on it and press the Delete key on your keyboard. Or, point mouse cursor over the Channel and right click. Select Delete on the popup menu.

Resizing the Inclining/Declining Channel:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes on the corners to drag the select point and release the mouse button.

Changing Properties of an Inclining/Declining Channel:

To view the properties menu right-click your mouse on the channel drawing tool. Properties that can be changed are:

Foreground: Changes the top and bottom lines of the channel.

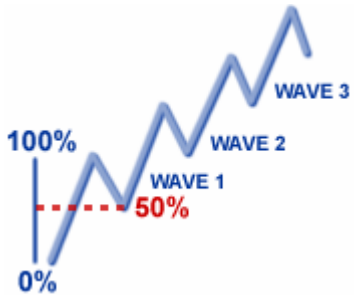
Background: Changes the inside colors of the channel.

Line Thickness: Changes the thickness of the channel lines. Choose values from 1-6.

Line Style: Changes the line style of the channel lines. Choose from solid, dashed, dotted and more.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the channel drawing.

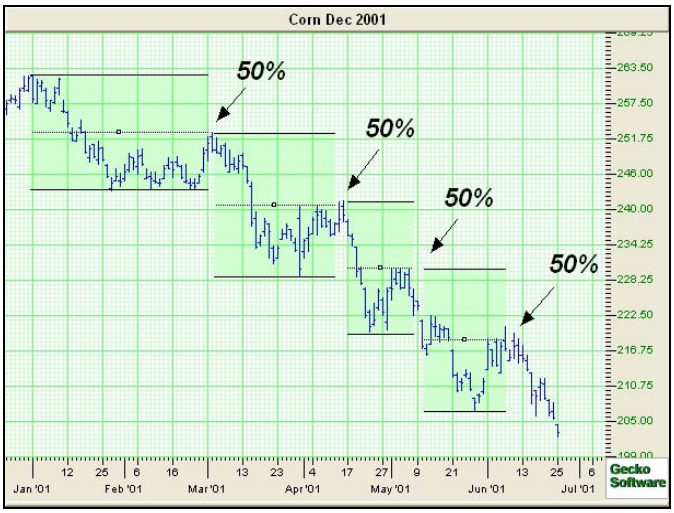
50% Retracements



Markets move in waves called retracements, these waves have up and down trends. Notice in the above diagram, that the market is in an overall “uptrend” (considered a Bull Market), but that within the uptrend, there are small areas where the market falls back, or “retraces”; each time establishing a new higher high.

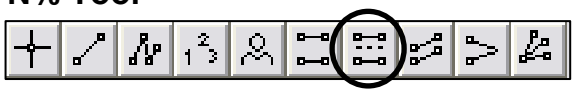
The following chart displays an example with a down trend (when a market is in an overall down trend it is considered a Bear Market). In this chart you will see how the market made lower highs and lower lows while still maintaining the overall down trend.

Notice how far back those retracements went, before they continued on in their original direction... it is about 50% of the last move.



Markets have a tendency to retrace half or 50% of the last move as well as in overall long-term trends.

N% Tool



You can measure a retracement with the N% Tool. The default on this charting tool is 50%, but can be changed by simply dragging the middle bar up or down. See Fibonacci Time Zone and Fan Tools in the Advanced Charting Tools for more information on retracements.

Drawing an N% Channel:

1. Select the N% Tool from the Charting Toolbox.
2. Position the mouse pointer where you would like to place the top left point of the channel and left click, continue to hold down the mouse dragging it to the right bottom point of channel, release mouse button to place. Note: The default retracement percentage on the N% tool is 50%.

Moving the % Line:

1. Select the channel drawing by clicking on it.
2. You will notice that the middle line has a box in the middle of the line. This is the handle that you will use to change the position of the percentage line within the tool drawing. As you change the position of the percentage line, the percentage value to the left will change as well.

Moving the N% Tool:
Left click on the channel and drag the tool, release mouse button to place drawing.

Deleting the N% Channel:
Select the drawing by clicking on it and press the Delete Key on your keyboard. Or, right click on the channel tool and select the delete option on the popup menu.

Resizing the N% Channel:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes on the corners to drag the select point and release the mouse button.

Changing Properties of an N% Channel:
To view the properties menu, right-click on the drawing. Properties that can be changed are:

Foreground: Changes the color for top and bottom lines of the channel.

Background: Changes the inside color of the channel.

Line Thickness: Changes the thickness of the channel lines. Choose values from 1-6.

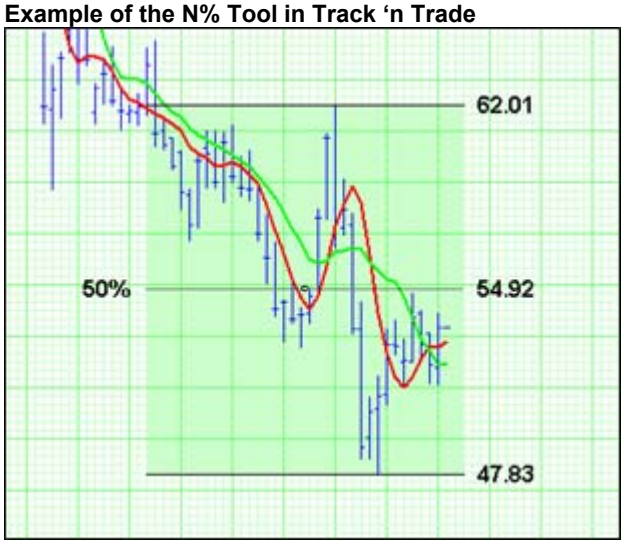
Line Style: Changes the line style of the channel lines. Choose from solid, dashed, dotted and more.

Font: Changes font, size, style, and color of text.

Show Text: Select\Deselect to view or hide the text on the channel.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to back when you need to access a tool under the N% Channel Drawing.

Example of the N% Tool in Track ‘n Trade

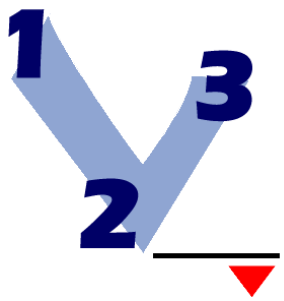


1-2-3 Formations

The 1-2-3 Formation anticipates a change in trend. It is available in both a Top and Bottom.

1-2-3 Top

The 1-2-3 Top Formation anticipates a change in trend, from up to down, on a break below the number two point. This formation is easily identified because the number one point is the annual price high.

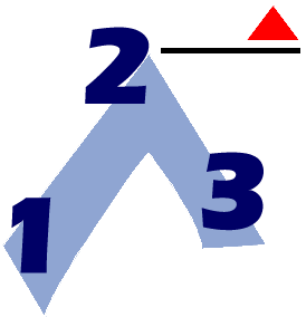


To trade a 1-2-3 Top:
Place a SELL order on a break down past the #2 point. Then, place a stop loss order just above the #1 point (Considered to be an industry standard) or just above the #3 point (A more conservative stop loss placement.)

Example of a 1-2-3 Top in Track 'n Trade Pro

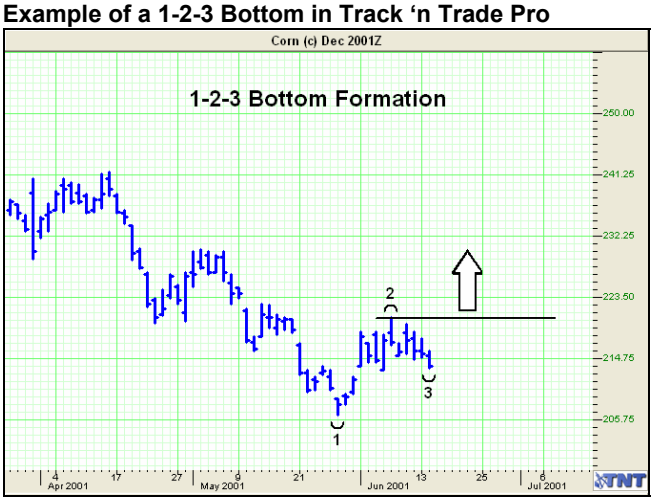
1-2-3 Bottom

The 1-2-3 Bottom Formation anticipates a change in trend from down to up on a break above the number two point. A 1-2-3 Bottom Formation is easily identified because the number one point is the annual price low.

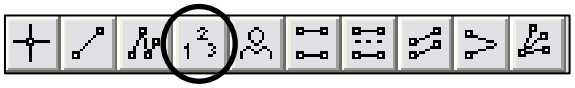


To Trade a 1-2-3 Bottom Formation:
Place a BUY order just above the #2 point, and then place your stop loss order just below the #1 point (Considered an industry standard) or just below the #3 point (Considered a more conservative position.)

Example of a 1-2-3 Bottom in Track 'n Trade Pro



1-2-3 Tool



Use the 1-2-3 Tool to chart both a 1-2-3 Top and Bottom Formation.

Drawing a 1-2-3 Top/Bottom:

1. Select the 1-2-3 Tool from the Charting Toolbox.
2. Position the mouse pointer where you would like to place the #1 point and left click to place.
3. Move to the #2 point and left click to place.
4. Move to the #3 point and left click to place.

Moving a 1-2-3 Drawing:

Select the 1-2-3 drawing by clicking on it, drag to the new location and release the mouse button to place. Note: The tool is selected when a line appears connecting the 1, 2, and 3.

Deleting a 1-2-3 Drawing:

Select the 1-2-3 drawing by clicking on it and press the Delete Key on your keyboard. Or, right-click the drawing and select Delete from the popup menu.

Resizing the 1-2-3 Drawing:

1. Select the 1-2-3 drawing by clicking on it. The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Changing Properties of a 1-2-3 Drawing:

Right-click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line and arc color of the 1-2-3.

Line Thickness: Changes the thickness of the 1-2-3 line. Choose values from 1-6.

Line Style: Changes the line style of the 1-2-3 line, which shows when the line is selected. Choose from solid, dashed, dotted and more.

Arc Thickness: Changes the arcs formed at the 1, 2, and 3 points. Choose values from 1-6.

Font: Changes the Font, Size, Style, and Color of the 1, 2, and 3.

Show Text: Select to view or hide the 1, 2, and 3.

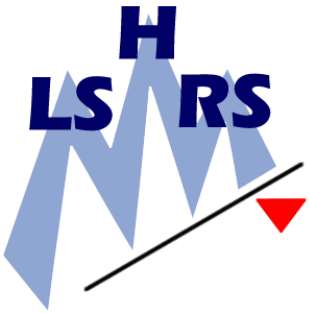
Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the 1-2-3 drawing.

Head & Shoulders Formation

This Formation can appear anywhere in the chart and is made up of the Head, Left Shoulder, and Right Shoulder. There are two types: Top and Bottom.

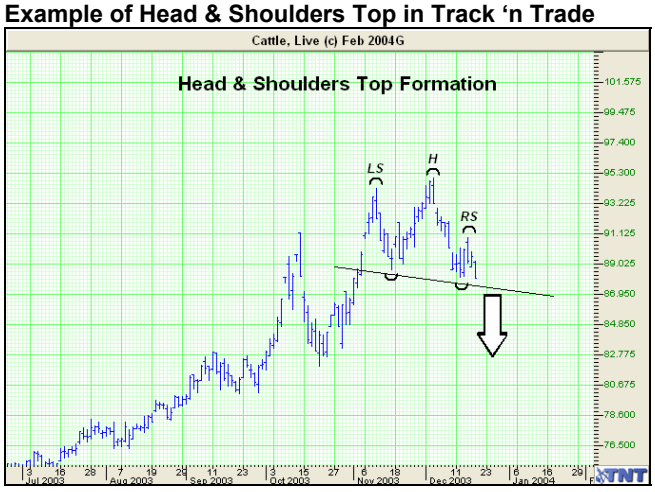
Head & Shoulders - Top

This formation has three definite peaks: the Head, Left Shoulder and Right Shoulder. The middle peak, the Head (H) is higher than either shoulder (LS, RS). This formation anticipates a drop in price below the Neckline (see below).



To trade a Head & Shoulders – Top:
Place a sell order on the break of the Neckline. Your stop loss order should then be placed just above the Head. The stop loss order can also be placed above the Right Shoulder as a more conservative point.

Example of Head & Shoulders Top in Track 'n Trade

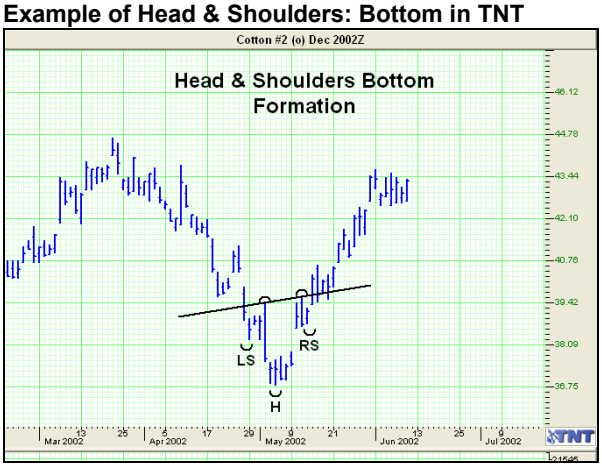


Head & Shoulders - Bottom

This formation is simply an inverted version of the Head and Shoulders Top Formation. Therefore, a Head and Shoulders Bottom anticipates a rise in price above the Neckline.

To trade a Head & Shoulders – Bottom:
Place a buy order on the break up of the Neckline. Then place a stop loss order just below the Head. The stop loss order can also be placed below the Right Shoulder as a more conservative point.

Example of Head & Shoulders: Bottom in TNT



Head & Shoulders Tool

To identify either a Head & Shoulders Top or Bottom formation, use the Head & Shoulder Tool.

Charting a Head & Shoulders (H&S) Formation:

1. Select the H&S Tool from the Charting Toolbox.
2. Position the mouse pointer where you would like to place the Left Shoulder (LS) point and left click to place.
3. Move to the valley point between the LS and the Head, left click to place.
4. Move to the Head point and left click to place.
5. Move to the valley point between the Head and Right Shoulder (RS), left click to place.
6. Move to the RS point and left click to place.

Moving H&S Drawing:

Select the H&S drawing by clicking on it, drag to the new location and release the mouse button to place. Note: The tool is selected when a line appears connecting the LS, H, and RS.

Deleting H&S Drawing:

Select the H&S drawing by clicking on it and press the Delete Key on your keyboard. Or, right-click on the drawing and choose the Delete option in the popup menu.

Resizing the H&S Drawing:

1. Select the H&S drawing by clicking on it. The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Changing Properties of a H&S Drawing:
Right-click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line and arc color of the H&S drawing. Note: The line is only seen when the drawing is selected.

Line Thickness: Changes the thickness of the H&S line. Choose values from 1-6.

Line Style: Changes the line style of the H&S line, which shows when the line is selected. Choose from solid, dashed, dotted and more.

Arc Thickness: Changes the arcs formed at the LS, H, and RS points. Choose values from 1-6.

Font: Changes the Font, Size, Style, and Color of the H, LS, and RS.

Show Text: Select to view or hide the H, LS, and RS.

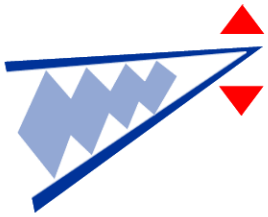
Send to back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to back when you need to access.

Triangle and Wedge Formations

The triangle formation comes in many varieties. There are Rising/Inclining Wedges and Symmetrical/Non-Symmetrical Triangles.

Inclining Wedge

The Inclining Wedge Formation occurs when the slope of price bar highs and lows join at a point forming an inclining wedge formation. The slope of both lines is up with the lower line being steeper than the higher one.

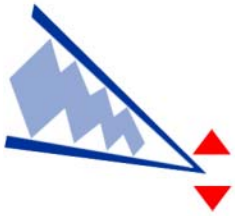


To Trade the Inclining Wedge:
Place a BUY order on a break up and out of the wedge or a SELL order on a break down and out of the wedge. Inclining Wedges with a prior downtrend are anticipated to break down and out rather than up and out.

Example of an Inclining Wedge in Track 'n Trade

Declining Wedge

A Declining Wedge Formation occurs when the slope of price bar highs and lows join at a point forming a Declining wedge. The slope of both lines is down, the top line being steeper than the lower one. This formation is opposite the Inclining Wedge.



To Trade the Declining Wedge:
Place an order to buy on a break up and out of the wedge or an order to sell on a break down and out of the wedge. Falling wedges, with a prior up trend, are anticipated to break up and out, rather than down and out.

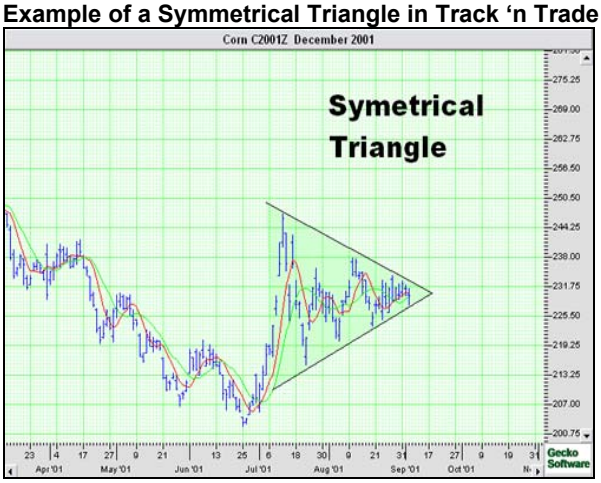
Example of a Declining Wedge in Track 'n Trade

Symmetrical Triangle

A Symmetrical Triangle Formation occurs when there is a pause in the current trend, after which the previous trend is resumed. Also notice that the price bars for a perfectly symmetrical triangle shape.

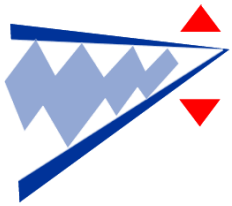
To Trade a Symmetrical Triangle:
Place a BUY order on a break up and out of the triangle or a SELL order on break down and out of the triangle.

Example of a Symmetrical Triangle in Track 'n Trade



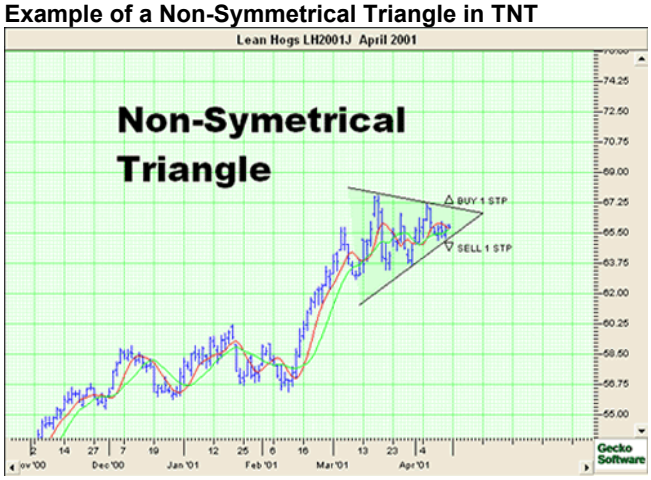
Non-Symmetrical Triangle

A Non-Symmetrical Formation occurs in exactly the same situation as a symmetrical triangle, only the pattern lacks symmetry. This formation resumes the previous trend as well when a break out occurs.



To Trade a Non-Symmetrical Triangle:
Place a BUY order on a break up and out of the triangle or an order to SELL on a break down and out of the triangle.

Example of a Non-Symmetrical Triangle in TNT



Wedge and Triangle Tool

To identify any type of Wedge or Triangle, use the Wedge Tool.

Drawing a Wedge/Triangle Formation:

1. Select the Wedge Tool from the Toolbox.
2. Left click your mouse at the top of the triangle.
3. Drag the mouse pointer to the bottom of the triangle and left click to place.
4. Next drag the mouse pointer to form a triangle and left click the mouse to place the final point.

Resizing the Wedge/Triangle Formation:

1. Select the drawing by clicking on it. Note: The formation is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Wedge/Triangle Formation:

Select the drawing by clicking on it, drag to the new location and release the mouse button.

Deleting the Wedge/Triangle Formation:

Select the drawing by clicking on it and press the delete key on your keyboard. Or, right-click on the formation and choose the Delete Option in the popup menu.

Changing the Properties of the Triangle Formation:

Right-click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the Triangle drawing.

Background: Changes the inside color of the Triangle drawing.

Line Thickness: Changes the thickness of the Triangle line. Choose values from 1-6.

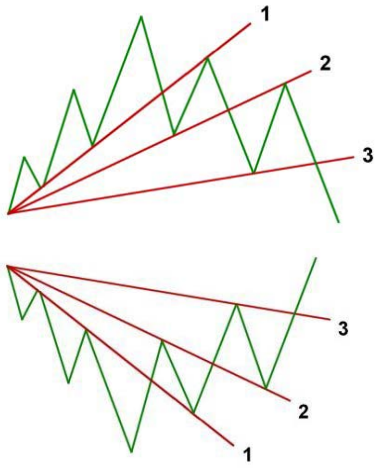
Line Style: Changes the line style of the Triangle line. Choose from solid, dashed, dotted and more.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Triangle drawing.

Trend Fan

Trend fans are an extension of the regular trend line, and accent simple trend line trading concepts by extending the single trend line to a multiple of fan lines that give you a better look at a trend, its retracements and market reversals.

Take a look at this diagram. As a trend moves up in scale, a chartist will generally draw a vertical line across price bar lows; or alternatively, when a market is moving down, across the price bar highs.



Then, as the market continues to make its retracement, we can then draw another trend line across the next level of support or resistance. The line is support if the market is moving up and resistance if it is moving down.

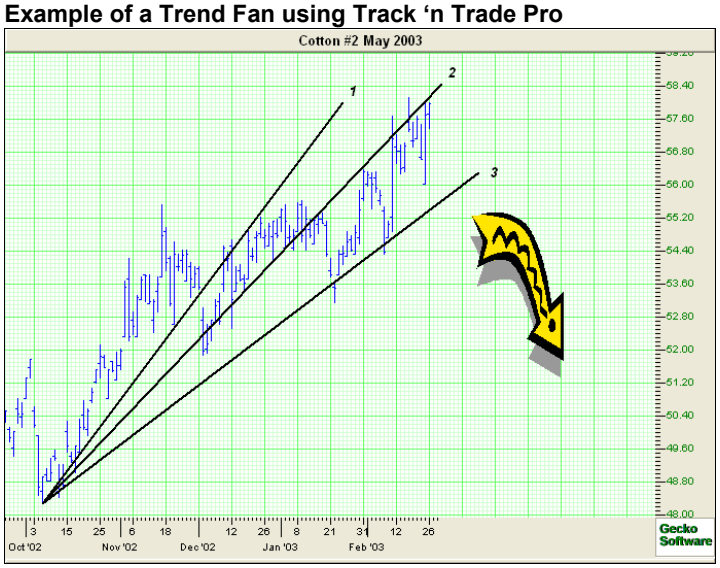
You will notice how the last move of the trend, which was resistance for the first trend line, is now support for the second trend line. Now draw the third trend line. At this point, you can see that the market has made a solid retracement down past this third fan line.

When the market crosses the third fan line, it is considered to be confirmation of market retracement; a market that was once considered bullish...is now bearish, or if bearish, would now be considered bullish.

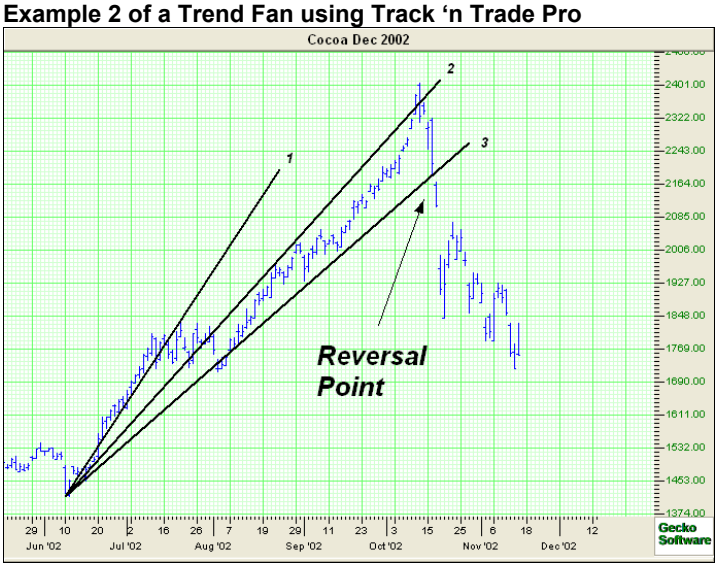
Rule of Thumb:
When the markets price bars cross above or below the third trend fan line, this is your signal and confirmation that the market has shifted from bullish to bearish, or bearish to bullish.

To Trade a Trend Fan:
Place an order to enter the market on the break out past the third trend fan line. See the example charts:

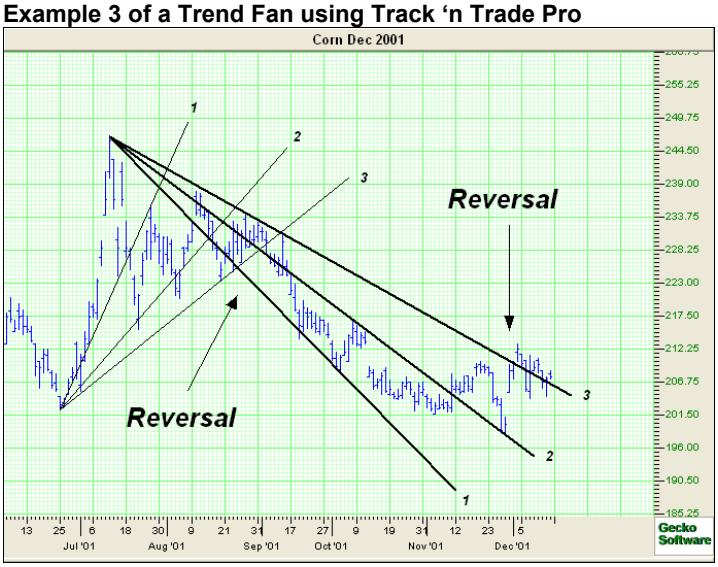
Example of a Trend Fan using Track 'n Trade Pro



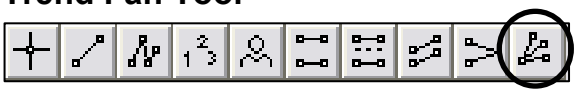
Example 2 of a Trend Fan using Track 'n Trade Pro



Example 3 of a Trend Fan using Track 'n Trade Pro



Trend Fan Tool



To identify a Trend Fan within a chart use the Trend Fan Tool.

To draw a Trend Fan:

1. Select the Trend Fan Tool.
2. Left click where you want the Fan to start.
3. Move the mouse pointer to where the first line is to end and left click to place.
4. Repeat Step 3 until you get to the last line.
5. To place the last trend, move the mouse pointer to the ending point and right click to place.

Resizing the Trend Fan:

1. Select the Trend Fan by clicking on it. Note: The formation is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the selected point and release the mouse button to place.

Moving the Trend Fan:

Select the Trend Fan by clicking on it. Then, drag to the new location and release the mouse button.

Deleting the Trend Fan:

Select the drawing by clicking on it then, press the delete key on your keyboard to remove the Trend Fan. Or, right-click on the fan and choose the Delete option from the popup menu.

TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

ADVANCED CHARTING TOOLS

ADVANCED CHARTING TOOLS

Applying Technical Formations and Theories

Introduction

Track ‘n Trade Pro has incorporated concepts and theories from leading Technical and Fundamental Educators in the Futures Industry allowing you as a trader to apply their studies easily to your trading. In this section you will both learn basics about their theory and learn how to apply it in Track ‘n Trade Pro using the Advanced Charting Tools provided you. For more detailed information on the different theories and concepts see the educational products also offered by Gecko Software, Inc. (www.trackntrade.com)

Elliot Wave Theory

This theory was developed by Ralph Nelson Elliot and bares his name. Elliott wave theory is an idea that market behavior is based on waves rather than random timing. Elliott believed that market prices rose and fell in a series of waves based on the same Golden ratio or Golden mean that Fibonacci proved. This ratio is present in many aspects of nature and science, and Elliott felt that it had great significance on the financial markets as well.

Interpretation

The basic idea of this theory is that a market rises in a series of 5 “waves” (as he called them) and that a market declines in a series of 3 declines. Elliott’s theory is that on the first wave a market rises, on wave two it declines, begins again to rise on wave three, has a period of decline again on wave four, and finally completes the rise on wave five. Then thee period of correction is referred to as a three-wave correction, where the market declines for wave A, begins to rise for wave B, and falls again for wave C.

Elliot went on further to explain that a complete market cycle consisted of a 144 wave cycle, broken down into an 89 wave bull cycle, and a 55 wave bear cycle. This is based on his observation of Fibonacci’s golden ratio. The series of numbers Fibonacci describes, (1, 2, 3, 5, 8, 13, 21, 34, 55, 89, and 144) shows a relationship of 1:.618. Elliot further showed that a market usually rises or falls based on this wave cycle. Each wave in the cycle has its own characteristics.

Five Wave Advance:

Wave one: Normally very short and easy to miss.

Wave two: A retracement wave, usually gives back all or most of what the first one gained.

Wave three: Usually very prominent, as it follows a period of what appears as consolidation, most people trade this wave.

Wave four: Noted to be very intricate yet still a consolidation. One of Elliot's main rules is that in a 5-wave advance cycle, wave 4 can't overlap wave 1.

Wave five: Often very active, yet at some point declines and leads to the 3 wave corrective cycle.

Three Wave Decline:

Wave A: Normally seen as a minor pullback, of wave 5 of the advance cycle.

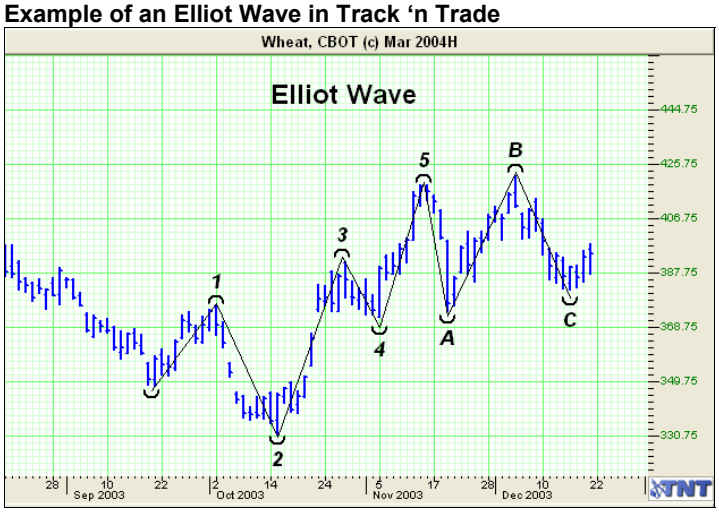
Wave B: Follows Wave A of the downtrend, and is often hard to spot but should result in a third wave continuing down.

Wave C: Usually quiet significant and many traders see this selling opportunity.

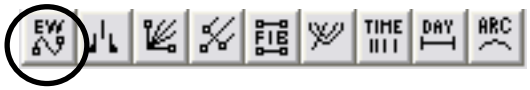
Trading an Elliot Wave:

See Wave three in the "Five Wave Advance" and the Wave C in the "Three Wave Decline".

Example of an Elliot Wave in Track 'n Trade



Elliot Wave Tool



To identify an Elliot Wave on a chart use the Elliot Wave tool located in the Advanced Charting Tools Section.

Charting an Elliot Wave:

1. Select the Elliot Wave Tool from the Toolbox.
2. Left click your mouse on the #1 point to place.
3. Continue throughout the wave by clicking on each point 1-5 and A,B,C to place. When you get to the last point C the drawing is complete.

Resizing the Elliot Wave Drawing:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Elliot Wave Drawing:

Select the drawing by clicking on it continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Elliot Wave Drawing:

Select the drawing by clicking on it and press the delete key on your keyboard to remove. Or, right-click the drawing and select Options from the popup menu.

Changing the Properties of an Elliot Wave Drawing:

Right-click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the Elliot Wave.

Line Thickness: Changes the thickness of the Elliot Wave Line. Choose values from 1-6.

Line Style: Changes the line style of the Elliot Wave Line. Choose from solid, dashed, dotted and more.

Arc Thickness: Changes the arcs formed at the 1-5 and ABC points. Choose values from 1-6.

Font: Changes the Font, Size, Style, and Color of the 1-5 and ABC points.

Show Text: Select to view or hide the 1-5 and ABC points.

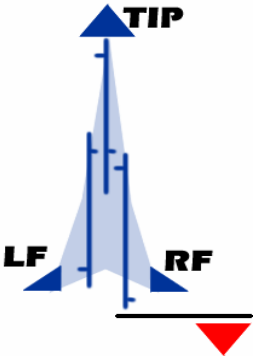
Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Elliot Wave Drawing.

Dart (Blip) Formations

The Dart (Blip) Formation occurs when there is a dramatic price change which is followed by an equally dramatic price change. There are two types of Darts: Up and Down.

Dart Up (Blip) Formations

This formation is where a sudden dramatic price increase occurs followed by an equally dramatic drop in price. A dart formation can appear anywhere in a chart.

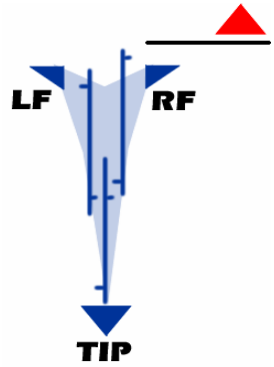


To Trade a Dart Up:
Place a sell order on the break down of the Right Feather (RF) along with a stop loss order just above the Tip.

Trading on a Dart Formation is very risky.

Dart Down (Blip) Formation

This formation is where a sudden dramatic price decrease occurs followed by an equally dramatic increase in price. This formation can appear anywhere in a chart.



To Trade a Dart Down:
Place a buy order on the break up of the Right Feather, and then place your stop loss order right below the tip.

Trading on a Dart Formation is very risky.

Dart/Blip Tool

To chart a Dart (Blip) Up or Down formation use the Dart/Blip Advanced Charting Tool.

To Draw a Dart Formation:

1. Select the Dart Tool from the Advanced Charting Tool Menu bar.
2. Left Click your mouse on the Left Feather (LF)
3. Continue to hold down the mouse button while moving to the tip of the dart.
4. Release the mouse button then move the mouse to the Right Feather and release the mouse button.

To Lengthen or shorten the Formation:

1. Select the dart by clicking on it. (The formation is selected when boxes appear on the corners of the drawing.)
2. Click on one of the boxes to drag the select point and release the mouse button.

To Move the Entire Dart:

Select the dart by clicking on it and drag to the new location and release the mouse button.

To Delete the Dart:

Select the dart by clicking on it and press the delete key on your keyboard. Or, right-click on the drawing and select Delete from the popup menu.

Changing the Properties of a Dart/Blip Drawing:
Right-click on the drawing to view the properties menu. Properties that can be changed are:

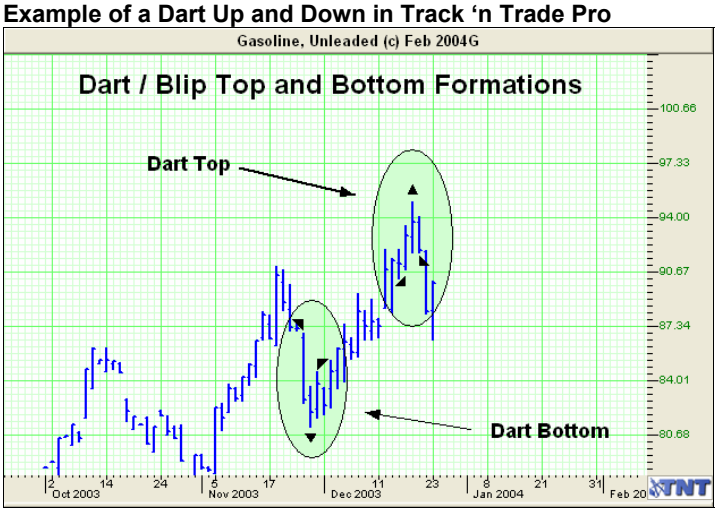
Foreground: Changes the line color of the Elliot Wave.

Line Thickness: Changes the thickness of the Elliot Wave Line. Choose values from 1-6.

Line Style: Changes the line style of the Elliot Wave Line. Choose from solid, dashed, dotted and more.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to Back when you need to access a tool under the Elliot Wave Drawing.

Example of a Dart Up and Down in Track 'n Trade Pro



Gann Fan Theory

W. D. Gann designed several unique techniques for studying price charts. One of these techniques included the use of geometric angles in conjunction with time and price. Gann believed that specific geometric patterns and angles had unique characteristics that could be used to predict price action.

Gann's techniques require that charts be drawn with equal time and price intervals, so that a rise/run of one price unit for each time unit (called a 1 x 1 trend or angle) will equal a 45 degree angle anywhere on the chart. Gann believed that the ideal balance between time and price exists when prices rise or fall at a 45 degree angle relative to the time axis.

Interpretation

The Gann Fan is made up of nine angles based on this concept. These trend lines are used to indicator support and resistance levels. When one line is broken (by the entire days price range) prices should move to the next line. The drawing of these lines should start from either a market top or bottom.

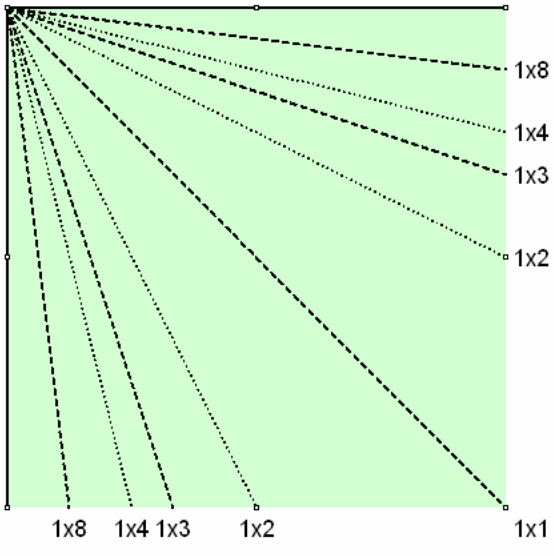
It is important to note that this theory is based on a squared 45 degree angle on the chart. Obviously, a 45 degree angle drawn on a chart is no longer 45 degrees when the scale is changed without a change to also the opposite scale. To "square" the Gann Fan to the current chart's scaled settings, hold down the CTRL key on your keyboard while clicking on and rescaling with the mouse pointer. Some Gann experts have reported that to get a truly

"squared" chart, one must set the scaling to 8 price bars per inch (width) and 4 price bars per inch (height).

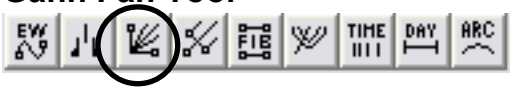
A Gann Fan is used to define a market direction or a new trend. For example, a bull market exists if prices are maintaining strength between the1x2 lower line and 1x2 higher line. A bear market would be the exact opposite of the previous scenario.

During an uptrend, the breaking of one line would suggest a further price drop to the next lower line. Correspondingly, if prices break above one line, they would be expected to rally to the next higher one.

Example of the Gann Fan in Track 'n Trade



Gann Fan Tool



You can apply this theory to your charts by using the Gann Fan Tool on the Advanced Charting Toolbar.

To draw a Gann Fan:

1. Select the Gann Fan Tool.
2. Left click where you want the Fan to start, continue holding down the mouse button until reaching the final position of the fan, release button to place.

Resizing the Gann Fan:

1. Select the Fan by clicking on it. Note: The formation is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the selected point and release the mouse button to place.

Moving the Gann Fan:

Select the Fan by clicking on it. Then, drag to the new location and release the mouse button.

Deleting the Gann Fan:

Select the drawing by clicking on it then, press the delete key on your keyboard. Or, right-click on the fan and select Delete from the popup menu.

Changing Properties of a Gann Fan:

Right-click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color for the fan.

Background: Changes the color of the background for the fan.

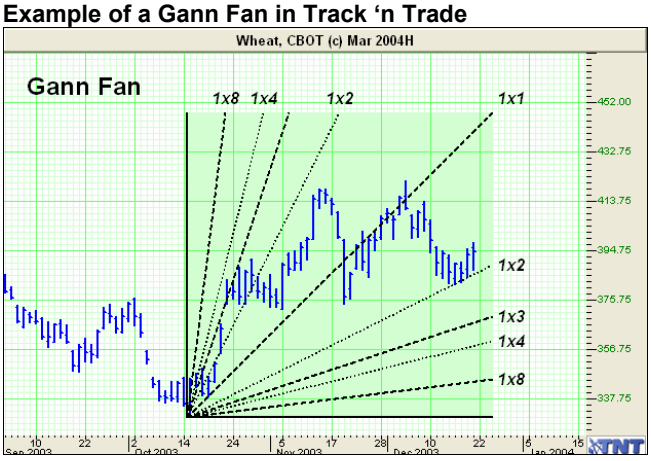
Line Thickness: Changes the thickness fan line. Choose values from 1-6.

Font: Changes the Font, Size, Style, and Color of the fan values

Show Text: Select to view or hide the fan values.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Gann Fan.

Example of a Gann Fan in Track 'n Trade

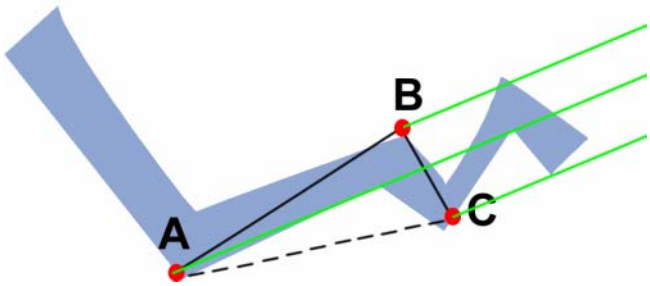


Andrews Pitchfork Theory

Dr. Alan Andrews developed a channel technique to show areas of support and resistance from a baseline. This use of a median line is the key to using the Andrews Pitchfork. Buying near lows and selling near highs that are identified by the “tines” of the pitchfork. The basic premise is to trade the channel from one level of support or resistance to the next.

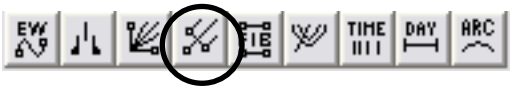
Interpretation

The first element to draw the Andrews Pitchfork is the centerline. The middle tine or median line begins at the most recent contract low or high. To plot the direction of this point we must attain the other two points. The top tine is determined by looking at the highest move made from the origin of the contract low or high. The next point is found by looking at the retracement of that move. For example, a contract begins at point A rallies to point B, and sells off from B to point C. A line is drawn from point B and C, and then the line originating at point A splits those two lines equally.



This pitchfork shows continuing points of support and resistance. **The general use of this tool** is to sell when the market rises to line B, and take profits once prices reach line A the middle tine. Also to buy when prices dip to line C and take profits when they reach line A. This series of movements within the pitchfork affords traders the opportunity to trade a channel system within a trending market.

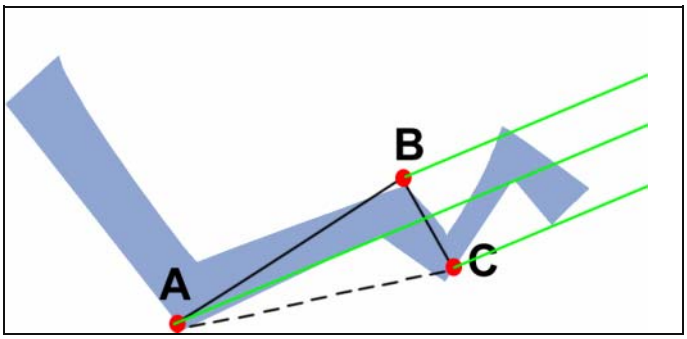
Andrews Pitchfork Tool



Charting Andrews Pitchfork:

1. Select the Andrews Pitchfork Tool from the Toolbox.
2. The first three clicks setup the pitchfork. The first point is the handle of the pitchfork and is places at the end of the previous trend.(A)

3. Next you are forming the base of the fork. The first point is the top of the next trend. (B)
4. The second point completes the base and is placed at the bottom of the trend. (C)
5. Once you have completed the first three steps you can elongate the pitchfork to length desired. Left click to place final point.



Resizing the Andrews Pitchfork Drawing:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Andrews Pitchfork Drawing:

Select the drawing by clicking on it continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Andrews Pitchfork Drawing:

Select the drawing by clicking on it and press the delete key on your keyboard to remove. Or, right-click on the drawing and select Delete from the popup menu.

Changing the Properties of the Andrews Pitchfork Drawing:
Right-click on the drawing to view the properties menu. Properties that can be changed are:

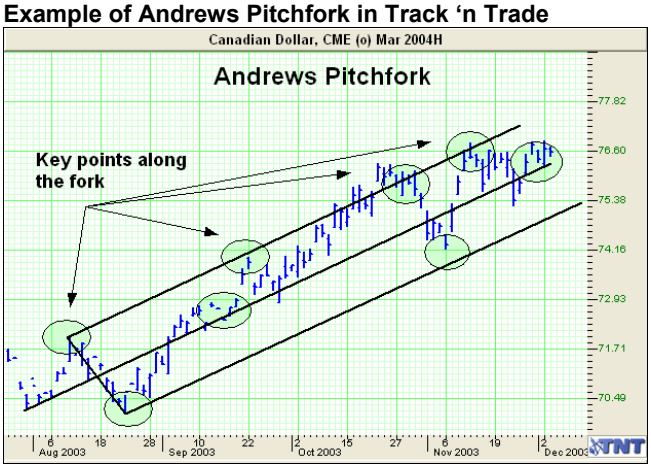
Foreground: Changes the line color of the Andrews Pitchfork.

Line Thickness: Changes the thickness of the Andrews Pitchfork. Choose values from 1-6.

Line Style: Changes the line style of the Andrews Pitchfork Line. Choose from solid, dashed, dotted and more.

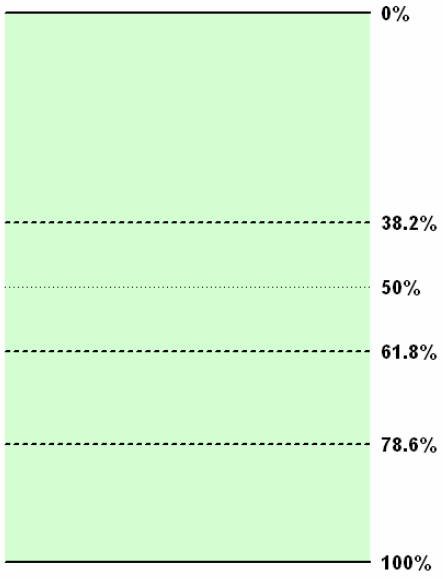
Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on Send to Back when you need to access a tool under the Andrews Pitchfork.

Example of Andrews Pitchfork in Track 'n Trade



Fibonacci Retracements

Fibonacci Retracement levels correspond with percentage retracements that occur in the ebb and flow of a market trend. According to the Elliot Wave Theory, market trends tend to occur in five distinct waves. See the Elliot Wave for more information. Elliot asserted that these counter-trend waves will usually retrace against the trending waves by 38.2, 50 and 61.8 percent. These Retracement Percentages correspond to natural ratios discovered by the Greeks called the Golden Ratio and rediscovered by Fibonacci; a medieval, Italian Mathematician.



Interpretation
Commodity prices will frequently consist of an initial wave, a second wave (often retracing 61.8% of the initial move), the third wave (usually the largest), then another retracement, and finally the 5th wave (the last gap), which would exhaust the movement.

In Track 'n Trade Pro, you have three tools that you can use to apply these concepts: the Fibonacci Retracement, Fibonacci Time Zone and the Fibonacci Arc.

Fibonacci Retracement Tool

The Fibonacci Retracement Tool is used to measure the different retracement levels within a market.

Drawing a Fibonacci Retracement:

1. Select the Fibonacci Retracement Tool from the Toolbox.
2. Left click on the chart where you would like the ruler to begin.
3. Move the mouse pointer to the lower right position of the ruler and left click to place.

Resizing the Fibonacci Retracement:

1. Select the ruler by clicking on it. You can tell the ruler is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the select point and release the mouse button.

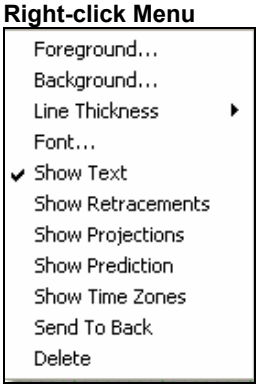
Moving the Fibonacci Retracement:

Select the ruler by clicking on it, then drag to the new location and release the mouse button.

Deleting the Fibonacci Retracement:

Select the ruler by clicking on it and press the delete key on your keyboard. Or, right click on the ruler and select Delete in the popup menu.

Right-click Menu



Changing Properties for the Fibonacci Retracement:
Right-click on the ruler to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the ruler.

Background: Changes the background color of the ruler.

Line Thickness: Changes the thickness of the ruler lines. Choose values from 1-6.

Font: Changes the Font, Size, Style, and Color of the values.

Show Text: Deselect/Select to view or hide the values.

Show Retracements: Select/Deselect to view the additional retracement percentages.

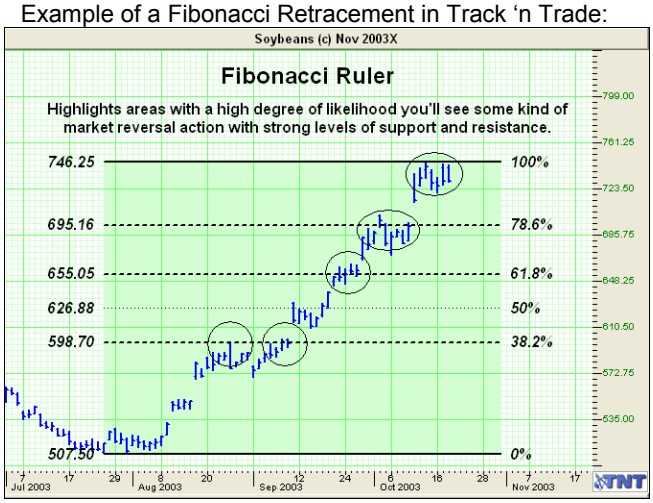
Show Prediction: Select/Deselect to view the additional prediction percentages.

Show Time Zones: Select\Deselect to overlay the Time Zones on the ruler.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Fibonacci Retracement.

Delete: Select to delete the tool.

Example of a Fibonacci Retracement in Track 'n Trade:



Fibonacci Arc Tool

The Fibonacci Arc Tool is used to measure the different retracement levels within a market.

Drawing a Fibonacci Arc:

1. Select the Fibonacci Arc Tool from the Toolbox.
2. Move the mouse pointer to the point on the chart that you would like to start the stem of the arc tool, left click start.
3. Move the mouse pointer to the ending point for the arc tool and left click to place. (While moving to the end point, the arc will extend for you to get an idea of placement on the ticks.)

Resizing the Fibonacci Arc:

1. Select the arc by clicking on it. You can tell the arc is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the select point and release the mouse button to place.

Moving the Fibonacci Arc:

Select the arc by clicking on it, then drag to the new location and release the mouse button.

Deleting the Fibonacci Arc:

Select the arc by clicking on it and press the delete key on your keyboard. Or, right-click the arc and select Delete on the popup menu.

Changing Properties for the Fibonacci Arc:
Right-click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the arc.

Line Thickness: Changes the thickness of the arc lines. Choose values from 1-6.

Line Style: Changes the line style of the arc, which shows when the line is selected. Choose from solid, dashed, dotted and more.

Font: Changes the Font, Size, Style, and Color of the values.

Show Text: Deselect\Select to view or hide the values.

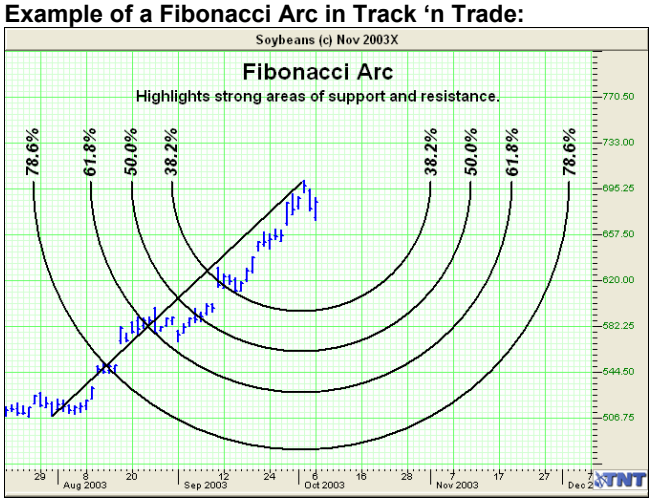
Show Retracements: Select/Deselect to view the additional retracement percentages.

Show Prediction: Select/Deselect to view the additional prediction percentages.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Fibonacci Arc.

Delete: Select to delete the tool.

Example of a Fibonacci Arc in Track 'n Trade:



Fibonacci Time Zones

The Fibonacci Time Zone uses Fibonacci numbers rather than the percentages used in the Ruler and Arc tools.

Charting a Fibonacci Time Zone:

1. Select the Fibonacci Time Zone Tool from the Toolbox.
2. This tool is drawn like a rectangle. Left click for the upper left point.
3. Move the mouse to the bottom right position and left click to finish the drawing.

Resizing the Fibonacci Time Zone:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Fibonacci Time Zone:

Select the drawing by clicking on it continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Fibonacci Time Zone:

Select the drawing by clicking on it and press the delete key on your keyboard to remove. Or, right-click on the tool and select Delete from the popup menu.

Changing the Properties of a Fibonacci Time Zone:
Right-click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the Fibonacci Time Zone.

Line Thickness: Changes the thickness of the Fibonacci Time Zone Line. Choose values from 1-6.

Line Style: Changes the line style of the Fibonacci Time Zone Line. Choose from solid, dashed, dotted and more.

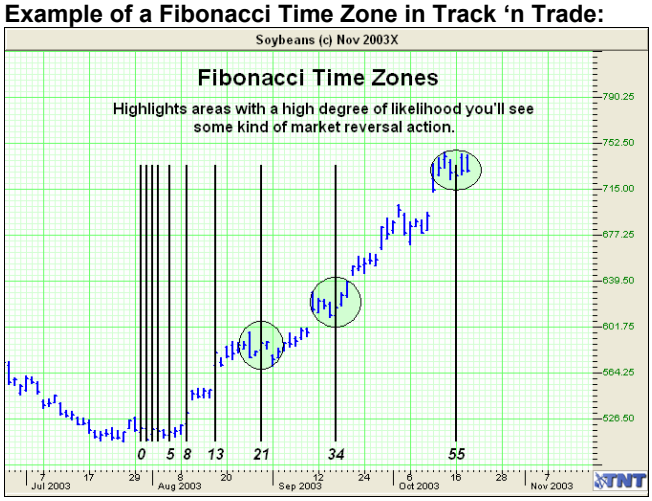
Font: Changes the Font, Size, Style, and Color of the Fibonacci Time Zone numbers.

Show Text: Select to view or hide the numbers.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Fibonacci Time Zone drawing.

Delete: Select to delete tool.

Example of a Fibonacci Time Zone in Track 'n Trade:



Calculating Trading/Actual Days

In the futures industry trading days are scheduled around holiday and weekends, therefore when looking at a futures chart often times it is difficult to determine how many actual days have passed while working a trade.

The number of trading days is also significant for traders using the number of trading days as a rule in conjunction with a formation. For example with the 1-2-3 Top or Bottom Formation, many traders use the 10-20-50 rule. This rule defines a 1-2-3 if there are 10 trading days between the #1 and #2 and 10 days between the #2 and #3 points.

To calculate the Actual or Trading days on a chart use the Day Offset Tool.

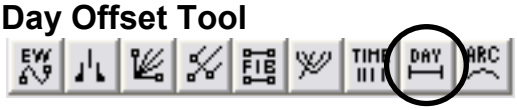
Days “Up” and “Down”

Another statistic used along side formations and other theories is the day up and down calculation. This calculation determines how many days, in a defined set of price bars, were “up” or “down”.

A day is considered an “Up Day” if the close is higher than any previous close in the set of price bars selected. Conversely a day is considered a “Down Day” if the close is lower than any previous trading day in the defined set of price bars.

This statistic is available in Track n Trade Pro when using the Day Offset Tool.

Day Offset Tool



The Day Offset Tool enables you to measure the number of trading days vs. actual days that expired between two points on the chart. Also calculated on this tool is the number of days that the market closed up or down in comparison with the previous day.

Charting a Day Offset:

1. Select the Day Offset Tool from the Toolbox.
2. This tool is drawn like a line. Left click for the left point.
3. Move the mouse to the right position and left click to finish.

Resizing the Day Offset:

1. Select by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Day Offset:

Select the drawing by clicking on it continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Day Offset:

Select the drawing by clicking on it and press the delete key on your keyboard to remove. Or, right-click on the tool and select Delete from the popup menu.

Changing the Properties of a Day Offset:
Right-click on the Day Offset drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the Day Calculator.

Line Thickness: Changes the thickness of the Day Calculator Line. Choose values from 1-6.

Line Style: Changes the line style of the Day Offset lines. Choose from solid, dashed, dotted and more.

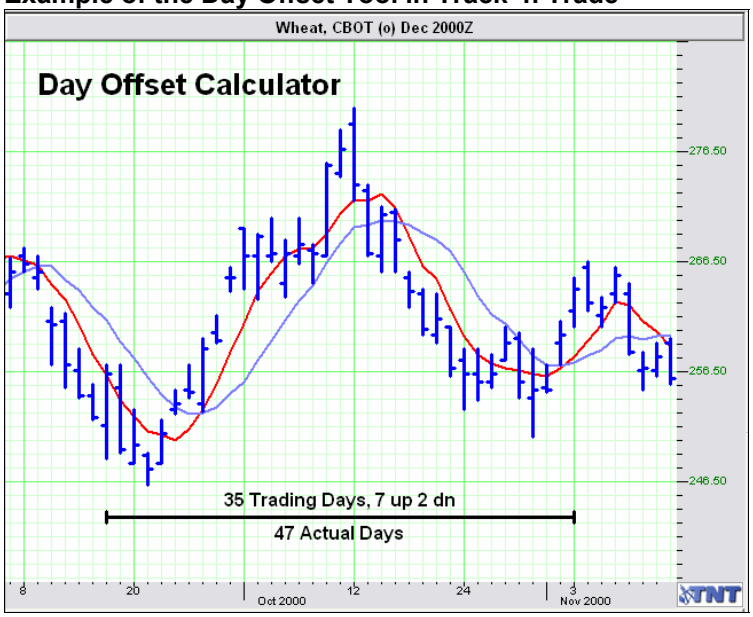
Font: Changes the Font, Size, Style, and Color of the Day Calculator numbers.

Show Text: Select to view or hide the Day Calculator numbers.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Day Calculator drawing.

Delete: Select to delete tool.

Example of the Day Offset Tool in Track 'n Trade

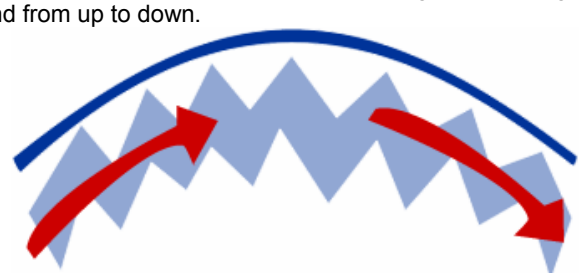


Rounded Top & Bottom Formations

The Rounded Top & Bottom Formation is a very gradual change in trend. This formation includes: Rounded Top & Bottom, Double Top & Bottom, & Triple Top & Bottom.

Rounded Top

The Rounded Top Formation consists of a gradual change in trend from up to down.



Rounded Bottom

The Rounded Bottom Formation consists of a gradual change in trend from down to up. This formation is the exact opposite of a Rounded Top Formation.

Double Top

This formation includes two distinct “tops” and anticipates a change in trend from up to down.

Double Bottom

This formation includes two distinct “bottoms” and anticipates a change in trend from down to up. This formation is the exact opposite of a Double Top.

Triple Top

This formation includes three distinct “Tops” and anticipates a change in trend from up to down.

Triple Bottom

This formation includes three distinct “Bottoms” and anticipates a change in trend from down to up. This formation is the exact opposite of a Triple Top.

Arc Tool

To illustrate a Rounded Top/Bottom Formation on your futures chart, use the Arc Tool in the Advanced Charting Toolbar.

Drawing a Rounded Top Formation:

1. Select the Arc Tool from the Toolbox.
2. Left click your mouse on the left side of the arc and drag the mouse to the right side, release mouse to place tool.

Resizing the Arc Drawing:

1. Select the arc by clicking on it. Note: The tool is selected when boxes appear on the corners of the drawing.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Arc Drawing:

Select the arc by clicking on it and drag to the new location and release the mouse button.

Deleting the Arc Drawing:

Select the arc by clicking on it and press the Delete key on your keyboard. Or, right-click on the drawing and select the Delete option on the popup menu.

Changing the Properties of an Arc Drawing:
Right-click on the tool to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the arc.

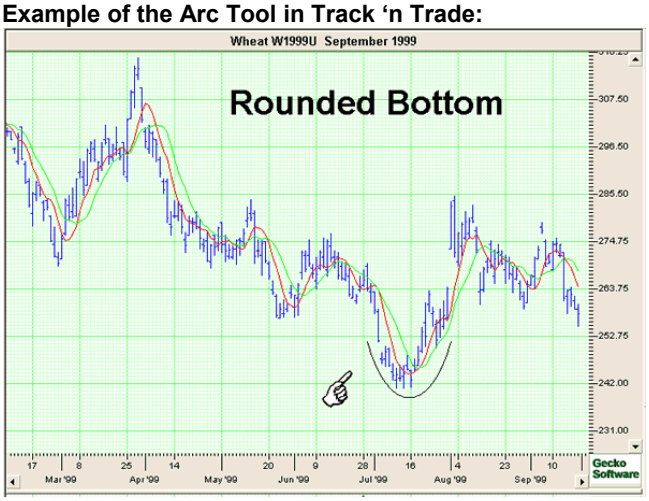
Line Thickness: Changes the thickness of the arc line. Choose values from 1-6.

Line Style: Changes the line style of the arc line. Choose from solid, dashed, dotted and more.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Arc Tool Drawing.

Delete: Select to delete the tool.

Example of the Arc Tool in Track 'n Trade:



TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

PERSONALIZING YOUR CHARTS WITH NOTATION TOOLS

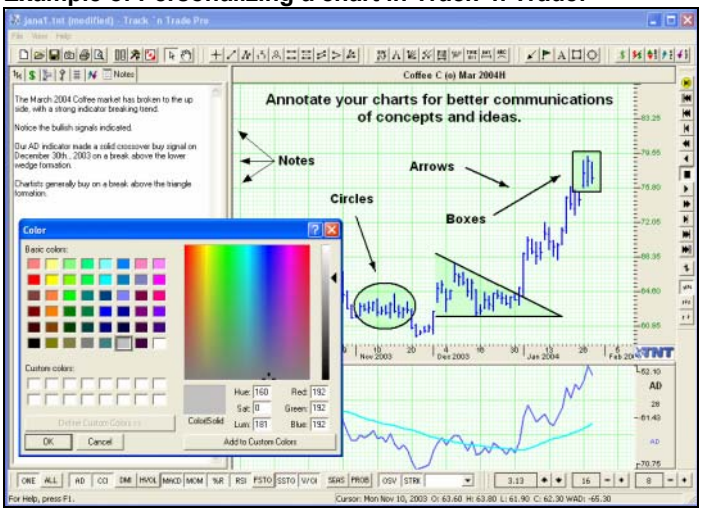
Personalizing Your Charts with Notation Tools

Express Yourself with Text, Graphics, and More.

Introduction

In Track ‘n Trade Pro, you have a variety of tools available to you to help personalize, notate and analyze your futures charts. Type text, make drawings, import flags, plus keep notes on each chart. The Notation tools as well as the Notes Tab in the Control panel enable you record and remember what you learn from others tips and tricks. In this section you will learn how to use these features.

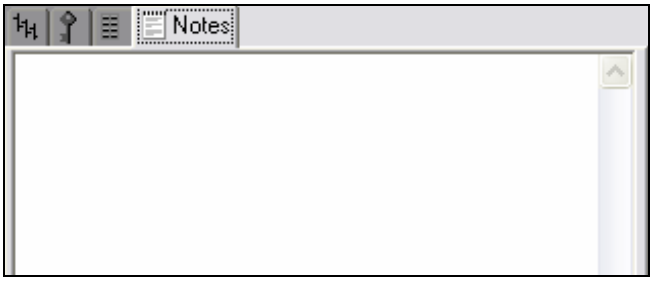
Example of Personalizing a chart in Track ‘n Trade:



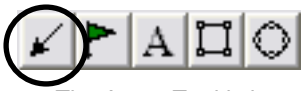
Notes Window

The Notes Window is located in the Control Tab after the Data Tab. The Notes Tab is for you to keep notes on the charts that are saved within your Chartbook. Each Chart has a new Notes section available to keep notes for that particular chart.

Notes Tab in Track 'n Trade



Arrow Tool



The Arrow Tool is located in the Notation Toolbar. This tool enables you to draw arrows to help point out areas of interest on your chart.

To draw an Arrow:

1. Select the Arrow Tool Button
2. Position mouse pointer where you want to place the point of the arrow and click the left mouse button.
3. Continue holding down the mouse button and drag the mouse pointer to the location you would like to end the arrow and release.

Moving an Arrow:

Left click and continue holding down the mouse button, drag to the new location and release to place.

Deleting an Arrow:

Left click on the arrow to select and press the delete key on your keyboard. Or right-click on the arrow and select Delete from the popup menu.

Changing the Length of an Arrow:

1. Left click to select the arrow.
2. Next, click on a box (markers located each end of the arrow) continue to hole the mouse button and drag to lengthen/shorten arrow, and then release to place.

Changing the Properties of the Drawn Arrow:
Right-click on the arrow to open the properties menu:.

Foreground: Changes the color of the entire arrow.

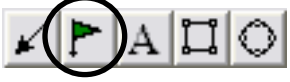
Line Thickness: Changes the thickness of the stem on the arrow. Choose values from 1-6.

Line Style: Changes the style of the arrow stem. Choose from solid, dashed, dotted and more.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the arrow.

Delete: Select to delete tool.

Flag Tool



The Flag Tool enables you to place a flag or a graphic on your chart. There are a basic set of flags available to choose from or you can also import custom flags.

Placing a Flag:

1. Select the Flag Tool Button in the Annotation Toolbox.
2. Left click on the Chart Window where you would like to insert the Flag.
3. The default flag seen below the screenshot will be placed in this location.

Changing the Flag Type and Settings:

1. Right click on the flag to display properties menu.
2. Select Settings from the menu to open the Flag Options window.
3. In Flag Settings you can select a different flag, change or import a custom flag. Importable formats: wmf, jpeg, and gif.
4. After making selections, click on OK to make changes or Cancel to exit this window.

Flag Settings Window in Track ‘n Trade

Moving a Flag:

To move a flag, left-click on the flag and drag to the new location. Release the mouse button to place.

To Delete a Flag:

Left click on the flag and press the Delete Key on your keyboard. Or right-click the flag and choose the Delete option from the popup menu.

Changing Size of Flag:

To change the size of a Flag, simply click on the flag so that it is selected and then drag one of the handles to change the size.

Changing Chart Position of Flag:

If another tool has been drawn in the same area as the flag, right click on it and select Send to Back from the properties menu to access a tool under the flag.

Default Flag:

To change the default Flag, open the Program Options window and view the Tools Tab under Global Settings.

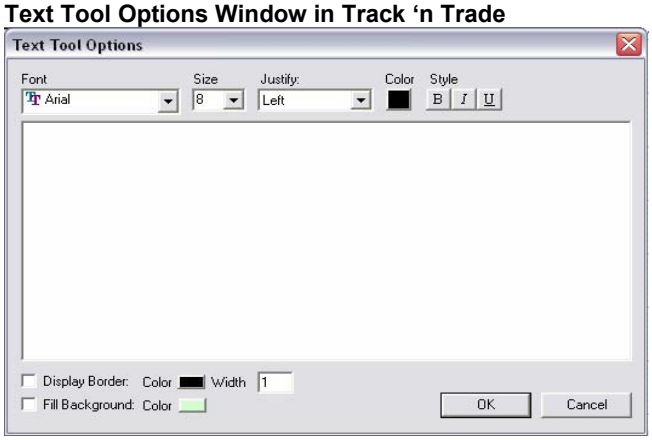
Text Tool

The Text Tool enables you to type text on the chart.

Adding Text to a Chart:

1. Select the Text Tool Button in the Notation Toolbar.
2. Left click on the chart where you would like to place the upper left corner of the text box, continue holding down the mouse button and drag to the lower right corner position release the mouse to place the box.
3. Once the text box is drawn the Text Tool Options window will open. (see screenshot below)
4. The Text Tool Options window allows you to enter the text, set the font, size, position, color, and style of the text. Also, you can select a border and background for the text box.
5. Click on OK when finished and the text will be placed on your chart.

Text Tool Options Window in Track 'n Trade



Moving Text on the Chart:

Left Click to select the text box and continue holding down the mouse button while dragging the text to the new location. Release mouse button to place text.

Deleting Text:

Left click to select the text box and then press the Delete key on your keyboard. Or, right-click the text and select *Delete* from the popup menu.

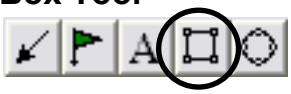
Changing Properties of the Text:

1. Right-click to view the properties menu.
2. Select Settings to view the text tool options.
3. Make changes to color, font, size, and style then click on OK to close window.

Changing Text Placement on Chart:

Right click to view the properties menu. Select “send to back” to changes the layer of the tool. This option is used when more than one tool is in the same area of the chart and you need to access the tool under the text.

Box Tool



The Box Tool enables you to draw square or rectangle shaped drawings on the chart.

Drawing a Box:

1. Select Box Tool Button in the Annotation Toolbox.
2. Left click where you would like to place the upper left hand corner of the box, hold down the mouse button and drag to the location of the lower right hand corner of the box.

To Move the Box:

Left Click on the box, continue holding down the mouse button while dragging to the new location. Release mouse button to place.

To Delete the Box:

Select the box and press the Delete Key on your keyboard. Or, right-click the box and select Delete from the popup menu.

Changing Properties of the Drawn Box:

Right-click on the box to open the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the box.

Background: Changes the inside color of the box.

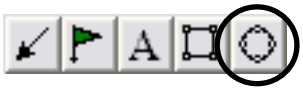
Line Thickness: Changes the thickness of the box outline. Choose values from 1-6.

Line Style: Changes the line style of the box outline. Choose from solid, dashed, dotted and more.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the box.

Delete: Select to delete tool.

Circle Tool



The Circle Tool enables you to draw circle shaped drawings on the chart.

Drawing a Circle:

1. Select the Circle Tool Button in the Annotation Toolbox.
2. Left click on the chart where you would like the circle to start. Continue holding down the mouse button and drag the tool until it has formed a circle. Release the mouse button to place the circle.

Moving a Circle:

Left Click on drawing so that it is selected. Continue holding down the mouse button while dragging to the new location. Release mouse button to place circle.

Deleting a Circle:

Select the circle and press the Delete Key on your keyboard. Or, right-click on the circle and then select Delete from the popup menu.

Changing the Properties of the Circle:

Right-click on the circle to view the properties menu. Properties that can be changed are:

Foreground: Changes the color of the outline.

Background: Changes the inside color of the circle.

Line Thickness: Changes the thickness of the outline on the circle. Choose values from 1-6.

Line Style: Changes the style of the outline. Choose from solid, dashed, dotted and more.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the drawn in the same area of the chart. Click on *Send to Back* when you need to access a tool under the circle.

Delete: Select to delete tool.

TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

USING INDICATORS

USING INDICATORS

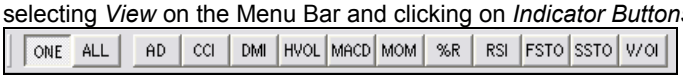
Implementing Indicators into your Trading Strategy

Introduction

Track 'n Trade Pro includes 11 indicators that are displayed in the window below the chart window. This window is referred to as the Indicator Window. Also available are five Overlay Indicators that are displayed directly on your chart in the Chart Window.

Displaying Indicators in the Indicator Window

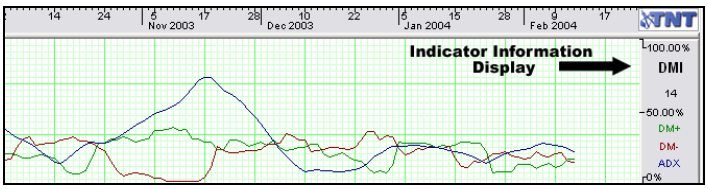
The Indicator Buttons are found on the bottom left hand side of your screen (shown below). The indicator toolbar can be closed/open by selecting *View* on the Menu Bar and clicking on *Indicator Buttons*.

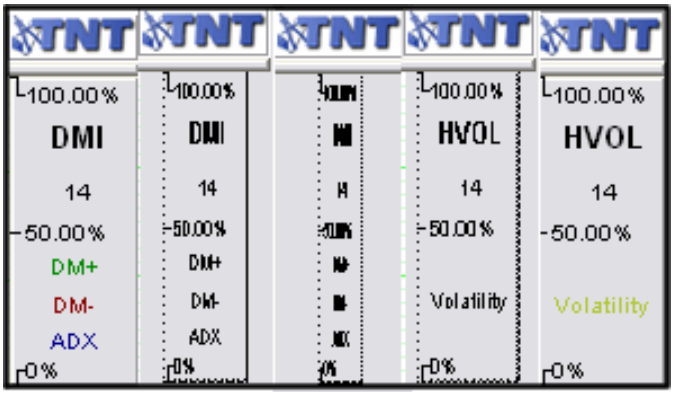


To display an indicator in the indicator window, click on the button that has the abbreviation for the name of the indicator you would like to display.

One Button:

The One button on the left end of your indicator toolbar allows you to have as many indicators as you like selected, but only view them one at a time in the indicator window. To switch between each selected indicator click the Indicator Information Display to the left of the Indicator Window.





When you click on the Indicator Information Display window the indicator information will rotate to the next indicator you have selected (as simulated above).

All Button

The All Button will display all the indicators you have selected on the Indicator Toolbar in the Indicator Window. You will still be able to rotate the information for each indicator to the right of the Indicator window.

Indicators displayed in the Indicator Window are:

- %R – Williams Percent R
- AD –Williams AD
- CCI –Commodity Channel Index
- DMI – Directional Movement Index
- HVOL – Historic Volatility
- MACD – Moving Average Convergence/Divergence
- MOM – Momentum
- RSI – Relative Strength Index
- FSTO – Stochastics (fast)
- SSTO – Stochastics (slow)
- VOL/OI –Volume/Open Interest

Buy/Sell Signals Introduction

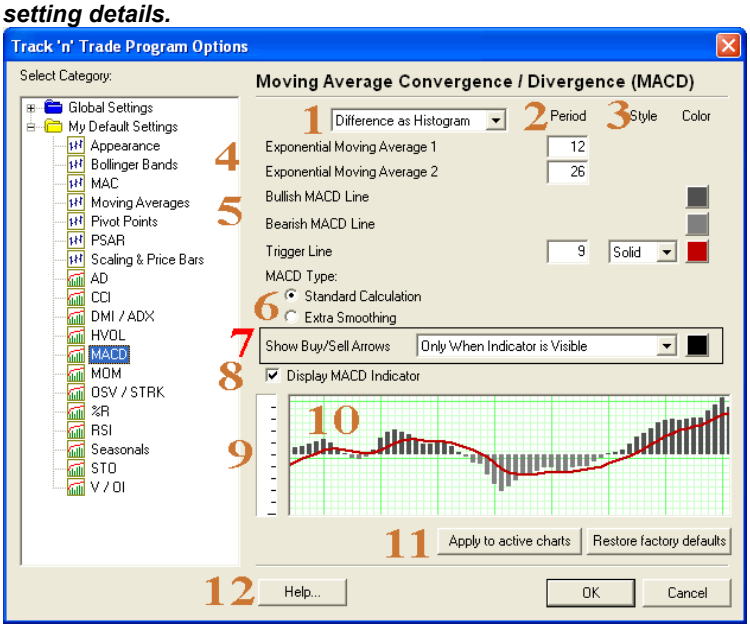
Many of the indicators included in Track 'n Trade Pro have buy/sell signals. Users will be able to select the indicator to view these signals on the chart (see above chart example). The indicators that have buy/sell signals are:

- AD - Williams Accumulation/Distribution
- CCI - Commodity Channel Index.
- DMI - Directional Movement Index
- MACD - Moving Average Convergence Divergence
- MOM - Momentum
- %R - Williams Percent R
- RSI - Relative Strength Index
- FSTO - Fast Stochastics
- SSTO - Slow Stochastics

Displaying the Buy/Sell Signals

To display the Buy/Sell Signals, click on the Program Options and select the Indicator from either My Default Settings or Current Chart Settings. Next, select the drop-down menu for *Show Buy/Sell Arrows* and select either *Show Always* or *Only When Indicator is Visible* to view the buy/sell signals.

Removing Buy/Sell signals from chart: click on the Program Options and select the Indicator from either My Default Settings or Current Chart Settings. Next, select the drop-down menu for *Show Buy/Sell Arrows* and select *Never Show Arrows*.
See Program Options section to view individual Indicator setting details.



Customizing the Buy/Sell Signals

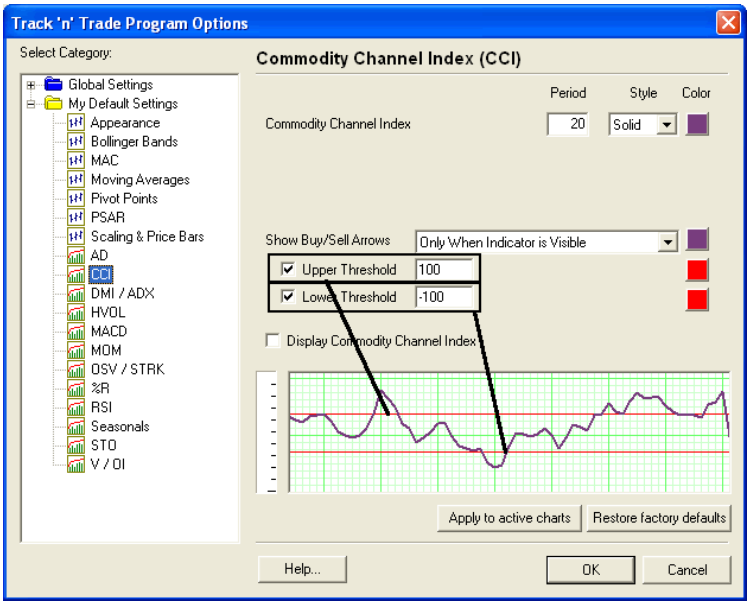
To change the color of the buy/sell arrows, click on the color box to open the color panel. Choose a new color by clicking on it.

Thresholds: A threshold is the area defined by the study as a region used to determine buy sell signals. Not all studies include thresholds; see the *Using Indicators Section* for further documentation.

Changing the threshold numbers: Click on Program Options and select the Indicator under My Default Settings or Current Chart Settings. Select the threshold number and type the new number in the edit box.

To change the color of the threshold lines displayed in the Indicator Window, click on the color box next to the threshold and select the new color from the color panel.

Displaying/Removing threshold lines: Click on Program Options and select the Indicator under My Default Settings or Current Chart Settings. Before each threshold is a check box, check to display and uncheck to remove.



%R – Williams Percent R

Introduction:

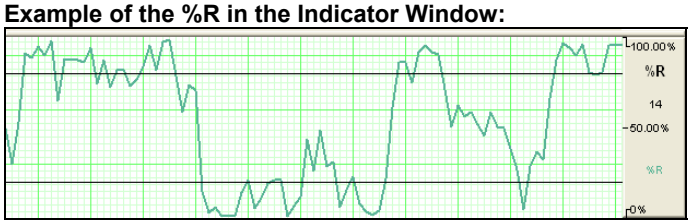
Larry Williams originally used a ten-day interval, and plotted where the current price compared to that interval. He used it to measure conditions of overbought and oversold. The overbought region is the area below 20% and the oversold region is the area above 80% - with the ability to invert the values it can be looked at in the same manner as other overbought/oversold indicators (Note: we will use the traditional method, not the inverted in our discussions). Choosing the time period which the indicator looks at the interval for the indicator is crucial to finding the optimal sensitivity.

Interpretation:

Williams's basic rule is simple. When the %R is lower than 20% and becomes greater than 20% it is interpreted as a buy signal, and conversely when the %R is higher than 80% and becomes lower than 80% a sell signal is activated.

Changing the sensitivity of the indicator to work for you is essential to making the study a better tool. The longer the period for the %R, the less sensitive it will be. The indicator will move less but will be more smoothed. A number of technical traders use a value that is less volatile, in other words a larger value. Many traders find it better to use a strategy where the market leaves the areas of overbought/ oversold before entering a trade position. In either case using solid exit strategies is important with this indicator.

Example of the %R in the Indicator Window:



Calculation:

Parameters:
Period (10) - The number of price bars, or the interval, used to calculate the study.

Common Formula:

You must first determine the highest high and lowest low for the length of the interval. This is the trading range for the specified interval. The general formula for the %R is as follows:

%Rt = ((Highn - Closet) / (Highn - Lown)) * -100

%Rt: The percent of the range for the current period.

Highn: The highest price during the past n trading periods.

Closet: The closing price for the current period.

Lown: The lowest price during the past n trading periods.

n: The length of the interval.

Example:

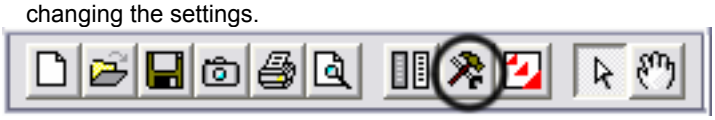
Assume the market is Treasury Bills. The high for the past ten trading intervals is 9275, and the low is 9125. The closing price in the current period is 9267. If you substitute those values in the equation, you get:
%R = ((9275 - 9267) / (9275 - 9125)) * 100
= (8 / 150) * 100
= 5.33

Updated Formula:

%Rt = ((Closet - Lown) / (Highn - Lown)) * -100

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



AD –Williams AD

Introduction:

Larry Williams created this indicator in an attempt to measure market pressures. It specifically looks for a difference in price and then measures that difference. It is a tool used to measure market sentiment and strength. The key is to look for strong differences in what the market does as opposed to what the indicator does. Looking for substantial divergence from the AD index versus the underlying chart is the key to future price direction.

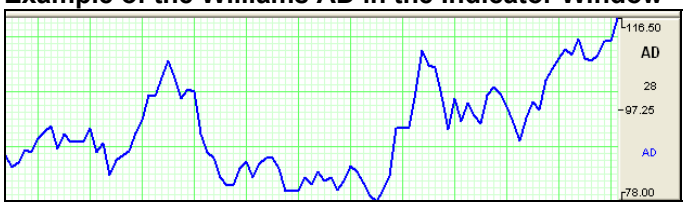
Interpretation:

The indicator is computed by taking the previous days close and comparing it to the current days close. If the close of today was higher, then the low for the period is subtracted from the current days close, and added to the current AD. A pattern of higher highs would show a consistently increasing AD. If the close of today is the same as yesterday then there is no change in the AD. If the close of today is lower than yesterdays low, the close of today is subtracted from the high for the current period and that difference is subtracted from the AD.

The main thing to look for is a difference in the AD and the market trend. If a market were to make a matching or lower low or a matching or higher high and the AD fails to follow the market trend then this is divergence. Divergence implies a reversal in the dominant trend may be near.

A series of lower lows would read as a decreasing AD. The pattern created by the AD and the differences in the chart are what the trader looks for. Divergence or a difference from the pattern is what you want to see. For example, if the market continues to march to higher territory and the AD follows by doing the same then there is no divergence. However if the market makes several new highs but the AD fails to make new highs, it is a warning signal of a market about to reverse direction.

Example of the Williams AD in the Indicator Window



Calculation:

Formula:
The AD index is computed several different ways. Some computations normalized the index, while others added extra smoothing factors through the use of moving averages

The first comparison checks for accumulation (i.e. Is the current close higher than previous close?). If the market is accumulating, then compute the difference between current close and low. Next, add that arithmetic difference to the Accumulation/Distribution Index. Traders perceive an undervalued market and buy. The procedure is:

If Closet > Closet-1 then ADt = ADt-1 + (Closet - Lowt)
The second comparison checks for no change in price. If correct, the AD index does not change. It states:

If Closet = Closet-1 then ADt = ADt-1
The last and final comparison checks for a down market. It checks for current close below previous close. If that is correct, the market is distributing. The software first computes the difference between current high and close. It then subtracts that difference from the AD index. This measures market distribution. Traders perceive an overvalued market and are selling. The final computation is:

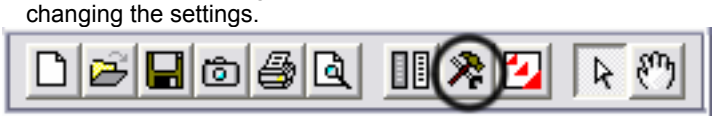
If Closet < Closet-1 then ADt = ADt-1 - (Hight - Closet)

ADt - The accumulation/distribution index for the current period.
ADt-1 - The accumulation/distribution index for the previous period.
Closet - The closing price for the current interval.
Closet-1 - The closing price for the previous interval.
Hight - The true high price for the current interval.
Lowt - The true low price for the current interval.

Note: The true high is the higher value of the current high or the previous close. The true low is the lower value of the current low or the previous close.

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



CCI –Commodity Channel Index

Introduction:

The Commodity Channel Index (CCI) is designed to detect beginning and ending market trends. The formula standardizes market prices so that the trader can spot deviations from the market's trend more easily.

Proponents of this indicator say that 70% to 80% of all price fluctuations fall within +100 and -100 as measured by the index. This is akin to technical lore that most of the time, markets trade in a sideways trend or channels. However, when the indicator moves out of this range, it is said that a trend is underway.

The calculation for CCI is very similar to the histogram Moving Average Convergence Divergence (MACD), as the CCI measures the average daily prices distance from a moving average of average daily prices, in much the same way that MACD measures the distance between moving averages from a base line.

The trading rules for the CCI are as follows: Establish a long position when the CCI exceeds +100. Liquidate when the index drops below +100. For a short position, you use the -100 value as your reference point. Any value less than -100 suggests a short position, while a rise above -100 tells you to liquidate your short position.

Interpretation:

Generally, followers of the CCI look to establish long positions when the CCI exceeds the +100 level, indicating that prices are in a strong up trend. Generally, most users of this indicator also try to look for patterns with in the indicator, such as higher highs, and look for CCI movements to be confirmed by general price readings as well.

Standard interpretation calls for long positions, once initiated on the upward exceeding of the +100 level, to be held until the CCI falls back below +85, at which time positions are exited as the market has stopped trending upward.

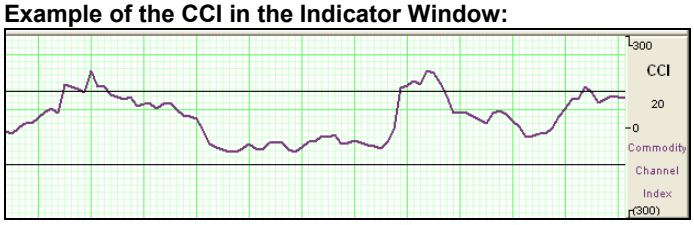
Short positions are generally established when the CCI goes lower than -100, indicating that prices are in a strong down trend. Like long positions, most users of this indicator try to watch out for patterns within the CCI itself to confirm the downward trend, and also look for confirmation from lower prices on the chart itself.

Once a short position is established, the original interpretation of this indicator calls for holding the position until the index climbs above -85 to the upside, at which time short positions should be covered.

The purpose of the CCI index is to try to keep you out of the market during consolidation or weak trending periods. By measuring the difference average prices versus mean average prices, this indicator attempts to isolate only strongly trending markets, similar to momentum and MACD.

In the Track 'n Trade CCI indicator pane, -100 is 33% of the window, +100 is 66% of the window. Therefore, guides could be set at these two points for ease in tracking CCI.

Example of the CCI in the Indicator Window:



Calculation:

Parameters:
Period (20) - the number of bars, or period, used to calculate the study.

Formula:
The proper calculation of the CCI requires several steps. They are listed in the proper sequence below. You must first compute the typical price, using the high, low and close for the interval. It is the simple arithmetic average of the three values.

TP = (Hight + Lowt + Closet) / 3

TPt - represents the typical price.

Hight - The highest price for this interval.

Lowt - The lowest price for this interval.

Closet - The closing price for this interval.

Next, you calculate a simple moving average of the typical price for the number of periods specified.

TPAVGt = (TP1 + TP2 +... + TPn) / n

TPAVGt - The moving average of the typical price.

TPn - The typical price for the nth interval.

n - Number of intervals for the average.

The next step is rather complex; it computes the mean deviation. The formula is:

MDt = (|TPAVG1 - TP1| +... + | TPAVG1 - TPn |) / n

MDT - The mean deviation for this interval.

TPn - The typical price for the nth interval.

n - Number of intervals.

The symbol | | designates absolute value. In mathematical terms, negative differences are treated as positive values.

Now, the computation for the final CCI value is:

CCIt = (TPt - TPAVGt) / (.015 * MDT)

CCIt - The Commodity Channel Index for the current period.

TPt - The typical price for the current period.

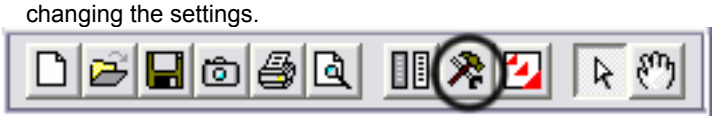
TPAVGt - The moving average of the typical price.

.015 - A constant.

MDT - The mean deviation for this period.

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



DMI – Directional Movement Index

Introduction:

Wilder's DMI is similar to the historic volatility indicator in that it shows the market tendencies. The main use of this tool is to show the strength of a trend. This could direct the trader to use a trend following system or a counter trend system in their trading. It also indicates possible price reversals.

Directional Moving Index is plotted as three lines on a scale of 0 to 100. This scale is a measure of market trend. The two lines of DMI show the amount of positive and negative movement. The positive line is called D+ and the negative D-. The direction of these lines and the use of crossovers can show the changes in the current market. The key to this indicator is the ADX, or average of the difference of these two lines. The ADX is the main factor in using this indicator. During periods of extreme price variation the two lines can become very volatile; the ADX is used to compensate for this.

Interpretation:

The best application of DMI is present when used with another indicator. DMI should either confirm or contradict the indicator being used. It is also best to use DMI in long-term trade situations. Because the study is not as sensitive as other indicators it is appropriate to use it as a confirmation tool. When the DMI is advancing, the average is higher on the 0 to 100 scale, trend following systems are best employed. Likewise with a decreasing DMI average, the line is lower on the scale closer to 0, a counter trend system might be best. These traits represent the fact that as the average line goes higher in the scale the strength of the trend is gaining, and as the ADX goes lower the trend is loosing strength. It is also important to look at the individual lines for changes in price movement.

The other application for DMI is to look at the D+ and D- lines themselves. When the D+ line crosses above the D- line a buy signal is initiated. This indicates that the positive price direction is greater than the negative. Conversely, once the D+ line crosses below the D- line, a sell trigger is present. The negative price movement is overtaking the positive.

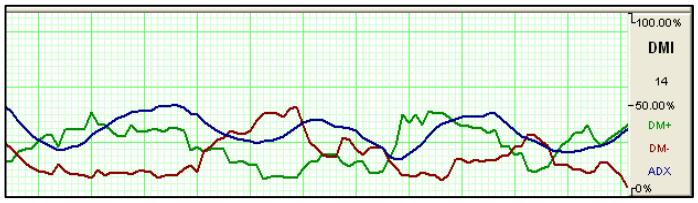
Welles Wilder himself said that he was not comfortable using these two lines by themselves. So when looking at reversals the ADX should be above both lines and once it turns lower we should see a change in market direction. One should also look to ADX for confirmation. For a good sell signal, the D+ should be greater than D- and both should be lower than ADX (D+ > D- < ADX).

For a good buy signal, D+ should be lower than D- and both should be lower than ADX (D+ < D- < ADX).

This application is much the same as momentum showing a change in the market sentiment. Wilder also says that a trend following system should not be used when the ADX line is below both D lines, as this means that the market has no discernable direction.

When using the D+ and D- crossover method, Wilder stresses the use of an extreme point. On the day the crossover occurs, the extreme point is the high or low of the day, (high for a buy, and low for a sell). The market should be able to take out that price and stay beyond it for several days before the trade is initiated or exited. This use of extreme points should keep the trader from getting into whipsaws or false breakouts.

Example of the DMI in the Indicator Window:



Calculation:

Parameters:

- Period (14) - the number of bars, or interval, used to calculate the study.
- Show/Hide +DI (1) - this parameter is used to show or hide the +DI line. 0=hide, 1=show.
- Show/Hide -DI (1) - this parameter is used to show or hide the -DI line. 0=hide, 1=show.
- Show/Hide ADX (1) - this parameter is used to show or hide the ADX line. 0=hide, 1=show.

Computations:

The computations needed to generate the final figures for the DMI are not complex but are numerous and lengthy. The following discussion attempts to unravel the computational mysteries of the DMI.

If you need further explanation, please refer to the author's original work. The book titled New Concepts in Technical Trading Systems by J. Welles Wilder, Jr. explains this indicator and several others.

You must first compute the directional movement, DM, for the current trading interval. Directional movement can be up, down or zero. If directional movement is up, it is labeled as +DM. The expression -DM refers to downward directional movement.

Wilder defines directional movement as the largest part of the current trading range that is outside the previous trading range. From a mathematical view, it is the largest value of the following differences:

Hight - Hight-1 or Lowt - Lowt-1

This is only true when the current low is less than the previous low, or the current high exceeds the previous high. Please note that both of these conditions do not have to be met, only one. It is the largest portion of the trading range outside of the previous trading range.

It is possible for the directional movement to be zero. This occurs when the current trading range is inside the previous trading range, or the trading ranges, current versus previous, are equal.

Directional movement is up or positive, when the difference between the highs is the greatest. It is down or negative when the difference between the lows is the largest value. Thus, the up directional movement is +DM, and down directional movement is -DM.

Do not let the plus and minus sign designation mislead you. They only indicate upward or downward movement, not values. The directional movement value is always a positive number or absolute value, regardless of upward or downward movement.

This concept is crucial to understanding the computations for the indicator. If you are confused or do not understand, draw some illustrations or work with actual price data to determine the directional movement values.

The next step in determining the DMI is to compute the true range. According to the author, the true range is the largest value of the following equations:

Hight - Lowt
Hight - Closet-1
Lowt - Closet-1

The true range is always a positive number. From this point forward, all references to the true range are designated as TR.

Continue this process for the specified trading interval. In this example, use a value of 14. This is the same value Wilder used

on daily data. His logic for using this value is that it represented an average half-cycle period. When this task is accomplished for the specified interval, you compute the average value of the +DM, -DM and TR.

Wilder prefers to use an accumulation technique rather than computing a pure moving average. It was actually a short cut designed to save computational time and effort. That technique is as follows:

Averaget = (Averaget-1 - (Averaget-1 / n)) + Valuet

Thus, when you substitute the above symbols, you have:

+DMt = (+DMt-1 - (+DMt-1 / n)) + (+DMt)
-DMt = (-DMt-1 - (-DMt-1 / n)) + (-DMt)
TRt = (TRt-1 - (TRt-1 / n)) + (TRt)

If you think about it, it really is a timesaving convention. Remember, this indicator was developed before microcomputers were invented. The only tool available was the desktop calculator or adding machine. You could spend a great deal of time and effort calculating averages.

You now have the average values. The next step is to compute the directional indicator. Again, it can either be up or down, depending upon the directional movement. On up intervals, the formula is:

+DI = (+DM / TR) * 100

On a down interval, the formula is:

-DI = (-DM / TR) * 100

The plus and minus directional indicator values are computed as percentage figures. You are expressing the percentage of the average true range for both up and down trading intervals.

If you have followed this process so far, the last few steps are relatively simple. You compute the difference between the +DI and the -DI. Again, you use the absolute value of this difference. Simply, convert any negative value into a positive number. The formula is:

DIdiff = | ((+DI) - (-DI)) |

Next, compute the sum of the directional indicator values. The formula reads as follows:

DIsum = ((+DI) + (-DI))

Once you compute the DIdiff and the DIsum, you calculate the DX or directional movement index. This value is always a percentage. The formula is:

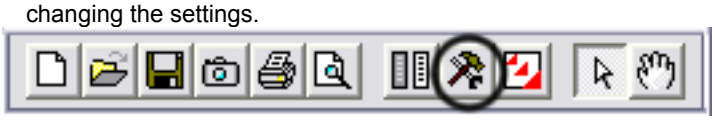
DX = (DIdiff / DIsum) * 100

The DX is always a value between 0 and 100. If your calculations exceed this range, you made an error. Wilder was not comfortable using just the directional movement index. It could become very volatile during periods of extreme price movement, especially markets that rise and fall quickly. Again, he implements his accumulated moving average technique to smooth the DX. The result is the ADX or average directional movement index. The computational procedure is as follows:

ADXt = ((ADXt-1 * (n - 1)) + DXt) / n

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



HVOL – Historic Volatility

Introduction:

The Historic Volatility indicator is used mainly as an option evaluation tool. It does not give trading signals like those given with other technical indicators. What it does do is give the trader an idea of how volatile the market has been for the previous period of time.

Changing the period of time the study observes allows the trader to fine tune options prices. If a market has been extremely volatile for the past 3 months, for example, then near term options should be more expensive. If the market has been calm for an extended period of time longer term options should be reasonable.

Its use in futures is for observation, telling the trader if prices are calming down or becoming more erratic.

Interpretation:

The key to using historic volatility is determining the correct period of time for each market. The market you are looking at may show a history of volatility years ago but may have been relatively calm the last few months. Getting an idea of the markets behavior recently may be of no use to the trader that is looking at distant options and vice versa for the trader looking at near term options.

For the futures trader this tool is useful as a guide for order placement. Seeing that market volatility is changing may indicate that it is time to move stops closer or farther away. If the trader is profitable with the trend and volatility is changing it might be a time to move stops closer to protect profits. If a trader is trading against the trend, they might want to move stops further away to avoid getting bumped out prematurely.

Options traders could use this study to help them purchase profitable options. The basic idea is to buy options when volatility is decreasing to take advantage of a change in that volatility. Any rise in volatility will translate to an increase in option values. Look at options strategies that take advantage of low volatility, such as straddles or ratio spreads. When volatility is high selling options would be better, because any decrease in volatility will translate to a loss of option value. Option strategies that take advantage of a decrease in volatility are strangles and regular short option positions.

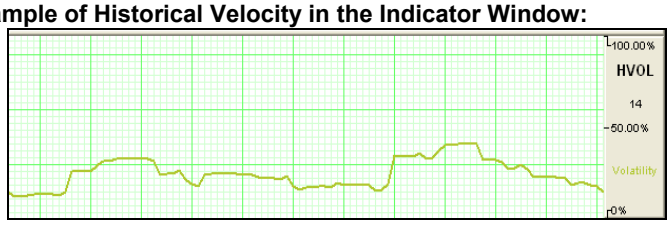
Obviously, historic volatility is only one component of option pricing. Any changes in the underlying futures market could negate the changes in option prices due to volatility. For example, if you were to buy a low volatility Put option and prices go higher

that option will lose value but not as quickly as a higher volatility option.

For the futures trader the basic concept is to expect market changes during periods of increased volatility. George Soros, the trading legend, said "Short term volatility is greatest at a turn around and diminishes as a trend becomes established."

This indicator is commonly viewed as very mean regressive. What this term means is that the historic volatility indicator tends to return to the opposite end of the spectrum and therefore return to an average. If volatility is great it will eventually cool off and return to that place. If volatility is low it will not stay quiet forever. What this means to traders is that a market that is erratic will sooner or later calm down and a market that is quiet will eventually get loud again.

Example of Historical Velocity in the Indicator Window:



Calculation:

Parameters:

Period (20) - the number of bars, or period, used to calculate the study. You may alter this to use any number greater than 1 for the close. The indicator displays in simple percentage values.

Formula:

The calculation for the historical volatility is rather involved. The number of periods per year vary depending on the type of price chart used for the study. The following table lists the number of periods for each type of chart:

Chart Type	Trading Periods per Year
Perpetual	262
Daily	262
Weekly	52
Monthly	12
Variable	Based on chart period (see below)
Tick	Not available for this study

When using variable charts, you must first calculate the number of trading periods per year. To do this, you must determine the trading time of the selected commodity. The formula is as follows:

TP = (Tt / Pn) * 262

TP - The total number of trading periods per year.

Tt - The total trading time in a day.

Pn - The length of the period.

262 - The number of weekdays per year.

For instance, the S&P 500 trades from 8:30 a.m. to 3:15 p.m. That is a total trading time of 6 hours and 45 minutes. On a variable chart using 5 minute bars, the number of periods for the day is 81 as demonstrated:

6 hours @ 60 minutes = 360 minutes
45 minutes +45 minutes
Total minutes of trading = 405 minutes
405 / 5 minute bars = 81 trading periods per day

Now that you have calculated the trading periods per day, you now must calculate the number of periods for the year. Since historical volatility considers every weekday of the year when calculating total periods for the year, the multiplier is 262:
TP = (405)/5) * 262
TP = 81* 262
TP = 21,222

Note: This formula applies only to historical volatility on a variable chart. It does not apply to other chart types.

Now that you have the total number of periods per year, continue with the calculation of the historical volatility.

Next calculate the logarithm of the price change for each price in the specified time span of n periods. The formula is:

LOGSi = LOG(Pi / Pi-1)

LOG - The logarithm function.

Pi - The current price

Pi-1 - The previous price

Now that you have the logarithms of the price changes, calculate the total logarithms for the time span you are reviewing. To calculate the total of the logarithms, use the following formula:

$$T_{logs} = \sum_{i=1}^{n} (LOGS_i)$$

Tlogs - The total of the logarithm price ratio for the time span.

S - Indicates to sum all n logarithms.

LOGSi - The logarithm of the price change for period i.

n - The number of periods for the specified time span.

The next step is to calculate the average of the logs by dividing the total logarithm by the number of periods as shown below:

ALOGS = Tlogs / n

ALOGS - The average of the logarithms.

Tlogs - The total of the logarithm for the time span.

n - The number of periods for the specified time span.

The last calculation is to sum the squares of the difference between the individual logarithms for each period and the average logarithm. This is accomplished in the following formula:

$$SSD = \sum_{i=1}^{n} (LOGSi - ALOGS)^2$$

SSD - The sum of the squared differences.

S - Indicates to total the squares of all n differences.

LOGSi - The logarithm of the price change for period i.

ALOGS - The average of the logarithms.

Now that the elements of the final formula are complete, the following formula calculates the historical volatility for a given period over a specified time span.

$$HV = \sqrt{\frac{SSD}{n-1}} * \sqrt{TP}$$

SSD - The sum of the squared differences.

n - The number of periods for the specified time span.

TP - The total number of trading periods for the year.

Due to the complexity of the formula, it is preferable to use a scientific calculator when attempting to manually calculate the historical volatility of a futures instrument.

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.

MACD
Moving Average Convergence/Divergence

Introduction:

In an attempt to determine the strength of a trend along with the direction of that trend MACD was created. Gerald Appel created a system that looked at two exponential moving averages and the difference between those two averages. Looking at these moving averages of the market we are able to see clear buy and sell signals. By also looking at an average of the difference in the two moving averages we are able to get a more accurate signal.

Interpretation:

Computing this indicator requires the use of exponential moving averages. Exponential moving averages are different than simple moving averages because instead of looking at only the last few days and averaging them, the exponential averages look at all the prices, and then put more weight on the most recent data. This type of weighted average gives a smoother average price that reacts more quickly to market moves. The two averages of MACD move above and below a base line, which gives indication of the strength of the current move. This placement of the two averages in relationship to the base line is calculated by looking at the exponential moving average of the difference between the two averages. So even though the two averages may cross, the divergence or true indication of the signal is not shown until both averages cross the base line.

Keeping this in mind, an ideal buy signal is seen on a move where the shorter-term average moves above the other average and both averages cross above the base line of zero. Inversely a sell signal would be the opposite of this.

The histogram method of MACD is read as a straight line above or below the zero baseline. This line represents the difference between the Moving Averages. Therefore when the moving averages move above the base line they are indicating a buy, and as the difference between the averages increases the lines will get taller.

The opposite is true of a sell signal. Track 'n Trade's ability to display MACD in this fashion is vital because it allows you to read the strength of the current trend along with the signal to buy or sell.

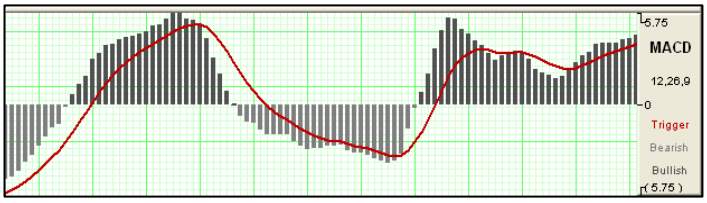
When MACD is plotted as a histogram, the values used to plot the histogram are the differences between the two moving averages on each day. The "trigger" line that appears on this chart is an

average of the histogram data, or put more simply, a smoothed view of the histogram.

Using the MACD as a histogram also allows the trader to spot divergences between the indicator and the market price. A divergence is present when the market makes a higher high than the previous high, but the MACD histogram fails to make a corresponding higher high. This is considered - in technical lore - to be a sign of weakness and a sell signal when the MACD breaks below the lowest point in between the divergent highs.

Bullish divergence is seen in an exact opposite fashion. Assume a market has been trending downward. The market has been consistently making lower lows, as has been the MACD histogram indicator. However, eventually the MACD fails to make a lower low, corresponding to the lower low in price. If the MACD histogram line crosses above the highest high in between the divergent lows, then technical lore holds that higher prices should follow.

Example of the MACD in the indicator Window:



Calculation:

Parameters:

***First* (12)** - the number of bars, or interval, used to calculate the first Exponential Moving Average.

***Second* (26)** - the number of bars, or interval, used to calculate the second Exponential Moving Average.

***Difference* (9)** - the number of bars, or interval, used to calculate an additional Exponential Moving Average.

Formula:

In this study, the oscillator is the simple difference between the first two exponential moving averages. The formula is as follows:

OSCt = (EMA1 - EMA2)

OSCt - The oscillator for the current period.

EMA1 - The first exponential moving average.

EMA2 - The second exponential moving average.

The second part of the study computes an exponential moving average of the oscillator. You have:

EMAosct = EMAosct-1+ (k * (OSCt - EMAosct-1))

EMAosct - The exponential moving average of the oscillator.

OSCt - The oscillator for the current interval.

EMAosct-1 - The exponential moving average of the oscillator for the previous interval.

k - The exponential smoothing constant.

Since the second value, EMAosct, is an exponential moving average, it rises and falls more slowly than the oscillator. Hence, the two lines generate crossover points. These crossover points are the buy/sell signals. Review Reading Moving average Convergence/Divergence Trading Signals for other possible trading signals.

If the study is displayed as a histogram, each value for the lines is calculated as:

DIFFt = OSCt - EMAosct

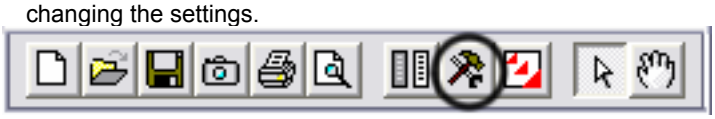
DIFFt - The difference between the oscillator for the current interval and the exponential moving average of the oscillator.

OSCt - The oscillator for the current interval.

EMAosct - The exponential moving average of the oscillator.

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



MOM – Momentum

Introduction:

The momentum indicator describes how price changes occur. It is a measure of the price change. It lets you know if prices are increasing at a continually increasing rate or decreasing at a more decreasing rate. Momentum can help gauge the current market trend. This indicator will sometimes shift ahead of a price change. It is both an indicator of trend as well as an indicator of a changing trend. The main thing to look for when using it is a divergence or difference between price behavior and the indicators behavior.

Interpretation:

Momentum measures the rate of change in prices rather than actual price levels themselves. By measuring this rate of incline or decline momentum tells whether the current trend is strengthening or weakening. If prices are rising and the momentum indicator is above the zero line then the trend is gaining strength. If prices were rising but the indicator was sagging or went below the zero line then we would interpret this as a sign of a coming change in trend. This is true because although prices were still increasing they are doing so at a decreasing rate.

The reverse would be true during a declining market. For example, think of a race car gaining 20 miles an hour each lap, until it starts to only gain 15 miles an hour, then 10 mph, then 5 mph until eventually it reaches its top speed. Like a race car, a market can not sustain growing momentum forever, and in many occurrences momentum slows before prices change direction.

Typically, the trade signals are to buy when the momentum indicator crosses from below the zero line to above it. This indicates that a new upward trend has begun, as the market is able to violate resistance levels and continue higher with increasing speed.

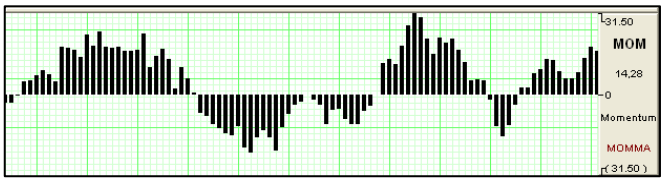
The sell signal would be to sell when the line crosses from above the zero line to below it. This indicates that the market is picking up speed to the downside and should be able to violate support areas.

It is in this way that this unique indicator is a trend following tool. Another way to use momentum is to establish regions of overbought or oversold. For example when, in a declining market, the prices continue downward and the momentum indicator moves toward more negative but begins to level out. We would be looking for a buy signal when the indicator turned upward and out of that oversold region.

It is in this way that momentum can sometimes shift ahead of the price movement. This use of the momentum indicator is a counter trend usage.

In either implementation of this indicator the key is divergence - seeing momentum make lower highs while prices are making higher highs or momentum making higher lows while prices are making lower lows. Being aware of a difference in price movement and the momentum level can help the trader make informed trading decisions.

Example of the Momentum in the Indicator Window:



Calculation:

Parameters:

Period (20) - the number of bars, or period, used to calculate the study. You must determine a value suitable to your trading needs and methods. Some technicians argue the length of the momentum indicator should equal the normal price cycle. The best method is to experiment with different lengths until you find the length that works best for that particular commodity you are trading.

Formula:

The general formula to calculate momentum is as follows:

MOMt = Pi - Pi-n

MOMt - The momentum indicator for the current period.

Pi - The price of the i interval.

Pin - The price n intervals ago.

n - The number of intervals or length specified.

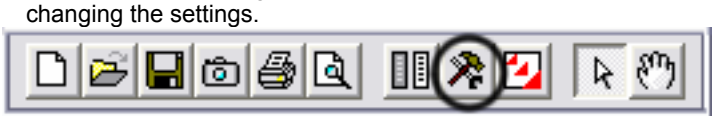
Assume the current price is 7470. This example examines a momentum study using a length of ten trading intervals. The price ten intervals ago was 7400. The calculation is:

MOM = 7470 - 7400 = +70

The momentum value can have a very broad range. It is a function of the length you select for the momentum and the volatility of the underlying futures contract. Thus, it could swing very widely and wildly about the zero line.

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



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RSI – Relative Strength Index

Introduction:

The RSI was developed by J. Welles Wilder, Jr. as a measure of the market's strength or weakness. The principle idea of this study is that it will indicate a general zone that the market is in, either the buy or sell zone. This indicator is similar to Stochastics in that it shows regions of overbought and oversold. This indicator should be incorporated into a system rather using it by itself. Wilder's popular indicator is known for its accuracy and its ability to compensate for erratic price movement.

Interpretation:

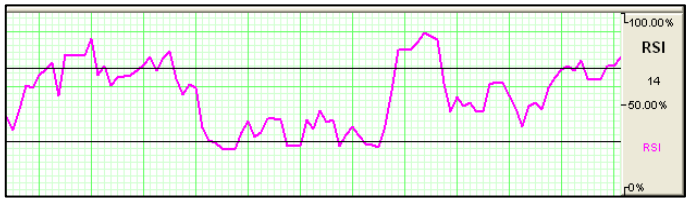
RSI computes the difference in recent prices as a solid line and plots this line on a scale similar to the scale used by Stochastics. The area above 70 is generally considered to be the overbought region, and the region below 30 is referred to as the oversold region. Simply selling in the overbought region and buying when RSI is in the oversold region is not a consistent method of trade. Trade signals are not generated until the RSI leaves these regions. So a sell signal would not be present until the RSI has begun sloping down and leaves the 70 region.

A buy signal, in the simple methodology associated with this pattern, is derived when RSI leaves the oversold region - crosses from below 30 to above it. Just like sell signals, RSI buy signals are present when the market begins to turn and the indicator leaves the oversold region.

Another use of the RSI is to look for a divergence in prices. When a market makes higher highs or lower lows and the RSI fails to follow suit. This difference in the indicator and the market could be a signal that the market lacks the momentum to continue its current price direction. So you may be able to take a position sooner using this strategy than you would with the previous way. Wilder says that this divergence is "the single most indicative characteristic of the RSI."

The RSI indicator uses in it's calculation a moving average of price changes over the period. You can select which type of moving average is used to produce the desired amount of smoothing on the RSI indicator.

Example of the RSI in the Indicator Window:



Calculation:

Parameters:

Period (14) - the number of bars, or period, used to calculate the study.

Formula:

The RSI computations are not difficult, but they are tedious. You first calculate the difference between the current closing price and the previous closing price. The general formula is:

DIFt = Closet - Closet-1

If that difference is a positive value, it is an up period - the current close is higher than previous close. If the difference is negative, it is a down period - the current close is below the previous close. The DIF value for a series of UP and DOWN days. The DOWN value is always a positive number for all computations. It is the absolute value of a negative DIF.

The worksheet below shows the calculations needed to create a 9 period RSI.

Day	Current Close	Previous Close	Dif	Up	Down
1	7450	7430	+20	20	0
2	7460	7450	+10	10	0
3	7470	7460	+10	10	0
4	7480	7470	+10	10	0
5	7485	7480	+5	5	0
6	7490	7485	+5	6	0
7	7480	7490	-10	0	10
8	7470	7480	-10	0	10
9	7455	7470	-15	0	15
			Totals	60	35

You now compute the up and down averages, which are calculated as follows:

Ut = (UP1 +... + UPi) / n
Dt = (DOWN1 +... + DOWNn) / n

UT - The up average for the current period.

DT - The down average for the current period.

UPn - The UP value for the nth period.

DOWNn - The DOWN value for the nth period.

n - The number of periods for the RSI.

Now, use the values from the worksheet. The up average is:
U = 60 / 9
= 6.67

and the down average is:
D = 35 / 9
= 3.89

The general formula for the RSI is:

RSIt = (UT / (UT + DT)) * 100

If you use the above values and place them in the formula, it appears as follows:

*RSI = (6.67 / (6.67 + 3.89)) * 100*

= 63.16

Assume the market continues the downward trend. The next DIF value is -15, which sets the UP value to 0, zero, and the DOWN value to 15. Calculate the next up and down average by using Wilder's accumulative moving average technique. The formulae are:

*UT = ((UT-1 * (n-1)) + UPt) / n*

*= ((6.67 * (9 -1)) + 0) / 9*

= 5.93

*DT = ((DT-1 * (n-1)) + DOWNt) / n*

*= ((3.89 * (9 - 1)) + 15) / 9*

= 5.12

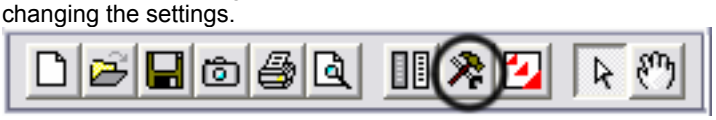
The value for the new RSI equals the following:

*RSI = ((5.93) / (5.93 + 5.12)) * 100*

= 53.67

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



FSTO – Fast Stochastics

Introduction:

Stochastic Process was invented by Dr. George C. Lane many years ago under this basic premise: During periods of decrease daily closes tend to accumulate near the extreme low of the day and conversely during periods of increase daily closes tend to accumulate near the extreme highs of the day.

This indicator is designed to show conditions of overbought and oversold markets. Stochastics are divided into two types regular Stochastics, often referred to as Fast Stochastics, and Slow Stochastics. Fast Stochastics are said to be more sensitive to price changes and can give very greatly in the short-term, hence the need for Slow Stochastics.

Interpretation:

Stochastics display two lines that move in a vertical scale between 0 and 100 - representing percentiles from 0% to 100%. Think of the level of Stochastics as where the most current close is within a specific range. For example, if Stochastics are reading 50%, the current close is in the middle of the price range for specified period of time. If Stochastics are reading 100%, the close is at the high of the range, and 0% represents current close price being at the low of the range. Of course, because Stochastics are smoothed this is not exactly true, but should help you visualize the information being shown. This will also help you to understand why Stochastics are a counter trend indicator, in that the underlying principle behind Stochastics is that prices will move back to the center of the trading range, or the opposite extreme.

When both lines move to an area below 20 on this scale they are said to be in an oversold zone. Conversely, when both %K and %D move to above 80 on this same scale they are indicating overbought. It is this indication of market sentiment that makes this counter trend indicator useful.

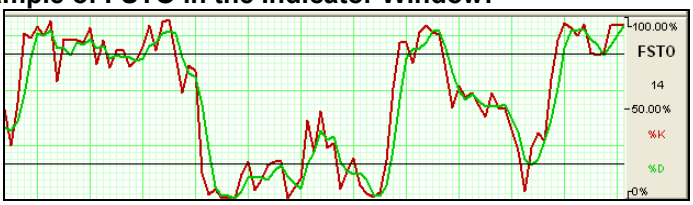
George Lane emphasized that the most important signal generated by this method was the difference or divergence between %D and the underlying market price. He said that the divergence is where %D line makes a group of lower highs while the market makes a series of higher highs. This would indicate an overbought condition. The reverse would be true of an oversold market, with %D making higher lows and prices making lower lows.

Trade triggers to buy are created when, during an oversold condition (Stochastics below 20) the slow line, %D is crossed by the faster moving line, %K.

The opposite would occur with a sell signal. The faster %K line crosses above the slower %D line, when both are at a reading above 80.

As with a dual moving average system when the faster reacting indicator crosses the slower moving indicator a buy or sell is signaled. Because Stochastics give an indication of either overbought or oversold you would first want to see both lines in that above 80 or below 20 range and sloping out of that range back to the middle before looking for these trade triggers.

Example of FSTO in the Indicator Window:



Calculation:

Parameters:

Overall Period (3) - the number of periods used to determine the highest high and lowest low.

%D MA Period (14) - the number of periods used to determine the moving average for the %D value.

Formula:

The first step in computing the stochastic indicator is to determine the n period high and low. For example, suppose you specified twenty periods for the stochastic. Determine the highest high and lowest low during the last twenty trading intervals. It determines the trading range for that time period. The trading range changes on a continuous basis.

The calculations for the %K are as follows:

%Kt = ((Closet - Lown) / (Highn - Lown)) * 100

%Kt - The value for the first %K for the current time period.

Closet - The closing price for the current period.

Lown - The lowest low during the n periods.

Highn - The highest high during the n time periods.

n - The value you specify.

Once you obtain the %K value, you start computing the %D value which is an accumulative moving average. Since the %D is a

moving average of a moving average, it requires several trading intervals before the values are calculated properly. For example, if you specify a 20 period stochastic, the software system requires 26 trading intervals before it can calculate valid %K and %D values. The formula for the %D is:

%DT = ((%DT-1 * 2) + %Kt) / 3

%DT - The value for %D in the current period.

%DT-1 - The value for %D in the previous period.

%Kt - The value for %K in the current period.

The values 2 and 3 are constants. You specify the constants and the length of the time period to examine for the trading range.

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.

SSTO - Slow Stochastics

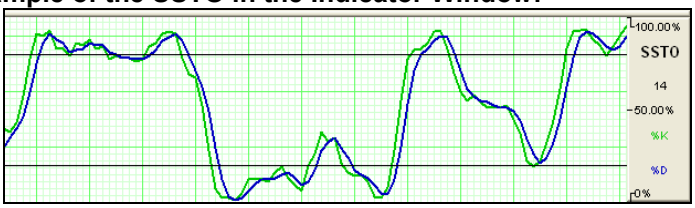
Introduction:

The slower version of Stochastics is commonly believed to be a more reliable indicator. In this version of Stochastics the more sensitive %K line is dropped. The original %D now becomes the slower line %K. The new %D is a 3-day moving average of the %K. This basically gives you a smoothed version of the original indictor. This modified counter trend indicator is less reactive but considered to be more accurate.

Interpretation:

Slow Stochastics are interpreted the same as fast Stochastics. Quite often the faster of the two indicators moves into and out of the overbought/oversold regions quite quickly.

Example of the SSTO in the Indicator Window:



Calculation:

Parameters:
Overall Period (14) - the number of periods used to determine the highest high and lowest low.

%K MA Period (3) - the number of periods used to determine the moving average for the %K value.

%D MA Period (3) - the number of periods used to determine the moving average for the %D value.

AdditionalLinePeriod (3) - the number of periods used to determine an additional Moving Average on the Stochastic.

Formula:
The calculations for the slow stochastic are similar to the normal stochastic. The first step in computing the stochastic indicator is to determine the n period high and low. For example, suppose you specified twenty periods for the stochastic. Determine the highest high and lowest low during the last twenty trading intervals. It determines the trading range for that time period. The trading range changes on a continuous basis.

The calculations for the %K are as follows:

%Kt = ((Closet - Lown) / (Highn - Lown)) * 100

%Kt - The value for the first %K for the current time period.

Closet - The closing price for the current period.

Lown - The lowest low during the n periods.

Highn - The highest high during the n time periods.

n - The value you specify.

Once you obtain the %K value, you start computing the %D value which is an accumulative moving average. Since the %D is a moving average of a moving average, it requires several trading intervals before the values are calculated properly. For example, if you specify a 20 period stochastic, the software system requires 26 trading intervals before it can calculate valid %K and %D values. The formula for the %D is:

%DT = ((%DT-1 * 2) + %Kt) / 3

%DT - The value for %D in the current period.

%DT-1 - The value for %D in the previous time period.

%Kt - The value for %K in the current period.

The values 2 and 3 are constants. You specify the constants and the length of the time period to examine for the trading range.

Once the %K and %D values for the normal stochastic are derived, the slow stochastic can be computed. The formula for the slow stochastic is below:

%KSLOW = %DNORMAL

%DSLOWt = ((%D SLOWt-1 * 2) + %K SLOWt-1)) / 3

%KSLOW - The %D for the normal stochastic.

%DSLOWt - Slow %D value for the current period.

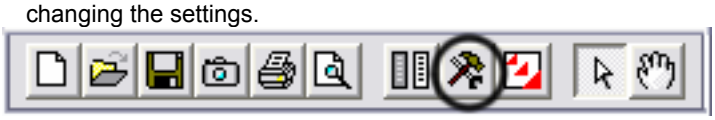
%DSLOWt-1 - The slow %D for the previous period.

%KSLOWt-1 - The slow %K for the previous period.

The values 2 and 3 are the smoothing constants. You may select different values.

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



VOL/OI –Volume/Open Interest

Introduction

Volume is a measurement of the number of contracts traded in a day. It is a sign of market activity. Open Interest is the number of contracts outstanding or those held overnight. This is a measure of market participation. In liquid markets these numbers will be consistently higher than in a thin or illiquid market. These numbers are always a day behind, because it takes the exchange that long to tabulate these figures. When displayed Track 'n Trade offsets these values to put them beneath their respective data in the chart, consequently there is not a value for either volume or open interest for the most recent day of any contract. Volume and Open Interest indicate participation and urgency. This tells the trader which market is the correct one to be in based on its participation.

Interpretation:

Volume measures the number of contracts that changed hands during that trading session. This indicator of market activity can show whether trade was heavy or light. That will give you an idea of the possible volatility present in that market.

Contracts that have not been settled at the end of the day are represented by open interest. New buyers and sellers entering or exiting the market change open interest.

The key to this indicator is to look at volume as a percentage of open interest. VOI does not give straight buy or sell signals or have set trading rules. Rather it shows the cyclical tendencies of the market. The flow of the underlying market can be represented. Looking at VOI shows whether new buyers or sellers are entering the market or if they are liquidating positions.

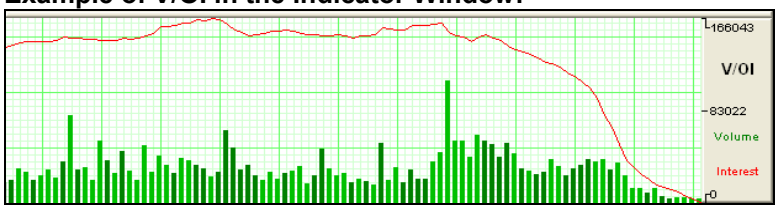
There are basic common sense rules for this indicator. Prices are up and VOI is increasing, the market is strong. Prices are up and VOI is declining, the market is getting weaker. Prices are down and VOI is rising, the market is getting weaker. Prices are down and VOI is declining, the market is gaining strength.

In bull markets, volume tends to increase during rallies, and tends to decrease on reactions. In bear markets, volume tends to increase on declines and decrease during rallies. Trading volume usually increases dramatically at tops and bottoms.

Look at volume and open interest will show you which contract month to be in. When looking at trading a specific commodity it is important to know which contract month to be in. Commodities expire or are delivered several times a year. This creates a situation where traders are constantly "rolling over" from one contract month to the next. This means that traders need to know

which month to be in. VOI is the tool that shows us which contract month. The months that have the highest open interest are usually the best to be in because they are the most liquid. The months that have higher volume will afford the trader a better opportunity to enter and exit the market.

Example of V/OI in the Indicator Window:

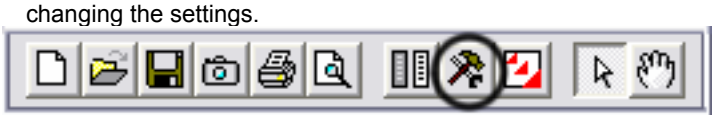


Calculation:

This study has no computations. The values for the volume and open interest are transmitted from the exchanges. However, the actual volume and open interest figures are always one day behind price information. You will not know Monday's volume and open interest until Tuesday at approximately noon (for U.S. markets - central time). That is due to the exchanges and their reporting requirements.

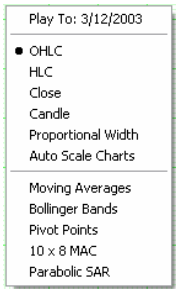
Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



Displaying Indicators in the Chart Window

The Overlay Indicators are displayed in the Chart Window. To select these Indicators, right-click on the chart window and select the name of the Indicator that you would like to display on the chart.



Indicators displayed in the Chart Window are the:

- Moving Averages
- Bollinger Bands
- Pivot Points
- 10x8 MAC
- Parabolic SAR

Moving Average Lines

Introduction:

The moving average, or simple moving average as it is commonly referred to as, represents the average of the last several closing prices. The moving average is simple to compute, easy to understand, and reliable under tests. This simplicity is the strength of the moving average.

The basic moving average is computed exactly the same as any other mathematical average. The most common way of determining the moving average of a market is to take the closing price over a certain number of days add them together and then divide by the select number of days.

Interpretation:

Generally, moving averages are thought to be indicators of trend. For example, conventional interpretation is that once prices cross from below the moving average to above it, the trend is considered up.

On the other hand, if prices go from above the moving average to below it, the trend of the market is considered down.

The purpose of the simple moving average is to track the progress of the trend. Moving averages keep you in the trend for potentially a long time. The moving average gives you an indication of the trend being up (prices above the moving average) or down (below the moving average). However, the moving average gives you no indication of the length or duration of the trend.

Double Moving Average

Introduction:

Double moving averages use two different averages in tandem. The first average is generally a faster reacting average using a shorter period of time, usually 10 days. The second average is a slower reacting average that will indicate longer-term price movement.

Using these two averages together helps to alleviate “whipsaws” by giving a basis of comparison. The faster average breaking above the slower average is a buy signal, the faster average breaking below the slower average is a sell signal.

Interpretation:

When using two different moving averages the trader gets a clearer picture of price indications. By combining a slower moving average, 20-day average, with a quicker reacting average, 10-day average you can see where the long-term indications are going.

The trend being your friend, until it ends, you would sell once the faster moving average crosses below the slower trend because that is an indication of change in trend. Near term prices should be rising at a greater rate than longer term prices in a good upward trending market, and vice versa for a down trend.

Triple Moving Average

Introduction:

The system of triple moving averages is employed by plotting three different moving averages together. The first of these averages is a faster average that only looks at the short-term price direction. The second average is a medium average that reacts to a longer period of time, but not as long as the final average. The third average is the slowest to react, because it takes an average of the longest period of time.

Interpretation:

A 10, 20, and 40 day moving average system would be considered a triple moving average. The first average, the 10-day, is the quickest to move when prices show a change. The second average, the 20-day, is the medium average that does not show change until the prices have moved for a longer period of time. Finally the slowest moving of the averages is the 40-day. This slow average will not indicate a difference until prices have made a significant move. Shorter-term moving averages being more sensitive to changes in price are said to follow the trend more closely. The middle or medium average would follow less closely and the slowest or least sensitive average would lag the most.

The use of the triple moving average is to buy when all three averages move to be in an upward trend or to sell when these averages are in a downtrend. The upward trend appears when the fastest average is higher than both of the other averages, the medium is above the slowest, and the longer term moving average is on the bottom.

This look would be reversed for a strong down trend with slow average on top, followed by the medium average, and the fastest on bottom.

Calculation

Parameters:

Period1 (4) - the number of bars, or interval, used to calculate the first moving average.

Period2 (9) - the number of bars, or interval, used to calculate the second moving average.

Period3 (18) - the number of bars, or interval, used to calculate the third moving average.

Formula:
The formula to calculate a moving average is as follows:
Mat = (P1 +... + Pn) / n

Mat - The moving average for the current period,

Pn - The price for the nth interval

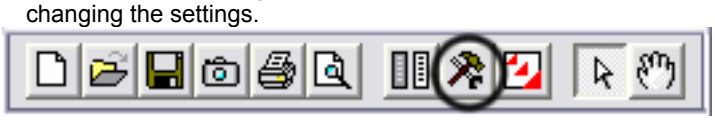
n - The length of the moving average.

Compute the average of the past n intervals using the price specified for that period. Now use real values to compute a five interval moving average. If you assume the following prices, the calculations are:

MA = (7380 + 7375 + 7385 + 7390 + 7395) / 5
= 36925 / 5
= 7385

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings.



Bollinger Bands

Introduction:

Bollinger Bands are a type of trading envelope. They are lines at an interval around the moving average. They consist of a moving average and two different standard deviations represented as a line above the MA (Moving Average) and a line below the MA. The line above is the MA plus two standard deviations; the line below is the MA minus two standard deviations Bollinger Bands are used to determine overbought and oversold conditions and to project price targets.

John Bollinger, created Bollinger bands in an effort to gage the volatility and condition of a market. These bands are used to determine the trading range and give an indication of when to buy and when to sell. Bollinger bands are also used to indicate market volatility, the wider the bands the greater the volatility. Inversely the narrower the bands the lesser the volatility. By plotting two lines at an interval around a moving average Bollinger bands give a good indication of market conditions and price relation. The moving average which the band is based on works as an indicator to confirm trade signals.

Interpretation:

The most basic use of the Bollinger Band is to look for a chart top that occurs above the uppermost band, followed by another top that is below the upper band. This set of chart tops would create a sell signal, as neither upward price direction was able to sustain a rally.

The opposite would occur for a buy signal, there would be a chart bottom below the lower band followed by a bottom above the lower band. This is a buy signal because neither sell of was able to continue, indicated by one below and the other above the lowest band.

Calculation

Parameters:

Period (20) - the number of bars, or period, used to calculate the study. John Bollinger, the creator of this study, states that those periods of less than ten days do not seem to work well for Bollinger Bands. He says that the optimal period for most applications is 20 or 21 days.

Standard Deviation (2) - the percent of one standard deviation. John Bollinger suggests, if you reduce the number of days used to calculate the bands, you should also reduce the number of deviations and vise versa. For example, 200 percent of a standard deviation means two deviations above and two deviations below

the moving average. If you use a period of 50, you may want to use 250 percent of a standard deviation. For a period of 10, you may want to use 150 or 100 percent.

Formula:

1. Calculate the moving average. The formula is:

$$MA = \frac{(P_1 + \ldots + P_n)}{n}$$

Pn - The price you pay for the nth interval

n -The number of periods you select

2. Subtract the moving average from each of the individual data points used in the moving average calculation. This gives you a list of deviations from the average. Square each deviation and add them all together. Divide this sum by the number of periods you selected.

$$d = \frac{(P_1 - MA)^2 + (P_2 - MA)^2 + \ldots + (P_n - MA)^2}{n}$$

3. Take the square root of d. This gives you the standard deviation.

$$\delta = \sqrt{d}$$

4. Compute the bands by using the following formulas:

$$Upper\ Band = MA + 2\delta$$

$$Middle\ Band = MA$$

$$Lower\ Band = MA - 2\delta$$

Pn - The price you pay for the nth interval
n - The number of periods you select

Pivot Points

Introduction:

Pivot points used to be referred to as "traders numbers" because of the popularity of these points amongst floor traders. The theory behind them is that markets tend to have overlap from one period to another. On most days, the daily high or low is within the previous days range, as with the previous week's extremes, and previous month's extremes. In this sense, pivot points are a counter trend indicator.

However, many traders believe that once one point is violated, the next point will tested, making a violation of these support and resistance levels a clue in trend following. Though we cannot vouch for the truth of this statement, the popularity of pivot points amongst floor traders tends to make these points worth watching.

The popularity of these numbers can be seen on any day when the exchanges are cleaned-up. The trading floor is literally piled high with folded pieces of paper that contain pivot points calculated on them.

Interpretation:

The uses of pivot points or "traders numbers" varies greatly by trader. The most common interpretation is this: The daily pivot is used as a guide. If prices are trading above the pivot point, then the trend is considered up. Traders may wish to take short-term positions on a violation of the daily pivot to the upside with an initial upside objective of the 1st resistance level. If prices stall or slow at the 1st resistance level, then aggressive traders may wish to take profits. However, if the 1st Resistance level is violated to the upside, then the market should go on to test the 2nd resistance level. If prices have violated the 1st resistance level, then this level should act as support on future pullbacks, as should the pivot point.

The converse is true for support levels. A violation of the daily pivot to the downside indicates that the daily trend is down, with a downside target being the 1st support level. If the market stalls, then traders may wish to take profits on short positions, or initiate long positions in anticipation of a retracement to the daily pivot. However, if the 1st support level is violated, the day is said to be a strongly down trending day, and as such should move down further to test the second support level. As with the resistance numbers, the support numbers, once violated, become resistance lines to trade with in the trend.

Though originally used as a means for floor trading, longer-term traders can use pivot points of longer periods. Try plotting the weekly pivot points on the daily chart and using it for shorter term positioning on the daily charts. Pivot points can also be calculated using the monthly pivot points on the daily chart, and used for longer-term positions.

Example of Pivot Points in Track ‘n Trade:

Calculation:

There are several methods used to determine the Pivot Point, we have included the three different formulas in Track 'n Trade Pro.

Traditional
Pivot Point = (H + L + C)/3
First Support Line = (2 * Pivot Point) - H
First Resistance Line = (2 * Pivot Point) - L
Second Support Line = Pivot Point - (H - L)
Second Resistance Line = Pivot + (H - L)

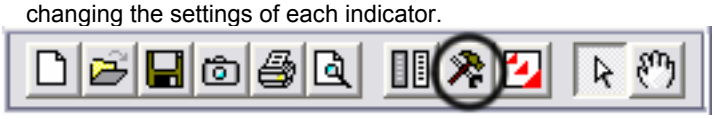
Variation 1
This method Changes the formula used to derive the Pivot Point. The changes include adding the trading day's open and calculating the

average of the four values. In doing this Variation one takes into account both opening gaps and overnight trading. The formula is:
Pivot Point = (H* + L* + C* + O**)/4
*=Yesterday
**=Today

Variation 2
This method changes the formula used to derive the Pivot Point as well. In this method you substitute yesterday's close with today's open. In doing this Variation 2 also takes into account opening gaps and overnight trading. The formula is:
Pivot Point = (H* + L* + O**)/3
*=Yesterday
**=Today

Customizing

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings of each indicator.



10x8 MAC

Introduction

It has often been said that prices fall faster than they rise, or simply put it is easier to ride a bike downhill than uphill. Due to this perceived quirk in pricing, the legendary market analyst, author, and seminar speaker Jake Bernstein developed the 10x8 moving average system.

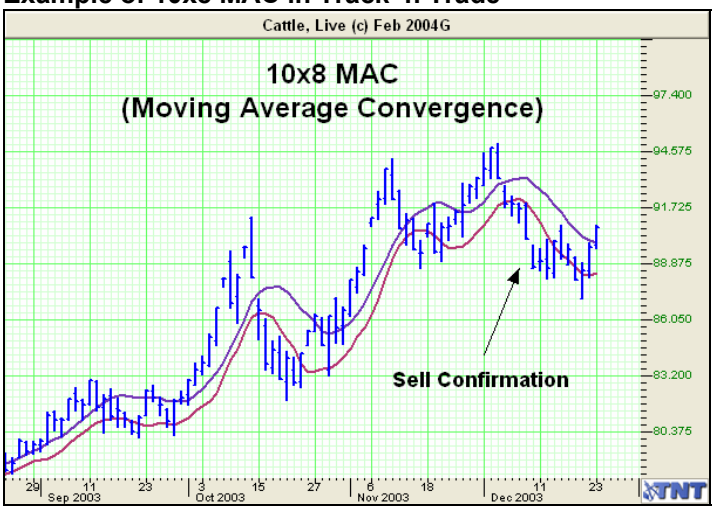
This system uses two simple moving averages, but they are calculated in a slightly different manner than those traditionally used. The first moving average is a moving average of the daily highs, as opposed to that of the daily settlement like most traditional moving averages. The second moving average is calculated using the daily lows.

Though Mr. Bernstein recommends using a 10 period moving average of the daily highs and an 8 period moving average of the daily, based on his observation that prices tend to fall about 20% faster than they rise, any combination would do the trick. Generally though, accepting market lore that prices fall faster than they rise, the moving average of the lows should be of shorter term duration than that of the highs.

Interpretation:

The most basic use of the 10x8 Moving Average is to look for a breakout above the upper moving average to initiate a buy signal. When the daily settlement price exceeds the average high of the last 10 days, this indicator flashes a buy signal indicating that the trend of the market should be up.

Example of 10x8 MAC in Track 'n Trade



Customizing

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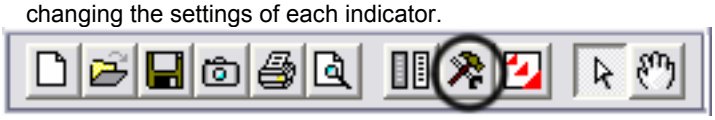


DON – Donchian Channels

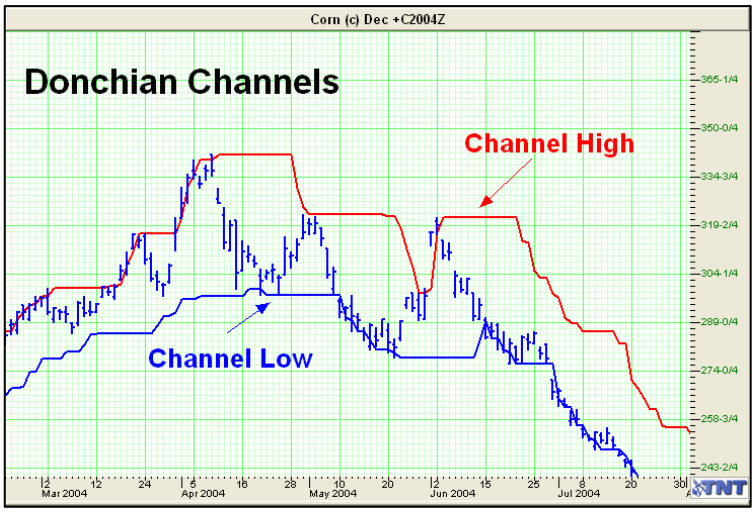
Introduciton:

Donchian Channels were created by Richard Donchian**,** and expert in trends. The DON in a simple trend breakout system. The channel works well in trending markets, but not as well in sideways moving markets.

Interpretation:

When prices brake above the DON Channel it is a signal to go long. When prices brake below the DON channel it is a signal to go short.

Example:

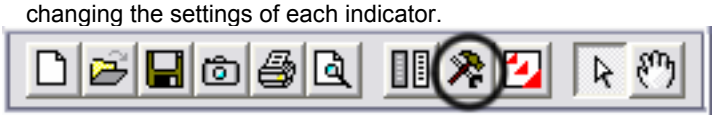


Calculation:

Donchian Channel High = MAX (HI, n)
Donchian Channel Low = MAX (LO, n)

Customizing

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings of each indicator.

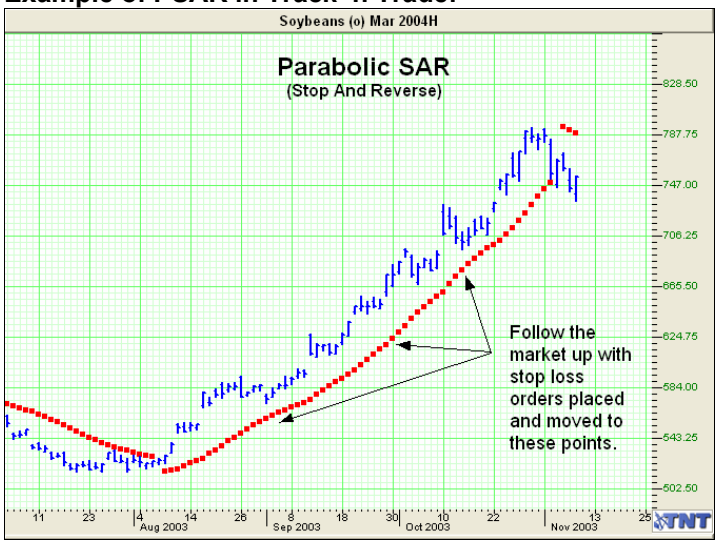


PSAR – Parabolic Stop and Reversal

Introduction:

The Parabolic SAR, Developed by Welles Wilder, creator of RSI and DMI, sets trailing price stops for either long or short positions. Also referred to as the stop-and-reversal indicator (SAR stands for "stop and reversal"), Parabolic SAR is more popular for setting stops than for establishing direction or trend. Wilder recommended establishing the trend first, and then trading with Parabolic SAR in the direction of the trend. If the trend is up, but the underlying price drops back below the trailing PSAR indicator, then sell or liquidate your long position. If the trend is down, and the underlying price rises above the trailing PSAR indicator then buy or liquidate your short position.

Example of PSAR in Track 'n Trade:



Calculation:

Parameters:

Initial (20) - the initial acceleration factor, in 1/1000.

Addition (20) - the additional acceleration factor, in 1/1000.

Limit (200) - the acceleration factor limit, in 1/1000.

Formula:
The computational procedure for the parabolic time/price study is a logic exercise. The actual computations are quite simple. The logic to derive those computations is somewhat more complex.

Once the market establishes a direction, the initial SAR becomes the extreme price for the two intervals. The extreme price is either the lowest price or highest price for the two trading intervals. The short position uses the high, and the long position uses the low.

The formula for the PSAR is:

SARt = SARt-1 + (a * (EPtrade - SARt-1))

SARt - The stop and reverse price for the current interval.

SARt-1 is the stop and reverse price for the previous interval.

a -The acceleration factor.

EPtrade - The extreme price for the trade.

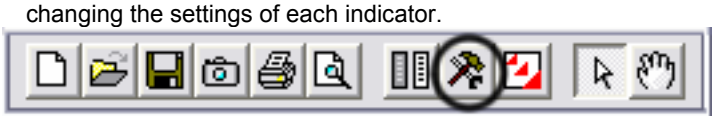
The SAR is always the "stop and reverse" price point. This is the point you liquidate your current position and establish the opposite position.

The acceleration factor, a, is a weighting factor. In Wilder's work, the initial value for the acceleration factor is .02 The acceleration factor increases by a value of .02 each time the extreme price changes for the trade. You do not increment the acceleration factor if the extreme price fails to change. The value for a, acceleration factor, never exceeds .20 in Wilder's methodology.

The extreme price for the trade, EP, is just that. What was the highest or lowest price achieved during this trade? If you have a long position, use new highs as the extreme price. When you have a short position, use the new lows as the extreme price. The extreme price concept allows for normal market corrections without immediately triggering the SAR price, but it keeps the SAR price moving in the direction of the market.

Customizing:

To change the settings of this indicator, open the Program Options screen by clicking the Program Options button located on the main Toolbar. See the Program Options section for more details on changing the settings of each indicator.



TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

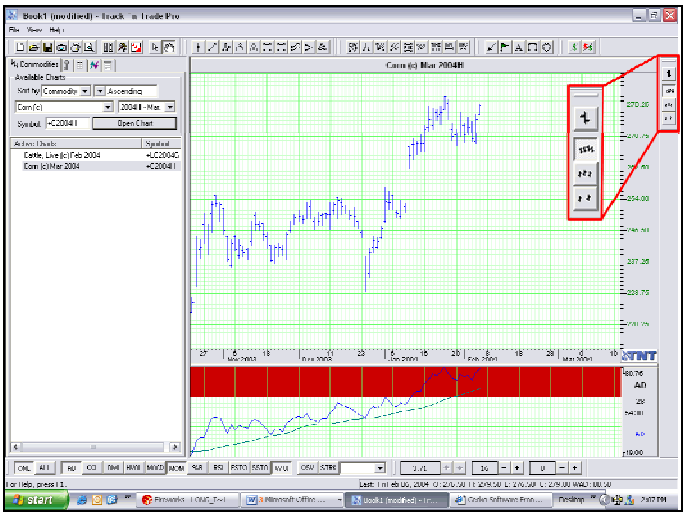
LONG TERM CHARTS

LONG TERM CHARTS

Generating and Customizing Long Term Charts

Introduction:

Track 'n Trade Pro generates weekly and monthly long-term charts with up to 25 years of historical data. To open a long-term chart, click on the appropriate button to the right of the chart window. The day button is selected automatically when you open a commodity contract.



When you click on either the Week or Month buttons a long term chart is then created and listed in the Active Charts window.

Comparison of Chart Ticks

Chart	Tick Represents	Open	High	Low	Close
Daily	One Day	Day's open	Day's High	Day's low	Day's close
Weekly	One Week	1st Day's Open Value	High for the Week	Low for the Week	Last Day's Close Value
Monthly	One Month	1st Day's Open Value	High for the Month	Low for the Month	Last Day's Close Value

How are Long Term Charts created?

Because commodity contracts overlap over each other, Track 'n Trade Pro creates Long Term charts using the data from the front month contracts. This method includes the data for the section of the contract that is actively being traded, therefore has higher volume and open interest. This is demonstrated in the Diagram #1:

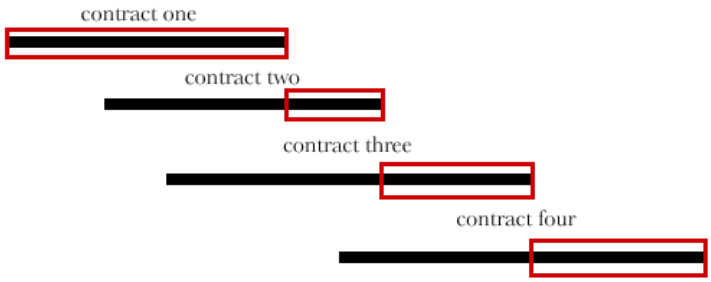


Diagram 1: The boxes represent the portion of the contract that Track 'n Trade Pro uses to create the long term chart.

Long Term Chart Options

Another way to create a long-term chart is to take only the "fat" portion of each front month contract and paste them together. With this method, you are both cutting off the beginning of the chart (where there is typically less volume and open interest) and the end of the chart where it is "cooling down" (Most traders are transferring their orders to the next month's contract). See Diagrams 2 & 3:

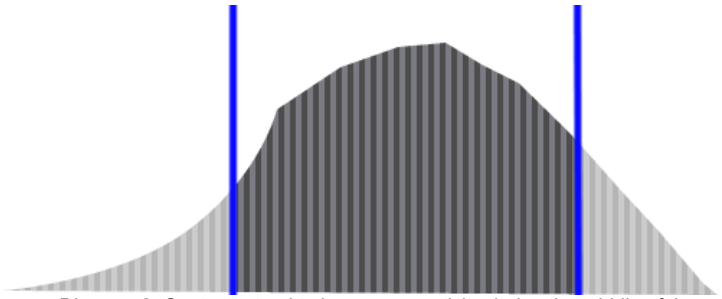


Diagram 2: Contracts tend to have more activity during the middle of the contract and less toward the end when trader's are transferring their orders to the next month's contract. Track 'n Trade Pro can cut out the middle of each contract and then paste them together as a long term chart.

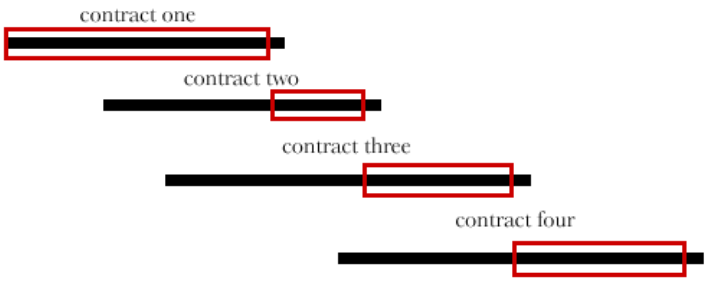


Diagram 3: Using options available in Track 'n Trade Pro, traders are able to specify the number of days at the end of a contract that they would like excluded from a long term chart.

Setting Long Term Chart Options:

See the Program Options Section of the Manual for more information.

IMPORTANT: After applying the new settings in Program Options, you will need to delete the long-term chart from the Active Charts list, if you currently have a long term open, and then re-generate the chart to apply the new settings to the long-term chart.

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USING CALCULATORS

USING CALCULATORS

Calculations Made Easy with Track ‘n Trade Pro Market Calculators

Introduction:

Track ‘n Trade includes two calculators to help simplify the trading process. With both the Dollar Calculator and the Risk/Reward Calculator, simply click and drag between two locations on the chart and instantly know what the $ value between the two points.

Dollar Calculator

To Calculate the Effect of a Chart Movement:

1. Click on the Dollar Calculator Tool.
2. Left click where you want the calculator to start
3. Left click where the calculation is completed.
4. The dollar amount of the chart movement will be calculated from the beginning and end point values, and will then be displayed in the center of the line.

Resizing the Dollar Calculator:

1. Select the drawing by clicking on it. Note: The drawing is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Dollar Calculator:

Select the drawing by clicking on it continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Dollar Calculator:

Select the drawing by clicking on it and press the delete key on your keyboard to remove.

Changing the Properties of a Dollar Calculator:

Right-Click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the Dollar Calculator.

Line Thickness: Changes the thickness of the Dollar Calculator line. Choose values from 1-6.

Line Style: Changes the line style of the Dollar Calculator line. Choose from solid, dashed, dotted and more.

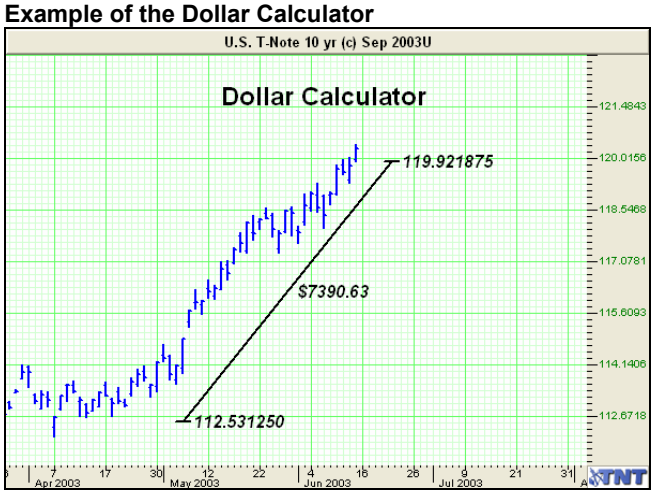
Font: Changes the Font, Size, Style, and Color of the values.

Show Text: Deselect/Select to view or hide the values.

Settings: The settings window allows users to adjust the end points and make their calculations more accurate. Click on OK to make the change or Cancel to exit this window.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back:* when you need to access a tool under the Dollar Calculator.

Example of the Dollar Calculator



Risk/Reward Calculator

To draw a Risk/Reward Calculator:

1. Click on the Risk/Reward Calculator on the Financial Toolbox.
2. Left click at the beginning of your technical formation, hold down the mouse button and drag the calculator line to cover the area between your initial order and your risking stop loss order. (See example chart on page 204).
3. This will automatically create an equal sized reward area which can then be stretched to the proper distance you expect the

graph to retrace. Note the numbers in the tool indicate the dollar amount of risk and reward.

4. When the chart is trading within the risk area (negative number), you are risking your own money. When the chart is trading within the reward area (positive number), you are risking OPM or “Other People's Money”.
5. Use the Risk/Reward Calculator on all trades to calculate where your order entries and exits should be placed.

Resizing the Risk/Reward Calculator:

1. Select the calculator by clicking on it. Note: The calculator is selected when boxes appear on the corners.
2. Click on one of the boxes to drag the select point and release the mouse button.

Moving the Risk/Reward Calculator:

Select the calculator by clicking on it, continue holding down the mouse button, drag to the new location and release the mouse button.

Deleting the Risk/Reward Calculator:

Select the calculator by clicking on it and press the delete key on your keyboard to remove.

Changing the Properties of a Risk/Reward Calculator:

Right-Click on the drawing to view the properties menu. Properties that can be changed are:

Foreground: Changes the line color of the Risk/Reward Calculator.

Line Thickness: Changes the thickness of the Risk/Reward line. Choose values from 1-6.

Line Style: Changes the line style of the Risk/Reward

Font: Changes the Font, Size, Style, and Color of the values.

Show Text: Deselect\Select to view or hide the values.

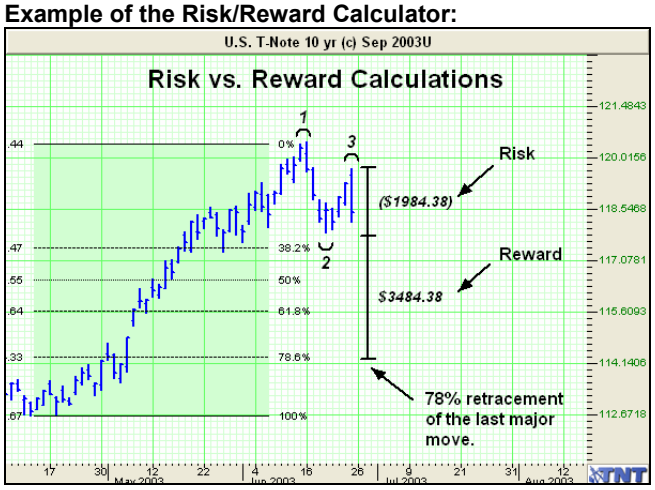
Settings: The settings window allows users to adjust the end points and make their calculations more accurate as well as specify the number of contracts purchased. Click on OK to make the change or Cancel to exit this window.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Risk/Reward Calculator.

Delete: To delete the Risk/Reward Calculator.

Help: T bring up more on how to use the this Calculator.

Example of the Risk/Reward Calculator:



TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

PROGRAM OPTIONS

PROGRAM OPTIONS

Customizing each chart for your maximum benefit

Introduction

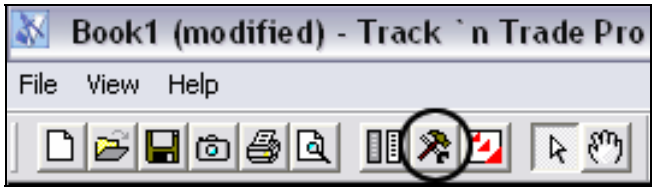
The Program Options, in Track 'n Trade Pro, enable you to customize the chart appearance, tool options, and indicator settings on either a Global or Per Chart basis. The Program Options window includes three setting areas:

1. **Global Settings:** This section contains settings for Tools and Long Term settings and some Plug-in Settings (if you have the Plug-in installed).These settings will only affect new charts that are opened.
2. **My Default Settings:** This section contains settings for the chart appearance and indicators. Anything changed in this section will affect new Chartbooks and new charts opened in a saved Chartbook, it will not affect currently opened charts or already saved charts.
3. **Current Chart Settings:** This section contains all of the settings also in the My Default Section of Program Options. Anything changed in this section will affect only the specific chart that you have open and have selected.

To View the Program Options Screen

There are two ways to pull up the Program Options screen:

1. Click on the *View* Menu and select *Program Options*.
2. You can also click on the Program Options icon on the main Toolbar. (shown below)



Global Settings

The Global Settings section of the Program Options folder gives you the ability to change settings that will affect only new Chartbooks or new charts opened within a saved Chartbook.

Saved Charts will keep the settings on currently drawn tools and apply the new settings to new tools drawn on the chart.

For example, if you change the Global setting Line Tool Color to blue, and then open a previously saved chart that contains tools drawn on it in green, these tools will keep the green color. Any new tools that you draw on this saved chart will be colored blue until the setting is changed.

See the Tool section for more information.

Global Settings Window in Track ‘n Trade

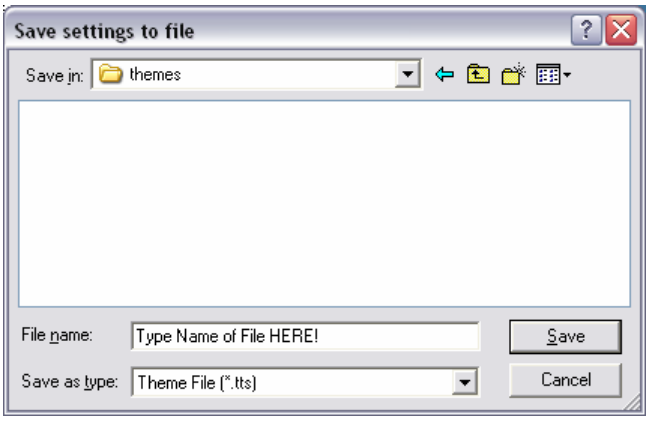
To open the Global Settings folder, click on the plus sign to the left of the folder. The blue Global Settings folder contains your Long Term Chartings settings and your Tool settings.

Track ‘n Trade Pro Themes:

Track ‘n Trade Pro gives you the ability to take all of the settings in the Program Options settings and save them into a “theme” file. This gives you the ability to have different themes and apply many settings quickly to a chart.

Creating a Theme:

To create a Theme, simply select your desired settings within the three sections of settings: Global, My Defaults, and Per Chart. Next, go to the Global Settings main page and select the Save Settings button.



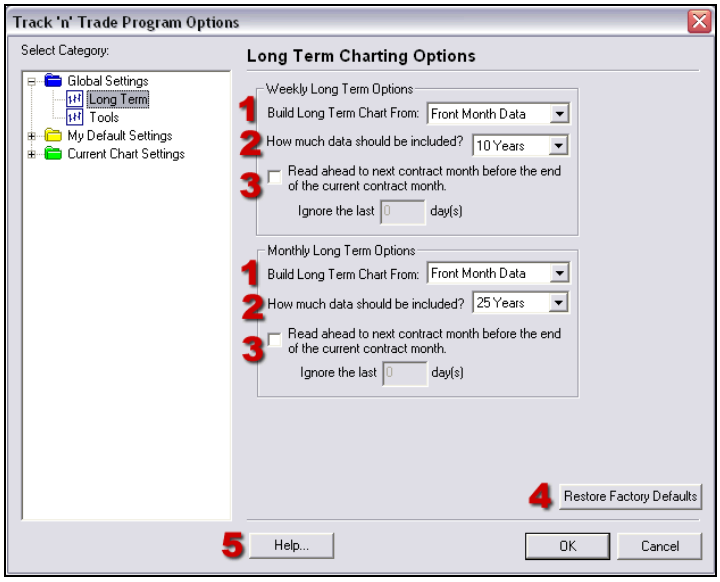
This will open the *Save As* window. Choose a name for the file and click on the *Save* button. The theme will be saved in the themes folder located in the Track ‘n Trade Pro folder where you installed it. (Default location for the software is C:\Program Files\Gecko Software\Track 'n Trade Pro 4.0)

To Apply a Theme:

1. Open the Program Options window.
2. Click on the Load settings button located on the Global Settings page.
3. This will open the themes directory. Click on the theme file that you would like to apply by clicking on the Open button.

Long Term

The Long Term section allows the user to define how long term charts are calculated. There are two types of Long-Term Charts: Weekly and Monthly. See the Long-Term Charts Section for information on how these charts are generated and how to use them in your trading.



Long Term Charting Options:

1. Build Long Term Charts From:
   a. **Front Month Data**: This option uses data from one contract month to the next in historical order. For example: Jan 2001, Mar 2001, May 2001 and so on.
   b. **Contract Month Data**: This option uses data from a contract month from each successive year. For example: Jan 2001, Jan 2002, Jan 2003 and so on.
2. **How much data should be included?** 2-10 years of data can be displayed at a time on a long term chart. Click on the drop down menu to specify the number of years to be displayed.
3. To cut off the end of the contract used in your long term chart, click on the empty check box in front of the text: "**Read ahead to next contract month before the end of the current contract month.**" Next, specify the number of days in the box that you would like to exclude. (Note: This option is best used for historical data. If you are looking at a long-term chart that includes current data, remember that if you set this option to

exclude 10 days, the last few days will apply this rule and exclude the last 10 days of data.)

4. To set the options back to **Factory Defaults**, click on the **Restore Factory Defaults** button on the bottom of the Properties screen.
5. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

IMPORTANT: After applying the new settings in Program Options, you will need to delete the long-term chart from the Active Charts list, if you currently have a long term open, and then re-generate the chart to apply the new settings to the long-term chart.

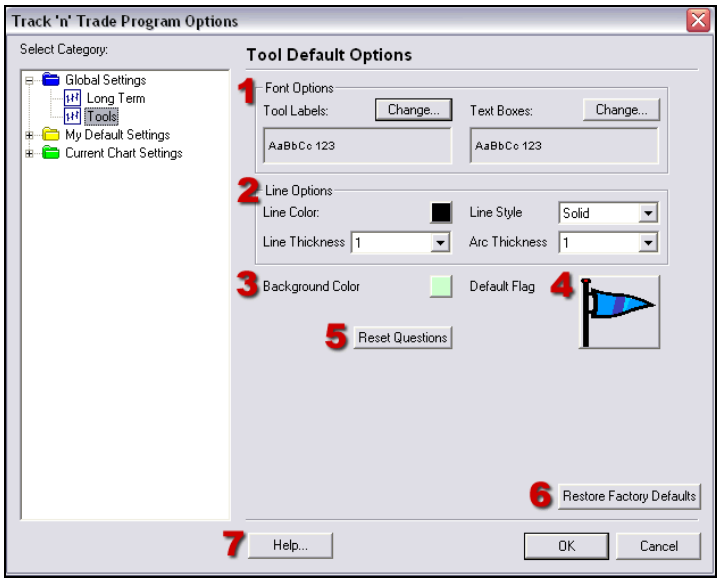
Tools

The Tools Default Options section allows you to change properties of the Charting, Advanced Charting, Notation, and Accounting Tools.

Clicking the *OK* button, will apply new default settings and will apply all changes made in this window to any **NEW** tools or text created from this point forward. Any tools, within the active Chartbook that have already been created will **NOT** be affected by this change, unless you press the *Apply To All Charts* button. These new default settings will then be stored in Track ‘n Trade and applied to any new **AND** past files upon the opening or reopening of those files.

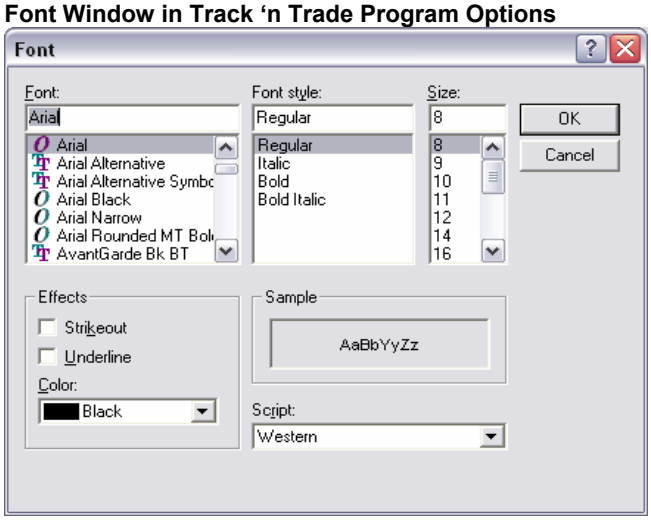
Simply click on the Apply all Color Changes button if you would like to apply **ONLY** the color changes to the tools in all the Active Charts.

If you would like to change settings for one specific tool, you will need to right-click on that tool and select the individual tool settings. See Individual Tool Settings for more information.



1. **Font Options:**
   a. **Tool Labels:** This setting changes the text in any tool included in Track ‘n Trade Pro. To change font, size, color, etc click on the Change Button. See the Font Window that opens on the following page.

Font Window in Track ‘n Trade Program Options



Font: Change the Default Font by clicking on a Font listed below.

Font Style: Change the Default Font Style by clicking on a new Font Style listed below.

Size: Change the Font Size by clicking on a new size listed below.

Effects: Add a Strikeout or Underline effect to the Default Font by checking one or both of these items.

Color: Change the Color of the Default Font by clicking on the drop down arrow and selecting a new color.

Sample: See a Preview of the newly created settings for the Default Font.

Script: Change the Font Script by clicking on the drop down arrow and selecting a new Script.

Text Boxes: This tool applies to the Text Tool only. Click on the Change button too see the Font Window and change the Default Text Box settings.

2. Line Options:

   Line Color: Change the Default Line Color, used by all Track 'n Trade Tools, by clicking on the color box and choosing a new color from the Windows Color Palette.

   Line Style: Change the Default Line Style to Solid, Dashed, Dotted and more by clicking on the drop down arrow and choosing a new style.

   Line Thickness: Change the Default Line Thickness, used on all Track 'n Trade Tools by clicking on the drop down menu and choosing a new thickness (0-6).

   Arc Thickness: Change the Default Arcs Thickness on the Track 'n Trade Tools that include Arcs. (An example is the 1-2-3 Tool). Click on the drop down menu to select a new thickness (0-6).

3. **Background Color:** Change the Default Color used for backgrounds of tools that have background capabilities. Click on the color box to choose a new color from the Windows Color Palette.

4. **Default Flag**: Change the Default Flag for the Flag Notation Tool by clicking on the Flag Button. A window will open with a selection of Flags to choose from. You may also import a custom flag.

5. **Reset Questions**: In Track ‘n Trade you will get extra help in using the software with “questions” that prompt you throughout your use. These questions are initially shown when you install the software; however on each question window there is an option to hide the display questions. If you have selected this option, but would now like to see the “questions” again, click on the Reset Questions button.

6. To set the options back to Factory Defaults, click on the **Restore Defaults** button on the bottom of the Properties screen.

7. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

My Default Settings

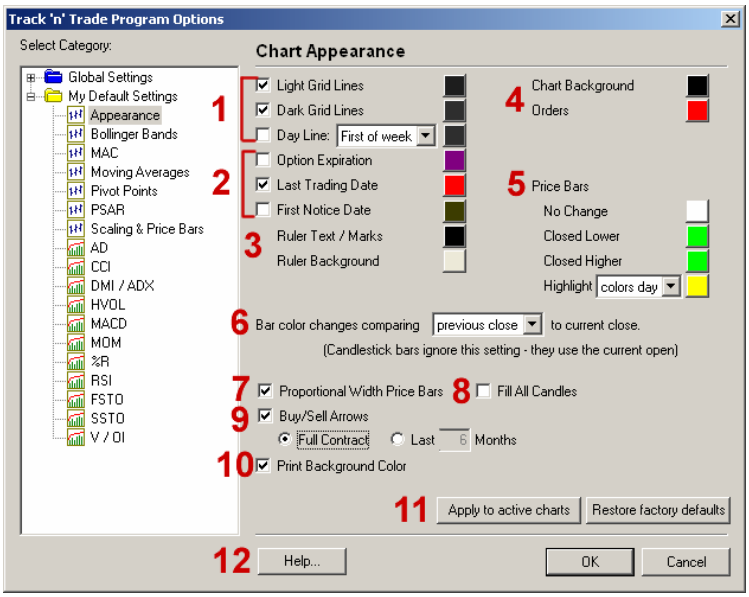
The My Default Settings allows you to set custom settings for chart appearance and indicator options. These settings will only affect newly created charts after the selection has been made.

If you wish to apply your chosen settings to all the charts you have open, click the 'Apply to all charts' button that appears on all the screens in this folder.

To open the My Default Settings folder:
Click on the plus sign to the left of the yellow My Default Settings folder, and select the section you want to customize.

Appearance

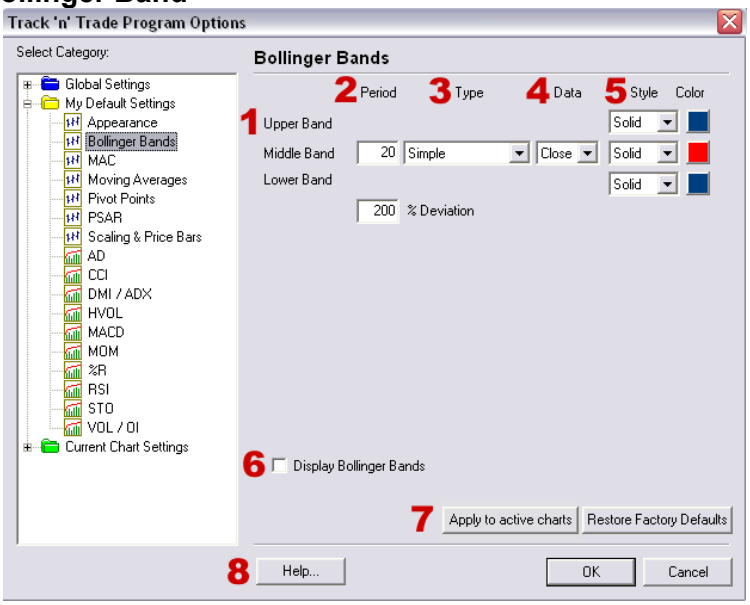
This screen allows the user to change tick color options, ruler paper options, background changes and much more.



1. **Grid Lines and Day Line**:
    a. **Light & Dark Grid Lines:** Select the check box in front of the line to display them on the chart. Change the color of the Grid Line by clicking on the color box and selecting a new color from the Windows Color Palette. These lines are based on the scaling selected for the chart. For more information see Scaling.
    b. **Day Line:** Displays an additional vertical line, based on the day of the week, on the chart by selecting the check box. Select a particular day of the week by clicking on the drop down menu. Change the color by clicking on the color box and select a color from the Color Palette.
2. **Expiration and Notice Dates:**
   Click on the corresponding check box in front of the item to display: Options Expiration, Last Trading Date, or First Notice Date on your Chart. To change the color of the line, click on the corresponding color box and select a new color from the Windows Color Palette.
3. **Ruler Colors**:
    a. **Ruler Text / Marks:** Indicates the color used for the ruler lines and text.

   b. **Ruler Background:** Indicates the color used for the background of the rulers.
4. **Chart Background and Order Colors**:
   a. To change the background color of your chart window, click on the color box and select a new color from the Color Palette.
   b. To change the color of your order arrow, click on the color box and select a new color from the Color Palette.
5. **Price Bars**:
   a. Changes, based the #6 condition, are displayed by tick color, specify the color for: **No Change**, **Close Lower**, and **Close Higher** by clicking on the color box and selecting a color from the Color Palette.
   b. **Highlight**: When holding down the SHIFT key while using the pointer tool, you will see a vertical line highlighting the chosen trading day from the chart window through the Indicator Window. To change the highlight color, click on the color box and select a color from the Color Palette.
6. Choose the value used to calculate the price bar change. You may choose: yesterday's open, high, low, close or today's open, high, or low to compare to today's close. If you would like to modify the colors of the ticks based on this change, see step 5a.
7. **Proportional Tick Thickness:** When selected this feature increases the thickness of both chart price bars and indicator lines.
   Fill All Candles: When this feature is selected, all of the candle bodies will be filled.
8. Fill All Candles: When this feature is selected, all of the candle bodies will be filled.
9. Buy/Sell Arrows: When this feature is selected the buy/sell signals are enabled. Also you have the option to see the arrows for the Full Contract or just the Last few months the number of months is put in the edit box.
10. Print Background Color: When printing you have the option to print the background
11. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings for this window.
12. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

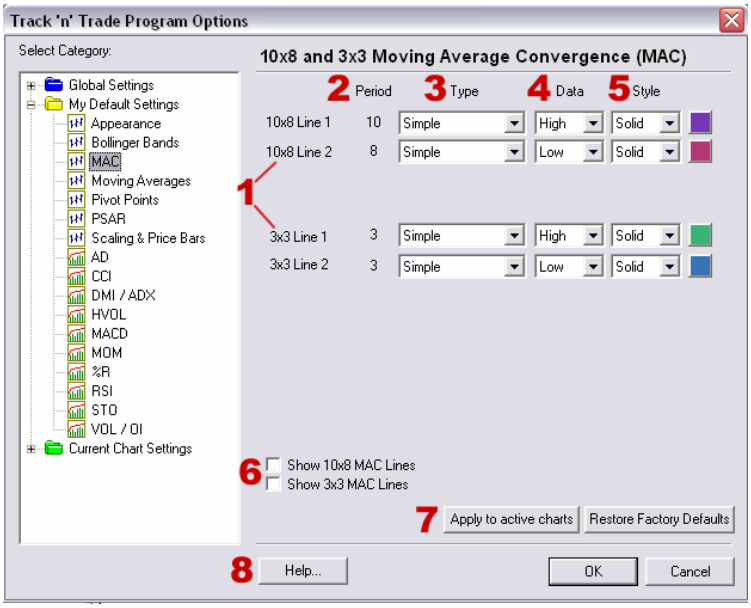
Bollinger Band



1. **Bands:** The Bollinger Band Indicator is made up of three lines on the chart. They are: Upper, Middle & Lower.
2. **Period:** Define the period interval for the Bollinger Band. This value affects all three lines.
3. **Type:** The Bollinger Band Indicator can be based on a Simple, Linearly Weighted or Exponentially Smoothed Average. Click on the drop down menu to change the type of average.
4. **Data:** The average can be based on four values: Open, High, Low or Close. Click on the drop down menu to change the data option.
5. **Style & Color:** Bollinger Band lines can be displayed as solid, dashed, or dotted lines. Click on the drop down menu to specify the type of line style. Next to the drop down menu is the color box for the line. Click on the color box to choose a new color from the Color Palette.
6. Check this box to **Display the Bollinger Bands**.
7. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
8. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and

you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

MAC

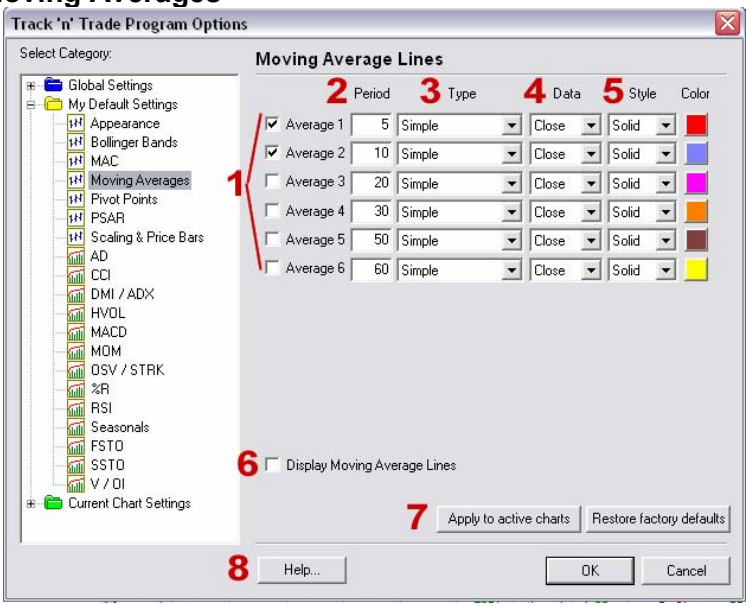


1. **Lines:** The 10x8 & 3x3 MAC consists of two lines. Each line's parameters may be changed independently in the options screen.
2. **Period:** The period values of the MAC Indicators are not editable. If you would like to specify different time periods for an average, it is recommended that you use a moving average instead of the MAC Indicators.
3. **Type:** Choose between Simple, Linearly Weighted, and Exponentially Smoothed averages for each line. Click on the drop down menu and select the type desired.
4. **Data:** To change the data that the line is based on click on the drop down menu. The options available are: High, Low, Open, and Close.
5. **Style & Color:** Average lines can be displayed as solid, dashed, or dotted lines. Click on the drop down menu to specify the type of line style. Next to the drop down menu is the color box for the line. Click on the color box to choose a new color from the Color Palette.
6. Check these boxes to display the 3x3 and/or the 10x8 MAC Lines on your charts.
7. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on

Restore Factory Defaults if you would like to restore original software settings.

8. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

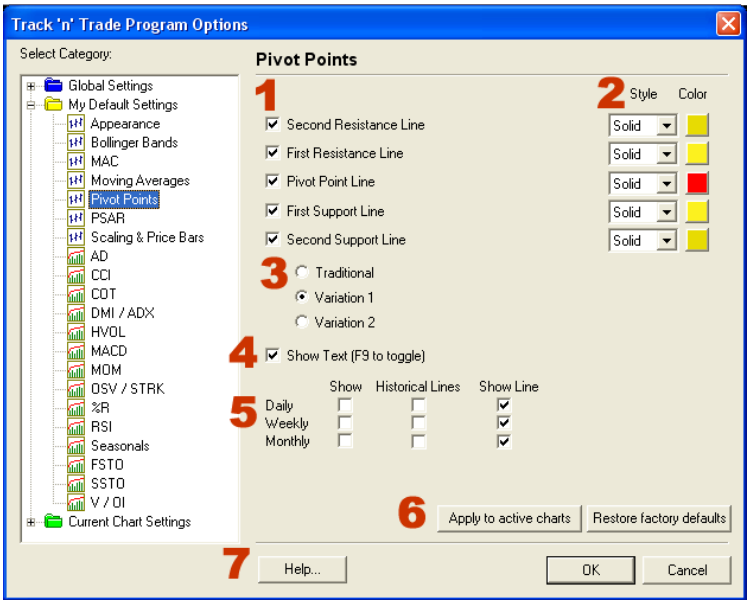
Moving Averages



1. **Average1-6:** Each Moving average displayed on the chart is referred to as an Average. You may have up to 6 different averages displayed at once on the screen.
2. **Period:** To specify the number of days used in calculating the moving average simply click on the box, highlight the current number and type in a new value.
3. **Type:** Choose from simple, linearly weighted and exponentially smoothed calculations. Click on the drop down menu to specify the type.
4. **Data:** The average can be based on four values: Open, High, Low or Close. Click on the drop down menu and select the data value.
5. **Style & Color:** Average lines can be displayed as solid, dashed, or dotted lines. Click on the drop down menu to specify the type of Line Style. Also, change the color of the line by clicking on the color box for the line ands elect a new color from the Color Palette.

6. Check this box to **Display the Moving Average Lines.** Only the lines checked above will show on the chart.
7. Click on **Apply to active charts** if you would like to see your selected settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
8. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

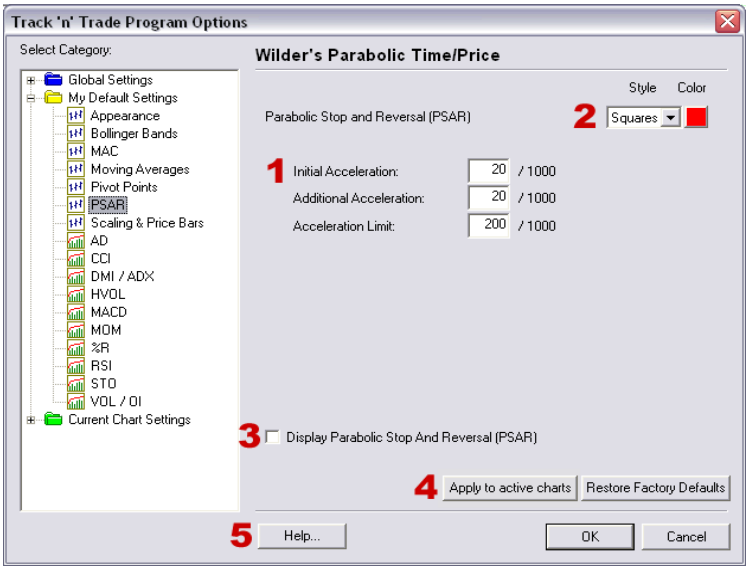
Pivot Points



1. **Pivot Point Lines:** Pivot Points are made up of 5 Lines. You can specify preferences for each line independently. For information on their value and how they are calculated, refer to the Indicator Section.
2. **Style & Color:** The Pivot Point Indicator lines can be displayed as a solid, dashed, or dotted. Click on the drop down menu to specify the type of line style. To change the line color click on the color box, next to the line, and select new color from the Color Palette.
3. Pivot Points are available in Traditional, Variation 1, and Variation
4. **Show Text:** This option displays the pivot point line values in the chart window. Press F9 to toggle it on and off.

5. This section controls how the pivot points are displayed. The pivot points include predication and historical lines available in Daily, Weekly, and Monthly calculations. **Show:** If checked this turns on the items selected. **Historical Lines:** Check the daily, weekly or monthly box to select for display. **Show Lines**: Check the daily, weekly, or monthly box to select prediction lines for display.
6. Click on **Apply to active charts** if you would like to see your selected settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
7. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

PSAR – Wilder's Parabolic Time/Price

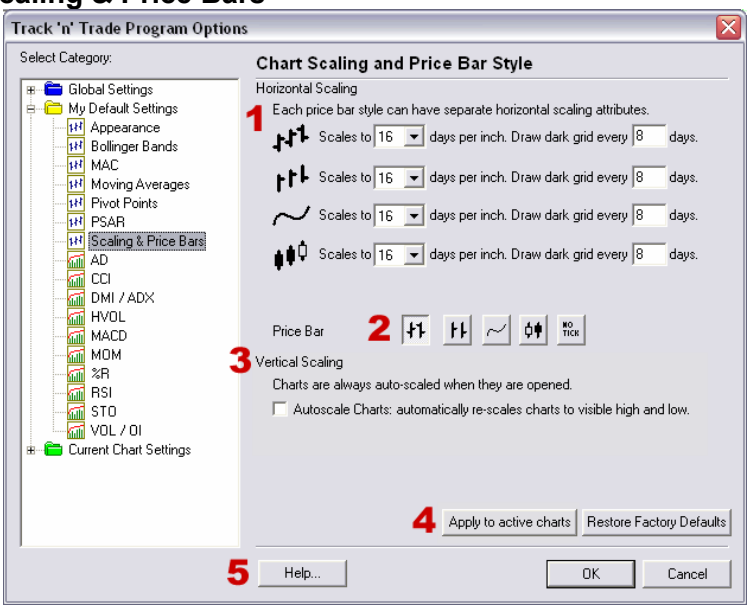


1. To enter the values for the **Initial Acceleration, Additional Acceleration, and Acceleration Limit**; highlight the current numbers and type in your value.
2. **Style & Color**: To change the style click on the dropdown menu and choose from: squares, dots, lines, or crosses. Click on the color box to change the color of the indicator.
3. Check this box to **Display the PSAR Indicator**.
4. Click on **Apply to active charts** if you would like to see your selected settings on all the charts you have open.

Click on **Restore Factory Defaults** if you would like to restore original software settings.

5. **Help:** Information from the Manual has been integrated into the software. When clicking on the Help button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

Scaling & Price Bars

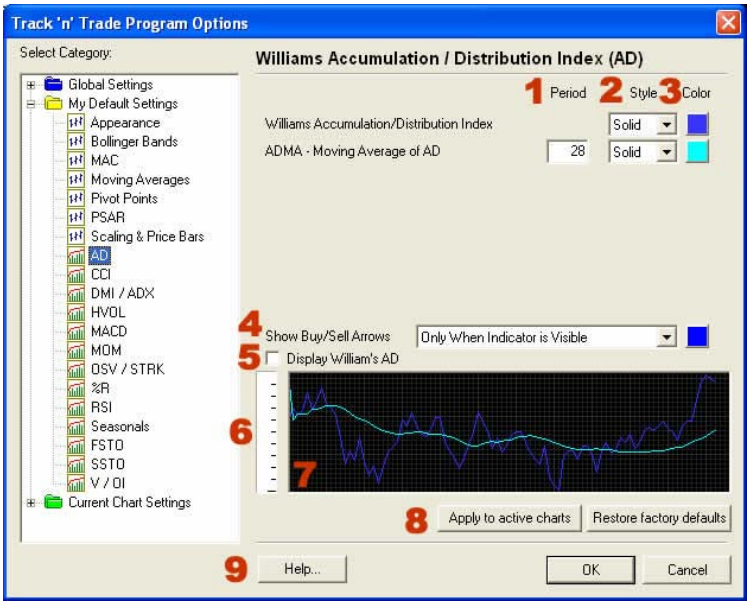


1. This section allows you to select your own preferences on scaling. You can select different scaling on each tick style; OHLC, HLC, Close, or Candlestick. You can select how many days are in one inch on your charts, as well as when the dark grid lines appear.
2. The **Price Bar** determines what style of tick is shown on your charts. This also can be selected by right clicking on your open chart and selecting OHLC, HLC, Close, or Candlestick. The no tick option is only available on the screen shown above.
3. **Vertical Scaling**: Check this option to automatically adjust to fit your chart window vertically. Note: If you have the Accounting & Simulator Plug-in, which includes the play controls, the Auto Scale Chart feature will re-scale the chart each time you click a Play button.
4. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on

Restore Factory Defaults if you would like to restore original software settings.

5. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

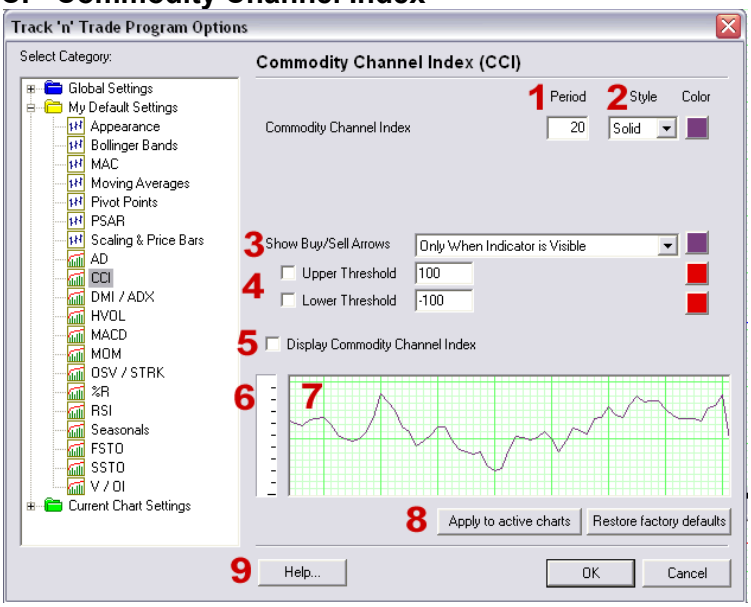
AD - Williams Accumulation/Distribution



1. **Period:** To specify the number of days used in calculating the ADMA Indicator, simply highlight the current number and type in a new value.
2. **Style:** The AD Indicator lines can be displayed as a solid or dotted lines. Click on the drop down menu to specify the type of line style desired.
3. **Color:** Click on the color box and a color panel will open for you to specify the new color.
4. To display the Buy signal the AD line needs to cross above the ADMA line and to display a Sell signal the AD line needs to cross below the ADMA line. If the ADMA Line ***Style*** is **None** then the buy/sell arrows will not be displayed. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the AD arrows.

5. To display the indicator in the chart window, click the check box.
6. **Ruler Bar -** See the Ruler Bar at the end of this section.
7. **Preview Window:** This Window allows you to make changes and preview them before saving them.
8. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
9. **Help**: Information from the Manual has been integrated into the software. When clicking on the Help button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

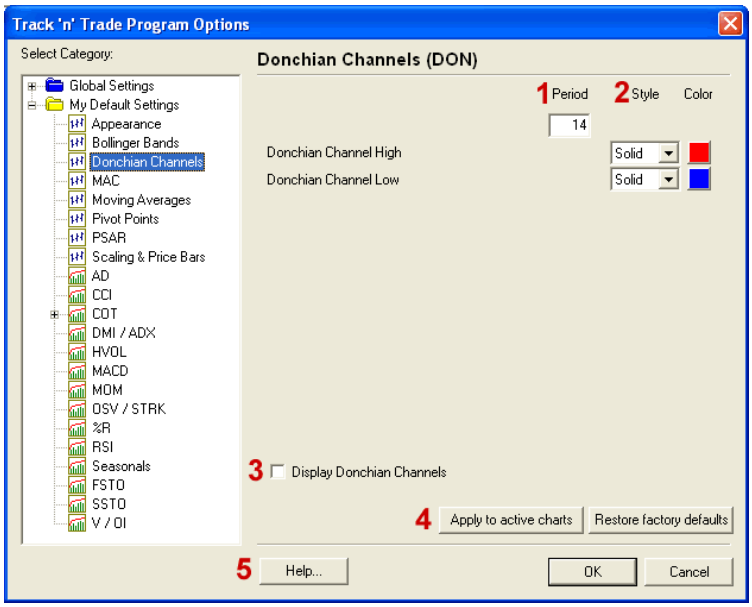
CCI - Commodity Channel Index



1. **Period:** To specify the number of days used in calculating CCI, simply click on the box, highlight the current number and type in a new value.
2. **Style & Color:** The CCI Line can be displayed as a solid, dashed, or dotted. Click on the drop down menu to specify the type of line style. To change the color, click on the color box, select the new color in the Color Palette.

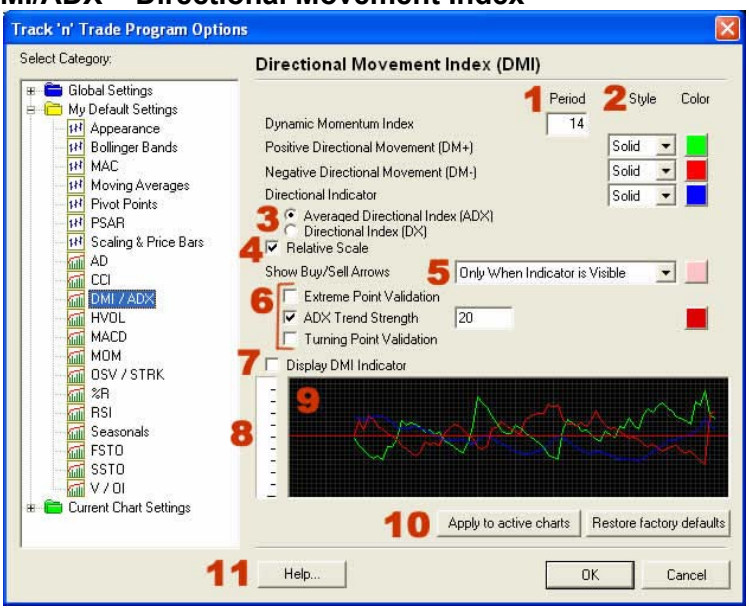
3. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the CCI arrows.
4. **Upper Threshold**[number] **-** The crossing of the CCI line below this number is a sell signal. Check the check box to see the line in the indicator window.
   Lower Threshold[number] **-** The crossing of the CCI line above this number is the buy signal. Check the check box to see the line in the indicator window.
5. To **Display** the indicator click the check box.
6. **Ruler Bar -** See the Ruler Bar at the end of this section.
7. **Preview Window:** This Window allows you to make changes and preview them before saving them.
8. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
9. **Help**: Information from the Manual has been integrated into the software. When clicking on the Help button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

DON – Donchian Channels



1. **Period:** To specify the number of days used in calculating DMI, simply click on the box, highlight the current number and type in a new value. Be sure to click on Ok to save your changes.
2. **Style & Color:** The DMI Lines can be displayed as a solid, dashed, or dotted. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is a color box, click on this box to change the color of the line.
3. To display the Donchian Channel click the check box.
4. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
5. Help: Information from the Manual has been integrated into the software. When clicking on the Help button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

DMI/ADX – Directional Movement Index



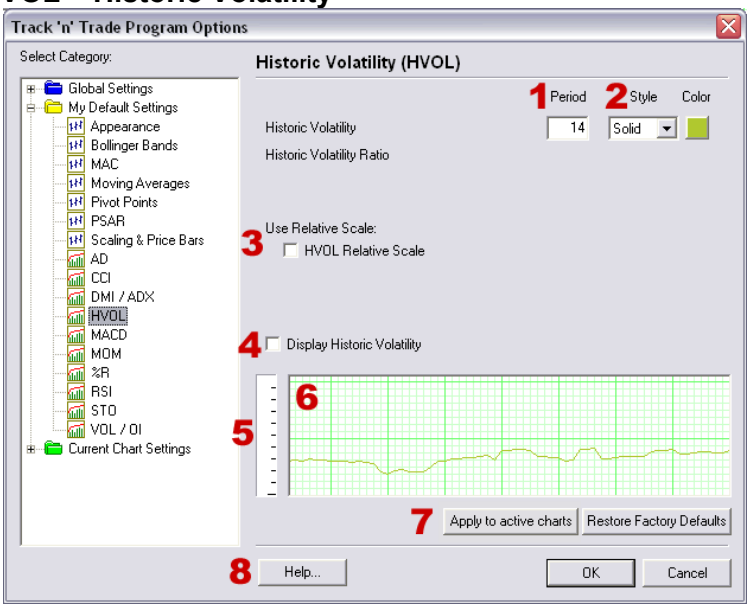
1. **Period:** To specify the number of days used in calculating DMI, simply click on the box, highlight the current number and type in a new value. Be sure to click on Ok to save your changes.
2. **Style & Color:** The DMI Lines can be displayed as a solid, dashed, or dotted. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is a color box, click on this box to change the color of the line.
3. **Directional Indicator:** The two methods available in displaying the DMI Indicator are Averaged Directional Index (ADX) and the Directional Index (DX). Click on the radio button in front of the method to select. For more information on the different values, refer to the article above.
4. **Use Relative Scale**: When choosing this option, the 100% location is changed to the highest point value in the DMI Indicator.
5. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the AD arrows.

6. **Extreme Point Validation** - This filter delays the buy/sell arrows at least a day by requiring that the market move higher or lower than the high or low on the day the DM+/DM- cross over happened. If a new higher high or lower or low is not obtained before the next DM+/- cross over the buy sell arrow is suppressed completely for that previous period. The filter does not require the use of DX/ADX although it does stack with the other filters if they are used.

   ADX Trend Strength [number] - This filter is simple to understand. The directional index (DX) or averaged directional index (ADX) line must be above the target number before a DM+/- cross will give a buy/sell arrow. The theory is that the DX/ADX lines indicate trend strength (but not trend direction) and if it is below 20 there is practically no trend. Values above 40 indicate a strong trend. Different articles would use values between 20 and 40 as targets to look for. The directional index indicator line must be on for this rule to be available.
   Turning Point Validation - This filter is simply that your directional index line (DX or ADX) must be above the point where DM+/- crossed. To me this is like a variable trend strength filter. The directional index can indicate any trend strengths as long as the trend strength is greater than the value of the DM+/- crossing point. This indicator also requires that the directional index indicator line be on.
7. To **display the indicator** in the chart window, click the check box.
8. **Ruler Bar -** See the Ruller Bar at the end of this section
9. **Preview Window:** This Window allows you to make changes and preview them before saving them.
10. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
11. Help: Information from the Manual has been integrated into the software. When clicking on the Help button and you will get specific documentation based on the

location of the button. You may also press F1 on your keyboard.

HVOL – Historic Volatility

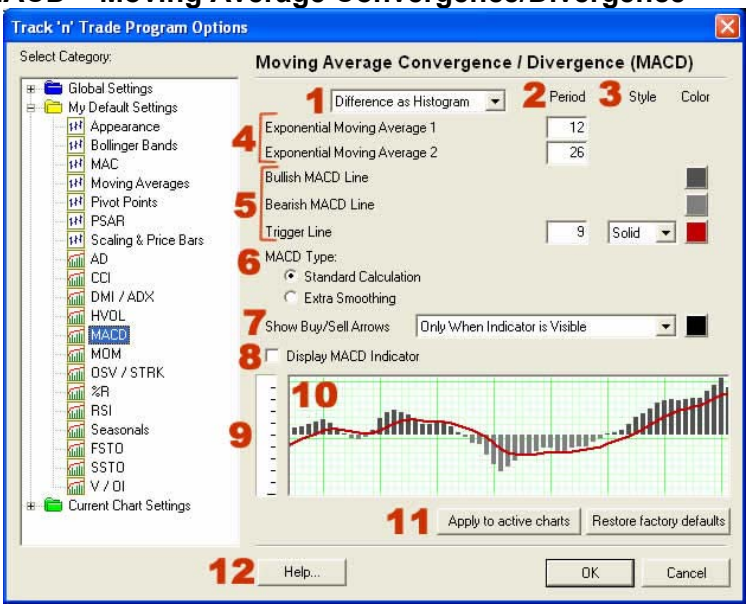


1. **Period:** To specify the number of days used in calculating Historic Volatility, simply click on the box, highlight the current number and type in a new value. Be sure to click on Ok to save your changes.
2. **Style & Color:** The Historic Volatility Line can be displayed as a solid, dashed, or dotted line. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is a color box, click on this box to change the color of the line.
3. **Use Relative Scale:** When choosing this option, the 100% location is changed to the highest point value in the HVOL Indicator.
4. To **display the indicator** in the chart window, click the check box.
5. **Ruler Bar –** See the Ruler Bar at the end of this section
6. **Preview Window:** This Window allows you to make changes and preview them before saving them.
7. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on

Restore Factory Defaults if you would like to restore original software settings.

8. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

MACD – Moving Average Convergence/Divergence



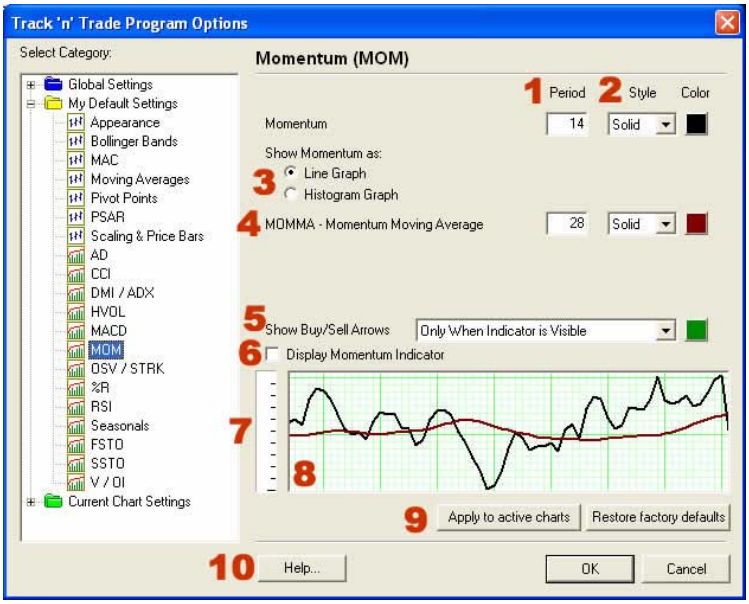
1. The MACD Indicator can be displayed differently, choose from Difference as Histogram or Difference as Line in the drop down menu.
2. **Period:** To specify the number of days used in calculating the MACD simply click on the box, highlight the current number and type in a new value.
3. **Style & Color:** MACD Trigger line can be displayed as solid or dotted line. Click on the drop down menu to specify the type of line style. Click on the color box and a color panel will open for you to specify the new color.
4. The MACD is calculated using two exponential moving averages. To change the periods used in the formula, highlight the number value and type in the new value desired.
5. There are three components that create the MACD Indicator; Bullish, Bearish and **Trigger lines**. More

information on how these components are calculated in the Indicators section under MACD.

6. **MACD Type:**
   Choose from two types of MACD Indicators.
   a. Standard Calculation
   b. ***Extra Smoothed*:** This Calculation is a proprietary formula developed by Lan H. Turner, president and founder of Gecko Software, Inc., and Gecko Software's Programming staff. This method increases the movement in the MACD Indicator and has shown to be more accurate (in Gecko Software's market testing) than the standard calculation. Click the Extra Smoothed option to test it's accuracy for yourself! Its relationship to the MACD is similar to the relationship between the Fast and Slow Stochastics - so think of this indicator as the "Fast MACD".
7. To display the Buy signal the MACD line needs to cross above the Trigger line and the cross needs to happen above zero. To display a Sell signal the MACD line needs to cross below the Trigger line and the cross needs to happen below zero. If the Trigger Line ***Style*** is **None** then the MACD arrows are determined with the crossing of the MACD line over zero. To buy the MACD line will go above zero and to sell it will drop below zero. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the MACD arrows.
8. To **Display the indicator** in the chart window, click the check box.
9. **Ruler Bar:** See the Ruler Bar at the end of this section
10. **Preview Window:** This Window allows you to make changes and preview them before saving them.
11. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
12. **Help**: Information from the Manual has been integrated into the software. When clicking on the

Help button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

MOM – Momentum

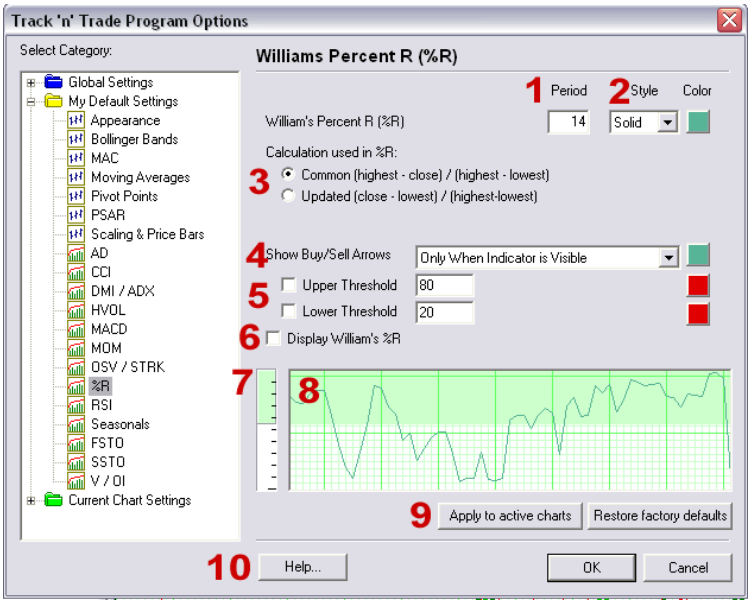


1. Period: To specify the number of days used in calculating the Momentum or MOMMA Indicators simply click on the box, highlight the current number and type in a new value. Be sure to click on Ok to save your changes.
2. **Style & Color:** The Momentum Indicator Line (when displayed as a Line Graph) can be displayed as a solid, dashed, or dotted line. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is a color box, click on this box to change the color of the line.
3. **Show Momentum As:**
   a. **Histogram Graph:** Momentum represented as a Time Progression Bar Chart.
   b. **Line Graph:** Momentum represented as Lines.
4. **MOMMA -** Momentum Moving Average. This is a moving average of the Momentum line.
5. To display the Buy signal the MOM line needs to cross above the MOMMA line and to display a Sell signal the

MOM line needs to cross below the MOMMA line. If the MOMMA Line ***Style*** is **None** then the buy/sell arrows will not be displayed. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the MOM arrows.

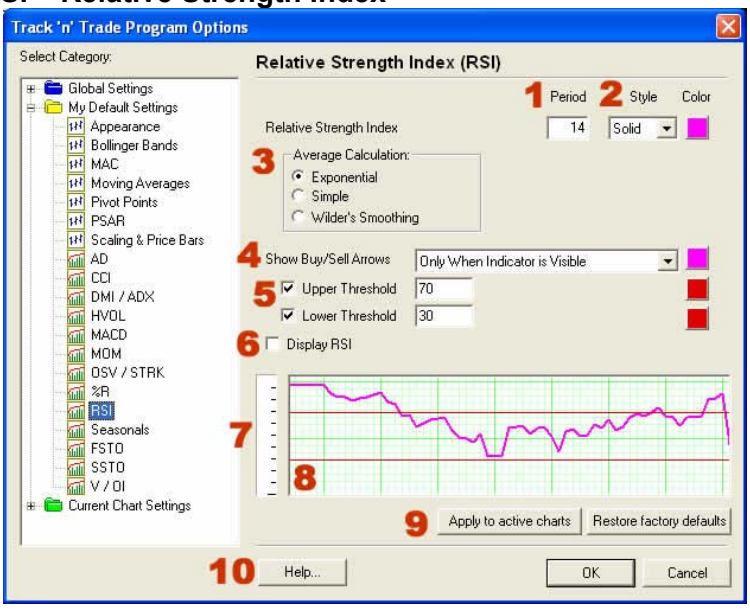
6. To **Display the indicator** in the chart window, click the check box. Once the box is checked you may also select the box to display the MOMMA Indicator.
7. **Ruler Bar -** See the Ruler Bar at the end of this section
8. **Preview Window:** This Window allows you to make changes and preview them before saving them.
9. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
10. **Help**: Information from the Manual has been integrated into the software. When clicking on the Help button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

%R – Williams Percent R



1. **Period:** To specify the number of days used in calculating the %R simply click on the box, highlight the current number and type in a new value.
2. **Style & Color:** The %R line can be displayed as a solid, dashed, or dotted line. Click on the drop down menu to specify the type of line style desired. Click on the color box and color panel will open for you to specify the new color.
3. There are a couple different calculations used for the %R Indicators click on the preferred calculation under the **"Calculation used in %R" section**. For more information on the different calculations see the Indicator Section under Williams' % R.
4. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the %R arrows.
5. **Upper Threshold**[number] **-** The crossing of the %R line below this number is a sell signal. Check the check box to see the line in the indicator window. **Lower Threshold**[number] **-** The crossing of the %R line above this number is the buy signal. Check the check box to see the line in the indicator window.
6. To **Display the indicator** in the chart window, click the check box.
7. **Ruler Bar –** See the Ruler Bar at the end of this section
8. **Preview Window:** This Window allows you to make changes and preview them before saving them.
9. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
10. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

RSI – Relative Strength Index



1. **Period:** To specify the number of days used in calculating the RSI simply click on the box, highlight the current number and type in a new value.
2. **Style & Color:** The RSI line can be displayed as a solid, dashed, or dotted line. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is a color box, click on this box to change the color of the line.
3. **Average Calculation:** Choose between **Exponentia**l, **Simple**, and **Wilder's smoothing calculations**.
4. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the RSI arrows.
5. **Upper Threshold**[number] **-** The crossing of the RSI line below this number is a sell signal. Check the check box to see the line in the indicator window.
   Lower Threshold[number] **-** The crossing of the RSI line above this number is the buy signal. Check the check box to see the line in the indicator window.

6. To **Display the indicator** in the chart window, click the check box.
7. **Ruler Bar -** See the Ruler Bar at the end of this section
8. **Preview Window:** This Window allows you to make changes and preview them before saving them.
9. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on Restore **Factory Defaults** if you would like to restore original software settings.
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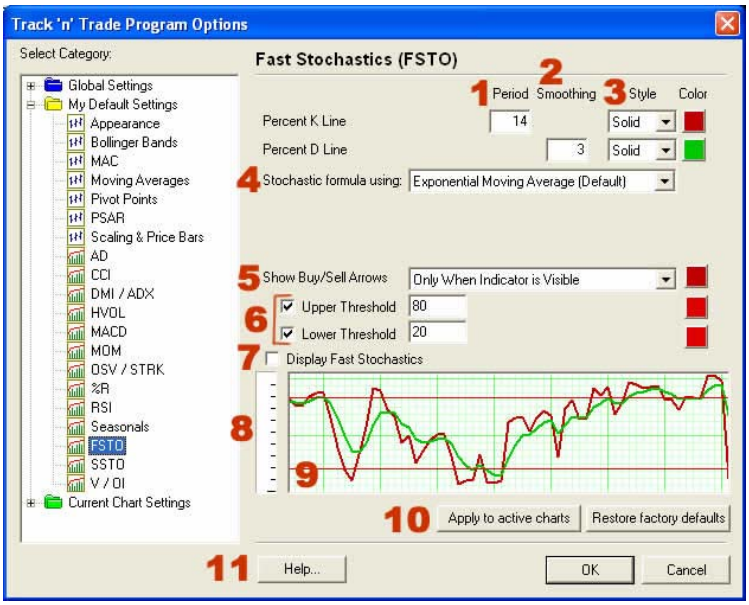
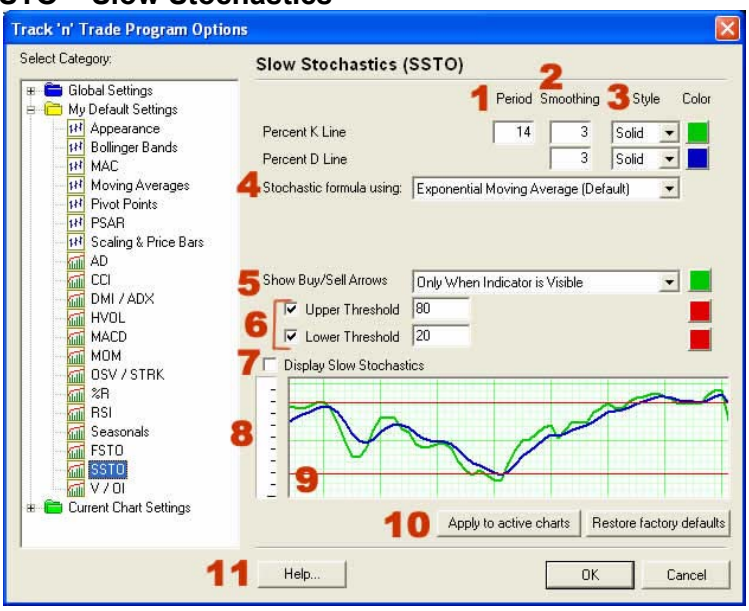
FSTO – Fast Stochastics



1. **Period:** To specify the number of days used in calculating the Fast Stochastics Indicator simply click on the box, highlight the current number and type in a new value.
2. **Smoothing:** To specify the number of days used in calculating Smoothing, simply click on the box, highlight the current number, and type in a new value.

3. **Style & Color:** The Fast Stochastics Indicator lines can be displayed as a solid, dashed, or dotted. Click on the drop down menu to specify the type of line style desired. To change the line color, click on the color box.
4. **Stochastic Formula Using:** Chose from the drop-down menu the type of formula you prefer to be used. The choices are the Exponential Moving Average and the Simple Moving Average. For more information on the formulas used, see the Stochastics information under the Using Indicators Section.
5. The drop-down menu for **Show Buy/Sell Arrows** allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the FSTO arrows.
6. **Upper Threshold**[number] **-** The crossing of the %D line above the %K line is the sell signal and only confirmed if this crossing happened above the upper threshold number. Check the check box to see the line in the indicator window.
   Lower Threshold[number] **-** The crossing of the %D line below the %K line is the buy signal and only confirmed if this crossing happened below the lower threshold number. Check the check box to see the line in the indicator window.
7. To **Display the Fast Stochastics** indicators check the box by the corresponding indicator.
8. **Ruler Bar:** See the Ruler Bar at the end of this section
9. **Preview Window:** This Window allows you to make changes and preview them before saving them.
10. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
11. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

SSTO – Slow Stochastics



1. **Period:** To specify the number of days used in calculating the Slow Stochastics Indicator simply click on the box, highlight the current number and type in a new value.
2. **Smoothing:** To specify the number of days used in calculating Smoothing, simply click on the box, highlight the current number, and type in a new value.
3. **Style & Color:** The Slow Stochastics Indicator lines can be displayed as a solid, dashed, or dotted. Click on the drop down menu to specify the type of line style desired. To change the line color, click on the color box.
4. **Stochastic Formula Using:** Chose from the drop-down menu the type of formula you prefer to be used. The choices are the Exponential Moving Average and the Simple Moving Average. For more information on the formulas used, see the Slow Stochastics information under the Using Indicators Section.
5. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or

Only When Indicator is Visible to view the buy/sell signals or *Never Show Arrows* to never see the SSTO arrows.

6. **Upper Threshold**[number] **-** The crossing of the %D line above the %K line is the sell signal and only confirmed if this crossing happened above the upper threshold number. Check the check box to see the line in the indicator window.
   Lower Threshold[number] **-** The crossing of the %D line below the %K line is the buy signal and only confirmed if this crossing happened below the lower threshold number. Check the check box to see the line in the indicator window.
7. To **Display the Slow Stochastics** indicators check the box by the corresponding indicator.
8. **Ruler Bar –** See the Ruler Bar at the end of this section
9. **Preview Window:** This Window allows you to make changes and preview them before saving them.
10. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
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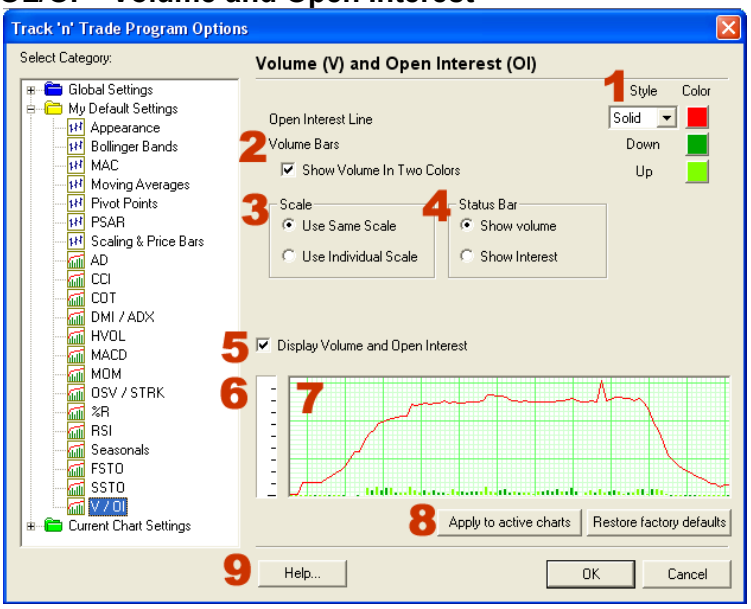
VOL/OI – Volume and Open Interest



1. **Style & Color:** The Volume\Open Interest line can be displayed as a solid, dashed, or dotted. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is the color box, click on this box to open a panel and change the line color.
2. **Volume Bars:** If you would like to Display the Volume Indicator in two colors check this box.
3. **Scale:** Choose how you would like to view the VOL Indicator by selecting the radial button you prefer.
   a. **Same Scale:** The VOL Indicator will not be proportional to the size of the indicator window
   b. **Individual Scale**: The VOL Indicator will be displayed with its highest value equal to 100% of the window.
4. **Status Bar**: Determines if the Volume or Open Interest is displayed in the status bar. (The opposite will be shown in the current price bar.)
5. To **Display the indicator** in the chart window, click the check box.
6. **Ruler Bar –** See the Ruler Bar at the end of this section
7. **Preview Window:** This Window allows you to make changes and preview them before saving them.
8. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you open. Click

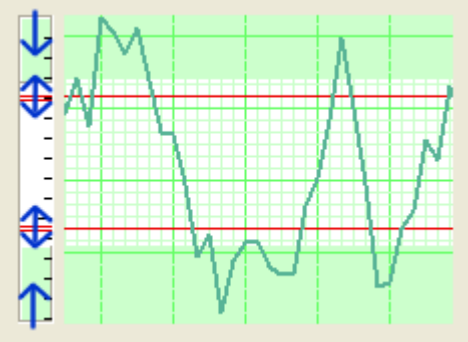
on **Restore Factory Defaults** if you would like to restore original software settings.

9. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

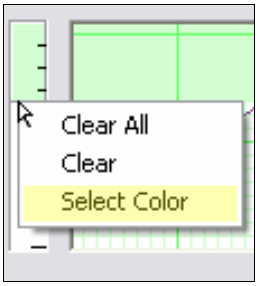
Ruler Bar

The Ruler Bar inside the Program Options windows for the indicators that are displayed in the Indicator window, allows user's to create highlighted regions or horizontal lines within the indicator window.

To create a highlighted region: Click at either end of the Ruler bar and drag either up or down to the end point of the region.
To place a line: Click in side the ruler bar and drag the line to the desired point.



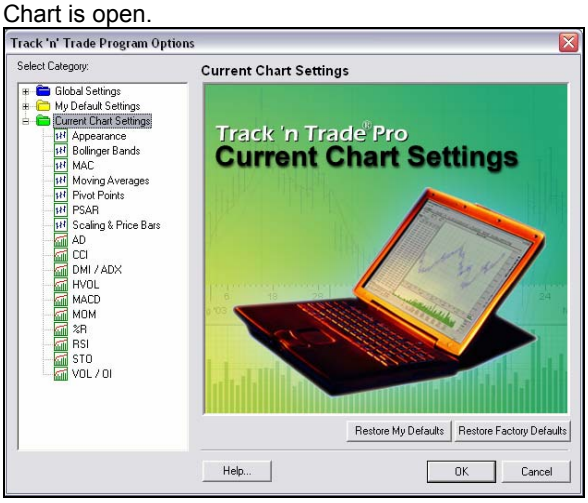
To change the color of the highlighted region: You must right-click on either the bottom edge (if it is on the top of the indicator window) or the top edge (if it is on the bottom of the indicator window). Next choose the “Select Color” option from the right-click menu. The Color Palette will open, choose a color and click on OK.



You may also ***Clear*** the item that you right-clicked on or ***Clear All*** items in the Indicator window by selecting these items from the right-click menu.

Current Chart Settings

This folder only appears in the Program Options screen when a Chart is open.



All of the options that appear in this folder are identical to those found in the My Default Settings folder. The difference between the two folders is when you set your options in the Current Chart Settings folder; the options you change will only affect your currently opened chart.

TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

ACCOUNTING & SIMULATOR PLUG-IN

ACCOUNTING & SIMULATOR PLUG-IN

Track your Account Profits/Losses with Ease

Introduction:

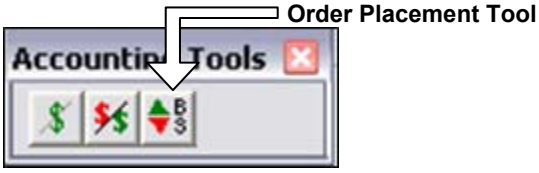
The Accounting & Simulator Plug-In enables you to place orders, deposits, and withdrawals using the historical and/or current data. Traders will find this Plug-In very helpful in getting to know the markets and testing different trading strategies. This Plug-in also allows you to play charts forward and backward using VCR style buttons, which is called simulation.

Requirements:
In order to place futures orders or simulate trading using Track ‘n Trade Pro, you will need to purchase the Accounting and Simulator Plug-In. Call us at 1-800-862-7193 to reach the sales department and order the plug-in today!

Placing a Futures Order
Once you have opened a chart using the Commodity Tab, you are ready to place an order. There are two ways in which an order can be placed in Track 'n Trade Pro:

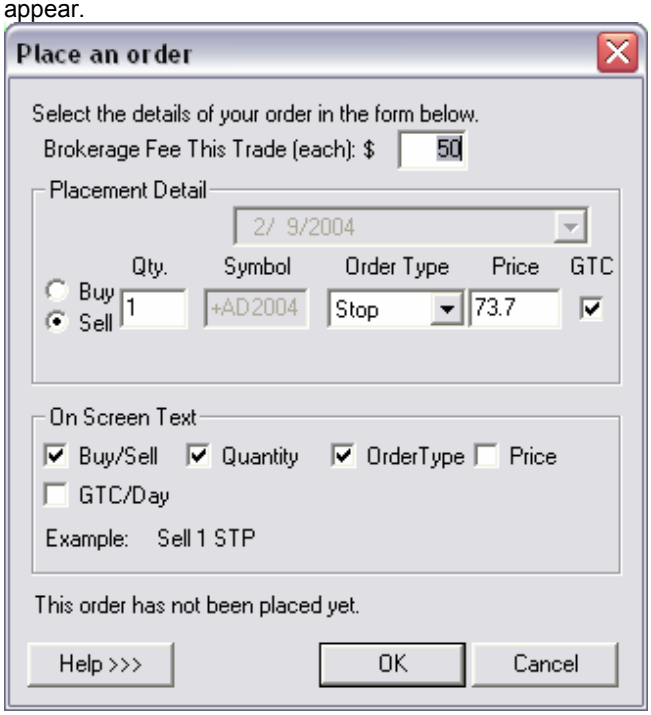
1. Order Placement Tool.
2. Order button in My Account Window.

This section will step you through placing orders both ways.



To Place an Order using the Accounting Toolbar:

1. Click on the **Order Placement Tool** on the Toolbox.
2. Click and drag your order on the chart until you find your order point, then release the mouse button. The following window will appear.

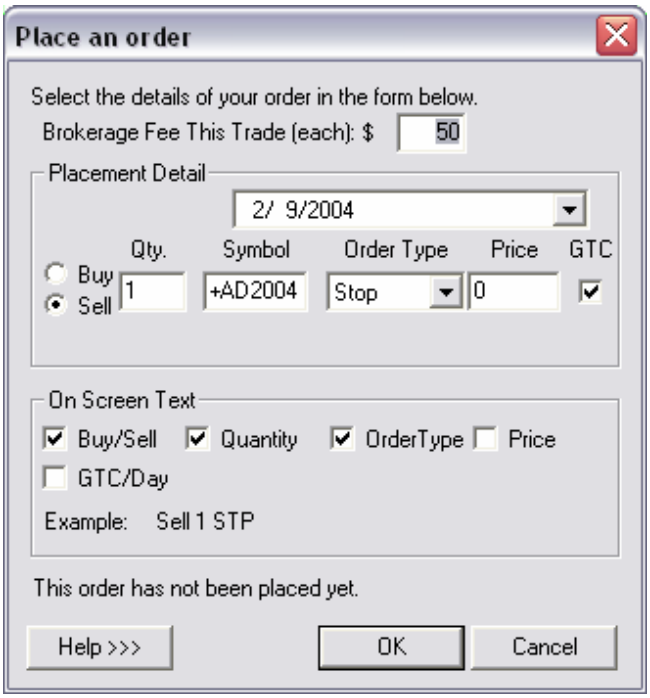


3. Fill out the information in the order placement window.
   a. In this window, you can specify the brokerage fee (per side), date order placed, buy or sell, quantity of contracts, symbol of contact, order type and change the price on the order. Also, Help options are available to give instructions on the different types of orders.
   b. When you place an order using the Accounting Toolbar the screen above will be pre filled with default settings. You will not be able to change the date or the symbol.
4. Click on OK to place the order and Cancel to dismiss order screen.

To Place an order using the Accounting Tab:

1. Click on the Order button in My Account Window:

2. Release the mouse button and the order placement dialogue box will open:



3. Fill out the information in the order placement window.
    a. In this window, you can specify the brokerage fee (per side), date order placed, buy or sell, quantity of contracts, symbol of contact, order type and change the price on the order.
    b. When you place an order using the Accounting Tab the screen above will not be pre filled and you can change the date and symbol.
5. Click on *OK* to place the order and *Cancel* to dismiss order screen.

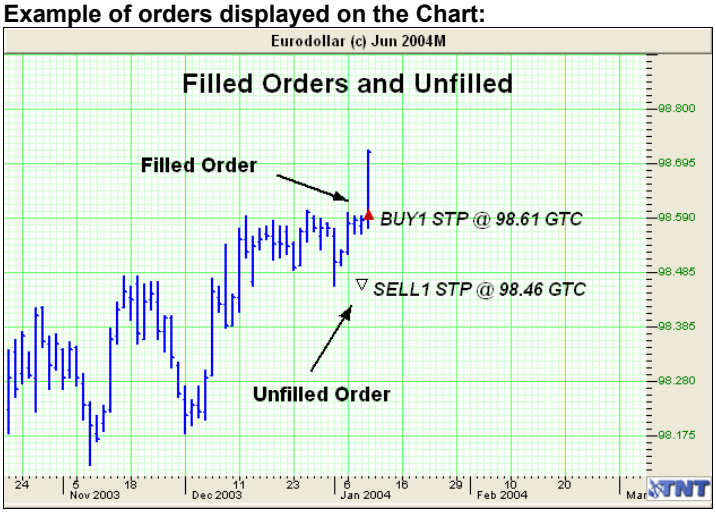
To Edit an Unfilled Order:

1. To edit an order on a chart, right click on the order and select Settings to view the order placement window.
2. To edit an order in My Accounts Window, right click on the order and select Settings to view the order placement window.

A Filled Order:

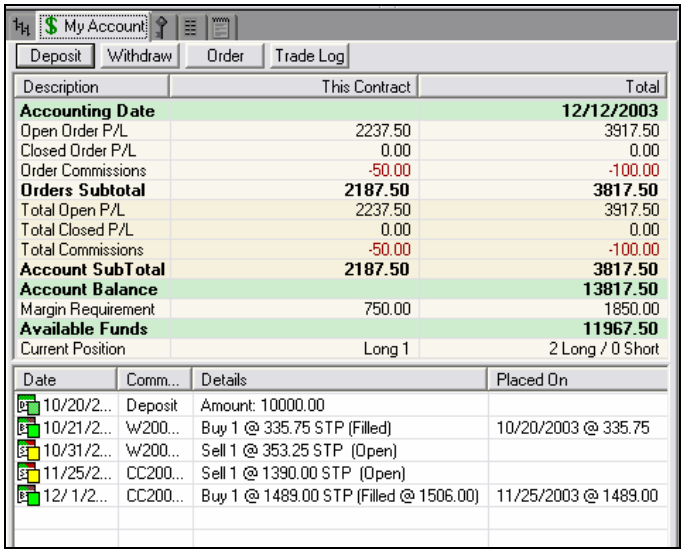
When you order is filled, the triangle will fill in red on the chart (see chart below). In My Account Window, the icon will fill green and an F will appear after the icon. See My Account Window for more details.

Example of orders displayed on the Chart:



My Account

From the My Account Window, user's can place orders, make deposits and withdrawals. This window also has overall totals for the trading account and for the current contract that you have open in the Chart Window.



Description	This Contract	Total
Accounting Date		**12/12/2003**
Open Order P/L	2237.50	3917.50
Closed Order P/L	0.00	0.00
Order Commissions	-50.00	-100.00
Orders Subtotal	**2187.50**	**3817.50**
Total Open P/L	2237.50	3917.50
Total Closed P/L	0.00	0.00
Total Commissions	-50.00	-100.00
Account SubTotal	**2187.50**	**3817.50**
Account Balance		**13817.50**
Margin Requirement	750.00	1850.00
Available Funds		**11967.50**
Current Position	Long 1	2 Long / 0 Short

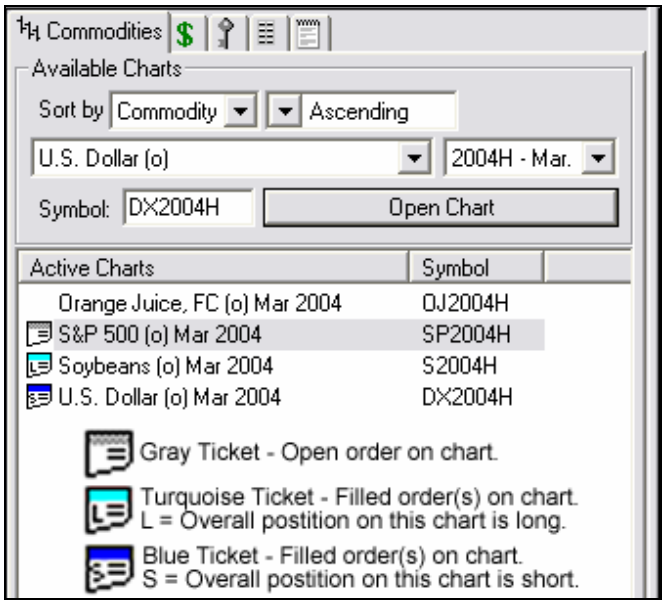
Date	Comm...	Details	Placed On
10/20/2...	Deposit	Amount: 10000.00	
10/21/2...	W200...	Buy 1 @ 335.75 STP (Filled)	10/20/2003 @ 335.75
10/31/2...	W200...	Sell 1 @ 353.25 STP (Open)	
11/25/2...	CC200...	Sell 1 @ 1390.00 STP (Open)	
12/ 1/2...	CC200...	Buy 1 @ 1489.00 STP (Filled @ 1506.00)	11/25/2003 @ 1489.00

Accounting Date: Date that the current chart is played to.
Open Order P/L: Profit/Loss on trades that are open.
Closed Order P/L: Profit /Loss on completed trades.
Order Commissions: Total commissions paid.
Account Balance: All closed Profit /Loss, Commissions, Withdrawals, and Deposits
Margins: Requirements in placing & maintaining an order.
Current Position: Market position (not in market, long, or short)

Color Codes:
Green Filled
Yellow Placed
Red Placed, but in the future.
Faded Order exists, but was deleted from the chart.
Gray The chart that this order was placed on was deleted from the Chartbook.

Letter Codes:
W – Withdrawal **D** – Deposit **B** – Buy **S** – Sell

Orders are also noted on the commodity tab. The following symbols represent the different orders placed.



Each order is listed on the *My Account* tab by Date, Commodity, Details, and Placed On.

To modify an Order:
Right-click the entry and select *Settings* from the menu.

To Cancel or Delete an Order:
Right-click on the order listed in *My Account* and click on *Delete* from the menu.

Note: If you delete an order from a chart in the Chart Window, this simply hides the order; orders need to be deleted in the My Account window. Also, if you delete a chart in the Commodities Window, any orders placed on that chart will not be deleted from your book.

To Hide/Show an order on a Chart:
Right -click on the order listed in *My Account* and select Hide/Show from the menu.

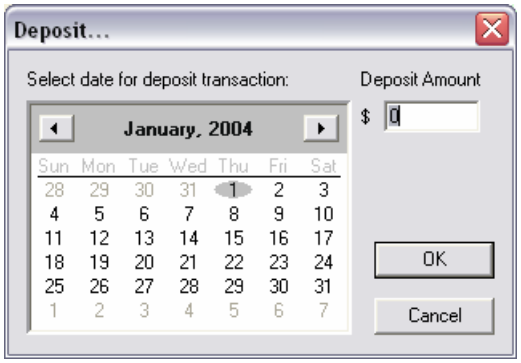
Note: If you would like to hide/show all orders use the Hide All/Show All from the menu.

Deposits and Withdrawals

Track 'n Trade Pro's Accounting systems allows entering deposits and making a withdrawals in your trading account as well as placing orders.

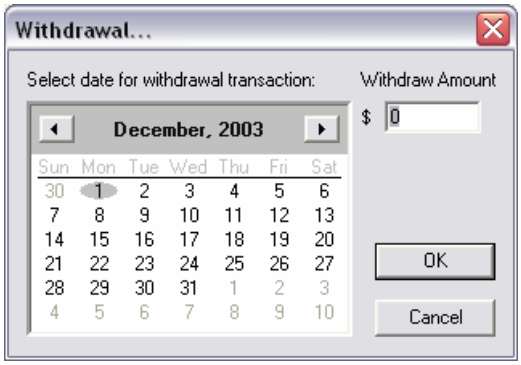
To Place a Deposit:

1. Click on the Deposit button in My Account Window. This will bring up the Deposit window. See below
2. Next select the day of the deposit and the amount.
3. Click OK to enter deposit.
4. Click Cancel to dismiss Deposit Window.



To Make a Withdrawal:

1. Click on the Withdrawal button in My Account Window. This will bring up the Withdrawal window. (see below)
2. Next select the day of the withdrawal and the amount.
3. Click OK to enter withdrawal.
4. Click Cancel to dismiss Withdrawal Window.



Deleting Deposits/Withdrawals:
Right-click on the deposit or withdrawal and select *Delete* from the menu to remove.

Editing a Deposit/Withdrawal:
Right-click on the deposit or withdrawal and select *Settings*, you can change the date, amount or order type.

Trade Log

The Accounting and Simulator Plug-In also includes a trade log that tracks the changes that you make to orders in a Chartbook. This trade log will list new orders placed, orders cancelled as well as any order that you have moved.

To generate the trade log, click on the Trade Log button on the Accounting Tab. Next, select the date range for the trade log from the drop down menus. This will give you the changes in the orders placed within that date range. You also can filter the trade log by All Charts or by one of the contracts being traded. You can print and/or save this trade log by clicking on the corresponding button in the upper left corner.

Simulation

The ability to play charts forward and backward, using the Play Controls, gives you the ability to go back in time and simulate the trading experience using historical data.

Icon	Action
	Lock Charts to Date. This option will “lock” all the charts to the date displayed on the current chart .
	Red – Play to End: Never. This option will open saved charts at the last date viewed before they were saved and new charts with no data displayed.
	Yellow – Play to End: New Charts. This option will leave the data in saved charts at the date that they were last displayed before saved and play any new charts to end of the data available for that contract. This setting is the factory default setting.
	Play to End: All Charts. This option will display all available data on both saved and new chart that are selected.

Play Buttons:

Icon	Action
	Go to First Day in Chart
	Back One Month
	Back One Day
	Reverse Fast
	Play Backward (one day at a time)
	Stop
	Play Forward (one day at a time)

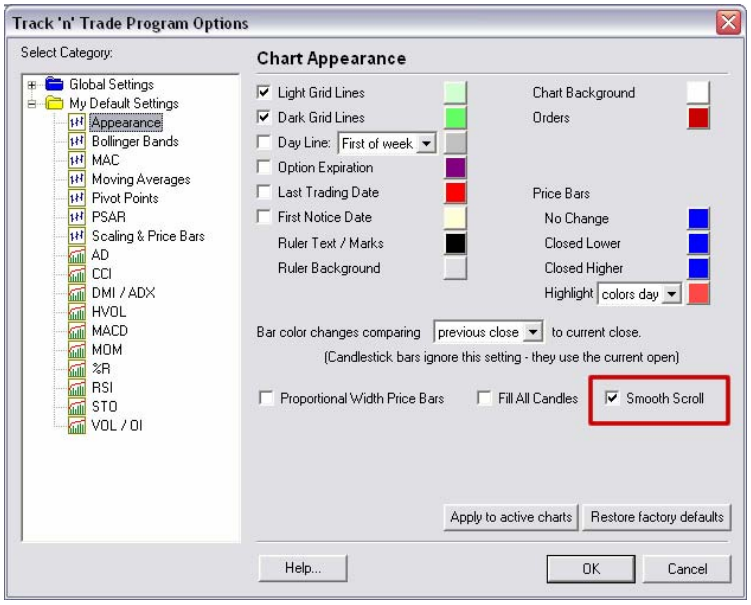
	Fast Forward
	Forward One day
	Forward One Month
	Go to the Last Day in the Contract

Chart Option Buttons

Icon	Action
	Center Chart with in Chart Window
	Daily Chart
	Weekly Long-Term Chart
	Monthly Long-Term Chart

Smooth Scroll:

The Smooth Scroll option changes the way that the chart “plays” when coming to the right edge of the chart window. The default is for this feature to be selected. This option is located on the **Appearance** tab in the Program Options.



Smooth Scroll Selected: As the data nears the right edge of the Chart Window, the chart will shift to the left one price bar displaying the new price bar. This continues in a smooth motion from the right to left.

Smooth Scroll Not Selected: As the data nears the right edge of the Chart Window, the chart will shift to the left so that the last price bar is centered and then continues playing data until approaching the right edge again, causing the process to recur.

TRACK 'N TRADE® PRO
VERSION 4.0

Accumulating Wealth One Tic at a Time! ®

OPTIONS PLUG-IN

OPTIONS PLUG-IN

Implementing Options Strategies in Your Trading

Introduction:

The Track 'n Trade Pro Options Plug-in gives you the ability to place put/call orders on the futures chart, calculate profit/loss on an option or on an option strategy, calculate the "Greeks", plus two indicators that display the option as under or over valued.

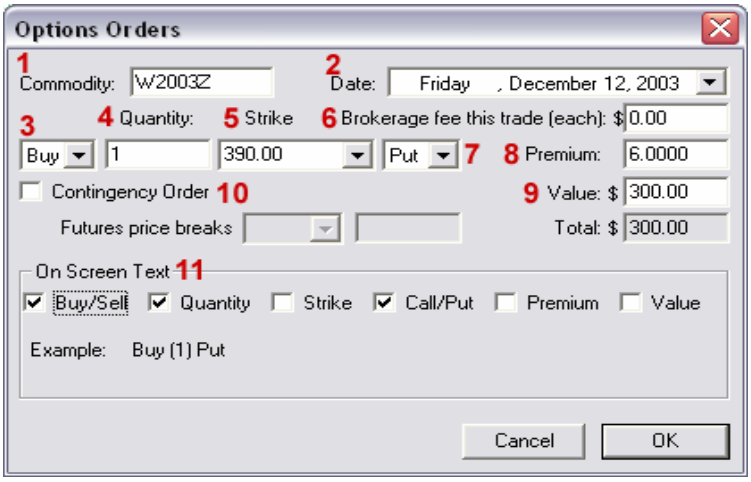
Options Requirements:
In order to place options orders or use any of the options tools, you will need to also own the Accounting & Simulator Plug-in. See the Accounting & Simulator Plug-in Chapter for more information.

Call us at 1-800-862-7193 to reach the sales department and order the plug-in today!

Placing an Options Put/Call Order:
Option orders can be placed by selecting the Options Put or Options Call order tools in the Accounting Toolbar or in the OS Calculator.

Call Order **Put Order**

1. Select either the Call or Put Accounting Tool.
2. Click onto the futures chart and hold down the mouse button.
3. When you drag the order tool along the futures chart, you will notice that the cursor skips from striker price to strike price. When you have reached the desired strike price release the mouse and the Options Order Window will open.



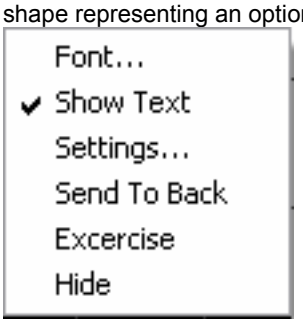
The Options Orders window allows you to specify:

1. *Commodity:* This is the commodity Symbol for the chart. (Value pre-filled when placing on chart)
2. *Date:* This is the date of the futures chart that the option is placed on (Value pre-filled when placing on chart)
3. *BUY* or *SELL*: Click on the dropdown menu to change.
4. *Quantity:* Default 1, Highlight and change to increase the number of Options to purchase.
5. *Strike Price*: Value of the Strike Price (Value pre-filled when placing on chart)
6. *Brokerage Fee:* This value is based on “per side fee” highlight and change value. Default is $0.00.
7. *CALL* or *PUT*: Choose the order type from the dropdown menu. (Value pre-filled with type of option order tool chosen)
8. *Premium*: Point value for the strike price.
9. *Value*: The Dollar amount of the Premium
10. *Contingency Order*: If this box is check then the option order is executed based on a specific Futures price.
11. *On Screen Text*: This section controls the text that is displayed on the chart window next to the order. Click on *OK* to place the order or *Cancel* to exit.

The second way of entering Options orders is through the **OS Calculator**. Click on Place orders when you complete your options strategy in the OS Calculator. See the OS Calculator section for more information.

Changing Properties of an Options Order

To change the properties of an order, right click on the diamond shape representing an options order on the chart window.



Font: Changes the Font, Size, Style, and Color of the 1-5 and ABC points.

Show Text: Select to view or hide the 1-5 and ABC points.

Settings: Select to view the Options Order window.

Send to Back: Changes the layer of the tool. This option is used when more than one tool is in the same area of the chart. Click on *Send to Back* when you need to access a tool under the Elliot Wave Drawing.

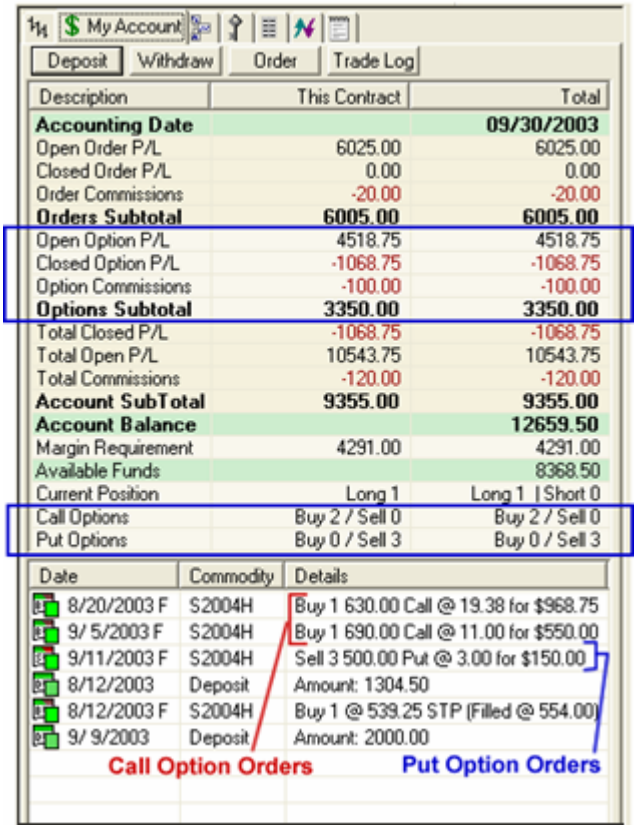
Exercise: Select on a Put or Call Buy order to "exercise the option". This will place a futures order for the underlying contract.

Hide: Select/Unselect this option to hide or view the order on the chart window. Once you have hidden the order you can right-click on the order listed in the My Account Tab and toggle the Hide option to show the order on the chart again.

Options Accounting

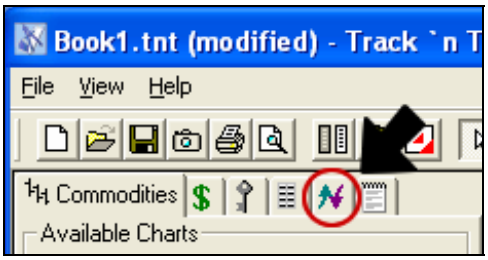
When you purchase the Options Plug-in you add on an Options section to the “My Account” tab as well. Plus the Options orders that are placed are listed in the My Account window.

Below are the sections added to the Accounting Tab when you purchase the Options Plug-in



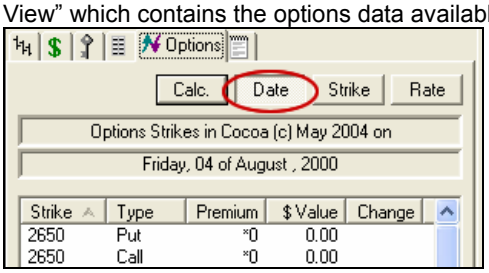
Options Tab:

The Options Tab is located in the Control Panel after the Data Tab. It looks like a green up and purple down arrow. Once you click on this tab, it will expand and display "Options". See the screenshot below for further clarification:



Viewing Options Data:

When you first click on the Options Data Tab it defaults to the "Date View" which contains the options data available.



Instructions:

1. Open the corresponding futures chart in the Commodity Tab for the options pricing that you are interested in viewing.
2. After opening the futures chart, you will notice that the Options Tab is now populated with values, included in this tab:
   a. *Strike:* The price at which the futures contract underlying an option is to be bought or sold upon exercise.
   b. *Type:* Type of options order – Put or Call.
   c. *Premium:* Value (in points) to purchase the Option.
   d. *$Value:* Dollar amount for the Premium value.
   e. *Change:* The difference between yesterday and today's strike.
   f. *Diff:* Dollar amount for the Change.
   g. *IVOL:* Implied Volatility of the underlying futures contract.
   h. *Delta:* Measures how much the options price changes when the underlying futures contract changes by one point.

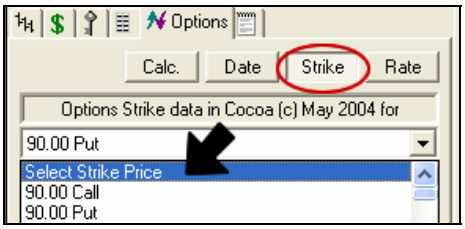
i. *Gamma:* Measures how much the delta changes when the underlying futures contract changes by one point.
j. *Theta:* Measures time decay of an option.
k. *Vega:* Measures how a change in volatility affects the price of an option when all other factors remain the same.
l. *Rho:* Measures how a change in a short-tem risk free interest rate affects the price of an Option.

*If you DO NOT have a contract open, the only item available in Options Tab is the Interest Rate History.

Viewing the Strike Price History:

The Options Tab defaults to the "Date View", which shows a list of all strike prices available for that day.
To see the history for a particular strike price:

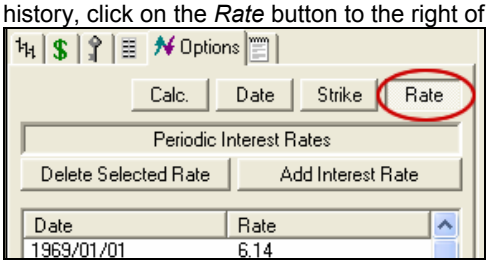
1. Click on the *Strike* button and a dropdown box will appear below the buttons.



2. Click on the dropdown box to choose the specific Put/Call Strike price.
3. Once this value is selected, the history for that price is generated.

Interest Rate History:

The Options Tab defaults to the Date View, which shows a list of all strike prices available for that day. To view the Interest Rates history, click on the *Rate* button to the right of the *Strike* button.

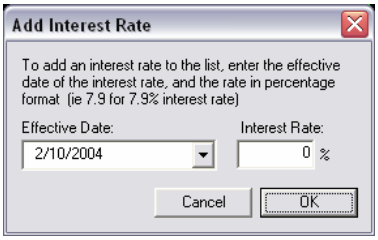


The historical interest rate data consists of the monthly average interest rate of the three month Treasury Bill secondary market rates. Interest rates are used by the Black Scholes (More information is available in the Black & Scholes description at the end of this section.) options formulas to determine the theoretical options price.

Note: Because most futures contracts expire in under a year, we have not noticed the interest rate to make a large difference on the dollar value of an options price.

Adding an Interest Rate:
Interest rates are updated by Gecko Software, Inc. on a regular basis however, if you would like to add a new interest rate follow these instructions:

1. Click on the *Add Interest Rate* button and the "Add Interest Rate" Window will open.
2. Chose the date for the effective date dropdown menu, then type the new interest rate in the input box.
3. Click on *Ok* to save or *Cancel* to exit from this window.



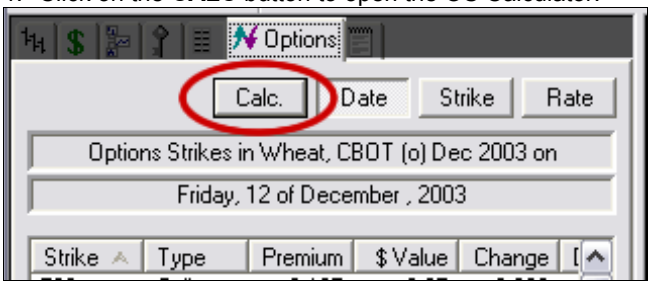
Deleting an Existing Interest Rate:

1. Click on and select the interest rate that you would like to delete.
2. Click on the *Delete Interest Rate* button.
3. A window will open asking you to verify that you would like to delete this interest rate. Click on *YES* to continue and *NO* to cancel.

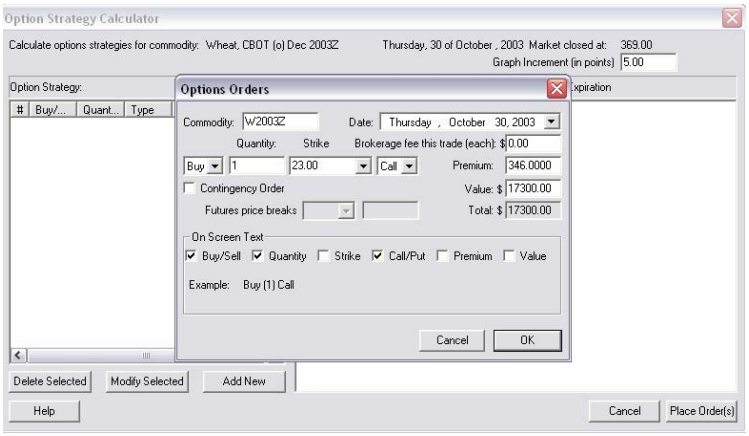
OS Calculator

The OS Calculator Determines Profit/Loss on an Option or Option Strategy:

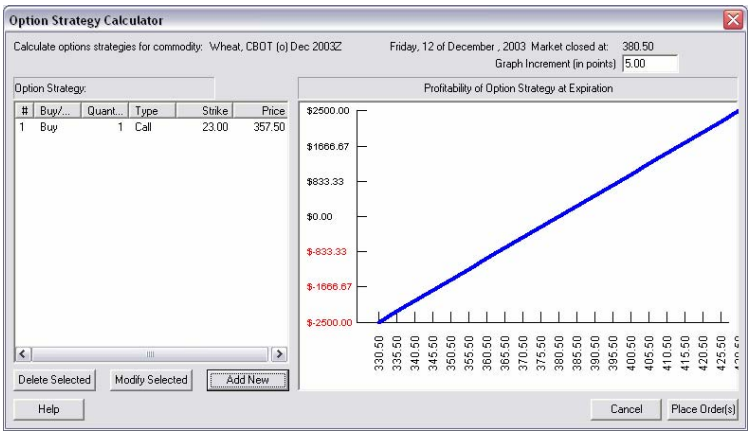
1. Click on the **CALC** button to open the OS Calculator.



2. Click on the **Add New** button to add an option order to the calculator. This will open the Option Order window.



3. Specify the details of the options order and then click on **OK** to add the order to the calculator. For more information on this window see “Placing an Options Put/Call Order”.
4. The options order details have now been added to your option strategy list on the left side of the OS Calculator and the Profitability Graph of the Option Expiration is available on the right side. See the screenshot on the next page.

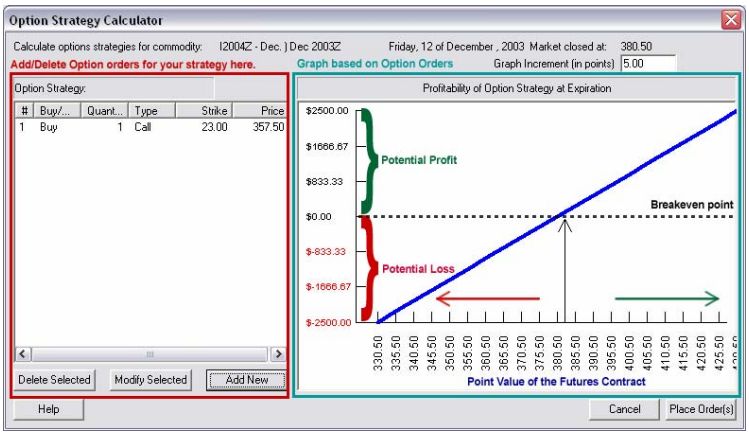


To modify orders click on to select the order and then click on the Modify Selected button.

To delete orders from the calculator, click on the order and then click on the Delete Selected button.

To place the orders from the calculator on the underlying futures chart, click on the Place Orders Button or click Cancel to exit the Options Strategy Calculator.

The Profitability of Option Strategy at Expiration:
The OS Calculator enables you to enter an Option Strategy to see the potential profit/loss of that strategy/order. See diagram below with the details of the OS Calculator.



OSV & STRK Options Indicators

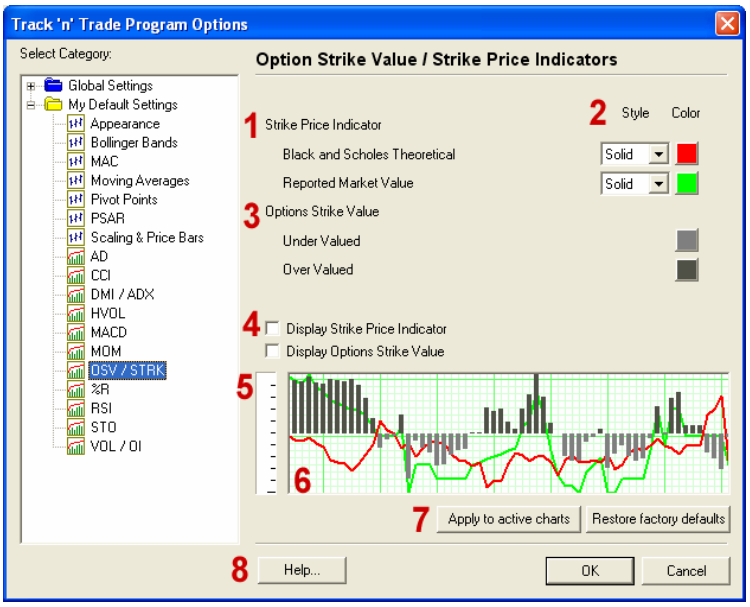
Determining if your Option is *Over* or *Under Valued*?
The Options Plug-in contains two indicators used to determine if an option is over or under valued. The indicators available are Options Strike Value and Strike Price.

Selecting the OSV or STRK Indicator: To view the Options Indicators you may choose to display them from in three separate locations:

1. **The Indicator Button Bar:** To select the OSV or STRK Indicators, click on the corresponding button on the Indicator bar. You may also change the put/call strike that the indicator is based on from the Indicator Bar. See screenshot below:

2. **The Right-Click Indicator Window Menu:** Simply right-click inside the Indicator Window to view the menu. Highlight and then left-click to select the indicator. You will notice that the selected indicator is shown with a check mark below:

3. OSV/STKE Section under the My Defaults or My Chart Settings in Program Options.

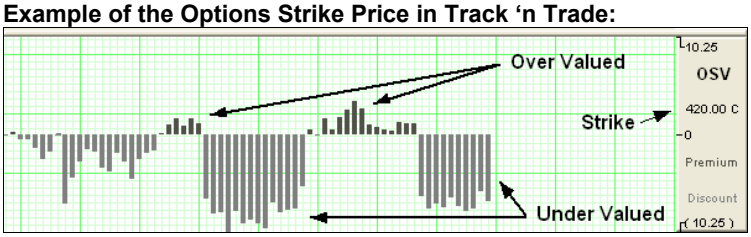


1. **Strike Price Indicator:** The lines that make up the OSV indicator are the Black and Scholes Theoretical and the Reported Market Value
2. **Style and Color:** To change the line style, click on the drop down menu and choose from solid, dashed, or dotted lines. To change the color of the line, click on the corresponding color box and choose a new color from the Color Palette.
3. **Options Strike Value:** This indicator is a histogram style chart measuring Under and Over Valued Options.
4. To Display the **Strike Price Indicator** or the **Options Strike Value,** select the check box in front of the indicator.
5. **Ruler Bar** – See page 247 for full instructions
6. **Preview Window:** This Window allows you to make changes and preview them before saving them.
7. To apply the changes you made to all open chart (listed in your Active Charts list) click on the **Apply to active charts** button. To restore the software defaults to the Options Indicators, click on the **Restore Factory Defaults** button**.**
8. **Help:** Information from the Manual has been integrated into the software. When clicking on the Help button, you will get specific documentation based on the location of the button.

The Option Strike Price Indicator (OSV)

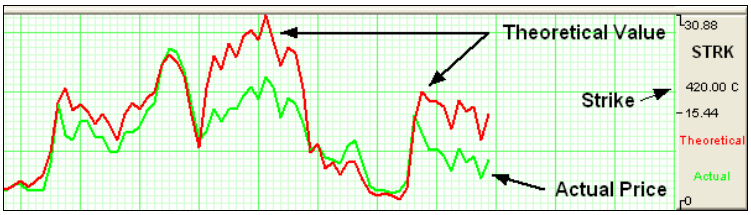
This indicator displays the theoretical option values vs. the actual option price value for a specific put/call strike price. By looking at these two lines you are able to determine if the option price is under or over priced. Take a look at the example below:

Example of the Options Strike Price in Track 'n Trade:



The Strike Price Indicator (STRK)

This Indicator also displays the theoretical option prices vs. actual option prices however; this indicator displays them as a histogram. The positive values represent over valued and the negative values represent under valued options. See the example below:



Black and Scholes Calculations

Modern option pricing techniques are often considered among the most mathematically complex of all applied areas of finance. Financial analysis has reached the point to where we are now able to calculate, with alarming accuracy, the fair market value of a financial option.

Gecko Software employs the calculations developed in 1973 by Fischer Black and Myron Scholes. This model is known as the "Black and Scholes Options Pricing Model."

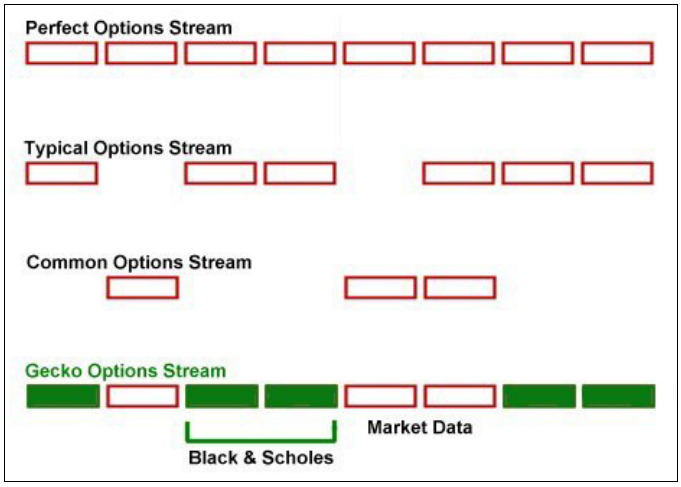
The Black and Scholes pricing model uses a sophisticated mathematical formula to calculate the theoretical value of an option using variables such as; market open, high, low, close values, interest rates, volatility calculations and other such information to give us these all important values.

Track 'n Trade Pro puts to use these unique abilities in several different ways. First and foremost, Track 'n Trade Pro is a trading simulation software application where you are able to go back in time nearly 30 years and "practice" trading forward, one day at a time. In essence we are giving a trader 30 years of simulated trading experience in a matter of hours, days, or possibly weeks. We allow the trader to use actual historical futures market OHLC (Open, High, Low, Close) data to simulate trading the commodities market. In that regard, it would be nearly impossible for us to assemble a complete set of 30 years of historical options data which would allow users this same historical data training privilege. Also, due to the massive amount of data this would require and given today's limits of computer speeds, hard drives, and storage capacity, trying to provide this type of data history to a typical user would simply put this capability out of reach for the common trader.

This is where the Black and Scholes pricing model comes into play. Our skilled computer scientists at Gecko Software have created a way for us to use the data generated by the Black & Scholes data formula to recreate “on the fly” historical options data as needed by the user. This way a trader using our software can recall acutely accurate “simulated” options data from 30 years ago without actually having hundreds of megabytes of options data history stored on their computer. The trader can then simulate trading the financial options market with unparalleled accuracy. This unparalleled capability allows new traders the ability to learn and practice basic trading strategies that can then be taken to the actual markets. It also allows experienced traders the ability to create and back test advanced simulated trading models and systems.

Another way in which Gecko Software computer scientists have implemented the Black & Scholes formulas to help our traders is with two very unique indicators which sit below a chart of the underlying financial asset. As the Black and Scholes formula dictates what the actual “theoretical” value of an option should be on any given day, Track ‘n Trade will plot the “actual” value of the option along side the Black & Scholes model, creating an overvalued or undervalued indicator, letting our users know, from a simple graphical representation, if the current price of an option is inline with market sentiment and trading at a premium or a discount.

One stumbling block that Gecko Software engineers had to overcome when creating our options trade simulator was that options data is often times very spotty and full of holes, and due to the enormous amount of data generated by the options exchanges there is very little done to try and repair these holes or bad data ticks. When options trade, they begin a data stream where they generate an open, high, low and close for each day’s trading range, but some options, which are usually further out of the money, don’t trade every single day, which causes gaps or holes in the data stream. One way or another, these gaps or holes are either filled, or just left blank. Often times, these gaps are filled by data vendors who simply pull yesterdays values forward to today, often times doing this for weeks on end which only serves to create a very inaccurate and unreliable value stream, a stream of data that would be difficult to use in any kind of simulated trading environment or to provide much real-market value.



Just like the genetic scientists did in the classic movie Jurassic Park, where they filled the gaps in the dinosaurs DNA strand with frog DNA which allowed them to recreate or clone a dinosaur; our computer scientists here at Gecko Software fill the gaps in the live options market data stream with Black & Scholes “theoretical” prices, giving a more accurate representation of the actual options value, which in turn allows our users the ability to have a more complete and highly accurate representation of what actual market data would have been on any given day.

To differentiate the fictitious theoretical data within the data stream, we tag it with a trailing asterisk (*) so our users will know when they are looking at actual market data reported by the exchange, or a theoretical value inserted into a gap by the Black & Scholes model. In keeping with the classic movie Jurassic Park, the process that creates and inserts the theoretical data into the actual data stream is code named “Frog Data.”

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SEASONALS PLUG-IN

SEASONALS PLUG-IN

Using Seasonal Trends to Improve Your Trading

Introduction

The seasonal markets consist of the commodities that began the futures industry. Wheat was the first commodity traded as a futures contact on the futures market. Commodities like Crude, Corn, Gold, Cattle, etc. have been around longer than financial commodities. Because they have been around longer, the seasonal commodities have more historical data. Being able to analyze that historical data gives you an advantage when you are trading a seasonal commodity.

The Seasonal Plug-In consists of three separate indicators:

- **Seasonal Trends**
- **Historical Averages**
- **Market Probability**

Seasonal Trends

The seasonal trend indicator represents the “normal” historical behavior of the market. The indicator is calculated on the specific contract month, showing you behavior of that specific chart. This is very important in agricultural markets with new and old crop contracts; such as wheat or corn.

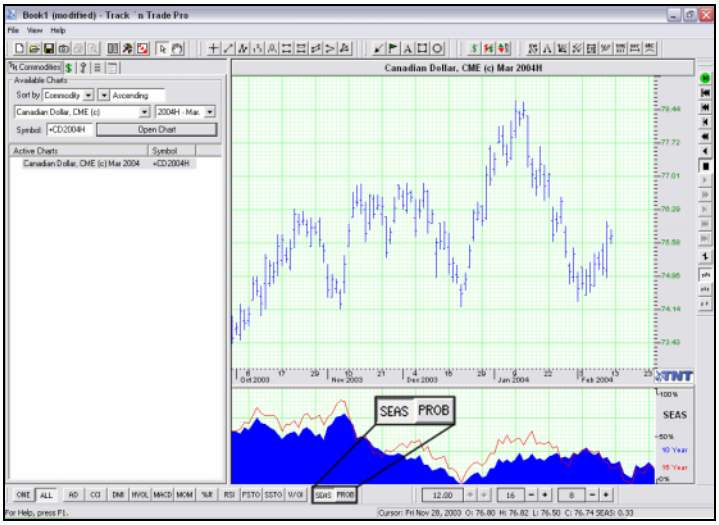
The charts depict behavior on a relative basis, meaning the actual prices are not forecasted, just the relative position of the market versus its contract high and low. On the seasonal charts, the high is depicted as 1.0, or 100%, while the low is depicted as 0.0 or 0%. All similar trading days are lined up for X number of years (the default in Track ‘n Trade Pro are 10 years for Trend 1, and 15 years for Trend 2) and are analyzed in terms of where each day falls as a percentage of the highest and lowest price of either the last 12 months or the life of the contract for each specific contract. These prices are then averaged and the average is depicted in the indicator window. When the trend line is at 100% or 1.0, it indicates where the contract has on average been at its highest value for specified time range and scale period.

Interpretation:

When the trend line is at 0% or 0.0, it indicates where the contract has on average been at its lowest value for the specified time range and scale period. The averages use data from all previous years and are not affected by the current year's trend.

Displaying the Seasonal Trend Indicator:

Once you have your settings the way you would like them in the Program Options window, you can display the Market Probability indicator anytime you wish. Just click on the SEAS button located in your indicators menu bar (shown below).



Historical Averages

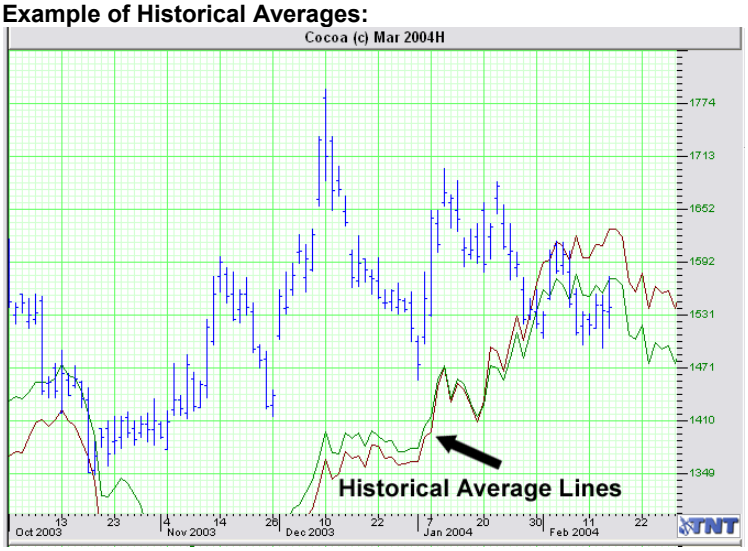
The Historical Average indicator is very similar to a moving average indicator, except that it is based on the average price of the specific contract lined up by date. The charts are made for specific contract months, so that the trader can see the behavior of the specific contract they are looking at. This detail is important in a market with new and old crop contracts, such as the agricultural commodities.

Unlike the seasonal average prices, the Historic Average lines depicted in this feature are based on price, not a relative basis. In essence, what this feature does is give you the average price on a specific day. This chart will have the same basic feel and theme as the seasonal chart, except instead of prices being scaled on a relative basis (0 to 100%) they are the average historical price for that day.

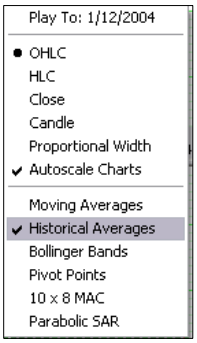
This feature also may help traders divine value in a commodity, in that with a quick look not only can the trader see how current prices line versus average prices historically, but they can also see seasonal trends. By simply checking the Historical Average check box within the Seasonals tab, displays the average line in the main

chart window. You may also change the number of years, the color, and line style in which the indicator is displayed. The weighted box can be selected to provide more significance to the latter years than the earlier years. The un-weighted is a simple average, giving equal significance to each year included in the study.

Example of Historical Averages:



Displaying the Historical Average Indicator:



To display the Historical Average on your chart simply right click on the chart window and select Historical Averages from the menu.

To unselect, use the same process; right click and select Historical Averages.

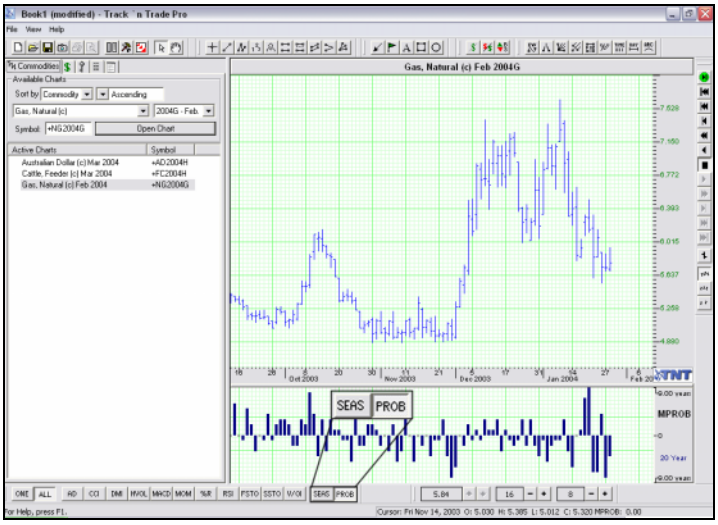
Market Probability

The historic Market Probability indicator shows the cumulative number of times the market in question has settled higher, lower, or the same on a specific date compared to the previous trading day's settlement price.

For example, if you are looking at a five year market probability indicator with a reading of +1, then the market in question may have historically settled higher three times and lower two times on this trading day than the previous trading day, or settled higher twice, lower once, and the same twice. The +1 reading is derived by subtracting the number of negative settlements from positive settlements, resulting in a net number of positive (+) or (-) settles. In other words the +1 reading in these examples would be indicative of a market which has settled higher one more time than it has settled lower. If the market settled at the same price as the previous day, the total is not changed.

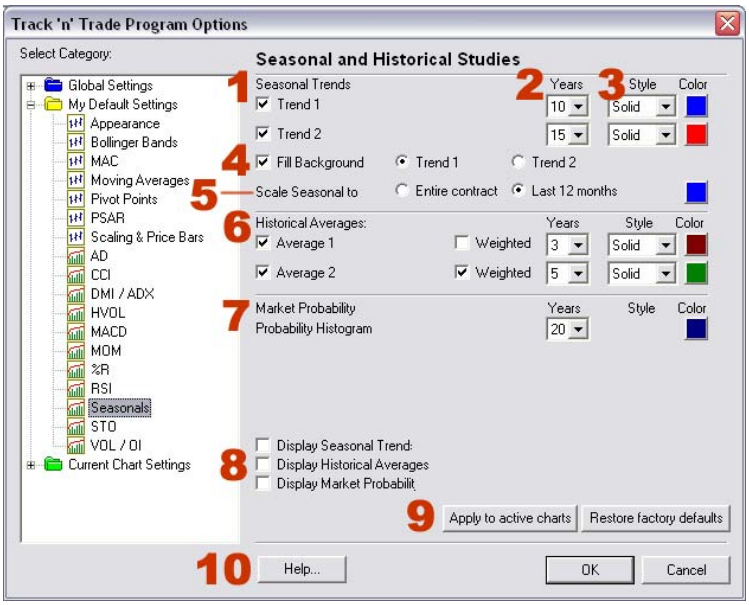
Displaying the Market Probability Indicator

Click on the PROB button located in your indicators menu bar (shown below).



Customizing Seasonal Indicators

To customize your seasonal indicators pull up your Program Options Screen by clicking on this button  your main Toolbar. Click on the My Default Settings to make changes to the default options on the Seasonal Indicators. Click on the Current Chart Settings to make changes to the currently open chart only. In each of these sections, you can click on the Seasonal section.



Seasonals Program Options

1. Seasonal Trends: The **Trend 1** and **Trend 2** boxes determine if either or both of the Seasonal Trend lines are active.
2. To change the number of **years** the trend is based on select the number from the drop down menu.
3. **Style & Color:** Trend lines can be displayed as a solid, dashed, or dotted line. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is the color box, click on this box to open a panel and change the line color.
4. **Fill Background:** If you would like to fill the area from the Trend line selected to the bottom of the indicator window check this option and then choose the trend line to apply it to.
5. **Scale Seasonal To:** This setting will base the scaling on the highest point in the entire contract or the last 12 months and the lowest point on the option selected.

6. **Historical Averages:** This section changes the properties for calculating the average lines for the Historical Averages Indicator on the Chart Window.
7. **Market Probability:** This section changes how the Market Probability indicator is displayed in the Indicator window properties.
8. **Displaying the Indicators:** Click on the check box in front of the indicator that you would like to display.
9. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
10. **Help:** When you click on this button, a pdf file will open showing the printed manual. If you do not have Adobe Acrobat Reader on your computer, visit: http://www.adobe.com

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SPREADS PLUG-IN

SPREADS PLUG-IN

Expand your Trading Options

Introduction

The futures markets provide a variety of trading opportunities. In addition to profiting from rising prices by purchasing futures options or from falling prices by selling futures contracts, there is an opportunity to profit from the relationship between different contracts, or SPREAD. A Spread refers to the simultaneous purchase and sale of two or more different futures contracts.

When establishing - or "putting on" - a spread, a trader looks at the price differential of the spread rather than the absolute contract price levels. The contract that is viewed as "cheap" is purchased - or a long position is established. The contract that is viewed as "expensive" - or "dear" - is sold - or a short position is established. If market prices move as expected, meaning the long position gains in value relative to the short position, the trader profits from the change in the relationship between the prices.

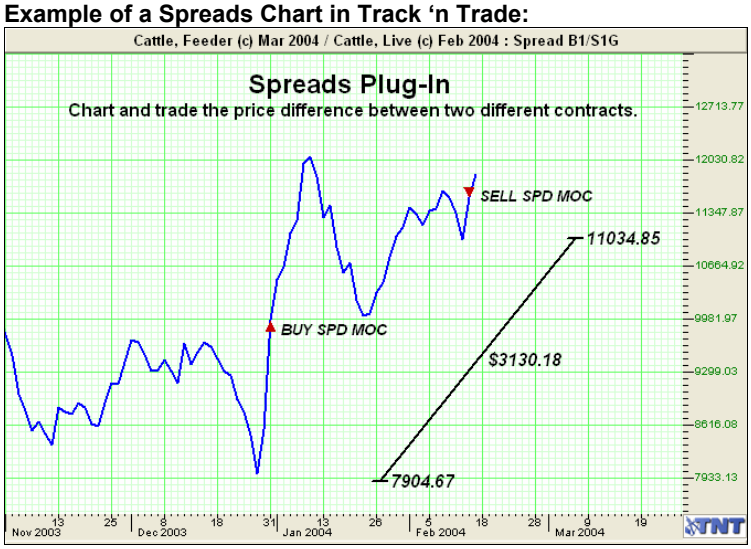
Remember, the concern for a spread trader is the change in the relationship between contract he or she is long and the one that he/she is short, not the absolute price level of the commodity in question.

Of course, just because you are trading a spread does not guarantee or eliminate losses. If the long contract decreases in value RELATIVE to the short position, then the spread trader will incur losses.

The key to spread trading is in the relative performance of one futures contract to another. Though some spreads have a basic market bias, known as bull and bear spreads, the absolute price level of the underlying commodity contracts is not important, only the relative performance of one contract versus the other. In other words, a spread trade is a speculation that one contract will out perform another contract.

Available online: Introduction Video to the Spreads Plug-in. Visit us at: http://www.trackntrade.com/tour.htm and select the Spreads video. To view this video you will need a copy of Microsoft's Media Player.

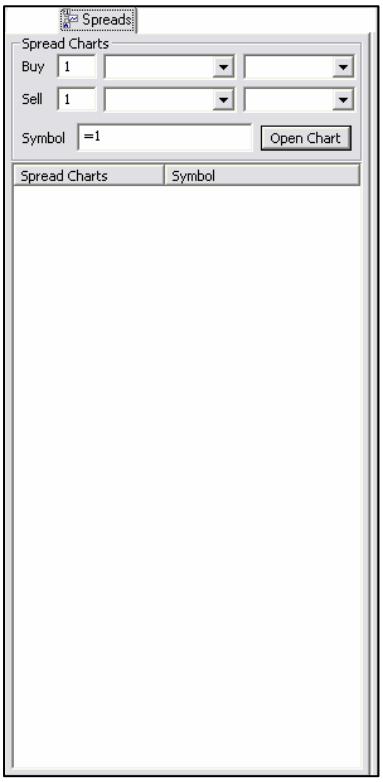
Example of a Spreads Chart in Track 'n Trade:



The Spreads Plug-In includes:

- Spreads Tab in the Control Panel
- Margins Section in the Program Options

Opening a Spreads Chart:

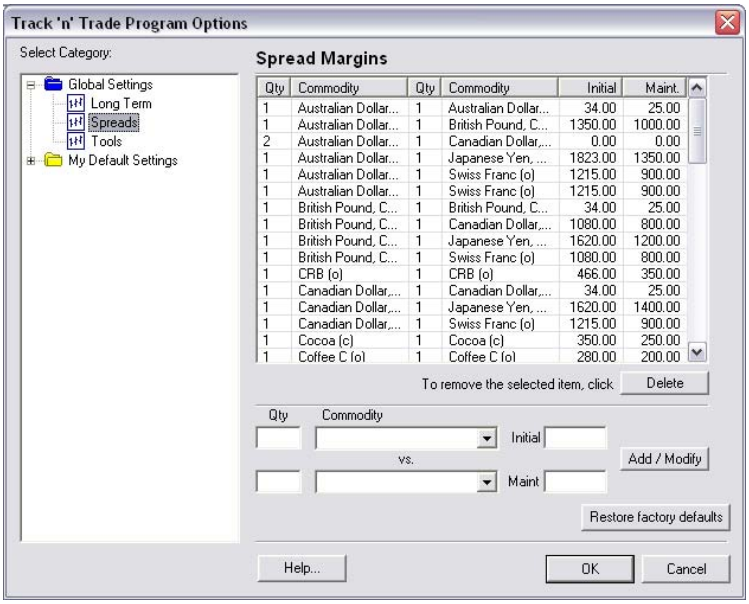


Step One: Select the Spreads tab in the Control Panel.
Step Two: Select the two futures contracts from the drop down menu that you would like to use in generating a spread chart.
Step Three: When you have made your selections, click the Open Chart button and the Spread chart will be displayed.

The Spread will be listed in the Spread Chart list and the individual contracts will be listed in the Commodity Tab. These Spreads that you open will be part of your Chartbook when you save and close it.

Spread Margins:

In the Program Options panel, under Global Settings you are able to modify spread margin requirements.



To modify a margin: Click on the margin in the list, make changes to the margins, and then select the **Add/Modify** button.

To add a new margin: Select the commodities for the spread and then type in the values for the Initial and Maintenance amounts and then click the **Add/Modify** button.

Restore factory defaults: To restore the margins to software defaults click on the **Restore factory defaults** button

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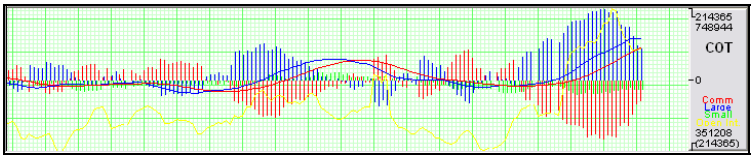
COMMITMENT OF TRADERS PLUG-IN

COMMITMENT OF TRADERS PLUG-IN

Know what the Industries are trading



In this graph, you will notice the red bars, which indicate that the commercials are all selling, going short while the trend of the market is going up; that is what this COT graph is representing. (The Commercials are using the futures market to "hedge" either the cash market, or their current inventory, that's why they are going short or selling during an uptrend.)

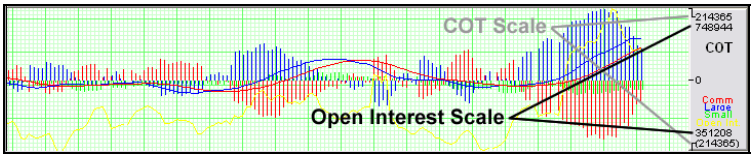
You'll also notice that the blue lines, which are representative of the large speculators, do follow the trend of the market more closely, and that's because they are speculators, not hedgers, that's why when the market goes up, the large speculators go long, or buy the market in an attempt to capture profits from buying low and selling high. But, the commercials, or hedgers go short. Again, in an attempt to price protect their cash crop or inventory.

You'll notice that the small green bars represent the small speculators. What you generally find is that the large speculators and the professional traders will use the small speculators as a contrarian indicator, if the small speculators are all buying the market, (lines extend above the zero line.), then they begin to sell, if they say sell, then they consider being a buyer. (This is not always true, the small speculator is not always contrary to the general market direction, but unfortunately for the small speculator, it is more true than not.)

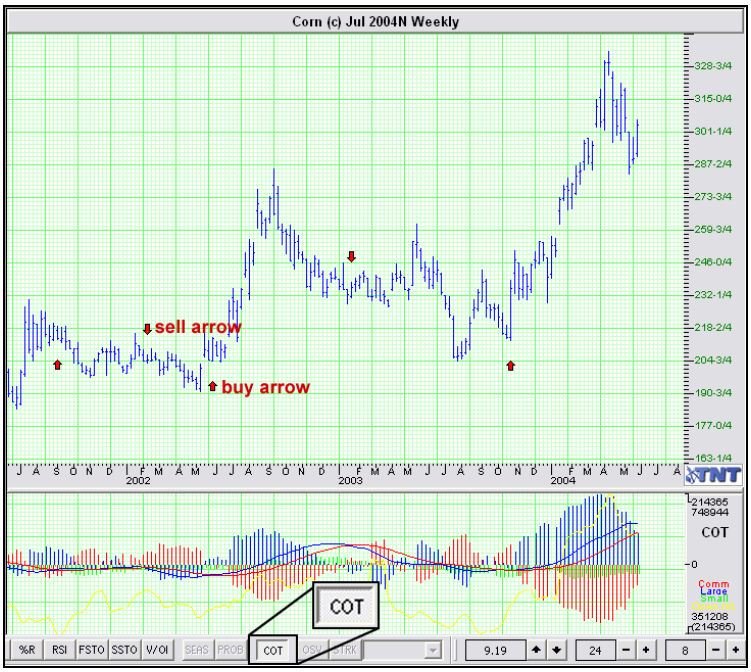
The best thing about COT, is that it is not based on the market's price whatsoever. The JBCOT (Jake Bernstein proprietary buy/sell indicator.) does not even take the markets price into account. This is strictly an indicator that looks at what the largest industry players are doing, and then simply points out their actions.
The COT reports provide a breakdown of each Tuesday's open interest for markets in which 20 or more traders hold positions equal to or above the reporting levels established by the CFTC.

The weekly reports for Futures-Only Commitments of Traders and for Futures-and-Options-Combined Commitments of Traders are released every Friday at 3:30 p.m. Eastern time.

Commitment of Traders Key
The outer most numbers are the range of the largest of the three commitment of traders (Commercial, Large, and small). The inner numbers are the range of the Open interest of all of the commitment of traders (shown below).



Displaying the Commitment of Traders Indicator
Click on the COT button located in your indicators menu bar (shown below).



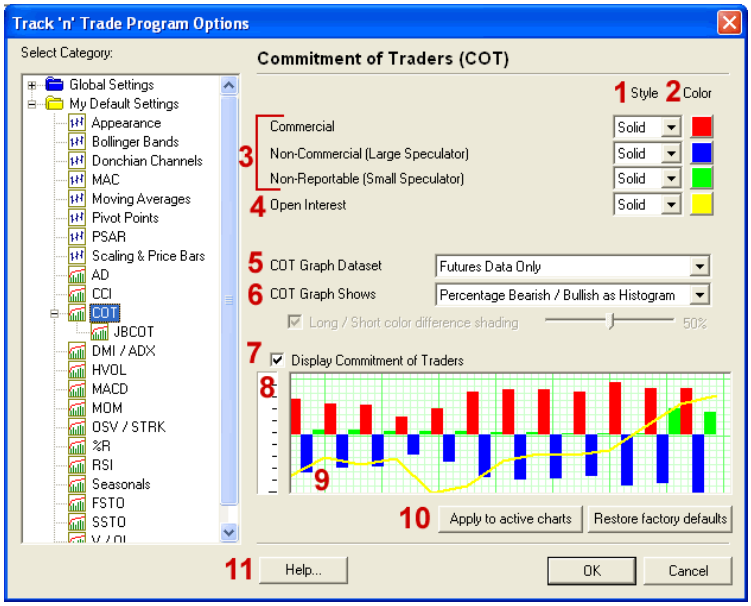
Methods of Displaying the COT Indicator

1) Bearish/Bullish – This type of chart displays as the COT as bearish or bullish postion. It is calculated by taking the number of Long positions minus the number of Short positions. If it is positive, then more trades are long, if it is negative more trades are short, if it is zero then it is equal.

2) Total Position – This type of chart displays the COT values as a stacked column. The long position number on top and the short position number on bottom.

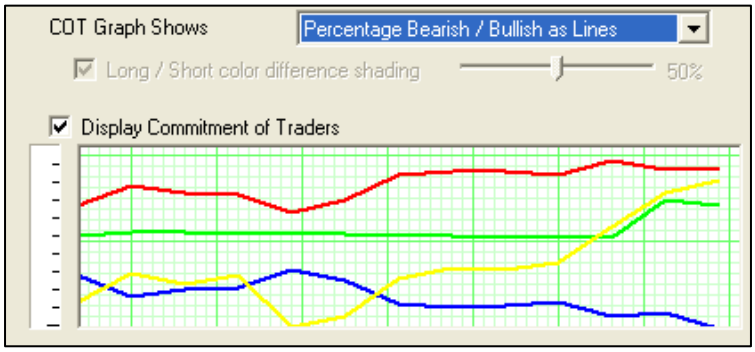
Customizing Commitment of Traders Indicator

To customize your Commitment of Traders indicator pull up your Program Options Screen by clicking on this button on your main Toolbar. Click on the My Default Settings to make changes to the default options on the COT Indicator. Click on the Current Chart Settings to make changes to the currently open chart only. In each of these sections, you can click on the COT section.

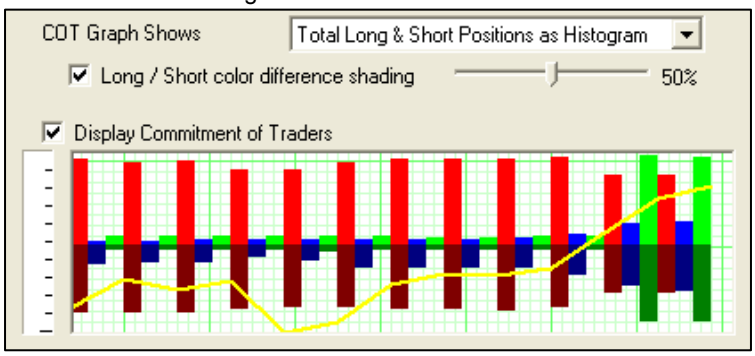


COT Program Options

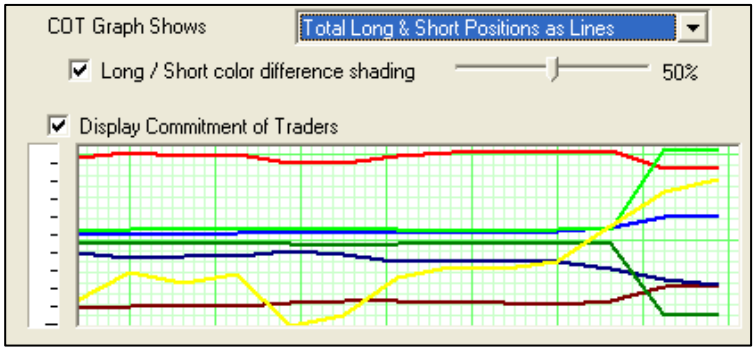
1. Period: To specify the number of weeks used in calculating the JBCOT Buy/Sell Indicator, simply highlight the current number and type in a new value.
2. Style & Color: Trend lines can be displayed as a solid, dotted, or none line. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is the color box, click on this box to open a panel and change the line color.
3. The three Commitment of traders: Commercial, Non-Commercial(Large), and Non-Reportable(Small).
4. Open Interest: The total number of futures or futures and options contracts of a given commodity for all three Commitment of traders.
5. COT Graph Dataset: You can have the data be either the Futures Only data or the Futures and Options combined data.
6. COT Graph Shows: This setting will graph the COT either as a Histogram or a Line.
    a. As shown in screen shot on previous page, the first option in the drop down menu is the COT Indicator displayed as Bullish/Bearish histogram.
    b. As shown below the second option in the drop down menu displays the COT Indicator as a Bullish/Bearish line.



c. As shown below the third option in the drop down menu displays the COT Indicator as a Total Position Histogram. To change the color of short positions, use the slider bar labeled “Long/Short color difference shading”.



d. As shown below the forth option in the drop down menu displays the COT Indicator as a Total Position line. To change the color of short position, use the slider bar labeled “Long/Short color difference shading”.

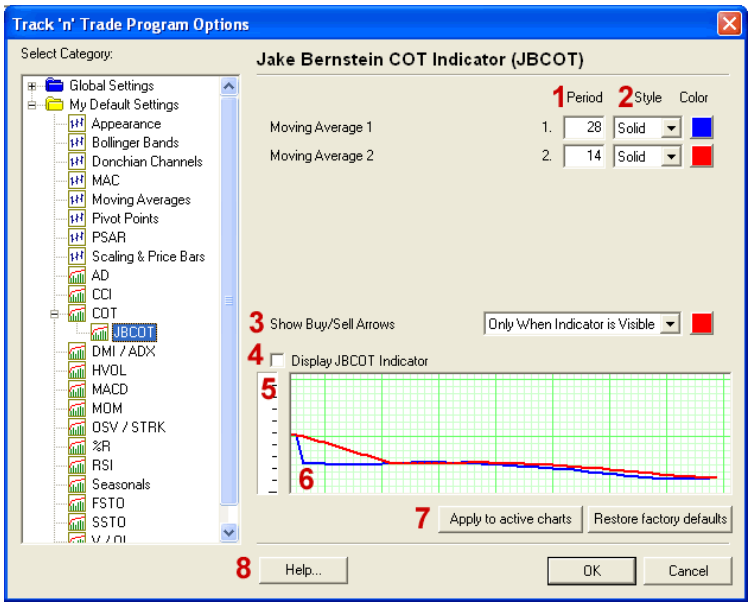


7. To display the indicator in the chart window, click the check box.
8. **Ruler Bar –** See the Ruler Bar at the end of this section.
9. **Preview Window:** This Window allows you to make changes and preview them before saving them.
10. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
11. **Help:** Information from the Manual has been integrated into the software. When clicking on the *Help* button and you will get

specific documentation based on the location of the button. You may also press F1 on your keyboard.

Customizing JBCOT Indicator

To customize your JBCOT indicator pull up your Program Options Screen by clicking on this button on your main Toolbar. Click on the My Default Settings to make changes to the default options on the JBCOT Indicator. Click on the Current Chart Settings to make changes to the currently open chart only. In each of these sections, you can click on the JBCOT section.



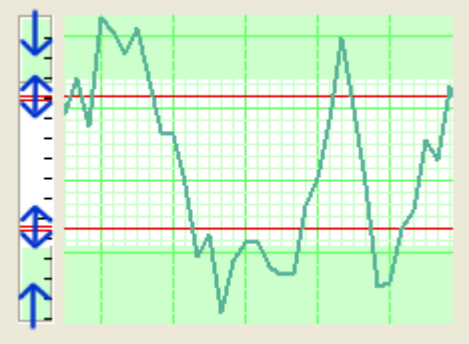
1. Period: To specify the number of weeks used in calculating the JBCOT Buy/Sell Indicator, simply highlight the current number and type in a new value.
2. Style & Color: Trend lines can be displayed as a solid, dotted, or none line. Click on the drop down menu to specify the type of line style desired. Next to the drop down menu is the color box, click on this box to open a panel and change the line color.

3. The drop-down menu for Show Buy/Sell Arrows allows you to select either *Always Show Arrows* or *Only When Indicator is Visible* to view the buy/sell signals or *Never Show Arrows* to never see the JBCOT arrows.
4. To display the indicator in the chart window, click the check box.
5. **Ruler Bar -** See the Ruler Bar at the end of this section.
6. **Preview Window:** This Window allows you to make changes and preview them before saving them.
7. Click on **Apply to active charts** if you would like to see your selecting settings on all the charts you have open. Click on **Restore Factory Defaults** if you would like to restore original software settings.
8. **Help**: Information from the Manual has been integrated into the software. When clicking on the Help button and you will get specific documentation based on the location of the button. You may also press F1 on your keyboard.

Ruler Bar

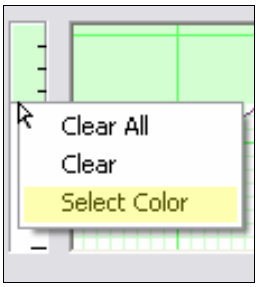
The Ruler Bar inside the Program Options windows for the indicators that are displayed in the Indicator window, allows user's to create highlighted regions or horizontal lines within the indicator window.

To create a highlighted region: Click at either end of the Ruler bar and drag either up or down to the end point of the region.
To place a line: Click in side the ruler bar and drag the line to the desired point.



To change the color of the highlighted region: You must right-click on either the bottom edge (if it is on the top of the indicator

window) or the top edge (if it is on the bottom of the indicator window). Next choose the “Select Color” option from the right-click menu. The Color Palette will open, choose a color and click on OK.



You may also ***Clear*** the item that you right-clicked on or ***Clear All*** items in the Indicator window by selecting these items from the right-click menu.

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CANDLESTICK CHARTING

CANDLESTICK CHARTING

An Introduction to Japanese Candlestick Charting By Erik Gebhard

Introduction…a New Way to Look at Prices

Would you like to learn about a commodity price chart that is possibly more effective than the type you are probably currently using? If so, keep reading. If you are brand new to the art/science of chart reading, don't worry, this stuff is really quite simple to learn.

Technical Analysis…a Brief Background

Technical analysis is simply the study of prices as reflected on price charts. Technical analysis assumes that current prices should represent all known information about the markets. Prices not only reflect intrinsic facts, they also represent human emotion and the pervasive mass psychology and mood of the moment. Prices are, in the end, a function of supply and demand. However, on a moment to moment basis, human emotions…fear, greed, panic, hysteria, elation, etc. also dramatically effect prices. Markets may move based upon people's expectations, not necessarily facts. A market "technician" attempts to disregard the emotional component of trading by making his decisions based upon chart formations, assuming that prices reflect both facts and emotion.

Standard bar charts are commonly used to convey price activity into an easily readable chart. Usually four elements make up a bar chart, the Open, High, Low, and Close for the trading session/time period. A price bar can represent any time frame the user wishes, from 1 minute to 1 month. The total vertical length/height of the bar represents the entire trading range for the period. The top of the bar represents the highest price of the period, and the bottom of the bar represents the lowest price of the period. The Open is represented by a small dash to the left of the bar, and the Close for the session is a small dash to the right of the bar.

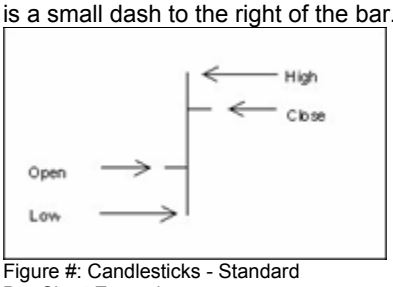


Figure #: Candlesticks - Standard Bar Chart Example

Candlestick Charts Explained

You may be asking yourself, "If I can already use bar charts to view prices, then why do I need another type of chart?"

The answer to this question may not seem obvious, but after going through the following candlestick chart explanations and examples, you will surely see value in the different perspective candlesticks bring to the table. In my opinion, they are much more visually appealing, and convey the price information in a quicker, easier manner.

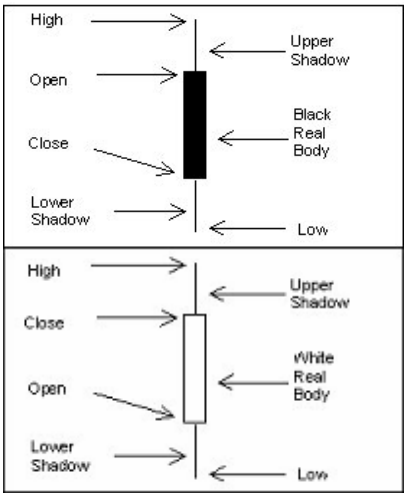
What is the History of Candlestick Charts?

Candlestick charts are on record as being the oldest type of charts used for price prediction. They date back to the 1700's, when they were used for predicting rice prices. In fact, during this era in Japan, Munehisa Homma become a legendary rice trader and gained a huge fortune using candlestick analysis. He is said to have executed over 100 consecutive winning trades!

The candlesticks themselves and the formations they shape were give colorful names by the Japanese traders. Due in part to the military environment of the Japanese feudal system during this era, candlestick formations developed names such as "counter attack lines" and the "advancing three soldiers". Just as skill, strategy, and psychology are important in battle, so too are they important elements when in the midst of trading battle.

What do Candlesticks Look Like?

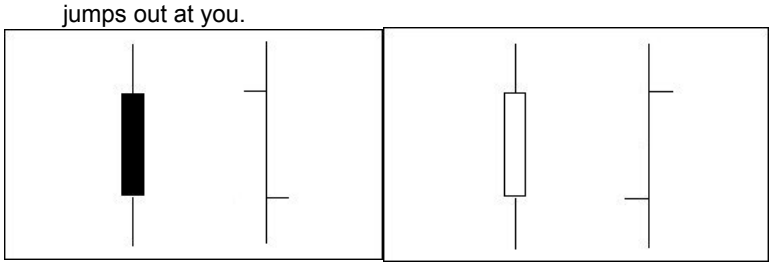
Candlestick charts are much more visually appealing than a standard two-dimensional bar chart. As in a standard bar chart, there are four elements necessary to construct a candlestick chart, the OPEN, HIGH, LOW and CLOSING price for a given time period. Examples of candlesticks and a definition for each candlestick component are located below.



- The body of the candlestick is called the real body, and represents the range between the open and closing prices.
- A black or filled-in body represents that the close during that time period was lower than the open, (normally considered bearish) and when the body is open or white, that means the close was higher than the open (normally bullish).
- The thin vertical line above and/or below the real body is called the upper/lower shadow, representing the high/low price extremes for the period.

Bar Compared to Candlestick Charts

Below is an example of the same price data conveyed in a standard bar chart and a candlestick chart. Notice how the candlestick chart appears 3-dimensional, as price data almost jumps out at you.



(3a) (3b)

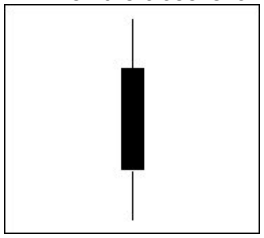
The long, dark, filled-in real bodies represent a weak (bearish) close (3a), while a long open, light-colored real body represents a

strong (bullish) close (3b). It is important to note that Japanese candlestick analysts traditionally
view the open and closing prices as the most critical of the day. At a glance, notice how much easier it is with candlesticks to determine if the closing price was higher or lower than the opening price.

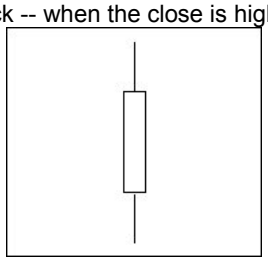
Common Candlestick Terminology

The following is a list of some individual candlestick terms. It is important to realize that many formations occur within the context of prior candlesticks. What follows is merely a definition of terms, not formations.

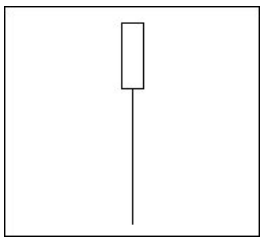
The Black Candlestick -- when the close is lower than the open.



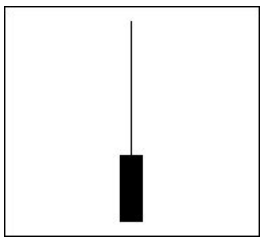
The White Candlestick -- when the close is higher than the open.



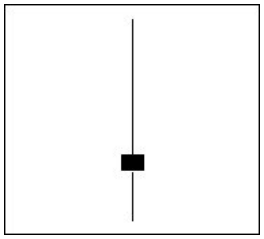
The Shaven Head -- a candlestick with no upper shadow.



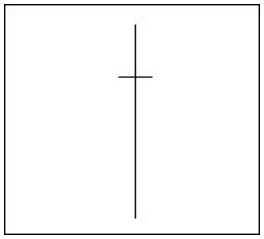
The Shaven Bottom -- a candlestick with no lower shadow.



Spinning Tops -- candlesticks with small real bodies, and when appearing within a sideways choppy market, they represent equilibrium between the bulls and the bears. They can be either white or black.



Doji Lines -- have no real body, but instead have a horizontal line. This represents when the Open and Close are the same or very close. The length of the shadow can vary.

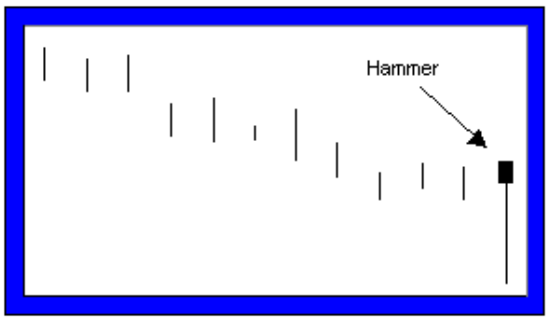


Candlestick Reversal Patterns

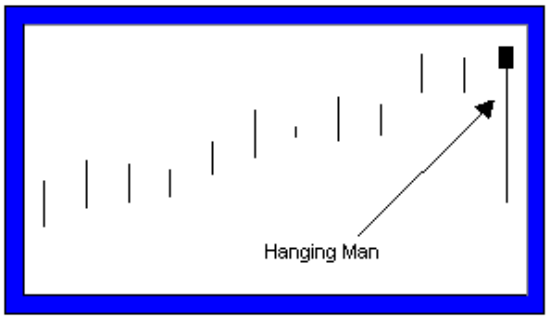
Just as many traders look to bar charts for double tops and bottoms, head-and-shoulders, and technical indicators for reversal signals, so too can candlestick formations be looked upon for the same purpose. A reversal does not always mean that the current uptrend/downtrend will reverse direction, but merely that the current direction may end. The market may then decide to drift sideways. Candlestick reversal patterns must be viewed within the context of prior activity to be effective. In fact, identical candlesticks may have

different meanings depending on where they occur within the context of prior trends and formations.

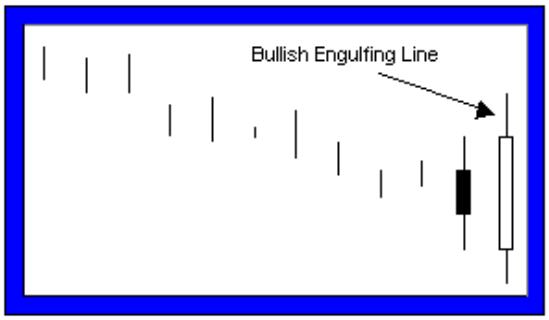
Hammer: a candlestick with a long lower shadow and small real body. The shadow should be at least twice the length of the real body, and there should be no or very little upper shadow. The body may be either black or white, but the key is that this candlestick must occur within the context of a downtrend to be considered a hammer. The market may be "hammering" out a bottom.



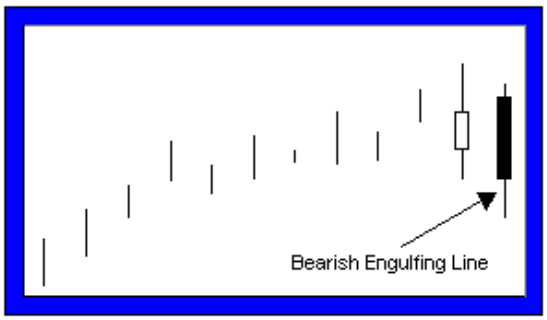
Hanging Man -- identical in appearance to the hammer, but appears within the context of an uptrend.



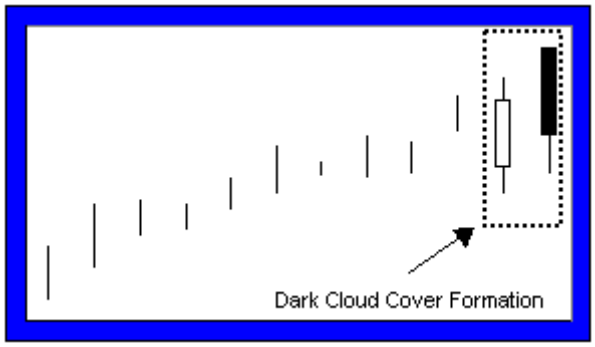
Engulfing Patterns -- Bullish -- when a white, real body totally covers, "engulfs" the prior day's real body. The market should be in a definable trend, not chopping around sideways. The shadows of the prior candlestick do not need to be engulfed.



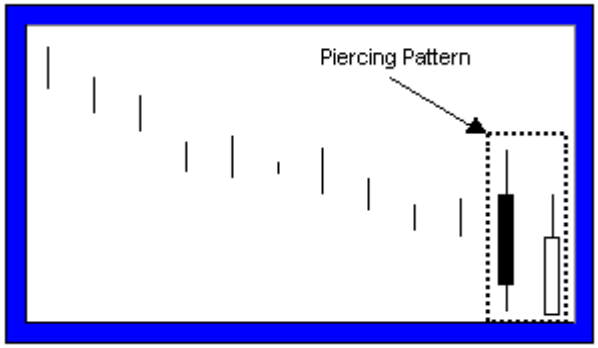
Bearish -- when a black, real body totally covers, "engulfs" the prior day's real body. The market should be in a definable trend, not chopping around sideways. The shadows of the prior candlestick do not need to be engulfed.

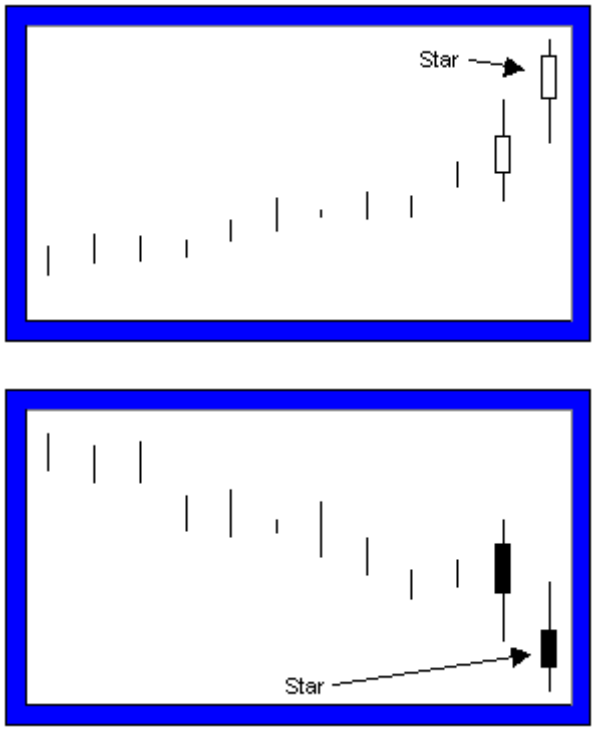


Dark-Cloud Cover (bearish)-- a top reversal formation where the first day of the pattern consists of a strong white, real body. The second day's price opens above the top of the upper shadow of the prior candlestick, but the close is at or near the low of the day, and well into the prior white, real body.



Piercing Pattern (bullish) -- opposite of the dark-cloud cover. Occurs within a downtrend. The first candlestick having a black, real body, and the second has a long, white, real body. The white day opens sharply lower, under the low of the prior black day. Then, prices close above the 50% point of the prior day's black real body.

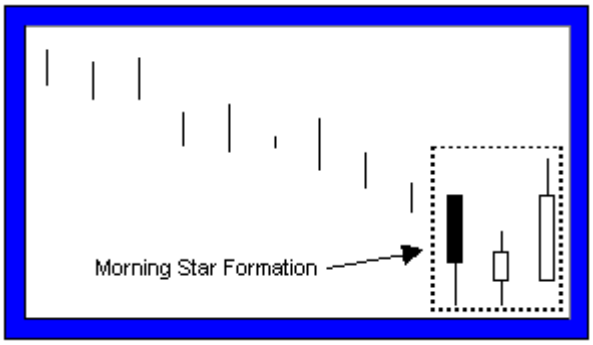




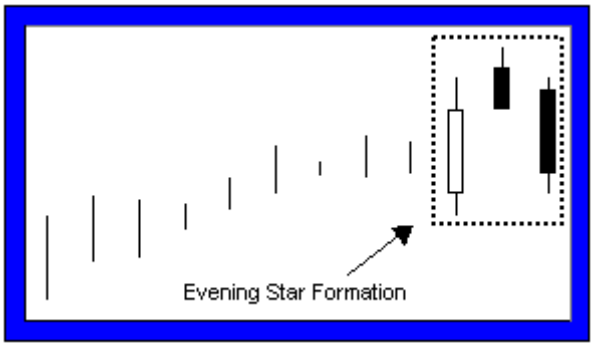
These candlestick formations consist of a small real body that gaps away from the real body preceding it. The real body of the star should not overlap the prior real body. The color of the star is not too important, and they can occur at either tops or bottoms. Stars are the equivalent of gaps on standard bar charts.

Stars make up part of four separate reversal patterns:
- Morning Star
- Evening Star
- Doji Star
- Shooting Star (Inverted Hammer)

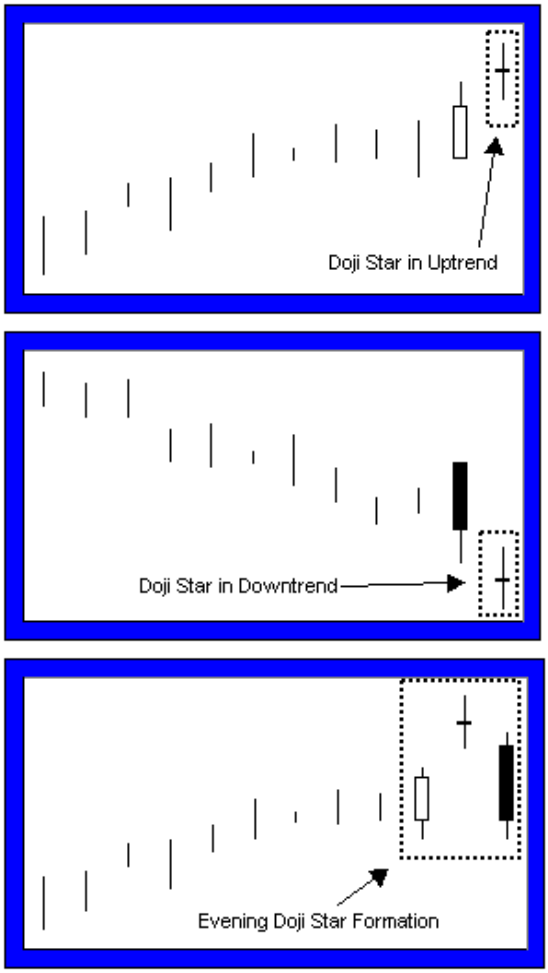
Morning Star-- this is a bullish bottom reversal pattern. The formation is comprised of 3 candlesticks. The first candlestick is a tall black real body followed by the second, a small real body, which gaps (opens), lower (a star pattern). The third candlestick is a white real body that moves well into the first period's black real body. This is similar to an island pattern on standard bar charts.



Evening Star --- a bearish top reversal pattern and counterpart to the Morning Star. Three candlesticks compose the evening star, the first being long and white. The second forms a star, followed by the third, which has a black real body that moves sharply into the first white candlestick.

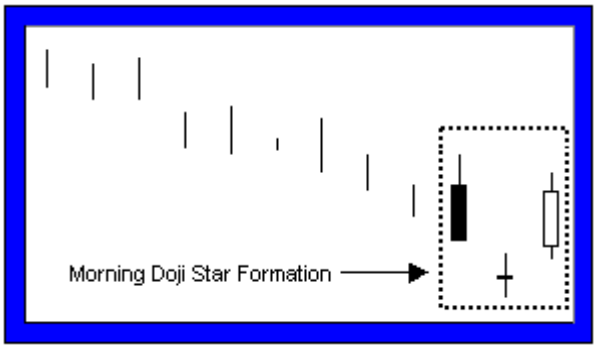


Doji Stars -- When a doji gaps above a real body in an uptrend, or gaps under a real body in a falling market, that particular doji is called a doji star. Two popular doji stars are the evening star and the morning star.

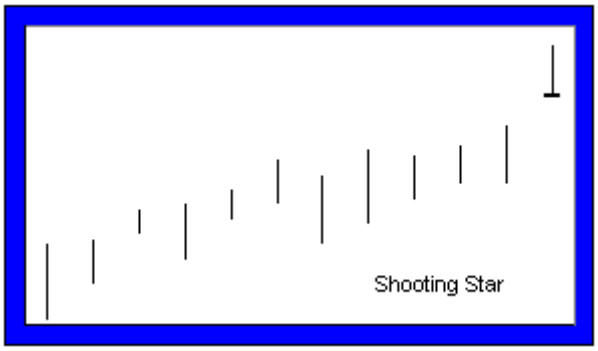


Evening Doji Star: a doji star in an uptrend followed by a long, black real body that closed well into the prior white real body. If the candlestick after the doji star is white and gapped higher, the bearishness of the doji is invalidated.

Morning Doji Star -- a doji star in a downtrend followed by a long, white real body that closes well into the prior black real body. If the candlestick after the doji star is black and gapped lower, the bullishness of the doji is invalidated.



Shooting Star -- a small real body near the lower end of the trading range, with a long upper shadow. The color of the body is not critical. Not usually considered a major reversal sign, only a warning.



Inverted Hammer-- not really a star, but does look like a shooting star. When occurring within a downtrend, may be a turning signal. Body color is not critical.

Final Thoughts and Credits

It is important to realize that this introduction is just that, an introduction to candlestick analysis. After having read this, you will have merely scratched the surface of the many patterns and variables that can go into candlestick analysis. No attempt was made to provide a thorough analysis of each and every pattern. In fact, many formations were left out as they cross the border into more complicated analysis. For a more complete overview of candlestick analysis, it is highly recommended that you read the book that is referred to below.

A large portion of the material in this introduction is taken from an excellent book called *Japanese Candlestick Charting Techniques: A Contemporary Guide to the Ancient Investment Techniques of the Far East.* (You can find this book in The PitMaster's Bookstore.) In some cases, sentences were taken almost verbatim, as there was no better way to say what Mr. Steve Nison, the author, already said. In his book, Mr. Nison, completely explains candlesticks and their formations, but more importantly explains how to combine candlestick analysis with traditional technical analysis. It is highly recommended that you consider purchasing this book.

As traders, we need as many trading tools in our arsenal, and a basic knowledge of candlesticks provides a trader much needed ammunition. Also remember that no matter what the trading tool, no matter how advanced or ancient; it is only effective when put into practice properly. This is, of course, your job as the trader.