

SWINGTRADER-ULTRA

Operations Manual Ver 0.4



PowerStocks Research

Operations manual for traders using the SwingTrader-ULTRA short-term automated trading system to trade the JSE Top-40 Index.

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NOTE THAT THIS IS A PRE-PRODUCTION MANUAL WHILST WE ARE IN A BETA PROGRAM WITH LIVE PARTICIPANTS UNTIL END JULY. WANT TO BECOME ONE OF THE FIRST PRODUCTION CUSTOMERS IN AUGUST 2011? YOU NEED TO APPLY IN ADVANCE AS LIMITED SUBSCRIBERS WILL BE ACCEPTED TO ENSURE LIQUIDITY. THE SERVICE WILL COST R850 PER MONTH. TO BOOK YOUR PLACE EMAIL "ULTRA SUBSCRIBER" TO research@powerstocks.co.za

1. OVERVIEW

SwingTrader ULTRA is a super-charged version of the popular PowerStocks Research SwingTrader-III short-term trading system used to trade long-only trades on the ALSI index (either via SATRIX40 ETF's, CFD's, TOPI warrants or TOP40 index futures.)

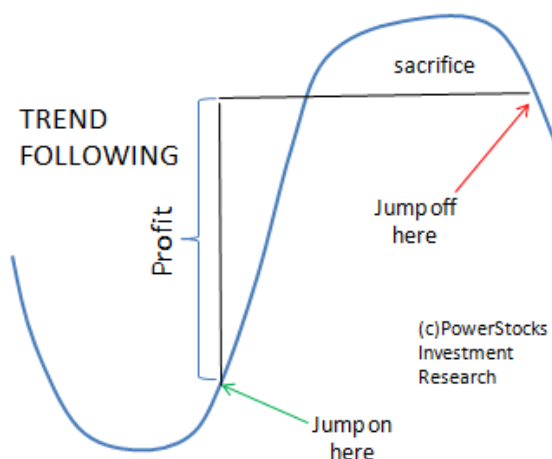
Since March 2009, and with a R40, 000 starting account, ULTRA generated over R632, 000 in net profits across 28 long and 27 short trades (average trade every 10 days.) Win rates on the long trades were 82% with a 13-to-1 gain/loss ratio and win rates on the short trades were 71% with a 5-to-1 gain/loss ratio (Gain/Loss is how many Rands you gain for every Rand you lose.) Net profit from the long trades was R353, 000 whilst net profit from the short trades amounted to R279, 000. The system was vested ("in") the market for 92% of the time, sitting in cash for 8% of the time.

For every trade, only a fraction of the trading capital was exposed to risk of complete loss, the fraction starting at 16% on the first trade and having reduced down to 2% in recent time.

ULTRA uses standard SwingTrader-III "go long" signals to open long trades, but the following new features are incorporated:

1. Two additional exit signals in addition to the standard SwingTrader-III exit signal. These exit signals provide superior returns whilst reducing vested long-trade exposure from 70% to 50%, resulting in far superior risk-adjusted returns for the long trades.
2. Shorting strategies initiated by the above exits with a maximum 2% underlying ungeared index risk per unit traded (half that of the long trades!). The shorting strategies have their own built-in exits (short covering rules) to allow them to avoid short-cover rallies.
3. An overbought/oversold indicator to allow for pyramiding trades (adding to positions) and opportunities to take profits off the table at high risk periods as well as identify high probability long trades.
4. Position sizing rules to ensure equitable long and short trade risk metrics (4%) and to ensure only a fraction of trading capital is at risk at any time
5. Six times the returns (TRI) of SwingTrader-III over the last 2 years
6. Win rate of 82% (longs) as opposed to 65% with old longs-only system
7. Gain/Loss ratio for long trades improves from 4:1 to an impressive 13:1
8. Four categories of long trades and 3 categories of short trades each with their own actuarial tables to allow the trader to assess risk and allow the system to size the appropriate number of contracts matched to the statistical confidence of the trade.

ULTRA is much more active than the old SwingTrader. Since March 2009 the old system delivered 21 trades whereas ULTRA executed 56 trades. Despite its higher returns and higher activity, ULTRA does not expose you to more risk, but LESS than the older system.



ULTRA deploys a core SwingTrader-III trend-following strategy but uses Early Warning Exit Signals (EWS) to garner superior exits that are not encumbered by the old Swing Trader's habit of "curving over" and giving up 2-4% of peak gains before realising its time to exit the market.

Despite the old SwingTrader-III being a very good, profitable system, this characteristic of trade "Sacrifice" shown on top of the chart to the left, continued to irritate many.

In addition, ULTRA has early "Take Profit" signals to lock in early stages of powerful gains.

Because EWS very accurately picks out tops, this now gives ULTRA the opportunity to open short trades on the market. Additional logic has also been built into the short-trades to allow us to avoid getting caught in violent short-covering rallies (when all those that went short have to buy back the shares to close their trades.) In the past, the “curve-over” problem in SwingTrader-III exits coupled with the short-covering rally would decimate aspiring shorting strategies’ returns. Amazingly the shorting strategy is now less risky than the longs-only strategy, with a cap on losses on short trades mathematically set at 2% of ungeared underlying index (as opposed to the longs’ 4%). What this means is that we can open 2 contracts on the shorts for every 1 contract on the longs for equal risk.

There are occasions when the market may not become overbought before the onset of a correction and thus the EWS will not fire a signal. In this case we just use the plain old standard SwingTrader-III exit strategy (trailing stop) that always caps our maximum loss to 3.5% to 4% (depending on slippage.). Of the 28 long trades since March 2009, all but 4 (14%) resulted in superior EWS exits. That means 85% of the time we are getting early warning overbought SELL signals.



The SwingTrader ULTRA signal chart shows an overbought/oversold indicator. The overbought signal is used to ignite the EWS EXIT signal and the oversold signal is used to allow early entry on major corrections and categorise various classes of long trades according to statistical probability of win rates. A viable strategy is to also use the oversold indicator to pyramid a trade (add positions) but we have not tested the effectiveness of this yet.

2. TRADEABLE INSTRUMENTS

ULTRA has been optimised for and operates in a live environment with the SharenetCFD’s IG Markets SA TOP40 Index-CFD that mathematically tracks the SA TOP40 (J203) index and trades 24x7. You can execute trades against this Index-CFD via 3 contract variations that all provide a 90x gearing on your initial margin:

1. R600 margin micro-contract at R2 per index point
2. R3,000 margin mini-contract at R10 per index point
3. R15,000 margin contract at R50 per index point

There are 5 things we like about this Index-CFD. It is liquid as it trades globally. Liquidity is very important. Secondly, it trades 24x7. This is useful to capitalise on out-of normal hours swings and suits the times of those that trade in the evenings after their normal day jobs. You also have the safety of getting out before the market opens locally if a major geopolitical event were to occur. Third, the gearing at 90x means you can start out a trading regime with relatively little funds. Fourth, you can hold the contract as long as you like without worrying with SAFEX futures expiration and roll-overs and the like. Fifth, the 3 contract sizes cater for all pockets. Finally, it pays dividends on the underlying shares. This last point was an unexpected bonus when alpha-testing ULTRA on live money trades and we were taken aback at how this can boost returns.



Note that all back-tests/performance figures we refer to in this document, EXCLUDED dividends pay-outs from any performance comparisons. We also excluded daily interest costs payable on the loan portion of the derivative instruments and interest received on un-deployed cash portions of the trade account. Interest is not expected to make significant degradation to quoted performance figures however.

3.SWINGTRADER ULTRA SIGNALS

There are 10 actionable signals or “events” with the ULTRA system:

1. Go long 2 contracts (Class-A long) – 9 times in last 2 years
2. Go long 1 contract (Class B longs) – 4 times in 2 years
3. Go long 1 contract (Class C longs) – 8 times in 2 years
4. Go long 1 contract (Class D longs) – 7 times in 2 years
5. Take Profit and dispose 40% of long trade - 17 times in 2 years
6. Exit long trade – 28 times in last 2 years
7. Go short 2 contract (Class-A short) – 9 times in last 2 years
8. Go short 2 contracts (Class-B short) – 11 times in last 2 years
9. Go short 2 contracts (Class-C short) – 7 times in last 2 years
10. Cover shorts (close the short trade) – 27 times in last 2 years



Only 1 long signal and 1 short signal are given in any trade cycle (trough-to-peak event.) The respective short is given simultaneously with the “Exit long trade” signal, meaning we short immediately after we have closed any long-trade.

The reason ULTRA has class A,B,C,D long signals and Class A, B and C short signals is that it divides all trades into RISK BUCKETS corresponding to the strategies being used by the system to trigger the trade. As such ULTRA can be viewed as running 7 different sets of rules triggering the 7 different classes of trades.

By sticking all the trades into buckets associated with their mathematical rules we can do better statistical inference on that class of trade’s performance. Class A trades have better win rates and gain/loss ratios and/or lower risk ratings than class B or C trades. When faced with a trade that has better historical and mathematical expectancy and lower risk, ULTRA throws more contracts at the trade to capitalize on this fact and ensure all trades are running at equitable risk ratios. This boosts returns *significantly* at no extra risk.

Class-A longs get generated from deeply oversold conditions, whereas class B longs originate from mildly oversold conditions. Class C longs originate from no oversold conditions and are the most risky. Class D longs are a special class of longs opened up by ULTRA when a short-trade has gone sour. Here we recognize we made a wrong way call and switch back to long again. These longs normally occur in overbought market conditions and so special rules are required to govern their exits. When ULTRA sees a Class-A long it throws 2 contracts into the trade due to its high confidence track record, to boost returns.

There are 3 classes of short-trades, each with 2 contracts deployed. The class-A short follows an extreme overbought condition signalled by EWS and has the 2nd highest chances of success (77%) with the highest maximum risk of 2.4%. The class-B short follows a lesser overbought condition we call “*too far, too fast*” and has a 54% chance of success but a lower maximum risk of 1.7%. The class-C short follows a standard SwingTrader-III exit signal and has the highest chances of success of 85%, and maximum risk of 2.0% A and C shorts have the best gain/loss ratios of 6 and 8-to1 respectively.



Note that we publish actuarial tables regarding the statistical performance of all 7 categories of long and short trades, further on in this document. As each trade is completed every 10 days on average we update the tables and circulate to subscribers accordingly. In this way we build up a view of all trades to allow us to perform better risk management and position sizing.

4. RISK MANAGEMENT

Now the beauty of the short trades is that they are characterised by far less maximum risk than the long trades. Long-trade risk is capped at 3.5% on the ungeared underlying. After entering a long trade, if the index being traded (TOP40 cash index in this case) falls lower than 3.5% below our entry price, the system closes the trade to cap its loss.

This feature is very important in risk management and ultimate position sizing as we shall describe later. The rule allows us to know with mathematical certainty what our maximum risk (loss) can be for the trade. In this case it is 3.5% plus a 0.5% allowance for slippage to total 4%.

Once we know this we can position-size correctly. There is a very specific reason we have guidelines for the initial trade account size and limit trades to 1 long or 2 short contracts at a time, and it is tied back to this maximum 4% loss you can incur.



Once the initial-stop is set at below 4% of our enter-price it steadily creeps upward to act as a trailing-stop to gradually “lock in” profits as the trade accumulates them. For this reason many losing trades usually average losses around 2% as opposed to the maximum budgeted 4%.

Class-A short-trades are characterised by a maximum risk metric of 1.9%, so when ULTRA opens a class-A short, and the trade goes against us by more than 1.9% ULTRA decides the trade was a wrong call and covers the short immediately. We can only have this very tight “stop-loss” if we have a strategy that is right most of the time from the *very outset*. Allowing for 0.5% slippage then caps our maximum loss at 2.4% of the ungeared underlying which allows us to throw 2 contracts at class-A shorts to give us 4.8% risk exposure, slightly more than the long-trades. This is very powerful. Think about it – we are throwing 2 times the contracts at a class-A short trade for the slightly higher risk as a normal long trade!

Similarly, Class-B short-trades have a maximum risk capped at 1.2% meaning we can throw 2 contracts [$2 \times (1.2\% + 0.5\%) = 3.4\%$] at the trade for lower comparable risk to the long trades. Class-C short-trades have a maximum risk of 1.5% and so we restrict it to 2 contracts per short-trade for a comparable risk of [$2 \times (1.5\% + 0.5\%) = 4\%$] identical to that of the long trades.



REGARDLESS OF WHETHER WE ARE GOING LONG OR SHORT, OR WHAT CLASS OF TRADE WE ARE ENTERING, SWINGTRADER-ULTRA CONFIGURES ENOUGH CONTRACTS FOR THE TRADE TO CAP MAXIMUM RISK AROUND 4% ON THE UNGEARED UNDERLYING (INCLUDING SLIPPAGE ALLOWANCE OF 0.5%)

5. RISK-ADJUSTED ACCOUNT SIZING

The question arises as to the appropriate starting capital for your SwingTrader-ULTRA account to ensure you are never exposing yourself to undue risk and have built-in longevity. Bombproofing your trade account. The starting account sizing depends on the maximum risk per trade, which we described in the previous section as 4% including a 0.5% allowance for slippage.

The appropriate starting capital, as of today's cash value of the TOP40 tracked by IG markets (and which we are going to trade) is determined as follows:

1. Your maximum risk per trade (longs and shorts) of 4% of the ungeared underlying index value of 29,059 (today's IG Markets TOP40 price) = 1,162 points
2. Your max loss per trade is thus R2 x 1,162 for the R600 micro-contract (R2, 324) and R10 x 1,162 for the R3, 000 mini-contracts (R11, 620) and R50 x 1,162 (R58, 100) for the large.

With maximum loss per trade now capped in Rand terms and understood, the question of initial trading account capital size becomes a question of:

1. Longevity and
2. Ensuring trades are at your “comfortable sleep level” or CSL.

First let us discuss the importance of CSL. This is that value of a loss as a percentage of your overall funds for which you do not lose sleep over. If you only have R12, 000 to your name and are playing this system then quite obviously a trade on the R10 per point mini-contract, for which you can occur a maximum loss of R11, 620 is clearly NOT at a comfortable sleep level! You will surely be tossing and turning for the first 10 days of this trade, glued to Bloomberg’s and the chart of the ALSH index, accumulating an ulcer every time the market lurches downward.

More than likely you will sabotage the trade one of two ways as your emotions take merciless grip upon you. Either you panic on a down day and pull out only to see the market roaring ahead on subsequent days (FEAR) or you sell prematurely in an attempt to lock in what you deem to be nice profits (GREED) only to see the market keep climbing. You could also ignore a sell signal, and hang on while you hope and pray for the market to recover your losses, only to see your money evaporate before your eyes.

By configuring a trade below your CSL you eliminate emotions from sabotaging your trades. A CSL allows you to trust the mechanical system implicitly and trade “in the zone”, with a peaceful frame of mind. You focus on the flawless execution of the strategy as opposed to emotions tearing you apart. A CSL is different for everyone but could range from 5-10% of portfolio at risk from 1 trade.

At the 10% CSL level you need an account of $R11,620/10\%=R116,200$ for the mini-contracts and R23, 240 for the micro-contracts.

An equally important feature of a successful trading account is LONGEVITY. This means an account that can sustain inevitable losses without being wiped out. This risk depends on how many successive losses you cater for without the account being impaired. With SwingTrader, we have seen a worst case string of 1 consecutive loss in a bull market on the long trades and 2 consecutive losses on the short trades.

Let’s assume you’re playing longs and shorts – then the actual worst case combination (highly unlikely but you must cater for it nonetheless) is 3 consecutive losses (loss on a short, loss on the following long and then loss on the following short.) Given that for the mini-contract, a loss is pegged at R11,620 then we need a starting account that is bomb-proof and can withstand the highly unfortunate worst case of 3 successive losses at the outset of your trading program or $R11,620 \times 3 = R34,860$. We then need enough “powder in the keg” to make that last 4th trade that gets us back into the game which means we need a total of $R11,620 \times 4 = R46,480$ starting account.

A similar exercise for the R600 micro-contracts yields a bomb-proof starting account of R9, 296. Maybe you decide to play the longs only – in this case, for the mini-contract we only need to budget for 1 successive losses and enough cash for a 2nd trade so $R11,620 \times 2 = R23,240$. This is a bit tight and we would budget for at least 2 losses so we need $R11,620 \times 3 = R34,860$.

The table below gives examples of recommended LONGEVITY metrics and sample CSL's for various SharenetCFD's/ IG markets cash-value contracts on the SA TOP40 at a deemed index value of 29,059 and assuming 2 consecutive losses on the longs and 3 on the longs+shorts strategy. This gives a range to consider for start account.

SwingTraderULTRA risk & start-account metrics as at 20/04/2011	Max Loss per trade	Longs+Shorts	Longs Only		
		LONGEVITY	LONGEVITY	CSL@5%	CSL@10%
R600 micro-contract @R2 per pt	R 2 324	R 9 296	R 6 972	R 46 480	R 23 240
R3,000 mini-contract @R10 per pt	R 11 620	R 46 480	R 34 860	R 232 400	R 116 200
R15,000 contract at R50 per pt	R 58 100	R 232 400	R 174 300	R 1 162 000	R 581 000

We are of course eating our own dog food and have prepared a SharenetCFD's/IG Market account of R100, 000 with which we will be trading the mini-contracts longs and shorts with. You can see the table above is recommending a starting account ranging from R46, 480 to R232, 400 for the mini-contracts. Given the resilience and win rates of ULTRA, coupled with our experience at resisting emotions we are happy with the CSL around the 10% mark and so feel R100,000 is prudent for playing longs+shorts



Our advice is to always go for the highest amount but this is sometimes not financially practical so go halfway. The minimum recommended LONGEVITY values are bare minimums though. This is non-negotiable. Don't even bother if you are not prepared to start with these values.

The idea is not to make a killing on the first few trades. This is where people bet the farm and wipe their accounts. The real money comes over a sustained regime of trades over 1 to 2 years, playing single long-contracts at a time, occasionally doubling up for high confidence category trades, and playing 2 contracts on shorting trades.

As our trade account equity steadily grows, our risk with each successive trade becomes less and less (as a % of our account) until we have reached that nirvana of each trade exposing no more than 2% of your capital. At this 2% point you commence doubling up your trades (number of contracts) and growing equity further till the doubled trades are again only 2% of your account. And so on.



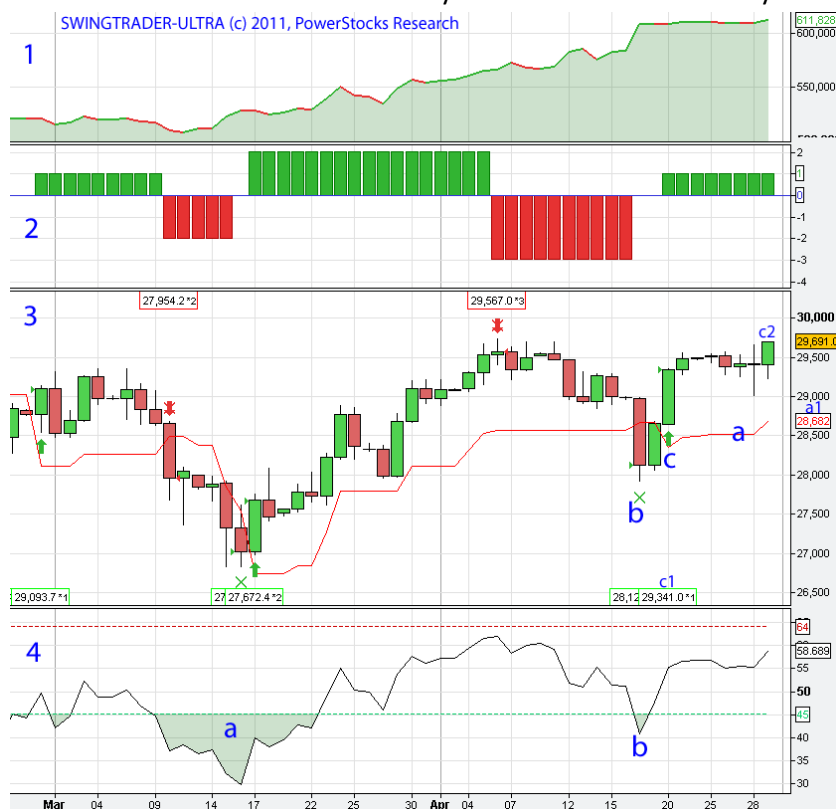
Multi-contract combinations are possible. If the R3, 000 mini-contracts are too big for your risk appetite as per CSL/LONGEVITY metrics, but the R600 micro-contract is again overtly conservative (too small) then you may elect to create your own TRADE UNIT which is say 2 x micro-contracts. Then you have effectively created a R1, 200 "contract" at R2x2=R4 per point. Your maximum loss on a trade with this self-styled "contract" is R2, 324x2=R4, 648.

Properly sizing your trade account in the above fashion allows your account to become virtually INDESTRUCTIBLE. Look at the model account that started with R40, 000 in March 2009. 58 trades later and it is sitting on R673, 000. This trade it is about to open with a R3000 mini-contract has a risk of R11, 620 which represents a mere 1.7% of capital. It is probably time to double up on the amount of contracts we are playing. The account is now virtually indestructible. A perpetual, indestructible, risk-free money making machine.

In the last section we make firm recommendations on six types of account sizes and the trades you can make in them. But first, some more theory.

6.USING SWINGTRADER-ULTRA SIGNAL CHARTS

We have designed a unique, intuitive signal chart layout for ULTRA that shows us in real time the status of the Automated Trading System (ATS), the equity curve (size of its account), the positions indicator (how many contracts are in play), the dynamic trailing stop & the overbought/oversold indicator. The chart also shows long, short, exit long & close short signals for the last 2-3 months. The chart is broadcast from our server over the internet and you can connect to it for viewing with a standard internet browser. If you have an Apple or Android phone or tablet device, you can also get software from the internet to allow you to view the chart at any time.



The chart is divided into four PANES. Pane-1 shows the equity account of the model portfolio (the ATS) in Rands. Your aim is to be following signals as closely as possible to mirror, if not better the performance of the model portfolio.

Pane-2 is the positions indicator and shows how many contracts the system is playing on the long (green) or the short (red) side. The charts show it is currently has 1 contract long on the market and that the previous trade it was short 3 contracts on the market. The position indicator has one vertical bar for each trading day the system is in an open trade.

Pane-3 shows the daily candlestick chart of the IG Markets cash index of the SA TOP40. Green up-arrows show long-trade BUY signals and red crosses show the SELL of the long. Red down-arrows (usually superimposed on top of the red cross from the end of the long trade) show SELL SHORT signals and green crosses show the COVER SHORT signal to close the short trade.



SwingTrader-ULTRA is forced to perform actions on the market at the close of each day (bar) which is 00H00 GMT or 02H00 SAST. This is to ensure consistency. It is not ideal, as humans could capitalise on large intra-day swings and intraday strength/weakness to gain better entry/exit points for their trades and for this reason we believe skilled traders could outperform the mechanical system by quite some margin if they applied some effort.

The red solid line (tagged “a”) trailing the index is the SwingTrader Trailing stop. Its function is to limit initial losses to the 3.5% maximum and then to steadily rise and lock profits in as the trade progresses in our favour. When a candle closes below this red line, as on 9th March, then this is an EXIT LONGS signal as well as a SELL SHORT 2 contracts class-C signal. We then wait for a candle to close ABOVE the red line for the next OPEN LONG signal (as shown by the green up-arrows.) The value the ATS went long is shown in the bottom of the pane as depicted in “c1”.

The current live prices will update each second in the right-most bars in the chart. If you stare at it for long enough when logged into our server to see the chart, you will see the bars and values of everything in the rightmost edge changing before your eyes. You will probably be most interested in what the value of the TOP40 cash index is (shown by orange square with numbers in it to the right of “c2”) and more importantly where the stop loss is (shown by “a1”).

Pane-4 is the Overbought/Oversold (OBOS) indicator. The overbought level is 64 and the oversold level is 42. Both of these are demarcated by dotted horizontal lines in Pane-4. On most occasions, the system will give an OPEN LONG signal when the indicator is in oversold territory as in “a” and “b” in the chart. It is rare for this indicator to visit oversold territory when we have a long trade open, but if it does, it will be an invitation to you to consider pyramiding your trade by adding some more positions. The 2 year back-tests did not include this option however.

When the OBOS rises above 64 this puts us on notice that we must prepare to close our longs and open up some shorts on the market. We then wait until it falls below 64 before executing the trades. When you short the market under this condition it is a “Go short 2 contracts (Class-A short)”, our most accurate shorting signal. Do not action anything whilst the OBOS is above 64 though, as the market can stay overbought for quite some time in some instances.

If you look at the sample trade chart, at 6th April, you will see that there was a CLOSE LONG and OPEN SHORT signal, but the OBOS was still far from being overbought. This is reasonably common and is what we term a “TOO FAR TOO FAST” or “SECONDARY OVERBOUGHT” trigger. What ULTRA does is track how much gains we have made in the trade so far, and how quickly we made them and when these gains are rather high (say above 5-6%) within short spaces of time it says “Hey, this is damn good profit, and things normally go South after these sorts of gains are made in short spaces of time so I’m going to bank my gains and get the hell out of here!” The shorts initiated by these signals are “Go short 2 contracts (Class-B short)”, our 3rd most accurate shorting signal.

Assuming there was no OBOS or “Too Far Too Fast” signal to close longs and open shorts, then the 3rd and final scenario whereupon we open a short is when the TOP40 cash index closes below the red trailing-stop line to initiate a “Go short 2 contracts (Class-C short)”. This is the most accurate but least frequent shorting strategy, but due to short trade durations it only generates about half the raw profits of the other two shorting signals.



The B-shorts have far lower win rates than most long & short trades. But the short trades get out very quickly if the trade turns against them, for example giving up without a fight if it ever gets to a point of making a 1.2% loss on the ungeared underlying. We normally know very early on in the trade if we made a wrong call and thus these wrong way short trades rarely last 2-5 days. Despite this, the B-shorts generated 41% of all shorting related net profit over the last 2 years so they are very worthwhile following as a strategy.

7.TOTAL SYSTEM PERFORMANCE

	All trades	Long trades	Short trades
Profit & Loss (net total)	634,383.00	353,165.00	281,218.00
Total profit	729,326.00	381,572.00	347,754.00
Total loss	-94,943.00	-28,407.00	-66,536.00
Total profit / Total loss	7.68	13.43	5.23
Number of trades	56	28	28
Percentage of winning trades	76.79%	82.14%	71.43%
Winning trades	43	23	20
Losing trades	13	5	8
Even trades	0	0	0
Trade expectancy (Total P&L / Nbr trades)	11,328.27	12,613.04	10,043.50
Average profit on winning trades	16,961.07	16,590.09	17,387.70
Average loss on losing trades	-7,303.31	-5,681.40	-8,317.00
Standard deviation on profit and loss	14,420.34	14,688.04	14,030.41
Highest profit	38,670.00	38,670.00	31,286.00
Highest loss	-12,120.00	-11,595.00	-12,120.00
Avg time in the market (nbr of bars)	10.23	13.04	7.43
Avg time between trades (nbr of bars)	0.91	1.85	1.85
Avg time on winning trades (nbr of bars)	11.21	14.09	7.90
Avg time on losing trades (nbr of bars)	7.00	8.20	6.25
Avg time on even trades (nbr of bars)	n/a	n/a	n/a
Percent of time in the market	91.99%	91.99%	91.99%
Total brokerage fee	18,800.00	7,800.00	11,000.00
Highest nbr of consecutive winning trades	11	11	5
Highest nbr of consecutive losing trades	2	1	2
Drawdown (highest loss of the equity curve)	21,940.00	23,590.00	42,307.03
Highest gain of the equity curve	647,102.88	295,033.00	263,080.94
Return on initial capital (Profit&Loss/Initial C)	1,585.96%	882.91%	703.04%

The table on the left depicts the performance of ULTRA with ALL its signals from March 2009 to end April 2011, assuming a R40, 000 starting account, which was appropriately sized for that time for the R3, 000 mini-contracts to play longs and shorts.

Note how shorting generated over 44% of overall profits!

8.PERFORMANCE OF SHORTING SIGNALS

SHORT TRADES	CLASS-A	CLASS-B	CLASS-C
Trades	9	11	7
Wins	7	6	6
Losses	2	5	1
% Win rate	77.78%	54.55%	85.71%
Total %Pts Up	26.23	30.41	14.52
Total %Pts down	3.96	7.116	2.10
Total Net %Pts	22.27	23.30	12.42
%Pts Gain/Loss	6.62	4.27	6.91
Tot Index Pts Up	6 571	7 668	3 369
Tot Index Pts Dn	1 016	1 583	411
Tot Net Index Pts	5 555	6 085	2 958
Index Pts Gain/Loss	6.47	4.84	8.20
Average Win	3.75%	5.07%	2.42%
Average Loss	1.98%	1.42%	2.10%
Lowest Loss	2.20%	1.25%	2.10%
Highest Loss	1.76%	1.56%	2.10%
Lowest Win	0.50%	4.15%	1.36%
Highest Win	5.50%	6.29%	4.20%
Max Capped Risk	2.40%	1.70%	2.00%
Total Return on R1	1.24	1.25	1.13
Max consec wins	3	2	4
Max concec losses	1	2	1
Recom. contracts	2	2	2

Green =best in group, Red =worst in group.

Since there are 3 different classes of shorting signals, it pays for us to note the success of these various categories of trades over the 2-year test period as depicted in the table.

The important things to look for are the “% Win Rate”, “% Pts. Gain/Loss” and “Index Pts. Gain/Loss”.

Clearly the most powerful shorting strategy here in terms of raw profit earning potential is the Class-B shorts when you look at the net points. This is despite their low win rate. They are kept to 2 contracts per trade due to their capped loss figure (the loss used by ULTRA to trigger an exit) being a lowly 1.7%

The Class-C shorts are highly accurate but very short trades averaging only 2.42% gains. We call them “hit and run” shorts!



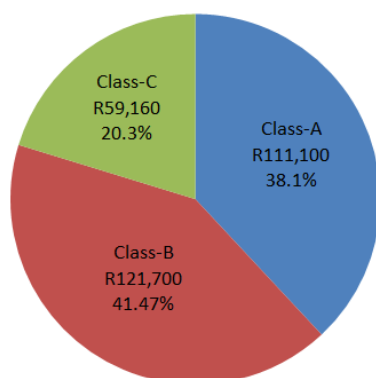
Remember that when you short the TOP40 Index-CFD, dividends due from the underlying constituents are DEDUCTED from your account!



If you are new to short-term trading or even shorting the markets, then you might want to consider sitting on the side-lines when Class-B&C shorting signals appear. The inclusion of these shorts in the overall trading strategy still boosts total returns considerably but newbies may be discouraged with B's low gain/loss ratios and unskilled at mastering the rapid C trades. You may want to consider letting your trade account swell a bit with profits from the long-trades before exposing it to shorts.



Clearly, you could boost your trading regimes returns significantly by playing 3 contracts instead of 2 on the Class-B shorts. But this would of course be raising your trade risk from 2x $(1.2+0.5) = 3.4\%$ to 3x $(1.2+0.5) = 5\%$. You could probably get away with it without jeopardising your accounts' longevity. You could elect to do this once your trade account has swelled with some profits, meaning it can handle 5% risk trades instead of the traditional 4% risk trades on these signals.



The absolute net profit of the various shorting strategies from 1 March 2009 to 1 May 2011, assuming 2 contracts deployed in the A, B and C strategies respectively, is shown on the chart on the left.

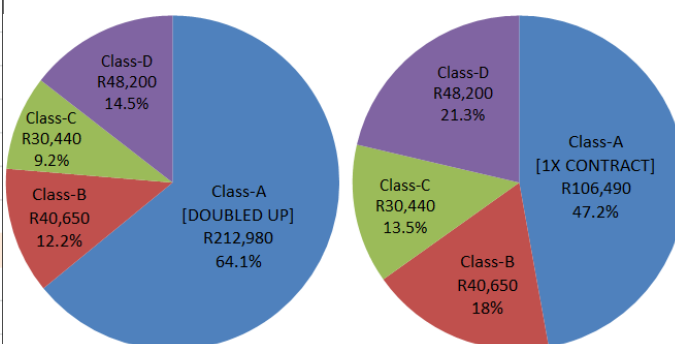
The bulk of the gains (over 79%) come from the class-A and B shorting strategies. Should you focus on an additional 1 contract on the class-B shorts (i.e. 3 contracts instead of 2), with the understanding that individual trade risk would rise from 3.4% to 5%, then the overall net profits from shorting strategies since March 2009 would rise a further R60,163.

9.PERFORMANCE OF LONG SIGNALS

	Long-A	Long-B	Long-C	Long-D
Trades	9	4	8	7
Wins	8	3	5	7
Losses	1	1	3	0
Max Risk	3.9	3.9	3.9	3.9
% Win Rate	88.9	75.0	62.5	100.0
Idx Pts + Avg	1 379	1 420	970	689
Idx Pts - Avg	-380	-196	-602	N/A
Idx Pts +Tot	11 029	4261	4849	4820
Idx Pts -Tot	-380	-196	-1805	0
Idx Pts Tot	10 649	4 065	3 044	4 820
Idx Pts Min	-380	-196	-1139	321
Idx Pts Max	1 954	1 770	1 442	1 474
Idx Pts G/L	29.02	21.74	2.69	+++
% Pts + Avg	5.97	5.53	4.71	3.12
% Pts - Avg	-1.60	-0.68	-2.41	N/A
% Pts +Tot	47.78	16.59	23.55	21.86
% Pts -Tot	-1.60	-0.68	-7.24	N/A
% Pts Tot	46.18	15.91	16.31	21.86
% Pts Min	-1.60	-0.68	-3.91	1.28
% Pts Max	8.39	6.76	7.68	8.17
% Pts G/L	29.94	24.40	3.25	+++
Rec. Contracts	2	1	1	1

"Idx Pts" is index points up (+) or down (-). "% Pts" is actual percentage points gained (+) or lost (-). "G/L" is gain/loss ratio.

Total net profit generated in 2 years for all the long trades is shown below.



Remember that when you go long the TOP40 Index-CFD, dividends due from the underlying constituents are ADDED to your trade profits!

10.USING THE OVERBOUGHT/OVERSOLD INDICATOR (OBOS)

The OBOS is used by SwingTrader ULTRA for deriving signals for closing long trades on over-extended market conditions and simultaneously opening a Class-A short trade.

This occurs when a long-trade is open and the OBOS rises above 64 demarcated by the red dotted line in PANE-4 and then falls below 64 again as shown below at the point tagged with a red “B”.



However, the OBOS chart is incredibly useful for the trader to judge his/her relative risk, as we have calibrated areas above 70 as high-risk for longs (good risk for shorts) and below 36 as low-risk for longs (high risk for shorts.) These are extreme events and do not occur very often at all.

When OBOS falls below 36 and rises for the first time then ULTRA initiates an “early-bird” buy Class-A long signals for heavily oversold markets.

When OBOS is between 42 and 36 (light green shading) and long trades are signalled, these are categorised as CLASS-B longs (mildly oversold.) Long trades opened when OBOS is above 42 are the riskiest long trades (Class-C longs).



Here is a sample “Early Bird” Class-A long in action.

At point “A” we get a Class-C short which rapidly gets covered after a huge one-day drop on point “B”. Class C shorts are “hit and run” affairs – take what you can and get out to avoid been crushed by the short cover rally!

Then, the next day, OBOS rises for the first time since it dropped below 36 (the dark green shaded area at point “E”) and we ignite a Class-A long at point “C”.

Note how this is a full 1-day before the standard SwingTrader buy signal the next day at “D” as the index crosses above the red trailing stop. This exercise gained us an extra 235 points (1% on underlying) or R2, 350 on a mini-contract (or 235 xR2=R470 on a mini-contract.) All nine occasions this technique was deployed were “well worth the while” with some signals coming 3-4 days before standard entries.

11.PYRAMIDING LONG POSITIONS

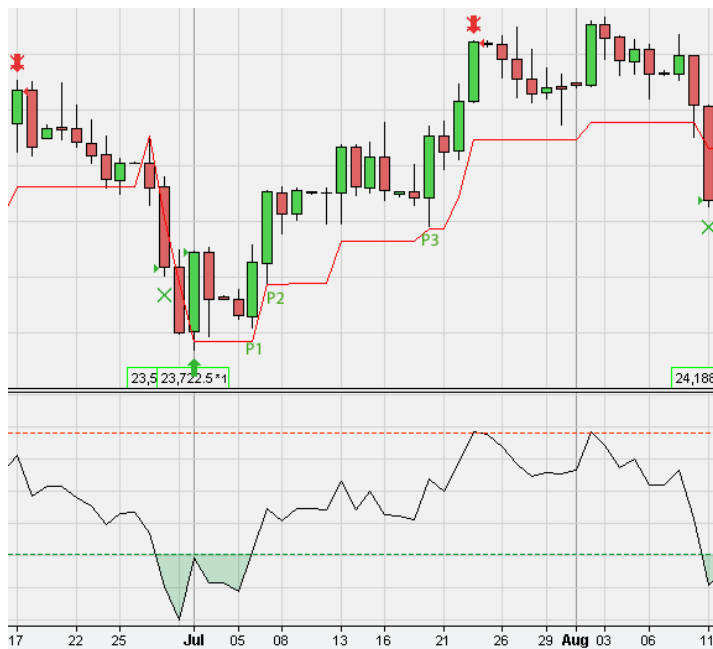
As we discussed in the previous section, you may use the oversold conditions flagged in OBOS to pyramid your long positions (add to already open trades). Or perhaps you missed a BUY signal for whatever reason and are looking for a low-risk entry to get on-board the long trade.

There are two ways to do this:

1. Wait for OBOS to fall below 42 and then pyramid when it rises above 42 again.
2. Wait for OBOS to fall below 36 and then pyramid the moment OBOS rises upward.

In most cases, ULTRA is flagging a BUY condition when these two conditions occur, but on some occasions these may occur when a long is already open, inviting you to pyramid.

Another excellent technique for pyramiding is waiting for the TOP40 index to make an intra-day bounce off the red trailing stop, as shown below.



The points P1, P2, P3 show valid pyramiding points after the intraday index values came close to or even touched the red trailing stop. Note how P1 coincided with an OBOS pyramid signal (OBOS fell below green dotted line then rose above it again) whilst P2 and P3 were not pyramid opportunities detected by the OBOS signal.



You are advised to pyramid no more than 1 contract per time and for a maximum of two pyramid actions during a long trade. Only pyramid if a 4% single-contract loss on the TOP40 index does not represent more than 10% impairment on your total account. Take caution with pyramiding as we have not yet statistically modelled its effectiveness. Pyramiding implies taking on more risk (even if it is calculated), so for this reason leave this technique to when you have built up some profits on your original account.

12. TAKING PROFITS OFF THE TABLE

Famous investor, Bernard Baruch quipped on two separate occasions: "I made my money by selling too soon" and "I never lost money by turning a profit".

When researching signals that resulted in losses, we noticed that in most cases, the initial call might be good, with the market running up nicely, only to curve over and crash through the red stop with no sign of overbought signals or profit objectives getting us out before the curve-over and exit.



A classic example is shown in the chart on the left. We get in nicely at points A and B and there are two nice days of strong gains following our entry, of 5.4% (1,003 points) and 3.5% (661 points) respectively only to come crashing through our protective stop 2-3 days later. In the end trade-A long resulted in a small 75 point gain and trade-B long in a small 88 point loss. No harm done thanks to the protective stop, but frustrating.

The losses are usually small and far less than the 4% max-risk budgeted for, since during the course of the trades the red stop will rise to lock in some profits, but a loss is a loss and it affects the gain/loss ratios of the overall strategy.

We have determined points during a trade to issue a signal to take real profit off the table early – far before any overbought signals arrive. This allows us to lock in the early part of a rises' gains (and normally the first few days' gain in a trade are quite powerful and far less volatile than the latter parts of a trade) and then dispose of 40-50% of the trade and leave the rest to run its normal course. The idea is the gains locked in from the 1st disposal will cover the potential losses made by the remaining trade on any curve-over, hopefully reducing overall losses.



These new signals are shown by red crosses on the left. At these points we sell 1/2 our trade and leave the remainder to run its course. Instead of only making 75 points gain, trade-A makes 1,003 points on one 1/2 the trade & 88 points on the other 1/2, or 545 points averaged across the trade. Similarly B makes $(661-88)/2=286$ points profit as opposed to its previous 88 point loss!

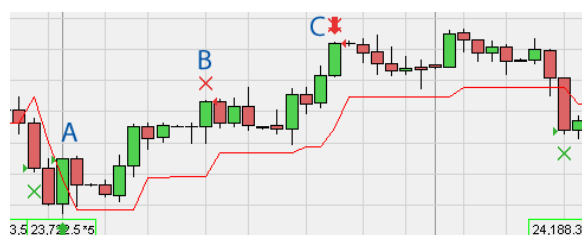
There is of course a cost to this as this approach does not yield the highest possible returns of the original strategy, but for a small 10% sacrifice in total returns, the win-rate on the longs rises from 82% to 89% and the gain/loss ratio for all longs rises from 13.4:1 to a stunning 18:1! This is well worth the effort.

Psychologically, we also feel that banking some real hard profits early on in the trade gives us more encouragement and less angst about leaving the remaining trade to run its (often volatile) course. The less anxious we are the better we trade!



With the IG Markets TOP40 Index CFD, you can sell fractions of your open contract positions (i.e. BUY or SELL 0.5 contracts) to affect the above profit taking strategy. This is another reason we really like trading the Index CFD. In fact with their TradeSense activated, you can also trade in fractions of the R600 micro-contract.

This is an exceptionally powerful strategy to reduce losses and also crank up the trading systems' gain/loss ratios. As we stated, it is not as powerful as letting all the trades merely run their course but its risk-adjusted returns are far better.



The trade on the left shows why the profit-taking strategy cannot outperform the original. We get in at A, then “take some profit” at B and we let the remaining 50% of the trade run to C where an overbought conditions finally closes the trade. Holding 100% all the way from A to C obviously produces better returns.

Note how (and this is common) after the red “X” the markets looked a bit wobbly again. If we were still fully vested with all our positions we would have been getting nervous, especially if this was over a weekend! But since we took 50% profit off the table (a healthy 935 points were gained so far up to the red cross in the above real-world example) we didn’t mind letting 50% of the remaining trade “take a chance” to sit around and wait for another up-leg.



Our back-testing has revealed that when the red “X” signal is given, that disposing of 40% of your trade on the high confidence Class A,B & D longs and 50% of your trade on the lower confidence Class-C longs yields the best results. You could just stick to 50% every time you see this signal, to make things easier to remember.

Now our back-tester & live chart signal generator can’t handle fractions of contracts in its programming, so to simulate the required 40% fractions for profit-taking whilst keeping with the other rules of our trading strategy we programmed it to trade as follows with micro-contracts:

1. Go 10 contracts on High confidence Class A longs
2. Go 5 contracts on the medium confidence Class-B, D longs
3. Go 2 Contracts on the lower confidence Class C longs
4. Profit Taking : Dispose 4 contracts on (1), 2 contracts on (2) and 1 contract on (3)
5. Go 10 Contracts on the shorts.

	All trades	Long trades	Short trades
Profit & Loss (net total)	563,914.38	287,726.41	276,188.00
Total profit	646,236.38	302,872.41	343,364.00
Total loss	-82,322.00	-15,146.00	-67,176.00
Total profit / Total loss	7.85	20.00	5.11
Number of trades	56	28	28
Percentage of winning trades	80.36%	89.29%	71.43%
Winning trades	45	25	20
Losing trades	11	3	8
Even trades	0	0	0
Trade expectancy (Total P&L / Nbr trades)	10,069.90	10,275.94	9,863.86
Average profit on winning trades	14,360.81	12,114.90	17,168.20
Average loss on losing trades	-7,483.82	-5,048.67	-8,397.00
Standard deviation on profit and loss	12,676.95	11,083.54	14,088.30
Highest profit	32,230.81	32,230.81	31,206.00
Highest loss	-12,200.00	-8,082.00	-12,200.00
Avg time in the market (nbr of bars)	10.30	13.04	7.57
Avg time between trades (nbr of bars)	0.91	1.85	1.85
Avg time on winning trades (nbr of bars)	11.18	13.64	8.10
Avg time on losing trades (nbr of bars)	6.73	8.00	6.25
Avg time on even trades (nbr of bars)	n/a	n/a	n/a
Percent of time in the market	92.04%	92.04%	92.04%
Total brokerage fee	20,928.00	7,728.00	13,200.00
Highest nbr of consecutive winning trades	11	11	5
Highest nbr of consecutive losing trades	2	1	2
Drawdown (highest loss of the equity curve)	20,850.00	29,045.00	42,547.03
Highest gain of the equity curve	574,720.44	223,330.53	256,226.00
Return on initial capital (Profit&Loss/Initial C)	1,409.79%	719.32%	690.47%

The above strategy with R600 micro-contracts at R2 per point is equivalent to the original strategy we have been talking about that traded R3, 000 mini-contracts at R10 per point.

So by going long 5 contracts we are not exposing ourselves to undue risk as we are simply executing more, but smaller contracts at 1/5th the Rands per point. The total Rands per point still amounts to R10.

This allows our system to trade with whole contracts to implement the profit-taking rules and not have to deal with fractions.

The performance of our trading system with the new profit-taking strategy is shown on the table on the left. The 563K profit compares to the original R634, a small price to pay for far better win-rates (82% to 89%) and gain/loss ratios (13.4:1 to 20:1).

13.PROFIT OBJECTIVE MARKERS (POM'S)

These are markers on the ULTRA trade chart that allow you to see *in advance*, at which points the system is going to trigger “Take Profit” signals. They are represented by blue dots which are displayed at the beginning of every new long trade.

There are also profit objective markers displayed for the short trades. Every time the system opens a short trade, these dots will appear below the entry point telling you in advance at what point the system is going to want to close the short trade.

The Profit Objective Marker (POM) is a blue dot that shows you the level that the system is looking at from which if a bar closes above it- it will either take profit or close the trade. In one long trade, you might get TWO SETS of POM's such as that first trade shown on the chart below.



The first set of POM's, which always shows the minute a trade is opened, is the “Take Profit” target. When the index closes above this, the strategy offloads 40% of its trade (2 contracts out of its 5) on all longs, except for Class C longs for which it offloads a full 50% (1 contract of the 2 it started with).

These initial profit-taking actions are where you see a red “X”. You may elect to enact this selling action the MINUTE the index touches the objective or on the close like the robotic system. Let's face it – if a profit objective is reached by a touch during the day then take the profit! POM's are available for the shorts as well – and when they are reached we cover ALL our shorts (Green “X”s)

Now after the initial POM results in some profit-taking action, a NEW 2nd POM opens up even further upwards, setting a NEW OBJECTIVE. This 2nd objective is the “Too far too fast” objective and when this is breached, the system is saying *“Hey, this is silly. I've made an obscene profit. I'm heading for the hills and selling everything!”* It also says *“This has come too far too fast and the odds of a correction from here onward are high. I'm also going to short the market.”*



We would advise closing the longs on the objective been reached intraday (you will get SMS alert) but waiting for the close-bar confirmation before commencing shorting operations.



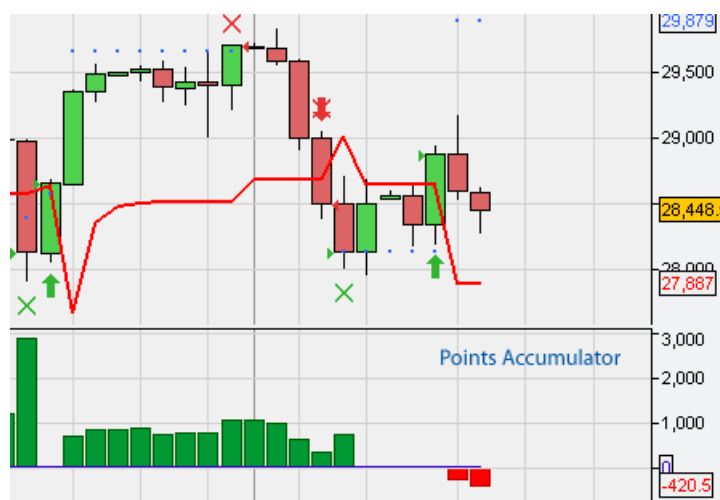
Every winning trade triggers at least 1 profit-taking signal, namely the first one. But not every winning trade triggers the 2nd “too far too fast” profit signal. Many trades might reach overbought status and generate a SELL without reaching the 2nd profit objective.

Profit Objective Markers offer a great psychological support to the trader, since they don't need to be left guessing at which point the system is going to suddenly trigger an event. Visual targets let you know how far we want to go and how far away we are, and will introduce more discipline and peace of mind into your trading style.

14.THE POINTS ACCUMULATOR

The point's accumulator gives us a nice view on the progress of a trade in terms of how many points it has lost or gained for us PER CONTRACT.

At the bottom of the live broadcast screen you will see a bar chart called "*Points Accumulator*". This merely accumulates for each trade the amount of index points gained on one "theoretical contract", assuming 40% (or 50% for a Class C long) of the contract is offloaded on first profit taking signal and everything offloaded on the 2nd profit signal. All longs are closed when the OBOS fires a sell. So it simulates trading the standard system long rules with 1 contract. For the short trades it also simulates the shorting rules with 1 contracts.



If you are following the system rules and position sizing guidelines, then you should be able to take the R-per-point of the contracts you are playing with and multiply them by the accumulated points shown in the bar chart times the amount of contracts you're playing to gauge equal profit.

The chart above shows nicely how many points up or down we are on the current trade per contract. You can see it is showing us the current trade is down 420.5 index points per contract. At R2 per point that's $R2 \times 420.5 = R841$ loss per contract we are playing.



The bar charts represent the point's lost/accumulated PER CONTRACT WITHIN THE CURRENT TRADE, and are NOT a cumulative measure across all previous trades. Each time a new trade is opened, the point's accumulator bar chart will be reset to reflect the status of that new trade (long or short.) Just look vertically up from the accumulator to see the trade it reflects.

15.FINAL GUIDELINES FOR ACCOUNT & TRADE SIZING

Using the new powerful “Take Profit” strategy, and the discussions we had in the RISK MANAGEMENT and RISK ADJUSTED ACCOUNT SIZING sections at the start of this document, we have configured the six options below to dictate account and trade sizing for SwingTrader ULTRA.



We do NOT double-up on the contracts for Class-A longs as in the rest of this document as this strategy exposes you to twice the trade risk. You are advised to have grown your account 30% before adopting this tactic. It's an excellent tactic, but make sure your account is large enough to handle its “double-risk” size.

All options have been configured to mean that a 1st trade loss affects no more than 10-13% of your start account, roughly half the risk as dictated by the LONGEVITY metrics at the beginning of this manual and roughly on par with the 10% Comfort Sleep Level (CSL). This is not only important to protect you from a string of losses, but also serves an important psychological role to ensure a new trader does not become discouraged by a string of losses and seeing large chunks of his account evaporate in a bad patch. As we have always stated, the more we can do to remove fearful emotions from the equation, the better your chances.

LARGE ACCOUNTS (R250K, R30 per pt)	TRADE	TAKE PROFIT	Maximum risk on all long & short trade setups is 4% of underlying, or 13% of start-account.	
Class A,B,D high confidence longs	3 x mini	1 x mini or 40% fraction		
Class C medium confidence long	1 x mini or 1.2x mini	50% fraction		Max Loss =R34,000
All shorts	1 x standard or 6 x mini	N/A		
SMALL ACCOUNTS (R50K, R6 per pt)	TRADE	TAKE PROFIT		
Class A,B,D high confidence longs	3 x micro	1 x micro or 40% fraction		
Class C medium confidence long	1 x micro or 1.2x micro	50% fraction		Max Loss =R6,792
All shorts	1 x mini or 6 x micro	N/A		
TINY ACCOUNTS (R10K, R1 per pt)	TRADE	TAKE PROFIT		
Class A,B,D high confidence longs	0.5 x micro*	40% fraction*		Max Loss= R1,132
Class C medium confidence long	0.2 x micro*	50% fraction*		
All shorts	1 x micro*	N/A		
*TradeSense required to fraction single contracts				

HUGE ACCOUNTS (R500K, R50 per pt)	TRADE	TAKE PROFIT	Maximum risk on all long & short trade setups is 4% of underlying, or 13% of start-account.	
Class A,B,D high confidence longs	1 x standard or 5 x mini	2 x mini or 40% fraction		
Class C medium confidence long	2 x mini	1 x mini		Max Loss =R56,600
All shorts	2 x standard	N/A		
MEDIUM ACCOUNTS (R100K, R10 per pt)	TRADE	TAKE PROFIT		
Class A,B,D high confidence longs	1 x mini or 5 x micro	2 x micro or 40% fraction		
Class C medium confidence long	2 x micro	1 x micro		Max Loss =R11,320
All shorts	2 x mini or 10 x micro	N/A		
SMALLER ACCOUNTS (R20K, R2 per pt)	TRADE	TAKE PROFIT		
Class A,B,D high confidence longs	1 x micro	40% fraction*		Max Loss= R2,264
Class C medium confidence long	0.4 x micro*	50% fraction*		
All shorts	2 x micro	N/A		
*TradeSense required to fraction single contracts				

16.MODEL PORTFOLIO AND ALERTS

We will maintain a model portfolio that will trade the 5th option in the previous section, displayed again below:

MEDIUM ACCOUNTS (R100K, R10 per pt)	TRADE	TAKE PROFIT	
Class A,B,D high confidence longs	1 x mini or ● 5 x micro	● 2 x micro or 40% fraction	
Class C medium confidence long	● 2 x micro	● 1 x micro	Max Loss =R11,320
All shorts	2 x mini or ● 10 x micro	N/A	



The model portfolio will be trading the R600 micro-contracts highlighted with red dots. The reason it trades with micro-contracts instead of the equivalent mini-contracts is that the trading language we use for the live black-box cannot handle fractions of contracts for disposals, so this is a mathematically equivalent workaround.

As you can see from the red box, the maximum loss per trade is set at R11, 320 which represents a 4% loss on the ungeared underlying Index CFD. This is 11% of our starting account, meaning we can manage quite a few runs of bad luck before making a dent in our account. In fact, we would need to encounter 8 consecutive losses before the account becomes inoperable.

	All trades	Long trades	Short trades
Profit & Loss (net total)	469,346.62	193,828.61	275,518.00
Total profit	547,947.62	204,933.61	343,014.00
Total loss	-78,601.00	-11,105.00	-67,496.00
Total profit / Total loss	6.97	18.45	5.08
Number of trades	56	28	28
Percentage of winning trades	78.57%	89.29%	67.86%
Winning trades	44	25	19
Losing trades	12	3	9
Even trades	0	0	0
Trade expectancy (Total P&L / Nbr trades)	8,381.19	6,922.45	9,839.93
Average profit on winning trades	12,453.36	8,197.34	18,053.37
Average loss on losing trades	-6,550.08	-3,701.67	-7,499.56
Standard deviation on profit and loss	10,935.85	5,998.25	14,105.00
Highest profit	31,206.00	16,115.41	31,206.00
Highest loss	-12,200.00	-4,654.00	-12,200.00
Avg time in the market (nbr of bars)	10.30	13.04	7.57
Avg time between trades (nbr of bars)	0.91	1.85	1.85
Avg time on winning trades (nbr of bars)	11.32	13.64	8.26
Avg time on losing trades (nbr of bars)	6.58	8.00	6.11
Avg time on even trades (nbr of bars)	n/a	n/a	n/a
Percent of time in the market	92.04%	92.04%	92.04%
Total brokerage fee	18,768.00	5,568.00	13,200.00
Highest nbr of consecutive winning trades	11	11	5
Highest nbr of consecutive losing trades	2	1	2
Drawdown (highest loss of the equity curve)	20,850.00	29,045.00	42,547.06
Highest gain of the equity curve	478,877.53	127,487.69	258,862.69
Return on initial capital (Profit&Loss/Initial C)	1,173.37%	484.57%	688.79%

The historical performance of the model portfolio appears on the left. Note it has a lower total return (1,100% gain as opposed to 1,400% gain) than the strategy we discussed in the beginning, since it does not double up on position sizes on Class-A longs. This is because doubling up represents an 8% risk and not a 4% risk, even if the win-probabilities are high.

However after you have grown your account by 30% you should have built up enough fat to start doubling up on Class-A longs without exposing your account to undue risk.

If you wish to follow the model portfolio, you would obviously use the mini-contracts since the SharenetCFD's trading platform allows fractional disposals.



The model trading account is broadcast on the internet LIVE for you to view at any time from an internet browser. You can also view it from a smartphone, iPhone, iPad or android tablet. You will be issued a nine digit code and a link to view it. The code will change from time to time.

The current version of the model portfolio live internet broadcast appears below. It is undergoing work and may change with time.



Clearly you can see the position sizes in Pane-2 representing the 5, 2 and 10 micro-contracts being played by the system. You would obviously not be using these amounts in your trades as you will be playing the mini-contracts as stipulated in the table on the top of this page, since you are in a position to dispose of fractions of a contract from within your trading platform (something the model portfolio cannot do). The idea is you compare your own performance to that of the equity curve at the top.



You will also be receiving SMS ALERTS to a single cell phone number (SA only) provided by you. The alerts will consist of shorty cryptic messages as follows:

1. THRESHOLD REACHED FOR LONG
2. BUY CLASS-A LONG [COVER SHORTS]
3. BUY CLASS-B LONG [COVER SHORTS]
4. BUY CLASS-C LONG [COVER SHORTS]
5. BUY CLASS-D LONG [COVER SHORTS]
6. THRESHOLD REACHED FOR TAKE-PROFIT
7. TAKE 40% PROFIT
8. TAKE 50% PROFIT
9. THRESHOLD REACHED FOR CLOSE LONGS & SHORT
10. MARKET OVERBOUGHT
11. CLOSE LONGS & SHORT MARKET CLASS-A
12. CLOSE LONGS & SHORT MARKET CLASS-B
13. CLOSE LONGS & SHORT MARKET CLASS-C
14. THRESHOLD REACHED FOR COVER SHORTS
15. COVER SHORTS
16. TRADING CEASED (BEAR MARKET)



A blank email with the above text in the subject-header will also be sent to a single email address you specify when you sign up to the service.

Alerts 1, 6, 9 and 14 relate to the first time in the day a set threshold is breached and are only sent once per day. This allows the trader to be fore-armed something is possibly close to happening and indeed certain traders would even want to perform actions if they are following an intraday-strategy.



All the other signals relate to a real action the model portfolio has performed. As it makes decisions and trades at 01H00 SAST you will receive these notifications around 07H00 in the morning to allow you to execute your trades early in the day.

17. TIMING ACTIONS, SETTING STOPS & LIMITS

Whilst we generally encourage manual intervention in trades when profit objectives and/or SELL/BUY signals are triggered, there are occasions when you know you might not be in attendance when a signal fires and you want peace of mind during your absence that you may not miss a signal.

The reason we dislike the use of automatic stops and triggers is that quite often large intra-day swings in the index price could prematurely trigger the alerts in question, either getting you into a trade too early or ejecting you from an existing trade too early. The ULTRA system is based on EOD and close-of-bar decisions, which has a known statistical success whereas actions based on immediate tripping of thresholds have less known deterministic outcomes.

If you really want to set an action trigger for a BUY, SELL, CLOSE or TAKE PROFIT signal, then you can. Our only advice is to add 0.25% to 0.5% "leeway" to the trigger to compensate for intraday volatility.



Assume the blue line representing the trailing stop in an open long trade is at a 27,887 level as shown on the left. We would advise setting an automatic stop to include 0.25%-0.5% leeway or 69 to 140 points, meaning an automatic stop from 27,747 - 27,818. There is still the risk the bar closes below the blue line but above your auto-stop so the wider your leeway the more you face the risk of missing a real intended exit. We would apply this "leeway principle" to GO LONG signals as well, in other words programming a level for an automatic trade open.

When it comes to the blue dotted lines for profit objectives, we are less concerned whether the close of the bar differs much from the intraday strike-point, and are therefore more relaxed with the use of automatic stops. In this way you could have an open long position and set an automatic close order limit to sell the position when the blue dotted line is reached. When it comes to shorting however, we would use some leeway as demonstrated for the trailing stop, as much of the short profits come from that last "panic day" that usually drops 1-2% and the use of an intraday strike-point could limit gains.



As a summary it's best to try and configure your orders as close as possible to the mechanical systems use of "close of current bar" or the next best option of "open of next bar" threshold trigger rules, but there are circumstances when you cannot be in attendance and thus your next best option is to use automatic stops to do the buying/selling in your absence.

The mechanical model uses the close of the current bar, which occurs at 00H00 GMT (between 01H00 and 02H00 SAST depending on season) to determine if a threshold has been matched to trigger a trade action. To follow this the closest, you will need to be awake at these times to duplicate the order timing, or alternatively make your trade before then or after then.

Making the trade before is best left to between 9PM-10PM SAST as by then the US markets have solidified their direction and likely to act as leading indicator for the following day. There may be circumstances before 9PM where the breach of a threshold has been rather convincing and after 2 hours of US market action you can be pretty sure the threshold is likely to STAY exceeded and in this case, you can make a fairly decent judgement call to initiate an even earlier trade.

Making the trade after, you can perform your actions from 6am to 8-am since not a lot is likely to have changed between 00H00 GMT and then.



We send you an SMS whenever we deem the on-close threshold breach to be a "sure thing with 80% confidence" This could be late evening or early morning.



Let us look at an example of setting an automatic stop-out as well as an automatic profit-taking action on the trade depicted in the graphic on the left.

For the profit-taking action we want an immediate strike of 29,879 and for the stop-out we want a 0.25% “leeway” which will set the stop at 27,887 less 69 points, or 27,818.



When opening a new long trade it is best to **SPLIT IT INTO TWO PARTS**, namely the part you are going to offload in a profit-taking action (40-50%) and the remainder to be offloaded when the main sell signal comes. You then programme the auto-profit-take action on the one set of contracts.

We now need to select the set of contracts we want to generate an auto-profit-take limit order for. You do this by clicking on the name of the contracts you want to make settings for, just to the right of the green circle:

Open Positions									
Market			Period	Opening	Position	Stop	Type	Limit	
South Africa 40 (ZAR2 Micro Contract)			-	28808.0	+1	-	-	-	
South Africa 40 (ZAR2 Micro Contract)			-	28586.0	+1	-	-	-	

Ticket

South Africa 40 (ZAR2 Micro Contract)

Edit

Close Position

Current Level 28694

Opening Level 28586

Size 1 contracts

Currency ZAR

Ref KGQU8NAV

Stops and Limits

Stop Level 27818 < 28676

Limit Level 29879 > 28694

☐ Guaranteed Stop

Requirements

Margin Required ZAR 600.00

Cancel

Submit

This should open the TICKET for the trade as shown on the left.

You then need to select EDIT (encircled in red) and then:

1. Configure the STOP LEVEL (against the blue line in the SwingTrader ULTRA signal chart.) Don't forget to include your “leeway” for intraday volatility.
2. Configure the LIMIT LEVEL (dotted blue points depicting profit objective on signal chart.)

When you are done, just click SUBMIT to activate the automatic stop and profit-taking actions. You should see a confirmation dialogue box.

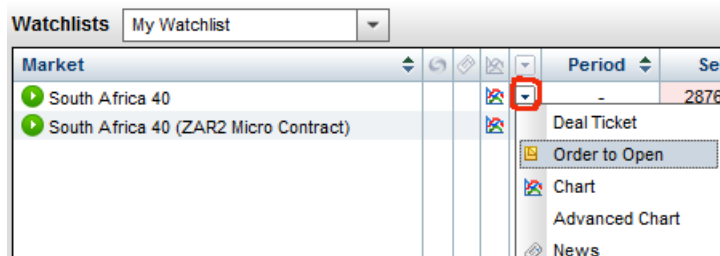
Repeat the above action to set the STOP level for the remainder of the trade (the other contract in this example.) We now have 2 contracts on the long, with 1 set to take automatic profit at 29,879 and both set for an automatic stop-out on 27,818 as shown below:

Open Positions									
Market			Period	Opening	Position	Stop	Type	Limit	
South Africa 40 (ZAR2 Micro Contract)			-	28808.0	+1	27818	N	-	
South Africa 40 (ZAR2 Micro Contract)			-	28586.0	+1	27818	N	29879	



You could replicate this approach with 3 contracts (1 or 33% set for profit-taking) or 4 contracts (2 or 50% set for profit taking) or 5 contracts (2 or 40% set for profit taking.)

Now let us assume we are out the market and waiting for the Index CFD to break through the solid blue SwingTrader stop-line to signify the opening of a new long contract. You notice from the ULTRA signal chart being broadcast on the interest that the correction is close to being over and we are near the threshold but you will not be in attendance to open the possible trade for whatever reason.



You click on the drop-down action-box for the desired contract you wish to purchase in your Watchlist and select ORDER TO OPEN as demonstrated on the left.

This will open a new “order to open” ticket, where you must then select THREE things:

1. DIRECTION (BUY in this instance),
2. The ORDER LEVEL (your entry point, or the blue ULTRA line). We used 29,000 as an example here.
3. The number of contracts (3 micro-contracts in this case meaning we require R1, 800 in margin payment.)

You can also select the TIME IN FORCE, either “good till cancelled” or a specific expiry date and time in the future.

If you wish you can also program in your stops but you won’t know what these are from ULTRA until after the trade has opened.

Click on SUBMIT to confirm the automatic order instruction.

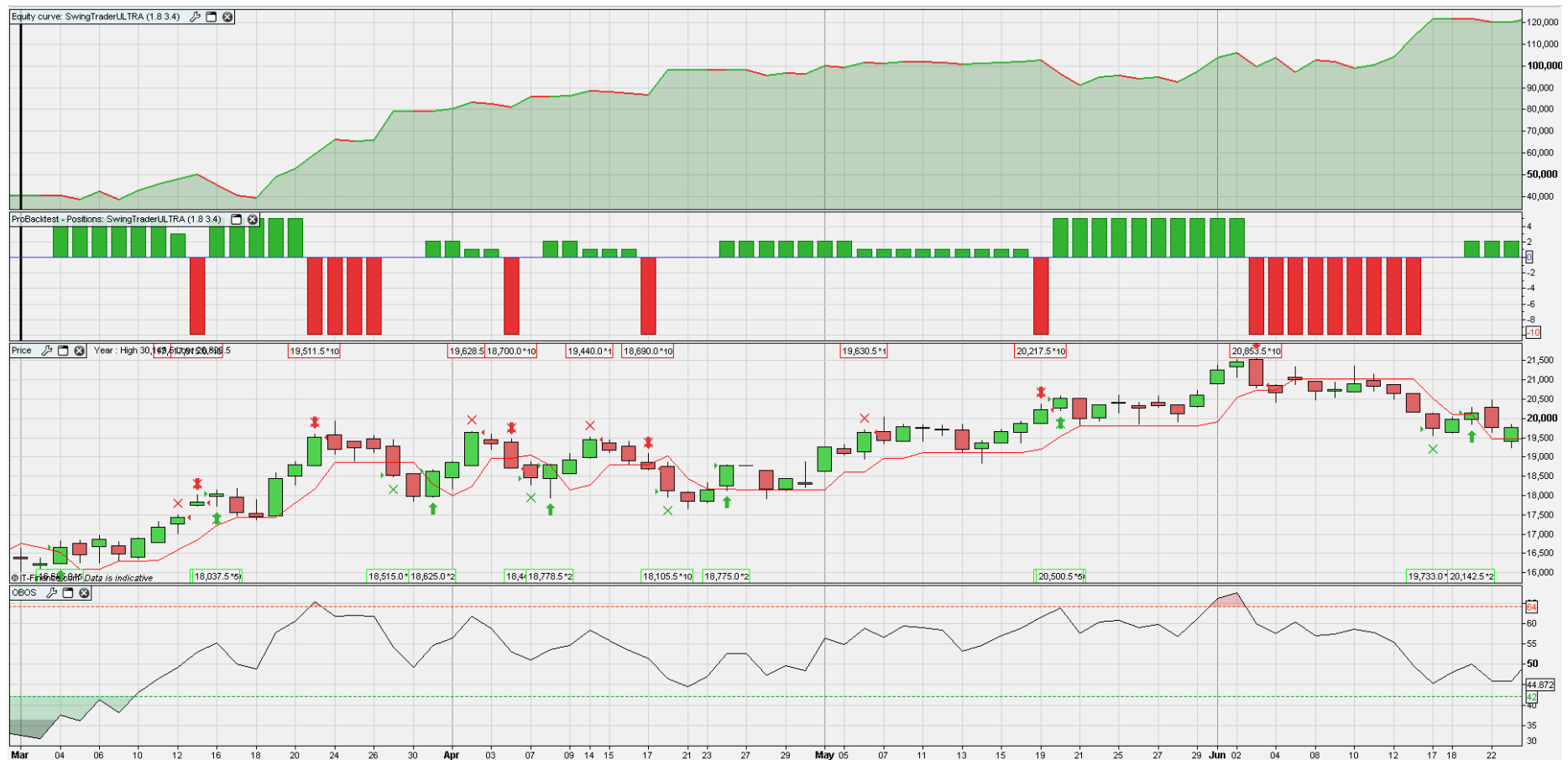
The automatic order should display in your WORKING ORDERS window. This window holds order instructions for contracts you DO NOT OWN YET.

Working Orders										
Market			Period	Working	Order Type	Level	Stop	Type	Limit	Good Till
South Africa 40 (ZAR2 Micro Contract)			-	+1	Stop	29000.0	-	-	-	GTC
										28781

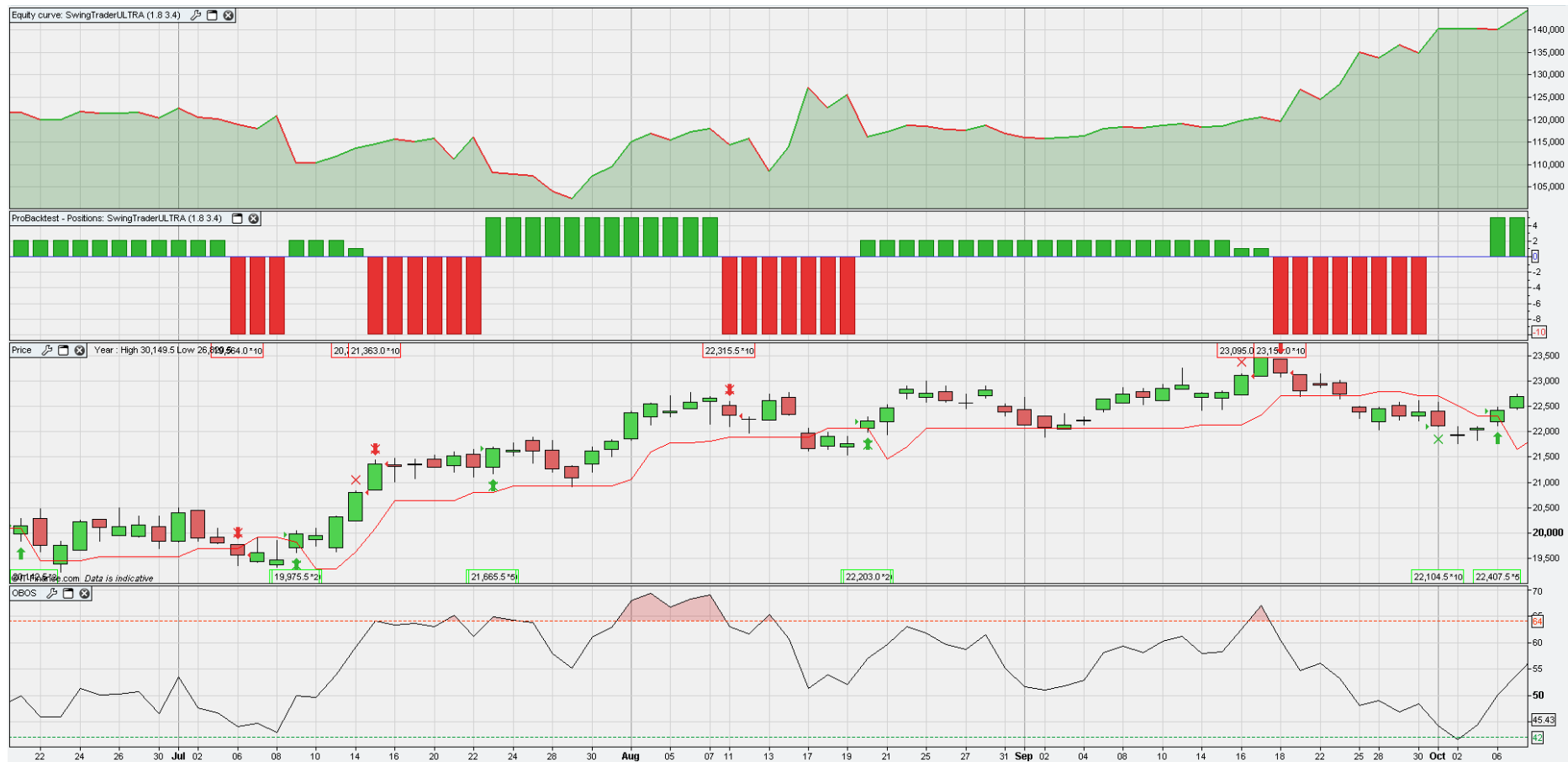
It will remain in this window until it is cancelled or fulfilled. If it is fulfilled, then a SEPARATE order will display in your OPEN POSITIONS window (as you now OWN the contracts.)

18. Trade Catalogue – Mar 2009 to Jul 2009

A record of all trades since March 2009 appears from here onwards. The system is not perfected yet – clearly on some occasions a short-trade is begging but none is present. This may look obvious in hindsight, but without the benefit of hindsight, things get a lot tougher. The system is right more than it is wrong or absent from a trade and that is what counts for now. We are sure over time we will get closer to smoothing over some imperfections.

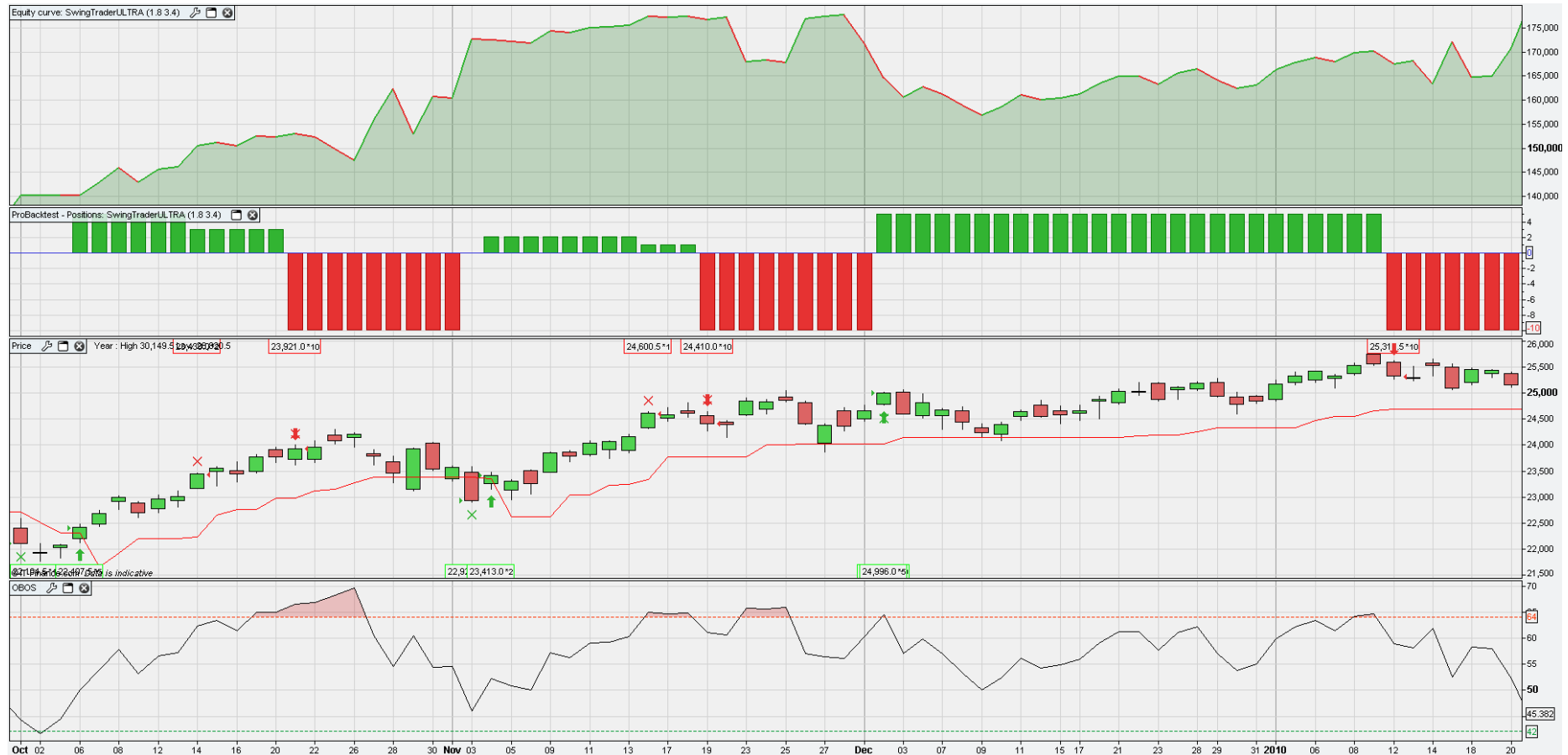


19.Trade Catalogue –Jul 2009 to Oct 2009



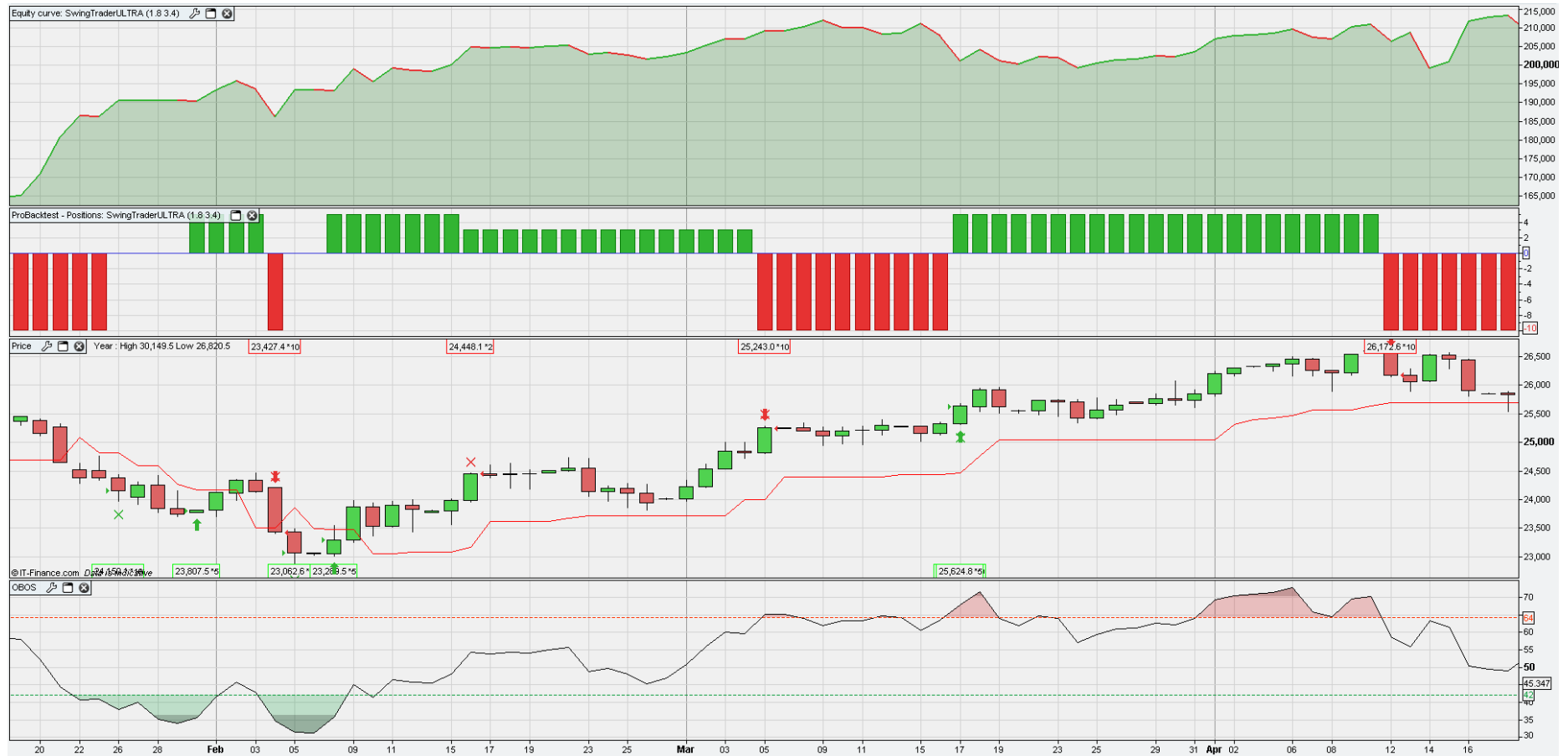
Use the page-zoom feature on your PDF viewer to get better resolution views.

20.Trade Catalogue – Oct 2009 to Feb 2010



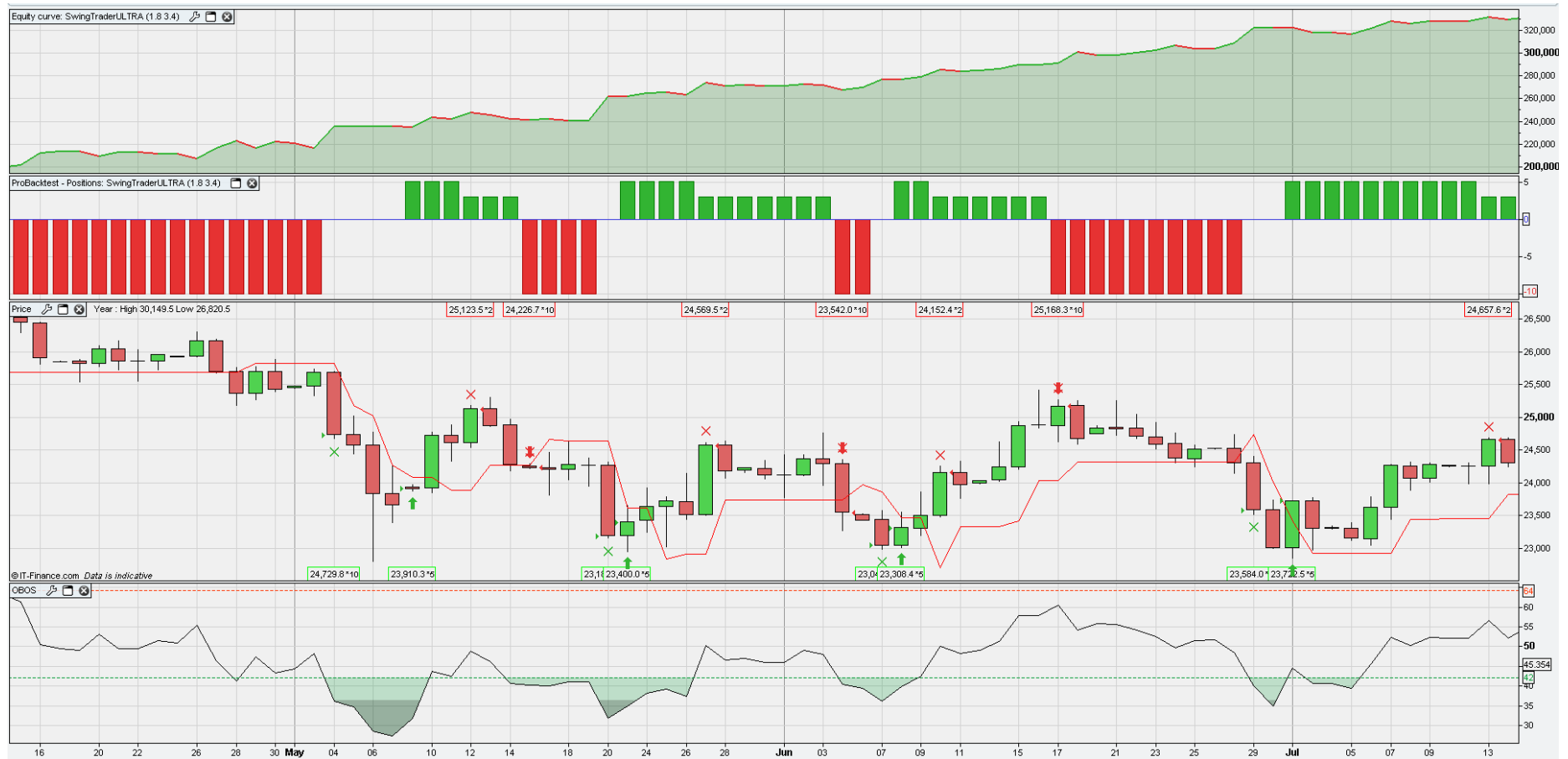
Use the page-zoom feature on your PDF viewer to get better resolution views.

21.Trade Catalogue – Feb 2010 to May 2010



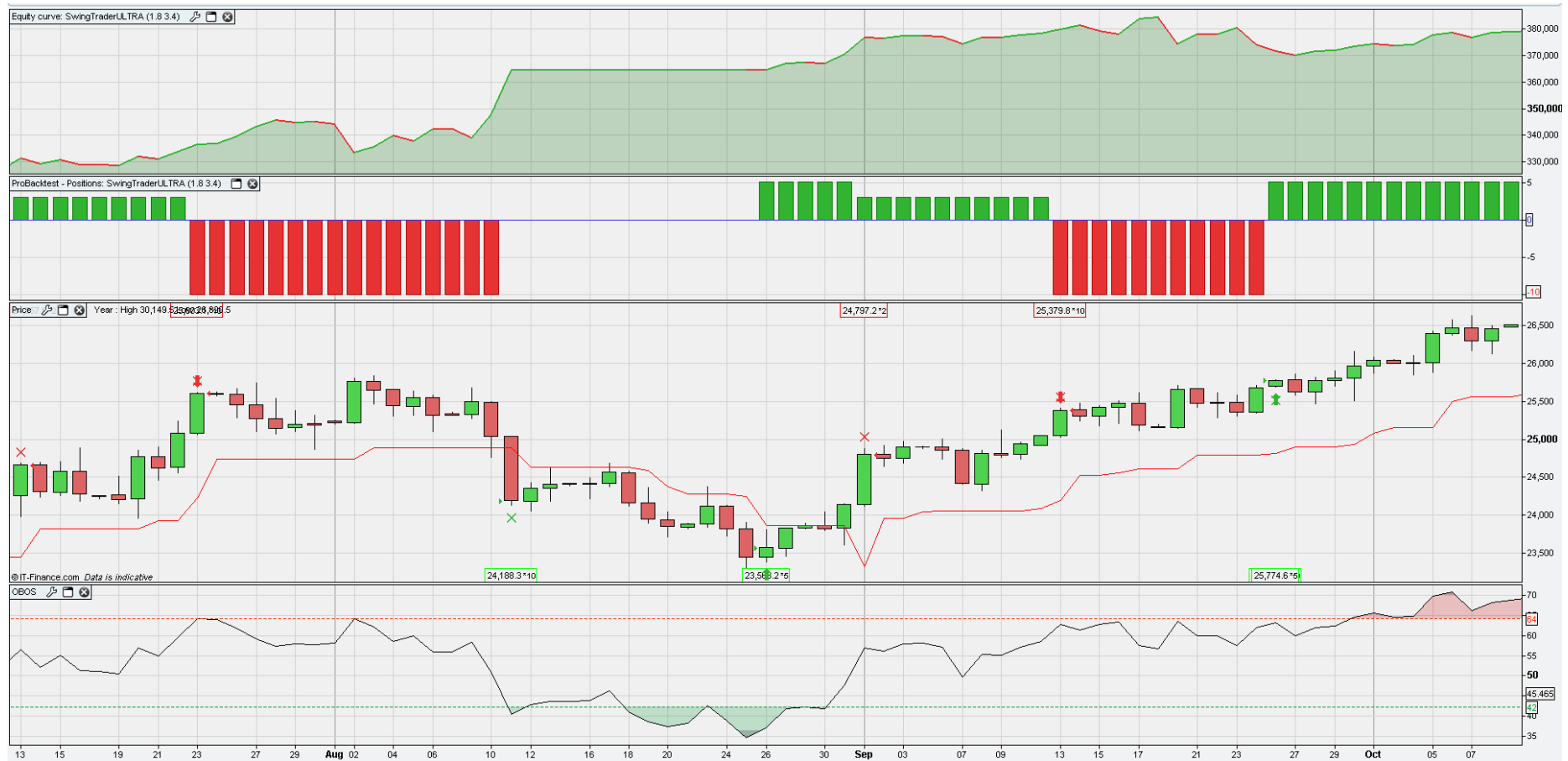
Use the page-zoom feature on your PDF viewer to get better resolution views.

22.Trade Catalogue – May 2010 to Aug 2010



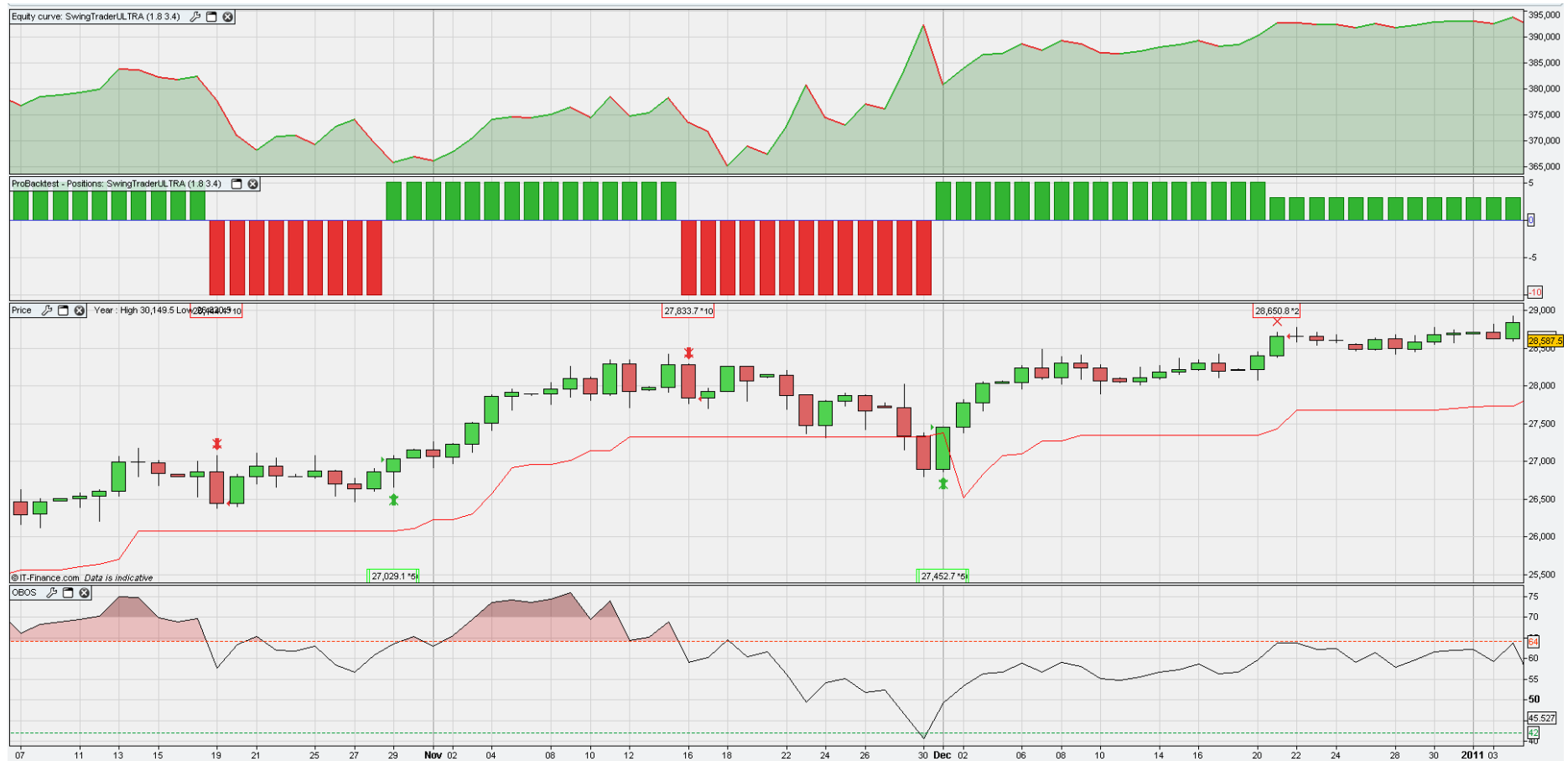
Use the page-zoom feature on your PDF viewer to get better resolution views.

23.Trade Catalogue – Aug 2010 to Oct 2010



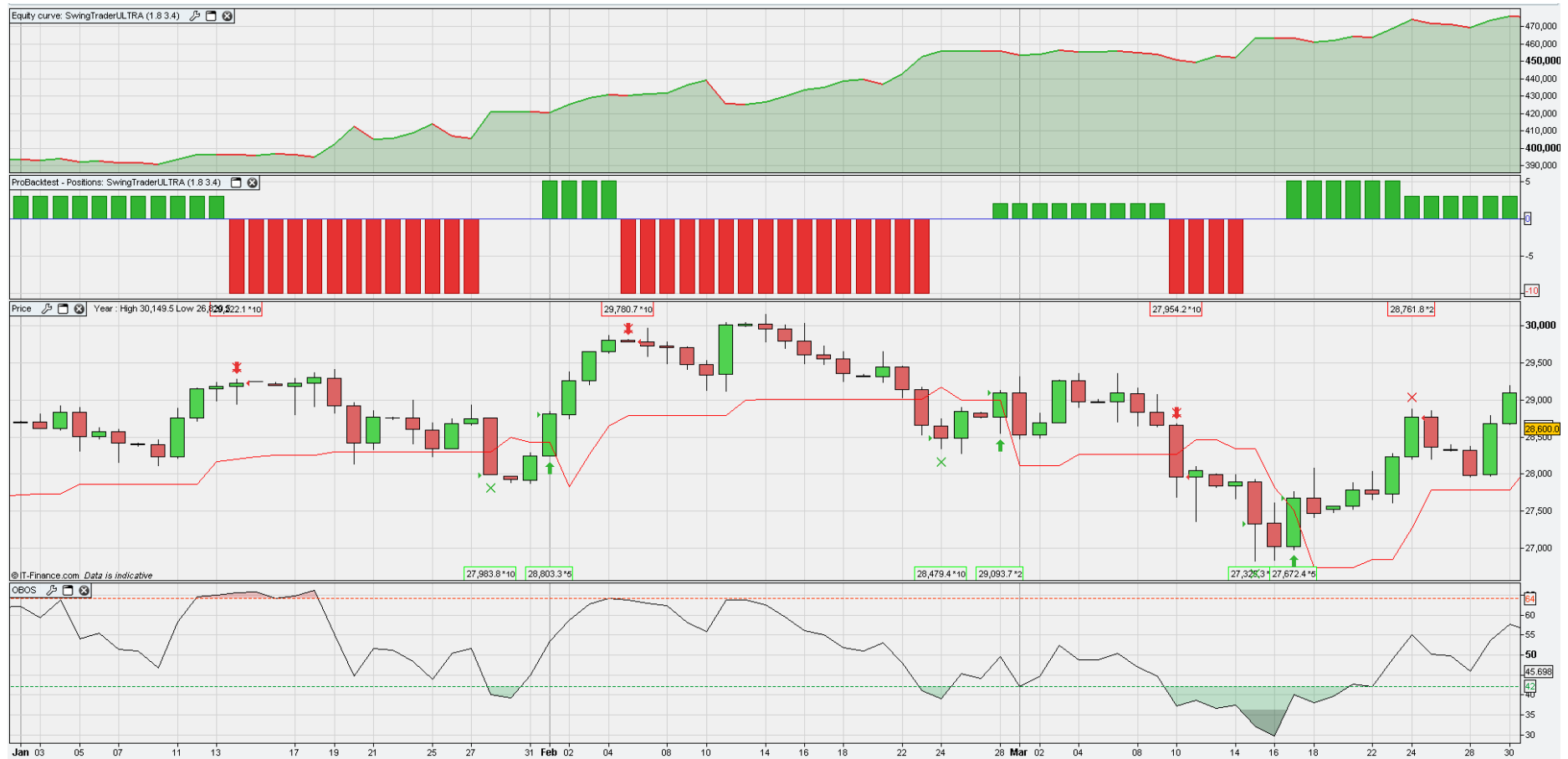
Use the page-zoom feature on your PDF viewer to get better resolution views.

24.Trade Catalogue – Oct 2010 to Jan 2011



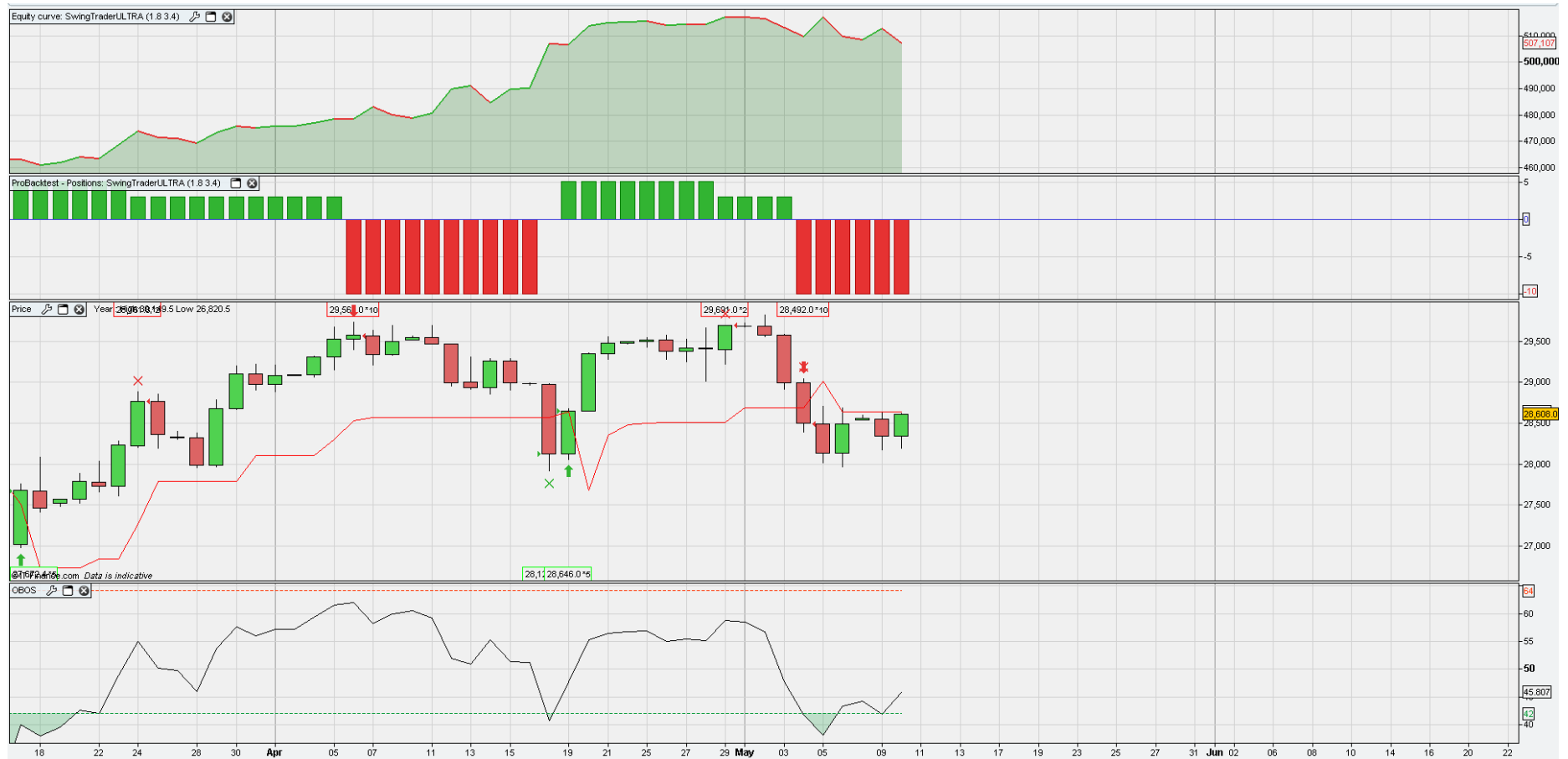
Use the page-zoom feature on your PDF viewer to get better resolution views.

25.Trade Catalogue – Jan 2011 to April 2011



Use the page-zoom feature on your PDF viewer to get better resolution views.

26.Trade Catalogue – April 2011 to Present



Use the page-zoom feature on your PDF viewer to get better resolution views.