

MODIFICATIONS TO SWINGTRADER ULTRA (ULTRA+)

INTRODUCTION

The sideways market of the last 6 months created a tough trading environment for our ULTRA subscribers. Although ULTRA went sideways to ever so slightly upwards during this period, we felt that there were enough trading ranges that were not being properly capitalised on due to ULTRA using profit target metrics geared for the strong up-ward trending market the 2 years prior.

Trade entries were as normal, very good but during the sideways market we noticed on some occasions that the 1st profit objective was not met, resulting in a losing trade or worse still the trade going very well but just missing the 2nd profit objective - only for ULTRA to see very nice gains go up in smoke as the index collapses back under the trailing stop.

After 4 weeks of research and working with the back-testing systems, we believe we have come up with a far superior SwingTrading system which will be called ULTRA+ This system only modifies the profit management of long-trades and leaves the shorting strategy unchanged, since the shorting strategy actually performed rather well in the sideways market.

BETTER PROFIT TAKING REGIME

ULTRA+ is far more aggressive with its profit-taking regime, doubling up the profit-taking targets from 2 to 4. Whilst these additional targets result in more trades, as you dispose of contracts to realise profits, it reduces losses and actually produced a nice upward sloping equity curve for the duration of the sideways market. The overall 3 year total returns are also improved by some 5%, but this is just a bonus as the focus of this exercise is to make ULTRA+ more responsive to a wider variety of different market conditions. We thus have something that should perform well in a raging bull market, a mild bull market and a sideways trending market.

The original profit targets (those dotted lines you see on the ULTRALive! Signal chart) remain unchanged as they are what they are for very good reasons, especially in strongly trending markets. We however introduce one lower profit target than the original 1st profit target and also a profit target between the original 1st profit target and the original 2nd profit target. So a range of two possible exits has been expanded to include 4 possible exits.

We also feel that an active strategy where new or inexperienced subscribers are regularly banking profits in the duration of a trade leads to more comfortable and rewarding trading which will alleviate any psychological effects that normally land up sabotaging your trading results.

TRADE SIZE CHANGES

Currently the robotic ULTRA system trades 5 contracts for the Class A, B & D high confidence longs and 2 contracts for the Class-C medium-confidence longs. To accommodate extra selling points in a trade, we needed to modify the minimum amount of contracts for the Class-C longs, which changes from 2 to 3 contracts. This does not increase the ULTRA risk profile since the additional profit taking points actually reduce risk.

PROFIT TARGETS AND OPTIMAL DISPOSAL SIZES

The table below describes the new profit taking regime based on back-testing we have done to determine the optimal values for risk-adjusted performance. Profit2 and Profit4 are the two original profit targets from ULTRA and remain unchanged (except in their disposal amounts):

Trade Type	Trade Size	Profit1	Profit2	Profit3	Profit4
Class A,B,D Longs	5	1 or 0.20	1 or 0.20	2 or 0.40	1 or 0.20
Class C Longs	3	N/A	1 or 0.33	1 or 0.33	1 or 0.33

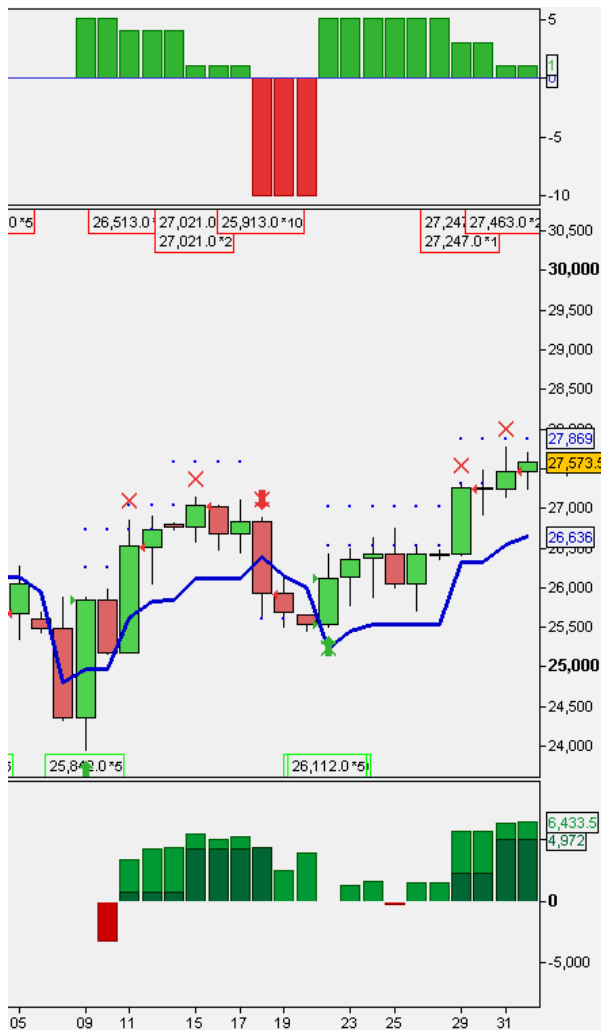
Profit-taking target disposal sizes, fractions are of 1 contract.

So for example on a Class-A long you either play 5 contracts or 1 contract depending on your account size or risk profiling. If you play the 5 contracts, then upon meeting the 1st profit target (Profit1) you will dispose of 1 contract. If you could only afford 1 contract when you opened the trade you then dispose of 0.2 contracts (IG markets let you dispose fractional lots)

For the Class-C longs we ignore the 1st profit target (the Live! Chart will not display one). Fractional lot disposals are 1/3 (0.33 is close enough)

LIVE! SIGNAL CHART CHANGES

The chart below shows the new signals for the last trades done in August 2011:



The *positions indicator* now shows the more active contract disposal activity as described in the table in the previous section.

During a trade, the next two highest profit targets are displayed as dotted lines. This is because sometimes a big 1-day move can strike 2 profit targets so you need to know the appropriate amount of contracts to sell in real-time.

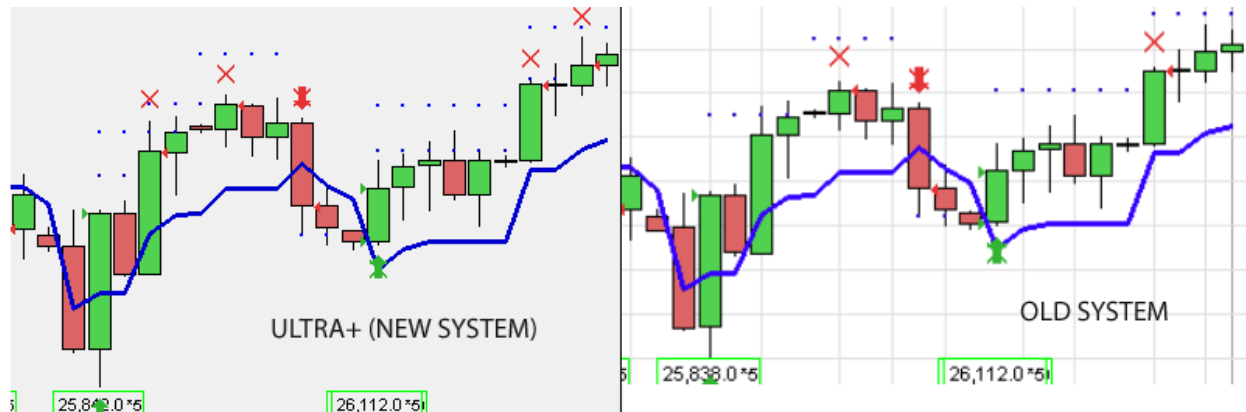
There will be more red crosses showing disposals along the way as we lock in profits. As normal ULTRA+ can only trade end-of day (11PM) but you are encouraged to take profits intra-day, the moment strikes occur.

The *points-accumulator* is all-new. First, it shows total accumulated points profit/loss and not the per-contract points of the old system. This is based on 5 contracts for A, B & D's and 3 for C longs.

The dark-green portion shows how many points we have LOCKED IN as a result of profit-taking disposals. Since we don't have inter-trade profit targets for the shorts, they don't have dark green sections. Pretty neat hey!

OLD VERSUS NEW

You can see the superior results in the last 2 trades in August 2011 in the below graphic:



On the first long trade starting at the left, the old system took 2 contracts profit at the peak and the remaining 3 contracts dived after the advance failed to continue and we were stopped out. Total profit was still a respectable 2,591 points based on a 5-contract trade.

ULTRA+ on the other hand secured a juicy 4,279 points profit due to the superior profit-taking. It banked 671 points on the first offload (1 contract) and disposed 3 contracts at the peak to bank a further 3,537 points profit. It disposed 3 contracts as it broke through the 2nd (1 contract) and 3rd (2 contracts) profit targets. There was now only 1 contract remaining with the market when it turned over and died, meaning fewer losses than the 3 that followed the market down on the old system.

This is a great example of how disciplined profit-taking reduced our risk. Sure, if the trade was to go and roar like the blazes to the moon we would make less money with this strategy, but the new strategy actually saves us more on the lousy trades than we lose in opportunity on the good trades.

Look at the 2nd long trade. You can see the index was flirting intra-day with the 1st profit target on at least 3 days and provided you ample opportunity to bank 413 points profit. Once you disposed of 1 contract you DON'T dispose of more if the profit target keeps being touched, your next objective is the 2nd profit target for your next disposal. This was duly met on the 7th day of the trade.

Because ULTRA+ can only trade end-of-day (when the candle completes and closes) it could not make those first profit targets, so when we punched through on the 7th day it sold TWO contracts since we punched through 2 profit targets. In this instance ULTRA+ would have made more profit than the human who disposed on the intra-day basis but there are many examples where ULTRA+ is NOT SO FORTUNATE and the market keels over leaving it LOSING more money than intraday traders that took profit on the strike.

CONCLUSION

The Live! Chart gets a little busier (lots more dots from profit targets) and you get more SMS'es from us when profit targets are met and you have a snazzier points accumulator. But best of all you have less risk and more enjoyable trading. If you would like to continue trading the old system (which in strong markets performs better than the multi-profit-take strategy) then just follow profit targets 2 and 4 and nothing changes.