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email: whatreallyprofits@canonburypublishing.com

What Really Profits?

An Independent Review of Trading Systems, Stock Market Tipsters & Investment Strategies

System Review: Trend Signal

Can this high-priced trading system deliver where others have failed?

Trading systems that shout from the rooftops about how good they are quite honestly two a penny. Many systems promise you the moon on a stick - guaranteed! However all too often the reality falls far short of what's been promised.

So when I come across a system that looks professional with understated marketing, it gets my

attention. Trend Signal has quietly been building a good reputation within the trading community so I made it a priority to review the software on behalf of my members.

6 Signals are better than one

Trend Signal is more of a trading application than a system. It provides 6 indicators for you to use to help with your trading decisions. It's probably worth mentioning right at the start that this is definitely not what is known as a black box system. A black box system is a trading system that simply gives you buy and sell signals which eliminate any thinking from the equation. Black box systems might be ok if the system is good, they don't teach you how to trade.

Black box systems are popular with traders, especially with beginners and in many ways they serve a useful purpose. Perhaps it is human nature, but I have found that many people soon want to tweak these systems or get bored simply pressing a button.

What Trend Signal does is to provide you with 6 separate trading indicators that can be used in a multitude of ways to formulate a trading strategy. Each of these indicators might give their own 'buy' or 'sell' signal, but it is up to you to determine how you will use them all together. You might just follow one indicator, or you could take into account all three, the important thing is that you are in control of the exact entry and exit points.

The claims

I'm sometimes a little wary of systems that are created by someone with a non-trading background. This isn't to say that you have to be an age old experienced trader to be able to create something that makes money, but I do sometimes question the experience of the vendors. Thankfully, Trend Signal has been developed by traders for traders, so at least you can have conversations with them and they understand what they are talking about!

Rather unusually, there are no huge profit claims. Well not in comparison to the hyperbole you sometimes get with systems. There are no profit guarantees or promises of riches, we are simply given a straightforward description of the software:

TrendSignal is trading software that is designed and built by experienced full time traders in futures, financial spread bets and all forms of share trading.

TrendSignal is used to trade indices, shares, commodities, foreign exchange and bonds. It can trade any instrument in any time frame. You choose the preferred time frame and the signals are applied

automatically, with no manual adjustments needed.

Trading with TrendSignal software is a unique approach to trading the market. Whether you are a total beginner, a day trader or a professional - whether you are spread betting or futures trading and whether you trade equities, indices or forex, successful trading requires market knowledge and an ability to predict market trends.

All too often, software is marketed without acknowledging any of the risks. Trend Signal's attitude appears to be "We've give the best tools possible, but it's really up to you". And that's about right in my book.

The Trend Signals

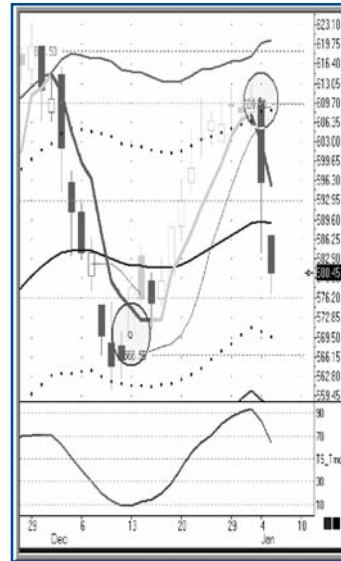
The Trend Signal package offers six indicators which you can combine to assess a potential trade. Each of these are automatically generated so all you need to do is figure out how best to trade them together. The indicators work for all time frames and across all markets provided there is enough liquidity (enough people trading the market). Here's the 6 indicators:

1. Price Envelopes: these work around a moving average of a stock or Forex price. The most common price envelopes are Bollinger Bands or Keltner channels. The logic behind them is similar to the law of averages, which states that everything revolves around an average or 'normal' state. Sometimes things go to extremes and you get activity that is far beyond what is normal. When this happens, in theory things should slowly start to become normal again.

Price envelopes in trading revolve around a moving average with upper and lower bands. These upper and lower bands act like the stretchy ropes of a wrestling ring. Most price action will take place within the confines of the ring, but sometimes price action become extreme and hit the ropes. The ropes are stretchy so this extreme action is likely to result in a snap rebound. When this happens, you can use price envelopes to predict when a pull back is due. Like an American Wrestler running at the ropes, the harder he hits them, the faster rebounds.

Trend Signal draws its own price envelopes. The idea is to use them to spot points when the tend is likely to reverse or likely to continue. Trend reversals towards the bottom or top of the envelope offer the greatest potential for reward because they indicate that the price has reached unsustainable levels.

In the following screen shot you can see the upper envelope snaking upwards at the top of the picture, the moving average around the centre (finishing around 589) and the half way point between the two denoted by the dotted line.



2. The Trend Signal: this was the original indicator behind the software. There is a famous trading maxim that states "The trend is your friend". All very well, but how do you know when a new trend has started or an old one is about to end? Trading with the trend can be very profitable, but getting in too early or too late can be devastating for your financial health.

The Trend Signal helps you to spot the trend direction in one easy indicator. When it changes from green to red it signals that a change in trend is imminent. The Trend Signal sits at the bottom of the chart moving between a scale of 1 to 100. The line is meant to represent the emotional state of the market. The line itself changes to green to represent buying pressure and red to represent selling pressure.

The strategy is to take signals when the trend signal turns from green to red and vice versa. Good signals occur below 30 and above 70, the best signals occur below 10 and above 90. The idea is that when the trend signal reaches a high level like 90, the market is over bought and ready to make a pull back. When the trend signal reaches a level like 10, the market is over sold and is ready to bounce. Therefore taking signals based on the change of colour from red to green or vice versa are meant to be more valid.

3. Pivot Points: Trend Signal automatically draws horizontal lines known as pivots points. These are often based on previous highs and are meant to represent potential future points that the trend will reverse.

These pivot points can be very useful for placing stops or price targets. The price usually stumbles or reverses around these levels so they can be incredibly useful.

4. Sniper Circles: these are yellow circles drawn on the chart that represent a significant potential trend

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reversal. They appear when Trend Signal detects the following:

- A pivot point being close
- The Trend signal becoming green or red.
- A reversal candlestick pattern.

Sniper Circles are relatively rare but do pick up 60% of high-profit trades. The absence of a sniper circle doesn't mean a trend won't reverse.

5. Vector Average: this is a shorter term indicator than the trend signal and flicks from red to green and vice versa. The vector average is displayed with the price like a moving average. Green indicates and uptrend while red indicates a down trend.

6. Step Stop: this indicator will follow the price up and down and will adjust depending on the severity of the trend. This stop isn't perfect but is a very useful guide.

Putting it all together

Apart from perhaps The Sniper Circle, these signals are not meant to be taken in isolation. You don't have to use all of them, but you'd be ignoring many of the great inputs you have if you did. The great thing about Trend Signal is that you can use it to suit your trading style. The software can be applied to any market and any timeframe.

If investing you could use Trend Signal to look at an individual stock's monthly charts. If you wanted to day trade Forex you could narrow down to a 5 minute chart.

Does it work?

As the software isn't simply giving you buy and sell signals, it's hard to say that it does "work". However if you look at it as a tool to seriously help your own trading and decision making, then I'd say that yes, it will do the job very well indeed.

Using Trend Signal won't automatically make you profits, but in my opinion it will help an average trader become a very good one. Experienced traders will also probably find that it helps their bottom line. I have tested the software live over the last month and have backtested it using different markets and time frames and my conclusion is that it is a very useful piece of kit. The different indicators are accurate on the whole and can be highly profitable if put together.

How to use Trend signal

Trend Signal provide training to get you started and there are webinars to get ideas on how to trade. One method of trading that is recommended is to wait until both the Trend Signal and the Vector Average change

from red to green or vice versa as long as the Trend Signal is above the middle line. To be extra sure you can wait for the Trend Signal to reach extreme prices or for the price to be near the upper or lower envelope.

I made some good trades using Trend Signal. Here are a few practical tips:

- The Trend Signal must be below the middle line to go long
- Wait for the Trend Signal to change from red to green.
- Wait for the Vector Average to change from red to green.
- Calculate two profit targets usually using Pivot Points.
- Take half profits at the first profit target and consider taking profits at the second profit target.
- Place a stop above a recent high or pivot point.
- Only take the trade if the first profit target is twice the distance from the stop. This means a 2:1 risk reward ratio.
- If the signal comes on a strong bar, wait for a pull back before entering.

Exit on the Pivot Points, use the Step Stop or if the Trend Signal changes colour.

In the following chart you can see the Trend Signal in the bottom section. The chart is a Daily chart based on the S&P 500 futures which is easy to spread bet if you do not trade futures. You can see the Price Envelope's upper line, middle line and lower line as the three continuous lines in the centre. In the middle the Vector Average the thick line closely tracking prices. The Step Stop is the line dropping at squared rather than curved angles:

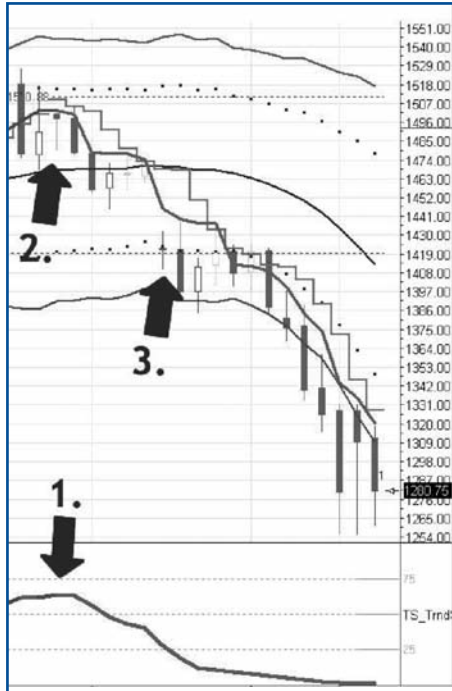
1. The Trend Signal turns from green to red and is above its middle line. Or dark grey to light grey as it does in the example.
2. The Vector Average turns from green to red (Or dark grey to light grey in the two colour example). The bar isn't too strong so you'd look to enter around the close or the open of the next day. Entry at 1500.

The first profit target is the pivot point around 1420 and the stop would be above the high of the candle two bars back. This means the stop is 1530 and the first profit target is 1420. This equates to a risk reward ratio of 2.6. Pretty good! As there is no lower pivot we might consider selling on a close below the lower envelope or using the step stop.

If you were spread betting you might have an account balance of £2,000. Risking a max of 3% of

your account means a total risk of £60 or £2 per point times the 30 point stop loss. The profit target 80 points away means you'd be risking £60 to win £160 or more potentially.

- The trade progresses well and our first profit target of 1420 is hit. We'd sell half here, netting us £1 times 80 points, £80. We'd then move our stop to break even or lower meaning we can't lose from this point, we have a free trade.



The trade continues well and the S&P futures continue to crash. You might set your next profit target as being a close below the lower Price Envelope as a warning then a close above the Step Stop.

In fact the price continues to crash and you might still be in the trade as the step stop hasn't been broken. Let's say you exit at the last Step Stop of 1328, that's 172 points for the remaining part of your trade. Your tally might be 172 points + 80 points = 252 points, or £252. Not bad for risking £30!

The Crash Test!

This is perhaps an extreme example and as you might have guessed, this time period is the US markets from just before Christmas until the 23rd of Jan. Any system I look at from now on will be subject to the "crash test", i.e. how did it fair with the recent crash.

It was obviously a fortuitous time to sell, but the fact that a signal came near the top of the market and didn't reverse, means you could have grabbed more than your fair share of the collapse.

What impressed me was that the Trend Signal and Vector Average remained red throughout, while other systems might have taken profits early. Of course, you could have taken profits early depending on your interpretation of the software.

I'm just miffed that as I was only testing the software I didn't put any money on the signals. It passes the crash test with flying colours!

The package

The Software is pricey, but in the grand scheme of things I'd say that it isn't outrageously expensive for end of day data.

With both packages you do have to subscribe to Ensign Software for around £20 per month, this is in addition to the fee to purchase the software. Trend Signal is actually an add on module that works within Ensign Software. Ensign software is a very good charting package that I'd recommend you use even if you don't ever take a look at Trend Signal.

Another extra cost on top of the software fees is the data feed. This is free for end of day data, but costs more for live feeds. Live forex is free.

End of Day package:

End of day data refers to data that shows prices at the end of the day or that is significantly delayed. This is suitable for anyone who wants to trade based on closing prices and doesn't need up to the second market feeds. This is primarily suitable for beginner traders, particularly as there is no additional cost associated with it. The software costs are a one off and include training and any software upgrades.

Live data package:

In addition you need to sign up for the data separately through a provider like Esignal or Interactive Brokers. This could cost anything from £20 to £100 per month depending on the data you wish to use. There is talk of a cheaper feed in the pipelines and currently the real time forex feed is completely free. For anyone trading at the end of the day, you wouldn't need this package.

The downsides

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As their marketing is suitably low key, this is in keeping with their belief that they can only give you good tools, the rest is up to you. In my opinion, this is ok, they are not promising 'the moon on the stick' and the product itself appears to offer a genuine edge.

As ever though, buyer beware. Just because I found it useful doesn't mean that you will. Thankfully, there are plenty of opportunities for you to test it out yourself, the company conduct lots of online webinars and you can go down to their offices to try it out. Considering the costs involved this may not be a bad idea

The costs for the live data version are significant, but the End Of Day version may offer reasonable value for anyone who doesn't want to trade short-term charts. To make it pay you'd probably need to have the same amount you paid for the system in your account.

The system works well in most markets but tends to not do so well in sideways markets. There are ways to compensate for this like waiting for the price to pierce one of the envelopes, but it is worth being aware of. Also the monthly charts can be less valuable if there is a long trend as we had from 2003 as the indicator can appear over bought for a long time (Maybe for good reason, I guess we'll find out!).

Bottom line

Expensive software is ten a penny in the trading world and price is unfortunately no guarantee of quality, so you have to be extra careful when purchasing something like this.

I'm happy to say though that Trend Signal could be a worthy investment. There are no short cuts to trading and certainly no magic buttons, but in my opinion Trend Signal is a valuable tool to aid your trading. It is flexible enough to use with any market and most timeframes.

There are no clear cut buy and sell signals and you shouldn't expect to automatically make money, but I believe Trend Signal will present you with a significant number of low risk, high gain opportunities. It's then up to you to take them up or mess them up! In fact I remember reading somewhere that it was more of a 'decision support tool'. This is a very accurate description of the product, it straddles the gap between mindless buy/sell signals and discretionary trading.

This isn't the Holy Grail, but If you are looking for a tool to significantly aid your trading, I can highly recommend Trend Signal.

WRP RATINGS:

Value For Money: 3/5 – The End of Day Product in

particular offers value. The Live product is not cheap.

Profit Potential: 4/5 – Depends how you trade, but could be very good.

Ease Of Use: 3/5 – You will need to spend time getting to grips with it, but once you understand the indicators, it becomes easy.

Longevity: 4/5 – The software should continue to be useful year on year.

WRP overall rating: 4/5 – Very good course & software and although not cheap, I believe it offers value.