

What You Should Know About Mechanical Trading Systems (MTS)

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"Those who stop being better stop being good."

Mechanical Trading Systems (MTS) are developed on a historical database and traded on a real time data stream. Due to radical advances in technology, such as the proliferation of high speed personal computers, high speed internet access, high speed data transmission and the ability to instantaneously execute trades globally, systems' trading is one of the fastest growing segments of the investment universe. Creative Breakthrough's (CBI) goal is to simply offer the finest trading systems across the widest range of markets possible to both the retail and the institutional public.

System trading is based on technical analysis of the markets (any market: interest rates, futures, stocks commodities, real estate, etc.), which assumes that a study of the markets themselves can provide an objective quantifiable basis for anticipating future price movements. Everything is reduced to no more than price, time, volume and sentiment and in the case of CBI's systems, only price and time. If you take all the players/investors following a market and all the news events regarding that market at any particular time or time span, price is the only and most meaningful reflection of how that group following the market is anticipating and reacting to the news. In effect when using a technical approaches to trading/investing there is no reason to "speculate" or "forecast" on what the news event will be or how the market will react to the news over any time span. All you need is "price."

Price based forecast and strategies date back to the first open outcry markets BC. However, an explanation of why technical analysis exists from the point of view in the late 1920's and 30's makes a lot of sense. Preceding the regulations that were enacted by congress in "reaction" to the stock market crash of 1929, insider trading was prolific. Here is a simple illustration of insider trading or what was called "pooling" back before our era.

Corporate chairman, directors and officers closest to a positive financial deal being made would buy their own company's stock. Word would then be passed on to other "higher ups" on the board and officers, they in turn bought some of the company's stock. The news was passed onto working management and associates who would buy the company's equity, and then the outsiders who were close to the corporate executives, for example accountants and suppliers to the firm. As the insiders and their friends heard of and bought up stock the price increased. With the increase in price, it becomes its own best advertisement and outsiders that followed the market picked up on the activity and rumors. Buying stock and pushing prices higher. When the deal was done a news release was made to the trade journals and broad tapes.

It was at this point - at this price and time - that the uninformed, the public, reacted to the news with aggressive buying while the smart money insiders sell, taking profits. As they - the insiders - have created a market to sell into. In comes Technical Analysis because without a chart to read the little guy had no "inside edge." So the astute outsider turned to price, time and volume in chart books or they plotted their own to track what the insiders where doing.

Back in the 1920's the insiders ran "pools" to manipulate price. In the 1980's it was called "front running" and to this day even the Betty Croker's of corporate America are doing it. However, since the 1980's even insider trading does not work systematically. The numbers of net buying/selling by insiders is publicly available and does not work as a system tool or even to forecast. Due to better regulation and oversight it has become discounted to an extent and also shows that insiders can be as naive as the general public when it comes to investing, e.g., dot com collapse. However, Technical Analysis reduces all the speculation to 5 or 6 data points: the price open, high, low, close, time and volume. It is that branch of Technical Analysis call Mechanical Trading Systems that make it quantifiable.

Technical traders create strategies based on their observations of price trends for various futures markets during selected historical periods. Then they convert these strategies into computerized trading systems. Each system utilizes current market information to generate buy and sell signals. Many traders prefer using a system because of the rigorous testing involved in their development, and the fact that a system may help to eliminate some of the risks often associated with human error and emotions in making trading decisions.

In addition, systems trading also save you valuable time. There is no single "Holy Grail" system for all markets and all traders. There are mechanical systems that offer an intelligent alternative to the futures markets. One can trade a system that specializes in a single futures contract, such as the E-mini S&P 500 stock index, or one that has a balanced portfolio of market sectors, such as bonds, stock indices, agriculture, soft's, meats and currencies/FX.

There are also professional systems designed specifically for day trading or for longer term time frames. Each system has unique characteristics using specific money management techniques, operating over a specific time horizon, and having many non correlated markets in a single portfolio. Also, each system is designed to a customized risk reward profile.

For more information or a *Rina Portfolio Evaluation* report on any of the above, click on this link and ask for the specific system you are interested in. You can also set your goals and risk tolerance and I can work up a portfolio that may fit your constraints.

<http://www.traderassist.com/optin-reports.php>

Great and Many thanks,

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