

SAXO BANK'S TRADECOMMANDER™

John Howard, Managing Director of systematic trading consultancy, JH Financials Ltd, provides an ongoing consultancy service to Saxo Bank who has recently incorporated TradeCommander, a fully in-house developed systematic trading module into their SaxoTrader platform. He explains what interested him about TradeCommander and Saxo's strategy in this fast growing area.

My first contact with TradeCommander was in the spring of this year. Saxo were nearing the end of their initial development cycle with the product and they wanted a third party opinion on the capabilities of the product, together with input on its future development as well as help in identifying some of the support challenges they might face following release.

Before seeing TradeCommander, I have to admit that I was highly sceptical. My experience of banks producing products of this type in-house was not good. Only a few months before, I had a similar request for a pre-launch review from another bank who had invested nearly \$10 million over a two year period only to produce what could best be described as a lemon. In the end, they recognised the risk to their reputation of releasing the product and thankfully consigned it to the recycle bin. Saxo's approach to the challenge however had clearly been quite different. What impressed me was that from my first contact with TradeCommander, I was immediately able to find my way around the system, and I was also able to construct a trading model within just a couple of hours - albeit, admittedly a very simple one. Unusually for somebody in my business, I don't have a programming back-

ground, so products I use really do have to tick the "user friendly" box or I simply won't use them.

As I learned more about Saxo as an organisation I started to understand why. Although they are a bank, their outlook is in many ways similar to a good innovative software development house. This is far from accidental. Saxo started as a telephone broker of FX for their domestic Danish market, but with the arrival of electronic trading, founders Lars Christensen and

Kim Fornais quickly realised that to build an organisation there were a number of dependencies. Near the top of the list they had identified the need to give their clients better trading tools than the competition. Christensen and Fornais still retain the majority of Saxo's equity and manage the business as joint CEOs. This unusual structure means that at the senior management level, Saxo is not afraid to take some development risks, but the whims of either CEO are moderated by the other.

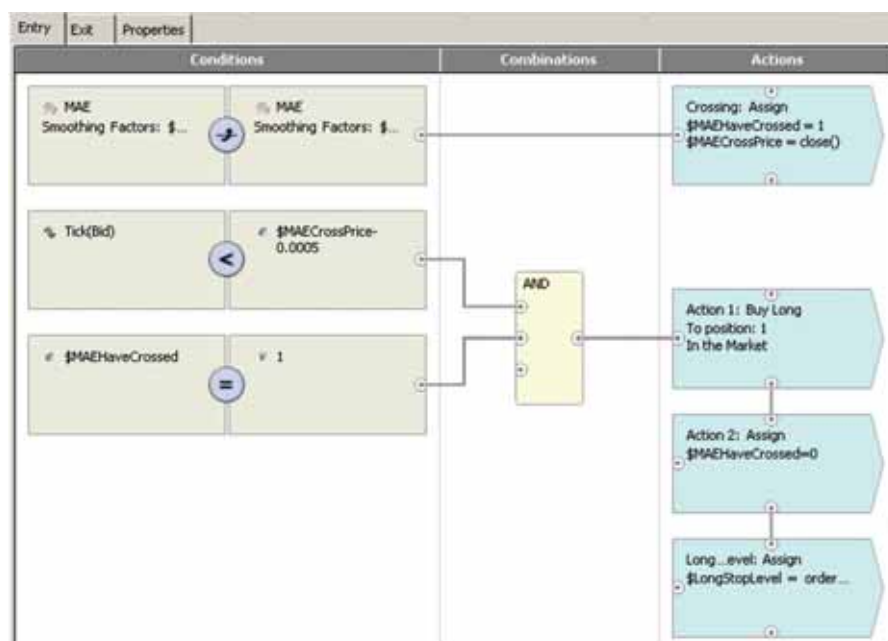


Figure 1. Condition and Action blocks

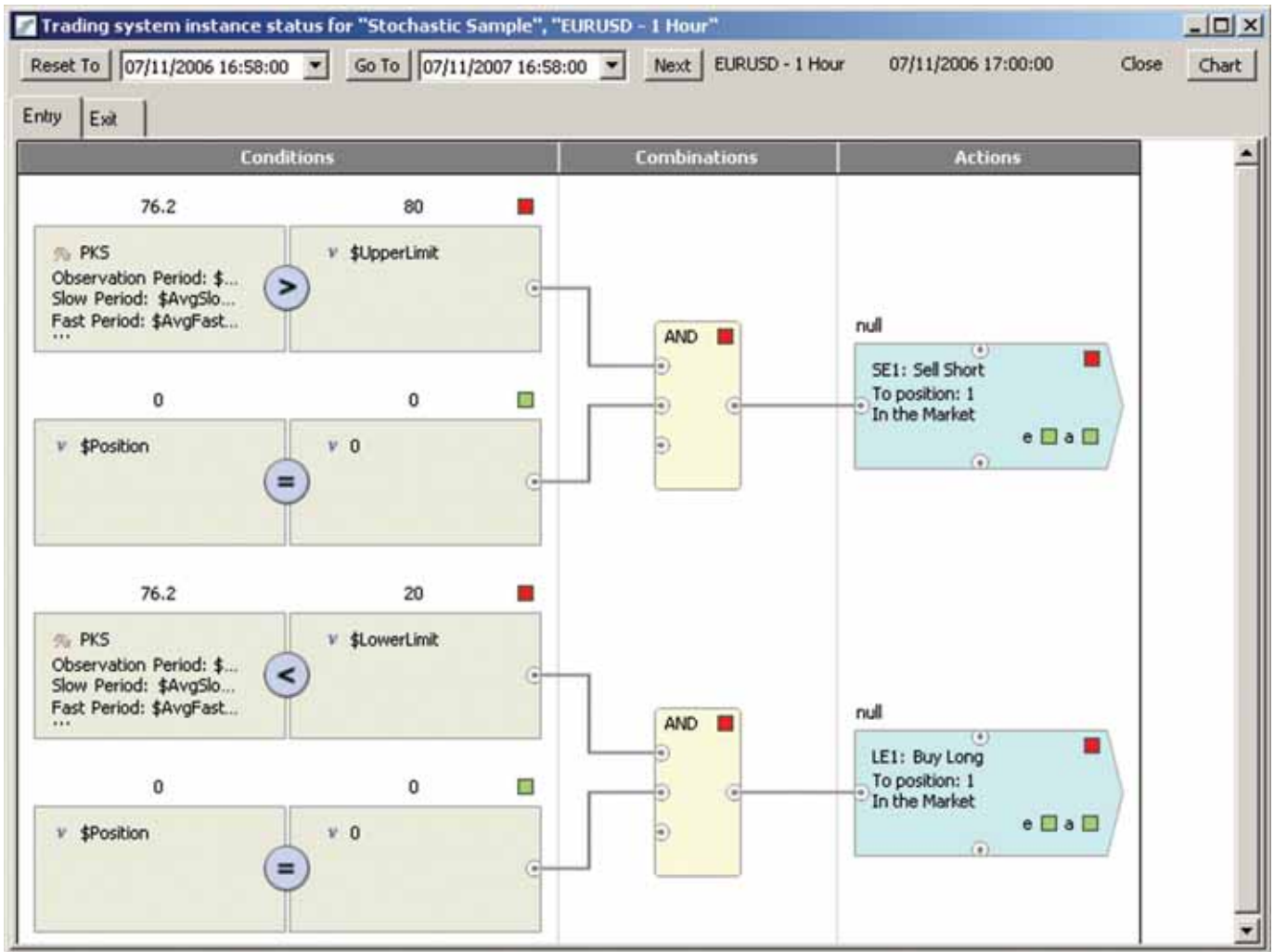


Figure 4. System Execution Monitor

complex conditions as single statements, an advanced condition editor will be released later this year.

In order to allow users to make informed judgement calls on whether a trading strategy meets the traders risk/reward criteria, TradeCommander produces detailed statistics (Figure 2) both for backtests and for trading systems being run live, together with a graphical display of where trades have occurred and an equity curve for the strategy (Figure 3).

System Execution Monitor

Another useful tool for understanding how a trading system is behaving is System Execution Monitor. Using this tool it is very easy for users to step back to any given point in time to evaluate which elements of an overall condition

have been satisfied, on a virtual tick by tick basis together with values of any studies or other calculations. In line with the design philosophy of making the system as visually informative as possible, conditions are marked with either a green or red square depending on whether they have been satisfied or not.

From a risk management perspective, the designers understood that traders would want the capability to prevent some strategies from trading under certain market conditions and so incorporated some very useful capabilities for a user to pre-define the conditions under which a trading system would automatically stop.

In terms of tradeable instruments, TradeCommander currently only allows users to automate trading strategies on

160 FX pairs - a small subset of Saxo's 20,000 instrument universe. In the coming months they plan to extend system trading to other asset classes including stocks, futures and CFDs.

In summary, I feel the concept of incorporating advanced condition writing capabilities, backtesting, optimisation, and execution across multiple asset classes, all within a single fully integrated package that any competent trader will be able to use, is a very powerful offering.

Those interested in learning more about TradeCommander and Saxo Bank's institutional offerings can contact John Howard on +44 20 7151 2083.