

MTPREDICTOR REAL-TIME 4.0

As MTPredictor looks to break into the institutional market with the release of its new real-time software (RT 4.0), we assess the software's viability for professional traders.

MTPredictor has only been around since 2001. Yet it already has a loyal following of mostly private traders, many in the US, and the company has been able to charge an amount for its End-of-Day (EOD) software that deters many casual or low capital private traders. As such, it is aimed squarely at mid to high-end private traders and small institutions.

Now, with the release of Real-Time 4.0 (RT), MTPredictor have simply transferred their "isolation approach" to the realm of intraday trading.

The isolation approach

Like EOD, the RT software is built around the company's "isolation approach", which the developer, Steve Griffiths, formulated over the 17 years he spent trading on his own account. The isolation approach claims to offer a solution to the many problems associated with Elliott Wave trading. Namely:

- forcing wave counts on charts where no wave count is obvious
- the difficulty of trading alternative counts
- changing wave counts as new data arises, leaving a trader stranded with a "wrong" position
- having to use more and more complex Elliott Wave analysis to make it work, e.g. the X wave

To overcome these problems, the software looks for just one part of an Elliott pattern, the ABC correction (or zig-zag), to identify when a price reversal is imminent. Being able to identify such likely areas of price reversals provides good opportunities for low risk / high reward trades.

Contrary to normal Elliott Wave trading, the software considers it unnecessary to work out how the correction fits into the overall Elliott count. The thinking being that if you have successfully identified an ABC correction, any of the next waves, whether it is Wave 1, 3, 5, or Wave C of a larger correction, could all be potentially profitable.

Once the ABC correction is identified, the software can then tell you what the risk/reward ratio is for each of the possible wave outcomes, giving the trader essential information in deciding whether to take the trade.

There are three key trade set-ups that RT 4.0 looks for:

TS1 - is where the ABC correction is part of a Wave 2 or B correction. The trade set-up aims to take advantage of an ensuing Wave 3 (usually the most profitable wave). (Figure 1).

TS2 - is where the ABC correction is part of a Wave 4 correction. The trade set-up aims to take advantage of an ensuing Wave 5. (Figure 2).

TS3 - identifies an ABC correction of unknown context. The trade set-up aims to take advantage of an ensuing wave of unknown count, but probably a Wave C or Wave 3 of larger degree. (Figure 3).

The software is able to scan at three Elliott Wave timescales - minor, intermediate and major. It also gives the option to search for ABC corrections where Wave C is terminating or has terminated in a predicted Wave Price Target (WPT), calculated using Fibonacci retracements/projections.

To add further comfort, the software can scan the markets for the above ABC patterns, but with the added requirement that the last bar on the chart is a red (sell) or blue (buy) bar. These reversal bars are derived from several standard reversal patterns plus an MTPredictor proprietary oscillator.

Compatibility options and availability should grow

At present, RT 4.0 is a stand-alone system that relies on an eSignal datafeed. The company is also in the process of making the software compatible with Townsend Analytics' RealTick data.

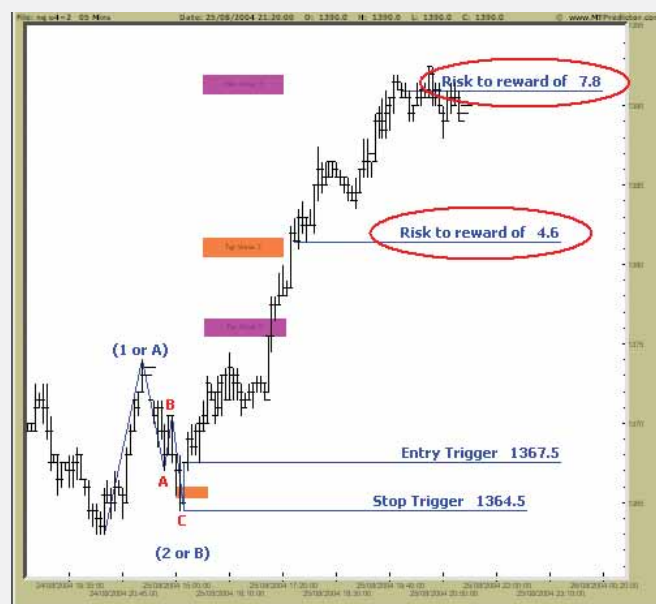


Figure 1.

But exposure to the professional market is ultimately dependent on having its software distributed through the likes of Bloomberg and TraderMade. In this regard, MTPredictor is already making some headway - it is planning to link up as a "partial plug-in" with TradeStation. This means that MTPredictor will offer two of the key modules ('Show Elliott Waves' & 'Trade set-ups') as an optional extra for TradeStation users.

In terms of the data available, there is no problem. Everything you would expect is available through eSignal, including stocks, indices, mutual funds, futures, options, forex. The data is real-time and supplied on a tick-by-tick basis, although the MTPredictor software aggregates the tick data into time bars down to a 1-minute minimum. There have been a few niggles with the interface between eSignal and MTPredictor but these, we have been told, have been resolved.

Easy to use package

The software comes on a CD Rom with a hefty training manual, which is very clear, if slightly repetitive. It could easily have been half the weight it is (though it is now also available in downloadable colour PDF format). But those new to Elliott Wave Theory will appreciate the assumption of no prior knowledge.

Once up-and-running, the software can be used at its most basic level with ease. This means running scans for the three trade set-ups and analysing those set-ups with the risk/reward module. But the advanced functions are also fairly intuitive, allowing the trader to do their own manual analysis of graphs, go back in time, put their own Elliott Wave counts onto charts, find likely areas for waves to end and so on.

In addition to these Elliott Wave related functions, RT 4.0 also includes other indicators and studies. These include Bollinger Bands, moving averages, RSI, stochastics and volume data. But even Tony Beckwith, MTPredictor director of sales and marketing, admits they are there to keep people happy. They can be used to give further comfort for the trades that the software suggests, but they are, he said, 'peripheral nice to haves'.

Thorough software and support

The software is clearly well thought out. Both Beckwith and Griffiths use it to trade on their own account and because of this, they have addressed almost every detail or problem that a trader is likely to encounter - either in the software itself, in the manual or on the website.

The trading manual emphasises their practical and down-to-earth approach further. It doesn't promise miracle returns, but simply says that disciplined risk trading is a means of earning an income, albeit a volatile one. MTPredictor say their trades typically win 40-50% of the time, but that the winning ones



Figure 2.

are at least two to three times the size of the losing ones. Plus there are the occasional big winners that come along to make it all worth while. Used in conjunction with the sensible risk and money management techniques outlined in the manual, RT4.0 seems to offer a sound and complete system for trading.

The developer as trading king

In essence, the MTPredictor software tries to mimic the successful trading style of its developer, Steve Griffiths. This explains the eclectic mix of extras that can be scanned for - DOJIs, inside days, 80/20 days and minor pullbacks, →



Figure 3.

RT 4.0 Test: Trade Record for US index and ETF trading, 26 July to 25 August 2004

	Number of Trades	Number of Winning Trades	Number of Losing Trades	Profit on winning trades (units of risk)	Loss on losing trades (one unit of risk per trade)	Total P/L
TS1 Set-up	38	18	20	46.75	-20	26.75
TS2 Set-up	11	4	7	22	-7	15
TS3 Set-up	32	15	17	46	-17	29
Total	81	37	44	114.75	-44	70.75

Table 1. Note: 1) Securities – ES (E-mini S&P 500); NQ (E-mini Nasdaq-100); YM (mini-Dow futures); SPY (Exchange Traded Fund tracking S&P 500); QQQ (Exchange Traded Fund tracking Nasdaq-100); DIA (Exchange Traded Fund tracking Dow Jones Industrials). 2) Timeframes – 3min. and 5 min. 3) No account has been taken of slippage and commissions. 4) P/L risk units rounded to nearest 0.25. 5) No trades left open overnight (closed at session end if necessary) 6) No trades were actually taken

which can all be used to provide further confirmation of the trade set-ups.

There is no doubt RT4.0 is very good software, offering clear trading signals with precise entry and exit points. The long periods when no trade set-up is found are to be welcomed since they prevent over-trading. But even the best software can throw up spurious results and MTPredictor is no different. The company recognises this and urges all its customers to check the Elliott Waves to make sure they look correct according to Elliott Wave theory. It also encourages its customers to make sure the trade does not run contrary to the overall market context, and if it is, that it can be justified.

This is clearly the side of trading that calls on human judgement and as previous research has shown, this may be the most important factor in separating the successful trader from the unsuccessful one. In recognition of this, MTPredictor provides daily reports and "hotComm Web seminars" on the members section of the website. The daily report provides good insight into the way Steve Griffiths is thinking and helps the trader develop the necessary skills that allow him to choose which set-ups to trade.

Trading

All this counts for nothing if it doesn't make money. MTPredictor has carried out its own tests, the results of which are presented in brief in Table 1. (Further details can be obtained from MTPredictor, upon request).

The results are certainly impressive. To provide a basis for

replicable assessment, very prescriptive rules were used about which trades to take and how to manage them once they were open. These rules can be found on their website (called "Trading Guidelines"). Readers should be aware, however, that the sample is not statistically large nor necessarily representative of using the software outside of the sampling period. The Technical Analyst can not verify or endorse these results.

Summary

There is no doubt that MTPredictor will appeal to novice or relatively inexperienced traders. And rather like your local sci-entology outfit, it should also thrive on unsuccessful traders who have lost their way and are looking for confidence and firm direction.

But can it break into the wider professional market? There are a few availability issues that need to be addressed first, but ultimately if the software has a positive impact on a trader's P&L, then there is no reason why not. Early indications are good and the success of its EOD version lends further weight to MTPredictor's argument.

Price

\$1,995 for year one, available on a 30-day money back trial (minus \$95 administration fee). Year two onwards at \$495 per annum. Price does not include datafeed.

www.mtpredictor.com