



Next revolution in Trading?

David Graeme-Smith, author of this year's must-read *Short Swing Trading* and founder of a trading consultancy of the same name, describes himself as cynical when it comes to computerised trading systems. Imagine his reaction, then, when earlier this year he was emailed by a stranger offering to transform the way his strategy could be deployed. "My initial reaction was 'sure like all the others'. What did intrigue me, though, was that the email questioned some of my optimisation and did seem to make sense. What's more, it claimed that its author had already produced a fully working computerised version of Short Swing Trading and could back-test more thoroughly in days than I had been able to in years manually. Would I like to see it in action?" The message was from TJ Dale; an active trader, IT expert and a specialist in Artificial Intelligence whose discoveries include an



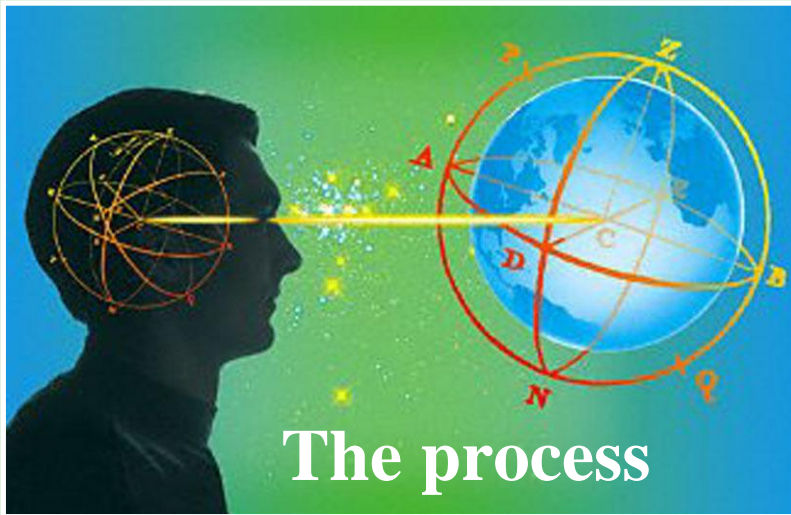
"This is fantastic news for authors of winning strategies."

David Graeme-Smith,
Short Swing Trading.

Image Recognition prototype used by MIT within one of its robots. The two men met and when David saw the system first hand, quickly realised this was something hot. "I thought it was brilliant. It was very nearly spot on though, inevitably, there were some areas where it didn't exactly mirror some of the ways I trade. And yes, it really was possible to back-test more rigorously in a fraction of the time taken on paper."

Optimisation

According to Graeme-Smith, computer-based back-testing also opens up optimisation capabilities that spell real benefits: "It allows you to hunt through a series of different stocks and select those for which your strategy works best. Most published strategies claim to be able to accommodate anything from Brent Crude to pork bellies to Vodaphone. I don't agree. My own strategy, for example, doesn't back-test at all well on, say, Barclays. Each trade has its



The process

MicroTelligent has invested 5 years in developing their trading strategy computerisation-platform, after analysing 600 paper-based systems. They programmed hundreds of versions of rule-sets which can now be used as quick building blocks.

They are so confident that they can add real value to any trading system, that they make a unique free offer. They will take any published paper-based system that already has a number of users and after spending half a day assessing its rules, they will give an immediate assessment of whether

Within a week, systems authors have a working prototype solution that mirrors their way of trading to try, free of charge, for a month.

the system can be coded. If it looks like 'systems go', then they use their patented architecture to replicate most of the system as a computer-based model that's usually 95% accurate within minutes. The next three to five days are spent programming those areas that can't be replicated automatically. Finally, they undertake back-testing and optimisation tasks. Often, MicroTelligent will be able at that point to identify areas of potential improvement, just as they did with Short Swing Trading.

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Optimising can be done in half an hour using MicroTelligent's plug-in, saving months or even years of experience, record keeping and trial and error – a massive, massive benefit.

"I was heavily committed to a leading real-time feed and its associated application. I have now switched to MicroTelligent's plug-in, running on eSignal, full time."

own personality and that's why my 'watch list' is restricted to 60 stocks, of which I publish the 30 most consistent on my members' website. With MicroTelligent's 'plug-in' I have been able to do that in a way impossible before. Using the plug-in, I have found 9 that perform better than the rest, allowing me to specialise in the 9 or 10 stocks best for my strategy – a huge benefit. Instead of months or years trading the wrong stocks with a good strategy, I can back-test knowing which

stocks to trade and how to trade them."

Adjusting parameters

He gives another example: "Most strategies use indicators with adjustable parameters; as part of my strategy I use a Directional Movement Indicator (DMI). Through my trading experience I have arrived at an 8 period DMI as being what I thought

the best compromise. Because I can now back-test and get instant results moving the 8 to a 6, a 4 and so on, I have discovered that certain stocks trade much better with a different period DMI. That would have taken me months or years to discover manually. If you take just 1 stock, optimising can be done in half an hour using MicroTelligent's plug-in, saving months or even years of experience, record keeping and trial and error – a massive, massive benefit."