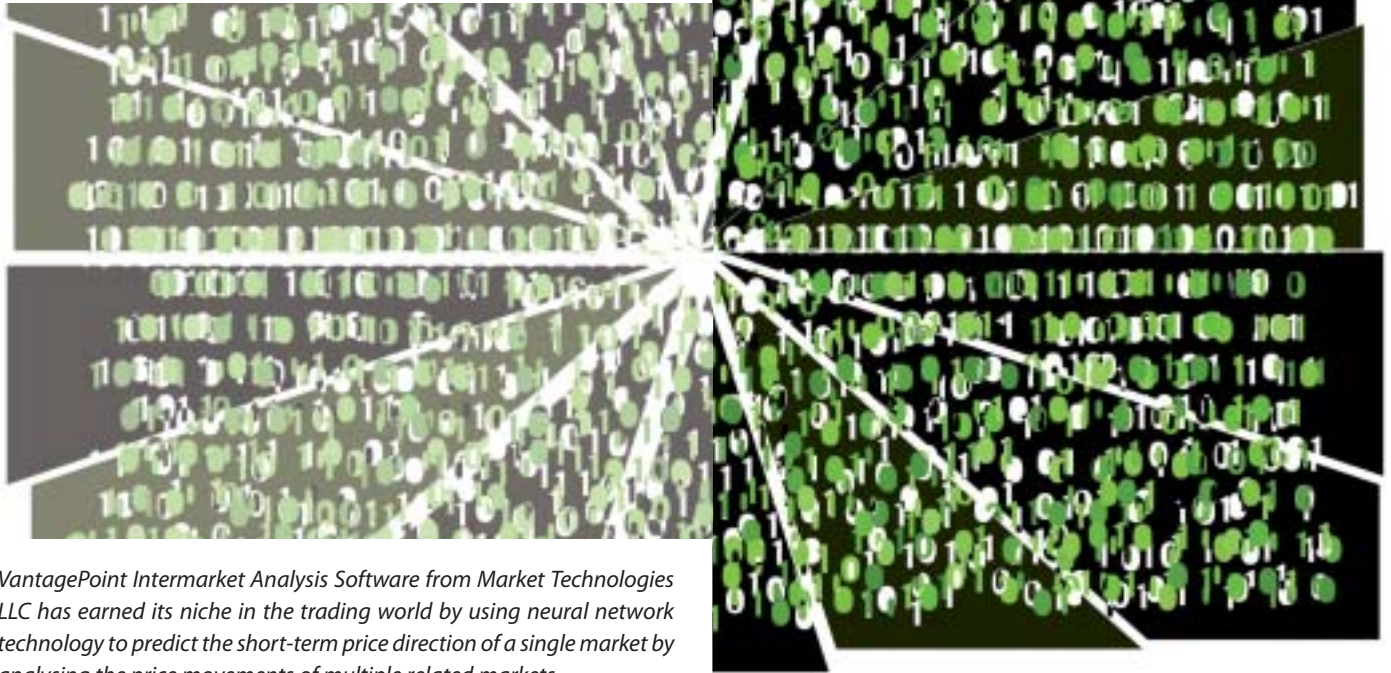


# VantagePoint

## Intermarket Analysis Software 7.0



*VantagePoint Intermarket Analysis Software from Market Technologies LLC has earned its niche in the trading world by using neural network technology to predict the short-term price direction of a single market by analysing the price movements of multiple related markets.*

The company founder, Louis Mendelsohn, first introduced a rudimentary version of this intermarket analysis software in 1991. Since then, Market Technologies has steadily improved both the predictive abilities and the number of markets predicted. The release of VantagePoint 7.0 is the most ambitious and innovative effort to date, bringing the predictive accuracy above 80%.

### What is New in VantagePoint 7.0?

With the release of VantagePoint 7.0, Market Technologies has expanded the list of available markets and has added a new array of predictive indicators. There are now specific forecasts for more than 200 markets spread across 19 financial categories including 100 individual stocks, 13 exchange-traded funds, 14 forex pairs and futures for eight currencies, six interest rates, 22 U.S. and foreign stock indexes as well as most of the commodity markets including energies, grains, meats, metals and softs.

In addition to the existing indicators, VantagePoint 7.0 now offers five new predictive indicators including a predictive long-term trend that predicts the eight-day moving average of prices four days ahead, a forecasted triple exponential moving average and three new momentum indicators – MACD, stochastics and RSI – each forecasted one day ahead.

The Predictive Strength Indicator has been modified to become more meaningful. It is now the three-day moving average predicted two days ahead minus the current three-day moving average, giving it the same time frame as the neural index. Our preliminary review of these new predictive indicators is favourable, and they should prove to be a valuable addition to the VantagePoint tool box.

F1) GBP-USD Chart



## Interface Improvements

Although the new 7.0 user interface is a vast improvement over version 6.4, it still is not as flashy as today's standard Microsoft products. Frankly, we are less interested in the user interface than in the quality of the data analysis, and despite the rough edges, we think the new 7.0 user interface is well thought out and contains many welcomed improvements that add a lot of power to the data analysis capability.

Groups of markets can be saved into portfolios, and each market in a portfolio can be saved with a customised set of indicators for that market. Each VantagePoint chart can have up to two subgraphs containing the new predictive indicators. One limitation with the charting array is that you cannot have more than one of the newer predictive indicators (RSI, MACD or stochastic) at the same time. History files are now saved directly to a .csv file so they can be opened by Excel without any conversion.

## New Accuracy

Just how accurate is the new VantagePoint? Market Technologies made two changes that affect the accuracy. First, the number of markets used for intermarket analysis has been increased from 9 to 25. Second, the way moving averages are calculated has been changed. Version 6.4 and all earlier versions use the daily close value for moving averages. Version 7.0 now uses the midpoint between the daily high and low to calculate moving averages.

This is a good move, because the close of the day is an arbitrary point in time (especially for markets that trade 24 hours), so a midpoint measurement should be more objective. This, of course, changes the metric by which VantagePoint's accuracy is measured.

### T1) VantagePoint 6.4 vs. 7.0

Vantage Point 6.4	Accuracy Based on		Vantage Point 7.0	Accuracy Based on	
	Close	Midpoint		Close	Midpoint
AUDJPY	76.20%	81.30%	AUDJPY	77.00%	83.70%
AUDUSD	72.20%	77.40%	AUDUSD	72.40%	79.60%
EURCAD	69.80%	78.60%	EURCAD	72.60%	80.40%
EURCHF	75.20%	76.60%	EURCHF	75.80%	85.50%
EURGBP	75.20%	81.00%	EURGBP	74.00%	81.70%
EURJPY	72.00%	77.60%	EURJPY	74.80%	81.00%
EURUSD	71.20%	77.00%	EURUSD	73.00%	79.20%
GBPCHF	72.20%	79.40%	GBPCHF	74.00%	81.70%
GBPJPY	72.20%	78.80%	GBPJPY	74.00%	81.00%
GBPUSD	73.00%	79.80%	GBPUSD	75.80%	81.90%
NZDUSD	72.80%	78.40%	NZDUSD	74.80%	83.30%
USDCAD	66.50%	72.80%	USDCAD	72.40%	78.40%
USDCHF	75.40%	81.50%	USDCHF	77.00%	84.10%
USDJPY	73.00%	76.80%	USDJPY	72.40%	80.20%
Most Accurate	76.20%	81.50%	Most Accurate	77.00%	85.50%
Least Accurate	66.50%	72.80%	Least Accurate	72.40%	78.40%
Spread (Most-Least)	9.70%	8.70%	Spread (Most-Least)	4.60%	7.10%
Overall Accuracy	72.60%	78.36%	Overall Accuracy	74.30%	81.55%
				<b>Accuracy Based on</b>	
				<b>Close</b>	<b>Midpoint</b>
<b>Measured Improvement of VantagePoint 7.0 over 6.4</b>				1.60%	3.20%

To see the true performance improvement, we tested both VantagePoint 6.4 and VantagePoint 7.0 with both measurement methods. We tested VantagePoint's flagship indicator, the Neural Index. Using a 1 or a 0, this indicator predicts two days ahead whether the three-day moving average will be above or below the current three-day moving average, thus giving the trader the expected trend direction.

Because we trade primarily the forex market, we tested all forex markets with historical data for a two-year duration. The results (see Table 1) show that version 7.0 demonstrates improved accuracy for all markets. The most improvement is seen in the previously least

## T2) Mechanical Trading Performance

VantagePoint 7.0 Mechanical Trading Performance							
Starting Date	Ending Date	# Wins	Pips Won	# Losses	Pips Lost	Win/Loss Ratio	
7/7/2006	11/24/2006	7	594	8	-316	1.9	
2/17/2006	7/7/2006	10	740	4	-295	2.5	
9/30/2005	2/17/2006	11	1,205	4	-218	5.5	
5/13/2005	9/30/2005	10	948	8	-294	3.2	
12/27/2004	5/13/2005	13	991	5	-200	5.0	
Total 500-day performance		51	4,478	29	-1,323	3.4	

VantagePoint 6.4 Mechanical Trading Performance							
Starting Date	Ending Date	# Wins	Pips Won	# Losses	Pips Lost	Win/Loss Ratio	
7/7/2006	11/24/2006	10	672	9	-547	1.2	
2/17/2006	7/7/2006	10	918	8	-290	3.2	
9/30/2005	2/17/2006	13	1,439	5	-427	3.4	
5/13/2005	9/30/2005	9	700	9	-333	2.1	
12/27/2004	5/13/2005	14	789	4	-154	5.1	
Total 500-day performance		56	4,518	35	-1,751	2.6	

accurate markets, so the 7.0 results are much more consistent overall. Market Technologies claim an accuracy of approximately 80% on their website. We calculated the average accuracy of version 7.0 to be 82%.

### Strategy Results

Does the fact that VantagePoint predicts the three-day moving average correctly 82% of the time mean that, if you just trade the Neural Index, you will see instant riches? The simple answer is no - that is not enough information to get in and out of a trade successfully. Every trade strategy needs three components; an entrance, an exit and a stop-loss. The secret to successful trading with VantagePoint is to match different indicators with each of the three components of your trade strategy.

In our trading, we look for swing trades with a length of one to ten days. We test new trading strategies using historical data exported from VantagePoint. We follow strict mechanical trade testing in Microsoft Excel and limit our strategies to those that have shown a mechanical win-loss ratio above 4 to 1 (pips gained/pips lost) over the past six months.

Here is a head-to-head comparison of one of our trade strategies that we tested to see if version 7.0 could improve trading results:

1. Enter at the close price when the VantagePoint "Predicted Short-

Term Difference" crosses zero in the direction of the trade and when the "Predicted Next Day High" and the "Predicted Next Day Low" are also moving in the direction of the trade (i.e., for buy signals, both the PHigh and the PLow are higher than the previous day's PHigh and PLow. The reverse is true for sell signals).

2. Set and reset the stop-loss daily to 15 pips behind the predicted next day high or low (whichever is applicable).
3. Exit at the close price when both the Predicted Next Day High and the Predicted Next Day Low move against the direction of the trade.

These parameters were programmed into Microsoft Excel and traded with 500 days of historical data. Figure 1 shows some trade examples, and Table 2 presents the results.

We have traded this strategy with version 6.4, and over time our success is actually better than what is shown because we were able to input additional strategies into our trade decisions. Version 7.0 significantly improves these trades. We found several trade strategies available at no charge on a new web site, [www.TraderChat.com](http://www.TraderChat.com), and the new array of predictive indicators in 7.0 should produce a number of new trading ideas.

### Conclusion

At \$3,900 to start, VantagePoint 7.0 is not an inexpensive trading solution. However, for serious traders who are willing to do their homework, 7.0 is a powerful trading tool. Its analysis capabilities produce a whole new set of intermarket data going far beyond the limits of actual price data typically used by most programmes, and its predictive outputs can be used in a number of potential trading approaches, making it well worth the initial investment.

VantagePoint's intermarket analysis provides insight into market directions that would be difficult to obtain in any other way and is unlike the copycat standard indicators found in most analytical software packages. In our opinion, Version 7.0 represents a significant enhancement over VantagePoint 6.4 and should be an integral part of any serious trader's toolbox.

## Software Information

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**Requirements:** Windows XP/2000, 512MB+ RAM, 400MB+ hard-drive disk space, Internet access (end-of-day data downloads), subscription to data provider (Commodity Research Bureau or Commodity Systems Inc.)

**Price:** \$3,900 for initial category (additional categories extra)

## Steve Mathis

Steve Mathis co-founded a technology company in 2000 and currently manages a team of research scientists and engineers to develop new technologies. Dr. Larry G. Lyons has been a psychologist since 1985 and a financial trader since 1995. He counsels novice traders on managing their emotions and perceptions while trading foreign exchange markets.