

Star Award Winner 2009

VantagePoint



Market Technologies, LLC

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Traders have tried to massage prices in many different ways over the years in an effort to gain an edge over other traders. Advances in the speed and capabilities of personal computers over the last 20 years have enhanced and expanded those attempts to improve trading results.

But when it comes down to the nitty-gritty of the matter, most traders are still working primarily with only one ingredient - price. And price, by its very nature, is a report on what has already happened so analysis always lags behind current market action. Not surprisingly, most traders still continue to lose, just as they did 20 years ago, despite the increased computer power at their fingertips.

MOVING TO INTERMARKET DATA

VantagePoint Intermarket Analysis Software has taken a different path since it was introduced by trading technology pioneer Louis Mendelsohn in 1991. Instead of just using raw prices, Mendelsohn's company, Market Technologies, LLC, uses neural network technology to analyze multiple related markets to look for patterns that hint where a target market is headed in the near future.

VantagePoint uses similar moving averages and indicators as other software programs, but by using this intermarket data instead of the usual price data, it often sees turning signals a day or two ahead of most programs based on past prices and projects the next day's high and low price targets.

Version 8.0 is a particularly noteworthy advance in VantagePoint's history as it expands forecasts to more than 600 markets across more than 20 categories, including leading equities in 12 sectors; more than 60 exchange-traded funds, all major commodities in five categories, and five financial categories including major forex pairs, currency futures, stock indexes and interest rates.

The latest package also includes longer-term moving average forecasts as well as predictive forecasts for four of the most popular technical indicators - Moving Average Convergence-Divergence (MACD), Relative Strength Index, Stochastics and True Strength Index - in addition to VantagePoint's proprietary Predicted Neural Index.

Another key addition is Scan for Opportunities, which allows users to select criteria to scan markets in a portfolio and identify those markets that meet these criteria. Also striking is VantagePoint's redesign, which makes accessing and manipulating charts and reports much easier.

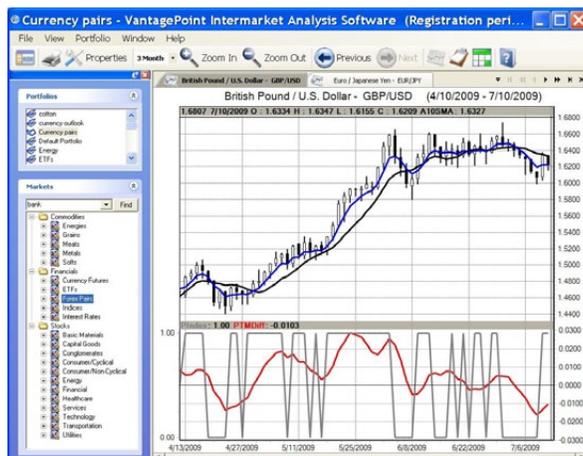
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One point that should be made clear is that VantagePoint is not a trading system that provides 'buy-here-sell-there' signals. It is an analytical tool that can help you build your own system and strategy, but be mindful that you still have to use your technical analysis skills to capture the price movement in that trend. VantagePoint's forte is in giving you signals that forecast future trends - before other traders using traditional forms of technical analysis spot them.

For those who want to do further analysis and incorporate the data into external trading models, VantagePoint data can also be imported into Excel spreadsheets.

Here you can see typical screen from VantagePoint. A "markets tree" on the left lists the various market areas available for forecast data. A handy "portfolio" feature allows the user to group various charts and reports for different markets into separate folders, making retrieval for commonly used groups of data easy.

The chart of the GBP/USD shows the predicted medium-term moving average trend (blue line) moving above and below the actual medium-term moving average (black line), often turning several days ahead of the actual average. What may not be clear is that this predicted moving average was generated using forecasted intermarket data and not actual prices, which had not occurred yet.

Also shown on the bottom of the chart are the neural index (gray line) that moves between 1 and 0 as VantagePoint adjusts its three-day moving average prediction each trade day and a medium-term moving average difference oscillator that tracks the difference between the predicted and actual medium-term trend prices (red line). This oscillator and others provided by VantagePoint can be quite useful in developing trading strategies.

SUMMARY

VantagePoint's strategy of using intermarket analysis is based on sound logic and seems to be quite accurate, making it a very useful tool to develop trading signals. Because VantagePoint forecasts are based on intermarket analysis and neural net technology, the data is usually not that closely correlated with most indicators currently used by traders.

ACCURACY TESTS

Market Technologies claims 80% accuracy across markets over time in determining near-term trends for the markets forecasted. That widely advertised claim frequently is the first thing that captures a trader's attention.

The accuracy figure is based on VantagePoint's predicted neural index. Using typical prices - the average of a day's high, low and close- instead of the mid-point of the day's range or the closing price used in previous versions, VantagePoint displays a 1 for the neural index if the three-day moving average of price in two days is forecast to be greater than the current three-day moving average and a 0 if the three-day moving average of price in two days is forecast to be lower than the current three-day moving average.

So how does the claim hold up? In addition to company tests, various researchers, some representing respected industry trade magazines and journals, have conducted independent tests to determine the accuracy of the neural index across a randomly selected range of VantagePoint market forecasts. These tests found the index to be accurate from 76% to 84% of the time. A test for the four-year period from January 2005 through December 2008 based on mid-point prices produced the following accuracy figures:

▶ EUR/USD cash currency,	82%
▶ Euro FX continuous futures,	81%
▶ Natural gas continuous futures,	79%
▶ Russell 2000 Index continuous futures,	76%

Although this is not an exhaustive report of every market offered by VantagePoint, this sampling provides sound support for VantagePoint's accuracy claim across all markets forecast. Using typical prices in the latest version instead of mid-point prices has confirmed these accuracy figures.

VantagePoint provides much more than just a Neural Index forecast. Predicted short-term, intermediate-term and long-term exponential moving averages can be plotted with actual moving averages of various lengths for moving average crossover forecasts of trend direction. Predicted moving average differences show the strength of a current move in various time frames and also help to forecast price reversals and trend direction.

VantagePoint also provides the next day's predicted high and predicted low that can be very useful in placing stops or entering or exiting a market. Forecasts for predicted strength measure how much the future three-day price average used in the neural index will be greater or lesser than the current average.

In short, VantagePoint offers many possibilities for analysis limited only by your imagination.

As a result, it can be a good tool to crosscheck or enhance existing trading strategies that you may be using.

VantagePoint is not a cheap tool, priced at \$2,900 for the initial category, but when you consider the number of indicators available that can be tailored to trade in a number of ways, you can see how quickly the software might be able to pay for itself if you use sound trading techniques to apply its forecasts.