PRODUCT REVIEW

Trade*Scan*

KINGSBURY FINANCIAL MANAGEMENT
4800 Sugar Grove Blvd., Ste. 540
Stafford, TX 77477
Internet: www.TradersParadise.com
Email: sales@tradersparadise.com,
support@tradersparadise.com
Phone: 281 980-6700; 877 854-8184
(toll-free in the US)
Fax: 281 980-6464
Product: Real-time trading alerts for
active traders.
System recommendations: 1 Ghz CPU,
Windows 2000 or newer, broadband
connection
Price: $149/month or $299/month
depending on alert package chosen.
One-month $99 trial available.

by S&C Staff

Trade*Scan* is a real-time trading alert service. The algorithms used to create the alerts use tick data that identifies individual trades in conjunction with price, volume, and Level II information. The displays are produced by a software application that is downloaded and installed. You pay a monthly fee to receive the alerts, most of which are text. There are two different packages, HL+ and Pro; Pro offers more alerts. Kingsbury Financial Management, Inc. (KFMI), claims that the alerts are delivered within one second of their origination. For example, when Trade*Scan* takes data such as time and sales information, translates it into price and size, and uses it to generate an alert, the alert appears on your screen one second later. KFMI delivers the alerts using Insight Software's Whisper application.

FEATURES

This product is geared to active traders, especially daytraders. In the case of institutional customers with trading floors, KFMI offers a volume discount and a remote server to better support larger numbers of traders.

It's debatable just how much experience you need to take advantage of this product. There is some terminology that has to be learned, but for the most part, the screens are self-explanatory. *OPV* is KFMI's trademark acronym for on-pace volume, and *x n.v.* means "times normal volume." Trade*Scan* covers three markets: NYSE, Nasdaq, and AMEX. The users manual, which is available through the website, offers explanations for each of the alerts.

Trade*Scan* records intraday volume activity for each of the stocks in the three exchanges, so the alerts can tell you when a stock is trading above its normal volume. For example, the alert "YELL 52 week high on 1.1 x n.v." (Figure 1: fourth line from top) informs you that ticker symbol YELL has reached a 52-week high on 1.1 times its normal volume. Many of these alerts are complex in nature, and the actual calculations are proprietary (although the descriptions are helpful). There were 25 different alerts available with the demo package I received. In addition, KFMI will build alerts for both commercial customers and private parties. KFMI's business is split about 50/50 between commercial and private customers.

There are two different screen types that display information: Tickers, which are screens that contain alerts (Figure 1), and Rank Reports (Figure 2), which are screens that rank stocks according to preset criteria. One such prebuilt ticker is called "Stickman's Favorite," which refers to the nickname that TradersParadise.com founder Bill Kingsbury still uses from his early trading days. Tickers have alerts that are continually posted and refreshed. Some of the alerts' computations are rather involved, such as "BK_OVERBOUGHT(OVERSOLD)." This alert is generated when price acceleration, followed by a sideways motion, is detected at the tick level. The *BK* stands for Bill Kingsbury, since he writes the alerts himself. The acceleration parameters and other detection methods are proprietary.

The Rank Reports screens (Figure 2) rank symbols or industry groups. The definition of the industry groups and the symbols in each can be found at the Traders Paradise website by going to the subscriber area and clicking on Symbol Lists. There

FIGURE 1: PREBUILT TICKER OF ALERTS. Screens with alerts that are continually posted and refreshed are called *tickers*. The most recent alert is the one shown in reverse coloring — in this case, the fifth alert from the top. The color bar "waterfalls" down the screen, replacing older alerts with those that are the most recent. This particular ticker is called Stickman's Favorites. Color is used to indicate the significance of each alert. The title bar is on the left, and individual screens can be resized.
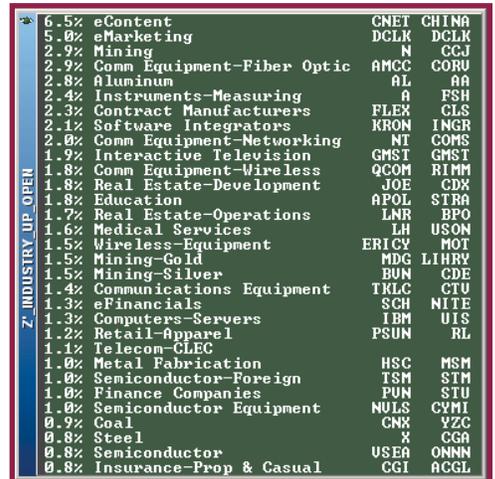
FIGURE 2: RANK REPORT. A separate screen is used for each Rank Report. More than 20 rankings are available. Trade*Scan* displays a large list of industry groups, and has populated each list with a set of ticker symbols. The ranking shown here is an ordered list of industries that are experiencing gains since the market open. The industry with the greatest gains is at the top, and to the right of each industry is the ticker symbol of the stock that has the greatest gain in the group. To the right of that is the stock with the smallest gain.
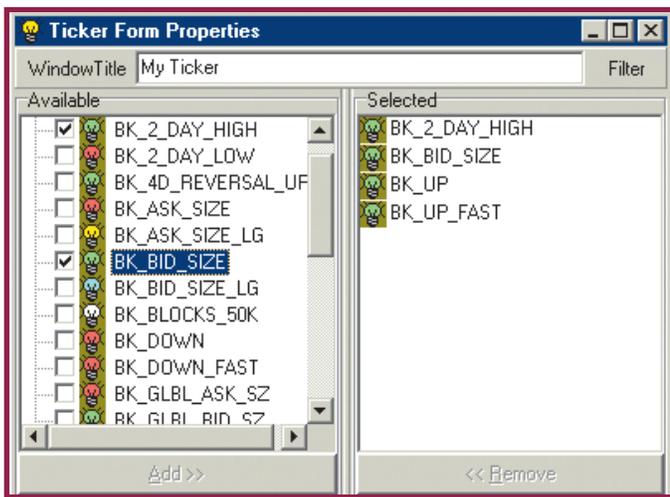
FIGURE 3: TICKER BUILDER INTERFACE. Each of the prebuilt alerts can be selected, and you can name your custom ticker.
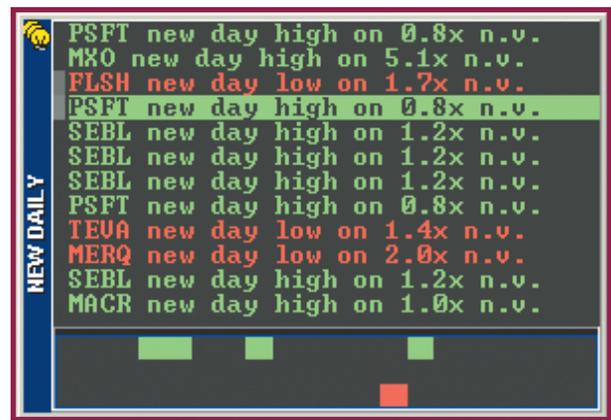
FIGURE 4: TICKER WITH "SISOMSO." Right-clicking brings up a menu that allows you to see a visual count of the up and down alerts. The length of the square is based on the number of either up or down alerts in a particular second. Since this ticker contains only new daily highs or lows, the length is a function of the number of stocks making new highs or lows.

were more than 20 prebuilt ranking criteria in my demo package. An explanation of each can be found if you follow the path to the alerts. Here are a few examples of the rankings: moving average convergence/divergence crossovers of the trigger line, stocks that have gapped, and stocks with the strongest volume moves.

> **Daytrading is about as close as you can get to trading on pure technicals. The question is, is daytrading something for you?**

Ticker windows can be both customized and filtered. The same symbol lists used to define the industry groups can be used as stock filters. There are four symbol lists for those whose interest is market-wide; these include the emini, Nasdaq 100, Standard & Poor's 100, S&P 500, and Dow Jones 30. An interface (Figure 3) is available for building your own ticker.

As you can see from Figure 3, it is easy to create your own ticker by selecting your choice of alerts (either adding or removing). Not all of the information is text-based. For example, a feature called "Sisomso" (which you can select by right-clicking on a ticker window) allows you to compare all up versus down alerts. It appears at the bottom of the chart as a series of green and red squares rolling across the bottom portion (Figure 4). Trade*Scan* actually uses the terminology of good versus bad in lieu of up versus down; the Sisomso feature counts not only the good and bad alerts, but also those that are "very" good or bad.

You can filter based on price range, as

well as volume and exchange. From a daytrader's perspective, a price range filter is most useful to prevent margin calls, since you are trying to buy (or sell) a large number of stocks to get a relatively small gain per share. If you have a bankroll of a few million dollars, this usually isn't an issue, but even for institutional buyers, the ability to limit the choice of stocks to those with a relatively low price can be important.

DAYTRADING WITH TRADE*SCAN*
For some readers, the entire subject of daytrading for some readers might seem a bit esoteric, but it is worth looking at. Daytrading eliminates many of the variables that swing traders and investors must contend with. Investing, if done with the idea of staying with a trade for months, invariably involves using fundamental data along with some price data to determine if a strong company is underpriced. Most investors take long positions. Swing traders, on the other hand, or those whose trading hori-

zon is a few days or maybe weeks, might have to worry about recent market action of Monday versus Friday, a triple witching week, market bullishness versus bearishness, and so on. I would argue that in either case, whether you are an investor or swing trader, you also have to have an idea where the economy is going, or at least where the *market* perceives it is going. But daytrading is about as close as you can get to trading on pure technicals. The question is, is daytrading something for you?

The answer depends on your level of experience. That sounds obvious, but let me give you an example. One of the alerts Trade*Scan* gives is: "*Symbol* size on the bid *number of shares* k." This alert, which can be generated on either the bid or offer side, looks to see whether a bid or offer that is at least 30,000 shares in size has been made with no corresponding size on the other side. Is this alert enough to commit to a trade? A screen capture of the Level II screen at the time of the alert (Figure 5)
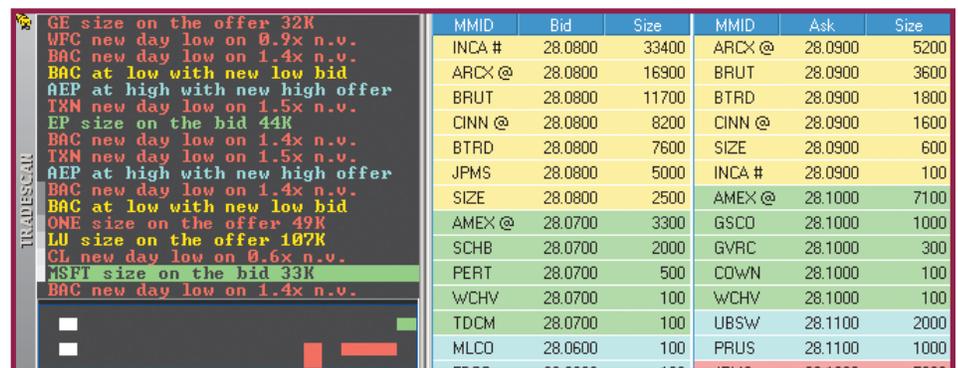
FIGURE 5: ALERT AND LEVEL II SCREENS. One of the alerts available signals that an offer or bid, has been made of at least 30K without a balancing bid or offer. In this case, "MSFT size on the bid 33K" in the left alert screen, second alert from the bottom, occurs when the Level II screen shows an offer one cent under the inside offer, with no inside offers of comparable size. On the surface this looks like it is time to buy, but Figure 6 might indicate otherwise.

shows the moment when INCA made such an offer for MSFT.

Looking at the Level II screen, it does look like this offer of just a penny under the ask might be an interesting buy. But what actually happened to MSFT? At the time of the alert, which was approximately 8:18 am Pacific time, MSFT was still going down (Figure 6).

It looks like taking a long position based on one alert is not advisable. A trade based on multiple alerts, and repeating alerts, has a much better chance of working. For example, multiple alerts you might look for include "size on the bid," "market makers bidding up (down)," and "trading up fast." You could do a little substitution, such as replacing the "size on bid" with " 21-day high." When a stock really starts to move, the alert screen can be taken over by alerts for that stock, and that is exactly what you want to see (Figure 7).

You can tailor your screen to watch sectors. If your hunch is that the market is at the beginning of a bullish phase, you might choose to focus your alerts on one sector, say technology. While such a screen keeps you from seeing if there is a broad base of support, this way you can afford to have more alert types, which will catch more potential moves, and *that* might make you money.

SUMMARY

The analyst in me wants to see the actual formulas used in these alerts so I can test them and see which combinations work best at what times. The advantage of these alerts over a Level II screen is the difference between looking at a large set of stocks versus just one. As I mentioned, many of the alerts are proprietary, but the definitions provided online seem to be sound.

If you have experience reading Level II screens but feel that additional information in the form of alerts would benefit your trading, this product should work well. But I also suggest to those who have been discouraged by all of the doomsday market experts, who now shun daytrading like the proverbial plague, that a free trial of a real-time feed, with a decent plotting package, coupled with the one-month trial of Trade*Scan*, might just convince you to give daytrading another chance. Keep in mind that daytrading does not mean looking for stocks to jump 10% or more; instead, you often have to be happy with 2% or 3%. That means you could be looking at 20 to 30 cents per stock, so it sometimes takes a healthy bankroll to pull this off. However, Trade*Scan* is a product that can help you do so with more certainty.

S&C

FIGURE 6: MICROSOFT AT ONE-MINUTE INTERVALS. At the time of the alert (Figure 5) Microsoft was still coming down, and neither a short nor long position was justified. At about 8:45, with volume picking up again, a long position might be entered for those with a moderate risk tolerance.
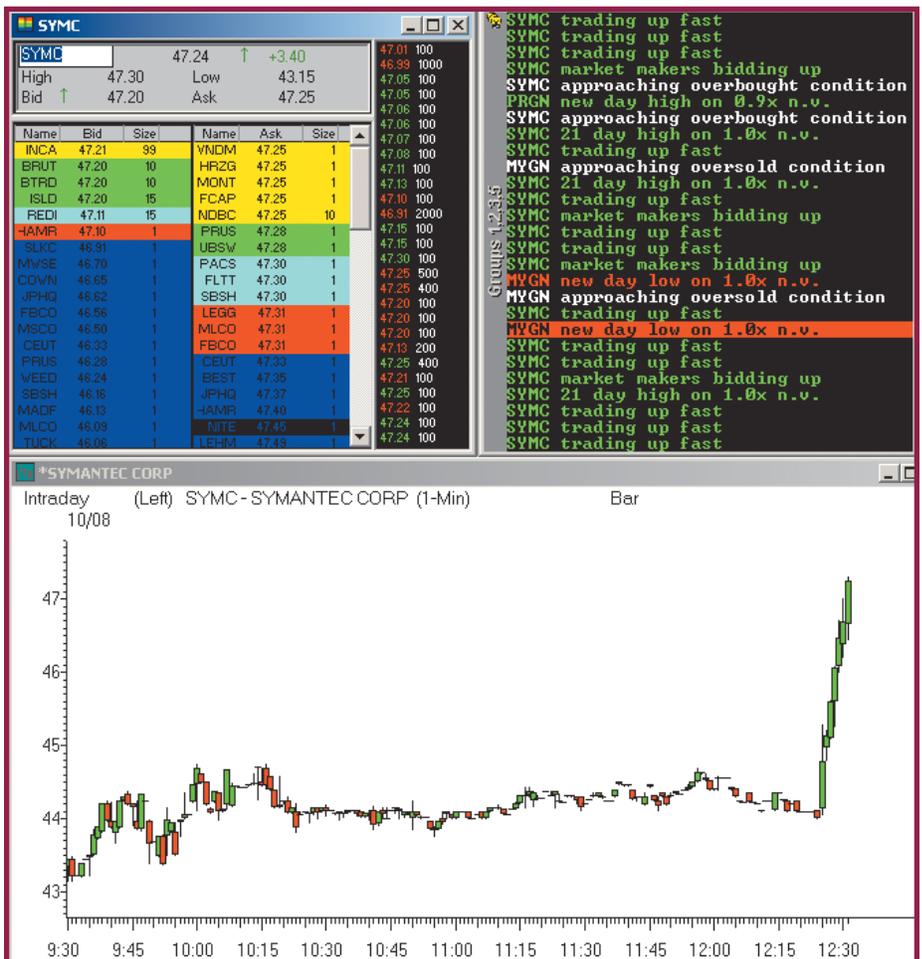
FIGURE 7: ALERTS, LEVEL II, AND PRICE CHART FOR SYMC. When a stock starts to move, the alerts for that stock should dominate the screen. Here, both multiple alerts for SYMC ("SYMC trading up fast," "SYMC 21 day high on 1.0 x n.v.," "SYMC market makers bidding up") and repeats of the alerts indicate something is happening, in this case to the upside. This is confirmed by the one-minute bar chart of SYMC.