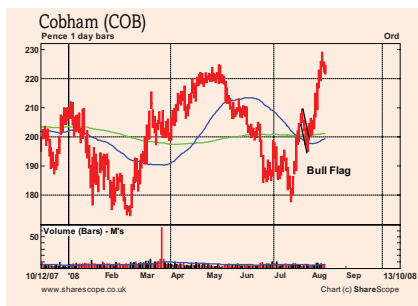
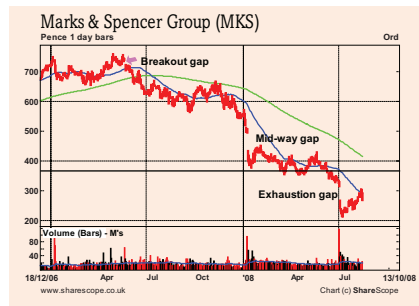




9. A Rising Wedge usually signals a trend change will occur



10. Flag formations typically occur halfway into a rapid move



11. Gaps come in many guises and each one can carry a valuable message

Gaps in price are also worth looking out for. They may occur at a price breakout and if left unfilled confirm the breakout is significant. They may occur mid-way in a move and can provide a measuring point from which to gain an idea of the likely extent of the full move. Or

they may appear after a long move and signal that the market is becoming exhausted. If a gap is quickly filled by subsequent price action, it is considered to have little significance. (Chart 11)

Though these are the main patterns to

watch for, there are several more shapes that can be seen from time to time on charts and which give a clue as to the likely future direction of prices. However, just keeping these few plays in mind will doubtless serve the open minded trader well.

Trading systems

The range of packages on offer can swamp unwary users, so research and focusing on priorities can pay dividends

Trading systems reward the user who tries to understand the thinking behind them, rather than just trusting them. The more paths you explore, the more confusing trading can become. Keeping it simple and focusing on minimising losses and running profits can be the most important thing.

MTPredictor v6 (www.mtpredictor.com) is the latest version of a program developed in recent years by a British company founded and run by a bona fide trader for a change. Because Steve Griffiths, the company's MD, has been through the twin hoops of developing as a trader himself and searching for software to make the exercise easier, he knows what most other traders want, and seems to have done a sterling job of producing a package that cuts to the trading chase.

The cornerstone of the product is risk/reward control and position sizing. Steve knows through experience this is the key to long-term profitability for any trader, and his method of analysis, which he teaches through web-based seminars, focuses on how to take the low-risk approach to profits.

The program will look at any market with

decent liquidity and for which Metastock or ASCII data is available. It will automatically scan for various market conditions and isolate suitable candidates for closer examination. Most importantly it knows how to vary the trading size to maintain a constant risk profile.

Using standard ABC correction trade setups or a derivation of Elliott wave-type analysis, it can then guide the trader into a low-risk trade by virtue of its special trade sizing, risk control and reward ratio analysis. The program will give a projection of the size of the likely move, an indication of how strong the move is and it also provides trailing stops and break-even levels to further minimise risk.

It can be used as a semi-automatic trade-finding tool for those finding their feet or it can combine its market logic with more conventional technical analysis measures to guide more experienced traders toward profits.

There is nothing black-box about this system – the methodology is clearly discussed and does not rely on optimisation, but generates trades at the leading edge of the chart and crucially goes on to manage the trade right through to exit. MTPredictor seems to

offer a rather rare set of tools and, if the trading testimonials on the website are anything to go by, there are several extremely successful and satisfied traders using it.

The example chart shows how the program initially favoured a long position in Shell, generating automatic stop, trade size and potential target levels. In this case the trade panned out well to give a return of some eight times the initial risk.

With trades of this calibre, the system could be wrong more times than not and still generate profits. However, I doubt it would actually perform so badly. This is a clearly conceived and cleverly implemented product that aims to give real traders an edge both from a trade initiation and a money management standpoint – a rare combination.

MTPredictor is also available in a version to work with eSignal, TradeStation and NinjaTrader real-time feeds but is equally happy running off end-of-day data as a standalone program. For this Steve recommends the Paritech data service (paritech.co.uk). In due course a real-time stand alone version of MTPredictor will be released. Priced from around £1,300 (£1,000