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**Special
Edition!**

Featuring...

TradeMiner Pro

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by Kent Kofoed



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The TradeMiner

Neural Network Analysis Tool

by Kent Kofoed

In this article, I am going to go over the neural network analysis tool in TradeMiner; more specifically, I am going to cover what the neural network analysis tool does, what each of the four trade classifications (High, Medium, Low, and Very Low) mean, and then I am going to provide an analysis of three TradeMiner neural network trade classifications, covering both trades where the results were as expected and trades where the results weren't as expected.

Overview of the Neural Network Analysis Tool

The TradeMiner Neural Network Analysis Tool is a neural network pattern recognition model, where the "pattern" that the model "recognizes" is the value of multiple technical indicators before the entry dates of each TradeMiner trade. If the pattern of the upcoming trade "looks like" the historical patterns of past winning trades (i.e., trades that were historically profitable), then the trade is classified as a "successful" trade. On the other hand, if the pattern of the upcoming trade "looks like" the historical patterns of past losing trades (i.e., trades that were historically unprofitable), then the trade is classified as an "unsuccessful" trade.

Overview of the Neural Network Trade Classification Categories

There are four different trade classification categories that the neural network will make, which includes High, Medium, Low and Very Low. If the current-year pattern looks like the pattern of a "successful" trade, then that trade will be classified as either a High or a Medium (this is the current-year directional bias of the trade). Similarly, if the current-year pattern looks like the pattern of an "unsuccessful" trade, then that trade will be classified as either a Low or a Very Low. In addition to the directional bias of the trade, there is another important characteristic that separates a classification of High or Very Low from a classification of Medium or Low, and this is whether or not the trade looks like an average trade. For example, if a trade receives a classification of either Medium or Low, then the trade looks like it will be a typical trade (i.e., an average winning trade for a Medium classification and an average losing trade for a Low classification). On the other hand, if a trade receives a classification of either High or Very Low, then the trade doesn't look like an average trade (i.e., it either looks like a greater-than-average winning trade, for a High classification, or a greater-than-average losing trade, for a Very Low classification).

Historical Trade Classification Analysis

For this analysis, I am using three historical TradeMiner trades so that I can analyze what went right (or wrong) with each of their trade classifications.

In TradeMiner, after I pressed the "Calculate Now"

button on step 2, an individual neural network model was built for each of the trades and each trade subsequently received its own neural network trade classification. These trade classifications, as well as the actual percentage return of each trade, are outlined in figure 1 and, as is shown, the prediction for XLU was Very Low and the predictions for UHS and EW were both High. The percentage return was a positive 1.79% for XLU, was a positive 9.07% return for UHS, and was a negative 20.77% return for EW.

this trade would have actually been an extremely risky trade to make, especially when you look at the price action that occurred right after the trade exit date.

UHS- Correct Trade Classification

UHS is a great example of a correct trade classification (the trade prediction was High and the trade return was 9.07%), where the neural network model worked exactly the way that it should typically

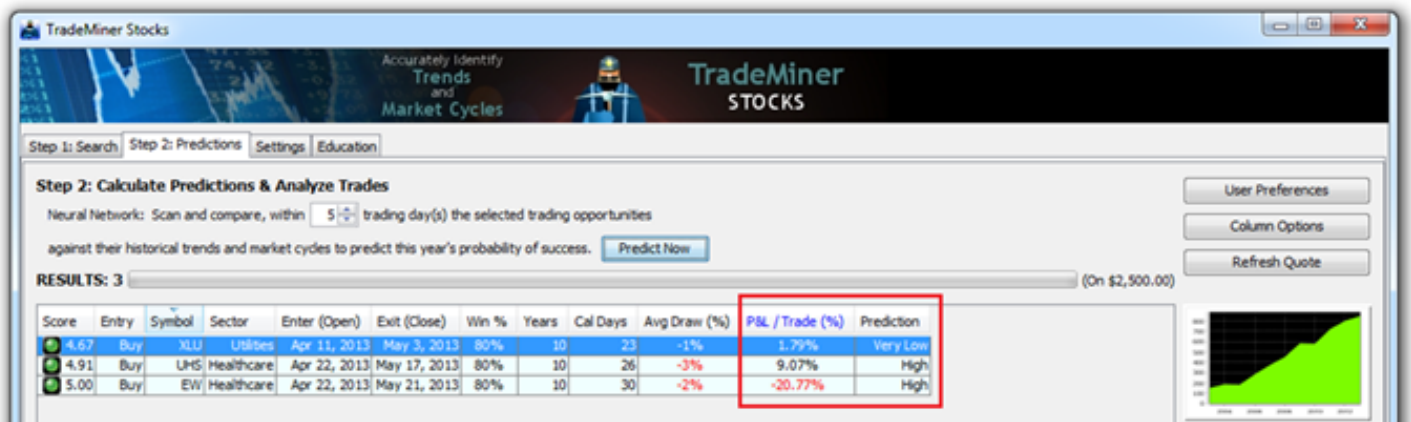


Figure 1:

XLU- Incorrect Trade Classification

Since XLU had an incorrect trade classification of Very Low (it ended up having a positive return of 1.79%), it is important to see why this trade classification turned out to be incorrect. Looking at the price action that occurred prior to the start date of the trade, which is shown in figure 2 (in order to see this type of chart in TradeMiner, all you need to do is double left click the row of the trade that you want to see), you can see that XLU rallied pretty far prior to its trade entry date (this will typically be an indication that the trend started earlier than usual), which resulted in the neural network determining that this trade looked like it was overbought (when compared to its historical price) and wrongly classifying it as Very Low. However, with the benefit of hindsight you can easily see that this really isn't the case and that

work. Figure 3 shows the TradeMiner chart for this trade and you can easily see that the neural network model performed quite well. The neural network model recognized that UHS found support after a



Figure 2:

recent pullback (which just happened to be right before the trade entry date) and was likely to continue in the direction of its underlying, longer-term trend. In order to give you a somewhat better view of the price action that occurred prior to the trade entry date, I have included another chart, provided in figure 4 (which was created using Track 'n Trade High

Finance), that shows the longer-term price action of UHS. As you can see, UHS was in a longer-term uptrend and the pullback that occurred right before the trade entry date was the second consolidation of this trend (prior to the breakout that started off this trend, UHS had been consolidating sideways, and the rally that occurred right after the trade entry date

ended up being wave 5 in the dominant trend of the Elliot Wave pattern).

EW- Incorrect Trade Classification

Since EW had an incorrect trade classification of High (it ended up having a loss of 20.77%), it is important to see why this trade classification turned out to be extremely incorrect. The TradeMiner chart for this trade is shown in figure 5.

Looking at figure 5, it is easy to see that a majority of the losses from this trade occurred on a single trading day, which just happened to be two days after the trade entry date. After looking at the headlines for EW, around the date of the large decline, I was able to quickly see that the large decline was due to weak 1st-quarter results (see Edwards Lifesciences tumbles on 1Q Sapien sales) that were reported after the close on the day before the large decline.



Figure 3:



Figure 4:

Summary

The key thing to remember when using the TradeMiner Neural Network Analysis Tool is that it is still important to pay attention to any outside factors that may influence the price of an asset, such as an earnings reports (or, in the case of commodity futures, a commodity production report). It is also important to remember that the neural network only looks at the price action that occurs prior to each trade entry date (comparing that price action with the past price action that occurred before the trade entry date of previous winning and losing trades). So, if any market moving information is released after the trade entry date, then this new information could possibly invalidate the

results from the neural network model because this new information wasn't factored into the model when the model was first built.

Kent Kofoed is a technical analysis specialist, as well as an individual trader, who has a Bachelor's degree in Business Administration from Utah State University and a Masters of Security Analysis and Portfolio Management degree from Creighton University. Additionally, Kent is a level II candidate in the CFA program, a graduate student in the Masters of Science in Predictive Analytics program at Northwestern University and a contributing author for PitNews Magazine.

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TANNER'S TIPS AND TRICKS

Have you ever wanted to search in TradeMiner for a specific symbol as opposed to all symbols at once? The benefit of searching one symbol at a time, is you can see all of its seasonal trades the entire year as opposed to only one month at a time. Perhaps in Futures you wanted to search for a specific contract month, like July Wheat. In Stocks and Forex you could search for IBM or AUD/USD.

Please remember that if the symbol is not contained in our database the box will turn red when you type it in.

Below you can see examples of searching by the month compared to searching by the specific symbol you are looking for.

If you look at the image below you will see TradeMiner 3.5 Futures currently displaying Step 1.

Step 1: Search | Step 2: Portfolio | Settings | Education


Step 1: Find & Select High Probability Trading Opportunities For Your Portfolio:

Prospect for trends in the **Symbol** of: Find trends that have won at least % of the time, showing **Both**

List trends that last at least 5 trading day(s), but no more than 30 trading days. Mine at least years of history.


Remove same symbol duplicate start dates. Remove same symbol overlapping trend dates.

If you look in the top left corner, you will see the drop down button that says Month. Go ahead and click on it and you will see the option to select Month or Symbol. (Refer to the below image for help).



Prospect for trends in the **Symbol** of:

After Selecting Symbol



Prospect for trends in the **Month** of:

Before Selecting Symbol

Now instead of having to sift through many symbols to find the one(s) you really want, you can just search for your favorite symbol(s), futures contract(s) or forex pair(s). Now go ahead and click the drop down arrow in the blank box and you can scroll down to find your symbol or simply type in its name and results will appear below.

Step 1: Find & Select High Probability Trading Opportur

Prospect for trends in the **Symbol** of:

List trends that last at least 5 trading day(s), but no more

Remove same symbol duplicate start dates. Remove same sy

RESULTS: 15

Add	Score	Trend	Symbol	Instrument	Begin (Open)
<input type="checkbox"/>	4.66	Bullish	KEN	Wheat, KCBT, Jul	Dec 9, 2013
<input type="checkbox"/>	2.72	Bullish	KEN	Wheat, KCBT, Jul	Jan 22, 2013
<input type="checkbox"/>	2.45	Bullish	KEN	Wheat, KCBT, Jul	May 17, 2013
<input type="checkbox"/>	2.41	Bullish	KEN	Wheat, KCBT, Jul	Oct 29, 2013
<input type="checkbox"/>	2.24	Bearish	KEN	Wheat, KCBT, Jul	Mar 18, 2013
<input type="checkbox"/>	2.14	Bearish	KEN	Wheat, KCBT, Jul	Apr 10, 2013
<input type="checkbox"/>	1.84	Bullish	KEN	Wheat, KCBT, Jul	Nov 25, 2013
<input type="checkbox"/>	0.89	Bullish	KEN	Wheat, KCBT, Jul	Apr 2, 2013
<input type="checkbox"/>	0.88	Bearish	KEN	Wheat, KCBT, Jul	Sep 3, 2013
<input type="checkbox"/>	0.58	Bearish	KEN	Wheat, KCBT, Jul	Jan 7, 2013
<input type="checkbox"/>	0.40	Bearish	KEN	Wheat, KCBT, Jul	Apr 22, 2013
<input type="checkbox"/>	0.08	Bearish	KEN	Wheat, KCBT, Jul	May 30, 2013
<input type="checkbox"/>	0.05	Bearish	KEN	Wheat, KCBT, Jul	Nov 11, 2013
<input type="checkbox"/>	0.01	Bearish	KEN	Wheat, KCBT, Jul	Aug 14, 2013
<input type="checkbox"/>	0.01	Bearish	KEN	Wheat, KCBT, Jul	Dec 2, 2013

Step 1: Find & Select High Probability Trading Opp

Prospect for trends in the of:

List trends that last at least trading day(s), but n

Remove same symbol duplicate start dates. Remove s

RESULTS: 347

Add	Score	Trend	Symbol	Instrument
<input type="checkbox"/>	5.00	Bullish	GLBM	LIBOR, 1mo, Jun
<input type="checkbox"/>	5.00	Bullish	GLBH	LIBOR, 1mo, Mar
<input type="checkbox"/>	5.00	Bullish	GLBZ	LIBOR, 1mo, Dec
<input type="checkbox"/>	5.00	Bullish	GLBU	LIBOR, 1mo, Sep
<input type="checkbox"/>	5.00	Bullish	GEM	Eurodollar, Jun
<input type="checkbox"/>	5.00	Bullish	GLBM	LIBOR, 1mo, Jun
<input type="checkbox"/>	5.00	Bullish	GEH	Eurodollar, Mar
<input type="checkbox"/>	5.00	Bullish	GEH	Eurodollar, Mar
<input type="checkbox"/>	4.82	Bullish	ZRX	Rice, Rough, Nov
<input type="checkbox"/>	4.81	Bullish	GSIU	Silver, COMEX, Sep
<input type="checkbox"/>	4.75	Bullish	GEU	Eurodollar, Sep
<input type="checkbox"/>	4.74	Bearish	ZLV	Soybean Oil, Oct
<input type="checkbox"/>	4.74	Bearish	ZLQ	Soybean Oil, Aug
<input type="checkbox"/>	4.74	Bearish	ZLU	Soybean Oil, Sep
<input type="checkbox"/>	4.74	Bullish	GSIZ	Silver, COMEX, Dec
<input type="checkbox"/>	4.68	Bullish	GEZ	Eurodollar, Dec
<input type="checkbox"/>	4.62	Bullish	ZRH	Rice, Rough, Mar
<input type="checkbox"/>	4.40	Bullish	SB-MV	Sugar #11, Oct
<input type="checkbox"/>	4.38	Bullish	SB-MH	Sugar #11, Mar
<input type="checkbox"/>	4.18	Bearish	ZLZ	Soybean Oil, Dec
<input type="checkbox"/>	4.11	Bullish	GSIK	Silver, COMEX, May
<input type="checkbox"/>	4.04	Bullish	ZRX	Rice, Rough, Nov
<input type="checkbox"/>	3.98	Bearish	ZMQ	Soybean Meal, Aug
<input type="checkbox"/>	3.94	Bearish	GNGX	Gas, Natural, Nov
<input type="checkbox"/>	3.87	Bullish	GSIH	Silver, COMEX, Mar
<input type="checkbox"/>	3.86	Bullish	GGCG	Gold, COMEX, Feb
<input type="checkbox"/>	3.85	Bearish	ZSQ	Soybeans, Aug
<input type="checkbox"/>	3.67	Bullish	LEM	Cattle, Live, Jun
<input type="checkbox"/>	3.59	Bullish	GSIK	Silver, COMEX, May
<input type="checkbox"/>	3.59	Bullish	SB-MK	Sugar #11, May
<input type="checkbox"/>	3.49	Bearish	GNGV	Gas, Natural, Oct
<input type="checkbox"/>	3.41	Bullish	GGCG	Gold, COMEX, Feb

Contains many different symbols to choose from, one month at a time.

If you have any questions regarding TradeMiner don't hesitate to contact me.

Jonathan Tanner works for Gecko Software and is currently the Track 'n Trade Technical Support & Education Manager. You can find Gecko Software

online at: www.GeckoSoftware.com. Jonathan makes himself available for calls and consultation during regular business hours, call Jonathan at: 1-800-862-7193 Ext 3. Or email him at: jtanner@geckosoft.com

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This Month's Off the Wall Chart comes from Wyatt



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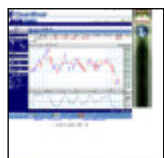
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