

The Floor Traders Toolsä 8.0
&
TrendProä 8.0

Developed by Roy Kelly

ARC Systems

1800 E. Sahara Avenue, Suite 107

Las Vegas, Nevada 89104

(530) 243-0999, Fax: (702) 920-8229

Email: support@trendpro.com Web site: <http://trendpro.com>

Table of Contents

Introduction.....	Page 1
Identification of Cycles, Turn Points, Swing Points	Page 2
Kelly's Cycle Identifier.....	Page 3
Filtered Waves.....	Page 4
Swing High & Swing Low	Page 5
Fib Retracements	Page 5
Auto TrendLines.....	Page 5
Acc/Dist	Page 6
Commodity Channel Index (CCI Expert)	Page 6
Trident	Page 6
Cycle Timing	Page 7
Fib Extensions	Page 8
Price Exhaustion	Page 9
Floor Pivots	Page 9
TrendPro Up/Down	Page 9
TrendPro Stops	Page 10
Two Smooth.....	Page 10

Introduction

Floor Traders Tools™ & TrendPro™ are not systems, it is a method of evaluating and trading markets using mechanical buy/sell signals to trade the market and to identify cycle tops and bottoms. While judgment is not eliminated, it is greatly reduced by the methodology of combining time cycles and trend identification. **Generally, buy signals are more accurate in an up trending market and less accurate in a down trending market; sell signals are more accurate in a down trending market and less accurate in a up trending market.**

Determining the direction of trend requires interpretation. Trend is determined by the direction of the dominant cycle in the next longer time frame. For example, when trading a 5-minute chart, trend is determined by the cycle in the 20-minute bar chart. The Filtered Waves and Trend Lines aid in determining the trend for both time periods.

Do not expect to start using the **Floor Traders Tools™ & TrendPro™** and immediately begin trading like a market wizard. You must become familiar with the **Floor Traders Tools™ & TrendPro™** and the way they, and you, interact in the markets, and also the time periods you choose to trade. Like anything new, your skills will improve with experience. However, using the **Floor Traders Tools™ & TrendPro™** on historical back data can greatly increase your experience level very quickly. There is no substitute for putting your money on the line, but you will be much better prepared to trade if you have become thoroughly familiar with the program's methodology by applying the indicators to historical data to determine situations that present high probability buy/sell signals.

Trade Like The Pros™ Seminars

Trading the markets require experience and skill. Roy Kelly personally conducts several workshops per year on trading active commodities, bonds, stocks, FOREX, and intra-day trading of the S&P Index. These workshops are very specific and presented in such a way that both beginning and experienced traders leave with greatly improved trading skills and the ability to use the powerful **Floor Traders Tools™ & TrendPro™** indicators and methodology. For a schedule of upcoming workshops please call ARC Systems at (530) 243-0999 or check our web site at: <http://www.roykelly.info>.

❖ **There is a risk of loss trading futures and stocks.**

Identification of Cycles, Turn Points, and Swing Points

Every time chart has a dominant trading cycle of 14-25 bars, with most cycles averaging 15-22 bars from low to low, it is this cycle that is used to trade the market. The Cycle Strength indicator is a spectral analysis program that identifies the dominant trading cycle in any market, and any time frame. Once a cycle length is identified, the Dynamic Cycle Forecaster will forecast the most probable time periods for a cycle to top and bottom.

All price activity is comprised of “swings” of various degrees—major, intermediate and minor. Every trading cycle bottom is a swing low, and every trading cycle top is a swing high. But, every swing low is not a tradable cycle bottom; nor is every swing high a tradable cycle top. Between trading cycle tops and bottoms there can be one or more swings. This tool kit is designed to identify the swing highs and lows that are tops and bottoms of the trading cycle. There are several ways of identifying swing highs and lows. In this tool kit we use two major techniques.

The first is to identify a swing high as a bar whose high is higher than the high of a given number of bars preceding it and the high of a given number of bars after it. For example, a swing high with strength of 5 would be defined as a bar whose high is higher than the high of the five bars preceding it and the high of the five bars after it. This method does not insure that a 5 swing high will be followed by a 5 swing low. Several swing highs or lows of a different strength may be encountered before a 5 swing low, but it is useful in automatically plotting Trend Lines.

A second method of identifying swing highs and lows is by defining a fixed price reversal in terms of percentage, dollars, or points, which must occur after a suspected swing high or low before that swing turning point can be confirmed. This method assures that a swing high will always be followed by a swing low and is very effective in most dynamic swing analysis studies. Those indicators in this package which have a “Strength” input perimeter will follow the first method of identifying swing highs and lows. The programs in this package that have “Cycle Strength” and “UsePnts” input perimeters utilize the second method for identifying swing highs and lows.

Kelly's Cycle Identifier—rkCycleId

The dynamic algorithm of this tool is remarkable. Unlike any of its kind, it is able to determine a possible cycle bottom or cycle top as it occurs. This is a very powerful tool when used in the direction of the trend. **As with all indicators it is prudent to trade in the direction of the trend.** It can also be used to enter and exit the trades. There is no indicator as powerful and accurate as this one for cycle identification. This cycle high/low timing indicator is similar in nature to the Trident Turn Point indicator—the difference being its ability to identify turn points as they occur. Unlike the other indicators, this one does not look back in time to find the turning points. This is a leading indicator developed to pinpoint a reversal at the earliest probable point. There are occasions when there has not been a price move large enough for the indicator to stabilize. These points are called phantom points. **The indicator will then re-calculate and start looking for a new cycle low or a new cycle high. It is very important to trade this indicator in the direction of the trend.** When the Peak or Valley lines up with a red spike it is often a strong indication that the short cycle high or low is stable and will not be modified by future price activity. These tops or bottoms can also identify a trend reversal. A red spike will identify a possible major cycle.

If the Input Cycle Strength is set to 0, it automatically finds the best trading cycle. This is an “intermediate cycle”. It then calculates the tradable cycles, averages them, and automatically plots those cycles when they occur. If any value greater than 0 is used, it will then find the cycles based on the value inserted into the Cycle Strength input. The purple plot is the normal trading cycle. The red spikes show a major cycle depending on the value of the factor. The value of the Factor input is the multiplier for the major cycle. The default is 2.5, and we recommend a setting of 2.5 to 3.5. This value can be increased for the trader's preference. The minimum value has to be 1, or the indicator will not work correctly.

Inputs	Default	Description
Cycle Strength	0	The Range is 0-200, for most markets leave at 0 for auto mode.
Factor	2.5	This input has to be 1 or greater. The recommended range is between 2.5–5.0.
Percent	2.25	This setting should be > 0. Experimentation is needed to find the best setting for the market being traded.
MinBars	1	This is the number of bars after a possible cycle required to make it plot. The range is 1-4.
Reverse	True	Flips or reverses the way the indicator plots. The easiest way to see the difference is to plot two indicators with this input set at true for one indicator, and the other set at false.

HighPrice	Close	This setting can be changed to high, low, open, or close.
LowPrice	Close	This setting can be changed to high, low open, or close.

Filtered Waves—rkFilteredWaves

The dynamics of this indicator are quite complex. It analyzes past data to determine the cycle patterns and then calculates the overall direction of the trend. This study plots a Filtered Wave pair of parallel dotted lines at a set distance above and below the median price. Standard deviations and a calculated percentage value set the distance from the median price to the wave lines. To calculate the starting point for the Filtered Wave, this study automatically detects the most recent cycle high pivot or cycle low pivot of the price chart. The size of price reversal required defining a major cycle reversal, and therefore, the sensitivity of the indicator, is controlled by the input variable Cycle Strength. A Filtered Wave channel will begin whenever a cycle of the magnitude of a given number of points or percentage values occurs. When the channels are in an up trend look for cycle lows for buy setups, when the channels are in a down trend look for cycle highs for sell setups.

Inputs	Default	Description
Cycle Strength	0	The Range is 0-200, for most markets leave at 0 for auto mode.
Factor	2.5	This input has to be 1 or greater. Recommend a setting > 2.0 The recommended range is between 2.5–5.0.
UsePnts	True	If set to True, it uses a point value, if set to false it will use a percent value to calculate the cycle high or cycle low. <i>Refer to page 3 of this manual for more information.</i>
Percent	2.25	This setting should be > 0. Experimentation is needed to find the best setting for the market being traded.
Price	Close	It can be high, low, open, closed or a combination like the following: $((O+H=L=C)/4)$.

Swing High / Low—rkSwingHigh-SwingLow

This indicator shows swing points based on the first method of identifying turning points on page 3 (paragraph 3) of this manual. It is possible to have several Swing Highs before a Swing Low or several Swing Lows before a Swing High. For more information on how the Swing High & Low Study calculates its swings refer to page 3 (paragraph 3) of this manual.

Inputs	Default	Description
Strength	3	Recommend using a setting of 3 to 5; however, you can use any value desired.

Fibonacci Retracements—rkFibRetracements

This indicator shows “Fibonacci” retracement points from the last cycle high or cycle low. It plots dots on the screen that show where the retracement points are. These retracement points work fairly well as long as you trade in the direction of the trend. “Fibonacci” retracements of 38-62% are particularly significant as a support and resistant range when prices drop into a trading cycle bottom in an up trending market and as prices rise to cycle tops in a down trending market.

Inputs	Default	Description
Swing Factor	2.5	The Range is 1-20.
Show Pivot	False	This setting show the pivot dots.
Ret1 - Ret4		.382, .50, .618, .786 “Fibonacci” retracements. These values can be any number > .01. If set to 0 that line will not plot.

Auto Trend Lines—rkTrendlines

The automatic Trend Line indicators, “TrendLine Up” and “TrendLine Down” automatically plot a Trend Line from left to right through recent swing high or swing low points of a selected strength. They then keep track of the price relative to the Trend Line. The Trend Line continues plotting until a new swing low is determined. It is not uncommon for one or the other, or both, not to show when first plotted. They will only plot the last trend, if there is one.

Inputs	Default	Description
Upr TrendLine	3	This input is the strength of the indicator. Recommend setting is 3; however, you can experiment with this from 2-6. <i>Refer to page 3 of this manual for more information.</i>
Lwr TrendLine	3	This input is the strength of the indicator. Recommend setting is 3; however, you can experiment with this from 2-6. <i>Refer to page 3 of this manual for more information.</i>

Max Length	200	This is simply the length or number of bars the indicator will plot. Recommended setting is the default.
------------	-----	---

Accumulation Distribution—rkAccDist

This indicator is a modified version of the standard Accumulation Distribution indicator. When price is above the zero line, this indicates that buyers are controlling the market, when it is below the zero line, this would indicate that sellers are in control. This Accumulation Distribution Indicator is a favorite among Stock Traders.

Inputs	Default	Description
Length	50	This is the strength of the indicator. Recommended settings 35-100.

Commodity Channel Index—rkCCI

This indicator is a modified version of the CCI indicator (Commodity Channel Index). This Indicator is a favorite among Stock Traders. It also works very well with commodities. There are two ways to use this indicator. If you use a larger number (for instance 70) it becomes a very good Long-Term Trend Indicator; whereas, with a setting of 12-18 it becomes a great trading indicator. You can plot two of them at the same time using different length settings.

Inputs	Default	Description
Length	70	This is the strength of the indicator, range 1-200 or greater.
Upper	60	This is the upper line, range 40-90.
Lower	-60	This is the lower line and needs a negative number, range (-40)-(-90).

Trident—rkTrident

This confirming indicator identifies the cycle tops and bottoms. This indicator is designed to clearly show and confirm cycle highs and cycle lows. The dynamics of this indicator calculates on a price and percentage retracement based on historical tradable cycle highs and cycle lows, rather than using a certain number of bars to determine a reversal in price direction. This indicator will then show the major cycle highs and lows.

B2/B6 stands for Price Balance Points. There are varied degrees of Swings: minor, intermediate and major. The minor swings are too hard to trade unless you are in the trading pit on the exchange floor. The buy and sell points are the intermediate and major swings. By changing the

factor to a value somewhere between 2.5–4.0, and also changing the input “Trident Type” to major, you can plot two of them, which will then show major cycles.

Note: The Factor input only applies for the “Trident Major”.

Inputs	Default	Description
Cycle Strength	0	The Range is 0-200, for most markets leave at 0 for auto mode.
Factor	0	This input has to be 1 or greater. This input is for the major trident only.
UsePnts	True	The recommended range is between 2.5–5.0. If set to True, it uses a point value, if set to false it will use a percent value to calculate the cycle high or cycle low. <i>Refer to page 3 of this manual for more information.</i>
Trident Type	Regular	Regular equals regular cycles, Major equals major trading cycles.
Percent	2.25	This setting should be > 0. Experimentation is needed to find the best setting for the market being traded.
Show Pivots	False	If True, it shows the bar that the indicator calculates on to plot the pivot point.
Stop Loss	0.5	If set to 0.5 that would be a ½ point from the last turn point.
DrawStopLoss	True	This turns on/off the stop loss plots. True=On False=Off
StopLoss	0.5	This the point value for the stop based on the last pivot, above or below it.
DrawTarget A&B	True	Turns on the Target Line.

Cycle Timing—rkCycleTiming

There are certain price patterns that sometimes occur before a cycle high or low. This is a pattern recognition indicator that helps to identify some cycles before they appear. Generally you should expect the market to put in a cycle high or low somewhere in the area where the bars start to paint magenta, or whatever color you have chosen. If you are in a long position, this is usually a good place to take profits. Then, if determined the market is still bullish, wait for the market to sell off some; and if conditions are met buy the next cycle low. If conditions are met for a major cycle high, use caution and confirm the sell-off before shorting the market. If the market is in a downtrend, you should expect the market to put in a cycle low in the area where the bars are painting magenta. If you are in a short position, this is usually a good place to take profits. Then, if determined the market is still bearish, wait for the market to move up some; and if con-

ditions are met sell the next cycle high. If conditions are met for a major cycle low, use caution and confirm the rally before buying the market.

Inputs	Default	Description
Bars_Ago	7	For experimental purposes only: Suggested Range 1-9
X-Bar	9	For experimental purposes only: Suggested Range 5-13

Fibonacci Extensions—rkFibExtensions

Many have used Fibonacci Retracements for many years and in various different ways. Before Fibonacci numbers became popular with traders, Charles Dow was using them around the turn of the century. In an editorial Charles Dow wrote, “A much more practicable theory is that founded on the law of action and reaction. It seems a fact that a primary movement in the market will generally have a secondary movement in the opposite direction of at least three-eighths of the primary movement...The low seems to hold good no matter how far the advance goes.” Later, writers developed the rule “one-third to two-thirds of the previous move.” So the question becomes—is this a dependable guide? Many think so. The most popular Fib numbers are .382, .618, and .786. You will find a great number of buying and selling going on at these retracements. There are many ways traders use these retracements in today’s market place. A careful study is recommended before trying to buy or sell off the extensions.

Plotting the Indicator

1. Load it into your chart. You will see a text icon at the bottom-left of your chart that says "rkExtension Tool".
2. Click once on this text icon.
3. The icon will disappear and will be replaced by a prompt that instructs you to “double-click on the High or Low of Bar ‘A’”. Do as it instructs and the letter ‘A’ will appear on your chart at the price bar where you double-clicked. To select the high of a bar, double-click near the high, to select the low of a bar, double-click near the low.
4. The prompt will now change to “double-click on the High or Low of Bar ‘B’”. Proceed as you did above.
5. Once you double-click on the 'B' bar, the prompt will change to "double-click on the High or Low of Bar 'C'. Proceed as you did above.
6. Once you have double-clicked on the 'C' bar, the correct extensions will be drawn on the chart.
7. The extensions will remain on the chart until you either refresh your chart or click on the text icon at the bottom-left again, which will start the process all over again

Price Exhaustion--rkPriceExhaustion

This indicator works two ways; by showing support, & resistance, at exhaustion points. The price will often break through the exhaustion line a little, and then reverse. In the chart shown, the market tested the first cycle bottom. Then the price moved up, and then sold off moving down, and the price re-tested the bottom at the second cycle low. The market then finds support around the exhaustion level and moves upward from there.

You will need to experiment some with this indicator to find the right setting for the market you are trading.

Inputs	Default	Description
PriceM	3	Experimentation is recommended to find the best setting. decrease/increase this value between 1-10.
Length	6	This is the length that the dots (exhaustion line) will plot. The larger the number the longer the dotted line will be.

Floor Pivots—rkFloorTraderPivots

This indicator plots the floor pivot and the floor support & resistance levels on the chart. These numbers are based on what the floor traders use to help determine where the buying and selling is taking place. These areas help determine where the market will reverse.

TrendPro Up/Down—rkTrendProTrend

These indicators are now part of The Floor Traders Tools™ package for eSignal versions. The TrendPro indicators can work independently of The Floor Traders Tools™, but preferably they should be used in conjunction with it. The TrendPro™ version comes with the two indicators: The TrendPro Up/Down and the TrendPro Stops. TrendPro™ indicators are universal and can be used in all markets and time periods; bonds, metals, agricultural commodities, currencies, mutual funds, stocks and foreign markets. They work very well trading the S&P Index & FOREX markets. These indicators were designed with the best dynamic technology available for all markets.

TrendPro Up & TrendPro Down shows market direction. When the market changes direction or stays in an upward trend the bars paint *green* and remain *green*. When the market changes direction to a downward trend the bars paint *red* and remain *red*. If there is a sideways market, or the market has no direction, then the bars turn the default color of the price bar setting.

Inputs	Default	Description
Intensity	3	Recommend using the default setting, however, for experimentation purposes decrease/increase this value between 1-10.
Shift	0.90	A filter of the intensity setting above which determines whether or not the bar turns blue. Recommend using the default setting, however, for experimentation purposes the range is between 0 - 3.90.
Price	Close	Recommend using the default setting, however, for experimentation purposes you can try using high, low, or open.

TrendPro Stops—rkTrendStops

TrendPro Stops include two types of stops—one for an up trend and one for a downward trend. The price of the dots is the protective stops. TrendPro Stops will adjust along with the market; thereby, helping to lock in profits. The markets own price movements determine the stop loss prices. These are the same stops that come with our TrendPro software.

Inputs	Default	Description
Intensity	3	Recommend using default, however for experimentation purposes decrease/increase this value between 1-10.

Two Smooth—rkTwoSmooth

Two Smooth is a great overbought and oversold indicator based on a Stochastic. This indicator has been greatly modified becoming one of the best oscillators used in today's markets.

Inputs	Default	Description
Length	10	Recommend using default, however I usually use a setting between 10-21; experimentation is needed to find the best setting for your style of trading.