

PRODUCT REVIEW

MTPredictor End-of-Day 4.0

MTPREDICTOR LTD.

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Product: Trading system based on Elliott waves designed to identify trades with low risk/high returns.

Requirements: Windows XP (recommended); reads MetaStock and ASCII format datafiles. *Recommended data providers:* Unfair Advantage (CsiData) and TC2000/2005 (Worden).

Price: \$1,795

by *Jayanthi Gopalakrishnan*

One of the challenges that traders face is finding the right equities, futures, indexes, options, or currencies to trade. But the difficulties don't stop there. The next challenge is to make sure that when you enter the trade, it has the potential to bring you the highest returns possible with the lowest risk. This is the most difficult aspect of trading, especially since forecasting price movement is (pretty close to, if not) impossible. And it is for this reason that the importance of money management is stressed. Still, is it possible to determine the risk/reward ratio of any trade? That's something that the folks at MTPredictor have worked on with great enthusiasm. A real-time and end-of-day version is available, but here in this review we are limiting ourselves to the end-of-day version.

INSTALLATION

The installation was pretty straightforward, although it did take a few minutes. You receive a username and password via email once you purchase the product. All you have to do is follow the instructions and you're ready to go. It's relatively simple to use, whether you're using the basic features or the advanced ones. As you can see from Figure 1, there is a button for each feature.

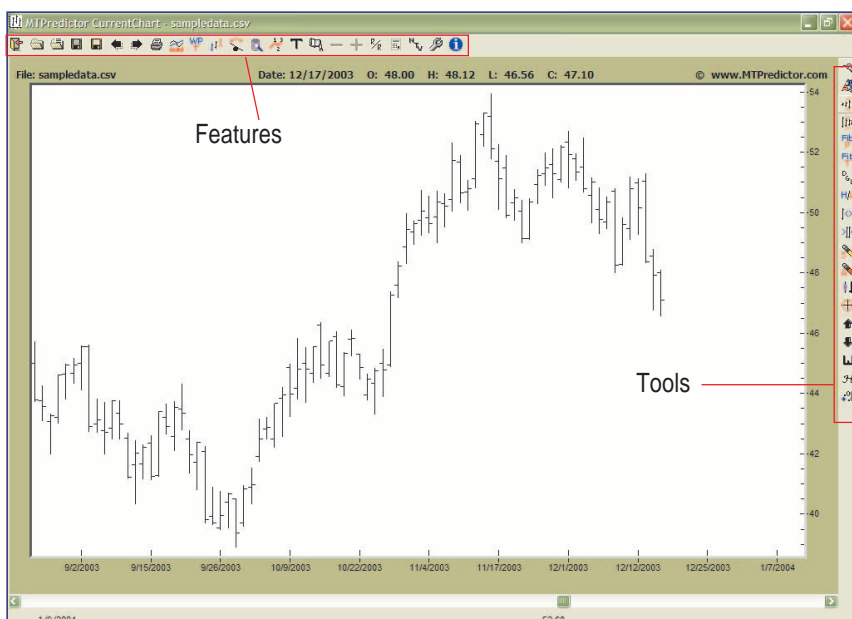


FIGURE 1: MTPREDICTOR. Once a chart is displayed on your screen, the features such as trade scanner, risk/reward calculator and tools are accessible through buttons.

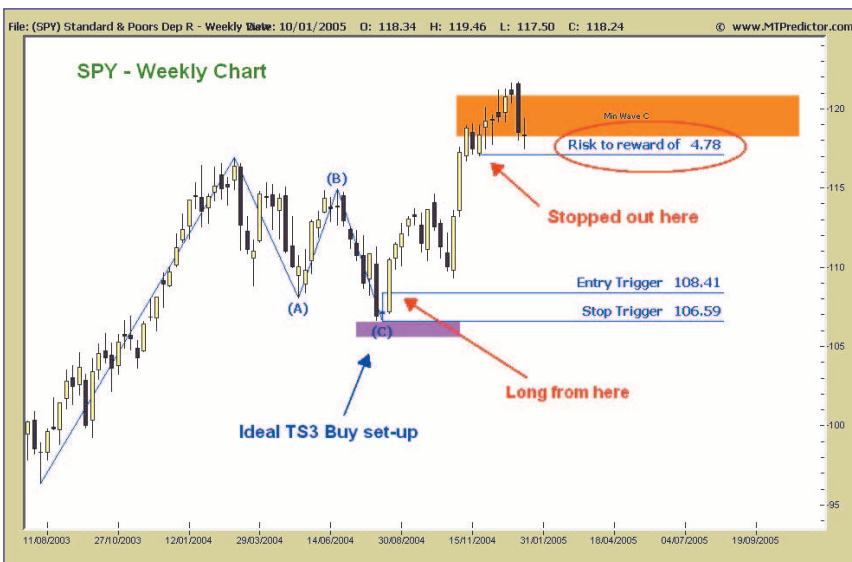


FIGURE 2: MTPREDICTOR AT WORK. On this weekly chart of the S&P 500, you see the ABC correction. When this is identified, you can see where the entry and stop triggers are displayed along with the minimum wave C area marked as a colored band. The risk/reward ratio is also displayed. In this case, it is 4.78.

FEATURES

MTPredictor is basically based on the "isolation approach," which is a technique that looks for an ABC† correction in an Elliott wave pattern in order to identify areas where price reversals are likely. It is these areas that have the potential for low-risk/high-reward trades. The objective of this software is to

answer the following questions:

- 1 Which are the best trade setups?
- 2 How do you judge the risk/reward ratios?
- 3 What should your position size/ trade size be?
- 4 How do you manage the trades?

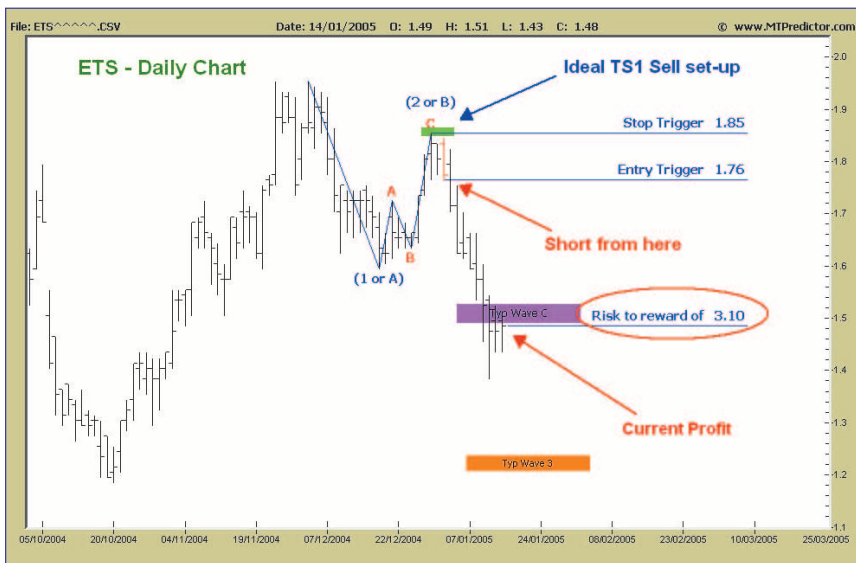


FIGURE 3: EXAMPLE OF A SHORT TRADE. Again, the ABC corrective wave is identified as the ideal entry point for a short position. The entry point, stop trigger, exit point, and risk/reward ratio are all displayed here.

Let's start with the best trade setups. The trade scanner identifies the trades by looking for three setups: TS1, TS2, and TS3. These are all three-wave corrections occurring in different Elliott wave patterns.

Once the software scans for these setups, it then performs the risk analysis and gives you the risk/reward ratio for each. This gives you the opportunity to analyze the trade before placing it. The risk calculator is available in the program so there is no need to go to another site on the Internet. You can use this calculator to determine your position/trade size. It is easy to monitor your trade because the initial stop-loss, entry level, and profit zones are displayed on the chart.

For example, on the weekly chart of the Standard & Poor's 500 in Figure 2, you can see the ABC correction. At point C is the ideal TS3 buy setup with the entry trigger and stop trigger displayed. You can also see that prices hit the minimum wave C projection and you were stopped out of the trade when prices went below it. The risk/reward of that trade was 4.78, which isn't too shabby. In fact, a risk/reward ratio of 2:1 is the minimum requirement. An example of a short trade can be seen in the daily chart of ETS in Figure 3.

The colored bands displayed on the chart are based on Fibonacci clusters and pivots, but that's about all we know as far as what goes behind them. They are proprietary, as is the algorithm for scanning of ABC corrections. But the program isn't a black-box† system; even though the

program identifies the entry and exit points, you are still encouraged to look at a long-term chart of what you are trading and see that the reversal is in line with the overall trend and to check the Elliott waves to make sure they look sensible.

Besides automatically finding trade setups and giving you the risk/reward ratios, this software lets you analyze charts manually, put in your own Elliott wave counts, and insert other indicators and studies. These include moving averages, volume, stochastics, and Bollinger Bands. Other features of interest include identifying pivots (major, intermediate, minor) and reversals (pullbacks, dojis, inside days, 80/20-day alone, high volume).

SUPPORT

Customers receive daily reports that provide market commentaries, guidelines on how to use MTPredictor, and show examples of trades. They also have access to web seminars, online videos, PDF help files, user group forums, trading courses, and technical support via phone/email.

IN SUMMARY

I was quite impressed with MTPredictor. Even though I am not an Elliott wave theory expert, emphasizing the importance of risk/reward ratios and managing trades once you are in them certainly strengthened the product. It made me think of the product as not just a trading tool but an educational one too.

Jayanthi Gopalakrishnan is Editor for STOCKS & COMMODITIES.



†See *Traders' Glossary* for definition