

AIQ

Opening Bell

Newsletter

AIQ 1987 – 2007

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An Interview with AIQ president Steve Hill

Dedicated Support, Superior Products Are the Basis of AIQ's Success

A *IQ's first stock trading system was introduced 20 years ago. In this interview, AIQ president Steve Hill looks at the history and goals of the company and how it has grown to become one of today's leading investment software companies.*

Editor: *Twenty years is a long time in the investment software industry. What is the key to AIQ's success?*

Hill: Much of the success of AIQ is due to the dedication and experience of our staff; they are key to providing outstanding support to our clients and to building better products. The average tenure of AIQ staff members of over 10 years is a reflection of the

We don't bake cakes or build cars; we provide powerful trading tools and trading systems and support these tools with educational newsletters, seminars, tutorials and webinars (online seminars). Our goal is to help our clients become better traders and investors.

Editor: *Can you please tell us how AIQ was started?*

Hill: In 1985, Dr. J.D. Smith, a pioneer in expert system technology, looked at the stock market trading products available for

AIQ's 20th Anniversary

commitment of the AIQ staff to the company.

AIQ has always been more than just a software "vendor." We strive to provide the best service possible to our clients by listening to their needs and acting on those needs as quickly and efficiently as possible.

the individual investor but could not find one that would relieve him of the time-consuming task of sifting through a data base of stocks, chart by chart, looking for an attractive investment. Using his experience in expert system methodology, Dr. Smith developed a personal computer system that would quickly perform this task and help him make intelligent, unemotional trading decisions. The stock trading system he developed was introduced in 1987 and was

immediately hailed as a breakthrough in investing technology. AIQ Systems was founded.

The company when founded was named Criterion Software Inc., and the name was changed to AIQ Systems Inc. in September 1988. Dr. Smith designed the AIQ expert systems and his wife, Diana Kincade, put them into programming language.

Ms. Kincade's objective was to make the systems easy to use and, with her strong background in programming and concern for user interface, she was able to achieve this objective. This commitment to user friendly products continues today—AIQ products are known for their ease of use.

In 1994, Dr. Smith and Ms. Kincade sold AIQ to Track Data Corporation of New York. Track Data also owned Dial/Data, one of the main data suppliers to AIQ clients. Under the new corporate host, AIQ migrated in 1998 to the monthly subscriber service bundled with the myTrack software and also gained access to real-time data for the TradingExpert Pro and OptionExpert products that continues to this day.

Editor: *How have AIQ products evolved over the years?*

Hill: AIQ's first product, StockExpert, was introduced in 1987 and provided basic charts, Expert Ratings, and some technical indicators. MarketExpert, a market timing system, quickly followed. Each of these packages included one of AIQ's signature features, the Barometer Control Panel that gives a quick visual assessment of each of the technical indicators. OptionExpert and IndexExpert were added to the product line solely for options analysis. All of these products were very successful and provided the impetus for the development of TradingExpert.



AIQ Founder Dr. J.D. Smith (1939-2003)

With the advent of TradingExpert, AIQ combined the strengths of MarketExpert and StockExpert into one powerful package and added group and sector analysis, a revolutionary concept at the time. Finally, a Portfolio Tracker was included and AIQ had one of the first really comprehensive trading packages on the market.

Add-on modules were next created: Matchmaker, a correlation tool that restructures your group/sector data for more effective group and sector analysis, and a Fundamentals module, as the name suggests a tool for analyzing fundamental factors.

Over the years, more and more powerful features were added to TradingExpert, including the Expert Design Studio, AIQ's trading system writing and testing tool. This tool allowed our users to create their own trading systems and their own custom indicators. With the acquisition of AIQ by Track Data Corporation, access to real-time data was added and AIQ provided all the charting and technical indicators for Track Data's professional platforms.

In the late 1990s, AIQ merged all

the add-on products into the TradingExpert software to create a power package that became known as TradingExpert Pro. While TradingExpert continued as a basic analysis tool, most of AIQ's clients moved to the new combined system—TradingExpert Pro. Today, some 10 years since TradingExpert Pro was first introduced, it remains our premier package.

Editor: *How has the industry changed over the years?*

Hill: Times change, and few investment software companies have succeeded as long as we have. Product is shipped on CDs now rather than 5 ¼ inch floppies. Data is delivered over the internet rather than using computer modems. Today's computers are lightning fast, allowing retail investors to employ tools that were only available to elite institutional investors.

There is no doubt that charting is now a de facto commodity provided by almost every investing or trading software service. Many of the free charting tools available on the internet provide basic price bars, including even Candlesticks and moving averages. However,

while these tools provide good looking charts, they lack the power tools that the informed investor and trader needs.

Most brokerage companies also provide some technical analysis tools for their clients. However, very few offer high-end analysis tools like those incorporated in AIQ TradingExpert Pro.

The industry has also experienced big changes in software and data prices. AIQ's four stand-alone DOS products originally sold at about \$1500 each. And to use the software you had to subscribe to a data vendor. In the early 1990s, data cost anywhere from \$60 to \$100 a month but fell in price steadily over time.

The biggest change in pricing for AIQ came about in the late 1990s when AIQ first offered TradingExpert Pro bundled with myTrack as a monthly subscription service. The software no longer had to be purchased with data paid for separately. Instead, you paid one

“The depth of knowledge and experience of the AIQ staff is our most invaluable strength. Our experience and knowledge has led to the development of many of the unique and powerful features in TradingExpert Pro.”

monthly fee for the data and software combined. And the other bonus was never having to pay for an upgrade again.

Editor: *What do you consider the strengths of AIQ?*

Hill: The depth of knowledge and experience of the AIQ staff is our most invaluable strength. Our experience and knowledge has led to the development of many of the unique and powerful features in TradingExpert Pro.

Our industry group and sector rotation features were revolutionary when TradingExpert was released, and they remain unmatched today. We have powerful breadth management tools that are useful in identifying market tops and bottoms. Market Breath Builder and Breadth Analyzer allow users to create breadth and volume statistics on any set of stocks or any set of indicators.

Other software packages now have back testing capabilities but none are as easy as AIQ's. We realized most people don't like to program code, even if the language is supposedly easy. To that extent we've created over 250 pre-built rules that users can cut and paste as they create and test trading systems.

Portfolio Simulation was another pioneering breakthrough that has given AIQ an edge. As many traders and investors have discovered, back testing only goes part of the way when you're developing a trading strategy. Something more realistic was needed, so our programmers

developed a new tool called Portfolio Simulator.

Portfolio Simulation does real life walk forward testing under real trading conditions. Only through this kind of testing can you prove that a strategy works for

your trading style.

What sets us apart is our desire for our users to become successful traders. We don't just give you the tools, we provide educational support and most of the support is free of charge. The *Opening Bell Monthly* newsletter is now in its 14th year and continues to provide timely articles from our technical analysis experts as well as successful traders and industry gurus. This publication is posted on AIQ's web page

(www.aiqsystems.com) under *Training and Education*.

We also offer a variety of web-based seminars every month covering a wide range of technical topics. Most of these "webinars" are free and are archived for viewing at your convenience. They are found at www.aiqsystems.com.

Finally, this year we will hold our 18th annual Lake Tahoe Seminar October 1-3 at Harvey's Resort and Casino at Lake Tahoe, and we hope you will join AIQ staff and our keynote speaker Nelson Freeburg for what promises to be an excellent event.

Editor: *Where do you see AIQ going in the future?*

Hill: Regarding analysis tools, AIQ is currently focused on two directions. First, we are in the final stages of rolling out an automatic Chart Pattern Recognition system. For each pattern found, the system generates supporting information such as strength of confirming volume, direction, and trend. Patterns are also stored historically for back testing as part of a trading strategy. Chart Pattern Recognition will be an add-on service for TradingExpert Pro users.

Second, we are incorporating many of our primary analysis tools into a browser environment so that it will be possible to access your AIQ analysis tools wherever a browser is available.

As our technical analysis tools have matured and advanced over the years, so have the features requested by AIQ clients. Every request is recorded and analyzed for suitability and desirability as a feature in a future release.

We value all feedback. It is this feedback from our clients in conjunction with our own ideas that leads to the development of new power features.

Featured in *TradingExpert Pro* version 9.0

Introducing AIQ's Revolutionary New Tool! Automated Chart Pattern Recognition

By David Vomund

Some, if not most, market technicians would say that chart pattern reading is at the heart of technical analysis. Yet most would admit that pattern analysis is more of an art than a science. What is a head-and-shoulders pattern to one person is not to another. Chart pattern analysis is more an art because computers haven't been able to identify patterns, and therefore pattern analysis has been hard to quantify.

That was true—until now. The new version 9.0 of *TradingExpert Pro* features a revolutionary Chart Pattern Recognition module.

Technical analysis programs like *TradingExpert Pro* have helped tremendously in quantifying the value of technical indicators and creating mechanical trading systems based on those indicators. Using AIQ's Expert Design Studio (EDS) we've been able to back test technical indicators and create effective trading systems based on the indicator reading relative to the stock

“TradingExpert's new add-on module not only identifies chart patterns, it automatically plots them with trendlines and alerts you when patterns are broken. Plus it has the ability to back test each type of pattern to determine its accuracy!”

price. To this point, however, we haven't been able to screen for chart patterns.

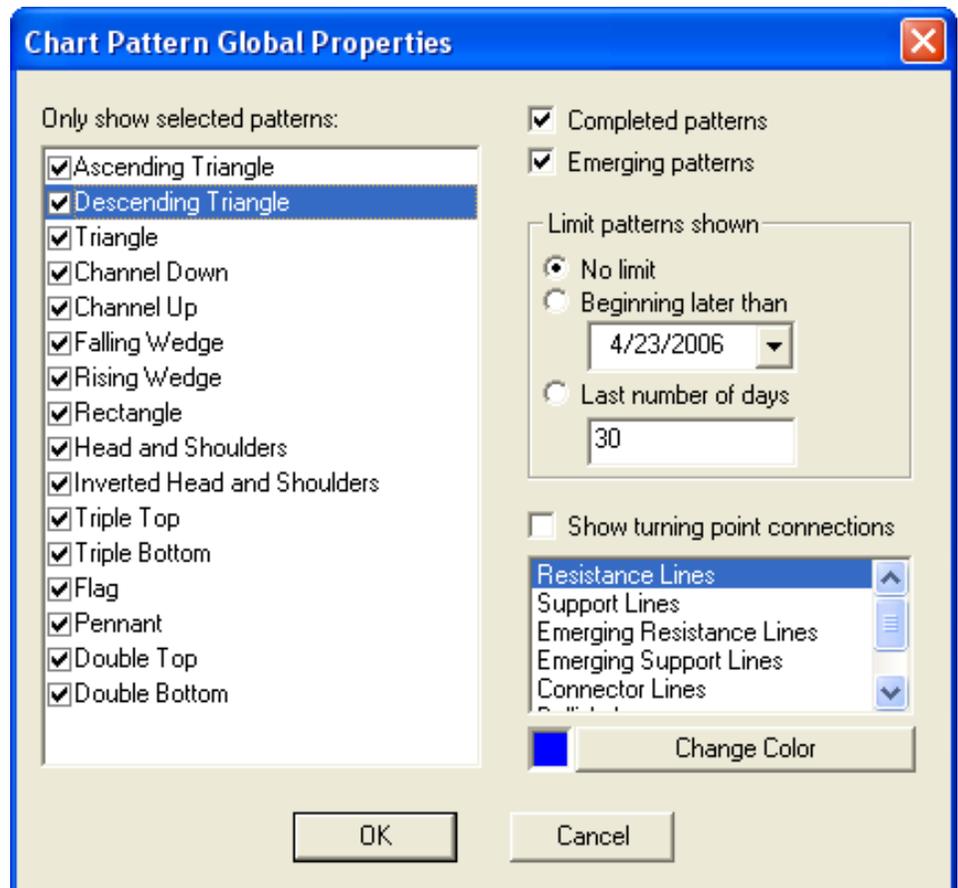


Figure 1. The *Chart Pattern Global Properties* screen found on AIQ charts (*Chart/Settings* menu) is used to specify patterns that are displayed on the charts.

AIQ wasn't alone in not mastering pattern recognition. Most analysis packages don't even claim to identify patterns. The few that do fail to achieve their claim.

TradingExpert's new add-on Chart Pattern Recognition module not only

identifies the patterns, it automatically plots them with trendlines and alerts you when patterns are broken.

Plus it has the ability to back test each type of pattern to determine its accuracy! This revolutionary tool is unmatched elsewhere.

TradingExpert's Chart Pattern Recognition module uncovers the major chart formations. These include Ascending Triangle, Descending Triangle, Triangle, Channel Down, Channel Up, Falling Wedge, Rising Wedge, Rectangle, Head and Shoulders, Inverted Head and Shoulders, Triple Top, Triple Bottom, Flag, Pennant, Double Top, and Double Bottom.

Utilizing Chart Pattern Recognition is a simple process. After

enabling this feature, go to *Communications*. Within the *Update* section click *Chart Patterns*. Then click *Save Setup*. Each evening the chart patterns will be downloaded along with the rest of your stock data.

After the data download, move to the Charts module. From the menu bar click *Charts*, then *Settings*, then *Chart Pattern Settings*. **Figure 1** will appear. (Note: to open a similar screen in Alerts, right click in the chart area and select *Chart Pattern Properties*). Looking at the left side of Figure 1, place a check mark next to the patterns that you are interested in. You can also add or remove individual patterns from the set of icons that appear on the left side of the chart screen.

On the right side of Figure 1, you can choose to view completed patterns and/or emerging patterns. By default, the completed patterns are shown with blue trendlines and the emerging patterns are shown with green trendlines. These color schemes can be changed.

Under *Limit Patterns Shown*, you can specify time frames for the chart



Figure 2. Daily chart of Hartford Financial Services with two Ascending Triangle patterns that were automatically found and drawn on the chart by AIQ's Chart Pattern Recognition function. Green up arrows indicate completion of the patterns and buy points for this stock.

pattern formation. Those who typically trade patterns that take place over a two-week time period can specify that limitation, while longer-term traders can utilize patterns that form over weeks to months.

Finally on Figure 1, by placing a check mark on *Show Turning Point Connections*, the system will connect the high and low points in price activity that forms the pattern. This is useful in seeing the pattern formation but most people will leave this unchecked in order to better view price activity.

After completing the *Chart Pattern Global Properties* (Figure 1) box, patterns will appear on the S&P 1500 stocks. For example, if we are interested in Ascending Triangles, a pattern of level highs and upward sloping lows, the system will uncover stocks like Hartford Financial Services (HIG) shown in **Figure 2**. In this chart the Pattern Recognition feature has uncovered two Ascending Triangles and has automatically drawn the trendlines that highlight the pattern. These are the same lines that a savvy chart analyst would draw, but AIQ's new Chart Pattern Recognition program saves us from the time required to find the patterns and also uncovers patterns that may have been missed.

Figure 3 shows Radisys Corp (RSYS) with its Rising Wedge

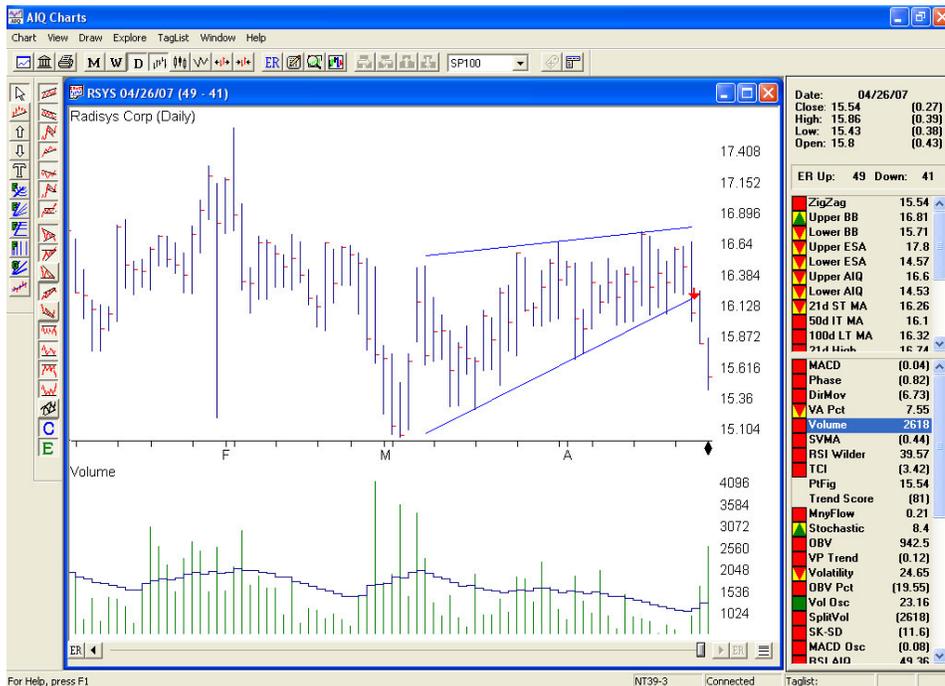


Figure 3. Daily chart of Radisys Corp with a Rising Wedge pattern (bearish pattern) that was automatically found and drawn on the chart by AIQ's Chart Pattern Recognition function. Red down arrow indicates completion of the pattern and sell point for the stock.

pattern. This is a bearish pattern that is triggered when the stock falls below the lower support trendline. Notice that when the pattern is complete, an arrow automatically appears highlighting the buy or sell signal.

TradingExpert also has the capability to show more information about each individual chart pattern. After a pattern is complete, you can click on its buy/sell arrow and information on the pattern will appear (**Figure 4**). The *Information Box* shows that an Ascending Triangle pattern was completed on Boeing on April 18. The pattern was based on an end-of-day chart and took place over 74 price bars.

The *Information Box* also rates the quality of the pattern. More boxes after *Quality* indicate a textbook pattern. This is based on an average of the following criteria:

- **Initial Trend.** This is the quality of the trend preceding the pattern. If the pattern takes place within a long-term choppy formation then Initial Trend will be weak. If, however, a buy signal is fired within a longer-term uptrend then Initial Trend will be strong.

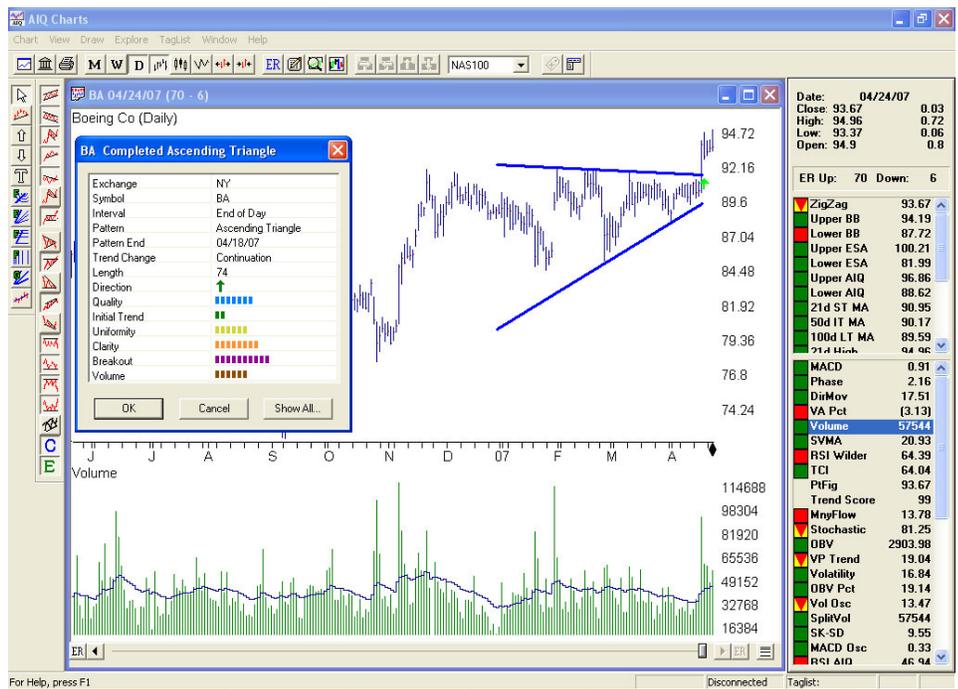


Figure 4. Daily chart of Boeing with an Ascending Triangle drawn on the chart by AIQ's Chart Pattern Recognition function. A box with information about this bullish pattern is displayed by clicking on the arrow designating completion of the pattern.

- **Uniformity.** This indicates how uniformly spaced the price turning points are that touch the support and resistance lines.
- **Clarity.** This measures how clear the pattern is. If a stock shows very little random price movement around its Turning Point Connection Lines then it will have a high Clarity reading. If there is a lot of random price movement within the overall pattern then Clarity is reduced.
- **Breakout.** This is the decisiveness with which the price broke through the support or resistance line.
- **Volume.** Ideally a stock completes a pattern on strong volume. This reading measures the strength of volume on the breakout.

Using Expert Design Studio (EDS), users can screen for individual chart patterns and can build models that combine chart readings with indicator readings. Since patterns are stored historically, they can be back tested. In upcoming *Opening Bell Monthly* publications,

we'll cover each chart pattern and will back test its accuracy.

AIQ's Chart Pattern Recognition add-on program is \$20 per month. For more information, call 800-332-2999 or visit www.aiqsystems.com/chartpatterns.htm.

David Vomund publishes VIS Alert, a weekly investment newsletter. For a sample copy, go to www.visalert.com.

Check Out Back Issues of the Opening Bell Newsletter

For a 12-year archive of back issues of the *Opening Bell* newsletter, visit:

www.aiqsystems.com/OBMyers.htm

You can also search for particular topics on this site

AIQ Opening Bell Newsletter

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AIQ Opening Bell does not intend to make trading recommendations, nor do we publish, keep or claim any track records. It is designed as a serious tool to aid investors in their trading decisions through the use of AIQ software and an increased familiarity with technical indicators and trading strategies. AIQ reserves the right to use or edit submissions.

While the information in this newsletter is believed to be reliable, accuracy cannot be guaranteed. Past performance does not guarantee future results.

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AIQ's 18th Annual Lake Tahoe Seminar

October 1 - 3, 2007 Harveys Resort & Casino, South Lake Tahoe



11 sessions



Hosted reception

This year's speakers include **Martha Sipe**, CFA, a veteran of Wall St and president of mindingmatter.com, and **Bob Debnam**, founder of the ChartProfit service. We are also pleased to welcome back **Dale Wheatley**, founder of The Options Hunter service and **Steve Palmquist**, trader and founder of daisydogger.com. Our regular AIQ speakers **Steve Hill**, CEO and **David Vomund**, Chief Analyst round out the speaker line-up.

Every morning begins with an AIQ-hosted breakfast. Sessions begin at 8:30 each day and run through to 5:00 pm (12:00 on last day). Regular breaks during the day include an AIQ-hosted lunch on the first two days. Tuesday evening all attendees are invited to an AIQ catered buffet dinner.

Including meals, cost for all three days is **only \$895 per person**. Reserve your place now as seats sell out fast.

**Sign-up before July 31st
and pay only \$845.**

Here's what last year's attendees had to say

"Tremendously valuable - the content and clarity of the presentations moved my trading education forward"

"This was an extremely useful session, advancing my understanding of several important chart patterns"

"Steve (Palmquist) actually told the group what works for him and what makes him a successful trader; outstanding."



Seats are limited CALL 1-800-332-2999 x115

Visit the AIQ Store <http://aiqsystems.com/store/page2.html>

AIQ Webinars — The Next Step in Education

Training and education are essential for anyone who wants to succeed as a trader and AIQ has been in the forefront providing these essentials. The *Opening Bell Monthly* newsletter, a free publication, has educated TradingExpert users for 14 years. Now we are also leading the industry with our web-based seminar tools, better known as webinars.

Every month AIQ hosts dozens of webinars, most of which are free-of-charge. Both in-house staff, professional traders, and AIQ power users discuss a wide variety of topics for both beginning and advanced traders. Free monthly events include:

- Current Market Analysis
- Market Adaptive Trading Systems
- Contrarian Strategies

There are special events with fees as well. Respected professionals such as Martin Pring, author of *Technical Analysis Explained*, present their trading techniques. There are also reoccurring webinars. Dale Wheatley, a full-time professional options trader, hosts *The Options Hunter* for subscribers. Bob Debnam presents *The Chart Pattern Service* to his clients.

The webinar format allows attendees to interact with the host by entering questions or comments. Plus events are archived to allow people to view them at a convenient time.

To view upcoming webinars or sample the webinar archives, please visit www.aiqsystems.com. At the top right under *Events*, click the *Webinar Calendar*.

AIQ TradingExpert Pro

Still the world's most intelligent trading software

"....the screening language is far less difficult than the programming language used with many other technical analysis software programs..."
David Penn, Staff Writer at Stocks & Commodities magazine

"....The charting function of the program is excellent. It is no wonder that Dan Zanger likes it. It combines stunning graphics with an easy to use interface. It displays an on-chart indicator library with a Color Barometer to give you an instant indication of the status of each chart..."
Larry Jacobs, Editor, Tradersworld magazine



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Money Average
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