AIQ Opening Bell ®

Monthly

AIQ REPORTS

TRADINGEXPERT'S NEW REPORTS FUNCTION

SOME IMPORTANT IMPROVEMENTS

By David Vomund

DAVID VOMUND

We get many reactions from people who are upgrading to the new TradingExpert for Windows. People who use other Windows-based software packages love TradingExpert immediately. Others initially give it mixed reviews because it "looks different than DOS." We first displayed the Windows version during our March '94 seminar. On the first day, it was running with its current default colors. Each day, it began to slowly resemble our DOS version as users changed the color settings. By the end of the seminar, the Windows version had the familiar black background with red bar charts and green indicators!

I was also more comfortable with the look of the DOS charts. But it didn't take long to adjust to the Windows charts, especially when I began to stack indicators and display a full screen view of the stock charts (press F10).

> *"With the Windows version, I can maintain a large database of stocks but run selected reports on just the S&P 500 stocks."*

Although the functionality of the Windows product is similar to the DOS product (i.e., Expert Ratings, industry group rotation, etc.), performing advanced functions is easier with Windows. This will change the way most of us use TradingExpert to perform our analysis. An example is the ease with which you can use multiple industry group structures. People who attend our seminars know that I use three sets of groups in my analysis. In time, I believe the majority of users will run multiple group structures (more on this in an upcoming article).

Another area of the program that has been enhanced from the DOS product is the Reports function. Of all the applications, Reports is the one application that takes longer to run compared to our DOS product. It's worth the wait.

Similar to group lists, the functionality of Reports will change the way most

people do their analysis.

A big improvement in Reports is the ability to run screenings on a selected list of stocks. In the Reports section, go to *Settings/ Global/ Daily.* The first entry labeled *Stock* tells the system which stocks you want reports to be run on. You can run reports on all the tickers in your Master Ticker List, on S&P 500 stocks, or on a list you have created.

Why is this important? If you are using a broad industry group structure, then you should have 1500 or even 3000 stocks in your database so that each group has a sufficient number of stocks. Yet when you run reports on all these stocks, you end up with low price or low volume stocks dominating the top of the reports. Also, some ratios like the Up-Down Signal Ratio on the Weighted Action List and the Unconfirmed Signal Ratio on the Market Log are distorted because of stocks with large bid-ask spreads (see *Opening Bell Monthly* December '93).

Figure 1

| AIQ Reports |
| Reports   Settings   View   Generate   Help |
| Daily Volume Change 6/2/95 |

Volume Change Increasing

Ticker	Stock	Wt	Price	%Chg	TS	DTS	Group	TS	DTS
F	Ford Mtr Co	99	30	4	100	3	3711	(99)	0
VIA-B	Viacom Inc	73	43 7/8	(8)	(100)	(33)	7810	59	(31)
LOTS	Lotus Dev Corp	70	32 1/2	2	(67)	33	7370	50	1
PT	Pet Inc	68	19 3/8	0	(95)	(2)	2001	82	28
C	Chrysler Corp	57	44 1/8	5	77	11	3711	(99)	0
DEC	Digital Equip Corp	48	44 7/8	(5)	73	15	3570	91	5
TXU	Texas Utils Co	43	34 7/8	0	98	(2)	4911	100	0
MER	Merrill Lynch & Co Inc	33	50 1/8	8	94	17	6099	99	5

Volume Change Decreasing

Ticker	Stock	Wt	Price	%Chg	TS	DTS	Group	TS	DTS
NOVL	Novell Inc	99	19 1/8	(7)	(98)	0	7370	50	1
CPQ	Compaq Computer Corp	92	39 7/8	(3)	95	5	3570	91	5
IBM	International Business Machs	78	93 7/8	(3)	77	10	3570	91	5
TCOMA	Tele Communications A	76	20 7/8	5	99	0	4830	100	0
MCIC	MCI Communications Corp	62	19 7/8	1	(79)	2	4899	(53)	22
AAPL	Apple Computers Inc	61	42 1/8	(3)	86	3	3570	91	5
MU	Micron Technology	58	47 3/8	(1)	83	17	3674	61	15
EC	Engelhard Corp	58	41 3/8	(2)	79	2	2890	96	4

Form View   NUM

With the Windows version, I can maintain a large database of stocks but run selected reports on just the S&P 500 stocks. As a result, I have now moved up to a 3000 stock database.

Even if you decide to run the Reports function on all the stocks in a large stock database, you have the ability, for example, to tell the system to analyze only those stocks with prices greater than $10 and daily volume greater than 30,000 shares.

NEW REPORTS

The Reports Library has been greatly expanded. An interesting new report is the Volume Change Report, which lists stocks that are showing above average and below average volume. This report, which is based on a moving average of volume, looks at the slope of the moving average. The length of the moving average and the slope time period can be changed under *Settings/ Report Criteria/ Daily Stock Criteria*. If you are looking for volume spikes, decrease the number of days calculated in the moving average and change the *Volume Change Period* to

2. If you are looking for trends in volume, then increase the *Volume Change Period*.

Many times, heavy volume in a stock is the result of a news story and shares are quickly bid up or down. A Daily Volume Change Report is displayed in **Figure 1**. The second stock shown is Viacom Inc. (VIA-B). You can tell there was bad news since the stock has heavy volume and its share price has fallen 8% over the last five days (see *% Chg* column).

Sometimes a stock trades with heavy volume not from a news item but from inside information or from large institutional buying or selling. Finding these situations is the goal of this report. The stock with the third highest volume increase is Lotus (LOTS). In **Figure 2**, we see that volume for Lotus was well above average in the last two days and that the slope of the average volume line was moving higher. This is what Lotus looked like the day before it rose over 25 points as a result of the IBM acquisition.

The Volume Change Report is

effective in flagging possible trading situations but the user still must analyze each stock, determining if volume is high from a news item or from insider activity. If it's from insider activity, you then have to determine if the news, when it breaks, will be good or bad. Because of these conditions, we added more reports that require less manual screening. There is an Accumulation/Distribution Report which lists stocks with very strong or very weak Money Flow and On Balance Volume indicators. The report that I'm most excited about is the Price Volume Divergence Report.

The Price Volume Divergence Report looks for stocks that are moving in opposite directions than their On Balance Volume or Money Flow indicators. By default, the report looks at a 15 trading day time period and each indicator is equally important in the report's calculation. A positive divergence occurs when the stock falls during those 15 days at the same time that a composite average of the two indicators rises. The opposite is true for a negative divergence. **Figure 3** shows an example of a positive divergence between Philip Morris and On Balance Volume (OBV). Notice that the stock is below its February highs but the OBV line is at a new yearly high.

In the Price Volume Divergence Report, default values place equal weight on the OBV and Money Flow indicators, but you can weight one indicator more than the other. To change the weight given to each indicator, in the Reports application select **Settings,** choose
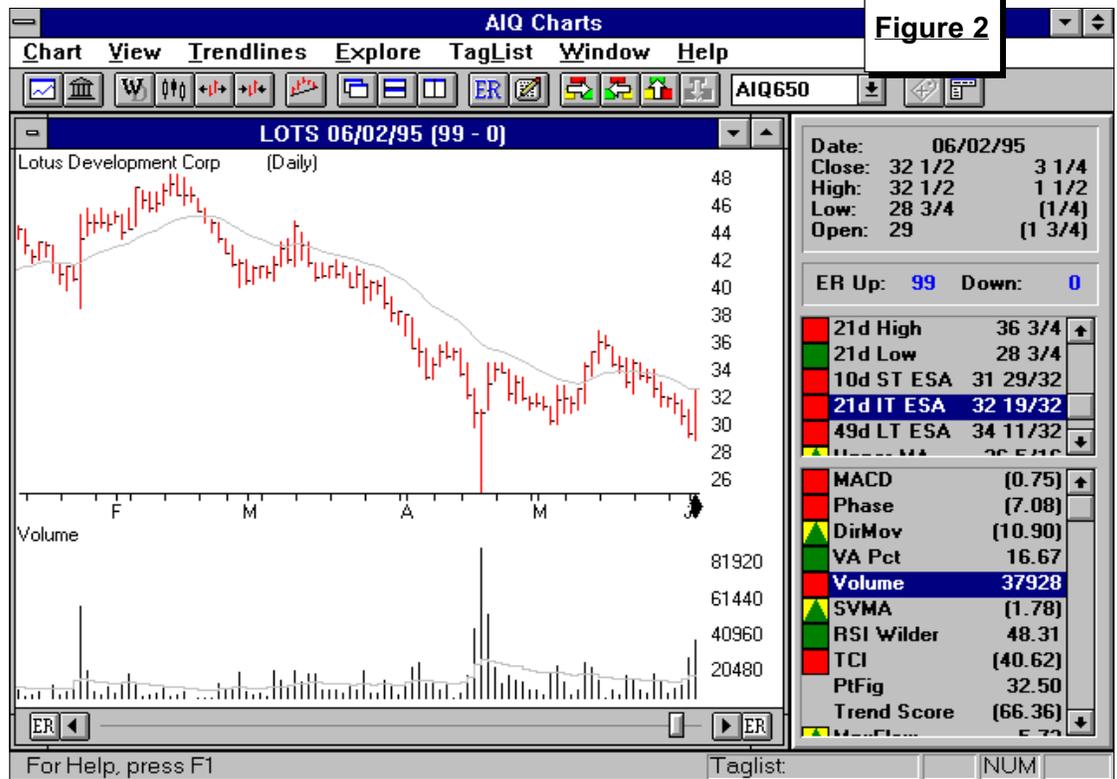
Figure 2

Figure 3
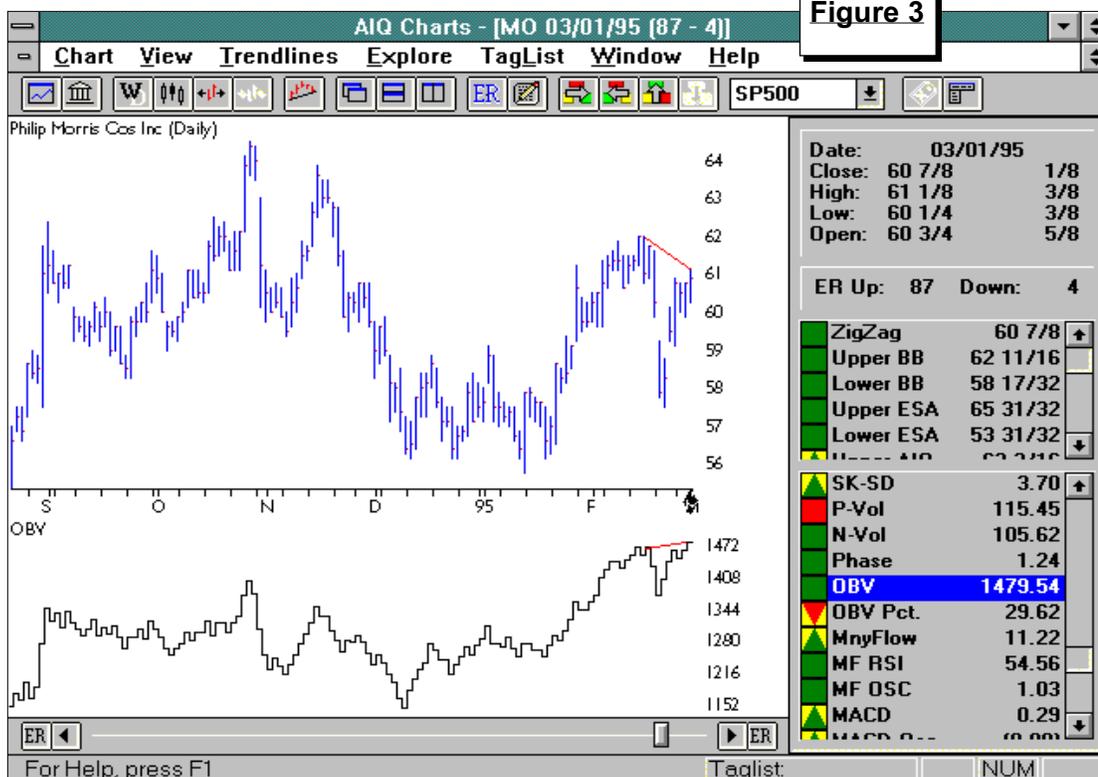
Report Criteria and then *Daily Stock Criteria*. Highlight the Price Volume Divergence Report. To use the OBV indicator exclusively, assign a weight of 100 to OBV and zero to Money Flow. It is easier to see the divergences with all the weight assigned to one indicator.

We performed a quick test of the Price Volume Divergence Report for this year using the default settings. A simple strategy was used. On the first day of each month, the report was run. The top five ranked stocks were bought and held for the remainder of the month, at which time a new report was run. The database that was used is the 500 stocks in the S&P 500 index.

Table 1 shows the results of the stocks with positive divergences while **Table 2** shows the results of the stocks with negative divergences. These results are impressive. Stocks showing positive divergences on the first day of the month outperformed the S&P 500 index in five out of the last six months. Average percentage outperformance was 3.55%. Stocks showing negative divergences underperformed the market in five out of the last six months. The average percentage underperformance was 1.79%.

We plan to perform further studies of this interesting report. Results will be published in upcoming *Opening Bell* issues. ∎

Table 1

Positive Divergences

	Top Five Stocks (%)	S&P 500 Index (%)	Stocks Held
January	7.35	2.46	WMT AIT NYN MAT UCM
February	11.76	3.24	GE CHA MU AN AVP
March	4.34	3.34	NOVL FLT MO GTE SUNW SCE
April	7.92	2.47	PEP CHV GTE ORCL SGP
May	0.36	3.74	AMD MCIC DIS AMR AGREA
June	7.38	2.54	T AGREA XRX DD SMED

Average monthly outperformance = 3.55%

Table 2

Negative Divergences

	Top Five Stocks (%)	S&P 500 Index (%)	Stocks Held
January	-1.16	2.46	CPQ MU BAC CMCSK MMM
February	2.66	3.24	CIN MAT FTU AMB UPJ
March	2.71	3.34	BAC ABT MCD IP RD
April	-3.18	2.47	KO AXP CCI USHC IBM
May	-0.44	3.74	ATI SNA COL ORX SPP
June	6.46	2.54	KO CAT CCI AMGN USHC

Average monthly underperformance = 1.79%

MARKET REVIEW

By David Vomund

There was only one Expert Rating signal since our last *Market Review*, and that was a 99 down signal on July 19. That week started like any other week of this year. The S&P 500 made its 49th record of the year and the Nasdaq moved above the 1000 mark for the first time. Then negative comments from Microsoft's CFO and lower than expected earnings from Intel sent stocks lower. At one point on Wednesday, July 19, the Dow was down 132 points and technology issues were down even more. People who had been bearish for months were claiming victory. Never mind that the market and technology stocks were still above their July 5 levels.

The July 19 signal was confirmed by almost every measurement. The MACD and DMI were negative and the Price Phase was decreasing. The market timing model is now bearish. To further analyze the system, the bearish signal becomes more cloudy. Ideally we want to see a high percentage of stocks with confirmed and unconfirmed sell signals at the time of a market sell. With this signal, there were a lot of stocks with confirmed sell signals but about 90% of the stocks with unconfirmed signals were on the buy side. The market's short term uptrend remained intact even after the weakness as the S&P 500 remained above a trendline drawn from the 3/10, 4/19 and 6/9 lows.

The market's direction may best be told by the ADX/ADXR indicator which is falling, pointing to a market that is entering a trading range. ∎

WINDOWS COMMENTARY

HELPFUL TIPS:
TRADINGEXPERT FOR WINDOWS

By Steve Hill

STEVE HILL

Figure 4

Program Item Properties

Description: Ford,GM,Chrysler
Command Line: d:\wintes\aiqchart.exe f,gm,c
Working Directory: d:\wintes
Shortcut Key: None
☐ Run Minimized

OK
Cancel
Browse...
Change Icon...
Help

Browsing from Reports to Charts

In the DOS version of TradingExpert, Reports can be browsed in the Ticker Plot function by scrolling with the cursor keys to select a ticker and then pressing the *Enter* key to display a price chart of the selected ticker. Hitting the *Escape* key returns you to the report. While this type of browsing feature is not directly available in the new Windows version, viewing charts from the Windows Reports application is just as easy. The method that will be described utilizes AIQ's broadcast feature in combination with one of Windows most commonly used short cut keys.

After entering the Reports application, you will first need to generate Reports if they were not automatically generated during data retrieval. Next, double click with your mouse on a report in the *Selected Report* area to display that report on your screen. Now double click on any ticker symbol in the displayed report (note: you have to double click with the mouse pointing on the symbol, not the description). Double clicking on the symbol "broadcasts" this ticker directly to the Charts application. Charts will open with this symbol displayed.

To return quickly and efficiently to Reports without first closing Charts down, press the *ALT* and *TAB* keys at the same time. You will instantly return to Reports with the report you just left still displayed. Now, double click on another ticker and again the Charts application will reappear with a chart of the new symbol displayed. This second broadcast and all subse-

quent broadcasts will be quicker than the first time as Charts has already been opened but is now running in the background.

By using the combination of the mouse (to double click on a symbol) and the *ALT-TAB* keys to switch between open applications, you can easily browse a considerable number of tickers in a short period of time.

Your Preferred Indicators

Everyone has favorite indicators and many of our users would like their favorites to be automatically shown on every chart. Here's how to customize the Charts function to always show your favorite indicators.

In Charts, display a chart of any ticker symbol. Next, configure the chart with the indicators you wish to view in the lower section below the price plot by clicking on the indicators in the lower Control Panel area. If you want to show more than one indicator, hold down the *CTRL* key while you click on the indicators you want to display.

Repeat this process for the Price Bands or Moving Averages in the upper area of the Control Panel.

Once you have the desired layout, select *Charts* from the menu, select *Settings*, and then save the current indicators. This customized layout will apply to any symbol you bring up in Charts (also any symbol broadcast from Reports).
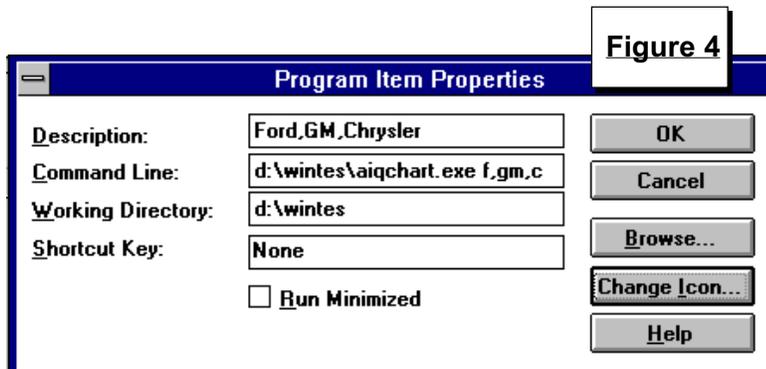
Building Customized Chart Icons

TradingExpert for Windows, like many Windows applications, can take advantage of customized parameters for a given command or executable file. Creating custom icons requires a minimum amount of setup and gives the user the ability to open the Charts application preconfigured to display specific tickers. Opening Charts with a custom icon is no different than opening Charts with the regular Charts icon — just a double click of the mouse is required.

How to Add a Customized Icon to the TradingExpert Program Group

1. Open your TradingExpert Program Group.

2. From the Program Manager menu click on *File*, and from the File submenu, click *New*.

3. In the *Program Item Properties* dialog box, select *New Program Item*. A second dialog box titled *Program Item Properties* will appear (see **Figure 4**).

4. On the description line, type in an appropriate title for the symbols that you wish to launch with this icon. In Figure 4, we are creating an icon that will automatically chart the three big auto stocks. We've typed their names in the description line.

BACK TO BASICS

BOTTOM-UP APPROACH TO STOCK SELECTION

By David Vomund

With TradingExpert's group/ sector capabilities, much of our focus is on top-down strategies which were discussed last month. TradingExpert also provides a powerful bottom-up approach to stock selection. With a bottom-up strategy, analysis begins with individual stocks and moves to their industry groups and sectors.

People who combine fundamental and technical analysis often use a bottom-up approach. Stocks are first screened using fundamental analysis and then AIQ is used to time the buy and sell points. Some people prefer to use TradingExpert to time top rated Value Line stocks or stocks highlighted in *Investor's Business Daily*. A User List containing fundamentally attractive stocks is first created and then AIQ's Reports are run on this User List.

AIQ's original 1987 release of StockExpert was designed for bottom-
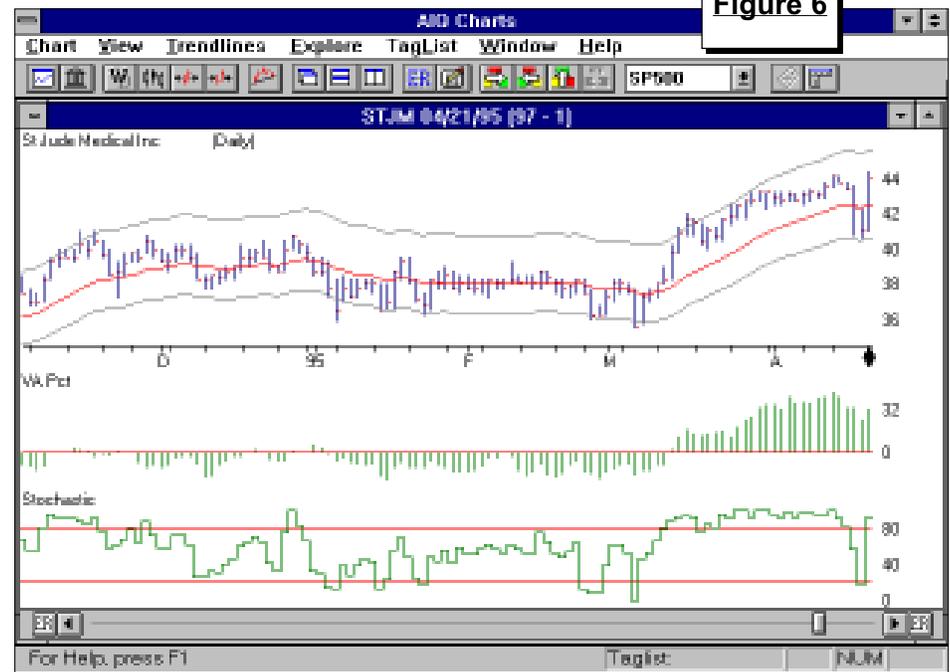
Figure 6

up investors. The Weighted Action List report, which lists stocks with confirmed AIQ buy and sell signals, was used to flag technically attractive stocks. This method of stock selection still works well (see *OBM* April '95). The new Windows program has several more stock screening reports such as high volume stocks, strong relative strength stocks, and strong accumulation stocks.
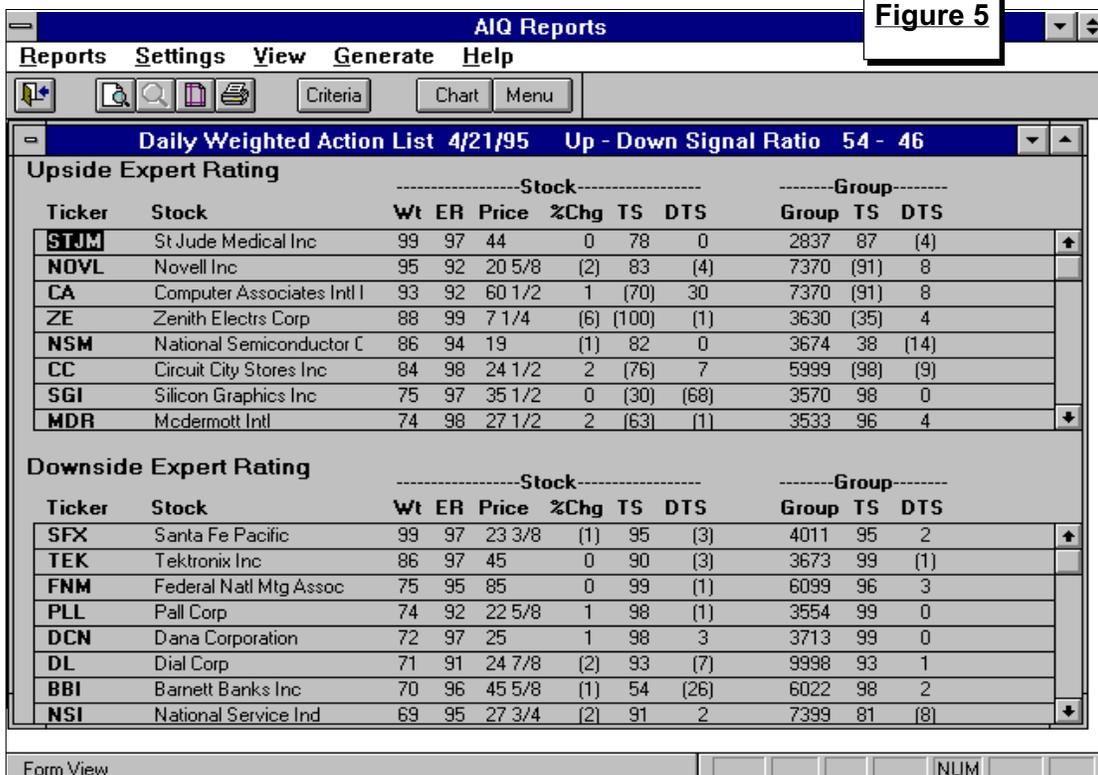
Whichever stock reports are preferred, bottom-up investors use TradingExpert to filter a large stock database, flagging those stocks that deserve special attention. In-depth analysis is then performed on the flagged stocks, and finally analysis is performed on the industry groups of these stocks.

Let's look at an example using the Weighted Action List. A buy signal for the overall market was registered on April 21, 1995. That was a good time to look for stocks to purchase. **Figure 5** is a Weighted Action List

Figure 5

Daily Weighted Action List 4/21/95   Up - Down Signal Ratio   54 - 46

Upside Expert Rating

Ticker	Stock	Wt	ER	Price	%Chg	TS	DTS	Group	TS	DTS
STJM	St Jude Medical Inc	99	97	44	0	78	0	2837	87	(4)
NOVL	Novell Inc	95	92	20 5/8	(2)	83	(4)	7370	(91)	8
CA	Computer Associates Intl I	93	92	60 1/2	1	(70)	30	7370	(91)	8
ZE	Zenith Electrs Corp	88	99	7 1/4	(6)	(100)	(1)	3630	(35)	4
NSM	National Semiconductor C	86	94	19	(1)	82	0	3674	38	(14)
CC	Circuit City Stores Inc	84	98	24 1/2	2	(76)	7	5999	(98)	(9)
SGI	Silicon Graphics Inc	75	97	35 1/2	0	(30)	(68)	3570	98	0
MDR	Mcdermott Intl	74	98	27 1/2	2	(63)	(1)	3533	96	4

Downside Expert Rating

Ticker	Stock	Wt	ER	Price	%Chg	TS	DTS	Group	TS	DTS
SFX	Santa Fe Pacific	99	97	23 3/8	(1)	95	(3)	4011	95	2
TEK	Tektronix Inc	86	97	45	0	90	(3)	3673	99	(1)
FNM	Federal Natl Mtg Assoc	75	95	85	0	99	(1)	6099	96	3
PLL	Pall Corp	74	92	22 5/8	1	98	(1)	3554	99	0
DCN	Dana Corporation	72	97	25	1	98	3	3713	99	0
DL	Dial Corp	71	91	24 7/8	(2)	93	(7)	9998	93	1
BBI	Barnett Banks Inc	70	96	45 5/8	(1)	54	(26)	6022	98	2
NSI	National Service Ind	69	95	27 3/4	(2)	91	2	7399	81	(8)

BACK TO BASICS *continued . . .*

report run on that day. This report lists those stocks with recent Expert Rating buy and sell signals that have been confirmed by the Phase indicator. The stocks with buy signals are listed in the order of their Positive Volume indicators. The top-rated upside stock from a database of the S&P 500 stocks was St. Jude Medical (STJM). Our analysis starts here.

With the report on the screen, you can double click on the STJM ticker symbol and its chart will appear (see **Figure 6**). We see in the title bar of the chart that STJM has a 97 upside rating. Since the stock appears on the Weighted Action List, we know that this signal is confirmed by the Phase indicator.

By clicking the *ER* button on the toolbar, we see the reasons for the buy signal. On this day, six rules fired. Of those, five were bullish and one was bearish. The last three rules are shown in **Figure 7**. By plotting the indicators mentioned, we can learn from these rules. We see STJM's Stochastic (Figure 6) gave a recent buy signal as it fell below and then rose above the lower horizontal line. Volume Accumulation Percent began to increase. (*Note*: to see a full screen of the price plot without the Control Panel as seen in Figure 6, press the *F10* key)

The final step in our stock selection process is to make sure the stock is in an attractive industry group. With a chart of STJM displayed, click the *Explore up arrow* in the toolbar to see a chart of the stock's industry group. **Figure 8** is a weekly chart of STJM's industry group, Medical Products & Supplies. Weekly charts give a better picture of the overall trend for the group. We see that the trend for Medical Products & Supplies is clearly up. This tells us that the other stocks in the group are performing well and the group is in favor. If the group was not in an uptrend, we would at least want to see strength in the group's technical indicators.

We can click the *Explore up arrow* in the toolbar again to see the sector this industry group belongs to.
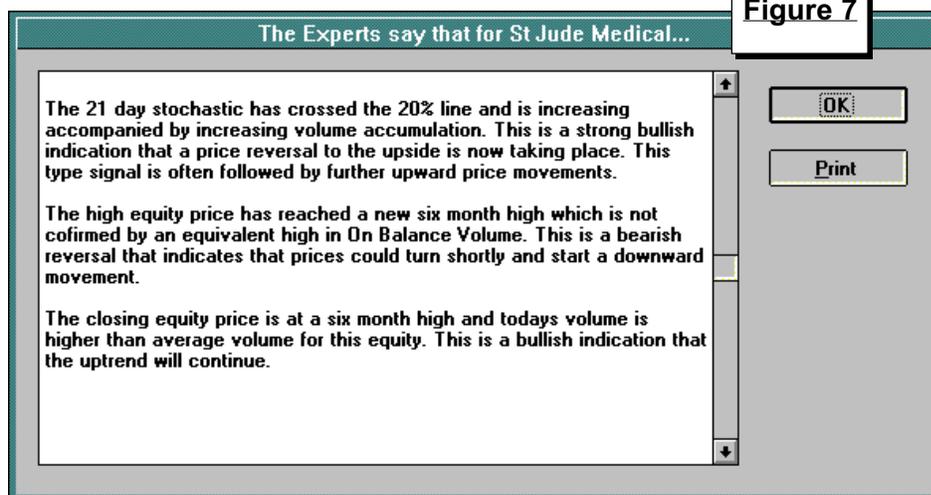
Figure 7

In our example, the top rated stock on the Weighted Action List has passed our criteria. This isn't always the case. It may be that you don't like the chart pattern or the indicator readings of the stock, or the stock's industry group is not attractive. When that happens, move to the next stock on the list and perform the same type of analysis.

Different types of investors have different styles of analysis. Some are short term traders while others prefer to buy into trends. TradingExpert for Windows provides a series of screening reports that fit the needs of both styles of investing. By experimenting, you can develop your own style of bottom-up investing. ■

David Vomund is publisher of two advisories for stock and sector fund investing available by mail or fax. For a free sample of the advisories, phone 702-831-1544.

Figure 8

WINDOWS COMMENTARY *continued . . .*

5. For the command line, every custom icon you create for charts must begin with C:\WINTES\ AIQCHART.EXE (substitute the correct drive letter for where your TradingExpert for Windows is located). To specify the ticker or tickers you wish to launch with this icon, add these after the C:\WINTES\ AIQCHART.EXE command line, separating each symbol with a semicolon, and making sure there is a space between the command line and the first symbol (refer again to Figure 4).

   Note: The working directory defaults to C:\WINTES, which is fine for this setup.

6. Click **OK** and the customized icon will appear with the familiar Chart icon picture, but with a description matching the custom configuration you have created.
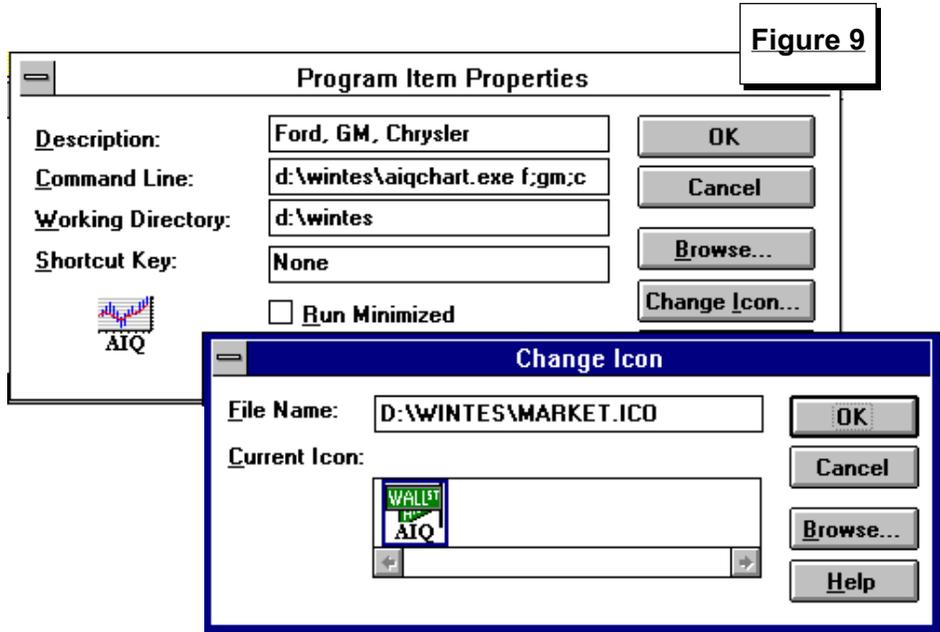
Figure 9

Figure 10

*Note: To change the icon from the Chart icon to the Market icon, click on **Change Icon . . .** (**Figure 9**) and select the file MARKET.ICO from your WINTES directory. Click **OK**.*

   It is important to remember that each of these icons launches the same AIQCHART program -- therefore it is necessary to close down Charts before double clicking on another custom icon. To speed up this process, shut Charts by double clicking at the top left hand corner of charts (the gray box with the minus sign).

   Figure 10 shows a complete custom group created with custom Market and Chart icons. ∎

STOCK DATA MAINTENANCE

The following table shows past and future stock splits and large dividends:

Stock	Ticker	Split/Div.	Approx. Date
Tech Chem & Prod	TECD	2:1	08/03/95
Edmark Corp.	EDMK	3:2	08/04/95
Computer Telephone	CPTLA	3:2	08/07/95
Cerner Corp	CERN	2:1	08/07/95
Walgreen	WAG	2:1	08/09/95
Atmel Corp	ATML	2:1	08/09/95
Comair Holdings	COMR	3:2	08/11/95
Sonic Corp	SONC	3:2	08/11/95
Xilinx Inc.	XLNX	2:1	08/14/95
Cavalier Homes	CXV	5:4	08/14/95

Stock	Ticker	Split/Div.	Approx. Date
S1 Handling Sys.	SIHS	3:2	08/14/95
Amer Bus. Info.	ABII	3:2	08/15/95
BMC Software	BMCS	2:1	08/15/95
Mylan Labs	MYL	3:2	08/16/95
Park Electrochem	PKE	2:1	08/16/95
Texas Instruments	TXN	2:1	08/21/95
Electro Rent	ELRC	3:2	08/21/95
1st Source	SRCE	3:2	08/21/95
Intuit Corp	INTU	2:1	08/22/95
Hollywood Ent.	HLYW	2:1	08/29/95

Trading Suspended:

Leslie Fay (LES)
Homedco (HOME)
Lotus Devel (LOTS)
M/A Com (MAI)
Marion Merrell Dow (MKC)

Ticker Changes:

National Med Int (NME) to Tenet Healthcare Corp (THC)
Lipsome Tech (LTIZ)   to SEQUUS Pharm (SEQU)
Resorts Int'l (RT)   to Griffen Gaming & Ent. (GGE)