Wealth Meeting MetaStock

Malcolm Moore
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Tom Loveday's Wealth Seminar

There was a seminar that I attended in Potts Point (Sydney) in about 2001. This was not the same sort of seminar that I had previously described. This was a sit-down and take you through the process of share analysis – including pre-filtering, and they used MetaStock[1].

To complicate matters a little more, I was in a group of like-minded share investors and most of them had MetaStock, and at a later date I attended a 'wealth' seminar with my elder son Chris, and the presenter spoke in terms of MetaStock for formula development – and I was lost!

At the time it seemed to me that all these people were using the one package to do their analysis and their displayed results were good, meaning that it worked for more than 50 % of the time, so it really had something going for it.

Back at this seminar in 2001 there was a "sale" of MetaStock and I knew the prices and this was not a real sale price, so I purchased MetaStock elsewhere, the "standard" technical analysis software package of the time.

The reasons for purchasing were fairly straightforward (apart from all of the above); having used OmniTrader for more than a year, I was beginning to become aware of some of the shortcomings of OmniTrader – particularly the one with pre-filtering missing, and the need to load the stocks to be analysed – very time consuming.

The Wealth Seminar was a real eye opener, as it literally told me that I was spending several hours per day, chasing stocks that I never should be even near. Take three hours every day and that adds up to about 16 % of awake time thrown away.

Consider that the total work time after hours is about eight hours and that amounts to about 37 % available time totally wasted. This was not fine-tuning; this meant a complete restructure of my life effort.

I had to drop what I had been doing (and not well either) and do it much better, faster and seek a richer reward for the effort.

We Have Always Done it This Way

So here we were in this seminar by Tom Loveday who is an ex-military type that reeked of discipline.

Not that he wasn't my type of lecturer – as I hate having somebody shout everything and try to blast it down my throat – when it should be mildly amusing and go into my brain – close but my intelligence is not down my throat!

Nevertheless he spoke a heck of a lot of sense and it gave me my first good "foundation" to work from. Remember – trading is a business, not a hobby and not to be left alone. It needs a little every day, just like a garden, and there is a lot to be said about working as a team.

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[1] http://www.paritech.com.au/AU/products/software/metastock.asp

In a nutshell, Tom Loveday had about a dozen rules as the foundation and these are all to work together – so you need the lot, and having them together makes them that much stronger.

One of the first rules was effectively; "never invest in a negative trending stock" and gee had I heard that before, but how do you spell out what a positive trending stock is!

A positive trending stock is one that over time increases in value, but specifying that phenomenon is not that simple!

This was the time for me to reach out and do something that I hadn't done for a while! Read and do the math!

Jumping past the strategic rules that were really worth the seminar – we landed on a page of formulae, and being an electrical engineer, my appetite was whetted. This was like a cryptographic puzzle, and it took me several minutes to understand what was going on.

Each of the dozen or so formula had a "personality" name, and a set of hieroglyphics that to me – at that time – needed to be analysed! I couldn't make sense of them until somebody mentioned the magic word "MetaStock" and then I knew that these were MetaStock based equations and that without MetaStock I was well behind the '8' ball.

Tom gave a very quick explanation of the first formula and the hieroglyphics made absolute sense. He had a series of mathematical sequences that did the pre-filtering and filtering as required, but the friendly thing about the indicators was that each of them had a personal name that was given with affection, and that from a very military type person was heart-warming, but still my guard was up!

Here was me trying to create a mental derivation from these hieroglyphics, and all that they were was a simple form of shorthand of some of the more standard indicators, and here is an example of one that I made up some weeks later:

Mal Indicator	MOV(C,45,S)-MOV(C,175,E)
Trigger	With a 20EMA of that line

Writing that in English and it will make a lot more sense: The Mal Indicator is the Exponential Moving Average of the close prices (based on a 175 day term) minus a Simple Moving Average of the Close prices (based on 45-day term).

The trigger line is a 20-day term Exponential Moving Average of the Mal Indicator. *(The trigger is when these two curves cross over with each other!)*

Well I thought that it would make sense – but it didn't, because two types of encryption are used together. Writing it again virtually in MetaStock language it looks like:

Mal Indicator	MOV(C,45,S) - MOV(C,175,E)
Trigger	MOV((MOV(C,45,S) - MOV(C,175,E)),20,E)

This is not too hard to decipher – even for those with a non-mathematical brain, and all it takes is a little practice, but that was not going to be forthcoming without actually practicing with MetaStock, so it was time to make the move and learn again!

The problem was that I did not have MetaStock installed at home and working, and secondly, I really did not understand exactly how these indicators worked. The trouble was that most other people didn't have a clue on how these indicators worked either – they just used them!

That "not knowing" situation was not good enough for me.

Starting with MetaStock

Having purchased the MetaStock program some time (about a year) ago and having never used it – because OmniTrader was working just fine but I was getting bum steers from it on an almost monotonous regularity; I loaded MetaStock and started the next phase of the never ending journey!

Now having used OmniTrader for a few years and also having a good knowledge of computers and operating systems, and knowing that my ASX data was already in 'MetaStock' form, getting started was no big deal – although there was a patch that I had to load and that proved slightly more difficult!

Now, MetaStock is really a security-charting package, that is, if you have the data in the right form, then MetaStock can display that data as a graph, and it does this very well.

The options on charting are almost without limit, and you can save the chart as a 'smart chart' and have a wide range of templates, so that when you bring up a new stock it already is assigned the 'default' template.

This template approach is really good if you want to look at one or many stocks on the one screen but if you want to see a stock with a different template then this is where the 'blues' begins!

If you already have another template of choice it is possible to right-click on the screen and in the drop-down menu 'Apply Template' then choose the one you want.

But remember, before you move on from that security it is necessary to use Ctrl+F6 (+Shift) to go to the original screen and delete that screen for the security before going back and saving the security in the new template – or you will not be able to save it!

If you have a whole lot of securities to be viewed, then also beware that each securities' screen takes a chunk of memory, and this can be quite sizable, so from experience it is unwise to have more than say 20 securities on the boil.

Changing between these screens is a real pain through having to use the Ctrl+F6 (+Shift) keys, whereas most other charting packages use the Page Up/Page Down pair of keys.

One of the reasons that I did not take to using MetaStock once I had purchased it was because I really needed to set aside a few days to learn how to use the package, and I simply did not have the available time – or so I thought. It was like a jigsaw that you have all the parts for – but one!

Learning to use Indicators

Tom Loveday's "Wealth" course had set the direction but I had no power, so I was adrift and taking in water. Getting MetaStock working and seeing a graph or two got me thinking that I really needed to get these indicators up and running in MetaStock – so that I could be at least level pegging with the Jonses – and I am not fashion conscious! This was a business decision.

Some days later and having seen a few midnights through, I had built most of these indicators into Metastock with the Indicator Builder, and in the process I had built a whole lot of other indicators and I was still going like a Draft horse on an airstrip.

The problem was that I thought that I knew indicators from my earlier life experience in OmniTrader and that in using MetaStock that this was just an extension – but what I was finding was that I knew very little.

It isn't funny how stories of wisdom come back to bite!