PRODUCT REVIEW

CycleTrader

Version 5.0

DH FINANCIAL, INC.
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Phone: 312 867-8700
E-mail: info@dhfinancial.com
Internet: www.dhfinancial.com
Product: Software utilizing cycle analysis to identify turning points.
Equipment requirements: *Hardware:* Minimum requirements are an IBM-compatible Pentium 75 or equivalent; Windows 95/98/NT 3.5 or later; 16 MB RAM (64 recommended), 10 MB hard drive space. Pentium II or III processor and 256K RAM is recommended. *Software:* Omega Research SuperCharts 4.0, TradeStation 4.0, or ProSuite 2000*i*/ TradeStation 2000*i*. *Data:* Reliable data source.
Price: $879

by Jayanthi Gopalakrishnan

Indicators, indicators, indicators! So many indicators, so little time. Even though there are several programs that give you the opportunity to create your own indicators, DH Financial reduces the learning curve with CycleTrader. This is an add-on for Omega Research products, such as TradeStation, SuperCharts, ProSuite 2000*i*, and TradeStation 2000*i*. It adds a list of indicators related to cycle analysis. The interface is similar to Omega Research products. For this review, I used TradeStation 4.0.

Cycles are powerful analytical tools for use in financial markets. They are effective in identifying tops and bottoms, and traders can take advantage of this knowledge to recognize turning points in price movements.

All markets go through different cycles, and each has a specific cycle length. Usually, there is one major cycle within which are several smaller ones, as can be seen in Figure 1. Whenever you are doing a cycle analysis, the first step is to identify the major cycle and then the shorter ones within it. This will help you identify tops and bottoms of the different cycles and let you trade in any time frame.

INSTALLATION

CycleTrader comes on a single CD-ROM, together with a detailed manual that gives clear installation and usage instructions (written by S&C Technical Editor John Sweeney before his current stint as Interim Editor). The manual is relatively thorough, providing a tutorial and explanation of each of the indicators included in the package.

Installation is simple and straightforward. Once installation is completed, you must contact DH Financial and give them your key number, at which point you will receive a code that will be your password. Prior to using the program, you are required to enable the password. The manual does not clearly explain how to enable the password, so get the necessary clarification from support.

Thirty-six indicators are available in this package; the list is provided in Figure 2. Included are CycleAnalyst (P), SetCycle (P), and SetTime Band (P), which must be run first in the order stated prior to using the other indicators. The CycleAnalyst (P) indicator identifies three different cycles: the long-term cycle, which will be displayed in green
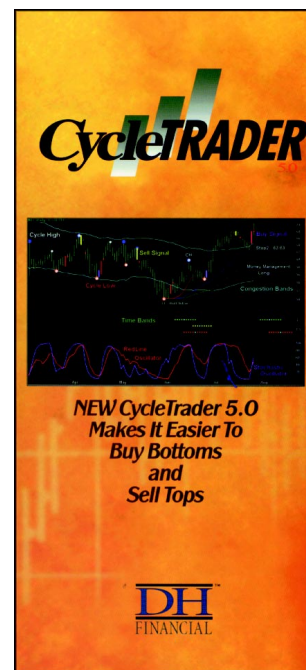
CycleTrader from DH Financial, an add-on for Omega Research products, offers the opportunity to create your own cycle indicators.

on your screen; the dominant cycle, which will be in blue; and the most recent trading cycle, which will be in red. (The numbers displayed on the screen refer to the number of bars in each cycle.)

The CycleAnalyst (P) is displayed as a single multicolored bar and located under the last bar (Figure 3). The next indicator is the Set Cycle (P), which goes through all the data and saves the information in Smart Data, a database used for retrieval of information for timing and entry/exit indicators. Cycle highs and lows are displayed as dots around the price bars.

The SetTime Band (P) indicator will not display anything on your screen unless you are using Omega Research's ProSuite
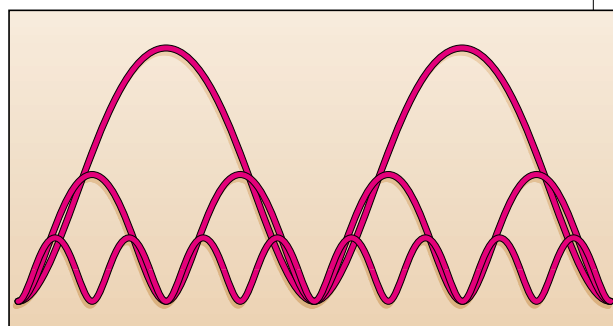

FIGURE 1: CYCLES. There is always one dominant cycle within which there are smaller ones. The small cycles help you identify cycle tops and bottoms, which can help in making decisions to enter and exit trades.

2000*i*. What it does is record the price behavior in relation to cycle timing.

Once you run these three indicators in the order mentioned, you are ready to effectively utilize the other indicators available in CycleTrader. The other indicators can be inserted using the "Insert analysis techniques" menu,

which results in a dialog box such as the one in Figure 4. You have the flexibility to alter some of the parameters, although it is suggested you adhere to the default values. A representation of the dialog box can be seen in Figure 5.

FEATURES

Several features are available in CycleTrader, probably too many to do full justice in this review. You can easily identify cycle tops and bottoms, determine entry and exit signals, identify congestion ranges and trending markets, use effective money management strategies, and receive alerts, to name a few. Most of the facilities available in products from Omega Research can also be used in CycleTrader. One such example is the creation of icons to do your selected group of analysis.

Since I have found the cycle analysis plus oscillator combination to generate strong trading signals, I applied the stochastics and red line indicators to test the results. An example is displayed in Figure 6. I found favorable results when the buy and sell signals coincided with cycle tops and bottoms, respectively. In this example, a stochastic buy signal that coincided with a cycle bottom was generated in early October 1998. In mid-November, a sell signal coincided with a cycle top. This resulted in a return of approximately 50% over a six-week period.

Another combination of indicators is the divergence indicator, together with oscillators and congestion/ timing bands. (See Figure 7.) The divergence indicator displays red and green dots, the red being an indication of a divergent top and the green a divergent bottom. There are additional divergent top and divergent bottom indicators that display dots when the tops and bottoms have been reached. It is best to insert congestion bands and an oscillator such as the stochastic before making buy and sell decisions.
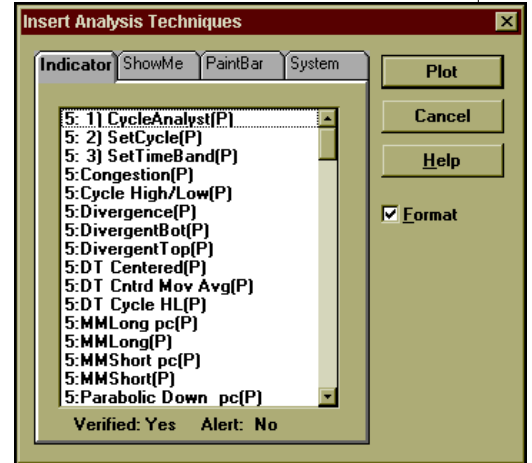
Focusing on the cycle top

FIGURE 2: INDICATORS. Here are the 36 indicators available in CycleTrader.

FIGURE 3: CYCLE ANALYST, SET CYCLE, AND SET TIME BANDS. Once these three indicators have been run, you will see a display identifying cycle tops/bottoms and their lengths.

FIGURE 4: INSERT ANALYSIS TECHNIQUES DIALOG. You can select any indicator from the available list. All CycleTrader indicators start with 5.
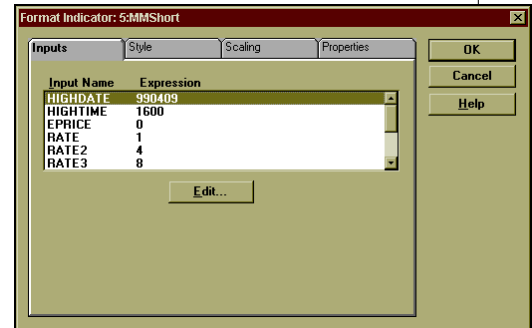

FIGURE 5: FORMAT INDICATOR DIALOG. This gives you the flexibility to change the parameters related to any specific indicator. This varies from indicator to indicator.
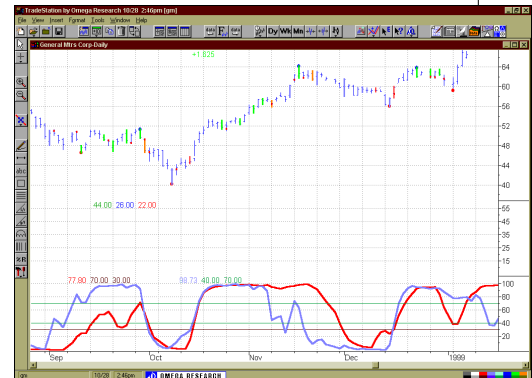

FIGURE 6: STOCHASTIC AND RED LINE. Oscillators and cycles perform well together, especially when they coincide. A cycle bottom and a stochastic buy signal coincided in early October 1998. A cycle top and sell signal occurred in mid-November. This trade would have produced favorable returns.
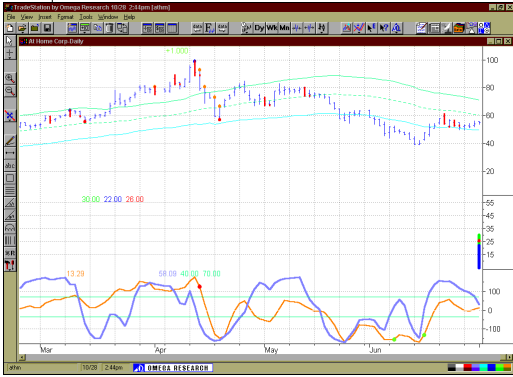
FIGURE 7: DIVERGENCE, STOCHASTIC, AND CONGESTION BANDS. The divergence indicator identifies tops and bottoms. Combining it with oscillators and congestion bands provide additional confirmation tools.

indicated in mid-April 1999, the divergence indicator suggested that a divergent top had been hit. To further confirm this, I inserted congestion bands and the stochastic oscillator. The stochastic sell signal coincided with the cycle top. Both confirmed a further sell signal.

The one weakness in this program is its inability to automatically backtest results. Since it is a list of indicators and not a system, all backtesting must be conducted manually.

You can combine cycle analysis with any of the indicators included in this product and select the combinations that work best for you. There is no variation in the methodology used to bring up the different indicators.

SUPPORT

Technical support was one factor that I had a difficult time with. Response time was long, both by telephone and E-mail. However, when the response came through, tech support was extremely helpful.

CONCLUSION

If you are looking for a complete cycle analysis software package, CycleTrader deserves consideration in spite of the cost involved. The indicators included in the product are all modified to work well with cycles. In general, and if used properly, CycleTrader could work as a useful tool.

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