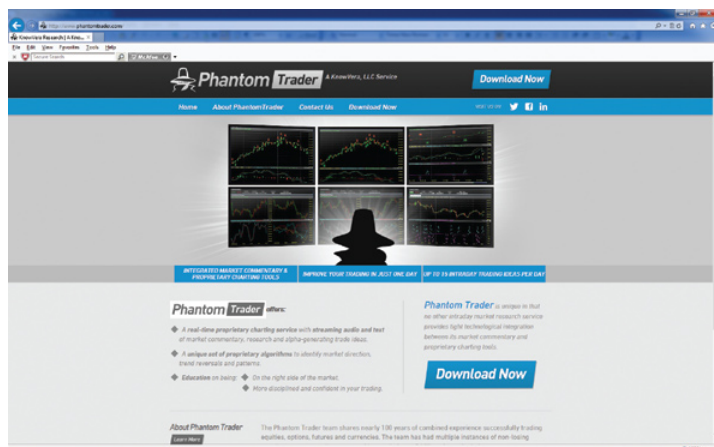


# Phantom Trader



## KNOWVERA, LLC

**Phone:** 203 617-4050

**Email:** Phantom@KnowVera.com

**Website:** www.phantomtrader.com

**Product:** Real-time charting, analysis, and commentary service

### Minimum system requirements:

Windows XP SP3, Windows 7 or 8, or Microsoft .NET 4.0 Framework.

**Price:** Phantom Trader Premium, \$500/month; Phantom Trader Basic, \$149/month.

*by Donald W. Pendergast Jr.*

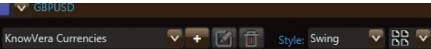
**In** the fast-paced world of daytrading, prospective participants are faced with a myriad of choices as to what sort of methodology, trading system, or advisory service to rely on as they seek to extract intraday profits in the stock, forex, and commodities markets. Some of the primary tools used are:

- Live chat rooms
- Mechanical trading systems
- Discretionary trading systems
- Charting package of technical indicators
- Combinations of all of the above resources and tools.

Phantom Trader, a service from KnowVera, is one of the few *complete* trade signal/live advisory packages for intraday traders, one that offers a streamlined, highly focused set of custom-designed technical studies and market trend algorithms. The potential value of the service is greatly increased by the addition of a real-time, live, professional trader's commentary (in audio and text formats) from 9 am ET until the regular market session closes at 4 pm ET, Monday–Friday. Phantom Trader is a well-integrated combination of the above-mentioned trading approaches and was designed from the ground up by a highly successful market professional known as the Phantom Trader.

Received	Side	KnowVera Research Calls
10:10:11 AM	Buy	I WOULD COVER ALL OF MY POSITION ON THE ESZ13 AT [1803.5]. IF YOU SOLD ANYMORE R DIDN'T GET OUT.
10:09:36 AM		SDS ARE SETTING UP A NICE LITTLE 5 MINUTE BULL FLAG. ESZ13 TRADED UP TO 1804.75
10:09:09 AM		GETTING VERY CLOSE TO GOING POSITIVE ON THE 5 MINUTE TIME FRAMES. VERY HARD TO SHORT THIS MARKET. TOO MUCH UNDERLYING STRENGTH.
10:07:06 AM		I WOULD CANCEL REMAINING OFFERS ON ESZ13.
10:06:18 AM	Buy	I WOULD COVER ALL OF MY POSITION ON THE ESZ13 AT [1803.25 - 1803.5].
10:05:49 AM	Buy	I WOULD COVER ALL OF MY POSITION ON THE ESZ13 AT [1803 - 1803.5].
10:05:07 AM	Buy	I WOULD COVER ALL OF MY POSITION ON THE ESZ13 AT [1803 - 1803.25].
10:04:14 AM	Buy	I WOULD COVER ALL OF MY POSITION ON THE ESZ13 AT [1802.75 - 1803].
10:03:05 AM	Sell	I WOULD GET SHORT ESZ13 AT [1803.5 - 1804.5]. 1805.25 STOP.
10:02:40 AM		I WOULD CANCEL THE ESZ13 OFFER
10:02:31 AM		15 MINUTE TIME FRAMES ARE NOW NEGATIVE.
10:02:19 AM	Sell	ONLY IN THIS BAR.
10:01:50 AM	Sell	I WOULD GET SHORT ESZ13 AT [1802.75 - 1803.75]. 1804.25 STOP.
10:01:31 AM		ISM MANUFACTURING NUMBER IS 57.3 ACTUAL VS. 55.0 EXPECTED.
09:58:49 AM		SDS HAS A DOUBLE BLUE BUY SIGNAL. WATCH TO SEE IF IT CAN PULL IN.
09:54:50 AM		120 MINUTE AND 60 MINUTE ESZ13 TIME FRAMES ARE NEGATIVE ON MY TREND ALGORITHM AS WELL.
09:50:52 AM		NOW WE HAVE THIS CONSTRUCTION SPENDING AND ISM NUMBER TO WAIT FOR.
09:50:34 AM		SO AGAIN, THIS MORNING WE HAD A DISCONNECT WITH THE 15 MINUTES ON THE FUTURES CONTRACTS NOT LINING UP WITH THEIR CORRESPONDING ETF'S. IT LOOKS LIKE THE ETF'S WON THIS BATTLE.
09:49:34 AM		15 MINUTE TIME FRAMES ON ESZ13 AND NQZ13 VERY CLOSE TO GOING NEGATIVE.
09:45:44 AM		5 MINUTES JUST WENT NEGATIVE ON MY TREND ALGORITHM ON THE ESZ13 AND NQZ13. ESZ13 DROPPED 4 HANDLES FROM THE TOP.
09:44:38 AM		10 MINUTE TIME FRAME GOES NEGATIVE ON THE ESZ13 AT 1804.25.
09:43:38 AM		DIA PUSHING DOWN TO NEW LOWS. STILL WAITING FOR THINGS TO LINE UP. AT 10 AM WE HAVE AN ISM NUMBER ND CONSTRUCTION SPENDING.
09:41:49 AM		ADVANCE DECLINE IS ABOUT 700 DECLINING ISSUES OVER ADVANCING
09:40:14 AM		QQQ WENT POSITIVE ON THE 5M INUTE, IS NOW LINED UP WITH THE NQZ13. THE ESZ13 AND SPY STILL HAVE A DISCONNECT. ESZ13 POSITIVE ON THE 5 AND 15 AND THE SPY ARE NEGATIVE ON THE 5 AND 15 MINUTE TREND ALGORITHM.
09:30:14 AM		ETF'S WENT NEGATIVE AGAIN ON THE CLOSE ON FRIDAY. THAT HAPPENED EVERYDAY LAST WEEK AT THE CLOSE. THE FUTURES CONTRACTS ARE POSITIVE ON THE 5 AND 15 MINUTE TIME FRAMES.
09:28:10 AM		Repeating our Tuesday Nov. 26 bearish call on Chipotle from \$525.36: Chipotle (CMG - \$523.86) really weak technically and on all our time frame work. We've been bearish since \$529.27 on Nov 7. If there is any strength, look to short more on a thin Wednesday and Friday. There's a gap that doesn't get filled until \$442.47 from 10/17. Which is before they reported earnings. --John Kozey, CFA, CMT, Director of Research

**FIGURE 1: TRADING IDEAS.** Scalp, day, swing, position, and investment trade ideas and commentary are continually posted throughout the trading day, with accompanying live audio from the Phantom Trader.



trends in play, such as the NZD/CHF, which is listed as a strong sell as of November 29, 2013.

## THE RIGHT SIDE

I spoke with the real-life Phantom Trader Steve Kalayjian by phone in November 2013. He informed me that the algorithms used in Phantom Trader (PT) were developed over the span of six and a half years and that the intended goal of the software, which is to identify the right side of the market for traders most of the time, has been achieved with Phantom Trader (PT). Kalayjian attributes a trader's success to the following three factors:

1. Eighty percent of a trader's success depends on being on the right side of a given market
2. Ten percent will depend on a trader's discipline
3. Ten percent will depend on a trader having self-confidence — the kind that comes from consistently employing a proven methodology.

Kalayjian stated that market price patterns repeat and that his ability to visually identify such patterns gives him a good idea of where prices in a given market may have a high probability of heading; such experience, intuition, and technical power is all put to use every day as PT users listen to him make live market calls. Markets covered with live audio/text trading signals and commentary include:

- **ETFs:** SPY, QQQ, SDS, DIA, IWM
- **Futures:** The front-month emini S&P 500 and emini NASDAQ 100 contracts.

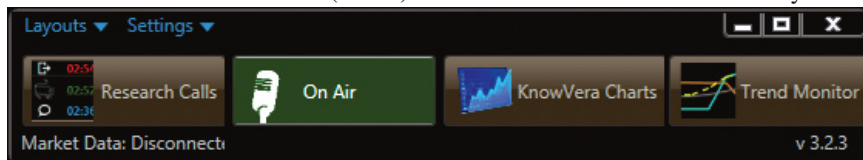
The Phantom claims an 80% success rate with his live calls in the market (across various intraday time frames) and his accompanying text commentary. All trades use entry, stop-loss, exit, and price targets — all of which are derived from the mathematical calculations of the PT algorithms. Kalayjian also watches for correlations between the S&P 500 futures contract and the SPY in order to help provide additional confirmation before issuing market calls. I asked him if a trader could conceivably use the indicators as the basis for a stand-alone mechanical trading model and the answer was an unqualified yes; after viewing numerous forex, stock, ETF, and futures contract charts in PT, it is accurate to state that the KnowVera Research Trend Channel (at the bottom of the PT charts) does possess a consistent ability to identify the start of meaningful — and tradable — swing/trend moves on virtually any liquid stock, ETF, commodity, or forex (FX) market and, when used in conjunction with multiple time frame confirmation, appears to offer serious traders a significant edge in the financial markets.

## KEY COMPONENTS

Per the description on its homepage, PT is an “integrated market commentary and proprietary charting tool.” After working with the program for more than three weeks, I find that PT delivers on both of these features, and in an effective manner. Scott Mabry of KnowVera indicates that PT is relied on by both institutional and retail traders as a tool to identify potential trading setups, market trends, and chart patterns using the following

components of this charting/trade signal/  
live commentary software:

- Trading ideas, issued in real time, up to 20 per trading day, including scalp, day, swing, and position trades alerts (Figure 1). John Kozey, a chartered market technician (CMT) and chartered financial analyst (CFA), issues trade alerts in PT for those interested in taking multiday trade setups in stocks or ETFs identified by PT as being of interest
- Real-time audio/text market commentary and trade signals
- Custom charts with specialized, fixed (nonadjustable by the user) versions of key technical indicators (moving averages, stochastic, MACD, and DMI/ADX), plus the KnowVera Research Trend Channel indicator. Time frames on the charts are adjustable by the user, ranging from a one-minute to a yearly chart
- Trend Monitor Heat Map (Figure 2), which is a unique tool that gauges the strength/weakness of a particular market (green for bullish, orange for neutral, and red for bearish) but also provides a numerical, proprietary “score” based on the underlying trading algorithms powering the PT software. A stock in a green heat map box with a score ratio of 8:1 is a stock that may be likely to experience a period of sustained gains on the trading time frame being examined. Conversely, an instrument in an orange heat map box with a score of 4:5 is most likely in trend transition, and is worth watching. A stock with a score of 1:9 in a red



**FIGURE 3: THE MOVABLE TOOLBAR.** All essential features of Phantom Trader software are one click away via the moveable toolbar.

## The Phantom Trader's ability to visually identify repeating patterns gives him a good idea of where prices may be heading.

box has a high probability of moving lower. The heat map can identify trends on various time frames — scalp, day, swing, position, and investment.

The heat map also offers another nice feature: a special annotation within the map box anytime there are various flag patterns on the chart, basing action, or strong up/down trending price action in the market under analysis; in all, there are 10 different alerts that can be given depending on what's going on with the particular market being monitored. Each heat map box is also linked to the charting function of the software, allowing the user to quickly confirm the price action with their eyes with a single click. I found the heat map to be a great way to confirm the internal strength of the major US stock indexes too.

PT users can input any stock, ETF, futures, or forex ticker into the charting symbol box (a five- and 15-minute chart is part of the default layout), depending on their data permissions from their data provider. The available data sources to power PT are eSignal, TradeStation, Bloomberg, Sterling, and Barchart. A no-cost data option is to hit F5 on the keyboard, which will refresh PT with current data from KnowVera's historical database, thus allowing a snapshot view of a market at a given moment in time.

All major features of the program are quickly accessible via the movable toolbar (Figure 3); the toolbar also allows users to save their favorite chart layouts. Right-clicking on a chart also allows the user to create a new chart, link charts, adjust the text size of charts, and print

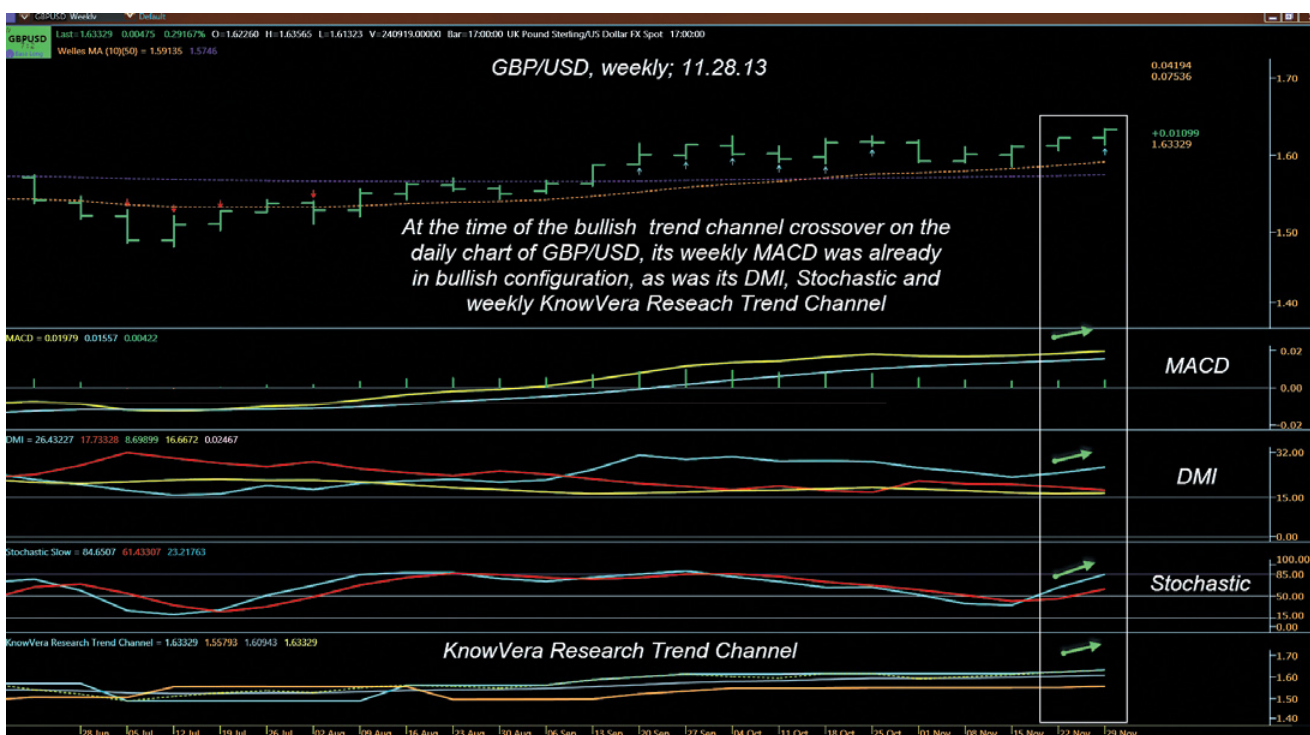
out charts (with a choice of a white or black background).

### TRADE WITH THE TREND

After becoming more familiar with PT, I decided to see if I could identify a new trading signal (without the aid of any live trade signal alert from the software) in one of the major FX currency pairs. I located an interesting bullish breakout on the daily chart of GBP/USD (British pound/US dollar), using the weekly chart to confirm the bullish bias of this market, as follows:

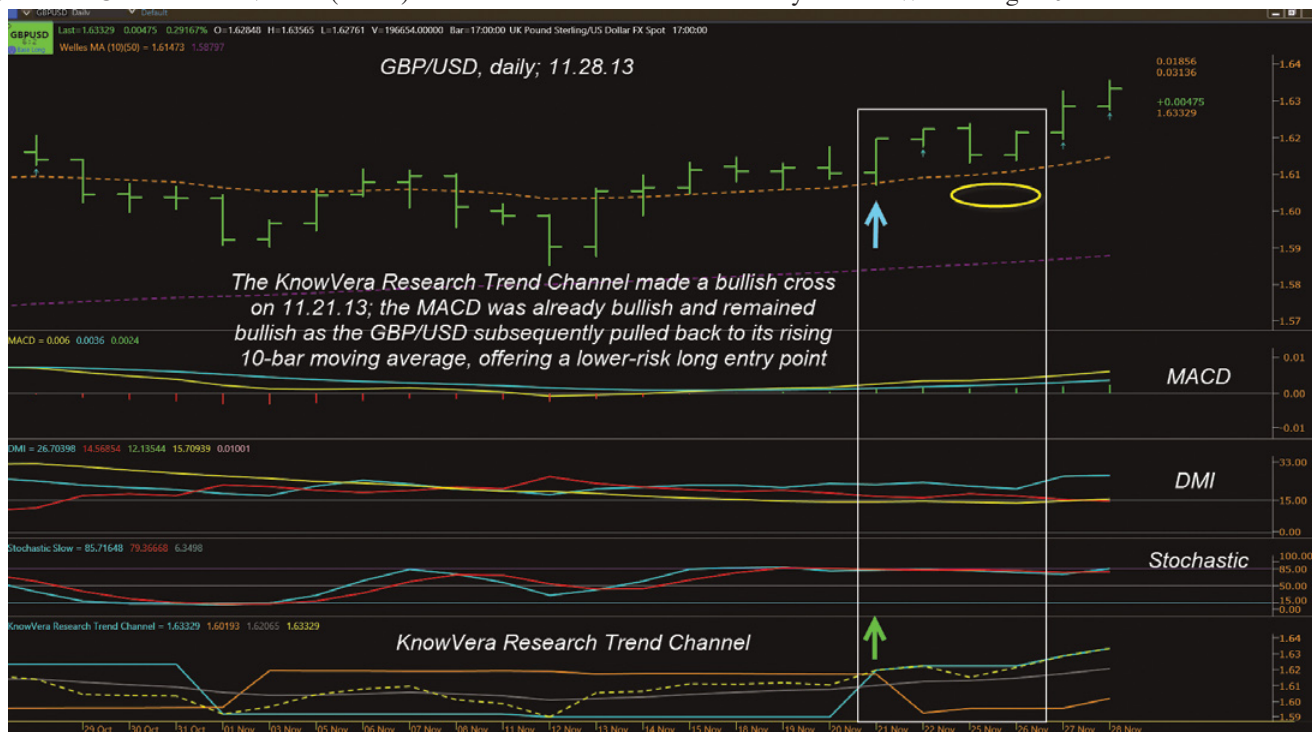
**Weekly chart** (Figure 4):

- The MACD (moving average convergence/divergence) has been in bullish mode since July 19, 2013
- The DMI (directional movement index) is positive
- The stochastic oscillator recently completed a bullish crossover
- The KnowVera Research Trend Channel (KVRTC) has been in bullish stance since August 16, 2013 — note that the blue channel line crossed the orange channel line at that time.



**FIGURE 4: WEEKLY CHART.** On this chart of the GBP/USD, all four indicators were already in bullish mode at the time of the long entry setup on its daily time frame. Using a time frame three to five times the length of the trading time frame to confirm signals appears to be a very sound strategy.





**FIGURE 5: DAILY CHART.** A long-entry setup appears on the daily chart for the GBP/USD on November 21, 2013, followed by a low-risk pullback entry a few days later. Note the agreement between all four Phantom Trader indicators.

### Daily chart (Figure 5):

Having verified that the weekly chart is in a confirmed uptrend, the following trade signal would have been an *all-green* signal to go long the GBP/USD on the daily time frame:

- The MACD made a bullish cross-over on November 18, 2013
- The DMI is positive
- The Phantom Trend Channel switched to bullish mode on November 21, 2013.

Here are the hypothetical open gains based on two different long entry points:

1. Buy one lot (100,000 units in base currency) at close (5 pm ET) on November 21, 2013 after a confirmed bullish crossover on the daily chart's KVRTC; current open profit is \$1,356 in USD, using a hypothetical entry price of 1.61973.
2. Buy a half lot (50,000 units in base currency) at the close (5 pm ET) on November 21, 2013, using the same bullish cross of the KVRTC; wait for a pullback (remember, strongly trending markets may or may not pull back to allow a better entry price after the original breakout) toward the rising

10-bar moving average, and then put on another half lot; assuming an entry price of 1.61526 (the open on November 26, 2013), the total average entry price for both positions was 1.61750. With the GBP/USD currently trading at 1.63329 as this is being written on November 28, 2013, that equates to a hypothetical open profit of \$1,579 on one lot of the GBP/USD.

The ADX (average directional index) component of the DMI indicator used in the daily and weekly charts for the GBP/USD is rising on both time frames, confirming the strong bullish trend forces at work in this widely traded FX market; there are small blue arrows (red in a downtrending market) underneath the last two daily price bars and also under the current weekly bar, offering a quick visual confirmation of a strengthening (weakening) ADX.

Once in this trade, the trader can use the built-in stop-loss values (in the KVRTC indicator window). Only time will tell what the final outcome of this hypothetical long trade entry will be, but the odds favor those traders who primarily trade in the direction of an instrument's higher time frame trend — and who consistently make the effort to do so. The PT algorithms and indicators appear to be tailor made for such traders,

regardless of whether they trade on a one-minute or monthly time frame, or anywhere in between.

### FOLLOW THE PHANTOM

Phantom Trader offers traders a logically constructed, well-tested, highly focused set of charts, indicators, and algorithms that may help keep them on the right side of the markets they trade, whether they choose to follow the live Phantom Trader audio/text trade alerts and commentary or instead choose to identify attractive, low-risk trade setups on their own. Having worked with dozens of trading/charting platforms since 1999, it seems to me that Phantom Trader is the first one to provide skilled traders with a one-stop, no-nonsense trading solution that could meet the needs of even the most demanding, highly capitalized institutional trader as well as for the average retail trader.

*Donald W. Pendergast Jr. has written more than 1,200 articles for Traders.com Advantage at [www.traders.com](http://www.traders.com) since October 2008 and is currently available for financial markets consulting and research assignments. He may be reached at [puertoricool@yahoo.com](mailto:puertoricool@yahoo.com).*