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eSignal 12.0

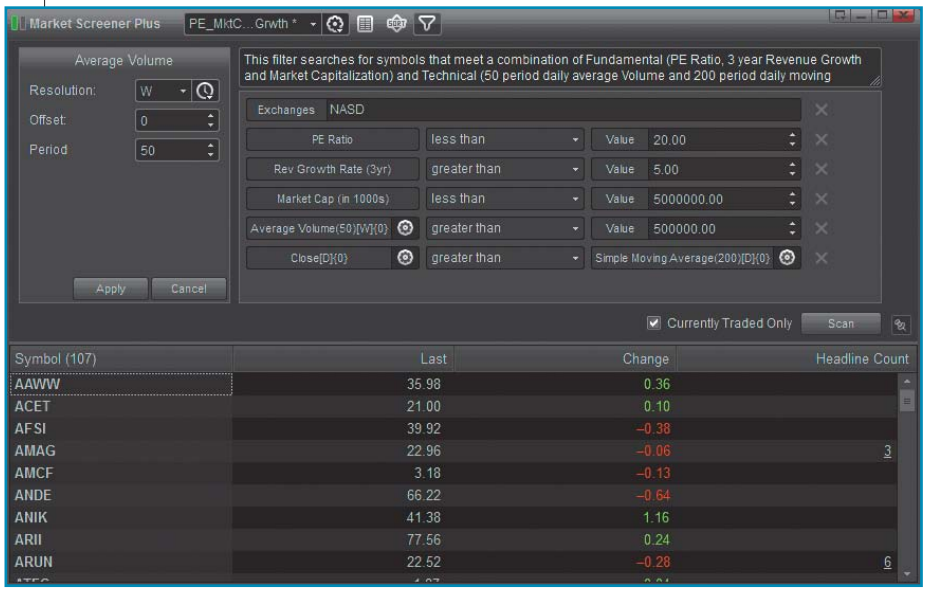

FIGURE 1: MARKET SCREENER PLUS+ WINDOW. From here you can select your filters and define criteria for your scans. There are several options to choose from.

INTERACTIVE DATA CORP.
3955 Point Eden Way
Hayward, CA 94545
Phone: 510 266-6000, 800 815-8256
Website: www.esignal.com
Product: Trading software with streaming stock quotes and charting tools
System requirements:
Recommended: Windows 8, Windows 7 (64-bit); Intel Core i3/i5/i7; 4 GB RAM; 250 MB available disk space.
Power User: Windows 8, Windows 7 (64-bit); Intel Core i7 (3.2 GHz or faster);8 GB RAM; 250 MB available hard disk space
Price: Fees vary depending on whether you are paying by year or month. Additional fees are charged for increasing the number of symbols viewed, market quotes provided, and for third-party software; fees range from $49/month to $395/month — call or see website for more pricing details.

by S&C Staff

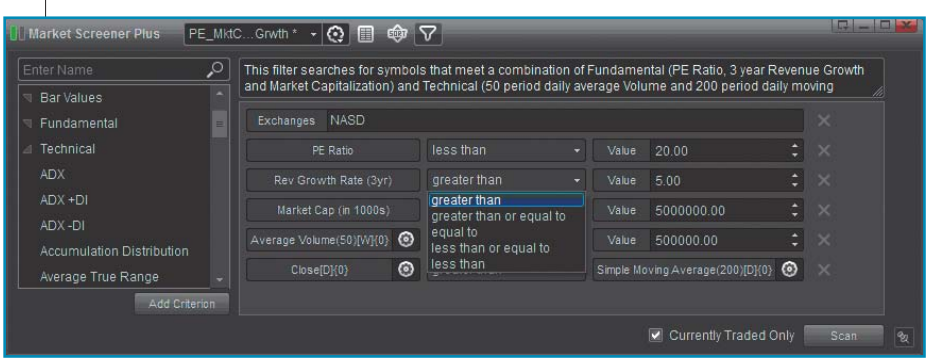

FIGURE 2: STOCK SCREENER PLUS. You can select from three categories: bar values, fundamental, and technical. Here the fundamental category was selected. There'll be a description along the top that explains what is being done. The items in the three columns give you the option of changing the parameters or even the type of indicator you may prefer to use.

eSignal 12.0 adds two major new features: *Market Screener Plus+* and *Options Analytix*. Both deserve an in-depth look to see how they can be beneficial to the trader. Two recent reviews of Advanced GET and eSignal 11 that appeared in this publication will help you get a broader perspective of this product that is rich in features. (See "Further reading" at end.)

MARKET SCREENER PLUS+

The idea behind Market Screener Plus+ is to give you the ability to scan an entire exchange or just part of it. Several exchanges are available to choose from. If you wish to scan several exchanges simultaneously, you'll need to pay the fee to access data from several exchanges: $25/month for three, $35/month for five, and $50/month for 10. You need to use screening criteria, referred to as filters, to scan the markets. You can create filters and save them or use the prebuilt ones. Your choices for criteria are bar values, fundamental, and technical. In Figure 1 you see the interface for setting up your screening criteria. You will see that the criteria are defined by three columns, with the middle one being a relational operator. Hence, it is not necessary to know any programming language to define your criteria.

One of the prebuilt filters uses fundamental data, which is a feature welcomed by many who have come to learn that price movement is influenced by earnings performance. As you might expect, it uses PE ratio and is displayed as *PE ratio* with no reference to time. However, included as part of the five prebuilt criteria for the category *fundamental* is average volume and is shown as *average volume (50)(W)(0)*, which means this will be the 50-week average volume with zero offset. You also have the option of selecting daily average volume.

Prebuilt filters can be modified from

the default values. In this case, you can look at weekly volume while at the same time looking at daily closes. You can change the resolution from weekly to daily. You can also modify the offset or number of periods used with the resolution type.

Figure 2 gives you a better idea of the Market Screener Plus+ interface, since it focuses on just the top portion of Figure 1. For this screen capture, the group technical was selected. Below the word technical is a small part of the approximately 40 technical indicators available. The middle column of the stock screener window contains the relational operator and all choices such as greater than, less than, or equal to are available.

You cannot use eSignal formula script (EFS) directly with the Market Screener Plus+ interface. However, you can export the symbols resulting from your scan to a watchlist and then use the script with one of the watchlist columns. For more on this, please refer to our review of eSignal 11.8 that appeared in the August 2014 issue of *Technical Analysis of* STOCKS & COMMODITIES.

FIGURE 3: OVER/UNDERPRICED CHART. The green bars in the histogram below the price chart indicate overpriced options and the red bars indicate underpriced options.

OPTIONS ANALYTIX

There are basically two types of option traders: someone who buys and holds for extended periods of time, or someone who makes short-term option trades. A trader who is in the buy & hold camp will own a stock and want to make some money on it without selling it. What he can do is sell a call(s) for the stock he owns, otherwise known as a covered call. Ideally, he would want to sell this call(s) for an option whose strike price is out-of-the-money (OTM), and he would want it to be overpriced to maximize the money he gets. In Figure 3 you see an over/underpriced chart. As the option approaches expiration, its premium will slowly go down or decay. *Options Analytix* has a study called *decay* (Figure 4) that lets you see the optimal time span for selling. Just by using a couple of well-thought-out charts, you can analyze a covered call. A prebuilt scan that finds covered call setups is available. More specifically, it looks for stocks that are trending up and have overpriced options.

While the decay chart is a nifty and powerful feature and is extremely useful for covered calls, the most powerful features are the tools for trading options. An option trader either sells an option, which puts money in his account, or he buys an option, which takes money out of his account. When you combine buying with selling, you are strategizing with what is called a spread. When the net effect is to put money into your account, it's called a credit spread. When the net effect is to take money out of your account, it's called a debit spread. Credit and debit spreads are popular strategies used by option traders. There are several steps that are needed to get you to the spread with the best chance of succeeding, and Options Analytix covers them all.

A debit spread is used when a trader thinks the underlying is going to go up and buys an at-the-money (ATM) call. This means he buys an option with a strike price at the current traded price or slightly under the underlying. To offset the cost of the premium, he then sells a call at a higher strike price, which would be OTM and be worth less than the in-the-money (ITM) call. The net effect is a debit.

FIGURE 4: DECAY PLOT. A decay plot is one of the technical studies you can use to analyze a covered call. The top chart shows theta in blue and the bottom chart shows the option value in blue. As time approaches expiration, you can see that theta becomes increasingly negative. The dropdown arrows in some of the windows let you select different options as well as strike prices.

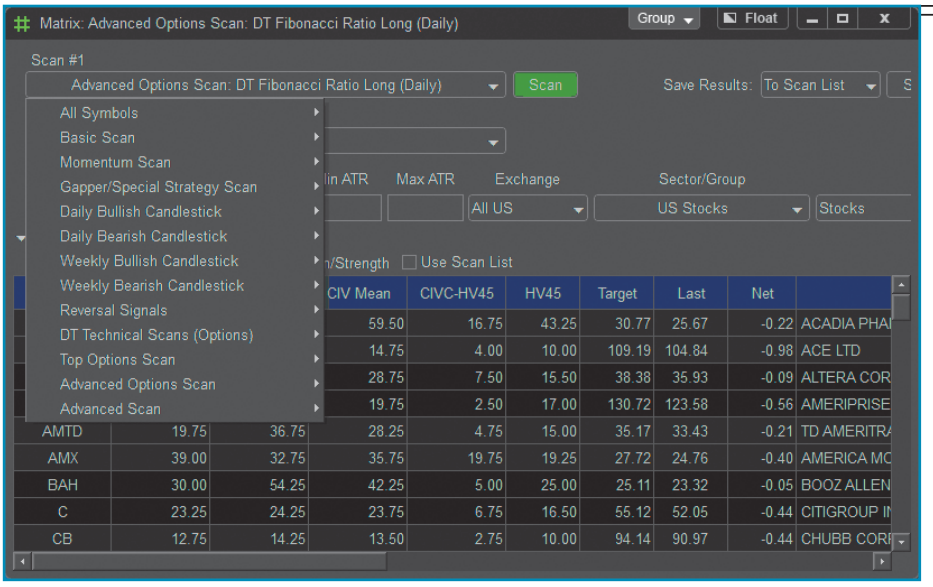

FIGURE 5: SCAN MATRIX. From here you can select several categories for your scans. There are several choices within each category. After selecting your filtering criteria you click on the scan button.

FIGURE 6: PRICE CHART ANNOTATED WITH FIBONACCI RETRACEMENTS. Here the study of pivots was used, which resulted in a price chart displaying the strong pivots. A retracement drawing tool was used to create the Fibonacci values. This stock hits the 38.2% pullback as a result of using the Fibonacci filter.

FIGURE 7: SPREAD SELECT. For this screen shot, the select spread type(s) dropdown list is used to add a long call condor entry to the table. The table shows which option you are buying (column labeled "long") and which you are selling (column labeled "short"). Green and red numbers on the right identify the cost for this strategy and other columns give you the probability of finishing in-the-money or breaking even. Other columns identify your maximum risk and maximum profits.

Let's scan for some candidate spreads and then analyze the ones that seem to have the best odds for making a profit. Remember, you are not trying to find an option so you can trade the underlying stock, commodity, or index; you are looking to make a profit on the option itself. How do you go about buying low and selling high if you want a long position, or the converse if you want to enter a short position? You would have to analyze the options that are overpriced and underpriced. That, in turn, will lead you to finding out the implied volatility (IV) of the option, since options are priced higher if IV is high and priced lower with lower IV. The most well-known method of calculating premium price is the Black-Scholes model, which predicts premium price based on several factors including price probability distribution and premium volatility. If you have a premium price, you can calculate *backwards* to see what the volatility would have to be, in other words, what volatility is implied. The results can be seen when you request an over/underpriced chart but you will also see IV quoted in many of Options Analytix charts.

You initiate a scan in Options Analytix by selecting the *matrix* button on the left of your screen. You are then presented with a screen that gives you the option of setting up a single- or double-pass filter. In Figure 5 is a dropdown list of several scan categories such as *gapper/special scan*, *daily bullish candlestick*, and *DT technical scans* (options). One of the choices in the latter category lets you scan for covered calls. There are over a dozen categories for the filter dropdown list, each containing numerous choices.

Suppose you are interested in stocks that are making a pullback in an uptrend. Under the category *advanced options scans*, there are 30+ choices that have to do with IV, but at the bottom are four technical scans (the plan is to move these to the DT technical scans category), and one of them is *DT Fibonacci ratio long* (daily). Choosing *Fibonacci long* as the first filter and then choosing *overpriced options* (from the *advanced scan category: stocks w/overpriced options*) as the second filter and hitting "scan" you

get a list of stocks that fulfill the two criteria.

If you want to see what the pullback looks like, drawing tools are available. Using them and creating the chart is another example of a design that is nothing short of superb. If you right-click on the symbol of choice in the scan results, a list of actions will appear. One of them is *chart* and if you click on it, you get a price chart of the symbol. If you right-click on the price chart, a sizable list of choices comes up, one of which is *add study*. When you choose it, another sizable list appears, and one of the choices there is *pivots*. When you choose *pivots*, you get three more choices. Do you want to display weak, medium, or strong pivots? If you choose strong pivots, you will have the locations to select when using the Fibonacci retracement tool. The result is seen in the chart in Figure 6.

FIGURE 8: PROJECTION CHART. Here you see the three components to the projection chart: profit & loss (top portion shown with green and red), projected value for underlying, and projected volatility. The blue line through the purple cone and the blue line in the bottom graph can be moved with your cursor to see what happens to profit/loss with different values of the underlying and IV.

You get a carefully crafted chart without having to type anything. All you have to do is a few right and left clicks on your mouse and you get an informative and valuable chart.

Similarly, to find spreads, just right-click on a symbol and select the *spread select* option. If you select a symbol from the scan results, you get a table that lets you do further analysis (Figure 7). By looking at the table, you can see whether this is a debit or a credit spread and what the probability is that the option will fall ITM or break even.

Just above the table of spreads is a button labeled *select spread type(s)*. When you click on that button you see a dropdown list of spreads, and just about every spread you may have heard of is there. In addition to the bull and bear spreads, you'll find things like iron condors, straddles, butterflies, and more.

To help analyze if an option or spread may be profitable, another sophisticated tool comes into play called *projection* (this tool is unique enough that Dynamic Trend, the developer of Options Analytix, has a patent pending). In Figure 8 you see an example of a projection chart. There are three components to the *projection chart*: profit & loss (top portion shown with green and red), projected value for underlying, and projected volatility. The beauty of this chart is that you can take your cursor and move the projected underlying value and volatility to where you think it might be at some future date, and the profit & loss will change accordingly. Dates are listed below the three graphs, thus allowing you to pick different points in time to change the underlying price and implied volatility.

MISCELLANEOUS

There are numerous other charts available such as the standard profit/loss chart and skew chart. A user manual can be found on the eSignal website. You can visit the eSignal website, select the *support* menu, and from there select Options Analytix from the dropdown and you'll see various options for customer support.

SUMMARY

Besides Market Screener Plus+ and Options Analytix, version 12 integrates the StockTwits feed and a media window that provides live streaming video from TFNN. Without a doubt, Options Analytix is the major update. It is extremely well designed and has features that no other option platform can offer. In fact, Options Analytix is a separate install and appears on your desktop with its own icon.

You can find just about every spread strategy you may have heard of.

eSignal 12 greatly enhances an already powerful platform. If you asked how eSignal could get any better, Interactive Data found a way.

FURTHER READING

S&C Staff [2014]. "eSignal 11.8," product review, *Technical Analysis of* STOCKS & COMMODITIES, Volume 32: August.

_____ [2014]. "Advanced GET by eSignal," product review, *Technical Analysis of* STOCKS & COMMODITIES, Volume 32: September.

‡eSignal (Interactive Data Corp.)

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