

Ditto Trade

DITTO TRADE

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Product: Trading platform

Price: Free with a brokerage account

by Donald D. Pendergast

Imagine a scenario where you open and fund a brokerage account, download one of its trading platforms, and then review the real-world trading track records of a group of high-performance traders and/or trading advisory services with attractive returns. Since you have little or no time (or inclination) to put in the hundreds of hours required to build your own trading system from scratch (assuming you have the years of market experience and education to do that in the first place), much less seven hours a day to monitor the markets, you simply scan through the list of performance rankings and decide to sign up for a trading service that will allow you to take the exact same trades, and as part of the same block trade as the lead trader at the advisory service with the great track record.

The cost for such a service might run from \$25 to \$99 per month (or maybe more, depending on the style of trading, types of markets traded, and so on), but since the trading service you've signed up for has such a terrific real-life track record, paying such a monthly fee appears to be a bargain, far outweighing the monthly subscription fee.

Even better, you retain control over your trading account and with a simple click of a button can choose to opt out of certain trades or, once a trade is initiated by the trading service, you can opt to manage the trade on your own and close it early, add more shares, or hold the

open position for as long as you like. Even better, you no longer have to do your own after-hours market research, scanning for stocks, testing and running systems, placing your own orders with your broker, checking the next morning to see if you were filled.

In short, you now have all the advantages of having access to a winning methodology for your own trading account but without having to devote all of the time and effort needed to operate and maintain it.

FOLLOW

Sounds a bit futuristic, doesn't it? Yet, at this moment there is a broker that offers that kind of trading experience for their clients. It's called Ditto Trade, and, as you may have guessed from the name, the idea is that you as a follower can be receiving the benefit of the trading expertise of a lead trader, getting in on the exact same trades (time of entry, fill price) once you subscribe to one of the third-party trading advisories offered through one of Ditto Trade's sister websites, Followable.com.

Ditto Trade's founders were originally involved in what was once known as Web Street Securities, one of the first successful online brokerages (back in the mid- to late 1990s). Web Street was eventually acquired by E*Trade Financial, and Ditto Trade is now the latest broker-dealer/social media trading venture of those original founders from the 1990s.

Followers of a lead trader on full throttle can choose to trade the exact same number of shares as their lead trader or they can choose to trade in smaller sizes, still within the same block trade initiated by the lead trader. This is a big plus for followers with small accounts and still lets them get in on the trade.

For example, say there are 25 followers of Bill, a hypothetical lead trader. Bill buys 50 shares of Apple Inc. (AAPL) at \$525 a share. John, a follower

of Bill, has a \$12,000 equities account balance at Ditto Trade, and can't afford the price tag of 50 shares (about \$26,250 before commissions and slippage), so DT automatically adjusts John's share quantity on the trade according to his margin account's balance.

Meanwhile, Shirley, another follower of Bill, has a \$150,000 margin account and has already chosen to buy/sell the same number of shares as Bill. And Liz, another DT client who is a brand-new follower of Bill and his trading service, has decided to opt out of this particular long trade in AAPL. She does a lot of her own market homework and just doesn't feel a buy in AAPL makes sense at this time; on subsequent trades initiated by Bill, she can decide to trade his same share size, a larger one, a smaller one or even once again choose to sit on the sidelines.

Bill's remaining 22 followers also have the same choices, depending on the size of their margin accounts. Clearly, this amount of individual freedom permits followers to customize their Ditto Trade trading activities so they closely match their own risk tolerance, trading experience, and fundamental and technical analysis biases.

LEAD TRADERS

Lead traders are the brains behind all of the trades that their followers ultimately take, no matter if they trade with a mechanical system, market fundamentals, seasonals, or technical analysis/chart patterns. Like their followers, they also have Ditto Trade margin accounts, or in the case of a newsletter or alerts service, simply utilize the Ditto Trade platform to allow subscribers to act on their own alerts. The details of their service can be published for all to see on Followable.com and also at their own advisory service website, if they have one.

As of mid-December 2012, there were several exchange traded fund (ETF) advisory services listed on Followable.

PRODUCT REVIEW



FIGURE 1: TRADING FROM A CHART. Right-clicking on any chart will instantly bring up a customizable order entry screen in DT2.

com in the \$20 to \$29 a month price range; there are also stock and option services, which can run \$59 to \$99 a month or more. Quite a few services are offered, making it easy for serious followers to find and subscribe to an investment service (and lead trader) without a lot of time and effort.

Lead traders are free to set their own monthly fees for their services, and Ditto Trade does not take a cut of the lead trader's subscription earnings; DT simply makes money on commissions and order flow. Speaking of commissions, equity trades are a flat \$6.95 per side (if you trade in sizes of more than 700 shares, this is about the same per share rate as TradeStation and Interactive Brokers); option trades are \$6.95 per side plus \$0.75 per contract.

As a lead trader's subscriber base grows, if their trading performance continues to shine for a sustained period of time, it wouldn't take too long to build a well-subscribed advisory service by way of Ditto Trade's unique lead/follow interact model.

That interaction is an important component of a successful lead trader-follower relationship. In fact, one of Ditto

Trade's platforms — the Dashboard — allows a lead trader to directly send tweets to followers via Twitter. Lead traders are encouraged by DT to keep an open door of communication between themselves and their follower base, using social media, webinars, email marketing, newsletters, and conference calls. Followers who better understand the trading style of the lead trader — and one who stays in touch with them on a regular basis — may be more apt to build and retain a strong subscriber base, particularly during inevitable periods of drawdown.

While it's doubtful that any serious lead trader will be willing to disclose their hard-earned trading secrets to followers, a wise leader will always be available to help guide a less-experienced follower through a rough patch (system drawdown, advice on risk control/position sizing, and unexpected market events).

PLATFORMS

Ditto Trade's top of the line platform is named DT2 and is well-equipped, even for the frantic and sometimes frenzied world of daytrading. Nice features include the ability to trade from a chart

(Figure 1), useful drag & drop Elliott wave (Figure 2), Gann and Gartley pattern tools, depth of market windows, multiple quote screens, and about 100 technical indicators from which to choose, including some that don't seem to appear that frequently on your typical retail trading platform — things like Kirshenbaum bands and Starc channels, among others. DT2 also comes with two dozen preinstalled trading strategies from noted system developers such as John Ehlers, Bill Williams (Figure 3), Tushar Chande, J. Welles Wilder, and William Blau.

A skilled daytrader or swing trader should have little difficulty setting up DT2 to accommodate their own unique trading style; the platform offers multiple customization options, from every possible angle, and is a good deal at \$25 per month. According to the Ditto Trade website, traders who make at least 25 trades per month with the platform get to use it for free; this should be very popular with daytraders.

Ditto Trade also offers the Dashboard, a more basic platform. Lead traders and followers can also use this one; the lead trader version has the ability

PRODUCT REVIEW



FIGURE 2: DRAG & DROP ELLIOTT WAVE. A full array of drag & drop Elliott wave patterns are provided within DT2; here, GOOG traces out a well-proportioned A-B-C pattern after a substantial rally.

to link to Twitter, thus enabling instant communication/commentary from the lead trader to be disseminated to his followers.

The Dashboard is a basic order entry interface that displays all orders, open positions, buying power, and daily transactions. It also keeps followers abreast of the trading actions that their lead trader has taken and gives them the ability to decline to participate in new trades, trade with the lead trader or to even detach from the lead trader once a given trade is entered, thus giving the follower executive control over their own personal portion of the original block trade that got them into their existing position.

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A third platform is called Trading Pit, which is a slightly stripped-down version of the Dashboard. Ditto Trade also offers mobile apps for iPhone and Android users; each features real-time quotes, order entry screens, an account overview, and the ability to be notified whenever your lead trader makes a trade. In addition, you can modify your settings to get real-time mobile alerts from your lead trader instead of automatically participating in their trades. These alerts

give you the option to either ignore, modify, or trade off the lead trader’s ideas at your own discretion, right from your mobile device with a click of a button.

SUMMARY

Successful trading is hard work and a discipline that requires a significant investment of time, effort, and good old-fashioned persistence and patience — with few traders ever really going on to reach consistent, long-term profitability,



FIGURE 3: THE BILL WILLIAMS ACCELERATOR-DECCELERATOR STRATEGY. Here you see the Bill Williams accelerator–decelerator strategy at work on a one-hour chart of GOOG. Note how well this oscillator times entries when they are taken in the direction of the dominant trend. This strategy comes standard within the DT2 platform.



no matter if they use trading systems, technicals, fundamentals, seasonals, or their brother-in-law's latest hot stock tips.

Ditto Trade may be one of the better solutions available to help reverse this pervasive situation, equipping newer or struggling traders with the tools and access required to shorten their learning curve by helping them locate skilled and profitable lead traders who can — for a fairly modest monthly fee — help guide them to more profitable and stress-free trading.

If this kind of leader/follower trading

model had been available 25 years ago, it might have helped save thousands (millions?) of new trader wannabes from crashing and burning their trading accounts during the various market manias that eventually fizzled out in the 1980s, 1990s, and 2000s, helping them go on to a truly rewarding trading career.

Even better, Ditto Trade opens up the world of potentially profitable, automated trading to an entire universe of individuals who simply are too busy with their lives and careers to babysit a trading monitor and brokerage account all day long.

Donald Pendergast is a trader, market technician, system developer, and financial markets writer. He made his first trade in August 1979 and hopes to make his last one sometime around September 2049. He plays lead guitar and enjoys creating, adding, and performing guitar solos in songs that didn't come with any. He has written stories and nonfiction essays and commentary since the age of 11. He may be reached at lineartradingsys@gmail.com.

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