

## PRODUCT REVIEW

# OmniTrader 2006

## NIRVANA SYSTEMS

7000 North MoPac, Suite 425  
Austin, TX 78731

Phone: 512 345-2566

Fax: 512 345-4225

Email: [sales@nirvsys.com](mailto:sales@nirvsys.com)

Internet: [www.omnitrader.com](http://www.omnitrader.com)

**Product:** Real-time and end-of-day automated trading platform for stocks and futures.

**Requirements:** Pentium 4 micro-processor, 512 MB of memory for end-of-day version/1 GB for real-time version, Windows 2000/XP, Internet Explorer 5.5/newer, minimum screen resolution of 1024x768, 2 GB hard disk space, Internet access to obtain daily quotes. *Note:* Real-time edition requires access to streaming delayed or real-time market data.

**Price:** Stocks edition (\$495), futures edition (\$695), real-time edition (\$995). Data \$29.95/month.

by David Penn

**H**ave we arrived at the point yet when, instead of smiling in admiration of the old-timer who still hand-draws his own point & figure charts each evening, we can finally just say something to the effect of “Wow, so that’s what you old dudes did before OmniTrader?”

I’m no graybeard. And I don’t consider myself a discretionary trader, either. I’ve got a system (or two), rules, even a sound money management program. I also have stacks of yellow legal pads, skinny spiral notebooks, fat manila folders and more Post-it notes than a strip mall with a Staples at one end and an Office Depot at the other, just to keep track of my “system(s).”

Why, you might ask, do I go through all that paperwork to keep track of a system that could in all likelihood run by itself? Why not *automate* the process, save myself some time, and cut back on the inadvertent deforestation program that the reams of paper I plow through have come to represent?



**FIGURE 1: OMNITRADER 2006 WORKSPACE.** Here's the workspace in OmniTrader with the focus list and swing template in the price chart.

For some time, my answer has been easy: I'm a technical trader, not a computer programmer.

Unfortunately for my ego, a product like OmniTrader 2006 (OT2006) makes my “easy” answer harder to abide by. Unlike a lot of automated trading platforms available on the market, it appears as if OmniTrader 2006 has put a premium on not just effectiveness, but simplicity as well. There is precious little complicated code to learn or algorithms to wade through, and the software’s “Getting Started” manual is almost suspiciously straightforward and easy to understand.

True, there are some sacrifices for simplicity's sake, and some of the more complicated trading systems that a trader might want to construct might be better served with an even more complex (and more expensive) software product. But for average (and somewhat above-average) traders willing to leave their egos at the trading room door, OmniTrader 2006 provides an opportunity in trading automation that must be considered by any trader still mired in fool's gold that discretionary trading often turns out to be.

## ALL-AROUND OMNITRADER

The main workspace of OmniTrader 2006 is refreshingly uncluttered (Figure 1). A short toolbar across the top, a series of buttons and pulldown menus across the top below the toolbar, a set of buttons down the right side of the workspace, and a set of pulldown menus and buttons across the bottom pretty much take care of all the adornment. The top toolbar consists of standard file-creating, opening, saving and printing functions under the File menu. The Edit menu contains more variety, including options to change data settings (for example, datafeed source, password, and so on), pattern settings (for example, length of trendlines, support and resistance lines, toggle candlesticks on/off, and more), or call up one of 10 different preloaded trading strategy methods. There are also options to adjust data periods, exchange information, or holiday information.

The Mode menu lets traders use OmniTrader 2006 in one of four different ways: “real,” “game,” “lab,” or “auto” (more on this later). The Tools menu contains some maintenance fea-

tures such as “repairing” the database, or restoring original default settings. Those new to OmniTrader can also use the Tools menu to find a short introduction to the software. The Window menu has options that traders can use to arrange the various windows within the workspace (tiling horizontally or vertically, and so forth). And finally, the Help pulldown menu is where traders can go for information about the software itself (the Quick Start, OmniScan, and the user guide can all be accessed from this menu), as well as about developer Nirvana Systems itself.

The Help menu also provides a handy guide to the indicators and systems used by OmniTrader 2006. This is a solid reference for those who want (or need) to learn more about the indicators and trading systems available through OT2006. The number of indicators that can be used is thoroughly overwhelming—there’s no other way to describe them—and almost certainly covers the gamut of technical tools that 99% of the technical traders out there are likely to be on the lookout for.

Below this set of pulldown menus are some basic functions that traders operating OmniTrader 2006 will use with some frequency. These include buttons to access the focus list and to-do list, and a “chart options” button in order to make changes to the charts in terms of appearance, indicators, trading strategies applied to it, and so on.

Next to the chart options is a quick chart window in which traders can enter in a symbol and call up a chart of a security. Traders can change the “strategy view” with a pulldown window located to the right. Beside that are options to edit the selected strategy, edit pattern settings, and order buttons (enter long, enter short, close open position) for simulated trading purposes. Appropriately, next to that set of buttons are options to “view order notifications” and to view the portfolio.

The focus list (Figure 2), I should mention, is where a lot of the action is in OT2006. It is the easiest way to view results of strategy scans and it serves as a sort of power watchlist into which traders can store information about all the stocks that OT2006 will survey. By way of default, the focus list starts with

columns for the symbol of the security, the trading signal provided by the selected trading strategy (more on these signals later), the ADV (advisor) ranking that indicates how strong the trading signal is, the name of the strategy used, backtest hit rate, backtest APR, and backtest long positions and shorts. The focus list is significantly configurable and traders can use the configure columns feature in order to add and remove the data columns most relevant to them.

In addition, the focus list can be sorted (including multiple sorts) based on any of the rankings within a given data column. So if a trader wants to rank the results of a scan by backtest hit rate or ADV, OmniTrader 2006 makes it easy to do so with the list’s sort function. There are a number of ways to enter symbols into the focus list: directly through the add symbol feature, by way of the symbols database, by way of the import function (ideal for ASCII symbol lists), and simply copying and pasting from an OT2006 profile. Traders can also add alerts to the symbols on the focus list and call up a chart directly.

The focus list module, which can be detached from the OmniTrader 2006 workspace, has a few feature keys in a pair of mini-toolbars above and below the set of columns. These keys—across the top—allow traders to add a chart, edit the focus list, find a symbol, sort, show positions, configure the focus list, and filter signals based on both accuracy and frequency. In the bottom toolbar are options to activate the watchlist, notes, statistics for the focus list, and charts.

I mentioned the signals column. OmniTrader 2006 uses eight different symbols to indicate trades. New longs and new shorts each have their own symbol (green and red, respectively), as do “reinforced” long positions and shorts, in which OT2006 was already in the trade based on one trading system and received an additional signal in the same direction from another system. Green and red arrows indicate trades in process, while a green square represents an OT2006 exit. A black dash indicates no trades for the specific period, and the absence of a symbol means simply that OmniTrader is not in a trade for that particular tradable.

Symbol	Sig	Adv	Strategy
F	↑	91	Default
DELL	■	88	Default
LEH	↑	87	Default
MSFT	↑	85	Default
ABT	↑	83	Default
BDK	▲	82	Default
UIS	↓	82	Default
MCD	▽	81	Default
NSM	↓	81	Default
MDT	↓	79	Default
FDX	↑	78	Default
ETR	↑	77	Default
HAL	△	72	Default
TGT	↓	72	Default
ATI	↑	72	Default
XPX	↑	68	Default
NSC	↑	68	Default
PFE	↑	68	Default
SLB	↑	68	Default
GE	↓	66	Default
T	↑	64	Default
BAX	↑	62	Default
INTC	↑	61	Default
SLE	↓	61	Default
HD	↓	61	Default
BUD	↓	59	Default
CVX	↑	57	Default
MER	↑	57	Default
CL	↑	53	Default
CAT	↑	51	Default
KO	↑	50	Default

**FIGURE 2: FOCUS LIST.** The focus list serves as a sort of super-watchlist in which symbols to be analyzed by OmniTrader are noted. Here, also, traders can see what signals are available for different symbols and the advisor rating for those signals as well as the name of the strategy being used.

## BACK TO THE WORKSPACE ...

Along the right side of the workspace are a number of additional buttons, most of which are related to drawing and drawing tools. There are tools to toggle the drawing tools on or off, to create trendlines, rays, and segments as well as support & resistance lines. Traders using OmniTrader 2006 can even create trendlines with alerts—a feature I’ve seen in more and more software packages lately. Fibonacci retracements can be added, as can text, and traders can plot trading signals on the charts as well with the tools in this part of the workspace. Across the bottom of the workspace are options to change the chart date, edit

**PRODUCT REVIEW**

chart periods, establish periodicity (daily/weekly), and edit chart periods (three, six, nine, 12, or all months).

Within the charting window itself are a few more pulldown menus and features worth mentioning. These include a template menu to allow traders to switch quickly from, say, a “reversal” template with indicators geared toward reversal strategies, to a “trending” template with indicators geared toward trending strategies. Periodicity controls can also be found here, as can a feature that lets traders see charts of the sector, group, or subgroup that a particular stock is in. For example, if I have “F” (for Ford Motor) as my opened chart, and I click on “Symbol,” then “Sector,” then a chart of the consumer goods sector will pop up.

Changing to “Group” brings up a chart of the “Automotive” group, and so on. Finally, along the bottom is the trading system vote bar (Figure 3). The vote bar gives traders a quick look at whether the market in question is in a long, short, or no-trading mode based on the trading system applied to the chart.

I’ve long been a fan of using trading systems the way most people use indicators. I like to be able to look at a market and say, “Well, two of my three systems are on buy signals in XYZ stock,” rather than just parsing another technical indicator. OmniTrader’s vote & signal lines perform a similar function. The signal lines each note an entry and exit for a specific strategy, with a line between the two indicating the duration of the trade. The vote lines, which are located just above the signal lines at the bottom of the price chart, represent a distillation of the signals generated by the signal lines. Incidentally, the way the vote lines come to this is also an adjustable feature of OmniTrader 2006.

**OMNICHARTS**

OmniTrader 2006 features charts that are more configurable and easier to read than most that accompany automated trading systems. For too many makers of automated trading software, it seems as if an attitude has been adopted that says, “Hey, you’re getting the signals you need to trade, what do you need to look at a chart for?”

OT2006 is not among those who have



**FIGURE 3: VOTE & SIGNAL LINES.** At the bottom of the price chart, the vote & signal lines give traders an at-a-glance sense of how many and what kinds of systems are contributing to the final “vote” to go long, go short, or remain on the sidelines.

taken that approach to charting. This software comes with an incredible amount and variety of indicators, as well as a number of drawing tools, including trendlines with alerts. More than one chart can be opened at a time for quick comparison analysis, and traders can actually plot trade signal entries and exits on a chart. The number of stop/exit options is impressive, ranging from breakeven and fixed-profit stops to trade session boundary stops, trailing profit, and trailing pivot-point stops.

Most of the features that chartists have come to depend on have been retained for OmniTrader 2006. These include data windows and cursors, adjustable data ranges, and chart areas. Both periodicity and scale are also adjustable, and OT2006 also allows traders to “synch” different charts with different periodicities — comparing the daily and weekly views of a given security, for example. Charts can be customized by changing the colors, including everything from background color to text to up bars vs. down bars, and more. Pivot points can be added and plotted, and for those old-timers who remember the days when a fat envelope arrived in the mail on Saturday morning loaded with the charts of the previous few days, OT2006 provides a chartbook function that lets traders create their own printable chartbooks of securities they want to keep track of.

One last aspect of OmniTrader 2006’s

charts worth mentioning is their templates. The software comes with its own small chart templates, but traders who become comfortable with them can create several more. The standard templates that come preset include a trending chart template, which comes equipped with three exponential moving averages, and three, trend-oriented indicators: Bull Power, Bear Power, and the Trend Intensity Index. The reversal chart template, which is geared toward catching trend changes, comes with two indicators: the moving average convergence/divergence histogram (MACDH) and the momentum indicator. OT2006 recommends that the swing chart template be used along with the reversal chart template, insofar as both sets of indicators are geared toward catching shifts and changes from recent trading behavior. The swing chart template uses the relative strength index (RSI) and the MACDH. A standard template comes with volume alone.

**STRATEGIES OF THE TRADE**

OmniTrader 2006 groups its trading strategies into six different categories, each designed to exploit a different type of market condition. Beyond the default strategies, which are quite broad and utilize a market’s specific trading history in order to uncover trading opportunities to the long and short, trend and countertrend sides, OT2006 has two classes of trending markets strategies called “seven-day



moves” and, appropriately enough, “trending strategy.” The latter class of systems, according to OmniTrader 2006, is specifically helpful with spotting short- and medium-term opportunities and utilizes a 40-period exponential moving average to screen out countertrend trades.

The other three classes of trading systems available through OT2006 cover methods and approaches that most discretionary and systems traders have grappled with. These classes include “diverge,” which uses divergence-based systems to spot reversal opportunities. As anybody who’s spent any time at all trying to catch tops and bottoms with divergence-based systems and methods can tell you, these systems have a tendency to be “early” (read: short-term pain before longer-term gain), and OmniTrader 2006 itself recommends that traders rely on additional confirmation with these types of trades.

Another class of strategies is the swing set that tends to replicate those sorts of trading opportunities sought out by short-term, swing traders. For OmniTrader 2006, there is a volatility kicker that is sought out as well, giving traders the opportunity to profit from phenomena such as low-volume pullback during market moves. See Figure 4.

And speaking of pullbacks, the last class of trading system offered by OmniTrader is called “breakout.” As you might imagine, breakout systems and strategies involve markets that are moving up or down from consolidation ranges, bases, and patterns. These methods include breakouts that lead to new trends as well as those that serve to reignite old trends.

An entire article could probably be written about OmniTrader 2006’s approach to building trading strategies. While I suspect that many, if not most, of those traders who purchase and use OT2006 won’t need to get too far under the hood to see what makes the software run, the software nevertheless makes that exploration seem fairly straightforward, if not simple, for those inclined to break down their favorite trading strategy block by block.

I use the term “block” specifically because that is how OmniTrader 2006 organizes the various commands that make up its various trading strategies.

This flow-chart approach makes the strategies surprisingly easy to comprehend compared with the programming code used to describe most trading strategies. The flow-chart approach also makes the strategies that much easier to modify, with a set of rules governing which type of command block must follow the other, and how the trader must “reset” the database for the changes in given strategy to take effect. Those not interested or able to create a trading strategy from scratch can build their own based on the template of one of the strategies already provided by OT2006.

In addition to creating strategies, traders using OmniTrader 2006 can increase the specialization of their strategies by adding “special condition” filters. These filters can be as simple as controlling for volume or volatility increases or as complex as an entire slew of indicators whose reading will only be considered if a certain set of market conditions develops. In addition, the filters can be optimized for a particular strategy. A formula builder tool makes it easy for traders to build their own filters from scratch, using straightforward operators, parameters, symbols, and so on to create a coherent formula that will serve as what OT2006 calls a “programmable filter” for deployment alongside your trading strategies. The software even has a criteria rule library that matches the commonsensical name for a given criteria (for example, momentum increasing) into the appropriate “computer-readable” criteria text.

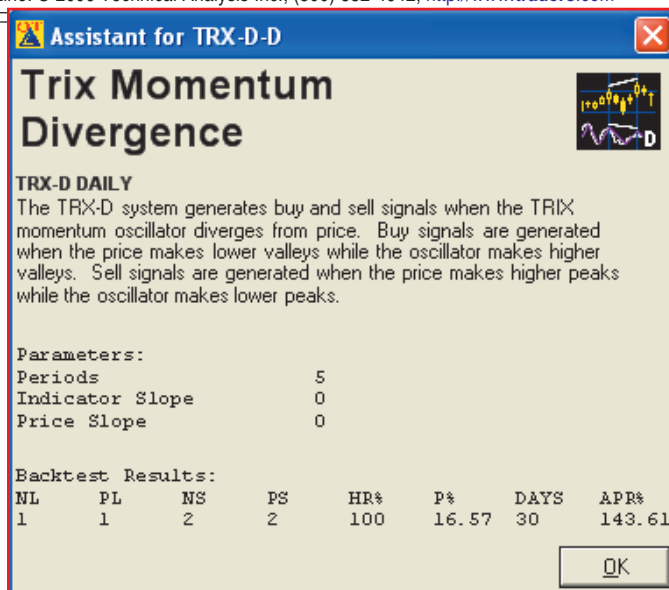
OmniTrader 2006 also features something called “trade plans,” which makes it easier for traders to manage their trades. Trade plans take the trader from the initial order through whatever money or trade management rules have been selected. OmniTrader 2006 provides seven different trade plans that traders can use or modify: a default fixed-loss stop,

eighths stop, eighths stop-partial exit, long-term trending, medium-term trending, partial exit, and short-term trending.

All of these use the average true range (ATR) as a key ingredient in determining stop-loss levels (a hint to those who do not factor in the range, either by ATR or some other method, when doing post-order trade management). Adding and editing conditions to the trade plan is simple and straightforward—here, as elsewhere, eschewing formula language, and instead relying on pulldown menus and clickable lists to help traders find and/or create the conditions they are looking for.

OmniTrader 2006 also comes with a fairly comprehensive portfolio feature that allows traders to track their trades. The software also comes with the ability to run trade simulations in two modes, game and lab. In game mode, OmniTrader 2006 picks a security from the focus list and, without revealing the name of the tradable, displays the chart along with trendlines, patterns, and those technical strategies that will best track the mystery security. Moving one day at a time, traders in game mode can decide to buy or sell, cover short positions, or close out longs, while the software tracks profit & loss in the OmniTrader portfolio. Features such as stop-losses are also available to traders in game mode.

Lab mode is very similar to the simulation in game mode, with the key difference that the lab mode simulation has traders manage a portfolio of up to 10 securities rather than just one. As with the game mode, all of the main features



**FIGURE 4: ASSISTANT.** Clicking on an individual strategy in the vote & signal lines area will create a pop-up assistant like this one, which explains the system, its parameters, and performance.

**PRODUCT REVIEW**

of OmniTrader are available during the simulation, though some functions are automated in order to streamline the process. In all, both modes are excellent ways not just for traders to learn about the world of trading, but also for traders switching to OmniTrader 2006 from other platforms to get to know some of the ins and outs of OT2006 before they begin to commit real capital to the process.

**OMNITRADER OUT!**

There are other aspects of OmniTrader I have not covered that traders nonetheless may come to appreciate. These aspects include a reports feature that lets traders read, save, and print reports on signals, strategies, symbols, and portfolios. Performance summary reports noting such information as the number of trades, number of profitable trades, average hit rate, average bars per trade, and much more are available, as are detail reports that include information average; highest and lowest profit; number of consecutive wins; worst draw-down, and so on. OmniTrader comes as an end-of-day package as well as a real-time package and is available for futures as well as for stocks.

As is suggested in its literature, OmniTrader 2006 exists in a world between “discretionary–toolkit–technical” trading and black-box trading. There is nothing wrong with either approach, of course. Numerous traders have success-

fully traded the markets using little more than support & resistance lines, trendlines, and moving averages or, conversely, using their own strange brew of esoteric indicators. And certainly thousands have benefited from black-box systems that, at the risk of sounding cynical, tell traders specifically “when to hold ’em and when to fold ’em” without cluttering their minds with “Why?”

But my suspicion is that for most people who aspire to be traders, the ideal method lies — as OmniTrader does — between these extremes. Discretionary trading, in addition to requiring skill and/or knowledge, also requires a discipline that most people simply can’t sustain trade-in and trade-out. This is no crime. After all, human beings are creative and complex individuals. But sometimes, that creativity and complexity gets in the way of training oneself to do the same thing the same way at each opportunity—which is precisely what successful trading tends to boil down to. On the other hand, black-box trading leaves many of these “creative and complex individuals” cold.

On occasion, I wonder how aspiring traders would respond if a genie appeared and said: “I’ll give you two choices. You can spend your time analyzing, sorting, scanning, screening, and trading, and you can make or lose what you will. Or you could forgo all that work and I’ll just FedEx you a check —

or a bill — every month for the exact same amounts you would have made — or lost — trading.”

My suspicion is that most aspiring traders — rightfully or wrongfully — would not take the genie up on the latter offer. To me, that defines the dilemma of the black-box approach to trading. Most traders *want* to get their hands dirty, to look under the hood, to get out on some open road, and put the thing through its paces—even if it means more work, even if it means *less profit* at the end of the day.

Fortunately, OmniTrader 2006 represents a path that manages to skirt both “more work” and “less profit.” With the ability to scale from the most basic trading strategy application to more complex formula-building, OmniTrader 2006 provides a great deal for a variety of traders. Even those wedded to a more discretionary style of trading can take advantage of OmniTrader’s array of technical indicators and excellent drawing tools, perhaps even using the software’s various trading strategies as confirmation or even just a second opinion on opportunities uncovered by Dow theory, Elliott wave analysis, cycles analysis, or even just plain old-fashioned support & resistance, trendline technical analysis.

*David Penn is the Technical Writer for STOCKS & COMMODITIES.*

**S&C**