



SAMUEL B. JONES



VantagePoint 7.0

Samuel B. Jones reviews VantagePoint 7.0

When Lou Mendelsohn began studying futures markets in the late 1970s, he was a pioneer in using the personal computer to develop trading analysis software. After releasing the first personal computer software to backtest trading performance in 1983, Mendelsohn's ongoing research convinced him that the best way to project future price action in one market was to examine price action in other closely related markets.

Using neural network technology to analyze intermarket data, learn relationships within and between markets and recognize patterns in past data, he was able to detect which markets had the most influence on a target market. Then he used this intermarket data

to make market forecasts based on moving averages that predicted short-term trends. That led to the development and release of VantagePoint Intermarket Analysis Software in 1991.

Over the years, neural networks were used to relearn these relationships and retrain market forecasts, and new markets were added to the list of those forecast, including exchange-traded funds (ETFs) and a number of non-U.S. markets.

The newest release, VantagePoint 7.0, is still based on intermarket relationships and neural net technology, but it is essentially a whole new program from the ground up, representing the most substantial upgrade in the software's history.

First and foremost, users of previous VantagePoint versions will notice a totally new way to access and manipulate charts and reports much more easily than in the past. Markets can be grouped into portfolios chosen by the user and brought to the front by one click of a mouse. Anyone who has gone through the configuration process in previous versions or gone back and forth between the list of markets and charts will especially appreciate these modifications.

Major changes

But VantagePoint 7.0 offers much more than just a pretty new face. Among the major new features are long-term market forecasts (eight-day average of prices four days ahead) to go with the previously provided predicted short-term trend (two-day average of prices forecast one day ahead) and predicted medium-term trends (four-day average of prices forecast two days ahead), three major technical indicators and the addition of 100 leading stocks from the S&P 500 Index.

With the entrée into individual equities, VantagePoint 7.0 now provides forecasts for more than 200 markets across 19 categories covering all major commodities and financial futures markets, currencies, ETFs and nine sectors of equities. In addition to the predicted short-term, medium-term and long-term trends and trend difference indicators, VantagePoint 7.0 continues to provide forecasts for the neural index, predicted strength and the next day's high and low.

As long as the intermarket data is available to produce predicted moving averages, VantagePoint 7.0 has taken the next step to expand the usage of this intermarket data into generating predicted stochastics, MACD and RSI, three of the most popular technical indicators used by traders, one day ahead. These indicators can provide excellent confirmation of other VantagePoint forecasts.

Although VantagePoint is not a trading system and does not give specific trading signals, forecasts for any of these indicators can be used to develop trading strategies. There is no lack of material in VantagePoint for traders to massage and develop trading models that could involve an almost endless number of possible combinations. For the trader who wants to do more analysis, VantagePoint data also can be imported easily into Excel worksheets.

Testing the forecasts

One of the company's claims in advertising and marketing materials that may be most likely to hook traders into checking out the software is the statement that VantagePoint's short-term forecasts are about 80% accurate. In an industry that is filled with all kinds of wild claims and hype, that seems almost too good to be true and cries out to be verified.

The accuracy figure is based on VantagePoint's predicted neural index over markets over time. Using the mid-point of the day's range instead of the closing price as in previous versions, VantagePoint 7.0 shows a 1 for the neural index if the three-day moving average of price in two days is forecast to be greater than the current three-day moving average and a 0 if the three-day moving average of price in two days is forecast to be lower than the current three-day moving average.

My main interest is ETFs so that is the category I wanted to check out. Another VantagePoint user who runs a private investment firm and is a CFA (Chartered Financial Analyst) conducted an independent test covering the 13 ETFs carried by VantagePoint for a one-year period from November 2005 to November 2006. Looking at just this 0 or 1 predicted neural index, here is what he came up with for ETF accuracy figures:

- Diamonds, 79%
- Energy Sector SPDR, 82%
- Financial Sector SPDR, 82%
- iShares DJ US Real Estate Index, 78%
- iShares MSCI EAFE Index, 79%
- iShares MSCI Japan Index, 82%
- iShares Russell 2000 Index, 79%
- iShares TR Lehman 20+ Year T-bond, 82%
- Midcap SPDR Trust, 83%
- QQQQ, 76%
- Semi-Conductor HOLDR, 81%
- SPDRs, 77%
- StreetTracks Gold Trust, 84%

This consistency was also evident in stocks, futures and cash markets that he tested over a five-year period from Nov. 21, 2001, through Nov. 21, 2006.

Using VantagePoint

To illustrate how I use VantagePoint, I screen about 20 markets every day to find a few ETFs that appear to provide the best trading possibilities that day. For me, that means I look for three things in VantagePoint if I want to go long: (1) The predicted medium-term trend (blue line on chart) needs to cross above the actual medium-term trend (black line), (2) the predicted short-term, medium-term and long-term differences should all be pointing up and (3) the predicted MACD should cross up through the MACD trigger line.

The StreetTracks Gold Trust ETF chart provides an example of these conditions coming together at several points for both short (A and C) and long (B and D) trades.

With an initial price tag of \$3,900, VantagePoint 7.0 is not cheap. But in my experience, you usually get what you pay for when it comes to trading software. Applying the forecasts available in VantagePoint 7.0 with sound trading techniques, you should soon find that an investment in this software is well worthwhile.

Sam Jones is an individual investor who primarily trades ETFs and tracks futures and stocks closely.