

BETTER

system trader

Hosted by Andrew Swanscott

Disclaimer:

Cesar Alvarez ("Company") is not an investment advisory service, nor a registered investment advisor or broker-dealer and does not purport to tell or suggest which securities customers should buy or sell for themselves. The analysts and employees or affiliates of Company may hold positions in the stocks or industries discussed here. You understand and acknowledge that there is a very high degree of risk involved in trading securities. The Company, the authors, the publisher, and all affiliates of Company assume no responsibility or liability for your trading and investment results. Factual statements on the Company's website, or in its publications, are made as of the date stated and are subject to change without notice.

It should not be assumed that the methods, techniques, or indicators presented in these products will be profitable or that they will not result in losses. Past results of any individual trader or trading system published by Company are not indicative of future returns by that trader or system, and are not indicative of future returns which be realized by you. In addition, the indicators, strategies, columns, articles and all other features of Company's products (collectively, the "Information") are provided for informational and educational purposes only and should not be construed as investment advice. Examples presented on Company's website are for educational purposes only. Such set-ups are not solicitations of any order to buy or sell. Accordingly, you should not rely solely on the Information in making any investment. Rather, you should use the Information only as a starting point for doing additional independent research in order to allow you to form your own opinion regarding investments. You should always check with your licensed financial advisor and tax advisor to determine the suitability of any investment.

HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN INHERENT LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING AND MAY NOT BE IMPACTED BY BROKERAGE AND OTHERSLIPPAGE FEES. ALSO, SINCE THE TRADES HAVE NOT ACTUALLY BEEN EXECUTED, THE RESULTS MAY HAVE UNDER- OR OVER-COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN.

In plain English: Do you homework!

Using Stops: The Good, The Bad and The Ugly

By
Cesar Alvarez

Cesar Alvarez



Which belt are you
on your knowledge
of stops?



The White Belt Trader



Baseline – No Stop

The Strategy

General Notes

- Test results from 1/1/2005 to 6/30/2015
- No commission or slippage
- Data from Premium Data
 - Survivorship and pre-inclusion bias free

The Strategy

Rules

- Stock is member of the Russell 1000
- Close is greater than \$10
- 21 day moving average of dollar volume is greater than \$10 million

The Strategy (continued)

- Today's Close is higher than highest high of the previous 252 trading days
- Ten period ADX greater than 35
- One hundred day Historical Volatility is greater than 35
- Today's DollarVolume is 25% or more greater than the 21 day average DollarVolume

The Strategy (continued)

- Enter on next open
- Exit after 134 days. Exit on next open
 - We are looking for average hold of 6 months

All Trades

Reasons:

- No position sizing
- No ranking
- No time dependence

Baseline Results

Stats we will follow

# Trades	Avg % Profit/Loss	Avg Bars Held	% of Winners	W. Avg % Profit	W. Avg. Bars Held	L. Avg % Loss	L. Avg. Bars Held	Min % Trade	Max % Trade	Avg R	Avg R(win)	Avg R(loss)	Avg % loss 20 worst	Avg R loss 20 worst	% Trades still open	% Trades closed by N bars	Trades closed by % max loss	Trades closed by ATR max loss	Trades closed by % target	Trades closed by ATR target	Trades closed by % trailing	Trades closed by ATR trailing	Trades closed by Cont. Perf	Stop type	Total R
975	4.38	126.56	58.46	23.44	124.22	-22.45	129.86	-84.89	222.8	0.168	0.902	-0.864	-73.96	-2.84	2.67	88.51	0	0	0	0	0	0	0	134 days	163.8

975 trades

126 avg. bars held

.168 average RM

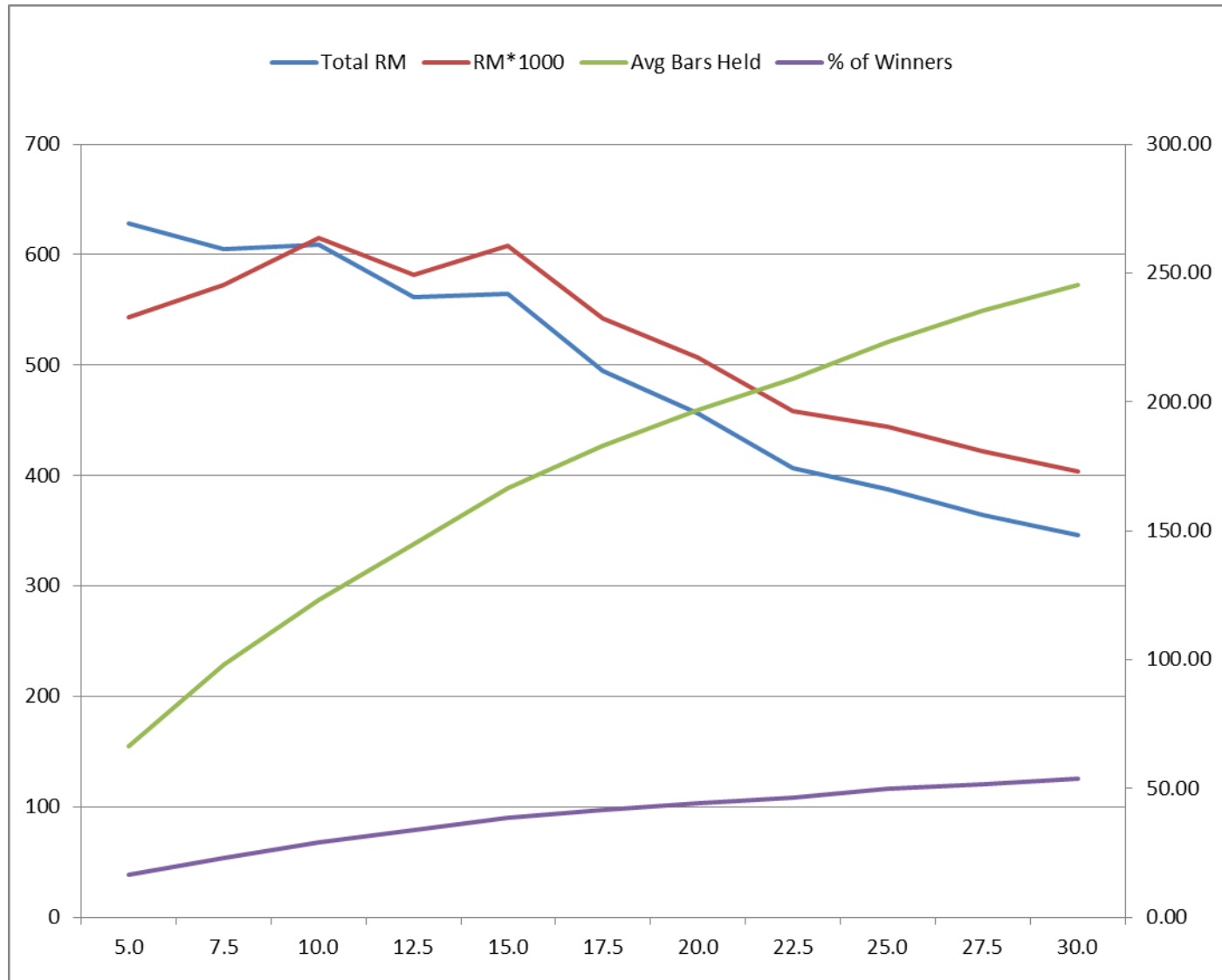
164 total RM

The Grey Belt Trader

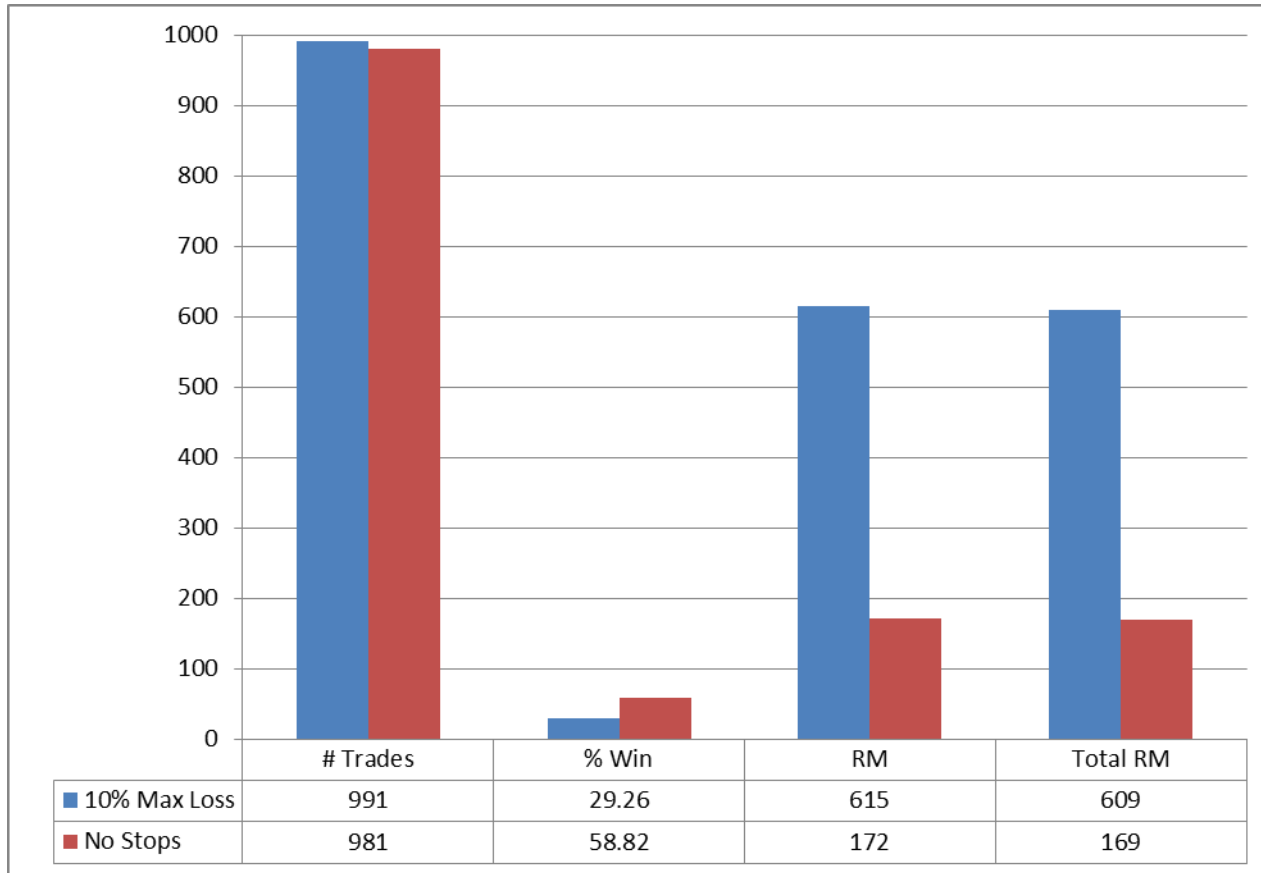


Max Loss Percent

Results



Comparison

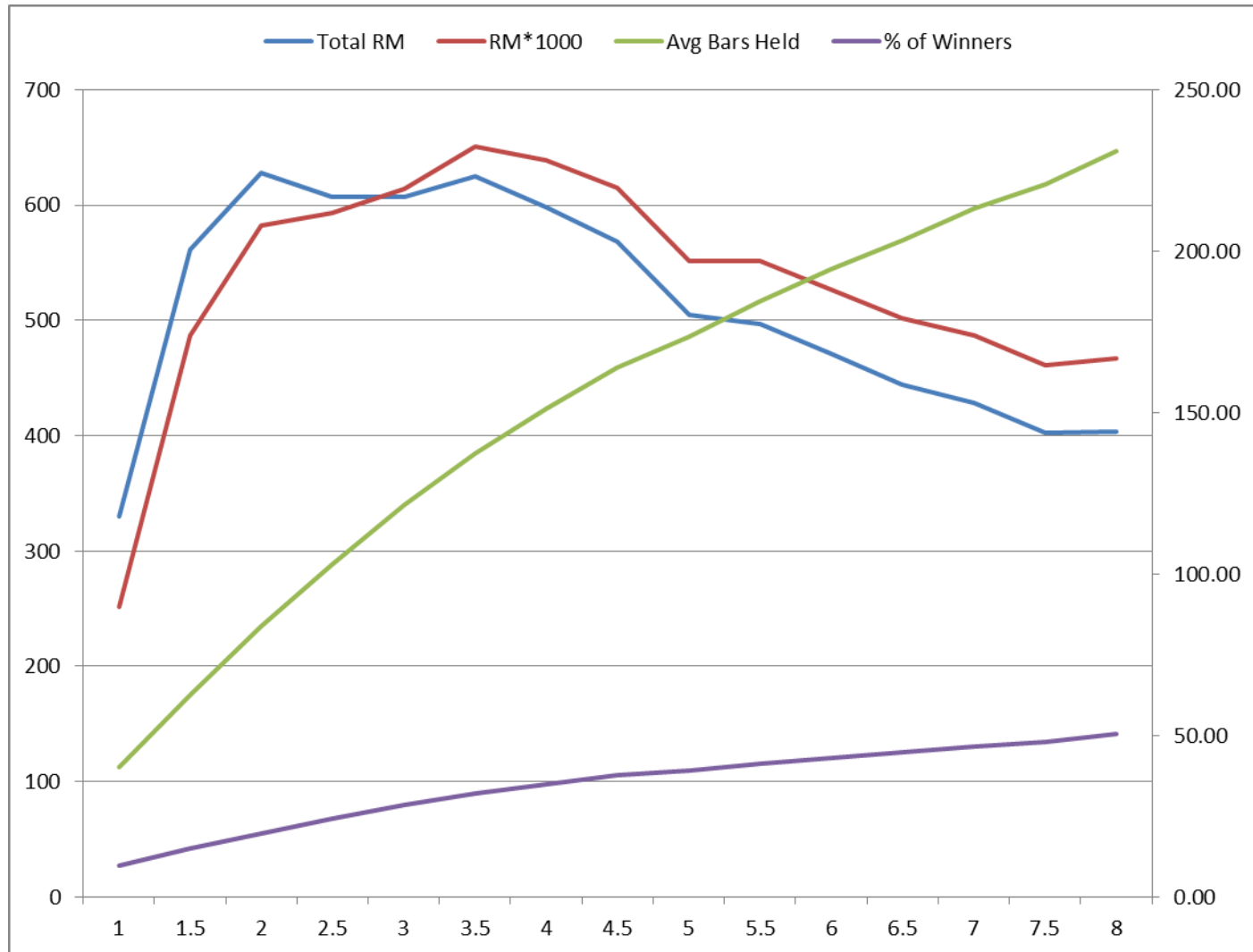


The Yellow Belt Trader

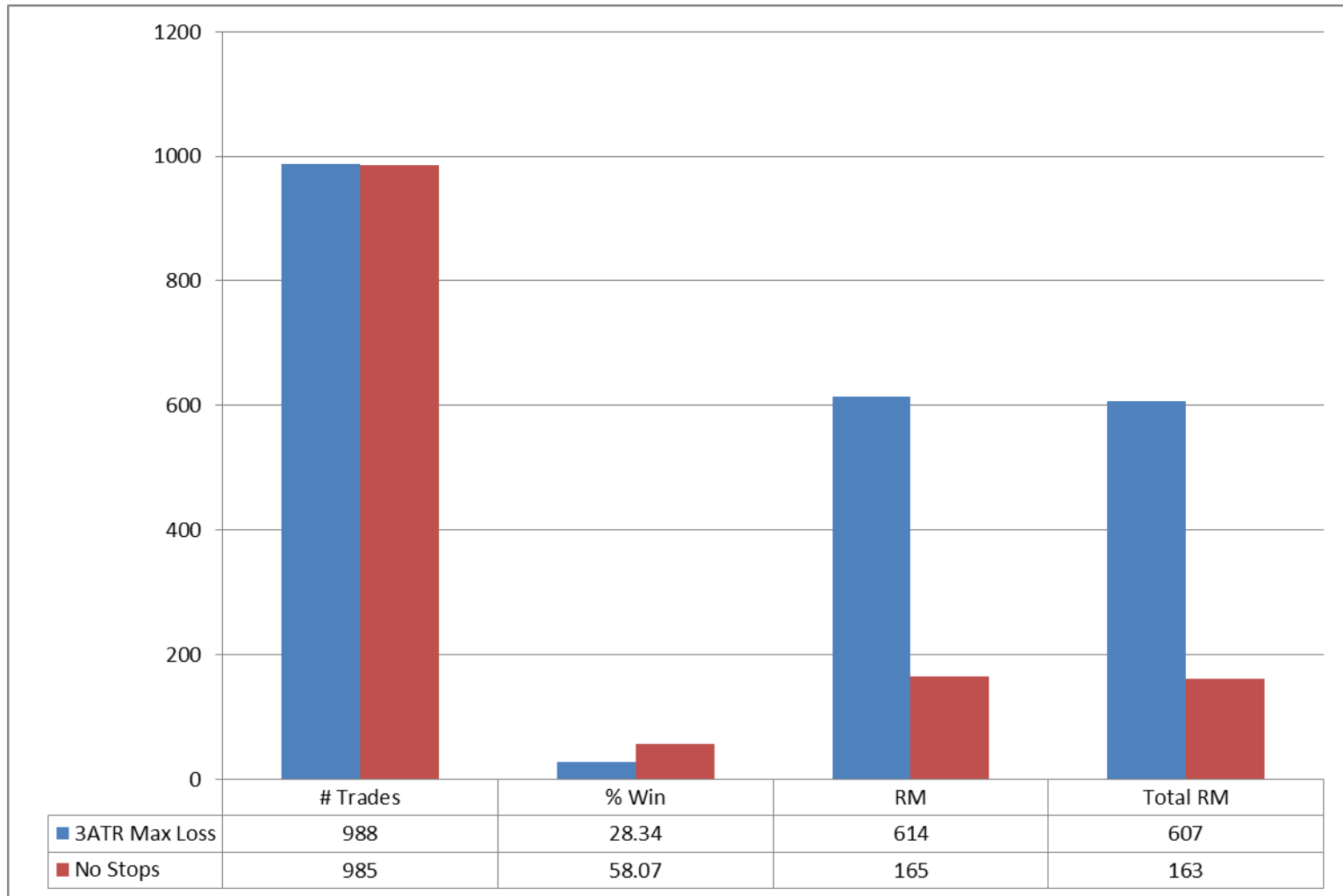


Max Loss ATR

Results



Comparison

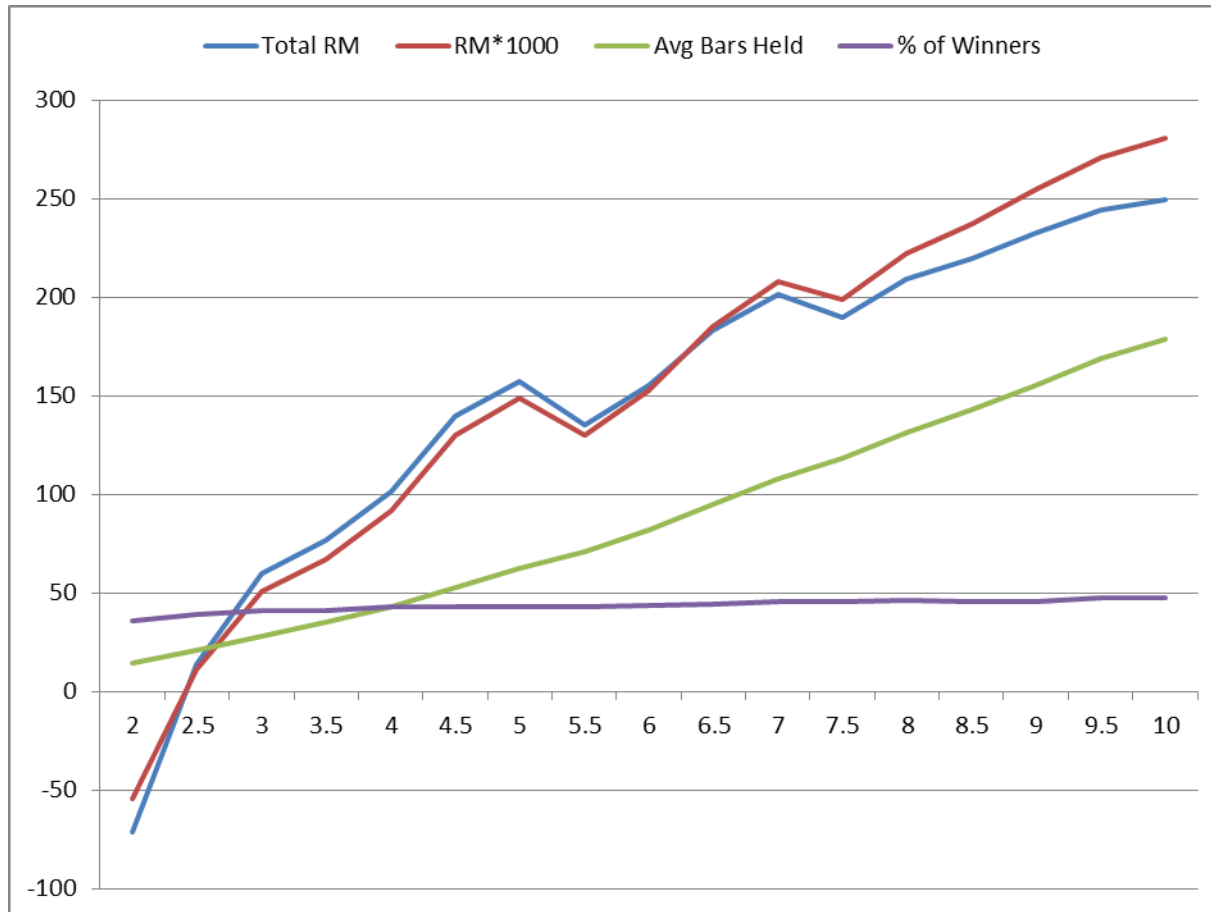


The Orange Belt Trader



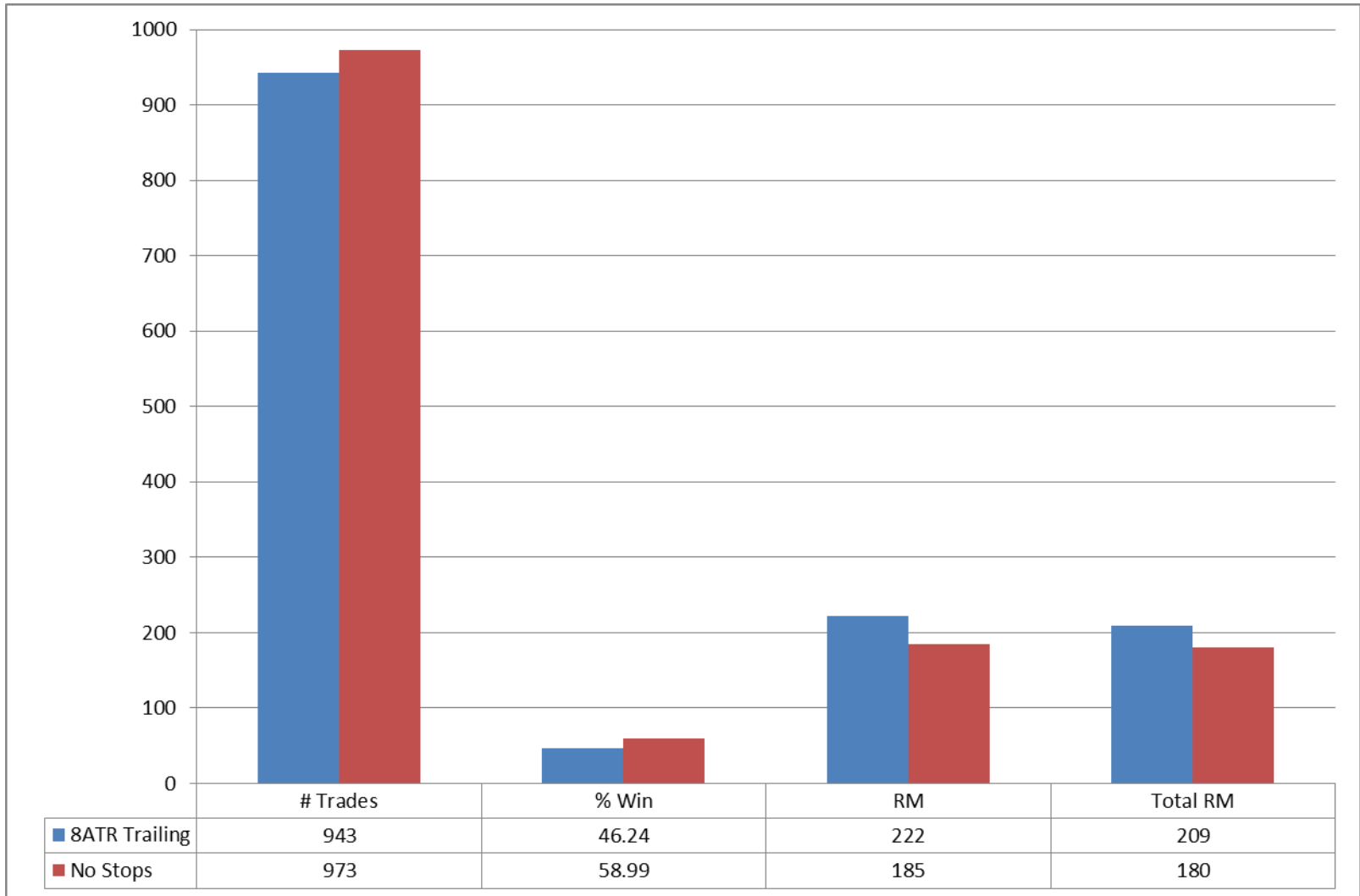
Trailing ATR Stop

The Ugly Results



**My first thought and probably yours.
The numbers are WRONG!**

Comparison

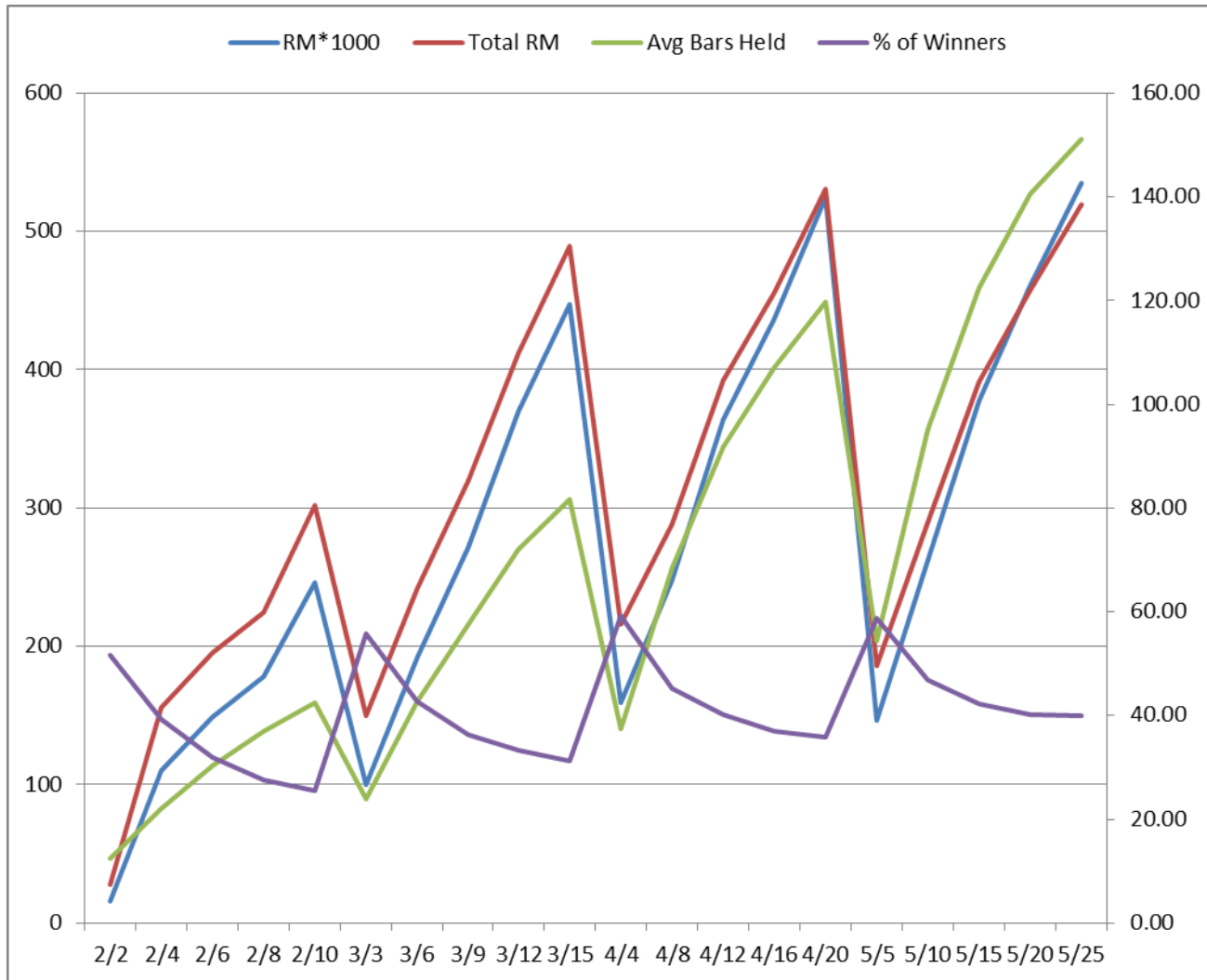


The Green Belt Trader

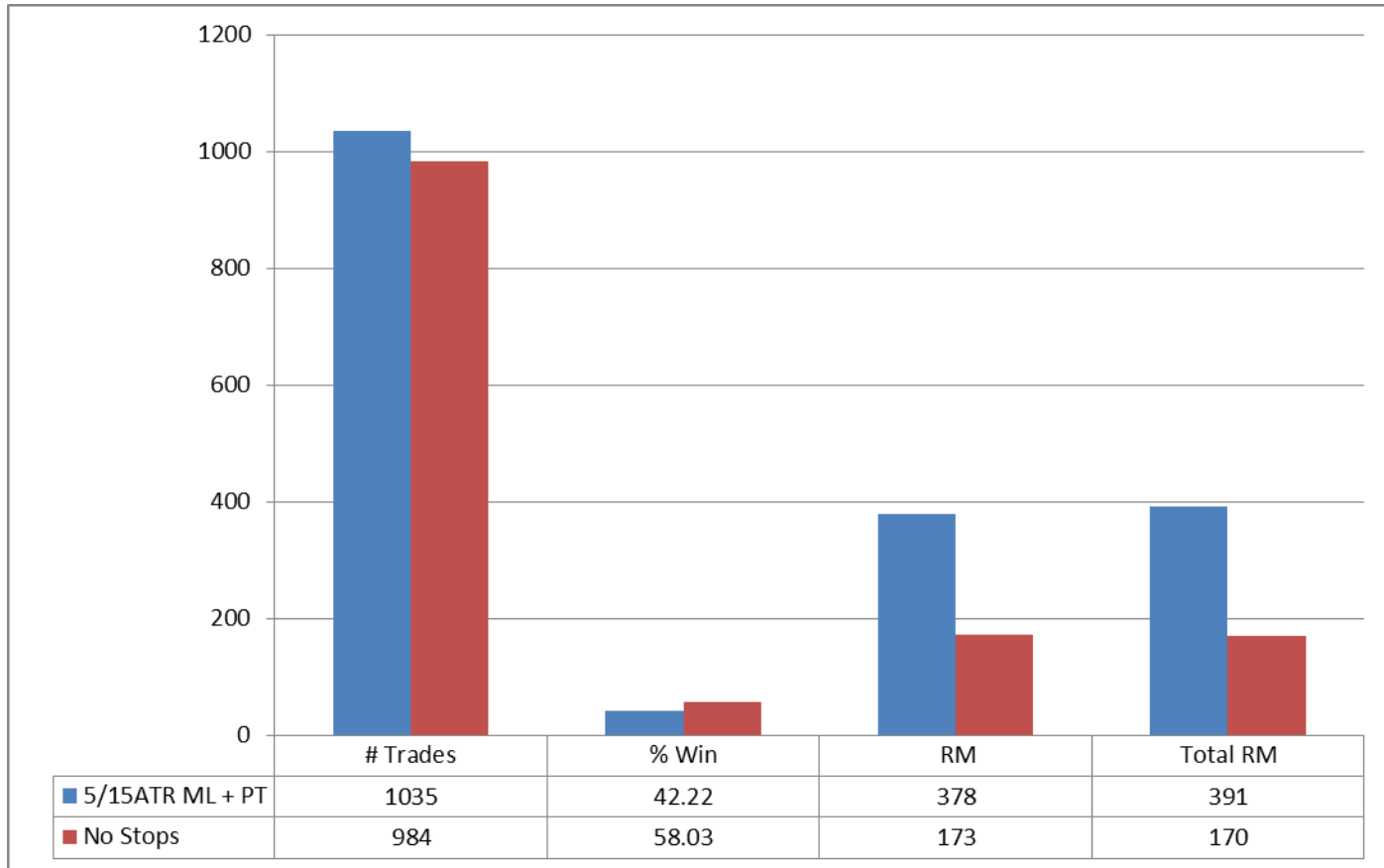


Max Loss ATR & Profit Target ATR

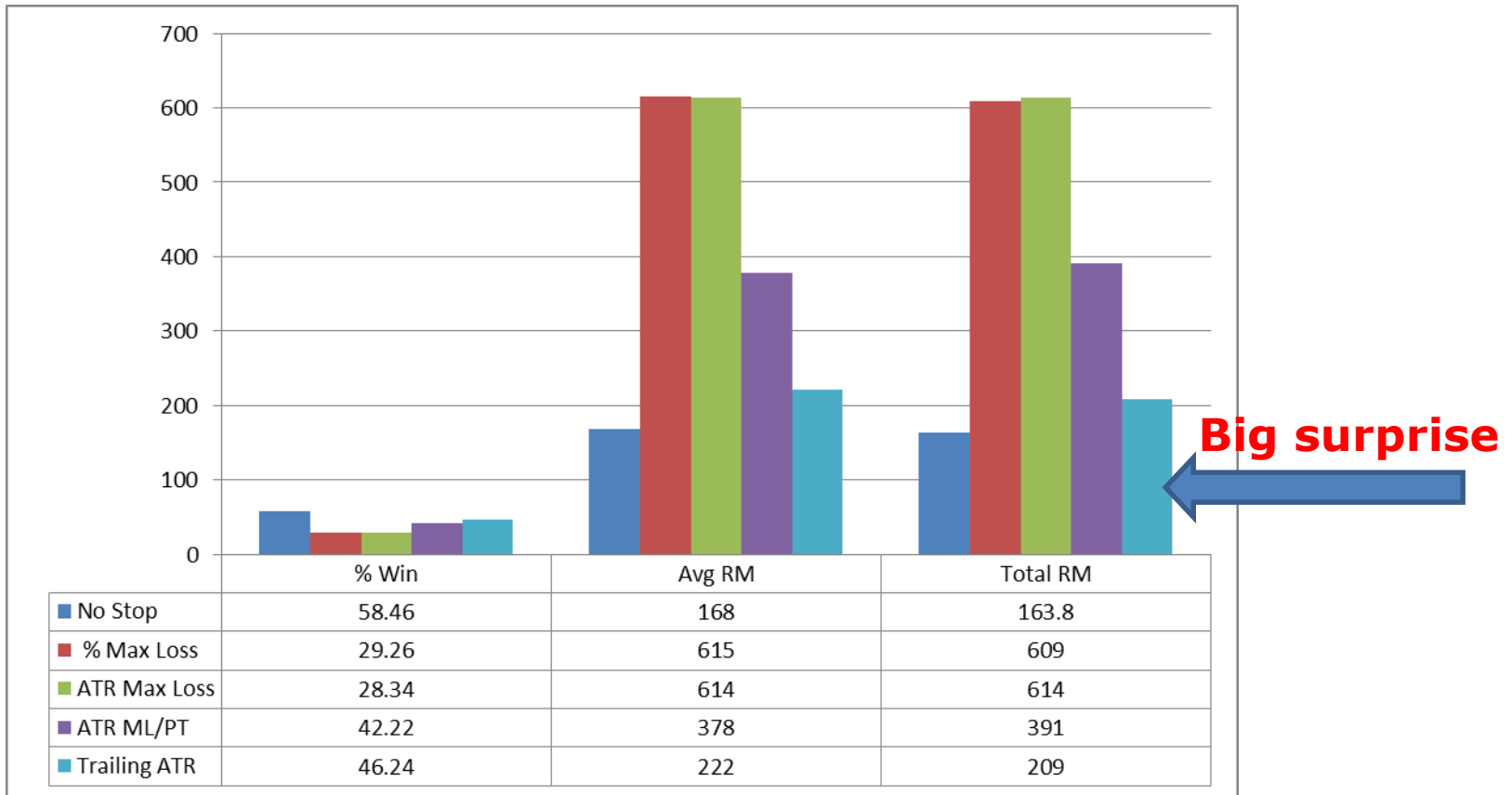
Results



Comparison



Summary

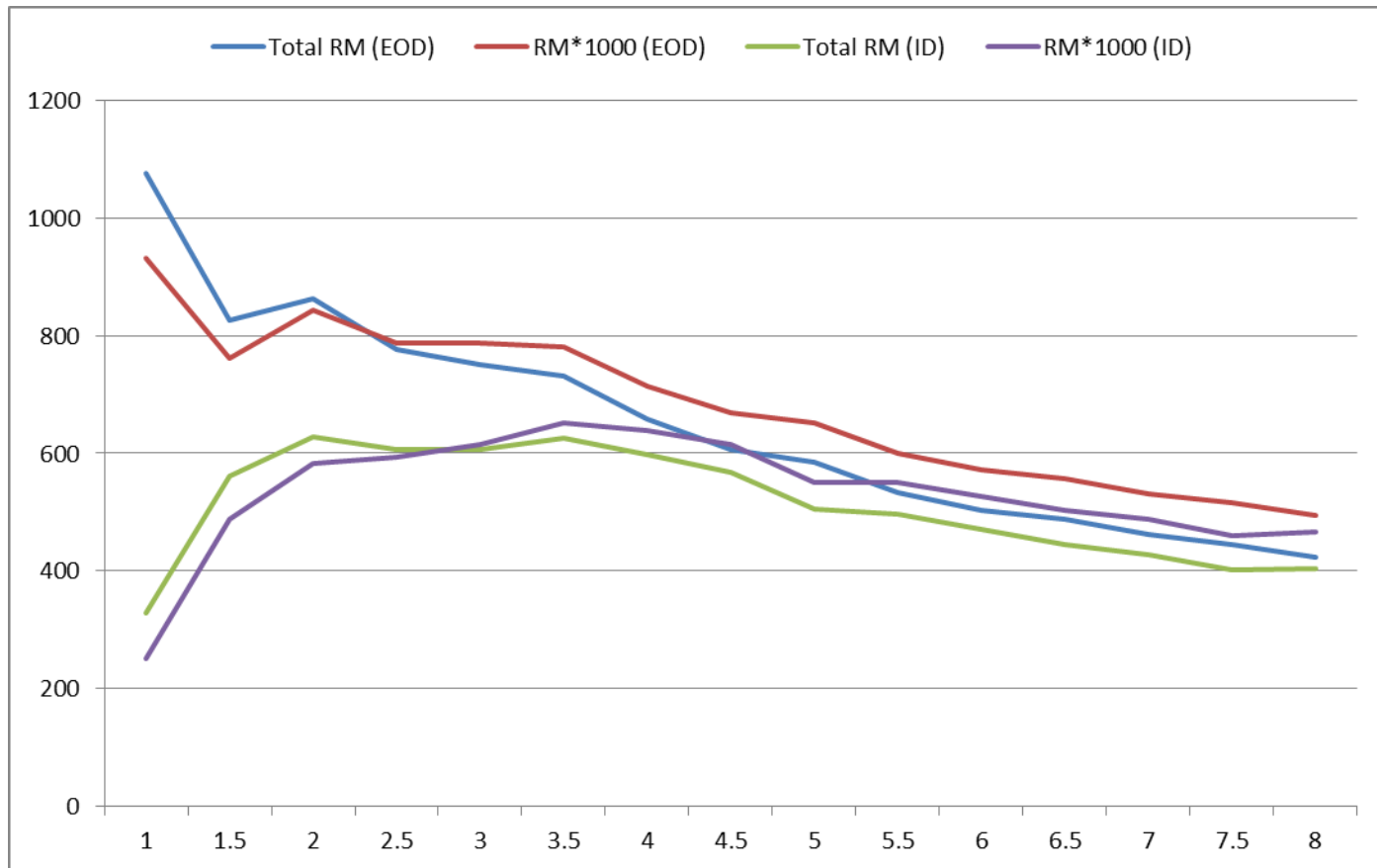


The (Still) Green Belt Trader



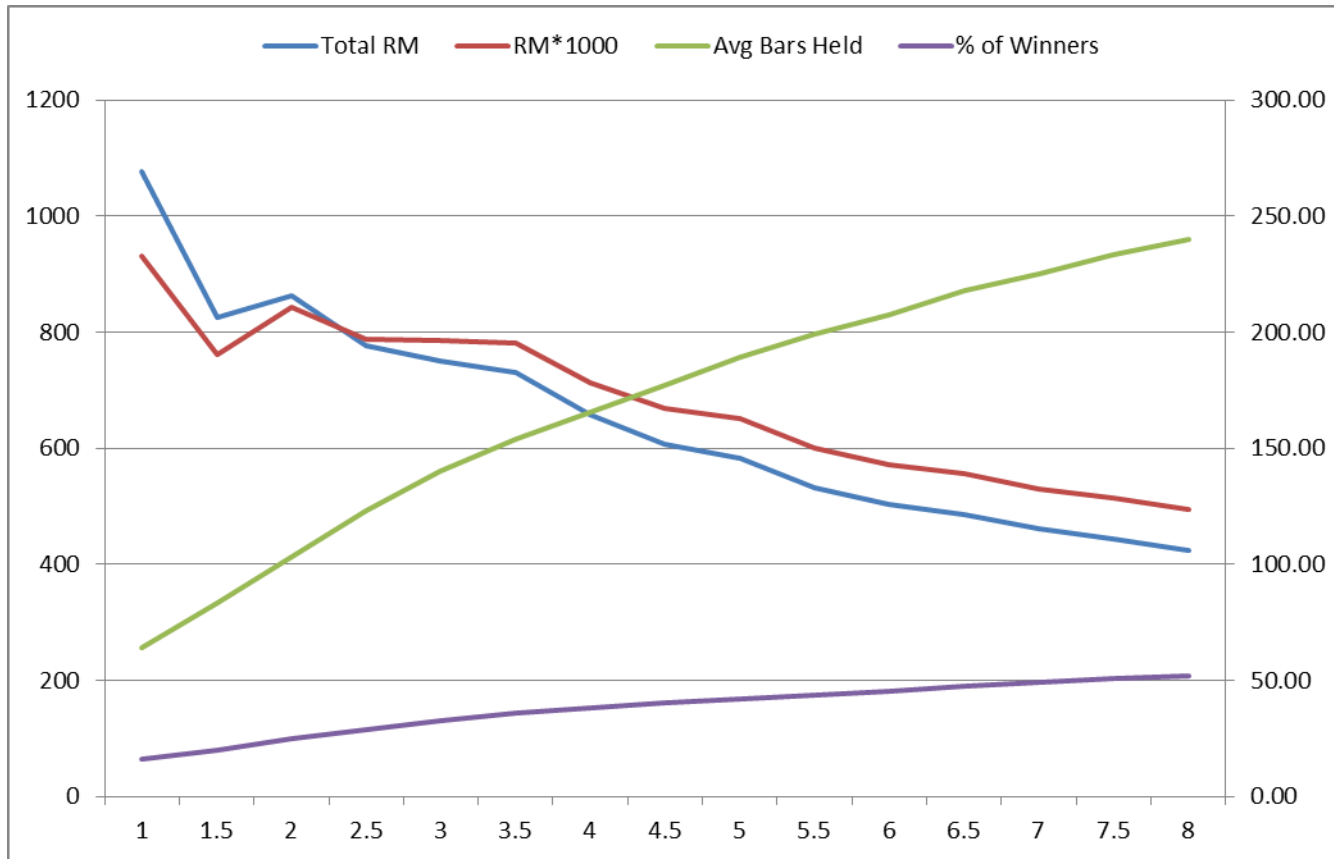
Max Loss ATR End Of Day

The Good Results

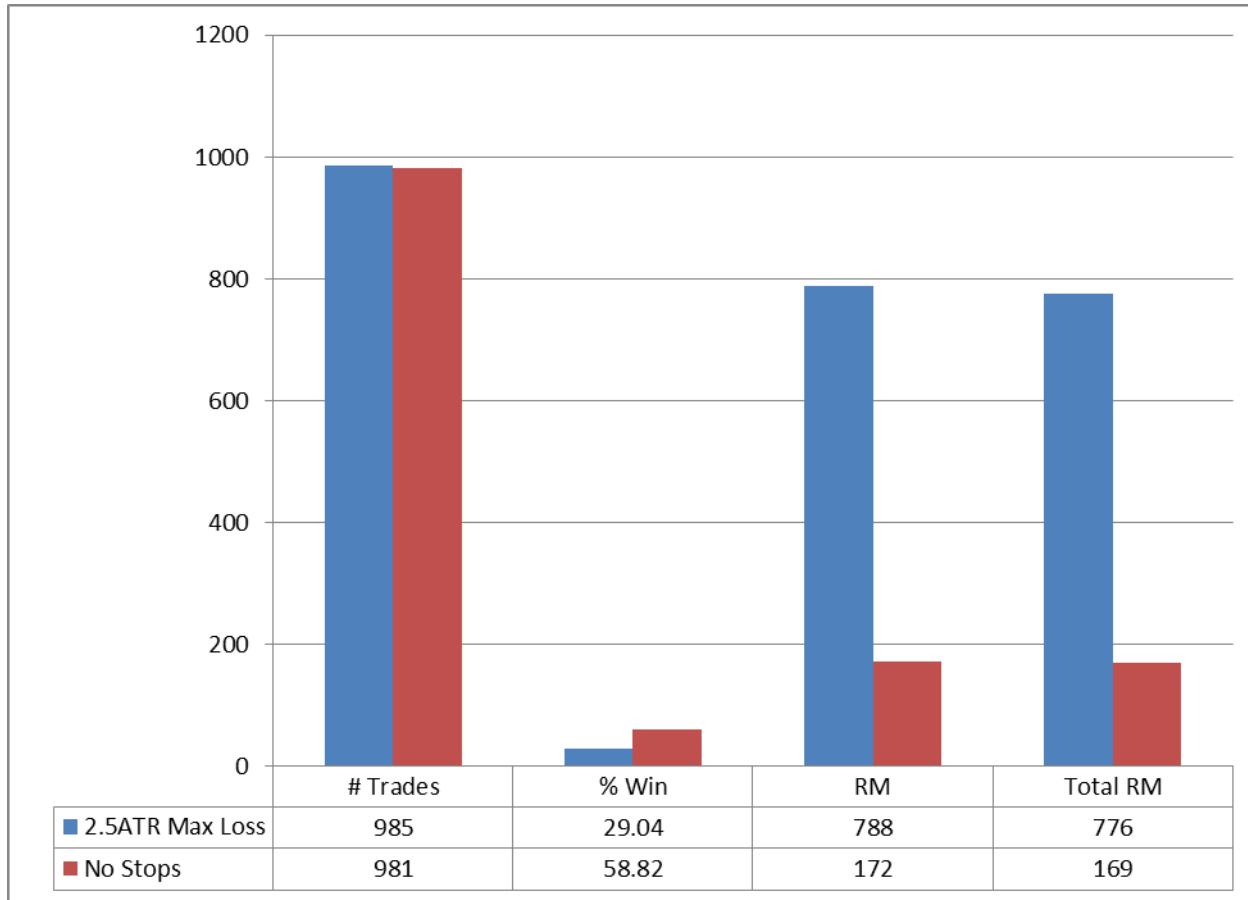


WOW!

Results



Comparison

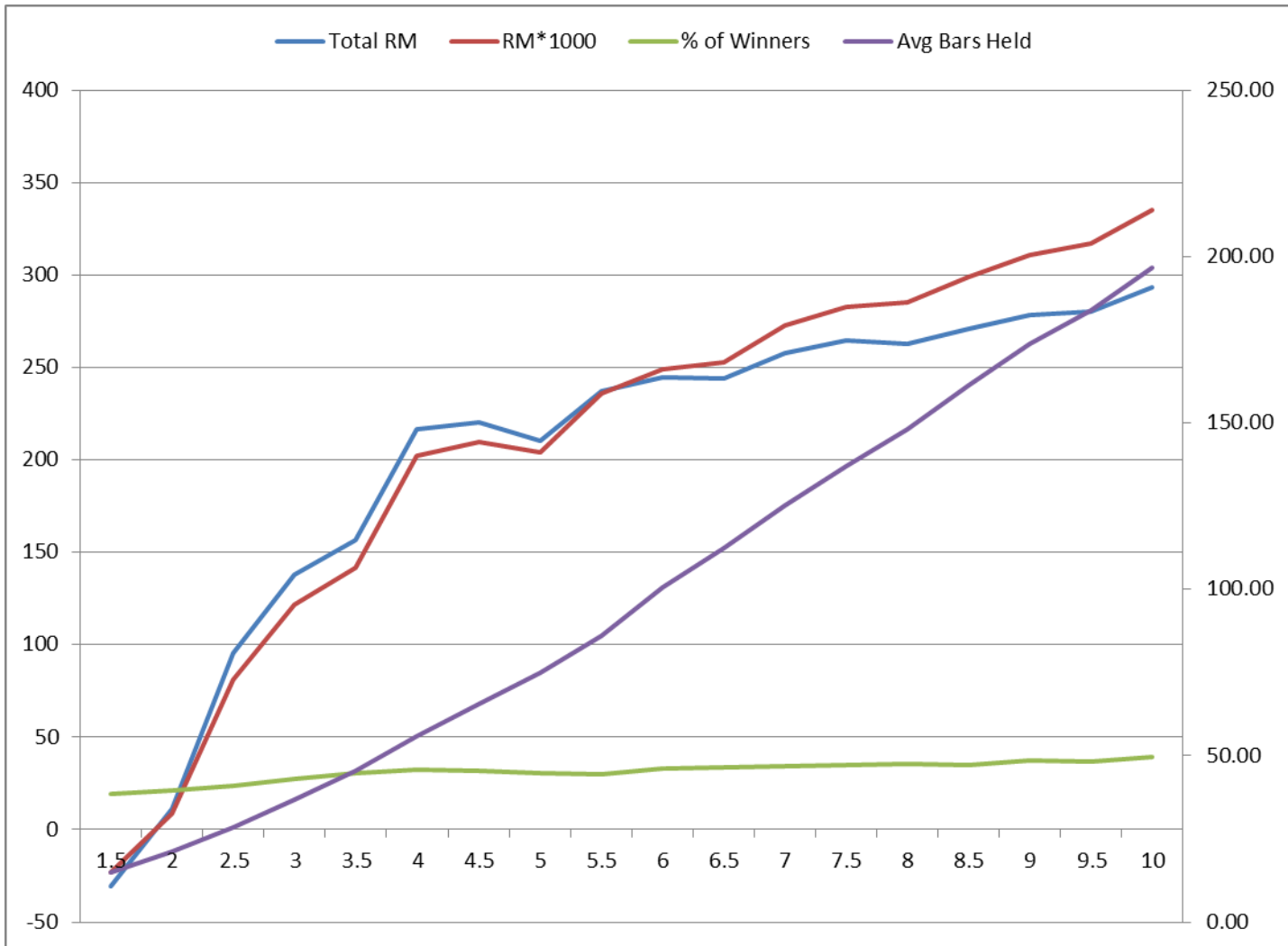


The Blue Belt Trader

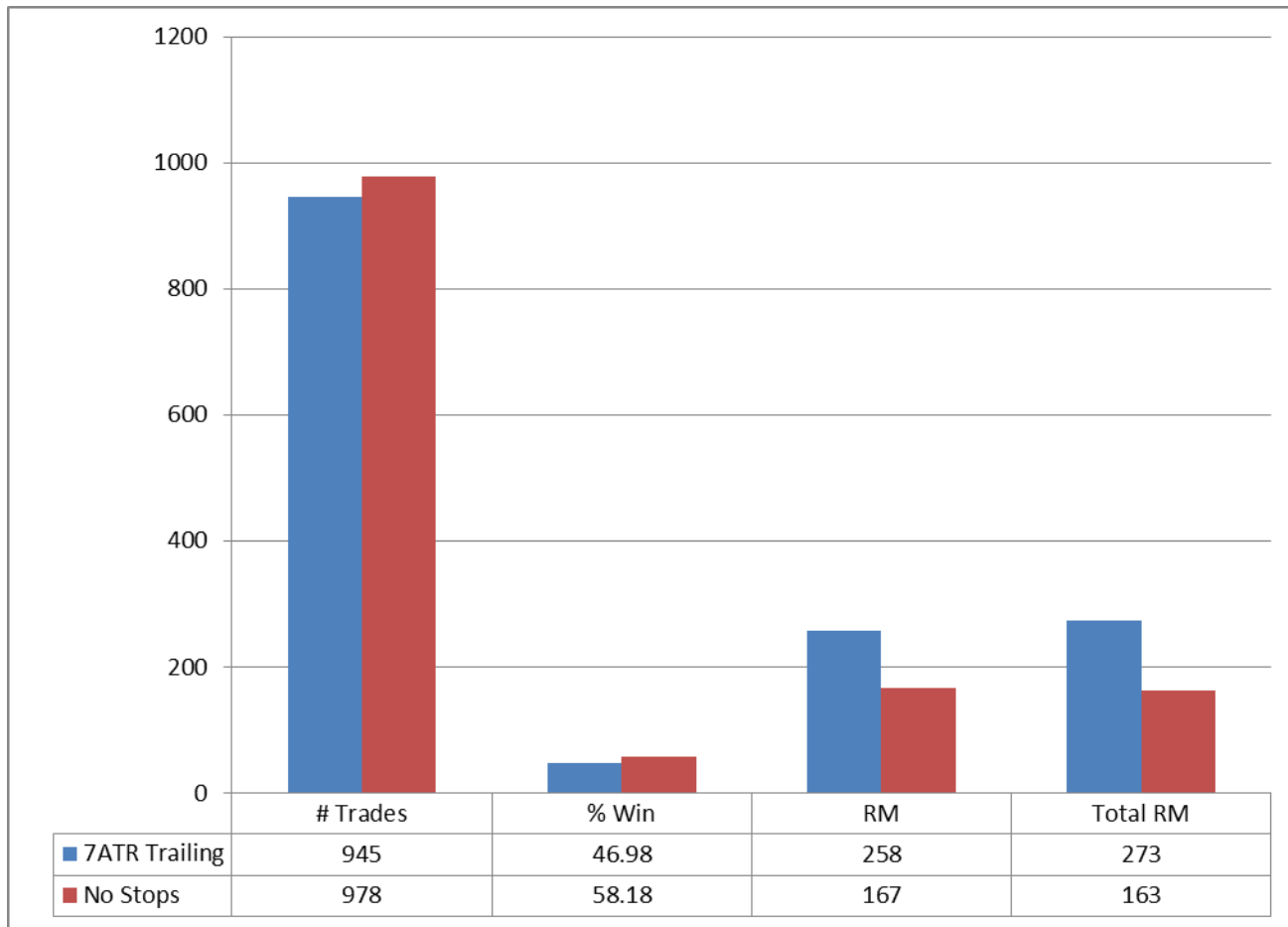


Trailing ATR End Of Day

The Bad Results



Comparison

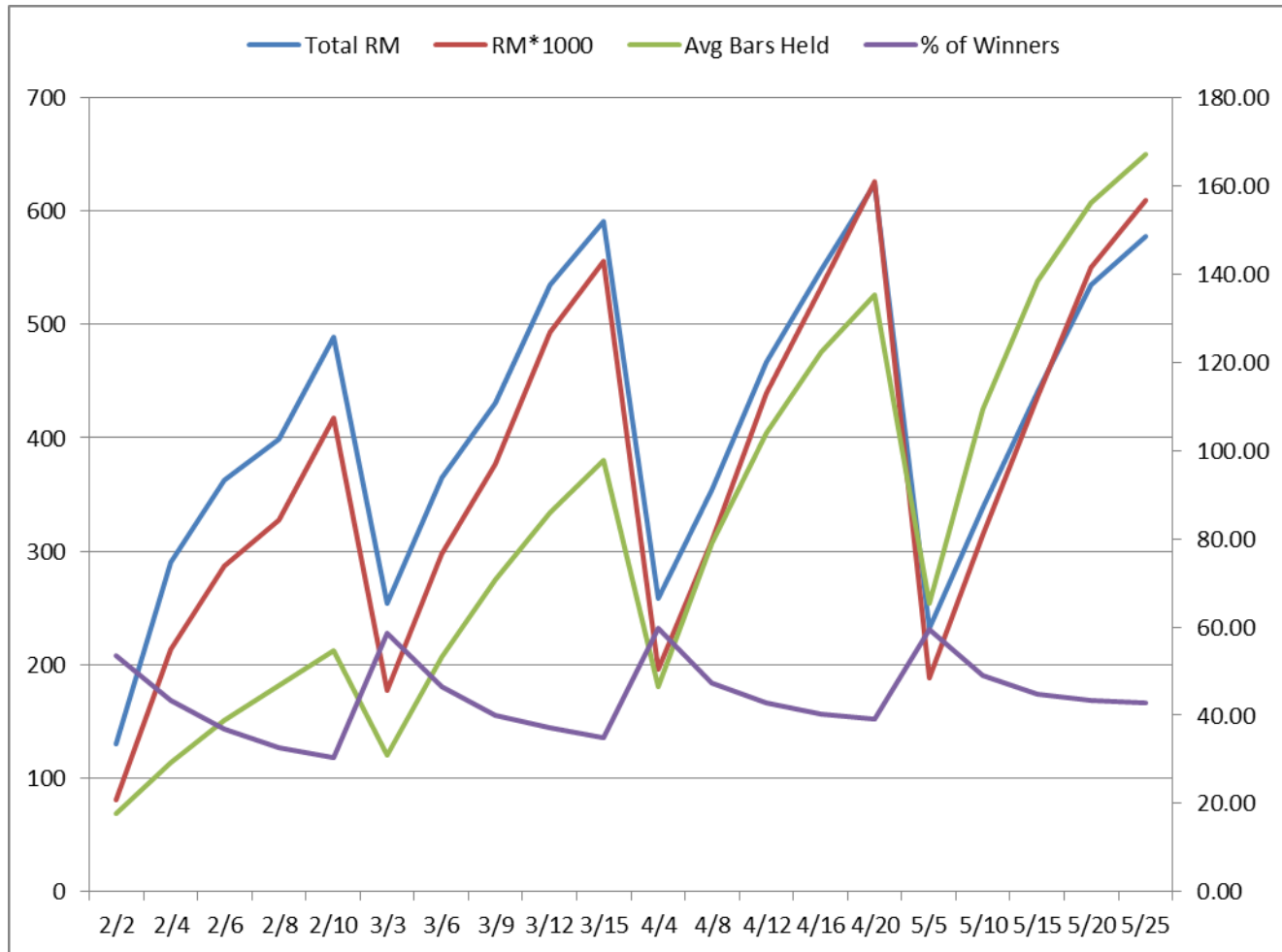


The Purple Belt Trader

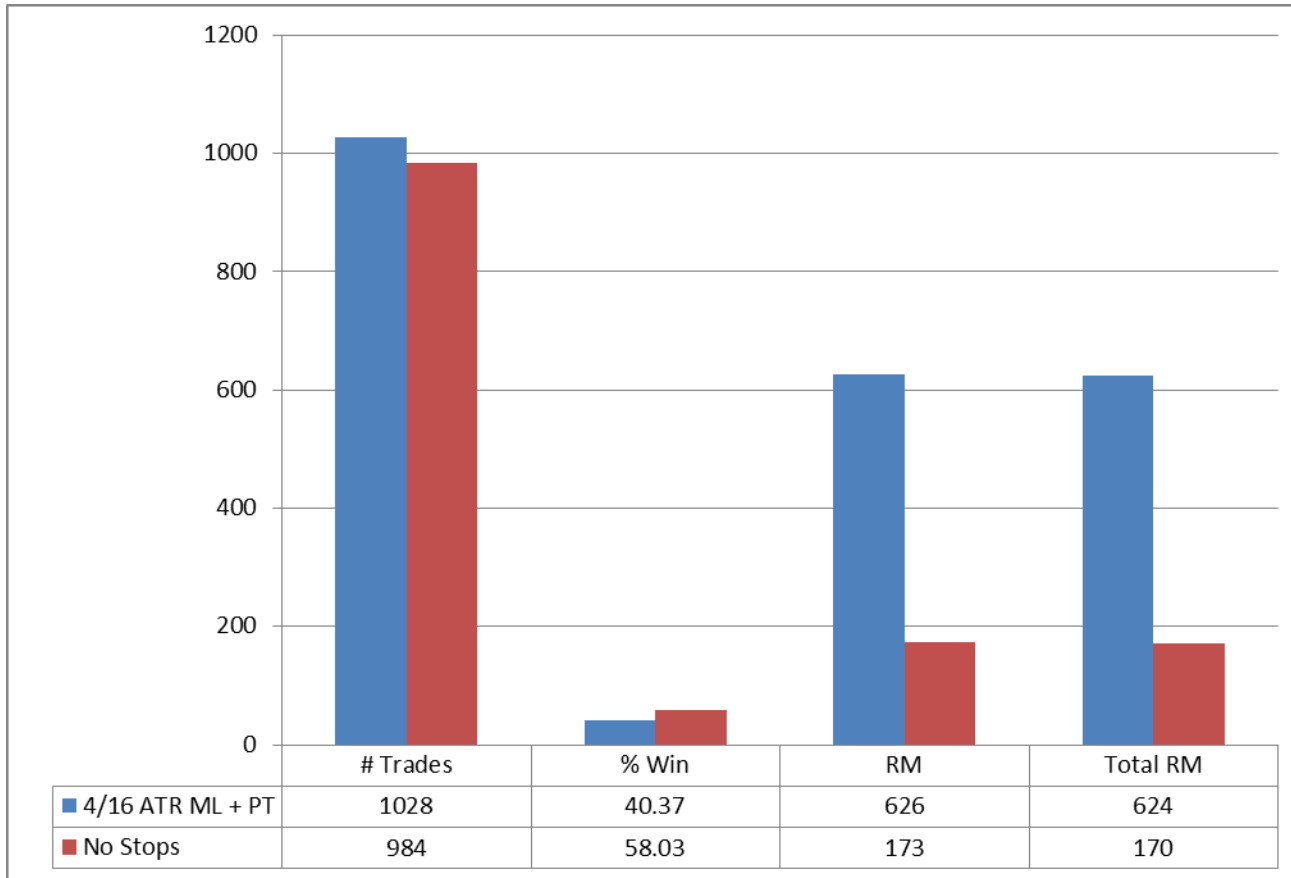


Max Loss ATR & Profit Target ATR
End Of Day

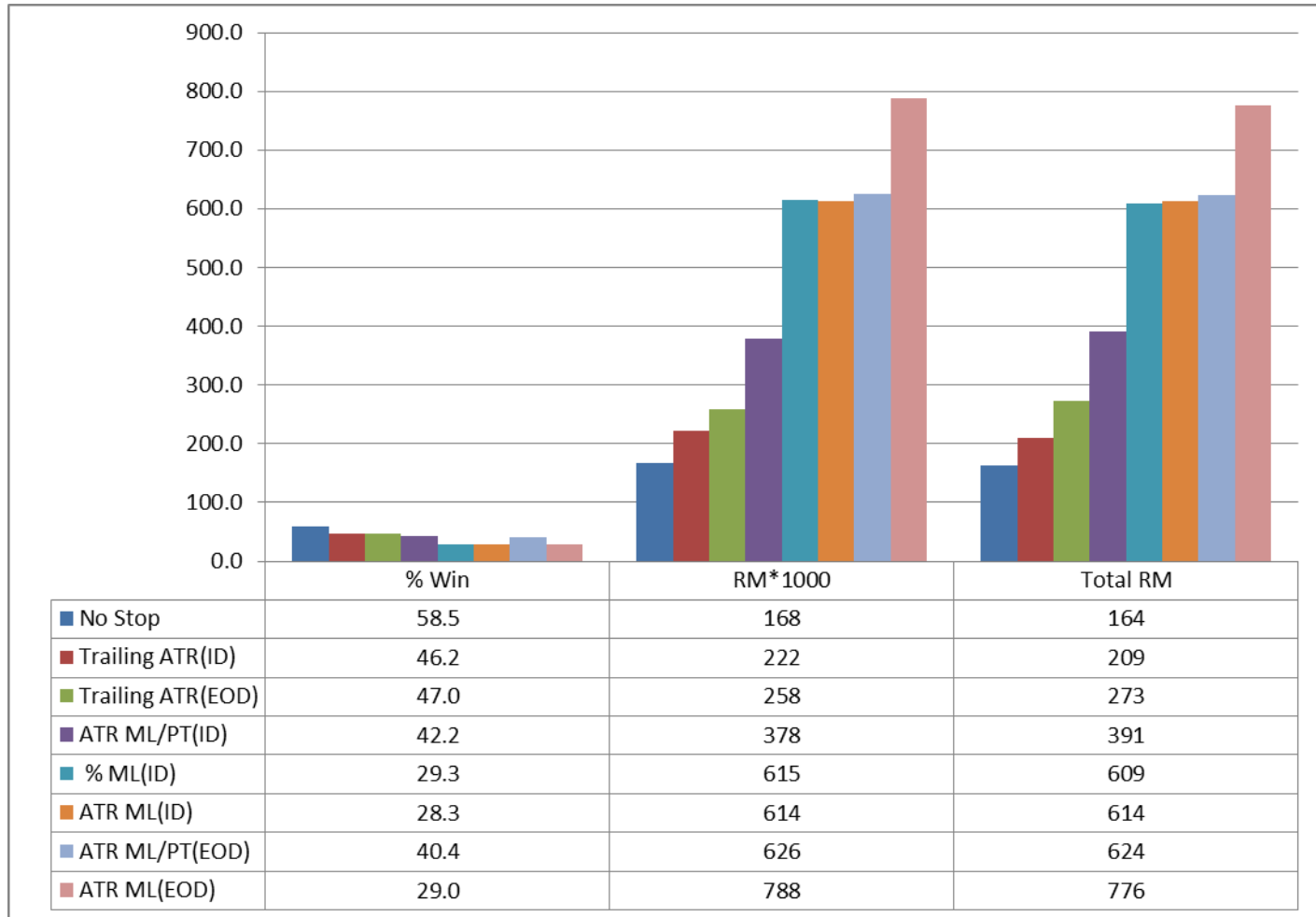
Results



Comparison



Summary



Final Thoughts

- Know what your important stats are
- Results are not always what you expect
- What works or does not work here may be different on another strategy

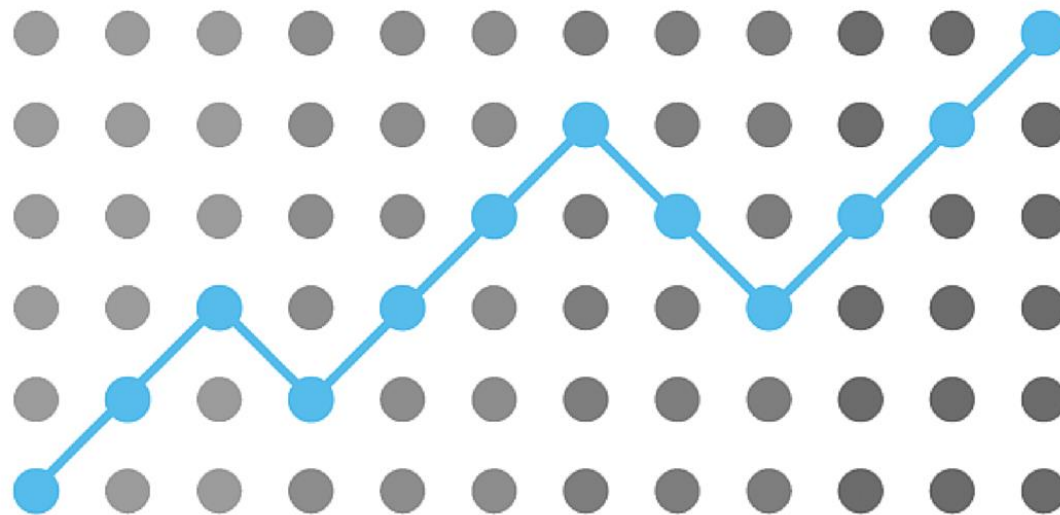
Test Everything!

Thank You!

A handwritten signature in black ink, appearing to read "Cesar", with a long horizontal stroke extending to the right.

AlvarezQuantTrading.com

BetterSystemTrader.com



BETTER

system trader

Hosted by Andrew Swanscott