

NeuroShell Trader

The price pattern position formula described by Massimiliano Scorpio can be easily implemented in the NeuroShell Trader by combining a few of the NeuroShell Trader's over 800 indicators. To implement the price pattern position formula, select '**New Indicator ...**' from the '**Insert**' menu and use the Indicator Wizard to create the following indicators:

```
value1:    Lag( High, 1 )
value2:    Lag( Low, 1 )
value3:    Avg2( value1, value2 )
value4:    Add2( value1, Lag( AvgTrueRange( High, Low, Close, 10 ), 1 ) )
value5:    Subtract( value2, Lag( AvgTrueRange ( High, Low, Close, 10 ), 1 ) )

msPattPos: IfThenElseIfThen ( A<B(Element, value5), 0, A<B(Element, value2), 1,
    IfThenElseIfThen ( A<B(Element, value3), 2, A<B(Element, value1), 3,
    IfThenElse ( A<B(Element, value4), 4, 5 ) ) )
```

The author suggests combining individual digits to create price patterns and that "the next step is to build, for any time frame, your own database of recurring and the more profitable patterns". However, this is exactly the pattern recognition task for which the NeuroShell Trader was designed and at which it excels. Using the NeuroShell Trader or one of its numerous add-ons, you can utilize neural network, clustering, fuzzy logic and regression techniques to perform advanced price pattern analysis in ways that far exceed the capabilities of simply stringing digits together to match past price patterns.

To create a two bar price pattern recognition trading system that utilizes neural networks, select '**New Prediction ...**' from the '**Insert**' menu and enter the following inputs in the appropriate location of the Prediction Wizard:

```
msPattPos ( Open )
msPattPos ( High )
msPattPos ( Low )
msPattPos ( Close )
Lag ( msPattPos ( Open ), 1 )
Lag ( msPattPos ( High ), 1 )
Lag ( msPattPos ( Low ), 1 )
Lag ( msPattPos ( Close ), 1 )
```

After training the prediction, use the '**Prediction Analysis ...**' button to view the backtest and trade-by-trade statistics for the price pattern recognition trading system.

Marge Sherald, Ward Systems Group, Inc
301 662 7950, E-mail sales@wardsystems.com
<http://www.neuroshell.com>

Figure A: Yearly returns of a NeuroShell price pattern recognition trading system

