

NeuroShell Trader

The Regression Divergence Indicator described in Markos Katsanos' article "Trading The Nikkei" can be easily implemented in NeuroShell Trader. To create the Regression Divergence indicator, select '**New Indicator ...**' from the '**Insert**' menu, use the Indicator Wizard to create the following indicators and select '**Other Instrument Data**' to choose the other security (in this case FXY).

```
RS1:      %Change( Close, 3 )
RS2:      %Change( FXY Close, 3 )
DIV2:     Sub ( Add2( Mult2( LinXYReg Slope ( RS2, RS1, 50 ), RS2 ),
LinXYReg Y Intercept( RS2, RS1, 50 ) ), RS1 )
REGDIV:   Mul2( Divide( Avg( Sub( DIV2, Min(DIV2,50)),2), Add2( Avg (
Range(Div2,50),2),0.01)),100)
```

To create the Divergence System, select '**New Trading Strategy ...**' from the '**Insert**' menu and enter the following in the appropriate locations of the Trading Strategy Wizard:

```
BUY LONG CONDITIONS: [All of which must be true]
A>B ( Lag( REGDIV, 1 ), 75 )
A<B ( Momentum( REGDIV, 1), 0 )
A>B ( REGDIV, 25 )
A<B ( LinXYReg Correlation( SPY close, close, 50), 0.8 )
Or2( A>=B ( Momentum( LinRegSlope ( Close, 25 ), 1 ), 0 ), A>B( Close, Avg(Close,25 ) )
```

```
LONG STOP PRICES:
EntryPrice%(Trading Strategy,1.5)
IfThenElse(BarsSinceAct>=X(Trading Strategy,7),TrailPrice%(Trading Strategy,1.5),*)
```

```
SELL LONG CONDITIONS:
BarsSinceFill>=X(Trading Strategy,11)
```

```
SELL SHORT CONDITIONS: [All of which must be true]
A<B ( Lag( REGDIV, 1 ), 25 )
A>B ( Momentum ( REGDIV, 1), 0 )
A<B ( REGDIV, 75 )
A<B ( LinXYReg Correlation( SPY close, close, 50), 0.8 )
Or2( A<=B ( Momentum( LinRegSlope ( Close, 25 ), 1 ), 0 ), A<B( Close, Avg(Close,25 ) )
```

```
SHORT STOP PRICES:
EntryPrice%(Trading Strategy,1.5)
IfThenElse(BarsSinceAct>=X(Trading Strategy,7),TrailPrice%(Trading Strategy,1.5),*)
```

```
COVER SHORT CONDITIONS:
BarsSinceFill>=X(Trading Strategy,11)
```

If you have the NeuroShell Trader Professional, you can also choose whether or not the parameters should be optimized. After back testing the trading strategy, use the 'Detailed Analysis ...' button to view the back test and trade by trade statistics for the strategy.

Users of NeuroShell Trader can go to the STOCKS & COMMODITIES section of the NeuroShell Trader free technical support Website to download a copy of any of the traders' tips.

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

Figure 1: A NeuroShell Trader Chart showing the Regression Divergence indicator and trading system.