

Publishers of:

TECHNICAL
ANALYSIS OF STOCKS &
COMMODITIES

Working Money[™]

Traders.com[™]
ADVANTAGE

AUTHOR GUIDELINES

This is to acquaint you, as an author or prospective author for our publications, with our needs and requirements. There are few hard and fast rules, and acceptance of a manuscript or program is not necessarily contingent on strict compliance with the guidelines set forth herein.

STYLE AND SUBMISSION REQUIREMENTS

We are not hypercritical of writing style, but accuracy is the keyword. Grammatical corrections will be made by the editorial staff. However, the completeness and accuracy of submitted material is extremely important.

We particularly expect documented features of trading systems to be positively confirmed. Computer programs must be thoroughly debugged and tested. Technical Analysis, Inc., attempts to verify each program submitted, but there are many times when this is prevented by system configurations. Problems arising after publication will be directed to the author.

Articles, like computer programs, should be modular in form. Each paragraph should cover a single, well-defined topic. The flow of logic should be easy to follow. If it is not easy for a novice to understand, then rewrite your article/paragraph/sentence so that it will be. This does not preclude articles on complicated topics but keep in mind that many of our readers are new to the field and need detailed explanation.

All material — text and graphics — should be submitted by E-mail. If submitting your article electronically is not possible, then the article should be typewritten and double-spaced on disk. Articles should be 2,000 words or less. Graphics should be captured as BMP or TIF files and sent as attachments to our e-mail. DO NOT embed them in a word-processing document. Word and WordPerfect files are easiest to use.

You must include graphs or other illustrative graphics to clarify articles. (A list of acceptable computer file types is available. We recommend 16-color .bmp, .pcx or .TIF file formats for graphics. For article text, we prefer .DOC files.) If not submitted electronically, send two copies of all graphs: one clean original and one copy marked with appropriate notes and labels. The graphs should be large enough to be read clearly when reduced to half their original size. All charts, graphs, tables, illustrations, and computer listings should have complete and descriptive captions. Do not send originals, if at all possible. If you are sending originals, keep copies for yourself.

Please include biographical data for publication. One paragraph explaining your background is adequate. If requested, Technical Analysis, Inc., will not publish an author's address or phone number.

COPYRIGHTS

Every author must complete and return a Technical Analysis, Inc., copyright form included with this guideline with the following information: Author's name, address, telephone number and Social Security Number filled out (SSN). This copyright form, signed and filled out, must be returned with the required hard copy. Your material must be an original work that has not been previously published and is not currently under consideration by any other publication.

Upon acceptance, Technical Analysis, Inc., acquires full copyright to the material, unless otherwise agreed to in writing. Certain

rights to reuse the material are given to the author, so long as proper copyright notice in the name of Technical Analysis, Inc., is given.

ACKNOWLEDGMENT AND PUBLICATION

We try to acknowledge all material received within two to three weeks of receipt. Acceptance is determined later by the editorial staff of the publication to which you submit your material.

If the article is declined, we will notify you. Acceptance for possible future publication is not a firm guarantee to publish and should be interpreted to mean that the material will be given additional review. All material that meets minimum acceptance requirements falls into this category. The author will be notified later as to the disposition of this material and whether additional work will be required by the author.

When an author has been advised that material will be published in a specific issue of a Technical Analysis, Inc., publication, this is *still* not the final word. The intricacies of publishing often require that material be pulled from or added to a given issue at any time up to press time. This is dictated by such things as last-minute changes in advertising or new feature material that must be included because of its timely nature. To the best of our ability we will keep an author advised, which, on occasion, means an author may receive several subsequent notices of publication.

OTHER PUBLICATIONS/PRODUCTS

Computer programs, demos, simple study utilities, and other programs may be included in our series of software products for investors. No cash payments are made for these, since they are considered as subscriber contributions for the benefit of all.

IF AT FIRST YOU DON'T SUCCEED...

Don't get rejectionitis. If your story or program is rejected, it may be for any number of different reasons.

If your material has publishing potential but we feel it needs more work, or if the programming can be improved, we will let you know. Bear in mind that not all Technical Analysis, Inc., authors are professional writers who are accustomed to rejection slips, so we ask that you not be discouraged if your material is rejected, but to consider us again in the future.

CONTENT AND TOPIC

For all of our publications, we are looking for items with wide audience appeal.

First consideration for publication will be given to material, regardless of topic, that presents the subject in terms that are easily understood by the novice trader. One of our prime considerations is to instruct, and we must do so in a manner that the lay person can comprehend. This by no means bars material of a complex nature, but the author must first establish the groundwork.

Technical Analysis, Inc.

SPECIFIC PUBLICATIONS

Technical Analysis of STOCKS & COMMODITIES, The Traders' Magazine™

Computer trading utilities, charting methods, and how-to tutorials are in highest demand, but anything of interest to most investors is also appropriate for submission.

An article or trading example that takes the time to develop the whys as well as the hows will carry more weight in the selection process. For instance, an article that explains how the reader can use a moving average might merit publication, but an article that first explained the purpose and function of a moving average would be given preference.

THEME BLOCKS

We have an editorial calendar with general areas that we attempt to cover in each issue. These include, but are not limited to:

Classic Techniques: Definitive explanations of technical charting techniques or numerical methods.

Trading Techniques: Here, we are looking for information that isn't normally covered in introductory articles and generally is only picked up through experience. Market quirks, floor smarts, and rules of thumb are especially handy. Sometimes this is integrated with new technical analysis techniques, but usually these "tricks of the trade" aren't quantifiable. They are everyday ways of surviving in order to prosper.

New Techniques: Here, we are looking for new ways to look at the markets or modifications to traditional techniques. Although many techniques tend to be computerized, this is not a necessity. Articles away from the beaten path are attention-getters. Spreading and hedging are particular favorites. Charting or computer programs to help the trader study or interpret market movements *do* enhance the value of the article.

Basic Techniques: There's always a need to explain the basics, and a learn-by-example approach is best. Describe the use of a trading system or computer program to augment user application and analysis.

Reviews: New software, hardware, or online products on the market that can make the trader's life easier; comparative reviews of books, articles, etc. We can supply the raw material if you let us know your availability and interests. If you are a proven author and want to review software, let us know what computer setup you have.

Statistics: How should traders use statistics productively? The best articles here are those describing quick-but-not-too-dirty ways of employing statistics when trading. Articles describing when and/or how to use statistical techniques are also welcome.

Artificial Intelligence: Includes neural networks, expert system, and hybrids and their applications to trading and technical analysis.

Real World: Describe how to use chart work and technical analysis in day-to-day trading of stocks or commodities. A blow-by-blow account of how a trade was made, including

the trader's thought processes, is always well-received by our subscribers. Surveys, statistics, or information accumulated from actual data also go under this theme block, the idea being to describe the trading arena as accurately as possible.

Trading Psychology: Trading is a mental and emotional exercise, and articles in this theme block describe how traders can put themselves in the best frame of mind for trading, point out how to avoid common emotional traps, or describe the intuitive, personal aspects of being a trader who must deal with failures as well as successes.

Technical vs. Fundamental: This theme block is where we explore techniques, strategies, concepts, and systems beyond the traditional technical approach. Is technical analysis bunk? Here's the place to describe why. Can you explain a wholly different, yet profitable approach to trading that encompasses anything from astrology to econometrics? This is the theme block where you can show how to mix trading methods or describe new trading approaches that show promise or are paying off already.

Working Money, The Investors' Magazine™

Readers of *Working Money* are looking for articles that give them solid, how-to information about investing their hard-earned money. Financial planning strategies, how to choose mutual funds and other investment instruments, and how-to tutorials are in highest demand, but anything of interest to most investors is also appropriate for submission. Charts are especially useful for conveying information succinctly and explaining, when necessary, the movement of the markets, the growth of investments, and comparisons, and are strongly encouraged.

An article or investing example that takes the time to develop the whys as well as the hows will carry more weight in the selection process. For instance, an article that demonstrates dollar-average investing might merit publication, but an article that first explained the purpose and function of dollar-average investing would be given preference.

THEME BLOCKS

We have an editorial calendar with general areas that we attempt to cover in each issue. These include, but are not limited to:

Cover Story: This should be significant, high-priority, and compelling. It will highlight the most important investment-related issue of the month.

Mutual Funds: Few investment opportunities provide the average investor with the chance to grow with the economy like mutual funds. All aspects of mutual funds — how to acquire them, how to read a prospectus, how to compare fees, how to select the fund that's right for an individual, different types of funds — are perfect for *Working Money*.

Financial Planning: *Working Money* readers have begun to earn money, but they haven't necessarily learned how to plan what to do with it. They need your expertise and clear explanations of what they need to do to chart their financial course. Articles to help them assess their current financial position, determine their goals, and develop a coordinated plan of action should include recommendations, illustrations, and specific items.

Money Management: Articles about money management should incorporate concepts that are basic to successful investing. *Working Money* readers want to better understand what money can do. Your article will show them how to quantify its value, understand the risks involved in various investments, and ultimately, understand the implications of every financial move. Articles may be about a single aspect of money management (such as 401K investments, IRAs, or compound interest) or take a macro view (by discussing general money management strategies).

Investing: *Working Money* readers need to know about the nuts and bolts of putting their money to work. How does an investor work with a stockbroker? What market behaviors are important to know? How does one choose a particular investment? Here is where your knowledge of the day-to-day properties of investing will serve *Working Money* readers well.

Market Commentary: Anyone who has money is especially interested in what makes markets move. Your expert opinion... or your take on other experts... will help *Working Money* readers make good investment decisions.

Rewards: One of the best things about acquiring money is using it. Articles about how wise investors have chosen to reward themselves provide both human interest and incentive for the reader.

Traders.com Advantage™

Charting methods and interpretation in a how-to tutorial environment are in highest demand, but anything of interest to most traders and technical analysts is also appropriate for submission. In addition, the timely nature of the World Wide Web permits us to accept articles that would otherwise quickly stale on the printed page.

An article that explains how the user can use a moving average might merit publication, but an article that first explained the purpose and function of a moving average would be given preference.

HOT TOPICS

We have found that certain topics are of greatest interest to subscribers to Traders.com Advantage™. These include:

- RSI and relative strength
- ADXR
- Fibonacci ratios and charts
- MACD and moving averages
- Volume trends and analysis
- Gann charting
- Retracement
- Futures
- Trading systems
- Wedge formations
- Rate of change
- Stochastics
- Triangles
- Double tops
- Flags and pennants.

The keys to a successful article for Traders.com Advantage are timeliness, brevity, and educational value.

PAYMENT

Payment is made upon publication. Payment for articles is based on a flat rate per published page exclusive of advertising space, but including supplied art, tables, programs, etc. Art payment is assumed to be based on our normal reduced publication size. Whether it is actually reduced depends on final magazine layout.

We do not pay for letters published in the "Letters to STOCKS & COMMODITIES" or "Letters to Working Money" columns, nor for tips published in our Traders' Tips column in S&C.

Payment is mailed along with a tearsheet or copy of the *Technical Analysis of STOCKS & COMMODITIES* or *Working Money* issue in which the article appears. Authors wishing additional copies of the issue in which their material appears may order them from the main office (currently \$3.50 per copy). Large quantity orders should be arranged prior to publication. Reprint rates are available for quantities of 100 or more.

Technical Analysis of STOCKS & COMMODITIES: The rate paid is \$3.00 per column inch (2-column format) or \$2.00 per column inch (3-column format), with a \$50 minimum. Cartoons, short programs, and special material running less than two-thirds of one page will be paid at a flat rate of \$25 upon publication.

A premium page rate, calculated at 120% of the base rate, is payable as follows:

- For articles designated as the "lead" article in each issue. Premium rates are not compoundable, i.e., if a Staff Writer happens to author the lead article that month, payment will be made at base rate plus the 20% premium.
- To "Staff Writers" who are designated by the editor and shall contribute a minimum of one story every two issues. A Staff Writer shall, in addition, have his or her name listed on the staff page. Technical Analysis, Inc., shall have first right of refusal of any material written for publication by an outside Staff Writer.

Working Money: The rate is a flat fee of \$180 per article upon publication. *Working Money* articles are expected to be three pages long (or approximately 13,000-15,000 characters), with accompanying graphs, charts, or figures when appropriate.

Traders.com Advantage: The rate is a \$50.00 flat fee per article upon publication. Traders.com Advantage articles are expected to be three paragraphs long, with one accompanying graph, chart, figure, or illustration.

THEME BLOCK

TRADING TECHNIQUES

Smart Stops

Setting stops is a fine art, whether you trade one contract or a thousand. The challenge in setting stops is to participate in long moves without getting shaken out of the trade by market volatility. A variable-index dynamic average (VIDYA) may be used to place trailing stops that adapt to market volatility, which combines enough sensitivity to price changes with flexibility to fit your trading needs. Using this combination may well provide an extremely profitable stop for the intermediate-term trader.

by Tushar S. Chande

Once a trade has been initiated, most traders will use the risk management technique of placing a stop order, which limits losses or captures profits. A stop order becomes a market order when trades occur at a predefined price, while a buy stop is placed above the current market price and a sell stop is placed below the current price. A trailing stop order will be adjusted by a trader as prices change, following the market up or down, while a fixed-stop order will stay put. A stop order may be good for the day or be an open order, which may be good until canceled. A trailing stop is simply a safety valve to protect your profits or limit your losses.

In practice, a trailing stop is a leaky safety valve. There is no assurance that your trade or fill will occur at or very close to the stop price. For example, the market may make a sharp move past your stop, thus triggering it. The first trade after your stop (which may not be your intended fill) may be well past the stop you

ordered in rapidly changing markets. Though imperfect, the trailing stop should give your trade some protection in most markets.

Some traders argue that a trailing stop, far from being bullet-proof, may be the fired bullet that kills a profitable trade by getting you out too soon. Skilled floor traders can sense where stops may be accumulating above or below the market; a favorite activity is apparently pushing the market around so as to set off stops, causing rapid price movement as the preset buy or sell orders burst forth into the trading pits. The underlying trend resumes a day or two later, leaving you in its wake. This is called *gunning* for stops. Traders can be found on both sides of this issue: some feel you cannot gun a liquid market, while others feel it happens routinely. Many big traders do not place actual stops, choosing instead to work with mental stops so as not to give away their plans. A mental stop requires great discipline to enforce. We mere mortals are better off placing the stop order with our brokers before trading begins.

SETTING STOPS

Your trading strategy should determine stop placement. As a short-term trader, you are looking for relatively small profits and would like to use tight stops, placed close to the market. As an intermediate- to long-term trend trader, you are looking for big market moves and would like to use loose stops placed far away from the current price to allow for random moves, giving the market room to breathe. There are no right stops or wrong stops. There are only stops you can live with.

Here are some examples of stop placement. As a short-term

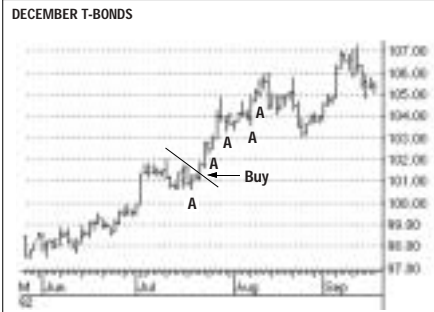


FIGURE 1: Trading short-term moves during a bull trend, stop-loss orders can be placed just a few ticks below the low of the last two to five trading days (A).

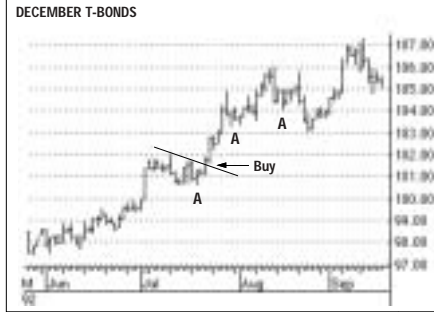


FIGURE 2: Trading intermediate-term moves during a bull trend requires taking more risk. A longer lookback period of 14 to 30 days can be used to place stop-loss orders (A).

COMPUTER LISTING OR SPREADSHEET EXAMPLE

| | A | B | C | D | E | F |
|----|----------|---------|---------|---------|-----------|---------|
| 1 | Date | High | Low | Close | 30 day | VIDYA |
| 2 | 02/08/14 | 105.031 | 104.375 | 104.812 | Standard | |
| 3 | 02/08/17 | 104.906 | 104.093 | 104.312 | Deviation | |
| 4 | 02/08/18 | 105.000 | 104.281 | 104.843 | | |
| 5 | 02/08/19 | 104.937 | 104.500 | 104.906 | | |
| 6 | 02/08/20 | 105.125 | 104.750 | 105.093 | | |
| 7 | 02/08/21 | 105.750 | 104.250 | 104.500 | | |
| 8 | 02/08/24 | 104.656 | 103.468 | 103.531 | | |
| 9 | 02/08/25 | 103.906 | 103.062 | 103.218 | | |
| 10 | 02/08/26 | 103.625 | 103.156 | 103.625 | | |
| 11 | 02/08/27 | 104.062 | 103.625 | 103.812 | | |
| 12 | 02/08/28 | 104.156 | 103.687 | 103.843 | | |
| 13 | 02/08/31 | 104.031 | 103.687 | 103.968 | | |
| 14 | 02/09/01 | 104.593 | 103.843 | 104.562 | | |
| 15 | 02/09/02 | 105.000 | 104.468 | 104.718 | | |
| 16 | 02/09/03 | 104.906 | 104.562 | 104.812 | | |
| 17 | 02/09/04 | 106.343 | 104.843 | 105.937 | | |
| 18 | 02/09/08 | 106.968 | 106.187 | 106.906 | | |
| 19 | 02/09/09 | 106.906 | 106.500 | 106.562 | | |
| 20 | 02/09/10 | 106.812 | 106.093 | 106.750 | | |
| 21 | 02/09/11 | 107.062 | 105.781 | 105.937 | | |
| 22 | 02/09/14 | 107.250 | 106.000 | 106.281 | | |
| 23 | 02/09/15 | 106.375 | 105.218 | 105.500 | | |
| 24 | 02/09/16 | 105.875 | 104.812 | 105.343 | | |
| 25 | 02/09/17 | 105.781 | 105.218 | 105.375 | | |
| 26 | 02/09/18 | 105.750 | 104.968 | 105.781 | | |
| 27 | 02/09/21 | 105.562 | 104.906 | 105.313 | | |
| 28 | 02/09/22 | 105.375 | 104.156 | 104.250 | 30 day | VIDYA |
| 29 | 02/09/23 | 104.250 | 103.750 | 103.813 | Standard | |
| 30 | 02/09/24 | 104.656 | 103.875 | 104.625 | Deviation | |
| 31 | 02/09/25 | 105.593 | 104.468 | 105.500 | 0.969 | 105.500 |
| 32 | 02/09/28 | 105.781 | 105.250 | 105.719 | 0.979 | 105.528 |
| 33 | 02/09/29 | 105.750 | 105.375 | 105.469 | 0.974 | 105.520 |
| 34 | 02/09/30 | 105.593 | 105.250 | 105.313 | 0.975 | 105.494 |
| 35 | 02/10/01 | 106.343 | 105.187 | 106.250 | 0.999 | 105.592 |

SIDEBAR FIGURE 1: VIDYA builds on the EMA.

TECHNICAL SIDEBAR

VIDYA

The variable index dynamic moving average (VIDYA) builds on the concept of the exponential moving average (EMA). While the EMA uses a constant (alpha) to smooth today's data, the VIDYA adjusts the alpha according to the data's volatility. The volatility is measured by taking the ratio of a 30-day standard deviation to a reference standard deviation. In sidebar Figure 1, column E is the 30-day standard deviation. The formula for cell E 35 is:

$$=STDEV(P:D6:D35)$$

Here, the 30-day standard deviation of the last 30 days' closing price (column D) is measured. Column F is the VIDYA of the closing price. The formula for cell F35 is:

$$=(E35/0.5*0.065*D35)+((1-(E35/0.5*0.065))*F34)$$

To calculate the VIDYA of the high for each day, substitute values from column B into the formula in columns E and F:

$$=STDEV(P:B6:B35)$$

$$=(E35/0.5*0.065*B35)+((1-(E35/0.5*0.065))*F34)$$

To calculate the VIDYA of the low for each day, substitute values from column C into the formula in columns E and F:

$$=STDEV(P:C6:C35)$$

$$=(E35/0.5*0.065*C35)+((1-(E35/0.5*0.065))*F34)$$

—Editor

horizon of the trade and whether you want to set tight or loose stops. Because you can vary the reference factor (that is, the factor 0.5 in Equation 1), VIDYA can move more or less slowly. If you are using VIDYA for intraday stops, you may want to use a factor greater than 0.5 — say, 1.0 — which would give a slower moving average. The principal advantage in varying this factor is being able to set a unique stop, which cannot be gunned easily. VIDYA's greater sensitivity relative to the corresponding exponential moving average allows the user to capture a greater portion of potential profits. By design, VIDYA automatically tightens when the market makes a move and loosens when the market pauses for breath. Thus, it works as though it were a smart stop.

SHOP 'N STOP

Setting stops is a fine art because so many ways exist to strike a fine balance between risk and reward. VIDYA offers a new alternative that adapts automatically to market volatility with the flexibility to meet individual needs. VIDYA may end up being a handy addition to your trading tools when you shop for stops.

Tushar Chande, CTA, is a principal of Kroll, Chande, & Co. and has a bachelor's degree in economics.

†See Traders' Glossary for definition

DAILY CLOSE T-BOND PERPETUAL CONTRACT

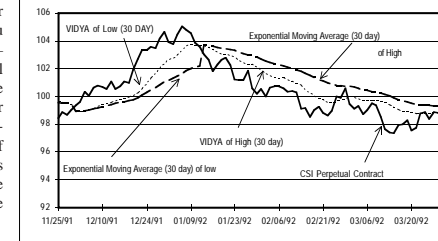


FIGURE 5: Long trades can use VIDYA of the daily lows for a stop-loss price and short positions can use VIDYA of the daily highs for a stop-loss price.

REFERENCES

Chande, Tushar S. [1992]. "Adapting moving averages to market volatility." STOCKS & COMMODITIES, March. Perpetual Contract, Commodity Systems Inc. (CSI), Boca Raton, FL.



CHART WITH CAPTION

GLOSSARY AT THE END OF MAGAZINE

AUTHOR BIO LINE

REFERENCES