CTA TimerPro

Guidebook

Hot List

The Hot List identifies trades that are considered a high-probability trades.

A Buy signal is generated anytime a security has three or more back-tested results over a 1-, 5-, 21- or 63-day period that shows a 50% or greater chance of a positive return when there is a positive change in signal, or Buying, from the prior day.

Any security on the Hot List should be a strong consideration for a trade.

It is recommended that before placing a trade on a security on the Hot List, further analysis of other technical signals or multiple volume profile lines should be done.

The back tested data is provided along with instructions on how to import the data into Excel.

There are 183 possible trades that can show up on the Hot List based on the back tested data.

A security on the Hot List may also show up on the Daily Buy List.

Daily Buy List

A Buy signal is generated anytime the prior day's signal is -100% and today's signal is -55% (or higher) and Buying or anytime the prior day's signal is -55% and today's value is -15% (or higher) and Buying.

It is recommended that before placing a trade on a security on the Daily Buy List, further analysis of other technical signals or multiple volume profile lines should be done.

A security on the Daily Buy List may also show up on the Hot List.

Layout

Equities		Fast				Slow	
	Position	Long/Short	Activity		Position	Long/Short	Activity
S&P 500 Futures	100%	Long			100%	Long	
Nasdaq-100 Futures	100%	Long			100%	Long	
Russell 2000 Fu[	100%				100%		
Euro Stoxx 50 F[	100%				100%		
Nikkei 225	35%	Long			55%	Long	
DAX Index	55%	Long	Selling		100%	Long	

1 Issue Date

2 Futures Name or ETF Symbol and Name

3 Fast Algorithm with position size, signal direction, and activity

4 Slow Algorithm with position size, signal direction, and activity

Fast vs Slow

CTA Timer Pro™ attempts to mimic the machine positioning of CTAs (Commodity Trading Association) which are machines managed by large investment banks that trade very large amounts of money (billions).

CTAs are trend following machines, which means they buy or sell their portfolio based on the underlying price movement of the security they invest in.

Due to the sheer size of money the CTAs (and other similar machines) trade, they can quickly move the market higher in a rising market or lower in a falling market. Knowing how the machines are positioned in the market may give a trader or investor an advantage when they trade with the machines rather than against them.

There are two types of CTAs: Ones that react quickly (fast) and ones that react slowly (slow) to the price movement of the underlying security they invest in. The difference between the two is based on the lookback period for the CTA, which for the faster ones is a shorter lookback period and for the slower ones is a longer lookback period.

CTA Timer Pro™ provides an estimate of how the fast and the slow CTAs should be positioned and what direction they are moving based on the underlying security the report tracks.

Historical Overlay

Unlike CTAs which only base their position size and movement on the price of the security they invest in, CTA Timer Pro™ does a historical lookback and adjusts the position sizing accordingly.

When a position is at an extreme long or short position historically, it can give a trader or investor an advantage as they look to trade the reversal in price off the extreme position.

Due to the historical overlay, CTA Timer Pro™ often leads the actual CTA positioning, which can give traders or investors an advantage as they attempt to front run the machines.

CTAs & ETFs

CTAs do not trade Exchange Traded Funds (ETFs). They only trade futures contracts.

The same formulas have been applied to the ETFs that CTA Timer Pro™ tracks to provide an estimate of how the machines would trade the ETF.

Machine Positioning

Equities	Fast			Slow		
	Position	Long/Short	Activity	Position	Long/Short	Activity
S&P 500 Futures	100%	Long		100%	Long	

CTA do not always fully invest their portfolio. The Position provides an estimate of what percentage the portfolio is either long or short the market. The remaining amount of the portfolio is held as cash.

If the Position is 55% long a security, then 55% of the portfolio is invested in the underlying security and the remaining 45% is held in cash.

If the Position is -15% short a security, then 15% of the portfolio is short the underlying security and the remaining 85% is held in cash.

Machine Positioning

Equities	Fast			Slow		
	Position	Long/Short	Activity	Position	Long/Short	Activity
S&P 500 Futures	100%	Long		100%	Long	
Nasdaq-100 Futures	100%	Long		100%	Long	
Russell 2000 Futures	100%	Long		100%	Long	
Euro Stoxx 50 Futures	100%	Long		100%	Long	
Nikkei 225	35%	Long		55%	Long	
DAX Index	55%	Long	Selling	100%	Long	

The Activity indictor shows Buying or Selling when there is a change in the position size from the prior day.

Buying indicates the machines are increasing their position (buying the underlying security) while selling indicates they are decreasing their position (selling the underlying security).

Identifying a Trade

Bonds	Fast			Slow		
	Position	Long/Short	Activity	Position	Long/Short	Activity
EMB - iShares JPM USD EmMkts Bd ETF	-100%	Short	Selling	-100%	Short	Selling
HYG - iShares High Yield Corp Bd ETF	-55%	Short	Selling	15%	Long	Selling
IEF - iShares 7-10 Year Treas Bnd ETF	-100%	Short		-100%	Short	
TLT - iShares 20+ Year Treas Bond ETF	-100%	Short		-100%	Short	
ZROZ - PIMCO 25+ Yr Zero Cpn Trs ETF	-100%	Short		-100%	Short	

When the CTAs are "max" short, which is indicated by a position of -100% on both the fast and slow algorithms, this suggests the historical positioning is at an extreme short. An extreme short can offer a trader or investor an advantage when seeking to take a long position on a reversal in price.

There are times when a security will significantly drop in price but not reach a "max" short position. Any combination of position sizing that is -55% or -100% should be monitored for a reversal in position when taking a long position.

Buy Signal

Bonds	Fast				Slow		
	Position	Long/Short	Activity		Position	Long/Short	Activity
EMB - iShares JPM USD EmMkts Bd ETF	35%	Long			100%	Long	Buying
HYG - iShares High Yield Corp Bd ETF	100%	Long	Buying		100%	Long	
IEF - iShares 7-10 Year Treas Bnd ETF	35%	Long	Buying		55%	Long	
TLT - iShares 20+ Year Treas Bond ETF	15%	Long	Buying		35%	Long	
ZROZ - PIMCO 25+ Yr Zero Cpn Trs ETF	-15%	Short	Buying		35%	Long	Buying

A Buy signal is generated anytime the prior day's signal is -100% and today's signal is -55% (or higher) and Buying or anytime the prior day's signal is -55% and today's value is -15% (or higher) and Buying. This signal is generated for both the Fast and the Slow positioning.

This is considered a high-probability trade signal.

Securities meeting this criteria will display on the first page of the report.

Entering a Trade

Bonds	Fast			Slow		
	Position	Long/Short	Activity	Position	Long/Short	Activity
EMB - iShares JPM USD EmMkts Bd ETF	100%	Long	Buying	-55%	Short	Buying
HYG - iShares High Yield Corp Bd ETF	35%	Long		-15%	Short	
IEF - iShares 7-10 Year Treas Bnd ETF	35%	Long	Buying	-100%	Short	
TLT - iShares 20+ Year Treas Bond ETF	-15%	Short	Buying	-100%	Short	
ZROZ - PIMCO 25+ Yr Zero Cpn Trs ETF	-55%	Short	Buying	-100%	Short	

A high-probability trade signal occurs when either the Fast or Slow (the Fast will usually, but not always trigger first) position moves higher from either a -100% Short or -55% Short position.

The example above shows the ETF ZROZ is Buying from a -100% Short position to a -55% Short position, and that a "Buy at Open" trade should be initiated.

Using your preferred trading platform or custodian, back testing suggests when a high-probability trade signal is generated, a "Buy at Market Open" trade should be initiated.

Controlling Your Risk

Bonds	Fast			Slow		
	Position	Long/Short	Activity	Position	Long/Short	Activity
EMB - iShares JPM USD EmMkts Bd ETF	100%	Long	Buying	-55%	Short	Buying
HYG - iShares High Yield Corp Bd ETF	35%	Long		-15%	Short	
IEF - iShares 7-10 Year Treas Bnd ETF	35%	Long	Buying	-100%	Short	
TLT - iShares 20+ Year Treas Bond ETF	-15%	Short	Buying	-100%	Short	
ZROZ - PIMCO 25+ Yr Zero Cpn Trs ETF	-55%	Short	Buying	-100%	Short	

It is strongly recommended utilizing a "Stop-Loss" when trading to limit your downside risk when entering a trade.

There are two types of stop-loss orders to consider:

- Sell-Stop Order that triggers should the price falls below a specified level. When the price falls below the specified level, a market order will be generated.

- Trailing-Stop Order that raises the stop order price by a specified amount or percentage as the price of the security increases. When the price falls below the specified level, a market order will be generated.

Exiting a Trade

Equities	Position	Long/Short	Activity	Position	Long/Short	Activity
S&P 500 Futures	100%	Long		100%	Long	
Nasdaq-100 Futures	100%	Long		100%	Long	
Russell 2000 Futures	100%	Long		100%	Long	
Euro Stoxx 50 Futures	100%	Long		100%	Long	
Nikkei 225	35%	Long		55%	Long	
DAX Index	55%	Long	Selling	100%	Long	

There are several ways to exit a trade:

- Hold the trade until your target return has been met.

- Hold the trade until CTA Timer Pro™ indicates Selling down from a 100% Long position to a 55% Long position (or lower position).

- Hold the trade until your "Stop Loss" level is triggered.

Position Sizing

A set amount should be determined for each trade, which should be referred to as your initial position size.

This amount should be a fixed dollar amount relative to the size of your trading account to allow for multiple trades and to minimize losses should a trade go down.

When trading high-volatility securities, the position size should be reduced since losses on high-volatility securities can be large.

Should a position rise in value, add during dips or pullbacks in price at the same amount of your initial position size.

High-Volatility Securities

High-volatility securities can have large moves in price to both the upside and downside.

To reduce downside risk when trading high-volatility securities, use tighter stop-loss levels or wait until there are several moves higher in the signals.

For example, when trading a high-volatility security, rather than initiate a trade on the initial move (on the fast signal) from -100 to -55, it may be prudent to wait until the signal turns positive before initiating a trade.

By waiting for several confirming signals to generate a positive change in machine positioning it may help reduce potential downside risk when trading a high-volatility security.

Shorting a Security

Experienced traders or investors can use the report to short a security as they look to trade the reversal in price off an extreme long position.

It should be noted that only highly experienced traders or investors with extremely high-risk tolerances should consider shorting a security due to the potential of losing money when the price of a security rises while short.

Risk Disclosure Statement

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The risk of loss in market timing or trying to anticipate the best time to buy or sell can be substantial. You should, therefore, carefully consider whether such trading is suitable for you in light of your circumstances and financial resources. Some risks can include:

- Missing out: Investors who try to time the market risk missing out on periods of high returns.
- Timing errors: Investors can make mistakes in timing, which can lead to purchasing too high or selling too low.
- Transaction costs: Investors who try to time the market may face higher capital gains taxes from the government.
- Market efficiency: Markets are efficient at quickly pricing unexpected news. It's difficult for investors to accurately pinpoint market highs or lows until after they've already occurred.

THIS BRIEF STATEMENT CANNOT, OF COURSE, DISCLOSE ALL THE RISKS AND OTHER ASPECTS OF MARKET TIMING.