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# The New Ticker-Tape

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by CHARLES F. KRINKE

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*THERE IS ONLY ONE SIDE OF THE MARKET AND IT IS NOT THE BULL SIDE OR THE BEAR SIDE, BUT THE RIGHT SIDE.*

*JESSE LIVERMORE*

These words from one of the world's great traders are even more appropriate today as we have recently seen the largest increase in the Dow Jones Average in one single day in history. This day, August 17, 1982, the Dow shot up 38.81 points and The Wall Street Journal described the trading as a 'buying panic'. With a flood of buying pushing the volume to more than 92 million shares, the new S&P futures contract was limit up at its 500 TIC limit for the first time since it began trading. Those futures traders who had access to real time computer 'TIC BY TIC' analysis had an edge over their counterparts who were using older methods of technical analysis.

Charting of trends has been with us for some time, but only recently has the personal computer been available which can do this drudgery and allow the trader time to think and plan instead of plot points. Particularly on a day like this one, a method of charting and discerning trends in seconds is of value. Earlier charting methods for day trading had consisted of plotting by hand the price at the end of a fixed time interval. Usually this interval was 5 or 15 minutes. The interval had more to do with the fatigue of the person rather than any market indicators. Improvements on the hand plotting method consisted of dedicating an expensive mainframe computer with a special plotting machine to generate such charts. Unfortunately, in the trading of a commodity such as S&P or KANSAS CITY VALUE LINE, a five minute picture is way too slow to make the trading decisions required to make a profit today. The 'TIC BY TIC' method of plotting futures prices is a solution to this problem of speed and real time. Previously, the fastest charting techniques were capable of producing 1 minute bar charts but unfortunately, such graphs do not show clearly enough the price trends in the fast moving futures market. The 'TIC BY TIC' method of analyzing the market provides a more flexible method of analysis and is currently used by several traders and brokers for their financial benefit.

The 'TIC BY TIC' method of analysis is useful as a day trading tool in futures contract such as S&P. This particular futures contract is affected significantly by the expectations and hopes of both the public and the traders on the floor of the Chicago Mercantile Exchange.

The S&P index is itself a calculation made by a computer of the price of 500 stocks representing more than 80% of the value of shares traded on the New York Stock Exchange each day. It seems appropriate to use a computer to analyze an index calculated by another computer. Of the 500 stocks, there are 400 industrial, 40 public utilities, 20 transportation companies, and 40 financial companies. This index is based on a weighted factor of the number of shares of each of the 500 companies and their individual market prices. This index is then calculated by a computer and available for use by the trader. The S&P index is calculated by the exchange and updated each minute. The futures contract is based on a value of \$500.00 times the S&P INDEX. A contract of \$500.00 times an S&P INDEX of 108.85 is a contract of \$54,425.00. Each 'TIC' up or down represents a profit or loss of \$25.00.

In order to analyze this particularly fast moving commodity a new tool has been added to the technical analyst's inventory. This tool is a computer program and interface circuit board which connects an APPLE II computer directly to the commodities market. This connection is achieved using the nationwide Radio Data Systems, Inc. quotation service known as Market Monitor. The Market Monitor is unique in that it provides a computer port for the analyst or investor to receive the 'TICS' as they are transmitted by the various exchanges and perform statistical calculations to discern trends. The computer port provides real time (not delayed 15 minutes) information inexpensively to the office or home of the average trader. With the aid of a small inexpensive microcomputer, this information maybe received, graphed, and stored on an individual 'TIC BY TIC' basis. Surely this must be 'tape watching' of a magnitude only dreamed about 10 years ago.

All of the work done in the past for analysis of stock pricing trends is applicable in the short term analysis of stock market indices when performed by a computer in real time on a 'TIC BY TIC' basis. Where previously it might have taken minutes or hours to plot graphs and analyze this data, it may now be accomplished during the interval between each 'TIC'.

A typical plot from the DATA RETRIEVER program is shown in figure 1. This plot is interesting in that it was market close August 17, 1982 when the S&P future was limit up. Several interesting things are displayed on this graph:

- (1) A time scale is displayed along the bottom of this graph and corresponds to the acutal time that the 'TICS' were received. This time is displayed along with the quote and is from Chicago date using a 24 hour per day time format.
- (2) The first 'TIC' and the last 'TIC' is displayed along with the time that each was received.
- (3) The 25 'TIC' moving average is calculated from the preceding 'TICS' and displayed as each 'TIC' is plotted.
- (4) 'DFF' is the difference between the last 'TIC' and the moving average and is calculated and displayed each 'TIC'.

This plot shows the limit move up at market close from the perspective of the last 236 'TICS'. Please note that this perspective is a very short time period. The graph shows each trade during the last two hours of the upward trending market which ended in this unusual limit move.

Figure 2 shows the next day's market close of the S&P September future with a 50 'TIC' moving average which shows breakouts across the average as the future was trending down and then up.

This is to be contrasted with the 80 'TIC' moving average plot as shown in figure 3. Obviously, such a trend following method as the 'TIC BY TIC' plot will provide different insights for day trading depending on the number of 'TICS' in the moving average. At least during August 1982, a 50 'TIC' average appears to produce the most consistent trading results.

Figure 4 is a plot of the S&P 'cash' index as received on the data stream at the same time as the preceding two figures. This index is calculated once each minute and transmitted on the data stream. It is the same index that is seen by the traders in the pit.

It is important to note that the 'cash' plot is of a different time scale which receives an update once each minute. The 'TIC' BY TIC' method offers an extremely fast method of analyzing this index and attempting to follow the trends.

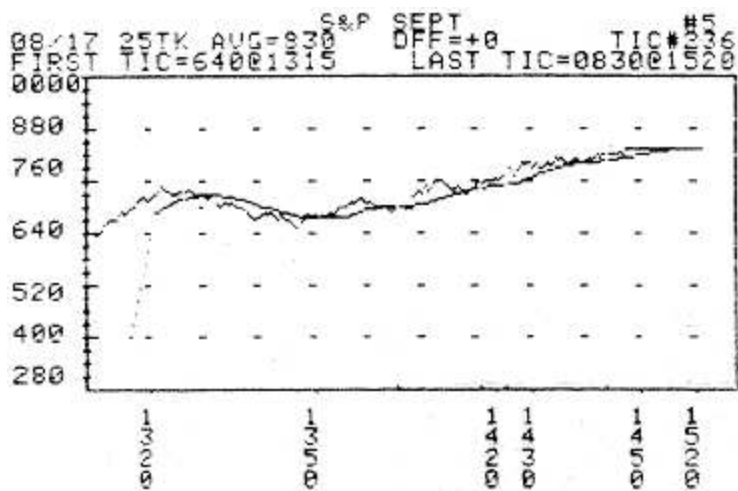


FIGURE 1:

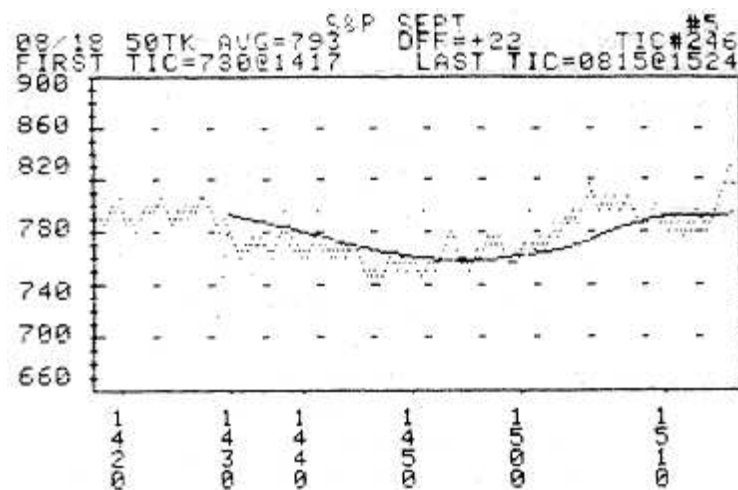


FIGURE 2:

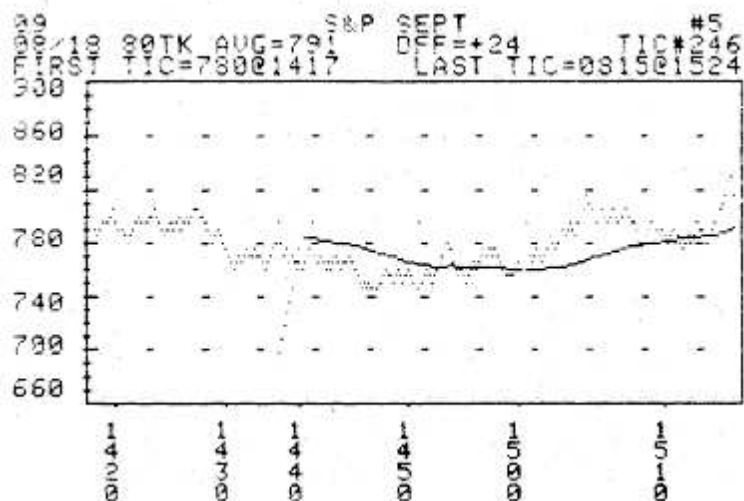


FIGURE 3:

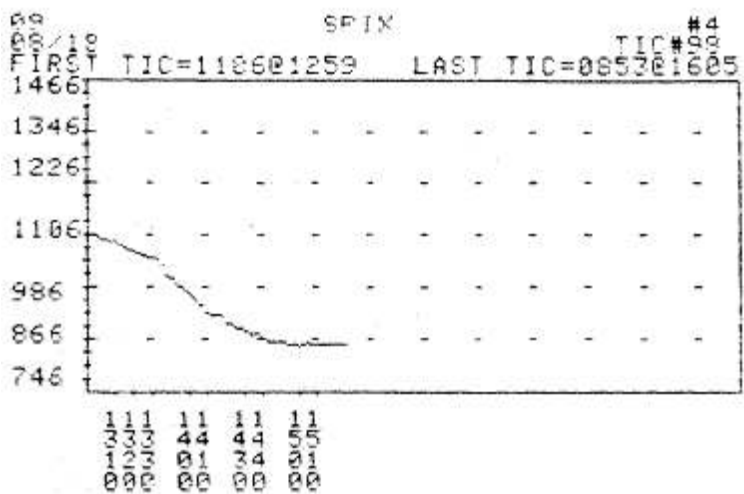


FIGURE 4:

One of the key improvements offered by a 'TIC BY TIC' graphing system is that of frequency of the 'TIC's. As the time scale begins expanding along the horizontal axis it indicates that more trades are occurring each minute. Since the commodities market is an auction, the frequency of the trades is a very significant piece of data. With this data we are able to analyze the effect of this auction upon its participants in the pit easier than someone who is actually in that pit.

In closing, the 'TIC BY TIC' graph calculated and plotted by a micro-computer such as the APPLE II appears to offer considerable improvement over older and slower five minute and fifteen bar charts. In the fast moving world of commodity futures trading and particularly S&P futures trading, such a tool is clearly indicated. The investor or trader may now receive and analyze the 'TICS' as they occur in real time in the comfort of his own office and act with more insight than previously possible.

### **BIOGRAPHICAL SKETCH OF C. KRINKE**

Charles Krinke is 34 years old and holds a B.S.E.E. from CAL-STATE LOS ANGELES. He worked at Jet Propulsion Laboratory during the MARINER and VIKING programs developing microelectronic circuits. He has spent the last year and a half developing 'TIC BY TIC' day trading tools aboard his boat in Newport Beach, CA. His Data Retriever Co. manufactures the hardware and software he develops.

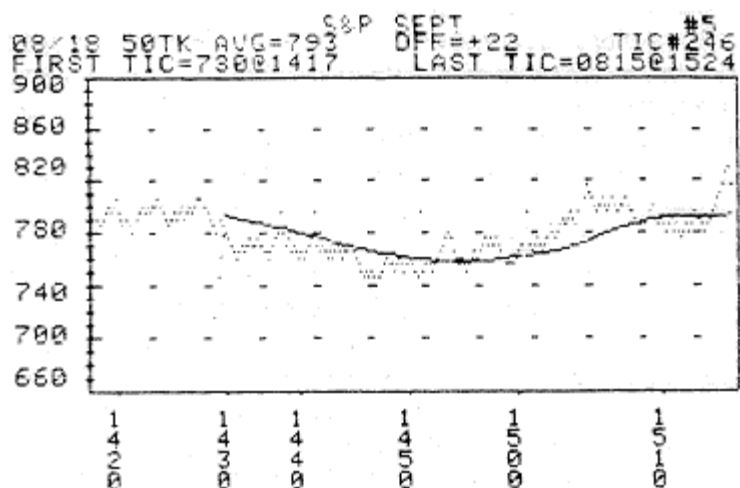


FIGURE 2:

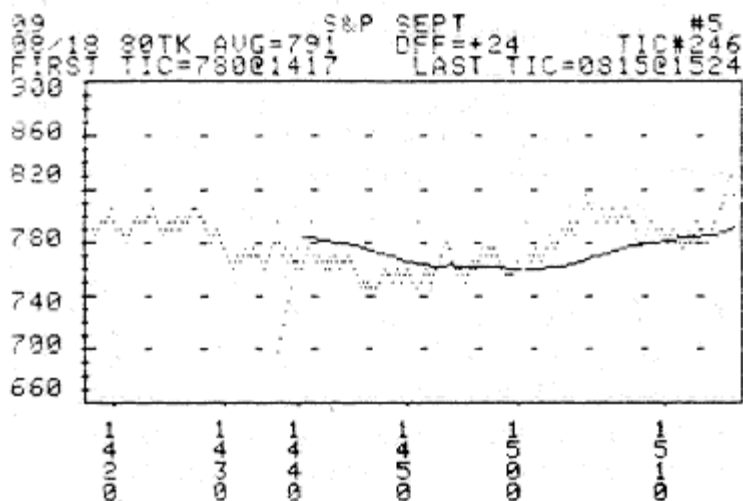


FIGURE 3:



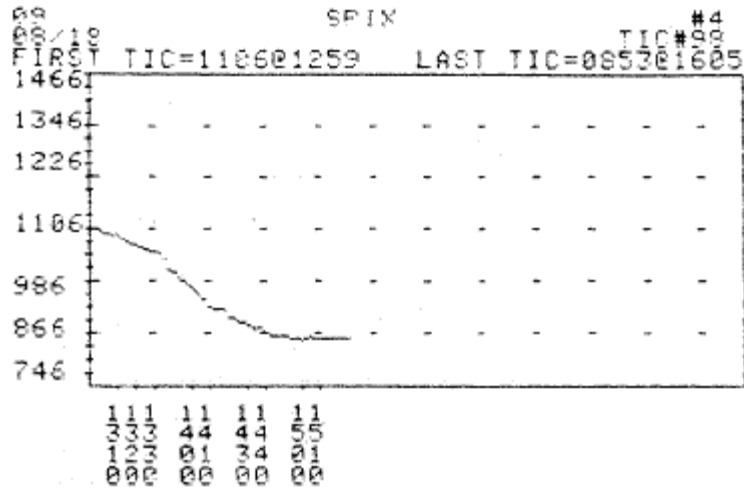


FIGURE 4:

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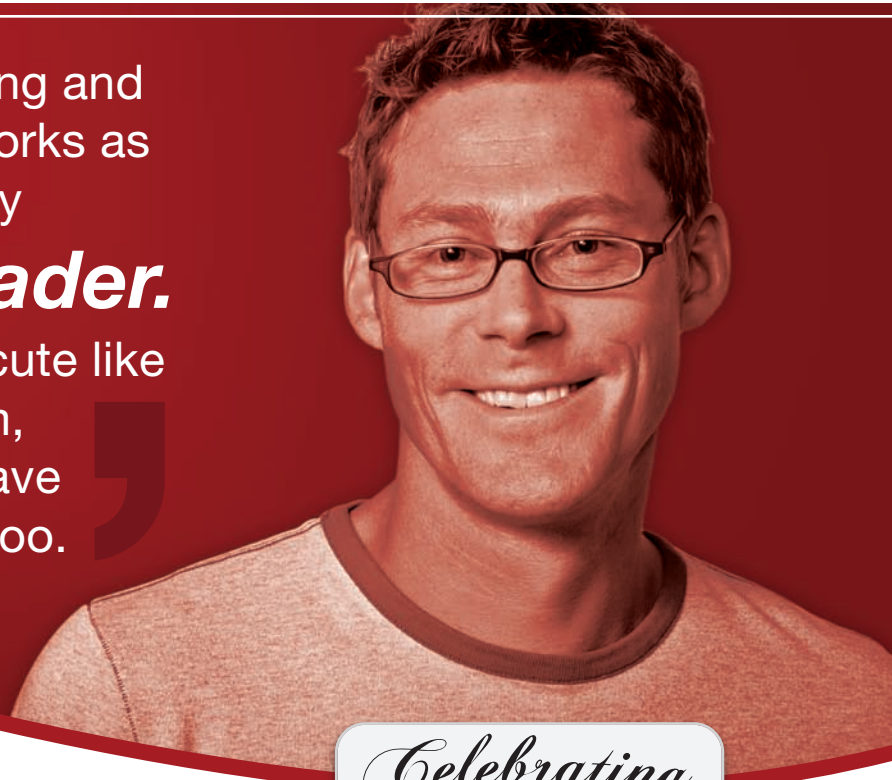


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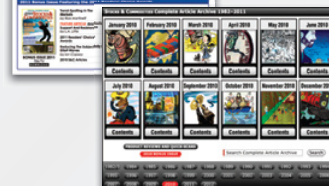
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