



# Unleash the Power of MetaStock XVI

A practical guide to finding the right trades with MetaStock,  
including over 120 minutes of online video instruction by  
Kelly Clement, MetaStock expert

**Unleash the Power of**

**MetaStock® XVI**

**Version 16.0**

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**April 2018**

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# Table of Contents

<b>Chapter 1 - Introduction .....</b>	<b>5</b>
Using MetaStock XVI .....	5
Disclaimer .....	5
<b>Chapter 2 - Starting with MetaStock .....</b>	<b>6</b>
Opening a chart .....	6
Chart Styles and Options .....	12
Editing Charts .....	13
Indicators .....	15
Line Studies .....	17
<b>Chapter 3 - MetaStock Power Tools Overview .....</b>	<b>19</b>
The Expert Advisor™ .....	19
The Explorer™ .....	23
The System Tester™ .....	28
The MetaStock Forecaster™ .....	32
Indicator Builder™ .....	37
Downloader .....	37
<b>Chapter 4 - Filtering and Backtesting .....</b>	<b>38</b>
Why Filter and Backtest? .....	38
Filtering Instruments .....	38
Backtesting Instruments .....	41
<b>Chapter 5 - More on Backtesting .....</b>	<b>50</b>
Preforming a Multi-System Test .....	50
Reading the Report .....	55
<b>Chapter 6 - Using the Forecaster .....</b>	<b>60</b>
Opening a Forecast Analysis .....	61
Probability Clouds .....	64
Comparing Prices to the Cloud .....	68
<b>Chapter 7 - Filtering and Forecasting.....</b>	<b>71</b>
Scanning for Events .....	71
Opening Forecaster Analysis from Charts .....	76
<b>Chapter 8 - Forecasting Using Chart Patterns .....</b>	<b>79</b>
Hand Drawn Patterns .....	79
Copying Patterns from Charts .....	87
<b>Chapter 9 - Understanding the RMO .....</b>	<b>94</b>
About the RMO .....	94

Rules of the RMO .....	97
RMO Explorations .....	99
Explore for opportunities using the RMO .....	99
<b>Chapter 10 - SectorStat Experts.....</b>	<b>101</b>
About SectorStat Experts .....	101
SectorStat Market Overviews .....	102
SectorStat Charts .....	103
Trading with SectorStat .....	109
See the related video at <a href="http://www.metastock.com/upm">www.metastock.com/upm</a> .....	112
<b>Chapter 11 - Working with Local Data .....</b>	<b>113</b>
Creating a new List .....	113
Adding Instruments to the List .....	116
Saving the New List .....	121
See the related video at <a href="http://www.metastock.com/upm">www.metastock.com/upm</a> .....	123

### Using MetaStock XVI

MetaStock at its core is a charting program, but it is also designed to give you a flexible way to identify opportunities, test strategies and manage your trades. The elements that will be discussed will show you practical approaches to identifying and managing opportunities in MetaStock XVI. While the ideas and methods contained here will guide you on how to use MetaStock, we recommend that you also use the Getting Started with MetaStock manual to help you understand the basics of the program. We also recommend that you reference the product help within MetaStock. Simply open MetaStock and press F1.

Throughout this manual you will find icons next to the text that will match to those found in the program. This will help you quickly identify the referenced functionality in MetaStock. Most of all we hope that you find this text and video set useful. The companion videos will be especially useful in helping you follow the workflows.

### Disclaimer

This product is not a recommendation to buy or sell, but rather a guideline to interpreting the specific analysis methods. This information should only be used by investors who are aware of the risk inherent in trading. MetaStock accepts no liability for any loss arising from any use of this product or its contents.

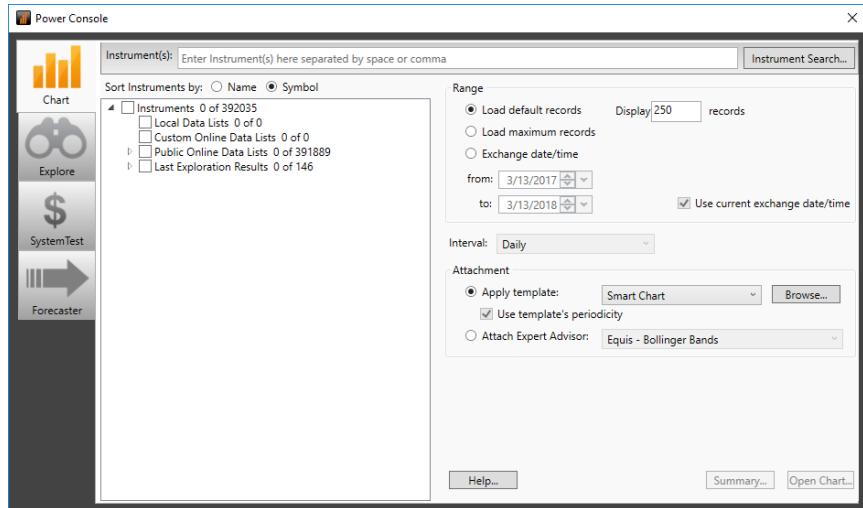
Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.

## CHAPTER 2 STARTING WITH METASTOCK

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When MetaStock is first opened you are presented with a box called the Power Console.



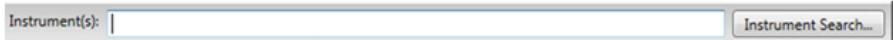
The Power Console is the heart of MetaStock and is designed to allow you quick access to Chart, Explore, Test, or Forecast. All of these will be covered in the manual and will allow you to use MetaStock to find opportunities. As you work with MetaStock, you may find certain workflows useful and others to be not as useful for you. This is normal. Everyone trades differently and manages their trades differently. This manual will start by giving you an overview of the Power Console and other tools in MetaStock. Once those have been covered; the manual will give you an overview of trading strategies. It is also recommended that you use the accompanying videos found at [www.metastock.com/upm](http://www.metastock.com/upm).



### Opening a chart

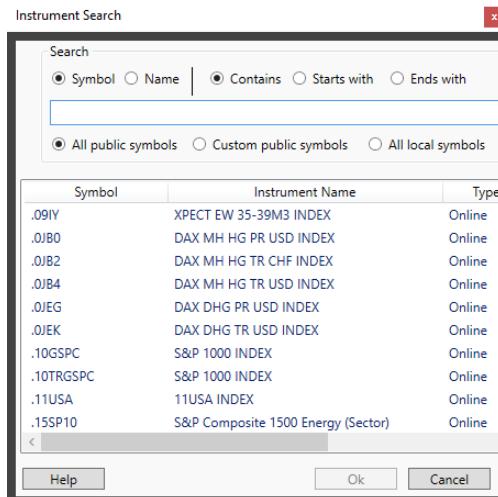
Choose the Chart Button  in the Power Console. The button will turn orange when selected. This button gives you access to the charting functionality inside the Power Console.

The first way to open a chart is typing a symbol directly. If you know the symbol, click on the Instrument(s) line of the dialog box.

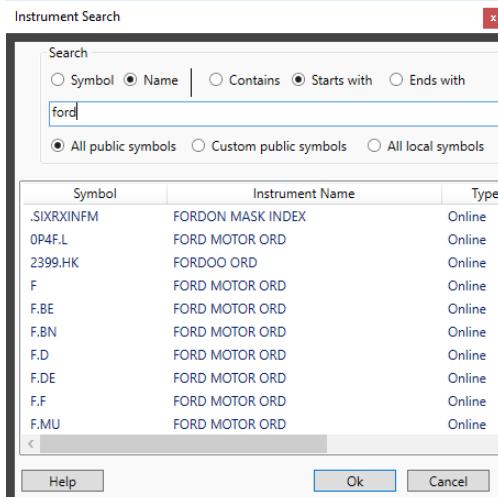


From here you can simply enter your Instrument and you will be ready to open a chart. If you do not know the symbol you can choose the Instrument Search

button. You will be given a dialogue that will let you search for instruments based on what you know of the symbol or the name. When you enter text it will narrow down to instruments that meet your criteria.



For example. Select the **Name** radial button and **Starts with**, then type in FORD. The box will narrow down a set of symbols that will match that criteria.

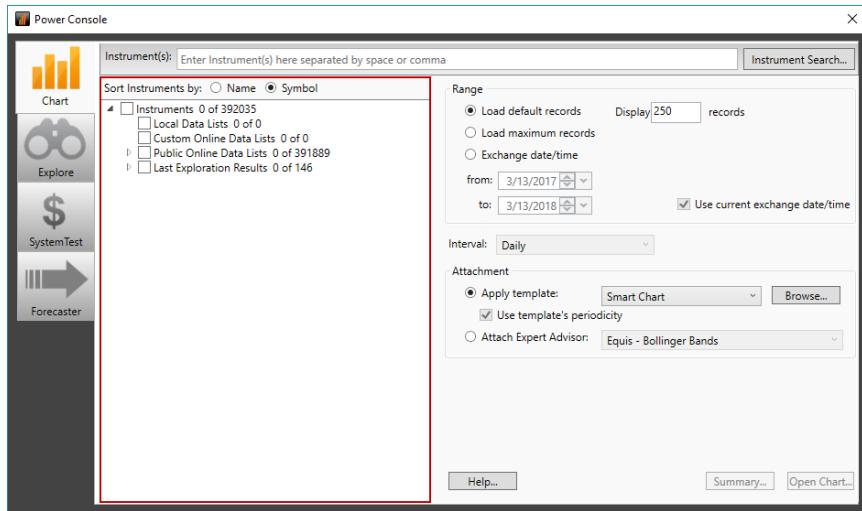


*Hint: You can enter multiple instruments into the box by entering a space between the instruments.*

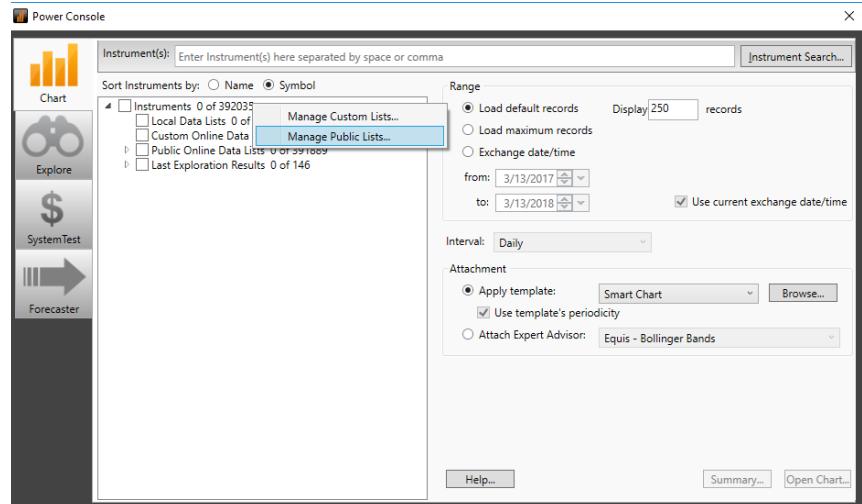
Select any of the instruments by double clicking and it will populate automatically in the Instrument(s) dialogue.



At this point the chart can be opened, however, there are other ways that instruments can be selected. The Instrument Tree is found directly under the Select Instrument(s) box.

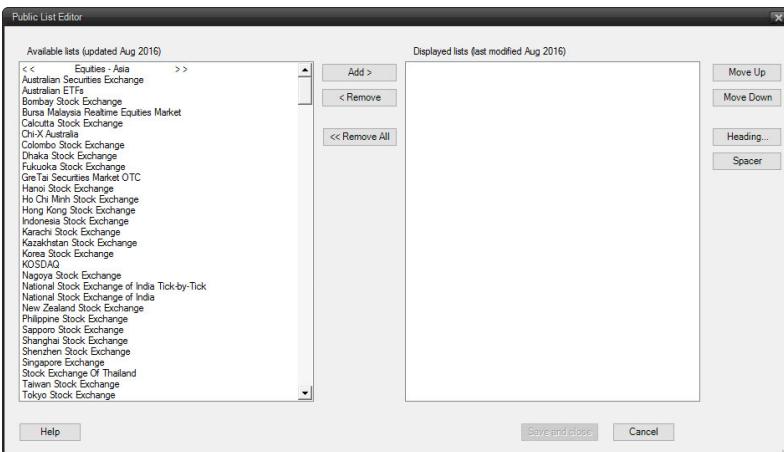


The list of securities is the full universe of instruments that are available. Note that the list in the above image shows 392,035. It is best to narrow this list down to show only the instruments that you as a user want to see in the Instrument Tree. To do this right click on the word instruments:

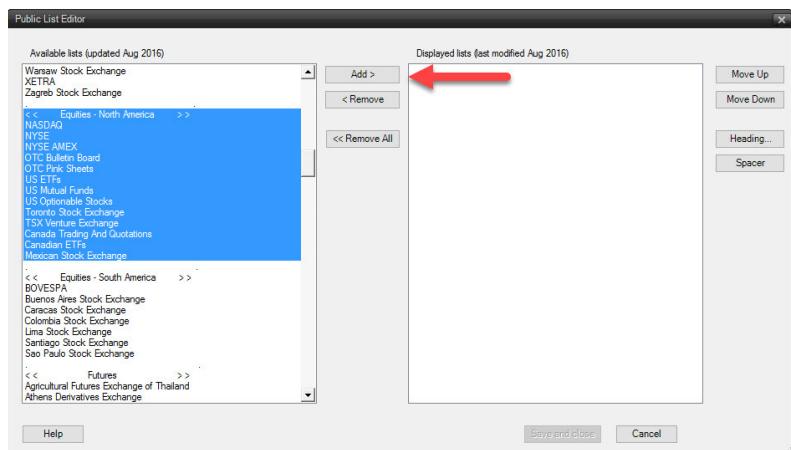


Select the option **Manage Public Lists** and the Public List Editor will appear. This allows you to see only the lists that pertain to what you want to track rather than

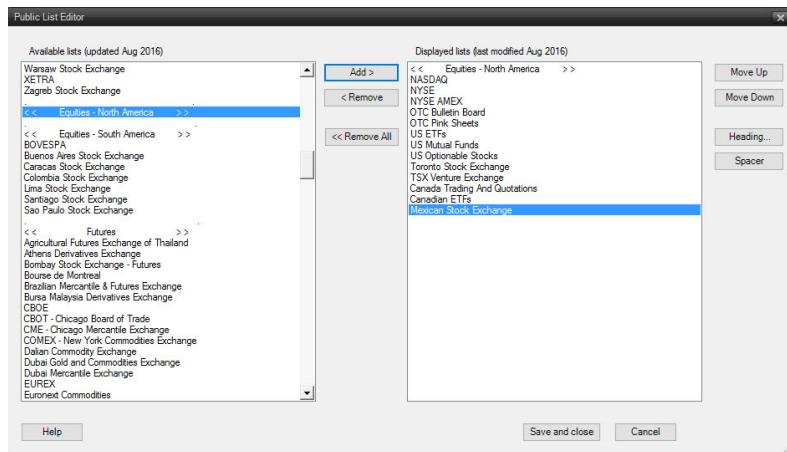
the entire global list. The left window shows the Available Lists. The right window shows lists that have been selected to be shown in the Power Console.



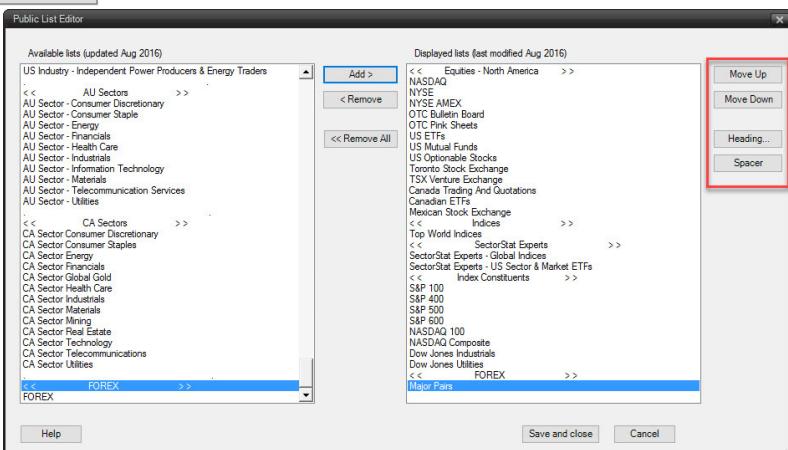
For the purpose of this example US and Canadian Instruments will be selected. Scroll the list down to find exchanges that should be included in your Power Console. You can select multiple lists at a time by selecting the first in the list you want to choose and hold the shift button on your keyboard and select the last list you want. The selected lists will be highlighted blue.



Choose the **Add >** button. This will move the selected lists over. The right window must include at least one header, such as: Equities - North America.



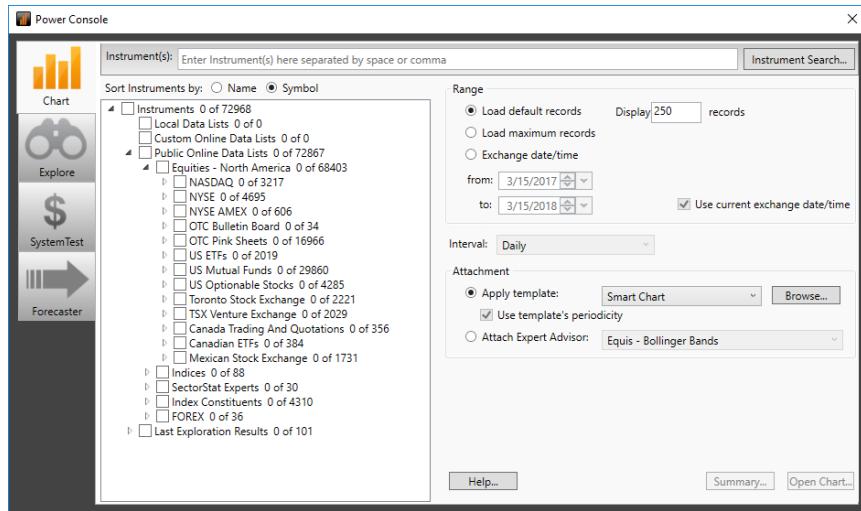
There are several options to choose from including global stock lists, global futures, and indices. There are also lists for Index Constituents. Once your list is customized they can be moved up and down or you can create your own header by choosing the **Heading...** button.



Once you have defined the lists: Choose the **Save and close** button and your list will only show what was selected in the Public List Editor.

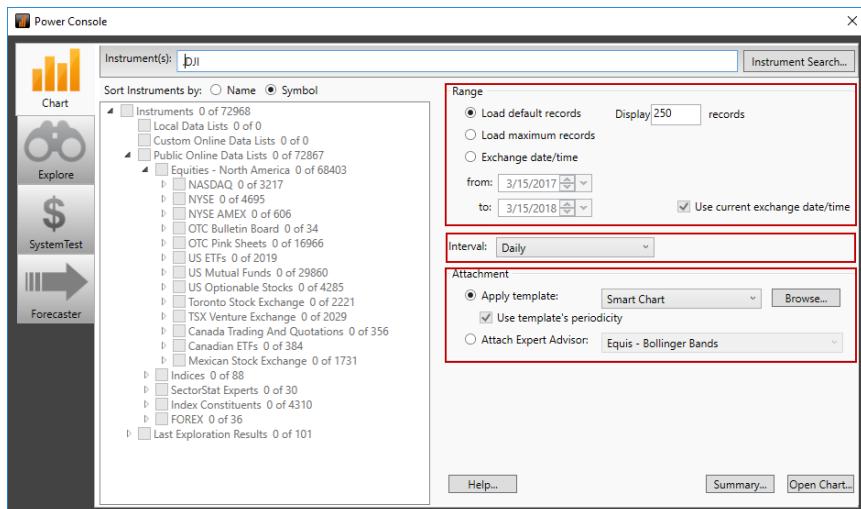
To view the lists in the Power Console choose arrow next to the Public Online Data lists (notice in the list that the number of instruments has decreased due to the

reduced selection of lists). Each section can be expanded to a granular view of the instruments included in the list.



Now that the lists are created as we want to see them, it is time to open a chart. For this example, .DJI will be used to open the chart. When an instrument is entered in the Select Instrument dialog box the Instrument Tree will be grayed out.

There are three sections to choose defaults or settings for once you open your chart.



Option	Descriptions
<b>Range</b>	How much data that should be loaded.
<b>Load Default Record</b>	Automatically Loads 1250 records and Display records Zooms in on 250 records.
<b>Load Maximum Records</b>	Loads all available data.
<b>Exchange Date Time</b>	Specific times set by user.
<b>Interval</b>	Set the periodicity of the chart. Set as default of Daily.
<b>Apply Template</b>	You can choose from a setting of pre-created templates or from user created templates.
<b>Expert Advisor</b>	You can choose from a setting of pre-created Expert or from user created Experts.

When you have set your selections choose: [Open Chart..](#).

Once the chart is open there are many options that become available.

## Chart Styles and Options

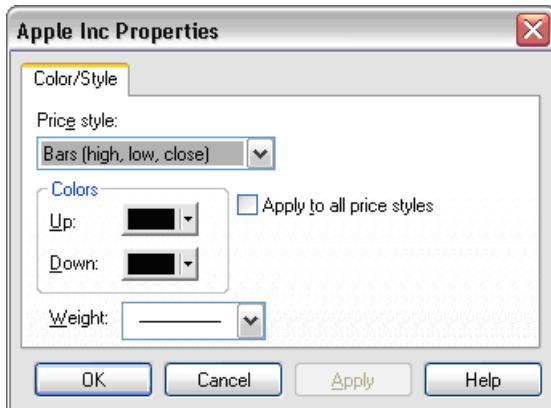
*The price plot can also be changed via the toolbar in the bottom left corner of the chart. To do so, click on the price plot, then click the arrow in the menu to display the price plot options.*

MetaStock provides nine charting styles (price styles) when viewing pricing information:

- Candlesticks
- Candlevolume
- Equivolume
- Kagi
- Open/High/Low/Close Bars
- Line
- Point & Figure
- Renko
- Three Line Break

The price plot is the data displayed on the chart by the instrument's price information. You can change many aspects of the price plot's appearance, including style (Line, Bar, Candlestick, etc.), color, and line thickness.

To modify the properties of a chart, open the chart to be changed. Either select **Format > Prices** or right-click on the price plot and select **<instrument name> Properties**. The instrument's Properties dialog then opens.



Select the price style, color, or line weight you wish to use. Click **OK** to close the window.

## Editing Charts

### Zooming

Sometimes you want to see a small section of a chart up close. There are many ways to change the zoom level:

- Use the Zoom In and Zoom Out icons.
- Hold down the CTRL key on your keyboard and roll your mouse wheel up or down.
- Use the Zoom Box icon.

Icon	Icon Name	Description
	Zoom Out	Click the icon in the lower right corner of the chart to zoom out on the chart.
	Zoom In	Click the icon in the lower right corner of the chart to zoom in on the chart.

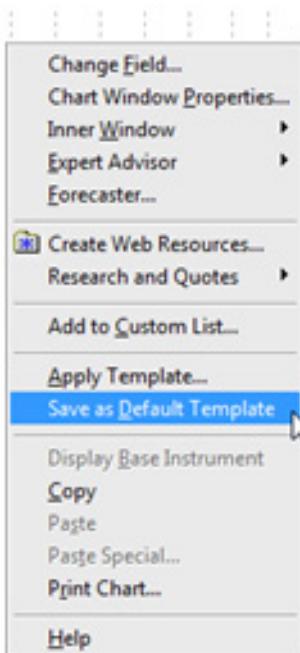
Icon	Icon Name	Description
	Zoom Box	Click the Zoom Box icon at the top of the screen, then click and drag a rectangle around the area you want to zoom in on.

## Default Template

*Note: Changes made to the default template will not affect charts opened before your changes. Those older charts will need to be deleted or individually changed.*

The Default Template allows you to set a newly opened chart to a predefined look. This way you can have the same set of indicators or color schemes apply to all of the charts you open automatically. The default template is a template that is exactly like a custom template except that MetaStock automatically applies it when you are opening a new chart. The default template that is shipped with MetaStock is set to open with bars and volume plotted on the chart.

To quickly make the information in the currently selected chart the default template, right click on the chart and choose **Save as default template**.



## Chart Windows

MetaStock displays each chart in its own separate window. There are several commands to control how those windows are displayed. Tile and Cascade are common to most Windows applications. Stack, Column, and Automatically Tile are unique to MetaStock. These are found on the Standard toolbar.

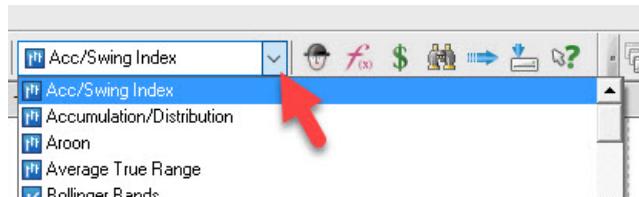
Icon	Icon Name	Description
	Cascade	This arranges the open chart windows in an overlapping formation so that only the title bars of all but the front chart are visible.
	Column	This arranges the open chart windows from left to right in vertical columns so that all are completely visible on the screen.
	Stack	This arranges the open chart windows so that the charts are stacked on top of each other and are fully visible. Arranging them in a stacked formation allows you to easily compare charts across their date axes.
	Tile	This arranges the open chart windows from left to right and top to bottom so that all the charts are completely visible on the screen.
	Auto Tile	This arranges the open chart windows from left to right and top to bottom so that all are completely visible on the screen. Selecting this automatically rearranges open chart windows when charts are opened or closed.

## Indicators

An indicator is simply a mathematical calculation applied to some or all of the price fields and/or volume. Indicators can be plotted in the chart to show a graphical representation of these calculations.

To learn more about inserting and applying indicators refer to the *Getting Started with MetaStock* manual.

There are two ways of plotting an indicator in MetaStock. You can choose **Insert > Indicators** to display and use the Indicators dialog. You can also drag and drop and indicator from the Quicklist



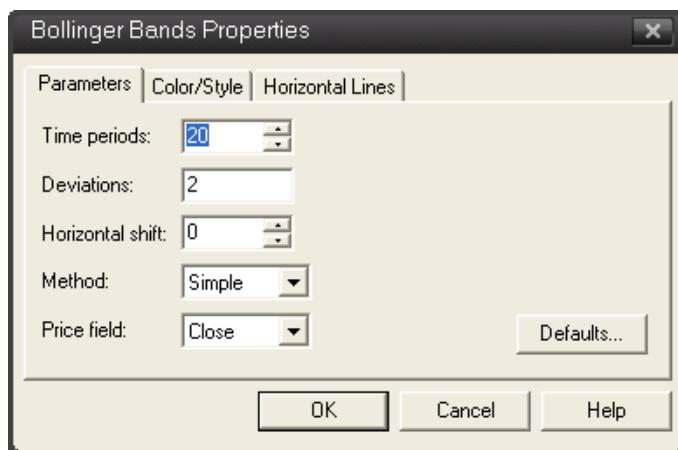
The Indicator QuickList (located on the standard toolbar) provides quick access to all the indicators in MetaStock. You can drag indicators from the list by holding down the left mouse button and dropping them on your charts.

- If you drop the indicator on an inner window title bar, the indicator will be put in a new inner window above the title bar.
- If you drop the indicator on the X-axis, the new inner window will plot at the bottom of the chart.
- You can also drop an indicator on any existing plot. Moving Averages, Envelopes and Bollinger Bands are almost always dropped on an existing plot, since you usually want them merged with a plot.

A quick way to get to the desired indicator in the Indicator QuickList is to display the Indicator QuickList and then type the first letter of the indicator's name. The list will quickly advance down to the indicators beginning with that letter.

*Note: When you are clicking on an indicator and the indicator is closely surrounded by other plots a pop-up will appear prompting you to choose the desired plot (indicator) to ensure the correct plot is selected.*

After you have plotted an indicator, you can modify any of its properties (for example, color, number of periods, etc.) with the indicator's properties dialog. Right-click directly on the plotted indicator and choose **Properties** on the shortcut menu.



The properties dialog opens allowing you to edit the properties of the indicator. Choose any of the tabs and make your desired changes. Click  to close the dialog.

You can also open the indicator properties dialog by double-clicking directly on the plotted indicator or by selecting the indicator and then choosing **Format > Selected Object**.

## Line Studies

Line studies are one of the most popular tools in MetaStock. They help you see trends and patterns in a chart, which can give you an edge when making trading decisions. Every line study contains its own set of parameters you can access by right-clicking directly on the study. Most line studies are contained within a single inner window. However, some line studies (for example, cycle lines, Fibonacci Time Zones, and vertical lines) can span vertically across all inner windows within a chart.

Line studies are drawn on a chart by either choosing the line study from the Insert menu or by selecting the desired icon on the appropriate drawing toolbar. There are several toolbars with line studies on them. You can cycle through them by clicking the Rotate Toolbar button:



Line studies are attached to the plot closest to the mouse pointer when you first click to begin drawing.

- If the line study is trendline based, position the mouse at the starting point, click and hold the left mouse button, and drag the line study to an ending point. Then click the left mouse button again to indicate the ending point.
- If the line study is not trendline based, position the mouse at the location you want to anchor it and click the left mouse button.

You can delete a line study by:

- right-clicking on the line study and selecting Delete from the shortcut menu
- selecting the line study and pressing the delete key on your keyboard
- selecting **Edit > Delete All** or press ALT+DEL to quickly delete all line studies from a chart.

## CHAPTER 3 METASTOCK POWER TOOLS OVERVIEW

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The MetaStock Power Tools take the elements of spending time analyzing charts one by one and allows you to quickly identify opportunities by scanning through the market, back testing your strategies, understanding the direction of price, and getting buy and sell signals on your chart. These tools are designed to help guide you through the trade and take the emotional aspect out of the trade. It is no secret that the making emotional decisions in trading can lead to failure. The Power Tools are designed to help you as a trader take the emotion out, and protect what is most important in trading; your capital and your profits. This section will give a brief overview of the tools and how to access them in MetaStock.

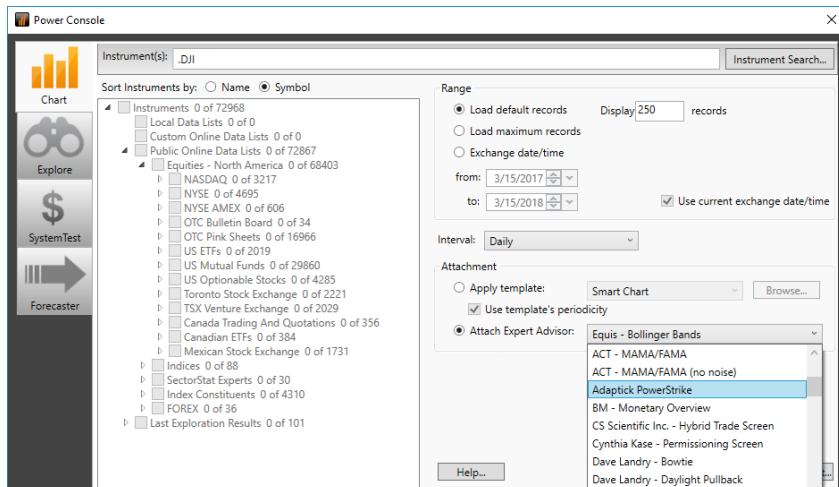


### The Expert Advisor™

The Expert Advisor is a collection of trading strategies, which when attached to a chart, can help keep you informed on the current technical state of a chart. This is done by using underlying indicators to generate the buy and sell signals on your chart. When an expert is attached you may see:

- buy and sell signals based on indicators
- candle patterns labeled on your charts
- descriptive commentaries based on technical indicators and strategies
- messages (e-mail and pop-up messages with sounds or video)
- descriptive symbols on your charts

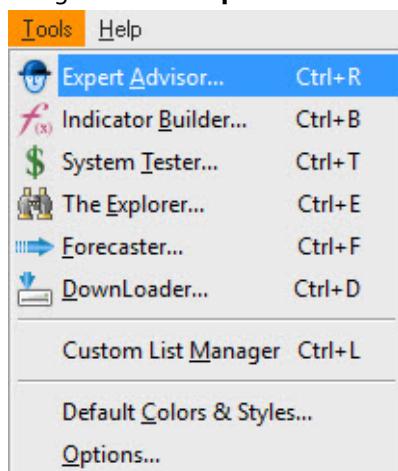
To attach an expert advisor you can select it from the Power Console before you open a chart by selecting the expert under the Attachment section of the Open Chart Dialog.



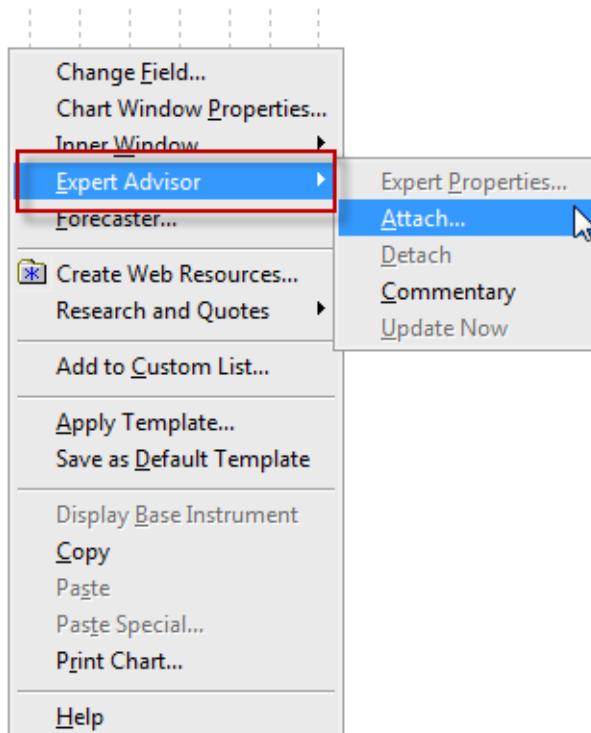
There are multiple ways you can access the Expert Advisor once a chart is open. You can select the Expert Advisor from the Standard Tool Bar by choosing the Expert Advisor icon.



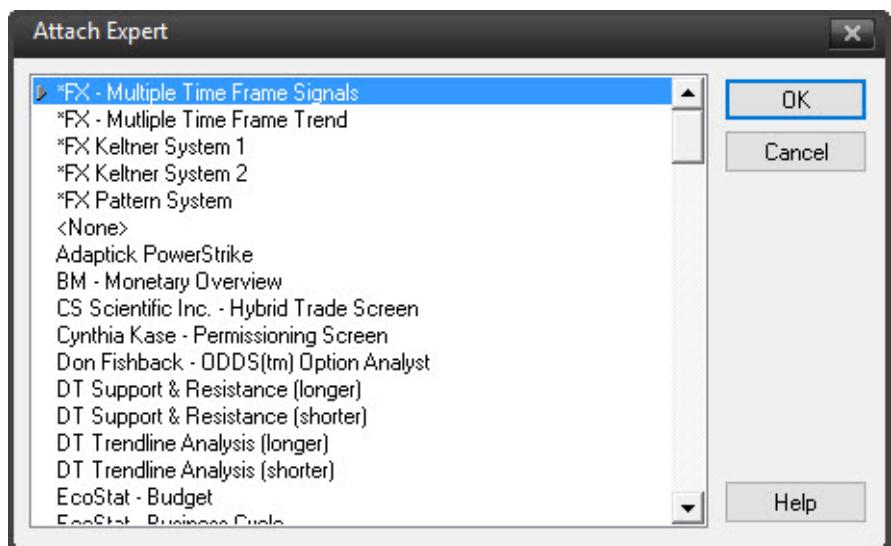
Going to **Tools > Expert Advisor**



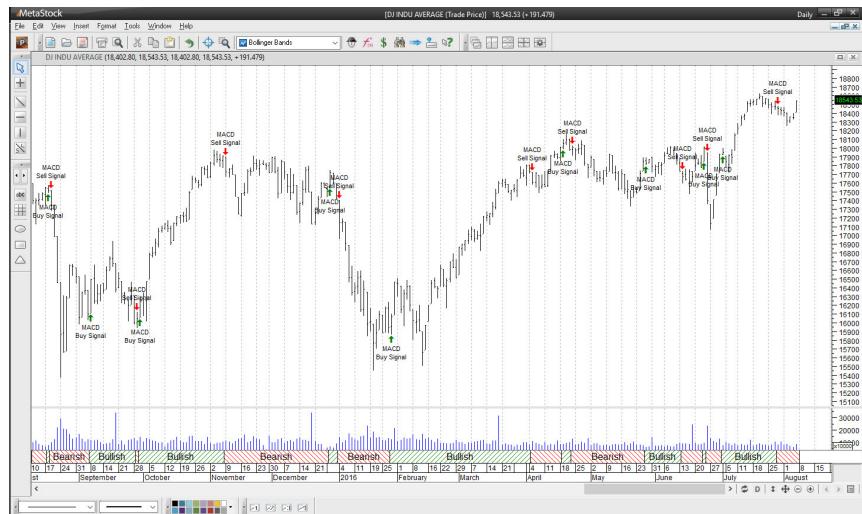
Or Right clicking on chart and choosing **Expert Advisor**, then **Attach....**



Once the you have opened the Expert Advisor dialog, select the expert to attach.



Select **OK**. The expert will then be plotted on your chart. Below is an example of the Dow Jones Industrial Average (.DJI) with the Equis- MACD Expert Attached.



To open the Expert Commentary window, for a walk through of the signals on the chart, choose **View > Expert Commentary**. This will display the Expert Commentary window on your chart.





## The Explorer™

The Explorer is a powerful multi-purpose analysis tool that can perform in-depth "explorations" on multiple instruments.

The Explorer lets you perform a number of specialized tasks, including:

- comparing
- filtering
- listing multiple indicator values for multiple instruments
- ranking
- searching
- showing instruments with current buy/sell signals
- sorting

You can use The Explorer to discover which instruments:

- have just generated a "buy" (or "sell") signal based on the values of an indicator
- have just crossed above their 200-day moving average on increased volume
- rank highest by Wilder's RSI or other indicators
- are above their 10-week moving average, with a Stochastic of 80 or higher, and are at a level of 4 on a customized binary wave

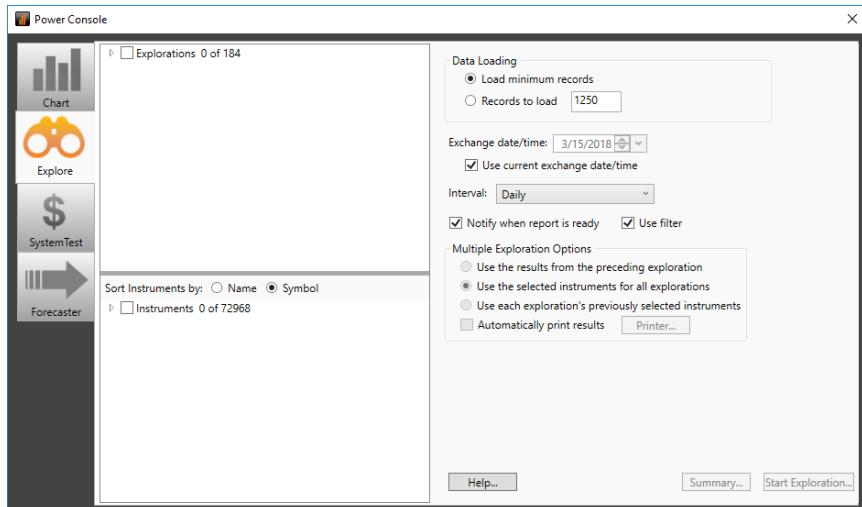
You can use The Explorer to generate:

- performance reports of all your mutual funds
- lists of every instrument you want to track
- the values of your favorite 12 indicators you want to track

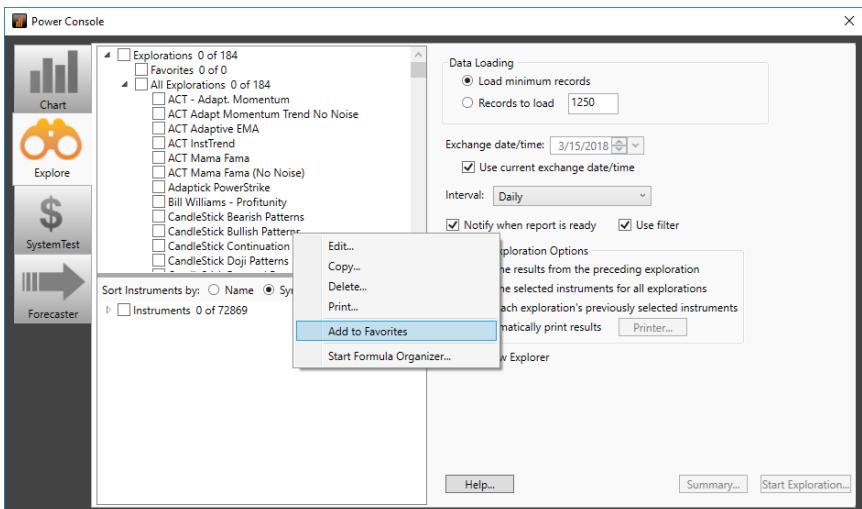
Access the Explorer by choosing  from the Power Console or by choosing the Explorer icon from the Standard Tool Bar.



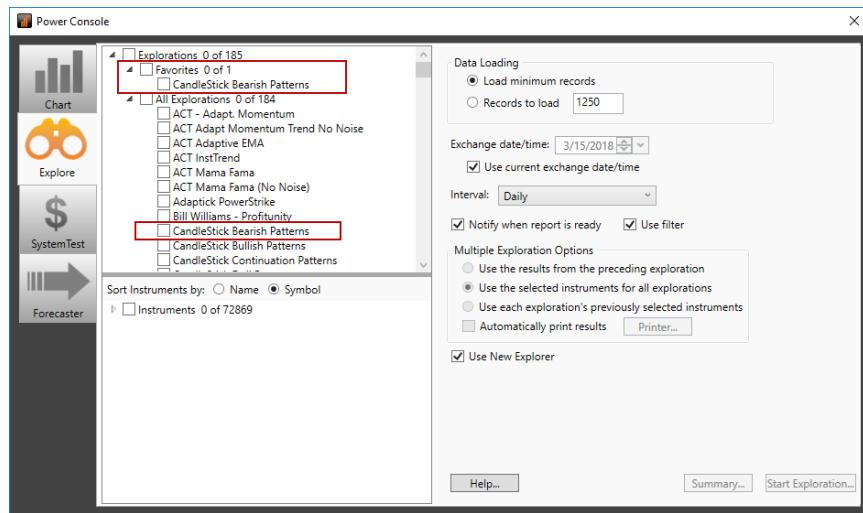
Once you have selected the Explorer icon there are two boxes that are presented. One is to choose the exploration (technical criteria) and the other is to choose the set of instruments.



Notice that MetaStock comes with hundreds of explorations. To avoid looking through the full list, you can add the explorations you use frequently to the exploration Favorites. Choose the arrow next to the exploration tree and right-click on CandleStick Bearish Patterns. Select Add to Favorites.

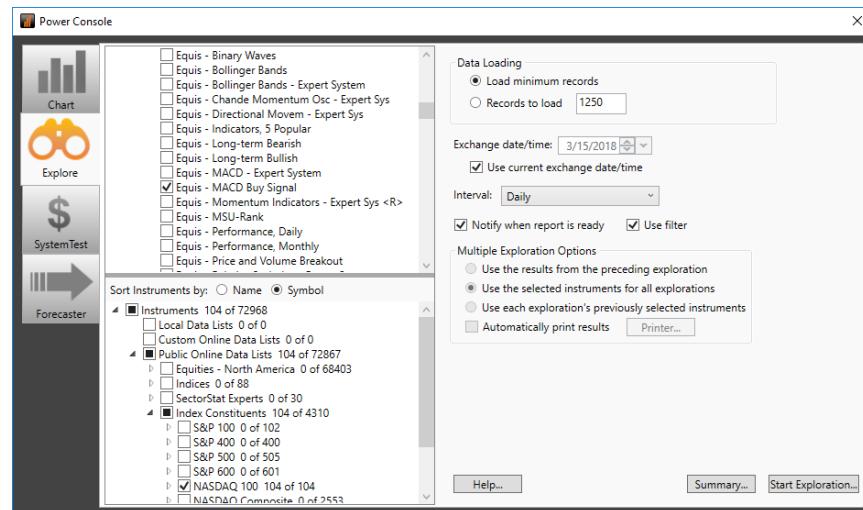


The CandleStick Bearish Patterns exploration is now in the Favorites section. Notice it was not removed from the main list.

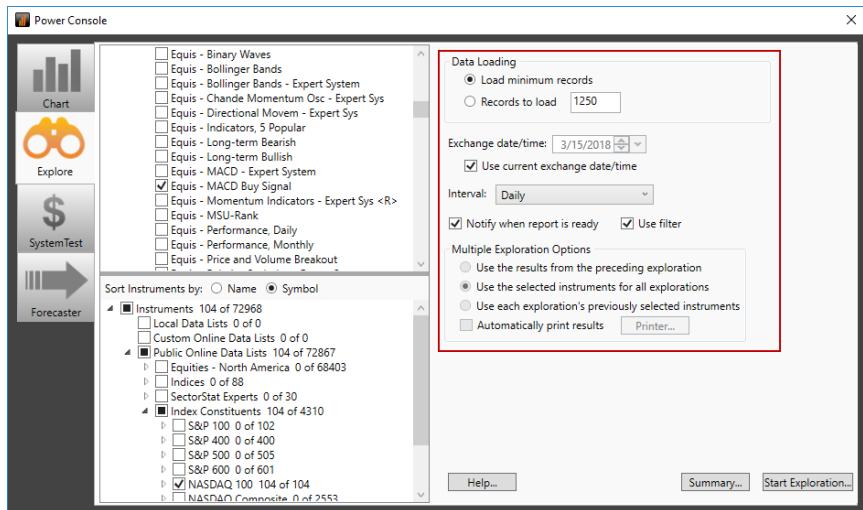


Explorations can be removed from favorites by right-clicking on them and selecting Remove from Favorites. This action does not delete the exploration or its report. The exploration is only removed from the Favorites section and is still in the full list of available explorations.

For this example, select the Equis - MACD Buy Signal. The expand the Instrument List and select the Nasdaq 100.



Once the Exploration and the list are selected then there are other selections to be made:

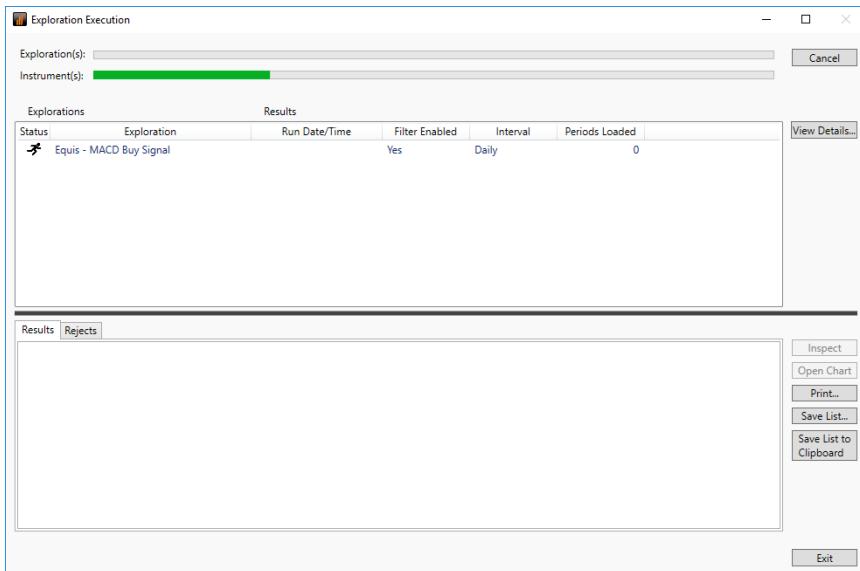


Option	Descriptions
<b>Load Minimum Records</b>	Loads the number of records required based on the scanning criteria.
<b>Records to load</b>	Set a user defined number of records to scan.
<b>Exchange Date Time</b>	Set the date for the exploration. The date time is for setting a date in the past that for review of past dates.
<b>Interval</b>	Time frame for the Exploration
<b>Notify when report is ready</b>	If activated, MetaStock displays a popup window when an exploration is finished
<b>Use Filter</b>	If activated, MetaStock will restrict the results on an exploration to just those instruments which meet the conditions of the explorations filter. if no filter is defined, this option will have no effect

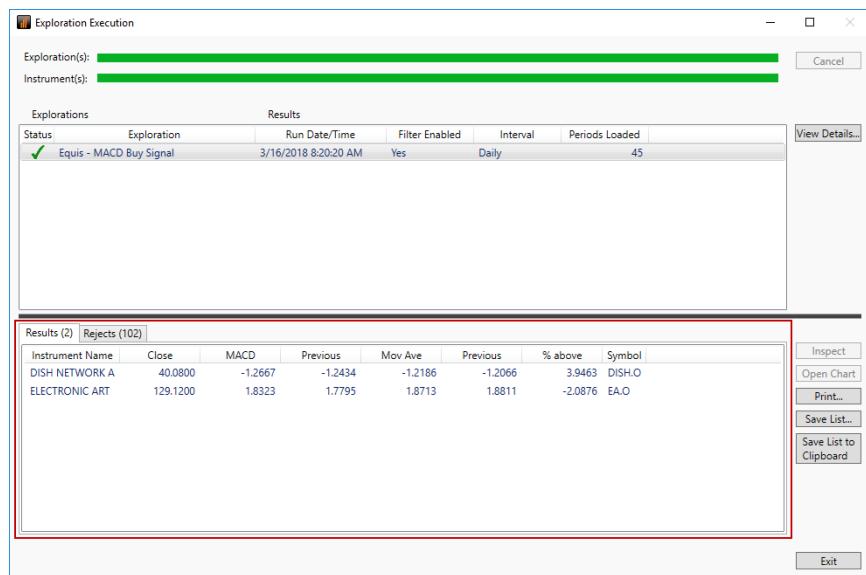
Option	Descriptions
<b>Multiple Exploration Options</b>	This is for searching multiple lists or using multiple filters on the same list. This will be covered at a later part of the manual.

After all selections have been made the [Summary...](#) button can be selected to review the explorations and lists that you are utilizing. If not, you can go directly to [Start Exploration...](#) to begin your exploration.

Once the exploration has begun then you will see a window showing the exploration status.



When the exploration is done the report is displayed in the bottom part of the window.



This shows an example of the instruments that meet the criteria selected.

From here, to open a chart and review select the instrument(s), click on them so they are highlighted blue and choose **Open Chart**. In order to review the chart(s), once opened, the **Exit** button needs to be selected.

### The System Tester™



System testing involves the development and testing of trading systems to determine the systems' historical profitability. System testing helps answer the question, "If I had traded this instrument using these trading rules, how much money would I have made or lost?" The System Tester also shows you which instruments work well with which systems. MetaStock comes with dozens of ready-made systems you can use to backtest against instruments.

You can also test your own trading ideas with the System Tester. Including the following:

- one system on one instrument
- several systems on one instrument
- one system on many instruments
- several systems on several instruments

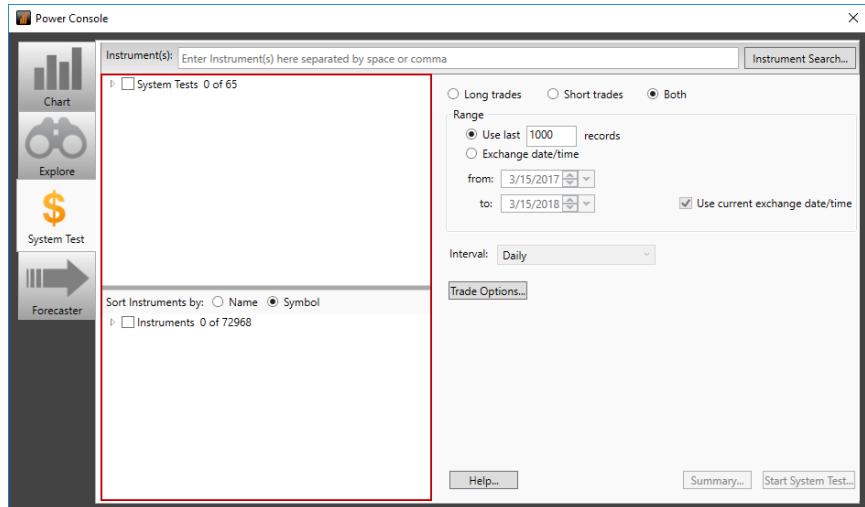
To access the System Tester choose the  from the Power Console or by choosing the System Test icon from the standard tool bar



or by choosing **Tools > System Tester**.

The System Tester options are all located on one screen for you to set what you want to test against. This section will give a brief overview and more detail will be given in subsequent chapters.

Once you have selected the System Test icon there are two boxes that are presented. One is to choose the System Test (technical criteria) and the other is to choose the set of instruments.



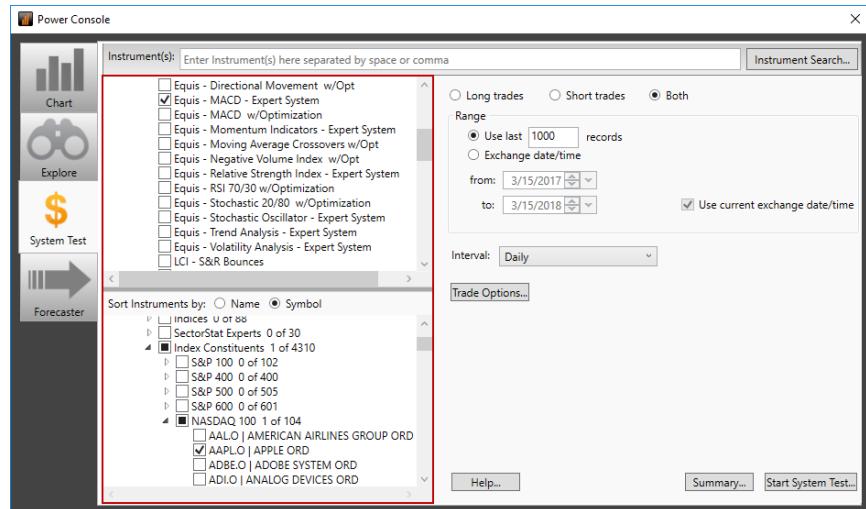
As with explorations, MetaStock comes with a large number of system tests.

Similarly, you can right-click on a system test and add it to a favorites list.

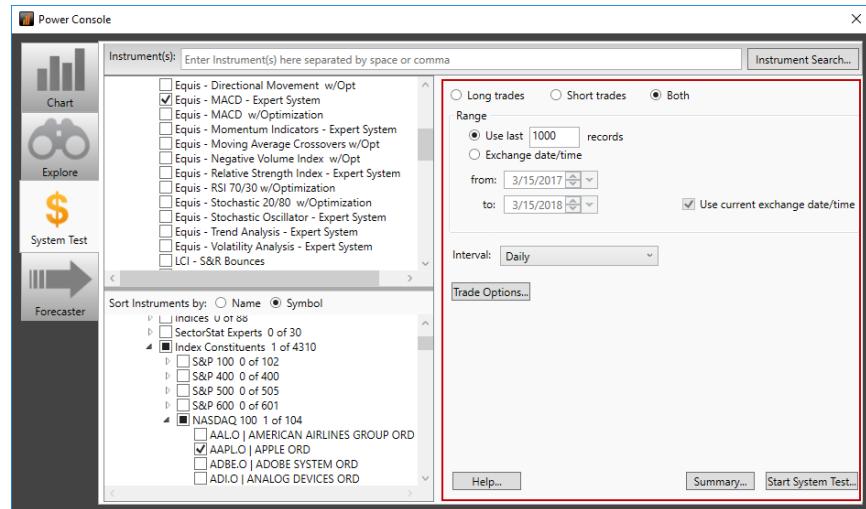
Choose the arrow next to the System Test and select the system to be used. In this example the Equis - MACD Expert System test will be used. To select

*The system test favorites and the explorer favorites are two separate lists. Actions affecting one favorites will have no effect of the other one.*

instrument(s) select by either entering a specific security in the enter Instrument(s) box or by selecting multiple instruments from the Instrument tree.



The next step is to set testing options.



Option	Descriptions
<b>Long trades</b>	Will only allow the system tester to take long trades.
<b>Short trades</b>	Will only allow the system tester to take short trades.
<b>Both</b>	Will allow the system tester to take both long and short trades.
<b>Use Last</b>	This dialogue allows for a selection of periods. For example 250 records would test 250 bars on a daily chart or 250 5 minute bars if selecting a 5 minute chart.
<b>Exchange data/time</b>	This dialogue allows for a selection of specific date ranges on a test.
<b>Interval</b>	This dialogue allows for selection of time frame. For example you could test your strategy on a daily or weekly chart.
<b>Trade Options</b>	This dialogue will open a new dialogue box that will allow for selection of Reporting, account sizing, broker commissions, and trade execution. These will be covered in more detail in a later chapter.
<b>Summary</b>	Summary will give a recap of selected parameters before the System test is run.

Begin the System test by choosing the [Start System Test...](#) button.

Once the testing is done, the System Tester simulation completed dialogue will appear.



Choose the [View Results](#) button to view the system test results. This will show results of the system test.

Summary			
Equis - MACD - Expert System			
Simulation Date 8/5/2016 2:42:49 PM			
Performance	APPLE INC (AAPL.O)	1000 Daily (1) Bars 8/15/2012 Through 8/5/2016 (1451 Days)	
Profit	\$5746.63		49.65 %
Performance	\$-5746.63		-11.24 %
Annualized Performance	1.44 %		39.87 %
Buy & Hold Profit	\$3822.06		
Buy & Hold Performance	3.82 %		
Buy & Hold Annualized Performance	0.98 %		
Trade Summary			
Total Trades	120		
Trade Efficiency	-5.95 %		
Average Profit/Average Loss	1.55		
Profitable Trades			
Total	51		
Long	36		
Short	15		
Average Profit	\$883.56		
Highest Profit	\$4763.99		
Most Profit	\$16.34		
Most Consecutive	6		
Unprofitable Trades			
Total	69		
Long	44		
Short	25		
Average Loss	\$-570.17		
Total Loss	\$-2045.94		
Lowest Loss	\$0.00		
Most Consecutive	8		
Maximum Position Excursions			
Long Favorable	\$3693.99		
Long Unfavorable	\$845.21		
Long Adverse	\$-2455.21		
Short Adverse	\$-2335.63		
Profitable Indices			
Total Equity	\$100000.00		
Trade Profit	\$45061.35		
Trade Loss	\$-39341.72		
Commission	\$0.00		
Interest Credited	\$0.00		
Interest Charged	\$0.00		
Fee/Balances	\$105719.63		
Open Positions	\$0.00		
Account Variation			
Highest Account Balance	\$140176.50		
Lowest Account Balance	\$76966.73		
Highest Open Value	\$8326.91		
Highest Open Drawdown	\$8526.91		
Highest Closed Drawdown	\$8580.11		
Account Events			
Margin Calls	0		
Overdrafts	0		
Profitable Timing			
Average Trade Length			11
Longest Trade Length			53
Shortest Trade Length			1
Total Trade Length			563
Unprofitable Timing			
Average Trade Length			5
Longest Trade Length			39
Shortest Trade Length			1
Total Trade Length			402

The tabs and results will show the overall results of the test:

To review the sections and all the categories click on the  Help button in the top right hand corner. This will explain the tabs and all the information contained in the results. In a later chapter the manual will review how to reference the top sections of data to understand how to interpret them.

## The MetaStock Forecaster™

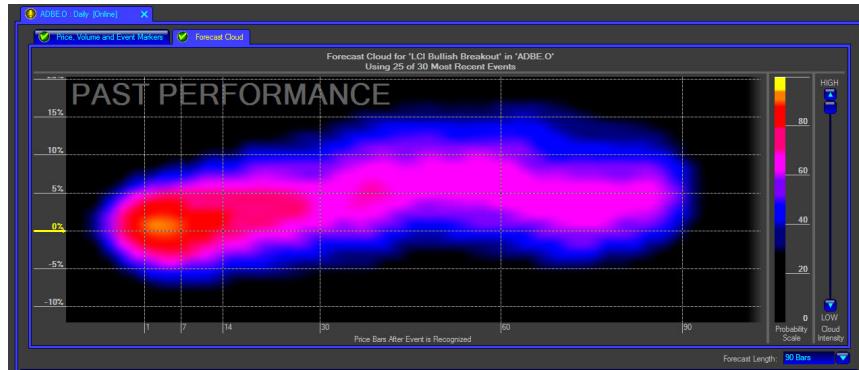


Forecasting is a science that allows us to look at how price behaves after an event has occurred. An event can be anything from a Moving Average Crossover to a single day Candlestick pattern. The ranges of events can be varied, however, our main concern as traders is, "what happens to price after an event happens?". Does price tend to move up, move sideways, or trend down? These are the questions that The MetaStock Forecaster helps answer. We can see a confluence of prices in a Forecast Cloud so we can observe what price tends to do.

The Forecaster will allow you to:

- See a Forecast Cloud of how price trends up to 180 days after an event occurs
- Scroll through relevant events (up to 67) to see past performance.
- See past events plotted on the chart and how those past events performed.
- Use the explorer to find events and then match them in the forecaster.
- Show higher intensity price probability by showing brighter colors.

## Example Forecast Cloud:

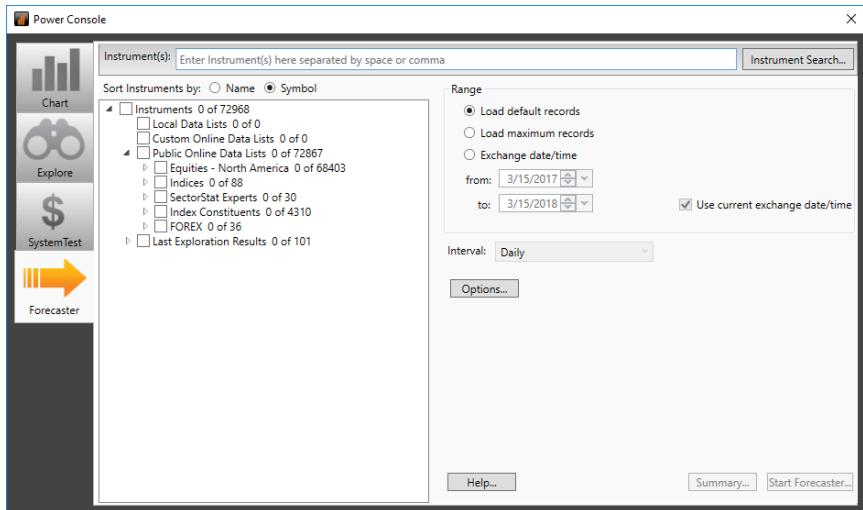


To access the Forecaster choose **Forecaster** from the Power Console or by choosing the Forecaster icon from the standard tool bar

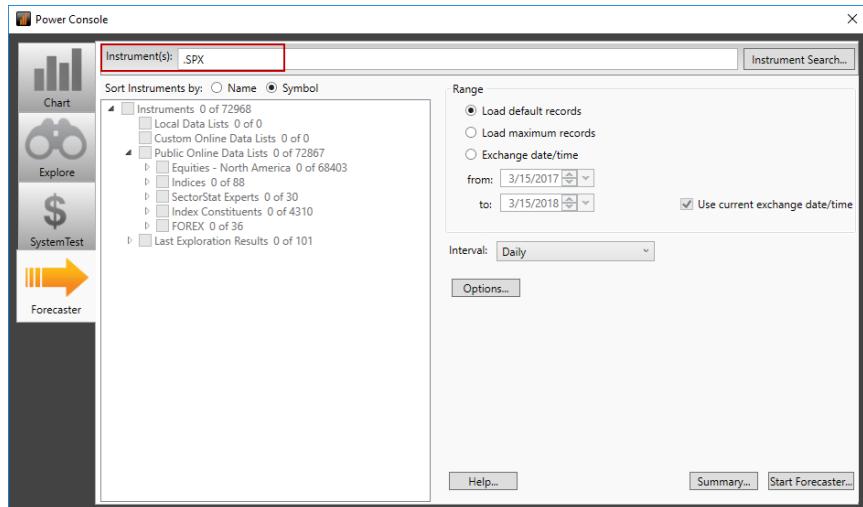


or by choosing **Tools > Forecaster**. The Forecast can also be launched from any active chart by right clicking and choosing Forecaster.

Choose which Instrument to open by either selecting the Instrument(s) dialogue box or from the Instrument(s) tree.



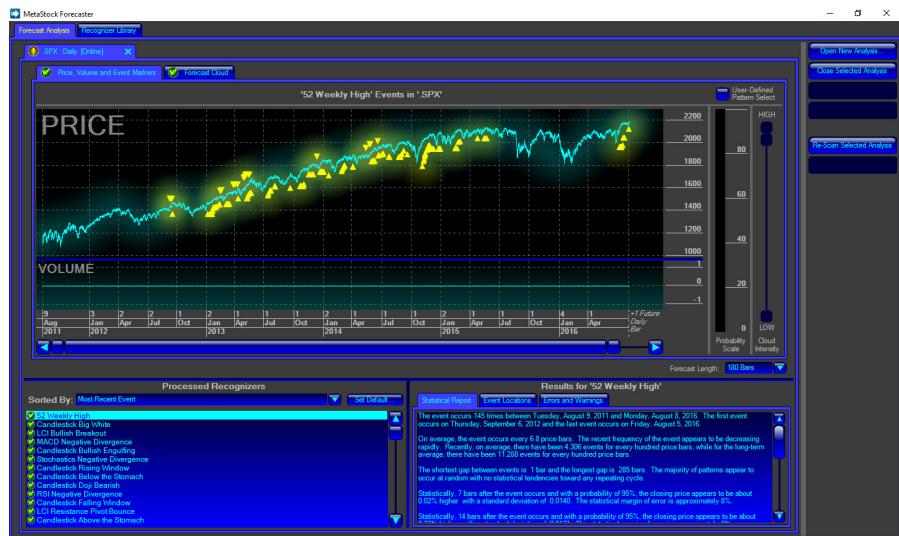
In this example.SPX will be used.



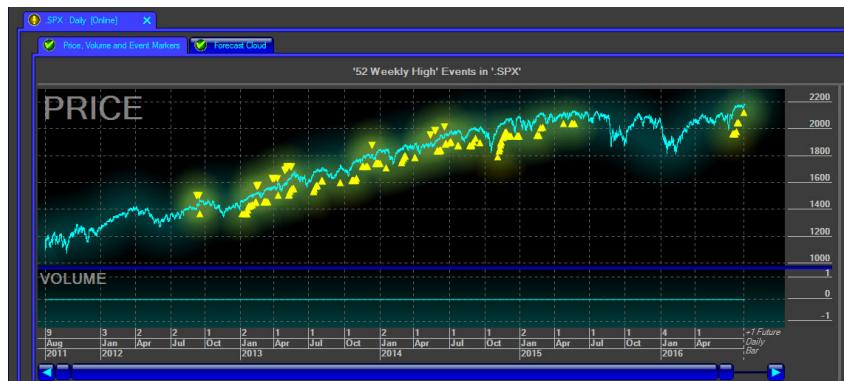
Selections for forecast use the following.

Option	Descriptions
<b>Load default records</b>	Loads 1250 Periods of data. This is the recommended option as loading more data may negatively affect the Forecaster's calculation speed.
<b>Load maximum records</b>	Loads the full data history
<b>Exchange data/time</b>	Load specific date ranges selected by user.
<b>Interval</b>	Loads Daily chart
<b>Options</b>	Launches new window giving options for recognized events.
<b>Summary</b>	Gives an overview of selected options.
<b>Start Forecaster</b>	Launches the Forecaster Application

Once the Forecaster is launched, it opens as a new, separate charting application. It will appear as below.



The Forecaster shows a chart with yellow triangle arrows above and below the price chart. These are not indicative of buy and sell arrows, but show when an "event" has occurred. The event can be defined as a technical set up or when the signal occurred. Do not confuse them as buy and sell alerts. Here is an example chart with event markers.



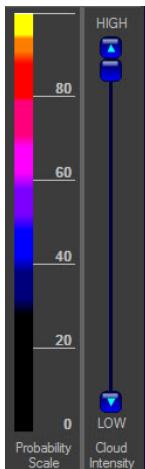
Below the chart is the list of recognized events with options for sorting.



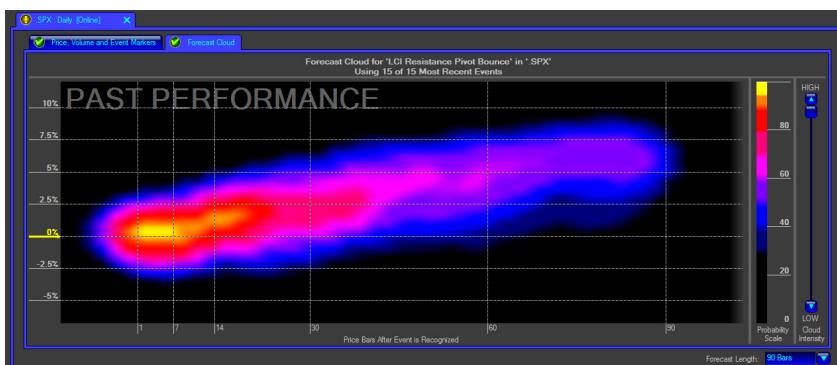
Once an event is chosen it will give a Statistical Report. It will also show Event Dates under the events date tab.



The probability scale allows you to select the probabilities you want to view. This can be accomplished by moving the scale from low to high.



By selecting the Forecast Cloud tab it will display the current forecast cloud the selected event.



More detail will be provided into how to use the cloud in the chapters covering the forecaster.



### Indicator Builder™

The Indicator Builder is a tool that allows you to build and design your own indicators. MetaStock comes prebuilt with a large collection of tools that are ready to use; however, you have the ability to custom design your own indicator sets. To learn more about the Indicator Builder go to <http://www.metastock.com/customer> and look for the *Formula Primer*. This is a free resource that shows you the basics of MetaStock formula writing.

See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)



### Downloader

Downloader is a program designed to help you manage local data. With MetaStock XV and higher you are able to read data files that are stored locally on your computer. The Downloader program collects and stores that data. Downloader uses Datalink™ data to download data directly to your hard drive. It will also let you convert other files into MetaStock data format. You can use MetaStock Legacy Files or even CSV. File and data management is very easy and will be covered in a different chapters.

## CHAPTER 4 FILTERING AND BACKTESTING

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### Why Filter and Backtest?

A sound approach to finding tradable stocks (or any asset type) with MetaStock is using a simple three-step approach:

1. Use the Explorer to filter a large list of stocks to find those triggering a trading system's active buy (or short) signals.
2. Use the System Tester to backtest the trading system's buy/sell rules to determine historical profitability.
3. Use the Expert Advisor to inspect the trading system's buy/sell signals on chart AND to monitor the trading system for future buy/sell signals.

This workflow allows you to take your instruments (stocks, futures, or FOREX) and narrow them down to the instruments that meet your criteria. You can start with a custom list of your favorite instruments, a common list like the Nasdaq 100, or any worldwide exchange.

Once you have identified the instruments that meet your criteria you can backtest the stocks to see how the trades performed giving better insight into which ones may work best.



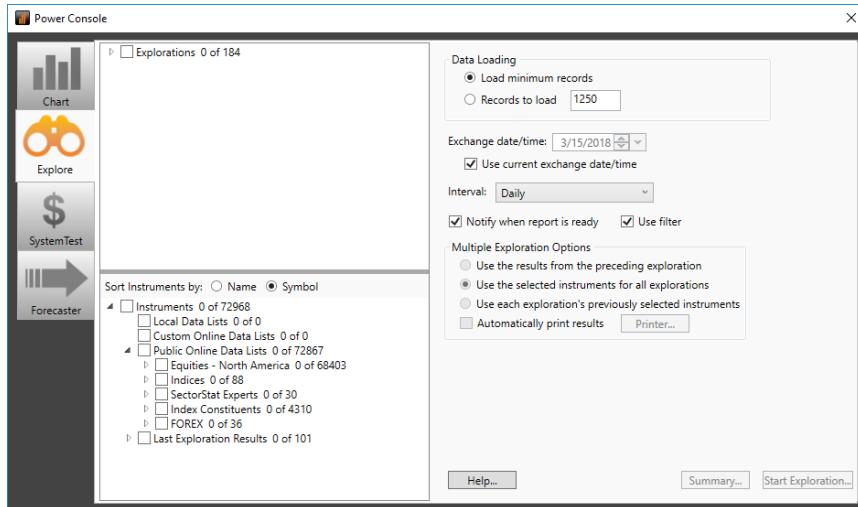
### Filtering Instruments



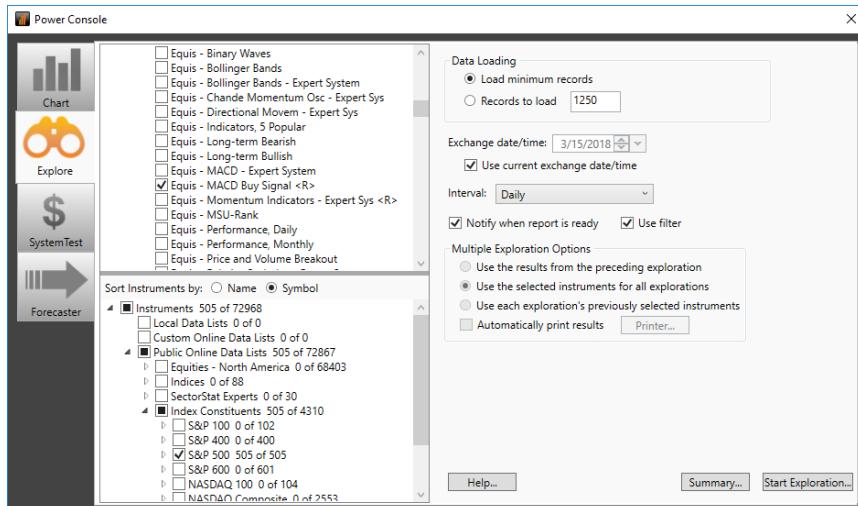
Access the Explorer by choosing **Explorer** from the Power Console or by choosing the Explorer icon from the Standard Tool Bar.



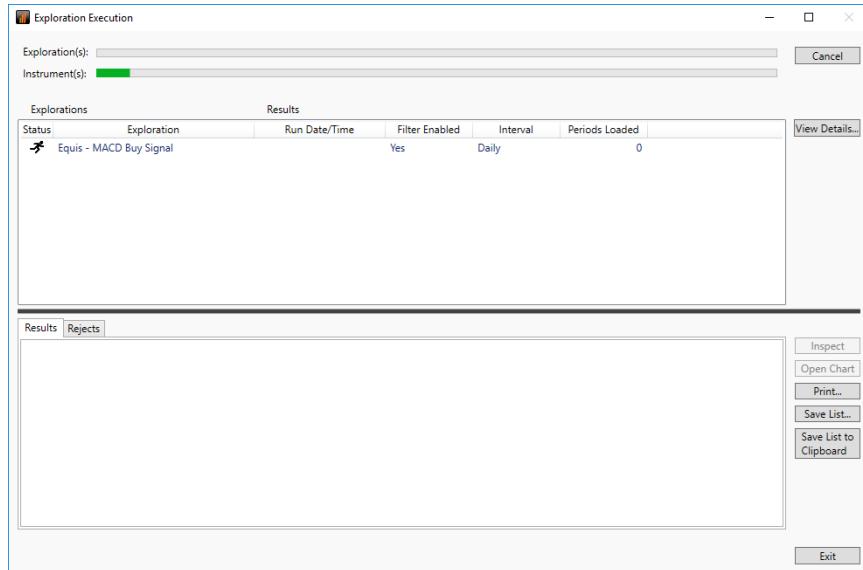
Once you have selected the Explorer icon there are two boxes that are presented. One is to choose the exploration (technical criteria) and the other is to choose the set of instruments.



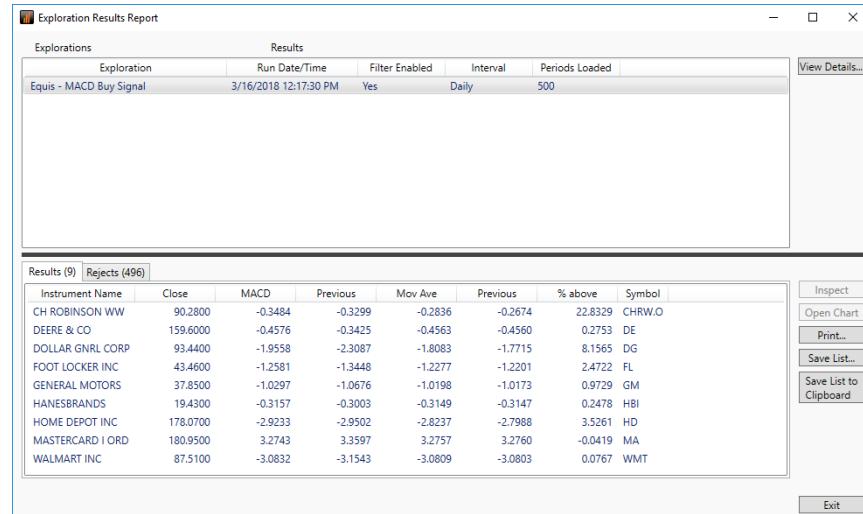
Choose the arrow next to each tree to expand and select the exploration and the list. For this example the Equis - MACD Buy Signal and the S&P 500 will be chosen.



Once the exploration has begun then a window showing the exploration status will be displayed.



When the exploration is completed a completed report is displayed in the lower half of the window.



This shows an example of the instruments that meet the criteria selected. Depending on the number of results, it may be difficult to decide which instrument

to trade. For this we can use the System Tester to help us to determine which instruments to trade.

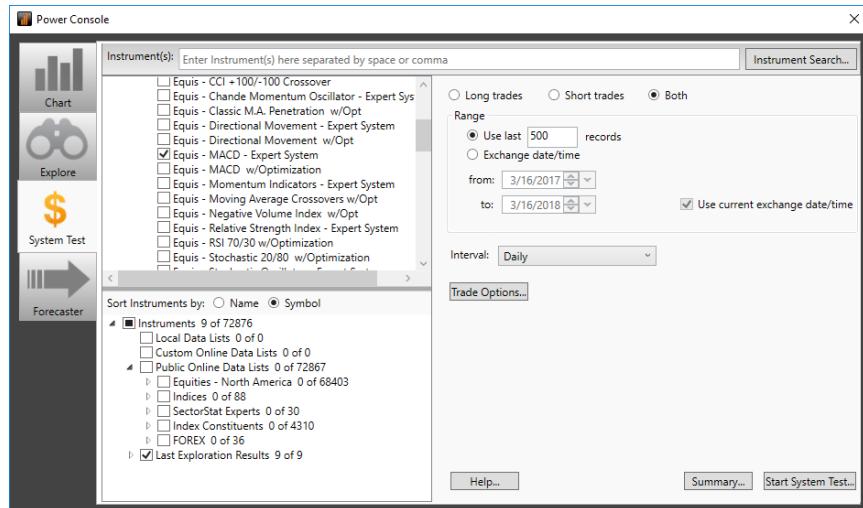
## Backtesting Instruments



To System Test the results of the Exploration, close the Exploration Results, return to the Power Console and choose the System Test icon.

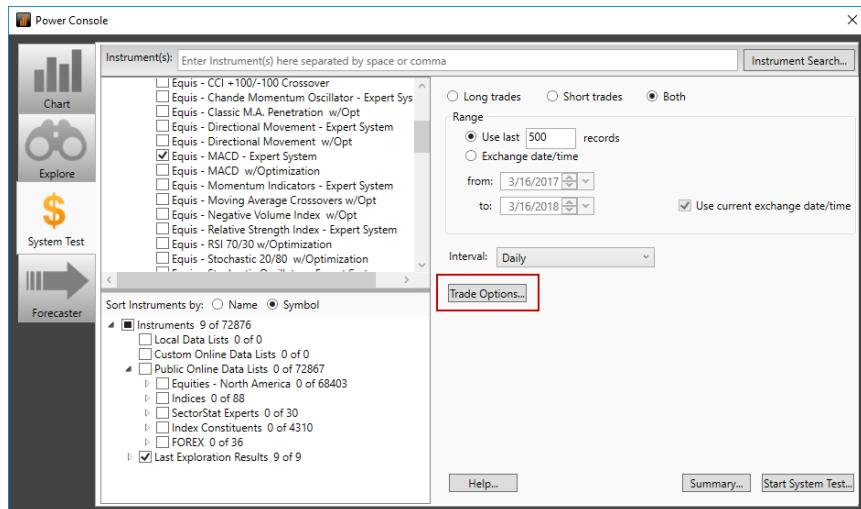


In the System Test tree select the system to match the exploration. In this case the Equis-MACD Expert System will be selected and in the Instrument Tree select the Last Exploration Results List (Hint: This list always shows the results of the last exploration).

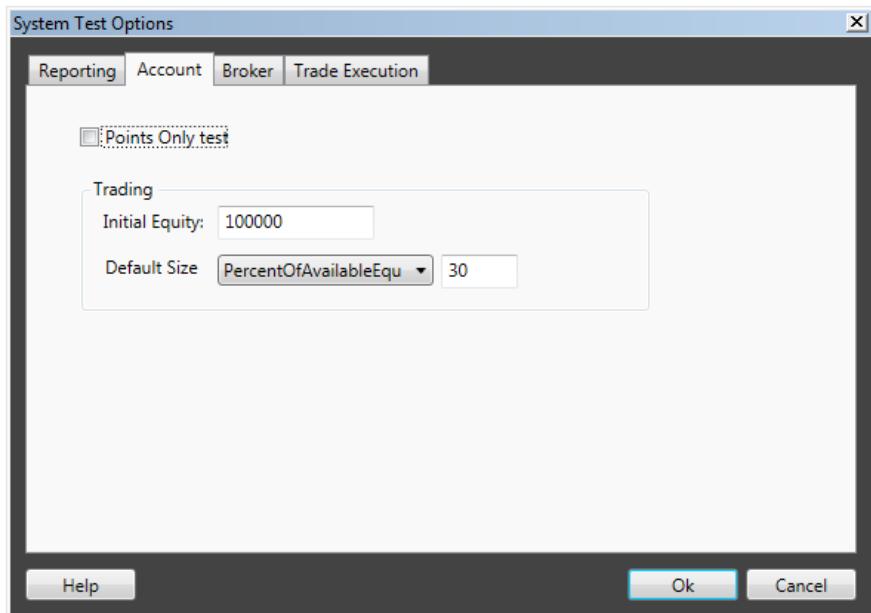


For the options since a buy signal was scanned for the test will be performed for Long Trades only. The Range can be variable. The default is for the last 250 records or one year on a daily basis. For the purpose of example the range will be changed to 500 records or two years to give a bigger time period.

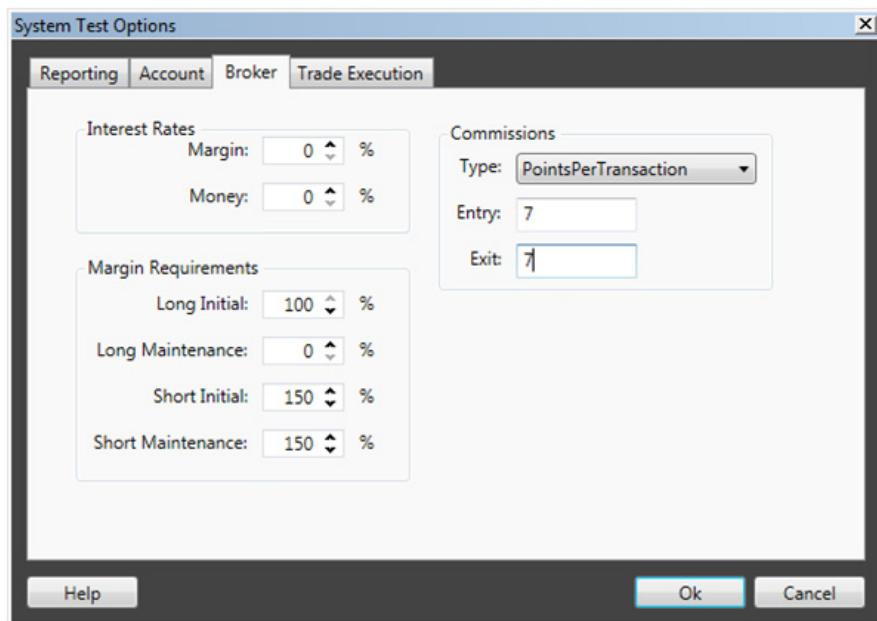
## Choose Trade Options.



Click on the **Account** tab. Here set the **Initial Equity** to the amount you having in your trading account, then change the Default Size to Percent of Available Equity. Under this category choose the amount you are willing to risk in the trade. In this example a risk amount of 30% is selected.



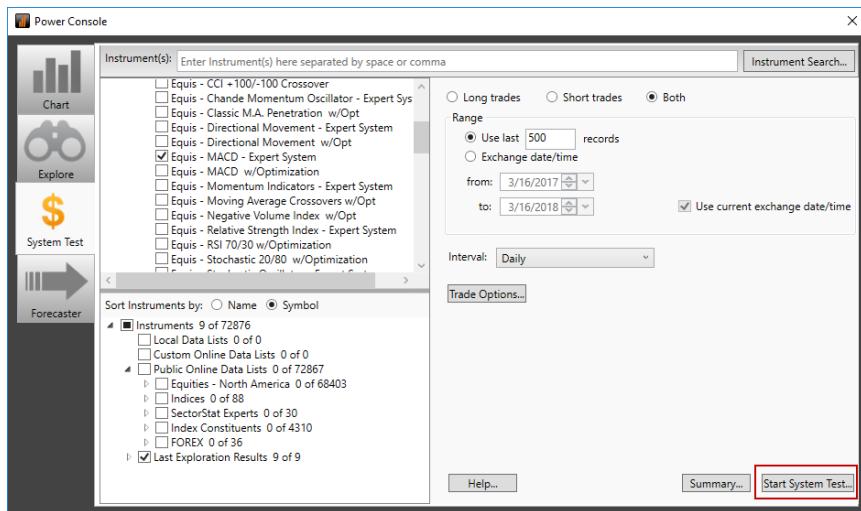
Select the **Broker** tab



Here the commission tab will allow of the cost of the trades for a more realistic result. This can be left blank if the user chooses to test this way. For this example the commissions will be entered in as \$7 to enter a trade and \$7 to exit.

For the person new to MetaStock and System Testing it is recommended to leave the **Reporting** and **Trade Execution** tabs as the defaults.

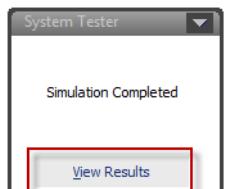
Close the System Test Options page by selecting the **OK** button. In the Power Console select the **Start System Test...** Button.



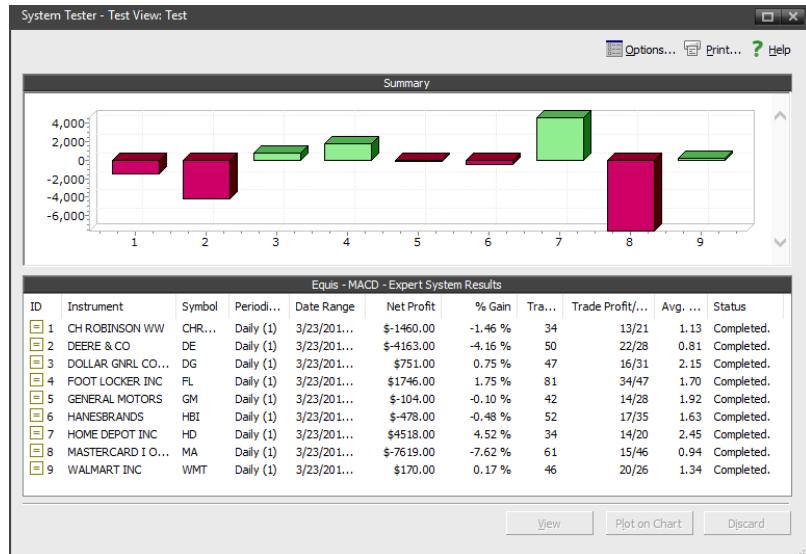
Once the System Test is complete an option to view System Test results is displayed.



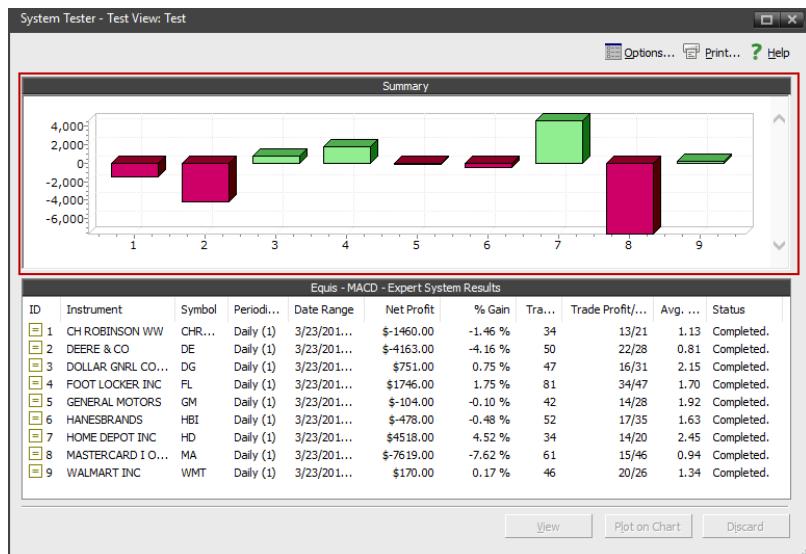
Select the **View Results** Button.



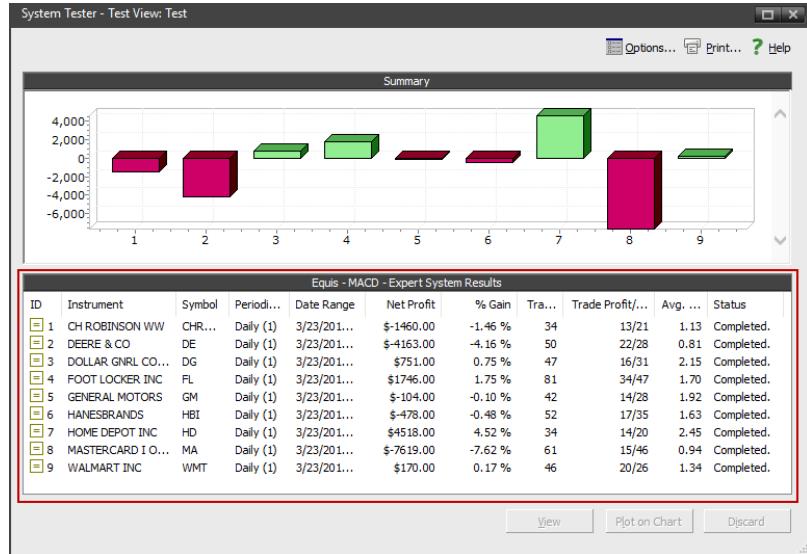
The results are now displayed.



The Test View opens. The graph at the top shows the average net profit.



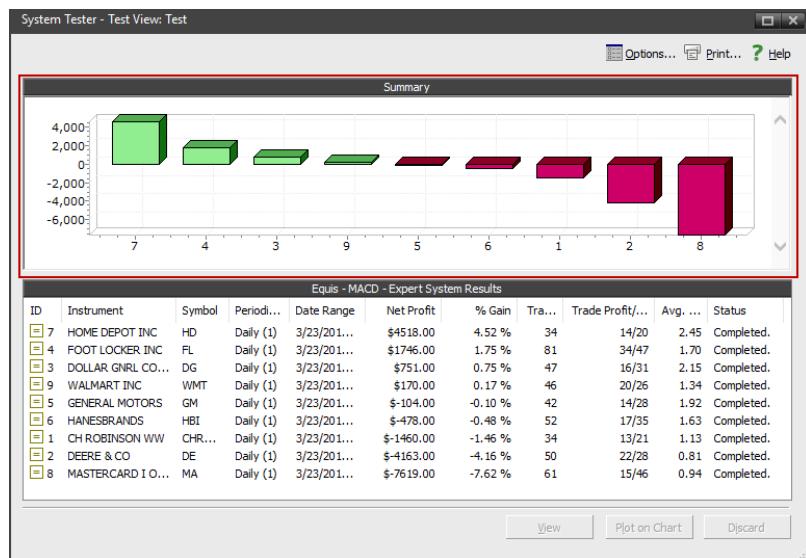
The bottom grid gives quite a bit of information.



The columns will tell us a few bits of important information.

Name	Description
ID	Represents the Test Number
Security	The name of the tested instrument
Symbol	The symbol of the instrument tested
Period	What time frame was tested
Date Range	This will display the time over which the test was run
Net Profit	The amount of profit that is net minus commissions
% Gain	Displays the percentage gain or loss
Trades	Number of trades taken over the tested period of time
Trade Profit/Loss	Number of Winning Trades/Losing Trades
Average Profit/ Loss	Tests average profit and loss

Any of these results can be selected to rank based on that criteria. Double click any header to sort on that criteria. In the example below the net profit has been double clicked to sort on that header. Now the Instrument with best trading success has been ranked on top.

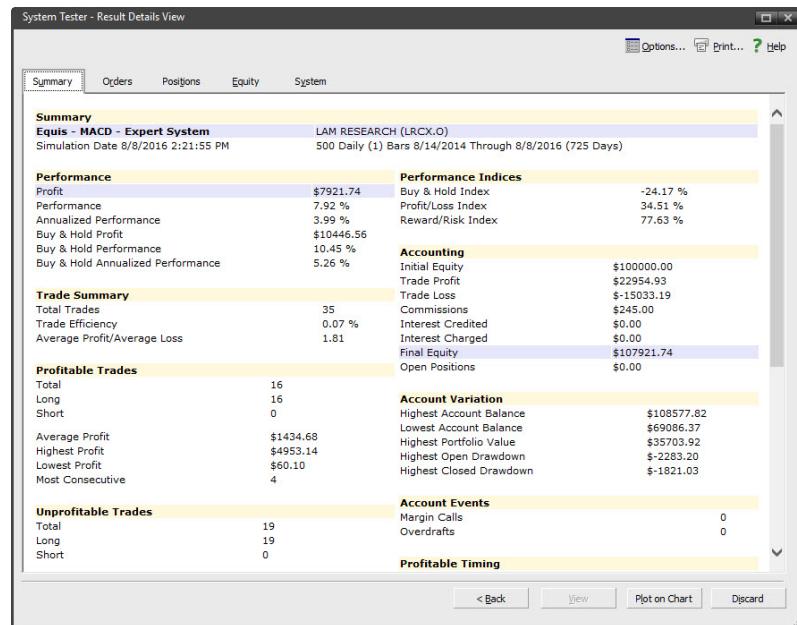


Before going into more detail there is much that can be learned in the Test View screen. One main question that can be answered is if this fits your individual risk and trading style. This test was run over 500 days (2 years). If the first instrument is reviewed it can be noted that it traded 56 times over that period or an average of every 9 days. Question 1 is does this fit how often you want to trade? Second question is the Trade Profit/Loss. This system, on LRCX.O, (at the date of test) had 35 total trades. Of those trades, 16 were winners and 19 were losers. So the system works a little less than 50% of the time, yet it was our most profitable system. This can tell us that when it wins, it wins big. It can also tell us when the system loses trades, the trades are often smaller. This would be something to consider but it is important to get more detail first.

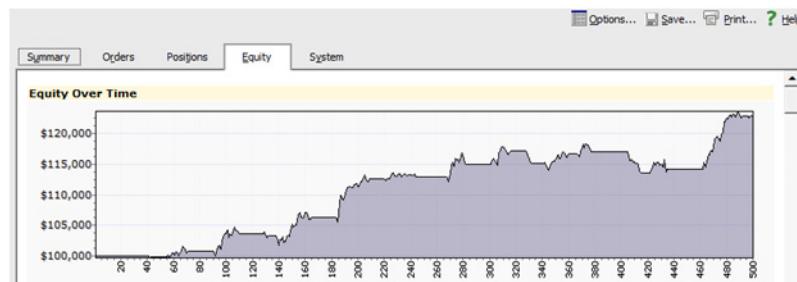
To get more detail choose the instrument you want more information on. Do this by double clicking the instrument name.

The overview page gives specific details on the trades. Examples are Highest Profit, Lowest Profit, Trade Timing, Out of market, etc. The accounting section will show

the change in account. It will show Trade Profit/Trade Loss and Commission paid. This will allow for a good insight in to trades over time.



The best way to quickly identify if a system has traded well over time is to review the Equity tab. Select the **Equity** Tab. This tab will show the Equity Line (or money over time).



When looking at an equity line it is important to look for growth over time without major drawdown (loss in funds). The Equity line above shows this type of growth except for the period between 400-460. The growth has accelerated the last 50 bars. This is important as it is the most recent trading period. It can be noted that the most recent period is the most relevant as it is important to the current market.

Looking for strong steady equity lines is critical to finding a good system as it shows consistent trades over time. This example is a good example as the most recent trades have been the best trades.

Open the Chart and apply the corresponding expert to follow the trend.

See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)

## CHAPTER 5 MORE ON BACKTESTING

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It is no secret that everything trades a little differently. It can be difficult to match the personality of a system to the personality of the instrument that you are trading. For example Apple may trade very differently from Bank of America. The EURO may trade differently than the YEN. It may make sense to use an oscillating indicator on one and a trending indicator on another. Since each instrument is unique the system tester allows the user to test their strategy against another to see if the personalities match. The drawback to back testing is that it is historical. It is a view of how it has performed historically. The edge that this can provide is that if something has worked well historically it can give a level of confidence in the trade that we may not have had prior to the test. While system testing is no guarantee of success it helps us put the odds in our favor.

### Performing a Multi-System Test

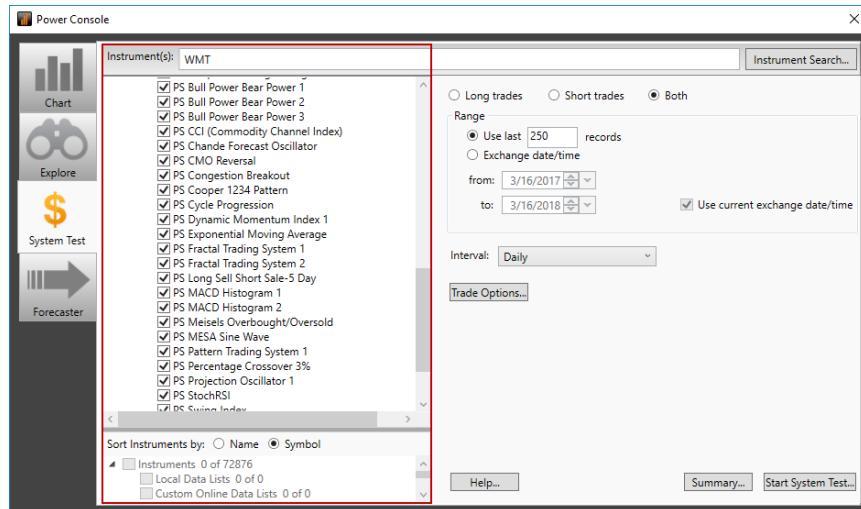


For this example we will test Facebook against the Performance Systems included in MetaStock. This workflow can be applied to any instrument, this is just one example of how multiple system testing works. This work flow will take 1 instrument against 26 strategies to see which of the systems best matches the personality of the instrument.

Click to open the Power Console.

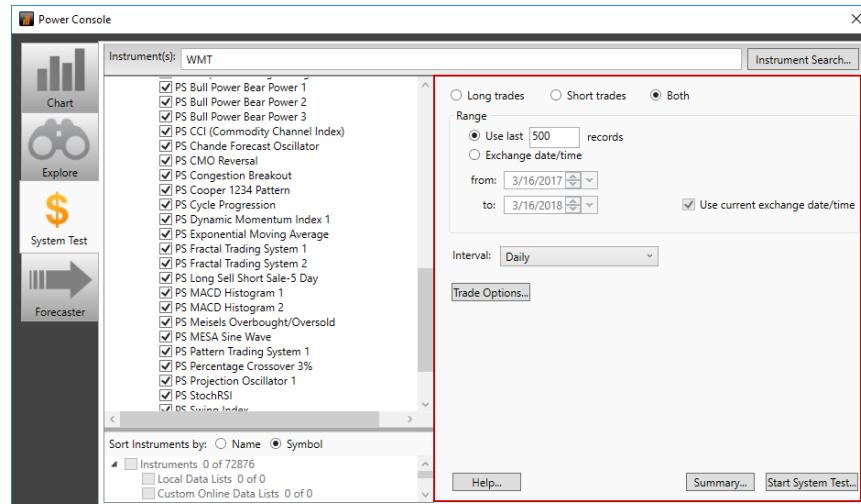
Select in the Power Console

In the Power Console select the 26 System Tests that begin with PS (Performance Systems) and the Instrument Dialog Box enter in WMT (or the instrument that should be tested).

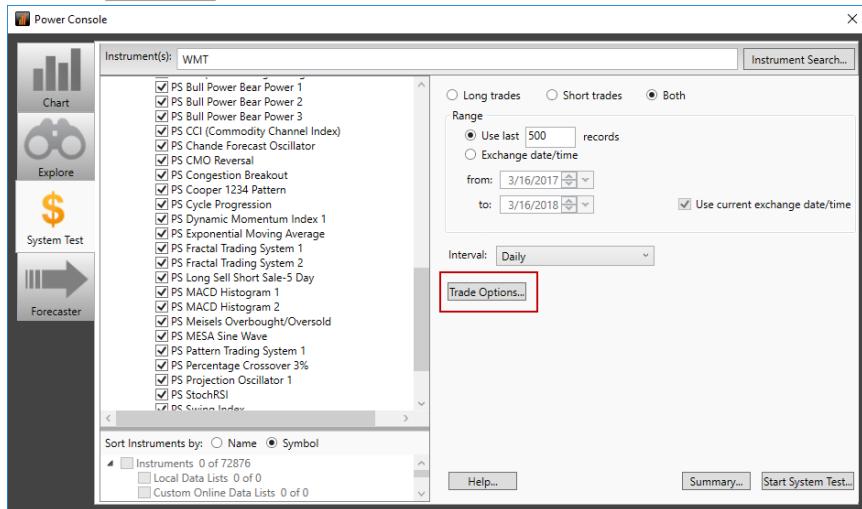


Once the instrument is selected and the systems selected the Trade options need to be selected.

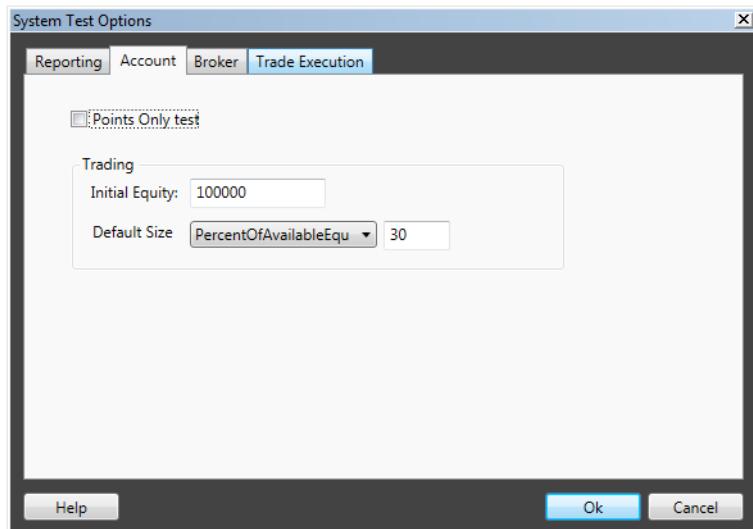
When running the test, you will normally set the parameters to your personal trading preferences. For this example the **trades** will be set as **Both**. This will set the System Test to trade both long and short. The **Range** will be set to 500 records (or two years on a daily bar). **Interval** will be set as Daily.



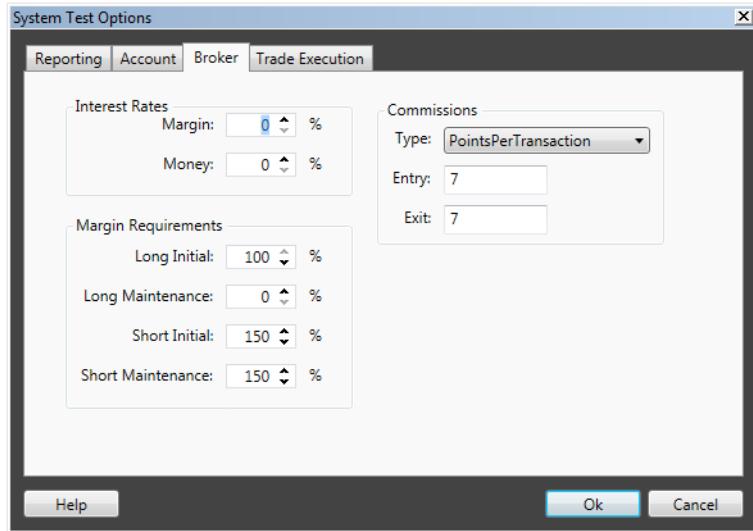
Select the **Trade Options...** button.



Select the **Account** Tab:



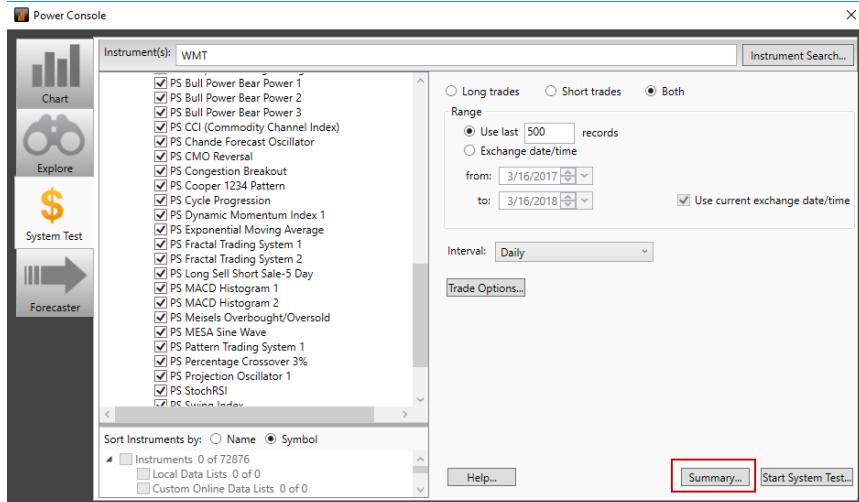
For this example the **Initial Equity** will be set to 10000 and the **Percent of Available Equity** will be set to 30%. This means that whatever funds are available in the account 30% of that equity will be traded. This can vary depending on if the account drops to 50000 or increases to 700000. 30% of this amount will always be traded.

Select the **Broker** Tab

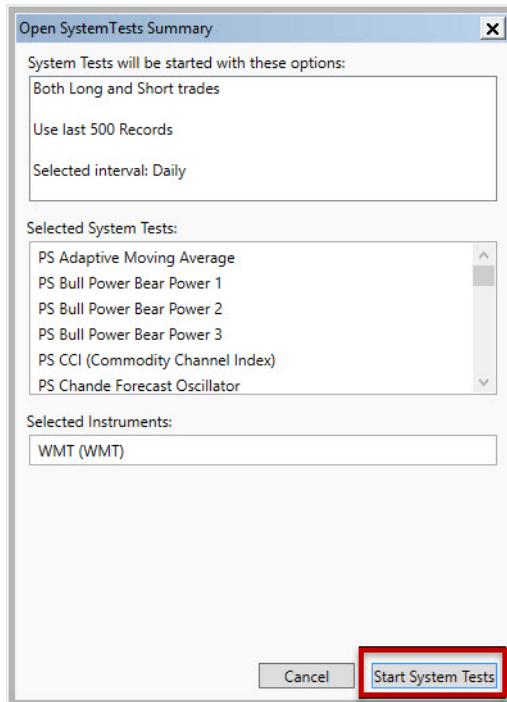
For this example the Points per Transaction will be used. This denotes how much it costs to enter a trade and how much to exit a trade (commission). Set this to the amount that you pay to enter and exit a trade.

Select **OK**.

To review the test before running select the **Summary...** button.



This dialogue allows you to review your selections before starting the System Test.



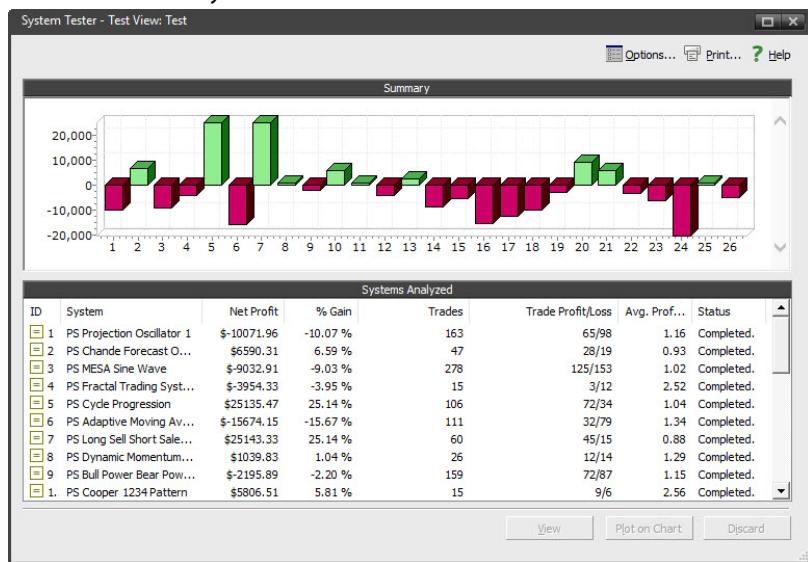
For here select the Start System Tests and the test will begin.

When the test is completed choose the [View Results](#) button to review the results of the test.



## Reading the Report

Below is the System Tester - Test View screen for the test we just ran. It is displaying an overview of all the systems used in the test.

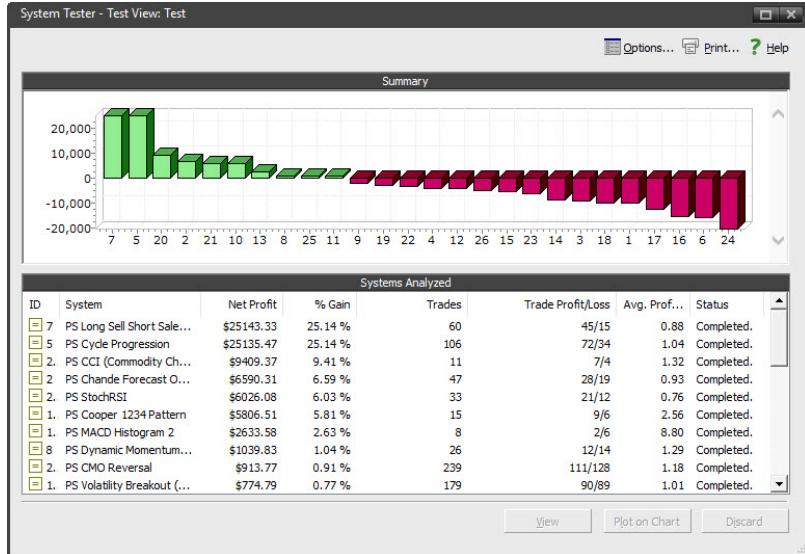


The Columns represent the following:

Name	Description
ID	Represents the Test Number
Security	The name of the tested instrument
Symbol	The symbol of the instrument tested
Period	What time frame was tested
Date Range	This will display the time over which the test was run
Net Profit	The amount of profit that is net minus commissions
% Gain	Displays the percentage gain or loss
Trades	Number of trades taken over the tested period of time
Trade Profit/Loss	Number of Winning Trades/Losing Trades

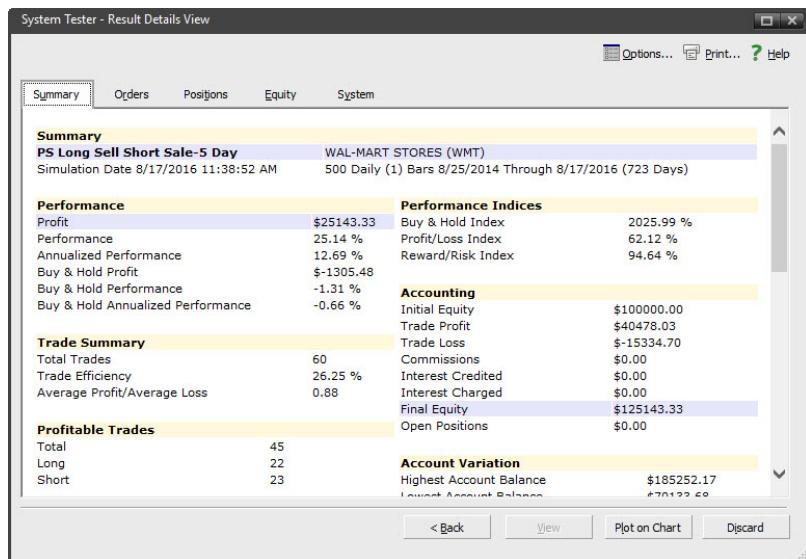
Name	Description
Average Profit/ Loss	Tests average profit and loss

To sort on columns double click on the headers. For this example double click on **% Gain**. This will show the top results based on % Gain.



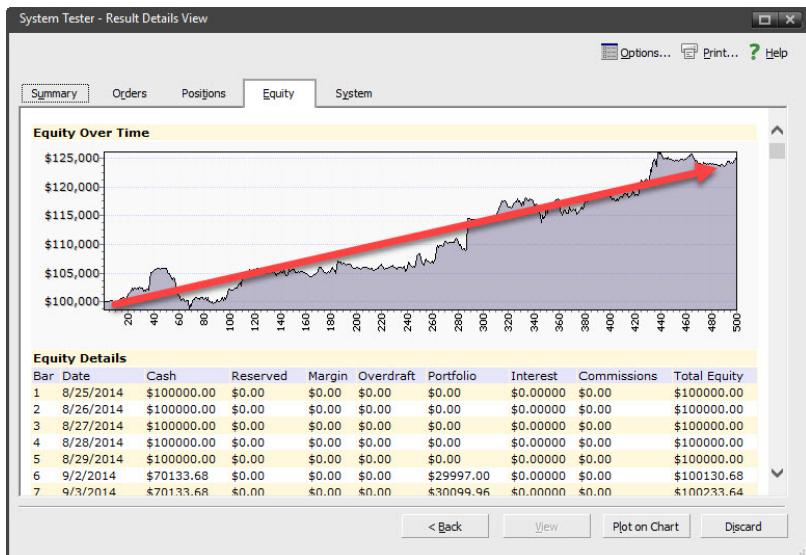
By looking at this screen it can already be viewed that there are systems that we would not likely trade by viewing those in the negative. This show that we have a few strategies that seem to match the personality of Walmart. To review the specific details double click on the test results to review. In this example the PS Projection Oscillator 1 will be selected.

The summary page will give an overview of how the trades have performed over time.

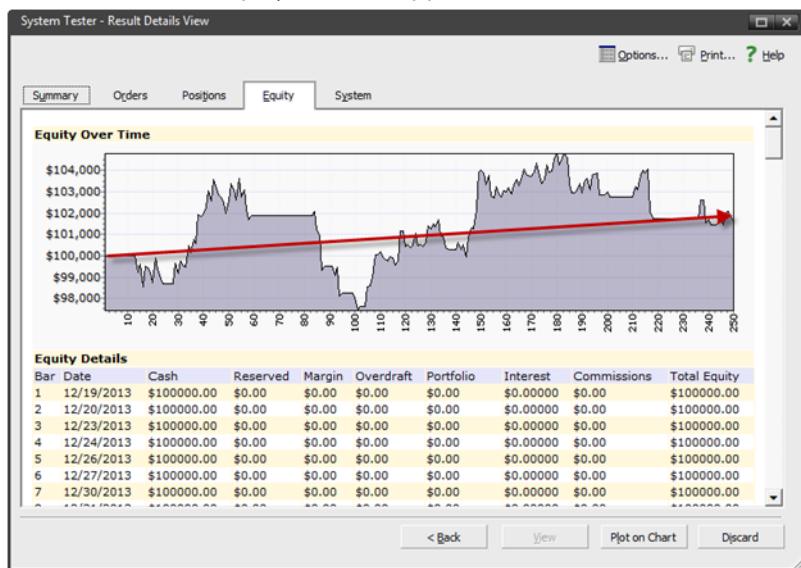


The critical test for this will be to review the Equity line. The Equity line shows how the instrument has performed. Select the Equity tab after reviewing the Summary Tab.

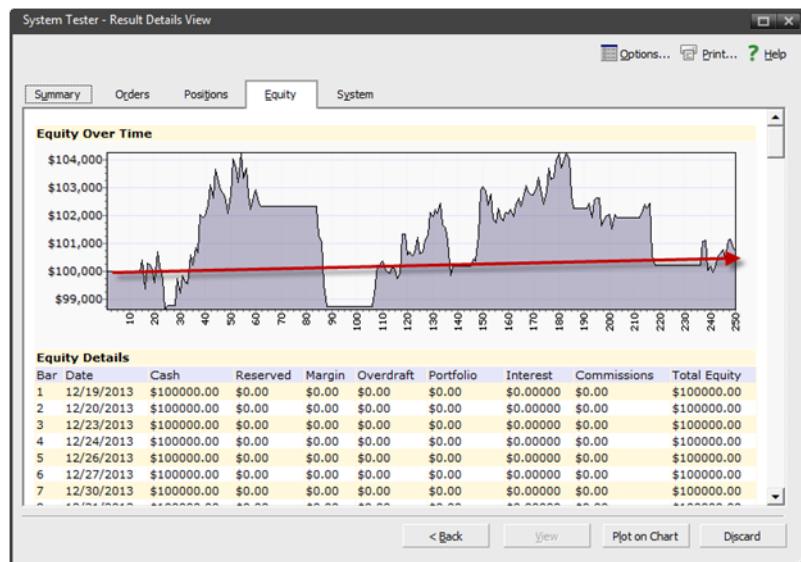
Think of the Equity line as a trend line. This example shows a consistent movement in the upward direction.



Using the Equity Line as a gauge of the trades you can quickly identify those that don't work. Consider an Equity Line that appears as below.



The movement is up overall but with a lot of movement up and down. This shows whipsaw in the trading and inconsistent trades. This is not the type of movement we want in our trades.



Looking at several inconsistent trading results shows the importance of looking for a smooth consistent Equity line.

Once a system has been decided upon, go back, open the chart and apply the appropriate Expert Adviser. The Expert can help guide you through the chart and signals available.

See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)

## CHAPTER 6 USING THE FORECASTER

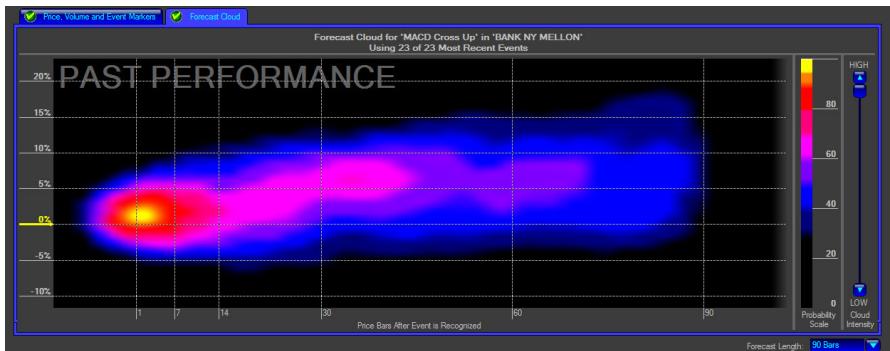
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As traders we can see where the price has been and what the patterns look like on a chart, but our biggest question that we always ask is "Where is the price going to go next?". This is a critical question as a trader and the MetaStock Forecaster can help see a glimpse into that answer. What we can see with The Forecaster is the probability of where prices tend to go after an "event" has happened. We define an event as a point in time when a technical signal was confirmed. This could be anything from a moving average crossover to a 52 week high. The question is after these confirmed events happen, where does the price go? Does it rise? Drop?

The way the Forecaster looks at a chart is to analyze the event happening. Meaning that when doing analysis you aren't looking at buy and sell signals you are only looking at when a technical set up occurs. For example. Below is a chart that shows only MACD buy signals.



The Forecaster is going to analyze each of the events and then show what happens to price after the event happens. This is expressed in the form of a probability cloud.



This example is showing what the BK does after a MACD Cross up (or buy signal) occurs. The price shows a short term flat period before moving down. So if you are trading the MACD on the BK it tends to have a slight increase before a pull back. This can help traders understand what happens to price after a technical event happens. This is determined by doing multiple layers of statistical analysis to help us determine the direction of price over time. More than that, it can help us find where price is likely to be and where we should be setting our price targets and stops.

## Opening a Forecast Analysis

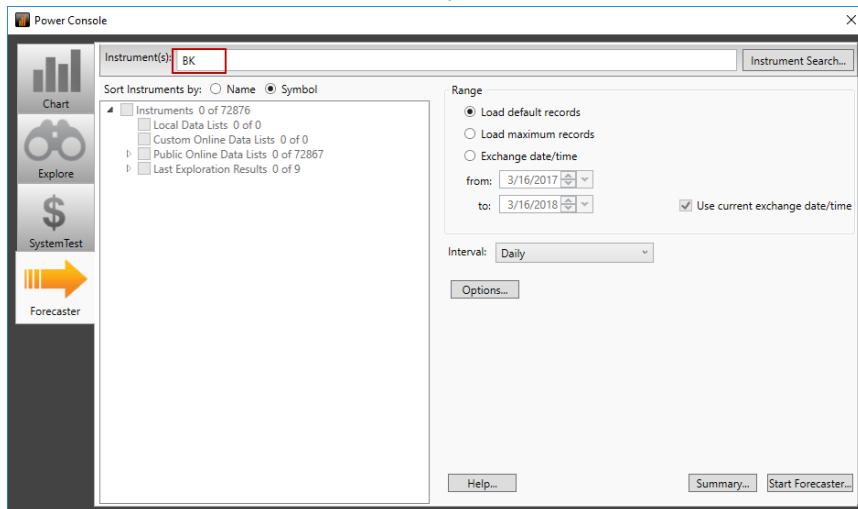
Open a Forecast chart:

Click  to open the Power Console

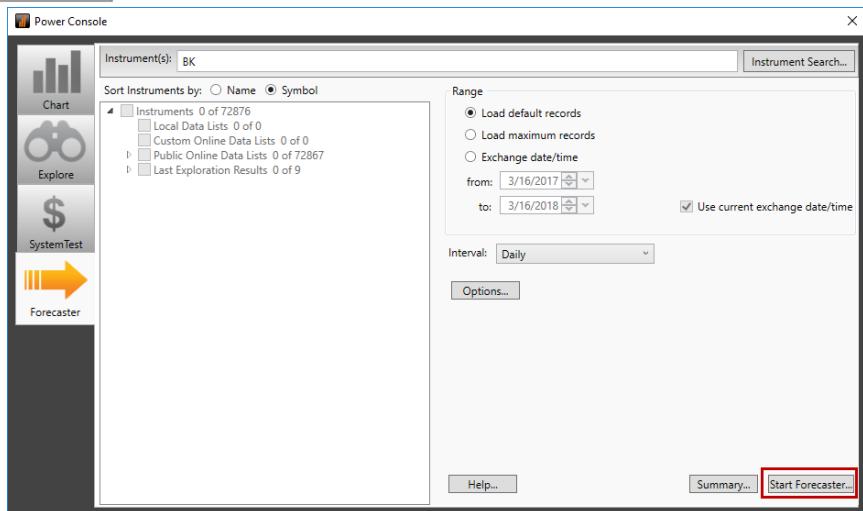


Choose the Forecaster Tab .

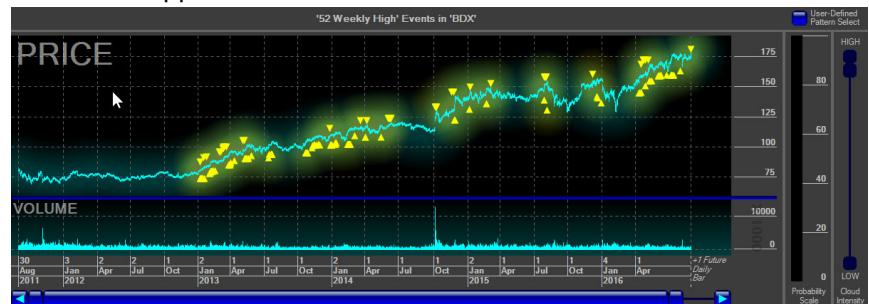
In the Power Console either select from the Instrument Tree or type in to the Instrument(s) selection box. For this example BK will be used.



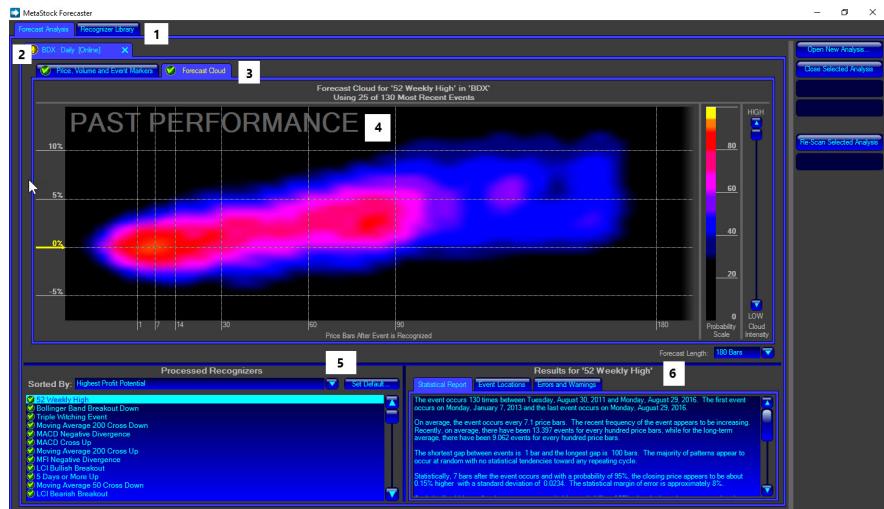
Once the instrument has been selected start the Forecaster by clicking the **Start Forecaster...** button.



The Forecaster application is now launched.



The Forecaster will open and default to a screen that shows relevant recognized events. From this screen we can choose recognized events, view statistical reports, and view the forecast cloud.



Item	Description
1	Choose between the Forecast Analysis and a list of available Event Recognizers and their descriptions.
2	Choose to view a chart of price bars and all previous events.
3	Choose to view the current Forecast cloud for security
4	View of the current Forecast Cloud
5	List of all recognized events and ability to sort and rank.
6	View the statistical analysis of the event and the security.

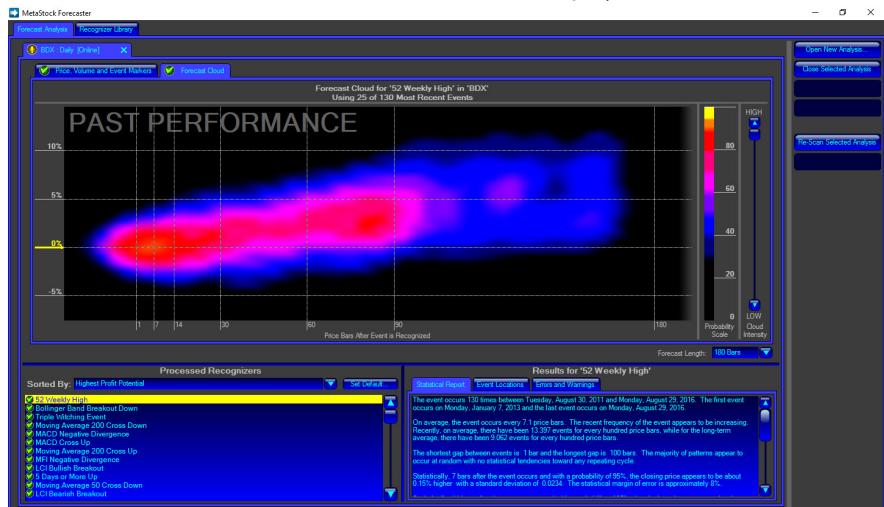
## Probability Clouds

To begin the workflow:

Choose the **Forecast Cloud** tab

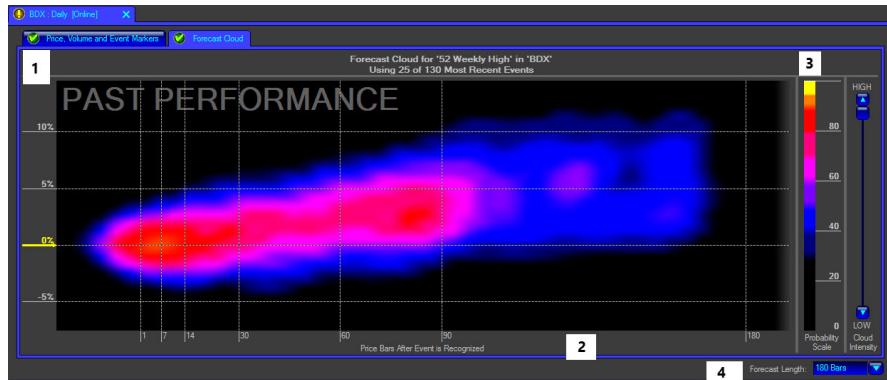


When the Forecast Cloud tab is chosen a cloud is displayed.



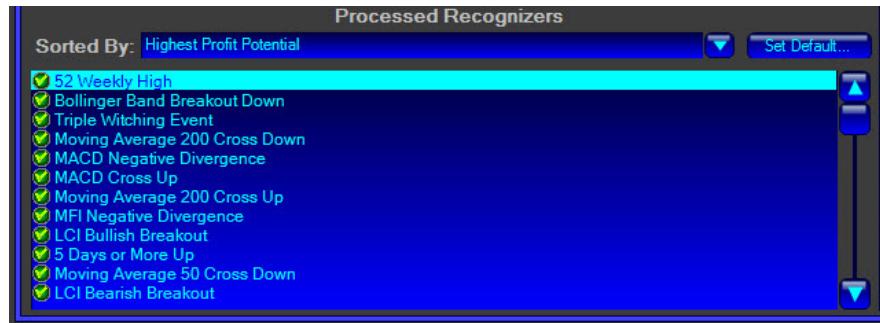
Note in the cloud that it says Past Performance in the box. The past performance means that it is showing a probability cloud. The cloud is based on what price has done historically based on the event. This event is 52 Weekly High.

First the cloud will be reviewed.

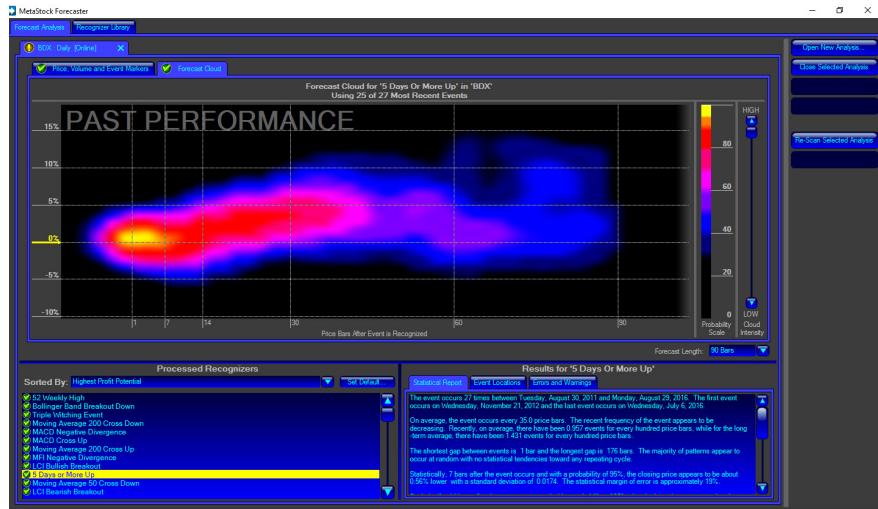


Item	Description
	Percent movement. This will have a positive scale and negative showing scale.
	Days after the event is recognized
	Probability scale. This shows the percentage of probability and is displayed by color. The scaling will change when the slider is used.
	Forecast length. This changes the number of days focused. For example, the current cloud shows 180 days. This can be refocused to 30 (or 90) by changing the time frame.

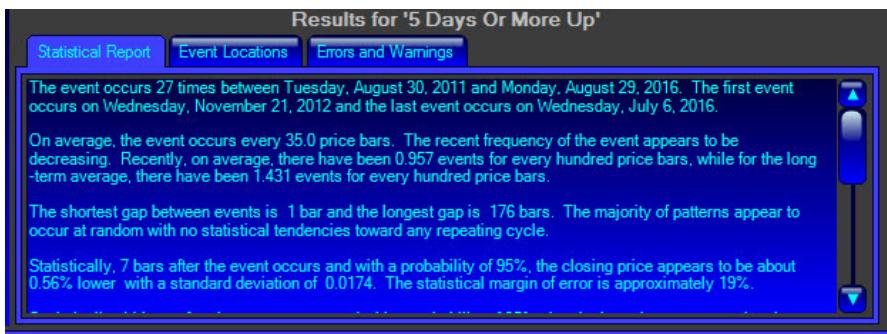
The recognized events screen allows a user to choose from different events. Each event is its own technical set up. The check mark next to the event means that the event is viable for review. If you see an exclamation mark, it means that there were errors (usually meaning not enough events).



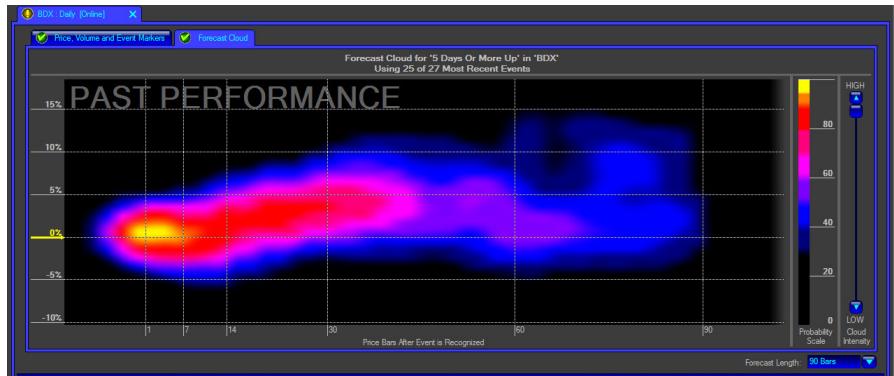
Choose a different event by selecting the name of the event and the cloud focus will change based on the event selected. For example choose the sorted by criteria **Most Accurate Current Forecast**. The display will change in this example as the top criteria is now 5 Days More or Up and the cloud forecast has changed to reflect this new selection.



Finally the statistical report shows the report of the event. There are three tabs. The **Statistical Report** shows the overview of the signals and their statistical relevance. The second tab **Event Locations** shows when that the event(s) occurred. The **Errors and Warnings** tab provides details for any event(s) flagged with an exclamation mark.



The cloud tells a story to help us understand how we should be managing our money with the trade. The new cloud is one with more statistical relevance. To understand why we look at the cloud, lets examine this display in more detail.



The bright colors that are shown on the chart show that there is higher probability of prices moving in that direction. Using the probability scale on the right side of the chart it can be noted that the bright colors of red and yellow show the highest probability.

This chart shows that after a 5 Days or More Up Signal, prices will stay within a range up/down of 5% over the 1-14 days, but after the 14 day period it will probably make a move upwards of 10% with -2% on the low end. Since you are a trader, how would you use this information? Trading is all about price and time. If you can have an expectation of a return in your trade, wouldn't you use that information to help manage your trade? Of course! That is where the power of the Forecaster comes in. Now that we understand that based on probabilities that BDX tends to rise up 5% (on the edge of high probability) and that it takes between 14-30 Bars (in this case days) to get there. (Remember you can choose your time frame you want to analyze from the Power Console). Then we now have a trade expectation. We know that our target is around 5% on the trade and it will take that time range to get there. In following the cloud you can see that after 45 days it loses its momentum and tends to pull back. So as a long trade we have our time and profit expectancy. This is a very powerful aspect of trading!

Another way to use this as a trader is for option trading. If you are trading options this can be even more powerful as it shows us the time and value but now we can better gauge puts and calls. In this same example it would be fairly evident that a call 60 days out would be the best as it takes around 30 days for the max move of the trade and you don't want an expiration before you've gotten your best move.

## Comparing Prices to the Cloud

To compare how past events have worked with the cloud, we can return to the **Price, Volume, and Event Markers** tab.



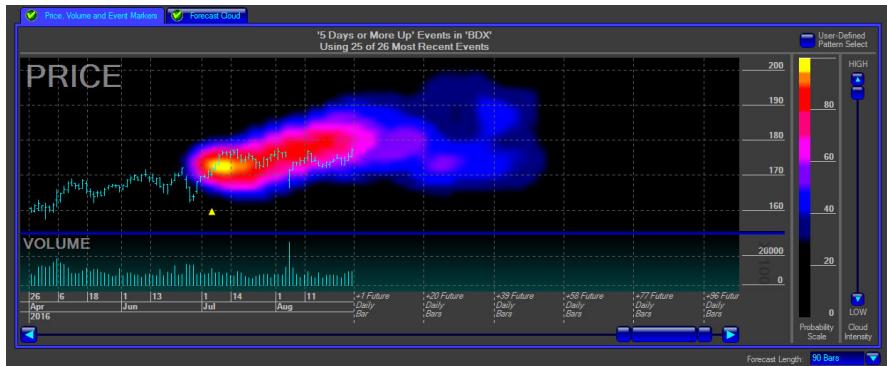
This tab will show the chart will yellow markers.



It is important to note that they are not indications to get in and out of trade, these are markers showing each time that the technical signal occurred.

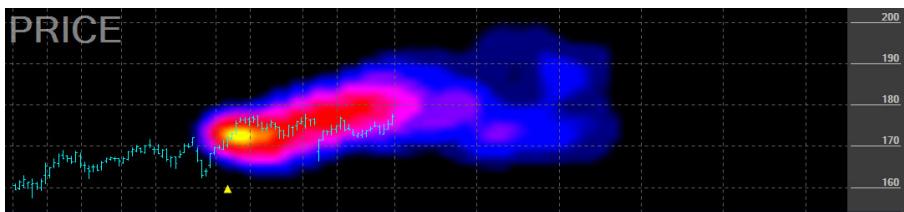
If any of the event markers are selected the forecast cloud will be displayed using any data from the selected event marker back. This is important as it is showing how the cloud from that date back would have worked. It is a visual back test of the event and the probability cloud.

Here is an image of the last event.

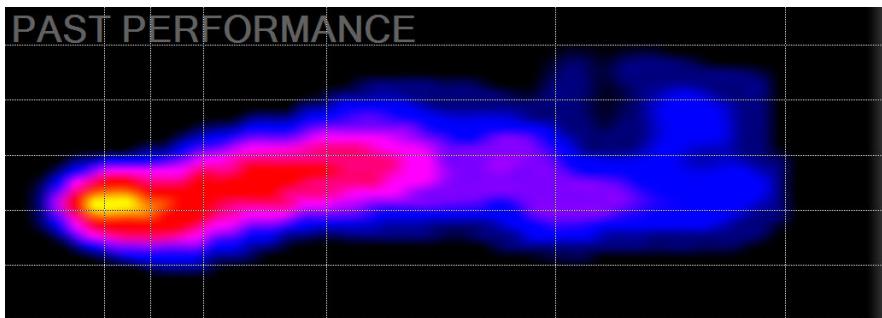


It is interesting to note that for the most part the price is contained within the probability cloud. There are times that it tries to breakout of out of the cloud. When price achieves a top of the probability or bottom of probability then it will tend to reset. Think of it as a type of support and resistance.

At this point a distinction should be made. The probability cloud is only calculated on data that is from the event and back. As new data comes in the chart on this tab is not updated. So it can be visually tested.



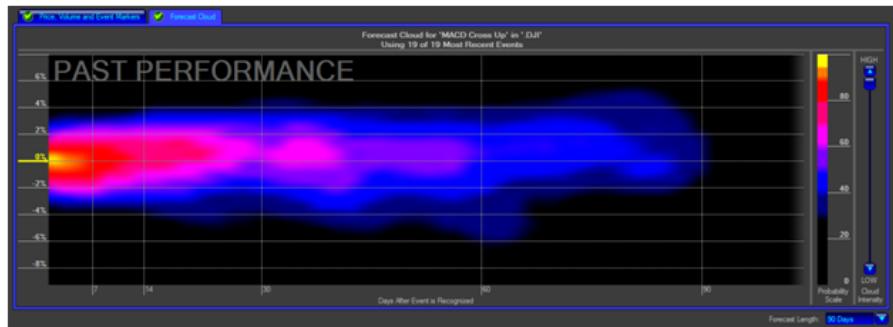
The cloud that is displayed in the **Forecast Cloud** tab is including data that is comes after the event helping build a more relevant cloud after the event has occurred.



These two events are from the same event but it can be noted that while the primary shape and curves are the same the coloring is becoming more statistically important while new data comes in.

It is important to use both clouds together to help understand the direction of price and your current place in price.

There may be times when working with the Forecast that the Probability cloud has no clear direction as the example below.



This does not mean that the Forecaster is not working. It simply means that the price does not give a clear and meaningful probability when the calculations are done. This means that it is best to avoid the signal and avoid a trade that does not provide a clear direction based on the probability cloud.

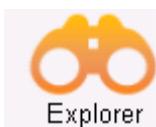
The Forecaster is a critical tool to traders to help understand the timing and movement of their trades. Using this tool as a guidance to entry, exits, stops, and targets can help improve the odds of success in trading.

See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)

## CHAPTER 7 FILTERING AND FORECASTING

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In this chapter it will be discussed on how to find opportunities in the market using the explorer and then go directly to the FORECASTER with the list. As it has been discussed before the ability to find a trade and then move directly in to managing it is an important part of trading. With this example one can quickly identify a trade and then go directly to the management of the trade. This does not discount the need to back test but is another workflow that can be used depending on how you prefer to manage the trade.



### Scanning for Events

In the Explorer we match the 67 event recognizers with an exploration. This will allow the ability to quickly pick an event, scan for it, and then Forecast.

Click to open the Power Console.

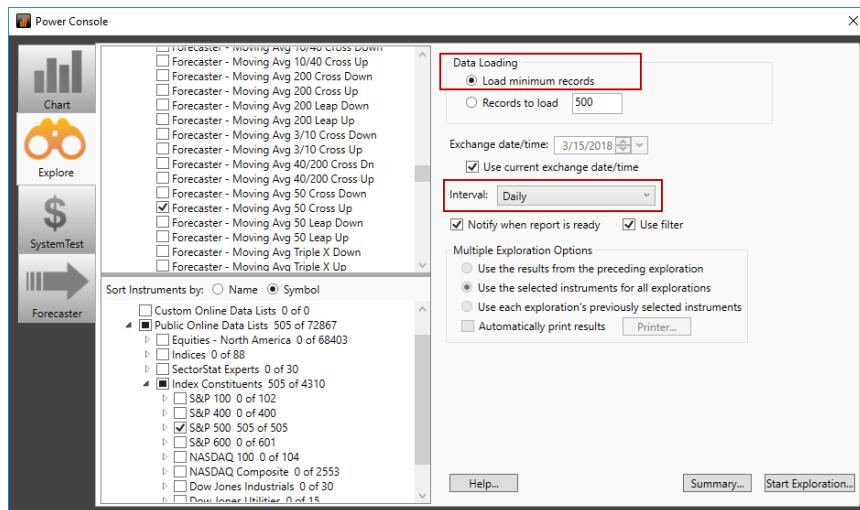
Select in the Power Console.

For this example the Forecaster - Moving Avg 50 Cross Up (The close has crossed above a 50 period simple moving average on increasing volume) will be used against the S&P 500 Stocks.

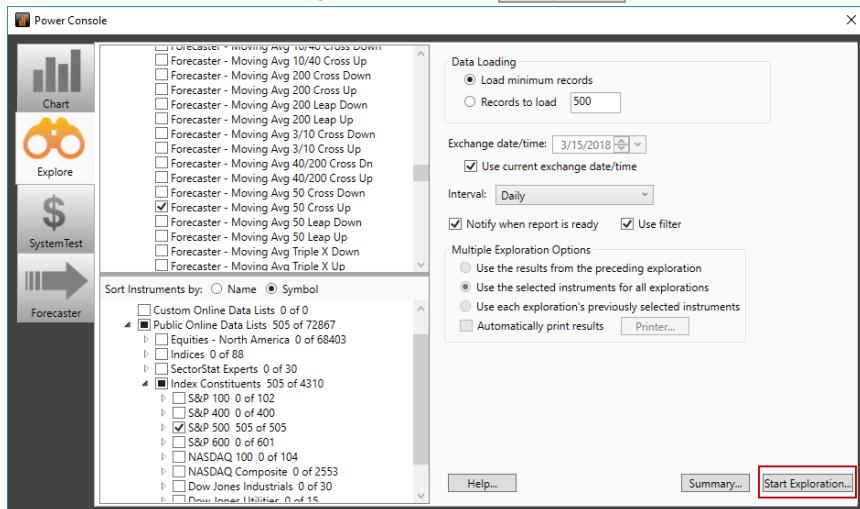
Choose the Exploration: Forecaster - Moving Avg 50 Cross Up and the S&P 500 Stocks in the Power Console.

A screenshot of the MetaStock Power Console window. On the left, there's a sidebar with icons for Chart, Explore, SystemTest, and Forecaster. The main area shows a list of exploration items under 'Forecaster - Moving Avg 50/40 Cross Down'. One item, 'Forecaster - Moving Avg 50 Cross Up', is selected and highlighted with a red border. Below this list, there's a section titled 'Sort Instruments by' with radio buttons for 'Name' (selected) and 'Symbol'. A tree view shows instrument categories like 'Custom Online Data Lists', 'Public Online Data Lists', 'Equities - North America', 'Indices', 'SectorStat Experts', 'Index Constituents', 'S&amp;P 100', 'S&amp;P 400', and 'S&amp;P 500'. Under 'S&amp;P 500', the '505 of 505' entry is also highlighted with a red border. To the right of the list, there are sections for 'Data Loading' (radio buttons for 'Load minimum records' or 'Records to load' set to 500), 'Exchange date/time' (set to 3/15/2018), 'Interval' (set to 'Daily'), and 'Notify when report is ready' (checkbox checked). At the bottom right are 'Printer...' and 'Summary...' buttons, and at the very bottom right is a 'Start Exploration...' button.

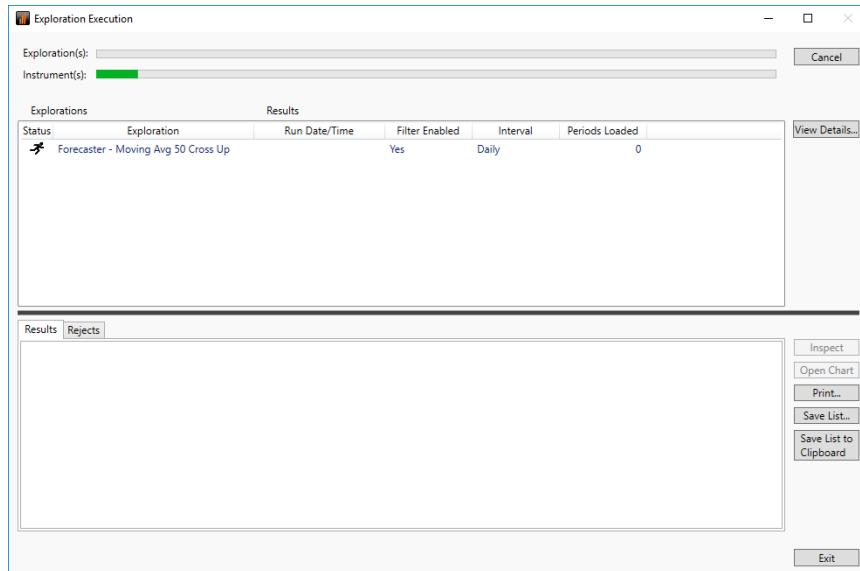
The defaults in the Explore tab should be used and the time frame set as Daily to match the Forecaster.



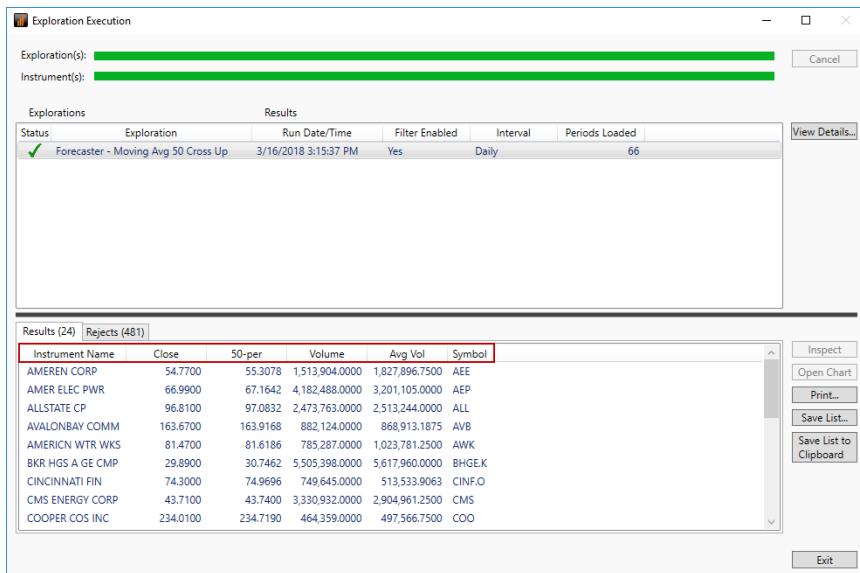
After these selections are completed. Choose **Start Exploration...**.



This will begin the Exploration.



The report will appear.



The following information is displayed with the results of the scan. (Note that each exploration will have different information displayed as part of the results):

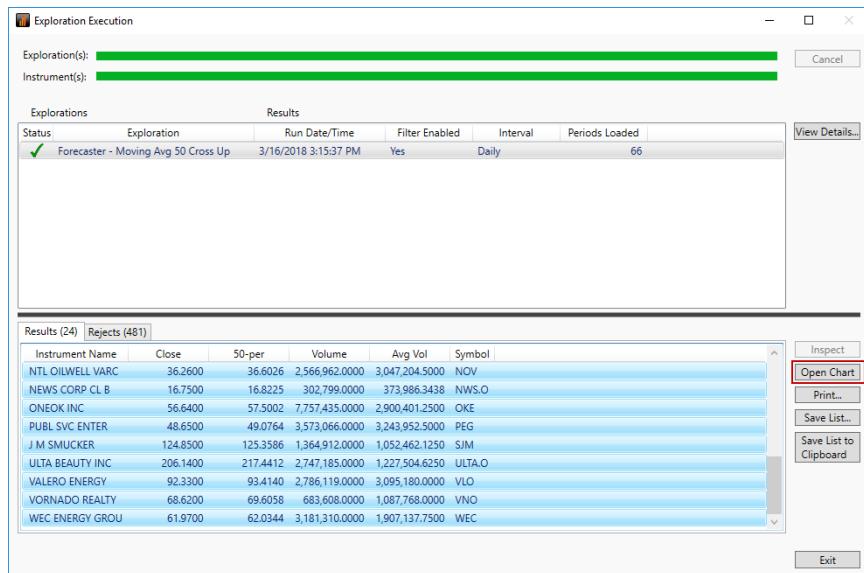
Column	Description
Instrument Name	Company name or Security Name
Close	Last closing price
50 - per	Value of the 50 Day Moving Average
Volume	Last report Volume price
Avg Vol	Volume Average with a 20 period simple moving average.
Ticker Symbol	Symbol used in MetaStock

For this example all charts will be opened and then a selection made to be used in the Forecaster. To select all charts, select the first result and then hold down the shift key, then select the last result. The results will all be displayed in blue.

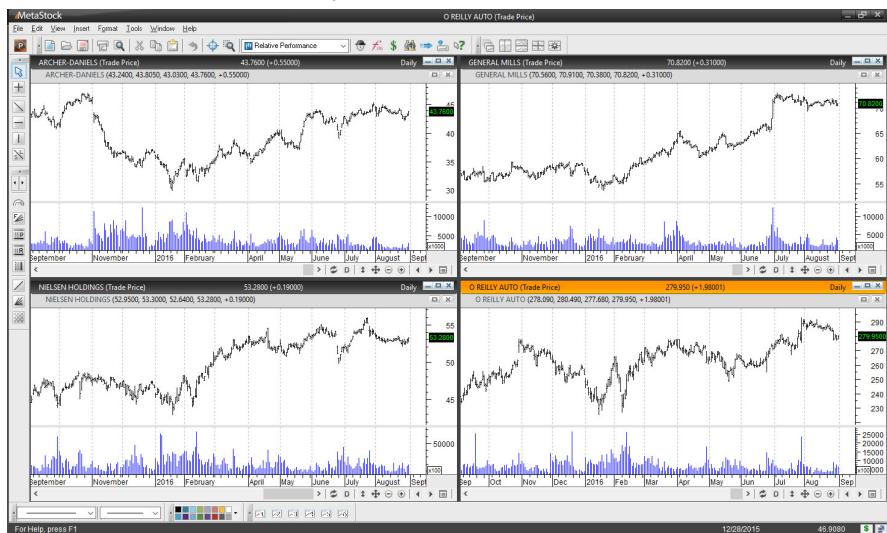
The screenshot shows the 'Exploration Execution' dialog box. At the top, there are fields for 'Exploration(s)' and 'Instrument(s)', both of which are currently empty. Below these are two tabs: 'Explorations' and 'Results'. The 'Explorations' tab is selected, showing a single entry: 'Forecaster - Moving Avg 50 Cross Up' with a status of 'Success', run date/time '3/16/2018 3:15:37 PM', filter enabled 'Yes', interval 'Daily', and periods loaded '66'. The 'Results' tab is also selected, displaying a table with 24 rows. The columns in the table are 'Instrument Name', 'Close', '50-per', 'Volume', 'Avg Vol', and 'Symbol'. The table lists various stocks like NTL OILWELL VARC, NEWS CORP CL B, ONEOK INC, PUBL SVC ENTER, J M SMUCKER, ULTA BEAUTY INC, VALERO ENERGY, VORNADO REALTY, and WEC ENERGY GROU. The 'Symbol' column shows abbreviations like NOV, NWS.C, OKE, PEG, SJM, ULTA.O, VLO, VNO, and WEC. On the right side of the dialog box, there is a vertical toolbar with buttons for 'Inspect', 'Open Chart', 'Print...', 'Save List...', and 'Save List to Clipboard'. At the bottom right is an 'Exit' button.

Instrument Name	Close	50-per	Volume	Avg Vol	Symbol
NTL OILWELL VARC	36.2600	36.6026	2,566,962.0000	3,047,204.5000	NOV
NEWS CORP CL B	16.7500	16.8225	302,799.0000	373,986,3438	NWS.C
ONEOK INC	56.6400	57.5002	7,757,435.0000	2,900,401.2500	OKE
PUBL SVC ENTER	48.6500	49.0764	3,573,066.0000	3,243,952.5000	PEG
J M SMUCKER	124.8500	125.3586	1,364,912.0000	1,052,462.1250	SJM
ULTA BEAUTY INC	206.1400	217.4412	2,747,185.0000	1,227,504.6250	ULTA.O
VALERO ENERGY	92.3300	93.4140	2,786,119.0000	3,095,180.0000	VLO
VORNADO REALTY	68.6200	69.6058	683,608.0000	1,087,768.0000	VNO
WEC ENERGY GROU	61.9700	62.0344	3,181,310.0000	1,907,137.7500	WEC

Once all the results are selected, choose the **Open Chart** button.



All of the selected results are opened.

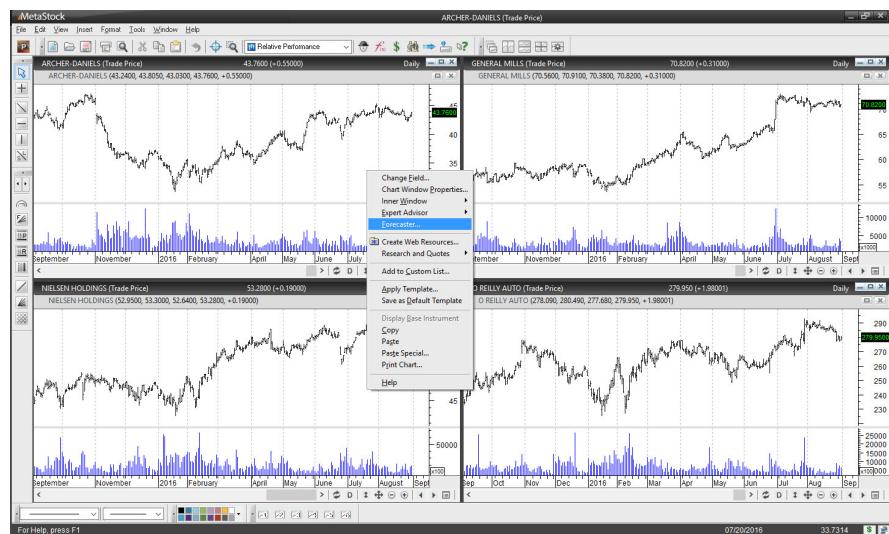


From the charts it can be noted that they are in a state that the Moving Average would be crossing. However the Moving Average can be added to the chart if required.

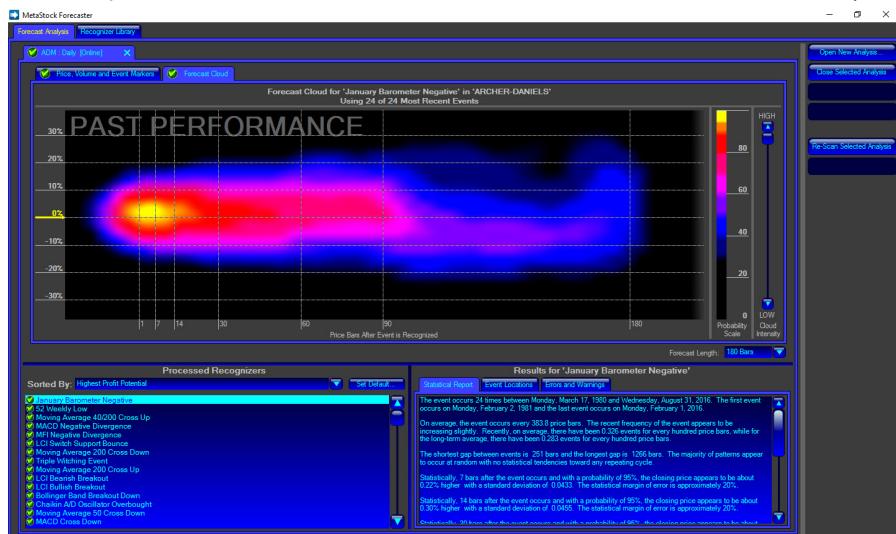


## Opening Forecaster Analysis from Charts

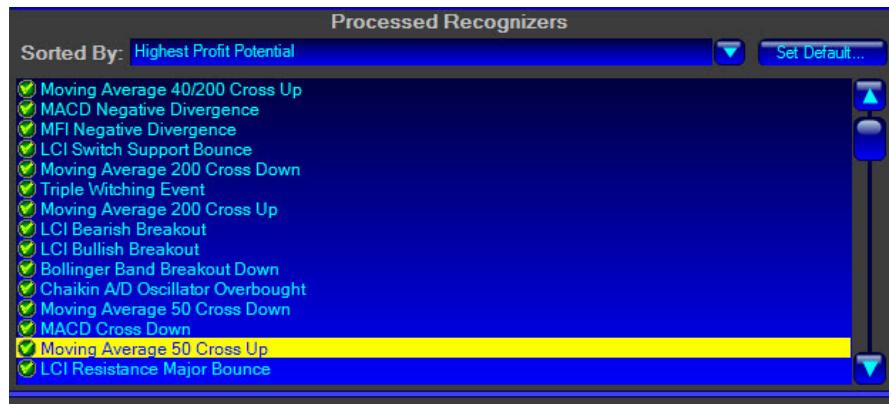
Any of the open charts can now be sent to the Forecaster for analysis. To do this simply right click on any of the charts and choose **Forecaster**.



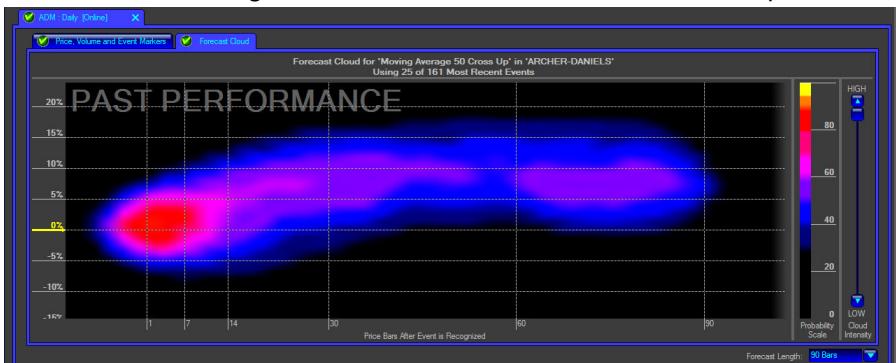
This will open Forecaster and the selected instrument will be available to analyze.



However, when the Forecaster opens it will not automatically default to the Exploration that was used. Choose the matching exploration in the Recognized Event box.



Once selected this will give the correct Forecast cloud to match the exploration.



From this Forecast Cloud it can be noted that after a cross above a 50 day Moving Average on ADM that the price will tend to rise over 30 days with a maximum increase of 10% in high probability range and 15% in the lower probability range.

Since this is a current signal (event) the cloud could be used from the starting point and then monitored as part of trade set up if a trade had been taken.

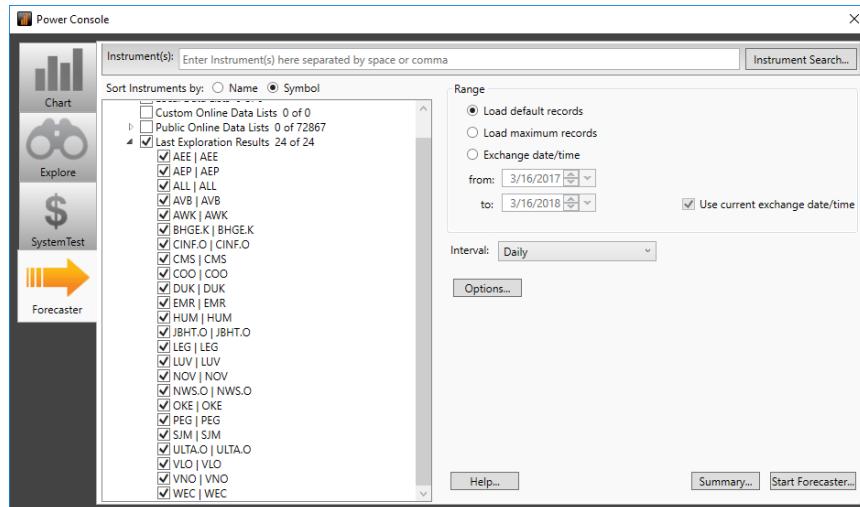
The same can be done with the other charts open in MetaStock. By right clicking and then choosing Forecaster in the menu several charts can be opened.



These tabs will allow for selecting through multiple charts by simply selecting the different tabs.

**Optional Workflow:**

As an optional workflow to open charts a user can run the Exploration then go back to the Power Console, choose the Forecast tab, select the Results of Last Exploration tree to open all charts.



See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)

## CHAPTER 8 FORECASTING USING CHART PATTERNS

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Hidden inside every chart is a story - a story about where the price has been and where it might go in the future. Some stories are obvious. Others are a little more difficult to figure out.

These stories are told with patterns. Chart patterns are simply defined as pictures or formations made by the price movements of the stocks or commodities you're examining. Numerous studies have repeatedly shown that these patterns have excellent predictive value. For this reason the ability to draw patterns and forecast based on them was the next logical step in the Forecaster.

There are two ways to work with patterns in the Forecaster. One is to hand draw patterns, the second is to copy patterns directly from a chart. This workflow will demonstrate both methods.

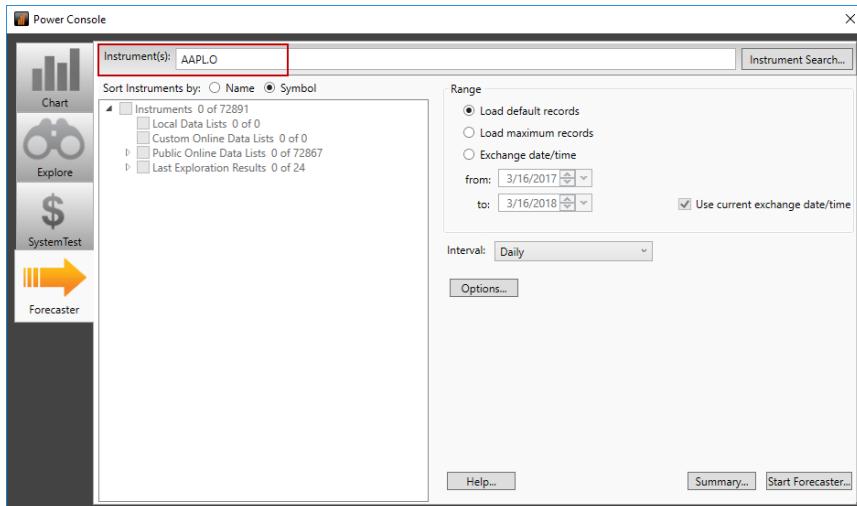
### Hand Drawn Patterns

To begin click  to open the Power Console

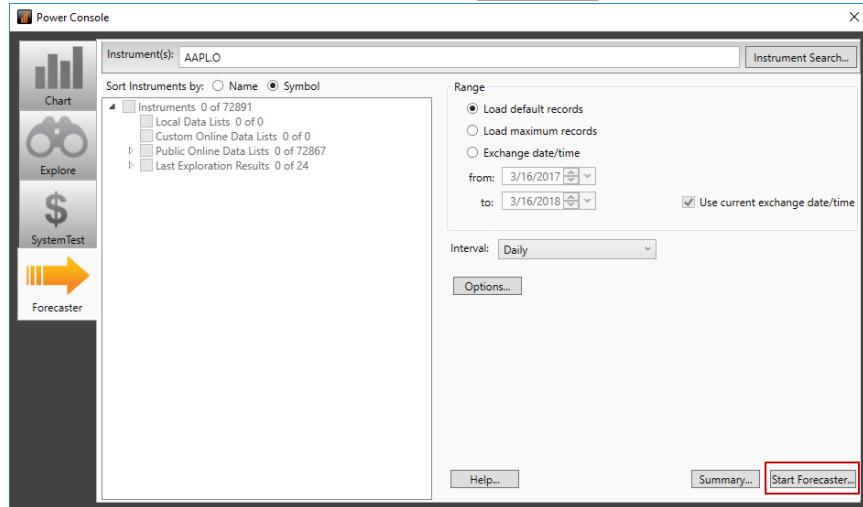


Choose the Forecaster Tab .

Enter an instrument to begin. For this example Apple (Symbol: AAPL.O) will be selected.



Once an instrument has been selected click **Start Forecaster...**.



The Forecaster application will open with the default settings.



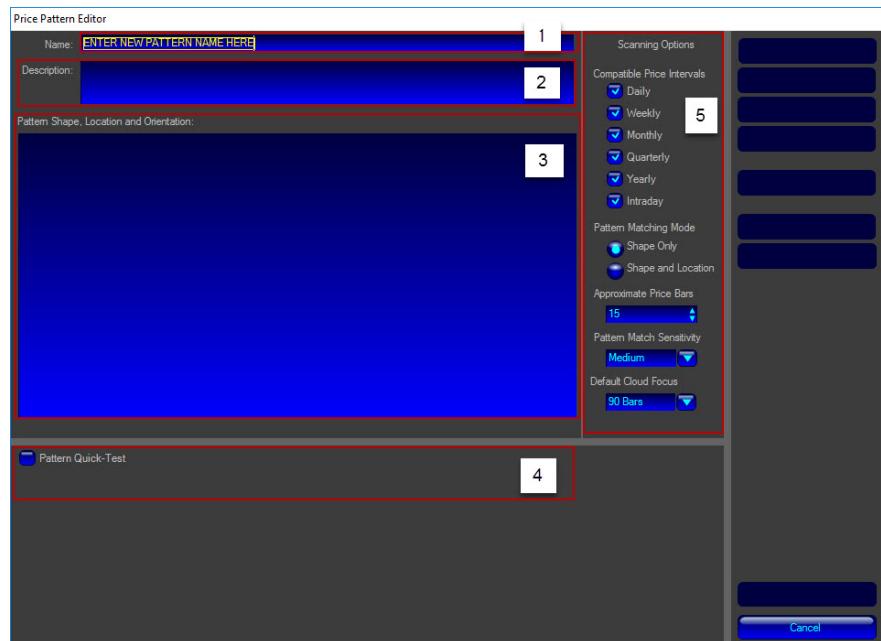
Select the **Recognizer Library** Tab.



This will display a list of all built in recognizers. When this is displayed click the **Draw New Pattern** button.

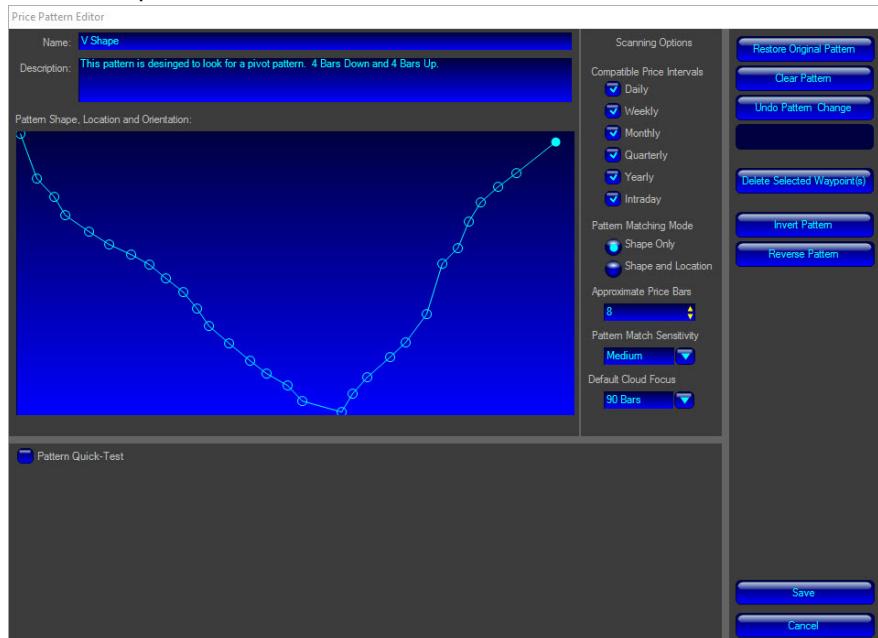


This will display the Price Pattern Editor



Item	Description
<b>1</b>	Enter a name for your pattern
<b>2</b>	Give a description of your pattern
<b>3</b>	Draw your pattern
<b>4</b>	Run a quick test against security data.
<b>5</b>	Methods for determining shape, length, and compatible price intervals.

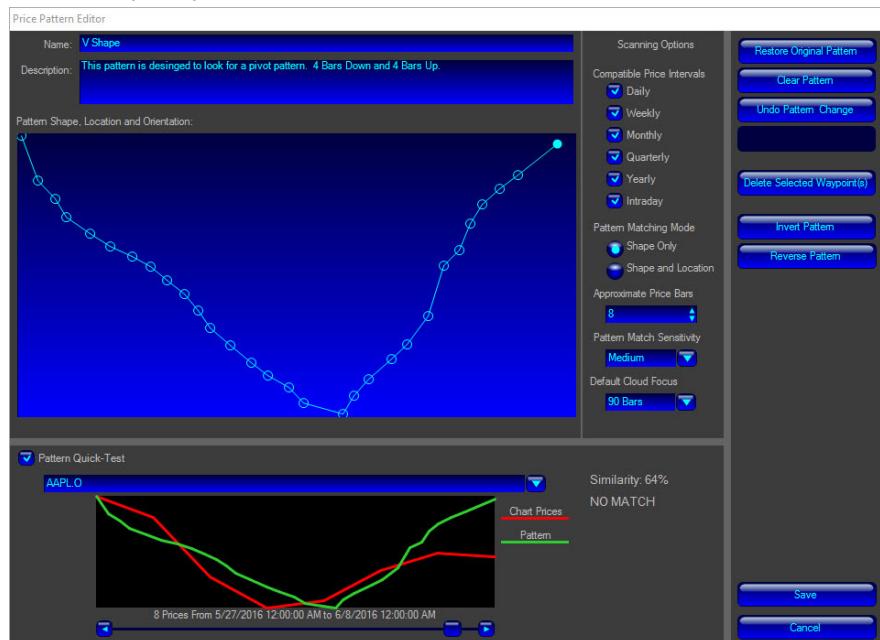
For this example a v Pattern will be used.



To draw a pattern start in the Pattern Shape, Location and Orientation box. Start in the corner and hold down your left mouse button while you draw a pattern. The pattern will display as you draw. Once the pattern is completed let go of the mouse. You can modify the pattern by selecting any of the circles on the pattern and doing a drag and drop to how you would like it to appear.

This example shows a hand drawn pattern in the shape of a V. A few notes on the Price Pattern Editor. 1) It is helpful to change the Approximate Price Bars to reflect the length of time that your pattern could show. The default is 15 bars, but in this example, 8 bars will be used. Changing the pattern length up or down can change

the number of patterns displayed. 2) Changing Sensitivity can also change the number of patterns displayed. The medium and high settings will be the most selective. 3) Using the Pattern quick test will let you scroll through the chart data and look for price pattern matches. See below:

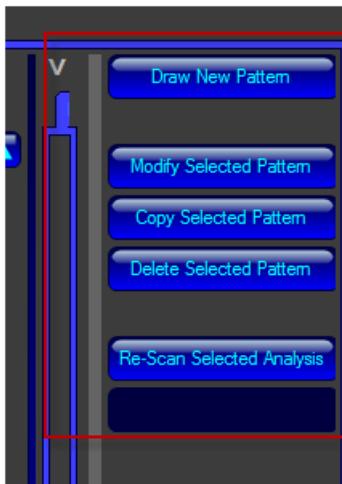


The Pattern Quick-Test shows you a percentage similarity that allows you to scroll through the chart to display how the pattern matches your chart. You can choose which Security to display. Now that the pattern is done click the **Save** button to save the pattern.

Your pattern will now show up in the Event Recognizer Library. They will appear in alphabetical order.



To have the pattern displayed on the chart, the **Re-Scan Selected Analysis** button needs to be selected to look for the patterns.



Once you have selected the **Re-Scan Selected Analysis** button the pattern will be displayed in the drop down list of available events if the pattern has enough recognized patterns.

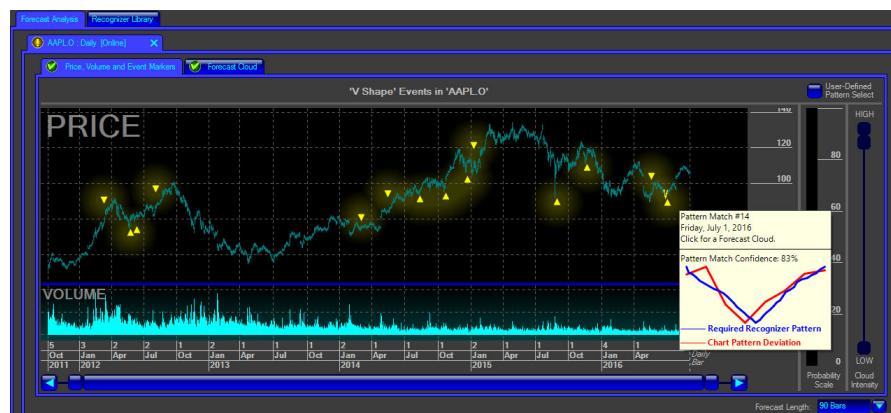
Here the pattern is displayed in the list. Remember you can sort the list in different ways so the event may be in different places based on rank. This list is displayed by recognizer name.



In this example the pattern shows 13 times on Apple.



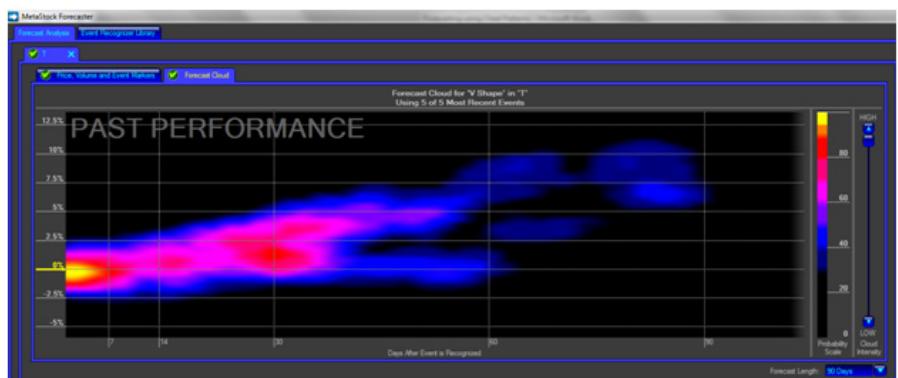
The chart will display for you a pattern quick match and display how well the event was recognized. Simply put the cursor over any of the event markers and the pattern will be displayed on the chart along with a graphical display of the pattern match.



Select the **Forecast Cloud** tab.

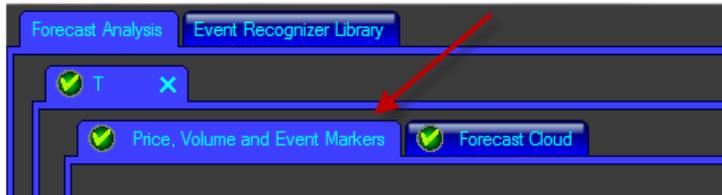


The Forecast Cloud is displayed. To review the differences between the Clouds in the Forecast Cloud tab and the Prices tab, see "Comparing Prices to the Cloud" on page 68.



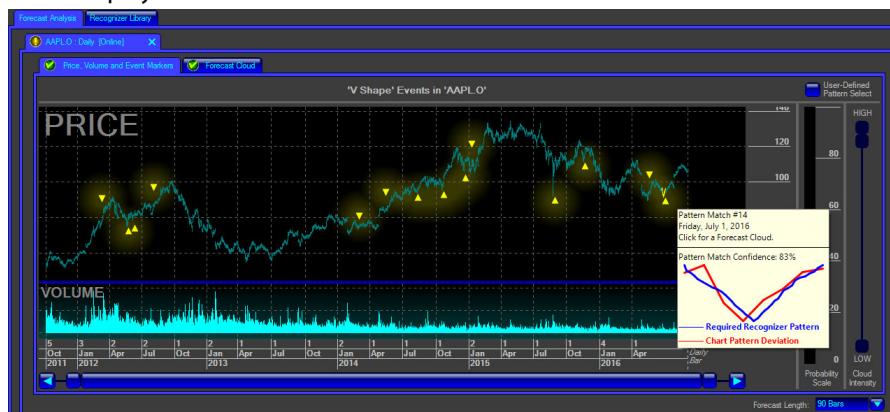
This pattern shows a high tendency to move up after a V Shape event. The cloud shows a tendency to move up within the first 14 days with a deviation after 30 days. Using this pattern would be most useful within the first 25 days before the deviation begins. Remember that the Forecast Cloud on this tab will continue to update with new data while the pattern on the Price, Volume, and Event Markers tab will remain static only using the data from the event back.

At this point the last event marker should be reviewed on the **Price, Volume, and Event Markers** tab.



Once this tab has been chosen click the last event marker arrow. When the last event marker is highlighted the pattern will turn yellow and the confidence test

will be displayed. The result on this event is recent (within one bar) so the pattern will be displayed at the end of the chart.



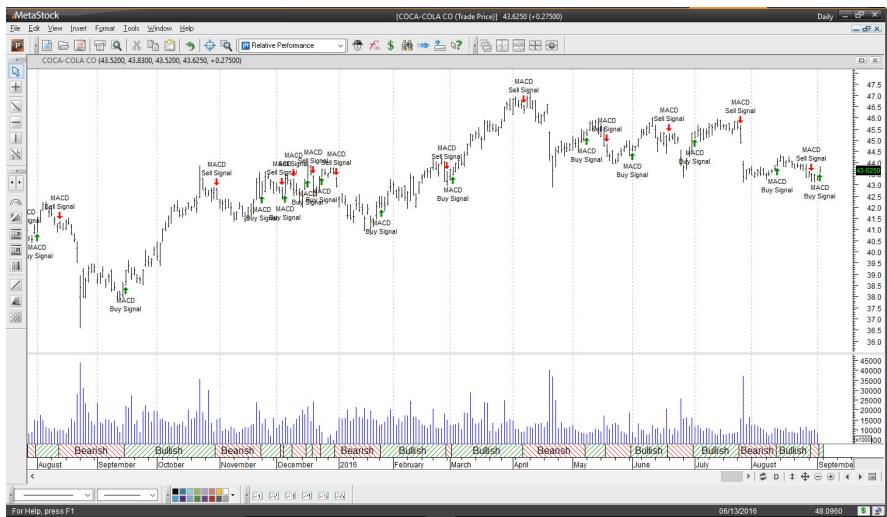
We can see the high probability in the chart and can use this to help set our price and time targets as described in the Forecaster chapter.

## Copying Patterns from Charts

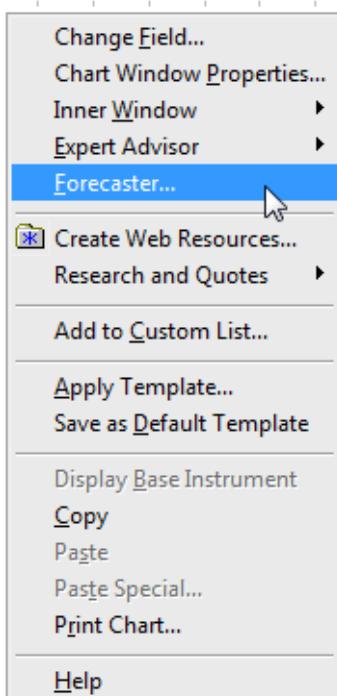
The second way to set up chart patterns is to copy them directly from the chart. There are several ways to identify patterns with charts. 1) To find a pattern that you see repeat within a chart and copy it or 2) To copy the last pattern that is occurring on the chart. For this workflow, option #2 will be used. Finding a pattern that is in current formation used along with a buy signal can be a powerful combination. For example if you find a MACD buy signal and then identify that the formation of the chart shows a strong probability cloud based on a formation it can be a powerful and strong confirmation and can help give price targets and stop settings.

Coca Cola (Symbol: KO) will be the example for this workflow. The image below shows that the MACD has a current buy opportunity. If this opportunity were taken

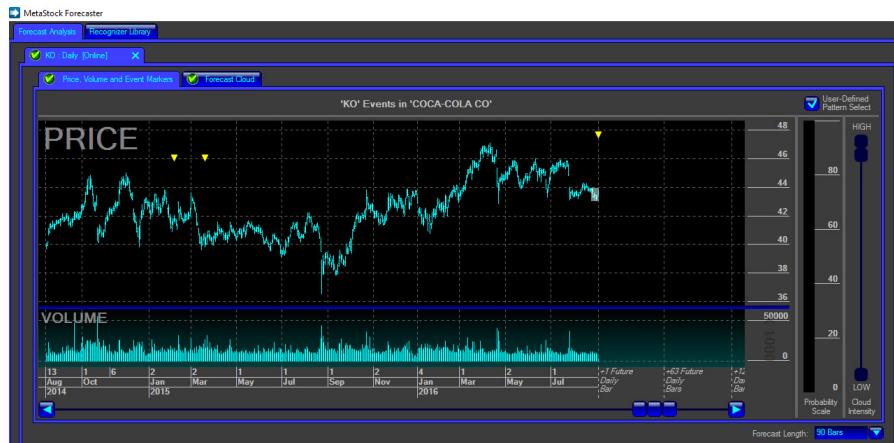
it would be a strong benefit to know if the current price pattern will give a strong directional guide for target and stop settings.



To open the Forecaster from an open chart, right click in the clean space and then choose **Forecaster**.

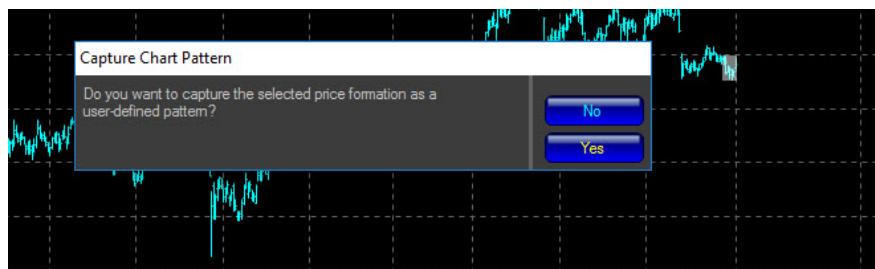


When the Forecaster open. Select the User-Defined Pattern Select Box and then drag around the pattern to be selected. This is emphasized by the grey box on the chart.

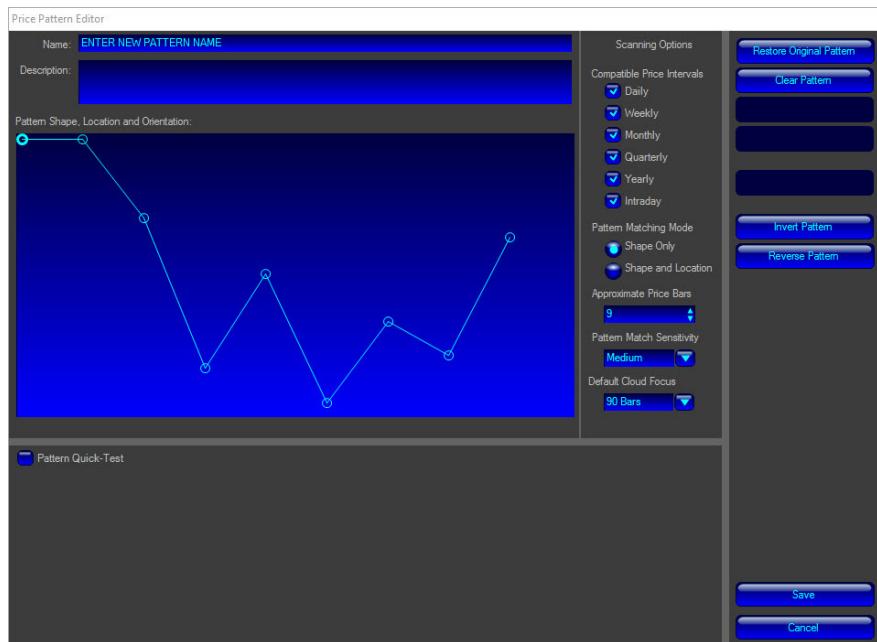


**IMPORTANT:** The selected pattern must be at least 3 bars long and cannot exceed 250 bars.

The dialogue box will then prompt if the selected area should be captured as a user defined pattern

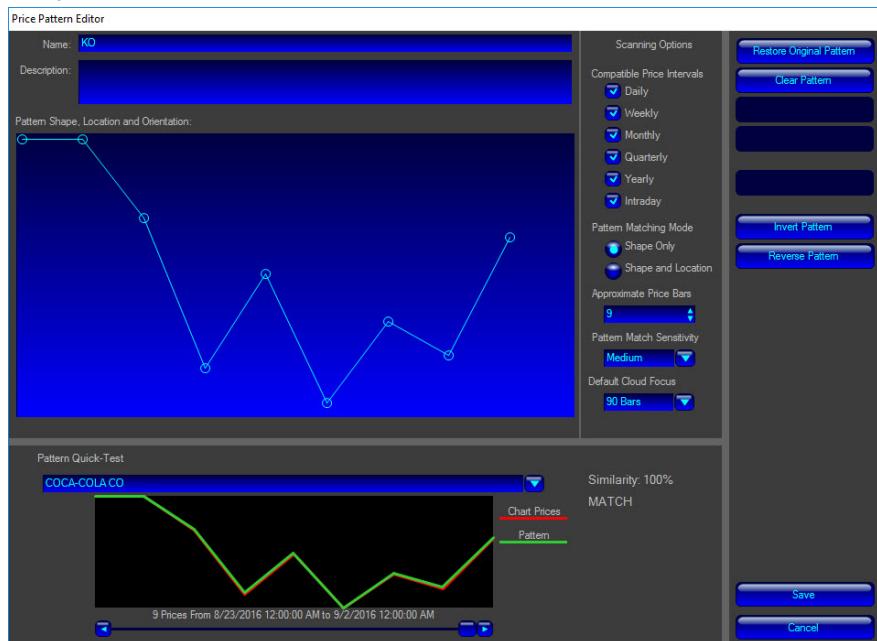


Select the **Yes** button. Now the Price Pattern Editor box will be displayed and the variables can be edited.



The box will show the pattern in the Pattern, Shape, and Orientation box. Any of the points can be modified by selecting the way points and dragging and dropping. The Approximate price bars will be the pattern that was selected on the chart. Before saving the pattern change the ENTER NEW PATTERN NAME HERE with

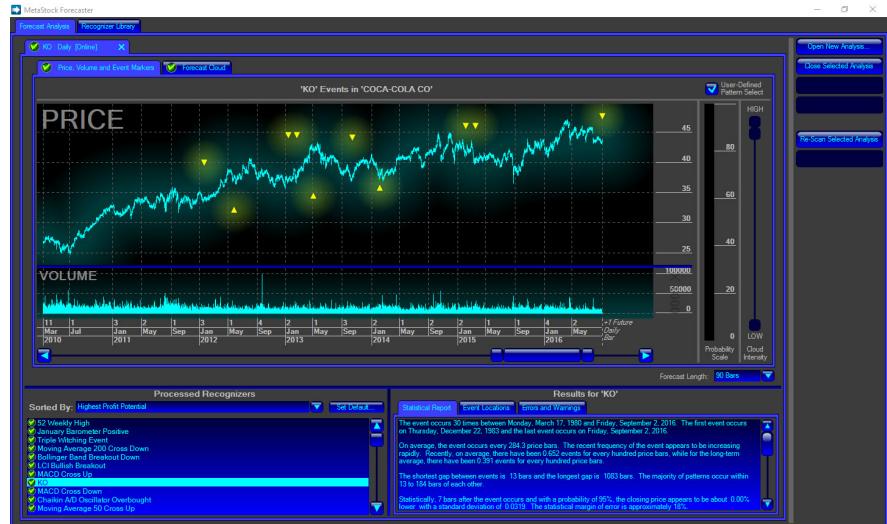
a name. For this example the name of the security will be used with a brief description entered.



Note that on the Pattern Quick-Test that the Pattern matches 100% since it was selected directly from the chart. Click the button and then the .



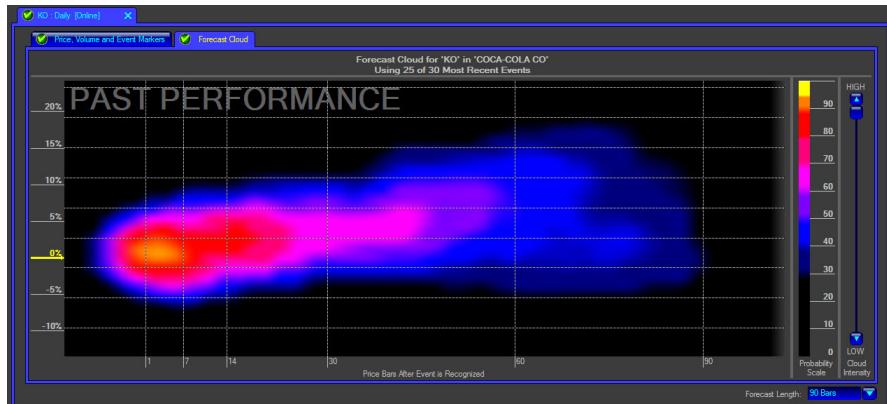
The pattern is now recognized on the KO chart.



*The higher the pattern match option is set to in the Pattern Editor, the closer the price movement must be to match the pattern*

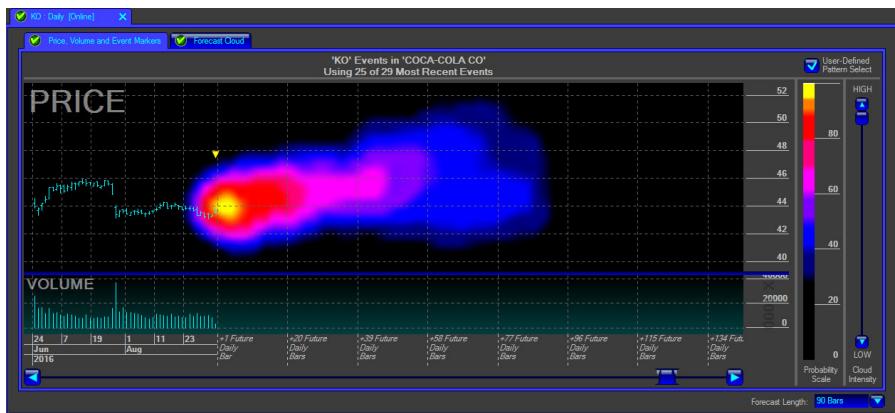
In this example it is recognized 30 times on the medium setting.

Choose the **Forecast Cloud** tab to see the most current Forecast Cloud.

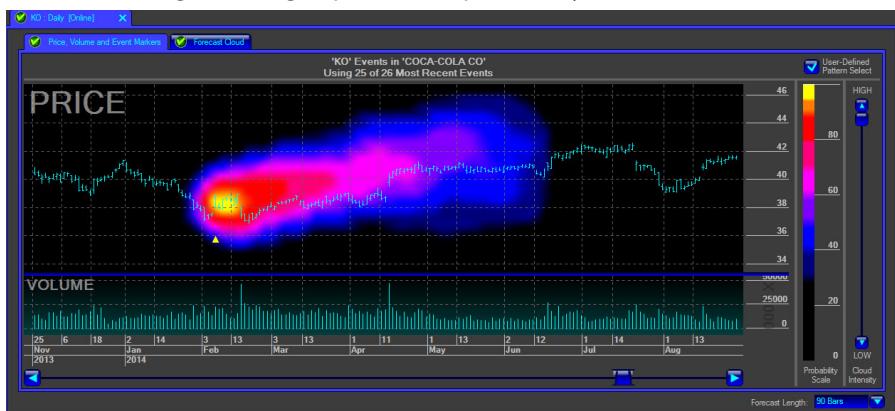


In this example it can be seen that after this price pattern occurs that price tends to rise up about 10% over 45 days. So if this were being traded it would make sense to target a max price at 10% above the current price and set a stop at the cloud bottom.

Switch back to the **Price, Volume, and Event Markers** to see the current forecast cloud in relation to the event. After the tab is chosen select the latest event.



Below is an example of a previous opportunity using the same pattern on KO. Notice the strong following of price in the probability cloud.



Price Patterns are powerful and using them in the Forecaster is especially powerful. Understanding the direction of price after a pattern can give us as traders a better understanding of the recurring movements of price after a price pattern. Using this in trading is a targeted way to help you in your trades.

See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)

### About the RMO

The Rahul Mohindar Oscillator (RMO) and its associated MetaStock tools were developed by Mr. Rahul Mohindar of Viratech Software ([viratesoftware.com](http://viratesoftware.com)). In addition to being a trader and a trainer, Mr. Mohindar is a panelist on both CNBC and CNN India.

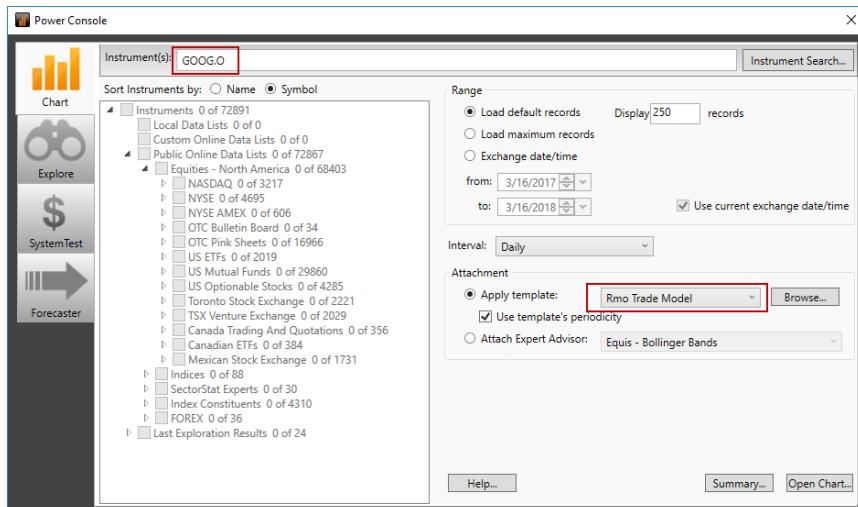
The RMO can be used across any timeframe and for any instrument. It is designed to work with data that provides Open/High/Low/Close. To apply the RMO to a chart:

If you have a chart open, right click on the chart, select apply template, and choose **RMO TRADE MODEL.MWT**.

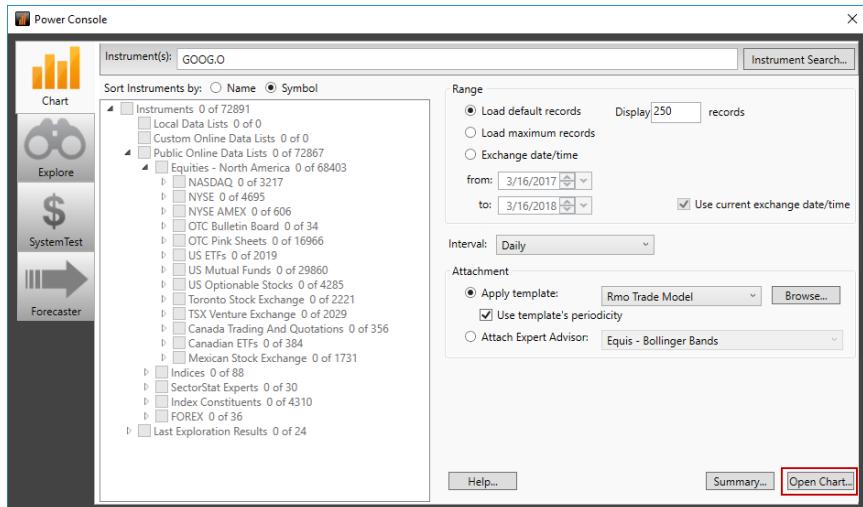
Click  to open the Power Console.

Select  in the Power Console.

Enter Symbol and Choose RMO Trade Model from the **Apply template** option in the Attachment section of the chart dialogue

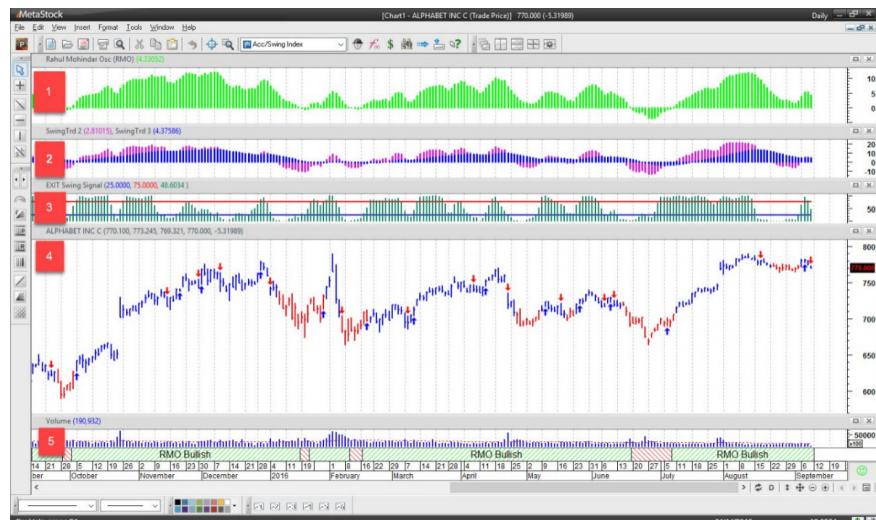


Click **Open Chart...**.



Your chart will open with the RMO Trade Model template applied.

The RMO is a rule based system that requires multiple criteria to allow for an entry or exit confirmation. The rules of the system are set up to allow the RMO user to quickly identify the management of the trade. The first set of rules will cover the rules for both position and real-time traders. At the end there will be an additional step for real-time traders. Make sure, no matter what type of trader you are to follow the first set of rules.



Item	Item Name	Description
1	First window	Rahul Mohindar Oscillator
2	Second window	Swing Trade 2 and Swing Trade 3
3	Third window	Exit Swing Indicator
4	Fourth window	Price bars with color and entry/exit signals
5	Fifth window	Volume with moving average

## Rules of the RMO

*Always follow the first set of rules for the RMO, no matter what kind of trader you are.*

*Note: The first new set up is typically the strongest.*

1. The first thing to review with the RMO is the green RMO Oscillator, which is found in the top window. This indicator is our first gauge as to market direction. It is set up to be our primary trend indicator. When referring to the RMO, you will notice on the right of the indicator a scale that has a mid-point of zero. This is the main reference point of the RMO. For a bullish trigger we want the RMO to be above zero and for bearish we want the RMO to be below zero. Once we have determined our primary trend, we can move to the next window.
2. The second window contains SwingTrd2 which is pink (Swing Trade 2) and SwingTrd3 which is purple (Swing Trade 3). These two indicators are designed to help us see the medium term and the long term trends. SwingTrd2 represents medium term trend and SwingTrd3 represents long term trend. When SwingTrd2 and SwingTrd3 cross, it represents a change in the strength of the trend.
3. For the moment we will move past the Exit Swing indicator and move to the fourth window containing the price bars.
4. The color of the price bars and the buy and sell alerts are directly tied to the SwingTrd2 and SwingTrd3 indicators. In rule 2 we discussed that when SwingTrd2 and SwingTrd3 cross we have a change in strength. This is represented by the red and blue arrows shown in the 4th window. The color of the bars will change from blue to red when SwingTrd2 moves above or below its zero line. The blue bars represent bullish and the red bars represent bearish.

To identify trading opportunities

Step	Action
1	<p><b>To find a trade the following must be in alignment:</b></p> <ul style="list-style-type: none"> <li>a. Bullish or Long Trade <ul style="list-style-type: none"> <li>i. RMO above zero</li> <li>ii. Most recent alert arrow must be blue</li> <li>iii. Price bars are blue</li> <li>iv. It is important to note that these three criteria do not need to happen on the same bar</li> </ul> </li> <li>b. Bearish or Short Trade <ul style="list-style-type: none"> <li>i. RMO below Zero</li> <li>ii. Most recent alert arrow must be red</li> <li>iii. Price bars are red</li> <li>iv. It is important to note that these three criteria do not need to happen on the same bar</li> </ul> </li> </ul>

Step	Action
2	<p><b>It is recommended that you make a trade when the three rules align.</b></p> <p>These rules are setup to allow the user to actively monitor the trade. In order to exit a trade, look for the opposite criteria. For example, if you are in a long trade and the RMO is above 0, the last bar is blue, and the price bars are blue, then look for the RMO to be below zero, last arrow red, and price bars red to exit the trade.</p>
<p><i>If you are in a short trade, place your stop a couple of ticks above the previous bar high.</i></p>	<p><b>Follow the rules to set stops.</b></p> <p>Mr. Mohindar designed the system with the trader in mind and as such designed the system with rules for a trader to set stops.</p> <ul style="list-style-type: none"> <li>a. Place your stop a couple of ticks below the previous bar low.</li> <li>b. If the current bar is lower, place your stop a couple of ticks below the current bar.</li> <li>c. If you are in a long position, move the stop up with each new buy alert. (This may also be an opportunity to add to your position.)</li> </ul>
<p><i>You can also ladder your position by adding to a trade with each new blue arrow if going long, this would be at the same time you are moving up your stop.</i></p>	<p><b>Apply these rules to the indicator in order to use it as designed.</b></p> <p>The exit swing indicator gives you extra protection in applying stops.</p> <ul style="list-style-type: none"> <li>a. Don't use this indicator unless you are in a profitable position.</li> <li>b. The exit swing indicator has two horizontal lines. The top line is red and the bottom is blue. If you are in a long position and the exit swing indicator falls below the red line, consider putting in a trailing stop.</li> <li>c. Likewise, if the exit swing indicator crosses above the blue line and you are in a short position, consider putting in a trailing stop.</li> </ul>

## RMO Explorations

The following explorations match the rules of the RMO that we have just learned, however the terminology is a little different. Let's work through the rules and understand what each exploration does.

Name	Description
RMO Bearish Zone	This exploration looks for instruments that have the RMO in a current bearish state, meaning the RMO is below zero.
RMO Bullish Zone	This exploration looks for instruments that have the RMO in a current bullish state, meaning the RMO is above zero.
RMO Market Trend New BLUE	This exploration looks for instruments that have a new blue bar as the most current bar.
RMO Market Trend New RED	This exploration looks for instruments that have a new red bar as the most current bar.
SwingTrd Buy Arrow	This exploration looks for instruments in which the most recent bar has a buy arrow.
SwingTrd Sell Arrow	This exploration looks for instruments in which the most recent bar has a sell arrow.

*The Explorer will allow you to choose multiple criteria by using the CRTL key and selecting the explorations you wish to use. Mix and match as many criteria as you would like.*

These explorations can be used in any combination to identify trading opportunities. You can use one of the explorations by itself or combine multiple explorations together. The best way is to use combinations of the bullish explorations (RMO Bullish Zone, RMO Market Trend New BLUE, and SwingTrd Buy Arrow) or the Bearish explorations (RMO Bearish Zone, RMO Market Trend New RED, and SwingTrd Sell Arrow) to identify opportunities. For our example we will use a combination of the three bullish explorations. To select more than one exploration use the CTRL button and select the three bullish explorations.



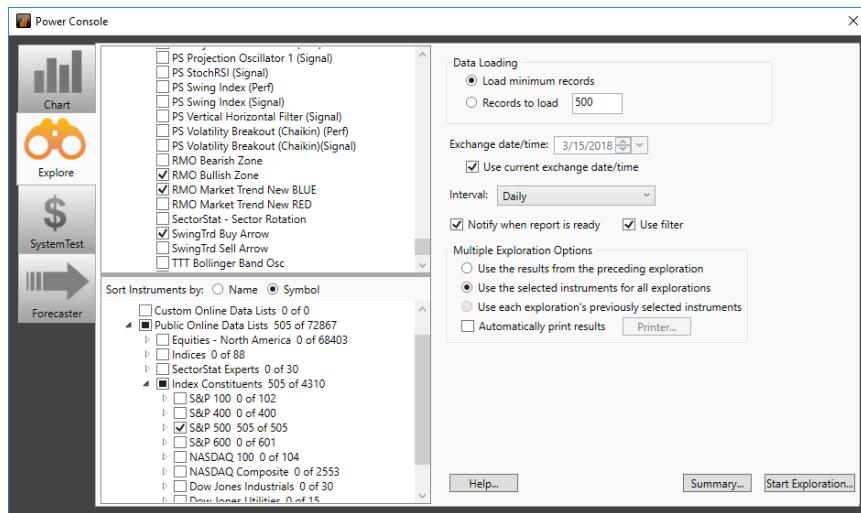
### Explore for opportunities using the RMO

Now that you understand the rules of the RMO, you are able to use the functions built into The Explorer in MetaStock. The Explorer has six explorations that match the rules of the RMO.

Click to open the Power Console.

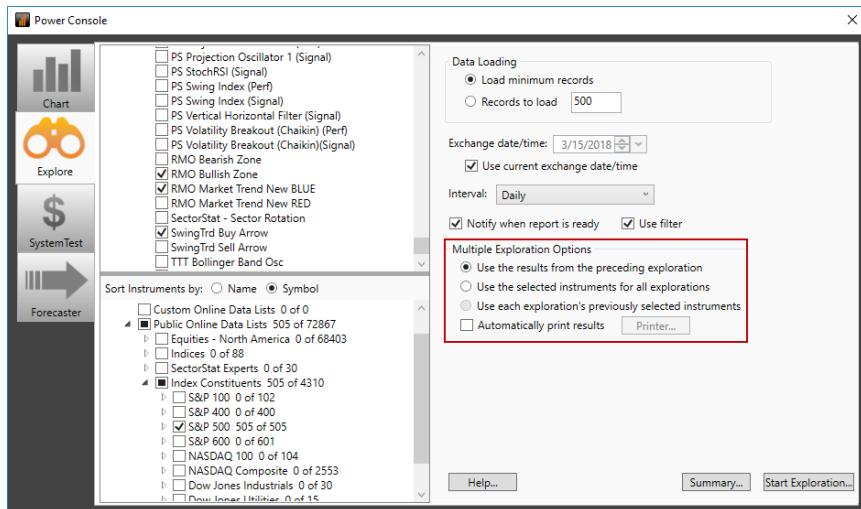
Select in the Power Console.

Scroll down and select the three bullish RMO Explorations and the desired list to scan.



*HINT: To reorder the explorations in the way they run select the Summary button and an option to reorder them will be given.*

Makes sure to select the "Use the results from the preceding exploration". This will use our single chosen list of instruments to filter through all three criteria.



See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)

## CHAPTER 10 SECTORSTAT EXPERTS

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### About SectorStat Experts

There have been SectorStat Experts included since MetaStock XIII. These indicators have been extremely helpful to traders in gauging both market strength as well as individual sector strength. The SectorStat Experts were designed to help you as a trader have even more insight into how either the overall market or individual sectors are moving. The SectorStat Experts expand the market analysis by giving access to global market indicators that can help you track global markets as well.

The SectorStat Experts are calculated on the Advancing and Declining Issues of either the underlying Sectors of the market or a sampling of constituents of a sector. It does not include all the constituents of a sector.

The SectorStat experts are based on the premise of the old adage that "A rising tide floats all boats". If the overall market is bullish then the majority of the stocks included would be bullish as well. This is based on the number of sectors advancing and thus signaling strength in the market. The same is true for sectors, if the sample shows strength in the underlying constituents then the overall sector is bullish.

**Note:** Note: To use the SectorStat Experts either a Datalink Subscription with North/ South America Data and Global Indices or a XENITH subscription is required.

In this chapter we will review how the SectorStat Experts are designed. First to be covered will be the Market Overviews.

## SectorStat Market Overviews

Included in the Market Overviews are the following:

Country	Expert Name
United States	SectorStat - US Market Review
Australia	SectorStat - ASX Market Expert
Hong Kong	SectorStat - HIS Market Expert
South Africa	SectorStat - JSE Market Expert
United Kingdom	SectorStat - LSE Market Expert
India	SectorStat - NFTY Market Expert
Singapore	SectorStat - SGX Market Expert
Canada	SectorStat - TSX Market Expert

These markets were selected to help give an overall global market view. The Market Experts are based on the following sector data.

- Consumer Discretionary
- Health Care
- Utilities
- Consumer Staples
- Technology
- Industrial
- Financial
- Energy
- Materials
- Telecommunications
- Oil
- Metals

The SectorStat Experts will signal strength and weakness in a market using the McClellan Oscillator of both price and volume. First lets define what the McClellan Oscillator is. Developed by Sherman and Marian McClellan, this oscillator is the difference between a 19-period and a 39-period exponential moving average of advancing issues minus declining issues. The length of the averages were chosen to represent the two most dominate cycle lengths in the market. The difference

between the averages is multiplied by 100 for scaling purposes (it will typically move between -100 and +100).

The McClellan Oscillator is traditionally seen as bullish when above zero and bearish when below zero. Since the two moving averages are relatively short time frames, the oscillator is considered a short-term indicator. Typical signals are the McClellan Oscillator crossing above or below the zero line. It can also give overbought and oversold signals when it is at extreme levels.

In the case of the SectorStat Experts there is one McClellan Oscillator for price and one for volume. The SectorStat Experts trigger bullish strength and bearish strength based on these two indicators.

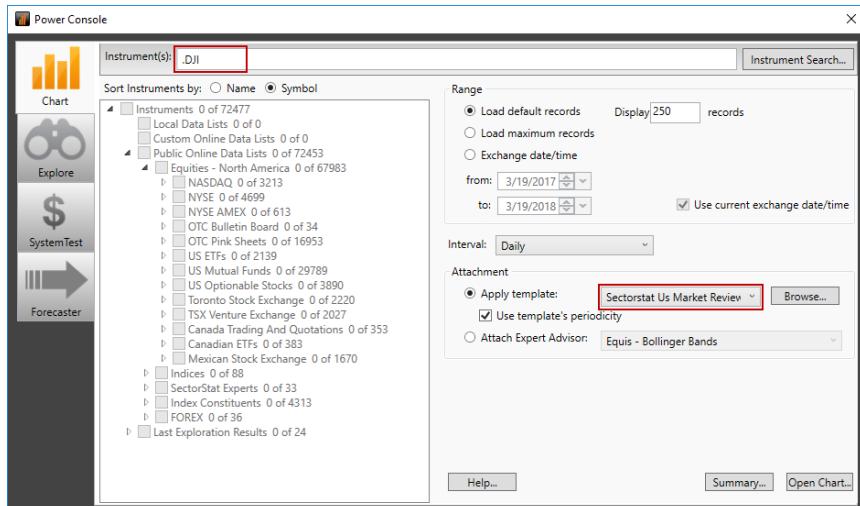
## SectorStat Charts

Let's start by analyzing a chart of the Dow Jones with the SectorStat – US Market Review Expert. For convenience we've included templates for each expert to assist you in viewing indicators and the expert quickly.

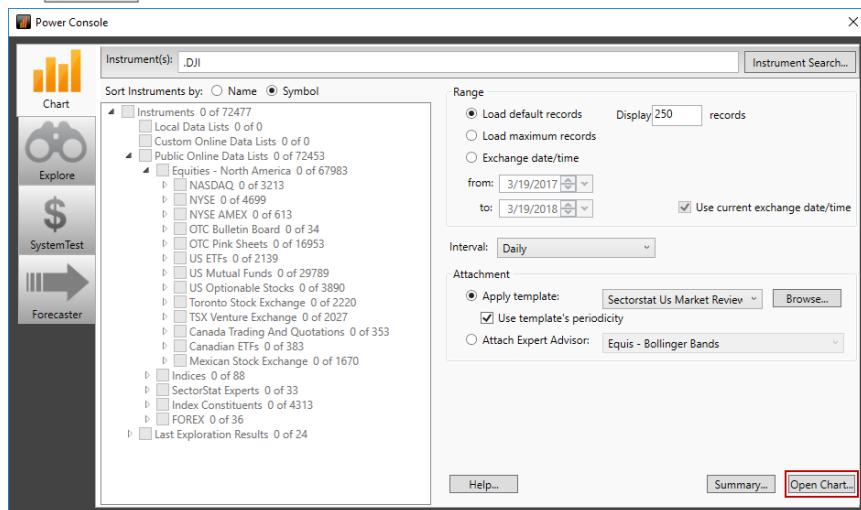
Click  to open the Power Console.

Select  in the Power Console.

For this example, we will open a chart of the Dow Jones Industrial Average. Enter .DJI in the Instrument(s) box and in **Apply Template** select SectorStat US Market Review.

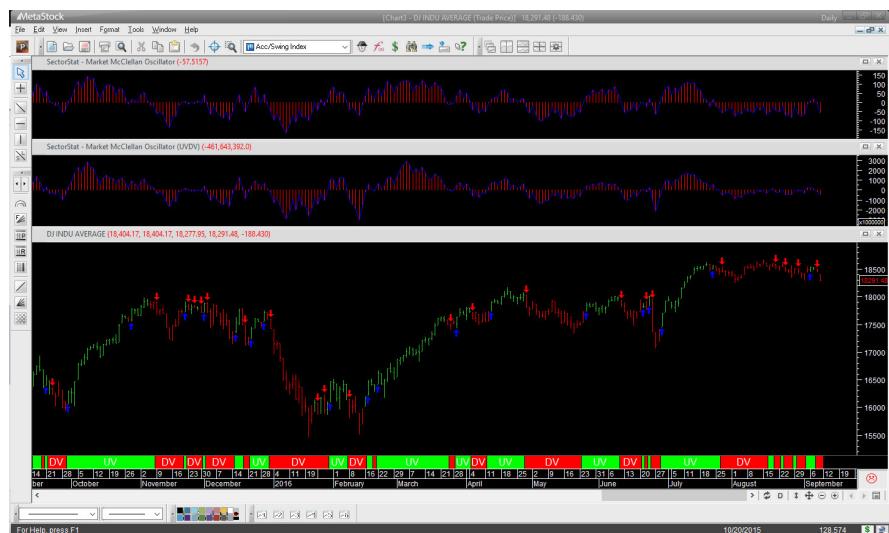


Click **Open Chart...**:

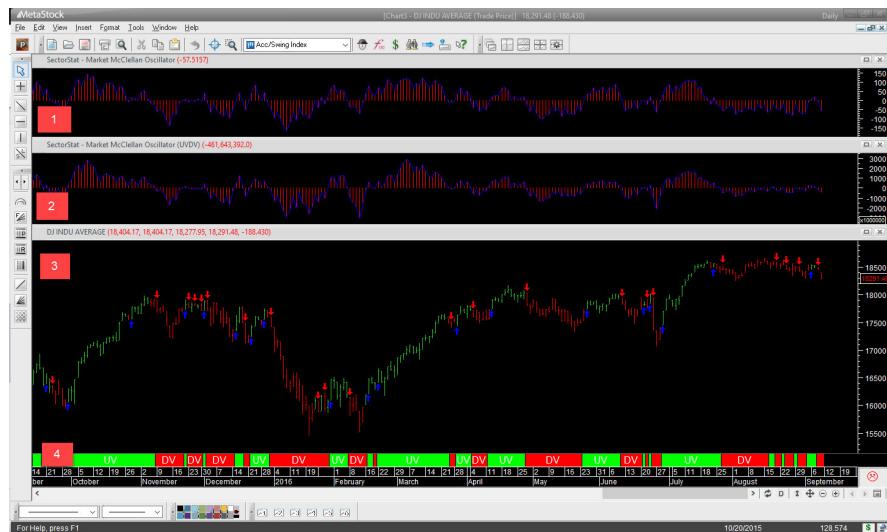


**Note:** Note: It may take the chart a moment to open as the data is being calculated across 10 different instruments.

The chart with the template is loaded.

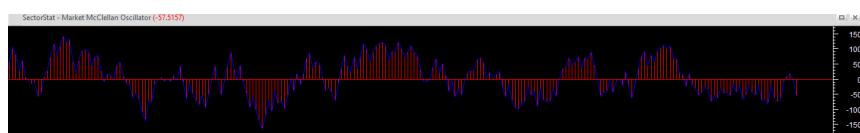


There are multiple indicators on the chart.



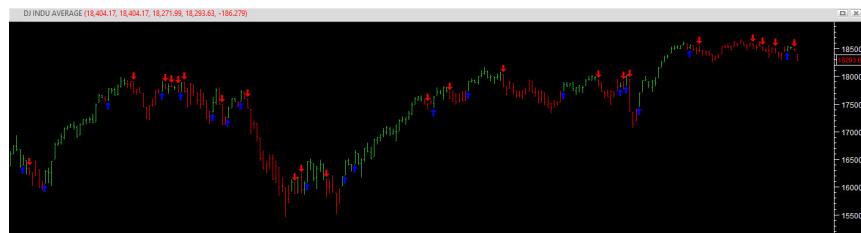
Item	Name
1	SectorStat – Market McClellan Oscillator
2	SectorStat – Market McClellan Oscillator (UVDV)
3	Colored Bars/Alert Arrows
4	Trend Ribbon

As described earlier the McClellan Oscillator usually triggers based on the indicator crossing above or below the zero line. In the image below you will see the indicator plotted as a histogram to help view the movement of the indicator. The line at 0 has been added for visual demonstration. When the histogram is above 0 it is noted as bullish, conversely when it is below 0 it is noted as bearish.



To help assist in understanding the bullish and bearish direction the chart has been set up to assist you in visually seeing the trend. In the image below you will note that the bars of the chart change color. This is based on the SectorStat – Market McClellan Oscillator being above or below 0. When it is above 0 the bar colors will

be green. When it is below 0 the color of the bars change to red.

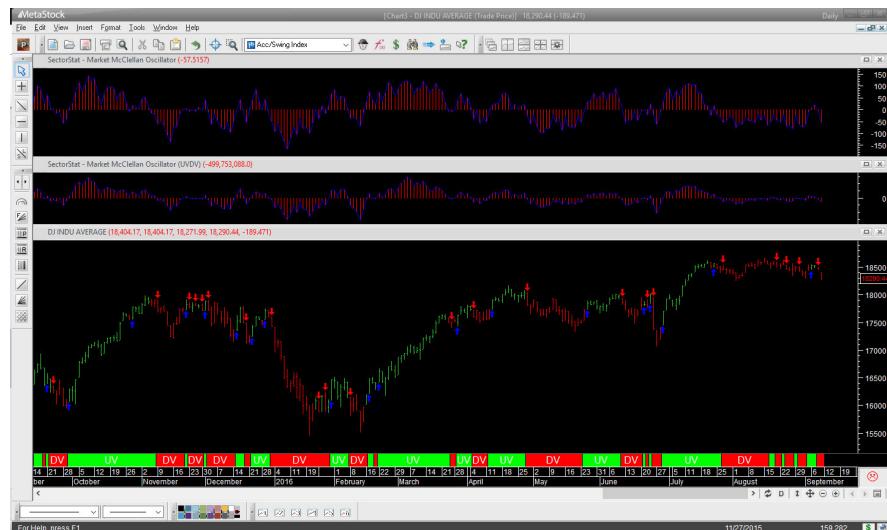


To assist with the volume indicator a trend ribbon has been added to the bottom of the chart with labels UV or DV. When the trend ribbon turns green (with UV) it signifies that the SectorStat – Market McClellan Oscillator (UVDV) is above 0 and when it is red (with DV) that the indicator has moved below 0.

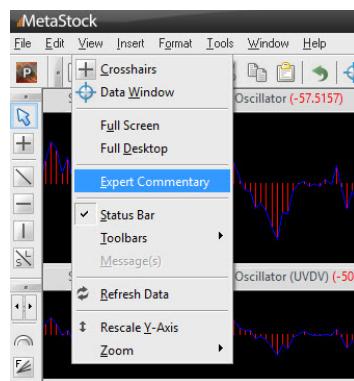


When both the SectorStat – Market McClellan Oscillator and the SectorStat – Market McClellan Oscillator (UVDV) are in alignment alert arrows will appear on the chart. A blue arrow means both have crossed above 0 and when red it means that the indicators have crossed below 0. The alert arrow is the very powerful as it

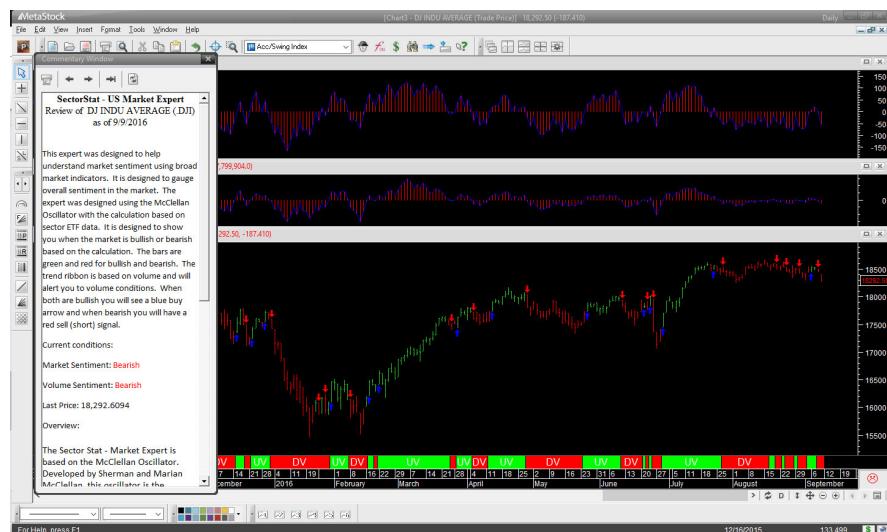
shows that both price and volume are both triggering a powerful signal of change of trend in the market.



An Expert Commentary has also been added to give additional guidance. To open the Expert Commentary, go to **View | Expert Commentary**.



This will open the Expert Commentary in MetaStock.

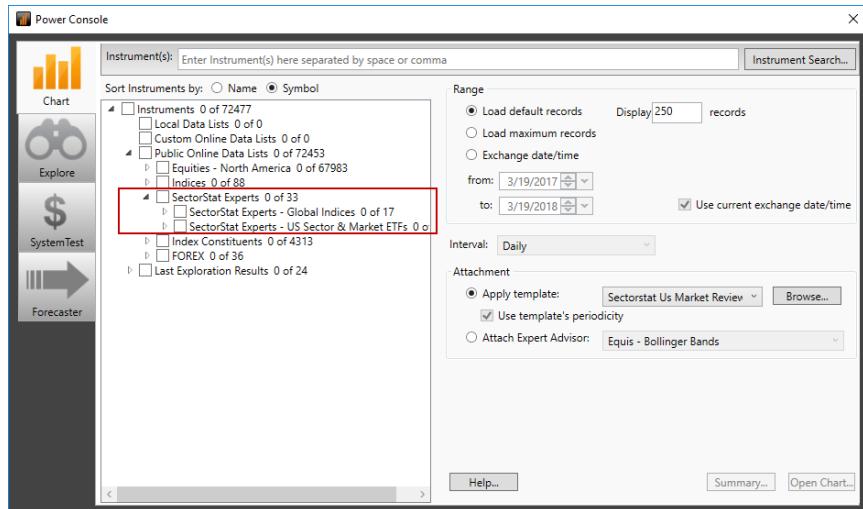


The Expert Commentary gives an overview of the indicators and how they are calculated. In this example it can be seen that the market has recently turned bearish and has given a recent trigger to the bearish side.

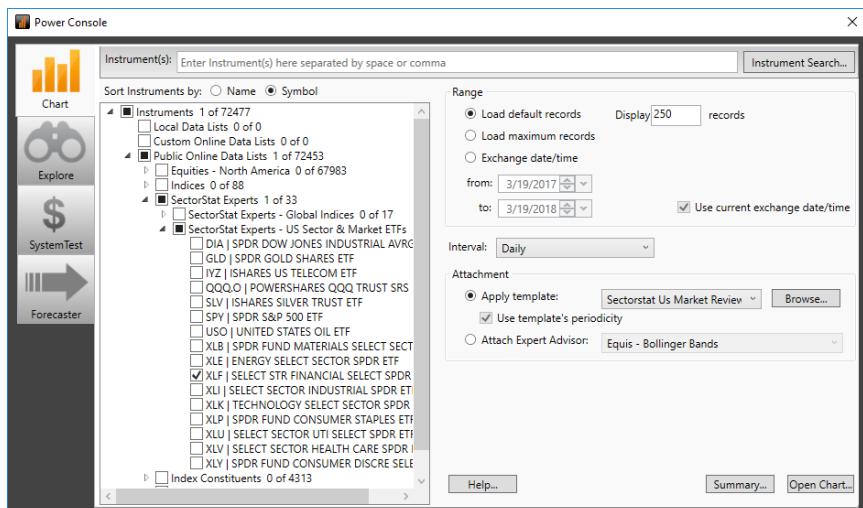
## Trading with SectorStat

The SectorStat Expert can be used in many ways. It can be used as a trading system in itself to trade options or Index ETF's such as DIA or SPY, as a sentiment indicator, or a confirming indicator.

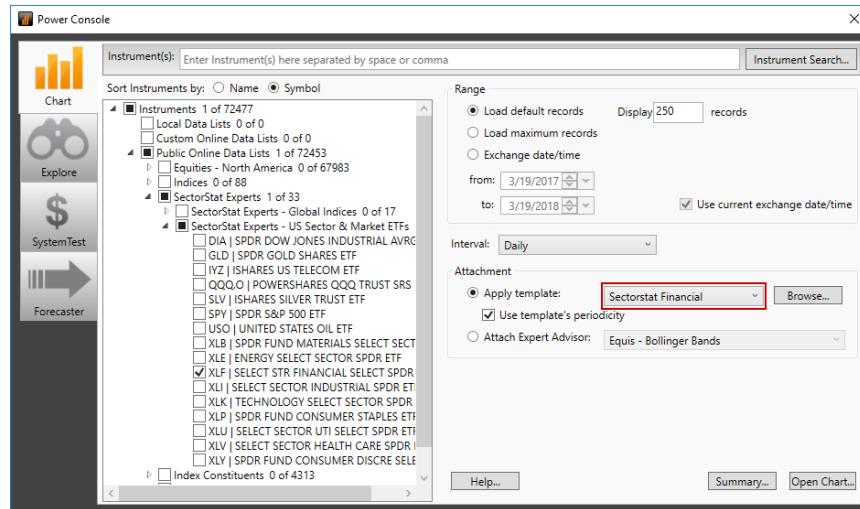
To make selection of the indices and sectors ETS easier 2 lists have been added to the Power Console. The lists are under SectorStat Experts. There are two lists. One for Global Indices and one for US Sector & Market ETFs.



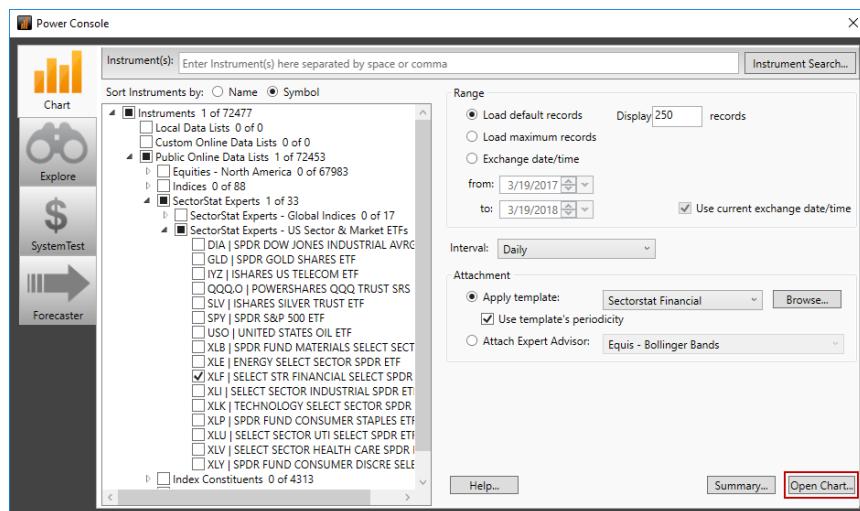
To open from this list select the arrow next to the list to be used and the list will expand. Then select the ETF to analyze. For this example select XLF.



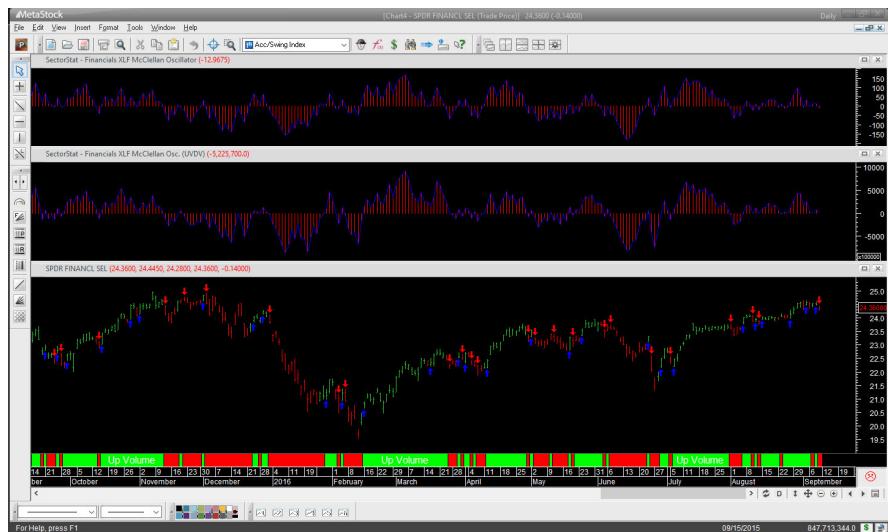
Since XLF is the Financial Sector ETF, select the SectorStat – Financial template.



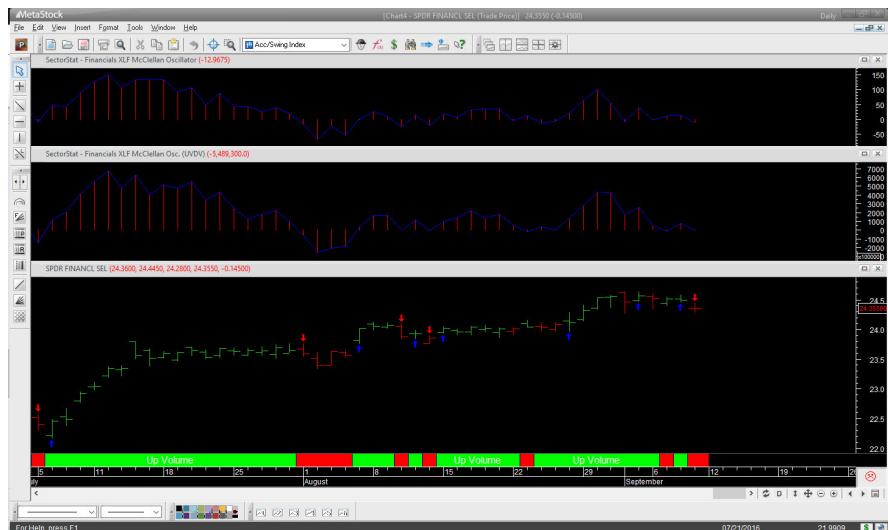
Select [Open Chart...](#).



The chart will open.



It can be seen that this Sector has been in a period of indecision over the last few bars but has on the current bar signaled a reversal. This would be an instance where using another indicator to confirm a trade would be a wise move.



The SectorStat Experts are very powerful in confirming the trend by using the underlying sectors or constituents based on the expert used. Use them to confirm trades or as a starting point for working top down market analysis. What is the

market doing and what is the sector I am trading in doing? This can give you a very power launching point for your trade.

See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)

### Creating a new List

MetaStock XV has the added advantage of allowing a user to be able to read a number of different local data formats. It can read MetaStock Legacy File Format, CSV, or our new and improved local data format called MSLocal. Local data gives a user the flexibility to work with MetaStock Offline or simply just use data that resides on your computer to chart, scan, test or forecast. So all of the workflows covered in chapters that cover these tools can be done using local data.

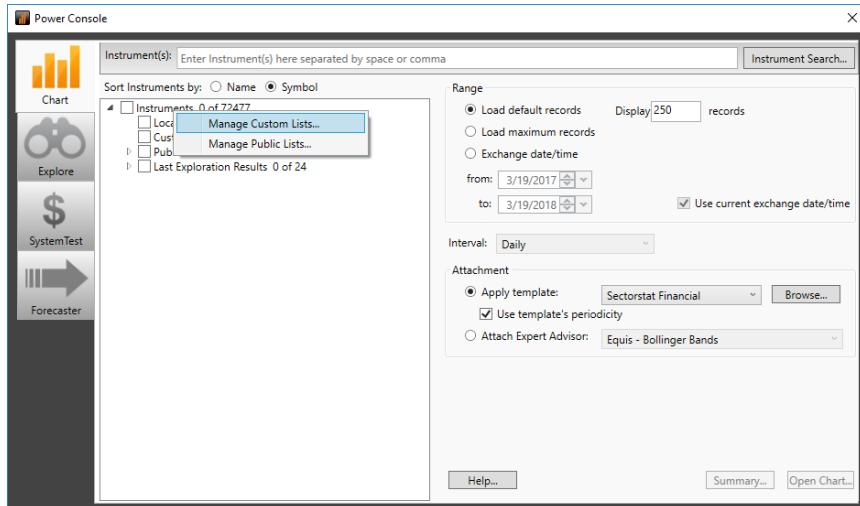
In this chapter we will cover how to add local data files to your MetaStock so you can use them in your workflows. It does not cover how to create or manage your local data files. Refer to the MetaStock help or other resources on how to create and maintain your local data files.

To add existing local data files to MetaStock:

Click  to open the Power Console.

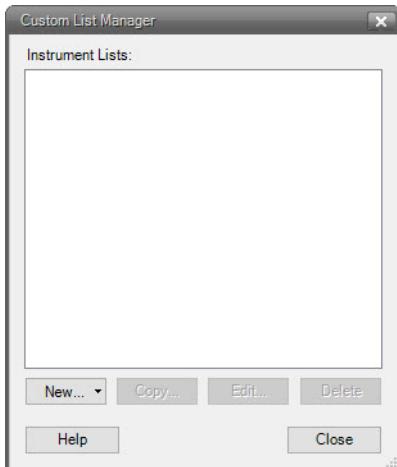
Select  to open the Chart tab.

To add local data files right click on the word Instruments in the Instrument Tree. The option to manage Public Lists or Custom List is displayed.

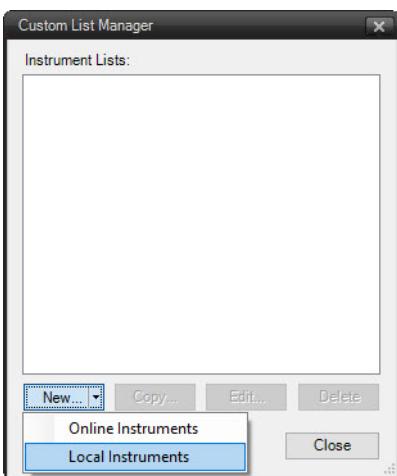


Select the option to **Manage Custom Lists**.

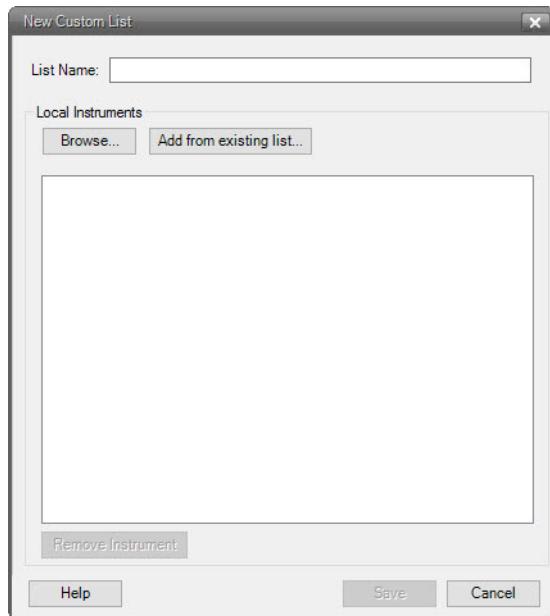
The custom list manager is displayed.



In the custom list manager select the **New...** button and select **Local Instruments**.

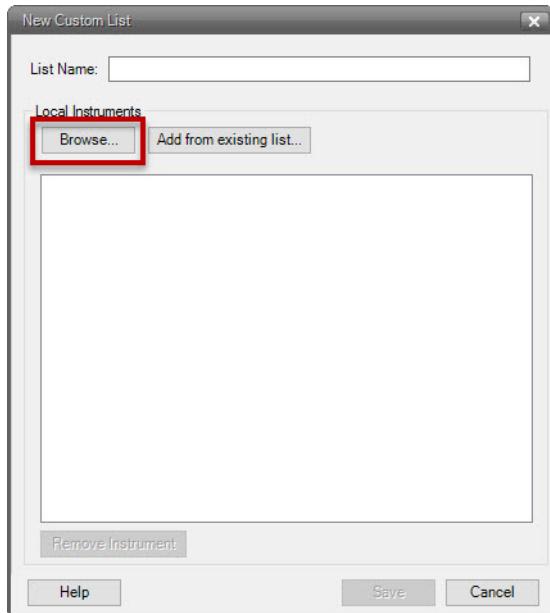


This takes you to the New Custom List dialogue box.

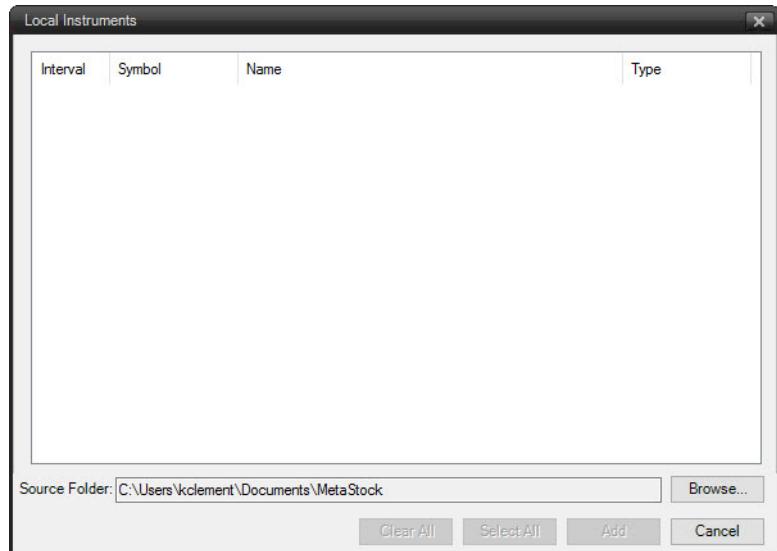


## Adding Instruments to the List

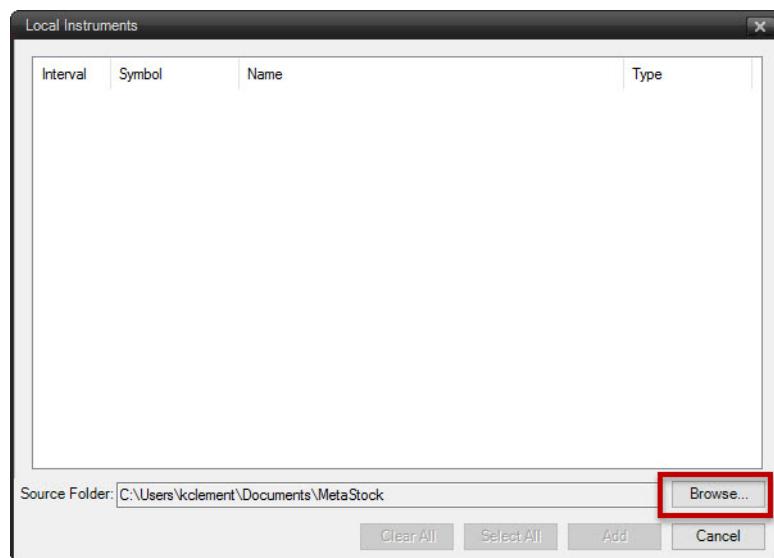
It is really simple to add a full folder of securities to your folder. Start by selecting the **Browse...** button.



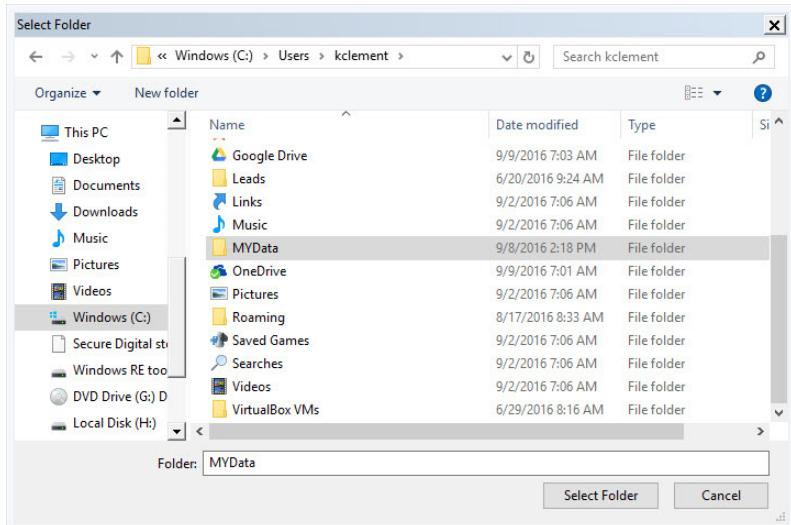
The Local Instruments box will then be displayed.



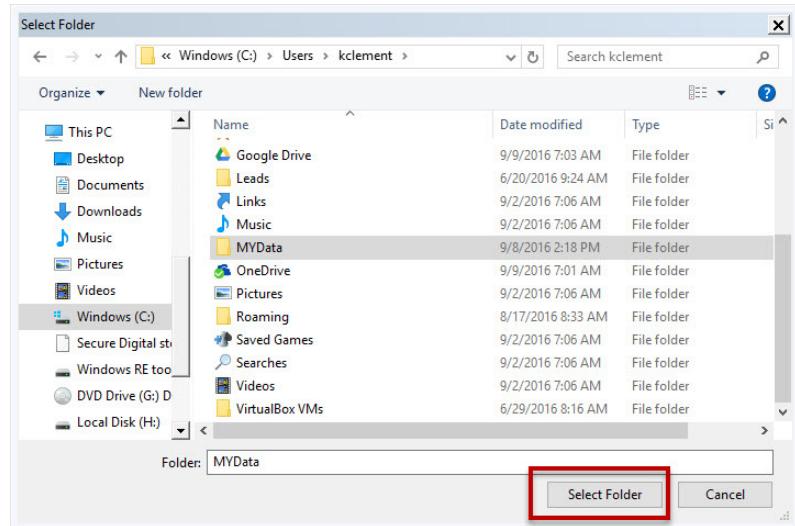
From here we need to what folder is to be added into the local data library. In the Local Instruments box select .



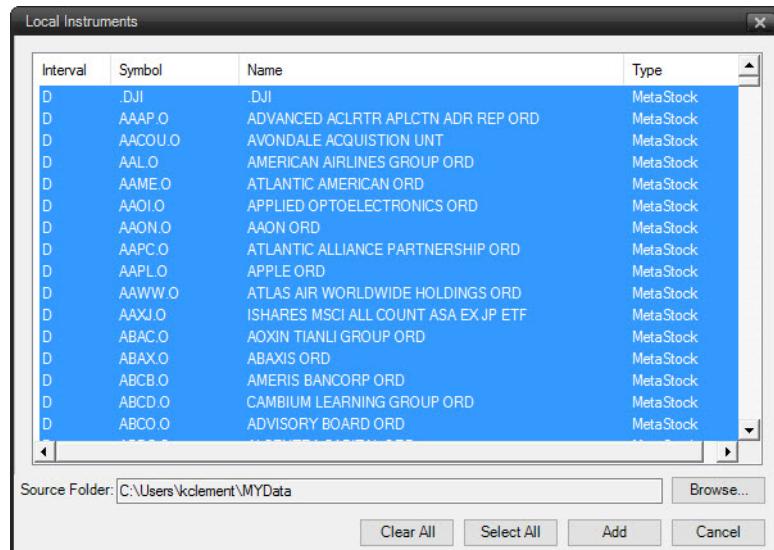
At this point you will need to navigate to the folder that holds your data. As that may be different for each user, a generic example will be used. Navigate to the folder that contains your data.



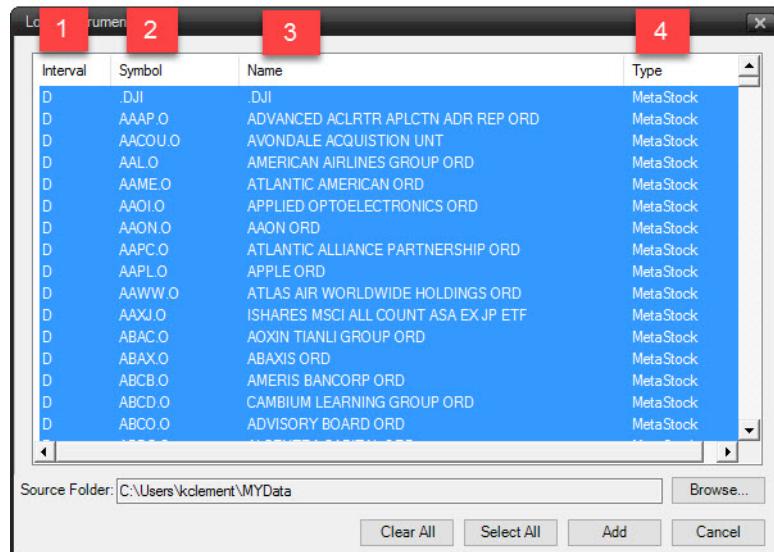
In this example the folder "MYData" is selected. Select the folder you want to load and then choose the **Select Folder** button.



All the compatible data files in that folder are selected.

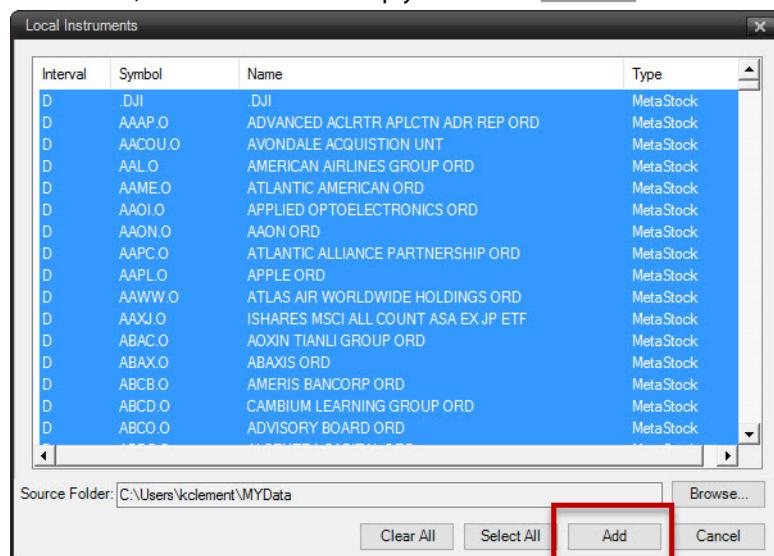


Here is what each column means.



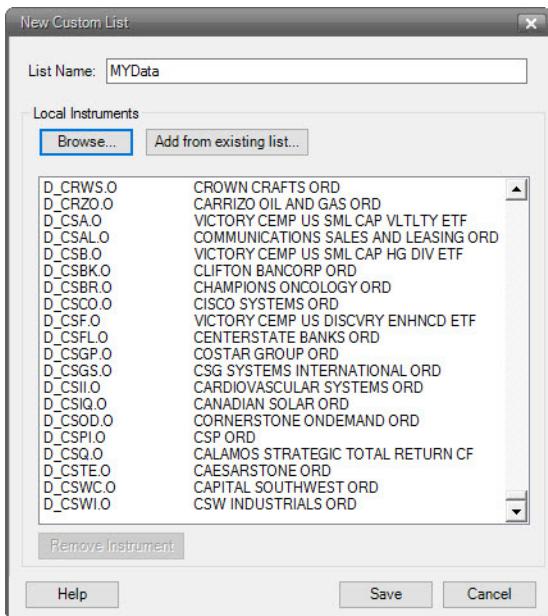
Item	Description
1	What the interval of the data is. You may see D for Daily, W – Weekly Q- Quarterly Y Yearly. (other intervals are available for R/T)
2	The ticker symbol of the instrument
3	Name of the instrument
4	Type of file format. MetaStock is the new file format, CSV or Legacy (Original MetaStock File Format)

It should be noted that all the files are now selected automatically (denoted by a gray or blue color). To add to the list simply select the **Add** button.

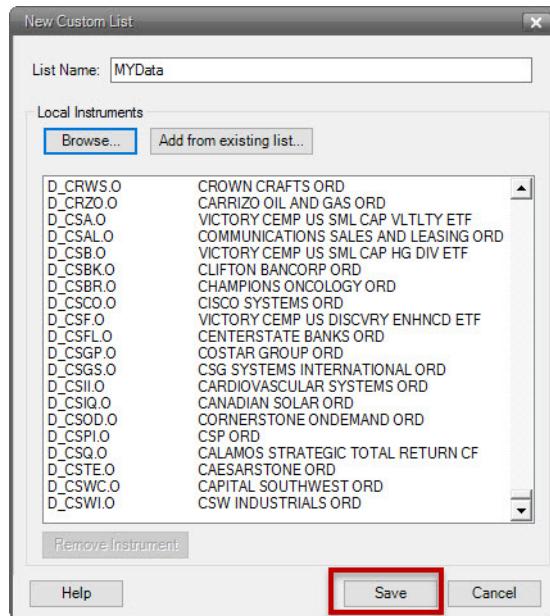


## Saving the New List

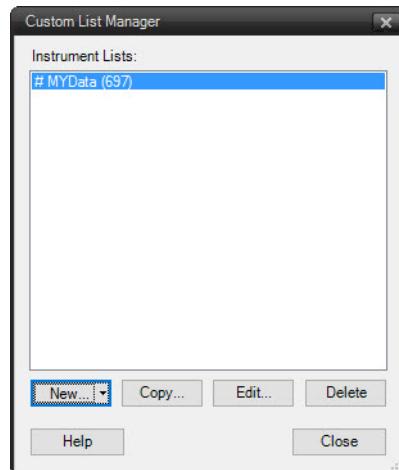
The files are loaded into the custom list. The list name is automatically take from the folder name. There is no need to create a new folder name.



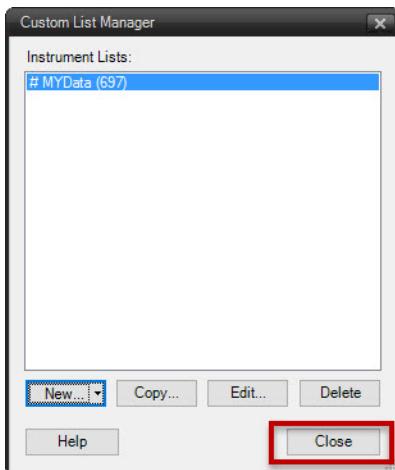
Select **Save**.



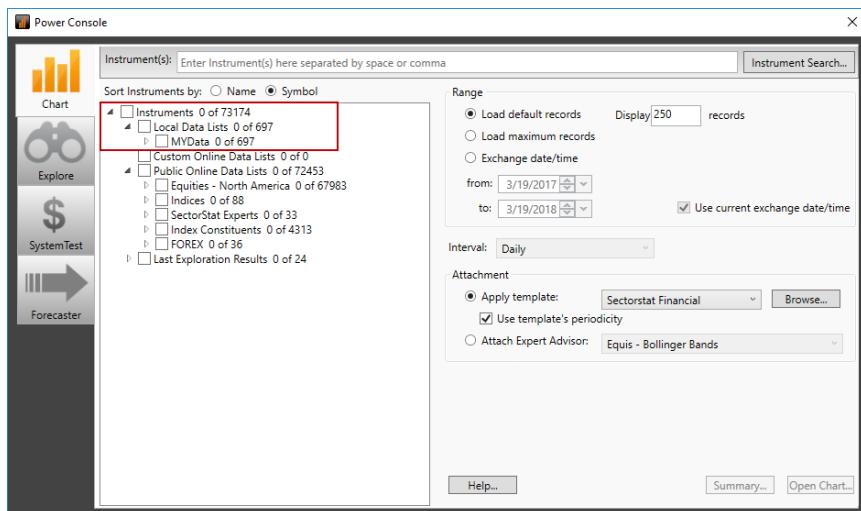
The folder is added to the Custom List Manager.



This process can be repeated for all folders that you want to load into MetaStock. If you have finished loading lists. Choose **Close**.



The list of instruments is now available in the Power Console.



Now that the list is loaded in the Power Console it can be used for any workflow. You can Open Charts, Explore, Test, and Forecast from this list.

See the related video at [www.metastock.com/upm](http://www.metastock.com/upm)