MARKET INTERNALS
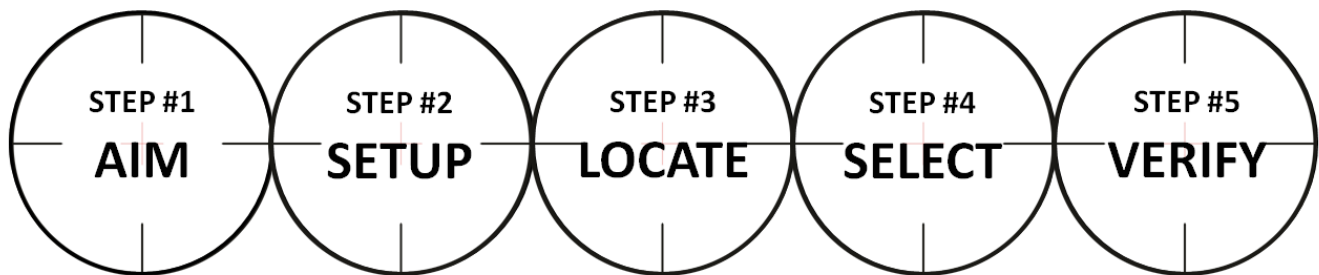## the unfair advantage

The Market Internals

MI-5

Workbook

www.TradingMarketInternals.com

The 5-step Framework we use to slash our drawdowns:

The 5 steps of the MI-5 Framework

STEP #1	STEP #2	STEP #3	STEP #4	STEP #5
AIM	SETUP	LOCATE	SELECT	VERIFY

TRADING INVOLVES A SUBSTANTIAL RISK OF LOSS AND IS NOT SUITABLE FOR ALL INVESTORS,
PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS

MARKET INTERNALS

Plus 5 reasons to start with Market Internals today:

- Proven solution to slash drawdowns and improve trading performance
- Quick and easy to implement
- Robust (if applied according to the MI-5 Framework)
- Applicable for index futures, stocks and ETFs
- An "Unfair Advantage" that many traders still don't know how to apply properly

Trading Strategy "8:45 BREAKOUT" Code (EasyLanguage)

```
{
********************************************************************************
THIS CODE IS FOR STUDYING PURPOSES ONLY.

DISCLAIMER: Futures trading systems and commodity trading bear a high degree of
risk. People can and do lose money. Hypothetical results have many inherent
limitations. Past performance does not guarantee future results.

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DATA 1: TF.D 15 min
********************************************************************************
}

// ENTRY CONDITION (845 BREAKOUT) AND ENTRY ORDER
if time = 1545 and close > closeD(1)
{ entry 8:45 of Exchange time (we have to use a LOCAL time, in my case it is 15:45
of SPANISH time) }

And dayofweek(date) <> 1
{ avoid the Monday opening craziness }

And close > open
{ make sure the market is really going up }

then buy this bar at close;
{ entry order }

setexitonclose;
{ exit at the end of day }
```

Trading Strategy "8:45 BREAKOUT with Market Internals Condition 15" Code (EasyLanguage)

```
{
*******************************************************************************
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DATA 1: TF.D 15 min
*******************************************************************************
}


Input:
MI_Parameter(2);

vars:
myDiff(0),
myDiffAvg(0),
modeLong(false),
MP(0);

MP = marketposition;

//DEFINE MARKET INTERNALS FILTER === MI SWICHT 15
myDiff = Close of data2 - Close of data3;
myDiffAvg = average(myDiff, 10 * MI_Parameter);

//Market Internals modeLONG condition
If myDiff > 0 and myDiff > myDiffAvg and myDiffAvg > 0 then begin
     modeLONG = TRUE;
end;
If myDiff < 0 and myDiff < myDiffAvg and myDiffAvg < 0 then begin
     ModeLONG = false;
end;

//Cancel Market Internals modeLONG condition
If modeLONG = True and ((myDiff < 0)or (myDiffAvg < 0)) then modeLong = false;

//The original 8:45 system
if time = 1545 and close > closeD(1)
{ entry 8:45 of Exchange time (we have to use a LOCAL time, in my case it is 15:45
of SPANISH time) }
```

And dayofweek(date) <> 1
{ avoid the Monday opening craziness }

And close > open
{ make sure the market is really going up }

And ModeLong
{ MI CONDITION (number 15) }

then buy this bar at close;
{ entry order }

setexitonclose;
{ exit at the end of day }

If MP = 0 and MP[1] > 0 then modeLONG = false;
{Reset MI condition after exit}

Market Internals "Condition / Switch 15" explained

The Market Internals "Switch 15" in the code is defined as:

```
//DEFINE MARKET INTERNALS FILTER === MI SWICHT 15
myDiff = Close of data2 - Close of data3;
myDiffAvg = average(myDiff, 10 * MI_Parameter);

//Market Internals modeLONG condition
If myDiff > 0 and myDiff > myDiffAvg and myDiffAvg > 0 then begin
     modeLONG = TRUE;
end;
If myDiff < 0 and myDiff < myDiffAvg and myDiffAvg < 0 then begin
     ModeLONG = false;
end;

//Cancel Market Internals modeLONG condition
If modeLONG = True and ((myDiff < 0)or (myDiffAvg < 0)) then modeLong = false;
```
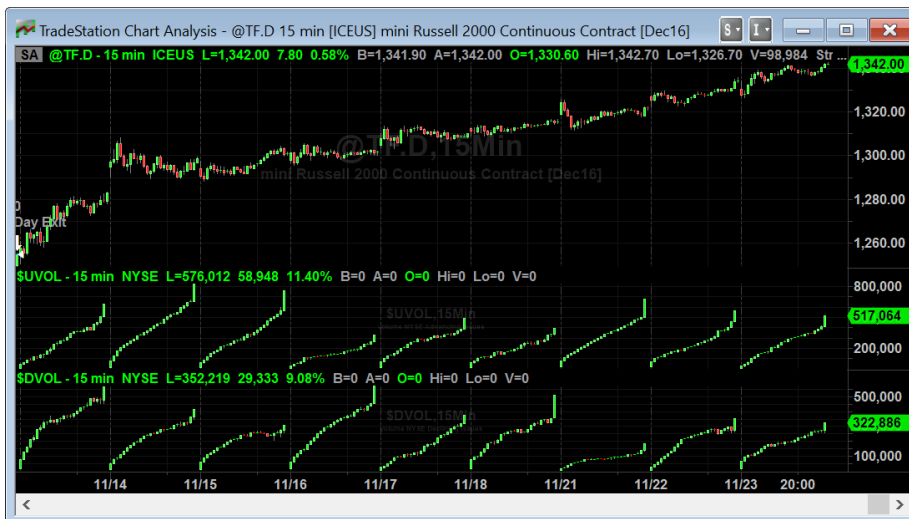
Which Market Internals data does this Market Internals condition work with?

This condition works with two different Market Internals data feeds:

- UVOL (referred as data2)
- DVOL (referred as data3)

What is UVOL – DVOL pair?

- **UVOL monitors the total volume of all rising stocks on the exchange.**

- **DVOL monitors the total volume of all falling stocks on the exchange.**

By using this indicator, we can monitor how the volume on one side, or on the other, gains power, so we can get a better image of where the volume is moving, i.e. which side is stronger.

This is, of course, a very powerful view on the market that can provide us with lots of important information (if we know how to use it properly).

Personally, I like this Market Internals category a lot and I have really good experience

What does this Market Internals condition mean?

This Market Internals condition works with the "UVOL-DVOL" pair, as already explained.

We want to calculate the difference between then "UVOL-DVOL" pair, then calculate the Moving Average of this difference, and then establish ModeLong (or ModeShort) based on relation between the difference, the average of the difference, and the value zero.

The logic is very simple:

1) Calculate the difference between UVOL and DVOL (myDiff)
2) Calculate the Moving Average of this difference (myDiffAvg)
3) Establish ModeLong if myDiff > 0 and myDiff > myDiffAvg and myDiffAvg > 0
4) Cancel ModeLong if myDiff < 0 or myDiffAvg < 0

NOTES