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Guide for Gammath™ SPOT gScores

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PURPOSE

The purpose of this document is to explain how to use Gammath™ SPOT and interpret details of gScores and micro-gScores.

OVERVIEW

Gammath™ SPOT (patent pending) is a stocks analysis software. It is a toolset that consists of tools such as scraper, analyzer/scorer, estimator/projector, historian and backtester. These tools are used for technical analysis of stocks to assist in faster decision-making.

The intent is to identify stocks that meet the target return criterion for intended investment time horizon and then make buy/sell/hold decisions using a trading strategy that is back tested.

- The scraper tool obtains the necessary information (from the Internet) for stock technical analysis.
- The analyzer/scorer tool analyzes the scraped data and algorithmically computes the gScore ('g' is for Gammath™) for each stock in the watch list (for which the scraper collected data) to express its opinion on degree at which the stock is trading at a perceived premium or at a perceived discount. The gScore can then be used like an indicator in the process of making buy/sell/hold decision on the stock.
- The computed gScore is between -1 and +1. If the gScore is closer to -1 then it means that the algorithm perceives the stock to be trading at a premium. If the gScore is closer to +1 then it means that the algorithm perceives the stock to be trading at a discount.
- Below is an example of gScores presented for a sample watchlist from the past/old data:

overall_gscores

Ticker	sh_gscore	sci_gscore	final_gscore	Note
WMT	-0.55	0.11	-0.44	
TWTR	-0.21	0.04	-0.17	
PFE	-0.19	0.04	-0.15	
GS	0.02	0.01	0.03	
C	0.13	-0.05	0.08	
FB	0.11	0.03	0.14	
INTC	0.27	-0.05	0.22	
AAPL	0.08	0.19	0.27	
TSLA	0.26	0.04	0.3	
NVDA	0.29	0.03	0.32	
JPM	0.29	0.1	0.39	
AMZN	0.22	0.22	0.44	
GOOGL	0.3	0.15	0.45	
AMD	0.39	0.1	0.49	
BAC	0.47	0.1	0.57	
MSFT	0.42	0.19	0.61	

Trading at a
perceived premium

Trading at a
perceived discount



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- It is important to note that the gScore by itself does NOT indicate a buy/sell/hold/avoid signal. It needs to be incorporated in a trading strategy to make buy/sell/hold/avoid decision on stocks. An example of trading strategy is provided in our back testing example code. For manual decision-making, we describe how to use this system in our “On The SPOT” blog.
- We recommend that the users subscribe to one of the affordable plans from <https://www.gammathworks.com> at least for the first year to understand how to use this system effectively. Subscription will grant you access to the premium content, technical support and access to daily blog (“On the SPOT” blog) where gScores and micro-gScores are discussed/explained with real examples (free samples of the blog are available [here](#)).
- Price Estimator/Projector is used to estimate and project moving future price of the stocks. It also projects S&P500’s future moving estimated projected value.
- Historian tool is used to generate the gScores’ history for the respective stocks in the watchlist. This is used for correlation of price with different micro-gScores. Please note that the historian tool will take longer to run depending on the length of the watch list. Until this tool is optimized, we recommended to use a smaller watchlist (e.g., a list of closely watched stocks that the user wants to trade [buy/sell/hold]).
- Backtester tool is used to test a strategy using gScores and micro-gScores. This way the user can check how the strategy did historically and then decide on whether to use it for making concurrent buy/sell/hold decisions.
- A basic back testing example (long-term and short-term strategy) is provided in the source code that the user can use as a starting point and then fine tune using micro-gScores to match the respective strategy.

WHERE DO I FIND USAGE INSTRUCTIONS?

For instructions on installation, build, obtaining source code and how to run the scraper, scorer, pep, historian and backtester tools, please check [here](#).

HOWTO USE GAMMATH™ SPOT TOOLSET?

The general order of usage is as follow:

- 1) Run scraper tool to collect the data for analysis.
- 2) Run the Scorer to analyze and compute gScores.
- 3) Run the Price estimator and projector tool to get future moving estimated price projection for stocks and S&P500. Pick the stocks that meet future return criteria and create a “closely watched” watchlist
- 4) Run the Historian to generate historical gScores (approximately last 5 years) for list from step 3.



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- 5) Run the Backtester to test your strategy for the list from step 3. Based on how the strategy did over historical intervals, one can decide whether to use it for contemporary trading (buy/sell/hold) decisions.

HOWTO USE GSCORE

We think that gScore is a clear, easy, and effective way of comprehending stock technical analysis results.

Following are some (manual) ways in which we have used gScore that has served us very well. You can refer to the back testing source code for more detail if you are using the software to automate decision-making process.

1. We use gScore for better dollar cost averaging i.e., Instead of buying our favorite stock (i.e., a stock we have researched and like the business and fundamentals of the company) on arbitrary days, we choose buying over a period after gScore is relatively higher (for example in above list, we would consider buying WMT after its gScore is 0.54 as opposed to when its gScore is -0.44).
2. We consider buying (meaning we add the stock to our closely watched list) when stock's gScore is more than 0.5 (higher the better unless we have strong reasons to buy at lower gScore). The gScores history can be examined to decide on a "buy zone" (for e.g., after our favorite stock hits the discounted zone of > 0.5 , we choose to buy if the $\text{gScore} > 0$ and price is below our average purchase price).
3. We consider selling (meaning we add the stock on closely watched list) a stock when its gScore is less than 0 or when any of our sell criteria are met (for e.g., our long-term criteria also consider hold-time and profit percentage whereas short-term criteria just focus on taking profits within relatively small number of days the stock is held). This parameter can be fine-tuned for specific stock based on its gScores history.
4. We diversify as much as possible i.e., if there are 20 stocks in our watchlist that have a gScore of more than 0.5 then we consider buying stock(s) of many of those 20 companies that we like (in small quantity) and have higher gScore.
5. We tend not to buy when the stock price is falling. So, as mentioned in point 2 above, once the gScore is above 0.5, we put the stock on closer watch, and we prefer to buy only when the stock price starts rising. Similarly, when gScore is negative, we put the stock on closer watch, and we prefer to sell only when the stock price starts falling (and our sell criteria is met).
6. We check the news of specific company and evaluate any positive or negative impact of the news before deciding to buy/sell/hold.
7. We check the general news affecting the markets before deciding to buy/sell.
8. If you run Gammath™ SPOT on your machine or in the cloud, then the stock's signal.txt file can be checked for finer detail (described later in this document) before making buy/sell decision. There are many criteria logged in it and can be used to match personal preference.
9. If you run Gammath™ SPOT on your machine or in the cloud, then the stock's charts can be checked for graphical visualization of indicators.



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10. A significant component of this algorithmic analysis is the historical price data. As a result, we prefer to invest in stocks that have at least 5-years price history.
11. We prefer to invest in stocks that have a positive 5-years and 1-year return on investment.
12. We use micro-gScores and gscores history to fine tune our buy/sell/hold criteria.
13. It is much easier to explain how gScore-based dollar cost averaging would work from back testing example. We have provided a basic back testing example (for short-term and long-term investment horizon) in the source code to show one way to do this.
14. We tend to backtest our strategy on each stock on our closely watched list before deciding which strategy to use. Please refer to the backtester tool source code for an example.
15. We tend to use current info based gScore component (sci_gscore) as a filtering criterion and then on the filtered list, we use stock history based gScore component (sh_gscore) for historical analysis and back testing.
16. **Please note:** *Selling a stock is a very subjective criteria and one is not necessarily required to sell a stock just because it is trading at a premium (especially if the user decides that the stock has great long-term prospects). However, if user wants to get out a stock position when in "green" then gScore based dollar cost averaging could possibly show a way out. We backtest our strategy to determine if strategy works at least on historical data and enabled us to get out of a position if we wanted to.*

HOWTO BACKTEST MY STRATEGY?

A general strategy that uses gScores is provided in the source code as an example. The intent is to show a strategy for the short-term (less than 1 year intended holding time) and a strategy for the long-term (more than 1 year intended holding time) as an example to make changes buy/sell/hold decisions. You can check the results in the corresponding files (described in later [section](#)). You can use the historian-generated charts to correlate and come up with a different strategy that matches your investment strategy.

WHERE DO I FIND GSCORES?

You can get access to our published gScores through one of the subscription plans from our website <https://www.gammathworks.com>. If you are using the free version of Gammath™ SPOT software or have subscribed to our premium content, then gScores (for entire watchlist) are saved in a file name 'overall_gscores.csv' in the 'tickers' directory and in stock-specific signal file.

HOWTO INTERPRET OVERALL_GSCORES.CSV?

The five columns in this file are:

- a) **ticker:** Stock ticker symbol of the company.
- b) **final_gscore:** Final gScore between -1 and +1.
- c) **sh_gscore** and **sci_gscore** show the two components that makeup the overall gScore. **sh_gscore** is stock history (sh) based gScore component and **sci_gscore** is stock current info (sci) based gScore component. Current information (sci) based gScore component



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can be used as a filtering criterion as it is comprised of current data analysis (e.g., industry analysts' recommendations micro-gScore, options traders' activity micro-gScore, social media sentiment micro-gScore etc.). Stock history based gScore component is what one uses to check historical gScores, correlations with micro-gScores and back testing.

- d) Note: Special notes e.g., 'NO_PRICE_DATA_FROM_TODAY' indicates that stock history is not valid (stale/incomplete) so the gScore for that stock should NOT be used.

WHERE DO I FIND DATA USED FOR ANALYSIS?

The stock-specific data used and formatted by Gammath SPOT can be found in 'tickers/<ticker_symbol>' directory. For example, data used for analysis of Apple, Inc's stock can be found in 'tickers/AAPL' directory. S&P500-specific data can be found in the 'tickers' directory.

WHAT TYPE OF DATA IS USED/SAVED FOR ANALYSIS/REFERENCE?

Depending on the data availability, one can find all or some of the following data saved in ticker_symbol-specific directory:

1. <ticker_symbol>_calendar.csv: Information such as next earnings date (if available) can be found in this file
2. <ticker_symbol>_call_<date>.csv: Information about calls (options data if available) can be found in this file
3. <ticker_symbol>_put_<date>.csv: Information about puts (options data if available) can be found in this file
4. <ticker_symbol>_history.csv: Information about Price history (if available) can be found in this file
5. <ticker_symbol>_qbs.csv: Information about quarterly balance sheet (if available) can be found in this file
6. <ticker_symbol>_qcf.csv: Information about quarterly cash flow (if available) can be found in this file
7. <ticker_symbol>_qe.csv: Information about quarterly earnings flow (if available) can be found in this file
8. <ticker_symbol>_qf.csv: Information about quarterly financials (if available) can be found in this file
9. <ticker_symbol>_reco.csv: Information about Industry Analysts' recommendations (if available) can be found in this file
10. <ticker_symbol>_summary.csv: Information about Stock summary (if available) can be found in this file
11. <ticker_symbol>_st_page.html: HTML page referenced for sentiment score from stocktwits website (if available) can be found in this file



WHERE DO I FIND CHARTS GENERATED BY GAMMATH SPOT?

The stock-specific charts generated by Gammath SPOT can be found in 'tickers/<ticker_symbol>/<ticker_symbol>_charts.png'. For example, charts generated as part of analysis of Apple, Inc's stock can be found in 'tickers/AAPL/AAPL_charts.png' file. If you ran the Price estimator and projector tool, then 'tickers/<ticker_symbol>/<ticker_symbol>_pep.png' file should be found to visualize the price estimation and projection. If you ran the historian tool, then 'tickers/<ticker_symbol>/<ticker_symbol>_gscores_charts.png' file should also be found showing gScore/micro-gScore history for the stock.

WHERE DO I FIND STOCK'S PEP DATA FROM GAMMATH SPOT?

The stock-specific Price Estimator and Projector (PEP) data from Gammath SPOT can be found in 'tickers/<ticker_symbol>/<ticker_symbol>_pp.csv' file (if you ran the PEP tool). For example, estimated price projection generated by Gammath™ PEP tool for Apple, Inc's stock can be found in 'tickers/AAPL/AAPL_pp.csv' file. You can load its content into a Pandas series/dataframe.

WHERE DO I FIND SORTED LIST OF 5Y PEP FROM GAMMATH SPOT?

A sorted (by moving estimated projected 5Y return) list of 5Y PEP from Gammath SPOT can be found in 'tickers/MPEP.csv' file (if you ran the PEP tool). You can load its content into a Pandas series/dataframe.

WHERE DO I FIND STOCK'S MICRO-GSCORES FROM GAMMATH SPOT?

The stock-specific gScore and micro-gScores from Gammath SPOT can be found in 'tickers/<ticker_symbol>/<ticker_symbol>_gscores.csv' file. For example, micro-gScores generated as part of analysis of Apple, Inc's stock can be found in 'tickers/AAPL/AAPL_gscores.csv' file. You can load its content into a Pandas dataframe.

WHERE DO I FIND STOCK'S GSCORE-HISTORY FROM GAMMATH SPOT?

Please note that this is generated if the Gammath historian tool is run based on these [instructions](#). gScore consists of stock-history-specific component and current-info-specific component. gScores history is available for the stock-history-specific component. The historical gScores/micro-gScores and the corresponding charts from Gammath SPOT for the stock can be found in 'tickers/<ticker_symbol>/<ticker_symbol>_micro_gscores.csv' and 'tickers/<ticker_symbol>/<ticker_symbol>_gscores_charts.csv' files respectively. For example, if the Gammath historian tool was used for generating Apple's historical gScores (stock-history-specific component) then the 'tickers/AAPL/AAPL_micro_gscores.csv' and 'tickers/AAPL/AAPL_gscores_charts.csv' will be available. You can load the CSV file's content into a Pandas dataframe.



WHERE DO I FIND STOCK'S BACKTESTED STATS FROM GAMMATH SPOT?

Please note that this is generated if the Gammath backtester tool is run based on these [instructions](#). Back testing stats of specific strategy used for a stock can be found in 'tickers/<ticker_symbol>/<ticker_symbol>_gtrades_stats_<term>.csv'. Here, 'term' refers to "short-term" and "long-term".

WHERE DO I FIND ANALYSIS/SIGNALS FROM GAMMATH SPOT?

The stock-specific analysis/signals from Gammath SPOT can be found in 'tickers/<ticker_symbol>/<ticker_symbol>_signal.txt'. For example, charts generated as part of analysis of Apple, Inc's stock can be found in 'tickers/AAPL/ AAPL_signal.txt' file.

HOW DO I INTERPRET <TICKER>_SIGNAL.TXT FILE FROM GAMMATH SPOT?

The stock-specific algorithmic analysis' output from Gammath™ SPOT is saved in <ticker_symbol>_signal.txt for reference. It can be used to get finer details on gScore to help make criteria-specific decision on respective stock. Following micro-gScores (when possible) can be found in <ticker_symbol>_signal.txt:

- 1) Price
- 2) RSI
- 3) Bollinger Bands
- 4) MACD
- 5) Kalman Filter
- 6) Ordinary Least Squares
- 7) MFI
- 8) Stochastic
- 9) Options data
- 10) Analysts' recommendations (or in case this information is not available then fundamental analysis based on available information such as PE, PEG, Beta, Institutional holdings, Insider holdings, Quarterly balance sheet, PBR)
- 11) Sentiment scores (scraped from stocktwits website)

These micro-gScores make up the overall gScore for the stock and can be used for more detailed selection criteria (manually or automated in your code). There is more information embedded for each of these micro-gScores in <ticker_symbol>_signal.txt as follows:

Price:

Price-micro-gScore ([between -10 to +10]/10) based on Price history data analysis
[price direction (rising/falling)] [bottom, middle, top quantile (based on historical data analysis)
for consecutive days count rising/falling] [current price] [quantile based on 52-week range]



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[price gScore (10% weightage in overall gScore)] [note indicating if new 52-week low/high was detected]

Relative Strength Index (RSI):

RSI-micro-gScore ([between -10 to +10]/10) based on RSI analysis

[RSI level compared to mean below, above, or average] [oversold or overbought or normal]

[rising or falling or unclear] [bottom or middle or top quantile (based on historical data analysis) for consecutive days in oversold or overbought level] [RSI gScore (10% weightage in overall gScore)]

Bollinger bands:

Bollinger-bands-micro-gScore ([between -10 to +10]/10) based on Bollinger bands analysis

[Price is below/above middle Bollinger band] [Price is closer to lower, middle, or upper Bollinger band] [Bollinger band gScore (10% weightage in overall gScore)]

Moving Average Convergence/Divergence (MACD):

MACD-micro-gScore ([between -10 to +10]/10) based on MACD analysis

[Trend is positive or negative] [Price when buy/sell signaled] [bottom, middle, top quantile (based on historical data analysis) for days in this trend] [bottom, middle, top quantile for current difference] [MACD gScore (10% weightage in overall gScore)]

Kalman Filter (KF):

KF-micro-gScore ([between -10 to +10]/10) based on “digital filtering” (Intent of using the Kalman Filter to “smoothen/filter out spikes” and check if current price is above or below “filtered” average)

[negative/positive days i.e., price is below or above “filtered average” respectively] [bottom, middle, top quantile for days in this trend] [bottom, middle, top quantile (based on historical data analysis) for current difference compared to “filtered average”] [KF_IC. Information Coefficient] [KF gScore (10% weightage in overall gScore)]

Ordinary Least Square (OLS):

OLS-micro-gScore ([between -10 to +10]/10) to determine if price is above or below “expected” average and if 5Y and 1Y slopes of Least Squares line is positive. This is used to determine if dollar cost averaging is risky for a given stock trend (e.g., if slopes are negative then it could be risky to double-down)

[fit score indicating how well stock price chart fits OLS model. Fit score ≥ 0.9 is considered a great fit] [1Y slope: positive or negative] [5Y slope: positive or negative] [positive or negative difference compared to Least Squares line (“expected average”)] [bottom or middle or top quantile (based on historical data analysis) for current difference compared to “expected average”] [OLS_IC. Information Coefficient] [OLS gScore (10% weightage in overall gScore)]



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Money Flow Index (MFI):

MFI-micro-gScore ([between -10 to +10]/10) based on MFI analysis

[MFI level compared to average: below, above, or average] [rising or falling or unclear]

[oversold, overbought, or blank] [MFI gScore (10% weightage in overall gScore)] [Indicator for possible price reversal: price could start rising or falling]

Stochastic Indicator (stochs):

Stochastic-micro-gScore ([between -5 to +5]/5) based on Stochastic analysis

[stochs-slowd level compared to average: below, above, or average] [oversold, overbought, or blank] [Last slowk/slowd crossover date] [stoch gScore (5% weightage in overall gScore)]

Options data (options):

Options-micro-gScore ([between -10 to +10]/10) based on Options data (short ratio, calls, puts info) analysis. This can be useful to estimate what options traders are betting on stock

[short ratio] [Bullish or Bearish] [options gScore (10% weightage in overall gScore)]

Analysts' recommendations (reco):

Analysts'-recommendations-micro-gScore ([between -10 to +10]/10) based on analysis of Industry analysts' recommendations data (Upgrades/Downgrades, positive/negative rating data from industry analysts that is publicly available). This is particularly useful when making decisions on stock that one has no expertise in.

[reco gScore (10% weightage in overall gScore)]

In the absence of analysts' recommendations, if fundamental data is available then that is used with 10% weightage in overall gScore. This information (if available) is logged in the <ticker_symbol>_signal.txt for easy reference to help with quick decision making on the stock:

Fundamental data (optional):

PE:

[Trailing PE (TPE) [Average TPE of sector if stock is in S&P500 list] [Forward PE (FPE)]

[Average FPE of sector if stock is in S&P500 list] [PE gScore]

PEG:

[PEG value] [PEG gScore]

Beta:

[Beta value] [Beta gScore]

Institutional holding:

[Institutional holding percentage value] [IHP gScore]

Insider holding:

[Insider holding percentage value] [INHP gScore]



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QBS:

[Debt to capital ratio value] [Current ratio] [Quick ratio] [QBS gScore]

PBR:

[Price to Book ratio value] [PBR gScore]

Sentiment and message volume Score (st_sv):

Sentiment-micro-gScore ([between -5 to +5]/5) based on analysis of social media website such as stocktwits

[st_sv on stocktwits gScore (5% weightage in overall gScore)]

Next Day Price Direction Probability:

We use this to determine the price direction (up/down) probability with respect to entire sample. The intent is to use it to buy when price rises after multi-day decline. This data is also saved in the micro-gscores history. We demonstrate how to use this data in our basic back testing example as it has a very specific purpose.

Next Week, Month Price Direction Probability:

We generate price direction (up/down) probability for “after a week” and “after a month” by using Logistic Regression. The intent is to use it in making buy/sell decisions. This data is also saved in the micro-gscores history.

Moving Technical Conjecture of Price in 5Y:

This is a dynamic/moving 5-year price conjecture. Price prediction doesn't make sense to us without accurate information on how the business is doing. In the absence of that, we are approximating price based on past performance and adapting to price changes dynamically. As a result, we call it a calculated, moving price conjecture. This is a quick solution for the sake of analysis. If price conjecture meets our long-term rate of return, then we consider investing in the company. We demonstrate how we use it for a basic long-term strategy in our back testing source code. When possible, this price conjecture is also included in 'tickers/<ticker_symbol>/<ticker_symbol>_micro_gscores.csv'.

Moving Technical Price Projection:

This is a dynamic/moving technical estimated price projection for approximately 3months, 1 year and 5 years. As mentioned in previous section, we don't do constant price prediction in the absence of up-to-date business-specific information. Instead, we use a linear model to make estimated price projection for the future timeline. This is a more serious estimate that we use to check for projected rate of return over different intervals for future times. If you run the Gammath™ PEP tool, then entire price projection is saved in 'tickers/<ticker_symbol>/<ticker_symbol>_pp.csv'. This tool includes 5Y moving estimated projection for S&P500 value. A sorted list of moving estimated 5Y projected returns



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can be found in 'tickers/MPEP.csv' (corresponding to the watchlist that was passed to pep tool and includes the corresponding value for S&P500).

If you have any questions, please use the "contact" form on <https://www.gammathworks.com>.

Happy SPOTing!

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