TECHNICAL ANALYSIS OF STOCKS & COMMODITIES™

ProSticks

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Internet: www.prosticks.com
Product: Online technical analysis charting service.
Requirements: PC with 350MHz or better; Windows 95 or higher; Microsoft Excel 2000 or newer; Internet connection; Java Runtime Environment.
Price: $9.95–14.95 monthly

by David Penn

HOMEPAGE OF PROSTICKS

When I look at new technical analysis charting software products and services, I try to figure out which of two standard categories the new product falls into. Is the product essentially providing all of the same sorts of charts, tools, quotes, indicators and oscillators, alerts, scans and screens, coding, and programming options as the rest of the technical analysis charting crowd, "only better"? Or is the product focused on a few things — maybe eye-popping charts loaded with technical indicators or a stock screener that encompasses more methods and strategies than the average trader ever dreamed of, with a mandate to fill a specific trading niche that other products have been unable or unwilling to fill?

Fortunately, a new product by ProSticks Financial Solutions called (appropriately enough) *ProSticks* provides one of those uncommon occasions when a product manages to do both. ProSticks has all of the basic bells and whistles that the average stock or forex trader wants, but also introduces some innovations that will likely have

even traders who are comfortable with their current charting platforms wanting to take a peek.

To this end, this look at ProSticks will be divided in spirit into two sections. The first will look at the basic ProSticks package of charts and tools, stock screener, hotlists and watchlists, portfolio tracker, message board, sector and index watch functions, and more. The second section will focus specifically on the unique ProSticks chart, an approach that — while complementary to traditional charting methods and standard indicators — represents, according to the developers at ProSticks Financial Solutions, a "third evolution" in

the graphical representation of price and volume data in time.

PICKING UP PROSTICKS

ProSticks is a solid technical analysis charting service, thoroughly web-based, and offers many of the same features that investors and traders have come to appreciate in online charting programs. Because of its online location, ProSticks is handy and readily accessible for investors and traders at home, at the office, or "on the go," and the registry process is swift and seamless. From the homepage at ProSticks.com, visitors and members will notice a light blue toolbar stretched across the top of the page.

FIGURE 1: JAVA CHARTS. Java Charts are one of a number of features that ProSticks provides. Note also the solid set of technical indicators.

From this toolbar, members can visit the various "departments" to access the features they want — from an overview of products, services, charts, and tools, to educational articles and market action.

ProSticks provides a few different chart types: a quick chart, a Pro chart, and a Java chart. The quick chart presents in bar or candlestick format a basic price chart of a given stock, currency, or index. At the bottom of the quick chart is open, high, low, close, and volume data, along with ProSticks-specific information such as "modal point," "modal count," and "active range." ProSticks uses these last three concepts to determine key support and resistance levels based on time and volume as well as price (I will elaborate on this later).

In addition to the quick chart, ProSticks also offers a Java chart (Figure 1). The Java chart is composed of five sections. The first is a title panel that includes the name of the tradable, the periodicity, and the type of chart being used. A function panel allows members to change the symbol to be displayed, and nearby pulldown menus make it easy to switch exchanges (for example, "US" for US exchanges, "CA" for Canadian exchanges) or to look specifically at indexes or foreign exchange. This pulldown menu is also used to alter periodicity and to change the chart type — from bars and candlesticks to the various ProSticks-specific formats, such as ProCandle, ProSticks–Time, and Bar & Modal–Volume (again, more about these permutations later).

Below the function panel is the technical panel. It is here that technical information from any indicators or oscillators will be displayed. Below this panel is the chart panel wherein price data, indicators, and oscillators can be seen, trendlines drawn, and text notes added. The array of technical indicators is impressive if not overwhelming, with simple, exponential, and weighted moving averages, Bollinger Bands, parabolic stop and reverse (SAR)†, moving average envelopes, Keltner channels†, "ichimoku kinyo hyo," relative strength index (RSI), stochastics, momentum, moving average convergence/divergence (MACD) (including the histo-

gram), modal count, volume and volume +, average directional movement index (ADX), on-balance volume (OBV), money flow, Williams' %R, rate of change, volatility, the volume accumulation oscillator, commodity channel index (CCI), and average true range.

The technicals suite also provides members with the ability to base technical studies on the last price, the modal price, the high, or the low. In an inexpensive, web-based charting package like ProSticks, this last aspect is a unique and worthwhile addition not offered by many online competitors, if any. The parameters of all of the technical studies can be changed by way of the parameters button, located right next to the technicals button in the toolbar.

In addition to offering Fibonacci studies, ProSticks' Java charts can be toggled back and forth between log and semi-log displays and "inversed," which can be helpful in making certain comparisons and contrasts between stocks, currencies, or indexes. Another interesting feature is ProSticks' distribution chart, which can be accessed from the Java

chart (Figure 2).

Part of the thinking that goes into ProSticks' theory of modal points and ProCandlesticks, the distribution chart is a sort of market profile that displays the number of times a stock traded at a certain price level, or the volume at which a stock traded at a certain price level. While probably harder to articulate than it is to use, the "Daily Distribution" is another tool for analyzing the price action within the price action, where a stock, for example, most frequently changed hands, or what level brought the most participants into the
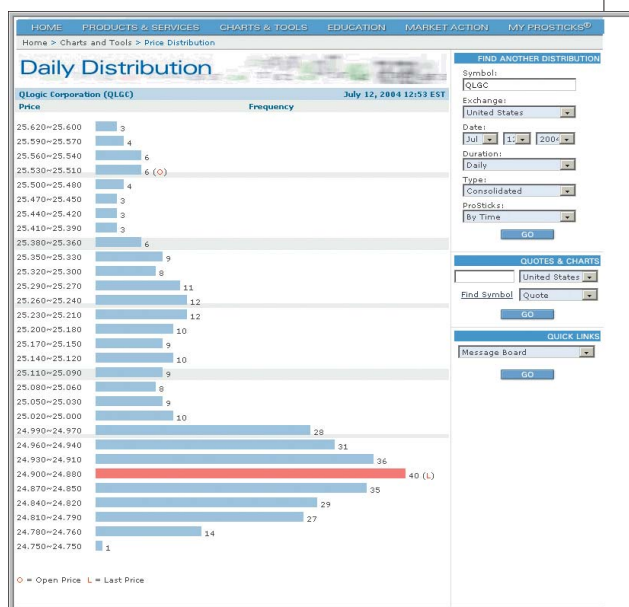

FIGURE 2: DISTRIBUTION AND PROFILING. Daily distribution is ProSticks' take on the insights of market profiling. Note the level of the high number of transactions near what ended up as the last price on July 9, 2004.

market to buy and sell.

The fifth panel is the price panel. Displayed at the bottom of the Java chart, the price panel reveals open, high, low, close, and volume data for the period indicated by the cursor. Included is information on modal point/modal count and active range.

A few other features of ProSticks' Java charts are worthy of mention. These charts also provide for export as .gif files for handy archiving and can be emailed by way of ProStick's own email client. Another button delivers "ProSignals," which consist of shaded red and green bands over sections of a chart to indicate bullishness or bearishness.

A "what-if analysis" button is another unique contribution from ProSticks. Essentially, the what-if analysis lets the member input various price criteria, and then see how various technical indicators and modal points shift based on that what-if data. The next to last button in this series provides a popup window comparison between a ProSticks chart and a traditional candlestick chart.

PROSTICKS SCANNERS AND PATTERNS

In addition to these charts, ProSticks provides some real-time tools for US equities and foreign exchange (FX) traders. The FX suite consists principally of Java-based charting and quotes on a variety of currency crosses and pairs, including USD/JPY, AUD/USD, EUR/USD, GBP/USD, USD/CAD, USD/CHF, EUR/CHF, EUR/GBP, EUR/JPY, GBP/JPY, AUD/JPY, CHF/JPY, EUR/AUD, and GBP/CHF. The abbreviations break down thus:

Abbrev.	Currency
USD	US dollar
JPY	Yen
AUD	Australian dollar
EUR	Euro
GBP	British pound
CAD	Canadian dollar
CHF	Swiss franc

Technical indicator options are limited for the most part to line drawing and Fibonacci studies. But for the occasional forex speculator, ProSticks' forex capabilities — including analysis based on ProSticks' unique modal approach — are a worthwhile feature. Real-time US equities are available by way of a membership upgrade.

ProSticks also offers a set of screeners and scans. First up is the chart patterns scanner, which searches the stock market for 14 different Japanese candlestick patterns: bullish and bearish engulfing, bullish and bearish harami, shooting star, hammers and inverted hammers, hanging man, piercing pattern, dark cloud cover, morning and evening star, three white soldiers and three black crows.

Further, members can adjust the screen for stock capitalization, exchange type/location, and date on which the pattern occurred. For example, on July 7, I searched for shooting star patterns. When the response came back, a small parenthetical "(4)" appeared next to the picture of a shooting star candlestick on the Chart Patterns page. Below this was a list of four stocks on July 7 that displayed a shooting star candlestick pattern (along with other miscellaneous characteristics). The list consisted of the stock, its symbol, pattern, open, high, low, close, volume, and options to open a Java chart, a Pro chart, or a quote window.

Other ProSticks screens and scans include a chart scanner in which basic minimum and maximum values are entered for a variety of fields such as last price, $ or % change, volume, modal point, open, high, low, and some "relational" factors (for example, "last price less than open price"). The chart scanner also allows for some limited, indicator-oriented scanning by way of a pulldown menu (Bollinger Bands, parabolic SAR, and both simple and exponential moving averages).

Providing more tools along these lines, ProSticks also offers a technical screen that looks among the universe of stocks for any one (or more) of 15 different bullish or bearish technical conditions. These conditions include: Bollinger Bands, gaps, MACD crossovers, momentum crossovers, parabolic SAR, five different exponential moving average crossovers, and five different simple moving average crossovers. As with the chart scanner, members of ProSticks can specify exchange, stock capitalization size, date, price, and volume range, as well as (of course) whether they are looking for a bullish or a bearish signal.

PROSTICKS INSIDER

I saved my analysis of the ProCharts for a broader discussion of ProSticks' approach to chart-making. I wouldn't be surprised if those who are interested in such things as market profiles, or trader and market commentator Rick Ackerman's "hidden pivots," find in ProSticks' concept of modal points quite familiar ground. This concept alone is reason to visit ProSticks.com. Writing in his *The Logical Trader*, Mark B. Fisher observes that:

> Too many traders focus only on price, and not enough on time. In other words, when plotting out your trade, it is not only if a price level is reached but how long the market spends there. The vast majority of traders I know trade on price, but not on time.

While Fisher is referring more specifically to the problem of determining how long a given trading opportunity is reasonably exploitable on a risk/reward basis, his broader point about the relevance of "the clock" is an idea taken up wholesale by ProSticks. The "ProSticks Concept" involves establishing a modal point. The modal point in a given bar is the most heavily or frequently transacted price for that time interval. This is determined by a bell curve distribution similar, as ProSticks concedes, to the approach used to develop market profiles. When creating ProSticks-by-Time charts, Prosticks divides the day into five-minute intervals. Each time a transaction occurs in an interval, that interval is counted once — regardless of the size of the given transaction.

As such, ProSticks-by-Time is most effective when used in markets like foreign exchange, in which volume is not a significant factor, as opposed to stocks or futures. Even so, ProSticks suggests that the filtering out of volume in ProSticks-by-Time charts is a helpful

way of avoiding false breakouts, especially when used in conjunction with other methods (a regular Japanese candlestick chart, indicators, divergences, and so on).

However, ProSticks does offer a ProSticks-by-Volume chart that calculates a modal point based not on the most *frequently* transacted price, but on the most *heavily* transacted price (Figure 3). Here, then, the emphasis is on the time interval during which trading was largest in terms of volume. That time interval is the modal point in a ProSticks-by-Volume chart.

There are some other relevant and related topics such as modal count, modal volume, and active range that ProSticks users will encounter. Modal count is a ProSticks-by-Time term that refers to the number (or "count") of time intervals at the modal point. Modal volume is a ProSticks-by-Volume term that refers to the total volume at the modal point. As you might suspect, ProSticks observes that modal count and modal volume have applications as indicators in and of themselves — and all the more so when used in combination with other technical tools and methods.

Active range is another concept that borrows from the world of statistics. Used in both ProSticks-by-Time and ProSticks-by-Volume contexts, active range represents where the most trading in any given time interval took place. Active range is calculated by taking the mean of the distribution in its entirety, then adding to that the first standard deviation from that mean. According to ProSticks, the result is the active range: some 68% of the entire price distribution. Like modal count and modal volume, active range also has a number of technical applications that can be explored by traders and analysts using ProSticks.

PROSTICKS ON THE BEAT

If you find any of the unique features of ProSticks worth exploring, then you can be thankful that ProSticks Financial Solutions has made the process easier with both its low monthly cost (between $9.95 and $14.95) and its free, seven-day trial offer. There are a number of other features that I should men-

FIGURE 3: PROSTICKS' PRO CHARTS IN ACTION. Here's an example of ProSticks-by-Time. The solid ball-shaped pattern inside each bar represents the modal point.

tion before closing that, while not as unique as some of the charting and analysis tools, help round out the picture of what ProSticks provides.

This picture includes a fully integrated quotes page that features a price summary, daily chart, and readings on seven different simple and exponential moving averages, as well as Bollinger Bands, parabolic SAR, stochastic, momentum, MACD, ADX, OBV, money flow, Williams' %R, rate of change, volatility, CCI, and RSI. Those more accustomed to the "look" of these indicators may be a bit put off by the appearance of the simple numeric values here. But given that ProSticks members can move from the quotes page to a visual graphic of this data (buttons to call up Pro charts, Java charts, or a distribution chart are located directly below the price summary), it is hard to see how the display of the technical data on the quotes page would garner too much criticism.
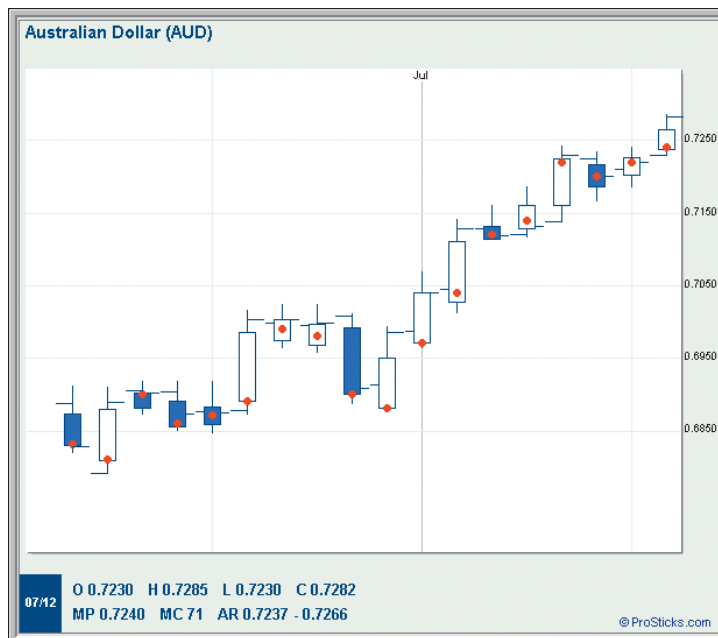
ProSticks also features a number of summary pages such as the sector watch (Figure 4), index watch, and forex watch pages. Mini–quick charts are the order of the day for sector watch, with options to call up quotes, distribution, Pro, or Java charts in the form of buttons below each chart. The index watch provides the ability to monitor the Dow Jones US indexes, Nasdaq indexes, AMEX, Canadian, and Standard & Poor's indexes. The indexes are arranged in a listing that displays last price, modal point, high, low, percent, and price change, and a time stamp indicating the last time the data was updated. Options to switch to the quotes page or to a Pro chart are available for each index, as well.

The forex watch combines the display effects of both the sector and index watches; mini–quick charts of the four major traded currencies (the euro, the British pound, the yen, and the Swiss franc) are first up at the top of the page

ProSticks has all the basic bells and whistles, but it also introduces some innovations that will have traders wanting to take a peek.

FIGURE 4: THE TOP OF THE SECTOR WATCH PAGE. The sector watch menu to the right makes moving between industry groups both in the United States and Canada a snap.

(again, with options for Pro or Java charts, distribution, or Candleview), with an index watch–like listing of a dizzying amount of other, less widely traded currencies. Curious about the recent highs in the UAE Dirham? How about the modal point on the Danish krone or the Croatian kuna?

If you fancy yourself the next George Soros out to make your fortune in the fiat currencies of the world, then you could do far worse than to subscribe to ProSticks for the foreign exchange data alone. Bill Lipschutz, a former bigtime currency trader with Salomon Brothers, recounts in Jack Schwager's *New Market Wizards* about how he as a young trader was mentored by the legendary John Gutfreund. Lipschutz, having been challenged on the spot by Gutfreund to come up with the closing price of the franc, asked, "Which one, Swiss or French?" To which Gutfreund replied, "Both." A year later, Gutfreund again quizzed him — out of the blue — on the closing price of the franc.

Thinking he was more than ready this time, Lipschutz coolly asked, "Which one? Swiss or French?" And Gutfreund, "without showing any trace of a smile," allegedly replied, "Belgian."

Well, ProSticks' forex watch might not get you a job on a currency trading desk at a house like Salomon Brothers. But you'd certainly never get caught flat-footed on a forex price again.

POSITIVELY PROSTICKS

There's more, as you might imagine. ProSticks provides both a regular portfolio tracker and a unique "technical" tracker that keeps up with technical changes (for example, in a stochastic reading or in on-balance volume or with moving averages …). Watchlists can be created and saved, and the service sports a message board, which, while not over-populated as of this writing, is sure to gain and grow as more members contribute and as more visitors to ProSticks become members.

As I mentioned previously, there are enough different aspects of ProSticks — from its modal theory to the bends-inducing depths of its forex quotes coverage — to encourage every technically oriented trader or investor to take a few days' worth of a free trial and get to know ProSticks. For those looking for an online complement to a higher-end, standalone software product, something that can be referenced more easily from remote locations, for example, or merely as a second, alternate suite of analytic tools, ProSticks should be strongly considered.

With its broad coverage of stocks traded in the United States and Canada and its even broader coverage of foreign exchange, ProSticks is at a price point where even the average trader could take advantage.

David Penn is a Technical Writer for STOCKS & COMMODITIES.

SUGGESTED READING
Fisher, Mark B. [2002]. *The Logical Trader,* John Wiley & Sons.
Schwager, Jack D. [1992]. *The New Market Wizards,* John Wiley & Sons.

†*See Traders' Glossary for definition* **S&C**