

From Traders for Traders: Trading Blox



Developing trading systems using modern software looks easy. With just a couple of mouse clicks various trading signals can be combined into a trading system with the help of assisted programming environments. Testing the new systems over an entire portfolio is usually a matter of a few minutes. If a test a system is unprofitable or not profitable enough it can be improved by optimising parameters. However, the developer is in for a rude awakening if in real trading the test results turn out to be nothing more than an illusion.

There are a variety of reasons why investors and or trading systems fail in practice. One of the main reasons is the back testing capability of most system development software is either inadequate or requires special programming knowledge too demanding for most investors.

That could be the reason why in the year 2002 a group of professional traders and system developers founded a software company called Turtle Trading Software. The goal was to provide non-programmers with a testing platform capable of thoroughly analysing trading system performance, without requiring training in computer science. The firm's first product "VeriTrader" was re-engineered in 2004 to include customised programming of systems and system components. The product and the company were given a new name: Trading Blox. The flag ship version of the product, Trading Blox Builder, is one of today's state-of-the-art back testing software solutions. That was reason enough for *TRADERS'* to have a closer look.

What Lies Behind Trading Blox

Trading Blox is a series of program components each focused on a specific critical aspect of designing and testing trading systems.

1. The Portfolio Manager

The Portfolio Manager tracks securities the investor wants to trade. The securities can be split into three different categories: stocks, commodity futures and FOREX futures. It is interesting to note that the futures contracts can be specified exactly (contract size, minimum

tick, spread, etc.) so that mixed portfolios can be thoroughly and properly analysed.

2. Entry Block

The Entry Block allows user to create orders for securities directly from the portfolio. Several entry conditions can be used in a single trading system.

3. Risk-Manager Block

The build in Risk Manager prevents orders from being executed if risk parameters are set accordingly. It also can be used for building positions, inserting stops and adjusting the position size of open trades according to pre-defined risk criterion.

4. Exit Block

The exit block is used to define criterion for closing open positions as well as adjusting stop levels. If needed, one trading system can contain several exit conditions.

These five blocks represent all the important components of a trading system. The next step is to use the System Editor to combine the components into a coherent trading system.

Trading Blox System Editor

The System Editor is used to create new systems and modify old ones. Creating a new system requires no programming knowledge, simply

Drag & Drop available blocks into the system. Several entry- and exit blocks can be used per system. Additionally each system can contain one each of a Portfolio, Risk and Money Manager Block.

The benefit here is that each block can be used in multiple systems. This also helps you to locate and remove system weak points quickly.

In order to program new system components there is an object oriented scripting language available (Blox Builder version only). It allows the use of program loops, as well as global constants and variables. Mathematical conversion and string functions are also available as are a number of special trading objects that can be used, for example, for various order types, or order forms, or also to access system settings.

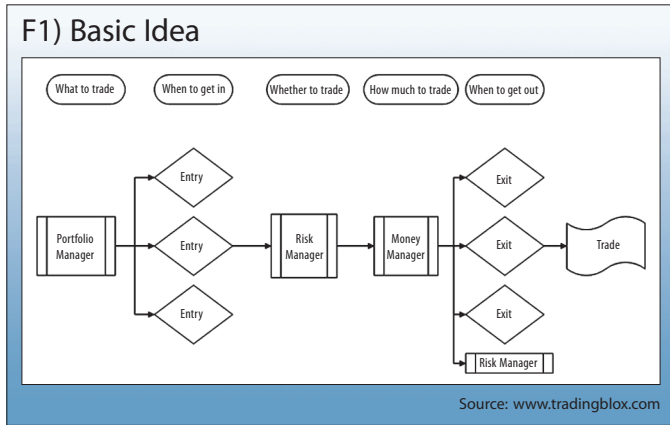
Example:

```
IF adxIndicator > adxTrendLimit AND
positiveDirectionalIndicator > negativeDirectionalIndicator AND
instrument.position <> LONG THEN
IF useATRStops THEN
broker.EnterLongOnOpen( instrument.close - averageTrueRange * atrStop )
ELSE
broker.EnterLongOnOpen
ENDIF
ENDIF
```

The System Tester

The system tester allows the testing of one or several trading systems over a pre-defined portfolio. If several systems are tested, each system can be weighted and certain settings like interest rate, initial stop or slippage can be defined globally so they are valid for every system. If the "Step" option is chosen for a certain parameter, a pre-defined series of parameter intervals are tested.

Additionally, separate money management rules and parameters can be entered for each single trading system so that several hundred different system variances can be evaluated in a single test run. This way all important components of a trading system such as entry, exit,



and money- and risk management are taken into consideration. And the best part about it is absolutely no programming knowledge is needed to do it.

System Test Results

An absolute highlight of Trading Blox is the evaluation and display of the system test results. It includes an exact analysis of the individual trades as well as a complete analysis of the entire trading system.

Individual Trade Analysis

Navigating the results of individual trades is simplified by various click-on buttons. A list can be scrolled according to different criterion and important system data over individual trades can be read directly from additional separate windows.

Performance Ratios and other Statistics

As well as allowing the visualisation of single trades, Trading Blox offers a large number of statistics and graphics found under the tab "Summary Reports" allowing thorough analysis of the trading system. A graphic equity curve is available (log or linier scale) as is a monthly and yearly distribution and an R-Multiple distribution function (see *Trade Your Way to Financial Freedom*, by Dr. Van Tharp for more about R-Multiples). Ratios available include the Sharp ratio, the Sortino-ratio the Calmar-ratio and the MAR-ratio. Diverse drawdown statistics and other statistical information complete the list.

System reports can not only be viewed within the program but are also available as HTML-files. Additionally, diverse protocol files are available, so further analysis is possible in other software applications such as Excel.

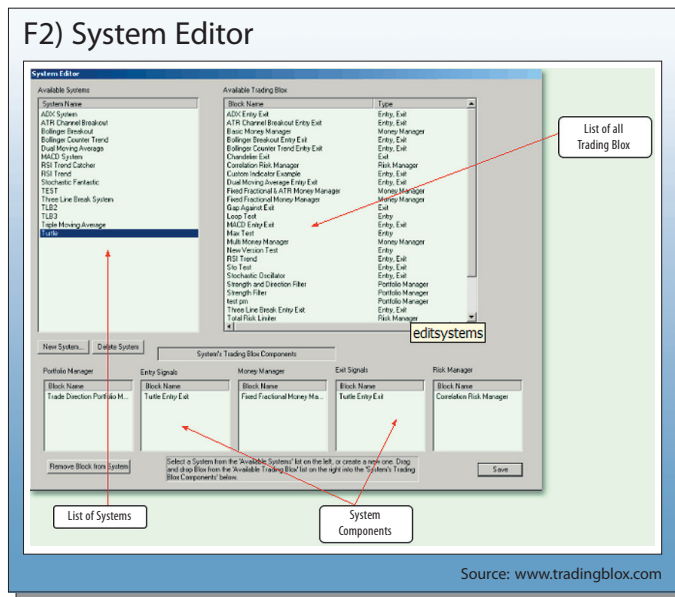
Online Help and Documentation

The very useful online help summarises and explains all components, statistics and trading systems that can be used in Trading Blox Builder.

Supported Data Formats and System Requirements

Trading Blox runs on all common Windows versions (95, 98, NT, XP). It requires at least 256 MB RAM and a Pentium III processor with 500 MHz. A graphic resolution of at least 1064x768 is needed to handle the extensive display features.

Trading Blox supports MetaStock as well as a number of other



ASCII file formats so users can choose from a large pool of data providers.

Price and Versions

Trading Blox currently offers three software products based on the Trading Blox application.

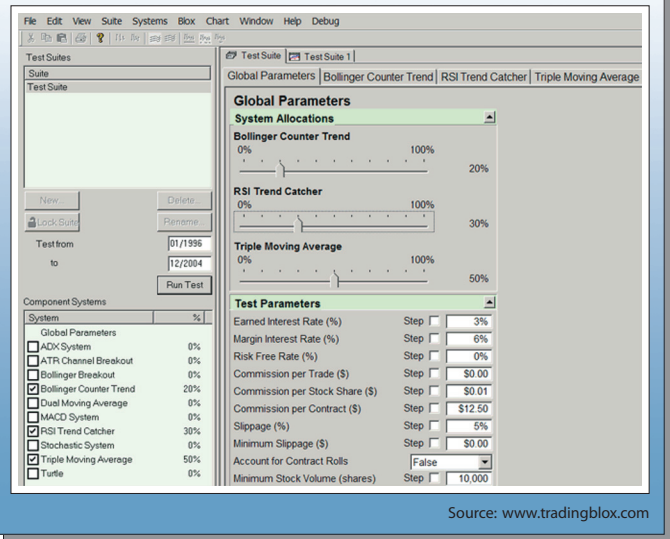
The basic version is called Trading Blox Turtle. It costs \$995.00 US Dollars and features the original Turtle Trader system, including the money management rules as well as a triple moving average system. Additional systems cannot be created in this version.

Trading Blox Professional is equipped with six popular trading systems. They are the ATR Channel Breakout-, Bollinger Breakout-, Bollinger Counter-Trend-, Dual Moving Average-, the Triple Moving Average and the Original Turtle System. This version, which costs \$1995.00, also does not support customised systems.

The Trading Blox Builder is the top product. It features 10 popular trading systems (ATR Channel Breakout-, Bollinger Breakout-, Bollinger Counter-Trend-, Dual Moving Average-, MACD System, RSI Trend System, Stochastic System, Triple Moving Average- and the Original Turtle System) and costs \$2995.00. This version also allows you to create your own customised systems which can be mixed and matched with the delivered systems.

Trading Blox offers potential customers a limited test version which can be ordered at <http://www.tradingblox.com/tradingblox/contactTrial.htm>.

F3) System Test

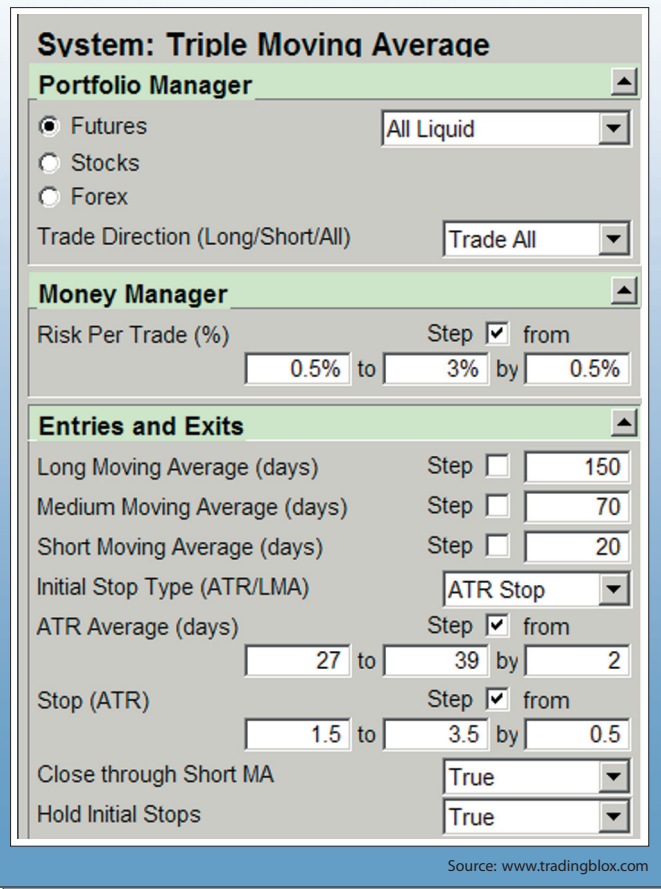


This version comes complete with comprehensive historical data, allowing significant analysis.

Conclusion

Trading Blox Builder is one of the best back testing software products available and satisfied in every way during the test period. It is one of the few products offering a total back testing solution that can be used easily by those with absolutely no programming experience. The System Reports are very detailed and deliver not only important system information, but also extensive monthly and yearly performance data. By displaying individual trades in a chart users gain a comprehensive look at a systems characteristics in an easy to understand format. The product's relatively high price makes it more suitable for professional and larger private investors. However, anyone looking to gain insight into system trading and testing should utilise the test version and eventually consider the entry level product when the time is right.

F4) System Test



F5) System Results

