ModeX V1.5 User Guide to Installation and Operation

A TradeStation® Trading System for liquid futures contracts

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1   Introduction

ModeX V1.5 is a TradeStation EasyLanguage trading strategy that has been designed to trade high-liquidity futures contracts such as the eMini S&P 500 (ES). It has been tested on 4 main eMini contracts listed below:

- ES – EMINI S&P 500
- NQ – EMINI NASDAQ 100
- ER2 – EMINI Russell 2000
- EMD – EMINI S&P MIDCAP 400

If you decide to apply it to other futures contracts it is recommended that you download and install the latest historical test version of ModeX from www.pmkingtrading.com to see how it would have performed in the past on these other contracts. Past performance may not be indicative of future results. Obviously you will need real-time data subscription for the contracts you wish to trade, and a funded TradeStation futures account if you want to perform real-money trading.

The name ModeX is derived from the way the system works. It uses a previous popular price (The Mode) and has entry criteria that take a position when this price is crossed (X). Other criteria including volume imbalances and other significant prices are used to calculate the actual entry signal.

Position-sizing is calculated using a percentage of available account equity in conjunction with the initial stop which the system calculates using recent volatility of the contract being traded.

ModeX takes both long and short trades. It is not always in the market, and does not take overnight positions. It will take a maximum of one trade per contract per session i.e. it will not re-enter a position if it has already made a round-trip trade in that contract during the session. ModeX does not scale into or out of trades i.e. it enters and exits a whole position in one go.

For more detailed information please contact PMKing Trading directly.

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2   Installation

ModeX had been tested and built to run on TradeStation 8.1, build 3006. We cannot guarantee that it will operate accurately on previous versions of TradeStation so it is recommended that you download and install the latest version from www.tradestation.com.

You should find 2 attachments in the email that you received confirming your purchase or subscription, along with these instructions. The 2 attachments should be:

ModeXV1-5.ELD - EasyLanguage Documents file for the ModeX system
ModeXV1-5.TSW - TradeStation Workspace file.

2.1   EasyLanguage Documents

To install the ModeX strategy (that calculates the entry and exit signals) and ModeX ShowMe (that plots stops and other important values) first save the ELD file on your computer.

Run TradeStation and choose File – Import/Export EasyLanguage…
Select Import EasyLanguage file (ELD, ELS, or ELA) and click the 'Next' button
Click 'Browse' and find the ELD file you saved previously
Click 'OK' to any prompts that come up to import your ELD file

You should now have a ModeX V1.5 Strategy and ModeX V1.5 ShowMe imported into TradeStation. If you have purchased the PRO version of ModeX, you should be able to open the strategy and see the code. If you have subscribed to the RND (Rules Not Disclosed) version of ModeX you will not be able to open the strategy.

2.2   TradeStation Workspace

Next you need to open the workspace with the charts setup to trade each contract. The workspace provided has 4 contracts set up for you already: ES, NQ, EMD, and ER2.

Save the ModeX V1.5.TSW file on your computer
In TradeStation choose File – Open Workspace…
Browse to the file you saved, and open it

You should now see a workspace called ModeXV1.5 with the 4 charts. To insert additional charts for other contracts simply right click on a chart and choose Copy Window. Right click again and choose Paste Window. You can now right click and choose Format Symbol… to change the contract associated with the new window.

3   Formatting the Strategy

Formatting the strategy involves setting the input parameters for each chart analysis and then configuring the automatic trading confirmation if you want to trade automatically.

3.1   Input Parameters

ModeX has 4 input parameters. These are:

- UseInputAccountValue
- InputAccountValue
- PercentRisk
- MaximumContracts

Each will now be described.

3.1.1   UseInputAccountValue and InputAccountValue

UseInputAccountValue is a Boolean (true or false) that determines whether real time account equity or an input value should be used to calculate position sizes. If this value is set to 'false' (the default) then the strategy will use the EasyLanguage function **GetRTAccountEquity()**. If this value is set to 'true' then the strategy will use the value entered in the input variable **InputAccountValue**. This allows you to allocate more or less capital to the strategy than actual cash in your account, or have different proportions of capital allocated to different contracts within the same account.

3.1.2   PercentRisk

PercentRisk is a floating point value that determines what percentage of account value should be risked per position. It will be divided by 100 by the strategy so a 2% risk (the default) should be entered as 2.0 not 0.02. It is recommended that you experiment with the historical testing version of ModeX to determine a percentage risk that is suitable for your objectives. We consider the default value of 2% to be normal, 3% and above would be aggressive, and 1% or below would be conservative.

Risk is estimated by taking the difference between the anticipated entry price, and the initial stop, and multiplying this by the EasyLanguage Reserved Word **BigPointValue** of the contract you are trading. Obviously slippage may occur on entries and exits, so the risk is only an estimate of the actual anticipated maximum loss for the trade.

For example if you have an account value of $100,000 and are using a percent risk of 2% and the Mode Price for ES is 1236.50 and the initial stop is 1240.50, then ModeX would trade 10 contracts short using the following method:

Distance to Initial Stop = Initial Stop – Mode Price = 1240.50 – 1236.50 = 4 points
BigPointValue = $50
*Dollar Risk per Contract = BigPointValue * Distance to Intial Stop = $50 * 4 points = $200*
Maximum Dollar Risk = 2% of $100,000 = $2000
Position Size = Maximum Dollar Risk / Dollar Risk per Contract = $2000 / $200 = 10

3.1.3 MaximumContracts

MaximumContracts is an integer value that determines the maximum number of contracts that a strategy will trade, regardless of the account value or percent risk. If you never wish to trade more than 1 contract then set this value to 1, otherwise set it to a value that is the maximum number of contracts you wish to trade per position. Note that the position size is still calculated using the account size and percent risk, but the strategy will take the minimum of the **MaximumContracts** input and this calculated position size. If the position size calculated by using the account value and percentage risk would be less than zero then no trades will be taken.

If you wish to trade different contracts to the ones listed you need to right click on a chart and choose Format Symbol… Enter the new futures contract symbol you wish to trade. Note that ModeX requires 1 minute bars between 9:30 AM and 4:00 PM EST to work correctly. ModeX uses the EasyLanguage function **SessionEndTime()** and determines all time schedules relative to the end of the regular session. This means it will automatically work for any futures contract regardless of the time zone of the exchange it is traded on.

3.2   Automated Trading

If you want the strategy to place trades automatically in your account, you need right click on each chart and choose Format Strategies… Check the two check boxes at the bottom of the screen under 'Automation:', and set the account and trade confirmation to 'off'. TradeStation will ask you to agree to each of these steps.

It is recommended that you do not turn off confirmation of your trades until you are happy that ModeX is performing correctly on your computer, generating trades with acceptable position-sizes for your account, and calculating stops and exits correctly. You can check this by leaving trade confirmation 'On' and examining the trade signals generated before confirming the trade.

PMKing Trading cannot be held responsible for losses due to automatic trading of this strategy. All trading is done at your own risk.

4   Trading

Once you have turned off confirmation of trades, you do not need to do anything else to have ModeX trade automatically for you except to ensure that TradeStation is running, you have the ModeX workspace open with the strategies enabled, and you have a functioning internet connection.

Position sizes, entries, stops, and exits will be automatically calculated. ModeX does not take overnight positions, so any trades that are not stopped out should be automatically exited at the end of the session.

4.1   ShowMe Plots

The following plots are displayed by the ModeX V1.5 ShowMe provided:

- Mode – The Mode price (red for potential short, green for potential long)
- Mode-Long – Entry price for potential long trade (green)
- Mode-Short – Entry price for potential short trade (red)
- Hilo – Price that must be traded though before an entry can take place in the opposite direction (red for potential short, green for long)
- Short Stop – Current stop for short position (red)
- Long Stop – Current stop for long position (green)

Obviously, formatting for each of these plots can be changed to your personal preferences in TradeStation by right-clicking on a chart and selecting Format Analysis Techniques…

4.2   Strategy Signals

The following entries and exits are generated by the strategy:

- Enter Long – a long entry
- Sell Short – a short entry
- Long Stop Hit – a long position has hit a stop
- Short Stop Hit – a short position has hit a stop
- Exit Long EOD – a long position has been exited at the End of Day
- Cover Short EOD – a short position has been exited at the End of Day

Position sizing for each trade is calculated by ModeX using the input parameters previously described. If you want to trade only long signals or only short signals, you should turn the unwanted signals off using the Format Strategy… menu item on each chart.

4.3   Contract Rollovers

It is recommended that you always use the front-month contract for ModeX since this will be the most liquid. Rules that determine when a rollover to the next contract occurs are different for each exchange and contract. Generally the contract with the highest open interest should be used.

4.4   Short Sessions

Due to the way the Mode price is calculated it is not recommended that you trade ModeX when the session is shortened, for example immediately before, or after markets are closed due to holidays. Also ModeX should not be traded on the day after a shortened session. Trading may be resumed on the day after a full trading session has occurred.

For example, if the market session is closed early on the Friday after a Thanksgiving then ModeX should not be traded on the Friday, or the following Monday. Trading may be resumed on the Tuesday after the full Monday session.

5   Troubleshooting

ModeX has been designed for simple management and operation, but as with all technology, things can still go wrong. This section lists some of the common problems with automated trading of the ModeX strategy and how to avoid or remedy them.

5.1   I don't get any entries and exits

This would usually be because your account size is too small for the risk per contract and therefore the calculated position size is less than 1. You need to either increase your account size, use an input account size that is larger, or trade contracts that have lower volatility or dollar point value. Another reason may be that the contract is not liquid enough and does not have 1-minute bars throughout the session. Always ensure you are trading the front-month contract which has the highest liquidity.

5.2   The mode line has been crossed but the strategy did not take a position

ModeX has various criteria for entering a trade (not simply the crossing of the Mode), these criteria include volume balances and other reference prices calculated by the strategy. ModeX will not take a trade every time the mode line is crossed in the required direction.

5.3   I was in a position and TradeStation Crashed

If you were in a position and exited then had to rerun TradeStation, then you need to tell the strategy to use an input account value rather than a real-time one since the EasyLanguage function **GetRTAccountEquity()** only returns a value if it is the last bar on the chart. Set the **UseInputAccountValue** input to true and the **InputAccountValue** input to the account value when the entry was triggered. This will ensure the exit position generated will be the same size as the entry and the strategy will close the position correctly.

If the stop was hit while TradeStation was not operating (show by the price trading through the plotted stop), you should exit the position immediately using the TradeStation Order Bar since the strategy will not exit for you. If in doubt, exit any open positions and resume trading on the next session.

5.4   Everything Stopped at 4:00 PM EST

ModeX does some extensive calculations at the end of the session. This may give the appearance that everything has stopped few seconds. Do not exit TradeStation during this time. Once the calculations have been completed then normal operation will resume.

5.5   A position was not exited by the end of the regular session

If you have an open position that was not exited by the end of the regular session (4:15 PM EST for the E-MINI contracts) it was probably caused by missing 1 minute bars after 4:00 PM EST. Use the TradeStation Order Bar to exit the position manually; ModeX will normally exit positions at 4:02 PM EST if they are not stopped out.

6   Support

You should now have ModeX V1.5 installed and operational on your computer using TradeStation version 8.1 build 3006 or higher.

If you have any problems installing or running ModeX, or any other questions, please contact us using the details listed below.

For ModeX RND customers (rules not disclosed, monthly subscription) email and instant messenger are the preferred contact method.

For ModeX PRO customers (rules fully disclosed, one-time purchase) any contact method is acceptable.

In both cases, instant messenger will get you the most rapid response.

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Good luck with your trading, and we hope you are happy and profitable trading ModeX.