IQ Trader

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Email: sales@patsystems.com
Internet: http://www.patsystems.com
Product: Trading platform/order entry
Requirements: PC, Internet connection, color monitor.
Price: Varies — contact your broker.

by David Penn

A little over a decade ago, a bunch of derivatives traders and information technology (IT) wizards got together in an effort to create a handheld product that floor traders could use to trade in open-outcry exchanges. This was pre–Long-Term Capital Management (LTCM) as far as derivatives went, pre-Internet boom as far as IT wizardry went, and pre–BlackBerry/PDA as far as handhelds went. So what might seem commonsensical today was far less so back in 1994.

In the decade-plus since then, the work of this band of traders and technologists has grown into a suite of products that both professional and average retail traders have come to know and love. Under the rubric of Patsystems, these tools and products have become so much a part of the trading world that many brokerage houses offer or encourage their clients to use Patsystems platforms with their stock and futures accounts. Many are the traders — especially nonprofessional ones — who have made their first emini Standard & Poor's 500 trade, for example, using Patsystems' J-Trader.

For those traders who are ready to raise their game a few notches, Patsystems has a product that combines the simplicity and ease of use of J-Trader with the scalability, power, and sophistication of some of their more upscale, professionally oriented trading products, such as Pro-Mark. And if you have already raised your trading game and are looking for a platform that can keep your pace, then you have all the more reason to find out what Patsystems' IQ Trader has to offer.

SENTIMENTORS: MORE THAN A FEELING

As is the case with many of the more robust trading software packages — whether they are charting-oriented or trading platform–oriented — describing all they contain and the various ways that traders can take advantage of them is no small feat. It could be said that some of this software is far easier to use than it is to explain. This is in part because it is easier to be overwhelmed when trying to describe every nuance of a given feature or set of features than it is to simply bore down in search of a specific tool or component.

But one way to understand what IQ Trader is all about is by way of its "Sentimentors." Quickly, Sentimentors are technical indicators much like those that technical traders have come to rely on. In the hands of the designers who built IQ Trader, however, traditional indicators can play a much more significant role in helping traders understand market behavior.

With IQ Trader this can be accomplished by combining a traditional indicator with what IQ Trader calls an "interpretation." For example, an indicator like the relative strength index (RSI) might use the "two zones" (as in overbought and oversold, which IQ Trader refers to as "Threshold Up" and "Threshold Down") as its interpretation "scheme." Within this, a trader can establish further criteria for the different events that the sentiment series will pass through (entering the upper zone, leaving the upper zone, staying between zones, and so on).

Generally, IQ Trader will deploy more than one Sentimentor, in much the same way that technicians use multiple indicators. In doing so, IQ Trader relies on a "Meta Sentimentor," which is an amalgam of all the Sentimentors currently being used. Although it is not a perfect analogy, imagine an indicator that would sum up the analysis of an

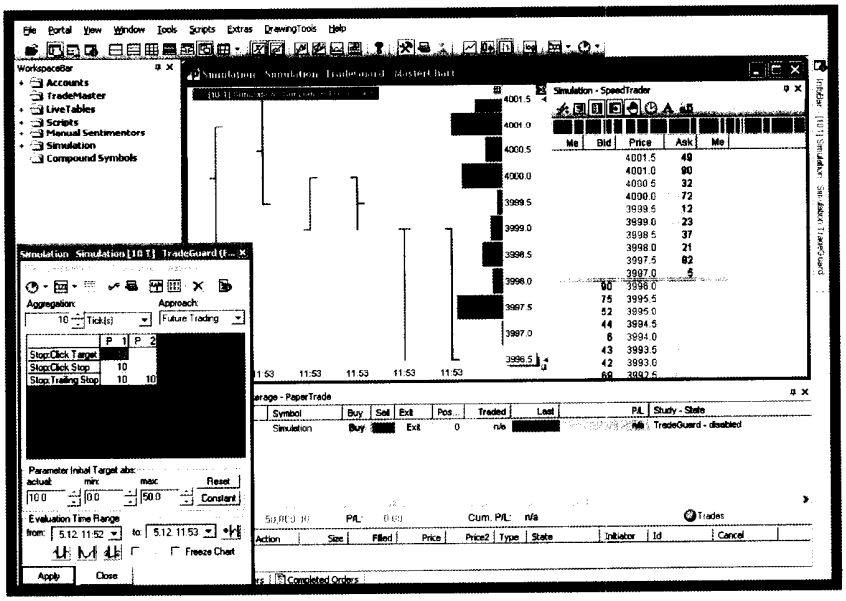

FIGURE 1: IQ TRADER CONFIGURATION. The sum of its parts, IQ Trader's modules include a WorkspaceBar to access the various modules, the MasterChart module, SpeedTrader, the Designer Dialog, and the DySen VirtualBrokerage module — a sort of "hot quote screen."

RSI, a stochastic, a moving average convergence/divergence (MACD), and Bollinger Bands. In IQ Trader parlance, such an indicator would be called the Meta Sentimentor.

With IQ Trader's Meta Sentimentor, the various inputs — the various Sentimentors — can be weighted for emphasis, providing an entirely different set of possibilities for analysis and study. There are other ways that the Meta Sentimentor can collate the various Sentimentors rather than by weighting them, such as what IQ Trader calls "logical conditions" (as in "if-then" arguments).

Those using versions of IQ Trader that do not allow for the creation of trading systems, by the way, will have Sentimentors that behave strictly as traditional technical indicators.

IQ ORDER ENTRY

Analytic capacities of IQ Trader notwithstanding, the software is first and foremost a platform for turning the analytics and trading decisions of IQ Trader into real-world, real-time trades on the exchanges. Not only does IQ Trader let traders place trades manually and automatically, but the ways that traders can place these manual and automatic trades are varied to suit the trading and trading environment preferences of the individual trader.

For example, want to trade directly from a price chart? How about shooting straight from a quote screen? IQ Trader lets traders do both with a mouse-click. Want trades automatically generated when certain technical conditions — from Meta Sentimentor analysis to a simple trendline test — are met? IQ Trader can take good care of your trading work while you are away — or even if you are sitting in front of your trading screen.

In both manual and automatic instances, IQ Trader provides safeguard confirmation offers should a trader want to always be able to double-check a step in the trade execution process. In addition, IQ Traders can click at any price level in the SpeedTrader module — a module that serves as a depth of market gauge — and call up an order ticket with the price level appearing as the price to be bid or asked.

There are always some areas where a given software product will shine. However scalable, however extensive an array of features a trading platform might possess, there will always be something that the developers have chosen to hang their collective hats on. And in the case of IQ Trader, that feature is the software's capacity to help traders create and manage spreads. IQ Trader lets traders set up not just typical, two-legged spreads (such as a basket of stocks against an index futures contract), but also multilegged spreads. Traders can work on each leg of a given trade separately, with the profits or losses from a given leg of a trade being noted in the same or in different accounts (each leg of a spread might have its own account). Traders can even create and trade spreads of spreads.

For those traders ready to raise their game a few notches, Patsystems has a product with scalability, power, and sophistication.

The TradeMaster module is where spread traders will likely spend most of their time — creating (manually or drag 'n' drop), monitoring, and managing their various spread trades. After establishing what IQ Trader refers to as a "TradeMaster" definition that lets the software know exactly what the spread is and how it should be traded, IQ Traders can add or remove legs, as well as assign various accounts to various legs of the spread.

The specific ratio in a given spread (both two-part and multipart), multiple and tick tolerance can all be set, as can automatic commands to trade the spread in a certain fashion, to perform optimization or forward-walking "what-if" scenarios just as with single-leg trades. Similarly, bracket orders work just as well with two-part and multileg spreads as they do with regular single-instrument trades.

Spread charts can also be created

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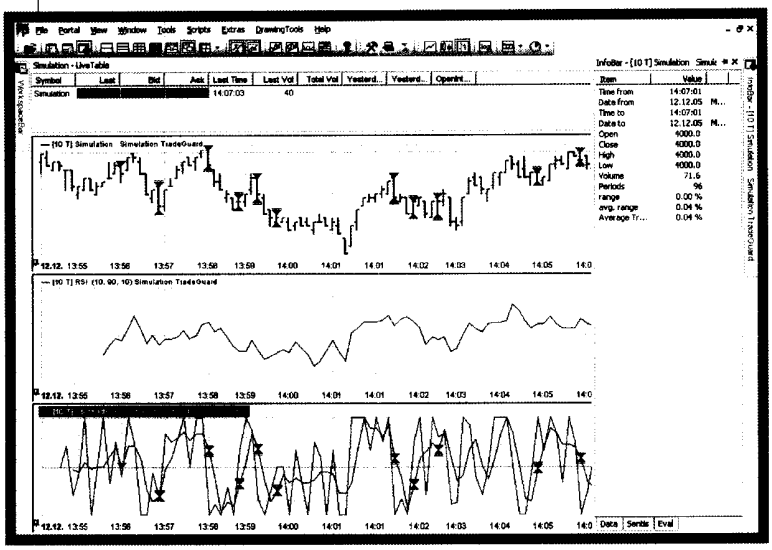

FIGURE 2: MASTER CHART. With the InfoBar on the far right, IQ Trader here displays graphically the results of an optimization run on the stochastic sentimentor.

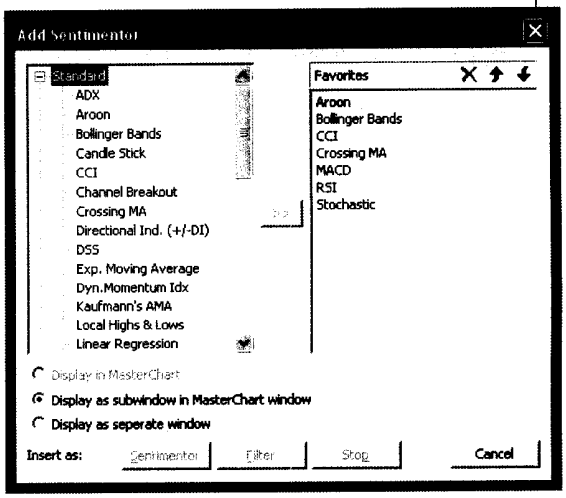

FIGURE 3: ADD SENTIMENTOR. Here's a glance at some of the Sentimentors — or indicators with attitude — available by way of the Designer Dialog. For those with the standard version of IQ Trader, these sentimentors will function as traditional technical indicators.

using IQ Trader. Once a spread has been defined, IQ Trader's third-party historical data will allow a historical chart to be generated — one to which traders can apply a variety of studies. All spreads can be traded as easily as single products with a single click on the chart or on the SpeedTrader module. Automated trading of spreads is also possible with IQ Trader, with trading signals visible on the spread chart.

IQ CONFIGURATION

Like a lot of trading platforms, Patsystems' IQ Trader is module-based. There are a few ways for those using IQ Trader to call up the many, various modules, including functions for charting ("Master Chart"), Level II ("SpeedTrader"), an active hotlist ("DySen Virtual Brokerage"), portfolio management ("TradeMaster"), as well as indicators ("Sentimentors") and optimization tools ("Designer Dialog"). One way is through the menus in the topmost toolbars (one with word keys and the other with picture keys). The other is by way of the workspace bar, which itself can be displayed, hidden, or moved from one part of the workspace to the other.

The topmost toolbar (with the word keys) includes pulldown menus under headings such as "File," "Portal," and "View," and too many more to be described here. "File" includes options to save, delete, and clear ("empty") pages as well as defining a start page. Template studies can also be opened and saved from this menu. "Portal" refers to some websites related to Patsystems, such as fipertec.com. The "View" options are extensive, and from this pulldown menu, IQ Traders can access features such as the Workspacebar, Infobar, and Ratingbar. Traders can also use this menu to show or hide the varied bar functions. Traders can configure the chart in the MasterChart module as a line, candlestick, or bar chart. Finally, other chart-based controls, such as toggling log scale; displaying trading signals, and stops; as well as manipulate separate *x*- and *y*-axis lines which, when used together, function as a crosshair-style cursor.

SEE, ANALYZE, OPTIMIZE

The main charting module is the MasterChart (Figure 2), which again can be configured into line, bar, and candlestick formats, as well as seen through a number of different periodicities. As far as indicators (or Sentimentors) are concerned, IQ Trader's variety are complete without being overwhelming, and include ADX, Aroon, Bollinger Bands, commodity channel index (CCI), directional index, double-smoothed stochastic (DSS), exponential moving averages, dynamic momentum index, linear regression, MACD and the MACD histogram, on-balance volume, momentum, simple moving averages, point & figure, volume, and many more.

Speaking of volume (Figure 3), one nice feature of MasterChart is the volume-by-price graphic. The graphic, which moves up and down along the side of the MasterChart, is a solid compliment to the market depth analysis of the SpeedTrader module. The feature helps provide traders with a sharper focus on just how much supply or demand exists at a given price at a given point in the trading session.

What is especially nice about IQ Trader's analytics is how well they are integrated into the trading platform. Trading signals can be generated based on any and all of the different analytic studies, with the orders from those signals generated automatically by IQ Trader. This is true not just of the Sentimentors but of drawing tools such as trendlines as well. This last feature is a particular boon to visual chartists and traders who, for example, may prefer the violation of an uptrend line as the signal to exit a position rather than an easily quantifiable but often "excitable" trailing stop.

Not only can IQ Traders launch trades from the MasterChart with a single click, but traders can also change bid and ask

prices (for example, when modifying a limit order) simply by sliding the cursor up or down on the right-hand margin of the price chart.

IQ Trader makes the most of its interface by its extensive use of drag-and-drop technology. As such, IQ Traders can drag symbols from the bar functions or even the Symbol Search dialog box over to a chart window or into an account. So whether a trader is looking to make (or cancel) a given order, or simply call up a security for analysis, IQ Trader's thorough drag-and-drop capabilities make the process that much easier. With each drag and drop, the software also checks to make sure the security to be moved isn't already at its destination.

The software also makes use of tabs as a way of arranging the various windows and modules, helping keep the workspace as clean and clutter-free as possible. These tabs are located along the right side of the workspace for most of the analytic functions, and along the bottom of the DySen Virtual Brokerage module, which functions as a "hot quote" screen from which a sizable amount of trading and analytics — as well as position management — can be conducted.

Making it easy for traders to place their orders separates the men from the boys when it comes to order entry platforms. In addition to its use of drag-and-drop technology, IQ Trader prides itself on a simple ticket-order entry process, one that includes the ability of traders to enter bracket orders that marry exits and stop-losses with newly opened positions. It is a trading truism that as soon as a trader enters a new position, the point at which the trade will be exited should be known. IQ Trader's bracket orders make that all the more possible.

IQ Trader comes with its own programming language, "Express," which lets traders create their own trading setups and systems. Either by using the "intuitive scripting" of Express or by way of the Excel-like operators, IQ Trader makes it easy for traders who are not computer programmers to build, test, and optimize their own trading strategies. In addition, IQ Trader lets traders see the results of their strategies graphically rather than as a set of tabular results.

This ability to build, test, and optimize includes the capacity to not only backtest strategies and setups, but also to conduct walk-forward studies. These what-if simulations let traders understand the conditions under which their systems and strategies are likely to underperform — or fail completely in some instances. While not exactly a glimpse into the future, this feature of IQ Trader makes it easier for traders to understand the limitations of certain trading strategies when some of the assumptions built into those strategies prove wanting. Knowing when to know your limitations is more than a signature line from Clint Eastwood. For traders, it may as well be an 11th Commandment.

IQ CONCLUSION

IQ Trader is available at varying levels of sophistication. This in part helps explain why IQ Trader (and its cohort, J-Trader and Pro-Mark) have been so widely adopted by both the average retail trader as well as the professional trader. The various versions of IQ Trader are sufficiently similar that someone who starts out as a small-time speculator with the standard version of IQ Trader, for example, will have little if any difficulty adapting to the more advanced versions of the platform as his or her trading skill and sophistication grow.

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‡IQ Trader

†See Traders' Glossary for definition
‡See Editorial Resource Index

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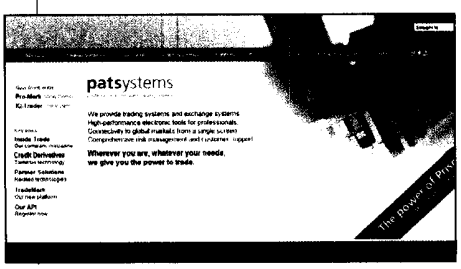

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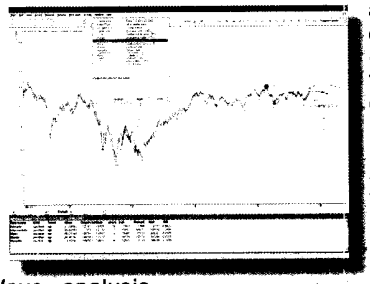

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