

**PRODUCT REVIEW**

# SirTrade 97

*Version 1.10c*

**SIRTRADE INTERNATIONAL**

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**Product:** Trading system development software using both neural net and fuzzy logic.

**Equipment requirements:** The Assistant is a 32-bit app, running only under Windows 95 or Window NT4. 16 MB RAM, SVGA display. SirTrade 97 runs with TradeStation 4.0 build 16 or later, regardless of the operating system used.

**Price:** US\$4,000

*by John Sweeney*

**N**ew ideas surround the US trader facing SirTrade 97. There’s the intrigue of “neurofuzzy.” The software comes in two parts (“SAFIR-X The Assistant,” for Smart Adaptive Fuzzy Inference Resource, from JewelSoft) and SirTrade 97 (a TradeStation run-time for neurofuzzy systems); the manual’s English is occasionally uncertain and often literally in color; and the understated promise of real-time training sounds seductive. And where are the trading signals? Nevertheless, some sweat and strain bears results, and SAFIR-X/SirTrade comes up with some very good results.

To check this out, I loaded SAFIR-X and tested it on some off-line data from TradeStation. Although system development actually takes place outside of TradeStation, you first create an indicator or set of indicators in TradeStation. These print out their results to an ASCII file, so you don’t have to be in TradeStation to do your testing. Just as

well. If you really go wild with the number of fuzzy sets, the program can bring your machine to its knees in the middle of your trading session. (A set is a subgroup of data with more or less of a specific characteristic, such as a relation to tomorrow’s close or an indicator’s value.) Better, developer Pierre Orphelin says, is to run the testing on a separate machine.

Did I emphasize the part about “you create”? To generate the indicators for training in the appropriate format, you need to be fairly proficient with Easy Language. Very proficient is better. Some exposure to the SuperCharts’ system editor won’t fill the bill; you need to have spent time with the Power Editor in TradeStation. This proficiency will also help you understand the instructions in the manual and the help system.

**INSTALLATION**

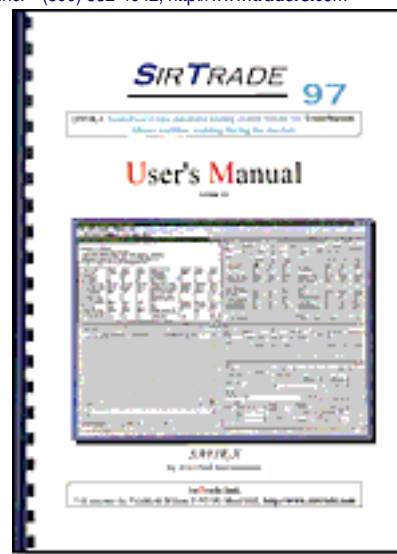
Easy. The hardest part is attaching the printer cord to the SirTrade security key to the TradeStation security key and supporting the entire mass to prevent ripping the port out of the motherboard.

**INVOCATION & EXPORT**

Load up SirTrade indicators just like any other indicator (Figure 1). If you wrote it yourself, anticipate the usual debugging. The exported data will go to a default file named TRIAL.TSD. If you have previously used the file, it will be overwritten, so rename it before you run a new test. The ability to specify the output file name would improve the program’s convenience.

**TRAINING THE TRADING SYSTEM**

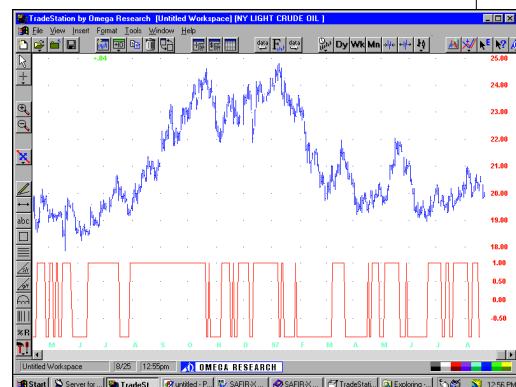
The training assistant (it assists you in training the logic for your system) will examine your datafile and suggest a number of default values for



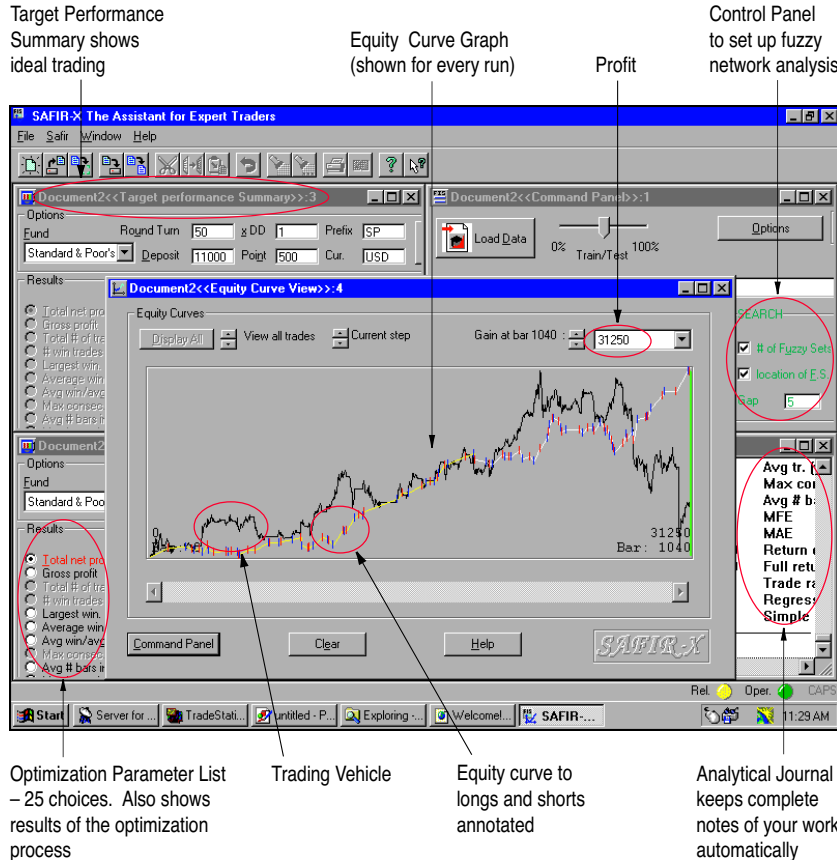
SirTrade 97 allows the user to create an indicator or set of indicators using both neural net and fuzzy logic.

the training. Take the defaults. If you don’t, training will be longer than necessary and results won’t be much different. Following a spectacularly clear Control Panel, click once to preprocess the data automatically, click again to invoke the automatic specification of fuzzy sets and their locations, and, finally, click a third time to run the neural net. Additional clicks are assessed if you want to adjust the parameters.

Five windows (Figure 2) record your work and the results, so you can always go back and figure out what happened. A graph of the tradable and the equity curve flips about as training progresses, and you can recall each of these later. Once done, inspect the training journal and record on paper the threshold value the program found for the definition of the fuzzy sets. Then, save as the fuzzy



**FIGURE 1: NY LIGHT CRUDE.** SirTrade’s demo indicator makes the calls on crude. This particular indicator was trained on ADX and its components, normally used for slower-acting tradables.



**FIGURE 2: TRAINING RESULTS.** A Pentium 75 testing 846 bars of 10-minute intraday Standard & Poor's data took about 11 minutes to come up with 55% winners and maximum adverse excursions on the order of \$1,650. Test results were a realistic 15% worse than the training results and a very sobering 76% worse than trading perfectly. The software automatically breaks the data into a training set and a validation set.

decryption file so the Power Editor can grab it later.

While training isn't that fast — it will vary depending on the complexity of the inputs — it is that simple from a user's standpoint. I saw nothing in this area that needed any improvement at all.

TradeStation's part is almost as easy. Going to the Power Editor, you load the SirTrade 97 run-time trading system and get set to edit the first line. There, you change the name of the file to be imported and the threshold value. If you've specified your own indicators instead of using the set that comes with SirTrade, you'll also copy from the input indicator and paste into the system that set of indicators. You now have a system modified for the indicators you want and the training you just completed. Verify it and save it. Then you can load it on the chart of your tradable

and use it as you would any other TradeStation system (Figure 3).

It's worth noting that the program has several elaborations. You can, for instance, create several different neurofuzzy trading systems and run them concurrently, selecting your trades by voting. There is also a real-time version that can train as TradeStation is running, a possibility that should set any experienced system developer's gears to grinding. Code for all of this is included in the SirTrade manual, but it is definitely not for the faint of heart nor those without the fastest CPUs and serial ports available.

### TRAINING YOU

Orphelin assumes you're fairly familiar with fuzzy sets and neural networks because he doesn't go into the theory in depth, though there is

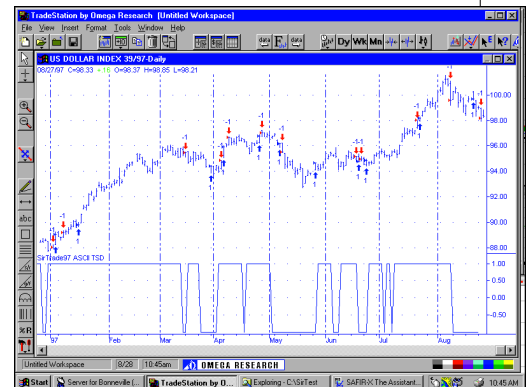
a creditable introduction in the front of the manual. Frankly, I didn't know more than the basic ideas of fuzzy sets and neural nets, but the point of the software is to make these tools accessible to novices, so I kept plugging. You'll also want to be proficient in using the Power Editor to modify indicators and systems in Easy Language because you're going to get the opportunity to cut, paste and verify code.

### SUPPORT

The neurofuzzy package was developed by JewelSoft, and their programming is superb. SAFIR-X installed and ran without bugs or crashing. The Easy Language supplied by Orphelin was similarly trouble-free. The manual does use French expression in English, sometimes translated literally, which can cause confusion; careful study will be necessary at times. E-mail response varies from instant to 10 hours, depending on the time-zone difference between here and France. Phone help is great if you catch Pierre at the office, which is easy to do since he's usually there until quite late.

### SUMMARY

By the time you get done picking and specifying indicators; creating sets of the indicators' values and optimizing the choice of sets; and then running the sets' calls through a neural network, what does it all mean? Frankly, I don't



**FIGURE 3: TRADING SYSTEM.** This neurofuzzy system, working on the US Dollar Index, booked about \$13,000 in profits with a 0.73 Sharpe ratio in aftertraining testing. Note the system's buys and sells have shifted from those of the raw indicator. From this point on, all the normal TradeStation or Solution Provider reporting is available.

think anyone can say. There are too many variables that have been manipulated in too many vague ways to understand the result. All you can see are the signals on the chart and the performance results. With SirTrade, you create your own black box with some nifty (and undisclosed) algorithms and stand back.

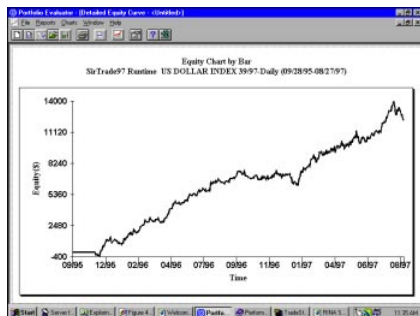
At least your understanding won't be troubled by programming problems; SirTrade ran without a flicker throughout my testing. The only requirement here is that you have sufficient facility with splicing Easy Language code to make sure you've modified the input and output files properly. This is not likely to be a task for a novice. SirTrade is as simple as it gets when it comes to running the analytics. Three clicks, save the results (and write down the threshold value), and you're done. Sure, the interprogram manipulations are likely sources of errors and misunderstanding (the manual could be better on these points), but once inside TradeStation or The Assistant, life is simpler.

Finally, there has been no outside testing or verification of the software's calls, nor did we conduct such testing. Anecdotally, I liked the results of everything I ran it on, but the sensible way to buy this is by downloading the Assistant from the Web site (ask for a manual, too, so you know how to create the output files from TradeStation). This won't get you the TradeStation reporting because this sample version can't export its results, but you can see how it trades from the graphs the Assistant creates. This should let you see if Orphelin's innovations can help your bank account.

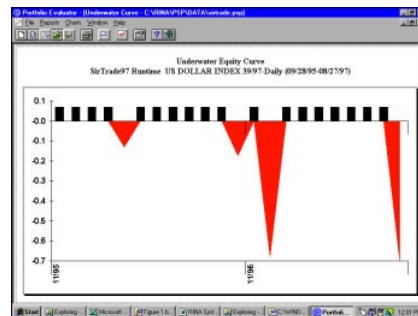
Don't let the *neurofuzzy* buzzword stop you from trying SirTrade 97. Most of the value here is in the fuzzy set assessment (I didn't have a single location of fuzzy sets run that improved results), and this is the easiest implementation available. SirTrade 97 is the most innovative and accessible analytical product I've seen this year.

John Sweeney is the Technical Editor of *STOCKS & COMMODITIES*.

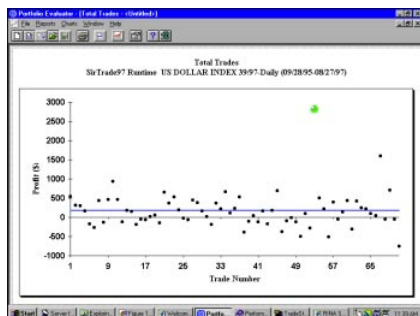
*Sample trading system results from SirTrade97, as analyzed by Portfolio Evaluator from RINA Systems:*



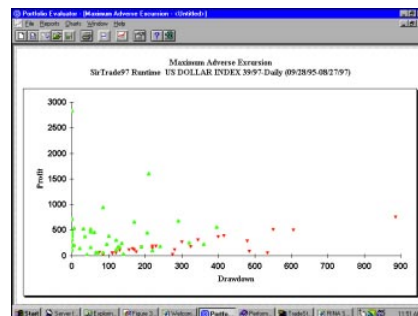
**FIGURE 1: TRADING SYSTEM RESULTS.** Fuzzy sets produce steady equity growth when a trading system plays the US dollar index. This is one of Portfolio Evaluator's seven different approaches to analyzing the movements of account equity.



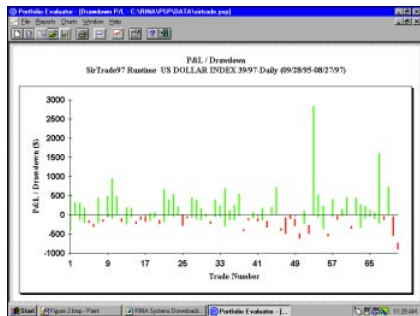
**FIGURE 4: UNDERWATER EQUITY.** How bad do drawdowns get from equity highs? Portfolio Evaluator shows the percentage retracement from a previous high by event in dramatic red, a display advocated by Jack Schwager.



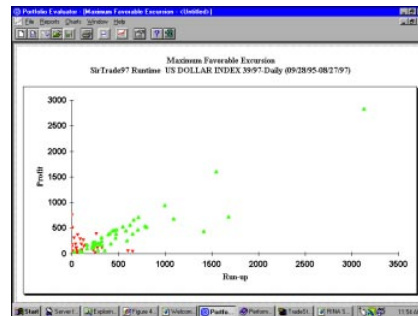
**FIGURE 2: PROFITABILITY BY TRADE.** Portfolio Evaluator highlights an exceptional outlying profit from one trading system's results. Tabular results are often available graphically.



**FIGURE 5: MAXIMUM ADVERSE EXCURSION.** Winning trades cluster to the left as losers' drawdown extends to the right. Displays such as this help define stop levels for some trading systems.



**FIGURE 3: DRAWDOWN.** Instead of having the trader inspect a table of individual trades, Portfolio Evaluator puts each trade's profit and drawdown on a chart, where you can get the picture instantly. A similar chart contrasts runup by trade number.



**FIGURE 6: MAXIMUM FAVORABLE EXCURSION.** Just as winners don't travel in the wrong direction for long, losers cluster around zero favorable excursion, while winners extend steadily into profitability. Portfolio Evaluator displays suggest when you've got a winner and when to add to it.

Figures 1-6 above are excerpted from the product review of *Performance Summary Plus/Portfolio Evaluator* from *Technical Analysis of STOCKS & COMMODITIES™* magazine, December 1997, Volume 15, No. 12. ©1997 Technical Analysis Inc.