programs aren't going to suit you. That's because their recommendations have nothing to do with those things – in the main they're generated from patterns in share price movements, without consideration of any external events that might have caused those patterns. (You might, though, find merit in having a portfolio management system that tells you a bit more about the stocks you do own.)

If you want a product that will pretty much tell you what to do without having to get into the mechanics of why it's decided that, and you're happy to trust it despite it recommending some stocks you've never heard of, then you'll probably start out looking at Share Wealth Systems, since it will do this while also paying attention to your risk profile.

Then again, if you're looking to add zest to an existing portfolio of stocks, it probably isn't for you as it's better suited to the investment of a new block of cash from scratch. If you're an experienced chartist who knows his Darvas Box from his Guppy models and can work out your own buy and sell signals perfectly well from the charts you generate, then you'll probably be looking at something like BullCharts.

If you understand charting but want some guidance on what the charts themselves mean in terms of solid recommendations, you'll be looking at OmniTrader and Pro Trader.

Pro Trader has a proprietary system called a Combo Scan which, for example, looks for

stocks that have produced a breakout or a volume event. OmniTrader will produce signals within dozens of different trading strategies based on parameters you set.

And if you're a fundamental investor looking for a toolbox to help you make your decisions, it will be Stock Doctor. But there too you'll want to be sure it's going to provide you with information and support you can't already get from your broker.

What do you need?

Do you want your program to act as a portfolio management tool, too? Most of the programs in this article will help you, but it's a bigger feature on Stock Doctor, for example, than BullCharts, which is mainly about the charts themselves.

Do you want your system to help you plan your trades, telling you when to get out as well as when to get in? Trading plans are key areas of Pro Trader, OmniTrader and Share Wealth Systems, for example. The first two encourage you to set stop-losses, so you'll be pulled out of a trade if the price falls a certain distance; in Share Wealth Systems, these things are automated anyway.

Another important area to be clear on is how much training and guidance you want. Share Wealth Systems offers excellent one-on-one webinars, with a helpful instructor who takes control of your mouse remotely to show you around your system.

OmniTrader has dozens of outstandingly slick and clear online tutorials (they do use American examples, though). Pro Trader,

too, has strong videos and manuals. Others, while very clear, opt for the straightforward instruction manual approach.

BullCharts really does require you to know what you're doing before you get started. When we road tested it for six weeks last year we found it full of exceptional charts reflecting the techniques of celebrated investor Alan Hull. But that's only useful if you understand what they mean.

You may, too, value a sense of community with other users. Many of these systems set up chat rooms, email coaching, tip sheets and newsletters, which some will find helpful and others distracting.

Getting started and costs

It's useful to realise that some packages allow you to get started straight away with what you have while others require you to set up various accounts to get moving.

OmniTrader and Insight Trader, for example, require you to set up an account with an external provider to give you the stock exchange data you'll need each day – not complicated, but an additional cost.

OmniTrader is probably the most sophisticated system on the market, tremendously powerful and detailed, but many of its strategies, such as Darvas Box, require you to buy additional modules.

On this point, costs vary widely too. SPA3 costs $2995 – or $3990 for a version with CFD capability – plus a $71.50 monthly maintenance fee, which includes the data supply, help desk and weekly training webinars. The support is terrific but you're going to need to make all that money back before it makes sense to buy this system.

At Pro Trader, you have a choice between Pro Trader membership, which includes software, data, education, market commentary and recommendations and costs $2450 for the first 12 months with a $660 annual renewal fee, or a package with the software, data and technical support only, at $898 plus data fees.

At OmniTrader, although the basic version (end-of-day data) is $US495, a bundled version with a chart pattern confirmation module and strategy modules for Guppy GMMA2 and Darvas Box strategies would cost $US1634, or $US1470 through Australian distributor Corporate Doctor, plus a data provider at about $33 a month.

Stock Doctor will cost you $1895 for the first 12 months, including software, email and phone coaching, newsletters and tip sheets, with various longer term and instalment payment options.

The systems with less support and training cost less. BullCharts costs $795 for the software and $352 a year for the data. Insight Trader is $795, or $1295 for a trading package including 10 hours of training, a trading plan and database manager.

One other consideration is whether you want a live data feed or end-of-day data. Some packages offer both but live data will cost you more. Most non-professional investors opt for end-of-day data feeds and review them in the evening or morning.

Also, think about how much time you can devote to using these systems. You can spend all day in a program like OmniTrader and still not figure out all its possibilities.

Be realistic about what you'll do. If you can spare only 20 minutes at the end of the day to upload the latest data and recommendations (most programs require this) and have a think about whether to act on the results, that will require a different system than if you can spend hours a day on this to make trading your main job.

Whatever you opt for, it's well worth spending some time – maybe a month – doing nothing but paper trading while you figure everything out. For example, a system may trigger a multitude of buy signals but after a while you'll notice a few nuances – you shouldn't just blindly follow a recommendation but look at what triggered it and whether the same sort of signal has worked in recent history.

You'll also want to be clear on what your strategy will be. Will you follow the technical recommendations absolutely? Or will you use some fundamental common sense too – not buying a stock because it's triggered a signal when you know that sector's about to face a major regulatory overhaul, for example?

All these programs will be useful for some people. But don't aim too high without first having figured out what you want to do and at least the basics of the market you hope to make money from.

You can garner a strong knowledge of the sharemarket from courses such as those hosted by the Australian Securities Exchange. Only after you know what you're doing can you really decide if these products will enhance your investment experience.

ASIC says it best: "Find out about shares and the market before you spend a lot of money on fancy tools you may never use. Imagine if a friend suddenly decided to be a carpenter and told you he was going to spend $15,000 on new tools before he had even tried to make a bread board." **Si**

Charting a course of action

When asked to road test a range of trading systems for *AFR Smart Investor* last year I found myself facing a number of challenges – not least the IT issues of running five programs simultaneously on a creaking PC. That, at least, won't be an issue for most users.

The first thing that struck me was what an involved and arcane part of the market charting can be. It was immediately clear that most systems I was trying would be of no use unless I knew what I was looking for, and so I set to work.

Anyone can understand crossover strategies, reversals, breakouts and trending with effort and application. But before long I found myself in a swamp of Darvas Boxes, Fibonacci indicators, turtle strategies, Hurst cycles and Guppy multiple moving average trends.

There's no limit to how much you can read and learn about interpreting the patterns of share price and market movement. It's easy to be overwhelmed. My first decision was to understand the basics and focus on a couple of strategies rather than make any pretence I'd mastered the lot.

A second challenge was to let

a system do what you've bought it to do: make judgements based on nothing but a pattern.

I've been interviewing fundamentals-focused fund managers for a decade or so and that's the received wisdom I bring to stock selection: that price or momentum are only part of a picture that includes people, industries, consumer behaviour and global capital flows. Trading systems couldn't give a flying fig about any of those things.

"Buy that? Are you mad?" I asked as Share Wealth Systems put me into a stock called Jabiru Metals and OmniTrader generated a "buy" signal on National Australia Bank as the US banking sector sank.

A key decision is whether to trust a trading system and let it do its thing or temper its recommendations with what you know about the company.

There's a liquidity call to make too. Some recommendations were for obscure microcap companies that caused queasiness in someone trained to believe you need to understand a company and its management.

Trading systems require you to develop a daily routine. For me, it

was to run them all about three hours after the market close, when the data feeds were ready. I would set the updates to run, make a cup of tea then come back and sift through recommendations. I'd then set my buy and sell orders for the opening the following morning.

At first I only paper traded – and glad I had done so. You might think you know a system but you really only understand it once you have a few things go wrong using it. It took a month to be confident I knew not only what they were telling me but why, and how to interpret this.

Did it work? In the short time I tested the systems all generated positive returns – but the market did too. There were calls I might never have imagined – a Pro Trader recommendation to buy NRW Holdings (NWH) triggered a 44 per cent return in five weeks. There were plenty of duds, and the process was an education in the importance of a stop-loss.

In most cases I was impressed by the commitment to risk management and trade planning, and I got a sense of the addictive intricacy of waves and lines.
Chris Wright