

AutoTrade 1.0

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AutoTrade 1.0 is a new Macintosh investment program that can manage an entire portfolio. It issues specific buy and sell orders with precise dollar amounts based on your individual portfolio. It can be used to both help you time your own trades or as a complete portfolio manager.

Making money in the stock market is possible and doesn't require magic, but it does require strict discipline that few of us possess. A computer, on the other hand, has perfect discipline. In order to remove emotions totally from the stock selection process, AutoTrade issues specific, dollar amount, buy and sell orders based on its data.

AutoTrade does not pretend to be 100% accurate on its predictions. No system can be anywhere near 100% accurate. But with a strict, disciplined, and ruthless process of eliminating losers and keeping winners, AutoTrade can make you a profit if even less than 50% of its predictions are accurate.

Contents of the Package

- The AutoTrade 1.0 application.
- The "AutoTrade Read Me!" file is this document.
- The "AutoTrade Order Form" (in the Order Form Folder) is what you'll use when you register your copy of the program. Just print it out and send it in, along with your check or money order. You can also print the same order form from the program.

Distribution

You may freely distribute this version of AutoTrade to anyone and anywhere as long as you include all the files listed above.

AutoTrade Professional

AutoTrade Professional is a commercial version of the shareware AutoTrade program. It is based on the AutoTrade shareware program, but it also includes general market predictions in its analysis. Since 80% of all stocks follow general market moves, general market trends can be very important. Information on ordering AutoTrade Professional is included in the Registration section of this document.

How Does AutoTrade work?

AutoTrade's analysis is primarily based on a weighted moving average system. (A weighted moving average is computed by adding up its components multiplied by their respective

weights and then dividing by the sum of the weights to find the average.) It then issues buy and sell trades based on the rating, diversification factor, and portfolio size.

The problem with most investors is that, being human, they refuse to recognize when they've made a mistake, and love to recognize themselves when they are correct. So in a typical portfolio, the investor will sell whenever he makes a profit (so that he makes sure the trade was a "winner") and keep stocks that he's losing on (to prevent his paper loss from becoming a real loss). The end result is the opposite of survival of the fittest. He holds his worst trades while getting rid of his best. Even if he is right about his picks most of the time, he will probably lose much more on his losing trades than he will gain on his winning trades.

AutoTrade does the exact opposite. It keeps (and might even add) to trades that are working well. It sells stocks that are doing badly. So you ride your winning trades and cut your losing trades. While the average investor loses even when he picks a majority of winners, we hope to profit even if we pick a majority of losers. And, of course, the better our accuracy, the larger our profits.

I do recommend that AutoTrade users use stops in their trading. That means that users should tell their brokers to sell any stock that they buy if it goes down by a certain percentage. I'd recommend that you keep stops around 10%, but you may want to increase that figure with more volatile stocks and reduce it with stocks that are less volatile. AutoTrade will issue sells when it determines that you should sell a stock you are holding, but since it cannot actually execute orders, it is best to use stops to guarantee that your losses will be held to a certain percentage. Since it is impossible to always be right about trades, it is smart to limit your losses. Of course, too much of anything isn't such a good thing, so it does not make sense to set stops at 2% or 3% below your purchase price. With normal fluctuations of the stock, that will almost guarantee that you will always "stop out" and lose 2% or 3% on normal fluctuations. Stops should protect you from large negative moves, not from normal fluctuations.

I also recommend that you increase your stops as the value of your holdings increase. If you buy a stock at 50 and set a stop at 45 (10% below the purchase price), and the stock increases to 60, you can move your stop to 54. That way you'll insure that you will not lose your gains (as the average investor does by selling), yet you'll still be able to profit from the continuing positive trend.

But Does The Author Eat Home Cooking?

One question that everyone should ask a portfolio manager or investment advisor is whether or not he eats "home cooking." In other words, does he manage his own portfolio and investments in the same way that he manages yours? All managers are willing to risk your money. But the important question is whether or not he is willing to risk his own. If he doesn't trust his methods, why would you?

So the strongest statement I can make about my program is that I do eat home cooking. I will be investing 100% of profits from the sale of AutoTrade with the program following its buy and sell orders 100%. So my incentives will be the same as yours.

I also offer a 60 day, no questions asked, money back guarantee on both AutoTrade and AutoTrade Professional. And since AutoTrade is shareware, you can try the package before you buy it!

Stock Brokers: Discount or Full Commission?

If you plan on managing an account with AutoTrade, I would highly recommend that you use a discount broker. Since you will not be using their expertise, you really shouldn't pay for it. It is also important to understand that even discount brokers are not all alike. The cheapest rate I've seen offered is from E-Trade securities. Their minimum charge is only \$29 for 100 shares of any price stock. (Of course, commission rates decrease as trade size increases.)

If you plan on using AutoTrade to help you with the timing of your investments, then you may want to use a full commission broker to help advise you on your investments.

What Can I trade with AutoTrade?

You can trade just about any stock, mutual fund, option, commodity, or index (such as the S&P 500 or the Dow Jones 30 Industrials) with AutoTrade. (With options and other derivatives, it is often best to analyze the underlying security.)

Also, since you can enter any stocks that you desire, you can customize your AutoTrade environment to fit your investing style. If you like large stocks, enter the 30 components of the Dow Jones Industrials. If you're bullish on technology, enter technology stocks in your portfolio. AutoTrade will then issue buy and sell recommendations on the sectors that you prefer.

Registration Information

First of all, I'd like to thank you for evaluating AutoTrade! If you use AutoTrade after an initial trial period of 30 days, you are morally and legally obligated to send in your registration payment.

AutoTrade is extremely inexpensive at only \$39.95. AutoTrade Professional is only \$59.95. You can upgrade to the Professional version at any time for \$25.

I expect to continually upgrade AutoTrade to improve its performance. I've written many shareware products because my users have sent in their fees. As long as users pay their fees, shareware authors will continue to provide quality shareware. Please do your part by supporting shareware. We'll all profit in the end.

Why Register?

1. It's the right thing to do. Your payment will help support shareware and assure continued updates of AutoTrade. By registering, you will also ensure that you will be contacted about all

upgrades and enhancements that can increase your profits in the future.

2. You'll get the latest version of AutoTrade. Due to inherent problems with the shareware distribution method, the version you're currently using may be old.

3. You'll receive information on investing in general. This information includes, but is not limited to:

a) a list of the top performing mutual funds.

b) information on the best discount brokers. This information will easily save you several times the cost of AutoTrade on **every** trade.

c) information on essential investment publications.

d) information on our inexpensive data subscription services that include **free** upgrades to AutoTrade. You'll always have the latest and greatest.

4. Comprehensive, unlimited free support from the author by mail, email, and phone.

5. A disk filled with lots of other useful programs from Insanely Great Software.

6. A chance to change the product with your suggestions and comments.

7. No need to fill out an order form and write a check. You can use your credit card through our new 800 number.

8. Fast shipping. You can't wait six to eight weeks in the fast moving world of investing. All orders are shipped within 48 hours.

Payment by check or money order:

Please send the order form and a check or money order made payable to

"Insanely Great Software" to:

Adam Stein

Insanely Great Software

126 Calvert Ave. E.

Edison, NJ 08820

Payment by credit card (MC, Visa, Amex, or Discover):

800-242-4775 (Orders Only)

713-524-6394 (Orders Only)

Insanely Great Software has hired Public (software) Library to handle credit card orders. Public (software) Library will take your orders at the above numbers but cannot handle your questions. Please call Adam Stein direct at 908-548-5107 if you have any questions.

PsL (Public Software Library) will be able to serve you faster if you tell them that File Sharing Toggle is item# 10639. AutoTrade Professional is item #10640.

PsL Notice:

You can order by sending check, cash or money order to Adam Stein, Insanely Great Software, 126 Calvert Ave. E., Edison, NJ 08820 or with MC, Visa, Amex, or Discover from the Public (software) Library by calling 1-800-2424-PsL or 713-524-6394 or by FAX to 1-713-524-6398 or by CIS Email to 71355,470. These numbers are for orders only. To insure that you get the latest version, PsL will notify us the day of your order and we will ship the product directly to you. Any questions about the status of the shipment of the order, refunds, registration options, product details, technical support, volume discounts, dealer pricing, site licenses, etc, must be directed to 908-548-5107. You can also mail credit card orders to PsL at P.O. Box 35705, Houston, TX 77235-5705.

Where can I find the order form?

The order form can be printed out directly from AutoTrade, or you can open the order form file with TeachText. It's only necessary to use the order form if you're ordering by mail.

Instructions on using AutoTrade

While the program itself is modeless, there are two basic "modes" to using the program. In one mode, you input the data necessary for AutoTrade's analysis. In the second, you use AutoTrade to find its recommendations and ratings.

The program has 6 menus and one window. The AutoTrade window is where AutoTrade will output all of its information to you. The menus are used in the following way:

File:

Save Recommendations as text file... — Saves AutoTrade window to a text file that you can open with any word processor or TeachText to print or to edit.

Print Registration Form... — Prints out registration form for easy registration.

Quit — Quits the program.

Edit—Not used in the program but present for desk accessories that may require the menu.

Analyze:

Show Recommendations — This is the heart of the program. When you select this menu item, AutoTrade will output its trade recommendations for the day. These recommendations will stay the same until you update the programs data or record buy and sell transactions in your portfolio.

Individual Stock Rating... —This lets you get a rating on an individual stock that you are interested in.

Portfolio:

Show Portfolio—Outputs your portfolio to the AutoTrade window.

Record Buy Transaction... — After you execute a buy trade with your broker, you need to choose this menu item to tell AutoTrade that you made the transaction.

Record Sell Transaction... — The same as above except that it is meant for sales.

Change Cash Level... — Lets you change the amount of cash that you have on hand. You'll need to choose this item whenever you gain extra cash to invest from your income or any other source. (Your cash level does influence AutoTrade's recommendations since you cannot invest what you do not have!)

Data:

Show Data — Outputs your data and ratings to the AutoTrade window.

Update Stocks... — Lets you easily update all your stocks (or other investment vehicles) in the data file. Before you select this, you should have all your new price information in front of you.

Edit Stock... — Lets you edit the price information for any stock in the data file.

Add Stock... — Lets you add a new stock to your data file.

Remove Stock... — Deletes a stock from your data file.

Settings:

Diversification... — Lets you change the diversification level. This percentage represents the largest percentage of your portfolio that you are willing to commit to any one stock. For example, at 20%, AutoTrade will never commit more than one-fifth of your portfolio to any one stock.

Data Input:

AutoTrade requires 18 prices for each stock, mutual fund, option, index, or commodity that you'd like to trade. For simplicity, I'll always refer to stocks, but the operations are the same on any investment vehicle.

AutoTrade can work well on weekly or daily price data. If you're a short term trader, you'll want to input daily prices. Longer term investors will want to input weekly prices. Either way, you'll need 18 prices, whether they represent days or weeks.

Adding a Stock to Your Data File:

To add a stock to the data file, select **Add Stock...** from the **Data** menu.

You'll see a large dialog box with a Symbol field and 18 price data fields. It is important to follow the following rules when entering data in all parts of the program.

IMPORTANT: (For All Data Entry in AutoTrade)

*****1) Symbols are represented by four characters. You cannot use more than four characters as a symbol. This means that you may not be able to use the exact symbols that are in your newspaper. The easy work-around is to change the symbol so that it is four characters or less.

2) Price data, or any dollar amounts in the program, should be entered without a dollar symbol and without any commas. Forty-four dollars and twenty cents would be represented as "44.20" without the quotes. Four thousand, three hundred dollars and nineteen cents would be represented as "4300.19" without the quotes.

*****When you add a stock, you can enter all 18 prices at the same time if you have the daily or weekly price history of the stock, or you can update them daily until you get to eighteen. Until you enter 18 prices, AutoTrade cannot make any recommendations or ratings on the stock.

The 18 prices are listed from left to right and from top to bottom. Tabbing will always move you to the next price. (If you're unsure about the order, remember this. The first price data field is the top-left box. The last price data field is the bottom-right box.)

Press **OK** to save your new stock. Pressing **Cancel** will cancel the operation.

Editing a Stock in Your Data File:

Editing is similar to adding a stock except that the stock is already there. To edit a stock in the data file, select **Edit Stock...** from the **Data** menu.

Now, choose the stock that you want to edit by typing in the four letter symbol in the Symbol field. Then press the **Load Stock Data** button. You can now change any of the prices you like. Press **OK** to save your changes. Pressing **Cancel** will revert your data to its original.

Removing a Stock from Your Data File:

To remove a stock from your data file, select the **Remove Stock...** menu item from the **Data** menu.

Just type the four character symbol of the stock you'd like to remove. Then, select **OK** to remove the stock or **Cancel** to cancel the operation.

Updating Stocks in Your Data File:

Every day or every week (depending on whether you'd like to use AutoTrade daily or weekly), you'll need to update the prices in your data file. In order to make this easier, I've provided an Update function that loops you through all your stocks so that you can enter each new price.

- 1) Make sure that you have all the prices for the stocks in your data file with you.
- 2) Select **Update Stocks...** from the **Data** menu.
- 3) A simple dialog box should be on your screen with the first stock symbol.
- 4) Enter the new price and press **OK**.
- 5) The next stock symbol should be on the screen. Repeat step 4 until finished.
- 6) You can cancel the procedure at any time by pressing **Cancel**. However, previously entered new prices will be saved. You can fix whatever mistakes you made by using the **Edit Stock...** feature. You may also want to backup your data files before you edit them by simply duplicating them in the Finder. (Just select the data file and press Command Key-D and you'll have an instant backup copy.)

Showing your data and ratings:

To get a list of all your stocks and their ratings, select **Show Data** from the **Data** menu.

Portfolio Input:

AutoTrade needs to know your portfolio so that it can recommend stocks based on your portfolio. That way it knows when to issue sell recommendations and how much to buy when it issues buy recommendations.

Recording a Buy Transaction:

To record a buy transaction, select **Record Buy Transaction...** from the **Portfolio** menu.

You'll see a dialog box that asks you for the Stock Symbol, Number of Shares, and Purchase Price.

Simply enter the appropriate data in all three fields. Remember that stock symbols can only contain four characters, and that you should not enter commas or dollar signs in the number of shares or purchase price fields. The purchase price should include commissions as well as the price you paid for all the shares of stock you purchased.

The purchase price will be deducted from your cash level. If for some reason your cash level stayed the same (you just invested the proceeds from a bonus or a gift or some other reason), simply correct the cash level by choosing **Change Cash Level...** from the **Portfolio** menu.

Recording a Sell Transaction:

To record a sell transaction, select **Record Sell Transaction...** from the **Portfolio** menu.

You'll see a dialog box that asks you for the Stock Symbol, Number of Shares, and Sale Price.

Simply enter the appropriate data in all three fields as you did in the buy transaction dialog box. The only difference between the two transactions is that the sell transaction is the negative of the buy. Your cash level will be increased by the amount of the sale price, and the number of shares of the stock in your portfolio will be decreased by the number of shares that you sold.

What if I Made a Mistake?

If you make any mistakes in either of the two above dialog boxes, you can easily correct them by selecting the opposite transaction. For example, if you entered a buy of 100 shares of IBM when you meant AAPL, just sell the 100 shares with the Record a Sell Transaction and now do the correct buy. If the cash level becomes inaccurate, you can change that as well.

Changing the Cash Level:

Just select **Change Cash Level...** from the **Portfolio** menu. Now, enter your actual cash level in the field. Remember once again not to type any commas or dollar signs. Ten thousand dollars would be expressed as "10000" without the quotes.

Viewing your portfolio:

To see your portfolio, simply select **Show Portfolio** from the **Portfolio** menu.

Settings:

To change the diversification level, select **Diversification...** menu item from the **Settings** menu.

Now, type an integer from 1 to 100 in the Diversification field. This percentage will determine the maximum amount that AutoTrade can allocate to any one stock.

Analysis & Recommendations:

Now we finally get to the heart of the program! And it's the easiest part of the program to learn as well!

After you've updated all your data and portfolio files, you'll be able to use AutoTrade.

To view AutoTrade's recommendations, select **Show Recommendations** from the **Analyze** menu.

To view AutoTrade's rating of an individual stock, select **Individual Stock Rating...** from the

Analyze menu. Then, in the dialog box, type in the four character stock symbol that you want a rating for.

Technical Support

Technical support is available to all users of AutoTrade at no charge. You may contact our technical support staff (i.e., the author!) if you have any problems with or questions about AutoTrade We're also very open to suggestions for improvements to the program.

You can call the author direct at (908) 548-5107 24 hours a day. If I am not available, simply leave your name and phone number and I will get back to you as soon as possible. I'm also available on America Online and Compuserve. Internet users can get to me through either America Online or Compuserve as well since both services offer Internet gateways.

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