

# TBO Advanced Chart Pattern Recognition

## TIMBUKONE

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**Product:** Trendline, candlestick, and point & figure pattern recognition software.

**Requirements:** Windows

**Price:** On request.

*by Donald W. Pendergast Jr.*

**D**iscretionary trading is still the preferred manner of attempting to extract profits from the financial markets for many traders, despite the ever-growing popularity of systems, high-frequency, and algorithmic trading methods. One of the most useful skills for the serious discretionary trader is the ability to accurately scan the markets for technical chart patterns that are close to completion, thus offering the opportunity to include other confirmation tools and/or system signals that can provide a trader with a much higher degree of confidence when trading today's volatile and highly fragile markets (stop and consider last year's flash crash, if you doubt that the markets can be extremely fragile). TimBukOne offers a unique and multifaceted standalone software product called TBO Advanced Chart Recognition Pattern (TBO ACPE) software that runs on MetaStock or AmiBroker (along with several other data providers) end-of-day (EOD) data, and that is the subject of this review.

## OVERVIEW

The program is compatible with all versions of Microsoft Windows and is delivered as a downloadable file that installs quickly and easily. A free trial is available, but only the fully paid-for and registered version will deliver full functionality to the purchaser/user of

the product. According to Jos Pols at TimBukOne, this pattern recognition software is equipped to enable a trader or investor to take advantage of the:

- Ability to choose a specific Meta-Stock folder to include/exclude
- Point & figure pattern scanning
- Inclusion of a selection of preset/ designed patterns
- Ability to clone a pattern
- Ability to revert a pattern to the default and the undo option
- Ability to apply pattern parameters to all patterns on file
- Ability to hide the help and reminder popup dialogs
- Multilingual option
- Ability to have multiple tabs, each containing its own screens and reports
- Ability to save an arrangement of reports and charts (that is, a session/ workbook)

It can also scan for and identify the following preconfigured chart patterns:

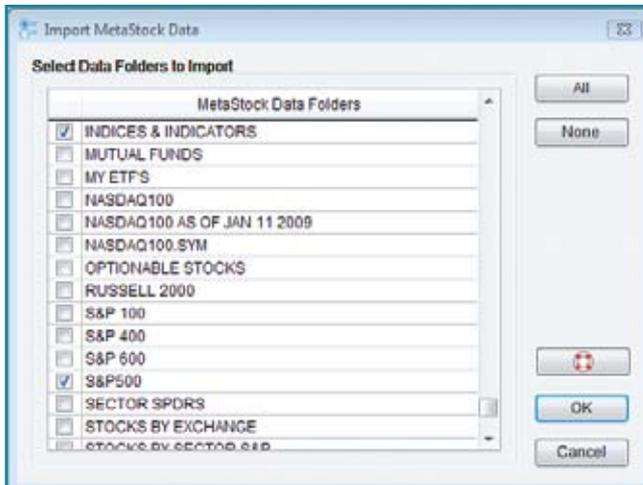
- Double bottom
- Double top
- Downtrend
- Downtrend reversal
- Downtrend zigzag
- Head & shoulders
- Triangle descending
- Triangle ascending
- Triangle symmetrical
- Triple bottom
- Triple top
- Uptrend
- Uptrend reversal
- Uptrend zigzag

In addition, the software can also scan for and identify the following candlestick patterns:

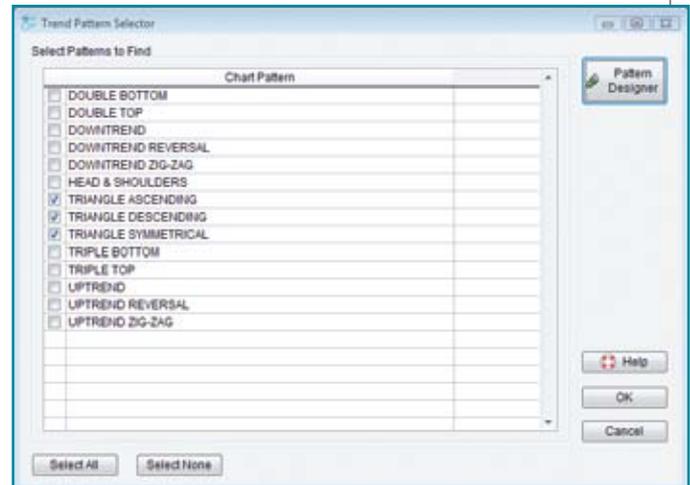
- Bearish engulfing
- Bearish harami
- Bullish engulfing
- Bullish harami
- Dark cloud cover
- Dark cloud cover for candlestick
- Dark hammer
- Doji
- Evening star
- Five black crows
- Five white soldiers
- Gravestone doji
- Kicker B/W
- Kicker W/B
- Ladder bottom
- Ladder top
- Morning star
- Piercing pattern
- Piercing pattern for candlestick
- Shooting star
- Three black crows
- Three white soldiers
- White hammer

Point & figure fans should find their unique needs provided for with:

- Ascending triple-top breakout
- Buy — simple
- Catapult breakout — bearish
- Catapult breakout — bullish
- Descending triple-bottom breakouts
- Double-bottom breakout
- Double-top breakout
- Quadruple-bottom breakout
- Quadruple-top breakout
- Sell — simple
- Signal reversed — bearish
- Signal reversed — bullish
- Trap — bear
- Trap — bull
- Triangle breakout — bearish
- Triangle breakout — bullish
- Triple-bottom breakout
- Triple-top breakout



**FIGURE 1: IMPORTING DATA.** Importing data into TimBukOne's ACPR is straightforward and hassle-free.



**FIGURE 2: TREND PATTERN SCAN.** With so many patterns to choose from, narrowing the focus to a few related styles may help users better fine-tune their personal trading/investing strategy.

The software delivers, accurately identifying the listed chart patterns (trend patterns, candlestick, and point & figure). To go through all of them here would require more space than allotted, so for now, let's stick with the three triangle patterns the software is so good at identifying and then see if we can't integrate the output into a broader trading plan, one including some relative strength analysis (stock versus broad market) and trade system signal output.

Knowing a good trading system is firing a signal in a strong (or weak) relative strength stock at the same time that the Advanced Chart Pattern Recognition software has located a high-ranked triangle pattern in sync with the trade system's signal direction might prove to be a potent combination for traders who like to use extra confirmation in their trading endeavors.

### IMPORTING DATA

The software imported, read, and created charts based on my MetaStock datafiles without issue or complaint. The interface to arrange all of this is extremely simple and effective and was successfully set up in a matter of moments (Figure 1). AmiBroker is also a supported file format, as are a variety of others.

### RUNNING A TREND PATTERN SCAN

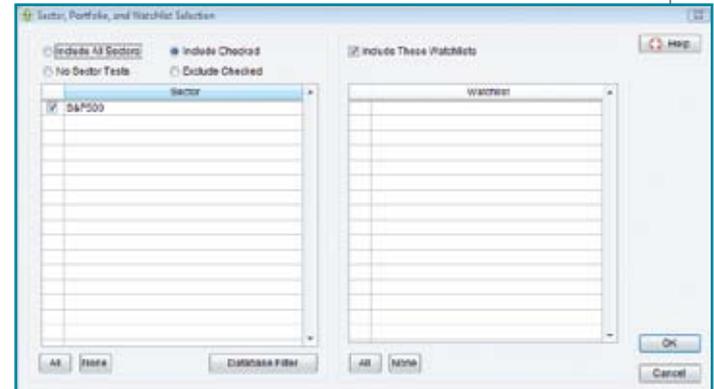
Once the software is running and you've got the data import set up, simply go to the

"Pattern Recognition" tab near the top of the screen, then click "Trend Pattern Scan" and select the types of trend patterns that you wish the software to identify (Figure 2). In this case, simply check all three of the triangle pattern boxes and hit "OK."

Next, up comes a window that lets you choose the sectors, portfolios, and watchlists that you've already set up. I used the Standard & Poor's 500 stocks from my MetaStock folder, checked off the box beside it and also the "Include checked" button (Figure 3). Clicking OK starts the pattern scan across each of the S&P 500 component stocks daily charts. The process only requires about two minutes to complete a scan for these three triangle patterns.

### CREAM OF THE CROP

When you scan for three separate triangle



**FIGURE 3: SECTORS, PORTFOLIOS AND WATCHLISTS.** While this article focused only on stocks in the .SPX, you can use data from any data folder in MetaStock, AmiBroker or other supported data formats.

patterns across a universe of 500 stocks, you are bound to have more than a few charts to examine, and the Advanced Chart Pattern Recognition software can greatly simplify your workload here as well. Each stock's pattern is assigned a point value ranging from 50 to 100, with a value of 100 signifying a pattern of the strongest kind. Double-clicking the top of the "Number of points" column brings the strongest-ranked (or weakest-ranked) patterns to the top, allowing you to further refine your workflow and stock

**TimbukOne appears to have a winner with their Advanced Chart Pattern Recognition software. It produces clear, accurate output that skilled traders and investors can use with other technical tools.**

**PRODUCT REVIEW**

Symbol	Name	Sector	Chart Pattern (Double click for chart with pattern)	Number of Points
URBN	URBAN OUTF	S&P500	TRIANGLE DESCENDING	100
TDC	TERADATA O	S&P500	TRIANGLE ASCENDING	100
KLAC	KLA TENCOR	S&P500	TRIANGLE DESCENDING	100
KEY	KEYCORP OR	S&P500	TRIANGLE DESCENDING	100
INZ	INVERSO OR	S&P500	TRIANGLE DESCENDING	100
HSY	HERSHEY CO	S&P500	TRIANGLE DESCENDING	100
GCI	GANNETT OR	S&P500	TRIANGLE DESCENDING	100
CTR	CHITRGY OR	S&P500	TRIANGLE DESCENDING	100
DPS	DR PEPPER	S&P500	TRIANGLE ASCENDING	100
WAT	WATERS ORD	S&P500	TRIANGLE ASCENDING	90
VAB	VACOM CL	S&P500	TRIANGLE ASCENDING	90
UNP	UNION PAC	S&P500	TRIANGLE ASCENDING	90
TWC	TIME WARNR	S&P500	TRIANGLE ASCENDING	90
SE	SPECTRA EN	S&P500	TRIANGLE SYMMETRICAL	90
ROST	ROSS STORE	S&P500	TRIANGLE ASCENDING	90
RN	REYNOLDS A	S&P500	TRIANGLE ASCENDING	90
NEE	NEKTERA EN	S&P500	TRIANGLE ASCENDING	90
MRK	MERCK & CO	S&P500	TRIANGLE ASCENDING	90
MV	MEADWISVA	S&P500	TRIANGLE ASCENDING	90
MCK	MCKESSON C	S&P500	TRIANGLE ASCENDING	90
LO	LORILLARD	S&P500	TRIANGLE ASCENDING	90
LH	LABORATORY	S&P500	TRIANGLE ASCENDING	90
IRM	IRON MOUNT	S&P500	TRIANGLE ASCENDING	90
IFF	INTL FLAV	S&P500	TRIANGLE ASCENDING	90
FO	FORTUNE BR	S&P500	TRIANGLE ASCENDING	90
FDG	FAMILY DLR	S&P500	TRIANGLE SYMMETRICAL	90
EL	ESTEE LAO	S&P500	TRIANGLE ASCENDING	90
ERTS	ELECTRONIC	S&P500	TRIANGLE ASCENDING	90
CAG	CONAGRA FO	S&P500	TRIANGLE ASCENDING	90
KO	COCA-COLA	S&P500	TRIANGLE ASCENDING	90
CCE	COCA-COLA	S&P500	TRIANGLE ASCENDING	90
CHRW	CH ROBINSO	S&P500	TRIANGLE ASCENDING	90
CERN	CERNER ORD	S&P500	TRIANGLE ASCENDING	90
BFB	BROWN FORM	S&P500	TRIANGLE ASCENDING	90
BNY	BRISTOL MY	S&P500	TRIANGLE ASCENDING	90
BBBY	RED BATH A	S&P500	TRIANGLE ASCENDING	90
ADP	AUTOMATIC	S&P500	TRIANGLE ASCENDING	90
T	AT & T ORD	S&P500	TRIANGLE ASCENDING	90
MO	ALTRIA GRO	S&P500	TRIANGLE ASCENDING	90
ARG	ARGAS ORD	S&P500	TRIANGLE ASCENDING	90
APD	AR PRODUC	S&P500	TRIANGLE ASCENDING	90
ANF	ABERCROMB	S&P500	TRIANGLE ASCENDING	90
WFM	WHOLE FOOD	S&P500	TRIANGLE ASCENDING	90

**FIGURE 4: CREAM OF THE CROP.** Even with only three triangle patterns selected, there was no shortage of high-ranking chart patterns to investigate.

selection process.

In this case, we see that as of the close of trading on July 21, 2011, nine of the S&P 500 component stocks came through with a 100 ranking in either the “Triangle descending” or “Triangle ascending” pattern category (Figure 4).

Two “Triangle symmetrical” patterns were also located. These were assigned a point value of 90 by the software. In Figure 5, you see a chart of one of the stocks that were in the top-ranked triangle descending pattern category: KLA-Tencor (KLAC). The TimBukOne ACPR chart clearly displays the descending triangle pattern (the software automatically plots the lines for you) on the daily chart.

**THE BEST OF BOTH WORLDS**

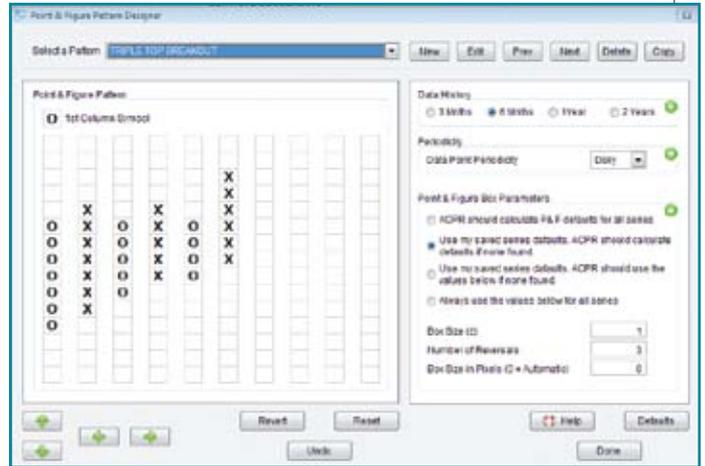
For an example of how you may wish to combine the output of the TimBukOne pattern recognition software with that of a traditional mechanical trading system, consider the descending triangle pattern in KLAC, which features a 100-point value. As many traders know, when a stock or futures contract makes a decisive breakout from an established, mature pattern, that’s the time for discretionary traders



**FIGURE 5: TRIANGLE DESCENDING PATTERN.** The chart clearly displays the descending triangle pattern (the software automatically plots the lines for the user) on the daily chart.



**FIGURE 6: BEST OF BOTH WORLDS.** Running the ParaSar trading system in MetaStock revealed that KLAC was also firing a buy signal at the same time that ACPR had identified it as a stock with a strong descending triangle pattern.



**FIGURE 7: POINT & FIGURE PATTERN DESIGNER.** For the do-it-yourself crowd, ACPR offers a full range of customized scan options for candlestick, point & figure, and trend pattern applications.

to start looking for a suitable entry point and also for system traders to be monitoring for breakout buy/sell signals in the direction of the pattern breakout.

Running my parabolic stop & reverse (ParaSar) trading system template in MetaStock at the close of trading on July 21, 2011, revealed that shares of KLAC were indeed firing a ParaSar buy signal, meaning that we now have some sort of objective manner in which to consider taking a long position in this stock, which is starting to break out of a very mature (and potentially powerful) descending triangle pattern (Figure 6). If you have the ability to backtest the ParaSar trading system in your own platform, you may be able to better determine just how well the ParaSar system performs in this particular stock.

The beautiful thing about combining pattern recognition with a mechanical trading system is that the possible combinations are virtually unlimited. Since dozens of trading systems are already installed in MetaStock, AIQ, OmniTrader, TradeStation, and others, you could create a daily workflow that would start with pattern identification. Once the top-ranked patterns are located, then you would inspect for patterns that are mature and/or beginning to show signs of a possible breakout and then run a basket of proven trading systems for each stock giving such powerful pattern confirmation.

If you see several systems in agree-

ment that a long or short position is warranted, you may be about to tap into a powerful form of market timing synergy that could help you stay on the right side of any given stock, commodity, or forex market. With 55 preconfigured chart patterns already installed in the TimBukOne ACPR platform, you can easily grasp the possible implications and how having such a technical tool might advance your trading regimen to an entirely new level.

### OTHER STUFF

The software can also be configured to scan for patterns of your own custom specification by taking advantage of the candlestick pattern designer, point and figure designer, and trend pattern designer features (Figure 7). This could really be a boon to those traders who like to look for Fibonacci relationships between impulse and/or corrective waves in addition to maximizing the ACPR's ability to scan for custom-designed point & figure and candlestick pattern scanning abilities.

Charting is fairly basic, but users have the option to display charts in bar, candlestick, line on close, or point & figure mode with just a few clicks. Moving averages and Bollinger Bands are the two key technical indicators offered, and each is fully adjustable to a user's preferences. Time frames and the amount of data history to display is also a snap to adjust. Easy to create and use

watchlists are also a nice touch, as is the ability to use the tabs at the bottom of the screen to scroll between all of your open charts.

Customer service is excellent, too. All of my questions about the software were answered by email the same day — sometimes within the hour — and in a no-nonsense, intelligent, and to-the-point fashion.

### SUMMARY

TimBukOne appears to have a real winner with their Advanced Chart Pattern Recognition software. It produces clear, accurate output that skilled traders and investors can use with other technical tools (if they desire) to help create a well-rounded trading and investment environment for themselves.

*Donald W. Pendergast Jr. owns and operates Linear Trading Systems, based in Jacksonville, FL. He has several emini stock index futures and silver trading systems available for auto trading at Striker Securities in Chicago, IL, and also offers stock and futures trading systems for direct sale. He may be reached at [www.linearjax.com](http://www.linearjax.com) or via email at [linearjax@gmail.com](mailto:linearjax@gmail.com).*

