RotationPro™

RPRO | BASIC TRAINING I

Open RPRO in your Bloomberg terminal: **APPL RPRO < GO>** and go to **Settings** in the top toolbar. In the **Train** icon, you will find a good selection of short training videos which will play directly in your Bloomberg terminal.

CONTENTS

In this lesson we will go through the RPRO basics:

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1. SETTINGS

1.1 Settings Controls

a. Toggle **Numbers** to Show in order to see momentum values in the coloured heatmap cells. This adds granularity. The momentum indicator is based on True Strength Index and grades the strength of heatmap / chart candle blues and reds.

b. In **Custom Functions** overwrite your favourite G charts or Bloomberg fundamentals pages (G2, DES, ANR,EE etc) these can then be fired straight off the heatmap to open the page in the Bloomberg terminal. This integrates RPRO with Bloomberg and allows for easy read across.

c. Write a numeric value for **USD Liquidity Min** (eg 5000000) which becomes the lower cut off when automatically generating members lists from indices (covered later on)

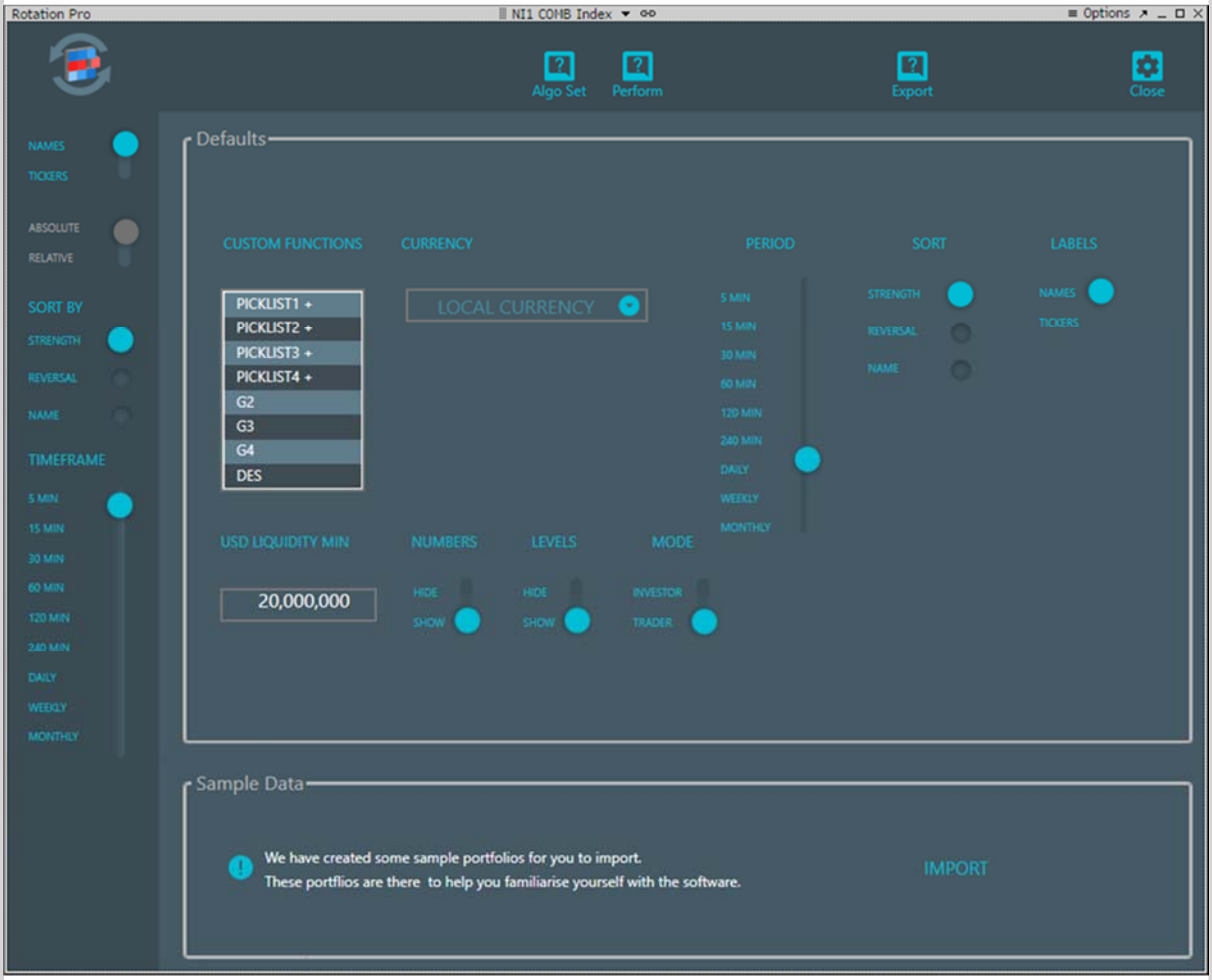
d. Toggle **Levels** to Show to see the trend reversal levels in the Red, Blue or Grey Progress Bars to the right of the heatmap (covered in detail later)

e. Toggle **Mode** between Investor or Trader. The **Investor** version runs heatmaps through six timeframes from monthly to hourly intervals. The **Trader** version adds 5, 15 and 30 minute intervals, suited to short term and execution traders.

f. You can change the **Period, Sort, Labels and Currency** defaults in Settings.

g. There are a number of default portfolios pre-loaded into the platform. If you delete any and want them back, click the **Import** button at the bottom of the screen.

h. When finished click **Close** in the top right corner.



1.2 Bloomberg G charts

Example of customised **G charts** at G<GO> in the Bloomberg terminal. You can run these directly off the heatmaps (explained further down). RPRO is fully integrated with Bloomberg terminal functionality to keep your workflow in one place.

2. LIST MANAGEMENT

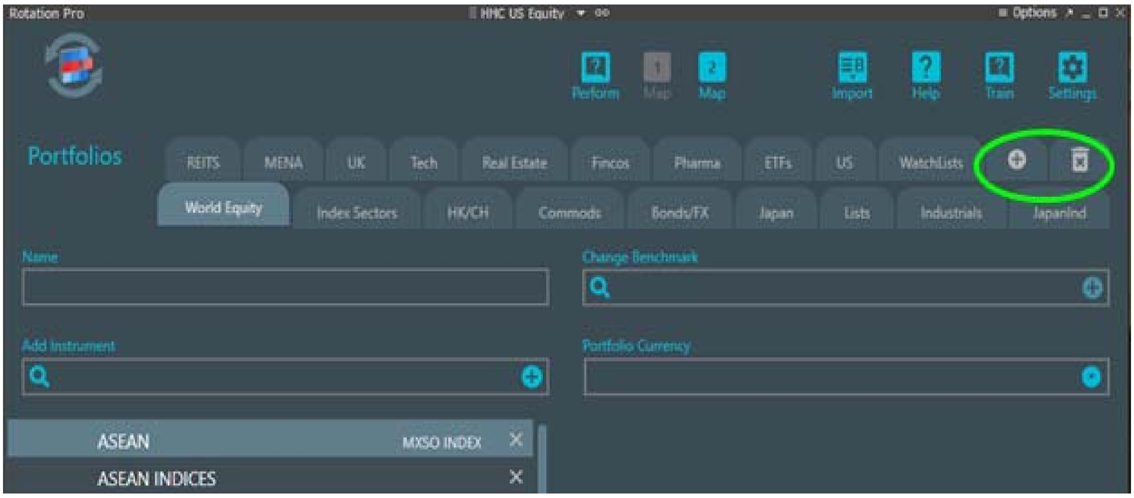
2.1 Portfolio page

In heatmap mode, the **Portfolio** page can be accessed by clicking the icon in the top toolbar. This is where you build, store and manage your lists as well as import new ones from your Bloomberg terminal.

2.2 Tabs

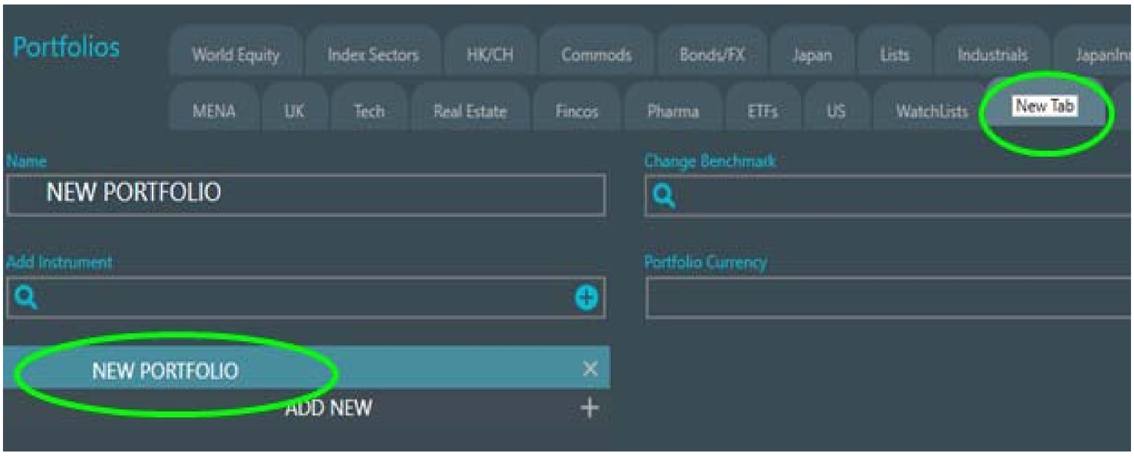
Within the Portfolio page you will see a number of **default tabs**. Your page at start-up will look different to the one here, don't worry about that. You can add as many tabs as you like.

You can **add a new tab** using the Plus button and overwrite the text **New Tab** with your desired name. Then hit Enter (you can rename the tab again in the same way). To **delete tabs**, go into the bin icon and then click X next to the tab name from the drop down list.

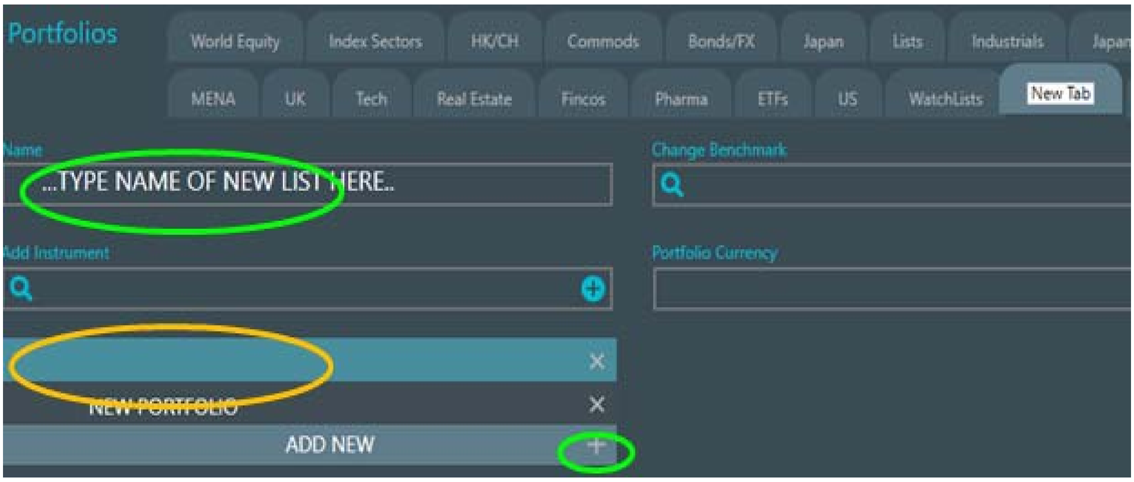


2.3 Lists

To **Create** a new list / file within the new tab simply overwrite the default **NEW PORTFOLIO** text and click back into the left panel row.



To add another list, hit the Plus sign to the right of **ADD NEW** in the left panel. An empty lighter blue row will appear. Give it a title in the textbox **Name** and then click back on the blue row to save changes.



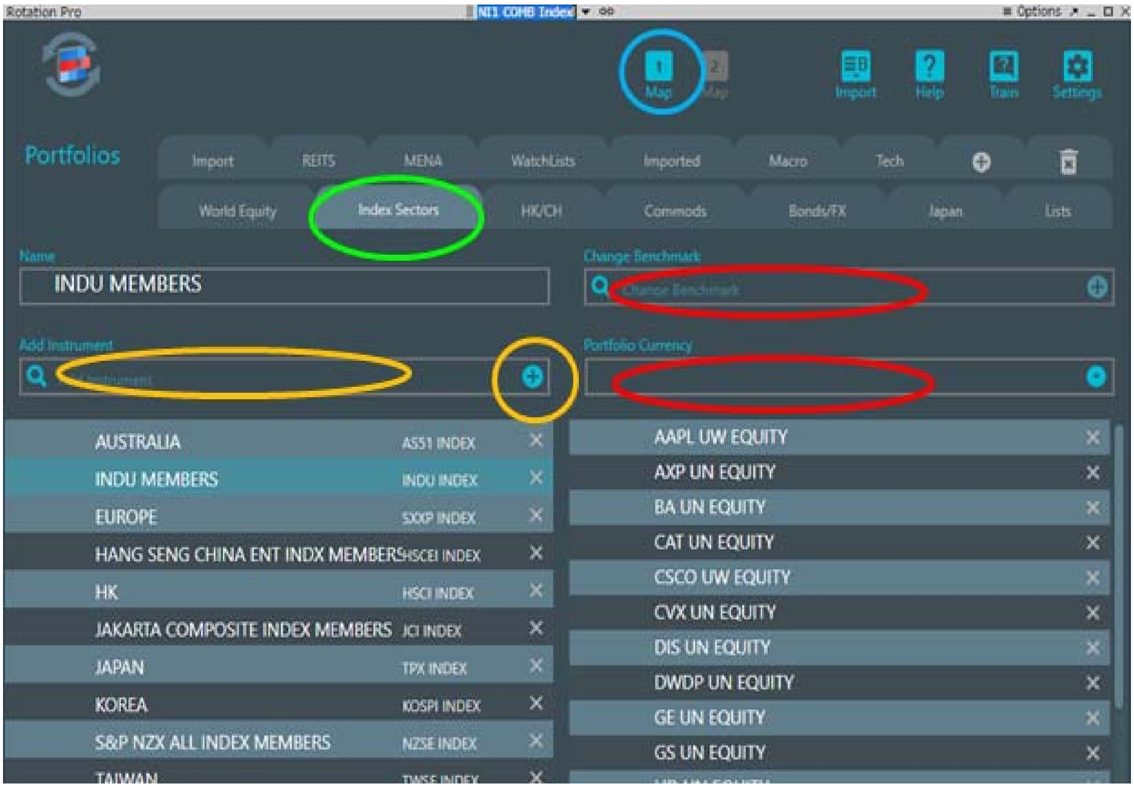
2.4 Adding Instruments, Benchmark and Currency

Moving on now, I have selected a list called INDU Members. It sits in the **left panel** (this is not a default list, but you will see how to create it in a moment). In the **right panel** the constituents are shown.

a. Circled yellow you can **Add Instrument** (above left panel) or a **Benchmark** (above right panel, circled red). Start typing the name or ticker and choose from the dropdown. Then hit the **Plus** sign to add. The name then appears in the right panel

b. You can also choose **Portfolio Currency** by clicking in that textbox (circled red) and selecting from the long drop down. A recommended default is **Local Currency** which prices list members in their home currency.

c. Now hit **1 Map** in the top tool bar (circled blue) to run a dynamic heatmap.



3. DYNAMIC HEATMAP

3.1 Colours Concept

The dynamic heatmap differs from a standard at-the-last-date price change heatmap in that it shows context. Static heatmaps offer a good visual snapshot, but miss out the trend context. And in any case, is it really that useful to simply know that ABC stock has risen or fallen x% today?

Dynamic heatmaps allow you to visualise trend direction and strength across multiple instruments at once and at a glance. You can see in a moment **trend direction and strength** (either in absolute terms or relative a benchmark)**, leaders and laggards** and importantly how **close to a trend change** or trend shift we are in each case.

Some new triallers point out that you can see percent change over multiple look back periods in Bloomberg already. This is true, but unlike RPRO this gives no meaningful or actionable context.

Blue is uptrending or consolidating up; **red** is down trending consolidating down.

The **stronger the reds or blues,** the more trend power in either direction. Thus, strong reds indicate a hard down phase; strong blues, a firm uptrend phase.

Pale colours indicate that trend power has diminished. You will see this in a number of different settings:

a. In sideways, low volatility regimes;
b. Coming out of tops and bottoms;
c. Where a breakout is being set up, but has not quite past through the breakout level.
d. Where upside (blue) or downside (red) momentum has not properly kicked in – i.e. lower conviction phases

The **numbers** *(Show numbers toggle in Settings)* represent momentum and can be shown in the heatmap for added granularity.

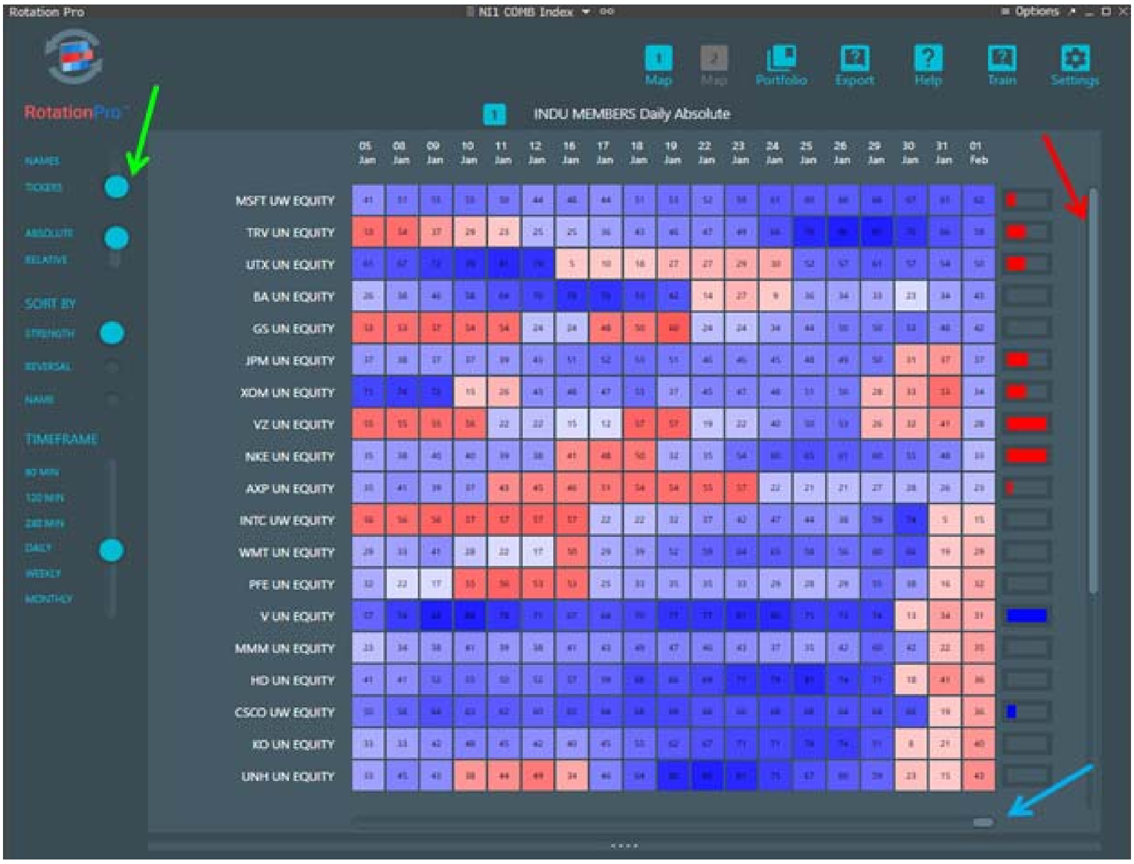
a. Higher numbers correspond to stronger colours and increased momentum in either direction. Very high numbers 70+ are a warning that momentum in either directions is overstretched (overbought / oversold).
b. Lower numbers (less than 20) mean that momentum has not picked up yet.
c. Grey numbers against very pale red or blue heatmap cells mean that price is in a holding pattern after a reversal.

3.2 Left Toolbar Controls & Scrollbars

First some basic navigation on this INDU Members list. Having hit the Map1 icon in the Portfolio Page to run the heatmap. **Left Toolbar** toggles (green arrow):

a. Display Name or Ticker.
b. Run heatmap on **Absolute** prices or **Relative** a benchmark (set in Portfolio page before).
c. Sort by **Strength, Reversal or Name** (we will get into these in a moment..)
d. Choose **Timeframe** from five minute to monthly price intervals: granular to wide angle.
e. Scroll up and down longer lists using your mouse wheel or the **vertical scrollbar** to the right of the heatmap (red arrow).

f. Scroll back to see more history using the **horizontal scrollbar** at the bottom of the heatmap (blue arrow). **Note:** If the scrollbar is **red**, it means you are not at the current date!



3.3 Algorithm Basics

The underlying algorithm is a species of trend following, breakout system which is **fully backtested**. The system dramatically beats standard technical indicators and is effective in most market regimes.

Its goal is to damp out noise oscillations seen in standard price charts and keep you in the trend where possible. The system settings mean it is easier to stay with a trend than reverse out. **The primary use of the app is a rapid screening tool to get you on the right side of the market quickly.**

If you want to see a more detailed explanation of the **inner workings of the system,** please ask.

3.4 Pattern Recognition Basics

Colour pattern recognition in the app is straightforward and easier than in standard technical chart analysis. There are about eight basic sequences to familiarise yourself with and that's it.

A good app user can see immediately and across a wide range of instruments whether trend phases are weakening, consolidating, toppy, bottoming.. or unclear .. and can then zero in on the best set ups for further analysis (technical, quants, fundamental) in moments. **Hours of ploughing through charts are not required.**

A series of explanatory videos will be made available shortly and found in the Train icon. It is also the subject of the **Higher Level Functions III** training email.

4. PROGRESS BARS & REVERSALS

4.1 Concept

The underlying algorithm knows the price level at which colour change reversals will occur in advance. A **colour change** can either mean a trend reversal or a rest phase and the more skilful you are in pattern recognition the more conviction you can assign, as context is often key.

4.2 Full Progress Bars

Proximity to the reversal level can be seen at a glance by the coloured **progress bars** to the right of the heatmap (green circles below). The fuller the bar, the closer price is to its risk limit (colour change). **A full progress bar with a blue border means that price is challenging the risk limit in real time. These are often the best signals to take.**

The colour change in the heatmap cell (and corresponding chart candle) occurs **once price has closed through the level on any given timeframe.**

4.3 Progress Bar Colouring

The colour of the progress bar is opposite to the colour of the heatmap for that instrument at the last date. Thus, a full **red progress bar** means that the last heatmap cell is **blue** and that the reversal will be to **red** on the heatmap (ie potentially uptrend to down reversal).

Conversely, a full **blue progress bar** means that the last heatmap cell is **red** and that the reversal will be to **blue** on the heatmap (ie potentially downtrend to up reversal).

A **grey progress bar** is a temporary suspension in a grey low volatility phase. In other words, do not lean heavily on the progress bars in these periods.

4.4 Empty Progress Bars

Empty progress bars mean that the risk limit is more distant and can be a sign of trend robustness. You can sort the heatmap by **Strength** (ie strongest blue at last date uppermost), **Name** (alphabetical or ticker order, depending on which one is being displayed) and **Reversal** (distance to up or down reversal allowing you to zoom straight into potential imminent inflections).

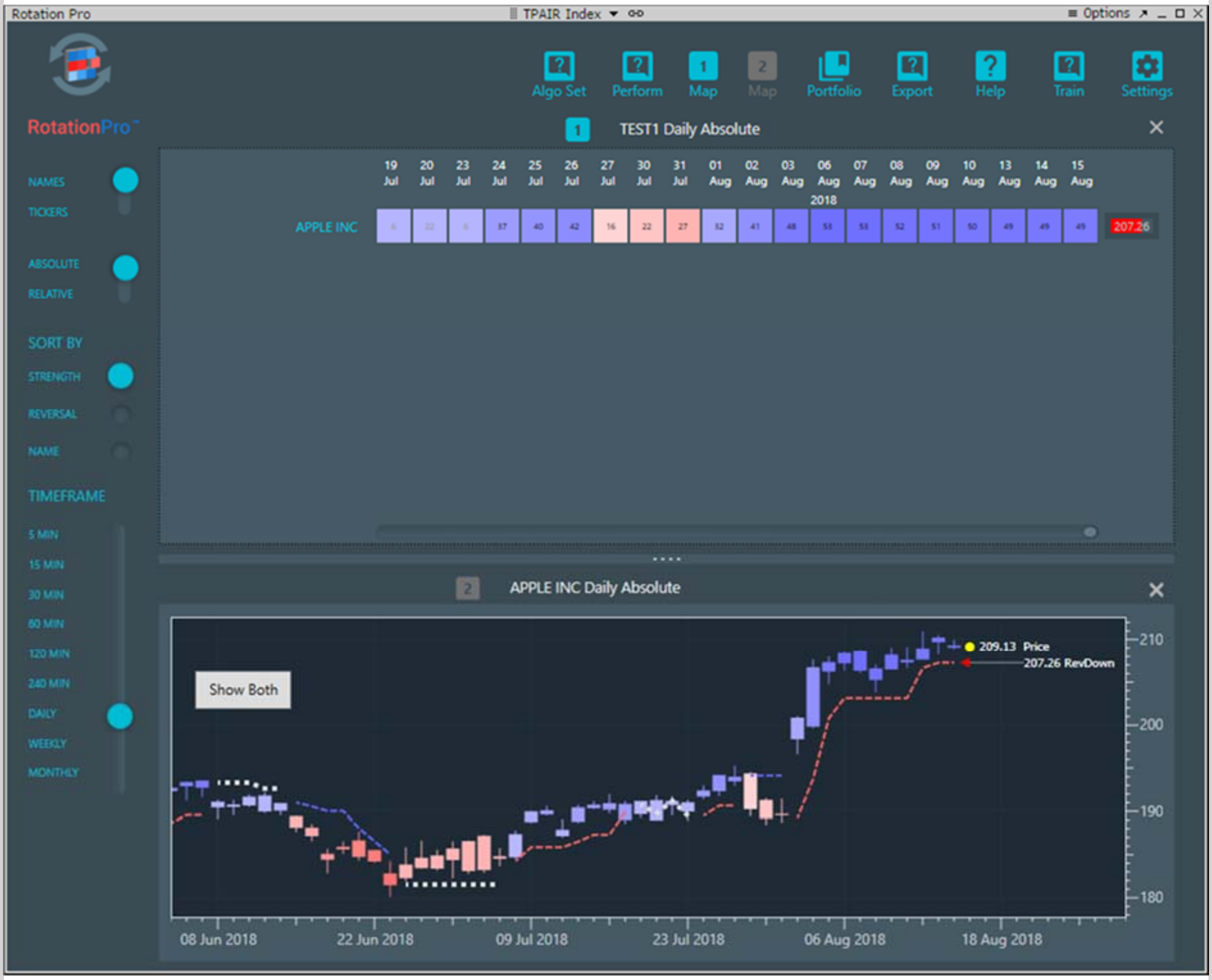
4.5 Hover Over Progress Bar

Hover over the progress bar to see the percent change away to reversal / risk limit. If you changes Levels in the **Settings** tab to Show, the actual reversal levels will be displayed within the Progress Bar. A more detailed examination will be made in the **Higher Level Functions III** training email.

4.6 Reversal Line on Custom Charts

You can see the risk limit / reversal level at the current price and historically.

- The **upper line** is blue and corresponds to red chart candles (and red heatmap cells). As price approaches the level, the heatmap progress bar will start filling blue, indicating proximity to a **blue reversal.**
- The **lower line** is red and corresponds to blue chart candles (and heatmap cells). As price approaches the level, the heatmap progress bar will start filling red, indicating proximity to a **red reversal.**
- **If the line is grey, it means price has entered a more indeterminate trend phase where the reversal line is less meaningful.**
- There are two ways to think of the reversal level – one: it indicates a favourable risk limit for a trade in the direction of the corresponding current heatmap colour; two it points to an imminent colour change reversal. **Knowing which is which is a function of context and covered in Lesson Three in this series.**



5. CUSTOM CHARTS

5.1 Read Across from Heatmap

An experienced RPRO user will be able to get an immediate sense of how to frame fundamental narratives; time entries and exits; or manage holdings just by looking at the heatmap. However, for a quick sanity check, read across to a more familiar output, you can generate a **custom chart**.

5.2 Drop down Menu

Right click on any colour cell on the chosen row (here Boeing) and a **drop down menu** will appear on the heatmap. (shown below the heatmap image here).

Select **RPRO Chart** and a custom chart will appear in a sub window. The candle colours match the heatmap at each date point. **Note:** they are not lined up as there are more elements in the chart. Click on the chart window and drag left for earlier time periods. **Note: you can also single click the heatmap row for a chart, foregoing the right click routine for speed.**

If you change the **Timeframe** in the left toolbar, the chart timeframe will also change.

You will also notice my Bloomberg G chart numbers in the **menu** image lower (Settings lesson). If you click on your own settings here, a Bloomberg chart (or fundamentals page) will be generated on your terminal.

6. MULTIPLE TIMEFRAMES

6.1 Concept

Any technician worth his or her salt will tell you that **multiple timeframe analysis** is key to gaining a more complete picture of price action.

For example, is a current upsweep on a daily chart in gear with the weekly or is it countertrend and in opposition; or, is a breakout on a daily charted supported on a more granular intraday view.. and so on.

You can do this in the app by simply **changing the timeframe** in the Left Toolbar (which will alter the heatmap order and interval). You can then just merrily switch back and forth..

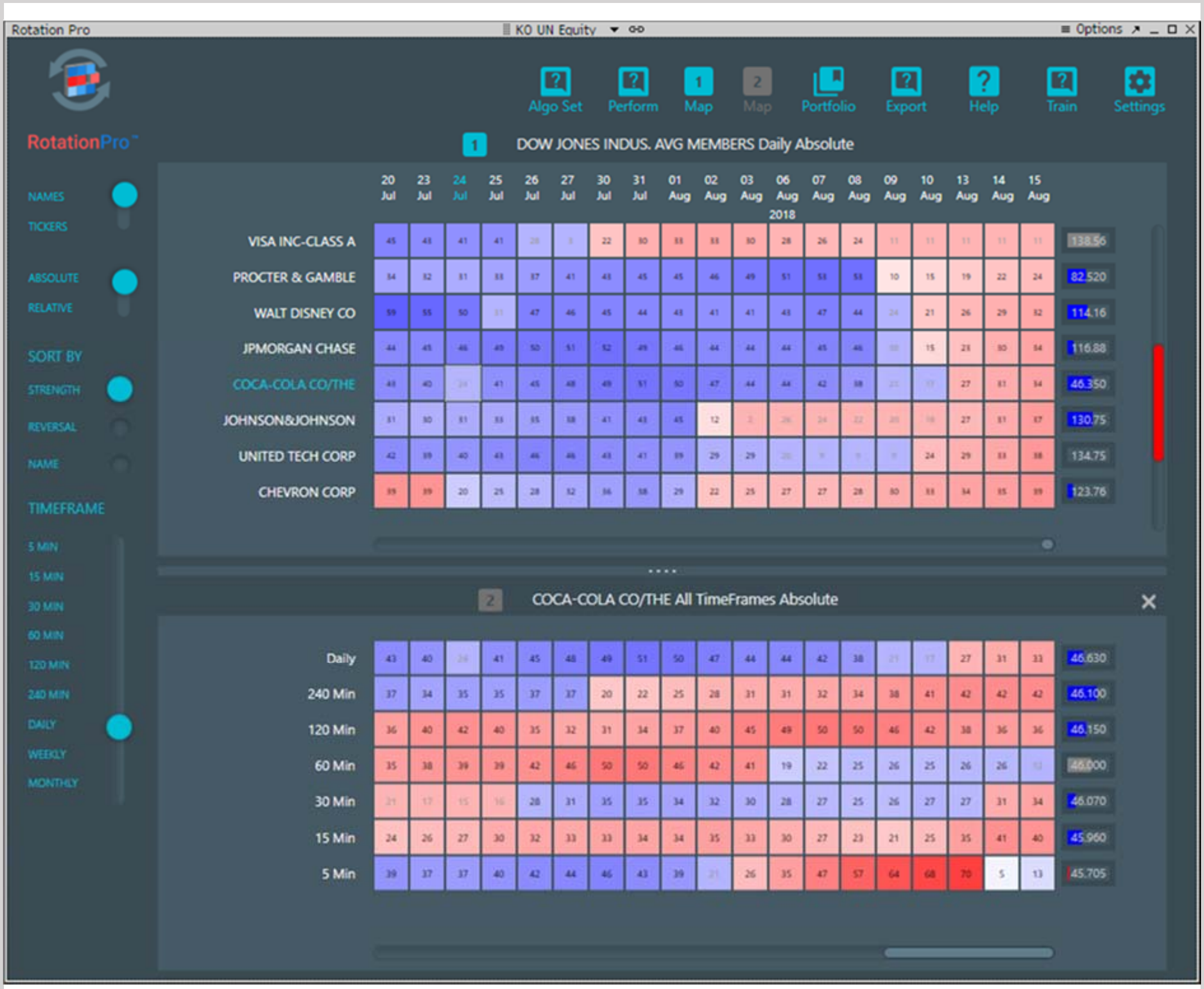
A more cunning solution however is to be view heatmaps of **all timeframes at once** and also see how close each timeframe is to reversing using the progress bars.

6.2 Multiple Timeframes Example

In the menu bar above, right clicking your chosen instrument, choose **View All Timeframes.** Here below is Coca Cola on the Trader version: daily heatmap, with the sub-window showing all timeframes.

At a glance takeaways: The daily has tipped from blue up trending to pale red (low down side power) but is firmer reds at 240 and 120 minute: price is being pulled lower near term.

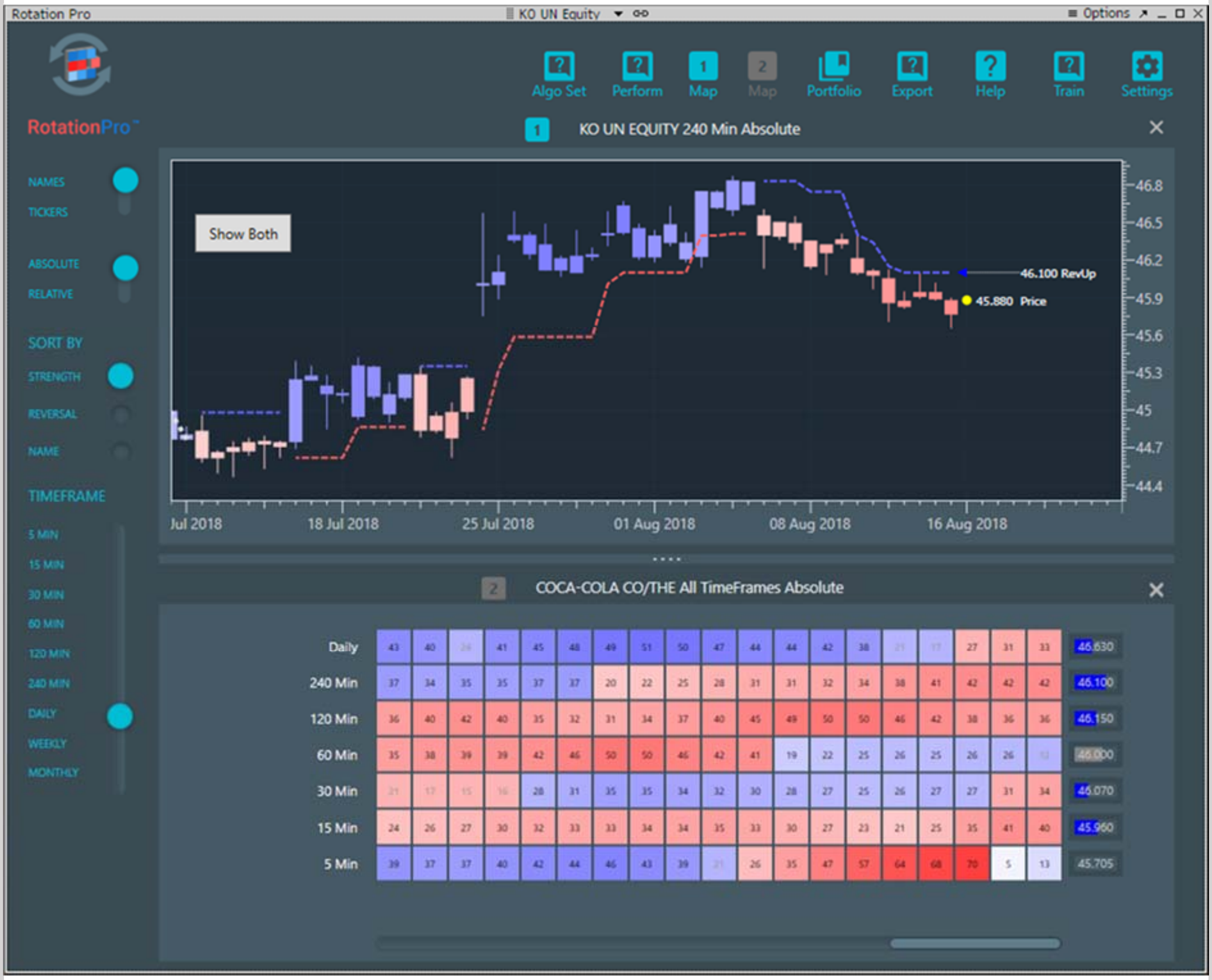
If you have toggled to Trader version in Settings then you will see multi timeframes from 5 minute up to daily. Investor version shows Monthly down to hourly.



6.3 Custom and G Charts from Multiple Timeframes

You can run RPRO charts or Bloomberg G charts straight off the multi timeframe subwindow as well. These then appear in the upper pane. Simply single click on the row of interest.

Note the **blue arrow** on the chart at 46.10 – that's where the heatmap (and chart candle) turn blue, if it makes that level. The yellow dot at 45.91 is the last price.



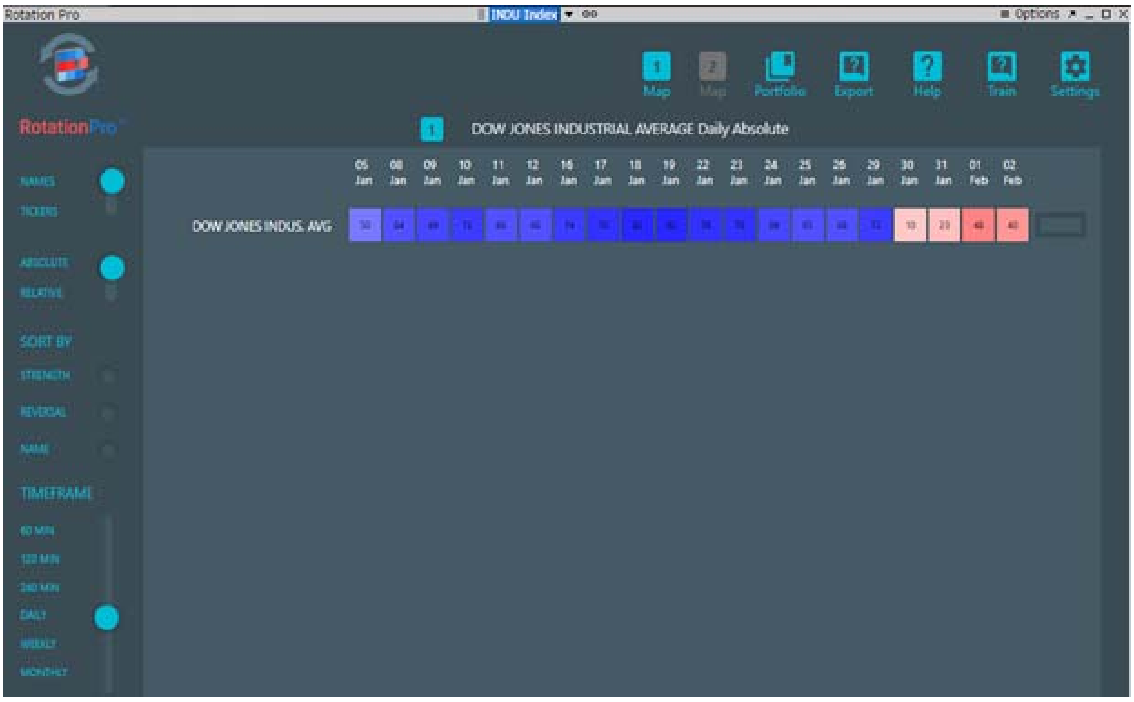
7. DRILL DOWN USING GET MEMBERS

7.1 Concept

You can pull up a heatmap of sectors or indices, form a view and then pull up a list of the stocks in that index to drill down into specific names. This is where the **USD Liquidity** Minimum from Settings lesson comes in, you can filter out names below your liquidity **minimum.**

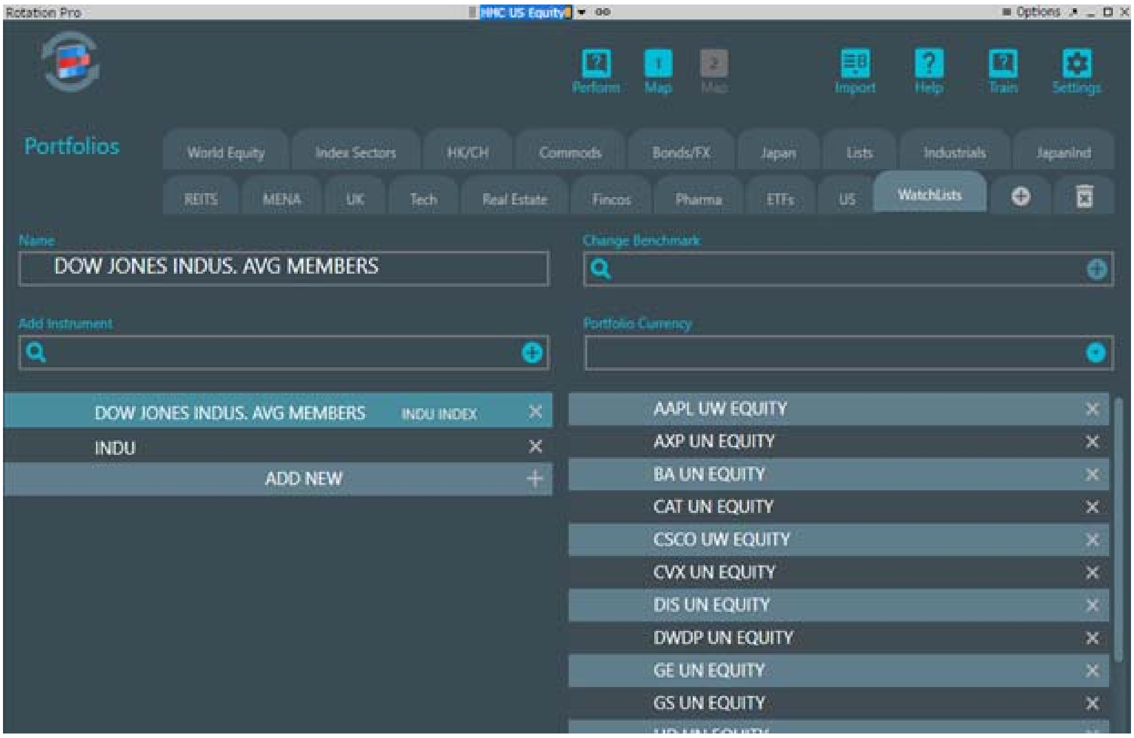
7.2 Get Members Function

Right click any coloured cell on the heatmap row and choose **Get Members.**



This list will then be generated in the same tab as the original list / ticker back in the Portfolio page. Then hit **Map1** to generate a heatmap of constituents.

The **benchmark** will automatically set to the Index for a sector or index relative view if you wish to start there. You can change it to something else manually if required.



8. LESSON ONE SUMMARY

That's **Lesson One: the Basic Training.** You should now be familiar with the primary functions of RPRO.

Settings, Portfolio Page (tabs, lists, settings), Dynamic Heatmap concept, Reversals, Charts, Multiple Timeframes and Get Members.

It might seem a little involved at first, but don't be put off, any new process take a little bit of effort and time to absorb, but once you have got it, you'll be amazed at how easy and intuitive it all is.

Then it's just a case of squeezing it into your daily workflow. Once that level is reached, getting timing right should be a cinch.

Dominic Hicklin our Head of Development and myself, Chris Grafton, are on hand to assist and support. IB chat me if you want some telephone training or have any questions.

8.1 Lesson Two Overview

More to follow in **Lesson two** where we will be getting into higher level functionality.

Importing, Launchpad, Watch lists and Twin Heatmaps.

RotationPro™

Please email contact@rotationpro.com
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support@rotationpro.zohosupport.com

Best regards, Chris

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