



TRADE NAVIGATOR

by Genesis Financial Technologies

Livermore Lines Library

Finally Strategy Development and Back Testing Just Got Easier!

Introduction:

This library is designed around Jesse Livermore's methods for trading in the stock and commodities market. The user is encouraged to read Jesse Livermore's book *How to Trade in Stocks* for a comprehensive description of Jesse Livermore's trading techniques.

Library Name:

Jesse Livermore How to Trade in Stocks Library

Library Installation:

After purchasing the Library, use the Update Data tool (blue telephone icon) on the General Toolbar to download the library in to Trade Navigator.

Jesse Livermore Pages:

Once the library is imported in to Trade Navigator, the user will have access to the following Jesse Livermore Pages:

JL Livermore Lines Computer Page (trading computer stocks example)

JL Livermore Lines Oil Page (trading oil stocks example)

JL Livermore Lines Starter Page (this page is a duplicate of the Oil Page except this page is used as a starter page when creating custom pages)

To insert a page on a chart, use the "Pages" drop down menu to select the desired page.

Livermore Market Key:

Chapter 12 of How to Trade Stocks is devoted to Jesse Livermore's secret rules to stock market success. The chapter contains 28 explanatory rules which Jesse Livermore incorporated in to his trading. Several different *interpretations* of these rules exist and this library is designed around one of these interpretations called the Livermore lines. The Livermore lines are a group of four indicators called Uptrend, Natural Rally, Natural Reaction, and Downtrend.

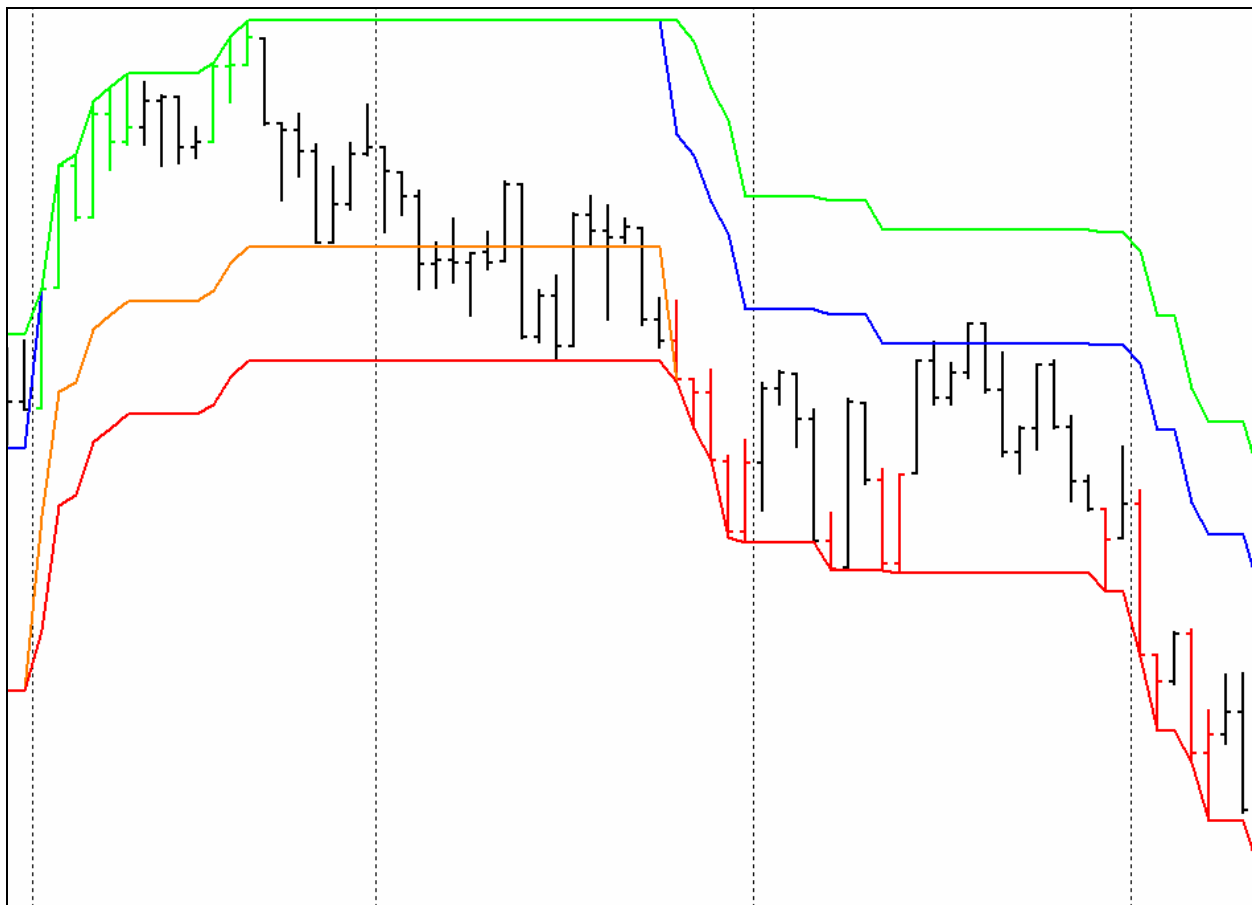
Livermore Lines Descriptions:

Up Trend Livermore Line indicator (green line) – The current stock symbol is in an upward trend mode

Natural Rally Livermore Line indicator (blue line) – The current stock symbol is in a natural rally mode

Natural Reaction Livermore Line indicator (orange line) – The current stock symbol is in a natural reaction mode

Down Trend Livermore Line indicator (red line) – The current stock symbol is in a downward trend mode



Jesse Livermore Timing Secrets:

The following is an excerpt from Jesse Livermore's book *How to Trade in Stocks* which describes the Timing Secrets that are employed in the library.

“TM – The Market – Check the line of least resistance to establish the overall current market direction. Remember, Livermore never used the terms “Bull” or “Bear” because they forced a mind-set that he believed made the mind less flexible. He used the term “line of least resistance.” He checked to be sure the current line of least resistance was positive, negative – sideways. Be sure to check the exact market the stock trades in for instance: Dow, NASDAQ, or Amex – before executing the trade. It is essential to make sure the lines of least resistance are in the direction of your trade before entering the trade.

TIG – The Industry Group – Check the specific industry group, if you are considering a trade in ATT check out the telecommunication Long Distance Group. If you are looking at a trade in Halliburton, check out the Oil Well Drilling Group. If you are looking at a trade in Harrah Entertainment check out the Gambling Group, make sure the group is moving in the correct direction, the line of least resistance to provide a profit for you on the trade you have selected.

TT – Tandem Trading – Check the stock and the Sister Stock and compare them. If you are going to trade General Motors check a Sister Stock like Ford or Chrysler. If you are going to trade Best Buy than check out Circuit City – a Sister Stock. Tandem Trading requires the trader to place two stocks of the same group next to each other.

TDT – Top Down Trading – The final step in top Down Trading is to examine all four factors at the same time – The Market, The Industry Group and the Tandem Stocks and the actual stock in one glance.”

JL Livermore Lines Computer Page Layout:

Below is a picture of what the Trade Navigator screen should look like after installing the JL Livermore Lines Computer Page.

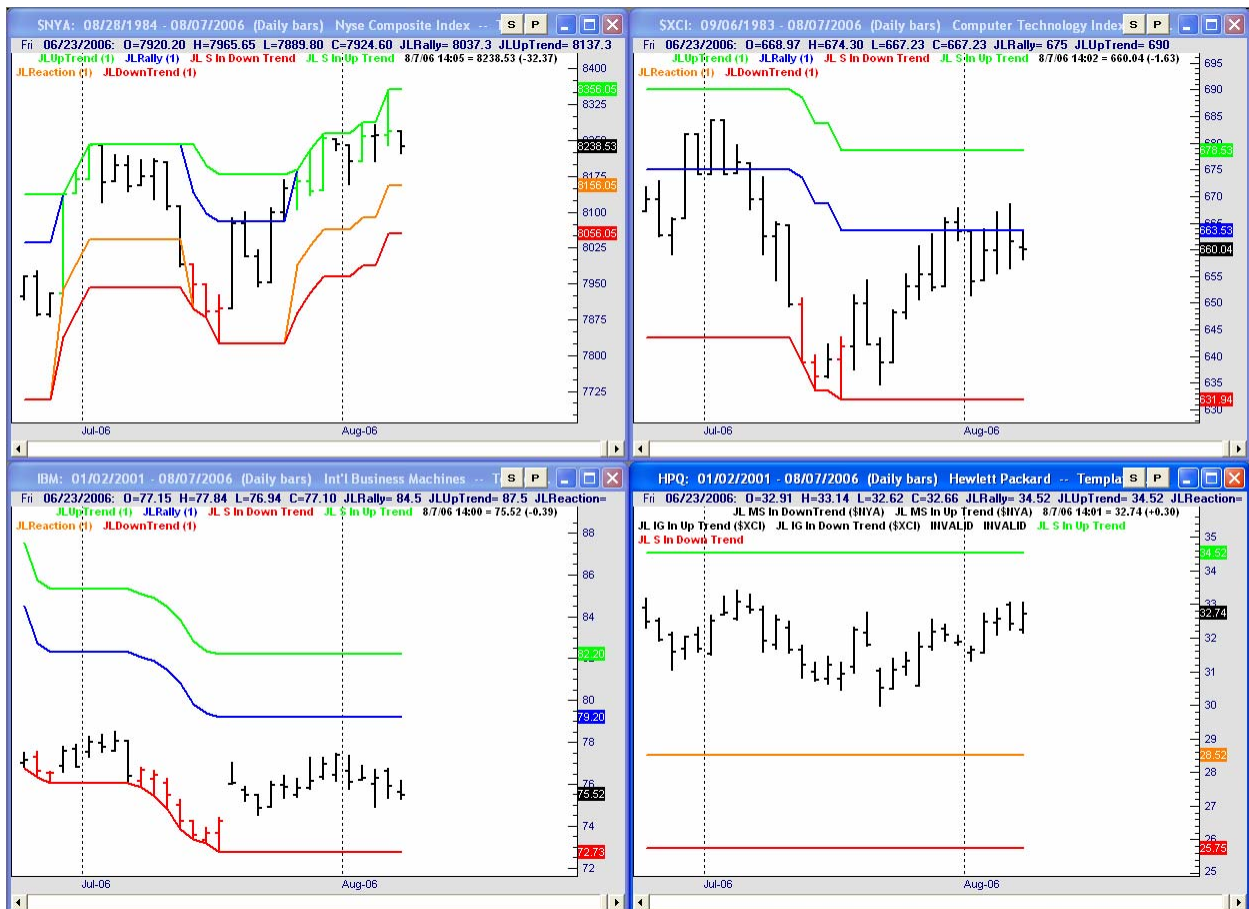
Chart Quadrants:

Upper left quadrant – Market chart

Upper right quadrant – Industry Group chart

Lower left quadrant – Tandem Stock a.k.a. Sister Stock chart

Lower right quadrant – Target Stock of interest chart



JL Livermore Lines Oil Page Layout:

Below is a picture of what the Trade Navigator screen should look like after installing the JL Livermore Lines Oil Page.

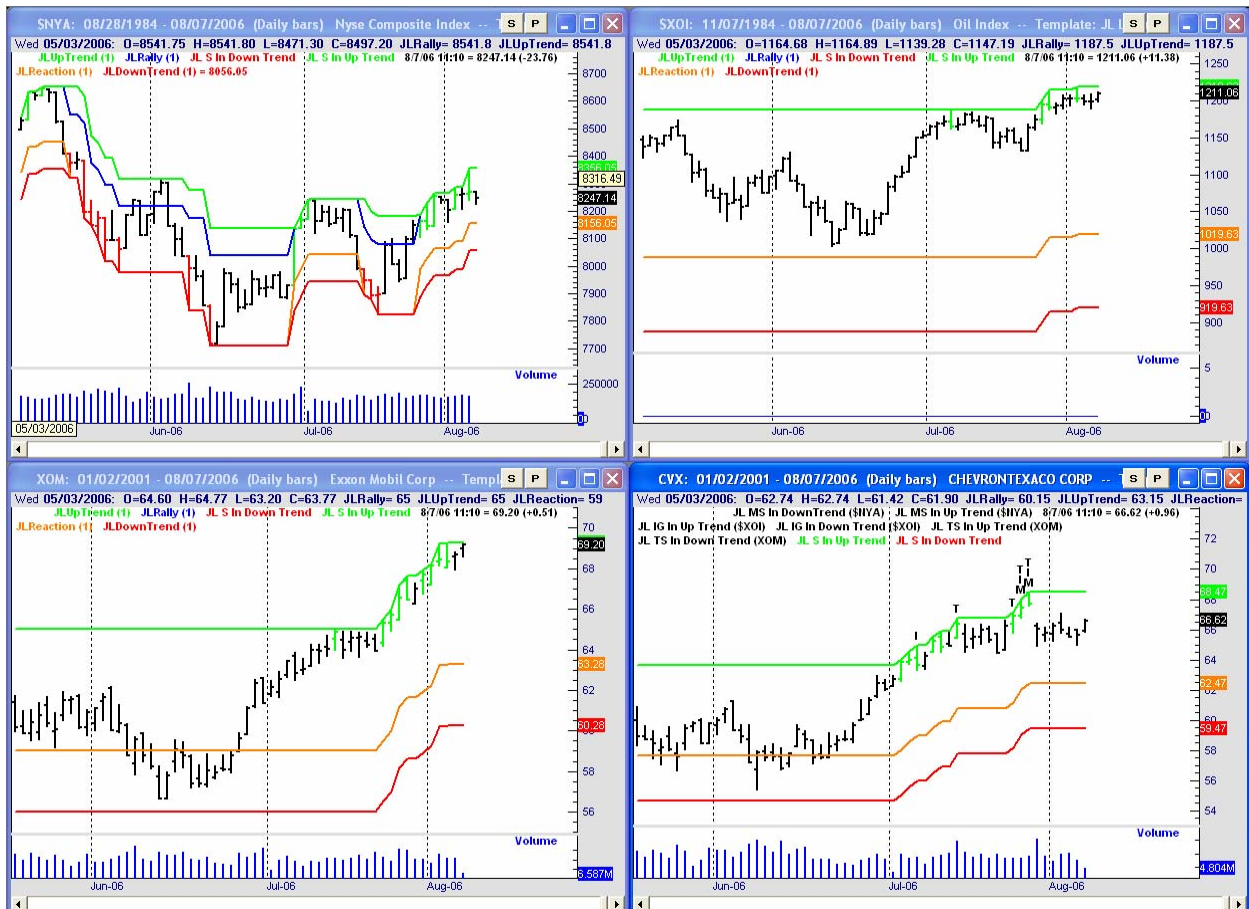
Chart Quadrants:

Upper left quadrant – Market chart

Upper right quadrant – Industry Group chart

Lower left quadrant – Tandem Stock a.k.a. Sister Stock chart

Lower right quadrant – Target Stock of interest chart



Highlight Bar Descriptions:

Below is a description of the highlight bars and indicators incorporated in the library. The “T”, “I”, and “M” bars only appear on the lower right chart, which should be the stock of interest to trade. The green and red highlight bars appear on charts in all four quadrants.

Green highlight bar – Indicates the displayed stock, index, or market is in upward trend.

Red highlight bar – Indicates the displayed stock, index, or market is in a downward trend.

“T” Tandem Stock highlight bar - Indicates that the Target Stock and the Tandem stock are simultaneously in an upward trend.

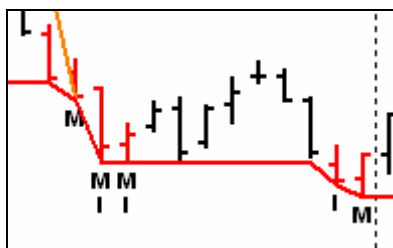
“I” Index Group highlight bar - Indicates that the Target stock and the Industry Group are simultaneously in an upward trend.

“M” Market Group highlight bar - Indicates that the Target stock and the Market are simultaneously in an upward trend.

Various combinations are accounted for in the library. For example, if a bar has T I M above it, this indicates that the target stock and the industry group, and the market are simultaneously in an upward trend.



The reverse is true for the downward trend highlight bars except the indicators are placed below the price bar



Creating a Custom Page Example:

Below is an example of how to create a custom page using the Starter Page as a starting point. The example shows how to change the symbols within the chart settings window. It is necessary to set each pair of functions, one for upward trend and one for downward trend, to the desired symbol. This is repeated for the market, industry group, and tandem stock. The target stock, cvx in this example, is the target stock of interest. The symbol is changed using the standard change symbol feature. Please note that the chart setting procedure is only necessary in the target stock chart (lower right chart).

Step 1: Select the desired stock.

Step 2: Select a tandem stock that is in the same industry and trades on the same market.

Step 3: Find an appropriate industry index that tracks the target stock and the tandem stock.

Step 4: Determine the ticker symbols for the market, industry index, tandem stock, and target stock.

For example, given that one wanted to trade Chevron Texaco the following may be the investigative work results:

Market: New York Stock Exchange (\$NYA)

Industry: Oil Index (\$XOI)

Tandem Stock: Exxon Mobil Corp (XOM)

Target Stock: Chevron Texaco Corp (CVX)

Step 5: Load the starter page named “JL Livermore Lines Starter Page”

Step 6: Highlight the lower right stock chart (the chart boarder should turn dark blue) and then select edit charts.

Step 7: Select each function and change the following:

JL MS In Up Trend – Set market input value to the market ticker symbol

JL MS In Down Trend – Set market input value to the market ticker symbol

JL IG In Up Trend – Set industry input value to the industry group ticker symbol

JL IG In Down Trend – Set industry input value to the industry group ticker symbol

JL TS In Up Trend – Set tandem input value to the tandem stock symbol

JL TS In Down Trend – Set tandem input value to the tandem stock ticker symbol

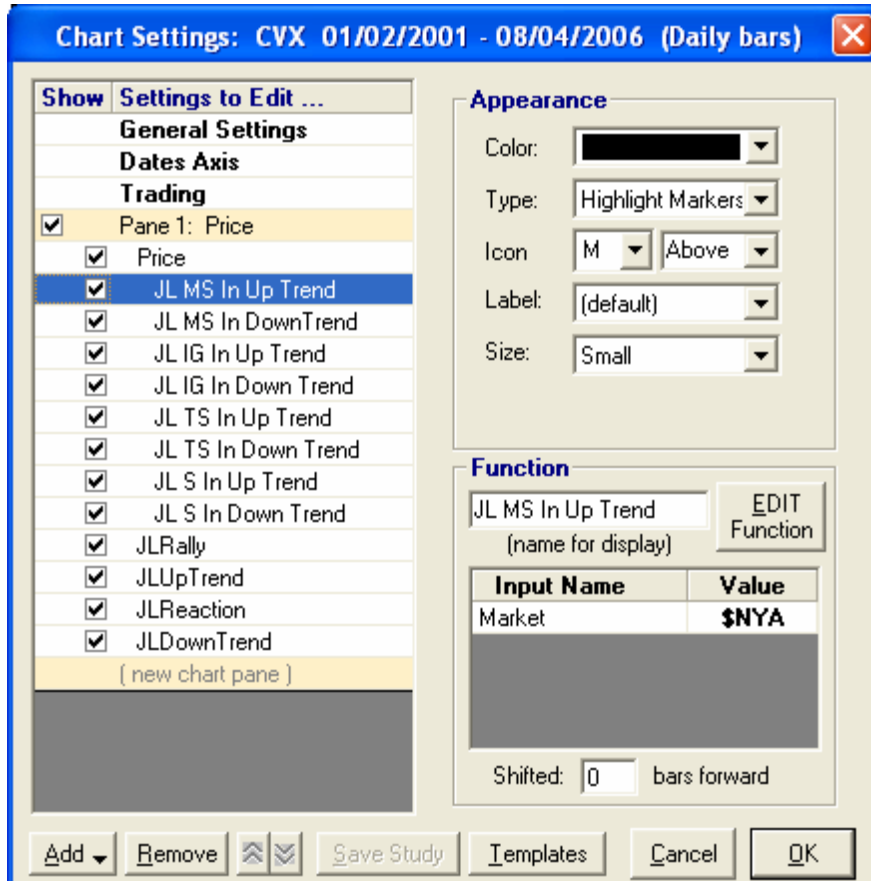
Below is a visual example of how to change the input values:

Setting the trading market:

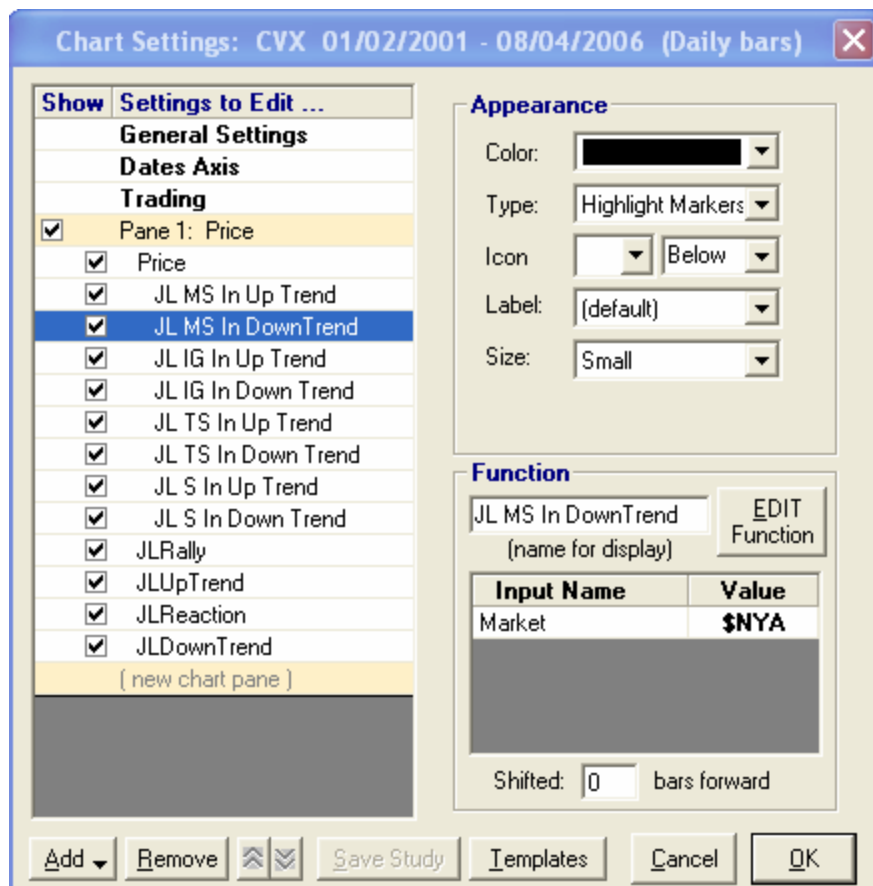
Function: JL MS In Up Trend

Input name: Market

Value: \$NYA (NYSE Composite Index)



Function: JL MS In Down Trend
Input name: Market
Value: \$NYA (NYSE Composite Index)

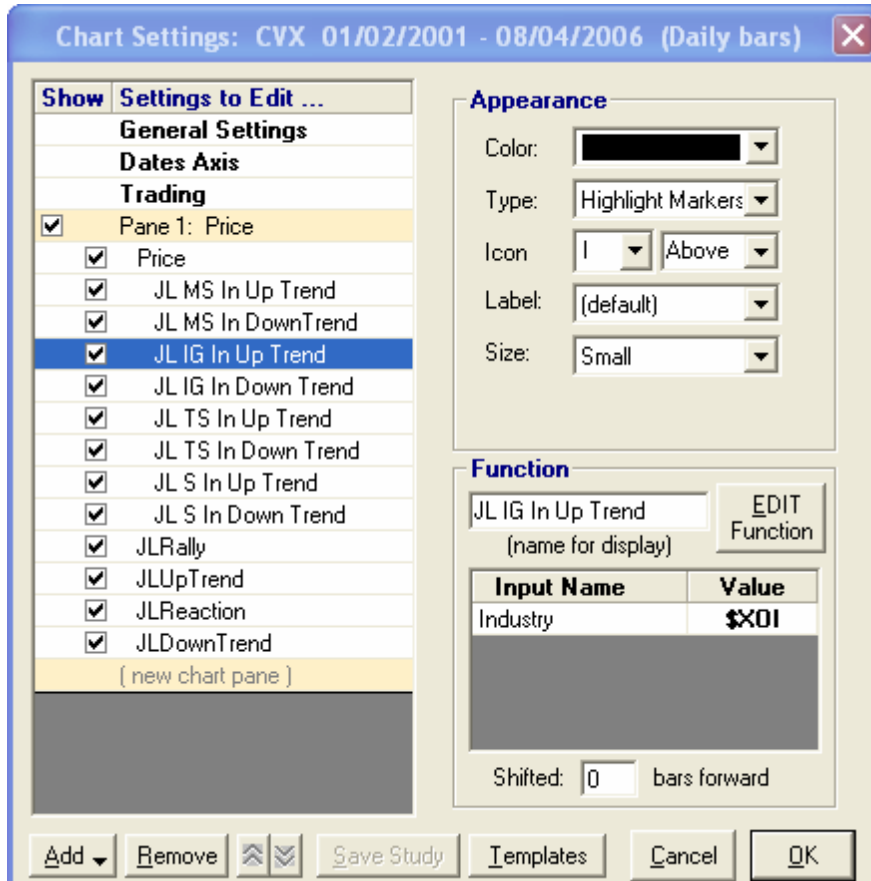


Setting the industry group:

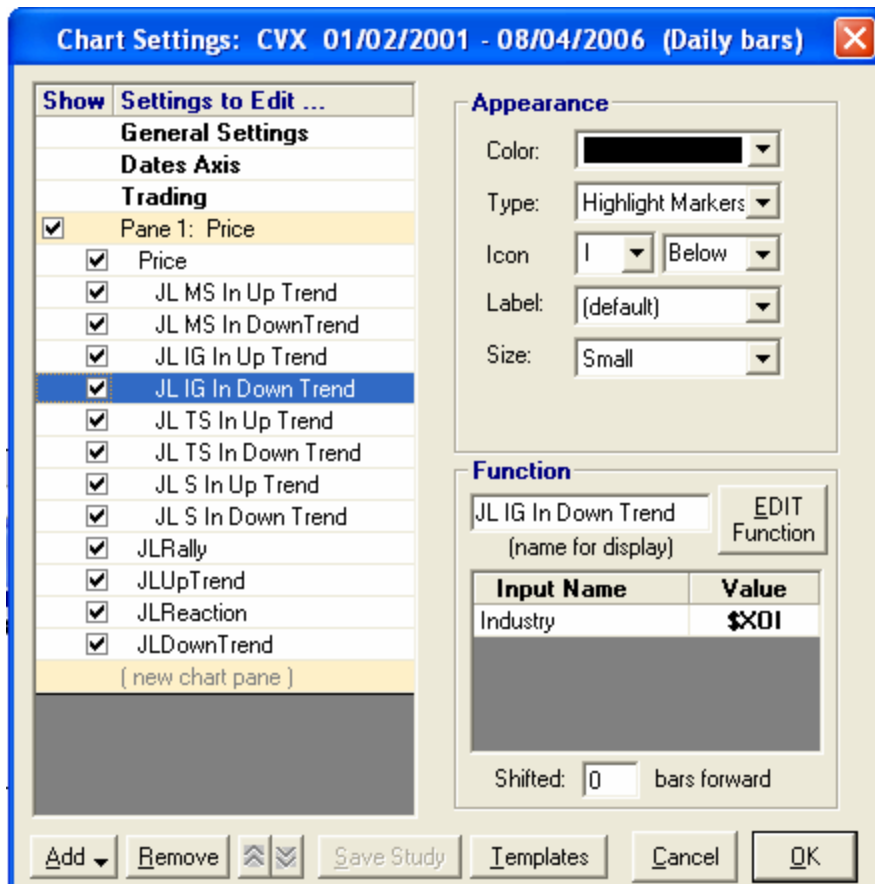
Function: JL IG In Up Trend

Input name: Industry

Value: Change input value to \$XOI (Oil Index)



Function: JL IG In Down Trend
Input name: Industry
Value: \$XOI (Oil Index)

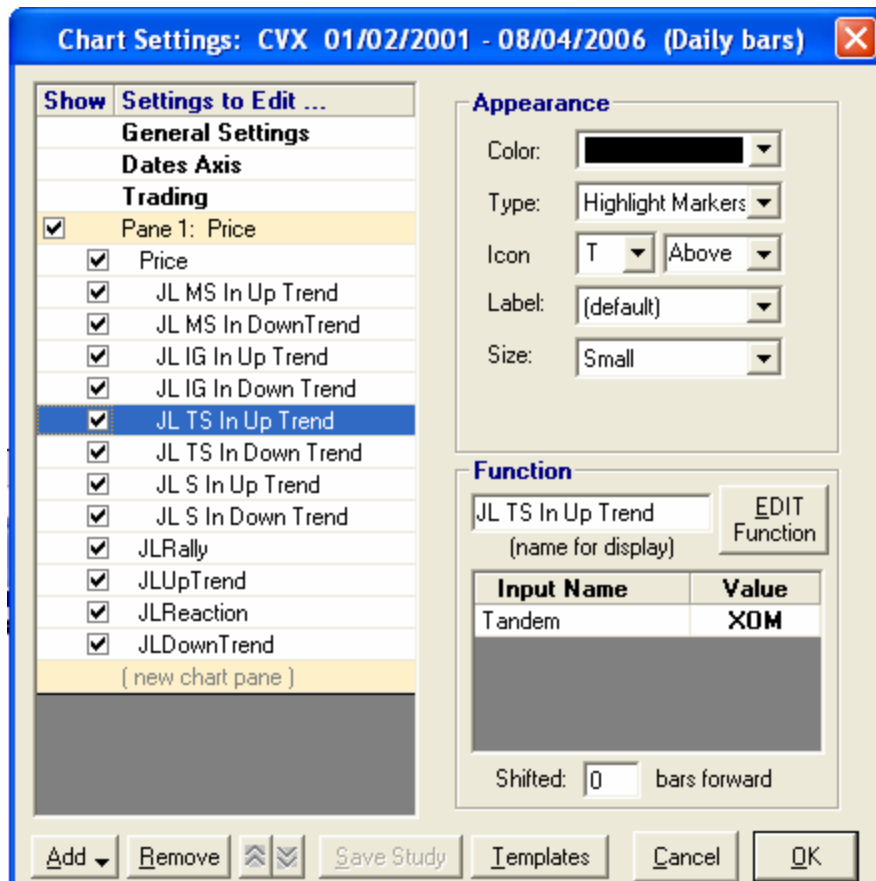


Setting the tandem stock:

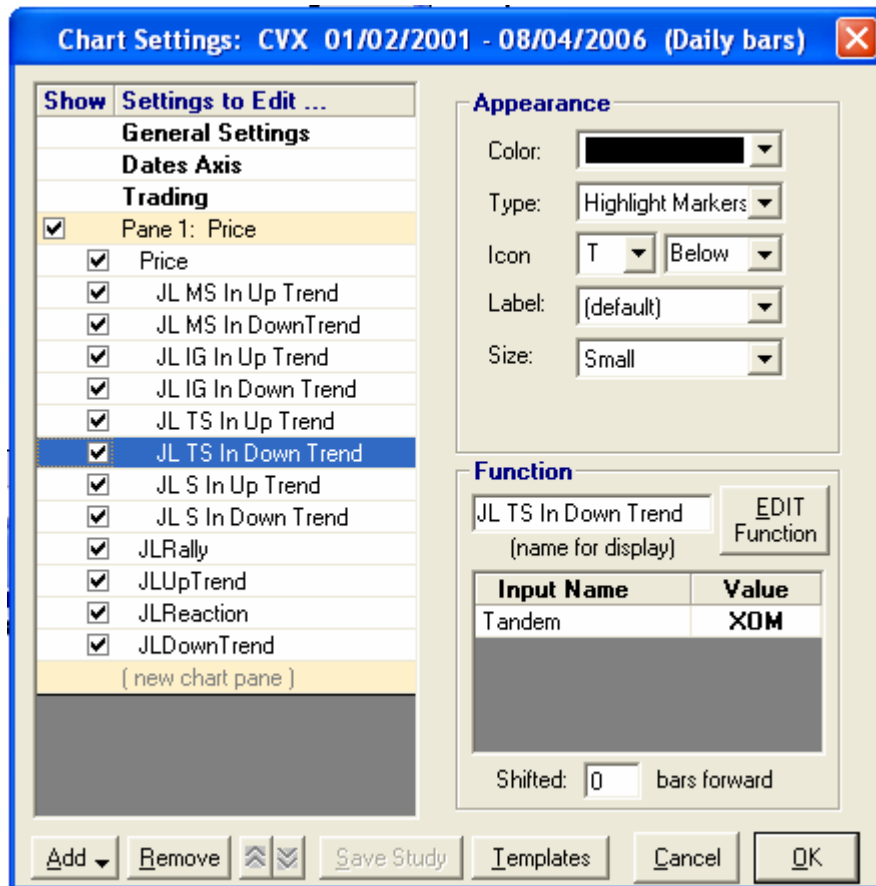
Function: JL TS In Up Trend

Input name: Tandem

Value: XOM (Exxon Mobil)



Function: JL TS In Down Trend
Input name: Tandem
Value: XOM (Exxon Mobil)



Step 8: After changing the reference symbols in the chart settings window, highlight each chart with the mouse (the chart border should turn dark blue) and then change the chart symbol to the desired market, industry group, tandem stock, and target stock, respectively. The symbols must be set to the same symbols that were previously set in the chart settings window.

Step 9: The page set up is now complete. Use the Manage Chart Pages : New to save the page the a new name.

Appendix A

Livermore Lines Library – Pages, Indicators, Highlight Bars, and List

Pages:

JL Livermore Lines Computer Page
JL Livermore Lines Oil Page
JL Livermore Lines Starter Page

Indicators:

JLUptrend – green indicator line
JLRally – blue indicator line
JLReaction – orange indicator line
JLDownTrend – red indicator line

Highlight Bars:

JL MS In Up Trend – “M” placed above bar
JL MS In Down Trend – “M” placed below bar
JL IG In Up Trend – “I” placed above bar
JL IG In Down Trend– “I” placed below bar
JL TS In Up Trend– “T” placed above bar
JL TS In Down Trend – “T” placed below bar
JL S In Up Trend– price bar colored green
JL S In Down Trend – price bar colored red

Bibliography:

Smitten, R. *How to Trade in Stocks*, Greenville, SC: Traders Pres, Inc., 2001; pages 57 - 60
ISBN # 0-934380-75-9