

Nirvana's

# GMMMA 2.0

NEW Plug-in for OmniTrader and VisualTrader

## Powerful New Trading Methods by Australia's Daryl Guppy

### Featuring:

- **Count Back Line:**  
Adapts to Volatility in Any Chart
- **Trend Volatility Line:**  
Stay in Trade; Avoid Whipsaws



Also Includes the Guppy  
Multiple Moving Averages  
Systems and Indicators

**LIMITED TIME OFFER:**  
Get the Guppy  
Power Strategy  
**FREE!**

# Harnessing the Trading Brilliance of Daryl Guppy



**Ed Downs**  
CEO and Founder  
Nirvana Systems, Inc.

Daryl Guppy is one of the most innovative Technical Analysts I have had the pleasure to work with. About 7 years ago, we teamed up with Guppy to build a special product for OmniTrader called GMMA, based on his proprietary Guppy Multiple Moving Average concept.

On its initial release in 2003, GMMA was a great success among our customers, and many swear by the visual power of GMMA in their charts. Many have also found the original Systems we built around the GMMA concept to be powerful prospecting tools for their trading. GMMA 2.0 represents not only an improvement on the original plug-in, but it also includes two of Guppy's latest discoveries.

## Count Back Lines Concept

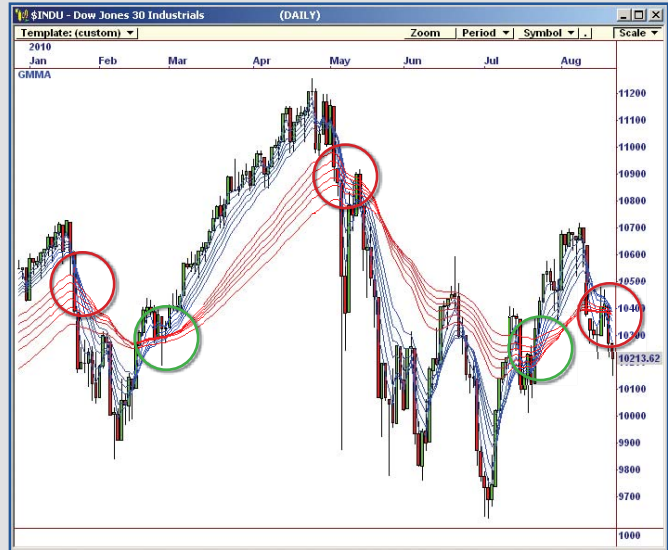
The Count Back Line (CBL) is closely related to the GMMA concept because it is designed to adapt to changing volatility of a market. The CBL concept is one of the key Trade Entry and Stop Management techniques Guppy teaches in his seminars and writings. See his article on page 4.

## The TVL Breakthrough

Since the original introduction of GMMA, Guppy has developed an exciting new technique based on GMMA called the Trend Volatility Line. He explains the concept in his article on page 6. By generating lines based on the slower group of Moving Averages, and adjusting these lines when the upper average crosses the prior line, a step-wise trailing stop is created that does a much better job than a traditional trailing stop. The TVL method has not been released and is currently not available to anyone outside of this offering!

## Powerful Additions for OmniTrader or VisualTrader

This year, we once again worked with Guppy to create Indicators, Systems, and Strategies based on these two powerful concepts. Daryl mostly teaches how to visually confirm trades using these methods, but we were able to combine them to create our profitable **Guppy Power Strategy**—a free bonus that comes with GMMA 2.0 if you order by the deadline (see page 10). We are very proud to bring this powerful GMMA collection to our customers.



**GMMA on the DJIA.** The strongest expansion and contraction points confirmed trend changes from January to August 2010.

**The GMMA concept** is based on 12 different Moving Averages. It is the composite picture of these averages that provides a powerful view of trend. As Daryl teaches in his seminars and book, the expansion and contraction of the lines gives clues as to what stage a new trend is in, and also the stability of the trend.

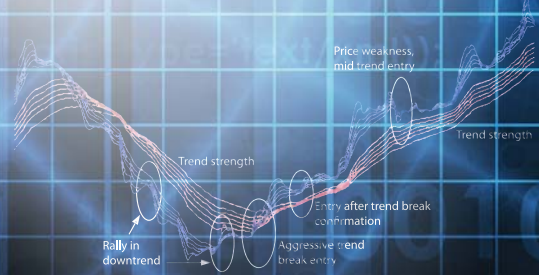
The Guppy Multiple Moving Average indicator is designed to understand the behavior of **traders vs. investors**. This behavior is independent from the price behavior, but it is derived from price behavior. The structure of the GMMA captures the fractal behavior in the market and the way this behavior repeats. The GMMA analysis method rests on the relationships between each group of Moving Averages and also between the groups.

**Compression shows agreement. Expansion shows disagreement.** When the long term group is widely separated it shows strong investor commitment to the trend. When the two groups of averages are consistently separated it shows trend consistency because traders are not prepared to let prices retreat too far before they become buyers again.

The relationship in each group of averages, and the relationships between the groups provide the primary analysis for the application of the GMMA. And this analysis is independent of price.

The original GMMA is a powerful concept that has helped many OmniTrader users over the years. The new TVL method builds on the GMMA to provide a powerful, systematic way to trade with the trend and stay with it.

# Guppy Power!



## A Fabulous New Tool for Trading Any Market!

Daryl Guppy is famous worldwide for his Guppy Multiple Moving Average approach to trading. **Guppy's Count Back Line (CBL)**, offers a method for triggering entries, calculating maximum risk, and establishing profit-protection conditions—a complete approach to trading the markets!

### Triggering Entries

The Count Back Line System offers a precise method for triggering entries, and is easily customizable for both Real Time and End-of-Day trading. The concept is based on “counting back” from an established low or Pivot Point to establish an entry level.

After the Pivot has been identified, the system counts back 3 highs (for Longs) or 3 lows (for Shorts) to identify the level at which an entry will be triggered. An entry is signaled when price closes beyond the CBL, as defined in Guppy's article on pages 4-5. It's a great way to identify an entry level for a trade, because it adapts to the volatility of the market.

### Maximizing Profits

Once you begin to ride a winning trade, the CBL provides a great way to protect



**Guppy Power Strategy:** Signals are based on the Count Back Line concept developed by Daryl Guppy. The CBL Trailing Profit Stop adjusts dynamically to price, providing an optimal exit point.

your profits—the Guppy Trailing CBL Stop. This stop uses the Count Back Line as a trailing profit stop. The stop uses a “running CBL” that automatically updates as the trade progresses.

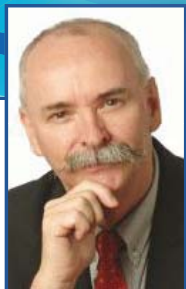
In the case of a short trade, when a new low is reached, the trailing stop counts back three highs and sets the stop at the CBL.

You can customize the CBL stop for different markets, as described in Guppy's article on CBL. It's one of

the best dynamic, volatility-adjusted stop methods we've ever seen.

After implementing Guppy's CBL indicator, we combined the entry technique with the trailing stop to produce the amazing Guppy Power Strategy described on page 10. Of course, the Plug-in includes Guppy's original work as well. There is nothing like GMMA 2.0 anywhere. It is a winner!

# The Master of Multiple Moving Averages Explains the CBL Concepts



The following is an excerpt from GUPPY TRADING published by John Wiley.

## The Count Back Line: A Better Way to See Volatility

Volatility and changes in volatility define the modern market. The increased speed of trade execution means the consequences of emotional thinking flow more rapidly through the market. Many old measures of volatility do not serve traders well because they are time dependant. The Count Back Line, or CBL, is a self adjusting volatility indicator and it continues to serve traders well with the increases in modern market volatility.

The indicator uses three significant days to calculate the volatility barrier which must be overcome before a change in trend direction is signaled. The number of days between the three significant days may be as little as three, or stretch out to 10 or 15 days in a consolidating market. It is this flexibility in the time component of the calculation that makes this a self adjusting volatility stop for both entries and exits.

## CBL Entries

The following discussion will center on a Long trading example, but the same method, in reverse, works for going Short. When the trend is up and we want to get long, we first wait for a short-term decline. Whenever prices make a new low, we draw a horizontal line from the high of that bar to the left until we hit a bar with a higher high. Ignore any price gaps and move to the next bar in the current trend.

Then we draw another horizontal line from the high of that bar to the left again, until it hits a bar with an even higher high in the current trend, again ignoring any price gaps. From the top of that third bar we draw another horizontal line—but this one pointing to the right, forward into the future.

The confirmation signal is a close above the Count Back Line. The entry is taken on the next bar (daily or Intraday timeframes). It does not matter if the next candle is a down candle. In fact this gives a cheaper entry.

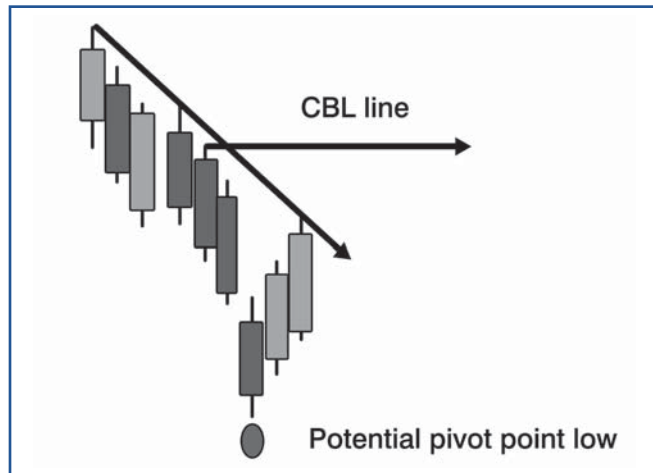


Figure 1 – Deriving the Count Back Line

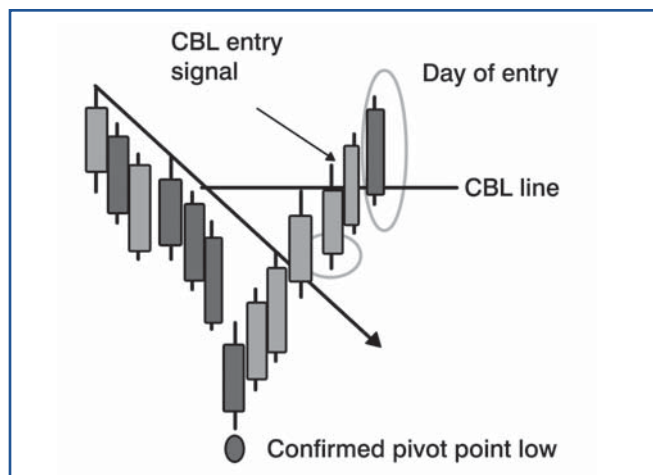


Figure 2 – Entering the Trade

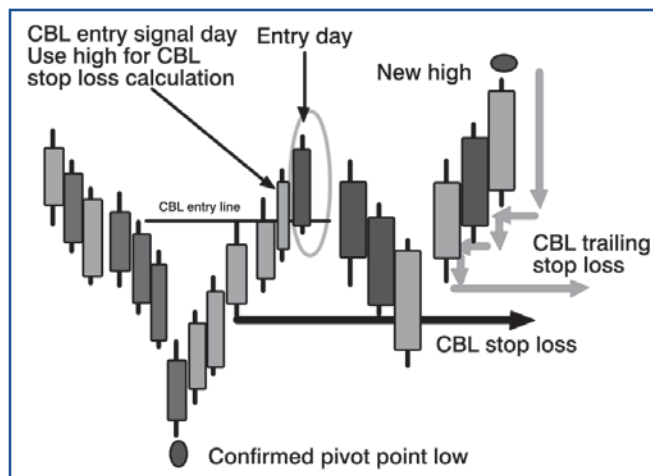


Figure 3 – CBL Trailing Stop Loss

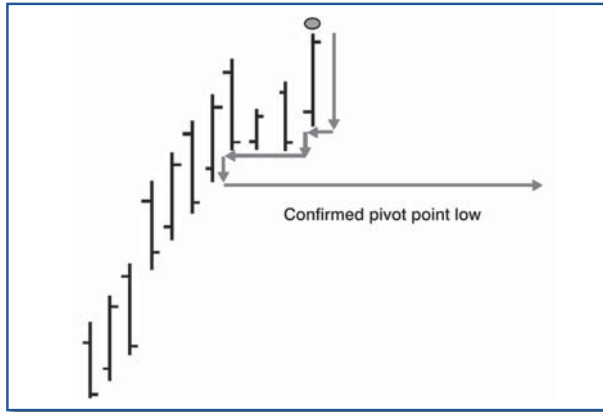


Figure 4 – CBL Trailing Stop (uptrend)

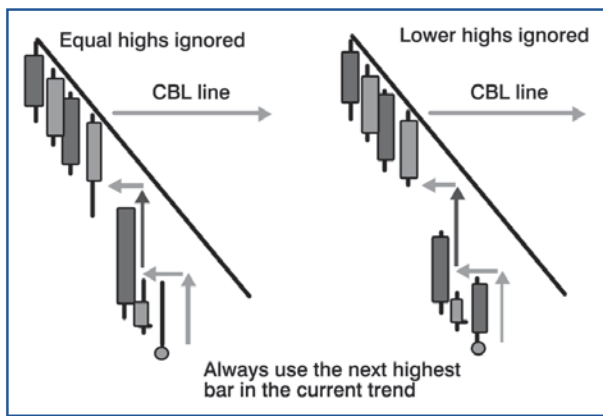


Figure 5 – CBL Protective Stop (down trend)

If the market closes above this line tomorrow, it will give us a buy signal. We repeat this process each day that the market makes a new low, creating a moving support/resistance line that follows the market on the way down, its placement determined by the recent highs. (Figure 1)

The objective is to locate the pivot point low of the down trend as quickly as possible. This is rarely going to be the next day following the pivot point low. However this does provide a very early warning signal of a trend line trend break and more importantly, a sustainable trend break. (Figure 2)

Usually the CBL is used to verify an existing trend breakout signal. In the chart example we use a down trend line, but this could be generated by a Moving Average Crossover or any other analysis methods. These early signals are not acted upon until they are verified by a close above the Count Back Line. Highs equal to the value of the Count Back Line, or closes equal to the Count Back Line are ignored.

## Trade Management

Figure 4 shows a continuation of the breakout. As soon as there is a close above the CBL line used as an entry then the CBL calculation is reversed—the day of the confirmed breakout is counted as the first new high in a new uptrend. This breakout high is used as a reference point to calculate the CBL stop loss.

To construct the stop loss, we start with the new high, move to the bottom of the candle and across to the left to the next lower candle. Then, move down to the bottom of the second candle, and then to the left to the next lowest candle. At the bottom of the third significant candle draw a line to the right. This is the Count Back Stop Loss line.

Every time a new high is made, the CBL calculation is repeated. This creates a trailing stop loss. However, this moving line does not travel parallel to the trend. It skips from level to level, depending on volatility, indicating new temporary areas of minor support and resistance.

As the market moves, the Count Back Line moves with it and keeps us out of trades that would be out of line with the market sentiment. Temporary up-ticks or down-ticks that masquerade as breakouts are ignored because they do not close across the Count Back Line. The buffer created by the support or resistance lines helps to affirm the potential for a serious long-term price move, rather than a temporary flutter.

Markets often narrow down before taking off in a new direction. This consolidation pattern is recognized and charted by many indicators. The Count Back Line recognizes it also and tightens its support or resistance line in tune with the market, so that when the breakout comes we can catch it early.

## Works in Any Market

The CBL method is an effective measure of price volatility. Originally applied to stocks, we find this volatility method is suitable for indexes, currencies and derivatives. It can be applied to End-of-Day charts and to Intraday charts.

The OmniTrader CBL System allows users to optimize the CBL for any trading instrument. I am quite pleased with the way Nirvana successfully combined it with the TVL (see article on page 6) to help with the initial entry into a trend.

*Author's note: The Count Back Line builds on work done by Joe Stowell with his 3 bar net line. The CBL includes some modifications so the name was changed to avoid confusion with Stowell's work.*

# The Trader and the Trend

By Daryl Guppy

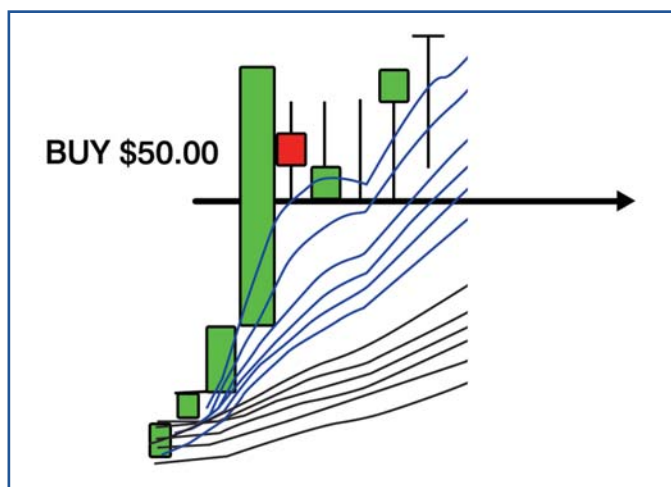
The GMMA chart allows traders to develop effective analysis about the strength of the trend based on the degree of separation in the long term GMMA. This observation is the foundation of the GMMA Trend Volatility Line. This trend trade management technique is built on a change in the way we view the relationship between the trader and the trend.

In the past, traders have accepted that there is an objective measurement of the trend and that this is used by all traders. The position of a Count Back Line or a trend line does not change depending on trader, or on the point where the trader enters the trend.

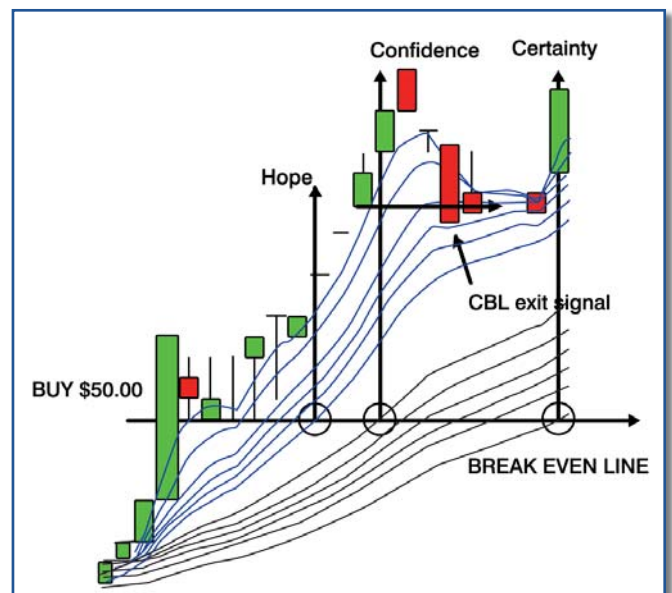
This is an excellent solution if we believe that price volatility defines trend behavior. It is not so good if trend behavior is different from price volatility. The GMMA provides an alternative way of understanding trend behavior and delivers a method of managing the trader's exposure to the trend based on his entry point.

## Trend Volatility

The concept of using trend volatility to manage the trade starts with the trader's selected entry point. In this example we show the entry point at \$50.00. The entry point at \$50.00 is used as the initial stop loss calculation. Based on the entry point we project a line to the right. We call this the break even line. Later we explain the detail of this line. For the moment we concentrate in the way it is used to manage and define the trend in relation to the trade.



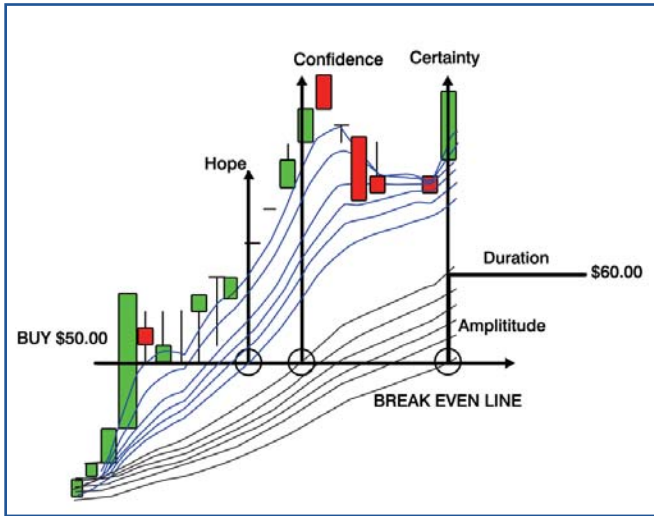
**The objective is to enter the trend in such a way that the probability of a price volatility retreat is substantially reduced.** The exit signal is the first Close below the break even line. The break even line is used as a the stop loss until the next set of conditions are met. Any price volatility exit signals generated in this period are ignored. In this chart example we show a CBL exit signal generated early in the trade development.



The relationship between the value of the break even line and the development of the GMMA is the important feature of the TVL method. When the lower edge of the long term GMMA crosses the value of the break even line then the trader has confirmation of trend sustainability.

The GMMA is used to measure the trend strength. It's an extension of the foundation concepts of the GMMA and allows the trader to take two important steps. The first step is the calculation of how high to lift the stop loss to follow the developing trend. The usual solution is to measure price volatility. The new solution is to measure the volatility of the trend as shown by the GMMA.

The vertical distance between the 30 Period Exponential Moving Average (EMA) and the 60 EMA—the long term GMMA—shows the current amplitude of the trend, which is independent of the volatility of price. In the early stages of the trend the amplitude is small. As a sustainable trend develops, the long term GMMA develops wider separation. This shows an increase in the amplitude of the trend.



The current amplitude provides a solution for how high the stop loss should be adjusted. In the chart example the stop loss is lifted from \$50.00 to \$60.00. The method uses a measure of the amplitude of the trend to determine the appropriate stop loss adjustment level.

The vertical projection is halted when it reaches the value of the 30 EMA. From this point a line is projected to the right. This defines the period of time for which this stop loss is appropriate. The duration is not known in advance.

The time to recalculate the stop loss is signaled when the value of the horizontal line intersects the 60 EMA. The value of the stop loss is adjusted to match the value of the 30 EMA and a new line is projected to the right to define the duration of the stop loss.

### **This combination creates the Trend Volatility Line or TVL.**

Another way to say this is “amplitude plus duration equals trend volatility.” It is used to follow the developing trend. The exit signal is delivered when the price closes below the trend volatility line. The exit is taken in the next candle period.

This indicator is used as a trend management tool. It is not used as an objective definition of the trend. Traders looking for objective end of trend signals will be disappointed. Traders looking for effective methods to manage their trend exposure in a trade will find this a very useful tool.

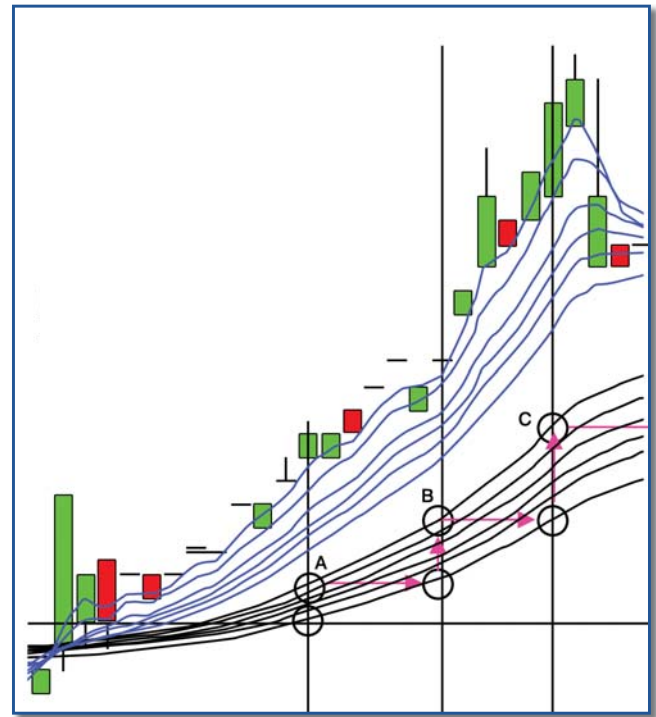
It is important to note that:

- TVL does not define the start or end of the trend
- TVL is not an objective trend definition tool
- TVL is a trade definition tool

TVL defines how you will manage the volatility risk based on the price and time of your entry.

## **Using TVL for Intraday Trading**

The TVL concept was developed in the volatile markets of 2008 for Intraday trading of indexes. The chart below is a Real Time index trade. The points A, B and C show the calculation points for the TVL.



The charts shown are 1 minute charts. It is very important to understand that the GMMA is built of fractal repetition. Therefore, the TVL method can be very successfully applied across multiple timeframes.

## **TVL Trading Conclusion**

The TVL is a trade management method designed to reduce the incidence of false exits triggered by irrelevant changes in price volatility. It is applied to Intraday and End-of-Day trading. It is used in trading long and trading short. It is a solution to the increase in volatility seen in modern markets. It is an effective trading solution for indexes, commodities, currencies and also ordinary stocks. The TVL is a trade management method applied by measuring trend volatility.

# Included in GMMA 2.0:

The GMMA 2.0 Plug-in includes all the original Guppy tools plus new Indicators, Systems, Stops, and Strategies based on the techniques discussed in Guppy's articles.

## Indicators

**GMMA Indicator** Plots the 12 Exponential Moving Averages based on the methods of Daryl Guppy (see chart, right).

**GMMA Oscillator** Plots the difference between the sums of the two groups of Moving Averages. A signal line is also generated, similar to MACD.

**GAMS Oscillator** Calculates the standard score of the GMMA oscillator against historical values and plots the values with scale lines for -2, -1, 0, 1, 2 standard deviations.

**GMMAD Indicator** Plots the sums of the differences of a group of EMAs. An increasing GMMAD indicates an increasingly positive (bullish) trend.

**GA Separation** Calculates the sum of the separation of three EMAs—a valuable indicator to identify trends and reversals.

**Guppy CBL Indicator** **NEW** The Guppy CBL Indicator plots price levels based on Daryl Guppy's Count Back Line concept as discussed in his book *Trend Trading*.

## Systems & Stops

The GMMA 2.0 Systems and Stops were used to construct the Strategies on pages 9-10.

**GAMS System**

**GMMAB System**

**Guppy CBL System** **NEW**

**Guppy Fixed CBL Loss Stop** **NEW**

**Guppy Trailing CBL Stop** **NEW**

**Guppy TVL Stop** **NEW**

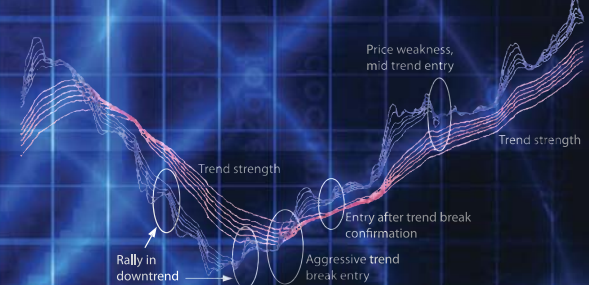


**GMMA with the GAMS Oscillator:** The GMMA shows changes in trend by illustrating the sentiment of investors (red) and traders (blue). Note how well it identifies the changes in trend!



**GAMS Separation Oscillator:** Calculates the standard deviation between three Moving Averages. In this case, we used 3, 8, and 15 periods to identify new trends as quickly as possible.





## Strategies

### GMMA Optimized

The GMMA Strategy was released in the first version of the GMMA Plug-in, and it utilizes the classic OmniTrader voting method between 35 different trading systems. Once a consensus signal is found, various filters based on the GMMA concept are used to qualify the signal as a good trading candidate. This strategy uses optimization in order to find good trading opportunities, and it is widely regarded as one of Nirvana's most popular prospecting strategies.

### NEW! GMMA Reversal

The GMMA Reversal Strategy is a Long Only strategy that uses tools from our original GMMA Plug-in (GAMS and GA Separation), PLUS Guppy's new Trend Volatility Line (TVL) Trailing Stop.

This strategy looks to enter the market during pull-backs in a bullish trend. The GAMS system fires the signals on the pull-backs, while the GA Separation indicator is used as a filter to identify the trend. Guppy's new TVL stop helps to maximize gains.

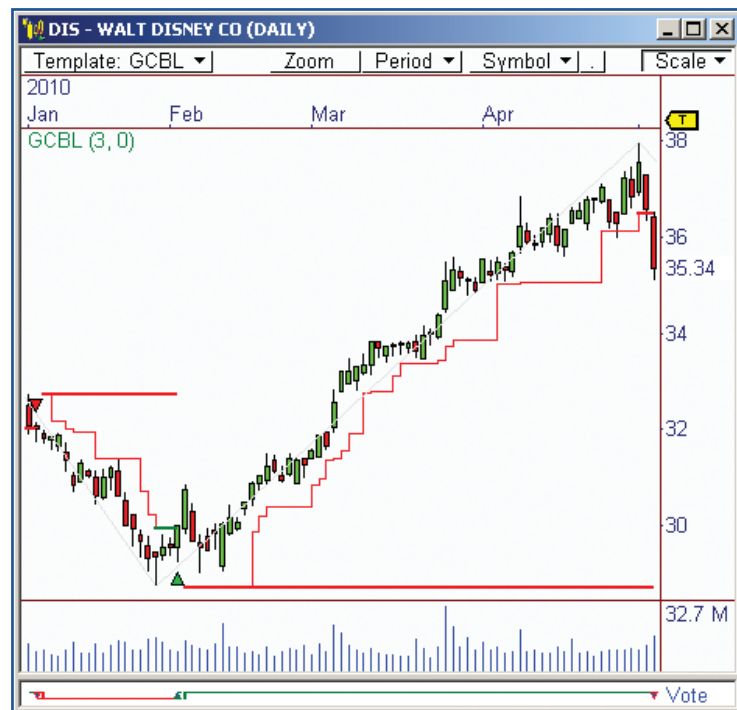
### NEW! Guppy CBL Classic

On pages 4-5, Daryl Guppy describes the CBL line and why it provides a universal trading method as Entries and Exits can be based on the CBL Line without regard for volatility.

The Guppy CBL Classic Strategy was created according to Daryl Guppy's teachings in his book *Trend Trading*. This strategy uses a 3-bar Count Back Line (CBL) to identify entries, the Guppy Fixed CBL Stop to set the maximum loss on positions, and the Guppy Trailing CBL Stop to manage the winners—a classic version of Guppy's CBL concepts!



GMMA Reversal on AAPL.



Guppy CBL on DIS. The CBL Trailing Stop follows price action according to ranges of volatility providing a very optimal exit.

# BONUS! The Guppy Power Strategy

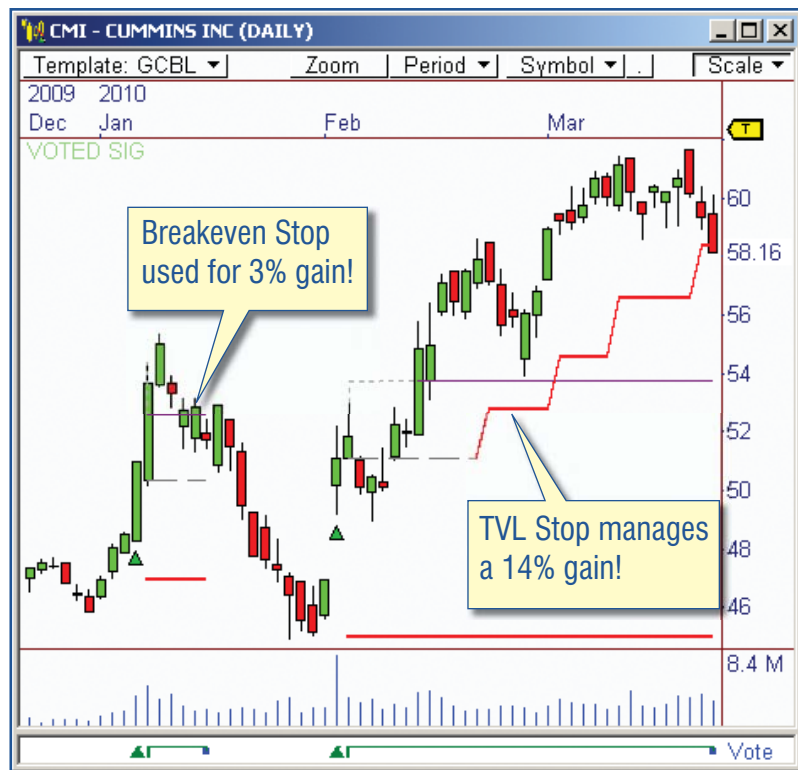
*Never before released to the public*, the Guppy Power Strategy uses several tools from our new GMMA 2.0 Plug-in. This Mechanical Strategy uses the CBL to identify entries and maximum risk. It also uses the TVL trailing stop to ride winning trades.

We also used a Moving Average Crossover Count indicator to find smooth moving stocks, our Volatility Breakout system (VTY-B) to confirm entries, and a special Breakeven Stop that consistently pockets small winners, while occasionally hitting homeruns.

The Breakeven Stop is based on the idea that price should be able to move at least 1.5 ATRs in the direction of a great signal. If price moves to this first target, the odds of pocketing a winning trade improve dramatically. If price blasts through the first target, the TVL trailing stop takes over and helps to bank a big winner.

CMI illustrates the two types of trades that you will typically see from the Guppy Power Strategy—a quick winner, and a big winner. The first Long signal shows the strategy taking a relatively quiet 3% gain, while the second signal leads to a 14% gain, which is managed by the TVL stop.

The chart for ADS shows the same great concept of Breakeven trade management. The first trade shows price rallied through the first target, allowing the TVL stop to manage a 23% winner. The Breakeven stop was then used to pocket another 3% gain for the second signal. This outstanding Guppy-based Strategy is included with the GMMA 2.0 plug-in.



All Trades: Guppy Power Strategy	
Statistic	Back Test
Number of Trades.....	352
Profitable Trades.....	218
Average Hit Rate (%).....	61.93
Average Net Profit Per Symbol (%).....	3.52
Average Net Profit Per Trade (%).....	0.97
Average Bars Per Trade.....	15

This performance report was generated on the S&P 100 since January of 2008.

Guppy Power Strategy trades on CMI and ADS.

# Nirvana's **GMMMA 2.0**

