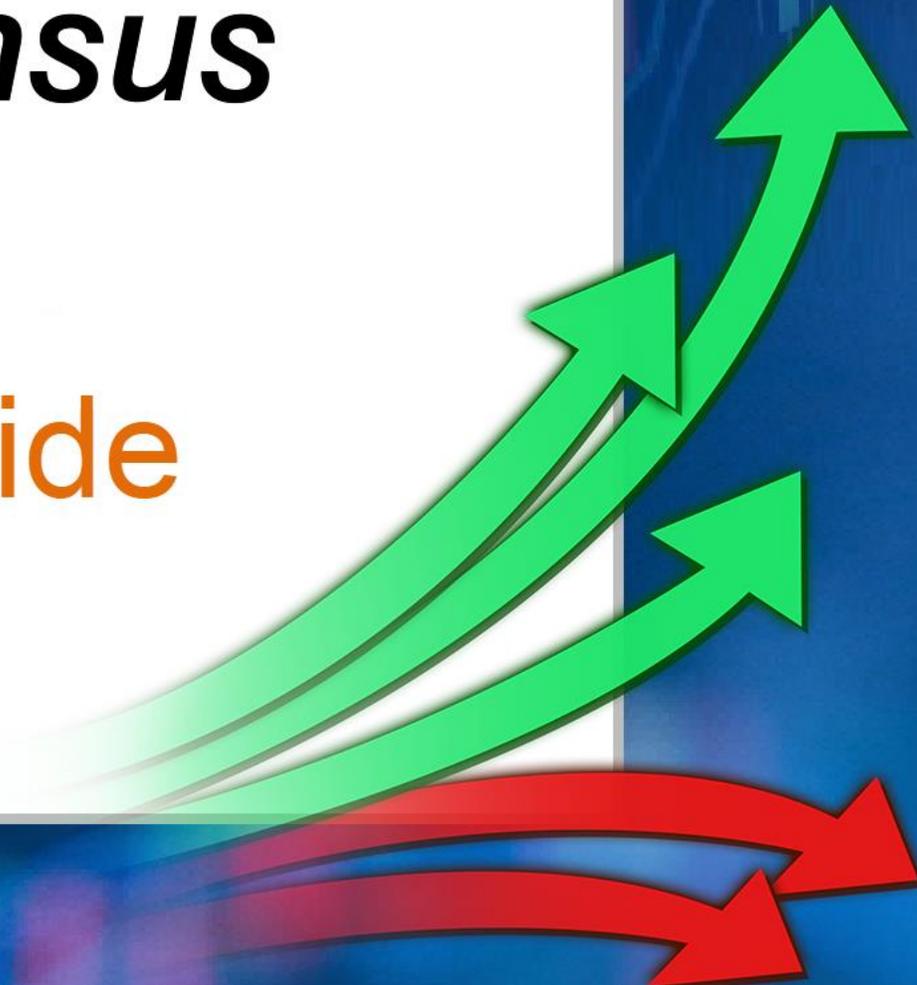


ETF Consensus Trader

How-To Guide

by Ed Downs



Trading Industry Group ETFs

Like any stock chart, ETF charts can be traded with technical indicators.

HOWEVER,

- In any ETF, some stocks are leading and some are lagging.
- When a strong **CONSENSUS** emerges, the ETF will usually move in that direction for at least 2 to 10 bars, and runs are common!
- Other stocks that had not yet participated will typically follow the primary group direction.
- We can use this behavior to gain a distinct trading advantage.

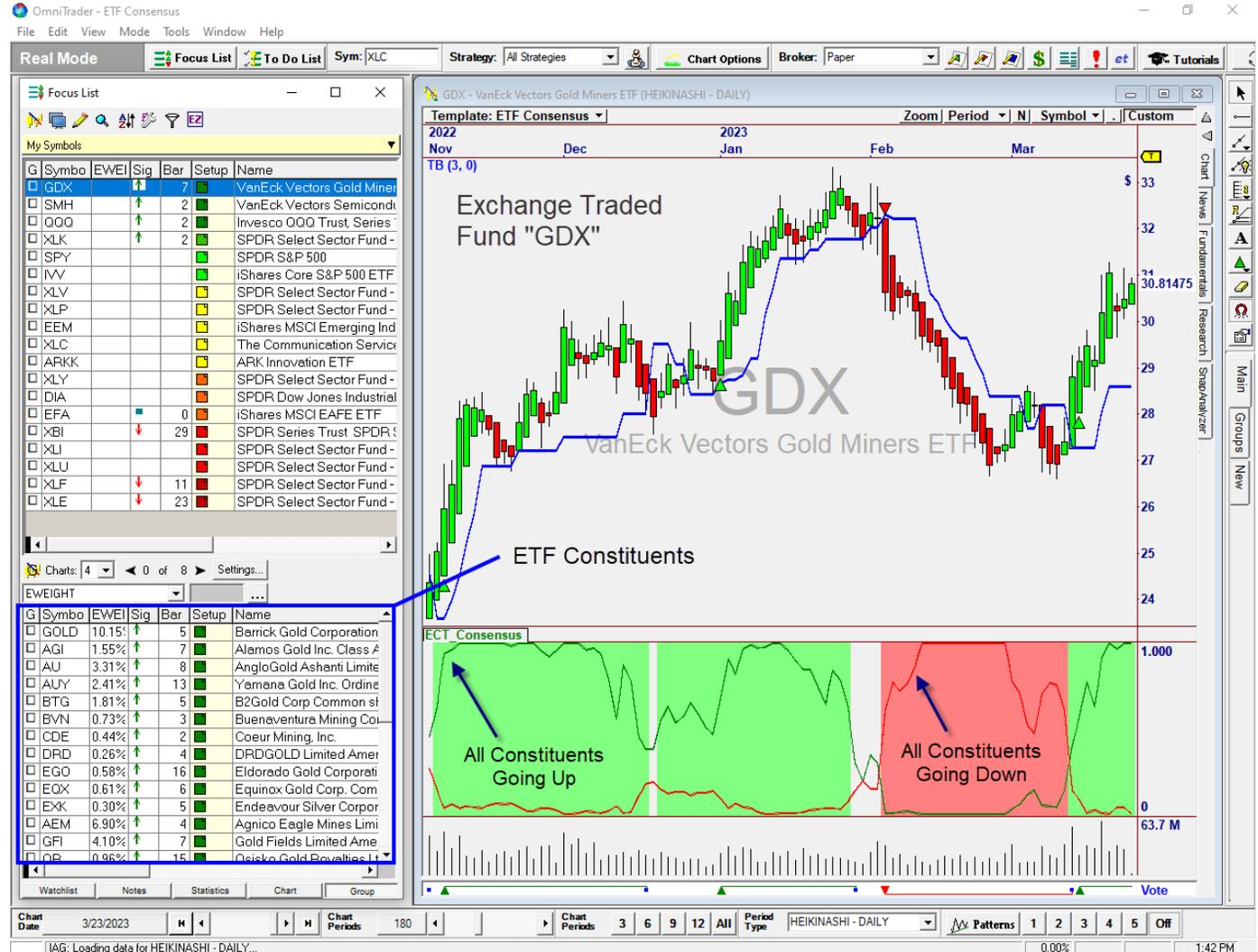


The Leading Indicator



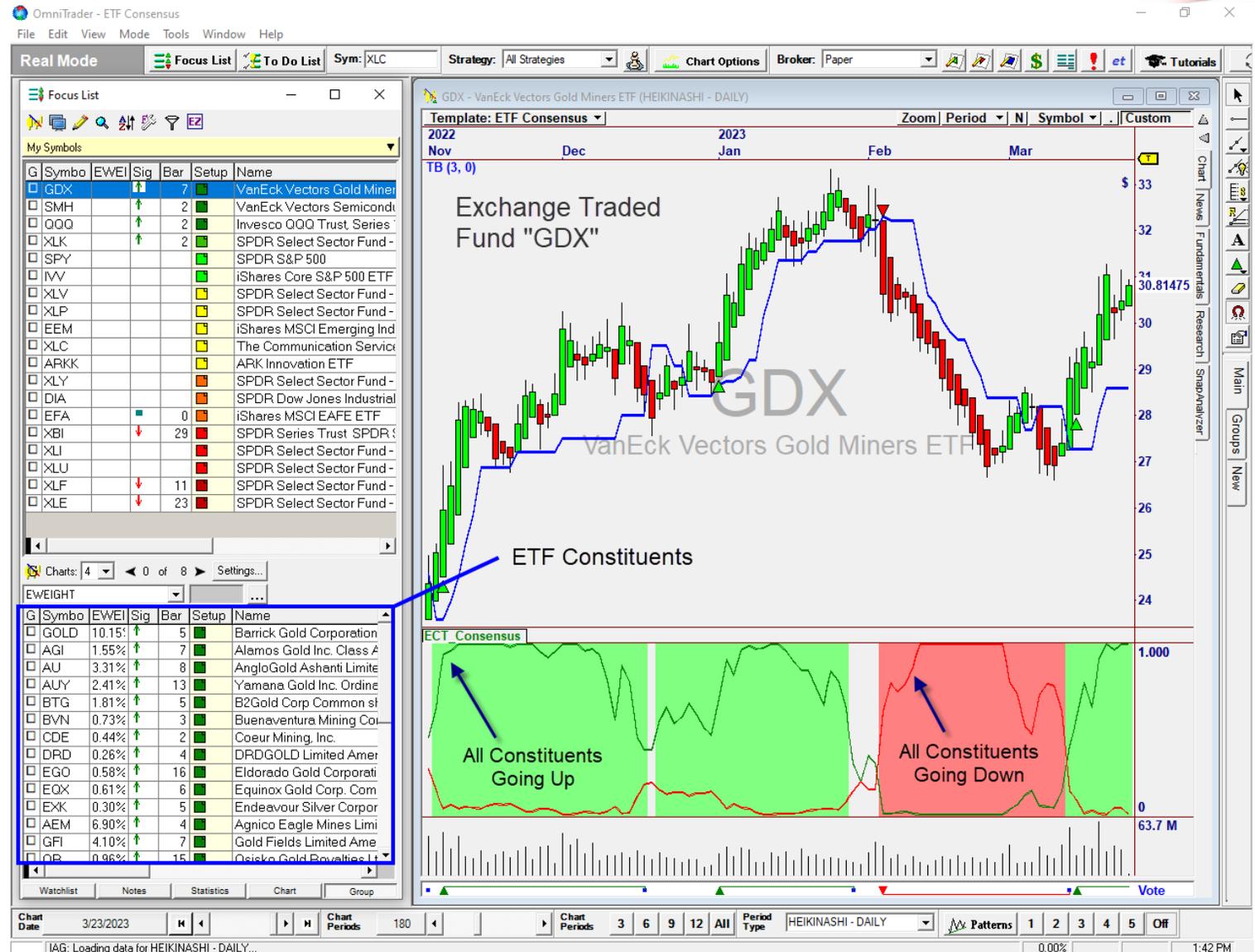
What is "The Leading Indicator?"

- The **Leading Indicator** Measures the Strength of INTERNAL Movement for the Constituents of the Leading Indicator.
- The **GREEN** Line represents upward movement, and the **RED** Line represents downward movement.
- When the upper side is moving up very quickly and the lower side is very low, a strong move is underway!



The "Hierarchical" Focus List

- GroupTrader functionality is used to show the constituents of each ETF*
 - Click the Group button to show the list of ETFs is on top, and the lower List is the Constituents
 - Click on any ETF to see the Constituents of that ETF. Sort on any column in either list. The default is Setup.
 - You can change the split by clicking between the windows.
- * GroupTrader is not required to use ETF Consensus Trader.*



The Weighted L.I. Calculation

- The **Leading Indicator** is calculated for all charts to create the Red and Green Lines.
- We use the weights for all stocks in an ETF to determine how much each should contribute to the Leading Indicator calculation.
- With **Zacks**, the weights are updated automatically. Adding a Zacks subscription costs just \$9.95 a month. (1 month free)
- You can also use CSV files.

Symbol	EWEIGHT
XOM	22.77%
CVX	19.66%
SLB	5.20%
EOG	4.29%
COP	4.27%
MPC	3.94%
PXD	3.90%
PSX	3.58%
OXY	3.45%
VLO	3.38%

XLE Weights

	A	B
1	XOM	22.769
2	CVX	19.664
3	SLB	5.198
4	EOG	4.287
5	COP	4.273
6	MPC	3.936
7	PXD	3.899
8	PSX	3.582
9	OXY	3.452
10	VLO	3.382

XLE.csv

“CSV” Files can be used for the weights. A set of sample files is provided for all ETFs listed in the profile. The CSV File for XLE is shown to the right.



ETFs & Stocks: A Dual System

- A new function “IsETF()” allows Systems, Indicators, etc. to target the ETF or individual stock that is being analyzed.
- Here it is used in the **Consensus Indicator** to select the Leading Indicator functions LIGreen and LIRed when plotting an ETF, or the Trend Break difference when plotting a stock.

```
#Indicator  
  
' Dual Purpose Consensus Indicator.  
' For an ETF, plots the composite Leading Indicator  
' For a stock in an ETF, plots Leading Indicator calc for that  
  
dim LI,LIG,LIR as single  
  
If IsETF("")<>0 then ' Plot Leading Indicator  
  
    LIG = LIGreen("ECT_LI","C","")  
    LIR = -LIRed("ECT_LI","C","")  
    LI = LIG-LIR  
  
    plot("LIG",LIG,green,2)  
    plot("LIR",LIR,red,2)  
  
else ' Plot single stock version  
  
    LI = ECT_TBDiff()  
    plot("LI",LI,blue,1)  
  
end if  
  
Return LI
```

PLOT Leading Indicator if it's an ETF

PLOT TrendBreak Difference if it's a Stock

ECT_Consensus Indicator



A Dual System (continued)

- ETF Consensus Trader has been designed to enable Traders to seamlessly work between the ETFs and their constituents.
- ETFs display the Leading Indicator and Color Chart with the Leading Indicator Strategy/Signals.
- Individual stocks display the TB Indicator and Color Chart with the Stock Strategy/Signals.
- The Setup Column shows:
 - + The strongest ETFs (by virtue of the Leading Indicator on top, and
 - + The strongest Stocks (by virtue of the TrendBreak difference)

ETFs and Stock Constituents have their own Strategy, Setup and Color Chart

ETF



Stock



Trading with ETF
Consensus Trader

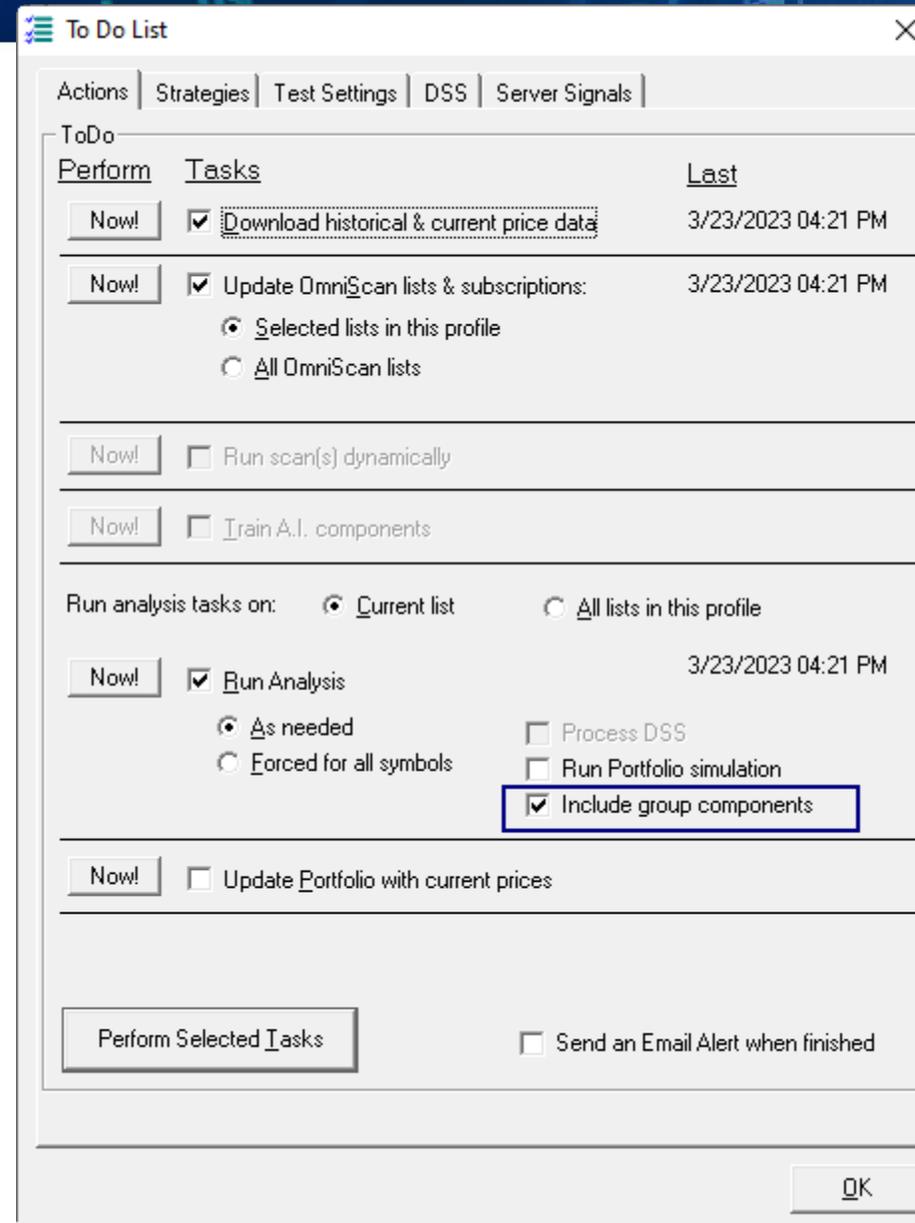


Just Run the ToDo List!

Just run the ToDo List for the timeframe you want to trade.

OmniTrader will:

- Download data for all ETFs and Constituents
- Run the Composite Analysis on the Constituents for each ETF to generate **Leading Indicator Consensus Signals**.
- Run the individual Stock Analysis to generate **Technical Chart Signals**.



The screenshot shows the 'ToDo List' window with the following tasks and options:

Perform	Tasks	Last
<input type="button" value="Now!"/>	<input checked="" type="checkbox"/> Download historical & current price data	3/23/2023 04:21 PM
<input type="button" value="Now!"/>	<input checked="" type="checkbox"/> Update OmniScan lists & subscriptions: <input checked="" type="radio"/> Selected lists in this profile <input type="radio"/> All OmniScan lists	3/23/2023 04:21 PM
<input type="button" value="Now!"/>	<input type="checkbox"/> Run scan(s) dynamically	
<input type="button" value="Now!"/>	<input type="checkbox"/> Train A.I. components	
Run analysis tasks on: <input checked="" type="radio"/> Current list <input type="radio"/> All lists in this profile		
<input type="button" value="Now!"/>	<input checked="" type="checkbox"/> Run Analysis	3/23/2023 04:21 PM
	<input checked="" type="radio"/> As needed <input type="radio"/> Forced for all symbols	<input type="checkbox"/> Process DSS <input type="checkbox"/> Run Portfolio simulation
		<input checked="" type="checkbox"/> Include group components
<input type="button" value="Now!"/>	<input type="checkbox"/> Update Portfolio with current prices	
<input type="button" value="Perform Selected Tasks"/>		<input type="checkbox"/> Send an Email Alert when finished

At the bottom right, there is an button.

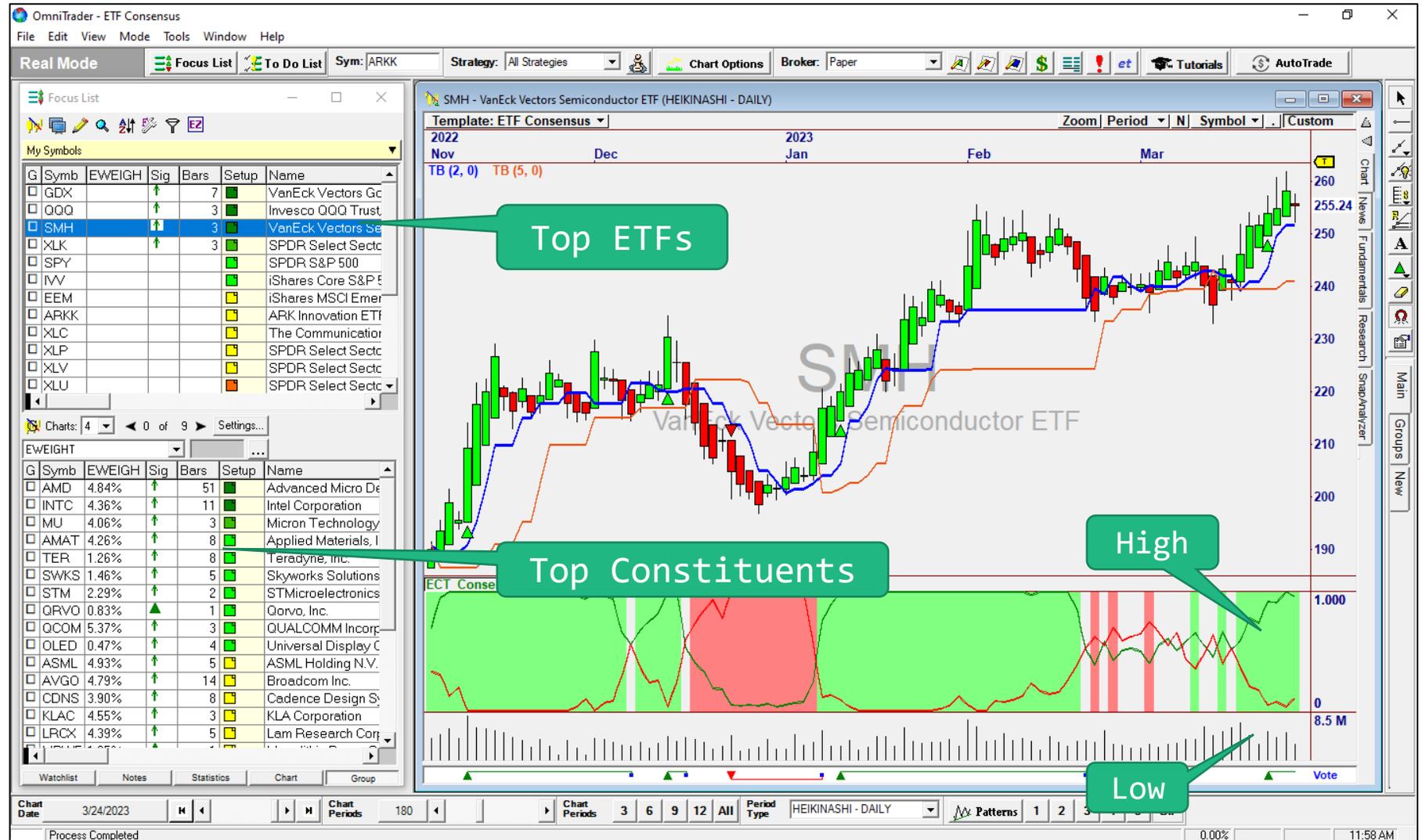


At a Glance



From the Strongest
ETFs to the Strongest
Stocks...

The entire selection
process can take just
minutes a day!



The Best L.I. Setups

There are two lines in the Leading Indicator: Green and Red. Look for:

- One Line is “launching” while the other is approaching or near zero.
- Sustained moves occur as long as both Leading Indicators are near extreme values, i.e.the “difference” is large.
- The **Leading Indicator** makes it much easier to avoid the “muddle zones” as shown in this chart for SMH.



The Best ETFs



Trade early
detected moves
on the ETFs
using slight
green color and
high consensus.

Consensus is
building.



The Best Stocks

Stocks vs. ETFs

- ETFs are generally safer to trade than individual stocks, but they move less.
- The Opportunity to Profit increases trading the stocks within the ETF.

Buy:

- The lagging stocks with breakout chart patterns or
- The strongest stocks on small pull-backs

TER:
Lagging
with
breakout
pattern.



INTC:
Leading
with small
pull-back



Hedge with Long and Short Candidates

- While many stocks are “correlated” to the market, many industries are not.
- Easily hedge against market risk by buying strong ETFs (or constituents) and selling weak ETFs (or constituents)
- Rotate into the next group as stops are hit.



Recently, Gold Miners (GDX) and Finance (XLF) have been inversely correlated.



Customizing ECT



Adding More ETFs

- Instantly add your own ETFs. Just enter them in the **Quick Chart** box.
- As they are added their components will be pulled in and both will be analyzed.

Industry ETFs from
www.etfdb.com



Symbol	ETF Name	Industry	Total Assets (\$MM)	YTD	Avg Volume	Previous Closing Price
XLI	Industrial Select Sector SPDR Fund	Broad Industrials	\$13,542.20	-1.33%	12,168,150	\$96.51
ITA	iShares U.S. Aerospace & Defense ETF	Aerospace & Defense	\$5,624.90	-1.19%	762,716	\$110.53
VIS	Vanguard Industrials ETF	Broad Industrials	\$3,719.90	-0.09%	93,654	\$182.48
PPA	Invesco Aerospace & Defense ETF	Aerospace & Defense	\$1,796.34	-0.87%	159,667	\$77.61
JETS	U.S. Global Jets ETF	Airlines	\$1,740.96	1.52%	3,640,036	\$17.34
PHO	Invesco Water Resources ETF	Water	\$1,704.65	-1.31%	105,415	\$50.79
FXR	First Trust Industrials/Producer Durables AlphaDEX Fund	Broad Industrials	\$1,633.50	2.60%	165,226	\$52.85
XAR	SPDR S&P Aerospace & Defense ETF	Aerospace & Defense	\$1,434.77	1.83%	88,738	\$111.94



Customizing the Leading Indicator

The Leading Indicator

The indicator used on the Constituents can be any oscillator that shows strength/weakness. You can change this by editing the ECT_LI indicator to add your own formula.

To Change the Leading Indicator:

1. Click Edit -> OmniLanguage
2. Click ECT_LI in the Indicators section.
3. Edit the Formula.
4. Press Compile, lower right.
5. Save

```
#Indicator
' Calculate the Leading Indicator for an ETF or Symbol

dim LI,r as single

' This is the Leading Indicator calculation.
' It can be any indicator that is (+) when bullish
' and (-) when bearish.

LI = C-TB(3)[6] ' Close - TrendBreak(3), 6 bars back

' ETFWeight is defined when ECT_LI is being
' called by the Leading Indicator functions.
' Scale the Leading Indicator by the weight in the current ETF

if ETFWeight("")=0 then
    r = 100 * LI/C
else
    r = 100 * (ETFWeight("") * LI)/C
end if

' This indicator is not normally plotted by itself.
' It is called by ECT_Consensus.

Plot("LI",r)

Return r
```



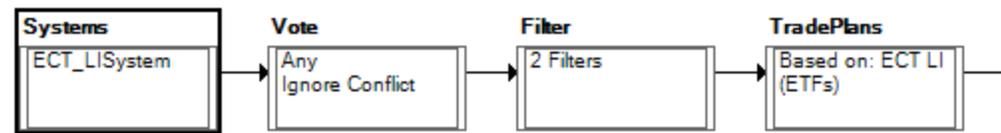
Leading Indicator System



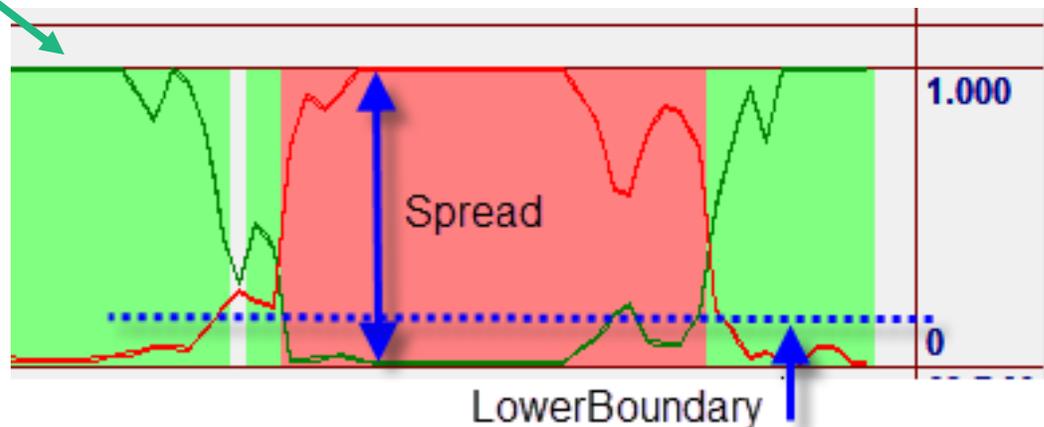
ECT_LISystem: The Leading Indicator System has two parameters you can tweak to change the Sensitivity of the ETF Consensus Signals.

Spread: How far apart the lines need to be (min) to fire a Signal.

LowerBoundary: How high the weaker line can be (max) to fire a Signal.



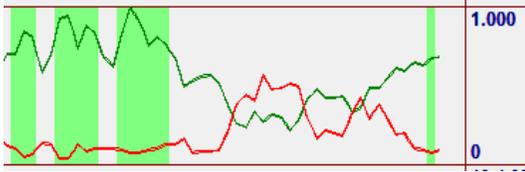
Parameter	Opti	Min	Max	Incre	Default
Spread	<input type="checkbox"/>	0	1	0.25	0.2
LowerBoundary	<input type="checkbox"/>	0	1	0.25	0.1



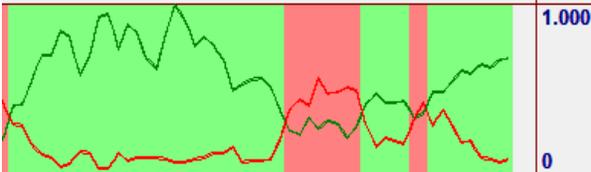
Changing the Color Chart

The color shown in the Color Chart is based on the Separation of the Leading Indicator Lines.

Min. Separation: 0.6



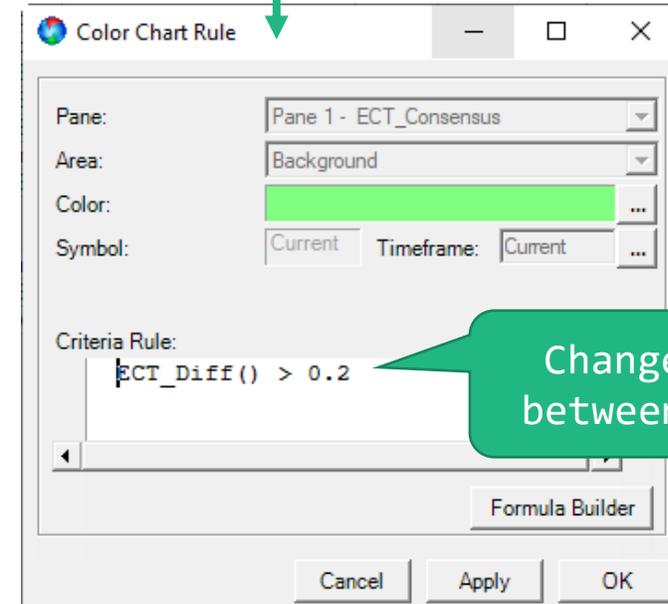
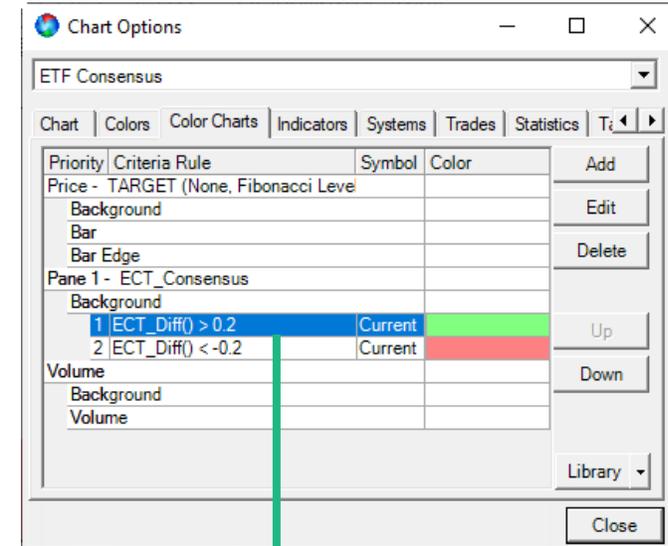
Min. Separation: 0.0



To Edit:

1. Click the Chart Options button.
2. Slick the Color Charts tab.
3. Double-click the Green shade.
4. Change ECT_Diff() to a value from 0 to 1.0.
5. Do the same for the Red shade.
6. Click Close.

 Chart Options



ETF Consensus Trader

with Ed Downs

