



Brainy's Articles on BullCharts

TradeSim — introduction

Article No:
BC-13-000
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30 Apr 2010

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Introduction

Before a share trader starts trading, it is very important to have a documented trading strategy, and to have tested it by back-testing and/or paper trading. Without a sound and proven *trading strategy*, a share trader / investor is really flying by the seat of their pants — referred to as *discretionary trading*. With a proven and tested strategy a trader can have confidence in their strategy over time, and they can more easily weather a run of losses whenever it occurs.

A popular tool for performing back testing is the *TradeSim* computer program from CompuVision Australia Pty. Ltd. (www.compuvision.com.au). In the past it has been in popular use with MetaStock; but it is also tightly integrated with BullCharts so that BullCharts users can easily perform powerful back testing scenarios.

The BullCharts help files do include some good information on using *TradeSim*, so make sure to refer to it; but there is a limit to how much information can be squeezed into a help system.

This article in Brainy's series on BullCharts (number BC-013-000) provides a quick introduction to the TradeSim software. More details are included in Brainy's Article BC-13-100, "*TradeSim — installation and execution*".

For more information about the concept of back-testing refer to Brainy's share trading Article ST-3100, "*Trading practise — back testing and paper trading*".

TradeSim — What is it? What does it do?

The *TradeSim* software is used to back-test or simulate *trading systems* in order to validate or improve *trading methodologies*.

When installed in conjunction with the BullCharts charting software, it can be used to test out the trading scenarios within a clearly defined *trading strategy*.

Products like both *TradeSim* and *BullCharts* are not about teaching you how to trade; but rather to help you to trade better. That is, as a tool that can objectively be used to improve your trading strategies. It might sound careless, but these products do not care how you trade, nor about your philosophies on trading. If you can express your trading strategy or system using a simple framework of entry and exit criteria or triggers, then TradeSim can back test your trading system and do it in an objective way that is necessary to properly evaluate its worth.¹

How does this work?

Once both BullCharts and TradeSim are installed, the following steps outline the process:

1. Create and run a special "*TradeSim scan*" in BullCharts. This scan specifies your *trading strategy* criteria, your testing time frame, and a watchlist of stocks to be analysed. (The *TradeSim scans* are similar to regular *BullCharts scans*, but include additional items for TradeSim.)
2. The output from the scan is a "*Trade Database*" file containing a list of hypothetical trades for input into *TradeSim*.
3. Running a *TradeSim* simulation will calculate and record relevant details for each hypothetical trade (eg. based on parameters that you set, it can determine things like position size, and tally up the profit/loss over the period).
4. The resulting reports and charts that describe the success or otherwise of the simulated trading are extensive and detailed. They can be used to verify the performance of your trading strategy over the time period.

¹ *TradeSim User's Guide* (TradeSim Version 6.5.0), August 2009, p23.



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Outputs, reports, etc.

After you generate the Trade Database, and run a TradeSim simulation, a number of screen outputs are generated. The sample screen shot in Figure 1 is just one variation of many.

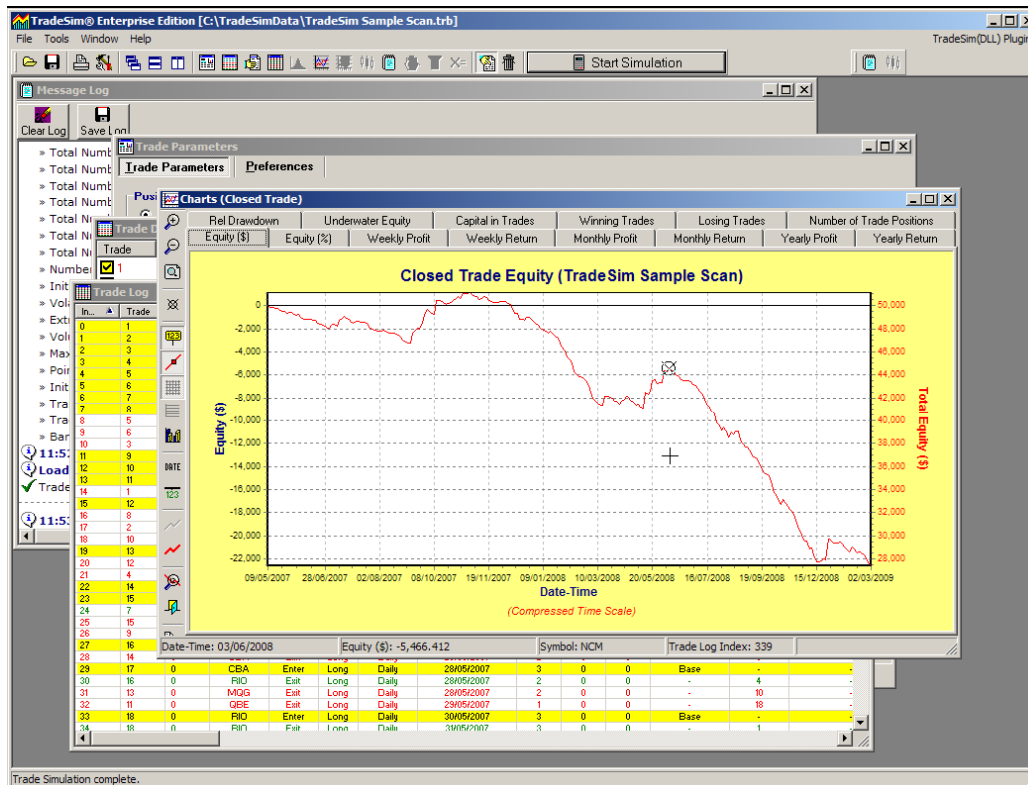


Figure 1: A TradeSim screenshot after running a simulation, showing reducing equity.
Source - CompuVision's "Quick Start Tutorial for BullCharts Users".

More information

- Articles, documents, user manual and more (including the "**Quick Start Guide for BullCharts Users**")— www.compuvision.com.au/Articles.htm
- Free QuickStart video tutorials — www.compuvision.com.au/Examples/TradeSimQuickStartTutorial.htm
- The CompuVision Discussion Forum — www.compuvision.com.au/vBulletin
- The CompuVision Links web page — www.compuvision.com.au/Links.htm

Summary

The TradeSim software (plug-in for BullCharts) is an invaluable tool to assist with back testing your trading strategy. It is not expensive, and is fairly straight forward to use.

This article in Brainy's series on BullCharts (number BC-13-000) provides a quick introduction to the TradeSim software. More details are included in Brainy's Article BC-13-100, "*TradeSim — installation and execution*".



For more information on Share Trading, or
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