



RealTime Derby

SPECIAL REPORT

Ka-Ching Ka-Ching
Bullish Long 2.55% - 30% Winners

Leaping Lizards
Bullish Long 2.07% - 50% Winners

Ballistic New Highs
Bullish Long 1.97% - 30% Winners

Southern Comfort
Bullish Long 1.95% - 100% Winners

Traders Alert
Bullish Long 1.94% - 40% Winners

Worst Stocks Over \$20.00
Bearish Short 1.85% - 90% Winners

Easy Does It - C/Dn
Bearish Short 1.85% - 90% Winners

BF = S, , = B
Bullish Long 1.84% - 50% Winners

Shooting Stars
Bullish Long 1.84% - 60% Winners

Worst Performers > \$10.00
Bearish Short 1.69% - 88% Winners

Stinky Stocks to Sell Short
Bearish Short 1.64% - 90% Winners



Introduction: Derby History

Welcome to the VectorVest Derby

Everyone knows that the Holy Grail of stock trading is a system that consistently produces high returns with livable draw-downs -- the VectorVest Derby is a giant leap forward in developing just such a trading system for your portfolio. Simply put, the Derby effortlessly reveals exactly which strategies are producing the biggest gains. The ability to easily identify the stocks that are making money at any time, in any market, is the most powerful weapon an investor can have in their arsenal. So instead of settling for average performance, spend a day at the races with the VectorVest Derby!

The History of the Derby

Why is it called the “Derby?” Imagine you’re at a race track. The air is full of anticipation and excitement. You’ve studied your racing form, picked your ponies and placed your bets. The horses are at the gate and the race is about to begin. Suddenly the gun goes off. The horses break out of the gate and your heart pounds as you anxiously wait to see who will make it to the finish line first.

Chairman and Founder of VectorVest, Dr. Bart DiLiddo, recognized that the exhilarating experience of the racetrack bore a striking resemblance to the one enacted by traders and investors the world over. The enthusiastic scanning for ‘winners’, the hope, the fear, the joy and despair that are lived out every day as the opening bell rings and the stock market springs into action.

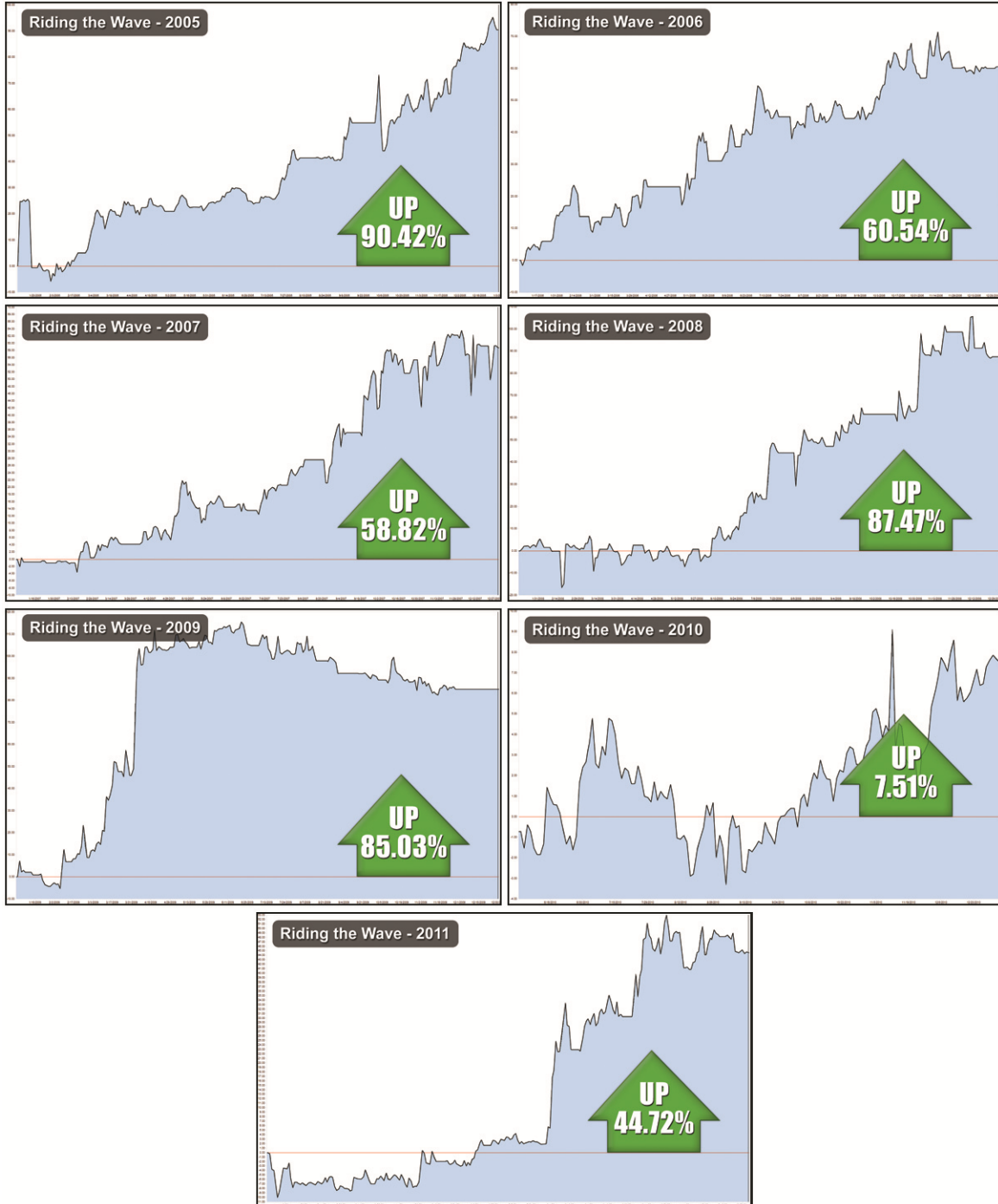
As a trader, however, you have a tremendous advantage compared to a bettor at the track – *you don’t have to place your bets before the race begins*. You can sit back and watch who’s leading and who’s struggling to keep up before making any decisions that will impact your bottom-line. New winners are breaking-out all the time in the market. All you have to do is find them and this is what led Dr. DiLiddo to create the method that eventually evolved into the incredible Derby tool used today.

Finding the Best Strategies

For years, Dr. DiLiddo used a simple method based on the races to find the best strategies for VectorVest’s wildly successful ‘Riding the Wave’ Model Portfolios. Year-after-year he was able to pick stocks for explosive profits that far exceeded the benchmark results of the S&P 500.

He accomplished this by choosing several of the VectorVest searches, a.k.a. strategies that he liked. He would simply run each search then put the top 10 stocks from each one into separate “paper” portfolios so he could monitor their performance from the market’s open. The opening bell rang and the race was on! An hour or so after the market was open the portfolio that had

the most winners and highest gain was declared the winner. This was the portfolio Dr. DiLiddo made his actual trades from. The result was phenomenal; waiting to see which paper portfolio had the best performance consistently identified the best stocks and strategies to trade.



This method of trading was so profitable that it was shared with VectorVest members in several Strategies of the Week tutorials, including ‘Best Strategies: How to Find Them’ available at <http://www.vectorvest.com/beststrategies>.

In 2008, using the Derby method became even easier with the release of VectorVest 7. The new QuickFolio feature enabled users to create portfolios in seconds. This opened up a whole new world. The more strategies tracked, the bigger and better the winners were that were discovered. As Dr. DiLiddo wrote in the Views:

“What I really like to do is create a variety of QuickFolios of stocks on any given day and see how they break out of the gate. Then I’ll cherry pick my trades from stocks in the best performing up or down QuickFolio.” –VV Views 12/5/2008

This technique was demonstrated in a Strategy of the Week presentation titled, “VectorVest RealTime Derby: How We Pick a Winner” available at <http://www.vectorvest.com/pickwinners>.

As great as the new QuickFolio feature was though, there was still a very human limit of how many portfolios a trader could feasibly review when it came time to pick a winner. Of the nearly 200 strategies available in VectorVest 7, the best strategies and biggest gainers might still be missed, and so the VectorVest RealTime Derby was developed and released.


The VectorVest Derby tracks, ranks and displays the daily performance of 190 10-stock portfolios, tick-by-tick, from the opening bell to the market’s close. At the market open, each portfolio’s daily gain or loss is tracked in real time and the portfolios are continuously ranked by their overall performance every second of every trading day. The cover of this report shows a screen shot of the Derby with the day’s current leaders at the top. As the day progresses the Derby’s results constantly change and the new leaders percolate to the top of the list. The results can be measured based on the price change from the open or the previous night’s close. This means that you’ll always know which strategies are performing best for the day at the *exact moment* you want to trade.

The data from each day’s performance is stored in the Derby Tote Board which shows an array of performance metrics as well as the cumulative performance of any portfolio over any time period. All of this information is available effortlessly, just by clicking on the Derby Tab in VectorVest RealTime. With the information that the Derby provides, you’ll never again be at a loss on which strategies or stocks to choose for your portfolio.

Exercise 1 – Finding the Right Strategies (Manual)

To gain a better understanding of the Derby, try the same manual process that Dr. DiLiddo used to manage the early Riding the Wave Portfolios.

1. Check to see if the Primary Wave is Up or Down to determine whether you should focus on long (up) or short (dn) searches.



Color Guard						
Date	Price	RT	BSR	MTI	Trend	Call
Feb 23	28.891 (G)	1.07 (Y)	3.13 (G)	1.61	UpUp	C/Up
Feb 22	28.731 (Y)	1.05 (Y)	2.84 (Y)	1.61	UpUp	C/Up
Feb 21	28.823 (Y)	1.06 (Y)	3.02 (Y)	1.63	UpUp	C/Up
Feb 17	28.824 (G)	1.10 (Y)	3.58 (G)	1.63	UpUp	C/Up
Feb 16	28.796 (G)	1.10 (Y)	3.47 (Y)	1.62	UpUp	C/Up
Feb 15	28.484 (Y)	1.07 (Y)	3.12 (Y)	1.59	DnUp	C/Up
Feb 14	28.563 (Y)	1.09 (Y)	3.32 (Y)	1.61	DnUp	C/Up

2. Click on the UniSearch tab and select a search to run. If you're not sure which search to pick, try choosing by Group or click on the 'Views' tab and choose from the strategies that are mentioned in the newsletter.
3. Once you've run the strategy, highlight the top 10 results, right-click and choose 'QuickFolio...'
4. Edit the QuickFolio Window by typing a name for your portfolio (we suggest the strategy name and date), initial investment, commission and whether you would like to buy long or sell short.
5. Repeat steps 2-4 until you have created 3-4 Quickfolios using different strategies. You can monitor the performance of your QuickFolios on the 'Portfolios' tab.

After a period of time (hours or days), declare your winning strategy.

Which strategy showed the highest overall gain?

Which strategy had the highest number of profitable stocks?

Which strategy had the steadiest performance?

Continue tracking your winner to see whether or not you would have made money.

Getting Around: The Derby Tour

The Derby Tour

The RealTime Derby displays an incredible amount of information in a simple, intuitive format. Familiarizing yourself with the layout and features will help you get the maximum benefit from this powerful tool.

The *Derby Summary* shows composite performance of all the strategies and the component bullish and bearish searches. Looking at the side panel instantly reveals whether the bulls or the bears are in control of the market. (Fig.1 Arrow 1-Derby Summary)

Figure 1. Derby View displays all the strategies in rank order by total percentage gain. Calculation of the gain can be customized from the previous day's close or the current day's open. (Fig 1 Arrow 2- Derby View)

Figure 1



Figure 2. Split View groups the Bullish strategies together and the Bearish strategies together displaying both in side-by-side panels. In Split View it's easier to see changes in either group, making it ideal for day traders trying to fade gaps or take advantage of intraday trend reversals.

Figure 2

Bullish Searches			
Name	Type	% Winners	% G/L
Rising Slope	Long	80 %	3.83 %
Murphy's Law	Long	80 %	3.26 %
Explosive EPS Stocks II	Long	80 %	3.02 %
Maximal Growth Stocks	Long	80 %	2.98 %
AC's Climbers	Long	80 %	2.61 %
Langer's Longs	Long	70 %	2.61 %
Show Me the Money Long	Long	40 %	2.57 %
Best New Stocks	Long	80 %	2.51 %
Best New Stocks II	Long	88 %	2.28 %
Bear Market Bumper	Long	70 %	2.20 %
Loewenthal's Express	Long	80 %	2.18 %
Myer's Bottom Feeders/SMB	Long	70 %	2.18 %
Apple's Wings	Long	50 %	1.89 %
Feeding Firework Stocks	Long	80 %	1.81 %
Silber's Single/SMB	Long	80 %	1.73 %
Bottom Feeding in Rising Industries	Long	100 %	1.72 %
AC's Percent Price Poppers - RT Acc.	Long	40 %	1.58 %
Jail Break - No Corrs ETFs	Long	70 %	1.52 %
Thomson's Thunder	Long	50 %	1.49 %
Explosive GRT & EPS Stocks	Long	70 %	1.45 %
Best Babies	Long	90 %	1.48 %
Follow the Money	Long	40 %	1.43 %
Pirates - Long	Long	50 %	1.40 %
HCIP Favorites	Long	80 %	1.34 %
BP - c>B, c<E, +B, -B, +B	Long	60 %	1.31 %
VST Stocks	Long	70 %	1.26 %
Russell 2000 RT	Long	50 %	1.25 %
VST Giants	Long	70 %	1.25 %
El Cheapo	Long	80 %	1.20 %
Aggressive Small Fry	Long	70 %	1.17 %
Buttwa Up	Long	90 %	1.17 %
Seattle Bear Beaters	Long	50 %	1.12 %
New Buys	Long	60 %	1.07 %
Three Volume Winners SC	Long	20 %	1.00 %
Explosive EPS Stocks	Long	70 %	0.98 %
Tessons Tigers	Long	90 %	0.97 %
Best New High/SMB	Long	80 %	0.97 %
Rising ETFs	Long	80 %	0.97 %
Explosive Breakout Formations	Long	60 %	0.96 %
S&P500 SmallCapRT	Long	70 %	0.94 %
Aggressive	Long	70 %	0.93 %
Use The Rules Long	Long	80 %	0.91 %
BP +c>... -B	Long	60 %	0.91 %
Disorder Plays	Long	80 %	0.89 %
BP -c>... -B	Long	60 %	0.89 %

Bearish Searches			
Name	Type	% Winners	% G/L
Sector Peak - Short	Short	60 %	0.47 %
Pirates - Short	Short	30 %	0.15 %
Off the Cliff	Short	100 %	0.12 %
Over the Hill	Short	0 %	0.00 %
Sinking Sectors	Short	0 %	0.00 %
Q&Q Follows Short	Short	30 %	-0.03 %
Seto's Hook & Sinkers	Short	44 %	-0.07 %
Sinking Sectors II	Short	0 %	-0.02 %
Steady Stocks to Sell Short	Short	33 %	-0.05 %
Duck Hunting with Sell/Gap	Short	30 %	-0.06 %
New Sells	Short	20 %	-0.40 %
Worst Stocks Over \$20.00	Short	50 %	-0.35 %
Easy Does It - C/Dn	Short	80 %	-0.44 %
Vann's Volsters	Short	40 %	-0.68 %
Doag's Downers	Short	40 %	-0.69 %
Buying Corrs ETFs	Long	10 %	-0.76 %
Short Sellers	Short	40 %	-0.79 %
Flocks of Stocks Heading Down	Short	30 %	-0.83 %
Crash Leaders	Short	10 %	-0.87 %
Worst Performers <\$10.00	Short	17 %	-0.88 %
Bullish New High-Short	Short	20 %	-0.92 %
Downhill Flashes	Short	20 %	-0.93 %
Stocks to Sell Short	Short	25 %	-0.97 %
No Mo Mojo	Short	40 %	-0.97 %
Hold Your Nose	Short	30 %	-1.00 %
Triple Breakers	Short	30 %	-1.00 %
Show Me the Money Short	Short	20 %	-1.04 %
Worst Performing Corrs ETFs - C/Dn	Long	10 %	-1.08 %
IG Plungers	Short	20 %	-1.11 %
Mini Hookers Short	Short	30 %	-1.11 %
Doag's Downers Supercharged	Short	30 %	-1.22 %
Gravely	Short	60 %	-1.28 %
Worst Stocks Over \$10	Short	20 %	-1.27 %
No Mo Mojo - Inverted	Short	40 %	-1.49 %
Seto's Sinkers	Short	20 %	-1.85 %

Figure 3. Clicking on any strategy name in Split View or Derby View will display the stocks in the portfolio and the equity curve. Favor strategies that have a smooth, consistently rising equity curve.

Figure 3



The *Tote Board*, shown in Figures 3 and 4, records the daily performance statistics of every Derby strategy. The stored data can be compiled and accessed in seconds for any date range.

By default, the Tote Board will reflect information for the last 5 trading days, ranking each strategy in order by highest total gain to lowest. The date range can be customized simply by clicking on the date window and selecting new start and end dates using the calendar.

Figure 4

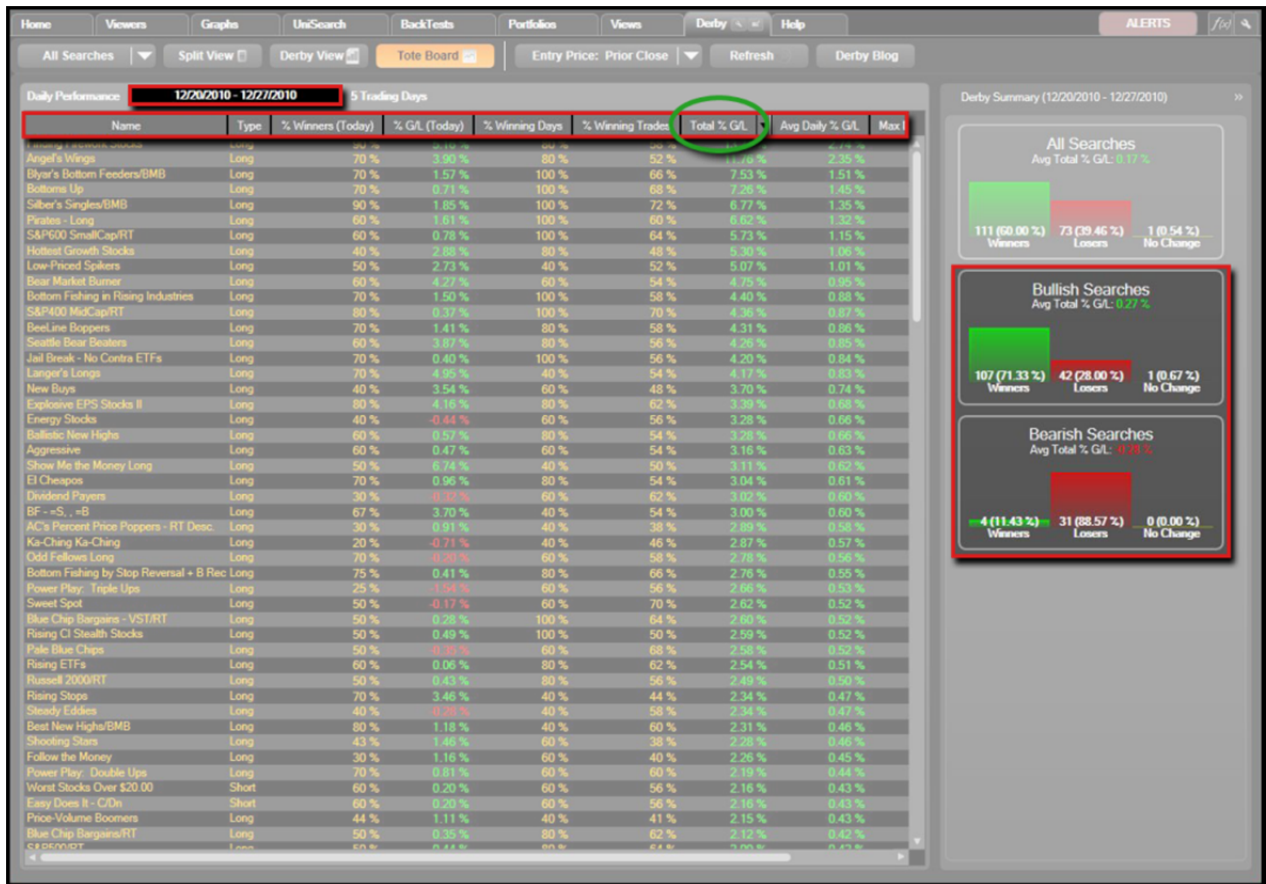
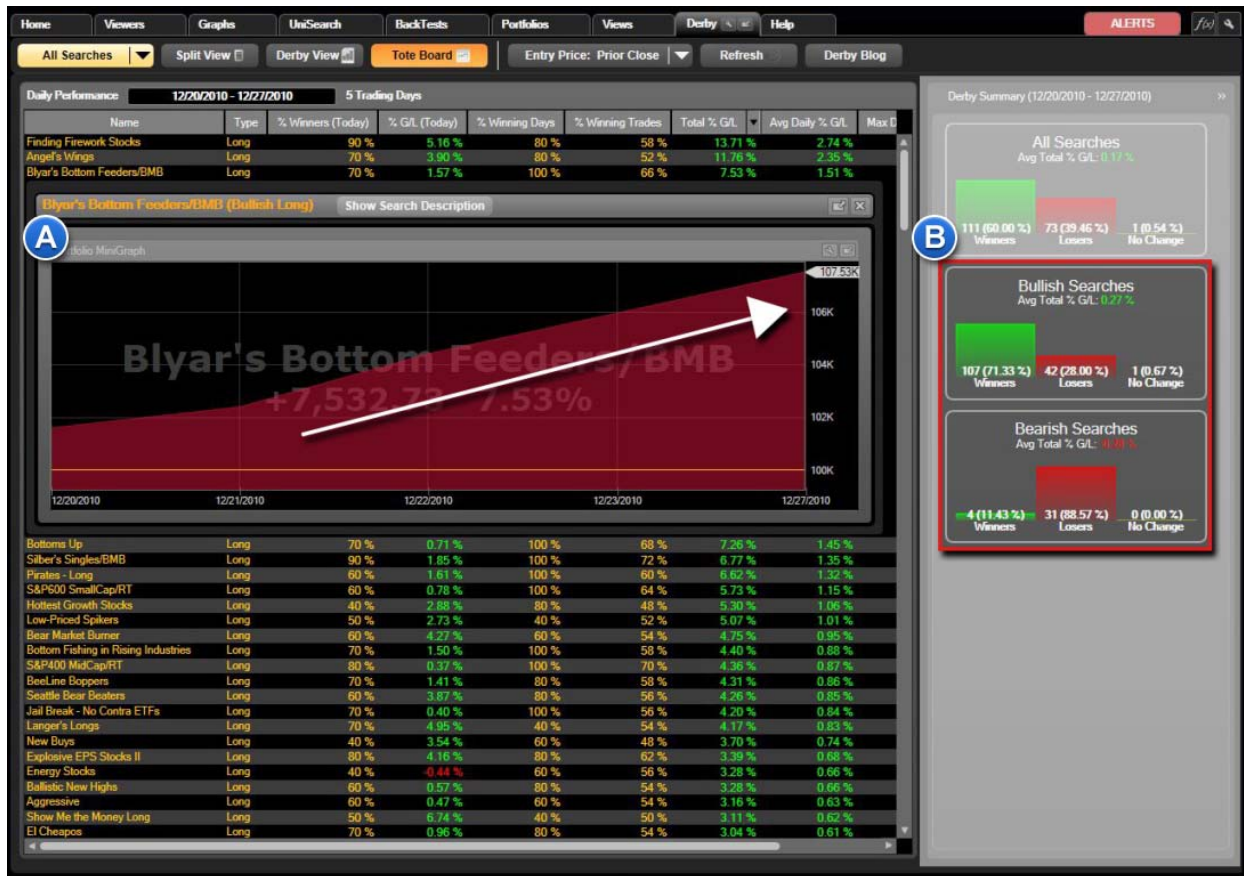


Figure 4. Clicking on any column heading will re-rank the strategies. Strategies can be ranked by type (Long/Short), % Winners (Today), % Winning Days, % Winning Trades, Total % Gain/Loss, Average Daily % Gain/Loss, Max Drawdown, as well as their Efficiency. All information is calculated based on the cumulative performance of each strategy over time.

Figure 5-A. Clicking on a Strategy name will display the portfolio equity curve comprised of the cumulative performance over the time period selected. Once again, you want to favor strategies that display smooth rising performance.

Figure 5



Summary information for the percentage of winning Bullish and Bearish strategies is displayed to the right of the Tote Board (Figure 5-B). This information can be useful when analyzing the market's overall trend performance for extended holding periods.

When to Buy: Timing the Market with the VectorVest Derby

When to Buy: Timing the Market with the Derby

Market direction is the key to making money in stocks. Through more than two decades of experience, VectorVest has found market direction to be the most powerful influence on a traders' success. And while the VectorVest program offers multiple timing indicators, such as the Primary Wave mentioned in Exercise 1, the Derby itself may be the most insightful market timer of all.

The Derby Summary provides the answer to whether the market is trending up or down in a way that no other technical indicator can compare. Every tick of every Derby-ready strategy is tracked and tallied to reveal a total percentage of Bearish Winners/Losers and Bullish Winners/Losers. A deep understanding of the market's direction can be ascertained by a simple performance comparison of these two groups. You'll find this performance detailed on the Derby View tab for the current day and on the Tote Board tab for longer periods of time.

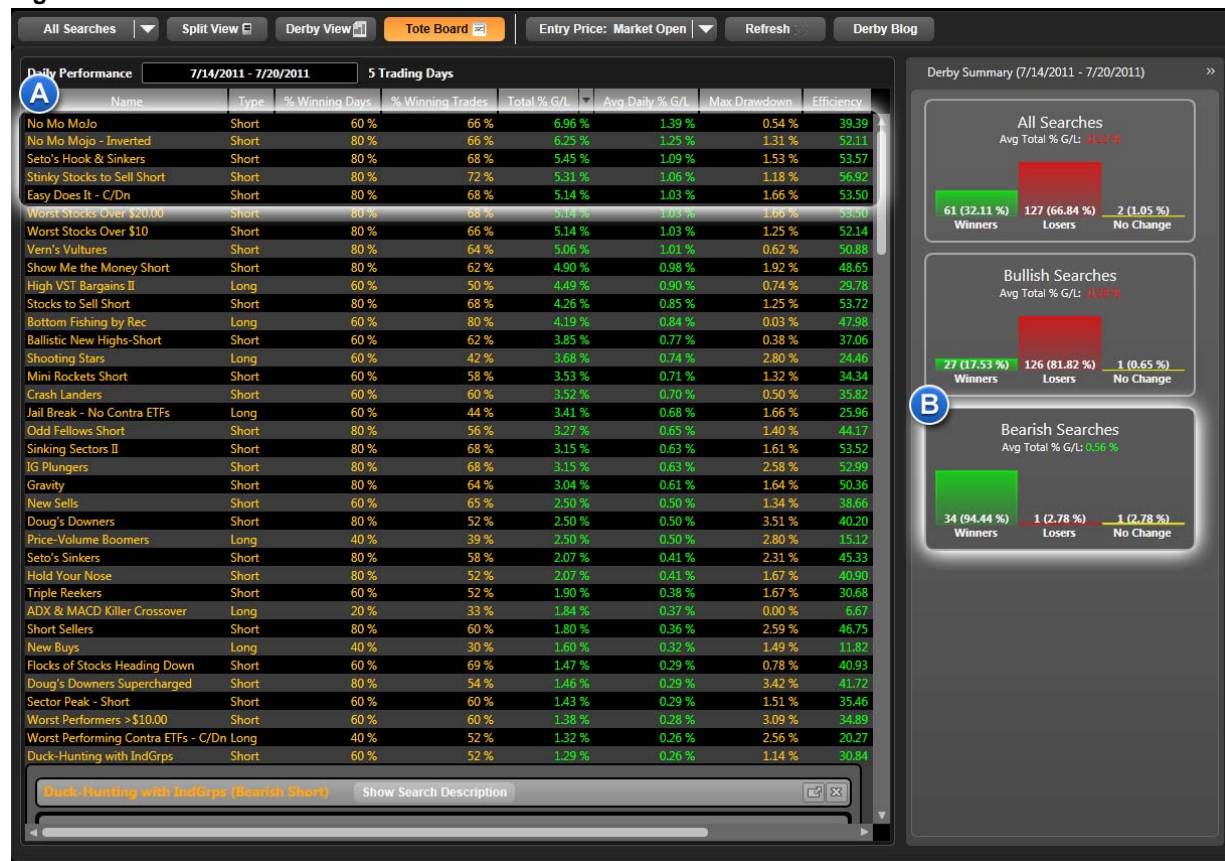
Figure 6



A terrible correction ensued in the summer of 2011 (Figure 6). The DOW hit an intraday high of 12,751.43 on July 21, 2011 before plunging more than 2,000 points to stabilize at 10,686.49 on August 10, 2011. The severity of this downtrend caught most traders by surprise, but the Derby was already sensing a change in the market's dynamics.

Despite the market moving higher as it approached July 21, 2011, the 5-day Tote Board results showed that shorting strategies maintained a strangle-hold on the market. As of July 20, 2011 (two days before the correction began), the top five strategies with the highest 5-day gains were all shorting strategies (Figure 7-A). The Derby summary for this 5-day period showed a staggering 94.44% winning bearish strategies, while only 17.53% bullish strategies were winning (Figure 7-B). Follow-through was established on July 26, 2011 when the number of Bearish Strategies winning that day surpassed the Bullish Strategies 55.56% to 35.71%.

Figure 7



As previously mentioned, the downtrend would come to an end on August 10, 2011 and the market would proceed to move sideways in a trading range for a short time before taking off on another bull run. How did the Derby reflect this?

By August 12, the Derby 5-day Tote Board Summary showed that the Bulls had regrouped and were starting to fight off the Bears with 59.74% Bullish strategies winning versus 55.56% Bearish strategies winning. Moving forward one trading day, to the 5-day period ending August 15, 2011, Bullish strategies managed to completely overpower the bearish strategies with 88% winners compared to less than 3% Bearish strategies winning (Figure 8-A).

Figure 8



Using this timing information, we could have covered our short-positions and prepared ourselves to take advantage of the market's reversal. The strategies best suited to this newly developing trend were also identified by the Derby, ranked by their 5-day cumulative gains on the Derby Tote Board. These included bottom-fishing strategies like Russell2000/RT and Blyar's Bottom Feeders both of which showed outstanding short-term gains of more than 12% in as little as two-weeks, a 276% ARR. (Figures 9 and 10).

Figure 9

QuickTest - Russell 2000/RT

8/15/2011 - 8/31/2011 Run Test Reset Sort

Record Count - 10 (8 Winners, 2 Losers, 0 Even)

Symbol	Begin Price	End Price	% Price C	Total ARR
PRMW	4.66	7.07	51.72%	1,179.79%
IPSU	7.70	8.96	16.36%	373.30%
MTG	2.24	2.60	16.07%	366.63%
STXS	1.16	1.30	12.07%	275.32%
HMPR	7.19	7.86	9.32%	212.58%
BMTI	3.12	3.33	6.73%	153.55%
TSPT	3.06	3.24	5.88%	134.19%
NABI	1.80	1.89	5.00%	114.06%
GTIV	7.63	7.61	-0.26%	-5.98%
FRO	7.93	7.79	-1.77%	-40.27%

Average: \$4.649 \$5.165 12.11% 276.32%

Compare To: DJI

Symbol	Begin Price	End Price	% Price Cha	Total ARR
DJI	11482.90	11613.53	1.14%	25.95%

Figure 10

QuickTest - Blyar's Bottom Feeders/BMB

8/15/2011 - 8/31/2011 Run Test Reset Sort

Record Count - 10 (7 Winners, 3 Losers, 0 Even)

Symbol	Begin Price	End Price	% Price C	Total ARR
PRMW	4.66	7.07	51.72%	1,179.79%
MILL	3.07	3.58	16.61%	378.97%
IPSU	7.70	8.96	16.36%	373.30%
MTG	2.24	2.60	16.07%	366.63%
SUNH	3.70	4.26	15.14%	345.27%
HMPR	7.19	7.86	9.32%	212.58%
TSPT	3.06	3.24	5.88%	134.19%
GTIV	7.63	7.61	-0.26%	-5.98%
COGO	2.80	2.67	-4.64%	-105.92%
SMSI	2.01	1.89	-5.97%	-136.19%

Average: \$4.406 \$4.974 12.02% 274.26%

Compare To: DJI

Symbol	Begin Price	End Price	% Price Cha	Total ARR
DJI	11482.90	11613.53	1.14%	25.95%

Exercise 2 – Timing the Market with the Derby (Main Trend)

As described above, the Derby ToteBoard is a powerful tool in establishing the short-term direction of the market. In our use of the Derby, we have found a 5-day period to best reflect the short-term but this can be customized to your trading preferences as you become more familiar with using the Derby.

1. Establish the main trend by selecting the Tote Board tab. Change the Entry Price from Prior Close to Market Open.
2. Make sure the Daily Performance reflects the last 5 Trading Days. (Customize the number of days to your preferences as you become more familiar with using the Derby.)
3. Review the Derby Summary. Make note of the winning percentage of bullish searches and the winning percentage of bearish searches.
4. Review the top 5 Strategies ranked by Total % G/L.

Analysis:

Which type of Search group has the highest percentage of winners? Bullish or Bearish Searches? _____

Is the percentage for one group significantly higher than the other? Or are both groups about equal? _____

Are the top 5 strategies all 'Short', all 'Long' or mixed? _____

Answering these questions should tell you exactly whether the bulls or the bears are currently in control of the market direction and which way you should focus your trading. If a majority of the winning searches are Bearish, the main short-term trend of the market is bearish. If the majority of winning searches are Bullish, the main short-term trend of the market is bullish. If the highest gaining strategies match this information then this provides even more significance to the short-term trend.

Exercise 3 – Timing the Market with the Derby (Confirming the Trend)

Once you've established the Main Trend using the steps in Exercise 2, you'll be ready to take action once you have confirmation of the trend.

1. On the day of trading, select the 'Derby View'.
2. Select 'Entry Price: Market Open'.
3. Check the Summary and note the percentage of winning searches for the Bearish and Bullish search groups.
4. Check the Top 5 strategies of the day.

To have strong confirmation of the main trend, the current day information should be similar to the information you gathered from the Tote Board and the Tote Board Summary. For example, if the Tote Board showed you that there were 80% winning Bearish Searches and only 5% winning Bullish Searches over the last 5 days and the top 5 biggest gainers were all short strategies, you could come to the conclusion that the main short-term trend was Bearish. If you then, moved to the Derby tab and saw that 75% of Bearish Searches were currently winning versus 3% Bullish you would have follow-through confirmation and prepare to protect long positions, short stocks and/or buy contra ETFs.

Timing the Market: Identifying Ranging Markets

Ranging markets are generally characterized by a weak trend that lasts just long enough to fool traders into opening positions before reversing. In hindsight, this sideways movement seems obvious and somewhat predictable; however, 'in the moment' these trends can be the most difficult and treacherous to navigate without the unique insight that the Derby delivers. In ranging markets the main trend will often be less distinct and show a mix of bearish and bullish performers – for example, there may be 63% Bullish Searches winning and 48% Bearish Searching winning. While a 'winner' can be declared, the performance gap between the two is much less distinct than in our previous examples. Another indication of a ranging market would be a mix of Bullish and Bearish strategies showing up in the Tote Board's 5-day highest performers.

In February 2012, the market rally ran out of steam but this wouldn't become apparent to most traders until months later when on May 2, 2012 the market closed at almost the exact price it had months ago. Would the Derby have helped identify this situation earlier?

Exercise 4 – Timing the Market with the Derby (Trading Ranges)

1. Select the Derby Tab and move to the Tote Board. Make sure the Entry Price is set to Market Open.
2. Change the date range to begin 2/17/12 and end on 2/24/12. The Tote Board should recalculate to show the performance information for the five trading days ending 2/24/12.
3. Check the Derby Summary information on the right panel. Note the percentage of winning Bullish Searches vs. winning Bearish Strategies.
4. Check the strategy ranking to see if the highest 10 strategies ranked by Total % G/L are long, short or a mix.

You should see that there were 33% winning Bullish Searches and 36.11% winning Bearish Searches during the five trading days ending February 24, 2012. The two highest gaining strategies were Blyar's Bottom Feeders, a long strategy and No Mo Mojo- Inverted, a shorting strategy. A mix of long and short strategies peppered the rest of the highest gainers ranking.

The Derby identified the market's loss of direction early when trader's needed the information the most.

During trading ranges the most profitable way to play the market is day-by-day. Just follow the steps in Exercise 3 to identify the direction of the current day and trade the highest momentum strategies as a way to hedge your existing positions or as a fun way to bank some quick potential profits through day-trading.

Timing the Market: Reversal Days & Counter Trends

It's every trader's goal to identify turning points as early as possible. The big moves are made at the beginning and traders who are late to the party have a higher-risk of loss. By the same token, the longer it takes a trader to realize that the existing trend has ended, the more profit can be lost. These market turning points always begin with a reversal day, the day that indicates the tide has turned. These reversal days can be as short as a single day or they may lead to a counter trend that lasts several days. The Derby can help you identify these reversal days with a simple comparison of the prior close information to the market open information.

Exercise 5 –Timing the Market (Reversal Days – Swing Trade)

1. Select the Derby Tab and move to the Tote Board. Make sure the Entry Price is set to Prior Close.
2. Change the date range to begin 10/25/11 and end on 10/31/11. The Tote Board should show the cumulative performance information from previous day's close to the most recent date for the five trading days ending 2/24/12.
3. Note the number of Bullish Searches Winning and Bearish Searches Winning shown in the Derby Summary of the Tote Board.
4. Now, change the entry price to Market Open and watch as the Derby recalculates the performance of all the strategies. Note the change in percentages for the Bullish and Bearish winners.

The performance information from the Prior Close reveals the market's struggle to maintain the strong uptrend that had started October 4, 2011. The Bullish and Bearish Searches were showing relatively close performance with 43.51% Bullish Searches winning and 50% Bearish Searches Winning (2), but changing the measure of performance to the Market Open (4), indicated a strong likelihood of a short-term reversal with 69.44% Bearish Searches winning and only 19.48% Bullish Searches Performing over the exact same period. The best performing short strategy was 'Short Sellers' appearing third in the Tote Board's strategy results. Using VectorVest's backtester to test this strategy showed a gain of more than 12% in just one month, a compounded rate of return of 324.73% (Figure 11).

Figure 11



Day Trading Reversal Days

On May 9, 2012, the market had experienced a series of down days and had once again opened lower... but the Derby detected a different direction for the day's trend almost immediately.

Following the steps provided in Exercise 5, the Derby Summary from the previous close showed an overwhelming number of winning Bearish Searches as of 9:33 am (Figure 11). Changing the entry price to market open though, revealed a serious change in the numbers. The number of winning Bearish Strategies fell from 91.67% to just 50% and the number of winning Bullish Strategies had gone from a lowly 9.74% to more than 40% (Figure 13).

Figure 12

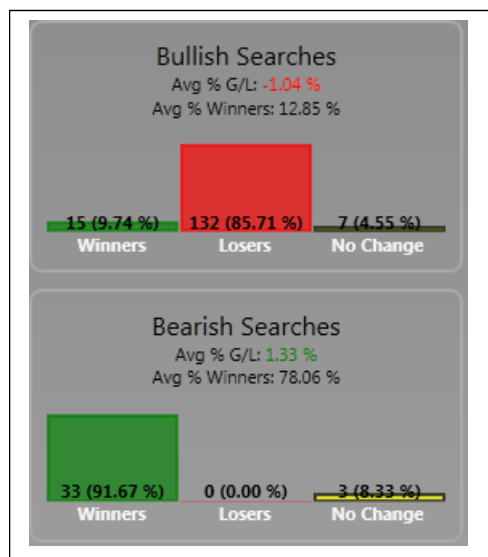
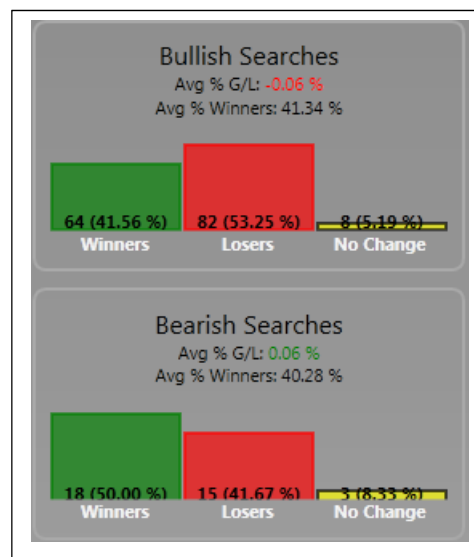


Figure 13



(cont...page 21)

We continued to monitor the market with the Derby a little longer for some additional confirmation. By 10:41 am, the number of Bullish Searches had increased to more than 56% and the top performing searches were all bullish bottom-fishing strategies (Figure 14).

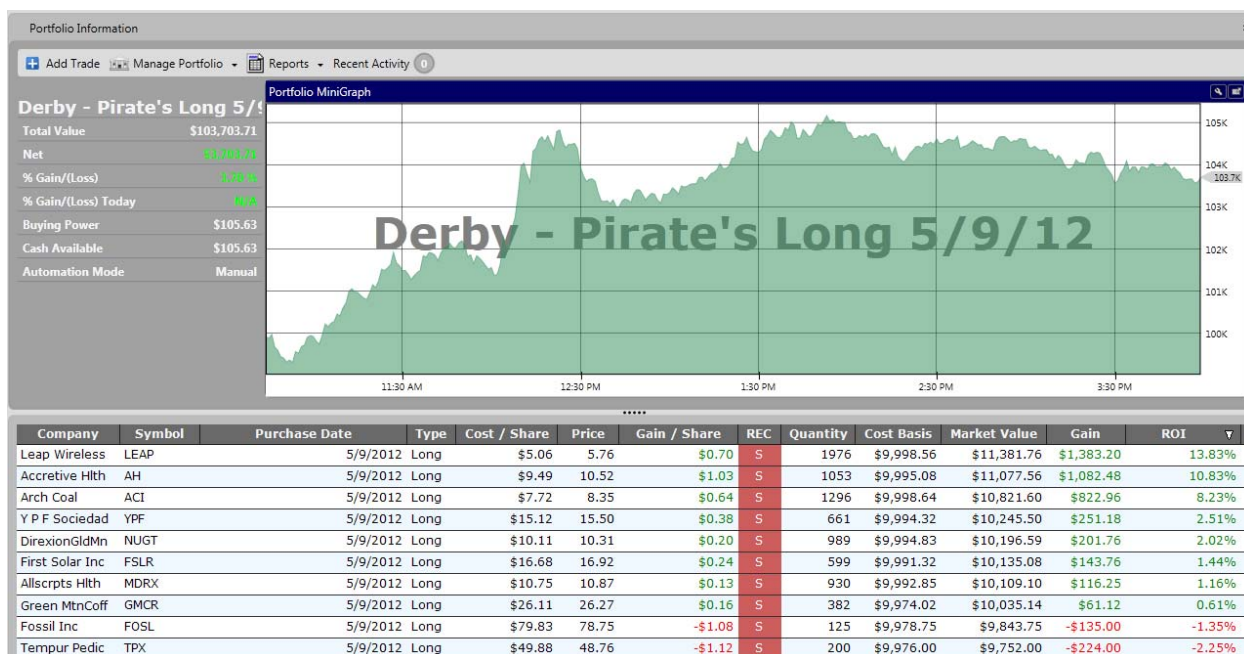
Figure 14



JailBreak, the first place Derby Strategy, had the highest gain but only 50% winners in its portfolio, so we decided to buy stocks from our second place derby winner, Pirate's Long which was already up 2.47% for the day and had a more favorable profile of 80% winners.

By the end of the current trading day, the portfolio we had created using the stock picks from Pirate's Long was up 3.70% and had been as high as 5% just hours after we opened our positions (Figure 15). There is simply no other tool that can provide traders with this level of market information.

Figure 15



Exercise 5 –Timing the Market (Reversal Days – Day Trade)

1. Select the Derby Tab and move to the Derby View. Make sure the Entry Price is set to Prior Close. (This can be performed at any time of the day to sense reversals)
2. Make a note of the number of Bullish Searches Winning and Bearish Searches Winning shown in the Derby Summary of the Tote Board.
3. Change the entry price from Prior Close to Market Open and watch the Summary numbers change as the Derby recalculates the performance of all the strategies. Make a note of the new percentages for the Bullish and Bearish winners.
4. Compare the Summary results that you noted from step 2 and step 3. If a different group is winning using the Market Open information compared to the Prior Close information then you have identified a potential reversal day. Trade in the direction indicated by the Market Open information.

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