

# Professional Flux Tool Set

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BacktotheFutureTrading.com

**Product:** Predictive time-based intraday price turning points for futures, stocks, forex, and commodities.

**Requirements:** NinjaTrader 6.5 or 7, TradeStation, or MetaTrader 4 charting platform with real-time datafeed. A minimum of 2.0 gigabytes of RAM.

**Price:** Basic Flux Tool Set: \$1,995 includes a lifetime license and upgrades. Professional Flux Tool Set: \$2,495 one-time fee includes a lifetime license and upgrades.

by Barbara Star, PhD

**B**en Letto, the computer programmer and creator of the Flux tools, has discovered a way for traders to view potential intraday price turning points that occur in the future. He has produced indicators based on predictive algorithms that harness the buying and selling behavior of institutional traders, revealing high-probability reversal times up to seven days in advance. In essence, he discovered a way to level the trading field by allowing the individual trader to peer through the tunnel of time and view potential price turning points that occur in the future.

The algorithms do this by looking back at thousands of bars of intraday data to find exact points in time when buying and selling patterns occurred on a regular basis. They identify the direction and magnitude of those patterns and use that information to predict future intraday market turns. Unlike fixed cycles that use measurements based on a specific number of days or data bars, the Flux indicator set detects repetitive patterns of institutional and large-scale trading behavior that tend to move the markets throughout the day.

And unlike optimization or curve-fitting, the Flux algorithms compare minute by minute and day after day of historical data to display only those patterns that repeat with enough frequency to show up clearly on a computer screen.

What that means for the general retail trader like you and me is the potential to know what days would be the best for trading and when during the day are the best times to be in or out of the markets.

This review uses the Ninja Trader 7 charting platform with Kinetick real-time data to focus on the Professional Flux Tool Set, which contains all the predictive trend, momentum, and volume indicators currently being offered. See sidebar on page 53, "Professional Flux Tool Set," for a list of the tools.

## THE FLUX TOOL SET

As a spot currencies analyst, Letto noticed there were frequent times during the day when reversals occurred. He developed a tool that looked for the high-frequency turning times in a market. That tool became the engine for determining the predictions made by the Flux indicators.

The Flux tool set refers to six indicators: the PowerZone, the advanced MACD (AMACD), the advanced commodity channel index (ACCI), the advanced stochastic (ASTOCH), the advanced double stochastic (ADDOUBLESTOCH), and advanced volume (AVOL). The indicators can be used with bar charts, candlestick charts, range charts, and tick bars.

In contrast with most trading indicators, the Flux tools look at time, not price levels. They are concerned with "when" rather than "how much." The statistical analytic measures that are used look back a minimum of two weeks to identify the time of day when prices have tended to reverse. They then project those findings a week into the future. "Our algorithm," said Letto, "yields a minute-by-minute momentum fingerprint of the market, and it was finalized a week ago. Last Tuesday,

it did this. If today is Tuesday, will it match the same fingerprint?" According to observations made by BacktotheFutureTrading.com information manager Michael Lydick and trainer Ron Gardner, the Flux tools tend to match those reversal points at least 60% of the time. They offer some evidence of this in the performance section of the website.

## THE FLUX TOOLS

The PowerZone is the trend-identifying component of the tools. It is displayed as a histogram above and below a center line, which displays price movement swings as they occur during the day. The higher the histogram bars above the line or the lower the bars below the center line, the more significant it is. The program automatically places a time stamp on the histogram at those high and low points.

Based on the well-known momentum indicators, the AMACD, ACCI, AStoch, and the ADoubleStoch each identify the smaller moves that occur during the day. The standard parameter names are present, with the output presented as a histogram, and the peaks and valleys of that histogram being time-stamped with their time of day for ease of reference. The time of day for each of these historical momentum turning points becomes the predicted time of future momentum changes. The AVOL algorithm detects significant volume patterns based on historical data that is then projected into the future to predict potential volume shifts.

## THE FLUX SETUP

Installation is a breeze because it is done for every new purchaser by a company representative who also explains the function and parameters of each indicator as it is installed. However, do-it-yourselfers can use the installation video link that is also provided. Installation includes several templates that provide the basis for useful indicator and trading strategy setups.

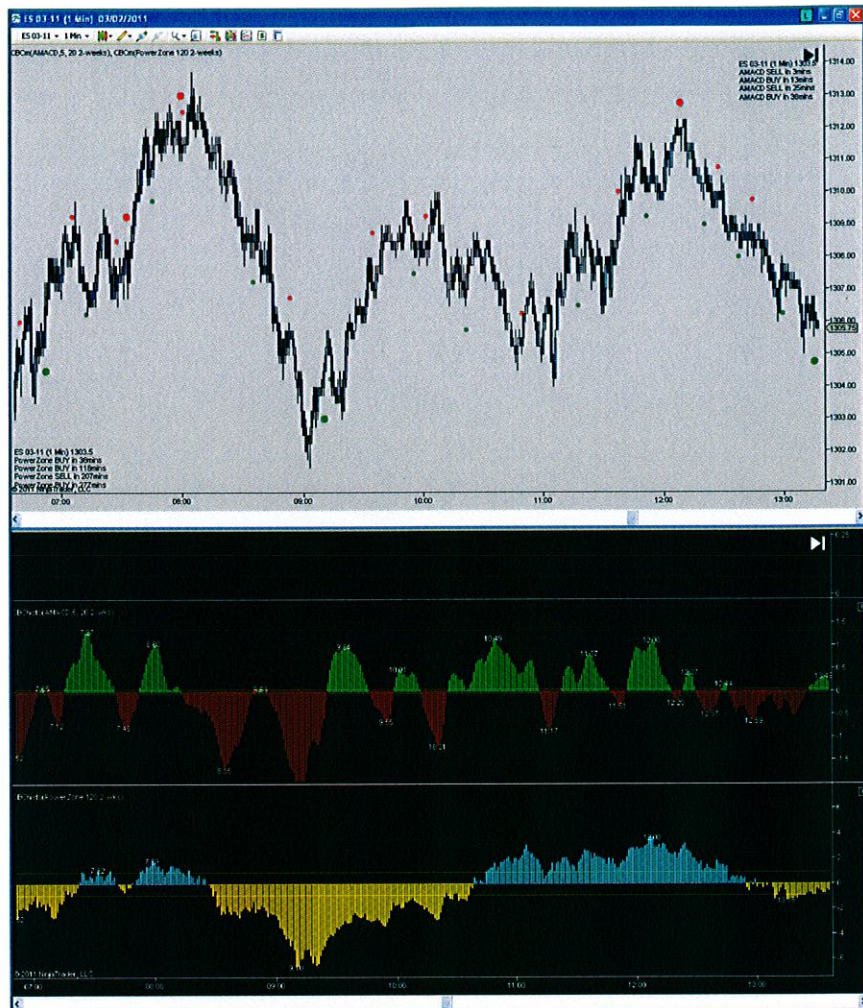
To start to gain an understanding of

the Flux algorithm, it is helpful to view the seven-day-old predictive histogram along with a current time price chart, and this can lead to a complex chart setup. Unfortunately, none of the charting platforms permit one chart containing both the current price and a seven-day-old histogram. Thus, the basic template contains two charts on the same monitor screen or within the same workspace. The top chart displays price data and the bottom chart displays the Flux histograms of the PowerZone and the AMACD (see Figure 1).

Because it is necessary for the software to look back in order to project future changes, users need to scroll back one week on the Flux chart to view the day of the forecasted time reversals for the current trading day and to line up the historical time of day with the current time of day. Sound confusing? It can be at first, but the program helps locate the right date and time.

The computer prints the date on the histogram chart that needs to be referenced and, in NinjaTrader and MetaTrader, colors the Flux histogram bars only on both the current day and the date seven calendar days ago that it is referencing. On the days not being referenced, the Flux histogram bars are gray. In TradeStation, all histogram bars remain colored; it is not possible to gray the histogram bars on nonreferenced days. However, all the charting platforms generate a dashed vertical line on the Flux chart to identify the current time. Everything to the right of the vertical line is the future projection.

Fortunately, the program will transpose the information from the Flux chart to the current price chart. It does so by placing directional markers in the form of dots on the price bars at all the points in time identified by the high and low bars on the histograms made the week before. As seen in Figure 1, the larger circles are those related to the PowerZone times and the smaller dots are the momentum turns that occurred on the AMACD. In addition, on the right and left sides of the price chart, the program prints out the actual number of minutes until the next reversal is due as well as the projected direction of that reversal. When that time arrives, the program ap-



**FIGURE 1: THE BASIC SCREEN SETUP.** The upper chart contains both the current price information and the time reversal markers. The lower chart contains the AMACD histogram in the top panel and the PowerZone histogram in the bottom panel. The price markers were based on the PowerZone and AMACD time reversal histograms that were predicted a week earlier.

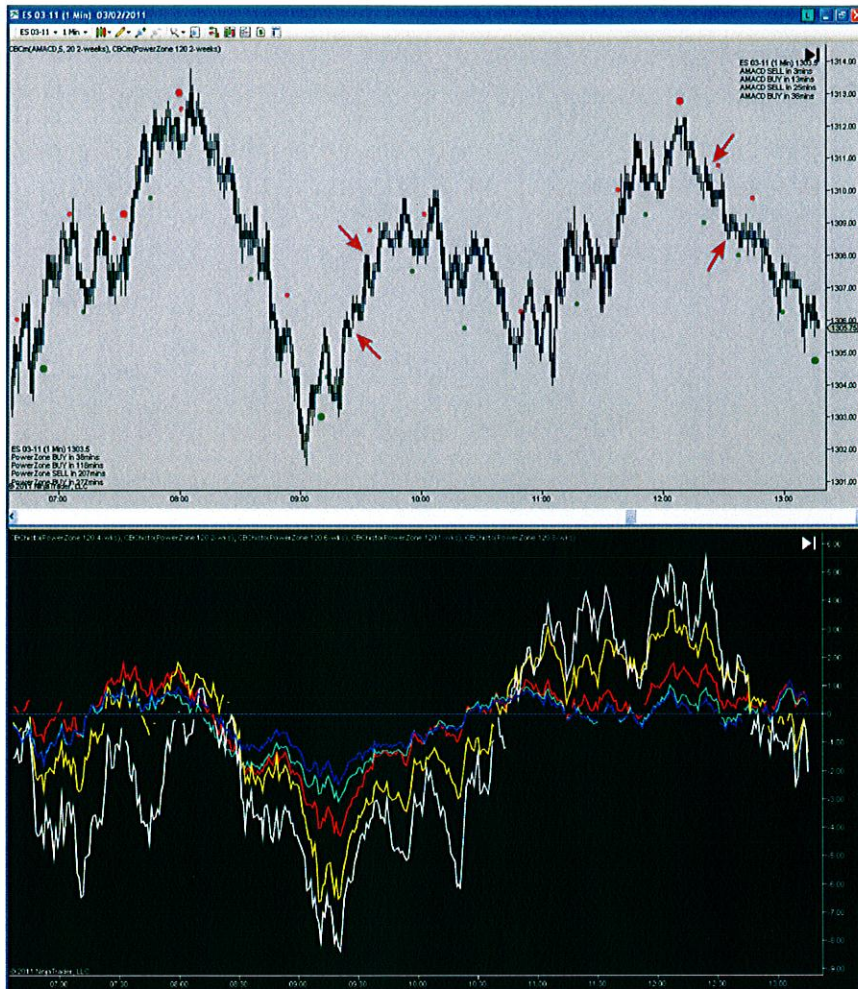
plies a circular marker above or below the price bar where it occurs and, if activated, sounds an alert. Very impressive technology when you realize that what is being seen on the current price chart was based on analysis of information gathered two weeks earlier (seen in the Flux chart below price), finalized at the end of that time, and available for viewing a week in advance before the current trading day even existed.

All of the other indicators in the Flux tool set may be displayed in the same way — as histograms on the lower chart and as markers plus projected turning points on the price chart. When their turning times occur either at, or near, those of the PowerZone reversal times, they assume more significance. Although the actual algorithms are proprietary, the

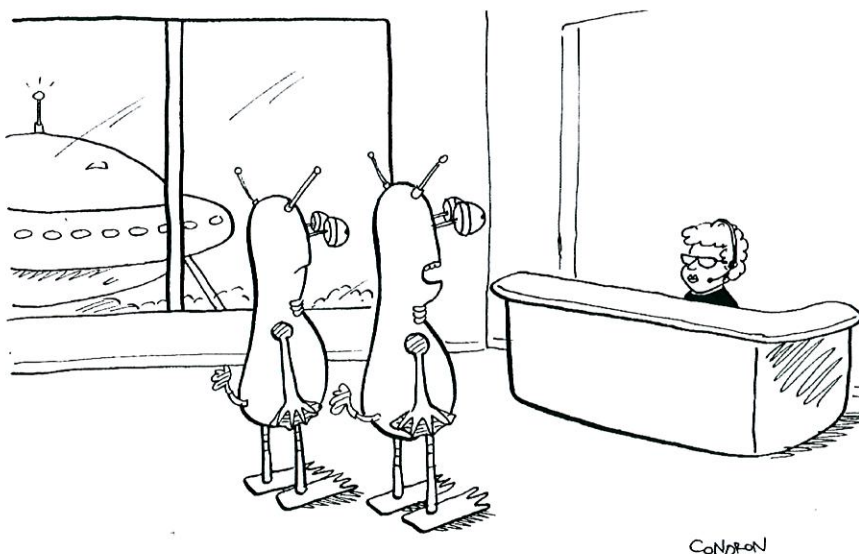
parameters for the indicators are made known to purchasers of the product and may be changed to better suit their trading needs.

## FILTER AND TIME SETUPS

Stocks, commodities, indexes, and forex markets are measured in different pricing units such as tenths, quarters, or hundredths of a point. The program automatically plots the proper scaling for each indicator and type of market. Each indicator also has a filter above and below the center line, which allows the user to filter out small or choppy reversals and to determine the number and size of the reversals to watch. The location of the upper and lower filter levels need to be set by the trader. One filter level may work fine on several charts, or the filter



**FIGURE 2: THE HIGH-PROBABILITY ENTRY (HPE) TOOL.** The colored lines on the HPE chart represent a series of past PowerZones that range from one to eight weeks. When all the lines are moving in the same direction, there is a high probability that price will reverse and move in that direction. I drew arrows on the price chart when the HPE lines were confluent to the upside from 9:21 to 9:39 am and to the downside from 12:23 to 12:33 pm Pacific time.



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*"Take us to your leader. We want to discuss outsourcing possibilities."*

may need to be changed manually from chart to chart. For those who trade a few markets or the same markets each day, that is not a problem. But it could slow down those traders who typically like to flip through a different list of several charts each day.

Because of the nature of the algorithm used, these tools support intraday analysis only. And the tools leave blank spaces on a chart during periods when no intraday data is available. The base setup uses a default of one-minute data for the Flux tools and the price charts. However, that time frame may be changed, and it has been successfully used up to a setting of 240 minutes (four hours). Depending on the charting platform, the calculations may also be set and displayed as tick or range bars.

### SPECIAL TIME AND MARKET FEATURES

In TradeStation and NinjaTrader7, the Flux tools offer two features not often found in software programs. One is the ability to cross-reference time frames. For example, it is possible to plot five-minute markers on a 20- or 30-minute price chart and to see the circular markers for both time frames. This can be done using any combination of time periods.

The second unique feature is the ability to identify intermarket relationships. An example might be to display a price chart of a stock but apply the markers from the emini S&P to the same chart. That allows the trader to see how well the stock reversals compare to the turns in the broader market. The same could be achieved comparing two indexes or a stock and a sector.

### OTHER FLUX TOOLS

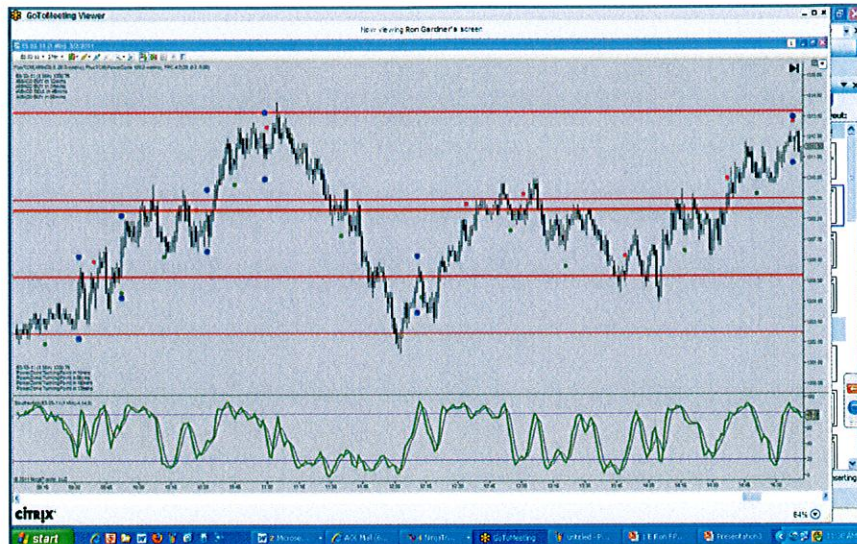
**High-probability entry (HPE):** This tool is especially useful for traders who are unable or might not wish to watch the market throughout the trading day. The HPE overlays multiple PowerZone indicators of different lookback intervals to help find specific times over the course of several weeks or even months when price always moves in the same direction during a trading session. The program can combine and average up to 10 weeks of historical PowerZone data. For example,

## The Professional Flux Tool Set contains predictive indicators that work with intraday data to add the dimension of time.

an HPE line of six combines and averages all the PowerZones of the past six weeks. It is the most memory-intensive of all the Flux indicators and requires up to 60 to 70 days of historical intraday price data to fully implement.

The bottom chart of Figure 2 shows the HPE in its default configuration of one-, two-, four-, six-, and eight-week lookback periods. Each colored line represents a different interval. The trader looks for an extreme high or low on the lines, which are then followed by directional agreement among all the lines. For trading purposes, all the lines should point in the same direction for at least 10 minutes. On this chart, an easily recognizable area of confluence occurred at 9:21 am Pacific time and remained in effect for almost 20 minutes.

Historically, when all the lines are in agreement, there is a high probability that the market will move in the anticipated direction. Price action and other technical indicators need to confirm the expected reversal.



**FIGURE 3: FRACTAL PIVOT CONFLUENCE (FPC).** The FPC produced the red intraday support and resistance lines based on market structure pivots. The blue dots are an example of neutral nondirectional PowerZone reversal markers. The red and green dots are AMACD directional markers. A regular 14-period stochastic indicator was added to illustrate how the time-based Flux tools can assist in the identification of price reversals.

**Fractal pivot confluence indicator (FPC):** As its name indicates, this tool provides price pivot levels. But these pivots are not the same as the well-known floor traders pivots based on a mathematical formula. The FPC pivots are based on price structure — that is, actual price levels where prices historically stopped and changed direction (see Figure 3).

Select a time of day at which to start for the FPC and every trading day it will automatically look back over the last 5,000 price bars prior to the start time,

calculate the relevant pivots, and project the lines of the top 20% forward in time to identify support and resistance. The thicker the line, the more often price has bounced off that level and is considered a more significant level of support or resistance than the thinner lines. With enough intraday historical data plotted on the chart, it is also possible to plot the relevant daily or weekly pivots.

Users may increase or reduce the number of pivot lines on a chart. They also may decide whether to base the pivot areas on the open, the close, or use the default, which is a median between the highs and lows. And depending on the charting platform, these lines can be placed on tick, volume, or range bars in addition to time-based intraday charts. It is even possible to plot the FPC on minute-based time frames while viewing a tick chart.

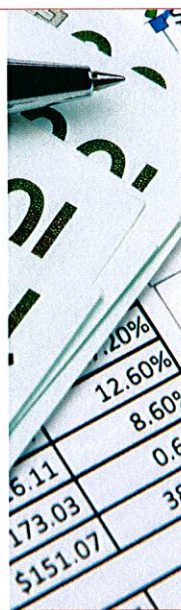
**Reverse radar:** Currently, this is the newest tool in the Professional Flux Tool Set, but it is only available on NinjaTrader. As each new price bar is displayed, the indicator takes a snapshot of the actual candles or price bars over as many as the past nine weeks and calculates the average price movement for a user-defined period of time. The tool identifies the future directional probability and number of ticks or points that price might move during that

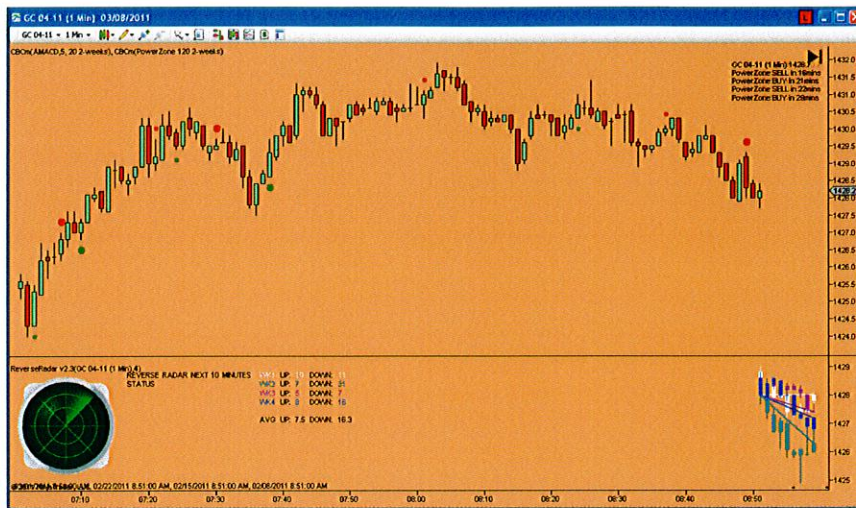
### PROFESSIONAL FLUX TOOL SET

- PowerZone Advanced Trend Indicator
- Advanced Stochastic/MACD/Cci/Double Stoch Indicator
- Advanced Volume Indicator
- Flux PowerZone and Advanced Momentum Markers
- High-Probability Entry Time Indicator Template
- Flux Multichart/Instrument Markers (tick/volume/range/cross instrument)\*
- Fractal Pivot Confluence Indicator\*
- Reverse Radar\*\*
- 30 Days' Access Resource Center with archived training videos
- 30 Days' Access Live Training Room (8 am–12 noon ET, Monday–Thursday)
- 30 Days' Access Advanced Training Room (1 pm–2 pm ET, once a week)
- Access to members chatroom

\* Available on TradeStation and NinjaTrader platforms

\*\* Available on NinjaTrader platform





**FIGURE 4: REVERSE RADAR WITH APRIL GOLD.** The colored bars on the right side identify the price direction for each week and the numbers in the up and down columns next to the green radar image represent the amount that price had moved during each of those weeks. The trader can decide whether the expected move is worth the historical risk.

time period. With this tool, traders have the ability to decide whether the expected move is worth the historical risk.

As seen in Figure 4, the chart of April 2011 gold contains the reverse radar that has been set to look back over the prior four weeks with a 10-minute intraday projection for potential price movement and direction. The colored bars on the right side identify the price direction for each of those weeks and the numbers in the up and down columns next to the green radar image represent the amount that price moved during each of those weeks.

On this chart, according to the reverse radar calculations, at that point in time, price had in the past moved down more than twice the amount that it had moved

up. Further, a PowerZone marker also appeared on the price chart two minutes earlier, which suggested a down move was probable. That increased the likelihood that a short position might be profitable, which turned out to be the case, as price declined two points over the next 10 minutes.

### TRADING AND TRAINING

Four mornings a week, Back to the Future Trading provides an online educational training/trading room from 8:00 am until noon Eastern time. An additional hour in the afternoon is provided once or twice a week for more advanced training. While most of the afternoon sessions focus on in-depth use of one of the Flux tools

and trading strategies, some also focus on important issues within the broader context of trading, such as developing a trading plan, position sizing, and money management. The afternoon sessions are recorded and archived.

Inversions may be one of the most important concepts related to the Flux tools discussed during both the live trading sessions and the advanced training sessions. Live markets will misbehave and disregard their historical patterns. An inversion occurs when price moves opposite to the anticipated direction. The software places a colored marker (usually red or green) above or below the price bars to identify the expected direction of the reversal, which might influence the traders' mindset about whether to go long or short.

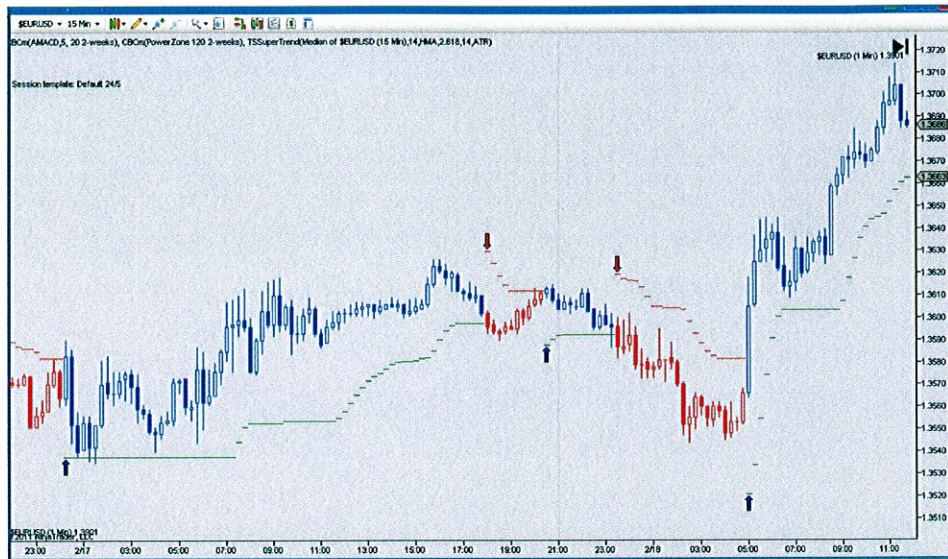
Because intraday inversions can occur, learning to wait for reversal confirmation is essential to trading successfully with the Flux. The software also offers traders the alternative of using neutral-colored markers that appear both above and below the potential reversal bar (seen in Figure 3 as blue dots), enabling the trader to plan for a move in either direction.

During the period in which this review took place, members of the chat room typically analyzed four futures markets prior to the opening bell: the emini S&P 500, the emini Russell, crude oil, and the euro contracts. For each market they looked for the reversal times predicted that day by the Flux tools. The trainer explained how to interpret the indicators, answered questions about the various charting platforms, provided guidance about ways the tools can be integrated into the users existing trading system, and encouraged experimentation and sharing of techniques for using the indicators among the attendees. The relaxed atmosphere is conducive to learning and mutual assistance, which often carries over into the member chat room.

Most traders use the Flux tools as an adjunct to their primary trading methods. They seek to find places when time and price align with their other indicators or trading signals. For those who do not have a preferred trading method already in place, the trainer offers four or five different trading indicators and strate-



*"We all jaywalk, get parking tickets, and do 60 in a 50-MPH zone. My client, likewise, did not pay attention to details regarding the filing of business taxes."*



**FIGURE 5: 15-MINUTE FOREX EUR/USD WITH SUPERTREND.** The use of a super trend indicator is one of several trading strategies taught in the training room.

gies to use with the various Flux tools. These range from scalping techniques to more trend trading possibilities. Figure 5 illustrates one of those methods with a 15-minute forex chart.

The trainer often takes trades directly from the charts based on the timing markers and some of the trading strategies, which the members in the trading room are also free to take. Because the software calculates the number of minutes until the next projected signal, there is ample time to prepare for an upcoming trade.

### SUMMARY

The Professional Flux Tool Set contains unique predictive indicators that work with intraday data to add the often-missing dimension of time. The tools identify in advance the potential buying and selling reversal times of day for the coming week. They do not, however, predict the number of ticks or amount of price movement that will occur.

The use of the Flux tools requires some basic knowledge of technical analysis and is better suited for traders with some trading experience. Those who

are looking to gain an edge by incorporating the time dimension into their trading may wish to sign up for the free 90-minute webinar offered every week by the BacktotheFutureTrading.com company.

*Barbara Star, PhD, recently retired from the University of Southern California, where she taught for more than 20 years. She is a past vice president of the Market Analysts of Southern California and led a MetaStock users group for many years.*

*Her articles and software reviews have been published in Technical Analysis of STOCKS & COMMODITIES since 1991. Currently, she trades part-time and provides individual instruction and consultation to those interested in the technical analysis of the financial markets. She lives in Woodland Hills, CA, and can be reached at 818 224-4070 or by email at star4070@aol.com.*

‡NinjaTrader7 ‡Kinetic

