

EVALUATION OF MARKET MOOD OSCILLATOR

I was pleased to conduct an evaluation of the Mood Market Oscillator trading system, run by Dr. Cari Bourette, based on the Mood Compass for a period of three months from 1/4/2008 to 3/30/2008. This was meant as a limited, quick, real-time performance test of the Mood Compass.

The relevant parameters were decided beforehand. For example, I knew the exact system Dr. Cari Bourette was trading, in advance - to make sure that the trader does not trade 20 systems and then report back to me the results of the best-performing one.

The equity rose consistently during the test period.

The system quadrupled its value in four months of trading.

Furthermore, Kelly's optimal F analysis indicated an optimal leverage of 5-20.

My conclusion (inasmuch as it can be drawn from a mere 30--50 trades) is that MMO is probably a good system. The profits are likely to be more than just "lucky flukes". For example, the chance that 20 trades out of the first 30 could have been positive is only .05. Other statistics that take actual profits into consideration seem to agree.

The equity line I considered came from an independent third-party "collective2.com" where Dr. Bourette would enter her trades. This website reported back to me an equity with "Realism Factor, with commissions."

Ideally, it would be neat to have more data, because, for example, it could probably be argued that only 3 or 4 lucky trades made all the difference. However, in the interest of reaching a conclusion in a finite amount of time, I "passed" this system.

After I had declared my evaluation complete, the trading system continued operating for a total of one year. During that time, the system experienced a quick, large drawdown and gave up its entire gain, after which it recovered back the entire gain once again. However, this development was outside my testing period. After that, no more trades were entered in the system.

To reiterate, this evaluation was limited, and I am not yet jumping to invest my own money, but the system definitely passed this limited initial evaluation.

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