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CQG Readies TradeFlow Volume Analysis

Denver, Colo.-based data analytics software vendor CQG will launch a new analytics package next month as part of the latest release of its core software.

CQG version 7.3 features a new component, TradeFlow, that allows users to determine trends in the buying and selling of futures contracts by viewing the volume of contracts traded at the bid price versus the ask price. This should enable traders to recognize trends in price movements, predict when market momentum will change before the price trends downwards, and adjust their positions accordingly, says CQG marketing director Thom Hartle.

“Traders in the pits used to have an edge,” Hartle says. “You could see the paper coming in, you could hear the volume being shouted... [but] you can’t see that in a bar or candlestick chart. You can’t see whether traders are hitting the bids or the asks.”

TradeFlow represents activity primarily through bar charts. The width of each bar denotes the overall activity in a con-

tract compared to recent trading—the wider the bar, the greater the activity—while the color of the bars indicate the level of that activity at each end of the spread.

For example, when traders are consistently paying the ask price for a contract, forcing the price upwards because of demand, the bar will be green. When traders begin to hit the bid price—either taking their profits or going short on a contract—the bar will begin to turn red. The split between the two colors on each bar tells traders what the rest of the market is doing, and moving the mouse over the bars reveals the underlying data.

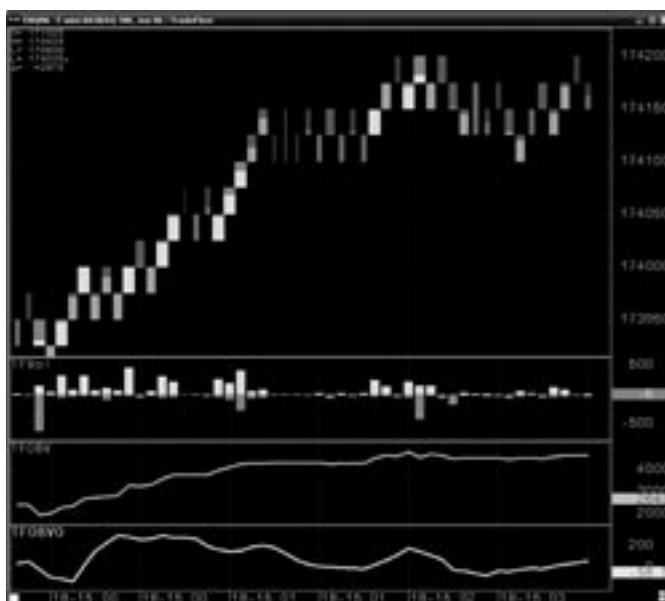
“You can get a better gauge on what other traders are doing in the marketplace,” Hartle says.

The chart can be applied to any electronic futures exchange that sends out volume data for each bid/ask price point, namely the Chicago Mercantile Exchange, the Chicago Board of Trade, Eurex, Eurex US, Euronext. Liffe, the New York Mercantile Exchange and the Montreal Exchange. It is delivered via the Internet or leased lines to the CQG Integrated Client front end, which is installed on users’ desktops.

The software also allows users to display a depth of market table alongside it, from which users can place trades, as well as other volume-based studies. TradeFlow Volume gives a separate view of histogram bars of trades at the ask price, TradeFlow On-Balance Volume shows the net volume of trades at bid and ask, and the TradeFlow On-Balance Volume Oscillator measures momentum to show when a market is peaking or troughing, tracking overbought and oversold conditions by calculating the difference between two moving averages of the OBV line. “A technical trader will take that and combine it with trading history to define parameters for when it is credible ... [as a guide] to make trading decisions,” Hartle says.

Hartle says the main audience will be proprietary trading desks, scalpers and hedge funds, though other buy-side firms “with a longer-term view can use this to support their final decision on when to get into the market.”

Max Bowie



A screenshot of TradeFlow showing bid/ask volumes at each price point (main window). The smaller panes display TradeFlow Volume (top), TradeFlow On Balance Volume (middle) and TradeFlow On Balance Volume Oscillator (bottom).