

JBL Risk Manager 9.0



FIGURE 1: JBL TRADING SUMMARY SCREEN. The trading summary page tracks the open and closed trade information, win/loss percentage, drawdown, average dollar trade expectancy, and trading system efficiency for each portfolio. It also contains the tabs at the bottom of the screen that set up the trading portfolios.

that will identify the country and exchange being used and keep track of information about open and closed positions after trades have been placed (Figure 1).

But first, the user needs to activate the four tabs or buttons at the bottom of the screen that takes the trader through the simple steps necessary to set the conditions for any future trade. Each step must be done before the program allows you to enable the next tab. The program highlights in yellow those ar-

JBL RISK MANAGER

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Product: Money, Risk & Trade Management software

Price: Free 14-day fully functional trial period; one-time cost AUD\$299 (at current conversion rates, US \$240.2) with free upgrades for next 12 months following purchase

by Barbara Star, PhD

developer Joseph Barrington-Lew (JBL) created the JBL Risk Manager software to incorporate all of those factors, and more, in an easy-to-use format.

JBL Risk Manager, a recent Readers Choice Award recipient, is a stand-alone money manager and trade risk management program for stock traders that *operates independent* of any charting service, trading system or brokerage platform. It currently also provides access to 15 major stock exchanges throughout the world.

The software uses local end-of-day price data in MetaStock data format, offered by many vendors. However, if that data is not available, the software will auto-link to the price data needed via the Internet for the stock traded.

SIMPLE FOUR-STEP SETUP

The trader launches JBL Risk Manager after deciding which stock to trade but before placing the trade. The software opens the *trading summary* screen

that must be completed by the user in that step.

Portfolio: The first tab, *create new/load portfolio*, is the place to create and name the portfolio. The software will let the user create an unlimited number of portfolios, which is useful for separating each different stock category or stocks chosen by different trading systems or for users with more than one trading account. There is no limit to the number of stocks that may be added to each portfolio.

Settings: The next tab takes the user to the *Settings* screen, where decisions are made about trade length, trailing stop, money management & brokerage fees (Figure 2). The software defaults to settings that will probably suit most traders. However, each of the settings may be changed to meet individual user preferences. The settings screen will also store the price data source location



he best way to avoid blowing out your trading account is to develop a consistent method of maintaining control over your trading losses. Many traders think that using stop-losses alone will do the trick, but that's only one part of the equation. Successful equity protection involves account management, position sizing, and sector balance as well as good exit strategies. Program

and choice of stock exchange. Users may select from a large list of stock exchanges. These include exchanges in the US (NASDAQ, NYSE, AMEX) as well as countries and cities including Australia (ASX), New Zealand (NZX), London (LSE), Singapore (SGX), Hong Kong (HKEX), Bombay (BSE), India (NSE), Shanghai (SSE), Toronto (TSX), Sao Paulo (SAO), Berliner Borse (BSE), and Deutsche Borse (XETRA). Once a stock exchange is selected, the software automatically inputs the correct currency used for the stocks in that exchange.

Capital: In the third tab, *manage capital*, the user types in the amount of money to allocate to this portfolio from their trading account.

Trade: The fourth tab, *New Trade*, lets the user identify the trade as either long (buy) or short (sell), and lets the user select the stock symbol, the expected buy date, and the anticipated buy price. It is recommended, but not required, that the user also type in the market sector for that stock and Diary note the reason for wanting to buy or sell this stock.

From here, the software uses the information derived from the settings and the *manage capital* pages to automatically fill in the salient facts regarding the potential trade, as seen in Figure 3 with the long trade in Google Inc. (GOOG). Among the automated items provided on the trade screen is the amount of core capital available, the cash to use for the trade, the recommended number of shares to purchase, the total trade value including brokerage fees, the suggested initial stop, and the breakeven price. As an added measure it also has the daily floor traders' pivot points to identify potential near-term support / resistance

Survival features: The JBL Risk Manager contains several features that enable traders to maintain a consistent, disciplined approach to preserving and growing their trading account.

The software incorporates a concept called the *core trading capital*, which Barrington-Lew considers a more

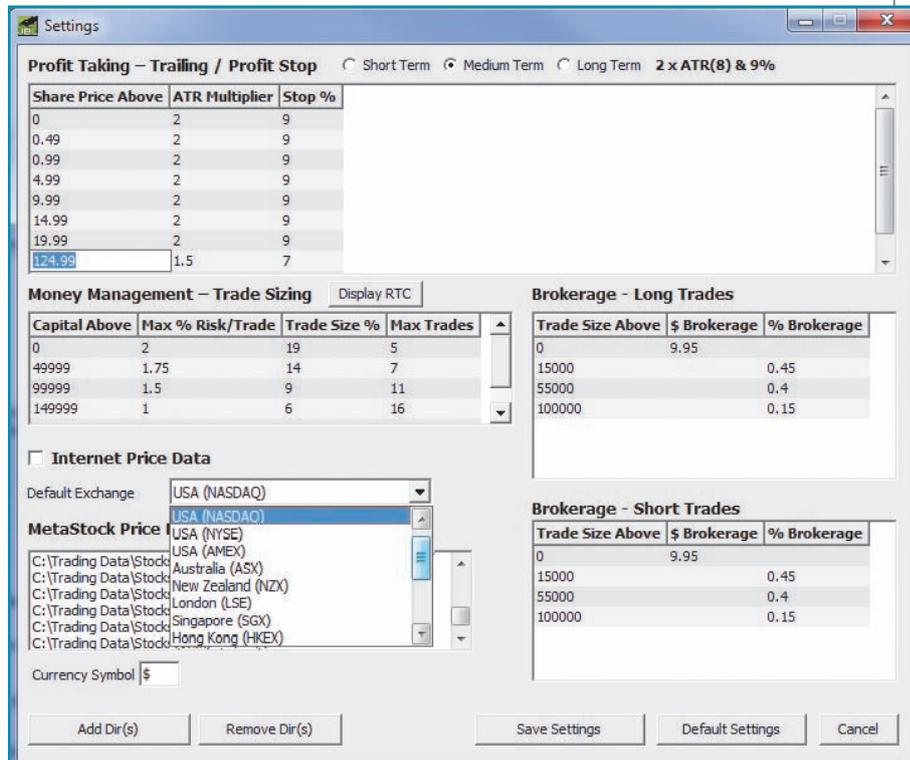


FIGURE 2: SETTINGS SCREEN. Traders are able to select stocks from 15 major exchanges, insert brokerage fees, and indicate preferred trading duration. The software automatically determines the appropriate type of trailing exit placement and percent of trade size to risk.

realistic view of the trading capital available to the trader. The PDF user manual that comes with the software, defines core trading capital as a combination of available cash, plus any realized trading capital, that is, your initial trade value plus or minus the profit or loss that would occur if each

open position stop were hit.

That concept underlies the calculations for stop-loss and money management guidelines. The first guideline is related to initial risk management and is probably familiar to most traders. It states that you should never risk more than 2% of your core trading capital on any

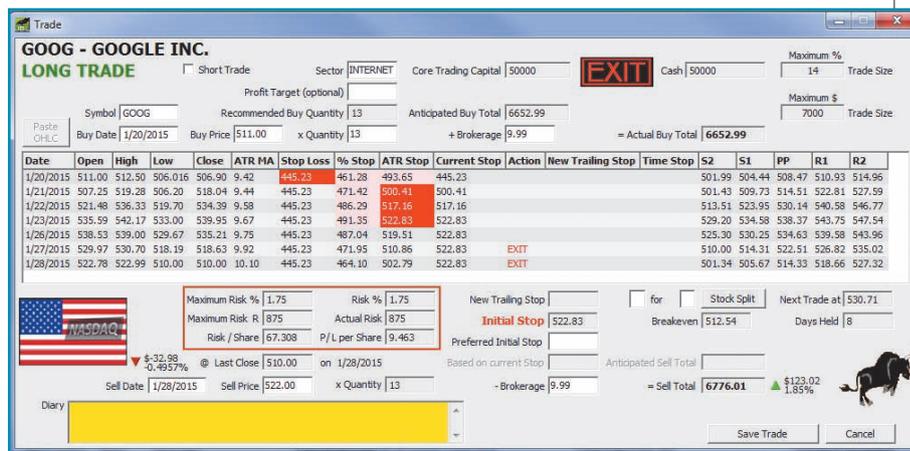


FIGURE 3: THE TRADE SCREEN WITH GOOGLE INC. (GOOG) Once the trader enters the symbol and selects the anticipated trade date, the software recommends the number of shares to purchase, Initial Stop and displays your Maximum Risk, based on the last Close. After confirming quantity your breakeven price and when in Profit which Trailing Stop is in use and whether to HOLD or EXIT the trade. The user may follow or change any of the recommendations. This trade in GOOG was entered at the open on January 20, 2015 and closed at the open January 28, 2015, the day following the EXIT recommendation at the close of the prior trading day.

one trade. The second pertains to the amount of trading capital available for any one position. The guideline states that you should never trade more than 20% of your core trading capital on any one trade. In fact, to be on the safe side, the JBL Risk Manager defaults to a 19% trade size so that funds are available for slippage or other expenses.

Both guidelines constitute the basic rules for accounts \$50,000 or less and are automatically integrated into the software calculations for each trade entered. The percentages for risk and position size decrease for trading accounts greater than \$50,000.

The factors of risk and trade size, along with entry price and initial stop-loss, determine the optimal number of shares the program recommends for the trade. Changes the user makes to the entry or stop-loss price may create a change in the number of shares the program recommends in order to maintain the proper risk and trade size balance.

Stop-loss and profit-taking: The program offers several built-in and user-defined options for determining stop-loss placement including initial stops, trailing stops, profit-target stops, and time-based stops.

The software recommends an initial stop-loss placement based on an algorithm that prevents losing more than the pre-allocated amount of trading capital. However, the user may enter their preferred initial stop loss price.

Taking into consideration brokerage fees, the software also determines the breakeven price. Once the breakeven has been hit, the software converts from initial stop to a trailing stop using either a modified average true range (ATR) calculation or a fixed percentage, whichever the program determines to give the best profit safety. The

system highlights in red which trailing stop is in control.

One of the more unique features of the program is the way the software automatically changes the ATR and fixed-percentage stops, depending on the user's trading length preferences—short-, medium-, or longer-term. Some traders prefer to be in a trade for only a few days, others for weeks, and still others for months. The program allows the user to select different time lengths for each individual portfolio with each having their own default or selected Trailing and Percentage Stop values.

The Trailing Stops can also be set to change depending on the last Closing price of the stock. As can be seen in the settings screen in Figure 2, the ATR and fixed percent values can be set to decrease for higher-priced, less volatile stocks. At any time during the trade, the user may elect to override the current trailing stop with one of their own. If a stock does not reach break-even within 10 days, the software automatically suggests the user exit the trade so the trading capital can be put to better use but that is their choice.

At the end of each trading day, the user updates the price information by either using their data download service they maybe subscribed to or connecting to the Internet updating the stocks being traded. If no Stop has been hit, the program displays a large green flashing sign that says "HOLD." But once the last closing price has triggered one of the stop-loss price levels, the software displays a large red flashing EXIT sign as seen with GOOG in Figure 3. It's then up to the user to determine whether to exit the trade first opportunity the next trading day or whether to stay in the trade. In the GOOG trade, the exit was triggered after the close of trading on January 27, 2015. The actual exit occurred the following day at the Open. The user

must manually enter the actual exit price when the trade has been closed.

IMPROVE TRADING PERFORMANCE

Not only did the creator of the JBL Risk Manager wish to assist traders to be more disciplined in the way they managed money in their trading, he also wanted to incorporate other aspects that have a bearing on trading performance. For instance, by inputting the sector category when a trade is entered, users may avoid overweighting certain market sectors in their portfolio, such as technology or energy stocks. This is reflected in one of the categories along the top line of the open trade information on the *trading summary* screen. Also, filling in the diary section on the trade page with the reasons for buying or selling a stock may help traders identify those strategies and entry methods that seem to produce the best results.

The *settings* page contains a button labeled *RTC Risk Tolerance Calculator*. Here, traders may obtain not only a realistic idea of how much account loss they would suffer in consecutive trading losses but also what it would take to compound the growth of their portfolio.

Information on the trading summary screen goes beyond the usual profit and loss numbers. It also permits comparing the user's portfolio to a market index such as the W5000 or S&P 500 in order to check whether their trades are under- or outperforming the market.

Two other features are also based on closed trades. One is known as *Trade Expectancy*, which is the average dollar amount a trader can expect to make or lose per trade based on past closed trading results. Every trader knows that it is the trade exit that determines whether the trade has made or lost money. The software displays that average amount for the stocks in each portfolio.

The other feature included in the program was developed by Van Tharp, who is well-known in trading circles for helping traders overcome problems



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in the areas of trading psychology and system performance. Barrington-Lew received permission from Tharp to include Tharp's System Quality Number(TM), which measures the efficiency of a trading system. That number appears near the lower right-hand side of the trading summary screen and is activated automatically after a minimum of two trades have been closed out. According to the user manual, a number greater than 1.65 shows that the trading system makes money better than a chance occurrence. A number greater than 2 indicates a very good system and above 2.5 an excellent system.

The good news is that the JBL Risk Manager offers users an easy way to improve their future trading performance by giving traders the ability to create

multiple portfolios. That makes it possible to set up a practice portfolio for each trading method or trading system. In essence, the trader may backtest the same stock symbols in each portfolio using various entry & exit strategies to quickly determine which provide the best results according to the system quality number.

CONCLUSION

The JBL Risk Manager is more than a number-crunching machine. With its many automated features, the software promotes an objective decision-making approach to controlling trading risk and preserving trading capital, which leads to added staying power.

Barbara Star, PhD, is a frequent contributor to Technical Analysis of STOCKS & COMMODITIES magazine. Currently, she trades part-time and provides individual instruction and consultation to those interested in 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.

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‡See Editorial Resource Index

