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Portfolio Managers Add Value by Tracking Market Volume

What do portfolio managers do to retain existing clients, attract a greater share of their investment funds, and draw in new clients? They look for tools that will help them beat the market averages.

At Gustafson, Baxter Financial Services, Inc. in Columbus, OH, Bruce Baxter is using a number of market timing indicators in conjunction with aggressive mutual fund companies whose funds are designed for active investors.

"We are active traders," said Baxter, whose clients are turning away from buy and hold strategies. "Our clients might move 25 to 35 times a year." Under pressure from New York Attorney General Eliot Spitzer, most mutual funds have clamped down on active traders, even those who traded within their guidelines and completed trades before the close of markets.

The Rydex Funds, in Rockville, MC, were designed for traders who are comfortable managing their own risk. The fund group offers long and short funds, funds with leveraged risk, such as 150 percent of the movement of the S&P

500 index, and a few funds that are priced twice a day. ProFunds and Potomac Funds, from former Rydex managers, offer similar vehicles.

Baxter has developed a trading formula for bond trading that he says lets him beat the average return on equities. For equities, he subscribes to Market Volume, a market monitor that uses market volumes to advise subscribers on when to buy and sell.

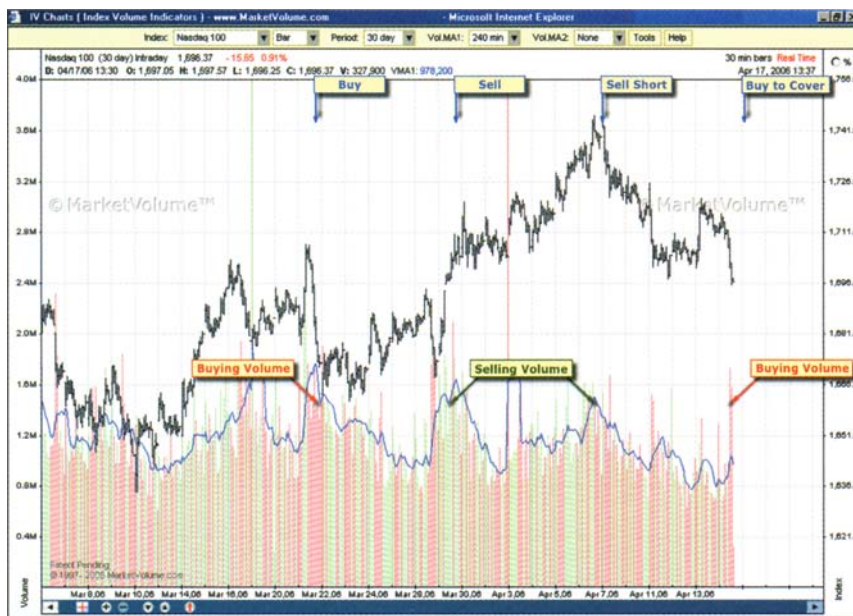
"We think volume is an important part of any market," said Baxter. "Without volume we don't get much movement." He said that Market Volume is one of the eight or nine indicators he checks daily for his 500 clients

Vlad Korzinin, who founded Market Volume, was trading futures, indexes, and options in 1998 when he went looking for combined volume information for the S&P 500 and the Dow Jones Index.

"You'd go to the charts and see that the exchange doesn't provide the volume. We started to create the technology, which took two years. Now we are able to collect every trade for 15,000 stocks and



Market Volume tracks the volume moving average, or market surges.



put the information together on a minute-to-minute basis," he said. Looking at the numbers, Korzinin saw that the market has a tendency to reverse after volume surges.

"The larger the magnitude and duration of the volume surge, the more powerful the reversal will be. Now we are providing that information to institutions and brokerage houses and they are using it to make money," said Korzinin.

Market Volume runs its operation on Microsoft Windows Server 2000, WindowsXP, the Microsoft SQL Server database and Dell hardware.

Market Volume provides a number of different views of the market. Ruminating over a recent five-day view, Korzinin pointed to red and green volume bars showing where the market was up or down, and a blue line that tracked the volume moving average, or market surges.

"On March 21, the volume surge made the
(Continued on page 32)

Market Volume *(continued from page 26)*

index turn south, and going south the index had a buying volume surge. And look at the next day, the index was moving up," he said.

Intraday traders and money managers use the charts to time the markets.

Gordon Bennett, who runs wealth management and some hedge funds primarily for wealthy families in the Boston area through Bennett Financial Advisors, uses MarketVolume to help determine when to invest incoming cash.

"I run equity portfolios and hedge funds for my clients. I will sometimes get large cash flows which I might have to invest into 150 positions," he said. He parks the money in indexes like SPIDR or QQQ while he waits for good times to buy the individual equities. Market Volume helps him decide when to buy the indexes.

"Today I have to buy a million dollars worth of stock," he noted, and he decided to put the funds in SPIDR, and use Market Volume to decide when to buy.

"The market opened very strong with good volumes, which indicates to me to stay away. Finally in the last half hour, the market fell off on good volume, which is the key to me to buy. I saved almost eight points in the S&P by using Market Volume. It's a very good tool to time your buys and sells," he said.

Once he has bought into the index at a good price, he can watch individual stocks and sell the index to purchase equities. For Bennett, timing the market could take place intraday or over one or two days, so he watches Market Volume for spikes that indicate a good time to sell indexes and buy equities.

"I have to get into the positions; the question is whether I can add a little value around the edges as I move into the position," he said.

Market Volume would be a great tool for intraday trading, he added, but that is not what he does for his clients.

"When I was younger and an active trader at Citi, this would have been a great tool because you are in and out, long and short. Now I am always long. It is one of the few outside tools I find worth spending time on," he said.

Bennett runs his entire operation on Microsoft technology, including Small Business Server. "I take data in and run a lot of programs internally with scripts that I have written," he added.

Korzinin recognizes the value of intraday traders but said the real value of the Market Volume is in its long-range view of market trends.

"The most important thing, especially for the S&P500, is to predict the long term, a few years and mid-term, a few months, direction of the market," he said.

In July 2002 the markets saw a huge surge in modulated volume. The peak in volume was followed by the market going south, he said. Now he sees a long-term up trend in the market because he doesn't see any similar magnitude of volume surges.

"We are the only provider of intraday volume for major indices and exchange." Market Volume also offers an advance/decline summary, a volume data across exchanges and indices, and a five-day view of advance/decline. Users can set the views they want to look at, so when they come back to the page it shows the view they have specified.

www.marketvolume.com