

# KASEX



Kase StatWare v1.0

January, 2015

**This manual refers to Version 1.0 of KaseX.**

**We make every effort to keep our manual up to date and accurate. If you have any questions or experience any problems, please contact our offices.**

**Kase and Company, Inc.**

**phone: 505-237-1600**

**email: [kase@kaseco.com](mailto:kase@kaseco.com)**

## Introduction

Trading is primarily a function of three tasks: entry, money management and exit. You will find that the KaseX “mega-indicator” will help you to perform all three tasks in a more efficient and successful manner. Where many older indicators are based on empirical observations, we now have the ability to derive indicators from the natural structure of the market itself. Patterns that were difficult to observe with primitive tools now emerge with computer-based statistical examination.

This manual has been written to explain the KaseX symbols and to give traders an increased understanding of the markets in order to diminish risk and increase profits. Keep in mind that the Kase indicators are tools that support a methodology and not a “black box” system. A trader’s personality and experience will play a role in his or her experience in using KaseX.

## Kase’s Trading Philosophy

It is Kase and Company Inc.’s philosophy to view the markets scientifically and accurately without making the procedure for doing so too complex. Through the application of statistics and mathematics a whole new generation of indicators has been made possible. It is our hope that using our piece of the future will be enjoyable and profitable for you.

## Before Getting Started

Load NinjaTrader and go through its manual to become familiar with the basics. In this manual it is not our aim to explain NinjaTrader, except where it is directly an issue regarding the use or the functionality of KaseX. For help with the functionality of NinjaTrader please call their technical support, as appropriate.

# KaseX

---

## Table of Contents

Introduction.....	i
Kase’s Trading Philosophy.....	i
Before Getting Started .....	i
1.1 Overview of KaseX Symbols.....	1
1.2 Entry Signals.....	2
1.2.1 Yellow Darts .....	2
1.2.2 Dart (Unfiltered) and Diamond (Filtered).....	2
1.2.4 Pierced Dart (or Diamond).....	3
1.3 Exit Signals .....	3
1.3.1 Hollow (or Light Gray) Arrows.....	3
1.3.2 Gray Arrows.....	3
1.3.3 Colored Arrows.....	4
1.2 Stops.....	4
2.1 KaseX Variables Overview.....	5
2.2 Entry Signal Variables .....	5
2.2.1 Entry Filter .....	5
2.2.2 Entry Setting .....	5
2.3 Exit Signal Variables .....	6
2.3.1 Momentum Sensitivity.....	6
2.4 Stop Variables.....	6
2.4.1 Stop Flip.....	7
2.4.2 Stop Setting.....	7
2.4.3 Stops.....	7
3.1 The Kaos Ratio .....	8
3.2 Risk Indicator.....	8
4.1 Simple Trade Example.....	9
4.2 Kase X Symbols.....	10
4.3 Kase X Variables .....	10

# CHAPTER 1- KaseX Symbols

---

## 1.1 Overview of KaseX Symbols

The KaseX indicator is a new generation “mega-indicator” that produces its entry, exit, and trade risk management signals based upon Kase’s underlying StatWare indicators. Kase StatWare is a trading indicator package developed by Cynthia Kase, an engineer, veteran market technician, and trader. StatWare studies (KEES, KaseCD, KasePO, Kase DevStops, filtered candlestick patterns, and the background indicators) combine to form a precise and systematic approach to discretionary trading and trade risk management. Kase’s indicators are superior to traditional studies in many ways.

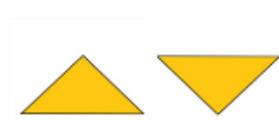
KaseX Indicators:

- Are dynamic, so traders always know their current risk. Stops are automatically set to optimally balance, letting profits run with cutting losses.
- Auto adjust and optimize for range, volatility, and risk, which eliminates the need to constantly change settings, and improves many aspects of performance by over 50 percent relative to traditional indicators.
- Generate signals by evaluating numerous factors, such as the status of three momentum studies and complex bar patterns.
- Analyze multiple timeframes to not only embed a higher timeframe analysis into studies, thus filtering signals for improved accuracy, but also speeds up signal generation by about 50 percent by using Kase’s unique moving bar mathematics.
- Are precise and statistically predictable because they use rigorous statistical and mathematical principles. Thus, Kase’s trading rules are probability based.

## 1.2 Entry Signals

There are four different entry signals generated by KaseX that are displayed as darts (triangles) and diamonds. The signals are color coded for long and short triggers and the various colors and shapes dictates the strength of the signal. The algorithm examines a combination of underlying momentum indicators, embeds indications from Kase's propriety longer-term filtering system, pattern recognition and more.

### 1.2.1 Yellow Darts



Yellow Darts serve as a warning that the market is setup for a potential entry in the direction that the dart is pointing. Entries are not normally taken when a yellow dart forms. To trigger an entry signal a pullback must take place and hold the previous swing high for short trades or swing low for long trades.

Trades are not normally entered when a Yellow Dart is triggered, but a trader should be prepared to enter a trade in the given direction.

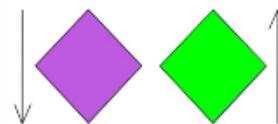
### 1.2.2 Dart (Unfiltered) and Diamond (Filtered)

KaseX's entry system algorithm uses a longer bar length filter to determine the strength of entry signals. When the bar length being traded and the longer bar filter are triggering signals in the same direction the entry signals are filtered. If they are being triggered in opposing directions the entry signals are unfiltered. Therefore, filtered entry signals are stronger than unfiltered signals.

#### Dart – Unfiltered Entry

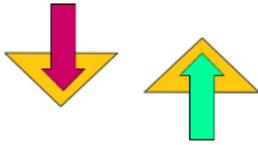


#### Diamond – Filtered Entry



A long trade may be entered when the Cyan Dart or Green Diamond are triggered. A short trade may be taken when the Magenta Dart or Purple Diamond are taken. Traders might choose to use a tighter stop when the Darts are triggered versus a wider stop when the Diamonds are triggered.

### 1.2.4 Pierced Dart (or Diamond)



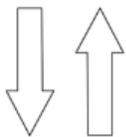
Whenever there is an exit arrow (covered in section 1.3 below) and any dart or diamond on the same bar, or within two bars of one another (distance apart is discretionary), a pierced Dart or Diamond forms.

Kase's studies show that this is a strong signal that aggressive trades may choose to use as a stop and reverse (SAR) signal or as an immediate entry, even if the entry signals is a Yellow Dart.

## 1.3 Exit Signals

KaseX's exit signals are based on Kase's acclaimed momentum indicators, the Kase PeakOscillator and the KaseCD. Each of these generates over-bought or over-sold (OBOS) conditions, as well as signals derived from momentum divergence. These signals take place when the market has become exhausted and there is a reasonable probability of a market turn, along with hitting the dashes. The varying colors indicate the type and strength of each exit signal. The direction of the arrow coincides with the direction of the potential turn.

### 1.3.1 Hollow (or Light Gray) Arrows



Hollow (or light gray) up and down arrows indicate that weaker than normal momentum indication has taken place. Indications weaken when the bar it occurs upon closes in the opposite direction. It appears that the market will reverse sufficiently to stop out an existing trade and justify a reversal in the opposite direction only about one-third of the time, at maximum. So an immediate exit is not usually called for, though caution should be exercised and stops may be tightened to Dash1 if there is no profit in the trade.

### 1.3.2 Gray Arrows



Dark gray arrows that point down for overbought (bearish) or up for oversold (bullish), show the momentum is overly high or low. If an arrow is pointing against the direction of your trade, the general guideline is to watch Dash1 (stop level), and exit some volumes on a close beyond Dash1 or a Dash 2 hit.

If there is no profit in a trade, you might want to exit more aggressively. Conversely, if there is a good trend, and a lot of profit in your trade, you might want to allow for some excursions beyond Dash1, using a close beyond Dash2 as your primary strategy.

### 1.3.3 Colored Arrows



Green up arrows or red down arrows indicate when a momentum divergence has taken place. Generally, a 50 to 80 percent of the trade might be exited here. The remainder may be exited when dashes are hit or closed beyond, depending on the number of corrections that have taken place, whether the market is trending or if there is profit in the trade.

## 1.2 Stops



Many traders become so focused on entering trades, they fail to take profit or cut losses properly. Dashes are statistically the closest to an ideal stop possible in the real world. This stop accounts for volatility, considering both typical risk and outlier risk. If managing risk with dashes, you will take profit or cut losses at levels that logically balance rewards and risks.

Two series of dashes are shown both above and below the market. For example, if a long (buy) trade is beginning to turn, so that dashes are still below prices, but you have already sold on the turn, there will be dashes above the market as well. Dashes in the major direction are displayed in olive green and in the opposite direction in gray when they trail the market, and defaulted to “off” when not following even a small trend. These dashes may be set to “on” if the user wishes to see them.

Dash1 is closest to market prices, with Dash2 farther away. Risk may be managed at either dash or both, in any combination of stop hits or closes beyond. An example: in a highly trending market, you might hold the stops for a long trade at Dash2 for the first couple of corrections, monitoring the number of closes beyond Dash1, if any, and how congested they are. As the trend matures, you might exit more aggressively on closes below Dash1. The stops also automatically account for time bars, volume/tick bars, or range bars like KaseBars.

# CHAPTER 2- KaseX Variables

---

## 2.1 KaseX Variables Overview

Given the complexity of the underlying indicators and the combinations of multiple bar lengths and the number of indicators used, Kase decided to set a range of variables that users could adjust to fine tune the KaseX entry and exit signals and stops. These settings may vary slightly in the way that they are set or chosen for each charting platform supported.

## 2.2 Entry Signal Variables

The entry signals are controlled by two variables shown below

Variable Name	Default Setting	Setting Range	Description
Entry Filter	1	0 to 2	Filter entries with longer bar length
Entry Setting	2	0 to 3	Entry sensitivity

### 2.2.1 Entry Filter

The entry filter is used to turn the longer-bar length filter on and off and control how sensitive the filter is.

- 0 = OFF – All entry signals will be displayed as Darts
- 1 = Default – Filtered signals form normally
- 2 = Less Sensitive - Filtered signals take longer to form

### 2.2.2 Entry Setting

The entry setting variable controls how sensitive the entry signals are and how often they form.

- 0 = OFF
- 1 = Most Sensitive – Entry signals will likely trigger sooner and more often

- 2 = Default – Entry signals trigger normally
- 3 = Least Sensitive – Entry signals will likely trigger later and less often

## 2.3 Exit Signal Variables

Exit signals are controlled by just one setting as shown below.

Variable Name	Default Setting	Setting Range	Description
Momentum Sensitivity	3	0 to 4	Exit sensitivity

### 2.3.1 Momentum Sensitivity

The momentum sensitivity variable controls how sensitive the momentum signals are and how often they will trigger. Traders may want to adjust settings to be more sensitive when the market is trading in a range and to be less sensitive when they have a profitable trade they are holding through a trend.

- 0 = OFF
- 1 = Most Sensitive – Exit signals will likely trigger often and on very small moves
- 2 = More Sensitive – Exit signals will likely trigger often
- 3 = Default – Exit signals trigger normally
- 4 = Least Sensitive – Exit signals will likely trigger less often

## 2.4 Stop Variables

There are three variables that are used to control the stops. These variables control how often the primary direction stops flip and how wide or narrow the stops are. They also control how the stops are displayed on the chart. Please note that due to coding restraints, not all display options are supported on the various charting platforms.

Variable Name	Default Setting	Setting Range	Description
Stop Flip	1	1 to 2	Moving averages used for stop flip from long to short
Stop Setting	3	1 to 4	Stop sensitivity
Stops	Last_Ten	Last_Ten, All, Off	How many stops to display on chart

### 2.4.1 Stop Flip

KaseX's stops are bi-directional so that traders always know where to place a stop. However the stops are broken up by primary and secondary directions and the direction is determined by underlying moving average crossovers.

- 1 = Default – Stops flip primary and secondary directions normally
- 2 = Least Sensitive – Stops flip primary and secondary directions less often

### 2.4.2 Stop Setting

The stops use standard deviations of the average true range to adjust to the volatility of the market. The size of the standard deviations used may be controlled by the stop setting variable.

- 1 = Tightest Stops
- 2 = Tighter Stops
- 3 = Default – Normal Stops
- 4 = Widest Stops

### 2.4.3 Stops

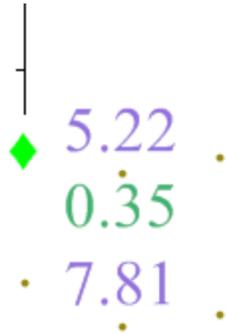
The stops variable controls how the stops are displayed on the chart. Please note that due to coding restraints, not all display options are supported on the various charting platforms.

- Last\_Ten (Default) = Stops are only displayed on the last ten bars
- All = Stops are displayed on all bars
- Off = Stops are not displayed

# CHAPTER 3- Kaos Ratio and Relative Risk

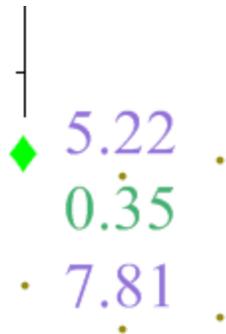
---

## 3.1 The Kaos Ratio



The Kaos Ratio is a measure of the ratio between the variations in risk to the average risk. This indicator is useful for gauging how “tradeable” a market or a bar length is. The ratio is shown in green. The higher the ratio, the more choppy or erratic the market is, everything else being equal. A lower Kaos Ratio, generally 0.40 and lower, indicates a market is more tradable and likely trending.

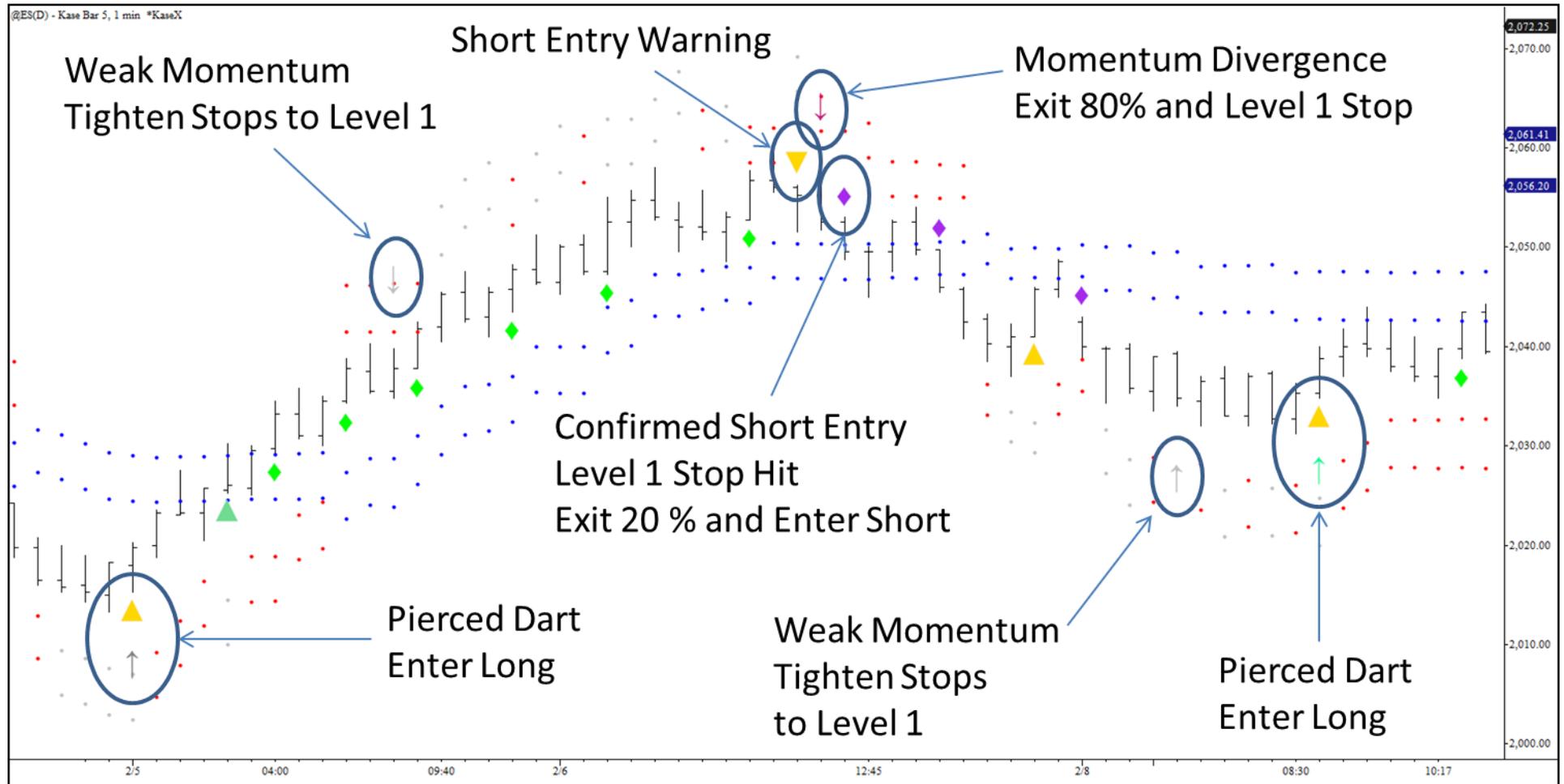
## 3.2 Risk Indicator



Included on a text display basis are two risk related indicators. The “Risk Indicator” is displayed as purple text, and represents the amount of risk per unit directly associated with Dash1 and Dash2. By definition, the smaller amount is always associated with Dash1 and the larger with Dash2.

# CHAPTER 4- Trade Example and Appendix

## 4.1 Simple Trade Example



## 4.2 Kase X Symbols

Symbol	Name	Technical	Discretionary Action
	Pierced Dart	Momentum Signal + First Entry	Stop and or Reverse
	Yellow Dart	First Entry Signal	Begin to consider entering a trade
	Dart (Unfiltered)	Confirmed Entry Signal (Unfiltered)	Enter trade
	Diamond (Filtered)	Confirmed Entry Signal (Filtered)	Enter trade
	Hollow Arrow	Weak Momentum Signal	Tighten stops
	Gray Arrow	Oversold/Overbought Momentum Signal	Tighten stops, take profit, or exit
	Colored Arrow	Momentum Divergence	Full or partial exit and tighten stops
	Stops	Statistically Significant Stop Levels	Used for exits and managing risk

## 4.3 Kase X Variables

Variable Name	Default Setting	Setting Range	Description
Entry Filter	1	0 to 2	Filter entries with longer bar length
Entry Setting	2	0 to 3	Entry sensitivity
Momentum Sensitivity	3	0 to 4	Exit sensitivity
Stop Flip	1	1 to 2	Moving averages used for stop flip from long to short
Stop Setting	3	1 to 4	Stop sensitivity
Stops	Last_Ten	Last_Ten, All, Off	How many stops to display on chart

*All rights reserved.* No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of Kase and Company, Inc.

### **CFTC Compliance Notice**

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

THE RISK IN TRADING COMMODITIES OR DERIVATIVE PRODUCTS CAN BE SUBSTANTIAL. BOTH TRADERS AND HEDGERS CAN BE SUBJECT TO MARK-TO-MARKET LOSSES AND THE RESULTANT CALLS FOR ADDITIONAL MARGIN DEPOSITS, WHICH COULD POTENTIALLY EXCEED THE ORIGINAL DEPOSIT, MADE. ANYONE CONTEMPLATING THE USE OF SUCH INSTRUMENTS FOR EITHER SPECULATIVE OR HEDGING TRANSACTIONS SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH ACTIVITY IS SUITABLE BASED UPON COMMERCIAL REQUIREMENT AND THE FINANCIAL CONDITION OF THE PERSON OR ORGANIZATION SO ENGAGED. INFORMATION CONTAINED HEREIN IS NOT TO BE CONSIDERED AS AN OFFER TO SELL OR A SOLICITATION TO BUY COMMODITIES OR DERIVATIVES. KASE AND COMPANY, INC. MAKES NO GUARANTEES, EITHER EXPRESS OR IMPLIED, REGARDING THE APPLICATION OF EITHER ITS SOFTWARE OR ITS ADVICE. KASE WILL NOT BE RESPONSIBLE FOR ANY TYPOGRAPHICAL ERRORS. EXPRESSIONS OF OPINION ARE SUBJECT TO CHANGE WITHOUT NOTICE.

*National Futures Association Compliance Rule 2-29 Interpretive Notice*