

# HGSI Investment Software

## HGSI INVESTMENT SOFTWARE, LLC

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**Product:** Visual analytical software for evaluating 10,234 US securities and 178 industry groups (Bloomberg industry grouping), 1,577 ETFs/ETNs, and 580 closed-end funds

**Data updates:** Intraday 15-minute delayed and end-of-day

**System requirements:** Windows 7 or higher, Internet browser, multicore Intel i5 or greater at 3 GHz or faster, 12 GB or more, 3 GB free space or more

**Price:** \$59/month or \$599/annually; free 30-day trial. Pricing includes data and program updates.

by Leslie N. Masonson



originally reviewed HGSI Investment software for this magazine in 2008. The software was specifically designed for self-directed investors/traders and professionals to evaluate indexes, sectors, industry groups, stocks, exchange traded funds (ETFs) and exchange traded notes (ETNs) for the highest-probability profit opportunities. Since then, it has also been used by investment managers as an economical alternative to much more expensive products.

Over the past six years, this software has been extensively enhanced with newly created groupings of securities; innovative analytic tools such as visual strategy backtesting; investing strategies from a cadre of experienced traders; and a high-level charting capability with unique customized indicators. Users can easily customize the analytics to their specific investing/trading style by using predefined and self-defined filters on the vast securities universe to limit the number of investable securities to the “best of the bunch” that meet the

selected filtering criteria. This ability allows users to concentrate their efforts on a select group of securities rather than having to watch the entire market to look for the potential leaders. The HGSI software looks for patterns and trends in the market and then focuses on analyzing stock and ETF groups to unearth the most promising ones for further review using advanced charting and unique indicators, some of which are available only in this software.

## USING THE PROGRAM'S ANALYTICS

HGSI software is made up of four modules (tools): *designer*, *warehouse*, *charting*, and *ranking*. They are interlinked, so that you can easily go from one to another with a mouse click. Learning to effectively use these modules and their capabilities takes time and practice. Spending the time to understand each module's contents by practice along with the help tools and videos will substantially shorten your learning curve. Let's review the highlights of each module.

**Designer module:** The *designer* is a group database that places hundreds of stocks and ETFs/ETNs into three major categories: HGSI reference groups, smart groups, and user groups. HGSI reference groups contain groups of securities organized by exchange (NYSE, AMEX, NASDAQ), by ETFs and ETNs, by ETF components for hundreds of ETFs, by market indexes, by market index components, by industries and sectors, by market breadth, and more. Market breadth is broken down by major exchange and contains the number of advancing and declining stocks and the respective volume, as well as the number of new highs and lows—all useful data in determining the market's health.

*Smart groups* contain ready-to-use groups of securities. Securities within a smart group are determined by filters (scans). The list is then ranked to bring

the best of the list to the top. This takes place every time the user updates the database at end of day or intraday.

Among the more recognized ready-to-use smart groups are from Gil Morales and Chris Kacher (coauthors of *Trade Like An O'Neil Disciple*); Ian Woodward and Ron Brown (private investors/traders who contribute their indicators and strategies); Larry Connors (author of *How Markets Really Work* and other books); Charles Kirkpatrick, a prolific author, technical analyst and researcher; and Deron Wagner of Morpheus Trading Group.

*User groups* are where individual users create their own custom groups (watchlists, portfolios, etc.) and save them for historical review/analysis.

HGSI reference groups, smart groups, and user groups can be exported as ASCII or MetaStock files for use with other programs. MetaStock users can export 255, 2,000 or 6,000 securities. The exported ASCII and MetaStock previously exported groups can also be automatically updated at end of day with price and volume. Intraday updates are not available for ASCII or MetaStock updating.

A unique HGSI feature is the automatic creation of group indexes based on user-specified criteria. Individual group indexes can be collected into a user group containing just group indexes. That group itself will contain an index made up of all the indexes in the group. Indexes can be charted, ranked, and filtered. These unique features provide a true top-down capability to locate the strongest candidates for purchasing or the weakest ones for shorting.

**Filters (scans) creation:** One of most useful program features is the ability to create filters (scans) to limit the number of stocks for investing/trading or for placement in a watchlist. The user can develop specific rules based on any number of varying parameters, thereby creating a custom filter. One popular

**FIGURE 1: CUSTOM FILTER EXAMPLE.** You can create customizable filters encompassing numerous technical and fundamental factors with selected values. Shown here is a filter for Morales & Kacher (M&K) with a buyable gap up.

	Field name	Operator	Value
If	Last Close	>=	5.0000
And	50 DMA Vol	>=	100000.0000
And	% Vol/50 DMA Vol	>=	150.0000
And	% Gap	>=	1.0000
And	% Pr Ch 1-Dy	>	0.0000
And	% ATR	>=	2.0000
And	% CI/200 DMA	>	0.0000
And	Is Common Stock	Equals	Yes

ranking filter is the Morales & Kacher *buyable gap up* (see Figure 1).

Those who focus on candlesticks and want to identify specific single and multiple candlestick patterns have 33 filter choices available. If the user wanted to identify only those stocks in the S&P 500 with, say, a bearish engulfing pattern today, it can be easily accomplished using a preset candlestick filter. And if the user wanted to specify that pattern to be identified over the past five days, that can also be accomplished. Moreover, a number of the software contributors have added their own filters, which can be used to analyze any group selected.

Many powerful and unique indicators have been developed and added over the years by the investing methods analysis team. In particular, Ian Woodward has developed proprietary indicators including *high jump*, *eureka*, *kahuna*, *tsunami*, *Hindenburg omen* (based on others' research), and *Bingo, Bango and Bongo!* As Woodward says, "There is no silver-bullet indicator, but two lead bullets are better than none." Other indicators included in the software are: *Box 7 stocks*, *delta ERG*, *ERG 240 QEPS force 13*, *gorilla fundamental combo*, and *Wolfpacks up and down*.

*ETF/ETN analysis is easy and fast:* For those who also trade or invest in ETF/ETNs, the designer offers 1,577 ETFs divided into a myriad of groups including 13 specific ETF families, inverse and leveraged ETFs, sector and industry ETFs, and more, all preset in the designer. In addition, all the securities included in any ETF/ETN can be displayed with

a mouse click. The user can create a custom group of ETFs simply by using filters to develop a new grouping that can then be monitored with the available tools. In this way, the user can easily and quickly extract the ETFs that meet his/her explicit rules.

**Warehouse module:** The second module is the *warehouse*. Any group from the designer can be transported into this module by a mouse click. The warehouse contains hundreds of ready-to-use warehouse views, or you can create your own. A warehouse view can display an unlimited number of data columns for the group being analyzed. This may possibly be the largest number of search parameters available in any publicly available software package. In the warehouse view, each data field is placed in a vertical column that can be sorted from high to low value and vice versa. This means all the data in the spreadsheet can be sliced and diced in many different ways to find the top-ranked securities, which can be placed in different subgroups and stored in the user group area for further analysis.

One of the most powerful warehouse features is the combination ranking system (referred to as *comboranking*),

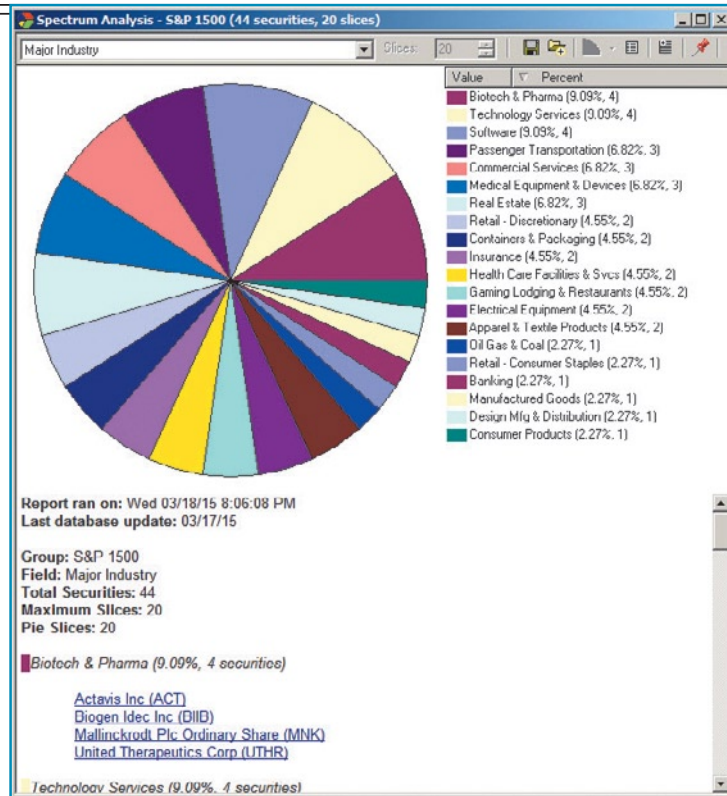
where the user can assign different weights to multiple data fields (see Figure 2). The output shown in the first column of the warehouse view ranks all the securities in that group with their combo rank score, which is measured on a scale of 1–99 with 99 being the highest rank.

For example, you can place the Nasdaq 100 stocks in the warehouse view, select and weight various parameters, and place the 10 stocks with the highest combo ranking in a watchlist or in its own group. Criteria such as EPS growth rate, percent price change in the past 10 days, crossover of the 200-day moving average today, and many other choices can be used with specific values of your choosing to locate the cream of the crop. Then you can go to the *charting module* and check out the price chart along with the charting parameters of your choosing. This can all be accomplished in seconds with a few mouse clicks. The unique analytics and rapid processing speed are what makes this program's high-

Parameter	Weight
% Vol/Greatest Prev 5-Dy Dn Vol	Weight: 2.00 (18.6%)
Force Index 2DEMA	Weight: 2.00 (18.6%)
% Vol/Greatest Prev 10-Dy Dn Vol	Weight: 1.75 (16.3%)
Force Index 13DEMA	Weight: 1.00 (9.3%)
Bongo Weekly	Weight: 1.00 (9.3%)
Bongo Daily	Weight: 1.00 (9.3%)
Bollinger %B 1-Dy Ch	Weight: 1.00 (9.3%)

**FIGURE 2: COMBO RANKING.** You can assign different weights to technical and fundamental parameters. Shown here are the weights for seven factors for the M&K filter used in Figure 1.

**FIGURE 3: S&P 1500 SPECTRAL ANALYSIS.** Here, 44 stocks are depicted in 20 major industry groups after passing a prior screening test showing their value and percent. The industry groups biotech & pharma and technology services had the highest number of stocks represented.



level capabilities vastly superior to other software programs.

Once a group of equities is run through the warehouse and the top 10 securities are placed in a new group or watchlist, that group can be now brought back into the warehouse and analyzed with a new combination of different parameters to obtain a different combo ranking.

**Spectrum analysis window:** The warehouse spectrum analysis allows the user to select any group of securities in the entire database, pick a particular data field, and then place those securities in a pie chart format to see how they look. Any common traits or patterns of the securities can easily be detected. The information can then be downloaded into a report in HTML format for future study or comparison to other variables that are evaluated using this analysis tool. Figure 3 shows how the S&P 1500 stocks that passed a screening filter are distributed into 20 different major industries. Formulas can be used to create different ways to slice up the pie. This figure only shows one of them.

**Ranking module:** The third tool is the ranking module, which can array securities in any group by their relative strength percentile (1 to 99) or percentage change (raw number), in order from high to low

or vice versa, measured over a single or multiweek time frame (up to two years) of the user's choice. Moreover, using additional sorts, the user can measure and rank the velocity and acceleration of each security in the group. In addition, three other measures of relative strength are provided including *Ian fast*, *Ian slow*, and Wilder's RSI, which are preset sorts, where the variables can be adjusted to your choice. The data in the ranking module spreadsheet can be exported in tabular format to be analyzed with other software or tools.

This variable ranking module can also compare the relative strength of markets, industries, indexes, sectors, stocks, or ETFs over any weekly time period. The ranking is shown numerically and in color (green, yellow, and red). The top-ranked securities' weekly data box is colored green, followed by the next-best grouping colored yellow, and the lowest-ranked segment colored red. Looking across any security horizontally will indicate

the change in color each week depending on its performance. The ideal pattern is to see a security's weekly reading change from red to yellow to green, showing its increasing performance compared to the other securities in the group. Figure 4 shows an example of the percentage relative strength over consecutive 13-week periods.

**Charting module:** This module offers strong features, allowing the user to select from over 100 technical and

charting instruments. There are a large number of preset chart formats as well as customizable charting capability. The user can set up multiple chart windows with different time periods (daily, weekly, monthly) and/or different chart indicators, and rapidly click through large lists of stocks to bring up each one. The user can then select a handful of those stocks with the best chart patterns—such as clearly defined uptrend, tight price pattern, above 10-day exponential moving average, positive force index, or RSI above 30—and segregate them for a final analysis before an investment is made. In Figure 5 you see a sample charting screen.

## GROUP PERFORMANCE ANALYSIS

Backtesting a strategy for a particular group of stocks or ETFs (or individual securities) with a specific dollar or fixed-share weighting is accomplished using the visual strategy backtest, where the ticker symbol, dates of the test period, and any entry & exit criteria (filters) are input. Any filter can be used singly or in combination for the backtesting, which makes it a powerful program feature.

A report is issued indicating all the trades with their

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**FIGURE 4: HGSI RANKING**

**MODULE.** This module shows the relative strength over a user-determined weekly time period (for example, 13 weeks) for the 1,500 components of the S&P 1500. The strongest 11 stocks as measured over the last 13 weeks are shown in the table. Ebix Inc. (EBIX) is ranked at the 99 percentile, as are the others shown.

Name	Symbol	3/18/15	3/13/15	3/6/15	2/27/15	2/20/15	2/13/15	2/6/15	1/30/15	1/23/15	1/16/15	1/9/15	1/2/15	12/26/14
1. Ebix Inc	EBIX	99	99	99	99	99	99	99	99	99	99	99	99	99
2. Abomed	ABMD	99	99	99	99	99	99	99	99	99	99	99	99	99
3. Pinnacle Entertainment	PNK	99	99	91	51	56	81	33	13	12	33	39	6	7
4. Inseperity Inc	INSP	99	99	99	99	99	99	97	98	99	92	92	85	91
5. Cambrex Corp	CBM	99	99	99	99	99	99	98	70	93	92	77	93	68
6. Depomed Inc	DEPO	99	99	99	99	99	94	96	94	92	97	92	37	31
7. Lannett Co Inc	LCI	99	99	98	95	98	95	92	14	17	39	40	28	16
8. Rti International Metals	RTI	99	99	96	93	90	90	23	31	16	23	36	33	30
9. Impax Laboratories	IPXL	99	99	93	95	97	98	99	97	97	97	93	95	95
10. Cinus Logic	CLIS	99	99	99	99	99	99	99	99	99	99	99	99	99
11. Salix Pharmaceuticals	SLXP	99	99	99	99	99	99	99	99	99	99	99	99	99

complete details including the total return, profit & loss, and maximum drawdown. Filters can easily be changed and new reports prepared quickly for comparison purposes.

**GENERAL HOUSEKEEPING**

The software provides intraday 15-minute delayed and end-of-day pricing. The first end-of-day data update for downloading is available beginning at 5:30 pm EST, with further updates occurring at 6:30 pm and then 9 pm. The final update occurs by 6:15 am EST the following morning. Updating is accomplished simply by opening the software icon on your desktop and then clicking the update tab. Alternatively, you can specify when the program can automatically perform the update. If you update the database daily, it will take about five to 10 minutes to download, depending on your computer's internals and Internet download speed. Updating once a week, say, on Saturday, may take 15–20 minutes since five days of data need to be downloaded and processed. The HGSI software license allows registered users to download the software to two of their own PCs, but does not allow downloading to public or shared computers.

**EXTENSIVE EDUCATIONAL SUPPORT**

There is an active and knowledgeable discussion group (bulletin board) hosted by Yahoo.com where users can sign up, monitor the comments, and participate. HGSI refers to this feature as the *stock market investment strategy forum*. The participation in this user group is typically dependent on the market's current situation, volatility, and trend. There are also eight software user groups in the US and Europe, with contact information provided on their website.

Users of the program can also access the HGSI blog where you can find entries written by Ian Woodward, Ron Brown, Dr. Jeffrey Scott, Ian Woodward, and David Steckler.

The *help* button provides access to the HGSI blog, learning center, and add-ons (new material). A mailing list feature is provided for those who want to receive email announcements regarding updates to weekly market reports and software updates, among other subjects.

Over the years, this software has had continual upgrades and enhancements that have greatly added to its usefulness. For traders and investors who require extensive fundamental and technical filters in addition to the ability to build custom filters, this high-level program fits the bill.

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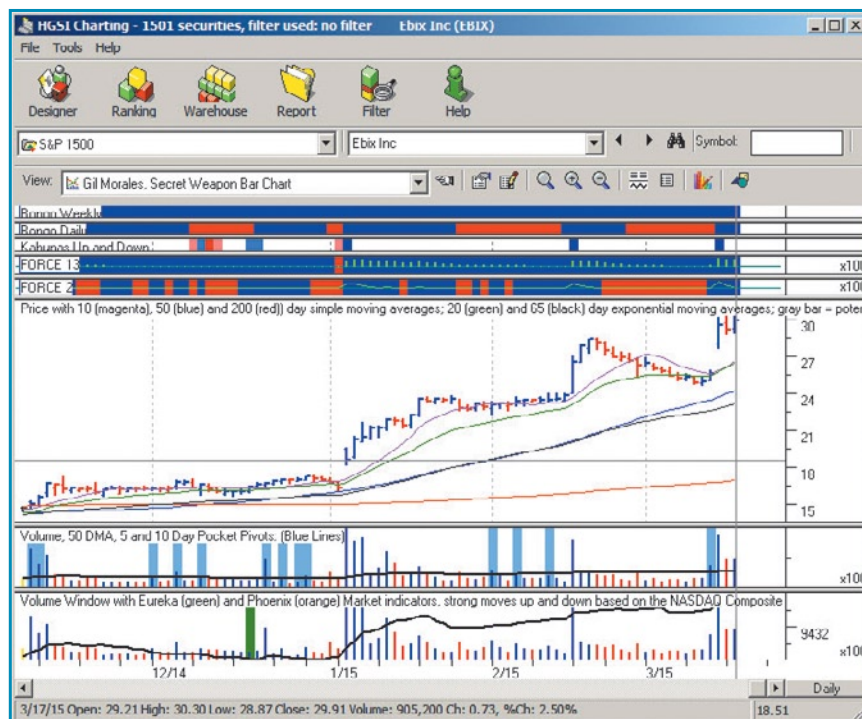
**FURTHER READING**

Gopalakrishnan, Jayanthi [2015]. "Les Masonson Of Cash Management Resources," interview, *Technical Analysis of STOCKS & COMMODITIES*, Volume 33: March.

Masonson, Leslie [2008]. "HGSI Software," product review, *Technical Analysis of STOCKS & COMMODITIES*, Volume 26: January.

‡HGSI Investment Software, LLC

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**FIGURE 5: HGSI CHARTING.** This chart shows the S&P 1500 index with a number of standard technical indicators and three HGSI custom indicators (Bongo daily & weekly and Kahunas up & down).