FastBreak – 2019 Year in Review

We completed our 23rd year since the initial release of FastBreak back in 1996; we again want to thank all our loyal users. Before we get to a yearly review, along with the performance metrics of a few sample FastBreak systems, we want to take care of housekeeping issues.

Housekeeping Issues

New Mailing Address: We have a new mailing address – see new address at bottom of Commentary.

FastBreak/FastGraph We fixed a bug in the Alpha Ranking in FastBreak and put updates for Standard FastBreak and FastBreak Pro on our website. If you have strategies that use Alpha Ranking you will want to update those strategies. The updated versions have a "2" at the end of the version number. For example, Version 6.8 is the release version. The updates are 6.8.2

It has become very time consuming to update all the previous versions, which we did as a courtesy to our users. Version 6 has been available since 2009 so we decided it is time to drop support to versions prior to Version 6, and they will be removed from the website in a few months. If you are using these earlier versions we highly encourage you to back up the EXE files, e.g., ftbreakp.exe This way if you reinstall on a new computer using your installation CDs, you can then replace the EXE file after installation with the latest update for your particular version.

It is quite easy to upgrade. You can find all the updates on our website: https://www.edge-ware.com/upgrade.htm Download the zipped file to the directory where you have your application installed (typically fbreak, fbreakp, fgraph). Click on the zipped file to extract the exe (ftbreak.exe, ftbreakp.exe, ftgraph.exe) This will become the executable you need to run so you will probably want to change all your shortcuts to run this version. You can either put a shortcut on your desktop, start button etc. Different versions of Windows have various ways of creating shortcuts. Typically, you will right click on the exe and select: Pin to Start, Create Shortcut etc.

Over the past year we put software improvements/development on the backburner. This includes the release of Version 7 of FastBreak. What have we been working on? We submitted a research paper for the National Association of Active Investment Managers (NAAIM) Founders Award. The paper describes the hedging strategy we developed a couple years ago using FastBreak Pro. The paper is titled *Hedging the S&P 500 Index: ZIG when the Market Zags* and can be downloaded from our website: https://www.edge-ware.com/ZIG_Hedging%20the%20S&P%20500%20Index.pdf
The hedging strategy can be downloaded from our website: https://www.edge-ware.com/strategi.htm

We also wrote an article for *Technical Analysis of Stocks & Commodities* (http://traders.com/) magazine. The article is titled *Creating Synthetic Historical Data* and was published in the March, 2020 issue.

The vast majority of our technical support requests continue to be related to reinstallation on new computers so check our "installation help guide" that should address the vast majority of issues: http://www.edge-ware.com/FastBreak%20Installation.pdf

As a reminder, we have a new policy regarding providing replacement installation CDs. This new policy will not affect most users: http://www.edge-ware.com/Replacement%20Policy.pdf

PaceMaker update (or lack of update) The last few years we have mentioned development of a market timing program named PaceMaker. We are probably going to stop reporting on the program until we have something definitive to say about a possible release. Real-time testing has been a mixed bag, ranging from very good to not so good – we are looking for consistency.

Over the past 20 years, market declines have for the most part been fast, shallow, and of short time duration. It seems that every time the market began to correct, the Fed stepped in (or a White House spokesperson) and the declines were V shaped lasting about three days – that is, until we stumble into a fiscal/monetary morass which seems occur about once per decade, i.e. 2000, 2008/9, and 2020. PaceMaker is based on breadth indicators, and by most measures, breadth of the market has been weak, with a handful of large cap stocks accounting for the majority of the advances in the indexes.

As we have previously reported, we discovered that PaceMaker may, and we want to underscore the word may, be useful in ways we never intended when we designed the program. We found data relationships that resulted in encouraging bond fund trading signals. For example, we have developed signals for high yield, emerging market, and muni bonds. We also developed a strategy to trade a preferred stock ETF that we like.

Standard FastBreak Demo Available

The Standard FastBreak 30 day demo on our website is based on V6.2 of Standard FastBreak that contains most of the functionality of the latest release. There isn't a demo for FastBreak Pro, but all our user manuals are available at our website if you want to take a look.

Contact and other information

Our contact email address is email2ew (put @ here) edge-ware.com for all inquiries and tech support. We recommend you put the word "FastBreak" in the title of your emails so our spam blockers don't block your message.

Visit www.edge-ware.com for more information.

2019 Markets and Performance Review

This commentary will review several different types of trading systems.

The first version of FastBreak, now called Standard FastBreak, was released in early 1996. Potential users of any investment software product should always ask the question "What is actual performance?" Soon after the initial release, we developed example trading systems that could be monitored for "real time" performance. We don't modify trading system parameters during the performance reporting period and report on the systems on a yearly basis. If you would like to review all reports since 1997 visit our web site www.edge-ware.com and go to the Strategies page. We tell you the good, bad, and sometimes ugly performance for some trading systems.

The example FastBreak trading systems on the Strategy page of our web site may provide users and potential users a starting point on the different types of trading systems that FastBreak can build. It also allows us to provide an honest benchmark for real time performance. Users of both Standard and Pro versions can download these systems. The Standard FastBreak 30 day demo (Note: The current demo is based on Version 6.2) that can be downloaded from the web site can also run most of these strategies but will not display the last 60 market days of trades. Many of these systems are several years old. We can now build better trading systems, but we keep these systems on our web site to show that many trading systems are effective for long periods of time.

Note: The example strategies should not be considered investment advice. We don't often post or change the example strategies on our web site because we believe investors' needs are very unique and users of our software should feel confident developing their own trading systems. Edge Ware, Inc assumes no responsibility for anyone trading these strategies. In addition, these systems are not rigorously maintained and with the demise of funds or symbol changes the systems may be affected. For example, several of the bond systems used the Shearson Treasuries Bond Index (STBI-) as part of the strategy. This index symbol became inactive in 2009 requiring strategy modification.

Note 2: All maximum drawdown (MDD) values reported below are daily values. In the investment industry you will typically see reported MDD values that are monthly values. Monthly values are very often substantially less than daily values.

The **US Stock Market** – Wow, hardly anyone expected the strong 2019 market. Many were predicting recession in 2019. In fairness, part of the strong market was due to the rebound from the 2018 Christmas panic. If you look at the two year period 2018-2019 the gains look much less impressive.

World Markets - Major world markets, as measured by EFA (MSCI EAFE ETF), were generally strong, but not as strong as the US market. The US was definitely the place to be in 2019.
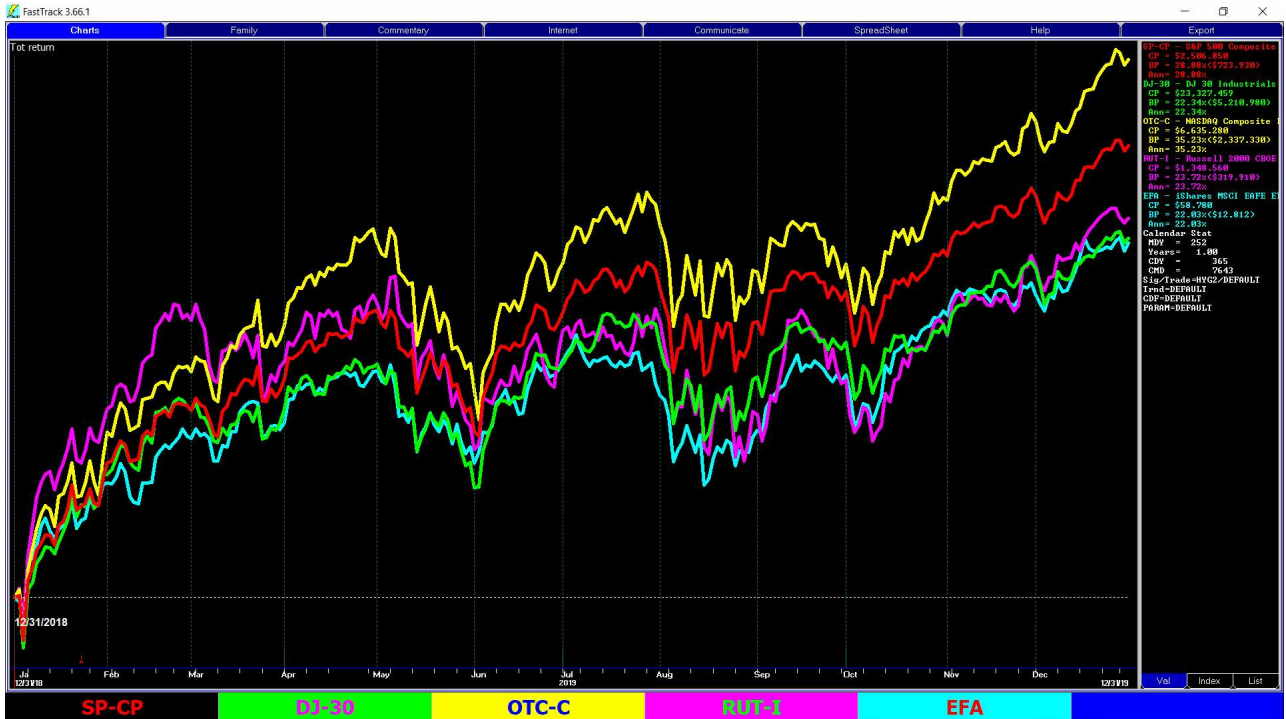
Bonds and US Dollar   If the stock market was a surprise, bonds were even more so. Hardly anyone expected cuts in interest rates. High Yield bonds often move in tandem with the stock market (and oil prices since a large amount of high yield debt is tied to energy companies) and that was generally the case in 2019. The generally strong performance of High Yield is somewhat surprising considering the weakness in oil, and the large number of energy companies filing bankruptcy. The US dollar (DXY-Z) weakened when interest rates fell. Muni bonds also did quite well due to falling rates and the continued effect of the new tax laws.
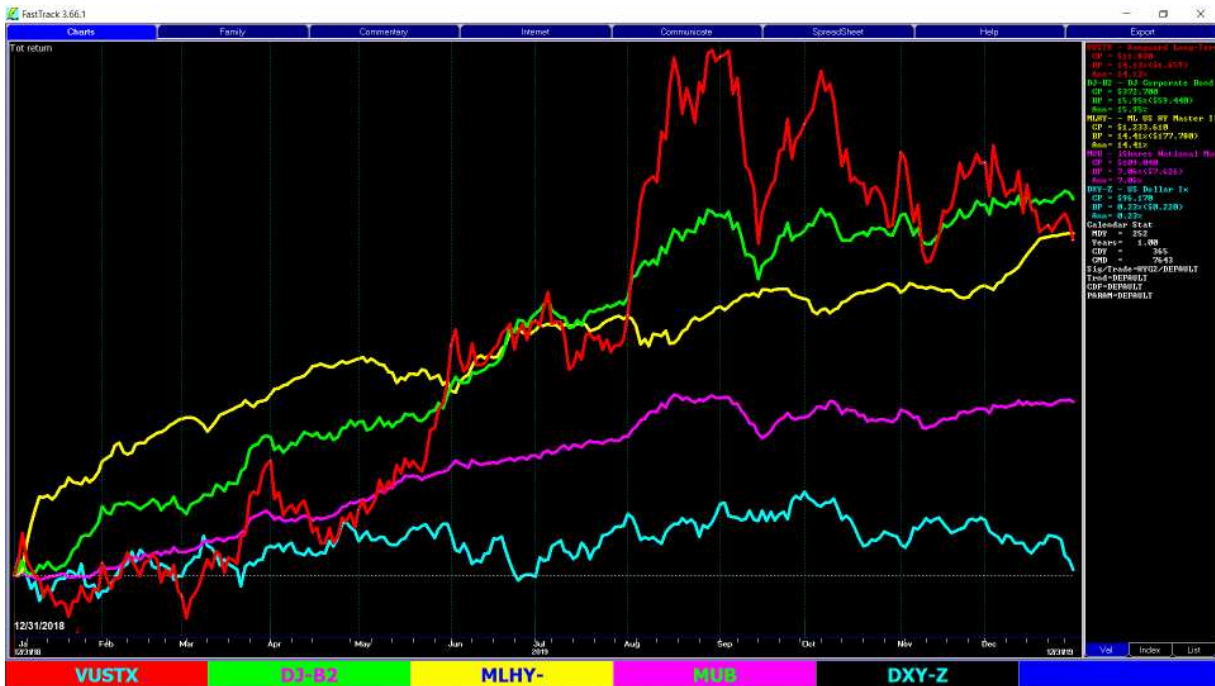
Summary of common benchmark performance for 2018.
Everything was roses!

	Total Return %	MDD%
S&P 500 (SP-CP)	28.99	-6.84
DJ-30 (DJ-30)	22.34	-6.91
OTC (OTC-C)	35.23	-10.18
Small Cap (RUT-I)	23.72	-9.84
World Markets (EFA)	22.03	-8.07
Treas. Bonds (VUSTX)	14.13	-7.99
DJ Bond Index (DJ-B2)	15.95	-2.67
High Yield (MLHY-)	14.41	-1.36
Muni Bonds (MUB)	7.06	-1.68
Dollar Index (DXY-Z)	0.23	-3.01
Cash (VMMXX)	2.23	0

Two measures of investment returns for professional managers:

https://www.barclayhedge.com/	Return%
Managed Futures Funds (CTAs)	5.15
Hedge Funds	10.72

The above values are approximate because of the difficulty obtaining consistent information on these programs; but clearly, performance was not especially good, as has been the case since 2008. Also, large numbers of funds continue to close so "survivor bias" may make the above numbers look even better than actual performance due to poorly performing funds closing and not included in the above numbers. Note on Commodity Trading Advisors (CTAs): By some measures, CTAs as a class have only four positive years since 2008.

How did the FastBreak strategies posted on our web site perform? *Note: The date in the table below indicates when the system was posted on our web site. In many cases the system was trading real-time well before posting.*

	System Return%	MDD%
Bond system (3/2001)	7.84	-10.43
International funds (2/2002)	20.56	-7.99
Bonds LT Gov and HY (12/2002)	5.33	-9.14
Bonds Conservative zero coupon (12/2002)	4.72	-3.33
Bonds Aggressive zero coupon (12/2002)	3.60	-5.56
Income Strategy (1/2009)	8.78	-3.35
Muni Bond (2/2010)	7.67	-1.34
Hedge only (1/2/2017) Hedge with S&P (50%/50%) Hedge with 2X S&P (75%/25%)	-5.92 10.58 8.71	-10.79 -5.60 -7.55
ETFstyle11 (1/2/2017)	17.00	-7.30
ETFstyle13 (1/2/2017)	4.21	-11.49
Nationwide Style (3/3/2019)	16.15	-6.36

Bond systems – Generally, the bond strategies were a little disappointing. They were on a great roll until about August/Sept when interest rates temporarily reversed and whipsawed the strategies. The Muni ETF strategy did well.

The International system has been around since 2002 and has great long-term performance. It basically matched the world markets.

Hedge strategy – We are slightly disappointed. It was doing great until mid-year – doing exactly what it is intended. For example, when the S&P declined around 6% in May, the hedged strategy was down less than half that amount. Things were great until about September – that is when the S&P started its "moon shot" and interest rates had a temporary spike - and the hedge was long US Treasuries. See what VUSTX did in the second figure above. Then the hedge got whipsawed by the dollar index. However, if we look at two full years of real time performance, clearly, the hedged strategy (green) is a much smoother ride than the S&P (red). We have built a similar strategy that uses ETFs rather than the Rydex funds for hedging – stay tuned.

ETF and Nationwide Style Strategies – Two years ago we introduced two new ETF Style strategies and posted them to our website. ETFstyle11 again was the consistent winner of the two, and we will be deleting the ETFstyle13 strategy. Although the ETF and Nationwide style strategies underperformed in 2019, you need to look at the full two years of performance. The reason the strategies underperformed is because they "sidestepped" the 2018 swoon and didn't participate in the early part of the rebound. Looking at the full two years of performance for ETFStyle11 and the Nationwide style strategies they matched the S&P while avoiding the most significant parts of the drawdowns.

Summary

It is hard to beat Buy & Hold in a year like 2019, and that is why we showed some 2-year charts. Generally, we are very happy with the style strategies this year, and somewhat disappointed with the bond strategies – except for the muni strategy which did well. We are generally pleased with the hedge strategy. We think it will do well when the equity markets eventually have a significant decline.

What is FastBreak and Who needs FastBreak

Unlike other trading methods, the FastBreak "mechanical" trading strategies gives specific buy and sell recommendations. Mechanical trading systems leave no room for historic "revision". These types of trading systems may not be for everyone, but we believe they should be considered if you recognize yourself in the following:

- Do you have trouble "pulling the trigger" on trades, e.g., selling your losers, taking profits on your winners, waiting for a bounce to get out of a bad trade ...?
- Do you have a limited amount of time to devote to your investments? If you are a full time investor, or enjoy sitting in front of CNBC and your computer all day, you may be able to do better with other investment methods. However, if you have limited time (or better things to do with your time!) a few minutes an evening is all you need to download your FastTrack data and run your FastBreak strategies.
- We have stopped reporting on some of the older FastBreak systems for a variety of reasons: Many of the mutual funds used in these old trading system families have since been discontinued, the market timing signals (unrelated to FastBreak) used did not stand the test of time, and we can build much more effective strategies with the functionality added to

FastBreak in recent years. We felt that those systems don't accurately reflect the performance that FastBreak can produce.

Standard Disclaimer

As the saying goes, "Past performance is not a guarantee of future results."

Ordering information - PLEASE READ CAREFULLY

Standard FastBreak

- New user purchase: $499
- Current user upgrade: $199 (If you have purchased ANY previous version of Standard FastBreak – even if it was 20 years ago!)
- Save up to $125 on FastGraph (see commentary 8163) when purchased with Standard FastBreak: add $125

FastBreak Pro

- New user purchase: $1900
- Current user upgrade: $400 (If you have purchased ANY previous version of FastBreak Pro even if it was Version 1 back in 2000!)
- Save up to $125 on FastGraph when purchased with FastBreak Pro: add $125

FastGraph

- New user purchase: $250

If you have any questions contact us at [email2ew (put @ here) edge-ware.com](email2ew)

When ordering include:

1) New user or Upgrade
2) FastTrack account number (not your password)

If you purchase Standard FastBreak and later decide to purchase FastBreak Pro within 60 days, we will credit your full purchase price toward the FastBreak Pro purchase.

Order by check or money order, send check to:

Edge Ware, Inc
188 Huck Lane
Vincent, OH 45784

All orders receive an installation CD and hardcopy manuals. New users will also receive a 60 minute DVD. The video is to help you get started faster with the basic functionality of Standard FastBreak and

FastGraph. Although the DVD doesn't cover FastBreak Pro it will help you with general functionality in FastBreak Pro.

FastBreak **IS NOT** offered with a money back guarantee. If you are not sure FastBreak is for you, we recommend going to our web site (www.edge-ware.com) and download the user manuals and 30 day Standard FastBreak demo program. You can also download the sample trading system from our web site and run them in the demo.

Compatibility with Windows®

We get inquires asking if FastBreak is compatible with the latest versions of Windows® and is it compatible with Apple OS? FastBreak has been successfully installed on both the 32 and 64 bit versions of the Windows® 7 operating system, Windows® 8, and Windows® 10. However, there can be a few quirks, but if you read the guidelines at this link you shouldn't have any installation or reinstallation problems: http://www.edge-ware.com/FastBreak%20Installation.pdf As for Apple OS, we are aware of users running FastBreak on Apple OS, but we have no direct experience.

If you have additional questions we can be contacted at [email2ew (put @ here) edge-ware.com](email2ew) **DO NOT CALL INVESTORS FASTTRACK for information!!**