

The New Paradigm of Trading

What is the new paradigm of trading? Forex is the next hot market – this project is access to a vibrant business inside that market.

“The future of trading will be a battle of computers. Instead of hiring a team of 20 traders, we can write software for a fraction of the cost that will outperform the traders.”

Development and History of Forex Market – If you have ever traveled overseas, or invested in another country, you have been exposed to foreign exchange trading. The foreign exchange market, referred to as forex or fx, has traditionally been reserved for large institutions and banks. Recently, a trend in online forex trading is bringing it to the retail investor.

Who is moving into FX? Inc. 500, a popular business magazine for small businesses, this year listed 5 forex brokers as companies with explosive growth (all over 300% per year). In the next 12 months, you will be able to trade forex from Bank of America online banking. Deutsche Bank, a large market participant, has just released its retail trading platform, dbfx (www.dbfx.com).

The currency market is a 2 trillion per day volume market. This will increase in the future as more participants trade, such as China, India, and Russia – who will float their exchange rates soon.

Ever consider what would happen if the Chinese Yuan is floated? The reason Chinese products we are so familiar with are so cheap, is because their currency is pegged to the US Dollar. The Chinese government have begun the process of floating the yuan – and when it is freely floated, there will be an explosion in the foreign exchange market, greater than any financial event in this century.

There are simple tools available that allow traders to program an automated trading system. Available commercial software applications are a stepping stone to a fully automated real time trading system.

However, because the strategies do not adapt in real time to market changes, they are usually unsuccessful. Out of 1,000 strategies, maybe 1 or 2 profits.

We propose to build the ultimate app for this hot new market: A software that creates strategies.

Since 2001, the Elite E Services team is working in this direction.

2001 – We arrive in New Zealand and begin preparations, and establish ourselves in NZ

2002 – Elite E Services Limited is opened in Wellington, New Zealand, and offices in Christchurch, New Zealand are established.

2004 – We build a custom trading studio in South Carolina, USA

2005 – Elite E Services establishes EES Forex, a joint venture company in Belgrade

2006 – Elite E Services Incorporated is established in Las Vegas, Nevada

EES has affiliated trading gateways in various locations around the world:

- Shanghai, China
- Brisbane, Australia
- Toronto, Canada
- Belgrade, Serbia
- Kiev, Ukraine
- South Carolina, Los Angeles, New York

New Zealand is a strategic location because it is a neutral country who relies heavily on foreign trade and investment. It serves as a gateway to the Asian Pacific Rim.

Trading is stressful. Even with modern tools, there is no guaranteed investment, and if you are positive or negative there is still a very high degree of stress involved. Imagine having a system so smart, it can trade by itself without any human intervention and consistently profit.

This software is something you've never seen before. We will create a post-industrial financial operation.

The reason we are so confident in this system, is because of the market research we have done in the past years, and working with available commercial applications. We see the limitations of available tools, how they can be improved, and used as a stepping stone to our fully automated system.

From a development point of view, it takes us several months to develop a working trading facility that is operational. During the time of development, the market will change, so it is almost impossible to develop a working strategy because by the time the strategy hits the market, it is already old. It is impossible to develop a strategy for a market that will exist in 6 months.

| <u>Old model</u> | vs. | <u>New model</u> |
|-------------------------------------|-----|---|
| Static | | dynamic |
| 1 month to make a strategy on paper | | 1 minute to make a strategy with engine |
| Traders make strategies | | Software makes strategies |
| Human time (10seconds – 1 minute) | | Computer time (nanoseconds) |
| Traders need to focus on 1 currency | | Software can trade all currencies |

Currently, there are currency trading strategies, but none of them can adjust themselves, they require human intervention that takes time and is subject to error. According to our market research, there is no strategy in the world that can do this, and no attempt to make one.

What does this all mean? The software can take advantage of arbitrage opportunities. Arbitrage is a short moment in time where a price / value difference exists in the same currency:

| EUR/USD | | 1.28 | 1.28 | V1.280385 |
|---------|---------|--------|--------|-----------|
| 7.4 | 36 | 15 | 1 | |
| Sell 1m | Sell 2m | Buy 1m | Buy 2m | |
| BID | EUR | | OFFER | |

| EUR/USD | | 1.28 | 1.28 | V1.281590 |
|---------|---------|--------|--------|-----------|
| 3 | 46 | 36 | 1 | |
| Sell 1m | Sell 2m | Buy 1m | Buy 2m | |
| BID | EUR | | OFFER | |

Here are 2 examples of an arbitrage opportunity. (above)

See the EUR/USD bid price is higher than the ask. This is a screenshot from a video recording we did during a data release, a time of unusual market volatility. This opportunity lasts for about 20 seconds, and it is not possible to be executed by a human.

Because if it is executed properly, this is a small risk-free profit. How many opportunities exist like this every day? Our predator system will scan the market for these opportunities and exploit them.

Why will this software succeed?

- Computer is dealing with quantifiable values, which are numbers
- Artificial reasoning is possible only because there are numbers
- Traders are humans who cannot deal with numbers in large quantity
- Speed and time factor (needs to be explained)

In general: one cannot quantify emotion, opinions, traders, or personalities

- It is more complicated system using stocks, because more human factors are involved in a stock price than in a currency price

Why are ALGORITHMS important? If you are the manager of a business, you need to tell your employees what to do. Even if they are highly skilled, they need to be trained in the art of your business. Imagine that you could tell a human what to do, in very specific terms, and he will do it without mistake.

Then, imagine you can tell him to do 1,000 commands, 1 by 1, step by step. Then, condense those 1,000 commands into several minutes, and you have our trading software.

What we need money for:

- Professional internet access (backbone connection)
- Mathematical and logical model
- Programming the mathematical model
- Computer hardware

FOR MORE INFORMATION, CONTACT KAI EICHBERG OR VISIT:

WWW.THENEWWAYTOTRADE.COM

References

Inc 500 listing forex companies

http://inc.com/resources/inc500/2006/maps/map_industry_financial.php