

# Using the MatchMaker Parameters Dialog Box

## In This Chapter

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1. Introduction to using MatchMaker Parameters 842
2. Explanation of the MatchMaker Parameters dialog box 845
3. How to run a MatchMaker analysis 847
4. Table of settings for 21 strategies 848
5. Summary of 21 strategies 850

# 1. Introduction to using MatchMaker Parameters

The MatchMaker Parameters dialog box, which is accessed by clicking the **MatchMaker** button on the toolbar, provides greater variety and flexibility than the predefined strategies. This function allows you to compare any two types of data, to view a correlation of either data type against the other, and to specify the exact source of both data types (i.e., your entire data base, a list, or a specific ticker). Your choices, therefore, range from comparing two individual tickers to comparing every ticker in your Master Ticker List to every other ticker in your Master Ticker List.

*MatchMaker Parameters dialog box*

## Warning

Although MatchMaker will allow you to compare vast amounts of data in a single analysis, runs of all stocks in Master Ticker List to all stocks in Master Ticker List are not recommended because of the excessive computation time (measured in days) and the enormous hard drive space required.

The MatchMaker Parameters dialog box also gives you these options:

- You can specify the exact period of time for the comparison.
- You can specify weekly data instead of daily data.
- You can remove the influence of a specified market index from the price action of both tickers.

## **IMPORTANT:** **Enter multiple data items properly**

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The major part of the MatchMaker Parameters dialog box is used for specifying the source and type for the two data items that will be compared. This lower section is divided into two halves, A and B. When setting these up for a MatchMaker analysis that compares a single data item to multiple data items, it is important that the single data item always be entered as *Source A*, and the multiple data items as *Source B*. The reason for this is that the report that is produced differs depending on which data type is entered as *Source A* and which is entered as *Source B*. The items should be entered properly for a correct report.

The key to remember is that the data type entered as *Source A* appears on the left side of the report and the data type entered as *Source B* appears on the right side of the report. Since the correlation coefficients are listed only on the right side (*Source B* side), the data item with multiple components should be entered as *Source B*. For example, if you are creating a surrogate group index and want to see a comparison of all stocks to an index, you should enter the index as *Source A* and the stocks as *Source B*.

However, if you don't get it right and produce a report that you would like to see reversed, you can easily switch the data types and rerun the analysis.

## MatchMaker analysis of your Group/Sector List

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In addition to being able to compare any two data types, you can compute correlations for the groups and sectors in your Group/Sector List. For example, based on group/sector relationships, you can compute correlations for all stocks in all groups to their parent groups, or all groups in all sectors to their parent sectors. The option in the MatchMaker dialog box labeled *Limit Source B to Components of Source A* is used for this purpose.

This option imposes an additional limit on Source B. Rather than comparing the Source A ticker (or tickers) to all Source B tickers, Source B is limited to those tickers that are defined as components (child symbols) of the Source A ticker (or tickers).

For example, to compare all stocks to their parent groups in the S&P 500 Group/Sector List, you would select the *Limit Source B to Components of Source A* option and make the following entries for the two data types:

*Source A option button:* List (SP500)

*Source A Type:* Groups

*Source B option button:* List (SP500)

*Source B Type:* Stocks

## 2. Explanation of MatchMaker Parameters dialog box

Open the MatchMaker Parameters dialog box by clicking the **MatchMaker** button on the toolbar, or by selecting **MatchMaker** on the menu bar and then selecting **MatchMaker** on the drop-down menu. The dialog box that appears contains several sections, which are explained below.

The screenshot shows the MatchMaker Parameters dialog box. The title bar reads "MatchMaker Parameters". The dialog is organized into several sections:

- Dates:** Two date fields labeled "First" and "Last". The "First" field contains "08/24/94" and the "Last" field contains "08/24/95".
- Limit Source B to components of Source A:** A checked checkbox.
- Source A:** A group box containing three radio buttons: "Master Ticker List" (selected), "List:", and "Ticker:". The "List:" field contains "SP500".
- Source B:** A group box containing three radio buttons: "Master Ticker List", "List:" (selected), and "Ticker:". The "List:" field contains "SP500".
- Source A Type:** A list of checkboxes: Stocks, Warrants, Futures, Mutual Funds, Indexes, Markets, Groups, Sectors, Portfolio Groups, and Mutual Fund Groups. "Stocks" is checked.
- Source B Type:** A list of checkboxes: Stocks, Warrants, Futures, Mutual Funds, Indexes, Markets, Groups, Sectors, Portfolio Groups, and Mutual Fund Groups. "Stocks" is checked.
- Use weekly data:** A checked checkbox.
- Remove Market Index influence:** A checked checkbox. Below it is an "Index:" dropdown menu set to "SPX".
- Buttons:** "OK", "Cancel", and "Help" buttons at the bottom.

MatchMaker Parameters dialog box

### Dates

In the section titled *Dates*, change the *First* date to reflect the period of time that you want to use for the comparison. Based on AIQ's research, the recommended time period is one year for a weekly period and two months for a daily period. The *Last* date defaults to the date of your most recent data and you will only have reason to revise this entry if you are doing an historical study.

### Use weekly data

For an analysis using weekly data (default setting), this box must be checked. To change to a daily period, remove the check by clicking on the box. AIQ recommends a weekly period for all correlations.

### **Remove Market Index influence**

If this box is checked (default setting), the price action of the market index (as represented by the index specified below) will be removed from both data types for the analysis. If you elect to use price action without removing the influence of a market index, click on the box to remove the check. To change the index specified (SPX is default), click the arrow on the *Index* text box to select another index. AIQ recommends that the default setting to remove influence of the S&P 500 Index be used for this option.

### **Limit Source B to Components of Source A**

This option is used for comparing a group to its component stocks or a sector to its component groups. The parent ticker must be entered as *Source A* and the child (component) tickers as *Source B*. Rather than comparing the Source A ticker to all Source B tickers, Source B is limited to those tickers that are defined as components (child symbols) of the Source A ticker. You may use this option to compare all the groups or sectors in your Group/Sector List to their component tickers.

### **Source A and Source B**

These two main sections are used for specifying the two data items that will be compared in the MatchMaker analysis. Both *Source* and *Type* must be specified for each data item. MatchMaker then limits the analysis to those tickers of the specified type that are found in the specified source. When setting these up for a MatchMaker analysis that compares a single data item to multiple data items, it is important that the single data item always be entered as *Source A*, and the multiple data items as *Source B*.

### 3. How to run a MatchMaker analysis

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#### ‘Clean Data’ Reminder

Before starting a MatchMaker analysis, you should make sure that your data is “clean.” Use the *Check Ticker Data* function (submenu of *Utilities* in *Data Manager*) to check and clean up your data. After correcting your data, recompute your group/sector indices using *Compute Group/Sector Indices* function.

The procedure for running an analysis using the MatchMaker Parameters dialog box is outlined below.

► *Follow these steps:*

1. After opening MatchMaker, click the **MatchMaker** button on the toolbar.
2. The *MatchMaker Parameters* dialog box appears. If you have previously run an analysis the settings from the last analysis were saved and will be displayed.
3. Make any necessary changes to the settings at the top of the screen. (See *Explanation of MatchMaker Parameters dialog box*, Section 2 of this chapter.)
4. To specify *Sources A* and *B*, select one of the following three options by clicking on the appropriate option button:
  - **Master Ticker List** This source includes all tickers in your Master Ticker List.
  - **List** This source is limited to all tickers in a specific list. To select a list, click on the arrow in the text box to display all your lists. Click on the name of the list that you wish to select.
  - **Ticker** To enter a ticker, click an insertion point in the adjacent text box and type in the ticker symbol. To enter more than one ticker, separate each ticker symbol with a ; (semicolon).
5. To specify *Types A* and *B*, select one or more of the ten different data types listed in each section. To add or delete a data type, click on the appropriate option box.
6. Click **OK** to initiate the MatchMaker computation.
7. When correlation coefficients have been completed and sorted, the MatchMaker Report screen will be displayed.

#### Note

When data types are not available for the particular analysis you are performing, those data types will not be displayed.

#### Error Messages

When an error occurs while running MatchMaker, an error message will be displayed. All error messages are self explanatory. Some errors are also written to the Messages file which can be viewed by clicking on the *Messages* icon on the Quick Launch Menu.

## 4. Tables of settings for 21 strategies

The following tables list MatchMaker Parameters dialog box settings for 21 strategies. For an explanation of each of these strategies, see *Summary of 21 strategies*, Section 5 of this chapter.

### Strategies Comparing Source A to Source B

Strategy	Source A			Source B		
	Source Option	Symbol to Enter	Type	Source Option	Symbol to Enter	Type
1. Stock to Ticker	Ticker	Any Stock	n/a	Ticker	Any	n/a
2. Stock to All Stocks	Ticker	Any Stock	n/a	Mstr Tkr Lst	n/a	Stocks
3. Stock to All Groups in List	Ticker	Any Stock	n/a	List	G/S list	Groups
4. All Stocks to All Stocks	Mstr Tkr Lst	n/a	Stocks	Mstr Tkr Lst	n/a	Stocks
5. Group to Ticker	Ticker	Any Group	n/a	Ticker	Any	n/a
6. Group to All Groups in List	Ticker	Any Group	n/a	List	G/S list	Groups
7. Group to All Sectors in List	Ticker	Any Group	n/a	List	G/S list	Sectors
8. Sector to Ticker	Ticker	Any Sector	n/a	Ticker	Any	n/a
9. Sector to All Groups in List	Ticker	Any Sector	n/a	List	G/S list	Groups
10. Index to Ticker	Ticker	Any Index	n/a	Ticker	Any	n/a
11. Index to All Stocks	Ticker	Any Index	n/a	Mstr Tkr Lst	n/a	Stocks
12. Index to All Groups in List	Ticker	Any Index	n/a	List	G/S list	Groups
13. Index to All Sectors in List	Ticker	Any Index	n/a	List	G/S list	Sectors
14. Mutual Fund to Ticker	Ticker	Any MF	n/a	Ticker	Any	n/a
15. Mutual Fund to All Stocks	Ticker	Any MF	n/a	Mstr Tkr Lst	n/a	Stocks
16. Mutual Fund to All Groups	Ticker	Any MF	n/a	List	G/S list	Groups
17. Mutual Fund to All Sectors	Ticker	Any MF	n/a	List	G/S list	Sectors



## Strategies Based on Parent/Child Relationships Defined by Structure of Group/Sector List

For these strategies, the option *Limit Source B to Components of Source A*  
must be selected

Strategy	Source A			Source B		
	Source Option	Symbol to Enter	Type	Source Option	Symbol to Enter	Type
18. All Stocks in Group	Ticker	Any Group	n/a	List	G/S list	Stocks
19. All Stocks in All Groups in List	List	G/S List	Groups	List	G/S list	Stocks
20. All Groups in Sector	Ticker	Any Sector	n/a	List	G/S list	Groups
21. All Groups in All Sectors in List	List	G/S List	Sectors	List	G/S list	Groups

## 5. Summary of 21 strategies

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The 21 strategies summarized in this section include nearly every conceivable strategy for using AIQ MatchMaker.

### STOCK ANALYSIS

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These MatchMaker strategies provide the means to compute correlation coefficients of stocks in your data base to other stocks, market indexes, and group and sector indexes.

#### 1) Stock to Ticker

This strategy allows you to compute a correlation coefficient for a ticker compared with a single stock. A ticker can be another stock, group or sector index, market index, mutual fund, or any other ticker in your data base. An important use of this strategy is to ascertain whether two stocks have a high enough relationship to be placed in a future group.

##### Settings:

*Limit Source B to Components of Source A : No*

	Source A			Source B	
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Stock	n/a	Ticker	Any	n/a

#### 2) Stock to All Stocks

This strategy allows you to compute correlation coefficients for a single stock compared to all stocks in your data base. The strategy can be used to find stocks in your data base which have enough similarity to form a group.

##### Settings:

*Limit Source B to Components of Source A : No*

	Source A			Source B	
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Stock	n/a	MTL	n/a	Stocks

### 3) Stock to All Groups in List

This strategy allows you to compute correlation coefficients for all the groups in your Group/Sector List compared against a single stock. It can be used in situations where you have just added a new stock to your data base and you want to determine the group to which the stock belongs. A report is generated that displays the correlations of all the groups in your Group/Sector List to the stock.

#### Settings:

*Limit Source B to Components of Source A : No*

	Source A			Source B	
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Stock	n/a	List	G/S List	Groups

### 4) All Stocks to All Stocks

This strategy allows you to compute correlation coefficients among all the stocks in your data base. The computation process can be prohibitively long depending on the size of your data base and the speed of your computer. One purpose of this strategy is to find stocks which correlate to other stocks. Once you have reached this determination you may then form groups based on their similar correlations.

#### Settings:

*Limit Source B to Components of Source A : No*

	Source A			Source B	
Source	Symbol	Type	Source	Symbol	Type
MTL	n/a	Stocks	MTL	n/a	Stocks

## GROUP ANALYSIS

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Group Analysis strategies compute correlation coefficients for groups in your Group/Sector List compared against stocks, tickers, groups, or sectors.

### 5) Group to Ticker

This strategy allows you to compute correlation coefficients for a ticker compared to a single group index. It can be helpful in determining the quality of a fit of a stock to a group. The group must be contained in your Group/Sector List. *Ticker* is the ticker that you want to compare against the group. A ticker can be another stock, group or sector index, market index, mutual fund, or any other ticker in your data base.

#### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Group	n/a	Ticker	Any	n/a

### 6) Group to All Groups in List

This strategy allows you to compute correlation coefficients for all the group indexes in your Group/Sector List relative to a single group index. The strategy can help you determine which groups belong together in a single sector. Groups that have a reasonably close correlation could be placed in a sector. The group index must be contained in your Group/Sector List.

#### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Group	n/a	List	G/S List	Groups

## 7) Group to All Sectors in List

This strategy allows you to compute correlation coefficients for all the sectors in your Group/Sector List compared to a single group index. This will aide you in determining to which sector the group belongs. The group must be contained in your Group/Sector List.

### Settings:

*Limit Source B to Components of Source A : No*

	Source A			Source B	
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Group	n/a	List	G/S List	Sectors

## SECTOR ANALYSIS

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Sector Analysis strategies provide correlation coefficients for sectors in your Group/Sector List compared to groups and other sectors.

### 8) Sector to Ticker

This strategy allows you to compute correlation coefficients for a ticker compared to a single sector. It can be helpful in determining the quality of a fit of a group to a sector. The sector must be contained in your Group/Sector List. *Ticker* is the ticker that you want to compare against the sector. A ticker can be another stock, group or sector index, market index, mutual fund, or any other ticker in your data base.

#### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Sector	n/a	Ticker	Any	n/a

### 9) Sector to All Groups in List

This strategy allows you to compute correlation coefficients for all the group indexes in your Group/Sector List relative to a single sector index. One purpose is to determine which groups belong in a sector. The sector must be contained in your Group/Sector List.

#### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Sector	n/a	List	G/S List	Groups

## INDEX ANALYSIS

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Index Analysis strategies provide correlation coefficients for indexes in your Master Ticker List relative to stocks, tickers, groups, and sectors.

### 10) Index to Ticker

This strategy allows you to compute correlation coefficients for a ticker (or tickers) compared to a single index. It can be useful in trying to create a group whose stocks move like the index. If the group has a strong Expert Rating, you can then trade the strongest stock in the group. *Ticker* is a ticker (or multiple tickers) that you want to compare against the index. A ticker can be another stock, group or sector index, market index, mutual fund, or any other ticker in your data base.

#### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Index	n/a	Ticker	Any	n/a

### 11) Index to All Stocks

This strategy allows you to compute correlation coefficients for a single market index against all the stocks in your data base. It can be used for forming groups (of stocks) which conform to an index. Most indexes cannot be traded but there is the possibility of trading a stock (or stock option) within the group with a high Expert Rating.

#### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Index	n/a	MTL	n/a	Stocks

## 12) Index to All Groups in List

This strategy allows you to compute correlation coefficients for all the group indexes in your Group/Sector List against a single market index. It may be used to find a group which conforms to an index. One can then trade the strongest stock in this group.

### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Index	n/a	List	G/S List	Groups

## 13) Index to All Sectors in List

This strategy allows you to compute correlation coefficients for all the sectors in your Group/Sector List against a single market index. It can be used to find relationships between indexes and sectors that might otherwise be missed.

### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Index	n/a	List	G/S List	Sectors



## MUTUAL FUND ANALYSIS

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Mutual Fund Analysis strategies provide correlation coefficients for mutual funds in your Master Ticker List relative to stocks, tickers, groups, and sectors.

### 14) Mutual Fund to Ticker

This strategy allows you to compute correlation coefficients for a ticker compared to a single fund. This can be useful in trying to create a group whose stocks move like the fund. If the group has a strong Expert Rating, you can then trade the mutual fund. *Ticker* is a ticker that you want to compare against the fund. A ticker can be another stock, group or sector index, market index, mutual fund, or any other ticker in your data base.

#### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any MF	n/a	Ticker	Any	n/a

### 15) Mutual Fund to All Stocks

This strategy allows you to compute correlation coefficients for a mutual fund against all the stocks in your data base. This can be used for forming groups (of stocks) which conform to a fund.

#### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any MF	n/a	MTL	n/a	Stocks

## 16) Mutual Fund to All Groups

This strategy allows you to compute correlation coefficients for all the group indexes in your Group/Sector List against a single mutual fund. It may be used to find a group which conforms to a fund. One can then trade the fund when the group gives a signal.

### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any MF	n/a	List	G/S List	Groups

## 17) Mutual Fund to All Sectors

This strategy allows you to compute correlation coefficients for all the sector indexes in your Group/Sector List against a single mutual fund. It can be used to find relationships between funds and sectors that might otherwise be missed.

### Settings:

*Limit Source B to Components of Source A : No*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any MF	n/a	List	G/S List	Sectors

## ANALYSIS OF EXISTING GROUPS AND SECTORS

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### 18) All Stocks in Group

This strategy allows you to compute correlation coefficients for the stocks in a single group relative to the group index. The strategy is extremely helpful in determining if all stocks belong to the group. After viewing the result you can eliminate any members of the group, recompute the group, rerun this analysis, and verify that the stocks within the group do indeed have a better fit. The group must be contained in your Group/Sector List.

#### Settings:

*Limit Source B to Components of Source A : Yes*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Group	n/a	List	G/S List	Stocks

### 19) All Stocks in All Groups in List

This strategy allows you to compute correlation coefficients for the stocks in all of the groups in your Group/Sector List relative to the group indexes.

#### Settings:

*Limit Source B to Components of Source A : Yes*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
List	G/S List	Groups	List	G/S List	Stocks

## 20) All Groups in Sector

This strategy allows you to compute correlation coefficients for the group indexes in a single sector relative to the sector index. It is helpful to determine whether there are any groups in the sector which do not belong. If the correlations are close enough together, then the groups do belong in the sector. If a group does not belong in the sector, eliminate it, recompute the sector, and rerun this analysis to verify that the correlations have improved. The sector must be contained in your Group/Sector List.

### Settings:

*Limit Source B to Components of Source A : Yes*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
Ticker	Any Sector	n/a	List	G/S List	Groups

## 21) All Groups in All Sectors in List

This strategy allows you to compute correlation coefficients for the groups in all of the sectors in your Group/Sector List relative to the sector indexes.

### Settings:

*Limit Source B to Components of Source A : Yes*

Source A			Source B		
Source	Symbol	Type	Source	Symbol	Type
List	G/S List	Sectors	List	G/S List	Groups