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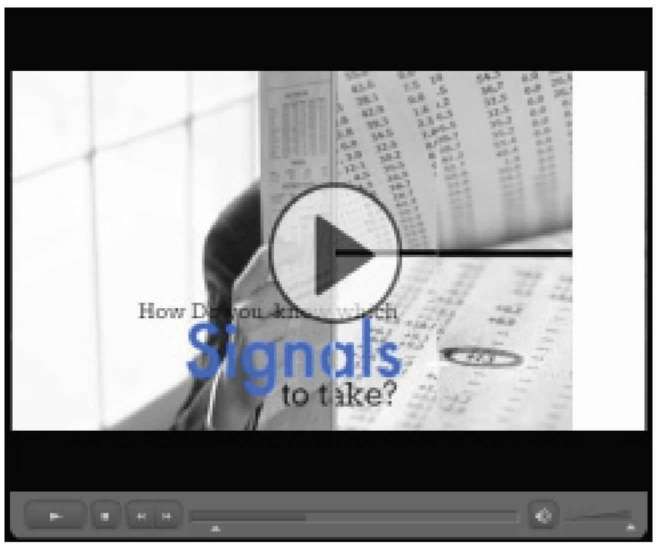

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Interview with Mark Minervini
Author of Trade Like a Market Wizard

By Larry Jacobs

Larry: What are the key traits for a successful trader?

Mark: When I started trading 30 years ago, I knew stock trading was going to be exceptionally challenging and I knew success was not going to happen overnight. I made a decision that I was going to put in as much time and effort necessary no matter how long it was going to take, because I was confident the eventual payoff would be well worth it.

I believe one of my major strengths is my unconditional persistence. If you're someone who gets discouraged and quits easily, then stock trading is going to be very difficult for you. Most things worth accomplishing take time and challenge a person's confidence; the ability to endure the so-called failures and learn from them is a key in any endeavor, and stock trading is no different.

It takes time to acquire and perfect the correct knowledge and it doesn't happen overnight. If that were the case, then everyone would be rich from stock trading. Strategy has less to do with trading success than the mental aspect. Desire, guts, persistence and a belief in your own potential are all very important. Most of all you need to take 100% responsibility for your results, respect risk, and be willing to learn from "failures" instead of regretting them. You must be willing to do the work and own your failures, and then you can own your success.

Larry: Why is it that most traders fail in the markets?

Mark: Here are 7 common reasons:

1. Most traders follow a flawed strategy with poor selection criteria, usually this is based on personal opinion or bad advice
2. Even when they find a good approach, the majority of traders don't stay the course; they suffer what we call "style drift", changing strategy when short-term results are unsatisfactory or become boring
3. The #1 mistake made by virtually all investors is they don't cut losses
4. Most of the traders that blow themselves up usually do so by adding to losing positions
5. The grand majority of stock traders don't know the truth about their trading – they fail to conduct in-depth post analysis regularly; they simply don't know the math, so they have no idea how to manage risk in relation to reward
6. Many traders start with unrealistic goals; they want too much too fast and become disinterested when success doesn't come quickly
7. Most failures in anything stem from a lack of belief in your own abilities; most people just

don't believe they can be exceptional at stock trading, but they can, if they really want it and follow the right plan

Larry: Why does practice not always bring success in trading?

Mark: To get good at something you must gain experience, however, that does not mean that you will get good at trading if you just practice over and over; you must be practicing correctly. Repeating something over and over creates habit. If you're doing the wrong things repeatedly you will just create bad habits. So, the focus should not be on repetition, it should be on repeating a process worth repeating. You must practice correctly otherwise you will just engrain bad habits.

Larry: Do you believe in paper trading?

Mark: If possible, I would rather see a new trader trade with a small amount of money than trade with fake money. Paper trading can give you a false sense of security; you definitely won't make that same type of decisions under the pressure of real money as you would paper trading. So, why not get the experience that will serve you in real life? Start trading with real money as soon as possible. I suggest if you're new to trading, start with an amount small enough that a loss won't change your life, but with an amount large enough that losses are at least somewhat painful so you can get accustomed to the pressure that goes with trading.

Larry: Do individual investors have any advantages over professional fund managers?

Mark: Yes, a huge advantage! The biggest advantage the individual investor has is liquidity which gives you control. Individual traders have pretty much the same tools as the pro; however, the individual trader has instant liquidity. This allows the individual the effective use of stop-loss protection with little or no slippage. With greater control over risk you can have greater portfolio concentration, change course quickly, and in turn produce much bigger returns. Speed and liquidity are major advantages that open up the potential for superperformance for the individual stock investor.

Larry: What's the difference between a trader and an investor and which should one be?

Mark: The difference is your time horizon and level of activity. You should utilize a style that best suits your personality. Once you are consistently successful with a time frame, you can then look at trading around positions or in the case of a short-term trader, holding for a larger move. In the beginning stages of a new bull market, I try to take a more "investment" type approach, holding stocks longer than I would during the late stage of a bull market, where I would tend to take a trading approach selling into rallies instead of trying to hold through normal base building and natural reaction pullbacks.

What in your opinion makes a stock go up?

Mark: Large institutional investors move the market. The key is to align your buy orders with the big boys as they're bidding up shares. Knowing how to spot the difference between retail buying and institutional buying is a key skill to develop if you want to make big stock returns consistently.

Larry: What is your SEPA® and why did you develop it?

Mark: SEPA® - Specific Entry Point Analysis® is a strategy of precision. It identifies stock candidates that have the potential to become superperformers, but more importantly, the precise point to buy. The objective of SEPA® is to pinpoint the exact spot at which to enter a high-probability trade in terms of risk versus reward. By putting on trades with big potential at relatively low risk, I achieve a high reward to risk ratio.

Larry: Do you believe in bottom picking?

Mark: If you can do it, great! I haven't met anyone in my 30 year career that could consistently pick bottoms or tops. Successful trading has nothing to do with picking tops and bottoms. I think this is where many investors go wrong and enter into trading with the wrong perception because they've heard buy low sell high. Or, they equate trading to the likes of buying a pair of shoes on sale; doesn't work that way. Very often what's cheap is cheap for a reason. Some of the biggest winning stocks have the biggest performance when they seem overvalued. The key is to buy lower than where you sell. 99% of the time, that won't be at the lowest price a stock traded at.

Larry: Do you use moving averages and if so how do you use them?

Mark: Yes, I use a 200-day, 150-day, 50-day and a 20-day moving average for smoothing. The longer-term moving averages are part of my Trend Template, which identifies if a stock is in a Stage 2 uptrend; 98% of the biggest winning stocks made their huge moves while in a Stage 2 uptrend, so it's one of the very first qualifications I require. I divulge the parameters of the Trend Template in my book *Trade like A Stock Market Wizard (McGraw Hill).*

Larry: Do you believe in buying brokerage recommendations?

Mark: I rely solely upon my own analysis. Over time, most broker recommendations lose money for clients. However, I'm happy to see a broker recommendation on a stock that I already own to help push the stock , and might even sell into that strength as a result.

Larry: Do you use fundamentals and if so how?

Mark: In the majority of cases, I want to own companies with strong earnings backed by brisk sales and improving margins. I'm looking for companies that have something exciting going on, which translates into bottom line success. The only time I disregard earnings would be in situations like a biotech company that's trading on the prospects of a new drug or something along those lines.

It's important to understand that a great company is not always a great stock. Timing is everything. You must learn how to determine where a company is within its own earnings cycle and then position yourself in the strongest most profitable part of the cycle.

The majority of exceptional winning stocks had certain things in common; what we found was the biggest correlation had to do with earnings. If a company has a hot selling product and they're earning lots of money, the stock price will likely appreciate, providing the growth is significant and sustainable.

Larry: Do you buy the market leaders and if so why?

Mark: Yes, because those are the stocks capable of making the biggest gains. I want to own the best merchandise, not some company that I hope will do well and work through a problem, but a company that is already displaying the characteristics of a big winner. In the stock market it pays to buy the best of breed, if you know how to buy at the right time. Optimally, I want to own companies that deliver strong earnings and sales growth and I want to see some evidence that institutional investors are seeing what I'm seeing. LinkedIn (LNKD) is a market leader and a great example of a stock that displayed huge earnings and sales with great price action. I originally bought the stock on 1/22/13.

Larry: How do you use charts?

Mark: I use charts to establish the prevailing long term trend and then the precise spot to enter a trade. There definitely are repeatable patterns; the earliest point I try to enter a stock is when it emerges from what we termed a 3C or Cup Completion Cheat pattern. This is when a stock officially starts a new uptrend after a correction phase. There are classic base patterns you can trade off of on breakouts. There are also more sophisticated techniques which I go into great detail about during our 2-day Master Trader Workshop.

Larry: Explain your tennis ball action?

Mark: The way a stock reacts during a pullback can help you to determine whether your stock is a tennis ball or an egg. I want to own tennis balls. During pullbacks, stocks that are healthy and under accumulation will be met with support; the stock should shoot back to new highs bouncing back like a tennis ball. This is how you determine whether the stock is experiencing a natural reaction or if it's trading abnormally.

After a stock emerges from a proper consolidation, it should not pullback too much and it should rally back to new highs within a number of days up to a few weeks. The stock price should definitely not break down sharply and fail to rally back. Hyster-Yale (HY) is a recent example. I bought the stock on 5/16/2013; if you look on a chart you will notice how none of the pullbacks lasted more than 3-4 days before the stock moved back into new high ground. That's tennis ball action.

Larry: What is your favorite chart pattern?

Mark: I look for one of 8 basic set-ups that occur over and over; however, each market cycle tends to lean toward certain technical themes. Of the 8 technical set-ups, my favorite is the one that is proliferating and working for me.

Larry: What is your power play?

Mark: The power play is a rare but very profitable set-up. It's what I call a velocity pattern. It takes very high momentum to qualify; the first requirement is a sharp price thrust upward. Velocity begets more velocity. This type of price action often signals a dramatic shift in the prospects of a stock.

A recent example of a power play I traded is Alliance Healthcare (AIQ); the stock emerged from a consolidation on 5/29/13. Few people probably traded this one because it's a small, thin, unfamiliar name. Most big winners are companies you never heard of before. History also shows the majority of big winners have a relatively small number of shares outstanding in the float.

Larry: How do you use money management?

Mark: I always approach each trade from risk first; before I enter a trade I already know exactly where I'm going to get out at a loss if the trade moves against me. I don't risk more than I expect to gain. I never ever average down; just the opposite. I trim my activity and size down when trading poorly and ramp it up when trading well; this way I trade my largest when I'm trading my best and the smallest when I'm trading my worst. This is how you manage risk and pyramid into big returns.

Larry: What's the difference between a successful investor and one that is unsuccessful?

Mark: Successful traders pay special attention to risk; they know not losing big is the only way you are going to win big. They are patient, selective and consistent. They believe in what they are doing and in their own abilities. They stick to their strategy and understand that every strategy has ups and downs. They're motivated by making money, not action. They have what I call "sit out power"; the ability to do nothing when risk is high, but are also quick to step on the gas when conditions prove right.

Most successful traders started out with a role model, someone who had already accomplished the goals they were aspiring to. The main thing is to get involved and take action. You're going to make many mistakes; the key is to learn from those mistakes. You have to get started and gain some experience. You also need a good plan, so find a good mentor. Duplicate success.

Larry: How do you use stop losses?

Mark: There are several types of stops. The first is a mathematical stop based on a percentage decline below my initial purchase price; I never want to let a loss exceed 10% - my average loss is much less. The second is a technical stop based on the chart. The third is a time stop; if the stock doesn't do what I expect, I often will sell it based on that reason alone. And, the forth is a fundamental stop; if the fundamental picture darkens, I may sell.

Larry: How do you use scaling in?

Mark: I never ramp up to big exposure without having some success first. Why would you want to raise your exposure from say 25 or 50% invested to 75, 100% or on margin if your current positions aren't working? I add to a position if it proves itself; most of the time I add at a higher price than my original purchase. However, the stock must meet certain criteria; I'm not going to add simply because a stock moves higher. Trading is not an on/off business; you don't have to make all or nothing decisions. I move incrementally until things start working, then when I get the green light, I step up my exposure aggressively.

Starting with only a few thousand dollars, Mark Minervini turned his personal trading account into millions. In 1997 Minervini he won the U.S. Investing Championship with a 155 percent return. Using his trading strategy, in a five-year period Minervini generated a towering 220 percent average annual return with only one losing quarter. To put that in perspective, a $100,000 account would explode to over $30 million with those returns.

Mark Minervini is author of the new best-selling book, Trade Like A Stock Market Wizard (McGraw Hill). He is also featured in Jack Schwager's Stock Market Wizards: Conversations with America's Top Stock Traders. Schwager wrote: "Minervini's performance has been nothing short of astounding. Most traders and money managers would be delighted to have Minervini's worst year—a 128 percent gain—as their best."

Minervini recently announced his 2013 Master Trader Program workshop where he spends two days teaching his SEPA strategy and techniques. This year Minervini has a special guest instructor sharing the stage with him; 3-time U.S. Investing Champion, (William O'Neil protégée) David Ryan. The event is scheduled for October 12-13, 2013.

You can find more on Mark Minervini at www.minervini.com

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The Real Rules of Alan (Pitchfork) Andrews

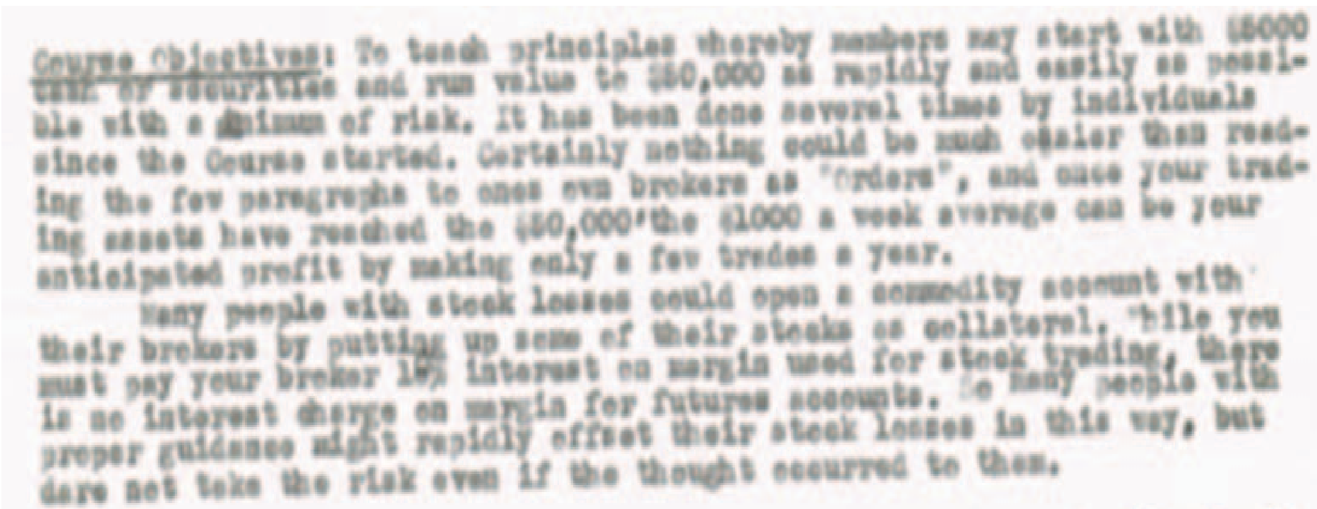
By Ron Jaenisch

Alan Hall Andrews is best known for being the inventor of the Andrews pitchfork and the concept that prices make it to the median line 80% of the time. This enables the forecasting of the slope and duration of trends in futures, stocks, commodities and other data that appears to be random.

During a civil engineering class at the University of Miami, Professor Andrews diverged from the class topic and discussed how geometry may be used in the stock market for forecasting. His students showed such excitement in the topic, that he spoke to the Dean about developing such a course.

The Dean responded with a denial, suggesting that one could never earn a living with such an education, because there was no career path that was tied to the course.

After his retirement, Dr. Andrews started teaching the Action Reaction Course privately.


Course Objectives: To teach principles whereby members may start with $5000 cash or securities and run value to $50,000 as rapidly and easily as possible with a minimum of risk. It has been done several times by individuals since the Course started. Certainly nothing could be much easier than reading the few paragraphs to ones own brokers as "orders", and once your trading assets have reached the $50,000 the $1000 a week average can be your anticipated profit by making only a few trades a year.

Many people with stock losses could open a commodity account with their brokers by putting up some of their stocks as collateral. While you must pay your broker 10% interest on margin used for stock trading, there is no interest charge on margin for futures accounts. So many people with proper guidance might rapidly offset their stock losses in this way, but dare not take the risk even if the thought occurred to them.

His course objective was to teach by doing. He knew that the interest in market analysis by his students would increase when they saw consistent profits in their accounts. Every Friday he would go to have copies made of a newsletter he typed up the day before. What was unique about his newsletters was that his gave his students the script to read to their broker on Monday morning along with an explanation of the techniques he was using. In addition to this, at least once a month he would include significant detail, with rules about a specific technique.

You can clearly see, in the excerpt s from his newsletters that follow, (sections cut out) that the orders were given in advance and the profits were significant. These excerpts are from the nearly 1000 page Andrews Expanded Course, which contains years of newsletters and all of the documentation that this author has from Alan Andrews. It is from the originals in the nearly one thousand page expanded Andrews course that the Real Andrews Rules have been compiled.

5/15/70

Case Study Course Applying Scientific Principles to Price Prediction

Results from Action Indicated Previously: The May Copper shorted May 4 at 75.30 saw the Monday May 11 price at market opening of 74.80 for covering as indicated in last letter. The net gain after $20.80 commission was $199.50.

July Copper's opening price was 72.50 for the indicated short sale. Since price had dropped at today's (Friday) close to 70.15 there was a paper profit of $1175.

The buying of August Cattle at the indicated price of 30.80 last Tuesday makes a spread with the June Live Hogs previously shorted at 27.70 week before last. Since the contract for Hogs is 20,000 lbs., and a contract for Cattle is 40,000 lbs., to balance the spread you should be short two contracts of Hogs.

The short sale indicated in last letter for August Pork Bellies at the market opening Monday price of 41.60 confirmed the indicated D direction for the price at Friday's close was 39.05 showing a 2.55¢ paper profit of about $750 per contract. This was about 75% on the margin required in one week.

As the total net paper profits for the past two weeks is about $2000. On the assumed capital available of $5000, this is 40% in two weeks or at the unusually high rate of over 1000% yearly. Much over the 100% rate that Keltner's book on Commodities mentions as possible for a well managed account.

Orders Indicated for Coming week: Cover the June Hogs at 26.10 order with your broker good for the week. Take profit by sale of the August beef Cattle at 31.20 a week order also. A small rally is probable in Copper this week, and the Bellies also. However, covering our shorts for the present profit might mean we'd lose our position by finding it hard to go short again without constant supervision. There is a high probability that our short Copper will drop to the 68 level and that the August Bellies by drops to the 37 area and then to the 35.

The probable minimum profit on the Copper should be about $3800, and on each Pork Bellies contract about $1200.before August. This is roughly 100% on the margin required. But even with the scientific aid probability methods provide thro' the methods taught only in this Course, remember to regard even the best of predictions as subject to varyation.

COURSE LETTER FOR JULY 10th,1970 FROM
Foundation For Economic Stabilization's Case Study Course
Applying Mathematical Probability and Morphology To Price Prediction

Results From Past Letters: A realized profit of $5500 per contract of July Copper for all acting on the short sale indicated at 72.50 in May letter when price dropped to the 61.50 as probability indicated in last letter. Gain of over 250% on the $2000 margin required took two months. It shows the advantage of keeping funds available for such fast profit making EP formations when such opportunities come along.

The paper gains since taking the positions in Soybeans and Bellies offset the paper losses on Soybean Oil and Sugar.

Orders Indicated for Coming Week: Go long the September Egg contract at Monday's close with view of buying another should price dip later.

Case Studies re present Positions: March Sugar dropped thru major UT,a possible warning of caution re long positions. Near futures of Pork Bellies rose as indicated in last letter to meet major UT, before the coming big dropthat probability indicates as coming after this minor UT ends. Seasonal rise in cash Eggs usual toward Sept and often thru Jan. Would have bo't sooner except for desirability of not over extending positions.

FOUNDATION FOR ECONOMIC STABILIZATION CASE STUDY COURSE LETTER 8/22/70
Applying Mathematical Probability & Morphology To Prediction Of Price Change

Results From Previous Orders Indicated: The only positions now held in this Course started in May 1970 are long April Live Hogs, September Eggs & Oct. Sugar all higher during last week and at their highs adding several thousand paper profits to the assumed fund over the $15000 of last week from the realized gains made available to add to the starting capital of $5000.

The price of November Iced Broilers did not drop to the indicated price in last weeks letter, and the order contemplated for the near future in that letter for the short sale of January Meal should have been placed last week for prices rose from 78¢ to 83 ¢ before dropping back to 78¢. It has now made the EP formation so profitable to Course members who have traded by this exclusive Course Method. The Bean Oil similar formation slid down slightly toward the C-4 line where short sale action is often confirmed.

Orders Indicated: Buy 4 November Broilers at market open Monday-- Short 2 Jan. Soybean Meal at 79.80 order good until Wednesday. May increase positon later.

FOUNDATION FOR ECONOMIC STABILIZATION CASE STUDY COURSE 9/6/70
Applying Mathematical Probability & Morphology To Price Prognostication

Results from Previous "Orders Indicated": If you've been reading recent "Orders Indicated" to your broker you've noted that realized gains have been averageing around $1000 a week. The sale of the September Eggs last week made over $2200 net profit after commissions on the 2 contracts bo't at 42.15 and 2 at 39.50 and all sold at 44.75. The sale of the long Iced Broilers as indicated in last letter, and switch from October Sugar to May Sugarll produced no gain worth noting.

Present Positions for $5000 Fund are 2 May Sugar at 3.92, and 4 Aprel Hogs at 19.25,both long, and short 2 January Meal at 78.20 and 1 March Cocoa at 35.80. For the Course Fund which now has assets approaching $20,000 (from $5000 start in May) the quantities could be 4 times the above contracts, but since assets were $15,000 when taken, only 3 contracts.

"Orders Indicated": None this week: Let's wait for surer opportunities.

During the time period from May 1970 to September 1970, it shows an increase to nearly $20,000 from a start of $5,000.

When Alan started writing his newsletter he would use what was called Onion paper at the time. This enabled him to make multiple copies at the same time, on a typewriter. After Xerox was the way to make copies, his course took an important leap. As a result of the copy machine, he was able to draw charts and send them to his course members, along with the orders indicated.

What this student of his found important were the explanations he would give when he did not follow his “course rules”. This was very normal. For example there was the SH, or Sliding parallel line rule.

Chart A shows an excellent example of this recently. According to Andrews “course rules” after prices make a pivot a Median Line with Parallels is drawn. If it is noted that prices spent time outside of the parallel then an SH is drawn. This SH is a line that is parallel to the Median line and is drawn from the outside point. In chart A the SH point is noted with <<.

The Sliding Parallel (SH) can be clearly seen in Chart B. Andrews rule set say that a stop is placed beyond the SH Line.

Chart C shows the incredible surge that occurs as a result of stops being hit when prices first broke up through the SH line.

It is marked as break 1. Andrews wrote in his weekly course letters, over thirty years ago, that the way to trade it is to wait until the second break of the SH, as this is a more advantageous price point. As can be seen on Chart C, prices did break the SH line a second time in early July, which gave a buy signal according to what most would consider Andrews real rules. These are the real rules because they are the ones he actually followed.

Another important real rule is what to do if prices do not make it to the median line. Many think that one simply buys and sells as prices break out of the pitchfork or what he would refer to as the MLH. But nothing could be further from the truth. Alan discusses it in a video that Advanced course members see, and it is a good concept that may be discussed in a future article.

The author Ron Jaenisch has one of the few copies of the nearly one thousand page library of the original Andrews library best known as The Treasure of Alan Andrews (google it) He learned the techniques from Andrews personally. He teaches the video based Advanced Andrews Course, Expanded Andrews Course and the Babson Pro Course at Andrewscourse.com. His email address is ronj@san.rr.com. For low budget college students he recently released three new ebooks, the links are at www.powertrendinvesting.com and www.RonJaenisch.com

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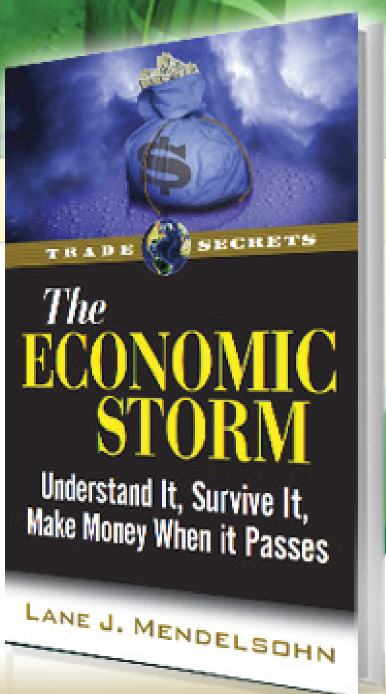

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Review of TradeColors

TradeColors.com is an introductory concept to Algorithmic Trading Mythology with Human Interaction, featured by NeverLossTrading®

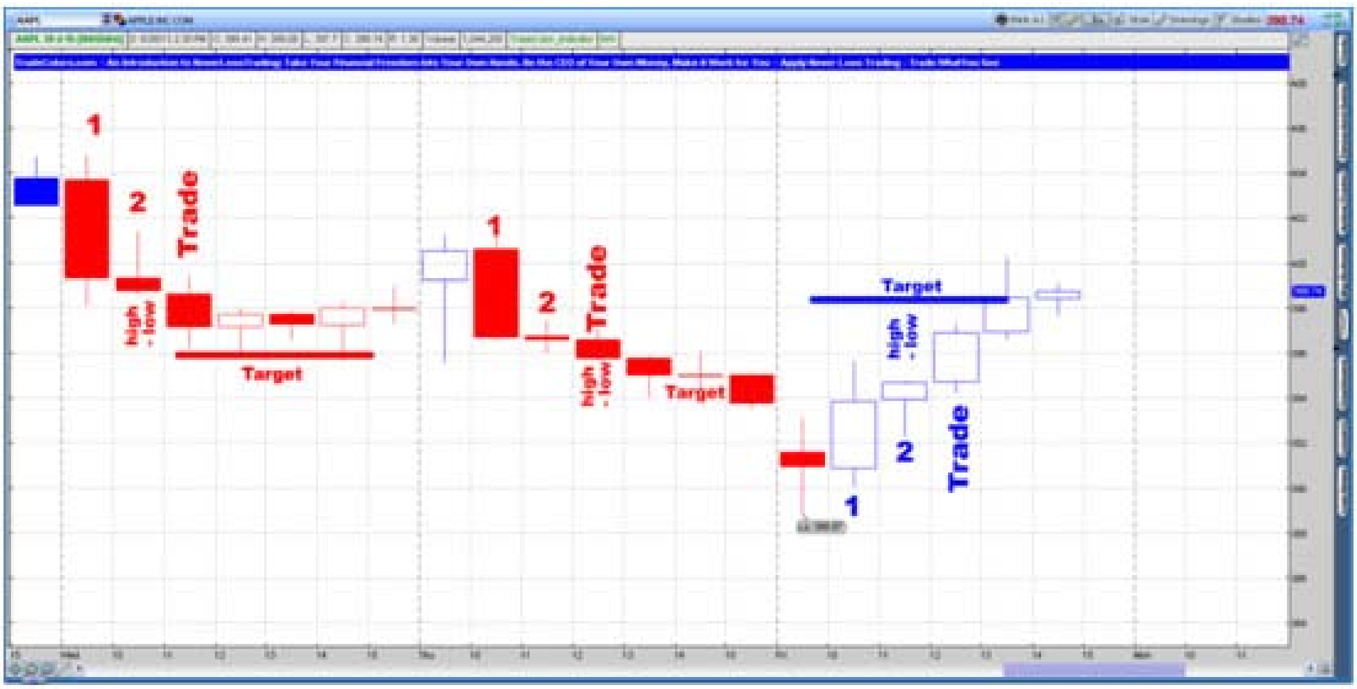
By specifically developed programs, the concept paints institutional money moves on the chart for the trader/investor to follow.

"Trade with Institutional Money Moves by Following Candle-Color-Sequences"

User focused, two different systems are available:

Experience trading concepts geared to your needs, based on:

Momentum Trading Example



The Trade Principle is simple:

"Trading now is made for me, counting colors one-two-three"

"Take out the high or take out the low, this is the direction, I will go"

"Follow one color and trade the trend from the beginning to the end"

The TradeColors.com education packages offers you a budget, however, powerful vehicle to operate in the world's financial markets.

Led by proprietary algorithms, institutional money moves are measured and portrait on the price chart in a sequence of same color candles, allowing you for Momentum Trading and Trend Trading.

If you want to upgrade from TradeColors.com to a more sophisticated NeverLossTrading concept, you are welcome at any time and we will credit your tuition towards the retail price of the NeverLossTrading Mentorship you decide for.

1. Comparison

TradeColors.com	Never Loss Trading®
Using One Indicator (Candle Color)	About 20 Indicators (incl. Candle Color)
4-Hour Training Day (fixed)	20-Hours of training (flexible)
1-Month Questions Answered	6-Month Mentorship (2 hours/month)
Software Installed (15 minutes)	Software Installed (5-7 hours)
50 Pages of Documentation	180 - 300 Pages of Documentation
30-Days Free Report	90-Days Free Report
$2,497 (Introductory Offer)	Watch Lists and/or Scanners (Installed)
Fully REFUNDABLE on Upgrades	Avg. $8,997 (one-time payment)
Aim for fast tuition recuperation	Aim for high returns

2. Applicability

TradeColors.com is applicable for all asset classes and for their derivatives, Options and Futures:

1. Stocks, ETF's, Mutual Funds
2. Commodities
3. Currencies
4. Treasuries

3. Concept

TradeColors.com measures short-term price-momentum changes and expresses in a candle-color-sequence when a potential institutional price move is happening.

3.1 Momentum Trading

Buy A Specified Price Level, when the HIGH of the second blue color candle is surpassed by the price development of the next candle or the next candle after two-or-more-same-color-candles.

Sell a Specified Level, when the LOW of the second blue color candle is surpassed by the price development of the next candle or the next candle after two-or-more-same-color-candles.

This formulated buy/sell price-threshold identifies a price-limiting-point: When this price level is surpassed, we trade and we trade for a minimum price-move of the High-Low-Difference of the trade initiation candle, which is in the following called H/L-Difference.

Prices Momentum and Tend Moves have pre-indications and we measure and paint those as a price-color-sequence on the chart for you to trade along with it.

Entry. Price surpasses the prior high (blue) or low (red) of the second same color candle. .

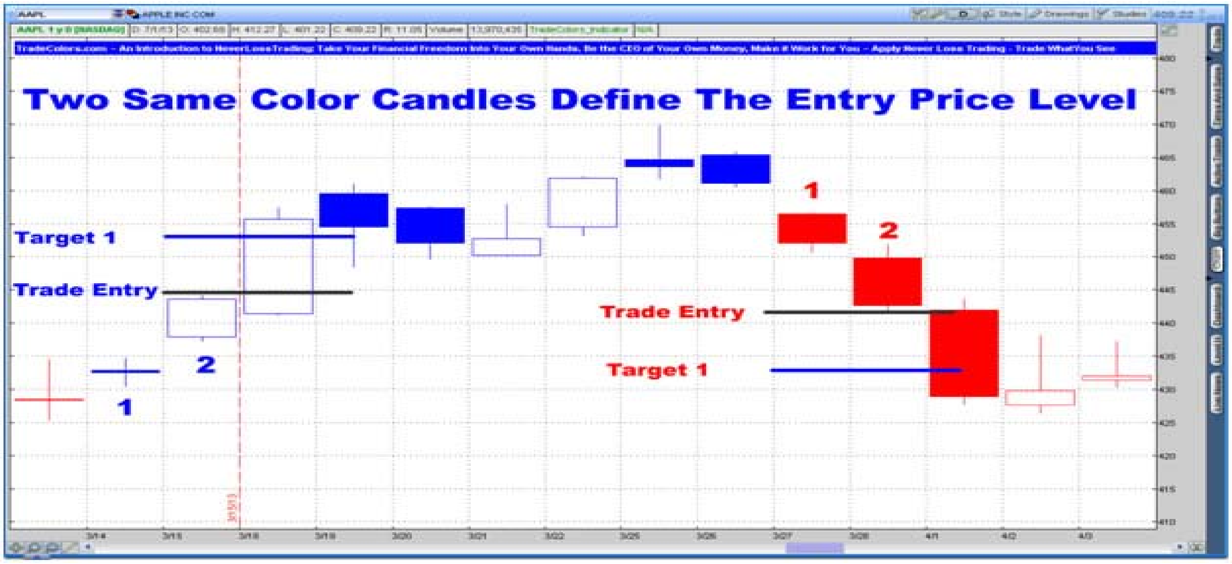
Positive Exit: We extrapolate the expected price move in increments: 1-time Expansion, 2-time Expansion, 3-time Expansion.

Trading Strategy: We trade either for:

- A Momentum Move: For 1-Expansion Move.

- A Trend Move: For a Two- to Three-Expansion Move or until the high/low of an opposite facing candle is surpassed.

Stop: Below the low of the trade initiation candle, trailed with the price move.



Trend multiple momentum moves in one color-sequence, if the high of a blue candle or the low of a red candle is taken out again.

3.2 Trend Trading

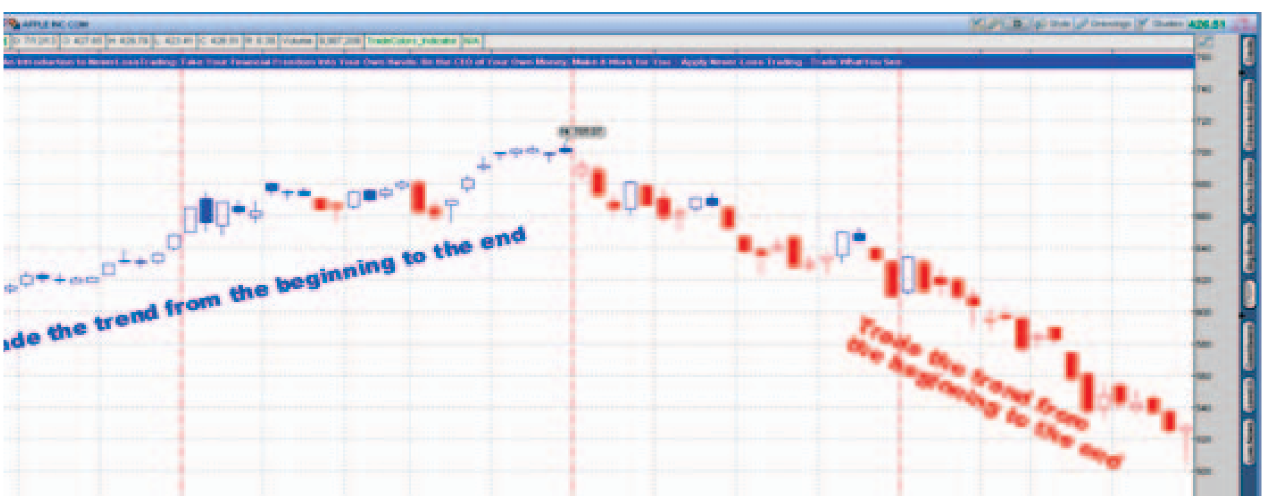
Buy> Entry as Momentum Trade. See above.

Sell < Entry as Momentum Trade. See above.

Follow the color sequence initiated until the second opposite colored candle appears on the chart.

Example on the next page.

AAPL Trend Trading, by staying in the trend as long as the candle color sequence is not interrupted by two opposite color candles and the high of a second blue candle taken out by the next candle or the low of a second red candle is surpassed by the price development of the next candle.



4. Opportunities

With ***TradeColors.com,*** aside from providing you with a trading concept, we share our market scans at least three times per week, reporting stocks, futures and FOREX pais with a two-same-color-candle-sequence.

Considering stocks widely held and traded with institutions, we scan:

180 Stocks from the S&P 100 and NASDAQ 100.

78 FOREX pairs, covering the world currencies.

50 Focus Futures, ranging from stock market indexes, via currencies to commodities and treasuries.

With your subscription to ***TradeColors.com***, you will receive this report free, for 30-days, with an automatic renewal of your subscription for a monthly fee of $99 after. You can cancel your subscription at any time and we will no more bill you.

You save hours of time to find and document trading opportunities. Imagine checking 180 charts every night, documenting and selecting those you want to trade. We do the work for you and for a price for less than $5 per trading day, we provide you with constant reports, spelling out:

Blue or Red Candle Sequences with market pressure.

Potential Momentum Reversals with market pressure..

The average stocks, we repot on, has an expected 1-Expansion-Move of 1.7%, based on the cash price of the asset. When you use overnight margin, this relates to a 3.4% return and on an intra-day-base to a 6.8% return potential.

Futures and FOREX trading, by the used leverage allows for much higher returns.

Always remember: Past performance is not indicative for future results.

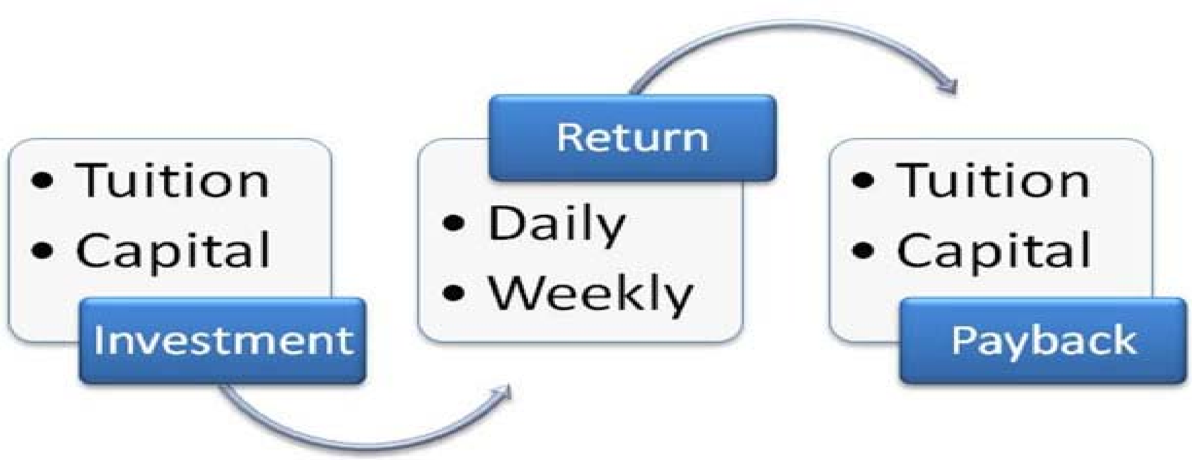
5. Upgrade

Why would one want to upgrade to a NeverLossTrading Mentorship?

NeverLossTrading systems have two major advantages compared to TradeColors.com:

1. Higher Probability Trade Setups
2. More Trading Opportunities Per Time-Unit-Observed

Hence, if you are serious about trading, NeverLossTrading system provide the higher productivity.



Comparing Trading Systems on a Productivity Measure; TradeColors.com discounted

Goal for NLT Trading Systems:	Short-Term Tuition Payback			Striving for Infinite Returns		
	Day Trading Stocks			Day Trading FOREX: 1-Lot		
Time Base	NLT Income Generating Trades Per Week	NLT HF-Trading Trades Per Week	TradeColors.com Trades Per Week	NLT Income Generating Trades Per Week	NLT HF-Trading Trades Per Week	TradeColors.com Trades Per Week
Average Amount of Trades/Week: 10-Minute Chart	8	15	4	8	15	4
Average Amount of Trades/Week: 1-Hour Chart	3	6	2	3	6	2
Average Amount of Trades/Week: 4-Hour Chart	2	4	1	2	4	1
Average Weekly Trade Potentials	13	25	7	13	25	7
Trade Accuracy Assumption	80%	80%	65%	80%	80%	65%
Loss Rate (1:1 Stocks, Options with a 50% higher Loss Ratio)	20%	20%	35%	20%	20%	35%
Expected Net Return Rate (Gain - Loss)	60%	60%	30%	60%	60%	30%
10-Minute Chart Return	1.9%	3.6%	0.5%	$ 480.00	$ 900.00	$ 120.00
1-Hour Chart Return	2.2%	4.3%	0.7%	$ 360.00	$ 720.00	$ 120.00
4-Hour Chart Return	2.6%	5.3%	0.7%	$ 840.00	$ 1,680.00	$ 210.00
Average Return per Week	6.7%	13.2%	1.9%	$ 1,680.00	$ 3,300.00	$ 450.00
Weekly Return Rate at 50% Stock and 30% FOREX Opportunity Realization	3.4%	6.6%	0.9%	$ 504.00	$ 990.00	$ 135.00
Calculated Monthly Return Rate	13.4%	26.4%	3.7%	$ 2,016.00	$ 3,960.00	$ 540.00
	Stock Trade Return			Option Trade Return		
	Income Generating	NLT HF-Trading	TradeColors.com	Income Generating	NLT HF-Trading	TradeColors.com
Tuition Expenses (Covered at colored zones.)	$ 6,997	$ 8,997	$ 1,997	$ 6,997	$ 8,997	$ 1,997
Investment Capital	$ 25,000	$ 25,000	$ 25,000	$ 10,000	$ 10,000	$ 10,000
Return Month-1	$ 3,360	$ 6,600	$ 930	$ 2,016	$ 3,960	$ 540
Return Month-2	$ 7,170	$ 14,960	$ 1,895	$ 4,032	$ 7,920	$ 1,080
Return Month-3	$ 11,455	$ 25,487	$ 2,895	$ 6,048	$ 11,880	$ 1,620
Return Month-4	$ 16,400	$ [illegible]	$ 3,933	$ 8,064	$ 15,840	$ 2,160
Return Month-5	$ 21,965	$ [illegible]	$ 5,009	$ 10,080	$ 19,800	$ 2,700
Return Month-6	$ 28,277	$ [illegible]	$ 6,125	$ 12,096	$ 23,760	$ 3,240
Return Month-7	$ 35,417	$ 103,875	$ 7,283	$ 14,112	$ 27,720	$ 3,780
Return Month-8	$ 43,560	$ 137,896	$ 8,484	$ 16,128	$ 31,680	$ 4,320
Return Month-9	$ 52,778	$ [illegible]	$ 9,730	$ 18,144	$ 35,640	$ 4,860
Return Month-10	$ 63,227	$ [illegible]	$ 11,022	$ 20,160	$ 39,600	$ 5,400
Return Month-11	$ 75,080	$ [illegible]	$ 12,362	$ 22,176	$ 43,560	$ 5,940
Return Month-12	$ 88,518	$ [illegible]	$ 13,752	$ 24,192	$ 47,520	$ 6,480
Calculated Months for Tuition Payback	2	2	3	4	3	4
Calculated Months to Infinite Returns	7	4	21	9	5	18

Even so, TradeColors.com is not at the same level of longer-term returns compared to NeverLossTrading® Programs, it gives you:

An easy to follow, high probability trading system.

The possibility for a short-term payback on your tuition.

The ability to upgrade to NeverLossTrading Mentorships at full reimbursement of your costs.

"Trading now is made for me, counting colors one-two-three"

"Take out the high or take out the low, this is the direction, I will go"

"Follow one color and trade the trend from the beginning to the end"

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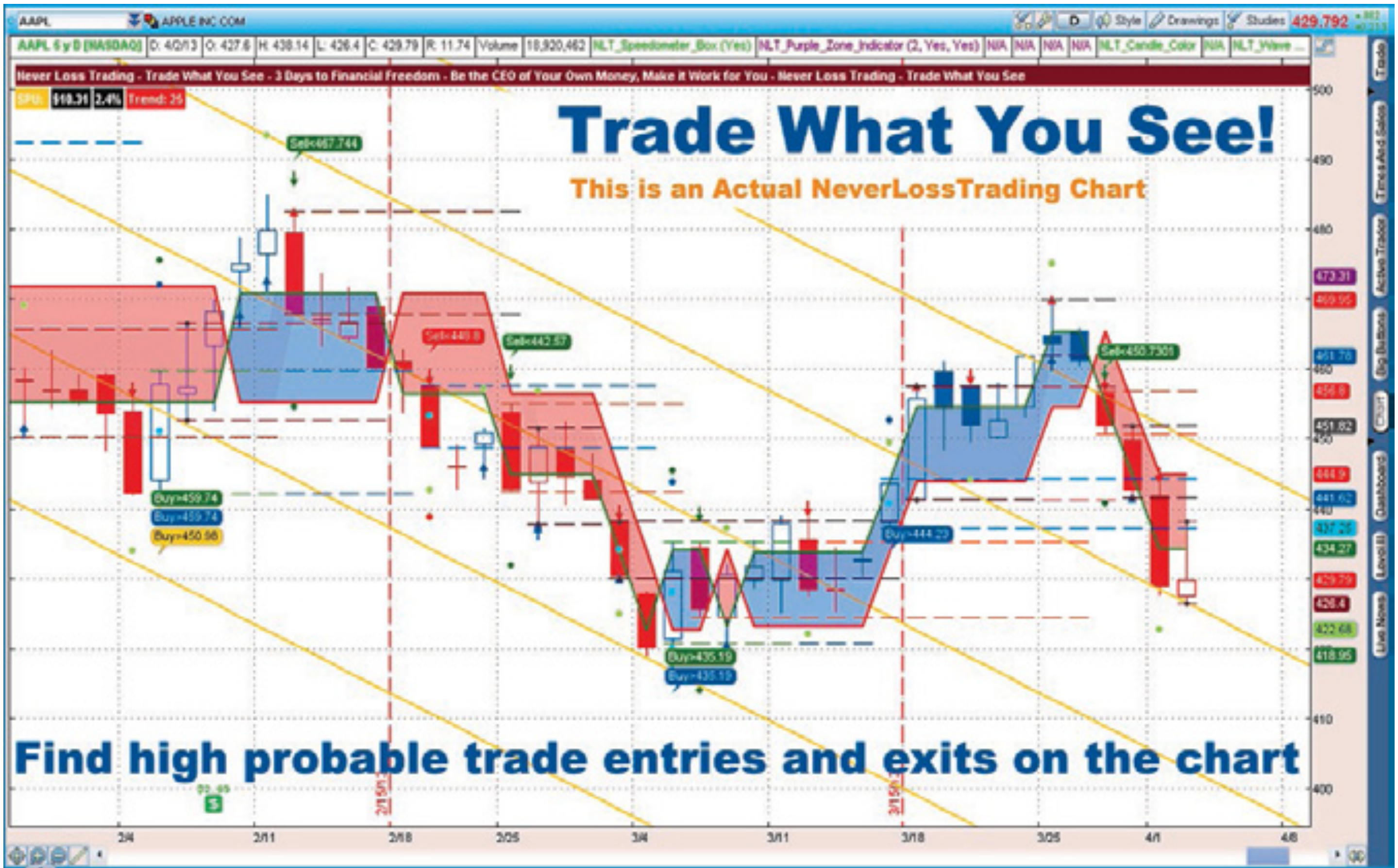

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- **DOCUMENTATION**
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NLT HF-Stock-Trading
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NLT Wealth-Building
Follow trends of selected assets; trading once a week, twice a month.

Day Trading

NLT HF-Day-Trading
Fast pace day trading in multiple asset classes.

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The Perception Trap
www.TradingOnTarget.com

By Adrienne Toghraie

Are you the perfect trader? Do you want to be? Do you seek the perfect trade, the one that unlocks all the doors to your dreams? Are you trying to create the perfect trading system? If so, you may also be unwilling to settle for anything less than the perfect house, perfect car, perfect spouse, or perfect schools for your children.

If you could achieve all of that perfection in your life, would it make you happy? Content? A better trader? A better spouse and parent? A better human being?

Mr. Perfection

Roy is a brilliant man with an enormous capacity to achieve success as a professional trader and in his personal life. The problem is that he actually achieves and produces very little because he is obsessed with doing everything perfectly and in having everything perfect. For that reason, Roy has spent much of the past twenty-five years working on creating the perfect trading system. Periodically, he allows himself to feel that his system is ready to trade and once again he trades in real time. At first, his system will perform…you guessed it…perfectly and he will make a killing in the market for at least a month and possibly more. At this point, he will call me and wax poetic about the perfection of his system. But shortly thereafter, his system will begin to generate some losses as well, and as soon as that happens, Roy's trading goes into a steep decline. Within a brief time, he will have given back everything he made in the markets and sometimes a bit more.

Once this cycle ends, Roy will begin all over again to fiddle with his system until it is perfect and will create only profits and no losses.

And what about Roy's perfect life? Well, Roy is not married because he has never found the perfect woman. He has had many girlfriends, but he falls out of love with each one as soon as he discovers her imperfections. He does not own a house because he could never settle on one ---there was always a problem with each home in which he has lived. When Roy begins a project, he works on it compulsively, attempting to make it perfect, which is impossible. So, he fiddles with it endlessly, unable to let it go. The list of his life's incompletions continues to grow longer and longer.

Perfection and Success

Achieving success in any endeavor is difficult enough without adding the complication of trying to achieve perfection at the same time. Anyone who has ever used a Microsoft product knows that perfection was never achieved, never even close. But Microsoft cornered the market. It got its customers close enough. And yes, it did so in a sloppy and non-intuitive way. But, it entered the market in a timely fashion. Had it waited to achieve perfection, it would have entered the race too late to win.

In trading, there is no perfection to be achieved. There is no perfect trading system, there are no perfect trades, and there is no perfect trader. Losses are a natural part of the process – in fact, you could almost say that losses are a perfect part of a trading system. The object is to limit the losses so that your gains outpace your losses. The object should never be to completely eliminate any chance of losses. This would mean that you had fallen into the Perfection Trap.

How it all Begins

Roy's own confinement in the Perfection Trap happened so young that he never had a chance to escape. His parents were critical and demanding from the day that Roy gained consciousness. Roy could never please them. Regardless of how hard he tried to be perfect, his parents would always find something with which to find fault. To make matters worse, they also withheld praise and approval. The result was that Roy learned at the most critical point in the development of his worldview that the most important thing in life was to achieve perfection.

Here are some of the major paths by which traders arrive in the Perfection Trap:

1. **Perfection-demanding parents**
   This, of course, is Roy's background. But it is a common one. The faces may be different, but the result is the same. Parents are fearful of their own inadequacy at not being perfect. Since they were probably raised in an equally critical and approval-withholding environment, they do not see the harm they are doing in repeating the pattern on their innocent children.
2. **Fear of failure and loss**
   Some traders arrive at the point of demanding perfection in their trading after experiencing the pain of loss. Rather than dealing with those feelings and working their way through them, they foreswear ever experiencing that kind of pain again. But, the only way to never again experience a trading loss is to become the perfect trader. Each time the trader experiences another loss he is even more determined to be less vulnerable by being more perfect.
3. **Praise for being perfect**
   The reverse of the highly critical family life is the one in which the child is praised over and over again for achieving perfection—in school with perfect grades, in sports and performance situations, in solving problems or achieving goals. This praise and recognition can come from parents, but it can also come from teachers, coaches, other family members and friends, and even from total strangers. The physiological rush that comes from that kind of praise can imprint on a vulnerable young mind the desire to experience the rush again and again. It is exactly like the reaction the brain has to an addictive drug.
4. **Perfection-obsessed cultural forces**
   If you watch television commercials, you will hear the word "perfect" used more and more frequently: the perfect weddings, perfect vacation, perfect home, perfect lawn.

In fact, the word perfect is nearly ubiquitous in the advertising barrage of our senses. Of course, it is not just television but all the media that are infected with this notion of perfection. The notion of perfection being the endgame for all human endeavors has taken on a value beyond its usefulness. But the result is a subconscious infection in the minds of far too many.

5. **Feelings of insecurity and loss of value**
   When a trader has deep-seated feelings of inadequacy, insecurity, and/or worthlessness, he will often attempt to overcompensate by attempting to achieve perfection in his work and in his environment. Achieving perfection will prove his worth and settle any doubts he or others may have about him. Of course, the harder he strives for perfection, the more insecure he actually appears to the outside world
6. **The fear of loss of control**
   In a profession in which a trader can easily feel that he has little or no control, the achievement of perfection can quell any sense of not being in control. For the insecure, achieving perfection means that you have total control.

What all of these factors have in common, at their very base, is fear. The achievement of perfection makes an individual feel all-powerful. In fact, the achievement of perfection is as close to godliness as we can come. But the piper must be paid, as we will see...

For traders: the cost of pursuing perfection

Just as the Pied Piper demanded his payment, it is easy to see what many of the not-so-hidden costs of the pursuit of perfection might be by looking at Roy's experience, as well as those of other traders who are stuck in the Perfection Trap:

1. **Difficulty in taking action**
   To demand perfect trades that do not generate losses means that a trader will hesitate each and every time he should be taking action based on the signals he gets from his system/methodology. Instead of perfect trades, this hesitation can lead to no trades or bad trades. The demands of perfection can progress from hesitation, to difficulty in taking action, to inability to take action, which means that trading stops all together
2. **Loss of self-discipline**
   Instead of increasing self-discipline, the pursuit of perfection will ultimately undermine self-discipline by putting unreasonable pressure on the individual trader to be perfect. At first, the pursuit of perfection may guide a trader to a more and more disciplined practice. But as time passes, he will feel obliged to raise the bar higher and higher. In Roy's experience, this usually resulted in a total collapse of his disciplines, like a dieter who succumbs to binging after a diet that is too rigid. For a trader, this means the sudden abandonment of the controls on his trading, which can lead to significant losses.
3. **Instability**
   Like Roy who moved from place to place looking for the perfect environment for his trading and his living space, a trader seeking perfection will find that he is constantly uprooting his life.

Getting Out of the Trap and Back onto the Green

Although the allure of perfection is a very powerful one, as we have seen, it is possible to loosen its grip on a trader's life.

1. The first step in escaping the Perfection Trap, of course, is the recognition that you are in its possession. As you read this article, did you see yourself in it? Do you recognize your own need to be perfect, to have the "perfect things" in your life?

2. If you feel that you have a problem with perfection, take an honest assessment of your own Perfection Trap:

- How long have you been in it?
- What makes you feel that you need to have perfection in your life (where did it come from)?
- How do you apply it to yourself? To your trading? To the significant others in your life?
- How does it affect your trading? What would change in your trading if you
- stopped trying to be perfect and just focused on following your trading methodology?
- What are you getting from trying to be perfect – what is the payoff for you? Is it a sense of being in control? Of being more worthy of love and admiration? Of reducing fear of loss and pain?

3. Once you have looked at the underlying causes and the nature of your own Perfection Trap, write a list of the things in your life that it has cost you? What have you given up? For example:

- Peace of mind
- Tolerance and/or unconditional love of the people closest to you
- Friends, family, and children
- Enjoyment of the process of trading
- Professional success

Now imagine what it would be like to give up the notion that you must achieve perfection. What would you gain? To answer that question, you can simply look at the list you wrote for step 3. At this point, you must decide if the benefits of endlessly seeking perfection outweigh the cost and the potential gain of not trying to be perfect.

The Alternative

So, you are asking, if I give up my quest for perfection, what will I have in its place? Will the result be chaos, mediocrity, poverty, sloth, and crudeness all around me? Of course not! You can still exercise good taste and high standards. But you can allow yourself to be satisfied with a job well done or done to the best you can do. You will discover that very good and excellent can also bring you outstanding results. You can relax and enjoy the process of trading. And best of all, you can learn to appreciate all that you have. The result will be that you can now trade with a sense of joy, with the knowledge that loss is coming and it is okay because it is built into your system, that you are supported by family and friends, and that each day is a gift. Oh, and by the way, your trading will almost certainly advance to the next step.

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1) Mikula Forecasting Service

We are now offering the Mikula Forecasting Service. A new advisory and forecasting service for the DJIA30, EUR-USD Forex currency pair, interest rates, soybeans and gold. We are using the Master Time Factor and a few other cycle methods to make the forecasts. Learn more at http://forecastingmadeeasy.com/wordpress/

Forecasting Made Easy 2012

2) Master Time Factor charts

W.D.Gann's most famous forecasting method, the Master Time Factor, is now available in the new software Forecasting Made Easy 2012. The Master Time Factor can now be setup for any market allowing you to make annual forecasts similar to W.D. Gann's 1929 annual forecast, or make short term forecasts for the next turning point. We also have the new Enhanced-Master-Time-Factor which allows for much more forecasting research. If you want to learn the Master Time Factor and forecast the markets, you must have Forecasting Made Easy 2012.

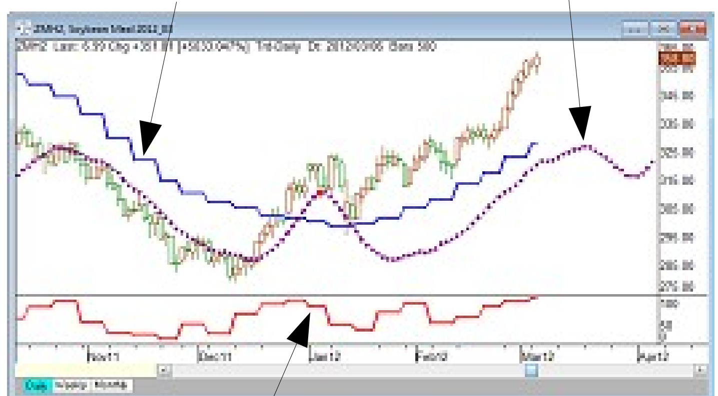
Master Time Factor Forecast For the DJIA30 for 2012.

3) Multi Time Frame charts

Forecasting Made Easy 2012 has embedded Multi Time Frame features into the built in indicators. Almost every indicator can calculate on a higher time frame to show the longer term indicators on the short term bar chart. Because the Multi Time Frame ability is built in, it has never been easier to use the forecasting power of Multi Time Frame indicators. Forecasting Made Easy 2012 also has the ability to make Mirror Cycle forecasts. The Mirror Cycle forecasting feature is built into almost every indicator making it easy to use! If you are not familiar with Multi-Time Frames or Mirror Cycle forecasts come to our web site and learn more.

Multi Time Frame Indicator

Mirror Cycle Forecast



Multi Time Frame Indicator

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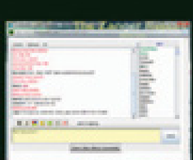

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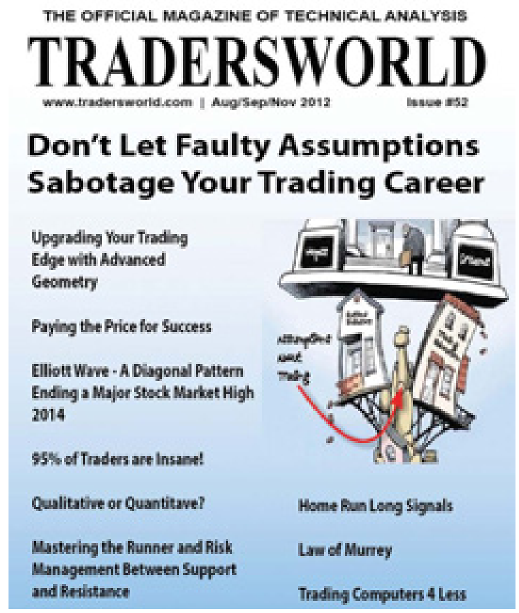

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Seasonal Analysis in Trading

By George Krum

In TradersWorld #53 we explored several long-term cycles, and the work of W.D. Gann. In this article our focus will shift to shorter, seasonal cycles.

One of the earliest references to seasonality can be found in the Bible:

To every thing there is a season, and a time to every purpose under the heaven:

A time to be born, and a time to die; a time to plant, and a time to pluck up that which is planted;

Ecclesiastes 3

In more technical terms seasonality can be defined as: "A characteristic of a time series in which the data experiences regular and predictable changes which recur every calendar year. Any predictable change or pattern in a time series that recurs or repeats over a one-year period can be said to be seasonal.

Note that seasonal effects are different from cyclical effects, as seasonal cycles are contained within one calendar year, while cyclical effects (such as boosted sales due to low unemployment rates) can span time periods shorter or longer than one calendar year." (Investopedia).

From a technical analysis (TA) point of view, seasonality is the tendency of financial instruments to follow some predictable and regular patterns which repeat year after year. Think of end-of-month window dressing, earnings season, "sell in May and go away", January barometer, etc.

There are many who have written on the subject, and have explored in depth seasonality in the markets. The Hirsch organization has been publishing stock and commodities almanacs since 1968. The Thackray's Investor's Guide deals with seasonal market trends, etc. And the list goes on. Those wanting to learn more on the subject can go to my blog (citdates.blogspot.com) and look under Seasonality on the Recommended Reading page.

The purpose of the current article, however, is to introduce you to a new tool which makes the application of seasonal analysis a breeze, and can serve as a perfect companion to all your other books and reference materials on the subject. This new tool is OT Seasonal, an app available from iTunes, designed to keep traders and investors informed of potential pitfalls and opportunities for profit, months ahead of time.

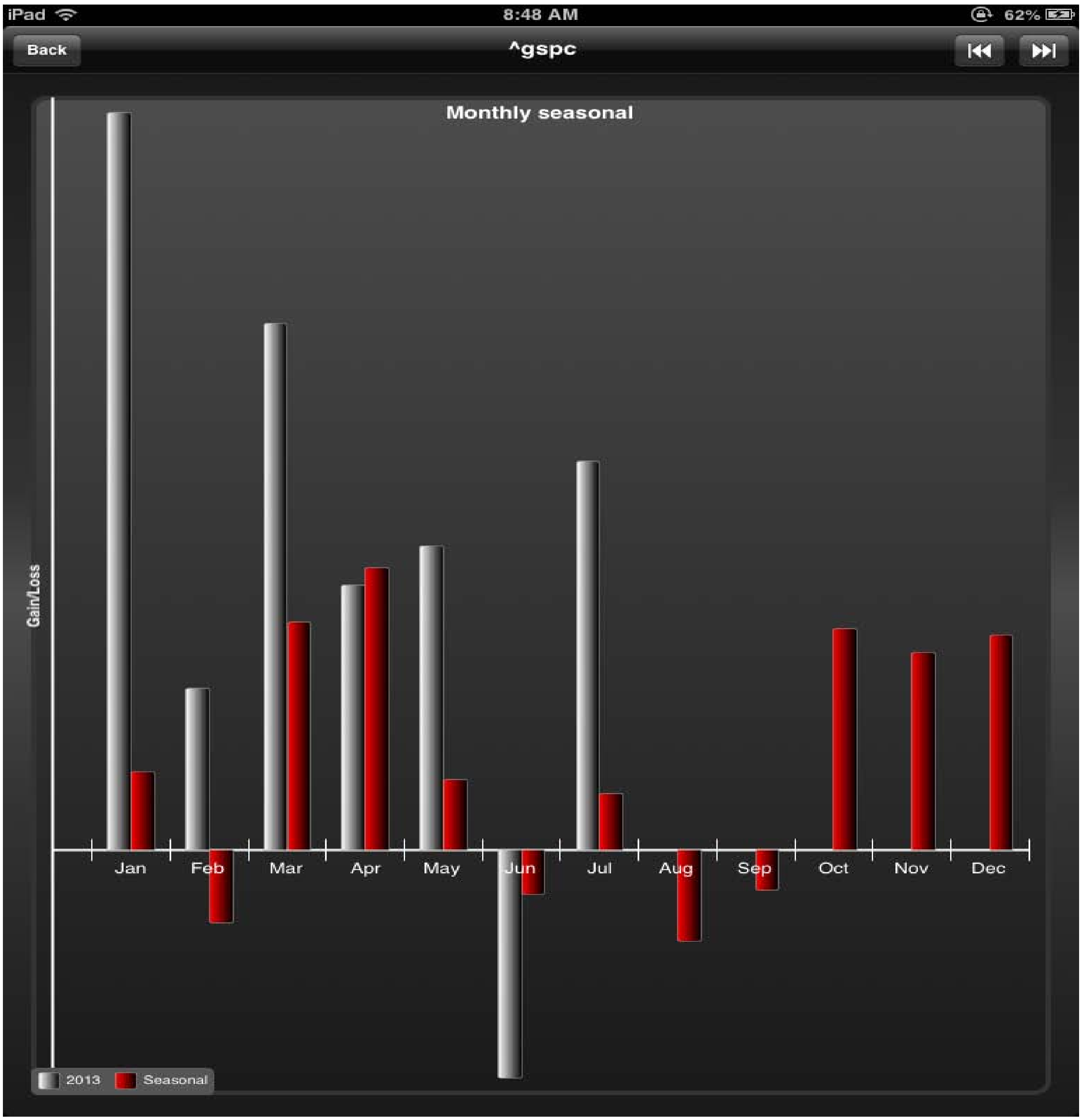
While guides like Hirsch's and Thackray's deal with the major indices, OT Seasonal allows you to perform seasonal analysis not only on the indices, but on all your favorite stocks and ETFs. While it is true that a rising tide lifts all boats, there are certain sectors which peak and trough ahead of others. And so do the stocks within those sectors of the economy. With OT Seasonal you can identify these stocks and sectors with just a few taps of your finger.

But before we look at how to do this, here's a brief introduction to OT Seasonal's key features:

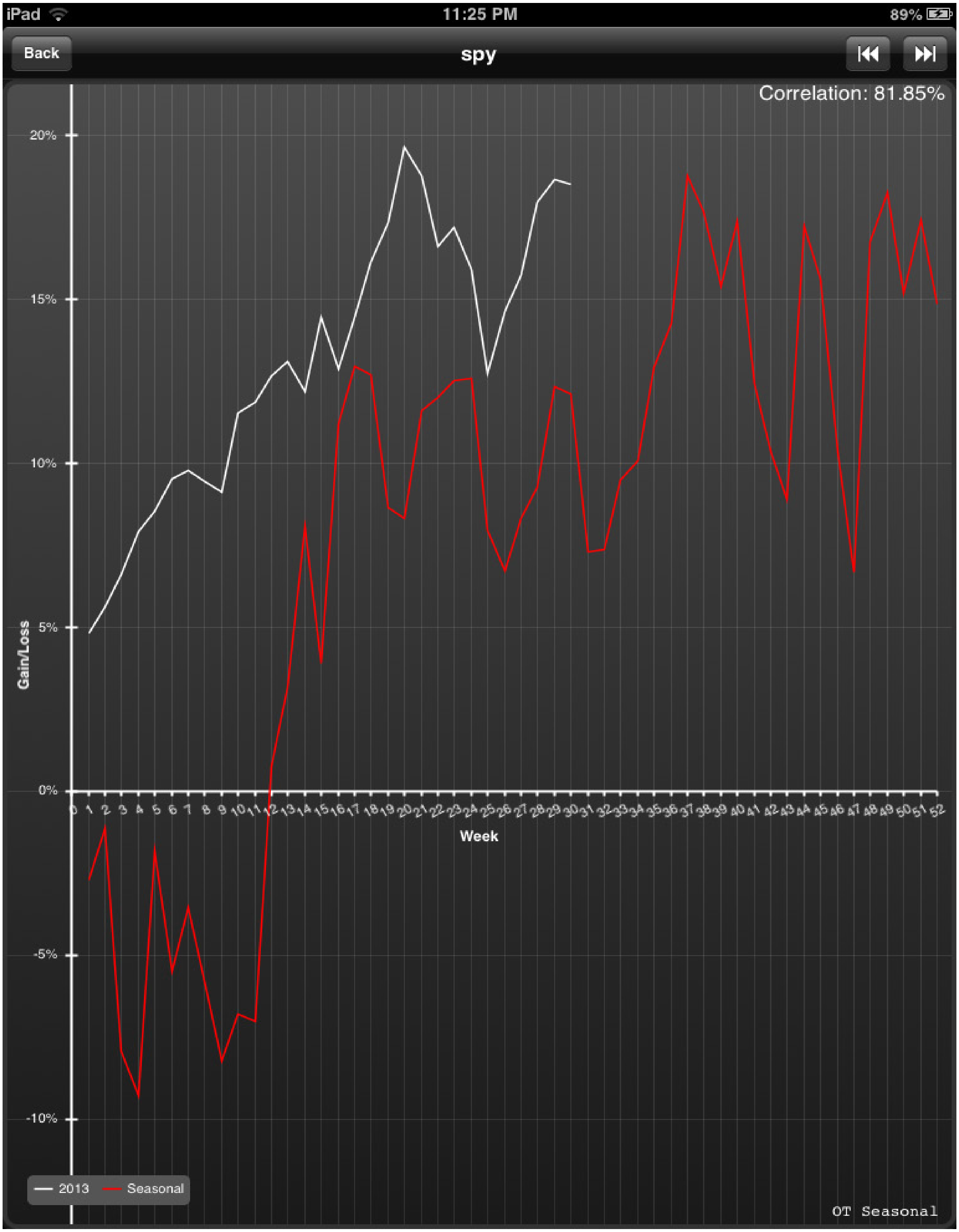
- Tabs to view weekly and monthly seasonal data (monthly going back as much as 20 years) for stocks, indices or ETFs
- Detailed statistical analysis of seasonal data based on % gain/loss for a given week or month
- Line and bar charts for comparing current with seasonal price charts and data

Now that we've covered the basics of the apps functionality, we can move forward with a few specific examples.

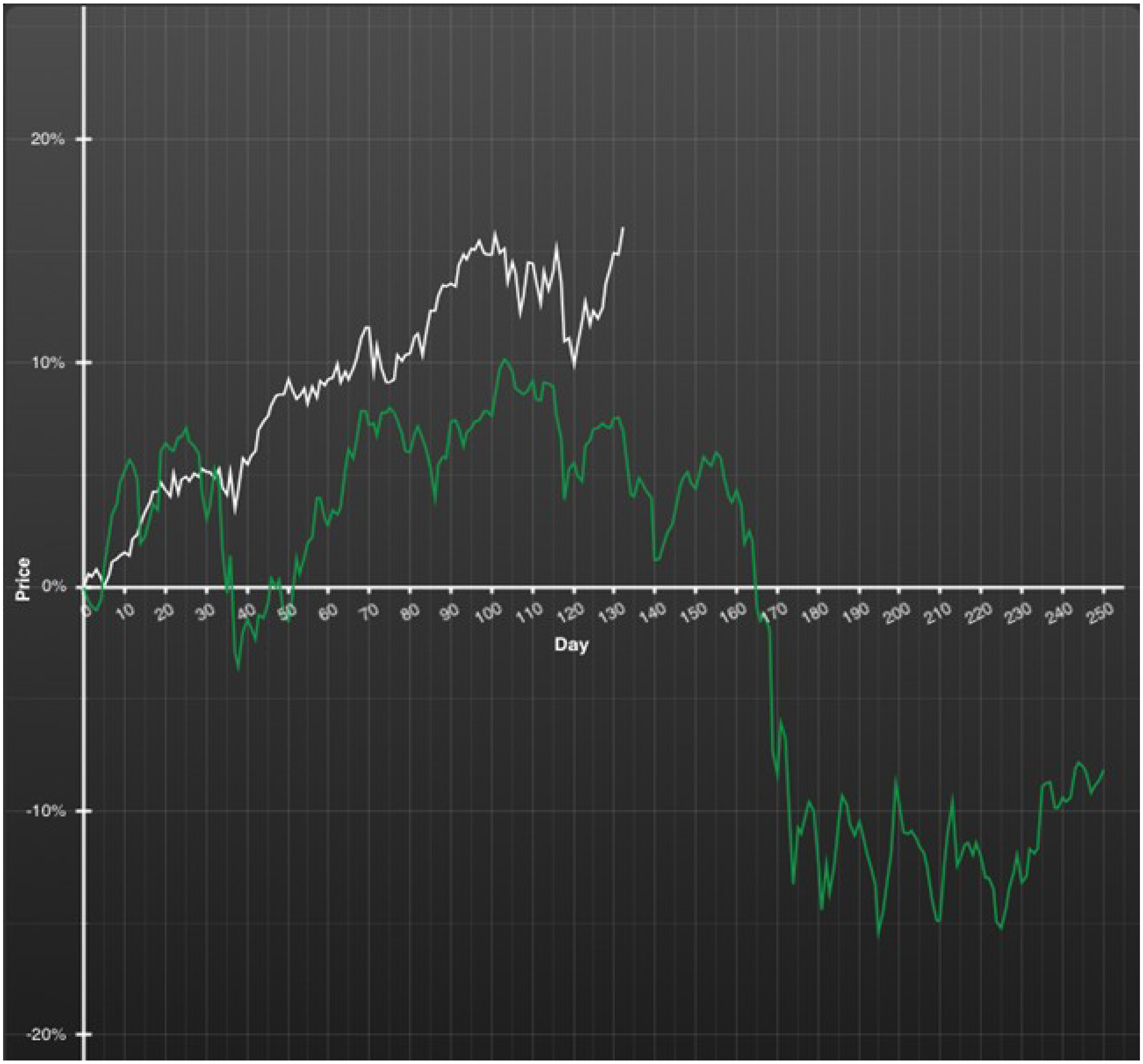
We mentioned at the beginning the popular "sell in May and go away" Wall Street maxim. A look at the 20 year seasonal SPX monthly chart shows why it is true:



The monthly seasonal results become weaker and choppier after the end of April until the end of the third quarter. As of this writing (mid-July), SPX, QQQ and DJIA have been following the seasonality script pretty closely. It is rather ironic that with all the endless discussion about quantitative easing, tapering, slowing China growth, and what not, the indices are simply following their seasonal pattern.



Since there's no guarantee that the current close correlation will continue in the future, traders should keep an eye on alternative scenarios as well. We can find a compelling case in one of the longer term cycles discussed in the previous article. It shows how important it is for the DJIA to stay above 14,400 and why the FED started backpedalling when the index threatened to do so:



Having a roadmap of potential future price action should prove invaluable in planning your trades. It should also help in the proper selection of your TA tools. While long term moving averages, trendlines and channels are more appropriate for trending markets, oscillators perform better in choppy, trendless conditions. It's also a good practice to keep an eye on overbought/oversold market breadth indicators.

From a practical point of view, one way to use the seasonality tool is to screen your favorite stocks at the beginning (or at any time during the year) and have a reference table ready for the remainder of the year.

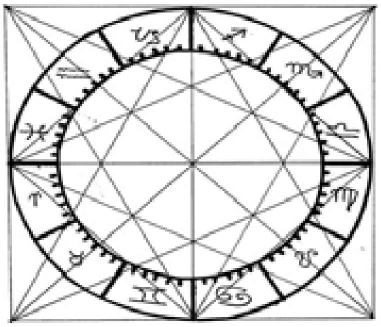
Another way is to use a top down approach in applying seasonality to trading. Among other useful information, OT Seasonal extracts the best and worst months and weeks for a given instrument. The sector ETF map below shows only the strongest (1) and weakest (0) weeks for the rest of the year, and the ETF's seasonal correlation to the SP500:

Week	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52	Correl
xlb																				1					79.18%
xle								1																	55.62%
xlf																				1			1		77.00%
xli		1					1													1			1	0	69.82%
xlk																1				1		0			79.31%
xlp					1															1				0	70.20%
xlu																		0		1					58.76%
xlv			0	1					1		0								1	1					50.23%
xly									1		0														66.71%
spy																				1		0			

The next step would be to compare the individual ETF chart with the seasonal chart, to see how well they correlate with each other. In case of strong correlation, you can drill down to the ETF's main components. This way you'll end up with multiple ideas for going long or short at any time.

In summary, we are all familiar with Mark Twain's saying that history does not repeat itself, but it does rhyme. While there's no guarantee that seasonal cycles will repeat without fail, those who choose to ignore them do so at their own peril.

Those interested in combining seasonality with cycle analysis can do so with the help of Oddstrader, OT Trend or OT Pivots, all members of the Oddstrader app family which include built-in cycle indicators. In addition, the DJIA history add-on will give you access to DJIA daily data going back to 1886.



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BY RICHARD SCOTT

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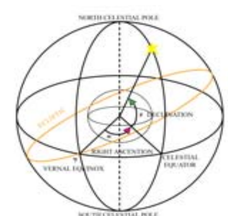
BY CATALIN PLAPCIANU



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Two Cumulative Delta Volume Analysis Patterns Every Scalper Needs to Know

By Gail Mercer

Scalpers rely on their ability to identify high probability setups where they can enter and exit the markets quickly. Unlike intraday traders, scalpers may be in and out of more than eight to ten trades in a single day. In this article, I will show you two patterns that every scalper should know. Both patterns use the new Cumulative Delta Volume Analysis charting capability in Multicharts. These two patterns are easily recognizable on the live edge of the market and give important clues as to where price will go next.

First, every scalper knows how disastrous a congestion area can be. In fact, most losses occur during congestion periods, and markets love congestion. By using Cumulative Delta Volume Analysis, scalpers can identify the direction which price will more than likely break out. In ***Figure 1: Euro 3 Minute Chart***, price has made a lower high at Point A. Then at Points B and C, price came back to test the lower high. Does the trader wait for a breakout of the congestion area or enter a short position based on the lower high?

Figure 1: Euro 3 Minute Chart

Using the new Cumulative Delta Volume Analysis charting option in Multicharts, the trader can enter at either Point B (very low risk) or at Point C because the Cumulative Delta Volume Analysis shows that buyers are not interested in taking price up. In ***Figure 2: Cumulative Delta Volume Analysis - Euro 3 Minute Chart***, when price tested the high at Point A, buyers were non-existent in the market.

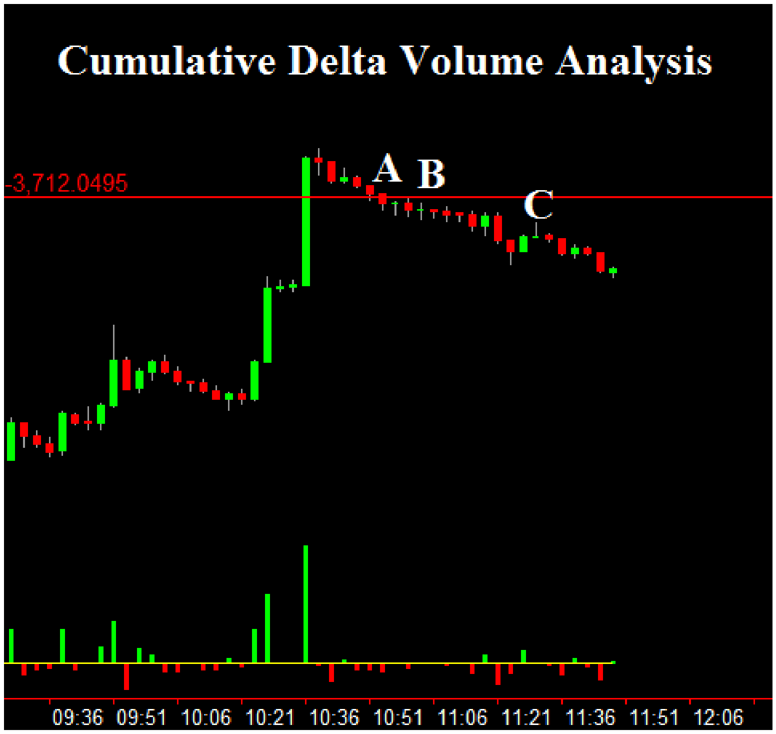


Figure 2: Cumulative Delta Volume Analysis - Euro 3 Minute Chart

Since buyers were not interested in taking price up (also known as lifting the price), then sellers were able to easily take prices lower. This is a simple pattern that allows scalpers to identify if the congestion breakout will be to the up side or to the down side.

Another pattern that can be used, which confuses most traders when using typical volume bars, is the one formed by "No Progress" bars. In ***Figure 3: Nasdaq 3 Minute Chart***, at Point A, price made a high, and then at Point B, price went back to retest the high. Will price continue up or will it reverse?

Figure 3: Nasdaq 3 Minute Chart

The clues are actually in the Cumulative Delta Volume Analysis chart (**Figure 4**). As you can see, at Point A, the Cumulative Delta Volume Analysis chart made a high and at Point B, the Cumulative Delta made a higher high. In other words, more buyers came into the market at Point B, but price did not make a higher high (when compared to Point A). This shows a "lack of progress by the buyers", also known as a "no progress" bar. Sellers see this as buying weakness and will take price lower.

Figure 4: Cumulative Delta Volume Analysis, Nasdaq 3 Minute Chart

Now, let's combine the two patterns to see how it played out on the live edge on a more volatile chart.

Using a three minute chart on Gold (which is actually a long time period for scalpers), in ***Figure 5: Gold Three Minute Price Chart***, price made a lower high, yet in ***Figure 6: Cumulative Delta Volume Analysis Three Minute Chart***, the cumulative delta was showing more buyers were lifting the bid at that point. In other words, although buyers were trying to lift price, they failed because price did not make a higher high. This is also confirmed by the THD Momentum indicator, which clearly showed divergence in the momentum on the cumulative delta.

Figure 5: Gold Three Minute Price Chart

Figure 6: Cumulative Delta Volume Analysis Three Minute Chart

Then in Figure 5 at Point B. price made a low and came back to test the low. However, in Figure 6 at Point B, the cumulative delta showed that sellers were not responding. In other words, as price was coming back to the previous low, buyers were entering the market (not sellers). Again, this is confirmed with the momentum divergence showing a lack of momentum as price was coming back to test the low.

Finally, at Point C in Figure 5, price made a lower low. Again, Figure 6 at Point C clearly shows that sellers were not lowering price. In fact, just the opposite was happening -- buyers were buying the low (professionals coming in at the low lifting price). This is confirmed with the THD Momentum indicator showing a lack of selling momentum.

Identifying these trade setups using Cumulative Delta Volume Analysis allows scalpers to easily identify when they are trading with the “big money” and, thereby, increase their probability of having a positive trade outcome.

Additionally, since Multicharts has made the Cumulative Delta Volume Analysis a charting type, most indicators that work on price will also work on the Cumulative Delta chart type, as well. For example, the TradersHelpDesk ADX (THD ADX) which is a core indicator in our trading methodology works on the Cumulative Delta chart type. Just about every trade setup that I take is identified by the THD ADX indicator, which acts as a predictive indicator as to where price will go. The THD ADX can also be inserted on the Cumulative Delta Volume Analysis chart to identify when the bid/ask data is overextended.

For example, in ***Figure 7: THD ADX on Cumulative Delta***, at each of the magenta dots (circled), the trader would know to expect a pullback by either buyers or sellers (in other words, expect traders to take profits at these points). By analyzing the ADX on the Cumulative Delta chart, scalpers have the added benefit of identifying their best entries with the lowest risk.

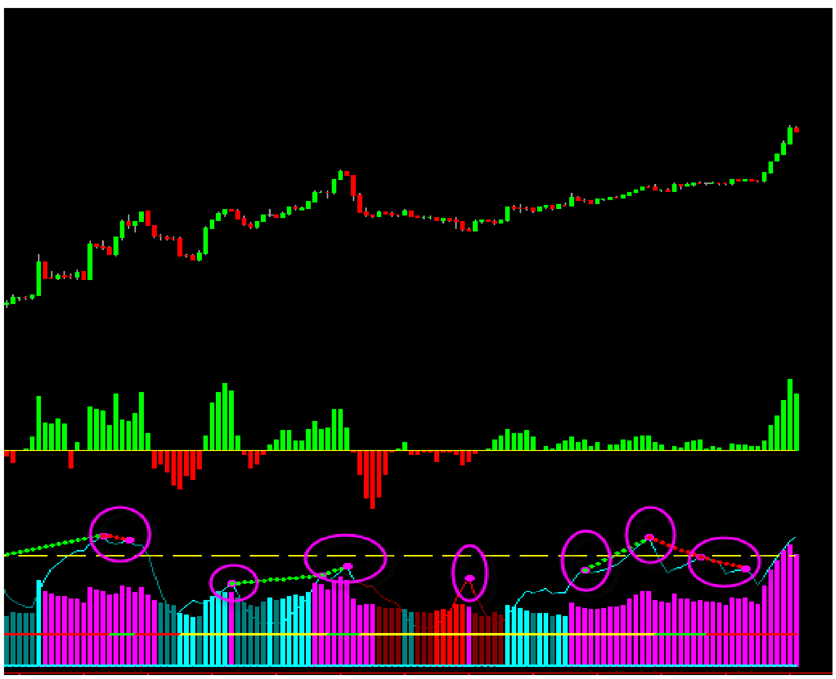
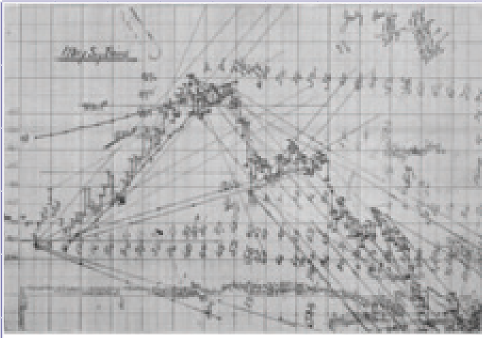


Figure 7: THD ADX on Cumulative Delta

Previously Cumulative Delta Volume Analysis was mainly available to only the “Professionals” while personal traders struggled to understand the “behind the scenes” scenario using volume bars. Multicharts is changing this by giving every trader the opportunity to see what is actually going on behind the price bars. Multicharts allows for connections with multiple brokers, including the ability to connect via the CQG datafeed (provided you have an account with either CQG or AmpFutures). Best of all, the data is free (if you have an account with either AmpFutures or CQG) so there are no additional data fees to pay for historical bid/ask data.

To learn more about the Cumulative Delta Volume Analysis and TradersHelpDesk proprietary indicators, visit us at either the TradersHelpDesk.com or FulcrumTrader.com websites and learn to use these simple, low risk patterns to your advantage.



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What Every Trader Needs to Know about Weekly Options

By Larry Gaines

What if there was a low risk trading vehicle that took the same amount of time, the same amount of skill, yet less capital than other similar trading vehicles while delivering results that were twice as high or more? Weekly Options present just that paradigm, as demonstrated in this article. There's one caveat; the one potential hand grenade that every option trader must know about and use to their advantage to create profits, instead of inviting disaster. This is explained also in detail in this article.

"Weeklys" are one of the most lucrative and still unexploited trading opportunities that exist today due to their defined risk, low cost, and highly levered returns. In 2005, the Chicago Board Option Exchange (CBOE) introduced Weekly Options. New trading vehicles are rare, consequently, they can provide untapped fertile markets to those willing to expand their knowledge and expertise.

For a knowledgeable trader, Weekly Options can be used as a substitute for stock, but at a fraction of the price since they provide leverage at an extremely low cost. For example, to trade an option contract that represents 100 shares of stock in high priced, high beta stock, such as Google a trader may only have to spend $5.00, which equates to $500 per Weekly Option contract. To trade 100 shares of Google's stock (trading around $900 per share), the cost would be closer to $90,000. This is the beauty of leverage at an extremely low cost!

Honestly, what's not to love about that?

Weekly Options start trading on Thursday and expire the following Friday. This means that they have a life of six trading days giving smart traders plenty of powerful opportunities every single year. Currently, they account for nearly 12% of the 300+ MILLION option contracts traded every month. For some of the more actively traded stocks, such as Apple, Amazon and Google, WEEKLYs now make up a whopping 40% of all option volume traded. In 2012, the U.S. Option Exchange expanded the amount of Weekly Option contracts from one week to five straight weeks for a group of stocks and ETFs with the most option activity. This move gives traders and investors even more additional trading and hedging opportunities.

Additional benefits that Weekly Options offer:

- **Weeklys are cheap!** Since expiration is within days, or even hours, At-The-Money Weeklys can be purchased for as little as $2 per contract.
- **Weeklys have literally unlimited profit potential**. They can move 500%, 800%, 1,000% or even more on a very regular basis, sometimes even in a single day. Contrast this to monthly options, where these kind of returns are rarely seen.
- **Weeklys are easily traded securities**. They trade just like stocks.
- **Volume is very high, making liquidity good**. This is not always the case with fairly new trading vehicles.

- **Weeklys provide an abundance of low-risk income opportunities due to their short life.** They provide 52 times a year to profit from low-risk, non-directional & directional income strategies.

In the Power Cycle Trading member's trading room, a war chest of Weekly Option strategies have been developed for use by both swing and day traders for virtually every market condition such as option expiration, earnings, break-outs and reversals. Each strategy is designed to take advantage of the three key elements of the Weekly Option. These elements include:

- Time Value
- Implied Volatility
- Option Delta

The combination of these key option elements, when used correctly, creates a triple win trading formula. This formula, especially when combined with a highly accurate directional price cycle and break-out system, delivers a high probability trading methodology with great profit leverage.

The Dynamics of Weekly Options: The Components and their Mechanics

What is Time value? ~ Time value (TV) (*extrinsic*) of an option is the premium a rational investor would pay over its *current* exercise value (intrinsic value), based on its potential to increase in value before expiring. This probability is always greater than zero, thus an option is *always* worth more than its' current exercise value.

What is Implied Volatility? ~ The implied volatility of an option contract is the volatility of the price of the underlying security that is implied by the market price of the option based on an option pricing model.

In other words, it is the volatility that, when used in a particular pricing model, yields a theoretical value for the option equal to the current market price of that option. Implied volatility, a forward-looking measure, differs from historical volatility because the latter is calculated from known past returns of a security.

What is the Delta of an option? ~ Delta measures the sensitivity of an option's theoretical value to a change in the price of the underlying asset. It is normally represented as a number between minus one and one, and it indicates how much the value of an option should change when the price of the underlying stock rises by one dollar.

The delta can be used to show how much can be gained or lost with a $1.00 move on the underlying stock when trading a stock option. For example, by owning the August $60 put with a delta of <u>-.452</u>, the potential loss is <u>$45.20</u> if the stock price increases by one dollar.

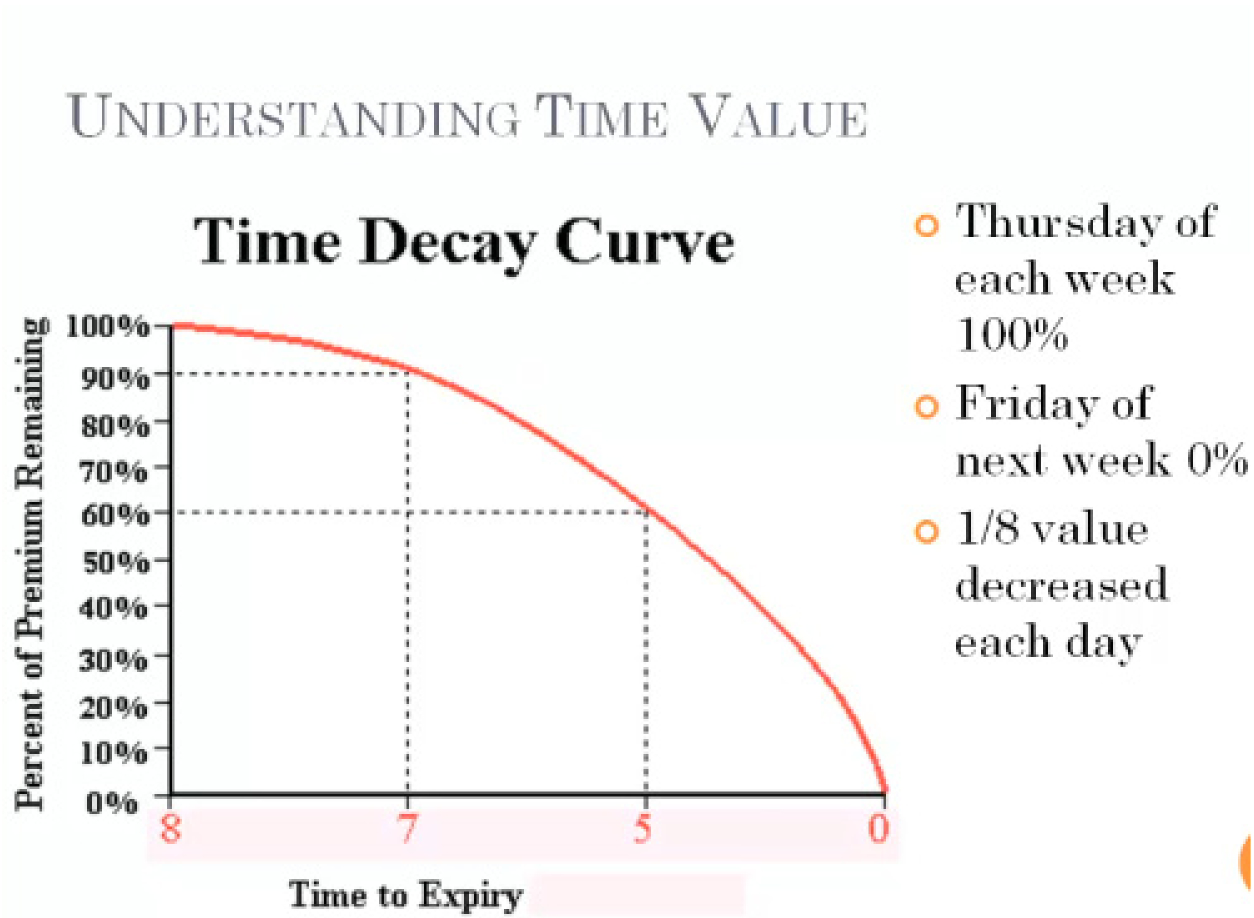
The value of an option is determined by:

<u>Time Value **X** Implied Volatility **X** Intrinsic/Extrinsic value</u>

Time Value of the Weekly Option

Below are three illustrations of the **Time Value of a Weekly Option.** The main impact is the rapid acceleration of the decay in time. New Weekly's are released every Thursday and expire 8 days later, so if the underlying does not move, then the value of the option premium goes down by 1/8 or approximately 12.5% each day. In the trading room, this potent factor gains Weekly Options the pseudo name of "hand grenades". If a Weekly Option is held too long, it can draw down a trading account much faster than stock ownership. (This is one of the reasons why you sometimes hear about options being risky!) Illustration 1 below demonstrates this powerful dynamic.

Illustration 1.Time Decay Curve



One of the worst situations can happen when a trader buys into an option contract without a keen awareness of this potential peril; this is why education and training is so crucial. On the other hand, where there is peril, the flip side almost always presents an outstanding opportunity to make money. If a trader knows just which Weekly Option strategy to use, and exactly when to execute the trade, then Weeklys can be used to produce some exceptional fast profits due to the incredible leverage they provide.

Illustration 2. Effect of Time Decay on Option Premium

OPTION VALUE- NUMERICAL APPROACH

	Time value	Implied V	Intrinsic/Extrinsic	Premium	
Thursday	1.00	300	1.00	$	300.00
Friday	0.88	300	1.00	$	262.50
Saturday	0.75	300	1.00	$	225.00
Sunday	0.63	500	1.00	$	312.50
Monday	0.50	800	1.00	$	400.00
Tuesday	0.38	500	1.00	$	187.50
Wednesday	0.25	600	1.00	$	150.00
Thursday	0.14	100	1.00	$	14.29
Friday	0.00	50	1.00	$	-

Illustration 2 clearly shows the numerical effect of Time Value on the Weekly's Option premium when keeping the Intrisic/Extrinsic value of the option at a constant of 1.

Return on Capital Comparison

Illustration 3 compares the return on capital (ROC) with a profit of $100 for three different scenarios when using 100 shares of Apple stock, 1 Weekly Option contract and 1 Monthly Option contract.

The ROC is 0.16% with the required stock purchase, but by buying 1 Weekly Option contract, the ROC increases to 20%, while the ROC is 9.52% when 1 Monthly Option contract is purchased.

Which return is preferred?

Apple, Inc.					
	Volume	Cost	Profit/Share or Contract	Profit/100 Shares	ROC
$640 per share Market Price	100 shares	$64,000	$1.00	$100.00	0.16%
AAPL Weekly ~ 5 days expiration					
"Option Delta .50"					
$640 Calls ~ Cost/Contract $500	1 contract	$500/Contract	$0.25	$25.00	5.00%
$640 Calls ~ Cost/Contract $500	1 contract	$500/Contract	$0.50	$50.00	10.00%
$640 Calls ~ Cost/Contract $500	1 contract	$500/Contract	$1.00	$100.00	20.00%
$640 Calls ~ Cost/Contract $500	1 contract	$500/Contract	$3.00	$300.00	60.00%
AAPL Monthly ~ 12 days expiration					
"Option Delta .50"					
$640 Calls ~ Cost/Contract $1,050	1 contract	$1,050/Contract	$0.25	$25.00	2.38%
$640 Calls ~ Cost/Contract $1,050	1 contract	$1,050/Contract	$0.50	$50.00	4.76%
$640 Calls ~ Cost/Contract $1,050	1 contract	$1,050/Contract	$1.00	$100.00	9.52%
$640 Calls ~ Cost/Contract $1,050	1 contract	$1,050/Contract	$3.00	$300.00	28.57%

The Volatility Compression Break-Out

Based on the dynamics of Weekly Options, strategies have been developed at Power Cycle Trading that capitalize on their benefits for trading the following market conditions:

- Reversals
- Momentum Break-Out
- Retrace Trend Trades
- High Beta Earning Trades
- Expiration Direction Neutral
- Directional Friday Expiration Trades

All traders recognize that markets move between quiet periods and volatile periods. Skilled traders get positioned during the quiet times in order to take advantage of the inevitable spike in volatility that will surely follow. At PCT, this phenomenon has widely become known as a "volatility compression break-out". Once a stock has been identified to be in a volatility compression a trader then has time to construct a trade set up that will take advantage of the volatility spikes that usually follows, causing what we refer to as a momentum break-out trade. These break-outs are usually very strong and fast, which is the perfect environment to capture profits for both Weekly Option day trades and swing trades.

Recognizing this fantastic trading opportunity, at Power Cycle Trading, a scanner was developed to identify these specific types of trades. This "Power Break-Out Scanner" monitors real-time data and can simultaneously sift through all futures, stocks and ETF markets over any time frame, from 1 minute to 1 month, for momentum break out and cycle trades. It allows the scanner to be used for both short term time frames (day trading) as well as for longer time frames, such as swing trading or even longer.

This scanning tool quickly identifies stocks that are starting to set-up for a momentum break-out or a reversal trend change. Then, once identified, the best Weekly Option strategy is selected for the trade, constructing a defined risk, low capital cost trade with fantastic profit leverage.

A Favorite Weekly Option Strategy

Weekly Option Back Ratio Spread

- **The Back Ratio** is an excellent choice when a directional bias exists while anticipating a BIG move in the stock one way or another, while avoiding over exposure if the stock does not move as expected.
- The Back Ratio is an excellent strategy for momentum break-outs that are triggered by volatility compression or a significant news event, such as earnings' announcements. They are also ideal for reversal trades.
- This trade is best when constructed with a net credit, or with as little cost as possible in order to minimize risk. It's important to only use this strategy if the cost is low.
- **The maximum risk** on the trade is limited to the difference in strikes less your net credit or plus the net debit, times the number of contracts being sold.
- **The beauty of this strategy is that the reward** is unlimited.

Basic construction:
If bullish on the stock
Sell lower strike call
Buy higher strike call

More calls are bought than sold. The usual ratios (thus the name back ratio spread) are 2:1, 3:2, 5:3. An example is to buy 2 calls and sell 1 call.
Both for same expiration

OR

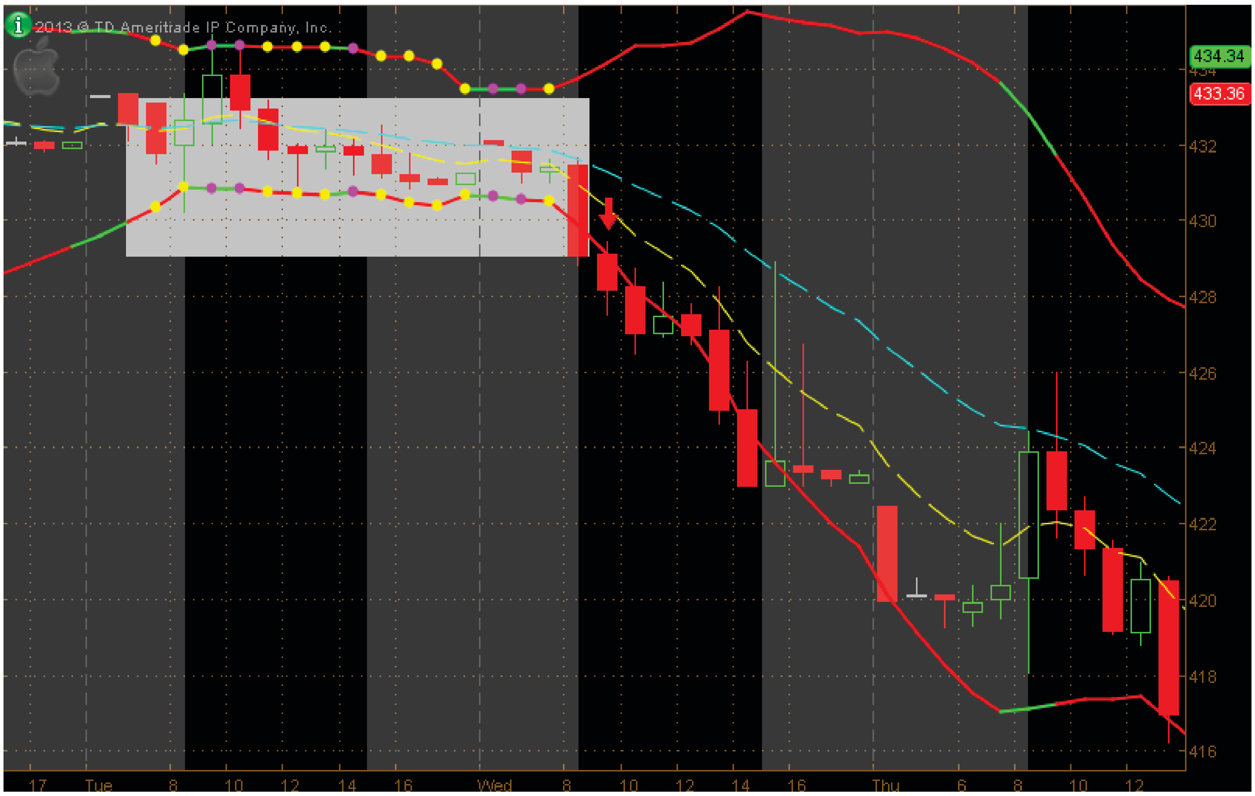
If bearish on the stock
Sell higher strike put
Buy lower strike put

More puts are bought than sold. The usual ratios (thus the name back ratio spread) are 2:1, 3:2, 5:3. An example is to buy 2 puts and sell 1 put.
Both for same expiration

Below is a daily chart of Apple showing a volatility compression trade set-up. The volatility compression beginning and end is identified by the yellow dots. The compression started on June 6, 2013 and triggered or ended on June 18th. Using the Power Cycle Timing Model the trade was entered on June 19th at 9:00 AM Central.

The three tables below show the Back Ratio Weekly Option trade entry at a net credit of \$40 per Weekly Option contract and the exit, Gross Profit (before commissions) of \$930.50 per Weekly Option contract on June 21st. This is over a 900% return and a 202% Return on Maximum Capital at Risk, in just 2 days on a credit spread of \$40.

How about them Apples?!



Apple Daily Chart, Volatility Compression Identified by Yellow and Purple Dots, Begins on 6/6/13 Ends on 6/18/13. Position Entered on 6/19/13.

Order Description	BUY +1 1/2 BACKRATIO AAPL 100 JUN 13 430/425 PUT @-.40 LMT [T...
Break Even Stock Prices	420.40 / 429.60
Max Profit	\$42,040.00
Max Loss	\$460.00 (not including possible dividend risk)
Cost of Trade	(\$40.00)
Buying Power Effect	(\$460.00)
Resulting Buying Power for Stock	\$199,080.00
Resulting Buying Power for Options	\$99,540.00

Instrument	Qty	Delta	Gamma	Theta	Vega	Mark	Mrk Chng	Trade Price	P/L Day	P/L Open
AAPL		-4.67	2.55	-37.81	9.41				\$0.00	\$0.00
APPLE INC COM	0	.00	.00	.00	.00	430.990	-.78	.00	\$0.00	\$0.00
BACKRATIO		-4.67	2.55	-37.81	9.41	-.330	+.03	-.33	\$0.00	\$0.00
100 JUN 13 430 PUT	-1					3.050	+.27	-3.05	\$0.00	\$0.00
100 JUN 13 425 PUT	+2					1.360	+.15	2.72	\$0.00	\$0.00

Instrument	Qty	Delta	Gamma	Theta	Vega	Mark	Mrk Chng	Trade Price	P/L Day	P/L Open
AAPL ITM		-94.90	1.55	-50.67	2.36				\$930.50	\$930.50
APPLE INC COM	0	.00	.00	.00	.00	411.200	-5.638	.00	\$0.00	\$0.00
BACKRATIO		-94.90	1.55	-50.67	2.36	8.975	+5.70	-.33	\$930.50	\$930.50
100 JUN 13 430 PUT	-1					18.875	+4.90	-3.05	(\$1,582.50)	(\$1,582.50)
100 JUN 13 425 PUT	+2					13.925	+5.30	2.72	\$2,513.00	\$2,513.00

Weekly Option Back Ratio Trade Summary:

Trade entry, 6/19/13 ~ Apple June $430/425 Put Spread ($40) per Weekly Option contract credit received

Trade exit, 6/21/13 ~ Apple June $430/425 Put Spread

Gross Profit per Weekly Option contract $930.50

Return on Maximum Capital at Risk: 202%

For a complete course on Weekly Option strategies, visit http://powercycletrading.com

Weekly Options Course link:

http://powercycletrading.com/bootcamps-and-coaching

About Larry Gaines

Larry helps individuals generate greater income from their investment capital with less risk exposure. He founded PowerCycleTrading.com and the Power Cycle Virtual Trading Room following over 30 years of professional trading experience in the commodity and equity markets.

During his tenure as head of an international trading company that often traded a billion dollars' worth of commodities in a single day, he learned first-hand the necessary elements of a successful trading system and the use of options.

Using this in depth knowledge and experience, Gaines developed the PCT™ Model to allow for greater profits with a more disciplined, systematic degree of trading success.

Larry Gaines

Power Cycle Trading

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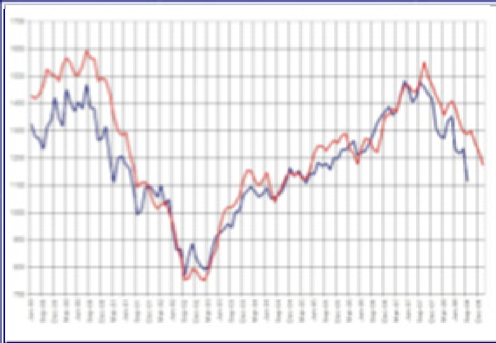

Behind The Veil

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By Dr. Alexander Goulden

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- **T-Notes 20-22 August. Result - a pivot low on 21 August, followed by a rally of 241 points to 2 Sept.**
- **Soybeans 17-20 August. Result - a pivot low on 17 August, followed by a 710 point rally in 6 days.**
- **Gold 17- 20 August. Result - a pivot low on 17 August, followed by a 780 point rally to 8 Sept.**
- **Platinum - 23/4 August. Result - a pivot high on 24 August, followed by a 607 point drop in 7 days.**
- **NY Cocoa 21-24 August. Result - a pivot high on 25 August, followed by a 257 point drop in 4 days.**
- **NY Cotton 21- 24 August. Result - a pivot low on 26 August, followed by a 426 point rally in 7 days.**
- **German Bund 21-24 August. Result - a spike low on 24 August, followed by a 140 point rally in 7 days.**

For a detailed writeup on this course including contents, sample text & feedback see:
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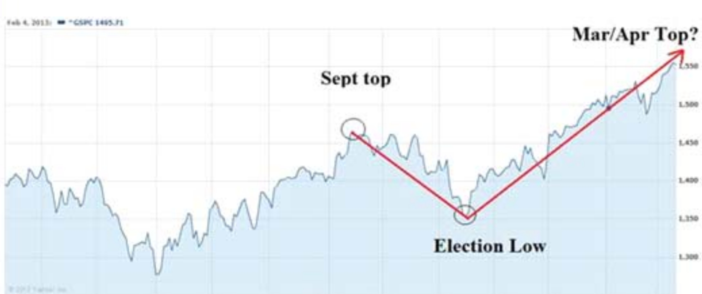
Ferrera Called the Last 3 S&P Swings!

Ferrera's Outlook for 2013

- *Ferrera forecast a Sep 22 top*
- *Followed by a mid-Nov cycle low*
- *Followed by an explosive uptrend*



Dead On Forecasts from Ferrera's Recent Outlooks:

"The best time to buy this market would be under the following conditions: (1) There is a significant price decline from the Autumn Equinox (**September 22, 2012**) time frame until at least the presidential elections of November 4. (2) We see this downtrend reverse near the permanent yearly cycle dates of: **Nov. 8 to 11.**" ***Dan Ferrera 2012 Outlook***

To See What Ferrera Forecasts For the Rest of The Year ,Don't Miss His Outlook for 2013

"According to W.D. Gann's Decennial Rules, a No. 3 year starts a bear market, but the rally from the 2nd year may run to **March or April 2013**." ***Dan Ferrera 2013 Outlook***

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The Saboteur in the Trader's Mind

"There is someone in my head, but it's not me." Pink Floyd

By Rande Howell

Have you ever noticed all that idle chatter going on in your mind while you trade? Have you ever taken the time to listen to it? I mean really listen to it. Have you ever connected the dots between it and the success or failure of your performance in trading? This running commentary in your mind is so ubiquitous, so commonly familiar, so ordinary – that most do not give it a second thought. In their blindness they think, "It's just me and my thoughts."

Yet, when it comes to crunch time (like the mental and emotional readiness needed to pull the trigger, or maintaining emotional sobriety while in a trade), the seeming harmless self-talk that you simply pushed away or ignored moments ago roars like a lion in hot pursuit of its prey – you. Meanwhile you keep believing that if only you could push those pesky thoughts out of your mind, you would be able to push through the barrier that separates you from consistent profitability.

But, at exactly the most critical moments in your trading, this background noise in your mind keeps suddenly erupting into a tirade of self-doubt or temptation, judgment, blame, and fear. How can something that is supposed to be so familiar and harmless rise up and become a tidal wave that sweeps your trading mind away?

Well, just because it so common that it attracts no attention does not mean that it is harmless. What it really means is that, as a trader, you do not understand the power of the internal dialog or what comprises this narrative in the mind. That lack of understanding shows up in your trading account in the form of losses, or the loss of potential profits every day, until you come to a very new understanding about what is actually going on underneath the hood of your mind.

Thoughts Set the Stage of the Internal Struggle

First, let's make sure you recognize an internal dialog that is, in fact, going on in the mind as you are attempting to follow your trading plan in the midst of a trading performance. When a trader commits to a trade and the order is filled, often a wild ride ensues – almost like a roller coaster ride with no safety equipment to keep you in your seat.

Initially in the uncertainty of the trading environment, the trade is bouncing around in a flux that rattles you. You begin losing your composure. Thoughts of the trade going against you (and you losing, again) begin to overwhelm the untrained mind. By the time it begins to trend, you are so exacerbated that you jump out of the trade, because now your fear of missing out of

even a little profit has so consumed you that you cannot think straight. You're just happy to have grabbed a little profit, rather than another loss. Then, after you get out of the trade with just a skinny profit, you watch the trade trend and take off – just like your trade plan indicated. All that planning, all that charting, all that knowledge of trading - down the drain again.

If you have experienced this scenario, you have been on the losing end of the internal struggle that goes on in the mind all of the time when the mind is challenged by uncertainty. The dominant thought pattern that has taken over the mind is usually, "What if I lose?" or "I'm going to lose…" or "You always mess up in the clutch" or "Who told you that you could trade successfully?" Trying to force yourself to not hear these thoughts, or voices, in the mind by acting as if you are a tough, seasoned trader does not work. You can't "fake it till you make it" in trading. You truly have to develop a mind that is built to embrace uncertainty – not fear it.

Linking Brain, Emotion, and Thought

Let's take a look at what is really happening in the brain and mind as this cacophony takes over the thinking of the trader's mind. The brain's job is to adapt us to survive in whatever environment it finds itself. It does this by creating programs that keep the organism (that's you) alive. Once the program produces success in dealing with the environment, it becomes embedded into the neural circuitry and begins to run automatically totally out of the awareness of the conscious mind. These programs operate out of pattern recognition and simply "pop up" when circumstance triggers them. This is how the brain links emotion and thought. Any disruption to a standard sensory pattern that the brain has already created (a program, by definition), an emotion erupts to control the kind of thinking needed to solve the problem.

Initially the programs are simply wired into your perceptual repertoire. These guide your responses to environmental cues (think, avoidance of danger). This is called adaptation. However, if the programs become successful over countless generations, they are burned into the DNA. This is called instinct. And how do you experience these programs? As voices, or narratives, in the mind. These programs show up as the seemingly idle chatter going on in the mind. Most of the time, they appear harmless enough.

However, adaptation and instinct collide in trading because the brain does not distinguish between uncertainty and fear. All neural programs are wired to create patterns of avoidant response when stimulated by perceived threats in the environment. And the trading environment, due to its rooting in the management of uncertainty, is going to trigger to fear-based programs. That's both instinct and adaptation in the untrained mind creating a perfect storm for losing your emotional sobriety while attempting to manage a trade.

And how do these neural programs show up in your mind? They show up as the internal dialog or voices in the mind. Thought becomes the voice of your beliefs about your capacity to manage uncertainty. And remember, the brain does not distinguish between uncertainty and fear. This is something that has become instinctual, burned into your DNA, as a successful solution for a greater probability of survival of both the individual (you) and the species.

So…this idle chatter that you may not even be aware of most of the time or that can become pesky at other times is, in fact, the tip of an iceberg that lays out the blueprint of how you react to environmental stressors (like managing a trade).

How Does This Apply to Trading?

In his book "Incognito" the neuro-scientist David Eagleman describes these programs established by the brain as a rivalry of equals. In the generation of thought from neural behavior that describes the relationship between brain and mind, these programs show up as thoughts, voices, or narratives in the mind. Most are developed through adaptation as a successful response for survival and become residents of the unobserved mind. And these programs, working in the background of an untrained mind under the stress of trading, take over the rival - rational thought.

Another way of describing this situation from a psychological perspective is that the current organization of the rivals of the mind is the baggage that you bring to trading. Fortunately, the adaptation to the avoidance of fusion of uncertainty/fear can be re-developed through the application of emotional regulation, mindfulness, and the examined development of other internal resources that have been burned into our DNA.

Until you learn to regulate the triggering of these emotionally based programs that give rise to thought, you do not get to the door of the mind. You stay hijacked by programs the brain has already established when you perceive threat. Once emotional regulation is a working skill, mindfulness can be developed so that you become aware of all the rival programs showing up as thoughts or voices in the mind. And you discover that you and your thoughts are not the same. They are simply programs running you.

In mindfulness, you develop the talent of choosing which rivals run the thinking of the mind. This is the personal development that all traders need to embrace. This is the internal discipline needed to organize the rivals in the mind into a state of mind that embraces uncertainty and probability. This is the journey that trading demands to become successful.

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August 16 -23, 2013 — Another Crash?

By Pauline Novak-Reich

Come the week of August 16 - 23, the world's largest Index, the S&P500, will once again plummet. In an all too familiar fashion, it will drag down all other stock markets, superfunds and savings. No government or economic spin can ward off this descent, because nothing else but **time** governs the fluctuations of markets. Given that economic formulas and models are only pale reflections of the real world, as a forecasting tool, they can be utterly misleading. The way to gain insight into the forces driving the S&P500 Index, and predict the August 16th turnaround, is by consulting its graph and William Delbert Gann's Square-of-9 (for why all Internet depictions of this Square are flawed refer to paragraph 7 below).

The graph's coordinates X and Y, where X represents price and Y time, provide an untainted depiction of market behaviour. In addition to reflecting **'price changes over time', t**he continuous plot of X and Y's intersection points reflect the perceptions and thoughts of those driving the ups and downs of price. Given that X is a function of Y, and Y is a function of X, and given that X is the volatile of the two, focusing on the forward procession of Y is far less challenging than the fluctuations of X (Figure 1).

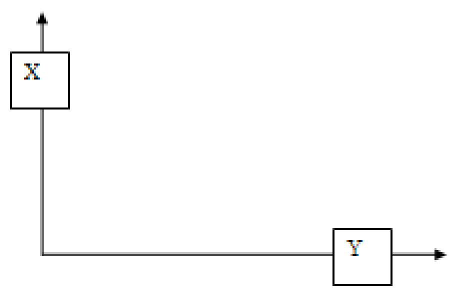

Figure 1

There is reason to believe that when billionaire George Soros broke the bank of England by shorting the British Pound on September 16, 2002 and the AUD on May 08, 2013, the Y parameter and Gann's Square-of-9 dictated his trades.

The first on the 'to do list' in analysing a graph is to determine the direction of the dominant trend. Figure 2 demonstrates that bearish trends manifest long down-swings with short upward corrections. And, as the market changes direction, its upward swings become longer in comparison to retreats.

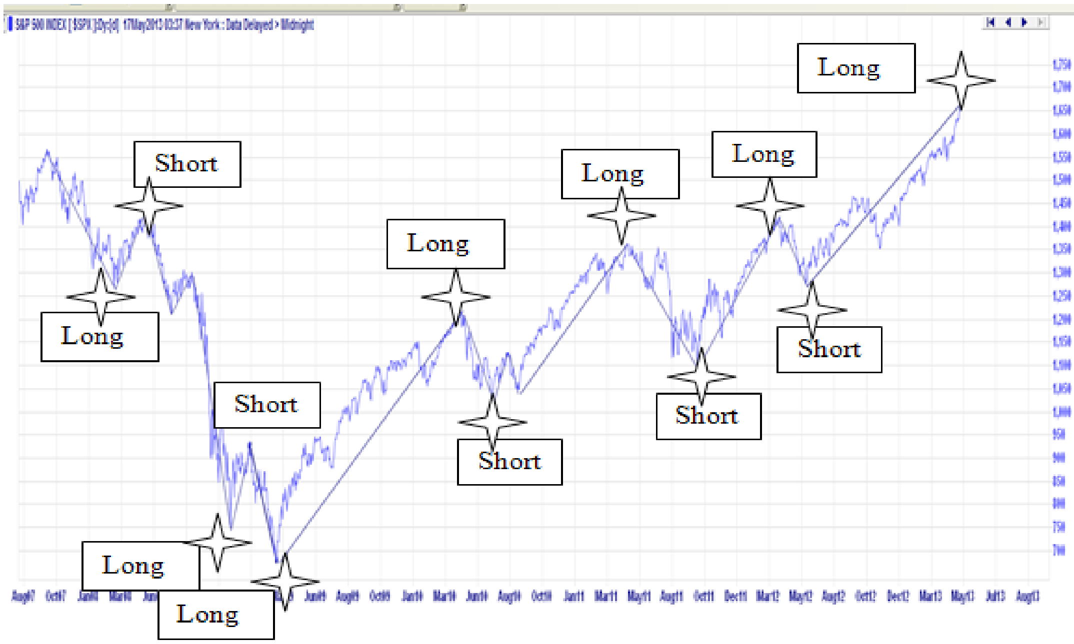

Figure 2

The schematic in Figure 3 captures the 496 calendar day (cd) GFC decline period (Oct. 31, 2007 — Mar. 08, 2009), and the recovery phase (Mar. 09, 2009 — May 28, 2013). It shows that the S&P500 Index's recovery, which at the peak of May 28, 2013 measured 1542cd, in addition to being in an uptrend, reached an all-time high.

The decline from the May 28 peak measured 28cd on June 25, 2013, and was 3cd shorter than its preceding 31cd upswing (Apr. 18 – May 28, 2013). Given this Index's bullish trend, the sketch indicates that the forthcoming advance, which must be longer than 31cd, will measure 52cd on August 16, 2013 (Figure 3).

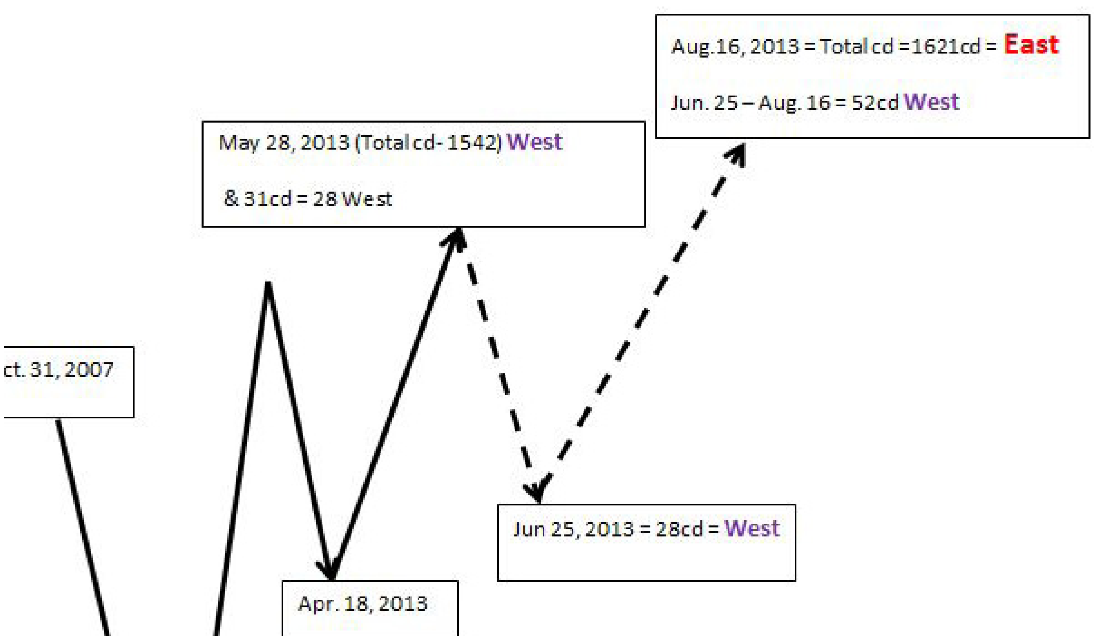

Figure 3

In order to validate these dates, we must turn to W.D. Gann's Square-of-9, however, before proceeding, a word about identifying markets' major peaks and troughs.

Even though pricewise the peak of May 21, 2013 was the highest point the S&P500 had reached on the chart, it was nonetheless a false top (Figure 4). It often is the case that one day difference between the up and down swings determines the trend. Because the peak of May 21 was followed by a 3cd decline and a 4cd advance, the longer upswing**, irrespective of price**, marks the absolute top.

Figure 4

It is believed that the Sqaure-of-9 — a sequence of orderly numbers spiralling outwards in an anti-clockwise manner from the number 1 at the centre (Figure 5) — generated him fifty million dollars from trading stock and commodity markets.

"I soon began to note the periodical reoccurrence of the rise and fall of stocks and commodities. This led me to conclude that natural law was the basis of market movements. I then decided to devote 10 years of my life to the study of natural law as applicable to the speculative markets and to devote my best energies toward making speculation a profitable profession."

Because the numerals 1 — 9 form the Square's first ring Gann coined the device 'The Square-of-9', and its geometrical divisions, cardinals and diagonals.

The Australian mathematician, physicist and meteorologist, Trevor Casey — the first known man to unravel the Square's mathematical structure since Gann — points out that all the Square's Internet versions are mathematically wrong. In *The Square Spiral— the Mathematics of Markets (BookPal 2010)* he explains that this Square is a spiral mimicking the Milky Way. As such, it unfolds from left to right, in the direction of the solar system, and each of its rings expands twice during one 360^0 revolution. The first expansion takes place upon the Square's north-western diagonal and second upon its south-eastern arm. Therefore, in contrast to the

Internet versions, the north-western diagonal runs along the numerals 1, 2, 10, 26, 50…**∞**, and the south-eastern along 1, 5, 17, 37, 65…..…**∞.** (Figure 5) The Square, as devised by Casey, makes it possible for components to align.

The other point he emphasises is that the Square is a calculator designed to track time, therefore should not be used in forecasting values of stocks. The 0.618 and 0.382 Golden mean proportions, known as Fibonacci ratios, are best for determining the support and resistance levels of price. This is how Casey traded the markets; he paid no attention to price.

226	225	224	223	222	221	220	219	218	217	216	215	214	213	212	211	272
227	170	169	168	167	166	165	164	163	162	161	160	159	158	157	210	271
228	171	122	121	120	119	118	117	116	115	114	113	112	111	156	209	270
229	172	123	82	81	80	79	78	77	76	75	74	73	110	155	208	269
230	173	124	83	50	49	48	47	46	45	44	43	72	109	154	207	268
231	174	125	84	51	26	25	24	23	22	21	42	71	108	153	206	267
232	175	126	85	52	27	10	9	8	7	20	41	70	107	152	205	266
233	176	127	86	53	28	11	2	1	6	19	40	69	106	151	204	265
234	177	128	87	54	29	12	3	4	5	18	39	68	105	150	203	264
235	178	129	88	55	30	13	14	15	16	17	38	67	104	149	202	263
236	179	130	89	56	31	32	33	34	35	36	37	66	103	148	201	262
237	180	131	90	57	58	59	60	61	62	63	64	65	102	147	200	261
238	181	132	91	92	93	94	95	96	97	98	99	100	101	146	199	260
239	182	133	134	135	136	137	138	139	140	141	142	143	144	145	198	259
240	183	184	185	186	187	188	189	190	191	192	193	194	195	196	197	258
241	242	243	244	245	246	247	248	249	250	251	252	253	254	255	256	257

Figure 5 – The Square-of-9 constitutes a spiral of consecutive numbers unfolding outwards from the number 1 at the centre. Its numerals follow the anti-clockwise (left to right) direction of the Milky Way's spiral.

Gann's breakthrough came about when he observed that time-intervals typically adhere to the Square's axes in that they commence and terminate upon them. A mature interval bounces off and culminates on the Square's same axis upon completing a 360^0 rotation from and back to the point at which the preceding interval ended. In cases when a swing terminates on the Square's opposite axis, at 180^0 angle, it remains unfinished until such time it completes a 360^0 rotation to the axis from which it had bounced off. Given that the present recovery wave took off the Square's eastern cardinal, and therefore must terminate upon it, the Square-of-9 makes is possible to forecast its maturity date.

Bearing in mind that deviations between calendar-time and the Square-of-9 are subject to "Time Dilation", excessive or shorter durations need to be adjusted to the value of the nearest cardinal or diagonal. Special Relativity Theory explains this anomaly saying that when the Earth's speed accelerates, the motion of time slows down. The S&P500 Index's time-frames during the Global Financial Crisis (GFC) and Eurozone crash, and those of the current recovery phase, demonstrate this phenomenon at work (Figures 6, 7 & 8).

Figure 6

1. Sep. 01, 2000 — Apr. 12, 2003 = 922cd

   [The nearest value is **916, eastern cardinal -** Figure 7**]**

2. Apr. 12, 2003 — Oct. 31, 2007 = 1694cd

   [The nearest value is **1702, western cardinal** – Figure 8**]**

3. Oct. 31, 2007 — Mar. 09, 2009 = 496cd **eastern cardinal -** Figure 7**]**
4. Mar. 09, 2009 — Apr 23, 2010 = 411cd **eastern cardinal-** Figure 7**]**
5. Apr 23, 2010 — Jul. 02, 2010 = 69cd **eastern cardinal-** Figure 7**]**
6. Jul. 02, 2010 — Apr. 29, 2011 = 301cd

   [298 **western cardinal** – Figure 8**]**

7. Apr. 29, 2011 — Dec. 19, 2011 = 234cd
8. **[**233 **western cardinal**– Figure 7**]**

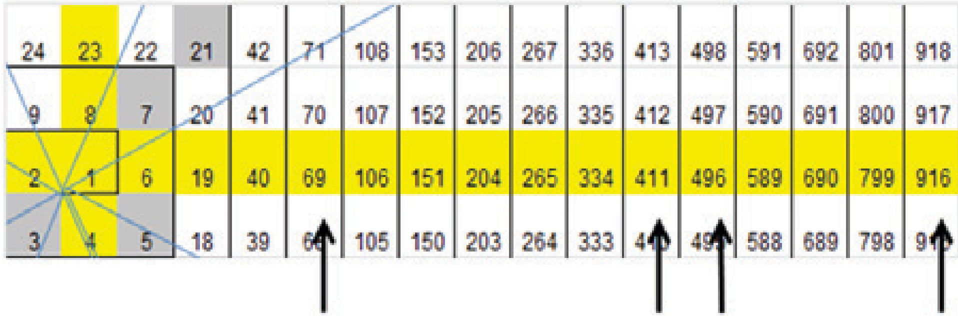

Figure 7 – Eastern Cardinal

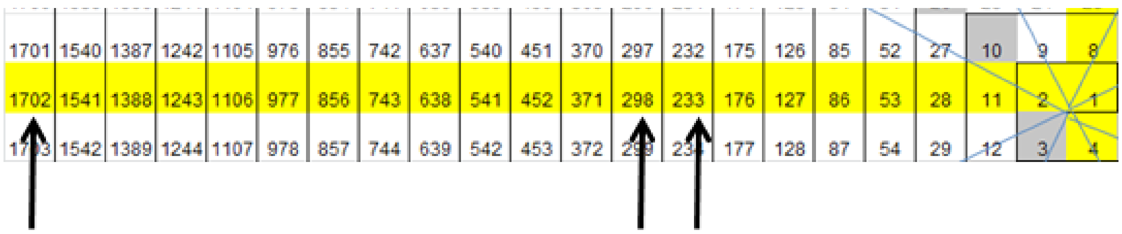

Figure 8 – Western cardinal

Allowing that the March 09, 2009 trough terminated upon the Square's **eastern cardinal**, on day 496 of the run, the subsequent 2009 – 2013 recovery wave must also terminate there. On August 16, 2013, when it measures 1621cd, it and the 496cd downswing will form a 360^0 angle upon the Square's **eastern cardinal** (Figure 9).

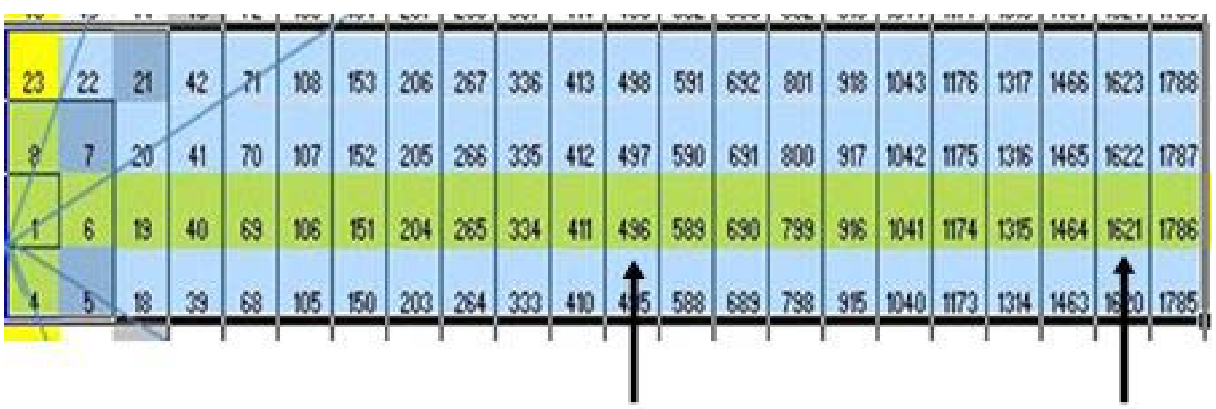

Figure 9 – Eastern Cardinal

Harking back to Figure 3, we see that the recovery wave's top of May 28 took place on day 1542 of the run and culminated upon the Square's western cardinal (Figure 8). However, given that it bounced off the eastern cardinal (on March 09, 2009), its rotation has so far achieved an 180^0 — an incomplete move. Note that the 28cd decline from the peak of May 28 touched upon the western cardinal on June 25 at a 360^0 (1542 and 28, Figure 8). The final 52cd advance of the recovery wave will reach the Square's **western arm** on August 16, 2013, where once again a 360^0 angle will form. However, its total span of 1621cd will fall upon the **eastern cardinal** at a 360^0 angle with the preceding 496cd of the GFC crash.

For three millennia the pharaohs of Egypt relied upon large rocks carved with horizontal lines to record the height the Nile's waters had reached during each day of the seasonal inundation. Indeed, Nileometer records collected from rocks scattered along the Nile are the longest data series we have. And although large chunks from the BCE data are missing, the records we have go back to 624AD, to the day Cairo's Rhoda Island Nileometer became functional. The sheer length of this collection speaks volumes to their importance to the then pharaohs and scientists today. Ravaging floods and droughts turned the Nile settlers into brilliant problem solvers obsessed with patterns, symmetry and time sequences. Their effort yielded the Square-of-9 — Egypt's most guarded secret, which over three thousand years tracked the changes in the Nile's ups and downs. Subsequently, the pharaohs enshrined it in the Great Pyramid's tiers where the block arrangement of each mimics the spiral of the Milky Way. When pulled from the number 1 at the centre, this Square morphs into a pyramid (Figure 10). With no data-processing technology, the Square and graphs sustained the pharaohs until Egypt's fall to the Romans in 48 BCE. One can only speculate how much richer the pharaohs would have been had they also invented the stock market.

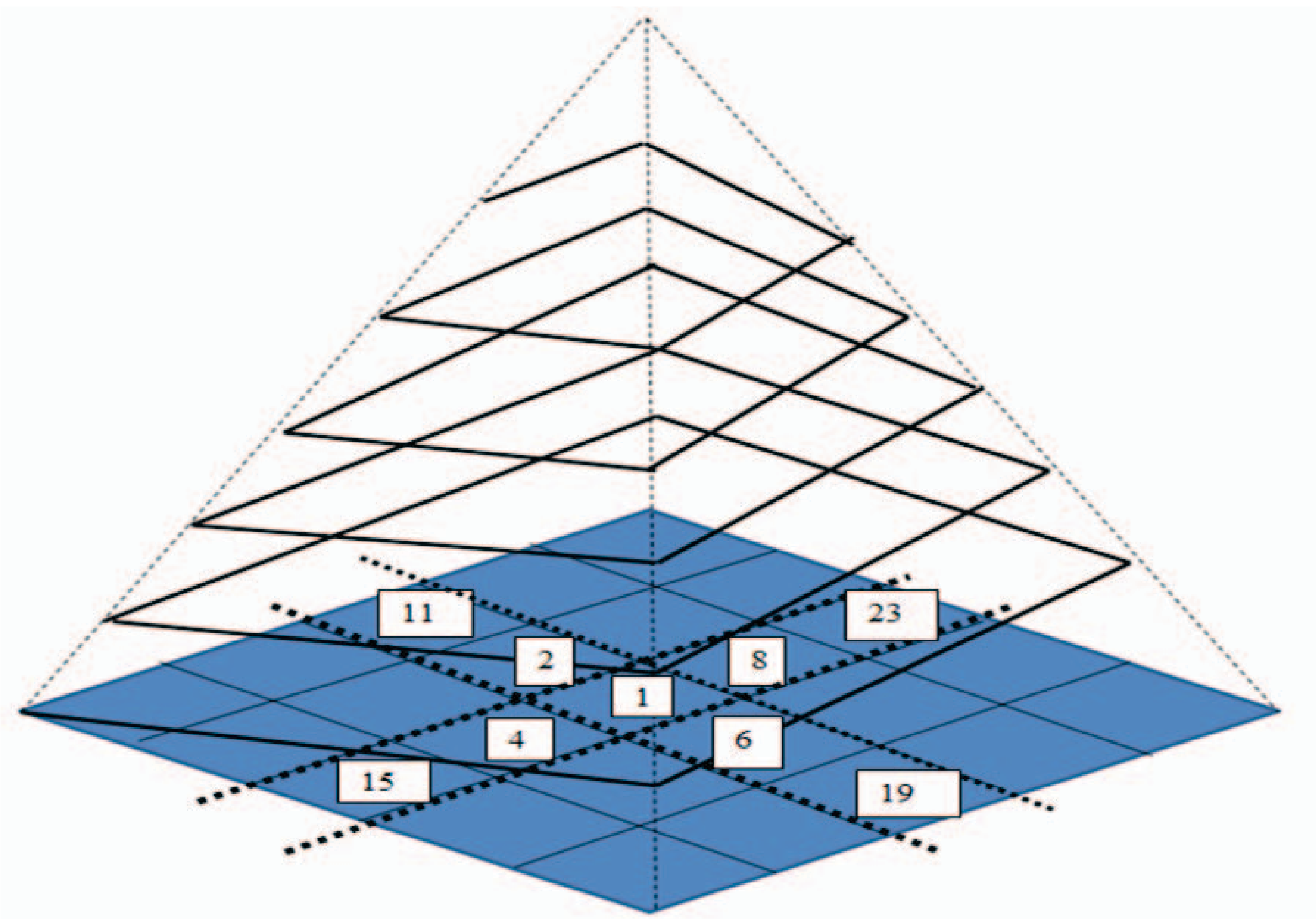

Figure 10 – The Square-of-9 constitutes an image of one pyramidal tier.

When asked “What is the cause behind the time factor?” Gann smiled and said: “It has taken me years of exhaustive study to learn the cause that produces the effects according to time. That is my secret and too valuable to be spread broadcast...” He died of heart failure in June 1956 and was laid to rest in New York’s Brooklyn Cemetery in a grave facing his beloved Wall Street. Just as the pharaohs departed leaving no clue to the secret they buried in the Great Pyramid’s tiers, Gann left us an image of one of its tiers, yet, withheld its layout and instructions of use.

Pauline Novak-Reich

Pauline Novak-Reich is the former manager research-foreign exchange at the ANZ’s (Australian & New Zealand Banking Corp.) dealing room from 1980 -1993. Her duties involved analysis and forecast of currencies, interest rates, equities and commodity markets trends, as well as overseeing dealers’ intraday trading. In 2005 she authored The Bell Does Ring (John Wiley, Australia). This article is an excerpt from her upcoming book, Mystifying Square, Divine Proportions -- Nature’s Black Box. You can reach her at https://www.facebook.com/pages/Demystifying-Ganns-Square-of-9/661551103858428

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Predictive Indicators for Effective Trading Strategies

By John Ehlers

INTRODUCTION

Technical traders understand that indicators need to smooth market data to be useful, and that smoothing introduces lag as an unwanted side-effect. We also know that the market is fractal; a daily interval chart looks just like a weekly, monthly, or intraday chart. What may not be quite as obvious is that as the time interval along the x-axis increases, the high-to-low price swings along the y-axis also increase, roughly in proportion. This "spectral dilatation" phenomena causes an undesirable distortion, one that has either not been recognized or has been largely ignored by indicator developers and market technicians.

So, we have two challenges to address. 1) How to best smooth the data, and 2) how the fractal nature of the market distorts indicator interpretation.

To address the smoothing problems I will show you a stunning new filter from my aerospace analog filter design experience translated to a digital filter useful for traders. To address the mitigating the effects of the fractal structure of the market I will show you the effects of a new filter seldom used in trading. By removing the noise and the indicator distortion I will then show you the core concept of getting consistent short term trading winners.

MARKET DATA STRUCTURE

There have been many academic studies about the market data structure. Figure 1 captures the significant factors found in these studies. The horizontal axis is in terms of frequency, so that a frequency of 10^{-1} means a cycle having a 10 bar period and a frequency of 10^{-2} means a cycle having a 100 bar period, etc. The vertical scale is the power in the wave.

Aliasing noise has the largest amplitude at the higher frequencies (i.e. the shortest cycle periods). Since aliasing noise is larger than signals at these cycle periods, noise swamps the information in the signal, and the only thing to do is to avoid trying to use signals that fall within the range of these cycle periods. Aliasing noise is also as large or larger than signals at longer cycle periods and therefore it must be removed by smoothing to recover the signal.

Starting at periods somewhat shorter than a 10 bar cycle, a longer wave has more power in it than a shorter wave, which means the wave amplitude is larger for the longer wave.
I call the shape of this Wave Amplitude versus frequency Spectral Dilation.

Spectral Dilation increases at the rate of approximately 6 dB per octave. This means that each time the cycle period is doubled, the wave amplitude in that longer wave is also doubled. It works the other way also. That is, every time the cycle period is halved the wave amplitude is also halved.

Although I knew about Spectral Dilation I was shocked to find that the phenomenon exists all the way down to shorter cycle periods – even below a 10 bar cycle period. At this point Spectral Dilation intercepts the aliasing noise resulting from using sampled data. If we just want to eliminate Aliasing noise, we do not need a smoothing filter longer than a 10 bar cycle period. In fact, using a smoothing filter longer than 10 bars attenuates the data we are trying to use in trading.

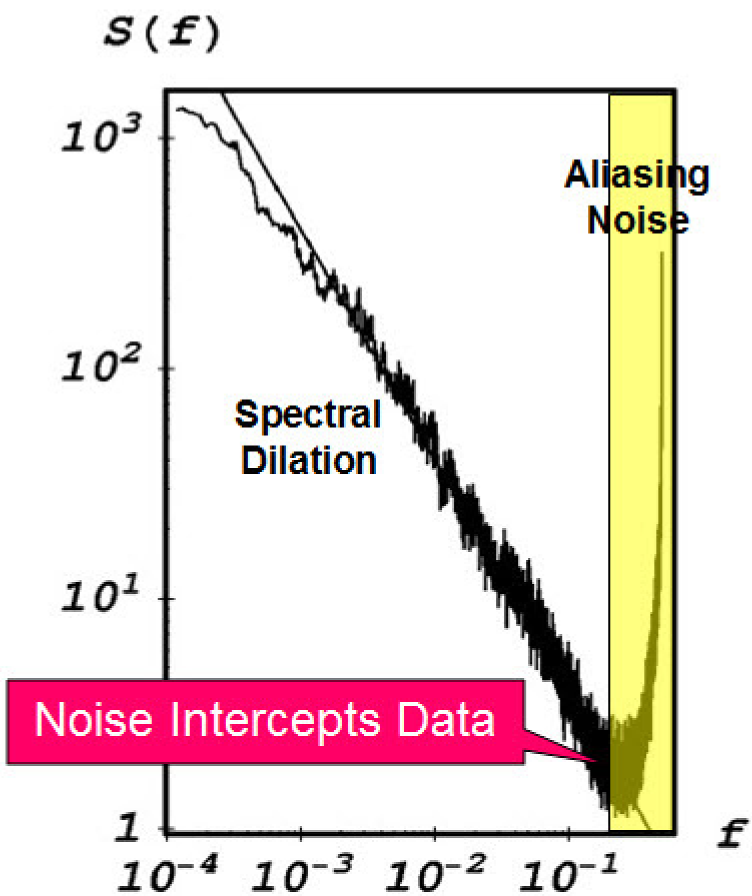

Figure 1. Market Data Contains Both Aliasing Noise and Spectral Dilation. Aliasing Noise Swamps the Signal Where the Cycle Period is Less than 10 Bars

It is also worthy of note that Aliasing noise scales with the sampling frequency, and so it is a good rule of thumb that Aliasing noise intercepts the signal amplitude at about a 10 bar cycle period regardless of the time frame you are trading.

SMOOTHING FILTERS

Most traders use a moving average for smoothing. The problem is that a moving average is just not a very efficient filter. In order to get the amount of smoothing desired, the moving average length must be made longer. But making the average length longer also causes more lag, with the result that the smoothed trading signals are not timely for a good trade. I have compared a 10 bar Exponential Moving Average (EMA) with my SuperSmoother filter set to a critical period of 10 bars for an apples-to-apples comparison in Figure 2. The horizontal scale is in terms of frequency, so that 0.1 corresponds to a 10 bar cycle period and .5 corresponds to a 2 bar cycle period. 0.5 is called the Nyquist frequency, and is the highest possible frequency component using sampled data.

The EMA only reduces the amplitude at the Nyquist frequency by 13 dB. On the other hand, the SuperSmoother filter theoretically completely eliminates components at the Nyquist Frequency. The added benefit is that the SuperSmoother filter has significantly less lag than the EMA.

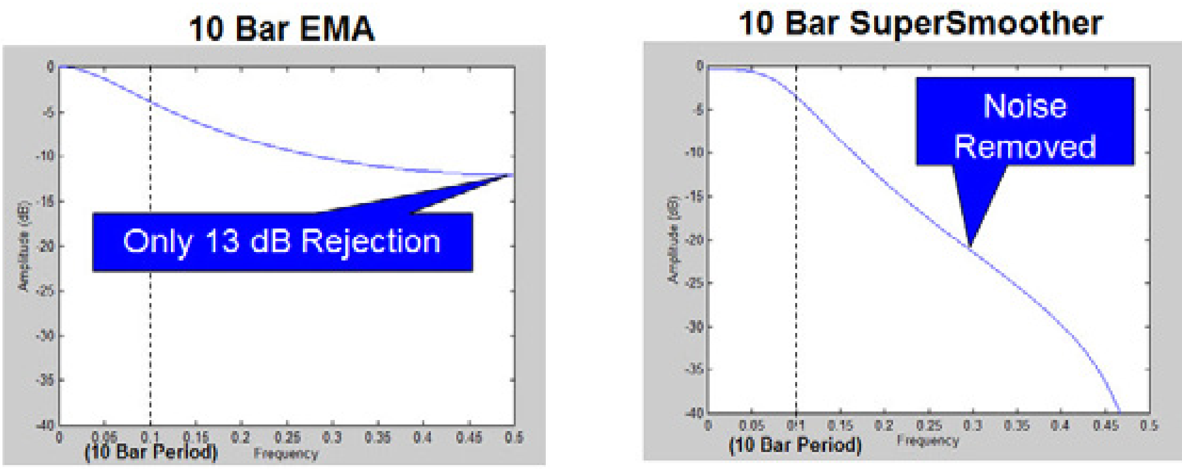

Figure 2. An EMA Has Only Modest Noise Attenuation
While a SuperSmoother VirtuallyEliminates Aliasing Noise

Code Listing 1 gives the EasyLanguage code to compute the Super Smoother filter. The a1 and b1 variables are computed for the 10 bar critical period. These are then used to compute the c1, c2, and c3 coefficients of the filter. If the reader is translating to another computer language, please note that the trigonometric arguments are in degrees whereas they are in radians in most other languages. Also please note the notation [N] is the value of that variable "N" bars ago.

Code Listing 1. EasyLanguage Code to Compute the SuperSmoother Filter

```
{SuperSmoother filter © 2013  John F. Ehlers}

Vars:  a1(0), b1(0), c1(0), c2(0), c3(0), Filt(0);

a1 = expvalue(-1.414*3.14159 / 10);
b1 = 2*a1*Cosine(1.414*180 / 10);
c2 = b1;
c3 = -a1*a1;
c1 = 1 - c2 - c3;
Filt = c1*(Close + Close[1]) / 2 + c2*Filt[1] + c3*Filt[2];

Plot1(Filt);
Plot2(0);
```

Having solved the problem of dealing with Aliasing Noise, we can now turn our attention to Spectral Dilation.

SPECTRAL DILATION

Most trading oscillators and "detrenders" perform basically the same way as a one pole HighPass filter because they only have one difference term in their calculation. For example, the difference term of a Stochastic Indicator subtracts the lowest closing price over the length of the indicator from the current closing price. The result of performing as a one pole HighPass filter is that the attenuation scales as 6 dB per octave for frequency components smaller than the critical frequency.

But if Spectral Dilation is increasing the amplitude at the rate of 6 dB per octave and the oscillator is reducing the amplitude due to filtering at the rate of 6 dB per octave, the net result is that the longer period waves are not filtered out. The only effect of the single pole filter (or conventional indicator) is to flatten and equalize the Spectral Density. Figure 3 shows the output of a single pole HighPass filter that is smoothed with a SuperSmoother filter.

Figure 3. A Single Pole HighPass Filter (or Oscillator) Does Not Remove Low Frequency Components, Resulting in the Output Failing to Have a Zero Mean

If the high pass filter complexity is increased to a two pole HighPass filter, then the filter response increases to 12 dB per octave, enabling the effects of Spectral Dilation to be removed. The result of using the two pole HighPass filter is compared to the response of the original one pole HighPass filter in Figure 4.

The original one pole HighPass filter output is shown as the red dashed line and the two pole HighPass filter output shows the effects of Spectral Dilation have been removed. Now the output has a nominally zero mean, allowing for a more accurate assessment of the turning points without the distortion of the long period offsets. In addition, the waveform generally has less lag when longer wave components are removed.

Figure 4. A Two Pole HighPass Filter Removes the Effects of Spectral Dilation. This gives the Oscillator a Zero Mean to Accurately Assess Turning Points and Generally Reduces Indicator Lag.

The combination of a two pole HighPass filter and a SuperSmoother filter can be used to precondition data before any additional calculations are performed. Since this filter combination limits the range of cycle periods in the output, it is called a "Roofing Filter" because it provides a roof over further calculations. The EasyLanguage code to compute the Roofing Filter is given in Code Listing 2.

Code Listing 2. EasyLanguage Code to Compute the Roofing Filter

```
{Roofing filter © 2013  John F. Ehlers}

 Vars:   alpha1(0), HP(0), a1(0), b1(0), c1(0), c2(0), c3(0), Filt(0), Filt2(0);

//Highpass filter cyclic components whose periods are shorter than 48 bars
alpha1 = (Cosine(.707*360 / 48) + Sine (.707*360 / 48) - 1) / Cosine(.707*360
/ 48); HP = (1 - alpha1  / 2)*(1 - alpha1 / 2)*(Close - 2*Close[1] + Close[2]) + 2*(1 -
alpha1)*HP[1] - (1 - alpha1)*(1 - alpha1)*HP[2];

//Smooth with a Super Smoother Filter
a1 = expvalue(-1.414*3.14159 / 10);
b1 = 2*a1*Cosine(1.414*180 / 10);
c2 = b1;
c3 = -a1*a1;
c1 = 1 - c2 - c3;
Filt = c1*(HP + HP[1]) / 2 + c2*Filt[1] + c3*Filt[2];

Plot1(Filt);
Plot2(0);
```

In Code Listing 2, the variable alpha1 is computed for the HighPass critical period of 48 bars. The HighPass filter will pass all spectral components having periods less than 48 bars. The SuperSmoother filter passes all spectral components having period greater than 10 bars. The end result of the Roofing filter is that cyclic components having periods between 10 bars and 48 bars will be passed from the input to the output. If the reader is translating to another computer language, please note that the trigonometric arguments are in degrees whereas they are in radians in most other languages. Also please note the notation [N] is the value of that variable "N" bars ago.

The impact of using the Roofing filter before computing a Stochastic is shown in Figure 5. Clearly, the conventional Stochastic tends to hang near the upper bound when the prices are in an uptrend. Since this characteristic is caused by Spectral Dilation, the tired old explanations of how to use %K, %D, and when to enter a short position at the end of a trend are just plain silly. When the Roofing filter precedes the Stochastic, as shown in the second subgraph of Figure 5, the longer period waves have been removed and the swing waves are obvious by inspection.

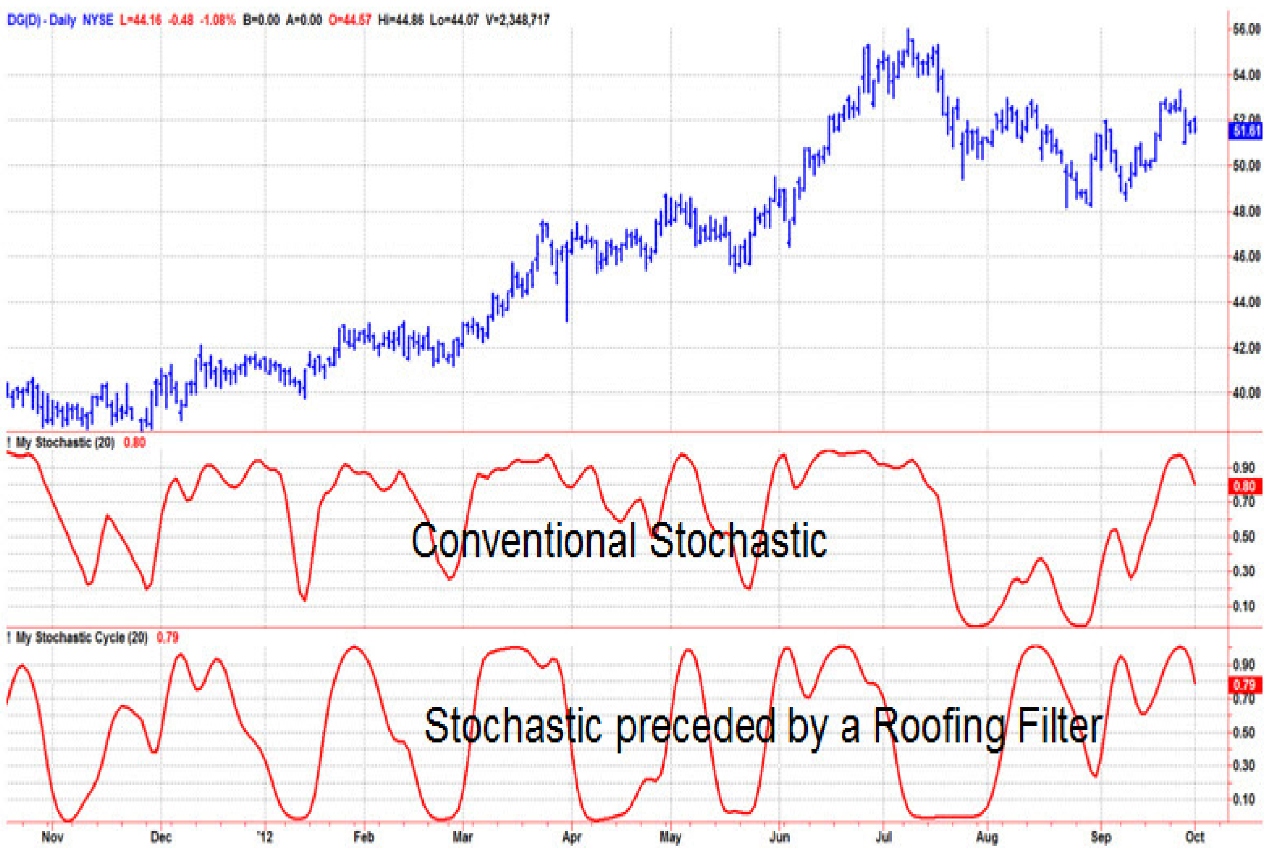

Figure 5. A Roofing Filter Preceding a Stochastic Removes Spectral Dilation Distortion

The Stochastic calculation is simply the current close minus the lowest close over the calculation period, normalized to the highest close minus the lowest close. Although this calculation is trivial, I have included the complete indicator in Code Listing 3 for the convenience of readers who wish to duplicate it. As described above, I use the output of the Roofing filter for the Stochastic calculation rather than the closing price. Also note that I use a SuperSmoother filter rather than an exponential moving average to smooth the result of the calculations. I call the indicator "My Stochastic" to avoid confusion with the conventional Stochastic indicator.

Code Listing 3. EasyLanguage Code to Compute My Stochastic

```
{My Stochastic Indicator © 2013  John F. Ehlers}

Inputs:  Length(20);

Vars:  alpha1(0), HP(0), a1(0), b1(0), c1(0), c2(0), c3(0), Filt(0),
       HighestC(0), LowestC(0), count(0), Stoc(0), MyStochastic(0);

//Highpass filter cyclic components whose periods are shorter than 48 bars
alpha1 = (Cosine(.707*360 / 48) + Sine (.707*360 / 48) - 1) / Cosine(.707*360
/ 48);
HP = (1 - alpha1 / 2)*(1 - alpha1 / 2)*(Close - 2*Close[1] + Close[2]) + 2*(1 -
alpha1)*HP[1] - (1 - alpha1)*(1 - alpha1)*HP[2];

//Smooth with a Super Smoother Filter
a1 = expvalue(-1.414*3.14159 / 10);
b1 = 2*a1*Cosine(1.414*180 / 10);
c2 = b1;
c3 = -a1*a1;
c1 = 1 - c2 - c3;
Filt = c1*(HP + HP[1]) / 2 + c2*Filt[1] + c3*Filt[2];

HighestC = Filt;
LowestC = Filt;
For count = 0 to Length - 1 Begin
       If Filt[count] > HighestC then HighestC = Filt[count];
       If Filt[count] < LowestC then LowestC = Filt[count];
End;
Stoc = (Filt - LowestC) / (HighestC - LowestC);
MyStochastic=c1*(Stoc+Stoc[1])/2+c2*MyStochastic[1]+c3*MyStochastic[2];

Plot1(MyStochastic);
Plot2(.8);
Plot6(.2);
```

EFFECTIVE SHORT TERM TRADING STRATEGIES

Having successfully dealt with the Aliasing Noise issues as well as Spectral Dilation in the price data, we now have the tools to address trading strategies.

Conventional wisdom dictates that a long position trade be entered after the oscillator indicator has reached a minimum and turns up. The thinking here is that the indicator is so unreliable that confirmation of the price movement must be obtained before the trade is made. The conventional trading rules are depicted in Figure 6. Buy signals are created when the indicator crosses over the 20% level. Sell Short (or Sell to Exit) signals are created when the indicator crosses under the 80% level.

Figure 6. Conventional Wisdom is to Buy When the Indicator Crosses Above 20% and To Sell Short when the Indicator Crosses below 80%

We can test this hypothesis. I am going to describe a trading strategy using the Stochastic preceded by a Roofing filter of Code Listing 3. I want to emphasize this is not an explicit trading system, it is only a demonstration of a strategy. The strategy using confirmation is to buy when the indicator has reached a minimum value and then crosses over the 20% level. Also confirmation is used to sell short when the maximum value has been reached and then crosses below the 80% level. The equity curve applying this simple rule to the Stochastic oscillator on 10 years of S&P daily Futures data is shown in Figure 7. Clearly, one would not want to trade this rule in real life.

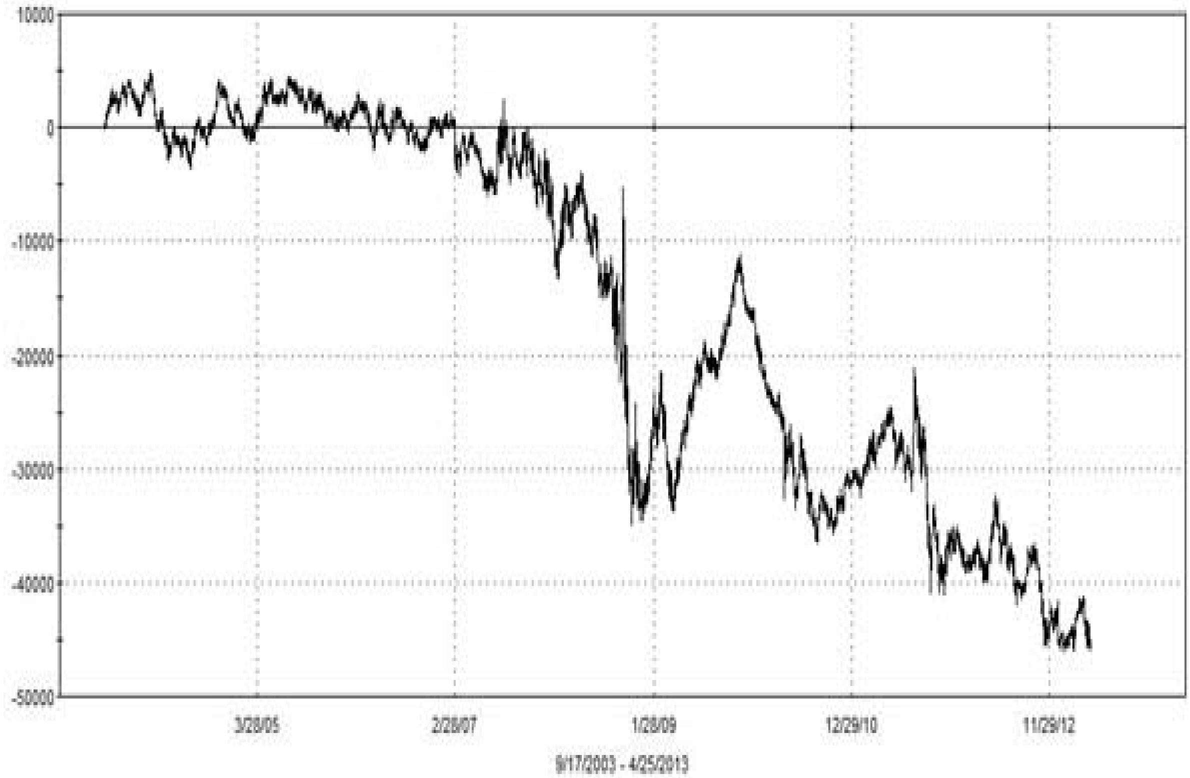

Figure 7. Consistent Losses are Incurred When Trading the Stochastic Oscillator Using the Conventional Rule of Waiting for Confirmation

The basic reason the confirmation strategy does not work is lag. If you are using an oscillator indicator, you are probably trying to make short term swing or momentum trades. You are most likely trying to trade a monthly cycle because that is a prevalent component in the data, since most companies have to make their numbers by the month. Therefore, you probably have 10 bars in an up-move to be long, and 10 bars in a down-move to be short or flat. All indicators have lag, even the SuperSmoother filter. A quick assessment gives several bars of lag to the SuperSmoother filter, several bars lag in computing the Stochastic, about 3 bars waiting for confirmation, AND then you have to wait another bar after confirmation to make your trade entry. Add all these lags together and you find you have about 8 bars total lag after the prices reached their swing low. The 10 bar up-move is almost over before you make your entry. Then, to exit the trade, you have the move against you for about 8 bars. This is why the wait for confirmation strategy cannot ever work for short term trading.

On the other hand, if we have removed the effects of Aliasing Noise as well as Spectral Dilation from the indicator we can conquer lag by anticipating the cyclic turning points. In other words, we have established a predictive and forecasting indicator. For example, to anticipate the turning point using the Roofing filter and Stochastic indicator, we would take a long position when the indicator crosses below the 20% level, BEFORE the indicator reaches its minimum value. Accordingly, we would take a short position when the indicator crosses above its 80% level, BEFORE the indicator reaches its maximum value. These trading rules are depicted in Figure 7.

Figure 8. Predictive Indicators Enable You to Buy When the Indicator Crosses Below 20% and To Sell Short when the Indicator Crosses Above 80%

Doing just this, with no other rules, we obtain the equity curve shown in Figure 9 when trading the S&P daily Futures over the last 10 years. Clearly, anticipating the turning points works and therefore the correctly filtered indicator is predictive! I want to emphasize again, that this is not a complete trading system. Rather, I have just demonstrated the efficacy of anticipating the indicator turning points.

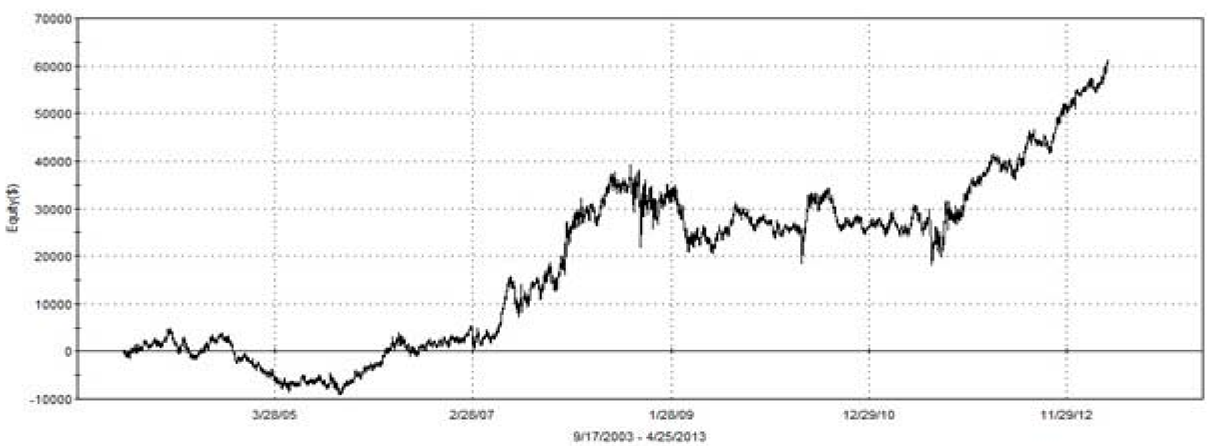

Figure 9. Consistent Winners Occur When Trading the Stochastic Oscillator by Anticipating the Indicator Turning Points

STOCKSPOTTER.COM

The concept of anticipating the cyclic turning point is used at www.StockSpotter.com. Figure 10 shows the Swing Trade Setup Analyzer. Two indicators form the basis of the predicted turning points, the MESA Cycle indicator and the MESA Momentum indicator. Note that both indicators have a zero mean and are also very smooth, showing that the effects of Spectral Dilation and Aliasing Noise have been removed. The MESA Cycle is virtually in synchronization with the cyclic moves in the price data, with troughs indicated by green bars and peaks indicated by red bars. Them MESA Momentum behaves analogously to the Stochastic. That is, it has some lag. A swing trade setup occurs when the MESA Cycle indicator reaches a trough within the last few days and the MESA Momentum indicator is declining or at a minimum.

Figure 10 is not a cherry-picked example. You can analyze any stock for FREE at StockSpotter.com using the Swing Trade Setup Analyzer for yourself. In fact, there are several more valuable indicators there for FREE. StockSpotter.com also features scanners that identify a variety of trading situations. Premium members receive explicit buy and sell signals at the end of the trading day for exercise at the market on the open of the next trading day. All signals are given IN ADVANCE and then the hypothetical trading performance is transparently tracked and reported.

Figure 10. The MESA Cycle and MESA Momentum Indicators in the Swing Setup Analyzer Combine to Predict Price Turning Points

CONCLUSIONS

I have shown that the information at very short cycle periods is swamped by Aliasing noise, and therefore the only solution is to avoid these cycle periods in your analyses. Since Aliasing noise scales with the sample frequency, periods shorter than about 10 bars should be avoided regardless of the time scale on which you are trading. Aliasing noise is also as large as signals at longer cycle periods, and therefore should be removed by filtering. The SuperSmoother filter is vastly superior to moving averages for removing Aliasing noise as well as other general smoothing applications.

The SuperSmoother filter can be combined with a Two Pole HighPass filter to create a Roofing filter. The Roofing filter determines the segment of the frequency spectrum to be used for analysis. The Roofing filter removes the effect of Spectral Dilation and helps create oscillators having a nearly zero mean.

Smoothed indicators having a symmetrical swing about a nominal zero mean can be used to create reliable predictive indicators. Most technical analysis indicators merely document what has happened in history. Who needs that? The purpose of indictors is to make a statistically reliable prediction of what the future holds so that a signal can be converted to a profitable trade.

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f) 5 Spikes
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f) Best entry positions
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h) Short Legged W bottom
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j) Secondary Tops
k) 4 to 7 Topping out
l) Pivot Price
m) Time off 1st Bottom
n) 3rd Day
o) Two Rules that are opposite
p) Minor 50% Point
q) Proof Gann didn't choose to tell it exact
r) 6 down 1 up
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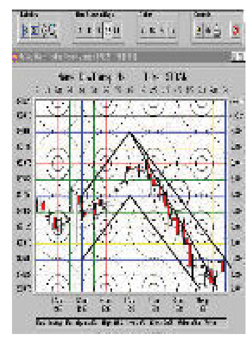

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Why Past Performance of a Conventional (60-40) Portfolio Is NOT Indicative of Future Performance

By Michael Dever

For the past 31 years, a conventionally-diversified portfolio consisting of 60% stocks and 40% bonds has provided investors with satisfying returns of +10.80% annually. This was the result of both stocks and bonds advancing strongly throughout that period. Better yet, stocks and bonds complimented each other nicely. When stocks returned +19.35% annually from the market low in 1982 to its peak in August 2000, bonds lagged somewhat (although still returning a substantial +10.34% annually). But in the period from the 2000 market peak to the 2009 market low, while stocks declined a sharp -43.51%, bonds balanced that with a strong +61.78% rally. More recently, both stocks and bonds have advanced, with the 60-40 portfolio gaining an annualized +15.36% from the market low in March 2009 to May 31, 2013.

The past 31 years was an unprecedented period for a 60-40 portfolio; one that wasn't seen prior. In fact, as I wrote in my best-selling book, *Jackass Investing: Don't do it. Profit from it.*, "all of the real stock market returns over the past 111 years can be attributed to just an 18 year period – the great bull market that began in August 1982 and ended in August 2000. Without those years the real, inflation-adjusted return of stocks, without reinvesting dividends, was negative."

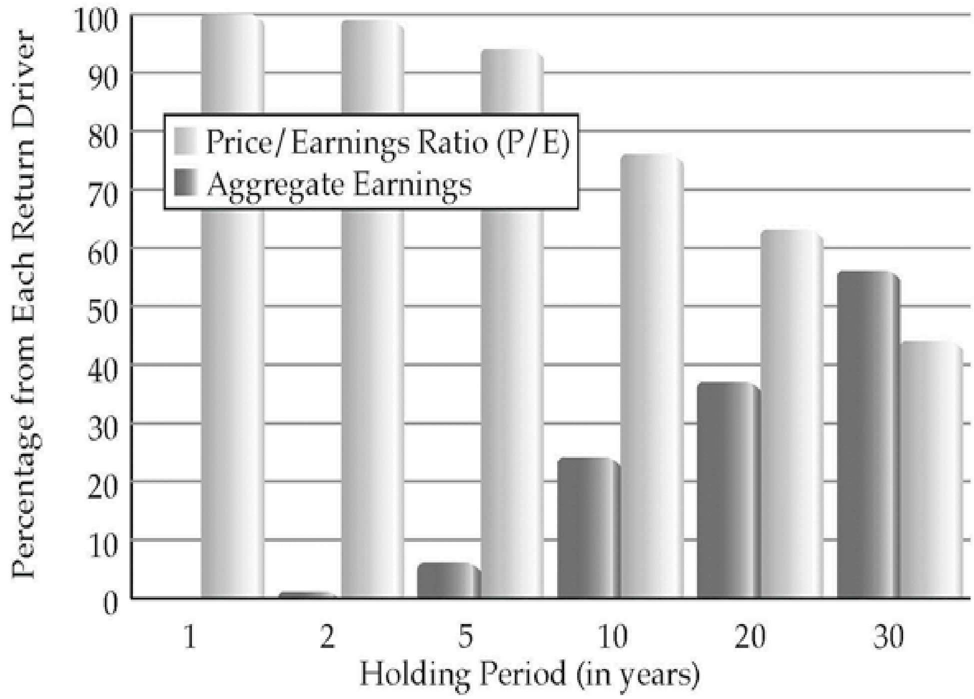
Unfortunately for investors, the 60-40 results of the past 30 years aren't likely to repeat in the near future. Here's why not.

Return drivers for U.S. equities

There's an ethos among equity investors that stocks provide an intrinsic return. This ethos is rooted in a depth of academic research that identifies an equity "risk premium" as the source of stock market returns. The equity risk premium is the "theory" that equities are destined to produce greater returns than less risky investments such as corporate bonds, simply because they ARE riskier.

In fact, the "research" supporting the equity risk premium is actually not research at all but merely an observation – an observation that over the past couple of centuries stock returns outperformed bonds. Then a postulate, the risk premium, was created to support that observation, which in turn was "proven" by the observed data. As you could likely surmise from the obvious circularity of the postulate and proof, this is wrong. The risk of investing in stocks has nothing at all to do with their returns. As I show in *Jackass Investing*, stock market returns are driven by three primary "return drivers".

In the book's first chapter I show how over the long term stock market returns are dominated by corporate earnings growth, and in the short-term (less than 20 years) by the multiplier (the "price/earnings" or "P/E" ratio) people are willing to pay for those earnings. The chart displaying this is reproduced here: Effect of Earnings Growth and People's Enthusiasm



In the second chapter I display the fact that historically, dividends have provided 48% of the total return from U.S. equity investing over the period 1900 - 2010 . (In most of the studies presented in my book and in this article, I use the S&P 500 total return index which includes dividends. The ETF that generally corresponds to the price and yield performance of the S&P 500 is SPY).

Knowing this, these were the three dominant return drivers that contributed to the stock market's +11.88% annualized return over the past 31 years:

1. 6.16% of the annual return was driven by the average annual profit growth of 6.16% 3.19% of the annual return was the result of the increase in the P/E ratio from 10 in 1982 to more than 23 at the end of 2012 (using the cyclically-adjusted P/E ("CAPE") presented by Robert Shiller in his book *Irrational Exuberance*)
2. 2.53% of the annual return was due to the dividend rate starting the period at an historically high 6.24% in 1982 and averaging 2.53% throughout the period
3. Going forward, if the P/E ratio reverts to its long-term average of 16.4, corporate profits grow at their historical average of +4.70%, and dividends increase at the same rate as corporate profits (and the dividend payout ratio increases to its long-term average), stocks will appreciate at just 7.05% per year over the next decade. Here's the arithmetic.

Future returns from U.S. equities

To determine the likely return for the S&P 500 over the remainder of this decade we need three primary inputs:

1. The rate of earnings growth for the companies underlying the index,
2. The most likely P/E ratio people will pay for those earnings at year-end 2020, and
3. The dividend yield for those stocks during the period.

Let's look at each of these in turn.

Return contribution from earnings growth

Since 1900, the nominal (before inflation) average annual growth rate for companies in the S&P 500 has been 4.7%. Over the same period the average annual inflation rate has been 3.04%. For purposes of our projections I will assume these two variables continue at the same rates into the future. While I understand there are many people who expect a substantial increase in inflation, historically, that has also resulted in an increase in the nominal (before inflation) return for the S&P 500. So if that were to occur, while the nominal return from the S&P 500 would likely increase, the real (after inflation) rate of return would, on average, remain around the historical level of 1.7%. Because of this, I project the annual return contribution from earnings growth, between 2012 and the end of 2020, will be +4.70%.

Return contribution from investor sentiment

There are a variety of methods used to calculate the price/earnings ratio of a stock or stock index. The method I will use in this article is CAPE ("Cyclically Adjusted Price Earnings Ratio"), the ratio popularized by Robert Shiller in his book *Irrational Exuberance*. CAPE compares the S&P 500's current price to the 10-year average of earnings. This has the benefit of smoothing earnings volatility to reduce the short-term impact of events such as the 2008 financial crisis. Over the past 113 years, CAPE has ranged from a low of 4.46 (in the depths of the Great Depression) to a high of 48.94 (at the peak of "dot-com" hysteria in 1999). The average CAPE over that period has been 18.63.

As of year-end 2012 CAPE stood at 23.37. Part of the reason the rate was above the long-term average was because the 10-year average earnings value used in the calculation was depressed by the effects of the Great Recession of 2008. In order to make the CAPE value in 2020 appear less elevated (compared to the long-term average) than it appears today due to the Great Recession, I will continue to walk forward the earnings average of the prior 10 years from 2013 through 2020, assuming average earnings growth based on the long-term average of 4.7%. This results in a growth rate of 6.8% for the *10-year* earnings average from 2013 through 2020.

As a result of the combination of the increase in the 10-year average of profit growth and CAPE reverting to its long-term average, I project the annual return contribution from investor sentiment, between 2012 and the end of 2020, will be -0.72%.

Return contribution from dividends

The dividend yield on the S&P 500 at year-end 2012 was approximately 2.20%. This represents a dividend payout ratio of 36%. This figure is quite a bit lower than the 113 year average of 59%. If the payout ratio reverts to its long-term average, this will boost the dividend yield over the remainder of this decade. As a result of this, and assuming that dividends grow at the same rate as profits, which is 4.7% per year, I project the annual return contribution from dividends, between 2012 and the end of 2020, will be +3.07%.

Calculating the S&P 500 total return

We're now left with a simple arithmetic problem to determine the projected average annual return for the S&P total return index, between 2012 and the end of 2020.

This is the sum of the contribution from each of the three return drivers:

Earnings Growth:	+4.70%
Investor Sentiment:	- 0.72%
Dividends:	+3.07%
Total:	+7.05%

Future returns from bonds

For the past 31 years the Barclay Aggregate Bond Index averaged annualized returns of 8.43%. Unfortunately, the two primary return drivers that contributed to that performance are both destined to provide much lower returns in the future. They are:

1. The capital appreciation provided as the high interest rate of 13% that prevailed at the start of the period declined to just over 1% today, and
2. the average yield of 5.74% on the 5-year Treasury note over the period.

With the Barclay Aggregate Bond Index now yielding just over 2%, and the U.S. Treasury 5-year note yielding 1.05%, the likely return from bonds over the remainder of this decade should be similar to the current yield on the Barclay Aggregate Bond Index, which, as represented by the iShares ETF (AGG) is 2.43%.

Calculating the return on the 60-40 portfolio

In summary then, based on the above straightforward analysis, from year-end 2012 through year-end 2020 we can expect the following return from a conventional 60-40 portfolio:

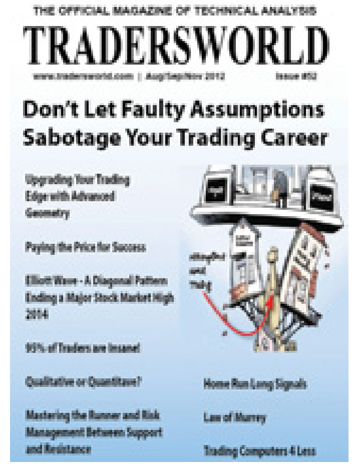
Stocks (60%):	7.05%	Projected Return of
Bonds (40%):	2.43%	Conventional portfolio: 5.20% per year

This is less than 1/2 the return earned over the past 31 years and approximately 1/3 the returns produced since the Great Recession low in March 2009. As I pointed out at the beginning of this article, 60-40 has always been a risky proposition; returns are earned in a "lumpy" fashion. Without the tailwinds of low P/E, high dividend yield and high interest rates, in the future those lumpy returns will be earned in relation to a lower trendline of overall performance. Also, while these projections are based on a sound analysis of the return drivers powering the 60-40 portfolio's performance, they are certainly not absolute. Already, in the first 5 months of the 8-year projection period (January 2013 through December 2020), the 60-40 portfolio has gained more than 5%, twice that expected from these projections.

Portfolio diversification is the one true "free lunch" of investing, where you can achieve both greater returns and less risk. But, as can be seen by its reliance on just four return drivers, the conventional 60-40 portfolio does not provide true portfolio diversification. **When those four return drivers underperform, as is indicated by the projections**

in this article, performance will suffer. True portfolio diversification can only be obtained by increasing diversification across dozens of return drivers. I give examples of a truly diversified portfolio in the final chapter of my book, and am pleased to provide a complimentary link to that chapter here: Myth 20. While some people may prefer to gamble on a less-diversified 60-40 portfolio, as my book shows, in the longer-term, true portfolio diversification can lead to both increased returns and reduced risk.

Michael Dever is the CEO and Director of Research for Brandywine Asset Management, an investment firm he founded in 1982. He has been a professional investor/trader since 1979 and has experience in stocks, managed futures, commodities, mutual fund timing, market neutral equity, and long/short equity. He is also the author of "Jackass Investing: Don't do it. Profit from it.", an Amazon Kindle #1 best-seller in the following "investment" categories: Commodities, Futures, and Mutual Funds.



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TrendFollowingTrades.com Trend Trading using 2 to 1 Targeted Reward to Risk Ratios and New TFT Enhanced Software that Makes Trading Even More Visually Simplistic

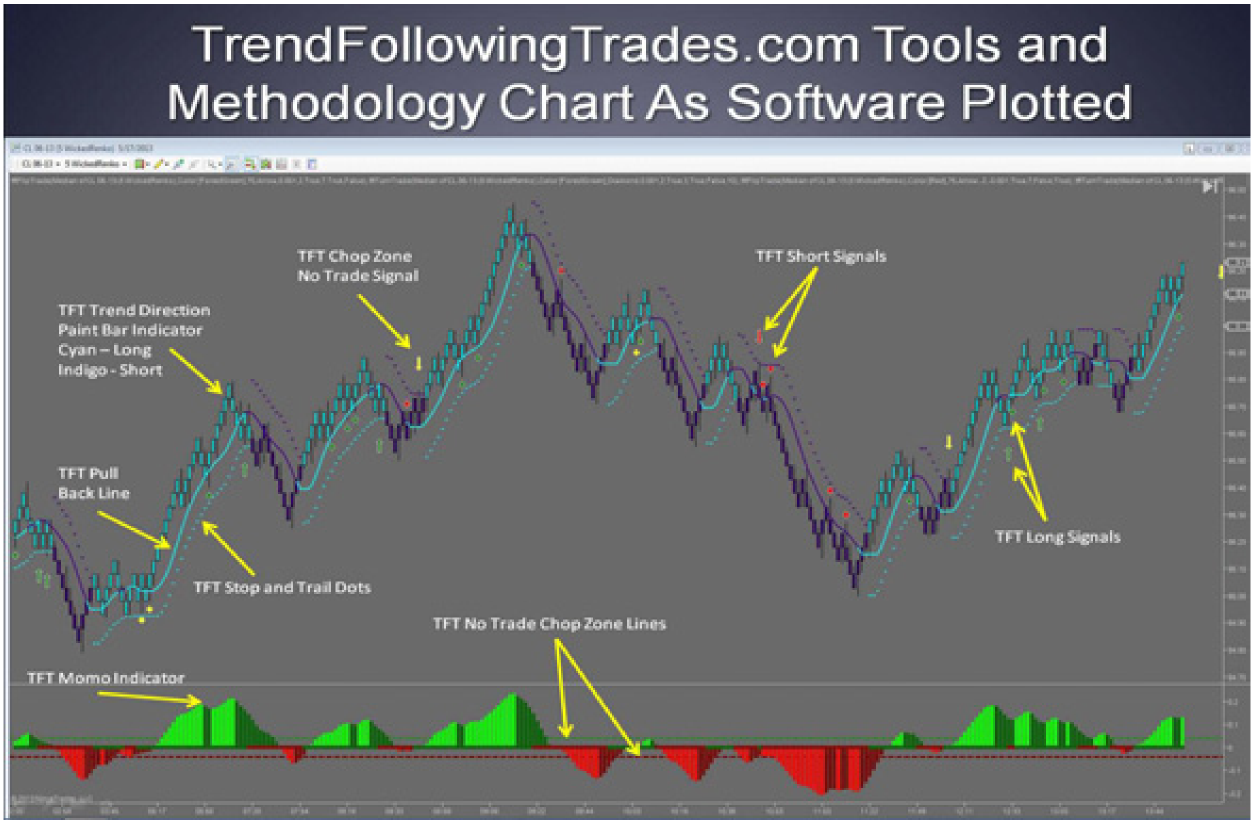
By John Karnas

When trading the markets, using any kind of time frame, method or system, we feel it prudent to make sure that basic mathematics are always in your favor. Having said that, here is an example of something that separates Trading from gambling based on pure mathematics. The Coin Flip example is as follows: for a $1 bet, if the coin lands on heads it is a $2 winner and if the coin lands on tails it is a $1 loser. This is a 50% win to loss ratio that will ultimately produce good profits in the long run. Any casino would be crazy to have this kind of game because they would be out of business within 24 hours.

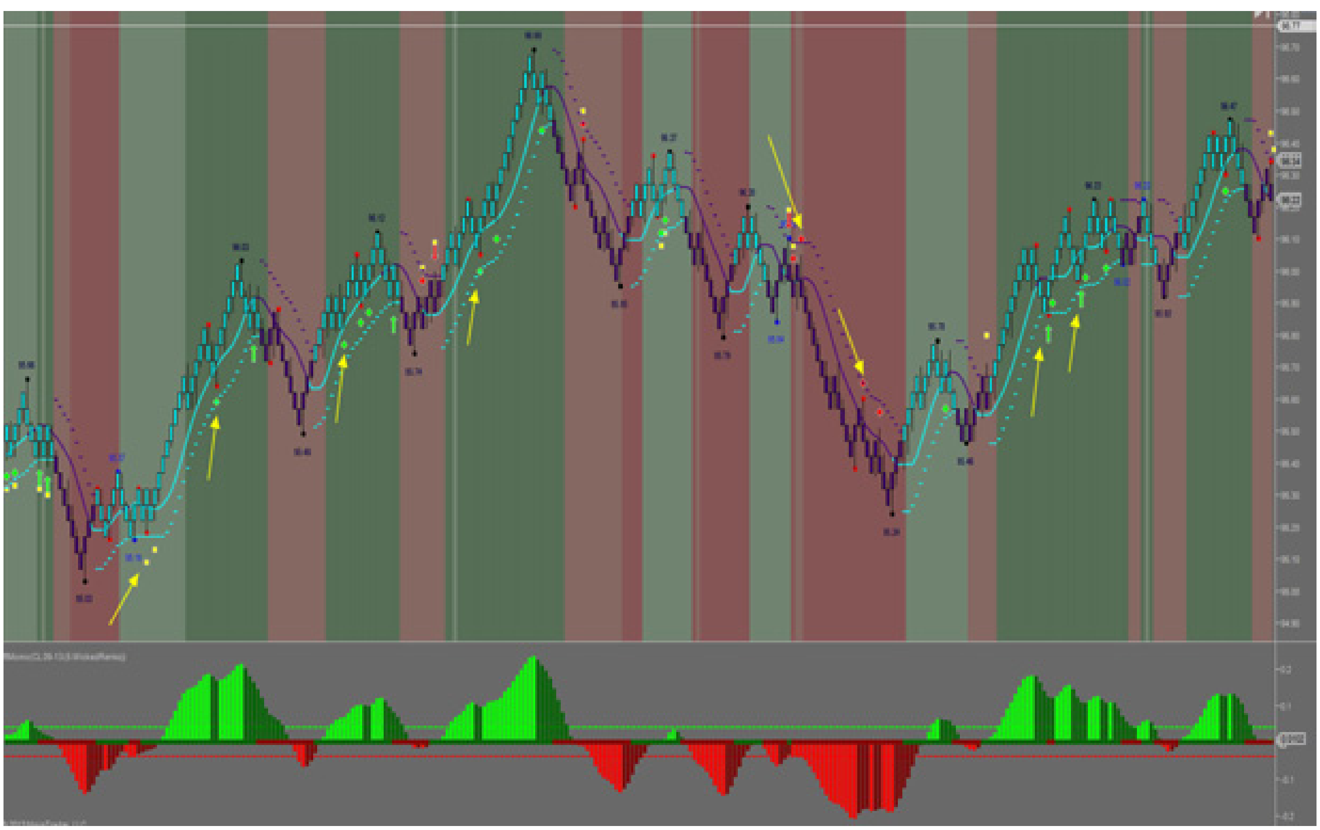
There are two methodologies that are describable ways of trading the markets today:

The first one is called "Outside-In Trading" (picking tops and bottoms). This method involves trying to "guess" when a current move is going to end. Areas of "Confluence", Fibonacci Levels and other techniques are used to help identify high probability turn around points. Traders are "waiting" for a current trend to end and are looking to trade against that trend. Since we never really know when a trend is going to end, many companies continue to create tools which try to identify areas of "Confluence", etc. In doing so, it has been my personal experience that this type of trading requires high percentages of accuracy to be consistently profitable. In order to maintain these high percentages of accuracy, often the reward to risk ratio is generally less than or equal to 1:1. This trading ratio puts the laws of mathematics at the same level as gambling in a casino. We all know that eventually, the casino wins in the end.

The second methodology is trading from the "Inside-Out" trying to capture trends and profit from them. Many traders and trading companies feel that this type of trading is not very consistent because markets often spend a lot of time in a "non-trending" mode. The key to successful trend trading is to identify when markets are not trending and not attempt to trade a trending method when these conditions exist within a market. See charts below:



Same Chart Using TrendFolowingTrades.Com NEW Enhanced Software with Background Early Trend Coloring and Market Structure Pivot Points with Price



Notice how ALL Trades are taken Long with Green and Short with Red

One of the biggest hurdles that traders face is controlling their emotions of fear, greed and many other real money trading emotions. Trading success, in my opinion, is 10% mechanical and 90% psychological. Knowing this, why do companies and traders continue to try and reach required high levels of win percentages in order to be consistently profitable? I have personally attempted to trade this way, with real money, for ten months straight and felt that I was pretty good at executing this concept. The problem, however; was that after commissions, I was just a little bit better than break even. Maybe, in time, I could have gotten better at playing this type of strategy but decided to abandon it and go with a strategy that enabled me to only have to be right 50% of the time and still make good money.

Big money creates trends for many different reasons. I feel in order to really become a successful trader and trade for a living, a good living, traders must find a way to consistently be able to "jump" on these trends and maintain tight stops and extended targets. I am not saying that every trade has to achieve a 2:1 reward to risk ratio; however, I am saying that every trade should target this type of ratio. The nice thing about Trend Trading is that we can recognize support and resistance on the outside edges and areas of "Confluence" and use this information to either exit our profitable positions, or remove the risk out of our trade once these areas are hit. I consider this as understanding mixed method trading and adjusting our targets knowing that a whole group of traders are going to attempt to take trades, counter to the existing trend, at these areas.

Trend Traders are better served NOT initiating trades counter to the trend, instead should be watching to see if these areas hold or break into continuation. Nobody really knows what is going to happen. Why do people attempt to constantly take trades against a trend by trying to pick tops and bottoms when it just is not required to make money trading? The added emotional stress and mathematical odds, in my opinion, make this an exercise in futility and is probably a large contributing factor in why 9 out of 10 traders fail.

I now enjoy being in a trade into these areas knowing that "mixed method" will be doing something at these areas and watching to see if they hold or break. If they hold I am either exiting with profit or taking the risk out of my trade, if they break I am on my way to further profitability.

Another group of traders who I like very much are break out traders. These traders wait for these areas to break and initiate trades in the direction that the current swing is developing in and help pull us to profitability.

One of the biggest problems with Trend Trading and other trading methods is complexity. If a trader can find a way to identify a trend that is starting and jump on it in a visually simplistic way, he/she will be able to enjoy the benefits of 2:1 reward to risk trading, knowing that he/she only has to be right 50% of the time to make good money.

Since I have focused my trading on these two basic concepts I have been able to recognize success that I was not able to achieve trading any other way.

Another couple of factors that helped me to identify the above were trading with a plan and back testing that plan.

I would highly advise against trading any method or system that number one cannot be back tested and number two does not have a clear defined set of rules. Traders are human beings and make mistakes. Psychological mistakes, execution mistakes, and states of confusion are all real factors in trading. Having a very detailed and outlined trade plan is the only place that a trader can go once he or she loses focus.

Another important item in continued trading success is maintaining a daily trade journal. When trades are taken they should first be identified by a strict set of rules and depending on the percentage of rules that are met, a trader should be able to take a trade with confidence knowing that when this percentage of rules are met, the trade has a high probability of succeeding with a 2:1 reward to risk ratio profile. The only way to determine this is to review your trading journal from every day's trades. This journal can help identify the best times of day to trade, the power of mixed method reactions at certain areas, and will ultimately keep a trader on the right side of the market most of the time.

Successful trades recognized by historical back testing is no guarantee of future success; however, if historical back testing does not generate profit there is almost no chance that it will have any future success.

Of late, high frequency trading (HFT) has taken over most of the trading volume in the markets today. Therefore, standard volume indicators that worked in the past are becoming less and less reliable moving forward. One thing that has not change though (through my own extensive historical back testing), is price action. Although the markets have become a lot "choppier" because of HFT trading, price patterns still remain intact. Recognizing and reacting to these price patterns has been my key to success as well as not having to be right 70% of the time to make decent money.

What is very interesting is that certain Trend Trading price patterns show up in almost all types of time frames that are trading. In the case of "Outside-In" or Countertrend Trading of "Confluence" and other areas, these price patterns are less clear and traders rely more on "areas" that they feel price will turn around. Since volume can no longer simply be identified at these areas because of HFT, moving forward traders will find themselves having even more of a difficult time successfully trading "Outside-In" methods. Many companies are creating tools to help identify HFT activity; however, HFT activity by its very nature can go either way. So as Trend Following Traders, we actually like HFT activity because it shows us that volume is active in the market and knowing that trends tend to continue before they reverse (unless they are at obvious areas of left side price support and resistance), much of the time, helps ensure our success to greater than a 50% win to loss ratio.

The advent of new bar types such as, Wicked Renko and other Renko bar types, remove a lot of this HFT "noise" and helps us to identify the true movement of the swing. No volume, number of trades, or time components exist in these bars, which allows price pattern recognition along with momentum to not be effected by HFT "noise".

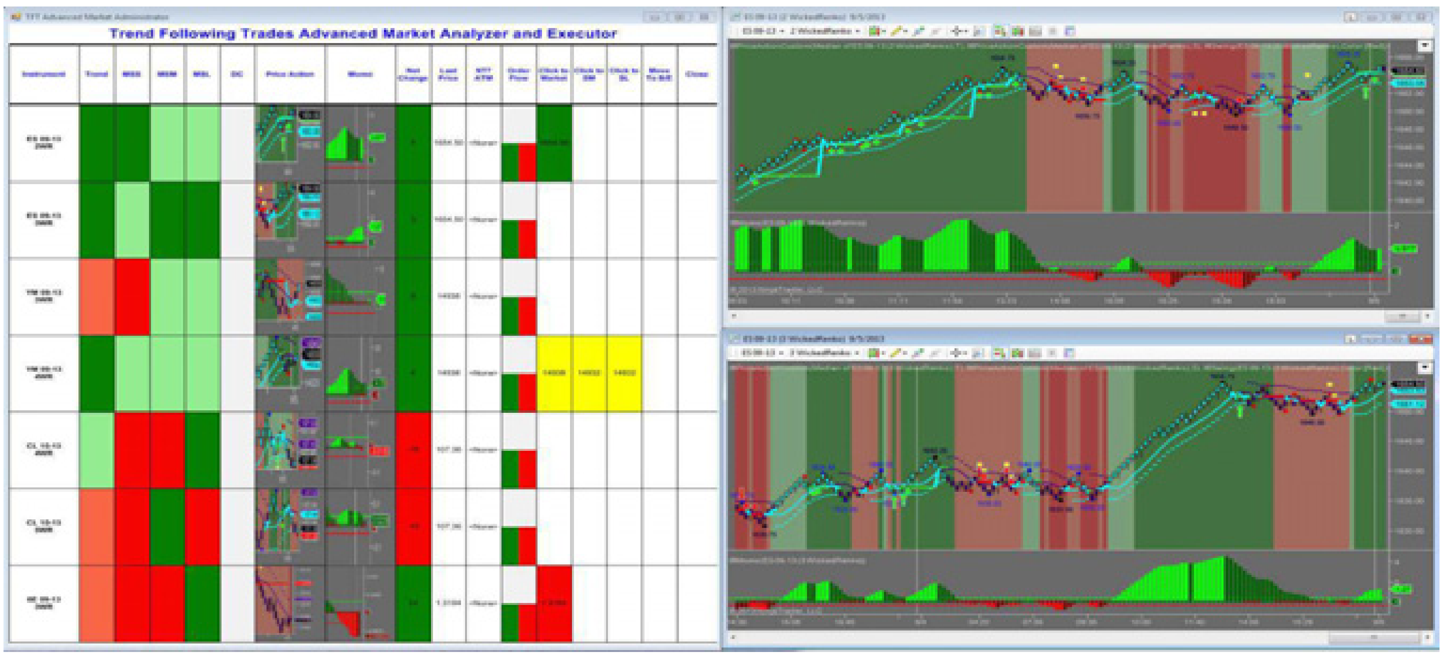
If you have any further interest in finding out about what is discussed above please do not hesitate to contact us at info@trendfollowingtrades.com . You can also subscribe or follow us on YouTube, Twitter, and Facebook, where we often post live trading videos with entry and exit markers to show our successes and failures in trading. You can find us by our name, Trend Following Trades, in most of these areas of social media.

EXPECTED in Late Fall 2013: Trend Following Trades Advanced Market Administrator!

The Below "Grid" is currently in development and shows some of the "rough" components that are finished. This window will allow Traders to trade off of one monitor, while watching many markets and "mini charts" , all in one window! This will be set-up to warn traders of high probability Trades setting up and will automatically calculate entry price in advance of the trade trigger, giving the Trader a chance to put in their Stop Limit or Stop Market order BEFORE it triggers in. The execution "box" will light up yellow and by left clicking on it with your mouse, a Stop Limit or Stop Market order will be placed using a pre-defined NT7 ATM Strategy. This will be a "click and trade" execution window, making it basically a manual Auto Trader!

We will also have a modified type of Cumulative Delta measuring Order Flow in a very unique and tradable way.

The Trend Following Trades Advanced Market Administrator (TFT AMA) has been filed for a patent and is "patent pending".



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John Karnas

Owner/Trader/Educator

TrendFollowingTrades.com

Trading the Outside Gap

John Matteson

www.mtpredictor.us

Many traders are familiar with the concept of fading a gap in the E-mini or their ETF equivalents. This basically involves shorting a morning gap up or buying an opening gap down in anticipation that these gaps will fill, which is the tendency. These are typically good plays until you run into what I call an outside gap. This is a situation where the market gaps beyond the previous day's range. Many new gap traders attempt to fade these as well, but find themselves getting stopped out more often than not. Many experienced gap traders simply avoid these particular gaps altogether. Since these outside gaps have a poor record when being faded, is there a way to play this in the direction of the gap while maintaining a low risk, high reward profile? Well, there is, and I'm going to go through the various setups step-by-step.

What is an outside gap?

First, in order to see the gap in the mornings, you will need to set your charts up for the New York day session only. So, in the case of the E-mini, you would use the 9:30AM ET – 4:15PM ET template in your charting package. Next, let's define what I call an "outside gap". When dealing with the Dow, S&P, Russell or NASDAQ minis (or their ETF equivalents), I want to see the market gap up or down at the open outside the previous days range. This means

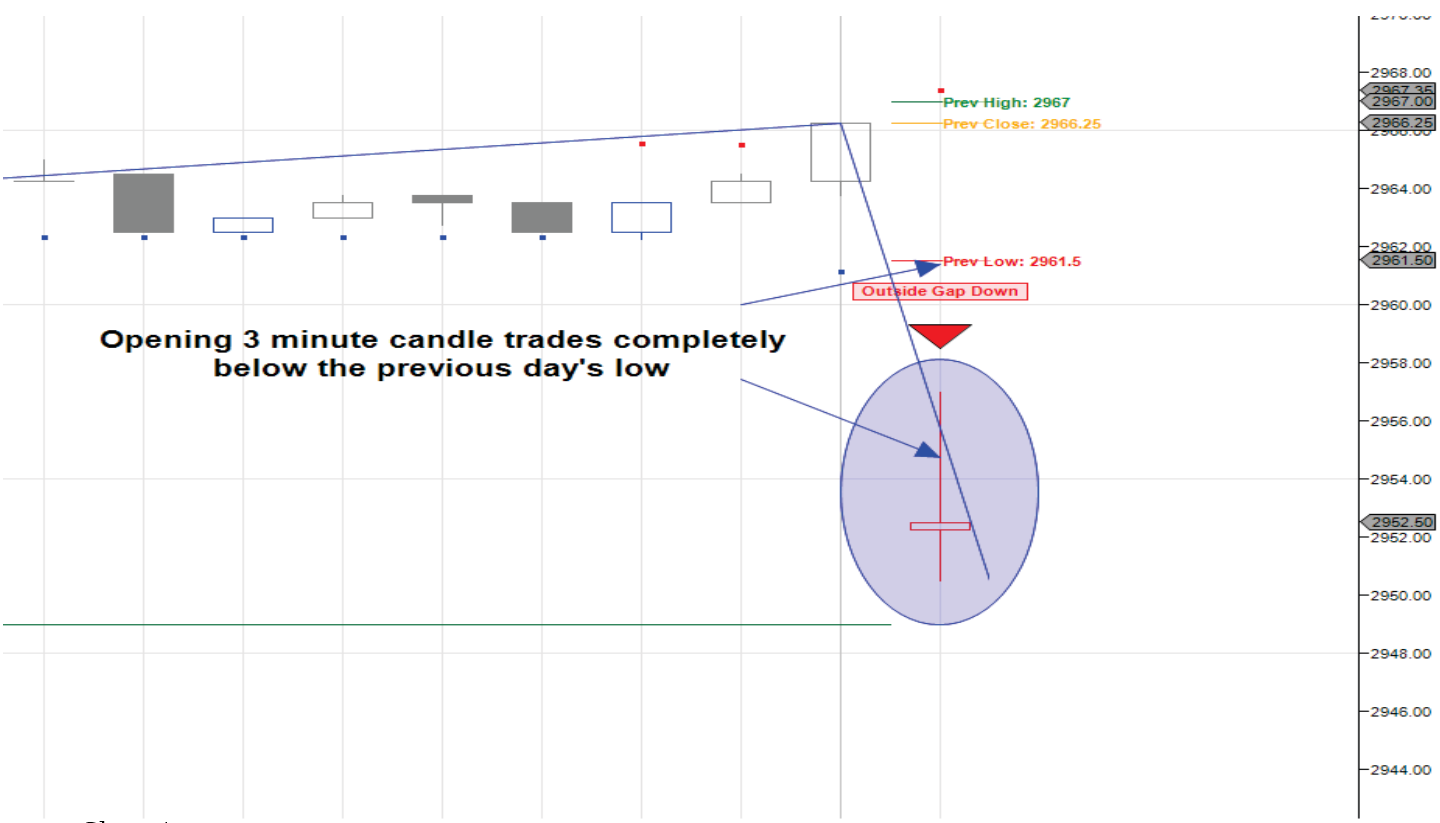

Chart 1

that the opening 3 minute bar or candle should trade completely above the prior day's high in the case of an up gap or completely below the prior day's low in the case of a down gap. It is also important that price never trades inside the prior day's range during the first 3 minutes of trading after the NY open. Chart 1 shows an example of an outside gap down. Notice that the first 3 minute candle, from high to low, is completely below the previous day's low. See Chart 1.

Now, here is the important trade premise. If they can't fill the outside gap after the first 20-40 minutes of trading, the tendency is the market will go to new highs in the case of an up gap or to new lows in the case of an outside gap down. What do I mean by fill the gap in the first 20-40 minutes? I am looking to see if the market opens with an outside gap, can price trade back to the prior day's close within the first 20-40 minutes of trading. If it can, then all bets are off. This is the market telling you that there is no real buying or selling pressure in the direction of the gap and should be left alone.

If, on the other hand, the market opens with an outside gap and that gap is not filled in the first 30 minutes of trading, the market is indicating that there is buying or selling pressure in the direction of the gap. At this point, all we want to do is to enter the market on a pullback. Chart 2 shows an outside gap down with a pullback into a wave 4 resistance level. See Chart 2.

Here, the NQ has gaped down and traded completely below the prior day's low for the first 3 minutes of trading. Next, notice that they have not been able to fill the gap back up to the prior day's close during the first 30 minutes of trading. This indicates that there is selling

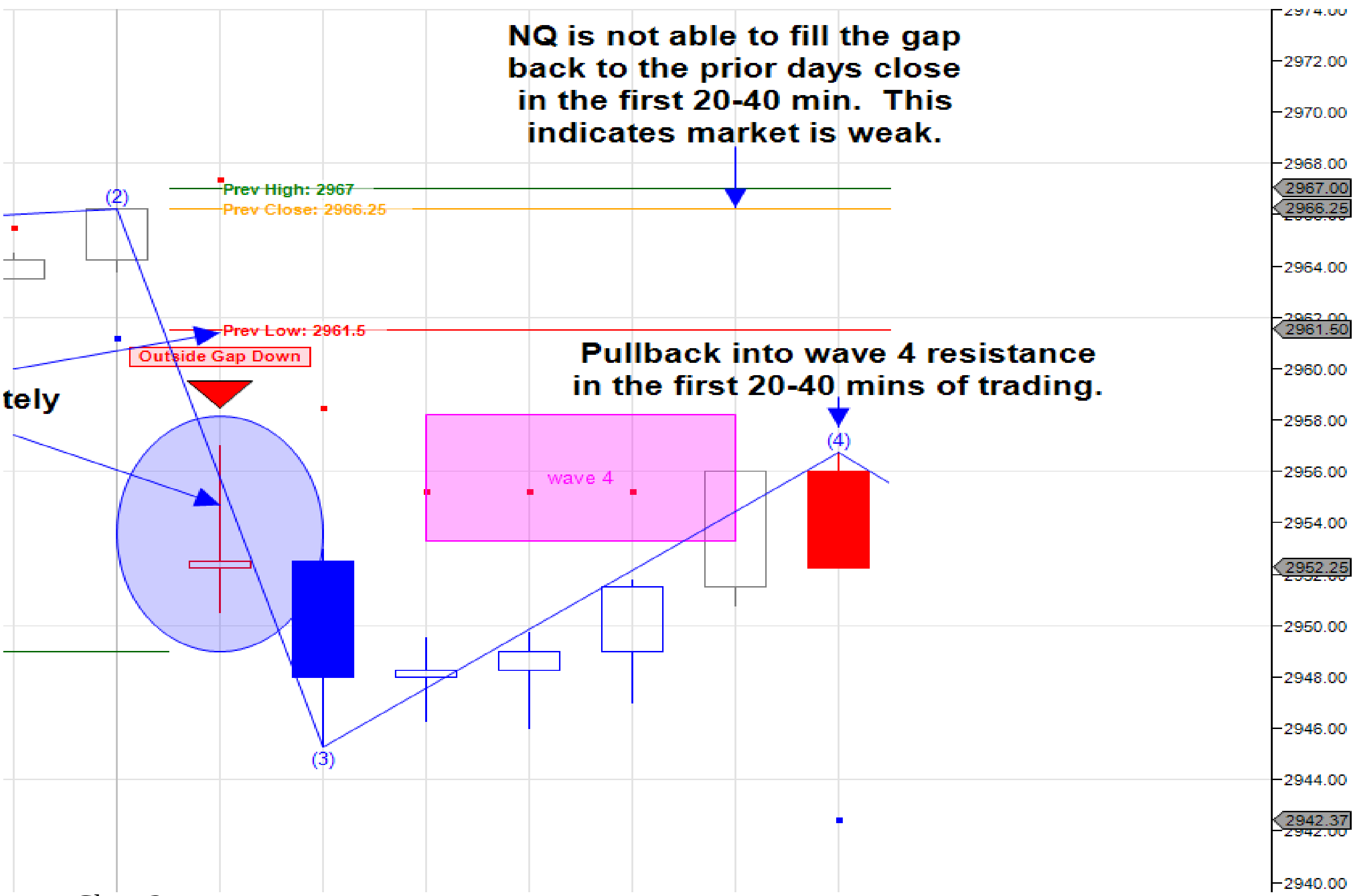

Chart 2

pressure in this market and we are anticipating that it will make a new low. Typically, this downtrend will last all morning and sometimes for the rest of the day.

At this point, I am looking to be a seller on the pullback and ride the market to new lows. Using the tools in the MTPredictor software, I can project the anticipated pullback which will either be a wave 2 or b or a wave 4. I can then project a target which may be a wave c or wave 5. See chart 3.

The last thing to do is set up a low risk, high reward trade. The MTPredictor software allows me to set up the trade knowing the entry, stop, target and correct position size. If the reward is too small in comparison to the risk, I will pass on the trade. If the reward is at least twice my initial risk, I will enter the trade.

A couple of caveats

The first caveat to this trade is to avoid a gap trade if the gap is so big that the market opens near or at its average true range (14-20 day ATR). If you don't know the ATR of the market you are trading, you should! This information is published daily on various websites and many charting packages have ATR indicators available. We have a built in ATR indicator in both versions of MTPredictor which was developed by one of our clients that I love because it plots the ATR levels on my chart each day. On those days when the market gaps up or down to its ATR, the market tends to exhaust quickly and tends to move sideways, as much of the work was done overnight by the institutions.

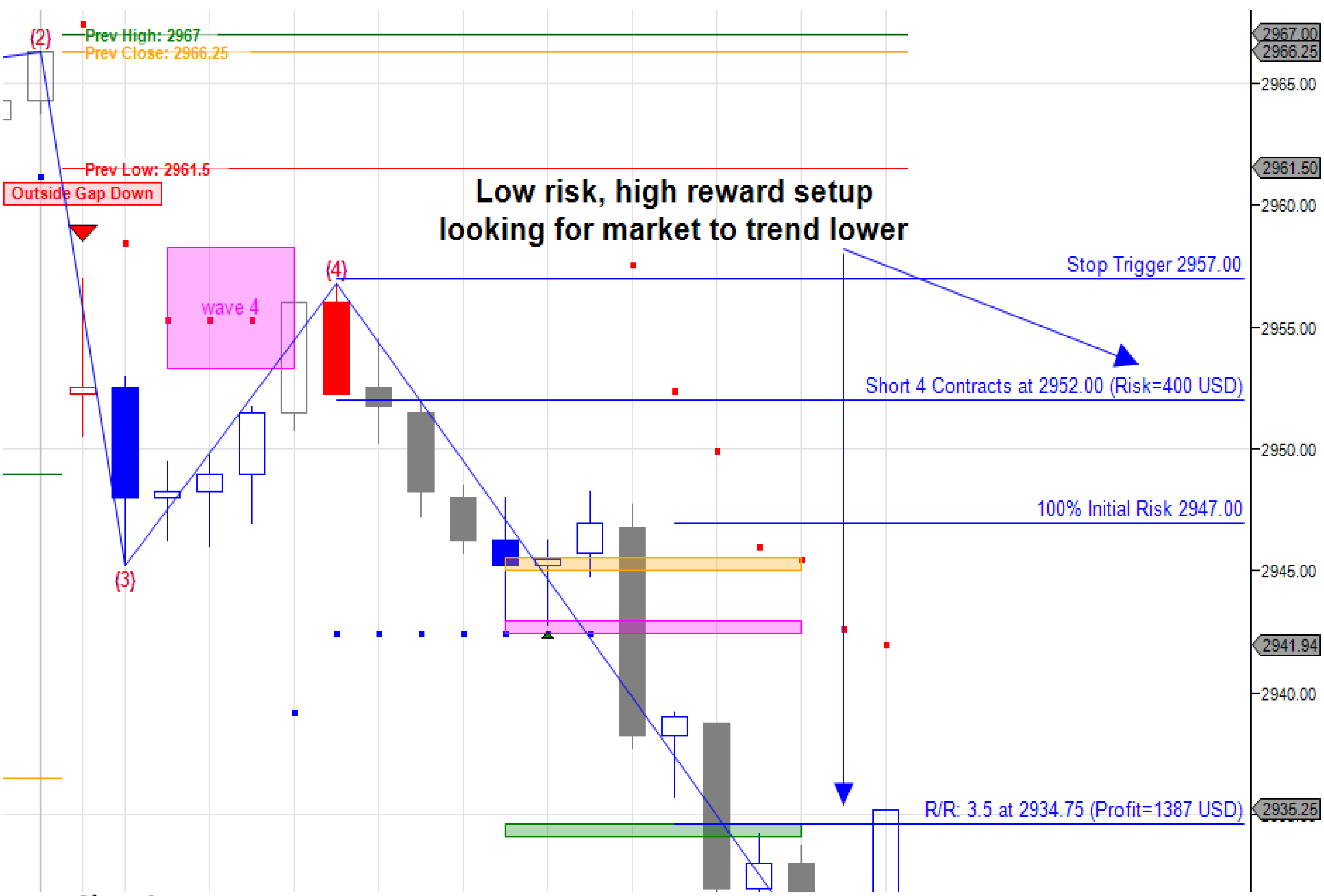

Chart 3

Sometimes, once the first 3 minute candle prints, you do not get the anticipated 30 minute pullback. Instead, the market breaks the opening 3 minute candle high (outside gap up) or low (outside gap down)and it's off to the races. An aggressive play would be to trade this in the direction of the opening gap by placing an order just above (Outside gap up) or below (outside gap down) the first 3 minute candle with a protective stop on the other end of the same 3 minute opening candle. Only look for about twice your initial risk on these trades, as this is all the market typically will run before it begins to weaken and pull back.

Putting it all together

Remember, inside gaps tend to fill, but outside gaps, if they cannot fill in the first 20-40 minutes, tend to trend in the direction of the gap. Ideally, we want to be a buyer on a pull back after that initial 20-40 minute pullback in the case of an outside gap up or a seller on a retracement higher on an outside gap down. These pullbacks will typically be either a b wave or a wave 4. From here, targets can be generated as new highs (OGU) or lows (OGD) are anticipated. Logical targets can be a wave c or a wave 5 projection. Use a target that is at least twice your initial risk. If it's not there, then pass on the opportunity.

There will be times when there is no pullback or retracement in the first 30 minutes and instead the opening 3 minute candle is broken in the direction of the gap and it's off to the races. The aggressive play would be to look for twice your initial risk off the opening 3 minute candle. I recommend you watch these setups first before trading them so you can see the patterns unfold in real-time before putting your capital at risk.

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Auto Trading As An Option
Part 2

By Al McWhirr

As a participant in the Traders World Online Expo #13, I want to thank Traders World for giving me the opportunity to present. I would also like to thank NinjaTrader for their superior charting package. Our methods, as well as the EminiScalp Pilot Auto Trade strategy, are engineered specifically for NinjaTrader.

I do appreciate all those traders who viewed our Traders World Online Expo #13 EminiScalp presentation along with reading our article published in the "FINDING YOUR TRADING METHOD" expo book. The response was outstanding, much more than I had anticipated.

In this follow-up article, I will review our EminiScalp Pilot Auto Trade, but before I go into this topic, I think it may be beneficial to talk a little about manual trading.

There is no doubt that trading can be difficult, but if a trader is able to determine entry and target areas, this will, or should, substantially reduce the burden. The emotion of trading is certainly a hurdle to overcome, but I believe this emotional turmoil is a result of not knowing where to enter or exit trades. In other words many traders are trading without this essential understanding. In my humble opinion, trading is about entries and exits, that is it. Adding any other component to the mix can just cause frustration and stress.

There are many vendors offering a variety of indicator and price action methods. Personally, I am a price action trader, in the early years though I did try my hand at indicators. Now, I just want to emphasize that I do believe that there are successful trader who trade using indicators. But, I also suspect that a successful indicator trader is very well aware of entry and target areas, and they trade accordingly. So, what is the issue with the very many who use indicators but are not successful? They probably rely on the fact that when their particular indicator signals an entry, there is automatically a profit target in sight. This is far from being true as an entry signal may appear where there is no room for profit. If a trader is not aware of the target areas that the market creates, then a stop is inevitable. Methods do not create targets, the market does.

The market does three things: it goes up, it goes down and at times, it goes flat. When I say "flat" I mean that the range is narrow and there may not be much movement. That is all it does. The trick is to be able to trade the ups and the downs and to know when it will go flat. Of course this is easier said than done, but the goal is to know where to enter, to know where to exit, and to know when not to take a trade. Entry and exit areas, or targets, are created by the market, not the method. It would be prudent for a trader to learn market entry and target concepts, but for many, this will not happen. Instead, the focus is on material that is totally unrelated to successful trading.

What is your win-loss ratio? What are your results for the past year? Does an unsuccessful and beginning trader really think that they will achieve a successful level of trading because someone else does? These are novice questions and are normally asked by beginning or unsuccessful traders. This is really not worthwhile information and it really means nothing. It does not matter what I or any other trader does. What matters is what you, the trader does. Thousands of traders have requested this information from a ton of vendors over the past years, and you know what? The number of successful traders has not increased. Any results derived, has done nothing to make a trader successful. Variables such as personality and emotions as well as a lack of focus and discipline would render any results invalid. Two traders can trade the exact same method using the exact same chart and end up with completely different outcomes. This is not at all unusual. For one reason or another, many who enter the profession believe that trading is easy and that becoming profitable requires little effort. There is no substitute for hard work.

It is prudent to take trades around areas where you may have the probability of profit. Remember, successful trading is based on probabilities and you want the probabilities in your favor. An indicator is not aware of where the critical areas are and as such, the lines cross, signaling that you should enter, resulting in potential losses. If instances like this happen enough, the trader believes that the method does not work. Actually, he or she may be correct, to a point. Having an indicator do its thing away from critical target areas may be fine, but this is not the way it usually happens.

If you think that you may not have the emotional wherewithal to enter trades manually, possibly look for an auto trade method. Auto trade programs usually remove the emotion, as entries and exits are triggered automatically. By watching how an auto trade method performs may assist you in gaining insight into how and where the signals come up. You may need to add your auto trade to a number of charts to see which chart has the most benefit.

The emotions can get in the way of logic. Although trading is not gambling, many traders approach it that way. They “win” or “lose” trades. If a car salesman sells a car, I don’t think it is considered a win. It is a business transaction that worked because of his or her business skills. But, in order to be a successful trader, the trader may need to have a “gamblers mentality” and a business person’s expertise. I say this because this mentality may remove the fear of entering a trade and the business acumen is where the profit is derived because of skill and knowledge.

So, if is it agreed by the reader that the market goes up, down or flat, then the focus should be on entries and exits only. To divert your attention to anything else will be futile. It does not make any sense to try and guess where price may go. A trader can make logical assumptions based on what price may have done and by where critical market areas may be. But again, this means that a trader may have to learn to identify entry and target areas, and this is where many of the trading issues my lie.

Why do many traders find trading to be difficult and why are the majority of traders not successful? I am unable to say for certain, but I believe there are a many factors, and distraction may be one of them. When a student enters college, his or her focus is on the course work at hand. They may have a part time job to assist with the immediate needs, but basically their tuition and other large expenses are either paid for by the parents or a scholarship or the payments may be deferred, so in many cases, this may not be a real concern, thus enabling the student to focus on their studies. The purpose of college is to earn a degree whereas this degree becomes the catalyst for earnings. Anyone entering the trading profession at a later age may have to focus on a variety of other responsibilities, such as family and work, not to mention all the other tasks the may arise. This makes it very difficult to concentrate on trading. Reviewing charts, studying methods and learning about the markets can be difficult after a long and hard day at work. The issue is not that trading can't be learned, the issue may be that there is little time to do so. Trading is a profession that takes time, time that many may not have. Attempting to be a student once again, after so many years, can be stressful.

This article will not teach anyone how to trade or even scratch the surface in regard to the illusion that trading takes minimal time and effort. What I would like to do instead is talk about my EminiScalp Pilot Auto Trade. Could the EminiScalp Pilot be the only answer to this trading dilemma? Probably not, but the Pilot has the ability to do what many traders are unable to do, and that is to enter the market and exit the market, without much input from the trader.

As I have mentioned, the difficult aspect of trading is knowing where to get in the market as well as knowing where the target areas are. With the EminiScalp Pilot, the trader really does not need to know how to trade. But, to make the most efficient use of the EminiScalp Pilot, a trader must be familiar with the market he or she wishes to trade. When I say familiar, I mean that knowing the open and close times, as well as news times. This is important. Also, an understanding of when the market action slows is also necessary. During these times, the trader has the option to disable the EminiScalp Pilot so that there will not be any auto entries, although the signals will still appear.

Before I continue, I would like to stress that our EminiScalp Pilot does not incorporate the use of any indicators to trigger our entries. The entry arrows that are displayed are not the result of an indicator. Of course, there is nothing wrong with the use of indicators for trading, as long as the trader knows how to use them. But, for our purpose, I find that our method of entry is more effective.

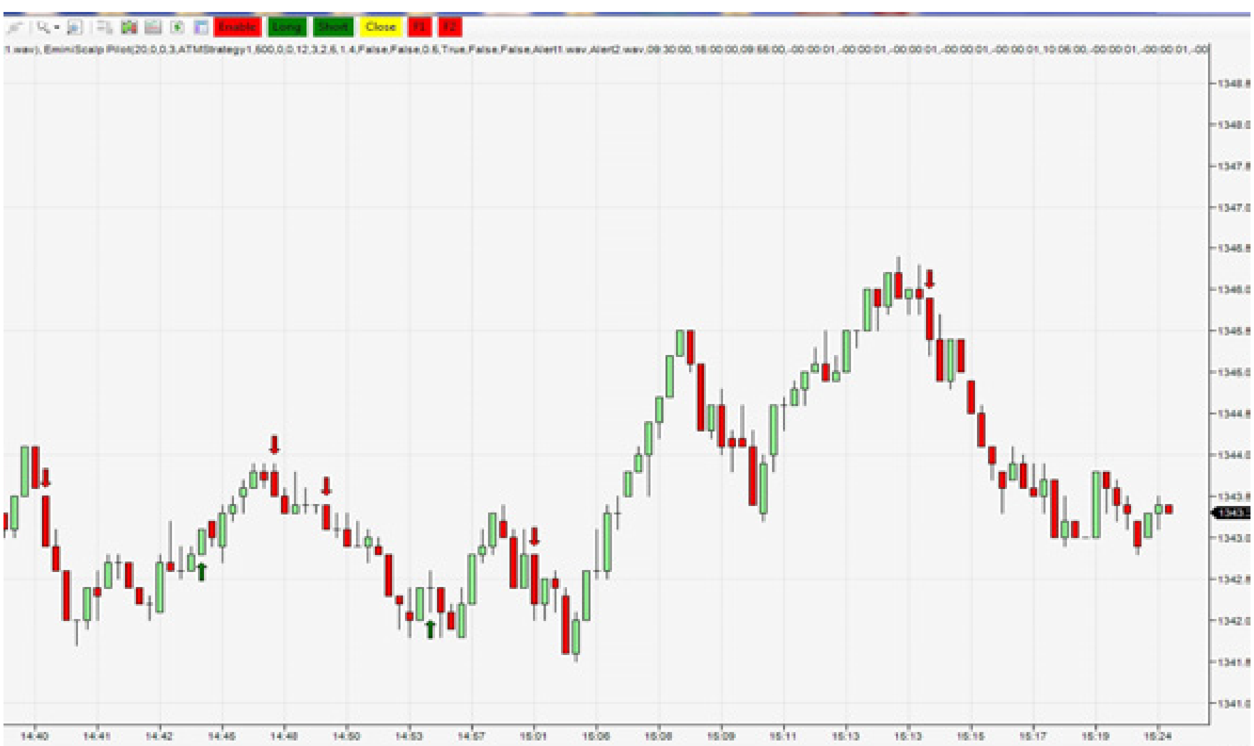
Also, please understand that I am not, in any way, passing judgment on any trader who is not successful. There are too many traders who are having success issues due to some of the factors I have talked about. This does not mean that they should quit the profession, just look at it in a different perspective.

There was a time when you had to be an HTML expert in order to create a web page. Now, with the use of web page programs, even the most novice person can create a web page. This is what our EminiScalp Pilot is all about.

The goal of our EminiScalp Pilot is to enter a trade in areas where there is a high probability of success. Since trading is about entries and targets, where you enter the market is crucial.

In the NQ screen shot below, the red and/ or green arrows show the bar where the entry takes place. You will notice that our entries appear very close to where the market changed direction.

Below is a screen shot of Natural Gas (NG). Our EminiScalp Pilot works well with the ES, GC, NQ,YM, NG and the CL. I am sure it will work well with your chosen market, but this should be determined by you. A free 14 day trial is available to those who participated in the Traders World Expo 13. At the conclusion of this article, there will be a web address where participants can visit to view special pricing for all of our EminiScalp Products, as well being able to take advantage of the free trial for our EminiScalp Pilot.



Please notice the location of the entry arrows. The entries are very close to where the market changed direction and the actual entries are on the bar where the arrow is located. By the way, both the NQ and NG screen shots show the EminiScalp Pilot Auto Trade signals with all filters off, right "out of the box."

Do all signals look like this? Not all, but being familiar with your market as well as setting the parameters to disable the NEWS, etc., your probability of nice signals dramatically increases. We absolutely get great signals, our goal is to reduce the ones without the high probability of success.

Again, entries are critical because if there is a target too close to the entry, a stop may be inevitable. Our EminiScalp Pilot filters, when set, can help in determining if a pending entry is in proximity of a critical area. Stops are a part of trading, whether manually or with an auto trade method. The goal is to reduce stops as much as possible, and this can only be done by being aware of critical trade areas. Our Eminiscalp Pilot, through our various filter settings through the strategy box, can assist with this. But, with all filters off, other than the NEWS settings, the EminiScalp Pilot can be very effective. Initially, when a trader first receives our strategy, none of the filters are activated. In most cases, the EminiScalp Pilot is perfectly fine this way, as most markets can be traded without any special settings or configurations. But, depending upon your specific market, a trader may want to "fine tune" the strategy to accommodate his or her needs. Screen shots of our Pilot strategy box as well as the NinjaTrader super DOM and other related EminiScalp Pilot information, can be found on the EminiScalp Pilot page at www.EminiScalp.com.

With a little work, a trader should be able to determine if any configuration is needed. OOPS, I used the word "work" in the previous sentence. Yes, setting up our EminiScalp Pilot may require a little work, but this should be expected. Without work, there probably will not be any success.

A few years ago a trader purchased my ATA method. He was one of many who claimed to have spent thousands upon thousands of dollars on previous methods. This particular fellow told me he had spent well over $20,000. Prior to his purchase, he had asked me what comes with the ATA. I told him the strategy of course, along with the documentation which explains how and when to take trades when the signals appear. I also stressed that he should read the documentation and to contact me if he needed assistance. I also mentioned that it should be read more than once if needed. I also sent chart samples which went along with the documentation. Late on the second day that this fellow had the ATA, he called me. He said that he had no idea what to do when a signal appeared. I asked him if he read the documentation and he responded: "I didn't think it was really necessary." No work, no success. This is not an isolated instance. This fellow, like others, are trying to juggle other responsibilities while attempting to trade. Anyway, once he learned how to identify target areas, he was good to go. Actually, this was one of the reasons the EminiScalp Pilot was developed.

A trader using the EminiScalp Pilot is not required to have an understanding of trading concepts, as this is the purpose of the EminiScalp Pilot. What is critical is an understanding of the trading platform, specifically the NinjaTrader Super DOM. Our Pilot strategy will need to be linked to the Super DOM. It is imperative that a trader visit the NinjaTrader website and review the Super DOM videos. Also, having an understanding of your market of choice is also recommended, as I have mentioned previously. The user of the Eminiscalp Pilot will need to know how to set up the Super DOM as far as stops, profit targets and number of contracts, not to mention the use of trailers, if so desired. I did say that a trader does not know how to determine target areas, which is true. But, setting a profit target on the DOM should be done logically. I do discuss setting profit targets with those traders who purchase our EminiScalp Pilot. Generally though, if the range of the market is two points during a given time period, then looking for five points on a trade may not be realistic. This is where many traders have issues but this is a different topic altogether.

For those traders who participated in the Traders World Online Expo #13 and are interested in our EminiScalp Pilot Auto Trade, as well as any of our EminiScalp products, we have special pricing for you. This pricing does have a time limit. A good number of Traders World Online Expo #13 participants have already taken advantage of our great offers. You will need to go to www.eminiscalp.com/specials. This page is not listed on our site menu, so you will need to type it in. Special pricing for all of our EminiScalp products will be listed. Please contact me at info@eminiscalp.com if you have any questions.

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Secrets of Volume Profiling in the Intraday Time Frames

By Rob Mitchell

One very common and popular way of analyzing markets is by using volume profiling (VP). VP, also known as value profiling, is widely followed and is a very effective way to see exactly at what levels buying and selling has occurred in the past. As a general rule, markets will move from one area in a profile to the next. If an area is dense, or is composed of high volume, then price will tend to move through that area more slowly. If the area is thin, or is composed of low volume, then price can typically move through that area more freely and quickly. This is no trite point and can be the foundation of very powerful trading methodologies.

The above two concepts can easily be seen visually on a volume profile. Before taking a look at some profiles, let's discuss why the above logic is true. When price moves into an area on a chart and clusters, it is occurring for a couple possible reasons. One, is that the market could simply be waiting for an event such as a report release. This means that price clustering in this context could be substantially less meaningful following the report than before it. The second is, price clusters because there is, in the given time frame, agreement by the market participants that are forming the price clustering through their collective trading. As a result of this, if price departs this area, and begins later to move back towards it, it may be likely to go back to that area. Because of this, trading inside a price cluster may be very hazardous to

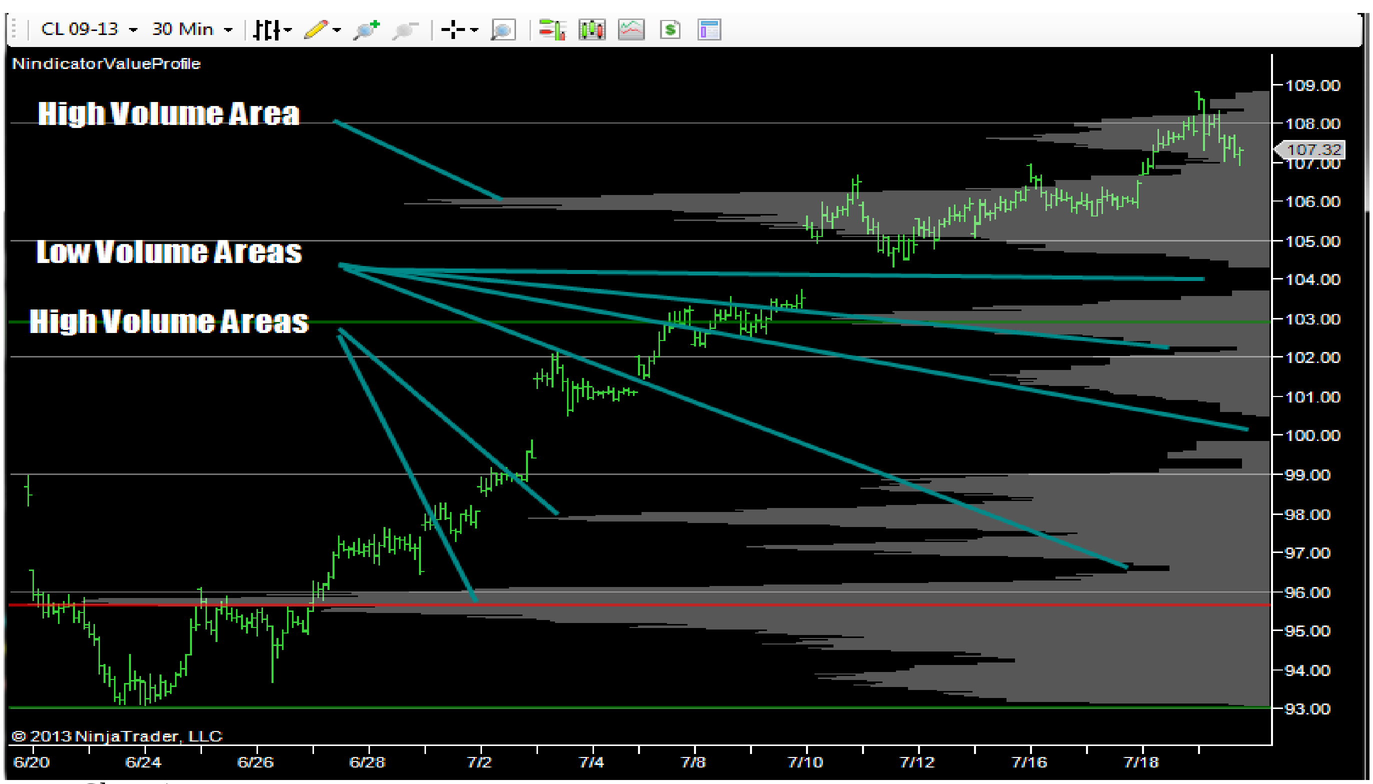

Chart 1

your trading account health. After all, why would you want to trade where participants agree to pricing.

At various times, the participants that make up a market may change. This is certainly true around the opens and closes or the day or pit sessions because some traders only trade at these times. Another time that we already touched upon briefly was where there are reports. These traders may step into the market due to the report and or to protect existing positions. This is why volume can increase dramatically around these times as well as volatility.

This being said, if you have reason to believe the participants in a market are relatively constant (i.e. no reports), and you are trading in a low volume area on the profile, then it is very possible a trend may set up through that area. Experienced and professional traders know this very well and position themselves to exploit this fact. There are, of course other clues that can help you to identify these areas on a chart such as bar rate generation, patterning of market cycles, bar type and set-up to name a few. Without this sort of knowledge, a trader becomes increasingly blind to what is going on.

Let's take a look at what a typical volume profile looks like in order to illustrate some of the above concepts. See Chart 1.

In the above 30 minute composite crude oil chart, some of the various high and low volume areas have been marked out for you to see. Take note that the areas of low volume corresponded to places where the market gapped or spent very little time and the high volume areas are associated with price regions where the market stagnated or consolidated. In the future, if this market probes down into the area just below 107, it will likely stall there. Following this, it will likely probe back upward into the 107.89 area (the next volume cluster up from there). This pattern of moving from one high volume area to the next is fairly common.

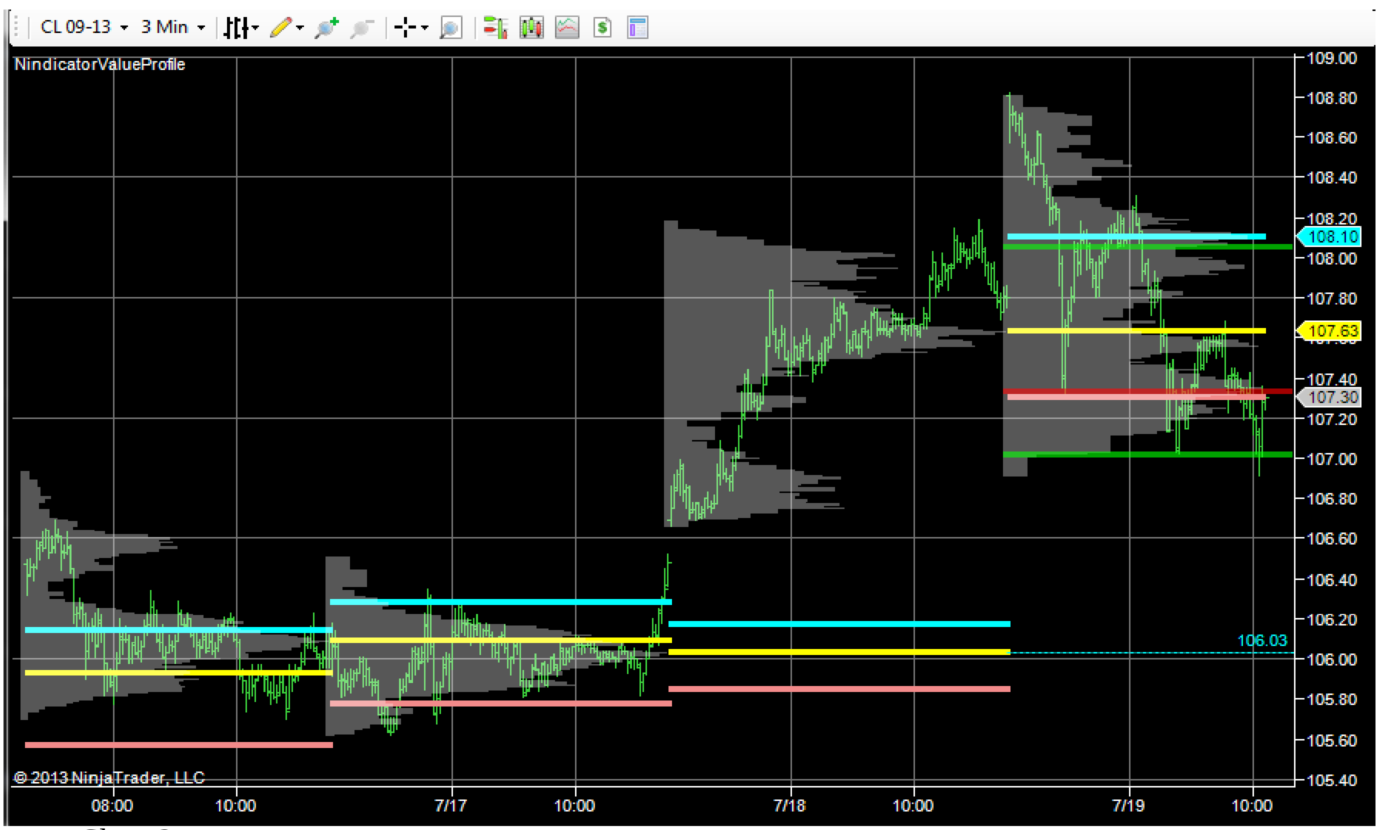

Chart 2

If combined with pattern analysis, this can be extremely powerful because it can help you to determine if the market is moving towards a goal. This chart above is called a composite profile chart and it is operating on about the 30 minute time frame. We know by looking at this chart what the big picture is going back about a month. I keep a chart like this on my screen at all times so I understand this big picture and the various zones on the chart that are inclined towards the potential for trend (fast movement) and the potential for consolidation (slow movement).

Most traders who follow profiles will use this sort of composite chart above, and will also use a day profile chart that begins at the start of the day or at various session breaks. The chart can then be set up to show where the action is, in the various shorter time frames on the chart. For example, I may choose to set up a chart to show this on a 3 minute basis. That would look like the chart 2.

The above chart enables me to see that if this market trades much lower, it could easily decline down into the 106.20 area. For Crude Oil, this is about a $700 per contract move. There is the potential for some opportunity in the near future if we probe or cycle below the 107.47 area. I am currently sitting on a high volume area but if we start to trade higher, we will likely move higher into the 107.50 area (minimum) or higher. Many traders use this sort of analysis to filter where they will or will not trade. From here, it is just a matter of assessing risk vs. reward and deciding whether or not it is worth it to take the trade.

There are other ways a trader can improve the ability to see these sorts of set-ups on a chart and that is to use a profiling technique that gives clearer vision of what is at play. This is done by being able to specifically mark out on the chart which areas you are using for analysis and which you are not. In order to do this, I use the Logik Volume Wand that is available exclusively through MarketTradersJournal.com. With the Wand, a trader can see the market's

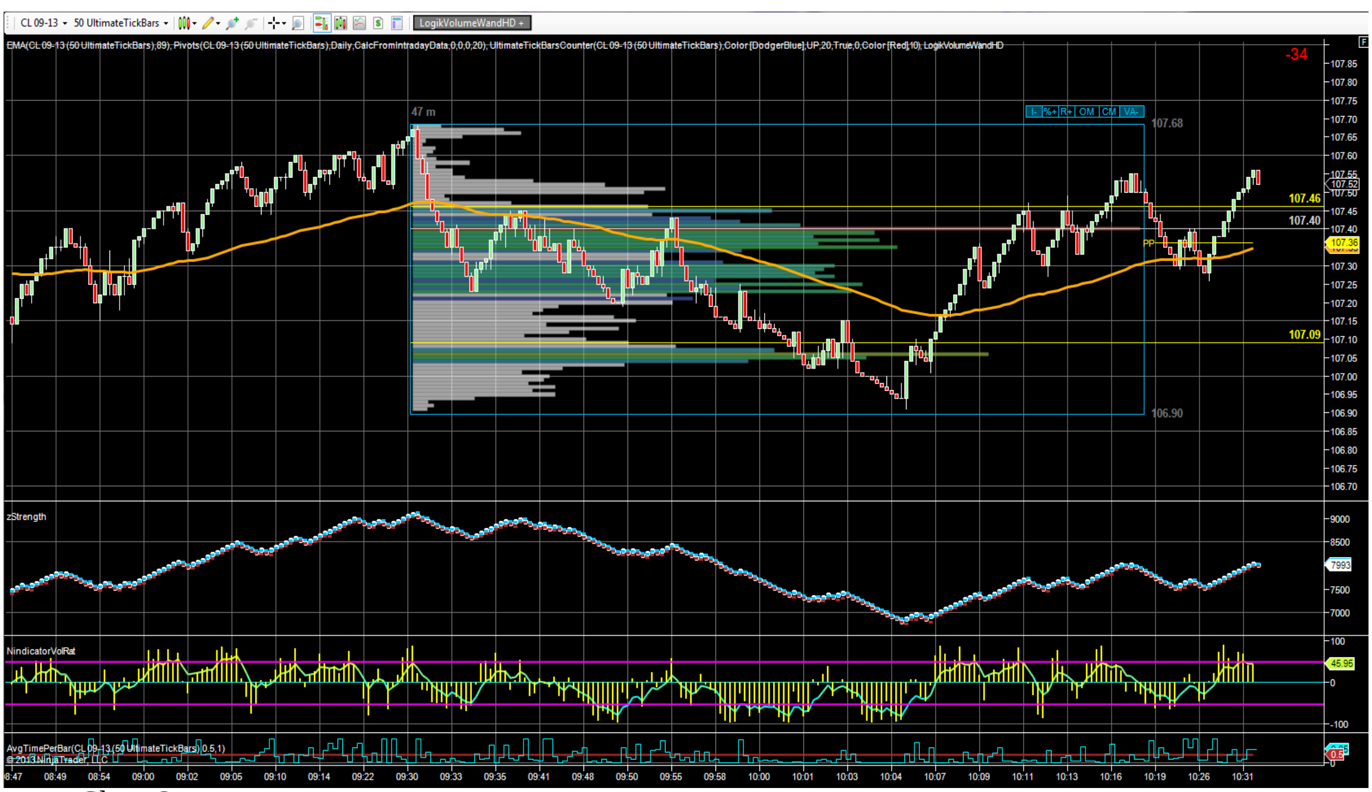

Chart 3

true and immediate structure and can use it to manage risk within the context of the larger support and resistance picture. Let's take a look following the same set up we have been looking at and following so far to this point. See Chart 3.

Note how in the above chart I was able to set the start of the profile to encompass the range we are trading in (the high of 107.68 and low of 106.90). This area began to form at about 9:30 AM and go to about 10:18 AM (Pacific time). The tool makes it easy to move profiles around in order to see where the bulk of buy and sell activity occurred making it easy to go right down into the specific time frame we are trading to do analysis on. I do not know of any other tool that can do this so powerfully, quickly, easily and intuitively. In fact, you can just grab the window and drag it to anywhere on your chart.

Getting back to our analysis, in the above chart, the volume dropped off dramatically above the 107.40 area (the profile was mostly grey above this region so it is a low volume area). In this situation, and without it being near the session end or with pending reports etc., we expect the market to continue higher now that it is free of the consolidation area. The only question is whether or not it is worth the risk. I will typically risk about 8 ticks on a trade like this and I am thinking we could potentially go into the 107.60 area so I will weigh out the risk and potential reward in order to determine if there is a favorable risk / reward scenario working. If there is, I will take the trade and manage my risk during the trade as conditions change. This scenario is what just happened to be on my screen at the time I wrote this article and I was just sharing what I am seeing now as it is relevant to this article. There are some other tools on this chart that I also use in various analyses that I do on an ongoing basis throughout the trading day. Each situation can be a bit different but the overall principals we have discussed stand however, and it does not matter which market you are looking at. Some markets are better than others however as some markets have a tendency to trend intraday more than others. Good examples of this would be the Crude Oil (CL), Russell Futures (TF), Natural Gas (NG), Euro Currency (6E), Japanese Yen (6J), Gold (GC) and the Dollar index (DX) in addition to others.

We have covered some very powerful concepts in volume profiling in this article. There are other topics worthy of discussion such as the shape of the profiles. For example, there are various profile shapes that are inclined towards continuation, trend or reversal. There are also other techniques that can be used to really start stacking things in your favor. Some of these I had mentioned earlier in the article. Perhaps we will revisit this topic in a future article and expand on some of these concepts.

As the market moves up and down on an ongoing basis throughout the day, these techniques make it possible to see with good clarity what is at play that makes trading more enjoyable, fun and profitable.

Rob Mitchell is a financial researcher, consultant, trading mentor, and money manager specializing in the development of advanced trading tools for futures, stocks and foreign exchange markets. He can be reached through www.MarketTradersJournal.com or by email at Rob@MarketTradersJournal.com.

Stochastic RSI (Relative Strength Index)

By Accendo Markets
(http://www.accendomarkets.com/)

Stochastic is a process used by mathematicians to model how random an asset's price moves (and thus is a branch of probability). Random-walk theorists should be familiar to this notion, as they believe the market cannot be predicted and is totally random.

A Stochastic RSI is the combination of two indicators, RSI and Stochastic, it is a momentum oscillator. It was developed to increase reliability and an increase in signal speed, which the RSI didn't have. The Stochastic formula is applied to RSI and not to the asset's price. Since Stochastic RSI is a momentum indicator it can be used to identify short-term trends in the market. Just like an RSI indicator, you can analyse oversold and overbought levels. However, instead of using RSI levels (30 and 70) for oversold and overbought signals we use stochastic indicator levels which are 20 and 80 respectively. We add a moving average so we can analyse the indicator and develop a strategy. The moving average is calculated in a complex way, and we shall not indulge into how it is calculated.

Strategies:

From the EUR/USD chart below, the yellow line is our moving average, and the red line is our StochRSI line, we can devise a strategy from these two lines. When the moving average ventures in the overbought region and is above the StochRSI, then we sell the financial asset. If the moving average, is in the oversold region and the moving average is below the StochRSI then it is a buy signal.

This is a very basic strategy, but we can also mix this strategy with a moving average cross-over strategy. If a slower moving average crosses over a faster moving average and the moving average on our StochRSI indicator is in the overbought region and is above the StochRSI line then we have a sell. If the moving average is showing a buy signal (faster MA over slower MA) and if the moving average in the StochRSI indicator is below the StochRSI line then this confirms the buy signal.

It is important to note just like the RSI indicator if the Stochastic RSI is above 80 for a long period of time this can imply that the trend is strong and is in an uptrend. It is opposite for the Stochastic RSI if it is below 20.

Next we look at Stochastic RSI divergence, just like RSI we can use divergence for Stochastic RSI, for a bearish divergence we would need lower highs in Stochastic RSI and higher highs in the financial asset's price. For a bullish divergence, we would need higher lows in Stochastic RSI and lower lows in the financial asset price.

There are some advantages of using the Stochastic RSI over RSI, first of all, the signals have more clarity and are much quicker. However there is a huge disadvantage, Stochastic RSI can give false signals, so to ensure that a correct signal is being issued by the asset, you should reconfirm the signal by using other indicators.

Risk Warning: CFDs, spreadbetting and FX can result in losses exceeding your initial deposit. They are not suitable for everyone, so please ensure you understand the risks. Seek independent financial advice if necessary.

Nothing in this article should be considered a personal recommendation. It does not account for your personal circumstances or appetite for risk.

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PRICE AND TIME POLORIZED BY TWO

by Gilbert Steele

Note: A quick summary study look below the chart F1 – F2 – F3. The Charts are marked.

Main deep study starts here.

To understand the chart above the XL spreadsheet you would start at the lower bottom right corner. See (F1 Chart) below.

ugust	September		October
	S&P500	COUNT	CLOSE
	8 7 13	180	1690.91
	8 8 13	181	1697.48
	8 9 13	182	1691.41
	8 12 13	183	1689.47
	8 13 13	184	1694.16
	8 14 13	185	
	8 15 13	186	
S&P500	8 16 13	187	
C3	8 19 13	188	
	8 20 13	189	
ADJ	8 21 13	190	
	8 22 13	191	
	8 23 13	192	
	8 26 13	193	
	8 27 13	194	

F 1

DATE-8/13/2013 COUNT-184 S&P CLOSE - 1694.16

This is from the bottom Excel chart.

You will see above the (F1 chart), in the Green Count (at 184), it is pointing to (Time at 184 F2 Chart) which is circled on the Chart. By the Count at the bottom of F2 Chart, this was the exact day at the top. That is 184 Count F1 Chart going to 184 Price Count F2 184.

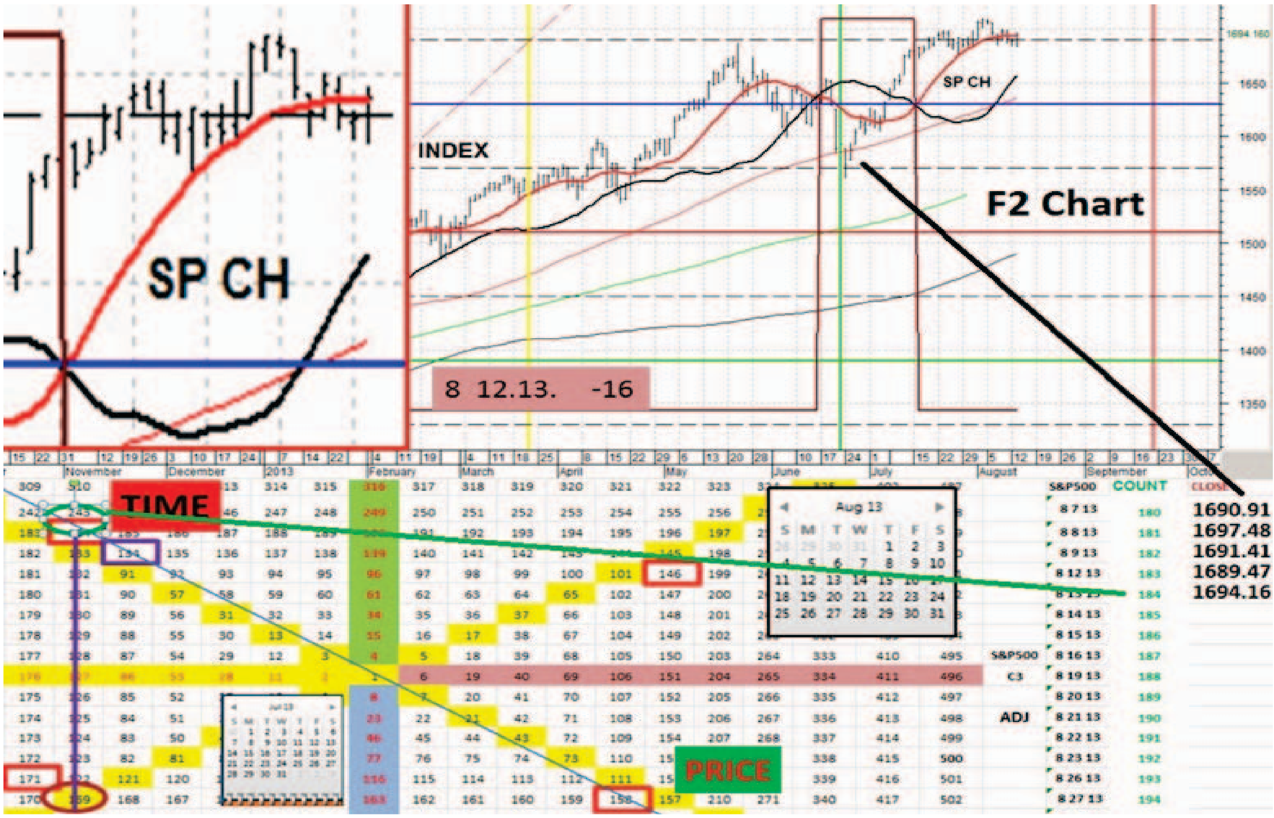
Found on the line going from PRICE to TIME.

You can see how far away you are in any chart (by the count). Note: PRICE_TIME work different.

You can see the open High Low close at the top of the page for the S&P 500 at the bottom of the page on the right hand side next to the green count you will see the close corresponding to the chart. You always know where you are in TIME.

Chart F2. **Quick summary study.**
You will notice on Chart F2 with the close you can go back 5 days with the close (BLACK LINE).

You have a nice documentary of what is going on, showing the top day by the count to the fall.



Above Chart F2.

Below Chart F3. **Quick summary study.**

You'll see at the bottom right nine days of closes on the Excel spreadsheet. To the left you'll see in the green circle has walked away from the (time and price line) so now you can understand time has moved! This is a very nice documentation. This gives you the date. Gives you the close in the lower right hand bottom.

Now looking at the top chart (F3) that is the open high low and close your action in the place falling.

The top of the chart shows the outcome from the bottom XL chart.

Chart F4 Below. **Quick summary study.**

This is good (Chart F4) but, without the Count you do not know where you are for MRO CHART.

MRO - MARATHON OIL ORD

Quantitative Easing Explained
http://youtu.be/PTUY16CkS-k

Quantitative Easing Revisited
http://youtu.be/oGIvw7T0GPI

Gilbert Steele Web:
Web site: http://youtu.be/BmY-IbzX16Q

This was the Breakthrough in my math that got me going forward in my thinking! I have tried to show the finer Math points here.

The Speed of Light is Slow.

Math : Maximum Super Symmetry.

II PETER 3:8 (KJV)

But, beloved, be not ignorant of this one thing, that one day is with the Lord as a thousand years and a thousand years as on day. (KJV)

1 DAY = 1000 YEARS and 1000 YEARS = 1 DAY

1/1000=1000/1

1/1000 = 1000/1 NOW 1 = 1 AND 1000 = 1000

What is the meaning of time in our solar system, in its complete form?

Note : This is long to short and short to long.
: 1000 LIGHT / YEARS = 1 FOOT / SEC

1 FOOT / SEC = 1000 LIGHT / YEARS
Note : This is short to long and long to short.

KEY: Now in maximum super symmetry

1=1 AND 1000=1000 AND 1000=1 AND 1=1000
ALL ARE EQUAL.

1/1000=1000/1=1/1=1000/1000

NOTE : With the understanding, it takes a long time to go a long way.
: 1000 YEARS = 1000 LIGHT / YEARS
LONG TO LONG

1 DAY = 1 FOOT / SEC
SHORT TO SHORT

NOTE: With the understanding, it takes a short time to go a short distance.

Again in maximum super symmetry
: 1 FOOT/SEC = 1000 LIGHT/YEARS

1/1000=1000/1=1/1=1000/1000

NOTE : The very short to the very long. (you can cross over the universe end to end in one step.)

(THEREFORE THE SPEED OF LIGHT IS SLOW WHEN TIME AND DIMENSION ARE FULLY EXPLORED.)

Note : The time getting there would not be noticeable. Compared to your self slowing down.
Note: TIME HAS MASS.

You would not be concerned with impacting a planet on the trip
because of the very nature of time itself.

In death the elect will immediately be in the presence of God.

When you enter the helix you will see the stars would look like crisscrossed diamonds on a string around the outside of the helix.

I would like you think of an aquarium. Of course there are fish in it.
The size is of little importance. Just that the fish are like people looking
into outer space. Neither of us can breathe if we move outside of our
environment. I can reach into the fish aquarium just like the Lord
God can reach down and touch you and me. Moving through time and space would be to God, as us moving to the fish aquarium.

I Gilbert have made the trip both ways and that, is how I can write the equation.

The Equation is a (Electrical Phase Shift for understanding) and from this I have developed my math for the Stock Market.

Gilbert Steele Web:
Web site: http://youtu.be/BmY-IbzX16Q

To those who can understand it, if it is not by two, you would have a monopole. Monopole does not exist in this Dimension that our world is in. Everything has to be by two. Spiritually speaking if you have one person, that is a monopole.

Right Left or Up Down or in a Cube form you still have by two.

Teaching a new way of thinking.

I think the best way to teach polarization by two would be. Showing you how to build a UFO engine. Unidentified flying object: a flying object that cannot be identified and is thought by some to be an alien spacecraft.

This would get you out of your normal thinking patterns and into polarization by two. And in the explanation, I would show you Time and Dimension at its best, yes The Speed of Light is Slow.

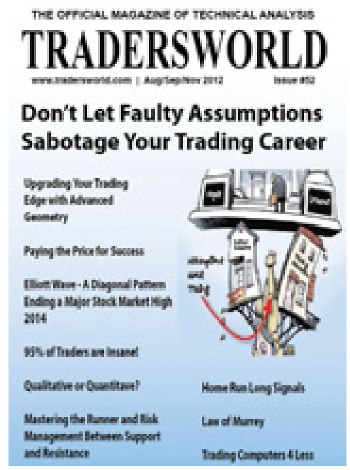
The modeling would show how the UF O would have forward and fast reverse by degree.

I had mentioned in a previous article Mozart heard Music coming to him and wrote it down.

I have equations come to me and I wrote them down. Have a nice day.

gsteele101@neo.rr.com

Gilbert Steele ©



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Sonata Trading Computer

The new Sonata Trading Computers are now better than ever. These use the new Intel Haswell generation multi-core processors. They give you around 15% more power using 15% less energy over last years models. The also use the new z87 motherboards that are easy to use and easily overclockable, even for the average user. They can be set to overclock only when you need the power. The multiple-core feature allows you to run many programs at the same time. They also easily connect to the new solid-state drives, which are 100 times faster than the old hard disk drives.

So why does a trader need this power? Today the trading computer needs to have the power to monitor the markets when the volume shoots up. Old computers now lockup when there are volume spikes in the markets. You need power to monitor many charts, view business news, chat rooms, etc. The Haswell i7 processors run at 3.4 Ghz and can easily overclock to nearly 5.0 Ghz. Most traders today now use 2 - 6 (24-inch) monitors. More screens improves productivity and usually profit. It is also very important that the computer be nearly silent as traders need that feature to concentrate. These computers starts at $1349.00 at www.SonataTradingComputers.com (prices are subject to change)

Get Your Trading Computer for FREE

Traders World is now offering a limited time special where you can actually get your computer for FREE!

This is a TradeStation Promo and this is how it works Select your trading computer on our site www.SonataTradingComputers.com. Add options you want. Select monitors and a stand if you need them. Then fill out the information and buy it. Call us at 800-288-4266 if you have any questions.

After we get the order we will call you with a TradeStation code number to call Kevin Myslinski at TradeStation Toll Free 1-888-223-9658. For this promo you need to open a new account or a new second account, if you already have one. Kevin will personally help you get setup. The promo allows you to pay off the computer with TradeStation commission discounts.

Also, if you are interested in purchasing a TradeStation add-on product (third party software), call us and we will determine if they are on our vendor list for this promo. This purchase would need to go through us to qualify under this promo. Then that purchase can also be combined with the computer hardware purchase for the TradeStation promo.

Here are the details of the promo:

1) $500 commission rebate, which is good to the end of the year.

2) After that then you would get 20% off of commissions until you reach the price of the computer based on Tiers below.

3) Any new futures clients will also receive the reduced data package for $20 a month, which includes the real time data for all the electronic contracts traded on the CME, CBOT, NYMEX and COMEX. This $20 fee will be for the life of their futures account.

The normal monthly exchange charges are:

CME $70.00
CBOT $70.00
NYMEX $70.00
COMEX $70.00

Total Monthly Charges $280.00. That adds up to a year charge for exchange fees of $3360.00 You would only pay $20.00 per month or $240.00 per year That saves you $3120.00 per year off of exchange fees on top of the commission rebate and discounts you are getting that basically pays for your computer!

Tiers:

$2,000
$4,000
$6,000
$8,000

Note: This commission does not apply to forex accounts since their are no commissions associated with their account.

*This promo is good till is subject to change or end at any time. Check our site for updates.

W530 WorkStation Laptop

You can also get the Lenvov W530 Workstation Laptop under the TradeStation Promo. This includes the i7-3720QM processor, 8GB of RAM, 500GB Hard Disk Drive, Microsoft Windows 7 Pro and 3 years depot warranty.

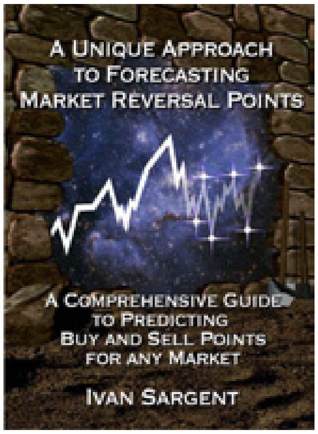
Laptop Docking Station

Using the optional docking station. It can output to 4 external monitors. It also has an internet port, USB ports, headphone jack. This allows you to be able to just drop the laptop on the docking station and instantly connect to your monitors and keyboard and mouse.

For more information go to www.SonataTradingComputers.com

Traders World Book Library

A Unique Approach To Forecasting Market Reversal Points, A comprehensive guide for predicting precise, price and time turning points for any market. Price: $36.00

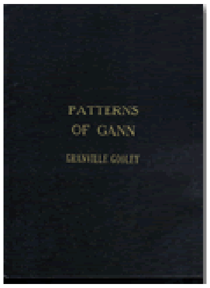


By Ivan Sargent This book is possibly one of most advanced books in technical analysis you will read regarding price and time reversals. Knowing the Price and time of a stocks reversal point is undeniably an important element for to successful trading. Unlike most trading books which use indicators, oscillators, and basic geometry to forecast the markets outcome; this technique uses a series of lines which when accurately placed can deliver reversal points with amazing accuracy. Trend lines, retracements lines, channels, fan lines, pivot points etc, all inspect a stock chart from the outside, which is more or less the obvious point of view. While these techniques can give probable predictions at times, for many of us this just isn't enough. Now what would happen if you were able to analyze charts from what I like to refer to as, "the inside" of the chart? As you read on in the book, you soon will discover an amazing way find reversal points, and finally realize that back doors to chart analysis do exist.

When attempting to look at the market from the inside the main thing you need to understand is that the rules in which how the market is predicted changes completely. Normally when using trend channels or retracement lines to determine the markets trend direction for instance, it's ok to allow the chart to slightly exceed or come close to either of these lines and still be in legal limits for correct analysis. However these rules do not apply to this different type of analysis. This type analysis requires that all lines be accurately placed for accurate predictions. It's a little more work, but at the end of the day it has its virtues.

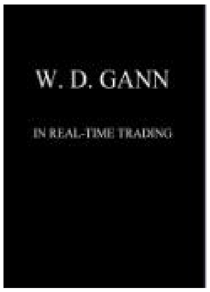
When using tools which allow you to see the market from the inside the predictions that manifest within the analysis are totally different than common technical analysis. Here are two main occurrences that you will notice when working with this type of analysis. A) Exact target points will be forecasted or, B) A complete miss of a target point, and nothing else.

This is not a case of a 50/50 hit or miss. When you apply this technique to the markets it becomes a matter of line accuracy resulting in high target percentage. As you read on through the book, you understand how to use this technique and see how easy and powerful this technique can be when used in conjunction with other analysis.



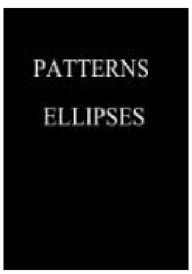
Patterns of Gann Price: $159.00

By Granville Cooley This set of books [included within this bound volume] is not about pulling the trigger. It is not a system on how to make a million dollars in the market in the morning. It is about certain mathematical and astronomical relationships between numbers and their possible application to the number of W. D. Gann.



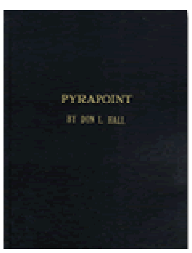
W.D. Gann in Real-Time Trading Price: $69.00

By Larry Jacobs If you feel that you would like to do short term scalping or swing trading in the markets, then this book might be for you. It illustrates many short-term Gann mathematical trading techniques which have a high tendency to work intraday. Various intraday time frames are shown and how they can be used together to keep you in the direction of the market. 200 pages



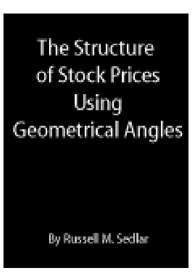
Patterns & Ellipses Price: $49.95

By Larry Jacobs Stocks and futures move in elliptical paths. When a market makes a gap, its price action usually passes into a new sphere. All its activity will remain in the current sphere until it moves into another new sphere. This new book tells you how to use ellipses along with detailed chart patterns to determine if a stock or futures contract is bullish or bearish. 100 pages



Pyrapoint Price: $150.00

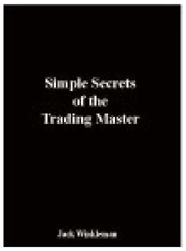
By Don Hall Mr. Hall discovered a secret from one of Gann's associates "Reno" who shared a desk with him on the floor of the Chicago Board of Trade. Apparently Gann carried a piece of paper with him to the floor every time he made a successful recorded trade. Mr. Hall found out what that paper was and developed the Pyrapoint trading method around this. An easy to understand trading software program was fully developed. It creates a natural trend channel and areas of both support and resistance. It's clearly tells you when the trend changes. 300 pages.



The Structure of Stock Prices Using Geometrical Angles Price: $49.95

By Russell M. Sedlar "This chart based book shows how the Geometrical Angles described by W.D. Gann, when used is this newly discovered way, literally become the controlling force of stock price fluctuation, causing tops and bottoms to form and trend lines to be determined."

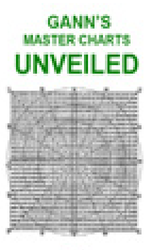
Simple Secrets of the Trading Master by Jack Winkleman $90.00



This is a book put together by Mr. Winkleman and is a very valuable tool. This book tells a trader how to used past harmonic cycles for forecasting future trends. This book is a picture of the markets since 1920 in Soybeans. As an added bonus, it has a track record of the Dow Jones Cash Index from 1900 - 2006. Cycles are nothing more than repeating patterns. Trends follow cycles. This book gives you the key cycles in the market. All you need to know is what those repeating patterns are. That is why the historical charts become so valuable and this is why this book is so important. With the content of the book along with charts, it is nearly 200 pages in length.

Don't get caught in the next market down turm. The method is simple, and easy to follow and is designed to keep your protfolio profitable in these uncertain market times. The ability to anticipate the directional shifts in the S&P 500 market gives you a significant advanage in trading indexes, options and individual stocks.

Gann Master Charts Unveiled Price: $49.95



By Larry Jacobs Complete It is just like a professional athlete, he trains over and over again and when he is out on the field he doesn't have to think when he plays, it becomes automatic. You too, must train over and over again using these methods with historical data before you are ready to go out on the field to play or trade.

Most of Gann's books and courses were written in a veiled language as said by the trading community. What this means is he buried his techniques in his courses. It's there, but the reader has to read and reread his material several times to get anything of trading value out of it. Gann's material is extremely complicated and the trader must have a strong background in mathematics to full benefit from it. Some experts think that he did not put in the books and courses what he really traded with, even though the price of the courses was an unbelievable $3500 at the time he sold them. Converted into today's prices, it would be equivalent to $50,000. He kept the good trading secrets for himself or for those few who could afford to pay him the asking price of $100,000.

One of the trading methods that Gann kept to himself was the use of Pythagorean Square. He also kept secret the hexagon and the circle charts. He went to the land of the Pyramids to study the Pythagorean Square to find its secrets. It's believe that he found someone over there who explained how it worked and how it could be used in the markets.

Also included in this book are many of the archived articles previously written in the Gann and Elliott Wave and Traders World magazine on the Square of Nine. These articles are included so you can get a different viewpoint from experts in the field.

Traders World Online Expo DVDs

The Traders World Online Expos have been recorded and now are available on DVDs. You can just put the DVDs in your computer's optical drives and listen to the entire expos. Below are a listing of the expos. Most of the DVDs contain up to 45 presentations that occurred during the 5 day events from top traders in the world. With these DVDs there is no need to travel to an expo and leave your work or trading. You will understand what strategies work and how to implement them. Learn key trading ideas and tactics that you can use immediately to trade more profitably. So order the DVDs today.

Go to www.TradersWorldOnlineExpo.com

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Expo 5	Topics & Presenters of Expo 5	Buy DVD at $12.95
Expo 7	Topics & Presenters of Expo 7	Buy DVD at $12.95
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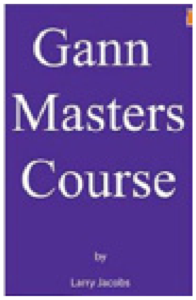
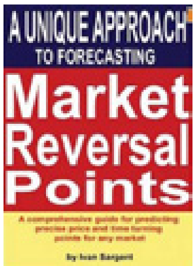
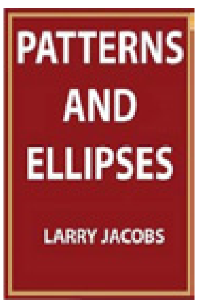
Amazon Kindle Books



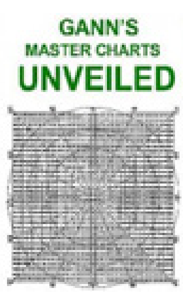
Gann Masters Course by Larry Jacobs $9.95
As you know, W.D. Gann was a legendary trader. Some say he amassed a fortune in the the markets. He wrote several important books on trading as well as a commodity trading course and a stock market trading course. He charged $3000 to $5000 for the trading courses which included 6 months of personal instruction by phone. The Gann Masters Trading Course to help traders become successful.



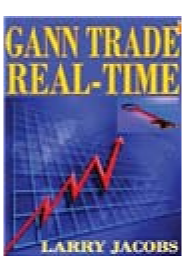
A Unique Approach to Forecasting by Ivan Sargent $32.95
This book is possibly one of most advanced books in technical analysis you will read regarding price and time reversals. Knowing the Price and time of a stocks reversal point is undeniably an important element for to successful trading. Unlike most trading books which use indicators, oscillators, and basic geometry to forecast the markets outcome; this technique uses a series of lines which when accurately placed can deliver reversal points with amazing accuracy. Trend lines, retracements lines, channels, fan lines, pivot points etc, all inspect a stock chart from the outside, which is more or less the obvious point of view.



Patterns and Ellipses by Larry Jacobs $9.99
This book concerns itself with a highly technical subject, the subject of technical analysis of the financial market. This book specifically deals with ellipses and pattern formations used for trading the markets. It also covers many other technical analysis tools that can be used effectively by the trader.



Gann's Master Charts Unveiled by Larry Jacobs $9.99
We know that Gann used the Pythagorean Square because he was found carrying it with him into the trading pit all the time. This square was hidden in the palm of his hand. How did he use this square? Why did he not discuss the use of this square in his courses? There is only one page covering the Square of Nine in all of his books and courses. Was this square his most valuable tool? These and all the other squares Gann used will be discussed in detail in this book with many illustns and examples to prove how they work.



Gann Trade Real Time by Larry Jacobs $9.99
When you opened this book you took the one step that will help you learn how to be successful at the most desirable, but hardest profession in the world. That profession is real time trading. This book is not going to give you an instant secret to day trading. It is going to give you the basics so that you might start the path to understanding how the markets work both short term and long term. You need to know and fully understand the markets and develop successful trading

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