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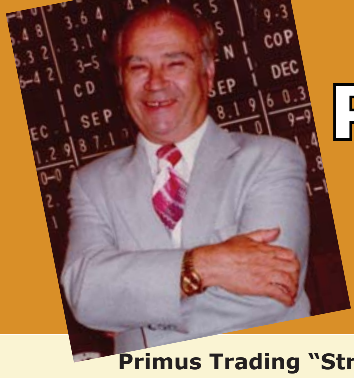

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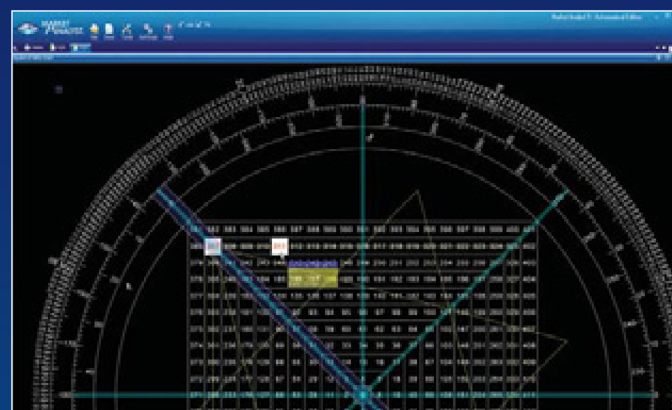

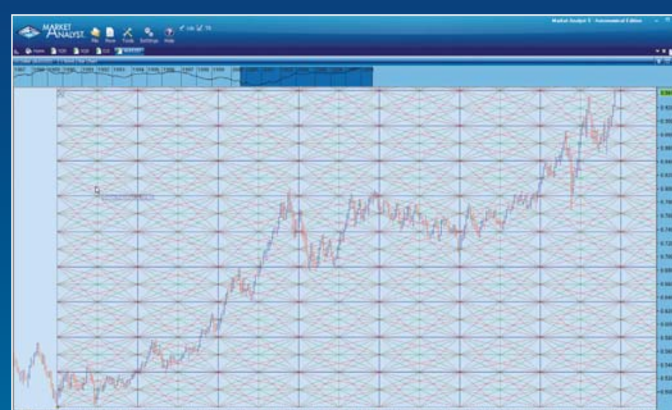

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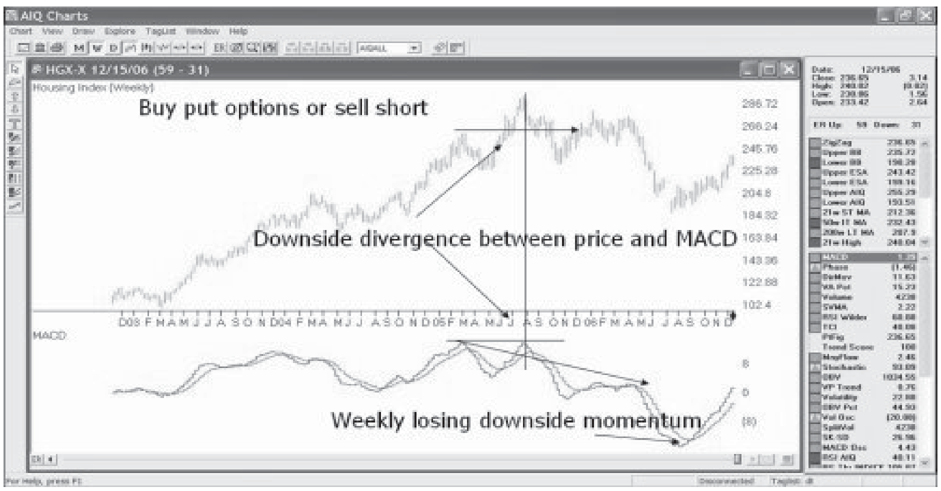

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The Final Battle in the Grand Supercycle Top: King Kong vs. Godzilla

By Jim Forte, CMT

For those of you who did not see the rather campy movie "King Kong vs. Godzilla," Godzilla seems to dominate the battle until the somewhat smaller King Kong is empowered by lightning strikes in a storm. Kong then seems to take the upper hand as he pounds on Godzilla. CNBC's "Fast Money" has been having fun with this analogy as it applied to recent market turmoil, and it will serve to help us further illustrate our case here.

This article is a follow up to the article "The Approaching Grand Supercycle Top," published in the most recent 2007 Spring/Summer issue of Tradersworld magazine. It was based on an Elliott Wave model I developed in the Spring of 1998, which has successfully projected every major top and bottom in the Dow in time and/or price since. I argued that we were close approaching the end of a long American market cycle that began around the time of the birth of our nation, and that it will be exhausting itself roughly 233 Fibonacci years later.

In that article, I laid out an Elliott Wave count illustrating the frequently cited 1982 stock market bottom as the origin of the 5^{th} and final wave of Cycle degree, culminating a roughly 34 Fibonacci years from the bear market *price* low of 1974. I argued that the Primary 5^{th} wave of this last Cycle wave began either in October 2002 or March of 2003, and would last about five years, equal in duration to Primary wave 1 from 1982 to 1987.

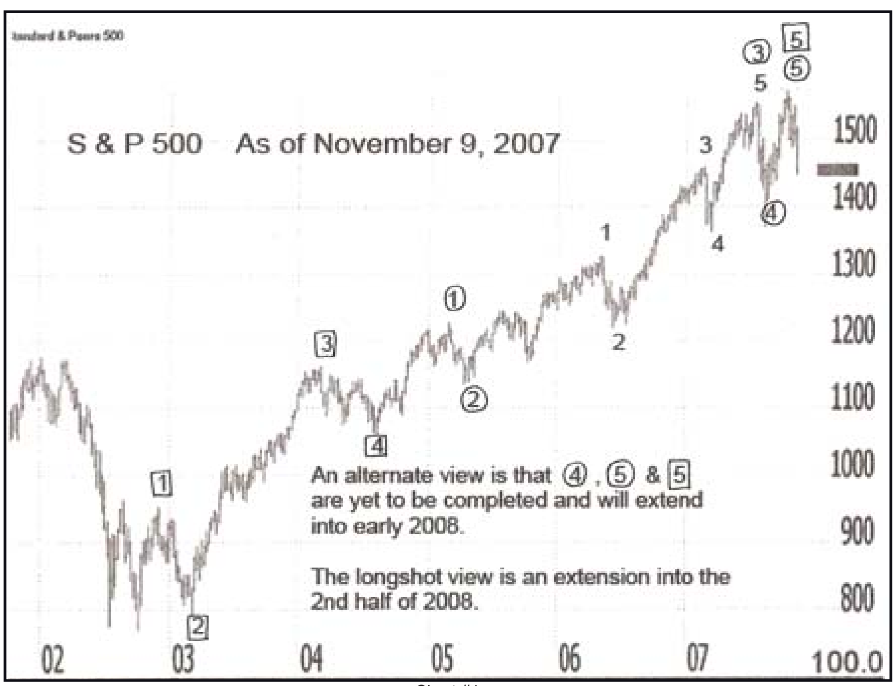

Chart #1

In a talk before the members of the Technical Securities Analysts Assoc. on June 19^{th}, 2007, I discussed three primary U.S. topping scenarios along with accompanying wave counts. The most conservative scenario made the case for an earlier top, if the sub-prime credit problems spread to the larger credit finance system sooner rather than later. The 2^{nd} scenario extended into Spring/Summer of 2008, five years from the March 2003 low and associated with the developmental push of China for showcasing their country during the Olympics. The 3^{rd} and least probable scenario would extend into 2009 based on the U.S. demographic influences characterized by Harry Dent, and an extension of emerging market development pull. While China and the emerging markets may ultimately work higher into late 2008 or even 2009, recent market developments suggest the U.S. market top is already in place or at best may yet post one new high in early 2008.

In August, the market first demonstrated its fear around the credit crisis and many pundits dismissed it as isolated to sub-prime housing related concerns and lower end consumers. However, what happened in August represented a sea change in that it brought the first significant tightening of credit since the great depression. The ability of lenders to unload their risk into the worldwide financial system fueled the housing and spending boom. If lenders can no longer unload their risk, what sort of impact will that have on access to credit? Ever expanding credit kept retail consumption growing and often outpaced income growth. Now, income may contract, and any growth is unlikely to keep pace with the degree of credit contraction. In a highly leveraged economy based on consumption, this could bring severe economic consequences.

After a brief capitulation in August, emerging markets and the global growth phenomenon pulled the market to new highs in October. But in mid October and especially in the first nine days of November, concerns about the debt and credit markets expanded to include a wider range of financial institutions. Technology leaders broke their intermediate uptrends and the "tech put" appeared in jeopardy as Cisco warned of a possible slowdown in the U.S. Only a few weeks earlier the market managed to shrug off similar concerns expressed by Caterpillar. Even the resilience of the very high end consumer market was called into question when Sotheby's reported disappointing auction results. The recent price action of the high end retail stocks supports this contention.

The financial sector of the S&P 500 now accounts for about 45% of its profits and its primary uptrend appears broken. The credit finance system is in contraction for the first time since the great depression. With financial institutions facing increasing regulatory pressure and taxation, one would be hard pressed to find a way for the financial stocks to climb to new highs. Without their strength or leadership, how might the market manage a continuing bull run? The broader market is not likely to be led higher by commodity related stocks and health care cost containment! The only case left to be made by the bulls comes from the emerging market growth story, including large construction and technology infrastructure stocks, manufacturing, and global consumer products. With the underpinnings of spending power deteriorating, is this enough to power the market to new exhaustion highs? Maybe, but I'm incredulous. Any signs of weakening in the labor market will seal the fate of the American consumer. Can emerging market consumption growth out pace U.S. consumption contraction? This is unlikely without a challenging transition period. Even if the market can manage to post new highs into the New Year, the risk reward ratio would make it hard to justify a large long position in the broader market. It would be prudent to be balancing your portfolio to the short side. It would also make sense to employ currency hedges.

As of this writing, November 10, 2007, the wave structure and recent action since the closing peak on October 9th could help make the case that the major top is in. Notably, this peak came five years to the day from the October 2002 bottom! This makes a Primary wave 5 from the October 2002 low to the October 2007 high equivalent within a matter of days to Primary wave 1 from August 1982 to August 1987. The accompanying chart identifies the most logical wave count if this is the case.

However, as is the case in general with EWT and as is illustrated in my original article, there are some alternative counts that may still play out. I've included that chart here. It was produced in May, 2007. It's labeled "alternate counts for primary wave 5." The other two charts shown are current as of November 9th, 2007.

In general, sometimes an unresolved technical progression tells you that the fundamental forecasts of the day deserve further consideration. Sometimes, macroeconomic considerations foster the need to reconsider whether having a valid completed wave count makes it the right wave count. If the TOP is in, then we need to position ourselves more quickly and judiciously for a gargantuan bear market! If the top is not in, then what is the count and how much time remains before the top is in? This is where we have to consider the alternate scenarios and the battle between King Kong and Godzilla, as well as the inclinations and resolve of the world's central bankers.

King Kong is an American monster, emblematic of the older American economy. It has been massively accumulating debt, exporting its manufacturing base and leveraging itself to the hilt for decades, while its demographic wave is exhausting itself. The massive expansion of the credit finance system, especially since Alan Greenspan and Ronald Reagan, has extended the Kondratieff wave about 25 years beyond its due. The accompanying increase in the concentration of wealth has also made the system more vulnerable. In addition, the failure of the military industrial complex to strategically move toward an independent energy infrastructure since the warning signs in the 1970's is dramatically exacerbating our deficits and vulnerability. The result of all of this is the unleashing of a monster wreaking havoc on the "financial capital of the world", i.e. New York City and the American economy.

Godzilla of course is an Asian monster, here emblematic of Asian and emerging market global growth. The American economy has been feeling the beneficial effects of this powerhouse on the loose. Our capital goods companies especially have been pulled higher by the demand for worldwide infrastructure development. We also have thriving new markets for our consumer goods companies. Even while our manufacturing and labor base is being exported, we are at least for a time enjoying manufactured goods at lower prices. China and the emerging market countries have been benefiting by Americans' willingness to spend well beyond their means.

This to a great degree has been fueled by the asset bubble and the expansion of the credit finance system. Meanwhile, China's growth has provided added impetus in its preparation to showcase its country to the world during the 2008 Summer Olympics. With the contraction of credit and housing already underway in the U.S. and the

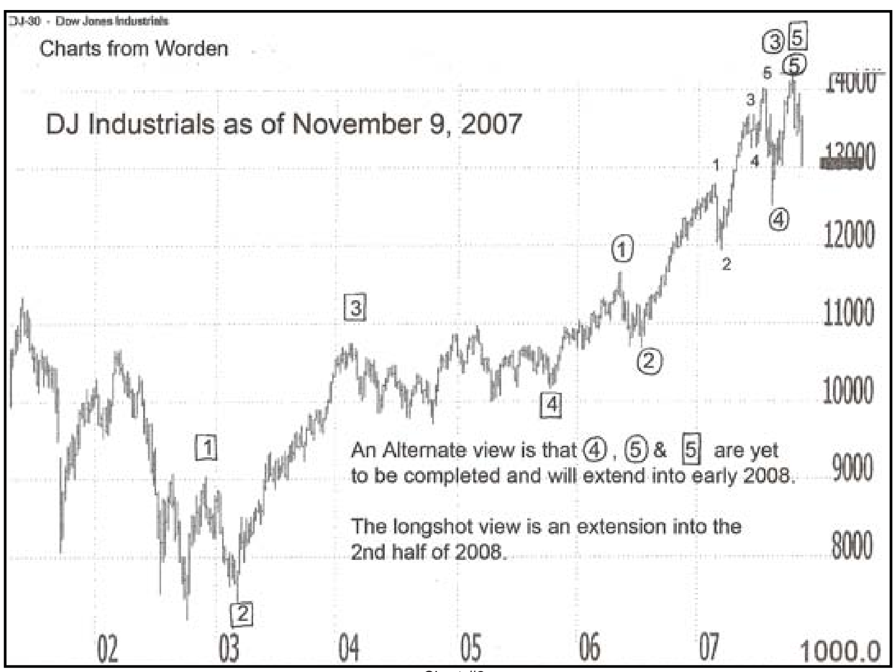

Chart #2

Olympics close at hand, the market may not wait until the Olympic party is over to begin discounting a hangover.

While our trade deficits are huge, return capital flows are helping the American economy to continue functioning with ever increasing debt, mortgage and entitlement obligations, which by some estimates are now over 50 trillion dollars! This has probably reached its limits however. The U.S. has been the financial depository of last resort from around the world because our financial system was thought to be sacrosanct. However, all the parties in the sub-prime crisis - from the borrowers to the brokers, lenders, appraisers, rating agencies and the monetary authorities - were compliant in the debacle! Is it any wonder that the dollar is continuing to decline? As a result, our trading partners are diversifying away from the dollar, and its status as the world's reserve currency is eroding and threatened.

To what extent can global growth continue to forge ahead if the might of the American consumer is arrested by spreading credit contagion? Can Bernanke, along with the coordinated efforts of the world's central banks, continue to stretch this paradigm? Will concerns about a plunging U.S. dollar limit the Fed's ability to provide "liquidity"? Will attempts to provide liquidity spur inflation, which in turn will likely raise market loan rates, which in turn will pressure the economy even further?

Market watchers have seen monetary authorities, especially since Greenspan, pull "rabbits out of hats" to keep the economy from falling into recession or worse. Can they do it again and for how long? Current Fed Chairman Ben Bernanke is known to have made a deep study of the deflation of the 1930's depression. It is believed that he will go to creative and extraordinary means to try and prevent a similar deflation, perhaps employing measures unused in modern times.

So far, the Fed has used relatively limited intervention. The Fed can dig a lot deeper than it already has, but is not likely to act precipitously unless the market is falling apart - and by then it may be too late. In addition, the Fed's ability to unilaterally lower rates is limited given the level and rate of the falling dollar. Greenspan, in the first years of the decade, had a much stronger dollar at his back. Global central bankers may, however, come together with coordinated rate cuts and eek out the current paradigm a bit longer. We should remember the Fed continued to lower rates in the 2000-2002 bear market, but it did not prevent the worst bear market since the 1970's. Now, consider, that the overall financial status of the U.S. economy and its prospects are much worse today.

Many pundits in the financial media compared the recent market crisis to the liquidity crises of the 1987 stock market crash, the early nineties banking crisis, and the 1998 Long Term Capital debacle. These were specific events that needed to be fixed at the bottom of market cycles. This latest crisis is systemic. It is dramatically different and synchronistically, it's coming right on time to rendezvous with the technical Grand Supercycle top. It is also interesting that these unusual Fed measures need to be taken at the *top* of a market cycle! The monetary authorities for decades have leveraged the real and financial assets of the U.S., extending consumer and commercial credit lines to the last marginal borrowers. The ability to get into million dollar homes with little more than a signature and the absurd levels to which derivatives have been taken in the financial markets is mind boggling. It's been spread throughout the world wide financial system and the projected magnitude of the write downs are growing to very disturbing levels.

In my original article, I pointed to some upside price targets, courtesy of Dr. Henry Pruden, that were based on both point & figure calculations and Fibonacci targets. While P&F tends to get you in the general target area, +/- 5%, Fibonacci targets tend to be more precise. Dr. Pruden's P&F calculation of the 14,400 area on the Dow was supported by the following Fibonacci calculations: Decline from 11,750 of 4550 pts to 7200. 4550 x 1.618 = 7362. 7362 + 7200 = 14562. Former high of 11,750 x 1.236 = 14523. The downside action thus far has not created the technical damage required to eliminate the 14,500 target area as a still viable technical target within the context of some alternate wave counts. However, the risk/reward ratio of being largely long for the chance of getting there is questionable.

Regardless of whether or not the market, with the help of monetary authorities, can manage to extend to new highs, we are witnessing the big picture end game. This can be seen both technically and macroeconomically. If you're wondering if the economic gamesmanship can continue much longer, my technical Elliott Wave model shows you it's over or about over. If you're wondering if the technical model can extend much longer, a closer look at the financial system will reveal that it cannot. Checkmate.

Historically, there are two ways that nation states have dealt with economic and financial collapse. One is deflation, as was the case in the U.S. in the 1930's and in Japan in the 1990's. The other is inflation, as was most recently the case in Argentina around the millennium and Germany after World War I. Great Britain in the 1930's followed a more gradual inflationary response and languished for decades. Ben Bernanke is known to be well studied in the horrific effects of the deflationary U.S. response of

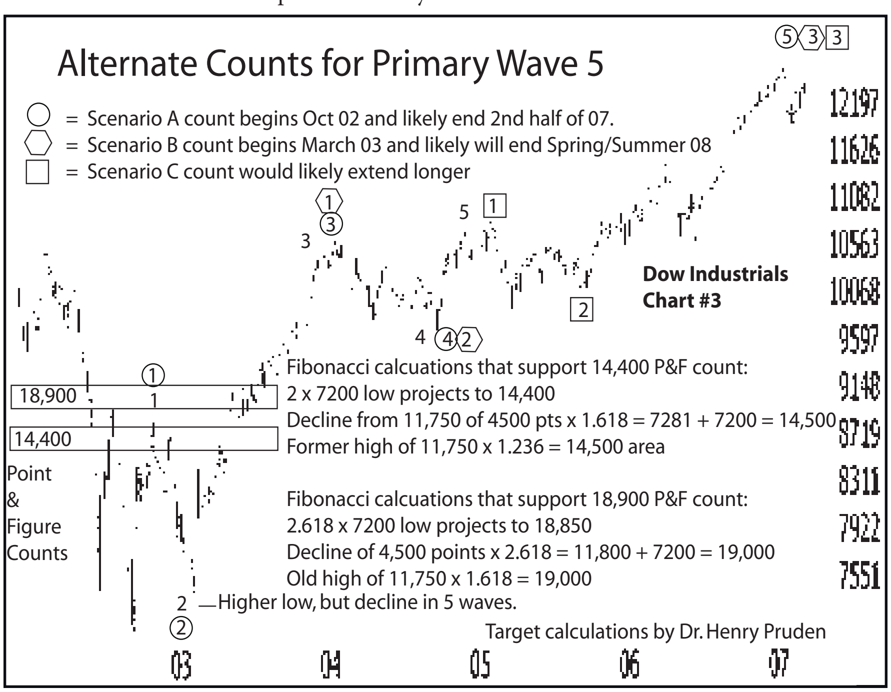

Chart #3

the 1930's, and as with most generals, is poised to fight the last war. He has been nicknamed "Helicopter Ben" for his often referenced quote about dropping dollars out of helicopters.

I have thought long and hard about an inflationary vs. deflationary response to this looming crisis for years. It is apparent to me that the political dynamics that govern our lawmakers and the mixed social and cultural makeup of our society will not allow a deflationary depression. If all of a sudden the economy came to screeching halt, the social upheaval would be tumultuous. By our trying to manage the crisis with an inflationary outcome, the pain will be more gradual, although take longer to work out. This avenue seemingly carries the side benefit of reducing our nation's debt obligations through inflation, but this may not be as simple as it sounds. Make no mistake, while monetary inflation will be the order of the next five years, economic deflation will continue. Consider "stagflation" on steroids! The recent response of the dollar and the behavior of the gold market support this view. The gold market ended its Fibonacci 21 year bear market in 2001 when the dollar double topped. Gold consolidated throughout much of 2006 and 2007. It broke out around the time the Fed made its first half point rate cut. This action suggests the market believes the Fed's response will be inflationary. The point and figure count stemming from this consolidation projects to the 1200 area. The inflation adjusted equivalent with the 1980 peak in gold is much higher.

Let's get back to Kong and Godzilla. While the immediate credit crunch appears, as of yet, not to have spread convincingly to the larger American economy, the Godzilla of global growth and the world's central bankers may be able to temporarily forestall a wider global break down. In the final days of the recent August panic, the market sectors associated with global growth sold off sharply. In mid October and early November when debt and credit market concerns were front page again, the emerging markets and global story stocks sold off again. These are warning signs that the global growth dynamic is not immune to break down if the American consumer and economy suffer a serious withdrawal.

As economic woes spread and lightning strikes the larger economy, Kong's ability to inflict wounds upon Godzilla will increase. Enjoy this movie while you can, because next up is "Mad Max in Thunderdome!"

Jim Forte is a twenty year veteran of the stock and commodity markets. He is a Chartered Market Technician and past president and current member of Technical Securities Analysts Association of San Francisco. He can be contacted at JimForte@pacbell.net.

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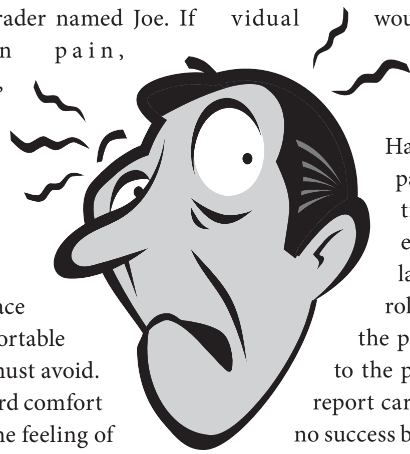
Comfort in Pain

By Adrienne Toghraie, Trader's Coach

"Success makes me uncomfortable. For years I've been telling my family and myself that my life goal is to be a successful trader. But, the truth is that the moment I get too close to my goal, I sabotage my trading so that I can feel comfortable again. And the part that scares me the most is that the pain does not put me off. In fact, if I were to be completely honest, I'd have to say that I feel comfort in the pain."

This story was related to me recently by a trader named Joe. If Joe were the only trader who found comfort in pain, it would be an interesting anecdote. However, far too many traders feel the same internal conflict that Joe feels as soon as he begins to approach the feelings of fulfillment and satisfaction. Suddenly, he is drawn to the darker side of his life, the place that feels "right" to him.



One of the most powerful foes a trader must face is his own comfort in pain. What feels comfortable and secure can also be the one thing a trader must avoid. Since the natural human tendency is to go toward comfort and away from discomfort, this attraction to the feeling of pain presents a trader with a great conflict: Should he be uncomfortable by avoiding the thing (pain) that makes him feel comfort or should he feel comfort by adhering to the things that brings him pain?

The Source

As Mr. Spock, the half-Vulcan/half-human First Officer on the starship Enterprise, would say, it is not logical that an individual would choose pain over more positive experiences. However, this choice has nothing to do with logic. It also has nothing to do with conscious choice. Joe's own story is an all too familiar one. Having been raised by highly critical and rejecting parents, Joe was accustomed to the feelings of emotional pain. Anxious to please his parents, Joe's efforts were continually met with ridicule and a lack of appreciation. When Joe won the starring role in his high school play, his parents attended the performance, but afterwards critiqued his efforts to the point of utter humiliation. His nearly straight-A report cards elicited complaints instead of praise. For Joe, no success brought the comfort of praise - only a sense of loss and pain. He summed up his experience this way:

"Pain is my comfort zone. It's that really familiar place with the hearth fire burning, the home cooking, and the ever-present sense of impending doom. It's the place I go to when I have a loss. It's the place I go to when my negative emotions are stirred. It's the place I both dread and find comfort in at the same time. My parents introduced me to this place as a child and even with them long gone, I find it impossible not to visit it when my life takes a turn for the worst."

Like Joe, many high-achieving traders find themselves sabotaging their efforts to succeed in order to return to the place that feels the most comfortable to them. Drawn to the pain comfort zone, they create losses in order to feel that way once again. Pain for them has associations with parents, with childhood, and with times that may not have been so innocent. Feeling pain can bring Joe and other traders like him a sense of connection with people and places that are long gone but which hold a great emotional tug on their heart. So, feeling pain can almost be like looking at an album of old pictures, or watching an old home movie, or smelling a pie baking in the oven that reminds you of your home and your childhood.

The Lure of Pain

The human brain is a three-pound chemical laboratory that creates chemical responses to various stimuli. In response to something pleasurable, we produce a set of chemicals in our brain that make us feel an intense and wonderful sensation. As a result, we want to feel that way again, and so we try to reproduce that pleasurable experience. In response to pain, we also produce a set of chemicals that produce another intense set of sensations that we normally would want to avoid ever feeling again.

So, if we are attracted to pleasure and repelled by pain, why would anyone then be drawn to pain? Not only can pain represent a famil-

iar place that reminds one of childhood and memories long gone, pain has its own physiological/psychological appeal. As we experience pain, that same chemical reaction in our brain that floods us with intense feelings also makes us feel very much alive at the same time. While in the throes of this intense emotional and physical state, we also tend to blot out anything else that is happening at the same time.

Anyone who has lost a loved one through death knows that feeling of intense pain that drapes everything around you in a kind of misty gauze. You feel like you are on some kind of strange drug that simultaneously heightens and dulls your senses. You find yourself looking at the world from the outside, no longer part of what is happening, wondering at the foolishness of those around you who do not understand.

In this emotional and biochemical state of intense pain and loss, the world is a very intense and unreal place. But, it can also be a very appealing place for an individual who has difficulty feeling his own feelings. This state of intensity can actually become almost addictive. The fact that it is bio-chemically created adds to the credibility of this observation. Thus, I believe that a fair number of the traders who find comfort in pain are actually addicted to the intense feelings they experience when they are in pain.

Those feelings not only feel comfortable and familiar, they also feel strangely pleasant and appealing.

Finding Pain

For a trader to find comfort in pain is equivalent to sticking his own hand into the beehive. He is certain to get stung. The quickest way for him to go to that place is to create his own losses. A trader may feel that he simply goes to that comforting place whenever he feels pain or experiences a loss. However, unconsciously he is actually drawn to that place and will, therefore, create losses in order to experience the pain that brings him comfort.

Another way for a trader to enter the Pain Comfort Zone is through the people, places, or times that he misses from his past. If those people who are the most dear to us are also tied to extreme pain and loss, we are likely to find a way to create trading losses in order to be close to those people we miss.

Moving Into a Better Neighborhood

If you are a trader who feels good in the Pain Comfort Zone, you need to move into a better neighborhood – a comfort zone that allows you to feel good when things are actually good and not painful. But how?

When Joe described his pain comfort zone, he used words that would normally describe a warm, pleasant, and safe place:

- that really familiar place
- the hearth fire burning
- home cooking
- comfort
- my parents
- me as a child

These are the very same images that Joe has attached to the feelings of pain, thereby making the experience of pain a goal rather than something to avoid. Instead of associating pain with comfort, what Joe must do is to associate pain with pain and pleasure with pleasure. Once he makes this new association, he will then move into a new comfort zone, one that is actually comfortable with having achieved success rather than loss.

Strategies for Making a Change

Neuro-linguistic Programming (NLP) offers traders like Joe a very effective set of strategies for making a change in his patterns of behavior and thinking. This strategy will be easier and quicker with the help of a trained professional, but if a trader is committed to making the change and willing to do the work himself, it is entirely possible for him to make this transformation on his own. I worked with Joe on this process and here is what he did:

- The first step for Joe to take was to recognize that he had made deep, unconscious associations with pain that brought him comfort.
- The next step was difficult because Joe had to be willing to experience the pain he actually felt when his parents rejected him. In other words, he had to be willing to really experience the experience.
- Once he had felt the pain, he had to be willing to feel how uncomfortable it really was and conclude that he did not want to feel that way again.
- Then, in the midst of those intense feelings, he had to focus on something that brought him real joy, such as taking his son out to the park and playing catch with him on a sunny spring day.
- As he raised his feelings from pain to joy, he then intensified those feelings until they completely filled his being. At that point, he then began to picture himself succeeding in his trading, making winning trades, coming home to tell his wife and son about his success, and all the things they would then do with his success.
- Now that he had made his first new association of those feelings of joy with his trading success, he was instructed to repeat the new association over and over again each day for a full month. Each time he experienced the feelings of joy, he instantly transferred the intense feeling of joy to images of his trading successfully, of his winning trades, and of his happy life that results from his trading success.

It was essential in this process that Joe was willing to keep working at it until it felt perfectly natural. At first, it felt unreal and uncomfortable for him. After all, Joe had been associating pain with pleasure for a long time and his brain had a long history of accommodating this neural pathway until it was a deeply embedded groove. However, the good news is that Joe was committed to working his way out of his comfort in the pain zone, and he is now trading at an entirely new level of success. He loves feeling joy in his success and in building his new dream house for his family. Occasionally, he has a relapse, which is to be expected. However, when he does relapse, he calls me and we complete a visualization on the phone that allows him to jump back into his new comfort zone.

Conclusion

Traders who have experienced pain in their childhood on a regular basis are at great risk for finding comfort in pain. This association of pain with comfort makes a trader far more likely to sabotage his trading in order to put him into his comfort zone. Any other loss or pain in his life will bring him into this zone and allow him to stay in it, unwilling to bring success into his life with the discomfort it would create in his world. The best way out of this negative situation for a trader is to either work on his own or with a trained professional to break the association he has with pain, making the experience of pain to be uncomfortable and linking success with comfort, instead. Once a trader has been able to make the change in his associations with pain, like Joe, he will discover that the world of successful trading truly opens up for him for the first time.

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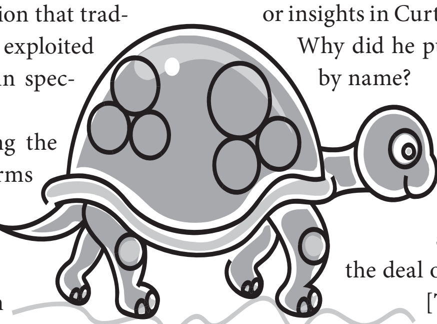
Author Michael Covel on Richard Dennis and the Turtles

By Art Collins

The one thing everyone involved in the Turtle story seems to share is an appreciation of how special, even magical the whole experience was. The Turtles themselves have near-unanimously expressed loyalty and gratitude toward their mentors for providing such a life-altering experience. Michael Covel, the author of the soon-to-be released **The Complete Turtle Trader** candidly admitted that he won't likely ever get a more perfect writing opportunity. Even Dennis himself observed that the Turtle experiment has been the standout achievement of his life which, considering his numerous other accomplishments, is saying a lot.

To recap; in the early 1980s, multi-millionaire commodity traders Richard Dennis and William Eckhardt bet on whether their superior skills could be imparted to others. They advertised for volunteers, selected roughly two dozen from the thousands of applicants, trained them for two weeks and let them trade millions of dollars that they personally funded. The students got to keep a percentage of their profits and several went on to manage mega-funds on their own. Richard Dennis' contention that trading could be reduced to rules and therefore exploited by theoretically anyone was proven correct in spectacular fashion.



Thirty-some years later, Covel is assuming the daunting role of Turtle archivist. His book affirms some legends, and debunks others. It also serves as a definitive text for Turtle-type mechanical trading. Covel posts the complete original system, which, granted, has been available on the Internet for a few years now. Perhaps his bigger service is illustrating the general benefits of eschewing traditional information-and-opinion-based trading for a cold statistical approach.

He is a logical candidate for the project, having presided for years over the ultimate trend flowing website, Turtletrader.com. His first book, **Trend Following: How Great Traders Make Millions in Up or Down Markets** sold well and received praise throughout the industry. Even Dennis read it and told me that overall, he thought it was good.

I began the Covel interview by suggesting the aforementioned ebullience he seemed to bring to his book. His first response was defensive—"You mean I was excited to where I lost my objectivity?" "No no," I backtracked. "I just mean you weren't afraid to show you're a fan of the subject—as am I and most everyone else who encounters it." From there, our conversation was more like two baseball freaks exchanging stats and anecdotes than actual work. The hour passed quickly.

So you **are a fan, right? I was getting that all through your book.**

It was a fun project. I know you're a fan as well. I don't think I will ever be thrown a story like this again my way. There are a lot of perfect storm elements that come together to pull this story together.

Such as?

Start with Jack Schwager's books. Jack created mystery and intrigue with "The Silence of the Turtles"-- [their chapter head in **The New Market Wizards].** Jack made them famous for not talking. In the 20 years after that, they didn't talk much more. So that's a big element.

I think another big element is [original Turtle] Jerry Parker's success. Jerry Parker is truly the guy who answered the want ad and became a billionaire. I don't have his brokerage statements, but just looking at his fee structure, the money he has under management and his performance makes it pretty clear that he is one

You've got two Turtles that have been involved in the retail side of things. Russell Sands and Curtis Faith have both been involved in talking about and promoting the Turtles. Russell's been doing it for a long time. Russell caught a lot of heat, perhaps deservedly so, perhaps not. I'm sure it's debatable, but clearly a lot of the Turtles were not happy with him.

Then part of the perfect storm is that Curtis Faith decided to write a book and play off the name "Turtle" and not say much else other than standard-issue trading insights which, to a lot of traders, are pretty well-known. Behavioral finance is not a new subject. So here is [dramatic pause] The Turtle—putting a book out with a major publisher and when it comes to facts, specifics, details, stories—he punted. And he punted hard in my opinion. In fact, I don't really know that there's much more pure Turtle lore, stories or insights in Curtis' book than Schwager's books 20 years before. Why did he punt? Why did he not mention another Turtle by name?

Why in **general did it take the Turtles so long to open up? Their non-disclosure agreements were only for five years.**

That's a good question. I got the impression that one of the reasons I was able to close the deal on getting these folks to talk was my first book [**Trend Following: How Great Traders Make Millions in Up or Down Markets**]. I was told flat-out that they liked the tone, and they thought I'd be fair. They thought that I had enough understanding that I wouldn't write some sort of tabloid trash piece. Some of them were very worried about having the story get out there halfway or incomplete or immature. That was part of the perfect storm too, so in that sense, I'm lucky. Here you have some people who haven't talked forever, I write about there general trading strategy [trend following], I mention them a bit in my first book, and they liked it. They maybe were thinking perhaps I could pull it off.

Getting back to Jerry Parker's phenomenal rise…do you think he evolved as time went on? How close do you imagine he has remained to the original Turtle strategies?

Well, as you and I both know, the original Turtle strategy isn't that much different from a lot of trend following strategies. There's never been a great secret. You can look at Parker's performance data. You can look at the performance data of other Turtles. You can run the correlation numbers and say "wow" because their performances correlate pretty highly.

Who is the second most successful Turtle?

I'd have to say Paul Rabar in terms of making money. He was up to managing a little under a billion dollars for awhile.

And somebody has actually done correlation studies on Rabar and Parker and determined the two track pretty closely?

Oh yeah, I discussed some of that in my first book. You can run comparisons on their monthly performance numbers, pick almost any time window and find correlation. It's like point seven to point nine. It's pretty tight. When you start to mix in other trend followers, you find that they don't correlate as well, but the Turtles as a group correlate very strongly. Can I say that Jerry Parker's doing the exact same thing [he did as a Turtle]? Of course not, but does it look like he's still a Turtle? Sure does. I don't think he'd run from the idea that he's a trend following trader. I think he'd admit that that's part of who he is.

How do you account for Dennis' statement that original Turtle methodologies don't work any more, and that for that matter, 90 percent of everything that worked back then has stopped working now?

Among the people who really understand this stuff, there's debate over what specifically isn't working. Does the idea of a breakout not work at all, or is it that the parameter values the Turtles were taught don't work? I find the debate gets a little sidetracked.

I also have concluded that in studying Rich and the things he's said over the years that Rich spins sometimes. Rich has said things at various points in time, in my opinion, that haven't always necessarily meshed up with the facts.

Can you elaborate?

If you looked through my book and some of his writings in the late 80s, early 90s, he'd be saying things like trend following doesn't really work anymore, and then you would find he'd have a comeback and be talking about how now he's a systematic trader again. It gets tough to look only at his words in articles including your interview. For me to analyze Rich, you'd have to look at all the stuff that's been in print plus what people say about him and then your own deductions about where things are.

Then there are other things that Rich will say things where you're just kind of going, "wow, that's kind of what my gut was saying, I can't believe he just said that." For example, when he told you that he really didn't think it mattered if the Turtles had any special intellectual gifts. While they were under him, it just didn't make a difference. That's not what the lore has been for the last 20 plus years. The lore was that they passed this rigid screening test and they were all very smart. Then Rich comes out in this 2005 article and says, "eh...not really." [Joint laughter]

But you know, that's how I was looking at it while looking at their performance data. Their performance data shows they were trading the same rules, and they all had very good performance data. So once again, I take Rich's words at face value. I look at the data and say, "Well, Rich's words together with this part of the data make sense." I'm sure you had similar experiences. It's not as easy as just sitting down with Rich Dennis and turning on the microphone and saying "tell me all you know" and then believing that that's everything there is to know.

This gets back to something I've asked a lot, including Rich directly during my interview. But summarize it from your perspective—why was there even a screening process at all?

My deduction is that they probably thought that that was what they should do. I think the whole process was a lot more informal when they started. "Let's put a want ad out and see what happens." They put the ad out and got thousands of resumes. Twenty years later, you and I are looking at it like it was maybe severely planned out. Maybe they came up with the screening process literally because they got so many damned resumes! Maybe it's just down to them having placed the ad before they had the screening system and they were like, "S—t, what do we do now?"

But I wonder if it went beyond the public face of "we can teach this to anybody." In private, they knew they were risking millions—why not just do whatever they could to nail it all down as tightly as possible? "This guy is more apt to cave in psychologically, this one is probably better wired for following rules", etc.? Maybe it was a fail-safe for protecting their investment as best as possible.

I got the impression in talking to some of these guys that that wasn't really a factor. Mike Shannon seemed like a very bright guy, but he was upfront about the fact that he fudged his resume. [The book implied that that hadn't fooled the mentors and that he was hired possibly because of his moxie]. His achievements leading up to the program weren't great. He admitted "I was working in a nightclub. I was a really bad broker. I connected with Rich because we both played the board game Risk as a kid." So I don't know if they were thinking about [protecting their assets]. There had to be a certain level of intelligence of course. You couldn't just hire a bunch of dummies.

What about other Richard Dennis subtexts. There has been speculation as to how closely he actually followed his systems. He told me that the creative people tend to be bad system followers because

they bore themselves into violation. Is it generally hard for him to stick with his systems—obviously this couldn't be a constant problem—but do you think there are recurring periods where his control gets away?

It looks like he did have a problem following his system. But maybe the fair way to say it was that it was never meant to be 100 percent mechanical. His system always had discretion.

I think it's interesting to look at Bill Eckhardt who started off with far less success, but who has taken the lesson of systemizing things to heart. In these days of easy number crunching, it's hard not to see that Bill has probably made a lot more money than Rich in the long run. Rich had the big wild swings, but it seems that Bill made more money being systematic.

In your new book, you lay out the whole system in a logical accessible fashion, presumably not too different than what the Turtles encountered on Day One. So where, in this comprehensive blueprint, do you imagine the discretionary wiggle room was?

You face it on all fronts. On your leverage. Or say you're supposed to get out at a certain point with no questions asked but you don't because you're hanging in there hoping for the market to turn around. That was one of the reasons that a big silver trade apparently nicked Faith at the end of the Turtle program. Apparently he was long silver and it was going straight down and he just did not get out. I was told that he expressed to people that he had a feel for it. As a trend following trader, he did not get out where you were supposed to cut your losses and get out. He admits he took a big hit. He was trying to finesse it. You see that element creep in. But then you see guys like Parker and Eckhardt who are so literally systematic they're boring.

Which is what systematic trading is supposed to be.

Yeah.

What did you learn about Eckhardt? He's managed to become arguably even more elusive than Dennis.

He is elusive. I did not get a chance to speak with him, but I got a great audio speech he gave. I don't think I would have gotten such great information even if I had sat down with the man. He lays out these scenarios and there's just such efficiency in his mind.

A lot of Turtles told me they would always learn something when they would talk to Bill. It was like he was the wise soothsayer you'd just want to sit and listen to. I'm listening to his speech marveling at how efficient he is. He's thought it through, not in an arrogant way, but a complete way.

What's your take on some of the dissention among the Turtles? In your book, some asserted that Dennis played favorites and re-allocated accounts in a way that didn't seem to them to be commensurate with performance results.

I think that speaks more to the fact this was probably more of an informal process when it started out. I'm sure some of the Turtles were looking at it early on like, hey, they were smart guys, they could crunch the math---why the discrepancies? Perhaps an equal allocation of five million each would have been better. But Rich had his hand in so many projects including politics. Perhaps he wasn't focusing on it that much. He wasn't in the office with them every day by any stretch. Maybe he saw that someone had a good month and he figured, "I'm going to back that bull". Who knows?

Did you sense sour grapes in any quarters?

I didn't sense sour grapes at all. There was a rumor out there for years that there was a sour grapes element. Before I got into this story, it was always very general. As I researched it, though, it always came down to the same thing. To a Turtle, it was discussions of Curtis Faith and the favoritism shown toward him. He was working under a different set of rules than they were.

The real kicker for me on the allocation thing and specifically Faith was Mike Covallo. He was one of the favorites. He was given a much larger allocation than a lot of the Turtles. Mike was a brilliant guy. You could blindfold him and turn him around and he could play five simultaneous games of chess against five other Turtles and beat them.

Yipes, are we sure this truly was an experiment concerning a *random* group of people?

Well hold on--Lucy Wyatt was apparently basically a manicurist. Mike Shannon and Jim Melnick were as basic as they come. Jim Melnick moved to Chicago to become a security guard just to get close to Dennis.

Covallo was the exception, the guy that had off-the-charts Harvard MBA brain power. But they didn't want all Harvard MBAs. IF they'd wanted that, they would have hired more, but they only hired one.

But Cavallo did have a large allocation and he was considered a favorite. At some point in time, Faith started a company in the early 90s that failed, and Covallo actually sat on his board. The fact that Covallo sat on his board, the fact that he was considered a favorite but, according to Cavallo, Rich as giving extra instruction to Faith--that just cut through the whole sour grapes argument. The only one who'd fit the sour grapes argument was probably the person who was being talked about. All the Turtles kept addressing the subject independently saying it the same way in their own words. [The consensus worked one way—against Faith].

Does Dennis harbor bad feeling toward him or any of the Turtles?

[Fellow Midam trader and Dennis' friend] Tom Willis told me that he himself didn't think highly of Russell Sands, but that Rich as such a forgiving guy that he doubts he holds any animosity towards anybody.

Supposedly Sands was ejected early from the program for non-disclosure infractions.

As Russell tells it, he was just talking with people and having conversations about trading systems and rules that were very general. It was his position that he wasn't saying anything that wasn't already public knowledge. Everybody was pretty locked in at the time [via the non-disclosure agreements]. Russell's a pretty aggressive guy. Maybe he was looking for a way to trade outside the program. It's hard to say, but clearly there were a lot of Turtles who were unhappy with Russell and unhappy that he was teaching the Turtle system in the early nineties.

It's a given that Dennis won the nature/nurture bet. Overall though, what percentage of the Turtles actually flourished?

People will say only approximately six of the twenty-something Turtles are still trading today. Only six can produce continuous track records back to 1988. That's a little unfair because Mike Covallo, Phil Lu, Jim Melnick, Jeff Gordon all traded into the early to mid 90s, often with significant amounts of money under management. If you were a Turtle working for Rich for a couple years and then you traded for clients for three or four years and by the early 903s you had three, four five million bucks, let's say you decided to retire at that stage of the game. In the early 90s, I could see a lot of people saying "I'm retiring" with that kind of money.

I think the majority of Turtles are millionaires. Some of them have spectacularly not done well, but I think the majority have been very successful.

Ultimately, how do the Turtles regard their experience?

I think they're very loyal to Rich and Bill. They think they were handpicked for part of something very special. Jerry Parker was a 25-year old CPA working in the Richmond area. He was destined for a career where you make $70-$80,000 a year. He wasn't on the path to becoming a Wall Street legend. He's got that famous quote, that he was a small town guy and Richard Dennis rescued him from having a normal life.

They all know that the Turtle experience has gone down in Wall Street lore as a singularly unique event. There's been nothing else like it. The closest we could maybe get to it is the inner workings of some commodities corporation. It's just one heck of a story.

What do you think the overall message of our book is to would-be system traders?

What pragmatic insights does it offer?

If gives you a comparison. It gives you an opportunity to look at the lives of the Dennises, Eckhardts and Parkers of the world. It gives you the chance to compare them to the folks that were—for lack of better description, loud…boisterous…taking too much risk. Systematic traders can be inspired by the fact that in the long run, the systematic approach, the discipline works. Compare that to a less controlled life. Clearly some of the characters of this book were big personalities that maybe didn't have the same self control as some of the others.

As a budding system trader, you can look at something like this and realize that this isn't "The Silence of the Turtles" anymore, as great as Schwager's books are. This peels back the onion and asks what was really going on. I don't have to add commentary because let's face it, the numbers are there. The guys who were disciplined and stuck with it built fantastic careers.

Art Collins is the author of Beating the Financial Futures Market: Combining Small Biases Into Powerful Money Making Strategies

Money Management

By Bennett McDowell, TradersCoach.com

Money management in trading involves specialized techniques combined with your own personal judgment. Failure to adhere to a sound money management program can leave you subject to a deadly "Risk-Of-Ruin" exposure and most probable equity bust.

With this in mind, here are a few essential money management techniques that can make a big difference for your bottom line:
1. Always Use Stops. 2. Use A Proven And Tested Methodology For Calculating Stops Rather Than An Arbitrary Figure. 3. Use A Proven And Tested Trading System. 4. Pay Close Attention To Your "Trade Size" For Each Trade And Be Sure That You Take Into Consideration The "2% Risk Rules". 5. Never Exceed A 2% Risk (Of Your Trading Account Size) On Any Given Trade. 6. Never Trade More Than A 2% Risk (Of Your Trading Account Size) In Any Given Sector. 7. Never Exceed A 6% Risk (Of Your Trading Account Size) Over-All At Any Given Time. 8. Always Trade With "Risk Capital" (Money You Can Afford To Lose). 9. Never Trade With Borrowed Money. 10. Use "Scaling" Out Of Positions To Boost Your Percentages. 11. In Most Cases, Be Sure Your Trading Account Size Is Not Greater Than 10% Of Your Total Net Worth. 12. Develop "The Trader's Mindset."

When you hear of someone making a huge killing in the market on a relatively small or average trading account, you can bet the trader was not using sound money management.
They more than likely exposed their trading account to obscene risk due to an abnormally large "Trade Size." The trader (or gambler) may have just gotten lucky and experienced a profit windfall. By trading in this manner, it's just a matter of time before huge losses dwarf the wins, and the trader (or gambler) is devastated emotionally and financially.

Calculating Proper "Trade Size"
If you are trading the exact same number of shares or contracts on every trade, then you may not be calculating the proper "Trade Size" for your own personal risk tolerance. "Trade Size" can vary from trade to trade because your entries, stops, and account size are constantly changing variables. In order to implement a money management program to help reduce your risk exposure, the first step is for you to fully believe that you need this sort of program. Usually this belief comes from a few large losses that have caused the kind of psychological pain that makes you want to change. This kind of experience can enable you to see how improper "Trade Size" and lack of discipline can sabotage your trading results.

Novice traders tend to focus on the trade outcome as only winning and therefore do not think about risk. Professional traders focus on the risk and take the trade based on their proven trading system indicating a favorable outcome. Thus, the psychology behind "Trade Size" begins when you believe and acknowledge that each trade's outcome is unknown when entering the trade. Believing this makes you ask yourself, "…how much can I afford to lose on this trade?"

Once you've answered this question (based on your money management rules), you'll either want to adjust your "Trade Size" or tighten your stop-loss before entering the trade. In most situations, the best method is to adjust your "Trade Size" and set your stop-loss based on market dynamics.

During "Draw-Down" periods, risk control becomes very important and since experienced traders test their trading systems, they have an idea of how many consecutive losses in a row can occur. Taking this information into account, allows you to further determine the appropriate risk percentage to allow for each trade.

Not Every Trade Will Be A Winner
Given enough time, even the best trading systems will only be right about 60% of the time. That means 40% of the time you will be wrong and have losing trades. For every 10 trades, you will lose an average of 4 times. Even trading systems or certain trading set ups with higher rates of return nearing 80% usually "fall-back" to a realistic 60% return when actually traded.

The reason for this "fall-back" is that human beings trade trading systems. And when humans get involved, the rates of return on most systems are lowered. Why? Because the very nature of being human is that we make mistakes, and are to emotional trading errors. That's what the reality is and what research indicates.

So, if you're losing 40% of the time then you need to control risk! This can be done through implementing stops and controlling "Trade Size". We never really know which trades will be successful. As a result, we have to control risk on every trade regardless of how profitable we think the trade will be. If our winning trades are higher than our losing trades, we can do very well with a 60% trading system win to loss ratio. In fact with effective risk control, we can sustain multiple losses without devastation to our trading account and our emotions.

Some folks can start and end their trading careers in just one month! By not controlling risk and by using improper "Trade Size" a trader can go broke in no time. It usually happens like this; they begin trading, get five losses in a row, don't use proper "Trade Size" and don't cut their losses soon enough. After five substantial losses in a row, their trading capital is now too low to continue trading. It can happen that quickly!

"The Trader's Mindset"
Equally important as controlling risk is having confidence in your trading system. You must understand that even with a tested and profitable system, it is possible to have a losing streak of five losses in a row. This is called "Draw-Down". Knowing this eventuality can prepare and encourage you to control risk and not abandon your trading system when "Draw-Down" occurs.

This confidence is an important psychological ingredient in "The Trader's Mindset", which is the mindset you need to develop to be consistently profitable. You are striving for a balanced growth in your trading equity curve over time. When you see that steady balanced growth then you'll know you've developed "The Trader's Mindset".

The "2% Per Trade Risk Rule"

The "2% Per Trade Risk Rule" will keep you out of trouble provided your trading system can produce 55% or above win to loss ratio with an average win of at least 1.6 to 1.0 meaning wins are 60% larger than losses. So, for every dollar you lose when you have a losing trade, your winning trades produce a dollar and sixty cents.

Assuming the above, we can then proceed to calculate risk. The "2% Per Trade Risk Rule" is calculated by knowing your trade entry price and your initial stop loss exit price. The difference between the two gives you a "Dollar & Cents" number that when multiplied by your "Trade Size" (shares or contracts) will give you the dollar loss if you are stopped out.

That "Dollar & Cents" loss must be no larger than two percent of the equity in your trading account. It has nothing to do with leverage. In fact, you can use leverage and still stay within a two percent risk of equity in your trading account. Remember the two percent risk must include commissions and if possible slippage, if you can determine that.

If you do not add-on to a current position, but your stop moves up along with your trade, then you are locking in profits. When you lock in profits with a new trailing stop, your risk on this profitable trade is no longer 2%. Thus, you may now place additional trades. So, multiple positions can be possible.

The "2% Per Sector Risk Rule"

Since the stock market is comprised of many different sectors, it is important that you use the "2% Per Sector Risk Rule". This rule allows you to risk 2% per sector up to a total risk of 6% maintaining proper diversification in your trading account.

For example, the stock MSFT (which is Microsoft) is a technology company in the technology sector. If you want to take another trade while you are in a Microsoft trade, you will want to select a different sector of the market, such as the chemical sector or the banking sector. This same rule applies to Options and Futures. In Futures, trade a different commodity. Using this rule you will be automatically diversified and won't be likely to take a huge hit if one sector of the market collapses.

Also note that if your risk on a given trade in one sector is only one percent, you may take additional trades in that sector until you reach a total of two percent.

The "6% Over All Risk Rule"

You should not exceed six percent over-all between all sectors. In other words, the most or total trading account portfolio risk you should have at any given time should not exceed six percent. Using this technique will keep your risk in proportion to your trading account size at all times.

"Risk Capital" – Funding Your Trading Account

It is alarming that many traders use either borrowed money or money they really cannot afford to lose. This will set you up for failure because you are subject to the market's manipulation which exploits your emotional need for a positive outcome on every trade.

In simpler terms, you could be nervous about losing. Therefore each stop out would create more anxiety to a point where you may not emotionally be able to exit a trade and take a loss. Instead you are hoping the trade will come back. It takes both responsibility and discipline to accept a trading loss and get out when your stop tells you to.

If you do not currently have sufficient risk capital to trade, begin "Paper Trading" to improve your skills while you are saving enough risk capital to begin trading with real money. This way when you are ready to trade with real money you will have practiced your trading skills and will have a greater opportunity to be consistently profitable.

"Scaling" Out Of Trades

"Scaling" out of trades can be incorporated into your money management game plan since it is a component of risk control. The psychology behind "Scaling" out is to reduce stress by quickly locking in a profit, which should also help you stay in trends longer with any remaining positions.

This is a great technique that can convert some losing trades into profitable ones, reduce stress, and increase your bottom line! I'm a big advocate of reducing stress while you're in a trade. Then you'll be able to focus on the trade and not be subject to emotions such as fear and greed. Properly "Scaling" out of positions is a win-win technique by making you more profitable and by reducing the stress.

In order to "Scale" out of trades your initial "Trade Size" must be large enough so you can reap the benefits of "Scaling." The technique is applicable for both long and short positions, and for all types of markets like Futures, Stocks, Indexes, Options, etc. The initial position must be large enough to enable you to cover your profitable trade in increments without incurring additional risk from a large opening position. Remember, we want less stress, not more!

Your initial "Trade Size" should follow the "2% Per Trade Risk Rule". The key is to initiate a large enough "Trade Size" while not risking more than 2% on entering the trade.

There are two ways to do this. One way is to find a market that you can initiate a large enough "Trade Size" with your current trading account based on a 2% risk if this initial position is stopped out. The other way, is to add additional trading capital to your trading account that will allow for a larger position because 2% of a larger account allows for a larger "Trade Size."

There is even another way, and that is to use the leverage of Options, but you must be familiar with Options, their "Time Value" decay, delta, etc. Using Options would be considered a specialty or advanced technique, and if you are not familiar with them, use caution since this method could lead to increasing your stress!

If you're stopped out before having a chance to "Scale" out, your loss would only be 2% which is acceptable from a "Risk-Of-Ruin" stand point. If on the other hand your trade is profitable you can cover part of your position and liquidate enough contracts so that if you are still stopped out, you make a small profit! If the trade becomes even more profitable, then you may want to liquidate additional contracts to lock in more profit.

By trading only one or two contracts you can't "Scale" out of positions well. This clearly illustrates how larger trading accounts have an advantage over smaller ones! Also, some markets are more expensive than others, so the cost of a trade will determine "Trade Size."

In choosing a market, liquidity is crucial. Make sure there is sufficient market liquidity to execute "Scaling" out of positions in a meaningful way. Poor fills due to poor liquidity can adversely affect this "Scaling" out technique.

Actual Money Management Examples

Example A: The "2% Risk Rule
Trading Account Size: $ 25,000
2% of $ 25,000 (Trading Account Size) = $ 500
(Assuming no slippage in this example)
Thus on any given trade you should risk no more than $500 which includes commission and slippage.

Example B: Using The "2% Per Trade Risk Rule" In The Market Place.
Trading Account Size: $25,000
2% Risk Allowance: $500
MSFT Current Value: $60.00 Per Share
MSFT Initial Stop: $58.50 Per Share
Difference Between Entry & Stop: $1.50
Commission: $ 80.00 Round Trip
Proper "Trade Size": 280 Shares

Your trading system says to go long now at $ 60.00 per share. Your initial stop loss is at $ 58.50 and the difference between your entry at $ 60.00 and your initial stop loss at $58.50 is $ 1.50 per share.

How many shares ("Trade Size") can you buy when your risk is $ 1.50 per share and your two percent account risk is $ 500.00? The answer is: $ 500.00 minus $ 80.00 (commissions) = $ 420.00. Then, $ 420.00 divided by $ 1.50 (difference between entry and stop amount) = 280 shares.

Do not buy more than 280 shares of the stock MSFT to maintain proper risk control and obey the "2% Per Trade Risk Rule." If you trade Futures contracts or Options contracts, calculate your "Trade Size" the same way. Note that your "Trade Size" may be capped by the margin allowances for Futures traders and for Stock traders.

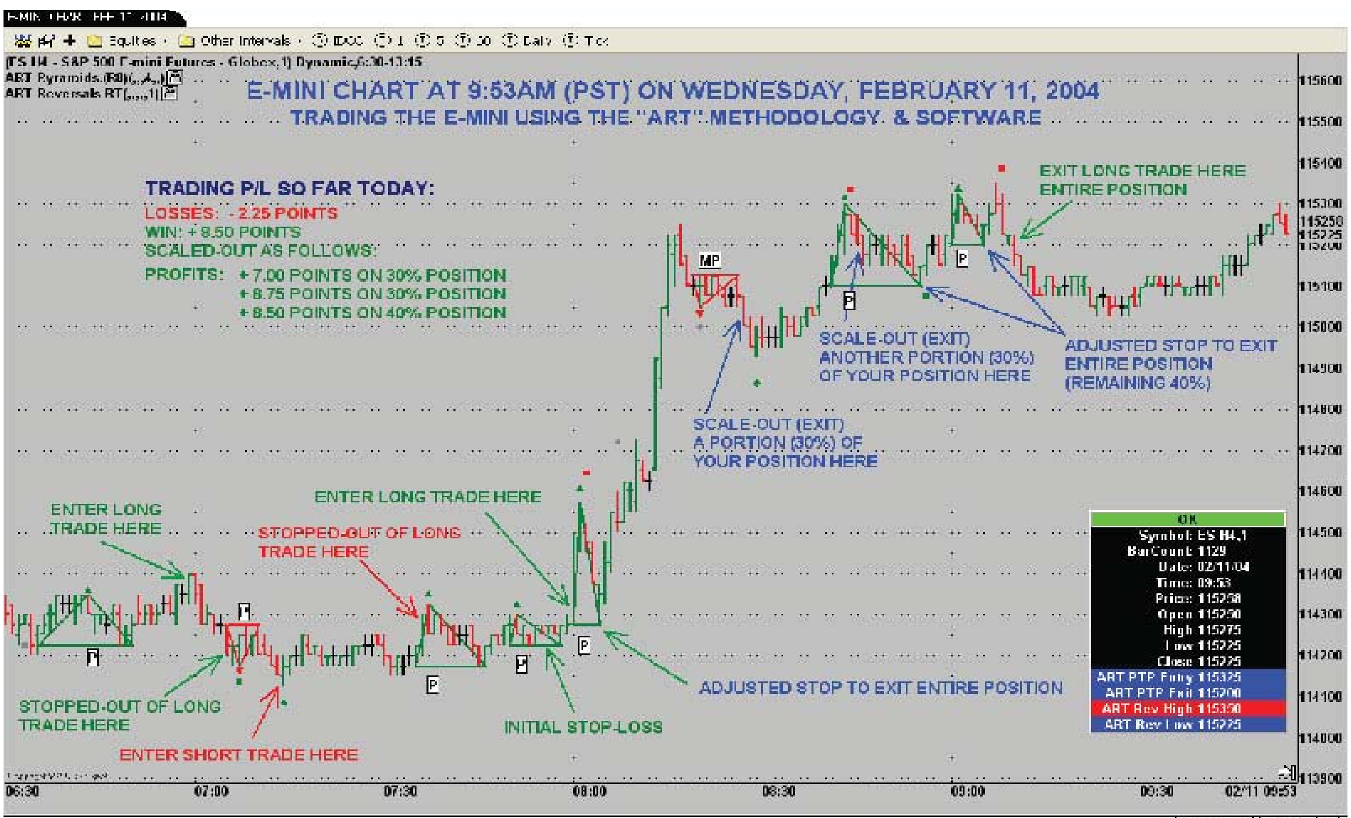
Example C: E-Mini Chart Illustrating The "Scaling" Technique
Here is a chart example using multiple money management techniques with the "TradersCoach.com" proprietary trading system "Applied Reality Trading ®". In the chart below stops are adjusted and "Scaled" out of the trade in increments as part of this solid money management program. The initial "Trade Size" was calculated using the "2% Per Trade Risk Rule" based on the trade entry and the initial stop-loss point as indicated on the chart.

Money Management Conclusion
It is important to realize that you must be aware of the risks in trading the financial markets and live in full awareness. Let your positive beliefs lead you to take the action necessary to succeed.

For traders to blindly enter the markets and trade simply because they are thinking positive thoughts is to ignore the full spectrum of what is possible. On the other hand, to live in the fear of only losing will cause you to trade the financial markets with fear, anxiety, negativity and aggression which are equally destructive. Instead, acknowledge both sides of the coin, the good and the bad. React to market activity with full-awareness and pay close attention towards risk control then you will create a positive reality with a feeling of abundance and good will.

By acknowledging the good and the bad (the reality) and by fine tuning your money management system you are on your way to greater prosperity.

Bennett McDowell is founder and president of TradersCoach.com® and created the Applied Reality Trading® system traded throughout the world. He lectures and speaks at many Trading Expos and writes for several magazines. His new book The ART® of Trading published by Wiley & Sons will be available in February 2008.



"ART®" Chart # 54 This E-mini intraday 1 minute chart illustrates how you can "Scale" out of a position but still remain in the trend.

17 Year Cycle

By Eric Hadik

November 2007 - May 2008: The Thing That Hath Been??

"The sun rises and the sun sets, and hurries back to where it rises. The wind blows to the south and turns to the north; round and round it goes, ever returning on its course.

...What has been will be again, what has been done will be done again; there is nothing new under the sun. Is there anything of which one can say, "Look! This is something new"? It was here already, long ago; it was here before our time.

There is no remembrance of men of old, and even those who are yet to come will not be remembered by those who follow."

Ecclesiastes 1:5-6 & 9-11 (New Int'l Vers. ©1986)

These words - first spoken by Solomon about 3,000 years ago - are well known to students of W.D. Gann. They express the principle that it is at the basis of cycle theory: "*What has been will be again*". The never-ending challenge is to discern *when* those things will 'be again' AND to *what degree* will the similarity exist between the two (or three or four, etc.).

Ultimately, the most important feature in any cycle study is: *Synergy*. Borrowing from another of Solomon's astute observations, "*Two are better than one... and a strand of three cords is not easily broken.*" The stronger the convergence of cycles - in a specific period of time - the more credible and reliable those cycles become (*the whole is greater than the sum of its parts*).

On many levels, late-2007 ushers in a cyclically-momentous and decisive time period. For over a decade, I have explained why the Jewish Year of 5768 (Sept. 2007 - Sept. 2008) and the adjacent period of 2007 - 2011 is the convergence and culmination of so many diverse cycles that a major geopolitical shift - particularly in the Middle East (think 'oil'... and energy policy) - is inevitable.

Details on this corroborating discussion can be viewed on our website (www.insiidetrack.com) under the title: *Focus 5768*. The point is that there is a strong synergy of cycles converging in late-2007 through late-2008 that dovetail with our *cycle-du-jour*. This convergence of other cycles corroborates today's topic-cycle... and today's topic-cycle corroborates the convergence.

Before elaborating on that, however, it is critical to lay some foundation for a comprehensive discussion on cycles...

The first principle that should be recognized is that cycles are like a spiral, NOT a circle. Even though I may use terms like '*moving 360 degrees*', the starting and ending point do not touch. They may resemble each other. They may build on one another. They may connect - in a manner of speaking - each other. But, they are not the same.

The second principle - which builds on the first - is that cycles sometimes move from *top to bottom* or *bottom to top*, in time or price. This is in contrast to the typical low-low (actually a low-high-low) or high-high (high-low-high) cycle that is routinely discussed.

In the textbook scenario (see *Hadik's Cycle Progres*sion),that transition takes place 25% of the time... or 2 out of every 8 cycles (3 high-high, 1 high-low, 3 low-low & 1 low-high, renewing this overall sequence). Of course, reality often distorts this 'theory', which is why synergy is crucial.

That might be easier to understand on a *price basis*, as a market could go from a major low to a major top during the period of 1 full cycle. In 2007/2008, stock indices (low-high) and energy markets (high-high) provide contrasting examples of this principle with regard to the cycle about to be discussed.

However, a similar thing can happen on a *geopolitcal basis* (i.e. from *peace to war* or *war to peace* during the period of 1 full cycle) or a *natural basis* (i.e. culmination of one earthquake cycle to inception of another one - or inception of one to the culmination of the next - during the period of 1 full cycle).

It can also be seen in an *overall market basis* (macroeconomic, i.e. beginning of economic boom to its culmination - or vice-versa, with an overall 'bust' cycle - during the period of 1 full cycle).

These may seem like two simple or insignificant principles... but nothing could be farther from the truth.

They represent two of the disguises that cycles wear, usually masking their true identity from the investigations of a novice cycle enthusiast.

With that foundation laid, let's examine an interesting phenomenon from 2007...

Armies on the Move...

Throughout the mid-west (US), a fascinating natural cycle was repeated this year. It involved the aptly-named, **17-year** cicada. This summer, *one of those 17-year cycles reached fruition* - with armies of cicadas emerging from underground and climbing to new heights for a 'last-hurrah' mating ritual - and *a new one began*, with the birth of a new breed and the death of the old ones.

The final phase involves millions of these hatched creatures plummeting to Earth and then disappearing beneath the surface... for another 17 years.

The last time these particular cicadas emerged was 1990. Before that, it was 1973. And, before that it was 1956... and 1939. *Ring a bell?*

In 1990, armies of stock investors watched stocks also make a steep climb and then come plummeting down... while armies of soldiers converged on the Middle East, following Saddam Hussein's invasion of Kuwait.

1973 & 1956 were similar, with significant stock market peaks, sharp declines & Middle East Wars (*Yom Kippur War* & *Suez Crisis*).

1939 was also similar, with a multi-year bear market and war.

And it all may have started with events in 1922...

In 1922, the stage was being set for most of the wars that followed (and for the credit bubbles and stock market manias that coincided)...

The Palestine Mandate of 1922 was structured in response to the collapse of the Ottoman Empire in World War I. Land and peoples - that were previously under the control of the Ottoman Empire - were divided according to this Mandate.

17 years later - in 1939 - with the DJIA having climbed to a secondary top in Nov. 1938 & then retesting this peak in Sept. 1939 - war broke out and the stock market declined about 35% in the next 3 years.

Ultimately, this war engaged much of the globe and resulted in a new division of the Middle East. 1939 also witnessed the culmination of the first intifada against Jews (1936-1939), the *White Paper* on Jews and the *Great Uprising*... all which planted teh seeds for future, related conflicts.

17 years later - in 1956 - the DJIA completed a 3-year surge and set a double top - in April & July/August - before dropping into late-1957. This stock market decline - of roughly 20% - coincided with the Suez or Sinai Crisis of late-October 1956 (into March 1957)... and a new division of the Middle East.

In 1973 - ***17 years after*** the 1956 War and stock market decline - guess what took place?

The stock market topped - a little more than 10% above its previous peak - and then lost 50% of its value in the next 2 years. Once again, it coincided with a late-1973 Middle East war - the *Yom Kippur War* (and the first oil shock in the U.S.). It took years to recover from the damage done during that brief period of time, including the 7-year period of escalating inflation that ensued.

The 'pest' went back underground for another ***17 years***... but the seeds for future conflicts were left behind in 1973.

Then came 1990...

17 years had passed since the 1973 Middle East war and stock market drop. The DJIA had again climbed to new highs - about 10% above its 1987, pre-crash peak. In walked Saddam Hussein… *into Kuwait, that is*.

The stock market dropped over 20% & war broke out in the Middle East. Market action was more like 1956 (34 years prior) - creating a sharp setback in a developing bull market.

Yet again, 1990 involved the *advancing and retreating* armies of cicadas, *advancing and retreating* armies of stock investors and *advancing and retreating* global armies of soldiers... and a resulting restructuring of the Middle East - politically and ultimately, geographically.

The more things change... the more they stay the same... just 17 years apart.

17 years later... here we are in 2007.

The DJIA rallied to new highs - more than 10% above its previous highs (just as in 1973 & 1990) - even while the S+P & Nasdaq 100 showed significant divergence. This parallels - on different levels - 1939, 1956 & 1973, when a form of double-top or lower top preceded a major decline.

The DJIA peaked in mid-July - exactly 17 years from its mid-July 1990 peak - and just retested this high on **October 11, 2007** - EXACTLY 17 years from the **October 11, 1990** low of 2365. As stated at the outset of this article, cycles typically last from ***high - high*** or low - low but periodically (about 25% of the time) go from high - low or - in this case - from ***low - high***.

Accelerating developments in Iran's nuclear program and a growing awareness of Syria's chemical and nuclear weapons' ambitions are increasing the potential for a Middle East War in the coming months or years.

Talk of a November Peace Conference could again restructure the Middle East - particularly Jerusalem - in the coming year(s).

And, it all converges at the EXACT time frame that has been our focus for the past 10-15 years: the ***Jewish Year of 5768*** that began in ***September 2007***.

34-Year Cycle...

Could the stock market be in for another multi-year, 20-50% drop... as in 1973 & 1939 (the same 34-year cycle that governed the 1932--1966--2000 turning points)?

Many investors are well aware of stock market cycles that encompass approximately 2, 4 & 8-years. These were obvious in the market moves from 1966--1974--1982--1990. They have also been seen in the market lows in 1990, 1994, 1998 & 2002.

At its core, this cycle is a multiple of the 2+-year cycle that governs stock market action. It incorporates time frames of 2.15, 4.3, 8.6 (450 geometric weeks) & 17.2 years, as well as 34 years.

A perfect example of the **34-year** cycle is the Major low-high-high <u>*Cycle Progression*</u> (1932 crash low to 1966 high - 2000 high). That remains intact in certain indices that are still trading below their 2000 peaks.

Measured from the 1932 low into the 2000 peak (in indices like the Nasdaq), that bull market lasted 68 years, divided into 2 distinct periods (each of which was divided into its own 2 distinct periods).

The 2 larger cycles encompassed the rally from the 1932 low to the 1966 high (34 years). The second cycle was from the 1966 high to the 2000 high.

Within the former rally (1932 - 1966), many market historians peg 1949 - and the low before the breakout rally - as the transition date - away from an overall bear into a bull. So, this 34 year rally is comprised of a **17-year** low-low (1932 - 1949) and an ensuing **17-year** low-high (1949 - 1966).

During the ensuing bear market, market historians are divided on the 1982 or the 1984 low as the start of the subsequent bull market. If we take the mean of 1983, we have another precise division into 2 **17-year** cycles... culminating with the 2000 peak.

A closer look at the accompanying table also highlights the ***34-Year*** cycle. Similar to 12-hour cycles on a clock, ***every other*** *17-Year Cycle* holds more similarities to its predecessor (just as every other 12-hour period is more similar in nature; 12 PM is more like 12 PM and 12 AM is more like 12 AM). This creates an overlapping ***34-Year Cycle***.

1956 & 1990 completed 3-year surges and led to 10-20% corrections.

In contrast, 1939 & 1973 resulted in 2-3 year bear markets with the DJIA losing 35-50% of its value coinciding with wars that had farther-reaching impact.

Unfortunately, 2007 is the next in this ***34-Year Cycle*** of events - with more similarities to 1973 & 1939 than to 1990 & 1956.

That '70's Show...

This also corroborates (synergy) another parallel I have discussed for several years. It involves not only a comparison between 1973/1974 & 2007/2008 but also a comparison to the 7-8 years that preceded each period. Here are a sampling of the similarities…

Jan/Feb 1966 saw a major stock market top followed by a nearly 40% drop in the DJIA.

Jan/Mar 2000 (**34 years later)** saw a major stock market top followed by a nearly 40% drop in the DJIA.

1967 saw an Israeli/Middle East War (*Six Day War*) at the same time America was entering a prolonged battle (Vietnam) that polarized the nation.

2000/2001 (**34 years later)** saw a renewed battle involving Israel (intifada) and America entering a prolonged battle (starting with 9/11) that has polarized the nation.

1970 - 1973 saw a 31-month culminating surge that brought the DJIA above its Jan. '66 high.

2004 - 2007 (**34 years later**) has seen a culminating 33-month surge (into July) that brought the DJIA above its **Jan. 2000** high.

1973 - 7 years (1 'week' of time) from the **1966** stock market top - saw the DJIA trade above its **1966** high for a brief period of time and then enter a 2-year bear market and lose 50% of its value.

2007 - 7 years (1 'week' of time) from the 2000 stock market top (AND **34 years** after 1973) - has seen the DJIA trade above its 2000 high. *What will the next 2 years bring?*

1973 also saw another Middle East War (*Yom Kippur War*) in the fall of that year.

2007 (34 years later) has all the makings for another Middle East War... although a cycle 'flip' - to a dramatic 'peace' in the Middle East is possible, There is also the potential for both - peace and war... or war and peace.

1973 witnessed the first oil shock in the US.

2007 (34 years later) is witnessing a new oil shock in the US.

Banker's Hours (Cycles)...

The ***17-Year Cycle*** (and its multiples of 34 & 68 years) is prevalent in many other related areas. One of these is banking...

17 years ago, the US was experiencing the height of the S&L Crisis in 1989 - 1990. This crisis was triggered by a collapse in *commercial* real estate.

In 2007, the sub-prime mortgage debacle is reaching a crescendo and could require another massive bailout - of some sort - like that which was facilitated in the early-1990's. This time, the cause is linked to *residential* real estate (*"a spiral, not a circle"; similar but not exact*)

Back then, the public was paying for this collapse until 1993. (This is also one reason - in addition to the collapse of the Soviet Union and resulting 'peace dividend' - why budget deficits dropped dramatically after 1993.)

*Could we see similar rescue operations into 2010 (**17 years** later)?*

However, 1990 and 2007 are not the only periods incorporated into this overall cycle...

Not surprisingly, England experienced one of its biggest bank bailouts in 1973 - 17 years before the US S&L Crisis hit its peak in 1989/1990 and 34 years before the US sub-prime fiasco in 2007.

17 years prior to that - in 1956 - 1957 - the United Kingdom gave the still-developing IMF the opportunity to experience and respond to its first international financial crisis - a consequence of the Suez Crisis of late-1956.

This crisis was linked to the value of the Pound Sterling and the speculation that began to drive it down in the aftermath of the Suez Crisis. Much of this had to do with President Eisenhower - in an attempt to force the UK into a ceasefire - threatening to sell U.S. reserves of the British Pound and drive down the value of their currency.

Ironically, this crisis forced the Bank of England to liquidate (sell) massive holdings of US Dollars. So, the U.K. & U.S. have been closely linked in these banking struggles.

51 years later (3 x 17), the Dollar is again under pressure and another financial/banking crisis is coming to light.

1922... and the 17/85-Year Cycle...

Many events of today - like the division of the Middle East - trace their roots to 1922... *5 phases of 17 years ago*. While this is probably NOT the actual *origin*, it does appear to be the start of the larger cycle... that is now reaching fruition.

1922 marked the *beginning* of the 1920's stock bull market (1922 - 1929), with the DJIA more than tripling during this period.

This 7-year period (1 'week' of time) also created the credit bubble that ultimately led to the Great Depression.

17 years later - 1939 - is recognized as the *end* of the Great Depression.

In one ***17-Year Cycle***, the markets and the economy went through one complete, comprehensive boom-to-bust cycle.

Since that time, the ***17-Year Cycle*** has pinpointed several partial boom-to-bust cycles... leading into a cyclical crescendo in 2007/2008.

This is even more intriguing when placed in the context of major, global financial crises...

2008 - 2009 is 17 times 17 (289) years - a type of higher-degree cycle - since one of the most notorious financial crises: *The South Sea Bubble* (see accompanying chart).

This crisis began with the *South Sea Company* - in 1719 - proposing to buy one-half of England's national debt and ultimately convert it to a lower interest rate. It ended with shares of the South Sea Company multiplying 9-fold - in only a few months time - only to crash all the way back down a few months later.

Isn't it ironic that this took place exactly 85 years (17 x 5) after the beginning of the *Tulip Bulb Mania* that began in 1634?

In an intriguing parallel, the Stock Market Mania that began in 1922 (and ended with the crash of 1929) is 85 years, or 5 cycles of 17 years - prior to 2007... the same duration in time between 2 of the most notorious manias of the past 500 years (1634 - 1719).

Could the US Stock Market Mania that began in 1922 being reaching its ultimate crescendo in 2007?

Or, could this be pinpointing the period between 2 separate manias (stocks and real estate; stocks and oil; stocks and commodities???)... just as the Tulip Bulb & South Sea Bubbles involved distinct 'investments'.

17-Year Cycle Inversion?

While many things are beginning to look ominous, could another surprise be just around the corner?

What would happen if a valid Peace Accord really did result from the Annapolis Conference in November?

What if Iran compromised on its nuclear ambitions in exchange for US compromises with Iraq & Israel? Could the U.S. agree to turn over more control - to Iraq or maybe UN forces - in 2008.

Or, could a Presidential candidate attempt to mediate some form of truce (as some have done in the past)?

Russia, Turkey and Syria are other players that could dramatically influence whether the potential for Middle East peace expands... or explodes.

This may sound naive or 'polyann-ish' but traders should never ignore contrasting possibilities. Markets top on bullish news and bottom on bearish news. The same is true of geo-political peaks and valleys.

August 1990 - April 1991 represents the duration of the initial phase of the 'Persian Gulf War'... from initial incursion to ceasefire agreement.

Could April 2008 - 17 years later (on the eve of the 60-Year Anniversary of Israel's statehood) - witness a similar type of ceasefire?

It would not surprise me to see President Bush do all he can to accomplish two objectives before leaving office:

1 - Faciliate a more lasting Peace Accord in the Middle East.

2 - Secure stability in Iraq and bring home as many troops as possible.

Both of these events - if accomplished or even begun to be accomplished - could create a political windfall for Republicans and a disaster for Democrats... at the most 'inopportune time'.

April/May 2008 - the culmination of the US Presidential Primary Season (even though the final primary is in early-June) and the transition to all-out Republican vs. Democrat campaigning - also marks the culmination of this key ***17-Year Cycle*** in the Middle East.

March 2008 is 51 years (3 x 17) from the culmination of the Suez Crisis and the departure of Israel from the Sinai. So, March - May 2008 is a key period linked to multiple ***17 & 34-Year Cycles*** (synergy of synergy).

Presidential Cycles...

On the topic of U.S. elections, the ***17 & 34-Year Cycles*** have also pinpointed many 'firsts' (or 'onlys' AKA anomalies) in America's history of Presidents, coinciding with financial panics and/or crashes...

The 1973-1974 Bear Market (stocks dropping 50% in less than 2 years) coincided with the only time a U.S. President resigned.

34 years prior to this, the 1939-1942 Bear Market (stocks dropping 35% in the ensuing 3 years) coincided with the only time a U.S. President exceeded an 8-Year term in office. It also coincided with the resignation of Neville Chamberlain in the UK (another major resignation), following a major miscalculation of Hitler.

34 Years prior to this, the 1906/1907 stock market crash (a drop very similar in scope - both time and price - to 1973-1974) coincided with the term of the youngest U.S. President ever to serve in office (JFK was youngest elected while Teddy Roosevelt was youngest in office).

Over in the UK, another major resignation occurred with Arthur Balfour leaving office. However, he would return to the forefront of politics with the Balfour Declaration in 1917 (establishing a homeland for Jews in Palestine).

34 years prior to this, the Panic of 1873 occurred. This followed a rather bizarre anomaly in American politics, leading to Ulysses S. Grant's 2nd term in office.

On November 29, 1872 - after the popular vote but before the electoral college vote - the Democratic candidate, Horace Greeley, died. Electors ended up voting for 4 different Presidential candidates and 8 different VP candidates on the Democratic side (Greeley even received 3 votes that were disallowed by Congress). Imagine the fun that today's lawyers would have had with that election.

Grant had won the popular vote by a landslide and - consequently - won the electoral college vote in one of the most lopsided victories in U.S. history. However, it was another intriguing anomaly in the U.S. Presidential Cycle.

34 years prior to that, the *Panic of 1837* - and Depression lasting into 1842 - occurred. This overlapped the election of 1940 and another anomaly... the shortest term of any U.S. President (1 month). This took place during William H. Harrison's very brief term.

So, the shortest term, the longest term, the only resignation, the quickest death of a President, the quickest death of a Presidential nominee and the ascension of the youngest President all coincided with the *34-Year* (and therefore the *17-Year*) *Cycle*.

The 68-Year Cycle...

Just as there appears to be closer similarities in stock market drops at 34-year intervals, there also appears to be a closer parallel between stock market - and economic - drops at a 68-year interval... all linked to the *17-Year Cycle*.

The *68-Year Cycle* includes the secondary top in stock market in 1939 and subsequent 35% drop into 1942. ***68 years*** later, many indices topped in 2000 and are putting in secondary tops in 2007.

In 1939, all the seeds were being sown for a major war. In 2007, the geopolitical outlook is uncannily similar.

68 years prior to 1939 - 1942 was the *Panic of 1873*. Economic troughs - in 1874 & 1942 point to 2010 (see bailout discussion for corroborating cycle) for the next important low.

The intervening moves of 1973-1974 & 1906-1907 were also close parallels to each other, separated by 68 years.

There are many other cycles (including the *17-Year Cycle*) - linking banking, the US Dollar & US government - converging in 2013 - 2014. This is the topic of a separate discussion.

However, it is intriguing that the seeds for this culmination are being planted 7 years earlier... in 2007.

And, the election of 2008 has the greatest synergy of *17-Year Cycle* multiples and factors coming into play (including a *136-Year Cycle* and an *8-Year Cycle*)...

136 years (8 x 17) from the death of Democrat Greeley.

68 years (4 x 17) from only 3rd term of a U.S President.

34 years (2 x 17) from only resignation of a U.S. President.

8 years (1/2 x 17) from 2000 election (another anomaly).

...And all the other ***34-Year*** cycles discussed previously. The 2008 election is bound to be an unpredictable one! And, it is ripe for other 'firsts' with the potential for the first female U.S. President, the first African-American U.S. President and/or a combination ticket of both. Of course, 'surprises' are not usually anticipated, so a true 'surprise' or 'first' could be something even more out of the ordinary.

In an ironic twist, this potential for a surprise could have important historical precedents... *"the things that hath been"*. In other words, the surprise might still be a surprise but the potential for a surprise is no surprise. Got it?

The important principle in all of this is ***synergy***. It is not just a single cycle that warrants increased attention. Instead, it is when many cycles converge during the same period.

The Jewish Year of ***5768*** *- Sept. 2007 - Sept. 2008* contains one of the greatest alignments of diverse cycles I have ever seen in a single *year*. The *period* of 2007 - 2011 is similar. *Synergy!*

As this *year* and this *period* are beginning, the sun is also preparing for an active period. Some scientists believe it will be one of its most active ever. (This is detailed in separate reports; see insiidetrack.com for details.) *More synergy.*

This type of instability - in the markets, government, solar system, etc. - extends to the heavens and down to the depths... the depths of the earth's tectonic plates, that is. *All-encompassing synergy (with direct & indirect market application)...*

<u>17-Year Shake-ups</u>...

There is an interesting phenomenon with regard to earthquakes. It has to do with animals sensing the early vibrations, before the tectonic plates actually shift or break free.

Very likely, precursor waves - vibrations, magnetic disturbances, etc. on a lower degree - do occur before a major earthquake. It is just that we humans are desensitized to this movement.

So, what if we viewed this phenomenon on an even larger scale? And, what it we apply it to humans - and mass psychology - reacting irrationally to the subconscious recognition of a coming shift (geologically, geopolitically or economically)?

What if earthquakes - as I have contended for the past 10-15 years - are NOT isolated events but rather part of coordinated movement deep within the earth?

This is why so often we witness a flurry of quakes - spread around the globe - all occurring within days or hours of each other.

Isn't it still true that every action has an opposite and equal reaction?

If part of the earth shifts, wouldn't there be reverberations and realignments at other points around this terrestrial ball?

And, if this is the case, is there a consistent period of time between 1 - these shifts, 2 - the subsequent realignments and settling phase and 3 - the next flurry?

And, if so, are there early signs of it - visible to astute observers? In other words, do humans sense it subconsciously and react in their investment decisions? Only technical analysis - measuring mass psychology - can detect this.

Stay with me for a moment as I try to explain my point for this speculation. It all ties together, increasing the overall synergy...

17-Year Exodus

All of these forms of instability take us back to those pesky little creatures that show up on a remarkably consistent, 17-Year basis...

Let's suppose there was a consistent cycle in the earth and its *internal* movement (just as there is in its *external* movement). Would it have an observable impact on other entities (living creatures)?

Could a developing vibration in the earth trigger a mass exodus to the surface, just as humans scatter from a building if it begins to shake and sway?

Could this subterranean shifting signal some underground creatures to come above ground... like the 17-year cicadas?

Of course, the cicada *life-cycle* is a *life-cycle*. So, when the buried insects reach a certain maturity and the ground warms sufficiently, they emerge on a very consistent *17-year* cycle.

But, isn't it more than just a little intriguing that instability hits armies in the Middle East and investors in the Western World at the same exact time and with the same regularity as it does these underground creatures?

And, isn't it a little 'unsettling' to realize that earth disturbances converge during the same periods and with the same regularity?

That's right. The ***largest groupings*** of destructive earthquakes and volcanoes are eerily grouped at ***17-year*** intervals... with the latest cycle beginning right now (see table).

Mid-October through mid-November and mid-January through mid-February 2008 are the next critical time frames in this sequnce. The early-2008 period coincides with 17-Year war cycles (beginning of 1991 air assault on Saddam Hussein) and with a unique, 19-month cycle in Crude Oil.

Synergy: The 17-Year Equalizer

This is rarely noticed since there are always individual earthquakes or volcanoes going on.

But, they are like 'white noise'. They create a giant distraction so that most observers will not notice the bigger, more important cycle that recurs on a very regular basis. That is where synergy comes into play. *Focus should be on the greatest concentration of earthquakes.* It is a case of looking at the forest, as well as the trees.

And, this focus now turns to 2008 - 2012, with a special focus on California in the coming years. California has shown a very consistent **17** (and **34**)-**Year** Cycle in its earthquake activity, dating back to the 1800's.

Its 3 biggest earthquakes - of the past 2 centuries - came during the 1854-1857, the 1871-1874 and the 1905-1908 ***Earth-Disturbance Swarm Cycles*** shown on the accompanying table. The more recent Northridge quake occurred only 16 days after the 1990-1993 *Swarm Cycle.*

There is much more to this topic that is discussed in separate reports and articles. There are also critical market applications that coincide. Two of those were mentioned in the first section of this article - the potential for major peaks in both the stock market and the oil market.

October/November 2007 pinpoints this cycle in stock indices while November 2007 - January 2008 pinpoints this cycle in oil.

On a more precise basis, the 40-day period between December 11, 2007 and January 20, 2008 possess an unusual combination of cycles - directly related to war, earth-disturbances AND the markets - auguring some sort of surprise.

This 'surprise' is more likely to be a negative one, but market action in the final months of 2007 will have to clarify this. This will be monitored and updated in our publications, on an ongoing basis.

Another 17 years have passed and *'what has been... is being again'*. Or, in earthquake language...

The tremors are just beginning to materialize. The Shake-ups are coming. IT

Eric S. Hadik is President of INSIIDE Track Trading and can be e-mailed at INSIIDE@aol.com. Their website is at www.insiide-track.com.

Exit Targets for Two Unit Positions

By Jaime Johnson Dynamic Traders Group

In past Traders World articles we have demonstrated various trade entry and stop loss placement strategies. While learning when to enter a trade and learning where to place a stop loss are essential for risk management, money cannot be made until a trade is exited. So learning where to exit a trade is as important as learning where to enter a trade.

Before we talk about common price targets to exit trades, we must first talk about the importance of trading multiple units.

Multiple Units

One of the important lessons we teach at Dynamic Traders Group is to always trade multiple units. If you are new to this business, start with trading two units. Seasoned traders should trade three or more. This article shows price targets for positions with two units. For a futures trader trading two contracts, one unit would be one contract, for a six lot forex position, one unit would be three lots, for 1000 shares of stock, one unit would be 500 shares, etc.

Trading multiple units can result in profitable trades even when analysis is incorrect. Trading multiple units also can put a trader in the position to earn great profit if the analysis is correct especially if each unit is exited at the price targets that will be demonstrated in this article.

The 50% Retracement

A common price target we use to exit one unit of a trade or at least consider exit strategies is the 50% ret. of the previous trend. The reason this is a common price target to exit one position is the 50% retracement is the minimum price target for a typical correction. So if only a correction to the previous trend is unfolding and the first unit is exited at the 50% retracement, a trade could potentially end up as a wash (breakeven), if not a small profit.

Chart 1 (AMGN – Amgen – Daily) shows a short position triggered on the trade below the June 18 reversal confirmation day low. The protective buy-stop is one tick above the June 15 high and the initial price target where exit strategies should be considered for the first unit is 55.84, the 50% retracement of the May 15 – June 15 rally. This is the minimum price target for a typical correction to the May – June rally.

The 127% External Retracement

A common price target we use to exit the 2nd unit is 127% external retracement of the previous trend.

Chart 2 (AMGN – Amgen – Daily) shows June 25 reached the 50% retracement where exit strategies for the first unit of the short position should be considered to secure profit. Chart 2 also shows the 127% external retracement of the May – June rally at 50.47 was reached on Aug. 1 where exit strategies for the 2nd unit should be considered for profit.

Chart 3 (US Dollar – Daily) shows a long position triggered on the rally above the July 25 reversal confirmation day high. A protective sell-stop was placed one tick below the July 24 low. The price target to consider exit strategies for the 1st unit is the 50% retracement of the June 13 – July 24 decline at 81.57 and the price target to consider exit strategies for the 2nd unit is the 127% external retracement of the June – July decline at 84.18. The primary price target was reached, however, the 2nd unit stopped out at 79.87, on the decline below the July 24 low.

While the primary price target was reached, the rally off the July low turned out to be a correction and the secondary price target was not reached. The first unit stopped out for a small profit and the 2nd unit stopped out for a loss. The entire long position was a small profit even though the secondary price target was not reached.

The Basic Exit Strategy

While we at Dynamic Traders Group use various exit strategies to maximize profit, the easiest exit strategy is to set limit orders to exit each unit at the intended price targets. In the AMGN example, a limit order could have been placed at or slightly above 55.84, the 50% retracement of the May – June rally. Once the initial price target is reached, set a limit order to exit the 2nd unit at or near the secondary price target.

Limit orders to exit units are especially helpful when you are trading shorter time frames and you are not able to continuously monitor the market.

Always Consider Risk/Reward

When deciding if a trade should be taken, the trader must consider the risk to reward ratio (risk = the price difference between the entry and stop loss, reward = the price difference between the entry and price target).

The risk/reward ratio for the first unit should be at least 1:1 in the event the second unit stops out for a loss, the worse case scenario is you would breakeven on the trade. The ideal risk/reward ratio for the first unit is at least 3:1 (keep in mind while it is called the risk/reward ratio, the first number in the actual ratio is the reward, the 2nd number is the risk).

The absolute minimum risk/reward ratio for the 2nd unit should be 3:1, ideally at least 5:1.

All the Ingredients

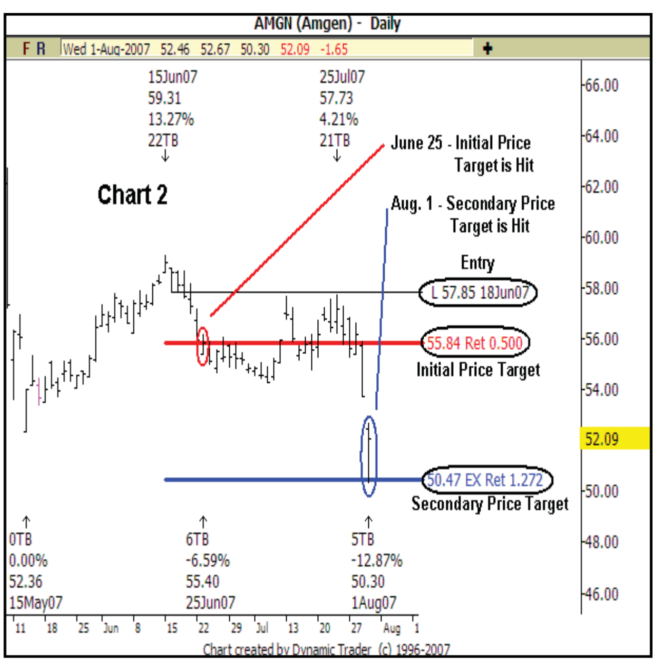
A good trade strategy needs all the ingredients for success, a specific entry strategy, stop-loss placement and adjustment strategy, specific price targets, and exit strategies.

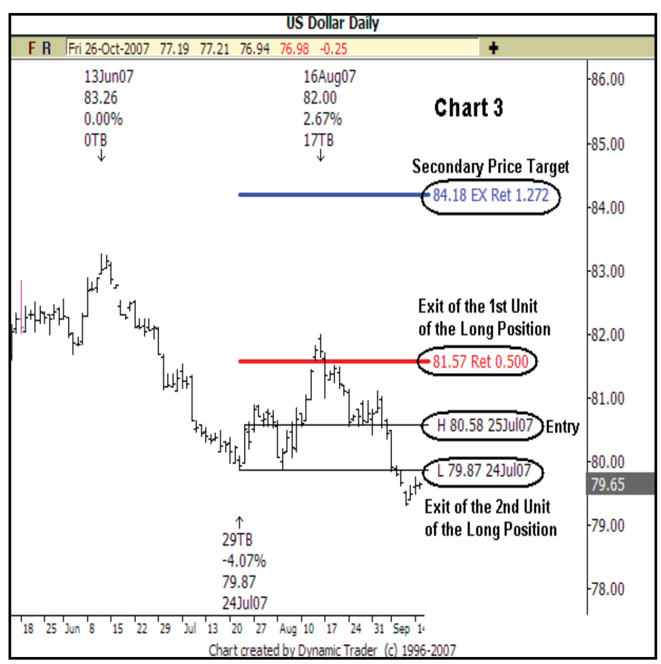
Once successfully in a trade, exiting one unit at or near the 50% retracement of the previous trend reduces risk for the entire trade, if not securing some profit. Exiting the 2nd unit at the 127% external retracement of the previous trend makes you money, the intent of this business.

Once you feel comfortable trading two units, start trading three. A few profitable third units can make the difference between amateur and professional trader.

For more information on the Dynamic Trader approach for trading stocks, ETFs, Forex and the futures markets check us out at http://www.dynamictraders.com.

Jaime Johnson is the co-author and chief technical analyst and trade strategist for the daily Dynamic Trader Stock and ETF Report, the Dynamic Trader Futures Report and the Dynamic Trader Forex Report. For more info, go to www.DynamicTraders.com





How Long Will Beans Surge Higher?

By Ernie Quigley

Back in 2004 I discovered a "signature low" pattern in soybeans separated by 27-28 years. These signature lows occurred at the Fall Harvest lows of October 1922, November 1949, October 1977, and November 2004. This 27-28 Year Cycle is one half of the 54-Year Kondradiff Cycle. 27-28 years is MAJOR cycle measurement found in corn and soybeans.

The important finding of this research was that it ushered in a number of years of very volatile markets for soybeans. The years after each of the prior signature lows were significantly more volatile than the years preceding the signature lows. Based on these finding our annual forecast for 2005 projected a period of volatility that will reach its peak of intensity in 2013.

Figure 1 is taken directly from our *2008 Forecast* and shows the signature lows and the resulting periods of volatility.

Based on a second alignment of the same 27-28 Year Cycle, Harmonic Timing's forecast for 2007 projected a MAJOR HIGH during 2008 for both soybeans and corn. This projection was restated and reinforced at our *2008 Forecast* presentation of last December. *Figure 2 is again taken directly from our 2008 Forecast and shows a projected completion of a major bull market during 2008.* A theme of our commentaries has been to expect a surge to a bull market high followed by a bear market. This means it is crucial for traders of soybean to have benchmarks to follow that will signal that a major high is unfolding.

Now let's use much shorter-term cycles to see if we can narrow the anticipated Cycle Turn Window to make the information more useful.

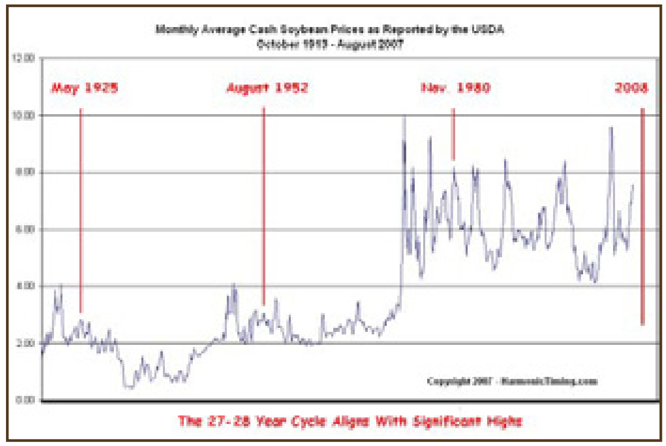
There are two time periods that loom large in our work. Figure 3 is again taken from our 2008 Forecast published last December. Only the exact Cycle Turn Window has been generalized. The data shows a 20 to 26 Month Interval of W.D. Gann's 45-Year Cycle. This cycle is measured from the Fall Harvest Low of October 1998. This is a very reliable cycle as *each* of its turning points since October 1998 has resulted in an important high or low. Ideal measurements from each of these past highs and lows project a Cycle Turn Window during April 2008.

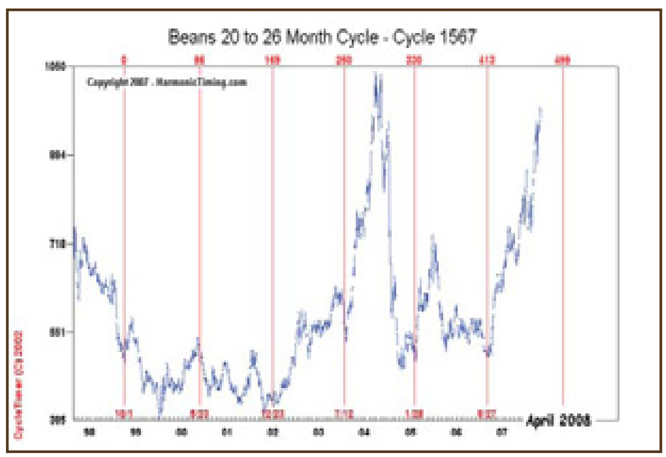
There are two other of our cycles that also measure to April 2008. April is one of two favored times for the completion of the current historic surge in beans.

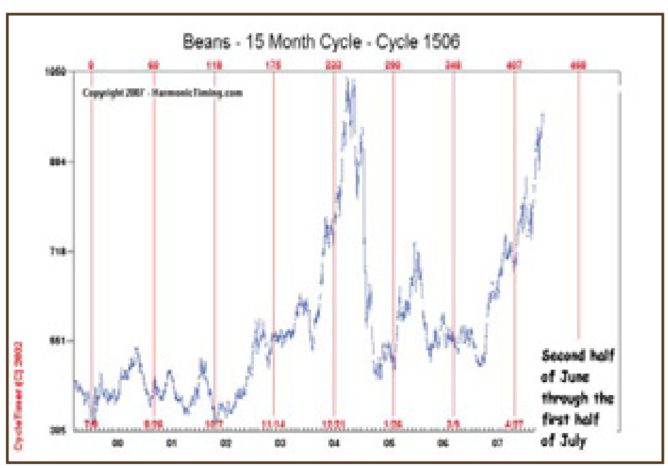
Figure 4 is taken from our 2008 Forecast and shows an approximate 15 Month Interval of W.D. Gann's 30-Year Cycle measured from the major low of July 1999. Only the exact Cycle Turn Window has been generalized. This cycle is again a reliable cycle. Only one of its projected Cycle Turn Windows did not result in a meaningful high or low. Ideal measurements from each of these past highs and lows project a Cycle Turn Window for the second half of June through the firsts half of July.

There are three other cycles that also measure to the second half of June through the first half of .July. This time period is the second of two favored times for the completion of the current historic surge in beans.

Ernie Quigley is an active trader and author of Harmonic Timing newsletters. He has been publishing the newsletter Harmonic Timing of Soybeans since October 1992. He can be reached at office@HarmonicTiming.com Free videos and other timely information is







TradersInternational E-mini Trading Room

By Larry Jacobs

If you are interested in E-mini trading you might want to visit the Traders International website – www.tradersinternational.com. They host a live trading room in which you can access directly from your own computer. In this room the professional moderators announce buy and sell signals based on the *TIMES Trading Method*, live in the online trading room every day, from bell to bell. Also during the day and after hours they have classes that teach you how you can recognize the high probability signals by yourself. Knowing psychology is a large part of successful trading so to help you in that area they help you develop your mindset to trade better as a professional. Finally they help you develop a method of money management and risk control for successful trading. I have not seen any other source that can coach traders so effectively in the live market.

The E-mini market is extremely large. Daily trading on the E-minis exceeds $40 billion dollars per day. It was launched by the Chicago Mercantile Exchange and is now regarded by leading financial experts as the most successful financial product ever launched.

So why should one trade the E-minis? There are several reasons.

1) There are no market makers.
2) No gaps during the market hours
3) 75-1 leverage
4) 15 points average daily range
5) 2 points = 10% ROI in minutes.
6) No over night positions held
7) Substantial tax advantage
8) Several opportunities during the day.
9) Superior liquidity
10)No up-tick rules when shorting

Trading the E-mini at home is an easy business to get into. There is no staff, no boss, no rent, no sale, no inventory, no insurance, or a place of business to maintain, no debtors and creditors, no 70 hour working weeks or working on the weekends and your business can actually operate from anywhere in the world.

To see if trading E-minis is for you, Traders International holds live market trading sessions every Tuesday and Thursday at 2pm, EST. You can sign up for the next session on www.TradersInternational.com. During the free online live market trading sessions, you'll see live in real-time, the trading methods, the market tools and the education and mentoring program.

In the live Market Trading Sessions you will learn:

1) Live trades called in the real time market.
2) How to trade the Times methods high probability signals
3) Why Times methods high probability signals consistently give traders an opportunity for profits every week and how you can profit from them.
4) How to minimize the risk and maximize the potential.
5) How to develop a winning mindset to become a consistent profitable trader.
6) Why you don't need to know everything about the markets to become a successful E-mini trader.
7) How to access Traders International live trading rooms online and trade with the Pro traders.
8) How to get setup to properly trade the eMinis.

You can also go to their site www.TradersInternational.com and view the latest live signal results. These are actually presented in daily video recaps. You actually have a chance to view what happened during the days viewing the charts and audio of the trading moderators of the room.

I personally monitored the Traders International rooms and listened and watched both the moderators and comments from the room participants for around ten days for this review. The moderators did an excellent job of finding the *Times Methods Trades* and calling them out before the entry point. Majority worked and a few stopped out. Many traders seemed to be pleased with their profits. The key to trading successfully seemed to me to having the ability to remain emotionally detached from the trades. One must have the confidence in trading method. This detachment can only be achieved through confidence. Confidence can only be achieved through knowledge obtained from studying the trading method and back-testing of it. One must know the system. One must also use effective money management for successful trading and have the psychological training. Traders International provides all these elements to its members.

Afshin Taghechian is the Founder of Traders International and fully understands why some traders are extremely successful trading E-minis and why some are not and fail. He developed live trading rooms where seasoned traders coaches teach cutting edge techniques in real-time. These trading rooms help to alleviate much of the fear and greed emotions of the trader.

Mr. Taghechian can be contacted at www.tradersinternational.com

The Secrets of Slippage and Fibonacci Price Analysis for Placing Stops

By Barry Rosen of Fortucast Market Timing

How many times have you placed your stop at a key Fibonacci retracement target and gotten hit by the locals and stopped out? With everyone using Fibonacci numbers, you have to be one step ahead to win the race. Here are some tips.

1) Fibonacci numbers work because crowds--including crowds of numbers--are dynamic systems that conform to mathematical laws. If you have ever been to the Museum of Science and Industry in Chicago, you may have seen the machine there that sorts balls randomly into eight slots and at the end of the run, the balls form a bell curve. Likewise, the Fibonacci numbers of .362, .500, .618, 1.618 and 2.168 etc., create important, predictable price value--even in the wild chaos of 400,000 T-Bond contracts traded daily in the pits.

2) A bull market is likely to have a minimum retracement of .236 or .382, and if you are looking to get in an entry from the top that will get you filled, then a safe, tight stop may be the only slippage factor below the 38% or 50% retracement. Moreover, more normal or bearish markets tend to retrace .618. The 50% retracement area does not statistically happen as much as people might think although the stock market may be the one exception.

3) If you see a quick .782 retracement after a strong move up or down, you probably should be looking for a congestion triangle pattern and that means waves 1 and 3 will have a .618 ration as will waves 2 and 4. These types of congestions happen more often than you think, as often the trade cannot digest a huge move and a congestion of that move will go on for days and weeks.

4) Knowing Elliott Wave principles can also aid you in choosing the proper stop, and we would recommend the basic Elliott Wave books to guide you in that area. For example in a rising five wave pattern, if you enter at a 4th wave retracement, put your stop below the wave one top using slippage.

On double tops and bottoms, locals will usually pick off a stop 1 or 2 ticks above or below the market, but a real breakout or breakdown will be occurring if the market goes through slippage. Hence give the market some room under the double top or bottom by slippage.

With Elliott wave a-b-c patterns where the "a" wave equals the "c" wave, use the slippage factor under the "c" wave to give yourself enough room.

5) Learn to give the trade its dues. Because everyone uses these Fibonacci numbers and want to get in, fade the market a few ticks. In bull markets you may even have to fade even more.

6) While each market has its own behavior patterns, the following slippage numbers can keep you out of trouble and prevent the locals from gunning you down.

The list shows the slippage factor for the most actively traded commodities. Note in extremely volatile conditions, these slippage factors inflate. For example the electronic S & P can slip as much as 5.00 points in more extreme panic conditions but once it goes beyond the 5.00 region, it is doing a breakout or breakdown. Gold, silver and crude lately also require larger slippage factors. The numbers here are based on more normal conditions.

e-S & P	$2.00
e-NASDAQ	$5.00
T- Bonds	8 ticks
Euro FX	20 ticks
SF & Yen	25 ticks
Gold	$2.00
Silver	5 cents
Crude	.40
Beans	5 cents
Corn	2 cents
Wheat	2.5 cents
Live cattle	35 cents
Hogs	.35
Bellies	.75
Cocoa	.20
Sugar	.10
Coffee	.55

ABOUT THE AUTHOR

Since 1987, Barry Rosen has been the editor and publisher of Fortucast Commodity Market Timers, which daily cover over 25 futures markets. He also operates an hourly S & P hotline and has developed special hedging products for farmers. In 1999, he started a Mutual Fund Timing letter for various sector groups using the RYDEX funds in order to serve the larger equity community. Mr. Rosen derives his trade recommendations from Gann and Elliott Wave theory as well as Vedic astrology, which is the oldest form of astrology on the planet and in its most complete form. It has always been recognized for its predictive nature while Western astrology has made more gains with its deep psychological analysis. Below is a brief analysis of some of the differences between Vedic and Western astrology.

Barry got started in the markets from watching the Financial News Network in 1986-87 and wondering why certain markets went up on certain days and others did not. Moreover, he was fascinated by cluster groupings of different sectors that performed in harmony. Joining forces with a Gann scholar of Jerry Bomering, he started applying some of the more advanced Gann cycles and astrological tools until he had a firm grasp of major stock market cycles.

As he refined his research, Barry got a better handle on combining Elliott Wave patterns and applying them with astrology on over 25 commodity markets. Being a real detective, he combed the archives of the Chicago Board of Trade and the Chicago Mercantile Exchange to ascertain the exact time and first tick of many commodities to verify many of his research hypotheses and to use this data for forecasting.

Today, Barry Rosen's Fortucast products utilize popular techniques for market timing involving pattern analysis, including the use of Elliott Wave and Gann cycles. Fortucast also employs traditional technical signals, using selected moving averages and optimized parabolics in conjunction with Elliott Wave patterns and astrological cycles to filter out false indicators. However, Mr. Rosen relies mainly on his own proprietary timing methods derived from Vedic financial astrology.

Fortucast focuses more on timing because prices often extend much farther than expected. Moreover, at certain time windows, price tends to stop on a dime and reverse. Fortucast analysis attempts to identify key time windows when such reversals are likely to occur. These important turn dates are mostly a function of timing but price, patterns and fundamentals are also factored in.

For more information, visit the Fortucast website at www.fortucast.com or call the office at 928-284-5737 which is MST (GMT +7) from 7:30 -17:00 or email: questions@fortucast.com.

Why Foreign Currency is Today's Largest Volume Trading Market Or, Why Traders Love Trading The Forex Market

By Rick Smith, Professional Forex Trader

"In recent years, the foreign currency markets have experienced blockbuster growth, driven by flocks of traders attracted by the markets' inherent profitability and limited capital risk…" Cornelius Lucas, Forex Expert Author, Professor New York University

What is it about the Forex Market that has new Traders flocking and keeps a veteran Trader like me engaged? I've enjoyed Forex Trading since its emergence as an online trading market in the mid 1990's and despite its growing high profile still not a week goes by without someone asking me, "Why Forex?" The answer lies in a number of advantages that all play out together.

LIQUIDITY: Forex is highly liquid due to the huge daily volume in the major currency pairs. This liquidity attracts Traders because it affords the freedom to open or close a position at will, allowing invested funds to be highly accessible. Liquidity frees Traders from the worry of being stuck in a position due to a lack of market interest and movement. The G7 currencies (USD, JPY, EUR, CHF, GBP, CAD, AUD) are considered to be the most liquid. In this very active (more than US $1.5 trillion dollar per day) market, major international banks are continuously providing the market with both bid and ask prices. Due to high market liquidity most trades are executed at a single market price. This avoids the 'slippage' problem of some other exchange-traded instruments where only limited quantities can be traded at one time at a given price. Note: this does not mean price slippage during major news events does not occur, but it does mean that with that exception slippage is far less of a problem than with many other markets.

LEVERAGE: Forex Traders are able to trade foreign currencies on a highly leveraged basis - up to 100 times and more their investment/trading funds (leverage varies with clearinghouses). As an example, leveraged 100 times an investment of USD $10,000 would permit a self-Trader to trade up to USD $1,000,000 worth of any particular currency. This leverage, unheard of in most markets, creates big opportunity for both profit and loss.

24 HOUR MARKET: A substantial attraction for Traders to the Forex Market is that it has no time or time zone constraints, it is open 24 hours per day throughout the week (closing worldwide Friday afternoon and reopening Sunday afternoon New York time). If the European Market is closed on one side of the world the Asian Market will be open on the other and so all world currencies can be continually traded. This is why Forex is called "the Market that never sleeps". Even when one country is experiencing a national holiday with closed financial markets other countries are not, and so the Forex Market remains active. This is a great potential advantage because Forex Traders can react to news when it breaks, rather than waiting with the crowd for the opening bell, as is the case with most markets. This enables Traders to take positions anticipating the impact on the exchange rate of an important announcement, world event, or piece of news information. Adding to this advantage of 24 hour trading, high liquidity allows Spot Forex Market Traders to exit or open a new position regardless of the hour.

RISK MANAGEABILITY: Forex Traders have great flexibility with respect to their desired trade quantity. With most Brokerages Traders can open and fund their trading account with a relatively small amount of money. With the retail brokerages Traders can trade various lot sizes and so can tailor the amount at risk on any particular trade or set of trades.

INFORMATION FLOW: The Foreign Currency Exchange is a market where there is little or no 'inside information'. Because the Foreign Exchange has to do with world economy and the economies of countries, all pertinent market-moving news is released publicly so everyone in the world can receive the same news at the same time. This is in contrast to the Stock Market where it is a relatively common experience of Stock Market Traders to have a certain stock suddenly lose value without having any idea what caused such a quick down-spike. Later the news will report that a key executive at a particular company has resigned; or that the company's accounting practices have been called into question; or that some other influential piece of information was released that the Stock Market Trader was not privy to quickly enough. Instantaneous access (online through the trading platform in many cases) to Forex market-making news does more than level the playing field, it provides the Forex Trader with the incalculable trading advantage of 'being in the right place at the right time'.

NEVER A DOWN TRADING DAY: Another advantage of the Forex Market is that there is no 'bear' market, per se. Currencies are traded in pairs, for example US Dollar vs. Yen or US Dollar vs. Euro. Every position involves the selling of one currency and the buying of another. If the trained Trader (with the aid of proper charts, fundamental analysis, pattern recognition, etc.) believes that the Euro will appreciate against the Dollar, he/she can sell Dollars and buy Euro. Or if the Trader determines that the opposite trade would be more profitable, he/she can buy Dollars for Euros. The potential for profit exists either way as long as there is any up/down movement of the exchange rate between the two currencies being traded. In other words, one side of the pair is always gaining, and provided that the Trader picks the right side, a potential for profit ALWAYS exists.

As important as those all are, to me they are still just the intellectual responses to the question, "Why Forex?", which can only allude to the professional and personal satisfaction of making money by trading a system that works in an exciting market that pulses with the lifeblood of global affairs – currencies.

Professional Forex Trader, Rick Smith, is the Chief Trader, Trade Strategist and Trainer at www.Forex-advisor.com His new book "Trading at the Top" will be coming out in 2008; it is an inspiring and informative inside look at the life of a peak performance Trader privately trading for multi-million dollar clients.

Murrey Math 60 Year
Time Price Cycle Report Card: Grade A+++

By T.H. Murrey

Murrey's Six Month Report Card
Murrey went: April 13 2007
Dallas Fort Worth Texas
Shoot Out – for Profits

Murrey Math Challenge versus
CBSTA Conference
Commodity Brokers "Secret" Technical Analysis Conference

"Old School" random guess Technicians against
Murrey's MBA: .00152587890625

Billion Dollar Commodity Funds
Against
The Murrey Math Trading System

Good ole Tennessee "ass whopping"
Bring it on boys; show us what you got and back it up with profits.

If buy and Hold and random guess investing works, why are 25% of all US "workers" still 'losers" in their mutual funds from March 24 2000?

T. Henning Murrey is the (most) hated genius in Nashville, TN for wanting to help people get rich off 5th grade math: Murrey Math.

Oct. 09 1992 to Oct. 09 1993
T. Henning Murrey **proved there are no random reverses,** if you find the (one) number: M'$pie = 3.125 which will force every answer (reverse) to end in a (0) or (5): Numbers: Torah.

Random guess reverses should make as much profit per year as (exact) exits with 6.25, 9.375, 12.50 or + 18.75% profit in one year with Murrey Math, everything is random.

12.50 year Nashville Secret Revealed, finally: sign up now

There are no random reverses.
All markets are random: choose.

Proof: Murrey Math Works

Murrey uses his Birthday Oct. 09
And one number: M'$pie = 3.125 to project every future price reversal off Murrey's Law of Distribution: 12.50% Rule.

Oct. 09 1995
Dow 30 Index at 4,687.50
Murrey went around town telling all the experts: "Expect all time highs to be: 4,687.50 x 2 = 9,375; 4,687.50 x 250% = 11,718.75 or 4,687.50 x 300% = 14,062.50.

World Record MM Prediction by T. Henning Murrey: Nashville

07.17.07 Dow 30 at 14,062.50
10.08.07 Dow 30 at 14,062.50

Oct. 09 1996
Dow 30 Index at 5,937.50
Murrey went around town telling all the experts: "Expect all time highs to be: 5,937.50 x 2 = 11,875.

01.14.2000 Dow 30 (near) 11,875
All Time Highs off Murrey Math
Oct. 09 1998
Dow 30 Index at 7.500_MM 0/8th
MM 0/8th at 7,500
MM 8/8th at 12,500
MM 7/8th move up at 11,875 and the odds are 96.875% it will stall and fall toward 10,000. Murrey predicted 10.09.98 close above 10,625 for (4 to 7) days in a row, would force short cover squeeze toward 11,875.

Oct. 09 1998 Nasdaq Index at 2,500
In two years it doubled to 2,500 + 156.25 points on March 24 2000.

Irvine, Ca. MM Classes March 24 2000
Murrey predicted "crash"

Result: Crash down -50% for S&P 500 Index and – 87.50% for NQ.

VIX Index: CBOE
Market Reversal Indicator
Accuracy 100% (when you set numbers to MM Trading Lines)

Bob Whaley:
Vanderbilt University: MBA
Owen Graduate School of Business

Bob Whaley:
Developed the Volatility Index for CBOE: Chicago Board of Options Exchange

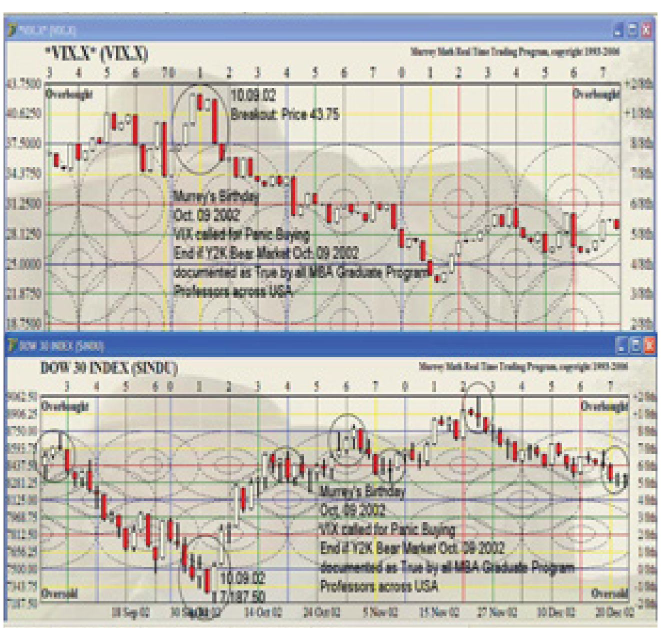
Feb. 2006: Chicago, IL.
Marty …..reports (back to) James Bittman, Harvard MBA, PHD, Head of CBOE Education Department
Murrey Math Works with VIX.

June 17, 18 19 2006 Chicago
CBOE: Education Department
Murrey "presents" S&P 500 Index and Dow 30 Index reversing off: VIX Index.

VIX Index 100% Accurate
Oct. 09 1998
VIX Index at $7/8^{th}$ on 46.875
MM $7/8^{th}$ = Strongest Sell Signal
Oct. 09 1998

Dow 30 Index at 7,500 MM $0/8^{th}$
Start of 625 x (5) + $5/8^{th}$ run up of 3,125 then + $1/8^{th}$ of 625 or + 3,750 points major MM $3/8^{th}$ of 1,250 x 3 = 3,750 to call for all time highs at 11,875.

The 2nd most printed book: **Tao Te Ching** reports your mindset to money and profits not knowledge and understanding of yourself.



Tao Te Ching
"What is the use to chase the "rabbit" when it is on the wrong path toward its goal?"

Disclaimer:
Every price of every market you "see" has (never) been altered or tampered with by Murrey Math.

Bob Whaley
Vanderbilt University: MBA
Owen Graduate School of Business: Developed the VIX Index for CBOE, so he will verity (every) number and every reversal signal by the VIX Index to be 100% accurate and nothing altered.
Your "higher authority" MBA Program Professor and "local" stock broker will "sign off" these numbers to be 100% accurate as presented by **Rupert Murdock,** Australian Billionaire and DJ: Dow Jones Data Service owned by the Bancroft Family since 1897.

VIX Index signals all major reveres
when you set them to Murrey Math.

April 2000: VIX Index
Price at 25.00 on MM 4/8th
MM $0/8^{th}$ at 0.00
MM $8/8^{th}$ at 50.00
MM $1/8^{th}$ = 6.25
MM $7/8^{th}$ at 43.75 (yellow) fast reverse down MM Trading Line

Twin Towers Attack
Sept. 10 2001
Sept. 20 2001: Vix Index at 43.75
100% Accurate best odds to go long in Dow 30 Index down at 8,125 on MM $1/8^{th}$ (yellow) fast reverse up MM Trading Line after it had fallen 1,250 x (3) = - 3,750 down from 11,875 on Jan. 14 2000 all time highs of Dow 30 Index.

Oct. 09 2002
End of Y2K E Commerce Bear
VIX Index at 43.74 at MM $7/8^{th}$
Which was 100% accurate Signal to go long and Dow 30 Index went up from 7,187.50 to 9,062.50 or up + 1,875 points or 1,250 + 625.

Oct. 09 1999
VIX Index price at 25.00 on $4/8^{th}$
MM $0/8^{th}$ at 12.50
MM $8/8^{th}$ at 37.50
MM $1/8^{th}$ = 3.125

Jan. 14 2000 on Dow 30 Index all time highs
VIX Index down at 18.75
Vix Index went up + $5/8^{th}$ to 34.3475 and down at 18.75 signaled sell off of Dow 30 Index.

Sept. 10 2001
VIX Index price at 31.25 on
MM $6/8^{th}$ the next day Twin Towers "hit" and VIX Index went up to MM + $2/8^{th}$ at 43.75 which was the Breakout toward higher highs and the VIX Index signaled a reversal down, which signaled

a massive buy program up.

Please look at the years:
Oct. 09 1999 to Feb. 10 2008 and **you will see the VIX Index signaled every reverse,** when its numbers were set to Murrey Math.

Thanks to VIX Index developer
Bob Whaley:
Vanderbilt University: MBA
Owen Graduate School of Business
-
Bob Whaley:
Developed the Volatility Index for CBOE: Chicago Board of Options Exchange in a paper when he was a **Professor at Duke University at Fuqua's School of Business.**

Bob Whaley says: "In my experience the people who are strong researchers are also strong teachers and want to help shape the institution in many ways."

Since Oct. 1999 T. Henning Murrey has researched and perfected the VIX Index to be 100% accurate market Reversal Signal when its daily or intraday numbers are set to Murrey Math.

Vanderbilt University
Owen Graduate School of Business Dean: James Bradford states: "Vanderbilt wants to be a Tier One Research institution and is aided by Bill Christie, Joe Blackburn and Hons Stoll we are."
Historical Note: 1990's
CBOT Chairman: Mr. Patrick Arbor speaks at Vanderbilt's Owen Graduate School of Business

Meanwhile: Two Days later
Chicago: CBOT Chairman's Private Conference Room Murrey was the invited guest of Chairman Patrick Arbor by Nashville CBOT "seat owner" Joe Prim and Tom Robinson, who has been a friend of Hons since 1990's. Mr. Arbor mentioned he had been escorted around Nashville by "Jimmy" Bradford of JC Bradford.

The next week Murrey mentions his visit with Chairman Patrick Arbor at CBOT in Chicago, with Murrey's West End High School friend, Ronald Scott, who was head of JC Bradford's Bond Department: small trading world.

Since Oct. 09 1999
T. Henning Murrey has taught MBA Classes all over the "trading world" and shows students how to "see" major market reverses using the VIX Index, Tick, ADVDEC and Trin.*

July 2007
Chicago: CME Floor "pits"
Murrey takes his commodity student brokers to floor for guided tour: on the wall separate from all other data in a group to itself: are four lines: 1) VIX Index numbers, 2) Trin numbers, 3) Advance – Decline numbers and 4) Tick numbers.

What does this mean?
All the pros on the floor are watching the "true" reversers.

There are (only) four ways to make profits investing: 1) Buy and Hold and Pray the US Economy moves higher during your forward Time Horizon: 2) Fibonacci %, 3) Gann Extremes, 4) Murrey Math.

Murrey Math has all the (other) three built into its Pure Math Logic.

If you could get it all in one software program, why use "random guess?"

The Way of Pure Logic: Murrey Math Trading System: 1992 – 93

Tao Te Ching
When the superior man hears the Way, he is scarcely ale to put it into practice.
When the middling man hears the Way, he appears to preserve it, now to lose it.
When the inferior man hears the Way, he laughs at it loudly.
If he did (not) laugh, it would not be fit

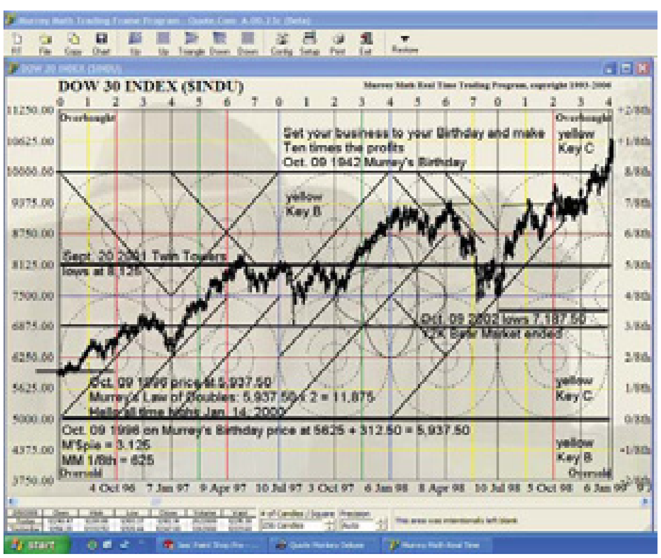
to be the Way.

Black and Gold converts to:
Living the Purple Promise: FDX
Karen Rogers' 23 years x 12 jobs

Owen Graduate School: believes: "word of mouth advertising for a small business is best."

She loves "murder mysteries" but knows there is no mystery why her stock FDX: FedEx goes up or down.

Please look at FDX chart:
Oct. 09 2005 price at 87.50



MM 0/8th at 75.00
MM 8/8th at 125.00
MM 1/8th at 6.25

Murrey predicted at 87.50 FDX moves up + 5/8th to 118.75 on MM 7/8th will create "sell" signal down.

FDX failed (5) times to move above MM 7/8th at 118.75 and Gann said in 1942: "Five tops failures are great profit opportunities to short."

Murrey Math states: Oct. 09 2005
"If FDX closes below 93.75 if it goes up and touches 100, will force it down to: 81.25, 75 or 68.75."

Murrey's Harmonic Balance:
+ 3/8th to – 3/8th
MM 4/8th at 100.00
MM – 3/8th = 81.25
MM + 3/8th = 118.75
Actual Highs at 121.875

Coincidence: 2000 highs in US dollar Index at 121.875

Coincidence: Sept. 20 2001 lows in Dow 30 Index at 8,125.

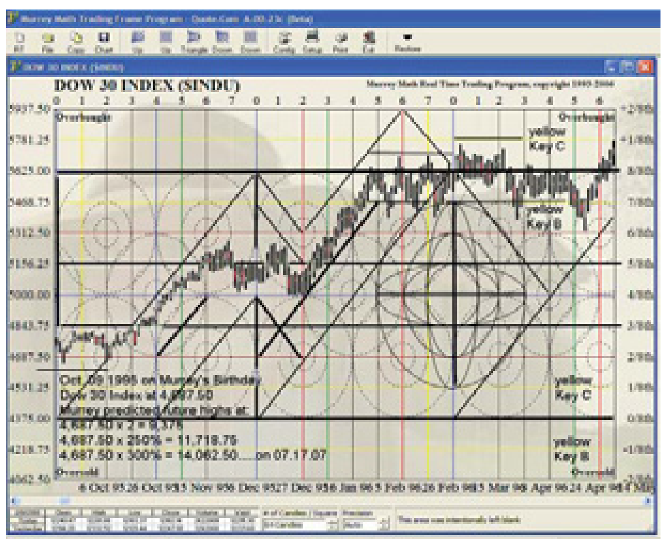
The Law of Murrey:
Look for major USA cash and futures markets to reverse off Oct. 09 and Murrey's M'$pie = 3.125.

1942 1987 1997 2000 2002 2007
1987 - 2007: Murrey's 20 Yr. Cycle
2002 to 2007 Murrey's 5 Yr. Cycle
1942 to 2002 Murrey's 60 Yr. Cycle

Law of Murrey
Set your business' birth to your birthday: Oct. 09 1942 Oct. 09 92

Oct. 09 '42 Oct. 09 '92 50 Yr. Cycle
Murrey Math **born** Oct. 09 1992

Y2K Bear Market over: **Oct. 09 '02**



Your broker will verify it true.

All Time Highs in Dow 30 Index and S&P 500 on **Oct. 09 2007**
Your broker will verify it true.

Oct. 09 1987 Dow 30 at 2,656.25
Your broker will verify it true.

Oct. 09 1997 Dow at 8,095
Your broker will verify it true.

You must have your profit – brain set to start over (every) Oct. 09.

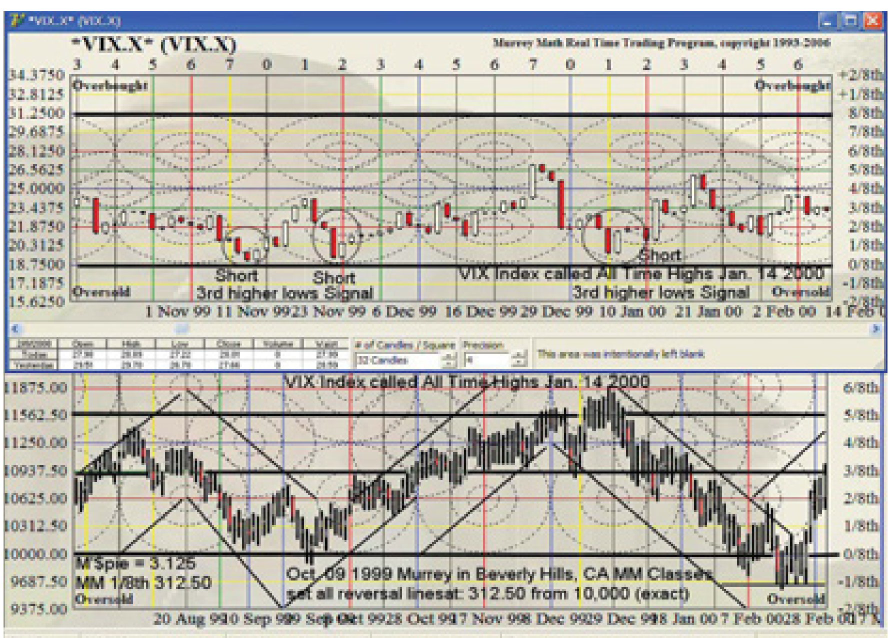
Go (back) and review: Murrey's Time – Price Cycles: memorize.

Murrey's Law
Percentages predict all higher highs
Vitruvius Pollonius 1 AD, Gann 1942; Fibonacci 1187 AD, Leonardo da Vince on Oct. 09 1492, then Murrey Oct. 09 1992 "figured out" the (exact) 3/8th and 5/8th moves for all "living things."

Murrey's Law
"All things want to expand + 3/8th or + 5/8th and rest or retreat."
After markets move up + 5/8th they want to slow down at + 6/8th, since markets want to move up (odd) 1/8th and down (even) 1/8th.

96.875% odds markets want to stall after they move up + 7/8th (87.50%) or 875% from old lows.*

<u>Oct. 09 2002 End Y2K Bear Market</u>



Dow 30 Index down at 7,187.50, so + 5/8th (1,250 x 5) = + 6,250 + 7,187.50 = 13,437.50: Binary Regression: + 625 = 14,062.50 + 312.50 = 14,375.

Result: Oct. 09 2007
Dow Futures March 2008 at 14,375

Confirm this Truth with your broker and **they will say (no) it was luck** or it didn't matter: stay long and lose.

Oct. 09 1997 Ten Yr. Cycle 1987
Oct. 09 1997 Dow 30 at 8,095
8,095 x 1.75% = 14,166.25
Oct. 09 2007 Dow 30 at 14,166.25

World Record Prediction by THM
By predicting the (exact) highs ten years forward by multiplying the price of the Dow 30 Index on his birthday by: 3/8th, 5/8th or 6/8th.

Tao Te Ching
"The Way gave birth to unity.
Unity gave birth to duality,
Duality gave birth to Trinity,
Trinity gave birth to the myriad creatures. The myriad creatures bear (yin) on their backs and embrace (yang) in their bosoms.
They neutralize these vapors and thereby achieve harmony."

Awards Won by T. Henning Murrey the past 15.625 Years
1) Holy Grail Award*
2) Illuminate Knights Templar Trophy*
3) Roslyn Chapel Award*
4) Master of the Fives Award*
5) Algorithm Award Champion*

1) **Algorithm:** Murrey's Binary Algorithm: .00152587890625 will produce all (17) Harmonic Octaves

This article is extremely large with many charts. Because of its length, we could not put the entire article in this issue. The remainder of the article is available online at: www.tradersworld.com/murrey44

Is it Worth the Risk?

By Tony Beckwith

"It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong". Legendary trader Stanley Druckenmiller says, in 'The New Market Wizards' book, that's the most important lesson he learnt from his time managing money for the ultra-legendary George Soros. If those two believe that, why doesn't the vast majority of traders who are spending their time losing money...?

Almost all of the most successful traders throughout history learned early on in their careers (and probably the hard way!) that the "Holy Grail" in financial markets simply doesn't exist. Novice and amateur traders typically search for extraordinarily high win/loss ratios, to comfort a demanding, human ego in the never-ending quest to be "right". That is extremely seductive, yet wrong – again, as Druckenmiller states, "Soros is also the best loss taker I've ever seen"...meaning controlling the losses is absolutely essential if you are to stay in the trading business.

Obsessing about win / loss ratios is addressing only one aspect of trading risk and, arguably, the weakest aspect. It is abundantly clear that a win/loss ratio of, say, 70 percent, ego-boosting though it may be, is positively destructive if you're losing, say, twice as much on your losing trades as you're pocketing on your winners…

This is not to deny that probability risk is a vital component of trading success. However, it clearly is how this risk relates to average wins and losses in actual money that determines whether an account can rise or fall. As we trade more and understand more, the importance of the overall "Profit Factor" becomes apparent -- the win / loss ratio multiplied by the average winner/average loser ratio. This must be above 1.0 over time to give an "edge" to the system or method being traded.

The Second Crucial Aspect of Trade Risk

Control over how much your winning trades deliver compared with the inevitable losses on your losers falls squarely into the category of money management. In simple terms, this is the second crucial aspect of trade risk -- call it money risk. Great traders know full well that they cannot control the profits because any future outcome is highly (if not perfectly) uncertain. What they can and do control tightly is the amount they're prepared to lose in the event that a trade goes wrong.

The average loser component of the Profit Factor can then become a known and predictable quantity. In fact, it's almost become folklore in trading circles to risk no more than, say, 2 percent of an account on any one trade in leveraged instruments such as futures and forex (plus spreadbets and contracts for difference in the UK/Australian markets). This could easily be far lower though, at around 0.5%, if you are trading stocks - with potentially huge position values which cannot be accommodated by your account size.

So, a US$20,000 account with a pre-decided 2% trade risk (1 risk unit or 1R in Dr. Van Tharp's terminology) for each futures trade would allow a maximum initial money risk of $400 per trade on this basic fixed fractional basis. This is in stark contrast to methods such as Martingale and anti-Martingale in which you either increase your bet size as you lose or decrease it.

Why is this so important? Well, because a run of 10 consecutive losing trades reduces account size 'only' by a manageable 20 percent, the account requiring only a 25 percent increase from there to recover its level before the drawdown. It's worth adding that for any given trader there is likely to be a magnitude of drawdown which can start to threaten the trader's so-called Uncle Point -- the point at which a loss of confidence and general demoralization overwhelms any fancy mathematics…

The number of stocks / lots / contracts that can be risked is then a function of the method of position-sizing used in a trader's money management strategy. Some position-sizing strategies consider value, others risk. Say the $20,000 account intends to trade 20 stocks, and the trader is willing to risk 2 percent of the account. Value-Basis position-sizing divides the account into 20

equal portions of $1,000 each, one for each stock. Because stocks have different prices, clearly the number of shares for various stocks varies.

Risk-Basis position-sizing assesses the risk for each stock as the entry price minus the initial protective stop price. It divides the per-trade risk tolerance ($400 in our example here) by the risk per share, giving the number of shares that should be traded. The two methods may not indicate the same number of shares -- in fact, very close stops and a high risk per trade may mean the number of shares on the Risk-Basis could exceed the purchasing power of the account, as mentioned previously in this article.

One major advantage of Risk-Basis position-sizing for traders is that it is directly relating the size of winning trades to the size of losers over time. In this way, you can concentrate on targeting risk / reward levels on your trades, particularly if you know the win / loss tendency of your trading approach over a significant series of trades (normally at least 100).

For instance, you need to target trades with a potential minimum risk / reward of +2x to combat a win / loss ratio tending below the 40 percent level. Over 100 trades, if you lose $400 each on 60 of them, you clearly need to be making at least $600 on average each on the 40 winning trades to be profitable overall – and that is not even taking account of commissions, slippage and the inevitable errors! That is why the MTPredictor trading software beginners' settings automatically scan for trade opportunities with a minimum risk/reward potential of 2:1. If you can average +2 risk units on your winners and keep your losers to -1R, a 40/60 win/loss ratio is profitable: +80R and -60R = net +20R. If 1R = 2% of your account, that is an extremely respectable +40% return in professional traders' circles.

It's only by aligning the gains from your profitable trades with the losses from your losers that you can have the hope of managing rewards relative to risk -- and of being a profitable trader…

That's enough talking -- here's a recent example on the E-Mini S&P 500® Mar08 future [ES, H8], using MTPredictor Real-time on the NinjaTrader platform, with data from eSignal® See chart.

Using the integral position-sizer, we input and save this information:

Account Size: $20,000

Percent Risk: 2 percent ($400)

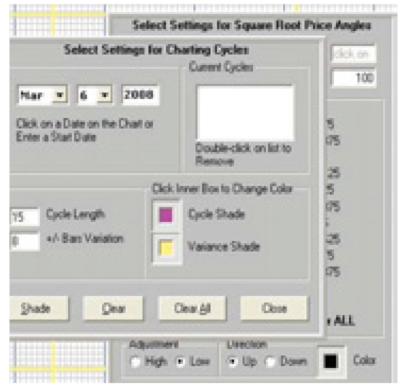
The sizer automatically knows this is an ES trade, so it automatically uses the correct Tick Size, or Minimum Price Movement (0.25) and Point Value ($50). It shows 1 lot shortable at entry price 1349.75, initial stop 1355.5 and an initial risk of $287.50. It also confirms (not shown here) that reaching the 1st profit target will yield a profit +2.3x the risk size or a 2.3:1 risk/reward ratio. Using the simple trailing stop for trade management produces an excellent risk-controlled profit of +3.7x risk or +3.7R – crucially, enough to cover 3-4 future losses (at -1R each)...

This excellent short could then be managed with a controlled money risk and profit potential directly related to that risk.

We've barely touched on the whole subject of position-sizing, but, for now, the message is clear -- ignore money management at your peril!

Tony Beckwith is Sales & Marketing Director for MTPredictor Ltd, the trading software firm specializing in risk-control through risk/reward assessment, money management and exit strategy www.mtpredictor.com Traders World is an authorized distributor for MTPredictor.

The Gann Grid Ultra Program



By Larry Jacobs

This is a new windows based program that took Robert Giordano over two years to develop. It can draw the stock, commodity or index of your choice on a large number of harmonically perfect grid size charts. In includes most of the Gann, Bayer and Elliott price and time research tools such as: Gann Square Tool with user defined settings; Time Bar Count Tool; Price Bar Count Tool; AB Range division Tool; Cycle Research Tool; Fibonacci Overlay Tool; Numeral Squares, Half Squares and Qtr. Squares Overlay Tool; User Defined Price Scale Setting. The change of grid size setting is one of the most important tools within this program functions. Finding the proper price scale vibration is found by changing the price scale setting of the stock, commodity or index being researched. This gives you the ability to unlock many of the three trading master hidden secrets and tool applications by trial and error research. This program has eliminated the hand drawing the price and time charts. Days, weeks or even months of research can be done in just a few seconds with this program.

The Gann Square Tool in the program is used for 3 things. First to research time divisions from the Gann numeral squares of 52, 90, 144, 180 360 and others. Second, to research the time divisions from major high prices, low prices and time range periods. Third it is used to find the proper price scale vibration of the stock commodity or index being researched.

The Time bar count tool used is very simple, when enough time periods are counted from all major and minor tops to bottoms, bottoms to tops, bottoms to bottoms, and from all tops to tops and research on the monthly, weekly and daily charts so one can get an idea when the next cycle period should end or begin.

The program has a user defined angle tool that allows the user to measure all angles from all tops and bottoms, such as the Gann stationary angles of 45, 63 3/4, 71 /14, 81 1/2 and others which progress at specific price rates per time bar. It also helps find many unique angles not mentioned by Gann.

It has a unique Cycle Research Tool that can start on any date in the past and on any chart type such as daily, weekly or monthly and starts cycle count from that date and continues in its future. Its primary function is to be used to locate cycles of similar lengths by highlighting the time bar with different colors. Cycles can be any number. Since cycles do not however work in exact periods this tool has unique variance settings within its functions allowing the user to find more accurate cycle lengths.

The program also has astro functions such as: aspect fingerprints, aspect highlights, planet Ephemeris, Planet Transit, Zodiac Degress Research, Zodiac Hot Spots, Planet/Prices, Degree of Separation, Speed Differential Search. Also includes Declination Charts, Latitude Charts and Planet/Prices.

For more information go to: www.tradersworld.com/ganngrids

W.D. Gann's 9-Sided Numbered Square

By Earik Beann

One of the things that you come to realize after studying Gann for even a short amount of time is that he never actually put down the tools he used to trade markets. So he would describe a general method of looking at the market, but would then use incorrect data or incorrect application of the tool in his examples. The idea was not to teach the method itself, but to show the general thought pattern required to rediscover the method. This is why so many "experts" can tell you everything you ever wanted to know about Gann, including what he had for lunch on any given day of the week, but yet still can't trade their way out of a wet paper bag using his tools. It's because they memorize the example, but not the reasoning behind the example, and end up continuously duplicating something that doesn't work.

I suspect most of the readers of this magazine are familiar with Gann and have at least a cursory knowledge of the Square of Nine. Aside from Gann angles, the Square of Nine is perhaps the tool that Gann is most famous for. For those who aren't familiar with it, the Square of Nine is simply an arrangement of numbers in a particular visual pattern. So you start with "1" in the center, move to the right for "2", up for "3", and spiral around the center over and over. A small example is shown below. in Chart #1.

This simple pattern has been the inspiration for all kinds of research, and you can go out on the internet and find books, courses, seminars, and computer software that deals with nothing but how to use the Square of Nine to generate time and price targets on stock charts.

The Square of Nine and the hexagon chart (which is basically the same thing, but shaped as a hexagon) are prime examples of how Gann taught ideas but not techniques. So if Gann found a very powerful timing pattern based on a certain kind of visual numerology, do you really think he's just going to publish the shape and say "here it is, have fun!" Of course not. What he'll do instead is come up with a way of showing the basic approach, but leave enough out that the student has to sit down and work out the details on their own. The easiest way of doing that in this case is just do change the shape around. So, for example, he'll go and publish a hexagon chart instead of what he's really using. That keeps the technique safe, because only serious students will really bother to examine the idea thoroughly, and anyone just parroting the example will end up losing money because of it and will just move on. So he shares the "outer" technique in a roundabout way, and expects you to find the "inner" one on your own. Don't forget that Gann was a Mason, so this sort of approach would have been very familiar to him.

In my own work, I've found all kinds of interesting market relationships based on Gann's numbered squares. Not surprisingly, the best techniques all showed up when using shapes and approaches other than the ones described in the available literature. While there isn't enough space in this article to cover everything, I would like to share a simple example to illustrate why it is important to "go beyond" Gann in order to really understand what he was up to. So rather than using the square of nine or hexagon charts, let's do something a little different. See Chart #2.

This chart is a nonagon (9-sided shape). Its construction is very simple. We start out with 0 at the center. The first ring outside the center contains 9 numbers (1 through 9). The ring after that contains 18 numbers, and each progressive ring out from the center contains nine more numbers than the last one. This particular example runs all the way out to 252, which is far enough to be able to see the examples I'll discuss, but there's really no stopping point. This is built on exactly the same premise as the more widely known charts, but gives totally different results.

Before I go into one of the ways to use this pattern, I'd like to explain why I chose a 9-sided shape, and why it is an important one to look at. First, since we are dealing in numerological terms with this particular tool, the number 9 represents a complete cycle, and there is no digit larger than 9 in numerology, as 10 resolves back to 1 and the cycle starts over. So it's a very powerful number governing cycles.

Second, 9 has some very interesting mathematical properties that mark it as a kind of magic number. For example, adding any number to 9 and resolving to single digits returns that same number. So:

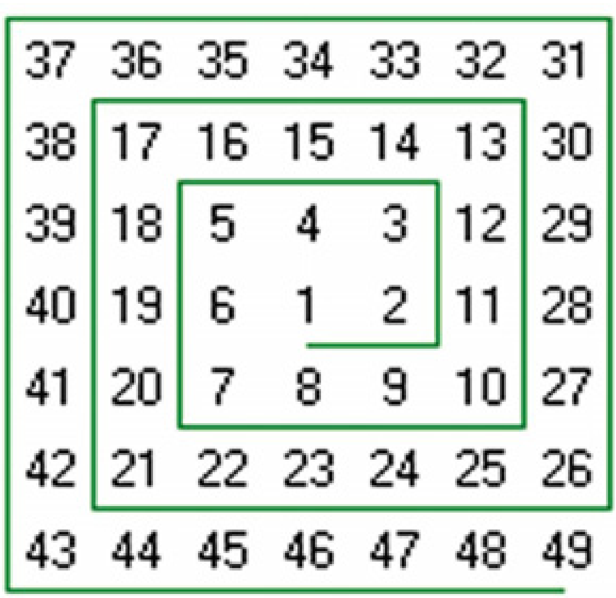


Chart #1

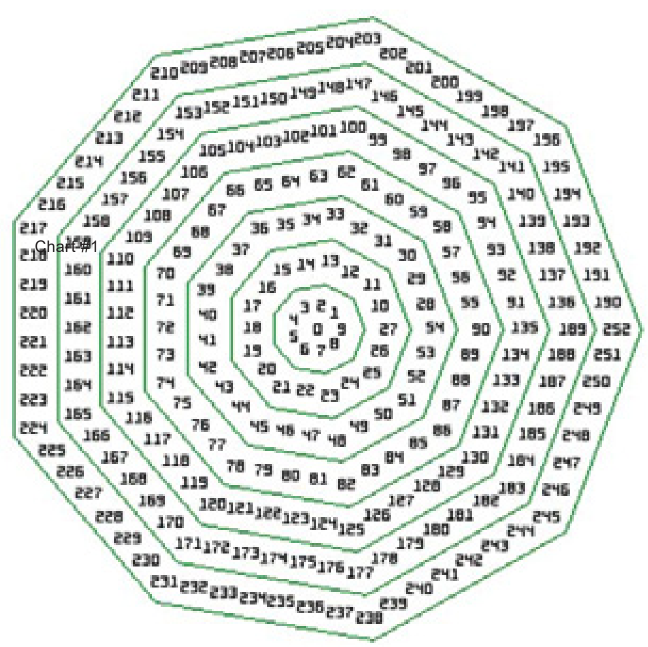


Chart #2

1 + 9 = 10 = 1 + 0 = 1
2 + 9 = 11 = 1 + 1 = 2
3 + 9 = 12 = 1 + 2 = 3
4 + 9 = 13 = 1 + 3 = 4
etc.

If we multiply instead of adding, every product resolves back to 9:
1 x 9 = 9
2 x 9 = 18 = 1 + 8 = 9
3 x 9 = 27 = 2 + 7 = 9
4 x 9 = 36 = 3 + 6 = 9
etc.

If we divide, we obtain another interesting result:
1 / 9 = 0.111111111
2/9 = 0.222222222
3/9 = 0.333333333
4/9 = 0.444444444
etc.

There are actually quite a few mathematical tricks you can play like this, but it shows that there's something special about the number 9. Gann considered it, along with 12, to be a master number, and he's not just saying that to sound mysterious.

Thirdly, the number 9 shows up in all kinds of ways in markets, especially in conjunction with the number 5. That's the reason why the Wave59 charting software is called Wave59, instead of Wave36, or some other possibility. After studying markets, you get used to seeing that number appear in interesting ways, so it's an obvious choice when looking at esoteric techniques such as numbered squares.

Moving back to our 9-sided number spiral, what we find is that by arranging the numbers on the chart in this particular way, we highlight special relationships that we wouldn't be able to see otherwise. Take a look at Chart #3.

This is a chart of MSFT, showing the big upswing from August 16 to November 2. This swing lasted 78 calendar days, and ran up 9.99 points of price. If we find 78 on our nonagon, and look at it's relationship to 99 (moving the decimal over one spot in 9.99 to get 99), you'll see that they are almost exactly opposite each. So you can say that 78 calendar days and 9.9 points vibrate along the same line of force on this chart. When that happens to markets, turning points tend to form.

Here's the rest of the chart. See Chart #4.

I've labeled highs and lows with the letters A through E, and have done the same thing as in the previous example, measuring each swing in calendar days and points, then correlating the two on the nonagon. Here are the results:

Swing A-B: MSFT ran up 5.24 points in 133 days. Actual price level vibrating to 133 on shape: 31.87. The market hit this target exactly to the penny at point B. **Swing B-C**: The market dropped 4.33 points in 28 days. Nonagon indicated a price level of 27.69, which was off by only 18 cents.

Swing C-D: This is the swing we already looked at. MSFT moved 9.99 points in 78 days. Actual target from nonagon was 37.23, 27 cents shy of the exact high.

Swing D-E: MSFT drops 4.89 points in 32 days. Target from nonagon was 32.90, off by 29 cents.

So you can see that this technique produces some very accurate price levels that the market bounces off when terminating a swing. It doesn't project the date and time of a turning point, but gives you support and resistance levels that you can use each day, and

Chart #3

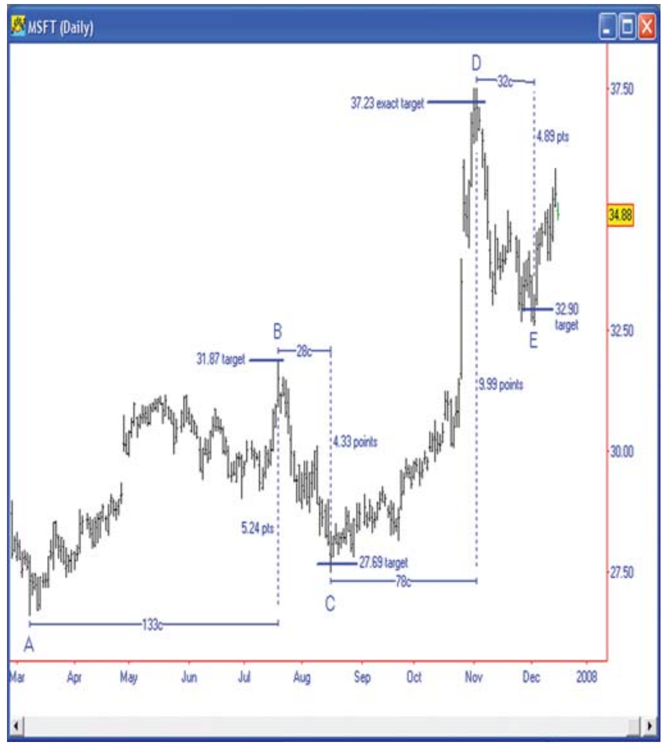


Chart #4

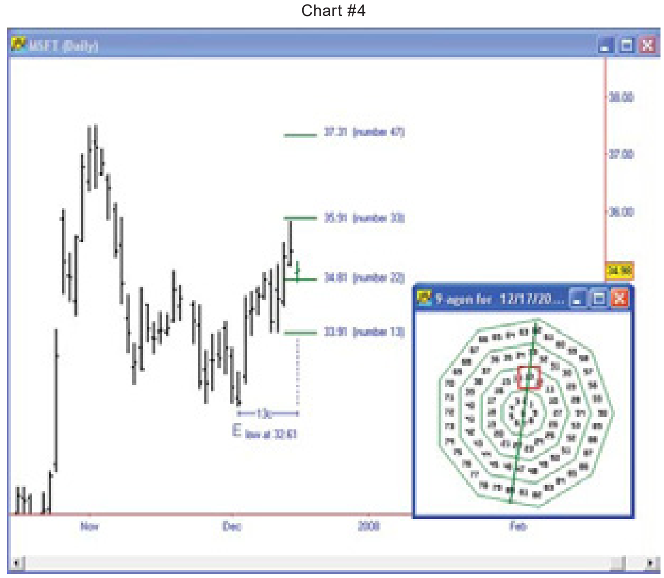


Chart #5

is especially valuable as a filter to find the exact top or bottom of a particular move. You just need to know how many days have passed since the last important high or low, and all the various support/resistance levels can be found from that value. Here's a chart for today, 13 days after the low on Dec 4:. See Chart # 5.

The low at E happened at a price of 32.61. Today is 13 days into the count, so we just move to our nonagon, look for 13, and then draw a line from that number through the center of the shape. All the other numbers along that line vibrate to 13, so they will be the associated price targets we can look at. The numbers 13, 22, 33, and 47 are closest to current price levels, so I just took them, moved the decimal over one place, and added to the low to get the four price targets shown on the chart. We've already bounced off of number 22 at a price of 34.81, so these levels can even be useful on an intraday chart.

In this article, I've shared the nonagon shape with you, a technique that to my knowledge has never been discussed before. I'm not sure why, as it is pretty much right out of Gann's published material. It works well, and there is much more to it that could be discussed if space permitted. My main point here is to give a quick example of one of the ways I've profited by studying Gann and the other legendary traders. I've never met a trader who has done well parroting Gann as you see in the textbooks, but I've met quite a few who have taken core ideas of his and used them to rediscover some very important laws about markets. None of the legendary traders put their true techniques out in the open. What they did instead was to share quite a bit of the research that lead up to the discovery of what they really used, so if you are interested in understanding how they did what they did, you have to try and understand their train of thought and take it further than their examples demonstrate. Happy Trading!

Earik Beann is the developer of the Wave59 charting software. Earik currently splits his time between guiding Wave59 Technologies, trading his own account, and researching the correlation between natural law and markets. He may be contacted at earik@wave59.com. All the charts in this article, including the nonagon charts, were drawn using Wave59. For more information, visit www.wave59.com.

Sonata Trading Computer

By Larry Jacobs

What is the difference between a Sonata Trading Computer and an off-the-shelf computer for trading that you would buy from Best Buy or Circuit City?

The most important thing is that the parts of the Sonata are generally more expensive and higher quality. Many of the parts actually have a 3 year warranty directly from the manufacture. The off-the-shelf computers have warranties of usually 1 year for the entire computer. The Sonata uses standard industry parts, which means any local computer shop can repair the Sonata unlike the national off-the-shelf brands that usually need proprietary parts that can be obtained only from them.

The motherboard in the Sonata is the latest in technology. The current one can use the new 45nm processors with a 1600 front side bus. It has revolutionary energy saving features that can save up to 70% on CPU power. The CPU power module has Ferrite Core Chokes and solid capacitors, which help the computer, last longer. It has a quad-triple phase power supply designed for ultimate stability. Also has a dual LAN with Teaming Function for a super fast connection to the internet for faster charts, fills and executions. You also get redundancy. If one connection fails the other one takes over. Off-the-shelf computers use motherboards that are out-of-date.

The video cards used in the Sonata have no fans and are designed for multiple-monitor application. They are totally silent. They are PCIE slot type which are extremely fast and can support monitors up to 30-inches. Off-the-shelf computers have loud video cards with fans and are not capable for multiple monitors.

The computer case used is designed for quietness. It has separate chambers for the power supply, hard disk drives and the motherboard. It has three quiet 120mm adjustable case fans. The case funnels the cabling behind the motherboard which increases the airflow through the computer. The case sides are made of a triple-layer material which insulates noise inside the case. It has two filters to reduce dust build up inside the computer. Of-the-shelf computers use cheap inexpensive cases, which are noisy.

The CPU temperature in the Sonata is maintained by a specially designed CPU cooler with heat pipes which reduces fan noise and heat. Off-the-shelf computers use a noisy cooler without heat pipes, which does not cool as well as the Sonata.

The hard disk drives used in the Sonata are a new type that has perpendicular recording technology. They deliver superior performance, reliability, and capacity for trading. Raid 1 can be used on the Sonata with two drives as a drive backup system. If one drive should fail then other one automatically takes over. Off-the-shelf computers use old technology hard disk drives and never use raid systems.

The system has PCAngel. It allows you to restore the computer to factory settings in 10 minutes in case a serious virus infection or glitch happens to your computer. This is only available on the Sonata.

The Sonata uses an extremely high quality 650 watt power supply. It has three dedicated 12 volt output circuits that provide added system stability and accurate power rating. They are up to 85% efficiency and have a 120mm a low noise cooling fan. Off-the-shelf computers generally use cheap power supplies.

The Sonata has warranty thru CWS. They provides 24/7/365 toll free help support for hardware as well as providing next business day onsite service for repairs of the Sonata, if you need it.

By the way, you can also get excellent CWS warranty for your current trading computer. With it you get 24/7 help Desk Support for both Hardware & Software O/S issues plus coverage for all parts and labor. Also has 1GB of FREE online data storage. Go to page 41 of this magazine for signup details. For more information on the Sonata Trading Computer go to www.sonatatradingcomputers.com or call 1-800-288-4266

Devising a Business Plan

By Sam Baum

When looking at the largest companies in the world, Fortune 500 companies for example, there is one common thread to all: structure of management and operational responsibilities. The Chief Financial Officer (CFO) manages the financial risks of the company and is also responsible for financial planning and record keeping. The Chief Operation Officer (COO) is responsible for managing the day-to-day activities of the company. And at the top of every major company stands a Chief Executive Officer (CEO). The CEO's job it to create a vision for the company and direction to his management team to develop and implement a roadmap to accomplish those goals. These three senior executive positions are the highest paid in the company. Have you ever stopped for a second and asked why? The answer is because they are the most important positions and unless very capable people are at the helm the company will surely fail.

As a trader who aspires to succeed in trading, you have to act as the CEO, CFO and COO of your trading "company." Therefore, you must have a business plan. A good business plan will include the vision of what you are trying to accomplish as a professional trader and the means of getting there.

It should include a greater goal than just your financial or profit objectives. Whether it is building a 12,000 square foot house or an expansion for your place of worship, or becoming a charitable philanthropist; the "big picture" goal must be something more grand than just trading for a living to make ends meet. This goal should be important enough to provide you with enthusiasm and motivation each time you think of it. That's the thought that provides you with the inspiration to look forward to waking up early in the morning to attack the trading day, and the light at the end of the tunnel that makes you want to persevere at all costs when things don't go your way. Write it down as part of your mission statement on the cover page of your business plan.

Having established your vision, you now map out how you're going to reach it. Whether it is a three, five or a seven year

plan, you must decide how much time to allow yourself to get where you want to be. Be realistic as to whether the proposed timetable is sufficient. Then, break down the plan to yearly, monthly and weekly goals.

For the purpose of illustration, let's assume we have a vision of building a house we'll be proud of that costs $1,000,000. Let's give ourselves three years to accomplish our goal. Therefore, we must earn $334,000 per year, $28,000 per month and $7,000 per week before taxes without compounding profit. (For simplicity let's not calculate taxes although they are a major part of your business plan and to calculate them you should add approximately 39% to the bottom line.) Next, we have to examine what needs to be done in order for us to make $7,000 per week. Ask yourself how many points, realistically, you think you can capture each day. In this example, we'll use the S&P 500 e-mini contact (ES). If the answer is two points, you will need to trade 14 contracts. Each ES point is worth $50. (Two times $50 equals $100 times 14 equals $1,400.) As a side note, don't put a lot of pressure on yourself to make that amount every day; instead, just try to execute to the best of your ability and use it as a guideline for the amount you are trying to reach on a given month. You now have a good base to start with.

The scenario above is obviously picture perfect, and to think that any individual can trade for 3 years without a loss would be ludicrous and naïve. Of course, there will be losses along the way, and as part of your business plan you will have to define how to get back those loses and what percentage of your profits is reasonable to give back in any given month. Once it's defined do not exceed your allowances. Therefore, you will have to adjust either the timeline or your money management rules, once losses do show up, to reach your goal.

Other factors you will need to include as part of your business plan:

(1) How much computer power and how many monitors will you need?

(2) Data vendor and execution platform;

(3) What type of leverage will you use? A good rule of thumb is to trade 1 contract for every $4,000 you have in your account;

(4) Which market(s) will you trade?

(5) What time will you wake up in the morning?

(6) When will you start watching the market? Personally, I find that watching the market 2 hours before the official opening, which is 9:30 am EST, gives me a lot of insides to what's about to happen during

the trading session.

(7) What hours will you trade and when will you sit out? I sit out at the last half hour of the day because I don't like to take home a loss. And if I do get stopped out it's very hard to recover when time is limited. I'm much better off playing defense in the last half hour of the day.

(8) What edge will you use? What type of strategy? In a choppy market, counter trend trading is more favorable as opposed to a trending market where breakouts and pullbacks are more favorable.

(9) What type of time frames will you use to make trading decisions?

(10) What will be the premise for pulling the trigger? A good probability combined with an edge and a good risk reward ratio is my premise to execute a trade.

(11) How many trades per day will you take?

(12) How will you enter the market? Limit or market orders? Buy or sell stops for breakout trades?

(13) How will you take profits? Trailing stops, profit targets or a combination of the two?

(14) How will you set stops and what is your strategy if the market presents you with another opportunity to enter exactly at your stop out point? Will you get stopped out and reenter, or will you add to your position?

(15) How will you recover from stop outs? Define exactly the state of mind you will need to be in, in order to recover from a stop out and unless you are under that specific state of mind, don't try to recover a stop out.

(16) Will you cap profits once your daily goal is reached or will you continue trading?

(17) Will you cap your losses? For example, three strikes and you're done for the day, or will you try to recoup your losses with much effort?

(18) Are you going to be a bias trader or a non-bias trader? To be a non-bias trader you can't listen to any news wires, just be aware of economic calendar release of market moving reports.

(19) Are you going to trade in a fast market, i.e., during news releases or are you going to stay out of those volatile markets?

(20) Under what emotional state will you NOT trade? What are the circumstances that will keep you out of the market, i.e., health, coming back from vacation, or bereaving the death of a loved one?

(21) Maintaining a detailed daily trading journal, is imperative to your success. In the journal you have to specify the following: The strategy and reason you've entered the trade. The time of the day the trade was initiated. The amount of heat you took before the trade turned profitable. The amount of slippage. The emotions you experienced before, during and after the trade. Stop outs and profits. Make a habit of reviewing your trade journal at the end of each trading week and look for patterns. If you find good patterns try to exploit them, like being more profitable at a certain time of day. Conversely, avoid bad patterns, such as lowering your stop to avoid a loss. Or, if you find that you consistently take more than a point of heat on each trade maybe you want to adjust your entry so if your strategy calls you to go long at 1388.25 you might want to consider going long at 1387.25 instead, Etc.

Your trading plan must define all of the above questions to help you avoid *emotional* trading decisions—the Achilles heal of losing traders. Your goal as a trader is to execute your plan and leave the thinking out of it. A daily plan provides structure, rules and guidelines.

Devising a business plan is not an easy task. It takes a lot of diligence and discipline to make sure it is structurally sound decisively followed. As humans, our innate drive for instant gratification--and see results right away with as little effort as possible--make us cut corners and ultimately fail. You feel guilty the first time you break your plan but each subsequent time you bend it, it becomes easier and easier until you don't think about it anymore and your plan is essentially worthless. Remember, every great enterprise is modeled after a business plan. Your goal as a trader is to work on making fewer mistakes each passing month. Combining all those factors together, religiously following your business plan in conjunction with keeping a detailed daily trading journal, will put you in the right attitude which will tremendously build your confidence. As a result, you will believe that you deserve to be the successful trader you always knew you could be. Becoming that trader, then, is just a natural step.

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Trading Simple Fibonacci Retracements

By Larry Pesavento

One of the advantages of trading with pattern recognition is that the numbers from sacred geometry i.e. (the Fibonacci summation series) can be used to determine entry points and profit objectives.

Enclosed is an intra day chart on the gold market that illustrates one of these patterns. Mathematically, the work by Dr. Andrew Lo from MIT that was published in his trailblazing book "A Non Random Walk Down Wall Street" has made pattern recognition more popular than ever. This is the primary reason that you're seeing more charts on Bloomberg, CNBC and all of the financial press. On a recent trip to the far east including China, I was amazed to find the financial papers covered with daily stock charts, commodity charts and foreign currency charts. These countries, some of which do not even have commodity exchanges.

This is a very simple concept of what the markets do every day as you examine the intraday chart on the gold futures. As you can see, it is basically the AB=CD pattern that was described by HM Gartley in his 1937 classic, "Profits in the Stock Market." A is the first high, B is the next low, C is the 61% retracement and D is the final objective. After the top is made in the market the trader should look to sell the 61.8% (or 78.6%) retracement. Stop placement should always be at slightly below the old high. The profit objective will be a minimum of 1.27 or 1,618 of the BC leg which will also be equal to the AB leg.

After 45 years of trading, I can say with 100% certainty if you can learn how to read this particular pattern on weekly, daily or intraday charts, it will increase your bottom line substantiality. Pattern recognition has these particular things for you.

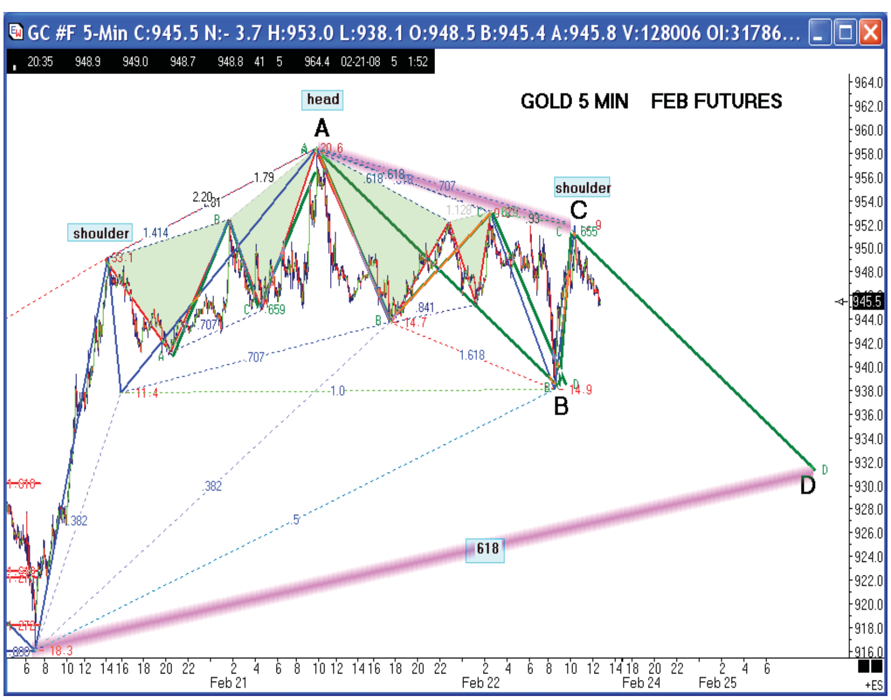
1. The work has been substantiated by MIT university.

2. It repeats at regular intervals, i.e., any time frame.

3. Most importantly they are predictable which places the probabilities of winning on the side of the trader.

4. It must be used with a sound money management trading plan that includes the use of protective stops.

Larry Pesavento can be reached at www.tradingtutor.com



Master Trading Stress

Interview with Ari Kiev by Larry Jacobs

What is traders stress and why is it a problem?

The nature of stress is part of the human condition. In trading you are dealing with a lot of uncertainty, unpredictable events and information. You are dealing with the volatility of the markets, the ups and downs. You possibly may be loosing a lot of money so it creates a lot of stress for the people involved in this activity. Over time the people that are successful at it learn how to master stress. They use a variety of techniques in getting comfortable in reducing stress. They learn how to recognize it so it does not interview with their decision making or performance. It is important to know how stress can affect you.

What are the stages of stress?

Initially the person will feel anxiety, depression, shock, confusion and locked and unable to decide. In a later stage, for example, with someone that has had a major drawdown, they may always be on alert, constantly checking and rechecking their environment, can't concentrate, emotionally numb. They have the tendency to deny the event in front of them. They may fell empty and depersonalized. It depends on how serious the loss is and how difficult the market is. In the later stage the person may not be able to sleep. They will stay up all night and replay their trades over and over again and ask to themselves, what they should have done. The person may get so depressed that they need medication. They may need to get out of the market to heal themselves.

I myself will often replay what I did during the day and the end of it. I knew what needed to do, but I did not do it?

It is good to get a diary and write down what you have did and why you did it. Put the charts in it. List what you did and what you were experiencing. Then you will separate the way you were feeling from what has happened and get some objectivity about the nature of the trade. When you are under stress it is important to detach yourself from what is going on in the market so you are not being thrown from what is happening. This takes some practice. I recommend in my book that you spend 30-40 minutes per day visualizing and preparing for the day. Reviewing different outcomes of events and planning different courses of action from what is likely to happen so they are better prepared for dealing with events in the middle of the event. This is the best way to arm yourself to handle stress. You have to plan the fire drill in advance and know what you are going to do.

Can you explain the dangers of trading under stress?

Someone under stress may be paralyzed to get out of positions not working. They then ride out big losses and get themselves in a big hole. They may not be able to react rapidly to reduce the risk that they are in so that they can prevent a major draw down.

How does one get psychological energy and maintain that?

I have seen this is athletes and successful portfolio managers. I know a man who does Yoga everyday and gets himself in a calm centered state. He is able as the day goes on when things get stressful to take time off and get himself back into that state of mind, where is pulse is slowed down, where his breathing is relaxed and is feeling serine so he can examine data without exaggeration. He can examine data for what it is worth without putting emotional feeling to it.

What is a Winning Personality?

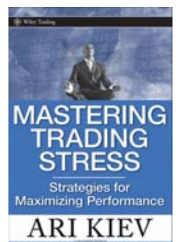
People that are good at winning like in Athletics tend to be very focused and spend a lot of time preparing and practicing time review what they are going to do under various scenarios. They plan to have a solution how they are going to deal with a whole lot of circumstances. It is not by chance they are successful. They have a plan and they work the plan and they keep improving it. They keep reviewing what happened what worked and what did not work. I work with traders and I go over with them what worked and did not work last week, month, and the year. People that are winners figure out what they are good at and build their strategies around that. They also supplement it by building a support structure around it to help them do what they need to be successful. The people who are successful recognize that they only win 50 – 60% of the time and 40 – 50% of the time they lose. In the circumstances that they win they only do big in a small number of cases. The people who are best at winning are the ones who also know how to lose. They understand that losing it is part all of it. They use the loosing part of it as a learning experience. What can I learn from the failed experiments; Edison said when it took him 10,000 experiments to develop the light bulb.

Can you explain what it means failing to commit?

You need to believe in the outcome. You then need to do what it takes to realize that outcome. You have to be motivated and fired up to the results. Be willing to make the effort, and the modifications as you go along in order to be able to achieve the results. You have to be able to promise and commit to achieve those results. You have a better chance if you are working with a bunch of people with the same objectives. Staying true to your promise to achieve those results.

This is part of an online interview which can be found at www.tradersworld.com/kiev

AriKiev can be contacted at www.arikiev.com



Ari Kiev is author of the first trading psychology book to focus on stress management for traders. In this book he explains how stress causes traders to make poor decisions, and he describes a variety of methods traders can use to handle destructive emotions and out-of-control feelings. A practicing psychiatrist who works extensively with traders, he describes a variety of traders and shows how stress robs them of their ability to perform at their best. He emphasizes that traders experience and react to stress in different ways. He uses a number of examples drawn from real, hedge fund traders, including a previously successful trader who suddenly lost his touch following 9/11; a trader who abandoned risk control techniques in pursuit of an unrealistically high profit goal; a trader who consistently sabotaged himself after every period of success; and a trader who limited his success because of an unwillingness to challenge himself. He describes a variety of conventional techniques to handle stress, including exercise, breathing exercises, and creating a balanced life. But most importantly, traders need to commit to a vision of themselves and their goals and learn to experience stress without losing their ultimate focus. The book is available at www.tradersworld.com for $32.97

Game Theory for Winners!

Are you being "played"?

"In terms of the game theory, we might say the universe is so constituted as to maximize play. The best games are not those in which all goes smoothly and steadily toward a certain conclusion, but those in which the outcome is always in doubt."

George B. Leonard

By Joel Rensink

Welcome to the greatest business and "real" opportunity left on the planet, the futures and forex markets. Knowing a little unique information – for sure – and being able to act on it profitably – has never been as possible or lucrative as it is today. A prime opportunity is unfolding today as I write this, and it will probably be possible for you to profit from it by the time you read this.

Right now, we have more products for trading available, futures contracts, options on contracts, futures index products, and forex trading banks that cater to smaller capital--- **than ever before!**

The things the world's inhabitants need most; food , shelter, money, energy and systems that facilitate life in this 21st century all require what futures and forex traders deal in for price discovery and profits. All it takes is discovering "real" values consistently before the majority of other participants. And acting on the information appropriately.

A local friend of mine approached me 2 years ago wanting to get into the futures trading business. He knew I had been trading for years and figured I could point him in the right direction. I was happy to assist.

With information no more obscure than has been available from this fine magazine in past issues **(the key is knowing what information is most valuable)**, he took a modest $30K account and started systematically trading the futures markets. This week Tuesday he informed me that his account just touched the $250,000 total equity mark.

Blake (not his real name) has accomplished this by buying and selling breakouts. Breakouts that other traders find unappealing to take themselves because the "appearance" of the markets when these trades are taken creates doubt in their minds. His method is a modified Donchian breakout system; which many traders find unsexy and unsophisticated.

I have no doubt that most of you reading right now could find a method, or already have access to a method that has an equal edge than the one that Blake trades. But are you actually trading it?

Blake trades his. He started very small and added larger positions as he earned more capital. And recently, he's had meaningful positions in Minneapolis wheat, which has become a legend in its own time. He also trades live hogs, the Euro, the Japanese Yen, cotton, coffee..., you get the idea. He places a stoploss order on every trade he enters.

You could write off Blake's performance as a well-chosen example. Perhaps it is.

But Blake really puts in his own orders every morning before he goes to work and the money he extracts from the market is very real. And his method works because he takes trades with an edge that others find too disagreeable to take themselves. Thereby ensuring the existence of the edge.

What Blake has done, and what you can start doing too – is learn to profit from a form of **Game Theory**.

What exactly is **Game Theory?**

Game theory is a combinational approach

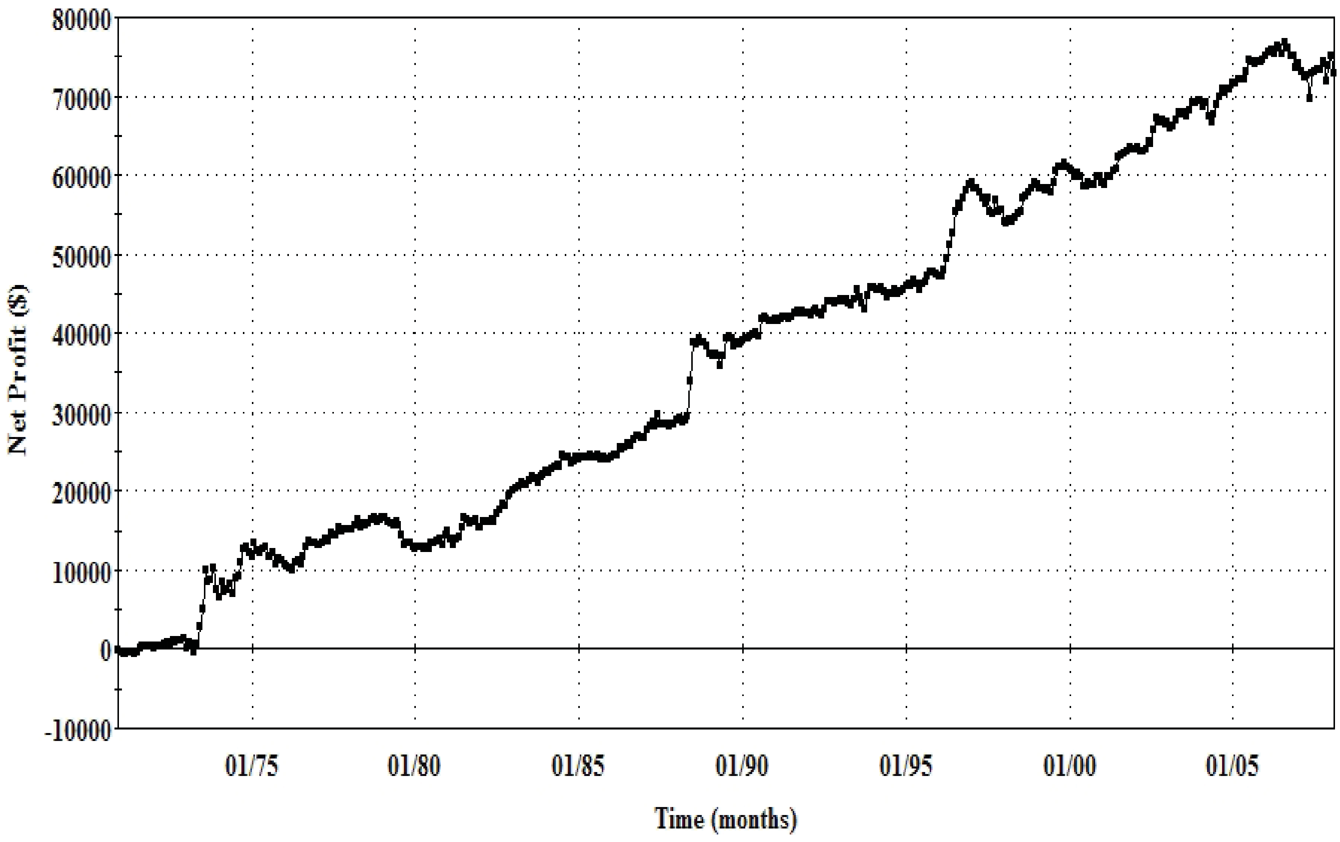


Figure. 1 Chicago Corn. "Tit -for-Tat" Strategy-- UP close Long/ DOWN close Short.
Always in the market. One contract. No Stops. 1971-2008

to study human behaviors. It is used by scientists, mathematicians, and the social and behavioral sciences to get a greater understanding of how and why humans react the way they do.

In a magazine article it is impossible to do the entire game theory discipline justice, but we'll touch on some useful segments for the trader.

The first major contribution to official game theory was from the work of John von Neumann and the great mathematical economist, Oskar Morgenstern. They collaborated on the first decisive book on the subject: The Theory of Games and Economic Behavior. Game theory is basically concerned with how *rational* individuals should make decisions in situations in which the optimal choice for each depends on the choice of another party or parties. (I recommend that you do some research on Game Theory on the internet, where there is an abundance of interactive game theory problems and tutorials which will give you ideas for obtaining additional edges in the financial markets.)

Remember the key word- **rational**. (Prices really move when people stop being rational.)

Many different games are modeled by these game theorists. Not all directly deal with the type of market decisions that traders use every day. But the main principles of some of these games are extremely valuable. So, managers who handle billions of dollars and euros for hedge funds take special note to any theory that offers a rational and reliable edge.

We're going to discuss two which are very valuable because of their insights into the biases of our trading competition.

Some of these games studied go by unusual names. The following list is by no means complete. But you can see a sample of ideas being researched.

- Bankruptcy
- Barbarians at the Gate
- Caveat Emptor
- Conscription
- Coordination
- Escape and Evasion
- Hawk versus Dove
- Mutually Assured Destruction
- Majority Rule
- Market Niche
- Mutual Defense
- Prisoner's Dilemma

Another good point to remember is that many high reward elements of game theory deals with the value of the **bluff**.

Some of the financial rewards of using game theory are the following:

In 2000, Chris Ferguson beat T. J. Cloutier at the main event of the 2000 World Series of Poker to win the $1.5 million prize, even though previously he was a virtual unknown. His style is highly mathematical, using a strong knowledge of game theory and computer simulation to improve his understanding of the game.

One game theory proof has been that it is absolutely most profitable to consistently bluff on your weak hands. The costs to the other players to "call" your bluff are excessive and not productive.

In trading, stop-running is done by fluid traders at key areas where they know small traders congregate their orders. They build strategies based on game theory to know how much of this stop-running tax they can garner without the under capitalized traders changing their play. You might have been one of their victims today, as I've been many times.

13 years ago a game theory strategy was promoted called Turtle Soup. It specifically targeted longer term traders similar to the "Turtles" of Richard Dennis fame, for their profits. Even though Turtle Soup worked then and even now, the practitioners of the strategy have to be very quick and have a well designed plan because the "turtles" still make money long term from going the opposite direction at the same breakouts.

Another game, listed above, is famous for the many situations it parallels. It is called the "Prisoner's Dilemma".

The prisoner's dilemma is a type of non-zero-sum game in which two players may each "cooperate" with or "betray" the other player. It is based on the idea of two criminals captured but without proof except that available from his cohort. In this game, as in all game theory, the only concern of each individual player or "prisoner" is maximizing his own payoff, without any concern for the other player's payoff. Which means if either of the players thinks that he might be sold out he will sell out the other first.

The repeated form of this game helps the players see that it might be beneficial to work with the other player to further increase their payoff.

The optimal strategy for this game is called "tit-for-tat". Meaning a player responds in one period with the same action his opponent used in the previous period. It ends up being an optimal strategy for both parties.

This exact strategy actually works quite well trading many futures markets. Due to the strong financial connections between parties in futures markets there is a "tit-for-tat" tendency you can profit from. For example: If you go long corn on a higher market close because the other participants bought all day, and then stay long until there is a lower market close, at which point you cover your longs and go short, until a higher close where you go long again-- you are following this strategy. (This "tit-for-tat" strategy isn't just for corn. Many markets are closely coupled in this way.)

Figure. 1 Chicago Corn. "Tit -for-Tat" Strategy-- UP close Long/ DOWN close Short. Always in the market. One contract. No Stops. 1971-2008

Notice the equity curve from following this dead simple strategy in Chicago Corn for the last 37 years in **Figure. 1.** (Remember, no commissions or slippage are figured in-- this is just revealing a strong tendency.) Is it tradeable? You can bet someone is taking advantage of this.

Understanding the byproducts of this next unique and elegant principle of decision making, will likely drastically improve your financial life!

Perhaps you remember watching or hearing about the movie, "A Beautiful Mind"? It was about the **Nash Equilibrium**, named after Nobel Memorial Laureate John Nash. He developed an "original idea" that revolutionized the world of mathematics.

There is a tremendously valuable way for market traders to make outsized profits. This is when there is a "state" failure created by users of game theory. In other words, we can profit from "gaming" the game theorists.

Simply stated, a **Nash equilibrium** exists between the two parties Dan and Jack if: Dan is making his best decision possible, at the same time taking into account Jack's decision; and Jack is making the best decision he can, simultaneously taking into account Dan's decision. This equilibrium can be in any venue; a game, a business.

Sounds pretty simple. And, it is.

Likewise, many participants are in a **Nash equilibrium** if each one is making their best decision that they can, while at the same time taking under advisement the decisions of the others in the "game". In the real world, high financial stakes can ensure this process once an equilibrium is achieved.

Existence of a Nash equilibrium does not necessarily mean all the players involved in the game will share the best cumulative payoffs. In many situations, ***all*** of the players might improve their payoffs if they could somehow agree on strategies different from the pre-existing **Nash equilibrium.**

An example of traders improving their payoffs collectively might be a number of them forming a group to limit information flow and fix prices. Or competing business creating a cartel.

Think OPEC. The Federal Reserve. Huge private trading groups like Cargill, and their close competitors, who have created informational services that only they control, for their group's collective good. These groups control tremendous resources and organizations and succeed in maximizing payoffs for their piece of business.

In the Futures and Forex markets, "inside information" is legal to trade on. So, large financially savvy groups succeed in creating a stable **Nash equilibrium**, where profits are maximized, FOR THEM. Information is controlled for the greater reward of a few of the game participants raising the cumulative payoff for the players involved in their part of the game.

It is like the now legendary movie, "**Wall Street**", where Gekko's inside-trading machine takes in information and miraculously transmutes it into cash.

But the markets in which these groups operate are virtually NEVER in a stable **Nash equilibrium**. (This fact is where the seeds of immense profit exist!)

Market participants or entities strive to operate in such a way as to maximize profits in their groups, and usually succeed for as long as they can. They are constantly basing their decisions for action on the supposed reliable and seemingly understandable actions of the other participants in their group. But, because unknown market forces exist that end up "upsetting the applecart", a state change **always** takes place which changes everything and accelerates market moves due to a complete collapse of the comfortable **Nash equilibrium** they had created for themselves.

This is why corners and cartels might work for many months or years and then suddenly disappear. This is the area where thinking speculators can make a lifetime of profit in moments.

How do you profit from this?

One of the best ways is by recognizing large groups of market participants who have discovered the "perfect" way of minting money. They will have fallen in love with the strategies that enable them to profit with the members in their group. And then prepare for their collapse with a strategy that has limited risk and unlimited profit potential.

You will read about one of the greatest equilibriums to be tipped, shortly.

Hundreds of Nash equilibriums existed in the past which succeeded famously for an extended period of time-- and then blew up. Below are just a few past episodes where natural market forces broke the long-term stability of a previously balanced, profitable system for participants who didn't or couldn't change with the risks the market revealed.

- The S & L crisis.
- 1970's Oil cartels.
- Enron
- Junk Bonds- remember Michael Milken?
- The collapse of Long Term Capital Management.
- The current housing loan crisis.

- Central banks, numerous times this last century, who enjoyed great balance and mutual profits, then collapsed. Huge profits for some. Now the banks face threatening upheavals again. (This one has the best potential for traders right now!)

The only thing that will redeem mankind is cooperation. – Bertrand Russell

I appreciate the sentiments of Bertrand Russell as it applies to human interaction, but it also has the greatest potential for abuse. Worldwide cooperation has never succeeded, but cooperation of classes and types of individuals does work.

In the case of operations which seek to control market forces, there has always been one eventuality.

The market always wins!

The Most Profitable Opportunity We'll Have In Our Lifetime!

The major opportunity ahead of us is one that should last for most of the next decade.

All of us have been "gamed" big-time in the last century. Even more so in the last 5 years. The money in your pocket is worth a lot less that it was 6 months ago.

First, I need to state that this discussion of the current opportunity's existence is my opinion alone. I have no axe to grind with any financial entity. I am a trader, first, last, and always. I don't get emotional about money or about what I'm writing here. I am very willing to profit from the existing situation and think it is fine if others do also.

I wish that I could be wrong about this scenario. I am certain I am not.

The profit scenario I'm talking about is based on 2 concrete facts.

The first concrete fact is: the inevitability of the world being forced into having one world currency. Sovereign countries aren't happy about the idea, but ultimately they know it is inevitable. The world is smaller, and everyone is getting used to clicking a purchase from anywhere on earth. You do it. I do it. Efficiency ultimately demands it. **The first rule of money is: it goes where it gets the greatest utility.**

The second concrete fact is this: the constant of fiat money (printed money) is inflation.

Example:

There has never been a currency printed, on paper or otherwise which has become more valuable over time, as to buying power.

Down the street from where I live is a huge, beautiful 3 story triplex that, even with the current unpleasantness in housing, is worth $900,000. It was built in 1910 for $9,000 which was financed for 40 years for payments the size of which is now tip money at a restaurant. I know this for sure, because I have copies of the original documents.

That is how much the dollar has dropped in value in 98 years. I know you can uncover countless examples.

The dollar is systematically being diluted. This isn't happening by accident. It is intentional. The reasons why don't actually matter, due to no one having any ability to change the course of events. It would be like trying to stop a lake of gasoline from blowing up after throwing in a lit flare.

So why not profit by staying on the long side of other currencies? And gold. And silver. The two latter choices are the best if you can get access to them. Currencies are good because of the leverage available.

Why are gold and silver the best?

If you do any research on inflation ---you will find that every time in history a currency crisis has taken place, the only currency acceptable to the masses is one that is or will somehow be backed by gold or silver. As recently as during and after WW II.

After everyone gets used to the new currency and starts using it, the money controllers somehow decouple the metals from the currency-- and the game is on again-- inflation.

The dilution will continue until there is a currency that the majority of the world will be able to tolerate. Seems unlikely now, to some. But it is inevitable and the Fed will not help pay the Government's bills with inflation less currency. They will only be happy to pay the bills with a diluted currency in the meantime. This way the United States can unofficially "tax" the world into paying for the defacto police-force of the world.

The Federal Reserve is not a government entity. They are a bank of free enterprise which has all the ingredients of a **Nash equilibrium**. Everyone involved in the system is a player to the end. In the script, the system will fail because market forces are always bigger than the humans who start believing that they now control them. They are smart enough to know this and can help you profit from their own demise. Read on.

Imagine you had the power and control that the present "equilibrium" group has on the world banking system. It is truly the power of Midas, having the ability to turn something valueless like electrons in a computer into physical gold.

Let the old saying, "He who has the gold, makes the rules" ring in your head.

How difficult is it to imagine those who have current control over the earth's capital to snapping up controlling quantities of gold and silver so when it all hits the fan, they will be able to pay all their sponsor country's bills due with inflated electronic money and have the gold available to start the banking process all over again--- this time with a currency that the WHOLE WORLD is dependent on?

If they buy gold to help preserve their place in the world, what direction will the prices of the limited supplies of silver and gold go?

This is your heads up!

This is actually the world's largest opportunity. It is inevitable, but almost no one actually believes that the complete monetary system could go into hyper inflation.

The greatest profit opportunities are based on how many people are affected by the ultimate change vs. how many of them take action as soon as information about the change is revealed.

I'm not a doom-and-gloomer. I believe the world will probably survive, but that is no guarantee for your wealth. And you may not like where you end up living or the people who will live with you.

Paper assets die miserable deaths in Central Banking mishaps. Make some money from it, perhaps on leverage. And convert it into a hard asset before the musical chairs game ends.

When you get a chance, if you haven't already; get the last two books from Nassim Taleb--**Fooled by Randomness**, and **The Black Swan**. He describes many avenues for profiting from game theory, as that is his main schtick.

Nassim has made a career out of profiting from "impossible" events. In the 1987 stock market incident, he parlayed a tiny position in out-of-the-money Eurodollar (an interest rate future) and currency-future calls into a fortune. Just $1,500 of these calls became worth **$1,000,000.00** overnight. Nassim has recently stated that he made 97% of all the money he has made in his whole lifetime on that one day. He is constantly on the lookout for other opportunities like it. Like this one.

He inadvertently discovered another form of game theory that is still misunderstood today. People underestimate the probability of collapse in financial structures because it is a basic human desire to feel safe and not be looking for cracks in the system.

The wings have cracks. Get a parachute!

Game theory is alive and well. Understanding that it is being used against you is your greatest protection against it.

Let the games begin!!!

Joel Rensink has been a professional futures, floor and forex trader for more than 25 years. In addition to active trading, he is a consultant for determined traders, trading firms and hedge funds seeking robust trading models and money management models. In 2006 he created the very successful Golden Pip Method for the forex markets. For any comments or questions on the article or the markets, e-mail him at leonardo@infiniteyield.com. Website: infiniteyield.com Telephone: (612)825-4776

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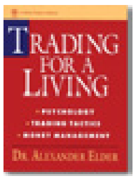
Understanding Fibonacci Numbers by Ed Dobson Price $5.00

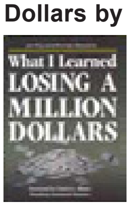
Primer booklet which explains and describes the fascinating Fibonacci number sequence, and how it is utilized by traders to forecast and interpret price action. Comprehensive bibliography lists all known references on this subject. 16 pp.

Trading for a Living by Dr. Alexander Elder Reg. Price: $59.00 Now $59.00



Superb book which is both highly informative, and also delightful reading. Covers 3 primary skills essential to successful trading: Psychology, market analysis and trading methods, and principles of money management. The coverage of psychology is both from an individual perspective, and from that of the crowd, or majority of market participants. Teaches a new approach to managing your own emotions as a trader, also how to understand and benefit from the crowd psychology of markets. One of Ed Dobson's favorites. 289 pp.

What I Learned Losing a Million Dollars by Jim Paul: Price $49.85

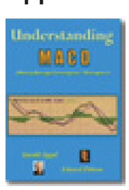


What I Learned Losing A Million Dollars is a fascinating, easy-to-read and fast- paced true story of a commodity trader's meteoric rise from poor country boy to jet-setting millionaire and Governor of the Chicago Mercantile Exchange. And, it is an insightful examination of the lessons he learned from the harrowing million dollar loss in the market which brought him crashing down. From anecdotes that are by turn amusing and hair- raising, you will vicariously experience this trader's roller coaster ride from poorhouse to penthouse and back again. You will learn: The three biggest mistakes investors and traders make and how to avoid them. Why the most important part of making money is not losing it. The patter which all losses take, regardless of whether the loss is $1,000 or $10,000,000. How to take losses before they take you. 190 pp.

How to Become a Real-Time Commodity Futures Trader from Home by Scott A. Krieger Reg. Price: $69.95 Now only $49.95

Easy-to-understand and written for both beginning and experienced traders (these strategies can improve anyone's bottom line), the guide proceeds gradually and systematically through all of the trading concepts and procedures. Stressing a prudent business approach with the application of proven money management, risk management, and trading confirmation techniques, it is specifically designed to show you that once you learn how to intelligently trade from home, you will truly need no other occupation for making money! $907,030 Profit On A $20,000 Investment In Under 18 Months!! Imagine what it would be like if you never again had to get up in the morning and fight rush-hour crowds to spend long hours working for someone else. If you had the time and money to do the things you really want to do. Scott Krieger lives that "dream life." After years of climbing the "corporate ladder," Scott quit his 60-plus-hours-a-week job and began trading futures for a living. 310 pp.

Understanding MACD by Gerald Appel Price: $24.95

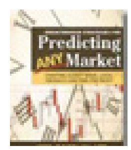


This comprehensive guide to MACD is a one-of-a-kind one-stop reference that will prove a valuable addition your trading library. It includes a bullet point summary overview of MACD, a detailed bibliography detailing all known references and articles relating to MACD, with annotation showing unique points covered in each source, and a major research report on MACD written by and originally published by Gerald Appel (and priced at $50 for this report alone). This report, written by the originator of this indicator, is the most definitive and in-depth material available on MACD. It alone is worth far more than the modest price of this booklet. 56 pp.

The Taylor Trading Technique by G. Douglas Taylor Price: $29.95

For those interested in day trading and short-term swing trading in futures, this classic 1950 work is an indispensable reference. The 3-Day Method (a.k.a. The Book Method) described herein, maintains that markets move in a three-day cycle that can be tracked by measuring rallies and declines. Linda Bradford Raschke highly recommends this book and the principles it teaches. 128pp

Breakthrough Strategies for Predicting any Market Charting Elliott Wave, Lucas, Fibonacci and Time for Profit by Joel Greenblatt: Reg. Price: $179.95 Now only $129.95

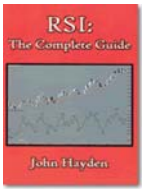


Breakthrough Strategies for Predicting Any Market is sure to be considered one of the great trading books of the 21st century. In this landmark work, Jeff Greenblatt will teach you how to understand the time dimension of the market and take your technical analysis to the next level. With extensive case studies and charts, Jeff will reveal his high-probability pattern recognition system; one that will give you a deeper understanding of how the markets really work and will make whatever methodology you use ten times better. Following in the footsteps of the great W.D. Gann, Jeff will help you gain greater precision in any instrument you trade, on any time frame. 344 pp.

The Handbook of Market Esoterica by Earik Beann Price: $495.00

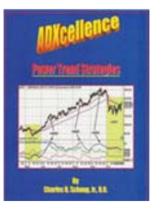
This trading course deals with the true nature of price and time, magic numbers in the market, volume cycles, market geometry, astro trading, numbered squares, and unveils a secret Astronumerology system which unifies astrology and numerology into a razor sharp forecasting methodology. Not intended for casual readers or the closed minded. After studying this manual, you will be able to forecast turning points in the distant future with a high degree of accuracy. 216 pp.

RSI - The Complete Guide by John Hayden Price: $34.95



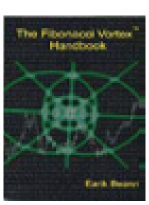
John Hayden, author of "21 Irrefutable Truths of Trading", has studied and researched RSI for years. He has collaborated closely with Andrew Cardwell in his work and at one point a book on RSI co-authored by both was scheduled to be published by McGraw Hill, but publication was delayed and eventually cancelled. The content of this book, in part, emanated from that earlier collaboration. Become an expert in the use of RSI, a mainstream technical indicator which is in virtually every technical analysis software package. Properly understood and utilized, it can be a powerful tool to help you time and select trades. This new book, available exclusively through Traders Press, is the definitive guide to the use and interpretation of RSI.

ADXellence: Power Trend Strategies by Dr. Charles B. Schaap $149.00



Learn How To Trade With ADXellence!
A full length book, available only through Traders Press, dealing solely and exclusively with ADX, the powerful trend measuring indicator developed by Welles Wilder. This valuable trading manual gives SPECIFIC trading strategies and methods using ADX and is the only book anywhere on this subject. Serious traders, check this out and get your copy while available! Using ADX, a trader can make the largest amount of money in the least amount of time. ADX is the best indicator for trading power trends…it quantifies trend strength, gives direction, and shows trend momentum. When ADX is applied in the context of power trading principles, the result is an amazing opportunity to capitalize on the strongest trends with the greatest potential for gain.

The Fibonacci Fortex Handbook by Earik Beann Price: $89.00

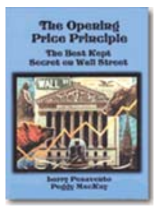


The Fibonacci Vortex™ is one of the most complicated, yet powerful tools in Wave59. This book covers the theory behind the pattern, how to construct it, how to forecast with it, and most importantly, how to trade with it. In-depth chapters on chart scaling, sizing the vortex, time targets, price targets, and time/price squares, plus countless example charts. Includes vortex techniques previously unavailable anywhere. 120 pp.

Trading with Wave59™ Volume 1: Technicals by Earik Beann $39.95

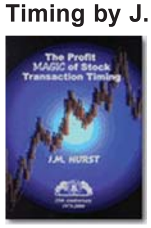
This book illustrates how to use the most popular tools found under the "Technicals" menu. In depth coverage of Exhaustion Bars, Ultra Smooth momentum, 9-5 Count, Lomb Periodogram, Smart Money Index, Fractal Trend Index, Action Zones, Predict, and Neural Networks. Check out the 9-5 Count working on daily temperature fluctuations! Many charts and trading setups presented.

Opening Price Principle: Best Kept Secret on Wall Street by Larry Pesavento Price: $29.95



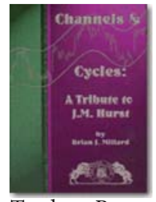
There is an amazingly reliable relationship between the opening price and the high/low range for the entire day. This relationship is generally known only to seasoned veterans. This new book from 2 traders with over 50 years combined experience reveals this consistent pattern, illustrates it with many tabular and charted examples, and tells you how to trade profitably using it. If you are a short term trader in EITHER stocks or futures, the knowledge you will gain from this book will give you a tremendous advantage every day for the rest of your trading life!

The Profit Magic of Stock Transaction Timing by J. M. Hurst Price: $29.95



Author J M Hurst is a legend to knowledgeable individuals interested and involved in the study of cyclical price movement in the financial markets. An aerospace engineer by training and background, he was the first pioneer in the computerized research into the nature of stock price action, devoting many years and over 20,000 computer hours to this study. His conclusions were first documented in this ground breaking classic. This book has become a classic and it is held in exceptionally high esteem by serious technical analysts and market students.

Channels & Cycles: A Tribute to J.M. Hurst by Brian Millard Price: $45.00

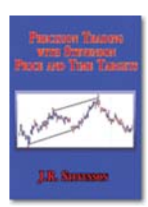


For many years I have heard how valuable the work of J.M. Hurst has proven to those interested in the use of cycles in the pursuit of market profits. Many Traders Press customers have advised me how valuable any material would prove to them that would shed any additional light on the work of Hurst. It is with great pride that we present the work of Brian Millard, Channels and Cycles, which clarifies the original work of Hurst as well as updating it and bringing it forward to the present time. Millard, like other market technicians such as Jim Tillman and Peter Eliades, found the work of Hurst of such seminal importance in influencing his approach to market analysis that it became the cornerstone of his methodology.

J.M. Hurst Cycles Trading and Training Course Reg. Price $495.00 Now only $395.00

Consisting of over within ten manuals spanning nearly sixteen hundred pages and eleven full-length audio tapes (15-18 hours).
Course Contents, How Price Action Works, From Cyclic Concepts to Trading Decisions, Setting up the Cyclic Model, Setting up a Transaction, How to Deal with Tops and Short Selling, Cyclic Analysis During a Transaction, Terminating a Transaction
How to Shape Strategy and Plan Capabilities, Refining Your Capabilities, A Reference Summary of Cyclic Analysis, Eleven professionally produced audio tapes, 200 hours, accompany approximately 1600 pages of written material, which includes hundreds of 11/17 fold-out full scale illustrative charts. A workshop and final self-examination are included.

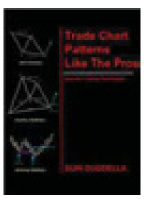
Precision Trading With Stevenson Price and Time Targets by J. R. Stevenson Price: $49.00



On May 27, 2003, General Electric shares closed at $27.42. The simple method revealed in this extraordinary book projected on that day that a high of

$31.66 would be achieved on June 17th. 3 weeks later, on June 17th, as projected, GE reached an intraday high of $31.66. This high marked an important intermediate turning point which was not exceeded for months. This method may be applied to ANY active market, whether stocks, futures, or indices, in ANY time frame. Imagine the value of having the knowledge of how to make similar projections of price and time targets in the markets you trade! JR was "legendary" among the brokers at ContiCommodity and at Prudential for his consistently accurate price and time projections. He has decided, at the urging of his family, to reveal his knowledge of this technique, which is amazingly simple and easy to use in any time frame and in any liquid market. JR currently day trades the S&P E-mini contracts actively using this technique. Other than to a few members of a chat room where JR has heretofore been known as "Baldy", it has never before been revealed to anyone, over all the years he used it.

Trade Chart Patterns Like the Pro by Suri Duddella Price: $59.95



Don't read this book, make money with it. You can build a base of knowledge that can take you further each time your trade with this book. Suri, the author, has laid out an indispensable book on trading chart patterns. It works well for the spectrum of investors from novice to expert. Trade Chart Patterns Like the Pros, stays focused and does not overwhelm you with mathematical statistics and technical jargon that will surely turn you off. With this book you can identify a pattern and apply the relevant techniques to enter, manage and exit the trade. Each of his 65 patterns includes a brief synopsis written in plain English and an actual chart to reinforce the concept, not a conveniently drawn perfect example that never occurs in real life. Suri explains the setups and then proves the entry point triggers as well as an exit strategy with targets for profitable trades and stops to minimize any losses. This book will give you the necessary insights that will help you win in the markets. You will keep this book at your side to reference, it is so valuable. 302 pp.

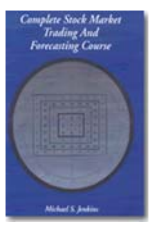
Patterns of Gann by Granville Cooley Price $159.00

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.

The Definitive Guide to Forecasting Using W.D. Gann's Square of Nine by Patrick Mikula Price: $150.00

It has been almost ten years since I wrote a book about W.D. Gann's forecasting tools. I wanted to return to this subject with a book that would stand the test of time. This book was written with the intention of creating the official book of record for all the Square of Nine forecasting methods. I believe I have achieved that goal. This book contains virtually very Square of Nine forecasting method.

Complete Stock Market Trading and Forecasting Course by Michael Jenkins Price: $529.00

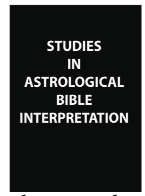


Michael Jenkins is a serious, highly successful, professional trader. In his two books, Geometry of the Stock Market and Chart Reading For Professional Traders, he shares some of his ideas on how he trades. Hungry for more of his ideas and direction, many of his readers literally begged for more. Jenkins has written this complete course in response to these requests. In his books, Jenkins explains, among other concepts, how he uses some of Gann's methods and techniques, but he never mentions Gann. In this course, by contrast, he specifically states that many of the ideas are those originally developed by Gann, and he goes into great detail on how he personally uses these ideas and techniques. One might almost view this course as a course on trading Gann's ideas, as expanded and refined by an active, successful trader. If you want a detailed, in depth course on how to use Gann in your own trading, this may prove to be what you have been seeking all this time.

The Gann Pyramid: Square of Nine Essentials by Daniel T. Ferrera Price: $395.00

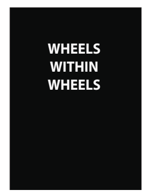
A new ground breaking course on the Square Of Nine, W. D. Gann's most mysterious calculator. This course is full of never before seen principles and techniques of analysis using Gann's Square of 9, with detailed explanations of their applications to the markets.

Studies In Astrological Bible Interpretation by Daniel Ferrera Price: $55.00



An interesting exploration of the process used in coding astrological and astronomical cycles into literature. Engages in a thorough analysis of the book of Genesis, exploring coding systems by which astrological symbolism is veiled.

Wheels Within Wheels by Daniel Fererra. Price: $450.00

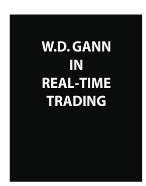


Breaks down the 16 primary component cycles of the DOW Jones Averages, producing an accurate map of the last 100 years of history, and projecting the cycles ahead to 2108. Includes all Excel Spreadsheets with all cycle calculations and charts, and the 100 year projection DFT Barometer.

How To Make A Cycle Analysis by Edward R. Dewey Price: $350.00

Approx. 630 pages, with charts. This how-to manual on cycle analysis was written by E.R. Dewey in 1955 as a correspondence course. It provides step-by-step instructions on the elements of cycle analysis, including how to identify, measure, isolate and evaluate cycles. The most elaborate cycle course ever written, by the star of cycle analysis, founder of the Foundation For The Study of Cycles. This course had a limited release in the 50's at a price of $350.00. It has been unavailable since then.

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

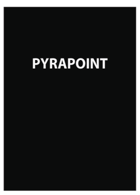


If you feel that you would like to do short term scalping or swing trading in the markets, then this book might be for you. It illustrates many short-term Gann mathematical trading techniques which have a high tendency to work intraday. Various intraday time frames are shown and how they can be used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

Patterns & Ellipses Price: $49.95

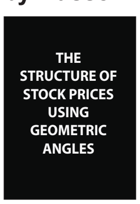
Stocks and futures move in elliptical paths. When a market makes a gap, its price action usually passes into a new sphere. All its activity will remain in the current sphere until it moves into another new sphere. This new book tells you how to use ellipses along with detailed chart patterns to determine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

Pyrapoint by Don E. Hall
Price: $150.00



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
by Russell M Sedlar Price: $49.95



"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."

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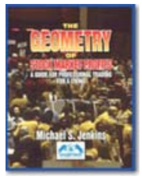

This book is about Jenkins' proprietary techniques, with major emphasis on cycle analysis, how he views and uses the methods of W. D. Gann, and the geometry of time and price.

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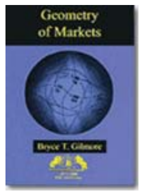

Book explains the theory behind time in the markets, Ancient Geometry and Numerology, Squaring Price Levels, Time Support and Resistance. Heliocentric Planetary Cycles.

Chart Reading for
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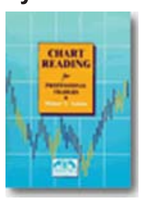
by Michael Jenkins Price: $75.00

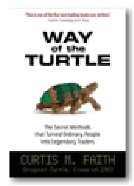


This book is a complete, comprehensive study on reading charts, forecasting the market, time cycles, and trading strategies. Explains reversal of trends, when to expect them, and how to know the trend has change. Shows you how to forecast with great reliability how long the new trend will last and its price target.

The Secret Science of the Stock Market by Michael Jenkins
Price: $149.00

In this book Mr. Jenkins gives a start to finish 'scientific' examination of time and price forecasting techniques starting with basic line vectors and advances the concepts to circles, squares, triangles, logarithms, music structure and ratio analysis. These concepts are developed into a comprehensive method that allows you to forecast any market with great accuracy. Mr. Jenkins demonstrates how a few simple calculations would have predicted many of the greatest stock market swings of the past seven years with accuracy down to the day and price targets within one point on the market averages. This new book advances the work started in his other books and course but goes much further revealing little known secret methods only a very small handful of professionals know and in many cases he reveals proprietary techniques never before revealed to the public at any price. The chapter on the Gann Square of Nine is much more complete than 90% of courses available selling for hundreds to thousands of dollars more. This chapter alone is worth several times the cost of the book but the secret ratio analysis at the end of the book will truly change your trading habits forever. When you finish this book there is little left to learn about advanced trading and forecasting techniques with the rare exception of astrological methods, which are not covered in this work. This book goes from beginning concepts to the most advanced so anyone can greatly benefit from reading it. All concepts are demonstrated with actual chart histories. It is not, however, for the casual investor who does not want to take the time to calculate a simple square root on a hand held calculator. If you liked Mr. Jenkins' previous books and/or his trading course, then this one will easily surpass your expectations.

Way of the Turtle, The Secret Methods that Turned Ordinary People into Legendary Traders Price by Curtis Faith
Price: $27.95

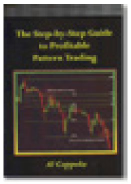


Way of the Turtle reveals, for the first time, the reasons for the success of the secretive trading system used by the group known as the "Turtles." Top-earning Turtle Curtis Faith lays bare the entire experiment, explaining how it was possible for Dennis and Eckhardt to recruit 23 ordinary people from all walks of life and train them to be extraordinary traders in just two weeks.

The Original Turtles Trading Notebook
by Russell J. Sands Price: $49.00

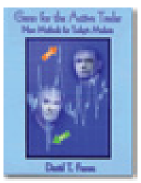
Confidential Trading Notes From An Original Turtle, including summary of systems as taught to original Turtle Russell Sands Secrets of the Giants an excellent introduction to winning strategies for anyone new to futures trading "Hottest Markets For Turtle Trading" analyzing recent huge winners - and some upcoming potential monster-size profits! Proven By Over Two Billion Dollars And Twenty Years Of Trading. Russell Sands explanation of trend-following and Turtles Trading, including a discussion of how well it's working today. You'll get an introduction to the Turtles Money Management Formula - as well as the most important proprietary filter for successful Turtles trading.

The Step-by-Step Guide to Profitable Pattern Trading by Al Coppola Price: $75.00



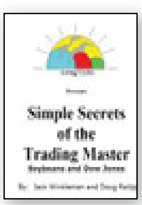
IT'S EASIER TO TEACH A FISH TO RIDE A BICYCLE THAN IT IS TO LEARN TO TRADE FOR A LIVING. Seriously, only 2% of all who attempt to trade securities for a living ever achieve the goal of financial freedom. We are constantly looking for the "Holy Grail"-- that elusive magic system that will give us the sure way to produce consistent winning trades. We study books, reports, newsletters, go to seminars, buy "black boxes," subscribe to "sure pick services," try tips from well meaning friends, attend chat rooms and are quick to adopt the indicator de jure, yet we continue to lose until we are forced to surrender and our equity is dissipated. Studying Al's book will put you on the right path to financial independence.

Gann for the Active Trader New Methods for Today's Markets by Dan Ferrera Price: $75.00



In this ground breaking new book, Gann expert Dan Ferrera presents a number of new techniques for trading in today's markets which build on and expand the trading methods of the legendary trader of yesteryear, W.D. Gann. It is exceptionally difficult to learn how to use Gann's methods effectively…and this outstanding new book is a treasure chest for those interested in Gann's work. Includes a bonus 80 page Gann mini-course! In writing this book, I wanted to pass on the fact that trading is a profession, just like any other traditional profession and as such should be run with a strict set of business operation rules.

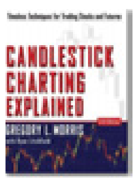
Simple Secrets of the Trading Master by Jack Winkleman and Doug Raitz Price: $90.00



In the ebb and flow of the markets over a longer time such as one year or more, it is important to know what the market has done in the past. Certain years seem to follow the patterns of previous years with uncanny likeness. 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.

Jesse Livermore's Methods of Trading in Stocks by Richcard S. Wyckoff Price: $6.00 Richard D. Wyckoff, well known as founder and publisher of the Magazine of Wall Street, and author of a highly respected Stock Market Course which is held in very high esteem by market technicians, is a major figure in the history of Wall Street, and the evolution of technical analysis. The material presented here first appeared as a continuing series of articles in the Magazine of Wall Street. They were obtained through exclusive interviews with Jesse Livermore by R.D. Wyckoff at a time when Livermore was the single most formidable factor in the market.

Candlestick Charting Explained by Greg Morris Price: $49.95



The classic Japanese candlestick reference, updated with all-new insights and tools to improve your predictive accuracy. Candlestick Charting Explained takes the subjectivity out of Japanese candlestick analysis by providing you with standardized, straightforward coverage of 89 powerful candlestick charts patterns.

The Art of The Trade by Jeff Rickerson Price: $34.95 now $24.95

In this book the author focuses on some of his basic theories such as The Seven Golden Keys to unlocking unlimited trading profits/success. He introduces his UNIFIED THEORY of Price/Time and THE POINT OF SINGULARITY. Also introduces to the reader Albert Einstein's method of predicting price movement. Reveals his Price/Time Quadrant Analysis and why knowing these four quantrant's are important to maximizing trading profits. Learn the Anatomy of Picking a Top or Bottom and the simple formula for Trend/Profit as well as the Four Key principles to generating MILLIONS in trading profits! He discusses the Cracking the Code & Unlocking the Secrets of Trend/Profits. Finally learn "How to Accomplish your Investment Goals and the Secrets of The Riches People.

The Art of The Trade II by Jeff Rickerson Price: $34.95 now $24.95

In his second book on trading the author reveals what Albert Einstein had to say about predicting prices; (most traders never have learned this valuable trading idea by the one of the most profound thinkers of our time!) How to apply a simple rule to generate 16 times more profit and how to properly design and develop trading systems and the three most important aspects in trading. He also discusses his Market Timing Matrix. He also discusses his Dynamic Trend Syntax and Delta Neural Analysis. You will also learn a simple formula for calculating buying/selling pressure within a market and how to trade it and The Ten Laws/Principles of Price Trend. Also covers Options Trading Made Simple. Author also goes into how to use volume and price when trading

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