



# WHEN MARKETS ATTACK

**LESSONS FROM 15 TRADERS WHO BEAT THE MARKETS**

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**LESSONS FROM 15 TRADERS WHO BEAT THE MARKETS**

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# HOW TO GET THE MOST OUT OF THIS BOOK

Cam White, TradingPub

Thank you for downloading “When Markets Attack: Lessons from 15 Traders Who Beat the Markets”. This book is designed for beginning, intermediate and advanced traders.

The presenters in this book are leading experts in trading Stocks, Futures, Options, Forex and Nadex. You will also be exposed to a chapter on Trading Psychology and how to set yourself up as a trading entity to save a lot of money on taxes.

As you read this book, you will be exposed to multiple strategies that have high probabilities of success and/or high profit. These strategies were selected by pouring over webinars that have been hosted by TradingPub in the recent past. Each webinar was transcribed into a “game plan” for executing the strategy. Every strategy in this book is divided into three sections:

## THE GAME PLAN

An introduction to the instrument being traded, whether it is Stocks, Futures, Options, Forex or Nadex. The strategy is then thoroughly explained along with illustrations and examples.

## THE MOVIE

Once you have read the chapter, you can view the complete webinar on the strategy. You will gain a better understanding of the strategy along with multiple examples not covered in the chapter. In some cases, the presenter switches in to live trading to demonstrate the strategy in action. In many of the webinars, the presenter also fields questions from attendees.

## SPECIAL OFFERS

If you really like a strategy, you can follow the presenter and the strategy. There are thousands of dollars’ worth of trading tools, indicators, training and mentoring services, books and videos available at steeply discounted prices.



In short, you will have all of the information you need to trade your **new favorite strategy tomorrow.**

## **SOME OF THE THINGS YOU WILL LEARN IN THIS BOOK ARE:**

- How to buy Stop/Loss protection for pennies on the dollar (Nadex Spreads)**
- How to Retire on \$13,000 per month in 5 Years Tax-Free with Credit Spreads**
- How to turn \$156 into \$1,000 trading Bond Futures, It only works 40% of the time!**
- The opening of the London session can consistently put \$500 in your pocket.**
- How to trade the markets with an account as small as \$100 (Nadex)**
- How to stay in control your emotions when you trade.**

At [TradingPub](#), it is our sincere hope that you take away several strategies that you can use when you are done reading this book. You will also learn about markets that you currently don't trade, and you will find out if they are suited to your trading personality.

Finally, make sure take advantage of all the free resources from TradingPub. We host free webinars every week for trading all of the markets. Our presenters are world-renowned industry experts and our content is provided free of charge in a relaxed and friendly setting. Cheers to your trading success!

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# **CHAPTER I**

# **TRADING PSYCHOLOGY**

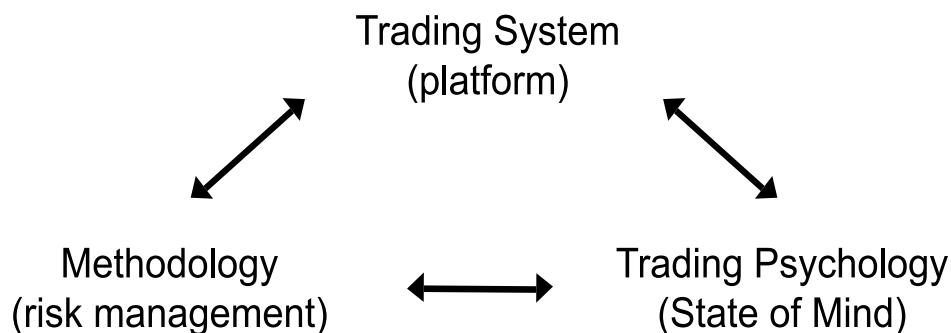
# MASTERING YOUR INNER GAME

Rande Howell, Med, LPC

As a trader, do you ever wonder why you can't achieve the results that you want to achieve? Do you find yourself constantly making the same mistakes? Are you controlled by your emotions? These are mistakes that all traders make, but the successful traders have learned how to manage their inner game. In this section, we are going to learn how to overcome the eight road blocks to successful trading.

To get started, let's first look at the components that make up a successful trade:

## The Components of Successful Trading



Without integration of each component, you are an incomplete trader -  
**risk is stacked against you.**

First you need to have a trading platform, trading methodology and a trading state of mind. There are multiple trading platforms and numerous trading methodologies you can use, so it's important that you choose risk management strategy and trading platform you're most comfortable using. But it's also critically important to have the right trading psychology. If you don't have the right mindset, it really doesn't matter about your trading platform or methodology. You need to have balanced integration of these three critical trading components. It doesn't matter how good you are at knowing how to trade if you can't hold your wits together.

Let's face it, most traders early on are looking for the magical secret, or the "Holy Grail" of successful trading. They chase the best charting software, newest indicators, data and news services, mentoring programs, you name it. What they are looking for is the magic solution to trading, when they don't recognize that they themselves are the problem. There is no magical "Holy Grail" for trading success **"out there"**. The secret to trading success lies **within yourself**, just waiting to be discovered. Remember this adage: **"80 percent of trading is in your head"**.

What separates the elite golfers from the rest of the field? They all have the best equipment in the industry. They have spent countless hours practicing and perfecting their craft. They know how to drive, chip and putt. So what separates the elite golfers from the rest of the crowd? They know how to do it in the clutch, when the money is on the line. This lesson is about learning how to develop the mindset of a peak performance trader – to separate yourself from the sea of traders who are inconsistent and bleed out their accounts.

## WHAT THE UNTRAINED BRAIN SEES WHEN THE UNTRAINED MIND EXPERIENCES UNCERTAINTY

Since the beginning of time, our brains have been trained to see uncertainty and fear as one in the same thing. How many times have you had your finger on the trigger, but you just couldn't bring yourself to execute the trade? How many times have you bailed out early on a trade, only to watch it run in the direction you thought it would? That is your brain perceiving psychological discomfort as a biological threat. Unless you can untangle that association, and re-train your mind, you are likely to repeat these behaviors over and over again.

The markets don't care about you. You can trade them as long as you have capital, but sooner or later, usually after drawing down your accounts, you come to the realization that you need to work on yourself if you are going to be successful at trading.

Recognizing that we have been historically wired to associate psychological discomfort (fear) with a biological threat, let's break down the components of emotions. An emotion is how the body/brain/mind gets triggered to any disruption of a familiar status. It's a common buzzword in trading to talk about simply taking the emotion out of trading. The reality is that the only time humans can do anything without emotion is if they're dead. Emotions are biological and they take over our psychology. We need to accept that we are emotional creatures and that our psychology is governed by our emotions. So the key is - how do you manage your emotions? We don't have freedom from emotions, but we can have freedom of emotions. **You can become the designer of the emotions that you respond to.**

## EMOTIONS CAN BE BROKEN DOWN INTO FIVE MAJOR COMPONENTS:

### 1.- Arousal

That's the revving-up of an emotion. Think about yourself when you are in the midst of engaging in a trade. Your body starts tensing. You stop breathing, or your breathing may be "high" and "low". Your heart accelerates. Your eyes are fixated on the screen. That's arousal, and it's the first aspect of your emotions that you must learn to manage. If you can't, then you will lose control of your emotions.

### 2.- Feeling

This is where the biological chemistry creates a subjective experience of the emotion. If cortisol is pulsing through your body, it can produce a sense of fear. If testosterone levels become elevated, it produces a sense of grandeur. Both of these responses can lead to costly trading mistakes. You can be afraid to pull the trigger on a trade, exit a trade early or double-down on a risky trade.

### 3.- Motivation

Once the chemistry is released into your system, your body will usually pointed into a "fight or flight" response. You perceive a threat, and you are either going to attack it or avoid it. If you hesitate on a trade, you are in avoidance. If you revenge-trade after a losing trade, you are in attack mode. It's important to have a trained mind to regulate these responses to a perceived threat. Developing a curious mind allows you to act with patience and discipline, keeping your long-term interests in mind.

### 4.- Meaning

These are the beliefs you have developed to manage uncertainty. We need to rationalize our behaviors so they make sense to us.

### 5.- Temperament

Quite simply, this is genetics. How is your body genetically predisposed to handling emotion?



# SEPARATING UNCERTAINTY, WORRY AND FEAR

Understanding that we are emotional creatures, the first task in re-training your mind is to separate **uncertainty, worry and fear**.

## UNCERTAINTY

You can't control the markets. The markets do what they want to do. Nothing can be predicted with absolute certainty, only varying degrees of probability. We have been trained as we grew up not to make mistakes. We have conditioned ourselves and our brains are biased to predict with certainty.

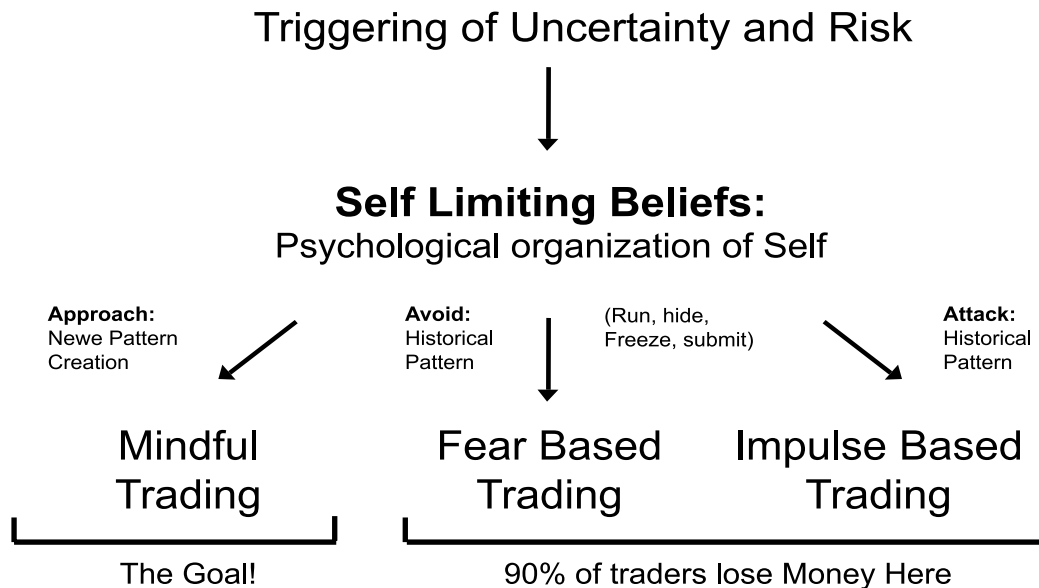
## WORRY

If you feel that you can't control the outcome of a trade, then worry sets in. Your brain starts to project into the future and it's seeing bad things on the horizon. So your brain becomes a negative assessment machine, and you continually traumatize yourself by worrying.

## FEAR

Fear is where all thought becomes hijacked, and you panic or freeze.

## The Mind You Bring to Trading



The mind that you bring into trading isn't necessarily a mind that is conducive to successful trading. Remember that the brain associates psychological discomfort with biological threat, and we need to learn to avoid fight or flight behaviors. Ninety percent of traders lose money because they are making fear-based trades or impulse-based trades. On the fear side, they are afraid to pull the trigger at the right time, or they get out of trades too early. The impulse-based trader gets involved in revenge trading, throwing good money after bad. What you're looking for is mindful trading where you make well-reasoned decisions with your emotions under control.

So the question then becomes,

**“How do I organize my mind for higher function in trading?”**

# THE IMPACT OF EMOTIONS ON YOUR TRADING

Fear, until mastered, blocks the development of your potential. To develop as a trader, you need to be able to confront fear to change your pattern of reacting to an uncertain world. Your brain is a negative assessment machine that does not distinguish uncertainty from fear. It's organized for avoidance, and trying to keep you in your comfort zone, which is the familiar. It forms self-fulfilling patterns based on the avoidance of fear and uncertainty. These patterns are set on "cruise-control" and dominate your state of mind, forcing you to trade from avoidance and greed rather than calm impartiality.

The best way to get started in gaining control of your emotions  
**is to label your fears:**

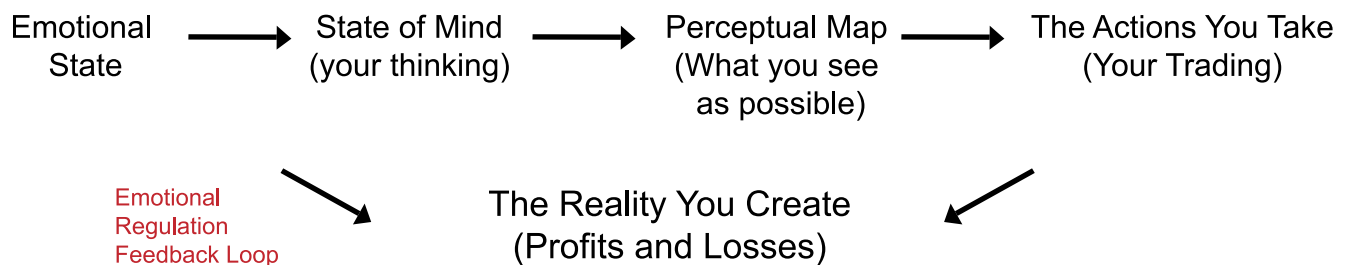
1. Fear of uncertainty (**hesitation**)
2. Fear of loss (**pulling the trigger at the wrong time**)
3. Fear of missing out (**impulse trades and exits**)
4. Fear based urgency to make up for prior losses (**revenge trading**)
5. Fear of not being right (**making a mistake**)
6. Fear of inadequacy (**not feeling that you're good enough to trade**)
7. Fear of self-sabotage (**blowing yourself up**)
8. Fear of success or failure
9. Fear of growth and change (**moving out of your comfort zone**)

Which one of these fears drives your trading? If you're honest with yourself, you may have experienced most or all of these fears at some point in your trading career.

# The Cost of a Fear-Based Mindset

What Happens if you Don't Address This?

90% of traders lose money because they do not know how to conquer their fear



Leavin your emotions at the Door is NOT an Option  
Instead, You can Design wich ones create your Trading Mind

In this flowchart, everything starts with your emotional state. That feeds your state of mind, which forms a decision, and triggers a trade which ultimately has a profit or loss. The results of that trade feed into your emotional state prior to your next trade. Trading without emotion is not possible, but it is possible to design the mindset you need to trade with calm impartiality. Your trading account is the scorecard if your emotions are under control.

## MANAGE THE BIOLOGY OF YOUR EMOTIONS FIRST

Emotions have biological components that you can control on your own to alter the emotion. Once you realize that fear or anger affects your breathing, whether you stop breathing, or breathe in “high” or “low” patterns, you can change that. If you regulate breathing with steady diaphragmatic breathing, you lower your heart rate and alter the emotion. This in itself doesn’t solve the problem you are experiencing, but it makes it much easier to prepare the mind when you face uncertainty.

## BECOMING MINDFUL OF YOUR THOUGHTS: WHO IS DOING “YOUR” TRADING?

There comes a time when you start noticing your thoughts, and you start thinking “Where are these thoughts coming from?” Pink Floyd had a lyric “There’s someone in my head, but it’s not me.” So who is this person in your head? Our thoughts and our beliefs are not us, we are separate from them. Knowing that, you can step outside of yourself and question your thoughts and beliefs. You can use powers of observation and curiosity, and dissect the voices in your head that are governing your trading decisions.

Observation is a strong mindfulness tool. Once you observe your fear-based emotions, confront them and question them, then you can start becoming mindful. If you ignore the voices and patterns you have developed in your head, then a perfectly good trading plan can become wasted. Since you can’t escape your internal dialog, you must learn to manage the fear-based aspect of it. Once you do that, you can develop the foundation of a strong psychological trading plan. You learn to become the author of your own story.

## BENEATH OUR FEARS ARE BELIEFS.

Some of the self-limiting beliefs we need to master are:

### 1.-A sense of inadequacy

“I’ll never be good enough, smart enough. I can’t make mistakes. Mistakes are proof of my inadequacy.”

### 2.-A sense of not mattering

“I only matter based on what I do, not who I am.” Self-loathing or arrogance.

### 3.-A sense of being unworthy

“I have to prove myself by my performance to have value.”

### 4.-Powerlessness

“Nothing I do seems to make a difference.” Victimhood.

This fear-based thinking shows up in our minds as thoughts, and our avoidance of them is what keeps us fused to them.

## Other internal voices that can make up the “Trading Committee of your Mind” include:

### The Inner Critic

The voice that judges you  
The voice that criticizes  
Never measuring up  
Never good enough  
Tempts (You need more)  
Predicts doom

### The Adapted Voice

The Doubter (I never win)  
Chicken Little (negative appraisal)  
Gambler (leave no money on the table)  
Perfectionist (must win every time)  
Entitled One (greed)  
Con (lying to yourself)  
Fraud (pretending to look good)  
Orphan (missing out)  
Saboteur (blowing things up)  
Alpha (have to win to prove worth)

You are born into self-limiting beliefs, but that’s no reason to stay stuck in them. It’s important to identify and be aware our fears and self-limiting beliefs before we can become mindful.

## DEVELOPING THE MIND TO BECOME A SUCCESSFUL TRADER

If the members at the “Trading Committee Table of Your Mind” are fear-based, self-limiting beliefs, then you are doomed to repeat the same trading mistakes over and over again. What you need to do is clean house and invite some new guests to the table.

Changing self-limiting beliefs requires recognizing what they are, and addressing them for long-term re-organization of self. Compassion is the emotion that reorganizes the self for internal validation rather than external validation. Think about this for a minute – whenever you “beat yourself up” after making a mistake, does it every really do you any good? No it doesn’t. All it does is continue to feed self-limiting beliefs of inadequacy or powerlessness. Re-building the “Committee of the Mind” will help you create a new playing field for trading.

Just as we have built-in programs for fear, we also have programs for courage, patience and impartiality. As a trader, you need to build a mind for the management of probability. There are four major programs, hard-coded in your DNA that you need to invite to the “Trading Committee of the Mind:

### **1.- The Courage of a Warrior**

To be able to push through fear and face adversity head-on

### **2.- The Discipline of a Ruler**

To keep your act together under pressure

### **3.- The Impartiality of a Sage**

Once fears are put to rest, you can exercise impartiality

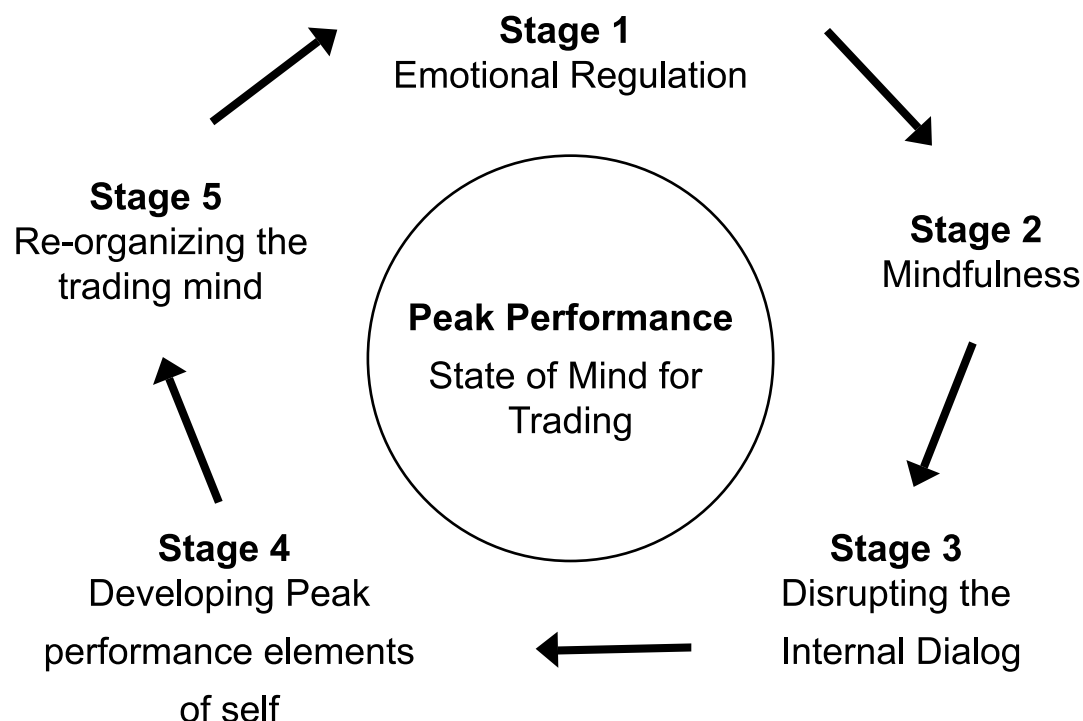
### **4. Self-Compassion of a Caregiver**

Recognizing you are valuable and important

From time to time, each of these programs has been called into service, and you can remember instances when you faced a challenge head-on, showed extraordinary discipline, exercised impartiality and demonstrated compassion. These traits are inside you, and they need to be called to the surface. They are your friends in the trading world.



# The Stages of Long Term Change



If you really want long-term change, you start with emotional regulation

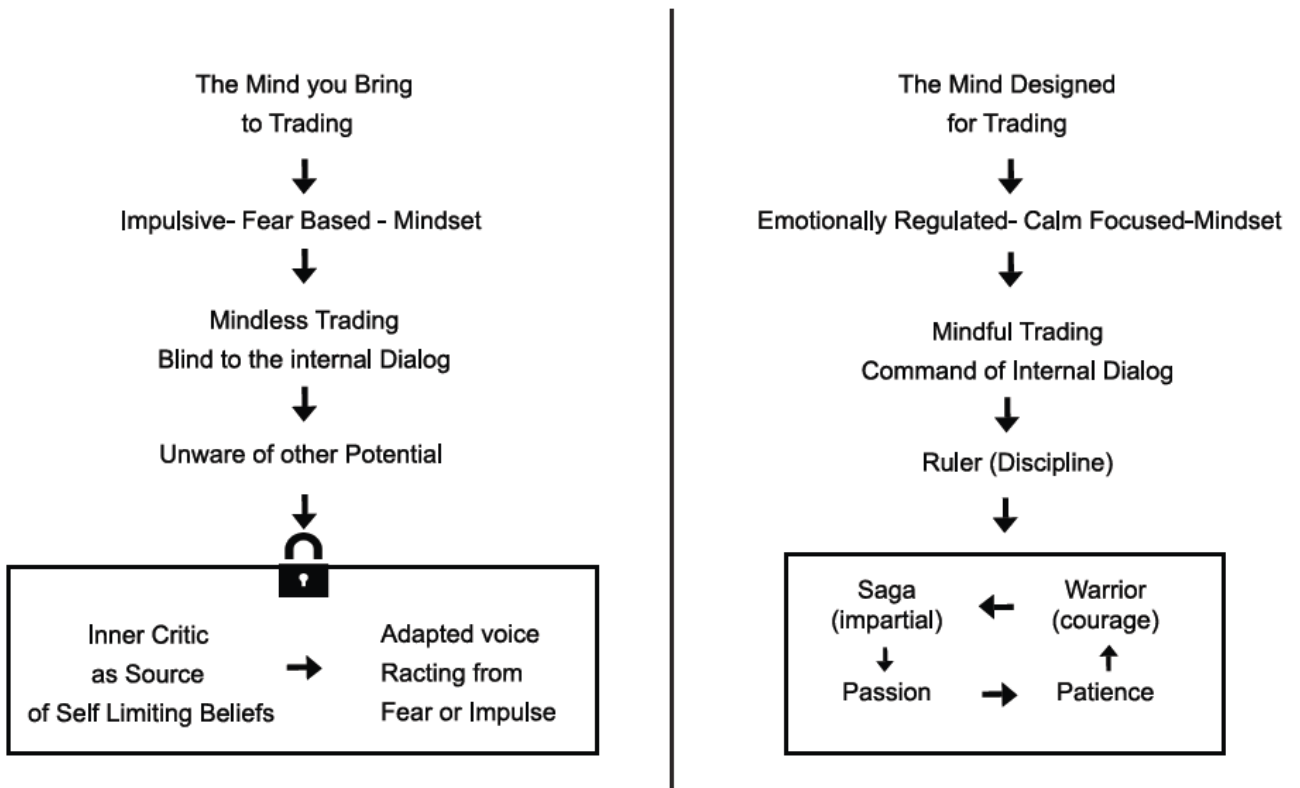
**Stage 1.** That gets you to mindfulness

**Stage 2.** Next you disrupt the self-limiting beliefs that have been developed without your knowledge

**Stage 3.** Now you can engage the Warrior, the Ruler, the Caregiver and the Sage ‘

**Stage 4.** When you can trigger the emotions of courage, discipline, compassion, patience and impartiality, then you have re-organized the trading mind

**Stage 5.** You are developing a calmer mind that thinks and processes information, rather than knee-jerking to perceived threats. With an empowered mindset, you approach uncertainty from a position of Discipline, Courage, Patience and Impartiality rather than fear.



The diagram above clearly illustrates why over 90 percent of traders don't consistently make money. On the left side, you have traders that do not have control of their emotions, and engage in impulsive or fear-based "mindless trading" They may have the best trading platform and trading methodology, but they are controlled by self-limiting or self-destructive emotions. On the right side, you have "mindful traders" who govern their trading activities with a calm, focused mindset. Their emotions are under control and they face uncertainty with courage, discipline, patience and impartiality.

# CONCLUSION

When you look at some of the top traders in the industry, or leaders of successful corporations, you will notice that many of themselves carry themselves with a calm sense of confidence. They are almost Zen-like. They seem to process information effortlessly, and make well-reasoned decisions. These people are not operating from a fear-based mind. None of that noise is cluttering up their minds.

Successful trading requires a good trading platform, a good methodology and a trader's state of mind. You need to recognize and identify your fears, and the self-limiting belief systems you have patterned based on fear. Find out who is sitting at the table in "Trading Committee of You Mind", and replace the fear-based members with members that represent Discipline, Courage, Patience and Impartiality. When you get to this place, your trading account will look much better.

## MORE INFORMATION AND SPECIAL OFFER

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## ABOUT THE PRESENTER



Rande Howell has more than 15 years of practice as a licensed therapist with a Masters in Counseling. In addition to this, he has worked for many years as a personal development coach teaching individuals how to affect positive change, peak performance, personal growth, and leadership potential.

His work centers on how to break the fear-based, self-limiting patterns to which the brain adapts us for survival and how to reorganize the self to a higher level of functioning.

This is accomplished by learning how to manage biological fear (and its impact on thought) and thus access much more empowered parts of the self that shift our capacity for positive performance. **(Most traders trade in a state of fear, so they never can open the possibility of performing on a higher level.)**

Rande's work teaches you how to change the way you understand and work with your biology; which allows you to succeed in regulating your emotions and breaking out of life-limiting patterns (really important in trading success). His emotional regulation training has been used to treat violent prisoners, break the cycle of domestic violence, and free people from the limitations of fearful thinking.

His belief is that, until you understand the power of your biology and how to manage it, you will be overwhelmed by it. Momentary success will be sucked down the drain of the pattern-making machinery of your brain. To break free of old limiting patterns, you must reorganize the brain -- not the mind.

The mind follows the brain. What does this look like? Go to any standard motivational seminar and feel the emotion -- it feels like you can change the world and it will last forever. Then where are you 4 weeks later (or less) -- back to the same old place.

His work with traders began when one came to him seeking improvement in his trading performances. Applying his emotional regulation and peak performance training to the trader's lack of performance produced a dramatic impact on the trader's fortunes. More traders showed up seeking training due to this success.

# **CHAPTER II**

# **STOCKS**

# THE RIGHT WAY TO TRADE TOPS AND BOTTOMS

Steven Primo, Specialist Trading

Have you ever wondered why most traders consistently lose money? There are several reasons why this happens, but it's usually because traders follow some outside system they picked up somewhere, and followed it blindly. It may work for a while, until it ultimately fails. Some traders can make five or six successful trades, and give all of their money back on the seventh trade. Others try to time the market, and buy when the market is at its peak, while selling when the markets are low.

In my 37 years of trading the markets, I have personally experienced all of the highs and lows of trading and struggled to maintain consistency many times throughout my career, especially early on. I have traded through bull markets and crashes, and there isn't a trading system I haven't seen. One day, one of my mentors on the trading floor gave me a valuable piece of advice – I was relying on way too much outside information to make trading decisions. He told me that the key to success was to strip away all of the external systems I was using and to simplify my approach to trading. He reminded me to **keep it simple**, and that successful trading is not about making the most money, it's about being consistent.

One of the best strategies I learned was a very simple way to trade tops and bottoms in the markets. But first, it's important to understand how most people trade tops and bottoms. By the way, this is also the way I used to trade when I was struggling.

## HOW WE HAVE BEEN TRAINED TO TRADE TOPS AND BOTTOMS



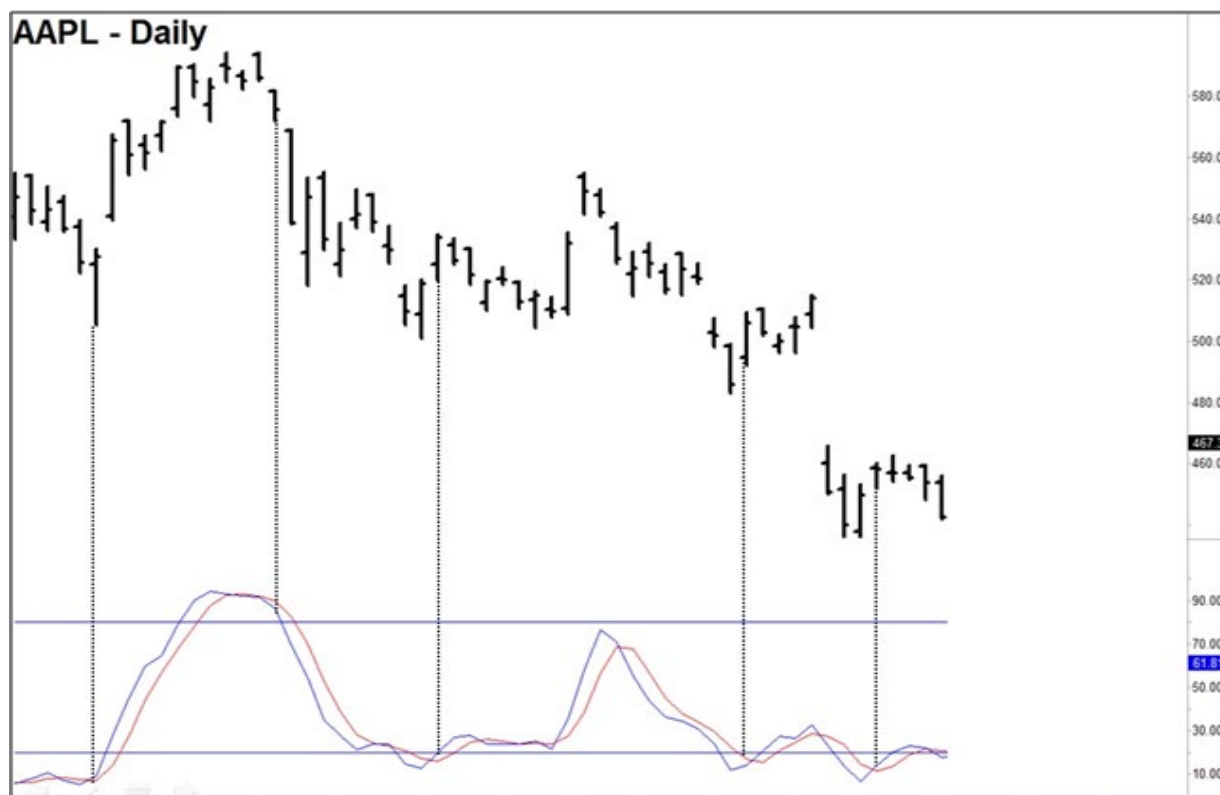
In this diagram we have an older chart of **Apple**. Most people use some kind of indicator, and in this case we are using a standard slow stochastic indicator to show overbought or oversold conditions. When you go over the upper threshold at 80 you are in an overbought condition, and you should prepare to short the stock. If you cross beneath the 20 threshold, the market is oversold, and you should be prepared to buy.

Other indicators that are commonly used include fast stochastics and RSI to help identify overbought or oversold conditions. To summarize, conventional wisdom suggests we should be prepared to sell overbought stocks or buy oversold stocks.



In the Apple daily chart above, this system is working perfectly. The Slow stochastic indicator is under 20 at the bottom of the market, indicating a buy signal. Once it crosses past the 80 threshold, and starts moving down a sell signal is triggered.

So you bought on a dip and sold at a peak. Now you have a “system” confirmed by stochastics, and it should work like clockwork, right? Let’s keep the chart moving:



You’ve just had two nice wins and the stochastic indicator drops below 20. So it’s time to buy again, right? But this time you decide to double-up and buy into the oversold condition. Instead of the market going up, it goes down, erasing profits from the previous trades. The next time the stochastic drops below 20, you buy and it drops again. The last time it drops below 20, you buy and it drops once again. You’ve given away all of your profits from the first two trades, and you are now in the hole. But this is Apple. What about Forex or the E-mini S&P?



Once again, in this daily chart of the E-mini S&P, the stochastic indicators cross the 80 threshold, indicating overbought conditions, and presents a nice selling opportunity.

Next, the stochastic indicator bounces off the 20 threshold in oversold territory and presents a buying opportunity.

Two nice trades are in the books, and it's time to look for the next overbought or oversold condition.

Will the trend continue?

**Let's see how it plays out:**



With two successful trades in the books, you decide to go short again. The market is overbought and starting to trend down. You are above 80 and get a signal when the stochastic lines crossover, so you decide to sell. And the market goes up. At the next crossover signal, you decide to sell again. And the market goes up. If you keep doing this, you are in jeopardy of wiping out your entire account. This is the point where many traders start to hide their brokerage statements from their spouses.

So we've taken a look at a stock, and the E-Mini S&P, **what about Forex?**



In this chart of the **USD/JPY** currency pair, the market is chopping sideways until it starts to go up. But the indicator starts to move into overbought territory and according to your rules, it's time to sell. We make a little profit on the first trade, and you wait for the next trigger. Since we are so ingrained in the belief that we must sell when the market is overbought, we look for the right triggers and setups. Maybe

a Forex expert has also proclaimed that the market must fall. He's never wrong in your opinion, and the triggers are there for a sell opportunity. So you sell the USD/JPY when the lines cross over, and the market rises again. All profits were erased and you are in losing territory.

The problem with this approach to trading tops and bottoms is that short term gains are usually wiped out over time. It's almost like gambling. The casino gives you a taste of winning and then they wipe you out once you've taken the bait. Remember, as traders, we are not looking for the big score, we are looking for **consistency**.

# THE RIGHT WAY TO TRADE TOPS AND BOTTOMS

## FIRST RULE

### THERE IS NO SUCH THING AS OVERBOUGHT OR OVERSOLD

You may want to write this rule down and tape it to your computer screen. One of my mentors made me repeat this mantra to him until I drove it into my head. How many times have you seen a market rise, and just keep rising? You tell yourself it has to fall, but it just keeps going up. The same happens with markets that are oversold, and keep dropping for days or weeks. You need to develop a mindset that there is no such thing as overbought or oversold markets.

## SECOND RULE

### THE RIGHT WAY TO TRADE TOPS AND BOTTOMS IS TO GO WITH THEM!

My mentors taught me to stop trying to predict tops and bottoms, and to learn how to go with them. What you are going to learn from this lesson is a very simple entry technique for trading tops and bottoms. So let's go back to the Apple chart.



When we started with the **Apple** example, we lost a lot of money trying to buy off the bottoms of the market. One of my mentors told me that before trade anything, you must add a simple tool, and that is the **50-day Simple Moving Average (SMA)**. It doesn't matter if you are trading a 5-minute chart of the E-mini, or a monthly chart of the British Pound. You must have the 50 day SMA plotted, and before you pull the trigger on a trade, you must ask yourself: **“Where is price in relation to the 50-day SMA?”**



**You will only come up with two scenarios:**

1. If price is **BELOW** the 50-day SMA, as shown above, you want to **SELL** the market
2. If price is **ABOVE** the 50-day SMA, then you want to **BUY** the market.

With the 50-Day SMA plotted, there was no reason to buy Apple. It was clearly showing a sell trend. So with this information, how do you trade Apple in this scenario?



What you want to do, knowing that the 50-day SMA is indicating a bearish trend, is to first circle all of the oversold areas. Since we're going short, we are only concerned with the oversold areas. Next we want to underline all of the short-term bottoms on the chart, and they must be aligned with the oversold areas we have circled. Once a previous bottom has been violated, that creates your entry point, indicated by the red arrows above. This entry technique shows you how to be in synch with the market when you are going with the market as opposed to trying to pick tops and bottoms. In this scenario, you would not have lost money trading Apple, because you were in synch with its overall trend.

Let's apply this technique to the E-mini S&P example:



In our E-Mini S&P example, we were previously interested in finding opportunities to short the market, but once the 50-day SMA is plotted, the trend is clearly above the line, so we are interested in following the market and going long.

First, we circle the overbought areas on the slow stochastic oscillator. Next we want to draw a horizontal line at the high points on the charts that are in alignment with our circled overbought areas on the stochastic indicator.

Once a previous high has been breached, it triggers a BUY entry signal, as indicated by the arrows above.

## Now for the Forex example:



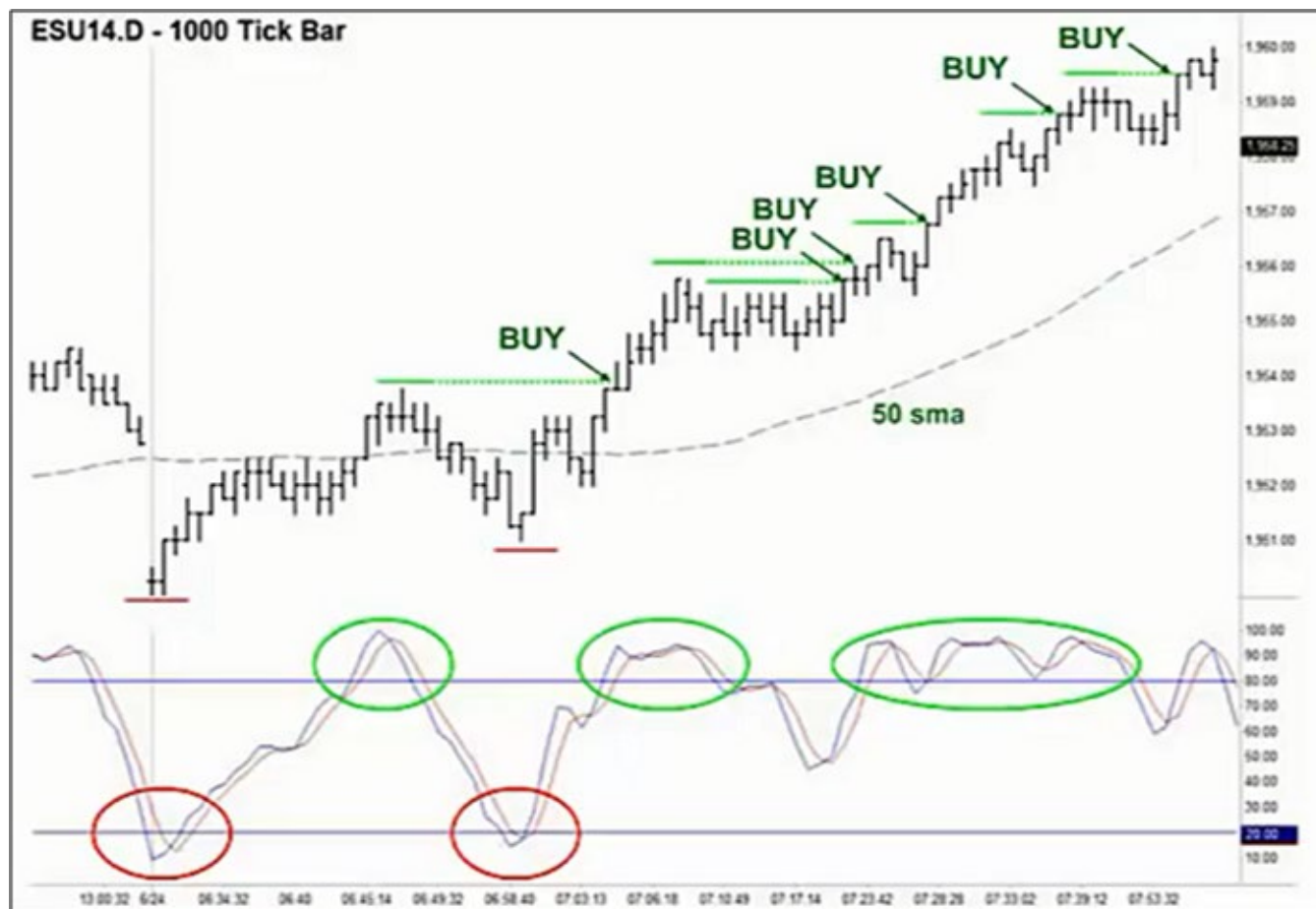
In our original example, the stochastic indicator was in oversold territory, and we lost money looking for triggers to short the USD/JPY currency pair. Once the 50-day SMA is applied, the trend is obviously bullish. We start by circling the oversold areas.

Next, we draw horizontal lines at all of the peaks that are in alignment with our circled oversold areas.

Our entry points, indicated by the arrows, occur after a previous high has been breached to the upside.



If I were stranded on a desert island and given one trading tool, I would choose the 50-day SMA. To me, it's the single most important tool you can use to make sure you are on the right side of a trade. And it doesn't matter whether you are using a 5-minute, hourly or daily chart. On the day I first presented this webinar, I made a live trade using a 1,000 tick bar chart of the E-mini S&P. Here's how it played out:



There were two areas where the slow stochastic indicator was below 20. But the 50-day SMA was not above the chart, so no trade is indicated. Once the 50-Day SMA travels below the chart, an uptrend was established, creating six triggered buying opportunities within 1 ½ hours going into the trading day.

# CONCLUSION

If you take anything away from this discussion, please remember there are two key points:

## **There is no such thing as OVERBOUGHT or OVERSOLD.**

There is no consistency in trying to pick tops and bottoms. It's similar to a gambler's mentality. Never, Ever try to pick Tops and Bottoms.

## **Never, ever try to pick Tops and Bottoms.**

Markets will go as high as they want, or as low as they want. Don't try to stand in their way, or they will run you over. Go with the markets.

If you're interested in trading tops and bottoms, try out this method in simulation mode. Keep it simple and plot the 50-day SMA along with a slow stochastic indicator and follow the steps in this presentation. See if it doesn't improve your trading consistency.

# SPECIAL OFFERS

[Watch the Full Video of this Presentation Here](#), compliments of TradingPub

During the class Steve offered this special packed with great information, knowledge, and experience on the following topics:

- **All About Trading Edges**
- **The Wrong Indicators To Look At**
- **What Steven Primo Learned From Other Traders On The Floor**
- **How Simplicity Equals Consistency**
- **Systems vs Strategy**
- **Concepts #1 and #2**
- **Edge #1**
- **Edge #2**
- **The #1 Chart Pattern**
- **3 Ways For Identifying The Trend**
- **Using Donchian Channels, Bollinger Bands, and The RSI In Your Trading**
- **Learn How To Be On The Right Side Of The Trade**
- **Learn When A Trend Has Changed Direction**
- **Learn When To Stay Out Of A Trade**
- **Learn all of the rules of Steven Primo's Strategy #1**

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## ABOUT THE PRESENTER



Steven Primo has been actively involved in trading the markets for over 36 years. His trading tenure began in 1977 when he was hired to work as a Floor Reporter, or runner□, on the floor of the Pacific Stock Exchange. Primo reached the pinnacle of his floor-trading career when he became a Stock Exchange Specialist for Donaldson, Lufkin, and Jennrette. As a Specialist he was responsible for making markets in over 50 stocks, a position Primo held for 9 years. Primo left the Stock Exchange floor in 1994 to focus on managing money and to teach his own unique approach to trading the markets. Scores

of students, from beginner to advanced levels, have gone on to become successful traders after being introduced to Primo's proprietary methods of trading

# HIGH PROFIT CANDLESTICK SIGNALS AND PATTERNS

Stephen W. Bigalow

As long as buyers and sellers have been trading the markets, two predominant sentiments have been in play: fear and greed. Centuries ago, Japanese rice traders developed the candlestick method to graphically depict trader sentiment. It has worked successfully for hundreds of years, and still works today.

Candlestick analysis can help you make better trading decisions about investor sentiment in the markets.

The Japanese rice traders didn't just become wealthy using candlesticks, they created legendary wealth trading a basic commodity.

This method works for any trading instrument as long as the basic human emotions of fear and greed are involved – which pretty much covers every market.

Candlestick analysis prepares you to be ready for big price moves based on historic results of specific signals and patterns.

It's simply a graphic depiction of investor sentiment. The Japanese rice traders gave us not only the benefit of knowing what the signals look like, but they also described what the investor sentiment was behind each signal. There are 50-60 signals to learn, but eight of the most successful candlestick signals will be discussed in this lesson.

## THE MOST BENEFICIAL THING ABOUT CANDLESTICKS IS THAT THEY HELP IDENTIFY TRENDS.



But first, to help identify trends, you need a few indicators.

Here's what they are:

- **Red Line:** 200 day simple moving average (SMA)
- **Blue Line:** 50 day simple moving average
- **Gray Line:** 20 day simple moving average

These indicators are important because every money manager in the world uses these indicators to help them make decisions when trading their portfolios.

The most important indicator is the T-Line, which is the 8 Exponential Moving Average (EMA).

The T-Line has some very simple rules:

- If you see a candlestick BUY signal ABOVE the T-Line, you are in an UPTREND
- If you see a candlestick SELL signal BELOW the T-Line, you are in a DOWNTREND

Stochastics are used to indicate overbought and oversold conditions. If you see a candlestick BUY signal in an oversold condition, there is a strong probability that you are going to be going into an uptrend.

Conversely, if you see a candlestick SELL signal in an overbought condition, you are likely heading into a downtrend. The settings that I use for stochastics are 12,3,3. These settings have worked the best for what I do most of the time, which is swing trading.

Summing it up, if you plot the 200, 50, and 20-day Simple Moving Averages, along with the 8 Exponential Moving Average, and stochastics set at 12, 3, 3 – then you are good to go. Let's see how these indicators work with candlestick patterns:

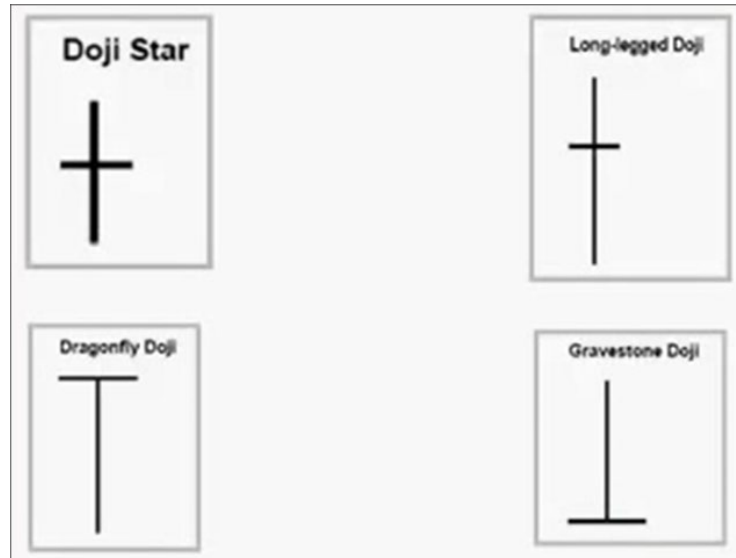


In this daily chart, the stochastics are in an overbought condition with candlesticks above the T-Line. Once they turn red and break through the T-Line, a downtrend is established until a Morningstar pattern at the bottom triggers a reversal to the upside.

The rest of this chapter will be devoted to the top bullish candlestick power signals. If you know them and can identify them you will have a much better handle on identifying trader sentiment.

## **THE TOP EIGHT BULLISH POWER SIGNALS**

1. Your Best Friend
2. Left/Right Combo
3. Series of Doji's
4. Candlestick Patterns followed by Gap Ups
5. Kicker Signal
6. Bullish Flutter Kicker
7. Steady Eddie Trends
8. Magnitude of a Signal

**Doji Star:**

Small price movement.

**Long-legged Doji:**

If the price movement is huge, but the bar closes where it opened.

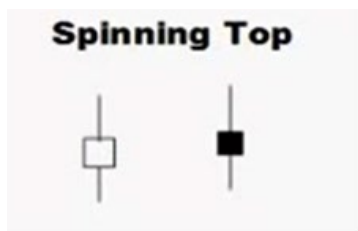
**Dragonfly Doji:**

Where the price opens and closes at the top of the bar.

**Gravestone Doji:**

Where the price opens and closes at the bottom of the bar. It got its name from Japanese soldiers pressing on in battle only to retreat back to camp.



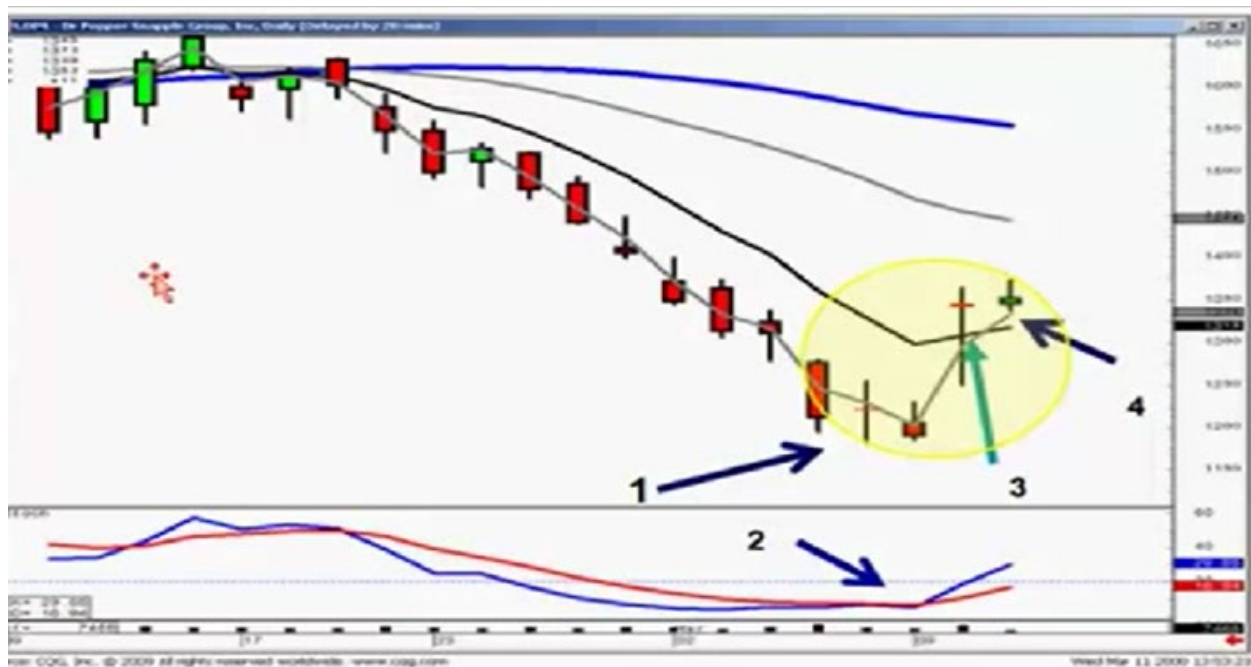


A derivative of the Doji is the Spinning Top. Spinning Tops are characterized by short candle bodies with short wicks, similar to the child's toy. Spinning tops signal indecision between the bulls and the bears in the marketplace. When you see a spinning top or Doji at the top, you want to consider taking profits. If you see them at the bottom, there's likely to be an uptrend.



A Doji in an oversold area, followed by a gap-up, gives you a very strong probability that you are about to enter a strong uptrend. The beauty of candlesticks again is that they capture investor sentiment. When you are at the bottom of the market in oversold territory, as indicated by stochastics, and a Doji appears, it signals indecision. If it is followed by a strong gap-up, closing above the T-Line, then a strong uptrend is building.

One caveat to this strategy is that when the candlesticks start moving well above the T-Line, they are going to want to come back to the T-Line, so you want to be prepared to take profits if necessary.



To summarize, here are the optimal criteria for the “Best Friend” scenario:

1. **Look for the signals**
2. **Stochastics oversold**
3. **Gap-up from the Doji signal. The bigger the Gap-up the stronger the uptrend**
4. **Close above the T-Line**

Note: At the end of this chapter, **click on the YouTube presentation** of this topic for many more examples of the “Best Friend” bullish signals in action.

## LEFT/RIGHT COMBO



The Left/Right Combo is a Doji followed by a bullish engulfing signal. The bullish engulfing signal completely encapsulates the previous candle body. Since the Doji body is small, it represents a moment of indecision followed by a clear bullish move. The Left/Right Combo is like a boxer setting up a small left jab with a roundhouse right punch. In this example we have a small Doji, followed by a bullish engulfing signal and a strong upward move in the stochastics. Notice there is a series of Dojis in this chart. If one Doji signals indecision, a series of Dojis indicates greater indecision. If you see a strong candlestick buy signal, followed by a series of Dojis and the next bar gaps-up significantly, a strong bullish move is in play, and you want to be buying.

## SERIES OF DOJIS



Remember that a Doji represents indecision. If you see a series of Dojis it represents greater indecision. When you see a series of Dojis setting up, and stochastics start moving up, with candlesticks closing above the T-Line, it signals a positive open the following day and trigger to buy. Bear in mind, you still need to do your due diligence. Make sure to check the pre-market futures the next day, and make sure there isn't any economic or geopolitical news that could adversely impact your decision to buy. But if the futures are moving in the same direction as your trend, it's a signal to proceed and buy.

## CANDLESTICK PATTERNS FOLLOWED BY GAP-UPS



Any signal followed by a gap-up is a signal to buy. In this case, we have a hammer signal, followed by a bullish gap up. Once the candles close above the T-Line along with a corresponding upward move in the stochastic, it signals a strong buying trend.

When we see a gap-down in an oversold condition it's just telling you that most people panic when the market is at the bottom. How can you tell if the market is at its bottom? With candlestick patterns, once you see a gap-down in an oversold condition, start looking for signs of a reversal. It could be a Doji, a series of Dojis or a gap-up reversal.



### BULLISH KICKER SIGNAL

**The strongest of all buy signals is the Bullish Kicker Signal.**

This is when the market is in a downtrend, and the following bar opens in a gap-up above the previous day's high. This pattern signals that investor sentiment has been kicked the other way.





In this example, there is a significant gap-up above the previous day's downtrend. The gap-up is well above the T-Line and there's a strong upward move in the stochastics. This signals a very strong change in investor sentiment.

Some traders are afraid to buy after a significant gap-up. They are afraid that they are buying at a high. Remember, if the stochastics are rising and the candlestick is above the T-Line, then the upward trend is likely to continue. Bear in mind that the further the candles drift north of the T-Line, the more likely they are to retrace and come back to it. Bullish Kicker Signals don't require a gap-up as long as it is a significant move in the opposite direction of a downtrend, and it's moving above the T-Line with supporting stochastics. As a rule of thumb, the bigger the Bullish Kicker Signal is, the more significant the move will be.

## BULLISH FLUTTER KICKER



A Bullish Flutter Kicker occurs when the market has a down day followed by an indecisive gap-up. If you see a Doji gapping-up over the previous days open, it's a signal that the market is showing some strength. If the market moves up the next day over the previous days close and starts moving above the T-Line, it's a signal that investor sentiment is moving the market into an uptrend. If you remove the Doji from the picture, you would have a Bullish Kicker Signal with a strong gap-up.

## STEADY EDDIE TRENDS



When you see a gap up through a resistance, in this case, the 200-day moving average, it signals the start of a “Steady-Eddie” trend, and it’s a great place to be. The candlesticks will ride above the T-Line for an extended period of time signaling multiple opportunities to let profits ride. You can rest every night knowing that the market will continue to rise until you see a close below the T-Line. Once again, the further the candlesticks drift above the T-Line, the more likely they are to return to the T-Line. Once the Candlesticks start crossing back below the T-Line is when you need to start thinking about making a course correction.



## MAGNITUDE OF THE SIGNAL



The larger the signal, especially after a Doji, the more compelling the evidence is that there is a change in investor sentiment. In this example, the candles formed a rounded bottom and broke above the 50-day moving average resistance level, followed by a very large gap-up above the T-Line. Once a gap-up like this happens, the market will more than likely form a 45-degree “Steady-Eddie” pattern, where the market churns upward above the T-Line.

Whenever you see a large gap in candlestick patterns as shown above, it’s a sign of a strong move. If you can identify it, your earnings will multiply.

## SUMMARY

Candlestick patterns are a historical gauge of investor sentiment. They were developed centuries ago by Japanese rice traders and they still work today. If you study these bullish candlestick patterns and can identify them, you will be prepared to act on decisive changes in investor sentiment. You will be in a much better position to enter into an uptrend, set stop/losses and ride your profits to the upside.

The tools you need are simple and straightforward:

- **The T-Line = the 8 Exponential Moving Average (EMA)**
- **20, 50 and 200 Day Simple Moving Averages (SMA)**
- **Stochastic Oscillator (settings are 12,3,3)**

Follow the rules in this lesson, and you will trade with better certainty.

You will have a better handle on investor sentiment and will know when to enter and exit a trade.

## SPECIAL OFFERS

[Watch the Video of this Presentation](#) (highly recommended) If you like what you've read in this lesson and want more information, then you owe it to yourself to spend an hour watching this free presentation, courtesy of TradingPub. There are several more examples of these candlestick patterns in this video that will give you a better understanding how they work.

As a bonus, Steve offered a special \$12 offer for his Candlestick Precision Major Signals Education Package that will include:

Stephen's Candlestick Precision Major Signals Education Package – comprised of 12 videos that dissect each of the major signals to illustrate where and when they work most effectively in a trend, (a \$581 value)

You will also receive 30 complimentary days in my Candlestick Forum Membership site, granting you access to a wealth of trading information and training. (a \$97 value)

PLUS, you will receive immediate access to over \$335 worth of E-books, videos and special bonuses when you activate your FREE 30-day membership.

[Get the Major Signals Education Package for just  
\\$12.00 HERE \(a \\$581 value\)](#)

## ABOUT THE PRESENTER



Stephen W. Bigalow possesses over twenty-five years of investment experience, including eight years as a stockbroker with major Wall Street firms: Kidder Peabody & Company, Cowen & Company and Oppenheimer & Company. This was followed by fifteen years of commodity trading, overlapped with twelve years of real estate investing. He holds a business and economics degree from Cornell University, and has lectured at Cornell and at many private educational investment functions over the past twenty years.

Mr. Bigalow has advised professional traders, money managers, mutual funds and hedge funds, and is recognized by many in the trading community as the “professional’s professional.” He is an affiliate of the “Market Technicians Association”. ([mta.org](http://mta.org) – A non-profit association of professional technical analysts) and a member of AAPTA, the American Association of Professional Technical Analysts. ([aapta.us](http://aapta.us))

# TWO WARNING SIGNS THAT CAN KEEP YOU OUT OF LOSING TRADES

Jared Wesley, Pristine Trading

Trading the markets can be very confusing, especially for the novice trader. One of the most common mistakes that traders make is that they don't know how to properly interpret time frames. A lot of traders like to trade in a vacuum. They will say "Oh my gosh, look at that perfect 2-minute or 5-minute chart!", and react emotionally without taking into consideration that the longer-term charts control short-term price action. What traders need to do is take a "top-down" approach and look at the short term from a longer-range perspective.

Another common mistake that traders make is that they neglect to take a look at volume analysis. While price is extremely important, volume is nearly as important as price. Volume plays a significant role in whether a trade is going to work out for you.

In this chapter we will address these two major areas, along with a few other things

## MULTIPLE TIME FRAME ANALYSIS

In a perfect world, all of the time frames would be in alignment and your trading odds would greatly increase. But this rarely happens. The big money is in the longer-term charts – the daily, weekly and monthly charts. If you can ride the momentum of the longer-term charts knowing that they set the course for the smaller time frames, and enter those waves on smaller time frames, then you have a better chance of succeeding.

Trend analysis can help give you an objective methodology for determining what the trend stage is. There are a lot of different trend stages for up-trending, down-trending and sideways markets. If you don't understand trend stages, then you can easily make the mistake of buying when the market is at a high point or selling the market at a low point. The four stages of a trend can be viewed in different time frames – all at the same time! Waiting for your time frames to align and confirm each other leads to indecision, which can cost you money.

## MULTIPLE TIME FRAME ANALYSIS

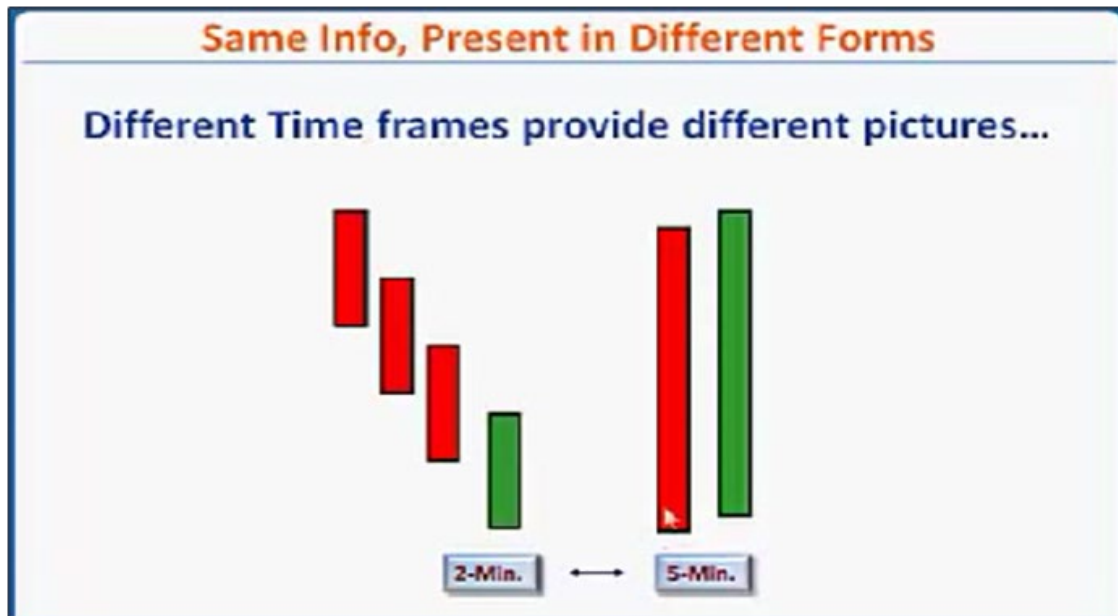
There are two rules you must follow to get started:

1. You must decide what time frame you will trade in which you will gain a long-term bias from.
2. Then apply Trend, Supply-Demand and Bar-by-Bar analysis to find trading opportunities for that time frame.

Why is it important to view supply and demand over multiple time frames? There are five major reasons for doing this:

1. To give us a look at patterns within a pattern, allowing us to refine our entry points in a shorter time frame, when a longer timeframe provides the bias.
2. To determine when a shorter time frame pattern may fail. This often occurs when the shorter time frame is against the direction of the longer.
3. To determine when a longer time frame pattern may fail. The shorter time frame forms a pattern failure. Looking at the market from the top-down and the bottom-up can give you a better perspective.
4. To determine when multiple time frames are in alignment, which increases the odds of follow through in direction.
5. Multiple time frames provide different “pictures” which “communicate” the direction of prices. At times, a different time frame can give you the “picture” you need.

**Let's drill-down to see how multiple time frame analysis can help you make better trading decisions:**



An individual bar looks different on different time frames. What does the diagram above show you? It's the same information shown to you on two different time frames. When you drill down to a smaller time frame, you can find out what's inside a larger time frame. When you look at the 5 minute chart, you see a large red bar representing a lot of sellers. When you look at the 2 minute chart, you see three periods of selling, followed by a bullish retracement. How would that affect your entry point in a trade? How does that affect your stop/loss placement? If you based your decision-making solely on the 5 minute chart, you might set your stop/loss lower, which would have a significant impact on your risk-to-reward ratio. Here are three different views of the same chart:



If you look at the same stock in three different time scales, you can use the 15 minute chart to set a bias, and refine your trade in the shorter time frames. In the 15 minute chart, we see a “bear sandwich” – a red bar sandwiched between two large green bars. You have buyers entering the market, interrupted by sellers, and then a return of buyers. You might feel good about going long, but where do you enter the trade? You have to respect the resistance levels coming up.

When you move from the 15 minute time frame to the 5 minute chart, you see a great pullback opportunity, which helps refine your trade and find an entry opportunity that improves your risk/reward ratio. If you drill down to the 2 minute chart from the 5 minute chart, you find another pullback, which further refines your entry point. You get a better profit target on the entry, and a better stop/loss.



Let's take a look at another chart on a 2 minute time frame:



We are working on a very short time frame and we are going into what looks like a stage 4 downtrend. We are far below the 20-period moving average. When you see a bullish pullback at the yellow star, is this a good trade? Should I short this stock? All the indicators seem to indicate that a bearish move is in play. BUT, vacuums are a tough place to trade in.



Let's go back to a larger time frame:



When you dial back to a 15 minute time frame, you will see that the 2-minute bearish setup was in violation of a strong bullish uptrend on a larger time frame. There was a huge gap-up in the early morning, followed by a retracement to the previous day's high, which is now a support level. If you lived in a vacuum on the 2-minute charts, you would have been cooked if you decided to go bearish on the entry point indicated by the yellow star. You would have been shorting a perfect buy opportunity.

In the first example, we started with a longer time frame and drilled-down to a lower time frame to define the optimum entry point. In this example we operated in a short-term time frame, and we used a longer time frame to confirm our decision.

What's the best time frame to use for trading? That depends entirely on your trading style. If you're an intra-day trader, then the 1-minute, 5-minute and 15 minute charts are the ones that you want to watch. If you are a swing trader or if you trade over a longer time period, then you may want to look more at the hourly or daily charts. It all depends on your trading style and time horizon.

The nice thing about multiple time frame analysis is that you don't need a whole lot of indicators to help you identify a trade setup. You can take a look at the big picture and drill down to your time frame. You can also look at a setup in your time frame and step back and look at it from a big picture perspective for confirmation. The core of a chart boils down to two major elements: candlesticks which record price action and reflect investor sentiment, and volume.

## Volume Analysis

Now that we have a baseline understanding of multiple time frame analysis, it's now time to look at the second major component to trading stocks, and that is volume analysis. What can volume tell us? Volume can be broken down into three major categories:

- Pro Volume – Ignites a NEW move up/down
- Novice Volume – Same direction of an already extended move. Generally ends move.
- Continuation Volume – Continues the current trend/move. Generally low volume.

Here's a quick overview of what to expect with volume after your initial entry:

### Volume Analysis

What to expect/look for after your initial entry.

- 🔍 Before entry is the volume above, below or average?
- 🔍 After entry is there a volume spike?
  - 🔍 **Volume = Money**, and money represents commitment or lack thereof!
- 🔍 **Price** tells us **WHAT** a stock is doing, **Volume** tells us **HOW**.
  - 🔍 Volume is secondary, **Price is King!**
- 🔍 Volume increase *WITHOUT* price movement is a warning!
- 🔍 Breaking out *WITHOUT* a Volume increase is also a warning! 🤖

Volume is money. The price of a stock tells you what is happening, but volume is a measure of commitment. If a stock moves up \$1.00 on a million shares traded, that's a lot of money and there is strong commitment to that stock in support of the price move. If the same stock moves up \$1.00 on 300 shares traded, that's not nearly as much money committed to the stock. Volume represents commitment (or lack thereof) to a stock. Since the average stock trader is not trading with the same size account as a Goldman Sachs trader, it's important to realize that individual investors are insignificant in the grand scheme of things. We are grains of sand on a beach.

You are not going to make the market on any stock, but you do want to follow the people who are making the market. Don't jump in front of the market makers, follow them. Let them clear the path. And this is done by volume analysis. We will now take a look at Pro Volume and Novice Volume, since they are triggers to trade. Continuation Volume represents a "resting" or consolidation phase.

## PRO VOLUME ANALYSIS



When you look at this 5 minute chart, you see an initial gap-up, followed by a progressive downtrend. This could be the result of high frequency trading or dark pool activity. Sometimes you can see volume, and sometimes volume is hidden as a result of some of the intra-institutional games that play into the markets. In the middle of the chart you see continuation volume, which is essentially “resting” volume. It is volume that is resting until it continues its move at a later point. In the Continuation Volume phase, the stock is resting on very light volume. What you are looking for is the “Pro Igniting” bar. During the resting phase, maybe 8-10 thousand shares were being traded per bar. All of the sudden, 130,000 shares are traded on a sharp downward bar.

The “Pro-Igniting” volume bar is exactly what you see. There is a strong price move in the bar, matched with strong volume commitment. The stock has also dropped \$2.00 per share on a 5-minute bar.

## NOVICE VOLUME ANALYSIS

Novice Volume occurs in the same direction of an already extended move, and generally ends the move. On the insert chart you see the daily chart of a stock on a nice 6 day bullish run. Notice the spike in volume on the last bar. It bounced off a double bottom which is bullish, but a 6-day run-up is a very strong move. On the sixth day, there is a monster volume spike, after being multiple days up. This is where a lot of traders want to get in on the action. Long-term it may be bullish, but there are a lot of buyers entering the market on huge volume at the end of an extended streak.

On the 2-minute chart, you see a small pullback on selling volume, followed by an extended run-up to a top on high volume, which starts to hesitate. The top volume bar communicates that every last buyer has entered the market at its peak. This stock is up \$3.00 in fifteen minutes after an extended 6-day streak. How much more can it go up on a 2-minute chart? For the average trader, maybe it's acceptable to buy at that level, but to a professional trader, that's the definition of insanity. Set your stop/loss above the top candlestick high (\$67.50) and short the market. Even though the stock moved all the way down to below \$63.50, our profit target is just above \$64, which was our previous support level.

This trade is only possible if the rise in the stock price is also supported by volume, which means commitment. If the stock price ran-up on low volume, then this would be a trade to avoid. Let's take a look at another example:



Take a look at this 5-minute chart. What do you see? You have a long period of continuing volume, followed by a “Pro Igniting” downward bar, followed by two continuing volume bars, then another “Pro Igniting” bar, followed by three “Novice Volume” bars. On the final bar, this stock is out of gas. All of the sellers are out of the market, and a reversal is soon to follow. Where would you set your stop/loss?



Making decisions on light volume can get you into trouble.

**Take a look at this example:**



If you were trading at noon during the Continuation Volume phase of this stock, the probable direction of the stock is down when it decides to make its “Pro Igniting” move. If you set your stop-loss on light volume, look at what happened. The stock shot up high enough to take out almost every stop/loss and then went on its downward path.

**Here’s an example of a stock that is range bound on an hourly chart:**



Notice after a downtrend that this stock is bouncing predictably off support and resistance lines. Take a look at the circled bar at the end of the chart. You have a “Novice Volume” bar that is also bouncing off of a strong support level. Understanding “Pro Igniting” and “Novice Volume” levels on a chart can give you a strong trading edge, and keep you out of making costly mistakes.

## CONCLUSION

Successful stock trading depends on master two major concepts:

1. **Understanding multiple time frame analysis.**
2. **Understanding the importance of volume analysis.**

If you can look at stocks through multiple time frames, and correlate price action with volume spikes, then you will be much better at managing your trades and you will be able to pick tops and bottoms with much better accuracy.

## SPECIAL OFFERS

[Watch the Video of this Presentation](#) (highly recommended) - Jared Wesley does an excellent job of presenting the concepts of price/volume analysis with several more examples not shown in this chapter. This is a must-see if you trade stocks. The video is provided courtesy of TradingPub

[We'd like to offer our “Seven Steps To A Good Trade - Home Study Course Video” FOR FREE \(Regularly \\$147.00\). Simply CLICK HERE!](#)

## ABOUT THE PRESENTER



Jared Wesley is a moderator in the Pristine Method Trading Room and a Pristine Trader Coach. After graduating from Boston College in 2000 with a BS in History, he spent 5 years living in Tokyo, Japan. Despite actively trading the markets since 1998, it wasn't until his return from Japan that Jared was introduced to Pristine. Along with mentorships from two long time Pristine Educators, Jared attributes much of his success to the fact that he has been solely consumed and focused with the Pristine Method, which significantly shortened his learning curve. One of Jared's focal points is his keen desire in helping traders keep their approach simple. Less is more. He avidly preaches emotional and educational discipline as cornerstones to success.

Jared is very proficient in all timeframes, but specializes in early morning and intra-day trading on the shorter, 2' and 5' charts with a high degree of success. He makes trading calls on a daily basis in the PMTR, regularly contributes to the Pristine Lesson of the Week and does Free Workshops as well. We are pleased to have him as part of our team at Pristine.



# **CHAPTER III**

# **FUTURES**

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# HOW TO MAKE BIG PROFITS TRADING 30 YEAR BOND FUTURES

Hubert Senters

If you are an active trader, it's important to build futures into your trading activity. Why? Because all markets are exposed to risk, and you want to hedge yourself. For example, if you only trade Apple (Nasdaq: AAPL), and Apple is doing fine, you can do nothing, or you might want to consider going long on the Nasdaq (NQ) futures.

If you are long AAPL, but the stock starts moving against you, you can hedge your position by shorting NQ. Everyone who trades the stock market should have a small futures account so that you can hedge.

Futures are highly leveraged and can be dangerous, but if you use tight stop/losses they can be a very valuable ally. For example, it is possible to risk \$156 to make \$1000. That's great news, but the bad news is that it only works 41.37 percent of the time. Here's the profit plan over 10 trades:

1. 6 losing trades at \$156 = \$936 loss
2. 4 winning trades at \$1,000 = \$4,000 profit
3. Net profit on 10 trades = \$3,064

But let's say it is worse. Let's say it only works 30 percent of the time. Then our profit plan looks like this:

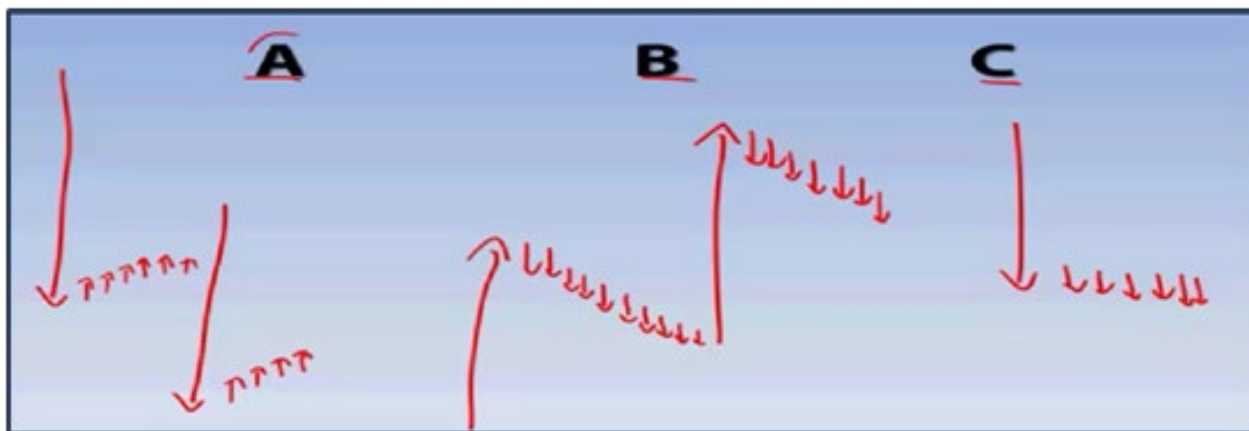
1. 7 losing trades at \$156 = \$1,092 loss
2. 3 winning trades at \$1,000 = \$3,000
3. Net profit on 10 trades = \$1,908

Before we talk about this trading strategy, it's important to first see where you are in your trading career. Be honest with yourself and see where you fall on this continuum:

## THE FIVE STAGES OF TRADING

1. You learn how to lose lots of money
2. You learn how to lose a little money
3. You tread water. Make a little, lose a little
4. You start making consistent cash flow
5. You're making serious money

Most traders are stuck at level 3. The strategy we are going to discuss is how to move you up to level 4. There are also basically three styles of traders:



### The “A” Style Trader

This trader takes huge losses, and follows it by a string of little wins. After taking a beating on a big loss, the trader probably exits out of a lot of winning trades early to build the account up. Then there's another big loss, and the pattern repeats itself.

### The “B” Style Trader

This trader manages risk to reward better. The “B” style trader is a much better place to be. You let a couple winners run long. You manage money and risk control much better and have strong discipline on controlling your losers. This is harder to do than it looks, but it is a much better place to be over the long run.

### The “C” Style Trader

You don't want to be this trader, because he won't be around very long.

What is the best market to trade? If you are going to trade, you need to trade the S&P E-minis. You want to trade it because it has the most volume and everyone trades it. Then you start trading the E-minis, and you start getting chopped-up. You start wondering “Why can’t I do this?” or “This is just too hard. It’s got to be rigged.” You may feel betrayed.

The E-mini S&P (and many other markets) are very choppy. They rise and fall abruptly. They make unexpected breakouts, and then reverse course. As traders, we rely on a lot of information from outside sources to make decisions and sometimes we can feel like they are lying to us.

Those sources are other traders, the media, investors, etc. The key question is: Did you test what they told you, or did you place blind trust in them? Does that market even reflect your personality or trading style?

If you don’t match your trading style to the right market, then trading can be very painful and frustrating. If you are a breakout trader, the E-mini S&P is not your friend, and neither is crude oil. But gold, bond, currency and agriculture futures will be your friend because of their inherent volatility.

So, which markets should you trade? Once again, that depends on your personality, so here’s a comparison of some of the futures markets:

Symbol	(ATR)	Multiplier	Total
YM Dow	93	x5	465
ES S&P	10.3	x50	515
NQ Nasdaq	25.9	x20	518
TF Russell	9.9	x100	990
US 30 yr bond	1.15	1000	1150
CL Crude Oil	1.83	1000	1830
SI Silver	0.63	5000	3150
GC Gold	18.41	100	1841
AD	0.0073	100000	730
EC	0.009	125000	1125

This table shows a variety of futures markets. The Average True Range (ATR) is the number of points that market typically moves in one day. The multiplier shows you what each point is worth and the total is the most money you can expect to make. Each market has different characteristics:

YM Dow You can make \$465 a day, but it will chop back and forth on your way to that total.

ES S&P Just like the Dow. Very choppy

NQ Nasdaq Behaves just like the Dow and the S&P

TF Russell Behaves very choppy, followed by a breakaway, and then it chops again.

US 30 Year Bond - This market goes up, pulls back, up, pulls back and reverts to half of its range.

CL Crude Oil A little crazy. It can behave nicely, and then turn on you

SI Silver Dangerous. Avoid at all costs

GC Gold Will run, consolidate, run, consolidate, run, consolidate, then come back and adjust.

AD & EC These currency markets can be good for trend traders.

This chapter is going to focus on the US 30 Year Bond. The Federal Government is starting a program called tapering. They have been buying enormous amounts of bonds, but that is going to end soon. When that happens, the bond market is likely to drop. The bond market may trade a little sideways just to keep an eye on the Fed, but if key levels are broken, then it could be a run.

## BOND FUTURES BASICS

Let's get started with some basics about bonds. Bond futures are not like the paper bonds our grandparents bought and held until maturity. We will talk about the following bond basics:

**Months**

**Time**

**Caution**

**Symbols**

**Tick Values**

**DOME**

**Margins**

**Bond 1st Hour Trading Rules**

### The Months of Futures

Delivery Month	Letter For that Month
January	F
February	G
March	H
April	J
May	K
June	M
July	N
August	Q
September	U
October	V
November	X

It's important to have this calendar of futures months handy for reference. Whomever came up with this lettering system should be locked up, because it makes no sense. The letters that futures traders need to be focused on are:

- H March**
- M June**
- U September**
- Z December**

These months trade just like the E-minis. Each of these months started trading 2 weeks after the previous time period. For example, in the second week of March 2014, you would start trading the US M 14 bond futures, or the June contracts for 2014. In the 2nd week of June, you would start trading the US U 14 September contracts.

The Bond markets are open 23 hours, from 6pm EST to 5pm EST. The floor traders in the pits actively trade bonds between 8:30am to 3pm EST. When you look at these markets in Trade Station, here's what the markets look like:

	Symbol	Interval	Last	Volume Today	Description	IFS Futures Info					
						StartTime	EndTime	BPV\$	MinMove	MinMo...	Exp Date
1	Financials										
2	@US	15 Min	143 27/32	473,910	30 Yr U.S. Treasury Bonds Continuous	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0313	\$31.25	30-Dec-99
3	@TY	15 Min	131'25.5	1,489,539	10 Yr U.S. Treasury Notes Continuous	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0156	\$15.63	30-Dec-99
4	@FV	15 Min	123'30.7	745,433	5 Yr U.S. Treasury Notes Continuous	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0078	\$7.81	30-Dec-99
5	@TU	15 Min	110'07.0	219,147	2 Year U.S. Treasury Notes Continuous	06:00:00 PM	05:00:00 PM	\$2,000	\$0.0078	\$15.63	30-Dec-99
6											
7	30 Year Bonds										
8	USH13	15 Min	143 27/32	473,910	30 Yr U.S. Treasury Bonds Mar 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0313	\$31.25	19-Mar-13
9	USM13	15 Min	142 11/32	57,791	30 Yr U.S. Treasury Bonds Jun 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0313	\$31.25	19-Jun-13
10	USU13	15 Min	141 30/32	0	30 Yr U.S. Treasury Bonds Sep 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0313	\$31.25	19-Sep-13
11	USZ13	Data request failed: Incorrect symbol									
12											
13	10 Year Notes										
14	TYH13	15 Min	131'25.5	1,489,539	10 Yr U.S. Treasury Notes Mar 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0156	\$15.63	19-Mar-13
15	TYM13	15 Min	130'20.0	167,808	10 Yr U.S. Treasury Notes Jun 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0156	\$15.63	19-Jun-13
16	TYU13	15 Min									
17	TYZ13	15 Min									
18											
19	5 Year Notes										
20	FVH13	15 Min	123'30.7	745,433	5 Yr U.S. Treasury Notes Mar 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0078	\$7.81	28-Mar-13
21	FVM13	15 Min	123'16.2	109,128	5 Yr U.S. Treasury Notes Jun 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0078	\$7.81	28-Jun-13
22	FVU13	15 Min									
23	FVZ13	15 Min									
24											
25	2 Year Notes										
26	TUH13	15 Min	110'07.0	219,147	2 Year U.S. Treasury Notes Mar 2013	06:00:00 PM	05:00:00 PM	\$2,000	\$0.0078	\$15.63	28-Mar-13
27	TUM13	15 Min	110'05.0	82,758	2 Year U.S. Treasury Notes Jun 2013	06:00:00 PM	05:00:00 PM	\$2,000	\$0.0078	\$15.63	28-Jun-13
28	TUU13	15 Min									
29	TUZ13	15 Min									



The symbol for the US 30 Year Bonds is @US. You will see the start time and the end time. It's \$1,000 a point, and the minimum move is \$0.0313 or \$31.25.

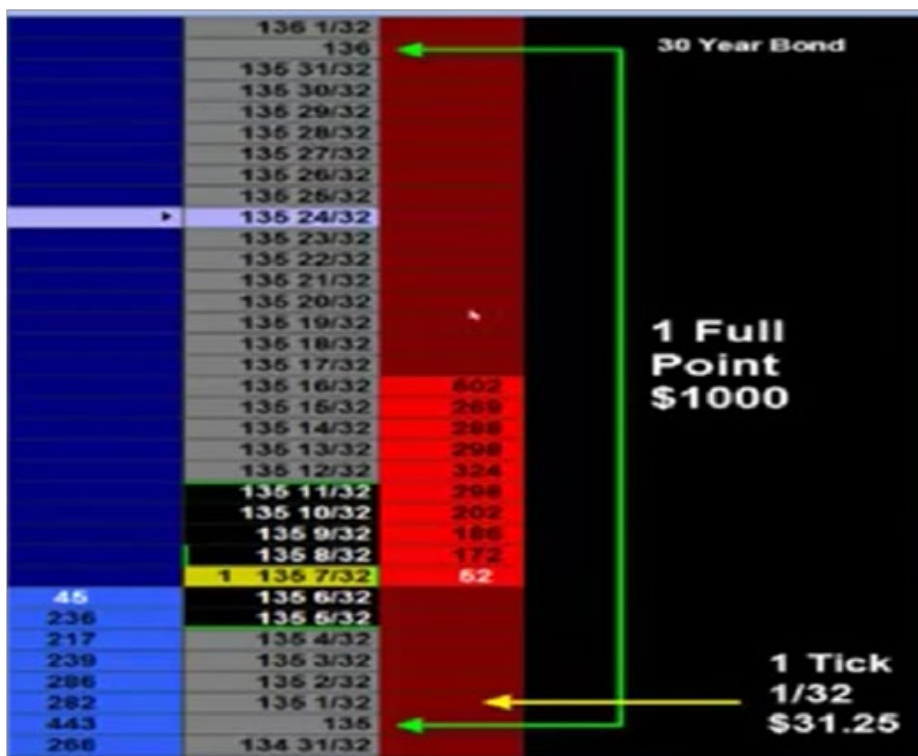
The cautionary things you need to know about when trading the US 30 Year Bonds are:

### Interest Rates

Any other major economic news, such as FOMC notes

Econoday.com (good source for news)

## USING THE DOME



This is the DOME in Trade Station. In this example, let's assume that you want to get long at 135. Each tick is worth 1/32 of a point. Your profit target is 136, or one full point, or \$1,000. Your stop/loss is 5 ticks, or \$156.25. The bond market moves around 1.15 points per day. If you got long at the right time, you have a better chance of reaching your target.



Here's a side-by-side comparison between the Trade Station DOME and the Infinity Futures DOME. The only difference is that Trade Station uses fractions in their pricing and Infinity uses the decimal equivalent.

First, you want to determine the direction of the market. Is it going to be up or down today? Next, you want to use an 8, 12 or 16 tick reversal strategy. This will be discussed shortly. Then you need to take a look at your margin requirements:

## MARGIN INTRADAY AND OVERNIGHT

Intraday	Overnight
- Call your Broker	- 30yr \$3,375
- Could be as low as \$300-\$1,000 per Car	- 10yr \$1,490
- But Don't Recommend	- 5yr \$743
	- 2yr \$304

When is a trade intraday or overnight? Remember, the Bond markets are open 23 hours, from 6pm EST to 5pm EST. If you hold a trade from 9:30 am EST to 4:30 EST, that would be an intraday trade, and your margin requirement could be somewhere around \$500. If you held a trade from 9:30am to 5:10pm, that would be an overnight trade, since you held the trade past the close of the market. If you opened a trade at 6:10pm and held it until 4:45pm the following day, that would be intraday. That would give you almost 23 hours of intraday trading to see if the bond market is going to work for you or against you.

## Here are the Rules for Trading the 30-Year Reversal Trade 8,12,16

You really only want to focus on the 8 tick or 16 tick reversal. Ignore the 12.

- First mark open 5 min chart 8:20 EST
- Can be used overnight
- Can use Globex
- Calculate using 8 or 16 tick reversals
- Stop at 5 ticks (\$156.25)
- Target 32 ticks (\$1,000)
- Trail Stop
- Look for the High or Low
- Try to stay on the side of the daily trend

So let's play this strategy out:



The overall direction of the market is down, so we want to follow the trend. We wait for an 8 tick uptrend reversal and enter a short limit order.

### 1. First trade –

Wait for reversal place a short limit order with a 5 tick stop loss. The market spikes and takes out your stop. You take a \$156.25 loss.

### 2. Second Trade –

You do the same thing, and you get the same result. Another \$156.25 loss

### 3. Third Trade –

You make the same trade, but this time it doesn't get stopped and it runs for your target of one full point. You win \$1,000.

When you subtract your two losers from your winning trade, your net profit is \$687.50. So you took a little bit of pain in order to reach your goal. Let's review the rules of this strategy again to be clear:



1. Take a look at the daily chart to confirm the direction of the market. It was on a very nice uptrend from March through April, but now it is in a sharp downtrend. The direction of the market is down.
2. Only make trades in the direction of the market
3. Let the market bounce 8 or 16 ticks against the trend as your entry signal. Use it based on the 1.15 ATR for the 30yr bond.
  - a. If half of the ATR is reached, use an 8 tick reversal
  - b. If the full ATR has been reached, use a 16 tick reversal
4. Set your target at one full point, for a \$1,000 gain.

Let's take a closer look at a winning trade:



We have determined that the direction of the market is down after a selloff during the previous day. At around 20:00, the market spikes down and forms a low. It does an 8-tick upward reversal, triggering a short sell with a 5 tick stop/loss. Your risk is 5 ticks or \$156.25, and your reward target is 32 ticks or 1 full point, or \$1,000, which was achieved about 14 hours later.

Bonds are very predictable in their behavior, because they tend to go up, and pull back 8, 12 or 16 ticks, and they repeat this pattern all day long until the market chops sideways or gives back roughly 50 percent of its gains.

The EBT “Sneak Attack” Trade - 30yr Bond

**This is another bond trade that works very well, and the rules are simple:**

- Determine the direction of the market. Is it going up or down? In this example, remember again that we are in a down market.
- Always trade in the direction of the market
- Bracket the 7:20am EST – 8:20 time frame on your chart
- Identify the low and the high during that 1-hour period, and count how many ticks the range is. This strategy works the best for 17 ticks or less. If the range is greater than 17 ticks, then this trade is too wide.
- Use a 5 tick stop/loss: \$156.25
- Since the market is in a downtrend, wait until the market hits the bottom range of the 7:20-8:20 time range and SELL with a 5 tick stop/loss and your profit target is the range of ticks covered between 7:20am EST and 8:20am EST. If it is 10 ticks, that is your target.



In this example, you can see that the 7:20-8:20 EST time period has been bracketed. The low and high of this time period has been marked, and it is 10 ticks. The overall market is in a downtrend from the previous day. The bond market drifts up slightly, and then starts its downward journey.

Once the market hits the lower end of your 7:20-8:20 range, you SELL the bond market with a 5 tick stop/loss, and a 10 tick reward. You are risking \$156.25 to make \$312.50 and it works surprisingly well. It's called the "Sneak Attack" because the setup occurs before the pit traders start trading at 8:30 EST.

## CONCLUSION



To be successful at trading, you need a good plan which consistently gives you good entry points and good exits. If you manage your stop/losses and have a good profit plan that leads to increased profits, which in turn makes you a more confident trader.

Trading the 30yr bond market is good because it travels predictably. It moves up or down in generally the same pattern. It moves, pulls back a little, moves and pulls back a little. You have now learned two strategies for trading bonds that can yield strong consistent profits throughout 10 trades. Your losers will be minimal losers, but your rewards are much greater.

## SPECIAL OFFERS:

[Watch the Video of this Presentation](#) (highly recommended) – Hubert Senters will walk you through the basics of the 30yr bond markets, and goes into the two trading strategies discussed above. In addition, he makes a live trade and goes through a “lightning round” where he analyzes markets and stocks.

Hubert offered a great opportunity to get his My Favorite Trades Class for \$97 (a \$499 value)

- **This trading course will teach you how to scan for day, swing, and long-term stock setups on demand RIGHT NOW. It will also cover strategies for the E-Mini S&P and the Bond Market.**
- **This 5 Module Course contains video training covering everything from:**
- **Stock Swing Trades and Day Trades**
- **How to Play Earnings & Gaps**
- **The 7 Top Indicators You Must Know to Catch a Trend**
- **Emini S&P Day Trade Strategies**
- **Swing Trades & Day Trades for the Bond Market**
- **PLUS a BONUS Course on trading using the Ichimoku Cloud!**

[TO GET HUBERT’S SPECIAL SIMPLY CLICK HERE](#)



## ABOUT THE PRESENTER



Hubert Senters was born in Paintsville, KY with an entrepreneurial personality that encouraged him to try out new businesses and careers paths. Hubert Senters launched TradetheMarkets.com in 2000 with John Carter.

He is often heard calling out his trades live in our day trading chat room. Hubert Senters has garnered a loyal trading community following with his keen sense of the trading markets, his frank teaching style, and his willingness to help others learn from him.

Hubert Senters' goal is to achieve a comfortable lifestyle, put money away for the future, and have time to enjoy life, family and friends. When he's not trading, he takes photos of his three kids playing sports, upgrades his trading hardware, and searches Google for the latest trading software and trading technology.

# HOW TO USE MARKET PROFILE TO TRADE FUTURES

Greg Weitzman

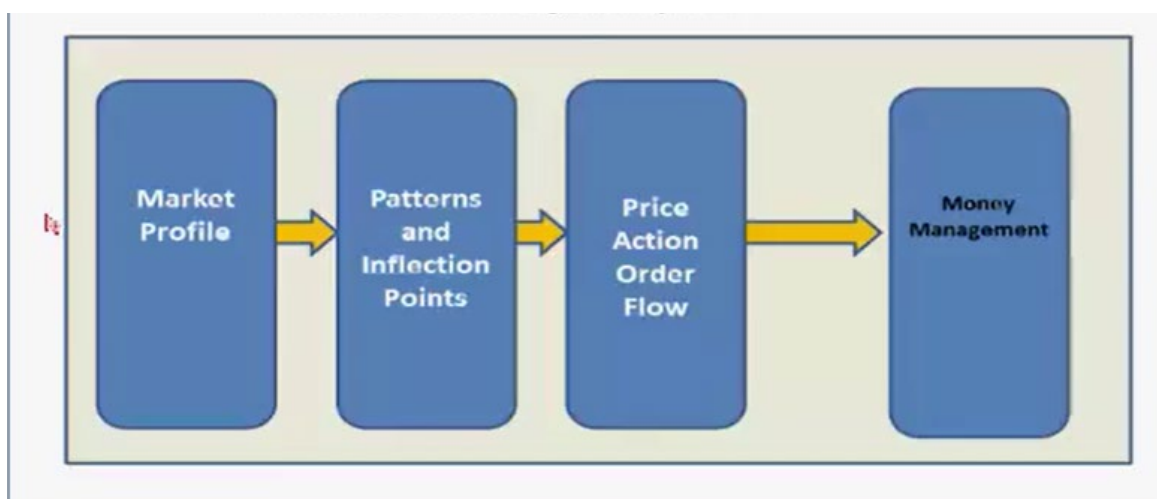
If you actively day trade the futures markets, specifically the ES, NQ, TF, CL, 6E and other popular futures markets, then this chapter is for you. You will learn about using the TradingZone method with Market Profile. This chapter will also focus on bridging the mechanics of trading with the human elements of trading. Most traders get into the technical side of trading without taking into consideration that trading is an emotional business.



Trading isn't for everyone, and every trader develops a trading style that best fits their personality. Some traders are more attuned to day trading short time frames. Others swing trade and let a position ride for a few days. Still others have long time horizons. The beauty of trading the markets is that there are strategies tailored for each type of trading personality.

Trading isn't for everyone, and every trader develops a trading style that best fits their personality. Some traders are more attuned to day trading short time frames. Others swing trade and let a position ride for a few days. Still others have long time horizons. The beauty of trading the markets is that there are strategies tailored for each type of trading personality.

But first, you need to ask yourself "How much money am I prepared to lose?" What are you prepared to invest into your trading business, and how much are you prepared to lose if things go terribly wrong. Once you have taken personal accountability for what you invest and what you're prepared to lose, then you can identify what trading style is best suited to your personality.



### **The TradingZone System is built on three primary pillars:**

#### **Market Profile**

A tool used to assess the broad market. It's like a big-picture roadmap. If you are driving from New York to Chicago, you need to know you are heading west. Where does the market want to go, and which direction is it going?

#### **Patterns and Inflection Points**

There are some places on the charts that are better opportunities than others. Something has happened in the recent past, and that's a better place to take a trade, or something has happened in the recent past, where it's less advantageous to take a trade. Market Profile gives us the direction of the markets. Patterns and Inflection Points gives us the best spot on the charts to make a trade.

### **Price Action Order Flow**

The final step is to take a look at Price Action Order Flow. Once we have determined the direction of the market and where on the charts we need to trade, and we want to go long, are other traders moving in that direction as well?

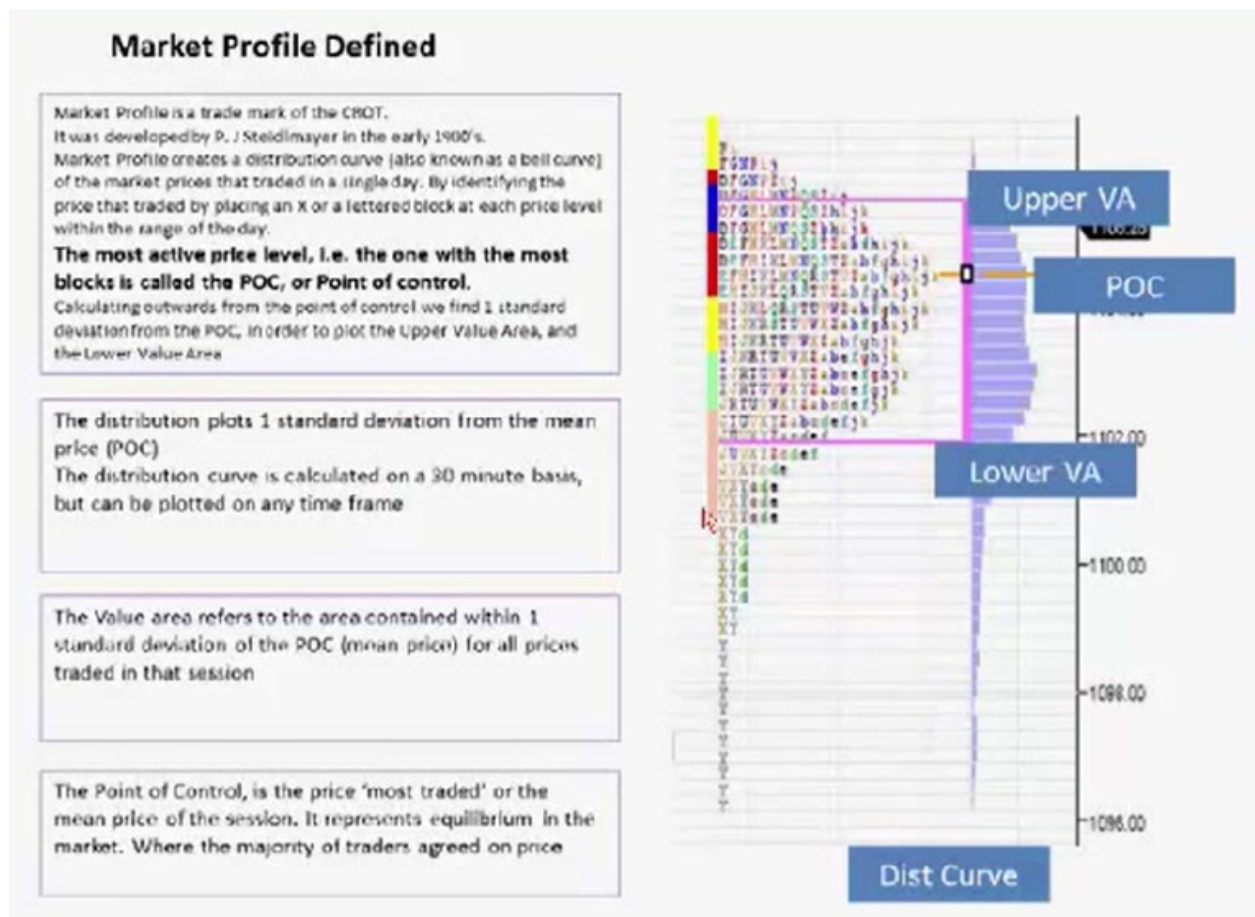
The fourth pillar is Money Management. The reason why this pillar is separated from the others is that the first three pillars are determined solely by the market. Money management is determined by the trader, and it goes back to the human element of understanding what type of trader you are, how much you are prepared to lose and how you manage your money. 200 traders in the same trading room, using the same tools and methodology will have 200 different P&L statements. We are all unique in our trading personalities.

## **A KEY TOOL FOR DEVELOPING A POSITIVE TRADER'S PSYCHOLOGY**

In order to trade successfully, you need to learn how to trade consistently. One of the first things you can do is to set a reachable, reasonable daily goal. Let's say it is \$50. Once you reach that goal, stop trading for the day. Once you have become accustomed to reaching a daily goal and stopping, thereby protecting your earnings, it becomes easier and easier to do. As your account balance increases, you can gradually increase your daily goal as you move forward.

### **Market Profile – The First Pillar**

Market Profile is the most powerful and the most fun indicator to learn. It was originally developed in the 1900's by J. Peter Steidlmayer, a floor trader on the Chicago Board of Trade, who subsequently licensed the program to the Chicago Board of Trade. Market Profile has been taught by numerous educators, and some have over-complicated it. In the TradingZone System, Market Profile is essential, but it is also greatly simplified.



Market Profile organizes one single day's trading data into a simple distribution curve. On the right, you have the prices that traded throughout the day. The letter blocks are plotted every time a specific price was traded. The letter blocks move from left to right as time moves forward. During the course of the day, as all the letter blocks are being plotted on the chart, and it builds a distribution curve until one of those rows stands out the furthest. This row of letter blocks is called the Point of Control (POC). It is the price level traded more frequently than all of the other price levels. To put it another way, it is the price where most buyers and sellers met to exchange product. It is the center of gravity, or the equilibrium point of the market. It is the most accepted price on the market.

Once the POC has been determined, the Market Profile calculates one standard deviation on either side of the POC, creating the Upper Value Area and the Lower Value Area. All of the data between the UVA and LVA comprises 68.3 percent of all of the data for the day.

If you flipped this data on its side, it would look like the bell curves taught in statistics class. What this information tells us is that the relevant prices, or the most accepted prices happened within these 2 boundaries. The irrelevant prices, which were the prices with less acceptance and less volume, occurred outside the boundaries.

When you superimpose Market Profile on the daily charts, here's what it looks like:



The chart becomes more visually appealing, and easier to understand. You can clearly see the uptrend with the brackets between the UVA and LVA stacking on top of each other. It's much better, but it can be simplified even further.



This becomes even more visually appealing to traders. The Market Profile indicator is now superimposed on a candlestick chart regardless of the time frame you are using. If you have a visually appealing chart with patterns that are easily recognized, then the probability that you will hesitate to make a trade is diminished.

On this chart, the green shaded area is the same as the Market Profile on the smaller chart above. You can easily see how the Point of Control drives the market. Above the green shaded area you can see yesterday's Point of Control, Upper Value Area and Lower Value Area, so you can compare today's price to yesterday's value. Yesterday's charts established the value of the market. Has it become cheaper or more expensive? This chart lets you know whether you are trading above value, below value or inside value.

We can use these charts and value levels as a basis for making trades, or as guides to market structure and direction. Market Profile gives you the information instantly to identify if a market is range-bound, or whether it is trending.





This is a market that is building value. When you try to draw trend lines on traditional charts, it can become difficult trying to plot a clean trend line, due to periodic spikes. When you see how the value brackets line up, it's much easier to draw a trend line that is more objective and quantifiable.





In contrast, this is a market that is losing value. The value brackets are being set up one below the other. There is one period where the market is actually bullish, but it is a reactionary movement away from the greater downtrend.



In this chart, the brackets are in line with each other, making this chart value neutral. It's range-bound, so you can look to sell off the upper range, and buy off the lower range. So how do you identify a good entry opportunity?



This is a market that is neutral. It is contained within the upper and lower boundaries, providing an opportunity to buy off the low range and sell off the high range.



This is Market Profile superimposed on a 2-minute chart. You still get the information you need for setups on a shorter intraday time-frame.



This is an example of the 80 percent rule. It was a term coined by the makers of Market Profile because it works 80 percent of the time. When a price breaks out of the bracket, it will move to the other side of the bracket when it re-enters the bracket 80 percent of the time. It will travel from one extremity to the other.



With Market Profile in place as your primary indicator, you will notice that the market will almost always make a big move if it bounces off a value area, whether it's the Upper Value Area or the Lower Value Area.

## CONCLUSION

Market Profile and the TradingZone System gives you the tools you need to make objective and quantifiable decisions about determining the direction and structure of the markets. Market Profile also works on all markets whether you trade the eminis, stocks, commodities, ags or forex. Key benefits include:

- Market Profile is Different from other Indicators. It determines if the market is long, short, trend or range-bound
- It is Easy to Learn. Your chart isn't cluttered with useless information
- Works in Any Market. Forex, Futures, Indices, etc.
- Clearly Identifies Optimal Trading Price Levels. It makes entries objective and accurate.
- Provides Entries as well as Exits. Keeps you in the trade for big moves.
- Objective, Accurate and Precise Rules-Based Trading. This is critical, because without it, you are just trading on information and not a methodology.

## SPECIAL OFFERS

[Watch the Video of this Presentation](#) (highly recommended) – Greg Weitzman does an excellent job of explaining how the Market Profile and TradingZone System works. There are also numerous other examples of how to spot market direction, entry and exit points.

[Get The Complimentary Trading System cheat sheet from The Trading Zone, simply CLICK HERE](#)



## ABOUT THE PRESENTER

Greg Weitzman founded the trading education firm TheTradingZone.com in 2003.

TheTradingZone teaches both new and experienced traders how to day trade the e-mini stock index futures, based on his own methodology of combining technical indicators, Price levels.

Market Profile <sup>TM</sup> (market profile is a trademark of the CBOT), and Tape reading.

# 30 TRADING INSIGHTS TO HELP YOU OVERCOME YOUR TRADING FEARS

Tom Busby, DTI

Experience is a great teacher, and nothing is better than learning from the wisdom of traders who have been in the trenches for years.

Tom Busby started his trading career as a Vice President of Smith Barney. He is a member of the Chicago Mercantile Exchange, and one of 50 people selected worldwide for the first Globex terminals in the late 1990's. He is the author of three books, "Winning the Day Trading Game", "The Markets Never Sleep" and "Trade to Win" (all available on amazon.com)

. In 1996, he founded DTI - a brick and mortar trading education business that provides classroom and online training for active traders.

With decades of trading experience, Tom has many insights that he has learned along his journey trading the markets.

What follows is 30 of his trading insights. Some of them are historical observations of market behavior and some are common sense. When you are nose down trading the markets, it can be very helpful to step back and review common-sense trading insights to help maintain your focus.

- Provides Entries as well as Exits. Keeps you in the trade for big moves.
- Objective, Accurate and Precise Rules-Based Trading.

This is critical, because without it, you are just trading on information and not a methodology.



DTI Headquarters in Mobile, AL

## **INSIGHT #1**

# **RECORD PRICES ON THE FIRST DAY OF THE YEAR. THIS HELPS YOU TRADE THE WINNERS.**

On the first day of the year, record the prices of all the markets you trade. Do you know what the price of gold was at the first of the year? If you trade gold and you knew that gold was trading at 1200, you would know today whether to be long or short gold. Having a historical perspective of your favorite market can help you identify long-term trends and can be an important decision-making tool. Record the first day of the year prices of your favorite markets, and display them in a place where you can see them every day.



## **INSIGHT #2**

**WHEN PRICES ARE TRADING AT THEIR HIGHS, THEY TEND TO MAKE HIGHER HIGHS. WHEN PRICES ARE TRADING AT THEIR LOWS, THEY TEND TO MAKE LOWER LOWS.**

When prices are trading at their highs, they tend to make higher highs. This was the story for the 2nd quarter of 2014. The S&P 500 made one record high after the next.

Be mindful of this insight when you see your favorite market as it hits new highs or lows

## **INSIGHT #3**

**THE MARKET USUALLY REVERSES ITS TREND AFTER JULY 4**

If the market has been on an uptrend, it is common for it to reverse its direction after July 4, and the reversal usually continues through Labor Day. It doesn't happen all the time but it happens quite frequently.

## **INSIGHT #4**

**WHEN A STOCK CROSSES THE \$100 PRICE, IT WILL TYPICALLY GO TO \$110. THIS IS ALSO TRUE WHEN STOCKS CROSS THE \$200 LINE.**

This trend happens with surprising frequency. Take a look at any stock that has crossed the \$100 line. What you will discover is that the stock will reach \$110 within a relatively short period of time. The same phenomenon occurs when stocks cross a major threshold, like the \$200 line. This can give you a trading edge when you see this happening.



## **INSIGHT #5**

**THE 6:00AM CDT PRICE ON THE DAX FUTURES IS THE MOST IMPORTANT PRICE IN THE DAX FOR THAT DAY OF TRADING. IT SHOULD BE USED AS A PIVOT TO GAUGE WHETHER THE OVERALL MARKET WILL BE UP OR DOWN FOR THE SESSION.**

Take a look at the hourly charts for the Dax. You will notice that the high or low of the day usually reveals itself at the 6:00am bar. This can give you a very strong advantage when trading the Dax. This information can be especially valuable if you trade Nadex binary options.

## **INSIGHT #6**

**THINK OF TRADING AS A JOURNEY. ENJOY THE TRIP AND LEARN CONTINUOUSLY FROM IT.**

Traders have a tendency to obsess on the trades they are currently making, but it is more important to take a long term view and take a look at today's trading as just part of a long-term journey. Enjoy the ride, learn from all of your experiences, and focus at getting better at your craft. Study the markets and study yourself.

## **INSIGHT #7**

**THE MARKET IS OPEN 24 HOURS A DAY. LEARN TO TAKE ADVANTAGE OF IT.**

There are trading opportunities available the entire day. If you become familiar with the Asian, European and U.S. markets there are opportunities available to you around the clock. Here's a chart of the markets:



## INSIGHT #8

### DON'T WORRY ABOUT THE DIRECTION OF THE MARKET. GO WITH THE MARKET.

If a stock or market is trending up or down, stay on the side of the trend. If you watch the steady rise of Apple (NASDAQ: AAPL) you know it would be absolutely foolish to try to predict a downtrend. Go with the market when it's trending and don't fight it.

## INSIGHT #9

### MARKETS RESPECT NEWS. YOU SHOULD TOO.

There are eight Federal Reserve meetings per year, and you need to have them on your calendar. The first Friday of every month there is a major news announcement about jobs and unemployment. That's 20 major economic news events. The markets are very sensitive to these events, and you need to be aware of them.

## **INSIGHT #10**

### **KNOW WHEN IMPORTANT ECONOMIC DATA IS BEING REPORTED.**

Know when economic reports are due to come out. Barrons.com and Investing.com provide valuable calendars of economic reports with indicators that rank their likely impact on the markets.

Crude oil has a tendency to be very volatile around the release of this report, and there are trading opportunities in advance of the report and directly after the release of the report.

## **INSIGHT #11**

### **CRUDE OIL TENDS TO HAVE A NEGATIVE CLOSE ON THE LAST TRADING DAY OF THE MONTH.**

Here's a little-known fact. Production checks for oil producers are paid out based on the closing price for oil at the end of the month. This has a tendency to move the market down slightly

## **INSIGHT #12**

### **FED ANNOUNCEMENTS PROVIDE OPPORTUNITIES TO LOCATE TRENDING OPPORTUNITIES IN STOCKS, FUTURES AND OPTIONS TRADES FOR 3 DAYS AFTER THE FED ANNOUNCEMENT.**

There's a 48-hour window after a Fed announcement that allows people to have a good trend trade. Find out when the Fed is going to have an announcement, and for the next 3 days afterwards, you can identify a good trending trade opportunity.

### **INSIGHT #13**

## **THE NIGHT OF THE PRESIDENTIAL ELECTION OFFERS GREAT TRADING OPPORTUNITIES AFTER 7:00PM CDT.**

If you go back to the year 2000, when the race was really tight between Bush and Gore, the market rallied every time Florida went to Bush, and sold off when Florida went to Gore. There are a lot of good trading opportunities on the night of the Presidential election.

### **INSIGHT #14**

## **THE DAY AFTER THANKSGIVING TENDS TO HAVE ONE OF THE LARGEST PERCENTAGE UP DAYS OF THE YEAR.**

If you get up at 6:00 and trade ahead of the markets open, you can make some very good money the day after Thanksgiving.

### **INSIGHT #15**

## **BE OPEN MINDED, AND CONTINUE TO LEARN.**

There are always new things you can learn about trading, regardless of how long you have been doing it. Maybe it's the 6:00am Dax rule. Maybe it's the \$100 stock rule. There is a wealth of information out there that can give you a trading edge. Stay open-minded, be nimble and continue to learn.

### **INSIGHT #16**

## **THE WEEK OF DECEMBER 26 — JANUARY 1 IS THE BEST TRADING WEEK OF THE YEAR.**

Most people take off this week, but if you ever want to catch a trend, there is no better week to do it.

### **INSIGHT #17**

## **WHEN OVERALL MARKET PRICES HAVE RISEN 2.5 PERCENT DURING ANY SESSION, DO NOT GO SHORT.**

If the market goes down less than 2.5 percent it will probably bounce back up. If the market rises 2.5 percent, do not go short. If the market breaks through 2.5 percent going down, it will probably keep going down. 2.5 percent is a good band to have around the markets.

### **INSIGHT #18**

## **LIKE YOUR STOCK CHOICES, BUT DON'T MARRY THEM.**

If the markets are having a big up day, and your stock isn't moving, you might be in a bad relationship.

## **INSIGHT #19**

### **CHICKEN, FISH OR STEAK?**

### **MAKE A DECISION AND MOVE ON.**

Don't beat yourself up second-guessing your decisions. When you made a decision to trade, it was hopefully based on some type of analysis. Remember you are on a journey, and the choice you made today could work in your favor even if it is moving against you a little.

## **INSIGHT #20**

### **IF THE GENERAL MARKET IS MOVING UP**

### **AND YOUR STOCK IS NOT — YOU HAVE A PROBLEM.**

### **MORE SPECIFICALLY, IF THE OVERALL MARKET MOVES UP**

### **2 PERCENT, AND YOUR STOCK IS MOVING DOWN — GET OUT.**

Your stock should never be moving against the market, especially if the market is rallying.

## **INSIGHT #21**

### **STOCKS THAT HAVE BEEN THE MOST BULLISH**

### **TYPICALLY FALL THE FASTEST IN A DOWN-TRENDING MARKET.**

This is just the way markets seem to behave. Stocks with the greatest bullish momentum also fall the fastest.

## **INSIGHT #22**

### **TAKE LOSSES MORE QUICKLY THAN PROFITS.**

Riding profits long and getting out of losses quick is a major key to successful trading.

## **INSIGHT #23**

### **ALWAYS USE A STOP**

Trading without setting a stop is the easiest way to wipe out an account. Knowing where to set your stops and managing your risk is critical.

## **INSIGHT #24**

### **WHEN YOU HEAR SOMEONE SAY**

**“YOU DON’T GO BROKE TAKING PROFITS.” — RUN**

### **THAT’S EXACTLY HOW IT HAPPENS**

You don’t take trades to make a small fraction of your potential profits, you take trades to reach an objective. That’s why it’s important to have a plan when you trade.

## **INSIGHT #25**

### **WHEN ENTERING A POSITION, ALWAYS KNOW WHERE THE EXIT RESIDES.**

Trading without setting a stop is the easiest way to wipe out an account. Knowing where to set your stops and managing your risk is critical.

### **INSIGHT #26**

**NEVER RISK TOO MUCH IN ANY TRADE.  
NO TRADE IS WORTH POTENTIALLY LOSING MORE THAN  
10 PERCENT OF YOUR ACCOUNT BALANCE.**

How big of an account do you need to have to stay within this rule? If you are risking \$300 on a trade, you know you have to have at least a \$3,000 account balance.

### **INSIGHT #27**

**LEARN HOW TO WIN FROM YOUR LOSING TRADES.**

Analyze your losing trades. Keep a log of them. What went wrong? Often times the answer lies in timing, execution or not following the rules of a trading plan.

### **INSIGHT #28**

**OVERTRADING WILL MAKE YOU LOSE. DON'T LOSE.**

Trading without setting a stop is the easiest way to wipe out an account. Knowing where to set your stops and managing your risk is critical.

### **INSIGHT #29**

**SOME DAYS, YOUR BEST TRADING DECISION MAY BE TO STAY IN BED.**

If the markets are not moving according to your trading plan, or if you just don't see the trade, then it's best not to take the trade



## CONCLUSION

The trading insights outlined in this chapter will help give you a trading edge. While many of these insights are common sense, we sometimes lose sight of common sense when we trade the markets. Tips like the 6:00am rule for trading the Dax, and other historical observations can definitely give you an advantage. If you pay attention to these insights, you probably win more trades with confidence.

## SPECIAL OFFERS

[Watch the Video HERE:](#) In this 54-minute video, Tom Busby goes through the 30 Trading Insights, and shares some of his insights in overcoming common trading fears. He also uses his trading method to demonstrate a live crude oil trade.

### **Special Offer from DTI:**

[Get a FREE PDF and Video for Strategies to help you overcome fear in YOUR Trading.](#)

## ABOUT THE AUTHOR



Mr. Tom Busby Founded DTI Partners, Inc. in 1996 and serves as its Chief Executive Officer. Mr. Busby spends his days teaching his students and trading his own private account in futures, options and equities.

He is a pioneer in the trading industry as a world-recognized educator. His career started as a money manager with some of the world's largest wire houses. He is also the author of three books, "Winning the Day Trading Game", "The Markets Never Sleep" and "Trade to Win".

Mr. Busby served as an educator in weekly online webinars for the Chicago Mercantile Exchange, where he has been a member since 2002.

He also served as a Member of the Chicago Board of Trade, who has also called on Busby to trade live in CBOT sponsored events at some of the largest trade shows in the industry.

# **CHAPTER IV**

# **OPTIONS**

# HOW TO ADD WEEKLY OPTION TO YOUR TRADING ARSENAL

Andrew Keene

If you trade stocks, futures or Forex, you should consider adding weekly options to your trading arsenal. In this chapter you will learn how to trade weekly options using the Ichimoku cloud. We will also focus on four stocks that have weekly options: Apple, Facebook, Tesla and Twitter.

Now is one of the best times in history to trade weekly options, and here are a few reasons why:

- Now is the best time in history trade options. Markets are tighter and more liquid than ever.
- There are over 8,700 stocks and 4,200 stocks with options.
- Of the 4,200 stocks with options, 320 stocks are listed with weekly options.
- The CBOE lists weekly options on indices, stocks and ETFs.
- The CBOE publishes a list of all assets with weekly options.
- Gives traders 52 expirations to trade instead of 12.
- Weekly index options account for 11% of all index options volume in 2011 and this number is increasing over time.

Weekly options give you the opportunity to rake in huge percentage returns in a short period of time. The CBOE puts out several reports on weekly options and this graphic shows you the huge increase in in the volume of weekly options traded since 2010:



Why should you trade weekly options? The answer is twofold. First, stocks are boring. They move 1-3 percent on a big move and you have to outlay huge amounts of capital to own stocks. Google trades at \$600 per share. If you wanted to buy 100 shares of Google, you would have to lay out \$60,000 dollars. Since options are leveraged, you can take returns and magnify them. Small moves in stocks can lead to huge returns using weekly options. Whether you are a novice or seasoned trader, anyone can trade weekly options. Green Mountain Coffee weekly options had profits that exploded 1,500 percent, but the stock moved just 6 percent.

It is very difficult to trade stocks, futures or Forex because you are trading against algorithms. High frequency trading and dark pools dominate these spaces, and they are programmed to win. It's like playing chess against a computer, it is been programmed to win, and it's not likely that the average chess play can beat the computer. In weekly options, however, there is a "bluffing" mechanism built in. A trader isn't always buying calls to get long on a stock. Maybe they are buying the calls to go short on the stock.

The added benefit to weekly options is that dark pools do not currently operate in these markets. Another advantage of trading weekly options is that there are multiple different ways to trade them depending on your trading style and personality.

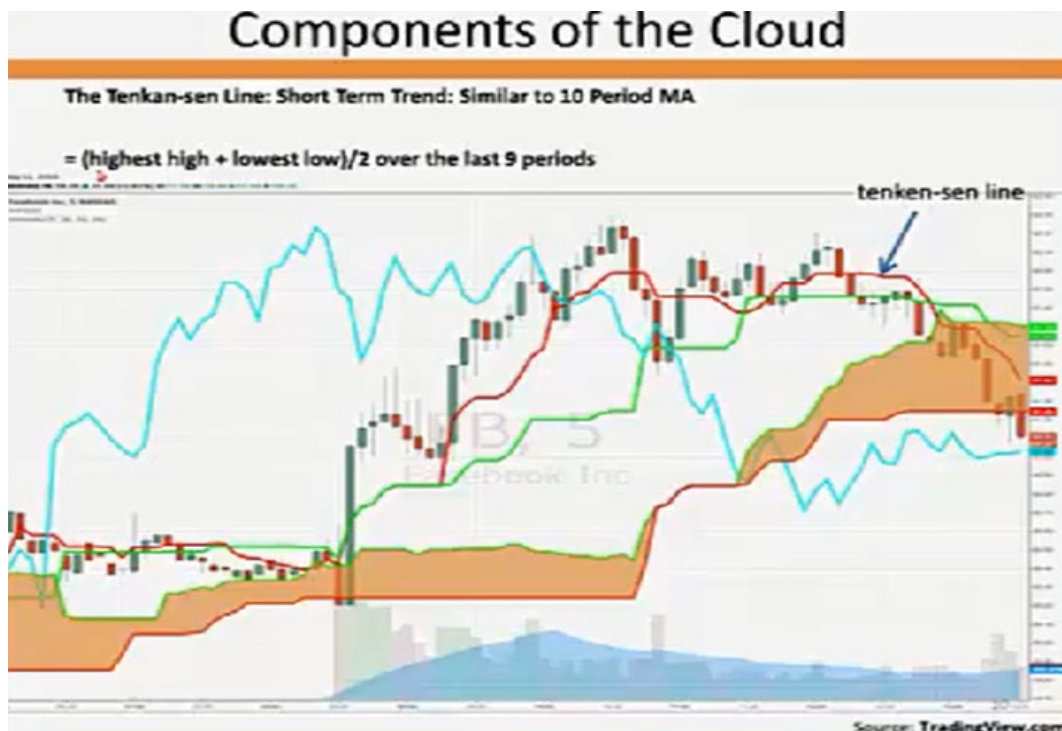
Let's take a look at Facebook using a 5-minute chart and the Ichimoku cloud.

## THE ICHIMOKU CLOUD



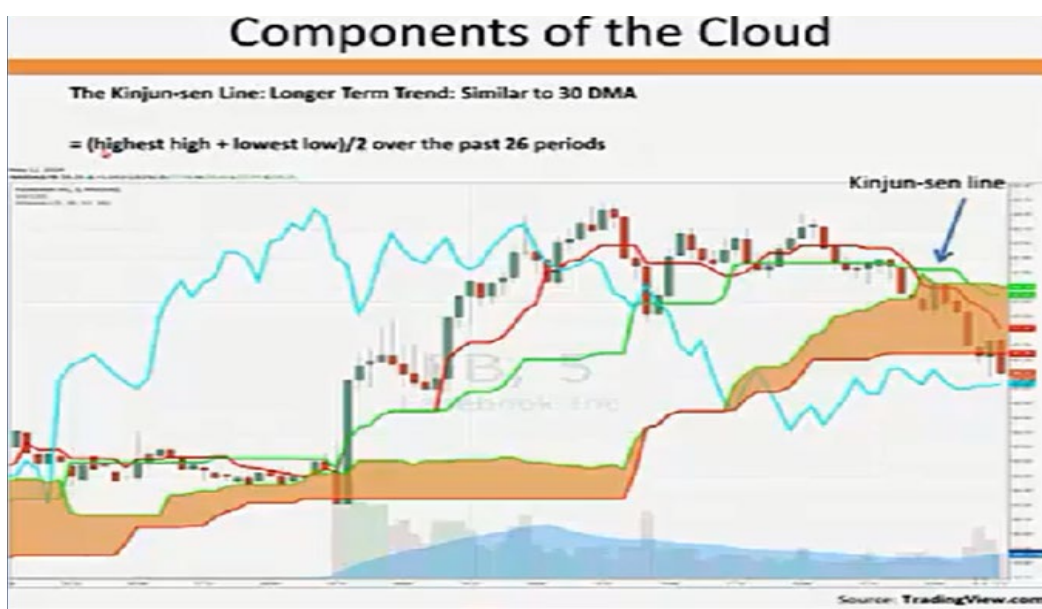
The Ichimoku cloud is a highly valuable technical indicator because it looks at the past, the present and the future. It is also free and available on a wide variety of trading platforms. If you're not familiar with the Ichimoku cloud, here are the basics:

The term Ichimoku means "at first glance". At first glance, is a stock bearish, bullish or neutral? Where is a good entry, and where is a good exit? Let's take a look at the components that make up the Ichimoku cloud:



First, let's look at the tenken-sen (red) line. This line shows the short-term trend and it is calculated as follows:

Tenken-sen line = the highest high + the lowest low over the last 9 periods divided by 2. This formula has a Fibonacci retracement built into its calculation. It's an effective indicator because it works better than simple moving averages.

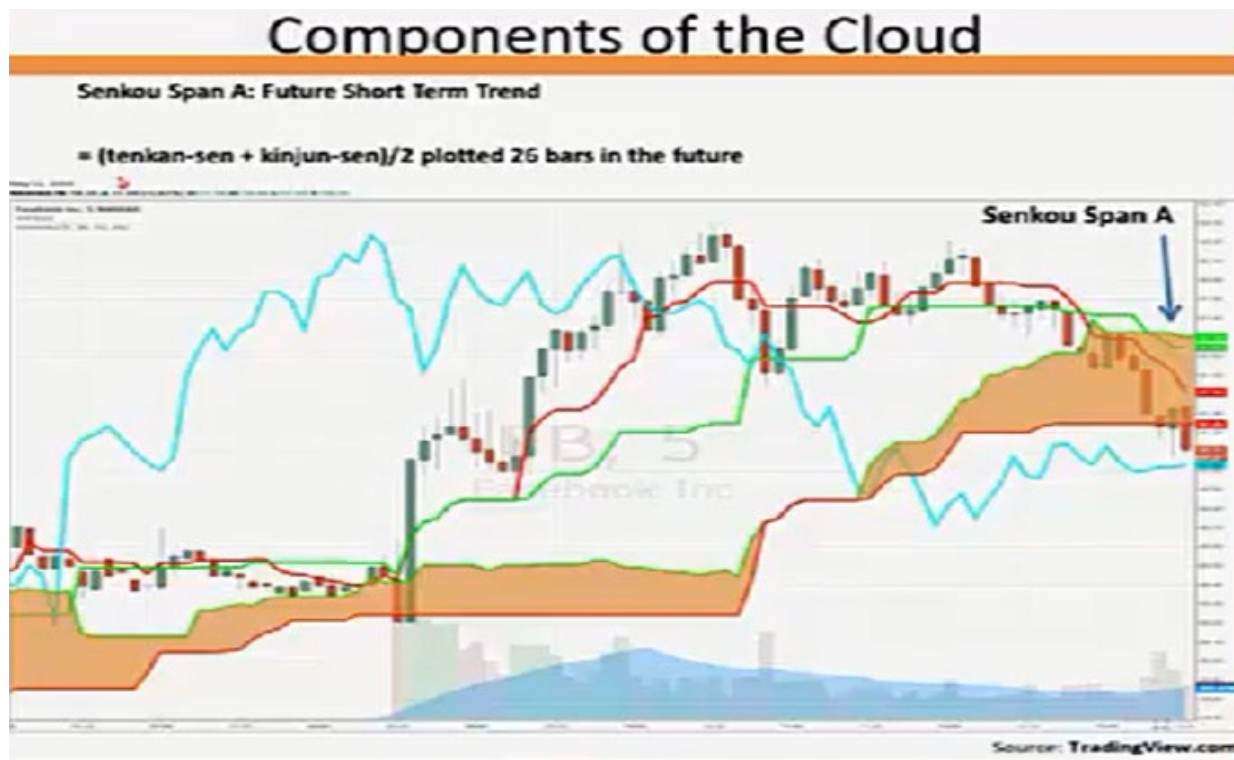




The Kinjun-sen line (green) shows the longer-term trend. The calculations for this line is:

Kinjun-sen line= the highest high + the lowest low over the last 26 periods divided by 2.

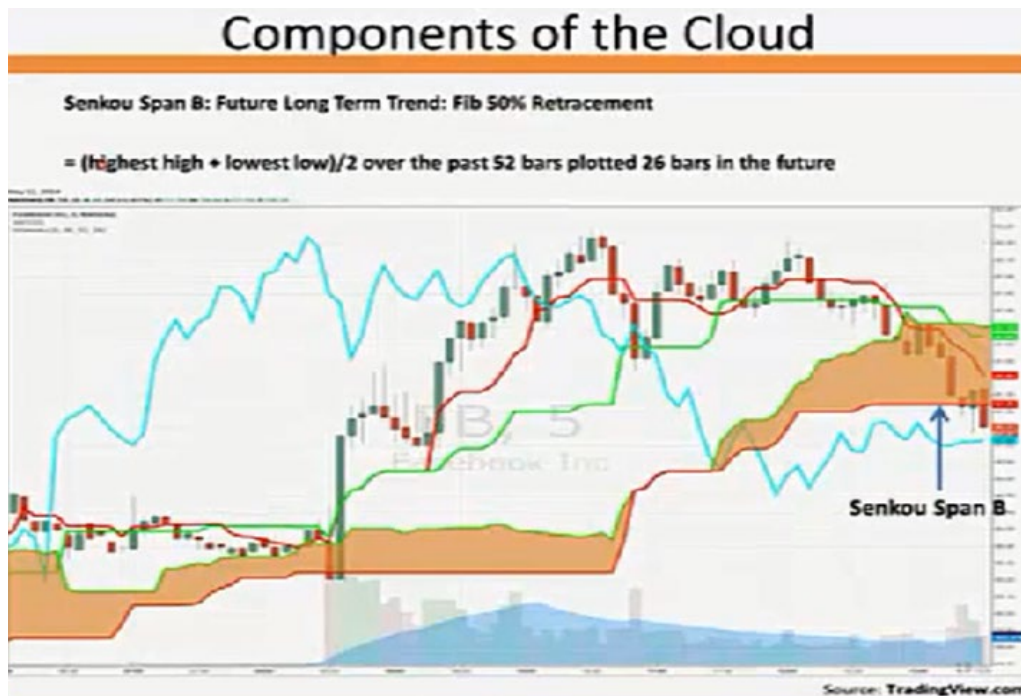
So the tenken-sen and kinjun-sen lines show the short-term and longer-term trends in a market at the present time.



The Senkou Span A is the future short-term trend. It forms one of the boundaries of the cloud, and here's the formula:

Senkou Span A = tenken-sen line + kinjun-sen divided by 2 plotted 26 periods in the future.

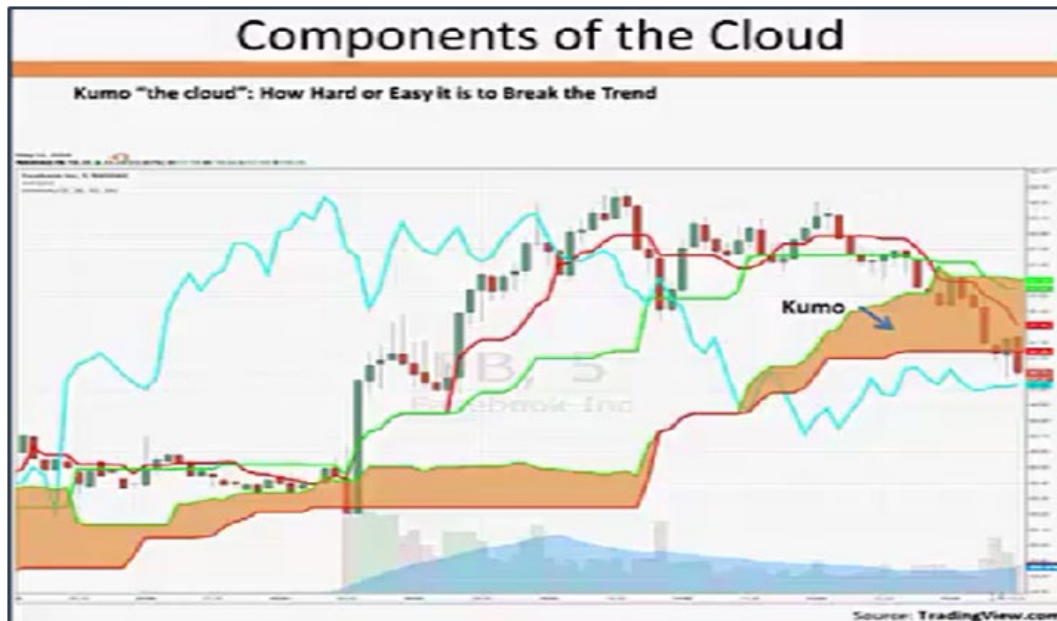




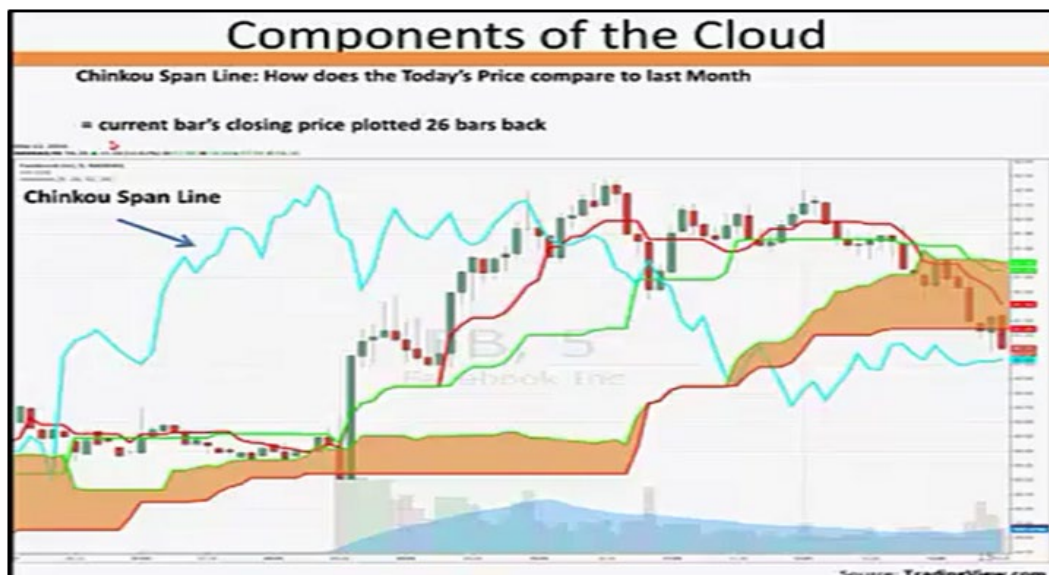
Senkou Span B is the future long-term trend. It is calculated as follows:

Senkou Span B = (highest high + lowest low) divided by 2, over the past 52 periods, plotted 26 periods in the future. If a stock is not making a new high or a new low, then this line is going to be flat.

So we now know the present trend. If you pull up the Ichimoku cloud, you can tell at a glance if the market is bullish, bearish or neutral. If it is above the cloud, it's bullish. If it is below the cloud, it's bearish. If the market is in the cloud, it's neutral. Now we know how the cloud is constructed for the future.



Kumo is the cloud, and it communicates how hard or easy it is to break the trend. Since everyone trades differently, there will be different approaches to trading in the cloud. Some people are breakout traders. In that case, a thinner cloud is preferable, because there are more entries and traps. Thicker clouds have less entries, less traps and wider stops. A medium size cloud has not too many traps and communicated that a trend is strong.



Finally, the Chinkou Span Line is the current closing price, plotted 26 bars back. If you trade a daily chart, it shows you where the price of that stock was a month ago.

The Chinkou line gives you a historical perspective. How is your relationship with this stock versus the last month? Is it better or worse?

How to Apply the Ichimoku Cloud in Trading Weekly Options

Now that we know the elements of the cloud. Let's apply it to this weekly option chart of Facebook. The stock makes rises above the cloud, breaking through the short-term (tenken-sen) and long-term (kinjun-sen) moving averages. The cloud also looks bullish moving forward.



As Facebook breaks the cloud to the upside, you want to plot the ATR, or Average True Range for Facebook. When the opening bell rings, most institutional traders, mutual funds, hedge funds, etc. have a plan whether they are go to buy Facebook and accumulate shares or sell Facebook to offload shares. It is very important to know if institutional traders are buying or selling Facebook. The ATR measures how much a stock actually moves from high to low during a trading day.

Facebook has an average daily range of about \$2.10. In this example, the low of the day for Facebook is \$60.20. If we see the stock breaking to the upside, it is reasonable to expect that Facebook will move to \$62.20. So here is the trade:

1. Entry to Open and filled: 40 FB weekly 62 calls for \$.41
2. Targets: \$.55 and up every \$.15
  - a. Sold 10 FB Calls for \$0.55 (40 percent return)
  - b. Sold 10 FB Calls for \$0.70 (75 percent return)
  - c. Sold 10 FB Calls for \$0.85 (100 percent return)
  - d. Sold 10 FB Calls for \$1.00 (250 percent return)

The 62 calls were bought because they realistically reflected where the market was going to move, given the ATR for Facebook and information revealed in the Ichimoku cloud. A 64 Call is too far out of the money, and anything less than 62 is too far in the money.

## HOW TO SELECT A TARGET ON A TRADE

FB Statistics for YTD on May 2, 2014

Trading Days	83	
Up Days	36	43.37%
Down Days	46	55.42%
Average Range	2.20	
Standard Deviation	5.17	

It is very important to have the right information to make decisions at your fingertips. If you don't know the ATR and track record for FB over the past year, then you are flying blind. You can manually record this information if you follow Facebook daily, or you can subscribe to services that publish this data.

## CONCLUSION

Trading weekly options can add significant income. If you become familiar with the Ichimoku cloud, and you have all of the information you need on the stocks you follow that have weekly options, then you can fine-tune your portfolio to a handful of stocks that are reliable performers.

- Weekly options offer a trader more expirations than standard options.
- Generally speaking, weekly options tend to trade at a lower price than standard options.
- Weekly options expire on Friday, and they are listed on the previous Thursday.
- Weekly options can experience fast, violent moves in delta.
- Can be used as a vehicle for trading during the day in stocks like FB, TWTR, AAPL and TSLA

## SPECIAL OFFERS

[Watch the Video of this Presentation](#) (highly recommended) – Andrew Keene does an excellent job of explaining why weekly options can be a powerful addition to your trading arsenal. He covers the Ichimoku cloud in depth, and the video also analyzes several stocks using the Ichimoku cloud in a “Lightning Round at the end of the presentation.

### Simple Candlestick Patterns For Profit

To improve your technical analysis skills sign up for Andrew Keene’s “Technical Analysis Mastery Course” where you will learn how to properly use candlestick patterns to improve your trading plan; why understanding candlestick patterns can help you to better time your entries and exits and much more.

[Claim your copy of the “Simple Candlestick Patterns For Profit”  
CLICK HERE!](#)

## ABOUT THE PRESENTER



Prior to founding KeeneOnTheMarket.com in 2011, Andrew Keene worked as a proprietary trader at the Chicago Board Options Exchange. Keene graduated from Botta Capital's clerk-to-trade program to become known as one of the fastest traders to 'make a market.' As a market maker he traded options in over 125 stocks, including Apple, General Electric, Goldman Sachs, and Yahoo. Keene left Botta Capital to co-found KATL Group, where he was the largest, independent on-the-floor Apple trader in the world.

# TRADING WEEKLY OPTIONS WITH THE PULSE SYSTEM

Chris Verhaegh

When you trade weekly options, you are exposed to multiple stocks with weekly options. The purpose of this chapter is to show you how to evaluate the whole basket of stocks with weekly options and whittle it down to just a handful of weekly options that can consistently generate large short-term returns.

To do this, you need to have a “rejection system” in place.

Here are the rejection criteria:

- **If a stock doesn't have options, we're not interested**
- **If a stock has options, but no weekly options, we're not really interested**
- **Of the hundreds of stocks with weekly options, we need to whittle down the list even further.**

To further whittle down the basket of stocks with weekly options, a good method to use is the PULSE system, where:

P – Potential Profit

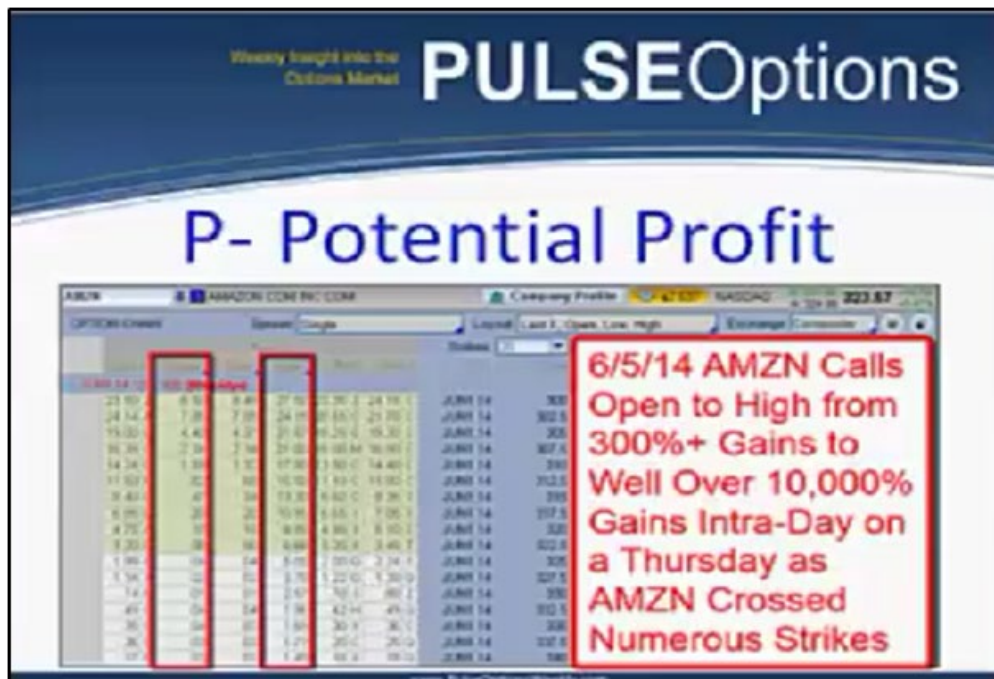
U – Upside Reward

L – Low Risk

S – Setups/Strategies

E – Events/Entry/Exit

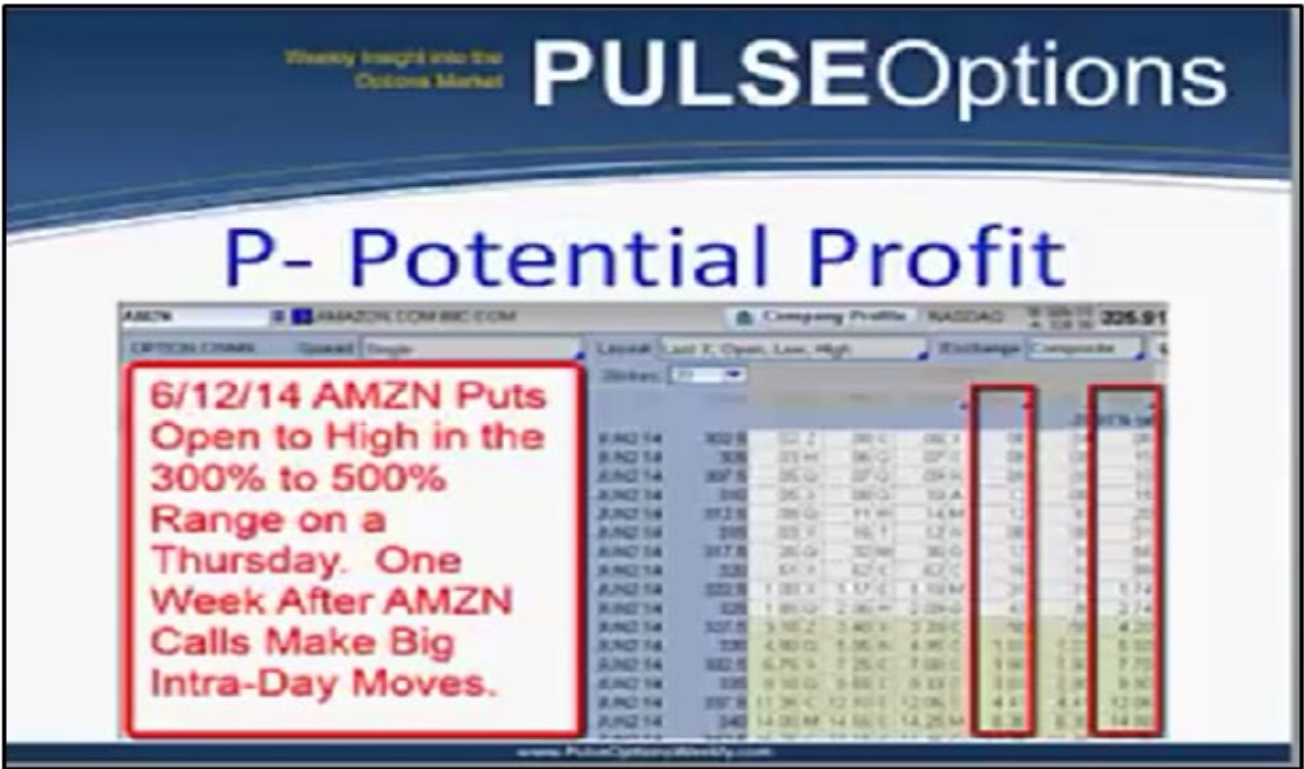




In this example, the strike price for AMZN was from 300-340. The box on the left is the opening price for those options, and the box on the right is the high price for those options. AMZN calls moved from a 300 percent gain to well over a 10,000 percent gain from the opening to the high in the same day. This doesn't mean that this option was sold at its high, but more often than not you want to consider getting into the market at the open of the day. A couple of the options for AMZN went from \$10 to \$895.

**While it's difficult to catch the entire move, if you can catch part of it, you can make a lot of money.**

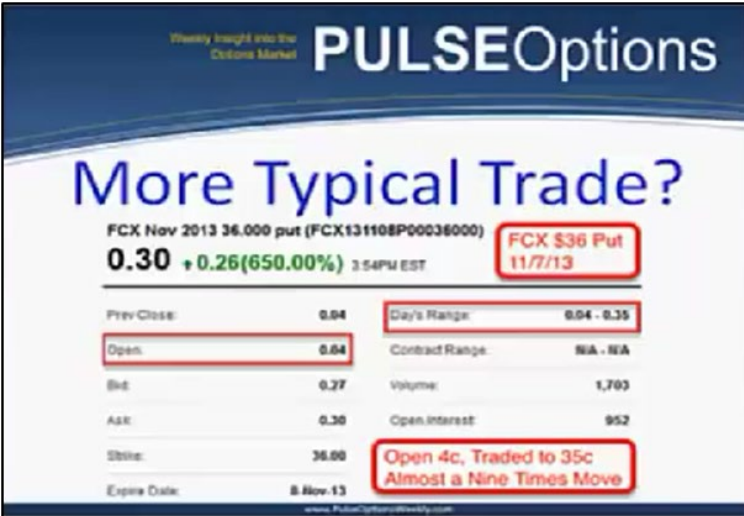




Here's the same stock a week later. This time the gains were only in the 300%-500% range. During this one-week time period, Amazon stocks moved only \$2.00, but the weekly options moved wildly.

What about some other examples of weekly options with high potential profits? Students of the PULSE

Options program submitted some of their results



The same student bought 20 Tesla weekly options contracts for \$.60 cents for a \$1,200 investment. At the end of the day, they sold at \$7.30 for \$13,400 gain. So the first part of the PULSE system is to identify weekly options with high potential profit.



The Upside Reward criteria of the PULSE system for identifying desirable weekly options is simple. The weekly option must provide a minimum return of 100% within any given day. This is key because if you are wrong on a trade, you want the next trade to make up for it.



When trading weekly options, you want to risk as little as possible to make as possible. One way to do that is to find weekly options that are trading for just pennies per share. While you can buy weekly options for \$.35 or \$1.59 per share, there are many options, like the FCX example shown earlier that yield strong returns with far less capital risked.

We have now covered the P.U.L. part of the PULSE system – Profit Potential, Upside Reward and Low Risk. This tells us how to find the desirable stocks with weekly options that we want to trade. Students of the PULSE system will learn how to do the math to identify or reject stocks with weekly options. The final two letters tell us what to do with the weekly options we have found and how to trade them.



Now that we have whittled down the desirable stocks with weekly options to trade, it is time to take a look at setups. There are 2 types of setups we are looking for: stock-specific setups and market-wide setups. A stock-specific setup might be because of a technical signal, such as a key technical indicator pointing to a strong setup opportunity.

"S" also stands for strategies. We have a couple of strategies we typically use. It

could be a straight call or a straight put if we think a stock is going to go up or if it's going to go down. If we're not sure, but we think the stock is poised for a big move, then we can employ a non-directional strategy.



A stock-specific event could be an earnings announcement. In the PULSE system, we do not buy weekly options prior to an earnings announcement. When you buy weekly options after an earnings announcement, they are usually much less expensive.

A market-wide event could be the Federal Reserve having their FOMC meeting, which happens 8 times a year. The minutes are released three weeks to the

day afterward. You can plan your trading around the calendar of market-wide events. The Nonfarm Payroll Report is also a market-wide event held on the first Friday of every month. The jobs report and the unemployment rate are important because it communicates what actions the Fed might take to keep the economy on course, such as setting interest rates. the markets and extra opportunity for profits.

“E” also stands for entry. If there is a market-wide event, such as the jobs report, we may decide to buy options the night before the event, looking for a big gap up or down when the marketplace gets “shocked” on the following day.

Finally, “E” also stands for exit. These are target orders and stop orders. You can place a GTC limit order and you can place a stop order. When we talk about Stop orders, it’s less about stop/loss orders, and it’s more about trailing stops. With weekly options the plan is similar to what many people do with stocks – buy low and sell high. The difference with weekly options is that you are doing this on a leveraged scale over a much shorter period of time than someone who buys stocks and holds them until their target is reached.

Buying stocks is a one-dimensional transaction. When you are buying a stock, you are depending on the price of the stock to move in your direction. If you have a stock that pays a dividend, you can earn some incremental income while you are waiting for the stock to hit your target. When you trade stocks, you are tying up much more of your capital and putting all of your eggs in one basket. Options, on the other hand, are multi-dimensional. With options you could buy them for pennies per share, and trade on a much smaller account. When you trade pennies per share, you have significantly less cash tied up, and your losses are minimized.

Options can be traded as leveraged directional plays. If you buy stocks and you like Tesla (TSLA) because you like their products, you are going to tie up a bunch of money buying that stock. If you think TSL is overvalued because their market capitalization is way out of line with their actual sales, then you are going to tie up a huge amount of money to short the stock, and lose a lot of money until the market agrees with you. With options, you can play either direction, risking very little capital, while also enjoying a lot of upside potential.

### **Call Options**

give you the right to buy stocks at a set price, for a set period of time, without an obligation to buy it. When you buy Call Options, you are speculating that a stock is going to go up in price.

### **Put Options**

give you the right to sell stocks at a set price, for a set period of time, without an obligation to sell it. Put options can be viewed that a stock is going to go down in price. Put Options can also be viewed as insurance. If you own a stock that has a Put Option, if it tanks, it is not tanking on you. It’s tanking on someone else.



Call and Put options are directional strategies. If you're not sure if a stock is going up or down, there are other non-directional strategies you can use.

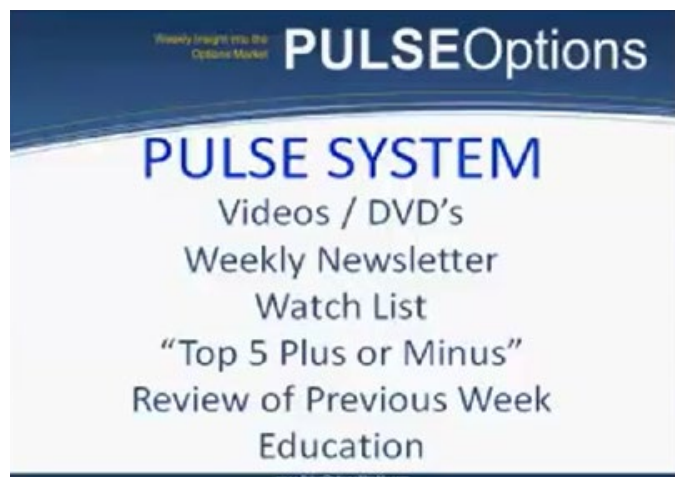
A Straddle is a buying strategy where you place Call and Put orders with the same expiration at the same strike prices. A straddle is simply a non-directional bet that a stock will move. You don't care if it goes up or down. You are going to have a winner and a loser. The loser is capped at 100%, but the winner could be 100%, 200%, 5,000% or better.

A Strangle is a non-directional strategy where you place Call and Put orders with the same expiration, set at different strike prices. With a strangle, you are placing a higher strike price Call and a lower strike price Put. We are essentially strangling the market, and we need it to break free for us to make money. It is a non-directional bet that a stock will break out.

Straddles will make money more often than strangles. Strangles will make more money than straddles, but not as often. The PULSE system has very specific rules on when to buy straddles and strangles.

You can afford to be a little "sloppy" when trading options. One of the nice things about Calls, Puts, Straddles and Strangles is that you don't have to trade with precision.

Any plan that relies too much on precision is ultimately going to experience failure. There's plenty of profit that can be taken on a 5x move in price. If an option is really moving, there is plenty of profit that can be taken even if you sell at 4x price movement.



If you're new to trading weekly options or thinking about it, you don't have to go it alone. The PULSE System gives you videos, and DVDs that teach you how to trade weekly options. You get a weekly newsletter where the math has been done to identify the top stocks that qualify for the watchlist.

That is further distilled down to the “Top 5” stocks with weekly options. The performance of last week’s recommendations is reviewed, and there is always ongoing education for beginning, intermediate and advanced students.

The goal of this program is to teach you how to exploit a setup. In the videos we will focus on how to teach you to trade a specific stock with weekly options over a period of time. There is a video devoted entirely on how to trade weekly options with Schlumberger (SLB). The value to this is that you get to see a case study of how one stock is traded over and over again.



In this intraday chart of Schlumberger, the \$97 call opened at \$0.15 cents and traded to a high of \$1.35 for a 900% move. And there’s an entire video devoted to weekly options on this stock. With a 900% move, there were plenty of opportunities to make money during the day. Occasionally, the PULSE System will focus on longer-term options:



In this longer-term example, AAPL was focused in the PULSE System newsletter with a long-term Call recommendation. The Call opened at \$3 and moved to a \$25.70 three weeks later for almost a 900% return.

## CONCLUSION

Trading weekly options can be highly profitable, but you need to have a system to eliminate poorly performing stocks, and focus on stocks that have high potential profitability, upside reward, and limited risk.

You also want to know when setups are in play and what strategy to use. Finally, you need to know how to trade around events, when to enter and when to exit a trade.

The PULSE System for trading weekly options gives you the education and DVDs you need to know how to trade weekly options. It also provides you with a weekly newsletter where top stocks are identified for the following week, and it covers the performance of the top stocks recommended from the previous week's newsletter.

## SPECIAL OFFERS

[Watch the Video of this Presentation](#) (highly recommended) – In this informative, fast-paced webinar, Chris Verhaegh will walk you through the basics of trading weekly options, along with numerous other examples of stocks not listed in this chapter. If you are new to weekly options, this is a good place to start.

[Get a 3-Month Trial Membership to the PULSE System](#). You will get the DVDs and training materials mailed to you, plus you will get a 3-month subscription to Chris Verhaegh's weekly newsletter where he does the math for you to identify top stocks with weekly options for the upcoming week, and where he reviews the performance of last week's picks.

## ABOUT THE PRESENTER



Chris Verhaegh's father, who immigrated to the USA from the Netherlands as a young man, needed to help support his 9 siblings.

So he never went to high school. Wanting better for their son, Chris's parents were understandably grateful when his genius for math earned him a scholarship to a prestigious prep school in LA, (at age 14 Chris wrote and sold a logic puzzle to Dell Crosswords).

### And that's where it all began...

Chris's 11th grade guidance counselor got him a job as mail clerk for an investment firm. Soon, Chris was writing the newsletters he previously addressed and mailed. And a few years later he became head of the precious metals division during the great 'Gold Rush'.

In 1983, after the gold-bubble burst, Chris went to work for a private mint where he honed his skills as a precious metals trader, using options to hedge major holdings.

In search of a simpler lifestyle, Chris moved his wife and young daughter to Boise, Idaho (3 sons were subsequently born there). And he settled into trading for a living... plus writing, speaking, and teaching.

- Wrote more than 100 weekly columns for OptionInvestor.com.
- Conducted seminars and workshops for Investools and has been a frequent speaker at Investor Conferences and Money Shows
- On Business Advisory Board at Northwest Nazarene University
- Consultant for a European Investment Bank where he taught technical analysis to their fund managers, advised their proprietary trade desk, and helped trade over \$2Billion.

Then, a collision of motivation and opportunity ushered in an exciting and extremely gratifying new chapter in Chris Verhaegh's illustrious career.



# CREATING THE ULTIMATE RETIREMENT STRATEGY WITH CREDIT SPREADS

“How to Retire in 5 Years or Less on \$13,000 per Month – Tax Free”

- Peter Schultz, Cashflow Heaven

How to retire in 5 years or less on \$13,000 per month, tax free? That is a plan that sounds too good to be true. But it's quite possible. What you need is a plan, a really good plan. Most importantly, it needs to be safe, and it needs to work. But \$13,000 per month – tax free? How do you do that?

\$13,000 per month is a very specific goal, and like most goals we need to start with the end game in mind. In this case, what we are looking forward to is a steady, reliable stream of \$13,000 per month to support our lifestyle in retirement. Additionally, we want that income to be tax-free.

So we must work backwards from retirement to where we are today, so we can learn the step-by-step process for achieving this goal. The good news is that this is a strategy that almost anybody can do.

Achieving this goal is a tall order. What do the professional financial advisors say we need?

- \$13,000 per month x 12 months = \$156,000 per year needed
- If you bought a 10-Year Treasury Bond at 2.7%, you would need \$5,777,777 to make \$156,000 per year. Most of us don't have that kind of cash lying around.
- If you bought a really good dividend-paying stock yielding 5%, then you would need \$3,120,000 to generate \$156,000 in income.

Since most of us don't have that kind of money lying around, and with interest rates currently at all-time lows, we need to generate substantially higher returns – consistently and safely. In the world of investments, there is always uncertainty. So our plan needs to have a high mathematical probability of success. How does 85% to 90% probability of success sound?

We are basing our expectations for probability of success on the Black-Scholes Pricing Model, which won the Nobel Prize for economics in 1997. Fisher Black, Myron Scholes and Robert Merton actually are the forces behind the Options markets as we know them today. The CBOE uses this pricing model to establish options pricing. This model has been modified over the years but it is very efficient at equitably pricing options for both buyers and sellers.

The strategy we are going to talk about is how to take advantage of the Black-Scholes Pricing Model and use it for selling options instead of buying them. The key reason for selling options instead of buying them is that you have a much better chance winning. If you've ever bought an option that expired worthless, have you ever wondered where all that money goes? Just this year, here is some options data:

- It is estimated that there is \$1.116 trillion dollars in options being traded this year
- Over 85 percent of those options will expire worthless
- So what happens to the \$949 billion in expiring premiums?

Where does that money go?

So ask yourself this question: "What percentage of that \$949 billion dollars do I need to retire?" It's a very, very thin slice – but when options expire, they expire into someone's account.

to have a high mathematical probability of success. How does 85% to 90% probability of success sound?

Our goal in this lesson is to target a monthly income of \$13,000 tax-free, and we are going to achieve this goal by using a strategy for Selling Credit Spreads. What makes this strategy compelling for retirement planning is that it is an extremely forgiving strategy. So, what is a credit spread?

## A CREDIT SPREAD IS SIMPLY SELLING AN OPTION — AND THEN BUYING ANOTHER OPTION TO HEDGE.

The option we are selling is more valuable than the one we are buying so it creates a credit in our account.

A credit is real money that you can use to buy stuff

**Here's how a credit spread works:**



This is a spread on Chipotle Mexican Grill. Some news came out and the stock started to go down. Then some more news came and the stock gapped-up, before coming down again, and finally moving up again. The direction of the stock appears to be going sideways-to-up in direction.

In this strategy we go out of the money and sell Chipotle at 515 with a 1.55 put. Next, we buy a 510 put at 1.05 to hedge. The credit is .50. On 10 contracts, that equals \$500 deposited into your account instantly. Our risk is 4.50, so when you divide your credit by the amount risked, you come up with an 11 percent return on this trade. This trade expired in just 8 trading days, so it wasn't a bad return.

In this same example, we can also sell a call spread:



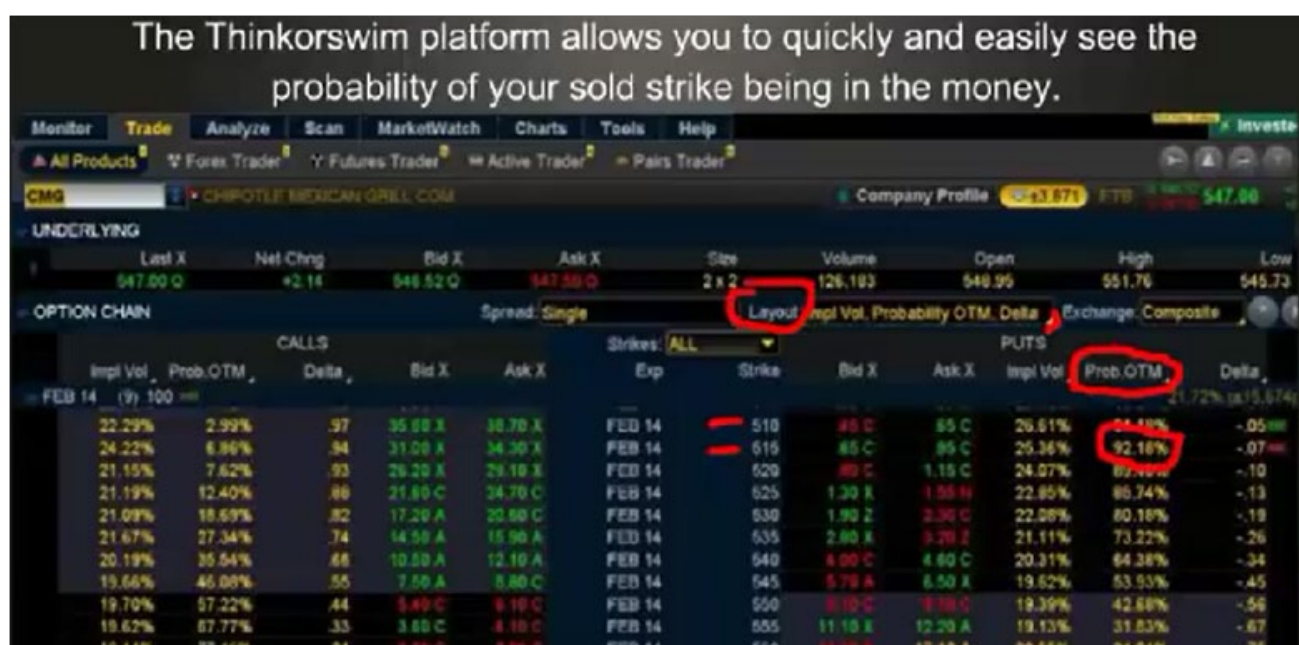
In this case, we are selling the 570 Call at .95, and we are buying the 575 Call at .40, resulting in a .55 credit. When we add the .55 cents to the .50 cents from our put spread, we more than double our return without increasing our margin requirement. The reason for this is that your broker knows this stock can't close above the call spread or below the put spread at the same time. If you add your premiums up, you have \$1.05 in credit, divided by \$3.95 in margin, which equals a 26.5% return in just 8 trading days.

If this is still a little foreign to you, let's go back to the basics of this strategy. What we are doing in this strategy is trying to sell something that has value. In this case we are selling some calls and puts. We got \$1.05 in credit, so for every 10 contracts, we receive \$1,050. What we are planning on is that the calls that we sold and the puts that we sold will expire worthless. We are deploying a strategy where we hope the stock never touches our sell strike at expiration. If we can do that, we keep all the money.

With many trading strategies, you have to be precise in terms of your entry and exit strategies. There are not many strategies where "just being close" is good enough to win. In this strategy, there is plenty of leeway for a stock to move up a little bit, down a little bit or sideways. Once you get some practice under your belt selling credit spreads, you will be alarmed at how successful you can be.

Now that we have a baseline understanding of selling credit spreads, **how do we know that our chances of winning are 85%-90% or better?**

Remember, that Options pricing is based on the Black-Scholes Pricing model which is a mathematical formula. This makes it possible to predict the probability that an option will be out of the money at expiration. The Thinkorswim platform makes it pretty easy to find your probabilities of being out-of-the money, which is where you want to be.



Thinkorswim provides some really good analytical tools for options trading. In the layout tab (circled in red) you are given several choices. The choices you want to display are Implied Volatility, Probability, Out of the Money (OTM), and Delta. When we look at the 515 strike price for Chipotle, we can see that there's a 92.18% chance that CMG will expire worthless, which is where we want to be. So not only did we make a 26.5% return in eight days, but we also had a 92.18% probability of winning.

This strategy is also forgiving, and you can make adjustments if the trade is starting to work against you. There can be some benefits to adjusting the occasional trade because it says two things:

1. We're selling close enough to the underlying to have to adjust every once in a while. By the way, "selling close" means bringing in more money.
2. We have the means to adjust our way out of almost any situation, which makes you feel more confident in what you are doing.

**There are several adjustments you can make, but here's one example:**



On the left we have bracketed the SPDR S&P 500 with a call spread and a put spread. That's called an "Iron Condor". Everything is going along just fine until the market unexpectedly gaps down and threatens our put spread, almost taking it out. Since we don't want to lose money, we make the following adjustment.



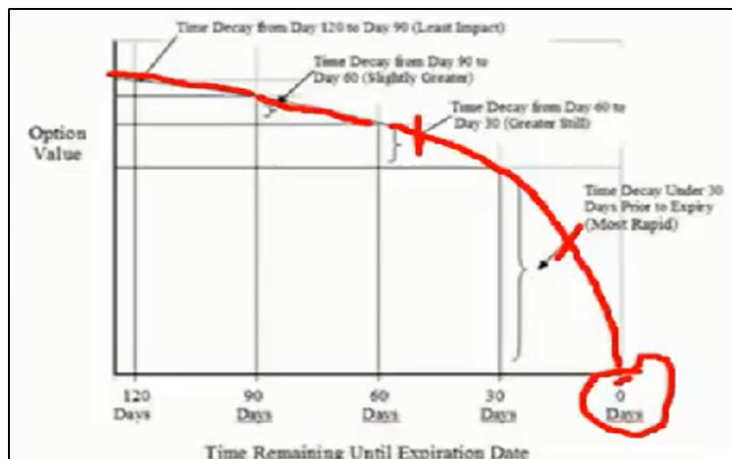
**1. Close out the put spread.**

We will lose a little bit of money closing the spread, but we are no longer exposed to risk on that spread.

**2. Open up a new call spread****3. Establish a new put spread**

In making this adjustment, we made money when it looked like the trade was working against us. Adjustments are critical to keeping probabilities on our side and for the success of our plan.

It's also important to understand time decay with options. The closer an option gets to expiration, the less valuable the premiums are. The further out you are away from an options expiration the more valuable the premiums will be. But there are downsides to holding options too long. Granted, the premiums are better, but you expose yourself to market fluctuations that can work against you, and your money turns less often.



One very successful trader observed years ago that 56 days was the ideal time to maximize premiums selling credit spreads before time decay set in.

In 2012, changes were made to Weekly Options and we have discovered that we can shorten the time period to 2 ½ weeks.

This allows you to get in and out of trades faster, turn your money faster and expose yourself to less uncertainty.

## HOW TO REACH YOUR RETIREMENT GOALS WITHIN 5 YEARS

At the beginning of this section, we talked about a plan to generate \$13,000 per month in retirement income tax-free within five years. We've talked about how selling Credit Spreads works. Now we are going to put the plan to work. Remember, this plan has to be simple, easy to follow, forgiving and it has to work.

The trades we are going to select are going to be more conservative than the trades we would normally take, because we are willing to accept lower returns in exchange for a higher probability of winning.

Our typical spreads yield anywhere from 15% to 30% every two weeks, but what if we lowered our expectations? Would we be able to reach our retirement income goals within 5 years? At Cashflow Heaven, we have been averaging around 20% return on our retirement trades. But you must also factor in occasional losses, commissions and money set aside for buy-backs and rollouts. We are also averaging two weeks per trade instead of one month per trade. So, what can we expect?

- **What if our returns were 10% every two weeks?**
- **What if your returns were 5% every two weeks?**
- **What if we lowered our expectations, despite our best efforts to 5% per month?**

Could we make enough money to reach our stated retirement income goals? Five percent per month is still very impressive, especially when that money is compounded. We want as much of our money working for us as possible. And we want to be able to do it in a tax-free environment. Wouldn't it be nice to take money out of an account tax-free when you are ready for retirement?

A Roth IRA gives you the ability to build an account to infinity without having to pay any taxes on the profits, ever! It's the best vehicle to build retirement income that Congress ever gave the American people.



## Characteristics of a Roth IRA

- **Contributions are not tax deductible**
- **Contribute up to \$5500 per year under age 50, and \$6500 over age 50**
- **Direct contributions to a Roth IRA may be withdrawn tax free at any time.**
- **Earnings may be withdrawn tax free and penalty free after age 59 ½**
- **Distributions from a Roth IRA do not increase Adjusted Gross Income so these earnings do not increase your tax bracket on your other income**
- **The Roth IRA does not require distributions based on age. All other tax-deferred retirement plans, require withdrawals by 70½.**
- **Unlike distributions from a regular IRA, qualified Roth distributions do not affect the calculation of taxable social security benefits.**
- **Assets in a Roth IRA can be passed on to heirs.**
- **Single filers: Up to \$110,000 (to qualify for a full contribution); \$110,000–\$125,000 (to be eligible for a partial contribution)**
- **Joint filers: Up to \$173,000 (to qualify for a full contribution); \$173,000–\$183,000 (to be eligible for a partial contribution)**

Unlike a regular IRA, your contributions into a Roth IRA are not tax-deductible. But when you think about trading right now, none of the funding you put into your trading account is tax-deductible. You can contribute up to \$5,500 if you are under 50, and \$6,500 if you are over age 50. You can withdraw your earnings tax-free and penalty-free after age 59 ½. Isn't that what you want in retirement?

The unfortunate part of a Roth IRA is that if you make too much money, you won't qualify for a Roth IRA. But if you are making above \$125,000 as a single filer or \$183,000 as a joint filer, you should have enough money to plan for your retirement using other investment vehicles.

The best part of a Roth IRA is that you can build up any amount of wealth you want in the account, and as long as the distributions you take are after age 59 ½, the money you withdraw is completely tax-free!

So, if we are averaging just a 5 percent monthly return, and we are using only the money we can put in a Roth IRA, what kind of account can we build up in five years? We are going to assume you are over 50 and funding your account with \$6,500 per year. And here are you five year compounded results:

## Creating The Ultimate Retirement Plan

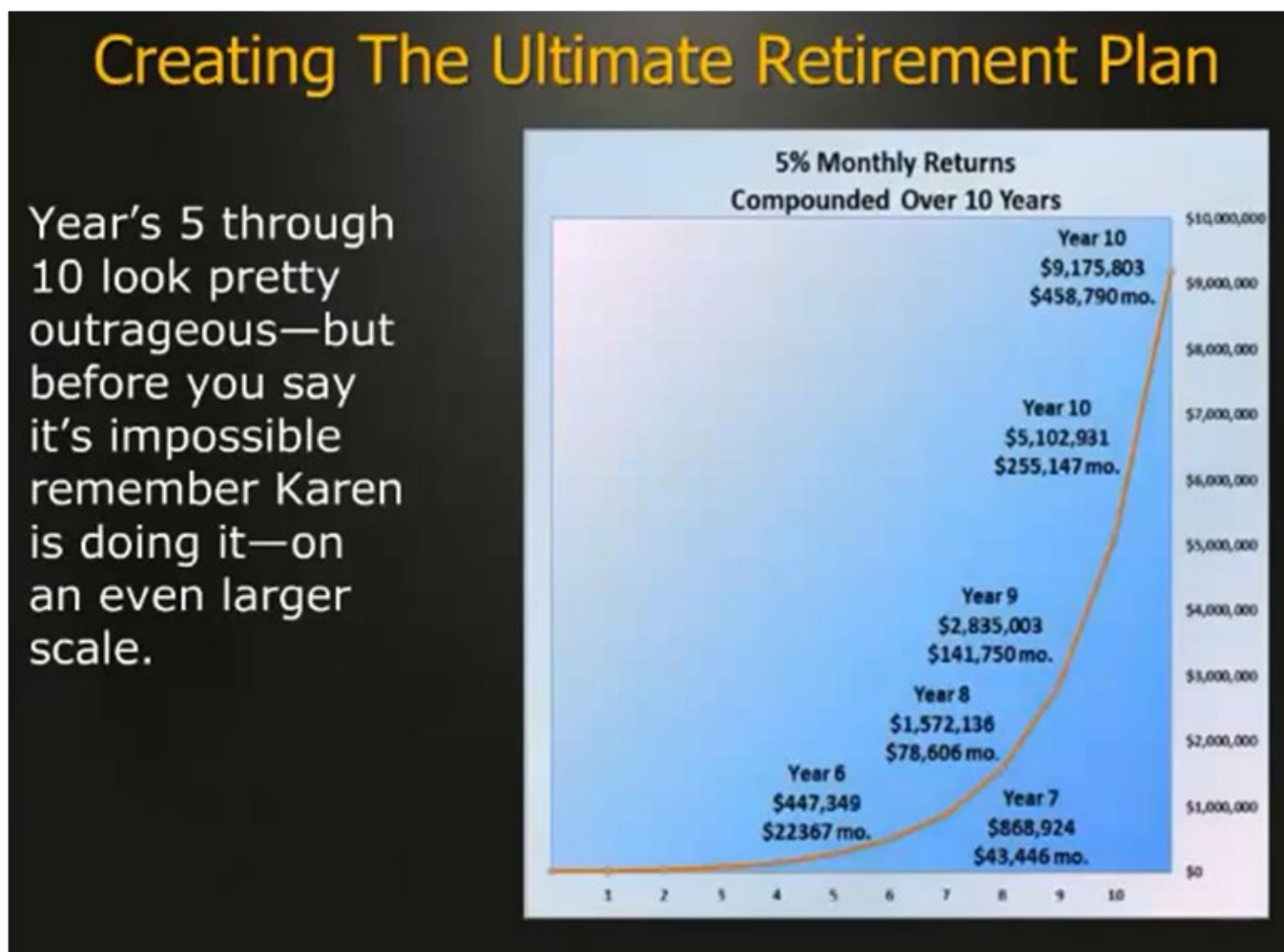
Contribute \$6500 per year into a Roth IRA for 5 years at a 5% per month compounded return And this is what your returns look like...



After year one, you are generating \$584 per month in earnings, which isn't too bad, but look how steep the curve becomes between years 2-5:

- **2nd Year: \$32,636 \$1,632 per month**
- **3rd Year: \$70,283 \$3,514 per month**
- **4th Year: \$137,891 \$6,895 per month**
- **5th Year: \$259,306 \$12,965 per month**

Bear in mind that all of the earnings are tax-free and penalty-free if withdrawn after age 59 ½. While these returns look impressive, also bear in mind that you aren't required to take the money out. So what happens if you keep on deploying this strategy? What would years 6-10 look like? Here's where the numbers get really crazy:



As you can see in this chart, results are exponential in years 6-10. And it's all tax-free. One woman, Karen has actually been using this strategy on a much larger scale. She started selling Credit Spreads in the early 2000's and has amassed a fortune in the tens of millions deploying this strategy on a larger scale. Previously, she had been an accountant and CFO for a small manufacturing business in North Carolina. To see her inspiring story on YouTube, [click here](#)

## CONCLUSION

In order to create retirement income, you need to have a plan. It needs to be simple to follow, safe and forgiving. The good news is that it's not too late to start. If you are entering into your 50s and have not been able to plan for retirement, there is still a chance that you can make the money you need to live comfortably when you reach retirement age. Here's what you need:

- The ability to open and fund a Roth IRA with the maximum annual contribution
- The ability to Sell Credit Spreads within your Roth IRA. Thinkorswim is an excellent platform to use.
- A fundamental understanding of Selling Credit Spreads using the methods taught in this chapter. What you want to sell are lower premium/high probability spreads with a goal of making 5% monthly compounded returns.

## SPECIAL OFFER

YouTube Video of this Presentation: Watch and listen as Peter Schultz delivers this presentation. It takes about one hour, and it is well worth your time. [CLICK HERE](#) for the video, brought to you compliments of TradingPub.

Subscribe to Peter Schultz's Services:

- He will set you up with a Thinkorswim account
- Get access to discounted commissions
- Dedicated account rep familiar with this trading strategy
- Two trades per week
  - First trade is a higher-return, non-retirement strategy
  - Second trade is a Roth IRA retirement trade – a lower return, but much safer. The goal is a 15%-20% return, with an 85%-90% probability of winning.
- Both trades can be traded in two separate accounts – and as you've seen the buildup over time can be amazing.
- Get a complete video entitled "How to Sell Credit Spreads for Fun and Profit"
- Strategies for how to trade spreads and how to make adjustments, if needed
- Weekly newsletter with hand-picked, high-probability trades
- E-books, audio files, webinars and archived presentations

[Click Here To Get Peter's Special Offer](#)

## ABOUT THE PRESENTER



Peter has been showing self-directed investors how to trade successfully since 1996, and is a nationally known speaker on options trading, the author of *Passage to Freedom*, *The Options Success Trading Package*, *The Winning Secret Trading Package*, *The Explosive Profits Package* and *The Greatest Options Strategies on Earth*. He has also written several important short reports on innovative options techniques, and is a popular guest on radio and television talk shows pertaining to trading and the financial markets.

Fascinated by the idea of asset-produced monthly income, Peter founded Cashflow Heaven Publishing in 1999 to help his subscribers obtain a better lifestyle through trading and investing strategies designed to produce exceptional monthly returns.

Peter graduated in 1982 from Southern Oregon University with a Bachelor of Science degree in Business with marketing and finance concentrations. He is happily married with three children and makes his home in Ashland, Oregon...“on the eastern shores of Bear Creek somewhere north of Siskiyou Pass.

# **CHAPTER V**

# **FOREX**



# Understanding the European Session

Joshua Martinez, MTI

Another advantage to trading the Forex market is that it's open 24 hours a day, 5 ½ days per week. If you work a day job, and can't trade from 9-5, you still have trading opportunities available to you when you're off work. The table below shows the 24 hour cycle of the major global financial markets.

FOREX MARKETS																											
AM												PM															
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12				
		LONDON																									
							NEW YORK																				
																	SYDNEY										
																					TOKYO						

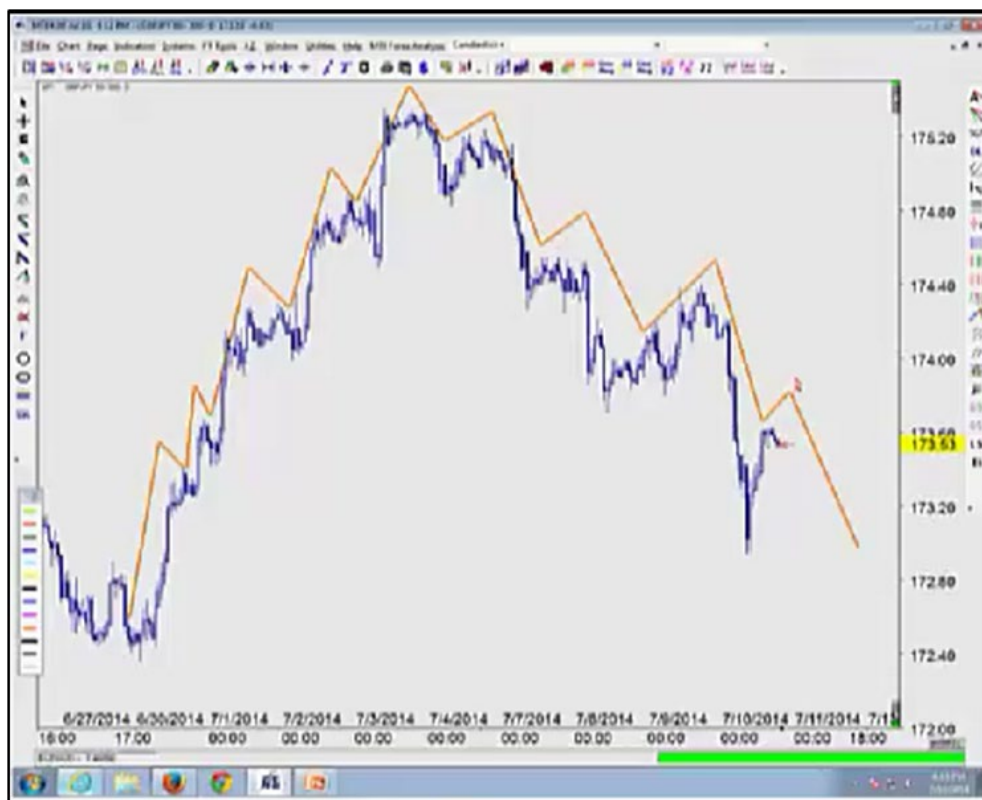
In the Forex market, you deal in pips. A pip has the same relationship to a penny that a penny has to a US dollar. There are 100 pennies to a US dollar, and in the Forex market, 100 pips make up a penny.



When you trade Forex, you are buying or selling fractions of pennies. The value of your pips is measured on a much larger scale when you trade the Forex market. In this chapter, we are going to be working with an investment of \$2,000 US dollars per trade. This is known as a standard lot investment.

When you invest \$2,000, every pip on average is worth \$10 US dollars. If you make 10 pips on a trade, you will make \$100. Conversely if you lose 10 pips, you will lose 100 dollars. Your \$2,000 dollar investment is not your risk. Your risk is measured in pips and your reward is measured in pips.

The strategy being discussed today is designed to generate between 200-500 pips per month, which translates in to \$2,000 - \$5,000 of real money in your trading account. So we are using a \$2,000 investment to generate \$2,000 - \$5,000 in income every month.



This chart shows the GBP/JPY currency pair. As you can see, the Forex markets tend to have repeatable highs and lows on an uptrend, and it also has predictable lows and high on a downtrend. But here's the most important thing to know, and it's pretty obvious: Every trading day has a high and a low. And here is the essence of this chapter:

**THE GBP AND ITS RELATED CURRENCY PAIRS WILL ESTABLISH ITS FIRST HIGH OR LOW OF THE DAY BETWEEN 2:00AM-5:00AM EDT**

**THE OPPOSITE LOW OR HIGH OF THE DAY WILL BE ESTABLISHED BETWEEN 8:00AM AND 2:00PM EDT**

If you can become really good at identifying the daily low or high between 2am-5am, you have the potential to make a lot of money trading the GBP and its related currency pairs.



In this hourly chart, we see two yellow circles:

- On 7/1/14 the daily low was established at 2am EDT and the GBP/JPY went north for the rest of the day.
- On 7/2/14 the daily low was established at around 2am EDT, and the GBP/JPY headed north for the rest of the day

If you go back in time, you should be able to identify an obvious daily low or high on almost any day. In this example, neither of these days were small directional moves. The market rose over 75 pips. And 75 pips equals \$750 in profits.

Looking at the chart above, can you identify the low or high between 2am-5am for the previous three days? The bigger question is: How do we take advantage of this information to make money trading the GBP currency pairs?

The next thing you need to know is that the distance between the daily low and high is the Average Daily Trading range (ADT). The ADT for the GBP in the summer months is about 100 pips. Since, the ADT is 100 pips, the goal is to make 50 pips per day per trade. 50 pips yields a \$500 daily profit on a standard lot investment.

Let's begin within the opening of the trading day. The European markets open at 2:00am EDT, but London opens at 3:00am EDT. When the London markets open, what typically happens with the Bank of England? A wealth of transactions that have built up from the previous day need to be cleared. The majority of large currency exchanges are processed through the Bank of England every day.

It's the largest currency hub in the world. 3:00am EDT is also the final hour of trading in the Tokyo Exchange. The combination of activity in these two markets will usually result in a strong bullish or bearish directional move in the GBP and its associated currency pairs.

The key to this strategy revolves around an hourly chart and the 3am bar. There are two ways to use this strategy: The "Blind Straddle" and the "Educated Straddle"

## BLIND STRADDLE



### STEP 1

Place a 10 pip Entry BUY Order above the one-hour 3:00am EDT candlestick wick high. With the Blind Straddle, you want to wait for the 3am hourly candlestick to close at 4am. The first step is to place an ENTRY BUY order +10 pips above the wick high of the 3:00am EDT closed candlestick. In this example, the entry buy is 174.04. This is not a market order.

You are not physically in the market yet. An entry order is a pending order. You are making it a requirement that the market crosses over your specific price point before entering you in the market. If the market does not touch your specified price point, then your trade is never activated.



## STEP 2

Place an Entry SELL Order -5 pips below the one hour 3:00am EDT closed candlestick wick low. The reason why you have an entry sell order -5 pips below and not -10 pips below the 3:00am EDT closed candlestick wick low is because of the bid and ask price. The chart above is a bid chart. That means you are only seeing the sell price. The ask price is also known as the buy price, and it is usually 2-5 pips above the sell/bid price. The above chart does not show the ask/buy price. So there is no need to compensate for the spread at an additional +5 pips when selling.



### STEP 3

Place an Entry SELL Order -5 pips below the one hour 3:00am EDT closed candlestick wick low. The reason why you have an entry sell order -5 pips below and not -10 pips below the 3:00am EDT closed candlestick wick low is because of the bid and ask price. The chart above is a bid chart. That means you are only seeing the sell price. The ask price is also known as the buy price, and it is usually 2-5 pips above the sell/bid price. The above chart does not show the ask/buy price. So there is no need to compensate for the spread at an additional +5 pips when selling.



## STEP 4

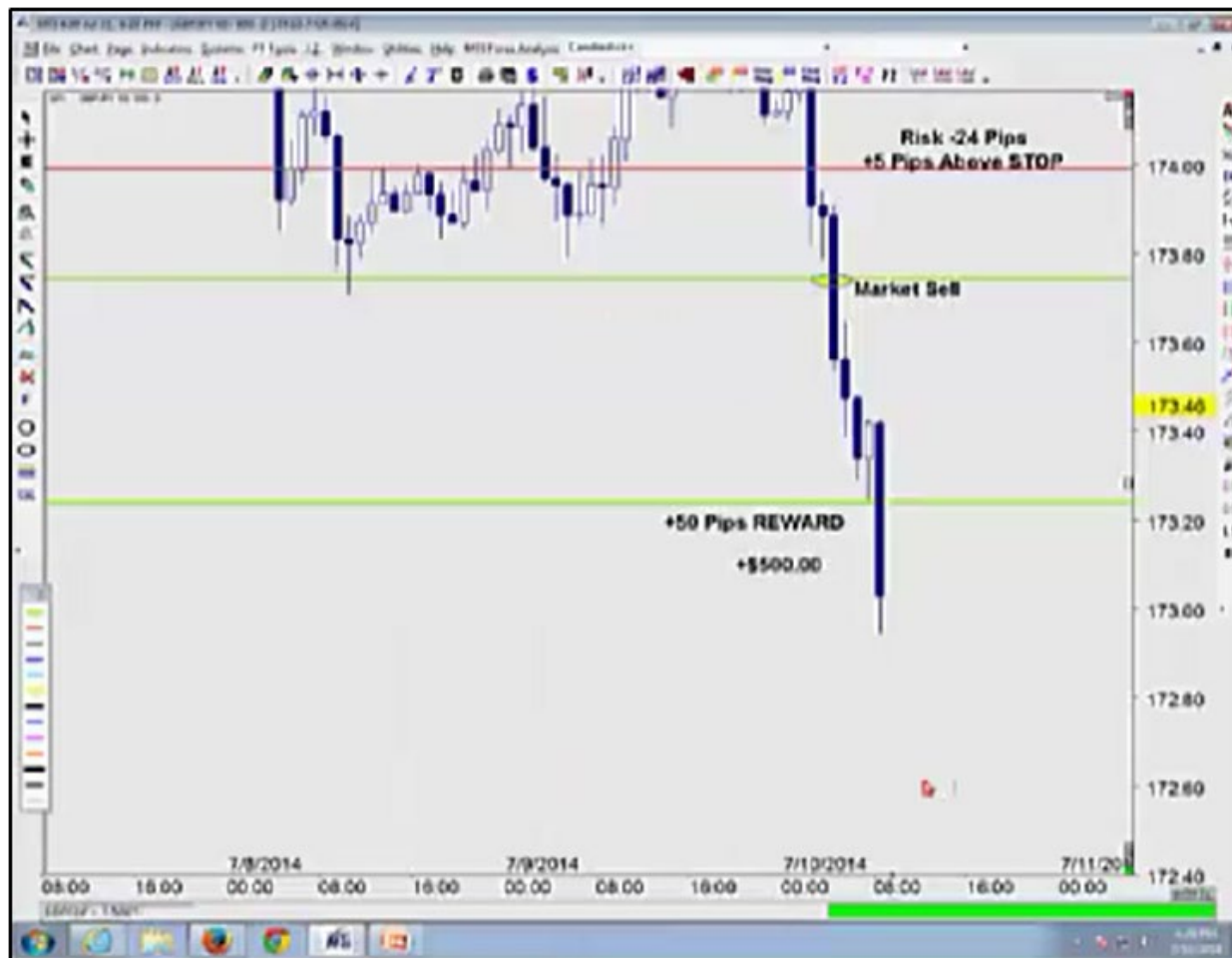
Set your STOP +5 pips above the previous candlestick high. Your risk will be the distance in pips between your market sell order and your stop. In this example, your risk is 24 pips or \$240 dollars.





## STEP 5

Set your reward at 50 pips from your market SELL order. You're done. You are risking 24 pips, or \$240 to make 50 pips or \$500. A very nice risk/reward ratio. In fact you would only have to win 4 out of 10 times to make money with this risk/reward ratio. Now we wait.



## STEP 6

Collect your profit. This strategy uses an hourly chart. Notice that in just 5 hours, we cross our reward line. In just five yours, we close out the trade and pocket \$500. And this strategy works over and over again with the GBP and its related currency pairs.

Note: If you click on the YouTube presentation at the end of this chapter, Joshua Martinez will take you through multiple examples of using the “Blind Straddle”, and it is well worth watching just to show you how repeatable this strategy is within a given month.

## MAKE SURE YOU HAVE A PROFIT PLAN

It's also very important to have a Profit Plan with this strategy. A profit plan keeps you from flying blind in your trading. It is advisable to set up your profit plan on 10 trades. That's about 2 weeks of trading time. Here's what happens if you win four out of ten trades with an average profit of 50 pips and an average loss of 25 pips.

---

Profit Plan 10 Trades	
Win 4 Trades at 50 pips Gross 200 pips REWARD	Lose 6 Trades at 25 pips GROSS 150 pips RISK
Net 50 pips \$500 profit	

---

## WHAT IF YOU WIN SIX OUT OF TEN TRADES?

Then the Profit Plan looks like this:

---

Profit Plan 10 Trades	
Win 6 Trades at 50 pips Gross 300 pips REWARD	Lose 4 Trades at 25 pips GROSS 100 pips RISK
Net 200 pips \$2,000 profit	

---

In the first profit plan, we make \$500 every two weeks (\$1,000 per month), winning just four out of 10 trades. In the second profit plan, we make \$2,000 every two weeks (\$4,000 per month).

The London breakout strategy, if followed properly, works very well within your profit plan. The five major currency pairs this strategy produces the best results are:

- GBP/USD
- GBP/CAD
- GBP/NZD
- GBP/AUD
- GBP/JPY
- GBP/CHF

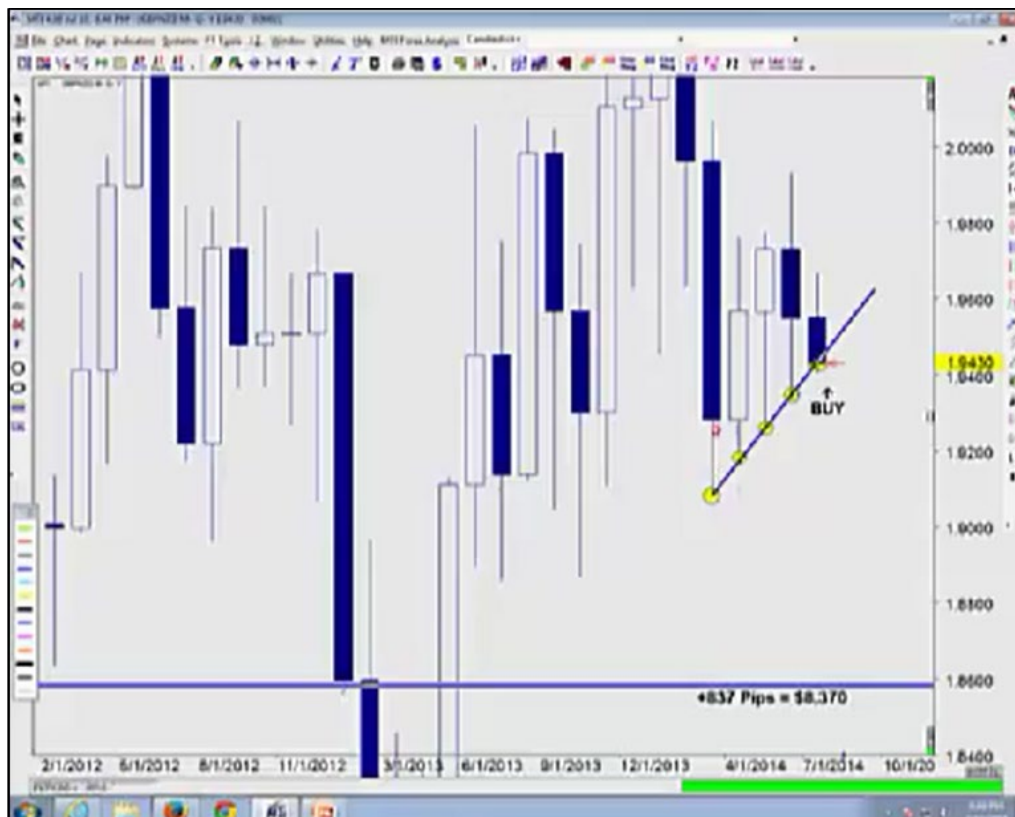
[Join Josh Martinez for 2 Live London Breakout Trading Sessions for just \\$27 during your first month!](#)

## EDUCATED STRADDLE

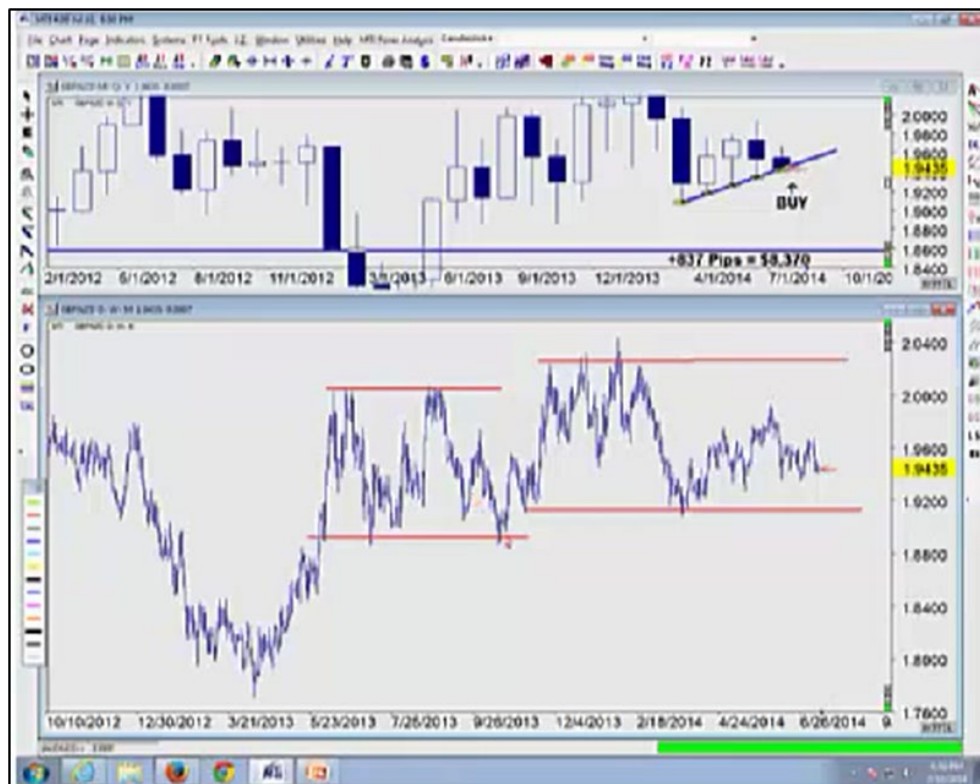
When evaluating these currency pairs, we are using an hourly chart, but it's also important to take a long-term view of the market, since the long term history of a chart controls the short-term charts. Let's look at the GBP/NZD on a monthly chart. What do you see? Is the market moving up, down or sideways?



When you plot support and resistance lines, what you see is this currency pair is range-bound within 1,848 pips for the past four years. That's an \$18,480 directional move that happens every six months on average. If you could take a \$2,000 standard lot investment and generate over \$20,000 in profits per year, would you consider that a good return on investment? Looking at the monthly charts can also provide some valuable insights into your current trading month.



In this exploded monthly view of the GBP/NZD, you can see a clear uptrend during the previous four months. The current month has broken the trend line, but there are still 21 days left in the month, and history suggests that there is still plenty of buying to do. If the trend reverses, there is still an 800 pip range between the last candlestick and the support line, offering an opportunity to pick up \$8,000 possibly within the next five months.



Let's drill down and superimpose a daily chart below a monthly chart. Remember the longer time frames always control the shorter time frames. What do you see? Will the market go up or down?

In this case, we see two levels of consolidation in the daily charts. A consolidation is when you see equal highs and lows over a period of time. Since Consolidation phases tend to bounce off support and resistance lines, it makes sense that the market will probably move up. But how can you confirm this? This is where analyzing wave patterns with Fibonacci tools helps.





Fibonacci tools are wonderful when you learn how to use them. They identify highs and lows and they will help you learn if the markets are in a retracement or an extension. We identify our first low (A) at the support line and our proper high (B) at the resistance line. That gives us our up A/B boundary. This chart illustrates a Fibonacci adage:

**“As long as the market doesn’t take out the “A”, it has no choice but to go your way.”**

What this means is that once the market reaches the “B”, any retracement will be short term, and the market will be moving to the upside. For a more detailed view of Fibonacci analysis, click on the [YouTube](#) of this presentation and fast-forward to the 49:00 minute mark.



The key to the “educated straddle” is to gather more information about the probable direction of the market on a daily basis.

**1. Take a longer-term view of the GBP currency pair.**

The more information you have about the longer-term direction of the market, the more certain you will be about the direction of the market. Make sure to look at the monthly, weekly and daily and hourly charts to help make your decisions about the direction of the market.

**2. Learn how to use Fibonacci tools.**

The can help you identify market tops and bottoms, and whether the markets are set to retrace or extend their direction.

If you can master this information, and you know that the daily high or low will likely be established between 2am – 5am EDT, how much more confident will you be making trading decisions?

## CONCLUSION

The London Open Breakout strategy has been successfully traded for many years. The rules are based on a very simple premise:

**The GBP and its related currency pairs will establish its first high or low of the day between 2:00am-5:00am EDT**

**The opposite low or high of the day will be established between 8:00am and 2:00pm EDT**

If you are able to successfully identify whether the market will form a low or high in the morning, and you know where to set your strike price, stops and reward targets, it is possible to make \$500 per trade and \$4,000 per month on a \$2,000 standard lot investment.

## VIDEO AND SPECIAL OFFER

[Watch the Video \(highly recommended\):](#) The video that this chapter is based upon clearly illustrates multiple examples of this strategy in play. It is very well presented, and you will have much better command of this strategy.

[Join Josh Martinez for 2 Live London Breakout Trading Sessions for just \\$27 during your first month!](#) If you liked the information in this chapter, join Joshua Martinez live for 2 sessions each month, and watch him trade this strategy live. You will also get access to Live Market Forex Sessions Mentorship and Empowerment Programs, plus several bonus offers. Normally priced at \$297, your first month is just \$27 and your subscription for each subsequent month is just \$147. Your satisfaction is guaranteed and you can cancel any time. This is an exclusive offer for TradingPub subscribers.

## ABOUT THE PRESENTER



Joshua Martinez is Market Traders Institute's (MTI) head analyst with more than four years of experience analyzing and trading the Forex market. As a trader and an instructor skilled in both technical and fundamental analysis, Josh, also known as FX Pathfinder, has used the mentoring lessons taught to him by his father (world-renowned trader Jared Martinez) to build his own reputation as a successful trader, analyst and instructor. He has developed several trading strategies and systems including the 3:10 London Breakout Strategy that is taught in MTI's Forex Mastery Course, MTI's Day Trading Course and the Auto Aussie Trading System.

His time is spent training tens of thousands of MTI clients in client-only webinars and courses as well as developing premier trading systems based on years of market research

# PREDICTING MARKETS WITH VOLUME AND PRICE

Nigel Hawkes

Most traders start their careers losing money, and it wires them toward being fearful. Traders need to conquer these inner demons before they can move forward and be successful at trading. You need to constantly work on yourself.

Many traders who have difficulty achieving consistency in their trades rely on traditional indicators like MACD, Stochastics, Bollinger Bands and Elliott waves to help them make their trading decisions. Most traders fail routinely using these indicators. The problem is that most indicators are dependent on price history, which makes them lagging indicators.

The only leading indicator is volume. Volume is truth. It shows you bar by bar what it's doing without accumulating past history to make a future decision. Volume represents commitment. It signals price movement before it happens, and it signals market intent. Volume on triple time frames is the key. When you trade gold, you are not really trading gold, you are trading risk. Trading over 3 time frames levels out the risk and shows you where the least risk is before you enter a trade.

In this chapter, we will discuss an introduction of volume, and then the application of volume over triple time frames.



Professional Pit Traders have a substantial advantage over the rest of us. First, they must be accountable. They can't hide their wins and their losses from their partners or significant others. They handle large blocks of other people's money and their P&L statement is an open book. But more importantly, they can “feel” the markets better. They get to see who is buying and selling in real time. At the Chicago Mercantile Exchange, you have the streaming LED signs showing the latest quotes. The price is prominently displayed, but the pit traders care more about volume. Volume helps pit traders “feel” the market. It is the DNA of the market. It is very important to focus not only on price movement, but also on volume.

## THE OPENING PRICE PRINCIPLE

Standard volume spread analysis (VSA) does not take the open of the market into consideration. It measures the high, the low and the close of the market. The reason for this is that when volume spread analysis first came out, the world was not computerized. It took too much time to communicate opening prices around the globe. Now that information is transmitted in milliseconds, factoring the opening price of the market is critical. It's similar to an auction. Any item placed for sale on an auction starts with an opening price which is the “fair value” at opening. The market then determines what the “fair value” actually is. It will either bid below the open or above the open. The opening price of a market sets the bias for the session.

## THE APPLICATION OF VOLUME OVER TRIPLE TIME FRAMES



This is Trade Station with the Hawkeye Trading volume indicators and pivot signals on the GBP/USD currency pair. The volume indicator is based on a unique algorithm, and the yellow dots are Hawkeye pivots that indicate isolated highs and lows. They are isolated because the lows have lower lows and lower highs than the bars around them, which can signal a reversal. The magenta bars show the average true range (ATR) of the market over a 20-bar period.

Notice the large magenta bar. That was triggered by a news event when the Governor of the Bank of England, Carney, announced that there was not much likelihood of rate increases with the British Pound in the near future. On the left panel, which represents the slowest time frame, the little dots above the volume indicator communicate whether volume is low (aqua) high (yellow) or very high (red). The Hawkeye indicators are available in many popular trading platforms, including Trade Station, MT4, Ninja, E Signal, with future plans for Think or Swim.

Forex traders will say that there is no volume in trading currencies. While there is no actual volume, there is tick volume, and it is nearly as accurate as real volume. Let's take a closer look at the slowest time frame on the left.





On top of the Hawkeye indicators, we have also plotted a 20 period moving average and the MACD below. The volume bars have several colors. Red is selling volume, green is buying volume and white is neutral volume. Before the news announcement from the Bank of England Governor Carney, you could see that the market for the GBP/USD had three green bars going up on high volume, followed by three white bars on ultra-light volume. The markets need fuel, and if volume is ultra-light, there's no momentum pushing the market up.

On the first bar of selling volume, the MACD was still rising, which is further proof that most indicators are lagging indicators. On the next bar, the market plummets on economic news from the UK, triggering a bright red dot on heavy selling volume. Notice the next bar. Volume suddenly becomes ultra-light, which signals that the market has lost its energy and is now going into a congestion/consolidation phase. The market continues downward, which we call the "Tanker" effect. When an oil tanker is steaming forward in open water, it can take miles to stop. When the markets move down on high volatility, it will continue to go down, but the first signal of ultra-light volume is a message that the brakes have been applied to the downtrend.

### **Markets can do only one of six things:**

1. **Trend Up**
2. **Trend Down**
3. **Trend Pause**
4. **Congestion/Entrance**
5. **Congestion/Exit**
6. **Trend Reversal**

If you understand these market conditions and can tie volume in, you will most likely give yourself a significant edge in trading the markets.

An important thing to note is that markets do not tend to go down on ultra-light volume. They may drift up, but they don't go down



The three time periods shown are the 60 minute, 120 minute and 240 minute time frames. When you look at the middle time frame, after the big sell-off there was very light volume, and no demand volume, just a little bit of small selling volume. When you refer back to the longer time-frame on the left, the aqua dot confirms that you are in ultra-light volume. When you look at the fastest time frame on the right, you can easily see an extended period of light volume that slowly turns into accumulated buying volume, signaling the end of the downtrend, and the beginning of consolidation. When you look at the middle screen the market is bouncing up and down in a fairly tight range. It's not wise to trade this market until it breaks out one way or the other with confirming volume.



We have used this system with the GBP/USD currency pair. Let's see how it works on stocks with the daily, weekly and monthly charts of Apple (Nasdaq: AAPL):



This chart was in August, when many people are on vacation and volume is light. The chart on the left and the middle are showing a double-top, signifying that a downtrend is imminent, But there is no volume in all three time frames to support any action at this time. Markets don't fall on ultra-light volume, so you want to exercise caution until volume and momentum enters the market again.



Here is AAPL on an intraday chart, where the time frames are 20 minutes, 10 minutes and 5 minutes from left to right. When you look at the center chart, you can see a bias toward the downside. The yellow pivot points also suggest that a downturn is imminent. But volume is declining, signifying caution and a trade isn't recommended until volume and momentum returns. The Hawkeye system of viewing price and volume over three time periods works on any series time frames.



Here's Crude Oil on a daily, weekly and monthly chart. Starting with some forensic analysis, the monthly chart showed selling volume last month preceded by an isolated high, triggering a yellow dot. This shows that the bias for the market is to the downside. On the weekly charts, there are 2 weeks of selling volume, and the MACD is also showing the start of a decline. On the daily chart, a period of buying volume, turned to a period of selling volume, confirmed by the MACD.

This is where triple time frame analysis is especially useful. The charts showed red volume on the daily, weekly and monthly charts. On the daily chart, the market has entered into a congestion phase. All indicators are pointing to continued downward movement in crude oil.

## CONCLUSION

Whether you trade Forex, stocks, indices or commodities, volume and price analysis over three time frames will give you an edge. Trading on price alone using traditional indicators yields mixed results. Volume is the fuel that drives the markets and it signals commitment and intent. When you are in tune with volume analysis, you will most likely enjoy better consistency in your trading.

The Hawkeye suite of trading indicators is designed to give traders all of the information they need to make decisions based on price and volume. You are alerted to the nature of the volume in the markets. Is it buying volume, selling volume or neutral volume? Is the volume ultra-light, high or very high? It will also identify isolated highs or lows which can signal trend reversals. Having the knowledge of price and volume analysis, coupled with the right tools can make a huge difference in trading consistency.

## SPECIAL OFFERS

[Watch the Video \(highly recommended\)](#) – Nigel Hawkes covers the importance of analyzing volume and price over multiple time frames. He covers multiple markets doing analysis on Forex pairs, stocks, indices and commodities. During his presentation, you will also see the full power of the Hawkeye indicators on display.

[Get the Hawkeye Volume Starter Package, including some of Nigel's favorite indicators! Claim your copy, simply \*\*CLICK HERE!\*\*](#)

## ABOUT THE PRESENTER



Nigel Hawkes, founder of Hawkeye Traders started trading in 1987 after selling his publishing company. He started plotting charts on graph paper and failed miserably. He realized that many of the indicators that traders relied on were of little value because they were lagging indicators. After spending time watching traders in the pits, he realized that volume analysis was the key to trading success. He built an easy-to-use suite of trading indicators that are compatible with multiple trading platforms. Today, the Hawkeye Trading indicators are state-of-the art tools for analyzing price and volume over multiple time frames.

## WHY YOUR ENTRY STRATEGY [ALMOST] DOESN'T EVEN MATTER

Casey Stubbs

As traders, almost everyone would agree that getting into the market at the right price and the right time is the key to making money. But did you know that a good entry is the least important part of a profitable trading equation? The truth is that your exit in the trade is far more important than your entry. The exit in a trend ultimately determines whether you take a profit or a loss. That means the right exit can help you maximize profits and minimize losses.

The right exit can turn a losing trade in to a winning trade. Conversely, the wrong exit can turn a winning trade in to a losing trade. Perhaps you have had this problem before:

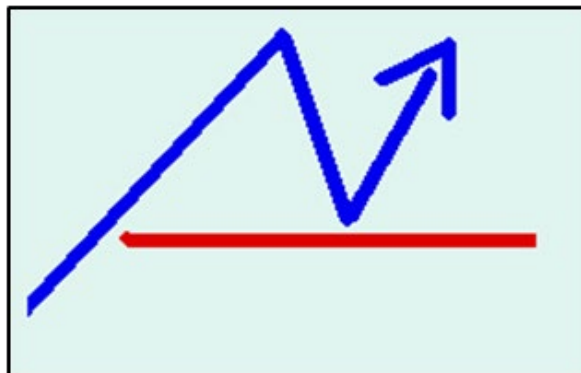
Scenario One:

You enter a trade, and you are up 50 pips, and the trade turns around and stops you out.

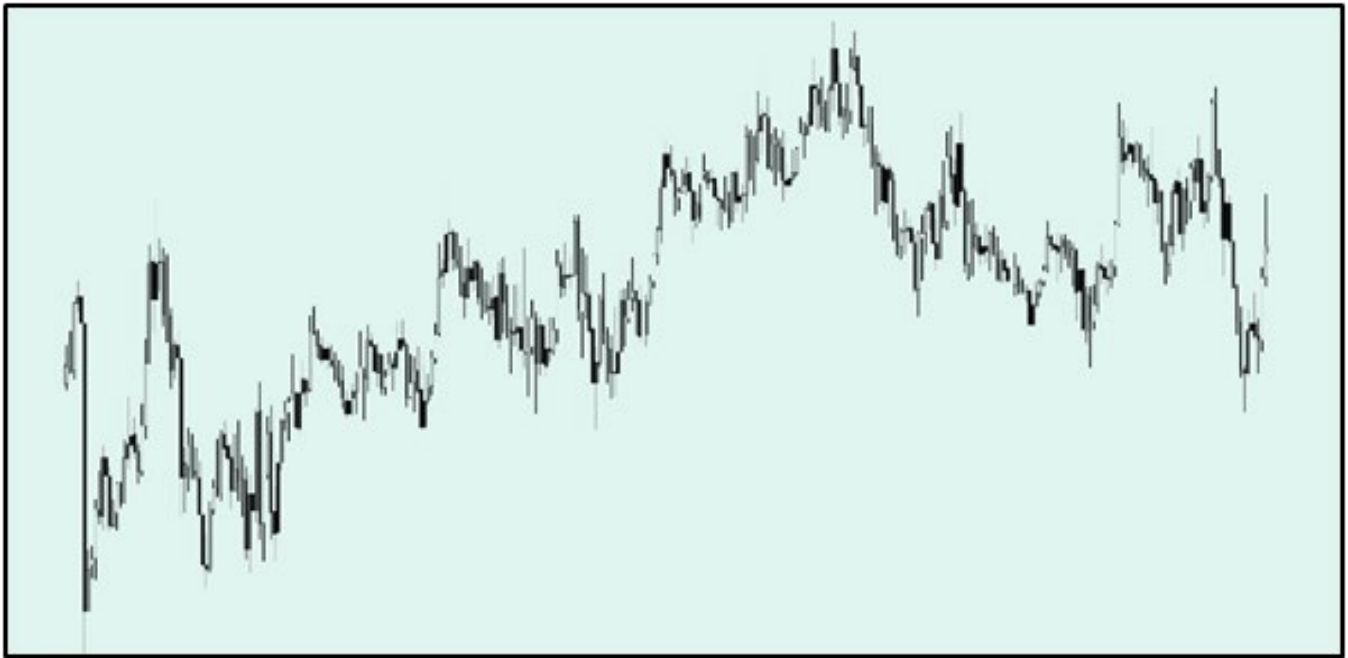
Scenario Two:

You enter a trade and you are stopped out for a 30 pip loss. Then market reverses and crosses over where your Take Profit was set.

Why do average traders lose money consistently? They don't know where to set their stop/loss and take profit targets. Here's an example:



On the diagram on the left we see a classic pullback setup, suggesting a long entry. Where do you set your stop/loss? If you set your stop/loss tight, say 5-10 pips below the pullback, you are minimizing your risk to maximize your reward. But the real problem with this strategy is that markets don't behave the way we want them to behave. Markets do this:



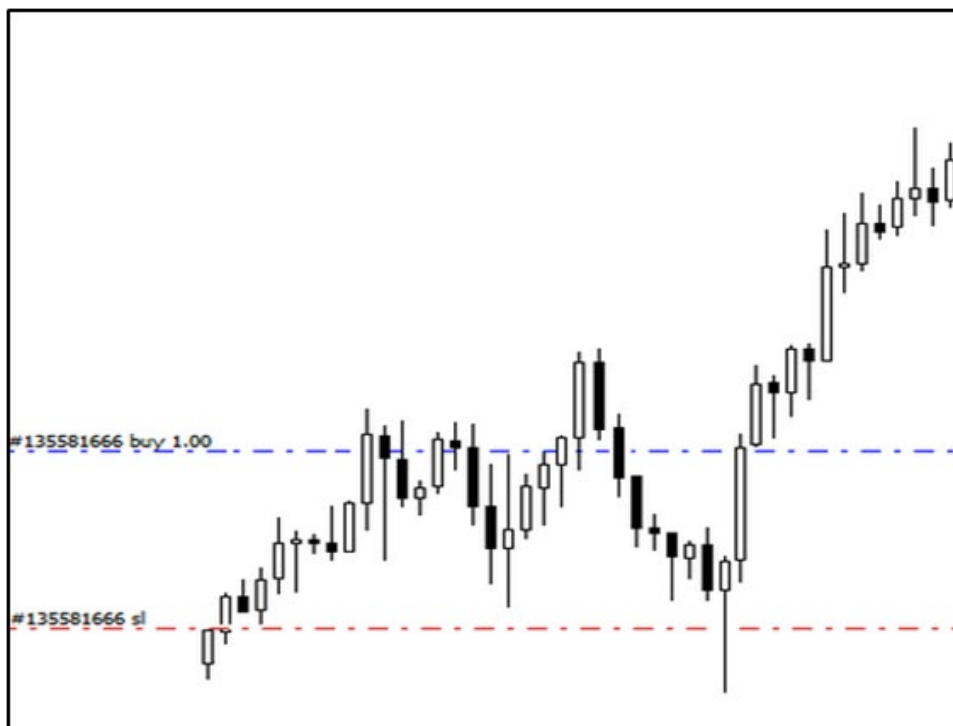
Markets spike up and down, taking out levels along the way. Even when a market is trending, it will find a way to take out a lot of stop/losses along the way. Why would you place your stop/loss below the most recent low? You are almost guaranteeing that the market will stop out your order for a loss.

Here's an important point to remember: Whether the market is planning to go up or down, it is extremely likely that it will move in both directions enough to take people out of the trade with stops set near recent levels, before the market makes its ultimate move.

How do you reverse this problem? It's simple, when you think about it. Instead of making your stop/loss an easy target, make your take profit an easy target. And make your stop/loss hard to find. That way, the same market moves that are taking everyone else's stop/losses out will be depositing cash into your account. This simple logic works with any entry strategy and it is designed to put active traders in a position to win more trades and deposit more money into their accounts.



Remember, the market has a tendency to whip around. It is very difficult to trade profitably in chaotic market conditions. The one surefire way to lose money is to leave you stop/loss exposed in the middle of the market. Here's an example of a trade that got stopped out because the stop/loss was set too close to the market:



Here's the secret to gaining a massive advantage, especially for traders who use time frames less than the daily charts: Place your profit target INSIDE the area that the market is likely to float and your stop/loss OUTSIDE the area that the market is likely to float. This means you have a negative risk to reward ratio. If you have a high probability of winning a trade, it is okay if your risk/reward is negative, neutral or positive. But if it's far easier to take an 80 pip stop/loss for a 50 pip target and win 70% of the time, then why not achieve success that way?



## WHERE SHOULD I PLACE MY TAKE PROFIT AND STOP/LOSS TARGETS?

-Take Profit – A high probability area for your Take Profit target is 4-7 times the ATR on a given time frame.

-For example, if the ATR for your time frame at the time of entry is 7 pips, you want your take profit to be 28-49 pips.

-The next step is to draw a zone or place lines on the chart from 28 to 49 pips and then move to a larger time frame to determine where the most sensible target in that zone would be.

-Anywhere within the 4-7 ATR zone will put you at an advantage to exit the trade with a win a high percentage of the time.

-Using technical analysis to enhance your entry point within the ATR zone will take your profitability to the next level.

-Stop/Loss – Placing your stop/loss outside the ATR zone is key to this strategy.

-The stop loss zone for this strategy is 7-12 times the ATR on a given time frame.

-Using the example above, the stop/loss would be 49-84 pips.

-Once again, you want to revert to a larger time frame to see where the best place is to place your stop/loss within this zone. Using technical analysis to help you place your stop/loss is also helpful.

-The key to your stop/loss placement is that you don't want it to be an easy target.

-We realize that every once in a while, the market will take out a stop/loss regardless of where you place it. But if you are winning better than 70 percent of your trades, you are still making money consistently.

The combination of placing your Take Profit in a high probability area and your Stop/Loss in a low probability area will have a dramatic effect on your trading performance.

## SPECIAL OFFER

[Watch the Winner's Edge full video here!](#)



This is an automated tool for Forex traders that sits on top of MT4 charts and places the suggested Take Profit and Stop/Loss zones for you.

At any time on any time frame, you can click the BUY or SELL button, which will automatically draw your Take Profit and Stop/Loss Zones based on the direction you would like to trade and the current conditions of the market.

If the market is expanding, the zones are stretched. If the market is contracting, the zones are tightened. With the zones automatically plotted for you, you can find more high probability trades, and dramatically reduce your risk of getting stopped-out on your trades.

[If you would like to get this Winner's Edge Profit Zones  
Tool for just \\$49, simply CLICK HERE!](#)

## **ABOUT THE PRESENTER**



We are a group of Forex Traders who have been dedicated to helping others learn and conquer these challenging Markets since 2009 when our Founder, Casey Stubbs embarked on his Forex journey.

January of 2009 is when it all started. Winner's Edge was a small blog, maybe reaching a few people eye's every day. Since then, we have grown tremendously and are widely considered one of the premier educational resources for Forex traders.

**CHAPTER VI**

**NADEX**

# HOW TO FIND HIGH PROBABILITY TRADES USING NADEX BINARY OPTIONS

Mark Hodge, Rockwell Trading LLC

If you are new to trading, or if you are an experienced trader looking for more consistency, then NADEX binary options may be able to give you a trading edge. Binary options are much easier to understand than equity options, they have defined risk, and they give you the ability to trade popular markets like indices, currencies, commodities and even news events.

Binary options are often referred to as “all or nothing” options because at expiration the option will either be worth \$100 or worth \$0. To place a binary option trade you need to select a market, decide on an expiration, choose a strike price, and then determine whether the underlying market will be above or below your strike price at expiration. The most you can lose or profit per contract is \$100, so there is a clearly defined upside and downside for every trade.

## HERE'S HOW BINARY OPTION RISK /REWARD IS CALCULATED:

Here's how binary option risk/reward is calculated:

- If you BUY a binary option contract, your maximum risk is your price paid.
- BUY if you want the price of a contract to settle ABOVE your strike price at expiration.
- Buyer's maximum reward is \$100, less the price paid per contract

Example: If you BUY a binary option contract for \$42, your maximum risk is \$42 and your contract will settle with a \$58 profit if you are in the money at expiration.

- If you SELL a binary option contract, your maximum risk is \$100 less the price received.
- SELL if you want the price of a contract to settle BELOW your strike price at expiration.
- Seller's maximum reward is the price you received for the contract.

Example: If you SELL a binary option contract for \$58, your maximum risk is \$42 and your contract will settle with \$58 profit if you are in the money at expiration.

Ticket

US 500 (Sep) > 1934.0 (4:15PM) (11-AUG-14)

Nadex Indicative Index: 1935.983

200	63.00	68.50	25
25	61.50	69.00	200
1	55.50	97.00	6

Details
Time Left: 2h : 31m

Direction: Buy

Order Type: Limit - GTC

Size: 1 (Min: 1)

Price: 74.00

Max Profit/Loss

Max Profit: \$ 26.00
Market Ceiling: 100

Max Loss: \$ 74.00
Market Floor: 0

Place Order

Ticket

US 500 (Sep) > 1934.0 (4:15PM) (11-AUG-14)

Nadex Indicative Index: 1935.983

200	63.00	68.50	25
25	61.50	69.00	200
1	55.50	97.00	6

Details
Time Left: 2h : 31m

Direction: Sell

Order Type: Limit - GTC

Size: 1 (Min: 1)

Price: 69.00

Max Profit/Loss

Max Profit: \$ 69.00
Market Floor: 0

Max Loss: \$ 31.00
Market Ceiling: 100

Place Order

Here are two NADEX order tickets for the US 500 market (the NADEX market based on the E-Mini S&P futures contract).

The ticket on the left is a BUY order ticket for one contract. The ticket shows a strike price of 1934 and expires at 4:15PM ET. A buyer of this binary option believes that the US 500 will close ABOVE 1934.0 at 4:15PM ET. The indicative index (the E-Mini S&P) is currently trading at 1935.983. The option is considered “in the money” because it would be a profitable trade at expiration based on the current market price. The ticket also shows that there is 2h:31m time remaining until the binary option expires. At the bottom of the ticket the maximum risk at expiration is clearly defined at \$74, and the maximum profit is \$26 (less transaction fees).

On the right there is a SELL order ticket for the same strike price and expiration. A trader interested in this trade believes that the market will close BELOW 1934.0 at 4:15PM ET. The underlying index is trading at 1935.983, so the option is considered “out of the money” since it would expire worthless based on the current market price. Since the binary option is out of the the money, the trade has better risk reward but the probability that it will expire below 1934 is lower. The max risk for this trade is \$31, and the max reward is \$69 (less transaction fees).

When you look at daily charts of your favorite markets, the real question to ask when trading binary options is: are you “bullish” or “bearish”? How much the market moves doesn’t matter, just that market is above or below your strike price at expiration. Binary options are nice because you don’t need to worry about intraday market spikes and getting stopped out of good trades. The only thing that matters is that your contract expires in the direction you chose relative to your strike price.

To get an edge with binary options, you need to develop strategies and make decisions based on favorable probabilities. If you know the probability that a market will be above or below a strike price at expiration, you can use probabilities to find the best setups to trade. My favorite setup for trading binary options is based on the “Power Crossover Method”.

## THE POWER CROSSOVER METHOD

The Power Crossover Method is a strategy that has been used for years to trade stocks and options. It can be an effective way to make end-of-day decisions to setup directional trades for the following trading day. When you trade binary options using this method, you identify “buy” or “sell” signals, and use daily charts to identify the potential for the market to close higher or lower the next day.

But first, there is some essential terminology you must know to use this method:

**“Trend Day”** – When all three Power Crossover Indicators confirm a trend. These indicators are customized Stochastic, Relative Strength (RSI) and MACD indicators.

**“If Triggered”** – Means that price traded above the previous day’s high for an “uptrend”, or below the previous day’s low for a “downtrend”.

**“Trend Continues”** – If the closing price is greater than the previous close, you have an “uptrend”. If the closing price is less than the previous close, you have a “downtrend”.



Depending on your charting software, it may be possible to customize and color code the bars on your daily charts. Using the rules for the three Power Crossover indicators, you can customize your charts to make decision making easier:

**Green Bar:** All three indicators are bullish

**Red Bar:** All three indicators are bearish

**Black Bar:** There is a divergence between the indicators



In the chart above, the last five bars show a clear downtrend in the E-Mini S&P 500 market. The red bars confirm that all three Power Crossover indicators are bearish, thus establishing a “Trend Day”. Look at the last five trading days 4 out of 5 days show triggered trades because the market traded below the previous day’s low. The second to last day was not triggered because the market opened and never traded through the previous day’s low.

If there is a high probability that the price of a market will close below the previous day's close, then there is also a higher probability that the following day will trade lower. Throughout 2014, we have tracked the probabilities of this method working, and here are the results:

### **Power Crossover Probabilities after a Trend Day (Triggered) for Jan-Jul 2014**

<b>Indices</b>	<b>Probability of Trend Continuation</b>
ES – Emini S&P 500	72%
YM – Emini Dow	74%
<b>Commodities</b>	
Gold	76%
Silver	89%
Copper	69%
Crude Oil	83%
Natural Gas	56%
<b>Currencies</b>	
EUR/USD	66%
GBP/USD	66%
JPY/USD	72%

Once you are familiar with the essential terminology and the Power Crossover indicators, then you can make a better informed decision for trading binary options:

- Select the market with the best probability
- Select the direction of the market, based on Power Crossover rules
- Select a daily expiration based on daily charts
- Select your strike price
  - BUY below the previous day's close for an "uptrend"
  - SELL above the previous day's close for a "downtrend"
- Try to BUY/SELL for \$5 less than your probability
  - Example: If you are buying a GBP/USD currency contract at 66% probability, then try to find a contract at or below the previous day's close for \$61 or less if possible.

### **NADEX Binary Options Example (Traded on June 20, 2014)**

- Select a Market (US 500 = E-Mini S&P 500)
- Select a direction (uptrend)
- Select a daily expiration (daily 4:15 ET)
- Select a strike price:
  - Previous close: 1950.25
  - Strike price: BUY at 1950 or less
- Probability: 72% (see chart above)
- Amount Risked: \$65

The NADEX contract chosen was to BUY US 500 > 1950 (exp. 4:15 ET) for \$65. This contract finished in the money, yielding a \$35 profit, less \$1.80 in transaction and settlement fees.

## **WHAT HAPPENS IF A TRADE IS WORKING AGAINST YOU?**

Trading binary options with the Power Crossover Method is all about probabilities. But there will be times when the outcome is not in your favor. Although the probabilities are based on market closing prices, you can always exit your trade early and buy/sell your contract at current market prices if you are uncomfortable with a trade going against you. By doing so you may be able to preserve some profits or minimize losses.

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## CONCLUSION

The Power Crossover Method puts probabilities in your favor, and makes it easier to identify markets that are likely to close higher in an uptrend, or lower in a downtrend. The rules are simple and straightforward, but it is important to understand the key concepts. It also helps if your charts are set up to help you take advantage of Power Crossover probabilities. Since binary options boil down to a simple “up” or “down” decision relative to a strike price and a defined expiration, this strategy can be quite effective.

## WATCH A VIDEO OF THIS STRATEGY

In this 45-minute video, Mark Hodge will walk you through the basics of trading NADEX binary options, along with the step-by-step approach toward using the Power Crossover Method to trade NADEX binary options. [Click Here](#) to view the full video recording of Mark’s class.

## LEARN MORE ABOUT TRADING BINARY OPTIONS AND THE POWER CROSSOVER STRATEGY

In this 3 DVD series developed by Rockwell Trading, you will learn how to trade NADEX binary options, NADEX spreads, and how to use the Power Crossover Strategy to your advantage. Mark Hodge will supply more information on the strategy, how to set up the Power Crossover indicators and your charts to deploy this strategy.

If you would like to learn more about trading binary options with the Power Crossover Method and how to find trades using market probabilities, [Click Here](#) for the special offer from Rockwell Trading.



## ABOUT THE PRESENTER

Mark is the Head Trading Coach at Rockwell Trading. He is co-developer of many of Rockwell Trading’s educational resources. With an extensive knowledge of technical analysis and money management, Mark has been featured by SFO Magazine, Technical Analysis of Stocks & Commodities, AllExperts.com, INO, FXstreet, Traders’ Library and other leading publications and websites in the trading industry.

# USING NADEX SPREADS AS THE ULTIMATE HEDGE STRATEGY

Darrell Martin

If you are a futures or Forex trader, this chapter will show you a strategy to reduce your risk to the current strategy you are trading. Stock traders sometimes buy puts to hedge their risks, but what about Forex traders or futures traders? The strategy in this chapter will discuss using Nadex as a hedge against risk for futures and Forex trades.

**In this chapter, you will learn the following concepts:**

- The three important things you must know to begin making money in trading.
- How to reduce risk by up to 75% or more while having stop/losses that are up to 400% or more larger than what you use now to decrease the probability of getting stopped out by a spike in the market.
- How to get stop/losses for pennies on the dollar with the Whipsaw Elimination Strategy.
- How to hide your stops from the market with the Ultimate Hedge Strategy.
- How to find the right spreads for your trade.
- How to know how far the market will move today

**But first, let's take a look at a fairly typical trade setup:**



The chart above is the GBP/USD, but it could be any market. You plot a trend line and see a bearish trend. You identify a pullback for an entry signal. You exercise caution and set your stop/loss above the highest candlestick. Your risk is 65 pips or \$650 dollars, so you are prudent in setting your stops, but there is a greater amount of risk capital in play. And then this happens:



This really hurts. The market starts threatening your stop/loss. What do you do? Move your stops, take the hit? Go long because there is a trend reversal? And the worst part about it is that it is a slow, agonizing march toward your stop/loss. So you take the hit, and lose \$650. And then the market decides to slap you in the face.



Your initial instincts were right. The market was in a downtrend, but it decided to spike upward and stop you out before it made its move downward. The net result is that you lost \$650 dollars. This chapter will show you how to prevent this from ever happening in the future. You will learn how to place the exact same trade, use less money and never get stopped out again. You can combine this strategy with your current Forex strategy to create a massive stop/loss for a fraction of the cost.

To make money in trading, you need to master three things:

1. You need to learn to reduce your risk.
2. You need to increase your leverage
3. You need more time to be right.

In the trading example above, the trade had \$650 dollars of money at risk, and as soon as you made it, the market spiked and took you out. You were right, but you needed more time to be right.



Trading futures, options and Forex can be very expensive. Traders can be required to have upward of \$30,000 on hand to fund accounts and have considerable amount committed to margins. This is where Nadex comes in very nicely, as the table below illustrates:

<b>EUR/USD Day Trade (Equalized Size 125,000)</b>					
Instrument	FXE EUR/USD ETF	SPOT EUR/USD	EUR/USD Futures /6E	EUR/USD Future Options 1.2500 Strike (1 Month Exp)	EUR/USD Nadex 1.2490 to 1.2740 Spreads
Quantity (Equalized Ratio)	1000 ETF's	125,000	1 Future Futures Price x \$12.50	1 Contract (125k)	12.50 Spreads
Price	125.00	1.2500	1.2500	\$.01	1.2510
Leveraged Value	\$125,000	\$125,000	\$125,000.00	\$125,000	\$125,000.00
Day Trading Margin*	\$31,250.00	\$3125.00	\$500.00	\$2537.00	\$250.00
Leverage	4:1	50:1	250:1	49:1	500:1
P/L Moves Up to 1.2740 (127.40)	\$3000.00	\$3000.00	\$3000.00	\$463.00	\$2875.00
P/L Moves Down To 1.2250	(\$3,125.00)	(\$3,125.00)	(\$3,125.00)	(\$1,250.00)	(\$250.00)
<p>*Margin on ETF's, Futures, and Options may vary by broker and capital in your account. Margin is always the same on Spreads            *This slide is for illustration purposes only and is not to be all encompassing of all variables</p>					

Day trading the EUR/USD (Equalized Size 125,000) and other instruments requires considerable capital to fund an account, margin requirements are high, and leverage varies. When you look at the table above, you can easily see a comparison of trading the same instrument across multiple trading platforms. The significant advantage of Nadex is reduced capital risked, a huge leverage advantage, and best of all, you can't get stopped out in a trade.

### Other benefits of using Nadex as a trading platform are:

- You can't lose more than you put up in margin. The amount of cash you risk is your margin.
- You still get very good leverage
- You can trade stock indices, popular commodities and Forex pairs.
- Price is driven by the underlying market.
- Every pip is worth \$1.00 per spread bought or sold.
- Nadex is an exchange that facilitates transactions between buyers and sellers.
- Nadex is regulated by the CFTC, and does not take a position in any market.

## LET'S TALK ABOUT SOME BASICS TO TRADING NADEX SPREADS:



A spread is defined by a floor and a ceiling. In this EUR/USD example, the spread is between 1.2400 and 1.2500, which is 100 pips. Each pip is worth \$1.00, so the spread is worth \$100.

If the price moves above the ceiling or below the floor of the spread, you can't get stopped out. Nadex spreads are based on a defined time period that you choose, and the trade is active until expiration of the contract.

Using this example, if you SELL at 1.2490 and the ceiling of the spread is 1.2500, your maximum risk is 10 pips or \$10. Remember, with Nadex, your risk is your margin. If you placed the same trade on Spot Fx, your margin would be \$250.



Since the spread is 100 pips and you are risking 10 pips, your maximum profit is 90 pips if the trade ends at the floor.

If you BUY the spread at 1.2410, it's the exact opposite. Your risk is 10 pips from the floor of the spread, and your maximum profit is 90 pips above.



-You can close the spread any time you want to before expiration to capture profits or limit losses. When the contract expires, remember that you are trading an underlying market, and not physical commodities for example. Corn will never be delivered to your doorstep if you trade corn futures on Nadex.

-Your profit is the difference between your strike price and the price of the market at the expiration of the contract, or the price of the contract if you close the spread early. If you BUY this spread at 1.2410 and it settles at 1.2480, then the difference is 70 pips, and \$70 is deposited in your account, usually within a matter of seconds.

-There are a wide variety of spreads and timeframes to choose from in Nadex. Choose the spread that works the best with your trading plan and risk/reward tolerance.

## DURATION AND EXPIRATION OF NADEX SPREADS

Nadex offers a wide variety of spreads, both in terms of markets you can trade (indices, commodities, Forex) and time intervals:

### **Intraday**

as little as every 2 hours. Time frames can depend on the markets being traded. Forex trades are available in the overnight hours when the commodities and some indices are closed. All times listed on Nadex are Eastern daylight time (EDT)Some spread times can include:

- 8am-10am EDT
- 9am-11am EDT
- 10am-12pm EDT
- 11am-1pm EDT
- 12pm-2pm EDT
- 1pm-3pm EDT
- 2pm-4pm EDT

## EXPIRATION AND SETTLEMENT

### - Days of expiration

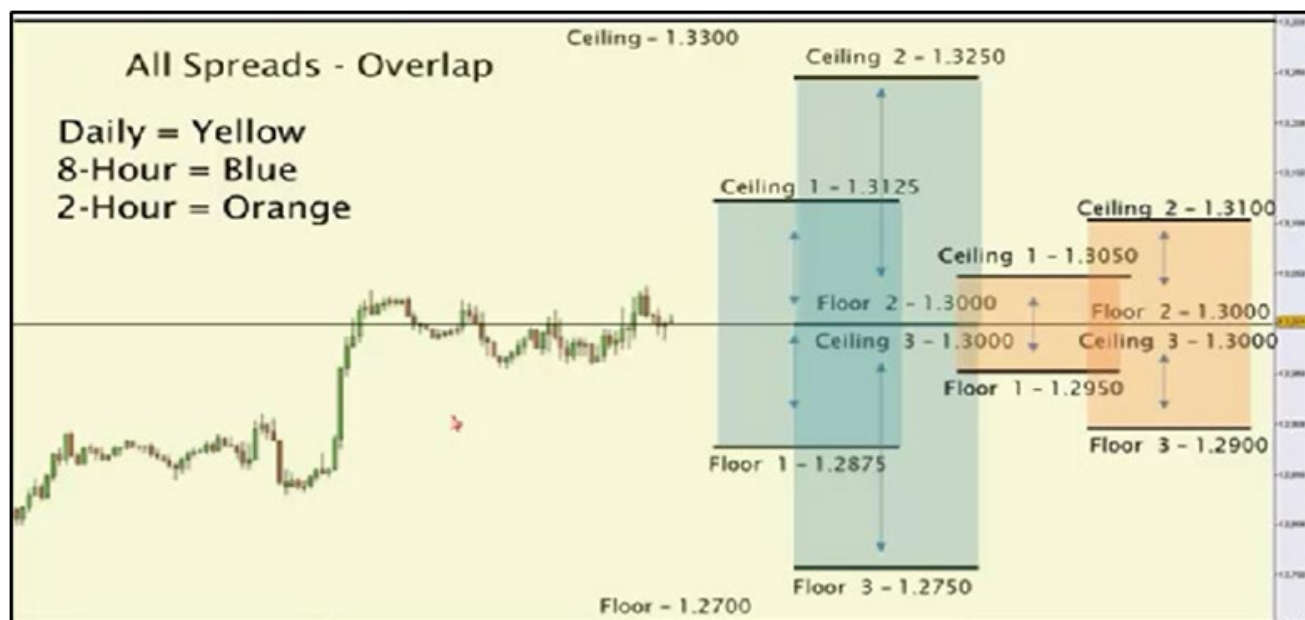
- Time of settlement (All quoted in Eastern time)
- Spread Range/Width: Distance between the floor & ceiling of the spread
- No: of contracts: Number of spreads per expiration, per range. For example, you could have one in the middle, one high and one low.

### - Trading Hours:

Times when new trades can be entered, and when open trades can be closed before settlement.

### - Commissions:

Since you are placing an order on an exchange without a broker, there are no commissions charged. There is an exchange fee of \$0.90 cents per \$100 contract, per side. You are not charged a settlement fee if your contract expires out of the money. If you trade one \$100 contract successfully, you are charged a \$0.90 to execute a trade and \$.090 to settle the successful trade for a total of \$1.80 in transaction fees. Transaction fees are capped at \$9.00 per side. If you trade over 10 contracts on a transaction, your transaction fees are capped.



Thar chart above shows the overlap of five Nadex spreads. The longer you have until expiration, the wider the spread:

- Daily: The yellow background is the Daily Spread between 1.2700 – 1.3300 (\$600)
- 8 Hour: The blue spreads are two 8-hour spreads:
  - 1.2875 – 1.3125 (\$250)
  - 1.2750 – 1.3250 (\$500)
- 2 Hour: The Orange spreads are two 2-hour periods
  - 1.2950 – 1.3050 (\$100)
  - 1-2900 – 1.3100 (\$200)

**Nadex offers binary options and spreads on the following markets:**

**Spot FX : Not Futures**  
EUR/USD, GBP/USD, AUD/USD, USD/JPY, EUR/JPY, GBP/JPY, USD/CHF, CAD

**Commodities:** (What is a commodity....When you drop it on your foot it hurts)  
Corn, Soybeans, Oil, Natural Gas, Gold, Copper, Silver

**US Indices:** (Future not index/etf)  
ES – S&P 500 Eminis  
NQ – Nasdaq 100 Eminis  
TF – Russell 2000 Eminiis (ICE)  
YM – Dow Jones 30

**International Indices:** (Futures – NOT index/etf)  
FTSE 250 (London)  
FDAX (Germany)  
SGX Nikkei 225 (Singapore Exchange NOT CME exchange)

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The **Whipsaw Elimination Strategy** is simply using a Nadex spread. As long as a spread is active within a defined time period you can't get stopped-out.

## THE ULTIMATE HEDGE STRATEGY

Now that we have a basic understanding of Nadex spreads, we will apply Nadex spreads to help you get stop/losses for pennies on the dollar. You will also learn:

- How Nadex spreads work
- Nadex spread example
- How to find the best spreads
- How to know how far the market will move today

**Let's go back to our original example:**



We identified a trend, placed our trade, set a conservative stop/loss, and got stopped out on a market spike before the market continued downward. We lost \$650. Let's look at the same trade, using an 8 hour Nadex spread:





A Nadex spread was available with a ceiling of 1.5700 and a floor of 1.540 (250 pips). If you sell 10 contracts at 1.5665 then your maximum risk (and margin) is 35 pips or \$350. In the previous example, our risk was \$650, and our margin requirement was \$3,138. In the Nadex spread, we didn't get stopped out and took a \$750 profit within 8 hours. In the previous example, we got stopped out immediately on a market spike and lost \$650. We satisfied the criteria for making money discussed earlier in this chapter. We risked less money, we had better leverage, and we had more time to be right. Here is the side-by-side comparison of trading a Forex spot trade vs. making the same trade with Nadex spreads:

### Underlying Spot vs. Nadex Spread Example Results

Underlying - Spot  
 Risk: \$650  
 Margin: \$3138.00  
 Result: **Lost \$650**

Nadex Spread  
 Risk: \$350  
 Margin: \$350  
 Result: **Profit \$760**

Here's another way to look at the original trade in this chapter. What would happen if we took our original Spot Forex trade, went short and hedged it with a Nadex spread instead of a stop/loss?



A Nadex spread is available with a floor of 1.5700 and a ceiling of 1.5950 (250 pips). You buy the spread at 1.5710, which becomes your margin, and you risk \$100 instead of \$650. When the market spiked, you had a 240 pip Nadex insurance policy protecting your trade. The market continues downward to your profit target. Your gross profit is \$960, less your \$100 Nadex spread loss for a net profit of \$860.

If you trade Forex or futures, you can trade the way you normally do, but use Nadex spreads to minimize your risk.

## Using the Apex Investing Institute Website to Help You Find the Right Nadex Trade



If you sign up as a member on the Apex Investing Institute website, you will have free access to a wealth of information to help you identify the right Nadex spreads and binary options to trade. They also have tools to help you learn how far the market thinks it will go in any given trading day. The graphic above is a screenshot of the Apex Nadex “Spread Scanner” utility which will return spreads to you based on the money you are comfortable risking, your expected reward and the time period you are looking for. Apex also offers free chat rooms for their members and several services which can be purchased at a reasonable price if you need them.

## CONCLUSION

Nadex spreads are an excellent way to trade with less risk, get better leverage, and they buy you the time to be right. Since you are placing your orders directly on an exchange without a broker, you don't pay brokerage commissions, just exchange fees. You can't get stopped out during a trade, and you have the flexibility to exit a trade at any time before contract expiration.

If you trade futures or spot forex, Nadex spreads allow you to trade the way you normally trade, but they can buy you stop/loss protection for pennies on the dollar. There are no large margin requirements with Nadex. Your risk is your margin.

Nadex is regulated by the CFTC and is currently only available to legal US residents. To get a free 2-week Nadex demo, funded with \$25,000 worth of play money, [click here](#)

## SPECIAL OFFERS

[Watch the Video of this Presentation \(highly recommended\)](#) - Darrell Martin does an excellent job of explaining how Nadex spreads work, and how they can be used as a standalone trading instrument or as a hedge against risk in your current trading strategy.

[Get Darrell's Special Offer! Simply CLICK HERE](#)



## ABOUT THE PRESENTER

Darrell Martin is a mentor and trader and has developed unique strategies for futures, forex, stock, and trading on Nadex. Darrell coined the phrase "diagnostic trading" which he defines as looking at how fundamental investors, technical investors, statistical investors, and seasonal investors look at the market and then using that knowledge to help more accurately establish a trading plan.

He runs daily trade rooms through the Apex Investing Institute along with hosting several radio show.

# TWO HIGH PROBABILITY NADEX STRATEGIES YOU CAN COUNT ON

Cam White

If you trade stocks, options, futures or forex, you may want to consider adding Nadex to your trading arsenal. Nadex gives you an excellent opportunity to manage your money, risk/reward and it serves as hedge against market spikes that can keep you from losing trades. With Nadex, you always know what your maximum risk and maximum reward is before you place your order. In this chapter, you will be introduced to Nadex and you will be exposed to 2 strategies that have high probabilities of success.

Nadex Binary Options have been called “yes or no” or “up or down” trading propositions. Each contract has a maximum value of \$100. This means that the most you could win or lose is \$100 per contract traded. Probabilities determine how much you can win or lose.

Let's say you think the price of gold will be above \$1250 at 1:30pm EST

- The market determines that there is a 70 percent probability you are right.
- You would risk \$70 on a market order to make \$30 on this high probability trade.

Conversely, let's say you think the price of gold will be below \$1250 at 1:30pm EST

- The market determines there is a 30 percent chance you are right.
- You would risk \$30 on a market order to make \$70 on this lower probability trade.

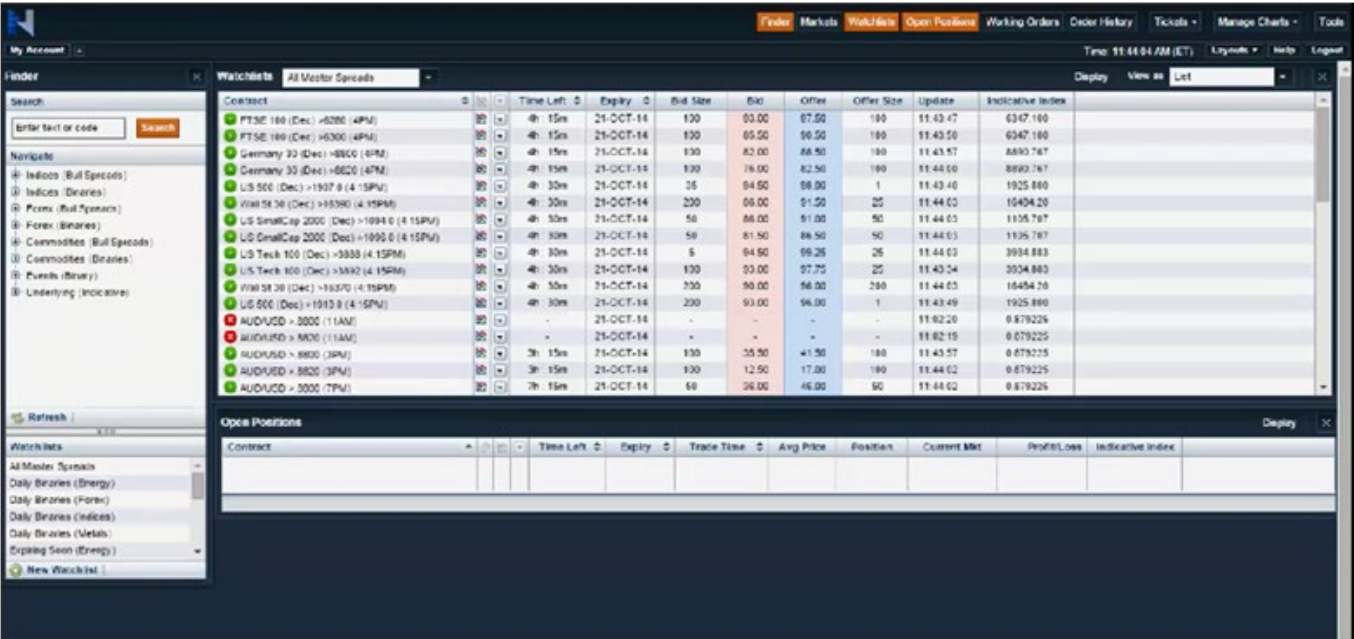
Nadex is the North American Derivatives Exchange. It is headquartered in Chicago and subject to regulatory oversight from the CFTC. When you trade with Nadex, your orders are placed directly on the exchange without a broker. You therefore pay no commissions to brokers. Nadex charges a \$.90 cent fee to place an order on the exchange, and charges a \$.90 cent fee if your trade settles in the money, or if you close your position early. As an exchange, Nadex matches buyers with sellers, and they take no positions in any of the assets made available for trading. In the gold example above, if you bought gold at \$70, you would be matched against someone who is selling gold for \$30 for an even \$100 contract value. Nadex is only available to legal residents of the United States, Canada, Mexico and U.S. territories.

## HOW DO BINARY OPTIONS WORK?

- Everything starts with your opinion on which direction the market is going
- Choose the market you want to trade:
  - Major Indices, Major Commodities, Popular Forex Currency Pairs
- Select a contract expiration time (hourly, daily weekly)
- Determine whether you are buying or selling. How many contracts are you trading?
- Decide what price you are willing to pay. Will it be a market or limit order?
- Place your order directly on the exchange
- You can let your trade ride until expiration or close it out early.



# THE NADEX TRADING PLATFORM



The Nadex trading platform is extremely easy to use. On the left side, you can quickly find the market and time-frame you want to trade. In the middle of the screen you will find a watchlist of popular markets currently being traded, or you can populate this screen with a customized view of the markets you like to trade. Next, you can take a closer look at the chart of the market you want to trade.





Nadex charts give you a wide variety of indicators you can use for technical analysis. On this chart, the 8 period EMA, 50 period MA, Stochastics (12,3,3) are plotted along with a volume indicator. Once you have determined the direction of the market, it is time to place an order.

The image shows two identical Nadex order tickets side-by-side. Each ticket is titled 'Ticket' and contains the following information:

- Proposition:** Germany 30 (Dec) >9120 (4PM) (30-OCT-14)
- Expiry:** Expires in: 2h : 40m
- Index:** Nadex Indicative Index: 9137.000 at 13:19:29
- Order Type:** Limit - GTC
- Order Size:** 1
- Order Price:** 61.50
- Max loss:** \$ 61.50
- Max profit:** \$ 38.50
- Floor:** 0
- Ceiling:** 100

The tickets also display a table of bid and offer prices, and buttons for 'Cancel' and 'Place Order'.

Bid size	Bid	Offer	Offer size
99	62.00	68.50	100

Here are two Nadex order tickets. On the top of each ticket is the strike price we are planning to BUY. The proposition is:

### Germany 30 (Dec) >9120 (4PM) (30-OCT-14)

The proposition is that we think the price of the Germany 30 (DAX) will settle above 9120 at 4:00pm EST. Other areas on the order ticket include:

- Expires in: 2h : 40m – Shows you how much time left until expiration
- Nadex Indicative Index: 9137.000– Shows you the current price of the market
- Bid and Offer Prices: Shows you where the buyers and sellers are on this proposition
- BUY and SELL Buttons: Choose if you plan to BUY or SELL the proposition
- Size: Number of contracts you want to trade
- Price: The price you are willing to pay to BUY or SELL the proposition
- Max loss: The total amount of money you are risking
- Max profit: The total amount of your reward.
- Place Order: Once you have reviewed your order, submit it to the exchange

**The ticket on the left is a market order.**

When you click BUY and select the number of contracts you want to trade, the “Price” box is populated with the current market price for this proposition. Looking below, you can instantly see that you will be risking a maximum of \$61.50 to make a maximum of \$38.50. Since this trade is already in the money, you are risking more money on a higher probability trade. The amount of money at risk (\$61.50, plus a \$.90 cent execution fee) is deducted from your account balance. If you are successful on this trade at expiration, you will be paid \$100 (less a \$.90 cent settlement fee). If you are unsuccessful at expiration, you will make \$0.

**The ticket on the right is a limit (pending) order.**

This is the same ticket, but this time the price has been manually adjusted to fit your risk/reward plan. Now you are risking \$40 to make \$60 in profit. Since there is no current market for your proposition, your order will be filed as a “Working Order” until the contract is accepted. The amount of money at risk (\$40, plus a \$.90 cent execution fee) is deducted from your account balance. If the market retraces and fills your order, then your order will change from a “Working Order” to an “Open Position”. If the market does not retrace to fill your order at expiration, then the trade never happened. If your order gets filled and you are successful on this trade at expiration, you will be paid \$100 (less a \$.90 cent settlement fee). If you are unsuccessful at expiration, you will make \$0.

## **HIGH PROBABILITY STRATEGY #1 — THE 7AM (EST) DAX STRATEGY**

Tom Busby, Founder of Diversified Trading Institute (DTI) presented on a webinar entitled “30 Trading Insights to Help Overcome Your Trading Fears”, which is also a chapter in this book. In one of his observations, Tom remarked that the 7am EST hourly bar of the DAX is a pivot point that sets the tone for the rest of the trading session. When you think about that statement, what he is saying is that a directional trend is in play, triggered by the 7am EST hourly bar. When the hourly charts of the DAX were reviewed, it turned out that Tom was right about 80 percent of the time!

Here's a look at four consecutive days using the hourly charts for Nadex on the Germany 30 (DAX). Four consecutive days, four successful trades.



This strategy is very simple, and it is based on the opening price of the 7am EST bar for the Germany 30 Index (DAX). If the 7am hourly bar is bullish, then you BUY the first proposition that Nadex offers below the 7am opening price. If the 7am hourly bar is bearish then you want to SELL above the 7am opening price. It's that simple.

## PREPARATION FOR THE 7AM (EST) DAX STRATEGY

- Start your prep work at 6:30am EST
- Check the Economic Calendar for any major news out of Germany and the US
- Check the Daily Chart of the DAX for a long-term bias. Uptrend or downtrend?
- Check the Hourly Chart of the DAX for the day. Uptrend or downtrend?
- Check the 15 minute and 5 minute Chart of the Dax. What's happening?
- Check the 5-minute Ichimoku Cloud of the DAX. Confirming bearish or bullish?
- Plot the following indicators:
- 8 Period Exponential Moving Average (EMA)
- 50 period Moving Average (MA)
- Stochastic Indicator set at 12,3,3

Now that you have done your technical analysis, and you feel comfortable with the probable direction of the DAX, it is time to execute the strategy.

## EXECUTING THE 7AM (EST) DAX STRATEGY

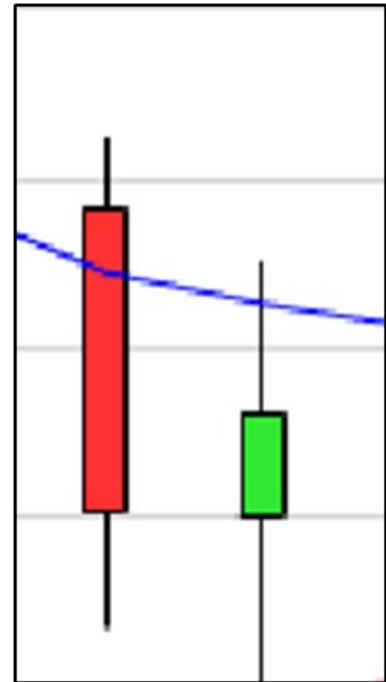
- Nadex sets strike prices at 20-point intervals
- Record the opening price of the 7am hourly bar
- Select the 7am-9am time period
- When the time period opens, switch to the 5-minute chart. Is the market moving in your direction? If there is very sluggish movement at the open of the 7am bar, be patient and wait for the direction of the 7am hourly bar to reveal itself.
- If the direction of the 7am hourly candlestick is bullish, then **BUY** the DAX at the first strike price available below the 7am opening price.
- If the direction of the 7am hourly candlestick is bearish, then **SELL** the DAX at the first strike price available above the 7am opening price.
- Place a Limit Order, risking \$50 to make \$50. When you place your limit order, you are already in the money. A Market Order will force you to risk \$60 to make \$40, or worse. Be patient. The odds are pretty good that the market will retrace to fill your limit order. Risk/reward is key to this strategy.
- That's it. You are good to go. Simple enough?

## WHY PLACE A LIMIT ORDER?

Trust the wick. Here is a 7am and 8am hourly candlestick for the DAX. The candle opened bearish, but it ultimately re-traced above the opening price, forming a wick.

If you placed a market order to SELL above the opening price of the 7am candlestick, it's assured that you would be risking \$60 to make \$40 or worse, since you are already in the money.

If you are patient and place a limit order to SELL above the opening price of the 7am hourly candlestick, risking \$50 to make \$50, there's a decent chance the market will retrace momentarily, fill your order, and continue on its downward path. If a wick doesn't form, the trade is off.




## THAT'S THE SIMPLICITY OF THE 7AM EDT DAX STRATEGY.

This information could also be very helpful for DAX futures traders. To see how this strategy performs, testing was performed that rigidly adhered to the rules of this strategy. Every trade was a one-contract limit order, risking \$50 to make \$50. Here are the profit plan results:

 <b>TRADINGPUB</b> <small>AN ESTABLISHMENT FOR TRADERS</small>					
<b>Current Profit Plan (10 Days)</b>					
10/15/2014	SELL	\$50	10/22/2014	SELL	-\$0
10/16/2014	SELL	\$50	10/23/2014	BUY	\$50
10/17/2014	BUY	\$50	10/24/2014	SELL (NF)	\$0
10/20/2014	SELL	\$50	10/27/2014	SELL	\$50
10/21/2014	BUY	-\$50	10/28/2014	BUY (NF)	\$0
		<b>\$150</b>			<b>\$50</b>

The most recent ten days of trading this plan yielded 6 successful trades, 2 unsuccessful trades and 2 no-fills. The no-fills happened because the 7am hourly bar didn't form a wick. Up \$200. Let's take a look at the previous 10 days:

 <b>TRADINGPUB</b> <small>AN ESTABLISHMENT FOR TRADERS</small>					
<b>7am DAX Profit Plan (10 Days)</b> <b>October 1 - October 14 2014</b>					
10/14/2014	BUY	\$50	10/7/2014	BUY	\$50
10/13/2014	SELL	\$50	10/6/2014	BUY	\$50
10/10/2014	BUY	\$50	10/3/2014	BUY	-\$50
10/9/2014	SELL	\$50	10/2/2014	SELL	\$50
10/8/2014	SELL	\$50	10/1/2014	SELL	\$50
		\$250			\$150

Nine successful trades, one unsuccessful trade. \$400 profit. And now for the 10 days prior to this period.

 <b>TRADINGPUB</b> <small>AN ESTABLISHMENT FOR TRADERS</small>					
<b>7am DAX Profit Plan (10 Days)</b> <b>September 17 - 30 2014</b>					
9/30/2014	BUY	-\$50	9/23/2014	SELL	\$50
9/29/2014	BUY	-\$50	9/22/2014	SELL	\$50
9/26/2014	SELL	\$50	9/19/2014	SELL	\$50
9/25/2014	SELL	\$50	9/18/2014	SELL	\$50
9/24/2014	BUY	\$50	9/17/2014	SELL	\$50
		\$50			\$250



Eight successful trades and two losses. Up \$300.

Over thirty trading days, this strategy yielded the following results:

- 23 successful trades \$1,150
- 5 unsuccessful trades -\$250
- 2 no-fills (limit order wasn't filled)
- Net profit \$900

If you opened a Nadex account with \$500, that would be almost a 200% return in thirty trading days. The 7am (EST) DAX Strategy has tested with an 80 percent success rate over 30 trading days. More data will be collected on this strategy, but the results look promising.

## A COUPLE WORDS OF CAUTION TRADING THIS STRATEGY

### Don't Step Out in Front of a Moving Bus

In this example, the market was moving downward on bad economic news from Germany with momentum.

The 4am and 5 am candlestick moved sharply downward, gapping away from the 8 Exponential Moving Average. Whenever the market drifts too far away from the 8 EMA, it always returns back to the line.

The 6am candlestick was a battle between the bulls and the bears, signaling a return to the 8 EMA line.

When the 7am candlestick turned green and returned to the 8 EMA, the market continued on its downward path on the 8am hourly candlestick.

If the rules of this strategy had been followed to the letter, then we would have entered a BUY order below the 7am candlestick, and we would have gotten run over by the 8am candlestick.

**It's wise not to step in front of a market that is coming at you like a bus.**





### **Avoid the temptation of trying to chase the DAX**

if your limit order doesn't get filled. The more you chase the market, the more vulnerable you are to getting trapped in a market reversal.

## **HIGH PROBABILITY STRATEGY #2 – THE GBP/USD “LONDON OPEN” STRATEGY**

This Nadex Strategy is based on a successful Forex trading strategy that has been around for years. If you trade Forex, please refer to the “London Breakout Strategy” chapter in the Forex section of this book. It's a great strategy to trade, especially if you are an early riser, or if you don't have time to trade when the markets open in New York.

If you can wake yourself up at 4am-5am EST, you can log on to Nadex, place a trade and go back to sleep with a 70-80 percent chance of having a successful trade.



### **THE BASIC RULE OF THIS STRATEGY COULDN'T BE SIMPLER:**

- The daily low or high of the GBP/USD currency pair will be established between 2am-5am EST, when the European and London financial markets open.
- The opposite high or low of the day will be established between 8am-2pm EDT after the opening of the New York market.

Think of it like a see-saw, where the 6am-7am time period is the fulcrum.

## WHY DOES THIS HAPPEN?



At 2am EST, the European markets open and financial transactions start to happen. At 3am the London market and the Bank of England opens. 3am is also the final hour of trading in the Tokyo exchange. At 3am EDT, a huge volume of transactions are processed and cleared in a very short one-hour period of time. The result is often a very bullish or bearish move with the GBP and its related currency pairs. Think of it like a garden hose being crimped, with water accelerating out the hose when you squeeze it.

The volume of transactions, coupled with any economic news reports coming out of the UK (usually at 4:30am EDT) will set the direction of the market for the rest of the dy. Here's an example:



The GBP/USD had been on a downtrend on the daily charts. At 2am, the European markets opened and the market chopped up a little bit, and then moved down. At 3am, the London market opened, moved down a little bit before shooting up at 4:20am and setting the high for the morning session. Then the market turned down sharply. It appeared that the high had been established at 4:20. The decision was made to place the following trade:

### **SELL GBP/USD >1.7140 (3PM) Risk: \$50 Reward \$50**

The order filled, and the market moved sharply downward. At 8am, when the New York market opened, the market accelerated downward, and the trade was never threatened. This pattern repeats itself with great frequency. If you look at the hourly charts of the GBP/USD, you will see patterns like this with great frequency:



If you can spot the low or the high of the market between 2-5am EST, there is a high probability that the opposing high or low will be revealed after 8am EST. If the low or the high of the morning session isn't obvious to you, then it's probably a good day to skip this strategy for the day.

## RULES FOR TRADING THE GBP/USD “LONDON OPEN” STRATEGY

- Check the [Economic Calendar](#) for news from the UK and the US. Most news reports out of the UK are released at 4:30am EDT, so you want to hold off trading this strategy until those reports are released.
- Check the US Dollar Index. Is it trending up or down? The US Dollar Index moves in the opposite direction of the GBP/USD.
- Check the daily chart for the GBP/USD. Is it trending up or down?
- Look for the daily low or high between 2am-5am EDT
- If LOW has been established, then BUY
- If HIGH has been established, then SELL
- If you can't find the low or high, then don't trade this strategy
- Strike Price: +/- 40 pips above the morning low, or below the morning high
- Set the expiration of the contract for 3pm EDT.

The London Open Strategy works between 70-80 percent of the time. If you trade this strategy risking \$50 or less per contract traded, it can add up to significant profits over time.

## CONCLUSION

Trading Nadex Binary Options is a simple “yes or no”, “up or down” proposition. To trade Nadex Binary Options successfully, you need to master three areas of trading:

- Disciplined money management – Never risk more than 5% of your account per trade
- Risk/Reward Management – Don't Risk More than \$50 on any contract
- Directional Strategies with a High Probability of Success – 70 percent or better

If you can master these three areas, you will achieve much better consistency in your trading and your account balance will continue to grow.

## SPECIAL OFFERS:

[Watch the Video \(highly recommended\)](#) – Cam White walks you through the Nadex platform, how to use it and how to apply the two High Probability strategies discussed in this chapter.

[Open Up a 2-Week Free Nadex Demo Account](#) – Sign up for a free Nadex demo account. It will be funded with \$25,000 in play money. Test these strategies and see how they work out for you.

[Get a Free Library of Nadex Information](#) – Courtesy of TradingPub



## ABOUT THE PRESENTER

Cam White has been working in Business Development with TradingPub since June 2014. His first assignment was to become familiar with Nadex. He downloaded the demo software and dove into the Nadex platform. A self-professed “crash test dummy”, Cam tests directional and non-directional strategies with Nadex Binary Options and Nadex spreads and publishes results.

Cam also publishes [The Probability Report](#), a monthly newsletter featuring Nadex webinars, and contributes articles on Nadex to financial media outlets.

**CHAPTER VII**

**TRADING**

**NECESSITIES**

## TRADE AS A BUSINESS AND SAVE MONEY ON TAXES

Written by Trading Pub based on Robert A. Green, CPA content and edited by Robert Green

If you are an active trader, are you prepared for the tax man? How do you organize your tax information? Are you taking all of the deductions you are entitled to? Are you writing off expenses that the IRS doesn't allow based on investor tax status? In this chapter, we will discuss the impact of taxes on trading, and how to save a lot of money if you qualify for business and entity treatment.

## FORMING A TRADING BUSINESS ENTITY

### Why Traders Should Consider An Entity?

- Q3 is an excellent time to form a trading business entity.
- Arrange deductions for health insurance premiums and retirement plans (saving 2k to 17k in taxes).
- Avoid wash sales with IRAs and break chain on wash sales in individual taxable accounts.
- Gain flexibility on tax treatment elections like Section 475 MTM.
- It looks much better to the IRS for claiming trader-tax-status business expenses.

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If you are an active trader, you may qualify for trader tax status (business treatment). Although you are trading as an individual, you can claim sole proprietor tax status as an unincorporated business. As a business, you can write off business expenses on your tax return (Schedule C) including home-office expenses, computers and monitors, paid education services, seminars, and other trading expenses. Business deductions can save traders \$5,000 to \$10,000 more in taxes than using limited investment expense treatment on Schedule A (itemized deductions).

Q1 to Q3 is an excellent time to form a trading entity because it gives you time to put in place many of our tax-saving strategies. You need time to organize your records and plan for health insurance and retirement plan employee-benefit deductions. A separate entity tax return avoids ongoing wash sales with IRAs and manages the tax treatment of losses better. Acting earlier in the year looks better to the IRS rather than waiting until the last minute to set up a trading entity.

[Click here for more information on how to qualify for trader tax status.](#)

## THE “GOLDEN RULES” TO SEE IF YOU QUALIFY FOR TRADER TAX STATUS:

### **Substantial volume:**

Makes close to 1,000 individual trades per year on an annualized basis. Count trade confirmations and separate legs of complex option trades.

### **Substantial proceeds:**

Has proceeds in the millions of dollars per year on securities; less is okay on options, futures and forex.

### **Regular:**

Trades full-time or part-time for a good part of the day, almost every day.

**Frequent:**

Executes trades on more than 75% of available trading days. That's close to four days per week.

**Continuous:**

Has few to no sporadic lapses in the trading business during the year. One month on and one month off is not acceptable.

**Time:**

Spends more than four hours per day, almost every market day working on his trading business.

**Daily market movements:**

Makes mostly day trades or swing trades with average holding periods under a few weeks on equities and no more than 30 days on options.

**Intention:**

Has the intention to run a business and make a living. It doesn't have to be a "primary" living and you can have perennial losses as the hobby-loss rules don't apply to a trading business.

**Business setup:**

Has significant business equipment (computers and monitors), education, business expenses and a home office.

**Materiality:**

Has a material account size of \$25,000 for equities (minimum for pattern day trader status) and over \$15,000 for futures, options and forex.

# WHAT DOESN'T QUALIFY?

## Three situations don't qualify for trader tax status:

using an automated trading solution without much personal involvement, engaging an outside money manager or trading retirement funds. Trades from these activities should not be included in the golden rule calculations.

### Entity Solutions

- A trader can form an LLC, general partnership or S-Corp as a trading entity vehicle.
  - A C-Corp is a bad choice for a trading business. Losses are stuck on the entity level, and there is no Section 1256 60/40 tax rates on gains.
- New traders and existing traders are interested in forming an entity to house their trading operations separate from other activities.

If you qualify for trader tax status, then an entity may help you further. Generally, we recommend an LLC or general partnership electing S-Corp tax status. A C-Corp is good as a management company to avoid Obama-era tax hikes on individuals — the 39.6% top rate and 3.8% Medicare surtax on unearned income — but not as a trading company due to double taxation, losses trapped on the entity level and no lower 60/40 tax rates on futures.

It's important for new or existing traders to form an entity to separate trading activities from investment and other business activities.

Sole proprietor traders deduct business expenses, but they may not have employee-benefit plans for the owner/trader since trading gains are not earned income. With an S-Corp trading company or C-Corp management company, the owner/trader can pay himself compensation to unlock employee-benefit plan deductions including health insurance and retirement plans. But only entities qualifying for trader tax status may have compensation and employee-benefit plans; investment companies may not.

### **Entity solutions: Compensation & Other Benefits**

- With an S-Corp or C-Corp, the trader receives a salary unlocking deductions for high-deductible retirement plans and health insurance premiums.
- An entity helps solve the wash sale loss deferral problem.
  - Trading in the entity breaks the chain on wash sales in your individual accounts, including IRAs since the entity is a different taxpayer.

Even entities formed later in the year with payroll executed in December can receive employee-benefit plan deductions (retirement plan and health insurance) for the entire year. You can use a payroll service like Paychex at low cost. Be sure to take out tax withholding from your paycheck, which helps avoid underestimated tax penalties.

You don't need workmen's comp as the owner. If you lose money, you don't have to make any payroll. You can use a small payroll to pay health insurance premiums. Only execute retirement plan deductions based on trading gains (not when you have losses).

## ENTITIES HELP WITH WASH SALES

An entity helps solve the wash sale loss deferral problem. Let's assume you just took a large loss trading Apple (Nasdaq: AAPL) stock. Shortly thereafter, you re-enter a similar position in AAPL stocks or options 30 days before or 30 days after. The IRS says "Wait a second — you took a loss and you want to deduct it on your tax return, but economically you got back in to the same position. We don't want you to deduct the loss; we want you to defer it to that next position you entered." You've been trading AAPL all year, and you've been losing a lot. You built up this huge wash sale loss deferral problem.

What's the answer to this problem? You can break the chain on the 30 days. One way is to stop trading as an individual and trade as a separately filed entity (a single-member LLC disregarded entity does not work). This creates a new taxpayer entity, with a new taxpayer ID number (different from your individual social security number). Effectively, you stopped trading AAPL as an individual well before year-end (or at year-end if you start your entity Jan. 1).

Another consideration with wash sales can be even more catastrophic. If you trade in IRAs (Roth, rollover or others), they are connected to your individual taxable accounts. You have to calculate wash sales across all accounts, including your joint accounts, your spouse's account if you are filing jointly and both of your spouse's IRA accounts. If you are forced to move a wash sale loss from your taxable accounts in to your IRA, you will never get that loss benefit in the taxable or IRA accounts. That won't change the funds you take out as a distribution from the IRA, which is what you are taxed on. There is no basis adjustment for those wash sales. If you don't qualify for trader tax status, you still may want to form an entity, if you trade substantially identical positions between individual taxable and IRA accounts to avoid this ongoing wash sale problem.



### Entity solutions: More tax treatment flexibility

- Forming a new entity after April 15 gives you a new opportunity to elect Section 475 MTM — for ordinary gain or loss treatment and exemption from wash sales — since the individual election was due April 15.
- Or it gives you an opportunity to get out of using Section 475, if you elected it in the past and for some reason don't want it anymore (i.e. you want capital gains to use up capital loss carryovers or current year capital losses).

Forming an entity gives you greater flexibility: It's easy to open, maintain and close. You can exit the trading business and close the entity to get the rest of your Section 195 capitalized start-up costs written off as an ordinary loss. Forming an entity after April 15 gives you a new opportunity to elect Section 475 mark-to-market accounting for ordinary gain or loss treatment and exemption from wash sales on the entity level, since the individual Section 475 election was due by April 15 of the current tax year.

Closing the entity also gives you an opportunity to get out of 475 MTM if you've used it in the past but don't want it anymore.



### Retirement Plan Solutions: Trading gains are not SEI

- Retirement-plan contributions can only be made if that taxpayer has self-employment income (SEI) or compensation.
- Trading gains aren't SEI or compensation. Traders use entities to financially engineer compensation.
- The exception to this is futures traders who are full-fledged dealer/members of options or futures exchanges; their individual futures gains are considered SEI (Section 1402i).

## RETIREMENT PLANS FOR TRADERS

If you trade in your retirement plan, consider contributing to a Roth IRA for permanent tax-free build up.



### Retirement Plan Solutions: Individual 401k and plan loans

- Generally, the best retirement plan choice for business traders is an Individual 401(k) plan.
- It combines a 100% AGI deductible "elective deferral" contribution of \$17,500 with a 20% AGI deductible profit sharing plan contribution.
- There is also a "catch up provision" of \$5,500 for taxpayers age 50 and over.
- As a "qualified plan," an Individual 401(k) allows plan loans, whereas an IRA does not. Borrow up to the lower of \$50,000 or 50% of plan assets. Traders can use this money to finance a trading business.

When you look at the math between retirement plan deductions and health insurance deductions, setting up a trading entity can save you a substantial amount of money.

## Retirement Plan Solutions

- Many leading brokers offer Individual 401(k) plans on a cookie-cutter basis (which means “free”) and they allow active direct-access trading.
- Stay clear of trying to open a margin account for securities trading, as that can trigger a prohibited transaction.
- Clients save \$2,000 to \$17,000 or more with these strategies.
- High-income traders should consider defined-benefit plans to save even more.


Stay clear of margin accounts within an IRA, because that can trigger “prohibited transactions” which can blow up your IRA and make everything taxable income.

Business traders should open an employer 401(k) plan before year-end in an S-Corp trading entity or C-Corp management company — otherwise, they will miss the boat on the best retirement plan choice for most traders. The 401(k) elective deferral (\$17,500 for 2014 and \$18,000 for 2015) is 100% deductible, plus it’s paired with a 25% employer profit-sharing plan allowing a total contribution of up to \$52,000 for 2014 and \$53,000 for 2015.

There’s also a catch-up contribution (\$5,500 for 2014 and \$6,000 for 2015) for taxpayers age 50 and over. An Individual 401(k) plan has a 20% profit sharing plan for sole proprietors, which is not as generous as the employer 401(k) plan.

Make sure to pay compensation before year-end to execute these employee benefit plan deduction strategies.

High-income traders should consider a defined benefit (DB) plan where you can contribute much higher amounts per year (up to \$210,000 for 2014). DB plans require actuaries and attorneys and it takes time to set up. Consider different options for your retirement plan contributions and whether or not you have sufficient cash flow to maximize this tax deduction. Can you afford a Roth contribution too? See 2014 retirement plan limits on ([click here](#) for DB plans). Don't overlook required minimum distributions (RMD) rules for traditional retirement plans. (Read [Retirement Solutions](#) and watch our Oct. 22 Webinar recording [Year-End Planning with Trader Entities](#).)

A presentation slide with a green and white background. The title "Retirement Plan Solutions: DOs and DON'Ts of using IRAs" is in green text. Below the title is a dark blue horizontal bar. The main content is a bulleted list in dark blue text. The first bullet point is "Learn the DOs and DON'Ts of using IRAs and other retirement plans in trading activities and alternative investments (see blog)." followed by two sub-bullets: "- **Alert!** Many traders may be triggering IRS excise-tax penalties for prohibited transactions including self-dealing and/or UBIT taxes by using their IRAs and other retirement funds to finance their trading activities and alternative investments. Spot these problematic schemes early, like the IRA-owned LLC." and "- Avoid clients blowing up their IRAs."

**Retirement Plan Solutions:  
DOs and DON'Ts of using IRAs**

- Learn the DOs and DON'Ts of using IRAs and other retirement plans in trading activities and alternative investments (see blog).
  - **Alert!** Many traders may be triggering IRS excise-tax penalties for prohibited transactions including self-dealing and/or UBIT taxes by using their IRAs and other retirement funds to finance their trading activities and alternative investments. Spot these problematic schemes early, like the IRA-owned LLC.
  - Avoid clients blowing up their IRAs.

Be careful of scams. There are a lot of snake oil salesmen peddling “checkbook IRAs,” IRA-owned LLCs and similar schemes on the internet. You are leaving yourself exposed to IRS excise taxes and/or UBIT taxes by using your IRA to fund trading activities. You need to know the rules and follow the advice from professionals that have your best interests in mind — not theirs. Check the GreenTraderTax [Retirement Solution](#) page for articles on retirement planning and IRA scams (see Related blog posts on the right side).

## Retirement Plan Solutions: Roth IRA conversions

- It's wise for traders to consider Roth IRA conversions.
  - Permanent tax savings on trading income.
  - In losing years, soak up Section 475 MTM ordinary trading losses and utilize lower tax brackets.
  - Traders can re-characterize the Roth IRA if the conversion assets significantly drop in value afterwards.

A good way to accelerate income to utilize lower tax brackets is by executing a Roth IRA conversion before year-end. The conversion amount is ordinary income but it's not deemed an early withdrawal triggering a 10% excise tax penalty.

You can break an IRA into pieces in order to convert a certain amount. And you can always re-characterize the conversion in the following tax year if it doesn't work well —

for example, if you lose the money in the Roth account and prefer a do over or if your tax rates in the following tax year are far lower than the conversion year.

## Health Insurance

- Health insurance premiums are another employee-benefit tax deduction.
- As with a retirement plan, you need SEI.
- Individuals deduct health insurance as an AGI deduction.
- It's a little tricky with an S-Corp. using wages.
- If you skip health insurance, you'll be charged an ObamaCare penalty, which grows each year.

## CONCLUSION

If you are an active, full time trader and you qualify for trader tax status, consider setting up an entity — preferably an LLC with an S-Corp election. The entity looks better when using trader tax status, it's more flexible on tax treatment elections and it unlocks employee benefit plan tax deductions.



## SPECIAL OFFERS:

[-Watch the Video of this Presentation \(highly recommended\)](#) - Watch the Video of this Presentation (highly recommended) Watch the Video of this Presentation (highly recommended) – Robert Green, CPA helps you make sense of how the IRS treats individual investors vs. trading entities. If you qualify to set yourself up as a trading business, then the tax savings can be huge.

-Special Offer from Green Trader Tax: 25% off full price entity formation services. Contact customer support at 203-456-1537 and mention this offer. .



## ABOUT THE PRESENTER

Robert A. Green is a CPA and founder and CEO of Green & Company Inc. (GreenTraderTax.com), a publishing company, and Managing Member and Founder of Green NFH, LLC, a tax and accounting firm catering to investors, traders and investment management businesses. He is a leading authority on trader tax. Mr. Green writes the “Business of Trading” section for Active Trader magazine and is a Forbes blogger for their column Great Speculations. He is also the author of The Tax Guide for Traders (McGraw-Hill, 2004), Green’s Trader Tax Guide and

the annual GreenTrader tax return example guides. Mr. Green is frequently interviewed and has appeared in the New York Times, Wall Street Journal, Forbes and Barron’s. Mr. Green has also appeared on CNBC, Bloomberg Television and Forbes.com Video Network. He is the main tax speaker at the MoneyShow University and Traders Expo, and he teaches a Trader Tax 101 class for CCH to tax professionals for CPE credit.

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