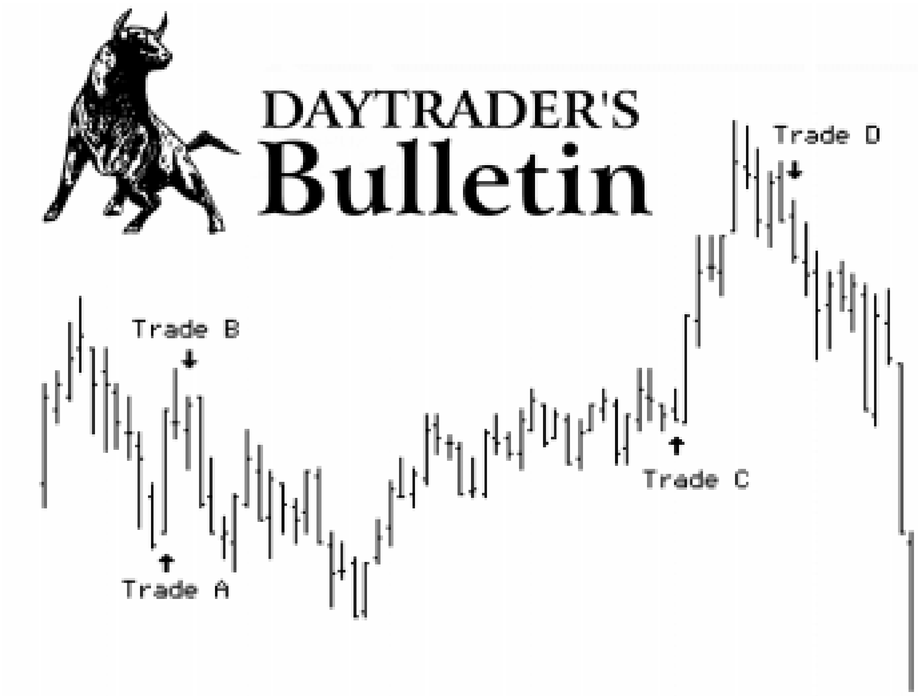


Tips, Tricks & Techniques for Day Traders

All of the information contained in this booklet is available on our web site, daytradersbulletin.com. For a one-week Free Trial of the Real-Time Bulletin Signals, fill out the form at www.daytradersbulletin.com/html/free_trial2.shtml

Good trading,

Charles Holt, CTA
The Daytrader's Bulletin

The information contained in this report has been developed from sources we believe to be accurate and true, and is not a solicitation to buy, nor an offer to sell, any specific futures contracts. There is a risk of loss when trading/investing in futures, equities, mutual funds, options and any global financial instrument. No representation can, will, or is beirg made that any account is likely to achieve profits or losses similar to those shown within. Past performance is not necessarily indicative of futures results.

Published by Pacific Research & Trading

Preface

This book is compiled from information freely available on our web site: The Daytrader's Bulletin www.daytradersbulletin.com There is so much information on the Internet it's difficult to know where to begin. If you are interested in day trading, our Real-Time Bulletin Signals, or just in improving your own trading, this book is for you.

Here you can review these materials when and where it is convenient to you. In this short booklet we explain the methods we use for our Real-Time Signals. We have developed methods to successfully trade the S&P 500 and believe our methods can be taught to others. (See Current Performance on pagetoo 5).

Using the Real-Time Signals you can learn day trading skills in the least amount of time. We trade and issue commentary throughout the trading day. You can watch and/or participate in the same moves; see the trade unfolding, watch as we move our stops, or exit the trade.

What if you are unable to watch the Real-Time Signals or trade during the day? Our newest program, the Daily Trade Insights offers an end-of-day look at technical analysis. You can study our trading in the evening and develop good trading skills and insights before you begin trading the markets in real-time.

This book provides:

- Easy Lessons to Learn Daytrading Techniques
- 7 Order Types and How to Place Your Order
- How to Use Cycle Turning Points
- How to Analyze and Record your Trades

• Which Indicators to Monitor

• Technical Analysis Tips

• How to Control your Mental Attitudes

• How to Improve Your Trading Skills

Who should read this book?

Students
Investors
Day traders wanting to hone and fine tune their skills
Anyone that wants to day trade

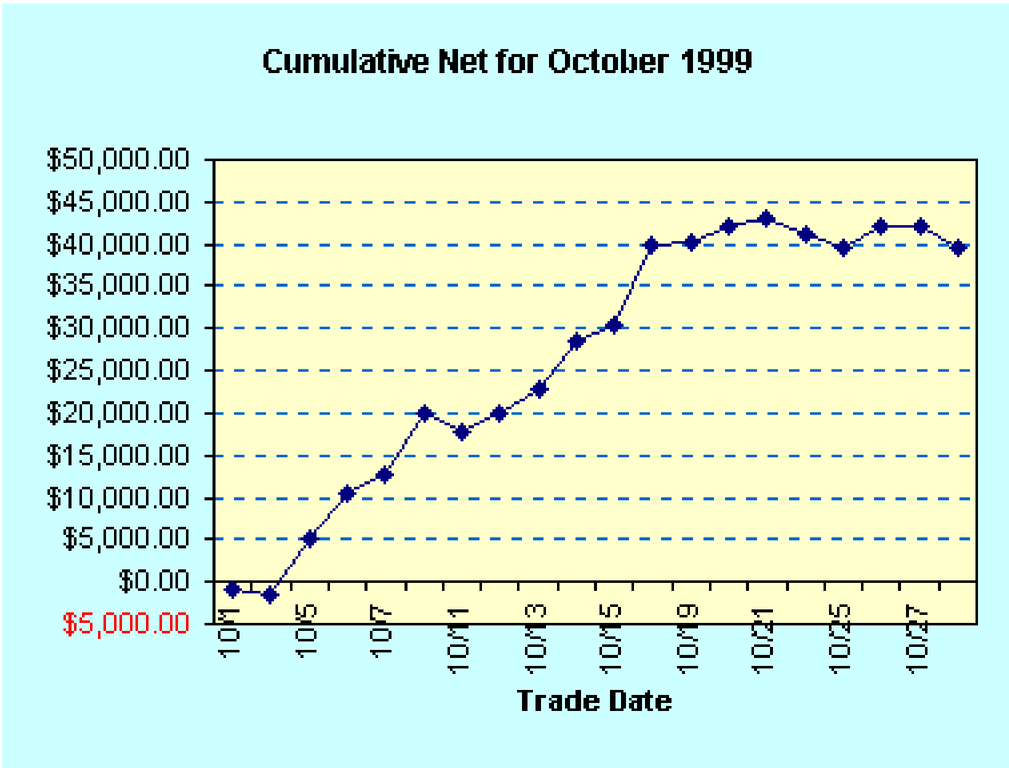
Seminars can cost thousands of dollars for a single session or weekend of training. Frequently with seminars so much material is presented in such a short time period that it can be difficult to retain or put into practice what you have learned. The end result is you are provided with ideas and gain enthusiasm, but it is the materials you carry home that will benefit you the most in the long run. Here are those materials.

The best way to learn a new skill is by practice and diligent study with the proper tools. The best way to learn day trading skills is by having a personal training coach and mentor. The next best thing to actually being there is to review our Real-Time Commentary every trading day. The repetitive nature of the markets becomes clearer by daily practice and study.

Submit a free trial request for the Daily Trade Insights - Commentary Review, a Free Trial of our Bulletin Signals, or if you have already taken a trial and are ready to begin your day trading education, subscribe today.

If you have questions, comments or ideas you would like considered, please send them to trader@daytradersbulletin.com and we will respond promptly. Answers to your trading questions may already be posted in our FAQs (frequently asked questions) pages so check there too www.daytradersbulletin.com/html/faqs.html

Current Performance



We post our trading results as soon as possible after every trading session at www.daytradersbulletin.com/html/cnet.mv

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Chapter 1

The Bulletin Method

How the Bulletin Signals Work: An Overview

To receive the Bulletin Real-Time Signals you must be a subscriber, or registered for a current free trial. We suggest that you bookmark the Bulletin Signals Log-In Page and place the bookmark near the top of your browser's drop-down bookmark menu, where you can easily go directly to the Signal Log-In Page. Please retain your User Name and Password in a secure place. If you should inadvertently lose either, Contact us (see Appendix A) and we will supply you with the necessary information.

Once at the Bulletin Signal Page, you may re-size the page to suit your preferences. To open a second browser window for visiting other sites, use Ctrl-N (Windows) or click File > New Browser on your browser’s file menu. You should be able to receive the sound alerts and updates even though the page is not currently active. We advise that you have the Signal Page up and running prior to the markets opening. In this way you will be able to receive the Pre-Opening Commentary and the Test Open Bulletin to verify that all systems are functioning correctly and to verify the amount (if any) of system lag.

System Lag: Synchronize Your Clocks

To verify any system lag, note the time difference between the market open on your real-time data feed and your reception of the Test Open Bulletin. This time difference constitutes system lag. Ten to 15 seconds is not unreasonable; our entry systems take this amount of lag into consideration.

If you find the lag period approaching 60 seconds, try disconnecting and then reconnecting to the Signals Page. If the lag period is too great (i.e. 60 seconds or more) you will probably have a difficult time entering your trades in a timely manner. (See our suggestions for software utilities to synchronize your computer's system clock).

Types of Bulletin Signals:

We issue many different types of bulletins including: Special, Entry, Exit, Management, Signal Alert, Alert Terminated, Market Open and Market Closed. Following are descriptions of each type. For detailed examples refer to The Guide, Appendix C.

Special Bulletins are informational in nature and describe anticipated market action; the behavior of indicators, trendlines, moving averages; and logistical information. Often they have references to moving averages.

Moving Averages: All of our Moving Averages are 20-period exponential unless otherwise noted. We refer to these moving averages such as: "5M" for a 5-minute exponential moving average. A 30M moving average would mean a 20-period moving average on a 30-minute bar chart. In parenthesis we then note the value of that moving average at that time -- as time progresses, these values change and the shorter period averages (such as the 3M and 5M) can change very rapidly with price movement. 5M moving average (1248.50) would mean a 20-period exponential moving average on a 5-minute chart and its current value is 1248.50.

Entry Bulletins get us into the market either long or short and are so described in the top right area of the Signal page. The Price at Signal field shows the market price at the time we sent our signal. You must compare this price to your data feed price just before market entry to verify that price is within the unabled range (usually +/- 160 points from our Price at Signal price).

The Entry/Exit field shows our broker order such as Buy 2 @ Market (most of our entries are market orders). The Management field shows stop placement information. For a Buy Entry it would read something like "Sell 2 @ 1250.40 Stop." The Status field shows our position relative to the market such as "Now short 2." The Risk/Reward, Holding Period and Account Size Per Contract are explained in detail in The Guide.

Exit Bulletins unwind our trade 1 contract at a time or sometimes all at once depending on market conditions. The Entry/Exit field indicates the number of contracts to cover while the Management field reminds you to Cancel/Replace any protective stop(s) you have in the market. The Status field again shows our positions working in the market.

Signal Alert Bulletins will alert you to the probability of a trade being placed soon -- usually within minutes. We send these alerts when we have sufficient warning of a trade set-up.

Management Bulletins move our stops as price action moves in our direction.

The Market Open and Market Closed Bulletins announce the opening and closing of the market.

Whenever a new Bulletin Signal is broadcast, it is announced on your computer system by multiple tones on the Signal Page. Note: In order to receive tones associated with a just-received Signal Page, you must have a sound card installed on your system. This is highly recommended; if you get distracted from looking at your computer screen, you may miss the Signal. With a sound card, you can be doing other work on your computer and still receive your Signals. (See our tips regarding sound, if you have any trouble hearing the tones.)

Order Placement

There are a wide range of order types that traders can use to get their positions into the market. Our Order Placement Worksheet can be helpful in recording your orders (see pg. 17 for Recording Trade Transactions and Appendix for forms). The following is an overview of the different types of orders:

Market Orders.

If you don't want or care if your order has any time, price or other restrictions on it, and you wish to get into or out of a market as quickly as possible, use a market order.

"Buy three December S&P's at the market."

This lets your broker or the floor know which side (long in this example) of the market you want to be on, the number of contracts and the delivery month. It also informs him you want to be filled immediately.

Market on Open (MOO).

These orders are traded at the "open." Most exchanges designate the first 15 minutes as the "open."

Market on Close (MOC).

This order is designated to be traded on the close (usually the last few minutes of trading.)

Day Orders.

Day orders are limited to execution the same day, or to a single trading session. At the end of the trading session, the order is canceled if it hasn't been filled. If there are two or more trading sessions for the future you are trading, your day order would not carry over to the next session on most exchanges. It is important to ask whether this is the case with the exchange you are trading.

Good Till Canceled (GTC).

This type of order stays in the market until it is filled or until you cancel the order. Many of the exchanges will not accept this type of order.

Limit Orders.

You use a limit order when you want to specify a price or price range in which you wish to be filled. This order gets filled at your price or better. This sounds terrific; however, on the floor it receives a lower priority than a market order and if the market is moving, it may move out of the price range you were willing to accept without you being filled.

"Buy three December S&Ps at 975.40 stop limit." You would be filled long at 975.40 or at a lower price,

or: "Buy three December S&Ps at 975.40 stop limit 40 points." You would be filled long at 975.80 or at a lower price.

Stop Orders.

On a stop order, when price reaches your stop price, the stop order becomes a market order and is treated accordingly. A sell stop becomes a market order when price trades down to or through your stop price. A buy stop becomes a market order when price trades up to or through your stop price:

"Buy three December S&Ps at 970.10 Stop," or "Sell two December T-Bonds at 112.12 Stop."

As daytraders, we use stop orders to control losses. If you are long, you place a sell stop either below a resistance area or a certain distance away from your buy fill. This is called a "fixed money management stop."

Stop orders are also used to lock in profits. If you bought three S&Ps at 970.00 and price moves to 976.00, it is prudent to protect one-half of your open profits. Therefore you would:

"Sell three December S&Ps at 973.00 Stop."

Order placement is crucial in daytrading. Therefore, we use market orders. With the larger intraday price movements prevalent today, I don't quibble over a few ticks. If we see a trade that our systems say to take, we go for it.

We use stop orders for loss protection and locking in profits. Once price has moved in our favor a certain distance, we attempt to protect at least one-half of our open profits.

In ordering: Be patient, wait for the Signal. Don't be greedy, don't jump the gun. You must have discipline to take the Signals when they occur, adjust your stops and take profits as the Signals direct.

There is only one way to exit the market when daytrading: When price approaches or trades through your target price, get out at the market. You then must quickly cancel any protective stop orders you have resting in the market.

If your trade immediately moves against you, get out now. Allow your protective stop to get you out, or if there is some compelling reason to exit shortly after your entry, then get out immediately. Then, make sure you cancel your protective stop, otherwise you will have a reverse entry forced on you. If you do get a forced reversal entry, use a market order to go flat and do it without hesitation.

You must have the discipline to handle your orders in the manner we have discussed. Otherwise, you will probably join the ranks of 85% of all traders -- the losers.

Trading - More Than Making Money

There was a period in my trading life where I could call tops and bottoms in the markets with 90% accuracy (when paper trading). Unfortunately, when money was on the line, I couldn't tell the time of day. The money was too important to me. Trading is far more profitable, satisfying and fun when the money is not important to you. Yes, we trade to make money; but this must be psychologically separated from the analyses and action of trading.

Optimally, trading is process oriented. You define what constitutes a winning trade and when you see that pattern, indicator combination, or setup, you take the trade -- easily, without hesitation and you feel good about it. You work the trade and the money comes -- almost as an aside.

The Daytrader’s Bulletin supplies you with high percentage, high average profit, and low drawdown Entry, Management and Exit trading signals. Many beginning and perennially losing traders believe this is all that’s needed for market success. This is absolutely not true. The hardest part of trading is the part that you as a subscriber must do to win. Take the Signals -- easily and without hesitation. Yes, there have been and will be losing periods. However, these periods are short and the losses are usually small.

To take the Signals you must have confidence in the Bulletin. The best way to do this is to become fully knowledgeable about our service -- how it works, what it can and cannot do, and what to do if the unexpected occurs; i.e. contingency planning. We have provided extensive FAQs, and the Guide will answer any questions or comments that you may have. You must have confidence that you will win by taking the Bulletin Signals.

After becoming knowledgeable about how the Bulletin Signals work, how you receive and interpret them and usage of our terminology, you should paper trade or better yet take a one contract position based on our Entry Signals. Go flat on our second Exit Signal (see FAQs, Bulletin Signal Question No. 4). If you are a neophyte trader, this approach is critical for gaining confidence in placing orders, following our Entry and Management Signals and finally exiting the trade on our first Exit Signal.

Pulling the Trigger

Are you second guessing, reflecting and delaying when you should be entering a trade?

Traders sometimes tell us they have difficulty taking the Bulletin Entry Signals; even though they realize that the probabilities based on past performance are that they will win. They are like parachutists just before jumping out of a plane. Well trained, equipped, and 15,000 feet up in a plane with the door removed, yet unable to take the last step in the process. Fear of entry is one of the biggest problems facing a trader. Unfortunately, there is no easy, comfortable way to overcome this obstacle; one must simply decide to take the next signal.

If you cannot execute when you receive an ideal Bulletin Entry Signal, it is because you are still experiencing fear from previous trading experiences and you don't believe that you will act appropriately under all market conditions.

It is up to you to take the Entry Signals. If you do not, or cannot take them as they are broadcast, you may as well sell you trading materials and computer, and stop subscribing to that expensive real-time data-feed. Pass your time sailing, and playing tennis or golf -- find something to do other than trading the markets.

"Pulling the trigger" only takes a moment. Be aggressive, bold and courageous. Entry must be quick or the opportunity will be missed. Entry must be accurate or you will not have what you want. The Bulletin Signals produce high probability, high profit trades and include integrated, money management rules. You have read the Bulletin Guide, FAQs and our Tips. You have followed our Signals real-time and become comfortable with our techniques and terminology. When you receive a Bulletin Entry Signal, now you can trade it!

For more specific ways to deal with "Pulling the Trigger" issues, refer to Chapter 7 - Trade Execution.

Why Daytrade?

Many trader friends ask me why I daytrade; the real-time data feed is expensive, slippage and commissions are a considerable expense relative to position trading expenses, and it requires an intense focus. My response is that if you're good at daytrading, the returns can be much greater because you can trade several times a day rather than once a week or once a month.

I find I sleep much better when I daytrade than position trade. What brought me to daytrading was being stuck in a lock-limit move against me for four days carrying 15 contracts. It was an unpleasant experience. Aside from no overnight surprises, the disciplined daytrader leaves less money on the table than position traders.

In daytrading the price patterns form very quickly and require a disciplined, automatic response once a trading signal is perceived. A disadvantage of a real-time data feed is the almost universal compulsion to over trade. The constant price bar changes, the volume histogram, the screen refresh and the dancing indicator colors must strike some deep-seated need for action now. The flashing, changing neon of Las Vegas exists for a purpose. The opposing factors of quickly responding to Signals and a deep need for action now must be dealt with by every daytrader.

I suggest simply watching a screen with 1-minute, 3-minute and 5-minute price bars for a full day. Do not trade. Observe the movement of the bars and at the end of the day, note the ideal buys and sells on the 5-minute price chart. Now, go to the 1-minute chart and allow yourself to see all of the noise, price movement and false entries prior to the optimal entries. Know that you must exercise discipline and take only your Signals.

Risk Relative to Reward

A vital concept to winning in any endeavor is that of low risk relative to potential reward. As traders with substantial sums at risk, it is imperative that we identify time and price levels where our potential risk is minimal compared to our potential reward. Said another way: we would be willing to risk up to $750 on a trade, for the opportunity to gain $2,250. This situation has a favorable risk/reward ratio of 3 to 1. We could be wrong two out of three attempts, be correct only one time, and still break even!

In this example, the double-top (some would say a triple-top) formed just before and after 7:30 CST (Central Standard Time) establishes a top with considerable resistance above it. Consequently, when price makes another run up into that area but gets rejected with a spike bar (dark cloud cover candlestick formation) at 7:58 CST, we can be reasonably confident of a leg down.

If price can go above the double-top at 983.50 by several ticks, we would know there is considerable bullish strength remaining and we could reasonably acknowledge that our trade was a loser. Our stop must be above 983.50 regardless of our fill; therefore, the sooner we are filled, in a falling market, the better. (The closer we are filled to 983.50, the lower our potential loss would be if we are wrong).

This trade turned out to be a winner and we exited at 979.65 at 8:17 CST for a profit of $750 per contract.

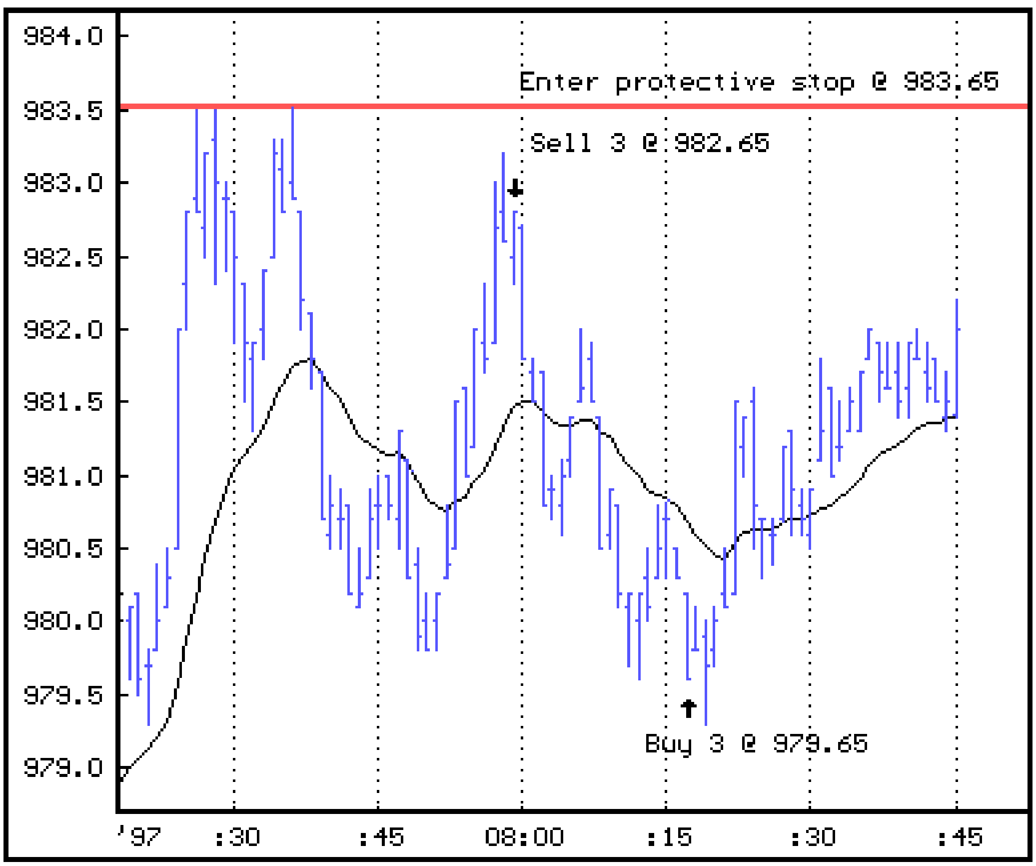

Chart 1

At the Daytrader's Bulletin, we have identified numerous low risk ideas with statistically high win percentages. We present these ideas to you when we issue Entry Bulletins. Take the Signals -- they are low risk ideas that work.

Using the Cycle Turning Points with Support/Resistance

Because all traders are human, their behaviors can be observed and, over time, anticipated. This fact allows us to anticipate the markets' turning points which we call Cycle Timing.

Cycle Timings are those times of the day when a change in price direction is most likely. These times are plus or minus 10 minutes. There is no certainty that price will reverse or congest at these times, but knowing that there is a strong tendency for this to occur will give you that important "edge" that is so necessary for winning in these emotional markets.

Support and Resistance are those price levels where the market will stop its movement. There are both short-term and long-term support and resistance levels. The short-term levels we call Intraday S/R level and the longer term levels we refer to as Key S/R levels. Whether price stops at an Intraday S/R level or a Key S/R level depends on the Day Type.

A Breakout Day will either slice through or stop momentarily for a retracement at an Intraday S/R level. A Cycling Day will stop and reverse at some Intraday S/R level. A Reversal Day will probably stop and reverse at a Key S/R level.

When Key S/R levels and Intraday S/R levels cluster, an important support or resistance level has been established. A breakthrough of this level will usually see a freefall or blowoff market.

Any time price is below a Support or Resistance line, that line above it is termed "resistance"; when price is above a Support or Resistance line, that line below it is termed "support." We make the distinction between Support and Resistance lines based on where price is in relation to these lines. At the end of the day, lines above the close are resistance and lines below the close are support.

Due to the frequent large gaps, lines labeled support may become resistance and lines labeled resistance may become support depending on where the overnight gap opens the market.

When Cycle Timings and Support/Resistance lines intersect, the chances for a reversal or movement out of congestion increases. Occasionally, the Cycle Timings will shift due to overnight news or large moves in foreign markets. When this occurs, we will contact you via a Special Bulletin Signal. The factor should be added to the given Cycle Timings if preceded by a plus or subtracted if preceded by a minus. Thus a -5 shift would indicate that you subtract 5 minutes from all of the Cycle Timings for that day, and a +8 would indicate that you add 8 minutes to all of the Cycle Timings for that day.

The important cycles with the greatest potential are mentioned in the Commentary of the Overnight Update.

Adjusting Your Stop

After you have entered a trade and entered a stop loss order, your stop needs to be adjusted to lessen the amount of money you have at risk and to protect larger amounts of profit. It is mandatory that you move your stop only in the direction of the trade. To do otherwise is indulging in fantasy and false hope.

Shortly after you enter a trade, you should quickly enter a stop loss. When entering a long trade your stop-loss order should be placed below the most recent support level. When entering a short trade, your stop- loss order should be placed above the most recent resistance level. The Bulletin Signals issue Management stop-loss information on every Entry Bulletin.

As the trade progresses, Management Bulletins issue advice on where and when to place your break-even and protect-profit orders. Generally we issue a break-even stop-loss when a retracement occurs below our entry and then reverses. After the next retracement occurs and reverses, we then move our protect-profit order to protect at least half of our open profits.

These are general guidelines. If the market is experiencing large percentage retracements but continues trending in our direction, we will wait longer before entering a break-even or protect profit order.

Using Mental Stops

Many traders prefer mental stops for protection. Some traders feel that by having a stop order resting on the floor, they are vulnerable to a run on their stop, and in many cases, they are correct. If you want to use mental stops, you need to be aware of the amount of slippage that occurs from the time you decide to place an order until you receive your flash fill.

Check the time it takes to place a market order on a number of occasions and average the number. If it takes one minute to get your fill, then see what dollar range the current 1-minute bars are on your chart.

This dollar value will be your probable slippage. I say probable because in some market conditions, price can move very rapidly against your position and with no stop in the market, your trading account could suffer accordingly.

In any event, if the amount of slippage that occurs between the time you decide to make a trade, and the receipt of your flash fill is comfortable for you, then by all means use mental stops. However, if you are subject to interruptions during your trading, or if you are easily distracted, I advise against your using mental stops.

Recording Trade Transactions

To achieve and maintain top performance, it is essential that traders review their trades. In order to be able to accomplish this, you must keep accurate records of every trade. Additionally, this information is necessary so that you will know the number of contracts you have working in the market. (See Appendix for the Order Placement Worksheet).

Daytrading can become very fast and frenzied. In order to keep up, you must record: the time of your trade, your ticket number, and the number of contracts traded.

You must know with certainty when you are flat in the market and how many contracts you have working in the market. During the ordering process, I have said “buy” rather than “sell,” “two” rather than “ten,” and on and on.

You must keep accurate records; write it down. If I do miss any information -- number of contracts, fills, ticket numbers, etc. I call my broker back and get that information now.

If there is time before placing a broker order, I’ll write it down before calling. Additionally, I tape record all my broker transactions. It is important you send a notice to your broker informing him of your intent to record all conversations for “accuracy and accounting purposes.”

If you end the trading day with contracts inadvertently working in the market, you will probably have a nasty surprise at the open of the next trading session.

At the Bulletin, we check, double-check and verify with our tape recordings all trades so that we know that we are flat at the end of the day. Since you may trade a different number of contracts than we, or you may inadvertently offset or enter more or less contracts than you thought, (it’s easy to do), it is mandatory that you keep accurate records.

Number of Contracts to Trade

The maximum number of contracts you may trade is shown for each trade on the Bulletin under Account Size Per Contract Amount. Divide the dollar amount in this field into your account size; then round down to the nearest whole integer to obtain the maximum number of contracts in your contract set.

This Account Size Per Contract figure reflects the interaction of the estimated maximized drawdown amount, current volatility, the Bulletin’s profitability parameters and a risk of ruin factor.

The Account Size Per Contract value is optimized for two standard deviations (95% statistical probability) that you will not risk ruin. Ruin in this case means losing more than half of your trading equity.

The actual number of contracts you trade should be 1, 2, 3, 4, 5 or multiples of 5. If you use these contract set sizes, you will gain better fills both going into and exiting trades because these are the lot sizes that are normally traded on the floor.

Whenever price goes through one of your stop points, you must call your broker and immediately get the fill price and write it down. You must be very organized in order to maintain the pace of daytrading:

"How many S&P contracts am I still in?

"Ticket #6341 to buy ten Treasury Bonds just got filled -- at what price? What was my fill on ticket #6341? 105 and 16/32, okay ... I'm long ten Treasury Bonds.

"I just met my price objective on the S&Ps.

" How many S&Ps do I have?..."

Analyze and Learn From Your Trades

You've just made a great return on one of your Bulletin trades. The trade is over. Right? Wrong! To become a better trader, it is mandatory that you analyze your trades and learn from them. Review and self-analysis go hand in hand with consistent, profitable trading. You can learn from history and profit accordingly.

At the Bulletin we closely monitor the performance of our systems and ourselves. The markets change (day-to-day in some cases) and people change as well. We make sure our system rules are still appropriate for the markets and for us.

Likewise, you must be certain that you follow the Bulletin Signals in a timely manner. To do this you must have confidence in the Signals. To this end, review the FAQs, the Daytraders Bulletin Guide, the Current Performance and the Trading Statistics on the Overnight Updates. Follow the Signals real-time using our free trial and a live data-feed.

Your review of these documents and following the Signals real-time with a live data-feed should give you a great deal of confidence in our method and the Bulletin Signals.

We have included a Trade Analysis Worksheet (See Appendix) for you to print and copy. We suggest you use this worksheet to follow your trades, record ticket numbers and verify that you are executing the Bulletin Signals in a timely fashion.

Review your trades at the end of each day. This is an ideal way to determine your strengths and weaknesses as a trader.

"If the Lights Go Out"

The Daytrader's Bulletin Signals have been extensively tested, modified and engineered to be reliable and timely. In the unlikely event of a technical problem on our end, your end, or in between, you the Subscriber should take appropriate measures to protect the capital in your trading account. Listed below is a series of possible trading positions you could be in "if the lights go out."

Trading Position	Appropriate Response
You are in a trade and have a stop-loss in the market	Keep the stop-loss in the market. If price moves in your favor, move the stop loss to protect more and more of your open profits.
You are in a trade and have no protective stop in the market	Place a protective stop in the market and move the stop-loss to protect more and more of your open profits.*
You have a stop order in to enter a trade	Cancel the order

* If long the market, move the stop loss just under a support area, and if short the market, move the stop-loss just above a resistance area

Chapter 2

Interpreting the Overnight Update Commentary

No one can predict what the market will do the next trading day or even one hour into the future. One can access the available market information and make informed projections. In some cases, there will be many possible price movements the market may make. In other cases, the market almost must move in one direction.

These are the trades that we at the Daytrader's Bulletin search out. Be aware, however, that the market will do whatever it wants! No market analysis in infallible.

What is important about our Commentary is that it enumerates logical possibilities based on our analysis. The acts of analysis and anticipation based on that analysis gets one closer to the market. This is the intent of our Commentary -- to get you closer to what the market is doing and to suggest what may occur. We do not predict the market. No one can.

We look at possibilities and statistical likelihood. In some cases we are off track in our Commentary; however, this doesn't mean we won't make winning trades the next day. We frequently have excellent days even when the Commentary is incorrect. Why? Because we are close to the market: we know what Support/Resistance, Cycle Timing and other studies suggest about the market.

If you read and absorb the Overnight Update, look at the price action, place Cycle Timings and Support/Resistance on your charts and follow the subsequent price action, you too will begin to see likely, low-risk set-ups.

A detailed overview of the Overnight Update can be found in The Guide, Appendix B. Archives of the past Overnight Updates are located in Historial Results.

The 5-Minute Rule

The Daytrader's Bulletin enters trades with the expectation that price will move in our direction within 8 to 10 minutes. If price doesn't cooperate within this time period, some aspect of the trade may be wrong. Our approach, if this occurs, is to start unwinding the trade, usually one contract at a time. If this unanticipated price behavior continues, we will also bring our protective stop closer to the current price action.

The point of this maneuvering is simple - we are protecting our capital. Our first and foremost goal is to protect our capital, period. When we are at a break-even or better position with the trade, we can begin to more actively work the trade for profits.

Why You Should Trade the First Hour

Statistics tell us that the great majority of the time, one end of the daily price range of the S&P 500 occurs within the first hour of trading! Consequently, if we can place a winning trade in the first hour of trading, we'll have terrific trade placement. If one of those 2000+ point trending days occurs, we'll have a big payday. On days that persistently trend 1200+ points, it's critical to get aboard the move early. Why? Well, after the market has trended 480+ points, most traders are anticipating the reversal and are very reluctant to go with the trend.

By trading the first hour, I usually do not mean the first 25 minutes or so; this period's bid-ask spread (also known as the opening bulge and amateur hour) is too great and price frequently reverses around the 9:00 Central Time Cycle Timing point. We should therefore usually not enter before 9:00. Sometimes, there may be compelling reasons to enter earlier but this is usually a mistake.

Market Turning Points - Price Action

There are certain price patterns that can substantially help us determine market reversals. Observing these potential reversal points in conjunction with the Cycle Turning Points and the Support/Resistance Tables found in the Overnight Update can substantially increase our profitability. Some of these price actions indicating reversals are:

A doji at an intermediate high or low associated with a sharp rise in volume.

A one, two, or three tick new high or new low.

A sharp rise in volume.

A penetration of a Bollinger Band.

A quick market move up or down with little or no follow through.

I strongly suggest that all traders consider the above factors prior to trade entry.

Additionally, statistics suggest that there are two periods during the day in which the occurrence of trends is most likely. These trending periods are 8:30 to 10:30 and 12:00 to 3:15 Central Time. Also, be very aware that the market is fueled by volume. The market seeks out price levels where volume is greatest; i.e. where the stops are located. Where are the stops located? At the intraday highs and lows.

Case Studies

Following are some examples that show turning points and the associated price patterns.

Number Key for Charts 2, 3 and 4:

1. A doji at an intermediate high or low associated with a rise in volume

2. A sharp rise in volume

3. A penetration of a Bollinger Band

4. A one, two, or three-tick new high or new low

5. A quick market move up or down with little or no follow through

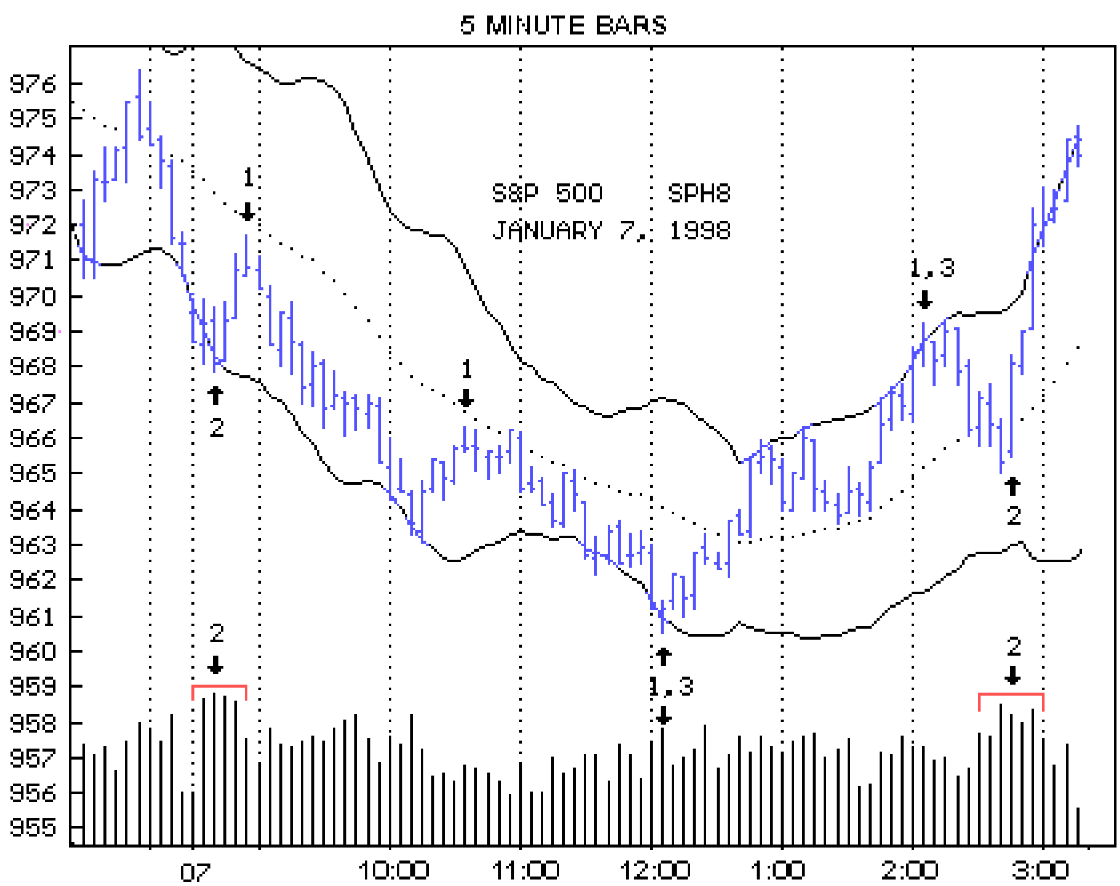

Chart 2 — Example 1: 5-min bar chart of S&P 500 (SPH8) on January 7th, 1998.

Example 1 — The price action on January 7th 1998, produced a down spike with the open and close nearer the highs of the day.

8:45 Volume increased dramatically over four time bars just after the open, producing a short-lived up move that was stopped at...

9:00 ...a doji. On the 5-minute charts, dojis are very potent, as this example shows. The ensuing sell-off carried for 1000+ points.

10:40 In this case, double dojis indicate the end of the retracement.

12:10 Multiple patterns occurring simultaneously give additional importance and veracity to reversal signals. This example shows a doji on a volume spike bar and the penetration of a Bollinger Band. The move following the signal ran for 1300+ points.

2:10 The 12:10 move up is mirrored on the downside at 2:10. A doji penetration of a Bollinger Band on relatively higher volume indicated the beginning of this 400+ point retracement.

2:50 The substantial volume increase in this case stopped and reversed the retracement. Volume increases and decreases are measured relative to the volume bars immediately preceding the volume bars in question.

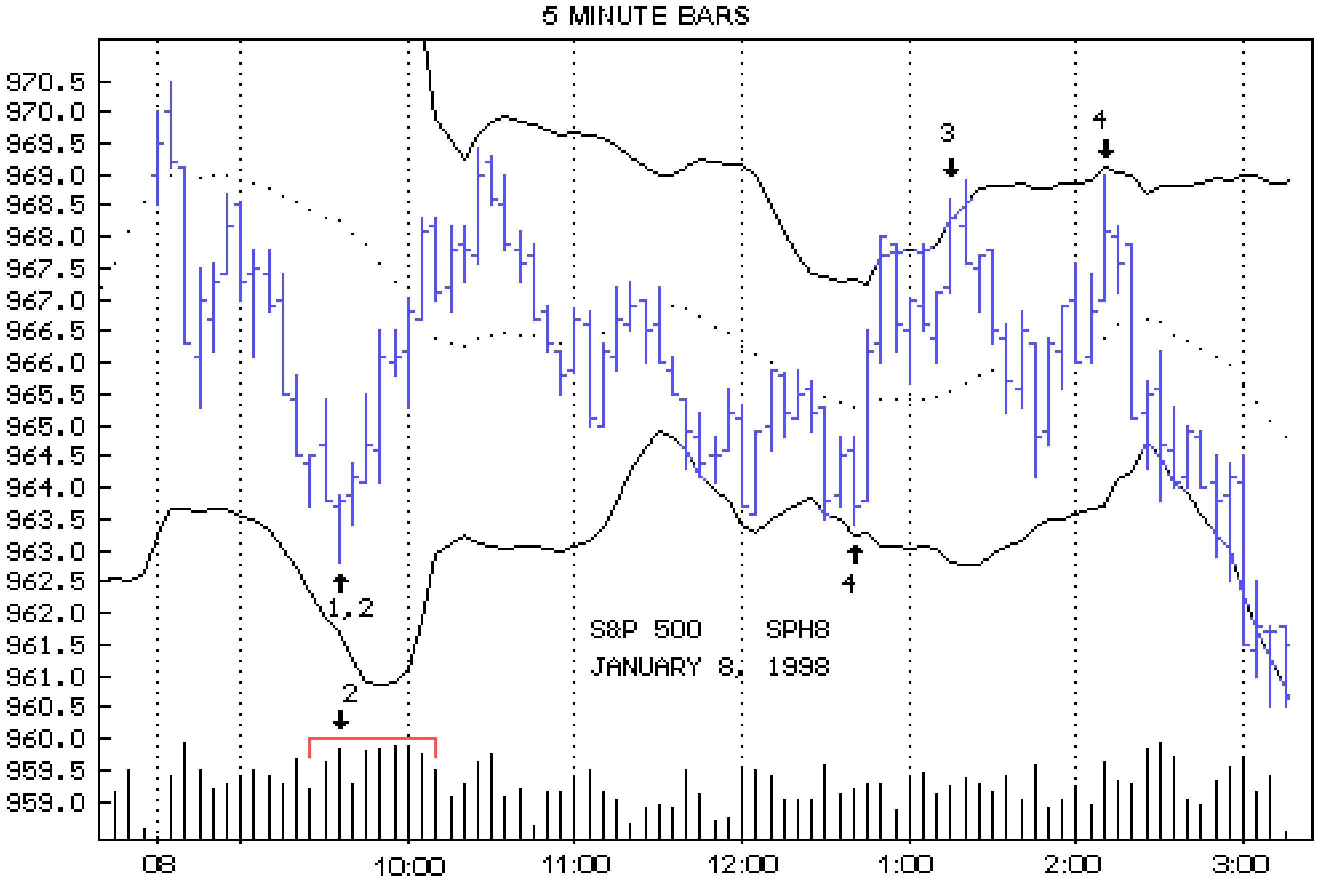

Chart 3 — Example 2: 5 minute bar chart of S&P 500 (SPH8) on January 8, 1998.

Example 2 — January 8th, 1998 was a cycling day that ended with a deep sell-off that set up the 3000+ point drop the next day.

9:40 This doji, associated with substantially increased volume over multiple time bars, resulted in this intermediate bottom.

12:45 A three tick new low 45 minutes after the previous 12:00 low indicated another excellent reversal candidate.

1:20 Twin Bollinger Band penetrations gave plenty of warning to those willing to objectively observe price action.

2:15 This two tick new high showed us the beginning of a substantial (800+ point) sell-off.

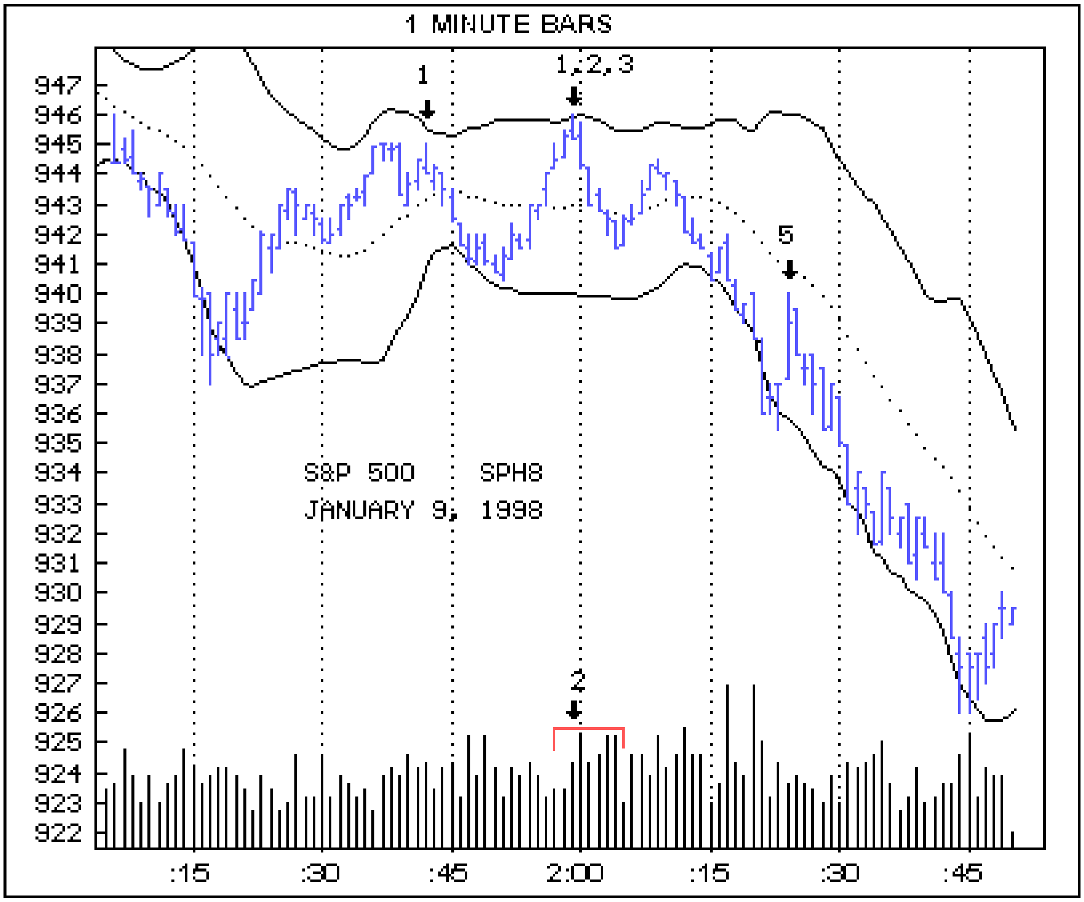

Chart 4 — Example 3: 1-min bar chart of S&P 500 (SPH8) on January 9th, 1998.

Example 3 — January 9th, 1998 was the fourth largest sell-off in history. The Dow closed down 222 points and the S&P closed down 3,200 points.

On very volatile days, I pay more attention to shorter time frames - the price patterns and volume characteristics are, to me, much more apparent. It is critical though, to resist over-trading when tracking price on very short-term price bars. I find it advantageous to occasionally look at the longer term bars for the larger perspective.

1:43 This one minute doji at what is essentially a double-top, showed us the end of this retracement.

2:00 Triple hit! A doji on increased volume, the penetration of a Bollinger Band, and the additional rise in volume was the beginning of this 2000+ point sell-off.

2:25 This fast one minute up bar immediately runs out of volume with no follow through and just as quickly reverses for a 1300 point sell-off.

Chapter 3

Knowing What Indicators to Monitor

In order to profit trading the S&P 500, it is mandatory for us to know which indicators to monitor. The successful pit traders watch the Dow Jones Industrial Index, the TICK, the S&P 500 Cash Index, the Nasdaq, certain selected stock issues, and the Intraday Highs and Intraday Lows. Since they're the trading group that substantially moves the very short term market, it is incumbent upon us to also follow these same indicators. The following is a description of each indicator:

Dow Jones Industrial Index (INDU)

The Dow Industrial Index is a composite average of the 30 leading stocks. As a generalization, the Dow and the S&P 500 frequently move together, though under some market conditions, this does not occur.

The TICK (TICK)

This indicator tells us the difference between advancing and declining stocks. For example, a reading of -26 means there are 26 more declining stocks than stocks that are advancing. TICK values before 9:30 Central are frequently misleading and it is generally a good idea to ignore this indicator unless extreme values of +/- 700 are recorded.

The TICK may lead futures; at other times, the TICK may act as a lagging indicator. Additionally, the rate-of-change of TICK can give us valuable information about price direction.

The S&P 500 Cash (SPX)

The cash index is the market since cash is calculated as an average of all 500 stocks comprising the index. This calculated cash index value differs from the S&P 500 futures value because the cash is calculated about every minute, whereas the futures can change instantaneously whenever a bid or ask price gets hit in the pit. This difference in cash and futures is called the Premium.

Premium

The Premium is an important concept and is covered in another section of the S&P Corner. The importance of the Cash S&P is that the futures prices must ultimately follow the cash prices.

Nasdao ($NDX)

This index usually acts as an excellent leading indicator. When the Nasdaq is in divergece with the Industrials, values usually follow the Nasdaq.

Selected Stock Issues

Certain stocks may lead the S&P Futures under certain market conditions. Historically, IBM (IBM) leads futures. Other stocks which lead futures can be General Electric, Intel, Microsoft and General Motors.

Which stock or stocks have a predictive ability changes day-to-day and can only be determined empirically.

Chapter 4

Intraday Highs and Intraday Lows

Most floor traders want to take the market to areas where stops are located so that they can scalp those values. Where are the stops located? The answer is above the intraday high, below the intraday low, and above and below any nearby support or resistance. The market has an affinity for those areas where stops are located. What you need to do is observe what happens to the market when price reaches these stops.

Questions to ask are:

- ♦ Does the market go dead?
- ♦ Do prices take off higher; quickly or slowly?
- ♦ Does the market stay down?

The move away from the stops may be a valuable clue to future market direction. As a valuable exercise, use the Support/Resistance section of the Overnight Update and attempt to locate the probable location of stops. Realize the current intraday highs and intraday lows should also be included in your evaluation.

Now follow price as it approaches those areas you have identified as "stop bands". Then follow price movement away from the bands. Once the intraday high has been made and stops placed, the market will attempt to return to that level to hit those stops. Volume is the principle fuel of the markets. The market may not revisit those highs again but if it does, and the volume drops substantially, the market can only go down. The converse is true of bottoms.

Chart 5 shows a high at 9:42. Note the volume level at 1. The second high at 10:18 shows a reduced volume at 2 with a resultant small sell-off of about 150 points, followed by a 50 point increase but on substantially reduced volume shown at 3. The resultant sell-off was 850+ points!

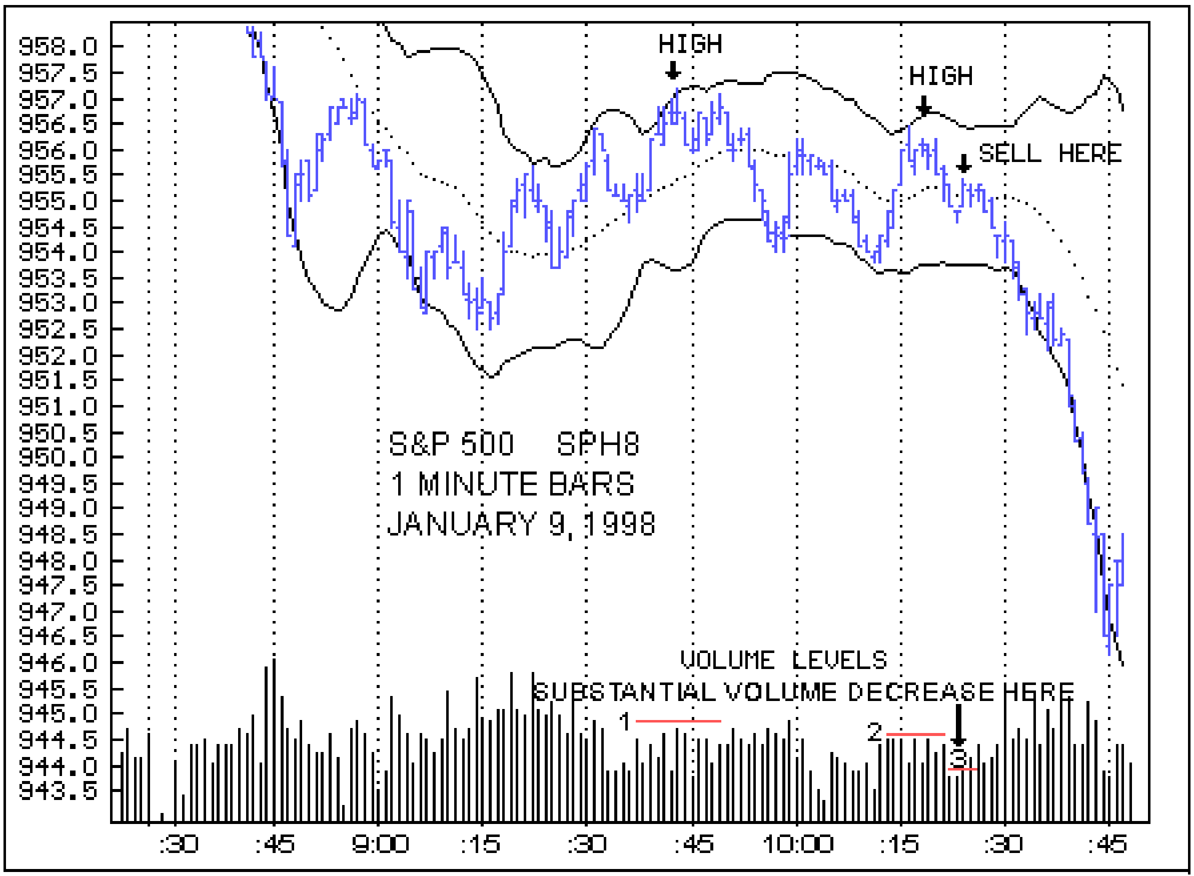

Chart 5

Why, one might ask, did we not sell at the 10:05 reduced volume? There are a number of technical reasons (principally short term divergences) for not selling here but the most compelling reason is shown on the Cycle Turning points for January 9th, 1998.

The New York Lunch

At 12:00 noon in New York many traders on the floors of the stock exchanges break for lunch. This exodus to fulfill a natural need substantially reduces trading volume. This allows a number of reduced volume strategies to be played out in the markets by specialists and market makers.

There is one rule about the lunch hour: trust nothing you see. However, if a strong trend is in effect, a new impulse for this trend can begin at this hour. In the event that the day's trend is not clear, counter-trend moves are more likely to occur here!

Divergences

Excellent trading signals can be derived from divergences of the S&P 500 with other indicators based on market internals. Included is this class of indicators are:

1. Dow Industrial Average.
2. Dow Transportation Average.
3. TRIN, a volume weighted approach applied to advancing and declining stocks.
4. Tick, the net number of issues on the New York Stock Exchange whose last price change was up or down.
5. S&P Premium, the difference between the underlying cash index and the nearby S&P 500 futures contract.

The S&Ps often exhibit either a leading or lagging effect with the indicators above. The questions to ask yourself about the S&P/indicator relationships are:

a) If one indicator is making a higher low in relation to the S&Ps, what does this mean?

b) If the indicator is making a lower high relative to the S&P 500, what does this mean?

c) Is the market exhibiting strength in a weak bond market?

d) Is either market maintaining either its price at a very high level or conversely a very low level while the other market is exhibiting divergence?

e) What is volume doing at the second divergent point?

Dow Industrial Average

The Dow (INDU) is the average of the 30 leading blue-chip stocks. These blue-chips have such a high capitalization that they are often considered to be the market. Generally, the S&P 500 and the Dow will closely track one another. But this is not always the case as shown by our example below.

The short-term divergence shown in Chart 6 is between the

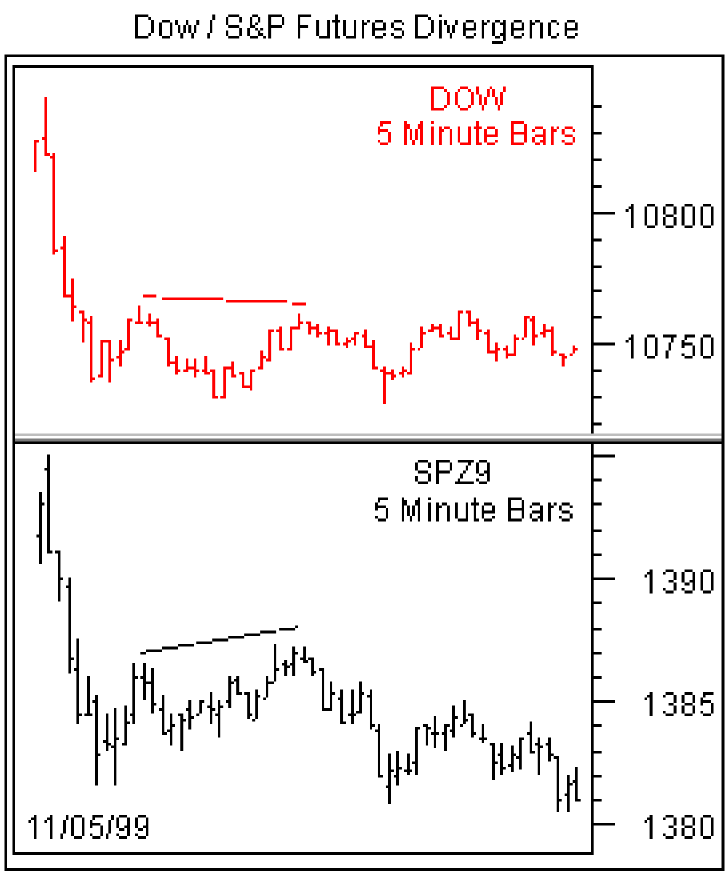

Chart 6

Dow and the SPZ9 futures contract. The Dow makes a lower high as shown while the S&P 500 futures makes a higher high to set up the divergence. The divergence is resolved as the futures sell off over 7.00 points.

Premium/S&P futures divergence

Divergences between the S&P futures and premium can occur frequently and the time between the divergent peaks or valleys can be hours or minutes. In Chart 7 below, the S&P makes a higher peak at the 1:25 time period while the premium makes a lower peak. This divergence is resolved by the futures selling off about 3.50 points.

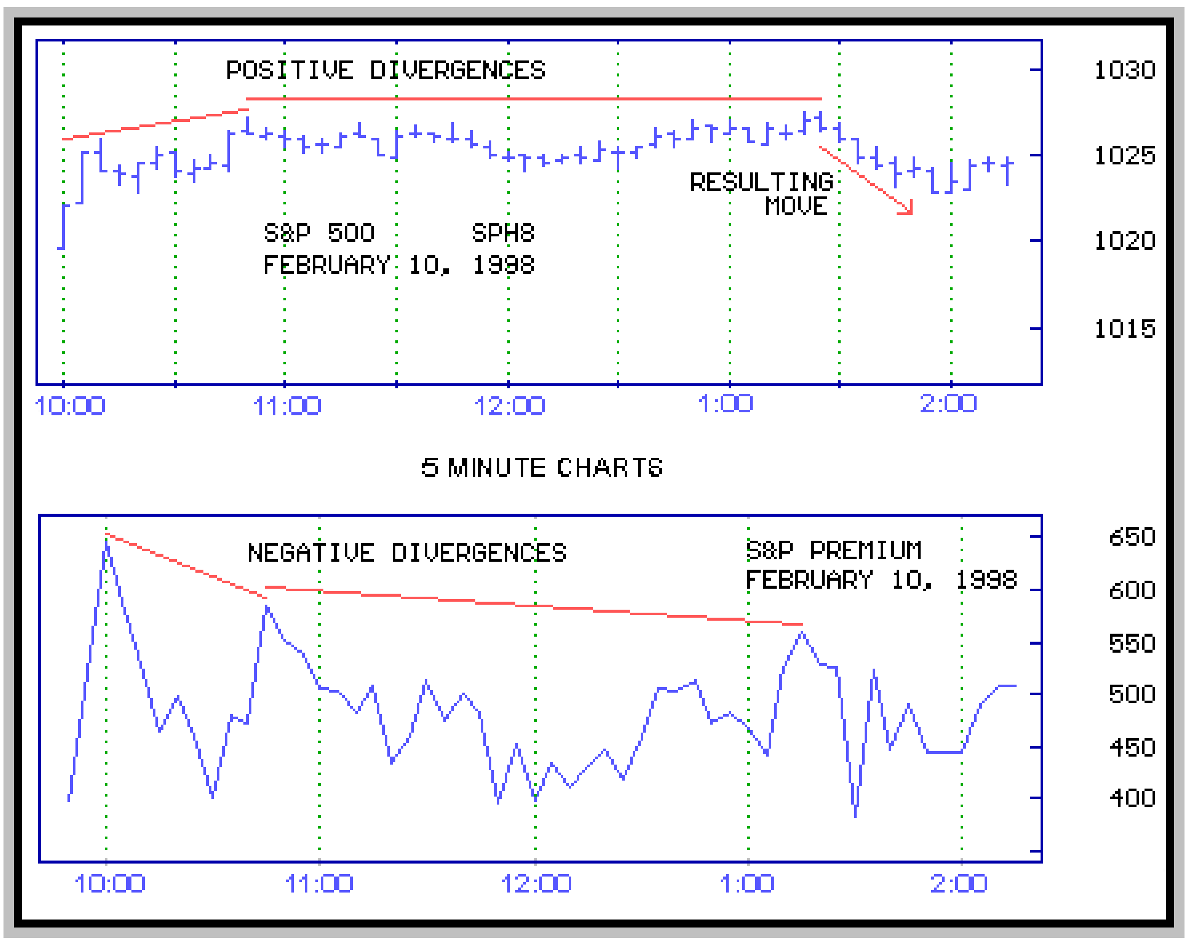

Chart 7

Divergences are very powerful indicator tools but must be used with discretion, especially in strongly trending markets. (Some markets can form divergences for years!). One of the strongest signals in technical analysis is divergence combined with volume studies.

Look for and use divergence with market internals -- they will point the way to profit.

The Premium - Misunderstood Indicator

The Premium is is one of the most important equity market indicators and also a very misunderstood indicator. The reason for this confusion is that traders attempt to label a premium level as simply bullish or bearish. This indicator is more subtle and elegant than most and cannot be adequately interpreted in such rough terms.

What should be evaluated is the rate-of-change and the current reading in relation to an average of the premium.

Rate-of-Change

The S&P 500 futures premium swings widely -- the premium reading can climb very rapidly in a bullish market and in a bearish environment the premium can plunge dramatically. The futures market has many swings and false moves; the cash market which is calculated once a minute is a much more stable representation of value than futures.

What happens is that the basis cash index will eventually decide the direction that the futures will take. Consequently, it is very practical to track the cash index.

Average of the Premium

It is of value to track the 10-day average of the premium. When the current premium value is above it's 10-day average, there is a good possibility that the market will want to go higher. Conversely, when the current premium value is below its 10-day average, the likelihood of a down move increases.

Let's say the premium is above its 10-day average and the time is correct -- near one of our Cycle Turnings. This may be a good time to buy. As you watch the market, the premium may start to rise even as the cash market falls. This is a strong indication of a bullish market. If time is at one of our Cycle Timing values, the stage is set. Either cash will rise and the futures will go very bullish or the premium will fall and both the futures and cash will tumble.

In the S&Ps it's important to move quickly when the beginnings of a move are identified. The clues to the beginnings of moves occur before the move happens. It is critical at this point to act, otherwise the move will occur without you. It is imperative that you see the turn before it occurs and you must act on that knowledge, otherwise you will not profit.

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It is critical to monitor premium closely -- if it makes a quick move, follow it closely. A rising premium and a sluggish cash market means that the futures are rallying. Frequently, cash will follow this move up. However, if after several minutes the cash market does not follow futures, then the futures will probably drop soon. The converse is also true.

Chapter 5

Tax Advantages of Being a Daytrader

This section is intended as a general discussion and should not be interpreted as tax or legal advice. Therefore, seek the professional advice of a CPA or tax attorney as to the applicability of the rules to your specific situation.

The tax laws allow considerable benefits to those that are eligible for trader status. First of all, the investment expenses are not subject to the 2% floor on itemized deductions. Secondly, the investment interest limitations do not apply. And, most importantly, any gains or losses are excluded from calculating self-employment income and consequently, not subject to self-employment or social security tax!. Is this cool or what!?

The definitions used in determining whether or not someone is a trader are not rigidly codified and consequently, small factual differences may change an individual's status. There are three types of classifications 1) dealer, 2) investor, and 3) trader.

1) A dealer treats the gains and losses from stock or securities transactions as ordinary income; equity and non-equity options are treated as capital subject to market rules and the 60% long-term gain/loss and 40% short-term gain/loss. A dealer's expenses are business expenses not subject to the 2% floor on miscellaneous itemized deductions.

2) An investor reports the gains and losses from their stock or securities, equity options, non-equity options and futures contracts as capital gains and losses. The non-equity options and futures contracts are marked at the market at year end and are

treated as 60% long-term gain/loss and 40% short-term gain/loss. Any expenses are treated as income producing expenses and are miscellaneous itemized deductions subject to the 2% rule.

A trader treats the gains and losses the same as an investor, but the expenses are now business expenses and are not subject to the 2% floor on miscellaneous itemized deductions.

It appears that the primary differences between an investor and a trader is the frequency with which trades occur, the personal management of one's account, and the holding period of the security. If the motive is to seek profit through capital appreciation, dividends, and interest then the classification will probably be investor. The principle distinction appears to be that capital appreciation is deemed to be a longer term perspective, even though the transaction may close within one tax year and be deemed a short-term capital gain.

3) Traders have some, if not all, of the following characteristics:

♦ Buy and sell frequently to catch short-term, daily market moves.

♦ Profits are derived from direct management by the trader of his/her own account.

♦ Income is primarily derived from the purchase and sale of securities and not dividends and interest.

The intent of the taxpayer; the type of income; and the frequency, extent, regularity and time spent are all pertinent factors. Trading is not treated as a secondary profession (the income must be substantial and the trader must also be available during market hours to make trades).

Try the excellent resource, the U.S. Tax Code On-Line with a full-text search engine — www.fourmilab.ch/ustax/ustax.html

These are meant to be very general comments and observations and should not be interpreted as tax or legal advice. You should seek the professional advice of a CPA or tax attorney as to the applicability of the rules to your specific situation.

Chapter 6

Daily Analysis

If you want to improve your bottom line day trading the S&P 500, a good question to ask yourself, is: "When does price change and how far does it move?" Remember, crowd behavior repeats itself and is far less variable than individual behavior. We have found the following technique to be one of the most potent for determining turning points in the S&P 500. Our Cycle Timing System is a refinement of an ongoing study of market turns using this same principle.

Charting Market Turning Points

The diagram below shows a form used to chart Market Turning Points. Print the Turning Points worksheet (Appendix A). Use this form to go through price action on a daily basis, noting the turning points and how far price moves. Look for correlation's and similarities. This is an ideal way to get an excellent overview of price action and you may discover some amazing "coincidences." Here are some questions to ask yourself:

1. Does price want to move in a hurry? When?

2. Does the market want to trend?

3. How far does price move in the first 15 minutes?

4. Where are traders placing their stops?

5. Where is the opening in relation to the close?

Here is a valuable tip: Market tops and bottoms are made very quickly - only a few are able to participate. The period of time that the market trades at a given price will decide whether price will continue or reverse.

TURNING POINTS

DATE	OPEN			TURNING POINTS							
	GAP ± PTS	[illegible]	[illegible]	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS

Intraday Tracking Chart

If you do not already have an established plan of study, we highly recommend the following systematic approach. Use this approach as an end-of-day market analysis, or use these methods during an actual trading session.

Open your charting program and plot the following indicators, or if you receive our Daily Trade Insights program, print the included 1-Minute chart. If you do not already have one, a colored printer is a valuable asset for a trader. The best value and least cost per copy are in those with a separate ink cartridge for black, red, green and yellow.

These are the indicators we use most frequently:

♦ MACD Histogram
♦ 3-10 Price Oscillator and 16-Period Simple Moving Average (SMA) - the moving average is the smoother of the two lines.
♦ ADX - Black
♦ +DI - Blue
♦ –DI - Red

Moving Averages:
♦ 1-Min Moving Average - Red
♦ 3-Min Moving Average - Blue
♦ 5-Min Moving Average - Black
♦ 15-Min Moving Average - Green
♦ 30-Min Moving Average - Dark Red
♦ 60-Min Moving Average - Light Blue
♦ 120-Min Moving Average - Gray

Additionally moving averages will usually have the shortest time period closest to price.

♦ Bollinger Bands - Red (surrounds price)
♦ Volume - Blue bars at the bottom of the chart

Print the Intra Day Tracking Chart. (See Appendix. Print a master copy and then run additional copies at a nearby copy center such as Kinkos)

This chart can also be used during your regular trading day. View each indicator in turn and mark its characteristics (rising, falling, flat, etc.) on the Intraday Trading Chart.

Use a notation system on your Daily Market Characteristics Chart such as arrows to indicate up, down, sideways, or lines to indicate direction. Our notational system is as follows:

MACD — We indicate **+D** or **–D** (for positive divergence or minus divergence); **OX** (zero crossing), **TLX** (trendline crossing)

3-10 OSC — **+D** or **–D** (positive or minus divergence); **3**↑ or **3**↓(three pushes up or down)

ADX — Mark the numeric value i.e. **16**, **23**, **30** etc.

Moving Averages — Put an **A** if the ADX is 30 or above. Mark the slope with an up↑or down ↓arrow.

Volume — Mark a **+** if the volume is the highest of the last seven periods on a 5-minute chart, mark a **−** if the volume is the lowest of the last seven periods on a 5-minute chart.

If you are using the Daily Trade Insights Commentary, starting with the first comments of the day, position your chart with either a piece of paper covering the bulk of the day, or your charting program showing only up to the beginning of the day on the right hand side of your screen.

The purpose of viewing your charts in this manner is to learn to analyze what is happening and make reasonable assumptions for the future based on that analysis without the obvious benefit of seeing what comes next.

Watch for obvious characteristics such as:

MACD - rising or falling? Are there positive or negative divergences with price? Are there trendline breaks or a zero line crossing?

Volume - rising or falling? High volume indicates support for the current movement, low volume indicates a lack of market participation

ADX - rising indicates probable trend (above 30), falling indicates likely end of trend, consolidation or reversal.

+DI or **–DI** - indicates probable price direction. If +DI is above –DI, expect the move to be up. If the –DI is above the +DI, expect the move to be down.

As the day progresses, add trend lines where appropriate.

Consider what you see prior to moving your paper or your chart to the next price bar. Do you see anything that would lead you to conclude price direction or momentum? If so, make a note (use stars, different colored inks, etc.) then continue to the next price bars.

Make a point to mentally note which indicators are in what positions just prior to our indicating a trade signal. Over time you will begin to notice patterns and you should indicate on your Intraday Tracking Chart when you believe a move seems likely. Do this prior to viewing the next price bars.

Develop a routine. Make a habit of doing your nightly review at approximately the same time each evening. This routine will assist you in developing a habitual practice of research and analysis such as what we perform every evening to prepare for the next trading session.

You will be developing the ability to spot these characteristics at a glance. With serious practice and dedicated effort to this type of chart analysis, you will be able to spot trade set-ups. You will also gain a greater confidence after seeing the same price action produce similar results time after time.

Reviewing the market commentary will allow you to develop a keen understanding of the various indicator's interactions with price and volume. As you become more experienced, or if you are already an experienced trader, you will notice the much more subtle distinctions such as time of day, whether reports are due or have just been delivered, etc.

Expect to spend from one to six months studying in this manner and you will improve your understanding and overall perspective of the markets that few traders possess until they have years of practice trading the markets.

Chapter 7

Mind Over Money

Trade Execution

Whether you can execute your trades is related to the amount of fear, or lack of fear, you generate at the time. Fear is always the result of your beliefs and experiences about the threatening nature of the market. What threats do the markets pose? None - if you have the confidence and you trust yourself to act appropriately under any given set of circumstances. What you actually fear is not the markets, but rather your inability to act in the appropriate manner when you need to, without hesitation.

In your dealings with the markets, you had to learn what to fear. What you learned to fear was a result of whatever you did that caused you to experience pain. Your pain was caused by your not knowing what to do next that gave you a result you neither expected nor intended. In the market, you are free to act or not. The markets cannot do anything to you that you don't allow, even if it is out of ignorance or a sense of powerlessness.

One effective way to minimize this fear and, in some cases, neutralize it, is to change your perception of the entire event. The single greatest fear producer is a loss. You enter a trade, you find yourself to be on the wrong side. What do you do? If you are like the majority of losing traders, you will wish, hope and pray that the trade will turn around, waiting one more tick, one more tick, while the loss continues to mount against you. In reality you are doing nothing. Act fast to get out of a losing position. Keep your losses to a minimum. If you act immediately, once your criteria for a losing trade has been met, your losses will be minimized and that trade will have been executed to the best of your ability.

Our on-line bookstore contains our recommendations (most of which are in our own library) with many excellent books for the study of trading psychology: www.daytradersbulletin.com/bookstore/bookstore.mv

Winning Mental States

Daily self assessment is important for learning how to manage your emotional state. Early each morning, take a few moments to determine how you are feeling. Ask yourself a few questions such as: Am I rested? Did I sleep well last night? How am I feeling right now? Am I carrying any unresolved grievances with me today?

Pay attention to your answers and work on solving any issues that may be keeping you from a peak mental state. What is a peak mental state? It is when you are fully rested, well fed, happy, content, alert and ready for any and all challenges that come your way. You feel in control and in power, which is the optimal mental state for effective trading.

Changing Your Mental State at a Moment's Notice

To do this effectively you should be in a quiet place, with no distractions. If possible, close your eyes and think through your life to a time and place where you were completely content. You may have to go back quite a while, but what is important is to re-experience the way you felt at that time.

When you remember a time or event, think about it in as specific a manner as you are able. What did it smell like? What did things look like? Were there any noises? What did things feel like?

Every detail you can remember is important. Spend just a few moments remembering that time and then choose a phrase or one-word memory cue, such as "Golden" (the color of her hair), or "berries" (a time as a child you sat in the sun eating wild blueberries with your dad). The word or phrase is not important. What is important is that when you find yourself in a losing battle with your emotions, your heart is racing, your pulse is pounding, you are about ready to implode, say your keyword silently and repeatedly until you find yourself back inside that memory.

By doing this you are chosing to change your mental state. With practice, you should feel noticeably calmer within seconds. To effectively use this technique, let go of your current frustration and allow yourself to sink fully into the memory.

If fear is interupting your ability to make effective decisions, replace that fearful state with a resourceful one. In this instance choose a memory when you felt centered and in control. That great golf shot, the perfect sailing day. Think back to a time you felt on top of the world. This time your anchor should be a physical cue, such as snapping your fingers or touching that favorite paper weight. The physical cue is used to interupt your current emotional state.

Continue to practice using your anchors until they become second nature and you can enter these more resourceful states easily.

Why Johnny Can't Pull the Trigger

You've spent countless hours studying the markets, learned many techniques and tricks of the trade, you're ready to go get 'em! But wait, what's happening? Every time you see a perfect setup you're hesitating, thinking to yourself, "Maybe I should wait, this might not be correct, and what if I'm wrong?" This section will help to eliminate this vexing problem that affects most traders at one time or another.

Read and review the information presented in these pages. Study the examples and Do The Exercises. It is only be actively participating that you will overcome a "Pulling the Trigger" problem. We know, we've been there too. So now is the time to...

Take Some Action

What makes the difference between a winning trader and a losing trader? More knowledge, more money, a better computer? No, it is simply the **ability to take action**. The markets leave clues, we study and analyze those clues and then take action based on what we have determined to be fairly reliable indicators of future price action. Not taking action simply means you are not in the game. For some reason you believe that not taking a trade will be less painful than taking the trade.

If you want to be a trader, you must actively trade, you must leverage yourself to believe with all your heart that not taking a trade (one you have watched develop and that meets your criteria for risk) will cause you far more pain than taking the trade and perhaps seeing it become a loser. Sitting and watching another winning trade pass you by is more frustrating than a loss. So how do you leverage yourself? How do you change from fearing to take a trade, to fearing not to trade?

Leverage Yourself

Having leverage simply means it is far more important for you to work toward your goals and dreams, than not to. Many of us have habits we'd like to discard, such as overeating or smoking. Why is it so difficult to change self-defeating habits? Because you have created a world wherein your brain believes it is less painful to go with the flow, than to change. Change is difficult and sometimes painful. Many people will go to great lengths to avoid change.

To eliminate a bad habit, such as smoking or a pulling-the-trigger problem, you must create a belief that is will be more painful to continue the way you are, than to take the road less traveled. A trader that cannot execute a trade is not likely to be successful at trading. Trading systems are designed so that the probability of successful trades and profits outweighs the probability of ruin. A system breaks down if a trader only executes some of the trades, rather than all of them. Cherry picking traders are doomed to fail. Why? Because the markets are random, certain set-ups may work today, but not tomorrow, or this trade may win, but not the next.

Your mathematical probability of success is unlikely without consistency. Each time our cherry picking trader experiences a loss, it becomes more painful, until they reach a point where it is impossible to take any trades at all.

Solution: Know Your Outcome

Start by writing a list of what you want, truly want over the next year: your goals, dreams, and desires -- simply write them down as you think of them. Try to have a list of at least five and up to 10 items. Do it now. TIP: If you think simply reading through these exercises will benefit you, don't be fooled. Anyone that can't even bother to do this simple exercise, is not likely to make an effective change anytime soon.

Once you have done this, put your list in order of priority. Which item is most important? Which item is next important? Continue until all items are in order of importance. Now, for each of the top three items, write a paragraph describing why you absolutely must attain this goal. Write from the heart. If it is important, why is it important? How will your life be enhanced? Will you or your family benefit? Whatever it is, you have good reasons for wanting to see it realized, write it down.

Next, complete the exercise by writing a list of the self-defeating habits you currently enjoy. This is not to chastise ourselves, but simply to put a bit of order into this process.

• Do you drink to excess, rendering it impossible to think clearly after 7:00 PM?

• Do you spend far too much time over lunch, turning it into a three hour social event?

• Do you play with a hobby to excess? (if a hobby takes more time than it should from your life, you should consider turning that hobby into a career).

• Do you sleep too much? How about watching TV? It can be a way to avoid doing things we know need to be done. Whatever you think are self-defeating habits you currently enjoy, write them down.

Put this second list in order of what you think is your worst bad habit, to the least. Perhaps nail biting can go at the end of the list, but certainly taking drugs every day would be first.

Prioritize your own list and then write a paragraph about each item, explaining why this habit simply must be discarded. Give yourself as many reasons as possible. Now that you have your lists of things you desire, and things you don't desire, it is time to really get leverage.

Exercise: The Charles Dickens Approach

A good exercise to help clarify your desire to obtain a goal is the Dickens Approach: Picture yourself as if you make no changes at all. What will your life be like in 10 years? Your income has stayed the same, your car, your clothing, everything has stayed the same. See how you will look, how will your home look? What sounds will you hear? What will it feel like to not improve your current situation and what is the outcome 10 years later. The idea here is to see how painful this will be, so make it vivid.

Now, do the same exercise, but picture yourself in 20 years. You have not changed one single thing. Because most everything costs more now, you are likely living at a lesser level than before. How will that feel? Picture yourself sitting there, what are you thinking? How do you and your family look and feel? What can you see in your surroundings? Is your home run down? Are you happy here? Is this really where you want to be in 20 years?

After you have done this, do it again, only this time picture how it will be, if you continue to grow and work toward your goals, eliminating bad habits, and adopting new good habits.

What will your life be like in 10 years? Will it be improved? Do you see yourself smiling? Are you proud, happy? Now, see yourself in 20 years. Everything you have done has improved your life, and the lives of those you are around. What can you hear now? Music, laughter? There is most likely joy in this vision, because you can experience firsthand the reality of doing everything possible to attain your own goals.

The next step is to actually begin to make a change. Take the first item on your "What I Want List" and read it every day. Remember how things will be in 10 years, if you take action now.

Take the last item on your Bad Habits list and plan to eliminate this habit from your life entirely. Why the last item? Because it should be easy to eliminate. It is not that important, since you placed it at the end of the list. Make this change, and then tackle the next to last. Work your way backwards through your bad habits list. Each time you eliminate a bad habit, the next one will be easier to tackle. You are well on your way to creating the life you want.

If it is smoking, simply stop. You can quit putting a cigarette to your mouth by not raising your arm. You are in control, you do what you want. Decide you want to stop something and it is done. If it is something like watching TV, decide in advance what show is important and let the others go. Set a timer if necessary, but follow your own direction.

At first it will be difficult because a habit is simply something you are accustomed to doing regularly. You can rearrange your schedule so that over a short amount of time, you will have new, good habits to replace the bad.

Chapter 8

Values and Beliefs

Why You Do What You Do

Your ability to take action is not based on your skill or knowledge level, but on your emotional state at that exact moment. Your state is largely controlled by your underlying values and beliefs. If you are moving toward your most important values, and keeping away from the things you most want to avoid, you will be in complete control and able to take action. When you are in power, you feel powerful, and you easily take action. When you are in a state of powerlessness, the inclination is to wait and see; perhaps avoid the situation (don't trade), and avoid the associated negative states you don't want to experience.

It really is that simple. So, how do you change your state to be powerful when you need to be?

Some people dream of being a movie star, but they dislike crowds. That is a problem of conflicting values. Part of you wants one thing, but another perhaps stronger part wants something entirely different. These value conflicts can cause many of the troubles traders have with pulling the trigger.

What if you really want to be a successful trader, but you do not like excitement? Should you daytrade? Probably not. How about someone who loves skydiving, but plans to hold his trades for months at a time? Is he going to be happy with that system, or be impatient, pulling the trades long before he should?

Determining your values and beliefs will go a long way to determining whether you have any conflicts. By simply rearranging those values, you can effectively eliminate conflicts.

Step I - Know What You Want

Start by determining what emotional states are most important to you. Many of these emotional states are probably important to you, but equally obvious is that some will be more important than others.

List these 10 emotional states in their order of importance according to your beliefs at this point in time. Try not to think in terms of what would be best, but truly determine what is most important to you. There is no right or wrong order.

Why is wealth not on the list? Because wealth is not an ends value, it is a means value. No one wants wealth so they can sit surrounded by great piles of money all alone (except perhaps Scrooge). Money is a way to attain other things such as comfort, freedom, etc. This is an idea list, feel free to list anything that comes to mind:

Security	Adventure	Power	Health
Comfort	Love	Success	Freedom
Passion	Intimacy		

Once you have these items in order (or any others you might think of), it is fairly easy to ascertain why you make the decisions you do.

Contrast someone who lists adventure, power, and passion as the top three, against someone who lists security, comfort and intimacy. Will these two make a good couple? Will they even survive courtship? Unlikely. While Mr. Adventure wants to jump out of airplanes, Ms. Security wants a warm blanket. Mr. Power wants to rule the world, Ms. Comfort wants to read a book, still snuggled in that blanket, and while Mr. Passion wants erotic, exciting sex, Ms. Intimacy wants moonlight and romance, before slow, lovemaking. Conflicting values are why some relationships are doomed to failure.

Conflicting values can also cause a trader to be unable to take trades. You may tell yourself you want to be a trader, but value your sense of security too much to take any kind of risk with your discretionary income. If your number one value is security, followed by comfort and intimacy that would tell a lot about which type of trading you would be best suited for (position). If your number one value was adventure, followed by power, and success, a different type of trading would suit you (day trading).

Don't despair if your list does not match up. And don't try to rearrange your values list to suit what you think is best. Later you can rearrange your values list to support what you truly want and effectively change conflicts, but for now, we want to determine what conflicts exist. Once this list is finished, you will be ready for Step II.

Step II - Know What You Do Not Want

These are the emotional states and feelings you will do the most to avoid. We all have specific states we just do not want to experience and will do almost anything to avoid. Following is another list of emotions most of us do not want. Put this list in the order of which you most want to avoid to the least important to avoid.

Depression	Failure	Humiliation	Guilt
Rejection	Anger	Frustration	Loneliness
Fear	Embarrassment		

Do you most want to avoid loneliness? Does that explain why you would probably turn down an opportunity to take a job with great pay, benefits and hours, but one where you would work alone, and not be able to make contact with others at all during your workday? What if rejection was your number one emotion to avoid? Would you want a job in sales? Using our own individual lists of what we want and do not want is how we all order our lives and make our daily decisions.

This list of things we'd rather avoid can be more important to a trader than the list of things we want because we will generally do more to avoid pain than to create pleasure. Consider this: Any one of these values can keep you from making a trade. You may fear the outcome, you may experience guilt when you lose money, you may be frustrated because you seem to take the losing trades but let the winners go by.

Any of these strong emotional states can cause a trader to become paralyzed and unable to pull the trigger. Now that we know all of this, how does it help us to overcome the inability to take a trade?

Bringing it all Together - Rearrange Your Priorities

Believe it or not, you can simply reorder your values to better align with your true purpose. Ask yourself the following questions and write your answers down on paper.

1. What values are most important for me to achieve my goals?

2. What other values do I need to add.

Can you really make a change simply by reordering a list on a piece of paper? Yes, you can. The mind is a powerful ally, use it.

What if you want to rearrange your list of moving away from values to switch fear from the top to the bottom. You must then make something else your top value to avoid. Why not choose something that doesn't occur in trading like rejection?

Let's make rejection our number one moving away from value (unless you are a salesperson) and see how it could impact our trading every day. There doesn't seem to be much chance of being rejected when you place a trade. Your broker is happy to execute any trade you place, unless you have issued it incorrectly, in which case you are not being rejected, but corrected.

Let's put fear at the bottom of the list, so before you can worry about fear, you first need to consider loneliness, guilt, and all the other negative emotional states. Do you want to miss a trade because you might be more lonely? Does that even make much sense? Not to me, perhaps if you are truly creative you could come up with ways that taking this next trade will cause you to be lonely, but I doubt it.

When you consider whether to take a trade, consider also whether you might be rejected, or more lonely afterwards? If not, take the trade. Place embarrassment at the top of the list. Now, not taking a trade should cause you to be embarrassed. Do you worry about being embarrassed.? I know I don't.

Reordering your list will not cause your fears and beliefs to magically disappear, but they will be lessened in severity and with practice can be eliminated entirely. If only for a moment, you are able to take action based on what you believe to be good information, you will be on your way to overcoming the issue of "pulling the trigger."

Changing your beliefs and values takes time, but a conscious effort will reward you greatly. Try it. It can and will work.

How Traders Talk Themselves Into Bad Trades

We are all influenced by our experiences. If you have a car accident on a rainy day at 7th and Vine, then the next time you drive on a rainy day past 7th and Vine your eyes will dart this way and that, searching for signs of danger. One single experience creates a neural pathway that your brain will follow given the same circumstances. When learning a new skill those pathways are slowly being created until the skill is perfected.

If you are just learning to trade, what seems to happen? The trades you decide to take, go wrong, and the trades you decide to let pass, would have been good winners. Why is this happening? Probably it is more your interpretation of the situation than reality.

Develop some criteria for your trading, rules you follow. If A is present, B is present and C is present, you will take the trade. Follow this pattern for at least 10 trades before you determine whether it is a winning system. Consistency will gain you the rewards.

How do you trade a system consistently? You must start becoming more consistent by taking charge. Listening to the way you talk yourself into and out of taking trades, you can eventually learn to diffuse negative disempowering talk and instead use empowering talk.

"Okay, here it is setting up, oh this looks good, A is in place, let's check B, yeah, B is in place, where's C, oh Jeeze, C is in place, now what? Should I take the trade?"

A professional trader would have already placed the trade, a novice is still deciding what to do.

"Well, I read something about not taking trades at 10:15 and it is now 10:17. What about the bad news I read in the paper this morning about the economy? What if it all goes horribly wrong? What would my family say? What would my friends think? I hate this!"

All this chatter has taken place in the space of a few seconds, but what happens next?

"Ahhhhrggg! The trade, it's moving in my direction. Oh why, oh why didn't I take this trade? I'm an idiot. I'll never be a successful trader."

Our trader didn't take the trade because he continued to question the validity of the signals he received, after having received them. How is this self-talk in any way going to help this trader? It won't. Banish such talk immediately. As soon as you see a set-up, you have the phone in your hand, or have pushed the button on your electronic order system, and the trade is made. Talk to yourself then, if you must, but use empowering talk, say, "This is good, I've followed my system."

How to Diffuse a Verbal Bomb

Much of the self talk we use is laced with destructive, this-is-the-end-of-the-world type nonsense. You can easily diffuse much of the power of these comments by learning to use softer, more playful descriptions.

Change This	To This
This is hard	This is challenging
I feel like hel*	I feel uncomfortable
Oh, sh*t	Oh, poopy
I'm so stupid	I'm learning
I'll never…	I'm getting better at this
She'll kill me	She'll be okay; I'm improving every day
This is a failure	This is an opportunity to learn
I'm a failure	I'm gaining an education
This is making me sick	This is invigorating me inside and out
You stupid market	I'm talking to my screen
I must by crazy	I must be brave
I hate this	I'm not fond of this
I'm scared	I'm excited
This is painful	This is prickly
I'm afraid	I'm uneasy
We'll be destroyed	It's a set back
I'll be ruined	I'm disappointed
It's hopeless	Just look at the possibilities
This market makes me nervous	This market makes me energized

Practice softer self-talk. If you really feel like swearing, try some of these favorites I learned from my beloved grandfather: Dag-nabbit! Ding-bust-it! Ding-blast-it! Dad-gummit! You'd be surprised at the looks you get.

Change Your Perception - Change Your Mind

Think about it, the emotional uproar you experience when highly stressed, afraid or upset -- rapid heart beat, quickened pulse, shallow breathing, pit in your stomach -- these are all the same things you experience when you are highly excited or thrilled. These feelings are positive or negative depending entirely on how you choose to label them. Use this highly charged emotional climate to your advantage. Change the way you perceive what is going on around you into something positive.

All performers experience the pre-performance jitters commonly labeled as stage fright. Professional performers use this highly charged emotional climate to psyche themselves up and get excited, while less skilled performers literally become unable to step on stage, crippled by the intensity of their feelings. What words do you support a skydiver uses just before stepping out of the plane?

You are a performing trader, choose to be excited. Every time you begin talking in a negative way, change it as soon as you realize it is happening, and instead say helpful, empowering comments. Tell yourself you're excited, not upset. Get involved in creating the outcome you really want. Be on your own side.

Make a list of your new statements and pull it out, or paste it in front of you. To become a good trader, you must practice trading. Rehearse your skills day-by-day and practice changing your self-talk. Notice throughout the day, even while not trading, what kinds of things you say, and change negative talk into something more positive. If you keep at it, over time your new way of talking will become your usual way of talking, and it can impact your trading in a very big way.

Day Trading - Mental Mastery

Traders face an oppressive opponent within their own minds. Mental processes that serve you well in day-to-day living will be your downfall as a day trader. Take these two simple tests and you'll have a greater understanding of the power of your mind. Learn to harness and use this power and you'll have learned to master day trading and anything else you choose.

When presented with a problem, your mind will attempt to provide an answer based on the prior data it has available. In other words, your brain will search itself for the answer. Easy answers come first. If no prior data can be located, ideas will come to you as to how and where to locate new data.

The Stroop Test

(Note: This test is valid only if the following charts are printed in color). The following is a simplification of the Stroop Test. Time yourself reading the following list. You'll need a second hand.

Ready, set GO!

YELLOW
RED
BLUE
GREEN
PURPLE
BLACK

That probably took you a couple of seconds. Next, instead of reading the words, this time you are to time yourself saying the colors of the text of each word. Ready, GO!

YELLOW
RED
BLUE
GREEN
PURPLE
BLACK

Did you notice it took much longer to say the colors? In some cases you may have paused, almost stumped. You know what you want, but your brain is fighting its natural tendency to provide the quick answer. It is not until the brain realizes it is incorrect that it goes to find the correct data. Hence, a few more seconds are added to the time it takes to say the colors.

We process millions of images and sounds at any given moment. Even when you are indoors, there are sounds from outside (weather, cars, people) and sounds from inside (the TV, radio, hum of electrical equipment, etc.). The brain copes with this constant bombardment of stimuli by utilizing filters. You will "filter" what your brain deems unimportant, based on the criteria you have given it.

What you Focus on is What You'll Produce

Here is another easy test that demonstrates that what you put your attention on is what you will produce. If you are in your home or office, simply glance around the room and notice everything you see that is red. Take a moment, and really look.

Now, close your eyes. Count to five, and then...quickly, name everything in the room that is blue. Ah ha! First, you probably expected the test to be about your memory, so you might have made a real effort to notice what was red, but in doing so, your brain filtered out everything else. Naming something you didn't focus on is much more difficult. Every time you get in your car and drive a familiar route, look around and notice something you haven't noticed before.

Perception and Illusion Can Alter a Trader's Reality

The purpose of these simple exercises is to show how perception and illusion can alter a trader's reality and ability to see what is there to be seen. If you form an opinion about the market, direction, distance, etc. your brain will seek to assist by filtering what does not support your position. You'll find signals to support your belief (if there are any to find), but you will miss obvious signals that dispute your position and might even prove a good setup for a trade in the other direction. Hindsight nearly always finds these "obvious" signals. Keep a neutral bias as much as possible.

While you are in a trade, instead of looking for more data to support your "excellent decision" look for data to dispute your position. Seek the opposite while trading and you'll develop better money management skills.

If you are looking to place a trade, look for signs that your trade is wrong, not right. Tally the signs for or against, and stick closely to your rules. No matter what your think you see, there is always another way to perceive any given situation.

** A Nova analysis of climbers attempting Mt. Everest Internet article, discusses the Stroop test as a method used to determine the effects of lower oxygen levels on climber's mental abilities.*

Trade Reluctance Types: Do You Recognize Yourself?

A problem that plagues all traders from time-to-time, trade reluctance, or the inability to pull the trigger has many causes. Recognizing yourself among the following Trade Reluctance Types can go a long way toward eliminating the problem.

ALARMIST: Characterized by energy being diverted away from placing trades into over-vigilant preparation for low probability catastrophes. Habitual worrying about the worst case scenario.

ANALYSIS PARALYSIS: Characterized by energy being over-invested in analyzing at the expense of executing trades. Preparation for making trades is out of control. Trader is a walking encyclopedia of technical information with little or no profits to show for it.

HYPER-PRO: Characterized by energy being lost due to over-investment in the mannerisms and appearances of success. Energy is expended at the expense of goal-supporting behaviors such as analyzing trade performance or analysis for the next trading session, which is viewed as "demeaning" and "unprofessional," and/or "shouldn't be necessary." Often accompanied by over-stylized use of professional jargon, name-dropping, and a reflexive need to appear better informed and more sophisticated than the "average" trader.

STAGE FRIGHT: Characterized by avoiding or bypassing trade opportunities when other traders are present due to emotional discomfort. Highly targeted form of fear. Trading while alone may be completely unaffected. (This is primarily an issue for those employed as traders).

ROLE REJECTION: Disproportionate guilt and shame associated with making money by trading. Recognized by feeling fine after a losing day, but having a vague sense of emptiness after a good winning day. This trader will down play his own success and most likely attempt to sabotage a winning trade strategy. Tendency to find fault with people who are better off than themselves.

PHONAPHOBIA: Characterized by fear when trying to use the telephone for trading purposes. Misstating your trade parameters, i.e., saying "buy" when you meant "sell," stuttering, difficulty dialing. Highly targeted. Leads to a complete and utter fear of phoning in the order. Electronic trading may be completely unimpaired. (Use our Order Placement Worksheet, found on our Trader's Tools page to overcome this.

KEYBOARDAPHOBIA: Opposite of Phonaphobia: Characterized by the fear of mis-typing your order and finding finger paralysis to ensue. Ability to type correctly is impaired to the extent the trade is lost due to the time taken to input the order. Shaking hands, sweating palms, highly targeted signs of severe nervousness inhibit ability to execute the trade. OR trade parameters are entered correctly, but fear inhibits the ability to push the button with "What if...." visions dancing in your head.

CONGRATULATIONS JUNKY: Hard-edged type of trade reluctance characterized by high approval needs and low self-esteem. Result is ambivalent need for continuous positive reinforcement from family and friends which is then criticized and rejected as invalid ("I didn't really trade well today..."). Compulsive need to argue, make excuses, and blame others after an unsuccessful trading session. These traders are emotionally unable to allow themselves to be coached, advised, managed or trained and refuse to learn from their mistakes. Many low producers remain low producers because of this form of trade reluctance.

Refer Chapter 7 - Mind Over Money for effective ways to combat these ineffective behaviors.

Appendex A

Charts & Worksheets

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The following are various charts and worksheets we have developed and use in our trading.

Order Placement Worksheet — See pg. 10 for types of orders and pg. 17 for Recording Trade Transactions, an overview of how to use the Order Placement Worksheet

Trade Analysis Worksheet — See pg. 22, Analyze and Learn from your Trades

Turning Points Worksheet — See Charting Market Turning Points, pg. 42.

Intraday Tracking Chart - See Intraday Tracking Chart, pg. 43.

Daytrader’s Bulletin
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ORDER PLACEMENT WORKSHEET

This is ____ Account # ___________________
(number)

at _____:_____ ______ on ___________________, ______________, 19___
(time) (am/pm) (month) (day)

ENTRY

<u>Market Order</u> Buy/Sell ______________ (#) ______________ @ the market.
(how many) (which contract)

<u>Stop With Limit</u> Buys are above current prices, sells below.

Buy/Sell __________ (#) ____________ @ _________ Stop ___________ limit.
(how many) (which contract) (price) (amount)

<u>Stop Limit</u> Buys are above current prices, sells below.

Buy/Sell __________ (#) ____________ @ _________
(how many) (which contract) (price)

PROTECTIVE STOP

<u>Stop</u> Buys are above current prices, sells below.

Buy/Sell __________ (#) ____________ @ _________ Stop
(how many) (which contract) (price)

EXITS

<u>At the Market</u> Buy/Sell ______________ (#) ______________ @ the market.
(how many) (which contract)

<u>MIT (Market if Touched)</u> Buys are below current prices, sells are above. When you want price to reach a liquidation objective.

Buy/Sell __________ (#) ____________ @ _________ Stop
(how many) (which contract) (MIT price)

CONTINGENCIES

Buy/Sell ___________ (#) _____________ @ __________
(how many) (which contract) (price)

Stop ________________ limit. If filled, buy/sell _____________ (#) ________________
(price) (how many) (contract)

_____________ (#) (below/above) the fill
(points)

CANCEL

Cancel ticket # ___________ to ____
(number) (details of order)

____
(details of order)

CANCEL/REPLACE

This is a cancel/replace. Cancel ticket #_________________ to _____________________________
(number)

____
(details of order)

replace with ____
(details of new order)

DAYTRADER'S BULLETIN
TRADE ANALYSIS WORKSHEET

Contract ______________________

Date ______________________ Day ______________________

Entry Review

	Time	Price	
Bulletin Entry Signal	__________	__________ +/– ______	Long / Short
My Entry	__________	______________	____________ ____________
			Ticket # # of Contracts

	Yes	No
Did I take the Entry in a timely manner?	______	______
Did I resist chasing the market beyond the +/– parameters?	______	______
Did I place my Management Stop?	______	______

Exit Review

	Time	Price		
Bulletin Exit Signal	__________	__________ +/– ______	Long / Short	
	__________	______________		
	__________	______________		
	__________	______________	Ticket #	# of Contracts
My Exits	__________	______________	____________	____________
	__________	______________	____________	____________
	__________	______________	____________	____________

	Yes	No
Did I take the Exit(s) in a timely manner?	______	______
	______	______
	______	______
Did I cancel/replace my Management Signal Stops?	______	______
	______	______
	______	______

Management Review

	Ticket #	Yes	No
Did I move my Management Stops in a timely manner?	__________	____	____
On final exit, did I cancel my last Management Stop?	__________	____	____

TURNING POINTS

DATE	OPEN			TURNING POINTS							
	GAP ± PTS	15M	1M	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS	TIME ± PTS

Intraday Tracking Chart

Time	Indicators						Moving Averages						
	MACD	3-10 OSC	ADX	+ DI	- DI	Vol	120	60	30	15	5	3	1
8:30													
8:45													
9:00													
9:15													
9:30													
9:45													
10:00													
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Indicator Legend

Indicator	Set-Up
MACD	Divergences, zero crossing, trendline breaks
3-10 OSC	Divergences, three pushes up/down
ADX	<16 and moving up OR >30 on 1M chart
Moving Averages	Active (ADX > 30) slope
Volume	High Tic volume on 5M spike bar, low volume on retracements