



# How to Make Big Profits Trading 30 Year Bond Futures

By Hubert Senters, HubertSenters.com

If you are an active trader, it's important to build futures into your trading activity. Why? Because all markets are exposed to want to hedge yourself. For example, if you only trade Apple (Nasdaq: AAPL), and Apple is doing fine, you can do nothing, or you can consider going long on the Nasdaq (NQ) futures. If you are long AAPL, but the stock starts moving against you, you can position by shorting NQ. Everyone who trades the stock market should have a small futures account so that you can hedge.

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

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

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

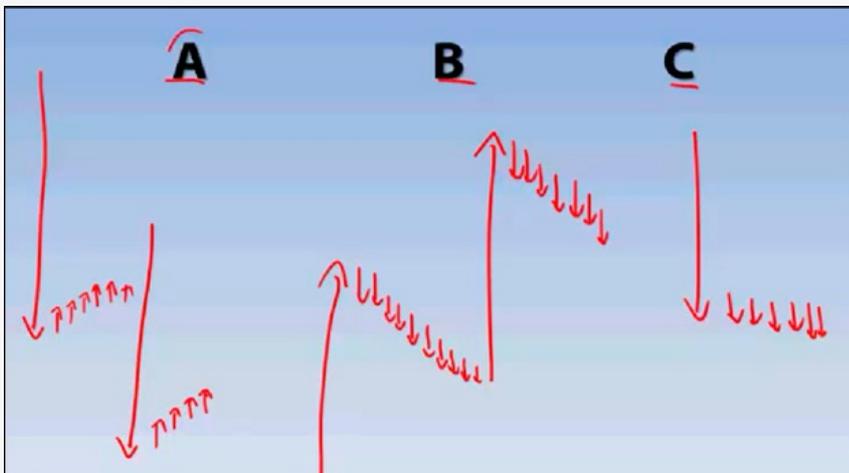
1. 7 losing trades at \$156 = \$1,092 loss
2. 3 winning trades at \$1,000 = \$3,000
3. Net profit on 10 trades = \$1,908

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

### The Five Stages of Trading

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

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



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

- **The "B" Style Trader** – This trader manages risk to reward better. The "B" style trader is a much better place to be. You let a winners run long. You manage money and risk control much better and have strong discipline on controlling your losers. This is a much better place to be over the long run.
- **The "C" Style Trader** – You don't want to be this trader, because he won't be around very long.

What is the best market to trade? If you are going to trade, you need to trade the S&P E-minis. You want to trade it because it has high volume and everyone trades it. Then you start trading the E-minis, and you start getting chopped-up. You start wondering "Why is this?" or "This is just too hard. It's got to be rigged." You may feel betrayed.

The E-mini S&P (and many other markets) are very choppy. They rise and fall abruptly. They make unexpected breakouts, and then they reverse. As traders, we rely on a lot of information from outside sources to make decisions and sometimes we can feel like the market is against us. Those sources are other traders, the media, investors, etc. The key question is: Did you test what they told you, or did you just believe them? Does that market even reflect your personality or trading style?

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

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

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

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

- **YM Dow** - You can make \$465 a day, but it will chop back and forth on your way to that total.
- **ES S&P** – Just like the Dow. Very choppy
- **NQ Nasdaq** – Behaves just like the Dow and the S&P
- **TF Russell** – Behaves very choppy, followed by a breakaway, and then it chops again.
- **US 30 Year Bond** - This market goes up, pulls back, up, pulls back and reverts to half of its range.
- **CL Crude Oil** – A little crazy. It can behave nicely, and then turn on you
- **SI Silver** – Dangerous. Avoid at all costs
- **GC Gold** – Will run, consolidate, run, consolidate, run, consolidate, then come back and adjust.
- **AD & EC** – These currency markets can be good for trend traders.

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

### Bond Futures Basics

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

- Months
- Time
- Caution
- Symbols
- Tick Values
- DOME

- Margins
- Bond 1st Hour Trading Rules

## The Months of Futures

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

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

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

These months trade just like the E-minis. Each of these months started trading 2 weeks after the previous time period. For example, in the second week of March 2014, you would start trading the US M 14 bond futures, or the June contracts for 2014. In the 2nd week of September 2013, you would start trading the US U 14 September contracts.

The Bond markets are open 23 hours, from 6pm EST to 5pm EST. The floor traders in the pits actively trade bonds between 8:00pm EST. When you look at these markets in Trade Station, here's what the markets look like:

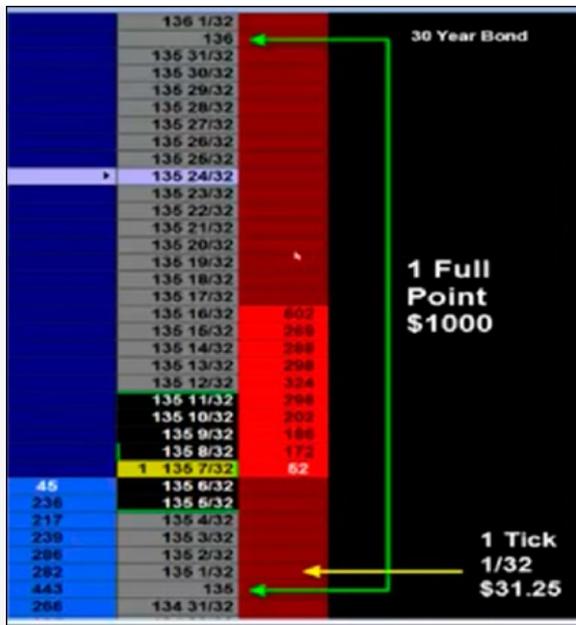
Symbol	Interval	Last	Volume Today	Description	StartTime	EndTime	BPV5	MinMove	MinMo...	Exp Date
<b>Financials</b>										
1 @US	15 Min	143.2732	473,910	30 Yr U.S. Treasury Bonds Continuous	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0313	\$31.25	30-Dec-99
2 @TY	15 Min	131'25.6	1,489,639	10 Yr U.S. Treasury Notes Continuous	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0156	\$15.63	30-Dec-99
3 @FV	15 Min	123'30.7	745,433	5 Yr U.S. Treasury Notes Continuous	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0078	\$7.81	30-Dec-99
4 @TU	15 Min	110'07.0	219,147	2 Year U.S. Treasury Notes Continuous	06:00:00 PM	05:00:00 PM	\$2,000	\$0.0078	\$15.63	30-Dec-99
<b>30 Year Bonds</b>										
7 USH13	15 Min	143.2732	473,910	30 Yr U.S. Treasury Bonds Mar 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0313	\$31.25	19-Mar-13
9 USM13	15 Min	142.1192	67,791	30 Yr U.S. Treasury Bonds Jun 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0313	\$31.25	19-Jun-13
10 USU13	15 Min	141.3032	0	30 Yr U.S. Treasury Bonds Sep 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0313	\$31.25	19-Sep-13
11 USZ13				Data request failed: Incorrect symbol						
<b>10 Year Notes</b>										
14 TYH13	15 Min	131'25.6	1,489,639	10 Yr U.S. Treasury Notes Mar 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0156	\$15.63	19-Mar-13
15 TYM13	15 Min	130'20.0	167,808	10 Yr U.S. Treasury Notes Jun 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0156	\$15.63	19-Jun-13
16 TYU13	15 Min									
17 TYZ13	15 Min									
<b>5 Year Notes</b>										
20 FVH13	15 Min	123'30.7	745,433	5 Yr U.S. Treasury Notes Mar 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0078	\$7.81	28-Mar-13
21 FVM13	15 Min	123'16.2	109,128	5 Yr U.S. Treasury Notes Jun 2013	06:00:00 PM	05:00:00 PM	\$1,000	\$0.0078	\$7.81	28-Jun-13
22 FVU13	15 Min									
23 FVZ13	15 Min									
<b>2 Year Notes</b>										
26 T2H13	15 Min	110'07.0	219,147	2 Year U.S. Treasury Notes Mar 2013	06:00:00 PM	05:00:00 PM	\$2,000	\$0.0078	\$15.63	28-Mar-13
27 T2M13	15 Min	110'05.0	82,758	2 Year U.S. Treasury Notes Jun 2013	06:00:00 PM	05:00:00 PM	\$2,000	\$0.0078	\$15.63	28-Jun-13
28 T2U13	15 Min									
29 T2Z13	15 Min									

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

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

- Interest Rates
- Any other major economic news, such as FOMC notes
- Econoday.com (good source for news)

### Using the DOME



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



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

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

#### Margin Intraday and Overnight

##### Intraday

##### Overnight

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

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

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

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

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

So let's play this strategy out:



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

1. **First trade** – Wait for reversal place a short limit order with a 5 tick stop loss. The market spikes and takes out your stop. You lose \$156.25.
2. **Second Trade** – You do the same thing, and you get the same result. Another \$156.25 loss
3. **Third Trade** – You make the same trade, but this time it doesn't get stopped and it runs for your target of one full point. You win \$1,000.

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



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

2. If the full ATR has been reached, use a 16 tick reversal

4. Set your target at one full point, for a \$1,000 gain.

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



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

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

#### The EBT "Sneak Attack" Trade - 30yr Bond

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

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



In this example, you can see that the 7:20-8:20 EST time period has been bracketed. The low and high of this time period has been identified and it is 10 ticks. The overall market is in a downtrend from the previous day. The bond market drifts up slightly, and then begins its downward journey. Once the market hits the lower end of your 7:20-8:20 range, you SELL the bond market with a 5 tick stop/loss and your profit target is the range of ticks covered between 7:20am EST and 8:20am EST. You are risking \$156.25 to make \$312.50 and it works surprisingly well. It's called the "Sneak Attack" because the trade is executed before the pit traders start trading at 8:30 EST.

#### Conclusion

# Profits = Confidence



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

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

## THE MOVIE

Hubert Senters will walk you through the basics of the 30yr bond markets, and goes into the two trading strategies discussed in addition, he makes a live trade and goes through a "lightning round" where he analyzes markets and stocks.

[Watch the Video of this Presentation HERE](#)

**Take "My Favorite Trades Right Now" Class Here!**

## ABOUT THE AUTHOR



Hubert Senters is a skilled professional day trader and successful entrepreneur. His philosophy is to need to accomplish something in life, find someone who is passionate about the topic of you learn everything they know about it." That philosophy has made Hubert Senters a successful day trader. Hubert is a firm believer that you need to have your own style & method of trading that works for you.

[Contact Us](#)   [Privacy Policy](#)

There is a very high degree of risk involved in trading. Past results are not indicative of future returns. ChartExperts.com and all individuals affiliated with this site assume no responsibilities for your trading and investment results. The indicators, strategies, columns, articles and all other features are for educational purposes only and should not be construed as investment advice. Information for any trading observations are obtained from sources believed to be reliable, but we do not warrant its completeness or accuracy, or warrant any results from the use of the information. Your use of the trading observations is entirely at your own risk and it is your sole responsibility to evaluate the accuracy, completeness and usefulness of the information. By downloading this book your information may be shared with our educational partners. You must assess the risk of any trade with your broker and make your own independent decisions regarding any securities mentioned herein. Affiliates of ChartExperts.com may have a position or effect transactions in the securities described herein (or options thereon) and/or otherwise employ trading strategies that may be consistent or inconsistent with the provided strategies.