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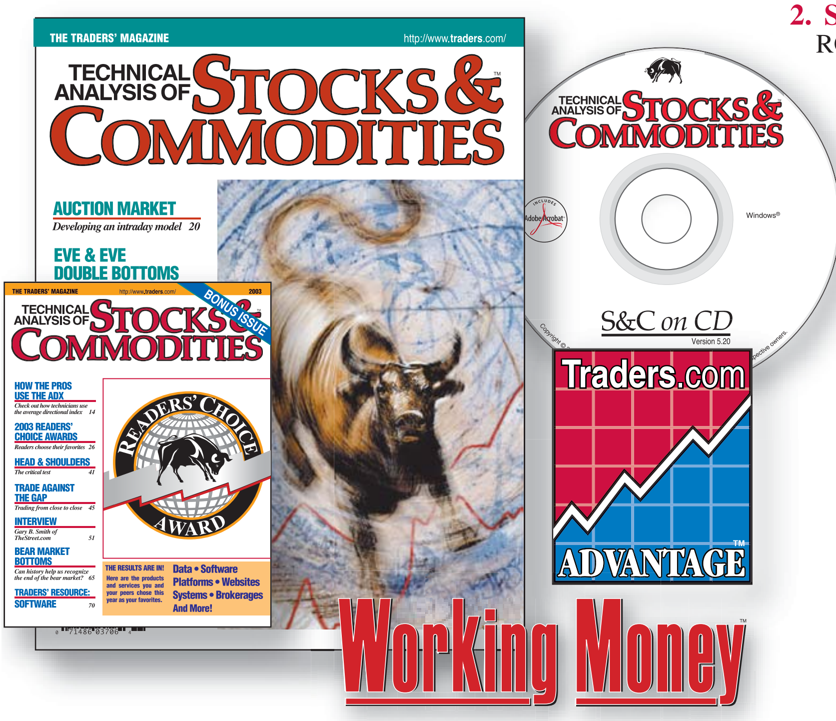

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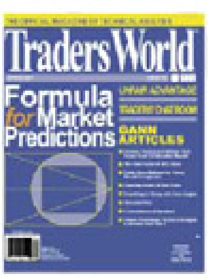

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Despite the bear market there have been stock groups that have gone up. In 2000 tobacco, utility, and health care stocks bucked the market to go up30%, 50% and in some cases even over 100% while the tech stocks crashed. Last year auto dealerships and auto parts stocks, such as Autozone, more than doubled while the rest of the stock market tanked. And this year it is gold stocks that are running wild and will likely to continue to do so for the rest of the year.

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Go to **TimingWallStreet.Com** and try our free trial. Our head editor, Michael Swanson, has generated a gain of 800% In his personal account in the past 4 years. Find out what he is buying and selling right now. His record includes issuing sell and short warnings on the Nasdaq at major market tops in September, 2000, January 30, 2001, August 15, 2001, and January 14, 2002. Each of these warning came at the end of broad market advances and were used by Mike to enter short positions in technology stocks.

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USING MARKET BREADTH TO IDENTIFY SHORT-TERM TOPS AND BOTTOMS

By Tom Alexander, Dynamic Traders Group

Many traders use various indicators derived from calculations of market breadth. The breadth of the market is the number of declining issues subtracted from the number of advancing issues of the New York Stock Exchange. The McClellan Oscillator and the Arms Index (Trin) are two of the most popular indicators using market breadth as a primary component in their calculation.

In the late 1980's I began using a simplified variation of the indicators mentioned above to help identify short-term trade opportunities. I simply subtract the declining issues from the advancing issues of the New York Stock Exchange and plot it as a graph. I program it as an indicator so I can display it below a chart of the S&P or Nasdaq. My breadth indicator is comprised of far more issues than the S&P 500 or Nasdaq 100 since all NYSE stocks are used in the calculation. However, the very high correlation among the respective indexes makes the breadth indicator accurate for both of these indexes.

The beauty of the breadth indicator is its simplicity. It gives a real-time snapshot of exactly what is going on right now, in any time frame, of the internal strength of the market. It enables the trader to know the current "baseline" for present market activity. Very high readings often correspond with market tops and very low readings often correspond with market lows.

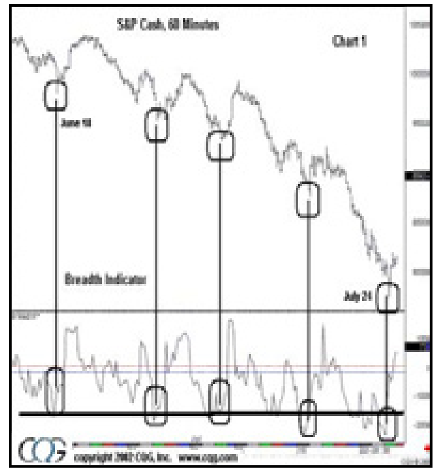
A positive number indicates there are more advancing issues than declining issues for the period. A negative number indicates there are more declining issues than advancing issues for the period. Extreme high readings often signal a short-term exhaustion of buying power among market participants. Extreme low readings often signal short-term exhaustion of selling among market participants. Extreme readings in the breadth indicator often mark almost immediate reversals in the market, but will occasionally put in a series of less extreme highs or lows as the market continues to make new rally highs or decline to new lows. Ultimately, after a series of divergences the market will form a short-term top or bottom and reverse the trend in effect at the time the divergence between price and the breadth indicator began.

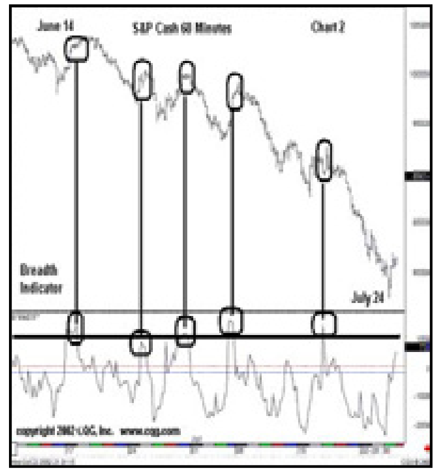
Charts 1 and 2 show the S&P cash, 60 minute data from the June 2002 high into the July 2002 low. The breadth indicator consistently and accurately identified both short-term tops and bottoms in the S&P. The breadth indicator is used in a similar manner as many other indicators. When it is near a high extreme, a market is "overbought" and should be at or near at least a short term top. When it is near a low extreme, the market is "oversold" and should be at or near at least a short term low. Unlike most indicators, note how quickly the breadth indicator reverses from extremes. The indicator does not hang in the extreme high or low zones like most momentum indicators but quickly trends to the opposite extreme providing a more precise signal of market reversal. The indicator does not always reverse at the exact extreme high or low price bar, but the high or low is usually made within just a few bars of the breadth indicator reversal. It clearly warns traders much better than most "momentum" indicators that the buying or selling pressure is running out of steam.

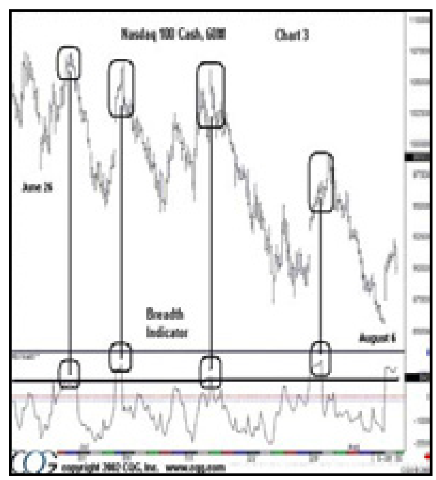
Charts 3 and 4 are 60-minute data of the cash Nasdaq 100 (NDX) from the June high into the Aug. low. Note how the price often reversed on the exact bar the breadth indicator reversed from an extreme high or low.

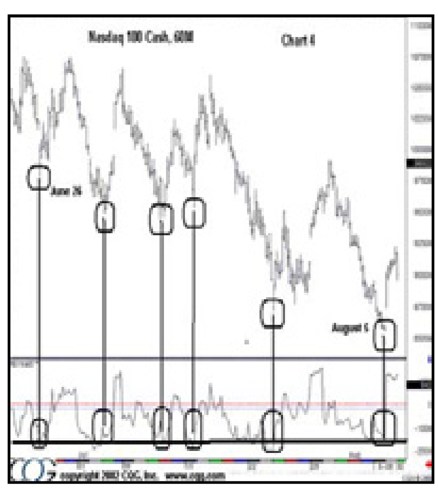
The breadth indicator may be used on any time frame to help identify long or short term reversals. It is not a standalone trade signal, but one of the best indictors to warn the trader that at least a short-term reversal is near at hand. When combined with simple pattern and price analysis, it adds a unique and powerful dimension to identify low-risk trade set-ups.

Tom Alexander has traded the futures markets for over 15 years. He is the trade strategist and editor for the Dynamic Trader Intraday Futures Report issued several times each day during trading hours. The report gives the key short-term support/resistance targets and trade strategies for the S&P, Nasdaq and bonds throughout the trading day. He continuously monitors his breadth indicator throughout the day as an important tool to help identify short-term trade opportunities. For more information, go to www.DynamicTraders.com.









PRACTICAL INDICATOR STRATEGIES WITH MULTIPLE TIME FRAMES

Robert Miner, Dynamic Traders Group

Indicators are probably the most abused aspect of technical analysis and trading strategies. The key to the practical application of an indicator is to use the indicator in the context of the position of the market. When used in this way, an indicator can be part of a completely objective entry and stop loss strategy.

The conditions for a trade are set-up on the daily chart and the trade is executed from the 60-minute chart. The larger time frame identifies the opportunity. The smaller time frame executes the trade for less capital exposure. The same approach may be used for any two time frames such as weekly and daily or 60-minute and 15-minute.

I'm going to use SYMC for this example and the same time period that was used for the article on price projections in this issue by my associate, Jaime Johnson. You might want to review this article and Johnson's together to gain more understanding how to incorporate practical indicator strategies with end-of-wave price targets.

Chart 1 is the daily SYMC data into the Jan. 2 low. The conditions to consider a trade are SYMC must be in a price support zone with the daily Dtosc in the Buy Zone, below 25%. If these conditions are met, SYMC is in a position to complete a correction against the bull trend and we then go to the 60-minute data for the specific trade execution set-up. On Dec. 31, one trading day before the Jan. 2 outside-reversal day low, the daily Dtosc was in the Buy Zone, price was at a key retracement and in a position to complete an ABC correction.

Chart 2 is the 60-minute data around the Jan. 2 low. The conditions for a long trade were made on the daily chart on Dec. 31. The objective trade execution is to trail a buy-stop to enter a long position one tick above the 1BH (one-bar-high) beginning on the first bar after the 60M Dtosc reverses from the Buy Zone. On mid-day of Jan. 2, the Dtosc reversed, the buy-stop was trailed and the long position was taken at 41.91. If the entry was made on the close of the daily reversal signal, it would have been at 42.74, almost a dollar higher. If the long trade were taken on the break above the swing high at 43.62, the entry would have been over two dollars higher. By executing the trade on the shorter time frame after the set-up is complete on the larger time frame, the initial capital exposure is usually much less.

Chart 3 is back to the daily data to identify the conditions when we begin to trail the stop on one half of the long position. When price reaches the initial price objective and the Dtosc is in the Stop Zone, we go to the hourly chart and begin to trail the stop one tick below the 1BL after the 60M Dtosc reverses from the Stop Zone. On Jan. 13, SYMC reached the W.3 target zone and the daily Dtosc had reached the Stop Zone. We go to the 60M chart for the specific exit strategy.

Chart 4 is the hourly data near the Jan. high. On Jan. 14, the 60M Dtosc reversed from the Stop Zone. On the first bar following the reversal, the protective sell stop on one half of the long position is trailed one tick below the 1BL. At mid-day, the one half of the long position is exited at 46.59. The long entry was at 41.91 for a net profit of 4.68 on one-half of the long position.

What about the second half? That will have to wait for the article in the next issue when I will talk more about exit strategies.

Robert Miner is the president of Dynamic Traders Group and author of Dynamic Trading. His web site. www.DynamicTraders.com provides free current trade recs and traders education tutorials each week. Miner is also the developer of the Dynamic Trader Software. Dynamic Traders Group publishes the Dynamic Trader Weekly and Intraday Futures Reports and the daily DT Stock Report.

Chart 1

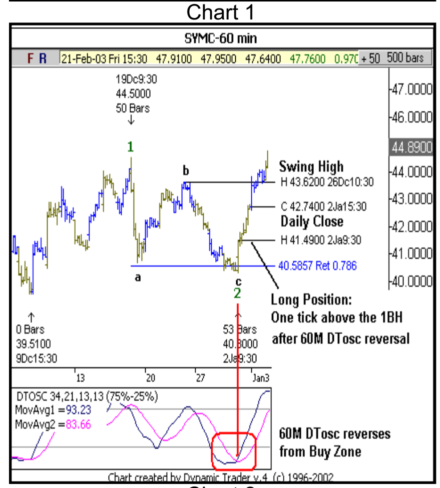


Chart 2

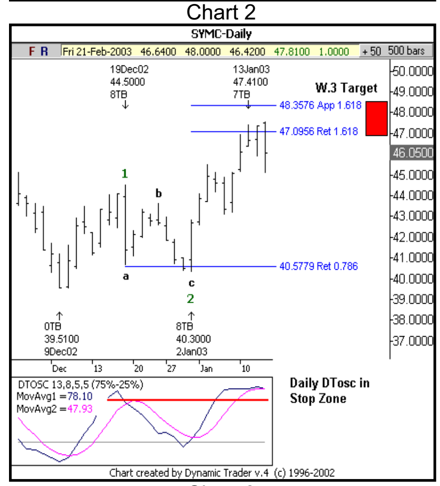


Chart 3

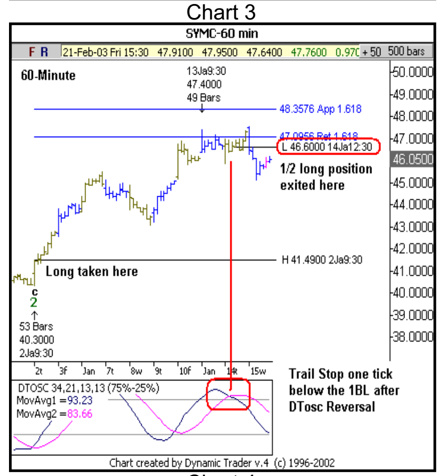


Chart 4

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Joe was a personal student of W.D. Gann.

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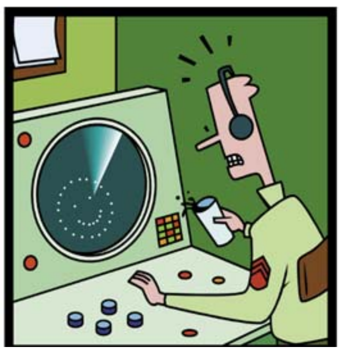
BLIPS – THEY ARE NOT JUST FOUND ON A RADER SCREEN

By David Duty CTA

When I first started trading, I was looking for reversal signals but I was having a challenge finding something that was consistent. I couldn't see the forest for the trees so to speak. I knew it was there, I just couldn't find it.

I got an idea to go through a few hundred charts, circle every major and minor reversal, and take a look at them again. I kept seeing little three, or sometimes a four, day patterns that happened quite often. I started calling these patterns Blips for lack of a better term, and that name has stuck. Blips are quite getting popular among a small group of traders and my students.



It's my favorite pattern, and one of the easiest to identify. Blips are either a three or a four day pattern and often represent a short or, long term change in trend.

There are two types of Blips: Top Blips and Bottom Blips. A Top Bottom Blip can be used as an indication that the market could drop rally and a Bottom Top Blip indicates that the market could rallydrop. See the diagram below for an example of both types of Blips.

The Blip is usually a three day pattern. Each number next to a bar in the diagram represents Day 1, Day 2 and Day 3.

With a Bottom Blip, Day 1 and Day 3 should have higher highs and higher lows than Day 2. Just the opposite is true for a Top Blip where Day 1 and Day 3, should have lower lows and lower highs than Day 2.

We are going to look at some charts that have some Blips highlighted.

Look at the last three days of trading on Chart #1 and count backwards. The last day would be Day 3, the previous day is Day 2, and the third day back would be Day 1. Notice that it looks kind of like a three prong fork. (circle)

It's critical that Day 3 close low (for a Top Blip) and an even stronger formation if Day 2 also closes low (See Chart # 1). I would have placed my order to sell short the next day. Day 4 at a break below the low of Day 3. If filled, my protective stop would be just above Day 2, which is the high of the last little rally.

As you can see in Chart #2, I would have been filled on the trade. When this happens I say that the Blip has confirmed and I'm in the market.

Be sure to look at the Risk/Reward ratio, support and resistance lines and the indicators. The two that I find that work best to confirm Blip formations are Slow Stochastics and MACD. For sake of clarity I am only using Slow Stochastics on the following charts.

Blips can also be used as an exit signal. When you are long and a Top Blip forms, you should strongly consider moving your stop up close to the low of Day 3. When you are short and a Bottom blip forms, consider moving your stop down near the high of Day 3. Of course you would want the indicators to confirm this also. You'll see what I mean when you see the following charts.

Blips work on any chart in any time frame. They can be used on intraday, daily, weekly or monthly charts, and with commodities or equities.

Blips can also be used as an exit signal. When you are long and a Top Blip forms, you should strongly consider moving your stop up close to the low of Day 3. When you are short and a Bottom blip forms, consider moving your stop down near the high of Day 3. Of course you would want the indicators to confirm this also.

I like to look for Blips on a bar chart and when I find one, I convert over to a Candle chart. What I'm looking for in a Top Blip is for Day 3 to close in the lower 25% range of the day. It's an even stronger pattern if Day 2 also closes in the lower 25% of the day's range. (The opposite holds true for a Bottom Blip). This is much easier to see in Candle charts than bar charts. ~~(The~~ opposite holds true for a Bottom Blip).

Should the market have rallied again the next day, I would have probably not been filled on the trade and the Blip would not have confirmed.

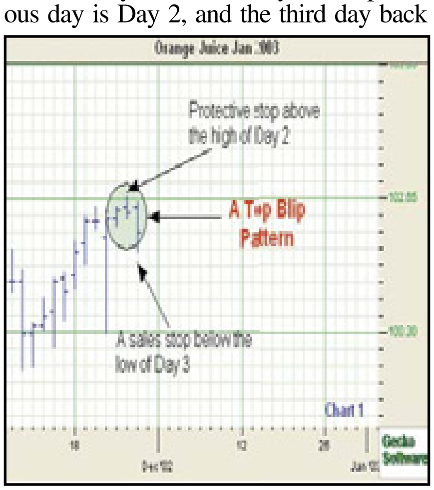
Let's follow this trade for a few days and see how we would have done. Notice that in Chart #3, the Top Blip got us into the market short. Then about a week later, the market started going sideways and started losing strength. I would have kept a tight stop expecting a pullback at this point.

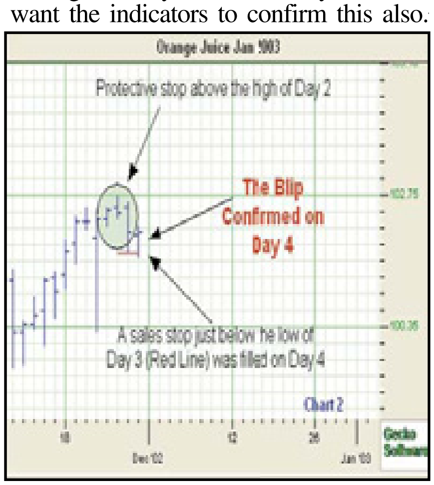
The short term trend pulled back and made a 50% internal retracement and I would have been stopped out with a profit of about $550 from going short on the first Blip. Then, another Top Blip formed (Blip #2). While Day 2 of Blip #2 did not close low, Day 3 did, and the fact that it was at the 50% retracement level added weight to Blip #2. I would have shorted the market again on Day 3 of Blip #2 the trade. Blip #3 did have both Day 2 and Day 3 close lower and Slow Stochastics also hooked back down and crossed the same day.

With Blip #3, I would have put my sell order below the previous support, not below the low of Day 3. The reason is that the low of Day 3 was just too close to the previous support. A little common sense goes a long way here.

We have looked at a couple of Top Blips so now let's look at a Bottom Blip in Chart #4. Keep in mind, that with a Bottom Blip, we want Day 1 and Day 3 to have higher highs and higher lows than Day 2. We also want Day 3 to close in the upper 25% of that day's range. Notice the white Bullish candle on Day 3.

In this example, we are also going to look at the role Slow Stochastics plays in analyzing this trade. First notice that Slow Stochastics was oversold and is hooking up when the Bottom Blip formed. It would have been ideal if it





had just crossed the 20% line a the day or two before but to me, it's still a positive signal that the market should head back up. Now couple that with the Bottom Blip forming on a previous support line, and my confidence grew even stronger.

You would never want to trade a Bottom Blip if Slow Stochastics is overbought, but its okay to trade them in the middle of the range, as long Slow Stochastics is headed up and both the %D & %K lines have not crossed the 80% line yet. The opposite would hold true for a Top Blip that forms while Slow Stochastics is oversold.

Sometimes you are going to have an Inside Day with a Blip pattern. When you have an Inside Day, ignore the previous day's bar and treat it as if it were invisible. Look at Chart #5 and you can see what I mean.

At times you will see what I call a Blip Reversal. An example of this would be a Bottom Top Blip that forms, yet does not confirm. Instead the price rallies on Day 4 creating a new Top Bottom Blip. A Top Blip can also become a Bottom Blip using the same guidelines, only in reverse order.

Let's look at Chart #6 to see what a Blip Reversal looks like. In the green box you can see that a Top Blip formed, but on Day 4 the price went up, not down, so the Blip did not confirm. When the price rallied on Day 4 a new Bottom Blip was formed.

You would not have wanted to trade this Top Blip anyway for several reasons. You have probably already figured those reasons out by now. First, it was not in agreement with the indicator, which was Bullish. (Top Blips are Bearish). Secondly, Day 3 of the Top Blip closed high instead of closing low

Notice the second Top Blip (green circle) that formed a few days later week later. You can see that the Slow Stochastics indicator was in complete agreement with it and that Day 3 of this Top Blip did in fact close low that day.

I've been telling you that you should place your order to enter the market just below (for a Top Blip) or just above Day 3 (for a Bottom Blip) to enter the markets and place your protective stops just above (for a Top Blip) or below Day 2 (for a Bottom Blip).

There is an exception to this rule that applies more to short term traders than it does to long term traders. Short term traders or day traders, can look at placing a protective stop just above the high of Day 3 for a Top Blip or just below the low of Day 3 for a Bottom Blip. This carries with it more risk of getting stopped out, but at times, can improve your Risk Reward Ratio.

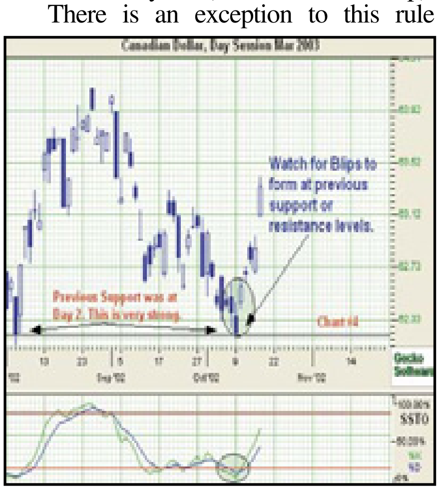
Remember to only Trade Blips in the direction of the indicators! In other words, if the indicators are Bullish, you only want to trade Bottom Blips. If the indicators are Bearish, you only want to be trading Top Blips. Never trade against the indicators.

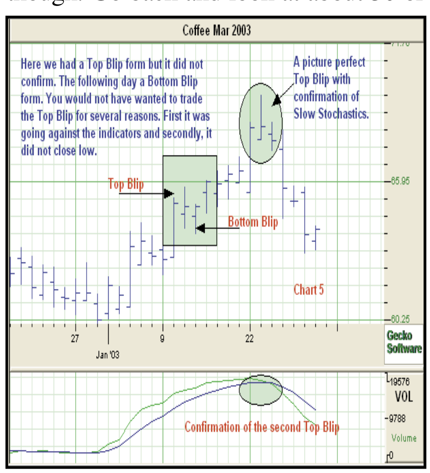
In Chart # 7 I show several Blips that did confirm as expected.

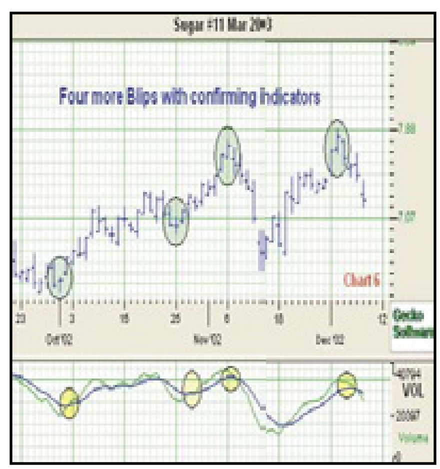
Blips can be a powerful tool if used correctly. Don't take my word for it though. Go back and look at about 30 or 40 charts and draw a circle around each Blip that you see. Then check and see if the indicators are confirming the Blip. Then set you profit targets and calculate your Risk/Reward on each one and then. Then, see how well you would have done if you had placed those trades. I think you will be pleased with what you find.

David Duty Is a CTA residing in Gulf Breeze, FL and is the author of a 450 page course entitled "Common Sense Commodities". Mr.. Duty is holding several seminars this year in the USA, Canada, Australia and Europe.

His web-site is www.commonsensecommodities.com His e-mail address is dduty@davidduty.com and his phone number is (850) 932-0937.







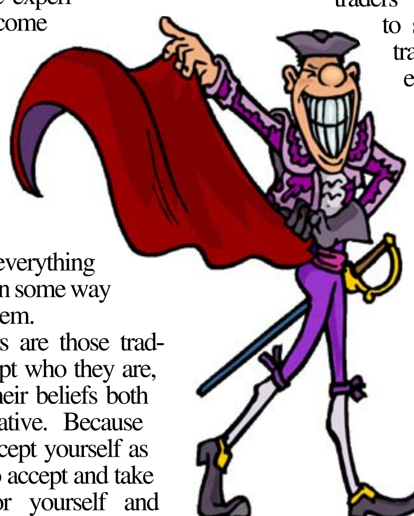
WE ALL TRADE BY OUR UNIQUE "BELIEFS"

How To Align Your Beliefs With The Market

By Bennett McDowell

You may not even realize it, but you trade in accordance with your own belief system. And if you are not successful, it is because you are trading with a trading system that is not in alignment with your unique beliefs about the markets. Also, some of your beliefs may not be valid for use in the markets. Let me explain:

First let's define what a person's "belief system" is. A person's belief system is a set of sometimes conscious and sometimes unconscious rules we have about life, trading, money, relationships, etc., etc. Beliefs shape how you see or interpret reality. Every one of us has a unique set of beliefs which make up our belief system. Our upbringing, our environment, life experiences, etc. all come together to form our belief system. So we can basically say that our personality is shaped by our belief system. In fact, just about everything we do is shaped in some way by our belief system.



Great traders are those traders that can accept who they are, thus accepting their beliefs both positive and negative. Because once you can accept yourself as you are, you also accept and take responsibility for yourself and both your positive and negative beliefs. You can realize your short comings and strengths as well. This can help you determine how to successfully trade the markets.

Thus, by "accepting" yourself, you can actually help your trading by aligning both your positive beliefs and negative beliefs with not only your trading system, but the markets themselves.

Let's say for example that you do not like to go with the crowd, you are "a loner" in life, and you do not like to conform to authority figures, corporate environments, etc. In other words, you have a belief about going with the crowd that you do not like (the reasons may be unknown for you, but if you dig deep enough, you can find out why). Do you think you will be a good trend trader? Do you think you will like to trade with trend and go with the crowd of traders trading with this trend?

I doubt it! Because in this example, your beliefs are in direct conflict with going with the crowd so to speak. And in the markets that would mean trading with the trend. Thus as a trader, if you are using a trend following trading system, you are trading in direct conflict with your beliefs. And success will be highly unlikely. In fact you will probably fight a trending market the entire way! And chances are you will not be successful and feel like once again you are the victim of the masses!!!

Now let's see how to approach the market by aligning that same "loner" belief system with the markets to be successful. Step One: is to accept yourself as having that belief to begin with. Step Two: once you accept your beliefs, find a set of trading entries or a trading system that satisfies those beliefs. In this example, that would be to find trades that allow you a low risk entry to counter trend trade the trends or use corrections in the trend to get a good, unique entry to take advantage of other traders which represent the crowd so to speak. That way you are not trading with the crowd, but you are either trading against the crowd (countertrend trading) or taking advantage of the trend (crowd) by getting in at a better price in relation to the other traders. The point here is to find a way for your trading entries to satisfy your beliefs thus aligning your beliefs with the markets! If you can do this successfully, then you don't need to change your beliefs!

However, there are times when you may want to attempt to change your beliefs. This will be a personal decision that only you can make. A quick example of this is one from my own trading:

For the longest time I struggled with getting out of trades too soon. Technically I would make great entries and set well defined stops, but it was hard for me to stay with trades for a long enough time to see big money. I finally overcame this by confronting reality and being brutally honest with myself and my beliefs. The problem was not with my abilities or technical evaluations, it was with my emotions structured by my belief system. In fact, my technical analysis was usually right on the mark. But time and time again, I would get out too soon because my emotions and anxiety took over and literally would force me out of the trade to take a quick profit. I wanted to take that quick profit emotionally before the market reversed and took it away from me.

I had to change my beliefs about money, fear, and how the markets work. When trending, markets usually correct, and then trend, correct again, and then trend again. So I had to change my beliefs about the market to accept this. And also change my beliefs about taking a quick profit verses letting the market give me all it wants before the trend ends. Of course intertwined in my unrealistic beliefs about the market, was the fear of losing money, etc., etc.,etc.! Well, that was a belief that I wanted to change and worked on it until I did! It was a slow process and even today, I sometimes get the urge to take a quick profit, but instead of doing that, I will wait for the market to tell me when to exit my profitable trades. Now I insure I do not trade on an emotional level. If you find yourself trading based on your emotions, you need to stop trading and get help with your trading.

So take some time, get to know yourself, your beliefs (both negative & positive), accept them, and own them. Then decide on which ones to change and which ones to align with the markets. I think you will find amazing results just as I did!

Remember also that trading systems are nothing more than the "tools" you will use to trade well. Use trading systems that align your beliefs with that of the markets. One note here is that our home study trading course called "APPLIED REALITY TRADING" does just that, it helps to match your beliefs with trading signals so that you are trading in alignment with not only your beliefs, but the market as well!

Remember this; "Nothing in life worth doing comes easy or else everyone would be doing it!"

Bennett McDowell is president of TradersCoach.com, 10755-F Scripps Poway Parkway, #477, San Diego, CA 92131, Phone 858-695-1985, Site: www.traderscoach.com Email: TradersCoach@msn.com

A TRADER "IN TRAINING"

By Adrienne Laris Toghraie, MNLP, MCH

Top trading is all about performance. Trading well over an extended period of time requires consistently good performance. Often, a first time performer or trader can produce spectacular results from an initial burst of energy, beginner's luck, or a fearlessness that comes from inexperience. But duplicating those results day after day requires enormous stamina and experience plus the right psychology to deal with fear, pain, failure, and success. This point is where training comes in.

To perform well, you have to be healthy. Top performance requires an abundant and reliable supply of energy. Abundant energy provides you with the strength to make the correct decisions and deal with the results of those decisions. The only way for a trader to create that supply of energy is to go into training, much like an Olympic athlete or someone who is required to provide consistent performance.

In interviews with top performing traders, I have been impressed with the level of personal training these traders commit themselves to. They take their physical and psychological health very seriously, as if it were a major part of their trading capital. Without the performance quality of their trading, their monetary trading capital could disappear overnight.

The Trading Givens

There are certain things that should be understood as far as a trader is concerned. A trader must have a tested system or methodology including money management rules. Beyond that, there is the need for the right psychology, which needs to be balanced physically, mentally, and emotionally. In order for this balance to occur, a trader must be healthy. To achieve good health depends upon choices that are made every day. All day, every day, a trader is faced with an unending series of choices that determine his physical and mental health:

- Waking up and starting the day in a frenzy or starting the day with a plan
- Starting the day with exercise or rushing to the screen
- What to eat for breakfast - the protein drink or the donut and coffee
- What to have for lunch - the tuna on whole wheat or the greasy hamburger and fries
- Taking time out midday to relax and recharge or pushing on until exhaustion comes
- Passing up drugs and/or alcohol or giving in to temptation
- Spending time with your family or watching television
- Getting at least 7 hours of sleep or working on charts until midnight

More than anything else, the choices you make all day determine whether you are in training or not. Each individual choice may look inconsequential at the time, but a single bad choice can derail your training for hours, days, or even longer. Poor individual choices that derail your training can sabotage your trading results immediately or over time. The accumulation of bad choices, however, can permanently sabotage your results. This occurs by creating imbalances in your life that can suddenly and forcefully pull you in unexpected directions. Here are some individual examples of people who were not able to perform at their top level because their lives became unbalanced:

1. Ed Muskie was a United States Senator from Maine who was performing very well in a race for the Democratic nomination for the Presidency. In the final days of the New Hampshire primary, after becoming depleted by the physical and emotional stresses of the campaign, he emotionally fell apart before a crowd of reporters. This scene was portrayed as a sign of great weakness and his campaign folded up like a deck chair.

2. Elvis Presley was arguably the most famous rock and roll star in the world. He was undone by his penchant for donuts and drugs. His out-of-control eating habits and his reliance on prescription stimulants and sedatives were largely the result of untreated emotional issues. Emotional issues when left untreated will almost always lead to unhealthy physical choices.

3. One of my trader clients had failed to pay attention to his wife for many years as he had developed his successful trading business. He came to me for help when he returned home one day to find that his wife had moved out. After years of successful trading, he began losing on every trade and was in danger of losing everything that he had accumulated.

We are going to look at how the choices you make can affect your health. We are also going to look at steps that can be taken to prevent sabotaging your results. I want you to think of a pit that we are going to call "The Cesspool." In this cesspool, you will find all of your fears, anxieties, frustrations, weaknesses, stresses, and poor health.

Once in the pit, it is difficult to get out of and as more time passes and you sink deeper into "The Cesspool," it becomes increasingly difficult to get out of. Sometimes, even if you are doing the right things, a combination of physical stressors can put you in the pit. As an example, I worked with a trader who averaged $500,000 per year until he changed his trading pit. Parts of his life were quite good, but he got too little exercise and did not always make the best choices in selecting foods. At home, his three small children created a stressful environment that was not conducive to supporting this major change in his trading. The result of this combination of stressors was a significant down turn in his trading.

Health is not a Democracy

In a Democracy, we are born with equal political rights. However, we are not born with equal levels of natural health. Everyone functions on his or her unique health scale. For example, one person is sickly and cannot perform to a high level physically, while another individual is extremely healthy and can increase his physical abilities with very little effort. It is important to note that when we talk about increasing performance, we are talking about increasing performance relative to your personal scale and not to some standard performance scale.

The same reasoning applies to health. Some individuals can abuse themselves and get away with it. They were either born with a better immune system than their contemporaries or they improved their immune system while developing into an adult. You must take care to compare yourself only with yourself and not with other people when it comes to health issues. If you start making better choices for yourself, you will be in a training regimen that belongs to you. As you continue to follow this regimen, you will see the improvements relative to your individual performance. It is also important to note that excuses are not going to change the situation. You can justify and excuse yourself right out of health, but the fact remains that if you become ill, you have no choice about taking time out to care for yourself.

This self-assessment is my measure of how deeply you are into your training or how deeply you are in "The Cesspool." By taking this assessment and scoring it, you can see where you are now and you can compare your current results with your results as you improve your training. This is a very instructive exercise to give to someone who knows you very well to see how he or she would answer the questions about you. You might not be able to recognize the person they are describing as yourself.

Your "In–Trader Training" Evaluation

Negative Energy Issues

First, highlight the "Negative Energy Issues."
And give each a value of minus 1-5 with 5 being the worst.

1. Health issues
   - Addictive behaviors – alcohol - gambling - hard drugs - smoking - sex
   - Chronic conditions – pain - stress - sleep deprivation - inactivity
   - Low adrenal/immune function
   - Prescription drugs
   - Serious accident – illness
2. Dietary issues
   - Dieting in excess - refined sugars - flours - rice - pasta - fatty foods with preservatives
   - Stimulants – caffeine
   - Eating disorders – overeating - unbalanced diet
3. Relationship issues
   - Criticism of – self or others
   - Distrustful of – self or others
   - Family problems – parents - marital - children - significant other - extended family
   - Lack of solid friendships
   - Abuse – physical - mental - sexual
4. Emotional issues
   - Past issues – abandonment – did not feel loved and or accepted – lives in the negative past
   - Depression
   - Diagnosed disorders - undiagnosed disorders
   - Disorientation /delusions
   - Negative feelings – fear - anger/ rage - anxiety - guilt - jealousy - greed - unworthiness - unloved - lonely
   - Represses negative emotions
   - Unable to feel/express love
   - Unresolved conflicts – trauma - violence
   - Perfectionism
5. Environmental Issues
   - Disorganization / Messiness
   - Disruption / Interruption
   - Negative co-worker environment
   - Annoying noise
   - Poor air quality
   - Working with computers
6. Home Problems
   - Children / Teenage problems
   - Death of loved one
   - Separation / Divorce
   - Financial problems
   - Having a baby
   - Illness in family
   - Lack of emotional support
   - Moving
7. Trading Issues
   - Trading without a plan
   - Inadequate trading resources
   - Lack of trading discipline - breaking rules - over/under trading
   - Money management problems
   - Time distribution issues - overworking - unbalanced life
8. Character issues
   - Does not keep agreements - betrayal - cheating - lying - stealing
   - Inflexibility / Procrastination / Impatience
   - Lack of kindness
   - Laziness

Positive Energy Issues

Next, highlight the "Positive Energy Issues."And give each a value of plus 1-10 with 10 being the best.

1. Healthy choices
   - Healthy – diet and supplements
   - Regular – meditations – exercise – rest – relaxation – vacations
2. Emotional Health
   - High self values – self confidence – self esteem – self worth
   - Fulfilling activities – social – play – hobbies – community
   - Handling past issues
3. Mental Stimulation
   - Puzzles - math problems - games
   - Learns new things unrelated to trading—non-trading books
   - Learns new things related to trading—trading books - journals - courses - seminars
   - Travel

4. Spiritual life
   - Member of spiritual community
   - Daily Prayers /Affirmations
   - Sense of being whole and connected

5. Relationships
   - Loves – self - people
   - Loving – family – partnership – friends – pets

Add up your score of minuses and pluses to see if you are in "The Cesspool" or "In-Trader Training." Improve your score each week until you see a noticeable difference in your trader performance.

Conclusion

You have taken the "In-Trader Training" Evaluation and have scored it based upon your performance. Have you managed, by virtue of your daily choices, to stay in training? Or are you deep in "The Cesspool?" Not only do you know where you stand right now, you also know what you need to do to get yourself into training for your own standard of peak performance. Like professional athletes or performers, you will train every day to put yourself in a state of high energy with the physical and emotional resourcefulness that you can call upon when you need to make good decisions and handle the demands of a successful, long-term trading career.

Adrienne Laris Toghraie, Trader's Coach, 100 Lavewood Lane Cary, NC 27511, Email: Adrienne@TradingOnTarget.com Website: www.TradingOnTarget.com

The New Psychology for Traders

by Adrienne Laris Toghraie, Trader's Coach

Many traders have asked over the years,
"Tell me about the history of your work as a trader's coach?"

When I first started working as a trader's coach in 1989, trading psychology was still in its infancy and was not widely accepted as a viable means of increasing trading mastery. The consensus in the trading world was that all you needed to be successful was a good system. Most traders ignored the fact that a system was not worth anything unless you could follow it, regardless of its profitability on paper. While traders would admit that discipline was the key to success in trading, no one would acknowledge the link between a failure to use discipline and a psychological edge.

The Tide has Turned

Many of the early traders that I worked with had deep psychological issues and rarely had a system or method that was reliable. Now, I am fortunate to be in the position to work with professional traders who want to become more successful in both their trading and in their personal lives. Furthermore, they are not afraid to let everyone know how they achieved their success. At one time, professional traders did not see the importance of counseling and coaching when they were making a comfortable living; now, they recognize that it will give them the competitive edge that they need.

Short Cut to the Top

During the past 13 years working as a trader's coach, I have observed that the process of becoming a successful trader is longer, more arduous, and much more expensive in time and money without the guidance of good coaches. Traders who have not taken the time to work on their psychological issues are prey to their own worst enemies: fear, greed, and lack of emotional grounding. It is this same fear that keeps them from seeking someone who will make their way easier and more profitable.

Separating the Seed from the Chaff

Recently, I have seen an increased use of coaching by the seasoned professional trader. These traders come for coaching to increase their performance to the next higher level. For example, an energy trader who was making $10 million annually used coaching to increase his confidence level to take his best trades and increased the profits for his company by making $42 million.

Just as professional athletes rely on coaching to give them the added edge, coaching for traders accomplishes the same results. Doesn't it make good sense to improve yourself and your trading discipline so that you will not only make more money, but you will enjoy the process over the course of a long career? What are you waiting for?

Choose the opportunity that fits your goal:

- **Private Consultation** (Must take Traders Evaluation as Pre-qualifier)
  For professional traders who want to be on the fast track for profiting from all areas of their life.

  "I have not seen anyone who gets to the heart of traders' issues and helps them to make changes quickly in order to increase their performance the way Adrienne can" Jake Bernstein, Trader, Analyst

- **Top Performance Seminar – December 7-8, 2002 – Cary, North Carolina**
  For traders who want to reinforce their discipline in order to profit from the best of their method and themselves.

  "In the first month after Adrienne's Workshop I increased my profits by 50%" Nick DeNoia, Trader

Call Trading-On-Target for details at 919-851-8288
or visit our website at TradingonTarget.com

INDIVIDUAL METHODS IN THE MARKET

By Jack Winkleman

The primary method for the individual is one that makes money or at least sufficient funds to play the game. There are certain rules that must be considered or you are doomed to certain failure. And those rules are not the same for all individuals. Probably the most famous are the twenty-eight rules by W. D. Gann in his book How to Make Profits in Commodities. They are interesting and valid but there is much more that must be understood to be successful.

Have you ever walked into an automobile showroom somewhat interested in buying a car but really just looking? And you drive out in a new car wondering why you bought today. There are techniques taught to master salesman the world over about how to close the deal. And they are masters at determining life's cycles. They identified the individual's cycle and use the syntax (words) that the customer used and closed the sale. The salesman is happy in that he made a commission and the customer is happy with the new car and he bought from a person that he really liked. All the salesman did was speak the customer's language.

The market is made up of many cycles, all interacting with each other at the same time. Generally, the individual will look at the market and seek a cycle that fits his personal cycle, place a stop to protect capital and the market picks off his stop, he is out at a loss and then the market does just what he expected. There are four cycles that can be used and identified by most traders. First is the short term cycle last from one to three, maybe five trading days. Second is the short intermediate term cycle lasting from ten to seventeen days. Third is the long intermediate term cycle lasting from twenty-two to thirty-four days. The fourth cycle starts with two months and can last three to five years. When the individual begins to build their individual method in the market, he must understand himself and this natural cycle peculiar to himself. Am I a day trader, a weekly trader or a buy and hold trader?

The next item in discovering a method is the fact that a person can sell what is not his. In any other business you would go to jail for such an act but not in the markets. The question is that since the markets go up and down are you more comfortable being long in the market or short in the market? Go back

over most trades that are speculative and see whether you bought or sold. Most traders are more comfortable buying for the market to go up. Even producers of raw commodities want to buy to go up rather than hedge to keep from losing in the markets. Most successful traders are willing to take a position in either direction.

Stops can be the downfall of trading. Because of enormous leverage available, brokers and clearing houses like to have a defined risk limit in place, more to protect themselves rather than the trader. Traders that like to gain or obtain growth will tend not to place stops. Traders that like to keep from losing, a stop will be automatic. Knowing yourself in this area can save a lot of grief.

"The trend is your friend" and "let your profits run and cut your losses short" are two familiar axioms coming from the market. What trend? By the time a trend is identified, it is over and another loss. When you cut losses short, you rarely get a chance to let profits run. What is going on here? Only through experience and study can an individual method in the market be developed. There are two generally accepted methods of study in the market today. They are Elliot Wave Theory and W.D. Gann's Time and Price Squaring. Both are difficult to master. There are literally hundreds of books available for study all containing some important element in learning how to beat the market. Most successful traders will have literally walls covered with books that they have studied. The individual will migrate to a method of learning how to identify cycles within cycles or time and price squaring or both. There are natural laws that will be discovered as searches for that peculiar method that fits the individual. No book or idea is left unturned in that search and should not be.

The method developed should work in all markets, both stocks and commodities. It should be easily recognized when glancing at a chart and with practice become second nature. The trader must focus on this method and how the markets are developing within preordained expectations. There can be no outside influences, such as answering telephones, or working on "honey do" lists. This rule is imperative for success. Others around you must know and respect those rules for you to be successful. Usually after two or three outbursts others will give you the desired space needed. This goes for the broker, too. Only listen to the broker after you know him and his ability and motives very well

Great success came my way after learning and following all of the above ideas. Using ideas gained through study and research a method was developed in being able to design a market structure using both price and time projections well into the future with amazing accuracy. Timing is everything. Yeh, right! Timing is everything if you know whether the market will make a high or low on a certain date. Price only tells you how much was won. Price is only used for accounting purposes. Just check your checkbook and you will understand that price is only used for accounting.

Simple rules for developing a method:

1). Understand your individual cycle.

2). Are you a natural bull or bear.

3). Learn how and where to use stops.

4). Individual method is:
- a. A form of Elliott Wave Theory
- b. A form of Gann Price and Time Squaring
- c. Develop your own market theory

5). Focus – no out side influence from others.

Jack Winkleman is editor of the Winkleman Soybean and S&P Weekly Letters. He also gives a $2500 trading workshop given quarterly. He can be contacted at jdwink@rconnect.com

FORECASTING TIME FRAMES USING GANN ANGLES

By Jason Sidney

When you apply Gann Angles to a chart, apply them for a specific reason. You want them to tell you something. But, in order to do that you need to know what it is they actually do and why you're applying them to that specific point on the chart. Gann Angles are in many ways a "calculator" that proportionally divides time and price for you in a visual way.

The diagram that follows shows a typical Gann Fan. The Gann Fan consists of a number of lines radiating at various angles. You will find Gann Fans in most charting packages available on the market today. In this example I have divided a typical square into eighths and thirds using the Gann Fan.

These days we talk more in terms of percentages, and as a result this fan is also marked with equivalent percentages that relate to Gann's eighths and third divisions. So let's take a closer look at some of these angles to see what it is the Gann Angles are actually doing.

The middle line is the 1x1 angle, and it divides the square in half in both time and price. This angle rises at a rate of one point for every time period and has a 1:1 relationship, representing 100% in time of the square. The time period used in the Gann Fan can vary from calendar days through to trading bars. Trading bars can be anything from days, weeks or months, based on what the time period is on the underlying chart you are viewing. For example, if you are looking at a daily chart the angle will rise at one point per day a daily chart and if you were looking at a weekly chart the angle will rise at one point per week.

The 1x2 angle is the steeper line just above the 1x1 angle. It rises at a rate of two points for every time period and represents 50% or ½ of the square in time when it reaches the price level at the top of the original square.

The 2x1 angle is the shallower angle that can be found below the 1x1 angle. This angle falls at a rate of one point for every two time periods. If it were to continue at that rate of ascent it would represent double or 200% in time of the original square when it reached the price level at the top of the original square.

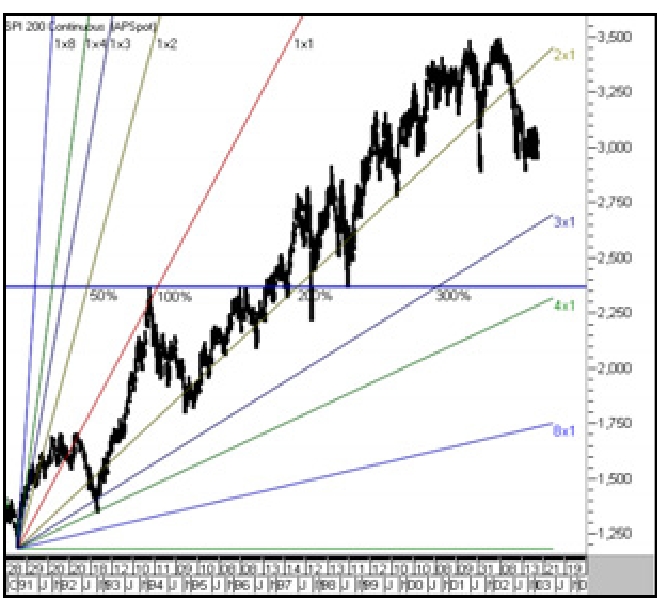
The 1x3 angle is a steeper angle and is above the 1x2 angle, it rises at a rate of three points for every time period. It represents 33.33% or 1/3 in time when it reaches the top of the square.

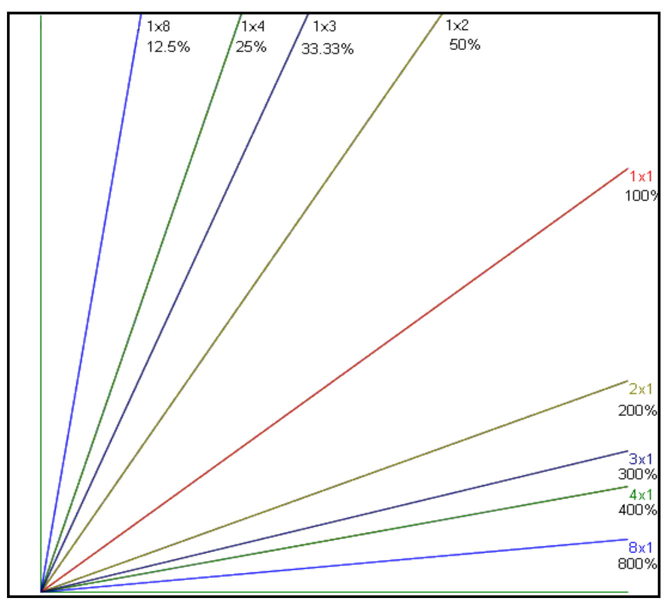
The 1x4 angle rises at a rate of four points for every time period. This angle divides the square by 25% or ¼ in time at the top of the square. As you can see these angles are mathematically dividing the square by both time and price using basic geometry. The beautiful thing about Gann Angles is that they do all this for you automatically just by placing them on any high or low on your chart. As an analyst, you can use these angles to mathematically calculate percentages of price and time on highs, lows, and ranges. These percentages will mathematically give you dates and price levels to watch in the future.Why use a calculator when you can simply apply Gann Angles?

Let's take a look at how we can use this tool on a chart. Looking at the following chart, you can see a Gann Fan has been placed on a reasonably significant low on the Australian SPI 200 which was 1184 -16/1/91 and is well known as the "Gulf War low". The blue horizontal line is the Gulf War low doubled. In this example, doubling the low identified the exact price level of a major high 2368 - 3/2/94 and a significant turning point three years later.

Once we know this price level the Gann Fan can be used to mathematically calculate percentages in time of the 1184 low. It is important to point out that not only is it calculating percentages in time of the price of this low, it is also calculating pressure points in time of a significant event in history – the Gulf War. Considering the recent conflict between America and Iraq, a repeat of that event is highly probable. It's interesting to point out the American President during the Gulf war was George Bush, and the American President pushing for war this time round is George Bush's son, George W. Bush. If this isn't an example of history repeating, I don't know what is!

As I mentioned before, that by simply doubling the low of 1184 gave you the exact price level of a significant high, which was 2368 3/2/94. It is also interesting to point out that when the 1x1 reached this price level it counted forward 100% in time using calendar days and came within a few weeks of identifying the time frame of this high.





An almost perfect example of time and price alignment!

When the 1x2 crossed the horizontal line it calculated 50% forward in time from the low of 1184. The 2x1 calculated 200% in time from the low of 1184 -16/1/91, and the 3x1 calculated 300% in time from the low of 1184 -16/1/91. Each of these calculations Most came within weeks of identifying significant turning points on the bigger picture.

Looking at the same chart, the 4x1 represents 400% in time from the low of 1184 and comes out on 2 January 2004. The anniversary of the low itself occurs on 16 January each year.

Applying the same concept to a monthly chart reveals an interesting month for the year 2003 which may very well coincide with a war between America and Iraq. Considering recent conflict between the two countries it is a very real possibility. As mentioned previously, not only are these angles calculating pressure points in time based on the price and date of a low, they're also calculating pressure points in time from an event in history, in this case, the Gulf War.

In this example the Gann Fan has been placed on the low of 1184 -16/1/91 as before, but the underlying chart is a Monthly chart. This is a very long-term chart, so the 1x1 Gann Angle is only rising at a rate of one point for every month. As you can imagine, it will take it awhile to get anywhere near the current market action rising at that rate. The 1x8 on the other hand rises at a rate of eight points for every month, and is certainly a lot more relevant to the current market action. It has been rising at this rate since the 16/1/91. It has taken it awhile to get there but it is now the first angle in this Fan to become relevant to current market. As mentioned before, when the 1x8 angle reaches the horizontal line, or the price of 2368, it will represent 12.5% in time from the low of 1184 on the 16/1/91. The time frame it indicates for the year 2003 is the month of May.

Will war break out between America and Iraq in May 2003? Who can really say, but as you can see, forecasting future time frames with Gann Angles using basic geometry is just as relevant to events in history as it is to highs and lows found in the market. It's the events in history that create these highs in lows in the market and in our lives, and should be remembered as result of it.

So there you go, Gann Angles are a fascinating tool, often misunderstood and rarely used correctly. So remember when you apply Gann Angles to your chart, apply them for a specific reason!

Jason Sidney can be reached at www.market insight.com.au Market Insight Pty Ltd is an educational company that promotes the use of geometry as a forecasting and analysis tool for financial markets. These techniques have been used by analysts for close to one hundred years, and attempt to create "order" from apparent "random" activity using the basics of mathematics.

IN STEP WITH THE MARKET

Interview with Stephen Cox by Larry Jacobs

Stephen Cox. You are a name that has been around for quite some time. We would like to get to know the person behind Natural Order Educators. How did you get started in trading?
I first became interested in trading in 1965, at the age of 9, when I started updating various stock charts for my Father. He was a stock trader, as was his Father. I guess it is in my blood. He taught me about concepts like earnings growth, PE ratios, chart patterns - that sort of thing. That year I found my first stock. It was a drug store chain called Drug Fair. We began buying it at 5 7/8.

My Dad would take me down to Merrill Lynch and we would watch our stocks together. I was totally hooked. Now understand, up until this time, I was set on being an airline pilot. This totally changed everything. I knew I was going to be a trader.

Were you successful at first?
Yes, I guess so. We cashed out of Drug Fair at 21. It had been going up and was starting to go sideways. I think we had a down day on heavy volume. There were other trades, but I will always remember my Drug Fair experience as life changing. My Dad was really good at stock trading and I learned a lot from him over the years.

You trade primarily futures now, is this correct?
Yes, almost exclusively.

How long have you been trading futures?
Since 1977, but my interest in commodities and currencies started way before that. I was a coin collector and realized in 1968 that silver and gold prices were going up and dealers were paying a premium for silver certificates. We were moving to Germany, where my Mother was from. On birthdays, Christmas and such, I would receive dollars from relatives in the States that would have to be changed into Deutsche Marks. I remember, in 1969, sending my Dad to the bank to change dollars and getting back only 3.66DM to the dollar. For years, the rate was around 3.98DM, so I asked my Dad, "What are you doing to me?" He explained the dollar had been devalued. This was when the first seed was planted - if I had known ahead of time about the drop in the Dollar, I would have gotten more for my dollars.

I became an avid dollar watcher. This increased my awareness to other price changes. Several years later, while attending school in Vienna, Austria, everyday I would walk by this little market where the shopkeeper would display stuff like spices, coffee and sugar. I noticed the price of sugar kept going up, so one day I went inside and asked him why. Imagine this kid walking up to a shopkeeper and asking him why he kept raising the price of his sugar! He excitedly told me that sugar was going sky high and he had to keep raising his prices to keep up. Again I thought, if

someone could buy a lot of sugar while it was going up and then sell it at a higher price, they could make a lot of money. It was the same as silver and gold and currencies. Someone was making money on all these moves and I wanted it to be me! It wasn't long after that I dropped out of school, left Europe and returned to the States with the intention of learning how to trade futures.

Were you able get a job in the futures industry?
Yes, I landed my first job in 1977. I had just began trading Copper. You know how things were in the 70's. The office had carpet on the walls and some of the guys wore gold chains and drove Cadillacs. They were selling commodity options and I quickly got caught up in the euphoria of it all. I started selling gold options because I believed gold was going up, and it did. Within 3 years gold went up to $875 an ounce and those clients who rode it up did quite well. I remember going to Australia, Christmas of 1979, and buying gold futures at the Sydney Futures Exchange. I made $40/oz in gold while on the beach in Queensland, paying for the vacation. I made money in Maui, in October 1997. I shorted the Dec 97 NYFE at around 512.00. That was before Black Monday. The next day the market opened limit down in pools (of unfilled sell orders) then it reopened lower again and I covered at 447.00, almost the low tick! I traded the Russell on a recent vacation in Vienna. I guess that's what I love about trading. You can make money anywhere, if you know what you are doing.

Have you tested and used many systems?
I have used a variety of approaches from the public domain as well as my own stuff. Like most people, I went through an evolutionary process. I started out trading from the seat of my pants, just trading what looked good to me, mainly just trading with the trend with no specific approach. My risk control was terrible. I'd make money for two months and give half of it back in 2 days. Over time, as I got a little more sophisticated, I started thinking I was smarter than the market and started to try and pick tops and bottoms, fighting the trend. Mainly I used things like Elliott Wave, Gann and such - predictive methods. I never went through a mechanical system phase. Knowing something about math and probabilities, I knew no static approach could ever anticipate or read something as dynamic and fluid as a market. A system is just a snap shot of what was - not what is! I am amazed at the tons of software being sold today that are really no more than dressed up mechanical systems. It's pretty naive to think successful trading could be as easy as "plug and play". In trading there is no wealth without work.

Do you still use Gann and Elliott today?
No. That was very hard for me, letting predictive methodology go. I really loved spending hours coming up with alternate wave structures and their probabilities. I used Elliott Wave for years and I still feel that some of its basic concepts have some validity today, but the subjectivity brings too much of the trader's ego into trading. Anybody that says Elliott Wave is not subjective is in denial. If you are bullish you see bullish [wave] structure, you're bearish you see bearish [structure]. It puts you on an emotional roller coaster, feeling elated when your wave count is right, and terrible when your work is wrong. Trading with an opinion is lethal and that's what predictive methods do.

Do fundamentals play any part in your trading decisions?
Maybe I should pay more attention (Ste-

phen laughs). I'm so busy following charts, I don't have time to worry about fundamentals. But seriously, no one can keep up with all the fundamentals because they are constantly changing. In the stock market, if you do, they call it insider trading.

Does your method also work well in stocks and options?
Yes it does. I developed a type of intra-market analysis I call Leadership. That means I only look at markets in groups or pairs, not as a single entity. So you are not applying the method directly to an individual chart.

How would you trade stocks with that?
We first determine which stocks are out performing their underlying index, then fine tune the stock entry with the precision we get from our stock index futures trading signals. Some of the signals have been phenomenal because so little risk had to be taken, allowing you to put on a bigger position. Anytime you are looking at a 10 to 1 risk/reward [ratio] you get excited. Examples of stock signals can be found on our website.

Does your method work in day trading futures?
I personally don't believe in day trading, that's for floor traders who have the bid/ask edge. Unfortunately, day trading tends to be part of most trader's evolution. Most day traders don't understand risk/reward. For twice the typical day trading stop, we get swing trades, lasting several days that can really pay off. The day trader cuts their profits short by prematurely getting out at the end of the day. Their irrational fear of what is going to happen overnight and their need for instant gratification is costing them a lot of missed profits. They have had a few gap openings against them, so they like to sleep under the blanket of being flat. Although a stop is no guarantee you are going to get out close to your stop price, most of the time you will.

If you don't day trade, do you watch the market intraday?
If I have positions on, I check the open and about an hour after the open. If I am flat, there are days I wait until the close to check the market. Watching the market all day is a waste of time. The market will tell you most of what you need to know on the daily and weekly bar chart. That's another thing that is wrong with day trading. Watching the market all day is fatiguing and tends to bring out the worst in a trader. Whatever your bad tendencies are will be amplified. Most of the time, I put on my positions, place my stop and then walk away from the market until the next open or close. That is what works best for me.

"Larry, if we can save 10% of your readers 10 years of struggle, we will have done something."

Why do some traders win and many lose?
I would have to say traders lose because of the four deadly sins: greed, fear, sloth and ego. Aspiring traders need to understand there is no get rich quick scheme, no magic software to buy, no day trading system holds up over time. Trading is a craft like any other. You have to get to know the market. Most people couldn't care less about the market. They just want the money. That doesn't work.

Experienced traders should not underestimate how their ego sabotages them at every turn. The need to be right, to be able to say, "I found the bottom in the NASDAQ" gets in their way. I know of students of mine who blew hundreds of thousands of dollars trying to find that bottom before they sobered up and sought our help. The first buy signal we had in the NASDAQ in forever, was the buy on the October 9th, one day after the bottom, at around 810 in the December future. The worst price we saw after we bought was 803. We were only risking down to 798. That was a great trade. That's what I don't like about Elliott Wave. You get so convinced your structure has to be right you'll go down with the sinking ship. It's ridiculous.

Most people lose because of poor trading psychology. It's hard to get rid of as long as you are trading methods that are flawed to begin with. The best trading psychology won't make a flawed method work.

What do you think defines a good trading method?
That's an important question, because most people don't know what makes a method good. They focus on one or two aspects of an system without considering the whole thing. If a system touts a high percentage of winning trades, but has high, or undefined risk, it won't work in real-time. Who's going to take big hits? Not me. The same goes for systems that use small stops, but stop you out a lot of the time. Unless you eat nails for breakfast, you will never be able to follow it. Systems are a dime a dozen with hypothetical track records reflecting what's good about them. I have a low threshold for pain and my methods reflect that. The first thing a good method should do is keep your loss small if you are wrong. In trading, the best offense is a good defense. A good trading method should take a small loss about one third of the time, break even or win a little a third of the time and capture a big profit the other third of the time. A great trading method will allow you to read the market at the end of each day understanding more or less what the market is doing. Several times a month you just flow into your trades. The market is really clear. This allows you to develop into a reactive trader, leaving predictive (ego) or lowly mechanical (greed, fear and sloth) behind.

Do oscillators work?
Oscillators are not something you can rely on for long term success. They are a very bad path to go down and unfortunately that is the path a lot of beginning traders choose. Trading isn't as easy as boiling the process down to a simple oscillator or set of oscillators and I have never found anyone who could trade successfully with oscillators with any degree of consistency. Whatever oscillator they are using, they are always trying to tweak it based on what would have worked. I knew a broker years ago who said, "If I had used a 32 day crossover, I would be rich now". That's like saying, "If I had been at the Megabucks slots at Bally's on Friday at 1:30 in the morning, I would be rich now". Or, "If I had developed a cure for this disease, I would be rich now". Could have, should have, would have . . . doesn't cut it in trading. You have to work with reality and what works over time. Something that is meaningful to use in trading is something that you can

say you have used for years and know it works, not something where you think if you keep tweaking it you are going to find this magic formula. That's not going to work.

You have traded futures now for 27 years, what are the biggest changes you are seeing today?
Over time the players have switched from Ags to bonds and currencies to stock indexes. I cut my teeth on markets like bellies and cotton. Those markets are a shadow of what they once were. It is obvious to me by the charts that the smart players are trading stock indexes, Euro, Swiss and gold. Maybe crude. When the S&P started trading in 1982, they were derided as "pin striped bellies". Now the e-mini S&P and NASDAQ are deep markets - nice and liquid. They are even starting to trade the e-mini Russell, MidCap and Dow. What a long way we've come.

Let's talk about your trading courses. Since you have been teaching trading since 1989, I am sure some of your students are more successful than others. Have you identified what makes a successful student?
Yes, definitely. A strong desire to succeed, realistic expectations, willingness to work, risk capital.

But doesn't everyone have a strong desire to succeed?
That's debatable. Some traders only want to succeed on their own terms. They want to make money trading markets they like, trading as often as they like, in a time frame they like. They think trading should be all about what they want. Markets don't work that way. There is a fine line between trading an approach you are comfortable with and wanting to dictate the terms under which you will allow the market to reward you.

There are a lot of systems for sale. What does a trader do who is ready to take their trading to the next level?
First of all I want to say most people out there selling advice don't have a clue. I've been teaching longer than these people have been around markets. Then you've got these rotten apples that give the teaching business a bad reputation. There is a check list in our website that a person ought to check out before making a decision. Our training costs more, but dribbling away time and money on marginal stuff costs a lot more in the long run.

We really want our clients to succeed. I believe our training reflects that. I'm surrounded by wonderful people. My wife Lee Ann handles customer relations and placement. She is very good at what she does. She helps people make the right decision. We have a great trainer, Greg, who went through the course in 2000. My trading assistant, Keith, also does training. He went through the course in '99, lived in Costa Rica and now he is back working with me. There would not be a Natural Order Educators without the help of these extraordinary people.

Is there any final advice you would share with our readers?
You can trade for the entertainment, as long as you understand that is really all you are doing and that it can be quite expensive. If you get tired of losing, don't con yourself into believing you're going to become a winning trader just by sending a system vendor your money. Remember, futures trading is a zero sum game. You are competing against some very bright and passionate people. We teach our clients patience, discipline and trading methods that could have only come from a lifetime of trading.

Trading is like golf. There is no gain without pain. If you love the game, you are willing to practice in the rain. I'm a poet and didn't know it. (Laughs) Your game gets really good. Your satisfaction comes from playing the game well, and letting the money follow. You're in the zone. The zone is a phenomenal place to be and once you have experienced it you will want to keep coming back. The zone is self actualization. That's really why you should be trading.

After four decades of trading I feel satisfaction when I see what trading has done for my life. Trading has given me the pleasure of intellectual challenge, has made me think about things on a very deep level, has trained my mind and given me a since of accomplishment. Trading has made me a more disciplined and better person.

I feel that people are initially attracted to trading to make a lot of money. There is nothing wrong with that type of attraction, but it is a shame that most people stay at that level and never transcend beyond it. Wake up and see that you should be trying to understand the market for the work of art that it truly is, and for the communicator it is. Once you do that, your level of understanding gives you a sense of completion along with a sense of awe that within the market's complexity beats an honest and simple heart. The market is a beautiful thing that is living and breathing and ever changing. You sit back and let the trades come to you. Through that trust you have in the market it also builds the trust in yourself. When you are one with the market, you are flowing with it. That's when the market is very clear.

It gives me a charge whenever clients tell me I've shown them that. It feels good to know my work has had an impact on people.

Stephen Cox is president of Natural Order Educators, www.the1percentclub.com

TIMING THE MARKET BASED ON GEOMETRY

By Michael J. Parsons

Time is everything and everything is timed. So it comes as no surprise that the markets respond to time as well. Yet in spite of this, time remains one of the most under explored aspects of trading today. Some of the best-known advances in the use of time as a trading tool are decades and even centuries old.

Cycles, Fibonacci, and Gann are among the most popular today, but the results still remain out dated and are often disappointing because they inherently lack an important element needed for advanced time analysis. The fault lies not in the calculations, but with what is actually being calculated.

The distinct advantage of both Fibonacci and Gann calculations is that they use naturally occurring ratios. The disadvantage is that these numbers are static and result in several choices that leave a trader with at best a "time window" and at worst, too many choices to be of real use. It is easy to choose the right time after the fact, but in real time trading this can be a daunting task even for experienced traders.

Imagine for a moment if you were able to extract a wave as it passes through a market. At first glance you would think it would be easy to determine when the next high or low will occur. Unfortunately, because waves influence one another as they travel through any market, a new high is more likely to be the result of a complex interaction of several waves rather than the actual high or low of any one wave alone.

What this means is that even though you may be looking at a market high, it is resulting from a mixture of several waves reaching near highs rather than any wave reaching its peak at that moment. This may be a little hard to swallow, but when you look at waves and how they interact with each other it is a surprising reality. So a calculation based on a singular wave cannot provide reliable trading signals. It might be near a high or low, but often it will be too soon or too late to trade.

Even with only two waves, rarely does the market turn exactly at a top or bottom of a wave. With additional waves it occurs even less. So imagine a market that has a dozen or more waves flowing through it.

Because Gann calculates a singular wave it requires a window of time for a time event to occur that can be days or even weeks long. If the wave is strong enough then you will see a reaction near that window, but if not then trading becomes a risky proposition. Most Gann traders today recognize this limitation and instead look for multiple signals close to one another for confirmation before trading.

Obviously, it would make more sense to just avoid this confusion and know that actual time of the reversal instead. The key then is to determine when multiple waves will interact and create the next high or low rather than what any one singular wave is doing.

Wave physics provides a different approach and opens a new door in determining time events. Over twenty years ago while studying wave propagation I chanced across a mathematical calculation that would forever change how I would look at the markets. After recognizing that the markets were reacting just as the waves I had studied, I applied this equation and found that it predicted reversals with astounding accuracy.

What makes this calculation so different than Gann and Fibonacci calculations is that it uses more than one high and low, a requirement when dealing with multiple waves in a market. This represents a leap forward over Gann and Fibonacci in two ways. One; you avoid the singular wave limitation, and two; you avoid a static number and the multiple choices that go along with it.

The result is that you no longer have a vague "time window" because what you calculate is the actual time of the event, based on the geometry of the market. Once calculated, the resulting date or time can be traded off of and can even be further refined by smaller time frames. For example, if you determine that a reversal is due on a particular day, you can then use an hourly chart to determine the hour when this reversal will take place. This can be repeated down through lower time frames as low as you like.

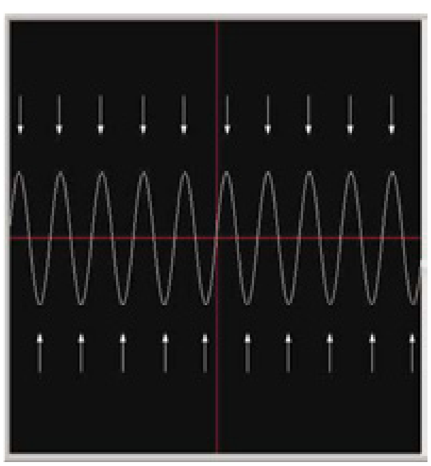
An example of this equation in action can be seen in the S&P E-mini. Most Gann dates do not coincide exactly with market turns and despite several close dates, false signals and missed reversals still occur.

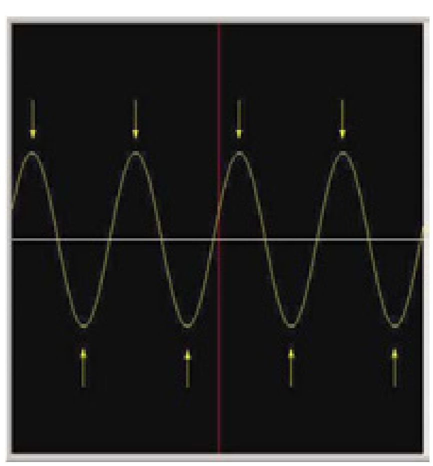
When attempting to analyze time events, it is much more accurate to calculate how multiple waves interact. Tops and bottoms result from the best combination of multiple waves rather than the high or low of any particular wave.

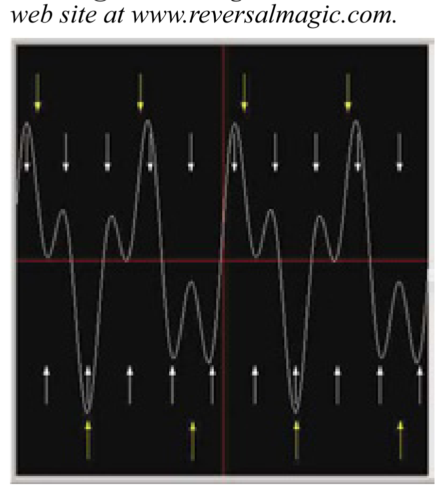
While Gann and Fibonacci calculations work, they often lack the desired result. The solution to these problems lies in using the geometry of the market. This is what Reversal Magic is all about. Whether you are using Reversal Magic by solely by itself or as confirmation to your Gann and Fibonacci calculations, knowing when time events will occur gives a trader a substantial edge in trading.

While time may rule our lives, you can rule time by using the geometry of the market!

Michael J. Parsons is the author of Reversal Magic and researches trading methods based on science and the geometry of market activity. His other writings include Channel Surfing, Balance Magic and an online newsletter called the Trading Café located at www.tradingcafe.net. For more information you can contact him at mike@reversalmagic.com or visit his web site at www.reversalmagic.com.







TRADING ON TIME

By Myles Wilson Walker

In my last Traders World article I wrote about my Annual Forecasts. They are based on the cycles from my book Super Timing. These are all fixed cycles meaning that when specific planets cross certain areas in the sky or make particular aspects to other planets they will influence their market. These are considered fixed or set cycles because they never change and can be plotted into the future forever.

The concept is little like seasonals but instead of using just the Sun around the earth we use more hidden methods such as Mars around the earth. This means that they are not as obvious to other traders but they still mark time in a valid way.

The complementary method that I also teach is dynamic cycles, and this is also one of the methods I use in my forecasting newsletter. To give you an idea of what I mean I've taken excerpts from a progression of updates that I emailed out

As the S+P - Dow came off the January 13th 2003 high.

Pre Market January 6th 2003

The Sun in Capricorn generally leads to higher prices.

Also The 30 days before a Sun conjunct Mercury in Capricorn has lead to higher prices 83% of the time (Dewey)

The conjunction is on Friday 10th of January.

So look for higher prices overall into this time.

Monday the 6th of January could be a short term high - Venus square Uranus but to fit this sequence a little pullback low would be good.

January 10th is date to watch not only for the Sun - Mercury conjunction but also because of the Uranus square Algol square Mars on this date.

The cycle of Uranus, the force of upheaval and Algol, the most malefic of the fixed stars is again activated on January 10th.

This is relevant to the S+P as a repeating aspect.

High March 8th 2002 Super Timing pattern Mercury conjunct Uranus square Algol

High August 22 2002 Mars opp Uranus square Algol (T square)

High January 10th? Mars Uranus Algol (T square)

The next low date is January 24th when the trend should resume upward into February.

At the 12-02-2002 top Mercury was conjunct Pluto and trine Jupiter,

Jan 24-28th 2003 Venus is conjunct Pluto and trine Jupiter therefore Mercury is being replaced be Venus in the same aspect.

I will send an interim update sometime after the 10th of January

On the 10th after the market closed I emailed this update:

From the last report,

Monday the 6th of January could be a short term high - Venus square Uranus but to fit this sequence a little pullback low would be good. (This was exactly right)

At the moment (10th January) Prices could work a little higher now but I would look for a failure signal then to sell. (This method of entry is detailed for all subscribers as a chart trading technique but I don't have the space here to go into detail)

Then my next email was on the 26th of January

Which read - The sell from the last update has been good. We are now in the next turn window but still short as no buy signal has been given on the indexes.

The market broke down on a cycle date, which is not normally that good and leads to an acceleration of trend.

Trail an exit stop above Fridays high and be prepared to sell again if there is a failure signal.

The buy is going to come later in the week if at all, I will keep you posted.

The coming week is going to be totally news driven because of the international situation and is the reason why I think this cycle we are in is going to stretch out.

These are the possible trading scenarios.

The market accelerates down after breaking the small head and shoulders pattern that developed from November in which case the trailing stop is never triggered. (This was in fact the case) or gives a reverse buy signal if it gets above the high of the 24th.

This is the chart of the cash S+P up to and including Jan 24 when I mailed the update.

Still in a short position I emailed this on February 6th. This is very easy. The market broke down on the last cycle date (24th Jan)

And is going to break again now, most likely making yesterday Feb 5th the high.

As you can see from the following chart this is exactly what happened.

The point of all this is to demonstrate that it is possible in

real time to use Astro Timing techniques

These are the fixed cycles in my Annual Forecast plus the dynamic cycles that we have mastered. For more details on the dynamic cycles there are several articles on the topic here at http://homepages.ihug.co.nz/~ellsann

In summary, a trader knew that on Friday the 10th of January it was time to get out of long positions and go short if a specific signal occurred. This happened the next trading day Monday January 13th.

Then it was no stress situation as the market went in the right direction into the next timing date. At that point we knew that it was time to act again. In this case the market broke out of the little congestion area on the downside so no reversal position took place. The same thing happened again at the next timing date.

If the low had come in on any of these dates we would have been long as our exit and trailing entry stop would have done the job

The method is used for swing trading and sometimes those swings turn into bigger trends. This method is also responsive enough that it reverses within a day of any major trend change.

This is a systematic approach to trading with well-defined entry and exit with risk management.

Another important thing is that by only entering new trades at time points it is much easier to avoid bad signals, especially if you are combining them with other systems.

All this sounds easy and it is but you must realize that I spent thousands of hours discovering these cycles that are at the core of this easy system.

The markets go on year after year constantly changing in volatility and price patterns but the

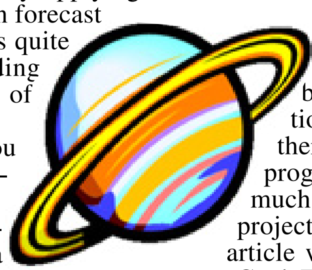
Important time factors stay the same. Once you know that time is not only measured by the Sun and Earth you can time your trades with total accuracy.

Myles is author of Super Timing, Intro to Astro Tech available from Traders World.

ASTRO CYCLES PROVIDE A NEW APPROACH TO AN OLD SCIENCE

By Bradley F. Cowan

If you have ever been curious about how planetary cycles can be used to forecast market trends, but gave up after looking at the astrology books, you are not alone. All those strange symbols and terminology like orbs, houses, rulerships, and transits can be very intimidating. And most people do not want to spend years getting a PhD in Astrology to find a reliable indicator of trend duration. Like most traders using astro techniques, I started with the classical approach, but soon discovered that by applying a few simple rules you can forecast the timing of market turns quite accurately without needing to know all the details of astrology textbooks.



Simply stated, all you need to do is follow a 3-step process:

(1) Find a clearly identifiable top or bottom on a chart.

(2) Find locations of planets on that date. (Software does this for you)

(3) Make time projections by adding multiples of 30 degrees to locations in (2). (Software does this for you)

Where this technique differs from classical Astrology is that I do not care what the angles between the planets are at the tops or bottoms, just the distance they travel between two turning points. Classical Astrology tells us to expect changes when two planets are at certain predefined angles of separation. Traditionally, these are 30, 45, 60, 90, 120, and 180 degrees. But it seemed a bit arrogant to me to be telling God that he should do something on our schedule. So I looked instead at what the market was telling us, at where the planets are at the tops and bottoms and use THAT angle as our starting point, regardless of its value.

It's really a simple process that I have successfully applied to my trading for more than 20 years. As an example, we will look at a compressed weekly chart of the DJIA from 1949 to 1975, shown in Figure 1. Applying the 3-step process:

Step 1 - Find a major bottom or top. Anytime after 1950 the bottom in 1949 would have been easy to identify as a major bottom, so that will be used as our starting point.

Step 2 - Find the locations of the planets at the date in Step 1 (1949). A book called an ephemeris can be used to find the locations of the planets, or there are several software programs that will do the same much faster. All calculations, projections, and charts in this article were made using the software CycleTimer.

Because this is a long-term weekly chart, the major cycles will correspond with the 3 slower moving outer planets Jupiter, Saturn, and Uranus. If we were working with a daily chart then the faster inner planets, Mars, Venus, Mercury would be used.

Experience has taught that most markets have a strong cycle closely correlated with the heliocentric (viewed from the sun) movement of Saturn relative to Uranus. CycleTimer shows that at the bottom in 1949 the location of Saturn was 66 degrees from Uranus, so that is the cycle origin from which our future cycle dates are projected.

Step 3 - Add 30, 60, 90, etc. degrees to the location in Step 2 (66 degrees). Adding 30-degree increments to 66 produces 96, 126, 156, etc. CycleTimer calculates and plots in Figure 1 the dates that Saturn and Uranus were separated by these angles. Six instances of this cycle are shown, or a full 180 degrees. You can see that this cycle closely corresponded with major bottoms at every instance. Classical Astrological techniques do not identify this cycle because it does not coincide with their predefined angles of 60, 90, 120, and 150 degrees.

To improve the probability that your cycles projected into the future are accurate, be sure that at least three instances have occurred in your historical data, not including the starting point. If you have less than three occurrences of the cycle move your starting point back in time until you have at least three. And more importantly, be sure that you have no more than one or two "false positives", that is, a cycle that arrives with no significant trend change. If you follow these rules you will have a high probability that your projected cycle dates will be correct and you can expect a reversal of trend very near that date.

Figure 2 shows an example of how I used this 3-step technique to make a real-time forecast in October 2001 for a trend reversal in February 8. Part A is a copy of the chart I posted on the discussion group at HarmonicTiming.com in October 2001 and is available in their archives. Part B shows how the forecast turned out. This cycle uses heliocentric 90-degree movements of Mars relative to Uranus. Following the 3-step process and using a cycle start date at the low of November 1997, produces a cycle where all eight recurrences coincided with significant market turns. Therefore, there was a high probability that the next recurrence in the future would also mark a turn. Figure 2.B shows what happened. On February 8 the DJIA bottomed and began an advance of 1100 points, or 11%, in one month. This is another cycle that classical Astrologers would

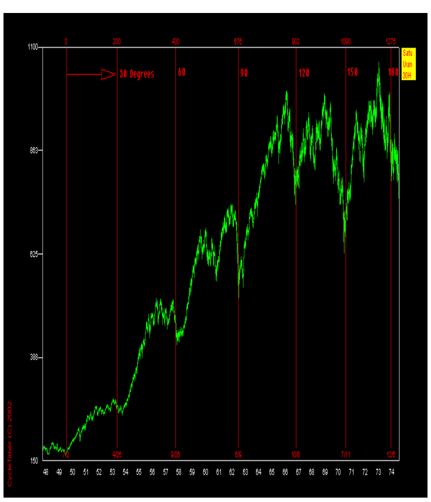


Figure 1

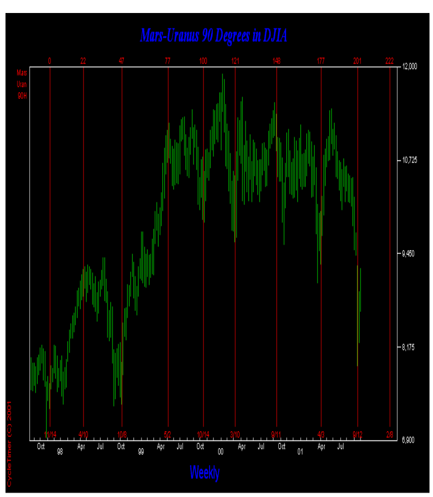


Figure 2a

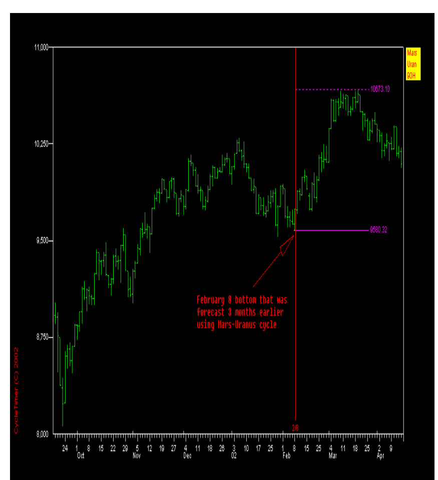


Figure 2b

have missed because the angles between Mars and Uranus for this cycle are 7, 83, 173 degrees, which are not any of the classical predetermined angles.

Nesting Cycles Amplify Their Net Effect

When you gain more experience using this technique you will be able to watch more than one cycle at a time, which makes sense because there are more than two planets in the Solar System. These multiple cycles can either interfere with each other if they arrive at different times, or reinforce each other if they arrive at the same time. If two or more cycles bottom closely together (nest) they reinforce each other and their net effect is amplified. This results in a sharp panicky sell off followed by a quick recovery producing a "V" or "trauma" bottom. Figure 3 shows how I used the technique of nesting cycles to accurately forecast almost one year in advance the June-July 2002 sell off and bottom in stocks. This chart was also posted in the discussion group at HarmonicTiming.com in October 2001 and is available in their archives. To keep the technique simple the cycle start dates were taken out of the textbook Four-Dimensional Stock Market Structures And Cycles and extrapolated into the future using CycleTimer software. The entire projection process took less than one minute. The Saturn-Uranus cycle we studied earlier during the 1949-1975 period is again used with the origin set at the major low of November 1994. The second cycle is another that has historically produced reliable results, the movement of Jupiter relative to Uranus, or the Jupiter-Uranus cycle. The crash low of October 1987 was used for the origin of the Jupiter-Uranus cycle because it has produced a cycle that has repeated dependably for the last 15 years. When CycleTimer projected these two cycles into the future it showed them nesting (arriving at the same time) in late June-July producing a warning that this was a very high-risk time. The position trader would liquidate any remaining long positions he had before this high-risk time arrived and wait out the storm. So while many traders were panicking during the June-July sell off and wondering where the bottom was, my confidence in the cycle locations allowed me to enjoy a two-month island hopping vacation in Indonesia, Thailand, and Cambodia, scuba diving and studying the ancient temples, as my profits accrued.

Works For Daytrading Too

Daytraders can use the same 3-step technique on intraday data. The major difference between intraday timing and end-of-day is that intraday uses the rotation of the Earth instead of the orbits of the planets. This increases the complexity a little bit because you not only want to watch the smaller cycles but the larger ones as well. A few small cycles arriving intraday will not affect the market much if it is in a strong trend caused by a large cycle. So work with the larger cycles first before moving into intraday. Future articles will focus on intraday timing techniques.

Suggested Reading/Software Available At www.cycle-trader.com
Four-Dimensional Stock Market Structures And Cycles
Market Science - Volume I - Square Of Twelve
Market Science - Volume II - Market Dynamics
Software Used For Charts And Calculations - CycleTimer

Bradley F. Cowan is a retired Electrical Engineer and owner of Stock Market Geometry. He has been a full-time trader for the last 20 years. He is the author of several market timing books and related software. He can be reached at: www.cycle-trader.com, cowan@cycle-trader.com

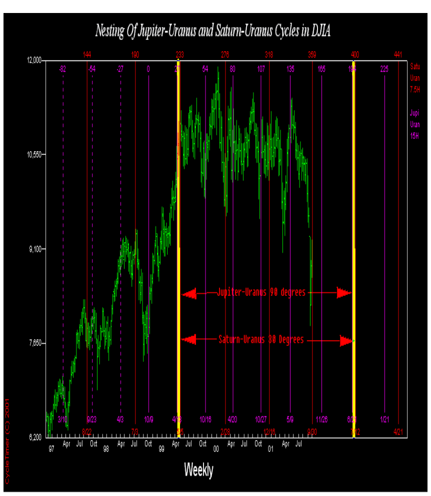


Figure 3a

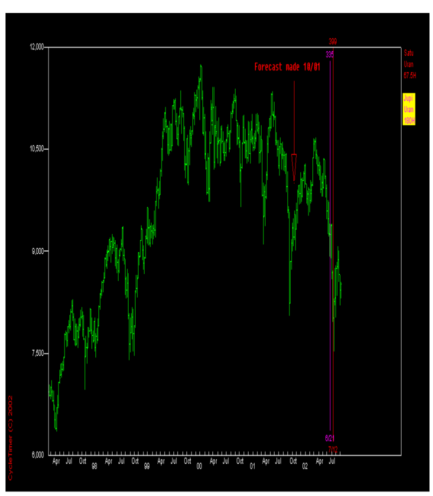


Figure 3b

CLAIM "TRADER" STATUS AND REAP THE BENEFITS

By Ted Tesser, CPA

As the tax deadline date approaches, we all seek valid ways of reducing our tax burden. One avenue open for investors is to claim "trader status". For tax purposes, the distinction of being a "trader" is now more important than ever and there are several reasons for this: First, trader status allows you to write off ALL trading losses (beyond $3000) on your tax return, whereas a non-trader is not able to (with the election of Section 475). Second, a Market-Maker-Broker Dealer would be subject to self employment tax, where as a trader is not. Third, a trader, as opposed to an investor, can deduct dollar for dollar trading expenses, above the line, rather than as itemized deductions subject to phase-outs and limitations. In addition, a trader, working within entities (ie. Family Limited Partnerships and Corporations) is able to set up retirement plans and employee benefit programs (such as VEBAs and 419 Trusts where unlimited amounts of money can be sheltered), whereas this option is not open to an investor. While some benefits were recently eliminated, the bulk of this important advantage has remained in tact.

While there are many other benefits to being classified as a trader, they are too numerous to discuss in a single article of this length. My book, "The New Trader's Tax Solution" delves into every aspect of the trader advantages available since the new tax code took effect. However, for the scope of this article, I have confined my coverage to the most important reasons readers should seriously consider this option when preparing their tax return. Whether you're an equities trader, an option player, someone who dabbles in currency trading or getting started in the new single stock futures revolution — these provisions in the tax code can greatly reduce your tax burden. Why let Uncle Sam take a bigger bite out of your hard earned trading profits or losses — when you can easily avail yourself of the legal "loopholes" afforded us in the New Tax Law?

Who Are The Market Participants?

The Tax code has always given us three designations of market participants. Two of which have been clearly defined, and one has not. The last, subjective distinction – "Trader" -- holds many advantages that the first two do not. Briefly, I will go into each, so you can see the benefits one can obtain by claiming "trader" status – and then I will explain in more depth how you can determine whether you actually qualify for the "trader" classification.

The Broker-Dealer Market Marker

Reg. Section 1.471-5 of the tax code defines a dealer in securities as "someone who engages in the purchase of securities for resale to customers, with the intent of making a profit." The broker dealer/market maker is a merchant with an established place of business who regularly engages in this practice.} He or she, therefore, treats securities or commodities as inventory that is held for sale to his or her customers and is treated as ordinary, not capital, assets. This results in the generation of ordinary income or loss, not capital income or loss. Dealers can deduct, dollar for dollar, any expense they incur in transacting business. Also, the broker-dealer/market maker is not limited to the $3,000 per year capital loss that restricts other taxpayers (including most traders). This is a major distinction. In addition, any income generated from these assets is considered ordinary with regard to self-employment tax, retirement plan contributions, self-employed health deduction and, as of 1993, market-to-market considerations (Section 475). Finally, broker-dealer/market makers, must pay self-employment tax on all their income.

Investors

An investor, on the other hand, is clearly defined in the tax code under Section 263 (a) as a person who buys or sells securities for his or her own account, as opposed to a dealer who buys and sells for resale to customers. All expenses of the investing activity are considered to be investment expenses, treatment as miscellaneous itemized deductions on Schedule A of an investor's tax return and subject to significant limitations and phase-outs. All income is considered to be capital gain income and not subject to self employment tax, not eligible for retirement plan contributions, or the self-employed health deduction, and, hence, reported on Schedule D.

Furthermore, an investor is always limited to a $3,000 per year net capital loss deduction, which can be carried forward for his or her lifetime (or even carried back for three years, in the case of Section 1256 transactions-commodities, futures and certain types of index or futures options).

Traders

Traders constitute a hybrid category. There is no election on the tax return you can make to indicate that you are a trader. But the cases decided over the past 65 years in the Supreme Court and various district tax courts have recognized this hybrid category and have established that traders are investors who engage in the purchase and sale of securities for their own accounts.

However, they do so at such a high level of activity that it becomes a business to them. There are no objective requirements in the tax code to qualify a person as a trader and, until the Taxpayer Relief Act of 1997, the distinction was barely acknowledged in the tax code. It was agreed that a trader was someone who trades in stock, securities, futures contracts or options on a relatively short-term and active basis, but this classification was purely subjective. Now, in paragraph 341 of the 1997 tax act, Congress has distinguished a trader from a broker-dealer/market maker as follows: "Traders are taxpayers who are in the business of actively buying, selling exchanging securities or commodities in the market. On the other hand, dealers deal directly with customers when they regularly buy or sell securities in the course of their business…" Further, on December 17, 1997, the Joint Committee on Taxation issued its report a.k.a. the Blue Book, to explain the new tax law. Page 180 of this report, Title X, Section A (financial products), subsection 1001 (b), states: "Traders in securities generally are taxpayers who engage in a trade or business involving active sales or exchanges of securities on the market rather than to customers…" This section was codified into law in 1998.

What makes a trader a trader?

It is obvious these definitions are, at best, vague. What Congress has done is allude to, but not strictly define, the status of "trader." It is the court cases throughout history that have really defined what determines trader status and what distinguishes a trader from an investor. From my thirty plus years of experience in this field and through filing thousands of trader tax returns, I can say that through subjective analysis I can pretty much feel out what the IRS view will be. No one can be 100% accurate, but I have an excellent track record, while keeping audits down to a very minimal amount. In fact over the past five years I can count on one hand the number of my clients that have been audited. And most of those decisions we have won.

I glean my information through the use of a Trader Evaluation Questionnaire, which I have all clients or prospective clients fill out. The form is on the Traders World website. We will evaluate this proprietary questionnaire for Traders World subscribers to assist them in making a determination.

Obviously, claiming trader status is not appropriate for everyone, but will be for more people than those who realize it. This article only skims the surface of the tremendous benefits it provides – whether you're trading equities, options or futures. But — for today's active traders, the "trader status" option should be seriously considered. Even if you don't qualify this year — you should think about structuring your accounts accordingly for the new tax year as you embark on your 2003 trading. Or better yet, have a professional make that determination for you, by filling out the questionnaire and finding out for yourself. After all, why let Uncle Sam take more of your hard earned money – or trading profits - than is absolutely necessary?

Ted Tesser is a Certified Public Accountant, a member of the New York State Society of CPAs, and author of "The Trader's Tax Solution - Money Saving Strategies for the Serious Investor" Reg. $59.95 on sale at $34.95 in this magazine. For more information on Ted Tesser and his firm's services please visit his website at call his toll free number at 1-800-556-9829, or email him directly at TBTesser@aol.com.

A DAY AT THE CHAOS CLINIC

By Dr. Al Larson

"Flying is hours and hours of boredom, interrupted by moments of sheer terror." -old flying adage

Markets, even more than flying, can have chaotic periods. In fact, it is possible to prove mathematically that a particular market is chaotic. And as any trader who has tackled the S&P 500 has learned, it is highly chaotic.

The source of this chaos is outside the markets. It lies in the waves in the electric fields that surround our planet. My theory of Market Astrophysics, which has been thoroughly researched and proven, has shown that as the planets move around the sun, they stir up the gases that swirl in the sun. This affects the energy coming off the sun through the effects on sunspots, coronal holes, and ionized particles. This radiation is carried to the earth on the solar wind. Upon arrival at the earth, it charges our ionosphere to about 300,000 volts. That voltage causes electric currents to flow from the ground to the ionosphere, passing through all living creatures on the earth.

Sudden changes in the solar radiation can cause the voltage to jump 20 percent in a matter of hours. These surges in the electric fields are felt by traders as emotional swings.

The current changes are on the order of 250,000 nanoamperes. Our biocircuits make decisions on changes as small as 1 nanoampere. So these electrically induced emotional surges show up in trading, and stimulate chaotic behavior. The timing of these changes can often be linked to planetary configurations. But there is more at work.

Chaotic systems come about whenever there are competing forces acting on an object.

Think of a ball thrown into the air. It rises, peaks, and falls back to earth. If the earth and the ball were all that existed in the universe, there would be no chaos. Add in another body, such as our moon, and things change. Now, throw the ball high enough and fast enough, and it can orbit the earth. Throw it a little higher and faster, and it can swing into an orbit around the moon. And at one point between the earth and the moon, a chaos balance point, the forces attracting the ball are equal.

Throw the ball just right, and it will balance there. Breath on it, and it goes either to the earth or to the Moon. Markets behave the same way.

The electrical impulses striking our ionosphere set up two waves, traveling in opposite directions around the earth. Where these two waves meet, one appears upside down, or inverted from the other.

This chaotic behavior has confounded market forecasters forever. They develop a forecast, and start to use it. Just when they place their bets, the forecast inverts, and they lose their money. The only way out of that is to accept the reality that markets are chaotic, and inversions will occur.

This is the approach we take with our S&P daytrading hotline. We use a sophisticated program to compute the electric fields affecting the S&P500. Because these fields are dominated by the moon, we call the forecasts MoonTides. We then look at the forecast for the next trading day, and select the MoonTide turns that appear most tradable.

This tells us the times when good, tradable moves should come. We accept the limitations of our models, and are alert for the turn coming early or late, as much as half an hour.

Many of our turns are within minutes.

We also accept that in the trading time window, that either the normal MoonTide or the inverted MoonTide can be working. To sort these out, we use two tracking indicators- a 110 minute and a 20 minute exponential moving average. The 110 EXMA tells us the trend, and the 20 EXMA tells us the swings. Then we basically look for two types of trades- a trade with the trend, or a counter trend trade. The details of our approach are given in the tutorial at http://daytradingforecasts.com/ttsec.asp.

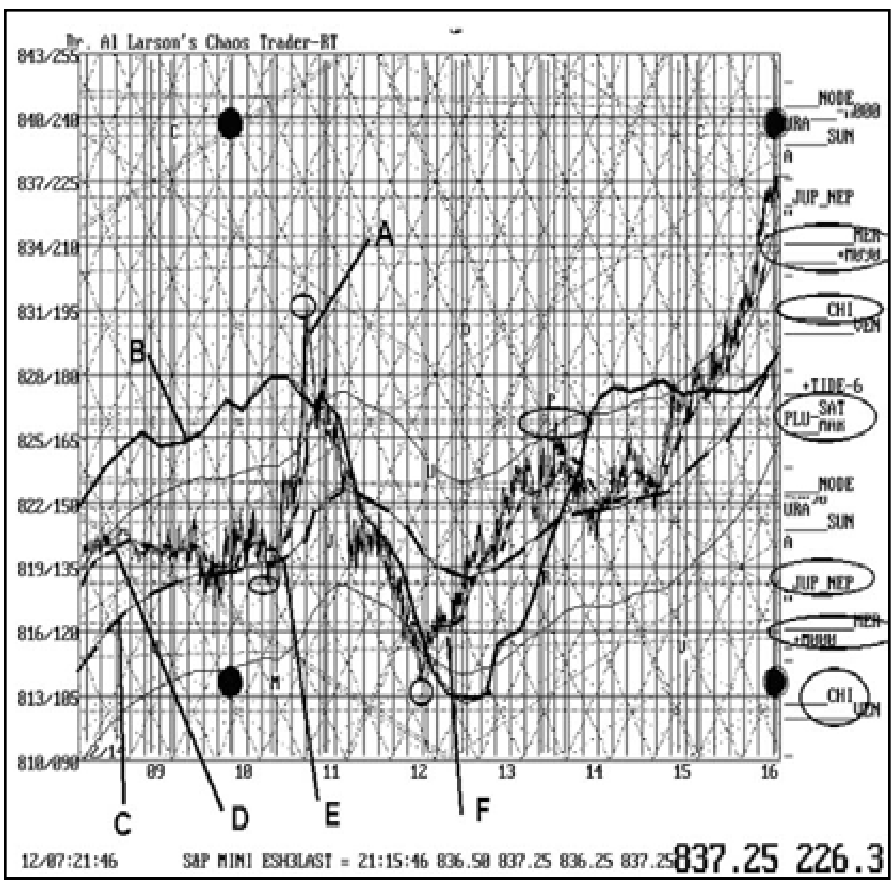
In practice, then, we forecast, plan, track, and execute. While judgment is involved, in that one must make the final decision to enter the trade, the parameters are well bounded, and the stop rules are hard and fast.

We publicly demonstrate this approach to trading the S&P on most Fridays, at http://daytradingforecasts.com.

Those who sign up for our free weekly email at http://moneytide.com get our forecast, and our trade recommendation free for Fridays. Then they can watch the Chaos Clinic live, online, at http://daytradingforecasts.com.

This chart shows one Chaos Clinic, for February 14, 2003. This printed chart is limited both in size and by being black and white, so a full color version, along with my comments and chat room comments, can be found at http://www.moneytide.com/hans/cc02142003.asp.

On this chart, A is the plot of the EMini S&P contract, using one minute bars. The dark line at B is the MoonTide forecast. Note that it forecast an early rally, a decline into midday, and an afternoon rally. This was the day that the UN



inspectors were reporting to the Security Council, a good day to expect chaos. Yet the MoonTides, which are computed for any future time, and use no input except the date of first trade, knew to expect some good moves that day, without knowing a thing about world events or the news.

The dashed line at C is our 110 EXMA tracking indicator. The dotted one at D is the 20 EXMA. Our forecast told us to expect a tradable move to start about 10: 35 Eastern. Just after that time, the 20 EXMA separated from the 110 EXMA at E, giving us a "trend continuation" buy. Our entry was 823.50, and our initial stop was 820.50. Then, because of the speed of the move, we used a fast move rule that moved the stop to 826.50 before the market peaked at 831 and came crashing back down.

It turned out that the actual turn was a bit late, and we got the "going into the turn" trade. But our rules kept us safely profitable. We then focused on the next MoonTide turn, expected near 12:30. As we waited, we saw that prices were following the MoonTide forecast well. So despite the emotion of news events of the moment, we were shopping for a buying opportunity.

Near 12:00, prices reached what we call an "out of band" condition. This set up a buy signal when prices turned back above the 20 minute EXMA at F. We bought at 817 and covered on a gain of 4 points, a standard target.

After that we were done for the day. We did our forecast, we planned our strategy, we tracked our forecast, saw the signals from our tracking indicators, and had two wins. That is a good day. No need to do more, or worry about the news.

There is much more on this chart than we can cover here. Among other things displayed are electric field flux lines, which we use to identify key prices as support/resistance.

For example, the morning rally started off of the Jupiter/Neptune electric field flux at H, and stopped at the Chrion flux at G. Both were identified in advance in our Tomorrow's Market Email.

Also show are two sets of black balls, near 9:50 and 16:10. These are Moon time lines, where the Exchange makes a key angle to the Moon. Note that the first rally came shortly after the first Moon time, and the final rally was the ball "going to the moon."

Chaos is what makes trading challenging. It is also what makes trading available to everyone, for if markets were not chaotic, they would have been cornered years ago. So if you understand and apply chaos, it can help your trading.

Dr. Al Larson is a private trader, a CTA, and a RIA. He has two websites, at http://moneytide.com and http://daytradingforecasts.com. He can be reached via the secure email link on either website.

MURREY TRADES INSIDE GANN'S MIND: MURREY MATH MEASURES MARKETS

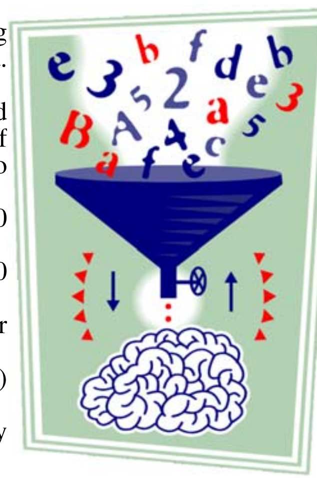
By T.H. Murrey

Millions of "traders" keep searching for the "Holy Snail" ratio, to solve their problem, of when to enter and exit each trade. Have you found it (yet)? Why keep searching?

Gann hinted, what to do, on page 34, in 1942, when he told you take any two random highs and lows, and divide them by eight, and start making profits. Folks he fibbed to you. You fell for it.

On page 68, in the same book, Gann confessed that he really wanted you to know The Natural Numbers.

He mentioned: 100: 12.5, 25, 37.5, 50, 62.5, 75.00, 87.50, and 100. Have you heard of them?



1.5 million traders, and every teaching "guru" missed it, but T. Henning Murrey didn't. Why did you miss it?

You are lucky T. Henning Murrey sold his portion of his annual sales business of $20,000,00 per year, to help you learn how to trade off 8th grade math.

Trading for profits is as easy as dividing 100 by (8), then 12.50 by eight, etc.

You surely have a child who can divide 100 by eight. Ask them to help you.

Pythagoras said, "Look at a 12 or 13 year old child to see the math of this world."

The human navel is exactly (+ or minus) 5/8th of the total distance from the feet.

The human body is random, but exactly proportioned into 8/8ths.

Markets want to react to the last extreme highs and lows. We all know this Truth.

But, there is one more price factor, the Over Bought and Over Sold MM Trading Area is the controlling factor, to whether or not, markets Breakout into a higher or lower trading Octave.

There is no need to count the Elliott Wave unless you know Murrey Math. No market will Breakout higher or lower, unless or until it closes (5) cents on either side of any "present" Murrey Math Trading Frame.

Gann told you this (5) cent Truth on page (71) when he said that 1861 Wheat had to close higher + (5) cents, or it would fall.

Gann and Murrey are able to predict market reverses to (5) cents months or years in advance or real time. You can learn too.

Predicting any market's reversal, to within (5) cents, is made easy by starting with The Natural Numbers set to MM Square (100).

You are invited to join, thousands of traders, who want a simple Logic Based Strategy set to 10 simple rules (never vary).

By dividing 100 by (8), you already know the larger trading ranges ahead of time and Price. Why keep learning to "guess trade"?

Gann was setting all markets to music inside a square on Base Ten. Believe it?

There are two camps for traders: 1) random guess rules, 2) strict rules set to music.

All markets already know the major reversal price point years in advance.

If you want trading to be more complicated than this, please quit reading now.

Simple Example for rookie readers: the Dow 30 reversed five times the past four years off 7,500 and this last run up off October 09, 2003, down at 7,187.50 was exactly 312.50 points below 7,500.

The high off the October 10, low reversal was 9,06.25, which is exactly 312.50 points above 8,750.This market was trading equally on either side of 8750 and 7500.

This is 1,250 points or 1/8th of 10,000.

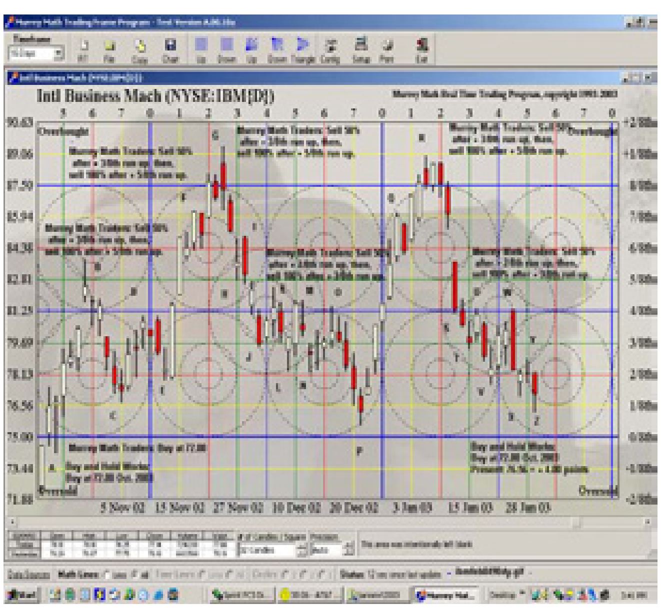
Sorry folks, T. Henning Murrey figured out what Gann was doing back in 1993. Every other guru teaching Gann methods missed it.

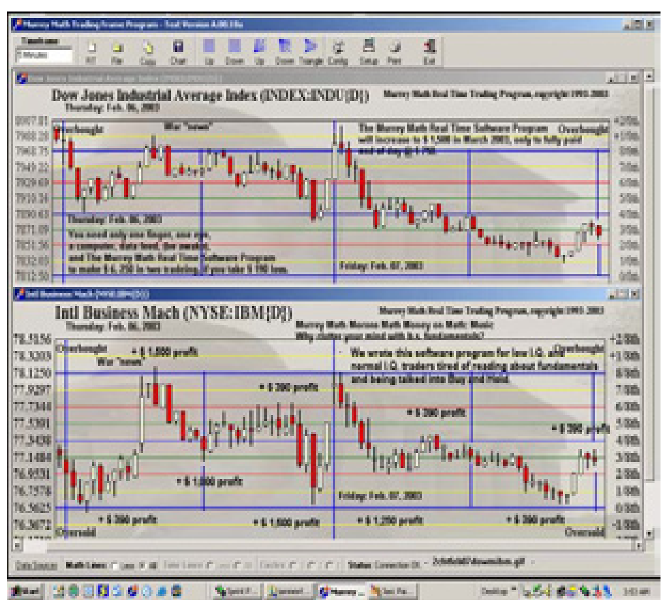
T. Henning Murrrey has taught a relative of Gann. They have a family Bible with his name in it. They missed it too.

The exact difference between 7,187.50 and 9,062.5 is 1,875 points.

Gann gave us 18.75 on page 68 as the 1st most favorite number. Move decimal over.

How is it possible that the last reversal was exactly 1,875





points? Was it luck?

If you are a true trader, you know it isn't, because it reversed from the previous high up at 9,06.25 for a Double Top.

The last two reverses were 1,875 + 1,875, which equals 3,750 points, or $3/8^{th}$ of 10,000, which is the MM Square it is trading in (presently). Everyone is looking for $3/8^{th}$ and $5/8^{th}$ moves (up or down) off random highs and lows.

Folks, the Dow 30 reversed lower on October 02, 2002, the Murrey Math start for the new trading year: 2002 – 2003, and it fell from MM $3/8^{th}$ to – $2/8^{th}$, which is a move of – $5/8^{th}$ or 781.25 points exactly.

On the high at 9,062.5 this past reverse up to its Double Top, it fell – $5/8^{th}$ down – 781.25 points. Both these $5/8^{th}$ reverses were inside the Internal Harmonic Octave 7,500 - 8,750, which is ten times larger than Gann's Natural Number 100.

Gann gave you the outside frame for large moves over a year's trading.

Murrey goes inside Gann's head and gives you the Murrey Math Internal Octave "profit frame" for trades inside the 16 - day trading frame, so you can steal $2/8^{th}$ fast.

Small + $2/8^{th}$ profits are taken fast. Then, gambling with the other 50% of your winning position will make you a rich trader (over time and repetition).

Test: how much do you make trading?

If you don't make $ 50,000 per year trading, you are in the rookie status.

Your trading I.Q. is measured by your success reflected only in what you make (money) not how many terms you know.

Trading is simple, if you can think simple minded. If you use moving averages and Indicators you have a personality problem that hinders your ability to "see" a simple trade.

The rule to a perfect trading system is: can a blind person trade it? Yes MM.

Could a blind person remember the high up at 9,062.50 on August 22, 2002, the lows on October 09, 2002, then the reverse up at 9,062.50 on December 02, 2002.

You would not need any Indicator or slow moving average to tell you to reverse positions after 1,875 points.

How many years of learning to trade would it take a blind person to remember to short all Double Tops, and reverse on lows of – 1,875 points. Did you do it? No?

All markets are reversing to preset numbers set to Music: 437.50 cycles per second.

You don't know how this works. Please just accept it (now). If you already knew, you would already know my Truths as Truth.

Gann knew this simple rule of Logic.

Gann went to London, England to study Fibonacci 's Math. He traveled to Egypt to study the math in the Pyramids.

Murrey was poor growing up, so he just read it (all) in books at the Library.

Murrey knows how to help you profit off the brains of two geniuses: Murrey-Gann.

Your job is not to learn how to be smarter than Murrey and Gann.

Folks, Gann and Murrey are gifted men.

You may be smart, but you aren't gifted.

If you were gifted you would have already figured out what Murrey and Gann did.

Please get over it, and relax, and start making profits off 8^{th} grade math: Murrey Math, instead of trying to improve on Music based trading inside The Murrey Math Harmonic Octave.

1998 to 2000 created the largest number of "brain dead" quasi gurus who thought they could out "create" the Master Teachers.

They are hiding under their moving averages and Indicators that failed to tell them the high in the Dow 30 was 11,875, and the Nasdaq was 5,000.

T. Henning Murrey has been telling you, how easy trading really is if you quit trying to out do Gann and Murrey.

All the other gurus can't do it either (yet). They are converting to Murrey's mindset.

Murrey discovered that Gann left off the simple Truth: all markets are trading inside one of 128 Internal Octaves inside The Natural Number 100.

You won't be able to figure out the 128 different Internal octaves, unless you take one year at 18 hours per day.

We provide the "Murrey Math Learning Tool" for setting the 128 different Internal Octaves, by providing the real time software program, so you may simply rent it on a monthly basis, until your trading I.Q. can figure out how to set the current trading Price in Time (Rhythm).

Your job is to get all the expert learning tools asap, then get to paper trading, then trade "live" real time, and quit creating a better moving average or Indicator.

87.5% of all the software programs that offer internal fine - tuning of Indicators are perpetuating traders who are continually confused and frustrated at their own genius.

Most rookie traders should start with trading baseball cards, instead of the S&P 500 E Minies. But they enjoy losing.

Please look at the chart Figure (A): IBM from October 2002 thru Jan. 2003.

This market is set to two of Gann's Natural Numbers: 75 to 87.50 over 90 days.

Murrey refined Gann's mind, by setting an Internal Octave inside 75 to 87.50, then adding the MM Breakout ($+2/8^{th}$) and ($-2/8^{th}$) to signal frame shifts.

Gann never told you to do this, since he assumed you had enough Logic to see it.

Do you see it? Do you trust it? Do you want to improve it, or destroy it? Choose now.

T. Henning Murrey refined what Gann knew, and shows you, the exact price for every 1/8th that IBM would have to close above or below to move higher or lower.

These numbers will never change in 1,000 years. You may choose to confuse them.

T. Henning Murrey copyrighted the Breakout (+ $2/8^{th}$) and Breakout (- $2/8^{th}$) in 1993.

You are ten years late, if you haven't converted to Murrey's high I.Q. trading system. But you will someday soon.

T. Henning Murrey took his high I.Q. and converted it into a simple software program, so normal I.Q. and low I.Q. traders may improve their "win loss" ratio.

87.5% of all traders are only normal I.Q. traders. 87.5% of all populations are normal, not genius people.

We have found that most traders can't learn complicated trading rules.

Why would you want to learn a complicated trading system with so many rules or exceptions? Wouldn't you prefer to learn to trade off 8^{th} grade math I.Q. rules?

IBM reversed 26 times off simply dividing the difference between 75 and 87.50.

How many years of trading would it take you to know this Truth?

Gann and Murrey already know it. When will you accept it? You must someday.

Is this too simple for you to accept?

Why not use Gann's rules and place them inside Murrey's Internal Harmonic Trading Frame and quit using random extremes?

Please look at the IBM chart.

You could have made + $ 126,562.50 in 90 days, if you used Gann's $3/8^{th}$ and $5/8^{th}$ rules, along with Murrey's trading rules.

Gann charged $ 5,000 in 1929 for his classes to the rich.

T. Henning Murrey charges $875 for the 1^{st} day to teach you how to quit losing.

Have you heard about single stock futures?

This is the greatest profit maker potential introduced in years.

It will take the average trader ten years to accept this simple (new) way to trade.

Do you wonder why IBM couldn't

close above 89.06?

Answer: IBM gapped down a few months ago from 100 to 89.06.

They had poor earnings. Go figure.

It hasn't come back up above this gap down open yet. It won't any time soon.

IBM has fallen from 134 to 53, and then up to 89.06, then down to 75, which is an 81.25 - point down move.

T. Henning Murrey tells every student to learn to trade IBM. Do you?

Gann and Murrey have been telling you since 1942, that markets are trading inside a simple Internal octave. Can you memorize seven internal Octaves?

Let's play a game of Logic: if you divide any two Natural Numbers by (8), will these smaller internal numbers react to 1/8th of this larger 1/8th? Are you lost? Most of you are (now). We will wait for you to catch up.

Let's play another game of Logic: would the ratio of 100 be the same to 10,000?

Are you lost again? Do you need help?

Ask your child of 12.50 years to write down 78.12 and tell them to move the decimal over two places to the right. What did they arrive (at)? 7,812.50 may be right?

Please look at the (combined) chart that has IBM and the Dow 30 using The Real Time Murrey Math Trading Frame Software Program.

If you have one finger, one eye, and can keep awake, and see the screen all day, you will be able to interday trade IBM as it reacts to the direction of the Dow 30 stocks.

Feb. 06, 2003 and Feb. 07, 2003, you could have made + $ 3,000 on two trades, as IBM reversed inside 76.56 and 78.12.

It's a Law of Common sense: if you can only lose - $ 190 per trade on IBM, why would you not simply trade it inside its current MM 0/8th – 8/8th? Do you need to know any more about this stock?

Now, all you cry babies who can't trade or are afraid, or can't get out of a "losing trade" with - $ 190 loss, will make up more weak reasons why you can't have a close stop at 19 cents.

Most rookie "traders", learn to make excuses for failure, as a part of their trading strategy, instead of accepting small losses, as the key to preserving capital.

IBM never extended in one direction 19 cents on either side of any reversal. They are trading IBM within (5) cents, since they switched to Murrey's decimal system established in 1993. We're glad they caught up with us.

Let's move back to Logic: did you notice that your child will look at the chart of IBM and the Dow 30 chart, and the child will tell you that the Dow 30 is running to MM 1/8th at 19.53125 points, so your child knows to move the decimal over to .195125 cents for an Internal Octave on IBM. Hello to simple math: Murrey Math.

Ask your child to write down IBM. Then ask them to write down INDU. If they are capable of this simple instruction, and can use a computer, and you have downloaded our real time software, and they ask the software to find IBM and INDU (Dow 30 stocks), these two charts will appear automatically in real time "Live."

You do nothing more (than this).

The Murrey Math Real Time Software Program solves the problem of what is the correct current trading frame? How often is your software correct? Still confused?

Why do you want to waste your trading life learning to set the correct frame?

There are 112 different software programs available, but they are asking you to set your trading frame (8/8th) off what you think is correct.

Normal I.Q., low I.Q., and rookie traders, are not supposed to "guess trade" off random highs and lows.

How can a "loser" or rookie, be held responsible for making the best judgment as to where to see highs and lows?

T. Henning Murrey just finished "live" teaching classes the past three weeks in: Santa Ana, California, Las Vegas, Nevada, and now in Nashville, Tennessee.

We learned to learn to trade, not learn to set the trading frame.

Why learn to fly a plane just to go on vacation with your profits from trading?

T. Henning Murrey teaches normal I.Q. traders to trade "live" interday with all the rules, as the markets reverse "live."

The Murrey Math Real Time Software Program does all the "mental work" for you, so you can enjoy trading.

Would you rather make money, or learn to trade, off your current random system?

Do you enjoy using lagging Indicators and moving averages as your buy or sell signals, when they are always late?

T. Henning Murrey and Gann never use either of them.

Normal I.Q. traders and low I.Q. "traders", need moving averages and Indicators to help them decide what someone else tells them even if they are late. Why?

You are to get rid of them now, if you want to move toward winning, more than you lose. Can you do it? Very few rookies can.

I can't make you change toward profits.

If you can't trade without them, you will take a long to convert to Logic, which Murrey and Gann present to you.

Everyone looses at their own pace with their own rules. We short - cut you toward profits set off (64) numbers: MM.

T. Henning Murrey presents the only Logic based trading system in the entire trading World. The Dow 30 should react to the same numbers as IBM reacts to, except that the decimal is simply moved over two places. Do you see how simple it works?

Since 1993, T. Henning Murrey, has been telling you, that all markets are reversing off the same simple 64 numbers set to one of three Murrey Math Harmonic Squares.

25,000 traders, all over the trading World, know Murrey's numbers, finally.

You may continue to trade off random numbers, but you will be disappointed in your profit results.

Most stubborn tired, old, loser traders will never change their personality or their trading habit: they can't. We know it.

We know it and they tell us they can't do it.

We need to reach those traders, who want to learn less to earn more.

Did you notice that every reverse of the Dow 30 stocks was the exact price reverse of IBM with decimal moved over?

Is this luck? Luck is going long in a down market when you can't see direction.

Did you notice that the Dow 30 Stocks failed to close above MM Breakout: 8,007.81? Since it couldn't close above 8,007.81, it must fall back down to MM 4/8th.

Gann said, "Markets want to stop up at large numbers."

Anyone who had read pages 317-321 in his book would know this (already).

The Dow 30 stocks stopped up at 8,000, then fell lower interday. Hello profits.

Since 1993, more traders are converting to Logic based trading. Every month you will get a new Indicator that will work for 30 days. Weak traders search for Indicators.

The average normal I.Q. trader is confused when they use Indicators or moving averages. They get too many weak signals.

Please look at your screen and tell us how much trading trash you observe to make one simple decision: how far up or down has this market run? Does your screen look like the cock - pit of a fighter pilot?

Question: what happens if IBM closes above 90.625?

Question: what will be the new Internal Trading Frame?

Question: what happens if Dow 30 closes above 8,007.81?

Question: what will be the new Internal Trading Frame?

This is simple 8th grade math logic.

Do you enjoy adding more confusing trading techniques into your "losing" strategy? Want to really change to simple?

87.5% of all commodity traders are out of money in 90 days.

75% of all stock traders are long (buy) only traders, who trade long in down markets.

93% of E Minie Futures traders never took a class before trading this fast moving market, so they get stopped out too much.

College will not make you smarter at figuring out market direction or making profits off your above average I.Q.

Perfect Example: University of Maryland, where Murrey worked on PHD, for a short time, 16 students were on CNBC TV last week, smiling and bragging that they had lost only – 25% this year, trading with their college educated brains. Who cares?

Do you want to simplify your trading strategy or do you switch strategies each month? Losers love to learn: winners trade to earn profits. What are you learning?

T. Henning Murrey studied the markets before reading Gann's book 50 times in 1992. he saw the Holy Snail set to: 1, 5, 6, 11, 17, 28, 45, 73, 118, 191, 309, 500.

He wanted you to profit off simple rules, not complicated exceptions.

You choose, which way is more profitable.

T. Henning Murrey, Murrey Math Master Level Trader # 13.

THE SECRET SOYBEAN SCALE

By D.K. Burton

The above information is in Gann writing which most of you have already seen. You are all probably wondering how the price of soybeans relates to the astrological degrees of the zodiac. The C.E Averages of calculation of eight relates to converting the price to degrees and looking for aspect to these degrees. The extreme low in cash soybeans is 44 cents / bushel

44 x 8 = 352 or 22 degrees Pisces.

Now all the other prices go above 45 (45 x 8 = 360) and the calculation works as follows:

An example the high of 436 ¾ = 14°

436.75 x 8 = 3494
3494 divide by 360 =9.7056
(-9 = 0.7056)
.7056 x 360 = 254

254 =14° Sagittarius

May soybean started trading at 120 on the 5th October 1936. The low of 67 was made in July 1939.

Low 67 = 26° Virgo or 176.

In 1939, Uranus trine Neptune (Geocentric) at 21° Virgo.
The price of 66 ½ = 22° Virgo, all very close.

The high was made on 22nd April 1977 at 1076.5 = 2° Pisces or 332.

Helicentric Mars hit 2° Pisces on the 25th April 1977.

Thorough knowledge of W.D Gann mathematical methods are needed in order to pursue this line of astrological thought further.

W.D Gann soybean letter, which has been talked about, was a private letter to certain students. Gann never revealed the above information in that letter. This information was used for his private trading only. He gave out information he believed would complement the knowledge level of his individual students. Most of the information he kept to himself, just as we all do.

W. D. Gann said every market movement can be proven by mathematical and astrological calculations.

For workshop details relating to W.D.Gann authentic charting methods, please visit the following website or contact me direct on the email address provided.

www.commhedge.com.au
dburton@commhedge.com.au

	Price		Degree	Symbol
1.	44	=	22°	♓
2.	67	=	26°	♍
3.	68 ½	=	8°	♎
4.	69	=	12°	♎
5.	170	=	11°	♐
6.	131 ½	=	2°	♓
7.	154 ½	=	4°	♍
8.	164	=	20°	♏
9.	182 ½	=	21°	♈
10.	201 ½	=	24°	♍
11.	202	=	26°	♍
12.	203	=	4°	♎
13.	210	=	1°	♐
14.	220 ½	=	24°	♒
15.	224	=	13°	♓
16.	232 ½	=	1°	♉
17.	239 ½	=	256°	♋
18.	239	=	22°	♋
19.	276 ¾	=	24°	♉
20.	265 ¾	=	27°	♒
21.	268 ¼	=	16°	♓
22.	279 ¾	=	19°	♊
23.	281	=	26°	♊
24.	299	=	20°	♏
25.	306 ¾	=	5°	♑
26.	309	=	13°	♒
27.	309 ¾	=	17°	♒
28.	320 ½	=	13°	♉
29.	323 ½	=	8°	♊
30.	334	=	1°	♍
31.	344 ½	=	27°	♏
32.	361	=	7°	♈
33.	422	=	16°	♌
34.	425	=	8°	♍
35.	436 ¾	=	14°	♐
36.	405	=	30°	♓

M.O.F – Mars out
Cal. Of 8 – CE
O of 8 – cycle of Eight

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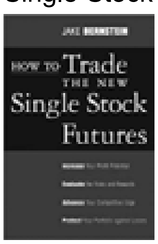

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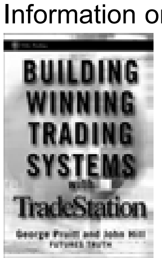
Information on using TradeStation



software to design, build and implement a trading system or strategy has been scarce. Now, trading system expert John Hill shows step-by-step how to: Write TradeStation code to make individual trading systems a reality; Put TradeStation in a real-world context, not manual-style examples; Learn the importance of having a system for consistent success
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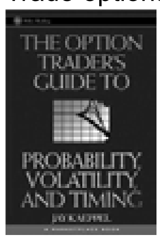

using this expert new guide. Find a variety of strategies to trade options intelligently – and profitably in any situation, and the guidance on when to apply them. Covers: Risk assessment guidelines; Groundbreaking "Risk Curve" analysis; Timely exit methods; Insights into the biggest mistakes option traders typically make, which you can avoid.

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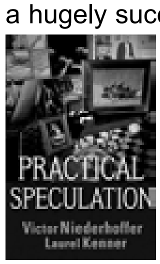

that regularly posted 30% annual returns. Then – he lost it ALL. Big losses due to the market's swift decline forced him to close operations. Now, Niederhoffer returns to the world of trading stocks, futures, and options, with a new approach, new insights, new methods and some very compelling lessons for every trader to learn. With an inside look at risk and survival, this book is a compelling, inspiring look at how even top traders need to dust off their methods and reinvent themselves.

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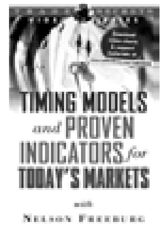

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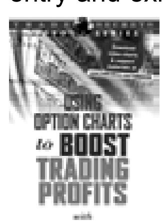

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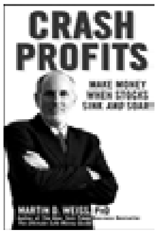

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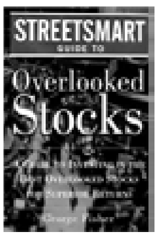

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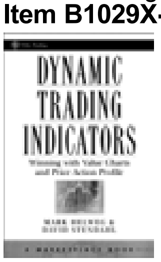

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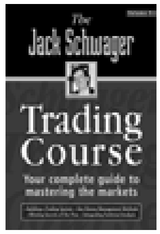

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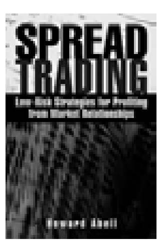

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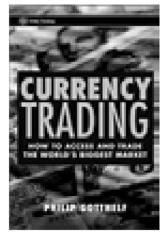

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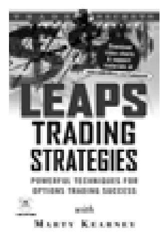

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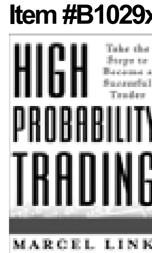

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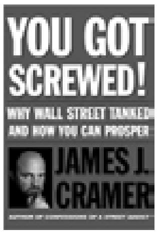

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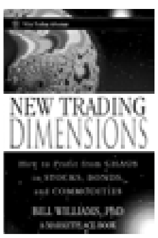

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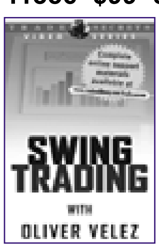

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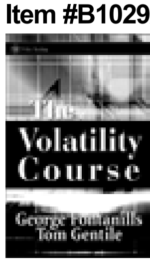

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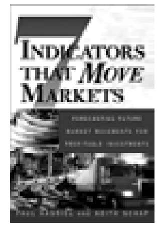

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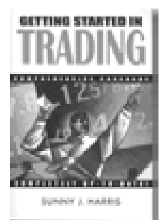

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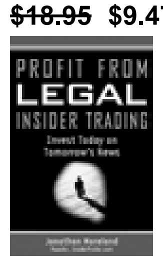

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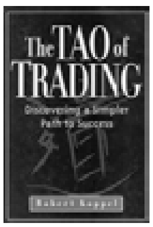

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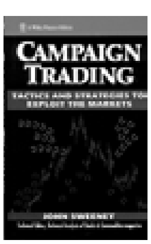

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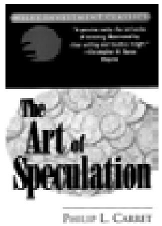

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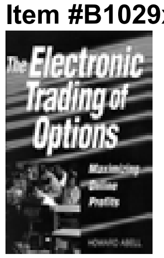

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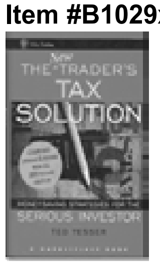

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THE SECRET TO GETTING A KILLER TRADING COMPUTER IS SIMPLY MAKING THE RIGHT SELECTION

By Larry Jacobs

Having the right trading computer can help you get the trading results you are looking for. You need the right tools to trade with just as the successful carpenter needs the right tools to build wood furniture. The carpenter needs a precision table saw, miter box, hammers, screwdrivers, and so forth. For you to be successful at trading, you need a fast computer, large flat screens, a fast connection to the Internet, precision trading software and the strategies and ability to use your tools effectively.

I have been researching computers for several years now, looking for the right trading computer, and I believe that it is here now. The computer companies have finally put their research and resources into making superior parts. The trading computer is now what it should be. The one I am talking about is the Sonata trading computer. It's produced by one of the top specialty computer makers.

The computer has features for traders that others just don't have. It's quiet, beautiful and fast. It's quiet because it was engineered with quiet in mind and features very low noise cooling, vibration-absorbing drive mounts and a special power supply. It has two 120mm fans that run more slowly and quietly than the 80mm loud fans in most computers.

The computer's beautiful black finish fits into your trading room and has the latest P4 motherboard, featuring an AGP 8X slot for fast graphic cards. It follows the new generation VGA interface specification that delivers enhanced graphics performance with high bandwidth speed of up to 2.12GB/s. It has a low-profile, dual-head Nvidia AGP 8X graphics board that delivers all the features and benefits of its predecessor, the Quadr4 200 NVS, with one added, major performance benefit, the power of the 8X. The AGP 8X interface doubles the data throughput between the processor and the graphics card, increasing bus bandwidth for graphically intense applications such as charting software.

It has two memory slots for up to 2 GB of memory. It also supports Hyper Threading Technology up to 3.06GHz and above. This allows you to run several trading programs at once (for example, eSignal, a spreadsheet and order/entry software) without putting stress on the computer. It supports RAID ATA133 Mirroring for a backup to a second drive.

Its fluid 80GB quiet hard disk drives are quieter and longer lasting than traditional ball-bearing drives.

We recommend flat panel monitors as one of the most import aspects of a trading computer. Flat panels are easier on the eyes, run cooler and take less energy. We just reviewed the Samsung 171N monitors displayed above, which incorporates a narrow bezel of just 0.5inches. They have a 17inch size and have a Silver front/Black back. With a removable base and sleek dimensions, the 171N-Silver is perfect for the trader to be lined side- by-side or stacked on top of other 171N monitors for a continuous flow of virtually uninterrupted data. They have a viewable angle of 140º/120º (H/V), Colors of 16.2 million, a max resolution of 1280 x 1024, a pixel pitch of 0.264mm, brightness of 250cd/m and a contrast ratio of 350: 1 and response time of 25 ms. We felt that the 171N has one of the sharpest screens for both text and graphics. They come highly recommended.

For more information on trading computers contact Traders World at 800-288-4266, or go to the website:

W.3 or C Price Targets

By Jaime Johnson, Dynamic Traders Group

My article in the previous issue of Traders World, "Trading the End-of-Wave C", focused on trade entries at the completion of an ABC correction, the most common Elliott wave corrective pattern. Once a successful trade entry is executed using the strategy taught in that article, the next objective is to stay in the trade for the majority of the new trend following the correction. I use both end-of-wave price targets along with an indicator position to help identify the next trend objective and targets to exit the trade.

W.3 or C Price Projections

The completion of an ABC corrective pattern is often the end of a larger degree W.2 or B. In other words, a wave 2 and a wave B usually subdivide in an ABC corrective pattern. Once the wave 2 or B is complete, we project the end of W.3 or C price target. Following are the price projections we teach in Dynamic Trading for the end of wave 3 or C. Those in bold are the most important projections.

W.3 or C = (62%, 100%, 162%, 262%) W.1 or A (Alternate Price Projections)

W.3 or C = (127%, 162%, 262%) W.2 or B (External Retracements)

Minimum W.C Target: 62% Alternate Price Projection of W.A

Typical W.C and Minimum W.3 Target: 100% APP of W.1 or A

Maximum W.C and Typical W.3 Target: 162% APP W.1 or A

Once an ABC corrective pattern is complete, it doesn't matter if it is a W.2 or W.B from a trader's perspective. After the completion of the ABC correction, the next rally (in a bull trend) should reach at least the 62% Alternate Price Projection of the W.1 or A, regardless if the correction is a W.2 or W.B.

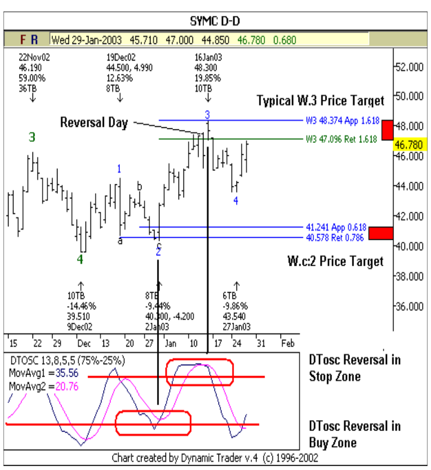

Chart 1

Chart 1 is the daily data for the stock SYMC (Symantec Corp). Jan. 2 was a reversal day in the W.c:2 Price Target of 41.24-40.57 which includes the 78.6% retracement of W.1 and the 62% APP of W.a:2. The end-of-wave-C price targets were taught in my article in the last issue of Traders World. The DT oscillator reversed in the Buy Zone on the Jan. 2 reversal day. The pattern, price, reversal signal and DT oscillator all point to this as a high-probability trade set-up for a long position.

We can immediately project the probable price target for a W.3 high. In this case it is 47.09-48.38 which includes the 162% APP of W.1 and the 162% external retracement of W.2. If a market reaches a W.3 price target, stops on at least part of the long position should be trailed very close to the market or part of the position exited on a reversal signal.

On Jan. 15, SYMC made an outside reversal day in the typical W.3 price target. The DT oscillator crossed over in the Stop Zone also signaling a top should be complete. Half of the long position taken at the Jan. 2 reversal day would either be exited on the Jan. 15 close or a stop trailed one tick below the one-bar-low (1BL) beginning the next day. If half the position was not exited on the Jan. 15 close, it would have been exited two days later when SYMC traded below the 1BL (one-bar-low) at a higher price.

Chart 2 is the daily data for the stock HAL (Halliburton Co.). This is another good example of why it important to always trade two units. The Sep. 25 reversal day low was in the W.c:2 or B price target with the DT oscillator in the Buy Zone. HAL was in the ideal position for a high-probability, low capital exposure long trade entry position.

In this case, the pattern prior to the Sept. 25 low was not clearly defined so we do not make an assumption if the low is a W.2 or a W.B.

We can immediately project the initial price target which is the typical W.C and minimum W.3 target at 17.55-18.53. If HAL reaches this target, we would either exit half the long position on a daily reversal signal from the target zone or begin to trail a stop on half the position one tick below the 1BL.

On Nov. 4, HAL made a reversal day at the initial target zone which includes the 100% APP of W.1 or A and the 162% external retracement of W.2 or B. The DT oscillator was also in the Stop Zone. Half the long position is exited on the reversal day close or a stop is trailed the next day at the 1BL. The 1BL was taken out the next day. The stop on the other half of the long trade is kept relatively far from the market in order to remain in the trade in the event the rally is a W.3 rather than a W.C.

My suggestion for the stop on the second half of the long position is one tick below the prior minor swing low of Oct. 28. A trade below this low signals the W.3 or C high should be complete.

The next price target zone is at 20.95-22.54, the maximum W.C and typical W.3 target zone. If HAL reaches this zone, we would use the same exit strategy on the second half of the long position that we used for the first half at the initial target zone. If HAL trades to 20.95, exit the second unit on a daily reversal signal or begin trailing the stop one tick below the 1BL (one-bar-low) the following day.

On Nov. 29, HAL reached the target zone on a strong up day. The Dtosc was in the Stop Zone. The next trading day was an inside day. Two day's later, HAL took out the 1BL for an exit of the second long unit.

Maximize Profits

One of the most difficult aspects of trading is maintaining a position with a successful trade for the majority of the trend. The strategy described above, using the combination of End-of-Wave price projections, daily reversal signals and the DT oscillator provides the trader a very objective decision making approach for profit targets and exit strategies.

I didn't describe in detail how we also use the Dtosc for completely objective entry and exit strategies in this article. See Robert Miner's Practical Indicator Strategies article in this issue for more on trade entry/exit strategies with an indicator.

Dynamic Traders Group offers a detailed and practical price projection manual for just $39 on our web site. For more information about the End-of-Wave Price Projection manual, go to the DT Reports Online page at our web site at www.DynamicTraders.com.

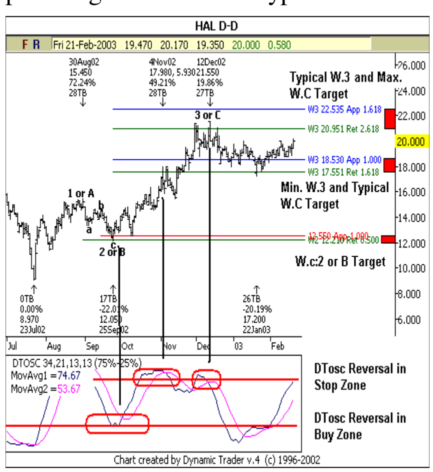

Chart 2

Jaime Johnson is the chief technical analyst and trade strategist for the daily Dynamic Trader Stock and ETF Report. Each issue of the report includes the most probable intermediate and short term trade set-ups and key support/resistance for S&P, Nasdaq stocks and major ETFs. For more info, go towww.DynamicTraders.com

MISTAKES, MISCONCEPTIONS AND LIMITING BELIEFS SHARED BY BEGINNING TRADERS, PART 2

By Ron Schoemmell and Valdi Thorkelsson

In the last issue we addressed some of the misinformation perpetuated throughout the trading industry and dispelled some of the myths associated with trading. In today's article we would like to shift our focus to mistakes and misconceptions associated with the tools of trading and finish up this 2 part series with a look at how a lack of a clear cut trading plan and listening to news/tips/opinions can ruin your trading results.

Over spending on computers and software
Traders in general seem to be hung up on technology. It never ceases to amaze us when we hear from traders who've only got $5,000-$10,000 in their trading account, yet possess all the latest technology, having invested thousands of dollars in multiple flat screen monitors, 2-4 state of the art computers and expensive trading/charting/analytical software. These traders have seen pictures of trading rooms packed with monitors and computers and figure this is necessary to succeed in trading. While all that stuff is nice and impressive, the fact of the matter is that if you can't make money with 1 monitor more monitors won't help!

A more effective use of your capital would be to keep it in your trading account. All that is needed to start trading is an off the shelf, middle of the road system. These days computers are so powerful that any system being offered at computer stores meets or exceeds the minimum requirements for most analytical and charting software packages. If you are on a budget, rather than spending your money on the fastest CPU, most amount of RAM and the biggest hard drive, focus on the graphics card of the system and the monitor. In other words, buy a low- to midlevel computer and spend your money on a quality monitor with high resolution and a high refresh rate, reason being that you are going to be spending a lot of time in front of that monitor and your eyes will tire quickly if the picture is fuzzy and/or flickering.

Using commission rates as the sole criterion when selecting a broker
While commission rates are increasingly becoming the main distinguishing factor between brokers as trading moves off the trading floors and onto the electronic exchanges they should by no means be the sole criterion in selecting a broker.

If one trades on open outcry markets one quickly finds that the quality of the fills received can make a huge difference to the bottom line. In those markets it certainly pays to spend an extra couple of bucks pr. turn for a good floor broker who will get in there and fight for the best price for you. While we have the greatest respect for those working on the trading floors, it is no different in floor trading than any other profession. There are those who are talented, ambitious and motivated to do the best job they can and there are also those content to show up and go through the motions in order to receive a paycheck.

This brings to mind a memory of a student we had at one of our workshops back when the S&P's traded in 5 cent ticks and were worth $500 a point. This gentleman was convinced that all floor traders were crooks, in it solely for the purpose of ripping him off, and was adamant that he would never pay more than $15 pr. R/T, this at a time when $18-20 was the going rate. He was quite proud of the fact that he had managed to negotiate such a great rate and the other students at the workshop were clamoring to get his broker's contact info. Then during the live trading days at the workshop he was blown away by the fills we received as we traded in front of students. When asked about the fills he was getting he indicated that he would routinely receive slippage of 20-30 cents in normal market conditions (is actually fairly routine in today's markets, but was excessive back then). At the same time we were seeing slippage of approx. 5-10 cents on average. Clearly, the floor broker he had selected was doing an inferior job and this was costing our student a significant amount of money. As far as we were concerned he was paying an effective R/T commission of anywhere from $115-$215!!! [i.e $15 + 20 to 40 cents slippage * $500] Needless to say the other students in attendance quickly tore up the broker's phone number upon learning this.

Among the factors important to consider when selecting a broker:

i) For open outcry trading:
a. That trader is calling the arb desk on the floor, as opposed to an upstairs/central trading desk that will be relaying the order to the arb desk.
b. Proximity of the arb desk to the pit
c. Experience of arb desk staff + floor brokers
d. Responsiveness, i.e prompt phone answering, prompt callbacks on fills etc.

ii) For electronic trading:
a. Trading platform should have a direct API to GLOBEX, i.e. the order should be routed electronically to GLOBEX without human intervention/interference.
b. Trading platform should allow for realtime position and equity tracking
c. Trading platform should incorporate real-time quotes, either natively (PhotonTrader, PATS, Crossfire, J-trader etc.) or via 3rd party (BEST Online incorporates quotes from eSignal or BarChart.com if trader is a subscriber to one of those services).

Belief that more information is better leads to information overload - paralysis by analysis
Traders are inundated with confusing information and trading tips. It is everywhere, from the talking heads on CNBC, to the news headlines flashing across the trading screen to the online chatrooms, newsletters, hotlines etc. How does one go about making sense of it all? The short answer is, you don't need to make money from price fluctuations in the market, all that is required is an understanding of crowd psychology.

A number of traders believe they need to gather all the information and understand it because that's what we do in the real world when faced with a decision. Once the information is mastered the secret to successful trading will somehow be magically revealed. Nothing could be further from the truth. No matter how much information you accumulate and sift through you will never have all the pieces to the puzzle - if you are waiting for that you will never make a trade.

What is needed therefore is to develop skills for decision making under uncertainty, i.e. a keen understanding of probabilities and the ability to assess the risk involved and reward associated with different trade outcomes. A losing trade does not mean the decision to enter it was wrong, it may have been, but it may also be a case of what is referred to in statistics as: "Good decision, bad outcome", i.e the odds favored a particular move, but the move failed to materialize as expected.

The best advice for beginning traders is: Forget all the conflicting information being disseminated out there. All that is needed is a price chart. Leave it to someone else to worry about all the news etc., the market's collective assessment of that information is reflected in the price action. The fact of the matter is that everyone has the same set of information to trade off of when it comes to prices and the individual trader will never have the resources to secure better information faster than the large brokerage and proprietary trading houses. All one needs to is to learn to recognize their "footprints" on the charts, as evidenced by chart patterns.

Lack of a clear cut trading plan

Along with under-capitalization this probably ranks as the #1 reason traders fail. Beginning (and some more experienced) traders will frequently be swayed by intraday news and price action. They may have started the day with a clear plan for the day, but when the bell rings and the market starts they lose focus and become mesmerized by the next tick as the price action unfolds, alternately looking to buy or sell every couple of ticks/minutes and getting whipped all over the place.

A trading plan should give one criteria to measure trend against and determine a direction to trade. Once the direction has been decided the picture is significantly clearer as one side of the market has been taken out of consideration and one is free to focus on locating low risk opportunities to enter in the direction of the trend.

Overtrading - trading round the clock

The aforementioned lack of a trading plan coupled with today's lightning fast executions available through electronic trading as well as the extended opening hours for electronic trading get a number of traders in trouble. When they see all the price movement and translate it into dollar terms it is very easy to become impatient waiting for good trading opportunities. One may get caught up in the minute to minute fluctuations to the point where he loses sight of the overall picture and starts buying and selling every couple of minutes (seconds even) to grab a couple of ticks, just because the trading software is so responsive and the fills so fast that he thinks he can get away with it.

We are so used to getting paid for our time in the real world (i.e by the hour) that it is difficult to sit in front of the screen patiently waiting for a trading opportunity (that may or may not present itself for another hour or two). Seeing all this fluctuation the trader is tempted to "hurry up and make some money" and take a couple of quick trades to get paid for his time while waiting for the next trade that qualifies under his trading plan, however illogical that may sound.

Clearly, if the trader knew this type of trading to be profitable, based on his research, he would have incorporated it into his trading plan. The very fact that it is not part of the plan should eliminate such trades from consideration, but it is easy to get bored and impatient and hard to resist forcing things when the next trade is but a mouseclick away.

It may sound cliche, but it is true that the patience to wait for proper setups and the discipline to act on them when they occur is the hallmark of a good trader. When there is nothing to do under your trading plan, that's what you do - nothing. If you need more excitement in your life try bungee-jumping, sky-diving or other similar pursuits to spice it up. Don't look for excitement or to alleviate boredom in the marketplace, it is no place for that and will quickly eat up your capital if you try.

Ron Schoemmell and Valdi Thorkelsson, R.S. of Houston Workshop. www.rsofhouston.com The authors have accumulated 25+ years combined experience in trading and have been running the R.S. of Houston Workshop since 1996. Info about their workshops can be found at www.rsofhouston.com

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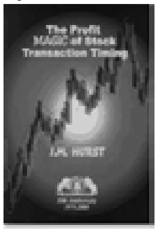

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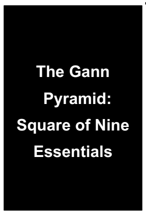

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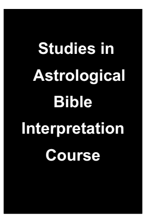

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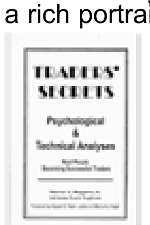

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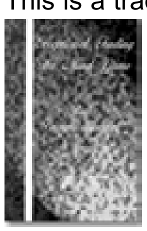

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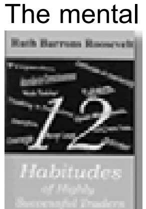

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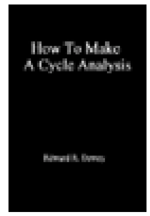

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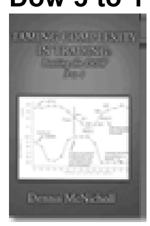

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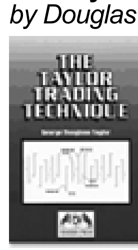

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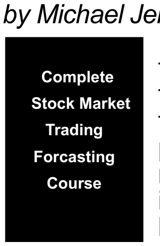

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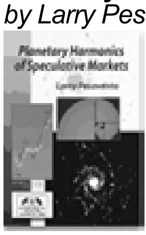

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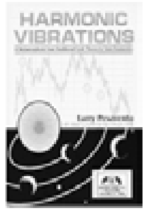

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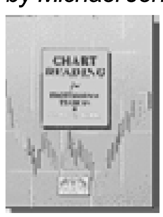

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SPRING PLANTING AND THE GRAIN MARKETS

By Scott Barrie

Risk Premiums

As we enter into spring, the grain markets start to build a "planting-" or "risk -" premium into prices. One of the keys to successfully trading the grains is understanding this process. Because grains are produced annually (once a year, in most cases), supply is replenished only once a year. Grain usage, though it ebbs and flows, is spread out throughout the year. Thus, yearly production must be rationed.

The rationing mechanism is PRICE. Price is a function of not only current supply but perceptions of future supply as well. When current supply is plentiful and/or future supply appears abundant, grain prices tend to decrease as consumers become less anxious to secure supply at today's prices and producers market their crops more aggressively to secure today's pricing before prices erode more. When supply is relatively scarce and/or future supply looks uncertain, consumers tend to be more aggressive in pursuing available supply and producers less ready to part with production, which results in rising prices.

The amount of change in price due to future supply perceptions is known as the RISK PREMIUM. When future supply is perceived to be tight or limited, the futures markets tend to "build a risk premium" into prices, with prices tending to be higher than one would expect based on current supply and usage patterns. As future supply perceptions become more secure, the futures markets tend to "remove the risk premium" from prices, resulting in pricing closer to the lower level that reflects supply and usage patterns. Hence, the futures markets tend to reflect the marketplace's perception of future supply by increasing or decreasing the risk premium factored into prices based upon how secure it feels future supply is.

Because crops are most vulnerable to damage at Planting, futures prices tend to reflect this by increasing in prices to compensate for the uncertainty surrounding future supply. In the spring planted corn and soybean markets, this is

Monthly Performance (1984 to 2002)

	Corn
Jan	1 1/4
Feb	1/2
Mar	48 1/4
Apr	-20 3/4
May	2 3/4
Jun	19 1/4
Jul	-284 1/4
Aug	29
Sep	-64 1/2
Oct	11 3/4
Nov	-19 3/4
Dec	-13 3/4

Past performance is not necessarily indicative of future results. Monthly data compliments of www.geckosoftware.com with front month futures data used on a monthly settlement basis.

extremely evident in the historical monthly performance of the futures markets.

Notice how the strongest period for both Corn and Soybean futures is in the spring months of March through June. In fact, during the planting period Corn futures have gained a total of 49 ½ cents per bushel, while during the rest of the year Corn futures have declined –340 ½ cents per bushel in the remaining 8 months. Soybeans have shown a similar historical bias, gaining a total of 412 ¾ cents per bushel from March through June, and declining a total of –902 ¾ cents per bushel in the remaining 8 months of the year during the period from 1984 to 2002.

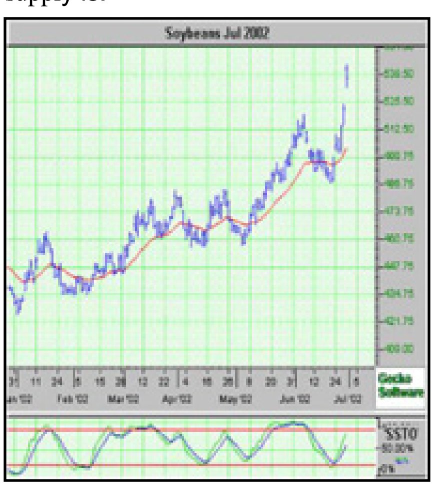
Supply and the Spring Rally

Though at first glance, the key to grain trading may seem as simple as just buying grains in the spring and selling in the summer as the "risk premium" is built into prices, nothing could be further than the truth. For example, in 5 of the previous 6 years, July Corn futures have declined during the planting period of March through June, while July Soybeans have declined in 4 of the last 6 years.

While the spring rally in the grains can be elusive, in years when it does occur it can be quite powerful. For example, last year July '02 Soybean futures rallied 92 cents per bushel from the end of February through June, while July '02 Corn futures posted a 13 ½ gain during the same period. Or the great spring rally in 1988, when both July Corn and Soybean futures posted gains of over $1.00 per bushel.

Most of the major spring rallies occurred when beginning stocks were below the previous years level, indicating tight supplies. Beginning stocks is the amount of grain carried over from one marketing year to the next, or surplus grain not used and in storage. Generally, the lower the beginning stocks (or ending stocks from the previous marketing year), the more likelihood there will be a spring rally.

The first USDA report for the "new crop" grains is released in May, so the only way to know for sure if the beginning stocks will be estimated up or down, is to look at this report for the official estimate. However, an excellent proxy for a tight supply situation going into the planting effort is to look at the current "old crop" ending stocks figure in February and assume that it will remain constant, and end up being the beginning the beginning stocks for the next year. Using this as a filter for a likelihood of a spring rally, increases the performance of



simply buying at the end of February and selling at the end of June.

By simply checking the ending stocks and seeing if ending stocks, and by assumption the new crop's beginning stocks, one can greatly increase the likelihood of predicting a spring rally. In 13 of the last 19 years, the change in direction of world ending stocks levels between marketing years on a global basis predicted the likelihood of a spring rally or not. For example, with global ending stocks increasing in each year from 1997 to 2001, one should not be surprised by the fact in 4 of those 5 years the market did not experience a spring rally in soybeans.

Going into this years planting effort the signs look good for a spring rally. Currently, the USDA is estimating that world soybean ending stocks will be –1.54 million metric tons below the previous years level. With this indication that supplies are tight, it is more important that planting goes well. Thus against this background, one can assume with some historical backing that soybeans will rally this coming spring. U.S. ending stocks of Corn are currently being forecast at 672 million bushels below last years level, and hence one can assume that Corn futures too may experience a spring rally as well.

Ending Stocks Directional Change Vs Spring Rally

	Soybeans		Corn	
Year	Ending Stocks Change	Spring Rally	Ending Stocks Change	Spring Rally
1984	Up	-25 ¾	Up	20 3/4
1985	Up	-21 3/4	Up	-5 1/2
1986	Down	-22	Up	-8
1987	Up	55 1/4	Down	22 1/4
1988	Down	336 3/4	Down	113 1/2
1989	Up	-46	Down	-15
1990	Up	31	Up	37 3/4
1991	Down	-72 1/2	Down	-33 3/4
1992	Up	2 1/2	Up	-31
1993	Down	68	Down	-3
1994	Up	-28 1/4	Up	-47 1/4
1995	Down	3	Down	23 3/4
1996	Down	21 1/2	Up	134 1/4
1997	Up	-21	Up	-46
1998	Up	-23 3/4	Up	-31 1/2
1999	Up	-17 3/4	Down	-4 3/4
2000	Up	-43 1/4	Up	-44 3/4
2001	Up	19 3/4	Down	-41 3/4
2002	Down	91 1/4	Down	11 1/4

Data compliments of 2003 Grain Trader's Almanac as taken from USDA/WASDE reports. World Ending stocks were used for Soybeans and domestic Ending Stocks were used for Corn. Spring rally is defined as June-February monthly settlement prices using the July futures.

Watching and Trading the Spreads Market

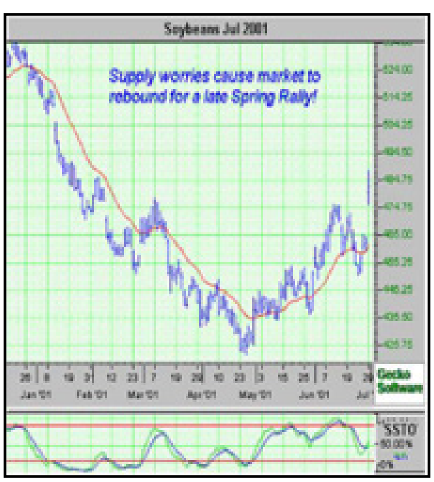
Another avenue for playing the spring rally in the grain markets is through the classic "old crop" versus "new crop" futures spreads. In a spread position, the speculator buys one futures contract and simultaneously sells a different delivery month against it, hoping to benefit from a change in the relative prices of the two contracts.

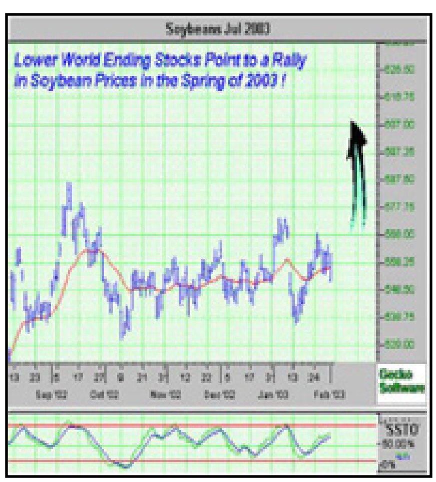
The November Soybean futures represent the crop in the ground, or being planted, and are known as "new crop" soybeans, while the July futures contract represents grain in storage from last year, or "old crop." July Corn futures represent "old crop" while the December futures represent "new crop."

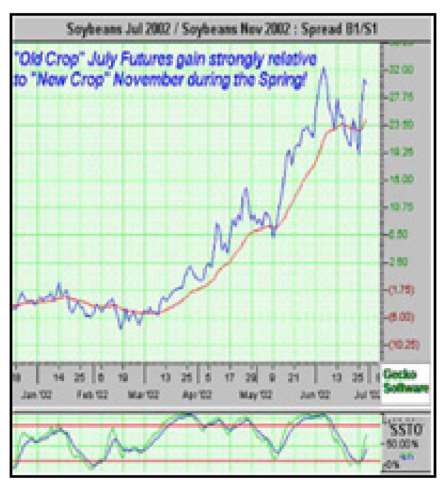
Generally, when grain prices are rallying, the nearby contracts tend to out perform the deferred contracts. For example, during the spring rally last year, July Soybeans gained +35 ½ cents versus November Soybeans from the end of February through the end of June. Because supply is extremely uncertain during planting, as too much or too little rain can hamper production, as well as a host of other problems, there is a strong tendency for "old crop" grains to gain ground relative to "new crop." Thus, in times of uncertainty, the grain market tends to build a premium into secure supply and thus "old crop" futures tend to gain relative to "new crop" futures.

In the last 19 years, July Soybeans have gained relative to November Soybeans from the end of February through the end of May 12 times or 63% of the time. This is makes sense as the concerns regarding future supply mount during planting, and the amount of grain in storage dwindles, the market place begins to place a relative premium on certain supply relative to future supply. In other words, "a bird in the hand is worth more than one in the bush." Similarly, July Corn futures have gained relative to December futures in 13 of the last 19 years from the end of February through the end of May.

The largest gains in the "old crop" versus "new crop" spreads has occurred when "old crop" futures are trading at a







premium to "new crop" futures. Generally, in the grain markets the distant contract months trade at a premium to the nearby contracts to reflect carrying charges (storage and insurance). However, when available supply is deemed tight, or demand is extremely urgent, then the nearby futures command a premium to the deferred contracts.

Though carrying charges are not really an issue between crop years, there is a strong tendency for "old crop" futures to gain ground relative to "new crop" futures during the planting effort when "old crop" futures are trading at a premium to "new crop" in February or March.

Since 1984, July Soybeans have commanded a premium to November futures 11 times at the end of February or March. Following these 11 occurrences, the difference (or spread) between these two contracts widened, with July gaining relative to November 8 times by an average of +21 ½ cents during the ensuing 2 or 3 months. July Corn futures have traded at a premium at the end of February or March to the December contract in 10 of the last 19 years since 1984. Following these 10 occurrences, July Corn futures have gained relative to December Corn futures 7 times, for an average gain of +8 ½ cents during the ensuing 2 or 3 months.

Even if a speculator is not interested in trading spreads, watching the spread market can yield a good idea of the extent of the spring rally. In the 10 years in which the July futures were trading at a premium to the December contract at the end of February or March, July Corn gained over +20 ½ cents per bushel in total than the during the entire period from 1984 to 2002.

The price of grains is simply a reflection of the markets opinion of future supply and demand trends. By placing these trends in context, against the likelihood of risks to future supply, a speculator in the grain markets should be able to make more informed decisions in the fast paced world of futures trading.

By understanding the supply and demand dynamics of the market, as well as understanding the production cycle of the grain markets, an informed trader can wait for specific situations to arise before risking his/her hard earned money in the markets. Thus by combining simple seasonal analysis, with a basic understanding of the fundamentals and solid technical analysis the traders bottom line should benefit from this process.

Scott Barrie is president of Commodity Futures and Equity Analytics. A former floor trader, Mr. Barrie's firm does research for several brokerage firms, commodity pools, grain merchandisers, as well as other financial institutions. Mr. Barrie also publishes several books and newsletters which are available to individual traders, including the popular Grain Trader's Almanac and the monthly Seasonal Strategies Newsletter. For more information on CFEA products visit:
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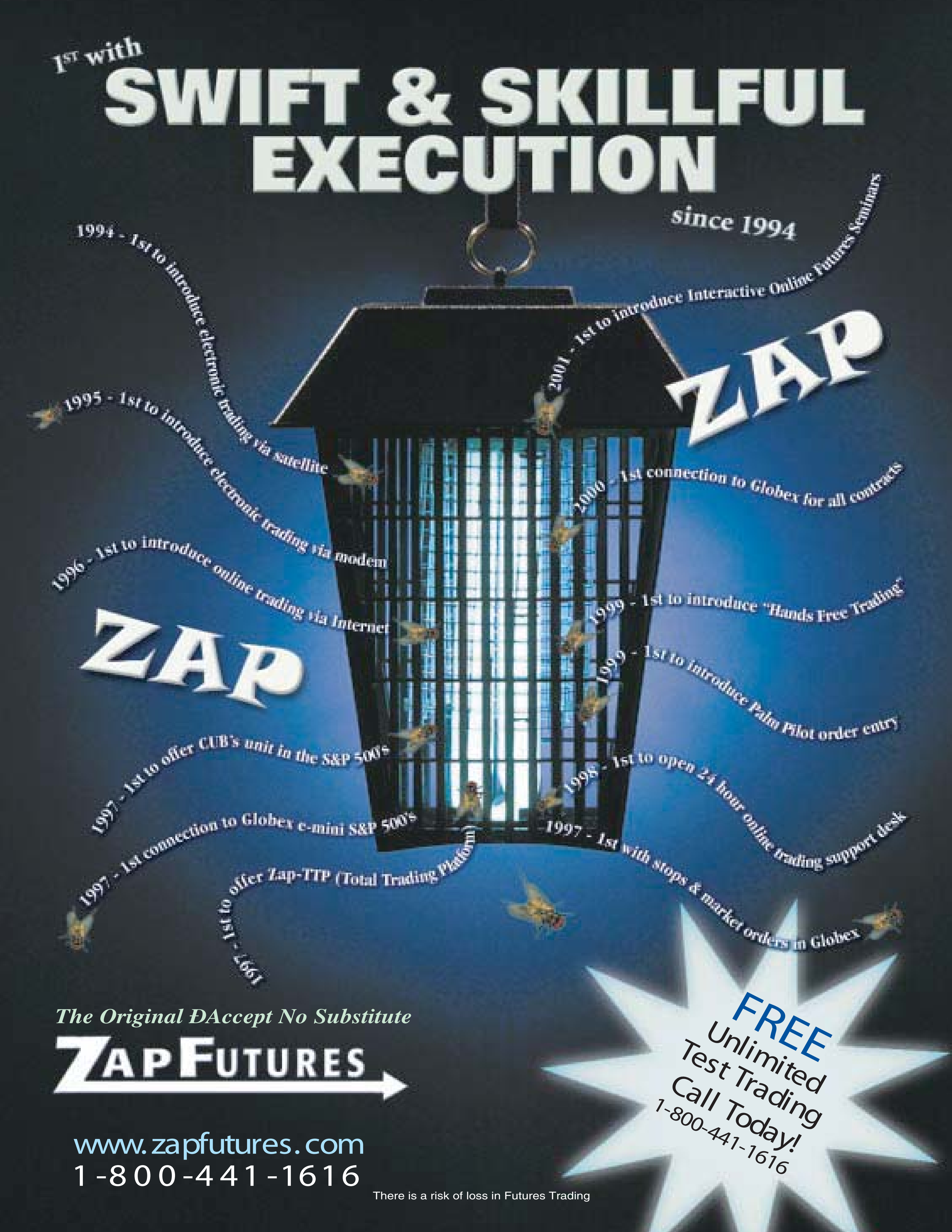
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