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ARTICLES:

- Multiple Time Frame Trading Setups
- Trading The End-of-Wave C
- Trading - The Perfect Business
- The Secrets of Forecasting
- Do You Want to be Right?
- Stumbling Blocks of Trading Part 1
- Excuses
- Mistakes as Stepping Stones for Trading Success
- Super Traders
- Getting Your Statistical Decision Models
- Annual Forecasts
- Day Trading the Moon
- Trading Short Options
- Options as a Stock Substitute:
- Trading Qality Improvement Update
- Swing Trading Chair
- Thinking in Probabilities
- Gann Grids
- Option Spreads: Graveyards & Fattened Bankrolls
- Murrey's Math Predicts Gann's 8/8ths Set to Squares

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From Stock Market Sector Rotation At TimingWallStreet.Com

Did you know the 1st quarter of this year gold stocks were one of the top performing sectors in the stock market while Nasdaq big cap techs were the worst? We at **TimingWallSteet.Com** did. During April of 2000 we warned our subscribers that the bull market was over. That summer we shorted technology stocks until April 2001 and racked up enormous gains while all of the experts and talking heads on CNBC told you to buy the dips.

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.

The world and the economy are constantly changing and in the stock market sector rotation is the name of the game. Money is made not by being a bag holder of falling stocks while insiders cash out, but by going long in the top performing sectors and staying out of the worst sectors. And during market downturns you can profit by short selling.

Despite what Wall Street says, the stock market is not on the verge of beginning a new bull market. After this bear market ends it will enter a trading range that will last for years. During this time high stock valuations will be worked off and the path will be set for a real bull market, but market timing and stock selection will easily defeat a buy and hold strategy while this happens. A market that is stuck in a trading range provides plenty of opportunities for those who know how to take advantage of it.

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.

Mike combines a technical and fundamental approach to investing, going long only in stocks that are in the top performing sectors of the market and using fundamental analysis to spotlight overpriced and scandalous stocks. In 2001 Mike exposed a stock scam operation that manipulated the shares of a company called GenesisIntermedia (GENI). The operation was run by Adan Khashoggi, an infamous international arms dealer wanted by the government of Thailand for bank fraud, a convicted drug smuggler living in California, and a Florida boiler room operation. Several months after Mike's articles the SEC removed the stock from the Nasdaq. It now trades on the pink sheets at a penny a share. Mike had shorted it just under $18, weeks after a guest on CNBC recommended it as a buy. You do not want to miss the next newsletter. Go to **TimingWallStreet.Com** today.

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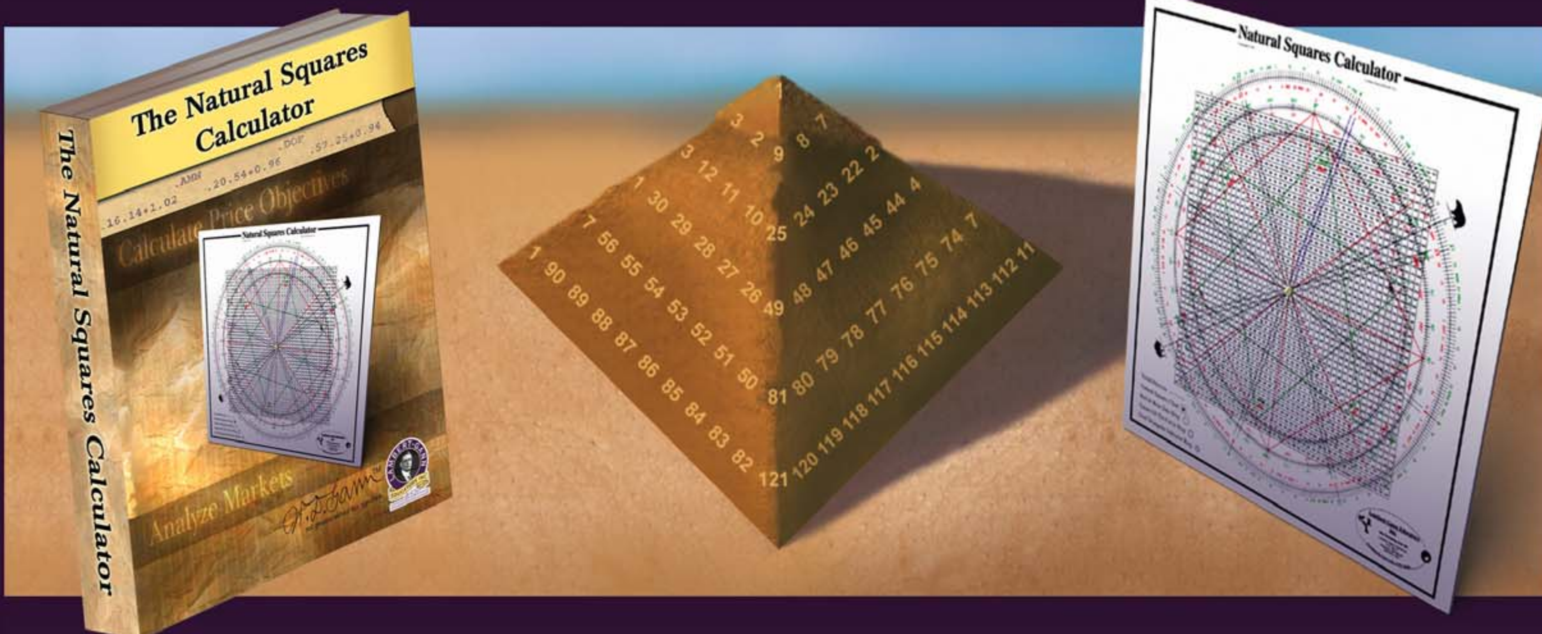

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Multiple Time Frame Trading Set-Ups

By Robert Miner, Dynamic Traders Group

On Oct. 4, 2002, I sent an email to everyone on our email list who has visited our web site warning that the S&P should make the final low of the year the following week, ideally on Oct. 10. The email projected the target zone for the low at 763-718.

On Oct. 10, the S&P made an outside-reversal-day with a low at 768.63. As of the date this article was prepared (Oct. 18), the S&P has been up strongly from the Oct. 10 low.

I will use the projections into the Oct. 10 low as an example of Dynamic Trading time, price, pattern and trading strategies because it is not an after-the-fact example which most authors use. The email described a projected reversal that was made public before it occurred. I want to show you how I used multiple time frames for the high probability projections and how I started from a broad target zone and narrowed it down to a very narrow target zone as the market progressed.

Chart 1 is the SPX daily data from the March 19 high through the date this article is prepared, Oct. 18. For each trend and counter-trend, regardless of degree, the Dynamic Trading approach is to project in advance the most probable price and time targets to complete the trend or counter-trend. These targets are used for two trading strategies.

One is for trend continuation trades. As long as the market has not reached the minimum target zone, the assumption is the trend will continue until the target is reached. Traders would use trend continuation trade set-ups in the direction of the trend until the target zone is reached.

The second strategy is for trend reversal trade set-ups. If a market reaches the projected time and price reversal zones, trend reversal trade set-ups are used.

The projected time and price zones to complete the bear trend from the March high were Oct. 8-14 (centered around Oct. 10) and 763-718. These projections were made weeks in advance. If the S&P declined into these time and price target zones, it would be in a position to complete the bear trend from the March 19 high and begin a corrective rally lasting into late Dec. and reaching 971 or higher.

Chart 2 is also SPX daily data but it focuses in on the data from the Aug. 22 high which is assumed to be a W.4 high. As of Oct. 2, it appeared W.4 was nicely subdividing into five-waves. Time projections were made from the W.4:5 high on Oct. 2. Oct. 10 came up as the most probable target to complete W.5:5. The time target for W.5:5 made from the short term waves (smaller time frame) off the Oct. 2 high and the target for W.5 made off the Aug. 22 high fell on the exact same day! Both time frames or degrees projected the same date to complete this phase of the bear trend.

The price target for W.5:5 was 769-750 which overlapped with the larger degree W.5 target at 763-718.

The time and price target zones for multiple time frames (larger and smaller degree) each overlap with one another. This makes a low around Oct. 10 a very high probability set-up. I sent the email on Friday, Oct. 4 to all of our web visitors to be prepared for a major low around Oct. 10 (probably the low for the year) in the broad range at 769-718. With the Dynamic Trading approach to technical analysis and trade strategies, we are always prepared in advance for minimum trend targets and reversal zones.

From The Larger To The Smaller Time Frame

Let's go down one more time frame. Chart 3 is 15-minute S&P, Dec. contract data from the Oct. 2, W.4:5 high. The ideal price target for W.5:5:5 was the 771-764 price zone. The DT Stock and Futures Reports issues of Oct. 9 projected this zone as the high probability target to complete the multi-month decline from the March 2002 high. We began from the larger time frame, the major swings from the March 2002 high and worked down to the smaller time frame on the 15-minute chart and found that three time frames of price projections all overlapped giving us a 7-point target zone to complete a multi-month trend.

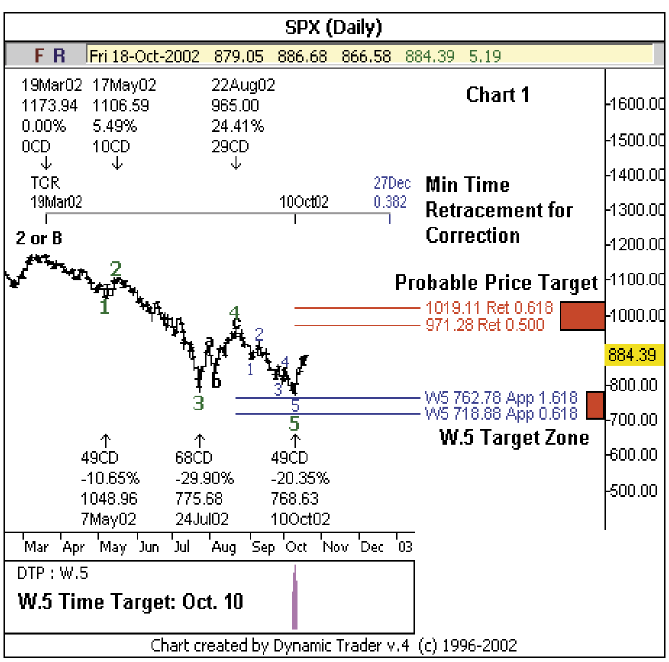
On Oct. 10, the S&P made an outside-reversal day in the exact time and price targets projected well in advance to complete a low.

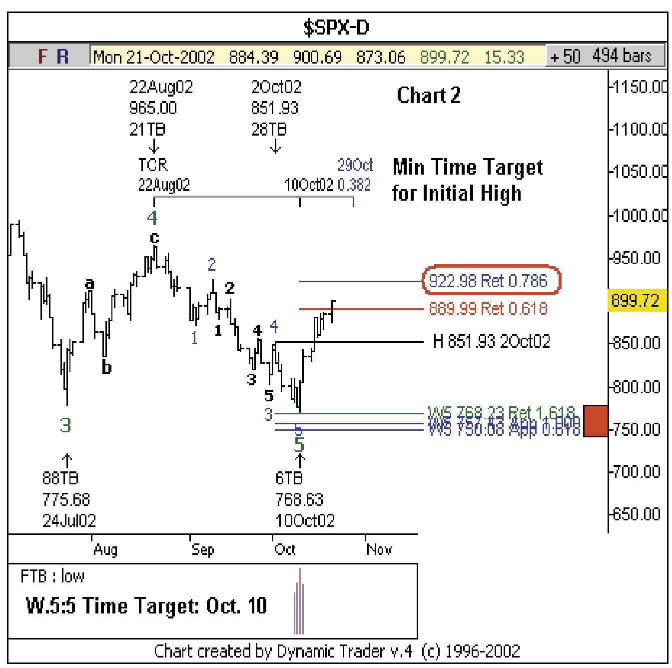
Every market does not made every trend reversal exactly in the ideal time and price target zones. But, many do. The key is to prepared the projections well in advance and monitor the progression of the trend in successively smaller degrees or time frames to see if it is unfolding as anticipated.

The trading strategies we teach at Dynamic Traders Group help us to identify the low-risk, high-probability set-ups that take advantage of the projections. The key to any successful trade strategy is relative small capital exposure with relatively large potential profits.

What's Next For The S&P?

The S&P has not yet confirmed the Oct. 10 low as the W.5





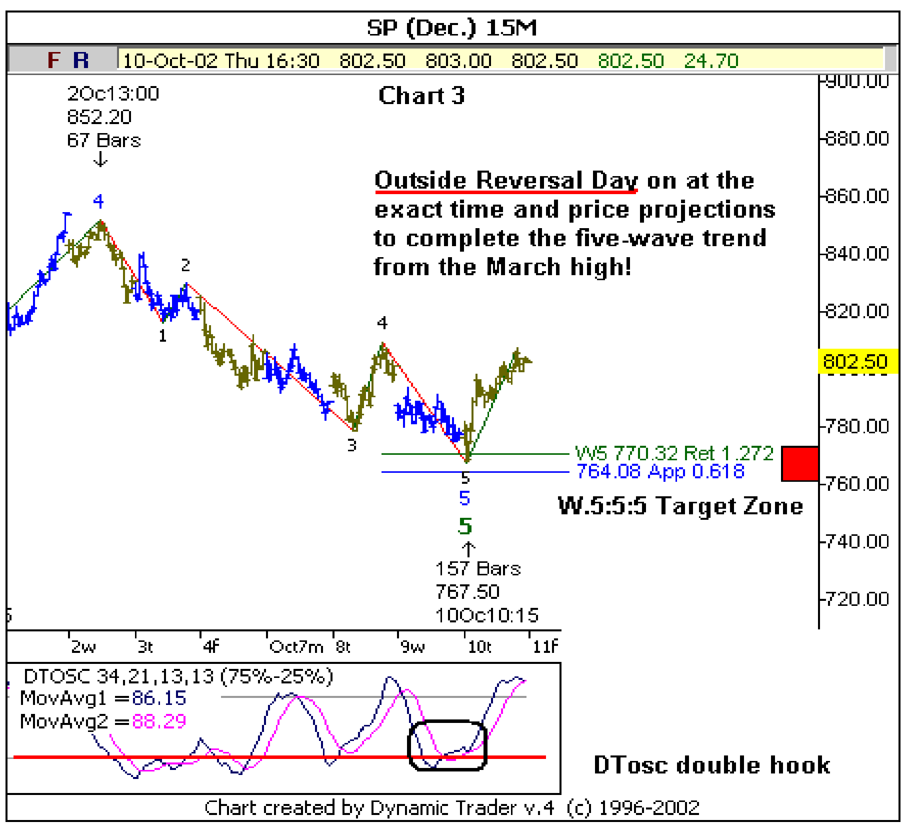
from the March high. If we assume it is the W.5 low, we can project the minimum time and price targets for a corrective high. While not a part of this article, my assumption based on much longer term time and price projections is the bear trend from the March 2000 high will not be complete prior to late 2003 and probably not until 2006. Any low made prior to those long term time projections will only be followed by a corrective rally in the long term bear trend which will eventually make new lows.

If Oct. 10 completed the Oct. 10 low, the minimum time and price projections for a corrective rally are 971 (SPX) and Dec. 27. These are the high-probability minimum price and time retracements for a correction to any five-wave trend, regardless of the market or time frame. If this proves to be the case, as of mid-Oct., we should have several more weeks or months and another 10%-20% advance before the corrective rally is complete and the S&P continues the bear trend to well below the Oct. low. Our long term price targets for the bear trend are 30%-50% below the current values.

How To Make The Time and Price Projections

I haven't provided the details of how the specific time and price projections were made in this article. Not because they are proprietary, but because I wanted to focus on how we look at multiple time frames for the target zones. Some of my prior articles in Traders World magazine have taught many of the specific time and price projection methods. Our web site also includes many free time and price Traders Education Tutorials plus we recently made available to the public our new time, price, pattern and practical indicator trading manuals at DT Reports Online.

Robert Miner is the present of Dynamic Traders Group and author of Dynamic Trading which was named the 1997 Trading Book of the Year. 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 and Trading Course which recently released version four. Dynamic Traders Group publishes the Dynamic Trader Weekly and Intraday Futures Reports and the daily DT Stock Report.



Trading The End-of-Wave C

By Jaime Johnson, Dynamic Traders Group

A trader would always like to sell the high or buy the low of any trend. While the Dynamic Trading approach to trading strategies will often identify the conditions when the exact top or bottom should be made, traders should heed the advice of W.D. Gann:

"*The safest time to enter is on the first reaction against the new trend.*" In other words, look to identify the end of the first correction against the new trend to go short or long.

ABC Corrections

The most common corrective pattern is an Elliott wave ABC, zigzag. I'm going to teach you the typical price target for an ABC correction and a trading strategy to enter at or near the completion of the ABC correction. The ABC targets and trade strategies can be used for any market and any time frame.

The assumption is every trend or counter-trend will be at least three waves – an impulse, a correction and another impulse. The second impulse should exceed the extreme of the first which is why we want to identify the end of the initial correction in order to position for the second impulse trend to a new high or low.

Based on the Elliott wave principle, a sign of the beginning of a new trend of any magnitude is if it begins with an impulsive five wave pattern. In Elliott wave terms, the initial impulse should be a wave one or A. From a trading perspective, it doesn't matter which. The first wave one or A impulse should be followed by a wave two or B correction that ideally retraces between 50 – 61.8% but no more than 78.6% of the initial impulse wave. Following the end of the correction to the initial impulse trend, the wave two or B, another impulse trend will usually take the market to a new extreme high or low beyond the extreme of the initial impulse. The second impulse trend is a wave three or C.

Since we are only concerned with identifying the end of the W.C which is also the end of the entire ABC correction, we will focus on identifying the probable W.C price target zone. A W.C price target zone is where several price projections fall near each other to create a relative narrow target zone. There are three types of price projections we make for a W.C target zone. They are retracements of the prior trend, alternate price projections (APP) of W.A and external retracements (ER) of W.B. Once W.B is complete, all of the projections may be made.

W.C Price Projections
Retracements: 50%, 61.8%, 78.6%
APP W.A: 61.8%, 100%, 162%
ER W.B: 127%, 162%

Chart 1 is the daily data of the GENZ (Genzyme Corp). An impulse trend (W.1 or A) was made from the Dec. 19 high to the Feb. 7 low. The price projections on the chart include all of those described above that fell above the W.a high. Some of them fall so close together, they are difficult to read on the chart. Why is the 51.82-52.88 zone picked out as the typical W.C target? That zone included one projection of each of the three groups. It also included the critical 100% APP where W.C is 100% of the price range of W.A, the most typical target for a W.C.

GENZ made a top precisely in the W.C target zone. The Dtosc hooked down one day after the top for the go-short trigger. From the March 22 high, GENZ declined below the W.1 or A low as anticipated.

Chart 2 is daily data for the stock T (AT&T), one of the S&P 500 stocks. To make the chart easier to read, I have deleted all of the projections except those that are included in the typical W.C target zone at 10.34-10.46. The typical W.C target zone always includes the 100% APP where W.C = W.A. This zone also included the 61.8% retracement.

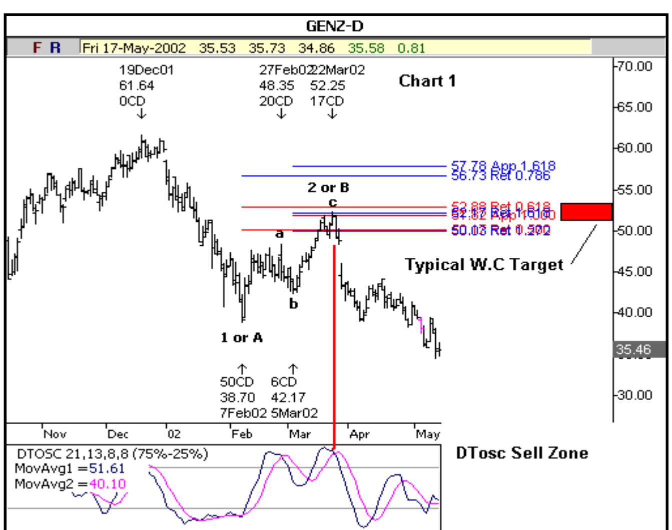
On Oct. 9, the low of the day tagged the target zone. The Dtosc hooked up the next day in the DT Buy Zone for go-long set-up. The most typical entry set-up at a price zone is to trail a buy/sell stop one tick above/below the 1BH (one-bar-high) to enter the trade if the price has reached the target zone and the Dtosc crosses over in the Buy/Sell zone. The initial stop is just one tick below/above the recent low/high for very little capital exposure. If Oct. 9 completed an ABC:W.2 or B low, T should eventually continue to rally to above the Sept. 11 high.

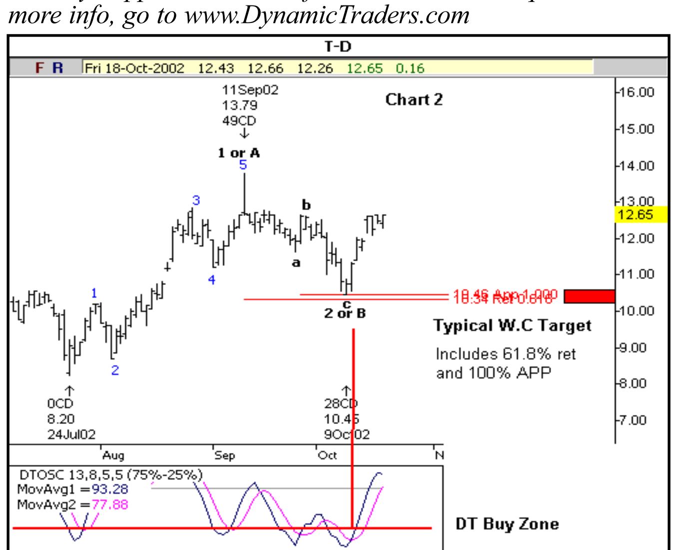
Have Patience

Every correction is not an ABC, zigzag. Every ABC does not reverse at the ideal W.C target. Buy, many do. Since there are so many stocks, futures or indexes to choose from to trade, why not have the patience to wait for the best set-ups before considering a trade?

These guidelines to identify the end of a correction reveal high probability support and resistance zones that identify low-risk, high-probability trade opportunities. Follow Gann's advice to look to enter a trade on the initial reaction to a new trend which is often an ABC correction.

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





Trading – The Perfect Business

By Bennett McDowell

Is trading the perfect business? It can be if you treat trading as a business and learn the skills to become a great trader. We are going to explore "why" trading can be the perfect business and "how" to develop the skills to help make trading the perfect business for you.

Trading offers a potential for profit opportunity each and every day in good and bad markets.

How would you like a career that could potentially give you the money you need to obtain financial freedom? With the technology available today, you can literally set-up a trading office in any location you choose and from just about any part of the world! No more commuting!

With this said, trading is not a get rich quick career! Don't be fooled by the lure of easy money! Trading is a skill that needs to be learned and mastered.

Let's start by listing some reasons "why" trading can be the perfect business:

- Freedom
- Start A Rewarding Career
- Work From Any Location
- Equal Opportunity
- No Office Politics
- Work From Home
- Potential Big $$$
- Flexible Hours
- No Commuting
- No Boss - No Layoffs
- Control Your Destiny

These are by no means all of the reasons why trading may be the perfect business, but they certainly are a good start! Each individual will have their own unique reasons why trading maybe perfect for them. All of our motivating factors are different, and our challenges will vary as well.

So, now we know "why" trading can be the perfect business, but "how" to make trading the perfect business needs to be discussed.

Like any business, we suggest you start by writing a business plan where you outline all the issues you need to address in your plan. This is an important step that most traders fail to appreciate. It will help you get organized and be better prepared.

Once your business plan is complete, then you need to focus on your actual trading. You will need trading skills in order to succeed. If you are not profitable as a trader, then your business will not succeed. So, it all starts with trading profitability. Just like a business built around sales success, your new trading business is built around trading success.

Learning how to trade well is the hard part! The only short cut I can think of, is using a quality trading educational firm. Through quality trading courses and mentoring/coaching programs your learning curve can be shortened. Compare this to the laborious trial and error you could possibly experience while trying to learn to trade. The idea here is to get you up and running as a business in the shortest possible time.

Remember to enjoy the process of learning and developing your trading skills. Don't be looking at this as a get rich quick plan. Instead look at this like you would any important career, it will take time, but the potential rewards if mastered are well worth it!

So now we have covered "why" trading can be "The Perfect Business" and "how" to make trading "The Perfect Business." The rest is up to you! But you do not have to go it alone! Just as athletes and actors rely on coaches and mentors to help them be the best they can be, you too can reach out for help and bring your trading up to the next level!

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The Secrets of Forecasting

By Daniel T. Ferrera

In the October 2002 "20th Anniversary Issue" of Technical Analysis of Stocks & Commodities, there was a small section dedicated to former market gurus called "The Titans of Technical Analysis". In particular, page 34 of this issue had a very short piece on W.D. Gann, which I would like to discuss further. W.D. Gann was famous for his ability to forecast markets. He would map out and draw a curve or projection of the stock market, cotton, grains and a variety of other markets one full year in advance. Gann stated that this forecasting ability was based on his "Master Time Factor" and "a Cycle Theory". Gann's basic belief was that since supreme universal laws operate on Earth even down to the tiniest atom, which is commonly accepted, that all actions of man or of the products of the earth are also guided and directed by these same universal laws. "By the Law of Periodical Repetition, everything which has happened once must happen again and again and again-and not capriciously, but at regular periods, and each thing in its own period, not another's, and each obeying its own law…the same Nature which delights in periodical repetition in the skies is the Nature which orders the affairs of the earth. Let us not underrate the value of that hint."---Mark Twain.

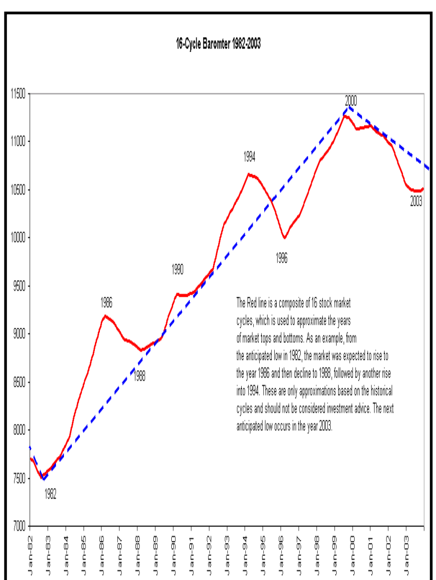
In short, "Like causes will produce like effects".

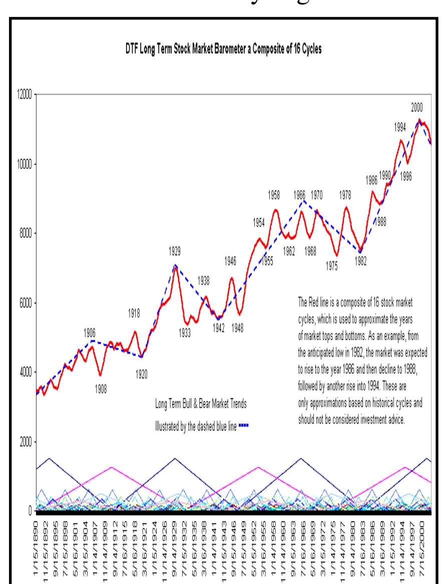
Today, there is a great multitude of techniques used in technical analysis to anticipate and/or forecast possible future movements of the markets. Some techniques such as the "Elliott Wave" are based on a type of pattern recognition. Under this method of analysis, trends basically consist of 5 impulse waves in a main direction followed by 3 corrective waves against the main trend. Price swings are viewed as being part of smaller and larger structures completing a type of growth spiral in a somewhat predictable sequence. Levels of support and resistance are projected using Fibonacci ratios of prior impulse waves. More traditional forms of technical analysis pattern recognition include the classic chart formations such as the "head & shoulders", "double tops & bottoms", "triangles", "cup & handle", "Bull & Bear Flags", "Japanese Candle Sticks" to name a few. Other techniques rely on the measurement of market volume and/or open interest either individually or in combination with market patterns. Then there is the use of technical indicators such as moving averages, relative strength, stochastics, momentum, etc., which are used to form opinions about the current condition of the market and thus anticipate some kind of future direction. Of all the techniques available, it is the use and knowledge of time cycles that allows one to project and/or potentially model the future price behavior! This is possible because price action seems to unfold in repetitive rhythms over time. It is my belief that W.D Gann used his knowledge of time cycles to make many of his incredibly accurate market forecasts in his day. Gann believed that "Time is the most important factor in determining market movements" because everything moves in cycles, as the result of the natural law of action and reaction. "By a study of the past, I have discovered what cycles repeat in the future". Gann was not the only person in his day to use cycles to amass significant wealth. The extremely rich Rothchild family along with individuals like J.P. Morgan also used cycles to manage their investment decisions as well.

In 1875 Samuel Benner wrote a small book called "Benner's Prophecies of Future Ups and Downs in Prices". Benner's Pig Iron price forecast, which came true over a 60-year period, produced a gain to loss ratio of 45 to 1. Benner also created a forecast chart of financial panics that was titled "Periods in Which to Make Money", which was probably made during the Civil War. In this chart, Benner forecasted a high in business activity and thus a high for our financial markets for the year 1972 followed by a panic type low for 1981, a very good call. The actual low came in 1982, but a good call never the less. Benner then called for a business activity top in 1989 as he was anticipating a major recession between 1994-1996, which was another very good call as 1994 certainly experienced a recession. He expected 1996 to be a great buying opportunity with his next panic due in the year 1999. Considering that this forecast was made in the 1800's, and the actual panic started only one year later in 2000, I feel that this was yet another great call. I bet there are plenty of people that wished they sold their stock portfolios in 1999! Benner did not see cycles as symmetrical sine waves. His interpretation was based entirely on number sequences, which I believe influenced W.D. Gann. On page 75 of Tunnel Thru The Air, Gann wrote that his "calculations are based on the cycle theory and on mathematical sequences. History repeats itself". Anyone who reads Benner's Prophecies of Future Ups and Downs in Prices will certainly find many similarities with several of Gann's published works.

In 1944, Edward R. Dewey, President of the Foundation for the Study of Cycles produced a ten-year Stock Market forecast based on a synthesis of 10 different cycles that produced a gain to loss ratio of 185 to 1. The forecast and corresponding chart can be found in his book "Cycles, The Mysterious Forces That Trigger Events". This was a long-term projection based on 10 large cycles ranging from 4.5 to 27-years in length.

In another quote from Tunnel Thru The Air, Gann said "Mathematical science, which is the only real science that the entire civilized world has agreed upon, furnishes unmistakable proof of history repeating itself and shows that the cycle theory, or harmonic analysis, is the only thing that we can rely upon to ascertain the future". The Foundation for the Study of Cycles defines "harmonic analysis" as a method of describing a time series (like price and time). It is accomplished by fitting sine-cosine curves of harmonic (unit fraction) lengths to the data series. When combined, the sine-cosine curves so obtained will reproduce the original data series curve to any degree of accu-





racy desired, depending upon the number of sine-cosine curves used. Based on his approach, W.D. Gann claimed "that it was just as easy to forecast the upcoming year as it was to forecast the next 100-years based on his cycle theory". After many years of research, I can certainly understand his opinion. Along with this article, I'm including a chart I created that attempts to model the markets movements over the last 112-years using only the summation of 16 different cycles and amplitudes. Overall, this chart has been a very good model of the Stock Market and it can easily be projected out for the next 100 years just as Gann claimed. "The Future is just a repetition of the Past". I have recently finished a book on market cycles called "Wheels Within Wheels, The Art of Forecasting Financial Market Cycles", which will include the 100-year stock market projection based on these same 16 cycles. Examples of shorter term forecasting based on cycles of shorter length are also provided in the material. All of my personal Excel worksheets and Stock market data will be included with the material so that you can duplicate the basic process for other markets. I have already received many nice emails telling me that the 100-year projection alone is worth several times the price of the entire book. The Wheels material covers both the long-term forecasting and more intermediate term forecasting of the U.S. Stock Market using purely cyclic models. In addition to the Stock Market cycles, I have also provided some long-term cycle work for the Bond market (Interest Rates) and Gold. Recently, as a favor to a student, I added a cycle spreadsheet and projection for the Australian Dollar as a free bonus. Contact Traders World, The Sacred Science Institute (800) 756-6141 or www.SacredScience.com for availability. For those that would like an alternative to ordering the "Wheels Within Wheels" material, I have a "Special Stock Market Report" that illustrates two dominant long term cycles in the stock market and projects this pattern 100-years as a simple model. This report can be ordered at www.tradersworld.com for $29.95 with a 100% money back guarantee. Serious Cycle students should also obtain a copy of Edward Dewey's course "How to Make a Cycle Analysis" from The Sacred Science Institute. This 630-page course was written in 1955 and has somehow recently resurfaced. I have just obtained a copy and must say that it is simply the best work on cycle analysis that I have ever seen. I certainly wish I had obtained this information several years ago!

The books of Dan Ferrera: The Gann Pyramid: Square of Nine Essentials, Studies in Astrological Interpretation and Wheels Within Wheels can be ordered in the book catalog section of this magazine or at www.tradersworld.com or by phone at 800-288-4266.

Do You Want to be Right? Or – Do You Want to be Rich?

By Ed Downs

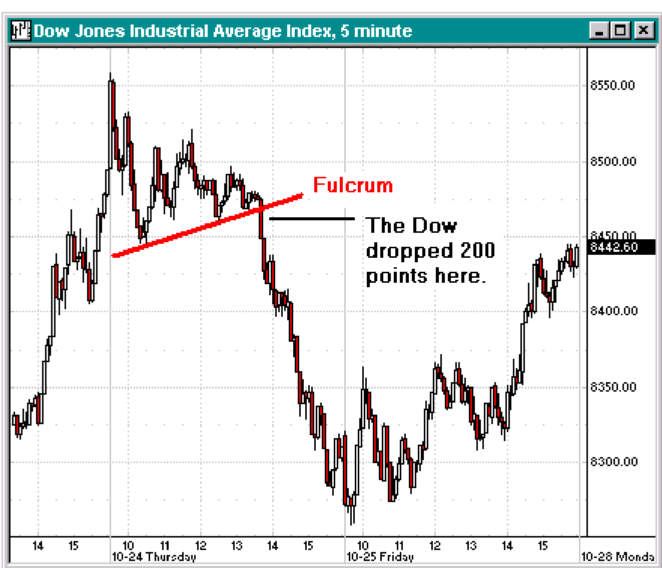
Greetings. I'm Ed Downs, CEO and founder of Nirvana Systems, Inc. I founded my company about fifteen years ago, after diligently applying the art of technical analysis while doing my "other job" as an electrical engineer. In the 25 or so years that I've studied market movements, I have read some great works by Gann, Granville, Elliott, Williams, Raschke and other Market Wizards. I've also written software to focus on "automation", because I have always believed that the trading problem can be automated, and still do (but that's another story!)

When Larry Jacobs contacted me about doing an article to help traders, I realized that there is one particular area where people struggle – really struggle – and where I can probably help folks the most. It has to do with "accuracy". You may have read, somewhere, that futures traders are very happy with a trading system that is right just 45% of the time. I had also heard that, but I didn't believe it. I really wanted a system that was 80% or even 90% accurate. But I am here to tell you that those futures guys are right. And now I have proof.

We publish a daily market newsletter at SignalWatch.com, where my staff and I follow movements of the Dow, S&P, and NASDAQ and post daily trading levels, which I call "Fulcrums." Since we began publishing the newsletter in 1998, I have received many nice letters from customers, saying how they are profiting from our work. But where most customers are rather vague about how well they are doing, a Mr. Pollock was kind enough to send me a spreadsheet showing actual trades he had been making over several months from our levels and rules.

According to the record he sent, he's been making about 50% per month – taking an initial stake of $12,000 up to about $44,000 in a little over three months. Another customer, Bill Graves, said he had paper-traded our Dow commentary page from March through September, showing a $5,000 account would have grown to about $55,000 without using much leverage; trading one Dow contract to start, and switching to two contracts at $25,000 in equity.

In all the years we have published our commentary, we hadn't taken the time to generate a track record (hey, it's a free page). After receiving these letters, we took the time to compile our own record, and the results were interesting. While the gains we found were similar to what these gentlemen were reporting, our accuracy was terrible! In fact, only 40% of our trades have made money so far in 2002. So, how were such real gains possible? It has to do with "money management," and that's where I can shed a ray of light on the subject of successful trading.



Let's start with "Part 1 - Fulcrums." At SignalWatch, we never try to predict market direction. Instead, we post "Up Levels" and "Down Levels" where a market is likely to rally or decline if they are crossed. These are basic support and resistance levels, drawn from highs and lows in the index charts. We mark trend lines, support levels, and retracements in four time frames – 15 Minute, 60 Minute, Daily, and Weekly – to establish "confirmation" across the time periods. For example, a consolidation in the 60 Minute Chart might be confirmed by a resistance level in the Daily, a Trend line in the 15 Minute by a longer term line in the 60 Minute, and so on. The rule is, they have to be "obvious" to the market.

Fulcrums are fairly easy to find. Just ask yourself, "At what level is the market likely to react and accelerate buying or selling?" Look at this chart for the Dow. You can see the very clear "fulcrum line" brewing under the triangle consolidation at 8,470 on October 24. As the market dropped through this line, buyers became sellers, and the market collapsed. This happens over and over again. So, the first thing you do is identify a critical support or resistance level on any chart, and prepare to enter at exactly that level (8,470 in this case).

Now for "Part 2 – the Entry and Exit Rules." There are three trading rules that we NEVER violate. (1) We don't trade in the first 30 minutes after the Open. Markets often gaps one way or the other, only to fade after the initial pressure is released. (2) We always apply the same fixed loss stop of one-third to one percent, depending on volatility (we use 25 points on the Dow, 3 points on the S&P, 10 points on the NASDAQ 100). And (3) If we are stopped out, we enter a second (or third) time using what we call "The Higher High Rule."

This rule says that we can enter Long a second or third time if we cross the recent high that was just formed, prior to being stopped out (for Shorts, use the Lower Low).

Finally, there's "Part 3 – Taking Profits." As a trade becomes profitable (1% to 2%), we move our stop to the entry level to establish "break-even." Once we achieve 3% to 5% in profit, we start looking for a "reverse fulcrum" – a level through which the market will probably retrace, and establish a profit exit there. If the market keeps running, we continue looking for the next "reverse fulcrum" until we are taken out of the trade. This approach led to some MONSTER gains as the Dow has run 200 to 500 points in recent moves.

The age-old adage, "Cut your losses short and let your profits run" is what all great traders teach, and it's the reason why futures traders only need a system that is 45% accurate. On SignalWatch, we may go two, three, or four days with modest losses each day. But then, on the fifth day, the market runs and more than makes up for it. But engaging a system that is less than 50% accurate is difficult. We are taught from an early age that "being wrong is bad" and "being right is good." It 's engrained deep into our subconscious, and is the reason most traders struggle. You simply must subdue the human need to be right, if you want to be successful at trading.

After publishing SignalWatch for four years, I can tell you the Fulcrum Method works. The keys are finding reasonably good Fulcrums and not worrying about your trading accuracy. "Would you rather be right, or would you rather be rich?" Unfortunately, for many people, the answer is the former. Celebrate your many small losses, and the profits will come.

Ed Downs is CEO of Nirvana Systems, Inc. he can be reached at www.nirvanasystems.com or www.signalwatch.com More information about his software OmniTrader is available at www.tradersworld.com/software

Stumbling Blocks of Trading: Our Observations from Years of Teaching - Part 1

By Ron Schoemmell and Valdi Thorkelsson

In years of working with hundreds of traders, from beginner to advanced, we have observed several common misconceptions and limiting beliefs traders share when they are starting out. They will frequently make the same mistakes and deal with obstacles placed in their way in a similar manner. Their ability to overcome these will determine to a large extent the level of success they subsequently achieve in trading. While a number of these are common knowledge and are dealt with extensively in existing trading literature others have received less attention. We would like to share some of our observations with the reader in the following article.

Under-Capitalization and Unrealistic Expectations

Some of the most damaging misconceptions and limiting beliefs are planted in would-be-traders heads to entice them to enter the industry, before they ever execute their first trade. The biggest one, by far, is that trading is easy and that people can make obscene amounts of money within days of starting out on the tiniest amount of trading capital. While it is certainly true that the markets offer unlimited potential and everyone has heard stories of traders borrowing a couple of grand on a credit card to get started who subsequently went on to parlay that into a small fortune, the reality is that trading requires time, preparation and sufficient start-up capital. Starting out with too little capital and unrealistic expectations sets would-be-traders up for failure and is damaging in a number of ways, for example:

a) People who start on a shoestring are forced to take on too much risk, and have a significantly greater risk of ruin than better capitalized traders. Someone starting out with $3,000 in the E-mini S&P's will have to risk $150 to $600 pr. trade, or 5-20% of their equity on each individual trade. As a result they will be 'wiped out' if they have a handful of losing trades in a row. Contrast this with someone trading the same approach on a $10,000 account. Each loss will represent a significantly smaller percentage of equity and they will be able to weather the inevitable drawdowns that occur from time to time. Regardless of the approach employed, one should have sufficient capital to be able to withstand at least 10 losing trades in a row and still continue trading. The smaller the percentage of equity risked pr. trade the smaller the risk of ruin will be. Research has shown that ideally one should not risk more than 1%-4% of equity pr. trade.

b) Unrealistic expectations cause traders to discount the progress they are making and lead them to 'force' things to bring about the desired result. As an example: If you believe you "should" be making $1,000 pr. day pr. contract in the S&P's when daytrading and find that you are 'only' up $300-$500 by Wednesday after trading for 3 days you will be unhappy with your results. Instead of continuing to do what got you to that point in the first place and winding up with perhaps $800-$1,000 for the week you will start pressing, pushing for trades, trying to make things happen, taking questionable trades giving back in the process what you'd made to that point and wind up maybe -$1,000 or more in the hole for the week!

In trading, as in any profession, it takes time to gain sufficient proficiency and one must learn to crawl before they can walk. By being adequately capitalized and budgeting several months to a year at a minimum to learn the basics of this profession beginning traders give themselves the best chance of succeeding.

Confusing Margin Requirements with Capital Requirements

One frequently hears starting traders talk about the minimum margin requirements set by the futures exchanges as sufficient capital needed to trade a particular contract. Beginning traders will also look to the margin requirements as a way to determine which market to trade, saying things such as "my account is so small I can only 'afford' to trade Soybeans and Wheat, because they are the only contracts with a small enough margin requirement". The fact is you can't 'afford' to trade any market unless you have a winning approach! If you don't you might as well hand over your money to the nearest charity and save yourself the aggravation, because you will lose it anyway!

Margin requirements are set to protect the integrity of the marketplace, they are intended to make sure that traders have sufficient capital on hand to meet their obligations should the market move against their position. They are calculated based on a specific formula that takes into account the volatility of the market in question. Generally speaking, as a rule of thumb, they are approximately equivalent to the 3-day true range of that market. Margin requirements should never be used to determine the market, or number of contracts, to trade. Doing so leads one to risk too great a percentage of equity on any given position.

Belief in Mechanical Systems (the best system, the best hardware, the best software, the best data etc.).

It never ceases to amaze us how people believe the process of trading can be automated and all they have to do is find a system that works and then they can kick back on the beach with a pina colada in hand, call their trades in on the cell phone and sit back to collect the checks. To these individuals life becomes a never-ending search for the "holy grail" of trading. They burn the midnight oil looking for the ultimate oscillator that will make them rich, sweating over the cleanest source of data, which type of data is better, continuous or back-adjusted, looking for the best trading execution platform, the best charting software etc. In our observation these people are so wrapped up in the mechanics and intellectual exercise of trading that they never learn how markets actually work, i.e. that markets are driven by fear and greed and emotional crowd behavior and that price behavior cannot be reduced to a mathematical algorithm. These individuals might have been around the markets for a long time and claim several years experience, but in fact they've only got 1 year of experience several times over.

While there are a handful of commercially available mechanical systems that have decent track records and show profitability over time the reality is that those systems are what we call 'psychologically untradable'. What we mean by that is that they frequently have large drawdowns and those drawdowns may last for months. Most people are not prepared to stick with such a system through the drawdown and will usually abandon them near the bottom of the equity curve before the systems 'get back in sync' with the market and move to new equity highs. The thing most people miss when evaluating these systems is that they underestimate how hard it is to stick with a system through a drawdown period. It is easy when looking at a track record, one will 'experience' the drawdown in a matter of minutes, intellectually acknowledging that there is a significant drawdown, but then the system invariably pulls out of it and winds up being profitable for the year. There is a world of difference between accepting a drawdown on an intellectual level and then experiencing that drawdown over a period of several weeks or even months on an emotional level, wondering whether the system has finally had it and is never going to pull out of the 'nosedive'.

Belief that Losses can be Avoided

Refusal to accept the fact that losses are an integral part of the game and a belief that they can be avoided leads to strange behaviors. This belief leads to 'paralysis by analysis' and problems pulling the trigger. Trading is a game of probabilities. At any point in time there is an X % chance that a move will take place as anticipated, this means that conversely there is a (100%-X%) probability that it won't! When implementing a trading strategy one should be cognizant of this fact and plan accordingly, i.e. not risk more than Y% of capital on any trading idea/opportunity, as there is always a certain probability that one is wrong. Regardless of how good your method is, even if it can be demonstrated to have 99% winners, you will still lose all your capital if you risk it all on every single trade. Another fact to keep in mind is that wins and losses are not evenly distributed and nicely packaged in a tidy series (for the previously mentioned 99% winning system that would mean a series of 99 wins, 1 loss, 99 wins, 1 loss). Even a 99% winning system will occasionally have several losses in a row. This brings us back to the differences between accepting/understanding things on an intellectual level vs. an emotional level. While traders may understand intellectually that losses are a part of the game, they still want the particular trade they are in at any given point in time to be a winner and are prepared to add to their position, move their stop as the market moves against them, or cancel it altogether to help secure a positive outcome. This behavior and belief leads to traders being forced to eventually take losses that are significantly bigger than allowed for in their trading plan.

Belief that Every Move can be Predicted / Belief in Missed Opportunities

Starting traders (and a number of experience ones :-) spend a lot of time fretting over missed opportunities. They play the "would'a, could'a, should'a, wish I had'a" game, kicking themselves over missing opportunities they believe they could have taken advantage of. Aside from being demoralizing and damaging to the psyche this practice is an unproductive waste of time. Frequently traders will also introduce as a reason for taking a trade, information that wasn't known at the time the move took place. The fact of the matter is that trading is a game of probabilities and at any given point in time a move may happen out of nowhere that was totally unforeseeable. Some people have estimated that there are 12-20 decent swings in the S&P's in a week and that you are trading like a pro if you catch 3-4 of them. In that respect trading is similar to baseball, the guy batting .300 is doing one heck of a job and gets rewarded accordingly!

Price information from Electronic markets vs. Open outcry markets

Each month we hear from a trader or two who have discovered how to make money arbitraging between the E-mini S&P and the 'big' S&P contract. They've observed that the E-mini always moves ahead of the 'big' contract and developed a strategy for taking advantage of this. What they fail to realize is the difference between the 2 markets. The E-mini S&P trades electronically on GLOBEX, as a result all transactions are reported immediately when orders are matched, whereas the 'big' contract trades in open outcry on the CME trading floor. Since it is an open outcry market pit reporters must record the prices and report them to the exchange which in turn distributes them through the price quotation systems. This human element introduces a lag of anywhere from a 5-25 seconds or so. As a result the E-mini may appear to lead the 'big' contract, when in fact they move virtually identically.

Another misconception we frequently encounter with off-the-floor traders is that they believe the trades they see on open outcry markets such as the 'big' S&P took place in the order they are reported on the datafeed. For the most part that may be true, except when 'fast market' conditions are declared in the pit. In those instances pit reporters will try to make sense of the pandemonium in the pit and enter the prices in an orderly fashion, i.e. 800, 801.50, 802, 803, 802.50, when in fact prices might have been at 3-4 different levels at the same time in different sections of the pit. In this way datafeeds inspire a false sense of security in fast market conditions and may cause off-the-floor traders to enter trades at times they would be better off standing aside.

These are but some of the concerns we address with students at our workshops. Trading is not just about picking good entries or 'timing the market'. You have to have a structure and framework to read/analyze the price action and combine that with a coherent comprehensive trading strategy that allows for the element of chance.

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 Their new Video "The A Window To Our Workshop" Concepts, Philosoph and a Great Pattern by R.S. of Houston Workshops is available in the book catalog of this magazine, at www.tradersworld.com or by phone 800-288-4266.

Excuses

By Adrienne Laris Toghraie, MNLP, MCH

Current market conditions have certainly provided traders with a multitude of good excuses for losing money. But whatever your excuse, there are those traders who are consistently making money in any market. A top trader recently called me and said that for him trading was like going to the bank to withdraw money. "Even in these markets?" I queried. To which he answered, "Especially in these markets."

Processing Excuses

For some people, excuses become a way of life because there is a big payoff. With excuses you get agreement, sympathy and stories to justify your position. For example, here is a typical conversation between traders: "This market is difficult. My system isn't working very well in these market conditions. I just cannot follow my rules when the market is like this," said one trader to another. "I'm finding the same problems in making money in these conditions. I know how you feel because I'm feeling depressed about the markets most of the time, too. My wife and I were counting on continued profits from the market for an early retirement. My 401k is now a 201k headed to a 101k."

Ask yourself these questions.

1. Is my conversation more about why something cannot happen than why it can?
2. Do I underachieve for my level of ability?
3. Would I have more success in my life if I gave up excuses and acted on solutions?
4. Is passion and motivation to act on a plan of action difficult for me to feel?

If your answer to any of these questions was "YES," you need to work on solutions to your excuses if you want to achieve more success in your life.

Some people use excuses that result in a temporary setback. They find that the solution lies in the excuse itself. For example, "I can't do this because I don't have a plan." Let's listen in on an interaction between two traders who handle their excuses by acting on their own solutions:

"I've had to make major adjustments in the way I trade because of the changes in the market conditions. I knew it was necessary for me to back off in trading until I could come up with a plan that would work in these awful markets. I'm in the process of testing my theory," said one trader to another. The response: "That's what it took for you to become successful in the first place. I'm sure that you are headed in the right direction. Would you share some of your ideas with me?"

The traders who are constantly making excuses are contending with traders who strive to plan for every market contingency, so they know how to adjust their trading systems as the markets change. These traders don't have to deal with the excuses because they have already planned for changing market conditions.

Are Excuses Running Your Life?

On a daily basis, we all give ourselves excuses for not doing things. This is a part of how we function as humans. In order to be successful, you must give up your excuses for why something cannot be accomplished and focus on why it can. People who reach their goals and have fulfilling lives know how to balance time, energy, and the right psychology in life. There is always a price to pay for higher levels of success. Are you willing to pay the price?

History Is Filled With Those Who Did Not Let Good Excuses Keep Them From Accomplishing Their Goals

- Demosthenes stuttered. So, he taught himself how to be the finest orator in ancient Greece by speaking with marbles in his mouth.
- Julius Caesar was epileptic, but he still conquered the world.
- Darwin suffered from a sleep disorder, so he used the time to write the

Origin of the Species.

- James Watt, the inventor of the steam engine, was too weak and sickly to go to school as a boy. However, the lack of formal education and illness did not prevent him from succeeding as an inventor.
- Cornelius Vanderbilt built most of his railroads and made his fortune after he was 70.
- Claude Monet painted his great works in his 80's - Titian was in his 90's.
- Ludwig van Beethoven was deaf and still composed his great symphonies.

And In More Recent History, Traders Who Did Not Let Good Excuses Get In Their Way Of Success

- A quadriplegic trader who has to get up three hours before the market opens and does not give excuses as to why he cannot be successful.
- A trader, who has only a high school education, started with no money, has Attention Deficit Disorder and is Dyslexic, now at 35, is a multi-millionaire from trading his own account.
- Losing his entire family in a tragic car accident and then losing a leg in Vietnam did not prevent a trader from having a successful trading career.
- A recovering alcoholic and drug abuser has not only conquered himself but has also conquered trading and has a happy life.
- Starting with no computer, no money, and no family support, a trader became a highly successful money manager.
- And there are those many traders that I have coached over the years. These traders have overcome their sabotage issues and are continuing to reach each next new level of success in their trading and in their lives.

So, what are your excuses for not being a trader or for not being as successful as you could be? I'm sure that they are compelling ones and would convince not only me but countless others. But, for as many excuses as you have, there are solutions.

Never Ending Obstacle Course or Path to Success

Is your life a never-ending obstacle course? Would a conversation with me sound like this, "In order to become a successful trader I have to finish school, get married, buy a home, start a family, save enough money for trading capital, develop a system and work a full-time job while I paper trade to build the confidence to trade with real money."

A conversation with someone in similar circumstances, but on the path to successful trading might sound like this, "While I am in school, I will develop a business plan for trading and save trading capital. In this plan, I will have goals for achieving each step and will seek out people who can help me to attain these goals. As soon as my theory is tested, I will start to trade and will create a timetable for the other areas of my life."

The difference between the first trader and the second trader is where they each direct their intention and focus. The first individual is setting himself up for more excuses along the way and as a result, his other life activities will take priority over his becoming a trader. When you start acting like a trader, you are a trader.

When Do You Need to Give in to Your Excuses?

There are some high achievers who need an excuse to stop over-exerting themselves. Very often a person will subconsciously create a situation that is hard to ignore such as a broken arm, or an illness just so they can have an excuse to take a much-needed rest. In cases like these, listen for the message that the universe, the situation or your body is trying to impart to you. Individuals who are over-achievers that continue to push when they should back off very often create larger problems.

Bob, a colleague of mine who eventually became a client, was a talented football player when he was in college. He probably would have made it to the professional leagues if it had not been for an injury that he ignored. He was advised to push on playing through the season with a sprained wrist. If he had taken care of the wrist when it was originally injured, he would not have had to give up playing football.

Later when Bob became a trader, he pushed himself beyond what was healthy. He came down with a very bad case of the flu. I recommended that he stop trading

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

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until he had recovered, but he pressed on and in the process lost six months of profits. Bob finally stopped trading after losing seventy-five thousand dollars.

What is at the Core of Your Excuses?

Here are some typical excuses that traders give as to why they are not successful. I will give an example of what could be one of the underlying causes and then provide a suggestion for overcoming each issue. It is important to note that there are many interweaving issues that could be at the root cause of each excuse.

• Life excuses: My *life is a series of losses.*

Issue: Behind this excuse is low self-esteem and self-fulfilling prophecies.

Suggestion: Build small successes into big successes.

• Identity excuses: *I'm not smart enough to become a trader.*

Issue: Most people believe that high intelligence and having a college degree are necessary ingredients to becoming a trader. This belief needs to be changed, because it is not useful and is not true for many successful traders.

Suggestion: Read about the education of successful traders and you will find that many of them did not get beyond high school. Some of the best traders I know are referred to as "street smart traders."

• Value excuses: *Trading returns no value to society. How can I feel good about myself as a person with this understanding?*

Issue: Many people associate trading with gambling and do not look at the economic consequences if there were no traders in our capitalistic system.

Suggestion: Ask any professional trader what value his profession returns to society.

• Using others as an excuse: *My wife thinks trading is gambling.*

Issue: You need to educate your wife and yourself that trading is a viable business.

Suggestion: Until you develop a business plan, including a well-tested system and monitor your ability to follow your rules, you are a gambler.

• Environmental excuses: *Until I get the right environment to trade, I cannot trade.*

Issue: People use environmental excuses for being unable to do something because they are afraid that they do not have the necessary skills to accomplish what they say they want to do.

Suggestion: Take 15 minutes a day or one task a day to start creating the right environment. Slowly but surely you will become ready to start trading.

• Seasonal excuses: *Every Fall I lose money.*

Issue: You are probably ignoring a message or lesson. Perhaps, you did not take that much needed vacation and your body is letting you know.

Suggestion: Ask yourself, "Is there anything in my trading or business life that I need to address?" When the answer comes, follow through or give up trading in the Fall.

• Life Interruption excuses: *Whenever my in-laws come to visit, I can kiss my trading goodbye.*

Issue: Your in-laws do not take your business or you seriously.

Suggestion: You have to set rules not only for your trading, but also for the environment of your trading business. It is important to make sure that the people in your life understand and respect these rules. For example, no one is to enter your trading room during trading hours.

• Discipline excuses: *I would make a killing in the markets if I could execute my orders when my system tells me to.*

Issue: You are in conflict with yourself. Part of you says, "Go!" Part of you says "No!" The emotional part will always win.

Suggestion: The fastest and most effective way of letting go of the fear that is the primary cause of conflicts is through counseling.

Handling the "I-don't-want-to's"

In each excuse you give, there is something that you don't want to do. Once you discover all of the "I-don't want-to's," make a list of them. For example:

• I don't want to clean out the garage, room, desk, etc.
• I don't want to call that person.
• I don't want to do the research.
• I don't want to put that plan together.
• I don't want to read that book.

From my own experience, I have found that there are days when I can go down my list and tackle most of the tasks. Then, there are days when I cannot face one small task on my list. Sometimes, my strategy is to do one task a day. Just checking items off of my list is usually reward enough for small single items. However, I need a bigger reward, like a massage, to entice me to complete a full day of doing nothing but the dreaded list.

Develop a strategy for overcoming the "I don't want to's" in the excuses that work for you. Once you handle them, there is nothing left to do but enjoy the fruits of your labor.

Conclusion

The one thing that I have found to be true about excuses is that they are plentiful, but so is mediocrity. What is important for continued success in life is that you recognize what is holding you back. Very often, you will find the answer in your excuses. Decide what you must do to overcome the obstacles, and if the price is worth paying for continued success, then give up your excuses and take action.

The author can be reached at www.tradingontarget.com. Her books: The Winning Edge 4, Trader's Secrets, and Dear Coach are available in our catalog in this magazine at www.tradersworld.com or by phone 800-288-4266.

Mistakes as Stepping Stones for Trading Success

By Ruth Barrons Roosevelt

I don't know about you, and yet I probably do; and if you're anything like me, you've probably made a bunch of trading mistakes. Each time you make a mistake, you say, "I'll never do that again." And yet you do. And you do it again and again.

It's the trader's tendency and the human condition. The Book of Common Prayer expresses the notion in the following way. "That which I would not do, I do, and that which I would do, I do not." These are the sins of commission and omission. These unwarranted acts and non-acts are costly for traders.

"A trader seldom makes only one mistake. If he makes one, he usually makes two. It's the second one that hurts." Adolphe Reinstein

There's an old proverb that states that if you can't make a mistake, you can't make anything. And it's true. Mistakes are inherent to the process of doing anything, and certainly are an essential part of learning to do anything. We learn through trial and error. Did you learn to walk without falling? Did you ride your bike the first time without wobbling? Of course not. Neither can you learn to trade effectively without making mistakes.

The important thing is to learn from your trading mistakes as they occur. You make a mistake, and then you make an adjustment. Maybe you over adjust and you need to readjust.

I think of mistakes as feedback. Any action produces a result. Since trading is a series of perceptions, thoughts, and actions, we get continuous feedback. Our results tell us over time whether what we are doing works or doesn't work. We need to keep an open mind in order to hone our skills.

Some traders are so afraid of making a mistake that they don't trade in a timely fashion. That's one of the worst mistakes traders can make. They don't realize that not taking a high probability signal is a mistake in itself. It's the sin of omission. These traders need to learn that being wrong is not taking all the signals.

Other traders express their fear of making a mistake by not getting out of a trade when it's going against them. Somehow they feel that if they can just get back to even, they won't have made a mistake. Usually the error just gets deeper. Only when the pain of the loss is greater than the pain of making a mistake do these traders get out. These traders need to learn that being right is taking small losses.

A few traders are so ashamed of making mistakes that they can't admit to them. If you don't recognize a mistake or take responsibility for a failed action, you cannot learn from it. This leaves you primed to repeat the same error.

Ultimately what separates winners from losers is the ability to learn from mistakes and the discipline to stop repeating them. It has been said that what separates the amateur from the old pro is that the pro just makes fewer mistakes.

And how do we make fewer mistakes? We recognize and acknowledge mistakes as they occur. We practice going forward without repeating that mistake again. Instead of saying, "I'll never do that again," we might say, "What a wonderful learning experience!"

"Let's avoid making that first mistake. But if we do make it, let's avoid the second one. The first one may teach us. It's the second one that kills us." Roy W. Longstreet, Viewpoints of a Commodity Trader

Unfortunately, it's the human condition to repeat mistakes, especially in trading where the emotions often run so high. The weakness in us that caused us to make the first mistake is still there when the occasion to make the second or third mistake arises. We try but we don't succeed.

"If at first you don't succeed, try, try again." Proverb

We all grew up with the proverb. Try and try until you succeed. And it seemed like wholesome, good advice. But I would submit that trying has a negative component. Let me ask you this. Are you trying to stop over trading your account? Are you trying to stop hesitating before entering a trade? Are you trying to stop fighting your way out of losing trades instead of just getting out? Are you trying to follow your trading rules?

It comes down to this. If you're trying, you're not succeeding. When somebody tells you that they'll try to get to your party, you know they won't come. I remember once a motivational speaker asked a member of the audience to try and pick up a bunch of papers. When the person picked them up, the speaker said, "No. Don't pick them up. Try and pick them up." Finally the audience member placed his hands on the papers and pretended to try unsuccessfully to pick up the papers.

Remember the children's story about the little engine that could? The engine said, "I think I can. I think I can." Finally, the little engine said, "I thought I could. I thought I could." Success came to the little engine that took action. It wasn't a story about the little engine that tried.

What is it about trying that seems to work against us? The first definition of the Oxford American Dictionary for try is to attempt, to make an effort to do something. Perhaps effort or attempt does not contemplate success but rather struggle.

One of my clients reported to me that he used to try very hard not to get stuck in losing trades, not to fight against the market. And yet he invariably would from time to time refuse to take off a losing trade and find himself fighting against his very own indicators struggling not to have a losing trade or a losing day. He'd dig the hole deeper and deeper and end up the "failure" he didn't want to be. Now, he says he's not trying, and he's not doing it.

Through our work something shifted for this client. His intentions changed. His confidence level rose. His beliefs changed. His perceptions altered. His automatic response to a losing trade or losing day was different. He interpreted a losing trade or day as simply that. No big deal. He was still the competent trader who would go on to win.

The little engine that could had confidence in its ability to get to the top of the hill. It intended to succeed. It perceived the uphill journey as an adventure of possibility.

If you're trying to do or not do something in your trading and you're not succeeding, you need to shift something. Ask yourself, "What would I need to believe in order to do or not do this?" "How would I have to interpret this event in order to handle it differently?" "What are my real underlying intentions in regard to this situation?" "How would I have to feel about myself in order to succeed at this?"

If you're trying and not succeeding in some aspect of your trading, don't try, try again. Do something different. Change your interpretations. Modify a belief. Alter your guidelines. Allow yourself to feel differently about the consequences of the behavior you're trying to do or not to do. What if you can become the little trader that can? What if you can become the big trader that could?

"Our greatest glory is not in never falling, but in rising every time we fall." Confucius

Are you really learning from your trading mistakes? If you're not, you know you're paying a very big price for them. We know that one of the costs of not learning is repeating the same mistake over and over again. Another more serious cost, however, is that you can internalize the mistakes, and make them a part of your trading personality. You may even begin to view yourself as a loser.

Not every loss is a mistake, and not every mistake is a loss. We need to distinguish between a loss and a mistake and a profit and a mistake. Losses are a natural occurrence within the trading experience as are profits. We simply accept them and go on. Every trader makes mistakes from time to time, but not every trader recognizes them, and not every trader improves from them.

To the astute trader, a mistake is recognizable. Did you make a simple error, such as buying when you meant to sell, or failing to cancel a stop when you got out of a trade? Here the learning is to focus and pay attention or to put into your procedures a double check or other protective maneuver.

When trading isn't going your way, there's very often a clue as to how to make the trading better. Continually ask yourself, "What can I learn from this?" It's also possible to learn from success: ask yourself, "What am I doing that works so well?"

Since we learn from mistakes by admitting them, we need to have the right attitude. It's easier to admit mistakes when you hold the attitude that mistakes are acceptable and are a natural part of the learning and maturing process. For goodness sake, don't expect yourself to be perfect. Trading is not a game of perfect. Allow yourself the healing process of learning through trial and error.

Look for the remedy in every error. Once you've discovered the lesson within it, keep that lesson, and let go of the mistake. Send it to the junk bin of history. How do you do this? You forgive yourself.

The author's books of Exceptional Trading and 12 habitudes of Successful Trading are available in the catalog of the magazine or at www.tradersworld.com or by phone at 800-288-4266.

Super Traders

By Art Colins

It's August, 2002, and I'm at the Money Show in San Francisco. An array of investment-related items is being presented to throngs of would-be market mavens excitedly jamming the aisles.

I'm standing behind the display table of my publishing company, Traders Press, (www.traderspress.com), having the very surrealistic experience of watching people browse my book. They're unaware of my identity and I don't know them, but suddenly we're linked in a kind of weird psychic dance Will they or won't they? Some do; I introduce myself and sign their copies. Others leisurely move on to the next stack. (And I emphasize "leisurely." You'll never know how slow a browse is until you watch someone peruse your book).

For the duration of the scrutiny, I keep the telepathic flow unbroken..."come on, buy it, buy it, you'll like it, come on....you *need* it!" A little presumptuous, granted. I've never met these people and I know nothing about them, save that they're browsing investor books.

In my mind, that's enough of a Case Closed. They may be well beyond Investing 101, they may be great speculators in their own right, but there's just so much in trading that has to be reiterated and re-stated and thought and rethought some more. There are universal truths and the 35 people who granted interviews for my book pretty much nailed them.

Back to the table dance. Lots of people are picking up the book--investor-types tend to browse everything on hand. But also, if I may venture, the cover is a magnet. It's a comic strip parody of a super villain holding up a glowing green bolder while men and women in trader jackets crumple to the ground around him. It perfectly reflects the content within.

When Supertraders Meet Kryptonite is a book about crumpling to the ground when circumstances get out of control, about firing your last photon torpedo when the invading hoards overwhelm you. Death stars, lasers...name your analogy. The desolation of space. Fear of the unknown. Anyone who has ever experienced significant losses has been there--anyone who has traded long enough has endured significant losses.

While not being the first (nor certainly the last) author to feel this way; I regard When Supertraders Meet Kryptonite as not just informative and entertaining, but also....important. Maybe not to the world at large, (although so many trading realities are analogous to life in general). Maybe not to my circle of non-investing friends who received free copies and maybe read all or part of it out of loyalty.

But if you're a trading enthusiast, you'll almost certainly connect with much of what the enclosed 35 prominent interview subjects are offering. I confess a great admiration for Jack Schwager's Market Wizard books. Kryptonite is similar in spirit. Schwager did a fantastic job presenting the totality of trading. My focus was narrower--a side that is glossed over more often than it should be considering its universality and significance. The loss aspect, sure, but more than that. In an amazingly forthright fashion, these subjects--many already famous and celebrated with plenty to lose over their candor-- recounted the human side of trading. The debacles, with all their psychological implications. The re-tooling, re-routing, endless self-examination. and then the recoveries. Kryptonite is a book about losses--as experienced by winners.

Who are they? People from all strata of the trading world, from every part of the country. Several are locals at the Chicago Board of Trade where I've held a membership for 14 years. Sometimes you think you know people until you write a book. I'd had no idea my friend Jack Kotz had run up two million dollars in the 1988 soybean drought market, only to give it all back in one rain-soaked day. Tim York always seemed a reserved, soft-spoken guy with a southern drawl, and our prior conversations had mainly centered on my latest trading systems. He turned out a to be a motorcycling party animal with equity swings that matched his huge appetites.

I interviewed Pat Arbor, perhaps the most famous and colorful ex-chairman in the Board's history. He pulled no punches discussing his own trials (including being forced to leave the business early in his career), nor did he flinch in his critical appraisals of his successor and the Board's insistence on defending its floor population rather than preparing for the inevitability of online trading.

Through him and others I made several Chicago Mercantile Exchange contacts. Howard Malman and Don Slider, now both heads of commercial trading enterprises, are also floor legends, having once swung hundreds of S&P contracts at a time. Not surprisingly, they had horror stories commensurate with their position size.

I interviewed celebrities I had admired for years. Linda Bradford Raschke and Mark Cook, both profiled in Market Wizard books, were each caught in the City Services threatened takeover bid in 1982. (A third subject, options arbitrager Lawrence G. McMillan, lost money in the same debacle when the transaction failed to occur).

Options guru Tony Saliba was in Europe while an employee lost him an unauthorized 1.25 million dollars. It all came to a head (literally) when the two met back home--Tony with baseball bat in hand, ready to crush the underling's skull. Howard Malman lost an instant bundle being short S&P futures during a surprise fed interest rate cut. He wasn't initially aware of his misfortune; when it hit, he was having a tuxedo fitted for his brother-in-law's wedding. Cycle expert Walter Bressert was such a large presence that he single-handedly took the pork belly market limit up and limit down several times in a day. (Much to his frustration, he was buying the highs and selling the lows).

The insights ranged from the very familiar (don't chase losses, don't play with scared money) to the unexpected, (buy yourself something after a setback. You don't want to reinforce the idea that you're only worth something after gains).

The trader is like a high-strung racehorse, more sensitive to outside stimuli than the average person. In charting his success, you have to consider his domestic situation, (supportive spouse or impending divorce?), his health, (mental and physical), his routines, (taking enough breaks? Getting enough sleep?), his outlook. Some of the subjects were blessed with an ability to continue with "business-as-usual" even while the world was spinning out of control around them. They could then capitalize on the same volatility that had smacked them, and in many cases, they recovered their losses within weeks or even days.

Others sank into profound funks. (Neuro-linguistic expert Adrienne Laris Toghraie referred to it as "the cesspool.") Some were forced to disconnect for a while. They spent their hiatuses re-evaluating themselves and their trading approaches. Renowned advisor Joe DiNapoli's stress response was more physical--a terrifying, debilitating episode resembling a heart attack.

When Supertraders Meet Kryptonite is my second published book. My first was Market Rap: The Odyssey Of A Still-Struggling Commodity Trader, which was more or less autobiographical. Maybe not so coincidentally, both deal largely with the downside of trading; the latter because my own trek was so arduous.

It's kind of bucking the trend in an industry that can't seem to get enough of trader grandeur. That's not surprising; we all dream of becoming Warren Buffet after all.

Still, it's adversity that leads to true growth. If we want to join the exalted ranks, we have be aware of the landmines. The times of effortless cruising will take care of themselves.

There are so many people to whom I would (and do) direct these insights. The novice entering the business--perhaps a little too self-assured that he'd be able to sidestep the usual learning curve. The person flying high, believing for the moment that he is indestructible, which of course, no trader ever is.

I've suggested passages to two of my friends who are leaving the business. (Sadly, not an uncommon occurrence in this industry). For years we alleviated each other's isolation--comparing thoughts via multi-daily phone calls on where these maddening S&P futures were going next. Their final battle throes were painful--as their money dwindled and their options closed in on them, they'd lament this or that. Comfort was hard to offer. You do need money to play the game.

But nobody's trading situation is totally unique, as the 35 participants have illustrated My friends might find permanent new and satisfying careers, and if that's the case, I wish them Godspeed. On the other hand, maybe they'll attempt a comeback as so many in this seductive industry are inclined to do. I want to share the good news with them--if they do return, there are roadmaps, trails blazed by giants who went onto greater heights. There are ways to change your approach, your outlook....yourself. There is inspiration in many quarters.

Quite frankly, I'd like to shout the good news of this book from the mountaintops.

The author's book "When Super Traders Meet Kryptonite" is available in the catlaog of this magazine or at www.tradersworld.com or by phone at 800-288-4266.

Getting Your Trading Statistical Decision Models in Step with The Mainstream of Statistical Model Development

By Dennis McNicholl

Ever since the early 19th century, there has been a continuous advance in the design and application of a set of related statistical decision models in research. No matter what the research field, whether in agriculture, biology, medicine, or many other research fields, the same set of statistical decision models is applied in decision-making. The reason for the common set of decision models in such a large and varied number of fields of research is that these models all have a common base. All of these models are based on the central limit theorem.

This wonderful theorem states, in rough terms, that the many statistical variables in all these research fields obey a common frequency distribution, or probability density function type, which due to its shape, has become known as the bell shaped curve. A proper, or more formal, name for the bell shaped curve is the normal frequency distribution, or the normal probability density function.

Now In designing a new trading system (described in detail in Reference 1), I started out by questioning whether the principle behind the ubiquitous appearance of the normal distribution might also apply to the closing price of common stocks in general, or at least, to some restricted class of common stocks. Well as I show in Reference 1, Chapter 4, for the DJIA stocks at least, the central limit theorem does apply.

Here are two typical example frequency distribution histograms taken from Reference 1 that demonstrate the appearance of the normal distribution for the DJIA common stocks. Many more examples are in Reference 1. As you can see in Figures 4.3 and 4.6 (The figure numbers are taken from Reference 1.), the histograms for the raw DJIA stocks are only approximately normal in shape, but the moving deviation histogram is quite close to normal. (NOTE: Each histogram in this article has a superimposed exact normal distribution curve to act as a gauge of the normality of the associated histogram. (All equations for the moving mean and the moving deviation used for these histograms are in Reference 1, Chapter 3.)

Figure 4.3: This histogram for MMM demonstrates a generally normal shape, but with a high level of positive Skew.

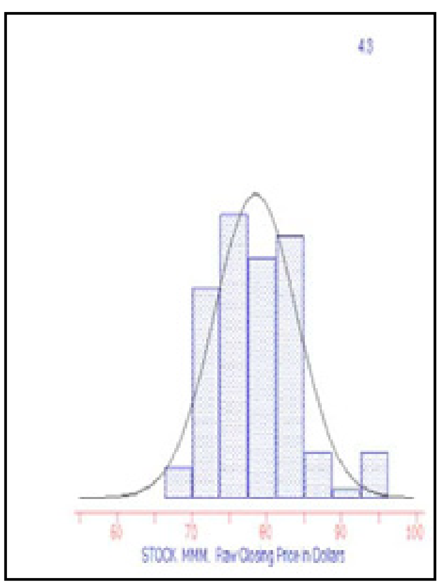
Figure 4.6: The histogram for the moving deviation transformation of MMM, the input raw closing price histogram for MMM is shown in Figure 4.3.

The normal shape of the moving deviation histogram is common for DJIA stocks, and therefore trading model building can be based on the moving deviation.

TRADING MODEL BUILDING

Now that we know the moving deviation of the DJIA stocks is nearly normal in probability density, we can take advantage of two sources for trading models:

• First, we can take advantage of the extensive literature on standard statistical models in statistic textbooks. Many of the books I used in preparing Reference 1 are listed in the Appendix A of Reference 1.



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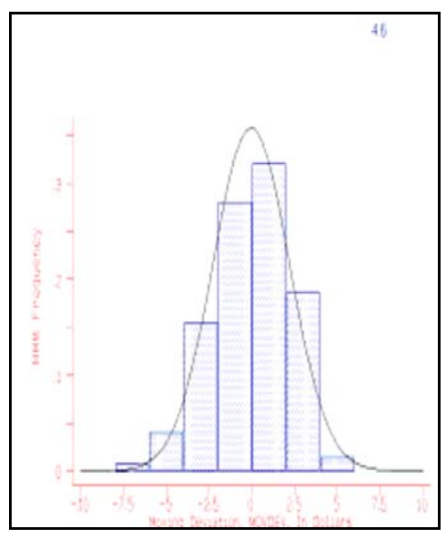


Figure 4.6: The histogram for the moving deviation transformation of MMM, the input raw closing price histogram for MMM is shown in Figure 4.3. The normal shape of the moving deviation histogram is common for DJIA stocks, and the trading model building can be based on moving deviation.

• A second source of model design can be the moments of the normal distribution for the moving deviation of the closing price.

Examples of standard statistical models now used in research and adaptable to trading are as follows:

The Confidence Interval Model
In chapter 6 of Reference 1, investor sentiment and statistical confidence are shown to be analogous concepts. Based on that analogy, a contrarian stock selection model can be designed. The mathematical details are given in Reference 1 Chapter 7, and the resulting stock selection report is described in Chapter 8.

The Hypothesis Test Model
Chapter 9 of Reference 1 shows how to gauge the trustworthiness of a recent profitable run insofar as the prediction of future profitable results are concerned. The hypothesis test model evaluates the risk level of continuing to trade based on the recent parameters for the distribution of trading profits.

Both the confidence interval based model for trade stock selection, and the hypothesis testing model for gauging the likelihood of continuing a profitable run, are useful prime examples of the application of standard statistical models in the trading arena.

Next I'll illustrate a method of deriving new short-term indicators based on the statistical moments of the moving deviation histogram.

The Skewness Short Term Trend detection Indicator

A simple example of the moment approach to indicator development based on standard statistical concepts is provided by the statistical measure of the symmetry of the moving deviation frequency distribution called the skewness indicator (Reference 2).

When a sharp upward trend in the closing price begins, the moving deviation exhibits a corresponding transient positive skew. The positive skew transient, in turn, results in a "positive pulse" in the skewness that can be detected by the methods defined in Reference 2. As shown in Reference 2, a filter based on the skewness pulse is quite successful in detecting short-term trading opportunities.

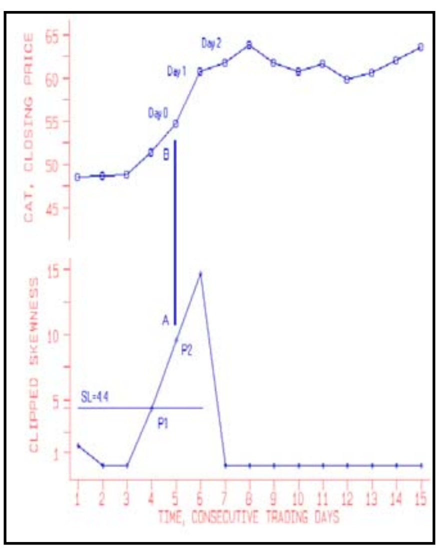
In Figure 3 (from Futures Magazine, October 2002, page 50) the upper trace shows a short-term trend for the DJIA stock CAT, and the lower trace shows the corresponding skewness indicator pulse waveform. The skewness pulse is quite easy to calculate and detect, and is an excellent short-term trend indicator derived from standard textbook level statistics.

Figure 4: A Moving Skewness Pulse for a Trending Stock (CAT) is Selected for Entry in the Trade Candidate Sample.

The maximum point for CAT's moving skewness pulse is located where the closing price initial sharp upward trend pivots into a slower moving trend.

With your permission, I will close this article with one final word on the central limit theorem. Although this theorem was discovered in the early 19th century, it was never proven until the 1930s. It's a fascinating story, and the little book listed as Reference 3 gives the entire story in a readable and entertaining form.

Dennis McNicholl has worked for more than 20 years in the application of statistical models for progressive learning from data for trade-stock selection and trend detection. mcnicholl@mindspring.com His book Taming Complexity: Beating the Dow 3 to 1 is available in the catalog on this magazine or at www.tradersworld.com or by phone at 800-288-4266



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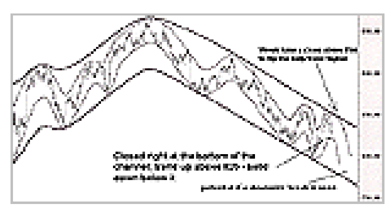


Annual Forecasts

By Myles Wilson Walker

The rational behind doing an annual forecast is to save myself time. It is much easier to refer to a document that has been prepared in advance rather than getting caught up in the emotionalism of the markets.

During 2002 I used my yearly forecast nearly everyday to quickly keep track of the current position of every market.

I already knew that it was to be a bull year in the grains and the Euro currency and I also knew the best trading dates for these markets.

Gann said every top and bottom has

a mathematical relationship and this is why I have been researching Gann time cycles.

Gann lines will only tell you this when they hit but you can't know in advance until you see the price as well.

In October 2001 I prepared my forecast for 2002.

You can see the results of my annual forecast for soybeans which was made well in advance of the turning points you see marked.

People who have not studied the facts will tell you that it is impossible to predict

the markets so the question is, how did I also know then the S+P would have a high on friday January 4th (actual monday 7th) that May 17th, August 5th, September 17th would all be good times to initiate S+P trades.

The answer is because of astronomical time cycles.

This is what Gann was referring to when he wrote Under the instructions for the master timing angles, you will find how far each timing angle had moved from the time Steel was incorporated up to the time it made extreme top.

Under the master timing angles we also show you what happens when timing angles (these refer to the planets order in the solar system) 5, 6, 7, 8, 9 cross the other timing angles (conjunct) or cross the place where they first were when Steel was incorporated (natal astrology) or to the same place where when any extreme high or low price is reached.

You will learn when these master timing angles returns to the same place or to the same angle or degree from which they started.

Therefore you will know the exact measurements of cycles according to moving energy. The instructions on the master timing angles give you the cause of all market movements and they can be worked out as far as the year 2000.The figures which we will use are figures made by the United States Government astronomers and are therefore absolutely accurate. A careful study of all these figures and a comparison of the movements of various stocks will convince you of their value..........

My main writing to date has been educational but I have begun to realise that a lot of people just don't have the time or the commitment to teach them selves the intricacies of timing. Therefore I have listed all the cycles that will occur next year and anyone can simply match the cycle from last year to a particular stock or commodity and trade the future dates.

Originally I was going to number each cycle, then I thought I'd call them by a letter such as cycle a, a1 etc. Another option was to call each cycle after a colour such as the red or green cycle but I thought that's very boring so in the end I gave each cycle a name.

In the chart below you can see another example of my time cycles on the S+P.

I call this one Chapter 24. You can see how it performed in 2002 and it will be still accurate in 2003. These time cycles were working in Ganns day and are still working now but the logic behind them keeps them hidden from the view of mos traders.

From a money making point of view a trader can maximise their gains by trading with the intermediate trend.

Markets always are a case of action - reaction and trading with these flows is far more profitable than taking a very long-term view. I have some very good long-term work on Soybeans but one high probability trade every three years just doesn't do it for me. I like trading with the flow. Its too stressful letting a position go against me as the markets swing, especially when I have already identified that swing through my time cycle work. This is why I like using the forecast dates, they make me very aware of the times when I should be looking to take my profits or trading the other way.

Every market is working to a time cycle, that is the law of nature. Your work then becomes trading them, controlling your thoughts and emotions to maximise their benefit.

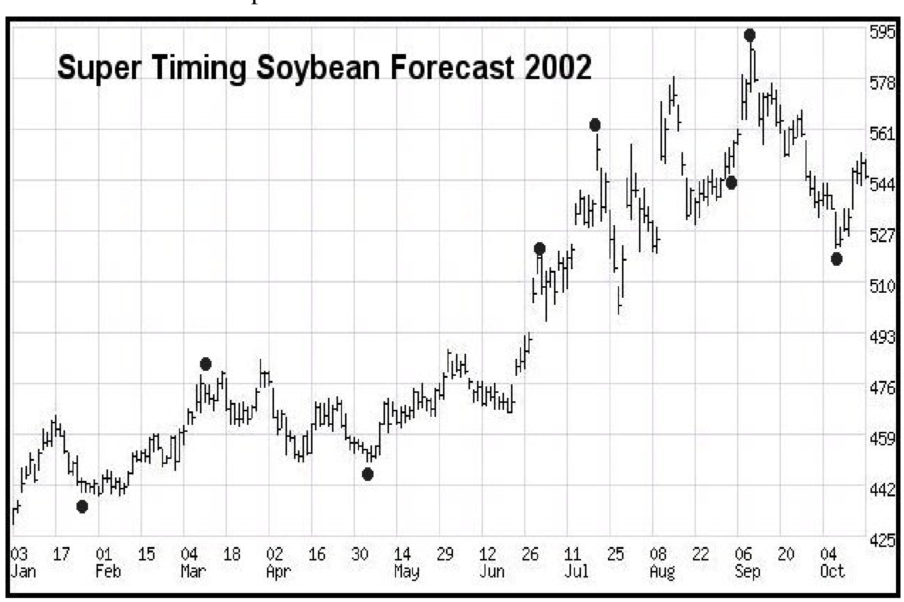
The Annual forecast is also a way of keeping on track and verifying other systems that you may be trading.

This year I have also included different entry and exit methods that would be useful as well as some option strategies, these will help you get into winning trades with the smallest risk.

Super Timing is the only place that you will find the Annual Forecast.

If you have previously bought a copy of and would like more information on this years forecast email me ellsann@ihug.co.nz Soybean Dates marked as per forecast

Mr. Walker is author of SuperTiming and Intro to Astro Tech Trading available in this magazine and at www.tradersworld.com or by phone at 800-288-4266.



Day Trading the Moon

By Ted Phillips, Jr.

I am going to introduce two astrological trading methods I use regularly to day trade based on the aspects of the Moon. These methods alone will dramatically improve your timing and put the probabilities strongly in your favor.

The first technique has to do with the timing of intra day reversals based on the aspects of the Moon during market hours. Reversals during the day can also occur at other times when there are no exact aspects from the Moon, but this is based on a factor faster than the movement of the Moon. It is based on the rotation of the earth itself. This is another subject.

The second technique is simply setting up the correct planetary price lines based on the harmonics or aspects of the Moon during market hours. Reversals will occur very often at these price levels if the planetary price harmonics are set up properly. When both of these two techniques are combined together, we have precise price points at specific times of the day to be prepared for reversals.

The most significant time periods of the trading day when reversals usually occur are when the Moon forms an exact aspect to a planet. Reversals can also occur during the day when there are exact aspects between the planets themselves. The live planetary clock in the Galactic Trader program will inform you in advance exactly when these lunar aspects will be occurring during market hours. See Chart example illustrating the times of the day when the aspects occurred on August 21st.

From my own experience, the reversals do not always occur at the precise moment of the aspect. However, most of the time, a reversal will occur at the time of the aspect or very close to it. This is why it is equally important to have technical confirmation before entering the trade. Once you know the time of the day to watch for a reversal, look for this to coincide with one of your favorite technical chart patterns or for prices to be at one of the correct planetary price lines. Finally, enter the trade using one of your technical indicators. Of course, always immediately place your stop loss order once your trade is placed using this technique to limit your potential loss based upon your predetermined risk exposure. No method works all the time, including this one.

On the same 5 minute chart example is an actual trade I made illustrating the use of both timing techniques. I circled the price bars when the Moon made exact aspects to planets during market hours. In this example, there were three aspects (geometric angles) made from the Moon. I have also included the planetary price lines based on the aspects of the Moon for the day. On the chart are the planetary lines for the planets Venus, Pluto, and the No. Node of the Moon set at the 12th harmonic, (30 degrees). The Nodes of the Moon are the points where the path of the Moon intersects the ecliptic. After adjusting the factor, this displays the planetary lines at 3 pt. increments on the 5 minute chart for the Mini S & P.

For those new to this concept, further explanation is provided. The longitudes of the chosen planets are first converted into price. For example, the geocentric longitude of Venus on August 21st was 14 degrees of Libra. 14 degrees of Libra equals 194 degrees of longitude. Based on the factoring for certain markets and the different time frames to be used, 194 can also be 19.4, 1.94, or 1940. This is a result of simply multiplying or dividing by 10. On a 5 minute chart of the mini S & P, a factor of (-1) decimal point is most practical for day trading. So this would equal 19.4 plus 3 pt. increments at the 12th harmonic. The Galactic Trader program will automatically adjust the planetary price lines based on the different factors you can choose and convert the planetary lines to the current price levels of the market you are trading. Another chart could also be drawn with Venus at 194 plus 30 pt. increments as well. This would be more effective on perhaps a daily, weekly, or monthly price chart for the S & P. A harmonic is simply the circle of 360 divided by a number, such as 360/12 = 30. On this day since there is a sextile, (60 degrees), and a trine, (120 degrees), between these planets and the Moon, I have set up the planetary lines at 30 or the 12th harmonic. 60 and 120 are multiples of 30. 30 is also ½ of 60 and ¼ of 120. This is simple enough. These are the correct harmonics based on the sextile and trine aspects that can be used. After adjusting the factor, the three planetary lines for Venus, Pluto, and the No. Node all come together at these precise planetary price lines at 3 pt. increments.

The first aspect of the Moon was a trine to Venus at 11:57AM, CDT. This was a short term top for about 30 minutes. I did not take this trade or go short because of the up trend and also because the reversal did not occur at the planetary price line. For a significant change in trend, I want price and time to be equal. This is what W. D. Gann always said in other ways. When prices are at the correct levels or planetary lines at the time of the planetary aspect, these two critical factors are equal.

You will also note that there were other significant CIT's during the day at the planetary lines. These were just after the open and around the times of 10:00AM, and 02:00PM, CDT. The timing of these reversals was not based on exact aspects of the Moon. However, since they occurred at the correct planetary price levels based on the aspects of the Moon occurring during market hours, these trades could also have been made once technically confirmed.

The next set of lunar aspects occurs around the same time period. The Moon will sextile Pluto at 12:51PM, then will trine the No. Node at 01:13PM. At the time the Moon was sextile Pluto, it did not bring a reversal. It first appeared to be a double top, but this was not technically confirmed nor did it occur at the planetary line. No trade was made here either.

At 01:13PM, CDT, the Moon was trine the No. Node. The high occurred at the precise planetary line at the precise time. This was almost the exact high of the day as well. Price was also slightly above the dynamic trio, an excellent technical indicator from the Fibonacci Trader program, indicating that price would be hitting resistance around this level. This is based on the next higher time frame which is 60 minutes. When prices broke through the Dynamic trio own indicator, the red stair steps below prices based on the 5 minute time frame, this short trade was also technically confirmed. This was my short trade of the day. It is screaming at you to take profits if you are long or to go short at this time.

Ted Phillips, Jr. is a private trader and president of Astro Advisory Services, Inc. which provides market timing services for traders based on planetary techniques and technical analysis. He also teaches workshops and provides support for users of the Galactic Trader and Galactic Stock Trader programs. He can be reached at (818) 880-0185 or you can visit him on the web at www.astroadvisor.com. You can also download a free 30 day trial of the Galactic Trader program at www.galacticinvestor.com.

Trading Short Options

By Alan Parry

The "people in the know" would have you believe that shorting options is very dangerous because of the unlimited loss that you are exposed to if you should get assigned an exercise. This trade that I am going to describe actually invites an exercise! Watch for these trades; they come up every now and again and can be very lucrative, and work equally well for Calls or Puts.

Look at the graph of the premium for a Call option with a strike of 250c (Fig 1). The premium is a combination of "Time Value" and "Intrinsic Value". Below the strike price the premium is made up of "Time Value" only; there is no "Intrinsic Value". What you will notice on the graph is that the "Time Value" portion of the premium is at a maximum when the futures price is at the strike price. I would like to do a trade to collect this maximum premium if possible, but at the same time limit any possible losses.

The way that I choose these trades is to look for a market that has hit rock bottom and is starting to move up. Alternatively there may be a seasonal reason for prices to be trending up. I sell a Call option as close to the money as possible preferably slightly in the money. I will collect a reasonably large premium, most of which will be time value. In Fig. 1 this would be around $800 plus a bit of Intrinsic value

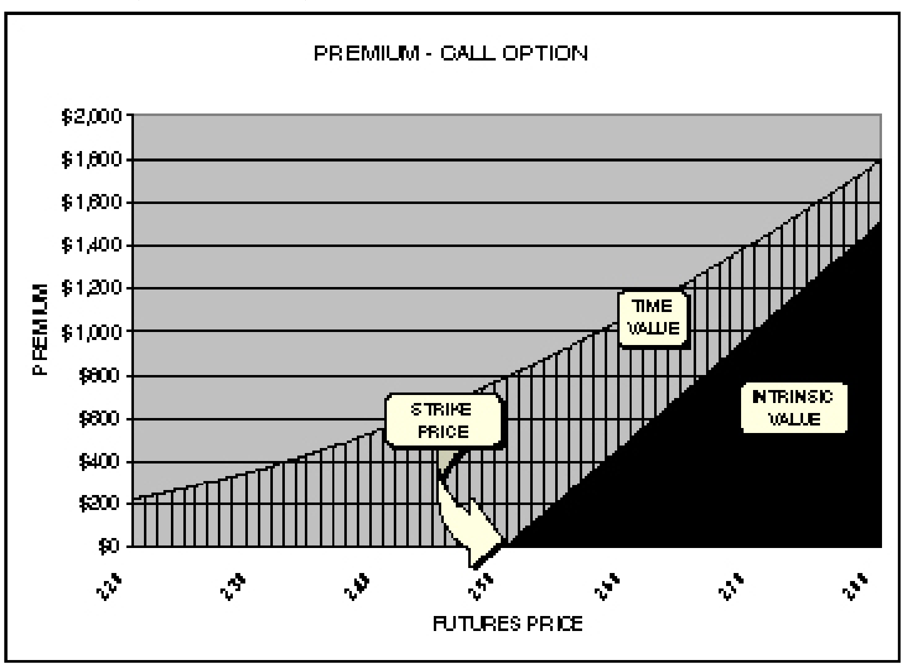
Immediately I get filled on the Call I go long futures to cover the Call. This is referred to as a covered write. With the market moving up, at some time you will probably get assigned an exercise; if not before, then definitely at, expiry. Lets say that you are assigned when the futures price is at 270. The short futures position assigned to you at the strike price (250c) will offset the long futures that you entered previously, and you will take a small loss on the futures position. This loss will be about equal to the intrinsic value that was given to you as part of the premium anyway, so the loss is paid for! The time value part of the premium ($800) is yours to keep. The sooner you are assigned an exercise in this trade the sooner you get out of the trade and keep most of the premium.

The downside to this type of trade is if the futures price should whipsaw around the strike price. You may have to exit your futures trade and get back in again a few times to protect the short Call. The good thing is that you have $800 to play with which should be enough to handle a few whipsaws.

If you watch and wait for these trades they can be very lucrative and of short duration if the market moves your option deep into the money and you get assigned an exercise early.

The above trade is one of my favorites and there are still good premiums to be found if you know where to look. In a previous article in Traders World I described the spreadsheets "Options Choice", that I use to find the best shorting opportunities, and "Position Graph" for managing the trade to completion. You will need the right tools if you are going to do the job properly!

Alan Parry, Ross Trading S.A.
www.rosstrading.co.za



Options as a Stock Substitute: Profit While Lowering Your Dollars at Risk

By Price Headley

With stocks seeming to drop bombshells of bad news on investors these days, many wise investors are learning how to use options strategies to participate in a potential recovery while lowering their dollars at risk should serious bad news pummel a stock. I will offer both a short-term and longer-term options strategy that stock owners should consider, using options as a replacement for the stock. You should consider using options to expand your growth strategy for the following reasons:

1) Leveraged Profits
Percentage gains on option contracts often outpace those of underlying securities by 5-10 times or more. Potential for individual trading gains of 50-200% or more makes strategic option trading a powerful growth engine for your portfolio.

2) Limited Initial Investment
Buying options contracts (each of which "controls" 100 shares of the corresponding stock) typically involves only fraction of the cost of buying the underlying stock or index.

3) Bull and Bear Market Profits
Savvy option traders use strategies to generate profits on both uptrending AND downtrending stocks alike. Call option contracts allow you to profit on expectations of a stock moving higher, while put options allow you to profit on a downtrending issue.

Strategy #1: Short-Term "In-the-Money" Options
Let's use an example where you like hypothetical stock XYZ's outlook over the next month. You think the stock should move up from the current price at 53 to 61 over the next month. If you bought the stock, 100 shares would cost you $5,300 (commissions are excluded in these examples for ease of comparison – you typically have to pay a commission whenever you enter or exit a stock or options trade). In contrast, you could buy 1 option contract that gives you the right to buy the same 100 shares at a price of 50, expiring in 1 month. This would cost you $550 (quoted as 5.50).

The 5.50 total value of the option is composed of two elements:

1) The "intrinsic value", which is the amount the option is worth if it expired today (in this case, your right to buy at 50 is worth 3.00 = current stock price of 53 minus right-to-buy price of 50, also known as the "strike price")

2) The "time premium", which is the remaining cost after subtracting the intrinsic value. In this case, 5.50 – 3.00 = 2.50 points of time premium. The longer the term of option you select before it will expire, the more costly the value of time will be.

The call option we have selected, with the right to buy at 50, is known as an "In-The-Money" option, because it has intrinsic value. I like to purchase in-the-money options as a stock substitute, as this allows you to participate more quickly point-for-point as the stock moves in your favor.

Looking at the payoff versus risk in the option strategy compared to buying the stock, we see the following at the expiration of the option in 1 month:

BENEFIT IF: Stock closes over 55.5 at expiration.

In the Moneys as a Stock Substitute

- **Buy In the Money Options to Get Rid of Time Value = Focus on Instrinsic**
- **Buy 100 XYZ shares @53 = $5300**
- **Buy 1 month 50 call@5.50 = $550**

\- XYZ goes to 61 in 1 month or less:
\- Shares gain $800, or 15.1%
\- ITMs gain $550, or 100%

LEAPS as a Stock Substitute

- **LEAPS are Long Term Options, expiring up to 3 years from now**
- **Buy 100 ABC shares @50 = $5000**
- **Buy 1 Jan. 2003 40 call @15 = $1500**

\- ABC goes to 75:
\- Shares gain $2500, or 50%
\- LEAPS gain $2000, or 133%

BREAKEVEN IF: Stock closes at 55.5 at expiration.

LOSE IF: Stock closes below 55.5 at expiration. This position would be a 100% loss if the stock closes under 50 at expiration.

Notice the leverage potential if the stock moves over 55.5 to your target at 61. You would make 15.1% on your stock, but your option would gain 100%. This would give you leverage of over 6.5 times buying the stock outright. The breakeven is calculated by adding what you pay for the option, in this case 5.50, to the strike price you purchased, in this case 50. The option would lose under 55.5 compared to buying the stock, though realize something else. The option would save you money if the stock plunged under 47.50. Why? Because if you bought 100 shares of the stock at 53, that would cost you $5300. Under 47.50 you lose more than $550, which is the cost you spent to buy the option. Assuming you are sitting on the other $4750 in a money market fund or cash equivalent, you cannot lose more than the $550 (plus commission) that you pay for the option. As a result, options can actually minimize your dollars at risk in a volatile stock that happens to plunge badly. Futures traders can also use this same method to cap their risk on a futures option as a replacement for the future, while maintaining the opportunity to leverage their investment many times over.

Strategy #2: Longer-Term "LEAPS" Options

Let's look at another stock ABC with a longer-term perspective. You think ABC stock should go from the current price at 50 to 75 or higher by the middle of January 2003. This gives you 16 months to be proven right in this example. If you bought the stock, 100 shares would cost you $5,000. In contrast, you could buy 1 longer-term option contract that gives you the right to buy the same 100 shares at a price of 40, expiring January 2003, at a price of 15.00 ($1500 per contract). Options expiring more than 1 year from the current date are known as LEAPS options (which stands for "Long-Term Equity AnticiPation Securities"). These longer-term options can have expiration dates of up to 3 years before they expire, which allows you to not worry about short-term fluctuations if you have a longer-term view.

In this case, the 15.00 options cost is divided into an intrinsic value of 10.00 (your right to buy at 40 could be converted (or "exercised") to then sell at the current price of 50 and pocket the 10 point difference) and the "time premium" is 5.00 (15.00 total – 10.00 intrinsic).

Looking at the payoff versus risk in the LEAPS option strategy compared to buying the stock, we see the following at the expiration of the option in January 2003:

BENEFIT IF: Stock closes over 55.00 at expiration.

BREAKEVEN IF: Stock closes at 55.00 at expiration.

LOSE IF: Stock closes below 55.00 at expiration. This position would be a 100% loss if the stock closes under 40 at expiration.

The leverage potential if the stock makes your target at 75 by January 2003 is over 2.5 times that of owning the stock, as you would make 50% on your stock, but your option would gain 133%. The breakeven is calculated by adding what you pay for the option, in this case 15.00, to the strike price you purchased, in this case 40. The option would lose under 55.00 compared to buying the stock, and under 40 your option would expire worthless in January 2003. Under 35, the LEAPS option would cost you less dollars than buying the stock outright.

So you can see how options strategies that help you participate in a stock's upside for much lower total dollars at risk can help you enjoy leveraged gains if the stock rallies significantly, while also managing your risk. Some investors may want to put the rest in cash to be safe, while more aggressive investors may want to diversify some extra capital across other situations. In such cases, options can give you more flexibility to create additional opportunities for your capital to grow. And if your stock proves to be relatively volatile either up or down, options will often prove to be a much more effective way to profit from the upside in a stock, while reducing the amount you could lose if the stock happens to fall sharply.

Price Headley is founder of BigTrends.com, which provides specific real-time stock and options strategies and investment education to profit from significant market trends. Price has appeared on CNBC, is quoted frequently in Barron's, The Wall St. Journal and other financial press, and is the author of: Big Trends In Trading: Strategies to Master Major Market Moves, Profiting From Big Trends: Using Options to Catch Big Market Moves, High Impact Options Trading: Option Profits through Superior Stock Selection (PAL Video), High Impact Options Trading (audio), High Impact Options Trading: Option Profits through Superior Stock Selection, Profiting From Big Trends: Using Options to Catch Big Market Moves. These are available at www.invest-store.com/tradersworld.com or by phone at 800-272-2855 ext. B753.

Track 'n Trade

Version 3.0

Track 'n' Trade Pro is not just another charting program. Though it has a plethora of different technical indicators and charting styles, the emphasis of this program is on market analysis not system development.

Many new traders fall into the trap of searching for the "holy grail" behind success in the futures markets. They line up dozen of different indicators and optimize each of these to deliver the best results historically, developing a system to beat the market. With this in mind, many software companies have developed sophisticated software to meet this need, but Track 'n' Trade is not one of them.

Lan H. Turner, President and founder of Gecko Software, the developers of Track 'n Trade Pro, developed the software as a "tool to apply technical analysis to the art of trading futures". While many other programs provide a wider array of indicators and fancier tools for optimizing and reporting hypothetical results, Track 'n Trade Pro's emphasis is on applying the basic tenets of technical analysis to your trading.

Market Analysis with Track 'n Trade Pro

The first thing I was struck with when using Gecko Software's program is its ease of use. The environment in which the charts are presented is similar to a draftsman's desktop. A pair of sliders at the bottom of the chart allows the operator to adjust the image both horizontally and vertically (ticks per inch), making Track 'n Trade Pro charts the most scalable charts that I have ever seen. Simply moving the mouse cursor over the bottom and right sides, respectively, of the chart window can make these adjustments. Another easy way of moving and resizing price action in the chart is with the "Grab" button located in the array of buttons above the chart window. This Grab tool is a hand that, when placed over the chart window, allows the operator to click and drag the chart.

The vision of applying technical analysis is readily seen in the software packages wide range of different drawing tools. Some of the drawing tools are relatively commonplace: the crosshair, line and multi-line tools, for example, as well as more esoteric tools used to draw Fibonacci retracements, arcs, and time zones.

The Gecko Software team has thrown in a few unique twists to their drawing tools. Templates or "guides" are set up to help traders spot the basic patterns such as triangles, channels, head & shoulders patterns as well as flags, pennants, and to draw basic trend lines. These pattern templates, like the charts themselves, are fully scalable, and lay over the chart drawing attention to the pattern forming.

For example, the head and shoulders template allows the trader to plot both the minor and major peaks (left and right shoulders as well as the head of the pattern), as well as the support area (neckline) with a modified line tool. Other interesting tools included a flag drawing tool, a channel drawing tool, an Elliot wave drawing tool as wells as trend fans, and Andrews pitchfork tool.

Applying Technical Analysis

One of my favorite irreplaceable tools that Track 'n Trade Pro provides, which makes life easier and allows for more time doing market analysis, is the Dollar Calculator. The Dollar Calculator simply plots the dollar value of any given range of futures prices. For newcomers to futures trading — or for those intermediate or veteran traders who trade a number of futures markets — the dollar calculator is a godsend. One of the trickier aspects of trading futures is not so much margin and leverage, but being able to quickly calculate divergent tick values. Track 'n Trade's dollar calculator lets a trader know immediately what the dollar cost is of a given range, whether that range represents wheat prices (where wheat is priced in ¼ cents, and each cent is worth $50.00), or 30-year Treasury bonds (which are priced in 1/32nd, and each 32nd is worth $31.25).

Turner and the Gecko Software team really show their savvy on the trading side of things with another very unique tool, the risk reward tool. This is a scalable ruler, which plots the dollar and point values of potential risk and reward. By moving the cursor to and then clicking on the entry price, the TNT operator can plot a range in dollars that can extend to price objectives, previous support or resistance, or other areas where stop-losses might be placed – similar in nature to the dollar calculator, but with a risk vs. reward twist. The risk/reward calculator makes trade and market analysis exceptionally straightforward, cutting down on the length of time the trader spends doing math, as this tool converts points to dollars, giving the trader more time to study different markets.

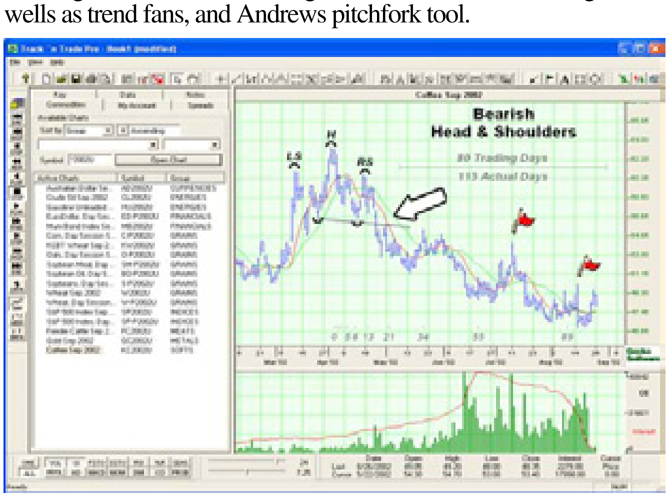
The basic purpose of these tools, like the pattern "guides" is to free up the traders' time. Instead of spending hours drawing patterns and doing calculations about probable risk and reward scenario's, the Track 'n' Trade Pro user can use these tools, and thus spend more time concentrating on the markets.

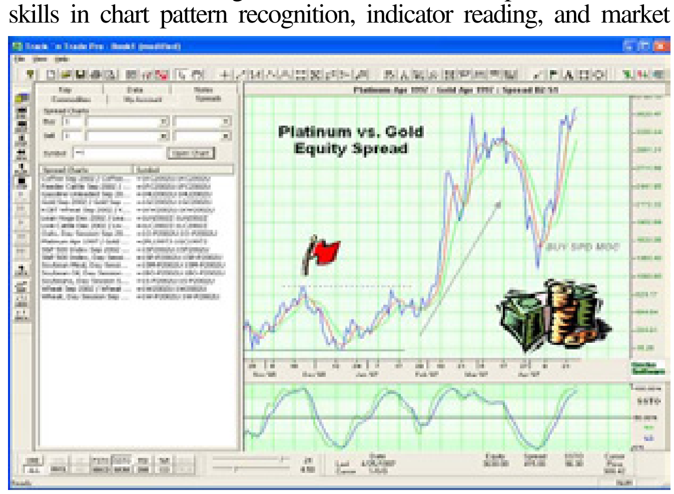
Educational Software

Track 'n Trade Pro features some of the very best educational material on the futures market. Presented in "seminar style", Lan Turner, Gecko Software's founder and President, leads the trader through the basics of futures trading, order placement, and basic technical analysis. Hours of education are instilled in this program, which would behoove anyone to top. Turner presents very useful insights into trading coupled with the basic functionality of the software. Unlike many in the profession, Turner shows both the ups and downs of trading, presenting a very balanced view of the potential risks as well as rewards of trading futures and options.

Part of the functionality and market analysis theme is presented in Track 'n' Trade Pro's ability to present futures contracts as they occur - as opposed to the whole chart at one time, like most software programs. Track 'n Trade Pro has basic DVD/VCR controls on every chart, allowing the trader to play historical charts forward. As many veteran analysts and traders will tell you, analysis on the left hand side of the chart is extremely easy, but the right hand side of the chart – the area where we trade in real time – is much more difficult to analyze

These play buttons are key to Track 'n Trade Pro's role as a market simulator through which traders can develop and refine their skills in chart pattern recognition, indicator reading, and market





trends. Track 'n Trade allows the user to play a pattern forward and watch it unfold, as Turner say's "one-tick-at-a-time", just as they would do in real time, as the future data is not visible – just like in real life. Using this feature, a new trader can develop his/her skills in a simulated "real time" environment. It is no wonder, with this feature in mind that Turner refers to the software as a "time machine".

Modular Software

This is a modular software program, featuring plug-ins that extend the capabilities of the basic application. In the same vein as the basic Track 'n Trade Pro program, the various plug-ins also feature an introductory, "seminar-style" educational program, consisting of hours of multimedia movies, examples, and explanatory literature. The plug-ins suite includes simulator and accounting, season/historical charting, spreads, and options programs.

The accounting plug-in allows the user to keep track of profits and losses, available margin, account balance, buy/sell orders and stop-losses. In addition, the accounting plug-in adheres to the basic tenets of trading.

Using a hypothetical account start date - after which orders will actually be recorded - the Accounting package allows traders to practice on and study a variety of markets over a variety of time frames. It keeps things accurate by not allowing the trades from the future to be moved back to the past – applying this years profits to last years losses. As Turner says: "You can move backward and forward in time [with Track 'n' Trade Pro], but you can't take your profits back in time and use them to make money in the past." Basically, this package allows new or veteran traders to test out market hypothesis and their charting abilities in a simulated environment, which takes account of margin requirements, commissions and even gap fills.

Gecko Software also has a very well written indicators course, which is especially beneficial to those who are relatively new to technical indicators. The choice of indicators common to most charting programs are here: volume and open interest, fast and slow Stochastics, relative strength index (RSI), moving average convergence/divergence (MACD), historical volatility, Williams' accumulation/distribution and %R, momentum, directional movement index (DMI), commodity channel index (CCI), Bollinger Bands, moving averages and moving average bands, and pivot points. The Indicator package gives a thorough explanation of each indicator as well as the usefulness of the indicator. This is one of the few Indicator presentation which I have seen which also classifies the indicators as to the market environment which they are designed to be traded in most effectively.

The Spreads Plug-In is also extremely useful and well presented. With over 8 hours of interviews and explanations of the different types of futures spreads a trader can put on, and the benefits of this style of trading, it was extremely enjoyable to review. This plug-in also gives the spread trader the ability to chart these relationships between commodities. It allows the user to present spread charts as point differentials as well as equity differentials, which is extremely important when examining spreads between contracts with different contract sizes – such as Live Cattle vs. Feeder Cattle, or Crude Oil vs. Heating Oil. Of course, the spreads plug-in is fully compatible with the accounting plug-in, allowing for profit and loss tracking as well as simulated spread trading capabilities.

The Seasonals Seminar - which also gives the Track 'n Trade Pro user the ability to view several different styles of seasonal charts along side the current market - is extremely well presented as well. Users of this plug-in are presented with the natural production and consumption cycles of the various futures markets, and how the forces of supply and demand affect prices in most years.

At the time of this review, the Options package was unavailable, though the team at Gecko Software is working diligently on its release.

Conclusion

Track 'n Trade Pro is not for everyone. The program is not the best for straight system development, but in its defense it was not designed for that purpose. Options traders, or those who use options in conjunction with futures, may find Gecko somewhat lacking in specific help for options trading - but Gecko Software is working on resolving this issue with their upcoming options plug-in. Traders interested in day-trading futures will not find the use of end-of-day data sufficient for their needs, but longer term position trader's will rejoice in finding "day session" only data available.

However, if you are looking for a straightforward software program that will help you learn how to trade futures or how to refine your market analysis - whether through the various indicators, the extensive drawing tools and calculators, or the unique, bar-by-bar, play features – it will be difficult to find a better program than Track 'n' Trade Pro 3.0. Trader's do not need to worry about a steep learning curve with this software, as it is the closest thing to using the "old fashioned paper charts" that I have ever run across, and is designed in a fashion that makes learning the software a simple 30-minute process before you are up and running, not to mention, at Gecko's current "give-away" price, I would suspect that this new, little known secret application, will soon be added to the tool chest of every serious trader, lest they be left behind in the race for more and better utilities in tracking and trading the futures market.

Track 'n Trade Pro is available from GECKO SOFTWARE, INC. 95 West Golf Course Road, Suite 107, Logan, UT 84321 Phone: 800-526-2984, 435-752-8026, Fax: 435-752-8037, or go to www.TryTnt.com

Option Spreads: Graveyards & Fattened Bankrolls

By Greg Donio

I visited a cemetery one day and. saw a man weeping bitterly at a grave. "Why did. you die?" "Why did you die? He sobbed. "Why did you die? Going over to comfort him, I said, "Gee, this must be a loved one, a dear member of your family."

"No. No relation."

"A dear friend, then? Your best friend for years?"

"No, never even met him." Again he began sobbing, Why did you die? Why did. you die?"

"Well, excuse me, but who is this that you should carry on like that?"

He replied, "It's my wife's first husband."

That bit of dark humor has at least two significances for speculative traders. One is the question of logic. What was the man actually crying over? A key detail, a link in the chain of causality. A successful financial trader needs a well— developed sense of causalities and sense of detail. If Mount Sinai were on Wall Street or LaSalle Street, the Denver or the Pacific Exchange, one of the tablets of stone would say, "God is in the Details."

Another significance is the sorrow. Speculating in futures and options, including stock options, is a zero sum game. Somebody has to lose a dollar for every person who gains a dollar. Every joy is sadness to somebody else. Jones's smile is Smith's teardrop. Your donkey meat is flesh off of somebody else's ass.

Since asking the right questions is crucial, a key one has to be, "Who gets the money people lose?" Between 80 and 90 percent of all futures traders suffer knock—out punches. Approximately 90 percent of all out-of-the-money options expire worthless, vanished like yesterday's sky-writing. Yet the dollars involved are more durable than that. They have changed locations but they still exist.

For many decades, horse gamblers have not brought forth a long line of chauffeured town cars but a long line of sad faces, empty pockets and sad stories. Their year of persistence proves that experience is not always a great teacher. According to an old Mississippi adage, "You ain't learned nothin' the second time a mule kicks you." Years of being kicked in the wallet have not taught them either how to win with any consistency or how to stay away.

Yet those horse-players support multi-million-dollar race-tracks and thoroughbred-owners and breeders, plus vast multitudes of bookmakers and pawnbrokers. One fellow, a recovered compulsive gambler, said on TV, "There's a myth that gamblers are smart or clever. We have sold more things at one-half or one-third value." Yet somebody gains from those desperation sales arid somebody else gets: the resulting cash, which does not stay in the wagerer's pocket for long.

Might business days ago, I sold or "shorted" 10 out-of-the-money call options on Cisco Systems common stock for $700 minus brokerage commission. The proceeds from the sale now sit in my brokerage account earning Money Fund interest. However, whoever bought those options is uttering the financial equivalent of "Why did you die?" because today they have a market value of $50. I not need to open a horse parlor or a pawnshop or scout the barstools for a sucker. The recorded voice on my touch-tone phone said. "Press two for trading" then the buttons I hit located a sporty on-the hourse's nose buyer/bettor to receive my short sale thanks to the discount brokerage service.

Selling paper that becomes worthless? Such "sadness" echoes Damon Runyon's fictional bookies--"Sorrowful" Jones and his partner "Regretful." "It breaks my heart that you lost," he wept as teardrops fell on his fattened bankroll. Just as every sorrow is a joy to someone else, in option trading one person's problem is another's opportunity, and the problems came early when those who tried to breed butterflies got killer bees.

I started out in investing in the 1970s when co-incidentally put & call options were entering the big time amid much fanfare from stockbrokers. I received letters and phone calls touting and cheerleading these "great innovations" but felt no interest at the time. The following year, a young woman broker in a discount office happened to remark to me, "We've been getting hit with a lot of flak because of options."

What was the parade all about and what rained on it? Call options give the person who buys them the right to buy a specific stock at a specific price within a limited period of time, even if the share price zooms much higher than the price stated in the options during that time. Let us say that PepsiCo common sells for 42 dollars a share. A PepsiCo call option with a strike-price of 45 and an expiration date of April six months in the future gives the option-holder the right to buy 100 shares for 45 dollars a share even if the stock price climbs much higher within that time period.

Such an option would be referred to as a PepsiCo April 45 call and currently trades at 2.30. That means one call would cost $230 and 10 of them (covering 1,000 shares) would cost $2,300. Buying 1,000 shares would cost the investor $42,000 in cash or $21,000 on 50-percent margin. Costing only $2,300 in this instance, call options were and are hard-sold as "Tying Up Less Capital!"

If PepsiCo stock were to zoom to 80, the calls would give the option-holder the right to buy at 45. However, purchasing the shares would not even be necessary because the options can simply be re-sold and at a higher price reflecting the stocks rise. If the shares soared to 80, 10 calls with a strike price of 45 would be worth over $35,000 - the difference between stock price and strike-price plus some time—value meat on the edges. In this hypothetical example, the stock falls short of doubling while the options increase 15-fold.

Hypothetical, for sure! Over 90 percent of the real-life call-buyers would have simply lost the $2,300. Most blue chips and other stocks plainly do not move so spectacularly. Resorts International shares and options turned in a performance something like the imaginary one just described. But in a song & dance entitled "Do It Again," multitudes of risk-ventures bought up all varieties of puts and calls that became not worth a penny the day after expiration. Brokers caught flak after conservative investors spent thousands of dollars each to "Tie Up Less Capital" then saw the "Less Capital" vanish like smoke.

Put options offer theoretical "protection" but in real life... While a call entitles the holder to a stock at a set price, a put entitles you to sell shares at a set price even if the stock plunges. One put option protects 100 shares by guaranteeing the sale price. If you own, say, 1,000 shares of WalMart currently (early October) selling at 52, 10 put options with an expiration date of January and a strike-price of 50 would guarantee you the right to sell all at 50 at any time during the next three months, even if the stock price plummets.

One WalMart January 50 put currently trades at 4.5, meaning one would cost you $450 or 10 for $4,500. Many buyers of this type option do not own the underlying stock. They buy because if the share price slips, the puts swell in re-sale value at a a steep drop can multiply their worth. Some stockholders buy put protection, then, in the event of a price plunge, they keep the shares and. sell the much-fattened options to offset the loss.

Downside protection. What a boon that would have been in the Crash of 1929! And the opportunity for a speculator's Klondike on the south side of the charts. Can there be thorns among all these lovely roses? Alas. WalMart's 1,000 shares cost $52,000 cash or $26,000 margined. Three months of put protection cost $ 4,500 and, renewed at that rate, $18,000 for a year. The stock would have to gain $18,000 in a year in share price increase plus dividends just to pay for the options, just for the investor to break even.

On February 25, 2001, a piece I wrote appeared in the NewYork Times Financial Section stating, "Put options are great ii' a stock nosedives but if used for any length of time, they are the cattle insurance that eats half the steer." As for the non-stockholding speculators, over 90 percent of all out-of-the-money options expire worthless, puts as well as calls. Thus these instruments have left many a self-proclaimed "intelligent investor" feeling like the horse-players adding salty tears to their bourbon.

The Blues in the Night singer asks the musical question: ho gets the money people lose? A stockholder may "sell covered calls," i.e. call options on shares he or she owns. A chance-it-to-the-max speculator "sell naked" puts and/or calls-hazardous and not recommended. My specialty--spreading--requires less capital than the former- and less risk than the latter. I recommend it as a fine "handle it like a business" approach if you are neither a crap-shooter nor a grandmother clipping coupons.

Let us say that you buy 10 options with a strike-price of 40 and an expiration date four months in the future. Then on the same day, perhaps just minutes later, you sell 10 options on the same underlying stock and with the same strike-price but with an expiration date just two months in the future. You have, let us say, bought 10 April 40s and sold 10 February 40s. Imagine that you bought April for 5 & 1/4 and sold the February at 4. In hard cash this means you bought 10 for $5,250 and sold 10 other for $4,000. The latter goes into your brokerage account and is credited toward the cost of the former, so that you pay only the difference of $1,250, which yow had in your account beforehand, plus brokerage commissions on the buy & sell.

Two or three weeks pass. The Februarys slip in value to 2 and the Aprils to 4. Whoever bought the Febs you sold is down half, from $4,000 to $2,000. Whoever bought Aprils at the same price you did but without spreading is down about a quarter, from $5,250 to $ 4,000. Both sets of options lose value with the passing of time but the nearer-in-time ones dwindle more and faster. Do you see any good news in these "wounded dollar" amounts? You should. The gap or "spread" between them has widened from $1,250, your original investment, to $2,000, the amount you would receive minus commissions if you pull out now.

You could "close the position" or pull out completely and take profit by buying back February and selling April. Or you could keep the April and buy back the February for half of what you sold it for a short-seller's profit. Then you could sell March. Or you could wait until the Februarys expire worthless on the third Friday of that month, then sell March. You are "Sorrowful" Jones to whoever gambled on Februarys, then you take bets for the March.

This is called a "Horizontal Calendar Spread"--Horizontal because both batches of options have the same strike-price and Calendar because of the different expiration months. The two batches must have the same underlying stock and be either both puts or both calls. Also, the strike-price must be "out of the money." If the underlying stock is 32, for example, a call option is "out of the money" if it has a strike-price above that (35, 40) and a put option having strike-price below that (30, 25). Out-of-the-moneys are the only ones a Horizontal Calendar strategist touches. The calls or puts he sold routinely expire worthless when situated thus.

Like selling calls on shares you own, this type of spreading is "covered & writing" or "covered selling" because the far—in— time options you bought "cover" the near—in—time ones you sold. if the stock moved "into the money' by crossing the strike-price, and the near-in-times you sold were exercised, the far-in-times you own enable you deliver the shares (calls) or buy the shares (puts). However, if the stock does cross the strike-price, you must act to prevent an exercise by promptly 'buying back the near-in-times "to close" or by "closing out the whole position", buying back the near and selling the far.

A Spread Strategist should also be a stock trend follower, positioning a call option spread above rising shares and a put one below declining shares. Attention to a company's fundamentals and prospects also helps. Earlier in this article I mentioned selling options on Cisco Systems. I did this by buying 10 Cisco calls with a strike—price of 12 & 1/2 and an expiration date far in the future January 1904 then immediately selling 10 with a strike-price of 12 & 1/2 and an expiration date quite near November 2002. These were "out of the money" because Cisco common fluctuated just below (9 & a fraction/11 & a fraction. Most financial indicators show the company to be fundamentally sound and a bell weather and although having trended downward the shares appeared to have bottomed.

The November 2002s I sold or "shorted" were far enough in time to have meat on them but near enough that they dwindled markedly in less than two weeks. For the record, I bought 10 Cisco January 2004 calls for 2.9 ($2,900) and sold 10 November 2002 calls for.7 ($700) for a "net amount invested" of $2,200 plus commissions. If the cells stay out of the money, I plan to sell Decembers, then January '03 and so on. That is why I placed the "buy end" of the spread so far in time. OPM-Other People's Money. That is what makes the spread strategist a reduced—risk bookmaker as opposed to a naked-risk horseplayer.

In addition to Cisco, I have a call spread position in Siebel, and am looking at JP Morgan Chase, Citigroup, AOL, Dell. I mention these as a matter of record only, not recommendations. Intelligent strategies can reduce the hazard but there is no zero risk. Nevertheless cash drawer opportunities pile up in options, the "investor tools" that disappointed much before becoming Gold Coast dice and roulette.

The spread strategist pawnshop ike buys the family silver at big chunk discounts and horse parlor like sells paper that turns worthless. Successful trading in a 'zero sum game means letting the other fellow cry on his checkbook "Why did you die?"

Murrey's (Math) Predicts Gann's 8/8th Set to Squares: 100, 1,000, 10,000

T. Henning Murrey read one book by W. D. Gann (on commodity trading), and, saw the six clues, he inserted for someone to find. Did you find them? Murrey did. T. Henning Murrey has been telling the trading world since 1993, but very few want to admit that they exist. Do you? Murrey found them and deciphered what Gann was really doing: setting the markets to The Natural Numbers, inside and Internal Octave set to Music Scale.

Please go to his book and read page 68, then ask 10,000 people, who say they are experts on what Gann was (really) doing, to explain why he even mentioned them, when he told you, earlier, on page 34, that all markets are random, so simply take the two extremes, high and low, you pick them, and divide it by eight, and start making profits off a random scale (your choice).

If you trade off Murrey Math (set to Gann's rules) you simply move the decimal over one place and you are able to memorize where any market will reverse off exact numbers set inside one of the three Harmonic Pitch MM Squares.

All parents teach their children to obey strict rules, so why don't adults want strict trading rules? Every trader I have ever taught, is still looking for the magic formula, so complicated, they have a built in excuse, for their inability to accept a small loss, when a trade goes against them.

Most traders don't understand that they can't win every trade, no matter how predictable any trading system is purported to be. To become a good trader takes years. Most can't wait and lose. To be a great trader, never reaches many "so - called traders."

T. Henning Murrey finished a Murrey Math Learning Academy in Nashville, Tennessee, October 30, 2002, and had 25 students from all over the US and Canada, and even three from Germany. One new MM student, Laura Thran, 26 from Vietnam, who lives in Texas, made + $3,000 in class in three days trading the S&P 500 E Minie Futures December Contract, while Murrey was running his new Real Time Software Program, while he was teaching.

Side Note: The Murrey Math Real Time Software Program is available to rent on a two - month basis. Please contact Larry Jacobs for details.

You must learn to "change" your trading "habit" under fire (live). The personality of your current "trading habit" is your biggest obstacle, to how much money you have in your account. Too much money means you don't care how much or how often you lose. If you have too little in your account, you have to win almost every trade just to play the trading game. After you are stable with your money and your mind, you must move into one of two trading camps:

1) Strict rules set to exact numbers,
2) Random rules set to anything.

If you want random rules and random numbers, then quit reading right now, and go and flip a coin and trade in a dark closet.

CNBC – TV highlights Art Cashian each day and he said we should expect strong resistance up at 968 on the S&P 500 cash market. This is exactly the last high reversal (lower) off MM 7/8th: 968.75. Does he follow MM? The President of Equidex, reported on CNBC – TV yesterday, that Gold must hold support at 375. This is our MM Trading Line, which is also 3/8th of the MM Square of 1,000. Do you think these men are tired of guessing where the markets will reverse? Are they special or normal? They simply have more time on the job than we do.

If you have a normal I.Q., and want the same three strict rules, and want to trade off exact, preset numbers, the same that Murrey and (Gann really traded), you will enjoy converting from random thinking to a Logic based strategy.

Warren Buffett came on TV last week and told the trading public to buy low priced quality stocks, when the markets get on an extreme low. But, who really knows what the last low will be?

Answer: T. Henning Murrey.

The number one premise of great trades is to buy on the best low. The 2nd premise to a larger percentage of profits is to trade off exact (preset) 1/8th set to music.

I can say this 1,250 times, and if you refuse to want to convert, you will turn to the next "guru" who tells you that, Murrey doesn't have the key to what Gann didn't tell you. Most "loser" traders will tell you Murrey Math is too simple so it won't work next year.

What is the simplest proof that T. Henning Murrey has come "closest" to what Gann really hid from you?

What is 1/8th of 10,000?

1,250.

Now double 1,250.

2,500.

1,250 + 1,250 = 2,500.

7,500 + 2,500 = 10,000.

The past six months the Dow has been set to Music Scale: Base of Octave: 0/8th at 7,500 and top of Octave 10,000 at 8/8th. The past five years the Dow has reversed off 7,500 six times, and has closed below it only once. It closed exactly where Murrey and Gann said it would (-1/8th) 7,187.50 and reversed up fast.

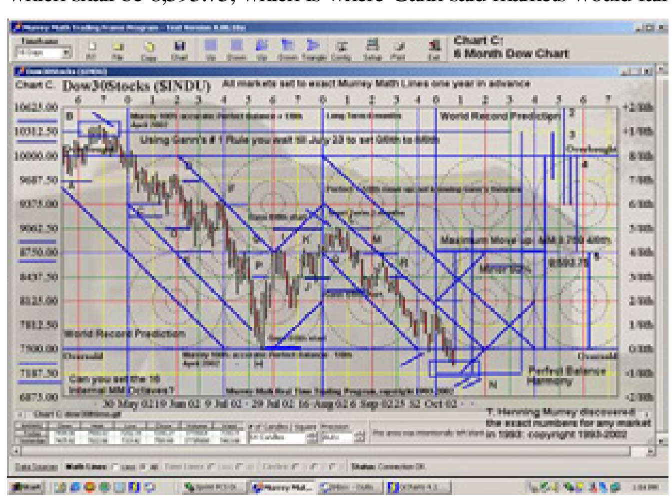
Murrey's Private Weekly Predictions, to his students, which goes out all over the trading world on Sunday nights, will prove if he is correct or wrong about whether or not all markets are reversing off preset numbers set inside:

1) MM Square: 100,
2) MM Square: 1,000,
3) MM Square: 10,000.

Past Proof of Murrey's predictions:

Back in April, 2002, T. Henning Murrey told his Private Group and Murrey Math master Level Trader Jan Braggerman, who just built a new home in Irvine, California, from profits from simply using the same 12 numbers already displayed in Murrey's book (back in 1993), to get out of the market when the Dow 30 went back up to 10,312.50 the 2nd time.

Jan went down the hall telling everyone that T. Henning Murrey had predicted a fall in the market, if it closed – 39.5 points below 10,000. It fell – 3,125 points. Conversely, if this market reverses up (on –1/8th MM 7,187.50 it should get its strongest up side resistance at: + 5/8th off the lows at 8,750. Logic tells us to expect stronger resistance down at ½ of 1/8th, which shall be 8,593.75, which is where Gann said markets would fail



just short of its 8/8th, which short term is 8,750 MM.

Let's play a little game called Logic – Based Deductive Reasoning: Murrey Math Music Scale set to Pythagorean 3/8th and 5/8th off exact numbers.

Premise #1: All markets want to reverse off perfect preset numbers set to Music inside their current Murrey Math Square: 100, 1,000, or 10,000.

Premise # 2: Perfect Harmonic Balance is when any market reverses off the same high and low over any longer period of time (at least 13 weeks) or one Harmonic Murrey Math Trading Frame: 64 Trading Days.

Premise # 3: No market is able to move higher (inside) its current MM Harmonic Trading Frame, unless it can close a "baby" 2/8th above its MM 5/8th Trading Line.

Please look at Chart C. Dow 30 Chart Six - Month Chart: The Dow 30 made a Double Top at exactly + 312.50 points above 10,000, which is our Major 8/8th and a lower reversal at exactly – 1/8th on 7,187.50.

Under Murrey's Law: Logic says that Perfect MM Harmonic Balance will be down at 7,500 minus 312.50 or 7,187.50. If Price and Time equate, it will be in 3, 6, 9, or 12 months down at 7,187.50.

The Sunday before the market fell to its Perfect Harmonic Balance Price Point, 7,187.50, T. Henning Murrey had a birthday party at Princeton's Grill, in Green Hills, in Nashville, and Murrey gave his fellow students, which numbered 15, a prediction: "The pros" will force the market lower below 7,500, so they can set in the final panic exhaustion (please read Gann's book for pages 317 – 325) of lower lows, for the past five years, and if it holds 7,187.50, it will create a massive buy program for the next two weeks.

T. Henning Murrey told MM Master Level Trader and MM teacher Lisa Woodall, from Franklin, Tennessee, who wins over 90% of her monthly trades, using nothing but twelve numbers off her 16 – day Murrey Math Daily Chart, that she should tell her fellow MM traders to switch from "shorting" to going long the next two weeks.

T. Henning Murrey handed each student a chart with his prediction printed out on it. He only handed out 15, so please don't tell people you were in attendance and have one (years later). T. Henning Murrey also placed the same prediction on his Weekly Private Predictions Group, so they could get ready for the up turn, if, and only, if 7,187.50 held all week. This prediction was made publicly, five days in advance.

You may see T. Henning Murrey's Private Predictions for the past twelve months, so you may see that Murrey, backs up what he preaches, by going out on a limb each week and tells you how accurate he is on 64 different markets.

Murrey is 81.25% accurate each week on average. No computer can match Murrey's brains (yet).

Please ask your "guru" if he believes that markets already know the numbers they want to reverse off (months in advance)? Any normal I.Q. trader will tell you that the major Dow 30 reverses have been every 312.5 points off 7,500.

Please look at Chart C: You will see (17) reverses off this simple number: 312.50 added to 7,500.

How many years of learning to trade will it take you to believe this? The markets already know the exact MM Price they want to reverse on (before they get here). Please ask your "guru" if he predicted (publicly) to

short the markets up at 10,312.50.

Gann knew Murrey's numbers back in 1993, after reading Gann's book fifty times in 90 days. He (Gann) told your grandfather about the Crash two years in advance, but everyone laughed at him. He even told you the very day (actually he missed by only one day), when to expect the lows to reverse after the Crash. No one had any money (left): who cares? He even published it in his book, Tunnel Thru the Air, so you would have proof it actually would happen. No one believes him now.

Murrey knows, everything Gann knew, about how the markets reverse off Music, but, he (Murrey) lets his brain (expressed with his software) let you know how to set the markets, so you, too, will be able to "change" from random trading rules, to exact Pythagorean Rules set inside the China Binary: 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11 (100), 12 (1,000), and 13 (10,000).

T. Henning Murrey has tried since 1993, to find someone who can think and deduct any market into 384 different expansions and extensions Internal Octaves), inside the three Squares: 100, 1,000, and 10,000. He can't find one.

Only one person has had the depth of Logic to understand and express it, finally with Murrey's Real Time Software Program, so you are spared the difficult task of trying to decide, which of 16 different Octaves any market may be precisely set inside any 1/8th of any of our three MM Harmonic Squares. Your job is to trade off what Murrey's knows, not what you want to convert what knows, into a better way to do the same thing: profit off three simple rules.

Many traders are offended that we have finally given up on trying to teach you how to think Logically (enough) to really know that you are doing right. Why bother? Women MM traders don't want to know: they want to trade and let Murrey do the mental work.

T. Henning Murrey has finished a Murrey Math Learning Academy in Nashville, Tennessee, and one female student, Laura Thran, from Vietnam, made 10 points per day twice, with four contracts on the S&P 500 E Minie Futures. Have ever taken classes to trade your favorite markets? She is only 28 years old and she doesn't work, and she pays all her bills trading for small profits. She doesn't want to improve on The Murrey Math Trading System, but only to learn the rules for exiting winners.

Men want to improve on Perfect Harmonic Pitch. You can't do it: ever. So why persist? Gann said, that all markets want to run up or down, + 3/8th or a maximum + 5/8th the 1st time up.

Please look at Chart C: our long - term chart of the Dow 30 and you will see that this market knew to reverse off MM 0/8th 7,5000.

Pythagoras set his laws of expansion to + 5/8th. + 5/8th is exactly 9,062.50 off the July 23rd lows. It went up exactly + 5/8th off a rule that never used Gann's # 1 trading Rule: "find any two random highs and lows and divide this extreme by 8 and good luck trading."

How is it possible for Murrey to know Gann's and Fibonacci's + 5/8th off 7,500 before it happens? Music.

Gann told you to look at The Natural Numbers, on page 68, but not to use them when trading. Why did he do this? Why did T. Henning Murrey "see" it and other "guru's" miss it?

They have to say they missed it, or their random trading theories are null and void today. We simply ask the question, "What was the nearest Murrey Math Line at the last low or high?" 7,187.50 is MM – 1/8th off 7,500-10,000 as our six month MM 8/8th.

The Fourier Wave Transform Pattern Repetition Forecaster says that any wave of price movement to the right (over time) will repeat itself at (some) set pattern.

This is 100% a waste of effort and Time. Don't waste your time.

Why wait 100 years for Nature to repeat itself, when you already know the best odds where markets will reach their Harmonic extreme?

Our MM Trading Frame already knows when markets will Breakout (from its current) MM 4/8th and create another Internal Harmonic Octave. You don't have to learn it. We do it for you.

No "guru" ever told you this simple truth: markets have exact Breakout high prices or low prices. Was this truth back tested?

Yes.

Steve Gibson, Murrey Math student from Beverley Hills, California, brought in 50 years of the Dow 30 and the Breakout worked correctly every time from 1928 forward.

It even works today, interday, with the new Murrey Math Real Time Software Program available for rent. But you don't believe it.

Everyone has traded off a frame set inside 0/8th and 8/8th. The MM

Breakout should have been seen by some "guru" in the past simply because Gann said markets would often fall – 1/8th or – 2/8th below its current 0/8th and return (back) up into its trading range over the time you set. He said the reverse for highs. This last low by the Dow 30 was exactly – 1/8th lower to the exact Price as it was higher above its MM Harmonic Octave: 7,500 – 10,000.

Trading is easier if you already know the price where the odds are highest for it to reverse, by simply counting your "potatoes" (MM Lines). MM students already know. You already know (in advance) when markets will reverse, as the odds build up, as they stretch further away from their last reversal price point.

Please look at Chart A: S&P 500 E Minie Futures Dec. 2002. If Logic prevails, then, Murrey Math will expect markets inside its next lower Square (10,000 then 1,000) to reverse off the same numbers but they will simply be 1/10th less in price: 10,000 or 1,000.

T. Henning Murrey has set The World Record for presenting the simplest trading system for normal traders, who are tired of switching from one (late) Indicator to the next set of moving averages, that no one uses next year.

Ten years ago everyone swore by the Ted Spread. Now it's dead. Now, it is the Vix and its tricks. It will be worthless as soon as someone does a study and tells you that the Murrey Math Trading Lines tell the Vix when to reverse (ahead of time) off 312.50 points off Dow.

Please look at: Chart B: you will see a "live" real time MM interday "trader's" trading frame, telling you to short up at 902.34: MM 7/8th (yellow), which is the best MM Trading Line to short (inside its current Internal Octave).

Please look at Chart A: the long term MM Trading Line to Short is up at 906.25: MM 5/8th.

Now, look at the small box on the right, on Chart A: between 906.25 and 875, which is only one small MM 1/8th inside its longer term Major MM 2/8th: 250 points inside its 2nd Square 1,000.

Now, shift your mind to its next dimension to a short term (interday) trading frame, where each MM 1/8th is (now) 3.90 points. This makes the better "short" to be at 902.34, not 906.25. No trading "guru" has ever been able to predict exact price reversals before they occur.

You had the opportunity to short up at 902.34. It tells you that this market is up + 8/8th (in 12 trading days), up against an old high, so you have to go short. How simple is this?

If you want to know Gann's best rules, please get my book and read them. We weeded out the obscure. Every good rule is listed, along with a chart to verify, you know what he was trying to verbalize. Gann told you to trade off charts, but he never included a chart along with his written rules. Why?

Please look at both charts: A and B. You must be able to "see" the long range, middle range, and short range, then interday trading range. Did your "guru" teach you this Logic?

Have you figured it out? Do you want to be a "guru" too? Or, would you rather trade off a simple click of our software (frame) and start making money instead of trying to join us "gurus" who enjoy confusing you with the next new Indicator?

If you can't "see" how simple trading is by looking at these two charts, you will never be able to trade any better than "random guess luck."

Please show these charts to your wife, or one of your children. Someone in your family will "see it." Then, let them trade and you keep reading articles and go to more seminars and pay for more software programs that repeat the same old moving averages and "late" Indicators.

Lisa and Jan don't need any software program (finally) to trade each day. They have internalized the numbers. They studied The Murrey Math Trading Frame Software program for two solid years, until they memorized the 64 numbers.

Gann asked you to know The Natural Numbers. Everyone wants to confuse what Gann really doing. If Gann was not doing this, then Murrey is doing it, and it is a simpler way to "see" Gann exactly.

Why try and learn the 128 different Internal Octaves inside each Square? Why try and fail? It proves nothing if are able to do it. Our software does it for you.

All our Murrey Math students have more to do than learn how a frame shifts. It won't make you a penny extra, plus, we have hundreds, of students, who finally saw it by simply using it every day. It would take months or years to teach everyone how to think with deductive reasoning.

This country does not teach you to think, but to spit out words that mean nothing but another word. How dumb is this?

You are not to write words about trading, but look and tell me what you see in a chart that we (both) are looking at. Why can't you "see" as me?

Murrey Math students are not allowed to clutter their trading mind with worthless trading trivia.

The more information you acquire, the more mentally disturbed you become as you have too many options to reverse or take a loss. We teach rookies to know less and earn more. Are you tired of the search for the answer? Murrey Math set to Gann's rules is the answer.

Why is it that these two markets are reversing off the same numbers, except that they are one 1/0th one another? Is this too difficult to "see" and accept? Any normal I.Q. trader will see that the Dow 30 reversed up off 7,187.50 and the S&P 500 Cash Index reversed up off 781.25.

Chart B: 22 exact reverses (interday) off an Internal Octave Musical Scale Harmonic Pitch set automatically to one of our 128 Octaves (you don't have to figure it), so you simply trade it.

This has to be consideration for the Nobel Peace Prize in math: Music. But who cares? Since this is Pure Logic. Logic doesn't count in market trading strategy among men.

Thanks for taking the time to try and expand your possibilities to reduce what you know to increase your profits. Show your wife.

T. Henning Murrey has been teaching and trading since 1993. He read only one book by W. D. Gann, but he read it 50 times in 90 days, then he saw what Gann was doing, setting all markets to a musical scale.

Now, Murrey travels to any country teaching those who want to convert from random rules to specific rules that are never to be violated. All markets already know the exact number they want to reverse against (in advance).

Mr. Murrey's book, Murrey Math Trading and his software is available in this magazine and at www.tradersworld.com and by phone 800-288-4266.

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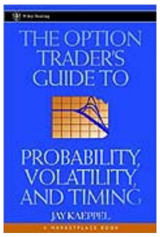

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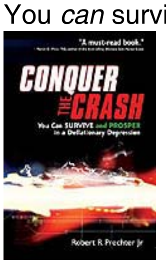

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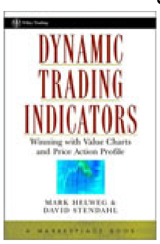

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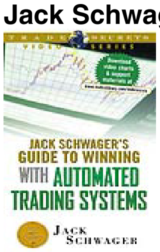

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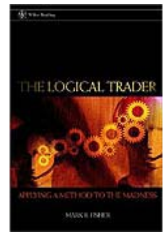

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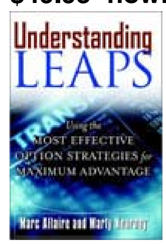

Here's the first book covering LEAPs exclusively in nearly a decade. CBOE instructor and LEAPs expert Marty Kearney provides a complete understanding of what they are and how to use them in a diversified portfolio – plus more complex strategies like collars, covered writing and index LEAPs - the hybrid product that's a favorite of both independent and institutional investors. Get a copy right off the press – order now.

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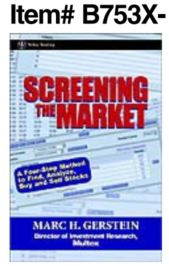

Provides serious, active investors with a proven method for dissecting the stock market and spotting winning stocks. This simple 4-step program let's you make smarter investment decisions – over and over. Appeals to all serious investors because of its solid foundation and practicable plan for pinpointing market-beating stocks.

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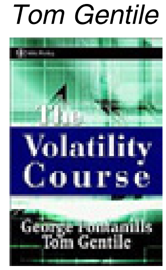

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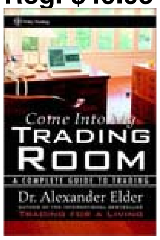

Alexander Elder's done it again – introducing a new trading Bible for new trading realities. From technical analysis to the overall management of a trader's money, time, and strategy, Elder takes readers from the fundamentals to the secrets of being a successful trader—identifying new, little known indicators that can lead to huge profits. Come into his trading room, look over his shoulder – and start trading for increased profits.

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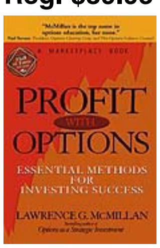

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Larry E. Swedroe
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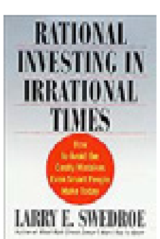

Difficult markets require rational thinking. In this timely new handbook rising star Larry Swedroe identifies the many mistakes even the smartest investors make whether markets are strong or troublesome. This easy-to-understand guide uses a question and answer format to presents an efficient and proven way to avoid these most common (and costly) mistakes.

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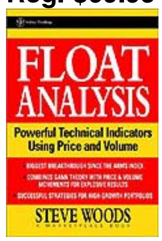

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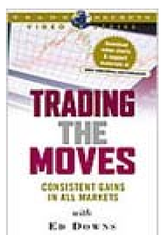

Make money no matter WHAT the market is doing. Every day some stocks move in BOTH directions - regardless of overall market activity. Learn to develop the best possible list of candidates each day, confirm them and hedge against market risk using Downs proprietary techniques. Move by move, Ed reveals methods for isolating the "prime movers" in any market, and key technical analysis concepts needed to put his playbook to work.

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Price Headley
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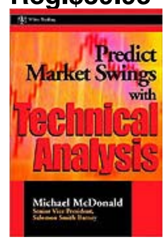

Let Wall Street financial consultant and market analyst Michael McDonald show you how to navigate the turbulent ups and downs of the market in *Predict Market Swings with Technical Analysis.* This fresh approach to trading using technical analysis will teach you how to trade the swings of the market by catching the upswings and selling just before major downswings.

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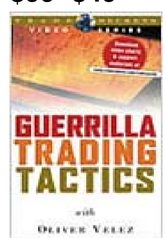

Reap large market gains - consistently - when you master Velez' unique style of market play called "Guerilla Trading." Practiced by the world's most successful short-term traders, this "hit and run" market move gets you in and out of trades quickly - at the right times - with profits in tow. Velez reveals his "Guerilla" Tactics - 13 in all. With 50+ pg online support manual - it's a great complement to Velez' Swing Trading, Micro Trading and Core Trading methods.

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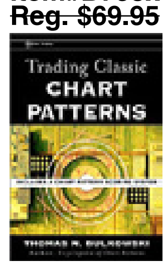

Here's a ground-breaking primer on how to trade the most popular & powerful stock patterns. Find techniques for the seasoned trader as well as the less experienced. This comprehensive guide includes easy-to-use performance tables supported by statistical research. By using a simple scoring system, you'll learn how to predict the performance of a chart pattern almost by looking at it.

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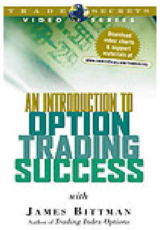

The CBOE's top options trainer explains in concise, step-by-step terms how options work, and examples of the most common & valuable option strategies. Learn how to trade options profitably, plus the critical "two D's" -- discipline and decision making.
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* learning to "think" like an options investor
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Leigh Stevens
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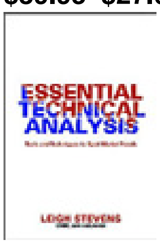

Must-have guide walks readers through the basics of technical analysis and puts everything in the context real-world scenarios. Covering both classical chart patterns and a myriad of technical indicators, it also features real-world trading situations, not idealized well-chosen examples. Real world trading is more 'sloppy' - charts may often contain conflicting indicators, and patterns don't always work as described. Now find tips, tools, and techniques that have been accurate over the years.

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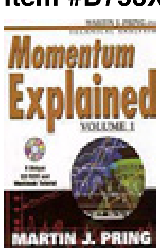

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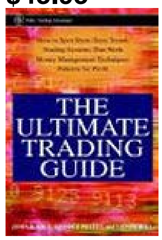

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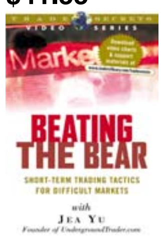

Go beyond the basics of stock options - and transition into the lucrative world of commodity options and options on other futures markets. This how-to guide, written by OptionsNerd.com founder John Summa and Jonathon Lubow of Trader's Edge, Inc., gives a complete background on options and futures, characteristics of each, common strategies - plus the authors' favorite strategies in action under favorable & unfavorable market conditions.

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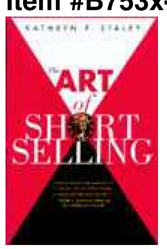

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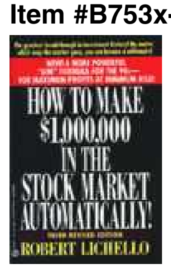

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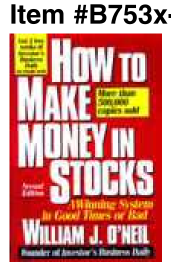

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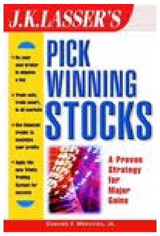

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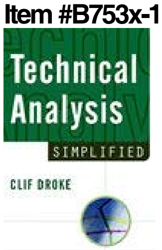

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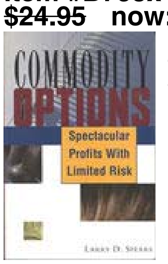

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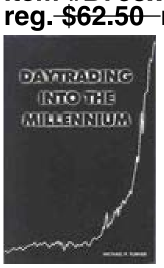

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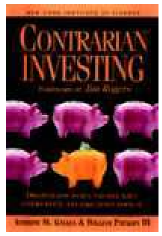

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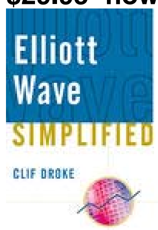

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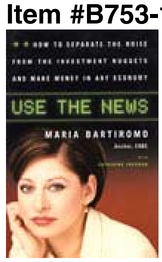

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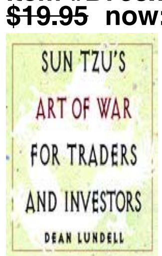

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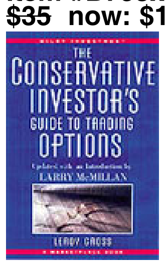

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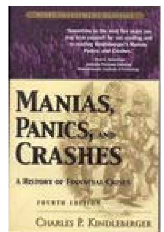

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Trading Quality Improvement Update

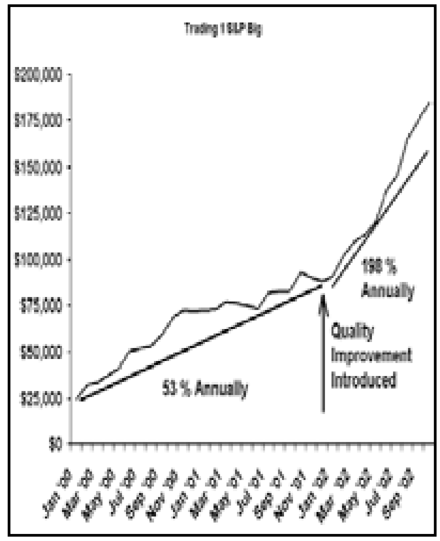
by Dr. Al Larson

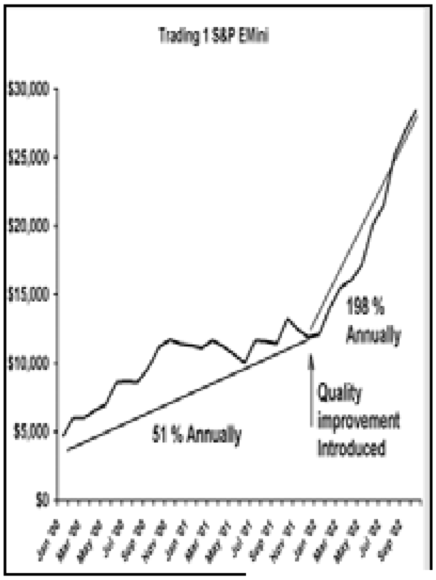
In the June Issue of Trader's World, I reported on a quality improvement activity I had undertaken to improve the results of my S&P/Emini Daytrading hotline. At that time, I said,

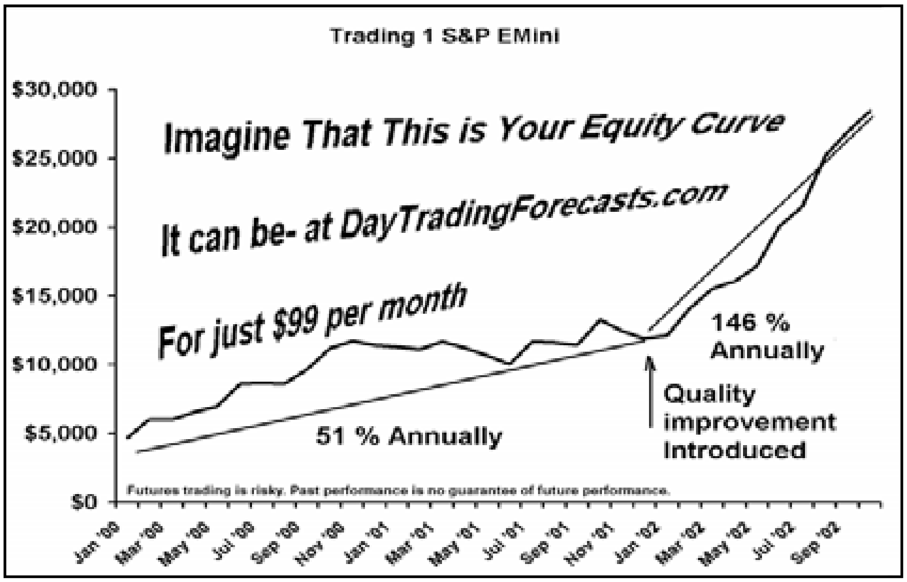
"The new process was fully in place in February, 2002. The improve trend has held for 5 months running. So at this point it looks like the process changes are a success. As in all such PQM activities, that has to go with the caveat- so far."

The true value of the Process Quality Management technique is that, when properly done, It changes the baseline performance of the underlying process. In the case of a trading Methodology, it should change the rate of return. So how has this change worked for us? These two charts tell it very well.

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 at allarson@moneytide.com







Swing Trading Chair

By Larry Jacobs

Traders prefer sitting, because it requires less overall effort by their large muscles than when they stand. Traders believe that sitting stabilizes their posture and helps them trader better.

Research is now showing that movement is necessary for well being especially a trader under constant stress. Unfortunately, today's trader is becoming increasing constrained in his trading process. The trader usually only moves a mouse and occasionally types on the keyboard. He is constrained in a chair all day, which gives him discomfort and potential health risks.

It is now recognized that the constrained posture of the trader can contribute to a broad range of chronic disorders. This increases joint impairments (arthritis); inflamed tendons and tendon shealths, chronic joint degeneration (arthroses), and muscle pain. Static and constrained postures interrupt blood flow in direct proportion to the loads acting on the muscles. Muscle oxygenation is reduced with fairly low loads. The constrained postures of the trader can cause chronic degenerative alternations of the cervical, thoracic and lumbo-sacral spine. These effects can magnify over time. An accumulation of residual strain over years may set the stage for serious injury.

One reason that it is important for movement is that after the age of ten, the spine loses its ability to actively feed itself (or, rather feed the inter-vertebal discs) and eliminate waste products. After this age, the spine receives nutrients and eliminates wastes through passive changes in osmosis that are induced by movement. There is scientific evidence that prolonged static sitting may compromise spinal structures by reducing disk nutrition, restricting capillary blood flow and increasing muscle fatigue.

For a trader to keep his health, it is important to have the right chair to trade in. As far as I know there is only one chair out there that is safe for a trader sitting in it all day long. It's called the SwingSeat. I call it the Swing Trading Chair. Dr. Jon Sterngold, an expert in this area, evaluated and treated thousands of people with back pain during his 25 year career in emergency medicine. He also has severe degenerative lumbar disc disease. He knows that the SwingSeat chair is both comfortable and therapeutic because of two factors. First, it facilitates ideal back/pelvis/thigh angles, reducing pressure on lumbar discs and supporting comfortable tension of the back ligaments. Second, by both allowing and encouraging back movement in the seated position, ligament pain and inflammation is kept to a minimum. The cause of most back pain is damaged ligaments from injury and strain. The SwingSeat minimizes strain on these ligaments and via continuous motion, facilitates healing. See Dr. Sterngold's letter at: http://www.tradersworld.com/Dr.Sterngold_Letter.htm The Swing Trading Chair is highly recommended for serious traders who wants to avoid back trouble. A complete special research report is available at: http://www.tradersworld.com/SwingSeat.pdf The Swing Trading Chair can be purchased through Traders World at www.tradersworld.com or call 800-288-4266.

Thinking In Probabilities

By Larry Pesavento

It is a given that traders can not win 100 percent of the time, because with reward comes risk, and losses are as much a fact of life as taxes and death. But there are highly valuable lessons to be learned about the trading process that go far beyond dollar signs. How traders put reliable steps in place to ensure that their performance may be enhanced on the road to success is dependent not only on what is done correctly but also on what potentially havoc-wreaking mistakes can be avoided.

The three practical principals that can aid in anticipating and, possible, avoiding mistakes are probability, self-discipline and responsibility – simple enough to write, but harder to carry out.

No successful trader would deny that mental preparation is just as necessary as charts and market signals. Trading is all about probabilities and, while every trader encounters a losing streak or draw down of equity, success as a trader is measured by how well losses are handled mentally.

A "sure" sign of potential disaster is holding large losses in open positions while at the same time taking many small profits. This is contrary to the market adage by a wise trader/mentor from Commodity Corporation, Amos Barr Hostetter, who said, "Take care of your losses and your profits will take care of themselves." A trader who mentally dupes himself into believing that the small profits will offset the large losses is taking a dangerous ostrich approach.

Most losing streaks are the result of probability distribution. In 100 trades, a system should encounter a losing streak of up to eight trades in a row, and this is the time when the trader begins to question the validity of the system. It also normally is the worst time to stop trading as long as the trader has followed his methodology, because it's been shown that winning streaks generally follow losing streaks.

Examining daily trading logs enables the trader to spot some common trading mistakes such as lack of discipline, sloppiness in trade preparation, impulse trading, impatience, and all of the other cousins and uncles in the "mistake family." One of the big advantages of the pattern recognition method of swing trading is the probability associated with each pattern. Winning is a matter of executing all of the trades as the patterns develop.

Traders must train themselves to think in terms of probability for three very important reasons:

1. No one knows with 100-percent certainty whether the trade will be profitable or not.

2. No one knows how much money will be made or lost on a trade.

3. If the trader does not control the profit outcome and does not know with 100-percent certainty which trades will work, then the trader should spend 100-percent of his time concentrating on the only element of the trade he *can* control – the risk of the trade.

Key to success is the ability to pinpoint how much one can afford to lose. Winners think "how much can I lose?" while losers think "how much can I win?" This fact is easy to demonstrate. Anyone visiting Las Vegas – has been greeted by brightly colored, flashing slot machines that beckon the full-pocketed tourist with the promise "Win One Million Dollars!" However, no visitor has ever seen a sign that reads, "This machine has taken in three million dollars this year." When the trader truly learns how to think like the "house", the probability of winning is increased.

Thinking about losing requires discipline. By focusing acutely on a trading plan, the probabilities for profits or losses and streaks of each, and risk control, risk-taking becomes more manageable and can give traders the ultimate gift – freedom. In fact, making discipline a daily habit allows traders "to weave a habit of a strand a day of discipline until the cable of discipline is almost unbreakable."

Discipline in trading presents itself in several parts. First, there is preparation. Trading is simple, but it takes time. Many hours of preparation occur *long before* any trade is entered. These steps include:

Mental – Traders must think through what risks are present in the trade, and know in advance how to get out of the trade and at what point. Mental preparation, from my experience, also assumes eliminating or limiting alcohol consumption from Sunday through Thursday of the trading week, because it typically takes up to 24 hours to completely leave the blood system. It's best to have the brain working at an optimal level.

Technical – Methodologies vary by the individual trader. All trading opportunities should be explored. A daily ritual of scanning charts will present many good *opportunities.* This is the time-consuming part of trading. Opportunities, however, do not guarantee profits.

Physical – Traders need to release tension in a positive way. Take time to do some type of exercise like golf, tennis or walking.

Discipline is also necessary on the execution side of trading. Risk control is the most critical element of the tracing process. Never forget how a devastating loss can destroy the 'psyche." It damages the trader's soul.

Monitoring a profitable trade in progress also requires discipline – follow the trading plan. Do not be concerned about minuscule fluctuations if your goal is higher. There are two questions that every trader should ask: "Has the market changed since I placed the trade? Can I afford the risk on this trade?" If the answer to both of these questions is "yes" the trader should stay in the trade.

Along with discipline, responsibility plays a significant role in the trading game. Once in the market, the trader alone has responsibility for his or her trading decisions – no one else. Not assuming personal responsibility is like jumping into a fast-moving river without a life jacket in the hopes that there is a lifeguard somewhere on the shore. The trader can keep afloat only if he is responsible for his own destiny. Take joy in the good decisions and learn from the bad ones. Place the orders, close the orders and take the profits. Or, swallow hard, and take the loss if that's the responsible thing to do and your plan points in that direction.

Traders can and do fall into the habit of making excuses about why something went wrong. Again quoting Hostetter, "Forget your profits, but forget you losses faster."

Taking responsibility can be improved by including a few steps or reminders in the trading plan. What works for one trader might not work for another. The way to handle this is to place a written statement on the computer. The statement says: Has the pattern in the trade changed from the original pattern? Has the initial price objective been reached?

If the answer to both of these questions is "yes" its time to exit the trade. If the answer is "no" then the trade must continue; trading is a business of dealing with probabilities, not certainties. Hostetter held that, "We never know which trades will work; the problem arises when we only 'think' we know."

Probability, discipline and responsibility are traits that every trader should strive to attain. Probability assures that losing streaks will develop just as winning streaks will. What matters are how to recover from those losses. Discipline and responsibility help to prevent devastating losses and aid in recovery. Have the discipline to exit or stay in a trade, and take responsibility for the actions. Again, losses are not 100 percent preventable, however, with the right trading strategies and mental focus, many may be avoided.

The author can be reached at tradingtutor.com. His excellent books AstroCycles:Traders ViewPoint, Planetary Harmonics, Harmonic Vibrations, Profitable Patterns for Stock Trading and The Opening Price Principal are available in the catalog section of this magazine and at www.tradersworld.com 800-288-4266.

Gann Grids

By Robert Giodano

After spending close too nine years testing and re-testing many different kinds of market forecasting systems, invented and explained by the numerous so called modern day forecasting masters, I have come to this conclusion…Only a small and elite group of traders consistently showed me an accuracy ratio well above the laws of chance. I reached this conclusion after several key concepts had been learned on the proper application of the master forecasting tools written about within the legendary WD Gann, George Bayer and RN Elliot works. Though I do not claim to understand all there is to know on this very elusive subject, I do feel that my personal research may come in handy as a possible reference guide for those who are willing to take the time to gain the proper knowledge necessary to understand some of the "why's" hidden within the core beliefs of these three great men. By sharing with you some of the titles of the best books, courses, videos, computer programs, and various articles that have helped me gain some of my personal understanding on this fantastic subject, I hope to help you shed some light on just what the three great masters were trying to convey within their various books, courses and recommended reading lists. As you will soon see, this knowledge (when properly applied) can help you gain some remarkable strides in your personal forecasting abilities.

Some Core Ideas

Although each individual trader had developed his own unique set of tools, ideas and forecasting applications, there seemed to be one core idea that tied them all together, their knowledge of natural laws. They each felt that the natural laws as understood by the ancient mystery schools were the keys; not just for the fluctuations of our various markets but for the cause consistent with almost all natural periodical events that usually follow some unexplained pattern or time code. According to this unique research, this time code vibrates at specific lengths throughout our past and continues endlessly into future almost infallibly. This same science, according to these men, also govern every event, repetition of events and the cyclic periodicity within all parts of our natural environment. These three masters claim that the scope of these events include the ebb and flow of the tides, periods of famines, periods of floods, periods of war, periods of earthquakes, natural growth spirals, natural plant growth, planetary rotation cycles and, of course, the cyclical nature of our financial markets. (This research being only a small speck within this gargantuan science was their specialty).

What They Found

Through the use of their special hand-drawn charts combined with their unique mathematical forecasting tools, insights, and overlays they could literally see when the proper price scale was found, the prevailing support and resistance levels inherent within the markets they were researching. Both in its historical price and time fluctuations and also projecting into its future. This knowledge, when properly combined with their unique planetary energy data, gave many accurate and documented forecasts weeks (if not months) in advance….

Gann Grids

One key concept I found to be a major factor in my understanding of their unique forecasting tools lies hidden within the harmonic charts themselves. It was only after I began to scale and re-scale the price and time charts using a prototype of the now "Gann Grids" chart printing program that I began to see the true value of their various master indicators. I also began to see that all stocks, commodities and indexes worked off of different price and time harmonic proportions that could only be found through this type of trial and error research. In my opinion, this key concept holds several of the secret ideas hidden within the planetary price channels so vaguely spoken of by WD Gann in his astrological letters, the general concept behind the Elliot wave price and time periods, and the George Bayer elliptical chart patterns. Although the GANN GRIDS program was designed with the Gann, Bayer and Elliot theories in mind, it however can be used in many ways. You can manually draw on the mathematical and harmonically perfect charts, the Dewey cycles, Jenson and Gann angles, the Long 24 wheel planetary price channels, the harmonic astrological number squares, planetary conjunction cycles triangles, eclipse energy dates and whatever else you may want to experiment with. The Gann grids printing program will allow the user to set the price data from .. 001 - $32.00 per grid box which will cover almost anything being traded at this time and in any time frame from monthly, weekly or daily time periods. This program also includes a special weekend setting that will allow the user incorporate blank spaces for the Saturday and Sunday positions. This setting is extremely important for calendar day cycle analysis (when doing Aster Analysis) rather than just trading day research (along with prior 1952 six day trading week capabilities). The grids per square inch being utilized are 8x8, 12x12, 16x16 and five other preset configurations that WD Gann and myself found helpful in our personal price/time cycle work. The Gann Grids Printing Program is compatible with most charting programs and historical data feeds that utilize the Ascii Format such as dial data, Metastock® and Ensign software (just to mention a few).This program along with a list of the various books,courses,articles, and programs I feel give the best explinations on the combined views of the masters can be found at www.pvtpointmktres.com "several application examples for Gann Grids" The program is also available in this magazine and at www.tradersworld.com and by phone at 800-288-4266.

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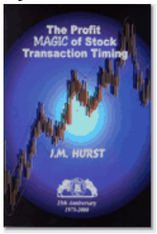
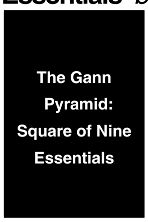


The Gann Pyramid: Square of Nine Essentials *by Daniel T. Ferrera*



A new ground breaking course on the Square Of Nine, W. D. Gann's most mysterious calculator. This course is full of never before seen principles and techniques of analysis using Gann's Square of 9, with detailed explanations of their applications to the markets. **$395.00**

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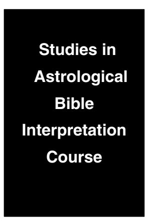

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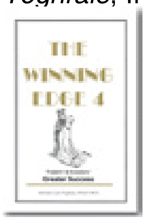

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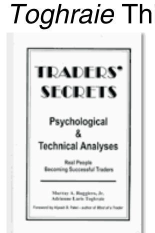

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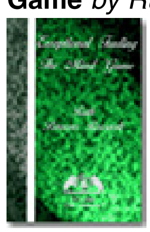
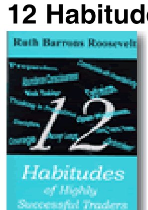
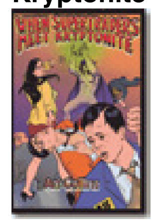


12 Habitudes *by Ruth Roosevelt* The mental aspect of trading contributes more to the success or failure of a trader than the system he uses, the trading rules he uses, or any other factor. This important new book discusses in detail twelve habitudes (habits and attitudes) that are vital to trading success and teaches you how to develop the mental and emotional skills essential to successful trading. **$19.95**



When Supertraders Meet Kryptonite *by Art Collins* 35 fascinating interviews with top traders who share with you stories of catastrophes that occured during their trading careers, how they coped with then, what they learned from them, and how it changed them. Learn from the mistakes of others and gain the benefit of their long experience with how to cope with losing periods and catastrophic situations, and still come out ahead as a highly successful trader. **$35.00**



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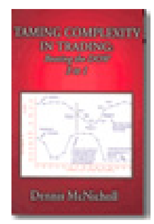
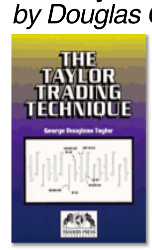
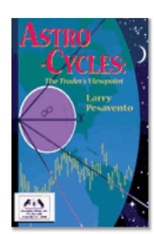


The Taylor Trading Technique
by Douglas G. Taylor
For those interested in day trading and short-term swing trading in futures, this classic 1950 work is an indispensable reference. The 3-Day Method (a.k.a. The Book Method) described herein, maintains that markets move in a three-day cycle that can be tracked by measuring rallies and declines. Linda Bradford Raschke highly recommends this book and the principles it teaches. (128 pgs) **$25.00**





AstroCycles: Traders-Viewpoint
by Larry Pesavento
Pesavento begins at the very beginning of this book by teaching the basics of astrology. He includes the basic

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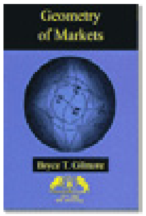

Book explains the theory behind time in the markets, Ancient Geometry and Numerology, Squaring Price Levels, Time Support and Resistance. Heliocentric Planetary Cycles. **$40.00**

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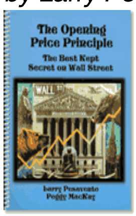

There is an amazingly reliable relationship between the opening price and the high/low range for the entire day. This relationship is generally known only to seasoned veterans. This new book from 2 traders with over 50 years combined experience reveals this consistent pattern, illustrates it with many tabular and charted examples, and tells you how to trade profitably using it. **$23.70**

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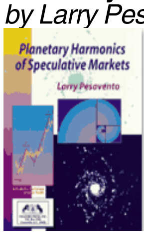

Provides phenomenal trend change dates and Applies George Bayer's Secrets of Forecasting Prices to financial markets, Proves the validity of planetary harmonics, Illustrates hidden Fibonacci ratios. 202 pgs. **~~$49.00~~ $44.10**

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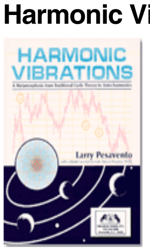
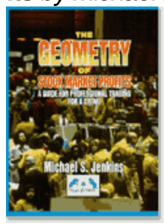


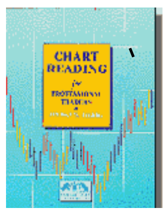
In this book, Pesvanto deals with planetary aspects and their relationship to day-trading. He takes you to the floor of the Chicago Mercantile Exchange with wave trading techniques such as a geometric trading plan based on George Bayer's secret message, Combust (one of the most important astro-harmonic cycles in soybeans) and the Rosh Hashanah Cycle. 176 pgs. **~~$49.00~~ $44.10**

The Geometry of Stock Market Profits
by Michael Jenkins



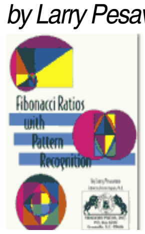
This book is about Jenkins' proprietary techniques, with major emphasis on cycle analysis, how he views and uses the methods of W. D. Gann, and the geometry of time and price. **$45.00**

Chart Reading for Professional Traders
by Michael Jenkins



This book is a complete, comprehensive study on reading charts, forecasting the market, time cycles, and trading strategies. Explains reversal of trends, when to expect them, and how to know the trend has change. Shows you how to forecast with great reliability how long the new trend will last and its price target. **$67.50**

Fiboancci Ratios with Pattern Recognition
by Larry Pesavento



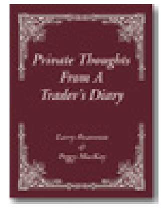
Quoted from Robert Miner's Dynamic Trader Analysis Report, Pesavento has been trading for 30 years. Today, he is primarily a day trader. His new book is well focused and organized. The bulk of the book describes a limited number of high probability patterns which coincide with clusters of Fib price projections that provide the short-term trader with high probability and low capital exposure trade set-ups. These trade set-ups are equally valuable for intermediate term traders as well. The short-term set-ups can also be used to enter for an intermediate term position. **$43.95**

Profitable Patterns for Stock Trading
by Larry Pesavento

Over the past 20 years the use and

misuse of the Fibonacci Summation series has proliferated to the point that commentators on the nation's TV business channels are now resident experts. I lay no claim to being an expert. I have, however, studied the subject of Fibonacci numbers extensively, especially how it relates to trading. I have always taken the pragmatic position that if I could not use what I was studying to help in trading, then I was not interested in pursuing it any further. If this material can stimulate your interest in the subject, then introducing you to the subject will have been worthwhile **$43.95**

Private Thoughts from a Trader's Diary
by two professional traders, Larry Pesavento and Peggy MacKay,



treat you to an indepth look at their daily trading principles and tactics through many days of trading. Each trading decision they make is explained in detail so that you may learn from their vast experience and knowledge. Pesavento's many students will gain new insights from the many trading examples shown. Hardcover, leather, 259 pages
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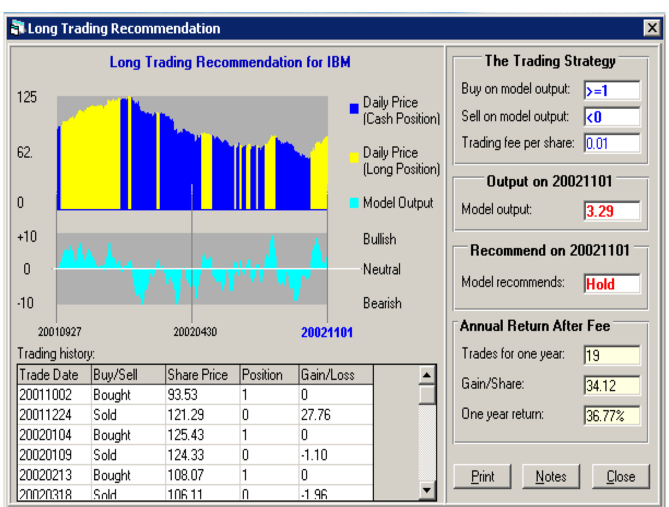
Deep Insight V8

Deep Insight is a technical software program that is built on scientific foundation. The underlying reason that makes technical valuable is the correlation between stock price movement and various indicators or chart patterns. The hard part is to find the effective indicators and to find the correlation level for the stocks that a trader is interested. Traditionally people try to interpret the charts based on experience and apply the same rules to all stocks. It may work some time for some people but it can never be a dependable method for every investor. This program uses probability theory and neural networks to mathematically analyze the correlation, and makes trading recommendations by taking advantage of accurate statistical analysis. The program uses a neural net system to interpret multiple-charts, multiple indicators, industrial strength and market indicators automatically and simultaneously. It's more objective rather than subjective methods many traders and investors use. The program can take the whole array of information, including the stock's trading activities, chart patterns, technical indicators, momentum, market events and trends and take into account when making analysis prediction, and trading recommendations. With just a one button click a trader can download all data from the Internet free of charge, which saves a lot of money month after month. The program is easy to learn and use. It puts the complex math and technology behind the users. Most users can start working with just a couple of minutes. The program uses a combination of streaming data feed and real-time models to provide real-time analysis, prediction and trading recommendations. Live analysis can be run at a time span of tick-by-tick, 1 minute, 5 minute or 10 minutes. It gives real-time long trading as well as short trading recommendations. By combining end of day data and models it can provide end of day analysis, prediction and trading recommendations. It can give daily long or short trading recommendations. The program can analyze and trade exchange trading funds or track stocks such as QQQ and SPY. It will actually analyze the underlying stocks of the funds and combine all stock models to make the final judgment. If offers a significant advantage over the direct analysis of the funds which is considered more accurate. The program can optimize trading strategies to maximize profits and minimize investment risk with its probability theory built into its math model. It can actually make a judgment for the most-possible direction of the price of a stock in the next few days by analyzing all information such as past trading patterns, technical indicators and market overview. It provides 49 powerful methods for users to scan the broad market and find the hot stocks quickly. Overall, DeepInsight is a well-designed technical analysis and trading tool. Its advanced approach and technology should help users to make better investment decisions or gain an edge in the stock market. www.deepinsight.com

See review at www.tradersworld.com/deepinsight



ELWAVE 7.0

ELWAVE, a Windows based software program by Prognosis Software Development, has been specially designed for investors to apply the "Elliott Wave Principle" profitably, the most successful forecasting method ever discovered.

Next to its uncanny forecasts, the Elliott Wave is known for its complexity. There are many rules and guidelines, which have to be applied objectively and consistently. This requires a lot of experience, time and emotional control to make a high quality analysis of the markets to make objective and consistent analyses, which is quite difficult for humans to accomplish.

Not so for a computer. Once the rules have been programmed, the computer can do the analysis quickly, in an objective and consistent way. Of course, programming the experts' knowledge is a very complex task to accomplish. It has cost many years of research, designing and programming to achieve the results ELWAVE generates today. Especially because a true Elliott wave model has been programmed, which is capable of analyzing the fractal nature of the markets by searching and approving patterns in patterns in patterns and so on.

ELWAVE comes in different modules, so every investor may choose purchase the modules that fit his needs. In its full version the software is able to automatically detect Elliott Wave patterns in prices, thereby eliminating the need of many hours of tedious work, as well as to provide trading indications. ELWAVE searches for the best alternatives and will show a clear outlook presenting the most preferred alternative first. In addition it will summarize results, so the user gets a clear outlook and probabilities as derived from the Elliott Wave Principle.

Although the analysis is done automatically, ELWAVE is not considered to be a black box! ELWAVE gives full insight in and information about the patterns of Elliott Wave by displaying all rules and guidelines, as well as the Fibonacci relationships. This way you will know exactly why a wave count has been approved or rejected. Because of the availability of this information the software is not only a trading tool, but also a great learning tool.

Not only will ELWAVE help you to unravel the Elliott Wave, it is also fun to use!

The newly released program now features a brand new engine that is even better than the previous one, providing more detailed and more stringently checked wave counts than ever. In particular what you will notice is that wave degrees are now calibrated to a specific percentage of growth to correlate closely with the magnitude of wave degrees as defined in literature. By using the new engine in combination with the Scan Inspector you can now more effectively focus on trades that concur with your investment strategies. This version of ELWAVE now has full support with Real-Tick and Tenfore QuoteSpeed. www.prognosis.nl

Check for a review at www.tradersworld.com/elwave

MetaStock® Professional 8.0 with Enhanced System Testing

The new version 8.0 of MetaStock® Professional has just been released. The program now boasts over 150 built-in indicators, systems and line studies to help you analyze market movement. All of the indicators can be put on the chart with drag-and-drop ease. The indicator parameters can be easily adjusted to what works best. You can even build your own indicators with The Indicator Builder.

The program contains analysis tools such as: The Explorer™ which scans the markets to find winning securities that meet specific criteria. You tell the Explorer the characteristics you're looking for. It scrutinizes thousands of securities to find the ones that fit your criteria. It can also calculate the value of your favorite indicators, find the biggest gainers and actives and generate buy and sell signals based on your criteria. The Expert Advisor™ is a feature in the program that tells you what top experts have to say about a trading situation. Gurus such as Martin Pring, Gilbert Raff, Bill Willams and others. It can also label 31 different candlestick patterns or even selected patterns.

Charts can easily be created using Reuters DataLink™ for end-of-day or your choice of eSignal™ or Qcharts™ for real-time. You can create any favorite chart style such as bars, lines, Candlesticks, Point & Figure, Kagi, Renko, Three-Line Break, Equivolume and Candlevolume. These charts can also be easily laid out in many different rememberable setups on your screen.

The program also gives you access to the fundamental information you need for trading analysis. This is done though Multex, Market Guide and Yahoo.

MetaStock® 8.0 features many new features and perhaps one of the best features is its ability to back-test hundreds of systems against thousands of securities. What's amazing is that it can be done all at once and all in a surprisingly short period of time. The best way to increase your confidence in any system is to actually test it historically with past data. Working with the program you can actually generate winning trading scenarios with mixing several systems together. You can change the variables and test again and again for the most historically successful trading scenario. The testing can be used factoring in entry and exit orders, commissions, slippage, trading size, dollar amount, and number of units. Up to now this was never possible to get such true-to-life results from testing with Metastock.

Another new feature included in this feature is the PowerPivots™. These are systems and tools that help you identify key turning points in the markets for more profitable entry and exit signals. This gives you a set of five models which offer a brand new way to view the market place. PowerPivots uses proprietary algorithms to evaluate the market's current trend and momentum, and helps you to better identify the key turning points in the market. This also helps you to find pullbacks and breakouts of different strength.

Additional new features also include online explorations which allow you to skip the extra step of downloading and updating historical data to use in performing explorations. Eight built in volume-based explorations that let you search for a variety of volume stocks. Equidistant Channel Line Study that when applied gives a straight and multiple channel of equal distance on your chart. Improved Windows Color Palette and improved folder capacity, which allows you to download and store up to 6,000 securities per folder.

This trading program is excellent for either a novice or expert professional trader. We will have a full detailed review of the new MetaStock®8.0 on our site at www.tradersworld.com/metastock

The Perfect Trading Computer

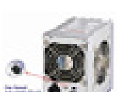
As a trader you need to have the best equipment to do your best. You are competing against other traders in the arena. This article will discuss the perfect trading computer.

The computer should be built in a high quality quiet case. We asked several case manufactures to send us review units. The best we liked were the Antec and the Aluminum Lian-Li cases. The reason we liked them was due to their quality and quietness.

The **Antec 660 Plus case** is an excellent Metallic Gray workstation mini tower. It had a quiet 330W "True Power" Power Supply included. One of the quietest we have seen. The case had 3 - 5.25" bays, 2- 3.5" bays, 3-3.5" internal drive bays. 3 short & 4 full length expansion slots. Front mounted USB & IEEE1394 (Firewire) ports. Side panel cooling fan was included. This case is highly recommended.

The **PC-6089A Lian-Li case** we received for review was made of light weight silver aluminum. It had 4x5.25",3x3.5",5x3.5"drive bays, 2 front USB2.0, dual front fan, and a dual ball bearing back fan. It did not come with a powersupply. It also had a side clear window. This is was the highest quality and one of the most beautiful cases we have ever seen. Also it is highly recommended.

We tested a number of power supplies.



The **Enermax ATX-FMA power supply** with a 8cm fan control. This allowed manual adjustment of the fan speed down to a low level for quietness. This power supply was excellent.

The **Antec True Power 330** tested was thermostatic controlled. When the temperature of the case falls down to a low level the fan speed also drops down sometime only to 10% of its normal speed. This power supply is recommended, especially as part of the Antec 660 Plus case.

The **Zalman 300 watt Quiet Power Supply** tested was one of the best and quietest. Zalman is known as it's quality in the industry.

We also tested the **Seasonic SS-300FX and the SS-400FS power supplies** which were amazingly quiet. We liked these so much that we use them now in the Premo trading computers we sell.

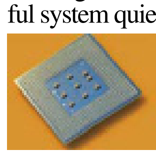
Q-Technology 300 Watt Power Supply we tested was also excellent, quiet and recommended.

To keep the CPU cool you need a high quality heat sink attached over the CPU.

Many computers have loud fans attached to their CPUs. We tested the famous **Zalman CPU Noiseless Cooler.** It is a copper heatsink that attaches over the CPU and has a fan attached to the case that blows down on the CPU. It is one of the best quiet units available to keep the CPU cool and is recommended.

The most innovative CPU cooling system is the **Evergreen Technologies TheMagic™**. It is a liquid cooler radiator similar to the one in your car. It has the coils and two fans that blow on them to keep the system cool. It has a CPU heatsink with cool liquid flow that attaches over the CPU. It actually keeps your entire computer cooler. It is recommended for those who want to cool an trading computer with 2 or more graphic cards.

The new motherboard recommended is the **Intel® 845PE**. This is an ATX form factor, 478-pin socket desktop board based on the Intel® 845PE chipset for DDR333 SDRAM that supports Intel Pentium 4 processors and features 6 PCI, up to 6 Hi-Speed USB 2.0 ports, AC97 audio and 1.5 volt AGP connector. It has the Intel® Precision Cooling Technology that gives your powerful system quieter operation.

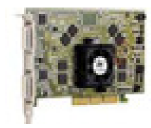


The CPU speed is now is at the 3 GHz mark, the **Intel® Pentium® 4 processor at 3.06 GHz** offers higher levels of performance, creativity and productivity. Based on Intel® NetBurst™ microarchitecture, the Pentium 4 processor offers higher-performance processing than ever before. Built with Intel's 0.13-micron technology, the Pentium 4 processor delivers significant performance gains for use in trading and all your processing needs. It also enables you to multitask more efficiently than ever before when you run the most demanding applications at the same time.

The hard disk drive recommended is the **Western Digital Special Edition Cavier 7200 Hard Drive - 80.0 GB** Its speed is 7200 RPM, Average Read Seek Time of 8.9 ms and a Buffer Size of 8 MB. It is one of the fastest drives available. It is also a quiet drive. For extra protection for your drive, you also might want the Antec Hard Drive Cooling System that we tested. It is a heatsink for maximum heat dispersion. It has two 40mm thermally controlled variable speed fans and two built-in temperature sensors to monitor the hard drive and case temperature.

As far as multiple-monitor cards we recommend the Nvidia **Quadro4 NVS 200 (2-monitors, AGP) and 400 (4-monitors, PCI)** that we reviewed. They deliver professional 2D workstation performance. They utilize the advanced nView software next-generation multi-monitor capabilities through its dual integrated 350MHz RAMDACs that deliver up to 2048 x 1536 at 75Hz, 32bpp on each display. They can work together in 2, 4, 6, or 8 monitor DVI or analog configurations.

If you are interested in an excellent 3 monitor system then consider the **Maxtrox**



Parhelia™ high performance video card. It is a 128MB triple-RGI- Dual-DVI-TV 4xAGP output card. It is designed for a demanding professional who wants unparalleled quality and performance. As far as monitors, we have reviewed several that we like for the traders.

The **Samsung 171P monitor** has a sleek design created by the F.A. Porsche design house. The monitor is silver. With a swivel base, which allows for 360-degree rotation as well as DVI inputs. The 171P features the best in display technology. The 171P has a response time of 25ms, a contrast ratio of 500:1, and a maximum resolution of 1280x1024. This monitor has won many awards for quality. It's excellent for a trader.

Another monitor we reviewed and liked was the **16" LL-T1620H** which offers a high-resolution 1280x1084 (SXGA)

picture on a 16" monitor, making it the perfect fit for even the tightest workspaces. With a super slim bezel, dual input, super high contrast screen, plus color management and Sharp's proprietary anti-glare AGLR technology, the 16" LL-T1620H is one the most advanced LCD monitor available. Native Resolution - 1280 x 1024. Contrast Ratio - 400:1 Input Video Signal - Analog & Digital Pixel Pitch (H/V) - 0.248mm/0.248mm.

Before buying monitors, be sure they are VESA mountable in a multiple monitor stand by **LCD arms or Ergotron®**. They allow you to stack the monitors side-by-side or on top of each other for easier viewing.

Another way to buy monitors is in multiples already construction. They are attached together as indicated in the **multiple monitor** pictured here and on the cover of this magazine. They can be purchased in several

configurations such as dual side-by-side; triple side-by-side as indicated in the picture.; two on top of each other.; four on top and side-by-side and many other configurations.

Many of the products in this article will be reviewed in more detail on our site. Traders World also has a configuration service to our subscribers to provide specialized mulitple-monitor trading computer systems with high reliability, speed and low noise. For more information call Traders World 800-288-4266, or go to our site www.tradersworld.com

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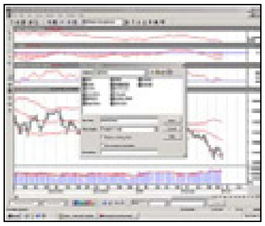

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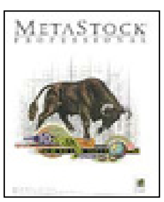

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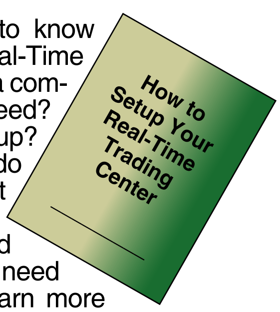

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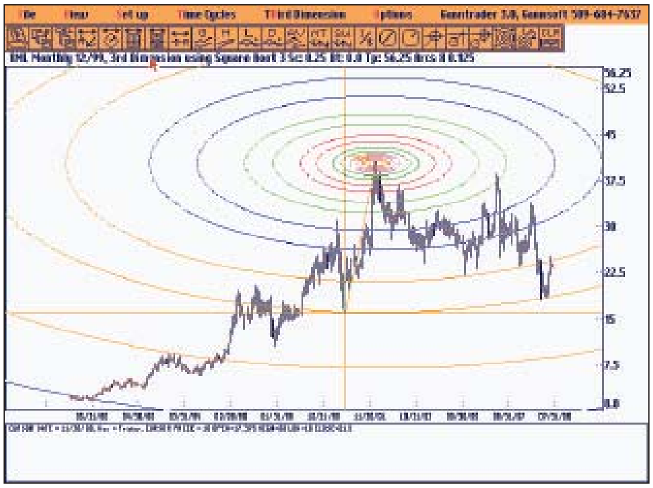

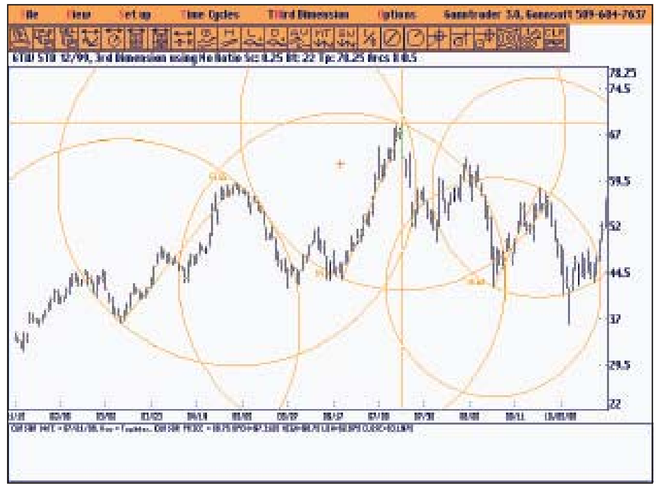

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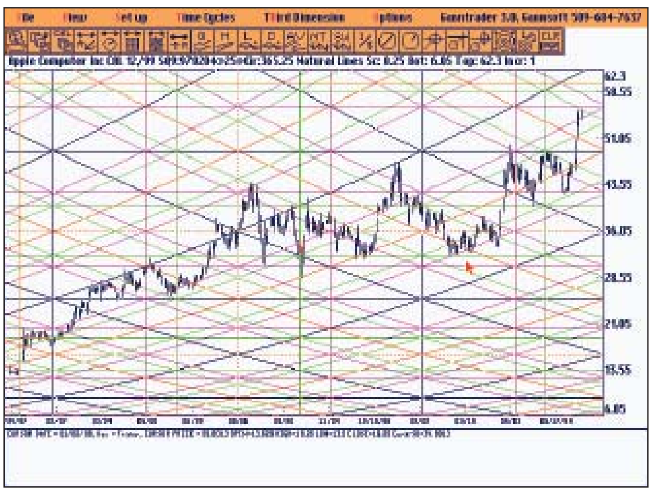

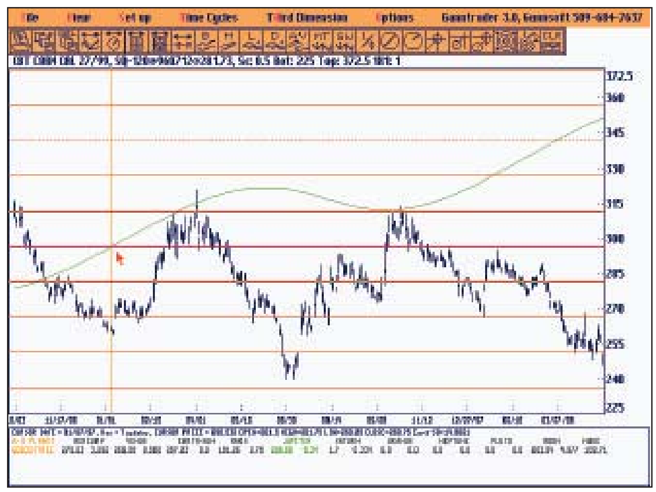

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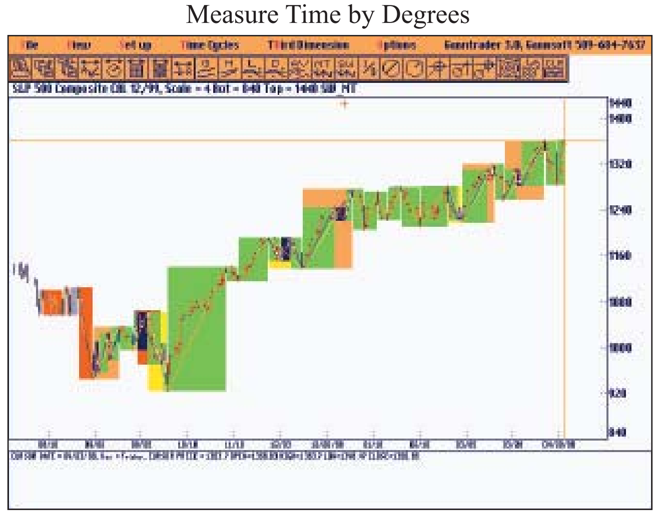

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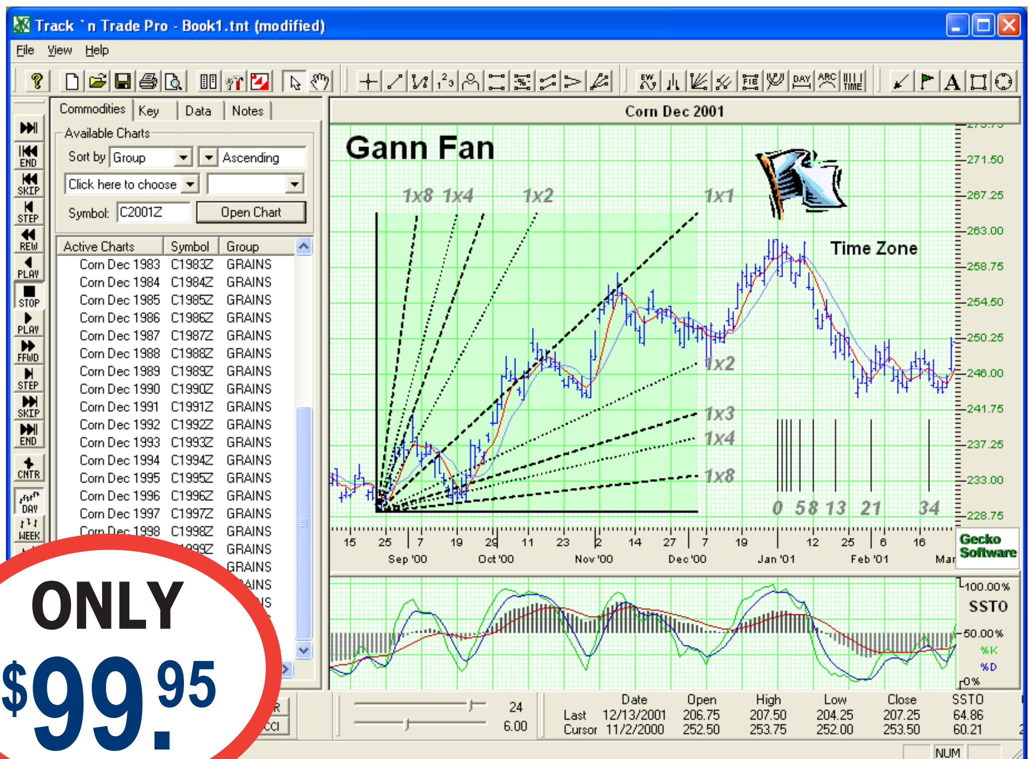

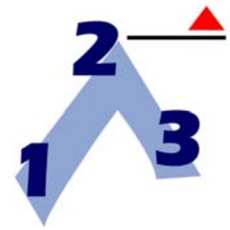

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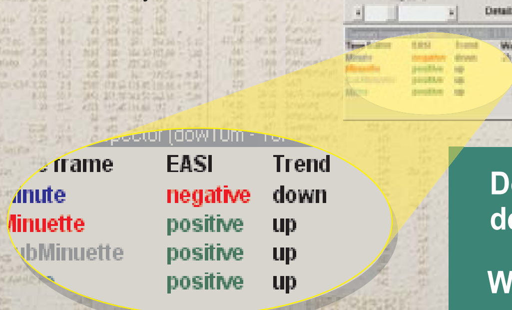

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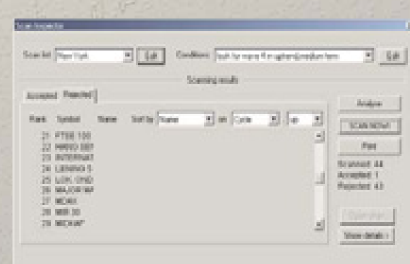

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