STOCK MARKET SOLUTION and
THE STOCK MARKET TRADERS TEST

Over 400 Rules and Techniques
You Need to Know to
Profit at Trading Stocks!

by David H Potschka

INTRODUCTION

It is good to spread stuff out so that your brain doesn't get bored but does get refreshed. I suggest you read the table of contents a few times before you read the book as it will help to prime your memory circuits. Then skim through the entire book without paying much attention to the things you don't understand. Then read the table of contents again a few more times, repeat. Eventually you will have to spend time figuring stuff out but if you pump and prime a few times first it will be easier. Spend a week skimming (like our bankers) so your brain can work on the stuff while you are sleeping at night.
I tried to keep the book as short as possible so you could read it in under 5 hours.

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NOTE: If you can fill in all the "..." then you know the rules pretty good, and are ready to play the game!

THE STOCK MARKET TRADERS TEST
(and table of contents)

Rule 13: Small and mid cap stocks are where the small investor can get rich the fastest.
Rule 14: Study the Jan 06 attributes of a stock called ati, this was the insider (large wall street brokers etc.) buy-in for Jan/06...
Rule 15: Just track stocks no one else is playing (small cap and micro cap)...
Rule 16: Don't play stocks you are not sure about or whose balance sheet is too difficult to understand.

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Rule 17: Subscribe to TheStreet.com or Fool.com or some of the other sites which give you quality recommendations...
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Rule 33: Stay away from companies that seem to have way too much debt compared to their competition no matter how fast...
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Rule 50: Retail companies which have saturated a local market and are about to go national can be very profitable...
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Rule 79: A lot of people use candle stick charts therefore they are a self full filling prophecy.
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Rule 101: Watch out for the controllers of the red-tape (government). If they change something which is related to your stock...
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Rule 103: You know when a fad is over when the stores which sell the product have enough of the product to meet demand.
Rule 104: Any stock with accounting problems is a sell. They're either hiding a problem or just plain ripping you off.
Rule 105: Even blue chip growth companies trying to display integrity will back date options. What do they care. F them. Sell, sell, sell.
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Rule 129: Diversify. Each stock you own should be in a different sector. Putting 50% of my portfolio in the mdy is an easy way to diversify...
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Rule 136: Your emotions are linked to the amount of money you are winning/losing. Devise your own rules to compensate for this...
Rule 137: It's not good for the stock market if people are killing each other over pieces of paper with doodles on them. Murder is...
Rule 138: Sell when your holdings make you feel happy. Buy when your holdings are increasing your pain. Unless you are good at rule 136.
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Rule 140: Something important to repeat. How does the company make money; specifically. Krispy Creme did not make money selling...
Rule 141: Estimated future growth compared to a stocks pe ratio is a strong indicator. Watch out for fictional growth and...
Rule 142: Well managed debt and cash flow levels relative to revenue is a strong indicator. If you play micro cap companies...
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Rule 145: Buy and follow the news on the company. Don't just buy and hold and wonder what's uh going on with my money...
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Rule 147: For a conservative portfolio, 20 stocks gives you a maximum buy in of 5% per stock. This keeps it safe, but not so...
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Rule 156: If the djia pe is around 34 then stock prices in general are supposedly set at a fair value for next year. This would...

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Rule 161: Compare a stocks future earnings growth with its average pe. The higher the future earnings growth the...
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Rule 164: A secondary offering is when the company issues more shares, this will increase the supply of shares. This is of course...

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Rule 167: Always use a limit order unless you are a small investor playing...
Rule 168: Whenever there is a mention of something negative, stay away unless you know for a fact (if that's possible) that the...
Rule 169: In general, the higher a stocks future growth targets, the more volatile...
Rule 170: Trends in motion tend to stay in motion until something comes along to change the direction. When the ranges of all the indices get...
Rule 171: Give some of the money you make from using the information from this book to...
Rule 172: If a company is suing one of its subsidiaries - this is usually...

Rule 197: Watch for program trading, when a stock or the spy trends in a narrow range on the 5 min chart the direction could be a...
Rule 198: A 45% distance below the 200 sma is when the market is close to a...
Rule 199: Only trade around the extremes, handles, s/r (support and resistance), trend lines, Bollinger bands, 50 sma and open interest protection points.
Rule 200: Fade the first hour range on breakout for sideways day.
Rule 201: Sideways days and reverse days happen after one or two up/dn days.
Rule 202: 6:30am to 7:00am pst play gaps. see next rule.
Rule 203: If everyone is playing fade the gap and they are wrong, because there is not enough...
Rule 204: Never go against the intermediate term trend for swing trades and if the intermediate term trend is even then don't play swing trades.
Rule 205: Never go against the short term trend for day trading.
Rule 206: Watch your 15min chart for an idea as to the amount of volume compared to the past 5 days.
Rule 207: 7:00am to 10:00am pst, look for breakouts or reversals of stocks which gapped at the open.
Rule 208: 8:30am to 11:30am pst (lunch time in New York) volume slows down and it doesn't take much for the market to...
Rule 209: After hours, use a limit order for any buy and a stop limit for your sales.
Rule 210: They will attempt to defend large open interest. If they fail the stock could accelerate.
Rule 211: Nasdaq is the new idea companies therefore the nasdaq usually leads. Although lately it has been the s&p. Apr 25/09.
Rule 212: The spx is higher than the emini therefore the future is down, or is it about to reverse? Apr 25/09
Rule 213: Watch the euro/yen/usa dollar, oil, xom, gold, iwm, spx, banks, techs, interest rates (tnx/back month fed funds futures), up vol vs down vol, and the advance decline for trend confirmation and...
Rule 214: Also follow some popular stocks for trend signals,...
Rule 215: The vix; if it is moving in the wrong direction then people don't believe in the current...
Rule 216: Calculate the percentage move in interest rates if they move way faster than the market. The market will follow about the same...
Rule 217: The gov't is now a big player in the markets as the banks are bankrupt, therefore pay close attention to the rumors and news regarding their...
Rule 218: Watch cnbc for news or Bloomberg. Don't be swayed by opinion, just the facts please.
Rule 219: Compression can be seen when the 9 sma and the 50 sma get close together. A volatility squeeze. Look for wedges; the highs get lower and the lows get...

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Rule 221: Only fade the gap when the market is...
Rule 222: Only fade the gap in the direction of the intermediate...
Rule 223: Gap and go only if the market opens with a small gap under 0.8% and over...
Rule 224: Do not gap and go in a sideways market, again the market must be...
Rule 225: Only gap and go when the short term trend and the intermediate term trend are scheduled...

Chapter 41; Drawing Short Term Predictive Trend Lines, Another way

Rule 226: If the market rallies on good and bad news then the market is really...

Rule 227: If we are going into the close and; micro trend is up, short term trend is up, intermediate term trend is even 5/7/09, long term trend is still even: then the micro trend...

Rule 228: The short term trend changes whenever the micro trend does 3...

Rule 229: Always bet when the short term trend and the intermediate term trend are moving in the same...

Rule 230: Simplify everything, just look at the 15 day 15 min chart for the es. Buy when ever the market is making a 2%...

Rule 231: Sell near the top of the trend line and buy near the...

Rule 232: A clean sweep, now I know what they mean when they say contrarian players make more. In a bull market run there can be more intraday down action. This is offset by the market having more after hours...

Rule 233: If you know the market is at the top of an intermediate term trend then short in any zone and attempt to build a...

Rule 234: If it's a sideways day then the stock won't go very deep into zone 1 or 3. Make smaller bets and...

Rule 235: If it's a trending day then move your stops by hand and go for the big score.

Rule 236: If the tbt crashes and the tbt - iwm spread is over 420 and the es goes up instead then you know the tbt will be...

Rule 237: When you don't know which way the market is going to go before the open then wait for the 2nd 5 min candle to form for...

Rule 238: CALANDER SPEAD; sell an out of the money front month call and buy an...

Rule 239: If the intermediate term trend is up then the short term trend is almost always up if you are...

Rule 240: The more gap ups in a row the faster the acceleration of the up trend lines. Too much acceleration can lead to...

Rule 241: I find the 3 month daily chart with three trend lines is all you need, using shorter term charts for the spx can be...

Chapter 42; More Rules

Rule 244: The stock market will move up before inflation off a big bottom.

Rule 245: The stair step pattern is the most difficult pattern to day trade. So take...

Rule 246: Swing trade; holding overnight is the best way to make money fast in any trend, however, if you are wrong you can lose a bundle, you must increase you risk reward ratio and be prepared to...

Rule 247: Never jump in at 6:30 pst unless the price is at its most...

Rule 248: The date when big stocks release their earnings will determine their chart pattern. Stocks with strong fundamentals will...

Rule 249: The big money goes on holiday in the summer. Volatility gets low so there will be many sideways days but when a trending day happens it can be huge. So don't...

Rule 250: The big money will attempt to pin the spx options x target 5 days before expiration. This gives them 5 more days to...

Rule 251: Never trade against the intermediate term trend even if the daily trend is...
Rule 252: It can take a full hour for the daily trend to be...
Rule 253: On options x day the spx settlement comes out at 9:30am pst and is an indication of where the spx will...
Rule 254: Never go long out of the money options on expiration day, the time decay...
Rule 255: I think I said this before. NEVER TRADE AGAINST THE INTERMEDITATE TERM TREND OR THE DAILY TREND. WHAT, ARE YOU TRYING...
Rule 256: It's ok to be wrong but it's not ok to stay...
Rule 257: The only time you can trade against the short term trend is if the short term trend is going against the intermediate term trend and it is...
Rule 258: For Mondays' pivot and s/r you can use the weekly high and low.
Rule 259: Shorts like to cover their positions before a long weekend, if prices are down, so look for a micro trend...
Rule 260: Flash trading; some large investment companies have software on the exchange floor which trades for them, this software gets data...
Rule 261: Keep a profit loss table. Double up on your long tna and hold the faz to lower commission costs when you want to go long short term.
Rule 262: The bkx, iwm, gld, spx cross is...
Rule 263: May 29/09 Interest rates are so low there is no where to put your big amounts of cash except...

Chapter 43; And Still More Rules, bond auctions, interest rates, Exercise

Rule 264: Mark the close with a horizontal line. The micro trend in the last 15 min before market open (bmo) can be an...
Rule 265: Remember to read your one minute volume chart at the end of every day and during the day for day trading. Look for large spikes as a...
Rule 266: The tnx runs inversely with the spx on the 5 year chart. This is connected to the...
Rule 267: Wednesday - Bond sales are weak again. No one wants the us debt. Interests rates rise. Bid to cover ratio = People bid on the bonds available = bidsTotal/bondsAvailable in dollars. Keep track of the bid to cover, it will tell you if the dollar is strong relative to...
Rule 268: Start tracking the bond auctions, when do they happen. Make a table. They effect...
Rule 269: Pin example; They keep riding the market into 960 so people will buy spy 95 calls, the big money will pin the options x close at 92.5, so all the 95.0 calls expire worthless and most of the...
Rule 270: A sideways trending market in a bear market is labelled as a short term "distributing up trend"...
Rule 271: Interest rates react around 10am pst to bond auctions and this can effect...
Rule 272: Become aware of your stocks past pattern; the cvvuf likes to retrace about 3 handles at a time both up and down. Off a big base it likes to move 4 handles up. See the one year chart. What is xom's retracement...
Rule 273: The banks, energies and tech's must all move together for a strong trend to...
Rule 274: Scalp trade against the trend until the trend changes, then hold your last scalp as a trend trade. You get maybe one or two trending days a week, the odds of a trending day happening are highest after 2 or 3...

Rule 275: Day trade; if a stock is doing a fade gap up and the market is trending upwards and the stock does a bottom tail (candle pattern) and then breaks its trend line to the upside, then...
Rule 276: Swing trade; only buy stocks which have experienced a volatility...
Rule 277: Chart intra day pivots for the spy as well as the es, make sure they confirm each other. You may want to draw pivots on your NASDAQ and iwm as well.
Rule 278: THE BIG money controls the market and they will attempt to do the...
Rule 279: The best traders only make 2 trades a week. One buy and one sale. That would be like ultimate swing trading, you go all in on the first week and all out on the 2nd week because you know exactly what the range will be for week one and week two.
Rule 280: In your head imagine 2 huge money players. They control the...
Rule 281: One of my best indicators is when I put up a chart and go and look at it from the back of the room, if I see a...

Chapter 44; Bollinger bands, Symmetrical triangles, silly puddy, Xom Rules, plan for Monday morning, So Many Rules

Rule 282: You should read stockPicker.com every day to get the rumors or theStreet.com or something.
Rule 283: You should take into consideration the growth rate of the company and compare it to its' peers.
Rule 284: Day trade; sometimes the overnight hi/low will act as r/s.
Rule 285: Be sure the volume and price are going in the correct direction if you want to load the...
Rule 286: Draw the pennants/wedges (when the down trend line meets the up trend line) on your charts in real time and then trade them. Use a one min chart for...
Rule 287: Recessions don't end with capacity utilization still declining.
Rule 288: Scalping, you can use the turning points from yesterday as r/s.
Rule 289: If the 50 sma is just below a pivot the big wigs might take the price...
Rule 290: Bad bond and note auctions are set ups, if the auctions go bad at the beginning of the week, they will probably be...
Rule 291: Long term; the solar stocks will move in the same direction as oil.
Rule 292: Remove your stops overnight (just before the close). If the stock gaps against you after hours there is a 70% chance it will close...
Rule 293: July 31/09 spx up 50% since March...
Rule 294: Oil stops trading at 11:30 am pst, look for an extreme price setup at that time. The tnx stops trading at...
Rule 295: When selling condors, leg into it ie put one side of the trade on and see if it goes your way and then put on the other side. And dollar...
Rule 296: End of month window dressing could keep the market at least sideways on the...
Rule 297: Russia needs oil to be at $70 to break even. Every thing is linked, therefore the dollar will track the price of...
Rule 298: If xom is running contrary to the market, or any other super large cap, then the market will have a...
Rule 299: When it comes to the stock market, no rule is...

Chapter 45; economic news, scalp trading, hi frequency computers, macd, dips and rips

Rule 300: Wait for a pivot and if you don't know what's going

on then stay out, it's choppy...
Rule 301: The market gives you two chances to get in most of the time, this allows you to buy at the very bottom.
Rule 302: If the market doesn't let you in then just wait for the next setup. No chasing allowed...
Rule 303: So a stock with low volatility is ready for high volatility. Track volatility and put to call ratio of super large...
Rule 304: Trading contrary means scalping the bounces until the market makes a big turn. Each trade is...
Rule 305: Watch the first 5 min with the one min chart, then switch to the ticks to decide if fade the gap is happening.
Rule 306: Interest rates will be going up if they announce way more bond sales than...
Rule 307: Adding to your position when you are winning will work. Adding to your position when you are losing does not work. Unless you want to hold for...
Rule 308: You are right or you are right out, super small loss scalp or long term entry; turn an investment into a day trade, if the day trade doesn't work then turn the investment into a swing trade, if the swing trade doesn't work then the investment is an...
Rule 309: Check your 15 min vol for bac or whatever you play and compare it to the last 15 days to catch the daily trend, this will prevent you from getting...
Rule 310: STOCK THAT IS TRENDING UP ON A DAILY chart; you can day trade and if it runs without you don't worry you can always buy it back at the end...
Rule 311: If your good stock is trending up and the macd says sell near the end of the day...
Rule 312: The one min chart is graphed in 15 min segments, consider using 15 min instead of the 5 min chart in your dome. Keep both the one minute and the 15 minute open in the same...
Rule 313: You need to use the 300sma because the depression prices distorted the 200 sma. We were to low artificially for a very short time, that will distort the 200sma number (March 23/10).
Rule 314: The market will trend only one or two days...
Rule 315: The 30 day Fed funds futures (zq) seems to lead the stock market by about...
Rule 316: When the market goes up on news that should make it go down then you are in a...
Rule 317: If xom rallies hard before the oil news and the rumor is for an overbuild then short before the...
Rule 318: The change of trend will sometimes start with a large range...
Rule 319: bac is a good proxy for the economy and the market, it has a huge brokerage wing (Merril Lynch), and it has loaned money to half of every...
Rule 320: The 30 year bond auction, Rick gives it an A-, bid to cover is 2.54, above average. Since we need to watch the auctions to decide on what stocks will do, it is not very bullish long term for the world economy (March 25/10). Update this...
Rule 321: If you are in a sideways market and the market drifts up at the close then most people were short for the day but they were...
Rule 322: If the vol doesn't do what I tell it to do then it is false vol...
Rule 323: On a 15 minute chart; When the vix is below the 10 day sma it is too low and vice versa, 7% below is a...
Rule 324: If a "mid vertical" doesn't go through when the stock moves against you (while the order is pending) then you are on the same page as the specialist and you should change your order to a natural.

Unless a sucker takes your trade. So you must want the trade to begin with. Some traders just wait for...

Rule 325: If you are in a long term sideways market and the mutual funds are still buying near a top and the market doesn't gap up at the open then it will go up from the get...

Rule 326: Only trade once or twice per week when the market is at an...

Rule 327: Buy on the dips and sell on the rips, this is proven to be better than buying breakouts in a...

Chapter 46; negative catalyst, international trading routes, accumulating the iwm, Rothschilds, control your options, spot the liar, congestion points, 5 asset classes

Rule 328: On a daily chart; when pairs trading you want the correlation to be even and as close to...

Rule 329: If your trades make you feel uncomfortable then your size is to...

Rule 330: The super large volume on the sp large contracts are major pivot points, track them as r/s.

Rule 331: The big money is using the headlines to push the market in the wrong direction ie see marketwatch.com home page. The big money owns the...

Rule 332: Some really bad stocks will move against the dominant market up trend, and then reverse temporarily when the major market trend...

Rule 333: The most basic bit of fundamental news will tell the...

Rule 334: Weekend option decay should be baked in by mid day...

Rule 335: Mutual funds get lots of money over the weekend and then they put it to work on...

Rule 336: The Baltic dry freight index tells you how much China is...

Rule 337: If the es hits the same price over and over hour after hour, then it is knocking on the door and SOME times the door will open if it is the...

Rule 338: Volatility and volume go way down in the summer so no day trading if your account is under...

Rule 339: Buy stocks which are over their 200 sma, and over or breaking up through their 50 sma and below their 21 day (if possible, a pull back).

Rule 340: If you go short at mid day and the trade is very much in your favor then, hold overnight. If you short early in the morning then cover well before the...

Rule 341: Your yearly horizontal lines should be in a bright color. Only trade around your horizontal yearly s/r lines, they...

Rule 342: The dominant money pushes the market where it wants to in after...

Rule 343: You must go to the actual companies web site to get the skinny on when the earnings are coming out. And then check the news to see if that has been...

Chapter 47; 5 days in a row, pick pocket, major players, unusual turning points, stable divy

Rule 344: Where will your options expire to inflict the most...

Rule 345: If the underlying index falls 1% every day for 33 days, then how far will the triple leverage fund fall...

Rule 346: Major tech stocks will dictate which way the...

Rule 347: Calculate the percentage move in interest rates (use tnx) if

they move way faster than the market. The market will follow about the same...
Rule 348: The fewer moves you make, the more money you make. Your best trades are your smallest...
Rule 349: The 15 min tic is a tell for es 15 min chart. Put a 4 day sma on your tic it is very good.
Rule 350: If you buy the wrong stock by mistake, exit the trade immediately. There is a good chance that others have done so at the same time as you, and the specialists will...
Rule 351: The market signals its short term direction in after hours trading when it gaps large at midnight, scary.
Rule 352: When watching the es level 2; if the bulls slow down for a few days, ie thinner than normal trading, they may be running out of...
Rule 353: For day trades, wait for the breadth to show its' hand then buy something good which has been going down on the day like gs Sept 28/09.
Rule 354: For your economic data which comes out daily; if the numbers don't beat the consensus then it is...
Rule 355: Fed funds usually rises 2 months after unemployment peaks. If it doesn't then something is seriously wrong with the...
Rule 356: If gs earnings are bad the whole market will go down. If they are good then rally...
Rule 357: The market can consolidate at the end of Nov as people feel good and go on holiday for xmas.
Rule 358: Wait until you see a good vol spike at a r/s line before you make any trade on the one min es chart, this is a micro trend...
Rule 359: The /dx and spx chart show a great indicator. Use the 15 day 15min chart. They tend to run inverse with each other. The eruo/jpy /dx spread also runs inverse and is a great...
Rule 360: Between 9:30am and 10:30am pst options get repriced for the next days...
Rule 361: Good companies with good Stocks with good earnings that drop are a big buy, use options.
Rule 362: The market can only go up if guidance goes up during earnings season.
Rule 363: The tna 5 min with after hours on, shows the macd is very accurate. If you are contrarian and hold overnight you will make a lot of money when this rule is on. The macd shows accumulation and distribution by the...
Rule 364: Four bottoms in a row and up we go, on a 5 min chart es.
Rule 365: If the banks are holding all the liquid dollars they borrow then inflation will be controlled...
Rule 366: Every time the euro/jpy hits the magic value the dollar goes up, this drives stocks...
Rule 367: Use the 150 sma to smooth out the long term trend on a ten year chart, watch out when it crosses the...
Rule 368: When a large cap goes up for no reason it could be because they are looking to acquire some one.
Rule 369: A stock must beat the whisper (high man whispers real top) and the high man (respected top analyst) for a stock to rise after earnings.
Rule 370: Day trade stocks with a good divy in case the day trade turns into a swing trade; with accumulation as part of the plan to turn the swing into an investment. Try mo.
A good divy is a...
Rule 371: FederalReserve.gov, search beige book. The survey of the economy by the gov't is better than the gov't...
Rule 372: They tend to under estimate the adp employment report.

Rule 373: Play the pick pocket maneuver near pivot, r/s lines. Choose a limit order which is over the 4 sma for shorting. Do the opposite if it is a long day. Risk is based on how much information you have, if your dreams come true then you have max...

Chapter 48; stopped out, Define Risk, factored into the stock, stronger than the market

Rule 374: It is difficult to contain a 1% risk threshold with less than 25k. Your stops will be too tight and you will get...

Rule 375: If you have less than 25k you should scale into (average in) 5 high dividend stocks in different...

Rule 376: Swing trading, you need 100k and don't risk more than 0.5% on any trade as a big gap over night can...

Rule 377: Turn a day trade into a swing trade if you have a cushion or if you have sold half, then hold the other half for the swing.

Rule 378: Weekly charts are good for trend line support triggers and for seeing the long term and intermediate term...

Rule 379: All we have is "fade the gap down" for entry (going long), this is our main advantage for swing trading. We wait for the stock to gap down on Mon, Tue, Wed, Thu; we do not trade on Friday unless it is a day...

Rule 380: If a stock rallies before earnings then you want to sell before...

Rule 381: Always invest in technology, always, always...

Rule 382: When the market is crashing the small cap biotechs can surge up. Scan for stocks with a p/e over zero, up more than 4.9% and return the largest market cap stocks first. Play the stocks which are trending stronger than the market if possible, sell anything that...

Chapter 49; More Scanning, MARKET NOTES, web browser based platform, PCE price index, Non farm payroll, Long Call - Short Stock Strategy, fed funds rate

Rule 383: It doesn't take much money to hold the market up after hours to create the imbalance for the morning.

Rule 384: Because many people use gs as a short term indicator, the traders of gs will often sell gs while they acquire es...

Rule 385: On the fomc interest rate meeting announcement the market will often go in the wrong direction during the first one...

Rule 386: Don't let the media fool you with negative or...

Rule 387: Watch the tos help videos for that analyze tab they have.

Chapter 50; tnx, economic data, Time Lines For Trends, Cantango, Bid to Cover, SKEW, load in, Month codes, Tax Changes, Ridex Funds

Rule 388: The tnx is an intermediate term indicator and a micro trend indicator. The /ZQ is a short term indicator. It leads the stock market by about...

Rule 389: Overlap the spy back month option contracts with the spy front month option contracts. Use a non percentage line chart. You will have to divide the back month contracts by a reasonable constant like 2.8 to get the charts to land right on top of each other. At prophet charts the software will not take a decimal so you must divide by a fraction like 28/10. When ever the front month hits an extreme relative to the back month the market is at an extreme and reverses direction. Use a 10 day chart. I like this rule a lot.

-------------------------- End Contents

Chapter 1; The Banks Are Criminal, we are aware

A U.S syndicated crime organization with a lot of dirty money forms a very close relationship with a central bank in a British Commonwealth country. The diplomats from that country smuggle the cash out of the U.S. If it's $10,000 or more, they are supposed to report that to U.S. Customs, but they don't. The money goes into the central bank and then into various shell companies in different countries in return for shares in those companies.

The money is thus "put in the blender" so the paper

trail will be "just about" impossible for
investigators to follow (this implies that investigators are aware).
Then, to get the money back into the U.S., shell
companies in the U.S. sell their worthless
shares to investors in Britain (who are in fact in
on the scam) and presto, the money is back in
the U.S., clean as a whistle!
And then the money is used to buy legitimate businesses,
banks and political power.

This type of operation, involving highly placed
officials and businessmen costs quite a bit,
perhaps 35 percent, but once the system is setup, all types of people will
want to use it; drug barons, arms dealers, terrorist groups, intelligence
agencies etc (this implies that intelligence agencies are aware).

A perfect location for such unscrupulous customers was the Bank of Credit
and Commerce International (BCCI), located in Luxembourg and the Cayman
islands with branches in 72 countries. It was reported to have secretly
controlled the First American Bank of Washington, D. C. When BCCI
collapsed in 1991, after having defrauded depositors of several billion
dollars, it became known as the Bank of Crooks and Criminals International.

The latest bank/real estate scam (2004-2009) nearly sent the worlds
economy into a depression, crime of the century, we are aware.

We are also aware that:
The billionaires control the high priced hit men, some of the billionaires
are ex-high priced hit men. The hit men control the gang leaders, the
gang leaders control the people (cops are people), the people control
the gov't, the gov't controls the military. Now you can re-arrange this
pretty much anyway you want to but it still says that we live in a dictatorship.
Which is probably a good thing otherwise the people would be voting on every
little thing via computer and the people don't really know what's going on.
You could also look at it this way, who ever has the most advertising
dollars wins the election (risky, since...rules evolve).

And so let's continue our education and learn
how to make even more than 20% per year.

OK go look at a 100 year chart for the DJIA corrected for inflation.
You will see a pattern. 20 years or so for the bull and 10 years or so
for the bear. The last 20 year bull pattern went from 1980 to 2000.
That means we have been in a bear market since 2000 which should last
about 10 years ending in 2010. And this bear market has been rather
sweet with a 6 year bull run starting in 2003.   Also technology is
always one step ahead of our problems. It's to bad greedy smart people
continue to cause banking failures etc. They like to control the one
year pattern of not paying short term capital
gains tax as well. Remember 1987?
This pattern is quite easy to see on a 3 year chart.
If the market is low then 12 - 18 - 24 - 30 etc
months later the market will be high. This pattern can be slightly
extended to make the markets look random. So add a month here and there.

How can the market be random if it is directly connected to the growth/decline of the economy. Cyclical investing also states that the markets are not random. 5% of the people control 95% of the world's money, they know what is going on, they are smart.

Rule 1: The strength of the economy determines how high or low the market will go.

----------------- End Chapter 1; The Banks Are Criminal, we are aware

Chapter 2; Back Cover, About Me

From basic economics to complex accounting formulas (learn to use street smarts and grade 7 math to win this game). This book shows you how to map the numbers onto the psychology of the market. With over 400 rules you can become a better trader/investor by learning how to eliminate your bad trading habits. Learn to predict all stock market trends from daily to long term with the cutting edge tools which are now explained in everyday language. You will also learn how to spot when the tools are starting to break down and so you will be shown how to apply a few types of insurance to hedge your portfolio when times are completely uncertain.

About Me

I was a music teacher for 18 years, I started studying economics after high school. Now I will teach about making a lot of money in the stock market, freedom 35 does exist, knowledge is power, power is freedom and actual choice.

------------------------------- End Chapter 2; Back Cover, About Me

Chapter 3; What Constitutes The Market

Time to buy. May 11/07. Earnings go down and the stock goes up. Or is that the specialist manipulating the price or is it the media/analyst/broker or a combination of these? Who cares goog has overall good numbers, just buy it and hold. I see

said the blind man. If everyone new
everything there would be no market. If i/you knew
everything then you would not buy
my junk stocks and you would not sell me your great
stocks. Where is the market. The market
is in fix zone. Where is fix zone. Is that an option.
No, it is my intuition of
forward earnings relative to current valuation (stock price relative to
lets say assets minus liabilities and the long term tax code).
What does the buyer/me want. lol. The me wants

...mystery.

Rule 2: The market is made up of some truth and some fiction. Be aware
that the fiction part is generally advertised by the
media (they are pawns of the wealthy).

---------------------------- End Chapter 3; What Constitutes The Market

Chapter 4; Enterprise Multiple (EM) 1 and Journal Example 1

May 24/07
Here is today's enterprise multiple scan.
If you are new you should probably skim through the sections you don't quite yet understand and come back to them once you have mastered more of the definitions.

EM for today shows 32 stocks again, let's see if there are any changes.

SDCR   SI (short interest)   stars   notes
SPSN is back.   D   5.52   NO stars. Flash memory. I see more distribution than accumulation. Talk about the boomerang rules.

FMT is gone.   C- mid cap   si = 41.73 Consumer real estate lending.
I looked at this stock before and it had a divy of 8 and now the divy is 4.
UP 70% in the last 3 days.

Rule 3: So a beaten down company with some legs and a good divy is one really good way to go.

Sunday May 20 / 07

SDCR SI   stars out of 5   notes
(theStreet.com rating)
METALS-NON FERROUS
Wsi Industries   WSCI B   n/a   * * *   Needs 3 more days at least and then. Daves 5 day rule. To increase risk (and increase profit potential to the upside) change the 5 day rule into the 4 day rule etc.
ya and then I saw it on stockpickr.com, weird.

----------- End Chapter 4; Enterprise Multiple (EM) 1 and Journal Example 1

Chapter 5; Hyped Up or Depressed Emotions and Compound Interest Formula

Depressed;
It has been shown over time that no one can ever make more than 24% every year in the stock market. Sure lighting strikes but that is just luck.

Hyper;
Make $87 million in one year trading options.

Just right;
20% compounded for 20 years = 24 times your initial investment. It depends on you.

Rule 4: Manage your emotions in good and bad markets so you don't lose perspective on what your indicators are telling you.

The formula for annual compound interest, including principal sum, is:
A = P (1 + r/n) (nt)

Where:

A = the future value of the investment/loan, including interest
P = the principal investment amount (the initial deposit or loan amount)
r = the annual interest rate (decimal)
n = the number of times that interest is compounded per year
t = the number of years the money is invested or borrowed for

Note that this formula gives you the future value of an investment or loan, which is compound interest plus the principal. Should you wish to calculate the compound interest only, you need this:

Total compounded interest = P (1 + r/n) (nt) - P

--- End 5; Hyped Up or Depressed Emotions and Compound Interest Formula

Chapter 6; Options, shorting, advanced programming,
dream trading and other ramblings, private placement

Basic Option Definition:

The right, but not the obligation, to buy (call contract) or sell (put contract) a stock at an agreed upon price (strike price) before a specific date (expiration date).

Stocks added to the portfolio: 0
Stocks deleted from the portfolio: 0

Stock SDCR SI Stars notes/sector
(thestreet.com rating) (short interest)

qqqq covered 20k short. Why bother, just short something that is real trash. qqqq hit short interest = 55% yesterday.

Rule 5: When these people start covering their short position the market will be near the top.
A lot of short selling is bullish. A lot of short covering is bearish.
Beat the curve. Play your options with that indicator, your money is leverage about 10 to 1 (or more) but the downside is a known quantity ie you know the maximum you can lose when you purchase the option contract.

Play about 50 stocks at the same time (half long and half short) so you are not exposed ie even if one of your options expired worthless the max you would lose on that option would be 2% of your portfolio's value. Since most options expire worthless maybe you should play 200 different companies at the same time. Or play all spx, spzx, options that way (play all the 900 companies at the same time, that is what the big money is doing). You may have to program your computer with the rules and purchase some data streams but it is possible.

Increase your winnings by buying options when you see an imbalance in the volume and price. Where is the volume moving too (which month?) and is the stocks price high/low, is the underlying options price high/low? Use the volume and price indicators plus what you know about the 900 companies (SDCR rating and SI etc.), then make a decision.

A restriction of information = a Power outage in your city. I kid you not, every time I had to make a "make or break trade" the power on my street went out. This is a fact and it will happen to your city. It's like boxing, the fix is in, find the fix. I do better in black outs because the trade I wanted to make didn't go through (make a ratio for this). That was because the big boys where protecting you by cutting the power on your street at that time. Ha Ha. If the options are balanced you might be better off playing the underlying stock instead. Or do both, play the stock and the option, this is a little more conservative.

and

Thursday Apr 12/07

Every time you look at a chart remember your bias. Are you bullish, neutral or bearish. What type of bull or bear bias are we talking about. Shorting at a low bias? Buying at a bottom bias? SDCR bias? Small cap bias? Short covering at a High with Long SDCR bias? How many different types of bias can you write down? Write them down, this will take most of "Your Opinion" out of the decision making process. This will help a lot. And you can use the information to create a marketable product of ai supremacy. We will use our indicators in the future so bias is less of a problem.

There are so many rules to the stock market that the more I find, the more pop into my head as possible rules, so I go research the possible rules and then I'm so smart I don't have to research the possible rules anymore (my own brain finds the answer?). Is someone doing that with 11 dimensional math. If so I told myself to remember a dream in which I travelled so far back in time I ended up in the near future. I dreamed I saw the interior of my new basement suite and the appointment to see this site for my first time was the next day. I checked it out. It was exact (florescent green with purple trim, fire carpet, steps etc). What the? I can fly in my dreams and I am practising going through walls, but the last time I tried that one, I closed my eyes and ended up very far away from anything I had seen before. It was a jungle forest. With some hills (I felt exhausted when I woke up from this dream). It's hard to tell if something you see in your dream is a dream or a semi - conscious dream state ie I attempt in my dreams to will my self to see familiar locations (what like the next trading day on the floor of the nyse). Is this a rule?

My idea of a butterfly spread with options;
just "dollar cost in" on all imbalances you see in the price/volume for the option and the stock for that option. And do the same for the company's competitors and the companies of the company's competitors continue pattern. Play all 900 stocks at the same time.

Rule: 6 If virtually all options expire worthless then I should be a net seller of options all the time.

I will sell puts and calls at the same strike price on this stock because it is going sideways for the next 2 years any-ways. If I think the position is about to move against me I can buy a few to cover the future paper losses. Worst case scenario, break even. Or if you think a stock is about to move a lot because it's earnings are coming out but you don't know which way it is going to go, you can buy a call and a put at the same time if their prices are low and about the same. Use a vertical spread for both.

Here is some risk though. Because virtually all options expire worthless. Which means you

lose your $35 to control 100 shares of ge.
DCI = Dollar Cost In = If you have 10k for example, you put only 1k into the game when you see an imbalance in the volume and price of everything. An imbalance is when volume is increasing/decreasing rapidly, price is increasing/decreasing rapidly. Volume is very high/low. The change in price is very High/low. Are those ratios I am accidentally writing. That computer program to beat the stock market is definitely in here, somewhere. You'll find it.

Shorting and options:

November 9/07
Short Port:
0 qqqq 51.98. Short the qqqq and sell puts to cover it when prices for the puts are high and stock prices are falling. Stagger this strategy by shorting the qqqq first when the market is high. That way the puts will be higher as the market falls.

Options: for downside protection. Use this strategy when stock prices are high in this side ways market.
Verticals;
Buy to open qqqq (qqqwa) November 53 puts at 1.13.
Sell some November 44 puts as cover.
Buy to open qqqq (qqqxb) December 54 puts at 1.88.
Sell some December 44 puts to cover this.

Options: for upside protection. Buy some calls on your individual stocks which got crushed (their call options will be cheap), sell some more puts on the qqqq and enhance your upside when stock prices are low.
ie the dow = 12,500? Keep the short on the qqqq engaged until it starts to lose a few points, cover and then hold on for the ride (your cover will actually help push the market up). There are more amateurs playing options than anything else, thus the volatile price swings and the heavy volume on the wrong side of the trade. Did you see the percentage 5 year chart for the qqqq. The qqqq hit the mdy and
then the market started to fall fast.

Rule: 7 When indexes start to line up you better watch out, it can go both ways. If the economy was good now the markets would have rallied hard but instead we have stagflation (increase in inflation with a slow down in growth). Not to worry though the
world economy will balance out eventually as before.

I will be going into a lot more detail about options later. Now lets go on to a simple yet effective strategy for playing resource stocks.
You don't even need to buy any of my information,
just play the next one in Canada eh. Hey I'm Canadian...

Rule 8: Resource estimates affect the stock's price.
Resource estimate: the stock jumps.
Next resource estimate increases: jump jump (see the
patterns and read between the lines).
Size of property? Mega backers?
Example ticker; ca:c v v   Canalaska Uranium

A private placement is the sale of securities to a relatively small number of select investors as a way of raising capital.
A private placement is different from a public issue, in
which securities are made available for sale on the open
market to any type of investor.

------------------ End Chapter 6; Options, shorting, advanced programming, dream trading and other ramblings, private placement

Chapter 7; World Economics

Rich, Middle Class, Poor:

The rich get richer, the middle class get poorer and the poor go no where, that is why the REIT's (real estate investment trust) are losing (Apr 07). The middle class and their real estate is not going up now. But soon. When their real estate goes up they can increase the amount of money they use to play the stock market. But for now they will decrease the amount they use. That is a lot of people. That's a big bull market some time in the future.

Rule 9: If all I know is all the mega trends, I will be way ahead.

June 06: The USA current account deficit is 22 billion. Better than expected. The USA dollar will not go down too much until interest rates go down. The world economy is very strong. We owe our friends 22b worth of goods. The news headlines on the economic variables are good enough to keep you on the right path.

Is the economy in slow down mode or speed up mode is all you need to know for this section. I will also talk briefly about the economic cycle and cyclical investing in the following pages. Turns out the economy is in long term great shape. We rule. If you raise income tax by 1% or so it turns out you can pay off the retirement requirements for the next 30 years. The pollution problem is a concern but easy to buy our way out of since new (and safe) energy sources are being developed.

Rule 10: The beige book is the FEDs business survey, pay attention to it; it will affect world economics and currencies.

------------------------------------- End Chapter 7; World Economics

Chapter 8; Oil Love God Math

How do you play the oil stocks?

Watch the price of gas in your hood. There is a correlation. Where I live gas goes up and then the oil stocks follow (if this pattern changes I will see it). I guess I shouldn't short the oil industry because of the continual shortage which is occurring.

Rule 11: Don't short the oil industry.

Watching the price of gas everyday is like looking at a daily chart. You eventually memorize the pattern for the change of gas prices in your neighborhood because different seasons create different moves in prices and so does the overall growth rate of the world's economy.

Rule 12: Different seasons and different world growth rates cause different moves in the price of oil.

The discovery of world oil supplies has been shrinking since 2000 and is predicted to continue shrinking until there is no oil left. That is a long term mega trend you should play. Sell some when oil is overpriced. Oil is manipulated just like stocks, if it wasn't there would be no market. If I/you knew all the stuff that was bad that I own you would not buy it from me and I would not buy your crap and I would not sell my good stuff and you would not sell your good stuff, thus the market runs on perception of future needs (value growth). If the market does not run on the perception of future needs then it dies. It's evolution. My future need is love. The market is based then on, love? Which brings us back to love is God, love is consciousness (because God thinks), and 11d math is just the equation?

There is so much demand for energy. There is so much cash around and too few stocks. What will happen. The golden age is actually here. Poverty becomes obsolete one way or the other.

------------------------------------- End Chapter 8; Oil Love God Math

Chapter 9; Small Cap, Mid Cap

June 19/06
During the past 3 years more money went into mid cap and small cap stocks - up about 45%; and the large caps are up only about 18%.

Rule 13: Small and mid cap stocks are where the small investor can get rich the fastest.

Feb 06
Locate the one stock that all the brokers are going to buy at the beginning of each year. The larger stock gurus will send you all types of "subscribe now" emails for free.

Continue reading these emails. They tell you all the trends and some of the stocks likely to be accumulated. Then find the companies most likely to profit from these trends. Then find the one with the best cash/debt etc. Then see if they have friends and integrity.

Rule 14: Study the Jan 06 attributes of a stock called ati, this was the insider (large wall street brokers etc.) buy-in for Jan/06. Let this be your model. But of course change sectors depending on the economic cycle.

Rule 15: Just track stocks no one else is playing (small cap and micro cap). If this stock has good management and a good product with little competition then it's a go.

Then hype the stock. Talk about it on a discussion board. Ask gurus what they think of it. Then they will start recommending it if they aren't already. This will cause Wall Street to look at it. Then they will start buying it. Then the public will buy it. That's when you sell it. WHILE the public is buying it. I hate to say this but the new money is often getting on the train just before the final destination and if you do that you will miss a lot of the sites along the way, not to mention the bad seat. Remember though that some of these unknown stocks are already fully valued. Run it through your net net working capital formula. Yes two nets. More on this later. Any company which does not come up on cnbc is a candidate.

When does the company post their earnings. Predict How the earnings will be interpreted by

looking at the price/volume chart for the company's stock weeks
before the earnings are posted.
When does a company post? Develop strategies for playing the
stocks you are not sure about.
This is a big advantage.

Rule 16: Don't play stocks you are not sure about or whose
balance sheet is too difficult to understand.

-------------------------------------- End Chapter 9; Small Cap, Mid Cap

Chapter 10; Market Capitalization (mc)

Market Capitalization (market cap) = price per share
times number of outstanding shares.
b = billion, m = million.
Large cap companies include: 10b to the moon. XOM 357b, MSFT 225b,
GE 354b, GM 14b and falling. See the djia index (DJIA) or its etf
(electronic traded fund) the dia and the s&p 500 index (SPX)
and spy (an etf basket with 500 stocks in it).

Medium cap companies include: 500m to 10b. CWTR 2.4b, DYN 2.6b,
GW 1.4b, JOE 3.3b. See the s&p400 mid cap index (SPZX) and mdy (an etf).

Small cap companies include: 200m to 500m. See the Russel 2000
index ($RUT) and its tracker (spider) iwm (etf).

Micro cap companies include: under 200m. RIMG 206m, FRPT 141m.
Perhaps these companies will one day evolve into larger cap companies.

--------------------------------- End Chapter 10; Market Capitalization (mc)

Chapter 11; Management, Beta, Dividend Date, Earnings Date, Dow Stocks, Futures

And when I say good management, I mean how well connected is the company, who are their backers.

Rule 17: Subscribe to TheStreet.com or Fool.com or some of the other sites which give you quality recommendations. This will make your search for good companies a lot easier.

Rule 18: Only bet on things you know for a fact. Don't play everything you find unless all applicable indicators are positive. What is the maximum short interest for a stock? Or what is the average short interest you have seen? What is the maximum short interest for the qqqq?

The beta is just how volatile your stocks price is relative to the sp500 stocks. If the beta is over one then your stock moves further than the sp500 and if your beta is under one then your stock moves are less volatile than the sp500.

Rule 19: Follow the 30 stocks which make up the Dow Jones industrial average. When their volume and price patterns start to line up with each other then the market in general may be about to rally/decline. Play the Dow stocks, there are 30 of them, buy and sell within the overall structure of their price and volume patterns.

Dow stocks usually give you a good dividend, which means they pay you interest on the money you use to buy the stock. You must buy the stock before the x dividend date so you can collect the dividend. If you sell the stock on the x date, you are still entitled to the dividend. See the companies web site for this information.

Rule 20: Earnings dates must also be checked with the company's web page and the news to get accuracy on this as they like to move them around by a few days sometimes.

Sometimes the x dividend date affects the price of the stock. A stock will usually drop by about the same amount as the dividend, on or just after x date.

Futures Definition:

Futures Contract FC = An agreement to buy some shares in the future at a set price. I would like to sell you 500 s&p contracts and the price will be 1700, you must pay me in July. You can also sell short s&p contracts ie I would like to buy 500 s&p contracts and the price will be 1700, you must sell them to me in July.

Rule 21: The pros use the sp500 futures quotes (ticker /es) to track the markets daily moves; and, the sp500 (spx) is "the market" not the Dow. The Dow is easy to manipulate because it only has 30 stocks in it.

Dow Exercise:

Something to practice using Dow stocks.
Don't use real money for this next bit.
So if you start with $100,000 then;
Start accumulation at $500 per purchase with a cap of $100,000/30 for each stock = $3,333 per stock. This gives you about six buy/sell ins per stock. Only start accumulating at what you might call an ultimate bottom. Sell small amounts all the time at $500 per sale if interest rates are high or hold for the long term if interest rates are low and sell bigger blocks of stock when they are up. Hold some cash when you want to short the entire market near Dow peaks. So most sales will be near Dow peaks. And most buys near the trough. This is swing trading. keep track of commission costs. Try to figure out which Dow stocks are losers and delete them from your portfolio. They will become winners in a year or more.

Rule 22: Relative Strength is a great indicator. If your stock is not keeping up with its beta and the market in general then consider selling it.

Rule 23: Cut your losses and let your winners run. See through the hype and scepticism of Wall Street. A down grade is sometimes bullish. They just want you to sell it, so that they can buy it. An upgrade sometimes means the stock is about to be over priced. Follow the appropriate rules for the situation and make your own decision, you will be glad you did.

------------------------------- End Chapter 11; Management, Beta, Dividend Date, Earnings Date, Dow Stocks, Futures

Chapter 12; Hype, Tips, Limits, Rolling earnings, Footprints, Peaks, Shorts, Second tear

Search proper posture stocks for the elderly. Particularly companies which build reading chairs where you don't have to hold the book. Not a rule, probably an out of date tip. Learn to see through the hype of wall Street. Tips are for waiters. And since waiters make tons of cash from tax avoidance via the tip then they make the most money from following the rules when they play the game.

Rule 24: Use limit orders only and wait for the price you want. If the stock doesn't hit your price then that's ok. There are many opportunities elsewhere. And if you know everything then you were wrong in the first place (because the stock didn't hit your price). Be God and discipline your bad trading habits. You will learn to see through the contradictions in the rules as well.

Rule 25: Perceived changes in a company's growth rate is the most important metric.

Goto marketwatch.com, enter the symbol for your stock under $10 which does not have positive earnings. Click "profiles", click "calendar", click "earnings calendar", enter your stock symbol again in that section, and look at the estimated earnings per share, is it in the black or red.

Rule 26: It is usually better to wait for the earnings to come out before you buy.

Perhaps buy a small percentage before the earnings come out.
Check the rest of the rules, then ask yourself this, if I was a billionaire what would I do? The billionaires ultimately control the prices of stocks, look at the stocks chart, if you can get your head inside the billionaires heads then you will be able to follow their footprints. Then make your

decision. If the stock tanks a lot after the earnings come out then you may get the opportunity to buy at a low price, run the rules again.

The dumb money usually sells at the bottom and buys at the top. If the volume (number of shares traded) is really large near a bottom then a lot of smart money is buying. If the volume is really large at a top then usually a lot of dumb money is buying. That is what makes the market.

Put 2% of your cash into each stock your guru suggests. Play 50 stocks. When you own 50 then start concentrating your money into the ones which have the highest relative strength. Time limit 6 to 18 months. Goto theStreet.com, move your mouse over "Jim Cramer" until the drop down menu appears, click on "mad money performance", and click "best of breed". Play those stocks. They are usually quite safe bets but still do your homework on them. Maybe wait for a 10% pull back in prices if after doing your homework you think they are a little pricey. You can also do the opposite of this. So if the stocks I buy at first go up a lot, and I don't want to put anymore money into them, then I sell them immediately.

Rule 27: Most people will hold a stock for only 6 to 18 months. Design you strategy so you can hold for longer than this. Three years is a good target. Interest rates should be low when you start this run.

Rule 28: Only buy the underdog company if its pe (price per share divided by earnings per share) is overly crushed.

Find the average value for the pe for the past few years by looking at a chart from bigcharts.com. Customize your charts with "rolling earnings per share", "sma (2 line) 50" and the "pe ratio" and overlap onto your charts these symbols; tnx, $rut, spzx, spx, qqqq. The sma (2 line) 50 will give you the 50 day simple moving average and the 100 day simple moving average at bigcharts.com. Your opening chart should be set to the spy 10 day chart (15 minute charts are better). Check for super large volume using your 6 month - 5 year charts. Don't buy stocks trading under $2. The reason they are trading so low is because nobody wants them. Nobody wants them because they are going bankrupt.

If gold makes a peak and the Dow makes a peak and interest rates make a peak then it's a peak.
Decrease holdings by well, selling short is one way to go but then you have to look for companies which are junk. I find a lot of junk while I look for good companies, maybe I should play the boomerang game with the special rules. Borrow shares from your broker for some company, sell the shares and then buy them back later (hopefully at a lower price then you sold them at) so you can give them back to your broker (selling short). Selling short is short term bearish and long term bullish. It is long term bullish because you eventually have to buy the shares back so you can return them to your broker. The person your broker gets these shares from likes it when you temporarily depress the price of his stock because it is a buying opportunity for him (your broker and him in fact).

This is an interesting paradox. Perhaps when you sell these shares the person who buys them from you is the same person who let the broker loan them to you in the first place. Selling short is riskier than going long but if you make money at it then you're like a hedge fund. To find out how many people are short a stock; goto bigcharts.com, enter your stock symbol, click on detailed quote, look at the short interest, that number is the number of shares that are short and they also give it to you in percentage format right next to that. That is a percentage of the total number of shares. Look at pwav it has a short interest of 13.54% as of Feb 13/07. The stock is getting very low ($5.42) and that is a lot of shorting. When these people start covering their shorts the stock will zoom up to near $10, especially if business picks up and pwav starts making more sales. Or are they going bankrupt, the price will go up a bit and then short interest will increase. Or is that another buy at a bottom coming up next. How many months left until Debt is due? Is the debt convertible bonds? How many shares are available for shorting? How do you get that kind of info?

Phone your broker, tell him you want to short some stock 5% or what ever. See how much he can find. But then maybe he gives you false info. More than likely. Can you use false info to your advantage? Yes you can but it gets trickier.

Rule 29: If a second tear company falls in price far enough it can become a take over target if the underlying business still has some legs. Don't sell short good stuff that's been artificially crushed before its time. Only short stuff that has a huge problem. Like that mtxx company who is being sued by many people because its nasal decongestant causes you to lose your sense of smell and taste. And cnbc gives this mtxx company a 5 year growth rate of 45% per year (Jan 06). Learn to see through fictional numbers as well; as the hype is everywhere (just read the news for that).

------------------- End Chapter 12; Hype, Tips, Limits, Rolling earnings, Footprints, Peaks, Shorts, Second tear

Chapter 13; News, Metrics, Rates, Debt, ceo, Monopolies

Rule 30: All quarterly reports for any company are available from the SECs web site. You should read them. Also Google, Yahoo and Factiva have all the newspaper stories. Also go to the web sites of local newspapers for stories on local companies. And don't forget the company's web site itself, listen to their conference calls. And finally you have to read the analysts' reports although these could be fictional in either direction when it comes to future estimates. Fictional numbers are the definition of a restriction of information. Bad rule 13.

Rule 31: What is the metric you use to compare revenue for a company compared to its competitors. For example the airline business uses revenue per seat. For an apparel store it would be "same store sales". For banks it is "how much money did the bank make for every dollar it had to begin with", since they make money by loaning money. This info is in the business news every day.

Rule 32: Interest rates affect everything but they have little sway over telecommunications, oil and oil services, aerospace and defence and biotechs. I heard biotechs are now just huge pharmaceuticals, so scratch and change the rules as necessary. Interest rates actually affect everything, but some things not so much. The things they don't affect so much are mega trend.

Rule 33: Stay away from companies that seem to have way too much debt compared to their competition no matter how fast their growth rate is. If a company can't pay the interest on their debt then the company is history.

Rule 34: Stable management is a bonus. Make sure there isn't any recent turn over in upper management. Specifically the ceo and cfo. Unless upper management is moving higher, and we need more personnel. Wait for the buying opportunity that can occur weeks or months later.

Rule 35: Is there room for any growth in the industry. Let's face it some industries are completely saturated. Like the food industry, for example, if Walmart goes into the food industry it could hurt a lot of other established players. LOOK FOR MONOPOLIES. Sometimes they are a long term short, sometimes not. Don't buy stuff from companies which are accidentally buying from producers which use hidden slave labor to meet the demands of their contracts.

---------------------- End Chapter 13; News, Metrics, Rates, Debt, ceo, Monopolies

Chapter 14; Good Player, Screener, Easing Rates, Cyclical Trend, Discounting, Programmed, Window

If you are good at predicting stock prices then you should play options based on your stock predictions.

Rule 36: Even though some stocks which Wall Street isn't aware of are sometimes undervalued; some are over valued. This rule is obsolete. With a stock screener I can find everything at will. Rules evolve.

Rule 37: When the fed eases interest rates, the economy will expand thus earnings estimates will go up for some stocks about six months later. If interest rates are at their peak it can take up to 18 months for earnings to increase. Stocks like nano technologies don't follow this because their earnings are related to new discoveries and not the growth of the economy. Following the trend of interest rates and their affect on stocks is called cyclical investing.

Rule 38: If everyone is playing the cyclical stocks in a cyclical manner then they will be out of sync with the interest rates which create the cycle in the first place. The trend of interest rates affects the trends of earnings for different sectors in different ways. Basically, when interest rates are trending higher we will pay more for future earnings (or will we), and when rates are trending lower the opposite is true. If the cyclical stocks are out of sync then wait for a pull back in prices.

Here is a trend:
Thursday May 31/07
New Stocks For Today:

We start at theStreet.com and go from there.

Chico's CHS Women's clothing, they dropped the ball and it is the end of days, like kmart and walmart. If walmart holds down the women in their ranks all the women in the world will unite and fix the problem by boycotting.

Rule 39: If the market doesn't react to the news then the news has already been discounted by the market.

Rule 40: The pros have a computer programmed to filter through all the data. Programmed trading gets more intelligent as the years go by. They say that by the year 2015 the computer processors will be able to mimic the human brain. And what about that synthetic brain in the Petri dish that they trained to fly a jet simulator game. Therefore, the billionaires and large mutual funds ultimately control the prices of all stocks. Practice reading the volume and price trends on the charts so you can follow their footprints.

Window Dressing = When a mutual fund manager boosts his fund by buying tons of the stocks (for the fund) in his fund so the fund has a better end of quarter return. The stocks then decline shortly after this. Or the old idea, sell the junk so it does not show on the balance sheet. Then Buy the junk (because it has some catalyst) you sold, at a later time because the price will be depressed from your earlier sales.

Rule 41: You know when a small stock has run its course when: volume increases, more stock is issued, insiders start selling, new initial public offerings IPO's (a company sells stock for the first time) for the sector fail as their prices drop from the get go. I like to know who is buying the stock I am buying, I can find this out at stockpickr.com.

Rule 42: If the ceo or the cfo leaves the company unexpectedly then there may be something wrong with the company. Like that

Enron deal. Some things I repeat because they are so important.

----------------------- End Chapter 14; Good Player, Screener, Easing Rates, Cyclical Trend, Discounting, Programmed, Window

Chapter 15; Patience, Insiders, Long Term, Short Funds Which Short, Keep a Journal, Targets

Rule 43: Don't rush in to buy a stock that is down because the company is giving lowered guidance. Wait a while it will probably go lower. What is the 5 year ultimate bottom, could it go that low. Yes. Insiders and billionaires play the super long term trends.

The fidelity sector fund report is a good lead for finding the sectors which are going to do good.

Rule 44: Often company insiders issue stock to themselves in the form of options and as private placements when stock prices are at relative lows.

Rule 45: Stocks which always go up are in sectors with long term trend patterns. Like oil and gas, health and medicine, financials. Always go up (unless a mega bank scam is ending 2007). Then just play super long in the pocket and deep in the money and hedge your money with options.

Rule 46: Short funds which are shorting stocks, this is a mega trend you should play in a bull market.

Something from June 21/06
INTERSEST RATES AND THE BIG PICTURE:
Interest rates are up near there high range but in a few months they will be lower. Inflation will soon be subdued and the economy should cool off a bit during the fall of 06. This will lower earnings across most of the board. The Dow is targeting 11750 for November. Buy into the rolling correction. The Dow may be at 12,500 by year end, that's how strong the world economy is. Will 10,650 be the bottom as I suggested many months ago.

MORE DETAIL:
The top target is now 30 for msft. The top target for ge is 37. The Dow is getting cheaper, look for things to accumulate. Gold trades around 550 these days, down from the 650 level. msft and ge both seem to be bottoming together. This will be bullish once they finish bottoming. The market will trade in a very narrow range until the end of October. Take what ever small loss/profits you have to and work into a bigger cash position for the next bottom in the fall (October perhaps).

Look at Carnival Cruise Lines CCL, their earnings went down 3 days ago and the stock immediately rallies 8%. This is because some billionaire is accumulating as much as possible and the only time he can do that is if everyone else is selling. So he buys everything we sell and the price goes up on super bad news. There is no other way to explain this, just know that this will happen a lot when stocks are cheap. Follow the billionaires footprints and you win.
Wait for a pull back and accumulate ccl.
Is this a sign that oil will go to just under $60? Does this billionaire have oil connections?

----------------------------- End Chapter 15; Patience, Insiders, Long Term, Short Funds Which Short, Keep a Journal, Targets

Chapter 16; 15 Minute chart, Divy, Speculation, Retail Co, Ranking, Media, Outflows, Dow Port, Vix, Money Line

Rule 47: Sometimes the 10 day chart will be a giving false volume.
For the spy;
use a 15 minute chart for your short term observations it will filter out most of the noise since the big money can't move all that fast and they also are using 15 minute charts.

Rule 48: Stocks with a dividend yield of 2.5% or higher are good bets. They tend to be close to a bottom and if they aren't, and they go down some more, then your dividend yield just gets better and you buy more (dollar cost average in, every month buy some more, set a 3 year limit to the amount you put in, then diversify into something else). So if you hold the stock for a while you get 2.5% interest on the money you used to buy the stock. You must purchase your stock before the ex-dividend date (ex-date) if you want to collect the dividend. The ex-dividend date (ex-date) is set the first business day after the dividend is paid. Sometimes the stock will gap down the day after ex-date. A stock with a high dividend yield will sometimes go up dramatically about 4.5 months after the ex-date or sooner. Good companies produce steady dividends and earnings. If you want all the ex-dates then go to ex-dividend.com.

Rule 49: For speculating you can buy a basket of stocks, all from the same sector, which are all beaten down to death. Some will go to zero but 1 or 2 will more than make up for this as they become the survivors.

Rule 50: Retail companies which have saturated a local market and are about to go national can be very profitable. Revision (2017) - Make sure they have a strong internet presence.

Rule 51: Create a ranking system for your stocks. Like;
"A" for a stock which you want to put more money into right now.
"B" for a stock which you want to put more money into if it declines.
"C" for a stock you want to sell a portion of, if it goes up.
"D" for a stock you want to sell now.

Rule 52: When all the large media players are saying the stock market is the worst place to be right now because it has declined (11% or so) then you know it is time to buy big time. Check your economic indicators for confirmation.

Rule 53: Consistent outflows of money from the mutual funds is going to create a bottom.

Rule 54: My mock portfolio with the 30 Dow stocks started with $100,000 and an even amount in each stock. I am using this to track the performance of each of these stocks. They will tell me which industry is up/down. I also monitor my emotions with this mock portfolio.

Rule 55: The volatility index VIX is a measure of "puts" vs "calls" (options to buy/sell a stock within a certain time period above/below a certain price "strike price") a "put" means someone is betting the market will go down and a "call" means that someone is betting that the market will go up. "put me down" or "call me up because I like you". So the VIX divides the number of put contracts by the number of call contracts. This means, the larger the VIX number is, the more bearish the market sentiment. If the vix number is bearish then its next state will of course be bullish. How fast can the state change? Track it ie look at a chart.

Rule 56: The Money Line = The point at which the billionaires start to dollar cost average in. You must estimate where that line is.

----------- End Chapter 16; 15 Minute chart, Divy, Speculation, Retail Co, Ranking, Media, Outflows, Dow Port, Vix, Money Line

Chapter 17; Capitulation, My Margin Calls, January Effect

Rule 57: When the number of stocks closing down for the day far out-ways the number of stocks closing up for the day you may be close to a bottom If the market is down a lot. This is called capitulation.
Sept 5/07 - When daily up volume is nine times greater than daily down volume and the market is very high = bearish. We have had three 9 to one up days in the last 3 weeks.

Rule 58: My margin calls always happen at the same time as yours, 3 hours into the trading day or less, so the broker has time to phone us all. This suggests that there are some bottoms forming around that time. If I don't have the cash, and I don't, then the broker automatically sells my shares no matter how much I beg. This is of course, bearish. Ya but the broker wants to buy these shares at that low price so it is long term bullish when me the little guy gets wiped out. I hate when the rules take me out of the game. An effective way to use margin is later. Overall rising margin is bullish. When it drops below its 12 month moving average though it

is a bearish indicator.

The January effect:
In late December and Early January small cap stocks tend to do better than the large caps (although you will have to buy them all (small caps) in some type of index fund to make this work properly). This has been true 22 of the last 24 years (Jan 07). This is because fund managers get paid by how well they do compared to the s&p 500 index (large cap stocks). So as the year progresses more money goes into the larger cap stocks (they sell their junk and small cap stuff) but when the new year is about to start (say Dec 20) it's time to shift back into the smaller caps.

They like to take more risk at the beginning of the year, that way they can take a tax loss on the more speculative stocks if they don't perform. And if the speculative stocks (small caps) go up, then right on, because sometimes they can go up a lot.

Does the Dow Transportation average confirm bull and bear markets? Supposedly yes. If the transportation companies are doing good it is because they are moving a lot of product. If they are moving a lot of product then the companies who make these products must also be doing good because they are shipping a lot of stuff. So when the DJIA and the Dow transportation average start to rise together it means we are in a bull market. And when they start to fall together it means we are in a bear market. Watch out though, everyone knows this one and I wouldn't put it past the billionaires to sell off these transportation (if the market is rallying) companies just to make the markets look random.

Rule 59: The revision of earnings estimates is one of the most powerful influences on stock prices. Zacks.com is a good place for this info.

---------------- End Chapter 17; Capitulation, My Margin Calls, January Effect

Chapter 18; The Income Statement

Does the company have strong financial numbers?
How much money is the company making from each sale?
Check out the net profit, and the operating margin for the company.
Sales and earnings should be increasing faster than inventory levels and accounts receivable.
Debt levels should be well managed or non existent. This brings us to the grade 9 accounting definitions. So many to memorize. Most of them are calculated for you at some web site like cnbc.com or marketwatch.com, so don't get to bored.

How much product was sold is told by the income statement.

Rule 60: Compare your companies income statement
with its peers income statements.

There are many ways to say the same thing.

Sales = operating revenue = revenue = gross sales.

Net sales = net operating revenue = Net Revenue = Sales minus returns, discounts and allowances. Usually instead of saying "net revenue" we just say revenue because it is assumed that the returns, discounts and allowances are already subtracted. So that would mean then that sales = net sales = revenue = see how they try to confuse you. Apparently the accounting strategies are continually evolving. No wonder it is so easy to cook the books (false accounting).
Later we will learn the enterprise multiple to get around these fakers.

COGS = cost of goods sold = cost of sales. COGS does not include things like salaries, selling general and administrative (sg&a), electrical bills, research and development (r&d), or advertising.
Just raw materials, and supplies like pens and paper.

Gross Profit = Gross Operating Profit = revenue minus cost of goods sold (cogs).
GM Gross Profit Margin = gross profit divided by revenue.

Operating profit before depreciation = gross operating profit minus salaries, selling general and administrative, electrical bills, advertising, r&d.

ebitda = earnings before interest, taxes, depreciation, amortization.

Operating profit = Operating income = Gross Profit minus salaries, selling general and administrative, r&d, amortization, depreciation and a few other things.

OM operating profit margin = operating margin = return on operating earnings = operating profit divided by revenue.

Net Income = operating profit minus the rest of the expenses eg taxes and interest payments.

Exercise:
Find an example of an income statement at marketwatch.com and follow it along as you read these definitions. It will help to clarify things a bit for you. Use a company with positive earnings or it gets a little bit tricky. I had to study this for a few weeks before it started making sense. It's boring, but once you do it your confidence for making your own investment decisions will go through the roof, as will the prices of the stocks you buy.
Goto marketWatch.com, enter your stock symbol, click on financials.

Net Profit Margin = net income divided by revenue. This is the net income as a percentage of sales. This tells you how many cents on each dollar of sales is turning into profit.

Earnings = Net Income.
EPS earnings per share = net income divided by number of shares outstanding. Number of
shares outstanding does not include the shares which the treasury of the company is holding.

Rule 61: Increasing margins are a good thing. And I am not talking about money you borrow (bad margin) to play stocks.

PE Price earnings ratio. Divide the price per share by the net income per share.
Trading at a forward pe of 16, this means the current price per share divided by the earnings per share estimate for next year is 16.
Faster growing companies have higher average pe ratios.

Here are a couple of stocks which no longer seem to exist or have changed their names. Feb 2017.
This is why you should own 40 stocks and not just 5.

Saturday June 16/07
MEA C+ mc94m 0.62 * * * *
Scrap metal and lead fabrication products.
It looks expensive but it is also only 10% away from a disturbing bottom, but since the sdcr = c+, I say buy a little bit tiny, tiny bubble. Sometimes the sdcr is a lagging indicator, ok almost always, that makes it easier.

Sunday July 8/07
KRY C- 3.99c * * Was D, upgraded June 21.
Gold mining. si was 3.77. Well now, I was going to say short to the max, but since it is a metal and the sdcr has been upgraded I say the fix is in and so am I. All in now. This is a good high risk for the game.
If everyone knows everyone then the buy outs are also timed according to some type of schedule. damn bus schedule. where is it.

The stars above are out of 5. Just a personal feeling about the stocks attributes.

------------------------------------- End Chapter 18; The Income Statement

Chapter 19; The Balance Sheet

The resources used to run the business are found on the balance sheet. Go for the impossible and achieve the ultimate.

Current Assets = money that is owed to the company this year and other fun stuff like accounts receivable, cash, and inventories.

Non Current Assets = Money owed to the company sometime in the far, far future and plants, equipment, real estate, accumulated depreciation and depletion, non-current deferred income taxes. Joke = non-current deferred income taxes (where can I get some of those).

Current Liabilities = All the bills that are due in less than one year. Money owed to creditors and suppliers etc.

Non Current Liabilities = Things like long term debt but not a portion of long term debt that is payable this year. Things owed far, far, out into the future where they will one day become Current Liabilities.

CR Current Ratio = current assets divided by current liabilities. A current ratio of 1.5 or higher is generally adequate to meet short term operating concerns.

QR Quick Ratio = (Current Assets minus Inventories) divided by Current Liabilities. When you subtract the inventories you are left with liquid assets which helps pay off short term bills. A quick ratio greater than one is desirable.

Retained Earnings = Beginning retained earnings plus net income minus dividends and stock buy backs. This measures the amount of capital a company has generated.

Now we need some Cash Definitions:

1. Free cash flow = cash flow provided by operations (operating cash flow) minus net capital expenditures. Basically whatever money is left after all the bills and taxes etc. have been paid.

2. "Cash" = Net income and cash equivalents, marketable securities and short term investments. This is the "cash at end of period".

3. Cash flow = Add the non-cash charges (like depreciation) to the net income after taxes.

4. Many people are using operating profit before depreciation (ebitda) as their cash flow value in their calculations. This is because a company can change their net income by altering their tax strategy. Altering the

net income will change the output (value) for the above 3 definitions of cash. This is how we get around some of the accounting fraud. It is very hard for a company to fake their ebitda.

C/C Cash Ratio = cash divided by current liabilities. Any ratios you use should be compared to the ratios of the competitors.

Working Capital = current assets minus current liabilities.
A positive number is a big bonus.

WC/MC ratio = Working Capital divided by Market Capitalization.
Market Capitalization = (price per share times number of shares) plus debt. Although some people don't add the debt. But you might as well for this ratio because if you plan on buying the company you must take over the debt as well.
This ratio tells you how much of the markets valuation (plus debt) is backed up by working capital.
You may also subtract inventories from working capital to make this more accurate because sometimes your inventory is junk.

Market valuation = how much will it cost me to buy the entire company = market capitalization without adding the debt.
You could also subtract the cash and cash equivalents from this as you could use the cash and equivalents to help you buy the company.
That is if you plan on buying the entire company. So you get a short term loan from your banker equal to the cash and equivalents. This is starting to sound like a take over or a leveraged buy out (lbo).

Rule 62: Some companies grow by buying other companies, if they stay in their field and acquire stuff smaller than them which is hot then, they can pop, not to mention the companies they buy. Follow the peers.

Share Holders Equity (se) = book value (bv) = total assets minus total liabilities. Once again there are a few ways to say similar things ie se = bv.

Price to book value (pbv) = Price per share divided by Book value per share.
Book value per share = (assets minus liabilities) divided by number of outstanding shares. For takeovers in the banking industry they will sometimes pay as much as 1.7 to 2 times the book value. Most companies are involved in a combination of the manufacturing and retailing format so the book value is less important but for financial, natural resources, and real estate companies it is a good evaluator.
assets minus liabilities = total assets minus total liabilities.

EPV is the enterprise value = Market Capitalization (without adding debt) minus (cash and equivalents minus debt). If the debt is larger than the cash and equivalents then we say the company has some intrinsic value because they were able to get such a large loan. I don't really like this very much, it suggests that a super large loan is a great thing.
I don't think so. Perhaps if the pe ratio is crushed beyond recognition. Like Rite Aid (rad) Jan 07.

You could also write this formula the other way, (MC plus debt) minus cash, they are identical. We will use this formula later for great benefit.

Oh here it is, great benefit.
EPV / EBITDA = Enterprise Multiple EM = the enterprise value divided by ebitda = [market cap minus (cash minus debt)] divided by earnings (use ebitda for earnings). You use ebitda because the company can mess with net income (earnings) by using different tax strategies. If the debt is greater than the cash then the company has a brand name (popularity, intrinsic value); yes the two negatives would equal a positive (see epv above, don't forget your grade 9 math), this is also like the roe scenario, use debt to take over the world, and some companies do it regularly, it is capitalism most efficiently managed. If the em is below 8.1 then we are in buyout territory.

I like the base formula also BF = (mc plus debt) / ebitda. The cash should already be baked into the price of the stock.

EPV / SE = enterprise value Divided by share holders equity. If the output for this ratio is below one then the company is selling below its book value. Value investors will often stay away from companies which trade above 2 times book value.

Days Sales Outstanding (dso). This measures how many days worth of sales the current accounts receivable (car) represents. We will first learn the accounts receivable turnover (art) and then the dso.

ART = Sales for period divided by average CAR for the period. This ratio tells you how many times a year the company clears out all of its outstanding credit.

DSO = CAR divided by (sales for period divided by days in period). This tells you how many days worth of sales are outstanding at any given time.

Inventory Turnover = Costs of Goods Sold (cogs) divided by average inventory for the period. The company which is turning over its inventory the fastest is the one you want. For this ratio the cogs is considered a good thing because you don't have to pay out for the cogs for 180 days (hopefully). And so the money sits in your company's bank account collecting interest. leverage of love. We use the words "average inventory and average earnings" because some companies have seasonal earnings and seasonal build ups of inventory.

Rule 63: Wall street is a popularity game. Everybody knows everybody. If they don't like you and there is something wrong with your company then the price of the stock will tank to an irrational level. The opposite is also true, check out the pe ratio for joe at Feb 07. Update: Feb 2017 joe still has a very high pe ratio at 113. Must have a lot of Real estate on the books. Real estate developer.

So if I subscribe say, to the "technical indicator"
http://www.marketwatch.com/premium-newsletters/technical-indicator

I will have 5 stocks
to analyze and about to move, each day. What if I do this 8 hours a day and subscribe to many different places.
Then how much can I make? 800%? Get out.

Rule 64: A company with high profit margins but low inventory turnover may not be as good as a company with lower profit margins but very rapid turnover of inventory. The trend is dead.

If you found that last bit a little complicated then do what I do and build your portfolio with a large spider component. S&P 500 unit depository receipts (spdrs) ticker symbol SPY: This trades just like a stock and it matches the return of the s&p 500 index. You can also use it to get a read on the markets overall volume trend for short term trading. If you want to build a conservative portfolio put 50% to 70% of your money into the spy. The MDY tracks the s&p400 mid cap stocks; this is more volatile but will produce more if your selling strategy is not to greedy.

--- End Chapter 19; The Balance Sheet

Chapter 20; Cash Flow Statement

The cash coming into the company and going out is found on the cash flow statement.

Rule 65: Look for a low multiple (pe ratio) to free cash.
pe divided by free cash.

P/FC price to free cash = Price per share divided by Free Cash per share. The cash generated by the company. Companies which generate a lot of cash do not have to rely so much on borrowing money.

FC/S = Free cash divided by sales is another great indicator. A lot of free cash generated by very few sales is great. All the company has to do is increase the sales after that.

CB Cash burn rate = (Total assets minus inventory) divided by Current Liabilities. This tells you how many years the company can survive if they continue spending at the same rate and it includes hard assets in case things get really bad and they need to start selling plants and equipment to keep going (that would be bad). We subtract the inventory because if the company is slowly going broke then the inventory may not be worth as much in the future. This is my favorite definition for CB and we will be learning 3 more later.

Draw the money line on every chart you analyze. The money line is wear the billionaires will start to buy that stock! Guess what percentage of money they will allocate for that accumulation state. And copy. Use options to enhance and increase risk or, use options for insurance, tax avoidance and safety.

Rule 66: Sales and earnings should be increasing faster than inventory levels and accounts receivable. So we could think of this as efficient working capital management. Which brings us to...

FR The flow ratio = [Current Assets minus cash] divided by [current liabilities minus short term debt]. This is where we say that current assets are actually a liability because we would rather have the cash; and current liabilities are actually good because we have not yet paid out our cash for these. The flow ratio tells us how well a company manages the money that flows through their daily operations. At cnbc they call it the leverage ratio. Just keep reading below for more clarification.

Current Assets - Cash = Assets which will turn into cash within the year ie inventory and accounts receivable. We can't collect interest on this now or spend it, or give it to shareholders. This incurs warehouse costs also.

Current Liabilities - short term debt = All costs which will have to be paid within the year. So we put the money in the bank and get interest until they yell at us to pay up. This is like an asset. We subtract short term debt from the current liabilities because we must pay interest on this.

Short term debt = notes payable (this year) and a current portion of the long term debt.
The lower the flow ratio number the better. The flow ratio tells you how well the company is
currently managing its cash and how well they can put off (leverage of love) payments to their suppliers and distributors. Ideally it should be under 1.25. If the flow ratio is increasing over time then that is a bad thing and if the flow ratio is decreasing over time then that is a good thing. Unless of course, if, the current liabilities are getting completely out of control.

Rule 67: A good company should have no less than 1.5 times as much cash as total debt. Or it gets risky.

Rule 68: Cash from operations is a reality while net income may be some what fictional.

Rule 69: Price to sales ratio (psr) = Market Capitalization divided by Revenues for the last 12 months. This ratio is good for evaluating companies with negative earnings.

Price to Cash flow (pcf) = Price per share divided by cash flow per share. This is almost like price to free cash (above). Normal ranges are a value between 6 and 9. If the pcf is over 10 then you may consider selling. But check the competitors pcf first as these rules are somewhat general as the price the billionaires want to pay for a stock is ultimately what the stock is worth. For example msft has a pcf = 18.4 (June 06, price at 25). For a leveraged buy-out (lbo) a value of no more than 5 is sought because debt will be used for the buy-out. Remember the value for "cash flow" can be altered by manipulating the net income with the tax strategy. Use this instead, price per share divided by ebitda per share.

Also for a lbo: They attempt to pay back the cash used for the buy-out within 6 years and the ebitda value should be 2 or more times the interest payments; and the total debt should be only 4.5 to 5 times the ebitda.

PE Price earnings ratio. Divide the price per share by the income per share. The pe ratio tells you how many years it will take for the earnings per share to equal the price per share. That is if the price never went up and earnings continued to increase at the current rate. A low pe is good but if the pe is high then investors may just love the company and they are holding for the long term (some high pe companies are of course crap, so you better check all the rules). So the specialist who sets the price for the stock will hold the price down until the earnings catch up and this will of course lower the pe. Then the stock will start going up again. TheStreet.com rating (sdcr) can sometimes lag. Well of course otherwise we would all know everything and they would have nothing to sell.

Rule 70: Look for companies where the investment community has a negatively skewed perception yet fairly good numbers. Like when goog has a pe of around 40 (Feb 07).

Rule 71: If a companies financial numbers are deteriorating then sell immediately but continue tracking the company. Prices tend to reach irrational extremes and the buying opportunity of a life time may only be 6 months away or less. This is a called a turn around play.

The return on equity ROE, the return on assets ROA, and the return on capital ROC should be large.

Return On Equity = yearly earnings divided by average share holders equity for the year.
Average share holders equity is usually displayed as a per share value called book value. Book value is the amount of shareholder's equity per share.
ie (total assets minus total liabilities) divided by number of outstanding shares. The problem with ROE is that if the liabilities are increasing then the ROE will increase and if the yearly earnings are increasing then the assets will increase also, and that will tend to keep the ROE at the same value. This can be misleading. The following equation is quite simple, so focus for 10 Min.

The total equation looks like this:
ROE = E / [(A - L) / NS] or E / BV as [(A - L) / NS] = BV
E = earnings (net income)
A = total assets

L = total liabilities
NS = number of shares outstanding
BV = book value
Go check out the ROE over the past 10 years for some company and you will most likely see a random pattern. Or is it random; Return on Equity should be large. It's like 3 steps forwards and one step back. Click on cnbc.com, stocks, financial results, key ratios, enter your stock symbol, then click on ten year summary. Looks like (Apr 07) cnbc has changed their format ie less info so now you must do some hunting to find those ratios.

Rule 72: Sometimes I see the stock price turning around before the earnings.

Return on Equity ROE, return on assets ROA and the return on capital ROC should be large.
Now we need to look at some debt ratios before we continue with roe.

The most common ways of looking at debt:
cash/debt = Cash divided by debt. You could also do it the other way around, debt/cash.
debt to assets ratio = Debt divided by assets.
debt to market capitalization ratio.
debt to revenues ratio.

debt to equity ratio; EQUITY = Total Assets minus Total Liabilities.
debt to total capital ratio; TOTAL CAPITAL = equity plus long term debt.
It's just easier to add the long term debt back on after you subtract the total liability from the total assets. The company must one day pay back the long term debt so it is assumed that at some time in the future they will be able to do this. This is a way to measure the intrinsic value of the company. If the company is strong enough to get a long term loan then they have a brand name (intrinsic value).
I don't like the debt to total capital ratio. Total capital is good as the denominator for the ROC and the ROIC (coming up soon).

Rule 73: The historical trend in debt financing compared to the trend for ROE will give you a good idea as to whether the company is maintaining its ROE by taking on more debt.

The money line in reverse = where will the billionaires start selling a bad company they own if they have been holding it for over a year. This can make a stocks price go to $2 until something comes along to change the bad trend. Stocks which gap up can be prime candidates for this rule. I am a billionaire, I own 4.9% of the stock in small company x, I now hate this company and will sell it all slowly over a 2 year period as will my friends and their friends. Is it possible to choose how you come back from heaven. Do you get to see the squirrels and the influence you had as a tree on the consciousness's which chopped you down and did that kill someone or did you become a house for a nice family or did you burn in a fire or where you struck by lighting or a boat and or...is that how you create an infinite number of possible universes? Sorry, I just got bored for a second. Try your 68 day moving average on the djia 10 year chart, and overlap the other 2 ie 136, and the 204 day moving averages. Charts are the only thing that never lie. Where as fundamental analysis can be fabricated.

Rule 74: A company that replaces rising profit margin and increased asset efficiency with increased debt to maintain the same level of share holder return could be a warning sign.

Can the company afford the debt?
Take the earnings before interest and taxes (ebit) and compare it to the actual interest expense. This is called the times interest earned ratio. At cnbc they call it "interest coverage".

Times Interest Earned = EBIT divided by Interest Expense.

ROA Return On Assets = yearly earnings divided by assets. The outcome of this ratio is a positive indicator if the ROA is increasing. That is to say, how much are earnings increasing relative to assets. If you can generate large earnings with few assets then that is a good thing. The problem of course is that sometimes assets are also a good thing.
Like if you are accumulating real estate.
Return on assets should be large. The numbers for ROE, ROA, and Times Interest Earned (interest coverage) can be found here: click on cnbc.com, stocks, financial results, key ratios, enter your stock symbol, and then click on ten year summary.
If that is no longer true then you will have to go hunting for those ratios.
Or just get a rating for your stock for free from everyone. A crude but a very effective way to make money.

ROC Return On Capital = Net Income divided by Total Capital. This ratio tells you how much net income is being generated by the company's capital base. Multiply by 100 if you want it in percentage format. Net Income = Earnings.

EBITDA/TC = Earnings before interest taxes depreciation and amortization divided by total capital is also good and may give you a clearer picture than roc. Multiply by 100 if you want it in percentage format.

Return On Invested Capital ROIC should be above 11%. This metric measures the amount of money a company is creating using its capital base. If the ROIC is less than 11% then you may be entering a risky situation.
ROIC = after tax earnings divided by (total assets minus non interest bearing liabilities). Here is another similar formula I found for this,
ROIC = (Net Income - dividends) divided by total capital.

Non interest bearing liabilities are things like accounts payable that have no associated interest or fees, taxes which have not yet been paid and are not incurring any penalties or interest and, current income taxes which must be paid by the end of the year.

Don't worry about getting your calculator out to crunch the numbers for all the above ratios; you can go to thestreet.com, click on "thestreet.com ratings" and enter your stock symbol. Should theStreet.com blow up or something then well you know where your calculator is. There are many companies offering quality advice, learn the rules and be your last filter. Cross reference one guru with another for maximum control.

-------------------------------- End Chapter 20; Cash Flow Statement

Chapter 21; Over Extended, Rules Broken, handles, Support/Resistance, trend lines, relative strength, chart, time Constraint, interest rates and the big picture

Buying more today would be nice. But I am over extended already. Imagine then that you are selling short by not buying. You can always reduce your portfolio to 5 stocks for a day. As is the unh problem. Solve the unh problem. I Took losses and bought on the way down. The super long term play.
That is why the portfolio is down 8% instead of, well let's see, unh fell from 64 to 43 so that is a 32.8% drop. Time to buy. The losses from this one blue chip growth stock was worse than well almost vtss or vphm.
Rules broken; over extended; rushed in; initial investment was to large, tried to buy high and sell higher, company back dated options and I didn't care about that accounting fraud, tried to catch a falling knife.

Rule 75: No more than 20% of your stock market money should be invested for each stock you play. And that money should be broken into at least 4 units for each stock. So that way you are only investing a maximum of 5% at any one time. Long term investors should work their money into the market slowly, and exit quickly if the indicators show that mister crashy is coming to town.

Learn what a handle is; a handle is a whole number like 10, 11, 12 ,13, 15, 20, 30, 35 etc. Stock prices will sometimes gravitate towards handles. Avoid a falling knife, and learn how to take a loss; use a stop loss order. A falling knife is a stock that is falling through handles rapidly.

Rule 76: Wait for stocks with small problems to build a bottom for at least 1 week and if they go down during that 1 week period then you should wait another week, and so on.

Support and Resistance lines:
Open a chart and trace the movements of unh or some other stock. Take note of the large volume days and learn what you can about the handles - support and resistance levels (s/r levels). You should draw horizontal s/r lines on all your charts. Past support levels will become future resistance levels and past resistant levels will become future support levels. An s/r level is where a stock changes trend. If the change of trend is accompanied by large volume then the trend may be large.

Trend lines: These are not drawn horizontally but diagonally with the shape of the stocks chart pattern.
Draw one straight line connecting all the bottoms on a chart.
Draw one straight line connecting all the tops. How is the

volume acting when the stock's price hits one of those trend lines? What will happen if the stock breaks through a trend line and how is volume behaving during that maneuver? Now you are using technical analysis.

Rule 77: If you are brand new to stock trading I recommend you do your own training portfolio for at least one year when interest rates are near their top range and practice getting a feel for where to draw r/s lines and trend lines; this is still an art form that cannot be taught, you must practice it yourself.

Relative strength RS is also technical analysis and is a very strong indicator. I like the way technical analysis maps market psychology. The charts never lie.

Rule 78: If your stock is not keeping up with the moves of the spx then sell it.

One catalyst is the trend you can see in the chart pattern. We call this momentum.

For technical analysis you can also use the 50 day and 200 day simple moving averages (sma).

50 day moving average = Everyday, add up all the closing days prices (of your stock) for the last 50 days and then divide by 50. Then plot that number on a chart. After a few weeks those points will form your 50 day moving average.

Chart = horizontal and vertical axis. Horizontal axis = calendar.
Vertical axis = Price.

```
Price
60                                          *
50                   *      *       *             *
40                             *
30          *                                           *
20     *                                                   *      *
10
0                                                              **
Date Apr 1, Apr 2, Apr 3, Apr 4, Apr 5, Apr 6, Apr 7, Apr 11, Apr 12,
```

The psyc program calculates the distance between joke time and serious time. I like how the word serious has the bit sequence iou, and joke has the bit sequence ok. God is laughing at us. It looks like an ogopogo. What stock is that anyway? 20-60-0-20 hut hut.

Look at some charts and get an idea has to how the stock's price and volume patterns behave when the price is above the 50 day average and below the 50 day average. Will the stock crash if it falls through the 50 day average? Is there a lot of volume every time the stock hits the 50 day average? Is the moving average acting as a support point or a resistant point? Do the same for your 100 day, and 200 day moving average.

How does the 50 day average relate to earnings release date? Compare the number of days to release date with price, volume and other data. Release date = When do they tell me what the earnings were for last quarter. Use x dividend date in your analysis.

You can overlap those moving averages onto your charts at bigcharts.com so you don't have too
actually calculate them yourself. I like candle stick charts.

A candle stick chart (go look at one while you read this): The big block is the range of today's price action between the open for the day and the close for the day. If the candle is red then the open is higher than the close, and if the candle is green then the open is lower than the close. If the candle is some other color (what ever your platform is set to) then the open is the same price as the close. The thin lines at the top and bottom of the block are called wicks. Different sizes of blocks and wicks and their relationship to yesterday's candle/s is relative, and beyond the scope of this book.

Rule 79: A lot of people use candle stick charts therefore they are a self full filling prophecy.   Read a different book on candle stick charts.

Rule 80: PATIENTS INDICATOR: Are you being patient? If you missed the trend or setup, do not chase it.

Time Constraint;

Some people use a time constraint for trading. If your stock doesn't do what you want it to do within a certain amount of time then exit the trade. This seems like a good idea, it means you were wrong in the first place and it will prevent you from falling in love with a stock.

Rule 81: Buy stocks which you believe will continue to have an increase in dividend as the next 5 years goes by. Is the dividend rate increasing?

STOCKS SHOWING STRONG RELATIVE STRENGTH (RS): The 3 month chart is also very good for this. Spot stocks which are trending higher from a big bottom. RS is very important. If your stocks aren't at least keeping pace with the s&p then you should consider selling all or a portion of them.
Think of this as selling short because you're holding more cash for good buying opportunities. Begin re-accumulating
when they reach a lower handle on big volume. Or when something meaningful changes for the company. Like a new catalyst. Perhaps investors finally realize that losing this court case won't hurt the bottom line as much as has been priced into the depressed price.

TIME HORIZON FOR SELLING:
Get next years estimated earnings per share times your average pe targets for this section.
6 - 18 months from now is your top target.

INTERSEST RATES AND THE BIG PICTURE:
Interest rates are up near there high range but in a few months they will be lower. Inflation will soon be subdued and the economy should cool off a bit during the fall of 06.
This will lower earnings across most of the board. The Dow is targeting 11750 for November. Buy into the rolling correction. The Dow may be at 12,500 by year end, that's how strong the world economy is. July 21/06 - The fed forecasts inflation at 2 to 2.5% for 07. And the fed forecasts the GDP at 3.25 to 3.5% for 06 and 3 to 3.25% for 07. Revision Feb 2017 - Uh oh didn't expect the adult bankers to scam all the greedy little people at the same time. lol Losers we all are.

May 31/07 ha ha
The individual investor is getting ready and saving money. Soon the rally of all trends will unite into a new story of 1929 but the market will not go down, it will go up and it will continue to go up for ever, there is nothing that can stop us now. Don't short long term, or you die. Is this a fact, yes. Just another constant. what can you do. buy buy buy. lol

Rule 82: Don't believe everything you read, hear or see. Let your indicators do the talking.

------------- End Chapter 21; Over Extended, Rules Broken, handles, Support/Resistance, trend lines, relative strength, chart, time Constraint, interest rates and the big picture

Chapter 22; Short term journal example

The Short Term View of Interest Rates:

July 20/06
Interest rates drop an insignificant amount which means hardly any money went into bonds today. And the stock market dropped so the smart money is moving into cash for next week and maybe just a little bit of buying tomorrow so the Dow ends on a positive note for the weekend.
Are they trying to get the outsiders to buy in on Monday?

July 21/06 Friday
Rates go up just a very small amount which means bonds went down a tad.
So Money came out of the bond market and went either into cash or the stock market.
THE INSIDER OUTSIDER RELATIONSHIP: new money vs old money.
The market closed down slightly today (Friday). The insiders are trying to build pessimism again for Monday so that the outsiders will sell near this bottom. Or is the market going to crash on Monday. We will see.
Now that the options have been cleared out for July we could see another super small rally as we have 4 weeks until prices for ge and msft have to settle back to just about where they are now.

July 25/06 Tuesday
Rates go up just a very small amount which means bonds went down a tad.
So Money came out of the bond market and went either into cash or the stock market. Same as Friday. My guess, it is going into cash for the next bottom.
The spy rallied about 2.5% in the past 2 days. Some money went into the spy but there are two big sell offs at the beginning of today and in the last hour of trading today. Volume is very high near today's tops at 126.7.
Many outsiders may be chasing this market up which is bearish. Get ready to buy on Friday or sooner. The spy could make a new bottom at 120.4.

July 26/06 Wednesday
Rates went down today so bonds went up. Some money went into bonds today and the stock market rallied (pretty much flat) with it. This could be the short term top in the stock market I was looking for.
We continue to see more volume near the highs than the lows. This is bearish and suggests the outsiders are chasing after the market.

August 11/06 Friday
Interest rates have been trending higher for the past 6 days and the Stock market has been trending lower for the same period. Money is moving out of bonds and into cash if we use the stock market as the stable indicator. The stable indicator is said to be priced at the

perfect value, if more money does not go into the stable indicator then it goes down or sideways.
The insiders are trying to work prices lower and the outsiders know this. This is why the market is trending sideways to down. There should be some good buying opportunities next week.

MORE DETAIL:
The range is now 20 - 25 for msft. The range for ge is 30 - 35. The Dow is getting cheaper, look for things to accumulate. Gold trades around 630 these days.
The market will trade in a very narrow range until the end of October. Take what ever small loss/profits you can and work into a bigger cash position for the next bottom in the fall (3rd week of Oct). The spy is showing large volume at the low around 123 on June 13. We will use this as our bottom and top indicator so we can move in and out with the flow of the overall market. The top for these days will be 5% higher than this at 129.15.

-------------------------------------- End Chapter 22; Short term journal example

Chapter 23; Option track, dividend chart, floating margin rate, weird options trading, 11D math, quantum computer, fun time is over

Rule 83: INCOME SOURCE, PROSPECTS, CATALYSTS, COMPETITION DETAILS, AND TYPE OF STOCK - emerging growth (micro cap), growth (small cap), blue chip growth (mid cap), blue chip (large cap)- FOR EACH COMPANY YOU PLAY:
This should be memorized and checked weekly for the more speculative companies. A rule.

OTHER COMMENTS:

Friday July 21/06
Option Track: What will the price of ge and msft be for the majority of these options to expire worthless is your quest. Check out the option chain at marketwatch.com it will be way easier to see the pattern with their format.

Rule 84: msft Sept, no open contracts what so ever. This can change and it is a tell. It means even the smart people are not quite sure what the price will be that month so they take no risk by not even floating any kind of game until things become clearer.

Rule 85: Chart the actual dividend for the spy. You should get roughly the same answer everyday unless some of the stock components which are in the spy have changed or there dividend has changed. Some dividends will go up and some will go down to keep it even, but if many go down then we are in a weak economy. If many go up then we are in a strong economy. This indicator will be weakest just as the market is bottoming and strongest just as the market is topping. And the market might not make a top until the divy is at 2%.

Options, put in a ridiculous limit order
if you are new, you will probably get it.
Use a floating margin rate for dollar cost averaging in, the better you are doing the less margin you use, as you become a better trader crank your floating rate up to 20%.

The younger you are the more risk you should "take on" (ha ha how many 5 year olds can you take on in a fight if they are merciless and none stop lol) relative to your long term predicted expense/income ratio.

Rule 86: When dollar cost averaging use a geometric pattern for your purchases and sales.

Explain flat/rising and trending interest rates as they reflect on the stock market and the global economy, now you can trade currencies.
How is gold/oil and inflation reacting to this.
Look at some charts and you can figure this out.

Find that inflation futures bond that you can buy. It is a great indicator.

Compare those to world growth and the trend for inflation in other countries and the trend in their interest rate patterns.

Track the markets overall margin rates and compare it with your margin rates.

Convince one of your siblings to read this and profit (because you are broke yet full of knowledge, be subtle spend time, you can do it lol).

A floating margin rate is your insurance (some-what risky), there are other ways to acquire insurance and we will learn them soon.

Ha ha my insurance is convincing my sister/brother to quit their day job and grow up already. Become a full time trader, it is more fun and easier and you can retire when you get bored of having $10m.

Weird options trading. Look for:
1. Increase/decrease in call price and volume activity.
2. Volume should be 3 times average daily volume on front month contracts.
3. If there are 4 calls for every put traded, then this is bullish.
4. The stock/option price is/not observing technical data. If not observing then what if = a ton of people see it and its state changes.
Cool. This means if the options are moving and the stock price isn't

moving or vice versa then you have another tell. We will be using our "option pricer" formula in our spread sheet to help with this phenomenon.

We concentrate on the call side because the market goes up 2 out of 3 days. This is balanced with, it is harder to create a good company. 60% of companies are thus eventual shorting trades. To balance this, A good stock can go up 1300% a bad stock can only drop 100%. And then what is the turn around time for each strategy (compounding shorts faster because there are more of them so they happen more frequently, is that why we all have faults) and do all things become equal again. Weird.

Something to balance your psyche;
Life: (from 11D math)
1. Negative things to push in a direction which are contradictions. Negative. The contradiction of negative is positive.
2. There is truth this day, somewhere, you must find it. Positive.
3. Some things are neutral and mean nothing. Neutral.
eg. Neutral = Positive + (Negative) = zero. A world with no observers.
4. Changing your own view to adjust for the above 3 points. Life. Time.
5. I learned something today, I will use it to re-adjust (in conjunction with tomorrows points 1-3) point 4 tomorrow! Library of info.
6. The test. My unconscious desire to change.
7. My God body. Which one will I choose? I can change choices at any time. Virtual God yea fun time is, not, over.
8. Heaven. Changing choices is heaven, I say restart my life with the most satisfying choice. Thus grow, then change (to least satisfying?) choices.
9. A choice between two dimensions. Should I choose dim 10 or 11? Heaven becomes boring must go serious, change and recap.
10. Create new Universe. Don't worry there is an infinite amount of room for this.
11. Attempt to create New God. Eventually this happens anyway since the idea of time has been around forever. You increase the likelihood of creating a New God when you make this choice. I like the price of gas in my hood. It just goes up and up, maybe I should buy some on the open market. I have, been here before. Use chromatic notes and do half tone bends to blend different keys.

If the quantum computer was fed with all the rules for the stock market and the psychological data observable in that data, would it understand ie would it be capable of transposing that data into other mathematical forms such as music? If so what are its limitations as far as matter energy conversion patterns are concerned? Given a large enough matter accelerator, how much energy could be produced. e=mc2. wooo a quantum singularity, with a near infinite amount of energy to produce android clones that can type faster than me and with more intelligence. Yea, I'm going on holiday. Is that the definition for understand? A mathematical transposition. Converting communication into emotion.

I am a millionaire, and I know a million millionaires. We have

decided to boycott , support....the factions include.
1m * 1m = 1,000,000,000,000 = 1 trillion dollars = 1 thousand billion dollars ha ha ha that’s not enough i want more.

We start with 3 chords, and we add 3 every 3 minutes.
After an hour the chain is so long we just repeat it for fun.

------------ End Chapter 23; Option track, dividend chart, floating margin rate, weird options trading, 11D math, quantum computer, fun time is over

Chapter 24; How many days, world rates, s&p oscillator, Leading Companies, integrity

How many days until earnings come out? How many days has the stock been dropping (or going up)? If the stock drops to early before earnings then the earnings may be interpreted as "not as good as was anticipated" or maybe if the stock drops early then it can rebound a ton on earnings day. The growth rate and pe compression pattern will help for this one. Look at your 2 year pe chart for goog to get a feel for a smooth pe compression pattern and know the growth of goog. How does the x dividend date affect these patterns?
You are learning to reference and observe.

Monday May 7/07 theStreet.com now rates the spy at C+ and the mdy has been upped to a B-.

July 10/07 Interest rates are going up around the world and overall growth will thus slow. Now will we get a recession or just a slow down.

Aug 1/07 So it takes about one year for interest rates in the world to follow the usa rates. We are on a one year cycle of some type ie it takes about one year to make a triple bottom. You need to check and track this, can it change, can other countries lead the states rates. When and why does it change if it does at all?

The libor futures lead the market in Sept 2008. The libor rate is the London inter bank offered rate between banks. It maps out the future for the fed funds rate and vice versa. The fed funds rate leads mortgage rates and cyclical investing.
For more info on the libor and the fed funds rate see www.gmsinc.us and www.Khanacademy.org

Rule 87: Three days in the same direction is a trend. Make sure the fundamentals support the trend or else, the trend is dead.

Mon   Jan 28/08
Check out the break out pattern on ge for the last few days the volume is classic I say up, up and away.
If it pulls back go all in 100% margin (never use 100% margin).

Rule 88: The billionaires control the etf/s. They crash them on a percentage basis, and you should buy the good companies which crash with them.

Jim Cramer says subscribe to the s&p oscillator.
Phone 1-212-438-7280. -3 cover shorts, -5 buy, +3 sell, +5 sell everything.
Also check the Investors Intelligence bull/bear ratio for market sentiment on a particular stock.

If the stock market is down 40% and gold is hovering around a high, and the us dollar is making a peak and interest rates seem to be bottoming then it is a bottom, it will look like a crash with scandals and fraud all over the place like in 1987, that savings and loan collapse.

Leading Companies:

To find the leading companies look for sales above 4 billion per year and revenues growing at 10% or more per year. Although a company that says it will grow revenues consistently over 15% per year is probably telling you things that are too good to be true. Also, any competitors should have a slower revenue growth rate.

This gives you the growth in percentage format.
Revenue Growth = [(ThisYearsSales - LastYearsSales) divided

by LastYearsSales] times 100.
Or (ThisYearsSales divided by LastYearsSales) minus one.

You can also find the estimated 5 year growth targets at cnbc.com.
Although some of the numbers may be fictional.

If we are in a bear market then statistically speaking you should
short, for the short term, all the time, because everything else
is going mostly sideways.

The leaders are also engaged in:
New product development.
Fair and friendly labor and personnel relations.
A long range out look on profits.

How to find management with integrity:
If sales and earnings growth are increasing consistently then yea.
Read some past annual reports for the company. How did they deal
with past problems? Did the company make excuses for any down turns
or did they acknowledge the problems straight up.
How did management deal with past strategies. Did they make a
strong effort to carry them out to their full potential. Read
annual letters to share holders from the ceo.
Are they up front and detailed?

-------------- End Chapter 24; How many days, world rates, s&p oscillator,
Leading Companies, integrity

Chapter 25; Dogs of the Dow, Beta, hourly trend,
Delta strategy, Micro Cap companies, NNWC

If the Dow is going down and the US dollar is peaking and gold is
stalling and oil is going down and interest rates are getting low and
there is a big problem like that savings and loan scam in 1987 then
you know, the market can fall 50% or so from the last major top.

Dogs of the Dow:
The high yield method for picking stocks.
Pick the 10 stocks in the Dow with the highest dividend yield. Hold
them for a year. Then start again. Crude but effective. Then you can
narrow this list of 10 to the 5 which have the lowest price/sales etc.

For you people out there who are just starting out and only have $50 a
month to invest you need to do a search on "dividend reinvestment programs"
(drips). Just use your dogs of the Dow stocks for your drips.

Beta = The amount of volatility. How a stock moves relative to the market.
A value of 1 means the stock's price moves in step with the market. A value greater than one means a stock's price pattern will move further than the market in an advance and a decline.
A value less than one means the stock's price will be more stable ie moving less than the market in an advance and a decline.
And I mean the sp500 average as "the market".

--

Define the hourly trend during trading time (how does scheduled economic news affect this), include the lunch break, the margin call, the early morning wait and see, the close ie the last 0.5 hour etc., how does all this effect Mondays hourly, trading pattern?

The delta strategy involves being long 100 shares of the spy and short spy call options at the same time. You would short 2 call contracts for every 100 shares of the spy you hold. You would want the delta of the spy calls to be under 40% when you short them.
Your delta strategy will help but ya wanna make more so ya gotta go micro.

--

MICRO CAP COMPANIES:

Companies with a market cap under 200m are often overlooked by Wall Street (ya right, what planet do you live on, i want to go there and take over i am god). They therefore can sometimes become undervalued. Micro caps are of course what we like to call the maximum risk zone. There are scams and junk all over the place.
We will use the net net working capital formula to explore this jungle.

NNWC = (cash & investments * 100%) + (accounts receivable * 75%) + (inventory * 50%) - total liabilities.
The nnwc is a conservative estimate of what a company would be worth if it went out of business.
Look for companies where the price of the stock is less than the per share value of the nnwc. Also the cash burn rate should be slow or non existent and the company should have
free cash flow from the most recent quarter.

A fair price (fair = it depends on whether we are in a bear market or bull market, we are almost always in a bull market) for some micro cap = nnwc divided by number of outstanding shares.

Use a stock screener and scan for stocks with a low market cap and a low price to book value. And, has the company been buying back stock, are the insiders buying, is there a potential for profits within the year, and is it an easy to understand business with a brand name? Does it need a divy to make it believable?

---------------------- End Chapter 25; Dogs of the Dow, Beta, hourly trend, Delta strategy, Micro Cap companies, NNWC

Chapter 26; Some bond stuff, tnx, ladder, rule of 72, 60 - 40 account

SOME BOND STUFF:
These bonds are listed in order from least risk to most risk.

Treasuries: Many different types available. The safest type of bond. Backed up by the U.S. Treasury.

Agencies: Issued by the U.S. government agencies. Usually offer slightly higher returns than Treasuries.

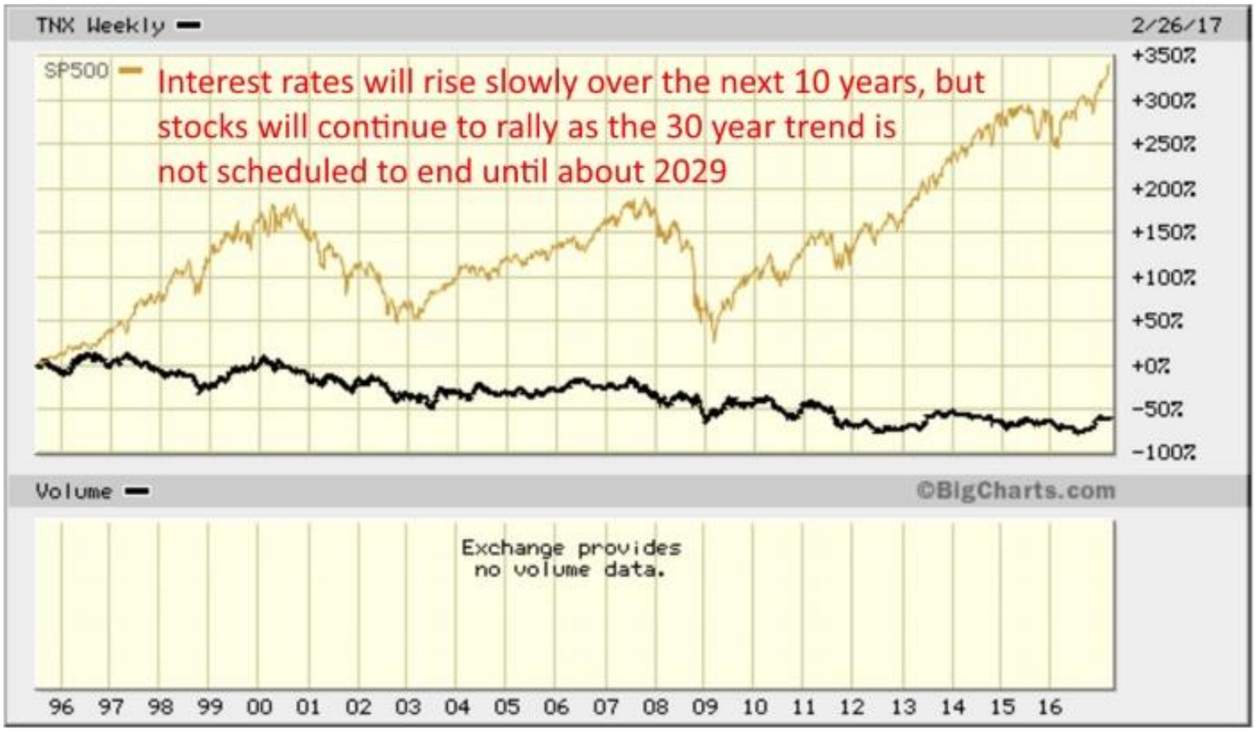
Mortgage Backed Securities: Known as Ginnie Maes (GNMAs), these are mortgages you buy from the U.S. government (you loan the gov't money for mortgages). These give you a higher return than treasuries but the risk is higher.

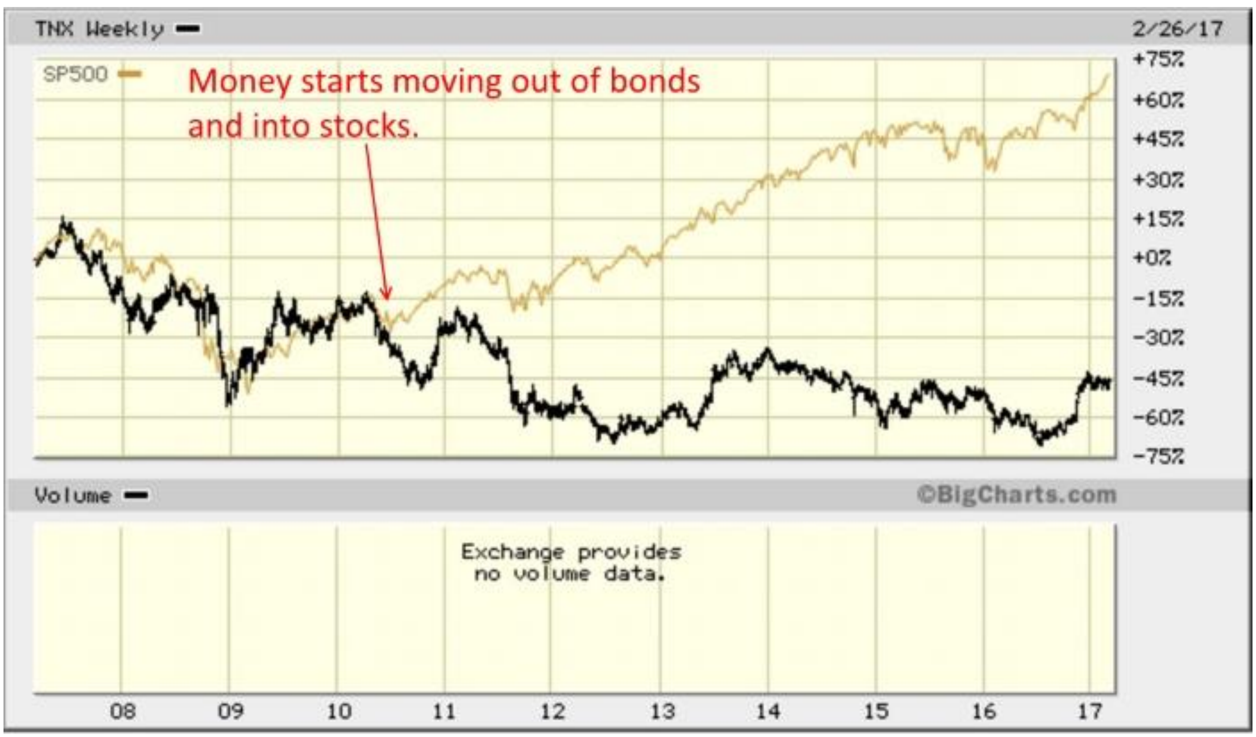
Municipal: These are issued by local states and government. These are often exempt from state and local taxes as well as federal taxes.

Corporate: These are issued by corporations, they offer higher returns but with an increase in risk.

The par value for a bond is the money you have to put up to buy the bond. The coupon rate is the interest you get paid every year for holding the bond. A zero coupon bond is a bond which pays out all the interest at one time, when the bond matures.

Rule 89: Overlap the tnx on your charts so you can see when money may be flowing into or out of bonds. The tnx is the 10 year Treasury bond yield. Interest rates. A treasury bond is like a certified deposit, you loan the government money and they pay you interest. When interest rates go up, bonds go down and vice versa. If bonds are starting to go down then people are taking money out of bonds and putting it into cash or the stock market or maybe a holiday. Money also flows from the stock market to the bond market when interest rates are approaching their upper target. There is always new money coming into the markets to make this equation more difficult to read otherwise we would all know everything. Large private equity funds are also making big waves, no tidal waves please.





Let's build a ladder to heaven using bonds. Buy one 5 year bond every year for the next 5 years. At the beginning of the 6th year, the bond you bought in the first year will mature. Use the money from that bond to buy another 5 year bond. In the beginning of the 7th year the bond you bought in the 2nd year will mature. Use the money from that bond to buy another 5 year bond. Just keep doing this pattern until you retire. You will end up with a very nice average rate of return and you will be able to sleep very well every night.

The rule of 72. Divide your interest rate into 72 and that is about how many years it will take to double your money. Or if you are Being charged 18% interest on your credit card it will take 4 years for your debt to double (4 times 18 = 72). This is of course compounded (add the interest charge to the principle each year).

A 60 - 40 account. Put 40% of your money into bonds and the other 60% into stocks. When the stock market is getting high shift more money into bonds and when the bond market is getting high shift more money into stocks. Swing trade the stocks and maybe you will beat the tax man on average ie you make at least 11% after taxes. Double your money every 7 years or faster as the swing trading can be compounded monthly or even weekly if thou are that damn good.

Rule 90: The BKX bank indicator almost always bottoms just before or right at a major bottom. If the bank stocks aren't doing so well it may be because many people think that interest rates are too low. Falling interest rates are good for banks because then they can borrow more money at ever lower rates and keep the old loans that the gave to you at the same high rate. So the loans they made in the past increase in value as overall rates decline. If rates remain low for too long then this is bad for banks as they can't make new loans at ever higher rates. The pendulum swings both ways.

Rule 91: Be interested in the companies you are buying but don't fall in love with them.

Rule 92: If the market has declined and interest rates are high and you are not sure if the bottom is here yet then make sure any purchase you par take in has some institutional support ie an upgrade from hold to buy. This is like contrarian, I like insiders for a while. If interest rates are low and a company looks low in price to you and it gets down graded then this is bullish. Break and change the rules where possible.

------------------------------------- End Chapter 26; Some bond stuff, tnx, ladder, rule of 72, 60 - 40 account

Chapter 27; ETF, Debt Maturity, hit men

ETF = Electronic traded fund. These are funds which trade just like stocks. They are based within a certain industry group, for example an etf home builder fund would be composed of all the stocks in the home builders industry. If everybody sells their etf the fund manager must sell a relative portion of all the stocks in the fund. This can cause the good stocks to go down with the bad. If you know which stocks are the good ones then a buying opportunity is at hand. The opposite is true. ETF's have a lot of power these days.

Rule 93: If the company insiders are buying SIGNIFICANT amounts of their companies stock then you should follow their footprints. Goto marketwatch.com, enter your stock symbol, click on "insider actions". Sometimes the insiders will sell a medium sized block of stock at a fairly low price. They do this so their friend can buy it for the long term (the insider will eventually get a "kick back" which goes into an off shore bank account). Watch to see if the price of the stock goes up for a few weeks. They will then have another friend sell a little bit short to push the stock even lower than the price that they sold the medium sized block at. This will cause the price to drop below the price at which the medium sized block was sold at. Once friend number 2 covers his short position the specialist will take the stock back up slowly over a long period of time because this is a good company anyway that was manipulated downward on purpose. The stock will rise for the next "x" YEARS. Income per share will also be artificially manipulated downwards for this scam in order to convince the average investor that, uh gee my stock is down 25%, I better sell. No, you better double down. Make sure the company has something good up their sleeve like a ton of cash or quality r&d.

Also DM = Debt Maturity = Dungeon Master = Your Banker. When do the notes come due? Are there notes coming due at different times? Are the notes convertible into shares? Who holds most of the notes? For example: let's say a German bank holds most of the notes for some company, and let's say some of the major share holders have a last name that looks German (my last name looks German, I am banker). And let's say the notes are convertible into common stock. What would this tell you? Is the price of the stock being manipulated relative to the expiration dates for conversion or "the debt due date" ? What is the price of the stock now? Is it up/down and is there time for a rally/decline relative to the schedule for "the debt due date" or conversion? Is there a schedule for when the company can start buying back the debt (paying the debt off)? What was the past buy/sell pattern for these insiders who are more than likely friends with the DM? Does the banker care more about getting the debt paid off or does the banker care more about what his friends are going to get for the price of the stock when it comes time to buy/sell again (I like tax free kick backs)? Does the company have some good long term prospects or does it look like bankruptcy time (good question)?

The billionaires control the high priced hit men, some of the billionaires are ex-high priced hit men. The hit men control the gang leaders, the gang leaders control the people (cops are people), the people control the gov't, the gov't controls the military. Now you can re-arrange this pretty much anyway you want to but it still says that we live in a dictatorship.

Which is probably a good
thing otherwise the people would be voting on every little thing via computer and the people don't really know what's going on. You could also look at it this way, who ever has the most advertising dollars wins the election (revised 2017 - who ever has the best hackers and social media manipulators and a lot of money).

Rule 94: If a quality company's stock is overly crushed it may become a takeover target. Some companies are worth more if they are divided up into their separate components. For example if they hold real estate which has gone up in value over the years but is written down in the books at its original value.

Rule 95: Many institutional players take their tax losses in late October. This puts downward pressure on stocks and helps to create the January effect.

Rule 96: May seems to show a peak in prices. Thus November through May is the best time to play the bull trends. This rule may need to be updated. It might have something do to with the 30 year trend. The large cycle may change and this could affect the tax cycle.

Rule 97: If the competition starts to take over market share then it is time to sell, and perhaps buy the competition. Many times a small company with only one or two products will end up battling it out with a very large blue chip that enters the field late. The blue chip will almost always win in the end.

-------------------------------- End Chapter 27; ETF, Debt Maturity, hit men

Chapter 28; RATIOS and formulas, gangs without genocide, option targets, short interest

RATIOS and formulas, the grade 9 answer key, our children are to smart for us to teach them this stuff; next thing yu know some 12 year old is running the economy: i track interest/inflation rate patterns better than anyone it said (I call them "it" for "information technology", they are little Gods and they tell you what to do all the time lol).
Most of these are a summary from before.

BB The book to bill ratio = Value of new orders "booked" divided by the value of potato chips shipped "billed" each month. For the semiconductor industry a ratio above 1 is what you're looking for. There is a ratio for semi equipment makers which is similar. You use: Value of new equipment orders divided by the value of new equipment shipped each month.

If I promise to loan you enough money for everyone in your country and a helicopter/palace for you etc. will you create a police force which controls all gangs without genocide. Oh wait, that's what Saddam was doing. Can't have that. Ya but he was bad at it, let's get someone who really cares about his enemies. How long will it take to buy off Iraq. Send the money, do the hits, make it happen and stop increasing the military budget (by prolonging the wars) just because your friends own lots of stock in that stuff. Use those profits for charity only.

DR Day rates. For drilling contractors of oil. They make a deal with the oil company as to how many days the contract for drilling will last. DR = contract cost divided by days in the contract. Compare the day rates between different drillers. If the overall average for all the day rates is going down then sell. They will tell you this info in the news so you don't even need to get your calculator out. If the price of oil continues to increase (and it will), then drillers will always be in high demand. So some ratios are just here for decoration of the past rules we used to use.

OM operating margin = operating profit divided by revenue.
NPM stands for net profit margin. net income divided by sales.
DE is debt/equity. equity = assets minus liabilities.
CASH/DEBT this is a good ratio to follow.

DIVY = Dividend yield. You get paid interest if you hold the stock for a certain amount of time. Say a year or quarter.
NNWC = net net working capital, for small and micro caps =
(cash and investments*100%) + (Accounts Receivable*75%) + (Inventory*50%)
minus total liabilities. Divide this by the number of shares and you get a fair price for your stock.

PBV is the price to book value. Share holders equity is usually displayed as a per share value called book value. Book value is the amount of a shareholder's equity per share. ie (total assets minus total liabilities) divided by number of outstanding shares. Divide that into the price per share and you get the pbv.
PSR the price to sales ratio = Market Capitalization divided by Revenues for the last 12 months.

DM = debt maturity. ie when does the debt have to be paid off. Which year dungeon master.
IE is income per employee. Another way of telling you how effective management is.

RS Relative Strength. How well is the stock doing compared to the sp500 (large caps) and the spzx (sp400 mid caps). Use your one year chart and your 6 month chart for RS, and your 10 day chart for new breakouts.

EM = EPV / EBITDA = Enterprise Multiple = the enterprise value divided by ebitda = [market cap minus (cash minus debt)] divided by earnings (ebitda).
You use ebitda because the company can mess with net income (earnings) by

using different tax strategies. If the debt is greater than the cash then the company has a brand name (popularity, intrinsic value); yes two negatives would equal a positive, this is also like the roe scenario, use debt to take over the world, and some companies do it regularly, it is capitalism most efficiently managed. If the multiple (output) for this ratio is below 8.1 then we are in buyout territory. I like that ratio. I suppose buy out territory can change depending on whether interest rates are on a down trend or an up-trend for the world overall.

FR is the flow ratio. This compares inventory and receivables with cash, cash you owe someone else but is still collecting interest in your account. [Current Assets minus cash] divided by [current liabilities minus short term debt]. The "cash" value in this formula is not the cash you owe someone else. Go back to the "cash flow statement" for clarity.

Total Capital = Assets minus liabilities plus debt.
ROE Return On Equity = yearly earnings divided by average share holders equity for the year (book value).
ROA Return On Assets = yearly earnings divided by assets.
ROC Return On Capital = Net Income divided by Total Capital.
ROIC Return on invested capital = (Net Income - dividends) divided by total capital.
EBITDA/TC = Earnings before interest taxes depreciation and amortization divided by total capital, is also good and may give you a clearer picture than roc.

C/C Cash Ratio = cash divided by current liabilities.
CR Current Ratio = current assets divided by current liabilities.
A current ratio of 1.5 or higher is generally adequate to meet short term operating concerns.
QR Quick Ratio = (Current Assets minus Inventories) divided by current Liabilities. When you subtract the inventories you are left with liquid assets which helps pay off short term bills. A quick ratio greater than one is desirable.

CB Cash burn rate = (Total assets minus inventory) divided by Current Liabilities. This tells you how many years the company can last before it needs another loan. Although they will most likely need to get another loan before they start selling the plant and equipment.
More ways to calculate CB:
2. Capital Expenditures divided by net operating income. For example if the output for this ratio is 0.34, then the company spent 34% of the net operating income on some stuff. That is the burn rate for the year.
3. Net operating income divided by current liabilities. Fewer current liabilities means you can save more of your income. You could flip this ratio upside down if you like and it will be more like number 2 above.
4. And for a company which is generating no income (like a new nanotech), Total Cash divided by current liabilities. This is like the first ratio above. It tells you when the company is going to need to sell more debt (get a loan). If you think they are worthy of more debt then maybe accumulate.

Working Capital = current assets minus current liabilities.
A positive number is a big bonus.
WC/MC ratio = Working Capital divided by Market Capitalization.

EPV/SE = enterprise value Divided by shareholders equity.
If the output for this ratio is below one then the company is selling below its book value. Value investors will often stay away from companies which trade above 2 times book value.

ART Accounts receivable turnover = Sales for period divided by average CAR (current accounts receivable) for the period. This ratio tells you how many times a year the company clears out all of its outstanding credit.
DSO Days sales outstanding = CAR divided by (sales for period divided by days in period). This tells you how many days worth of sales are outstanding at any given time.
ITO Inventory turnover = Costs of Goods Sold (cogs) divided by average inventory for the period. The company which is turning over its inventory the fastest is the one you want. For this ratio the cogs is considered a good thing because you don't have to pay out for the cogs for 180 days (hopefully). And so the money sits in your company's bank account collecting interest. leverage of love.

P/FC price to free cash = Price per share divided by Free Cash per share. The cash generated by the company. Companies which generate a lot of cash do not have to rely so much on borrowing money.
FC/S = Free cash divided by sales is another great indicator. The more free cash you have the better. A lot of free cash generated by very few sales is great. All the company has to do is increase the sales after that. This rule may need to be updated I hear.
PCF the price to cash flow = Price per share divided by cash flow per share.
PE Price earnings ratio. Divide the price per share by the income per share. This tells you how expensive the company is compared to the amount of income they are generating. Sometimes people just call this the multiple (earnings multiple).
PEG is the pe ratio divided by the estimated income growth rate. More on this later.

CO/NS = Company stock ownership (the number of shares of the company which is held by the treasury of the company) divided by the total number of shares (both the outstanding and the ones the company is holding). When a company buys back their own shares the number of "actual" outstanding shares shrinks thus artificially inflating the earnings per share.
If you were to make a formula to track siri (a company), what would it be connected to, the sales of new cars plus...now you're an analyst.

OT option targets. Find the month with the most open interest for the "put" and "call" options. Use the "call" strike with the most open interest and add the cost of that option to that strike number as your upper target (for your stock) and use the "put" strike number with the most open interest minus the cost of that option as your bottom target for your stock. This will give you an idea as to what the other players are thinking with regards to the short term range for your stock. Use strikes which are in the money.

SI short interest. To get an idea as to what the other players are thinking for stocks which don't have very much option action use the short interest. The short interest is the number of shares which have been sold short compared to the number of shares outstanding.

Rule 98: If you're listening to a conference call and management isn't concerned with the slow down in numbers or if they mumble through that part with delusions of grandeur for the future, then it is time to sell.

------------------ End Chapter 28; RATIOS and formulas, gangs without genocide, option targets, short interest

Chapter 29; Another technical indicator, Some catalysts, World gdp, When should I sell, Another way to make a lot, new news, every one is using rule xxx

Rule 99: Timing the market is possible, master it and you rule time.
Well actually you just get more responsibilities.
If you're looking at a stock that is down a lot then find out why it is down. Is the amount of decline justified or has the stock been overly crushed. Or maybe it needs to drop more. Accumulate slowly if the decline seems in line or overly exaggerated with the amount of growth slow down. If the stocks earnings are projected to slow by 5% then the price will usually bottom down a bit more than 5%. Is the slow down going to be permanent? You can some times determine the amount of loss by the numbers they give you in the news headlines; this is great but you must search and compute. i am lazy. If the stock drops the same amount that you compute and volume is very large at the bottom and the company has some legs then it is a long term buy.

Rule 100: Companies which expand to fast can be a problem. Companies grow when revenues increase or when they acquire other companies. It is difficult to spot a company that is growing too fast from normal sales growth, but acquisitions or opening too many stores at once can be spotted. Sell if there are integration problems of any sort and if sales fall slightly for a quarter when a company is opening lots of stores. You can always buy back in, in a couple of months. Stay away from any company which is acquiring stuff that is to large compared to its self. And any company which is offering stock to buy small companies is a dead horse.
Those are called roll-ups.

Rule 101: Watch out for the controllers of the red-tape (government).
If they change something which is related to your stock you better make sure it is a change in the form of more change$ going too your company and not away.

Rule 102: When a retailer is nation wide then you know, I'm bad,
I'm nation wide. If there is very little room left to expand then sell.

Rule 103: You know when a fad is over when the stores which sell the product have enough of the product to meet demand.

Another technical indicator:
Dec 11/07 Interest rates are on the decline, the mortgage problem could have been taken better care of with a half point reduction in interest rates today but all we received was a quarter point cut. The spike in volume and price of the sp500 emini contracts yesterday suggested that the Fed would only cut a quarter point today.

Rule 104: Any stock with accounting problems is a sell. They're either hiding a problem or just plain ripping you off.

Rule 105: Even blue chip growth companies trying to display integrity will back date options. What do they care. F them. Sell, sell, sell.

Some catalysts:
1. A drop in interest rates or a general economic upturn.
2. If a company is buying back its own stock. Although if the amount is insignificant then they may be scamming people to jump in and buy, knowing full well that some bad news is just around the corner. Make a ratio for this. CO/NS (see Ratios and formulas above, Chapter 28).
3. Consolidation in the companies industry. Your stock may be a take over target. This should not be the only reason though, for buying a stock.
4. If a company has few competitors or if many companies in the target industry are going broke. Better make sure your company has the best numbers.
5. Something new on the horizon; technology, patents, products and better management perhaps. Although sometimes a change in management means the company is kooking the books. Those kooks. Particularly if the ceo or cfo leaves unexpectedly.
6. The lawsuit; is it real or just bs. Use your common sense for this (if possible) and what is the possible slow down in growth if the company you like is the bad one. Place your amount for betting accordingly. Play both stocks some how. Pairs trading.
7. If a company decides to sell off slow growing parts of its self which are not related to its core business.
8. When is the ex-dividend date and what is the current dividend.
9. Lots of cash, low debt, low price to sales.
10. The short squeeze and insiders buying.
11. Broker upgrades/downgrades and earnings revisions can get a stock moving.

Rule 106: If the overall market is up, and inflation is up, and interest rates are up, and the gdp is up, then the market in general may be overpriced; unless it's the end of the 30 year cycle. Go look at the 100 year chart of the sp500 corrected for inflation, the 30 year pattern is visible.

Rule 107: The 30 year trend pattern contains 2 separate patterns. The first one is when stocks rally for about 19 years with brief pauses. The second one is when stocks go sideways or down for about 10 years. We are currently about half way through the second pattern (Aug 23/06). I imagine the 30 year pattern will change because of the information age and global expansion. Up, up, and away until the quantum computer starts telling us whether we are worthy or not.

World gdp is increasing steadily and recessions are a non event because of increased production due to the information age and global expansion. Not to mention international marketing. A rolling recession is predictable, buy into it at 6%? or more drops in the market.

Rule 108: Some stocks need to make three or more disturbing declines before they start bottom building. This takes time and patients. I hate these stocks especially when I bought early. xxx.
rule 108, do not hate any stocks.

Speculative stocks are in a sector all on their own.
They all tend to move together. As do all stocks.

When should I sell:
Inflation is peaking, gold is peaking, interest rates are peaking and the market is approaching a resistant level; all of these things happening at the same time. Like in May of 06. or
If you are holding to many stocks.
If your portfolio is not diversified.
If you lose confidence in the management.
If you are in love with the company.
The catalyst/prospects have dried up.
You find a better situation.
You lose your mind and can't remember why you bought the darn thing.
You find out that you really don't understand how the company makes money.
The company has sporadic earnings and you
don't have the time to monitor it properly.
If you will need the money in a few years.
If the stock has become totally over-valued.
You have too few stocks, so sell some and spread the money around more.

Rule 109: A sideways market is the same as a down market as economic production may be slowing but it will never go to zero for any length of time as the economy is diversified (it ain't 1930 anymore).

Rule 110: When it is time to balance your portfolio for the next group of industries which are bottoming; build a position slowly. If your stock goes up 5% don't sell it, just hold it until it comes down again, then buy more. You have at least 6 months until this bottoming industry runs its course. Make sure interest rates and mega trends (Brazil Russia India China Canada Mexico, medical, energy, financial, and other large trends like old age) are favorable for your chosen industry.

Rule 111: All options expire at the end of the 3rd week of the month. And virtually all options expire worthless. Can you relate this fact to current price, volume and fundamental data. Well of course but how long will this equation be sufficient and what is the repetitive cycle for this equation. ie when everyone knows this will anyone be left to play options. Options have now been cancelled, i chairman loud talker am talking again. i really don't understand this rule. really. 3rd generation acceleration curve? i feel like i'm tracing a recursive computer program I did at school one day. Some rules are connected to a tide. Hopefully not this one.

Rule 112: Create a practice portfolio before you use real money. Also create a stable of stocks you may want to buy for your portfolio in the future, when you see that one of them has gone down then check it out, it may be time to accumulate.

Rule 113: Never short a good company, even if it is experiencing problems. Never short a company in an industry which is consolidating. Never short stocks just because they are over-valued. There must also be something wrong, long term. If everybody and their dog is shorting a stock it may be time to go long. And you shouldn't
short anyway if everyone is shorting it.
Shorting is also cancelled because everyone is doing it. They can tell you to give back the stock you borrowed at any time.

Rule 114: Don't short a company that may be a take over target. lol

Rule 115: An effective use of margin would be at a time when the market crashes 10% - 20% in one day at least one hour before the close. Never use more than 20% margin. And never use margin for any other situation than a total market crash. And I must stress the part about the crash happening at least one hour before the close otherwise the market could crash some more at the next days open. You may use no more than half of your margin if the market crashes 30 minutes before the close and if prices don't rebound before the close then sell most of that margin you invested during the last 7 minutes of trading.
That is also very important, IF THE PRICES DON'T REBOUND SIGNIFICANTLY BEFORE THE LAST 7 MIN OF TRADING THEN SELL SOME. Use a spider for this maneuver. Spider man, Spider man...Spider man is an index specialist.
Use 100% margin. Make your portfolio half long and the other half short.
You of course know everything. Use options to insure situations you are unsure about and use futures and options to increase your margin for situations you understand. That's a lot of risk. That's how you make 800% a year. Use 5% of your money for that kind of risk.

Another way to make a lot.
Rule 116: When researching small cap growth stocks you need to look for:
1. A company whose original owners still have a large personal stake.
2. Financial statements which are not complicated to understand.
3. Lots of room left in the market place to grow.
4. A leading position over any competition and a great product.
5. A strong asset base with few liabilities.
6. Lots of cash flow with a stock price which is relatively low to this. A ratio.
7. Lovable people.

Rule 117: It is a good time to buy If a company is buying back its own stock. Although if the amount is insignificant then they may be scamming people to jump in and buy knowing full well that some bad news is just around the corner.
Make a ratio for this.
CO/NS = Company stock ownership (the number of shares of the company which is held by the treasury of the company) divided by the total number of shares outstanding.
How many shares out of 100 does the company really have? The company buying back stock and the insiders buying stock are two different things. The company will some times buy back stock to boost the price so that the insiders can sell for their personal accounts and shadow accounts.

Rule 118: Institutional investors are not allowed to play micro cap stocks...lol. They have to wait until they are bigger. Therefore these smaller companies are often undervalued or as they say, priced inefficiently.

How many companies had new news today? How many did not? What was the new news, and how does it relate to the past trends?

Rule 119: The mathematical properties of psychology and their relationship to investors actions: Most people will sell once there stock falls about 25%. Ya, you should be thinking about buying at that point.

Now that you know that every one is using rule xxx then what do you do?
Use a spider (spy or mdy) or put your money into an index fund; because you need one hour per stock per week to make sure your current holdings are ok and 1 hour per week per new stock you are researching. So for a minimum diversified portfolio that is 5 stocks plus 5 being researched = 10hrs/wk.
No wonder there are 8,000 hedge funds.
You can subscribe to a guru to save time.

------------- End Chapter 29; Another technical indicator, Some catalysts, World gdp, When should I sell, Another way to make a lot, new news, every one is using rule xxx

Chapter 30; Dollar Cost Averaging

Here are some general ideas for dollar cost averaging in. Change the parcel and unit amounts and you can make your portfolio more conservative or less, it's up to you. And you could reverse the selling strategy as well. The older you are, the more conservative you should be. Unit = I will bet this much! All on black since the market goes up 2 out of 3 days.

Space the trades about 3.5% apart at these days? It depends on the stocks beta (volatility) as well as the rest of the rules.

Rule 120: As long as the future looks good then continue buying on the way down for an investment. For a trade ask yourself this, has the catalyst evaporated? Evaporation takes time, therefore, are your information gathering strategies acquiring facts fast enough?

These percentages are based on high brokerage fees like we have in Canada. If you use a USA broker your commission costs are practically nil, so you could DIVIDE YOUR PARCELS into 6 units instead of 3.

For a conservative portfolio invest in companies which have the potential to go up for at least the next 5 years; blue chip growth and blue chip only.

Break the money you have allocated for the stock market into 10 parcels. One parcel for each stock. For each stock BREAK THE PARCEL into 6 units if you live in the USA, and 3 units if you live in Canada. The risk for Canadians is worse. no doubt ey ...$15 per trade I here now in Canada. not bad. Break your parcel into 5 parts. What ever.

1st bet 20% (first unit)
2nd bet 30% (second unit)
3rd bet 50% (third unit)

Sell using the same intervals over the next 5 years or whenever you FIND A BETTER OPPORTUNITY.

I.E. 1st sale = 20% of holdings
2nd sale = 30% of holdings
3rd sale = 50% of holdings

So if you have $100,000 to play the stock market then you will want to play 10 stocks with $10,000 for each stock, and then you divide that $10,000 into 3 units of $2,000 (20%) & $3000 (30%) and $5000 (50%) which = $10,000. Invest whatever cash you have on the side lines into bonds to make some virtually risk free interest.

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More risk?
Swing trade one blue chip growth stock at a time. This is easier and who

knows maybe being too conservative is riskier. Invest in only one stock you know really well (goog is good for this Feb 07), using these buy in amounts.

first bet - 10% of your money.
2nd bet - 40% of your money.
3rd bet - 50% of your money. This is your insurance bet if the stock goes down to its' 5 year low or what you might call the ultimate bottom. The ultimate bottom may have happened only 2 years ago.
Analyze using all the rules.

Sell 100% of WHATEVER AMOUNT you own whenever you are up 10% or more. If you are fully invested then sell at the same rate that you bought in at. Unless the company starts breaking rules of course.

Hey goog is too good for this, just buy under $500 and hold till it hits $800. If it takes more than a year then yea, tax savings.

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Lots of risk? This is a conservative way to play the contest on TV. Win $100,000 now. They just keep getting bigger. The 1m port, scheduled for 2010. And look for takeovers, nnwc, and technical analysis. Trade one emerging growth company only.

1st bet - 5% of your money
2nd bet - 10% of your money
3rd bet - 25% of your money
4th bet - 20% of your friend's money. Your stock should go up before you get to here.
Never invest more that 60% of your funds into these higher risk situations. Consider taking a full or partial loss at the next pop depending on the situation.

Sell 100% whenever you are up 10% - 50%, note: you might only have 5% of your money in when it becomes selling time (ideal situation). And if you don't follow this rule, well then, bulls make money, bears make money and pigs get slaughtered.
Now that you're awake... it is possible to lose all your money in this account but it would take ah, about 4 years? Don't use money you can't afford to lose. In fact if you enter the lots of risk game, go in with the attitude: I am going to lose all this money in the stock market within 2 months. This attitude will be of course balanced with the I'm a winner attitude because you know all the rules extremely well.

When you buy on the way up, use smaller units. When you buy on the way down use bigger units. Unless you know you are behind the eight ball.
If you just recently learned something good about the company, which will increase its growth rate and the price is moving up fast then increase the unit amounts.

Rule 121: Use a geometric pattern. Break your money up into 4 equal units per parcel.

Rule 122: A large fast increase in volume is a strong indicator.

An increase in volume signals attention. Your job is to find out why this stock warrants attention. Are the billionaires selling or buying?

Rule 123: A decrease in volume is a strong indicator. Has the stock's price stabilized? Is the stock being ignored on purpose? Have all the billionaires finished buying/selling and is it time to take this stock to a new high/low? Are we going to test the bottom again so I can accumulate more for the long term? Are we going to test the top again so I can distribute more and generate more cash for lower prices?

Rule 124: Gold is a strong indicator. Inflation is related to gold and interest rates. People buy gold when they feel inflation. Interest rates may be on the rise while this is happening. Gold may also be going up because the overall wealth of the world is going up and some of the bigger countries ie China do not have enough gold reserves. If they had enough reserves, gold would be at $3000 per oz at this time Apr 07. What it is, taking the place of gold as the ultimate hedge. Info.

Rule 125: The flow of money to the fasted growing nation is a strong indicator. Watch you import export levels. Who is selling the most per capita. The stocks in that country could be in a super bull phase. Or, look for the country which is starting to lower their interest rates. Sometimes you need to place your bets early. Especially if the stock prices are down relative to the past.

Rule 126: The relative strength between currency rates is a strong indicator. Countries with strong currencies can inflate by lowering their interest rates and this will create additional exports. This will of course, lower their currency value and increase earnings. Then inflation will set in again and interest rates will have to go back up. The cycle for cyclical investing.

The gross domestic product GDP tells you how many more goods and services the economy has created compared to last year. So if it is at 3% then we have 3% more toys than last year at this time. ok Santa.

---------------------- End Chapter 30; Dollar Cost Averaging

Chapter 31; GENERAL OUTLINE FOR CYCLICAL STOCKS

1. If the gdp is at 3% and peaking because interest rates are making a top (to slow inflation), then - Sell paper and chemicals. Buy supermarket and medicine stocks.

2. If the gdp is at 2% and falling because interest rates have

finished topping, then - Sell smoke-stacks, metals, minerals and gold. Buy high multiple (large pe) tech stocks, banks and financials.

3. If the gdp is at 1% and falling because interest rates are now neutral and falling although they still may be high, then – Buy retailers, and housing stocks. Super high pe ratios for good companies = their earnings will jump up very fast and lower the pe ratio. Get in while the pe is near 60 (joe Nov 06).

4. If the gdp is around 0% or lower because interest rates are making a low (to increase inflation ie slow deflation), then – Buy low multiple (low pe) tech stocks. Now we are at the bottom of the cycle, the gdp is low (0% to 1%) and so are interest rates. The gdp can even go negative for a short amount of time. Santa Clause takes all the toys back. Xmas is canceled.

5. If the gdp is at 1% and rising because interest rates have finished bottoming, then - Buy paper and chemical stocks. The bull rally starts.

6. If the gdp is at 2% and rising because interest rates are neutral or starting to move up from their bottom, then – Sell medicine and supermarket stocks. Big rally.

7. If the gdp is at 3% and rising because interest rates are off their bottom and moving up, then - Buy smoke stack stocks.

8. If the gdp is at 4% or higher and interest rates are getting close to the old top, then - Sell housing, financial, auto and retailer stocks. Buy metals and minerals. We are now back at the top of the cycle and the gdp and interest rates will start falling again. The market in general may be overpriced at this time. Cash is king.

Rule 127: Everyone knows this cyclical stuff so watch out. Use all your rules and spot the stocks which are out of sync with the economic cycle.

Rule 128: Buy low sell high. Higher interest rates take about 6 months to show up in the form of lower earnings. Lower interest rates take about 6 months to show up in the form of higher earnings. Everyone knows this stuff and they sometimes place their bets ahead of time depending on how much new money there is. Don't be afraid to acknowledge a stock with an overly high pe average. Although if it is way out of line then wait for a pull back (lower price). The billionaires play the 30 year trend and they almost always buy for the long term.

Rule 129: Diversify. Each stock you own should be in a different sector. Putting 50% of my portfolio in the mdy is an easy way to diversify. And gamble the rest on that blue chip growth stock. What is it called?

Rule 130: Learn everything you can about one stock and its competition. Then stock it. If it is forming a bottom with large amounts of volume and all the fundamentals look good and you checked it against all the rules then it's a go.

Rule 131: Don't go psycho. There will be bad days and mistakes.

Use these as learning opportunities to expand the rules.

Rule 132: The psychology of humans is such that we think of numbers in terms of 5s and 10s and 20s. We are taught our counting skills with that old "now let's count children, buy 5s" and lets count by 2s and lets count by 10s. NEW INVESTORS will therefore tend to place their limit orders on price levels like 5, 10, 15, 20. These are called handles. The specialist will use these as support and resistant levels because he will want his friends money in at the lowest prices. Therefore if the new money places a large amount of money (limit to buy orders) at a handle of let's say 20 and if 20 is close to a support level then the specialist will quite often take the price down to only 20.03 so that the new money can't buy in at the bottom. As the stock goes back up the new money then changes their limit order and now they are buying at a higher price (chasing) where the specialist and the smart money can sell to them. Adjust your price targets and your limit orders to compensate for that. And if possible don't use a limit order for very liquid stocks.
Continued in chapter 31...

------------------------------ End Chapter 31; GENERAL OUTLINE FOR CYCLICAL STOCKS

Chapter 32; The specialist, relative strength, Time Period, the flare, money flow

Continued from chapter 30...
And
if possible don't use a limit order for very liquid stocks. Why does the specialist need to know your trades in advance, this is a disadvantage to you. The same is true when a stock is making a top. The specialist will also gap the price over/under these handles (to avoid execution of those trades) in order to get the new money to buy/sell where he wants them to. Since most people already know this we now have handles at prices like 20, 22.50, 25, 27.50, 30 etc. The smart money also uses short selling to push the stock to temporary extreme lows so that the new money will get scared and sell at the bottom. I don't like to use stop loss orders for this reason. Just wait for the stock to rebound a bit and then take your loss. If you buy quality this shouldn't be a problem. Maybe you should be buying at these new lows as the smart money must cover their shorts at some time. Since most people are wrong and cannot beat the market, those who sell short are also more than likely to be wrong than right, maybe they didn't learn that the market goes up 2 out of 3 days. Statistically you should never short the market if recessions are a non event. But then the crap companies must be controlled and destroyed. Mwaaaaaa.

5 year (etc.), 6 months, 3 months, 10 days, the relative strength of your stock. Which way is it trending in each time period? Has the 10 day chart reached an extreme point? What does the volume tell you in each time period?

Time Period = A length of time. From now to 6 months ago is an example. Time can be referenced using only past observations. Since the future has supposedly not happened yet. But it has. That is the paradox I must solve. Zen and the art of stock market manipulation. That's cheating. You're not allowed to tell yourself to dream about the price of the s&p500 on the nyse at tomorrows close.

Anyway since you know what you are doing, that dream WAS cancelled by God. How many days in a row have you dreamed the correct number for the close of the s&p500 on the next trading day? Has anyone done a study on this? I don't have too, my computer does it for me lol.

Rule 133: Don't forget, Fridays close will build pessimism or optimism for Mondays open as people read the news for two days in a row with no action (Saturday and Sunday) eg if we are in a bull market the insiders will close stocks "down" on a Friday so people will sell too them on Monday. If Friday sets up Monday then which day sets up Friday?

Here is the flare.
STOCKS SHOWING STRONG RELATIVE STRENGTH (RS): The 3 month chart is also very good for this. Spot stocks which are trending higher from a big bottom. RS is very important. If your stocks aren't at least keeping pace with the s&p then you should consider selling all or a portion of them. Think of this as selling short because your holding more cash for good buying opportunities which are everywhere these days (Aug 06).
Begin re-accumulating when they reach a lower handle on big volume, or when something meaningful changes for the company. Like a new catalyst. Perhaps investors finally realize that losing this court case won't hurt the bottom line as much as has been priced into the depressed price. Be sure to do some research on these before you buy.

Rule 134: There are some stocks which have no choice but to go up. Their pe's can max out around 100. No stock should have a pe over 80. This rule is an example for the definition of hype. Some quality smaller cap stocks will have a pe over 100 as they are just coming out of the negative earnings zone. It is ok to put a little money down for the long term on these darlings.
That's how you do it. Spread a lot of money on about 40 stocks.

Rule 135: 80% of all stocks will move with the market. ge and msft are strong indicators (leaders).
Follow their volume, price and option patterns. Sometimes msft leads the decline/rally and sometimes it is ge. Track all the Dow stocks and practice reading the volume near the handles. Learn to Place your trades with the flow of this tide. Also what is the tnx (interest rates) telling you.

Is money flowing into or out of bonds? When rates go up, bonds go down and when rates go down, bonds go up. Is money flowing into bonds, stocks, cash or a combination of these? How, when, and where will the money be re-disbursed?

Rule 136: Your emotions are linked to the amount of money you are winning/losing. Devise your own rules to compensate for this. Meditate, exercise, what ever. If you are losing money then use a smaller position size or stop trading until you figure it out.

Rule 137: It's not good for the stock market if people are killing each other over pieces of paper with doodles on them. Murder is not an option but trading options can be murder. Don't do it unless you know things that Wall Street doesn't know. Subscribe to TheStreet.com and stockMarketMentor.com if you want to trade options.

Rule 138: Sell when your holdings make you feel happy. Buy when your holdings are increasing your pain. Unless you are good at rule 136.

Rule 139: Dollar cost average in and out. Buy on the way down and sell on the way up if possible. And, buy when you see a good rumor circulating and sell when the news comes out.

Rule 140: Something important to repeat. How does the company make money...specifically. Krispy Creme did not make money selling doughnuts, they made money selling franchises.

Rule 141: Estimated future growth compared to a stocks pe ratio is a strong indicator. Watch out for fictional growth and income numbers. Use the ebitda and/or revenue value for most calculations. Reading the news about the company and a little common sense will also help. Like I want to eat sugar for breakfast, where are those supar popstocks that I feed my kids with cow's milk which was meant for a baby cow. It's cheaper to take vitamins than to buy milk. Givim water that spoiled brat. Get a job. The sooner the discipline hits the stronger it holds. Too much control is a negative. If you don't let them do some bad things now, they will want to try all the bad things later.

Rule 142: Well managed debt and cash flow levels relative to revenue is a strong indicator. If you play micro cap companies then keep track of the nnwc number.

Rule 143: Every stock is a different game. Use the rules which apply to each stock.

-------------------- End Chapter 32; The specialist, relative strength, Time Period, the flare, money flow

Chapter 33; option chains, check the news everyday, speculation index portfolio, Ask yourself these questions, The pe compression monitor

Rule 144: Practice reading your option chains and look at the open interest regularly, this will give you a big advantage. You will eventually be able to see what strike prices most verticals are being set at. I like the format they use at MarketWatch.com. eg A bull call vertical is when you buy a strike 50 and sell a strike 60, same stock, same month contracts.

OPTION	CONTRACT DATE 2006	CALLS OPEN INTEREST	PUTS OPEN INTEREST	STRIKE PRICE
GE	June	135,488	44,753	35
GE	sept	64,033	58,828	35

When comparing June and sept contracts, investors are bearish when they think about ge's price in September, as can be seen by the big drop in "calls open interest" for September. Or this could mean they are overly bullish for June.

MSFT	June	44,918	51,935	22.50
MSFT	June	94,315	26,604	25
MSFT	Oct	45,525	98,011	22.50
MSFT	Oct	120,350	41,594	25

When comparing msft's June puts with msft's October puts we see a large increase in "puts open interest". This may be a bearish sign. ge and msft should have bearish sentiment for the fall as interests rates are topping out now (June 06). This should cause an economic slow down by the fall at Oct/06.

MSFT	Oct	210,149	161	30

Open interest for msft calls at a strike price of 30 is huge. Could the under writers just sell lots of msft so it won't go over 30 until some time after the 3rd week of October. Could this be why the price dropped from 27 to 24 at the end of April. Or was it the 340,000 call contracts for July. 340,000 contracts is 34,000,000 shares. Imagine the pay-out if msft went to 32 before the 3rd week of July. The institutions which under-wrote some of these could lose a lot of money. All options expire on the last day of the 3rd week of the month.

Look at the options for your stock to give you an idea of how investors are betting on the future. And what is the underwriter's strategy. SINCE VIRTUALLY ALL OPTIONS EXPIRE WORTHLESS THE STRIKE PRICE WITH THE MOST OPEN INTEREST IS USUALLY THE RESISTANCE/SUPPORT LEVEL.

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VTSS 2800 AT 1.20 = 3360 They received some more loans which are due in 2011 but they have been delisted. I should check the news everyday if I want to play companies which are kooking the books. (Wednesday June 28/06)

Rule 145: Buy and follow the news on the company. Don't just buy and hold and wonder what's uh going on with my money. Goto there web site, listen to telephone meetings etc. read magazines.

Rule 146: No shoulda woulda coulda, stick to your plan. Unless significant news changes the game.

Rule 147: For a conservative portfolio, 20 stocks gives you a maximum buy in of 5% per stock. This keeps it safe, but not so safe that your portfolio acts like an index fund. 40 stocks is better.

Create your speculation index portfolio, eg ten stocks cien, cnxt, ezm, fnsr, ivan, jdsu, kry, nxg, rtk, tmy. This will tell you whether the speculative stocks are over priced or not as they tend to move together. As do most groups - micro cap, small cap, madcap and large cap. Put an equal amount of money in each stock and swing trade the entire group. These stocks have unknown potential. This is bad and good. Some will die but the ones that don't will more than balance the equation. How can they move together if some are going to zero and some to 100. The time before they die is when they move together. Watch the DM (debt maturity) to see which ones are fading.

Ask yourself these questions:
Did the company have steady earnings during the past 5 years?
Does the company have strong earnings now?
Will the company have strong earnings growth during the next 5 years?
Is the company's current earnings better
than the earnings of its major competitors?
Where does the company get its earnings from and how stable is that source?
Is there any long term bad news in the headlines?

Rule 148: Is there any short term bad news in the headlines? This could create a buying opportunity. Some law suits are so bogus its quite funny and even I can see through the bs.

Rule 149: Is the stock's price down 5% or more from its last intermediate top (last 2 weeks to 6 months or so)? Down 10% is better.

Rule 150: Some companies are so large most of their cash is in interest bearing accounts. They're more like a money market fund. This is ok some times. As long as the manager is conservative with his investment decisions and of course is aware of the major trends.

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The pe compression monitor:

In general the average price/earnings (pe) over the past 100 years is 15.
We now shift this number to 17 because of the increase in production levels
due to the computer revolution and global expansion. Therefore:
if stock pe = 34 (17*2) then it is trading at next year's fair value.
if stock pe = 51 (17*3) then it is trading at a fair level for 2 years from now.
if stock pe = 68 (17*4) then it is trading at a fair level for 3 years from now.

i.e investors are looking 3 years into the future and earnings growth is very fast and the debt levels are ok. The higher the future earnings growth estimates, the larger the pe's current potential will be.

More specifically, here are some pe ranges for different industries:
Less than 10; auto parts, steel, airlines, auto makers.
10-25; chemicals, insurance, oil, retailers, telecommunication carriers, industrial machinery, banks, hotels, restaurants.
25-50; pharmaceuticals, global consumer brands, pc makers, semiconductors.
50+ communications equipment, bio/nanotechnology,
high growth companies like goog.

If your peg ratio (pe/futureGrowth) is:
0.65 or less it may be time to buy.
0.65-1.3 put the stock on your watch list or hold it.
1.3 + Could be time to sell or don't buy. This is just a rough outline.
If the stock is getting super hype then some of the rules may need to be adjusted. For example goog's peg is about 2.3 when the price = 407 and the options are suggesting a price target near 500 for Jan 07.

Rule 151: If you play the market in real time and you use a screener or heat map you can find the stocks which are moving big time, then you must decide if they have moved to far or not enough, and you can sometimes do this mathematically by calculating what the new news is saying about earnings and such. A pull back in the next hour or tomorrow may be a big buy opportunity. An overpriced situation could be a good short. Up to the minute information which you create in real time is how you get the biggest bang, for, your, buck. Nasdaq.com has a heat map of the NASDAQ 100. And since I only play tech stocks...

----------- End Chapter 33; option chains, check the news everyday, speculation index portfolio, Ask yourself these questions, The pe compression monitor

Chapter 34; Crazy Risk, shake out, one year tax plays, mixed portfolio, Buy in small increments, volume exceeds, relative pattern between volume and price

Crazy Risk

Monday May 21/07
34 stocks in a scan for em (enterprise multiple) and we lost 2 more,
which way did they go.

em sdcr si stars notes

BUSINESS SERVICE

Optimal Grp Inc OPMR 3.095 C 1.49 * * Give it 2 more days? Close to a bottom? This one is hanging on the edge, lots of risk. And then there is that company in Canada called chartsmart.com which has a great up to the day data stock screener but they won't give you the number of shares outstanding for the US markets. So what do you do. And then Reuters is saying that they are not taking anymore new subscribers for their stock screener. Talk about your restriction of information. When will the playing field be level? But then you already know the revenue dropped a few days ago because you saw it on their chart where you have the rolling earnings per share displayed. And it has an SDCR = C. And you have the em memorized. So it's not like you would play this stock would you? Maybe for lots of risk. Better research it further then. Find a catalyst and then it's a go.

NONFOOD RETAIL-WHOLESALE

Shoe Pavilion SHOE 4.725 C+ 0.50 * * Dropping like a stone on super large volume. I think I see 3 disturbing down turns. All in break all rules. Don't even look for a catalyst. lol. I don't even know what they do for money. Sell shoes or what...are they just building stores and not selling shoes, I don't know up huyha. du...lots of risk.

It's all about communication. The sun is in communication with the moon, if they weren't they would crash into each other...
The graviton pattern of communication. Thoughts generate very small gravity wells. All things are connected thus thoughts are connected to the sun and moon ie all gravity wells are in continuous motion and thus affecting a neutral balance by their presence. If my thoughts decide to build a nuclear weapon and then my thoughts tell me to light the cracker how does this affect the equations? If I build a fast enough particle accelerator can I create a black hole and how will this affect the suns communication with the moon my life..jha.lol...If we aren't making love then what are we making.

Rule 152: Sometimes bad news for a company is buried in another old story so read all the past stories if you are doing a lots of risk maneuver. A quality company experiencing problems will often bottom out at book value. A quality company experiencing SEVERE problems can some times bottom out at $2. Most other downers, die.

Anything that didn't rally today will be deemed a mistake and will be sold from the Dave beats the stock market (main) portfolio. That is to say only keep stocks with relative strength to the underlying market. unh opened down as the insiders needed to shake out some more small players before a rally to just under 50 could be viable.
The stock rallied all day after this.
Although it closed lower than yesterday I will not sell this stock as it is an investment and it is very cheap even with the option back dating scam that they and a lot of other companies seem to be engaging in these days (June 06).

Rule 153: Keep a journal of your reasons for buying/selling a stock, include fundamental analysis as well as technical analysis.

Make up a small cap portfolio, and a medium cap. Use your best Dow stocks for 2006 as the large cap portfolio.
Dave beats the stock market is a mixed portfolio.
Although it is currently sector biased (June 06). And of course the speculation portfolio is a group of stocks with unknown potential. A micro cap portfolio is not necessary as those types of stocks are looked at as special case situations; and one day some of them may end up in the speculation index portfolio.
But let's hope they end up as solid blue chips.

Rule 154: Buy low sell high again. Higher interest rates take about 6 months to show up in the form of lower earnings. Lower interest rates take about 6 months to show up in the form of higher earnings. The world's interest rates are about one year behind the USA rates so maybe we should update this rule. Everyone knows this stuff and they sometimes place their bets ahead of time depending on how much new money there is. This means you sometimes buy when pe ratios are a little bit high (in hopes for an increase in earnings growth) and you sometimes sell when pe rates are low (you sell when the pe is low because if the earnings for the company start to tank then the pe will increase). A large pe ratio sometimes means that people love this company = a great indicator.

Look for the one year tax plays. Which stock should/can you hold for at least one year and when should you buy it? How should you accumulate so you can hold for 2-3 years? Hint, some companies pay dividends quarterly and don't forget about earnings release day.

Rule 155: The proposed and actual changes to the tax code will change the market in a BIG way.

Rule 156: If the djia pe is around 34 then stock prices in general are supposedly set at a fair value for next year. This would be expensive though as not all companies will perform as good as they say they will. The top for the Dow during the past 6 (Jan 07) years was when the pe was around 24-29. Although this range may be lowered for accumulation for the next rally to 20,000 for the Dow by the year 2012? That's a lot of inflation.

Buy in small increments on the way up and on the way down. Start your buying when you think you are near a bottom or when the price is down 5% or more. Sell at the tops in big blocks.
A top is when you are up 2% or more. Or just keep putting money into an index fund every month. That is the easy way to play the game. Just hold for 20 years and sell near the end of the 30 year trend pattern (around 2019 or is it now 2012).

You may be near a bottom when volume exceeds past intermediate term (six months) volume. So if the volume is really high compared to about "6 months - 5 years ago" then that is great.
You may be near a top when volume exceeds past intermediate term volume.
You may be near a bottom when the pe for the djia is around 17.

You may be near a top when the pe for the djia is around 24 - 29.

Different types of market cap and the quality of the company will also play a part in how you will read the relative pattern between volume and price. THIS IS AN ART FORM and you must practice it to find the subtleties. For example a quality micro cap may signal a bottom when the volume is low. If it is a bad micro cap then low volume would signal a high even if the price is making a new low.

----------------- End Chapter 34; Crazy Risk, shake out, one year tax plays, mixed portfolio, Buy in small increments, volume exceeds, relative pattern between volume and price

Chapter 35; Your biotech company

Phase 1 phase 2 phase 3... Your biotech company. How many compounds are in the pipeline? How many drugs in each phase?
What is the rumor. Are they promising?
How was their past success? Who are their backers? What are their current earnings? Who are their competitors? How far along are we in phase 1 and is the stocks chart (beep beep beep) acting like something good is happening? Did the insiders buy lots of stock in the past?
Have the insiders been selling?

FDA = Food and Drug Administration. The government watch dog.
IND = Investigational New Drug. You have to fill out an IND with the FDA when you want to play Frankenstein on humans.
Phase 1 testing.
NDA = New Drug Application. BLA = Biologics License Application. These two are similar and need to be filed when a company wants to start selling a new drug. Then the FDA sends an approval letter with any exceptions that still need to be fulfilled. Then the company will send an "approval letter response" telling how they will meet the exceptions. If the FDA likes it they will grant a class 1 (60 days) or class 2 (180 days) review period. The class 2 is for new drugs with a lot of new information about them. Buying your stocks is a game of timing (the market). Find the best times to buy in this section and you win. Is it just before phase 2 starts? Also, biotechs can buck the trend and go up when the overall market goes down.

Fast-track Designation = This is when the FDA gives almost instant approval for a drug which meets an unmet medical need. The companies stock can soar if they receive this.

Priority and Standard Review = A priority review is done within 6 months or less. A standard review can take up to 10 months. That is how long the FDA can take to make a decision once they receive the NDA/BLA.

PDUFA = Prescription Drug User Fee Act. This tells the day by which the FDA plans on giving a response to the drug makers NDA/BLA.

A drug which gets "orphan drug designation" gets an extended patent (at least 7 years). yippee.
p-value = Probability Value. This number will tell you what the chances are that the outcome of the drug testing happened by chance. A value less than 0.05 means the drug works 95 out of 100 times. Investors look for a p-value less than 0.05. Anything over this may spell doom.

Biologic Drug = A drug manufactured from living organisms which is grown with a medium like bacteria. Making these can be much more expensive than using other processes.

Development Stage = Companies with no drugs currently approved by the FDA. They better have a strong parent company.

Rule 157: Read the trade publications for the advance scoop on stocks.

Rule 158: If the large cap stocks are under performing the s&p 500 then the mutual funds may be all in.

Rule 159: Stocks under $10 have larger % movements.
Rule 160: Watch your debt/rev ratio for quality emerging growth companies, and cash flow.

Rule 161: Compare a stocks future earnings growth with its average pe. The higher the future earnings growth the higher up you can adjust the average pe. Multiply your adjusted average pe by next years estimated earnings per share = today's upper price target. AMED estimated per share earnings for 06 = 2.33. times an AVERAGE pe of 23 = a price target of 53.59. That is 2.33 times 23 = 53.95, currently trading at 40 - Sept. 1/06

Rule 162: Swing trading blue chip growth stocks is the way to go. Also hold some for the long term so you can avoid taxes.

Rule 163: Once an emerging growth stock becomes a blue chip growth stock its pe should not exceed 80 for any length of time.

Rule 164: A secondary offering is when the company issues more shares, this will increase the supply of shares. This is of course bearish. Convertible bonds (or notes) are bonds which the holder can convert into shares. Options which can be exercised is also like expanding the number of shares (bearish). Convertible Preferred shares can also be converted into common shares. A warrant is kind of like an option, they are issued, as a sweetener, by a company when they want to raise capital, they give the holder the right to buy shares at an agreed upon price on or before a specific date. Diluted shares = basic common shares plus the above stuff all converted.

-- End Chapter 35; Your biotech company

Chapter 36; Lots of Options, Advance Decline line

If you are a beginner trader just skim this section. You will need to read at least one entire book dedicated to options. Although it is not difficult to learn it is difficult to visualize at first until you have all the definitions memorized.

So you have $100k and you want to just play options, well then. Use only $5k at a time and put it all on one stock option (max risk don't do it, use only $500 at a time). This gives you 20 chances to win your money back and hey, maybe you'll get it right now and then. If you lose 4 times in a row then stop playing options until you make the money back playing stocks the regular way. Or be more conservative and allow yourself one $500 option play per year if your regular portfolio is at least even. Play your options like this: Long in the pocket and deep in the money.
Long in the pocket = Only play options which are going to expire far into the future. At least 2 months or longer.

Deep in the money:
For calls, the strike price plus the cost should be as close to the cash price (current stock price) as possible eg if the stock is trading for 115 then you want to use the 110 strike call ie the strike with a low extrinsic value.

For calls the extrinsic value = (option price + strike number) - stock price
This is also known as the premium.

For puts the premium = stock price - (strike number - option price)

The stock should have excellent numbers and strong prospects (unless you're playing "puts"). And if you think the analysts have missed something or are way off the mark in their estimates then that is even better. Also, if the premium seems overly high to you then the stock is probably going somewhere and it may be better to just buy/sell the stock instead. Take out some margin since you know what is going on. Use 100% margin, then make one half of your portfolio long and the other half short. Let's see you run a hedge fund type deal where it does not matter which way the market is going (play 40 stocks or more). When the market seems to be making an extreme move put more money to work in the opposite direction. Stocks which are going the wrong way, get rid of, lighten up on, leave alone, increase position. These are your only decisions. Wait, you could buy insurance with options for stuff that's going wrong. I don't like selling short in this super bull world we now live in. We will be looking at an "option pricer" spread sheet program in the near future to help us decide if an option is overpriced or under priced.

Covered Call with Put (collar)

Use your options for insurance. If you buy 100 shares of IBM then you could also hedge this by buying one "put" option of IBM. One option contract has 100 shares in it. So if the cost for the April 125 (strike) put option is at $1.09 then the total cost of the option will be 100 times $1.09. And that is the maximum you could lose on that option (100 times $1.09). And if you were even more bearish on IBM you could also sell one call contract to increase the hedge. If you sell a call you may have to pay out if the price of IBM goes up but since you already own 100 shares this is not a problem. It's not great but you still make the money from the sale of the call and the most you could lose from your purchase on the put is $109. The worst you could do on selling the call is break even because you own 100 actual shares of IBM.

So If you sell that IBM April 130 (strike) call for $1.66 you make $166 if the price of IBM closes below 130 on the Third Friday of April. IBM IS currently 128.67 March 23/10.

Now subtract the max potential loss from your put option and you have made 166 - 109 = $57. If the price of IBM closes up (because you also actually own 100 shares of IBM stock), or stays the same (at the current price 128.67) on options x day, that is the max you will make. These calculations are rough and for example only. They don't take into consideration all possible future price ranges for IBM. You will need to use an option trading platform to see the full distribution. But the example is close enough for learning purposes. You will need to read this section several times and goto the library and read an entire book on options. It's not as difficult as it first seems. It will take you about one month of study at 1 hour per day.

If the price of IBM closes below your put strike on options x day you will make $166 plus however far the stock falls below your put strike. That is your insurance. The loss from the drop in share price is covered by your put option. So you lose money on your shares but you make money on your call sale and your put purchase. Most people don't bother with the put contract because if the price of IBM goes down you should have some cash on the side so you can buy more shares of IBM (dollar cost in). And some people just buy the put for outright downside protection although you would have to buy 2 contracts for complete protection of 100 shares as the put contracts don't move at 1 to 1 with the stock price. See "delta" definition below for more explanation of this.

The reason for using option insurance is so you can continue to collect the dividend on your stocks.

More option stuff:

Monday Apr 23/07

Once you get your instincts for playing the markets then you must learn to trust your instincts in so far as they work. Keep your head while all those about you lose theirs.

Here are some ways to describe the way you play options:

Vertical spreads are when all your contracts are in the same month and

spread out over different strike prices.
eg vertical bull call spread = vertical call = bull call spread,
Buy one call contract deep in the money and sell
one call contract out of the money.

Horizontal spreads are when your contracts are spread out over several
months and the strike price is the same. Diagonal spreads are when
your contracts are spread out over several
months and over different strike prices.

Roll Up = When you replace your call option with another call
option which has a higher strike price. There is another definition
for Roll Ups which has nothing to do with options. What is it?

Roll Down = When you replace your put option with another put
option which has a lower strike price.

Roll Forward = Keeping the same strike price and replacing
your current option with one that has a later expiration date.

What is the difference between buying an option and selling an option?
So you say to your broker, "I want to Sell to Open";
If you sell an option that you don't own (you are the underwriter,
also known as shorting) you may have to pay out if
the stock moves against you. Selling one you already own just
closes out your position, and you maybe you make some money on it
also (selling to close). If you buy an option (buying to open)
your risk is limited and you know the max loss you could lose
going in. See the IBM example above.

If I sell a call I don't own; in effect I am the man because
I wrote (underwriter) the option contract on a piece of paper
and then I said to you, "hey wanna buy some shares at a
guaranteed price (strike price), this one contract I wrote up
has 100 shares in it and I will only charge you $3 per share
to have this contract, I will give you until the last day of the
3rd week of "some month" to exercise your rights ie you have the
right to buy the stock from me at the strike price. The most you
can lose is $300 and if the price of the stock goes up you make 100
times whatever amount it goes up (roughly)". The strike price (number) is the
agreed upon price if you want to exercise your option to actually by
the shares from me. The $3 is the cost per share.

The amount the underwriter can lose is = (100 times how ever much the
stock goes up over the strike price) minus the premium. This is high
risk, never do it, always have cover. See next paragraph.

If the stock goes down or stays the same then the underwriter makes $300.
A smart underwriter will also own 100 shares of the stock so that the
contract is covered (in case the stock goes up). Since the big boys
underwrite most of the contracts and since they own most of the underlying
shares then we see a conflict of interest. All they have to do is keep
selling their massive holdings of shares to keep the price of the stock
down. This is why virtually all options expire worthless.

Covered Call = Insurance. A very good way to play options. Little risk and good return. For every 100 shares of IBM you have, sell one out of the money call option. When the price of IBM goes down, buy more shares.

Here's another safe strategy called stock replacement:
Buy one option contract. If the price of the stock goes down you lose on the option but you PLANNED on buying 100 shares if the price went down. If instead the stock's price goes up then you make money on the option. That is how you can leverage your money safely. But you must PLAN on buying the stock if the price of the stock goes down. Use blue chip stocks for this.

Here are some definitions we use to describe your strike price relative to the stock's price.

At The Money:
When your stocks price equals the strike price. Who cares, what is the premium to get that contract!?

Out Of The Money for a call:
The stock's price is lower than the strike price. And the opposite for a put.

In The Money for a call:
The stock's price is higher than the strike price. And the opposite for a put.

Deep In The Money for a call:
The strike price is about 5 points ($) lower than the stock's price.
And the opposite for a put.
Deep Out Of The Money = opposite of deep in the money.

Some option contracts don't expire for 36 months. These are called "leaps" (long-term equity anticipation securities). This gives your stock a lot of time to go where you want it to go. The more time there is until the expiration date the bigger the premium will be. You can sell or exercise your option at any time until it expires. Use a vertical spread for leaps or the decay will kill you.

If you roll forward and up/down then you will be investing your money in a diagonal type, you choose where the next zig zag should be, based on the contraction or expansion of the global economy.

Some more options lingo:

Buying to open = I own no options in stock xyz so I phone my broker and say I would like to enter into an options position. I would like to buy to open 10 June xyz calls at 35. That is "buy 10 June xyz call contracts at a strike price of 35".

Naked options = Positions with unlimited risk. For example if you sell to open (shorting, under writer) some calls or puts which are not covered with the underlying stock or a long position at a different strike price. Never play your options naked.

Selling to close = What you say if you want to close out a position. So you phone your broker and you say, I would like to sell to close 10 June xyz calls at 35 or I would like to sell those options I bought earlier. If you are an individual investor playing illiquid options you better do this well before the expiration date so there is someone around to take your trade.

Buying to close = If you shorted to open (writer) some contracts and want to get out of the deal then you better buy to close those shorts.

If you want to see a chart for the change in price for your option then for example let's look at yahoo. The symbol for Oct 07 call options at strike 25 is YHQJE, so go to bigcharts.com and type in YHQ=JE and you will get a chart for that option.

And you could of course just exercise your option but then you will have to pay the regular commission for buying or selling the stock. Check this with your broker.

Intrinsic value = The distance from the strike to the price of the stock.

The last option definitions are in Greek:

Delta = This is how much the option will move in price if the stock moves $1. If the stock moves $1 and the option moves $0.25 then the delta = 25 cents.

Gamma = The rate of change for the delta. Gamma is low for "deep out of the money" and "deep in the money" strike prices. Gamma is highest at the money.

Implied volatility = This is an estimate of how volatile a securities price will become. Volatility is generally higher in a bear market as sharp upswings known as whip saws are used to shake buyers into buying at the top of the short term up market. In a bullish market prices just tend to keep going up slowly, thus low volatility. Volatility is the amount of up down moves and the distance of the swings (up down swings) for your stock in a certain amount of time.
An example of implied volatility is when the gamma is set to 'high' as option market makers expect a stock to "be about to have" an increase in volatility. If the gamma is peaking then you may want to "sell to open".

Vega = This is how much the option price will change if the volatility of the option changes by 1 percent. Your trading platform should give you the volatility. Start a practice account for options to get a feel for when prices are hitting extreme levels.

Theta = How much an option will drop in price today. This is the time decay for an option. So if the theta is 4 cents, then the option will be worth 4 cents less mid way through the trading session.

Rho = The change in price of an option relative to a change in interest rates. So if you are trading options on the tnx or 30 year bond etc. beyond the scope of this book.

Basically, call prices fall when the stock is falling and rise when the stock is rising. Puts do the opposite. The speed (delta) and change in speed (gamma) you will get used to as you make some trades. And of course you still need to have a basic idea as to what the extreme level is for the stock and when it will get there. The options themselves will often give you an idea as to the extremes. And don't forget, the big money controls the moves of options because they own most of the stocks in the world so they can buy or sell massive amounts of stock to get the options to move (and the stocks) in what ever direction is best for them. That is why the nasdaq rallied 3.6% on Tuesday Nov 13/07, the big money had sold to many put options. And like I said before since 70% of options expire worthless, at what price will your stock be at just before expiration of its options? Assume all options you trade will expire worthless, then place your trades around that value. You should be a net seller of options if 70% will go bust.

Options; what if the big money is playing the ge options against the msft options, one company is set to win that month and the other is set to lose. They could change the winner or loser when ever.
What if all the companies are being manipulated this way, oh wait, they are...probably just the Dow stocks.

Rule 165: Market breadth (advancing volume minus declining volume) can also be manipulated. All you do is take a handful of low priced heavily traded stocks like citi group and aig down in price while you buy the higher priced good companies at the same time. This is a tell. If they are manipulating the breadth then they are getting desperate to change the wave of the market.

Advance Decline line:
Advancing stocks minus declining stocks is much more difficult to manipulate. You need to sell all the small caps and buy all the large caps and leave all the mid caps alone. It's hard to get the herd all in on this scam as there aren't enough retail customers to cover the difference. So as soon as the hedge funds see this scam happening they just buy everything for the long term as you can only whipsaw the large caps so fast. This causes the "ad line" scam to become a self full filling prophecy and the wave changes no problemoe. This happened Feb 12/10. Watch for the NASDAQ "up vol - dn vol" to diverge from the nyse "up vol - dn vol" while the NASDAQ and nyse advance decline lines rise as confirmation that the wave is changing.

Here is an option strategy:

Nov 12/07 Monday

Accumulate deep in the pocket calls on ge. There is a lot of action in the January 2009 40 calls, 200k open interest. The symbol is vgeah. The 52 week range is 1.80 to 7.20. They were at 7 last week and as I wrote down in my notes they would come down with ge on Monday which they did. They are now at 3.95. I can't see them going to much lower unless ge goes lower.

I would like to allocate 21k for this play
starting with a one third position of 7k.

If ge seems to be topping well before these back month options expire sell some front month call options against them and cover those shorts as soon as you can for some quick profits.

Playing options takes twice as much time as playing stocks because you must analyze the stocks path as well as the options path.
Playing options is a sucker's game (if you don't use vertical spreads) unless you are using them for
insurance or unless you are a professional trader with 8 hours a day to spend looking for something that Wall Street has over looked.
Options are sometimes good indicators for what the underlying stock may do.
What the stock may do is almost always already priced into the premium for the option thus virtually all options expire worthless. Since I am a gambler I do not use options for insurance. And
since I am not crazy I never play options lol.

Here is a web site for options and volatility that I heard was good but I have not used it yet: ivolatility.com. Volatile emotions are crazy.
Also see OptionMarketMentor.com, an excellent service.

Jan 11/08
VIX futures provide a dampening effect on the vix options. Yes you can play options against the vix index and since the vix index is a ratio (of puts to calls) the only underlying value placed on it (the vix index) is how much fear or joy there is in the market now.
The vix futures will attempt to predict the joy/fear variable and thus cool down whip saws in the vix options, this helps to keep the vix index stable, and since all stocks are connected to options I think i am getting scared again. Such a house of cards built on the emotions of traders and then there are futures contracts on them (futures on the vix index), what happens if the futures contracts go limit up/down so many times you have to keep on making new contracts for the vix options. So much paper work I must say. Luckily no one has posted the solution for the stock market for free on the internet or else you might want to have a permanent short cover on all positions of any type. But if that happens then so will world war 3, so don't worry about it, people are not accumulating info fast enough with regards to stocks to realize the vix futures paradox. I say dave now that you have collapsed the house of cards with the stroke of a pen and since we are having a mortgage problem, (dumb bankers on purpose they did it) now is not the time to be posting such truth. lol. Ya so what, the ceo from citi group received $27m for a severance package plus a limo for 5 years and a driver until he finds a new job... now that's funny.

--------------------------- End Chapter 36; Lots of Options, Advance Decline line

Chapter 37; TRADE OR INVEST, Fear yen, sideways, Volatile stocks,
Search for large blue chips

TRADE OR INVEST:

What's the difference? Investing is when you buy quality and hold for as long as possible. Trading is buying anything, holding for the short term, and hoping the catalyst makes the stock go up.

Rule 166: Don't buy all at once. Invest. Not trade. Trading is riskier.

If you are having a problem reading your stock, or the market, then it is most likely in a sideways trend, look for something better or something really worse (July 31/07).

If you are a gambler, then make money the conservative way for the first six months of the year and then increase risk with the money you made in the first 6 months of the year. This is a good strategy when you are the new master.

Rule 167: Always use a limit order unless you are a small investor playing blue chips.

Rule 168: Whenever there is a mention of something negative, stay away unless you know for a fact (if that's possible) that the negative is meaningless, that could be a big buy.

Rule 169: In general, the higher a stocks future growth targets, the more volatile the price pattern. Although up is where it is going. Use stocks with long term upward growth targets for the long term tax avoidance.

Rule 170: Trends in motion tend to stay in motion until something comes along to change the direction. When the ranges of all the indices get very close together and when all the indices start to run in sync then a change in direction is very possible. The Dow stocks will also top/bottom out at the same time when a major bottom/top has arrived. This rule may need to be updated.

How to find Volatile stocks:

Find the biggest % losers/winners from the day before.
Check the Biggest % losers/winners from the last 52 days.
Check these every day.
Check stocks with weird option activity the day before.
Warren Buffet has a very large portfolio, just buy what he is buying when it's down a bit.

If the stock has a lot of shorts but enough cash flow,
then the company can buy back shares, scaring the shorts into covering.
Look for stocks rising or falling on unusually high volume.
Analyst's upgrades and downgrades will also get a stock moving.
Goto stockpickr.com for this stuff.
A new contract.
A law win.

Rule 171: Give some of the money you make from using the information from this book to charity.

Rule 172: If a company is suing one of its subsidiaries – this is usually bullish – they are performing a publicity stunt.

Rule 173: A quick list of some things you need to keep track of:

- Fundamentals (divy, x date, short interest etc); the companies numbers, prospects, catalysts, competition etc. r&d, bankers, news.
- Technicals and trends; relative strength, price and volume patterns, vix. This is an art form that you need to practice. Combine what you know about the fundamentals with what you know about the chart patterns. eg large volume = ? when price is ? when news = ? write more of these and correlate them to the news at the time. catalyst = ? Daves 5 day rule is...
- Other players; option targets, insiders. Get in their heads and YOU are God for the day.
- Economic variables; interest rates, currencies, inflation, some commodity prices (gold, oil etc.) Where are we in the economic cycle?

Rule 174:
Why was the Japanese currency chosen as the borrow some money from them at 0.5%, convert it into usa dollars and then invest it in usa bonds at 4% (those are called carry trades). If their currency starts rising in value though, then the bonds get sold. This is an indicator. Everyone is a known quantity. Lots of rest and sleep. Y.

Rule 175: Fear starts in the currency markets when the yen starts to rise. Then the fear moves to the stock market and we get a correction.

Search for large blue chips with options you can trade which will lock in your profit at about 12% or higher per year. Then collect the dividends and hold the underlying stock for years to escape tax. Look for stocks with a high Divy and options with lots of open call contracts spread over several months, or years, on a quality stock. Continue accumulating that quality stock whenever it drops about 5% or 10%. The next super bull market is scheduled to start in 2010.

What do you get when you cross an elephant with a rhino?
EL if i know.

------------- End Chapter 37; TRADE OR INVEST, Fear yen, sideways, Volatile stocks, Search for large blue chips

Chapter 38; Zacks Research Wizard, free strategy, Stockpickr.com, stars, short squeeze section, marketwatch.com's multi chart function, pe chart vs price chart, Check list, one year tax play

Wednesday May 30/07
Well the 2 week free trial for the Zacks.com research wizard is over and I was quite impressed. They say the average investor is making between 60 and 80 percent per year with it, and I believe it. It will cost you over $1600 per year to rent, so now we go to another free strategy for finding stocks. We will read theStreet.com everyday and invest in their stocks which they are hyping on their front page. Is that a catalyst. If the volume is high and the price looks low on the charts then perhaps. Swing trade high divy stocks. Buy stocks which are about to go into "buying back their own shares phase", buy short squeezes for more risk etc. and don't forget those take over targets.

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I'm just going to write down the companies from an article about bio-techs and short squeezes and some billionaire take over guys. Stockpickr.com has many opportunities for all sorts of things like this. If you write down some of the news around the stock it can also tell you why the price is, where it is.

Since this is a short squeeze section you get a star for short interest (si) over 20% if the sdcr is in the C category, but no star for an sdcr = B, A or D. Well maybe a star in the notes/insiders column for A and B sdcr's. Like I said alter and change the rules when it works.
And of course a star for accumulating and a star for accumulating at a bottom and a star for strong relative strength. So 5 stars max like normal.

BIOTECHS   sdcr   si   stars   notes/insiders

Dendredon   DNDN   D   40.60   * * * * No news just lots of short interest and a stock price = 6.72. I guess we are waiting for the next phase one break through rumors. So the price can go to 3 (bad rumours) or 18 if we get good rumors. So go short 60% and go long 300%. Set you options up that way. And then the stock pops 93% on Thursday. Looks like I was a few hours late since I wrote this in after hours (Wednesday). But the story at theStreet.com was posted when?

Celegene CELG   B   6.48   * * *   I like how sometimes when the 50sma crosses the 100sma and we are at a bottom.
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Scan 500 hundred drug stocks in 2 hours using marketwatch.com's multi chart function. Look for a price which has been trending up for at least the last month with large volume at all the bottoms.

Micro cap stocks which are mentioned on some
popular web site can do a weird maneuver.

Aug 29/07
GE is the only original Dow stock. Follow its web.

Check list:
Spread sheet, pivot points on es chart, Journal, sector rotation,
economic table, update portfolio.

The one year tax play and how many accounts are the market
makers accumulating for? Looking at a two year chart for the s&p500 we see:

Bottom Number one: Apr 07; Top number one will be Apr 08, we
just saw this one happen it extended a bit into May 08.
Bottom Number two: Aug 07; Top number two should be in Aug - Sept 08.
The market is primed for this to happen.
Bottom Number three: Nov 07; Top number three should be in Nov - Dec 08.
The historical Oct crash scenario is likely. This rally could
extend into top number 4.

Bottom Number four: Jan 08; Top number four should be in Jan - Feb 09.
This rally will probably extend into top number 5.
Bottom Number five: Mar 08; Top number five should be in Mar - Apr 09.
A brief down turn in May - June to start the cycle again for 2010.
Bottom Number six: July 08; Top number six should be in July - Aug 09.
Summer rally. A brief down turn for Sept - Oct 09. The second bottom to
accumulate for the second top which will be in 2010, one year later Oct - Nov.

The tops and bottoms usually extend a bit into the next month. This makes
the pattern seem random as the years go by. It is about a 12 - 13 month cycle.
In a bear market the tops will be shallow and the bottoms will be deep. In a
bull market the tops will be breaking new ground to the upside and the bottoms
will be shallow.

------------ End Chapter 38; Zacks Research Wizard, free strategy, Stockpickr.com,
stars, short squeeze section,
marketwatch.com's multi chart function,
pe chart vs price chart, Check list, one year tax play

Chapter 39; NEW RULES, options volume, open interest, volatility squeeze,
recommendations of Fast Money and Mad Money, seasonal dip,
spy options, fed funds futures contracts, Sideways days, Some candles,
program trading, trend signals, interest rates, Compression

Apr 18/09 Saturday

NEW RULES:

Rule 176: When the internals are in-congruent (nasdaq vs spx say) we are in a trading market and not a swing market. The trend may also be about to change directions.

Rule 177: How do you know if the calls are being bought or sold? Answer: A call spread, buy the lower priced strike and sell the higher priced strike; if the lower priced strikes have larger open interest then it is possible that the big money is net buying. Also check the put action for verification. If there is a lot of in the money put open interest then the big money may be net sellers of the calls.

Rule 178: Large volume in the options may signal a short term reversal for the stocks price no matter what the open interest is.

Rule 179: Large open interest 4 weeks before expiration near a market top could be the big money selling calls in preparation for a large move down in the overall market. Why would they want to hold for 30 days given time decay.

Rule 180: When searching for a good stock to buy, scan the nasdaq 100 and look at the charts of companies which are over or at their 50 day moving average and trending up or sideways for the last few weeks or days.

Rule 181: How to find a volatility squeeze. Volatility is cyclical. When the Bollinger bands are less than 6% away from the current price then the volatility is small, sometimes this happens during consolidation (sideways action). Just look at a chart lol.

Rule 182: The retail guys open the market, and the pros close the market. You may want to wait at least 5 minutes after the open if you are unsure. Use your candle stick analysis.

Rule 183: Three weeks ago Fast Money was telling people the market would retest 740 instead it went up; two weeks ago Fast Money said now is the time you should be selling; the market inched higher; this week Fast Money is telling people you should be buying as the market is going to 900 or higher. Retail customers act on the recommendations of Fast Money and Mad Money and retail customers are the dumb money, the big money is swing trading around this dumb money. Both shows give good recommendations and are a good source for finding stocks, but make your own decisions as to timing the market. And when they recommend a stock sometimes it will decline 5 - 10%, that is when you should buy. If the stock they recommend rises before you get in then you missed the trade. Do not chase any trades you missed!

Rule 184: People paying their tax's causes a tightening of credit as they must take this money out of their savings account. This causes a seasonal dip in the market during May. The market often rebounds back in June as the gov't begins to spend the money. Sell in May and go away is the old saying.

Rule 185: Sit on your hands if a sideways day is in order. Or scalp trade if you are fast, rich and good. And if all the pros use the same pivot points then they will become true.

Rule 186: At what time of the day on expiration day do the options settle? Think Or Swim (TOS) requires you to notify them 20min before the close if you don't want to exercise your in the money options. Ask your broker.

Rule 187: Macro economics is the markets master, pay attention when news comes out in your economic calendar.

Rule 188: When a blue chip stock is moving counter trend then something is up. It is a very good sign of accumulation or distribution.

Rule 189: Look for volume over 10k on the one min chart for your spy options. It is a tell.

Rule 190: For spy options; if you are trying to make 1% on a day trade your stop loss should be 0.5% from your entry. More than likely the average return on a day trade will be 0.4%. This means your stop loss should be 0.2% away from your entry. It is a numbers game, you will be wrong 50% of the time, thus your stops must be half your potential gain. It is quite possible to make 1% on the spy as it has an average range of about 2.5% per day. If your timing is bad your stop will stop you out all the time. Stop trading spy options if your timing is bad or use a smaller size position. Spy options are good for hedging, then you can swing trade them, averaging in and out with the flow of the market.

Rule 191: Once you have a position in your favor, move your stop to the last pull back. Change to a trailing stop once you have made two for one on your money. So if you are risking $500 then use a trailing stop once the position is up $1000.

Rule 192: When the es, spy, iwm, and qqqq all hit a support/resistance at the same time then a change of trend could happen.

Rule 193: Do not bet against the daily trend unless it is moving in the opposite direction of the short term trend (1 - 6 months) and near an extreme like s2/r2 (support 2 or resistance 2, 15 minute chart) or s3/r3. Use your fed funds futures contracts to tell you the short term trend, they lead the market by about four weeks.

Rule 194: A choppy day discourages people and this causes them to judge the market incorrectly on that day and the next, they lose confidence on the second day and jump in late or too early. They trade emotionally and this causes errors in judgement and thus increases the cycle of discouragement. Sideways days lead to volatile days, compression then expansion.

Rule 195: Some candles; bottom tail hammer on 5 min on down trend is bullish. Shooting star or reverse hammer at top trend is bearish. Engulfing bar at bottom closing up is bullish. Engulfing bar at top closing down is bearish. Doji is indecision, look for breakout. Second bar opening and closing more than half way up first bar is bullish. Second bar opening and closing more than half way below first bar is bearish.

Rule 196: Make a note as to which way the market was compressing/expanding in you volatility squeeze section in your market journal.

Rule 197: Watch for program trading, when a stock or the spy trends in a narrow range on the 5 min chart the direction could be a tell. When prices are going flat there is a good chance they will begin to trend again in the same direction as the original trend. This is when the internals (advance decline line, up vol minus dn vol) can help you. That is also a flag. For an individual stock a bull flag is bullish if the market is in an uptrend else bearish, and a bear flag is bearish if the market is in a down trend else bullish.

Rule 198: A 45% distance below the 200 sma is when the market is close to a bottom.

Rule 199: Only trade around the extremes, handles, s/r (support and resistance), trend lines, Bollinger bands, 50 sma and open interest protection points.

Rule 200: Fade the first hour range on breakout for sideways day.

Rule 201: Sideways days and reverse days happen after one or two up/dn days.

Rule 202: 6:30am to 7:00am pst play gaps. see next rule.

Rule 203: If everyone is playing fade the gap and they are wrong, because there is not enough retail customers to support this strategy, then prices will reach extremes at "end of day" and 14 min after the open. Check your candle patterns at these times on the 5 min chart.

Rule 204: Never go against the intermediate term trend for swing trades and if the intermediate term trend is even then don't play swing trades. An even intermediate term trend is good for day trading in the opposite direction of the last intermediate term trend.

Rule 205: Never go against the short term trend for day trading.

Rule 206: Watch your 15min chart for an idea as to the amount of volume compared to the past 5 days.

Rule 207: 7:00am to 10:00am pst, look for breakouts or reversals of stocks which gapped at the open.

Rule 208: 8:30am to 11:30am pst (lunch time in New York) volume slows down and it doesn't take much for the market to change directions temporarily.

Rule 209: After hours, use a limit order for
any buy and a stop limit for your sales.

Rule 210: They will attempt to defend large open interest. If they fail the stock could accelerate.

Rule 211: Nasdaq is the new idea companies therefore the nasdaq usually leads. Although lately it has been the s&p. Apr 25/09.

Rule 212: The spx is higher than the emini therefore the future is down, or is it about to reverse? Apr 25/09

Rule 213: Watch the euro/yen/usa dollar, oil, xom, gold, iwm, spx, banks, techs, interest rates (tnx/back month fed funds futures), up vol vs down vol, and the advance decline for trend confirmation and prediction.

Rule 214: Also follow some popular stocks for trend signals, rimm, goog, aapl, amzn
and the banks gs, ms, wfc, jpm, bac, c, and some blue chips, utx, msft, cat, ge, ibm. Citi group sometimes runs contrary (Aug 2009).

Rule 215: The vix; if it is moving in the wrong direction then people don't believe in the current trend. The vix should go down when the market goes up. See Apr 24/09 chart for an example of the vix going in the wrong direction. The vix trended up for most of the day as did the spy. This means the spy trend is wrong or neutral (or the vix trend could be wrong) and selling is occurring by the big wigs. If this happens near an extreme point then watch out for a huge move, ie a change in the intermediate term trend.

Rule 216: Calculate the percentage move in interest rates if they move way faster than the market. The market will follow about the same percentage move. The interest rates could also be just setting up for a move in the reverse direction, thus the market will hold and then decline with the interest rates. Look at the extreme range of the interest rates for the past 2 weeks to determine if a reverse or continuation of trend is at hand. When interest rates and the market move inversely to each other you will see a tell.

Rule 217: The gov't is now a big player in the markets as the banks are bankrupt, therefore pay close attention to the rumors and news regarding their next decisions. Apr 25/09.

Rule 218: Watch cnbc for news or Bloomberg. Don't be swayed by opinion, just the facts please.

Rule 219: Compression can be seen when the 9 sma and the 50 sma get close together. A volatility squeeze. Look for wedges; the highs get lower and the lows get higher over about a 15 minute period, then a break out will occur but in which direction is your educated guess.

---- End Chapter 39; NEW RULES, options volume, open interest, volatility squeeze, recommendations of Fast Money and Mad Money, seasonal dip, spy options, fed funds futures contracts, Sideways days, Some candles, program trading, trend signals, interest rates, Compression

Chapter 40; "Fade the Gap" and "Gap and Go" Rules, Zones and trend trading

I define "fading" as going in the opposite direction of the gap. So if the market gaps down you go long and if the market gaps up you go short.

Rule 220: Do not fade the gap unless the market gaps more than 0.8% (the size of a zone) from the previous days close. The zone formula is in the spread sheet program, basically you create three zones equidistant from yesterdays close.

Rule 221: Only fade the gap when the market is trending ie do not fade the gap when the short term or intermediate term trend is sideways.

Rule 222: Only fade the gap in the direction of the intermediate term trend. It doesn't matter if the short term trend is down, in fact the best time to fade the gap is when the short term trend is down for one day and the intermediate term trend is still up, if the market gaps down on the 2nd day of the short term trend you have a very high chance that the market goes up just after that down gap (so fade that gap).

Gap and go is a little bit different:

"Gap and go" is defined as trading in the same direction as a gap. So if the market gaps down you go short and if the market gaps up you go long.

Rule 223: Gap and go only if the market opens with a small gap under 0.8% and over 0.4% (the size of a zone cut in half) from the previous days close.

Rule 224: Do not gap and go in a sideways market, again the market must be trending.

Rule 225: Only gap and go when the short term trend and the intermediate term trend are scheduled to trend in the same direction. Your journal will help you keep track of the schedule. More on the journal is coming up.

Zones and trend trading:

If the intermediate term trend is up then: (do the opposite if the intermediate term trend is down)

1. Don't gap and go against the intermediate term trend.
2. Don't fade the gap in the opposite direction of the intermediate term trend.
3. You can take a long position in zone 2 only if; The micro trend vol is up, the short term trend is up, the market is doing a catch up day ie interest rates are way higher than stocks. The internals are up. The intermediate term trend is up.
4. On a sideways day do not take a position in zone 2.
5. In a sideways day play only the long side of the market ie take a long position in zone 1 (short position in zone 3 if intermediate term trend is down) and watch for the market to end in the direction of the intermediate term trend.
6. If sideways day (prediction of a sideways day is based on the 3 day rule) and intermediate term trend is up then the market may begin with a quick gap and go to the down side, so you wait until 7:25am or so and then go long. Don't play the gap and go, it will be small anyway. See 1 above.
If the market starts down like this then it can go up to zone 3 in about 2 hours then down to zone1 in another 2 hours and then end the day back up at zone3. Very likely if a sideways day is predicted and intermediate term trend is up.
7. Never go short, unless you're good at predicting the short term trend and the market starts the day with a gap and go to the up side.
8. The short term trend may be only 1 day long if there are multiple sideways days coming up.

If the intermediate term trend is sideways then:

1. Never gap and go.
2. Fade the gap in the opposite direction of the last intermediate term trend at extreme zones only. This is still a little bit risky, it assumes you know the direction for the next intermediate term trend, they do tend to cycle from bull to bear though.
3. Play only one particular side of the market at a time, zone 1 and zone 3 only. Never take a position in zone 2 and only unload partial positions in zone 2. See 5 below.
4. Never hold a position over night. This rule is always in effect until your portfolio gets over 300k.
5. Trade when the short term trend and the micro trend are lining up. The short term trend will only be about 3 days long in a sideways intermediate term trend so pay extra special attention to your vix and interest rates relative to the market (all your indicators for that matter). The micro trends will be about 2 hours long. That would be 3 micro trends per day then. So if the short term trend was up and the market opens down, then for that day,

a) the market will micro trend1 go up, and then

b) the market will micro trend2 go dn, and then
c) the market will micro trend3 go up

So you would only play micro trend 1 and 3. You must wait for a short term down trend if you want to short. So you only bet one way for any particular day. And only short if the last intermediate term trend was up (we are in the sideways intermediate term rules here).

------------------------- end Chapter 40; "Fade the Gap" and "Gap and Go" Rules, Zones and trend trading

Chapter 41; Drawing Short Term Predictive Trend Lines, Another way

Rule 226: If the market rallies on good and bad news then the market is really strong. If the market sells off on good news then the tide is turning.

Rule 227: If we are going into the close and; micro trend is up, short term trend is up, intermediate term trend is even 5/7/09, long term trend is still even: the micro trend can change overnight.

Rule 228: The short term trend changes whenever the micro trend does 3 cycles?, ie up down even. The micro trend cycles from positive to negative. When ever it stalls it has changed direction? A stall would be even. Even means sideways.
The regression channel is very good.
Watch the 5min AD line at the open for the NYSE. It is the micro trend.

Rule 229: Always bet when the short term trend and the intermediate term trend are moving in the same direction. Don't bet on consolidation days. When you have more money you can play both sides of the trade and scalp. You need to trade at least 4 option contracts for scalping the spy or the commission will kill you.

Rule 230: Simplify everything, just look at the 15 day 15 min chart for the es. Buy when ever the market is making a 2% dip or so. Just go long all week when the market is in a dip. Don't even try to play the short side unless the market is exponential at a top.

Rule 231: Sell near the top of the trend line and buy near the bottom (rising trend line for bull market and falling trend line for bear market). Also note the 50 sma on the es chart. Note the after hour trend as it passes through the 50 sma. Alter your trend lines as the market rolls over or accelerates.

Rule 232: A clean sweep, now I know what they mean when they say contrarian players make more. In a bull market run there can be more intraday down action. This is offset by the market having more after hours up action. The opposite can be said of a bear market. In the last 3 weeks the market only gapped down 3 times and it gapped up 7 times (bull market). So the market will gap up and then go sideways to down for the day but it will still close just slightly up from yesterday.

Rule 233: If you know the market is at the top of an intermediate term trend then short in any zone and attempt to build a pyramid. We assume all the other trend periods have peaked as well on this lucky day. A pyramid is when you scale in (average in) as the market moves in the direction of your favor. Do the opposite if you know the market is at the bottom of an intermediate term trend and all the other trend periods are bottoming at the same time.

Rule 234: If it's a sideways day then the stock won't go very deep into zone 1 or 3. Make smaller bets and sell sooner than usual.

Rule 235: If it's a trending day then move your stops by hand and go for the big score.

Rule 236: If the tbt crashes and the tbt - iwm spread is over 420 and the es goes up instead then you know the tbt will be climbing back up to reach the stock market, the stock market could rally even further when this happens. Cover your shorts right away.

Rule 237: When you don't know which way the market is going to go before the open then wait for the 2nd 5 min candle to form for a few minutes if necessary. As long as the 2nd candle doesn't break the half way point of the first candle then a micro trend has formed. If the second candle looks the same as the first (candles lining up) then you must wait for the next candle and so on until a micro trend forms.

Rule 238: CALANDER SPEAD; sell an out of the money front month call and buy an in the money back month call eg sell a May call out of the money and buy a June call in the money. There should be at least 2 weeks left in the near date contract and you need to unwind the position 3 or 4 days before expiration for illiquid options.

Rule 239: If the intermediate term trend is up then the short term trend is almost always up if you are confused. This assumes you are not confused all that often lol.

Rule 240: The more gap ups in a row the faster the acceleration of the up trend lines. Too much acceleration can lead to a reversal of the current trend as traders start to take profits.

Rule 241: I find the 3 month daily chart with three trend lines is all you need, using shorter term charts for the spx can be misleading.

However, the next section gives some ideas for drawing charts.

Drawing Short Term Predictive Trend Lines;
WHEN drawing 5 trend lines for your stock on a 15 minute chart:

First draw two horizontal lines which bracket your first day (starting point, today) ie one at the high for the day and one at the low for the day. Each end point of these horizontal lines will be a target for your 4 trend lines (and one center trend line equals 5 trend lines). Just check out this chart.
Extend your chart to the next option expiration day, draw a trend line from the option expiration target (make an educated guess based on open interest) to the centre of the first trading day for the new center line; this is your centre line.
Draw the other 4 trend lines as described above ie using the horizontal high and low end points as targets, draw them with the same angle as your center line. You could also use the last 2 or 3 days for your horizontal lines.

Another way, short term (still using 15 minute charts):
Draw trend lines starting from the open and/or close from yesterday or 2 days ago and use your long term s/r (support/resistance) lines as targets.
Just draw whichever trend lines seem to fit the past angles for your stock over similar time periods.
The trend lines should end at the start/close of some day in the future which lines up with an s/r line.

Rule 242: Last type, short term (still using the 15 minute charts):
Just draw regular trend lines which connect all the highs/lows from a few days ago and extend them out a few days. This is the type most people use so it can be very accurate.
Redraw your trend lines every few days and watch for the market to change direction, so your trend lines should change direction as well.

Rule 243: In addition to using pivot points (single day s/r lines) you can also draw short term (a few days) s/r lines for day trading.

---------------------- End Chapter 41; Drawing Short Term Predictive Trend Lines, Another way

Chapter 42; More Rules

Rule 244: The stock market will move up before inflation off a big bottom.

Rule 245: The stair step pattern is the most difficult pattern to day trade. So take the day off.

Rule 246: Swing trade; holding overnight is the best way to make money fast in any trend, however, if you are wrong you can lose a bundle, you must increase you risk reward ratio and be prepared to hold for the long term as an investment. Use a smaller size. Watch the open closely and if it's going the wrong way and breaks some candle rules then sell, you can always buy it back later.

Rule 247: Never jump in at 6:30 unless the price is at its most extreme ie a gap and hopefully there is another indicator at that point like a s/r line or trend line or a Bollinger band or a 50 or 200 sma.

Rule 248: The date when big stocks release their earnings will determine their chart pattern. Stocks with strong fundamentals will rally before earnings are released and then fall after earnings are released as the "earnings run" will bake the good news into the price of the stock before the earnings news is released. People generally will sell a good stock a few days before earnings release date. This causes the stock to drop after earnings. Bad stocks will do the opposite.

Rule 249: The big money goes on holiday in the summer. Volatility gets low so there will be many sideways days but when a trending day happens it can be huge. So don't fall asleep.

Rule 250: The big money will attempt to pin the spx options x target 5 days before expiration. This gives them 5 more days to manipulate the market and readjust their final option positions for expiration.

Rule 251: Never trade against the intermediate term trend even if the daily trend is moving in the opposite direction. If your good then skip this rule.

Rule 252: It can take a full hour for the daily trend to be set up eg the market rallies hard for the first hour only to fall for the rest of the entire day, the market would of course be at some type of extreme point at the end of the first hour of trading.

Rule 253: On options x day the spx settlement comes out at 9:30am pst and is an indication of where the spx will close the day. Find a large stock that trends to far after 9:30am pst and day trade options on it for a gamble.

Rule 254: Never go long out of the money options on expiration day, the time decay will kill you.

Rule 255: I think I said this before. NEVER TRADE AGAINST THE INTERMEDITATE TERM TREND OR THE DAILY TREND. WHAT, ARE YOU TRYING TO LOSE MONEY. This rule may need to be updated.

Rule 256: It's ok to be wrong but it's not ok to stay wrong. Don't stay wrong.

Rule 257: The only time you can trade against the short term trend is if the short term trend is going against the intermediate term trend and it is near an extreme ie lining up with some indicator.

Rule 258: For Mondays' pivot and s/r you can use the weekly high and low.

Rule 259: Shorts like to cover their positions before a long weekend, if prices are down, so look for a micro trend up into the close.

Rule 260: Flash trading; some large investment companies have software on the exchange floor which trades for them, this software gets data before anyone else. Continue watching the level 2 quotes for the es and see the manipulation like when it goes in the opposite direction of the overall vol. They last about 5 min and move about 0.342% on May20/09. Take a reading every few days.

Rule 261: Keep a profit loss table. Double up on your long tna and hold the faz to lower commission costs when you want to go long short term.

Rule 262: The bkx, iwm, gld, spx cross is a great indicator. On a 15 minute chart if the iwm and the banks are way above or way below the spx then they will tend to gravitate back towards the spx and the spx will attempt to move away from them but they always catch up eventually until they swing to far the other way and then the cycle starts again. The gld is often contrary and leading at the turning point. This rule may need to be reversed/deleted now and then but it has been working for the last year or so (March 1/10).

Rule 263: May 29/09 Interest rates are so low there is no where to put your big amounts of cash except into the stock market. It's not like 1982 when rates were so high that the big money was saying "who cares about the stock market rally" i get 10% in a money market.

--- End Chapter 42; More Rules

Chapter 43; And Still More Rules, bond auctions, interest rates, Exercise

Rule 264: Mark the close with a horizontal line. The micro trend in the last 15 min before market open (bmo) can be an indicator, and check for unusually large volume on the es 15 minute chart as a trend indicator for the open.

Rule 265: Remember to read your one minute volume chart at the end of every day and during the day for day trading. Look for large spikes as a trend starter or reversal. A large spike after a fast move in either direction can signal a change of trend if the peak is not violated. The large spikes are relative to the days overall volume. If the peak is violated then the trend is strong and may continue for the rest of the day and into the open of the next day. Use a 15 minute chart to keep track of the hourly volume compared to the last few days, this will be your guide as to whether the one minute volume spike is large or not.

Rule 266: The tnx runs inversely with the spx on the 5 year chart. This is connected to the economic cycle.

Rule 267: Wednesday - Bond sales are weak again. No one wants the us debt. Interests rates rise. Bid to cover ratio = People bid on the bonds available = bidsTotal/bondsAvailable in dollars. Keep track of the bid to cover, it will tell you if the dollar is strong relative to debt and other currencies. You can get this info at Bloomberg.com, economics table.

Rule 268: Start tracking the bond auctions, when do they happen. Make a table. They effect interest rates. The interest rate market leads the stock market.

Rule 269: Pin example; They keep riding the market into 960 so people will buy spy 95 calls, the big money will pin the options x close at 92.5, so all the 95.0 calls expire worthless and most of the put contracts as well. Keep track of your spx options as well as your spy options for pinning. The spx options expire Thursday and settle at Fridays open or is it 9:30am pst Friday. The spy options expire Friday at the close and settlement is Saturday.

Rule 270: A sideways trending market in a bear market is labelled as a short term "distributing up trend". Bearish.

Rule 271: Interest rates react around 10am pst to bond auctions and this can affect stocks.

Rule 272: Become aware of your stocks past pattern; the cvvuf likes to retrace about 3 handles at a time both up and down. Off a big base it likes to move 4 handles up. See the one year chart. What is xom's retracement pattern. Xom is a good indicator, it is so huge it is hard to manipulate or move fast. Compare xom with crude light futures.

Rule 273: The banks, energies and tech's must all move together for a strong trend to continue.

Rule 274: Scalp trade against the trend until the trend changes, then hold your last scalp as a trend trade. You get maybe one or two trending days a week, the odds of a trending day happening are highest after 2 or 3 small range days, keep track of this. If the scalp trade (against the trend) goes sideways for 5 min then you may want to sell it. That's what scalping is, in and out fast.

Rule 275: Day trade; if a stock is doing a fade gap up and the market is trending upwards and the stock does a bottom tail (candle pattern) and then breaks its trend line to the upside, then buy.

Rule 276: Swing trade; only buy stocks which have experienced a volatility squeeze (sideways and tight range) for a long enough period of time to get rid of all the sellers. Look at the stocks one year chart to see about how long the squeeze should be.

Rule 277: Chart intra day pivots for the spy as well as the es, make sure they confirm each other. You may want to draw pivots on your NASDAQ and iwm as well.

Rule 278: THE BIG money controls the market and they will attempt to do the unexpected. eg if everyone is looking at the head and shoulders pattern break the neck line then the big money will start to buy in just as we all put in a short trade, and the market will rally big time over the next few days and as it rallies the big money is selling. But since you have mastered the economic table/oil cantangoe/fed fund futures/the options pricer/Bollinger bands/50sma/200sma/s/r/trend lines/pivots etc. and there relationship to the 4 trends (micro, short, intermediate, long) you can see it coming in advance.

Rule 279: The best traders only make 2 trades a week. One buy and one sale. That would be like ultimate swing trading, you go all in on the first week and all out on the 2nd week because you know exactly what the range will be for week one and week two.

Rule 280: In your head imagine 2 huge money players. They control the stock market, one bought at the bottom and held for a while and the other bought in late and held for about the same time as the other, what will happen (double top). Take into consideration the state of the gdp 6 months from now. Which player is the bull and who is the bear. And who is the pawn. lol. Ans: They try to manipulate the retail customer into capitulation, and they some times work together on this.

Rule 281: One of my best indicators is when I put up a chart and go and look at it from the back of the room, if I see a pattern then odds are it is real.

Exercise: Predict the market for the week in advance (Sunday night), down to the day and hour, if the market does not follow your plan then alter your plan according to the market, this will increase your timing capabilities. Make a chart of that.

------------------------------ End Chapter 43; And Still More Rules, bond auctions, interest rates, Exercise

Chapter 44; Bollinger bands, Symmetrical triangles, silly puddy, Xom Rules, plan for Monday morning, So Many Rules

Rule 282: You should read stockPicker.com every day to get the rumors or theStreet.com or something.

Rule 283: You should take into consideration the growth rate of the company and compare it to its' peers.

Rule 284: Day trade; sometimes the overnight hi/low will act as r/s.

Rule 285: Be sure the volume and price are going in the correct direction if you want to load the boat. Look for large volume when the price stalls after an exponential price move. YOU NEED to watch the 1 min volume to confirm that a move of size is upon us. Patterns can also be seen on 5 min and 15 min charts. There should be other indicators in play, like your Bollinger bands.

Rule 286: Draw the pennants/wedges (when the down trend line meets the up trend line) on your charts in real time and then trade them. Use a one min chart for scalping. Get out as soon as you think you made a mistake or when the trade is over (you hit the next r/s line etc). Look for Symmetrical triangles as well, join r/s and trend line. Look for the 20 and 50 sma for support and resistance. Prices like to travel on both sides of the 50 sma when choppy on a 5 min chart. Set your stop losses just under your trend and r/s lines, you are either correct or you sell immediately and take a tiny loss, risk 20 to make 40.

Rule 287: Recessions don't end with capacity utilization still declining.

Rule 288: Scalping, you can use the turning points from yesterday as r/s.

Rule 289: If the 50 sma is just below a pivot the big wigs might take the price down to just touch the 50 sma before moving the es up.

Rule 290: Bad bond and note auctions are set ups, if the auctions go bad at the beginning of the week, they will probably be bad for the entire week, look for the market to be approaching a pivot point as resistance just before 10:00 am pst.

Rule 291: Long term; the solar stocks will move in the same direction as oil.

Rule 292: Remove your stops overnight (just before the close). If the stock gaps against you after hours there is a 70% chance it will close the gap in the morning, you can cover at that point if it is scary.

Rule 293: July 31/09 spx up 50% since March bottom, hits 1000 today. If the market is up 44% and most traders say we need a pull back then the trend at the very end of the day could signal whether the market will continue up or not when it is near a psych level like 1000, wow what a handle. Use your indicators and make your own decision.

Rule 294: Oil stops trading at 11:30 am, look for an extreme price setup at that time. The tnx stops trading at 12:00 pm so look for a setup at that time and switch your tnx chart to tbt. The dollar also slows in trading at 12:00 pm pst. Oil and natural gas numbers come out at 7:30 am pst, look for a set up.

Information is transferred by perception. So info is like silly puddy because my perception is skewed to what I want to see?

Rule 295: When selling condors, leg into it ie put one side of the trade on and see if it goes your way and then put on the other side. And dollar cost into it some how with other options further out etc.

Rule 296: End of month window dressing could keep the market at least sideways on the last day of the month. And if the economy is bad then the market could fall all the next week.

Rule 297: Russia needs oil to be at $70 to break even. Every thing is linked therefore the dollar will track the price of oil. And interest rates will be used as the weapon of control. Update this rule.

Xom Rules:

xom ran contrary to the es today, watch out for that, ery tracks xom to the letter (but not on overnight gaps). Click on the news button on your xom chart and you would have seen the order imbalance of 1.9m shares to buy.
At 12:40 news on xom 1.6m shares imbalance on the buy side. Check the news every 10min on xom if you trade the ery or erx.
The trade could just be a fake out to hold xom up overnight and then the trade is canceled Monday morning.
I see a large block in xom trade after market close (amc) at

price 70.34, looks like some insider sold to the imbalanced buy at a high price, xom could be headed lower on Monday.

My plan for Monday morning.
Bearish bias.
If the spx and xom gap up at Mondays' open then short. Use the tic chart (thinkOrSwim trading platform) to get a good target. The tic will hit 1000 at an extreme price. If they gap down look for a gap and go.
If they are out of sync then wait for an extreme price in xom to decide whether to go long or short.

Compare the level 2 xom with the level 2 es to see if xom is running in sync or not.

Rule 298: If xom is running contrary to the market, or any other super large cap, then the market will have a sideways day.
Update May 3/17, the FANG stocks make up about 50% of the NASDAQ market cap.
Scary I must say, too big to fail? Is the world going to be run by 11 super companies in the near future or is it already!

Rule 299: When it comes to the stock market, no rule is perfect.

So Many Rules

There are so many rules this seems like a puzzle and therefore it is not real...ie the market is controlled by those who trade the most amount of money ie the super large mutual
funds. There fore the market is rigged in the direction of the most basic economic indicators. Or should I say the perceived direction of the most basic economic indicators lol.

In a down trend, stocks will gap down and then trend up for the rest of the day but not up as much as the gap down was. Then they will gap down again tomorrow, repeat. This is why contrary day traders are successful.
Look for this pattern.

----------------- End Chapter 44; Bollinger bands, Symmetrical triangles, silly puddy,
Xom Rules, plan for Monday morning, So Many Rules

Chapter 45; economic news, scalp trading, hi frequency computers, macd, dips and rips

Rule 300: Wait for a pivot and if you don't know what's going on then stay out, it's choppy sloppy day.

Rule 301: The market gives you two chances to get in most of the time, this allows you to buy at the very bottom.

Rule 302: If the market doesn't let you in then just wait for the next setup. No chasing allowed, ever! You only chase for swing trading sideways (a few weeks sideways) breakouts. Follow the big blocks on the dome (thinkOrSwim platform). Place your bets where they do. If you can't see the next setup then stay out. Set ups include bond auction times and other economic news and what time is the news being delivered. Your technical indicators should line up with the news for confirmation.

Rule 303: So a stock with low volatility is ready for high volatility. Track volatility and put to call ratio of super large caps.

Rule 304: Trading contrary means scalping the bounces until the market makes a big turn. Each trade is timed, if it doesn't lift within 2 minutes then take the scalp. I prefer to short only for scalping as the market can run very fast in the down direction.

Rule 305: Watch the first 5 min with the one min chart, then switch to the ticks to decide if fade the gap is happening.

Rule 306: Interest rates will be going up if they announce way more bond sales than expected.

Rule 307: Adding to your position when you are winning will work. Adding to your position when you are losing does not work. Unless you want to hold for 5 years.

Rule 308: You are right or you are right out, super small loss scalp or long term entry; turn an investment into a day trade, if the day trade doesn't work then turn the investment into a swing trade, if the swing trade doesn't work then the investment is an investment trade. If you are scalp trading one es contract then use a limit order to enter, a stop loss order and a stop gain order. Set your stop loss order 2 tics away from your entry position and set your stop gain order 4 tics away from your entry.

Rule 309: Check your 15 min vol for bac or whatever you play and compare it to the last 15 days to catch the daily trend, this will prevent you from getting chopped up betting fast in the wrong direction when day trading. Don't lose your perspective for the daily trend. You focus so much on the one min trend you forget about the hourly, 15min and daily. The mutual funds play the 15min trends the hedge funds play the 5 min trends and the market makers play the 1 min trends and the hi frequency computers play the 3 sec trades. Use a limit order for your buys and a market order for your sale.

Rule 310: STOCK THAT IS TRENDING UP ON A DAILY chart; you can day trade and if it runs without you don't worry you can always buy it back at the end of the day as they tend to end just a little bit up at the end of everyday, which is a fair price since it is trending up on a daily and will gap up in the morning. And if it gaps up in the morning then you can buy at the end of any day at any price. Add to the position at a low tomorrow.

Rule 311: If your good stock is trending up and the macd says sell near the end of the day, don't. The stock may open a tad lower and then trend sideways for the new day and so will the macd. There is a good chance your stock will pop on the 3rd day. The macd works good most of the time on a 15 minute chart. Make sure your 4 trends are lining up properly for this.

Rule 312: The one min chart is graphed in 15 min segments, consider using 15 min instead of the 5 min chart in your dome. Keep both the one minute and the 15 minute open in the same window.

Rule 313: You need to use the 300sma because the depression prices distorted the 200 sma. We were to low artificially for a very short time, that will distort the 200sma number (March 23/10).

Rule 314: The market will trend only one or two days a week, the rest of the time it will be choppy.

Rule 315: The 30 day Fed funds futures (zq) seems to lead the stock market by about 4 weeks, sometimes more, sometimes less, it is a great indicator.

Rule 316: When the market goes up on news that should make it go down then you are in a strong up trend.

Rule 317: If xom rallies hard before the oil news and the rumor is for an overbuild then short before the news comes out. Short about 2 min before 7:30 if you see an exponential rally around 7:25 am pst.

Rule 318: The change of trend will sometimes start with a large range day. If you get two large range days, one up and one down, then the market may continue the current trend. Or are we still consolidating (going sideways).

Rule 319: bac is a good proxy for the economy and the market, it has a huge brokerage wing (Merril Lynch), and it has loaned money to half of every American.

Rule 320: The 30 year bond auction, Rick gives it an A-, bid to cover is 2.54, above average. Since we need to watch the auctions to decide on what stocks will do, it is not very bullish long term for the world economy (March 25/10). Update this rule.

Rule 321: If you are in a sideways market and the market drifts up at the close then most people where short for the day but they were wrong and they will be scared to short in the morning. If the market gaps up in the morning then consider shorting.

Rule 322: If the vol doesn't do what I tell it to do then it is false vol lol.

Rule 323: On a 15 minute chart; When the vix is below the 10 day sma it is too low and vice versa, 7% below is a lot.

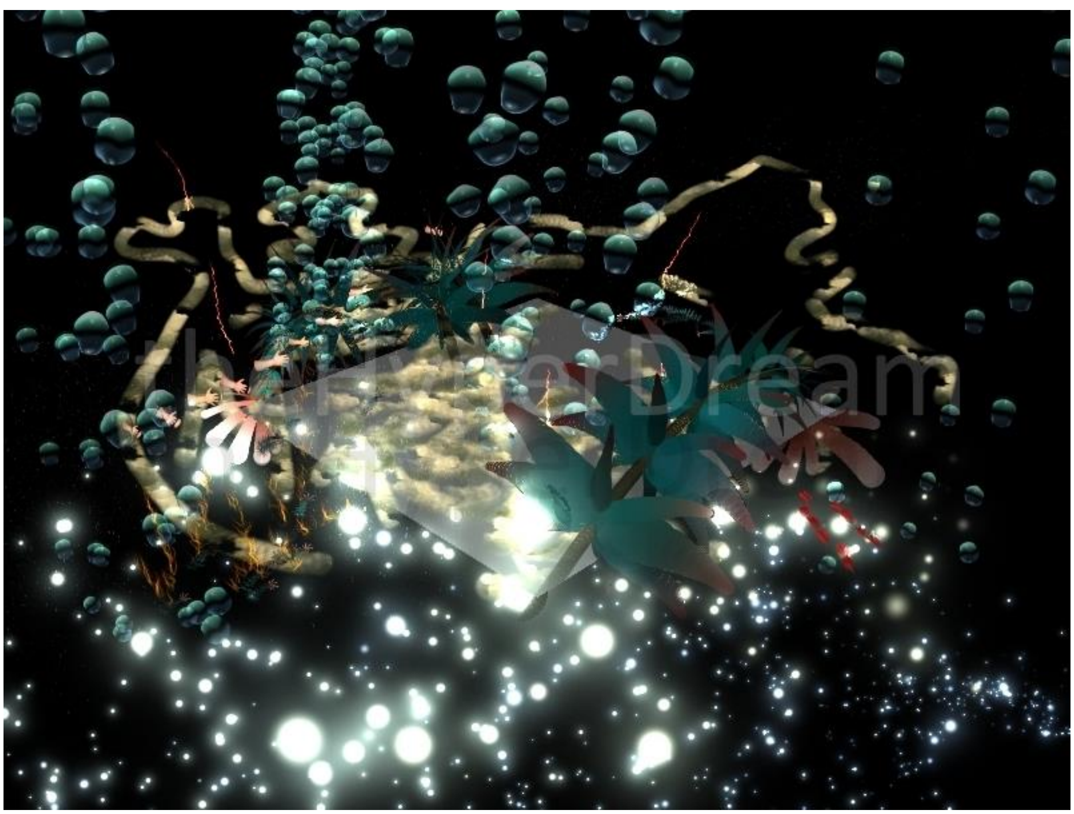
Rule 324: If a "mid vertical" doesn't go through when the stock moves against you (while the order is pending) then you are on the same page as the specialist and you should change your order to a natural. Unless a sucker takes your trade. So you must want the trade to begin with. Some traders just wait for suckers.

Rule 325: If you are in a long term sideways market and the mutual funds are still buying near a top and the market doesn't gap up at the open then it will go up from the get go. The short boys will only short if the market gaps up a certain %.

Rule 326: Only trade once or twice per week when the market is at an extreme or if interest rates hit an extreme. If you trade often you better move your stop to break even very soon.

Rule 327: Buy on the dips and sell on the rips, this is proven to be better than buying breakouts in a bull market. In a bear market trade contrarian, short on the rips something that is bad.

------------------------ End Chapter 45; economic news, scalp trading, hi frequency computers, macd, dips and rips



Chapter 46; negative catalyst, international trading routes, accumulating the iwm, Rothschilds, control your options, spot the liar, congestion points, 5 asset classes

Rule 328: On a daily chart; when pairs trading you want the correlation to be even and as close to 1 as possible, you also want the spread to be large. Use the correlation study with 60 for length (number of bars, you may have to alter this), you also have to put one of your stocks into the correlation study and the other goes on the chart. Also, alter the PairRatio study (I call mine DavesRatio study, divides one stocks close by the others close) as another way to plot the spread, again you will have to alter this study by inputting your two stocks. You have to put quote marks around your stock symbols in that source code (or just use the compare study). You also want the stock you short to have a negative catalyst and the stock you buy should have a positive catalyst.

Rule 329: If your trades make you feel uncomfortable then your size is too big.

Rule 330: The super large volume on the sp large contracts are major pivot points, track them as r/s.

Rule 331: The big money is using the headlines to push the market in the wrong direction ie see marketwatch.com home page. The big money owns the media.

Rule 332: Some really bad stocks will move against the dominant market up trend, and then reverse temporarily when the major market trend pauses.

Rule 333: The most basic bit of fundamental news will tell the tale, like will quarterly earnings be high because of under forecasting and cost cutting.

Who is window dressing what? Are the large mutual funds accumulating or distributing, and how fast, and what is the calendar schedule ie end of year/month and tax considerations.

Rule 334: Weekend option decay should be baked in by mid day Friday.

Bid to cover and other good bond data can be found at bloomberg.com

Rule 335: Mutual funds get lots of money over the weekend and then they put it to work on Mondays.

Rule 336: The Baltic dry freight index tells you how much China is importing,

you can find it at bdiy:ind at bloomberg.com .
The index tracks transportation costs on
international trading routes; big ships.

Try accumulating the iwm
when the market bottoms in the next few weeks. Then day trade the profits
as the market tops and rolls over, keep changing strategies, when the
market is trending then you hold, when the market is topping/bottoming you
distribute/accumulate and day trade at the same time. Day trade the profits
into the next market direction, so if the market is topping you should
slowly distribute your profit from the market
bull rally and put it into a short position.

What would the Rothschilds do: They only invest when the 200sma has
been trending up for 3 months. Calculate a long term bottom using
relative recent price action with this knowledge. Remember, the
Rothschilds never sell, the just collect dividends. This suggests that
stop orders don't work for long term investing,
just diversification works for them with good divy.

Rule 337: If the es hits the same price over and over hour after hour,
then it is knocking on the door and SOME
times the door will open if it is the correct door.

To control your options do this,
Buy back month and sell front month options for long term plays which
tie up all your money but are very safe and have a very good reward
to risk ratio. A good part of your port must be in cash for this.
So you would buy some back month calls on a good company which tends
to trend sideways and sell some front month
contracts which are just slightly out of the money.

Watch the guests on cnbc and play spot the liar, track the number
of liars as bull/bear/even, use variables yes, no and don't no.

Rule 338: Volatility and volume go way down in the summer so no
day trading if your account is under 300k. Swing trading only.

Rule 339: Buy stocks which are over their 200 sma, and over or breaking
up through their 50 sma and below their 21 day (if possible, a pull back).

Rule 340: If you go short at mid day and the trade is very much in your
favor then, hold overnight. If you short early
in the morning then cover well before the close.

Rule 341: Your yearly horizontal lines should be
in a bright color. Only trade around your horizontal yearly s/r lines, they rock.

Rule 342: The dominant money pushes the market where it wants to
in after hours, so in the morning fade the gap if the gap is big enough
and at the correct time for a trend change. Over night trends usually
correct by the next day's open, the overnight tops and bottoms can be r/s
lines for day trading if they line up with other
previous congestion points from previous days.

Rule 343: You must go to the actual companies web site to get the skinny on when the earnings are coming out. And then check the news to see if that has been changed.

There are 5 asset classes, cash, bonds, commodities, stocks and real estate. Which one is the cheapest?

------------------- End Chapter 46; negative catalyst, international trading routes, accumulating the iwm, Rothschilds, control your options, spot the liar, congestion points, 5 asset classes

Chapter 47; 5 days in a row, pick pocket, major players, unusual turning points, stable divy

Rule 344: Where will your options expire to inflict the most pain. Eg citi is a good proxy for the options x day, they will not let c go over 5 at options x, maybe in Nov it will happen. They won't let it go over 5 because there are like 1m call options at 5. most pain. Oct 15/09.

Rule 345: If the underlying index falls 1% every day for 33 days, then how far will the triple leverage fund fall... ie about 100%, actually it is 99.999999%. Triple leverage funds are good for day trading but that is about it since they don't track very accurately.

Rule 346: Major tech stocks will dictate which way the market will go in times of uncertainty, eg orcl.

Rule 347: Calculate the percentage move in interest rates (use tnx) if they move way faster than the market. The market will follow about the same percentage move. The interest rates could also be just setting up for a move in the reverse direction, thus the market will hold and then decline with the interest rates. Look at the extreme range of the interest rates for the past 2 weeks or longer to determine if a reverse or continuation of trend is at hand. When interest rates and the market move inversely to each other you will see a tell.

Rule 348: The fewer moves you make, the more money you make. Your best trades are your smallest losses. Sell as soon as you know you made a mistake, hope does not work.

Rule 349: The 15 min tic is a tell for es 15 min chart. Put a 4 day sma on your tic it is very good.

Rule 350: If you buy the wrong stock by mistake, exit the trade immediately. There is a good chance that others have done so at the same time as you, and the specialists will take advantage of this.

Rule 351: The market signals its short term direction in after hours trading when it gaps large at midnight, scary.

Rule 352: When watching the es level 2; if the bulls slow down for a few days, ie thinner than normal trading, they may be running out of steam, especially if the market is up more than 5 days in a row. Look for a blow off with news like the fed funds rate.

Use the open interest study at tos it is great, I used it on an option chart.

Rule 353: For day trades, wait for the breadth to show its' hand then buy something good which has been going down on the day like gs Sept 28/09.

Rule 354: For your economic data which comes out daily; if the numbers don't beat the consensus then it is bearish, keep track of the number of bears and bulls over a 4, 3, 2, 1 month trailing period.

Oct 5/09 Market rallies hard as expected, targeting 1075 for the end of week.
SUCKERS: They had doctor Rubeen on cnbc bmo to scare people into selling at the open, suckers...
I will buy on the pick pocket down move, this happened, this section kicks ass. Volume confirmation on the 1 min es and bac charts and level 2 quotes.

Rule 355: Fed funds usually rises 2 months after unemployment peaks. If it doesn't then something is seriously wrong with the economy.

Rule 356: If gs earnings are bad the whole market will go down. If they are good then rally on. csx is the best of the rails and has its' finger on the pulse of the economy, earnings Tues. The major companies will be a guide as to how the economy is doing and as to what the rest of the earnings will be like for the rest of the stocks. The earnings of these major players will move the market.

Rule 357: The market can consolidate at the end of Nov as people feel good and go on holiday for xmas.

Rule 358: Wait until you see a good vol spike at a r/s line before you make any trade on the one min es chart, this is a micro trend indicator. It seems accurate 70% of the time, unusual turning points in the economy or earnings days cause this indicator to be invalid.

Rule 359: The /dx and spx chart show a great indicator. Use the 15 day 15min chart. They tend to run inverse with each other. The eruo/jpy /dx spread also runs inverse and is a great indicator.

Rule 360: Between 9:30am and 10:30am pst options get repriced for the next day's decay. They settle around 10:15am and the market can turn around that time.

Rule 361: Good companies with good Stocks with good earnings that drop are a big buy, use options.

Rule 362: The market can only go up if guidance goes up during earnings season.

Rule 363: The tna 5 min with after hours on, shows the macd is very accurate. If you are contrarian and hold overnight you will make a lot of money when this rule is on. The macd shows accumulation and distribution by the big money.

Rule 364: Four bottoms in a row and up we go, on a 5 min chart es.

Rule 365: If the banks are holding all the liquid dollars they borrow then inflation will be controlled temporarily.

Rule 366: Every time the euro/jpy hits the magic value the dollar goes up, this drives stocks down.

Rule 367: Use the 150 sma to smooth out the long term trend on a ten year chart, watch out when it crosses the 50 sma.

Rule 368: When a large cap goes up for no reason it could be because they are looking to acquire some one.

Rule 369: A stock must beat the whisper (high man whispers real top) and the high man (respected top analyst) for a stock to rise after earnings.

Rule 370: Day trade stocks with a good divy in case the day trade turns into a swing trade; with accumulation as part of the plan to turn the swing into an investment. Try mo.
A good divy is a strong stable divy that has been going up for years with a strong company. This means that debt is manageable and growth forecasts are good.

Rule 371: FederalReserve.gov, search beige book. The survey of the economy by the gov't is better than the gov't forecasts.

Rule 372: They tend to under estimate the adp employment report.

Rule 373: Play the pick pocket maneuver near pivot, r/s lines. Choose a limit order which is over the 4 sma for shorting.
Do the opposite if it is a long day.
Risk is based on how much information you have,
if your dreams come true then you
have max information.

----------------------- End Chapter 47; 5 days in a row, pick pocket, major players, unusual turning points, stable divy

Chapter 48; stopped out, Define Risk, factored into the stock, stronger than the market

Rule 374: It is difficult to contain a 1% risk threshold with less than 25k. Your stops will be to tight and you will get stopped out over and over again. 1% of 25k is $250. $250 is the minimum amount of risk that you can use for a stop order. Anything tighter than $250 will get you stopped out over and over again. You can use a tighter stop when a stock hit's a lower support line and hopefully you get lucky a few times. If you play options and all you have is 25k then the max you can spend to buy deep in the money is $250. And if you have more than one trade on at a time then you are risking more than 1% since 80% of all stocks will move with the market. If you use a pairs trade (one long and one short) then that is ok, although sometimes pairs trades don't pan out as the two stocks can drift parallel for years. Pairs trades should be related: example, if xom is moving up and cvx is moving down then you would short xom and go long cvx.

Rule 375: If you have less than 25k you should scale into (average in) 5 high dividend stocks in different sectors and sell out of the money calls against them when they have risen close to their upper trend line, if the long term trend is sideways.

How You Define Risk:

1. Position size. If you take a large position relative to the size of your portfolio then you are taking a lot of risk. If you take a small position then you are taking a small amount of risk.

2. Stop placement. If you use a tight stop then you are taking a small amount of risk, stops that are too tight can lead to you getting stopped out all the time, death by a thousand paper cuts we call this. If you set a stop which is to loose then you are taking on more risk. So the risk increases if the stop is to tight or to loose, just find the right stop goldilocks.

It is the combination of these two which will lead to the perfect trade. A position size large enough to make a difference to the size of your portfolio and a stop with enough wiggle room yet tight enough to prevent a large loss.

Here are some scenarios to help you find the correct combination for the above two points:

1. Trending stocks, 50 sma moving up steadily, you can start with a larger position because you know the bulls are in charge. You can even add to the position very quickly if it moves in your favor. Sell a third or half as the stock reaches its upper trend line.

Buy back in if it pulls back to its lower trend line soon after that. Use a loose stop (relative to the distance the stock is from its bottom trend line) with lots of wiggle room perhaps as large as 1% of your portfolio size.

2. Stocks moving in a large sideways channel: Use a slightly smaller size than you would for trending stocks, use a medium tight stop, you never know which way this type of pattern will break out too. Sell near the top of the resistance line and buy in near the support line.

3. Stocks in a volatility squeeze, a tight sideways channel that is to tight to trade. This pattern can lead to an explosive break out up or down, you never know which way. Use a very small size and a very tight stop. You may even wish to wait until the stock breaks out before you place your bet.

These are just general rules. For a volatility squeeze some people like to use a large size and a tight stop.
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The distance to your stop from entry divided by your distance to your expected stop gain from entry is your risk reward ratio. Risk $1 to make $2 since it is conceivable that half of your trades will be wrong. Add your commissions to the risk side of this ratio if you have a very small portfolio. Your stop gain is of course near an r/s line.

Rule 376: Swing trading, you need 100k and don't risk more than 0.5% on any trade as a big gap over night can kill you.

Rule 377: Turn a day trade into a swing trade if you have a cushion or if you have sold half, then hold the other half for the swing.

Rule 378: Weekly charts are good for trend line support triggers and for seeing the long term and intermediate term trend. Always check your weekly chart first and then zoom in too your daily chart.

Rule 379: All we have is "fade the gap down" for entry (going long), this is our main advantage for swing trading. We wait for the stock to gap down on Mon, Tue, Wed, Thu; we do not trade on Friday unless it is a day trade. The opposite is true for a bear market ie fade the gap up at the open.

Rule 380: If a stock rallies before earnings then you want to sell before earnings come out as the good earnings are already factored into the price of the stock. If the stock goes sideways or down before earnings then the bad earnings are being factored into the stock, this can be a buying opportunity if the company has long term bullish fundamentals.

Rule 381: Always invest in technology, always, always, always, it is the future and moves the fastest and the furthest. If you are swing or day trading then any industry that is trending in your direction is good.

Rule 382: When the market is crashing the small cap biotechs can surge up. Scan for stocks with a p/e over zero, up more than 4.9% and return the largest market cap stocks first. Play the stocks which are trending stronger than the market if possible, sell anything that lags as soon as possible, use a stop.

------------------- End Chapter 48; stopped out, Define Risk, factored into the stock, stronger than the market

Chapter 49; More Scanning, MARKET NOTES, web browser based platform, PCE price index, Non farm payroll, Long Call - Short Stock Strategy, fed funds rate

More Scanning

Scan for shorting opportunities. Scan for stocks down 4.9% or more, with eps under 0, and a minimum price of $9.

Scan for Stocks which gap down at the open for a purchase; p/e over zero, minimum price $11, gap range between -2.91% and -2% (from yesterdays close), return largest market cap first. If the entire market gaps down then less impact, wait 5 minutes.

Scan for Stocks which gap up at the open for a short; minimum price $9, eps less than zero, gap range between 2% and 4.9%, return eps first in ascending order. If the entire market gaps up then less impact, wait 5 minutes.

If you use a scanner you just can't scan and buy/sell the stock at the top of the list. You must also know the company. What is the projected 3-5 year growth rate, long term debt, current debt, current liquid assets, competition, institutional owner ship, analysts ratings, charts 2 year, 6 month and 15 day, current news, and lastly the companies profile. You can find all of this at cnbc.com. You may also want to get the opinion of your favorite guru, but hey, you are now a guru, so whatever. You may want to play one of its' peers instead, if the peer is trending up nicely.

MARKET NOTES:
The dollar was so high at the open and the market did not fall. This caused an imbalance. The dollar fell a bit after the open and then sky rocketed back to its opening level, from 7:20am to 7:33am. This caused the market to crash and rebalance was formed. Watch for that type of maneuver, it happens every day. It was a great buying opportunity. And bullish natural gas numbers came out at 7:30. My LPTH

stock held up extremely well, very bullish and in at 2.65.

Rule 383: It doesn't take much money to hold the market up after hours to create the imbalance for the morning.

Rule 384: Because many people use gs as a short term indicator, the traders of gs will often sell gs while they acquire es contracts. This happens near market bottoms. The opposite can happen near market tops.

Rule 385: On the fomc interest rate meeting announcement the market will often go in the wrong direction during the first one minute after the announcement, you will need a direct access broker to take advantage of this. Never use a web browser based platform, to slow and subject to additional crash problems.

Rule 386: Don't let the media fool you with negative or positive news. Use your indicators, what do they tell you?
Here are my favorites: Euro/jpy dollar cross (one year chart), tnx 30day fed funds cross (one year chart, separate chart for each), crude light xom cross (one year chart), gold rifin spx iwm cross (15 day 15 minute chart), and euro/jpy dollar cross (15 day 15 minute chart), 5 minute $tick with 4 sma, front month spy option cross, back month spy option (very sweet). The 30 day fed funds seems to lead the tnx by about 4 weeks, so you get lots of lead time for planning your call option shorts against your long term holdings (the year is 2009-2010).

Don't leave your stops on over night. If your stock gaps down at the open there is a very good chance it will rebound if it is a quality company. You can always sell it later in the day.

PCE price index = Personal Consumption Expenditures. This is like the cpi consumer price index (inflation rate). The fed sets the fed funds rate relative to the pce. When the pce is going up the fed funds rate will go up to curb inflation. Bloomberg.com has a chart of this in their economic calendar when it is fomc meeting day.

Non farm payroll and fed funds announcements are the most important news. See research.stLouisFed.org/wp/2007/2007-032.PDF. Personally, I like the jobless claims.

Long Call - Short Stock Strategy

If you think the market has a long way up to go then buy some deep in the money calls on the worlds favorite tech stocks. AMZN, QCOM, GOOG, AAPL, RIMM (update May 5/17 FANG).
Once your calls have gone up sell the stocks short to lock in your gains. Then, exercise your right to take delivery of the stock from your options to cover the shorts on options expiration day. Ask your broker to pay you interest on the money from the stocks you have shorted, many will do this. The premium for your options should not be over $5. This is a good strategy to use

when interest rates are high or peaking.

MARKET NOTES 2, and Fed Funds Rate
Feb 5/10 Friday
Dollar soars to 80.9 on heaviest volume day on the one year chart, then declines below heavy volume point, bullish for stocks. The market crashes to support line at 1040, then zooms way back up to 1060 in about 17 minutes, on heavy volume. I believe we have seen the short term bottom. Look for the market to rally for the next 2 weeks into options x. The big down day in the fed funds about 25 days ago may have been so large that it took the stock market 2 days to model it (yesterday and today). No system is perfect but a 25 day lead time is millionaire baby sweet. Sometimes even the 30 day fed funds can be wrong and the market will not follow it, this happens rarely.
Market hits high at close at 1064, very bullish.
Look for gap down on Monday at open for buying opportunity.

See pfxglobal.com (learningMarkets.com)
LearningMarkets.com/forex-fundamental-analysis/20080625253/looking-ahead-at-the-fed-funds-rate.html and
cme.com for more information about the fed funds rate. You can get the probability of a rate change at cmeGroup.com, click on: interest rate products, interest rate products home page, interest rate resource centre, if you can't find it (it
was suspended Dec 16/08)...like I couldn't then.

Here is the probability formula for predicting the chance of a decrease of 25 basis points in the fed funds rate:
(implied target rate - current rate) /
(target rate - current rate) = % chance of change; where:

1. The "implied target rate" is the futures contract price with the closest settlement date to the fomc meeting date. Note, You subtract the futures contract price from 100 to get the "implied target rate".
2. Current rate is, of course, the current fed funds rate.
3. The "target rate" is the current rate minus 0.25; for a 25 basis point change in fed funds rate. We assume for the sake of this formula that rates will be going down in the future. Use the exact same formula to predict if rates will be going up but change the "target rate" to:
the current rate plus 0.25.

You should also watch the video at cme.com for further explanation to determine a 50 basis point probability etc. It can be found at cmegroup.com/education/interactive/webinars-archived/cme-group-fed-watch.html, you have to fill out an access form when you get there. The video is an hour long and the formulas come up about half way through. Also, click on Cmegroup.com, interest rate products, interest rate resource centre, and then under "archived seminars and tutorials" section you will find some more good videos. I have most of the fed funds probability formulas in my spread sheet, just set your variables.

Rule 387: Watch the tos help videos for that analyze tab they have.

---------- End Chapter 49; More Scanning, MARKET NOTES, web browser based platform, PCE price index, Non farm payroll, Long Call - Short Stock Strategy, fed funds rate

Chapter 50; tnx, economic data, Time Lines For Trends, Cantango, Bid to Cover, SKEW, load in, Month codes, Tax Changes, Ridex Funds

Rule 388: The tnx is an intermediate term indicator and a micro trend indicator. The /ZQ is a short term indicator. It leads the stock market by about 4 weeks (could call it intermediate term trend). This indicator trends in different directions relative to the economic cycle. If we are just coming out of a recession the market will go up and down with the /ZQ, if we are completely out of the recession and the bull market is definitely back on then the market will move in the opposite direction of the /zq.

The economic data is long term and the intermediate term cycles in the direction of the long term trend. The spy front month back month cross is a great day/swing trading indicator. The 5 minute chart $tick with 4 sma is a great micro trend indicator.
The dollar eruo/jpy es cross is a micro trend and short term indicator; look, just use them for a few months and get used to the way all this stuff moves in patterns with each other.
The oil cantango is a great short term indicator.

Time Lines For Trends

Micro term trend - From 30 seconds to 3 hours.
Short term trend - From 30 minutes to 4 weeks.
Intermediate term trend - From 1 week to 6 months.
Long term trend - 6 months or longer.
Trends can be up/down or even (sideways/consolidation).

Treasury international capital (TIC DATA, this is not the same as $tick) = A measure of foreign demand for our debts and assets. Bonds and the dollar are sensitive to the data. Equities don't react to much as foreign ownership is low, but forex may react. Strong inflows of tic keep the dollar strong and interests rates down as foreigners buy notes with usa dollars.

$tick = Number of stocks ticking up minus number of stocks ticking down (changes about every 15 seconds).

Options Cantango

Rule 389: Overlap the spy back month option contracts with the spy front month option contracts. Use a non percentage line chart. You will have to divide the back month contracts by a reasonable constant like 2.8 to get the charts to land right on top of each other. At prophet charts the software will not take a decimal so you must divide by a fraction like 28/10. When ever the front month hits an extreme relative to the back month the market is at an extreme and reverses direction. Use a 10 day chart. I like this rule a lot.

Bid to Cover

If the bid to cover is bad for 5,7, and 2 year notes then the foreigners don't want the debt, which means the economy is not good. If the economy is not good rates will remain low for far too long and inflation will step up. Who wants to hold usa debt with an eroding dollar.
See Bloomberg.com economics calendar.

WATCH OUT FOR SKEW

Month codes for futures contracts:

Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov
Z	F	G	H	J	K	M	N	Q	U	V	X

Here are the months that the generic futures symbol /zq (fed funds futures contracts) loads in, Dec Mar Jun Sept. The "load in" is done about 8 trading days into the month when the contract expires. For example, say it is Feb 2010 then you would be looking at the March 2010 contract. When the 8th trading day of March 2010 arrives the symbol will automatically load in the June 2010 contract. When the 8th trading day of June 2010 arrives the symbol will automatically load in the Sept 2010 contract and so on. This can skew your yearly chart a bit if the new "load in Price" is way different from the current contract price. It actually helps a bit because the yearly chart becomes exaggerated more and it is easier to see the 4 week lead the fed funds does to the stock market. Sometimes the fed funds leads by 6 weeks or more and sometimes by about 1 to 2 weeks. It's a crystal ball but sometimes it gets a little bit dirty.

You can remove the skew by loading in the full symbol by hand. So if you want the Feb 2010 contract for the fed funds futures you would type in /zqg0. The zero stands for the year 2010 and the g stands for Feb. Ya I know dumb isn't it, g stands for Feb? Who makes these codes are they trying to confuse us, probably. Restriction of info is everywhere they can put it I say, lol. You better check with your broker as to when your platform rolls over to the next quarterly contract month. Note, at tos the roll over happens 7 trading days before options x is another way of looking at it.
--

Tax Changes

The Bush capital gains tax cut and the dividend tax cuts will expire at the end of 2010. People will want to buy Master Limited Partnerships MLP's because they are exempt from tax. Here are 3 companies:
Kinder Morgan Energy Partners L.P.,
Enterprise Products Partners L.P.,
ONEOK Partners L.P.,
You only have to pay income tax when you sell these.

Dumb Money vs. Smart Money

I here there are "Ridex Funds" which swell with dumb money near market tops and there are other "Ridex funds" which swell in size with smart money when the market is near a bottom. Check this out.

-------------------------- End Chapter 50; tnx, economic data, Time Lines For Trends, Cantango, Bid to Cover, SKEW, load in, Month codes, Tax Changes, Ridex Funds

Chapter 51; Risk 1 to make 2, Fed Funds Futures Cantango, Oil Futures Cantango, My Charts

Risk 1 to make 2.
Use a smaller size if your timing has been off lately.
Grid out all NASDAQ 100 stocks. Play those that are trending up and above their 50 sma.
The ultimate setup, hitting lower Bollinger band, approaching support line, approaching trend line, gapping down at open, average to large volume (but not super large volume) all of these things happening at the same time.
I hear but do not use; when using "Williams % r" set it to 30, -20, -80.

Fed Funds Futures Cantango

The fed funds futures contracts and charts can be found at cmeGroup.com, click on market data services then delayed quotes, interest rate tab, 30 day fed funds. You should look at them regularly especially when the market is in the middle ground or if you think the market is supposed to change directions at a certain level.
Make up a comparison chart of all the futures contracts

for the fed funds in your platform.

Oil Futures Cantango

Oil Futures cantango (when back contracts are way more expensive than front contracts) lasts about 1 to 1.5 weeks, when the curve gets steep the physical players wait and store the oil so they can take advantage of the higher prices in the later months, when cantango gets OVER $5.25 (one year out) then the market loses all the sellers in the front month and this causes oil to take off. Check this daily. The stock market will often react to this cantango. Cantango can lead to reverse cantango when the holders of the physical oil start to dump it on the market at the higher prices (cantango shrinks to under $5). The oil contracts can be found at cmeGroup.com, click on market data services then delayed quotes, energy tab, light sweet crude oil. Make up a comparison chart of all the futures contracts (a full year) for crude light in your platform, use a 3 month chart. This indicator works best when oil is making some kind of bottom with a horizontal support line.
Keep in mind that oil is on an upward slope all the time because the supply has been getting smaller since 2000. Update May 2017, shale oil...

My Charts

PAGE ONE
Grid one:
I use the es 15 min chart with Bollinger bands 4 sma, 50 sma, macd, on balance volume, pivot points and average volume indicator.
Grid two:
one minute es chart with 20 sma, 50 sma and 200 sma and pivot points.
Grid three:
5 minute chart $tick indicator with 4 sma and macd two lines.
Draw one horizontal line at the zero mark.
Grid four:
One minute dollar index (/dx) with eur/jpy, 20 sma, 50 sma, and 200 sma.
Grid five:
5 minute intra day percentage qqqq chart with the spy, iwm and tbt.
I often switch the qqqq with bac, gs, xom and amzn etc. through out the day to see what the leaders of the market are up to. The tbt tracks the tnx but the tnx stops trading at 12 pm pst so the tbt then tracks the interest rate futures.
Grid six:
I use the /dx 15 min chart with Bollinger bands 50 sma, 150 sma, average volume indicator, and the RSIwilder set to 2, 70, 30.

Grid one through six are all on the same page so I can see them all at the same time. I am usually on this page when day trading. Be sure to plot all your long term horizontal r/s lines on your 15 minute charts and one minute charts. And it goes without saying that the volume is one of the most important indicators for any chart you look at.

These next six are all on PAGE 2. This page is so full you sometimes
need to load it in twice. This is more of a long term perspective page.
Grid 7: One year daily percentage /dx chart
with spx, tnx, gld, eur/jpy, volume.
Grid 8: One year daily xom with crude light
futures (/cl), average volume and macd.
Grid 9: 15 minute percentage /dx chart with eur/jpy, average volume,
and on balance volume. Perspective is necessary thus
I over lap in my brain additional chart views.
Grid 10: One year percentage daily tnx with spx, 20 sma, 50 sma, and 200 sma.
Grid 11: One year daily "30 day fed funds futures" front month
contract with volume and on balance volume. This indicator is an
ass kicker. It leads the market by weeks in advance.
Grid 12: Two year daily iwm percentage chart with rifin, gld, and the spx.

Don't forget to put on your r/s lines for most of these charts.

This one is in profit charts since I need to create a ratio to get them
to line up. This chart kicks ass.
Grid 13: Plot your option cantango. Use the spy "at the money calls" front
month contracts against the same back month contracts. Alter your back
month line so it is in the middle point of the front month study. Use a
10 day chart. Watch out for drift. Is the back month drifting up,
down or sideways. 13 is bad luck drifter.

I also follow other charts like the high tech leaders, the big banks,
big broker dealers and cvx. And the dow stocks etc. Sector etf's.

-------------------- End Chapter 51; Risk 1 to make 2, Fed Funds Futures Cantango,
Oil Futures Cantango, My Charts

Chapter 52; Day Trading The es and Scalping, Sample Economics Table

Day Trading The es and Scalping

If you are getting conflicting data; for example the fundamental data says
go long and the technical data says go short; wait for a pivot point and
then put in two break out trades, one long several tics above the mark
and one short several tics below the mark. Try not to place your orders
where everyone else is attempting to get a good price in the markets
last direction. Example: the market starts
the day up on strong fundamental data
(economic calendar) and then your technical indicators say it is time to
go short, the market drifts back and forth sideways between 1179.25

and 1181.25, you would place your break out orders just above and just below the sideways high and low. If you are getting conflicting data then you may want to sit on your hands. The market gives you 2 or 3 good set ups a week, those are all you should play unless you are scalping. If volume is really low in the first half hour of trading you may be in for a very tight sideways day as no one is playing. Sit on your hands, don't chop you portfolio up with endless small losses. Wait for the setup. Look for the setup. No setup no play. Being impatient and greedy will kill you. If you lose money all day don't try and make it back with a bigger size and more trades, you just lose more money. Only play the set ups, wait for your indicators to confirm each other. Set up, set up, set up...

If you are scalping, only trade one es contract per 100k that you have. Take every $12.50 that comes your way and every now and then you will get a couple of tics. Decide in advance, "is this a setup trade or a scalp trade". You better practice scalping with a paper account to get the feel of when and where you should do it. You will use a limit order for both your purchase and your sale. If any of your indicators turns weak while you have a "scalp trade on" use a market order to exit the trade and take your loss. Limit your losses to two tics if you don't have a stop limit order in place. Only scalp by shorting. The market runs way faster to the down side than the up side. You can short in a rising market but you will have to take your $12.50 within about 10 seconds, only do this when the dollar index and the $tick and your other indicators on "my charts" PAGE one are in your favor. See above "My Charts". I put in a market order to cover as soon as the es moves one tic against me in a rising market. Remember you are just trying to get that 1 point es move by mistake. I also cancel my initial order to enter if it
does not get filled within 10 seconds.

Be aware of the relative strength with regards to your iwm, spx, qqqq, tbt grid. It is cyclical as are all indicators. If they are not confirming each other (moving in sync) then you have a tell.

Rule 390: If the market has fallen a whole lot into 12:30 pm pst then watch out for a short squeeze into the close.

More Scalping:

You can also scalp at points where you think the short term trend is going to change directions (near pivot points) if the market is running to fast. Put your order in early say 2 - 10 minutes before you expect the market to hit your mark, use a 1 point stop loss to make one point for the /es.

If the market is trending slowly it is best to scalp in the direction of the short term trend and contrary to the micro trend.

Ideally you want to scalp when the market is grinding sideways all day, just keep taking the quarter point.

Sample Economics Table:
Goto Bloomberg.com to get the data for your table.

https://www.bloomberg.com/markets/economic-calendar

Don’t worry about the date here, this is just an example of
how I keep track of the economies flow.

Week of March 29/10

TIME	DATA	FOR	ACTUAL	CONSENSUS	PRIOR	REVISED	Notes
March 29/10 Monday							
5:30	Personal income	Feb10	0.0%	0.1%	0.1%		bear
	Consumer spending		0.3%	0.3%	0.5%		even
	Core pce		0%	0.1%	0%		bull*36
8:30	3 and 6 month bill auctions		3mo	bid/cov 4.16	6mo bid/cov 3.9		bull
March 30/10 Tuesday							
6	case schiller index	Jan 10	145.32	145.90			bear*35
7	consumer confidence	Mar 10	52.5	50	46		bull*38
8:30	4 wk bill auction			bid/cov 3.58			bear
March 31/10 Wednesday							
5:15	adp employment	Mar 10	-23k	-20k			bear*36
6:45	Chicago pmi	Mar 10	58.8	61	62.6		bear*37
7	factory orders	Feb 10	0.6%	0.4%	1.7%		bull*39
7:30	petroleum		2.9mb		7.3mb		bull
Apr 1/10 Thursday							
	Motor vehicle sales		9m	9m	7.6m		bull*40
5:30	jobless claims		439k	440k	442k		bull*41
7	ism manufac	Mar 10	59.6	56.1	56.5		bull*42
7	construction spend	Feb 10	-1.3%	-1.1%	-0.6%		bear
7:30	natural gas		12bcf		11bcf		bear
Apr 2/10 Friday	stock market closed, banks and bond markets open						
5:30	emploment situ	Mar 10					
	Non farm payrolls		162k	200k	-36k		bear
	Unemployment rate		9.7%	9.7%	9.7%		bear*39
	Ave hourly earnings		-0.1%	0.2%	0.1%		bear
	Ave work week		34	33.9	33.1		bull

Now we track the bulls and bears
from above which have stars, we don't track all the bulls and bears because
some are just for day trading. The number beside the star is just the
grand total year to date.

Tracking the stars, see the end of this chapter for a complete list of the economic
indicators that I am currently using (May 2017).
The Ratio is just the number of Bulls divided by the
number of bears for the last 5 weeks.

Using stars only:	bulls	bears	Ratio	spx

...

Total for Dec 16	16	13			
Jan 2/17 Total bulls and bears this week =	9	1	25/14 = 1.786	2277	
Jan 9/17 Total bulls and bears this week =	3	3	26/15 = 1.733	2275	
Jan 16/17 Total bulls and bears this week =	4	4	22/16 = 1.375	2271	
Jan 23/17 Total bulls and bears this week =	1	3	19/15 = 1.267	2295	
Jan 30/17 Total bulls and bears this week =	9	6	26/17 = 1.529	2297	
Total for Jan 17	26	17			
Feb 6/17 Total bulls and bears this week =	2	2	19/18 = 1.056	2316	
Feb 13/17 Total bulls and bears this week =	7	3	23/18 = 1.278	2351	
Feb 20/17 Total bulls and bears this week =	3	2	22/16 = 1.375	2367	
Feb 27/17 Total bulls and bears this week =	9	3	30/16 = 1.875	2383	
Total for Feb 17	21	10			
Mar 6/17 Total bulls and bears this week =	4	4	25/14 = 1.786	2373	
Mar13/17 Total bulls and bears this week =	10	1	33/13 = 2.538	2378	
Mar 20/17 Total bulls and bears this week =	3	2	29/12 = 2.417	2344	
Mar 27/17 Total bulls and bears this week =	6	3	32/13 = 2.462	2363	
Total for Mar 17	23	10			
Apr 3/17 Total bulls and bears this week =	6	4	29/14 = 2.071	2356	
Apr 10/17 Total bulls and bears this week =	5	1	30/11 = 2.727	2329	
Apr 17/17 Total bulls and bears this week =	4	6	24/16 = 1.500	2349	
Apr 24/17 Total bulls and bears this week =	4	7	25/21 = 1.190	2384	
Total for Apr 17	19	18			
May 1/17 Total bulls and bears this week =	4	4	23/22 = 1.045	2399	ATH
May 8/17 Total bulls and bears this week =	2	3	19/21 = 0.905	2391	
May 15/17 Total bulls and bears this week =	Not done yet, today's date is May 18/17				
May 22/17 Total bulls and bears this week =					
May 29/17 Total bulls and bears this week =					
Total for May 17					
Two months ago total = Apr + Mar	42	28			
Three months ago total =	63	38			
Four months ago total =	89	55			
Start date Jan 4/16					
Grand Total =	89	55			

Total monthly Ratios from the above totals. bulls/bears

2017

	Jan 31/17	Feb 29	Mar 30	Apr 29	May 31	etc
Two months ago total =	1.429	1.720	2.200	1.500		
Three months ago total =	1.812	1.553	1.892	1.658		
Four months ago total =	1.913	1.833	1.720	1.618		
Grand Total =	na	na	na	1.618		

I also keep track of the "GRAND TOTALS"

PAST GRAND TOTALS	BULLS	BEARS
Start date Jan 1/16		
Grand Total =	223	176
Start date Jan 5/15		
Grand Total =	181	187
Start date Jan 1/14		
Grand Total =	204	168
Start date Jan 1/13		
Grand Total =	193	180
Start date Jan 1/12		
Grand Total =	187	198
Start date Jan 1/11		
Grand Total =	198	132
Start date Jan 11/10		
Grand Total =	178	163

Most important, most current news: list of economic data items I use; the ones with a * in my economics table get tracked.
Tracking the stars, I am currently using these ones (May 2017).

Ism manufacturing index
Ism non manufacturing
Empire state manufacturing
import export prices

Retail sales
Motor vehicle sales
Treasury international capital
International Trade
International Trade in Goods

Jobless claims
Employment situation
Employment Cost Index
Cpi consumer price index, inflation
Personal consumption expenditure core

Housing market index
Housing starts
Pending home sales
New home sales

Industrial production
PPI-FD Was called Ppi producer price index
Philadelphia fed survey
Chicago pmi
Petroleum
Rig Count – Baker Hughes

Dallas Fed manufacturing Survey
PMI manufacturing index
Factory orders

Beige book
Consumer confidence
Consumer sentiment
Consumer Credit
Fomc minutes

------------------------------ End Chapter 52; Day Trading The es and Scalping,
Sample Economics Table

Chapter 53; Sample Journal

Sample Journal: Filling this out every day helps keep my head screwed on.

Apr 2/10 Friday

Market closed for good Friday

Oil CANTANGO is OFF. Use a 3 month daily chart with
all the futures contracts on it. Oil needs to go down.
Remember oil is in a long term up trend so it will
continue to make new highs before it falls to ever higher lows.

All the contracts are really tight now,
reverse should happen as oil hits new high yesterday at 86.

SPY option Cantango CALL spread 0.47, PUT spread 0.42, This is the spread between the front month spy options and the back month (about 6 months out or so). Since the put spread is smaller the puts in the back month are more expensive relative to the calls thus the spy is rated as a bear at today's close ie I take this reading at the closing prices.
I also track gs, jpm, wfc, bac, amzn, qcom, xom, cvx and rate them as bull bear or even so with the spy you get
3 bulls, 5 bears, 1 even.
TEN day chart is trending up just over break even. This is my ratio chart of the spy front month contract vs spy back month contract. I am using the 118 strikes. I am dividing the back month output by 4.5 to get the non percentage line chart to line the two contracts right on top of each other. Be aware of the back month trend, it usually leads.

Fed FUNDS CANTANGO is ON. Rates need to go down. Stocks need to go up. Unless the economy slows and unemployment continues sideways. Remember rates will be going into a long term up trend starting in Oct - Nov 2010. The front month is showing a slight dip of about 3% for the stock market starting possibly as soon as Apr 1/10.

Economics TABLE HAS 42 bulls and 38 bears for the last 2 months.

COMPRESSION/expansion/direction: for the last 5 days,
use spy 15 minute chart Bollinger bands;
Mar 24 flat compression drift down.
Mar 25 up expansion first half down expansion second half of the day.
Mar 26 trended down, need more compression to stop down trend.
Mar 30 flat starting to compress during last hour.
Apr 1 up expansion first half, down expansion middle,
up at close expansion, need compression.

MICRO trend: even. see your option cantango front month vs. back month and the other cantango stocks you track there. Ten day chart is trending up but other stocks are bearish overall.

SHORT term trend is: even (we get this from the fed funds futures cantango and front contract and the oil cantango and the option cantango). Oil and fed funds are split.

INTERMEDIATE term trend is: even, should change to down around Apr 1/10. If it breaks 1125 and then 1115 on the es, very similar to the short term trend as the long term trend is even. This cycles up and down in the direction of the long term trend. We get help from the fed funds front month contract which leads the market by about 4 weeks and the economic table.

LONG term trend is: even (we get this from our economic table and the fomc meetings).

MARKET NOTES: - Always invest in technology (for investing), always, always, always, it is the future and moves the fastest and the furthest. Oil is a close second.

Catalysts for tomorrow (from economic table):
Unemployment news for Friday is even to bearish.

	Period	Actual	Consensus	Prior	Notes(bear/bull)
Apr 5/10 Monday					
7 ism non manufac	Mar 10	54	53		
7 pending home sales					
8:30 3month bill auction					
8:30 6 month bill auction					
10 10 year tips auction					

Tnx has settled around its all time high at 38.55 and the market is still weak. The fed funds futures front contract says the market will go up for about 1 week after March options x,
and then down into Apr 1-2/10.
Dollar is at 81.18 and trending up, eur/jpy is rising near resistance line. The iwm spx spread is large on a 2 year percentage chart.
Banks rally to high again. Gold is flat lining around 1107 for the past 3 months and bands are compressing, it could go up on inflation fears.
Spy cantango is even. Waiting for the spy cantango to hit an extreme before making any trades this week unless the market runs to the down side as predicted by the fed funds front contracts.

-- End Chapter 53; Sample Journal

Chapter 54; trading es, Ultimate Data, Second Chance Breakout, Time And Sales, Settle, Intra Day Trading

Rules for trading es contracts all night.

I like to short a lot. If we are in a bull trend then the market will gap up in the morning and my position turns into a fade the gap or a long term position. That is the worst case scenario.
Best case is I sell during the night several times and make 2 points on each sale.
You do this by using the last days pivot points. They are valid until about 7am the next day pst. Then the new economic news comes into play.
And sometimes the new economic news comes into play at 4:45 am pst.

Ultimate Data

Over all the economic fundamental data is the strongest market mover. When the economic data is stronger than the consensus then it is very bullish and vice versa. The most up to date economic data is the most relevant.

Second Chance Breakout

If a stock breaks out and then pulls back a little bit after a volatility squeeze you will want to wait until it breaks out again and closes above the intra day high of the first breakout.

Time And Sales

You can also use the es "time and sales" as an indicator. Set it to 20 contracts or more and watch for when a large amount of contracts go through at the same time and price.
Compare it to the one minute chart of the es and where is the price of the es sitting the longest as it ticks back and forth between two marks.

Settle

Spx cash settle was at 8:08 am pst Friday, third week of the month.

Strong Market Weak Market and Intra Day Trading

If the dollar is rallying and the market is rallying then the market is strong.
If the dollar is falling and the market is falling then the market is weak.
If the economic data is strong and the market is falling then the market is weak.
If the economic data is weak and the market is rallying then the market is strong.
If the eur/jpy is falling and the dollar is falling and the market is rallying then the market is very strong.
If the eur/jpy is falling and the dollar is falling and the market is falling then the market is very weak.
If the eur/jpy is rallying and the dollar is rallying and the market is rallying then the market is very strong.
If the eur/jpy is rallying and the dollar is rallying and the market is falling then the market is very weak.
Any other condition would be a normal strength market. The strength of the market can change as often as every 15 minutes so watch the clock.
Where will the market turn relative to the pivot points knowing the strength of the market during the intra day time period?

------------------- End Chapter 54; trading es, Ultimate Data, Second Chance Breakout, Time And Sales, Settle, Intra Day Trading

Chapter 55; Psychology, The Killing Fears

The Killing Fears

1. Fear of losing. This fear will cause you to set your stops to tight.
2. Fear of giving back. This fear will cause you to sell a winning position to soon.
3. Fear of missing out. This fear is the most common and will cause you to chase and buy at the top.
4. Fear of being wrong. This fear can last for months and will cause you to doubt your models. It will send you back to fear 1, 2 and 3 over and over again until you have no money left.

Become aware of your fears during the trading day and use them to double think your next move. Become conscious of your thoughts feelings action loop just before you make a trade.

Watch out for your over confidence. You tend to trade too much at the wrong time with too large a size. STOP DOING THAT! Wait for the set up and scale in and out.

The person you are trading against is the same as you. Not a computer. If most of the people are thinking just like me then is my next decision the best decision.

June 14/10 Denise Shull
Manage your trading frame of mind. Odds of setup and the odds of execution is about 50% for each. The execution depends on your psychological state. Plan the trade and trade the plan, you will have to leave room for judgement (changing the plan). Your judgement will rely on your physical and emotional frame of mind state (psychological capital); how will you change the risk reward structure. Do not be tired, this is paramount. Sleep, exercise, and eat good healthy food (no carbs, sugars or caffeine). Read Daniel Goldman says Denise Shull.

Conscious, sub conscious, and unconscious.

Use feelings to get in touch with your sub conscious and write in your journal and search your soul and technicals for unconscious grasp. Look for the kernel of information which is causing your emotion. Write down your negative emotion to diffuse them. Calmly confident is the best trading state. From panic to over confidence. Get in the habit of tracking your emotions between every trade and during every trade.
Use them as data to make better decisions.

Msft "one note" software is good for a trade journal. To table;

A TABLE TO KEEP track of your emotions; here are the labels to track.

Intellectual	Physical	Emotional/	emotional echo (from recent past)	% of echo's from distant history
Strong	tired today	angry	regret from that trade	30% depressed from low self esteem

An emotional echo is a feeling from the past that keeps coming back like it's on automatic pilot. Become aware of these echo's so you can change them or enhance them.

Avoid trading when your psyche cap is low because you have a high probability of being wrong. This will make you stronger for doing proper analysis for the next setup, your intuition and awareness of the data will be more accurate. Regret will be found, win lose or draw, it is good to be aware of this.
Regret and the fear of regret is the most over whelming state.
This will help you get a positive snow ball effect or a negative snow ball effect.

Don't trade when you have life distractions happening.

Do emotional processing between each and every decision. Figure out where you are emotionally and use it as an indicator to act or not. Know your reasons and process. Allow yourself to feel bad until you build up a tolerance and learn from the feelings. Don't act out the regret.
Stop trading. Put all feelings into words. Don't try to get the money back fast it will cause more losses. The fear of regret and the fear of missing out is the most motivating factor. Greed = fear of regret or the fear of missing out. Don't go into a series of crazy bad trades. See Scientific American mind Apr-May issue 2010.

Don't be over focused on what just happened. Focus on what will happen.
Don't be anchored to your break even, entry price, or anything else.
Frame a question as its opposite eg how much can I lose? Where am I wrong. Know your average true range (atr) for your stops. If the market is very volatile stay out for scalping or day trading and wait for the market to settle as the average true range will increase. Check out the trader K posts on (tk) psych capital blog. Manage to what the market says not what your money management says, with limits. Or make plans to move your stops in advance. Anticipate your nervousness, feel it in advance, you know you will have to make a judgement call.
This will stop you from panic trading.

Rule 391: Mondays tend to be range bound. Denise Shull.

Denise says the one sentence that sums up tracking you emotions for trading is:
It is not enough to know what must be done, one must also feel it!
Say that before every trade. See traderPsyches.com and icontactCommunity.com

Psychological capital tricks and tips.

Ask yourself this question if you can't figure out what is wrong with you...
If you were another trader in this position (psych
cap bad/good funk), what would you be feeling?

Books
Read Decartes Error. 1994.
The feelings of what happens 1999.

Anticipate, notice, name, address.

Glad, mad, sad, bad.

What is my desire: don't act out by taking more risk or bad trades.
Walk, get away from the screen when feeling bad.
Wallow, think about it and become conscious of the feelings.
What is the core of the feelings.
Words, put your feeling into words. If you put it into words
it will leave you and you will be in a good state to trade.

Echo emotion analytics and remember how past trades made you feel.
The market will induce feelings.

How did past feelings with family and money make you feel.

1981 - 1986 Studied psychology, economics, and philosophy at home.
Traded s&p500 futures contracts.

Echoes are like triggers. Every time you have a great trade take a
big break until your over confidence goes away. This will
prevent you from giving the money back.

Regret, fear of regret, and anger, lead to over trading.
Instead of acting it out, put it into words.

------------------------------------ End Chapter 55; Psychology, The Killing Fears

Chapter 56; SCALPING

SCALPING (paper money is a simulator)
A lot of this chapter refers to the Think or Swim trading platform.

Scalp = tight time limit, 15 minutes max, stop at even or exit after 15
minutes, you must use a mental stop for platform execution or turn it into day

trade with platform stop. Market order to enter, attempt to cherry pick.

GET OUT when ever any of the indicators goes against you. Disciplined trading only. Stops don't work with "paper money" but in the real world you would use one.
WHICH WAY is the dollar trending intra day? Up down or sideways.
IF THE MARKET RUNS wait for it to settle for at least 1.5 minutes before you scalp.
Don't jump in front of any trains and don't try to jump on any moving trains.
No bias allowed, do what the market tells you to do, follow the tic trend.

USING the dome or placing orders by hand will change you timing structure, stick with one machine. I have been placing my orders by hand as when a trade goes bad it slows down my execution time, when I replace the bad limit to close with a market order to close (by hand), I often still make money on the market order to close.

PLEASE NOTE; the "paper money" simulator is not the same as the real world. It will fill every limit order instantly and you will often get a better market order than in the real world. You will need to master "Scalp exercise 4" below before you are ready for the real world.

The following exercises will help to ingrain the average length of time for the micro trend and discipline your bad habits.

Scalping exercise 1: Scalp with paper money using limit orders only. You can use a market order to close a bad trade. Set your limit to close one tic away from your open.

Scalp exercise 2: Use a market order to open and a limit order to close. Set your limit to close 2 tics away from your open mark.

Scalp exercise 3: Scalp using a limit order to open and a market order to close. Place your market order to close as soon as the es moves 2 tics away from your open. Note, the es may be only one tic away from your open mark by the time you place your closing order.

Scalp exercise 4: Scalp using market orders only. Do not chase the market with this exercise or you will get killed; and do not go against the "run" unless your indicators tell you to do so.
NO STOPS for any of these exercises. USE a mental stop only and CLOSE immediately when your mental stop is TRIGGERED! Taking the small loss is a good thing. You can't wait a year to take your loss remember 2009.

Set your "order preferences" to your advantage for the above exercises.

How to use your EMOTIONS to scalp better:

Step 1. Start your day scalping only one es contract until you are warmed up. Your adrenal should be up and you should be wide awake at the end of your warm up period. This should take about 5 - 15 minutes. You are warmed up when you have about 4 wins in a row.

Step 2. Then switch to scalping 2 es contracts. Continue scalping with 2 es contracts until you make about $250 net, then goto step 3.

Step 3. Then switch to scalping with 4 es contracts. Continue scalping with 4 es contracts until you are up about $800. This is the point at which you will become over confident. Switch back to trading one es contract at that time. Continue scalping with one es contract until you have about 4 bad trades in a row and then 4 good trades in a row just after that. Then go to step two. Repeat step 2 and 3 over and over until rich lol. Don't try to scalp with more than 4 contracts as this will slow down your trades in a thin market.

Everyone is different so figure out how long your warm up period is and what do you feel like when you become overconfident. I tend to get over confident when I am up about $800, you may have a different tolerance. Keep an intra day journal to figure this stuff out ie write down what you are thinking at certain time intervals during each of the above steps.

Also, AVOID changing to a day trading mentality, scalp only and scalp consistently and you will make money consistently, if the market starts to run without you then wait for it to pause, if you try to jump in with a market order you will get burned more often than not. Once you get good at scalping you will be in before the market starts to run anyway 7 out of 10 times.

HALT (hungry angry lonely tired):
Stop scalping if you are hungry, angry, lonely, or tired, you will lose money. Eat, take a power nap, go for a short walk if you are angry, pet the dog if lonely, talk to Joe/Mary/chat line lol or what ever. I also find that I can only scalp for a max of 4 hours a day as it burns me out. I make the most money in a week if I only scalp for about 2.5 hours a day. Another way to look at it is once you hit your overconfidence mark you are pretty much done for the day. This is what I have found to be true for me, it takes a few hours for my overconfidence to go away and by then the market is closed anyway so it is better to take my $800 profit working my 2.5 hours and then take the rest of the day off doing other things like finding takeover targets etc.

Only scalp short when your ten day chart is in the high zone. Never scalp long. Day trade stocks only long when your ten day chart is in the low zone, never short stocks. Sit on your hands when your ten day chart is near the mid zone, a simple plan that works.

If scalping short and the market is in an up trend, wait for the Bollinger bands to roll over on the one minute chart before you scalp with market orders. Place your oco orders early in search of a bounce, use 2 contracts, risk 1 point to make 1 point = $100.
Use a flat order to exit early if you must.

Scalp two /es all day for one point, use oco orders near Bollinger bands. Stay out when you don't know what is going on, scalp long? and short, use the dome and the flat button to exit if the trade looks bad. Wait for the Bollinger bands to roll over when you are undecided on the one minute chart.

If the price gets really close to your order and then backs off, cancel your order. They may be attempting to blow right through it on the next pass.
I have recently found the 5 minute and 15 minute charts to be better for scalping. You end up trading less.

If the retail customers place their stop orders too tight then this is where the market will bounce from. Place your buy order where the retail customers place there stop order.

The market tends to trend in 15 minute intervals
and sometimes 5 minute intervals.

FOR SCALPING you must use a block large enough to move the average true range (atr) for the 15 minute chart (to cover commissions when scalping a stock); since scalps don't last longer than 15 minutes.
ATR FOR THE fas is around 25 cents. So 100 shares will get you $25 - comm = $15 and the risk is $25 + comm = $35. This is no good, you must risk 1 for 1 minimum when scalping. Your commission wipes you out. You would need to trade 500 shares, risk would be 135, gain would be $115.
500 shares at 13 = $6500.
For the faz 6500 divided by $50 per share = 130 shares. Use a 26 cent stop. ATR for the faz is around 1.14 on the 15 minute chart and use a 1.25 stop, 11 cents beyond the the atr.

For scalping you must use the atr for the 15 minute chart as a reference for the amount of possible move for your scalp. Scalp trades don't last more than 15 minutes. Use must use a large enough size block.

Do not scalp during 8:30 and 11:15 pst, to many pick pocket maneuvers, you need more than 5k during those times
as you need to use wider stops during those times.

If the market gaps with the trend then scalp. If the market opens against the trend then day trade. If the market opens even then wait for an extreme move for a least 25 minutes.

Rule 392: Don't day trade until you scalp one profit first. So scalp the first bottom then day trade the second bottom, then swing it, if possible.

Don't hold more than 1 block overnight this week. Good week to scalp.

Rule 393: If the vix is over 30 then day/swing trade.
If the vix is under 25 then scalp/swing trade.
If the vix is between 25 and 30 then wait for a 15 min bol and scalp/day/swing.
You need to use 6k for scalping.
50 shares of edc at 20 for swing, 100 for day trade and 300 for scalp.
For example if the vix is between 25 and 30 you would put on enough for a scalp and then use a mental stop for the scalp but put on a stop loss order for the day trade. So If you bought 300 shares of the edc at 20 you would place a day trade stop just 25 cents or so below your entry for 100 shares and your scalp should take a loss at entry price (trailing mental stop) for 150 shares. Your swing doesn't get a stop.

Only scalp short when your ten day chart is in the high zone. Never scalp long. Day trade stocks only long when your ten day chart is in the low zone never short stocks. Sit on hands when your ten day chart is near the mid zone, simple plan that works.

More than six indicators will confuse you (see Denise Shull).

If I want to make the paper money real then I must put my limit order in really early about 8 seconds. In other words my limit order must wait at least 8 sec after I place it to get executed otherwise the trade is not real.
If your order sits there for 8 seconds then the market can support the 2 contracts you trade. The next question is whether the micro trend is in your favor or not.

Exercises for students:
Scalp trade on "Paper money" and know it is not real using limit orders only. You should be able to make 420 correct trades and only 30 incorrect, for a normal day.
You must include all your commission costs.

Scalp trade on Paper money using only market orders and know the real world is harder than this.
If you can do this consistently then you are well on your way.

Scalp trade with real money in the real world and test your metal.

- Pit traders use the 1 minute /es, day traders use the 5 minute /es, swing traders use the 15 minute /es and long term traders use the daily. What are these people doing right now. How much should you wager for each group at the appropriate bol band signal?

--- End Chapter 56; SCALPING

Chapter 57; 5 asset classes, Systems/Strategies, The sweet short spot

Watch the 5 asset classes intra day. Buy which ever is the cheapest (accumulate). Track the related sectors and industries for the cheapest asset class. Buy the best stocks which are down in those industries. Buy options on them. Scan 500 biotech stocks by hand in 2 hours and do some fundamental analysis on the top 5. Buy options on those if they are solid and have earnings etc. That's one way to make 100m. Small, micro and mid caps between $7 and $15 are in the sweet spot if they are growing, I like the ones which have just received an upgrade to their growth rate for the next 5 years.

Using probabilities on a macro scale is good but using them on a micro scale is bad as the micro is warped by the macro. It would be like adding a layer of uncertainty to the micro level. I suppose you could do this. Just amplify the amount of error in your micro estimates and continuously feed back a new estimate for micro1 into the macro procedure.

Check stockPickr.com "System trades of the day" every morning FOR STOCKS WHICH TRIGGERD in any of the following systems/strategies.

When using the enterprise formula to find take over targets:
Buy on the first day of the month all stocks with
an enterprise multiple to ebitda under 5.

Sell on the last day of the month if the stock gets
taken over or if the stock no longer fits our scan requirements.

We also want a growth rate of 15%, a debt ratio of less than 0.3
(total debt divided by total assets), revenues over 200m, and a
market cap of less than 3 billion. See StockPickr.com "Active
trader, The take over target system" for this month's list.

The unusual volume strategy: Start with this strategy.

Buy the following day at the open if a stock closes up 1% with
volume 50% higher than normal on the current day.
Sell if the stock is up two days in a row at the next day's open.
Include the current day as an up day, therefore you may have only
held the stock for one day. This strategy returns an average 1.1%
per trade with an average holding period of 4 days. It is successful 65%
of the time. Use a stop below a support line. Only use NASDAQ 100 stocks.
See StockPickr.com "System trades of the
day and unusual volume list on today's lists".

The mega gap system is very impressive: Use options.

We use the qqqq and the vix to set gap down target ranges.

Buy stock xyz
IF
the qqqq gaps down more than the value of the vix/100.
So if the vix is 25 then the qqqq has to gap down more than 0.25%
AND
If your stock gaps down more than the greater of 2%
OR
Vix/10%, so with this example your stock would have to gap down 2.5%.

Sell at the close.

Use quality qqqq stocks. Works in all markets especially bear and
sideways. Works "less well" as we approach the top of a bull market.
Some stocks from stockpickr.com which
have been working well with this system;
Qcom, vrsn, vclk, tklc, chkp, chtr, brcm, dell, elnk, nite, ntes, nvls

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The sweet short spot:

The NASDAQ tends to lose steam after 2 up days.

If the qqqq closes up 2 days in a row and then gaps up between 0.3% and 0.6% short it at the open.

Cover when which ever happens first, the end of the day or the qqqq falls 0.5% from the open. This system triggers about 10 times per year with an average return of 0.36%.

The system also works well with the semi conductor etf SMH.

The 3 X 2 system: Use the NASDAQ 100 stocks.
If a stock goes down 3 days in a row buy at the next day's open.
After the stock closes up 2 days in a row, sell at the next day's open.

Go research these next two for homework...
The Christmas system:
Basic mean reversion strategy:

-------------------------------- End Chapter 57; 5 asset classes, Systems/Strategies, The sweet short spot

Chapter 58; T2108, Check your emotions, dollar is trending, current candle, Selling volatility, cad runs on oil, Average True Range (atr), The Code Of Winning, Reading the tape, Zacks.com

T2108 indicator from Worden Brothers on Tele charts. Shows the number of stocks above their 40 sma. It is good at picking bottoms but not tops.

Check List:

Check your emotions. What are they telling you to do, are you in a dangerous moment when no decision (take the rest of the day off) is the best decision. What are your expectations for the situation, will somebody else be able to take the other side of your trade considering the low volume or what ever other indicator affects the situation you are in.
Angry, sad, tired, confused, can't see it, it's going to fast; the situation is a seismic wave pattern, it can be seen on a short term chart during a fed funds announcement under uncertain economic periods like when a huge recession just ended. And its opposite is the

wedge pattern, also very strong. Learn to read the heart beat.

IF I Can't tell which way the dollar is trending then I don't trade. How much volume is pushing the dollar. Look at the volume for the day on the 15 minute chart. Stand up from your chair and put the 15 minute dollar chart on your screen and walk to the back of the room and spot THE PATTERN. If you can't see it, then you are done for the day and the next day until you can see the dollars short term pattern. I of course use all the other indicators in the universe to help me. How about the dollars 5 minute chart.

Dan's 3 day rule. The smart people sell on the first day and the stock goes down. The semi smart people sell on the 2nd day and the stock goes down. The dumb people sell on the 3rd day and the stock goes up. This is like the 3 X 2 system.

Rule 394: The micro trend lasts less than 5 minutes on average, scalp with this in mind.

Rule 395: Large intra-day down runs often need two bottoms to form, the second one being lower than the first. The first will often have way more volume than the second.
You must know this for scalping reversals. Another type of bottom is when the es bounces a full 1.25 points (extremely fast) off of a large volume bottom on the one minute chart. It will often hit the bottom again several seconds later, that is a good time to go long.

On the 5 minute qqqq chart: When the current candle has less than 30 seconds left and its position is more than half way above the previous body then bullish. And vice versa. Your es 15 minute chart will over ride this when it is expiring.

You need to use limit orders for scalping.
Tomorrow I will scale only with market orders, this is best to do when the market is near a Bollinger band (only scale when you know you are right) take scale losses as well, let the market dictate the direction of your scale.

Selling volatility:
I am now playing calendar spreads both bull and bear using my ten day chart as an indicator for when to add or subtract from a position. I will switch over to playing the qqqq instead of the spy from now on as as it is more volatile. Use your option pricer to tell you when prices are very high as well (good time to sell volatility?).
When prices of your options get expensive across the board for a few days it may mean that some volatility may be on the way.

The cad runs on oil. The aud runs on gold, they are the strongest gold currency pair. The jpy like to weaken their currency to increase imports. The swiss runs on gold. Nzd new Zealand agricultural commodities. Similar interest rates = correlated currencies.

Average True Range (atr) of the sp is about 2.5%:
Important zone, 2 months into the quarter, Wednesday before options x, 12:30 am pst, price is an important pivot point and will take the market up 25 points if you are bullish. 25 point is the atr.

The Code Of Winning:

1. Check sp and where it opened that night. Look at the other countries for trend confirmation.
2. Check economic reports for the day.
3. Sp where did it open for the year, month, week and today, important points to keep you on the correct side of the trade.
write out your risk profile.
4. Keep your personal life out of the market, stay focused.
5. At eod right down everything you traded and right down everything that you can learn from your daily trades.
Connect the dots by time. See step 3.

Times during the day not to trade 7:16am, 9:00 - 10:00, 11:30 - 12:00 pst time.

Don't over trade the futures, don't have mouse envy lol.

Use a stop. Decide where you are wrong before you make a trade.

Money management. Risk reward, take 10 trades and check your p/l, if it is not at least one to one then you better change something.

The media news is almost always late on big events like the Greece bailout.

Reading the tape, right down the prices at 6 and then at 6:30 (every half hour) and do the same for the other big indexes and see if they are grouping (lining up). You can also use time and sales, find a pattern.

Your 4 sma on your $tick trends from day to day, expand it to a 5 day chart.

Zacks.com says the momentum of beating earnings estimates is what drives stocks. Stocks which are down are down for a reason. A stock with a short ratio greater than 8% is a warning sign and you should stay very far away. There are three things to look for to make momentum trading easy.
1. Earnings Momentum = a Zacks rank of 1 or 2.
2. Technical Momentum. A stock that has been trending up for a long time is a good bet (several months). Stocks trading above their 50 and 200 sma are a good bet.
3. Value. Stocks on the rise that are still cheap, these can be found like when their industry group is out of favor. Or the stock has just had a round of profit taking and is down 10% - 20% (from window dressing or an earnings run). So to sum it all up, we are looking for momentum stocks trading at a discount like WHEN AAPL or AMZN have just done a pull back. This strategy has

returned 35% per year since the year 2000, quite impressive.

------------------- End Chapter 58; T2108, Check your emotions, dollar is trending,
current candle, Selling volatility,
cad runs on oil, Average True Range
(atr),
The Code Of Winning,
Reading the tape, Zacks.com

Chapter 59; pe should be double the growth rate, Volatility, price of option,
fair value, secondary, oco, light volume, /es day trading rule,
value line

The pe should be double the growth rate, that is what we are willing to pay.
And check the cash as well, tons of cash and we will pay even more.

Volatility is a non correlated hedge as it tends to rise dramatically when stocks fall. So you would buy call options on the vix but then the vix options are buffered by the vix futures so the call options don't move as much as they should. Keep track of the spread between the vix and the vix futures.

The real price of an option should be sold when it is high (high volatility) and bought when it is low (low volatility).

price of option (priceOfOp),
stock price (stockPr)
days until option expires (daysTilOx)
estimated growth rate (eGR)
Real Option Price = ((priceOfOp divided by stockPr) divided by daysTilOx)
divided by eGR

Make sure you divide in this order.
1. priceOfOp divided by stockPr,
2. divided by daysTilOx,
3. divided by estimated growth rate.
If you divide no.3 into no.2 and then put that into no.1
you will get the wrong (bad) data.

Freight car capacity is Warren Buffets economic indicator.
Baltic dry freight is good for China.

In 1.5 to 2 years there will be a 2m barrel loss of domestic oil a day as they have shut down many rigs in the gulf today July 6/10.

When consumer staple stocks (defensive stocks) are rallying, a big down turn in the market may be about to happen.

fair value = the premium of the futures versus the time left in the contracts. Where the demand is and how far the futures price is from yesterdays close.

Jim says secondarys to buy, first you need to get in on the print price then look for a stock that is selling cheap, trade only, watch the news to find them, must be a good company, check the demand if your broker says the big money is coming in and it is tight as a drum, check the syndicate dealers, don't buy all at once, if it breaks the print price, will the broker support the bid by buying more of the stock, a full service broker is needed to do all this.

Jim says Don't buy buybacks that have a small dividend. They waste corporate money.

I am now playing calendar spreads both bull and bear using my ten day chart as an indicator for when to add or subtract from a position.
I will switch over to playing the qqqq instead of the spy from now on as well as it is more volatile. Use your option pricer to tell you when prices are very high as well (good time to sell volatility?).

When prices of your options get expensive across the board for a few days it may mean that some volatility may be on the way.

New indicator for excel charts, take the real price of the spy option and plot it against the spy on a percentage chart.

Create order cancels order (oco): Market (OR LIMIT), make 25, mental cancel replace (cr) order on make. This means;
use a market order to enter, a limit order to make 25, and a cancel replace order for mental stop (market order for stop).

The computers can drive the market in any direction on light volume, so look for your proper volume indicator. If scalping go for the base 50 oco with a mental stop. Only scalp short, if the market is on the rise then you must day trade a stock long. Most of the volume is in the spy and a handful of others like aapl.

The Fed funds trend predicts the dollar. Other rate changes in other countries also affect dollar.

Gold tends to bottom in August historically.

People tend to do what they did in the past.
So the 6 month points of control are very powerful.

Use Dan’s zig zag idea for everything it works great. And use a 5min chart for scalping the /es as well as the 1 minute, but mostly the 5 minute candles other people are using.

Draw your wedge and seismic (<) patterns as soon as possible on the 5 minute /es chart. Use them in conjunction with your Bollinger bands. The pivot points can be used as targets plus a normal amount of time to get there, to set your angle properly.

A lot of seismic action today as low volume makes it easy for the computer to cause this anti wedge pattern. Play the 15 minute chart and use a longer time frame for profit loss (p/l). Set stops way outside of the atr for the 15 minute chart. You should not make more than 3 round trip trades a day. You can see the seismic wave on the 1 minute chart as well.

/es day trading rule: If the atr = 2.5% then you need to set your stops outside of this range. So if the market rallies 1% and you want to go short then your stop would have to be 1.5% higher than where the market is. This would break the 1% rule (you could use a smaller size but don't get stopped out all the time), so you should not go short unless the market was up at least 1.5% intra day. This rule is for betting against the intra day trend. If betting with the intra day trend your stops can be a lot tighter say just out side of the 15 min atr or just below a pivot or value line (point of control) or trend line.

The value line = Where ever 70% of the volume is from the previous day, that is your value line (zone). Bracket it with yellow horizontal lines. If the market is below the zone and then enters the zone and stays there for at least 30 minutes there is an 80% chance it will go to the top of the value zone. The opposite is true for shorting.

Whenever the es goes above the 5 minute upper Bollinger band for 10 - 15 minutes you have a good shorting scalp opportunity.

-------------------- End Chapter 59; pe should be double the growth rate, Volatility, price of option, fair value, secondary, oco, light volume, /es day trading rule, value line

Chapter 60; THE WINNING RULEs, trading options, leg into a spy spread, TRACKING THE NUMBER OF TRADERS, Future pe estimates, traders are habitual

THE WINNING RULEs: If the es is over the 5 min bol for more than 10 min then sell. If es under the 5 min bol for more than 10 min then buy. The 5 min bols on the dx will do this as well and is a strong break out signal.

A company must earn twice its dividend pay out for the dividend to be safe.

Secular means at least ten years.

Start watching your advance decline line, check out the nyse vs the nasdaq, when they diverge you have a tell.

When trading options; if the stock is breaking out then you would not use a vertical but you would use a stop loss order on the stock. If it is a low risk entry ie the stock is at the bottom of its channel, then you would use a vertical as you may have to wait a while for the stock to break out.

Just leg into a spy spread instead of doing the following as the spreads can be quite large for the following and difficult to navigate. Calendar spreads with qqq options will give you support for day pyramid trading qqq options.

Line your long term support resistance up with your Fibonacci lines. /dx, /es etc.

Rule 396: The oil /cl controls the destiny of the economy six months in advance... and predicts intermediate term inflation trends which lead to long term inflation trends... (it doesn't lead to "long term" deflation trend predictions).

Important ratio: implied volatility vs 10% out of the money options. Chart it.

Watch for a run up in prices for the zn when people roll over their contracts about 2 days after options expire.

Use vxx options to determine the bottom for the vxx.

The pros play the after market specifically between 1pm and 1:05 pm pst.

Rule 397: Never play the tvix for anything but a day trade, it is rigged to go to zero forever. Look at the chart it is funny. And they won't let you short it.

Rule 398: Look at bad delta for gamma, look at all the delta "at the money" for all available months. Where the delta is too large you have gamma. If gamma is wrong then the option controllers may be trying to artificially keep the price low so they can buy for the long term, like cop Mar 9/12 77.5 strike, Jan 2013

Rule 399: Use Mad Money for delayed swing trade leads, focus only on this rule when the market is trending higher. Like goldman sacks Mar 2/12. ie Cramer tells you the name of the stocks and you buy them a few days later if the chart still looks good.

TRACKING THE NUMBER OF TRADERS at thinkorswim chat room will tell you how many retail customers there are and whether a gap fade is possible. If the number of traders is increasing then the odds of a gap fade at open increases. Do this once per week on Monday.
Rule xxx: the more dumb money there is the more I can

push my trades on low volume stocks.

DATE	#OF TRADERS	NOTES
Dec 18/11	4953	was 2230 a few months ago, and was 1750 in 2009. Wow. Lots of new money to fade to.
Jan 24/12	2515	Looks like a lot of short players got wiped out recently.

Future pe estimates; the 100 year average is 15 and if our bankers and politicians didn't f things up all the time the 100 year average for the spx pe would be 17 because of innovation and the transference of information at ever faster speeds.

Conference calls give you future gross margin targets,
you can't get them anywhere else and listen for a catalyst.

Practice Does not make perfect. Only perfect practice makes perfect.
This could be construed as luck as people who only practice (without perfection) will take longer to produce; yet they will still produce, yeah.

See back months spx and spy for long term
targets = short term goals and options x pin.

Many pros take the end of Dec off so volatility
goes down and the stock market goes up.

When the institutions are finished selling on the way down (large volume)
then the stock will bounce up, then short. In bad markets you want to buy
the new 52 week highs and sell the 52 week lows.

What is the intraday trend for the past couple of days, traders are habitual.

Rule 400: They try to sell to the losers in the after hours as the losers in
the after hours are new money becoming big money.
Everything is geared to taking their money.

Steel goes up in December.

Techs go up from Sept - January.

Scan for unusual volume leaders bucking the trend with low peg.

---------- End Chapter 60; THE WINNING RULEs, trading options, leg into a spy spread,
TRACKING THE NUMBER OF TRADERS, Future pe estimates,
traders are habitual

Chapter 61; 50/50 strategy, Whisper Numbers, Triple leverages,
The last 15 minutes of trading, Large mutual funds,
/ZN 10 YEAR notes futures, Scrap all this vxx stuff,

over seas markets, tomb stone doji, stupid

Look at the SPX 12 month option back months contracts for the lead.

The /zn can lead the market by 10 minutes. Block scalp, into day trade.

Buy high yielders on dips.

Use Bloomberg instant news to jump on stocks.

A different type of beta to gauge the acceleration of a stocks price = atr of the stock divided by the stock's price.

The tna/tnx comparison chart is gold. Use prophet charts.
Use 60 days, 60 minutes chart.

For a small port, play the 50/50 strategy. All in with a loose daily stop for half of your total port. Play around the core port, no shorts. Day/swing trade your core position near tops. Hold for the long term if things go bad and all in near the bottom of the bear trend.

The high man rule; the broker with the highest price target.

Whisper Numbers = Check the companies past earnings release papers and find out how much they usually underestimate their future earnings. They all do it. If the stock is up and the whisper number is not met then the stock will sell off a lot and if the stock is down and they hit the whisper number it will rally, in general.

Every 15 minutes the people who move the market make a decision, yours should be the same, up, down, sideways...or different?

Triple leverages shake out on the 2nd bottom quite often, don't let it stop you out if you got in on the first bottom, use a mental stop with the es as a target reference and a buy target. Remember your scalping practice, go for the $40 over and over.

Tna/tza rule; only trade one block when they move about $4, scale in and out, 5 blocks.

The last 15 minutes of trading is very important , it tells you the pressure for the day, if we go up people are covering their shorts, if it goes down then they are covering their longs. If sideways then we are balanced.

Bank holidays will cause small volume in the /zn but it is still important.

Large mutual funds will hit the spx and spy options first before they hit the actual equities. This is because they want their option positions in place before they start to push up the stock. Look for large volume in the spx and spy options as a tell.

/ZN 10 YEAR notes futures; very smooth pattern for bol on the 15 minute chart for the upper bol line but the lower needs "move away time" to signal a bottom ie the price needs to go sideways for an hour or so until the bol line is way below the price.

(vxx-vix) This spread peaks near market tops and bottoms near market bottoms. It is crude but can give you about one day of lead time. A value of 1 means that volatility will be stable into next month ie bull market. It can fluctuate quite a bit though, and so the change in direction over the past few days is the tell. The vxx is the front month vix futures contract etn. Scrap all this vxx stuff, it just keeps going to zero over and over.

Did the over seas markets follow, or not, last night!
Take holidays into consideration, chart on excel.

Rule 401: When a stock gets removed from "ibd, investor business daily" top 50 list, it will decline.

Search for a tomb stone doji and short them over and over. Use prodigio for this.
Set prodigio to only make a trade in the last 11 minutes of the day for this, use a small position size for these over night swing trades.

Dans (stockMarketMentor.com) forum is a news advance group, very sweet for day trading.

Scan for stocks with divy over 5%, just use Dans yield hogs.

Wait until your 15min chart of erx/ery is even before you place a market order, or set a bias for this parameter.

Don't forget when you play the stock market, everything you buy is stupid, set entry and exit orders before placing the trade or you are stupid.

Rule 402: If you keep losing money then you are using the wrong strategy for the current environment.

The pros close the market because the dumb money has to go to work and can only place a reverse trade in the morning before work.

Rule 403: Use the ery/erx percentage 15 min chart to tell you which way the bias is set for the day. The stock market usually follows the energy trade. Chart the divergence with your spreadsheet. Pyramid day trade. Use the average true range cycle or implied volatility cycle to tell you if the stocks are due for a trending day.
Also put on the spx for the final tell.
And play the energy against the small cap because when the economy is going down the small caps will get crushed way more than the energies and when the economy is going up the energies will rise faster than the small caps.
Chart this divergence for accuracy of this rule and to feed "trending day high probability" chart.

---------------- End Chapter 61; 50/50 strategy, Whisper Numbers, Triple leverages,
The last 15 minutes of trading, Large mutual funds,
/ZN 10 YEAR notes futures, Scrap all this vxx stuff,
over seas markets, tomb stone doji, stupid

Chapter 62; ipo strategy, volatility squeeze, An engineer's drink, morph correctly,
spy calendar spread: Your margin requirements, big rigs,
INDICATORS of indicators, PRODIGIO, theoretical value,
when is volatility low in the market?

ipo strategy. Wait for the stock to establish an all time high several months after the offering and then a volatility squeeze, then buy.

Mega trend, utilities will use natural gas and not coal to produce electricity. 80% by 2012. Update May 2017, solar is now cheaper than all fossil fuels.

Use the divvy as indicator for consolidating phase.
Buy the dips sell the rips.

The /zq about 3 months out gives you a good sine wave for your market bias.

Mutual funds will not buy a stock that is trading under it's 200sma.

There is a 30% chance the volatility squeeze will break to the down side in a bull market. Then it will rally.

If you get in just before the volatility squeeze takes off to the upside then set your stop in the exact centre of the squeeze.

Dan and Cramer can move stocks big time when they both tout the same stock at the same time.

An engineer's drink, pile the ice so the top cube hangs over the edge and melts into it, mix with only pure vodka, water and a squirt of real lemon, the vodka will cause the top ice cube to melt faster. Try to finish the drink with out loosing the top ice cube. Are you an engineer.

If you morph correctly by morphing after the market moves for the long term then the market itself will increase your odds. The market will tell you what to do. You don't have to read the news or make any judgements at all. The one year spy calendar spread is good for this.

Buy aapl whenever it goes below its 20 sma with the Bollinger bands. Or any secular growth stock that is doing that and they all do. Update May 2017, appl is no longer a growth stock.

Up trends end when: sales decline, margins compress, end markets get weaker, execution gets sloppy, or when competition is heating up.

The wedge pattern is generally a continuation pattern. If the stock doesn't continue then it may be turn around time.

For your many months yearly spy calendar spread: Your margin requirements will increase as the delta for your short contracts increases. This can cause a margin call and freeze your account leaving your positions vulnerable as you will not be able to morph them. Look for the gamma being wrong in the price of out of the money options, program your spread sheet to find this. Start with your option pricer formula and add the stocks expected and current growth rate. Battle of the quants continues. Place bid offer limit orders at incorrect gamma points. You don't even really need to know the gamma points but it may help some times for market orders. Distance from the theoretical value is what we use today, very simple and it works great.

The big rigs will move the market pretty close to where they want the options to expire the Friday before options expire.

INDICATORS of indicators. When your indicators go random the market may go sideways or change trend. If the market was going sideways when your indicators go random them take some off the table or.

Cramer's economic indicators include copper, retail sales, containers.

HOW TO USE PRODIGIO FOR DAY TRADING - Update May 2017, the software has changed quite a bit but I will leave all this stuff in the book anyway.
Use your "bear hammer 1 and 1 min sell/buy" files.
Only Play when the market is trending or when you know it is going to turn. Turn podigio off at 9:30am pst or if the market stops trending. Watch your spy option theoretical price verses the real price for a tell as to whether the market is done trending. Close any open trades after 1.5 hours or just before the close. Use the 5 minute chart for the stock to determine its trend potential.

The theoretical value for your options is the fair value for your black scholes calculator, check this as true or not. Also VERY IMPORTANT when the price of the option is above the fair value you want to be selling options and when the price is below the fair value you want to be buying options unless some known catalyst is going to push the option fast and soon.

When the stock is not at fair value then you are looking at implied volatility. If the price of the option is over the theoretical price then we expect some volatility to be happening or is about to happen. When the option price is under the theoretical price then we expect the stock to start moving sideways to up in a normal economic bull market. Actually it is the relative distance against past behavior (volatility)

and future expectations of volatility (implied volatility) of the options price relative to the theoretical price. So in plain English how far is the options price away from the theoretical price. If it is really far away to the down side then we expect the stock to drift up slowly and if it is really far away to the upside then we expect the stock to surge in value if good news or decline in value if bad news and to go sideways if no news. If there is no news you may expect the option to drop in price while the stock may remain relatively at the same price. You buy options when volatility is low (options are cheap) and you sell them when volatility is high (options are expensive) and it is a statistical advantage to sell when you know something is probably over priced. I say probably because sometimes the volatility data can be wrong but not very often...just make sure your bias is not wrong ie are we in a bull cycle
or bear cycle or neutral economic cycle.

When the stocks are volatile or just about to go volatile you will pay a higher premium. The more the Bollinger bands are wide the greater the premium in general on a daily chart. Don't play all long positions, half must be short spreads.

- Use Prodigio section tab "TradeVision Market Watch" for short and long leads. These stocks are cruising and their options are expensive so use a tight spread to fix that problem, if the spread between the bid ask (for the options) is too large then play the stocks only. Hold those fast moving trades for 3 days max is the general rule. Take very small losses, with or without options.

Question for the day/month: when is volatility low in the market?

Answers:
a) When there is no new mutual fund money moving in and no old mutual fund money moving out of the market.
b) After a down draft many retail clients get wiped out. Those who win have more money and don't need to dump it all in the market at once so they put a little bit in at a time and the market rises slowly.
c) When the market is priced correctly. The "current correct price target" for the market is based on economic data and
other indicators like spy option pin action.

Place your buy stops and limits at the edges of the bol
bands and swing trade es contracts.

When the bol bands are about a 3% "distance" away from the
20sma then you have a volatility squeeze.
Each stock will have its own "distance".

We are in a global economy where individual sectors are no longer
held captive by their old leaders, so banks can go
nowhere and the market can still rally.

pe should be double the growth rate, that is what we are willing
to pay. And check the cash as well, tons of cash and we will pay even more.

-------------- End Chapter 62; ipo strategy, volatility squeeze, An engineer's drink,
morph correctly,
spy calendar spread: Your margin requirements,
big rigs, INDICATORS of indicators, PRODIGIO,
theoretical value,
when is volatility low in the market?

Chapter Last; Your Mid-Term Exam

What is the relative strength (rs) of the s&p compared to the tnx daily? Interpret this for an expanding economy and a contracting economy. What clues would the price (or change of price) of gold/oil/currencies tell you?

What does it mean when your stock gaps up/down?
How would you interpret the volume and chart (price) pattern if your stock gaps up/down and short interest is high/low?

Why and how would you use the option chain? What does it tell you?
When is it better to use the option chain and when is better to use the short interest as an indicator?

How can you tell when the insiders are manipulating a stock on purpose (be creative there are a few ways to answer that)?
Which indicator will give you a feel for how a company gives its earnings estimates for the future?
Do they usually low ball or do they high ball?

What is the relative strength of your stock compared to the tnx/s&p after it gaps Up/down? What does the volume and price pattern suggest when you analyze this? What would a dramatic change in the short interest/options tell you at this time? What is general/special relativity? If you can answer that then you are too smart and in the wrong classroom. Very good. When will the quantum computer solve M - Theory and what will it do for the stock market and the human race? (assume it likes us).

Explain at least one scam in detail. I'm sure there are more than I have outlined in this book.

Should you buy high and sell low or vice versa?
If you get this one wrong, it's an automatic fail.

What do you do if your stock drops 25% and it didn't really break any major rules?

When would you sell short?

If everyone is playing the cyclical stocks
in a weird way then what is going on?

What is the average pe ratio for the past 100 years? Why has this recently been altered? Will it be altered again in the future? By how much will it be altered. Explain why or why not.

Why would a stock have a pe ratio that seems to be too high? Give three answers for this.

If a stock has fallen a lot and its price is approaching $5 then how much Lower can it go? Give two answers for that question.

When does a stock become a take over target? What are the signs? What are the numbers?

Why do the prices of stocks tend to move together?

Who controls the market? What is the value of any stock in the most general of terms? Answer both of those questions using only one sentence.

If you think like an "x", you will become an "x". How much money does "x" have?

What is the most important rule? If you get this wrong you fail.

Make a table that keeps track of the price and short interest for these symbols: dia, qqqq, spy, mdy. What does this table tell you? What does it mean when the exchange does not provide short interest data, especially if they were providing it before? (damn, they cut the power to my street again) They recently stopped providing short interest data for the qqqq (June 6/07). The distribution of information is continually being manipulated, you must adapt to this power of control quickly. Recently the sdcr was not working, what does this mean (I know why, you are not allowed to make 20% per week Dave), and, when the world cuts you off, then play the stocks you already know. They will be doing what you thought they should do, a few weeks or days ago. You are now a pro because you have made it this far. Very good.

--------------------------- End Chapter Last; Your Mid-Term Exam

Suggested reading and special thanks to:

Try the suggested reading at shadowTrader.net, glossary.

Jim Cramer: Jim Cramer's Real Money, Sane

Investing In An Insane World. TheStreet.com

Larry Kudlow and Suzie Orman.

Matt Richey and all the other people at the motley fool. Fool.com

Everybody at Marketwatch.com and Cnbc.com

Richard Ney: Two books; The Wall Street Jungle and The Wall Street Gang. Must read. Greed, technical, and lawyer stuff.

Jack D. Schwager, Market Wizards.

And a very special thanks to the 1,000 other people who supported and helped me along the way.

Thank You
David H Potschka

Some more information places:

PcQuote.com, the New York Times, Quote.com, Wsrn.com, MarketGuide.com, BusinessWire.com, Wsj.com, PrNewsWire.com, SmartMoney.com, Bloomberg.com, Investors.com, Sec.gov, FreeEdgar.com, Edgar-Online.com,

Investorama.com, BigCharts.com.
Use investors business daily and regional brokerage companies to find stocks.

Some stock screeners: aaii.org, morningstar.com, and zacks.com
You can also follow the discussion boards for leads.

Closing Words

Never surrender, never say die, if you blow out three accounts then you are like most great traders, learn the hard way, never forget.


STOCK
MARKET
SOLUTION
DAVID
H
POTSCHKA
theHyperDream.com