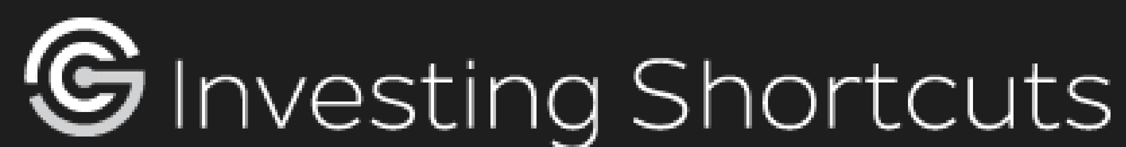
THE ULTIMATE GUIDE TO

TRADING

75 SHORTCUTS TO SAVE TIME& MONEY



WHAT'S IN THIS GUIDE

This mega-pack of investing shortcuts will teach you what you need to know to quickly and easily boost your investments. Our goal is to help you potentially generate serious life-altering returns in 2016.

You are about to get priceless hidden truths, knowledge and experience straight from the industry's top professionals in investing, retirement, trading, day trading, intra-trading, swing trading, stocks, options, futures, currencies and more.

Inside you'll discover:

- Untapped tricks to jumpstart your investment portfolio
- Killer trading tactics most investors don't know about
- The secret to a remarkably wealthy retirement
- ...and so much more!!

Enjoy!

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INTRODUCTION

If you picked up a newspaper and glanced at the financial section, you wouldn't be hard pressed to find the word "investing" sitting near a word like "madness". The best investors would like you to think there's no surefire way to win while they continue to profit handsomely.

We've uncovered the secrets that consistently work and we're sharing them with you right now.

This book was not designed to be read from cover to cover, there is simply too much information to process. Rather, use the table of contents as a manual, scan for areas you want to improve and dive directly into those pages.

Once you've worn out these pages, we hope you'll find yourself to be a fierce and shrewd investor. Start making smarter investments and soar towards your dreams.

Investing and trading stocks, futures, options on futures, stock and stock options involves a substantial degree of risk and may not be suitable for all investors. Past performance is not necessarily indicative of future results. The information provided by Investing Shortcuts is for education purposes only and is not a recommendation buy or sell any security.

5 HABITS OF SUCCESSFUL INVESTORS

Do Your Homework – Investing is not a bucket of balls at the driving range. A wicked slice never hurt anything but your pride, but a bad investment could cause a costly ripple effect that reaches well beyond your checkbook. If you're a beginner, you owe it to yourself to read up on the trillion-dollar, multi-national, hyperdynamic system we call 'the marketplace'. Know the difference between futures and options, know the effects of currency manipulation on foreign investments; understand interest rates, dividends, capital gains, leverage, vesting, margins, premiums, volume—you get the idea. After you feel like you have a pretty good sense of the course layout, move on to tip #2.

Have A Strategy – Do you know the difference between a Collar Strategy and a Calendar Spread Strategy? Are you a value investor? Do you believe that past performance is a reliable indicator of a given stock's value? Finding the right strategy will allow you to invest within your budget and achieve your investing goals. A financial advisor can help you make sense of the various strategies and help you select the one that's right for you. Of course, you can always dive into the market without a strategy, but you'll probably wish you had one when the tide inevitably changes.

Set Goals, Stick To Them – Wealth, like Rome, is not built in a day. It takes brains, a few lucky bounces, and no short supply of patience. Sit down with a financial advisor and set a list of realistic goals. Write them down. Read them often. Reconsider them at times. But whatever you do, don't deviate from your goals at the first patch of rough water. A well-thought out, proven strategy can help you set achievable goals, an advisor can help you stick to them, but in the end it comes down to you to see them through.

Don't Bet The House – When our back is against the wall, we often ask ourselves, 'What have I got to lose?' Well, depending on your investments the answer could be, 'a lot!' If a fund declines in value, it's the fund's job to recover! The last thing you want to do is try to compensate for an underperforming stock. If you have a strategy then that strategy should carry you through market downturns. Stick to the plan, stay within your budget, and if all else fails, see a financial advisor before you bet the house on a wing and a prayer.

Play Golf, Go Fishing, Learn to Cook – Investing, like Fantasy Football, has a tendency to become all-consuming. Unlike Fantasy Football, investing doesn't have an offseason. So, find some separation from the market and keep your perspective. Remember, you're investing because you want the financial freedom to do the things you love. So, don't let the market keep you from living the life it's meant to support.

NEW TO INVESTING PODCASTS? THEN CHECK THESE 5 OUT

» **The Investing Podcast** – You'll find it surprisingly practical for a podcast whose slogan is 'We study billionaires'. Beneath the bravado of 'The Investing Podcast' is a down-to-earth commitment to market fundamentals. Each episode features expert guests in a round table discussion of ideas endorsed by Forbes' A-listers. Whether you want to retire to a yacht or a pontoon, 'The Investing Podcast' has something for you.

» The Disciplined Investor – Andrew Horowitz delivers a radio-quality podcast, without the partisan radio punditry. The result is a program that casts issues like China, Russia, Greece, and the price of gold and oil, in a refreshingly useful light. An avid preacher of strategy, Horowitz equips his listeners to approach today's trade issues with level-headed discipline.

» Options Alpha Trading – Kirk Du Plessis wants to be your options trading mentor. And with one of the fastest-growing podcasts on iTunes, he's finding a lot of people who want to be his disciple. The Options Alpha podcast feels like a one-on-one conversation between you and your financial planner. Difficult concepts are explained in-depth, and the promise of earnings shares equal billing with the importance of investment protection. Get-rich-quickers might tire of Du Plessis' fundamental approach and technical jargon, but for the thoughtful investor there's no better place on the web for options advice.

» Futures Radio (CME Group) – Futures Radio is a sprint, not a marathon. Anthony Crudele hosts a terse, 10-minute, no-nonsense podcast that delivers expert analysis on a wide range of issues affecting the futures market. Capitalizing on CME's far-reaching network, Crudele brings an impressive line-up of experts and analysts to the show each week.

» The Real Estate Guys – A guilty pleasure. The Real Estate Guys are self-proclaimed journalists who 'like to talk real estate'. On this podcast the punditry outweighs the practical advice (and there are more than a few pie-in-the-sky ads for tropical real estate ventures) but with a weekly lineup of all-star guests and a range of topics pulled straight from the news, it's hard not to enjoy The Real Estate Guys.

ARE YOU GAMBLING OR INVESTING?

Investors need to take control of their investment risk. Stop loss orders to exits or options as insurance can provide better discipline than using hope as a trading strategy. Traders often get themselves into positions with good intentions and when the markets turn against them they have no plan. The consequences of trading while hoping that things will get better is not a disciplined approach to the markets and can lead to financial disaster.

One common misconception is that the markets are a form of gambling. Giant, opulent casino palaces are built because they have a huge advantage over the gaming public. Even the most high paying casino games only have a near 50% probability if played perfectly according to the odds. Good traders and investors can have success rates much higher than that with the proper discipline and money management.

Las Vegas has been built with the dreams of hitting it big but disappointing millions. The market is viewed as gambling for those that are uneducated, uninformed and most importantly, without a plan. It only takes a few simple techniques to begin turning the investing odds more in your favor.

Three simple rules to separate Trading from Gambling

Rule #1: Control your Risk

Determine what percentage of your account that you want to invest on any given trade. If divide your portfolio into slices of pie, make sure to have a large portion left if an investment goes against you. It doesn't make sense to over allocate or use leverage if the negative consequences are catastrophic to your account.
Many professionals never risk more than 3%-5% of their account on any one position so when they are incorrect in excess of 95% of the account is intact. Within the divided portfolio it is important to manage the risks and be prepared for opportunities another day.

Rule #2: **Suitability**

One major objective of the stock market regulators has been determining investment suitability. Individual investors have different ability to take risk based upon their account size, trading experience and overall risk tolerance. There is no one single way to be successful in the markets and each trader has different goals and It is important to understand the potential risk and rewards for any investment. In simple terms the higher the reward also can have some of the highest risks as well. This market dynamic is important to consider when making investment vehicle choices. In a normal market environment a money market or bond fund should have much less risk that volatile technology stock. Determine if the risk in particular investments coincides with your overall plan to determine suitability.

Rule #3: **Probability**

Investments can move in either an upward or downward direction. That 50/50 chance of making a correct choice can be increased with technical or fundamental analysis that provides discipline in choosing trading candidates. The odds of success can be managed in trading to a large degree.

More importantly, the risks can be controlled with stops loss exit orders or options. The use of options can increase results but can also cut into potential profits. Buying puts on a long stock position limits risk but also adds to the overall investment costs for that insurance.

Using risk control, suitability guidelines and increasing probability with technical and fundamental discipline in the markets can increase your chances of investment success.

SET INVESTING GOALS IN LESS THAN 5 MINUTES

Investing goals can be broken down into a few simple categories. These are determined by personal financial conditions, investment time horizon and market outlook. Other factors that impact investment decisions are individual risk tolerance and market expectations.

Without realistic expectations investors can be disappointed by modest returns and possibly subject themselves to excessive risks. A historical performance analysis can put investment goals and actual results into the proper perspective. The basic rule of 72; divide 72 by the annualized return will yield the number of years to double an investment. This process helps investors understand the power of compounding interest and how modest returns can achieve significant results.

The basic goal of investing is to make money. The more important question is how and for what purpose? People invest for many reasons; retirement, paying for college or a first home, or just for trying to increase returns versus general savings. These motivations may also impact the choice of investment vehicles or the time commitment to monitoring the markets.

Growth, Income, Capital Preservation, and Speculation are the specific investment objectives that are selected when a brokerage account is opened. In addition, some trading experience questions help a broker authorize trading for appropriate investments. The goals selected and the past history play an important role is deciding what are suitable investments. They may also ask how active a customer has been with their transaction history or what strategy experiences do they have in the market.

It is important to define success prior to opening an account so that results can be measured afterwards against that objective. This also may also discourage straying from an investment plan and keeping

focus on the overall goals. It can be common for investors to have separate objectives for different accounts.

Long term growth is a typical goal for someone with many years until the money is needed. A consistent and steady return without much volatility or significant drawdown can be ideal for money that is not going to be needed immediately. This strategy does have the luxury of time to ride out any lack of performance in the markets. The rate of growth might possibly be impacted by the choice of investments in specific sectors or bond choices.

Producing income is sometimes the goal for a retirement account after the growth phase of investing. After decades of working to build principal, the objective of these accounts often change over time. The design of an Income account may be to provide regular distributions through dividends or interest payments on bonds. As the individual investor gets closer to this Income stage less risk is encouraged because of immediate needs for the funds.

While the goal of preserving capital is always at work for most traders the reality of the investment paradigm is often that risk is a function of return. The return in a cash or money market account is usually going to be less than that of the general market but the principal is not typically at the same risk. The risk versus reward balance plays a major role in determining suitable vehicles for capital preservation.

Speculation is the most aggressive and sometimes the most active of the trading objectives. All investments require risk control and discipline but speculation often requires the most focus and attention. Because of the shorter time horizon, speculative plays have the entire trading methodology condensed. The process of identifying candidates, execution with risk control and managing a trade can occur very quickly requiring a disciplined plan.

A reason to invest is obviously to make money but a more important factor to focus on is how it is to be used. The process of thinking out the goals can clarify the objectives of the actual investment process. Building a portfolio in a stable low risk environment with the high return growth is a goal that has to be realistically balanced with market realities to choose the best personal investments.

FOUR CRAZY GOOD OPTIONS SHORTCUTS

Here are four jam-packed options shortcuts... enjoy!

»1. Selling Weekly Options

Weekly options have become more and more popular in recent years. In efforts to provide further means of obtaining desired exposure and additional means of hedging exposure, exchanges have added weekly option listing to many products including certain stocks, indices and futures contracts.

While these weekly options may potentially provide profit opportunities, they may also provide a great way to get your ass handed to you fast...

Weekly options are often discussed in option writing circles due to their limited timeframe of exposure and rapid decay rates. While these are both potentially positives for those looking to collect premiums, these options often carry low corresponding premiums and high gamma risk.

For example:
Stock ABC is currently trading at $80 per share and is often quite volatile. A put option that expires at the end of the first week of the month and has a strike price of $75 is trading at a premium of $.25. While once could potentially sell that option and keep the $.25 in premium if the stock stays above $75 at expiration, what happens if the stock makes a large and sudden move lower?

The value of that put option could potentially increase many times over producing significant losses. One may be forced to close the option at a loss or may have to take delivery of the shares at the strike price of $75. If the stock were to fall to $65, for example, one cold be looking at losses of nearly $10 per share.

Not a very good deal is it?

Like any other type of trading, one must always consider risk versus reward...

Trading is all about risk management. If you are looking at selling weekly options to try to generate income, you must understand the risks involved. Naked option selling can produce losses over and above your initial investment. Such trading is certainly not suitable for all investors. There are ways, however, to quantify these risks. One can look to sell credit spreads, for example, to manage position risk.

» 2. Covered Call Writing

Covered call writing can be a way for investors to potentially boost returns while also mitigating risk. Calls can be written against long positions in stocks or other instruments.

When looking for stocks to write covered calls against, there are some things you may want to look for in order to try to make the most of this strategy. Some of the things you may want to look for in a stock include:

- Sideways price behavior
- Slight uptrend
- Pays a dividend
- Exhibits some degree of volatility

Let's look at an example:

You own 100 shares of stock ABC. You purchased 100 shares at an average price of $32 per share. The stock is currently trading at $35 per share and has been in a range from $32 to $36 per share for the last year.

Now that the price is reaching the top end of its trading range, you can consider writing a call against your long shares. You do not expect the stock to trade above $37 per share, and therefore elect to sell a front month $37 call option for a premium of $.40.

One of three things may now happen:

1. The option expires worthless and you keep the premium collected
2. The stock rises and you elect to buy the option back
3. The stock rises above the short call strike price and your shares are called away

The beauty of the strategy is that it puts the unstoppable power of time to work for you rather than against you. The stock can go up, down or sideways and the option may still be losing value.

Of course, if you are wrong and the stock price rises too far; you will have to decide whether to close the short call at a potential loss or risk having your shares called away.

» 3. The Long Straddle

What is a position you can use to try to capitalize on a big market move when you don't know what direction that move will take? One position that may potentially suit your needs is the long straddle...

The long straddle gives you:

- The potential to profit regardless of market direction
- Defined risk
- The potential to profit from an increase in implied volatility
- Of course, you can also lose money trading straddles.
- A long straddle is the purchase of both an at-the-money call and at-the-money put of the same strike and expiration.
- A long straddle may potentially be most effective when you are looking for a very significant directional move and when implied volatility is relatively low.
- You are looking for the extent of the move to exceed the total premium paid for the options and/or for a large increase in implied volatility...

Simple example:
Stock ABC is trading at $50 per share and has an earnings announcement due to be released. You think that the stock may make a huge move but do not know in which direction.

You decide to purchase a front month straddle by purchasing the $50 call for $5 and the $50 put for $5. The total premium paid is $10, therefore, you will need the stock price to move plus or minus $10 in order to make a profit at expiration. Anything less than a $10 move will cause losses dollar for dollar up to $10. A full $10 loss of premium paid could occur if the stock price stays right at $50 at expiration and both options expire worthless.

In addition, time decay will eat away at a straddle rapidly and must be accounted for when considering such a position.

» 4. The Butterfly Spread

The butterfly spread is a versatile yet often misunderstood options spread. The butterfly spread gets its name from its wings and the size of the spread's wings can be adjusted according to trade objectives and risk tolerance.
A simple way to look at a long butterfly spread using call options is the simultaneous purchase and sale of a call spread.

For example:
You believe shares of ABC are likely to rise from their current level of $20 per share. You also believe, however, that the shares will not likely go any higher than $22 per share. Volatility has also been on the high side recently and you therefore elect to initiate a butterfly spread using calls. You purchase the at-the-money $20 call option, sell two of the $22 call options and purchase one of the $24 call options.

What have you effectively done? You have purchased the $20/$22 call spread and sold the $22/$24 call spread...

Since you believe the stock price may rise, but only to a degree, you sell the $22/$24 call spread to help finance the purchase of the $20/$22 call spread.

This type of spread is put on at a net debit, and that net debit represents the maximum exposure on the trade.

Maximum profit is reached if the stock price is right at the middle strike, or body of the butterfly, at expiration. In this case, the long call spread reaches full intrinsic value while the short call spread expires worthless.

YOU CAN NEVER HAVE ENOUGH TIME OR MONEY

There is only one way to never be wrong, hold on until you win. The financial cost and mental anguish are too expensive for investors to not take a loss with the exception of a rare few.

Remember the market is never wrong.

Physical goods like commodities have finite supply. Though emotion and greed drive prices in the short term eventually supply and demand determines value.

An old trading axiom "Cure for high prices are higher prices" has an equal collary that may be more appropriate in these deflationary decline times.

First off remember back to $100 plus Crude Oil and the investment in exploration. New technologies were developed to extract the black gold in ways that were not cost effective at lower prices. Oil sands, horizontal drilling and fracking unlocked a bounty of oil that had never been accessible. Billions of dollars were spent on oil projects on promises of high returns on triple digit oil.

Eventually, these activities created a supply glut which has hammered prices. Supply and demand are powerful forces that eventually win out.

Commodities have been in a downtrend for years with global demand slowed and the strong Dollar depressing value. The "Cure for low prices are lower prices" mantra is appropriate in Gold, Copper, Corn and Oil at multi-year lows.

Cutbacks in production will eventually reduce supply and support prices someday in the future. The exploration to production cycle in mining metals or drilling for oil takes years at minimum. A canceled venture or closing of a mine will show up later when the supply equilibrium again gets out of whack.

Crude Oil may be nearing that extreme reversal after the hard fall decimated the industry. Companies were quick to halt drilling and get offline. A move back down to $40 makes it unprofitable to get oil out of the ground with many of the newer technologies.

High or Low markets will go...eventually, Supply and Demand determine price.

The amount of time it takes to find that balance can bankrupt stubborn investors. The market is never wrong, maybe incorrectly priced in some eyes, but that fight is hard to win.

The greatest investor in history Warren Buffett has the luxury of having enough money and enough time to be right... do you?

SHORTCUT TO A MOVING AVERAGE CROSSOVER STRATEGY

Want to learn to quickly spot a trend? Look no further... Say hello to the good ole moving average.

Moving averages come in all shapes and sizes. You can use a 5-day moving average or a 200-day moving average. These averages don't necessarily have to be in days, either. For example, you can trade off of a five-minute chart using a 20-period moving average in which case the average is determined by the last 20 five minute periods.

A moving average (MA) crossover strategy is very popular and very simple.

One of the most common MA crossover strategies is the 9 and 18 crossover.

It goes like this:
When the 9 period moving average crosses above the 18 period moving average, look for longs or exit shorts.

When the 9 period moving average crosses below the 18 period moving average, look for shorts or exit longs.

This simple, yet effective...

The idea here is that the short MA crossing above or below the long MA will give you a good idea on near-term trend. Having a clear picture of the near-term trend can potentially help you stay on the right side of the trade.

Of course; if trading were this easy everyone would be day trading from the comfort of their own yachts in the Caribbean or Mediterranean.

This strategy simply provides a good basis from which to work. A solid risk management and trade management plan must also be considered.

The moving average crossover can be utilized with different average lengths such as 5/10, 10, 20 etc. In addition, it can also be utilized with different types of moving averages such as simple or exponential.

SHORTCUT TO TRADING THE OPEN

The market open can be volatile and erratic. Many traders recommend staying away from trading around the market open. The open can, however, provide powerful moves and possible trade opportunities with favorable risk-versus-reward ratios.

While many markets are now open nearly 24×7 during the trading week, the day session open is when the larger market players may tip their hand.

The open may also provide clues about the day's market direction.

For example:
Stock ABC closed yesterday at $40 per share. The stock is set to open the following day's session at $40.50 per share. If the stock opens at $40.50 and begins to push higher, there may be underlying strength and the price may continue to rise.

If the stock opens at $40.50 and immediately begins to trade below the open price, the stock may have some underlying weakness and may look to fill the gap left from yesterday's close.

If a market is trading above its opening price, it may pay to look for long trades. If a market is trading below its opening price, it may pay to look for shorts.

The market open and where price is in relation to it can potentially provide traders with clues as to sentiment and market direction.

Using the open, one may also be able to look for long or short trades with favorable risk/reward ratios.

While the open can be volatile and erratic, it may also provide some of the best trade set-ups for the day.

TRUTH ABOUT DAY TRADING

Day trading sounds pretty glamorous. Wake up, place a few trades, earn some money and go about the rest of your day doing what you want to be doing. However, have you every wondered if that was too good to be true?

This infographic sheds light on the what is truly like to be a day trader. The most compelling point for me was this:

25% of traders that started out losing money began to be profitable after a 3-5 month learning curve with training.

This makes so much sense to me. I find it completely baffling that first-time traders think they can figure it out buy themselves. The school of hard-knocks is always more expensive then real education.

200 DAY MOVING AVERAGE MADE SIMPLE

Why should you care about the 200 day moving average?
If you have been involved in any financial markets, whether actively trading or simply investing, you have likely heard of the infamous 200 day moving average.
This moving average is simply a line on a chart that plots the average price over 200 trading days.

GREAT... Now how might this be useful?

The 200 day moving average provides both traders and investors a clear picture on the overall trend within a market.

Markets that are trading above their 200 day moving average (MA) are said to be trending higher while markets trading below their 200 day MA are said to be trending lower.

Although there are various ways one can potentially use the 200 day MA, one of the most common methods is to go long stocks above their 200-day MA and go short stocks below their 200 day MA.

Here is an example:
Stock ABC is trading at $40 per share. The stock's 200-day MA is at $38 per share. Since the stock price is above the 200 day MA, an investor may potentially look for a long entry on a smaller timeframe.

On the other hand, if stock ABC is trading at $40 per share and the 200 day MA is at $42 per share, then the investor may potentially look for a short position on a smaller timeframe.

The 200 day Moving Average is Good, but Not Perfect.

Given the large timeframe involved, this moving average may be most useful to longer-term investors. While it may potentially help keep one on the right side of the prevailing trend, used alone it will likely yield poor results.

ARE YOU A TRADER OR AN INVESTOR? YOU MIGHT BE SURPRISED!

The term INVESTING has a certain tone of seriousness and long term financial planning in the minds of most people. People invest for retirement, to send a child to college, or to build up a nest egg to buy a home. The psychology of this approach is a steady, consistent approach to building funds for a specific purpose at a usually much later time.

The image of a TRADER is often that of a hyperactive risk taking individual that is in and out of the markets constantly. One can easily envision an emotional trader yelling and screaming like his economic future is on the line with every trade. That attention getting outbursts and the associated chaos of the floor environment is actually very structured and efficient.

For over a hundred years Securities and Futures transactions were executed manually with astronomical monetary value over the years. Every movement and hand signal was streamlined

for efficiency and to minimize mistakes. While it seems like mass confusion to many, the open outcry method of trading served the capitalist society well for many, many decades.

In reality the stereotypes of both the investor and the trader may be flawed. There are Good and Bad executions of both methodologies and arguably they can be one and the same. Technology and market conditions have changed the manner in which people approach the stock market.

The instant access to information has leveled the playing filed for all participants. At one time the traders at the physical exchanges like the NYSE or CBOE had an advantage over the off the floor investors. This immediacy to react to news or financial data was a major advantage. Not only did they have the ability to buy and sell at better prices but could respond to changing prices instantly. Others had to call their brokers who would in turn call the trading floor to execute orders.

The efficiency of electronic trading eliminates any favoritism or information delay for investors regardless of where they are physically. The internet provides the mechanism to distribute price data throughout the world instantly. Previously at the exchange, a pit reporter would monitor and signal current prices to be disseminated. That time lag while on seconds or minutes has been eliminated and the price discovery mechanism of the markets is viewed by everyone in real time.

The proliferation of trading platforms and self directed investing by individuals has led to greater trading volumes and market participation. Tens of millions of Americans now have online accounts with different strategies and investment goals. On any given day thousands may be buying or selling mutual funds, exchange traded funds, bonds, options or futures.

At one time a popular buy and hold strategy was successful for some as companies grew steadily over time in a bullish stock environment. The days of buying a stock and placing the stock certificate in a safety deposit box for decades may have passed. With the technology revolution companies are forced to adapt or possible be passed up by competitors. From the buggy whip, to the Xerox machine, and Polaroid instant camera technology changes the world at a continually faster rate.

The goal of investing is to make money grow or at minimum place it into safe instruments in time of uncertainty. The motivation and risk tolerance differs for individual investors. The investment time frame is an important variable in a trading plan. The process of Investing and Trading are the same from the standpoint of money management and discipline

LEARNING TO LOSE LIKE A PRO

Any way you slice it, losing is part of trading. A BIG part... if you do not learn how to lose, you are not going to be in the game for very long...

There are two ways to lose on a trade:
Lose like a loser

Lose like a professional

Which do you think you'd prefer? If you learn how to lose, you can potentially learn how to WIN.

Never, never, never EVER go into a trade without a predetermined "uncle" or exit point. EVER...Set a predetermined stop-loss point or market level at which you will close the trade...Period...If the market hits your stop-loss or gets to your exit point, get out.

While this may sound simple, it is simply amazing how many traders and investors cannot follow this very simple rule.

Never risk more than one to two percent of your account value on a single trade. By keeping your per-trade risk to a minimum, you can help ensure that even with a string of losers you will still be in the game.

Professionals recognize that losing streaks are part of the game. They further recognize that losers are part of the game, and with every loss you may potentially be that much closer to your next BIG WINNER.

Losing like a professional entails these two simple rules. These rules are so simple, in fact, that a five year old could likely be trained to follow them.

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9 TRADING QUOTES YOU SHOULD WRITE DOWN

Grab a pen and some note cards. These quotes are worth writing down.

> "The most important quality for an investor is temperament, not intellect. You need a temperament that neither derives great pleasure from being with the crowd or against the crowd."
> **– Warren Buffett**

> "If you have trouble imagining a 20% loss in the stock market, you shouldn't be in stocks."
> **– John Bogle**

> "The individual investor should act consistently as an investor and not as a speculator."
> **– Ben Graham**

> "I will tell you how to become rich. Close the doors. Be fearful when others are greedy. Be greedy when others are fearful."
> **– Warren Buffett**

> "The stock market is filled with individuals who know the price of everything, but the value of nothing."
> **– Phillip Fisher**

> "Know what you own, and know why you own it."
> **– Peter Lynch**

> "Investing is the intersection of economics and psychology."
> **– Seth Klarman**

> "Buy not on optimism, but on arithmetic."
> **– Benjamin Graham**

> "A business that makes nothing but money is a poor business."
> **-Henry Ford**

> "If you aren't thinking about owning a stock for 10 years, don't even think about owning it for 10 minutes."
> **– Warren Buffett**

TRADING PLAN BROKEN DOWN

» The Trading Plan Broken Down

All investment plans can be broken down into these simple components. Any strategy and time duration of investment fits this disciplined evaluation.

1. Identify High Probability Candidates
2. Execute with Proper Risk Control
3. Manage Position
4. Maximize Trend

The process of identifying investment candidates has one goal in mind...to raise the probability of success and give a trading edge. Many types of analysis are used to choose investments and timing possibilities. It is important to employ a methodology that can be repeated and is not just luck in the marketplace.

Technical indicators are often used to select opportunities and filter out potential bad choices. There is also the whole aspect of fundamental analysis to choose investments. Regardless of what type of selection process it is important have a reason to enter or exit the market without emotion. Trading is NOT gambling but rather a science of putting probability in your favor.

Once a candidate is identified and thoroughly researched, the most crucial component of investing is implementing Risk Control. A plan needs to be made in advance to determine an exit strategy if the position moves against you possibly with a simple stop loss order. At the same time, profit objectives can attempt to eliminate greed when you are on the right side of the market.

Not only should you quantify your dollar risk in proportion to the overall portfolio but also how much of the account should be allocated to a trade. Professionals focus on risk, something they can measure and use techniques to control exposure. They often evaluate the worst case scenario in the plan and make sure it is line with acceptable risk. Most find that it does not make sense to risk a large dollar amount or percentage of a trading account on any one investment.

One question to always ask: How is this trade going to impact my investing? If you are comfortable with the risk in proportion to the overall account for an individual investment you can move forward to execution. Put yourself in the position for success by knowing what you are willing and able to lose prior to entering the market without having significant negative impact on your overall portfolio.

After the candidate research has been done and a risk management plan has been put in place it is necessary to manage the position. Every investor is going to have different objectives. Some want to make a certain dollar amount or percentage return. Others may have higher goals and are willing to take greater financial risks in return. Managing a trade is personal but some basic common sense is consistent.

Once in a profitable position, some traders are eager to trail their stops losses quickly to lessen risk. There is a balance between moving a protective exit order too close to the current trading market and leaving too much dollar risk. The simple rule of not letting a winning trade turn into a loser applies to everyone to different degrees based on their individual trading personalities. For many it makes sense to bring the stop loss to break even whenever possible. This can ensure that the trade does not turn into a loser in a worst case scenario but also can increase the chances of being taken out prematurely. Others may want to continue giving exit stop loss orders on a position plenty of room so they can maintain a long term position and not be knocked out with the market fluctuations. The risk on a wide stop order to exit can be a significant dollar loss.

A nice problem for most traders is deciding when to take a profit. That is why objectives are often identified prior to entry to set rules for exit. Initially it is often good to learn to take small financial gains in order to develop trading discipline and confidence in your methodology. Personal goals can be increased over time as the overall account and individual position sizes grow. It is important is to learn the process of executing a solid trading plan.

To maximize the trend it would be necessary to buy at the low and sell the high. Realistically it is impossible to capture that entire market movement. In reality, only a piece of that overall move needs to be captured for a successful trade. As investors gain market experience that piece of the trend can increase.

The key to success is trading discipline. It actually a very simple

process: Identify, Execute, Manage and Maximize that is repeated for all investing vehicles over different time frames.

THE KEY TO BETTER TRADING REVEALED

Investment Education...What is in it for me?

In theory, a more informed investor will make better decisions and therefore have increased returns. Customer education is available from industry groups and brokers to help traders avoid pitfalls and have a disciplined investment approach. Market guru's and advisory services will tell you what they are doing for a price but their style and risk tolerance may be drastically different than yours.

The age old axiom of "teach a man to fish" certainly applies to investing. Traders are eager to make money but often lack the knowledge and discipline to repeat it for themselves. The educational component is a readily available commodity with the basic unanswered question of how to use these markets for better results. Your broker wants you to make money. They often provide investment tools to help have a more successful client.

The process of knowing an investment strategy is the first step and only useful if you can identify WHEN to employ it. Learning a new strategy can add to overall market knowledge but is not necessarily the reason to use it now. Market conditions change and there is not only one right way to invest. There are many wrong ways however with the lack of risk control and improper allocation among the major errors made by eager traders looking for immediate results.

Think of the educational components as the building blocks for a house. You must have a basket full of tools and strategies to select from. Trading techniques will vary but a solid foundation must be built for long term success and stability. That base is investment Discipline. When that is incorporated into every trading plan the choice of HOW to invest is less important.

When you break down the market dynamics, it can move in only three directions. Up, Down, and Sideways are the only choices with the variable of over what time frame to determine the appropriate investment strategy. After evaluation of a probable market direction then specific action can be taken. Without the full toolbox, conditions might leave you with only a screwdriver to nail wall studs together. It can be done but it is a lot more work and effort and may not produce the desired end product.

The reason to learn new techniques is to know when to and not to use them most effectively. Add a new strategy to your repertoire and have it ready for the ideal situation.
The first step is identifying the market direction of candidates with a high probability of success. Once that is complete, determine which bullish, bearish or neutral strategy fits the individual investment profile.

A simple matrix of trading variables can help determine appropriate strategies. The level of trading activity and position monitoring, risk averse versus not risk averse and limited profit versus unlimited profit potential can create this financial and personality profile. This information can aid in self evaluation and assist in determining what type of trader someone is and therefore what investment strategies can help them reach their goals most comfortably.

Combining the present market condition information with the financial and personality profile completes the picture of who you are as an investor. This trading style focus allows concentration on discipline and methodology.

Most of us were taught at a young age that there is a right tool for any job. Fortunately there are many ways to build an investment portfolio. Investing gives you the flexibility to select a strategy

that fits your needs but also still effectively gets the job done. A well thought out balance of risks and objectives determines the investment choices in a personal way.

4 STEPS YOU NEED TO MAKE BETTER TRADES

»The Evolution of an Investor, Part Three – How versus What you invest In...

Typically when an investor reaches the final step in the investment evolution process significant time and effort has been spent with the financial markets. The skills to identify trading candidates and control investment risk should become second nature after experiencing different market conditions and environments. The most aggressive and risky areas of investing are in the Derivative products.

These instruments may be based on an underlying stock, futures or currency product. The leverage feature of many derivatives increases the potential returns as well as the financial risks. Because of the fast moving nature of these markets emotion can sometimes override common sense and necessitate strict money management and risk control planning.

1. Identify Trading Candidate
2. Execute with Risk Management
3. Manage Position
4. Maximize Trend

The same investment methodology applies to derivatives but often occurs in a condensed time frame because of a number of factors. Many times investors are speculating on short term price movements with derivatives. Again the leverage can offer significant return on investment but the risk may be proportionality higher as well. The large relative investment size to the overall portfolio and financial risk are variables that can be controlled with various strategies.

The dollar movements on option positions can be significant on an everyday basis. Options are one trading vehicle that can profit from either directional moves or trading sideways within a range. For bullish or bearish sentiment option strategies can be constructed that have less risk exposure than buying or selling the outright stock. Options are often used because of their lower cash outlay and limited risk attributes for certain trades. The desired market direction must be determined and an option can be used as a trading vehicle instead of stock.

Options on securities are also attractive for protection and to place a floor on a purchased stock much like insurance. An investor can use the option instead of a stop loss order and have absolute protection but at a cost and for a limited time. Sometimes traders will purchase options on a stock because of less up front investment and risk limited to the premium paid for the position. The limited risk feature for option purchases is attractive but neglects the fact that large percentages expire worthless and the entire premium is lost.

Various combinations of buying and selling options can hedge risk and take advantage of inherent mathematical properties in their structure. Option can be used to profit from upward, downward and sideways markets. They can also be used in conjunction with stock positions to increase profitability. From covered calls to diagonal credit spreads many possibilities exist to trade options once a thorough understanding is achieved.

A risk profile can be created to better understand the point at which the position is at break even, maximum loss or maximum profit. After proper analysis individual investors can determine if it

fits within their criteria and risk tolerance for their portfolio. A plan for exit or unwinding an option position can also be created for risk control purposes.

The flexibility that options can provide can make them extremely valuable to investors with knowledge and expertise. There are tradeoffs for using options instead of the base financial instrument and missteps can be costly. A balance between trying to attain higher returns and taking more risk differ for individual investors. Risk tolerance and investment expectations vary for many different reasons. Derivatives are not suitable for everybody and typically those that are successful maintain the discipline to follow their trading plan.

HOW TV FINANCIAL "EXPERTS" ARE KILLING YOUR TRADES

The never ending price ticker tacking across the bottom of the screen and the white noise of prognosticators pontificating is almost always present as investors work, research and trade. For most, it is nothing but a distraction from the discipline needed to be successful. Specific suggestions to profit are few and far between and anxiety is almost guaranteed.

The mission of financial television is NOT to help you make money. Infotainment on CNBC, Bloomberg and FOX B is big business as the major players raise the emotion to epic levels on even mundane market developments.

Think about the last time a TV contributor or guest told you what, when and at the price to buy or sell with specifics.

The "breaking news" alert is subject to overuse with the network goal to keep viewers engaged and fearful that they will miss crucial developments. Ads need to be sold to pay their bills regardless of the activity in the markets.

News is often noise as it is more times than not factored in. Unless the information is different than expectations the impact is minimal. Not so for financial networks who build up every report release as a can't miss event.

Emotion is a destructive force for investors.

The talking heads boost their book or opine often about ideology. Those positions and politics should have little impact on any individual investment decision.

Daily predictions of a catastrophic crash put everyone on edge. Risk control must be a focus but much like selecting dates and places of earthquakes calling the market breakdown is an equally inexact science.

Chatter about a major market price correction, which can always happen, get unfounded attention and has a long list of those who have been wrong for more than five years.
The strength to turn the off the TV is often a function of confidence. An investor with a plan is not subject to the bulls, bears, dreamers or believers that are on our airways.

Discipline is KEY, and the ability to block out the never ending nonsense and noise from the magic picture box.

THE 3 FOUNDATIONS OF TECHNICAL ANALYSIS: SIMPLIFIED

A fantastic analogy below directly from Investopedia describes the differences between Fundamental and Technical investment data. They are two separate approaches to evaluating the markets for both identifying opportunities and managing positions.

"In a shopping mall, a fundamental analyst would go to each store, study the product that was being sold, and then decide whether to buy it or not. By contrast, a technical analyst would sit on a bench in the mall and watch people go into the stores. Disregarding the intrinsic value of the products in the store, his or her decision would be based on the patterns or activity of people going into each store.

Think of the difference as calculating the costs of production, shipping, advertising and industry profit margin for that toy in the store versus the supply and demand factors of the Dad who is expected to bring home a special gift. One is a statistical measure and the other reflects emotional actions by purchasers.

The distinction is between determining value by fundamental accounting measures of the company and the technical price movements in the stock. Neither one is right nor wrong, they both simply provide a method for evaluation compared to other investments. They both have their place as trading tools in the markets.
Technical analysts believe that the historical performance of stocks and markets are indications of future performance. The chart patterns and technical studies lead to certain actions by investors that use those tools. In reality technical analysis is sometimes a self-fulfilling prophecy for those who use it because they are looking for certain situations to act.

The basics of chart patterns illustrate floors and ceilings that prices have maintained. These areas of interest, Support and Resistance, are levels that technicians pay close attention to. Very simply, investors will watch to see if these levels hold or are breached to confirm stock strengths or weakness in price.

Whether or not Support and Resistance levels exist is not as important as the action of those investors that believe they do. As an example, if a stock has Resistance above at $50 a share and has failed to rise above that level, traders may exit positions as it approaches that price on concerns of another failure to penetrate. Others could view a move above $50 a breakthrough and a sign for further strength.

In addition to the patterns from plotting a chart, many technical indicators can help measure some of the internal components that have moved prices. Dozens and Dozens of studies analyze historical price data to help determine future action and direction. All of these calculations are attempting to determine the Supply and Demand pressures on prices.

The field of technical analysis is based on three assumptions:

1. The market discounts everything.
2. Price moves in trends.
3. History tends to repeat itself.

From simple and exponential Moving Averages to ADX (average directional index), MACD (moving average convergence divergence), Stochastics, to RSI (relative strength index), leading and lagging technical indicators are designed give insight into price movement. The goal of technical trading is to develop a methodology for investment success. It is valuable for some when identifying their trading candidates and managing positions to maximize the trends.

An underlying theme stressed in all of our educational articles is developing TRADING DISCIPLINE to minimize emotional decisions in the market. Technical analysis can provide a basis for a more mechanical approach to investing so that those actions can be replicated and repeated over time for financial success.

Often times traders use both Technical and Fundamental reasoning for their personal investment choices. Sometimes the "how to trade" with solid money management rules is as important as what to invest in. No evaluation method is proven to be right or wrong but controlling investment risk on any and all positions is always an absolutely necessary part of trading.

A NO-BRAINER GUIDE TO FUNDAMENTALS

An old Peter Lynch adage for investing is, "Invest in what you know". This is often where most begin as they filter the tens of thousands of potential investment opportunities for their hard earned money. The renowned Fidelity investor and manager of the largest mutual fund of its time, Magellan, used this principal as a starting point to help individual investors find undervalued stocks.

His approach from decades ago was developed out the necessity for investors that did not have the time or knowledge to evaluate the fundamentals of a company. They wanted a sound selection process as opposed to throwing a dart at the Wall Street Journal pages. Without being a trained accountant, looking at the corporate financial statements from the balance sheet, cash flow and income statements to select investments was an arduous task.

A fundamental analyst looks at factors from both the macroeconomic and microeconomic standpoint to find the intrinsic or real value of a company as an investment. That can range from the overall current unemployment and interest rates to market share or return on investment from quarterly corporate reports to evaluate worth. This longer term approach than technical analysis attempts to quantify all information to place a value on a company. Technology advances have leveled the playing field for investors by providing access to analysis once only available to professionals.

The internet and personal computers allow individuals to compile both fundamental financial report data and the technical price analysis for stocks.

Most brokerage and financial websites provide fundamental breakdowns for stocks as well as analysts ratings. This compiled information is easily available without the task of thumbing through pages and pages of annual reports or manually doing the accounting math. Specific stocks can be evaluated for their relative fundamental performance to their competitors and market sectors.

One major area of concentration in studying fundamentals for a company is the earnings track record. The widely anticipated quarterly numbers are a measuring stick of performance and often determine short term direction. Earnings per share growth can be an indicator of corporate strength like another fundamental of continuing high dividend yields.

The focus on earnings has accelerated in the last few years with expectations highly anticipated. Even if you knew exactly what the number was going to be it is still near impossible to make money because the markets reaction is often unpredictable. Some will be disappointed or relieved while others can find optimism and pessimism when the data is released. One certainty is that for only a few brief moments analysts can focus on the present before again looking to future reports.
Much like technical analysis which focuses on the price action of the stock, the fundamentals are only a tool in the investment process. There are not specific buy or sell thresholds for the fundamental ratios for sales, profits or earnings. They can provide a basis for further examination if certain personal fundamental criteria are met for investments.

Subjective analysis is used to both identify potential investment candidates and to maintain or exit current positions. Again, the intention for traders is to develop a disciplined plan that minimizes emotional decision making. An investment methodology that

combines both some fundamental and technical analysis is commonplace for most individual investors.

EXACTLY WHEN TO TAKE PROFIT

Getting yourself in the position to take profit is the goal for investors and the major reason to trade the markets. Often significant effort has been exerted in the selection and execution process for investing. The culmination of the research and planning phases can be rewarded by a profitable outcome.

Many traders find it very easy to get into the market and very difficult to exit. A number of factors influence that approach and some are based in a mistaken gambling psychology. It is often better to invest with a plan and methodology than gamble with the hope that results will fall in your favor.

That disciplined plan includes a selection process for identifying trading candidates and allocating an investment portfolio and risks appropriately. A major part of this is having a money management plan for both positive and negative outcomes. Know what you want to risk and what is a realistic goal based on what fits your trading personality.

The question of when to take profit varies based upon many factors and no one right answer exists. The investment strategy, time horizon and personal goals all impact an exit plan. Some don't plan an exit at all and "let the winners ride" whatever that exactly means. For others it makes sense to lock in gains and protect profitable positions.

Some investors may be looking for a small $100 profit on a trade to exit. This modest expectation can add up with a $100 a day profit totaling nearly $25000 in the course of a year. Others may have higher goals and will not act at all when their position is up that only $100. A risk reward ratio developed prior to entry also impacts the execution of an exit strategy.

It seems that a lot of traders do not want to exit because of the fear of missing out. Sometimes investors seem almost willing to lose rather than missing that potential home run trade. For some being out of the market is as uncomfortable as losing money. Experienced investors often talk about how important trade management is in their plan.

One of the most successful investors of all time, Fidelity's Peter Lynch, Magellan Fund manager, measured investments in baseball terms as well. Singles were modest profits with a "ten bagger" was that elusive once in a lifetime profit. Frequent, small consistent winners can often give you a better chance of being in position for that big winner.

Once in a profitable situation many possibilities exist to adjust risk. Many traders move their stop losses closer or to break even to lessen exposure. Others take some profit by exiting part of the position and let some of the trade continue for greater returns. When trading options hundreds of combinations of adjustments are possible to minimize further downside.

Often times the best that can be done is to lessen risk. Moving a stop or exiting some of the position is part of remaining disciplined. With the advances in electronic technology, opportunities are abundant for those with the skills and patience necessary. As hard as may seem at the time, there is no financial harm in missing out on an investment.
Strictly being right in the market is not what should motivate investors but unfortunately has a large emotional impact on trading. The most import result is a positive bottom line, making money. A focus on managing a successful trade to maximize the results is the final part of a trading plan. Efforts could be made to build upon reasonable financial expectations over time as trading confidence and success allows.

The answer of when to exit is personal. Traders have different account sizes and risk tolerances but all have the same goal to make money. Quite simply any profit is better than none and it is more money than you had before.

2 MINUTES TO CREATING A WINNING EXIT STRATEGY

Controlling risk is the number one objective for many professional traders and the money that they have under management. Their focus is to minimize the financial downside of any investment decision. Exit strategies are developed prior to entering the market to control trading exposure and limit losses.

Placing a stop loss is a common way to protect a position in the event of an unforeseen and unwanted market move. A stop loss is simply is a standing exit order to get out when a certain level of loss is reached. It can be based on the stock price, dollar or percentage amounts.

Stops however are not absolute protection. Investments can open sharply higher or lower than where they closed the previous session because of a many reasons. Earnings announcements, government reports or just an overall market sentiment change sometimes dramatically impact prices overnight. These events can cause the market to gap and trade through a stop loss order.

That gap is an instance where supply and demand pressures have changed prices significantly at the opening of the markets. Functionally, a stop loss order is triggered when prices trade at or through a selected level. With high volatility and markets gapping on the open it is possible that the actual exit is not at the predetermined risk threshold but a greater loss. It doesn't provide perfect protection but is a first step in managing the risks.

The exit is triggered as part of a money management plan carefully developed to ensure that no individual investment jeopardizes the health of the portfolio. The amount of money invested and placed at risk is part of the allocation decision making process. It has often been suggested by financial experts to not risk more than 3 to 5 percent of an account on any one investment for long term survival.

The amount of risk relative to desired reward is also an important factor when planning an investment strategy. If someone risks $10 for every $1 or profit it will only take a one losing trades to wipe out a large number of the profitable ones. That risk/reward ratio is used to compare the expected returns of an investment to the amount of risk undertaken.

The balance of the risk reward ratio can vary depending on many factors including the investment strategy and time horizon. For some traders a 2 to 1 minimum is a criteria that must be met for trading candidates. Very simply, the reward is twice as much as what is risked on an investment in this instance. With this result the percentage required to be correct is less for an overall profitable outcome.

As mentioned above, stop losses do not always provide total protection and the intended risk/reward ratios can be negated. There are option strategies that limit risk more efficiently but that benefit can impact returns as well. Individual investors have many choices and can select whatever fits their personal money management parameters.

While the execution of a disciplined trading plan can always be refined for better results it is a necessary step for investors. An exit plan for when both the desired results and possible negative outcomes will help to minimize emotional reactions to market events. Traders often wish they had implemented a plan prior to being put in a position where they are forced to act because of financial pressures.

While the risk reward ratio that is successful may differ, those who employ a well thought out trading plan can maintain a more consistent approach to the markets and their investments. Almost any plan seems to be better than none at all.

UNDERSTAND EARNINGS REPORTS TO MAXIMIZE PROFITS

The digital information onslaught has investors focusing on short term more than ever. The high frequency trading algorithms are often momentum based programs for part of a penny in a millisecond.

That mindset has spilled over into a "what have you done for me lately" society lacking larger perspective. Immediate gratification and satisfaction has become the new normal as patience has become passe.

Corporate Earnings are the quarterly scorecard of performance for publicly traded stocks. The four times a year data has been accused of hampering long term objectives at the expense of today.

Investors ask how to play or around earnings events. Logic would say it is incredibly difficult to trade around the information. A buy and hold strategy would be remiss to exit every ninety days.

The reality is that earnings expectations are often already factored into the price. Analysts have forecast earnings per share and revenue estimates with that information built into the stock price. The extent that the released data is different than what the street was looking for can cause price movement.

Options can be used on positions much like insurance but the cost has to justify the protection.

Over the last years of financial recovery, a good deal of quarterly performance has seen EPS beat estimates on the whole with bottom line sales lagging in performance.

Earnings come and earnings go... that we all know...

TRADING PSYCHOLOGY – LOSSES DO NOT MAKE LOSERS

Having a sound financial approach with disciplined money management contributes to investment success. The execution of a trading plan with consistency is challenging in the volatile real world market environment. Having the proper attitude and mental approach doesn't necessarily improve results but often negative psychology hurts performance and the implementation of that disciplined plan.

Trading rules for entering the market can be based on fundamental information that meets personal investment criteria. In addition specific price chart patterns and indicators from technical studies can help identify trading candidates. These entry rules develop a mechanical methodology within an investment approach.

"The best laid plans of mice and men often go astray." Dynamic market conditions contribute to investor fear and greed which unfortunately impact the decision process. Making and losing money has major effects on investors that are often difficult to manage.

The exercise of trading discipline is tough to maintain with the numerous fantastic opportunities every day, week and month. Investors often "chase" the markets and violate their objective evaluation criteria. This fear of missing out can sometimes override the best prepared entry rules.

At the same time the inability to take losses is also at work with a belief that an investment eventually will perform as anticipated. This can also apply to profitable situations with euphoria clouding sound financial judgment. Even when goals have been met it is emotionally difficult to exit and miss out on further opportunity.

Individual investment performance may not be a reflection of personal intellect but rather the ability to keep the emotional impact of the markets to a minimum. Most of us are conditioned to think that hard work and hours of effort are rewarded monetarily. The manner in which a trader handles pressure and the stress while sticking to a plan can be more of an indicator of success than anything else.

Investors and traders sometimes are not adequately prepared to handle unavoidable losses. Using good risk to reward ratios and solid money management can decrease the probability percentages necessary to be profitable overall. However, losses are a reality in investing and their emotional impact needs to be minimized.

Just as the odds when flipping a coin is always 50/ 50, each individual investment is an independent event. Mathematically there is no increase in the chances of getting heads after a run of 9 tails in a row. Ignoring this fact brings a gamblers mentality into play. Investors have to be aware that their past performance has no impact on future trades.

A string of trading winners or consecutive losses can lead to lack of discipline and effective plan implementation. The “hot” trader is often careless while an unsuccessful investor may try to make adjustments midstream to over consummate. If a trading plan is truly ineffective it must be reworked but the fact that the last trade lost money should have no bearing. An evenhanded emotional approach in all instances often leads to better results.

Out of frustration we too often focus on ourselves as the reason for not achieving market goals. As individuals is difficult to understand that long term success is mainly a function of probability and money management. The number of times that we are right or wrong does not affect the total result. A positive final net number is the investment goal regardless individual trading wins or losses.

Losses are not a personal reflection of an investor but simply to be learned from. Managing a trade according to your rules and plan but eventually breaking even or taking a small loss should always be considered a success.

SUCCESS TOOL – A PLAN

The extreme volatility of the fall 2008 began a challenging market environment with the financial turmoil affecting everyone. It is important to remind investors that these can still be some of the BEST times in the markets to take advantage of unprecedented movements and opportunities. A disciplined trader has the tools and skills to maximize the situations that may leave many unprepared and emotionally vulnerable to news and events.

Please remember to turn the overwhelmed and confused conditions of some investors into a trust of your personal methodology and your risk control plan. THERE ARE NOT GOOD OR BAD MARKETS, ONLY UP and DOWN!!! The first step in any investment decision is to quantify your risk on each and every position with stops or protective options. Decide what dollar amount or percentage of your account that you are comfortable to put at risk per investment. The challenge is to balance the risk with reward as an individual investor.

All investment decisions should use the same methodology and discipline. Time horizons and strategy will change depending on conditions. The four step process consists of:

1. Identify High Probability Candidates

2. Execute with Proper Risk Control
3. Manage Position
4. Maximize Trend

At the very minimum protective stop loss placement should be analyzed prior to entry on any investment. The best time to create a plan is before the emotion of the markets movement cloud judgment. Being stopped out can be frustrating but it can be a necessary part of risk control and solid money management.

A covered call strategy can also be an effective method to benefit from the increased market volatility by lowering stock basis cost. A plan must be in place for all positions. Without the discipline of trading with stops as an exit strategy or options for protection, investment success can be increasingly difficult.

As opposed to conventional stops, insurance is available for your portfolio or individual stocks that you may be interested in at certain price levels. While you portfolio may be damaged by dramatic conditions, it is always possible to prevent further deterioration with options. Like any insurance the greater the protection means higher costs. Option premiums are no different and affected by the amount of time purchased and "deductible" cost.

The steady professional investor analyzes the risks of all decisions and can live with the consequences because of proper account allocation. Often times it does not make sense to risk a large percentage of a portfolio on any one investment choice. Another concern is the time horizon and risk tolerance for different account types. An IRA may have separate investment objectives than an option account designed to speculate.

Consumer pessimism is at all time highs/lows but is not recommended to trade solely on how you feel about the market. Emotion often clouds good judgment and is detrimental to a disciplined investment plan. Be prepared to invest in any direction and conditions that fit your risk tolerance.

Shorting stocks to profit from downward moves can be as simple as buy low and sell high in the reverse order. Some stocks and sectors still rise in Bear markets. Be aware that money may move to other investments like Gold, Currencies, Municipal Bonds or Treasuries in times of instability as safe havens. Regardless of the investment vehicles, risk must be managed and controlled for the individual investor.

Times of extreme market volatility may increase the opportunities in the marketplace. It may be necessary to lower expectations and rebuild confidence in the investment tools and decision making process that you employ. One major problem for investors is their emotional reactions to what is happening in the financial markets around them and not implementing that disciplined plan for success in any environment.

2 WAYS TO PROTECT YOUR PORTFOLIO WITH OPTIONS

One of the primary reasons that financial markets exist is to shift price risk.
Hedging to protect positions comes in many forms.

The most common price protection comes in the form of insurance. Buying a put can put in a price floor for your portfolio of individual stock.

That insurance is not free, a cost not unlike protection bought for other assets like houses, cars, or even your life...

Investors often do not embrace the need to insure stock positions. The reality of your house not burning down is not viewed as a negative but paying for puts that expire worthless can be upsetting to some...

The cost of the options is the insurance premium cost with the distance to the option strike the deductible to be paid in event of a loss.

A balance between that protection cost and financial exposure make for better night's sleep.

One way that some investors get no cost protection is through a Collar Strategy.

A collar pays for the puts by selling covered calls.

The no net cost protection is financed by selling out of the money calls. It caps profits to the limit of the strike sold but eliminates out of pocket costs.

The sacrifice of limited upside is a trade off for a position price floor. Sell calls to pay for put protection.

There are enough things to worry about in life...adding the day to day market volatility risks doesn't help you rest any easier...A portfolio protection TWIST will help you sleep like a baby...

Protection for your most valuable assets, life, home and auto goes without saying as a smart investment. The cost of the insurance is more than offset by the peace of mind knowing you are covered in any unfortunate incident.

Unfortunately, few hedge against the risks in the stock market leaving exposure to large swings in equity prices. A long-term time horizon has proven to be successful as markets have always rebounded so far but the mental costs can also be expensive.

PICK A PLAN

Much like other insurance the first step is to determine how much protection you need. Another step in the process is to determine the deductible.

The greater dollar amount you are willing to be responsible for lowers the cost. Decide if you want to limit losses to 5%, 10% or a more catastrophic 20%+. Stock Index puts to limit risk at varying levels can be priced and compared.

Buy puts to place absolute portfolio price floor below.

S&P 500 SPY options represent 100 shares EX. SPY At $210 value $21,000 (SPY is one tenth size of broad market S&P 500 index.)

Time is the next consideration, a method of rolling out expirations can reduce that cost as well. Time decay starts 90 days before expiration with sharper acceleration in value losses inside of one month.

To alleviate a large degree of the melting buy nine-month options and exit them when they have three months to go. An immediate roll into new nine-month option maintains protection and repeated twice a year.

If a nine-month SPY put is purchased at $10 ($1000) it is worth about $5 ($500) six months later if the market at the same price. The actual time decay and cost for the six months of protection was $500.

That six months of protection maintained unlimited upside with a cost of just over 2% of the $21,000 value.

As with any insurance the premium paid is for protection, that assurance that the asset value will be there is a small cost to pay.

BUYING AN OIL BOUNCE – BULLS SAY NO TO USO

Oil is everywhere...literally... oversupplied to push prices to 2009 lows back below $40 a barrel. The global glut and the inability of OPEC to cut production, intended or not to break the Shale industry, have turned sentiment on its head.

The cure for the high price was higher prices...innovation and ingenuity unlocked untapped resources.

It was not long ago that triple digit Crude was the wall of worry that was going to slow economic growth. Now it is said that slow economic growth has knocked down Oil more than 50% since summer of 2014.

Truth be told the DOLLAR surge is partially responsible for the Oil fall.

The popular United States Oil Fund USO has dropped from $24 to $12 in the last year.

CAUTION: When Crude was moving higher the USO ETF stayed mostly steady.

USO is not a great vehicle to play a bottom bounce in Crude Oil because of the way the ETF is constructed. Front-month futures contracts are held and sold as they come to their conclusion. These sales often mean consistently selling cheaper contracts and buying more expensive ones.

Nobody knows when... that slide will stop in Crude...it is more certain that USO is not the way to go trying to find that bottom base.

FIVE THINGS TO KNOW ABOUT THE IMPENDING INTEREST RATE HIKE

Interest Rates can't stay near zero forever. Here are five things you should know about the interest rate hike:

1. It is coming December 16th – nothing is guaranteed, but all indications are this is a done deal. The short-term interest rate futures are pricing in an 85% probability of a rate hike.
2. Data dependency highlights improvement in the market measures used to determine when the time is right. Obviously, the jobless rate has long been below the threshold for pulling the trigger, but that itself is not enough. An increase in average hourly wages demonstrates a reduction in labor slack that has concerned the Fed. And finally, inflation may not have reached objectives, but that pressure lies mainly in depressed energy prices much lower than historical norms.
3. Real Estate and Auto industries will be minimally impacted. A rate hike of ¼ of one percent from ZERO is more symbolism than anything else. Free money is ending with the cost still remaining historically very cheap. The decision-making process buying a home or a car is driven by finances, not rates.
4. Dollar Divergence – The US has had the strongest currency as others have engaged in a race to the bottom. Higher rates often mean an appreciating currency but this talked about and telegraphed rate event may see a muted reaction. The multi-year Dollar rally illustrates forward thinking possibly pricing in the eventuality of raising rates.
5. The December hike is priced in. Exhaustive discussions have occurred for years about when the time is right and that time is right now. The stock market has had ample time to digest this tiny tick up in rates.

It is time to talk about March as the date of future increases now becomes the next issue of intrigue. The speed of the next step up is what investors will focus on now that the first hike is history.

STOCK INDEX STEROIDS... WITH AMAZING RISK CONTROL

Major indexes offer a diversified way to play macro market moves. The DOW, S&P 500 and Nasdaq are common investments using DIAmond's , SPYders and nasdaQQQ's as vehicles. The advantage is lessened individual stock risk by having a broad basket. These ETF's trade just like stocks and can be bought or sold during market hours. Stock index futures trade on the other hand trade nearly 24 hours to offer opportunity whenever market moves occur. MORE IMPORTANTLY with futures open around the clock, anytime entry and exit trigger execution ensures implementation of a disciplined trading plan.

The gap risk compared to the equities markets may be less, but the extreme leverage must be respected and managed. Handled properly, stock index futures are strong and powerful selections.

- E-mini DOW Futures
- Started trading in 2002
- Most widely recognized index, 30 Blue Chip stocks, weighted by stock price.
- Value $5 per point, 18,000 Dow translates into controlling $90,000 per contract.
- $4500 Deposit requirement ...20 to 1 Leverage
- E-mini S&P Futures
- Launched in 1997
- Broad 500 company index, professionals' market barometer, weighted by capitalization.
- Value $50 per point, 2100 S&P translates into controlling $105,000 per contract.
- $5000 Deposit requirement...20 to 1 Leverage
- E-mini Nasdaq Futures
- Launched in 1996
- Top Tech 100 index, no financial stocks, weighted by capitalization.
- Value $20 per point, 4700 NDX translates into controlling $94,000 per contract.
- $5000 Deposit requirement...20 to 1 Leverage

A combination of liquidity, global opportunity availability and LEVERAGE make stock index futures a great choice for disciplined traders. These futures contracts can be used to hedge a portfolio or to speculate on steroids...

TOOL TIME – INTEREST RATE FED FACT FINDER

The most discussed and telegraphed Federal Reserve action in history has rates on the move...maybe December 16th. Five years plus of Zero rates is coming to an end according to market indicators.

The conundrum for objective market watchers is whether the economy is strong enough to support a boost versus or if it could weaken sentiment.

Good new is there is a tool for that.... Check out this amazingly simple tool that illustrates what the market has priced into the fed funds futures.

Fed fund futures are the shortest time frame on the yield curve and reflect expected monetary action. The monthly contracts price adjustments compared to the Fed calendar give us the markets best assessment of policy changes.

The CME Group has a probability tool that takes out much of the guesswork using futures price action to predict.

Check it out: http://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html

STOCK TAKEOVER HACK ATTACK

Money is to be made in this merger mania if you have your chips on the right stocks. 2015 has been an epic year for takeovers as companies have cash, and low-interest rates to get more cash, to buy that growth they are missing organically.

Let me show you how to put some chips down for big payoffs without a lot of dollar risk...

» Takeover Hack

Market money is being put to work to make more money. Huge corporate cash reserves do little sitting on balance sheets earning tiny interest payments. Earnings growth is hard to come by for companies in this environment.

The easiest way to increase EPS is to just buy it. Mergers and acquisitions have become commonplace with low-interest rates as a way to expand.

From beer to pharma it seems no industry is immune to a buyout boost. Typically the buyer pays a major premium over the share price of the purchased company.

» Buyout Speculation Hack

Placing low-cost chips using options can position in possible buyout plays. Instead of using the sometimes overvalued, whisper rumors, and mathematically low probability out of the money options a spread can be created.

- EX. STOCK is trading at $14
- Buy a four month $15 call @2.50 expecting a takeover bid in next 120 days
- Sell a one year and three month $20 call $2.75
- NET CREDIT $0.25
- Buyout at $17 would make the spread worth $3 plus original $0.25 credit for $3.25 profit.

In the event of a buy-out both options should immediately reflect the deal price. The time value of the option will evaporate because no more opportunity will exist if agreement is consummated.

If nothing happens in the next 120 days and prices are below $15 the one-year option will need to be covered and bought back to close out exposure.

This option spread technique lowers the cost to position for a takeover where you actually get paid to play for profits.

PRE-EARNINGS OPTIONS STRATEGY

How many times have you thought to yourself that a BIG stock move is coming and the earnings announcement is going to be the price catalyst?

What if I told you there was a simple low-cost strategy with a twist that can position you for both a breakout or breakdown move with limited risk. Believe me... it's real and I use it everyday.

Part I: Before the earning announcement

Earnings Straddle Trick

An earnings announcement surprise can trigger a large directional stock breakout either up or down. The Options Straddle Strategy of buying both a Call and a Put in advance of the data release positions you to profit in the event of a significant price move.
Buying the near-term options straddle is pricing in event risk with higher volatility and therefore, a higher relative cost in the options. The twist is to buy more time until expiration, minimum of 60 days, than is needed for the specific event so that the exit of the losing side can salvage decent premium. Then the option in the breakout direction can be managed to maximize the follow through price trend.

Part II:

After the announcement and the market has moved
After Earnings Breakout – Drop the loser and ride the winner...
If the numbers are a non-event, close out the whole play with a minimal loss of time value because you only had the position for a week and more than 60 days until expiration means the options still have solid value. The time decay will be minimal for the deferred option months in comparison the front month gamble for all or nothing winnings. Typically, options become more expensive as the earnings release approaches as buyers get more fearful of a surprise. To avoid much of the increase in volatility enter into the Straddle at least a week prior.

Important Rules

Rule One: Play both sides with At The Money options. The total cost of the Straddle (Call and Put) need to be less than 10% of the value of the stock. Remember... The more expensive the play in relative terms compared to the stock the larger move required to be profitable.

Rule Two: Buy more time until expiration than you may need — at least two or three months for the trade to develop. Time is an investor's greatest asset when you have completely limited the exposure risks.

After earnings, exit the option opposite the breakout move and manage the trend with the winner.

The expiration option trade breakeven is the strike plus and minus the option premium total.
These break-even thresholds should be less than 10% above and below the current share price with earnings data a possible catalyst for a multi-month breakout trend.

If nothing BIG happens in the stock sell your straddle to close out and only lose a bit of time value since the options still have months until expiration.

WHAT IS LIMIT UP?

If you have never ever traded futures before, you are unlikely familiar with the term "limit up."

So let's explain it...

Limit up refers to a market situation in which prices have reached their daily maximum upside price movement.

On the flip side, limit down refers to a market situation in which prices have reached their daily maximum downside price movement.

These daily limits are determined by the exchange on which the contract is traded. For example, the Chicago wheat futures contract

is traded at the Chicago Board of Trade/CME Group and hence they set the daily limits on price movement.

These daily price limits are designed to be a 'cooling-off" from large intraday market swings.

Daily price limits can be adjusted or removed as the exchange sees fit.

If you are long a contract, a limit up move can be a beautiful thing. If you are short a contract that goes limit up, you could be in some serious trouble.

If you are short a contract, a limit down move can be a beautiful thing.

If you are long a contract that goes limit down, you could be in some serious trouble.

Locked limit moves can last for days, and the price limits themselves may be expanded.
Limit up or down moves can be both scary and exhilarating depending on what side of the market you are on. These moves can lead to great fortunes as well as devastating losses.

While limit moves may be reached intraday, markets can also open limit up or limit down from the previous day's close.

OPTION REPAIR HACK

Admit it... Sometimes trades get away from us, right? That's why controlling risk should be the primary focus when trading options. Thankfully, when buying options, the contracts have money management built in with the maximum loss limited to the premium paid for that options.

But what happens when an option you bought dramatically loses half of its value in a blink of an eye? A good rule of thumb is to put a stop loss at just below half of the original cost, because mathematically when an option losses half of its value the likely hood of success is small. Anything can happen, but more times than not, either the market has moved significantly in the other direction or time is running out.

There is another way...

There is a repair strategy for long call options GONE BAD.
The first temptation is to just buy more of the losing play and average down. Unfortunately, the probability of the big recovery needed to profit is very low.

A solution that has a much lower break-even point is to create an option spread.

Example:
Stock at $93 Buy $95 Call for $3.00 – stock expiration break even is $98
Stock drops to $89 and the $95 Call now worth $1.25

Choice to TAKE $1.75 LOSS

OR

Create Bull Call Spread

Buy NEW $90 Call for $2.75 and Sell 2 $95 Calls for $1.25 each to be net short the higher strike.

Buying the $90 call and selling two $95 calls results in a $90/$95 call spread for a total cost of $325. The net risk was only increased by $25 BUT the expiration break-even was lowered from $98 to $93.25 ($90 strike plus total cost).

The probability of the stock recovering to $93.25 is significantly higher that it getting back to the old break even at $98 nearly 10% above.

The option repair strategy still needs a rebound in the stock, but by creating the spread though less work needs to be done to get back the lost funds. Let me know if this strategy works for you.

SHORTCUT TO THE IRON CONDOR

The iron condor is one of the most popular options strategies among retail investors. This 4 legged option spread gets its name from the condor bird, and is symbolic of the position's wings. An iron condor may potentially allow one to profit from a sideways or range-bound market. This position can also potentially profit from a decline in implied volatility.

Steps to identifying iron condor trade:

Identify a market that has traded within a range for a period of time
Determine if implied volatility (IV) levels are relatively high or relatively low

Look at both call and put credit spreads outside of the trading range
If you can sell a call spread and a put spread for a net credit that is equal to or greater than 20% of the total amount risked on the trade, an opportunity may potentially exist.

Despite being touted as a "set and forget" strategy, risk must still be managed!

Consider this: If you make $1 four times and then lose $5 on the fifth time, you are down $1.00... In other words, it is imperative to avoid taking maximum losses on an iron condor position. While these trades may potentially have a high winning percentage, heavy losses on a single trade can wipe out several winning trades.
An iron condor is simply the sale of a call spread and a put spread that are outside of an expected trading range. The size of these spreads, otherwise known as "wings" can be adjusted based on risk tolerance and profit objectives.

EXPIRATION END GAME

Warren Buffet's famous strategy is to be right in the long term...and to have the staying power to be in that position.

That thinking is that with an infinite amount of time and money, something that is obviously impossible hard to accumulate, you can just wait to be right.

Stocks don't expire, except in the case of very infrequent bankruptcy, though often people's patience with them does. The only clock that is ticking is in the emotional mind of investors that want results yesterday.

Other financial instruments like futures and options on stock or futures are for a limited duration.

Futures contracts do not expire per say but do come to a trading conclusion when they can be traded.

Each futures contract has a month and a specific date assigned when it will no longer trade. It's time ends and another trading month contract takes over to perpetually roll into the future...

As that final day approaches volume decreases as many positions are moved into the next months.

Often times the fewer participants at the end can make for volatile trade as the futures price converges with the cash market.

Lesson to be learned, is to close out a futures contract while volume is still significant with plenty of buyers and sellers.

Options technically expire in the fact that on a specific day they are done and are settled. That could be in cash or assigned the underlying.

The more time an option has the larger window of opportunity to profit.

For long option holders that tick-tick until expiration is time value decaying and decreasing the value of the position. The last 30 days and especially inside of 21 days the time decay accelerates as there is less of chance price objectives will be achieved.

A good beginner rule is to be out of the options the month they expire to avoid having the ice cube melt in your hands. Sell or roll out to another month.

Ex., exit or roll out a long October position before the end of September for example to eliminate the emphasis on hope that something happens in that short period of times.

Hope is not a trading strategy...have enough time to be right.

SMART MONEY TELL

Every wish you knew what the big hedge funds and institutions were doing with their money? Who doesn't?

While it's not possible to be 100% sure, there are tells that can give clues to what the big money is thinking and/or planning to do in the near future.

It's well known that the big boys have multiple ways to disguise their intentions as not all of the trades hit the tape for visible inspection. These trades create Dark Pools. These are pockets that lack transparency into who's making the trades and how big the positions are, which is exactly what the big guys want.

However, they can hide everything they do.

The Tell

In addition to buying stocks, several big traders will also buy options in the options market to futher enchance their position or to get a little more leverage. Unlike the buying stocks, options do not provide any place for the big traders to hide.

The motivation may not be apparent at first glance, but a little financial forensics as to a buy or sell on a particular stock option can be a tell.

Let me explain...

Take stock XYZ. If you look at the options chain on that stock and there is a huge purchase of a particular call option at a certain strikeprice, then this could be a tell that a big player is expecting that stock to make a huge move to the upside.

The same goes for a larger purchase of puts at particular strikeprice. The reason why big investors are using options include lowering cost and risk while potentially increasing returns. The theory is that smart money would employ an option play if they had a strong opinion on what an individual stock was going to do.

So analyze the unusual option activity of your favorite stock and consider piggybacking on a large investor.

This is not insider information... but information from the inside.

Putting money down with the Pro's so to speak.

Other Things to Consider:

The unusualness comes in many forms with scales of usefulness.

It may be significant activity to hedge an existing stock position like a covered call to increase returns or puts to place a price floor.

The speculative opening plays are often more valuable when a large option order is unearthed. Comparing new volume to existing open interest is a must. A high dollar cost and large number of contracts demonstrate the conviction of the customers.

A new SIZE buy trade in out of the money options gets inspection as to what does that party know or why is their opinion so strong.

The option followers would believe that those in the know, know and using the public information of Unusual Option Activity is a trading tool not to be ignored.

KNOW YOUR ODDS – PROBABILITY CALCULATOR

IT'S JUST MATH...words spoken by a methodical disciplined option trader that evaluates each possible play objectively.

The inability to eliminate opinion, bias, and emotion is the major downfall for investors.

Each and every trade should be selected based on simple criteria:

1. Cost/Risk
2. Risk to Reward
3. Trade Break Even Level
4. Probability

Stock traders have a 50/50 chance of a stock going up or down.

The smart guys who developed the Nobel Prize winning option pricing model changed the world. Each and every option strategy can now be graded by the mathematical probability of success.

The functions of time and volatility are components in the option premium. A basic options calculator does wonders in making it about the math, and not opinion.

Here is a great probability tool courtesy of investexcel.net/: Option Probability Calculator

HACK TO CASH SECURED PUTS

Your favorite stock just dropped 8% and you want in, but you're nervous it could dip even lower over the next few days. What do you do?

Sell a Cash Secured Put.

It's a way to own a stock you want to own, but at a price much lower than you expected to own it at.

The Portfolio Strategy

The straightforward Price Order to buy a stock at a lower level is common if it can be determined where it is comfortable to get in below current prices. Put in the trade at "X" and wait for the dip to enter. However, this is often difficult to impossible in a highly volatile market condition. Good news is there is a smarter way.

Professional money managers have certain points at which they would buy a desirable stock, but an option strategy lets them get in at discount or even get paid not to own the stock. Let me explain...

Selling a CASH SECURED put, has the same mathematical risk profile as a covered call, would assign the stock long at the option strike price. Meaning, you get to own a stock a the strike price of the put options you sold. If you want to own the stock then buying it a discounted value is even better. Having our cake and eating it too is when the true entry basis is actually even lower with the subtraction of the premium you collected when you sold the option.

When you sell a put option there is an OBLIGATION to buy the stock at the strike price if it is assigned.

However, if the stock is not below the strike at expiration the premium received is all profit. Get in the stock at a discount or get paid not to...

There are two rules that Cash Secured Puts traders need to follow to be successful:

Rule One:

Only sell put options on stocks you want to own.
Have the funds in the account to buy the stock at a discount if a selloff continues.
The intention is to be assigned the stock, each option represents 100 shares, as a long-term investment. Paying in full ensures that no additional money is needed to hold for potentially many, many months or even years until price recovery.

Rule Two:

Sell either of the front two option expiration months to take advantage of time decay.

Collect premium every month on put sales until assigned shares at a cost-reduced basis. Every month that you keep the premium it is money affectedly subtracted from the entry price.

UP, DOWN, SIDEWAYS... IT DOESN'T MATTER.

The mental calisthenics to evaluate all of the hundreds of inputs that determine a stock's price and direction can be exhausting. Trying to forecast is stressful and definitely difficult.

A simple change in perspective and strategy can increase the odds of success from what a stock doesn't do.

The three market direction choices of Up, Down and Sideways put probability against you when you select one. The one in three odds is daunting to say the least.

Here what you can do: Use a limited risk option strategy.

If used correctly, this strategy can help you make money based on what the stock is most likelynot going to do.

So essentially you are flipping the script by predicting where a stock in not going to go. Think about it... How many times have you been following a stock and you are not quite sure where it will be in 2-3 months, but you almost positive that it won't be at a certain price in the future based what you know about that stock.

This option strategy is called a Credit Spread. It either involves two call options or two put options, but not a call and a put together. It sounds complicated, but it's rather simple.

How it works: If you think a stock is going to Down

Let's say you think a stock is going to trade sideways or go down over the next 90 days, but most likely will not be going up anytime soon. So what you could do is sell a call option that is above where you think the market could go. To protect yourself, you have to buy an option even further away from the option you sold using the same expiration month. This makes it a spread and limits your risk.

If the stock stays below or settles on the price of the call option you sold at expiration you get to keep the money you collected when you sold the spread. If the stock from some reason doesn't do what you thought it would do and goes up, you can only lose the difference between the two strike prices.

How it works: If you think a stock is going to Up

If you think a stock is going to stay in a range or go up over a certain period of time you can do the same thing mentioned above, but use puts instead of calls.

For example, if you believe a stock you follow is going to do anything except go down over a certain period of time you could sell a put option below the price you think that stock wouldn't go. For protection, you need to buy a put option that is further away than the option you sold. This make is a Put Option Credit Spread. You make money if the stock stay above the option you sold and lose if it settles below it at expiration.

Go Get Em

There you have it! When you are undecided where a stock or commodity will go, but are pretty sure where it is not going to go try using a credit spread.

THE HALFWAY HOME TRICK

Here is a nifty trick for people who have a hard time following super complicated technical indicators.

Most people who use technical analysis to predict the movement of a stock price are often times over complicating things. Worst is that price patterns may not be the predictor of performance that many believe it is. But more likely a self-fulfilling prophecy in that if enough people use the same techniques they have a measured impact. So all that time staring at lines crossing is all too often a complete waste of time.

The Keep It Simple Silly (KISS) mantra has served many investors well. Remember that stocks, futures, and/or currencies can only go up, down, or do nothing for a period of time.

Technical trade indicators are relative and only give clues to where the markets might be headed. It takes discipline to be successful. There is no holy grail indicator that will tell you when to buy or sell. If there was… everyone would use it. However, using an indicator that you understand and that is accurate more than 50% of the time can lead to better and bigger portfolio of winners.

Introducing the 50% KISS Rule

This technique couldn't be simpler.

Step 1. Pick a Stock or Futures Contract

Step 2. Watch the halfway mark of the last major move. Calculate the midpoint of the low to high or high to low and see if it holds or folds.

The Key: How the price behaves at the 50% retracement will tell a lot about if this was just a pullback or a true reversal in the trend.

Action: If the stock or commodity holds then it was just a pull back and you should consider going long (buying). If it falls through the 50% level then look to short or exit your position.

The halfway measure can be used on any time frame from monthly charts to five-minute bars.

The time increment is irrelevant; it is the ability or inability to push past that level that is often eye opening.

QUICK HACK TO TRADING THE GAP

Have you every looked a chart on your favorite stock or commodity and seen a space between yesterday's closing price and the next day's open price? These spaces in the charts are called GAPs. They happen frequently and if you know what you are doing you can make some "easy" money. Let's start with background information on how Gaps are created.

In the olden days when trading was done in the old brick and motor exchanges the trading day would truly end when the market closed. The next day, when trading would resume, the price of the stock or commodity would start where it left off the day before. Gone are those days. Technology allows us to access the global financial markets anytime from anywhere and therefore trading is a whole new animal.

Futures markets nearly constantly in motion and the ability to trade a stock in the pre market, post market or even on a foreign exchange have created the opportunity for immediate reaction action to any news.

The conventional stock market hours in the United States are from 9:30am to 4pm EST. Truth is the machines are always on somewhere and adjustments in prices have been made since the official close of business the previous day.

The Good Stuff

The often occurring price Gap, difference from the close to open, can say a lot about market mentality.

A GAP up or down of more than half a percent in the major stock indexes is not uncommon with the never ending news to move financials.

Three things can happen after the Gap:

1. Price Extension – Momentum continues in the direction of the higher or lower open. Market participants with less leverage, much of move has already occurred, chase the runaway train.
2. GAP Backtrack – Price gaps are often filled...eventually. The first sixty minutes, called amateur hour, often sees emotional buying and selling that needs to be sorted out.
3. Sideways Malaise – A go nowhere market that offers little opportunity because most of the move happened on the GAP up or down open.

The Shortcut

It is crucial to watch after that first hour of trading to see if the GAP is filled or holds.

Buy the GAP up with the stop loss at the previous close to capture extension.

OR

Sell into the GAP strength with a stop above the day's peak.
Practice First

Don't go trying this with real money tomorrow morning. Use a practice account first and wait until you find some consistency with your performance before putting real money behind it.

OIL'S WELL – CRUDE TRADING VEHICLES

Beyond the basics of supply and demand, global tensions and currency fluctuations also change the value of a barrel of oil.

The dynamic moves of an often emotional energy market can add up to big profits for those on the right side. The drop from $100 little over a year ago slid levels not seen since 2009.

Volatility is opportunity with many choices to make when trading Crude.

Producer stocks like Exxon or Chevron often move with the price of Oil but they have other individual share inputs.

A couple of the more direct Oil vehicles include Exchange Trade Funds and Crude Oil Futures contracts.

Exchange traded funds have become very popular investments with comparisons to mutual funds without the high fees. Entry and exit in ETF's can occur anytime the market is open trading much like a stock.

The XLE Energy ETF is not a pure Oil play but a broad barometer that is a diversified energy play with a certain percentage affected directly by the price of Crude.

Crude futures contracts require a deposit of about 5% of the total value of 1000 barrels. Each dollar move translates into $1000 gain or loss.

The USO exchange trade fund trades like a stock and holds a portfolio of Crude contracts selling the most current month when they come due to buy distant ones. That function can be problematic when consistently exiting low priced contracts to buy more expensive ones.

Options on Crude futures and the USO ETF can also be used with eyes on how the underlying instrument performs. Strategies to capitalize on prices moving up, down or nowhere gives many options using options.

Choice is good... with solid investment vehicles in Black Gold.

RULE OF 72 PERFORMANCE POWER

Small investment returns can add up with the power of compounding.

A widely used 8% historical return for the stock market calculates potential portfolio growth over time. Some years that seems very optimistic, but it actually provides a true average return measurement.

On the shorter end of the time spectrum, at first glance monthly returns may seem tiny and inadequate when you compare them to long-term financial goals. However, percentage gains of only 1 percent or less for a month are still significant when annualized, this gives a much clearer picture of performance.

Options traders may employ credit strategies to generate revenue every month. Writing a covered call on an existing stock position can increase returns.
Small percentage increases of just one percent per month add up to 12% over the course of the year.

The RULE OF 72 is useful to put big and small returns in perspective.

Take 72 and divide by the annualized investment return to determine how long that would take to double an investment.

Example: A ¾ of a percent return in a month turns into 9% annualized – Pretty amazing, right?.

Divide 72 by that 9% annualized return and it will only take 8 years to double your money with only a 3/4 percent monthly return.

A small consistent rate of return month after month can make a huge impact!

WHEN TO CONSIDER A STOCK SUBSTITUTION STRATEGY

Have you ever looked at a stock to buy and were really excited about it's potential, but hesitated because you thought it also could just as easily go down? This happens all the time. A Shortcut is to consider using an option instead of buying or shorting the stock.

One of the most basic option strategies utilizes a Call or Put.

Substitute an option to potentially lower cost and risk while still maintaining the profit potential.

A Call (UP) has the right to be long from a specific price and a Put (Down) has the right to be short from a specific price.

Instead of purchasing or selling short shares, an option can be used with many advantages.
The number one advantage is that when you buy an option your risk is limited to the premium paid. No matter what happens to the underlying stock, the option risk is limited to that original cost.

Each option controls 100 shares of the stock for much less than the shares outright.

2 Simple Rules to Follow

Here are a couple of rules to follow when choosing the right option:

1. Buy more time than you need. Options are for limited duration and time is an important asset in the price. The more time you buy the more expensive the option will be.

   Generally, it is advisable to purchase at least three months of time or more to minimize time decay.

2. Choose an option that will behave much like the stock. To do so the in the money option with a Delta near 75% is a good substitution.

   The Delta is the mathematical percentage that the option moves compared to the stock.

Additional Things to Consider

The choices of Call or Put, expiration month, and In The Money strike can all add up to a winning position with less risk and cost than the stock itself.

When the option has gained value simply offset it and exit by selling. Though you have the right to the stock shares, the option sale is the preferred way to close out the position.

Conclusion

Buying or shorting a stock can be a big investment. To minimize the amount of capital you have a risk consider using an option versus buying the out right stock.

EARNINGS HACK – EXPECTED MOVE TRICK

A never ending flow of information is constantly released that impacts the financial markets. The phrase "money never sleeps" is truer now more than ever before with the intertwined global economy and technology advances to monitor market minutia. Information is power with the question of how to distill the important data.

Corporate earnings are an important scorecard to evaluate the financial fundamental condition of a stock. Whisper numbers and censuses estimates from analysts can provide some guidance going in.

A simple and often extremely effective calculation for the expected earnings move can be derived from the option market.
Smart Money Hack:

1. Using the shortest expiration duration that captures the earnings event and add together the premium for the At The Money Call and Put strikes.
2. Divide that total premium by the share price to get the Measured Move estimate percentage.
3. That percentage is what the options market is pricing in ahead of the earnings number.

While the key factor of stock direction from earnings is not answered, a good indication of the expected amplitude of the move has been calculated.

Using this simple hack can be valuable to evaluate what the professionals are expecting and have priced in the market.

SHOULD YOU GET OUT OF COPPER?

A four year nearly straight down move in copper has temporarily bottomed with new lows at $2.20 per pound. The fall from the $4.60 peak in 2011 has occurred as economic indicators have steadily improved and the unemployment rate has dropped down to 5 %.

Copper price trends had been use to forecast slumps or surges because of its industrial demand.

Times change and technology innovations have lessened the use of copper.

The pre financial crisis housing boom put High Grade on the radar to indicate broad strength.

Since that time a disconnect has occurred as copper has seen high prices even when the economic rebound was stalled.

Just recently, a gross domestic product rate at a robust 3.7% last quarter coincided with drastic depths in Copper. Private sector job growth has stretched to 65 consecutive months totaling more than 12 ½ million jobs.

The Copper decline can also be attributed to strength in the Dollar.

Commodities have suffered with the Chinese slowdown and the battle against the greenback go go gains.

Any macro market diagnosis would be lacking if Copper was the only test that the patient was put through.

The global economy was not robust when Copper was strong in 2011, so to say that high grade prices near $2 per pound are a sign of a sickness is a misplaced theory at best.

Copper prices reflect the Supply and Demand dynamics of...Copper.

WHAT YOU DON'T UNDERSTAND ABOUT THE DOW IS COSTING YOU PROFITS

The most widely recognized stock market measure on earth is not DEAD just as a market opinion in the sense that the multiyear rally run could have come to an end.

The days of the Blue Chip index being the market barometer are long gone.

The DOW is a small slice of the stock spectrum with only 30 stocks and weighted by PRICE not CAPITALIZATION.

That calculation makes high dollar DOW stocks much more impactful than those with cheap share price. Ask yourself if it makes sense that 3M is more than three times as important as Microsoft?

It is that flawed math that ignores the market value to rank companies.

Any given day a major move in DOW component can have a disproportionate pressure on the index price. Equal percentage moves among two stocks DO NOT calculate comparably.

The flawed computation combined with a limited scope or swath of securities sharply limits the value of tracking the industrial measure.

When discussing market action the S&P 500 is the score not to ignore. It is the broad market indicator that determines success or failure.

Size is important with nearly 20 times the stocks selected in the S&P 500.

More importantly the bias is to behemoths where capitalization is all that counts.

The ten sectors within the S&P enable a view of slices of the market. The broad market indexes construction better smooths out individual stock or sector performances through diversification.

Mutual funds, 401K and IRA returns are always compared to the S&P. Beat... or hit the street, as investment management turns over unless you can outdo the mighty S&P.

An amazing read, "Reminisces of a Stock Operator" describes an epic time in the markets at the turn of the last century when the DOW was king. Many market lessons can be learned from Jesse Livermore...while the one for today is the DOW is dead.

DON'T POUT WHEN STOPPED OUT

Advances in technology have enable retail investors to participate in opportunities in any market. The click on a computer can access markets anywhere and anytime.

One of the benefits of electronic trading is this level playing field where al orders are treated equally and there is no preferential treatment.

Tight Bid/Ask spreads and liquidity to enter or exit smoothly have made for more efficient execution of a disciplined trading plan.

The combination of electronic market access and ample buyers when you want to sell/ample sellers when you want to buy let you plan your trade and trade your plan.

Entry and exit criteria should be pre determined BEFORE getting into a position. The disciplined plan is best formulated without the emotion of moving prices that feed greed and fear.

The exit strategy should be established for both when the trade moves for you and against you.
The trade risk in dollars needs to be determined prior to entry. That ensures that an objective analysis of the trade impact is considered.

BEING STOPPED OUT is not a bad thing...frustrating yes, but a necessary reality for disciplined traders.

A stop loss is designed to limit losses. It is a must for each and every investment unless you have unlimited capital to ride through swings in equity.

No one trade should have a dramatic impact on your account financially or your mindset.

Always remember that new opportunities will come tomorrow and forever...

Being wrong is part of the process with acceptance crucial for long term success.

PRICE MOVEMENT MEANS OPPORTUNITY

Extraordinary Price Movement Means Opportunity

Market conditions constantly change. Increased market volatility, mathematically measured fear, is neither a good nor bad event. Actually some investors argue that higher volatility means larger potential market movements for profit opportunity.

A high volatility environment like we just experienced or in the fall of 2008 means trading strategies may change as conditions dictate. A buy and hold strategy could subject investors to wide dollar swings in uncertain times. In addition to assuming larger risks than under less volatile times, it is emotionally very difficult to manage a position while under duress. Depending on time horizon, it may be difficult to ride out significant market downturns.

Investment protection is available for a cost.

Some other strategies can minimize position risk and take advantage of market conditions. Under times of great volatility protective options on a stock position are much more expensive in relative terms. Much like hurricane insurance immediately after a major storm premiums are high to protect investments. For some, that increased cost for protection is fine because they have quantified their downside and use the option instead of a stop loss for money management purposes. RISK must always be controlled for investment success especially in times of extreme share price movements.

With this high cost of protection an opportunity is created to use the fattened up option premiums for your advantage. Creating a Collar or financing that put option by selling a call uses the high volatility conditions in your favor while limiting upside potential. The end result is placing a floor below for protection but giving up some potential gains. The trade off has to be appropriate for individual risk reward comfort.

Another strategy to decrease the cost basis of your investment is a Covered Call. A word of caution, make sure to have a catastrophic exit strategy to close out the whole position if the situation arises where the stock losses significant value. The reality of the amount that you receive for selling a call against your stock may be minimal in comparison to a dramatic downward move.

When you initiate a covered call, calculate the return for both the possibility of being called out of your stock and having the option expire worthless. Both can be positive events, and you should be prepared for either. Being called out and having your stock taken away limits profit potential while the expiring option allows you to keep the premium. When that occurs you are free to initiate a covered call on another month.

Again, caution must be taken with Covered Call plays. It is a good idea to set a floor at or below your basis cost for unwinding of the position and minimizing losses. The Covered Call that was sold may need to be bought back and the stock exited to close the whole position. The option side cannot be neglected because once the stock is gone the potential for unlimited risk exists if the call is not closed.

In summary, strategies exist to minimize risks in any conditions. Proper money management is necessary for long term success. For some, extreme conditions limit opportunities but others reach into their toolbox and select proactive strategies for whatever is happening in the markets.

ADVANCED PROFIT EXIT PLANS JUST FOR YOU

The Evolution of an Investor, Part Two – How versus What you invest In...

As described in part one, entrance into investing begins in a similar manner for many. The selection of vehicles for IRA's and 401K's is often the beginning of understanding the investment process. Because the goal for growth is long term many participants are disciplined with their regular contributions and are less prone to trading activity to time the markets.

This more passive style has some advantages with less maintenance the major benefit for people that do not want to manage their money actively. Professionals are responsible for performance and individual investors determine how to position their funds based on their goals and needs. Vast market expertise and dedicating a large amount of time is not required to achieve long term financial goals using some basic portfolio investment techniques.

For many investors the mutual fund or ETF investment choices fit their needs while others are looking to achieve higher returns and take on additional risks. Purchasing individual stocks is a commonly the next step in the investment process. The selection process can be fundamental or technically driven but as with all investing risk control is strongly advised.

One major factor that influences risk is the number of shares or total dollars tied up in an investment. The reality is the worst case scenario of an investment going to zero is a possibility that should be eliminated if possible. Many techniques from stop losses to protective options are market mechanisms to minimize risk on individual positions.

Stock prices vary and a proper portfolio allocation can decrease risks by diversification. In addition, a consistent dollar investment for all trades spreads the risk more evenly across positions. The goal is to not have any one investment disproportionate to the rest of the portfolio for the sake of financial security. Professional traders attempt to never risk more than 5% of an account on any one position to ensure they have adequate resources to continue with their investment plan.

In addition to the price of a stock, the price movement can also vary greatly. This potentially changing volatility ranges from stable with less movement to stocks with significant price swings in either direction. A general rule of investing may hold true for these stocks, higher potential returns generally have significantly higher risks as well.

Because of individual stock risks, a plan with an exit strategy is strongly encouraged for trading discipline. Many factors from news, earnings or investment upgrades can greatly affect share prices. Individual stocks, as opposed to a broad based stock index, can have great volatility that can work for or against an investor. The broad based index can offset a loss in an individual position with diversification in many assets.
To quantify or control position risk a stop loss can be part of a solid investment plan. The threshold of loss can be based on share price or a certain dollar amount to determine the exit strategy. Often times the discipline of having that exit strategy is a downfall for traders and a weakness in a trading plan.

The selection and money management methodology is similar for Mutual Fund, Exchange Traded Fund and individual stock investment. As financial products get more specific as an underlying instrument they are often more volatile and higher risk. This requires an exit plan constructed in advance to minimize exposure to negative events. The stop loss is usually the first line of defense and helps individuals control downside risk with the increased reward of individual stock investment.

HOW VS. WHAT YOU INVEST IN IS EVERYTHING

The Evolution of an Investor, Part One – How versus What you invest in...

The path for investing in the financial markets follows a similar pattern for most investors. Over 100 million Americans are invested in the stock market with retirement, pension or personal money. Regular payroll deducted investment contributions are common and are designed to benefit both the employer and employee. Individuals often begin with choosing funds for their 401k contributions or mutual funds in their personal IRA. This systematic financial discipline encourages regular participation to build a long term portfolio. The reality of fewer companies providing pension plans for retirement place the responsibility on individuals to invest consistently.

Employees are often given a basket of funds to choose their investment mix and allocation. Typically this includes vehicles that focus capital preservation, growth or a combination to balance risks. Fixed income bond funds and money market “cash” offer investment outside of the stock market as well. Stock funds that track certain indexes or sectors allow diversification within the broad market to spread risks or increase returns.

Most investment results are compared to the broad market performance of the Standard & Poor’s 500. It is an index that tracks the top 500 large cap American stocks covering about 75% of the American equity market by capitalization. This analysis is usually done on a quarterly and annual basis to compare individual investments against the market as a whole. Professional money managers are under pressure to outperform the S&P market or their jobs are in jeopardy.

Under most retirement account rules, the allocation percentages can be adjusted and investment vehicles altered easily as conditions warrant. Many investors instead focus on long term performance and often do not attempt to time market conditions. These funds are designed to take advantage possibly decades of performance for overall returns.

The methodology of the buy and hold strategy often employed in IRA and 401K accounts is the basis for most investment strategy may need some adjustment. Often time the financial diversification and long term time horizon for retirement helps minimize market risks compared to other investment strategies.

The next step for investment evolution often includes Mutual Funds or now the very popular Exchange Traded Funds that track specific investment sectors. One of the more attractive features of these may be the diversification lessening individual stock or market risk. Some however invest in very specific areas and therefore are taking higher risks to achieve a greater return than the market as a whole.

The recent revolution with ETF’s can be attributed to a couple of factors. Exchange Traded Fund’s may have some advantages over Mutual Funds with a lower fee structure a major benefit. Others include being able to enter or exit easily throughout the trading day and often time good liquidity resulting in better risk control. The index tracking stocks of the DIAmonds, SPYders, and nasqaQQQQ have some of the highest daily volume in the market. ETF’ also exist for an amazing amount of opportunities from global markets, foreign currency, and physical asset investment to just name a few.

A major reason for long term investment success is consistency and a diversified approach. Obviously financial objectives and risk tolerance may change for investors as their time horizon changes. Mutual funds and ETF's and be adjusted to reflect different needs over time. The process of tying the benefit of broad market performance with a regular biweekly or monthly investment plan can make the power of the stock market attainable for all not just the expert traders.

EXACTLY HOW TO INTERPRET MARKET NEWS

News, Noise and the Emotion of Fear sometimes trump Greed

Very simply, a central marketplace determines fair price from all of the information known by trading participants. The discovery mechanism of the outcry auction markets efficiently determine the equilibrium price based on the information and actions of the buyers and sellers. Investors can buy if they feel prices are undervalued or sell if the price is higher and they anticipate them coming down.

Financial news is constantly being released around the world on an hourly everyday basis. The job of keeping track and monitoring these never ending events is nearly an impossible task for an investor. Sometimes the best that can be done is to manage those positions that may be most greatly affected by the potential volatility of data.

Please be aware that news outlets can be driven to create a sense of emotional drama for their own business needs. Business news television programming is constantly reminding you of upcoming events to keep you engaged and watching the markets. They are driven by advertising which in turn is determined by viewing numbers to sell ads.

Keeping you in front of the television is how they pay the bills. Much of the time News is Noise, which makes it more difficult to concentrate and focus on a trading plan. The short term price adjustments to the microeconomic information need to be put in the proper perspective for long term goals.

The real mystery is how to use the news for better investment results. Because of the efficiency of liquid trading markets and an abundance of opinion on both sides news is often discounted and factored in. Most of the expectations for a report or earnings numbers are conceived prior to the release or announcement. As a result, unless the actual numbers are significantly different than anticipated price reaction may be muted.

The process of distributing fundamental news information can be somewhat complex and not necessarily instantaneous. Think about a story written for a business journal or newspaper. Facts have to be gathered and research compiled. Once the story is written it has to be edited and then it is ready for the consumer. All told this whole news cycle can be hours if not days before "news" hits.

Having a large knowledge base of news information is not a negative. It can help investors place current events in perspective and analyze the whole context of the markets. In essence, it is very difficult to trade specific news information but it is a piece of the overall underlying driving forces.

Depending on the market conditions, business news channels also feed on investor fears. The two sides are the fear of a market crash or the fear of missing out on opportunities. Sometimes these fears paralyze investors and they are unable to act or react. They fail to protect from a drawdown and also to recognize potential situations of value for new investments.
The cycle comes full circle where financial fears cause investors to get more information with cable business news. Uncertainties will always exist but the dependence on news to better understand market action can cause harm as well. The answer is often to

harness the energy from investment anxiety and incorporate money management and risk control into trading.

The emotions of fear and greed must be managed in investing. While it may be impossible to eliminate the natural human tendencies, a trading plan can help provide discipline. When investment risks and rewards are planned in advance the execution of that plan is a stabilizing force for emotions.

3D INVESTING – DIVIDE, DIVERSIFY AND USE DIFFERENT ACCOUNTS

Regardless of account size, proper allocation and position risk control is crucial for success. Large portfolios may have the resources to ride out drawdowns but that doesn't necessarily that is the best financial choice. A solid plan with money management parameters set up in advance can keep your investment on the chosen course.

Professional traders often manage their positions differently than the average investor. They focus on controlling risk and quantifying what that exposure means to their overall portfolio. A novice typically does not spend as much time planning the exit strategy and can be prone to emotion instead of trading discipline for execution of a plan.

The exit, both on the positive and negative side of the ledger, can be determined by several means. A specific dollar goal or loss with a stop loss order could trigger an exit according decisions made prior to entering the market. A percentage move or an amount related to the trading range and therefore a function of volatility could be a methodology for financial discipline.

One method of risk control is the use of protective stop losses that stand in the markets and are executed if prices trade at or through desired levels. This simple strategy is probably the most common way for investors to control risk without constantly monitoring positions throughout the day. The plan can be executed by a broker with open electronic orders that are in effect until otherwise cancelled.

Investment portfolios may be allocated in many ways. The simple concept is to Divide the total pie into separate pieces with diversification to spread overall risk. The investment risk can be general from bonds, stocks, to mutual funds. Also within those asset classes it is important to minimize exposure to sectors or positions.

The more heavily an investment portfolio is weighted in any industry or sector the more sensitive it is to that performance. There will possibly be a larger impact both positive and negative for the overall returns than in a balanced Diversified account. The "putting all of your eggs in one basket" theory can be dangerous and is a risk that most professionals avoid to better ensure long term survival.

Money managers often focus on consistent yearly results and minimizing account volatility. Part of that money management methodology is limiting financial risks to a certain percentage of the overall account. A rule basic rule of not risking more than 3-5% on any one position allows the investment pie to be cut into many pieces. If any one investment fails under this scenario, over 95% of the account is still intact.

When trading vehicle and position diversification have been carefully incorporated into the investment portfolio it may also be necessary to set up accounts for different needs. The goals and objectives of Different investments are often divided between appropriate accounts. Investment methods can be much different for retirement than speculating using options.

Separating the accounts physically is a technique to minimize the differences in investment strategy and goals. It is common for individuals to have an account that is more aggressive or takes on greater risk than retirement or college funds. The differences in the psychological and mental approach make it necessary for most to have multiple trading accounts.

The basic rule of Divide, Diversify and Different accounts should apply to all investors. A trader with a minimal account has to be especially careful because investment mistakes can be catastrophic to survival. A solid investment plan based on percentages can be translate discipline to accounts large and small.

THE SECRET TO UNDERSTANDING ETFS? THINK NEW-AGE MUTUAL FUND

The development of the ETF, Exchange Traded Fund, marketplace has changed the investment landscape. Now investors and traders have an investment vehicle with the flexibility to enter or exit like an individual stock but the with the diversification possibilities of a Mutual Fund.

Over 100 million American households are invested in the stock market with Ira's 401K's or Mutual Funds. People have become familiar with stock indexes and sectors that those vehicles were designed to target for growth. As an extension, the ETF revolution with limitless market possibilities has enabled investors to transition and take advantage of some significant benefits.

Exchange Traded Funds can track a familiar stock index like the Dow (DIAmonds), S&P500(SPYders), or Nasdaq(NasdaQQQQ), and have the Flexibility to trade like a stock for long or short term investing.

Their performance should track the widely followed market segments but importantly without the high management fees of Mutual Funds. They can be traded and priced just like a stock with each share representing a percentage of the index or vehicle. The diversification and less individual stock risk is an important attribute that is especially important in times of extreme market volatility.

For active traders there is no need to wait until the end of the day as in Mutual Funds to exit or redeem shares. It is also an ETF advantage to invest anytime the marketplace is open from 9:30 to 4pm Eastern Standard Time. The ability to eliminate the end of day settlement for investment adjustments is a significant advancement for individuals and levels the playing field for all investors.

In addition, Exchange Traded Funds exist for numerous market sectors and investment niches. Almost any possible financial segment is represented from Biotechnology to Zinc. The individual ETF components are designed track that industry, financial instrument, segment, or natural resource. This revolution in Diversification has given all investors access to opportunities like the Chinese stock market to emerging technologies with high volume liquid instruments.

The stock market is broken down into ten major sectors within the S&P 500. Money flows into and out of these sectors as the investment conditions and fundaments change. A classic axiom of trading, Money isn't made or lost...it just moves, has been followed by professionals for decades with rolling into "hot" sectors for better returns. An ETF gives anyone that same opportunity to identify and invest in the specific areas of growth.

Another major advantage is the ability to trade in any market direction. There will be periods of time that investment classes fall as well as rise in value. Shorting takes advantage of that price movement to participate in an important reality of any financial

marketplace, downward movement. Exchange Traded Funds offer the ability to trade in any market direction and time frame based upon your individual investment plan.

Exchange Traded Funds offer many advantages for investors with a world of possibilities. The Diversification, Flexibility and No management costs make ETF's a natural part of any investment portfolio. Any financial interest or market segment can be targeted to give better returns for your personal investment plan.

HOW TO NOT BUY (OR SELL) THE NEWS-HYPE

Government reports, earnings, broker upgrades, and news information is CONSTANTLY being released in the marketplace. The data overload can lead to emotional trading for those who react to barrage of micro price movements. In reality, most events are already discounted and priced into the market.

It is important to understand that financial markets are forward looking and current information is often already reflected in current prices. The release of government financial data and corporate earnings announcements is anticipated by the investment banks and professional traders. Unless the actual numbers are dramatically different than EXPECTATIONS the reaction is often muted.

That is not to say that there are not opportunities to profit and lose when this data is released. The purchase of a straddle or strangle option strategy can take advantage of either a significant move in one direction or another. In order to profit the move needs to exceed the total premium paid for the position. Without a major reaction to the information the straddle/strangle doesn't achieve its goals but is a limited risk position when purchased.

The strategy of selling a straddle or strangle is attempting to take in that risk premium and have a modest response to released data. Sometimes options can become inflated by increased demand prior to a stock earnings release. The downside is that the selling strategy has a profit limited to the option premium received with unlimited risks. After the crucial data is disseminated the volatility can lessen if there is no reaction.

Even if someone had the information prior to it being released it would still be very challenging to make profitable trades from it. The million dollar question is how the market is going to react, not the actual data numbers. Analysts and investors have executed their trades based upon what was expected. Buying and selling has already occurred and unless the information is dramatically different the trend moves on.

News can be Noise, and the overall trends for different time frames are more important to identifying high probability trading candidates on a consistent basis. We may see some short term increase in price volatility immediately but rarely does that change the overall trend. Often times the overall trend is accelerated. In the instances where the numbers differ from expectations it is vitally important to have a disciplined trading plan in place. Getting stopped out is a desired outcome when markets reverse.

The momentum behind trending markets is a powerful force. The laws of physics; a body in motion will tend to stay in motion unless acted upon by an outside force, a body at rest will tend to stay at rest unless acted upon by on outside force, have relevance when investing in the securities market. The force that moves markets can be news or more often a lack of contrary information to let trends remain intact.

The most important reality of trading is not what cause markets to move but rather having a plan to deal with it. The number one goal for professional traders is to control risk. Proper money

management and having a trading plan will ensure discipline in order to have long term success.

The nearly 24 hour world of trading is efficiently digesting all of the information and reflecting the buying and selling in the PRICE. Trade with the trends and with good money management and you can let the news stir up others' emotions. Let the news fuel the trends and profit from built in expectations and direction.

LIFETIME OPTIONS THAT NEVER EXPIRE

With the significant market declines in the fall of 2008, many stocks were trading at multi year if not decade lows. The history making volatility made option premiums more expensive in relative terms because of the market uncertainty. Because of this fact the limited risk attractiveness of purchasing options was offset by the higher costs for that protection.

With a nearly 50% drop in stocks from the highs of October 2007 options had inflated dramatically in price. The demand for puts in a volatile environment forced premiums higher much like flood insurance increases after the destruction to property. While damage had been inflicted, investors could still get protection from further losses by buying options but paying up for it.

At some point traders will look to participate in a recovery to the upside. Nearly as difficult to determine when that is going to happen is how to take advantage of the situation. Buying calls in an inflated premium environment can work against investors when that volatility subsides and prices move closer to historical norms.

Think of volatility as a balloon. When the risks of large market moves are high, the balloon is fully inflated and options are expensive in relative terms. As the market stabilizes the air comes out and that volatility component is less of the option price. So if you are an option purchaser is very possible to be correct in choosing market direction but lose overall because of decreasing volatility.

The Standard and Poor's 500 index is often used by professionals to measure overall investment performance. As a market barometer, this basket of companies comprises over 70% of the total market capitalization of all stocks traded in the United States. The major market correction appeared to some as an opportunity to take advantage of cheaper share prices as the index hit over 10 year lows.

At one time in November 2008, over 115 of the S&P 500 stocks were priced at $10 or less. Risk can be measured strictly in dollars rather than percentages but cheaper stocks have less to fall in comparison to high priced stocks. If an investor is prepared for the worst case scenario of the shares going worthless, inexpensive stocks offer an investment with limited dollar risk.

Well known names like Citigroup, Etrade, Ford, General Motors, and Starbucks suffered greatly and have traded in the single low digits. These companies could go bankrupt and that stock would be worthless. For some they are an opportunity to trade a large amount of shares with less money and without any time constraints.

Typically buying options can be way to control a large amount of stock with a smaller dollar investment. In addition to the volatility mentioned above, time value is another major component in the option price. Because of a larger window of opportunity for the market to move in your favor, the more time that is purchased will increase the expense of that option.

The passage of time can be costly for those that purchase options. As any trader will acknowledge, timing is the key, but with options it can be everything. Options will have zero value at expiration if they are out of the money.

While it is never good investment advice to buy a stock just because it is cheap there are opportunities that some traders cannot pass up. The limited risk benefit of an option can be offset by the decaying time value if not precise with entry into the position. For some investors that total potential premium spent can buy shares that will never expire and be profitable if and most importantly whenever the company recovers.

SPOT VOLATILITY OPPORTUNITY IN 30 SECONDS

To generalize, investors and traders typically want price movement. A stagnant market doesn't offer as many opportunities to profit with tight price ranges.

Volatility is Opportunity pure and simple... As a market moves, the window expands to capture a piece of it.

The buy the dip mentality of the past few years has conditioned some to load up on calls after a correction has knocked the market down hard. (This strategy has been successful with new higher highs after each major sell off since 2009. Past performance is not indicative of future results and it will hold true only until it doesn't). As with everything in life, timing is key when buying bullish positions in the face of heightened selling fears. The increase in volatility makes options more expensive in relative terms.

Choosing when to buy is obviously crucial as is what to buy...The option strike also has much to do with success.

An out of the money option has no intrinsic or real value. Though the direction may be right, an OTM option bought in a heightened volatility environment can lose value even when the stock moves correctly in the right direction.

The option premium was flattened by the increase in uncertainty that dissipates after the stock stabilizes.

To limit the impact of volatility when buying options use the In-The-Money strikes.

They have real value and only a small portion of the option price is time value.

The volatility component is less sensitive and not deflated significantly when the stock moves up in the desired direction.

RISING TRADING STARS YOU NEED TO FOLLOW

Trading is tough. Making money trading is even tougher. For inspiration, tips, and good ole fashion competion you should follow some of tradings next biggest stars. In no particular order:

NITIN SAIGAL (33)

CIO at Kora Management

Kora Management began when Bridger Management analysts, Nitin Saigal and Dan Jacobs, left to pursue their own venture. With $50 Million from Bridger, the two quickly built a dynamic firm with interests in Asia and Latin America. Today, Kora manages over $300 Million in assets, with an ever-growing stake in Indian mobile technology.

RYAN ISRAEL (29)

Pershing Square

One of Forbes' 30 under 30, Ryan Israel left Goldman Sachs to join Pershing Square at the ripe old age of 22. Before joining Pershing, the Wharton graduate, who holds a degree in Economics, oversaw assets mainly in technology, media and telecom sectors. Today, he analyzes a variety of assets with a commitment to value investing that was inspired by his hero Warren Buffett.

Kevin Kaiser (28)

Hedgeye Energy

At 26, Kevin Kaiser aggravated Wall St. with a message to his investors that energy-giant Kinder Morgan was overvalued. He recommended a short, which led to a sharp decline in the company's stock price. Today, the brazen energy sector head at Hedgeye continues to make noise with a Twitter account that proclaims: 'I'm the guy that does his job, you must be the other guy.

Jessica Reed Saouaf (37)

Managing Director and Director of Research at Hall Capital Partners LLC.

Ms. Reed Saouaf has enjoyed a long tenure at Hall. Starting with the company in 1999, she dealt primarily with private equity. She's since worked with distressed investments, equity hedge fund investments, and today she oversees the firm's research. At 37, she's already accomplished what accomplished professionals accomplish in a career, and with Hall Capital managing assets worth nearly $30 billion, Ms. Reed Saouaf isn't done yet.

CHAITANYA MEHRA (28)

Och-Ziff Capital Management

Mr. Mehra left Goldman Sachs to join the $39 billion hedge fund Och-Ziff Capital Management . As a portfolio manager at Och-Ziff he focuses on energy trading. Earlier this summer, amid falling oil prices and an impending credit crunch on leveraged oil companies, Och-Ziff sold a substantial share of its energy sector holdings, but the goliath trader, and one of its star managers, shouldn't be expected to stray too far from energy for long.

KEITH MEISTER (42)

Corvex Management

Mr. Meister is the CIO and Managing Partner at Corvex Management LP. Known for being 'combative', 'combustible' and relentlessly 'activist', the 42-year-old trader has racked up an impressive list of board memberships in energy, technology, pharmaceuticals, gaming and home security—and conquered a fair share of them. Today, Corvex manages over $7 billion in assets and continues to gain traction thanks to Meister's aggressive leadership

.

ALEX DENNER (46)

Sarissa Capital Management

Like Keith Meister, Alex Denner is a protege of Carl Icahn. And like Meister, Denner is meticulous and aggressive. But Denner, who holds a Ph.d. in Biomedical Engineering, places most of his energy and expertise in healthcare and pharmaceutical sectors. Sarissa Capital Management LP, which he founded and where he serves as CIO, manages around half a billion dollars in assets in healthcare, and consistently finds winners in a notoriously volatile and highly-regulated market. Denner's biomedical training has, no doubt, proved to be Sarissa's most valuable asset.

FREE STOCK SCREENER ROUND UP

Yahoo Finance

Yahoo finance provides comprehensive search options for share prices and valuation ratios. This screener allows you to hone in on the stocks in your price range for any given industry.
https://screener.finance.yahoo.com/stocks.html

MarketWatch

MarketWatch provides streamlined filters that allow you to look up stocks according to price, volume, fundamentals, technicals and industry.

http://www.marketwatch.com/tools/stockresearch/screener/

Google Finance

Every country, currency, exchange and sector is included in Google's screener. And you can look up funds according to price, ratios, yield, margins, growth, etc. The breadth of Google's screener is not surprising, given the company's internet-altering search engine.
https://www.google.com/finance/stockscreener

Google Search Finance

Finance Stock Screener

Markets
News
Portfolios
Stock screener
Google Domestic Trends

Recent Quotes (180 days)
You have no recent quotes

United States | All exchanges | All sectors | US Dollar ($)

Criteria | Company Distribution

Market cap: 0 – 150.05B
P/E ratio: 0 – 1861
Div yield (%): 0 – 9M
52w price change (%): -101 – 3901

Add criteria | Reset

1 - 20 out of 31533

Company name	Symbol	Currency	Market cap	P/E ratio	Div yield (%)	52w price change (%)
01 COMMUNIQUE LAB IN	OCQLF	$	25.31M	-	-	-
0373849 BC LTD	ZBLFF	$	-	-	-	-
1-800-ATTORNEY, Inc.	ATTY	$	770.00	-	-	-
1-800-Flowers.Com Inc	FLWS	$	550.61M	29.28	-	15.80
1-PAGE LIMITED	PGQWF	$	-	-	-	-
1000 Rocky Run Parkway Branch	FBOD	$	-	-	-	-38.92
1010 PRINTING GROUP LTD	PTRGF	$	-	-	-	-
11 Good Energy Inc	ELVN	$	-	-	-	-
123CSS Corp	CSYS	$	600.00	-	-	0.00
12545M207	CHYHY	$	7.24B	-	-	-
1347 Capital Corp	TFSCU	$	-	-	-	1.79
1347 Capital Corp	TFSC	$	58.29M	982.00	-	-
1347 Property Insurance Holdings Inc	PIH	$	46.49M	-	-	-7.14
141 Capital Inc	ONCP	$	145,420.00	-	-	-80.00
1608557 Ontario Inc	OTROQ	$	-	-	-	-75.00
1847 Holdings LLC	EFSH	$	-	-	-	-
1867 WESTN FINL CORP	WFCL	$	-	-	-	-
1PM Industries Inc	OPMZ	$	15.01M	-	-	-97.27
1ST CAPITAL BANK CA	FISB	$	39.43M	-	-	-
1ST SUMMIT BANCRP PA	FSMK	$	-	-	-	-

CNBC

CNBC provides screeners for Large Cap Growth, Small Cap Value, High Dividends, 'S&P 500 Dogs', and 'Solid Companies'. It's not as user-friendly as Yahoo, but not as overwhelming as Google.
http://www.cnbc.com/stock-screener/

STOCKS

STOCKS | DOW 30 | NASDAQ 100 | SECTORS

Stock Screener

Stock Screener Home | Custom Screener | Saved Screens

CREATE CUSTOM SCREEN

Click the "Create Custom Screen" button to build a custom stock screen based on criteria you select.

Solid Stocks Solid Companies
Are you looking for stocks that can be steady performers in most market conditions? Check out these stocks.
GO TO SCREENER

S&P 500 Dogs
A twist on the old classic. High dividend yields on large cap companies can be a signal for a turnaround.
GO TO SCREENER

High Quality High Dividends
Are you looking to take advantage of the tax break on dividends? These stocks might be what you're after.
GO TO SCREENER

Small Cap Value
Do you think it's time for Small Cap Value to make a run? Check out these stocks.
GO TO SCREENER

Large Cap Growth
Do you think it's time for Large Cap Growth to make a run? Check out these stocks.
GO TO SCREENER

RECENT SCREENS

Date | Screen Name | Delete

No saved screens

Zacks

The company that powers Nasdaq's stock screener provides a stock screener that includes its own ranking system, as well as broker information. A good tool for curious newcomers to trading.

http://www.zacks.com/screening/stock-screener

Reuters Stock Screener

Reuters' screener emphasizes global markets and industries. Find the overachievers in oil & gas drilling in Qatar, or the up-and-comers in European wool.

http://stockscreener.us.reuters.com/Stock/US/Index?quickscreen=gaarp

TRICK FOR TRADING THE OPEN

While many markets trade primarily electronically at this point, some markets, such as the SP500 futures market, still trade in the pit as well.

For many e-mini SP500 futures traders, the pit session open can potentially be a useful tool in gauging market direction and sentiment.

The thought process behind this is ridiculously simple, and there is no need for you to go out and try to re-invent the wheel.
The rule is this:

If the market is trading above the pit open, look for longs. If the market is trading below the pit open, look for shorts...
That's it...

Let break it down:

If the SP500 futures pit session opens at 1980 and trade begins to take price higher to 1982, 83, 84, then look to be a buyer.

If the SP500 futures pit session opens at 1980 and trade begins to take price lower to 1978, 77, 76, then look to be a seller.

The premise is simple. If the "big players" are buying, you want to be buying as well. If the "big players" are selling, you want to be selling as well.

While some might consider the open a difficult time to trade, the open can, in fact, provide some of the best trading opportunities of the day.

The big players in the market will show their cards at the open when they are most active. Learn to read their hands and try to take advantage of it...

FUTURES SPREADS SIMPLIFIED

If futures spreads are not part of your trading plan, you may be missing the boat.

In fact, for the smaller retail account crowd (of which you are likely a part) spread trading can have some significant potential benefits. Let us preface this by saying that spreads are no less risky than trading outright contracts.

Spreads may potentially, however, offer a way of trading with lower margin requirements, better trend potential and better potential ROI. In addition, spread trading focuses on the relationship between two contracts rather than market direction.

Let's face it...If you were that good at forecasting market direction you likely would not be reading this right here right now...

So here it goes...

If December 2015 corn futures are priced at a significant discount to December 2016 corn futures, a trade opportunity may potentially exist.

Let's assume that the spread between these two contracts has widened out to $.25 per bushel. In other words, December 2016 corn is priced $.25 per bushel higher than the 2015 contract. Let's further assume that you believe that near-term demand for corn may increase given recent poor weather conditions. You may conclude, therefore, that the 2015 corn contract is likely to rise, while the 2016 corn contract is likely to fall-or a combination thereof.

In this case, you could simply buy the 2015 corn contract and simultaneously sell the 2016 contract at a spread of $.25 per bushel.

If the spread begins to narrow, you will potentially make money on the trade. If the spread continues to widen, you are wrong on the trade and will be losing money.

Whether corn goes up or down, you are simply concerned with the relationship, or spread between the two contracts...

Spreads have a tendency to trend, and can potentially provide solid trading opportunities that may not move as quickly as an outright long or short position in the underlying.

DEMYSTIFYING TIME DECAY

If you are considering using options within your trading arsenal, it is imperative that you have a full understanding of what makes options tick. Options values and modeling can become quite complicated, yet options do in fact also follow some very simple rules. For the trader that is new to options, one of the most critical elements to understand is the element of theta, or time decay.

Options are a wasting asset, and as such, they literally "bleed" value as they approach their expiration dates (assuming they are out-of-the-money).

Theta measures the rate of decline of an option's value due to the passage of time. All other things being equal, an option will lose value as it approaches expiration. This rate of decline is exponential in nature, speeding up as the expiration date approaches.

Here's how it works:

Options have two types of value: Intrinsic value and extrinsic value Intrinsic value is any value the option has from being in-the-money Extrinsic value is the time value of an option.

As an option gets closer to expiration, extrinsic value decreases until the option expires worthless or if in-the-money is exercised or settled for cash.

Some key considerations to take into account include:

- If you are net long options, theta works against you
- If you are net short options, theta is your friend and works in your favor
- Theta accelerates exponentially as expiration approaches
- Out-of-the-money options are comprised of extrinsic or time value only

EXAMPLE:

The mini SP500 futures contract is currently trading at the 2000 level. Investor Bill believes it will go higher, and decides to purchase the out-of-the-money front month 2020 call option for a premium of 1 point, or $50 in this case. This $50 premium is comprised entirely of time value.

One week after Bill purchased the call option, the mini SP500 futures contract is still trading right around the 2000 level. Now, however, Bill's long call option has lost over half its value, and is only worth $20. All other inputs have remained constant, and Bill's option has lost value due to the passage of time.

Conversely, the trader that sold the call has seen theta work in his or her favor. If they sold the call for a premium of 1, ($50), and it's now only valued at $20, then he or she has a "paper" profit of $30. If the option ends up expiring worthless, Bill will lose his entire $50 investment while the trader that sold the call will make $50.

When it comes to options trading, you can be right but still be wrong. The effects of time decay must be considered when looking at potential strategies and positions.

SHORTCUT TO THE BULL CALL SPREAD

The Bull call spread is a long options position with a bullish bias. The bull call spread may have several advantages over the purchase of outright long calls including less sensitivity to time decay (theta) as well as implied volatility (vega). A bull call spread, whether it is used with stock options or options on futures can potentially provide more efficient use of capital. It is important to note, however, that while a bull call spread may limit risk, it also limits potential gains.

Here's how it works:

Look for a market that you are bullish on at current levels

Look for a call to purchase that is at or near the current price or that is where you think prices are likely to go

Sell a call option that is deeper-out-of-the-money than the call that you purchased

Decide on an exit point of the trade goes against you

Decide on a point at which you will take profits

There are some key considerations to take into account when using a bull call spread. Some of these issues are:

- The spread is usually put on as a single trade. In other words, you can initiate the position with the call purchase and call sale together for a net price.
- You can also "leg" into the trade if you are a more sophisticated trader.
- Bull call spreads are debit spreads; therefore it will cost you money to put one on.
- Your maximum gains are limited to the difference between strike prices minus the premium paid for the spread.
- If the market is between the strike prices at expiration, your long call may be exercised into a long position in the underlying instrument.

EXAMPLE:

Investor Bill has been watching crude oil futures drop from $80 per barrel to $50 per barrel in just a few months time. Bill believes that oil is not likely to fall below $50 per barrel and he wants to take a bullish position. The at-the-money $50 call options (with 60 days until expiration) are quite expensive, trading for a premium of 500 or $5000 per call option. Bill decides to initiate a bull call spread and purchases the two month $52 call option for a premium of 300 or $3000 and sells the two month $57 call option for a premium of 100 or $1000. Investor Bill's net outlay for the trade is $2000. This amount represents his maximum exposure on the trade (not including commissions and fees). The profit potential of the trade is limited to the difference in strike prices $57-$52 equals $5 minus the premium paid of $2000. Therefore, if crude oil is above the short strike of $57 at expiration, Investor Bill can make a maximum profit of $3000 not including commissions or fees.

A FUTURE AS GOOD AS GOLD

Like many investors today, you may be looking to add further diversification to your portfolio. Perhaps you are also looking for additional asset classes that may provide peace of mind.

Perhaps you should consider an allocation in physical gold...

Why Gold?

Consider this for a moment:

Gold has been considered a reliable store of value for thousands of years

Gold carries no counterparty or default risk

Gold may potentially offer protection from inflation as well as deflation

Gold may potentially increase in value continuing its long-term uptrend

Gold may potentially increase in value during times of economic or geopolitical stress

Gold may potentially hedge against falling paper currency values
Could gold decrease in value?

Absolutely...

Gold is, however, of limited supply. Demand for gold has remained robust. Do the math: Strong demand with limited supply could possible equal higher prices.

As a long-term investment, however, perhaps the greatest potential benefit of physical gold ownership is peace of mind.

Gold is exchanged all over the globe and could potentially be used instead of fiat or paper money.

Knowing that you own a liquid and exchangeable asset should the need arise may help you sleep better at night in this uncertain world. And it's never, ever, ever been easier to begin building a precious metals portfolio.

You can simply buy gold from an online dealer or work with a precious metals dealer that specializes in gold IRA accounts.
It's so easy to begin acquiring physical gold today that even a newbie can figure it out.

If you are concerned about protecting your wealth and desire the potential peace of mind that physical gold can provide, consider an allocation in gold or other precious metals today.

RETIREES SECRET WEAPON: SELF DIRECTED IRA

One of the most powerful tools wealthy people take advantage of is a Self Directed IRA. The reason is simple: Ultimate Flexibility.
The best part is that this tool is it's something you can take advantage of as well.

It's simple...

Let us introduce you to the self-directed IRA account.

A self-directed IRA account empowers you to make the investment decisions that you want to make.

Want to invest in physical precious metals like gold and silver? NO PROBLEM

Want to invest in land or real estate? NO PROBLEM

Want to trade futures within your IRA? NO PROBLEM

Setting up a self-directed IRA is so easy even you can handle it.

The process goes like this:

Pick a self-directed IRA custodian who will hold your funds.

Transfer funds or assets to said self-directed IRA custodian.

Pick your investments

Direct your custodian to make such investments
Hopefully reap financial rewards

That's it...

Of course, you will want to check what asset classes are permissible within a self-directed IRA account.

You will want to compare custodians for fees and expenses and customer service.

You will want to choose your investments widely based on your objectives and risk tolerance.

Any Questions? Talk to your own tax professional.

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7 FUN FACTS ABOUT FUTURES TRADING

Like New York is the global focus for the stock market, Chicago is the center of the commodities world. Legends and lore need to be passed on as the new generation of electronic traders so they do not lose sight of futures markets history that made the city great.

1. The world's first futures exchange started in 1848. The Egg and Butter Board started in 1898 as an offshoot of the Chicago Produce Exchange. It was reorganized as the Chicago Mercantile Exchange in 1919. Agricultural contracts dominated until financials took over with the creation of the Bond futures contract in the 1970's forever changing the game.
2. Live Hogs were renamed Lean to make the pork product more appealing as weights came down dramatically with better animal genetics. Frozen Pork Bellies stopped trading in 2011 because year-round demand for bacon changed market needs. Broiler Chicken contracts never caught on because a lack of price movement volatility didn't make hedging necessary.
3. A Bull market is up because the animal raises it head and horns to attack. Conversely, a Bear market is down as the method of swinging arms and claws to punish foes. Chicago's sports teams are offshoots of these exchange symbols, Cubs, Bears, and Bulls.
4. Ceres the goddess of grain on the very top of the iconic Chicago Board of Trade lacks a face because at the time of construction it wasn't thought other buildings would ever get high enough to see her closely. Build in 1885 the LaSalle Street CBOT was Chicago's first skyscraper and first commercial building to use electric lighting. The Ceres café inside the CBOT has the strongest liquor pour in the city according to Chicago food and drink publications.
5. Smoking used to be permissible on the exchange floor back when hats were everyday attire. In the 90's cell phones were banned on the floor, a restriction now lifted as the technology for everybody was advanced. A message chain was formed between the main trading room and the Mid-Am exchange where two traders would yell quotes down the hall to pass price information.
6. The CME group trading pits are in the Chicago Board of Trade Building. The Board of the CME Group is headquartered are at the old Mercantile location blocks away on the river with no traders in sight. The CME group bought out the CBOT, NYMEX, COMEX, NYBOT and KCBOT moving trading online.

7. At one time the CBOT was known for the most millionaires per square foot of anywhere in the world. The immense physical space that used to house thousands of traders is so large it can hang two 747 airplanes from the ceiling. The Chicago Board Options Exchange, the world's leading equities and index options house, started in an office at the CBOT. Disco was once king as the Soul Train dance show once taped on the 43rd floor.

BEAT THE STREET – EARNINGS HACK

The daily deluge in earnings season can be overwhelming and truthfully there are only a few data points that are important and worthy of your time...

The Heartbeat of Earnings and Revenue Data

Each quarter the earnings and revenue data fundamental drives the performance of stocks and has a significant impact on share prices. This highly anticipated information is scrutinized by nearly everyone and is used to evaluate corporate performance and the data is used to determine the health of the stock.

Although media makes a huge deal out of earning reports the reality is that the market often prices in the earnings and revenue expectations with little reaction if they are near consensus estimates.

Savvy traders know that price action is impacted by opinions prior to the number, reaction to the actual data release, and to the future financial outlook guidance.

There are Three Phases of Quarterly Data:

1. Prior to Release – Stocks can move in anticipation of the actual data. Whisper numbers and unusual options activity often are a TELL of what the insiders think they know. The price action prior may reflect market participants positioning OR profit taking/short covering ahead of the data.
2. Reaction to Reality– The hard data of Earnings Per Share and Revenue is instantly compared to analyst estimates. A Street beat, meet or defeat pushes prices if different than expected.
3. Future Guidance– Adjustments to previous forecasts by the company are closely watched by investors. A pattern of lowering expectations so that the expectation bar to hurdle is low next quarter has become commonplace.

Want to know what I do to predict a stock move before an earnings report... It's really simple but very effective...

I go to the options and check in on the action of the nearest term expiration. I take a look at the call and the put prices (Straddle) and if the calls are overvalued more than the puts than their is bias the market is going to go up. If the puts are showing a ton of volume and the prices are higher than the puts, I expect that stock to sell off.

Then, to get Take the stock price and divide by the At The Money Call and Put straddle premium.

This technique is the percentage measured move (not direction, either up or down) priced in.

Note...

Revenue numbers have become increasing important with the recent history of many companies consistently beating EPS. The bottom line growth in sales has not been as robust. Misses on revenue have become more commonplace though EPS typically achieves expectations.

More times than not, the market moves along its merry way not surprised by earnings or revenue data… just be aware of quarterly news (hype) and use my favorite technique to get you the insight you need to be a better trader.

WHAT COULD DRIVE A 2016 RALLY IN GOLD?

Gold has been under pressure for some time now. As the first interest rate hike by the Federal Reserve is upon us; the gold market may potentially carve out another low before finding more solid footing.

The notion of the first increase in interest rates in nearly a decade has weighed on the yellow metal. The dollar index has been on the rise as well as the euro currency has continued to move towards parity with the U.S. currency.

Stocks have been moving back towards all-time highs and risk appetite remains robust.

These factors beg the question: What could possibly drive a significant rally in gold this year?

While we are of the opinion that there are numerous issues that could potentially fuel buying in gold and the precious metals complex, below are three key issues we see potentially driving buying in gold this year:

Inflation/deflation:

The globe has been awash in cash for some time now. Loose monetary policies in the U.S., European Union and elsewhere have flooded the world with capital. While all of the money printing and currency devaluations have thus far not spurred on inflation, at some point price pressures will come to roost. This could begin to occur sometime this year, if and when oil prices begin to stabilize. On the other hand, however, if the spiral of declining commodity prices does not come to a halt this year; investors may buy gold and other precious metals to potentially hedge against deflation.

Equity market sell-off:

Stocks have been marching higher for years now with seemingly nothing standing in their way. Even after a significant sell-off in August and September of this year, the U.S. stock market has recovered and is currently not far from all-time highs. We do not expect this trend to continue. As the Fed initiates lift-off, it is plausible that investors may begin to pull cash out of stocks. As rates go up, the competition for investors' capital will increase. At current levels the risk/reward in stocks may not be enough to continue to drive equity buying. In our opinion, as the tightening cycle gets under way; investors are likely to begin looking for more alternatives and gold and silver may represent a significant bargain at current levels.

Further changes in the global balance of power: As the world's second largest economy, China will continue to play a large role in the global financial landscape. With China's currency recently being admitted to the IMF's Special Drawing Rights and with China continuing to buy large amounts of gold bullion, we suspect that the nation will continue to cement its place among the global economic elite. As further changes are seen in global trade and as more nations potentially move away from the dollar; investors may potentially seek out gold and other precious metals. These issues may potentially weigh on the dollar index and the greenback could potentially start moving lower again in the direction of its long-term trend.

Whatever the case may be, gold has a number of bullish factors at play-contrary to what many of the "talking heads" on television may say.

Whether it takes place in 2016, the following year, or the year after that; the gold market will shine once again.

Global debt, inflation and deflation and changing geopolitical landscapes can all play a hand in potentially higher gold prices. The only question is: Would you rather get involved in gold and precious metals at current price levels or wait for prices to rise substantially before buying?

If you own gold, silver or other precious metals already; now may be the time to add to your holdings. If you don't own physical gold or silver yet, we feel now is the time to get started.

You can even buy and hold physical gold and silver in your IRA account. In fact, this may be the best way to acquire and build a precious metals portfolio.

Don't wait for prices to go up...

Take a look at this company, they are doing some really incredible things to help investors protect their IRA portfolios :
www.advantagegold.com

AVOIDING THE HERD MENTALITY – 3 STEPS TO NOT BECOMING SHEEP

> "Ever wonder why fund managers can't beat the S&P 500? 'Cause they're sheep, and sheep get slaughtered."
> **–Gordon Gekko**

The "herd-mentality" has been studied throughout human history and is an all-too-common phenomena in modern financial markets. The majority of retail investors and speculators out there today are driven by fear and greed. Their trading and investment decisions are thus often driven by these two powerful emotions and not based on sound objectivity.

It's no wonder the vast majority of them lose money or fail to "beat" the market...

Fortunately, there are a few steps you can take to avoid falling into this trap:

1. **Do your own research:** It is imperative that you do your own research and work. Simply following the advice of others is not likely to cut it. Conviction in what you are doing is critical, and that conviction cannot be felt if you are following someone else's advice. Learn to research stock fundamentals on your own, identify chart patterns and use various technical indicators. The time spent educating yourself could potentially pay huge dividends over your trading and investing career.

2. **Trade your own strategies:** Just because stock market guru Bob tells his followers that trend-trading is the best way to go doesn't necessarily make it so. Many traders, for example, might be more comfortable looking for short-term gains through a counter-trend strategy. Whatever the case may be, it all comes back to conviction in what you are doing. If you don't have the patience for long-term trend following, a different strategy may be more suitable for you and may be easier for you to stick with.

3. **Take responsibility:** You are in control of your own destiny when it comes to trading and investing. It is your money at stake, not someone else's. Take responsibility for your money and learn to protect your hard-earned capital. Take the credit

for great trades and shoulder the blame for lousy trades. The markets don't owe you anything and neither does anyone else. Learn to look for good opportunities and above all else, focus on learning to manage your risk.

Don't be a sheep.

CUT OUT THE NOISE – AVOIDING INDICATOR OVERLOAD

While trading indicators can be useful, they are by no means a Holy Grail. In fact, traders will often rely on indicators too much. "Indicator overload" can lead to poor results, lack of decision making and conflicting signals.

If your trading space looks like this, you may be suffering from information overload...

Most widely used indicators are lagging indicators-meaning they are telling us about price action that has already occurred. If you consider this for a moment, how does the past help us make trades in the future?

Spoiler Alert: It doesn't...

While indicators may be good for smoothing data, the only thing that matters is price.

- If you go long and prices rise, you make money...
- If you go short and prices decline, you make money...
- If you go long and prices decline, you lose money...
- If you go short and prices rise, you lose money...

Price action is the only pure, real-time indicator that exists. Price action should be the center of your focus, not a bunch of squiggly lines on a chart.

The chart above is clean and crisp. It simply shows price action on top with volume on the bottom. Just by looking at this chart, one can see which direction prices are trending and where potential areas of support and resistance may be.

Trading is, after all, a game of buying support and selling resistance. Price action trading is commonly used by floor traders and tape readers.

Price action can be used with chart patterns and volume to formulate trading strategies independent of other indicators.

The use of a candlestick chart can also potentially be beneficial. A candlestick simply gives a clear visualization on price action as it develops. For example, a 30 minute candlestick closing in the top end of its range may be indicative of current strength. On the other hand, a daily candlestick trading near the bottom of its range may be indicative of weakness.

Price can do one of three things:

1. **Go up**
2. **Go down**
3. **Go sideways**

That's it...

Forget about all those fancy lines and oscillators on your chart for a while. Focusing on price action can potentially get you more in tune with the markets and may potentially lead to better results.

Do not let indicator overload cloud your judgement. Focus on price action and price action only.

And above all else: KISS. (Keep it simple stupid).

THE MYSTERY OF THE BACKSPREAD UNVEILED

The backspread is one of the more mysterious option strategies you can use to give you your desired exposure. While this strategy may seem confusing at first, once broken down, it's simply the sale of a call spread with the purchase of an additional long call. Ideally, you'd initiate this for a minimal debit or maybe a small credit so that you won't take too much of a loss if the stock tanks.

Here's a quick example:

Trader Joe believes that crude could potentially climb by $10 per barrel or more in the next 60 days from the current price of $40 per barrel.

He also realizes if producers decide to increase supply, prices could fall even further from current levels. Joe doesn't want to buy outright calls as he doesn't want his position to suffer the ill-effects of time decay.

Joe decides then a backspread is a good option. With oil at $40, Joe initiates a backspread by selling a $45 call and buying two $50 calls of the same expiration. Joe has essentially sold a $45/50 call spread and purchased an extra $50 call.

Joe can potentially make money in one of three ways:

1. The oil market moves beyond the position break even level of $55 per barrel.
2. There is a significant increase in implied volatility levels and thus the options garner larger premiums.
3. If the position is initiated at a net credit, Joe could keep this credit if all options expire worthless.

Maximum loss potential on the position is reached if crude oil is at $50 per barrel at expiration. In this case, Joe would lose the full, intrinsic value of the short $45/$50 call spread, plus any debit paid to initiate the position. If the backspread was initiated at a net credit, this credit would be subtracted from the intrinsic value of the short call spread.

Profit potential is unlimited and will gain point-per-point with the value of the underlying once above the break-even level. Generally speaking, it will take a significant move in the underlying to make money.

Ideally what you want to do is move the stock higher and quickly when applying a backspread. Even though it's a net credit spread, the trade does suffer from time value decay. If you don't want to wait to see results, just exit if and when a maximum money stop-loss dollar amount is reached.

Want to use backspreads? Good candidates are markets that could potentially see a large directional move and currently exhibit relatively low IV levels.

HOW TO CONSTRUCT A BASIC RISK REVERSAL

Instead of buying outright calls or puts, institutional traders might use a basic risk reversal, which is a mix of both calls and puts to structure a position. A basic risk reversal, however, has significantly more risk that simply buying long calls. It's a hedge strategy that can protect price movements, but it limits the profits you can make.

So Why Bother With a Risk Reversal?

For one, the sale of puts equalizes the time equation. The time decay that may erode the value of the long calls may be partially or completely offset by the time decay that may erode the puts.

Secondly, risk reversals may potentially take advantage of the volatility skew. Because puts may carry larger premiums than calls of equal distance out-of-the-money, such positions may be initiated at even money or for a credit.
How Do You Construct a Basic Risk Reversal?

You can do so in four steps:

1. Buy calls on the desired stock or contract
2. Sell puts on the desired stock or contract
3. Look to initiate the position at even money or for a credit
4. Manage the risk and position (Have an exit plan)

Options are typically bought and sold slightly out-of-the-money, although one can use options that are closer to or further away from the money.

Options having the same expiration date are typically utilized. However, you can use options with different expiration dates.

So What's the Best Strategy For Me?

When selling naked puts, the position will expose you to unlimited risk down to zero. However, such positions aren't for everyone, as you can lose more than your initial investment. You might also have to deal with large and rapidly margin requirements.

Make sure you keep in mind the following before making any decisions:

- You may potentially make money on both the long calls and the short puts if the stock or contract rises.
- If the market goes sideways, all options may simply expire worthless. In this case, you may not have a loss as the sale of the pits offset the purchase of the calls.
- If the market trades sideways and all options expire worthless, you may still have a profit.
- If the position was initiated at a net credit, that credit may be retained if all options expire worthless. The naked puts sold represent unlimited risk and must be carefully considered and managed.

Make sure you think through how much of a risk you want to take, as option writing isn't right for everyone.

4 TIPS FOR INVESTING IN ETFS

According to a Bloomberg Business report, more than 250 BILLION dollars flowed into ETFs with more than 275 new products introduced in 2015. That's an average of more than one new ETF per trading day in 2015.

In fact, heavyweights Goldman Sachs and John Hancock were among the twenty new insurers to get in the game. ETFs can now be found for most any sector or to target a specific investment arena.

What are ETFs?

ETFs are what's known as exchanged traded funds. They've been around since 1993, but saw traction about 3 years ago. They're like index funds, except they're commission free. Some of these have become merely trading tools, so many choose to get in on the most widely traded ones.

Is an ETF For Me?

ETFs are open for entry and exit anytime during market hours often

with extremely low management fees in comparison, compared to mutual funds. There are also less fees as well, which helps investors save money by not losing their hard earned money in fees. Tracking ETFs on well-known market measures like the S&P 500 can be used for passive investing at a very low cost. The SPY was the most active ETF trading, with nearly $100 billion in one session.

4 Tips to Get Started

Almost everyone can benefit from investing in ETFs. Here are some some tips to get you started:

1. **Invest or Trade** – Knowing your time horizon to help determine which ETF is most appropriate. A position in QQQ's could be held long term for years while the more aggressive Ultra Pro Shares three times bull or bear funds is much more dynamic.
2. **Diversify or Target** – A broad market ETF can lessen individual stock risk. The theory of a sector fund is to lessen exposure to negative individual stock movements while a broad selection of companies provides opportunity. The GLD ETF (gold), on the other hand is a higher risk/reward vehicle strictly as a function of the metal itself.
3. **Volume** – Not all ETFs are equal. Make sure the volume and bid/ask spreads are conducive to your risk control parameters. If short term entry and exits are critical the volume needs to be adequate to buy or sell seamlessly.
4. **Risk** – It's really important to understand your risk profile. Have set dollar amounts or percent that you want to risk. A disciplined plan prevents turning a trade into an investment that you hope recovers.

HOW TO GET THE BEST DEALS ON SILVER COINS

Whether you already own precious metals and have decided to add to your holdings, or you have decided to start building a precious metals portfolio, getting the best deals on silver coins is a great way to maximize your wealth generating strategy.

Want to know how? Here are 5 simple ways to do so:

1. **Buy only highly liquid coins:** Coins that are produced regularly and in vast quantities will carry lower deal premiums. Think American silver eagles, Canadian silver maple leafs and Chinese silver pandas.
2. **Buy in bulk:** What's the reason you get such a great deal on toilet paper at Costco? Because you have to buy it by the case, and buying silver coins is no different. Precious metals dealers will offer discounts based on quantity. Some silver coins, for example, can be purchased in 20 coin rolls. Buying 20 at once instead of 2 will lower the dealer premium attached to the coins and can allow you to get more ounces of silver coinage for your money.
3. **Buy online:** Online precious metals dealers do not have the overhead associated with running a brick and mortar store. This lower cost of doing business can translate to lower dealer premiums, and more savings for you.
4. **Shop around:** It has never been easier to compare multiple dealers from the comfort of your own home. Spend a little time "shopping" around and comparing dealer prices. Make sure that you are comparing the same products when looking at different dealers. For example, if you want to see who offers the best deal on Canadian silver maple leaf coins; make sure to compare the exact same coin (including mint year or condition etc.).

5. **Don't forget shipping:** Shipping and insurance costs for precious metals can add up. Just because dealer A has a lower coin price than dealer B doesn't necessarily mean dealer A is cheaper. You must also factor in any shipping and insurance costs to determine where you are getting the best overall deal.

GET YOUR OWN SHORTCUT

Want to know exactly what to do? Get your own shortcut.

It's not always easy to put theory to practice. That's why we're offering you the opportunity to request your own custom shortcut.

Have you been following a particular company or industry? Do you want to know the exact steps we'd suggest to be more profitable?

If you don't want to enter at the wrong time, misread the market, break even, re-enter, and get spit out at a loss, and quit trading for another three months, then this is for you.

I urge you as a profit-seeking investor to jump on this rare opportunity.

Get your own shortcut today by writing a detailed request to info@investingshortcuts.com