



Technical Charting Manual

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TECHNICAL ANALYSIS

We have a motto in which we wholeheartedly believe: “Don’t worry about what you THINK the market is going to do; worry about what you are going to do in response to the market.”

The market professionals, the specialists on the floor of the exchanges, don’t spend their time thinking about where the market might be going. They base their moment-by-moment decisions on current market actions.

Our philosophy of trading will teach you a whole new set of rules. We believe in the win-win situation. That is what our approach is all about – WINNING. If we can teach you to succeed, we succeed. What you will need to get onto the winning road is a consistent method of properly timing your entries and learning to control your two major enemies: greed and fear.

In this section we’ll explain some of the types of charts and other technical indicators of stock trends that will help you decide whether to buy or sell. It’s truly amazing what a chart technician can see on a chart that points him in the right direction. To the untrained eye, a chart might look like a blur of information that seems undecipherable. Once you have learned what the different indicators mean the true story of the stock will become apparent.

We are going to teach you a whole new set of stock market rules and provide information that will make the market less stressful and far more profitable. One glance at a chart is worth a thousand earnings forecasts and reports. We feel that understanding charts or stock movement at a glance is understanding a language that clearly describes a distinct past, present and possible future.

What is important to remember when trading the stock markets is the *when-to*, not the *how-to*. The *how-to* is the easy part; what you *really* need to be concerned about is the *when-to*. Combining the order flow information, as we discussed in the Level I course, with timing your trade and technical charting is the winning combination. We want to help you put as many factors in your favor as possible before you enter the trade. We’re conservative in the methods we are teaching in this section. Keeping things simple and following your rules will be the decisive factors in helping you to make money.

Keep in mind that we use charts as general background information to help us make our day-to-day, moment-to-moment decisions. We believe technical charting forecasts possible movement scenarios. Our technical charting tools are added to our trading system in order to fine tune our perceptions and reactions to what the market is actually doing. However, we do not believe you should view chart reading as a technical way to enter or exit a stock. There are plenty of technical analysts’ newsletters that will tell you to buy or sell based purely on their research. We feel this type of trading is somewhat risky and can lead to large losses, especially during transitional periods in the market. Therefore, we add technical charting to our arsenal of trading tools to minimize a trade risk.

You need to think of the whole picture. Visualize holding a coin in your hand. One side of the coin represents technical charting and the other represents order flow and rules. You cannot spend one half of the coin; you need the whole coin in order to use it. Thus it is with technical charting. A chart might look as perfect as perfect can be, but the market might have a different agenda. If you entered the stock based only on a technical entry point and did not take into consideration what the markets, sector and order flow in the stock were doing you might lose a great deal of money. That is why we like to keep things simple and base our entry decisions on the information we are receiving moment by moment. Analysis is for trading. It is just that simple.

TECHNICAL INDICATORS

Broad and narrow-based trend patterns can be tracked with technical indicators. The theory of technical analysis is grounded in the notion that volume and price dictate the state of the market and the market's psychology. The successful technical analyst understands that the mass psychology of greed and fear is intertwined with stock movements of both price and volume.

As people, we are predisposed to find order in everything we see. As you use charts, it will be easy, over time, to find all sorts of patterns in just about every one you see. However, through the material in this section you will begin to focus your attention on a group of important indicators that will help you decide *when-to* enter a trade. We will be talking about volume, price, momentum, moving averages, trendlines, support, resistance and some indicators that will help us understand *when-to* enter or exit a stock.

Please remember that our trading system is a learning process, not a get rich quick scheme. This is a process that takes time and serious effort on your part. If you are serious and want to learn how to consistently profit year in and year out, in all kinds of markets, then your commitment is necessary. Don't worry if you have never looked at a chart or drawn a trendline. You will, over time, learn and understand how to use our charting methods. You must practice working with charts on a daily basis in order to learn how to quickly see trading opportunities. It is extremely important to practice what you have learned. Just as learning how to drive only begins with the first lesson, becoming a good driver takes more practice than instruction. The same applies to our Technical Analysis course. Practice makes better.

It is important that you understand that we are a TEAM. The more you put into learning our system, the stronger a trader you will become. This is not a one-sided relationship. We provide you with the levels of education and communication you need to begin trading. We also provide you with our daily trades on the StockCam that will illustrate our trading style. You may ask us any question at any time. This should help to keep you on track and help you to quickly develop a trading style.

You must put your preconceived ideas about the market aside. We believe working from macro to micro is best and safest in active trading.

Although we do not ignore headlines (story stocks can be of enormous importance), we will for the time ignore headlines while paying strict attention to the message of stock movement. Stock movement is everything. This means the relevant information about a company's earnings - new products, management, current upgrades/downgrades, etc. - is already incorporated in the price of its stock. For example, it is highly unlikely that you will know about important company information and news ahead of time. Usually, once you have heard about the important news, it is too late to enter the stock with minimum risk. However, when you learn how to properly interpret what is taking place on the chart and within the market maker window, you will often be buying or selling with the insiders, without even knowing the actual stock news or information.

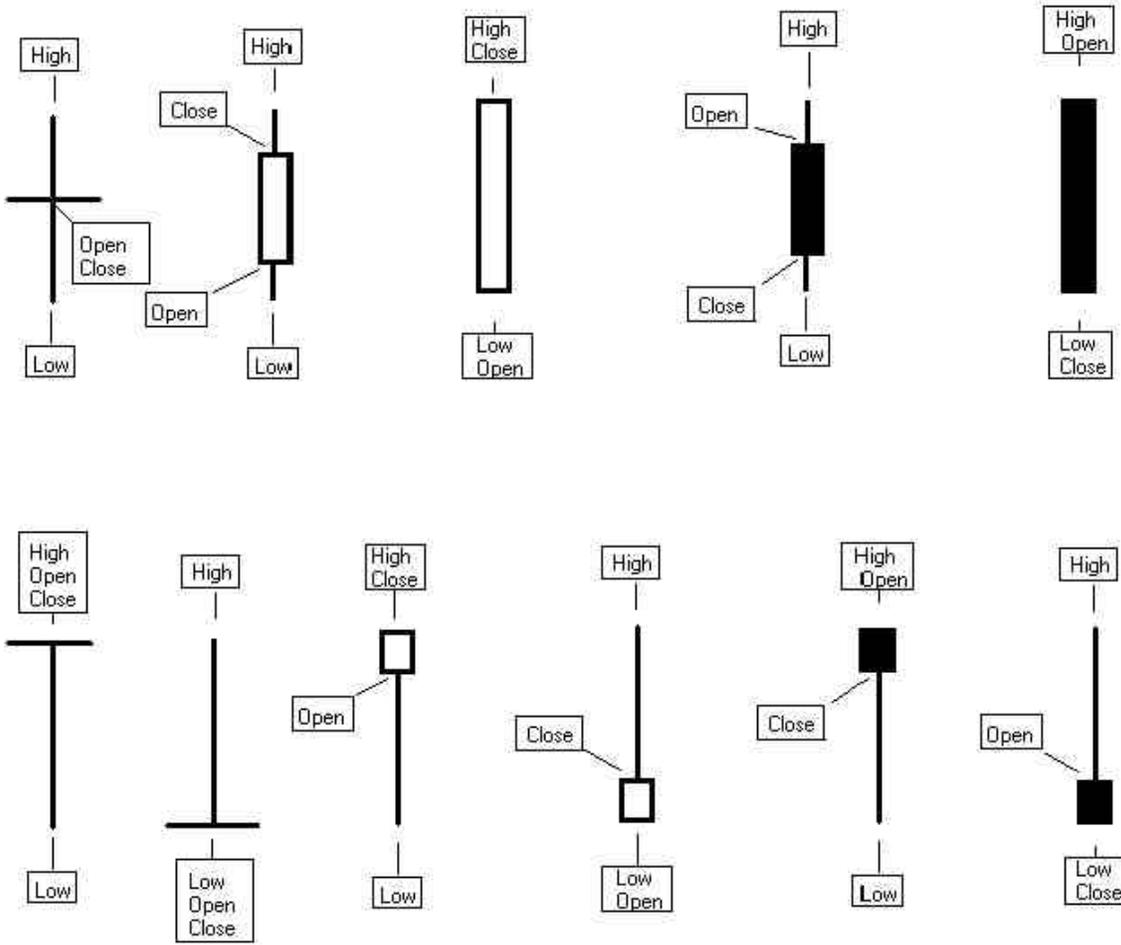
There are plenty of more complicated ways to analyze the market and more technical indicators to look at. Far more in fact than the ways we will discuss. But we want to avoid becoming too complex for one very good reason: The simpler a system is, the more people will understand and use it.

When a lot of people are doing the same thing, it works whether it should or not. When something already works, as technical analysis does, more technical analysts begin to use these standards, and this will make it work that much better. We urge you to abandon the idea that you need to learn every type of technical analysis. Learn one system that works and do it over and over again. You need to be able to determine very quickly, by looking at a chart, whether the stock has a place it wants to move to and whether you should be getting into the trade. If you analyze too much information you might lose the entry.

There is a saying in this industry, and we have seen this happen many times to traders: "Paralysis by analysis." If you make things too difficult you might lose your spontaneity in making the decision to enter the trade. This is the reason we want to keep things simple.

We also strongly believe that we only want to buy or sell stocks that meet our strict criteria or have demonstrated some serious order flow. This will be detailed in our StockCam CD. Relax and have fun while acquainting yourself with what we believe could be one of the most profitable lessons you have ever learned.

Japanese Candlesticks



TRENDLINES

Trendlines are possibly the most useful and valuable tool in the study of market trends. Trendlines are utilized in chart analysis to determine the slope of the market trend and assist in ascertaining when the trend is changing. For the purposes of this program, up trendlines and down trendlines will primarily be used. Up trendlines are drawn under the rising stock chart lows. Upward moving trendlines are drawn under the stock connecting the dips to easily target a possible entry point. Down trendlines are drawn above the declining stock chart peaks. Downward moving trendlines are drawn on top of the stock, connecting rallies to easily target a shorting possibility. Markets rise and fall at a given slope. Trendlines help traders determine the slope of a given stock.

When drawing valid trendlines, traders should watch for the stock to bounce off it several times. For example, in an uptrend markets will often pull back to the up trendline and bounce off it and make a higher high. Retests of an upward moving trendline often present excellent buying opportunities. In a downtrend, stocks will often rally up toward the falling trendline, presenting traders with short selling opportunities. It is significant when a trendline is touched at least three times and is often followed by a major move.

Trendlines speak volumes when they are violated, because the breaks signal major changes in the trend's direction. A break below an advancing trendline is bearish or negative, while a break above a declining trendline is bullish. It is also important to realize that the greater the slope of a given trendline, the less meaningful its break is on the downside. If you have a very steep advancing trendline slope, a break below that trendline may mean a stock is going to move up at a slower rate of advance. It does not usually mean the stock has stopped advancing. This is usually due to the fact that the stock's prior rate of advance was simply not sustainable and needs to gather momentum to move again. Conversely, the greater the slope of a down trendline, the less meaningful its break is when it moves to the upside. If you have a steep declining trendline slope, a break above the trendline may mean that a stock may move down at a slower rate of decline, but this does not usually indicate that it has stopped declining. The stock's prior rate of decline was simply not sustainable.

Minor trendlines have shorter-term timeframes. Major trendlines encompass longer-term timeframes. In any given stock, a trader will be able to draw several minor trendlines within a major trendline. The minor trendline will help identify when and where the trend might change, designating a trading opportunity.

The closer a trendline is to being flat or horizontal, the more negative the implications are when it is broken on the downside. The closer to horizontal the trendline is when it's broken on the upside, the more bullish or positive the implications are. Also important to notice is that the steeper the angle of descent of a declining trendline, the less positive or bullish its implications are when it is overcome. All this means is that the stock is now going to decline at a slower rate of descent.

When drawing trendlines it is important to capture at least 90 to 95% of the prices. If a trader cannot capture 90 to 95% of the prices because a new trend has begun, the trader should begin the trendline one level below in a downward line or one level above in an upward line. This will be clearly demonstrated during the program.

Trendlines, when drawn correctly and combined with other market information, help a trader ascertain when to enter and exit a trade.

DRAWING A PROPER UP TRENDLINE



DRAWING A PROPER DOWN TRENDLINE

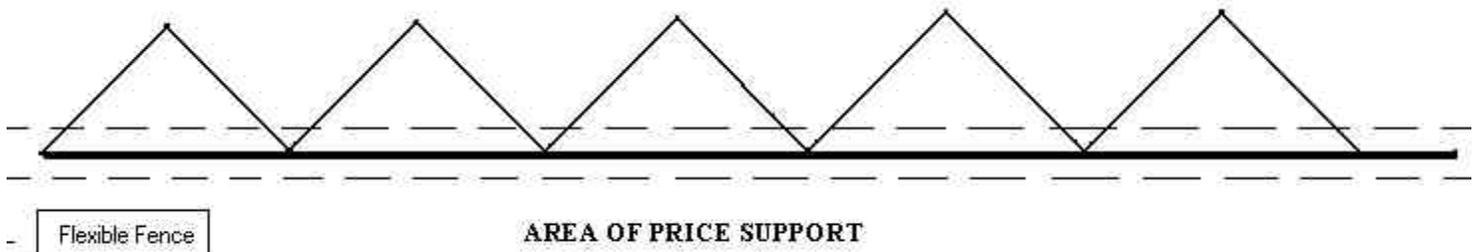


STOCK PRICE SUPPORT AND RESISTANCE

The concepts of support and resistance are the basic building blocks in understanding charts. They are the foundation of many highly accurate trading tactics and must be thoroughly understood.

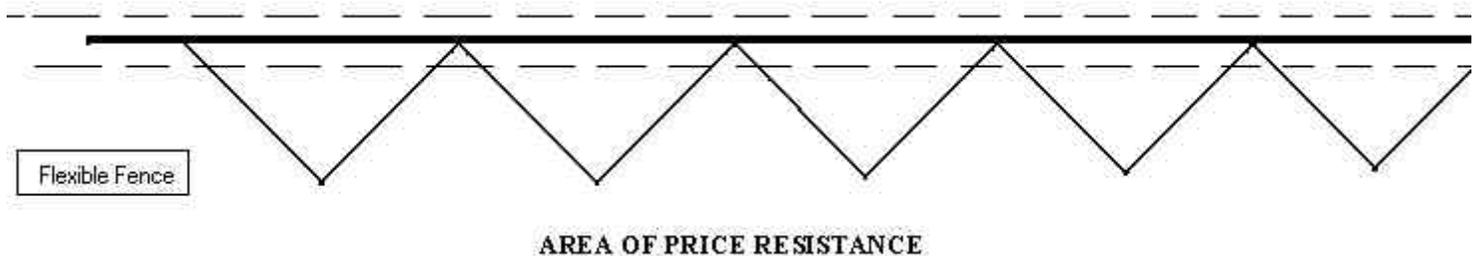
Support is a price level or area where buying demand is strong enough to interrupt or reverse the current downtrend. In other words, buying pressure becomes stronger than selling pressure. Because stocks have a tendency to drop faster than they rise, momentum can often carry the stock somewhat lower than its actual support. Support often acts like a flexible fence. It can bend below its true support, but traders should look for a bounce at this level, which may indicate support has held.

Support is represented on a chart by a horizontal or near horizontal line connecting one or more bottoms. On a chart, the solid line (___) represents support, and the broken line (----) represents a possible second level of support, which could be either just above or just below the actual support.



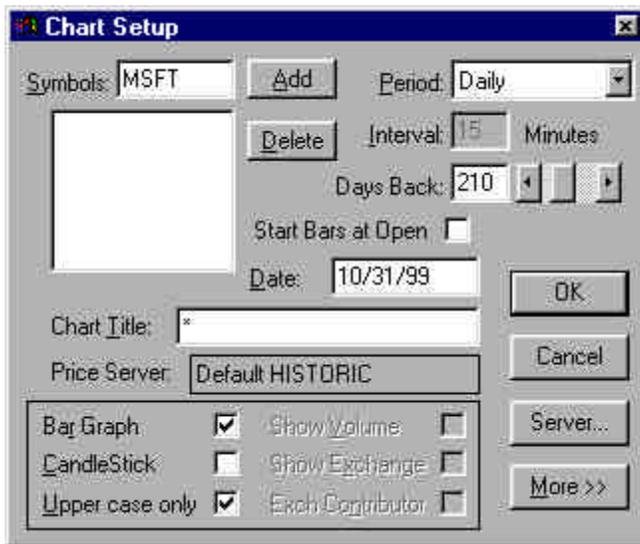
Resistance is a price level, or area, where selling pressure is strong enough to interrupt or reverse an uptrend. In other words, selling pressure becomes stronger than buying pressure. As buying pressure, or momentum, carries the stock up, it can trade somewhat slightly above its actual resistance. Resistance, like support, often acts like a flexible fence; it can bend beyond its true resistance. Traders should look for bounce at this level, which indicates resistance has held.

Resistance is represented on a chart by a horizontal or near horizontal line connecting one or more tops. On a chart, the solid line (___) represents resistance, and the broken line (----) represents a possible second level of resistance, which can either be just below or above the actual resistance.

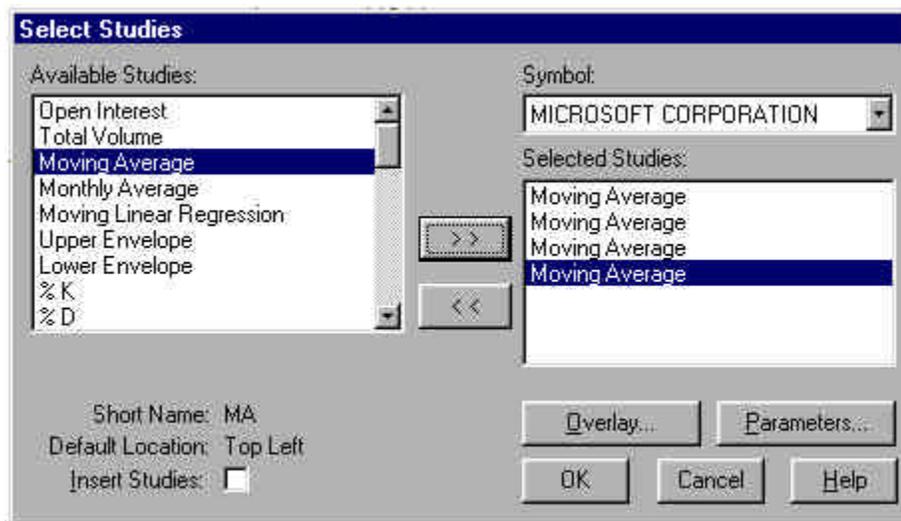


Creating your 210 Moving Average Chart:

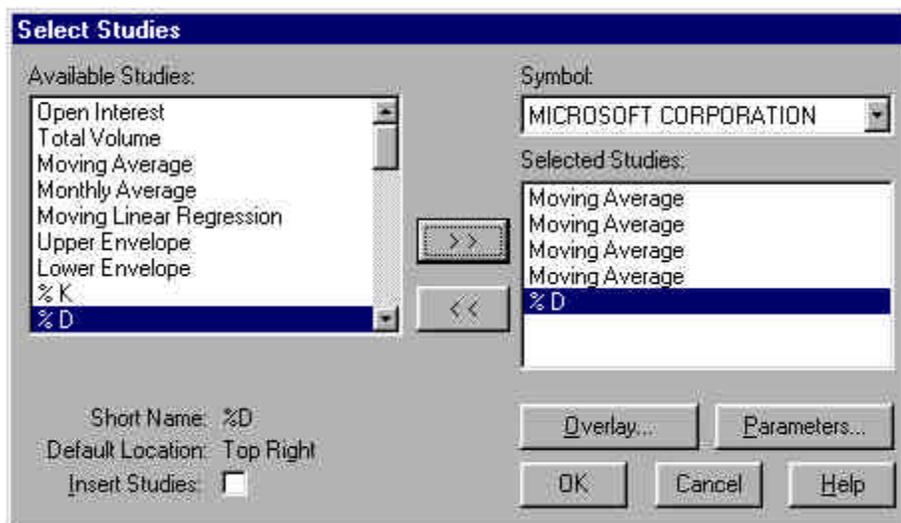
1. Go to **Design** at the top of your **RealTick III** window and click to open. Highlight **Chart** and left click to open **Chart Setup Window**.
2. Chart Setup Window will look like this.



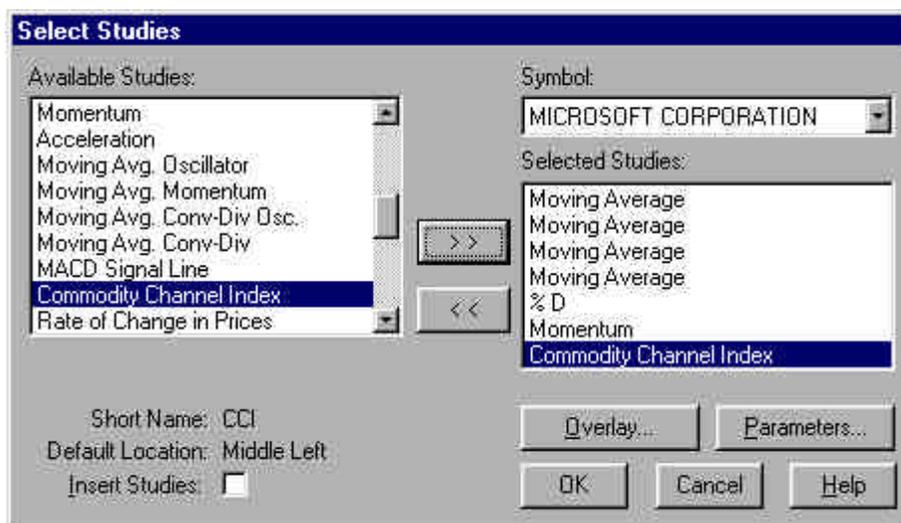
3. Type a stock symbol into the **Symbol** window. Open the **Period Box**, scroll down and choose **Daily**. Type in **210** in the **Days Back** window and hit **OK**. This will give you the chart shell in which to begin setting up your indicators.
4. Right click the mouse button and choose **Display**. Check **CandleStick** and hit **OK**.
5. Right click the mouse button and choose **Setup Studies**. A Setup Studies box will look like this.



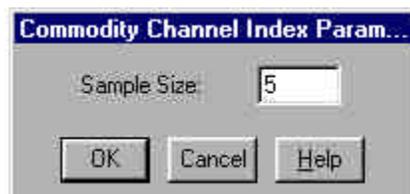
6. Highlight **Moving Average** and use >> to move over into **Selected Studies** box. Move over four Moving Averages studies. Next highlight **%D** study and use >> to move over into **Selected Studies** box. See next illustration.



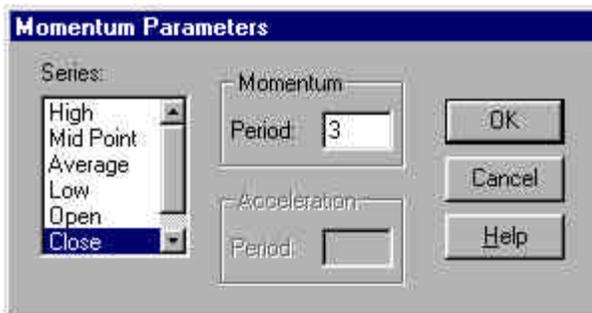
- Go back to the **Available Studies** box and use the arrow at the bottom right of the box to scroll down to **Momentum** and **Commodity Channel Index** and use >> key to move over into the **Selected Studies** box. See illustration below.



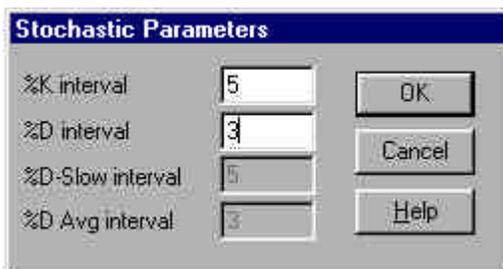
- Highlight **Commodity Channel Index** in the **Selected Studies** box. Click the **Parameters** key above Help, which is to the right under Selected Studies box. Open **Parameters** and type in the number **5**. See illustration.



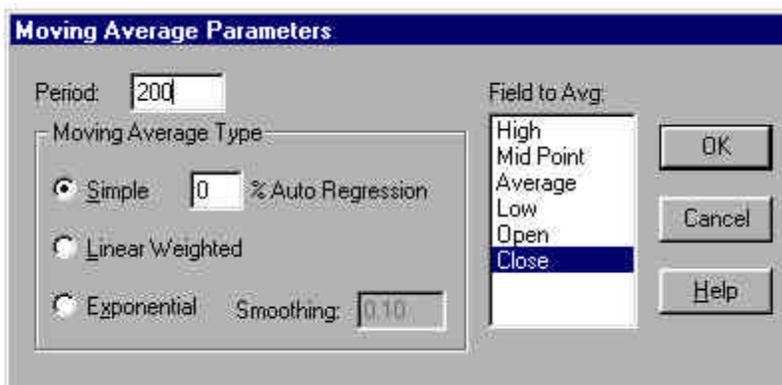
- Highlight **Momentum** in the **Selected Studies** box. Click the **Parameters** key above Help to the right and under the Selected Studies box. Open **Parameters** and type in the number **3**. See illustration.



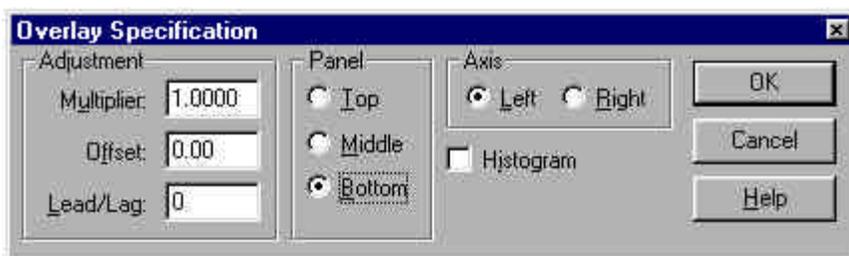
10. Highlight %D in the **Selected Studies** box. Click the **Parameters** key above Help to the right under the Selected Studies box. Open **Parameters** and type in the numbers **5** and **3**. See illustration.



11. Highlight the last at the bottom Moving Average in the Selected Studies box. Click the **Parameters** key above help to the right under the Selected Studies box. Open **Parameters** and type in the number **200**. See illustration.



12. Repeat number 11 three more times but give each Moving Average a different number in the **Parameters** box. Give the third from the bottom Moving Average a value of **100**. Give the second Moving Average from the bottom a value of **50**. Give the top Moving Average a value of **20**.
13. Highlight **Commodity Channel Index** in the Symbol box and hit the **Overlay** key. Under Panel check the bottom choice. Hit **OK**. See illustration.



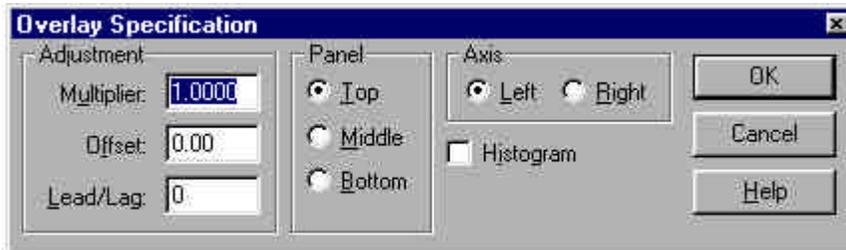
- Highlight **Momentum** in the Symbol box and hit the **Overlay** key. Under Panel check the **Middle** choice. Hit **OK**. See illustration.



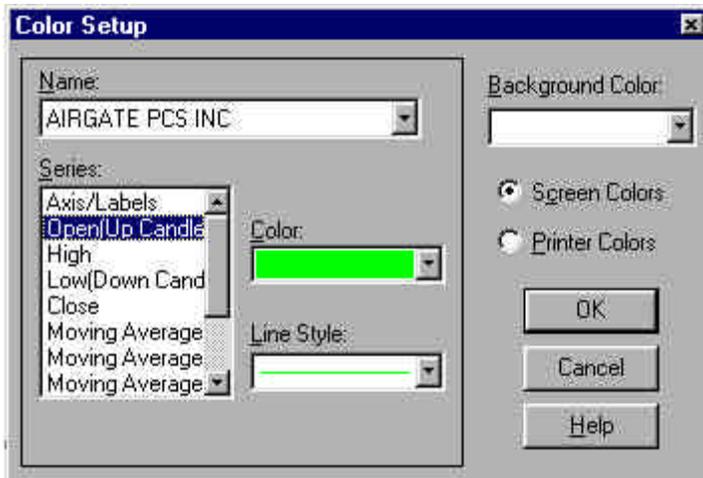
- Highlight **%D** in the Symbol box and hit the **Overlay** key. Under **Panel** check the **Middle** choice. Hit **OK**. See illustration.



- Highlight the bottom most Moving Average in the **Symbol** box and hit the **Overlay** key. Under **Panel** check the **Top** choice. Hit **OK**. See illustration.



- Highlight the other moving averages one at a time and follow the same instruction as number 16.
- Right click mouse button and scroll down to **Change Colors**. Highlight **Change Colors** and go into window. Choose the colors you desire in each study by highlighting the study, scrolling down the colors and highlighting the one you want. See illustration.



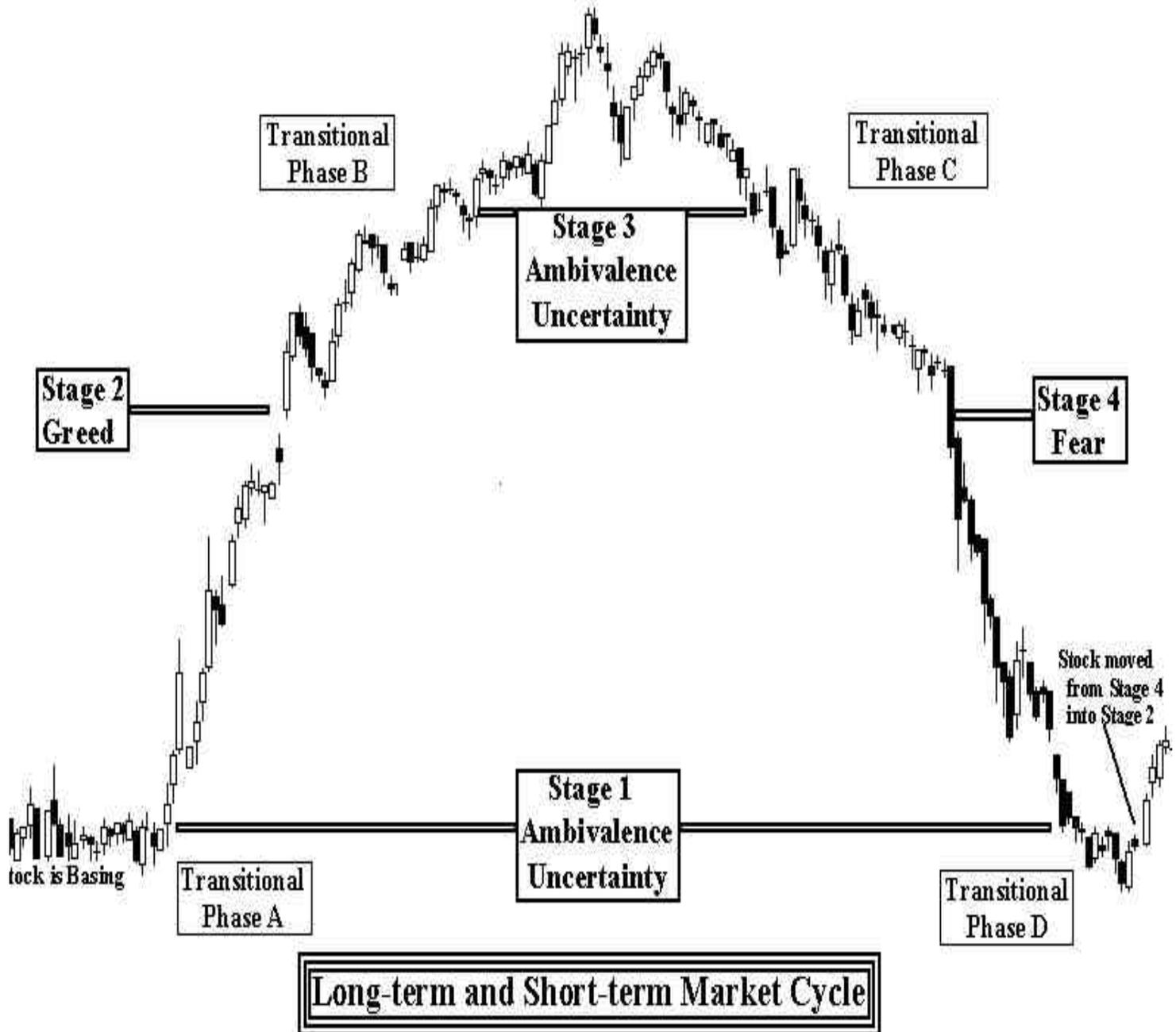
19. For our purposes we have chosen stoplight green for Open (Up Candle High). Stoplight red for Low (Down Candle Close). The first Moving Average is fuchsia pink, the second Moving Average is bright blue, the third Moving Average is stoplight red and the fourth Moving Average is black. We made %D black. We made Momentum fuchsia pink and Commodity Channel Index bright blue.
20. At this point you have completed your 210 moving average chart. It is most important to follow the last step.
21. Go to the top of your RealTick III screen and click on **Page**. Scroll down and hit **Save**. This will save your hard work and make it available to you each time you pull up your page.

YOUR FINISHED CHART SHOULD LOOK LIKE THIS:



4 STAGES OF THE STOCK MARKET CYCLE

- Boom to Bust Cycle
- Bell Shape Curve



STOCK STAGES AND CYCLES

There are only three things a stock can do. It can go sideways, up or down. That is all! However, we will cover two kinds of sideways movement. Sideways movement will either lead to an uptrend or a downtrend. Therefore, we will be discussing four stages of a stock cycle.

Stage 1 and Phase A

During the flat, or beginning, stage (Stage 1) of a stock's cycle, the market psychology is one of ambivalence or uncertainty. If a stock is moving in a flat or sideways tight pattern would you want to buy it? A trader will be looking specifically for a transitional phase (Phase A), which will give her information about which way the stock might move next.

Stage 2 and Phase B

During the upward movement stage (Stage 2) of a stock, market psychology changes to basic greed. Everyone is jumping in and wants to stay in, even if the stock changes direction. A trader learns to read the signs of change that tell him the stock has entered another transitional phase (Phase B). During Phase B, a trader will learn to move out of the long position and consider other possibilities, for example, entering and exiting a stock more quickly as the stock begins to move in a sideways movement.

Stage 3 and Phase C

During the sideways movement stage (Stage 3) of a stock, market psychology once again becomes one of ambivalence and uncertainty. Look for another transitional phase (Phase C), which will clearly illustrate that the stock might be moving into another stage or downward direction.

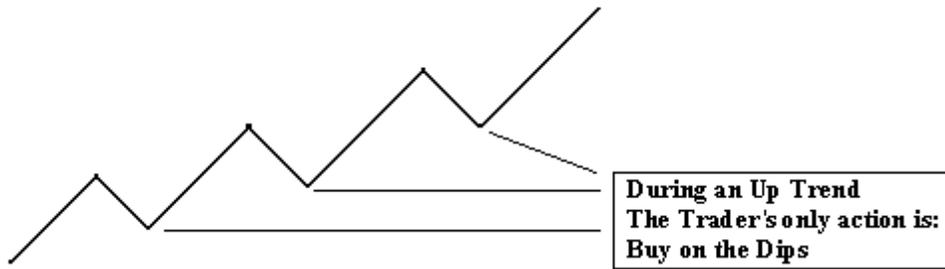
Stage 4 and Phase D

The last possible movement is the downward movement stage (Stage 4) of a stock. The market psychology is fear. Until the stock begins to bottom out and change direction into a transitional phase (Phase D), market sentiments are still clearly based in fear.

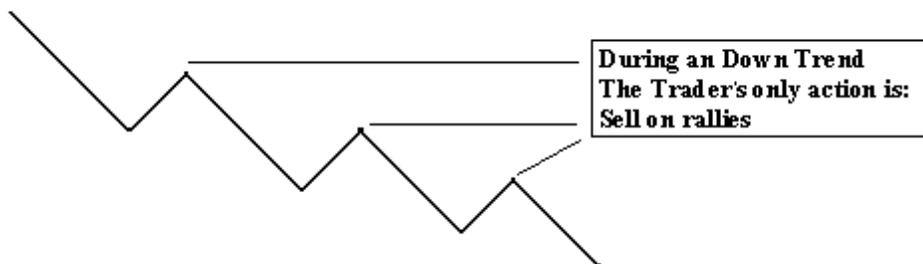
These stages and transitional phases continually repeat themselves over and over as the stock builds its personal history. A trader will learn to recognize and use this information to safely make money on the inevitable change a security will make.

In review, there are three primary trends:

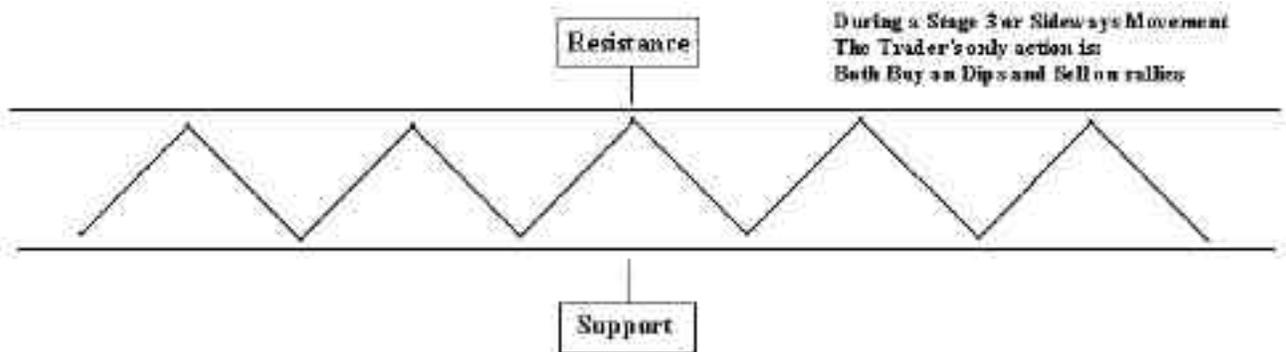
- Up trends (Stage 2), which are defined by a series of higher highs and higher lows.



- Down Trends (Stage 4), which are defined by a series of lower highs and lower lows.



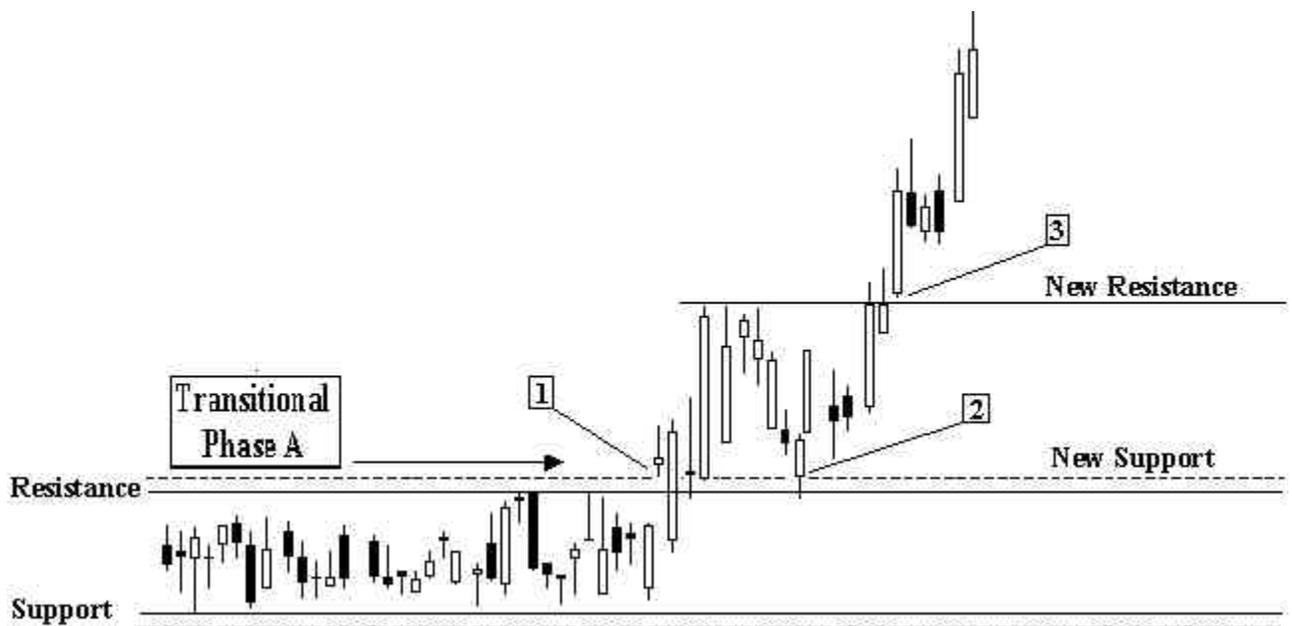
- Sideway Trends (Stages 1 and 3), which are defined by a series of relatively equal highs and lows



There are four break points in chart analysis that help determine the best time to enter and exit a stock. They are listed below:

The Breakout - Three Criteria of Transitional Phase A

1. The initial breakout: the stock breaks above resistance. This represents an excellent entry point, but is difficult to ascertain and often riskier than other entry points, such as buying on a pullback. Shorter-term traders often ignore this entry in favor of a safer one.
2. The first pullback: the stock corrects or pulls back toward this initial breakout. This represents the safest entry point and a second chance to buy an uptrending stock.
3. The secondary breakout: the stock moves above its prior peak. This is a repeat of the initial breakout and is a poor entry point. Buying at this point means a trader is probably chasing the stock. For a safer entry, wait for another pullback. This entry point is best for the intermediate or longer-term trader. The first pullback has become a new level of support, and the secondary breakout becomes the new resistance.



Transitional Phase A (movement from Stage 1 to 2)

The breakout is Transitional Phase A. This phase ends Stage 1 and begins Stage 2. It is a difficult period to trade because of its volatility. In most cases, it moves past most traders and only becomes a viable play on a pullback.

Upward Trendline Break - Three Criteria of Transitional Phase B

1. The initial break: The stock does not create a higher high and breaks an upward trendline.
2. The first pullback: The stock moves back up toward the breakdown point but does not hit its resistance line.
3. The second break: The stock moves below its prior low and begins to create a new low, thus breaking its most recent support line. The stock has refused to break its resistance line, but does move down past its support line into new territory.



Transitional Phase B (movement from Stage 2 to Stage 3 or 4)

An upward trendline is broken to form Transitional Phase B. This transition ends Stage 2 and begins Stage 3. This period is often difficult to trade because of its volatility. In most cases, it moves past most traders and only becomes a viable play on the first pullback rally. It is important to be aware that a stock may go directly to Stage 4 without establishing Stage 3 first.

The Breakdown - Three Criteria of Transitional Phase C

1. The initial breakdown: The stock breaks below support. This represents an excellent entry shorting point. However, it might be difficult to catch this exact point. A trader should not be concerned if this entry point is missed because this is a riskier point than selling on a rally. Traders will often ignore this entry in favor of a safer entry point. Day traders are shorter-term traders.
2. The first rally: The stock corrects or rallies (rebounds) toward the initial breakdown point. This represents the safest entry point and a second chance to sell short a declining stock.
3. The secondary breakdown: The stock declines below its prior low. This is a repeat of the initial breakdown and is a poor entry point. Selling at this point means a trader is chasing the stock. For a safer entry wait for another rally. This entry point is best for the intermediate or longer-term trader. Please note that the first rally has now become a new level of resistance, and the secondary breakdown has become the new level of support.



Transitional Phase C (movement from Stage 3 to Stage 4)

A breakdown of a sideways movement makes up Transitional Phase C. Transitional Phase C ends Stage 3 and begins Stage 4. This period is often difficult to trade due to its volatility. In most cases it moves past most traders and only becomes a viable play on a #2 rally.

Downward Trendline Break - Three Criteria of Transitional Phase D

1. The initial break: A stock does not make a lower low and breaks a downward trendline.

2. The first pullback: A stock moves down toward the breakdown point, but does not hit its support line.
3. The secondary break: A stock moves above its prior high and begins to create a new high, thus breaking its most recent resistance line. The stock has refused to break its support line but does move past its resistance line into new territory.



Transitional Phase D (movement from Stage 4 to Stage 1 or 2)

A downward trendline breaks to the upside to make a Transitional Phase D. Transitional Phase D ends Stage 4 and begins Stage 1 or 2. This period is often difficult to trade because of its volatility. In most cases it moves past most traders and only becomes a viable play on a #2 pullback. Note that the stock can go directly into Stage 2 without establishing Stage 1 first.

VOLUME

Volume is a gauge of how powerful the buyers and sellers are. Volume represents the activity of the stock's trades. Daily volume in a stock is measured by the number of contracts, or shares traded, in one day. Learning to read and understand volume is one of the most important and valuable keys to successful chart reading.

Stocks can fall from their own top-heavy weight, which might include negative news, earnings or a negative trend in the sector or overall market. The most important thing to know is why volume signals really work.

The trader or investor who masters the art of reading charts will be able to pick short-term tops and bottoms in stocks with an amazing degree of accuracy. Often the short-term tops and bottoms in a stock become very long-term trends.

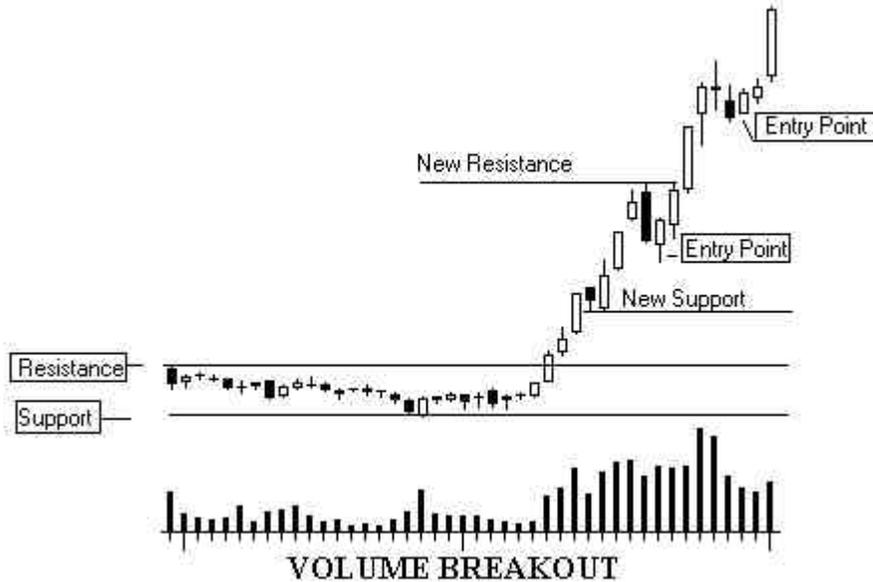
Consider some important concepts that will become the core of a trader's volume education.

Climatic Volume can ignite or “start” a stock’s move.

1. Climatic or above average volume on breakouts or breakdowns can indicate further price movement in the direction of the break.
2. The bigger the price volume breakout/breakdown, the further subsequent moves are likely to carry the stock.
3. Never trust a breakout that isn't accompanied by a significant increase in volume. Volume should pick up significantly on the breakout/breakdown. If it doesn't, the move could be short lived. A trader does not want to get caught in a stock that could turn against him. By learning to read volume correctly, a trader is looking for sustained price movement. Volume is the Key.
4. A clear indication of an extended move will be a tremendous increase of volume on the rally, followed by the very dramatic drying up of volume on a pullback. The stock is shouting loud - BUY MORE!
5. Usually the longer a stock bases (moves sideways), the stronger the subsequent breakout/breakdown might become. A stock that bases six to eight weeks is ready for a breakout/breakdown. Traders who look for climatic volume can set themselves up for a very big run.

THE BIGGER THE PRICE VOLUME BREAKOUT OR BREAKDOWN, THE FURTHER SUBSEQUENT MOVES ARE LIKELY TO CARRY THE STOCK

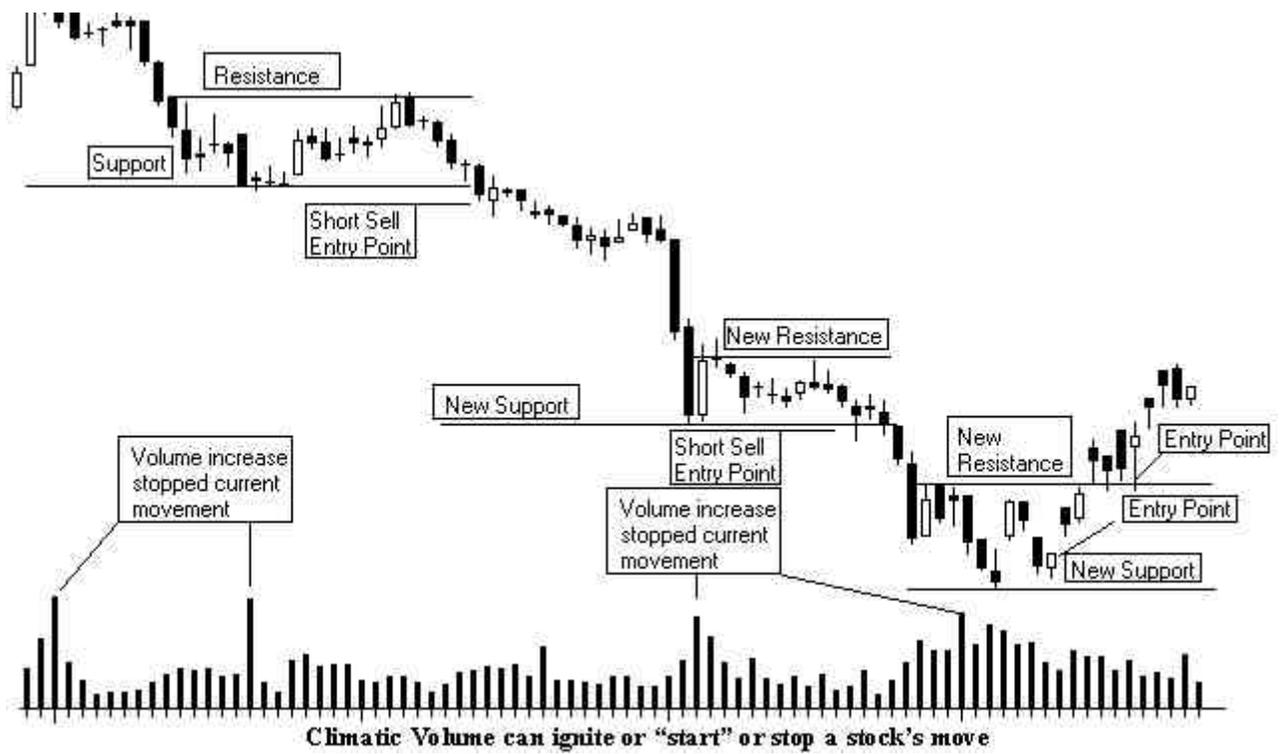
Climatic Volume can ignite or "start" a stock's move



Climatic volume can actually "end" a stock's current move, for example:

1. Climatic or above average volume can also indicate a near term end to a current stock move. This end to a current movement of a stock is not necessarily a directional move, meaning the trend of the stock might not change. The only thing we are looking at is the stock's volume, which has the potential to effectively halt or end uptrends, as well as downtrends.
2. An extended stock price move that isn't accompanied by a significant increase in volume and indicates that an eminent reversal is close at hand.
3. A significant above average amount of volume on narrow range days (days where the stock price moves little) indicates an upcoming increase of volatility is about to occur. This end to a current movement of a stock is not necessarily a directional move, meaning the trend of the stock might not change. The only thing we are looking at is the stock's volume, which has the potential to affect the stock's direction, not necessarily its trend.





MOVING AVERAGES

Moving Averages (MAs) are the most superior trend following tool in existence. Moving Averages serve as support and resistance zones. A rising MA tends to become the foundation or bottom to support prices. A falling MA serves as a resistance to price movement. This is why we pay particular attention to entry signals that MAs provide us. We are looking to buy on a rising MA and sell short near a falling MA.

An MA shows the average value of data in its time window, five days, ten days, etc. A five-day MA shows the average price for the past five days in a running line. A 20-day MA shows the average price for the past 20 days in a running line, and so on.

Each price exchanged in a trade is a snapshot of the current mass consensus of the stock's value. Single photos do not give us a composite picture of a stock's value, but when hundreds, thousands or millions are taken, stored and placed on a running line, we have an exact picture of the stocks composite price.

Moving Averages help traders determine the direction of the trend of a stock. MAs illustrate the direction of the stock's inertia. It is important to understand the relationship between the "day size" of the MA and subsequent movement of the MA. The longer the trend a trader is trying to see, the longer (more days) the MA.

A relatively short MA time frame, for example 20 days, is more sensitive to price changes and allows a trader to catch new trends sooner. It also changes its direction more often and produces more movement, thus allowing the trader to see a possible reversal sooner. A shorter MA can give a trader a quicker trading signal. A relatively longer MA gives a trader less movement and is less volatile. A longer MA misses turning points by a wide margin.

There are four dominant Moving Averages (MAs):

1. 20-Day MA.
2. 40-Day or 50-Day MA.
3. 100-Day MA, this is an intermediate to longer term MA.
4. 200-Day MA, this is a long term MA

MA Concepts:

1. Rising MAs represent positive market action or strength.
2. Falling MAs represent negative market action or weakness.
The sharper the slopes of the MAs, the stronger or more powerful the stock or market action.
3. **In theory, as long as a stock remains above its MAs, its action is bullish.
4. **In theory, as long as a stock is below its MAs, its action is bearish. During Stage 2 (bullish) corrections or pullbacks tend to stop at or near significant MAs. During Stage 4 (bearish) corrections or rallies tend to stop at or near significant MAs.
5. Following penetrations of MAs, reactions or pullbacks are very likely.

**This represents an older and simpler type of trading system. This does not mean that this is not an extremely valuable theory. However, traders must always remember the stage the stock is in when trading with this theory. This theory will become somewhat tricky in a sideways, or Stage 3, market. The least risky stages for this theory are Stages 2 and 4.

Key to Stock Movement:

1. A stock's upward penetration through a rising MA is considered bullish.
2. Conversely, a stock's downward penetration through a falling MA is considered bearish.
3. The best buying opportunities present themselves when a strong stock (Stage 2) pulls back to or near its rising MAs and holds.
4. Another buying opportunity presents itself when a strong stock (Stage 2) pulls back below its MA. Look for a reversal (upward motion) when and if it either bounces off its MA or reverses between its MAs.
5. A good shorting opportunity presents itself when a weak stock (Stage 4) rebounds at or near its declining MAs and stalls.
6. The best shorting opportunities present themselves when a weak stock (Stage 4) rallies above its MA. Look for a reversal (downward motion) when and if it either bounces off its MA or reverses between its MAs.

CONVERGENCE AND DIVERGENCE

One of the most powerful signals seen in MAs is when there is a crossover during a trending stock. These moments are important because they identify and gauge important market trends. A trader can see a crossover well before it happens with more trending or shorter MA time frame. For example, if a trader sees a curve appear in a 20-Day MA and it begins to fall down toward its 50-Day MA, watch carefully for a crossover. By adding this to the other information the overall market or sector provides, a trader understands the power of convergence and divergence signals. Trading in the direction of a crossover means going with the direction or flow of the market. This system generates fewer trades, but because the crossover can begin a trend change, trading it can be extremely profitable. However, trades on a crossover will have to be longer.

PATTERN RECOGNITION

Reversal Patterns:

Chartists have used a number of chart patterns that have predictive value to predict a shift in direction (trend) of a stock. However, there are a handful of more easily recognizable and more reliable ones. For the purposes of this program, things are kept simple. This program will only discuss those patterns that give a trader the best chances of success

The term reversal pattern is misapplied to the reality of what is actually happening to the stock. The term may lead a novice to think of an old trend ending abruptly and then reversing to a new trend. This rarely happens. Trend reversals usually occur slowly, in stages, as the underlying psychology shifts gears.

A trend reversal signal implies that the prior trend is likely to change, but not necessarily reverse. This might mean the change in direction could occur for short, intermediate or longer periods of time.

For the purposes of this program, the reversal patterns will concentrate on candlestick pattern recognition. In addition, double and triple tops and bottoms will be discussed.

Recognizing the set up of a reversal pattern is a valuable skill. Successful trading means having both the trend and probability on your side. This is continually demonstrated by asking "What or where is your risk?" Reversal indicators are the market's way of providing a road sign, such as "Caution," "Buy Me," or just plain "Stop and get out." This is where the market psychology changes. Traders must be aware of these changes by being able to read the signs. By learning to read the signs, a trader can adjust trading style to reflect the new market environment. There are many ways to trade in and out of positions with pattern recognition, and they will be discussed during the course of the program.

While there are many stock indicators, the program trades a stock when the direction of the stock points to a major trend and other indicators verify a possible entry or exit.

The following patterns will be discussed at length during the program.

Gap Reversals

These methods work best for a two or more day trade, known as a position trade. This method seems to work best on NASDAQ stocks. In trending markets, it has an excellent accuracy rate of more than 80%.

Bullish Gap Reversal Guidelines or Requirements

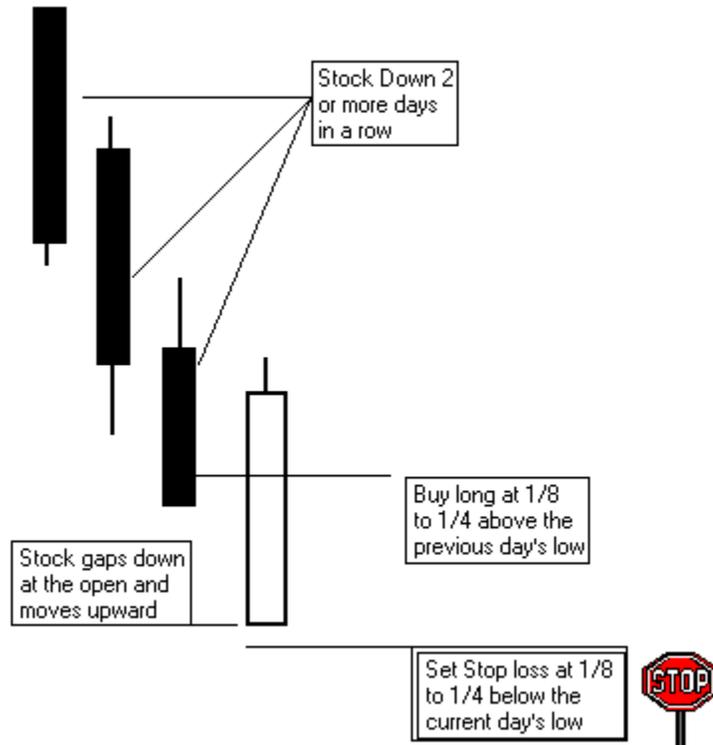
1. A stock that has a consistent trading range of at least 1.75 points.
2. Stocks that have a decent spread. Although a stock is often entered with an ECN, a trader does not want to be severely hurt by the spread. Stocks should also have an adequate number of market makers to allow for cushion.
3. The stock should be down at least two days in a row before it becomes a consideration.
4. Open of the current day **MUST** be in the top 25% of the day's price range.
5. Close of the current day **MUST** be in the bottom 25% of the day's price range.

Next trading day's ACTION

1. If the stock gaps open to the downside and then begins to rally back, buy it at 1/8 to 1/4 above the previous day's low. If a trader misses that entry, buy when it trades above its first one-half hour high. Market makers should be buying the stock as well.

2. Stop/loss should be 1/8 to 1/4 below the current day's low.
3. Look closely at the chart to determine an average and reasonable profit amount, or decide on a dollar amount that is reasonable for the stock and get out at that point. If the market and/or sector remain strong, a trader is in very positive territory and should hold it for the next day or two.

Bullish Gap Reversal Guidelines or Requirements



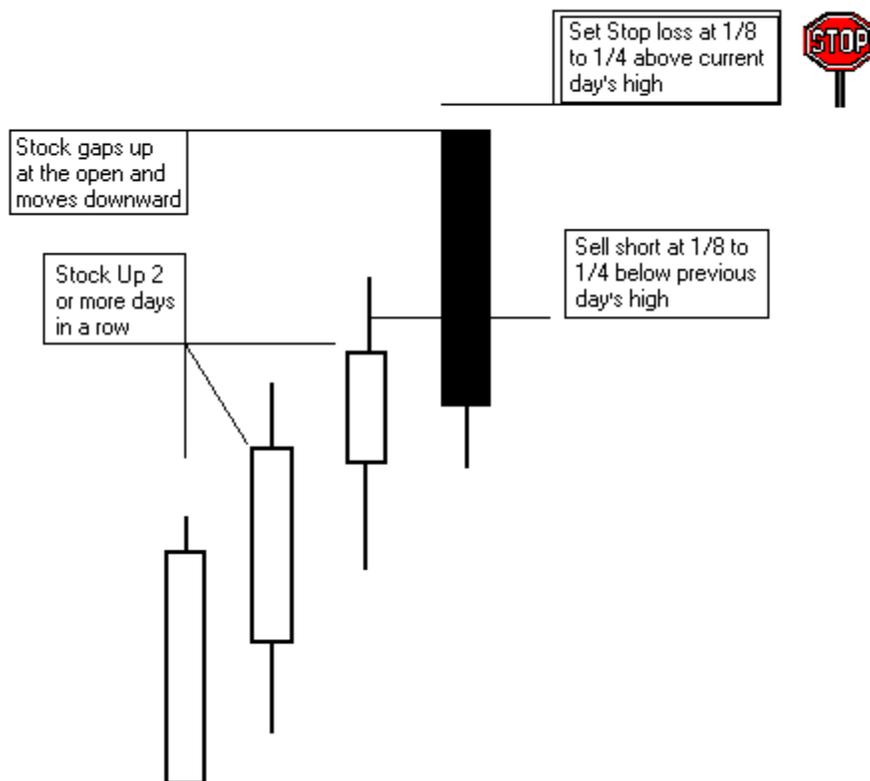
Bearish Gap Reversal Guideline Requirements

1. A stock that has a consistent trading range of at least 1.75 points.
2. Stocks that have a decent spread. Although a stock is often entered with an ECN, a trader does not want to be severely hurt by the spread. Stocks should also have an adequate number of market makers to allow for cushion.
3. The stock should be up at least two days in a row before it becomes a consideration.
4. Open of the current day MUST be in the low 25% of the day's price range.
5. Close of the current day MUST be in the top 25% of the day's price range.

Next trading day's ACTION

1. If the stock gaps open to the upside and then begins to fall back, sell it short at 1/8 to 1/4 below the previous day's high. If a trader misses that entry, sell it short when it trades below its first one-half hour low. Market makers should be selling the stock as well.
2. Stop/loss should be 1/8 to 1/4 above the current day's high.
3. Look closely at the chart to determine an average and reasonable profit amount, or decide on a dollar amount that is reasonable for the stock and get out at that point. If the market and/or sector remain weak, a trader is in very positive territory and should hold it for the next day or two.

Bearish Gap Reversal Guideline Requirements



Morning Star Gap Reversal Guideline Requirements

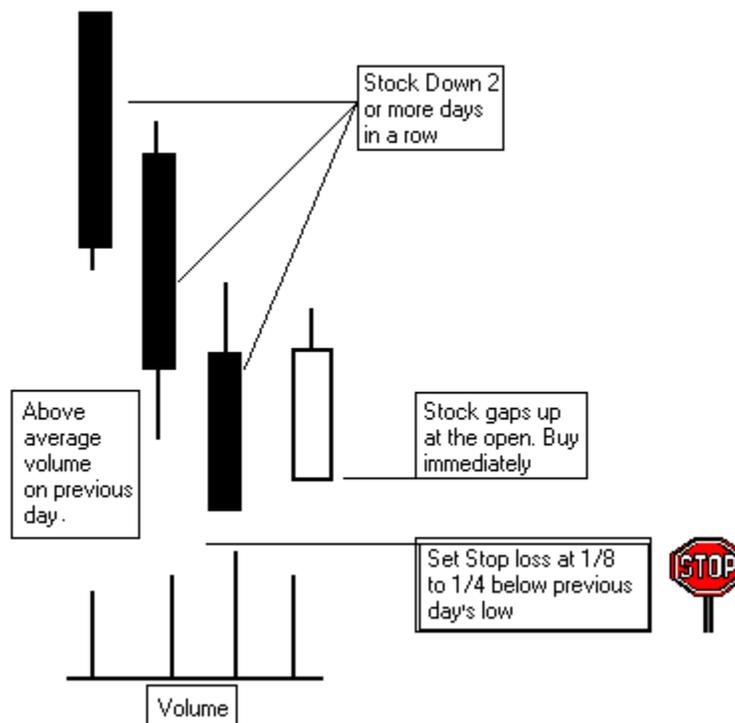
1. A stock that has a consistent trading range of at least 1.75 points.
2. Stocks that have a decent spread. Although a stock is often entered with an ECN, a trader does not want to be severely hurt by the spread. Stocks should also have an adequate number of market makers to allow for cushion.

3. The stock should be down at least two days in a row before it becomes a consideration.
4. Open of the current day MUST be in the top 25% of the day's price range.
5. Close of the current day MUST be in the bottom 25% of the day's price range.
6. Above average volume on the current day is preferable.

Next trading day's ACTION

1. If the stock gaps up on the open (at least 1/2 point to one point) above yesterday's closing price, buy it immediately. If a trader misses that entry, buy when it trades above its first one-half hour high. Market makers should be buying the stock as well.
2. Stop/loss should be 1/8 to 1/4 below yesterday's low.
3. Look closely at the chart to determine an average and reasonable profit amount, or decide on a dollar amount that is reasonable for the stock and get out at that point. If the market and or sector remain strong and a trader is in very positive territory, the trader should hold it for the next day or two.

Morning Star Gap Reversal Guideline Requirements



Evening Star Gap Reversal Guideline Requirements

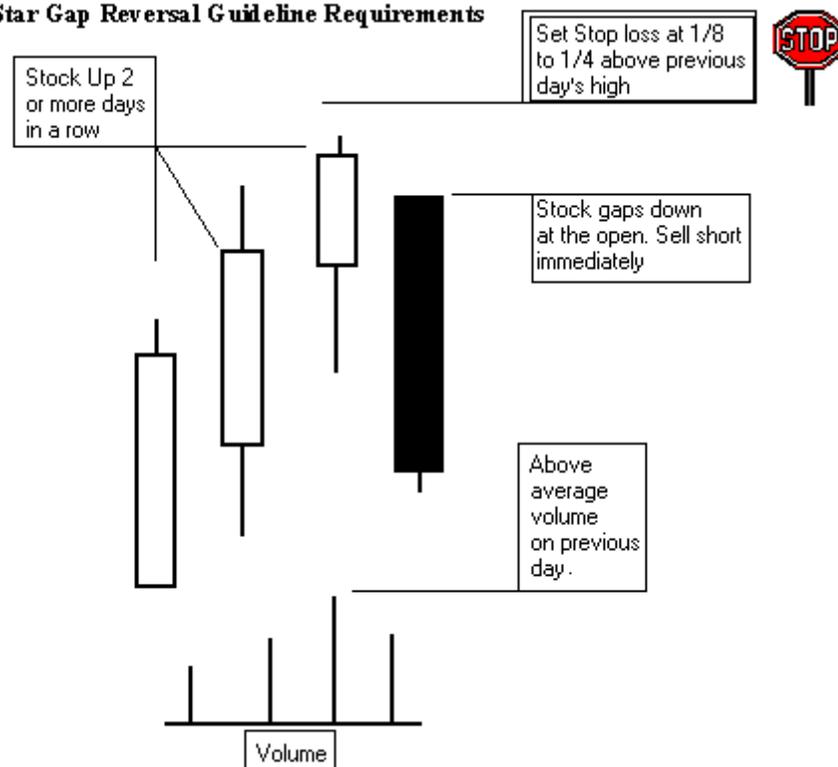
1. We would like to see a stock that has a consistent trading range of at least 1.75 points.
2. Stocks that have a decent spread. Although a stock is often entered with an ECN, a trader does not want to be severely hurt by the spread. Stocks should also have an adequate number of market makers to allow for cushion.
3. The stock should be up at least two days in a row before it becomes a consideration.

4. Open of the current day MUST be in the low 25% of the day's price range.
5. Close of the current day MUST be in the top 25% of the day's price range.
6. Above average volume on the current day.

Next trading day's ACTION

1. If the stock gaps down at the open (at least 1/2 point to one point) below yesterday's closing price, sell it short immediately. If a trader misses that entry, sell it short when it trades below its first one-half hour low. Market makers should be selling the stock as well.
2. Stop/loss should be 1/8 to 1/4 above yesterday's high.
3. Look closely at the chart to determine an average and reasonable profit amount, or decide on a dollar amount that is reasonable for the stock and get out at that point. If the market and/or sector remain weak and a trader is in very positive territory, hold it for the next day or two.

Evening Star Gap Reversal Guideline Requirements



Bullish Zero/20 Gap Guideline Reversal Requirements

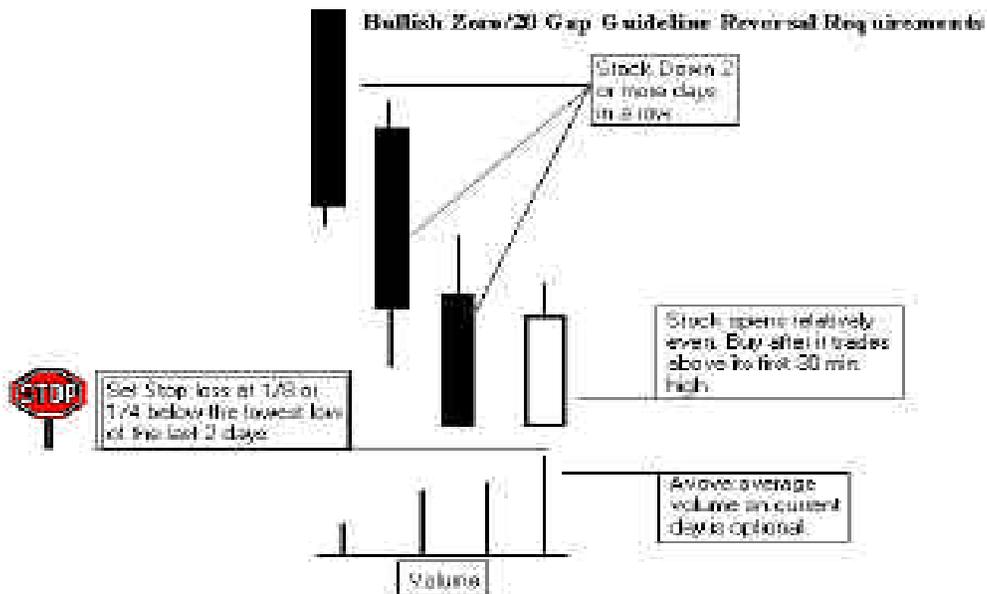
This reversal play has slightly better odds on the bullish long trend side than the bearish short trend side.

1. A stock that has a consistent trading range of at least 1.75 points.
2. Stocks that have a decent spread. Although a stock is often entered with an ECN, a trader does not want to be severely hurt by the spread. Stocks should also have an adequate number of market makers to allow for cushion.
3. The stock should be down at least two days in a row before it becomes a consideration.
4. Open of the current day MUST be in the top 25% of the day's price range.

5. Close of the current day MUST be in the bottom 25% of the day's price range.
6. Some area of support in the chart on this play, however it is optional.
7. Above average volume on the current day is optional.

Next trading day's ACTION

1. If the stock opens at yesterday's close price, or within 20% above yesterday's close price, buy it immediately. However, for a somewhat safer entry point wait for 30 minutes of trading and then buy it 1/8 to 1/4 above the first 30 minute established high. Market makers should be buying the stock as well.
2. Stop/loss should be 1/8 to 1/4 below the current day's low or previous day's low whichever is lower.
3. Look closely at the chart to determine an average and reasonable profit amount, or decide on a dollar amount that is reasonable for the stock and get out at that point. If the market and or sector remain strong and a trader is in very positive territory, hold it for the next day or two.



Bearish Zero/20 Gap Reversal Guideline Requirements

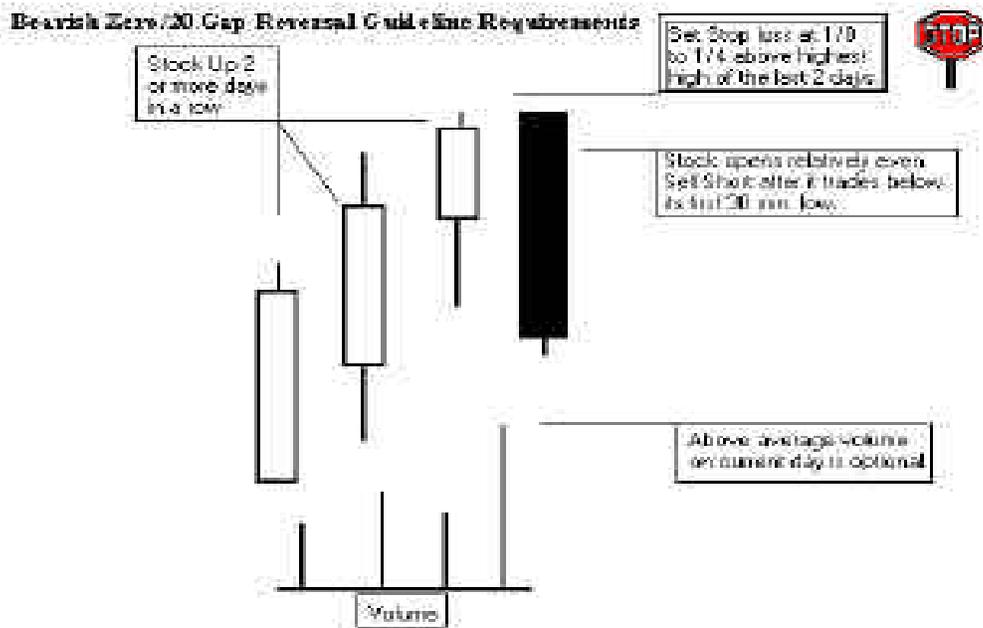
This reversal play has slightly better odds on the bullish long trend side than the bearish short trend side.

1. A stock that has a consistent trading range of at least 1.75 points.
2. Stocks that have a decent spread. Although a stock is often entered with an ECN, a trader does not want to be severely hurt by the spread. Stocks should also have an adequate number of market makers to allow for cushion.
3. The stock should be up at least two days in a row before it becomes a consideration.
4. Open of the current day MUST be in the low 25% of the day's price range.
5. Close of the current day MUST be in the top 25% of the day's price range.

6. Some area of resistance in the chart on this play, however it is optional.
7. Above average volume on the current day is optional.

Next trading day's ACTION

1. If the stock opens at yesterday's close price, or within 20% below yesterday's close price, sell it short immediately. However, for a somewhat safer entry point wait for 30 minutes of trading and then sell it short at 1/8 to 1/4 below the first 30-minute established low. Market makers should be selling the stock as well.
2. Stop/loss should be 1/8 to 1/4 above the current day's high or previous day's high whichever is higher.
3. Look closely at the chart to determine an average and reasonable profit amount, or decide on a dollar amount that is reasonable for the stock and get out at that point. If the market and/or sector remain strong and a trader is in very positive territory, hold it for the next day or two.



THE 3, 5 AND 8 CYCLE PATTERN

Some chart technicians pay attention to minute stock cycles. This program does not believe that a lot of attention needs to be placed on this endeavor. It is important to know the basic cycle direction of the stock. However, there is one cycle day indicator to discuss more thoroughly, the 3, 5 and 8-day pattern.

Every rising stock must decline from time to time. Stocks that are generally in an up trend tend to stop declining on the third, fifth, or eighth day down. Why? Who knows! A look at the history of a stock illustrates the theory. When a rising stock starts to fall, look for a turning point on the third day. If the stock does not turn on the third day, look for it to turn on the fifth day. If the fifth day fails to produce a halt in the descent, the odds are that a strong bounce will occur on the eighth day, especially if the history of the chart indicates this behavior. If other indicators verify a possible entry, coupled with the market minder telling the trader this is the day for the stock or sector to change direction, look at the days down, and the trader might have an entry point.

This concept works best on rising stocks. Flat to declining stocks require other indicators. Look for two previous turning points to occur on either the third, fifth or eighth day down. **Never use this method as a stand-alone technique if the third, fifth and eighth day down method is not the stock's history.** Instead, does the stock use a different number of days? If so, it is unusual, but not difficult to trade. Count the days the stock does respond to and look to trade there. However, most stocks, for unknown reasons, typically trade on the third, fifth, and eighth day down.

At this point in the program a trader has learned enough to make amazingly correct market calls based on the visual market analysis studied. However, in the following section the program will address buy and sell market indicators and triggers, the most important section in this program.

INDICATORS AND TRIGGERS

Well, what do you think so far? The first seven sections covered a fair amount of information. Guess what! You could STOP the course here and you would have learned enough to make amazingly correct market calls based on the visual market analysis you have already studied. Well, we are not going to stop here. We are going to add another important section: buy and sell market indicators and triggers. In fact, this section is so strong that it can almost stand alone in picking buying or selling points. We will teach you to use a special exercise that will help you increase your skills by using these indicators alone.

While the previous information is important to understand a stock's history and trends, this section will provide information on when to buy or sell short a stock by looking at three indicators. With practice, these three indicators: Commodity Channel Index, Stochastic and Momentum will become second nature. These indicators illustrate if a stock is overbought or oversold and when the current may be reversing or losing momentum.

What makes these indicators different is that they are anticipatory in nature. While there are many different indicators, these indicators are in a class known as oscillators. Oscillators help a trader determine when a market has reached an important extreme on either the upside or the downside. They warn a trader in advance that a market has rallied too far and are often able to anticipate a market turn before it actually happens.

Combining these three oscillators with the other indicators studied allows a trader to make good stock choices. A trader can spot major top and bottom areas with precision. Occasionally, regardless of how good a trader's tools are, the market will throw a curve. For this reason, a trader should not rely heavily on these indicators. The market minder information window gives a trader actual market information to a trading plan, and a trader can be fairly certain that a trade will be a good one. Listen to the collective message of the majority of these gauges, because the probability of ending up on the wrong side of a trade has become smaller. As good traders, go with the odds because the odds make money.

Monitoring inter-market activity adds an additional dimension to traditional chart analysis. By watching the interplay among various indicators, such as commodities, stochastic and momentum, traders can obtain a better understanding of buy or sell conditions. A trader's goal is to effectively monitor overbought and oversold conditions so that he can use the indicators as an adjunct to chart work to determine near perfect entry and exit signals.

During uptrends, more weight should be placed on an oversold reading. The converse is true for downtrends, where a trader should place more weight on overbought readings.

Commodity Channel Index Oscillator (setting 5 on PC Quote)

Commodity Channel Index (CCI) is an indicator designed for use in markets that follow definite cyclical patterns. While the CCI does not determine cycle lengths, it imparts the concept of the cycle length, and therefore CCI can be a valuable tool. CCI is a price momentum indicator developed by Donald R. Lambert. Despite the word commodity in the name, this indicator is equally applicable to stocks. CCI compares the median price of a stock to the stock's mean price over a given period. Most of the fluctuations of CCI fall between +100 and -100. A more detailed explanation follows.

- When the CCI is above +100, it is a bullish signal
- When the CCI is below -100, it is a bearish signal

CCI often misses the early part of the price movement. To overcome this, some traders use signals when the CCI crosses the zero.

- When CCI crosses zero from negative to positive, it is a bullish signal.
- When CCI crosses zero from positive to negative, it is a bearish signal.

Formula:

$$CCI_t = \frac{TP_t - MA_t}{.015 \times MD}$$

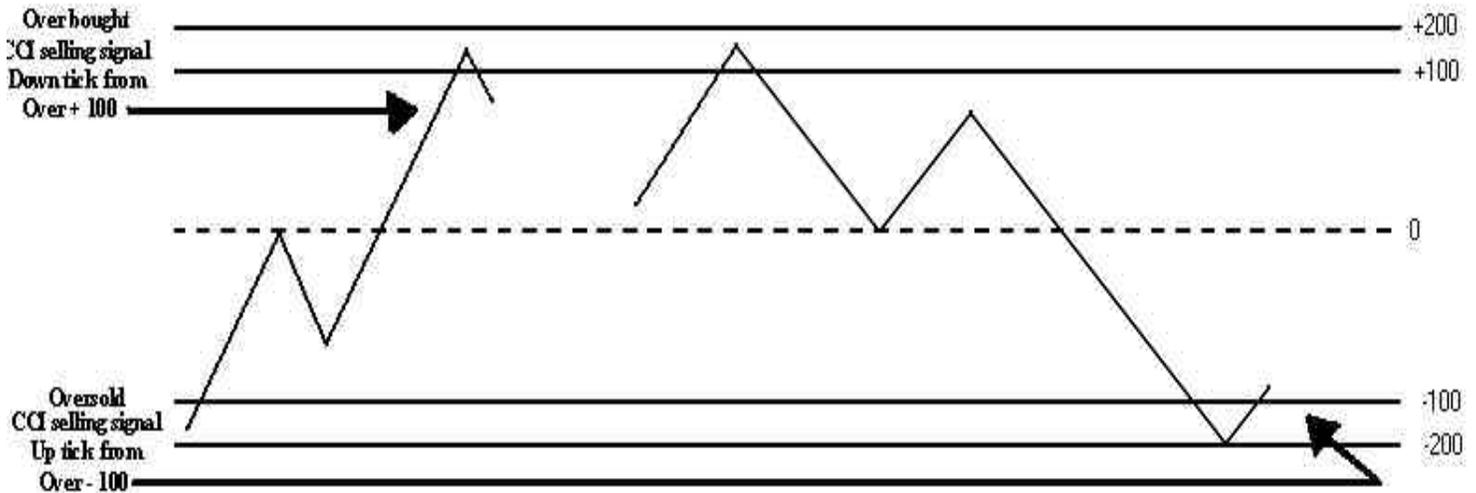
$$MD = \frac{(MA_t - P_1) + (MA_t - P_2) + (MA_t - P_n)}{n}$$

Where:

n = number of periods
 Tpt = the current typical price:
 1/3 (high + low + close)
 Mat = current simple moving average
 MD = means deviation
 Pn = price

- A CCI-5 Buy Signal is any up tick from below -100.
- A CCI-5 Anticipatory Buy Signal is any move below -100.
- A CCI-5 Sell Signal is any down tick from above +100.
- A CCI-5 Anticipatory Sell Signal is any move above +100.

Commodity Channel Index Oscillator



It is important to note that in a strongly trending market a trader should settle for one buy or sell signal out of the three indicators. However, during very sloppy or whippy market environments, at least look for MOM and CCI to confirm. When in doubt, **DEMAND** that all three indicators confirm.

Stochastic Oscillator (setting 5 for Fast K and 3 for Slow D on PC Quote)

Stochastic refers to the location of a current stock price in relation to its range over a set period of time. The time span most often used is 14 days. The stochastic oscillator determines where the current price is located on a percentage scale from 0 to 100, in relation to its price range over the past 14 days. The formula for stochastic is as follows:

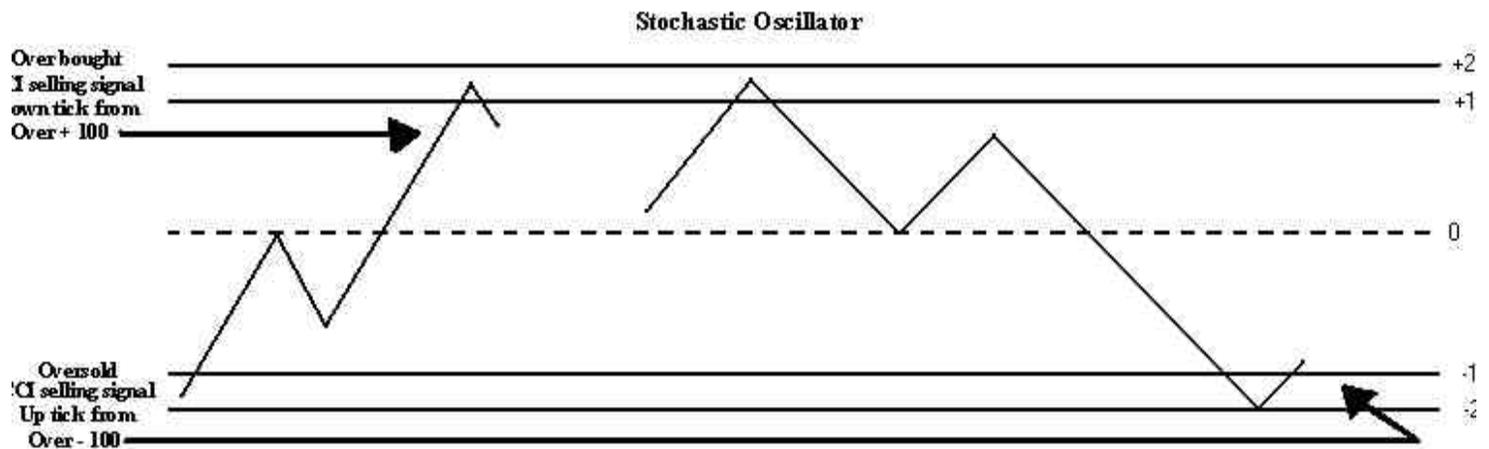
$$\text{Fast line (\%K)} = 100 ((\text{close} - \text{low } 5) / \text{high } 5 - \text{low } 5)$$

$$\text{Slow line (\%D)} = 3\text{-day average of \%K}$$

Close represents the latest closing price and high and low are the respective highest and lowest values for the past five days. The slower %D line is a three-day MA of the faster %K line.

- A Stochastic 5, 3 Buy Signal is any up tick from well below 0 or -100
- A Stochastic 5, 3 Anticipatory Buy Signal is any move well below 0 or -100.
- A Stochastic 5, 3 Sell Signal is any downtick from well above 0 or +100.
- A Stochastic 5, 3 Anticipatory Sell Signal is any move well above 0 or +100.

Note: While some programs use 0 others will use 100, and this program may use 50 at times.



Once again, it is important to note that in a strongly trending market, a trader should settle for one buy or sell signal out of the three indicators. However, during very sloppy or whippy market environments, at least look for MOM and CCI to confirm. When in doubt, **DEMAND** that all three indicators confirm.

Momentum Indicator (setting 3 on PC Quote)

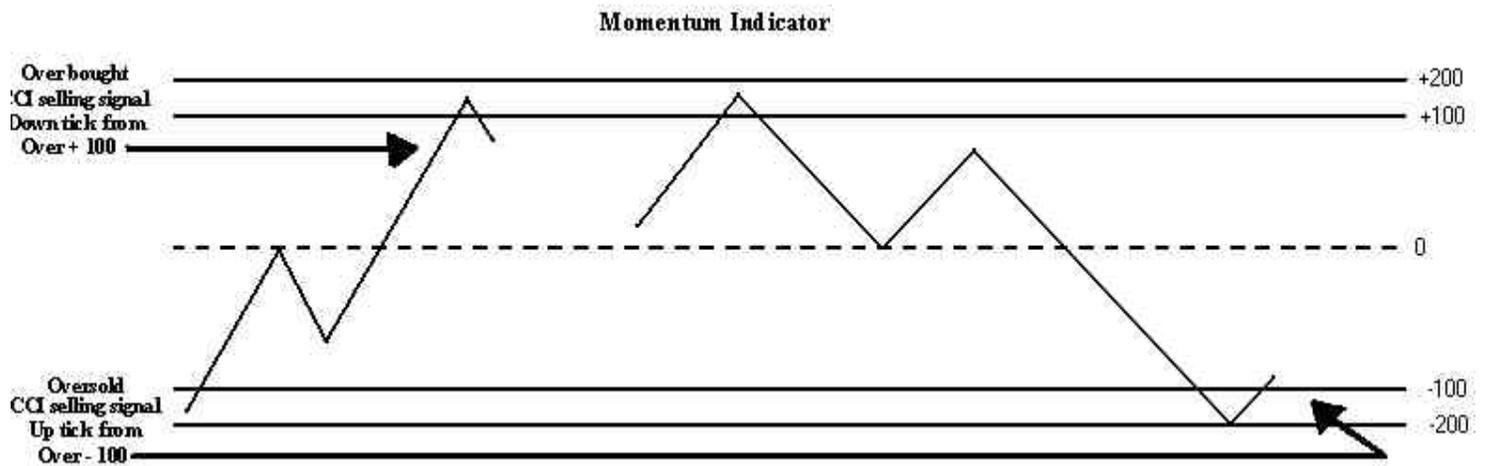
Momentum is the most basic concept in oscillator analysis. A price chart tells a trader whether prices are rising or falling. An oscillator chart tells a trader more about the momentum, or pace, of a market. An oscillator tells a trader the rate of change at which a market is rising or falling. This type of oscillator tells a trader whether the current trend is gaining or losing its momentum. The Momentum oscillator is the most basic kind, and it measures the rate of change and timing.

Momentum is a very simple indicator that is easily calculated. In order to calculate the one-day momentum (MOM), subtract today's price from yesterday's price. The result is a one-day MOM. Therefore, if today's price is \$52 and yesterday's price is \$53, then the one-day momentum would be -1. If today's price is \$52 and yesterday's price was \$50, then today's one-day momentum would be +2. MOM provides a trader with trend strength. When momentum is moving down very quickly, it is an indication that prices are changing rapidly on the down side with large price moves. When momentum is rising rapidly, it is an indication that the market is trending strongly higher. Momentum can be used as a trading indicator by applying some rules.

It is important to understand that signals alone are not intended to determine entry and exit points. Use these indicators as a buddy system to chart work. A trader should look at the whole picture before buying or selling.

- A MOM-3 Buy Signal is any up tick from well below 0 or -100
- A MOM-3 Anticipatory Buy Signal is any move well below 0 or -100.
- A MOM-3 Sell Signal is any downtick from well above 0 or +100.
- A MOM-3 Anticipatory Sell Signal is any move well above 0 or +100.

Note: While some programs use 0, others will use 100, and this program may use 50.



Once again, it is important to note that in a strongly trending market, a trader should settle for one buy or sell signal out of the three indicators. However, during very sloppy or whippy market environments, look to at least MOM and CCI confirm. When in doubt, **DEMAND** that all three indicators confirm.

Chart Patterns

There are a number of chart patterns that are important for you to recognize and that carry some predictive value. However, we will confine our discussion to a small group of them, thus keeping with our belief that keeping things simple is best. The most reliable and easily recognizable are the ones we have chosen to teach you.

Reversal or Continuation Patterns

The three most important reversal or continuation patterns are the double top and bottom, the triple top and bottom and the head and shoulders top and bottom. These patterns are easily recognized, and when identified, can offer predictive insight into a possible trend reversal. A very important continuation pattern is the triangle. This pattern clearly illustrates that the stock is consolidating within its prior trend and will most likely resume that trend. This is why it is called a continuation pattern. All you need to recognize these patterns is the ability to draw a trendline and recognize resistance and support levels.

Double Tops and Bottoms: Below please find an example of a double bottom. This pattern is self-explanatory. Picture a double bottom with two prominent bottoms meeting at the same price level or support. The stock rallies back off of this support and can either break its resistance or make a higher high or breakdown. A double top means a stock rallies back to its old high at a previous peak. One of two things will happen: Either the price will go through that peak, or it won't. If the price made a higher high the uptrend is resumed, and everything is fine. If, however, the stock fails to exceed its prior high and starts to weaken, caution is your action. The stock might correct downward.



Triple Tops: Triple tops show three prominent tops instead of two. This means the sideways period of price movement is carried on for a longer period of time. However, the interpretation is the same. If the newer high is higher than the previous high the uptrend is continued. However, if a newer high is not created and the stock begins to make lower highs and lower lows the stocks begins to breakdown. A triple bottom would show three troughs at about the same price followed by an upward movement. As you can see, these patterns are easy to recognize and can represent entry points for the stock. Generally speaking, double tops and bottoms are much more frequent than triple tops and bottoms. Another variation of the triple top and bottom is the head and shoulders reversal pattern.



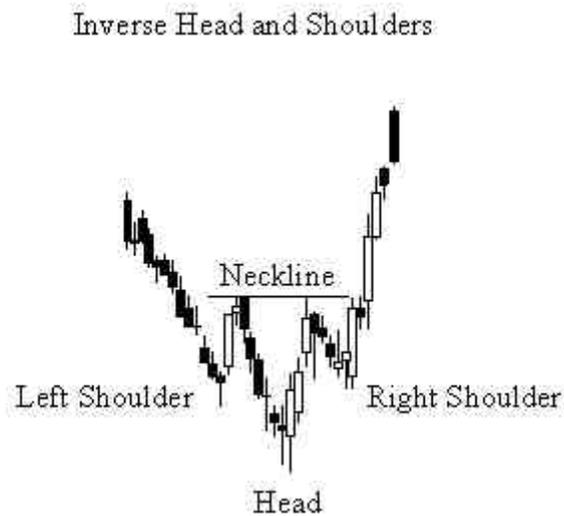
Triple Bottom



Head and shoulders: This pattern is basically the same as the triple top or bottom in the sense that there are three prominent lows. The difference is how the three lows are formed. The triple bottom shows three lows at about the same price levels. The head and shoulders pattern gets its name from the fact that it shows one prominent high in the middle (the head) surrounded on each side by two slightly lower highs (the shoulders). A trendline (neckline) is drawn below the two troughs. Once the price falls below the trendline, a new downtrend has started. An inverse head and shoulders would be shown when one prominent low is in the middle (the head) surrounded on each side by two slightly higher lows (the shoulders). This resembles a person standing on his head. A trendline (neckline) is drawn above the two peaks. Once the price breaks above the trendline, a new uptrend has started. In all these reversal patterns, it is important to follow the volume pattern to confirm what the prices and order flow are doing.

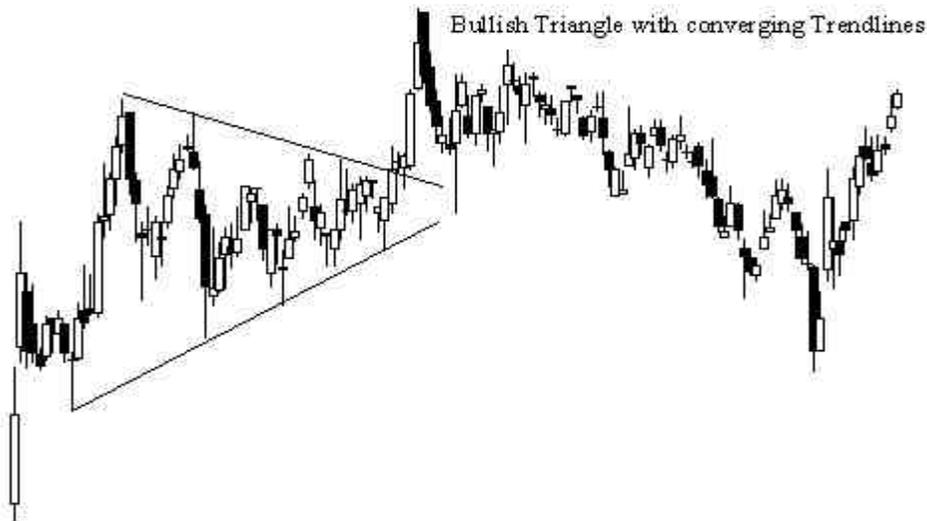


Inverse Head and Shoulders



Triangle: This pattern is different from the previous ones in that the triangle is usually a continuation pattern. This formation signals a trend that has gotten ahead of itself and needs to consolidate for a while. Once the consolidation has been completed, the prior trend usually resumes in the same direction. In an uptrend, a triangle is usually a bullish pattern. The most common is the symmetrical triangle. Please see below. Sideways movement on the chart where the price action gradually narrows characterizes this pattern. Trendlines drawn along its peaks and troughs appear to converge into one another. Each trendline is usually touched at least twice and often three times. Somewhere into the pattern, prices will break out in the direction of the prior trend.

Bullish Triangle with converging trendlines



Descending and Ascending Triangles: In an ascending triangle, the line drawn along the upper end of the price range is flat, while the lines along the troughs are rising. This is a bullish pattern. A descending triangle has a flat lower line and a falling upper line, and is considered to be a bearish pattern. All of these triangles take on a new direction when one of the two trendlines (either above or below the pattern) is broken. Again, please remember a pickup in volume is important, especially if the breakout is to the upside. One significant point to remember is the longer any price pattern has been forming, the more important it is.



PROFIT TAKING

A trader's most valuable commodity is trading capital. What is the most important rule for a trader? Preserve your capital. This is what keeps a trader in the game, and it is foolish to do anything that will jeopardize it. Subsequently, to preserve a trader's capital, there are rules that help a trader, whether in short, intermediate or long term play.

The rules listed below are suggestions. Only the trader can decide which rule is important. However, when a trader decides on a set of rules, they should be used consistently. Rules make up a trader's system and are enforced by discipline.

1. Never be willing to let a position go against you by more than 5 to 8%. Obviously, the amount will differ depending on if it is a short, intermediate or long term play. If it is a short-term play and you have not set a distinct stop/loss, then you might want to set a dollar amount based on your capital.

For example: If your capital is \$60,000, you might not want to lose more than 1% on a short term trade. This also depends on what is happening with the trade and the market at the time. However, you should ALWAYS have in mind where you WILL get out of a trade. Don't fear cutting your losses. Just cut them and move on.

2. Always take at least some profit at 20 to 25%. This is an important concept. When in doubt, take some profit. When the stock comes down again you can always get back in. It is the trader's decision to select a higher or lesser percentage. Of course it all depends on the market and the trade and how comfortable you are with the trade. Doesn't it make sense to take something off the table in case the stock goes down? This technique is a good way to control greed. If you are disciplined enough to cut losses at 5 to 8% no matter what, and you are taking some profits at 20 to 25%, mathematically how can you lose money?



- When your stock has demonstrated its ability to move in the desired direction, you should take further action by raising your stop/loss point to break even. At this point, allowing a winner to fall back into losing territory is just not smart, no matter what the reason. We work hard enough being right in the stock market without allowing the winners to turn into losers. By raising your stop/loss to break even ALL of the risk is taken out of the trade. At this point you can literally relax and enjoy the trade. We cannot begin to tell you how psychologically important this rule is. Once a trader realizes that money can no longer be lost, a tremendous calm and clarity begins to engulf his or her mind. A sense of control and power evolves as the trade moves on. You can move your stop/loss continually higher and you become more comfortable with the trade.



- Decide at what percentage you will take profits, etc. You might decide to protect 3% of your profits when the stock rises 10%. Once a stock rises 15% you might decide to protect 10% of your profits. When your stock rises to your target 20 to 25%, revert back to rule #2. You must decide what is comfortable in the profit department. The important thing is to make some decisions. Make those decisions a part of your system and govern your system with your discipline.

A personal note on profit taking: There is no question that if you are disciplined enough to follow a plan such as the one outlined, it will dramatically improve your results many times over. However, most people will not follow rules. Why? Most people cannot stick to rule #1. Winners cut their losses short and move on to the next trade. Also they hold no grudges against any security. Losers hold on to falling stocks mostly because of psychological issues until making a rational decision has long since disappeared from their psyches. Only time will tell whether you have the inner strength to become a winner. This program offers the support and education to help a trader make rational decisions and become a winner in the stock market.

SUMMARY

The more chart criteria that are in alignment (stage, volume, moving average, patterns, etc.) the better a trader's chance of making a great trade. Combine this with buy or sell signals and you may have a stellar opportunity to make a profit. Keep in mind that no matter what system a trader uses to trade with, no system works 100% of the time. Other factors may come into play that can affect the market and a stock. The best any trader can do is look at the available information and signals to help make educated trades. This is all a trader can ask of any system.

Buying Criteria:

Buy Signals

1. Up trending stock that is in Stage 1 or 3. Stock must be making higher highs and higher lows.
2. Rising 20-day MA. Rising 50-day MA. Rising 20-day MA should be either above the 50-day MA or in the process of crossing over to the up side of the 50-day MA.
3. Increase in volume.
4. In a strongly trending market one buy signal from either MOM or CCI. However, during very sloppy or whippy transitional markets look for two signal confirmations from MOM and CCI. When in doubt, DEMAND that all three signals are in alignment (MOM, CCI and Stochastic).

Entry Methods:

1. Buy 1/8 to 1/4 above previous day's high, or if the previous day's high is too far away, buy stock 1/8 to 1/4 above highest price established during the first 30 minutes of trading.

Stop/Loss:

1. Sell 1/8 to 1/4 below the previous day's low or the current day's low whichever is lower.

Profit Taking Strategies:

It is important to understand that there are several important ways to think about where and when to take a profit. One of the most effective is to let the stock give the guidelines. Look back at the stock's history. Is there any similar set up or past pattern that gives some idea of where to get out? The Level II course explains retracement. Can you draw a Fibonacci line to see where the stock might retrace? Decide on a dollar amount, also known as a stop/gain. Whatever method used, keep in mind the action of the sector and overall market during the time in the trade. If the market and/or sector turn sharply and quickly to the downside, consider getting out. One hard and fast rule to use is that if the stock shows a profit and it turns against the trader, get out before it falls below the entry. A trader can always assess the situation and get in again. Protect your gains. Don't let a winning trade turn into a losing trade. There will always be another trade.

1. Sell on any upside gap to the open after an overnight.
2. Sell 1/2 your position after a \$2.50 gain to protect earnings.
3. If the trade never comes close to the entry point and two to three days lapse, use a trailing stop. Move the stop to 1/8 to 1/4 below the previous day's low until stopped out.
4. Take a profit on a channel line.
5. Take a profit the day following climatic (big) volume.

6. Take a profit at resistance or support.

Selling Short Criteria:

Sell Short Signals:

1. Down trending stock that is in Stage 3 or 4. Stock must be making lower highs and lower lows.
2. Declining 20-day MA. Declining 50-day MA. Declining 20-day MA should be either below the 50-day MA or in the process of crossing over to the down side of the 50-day MA.
3. Increase in volume.
4. In a strongly trending market one sell short signal from either MOM or CCI. However, during very sloppy or whippy transitional markets look for two signal confirmations from MOM and CCI. When in doubt, DEMAND that all three signals are in alignment (MOM, CCI and Stochastic).

Entry Methods:

1. Sell short 1/8 to 1/4 below previous day's low, or if the previous day's low is too far away, sell short the stock at 1/8 to 1/4 below lowest price established during the first 30 minutes of trading.

Stop/Loss:

1. Cover at 1/8 to 1/4 above the previous day's high or the current day's high whichever is higher.

Profit Taking Strategies:

It is important to understand that there are several important ways to think about where and when to take a profit. One of the most effective is to let the stock give the guidelines. Look back at the stock's history. Is there any similar set up or past pattern that gives some idea of where to get out? The Level II course explains retracement. Can you draw a Fibonacci line to see where the stock might retrace? Decide on a dollar amount, also known as a cover/gain. Whatever method used, keep in mind the action of the sector and overall market during the time in the trade. If the market and/or sector turn sharply and quickly to the downside, consider getting out. One hard and fast rule to use is that if the stock shows a profit and it turns against the trader, get out before it falls above the entry. A trader can always assess the situation and get in again. Protect your gains. Don't let a winning trade turn into a losing trade. There will always be another trade.

1. Cover on any downside gap to the open after an overnight.
2. Cover 1/2 your position after a \$2.50 gain to protect earnings.
3. If the trade never comes close to the entry point and two to three days lapse, use a trailing stop. Move the stop to 1/8 to 1/4 above the previous day's high until stopped out.
4. Take a profit on a channel line.
5. Take a profit the day following climatic (big) volume.
6. Take a profit at resistance or support.

APPENDIX 1 INDUSTRY AND STOCK GROUP INDEX

NASDAQ (NDX) 100 Index

ADPT	Adaptec, Inc.	JJSC	Jefferson Smurfit Corporation
ADCT	ADC Telec., Inc.	KLAC	KLA-Tencor Corporation
ADBE	Adobe Systems Incp.	LNCR	Lincare Hokdings, Inc.
ADTN	ADTRAN, Inc.	LLTC	Linear Technology Corp.
AWIN	Allied Waste Ind., Inc.	ERICY	LM Ericsson Telephone Co.
ALTR	Altera Corporation	MXIM	Maxim Integrated Products
APCC	American Power Con. Corp.	MCLD	MeleodUSA Inc.
AMGN	Amgen Inc.	MCCRK	McCormick & Company Inc.
AMZN	Amazon.com	MCIC	MCI Communications Corp.
ANDW	Andrew Corp.	MCHP	Microchip Technology Inc.
APOL	Apollo Group, Inc.	MUEI	Micron Electronics, Inc.
AAPL	Apple Computer, Inc.	MSFT	Microsoft Corp.
AMAT	Applied Materials, Inc.	MOLX	Molex Inc.
ASND	Ascend Comm., Inc.	NSCP	Netscape Communications
ATML	Atmel Corp.	NETA	Network Associates, Inc.
ADSK	Autodesk, Inc.	NXTL	Nextel Communications, Inc.
BBBY	Bed Bath & Beyond Inc.	NOBE	Nordstrom, Inc.
BGEN	Biogen, Inc.	NWAC	Northwest Airlines Corp.
BMET	Biomet, Inc.	NOVL	Novell, Inc.
BMCS	BMC Software, Inc.	NTLI	NTL Incorporated
CATP	Cambridge Tech. Partners, Inc.	ORCL	Oracle Corp.
CNTO	Centocor, Inc.	PCAR	PACCAR Inc.,
AMFM	Chancellor Media Corp.	PHSYB	PacificCare Health Systems,
CHIR	Chiron Corp.	SPOT	PanAmSat Corp.
CTAS	Cintas Corp.	PMTC	Parametric Technology Corp
CSCO	Cisco Systems, Inc.	PAYX	Paychex, Inc.
CTXS	Citrix Systems, Inc.	PSFT	PeopleSoft, Inc.
COMR	Comair Hokdings, Inc.	QCOM	QUALCOMM Inc.
CMCSK	Comcast Corp.	QNTM	Quantum Corp.
CPWR	Compuware Corp.	QTRN	Quintiles Transnational Corp.
CEFT	Concord EFS, Inc.	RTRSY	Reuters Group PLC
CEXP	Corporate Express, Inc.	RXSD	Rexal Sundown, Inc.
COST	Costco Companies Inc.	ROST	Ross Stores, Inc.
CBRL	Cracker Barrel Store	SIAL	Sigma-Aldrich Corp.
DELL	Dell Computer Corp.	SPLS	Staples, Inc.
DLTR	Dollar Tree Stores, Inc.	SBUX	Starbucks Corp.
DIGI	DSC Comm. Corp.	STEI	Stewart Ent., Inc.
ERTS	Electronic Arts Inc.	SUNW	Sun Microsystems, Inc.
EFII	Electronics for Imaging, Inc.	SNPS	Synopsys, Inc.
FAST	Fastenal Company	TECD	Tech Data Corp.
FHCC	First Health Group Corp.	TCOMA	Tele-Communications, Inc.
FISV	Fiserv, Inc.	TLAB	Tellabs, Inc.
FDLNB	Food Lion, Inc.	COMS	3Com Corporation
FORE	FORE Systems, Inc.	OFIS	U.S. Office Products Co.
GART	Gartner Group, Inc.	VTSS	Vitesse Semiconductor Corp.
GENZ	Genzyme Corp.	VKNG	Viking Office Products, Inc.
HBOC	HBO & Company	VRTS	Veritas Software Corp.
MLHR	Herman Miller, Inc.	WCOM	WorldCom, Inc.
IMNX	Immunex Corp.	WTHG	Worthington Industries, Inc.
INTC	Intel Corp.	XLNX	Xilinx, Inc.
INTU	Intuit Inc.		

JCORZ	Jcor Communications, Inc.		

Please Note Index components change occasionally. For an updated list look at www.nasdaqtrader.com

Sector Groups

Aerospace/Defense/Equipment

BA	Boeing Co
GD	General Dynamics Corp.
LIT	Litton Industries
LMT	Lockheed Martin Corp.
NOC	Northrop Grumman Corp.
ORBI	Orbital Sciences Corp.
PCP	Precision Castparts Corp.
TKC	Thiokol Corp.

Agriculture Operations

TRC	Tejon Ranch Company
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Auto

C	Chrysler Corp
DAI	Daimler Benz A G Adr
F	Ford Motor
GM	General Motors Corp.
GT	Goodyear Tire & Rubber

Banks

BAC	Bankamerica Corp.
BT	Bankers Trust
CCI	Citicorp
CMB	Chase Manhattan Corp.
JPM	Morgan J.P. & Co.
ZION	Zions Bankcorp

Beverage

ACCOB	Coors Adolph Co
BUD	Anheuser Bush Cos. Inc.
KO	Coca-Cola Co
PEP	Pepsi Co Inc.

Biomed-Med./Genetics/Drug/Health/Nursing Home

AGPH	Agouron Pharmaceutical
AHP	American Home Products
AMGN	Amgen Inc.
BCHE	Biochem Pharmarcueticals
BEV	Beverly Enterprises Inc.
BGEN	Biogen Inc.
BMY	Bristol-Myers Squibb Co.

CEPH	Cephalon Inc.
CHIR	Chiron Corp.
CNTO	Centocor Inc.
COL	Columbia HCA Healthcare
CORR	Cor Therapeutics Inc.
FRX	Forest Labs Inc.
GENZ	Genzyme General
GLX	Glaxo Welcome PLC
HUM	Humana Inc.
HYSQ	Hyseq Inc.
ICOS	Icos Corp.
IMNX	Immunex Corp.
JMED	Jones Medical Inds Ins.
JNJ	Johnson & Johnson
LLY	Lilly Eli & Co.
MRK	Merck & Co.
PFE	Pfizer Inc.
UNH	United Healthcare Corp.
WLA	Warner-Lambert Co.
XONA	Zonagen Inc.

Chemical

GGC	Georgia Gulf Corp.
UK	Union Carbide Corp..

Commercial Services/Misc.

CMGI	C M G Information Svcs
LHSG	L H S Group Inc.
LOJN	Lo Jack Corp.
PAYX	Paychex Inc
PQT	P C Quote Inc.

Computer/Memory/Services/Peripheral/Systems

ADPT	Adaptec Inc.
APM	Applied Magnetics
CBR	Ciber Inc.
CSC	Computer Sciences Corp.
ELNK	Earthlink Network
EMC	E M C Corp Mass
HTCH	Hutchinson Technology
ORCL	Oracle Corp.
QNTM	Quantum Corp.
RDRT	Read Rite Corp.
SEG	Seagate Technology
SIG	Silicon Graphics Inc.
SMOD	Smart Modular Tech.
STK	Storage Technology Corp.
WDC	Western Digital Corp.

Computer Software Enterprise & Desktop/Graphics

ADBE	ADOBE Systems Inc.
ADSK	Autodesk Inc.
ADTK	Adept Tech Inc.
BAANF	BAAN Company
BMCS	BMC Software Inc.

BORL	Borland International Inc.
CATP	Cambridge Technology
CLFY	Clarify Inc.
CPWR	Compuware Corp.
CTXS	Citrix Software
DSTM	Datastream Systems Inc.
HBOC	H B O & Co.
IFMX	Informix Corp.
INLK	Interlink Computer Sciences
JDAS	JDA Software Group Inc.
MANU	Manugistics Group Inc.
MSFT	Microsoft Corp.
NETA	Network Associates Inc.
PMTC	Parametric Tech Corp.
PSFT	Peoplesoft Inc.
RATL	Rational Software Corp.
SYBS	Sybase Inc.
TRPS	Triplos Inc.
VRTS	Veritas Software Corp.

Computer Software-Internet/Retail

AMZN	Amazon Com Inc.
AOL	America Online Inc.
ATHM	At Home Corp.
CHKPF	Check Point Software Tech
CNWK	CNET Inc.
INTU	Intervice Inc.
KTEL	K Tel International Inc.
LCOS	Lycos Inc.
NSCP	Netscape Communications
SEEK	Infoseek Corp.
VOCLF	Vocaltec Communications Ltd.
XCIT	Excite Inc.
YHOO	Yahoo Corp.

Computer-Mini/Micro

AAPL	Apple Computer Inc.
CPQ	Compaq Computer Corp.
DELL	Dell Computer Corp
GTW	Gateway 2000 Inc.
HWP	Hewlett-Packard Co
IBM	International Business Machines
SUNW	Sun Microsystems Inc.

Computer Networks

ASND	Ascend Communications
BAY	Bay Networks Inc.
COMS	Three Com Corp.
CS	Cabletron Systems Inc.
CSCO	CISCO Systems Inc.
FORE	Fore Systems
NOVL	Novell Inc.

Containers

FBR	First Brands Inc.
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Diversified Operations

CR	Crane Co.
MTC	Monsanto Co.

Electrical Components

JBL	Jabil Circuit Inc.
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Electrical Equipment

GE	General Electric Co.
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Elec-Laser Systems/Components

COHR	Coherent Inc.
CYMI	Cymer Inc.
VISX	V I S X Inc.

Electronic Measuring

TEK	Tektronix Inc.
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Semi Conductors Electronic/Equip. Mfg.

ADEX	A D E Corp.
ADI	Analog Devices
AEIS	Advanced Energy Inds.
ALTR	Altera Corp.
AMAT	Applied Materials Inc.
AMD	Advanced Micro Devices
ASMLF	A S M Lithography Hldg.
ASTSF	A S E Test Ltd.
ATML	Atmel Corp.
COHU	Cohu Inc.
CRUS	Cirrus Logic Inc.
CRYSF	Crystal Systems Solutions
CY	Cypress Semiconductors
ETEC	Etec Systems Inc.
INTC	Intel Corp.
KLAC	K L A Tencor Corp.
KLIC	Kulicke & Soffa Ind Inc.
LLTC	Linear Technology Corp.
LOGC	Logic Devices Inc.
LRCX	Lam Research Corp.
LSCC	Lattice Semiconductor
LSI	L S I Logic Corp.
MASK	Align-Rite Intl Inc.
MOT	Motorola Inc.
NVLS	Novellus Systems Inc.
ORBKF	Orbotech Ltd.
PLXS	Plexus Corp.
SANM	Sanmina Corp.
TXN	Texas Instruments
VECO	Veeco Instrument Inc.
VLSI	V L S I Technology Inc.
VTSS	Vitesse Semiconductor
XLNX	Xilinx Inc.

Finance

AGE	Edwards A G Inc.
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AXP	American Express Co.
BSC	Bear Stearns Cos. Inc.
BVCC	Bay View Capital Corp.
DLJ	Donaldson Lufkin & Jenr
EWND	Eastwind Group Inc.
LEH	Lehman Brothers Holdings Inc.
MER	Merrill Lynch & Co. Inc.
MWD	Morgan Stanley Dean Whitter
SCH	Schwab Charles Corp.
VMT	Van Kampen Merrit Mu Inc.

Hotel

HLT	Hilton Hotels Corp.
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Insurance

AET	Aetna Inc.
ALL	Allstate Corp.
AMH	Amerus Life Hldgs
TRV	Travelers Group Inc.

Leisure-Gaming/Products

ACES	American Vantage Cos
CIR	Circus Circus Ent Inc.
CSDS	Casino Data Systems
DIS	Disney Walt Co
ELY	Gallaway Golf Co.
GND	Grand Casino Inc.
HDI	Harley Davidson Inc.
IGT	International Game Technology
MIR	Mirage Resorts Inc.
SLOT	Anchor Gaming

Medical Instruments

VCOM	Vitalcom Inc.
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Metal Ores

ABX	Barrick Gold Corp.
GNI	Great No Iron Ore Pptys
HL	Hecla Mining Co.

Oil and Gas Drilling and Field Services

BDI	Bayard Drilling Technlgs
BHI	Baker Hughes Inc.
CAM	Camco International Inc.
CDG	Cliffs Drilling Co
CHV	Chevron Corp.
CXIPY	Coflexip ADR
DIVE	American Oilfield Divers
DPSI	Dawson Production Services
DO	Diamond Offshore Drilling
DWSN	Dawson Geophysical Co
FGII	Friede Goldman Intl Inc.
GLM	Global Marine Inc.
HAL	Halliburton Company
HMAR	Hvide Marine Inc. Cl A

LYO	Lyondell Petrochem Co.
MDCO	Marine Drilling Co Inc.
OLOG	Offshore Logistics Inc.
PESC	Pool Energy Svcs Co
PTEN	Patterson Energy Inc.
RIG	Transocean Offshore Inc.
SCSWF	Stolt Comes Seaway S A
SESI	Superior Energy Svcs
SLB	Schlumberger Ltd
TMAR	Trico Marine Services

Machine Tools

APW	Applied Power Inc.
CAT	Caterpillar Inc.

Media Cable TV

CVC	Cablevision Systems Corp.
JCOR	Jcor Communications
TWX	Time Warner Inc.

Paper

IP	International Paper
KMB	Kimberly-Clark Corp.

Restaurant

OSSI	Outback Steakhouse Inc.
SBUX	Starbucks Corp.

Retail Apparel/Shoe

AEOS	American Eagle Outfitters
GADZ	Gadzooks
GPS	Gap Inc.
GYMB	Gymboree Corp
NKE	Nike Inc.
NOBE	Nordstrom Inc.
PSUN	Pacific Sunwear Ca Inc.
ROST	Ross Stores Inc.
WTSLA	Wet Seal Inc.
Z	Woolworth Corp Holdings Co.

Retail Dept Sts./Mail Order/Textile/Vrty./Mini Mkts

ABS	Albertsons Inc.
AMES	Ames Department Stores
BSMT	Filenes Basement Corp.
CD	Cendant Corp.
DLTR	Dollar Tree Stores Inc.
FMY	Meyers Fred Inc.
FNCO	Funco Inc.
MAY	May Department Stores
S	Sears Roebuck & Co.
SKS	Saks Holdings Inc.

Retail Drug/Mail Order/Direct/Building Prod.

ARBR	Arbor Drugs Inc.
BBOX	Black Box Corp.

HD	Home Depot
LOW	Lowes Companies Inc.
ONSL	Onsale Inc.
WSGC	Williams Sonoma Inc.

Retail Major Disc Chains/Consumer Elect/Diversified/Whole

BBBY	Bed Bath & Beyond Inc
BBY	Best Buy Co In
CC	Circuit City Stores Inc.
CDWI	C D Warehouse Inc
COST	Costco Companies
PS	Gap Inc.
KM	K Mart Corp.
PCCG	P C C Group Inc.
PETC	Petco Animal Supplies
PETM	Petsmart
WMT	Wal-Mart Stores

Soap

CL	Colgate Palmolive Co
CLX	Clorox Co.
PG	Proctor & Gamble

Steel

ALT	Allegheny Teledyne Inc.
AS	Arimco Inc.
BIR	Birmingham Steel Corp.
BS	Bethlehem Steel
LUC	Lukens Inc.

Telecommunications/Cellular/Equip./Utility

ADCT	A D C Telecommunications
ADTN	Adtran Inc.
AFCI	Advanced Fiber Comm. Corp.
ANDW	Andrew Corp.
ATI	Airtouch Communication
BLS	Bellsouth Corp.
CCSC	Coherent Comm. Services
CIEN	Ciena Corp.
CMVT	Converse Technology
DIGI	D S C Communications
DSPG	D S P Group Inc.
ECILF	E C I Telecom Ltd.
ERICY	Ericsson L M Tel Co ADR
GTE	G T E Corp.
INTL	Inter Tel Inc.
LU	Lucent Technologies Inc.
MRVC	M R V Communications
NOKA	Nokia Corp.
PAIR	Pairgain Technologies
PMCS	P Com Inc.
QCOM	Qualcomm Inc.
TKLC	Tekelec
TLAB	Tellabs Inc.

Telecommunications Services

ALNK	Amerilink Corp.
BEL	Bell Atlantic Corp.
COLTY	Colt Telecom GP Plc Adr
FON	Sprint Company
ICIX	Intermedia Comm Inc.
IDTC	I D T Corporation
MCIC	M C I Communications
NXTL	Nextel Communications
SPOT	Panamsat Corp
T	A T & T Corp.

Textile Apparel Mfg.

RL	Polo Ralph Lauren Corp.
TOM	Tommy Hilfiger Corp.
VFC	V F Corp.

Tobacco

BTI	B A T Industries
MO	Phillip Morris Companies
RN	R J R Nabisco Hldgs Corp.
UST	U S T Inc.

Transportation/Airlines

ACAI	Atlantic Coast Airlines
ALK	Alaska Air Group Inc.
AMR	A M R Corp.
ASAI	A S A Holdings Inc.
AWA	America West Holdings
CAIA	Continental Airlines A
COMR	Comair Holdings Inc.
DAL	Delta Air Lines Inc.
LUV	Southwest Airlines
NWAC	Northwest Airlines Cl
TWA	Trans World Airlines Inc.
U	U S Airways Group Inc.
UAL	U A L Corp.

Trucks/Parts

CUM	Cummins Engine Co.
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APPENDIX 2 - INDICES

(In this program, you may pull up PC Quote indices by hitting **F12**. You must list **Company Name** under **Search Type** and **ALL** under **Security Type**. Type in the word **INDEX** into the **Pattern** box and make sure **Upper Case** is checked. Hit **Enter**.)

\$ADR	INTERNATIONAL MARKET INDEX
\$BIX	S&P BANK INDEX 490T**
\$BKL	AMEX BIOTECHNOLOGY INDEX REDUCED
\$BKX	PHLX KBW BANKING INDEX 700T
\$BTK	AMEX BIOTECHNOLOGY INDEX
\$CEX	S&P CHEMICALS INDEX
\$CMR	MORGAN STANLEY CONSUMER INDEX
\$CRX	MS COMMODITY RELATED EQUITY INDEX
\$CWX	CBOE COMPUTER SOFTWARE INDEX 400T**
\$CYC	MORGAN STANLEY CYCLICAL INDEX
\$DGL	AMEX PHARMACEUTICAL INDEX REDUCED V
\$DRG	AMEX PHARMACEUTICAL INDEX 405 TO 50
\$EUR	FTSE EUROTOP 100 INDEX**
\$EVX	CBOE ENVIRONMENTAL SECTOR INDEX
\$EWA	WEBS AUSTRALIA INDEX SERIES
\$EWC	WEBS CANADA INDEX SERIES
\$EWD	WEBS SWEDEN INDEX SERIES
\$EWG	WEBS GERMANY INDEX SERIES
\$EWH	WEBS HONG KONG INDEX SERIES
\$EWI	WEBS ITALY INDEX SERIES
\$EWJ	WEBS JAPAN INDEX SERIES
\$EWK	WEBS BELGIUM INDEX SERIES
\$EWL	WEBS SWITZERLAND INDEX SERIES
\$EWM	WEBS MALAYSIA INDEX SERIES
\$EWN	WEBS NETHERLANDS INDEX SERIES
\$EWO	WEBS AUSTRIA INDEX SERIES
\$EWP	WEBS SPAIN INDEX SERIES
\$EWQ	WEBS FRANCE INDEX SERIES
\$EWS	WEBS SINGAPORE INDEX SERIES
\$EWU	WEBS UNITED KINGDOM INDEX SERIES
\$EWW	WEBS MEXICO INDEX SERIES
\$GAX	CBOE GAMING INDEX**
\$GHA	GSTI HARDWARE INDEX
\$GIN	GSTI INTERNET INDEX
\$GIP	GSTI MULTIMEDIA NETWORKING INDEX
\$GOX	CBOE GOLD INDEX
\$GSM	GSTI SEMICONDUCTOR INDEX
\$GSO	GSTI SOFTWARE INDEX
\$GSV	GSTI SERVICES INDEX
\$GTC	GSTI COMPOSIT INDEX
\$HCX	S&P HEALTHCARE INDEX**
\$HFX	PHLX SUPERCAP INDEX
\$HKO	AMEX HONG KONG INDEX FLOAT RATE
\$HKX	AMEX HONG KONG 30 INDEX
\$HUI	AMEX GOLD BUGS INDEX
\$INDU	DJIA INDEX**
\$INX	CBOE INTERNET INDEX**
\$ISX	CBOE ISRAEL INDEX
\$IUX	S&P INSURANCE INDEX

\$JPN	AMEX JAPAN INDEX
\$LTX	LATIN 15 INDEX
\$MDO	S&P 400 INDEX OPEN SETTLEMENT
\$MEX	CBOE MEXICO INDEX
\$MIA	S&P 400 INDEX AVG OPEN CLOSE
\$MID	S&P 400 MIDCAP INDEX
\$MIH	S&P 400 INDEX AVG HIGH LOW
\$MIV	S&P 400 MIDCAP INDEX OPEN SETTLEMENT
\$MSH	MORGAN STANLEY HIGH TECH 35 INDEX
\$MXX	CBOE IPC MEXICO INDEX
\$NHB	NYSE BETA INDEX
\$NIK	NIKKEI 300 INDEX
\$NWX	AMEX NETWORKING INDEX
\$NWXpA	AMEX NETWORKING INDEX
\$NYA	NYSE COMPOSITE INDEX
\$OEX	S&P 100 INDEX 400T**
\$OIX	CBOE OIL INDEX**
\$OLX	SNP 100 INDEX REDUCED LEAP 1998
\$PLN	PHLX AIRLINES INDEX
\$PNX	PHLX PHONE INDEX
\$PSE	PSE TECHNOLOGY INDEX**
\$RIX	CBOE REIT INDEX
\$RLX	S&P RETAIL INDEX**
\$RUT	RUSSELL 2000 INDEX 405A**
\$SAVpB	S&P 500 INDEX HI LOW OPEN CLOSE AVG
\$SGX	S&P GROWTH INDEX
\$SIS	PAIN WEBBER GRP STOCK INDEX RETURN
\$SML	S&P SMALL CAP 600 INDEX
\$SOX	PHLX SEMICONDUCTOR INDEX**
\$SPX	S&P 500 INDEX 800T
\$SVX	S&P VALUE INDEX
\$STOP	FTSE EURTOP 100 INDEX
\$TPX	PHLX US TO 100 INDEX 790T
\$TRX	S&P TRANSPORTATION INDEX**
\$TXX	CBOE TECHNOLOGY INDEX
\$UTL	PHLX UTILITY INDEX**
\$VIX	CBOE VOLAILITY INDEX**
\$WSX	WILSHIRE SMALL CAP INDEX
\$XAL	AMEX AIRLINE INDEX
\$XAU	PHLX GOLD AND SILVER INDEX
\$XBD	SEC BROKER DEALER INDEX 705T
\$XCI	AMEX COMPUTER TECHNOLOGY INDEX
\$XIA	AMEX INSTITUTIONAL INDEX OPN CL HI
\$XIH	AMEX INSTITUTIONAL INDEX HI LO AVG
\$XII	AMEX INSTITUTIONAL INDEX 100 TO
\$XIO	AMEX INSTITUTIONAL INDEX OPN CL SET
\$XLT	AMEX MAJOR MARKET INDEX REDUCED
\$XMA	AMEX MAJOR MARKET INDEX AVG HI LO O
\$XMH	AMEX MAJOR MARKET INDEX AVG HIGH LO
\$XMI	AMEX MAJOR MARKET INDEX 605T
\$XMO	AMEX MAJOR MARKET INDEX AVG OPEN CL
\$XMV	AMEX MAJOR MARKET INDEX OPEN SETTLE
\$XNG	NATURAL GAS INDEX
\$XOC	PHLOTC INDEX 515T
\$XOI	AMEX OIL INDEX

\$XSV	AMEX INSTITUTIONAL INDEX
\$XTC	AMEX NORTH AMERICAN TELECOM INDEX
\$XVL	VALUE LINE COMPOSIT INDEX
ARCID	ARCH BOND INDEX PORTFOLIO
AUX	CBOE AUTOMOTIVE INDEX**
BJCAWS	BEAR STERNS CO INC JAPAN INDEX CALL
BJP/WS	BEAR STEARNS CO INC JAPAN INDEX PUT
CWS	COMPUTER SOFTWARE INDEX SETTLEMENT
CXS	CHEMICAL INDEX SETTLEMENT VALUE
EVS	CBOE ENVIRONMENTAL INDEX SETTLEMENT
JPO	JP MORGAN INDEX FUNDING CO COMPS
JXC/WS	JAPAN EXPORT INDEX
MEM	MAJOR 8 EUROPEAN INDEX MITTS
OEZ	SNP 100 INDEX WRAP AROUND
ORC	RUSSELL 2000 INDEX AVG OPEN CLOSE
SGS	S&P GROWTH INDEX SETTLEMENT
SHL	S&P 500 INDEX HI LOW DAILY AVERAGE
SPQ	S&P 500 INDEX 1000 AND UP WRAP
TRS	S&P TRANSPORTATION INDEX SETTLEMENT
VBMFX	VANGUARD BOND INDEX TOTAL BL MKT PT
VIGRX	VANGUARD INDEX TRUST GROWTH PTFL
VTSX	VANGUARD INDEX TR TOT STK MKT INSTL
VTSMX	VANGUARD INDEX TR TOTAL STOCK MRKT
XE	MERRIL LYNCH EARLY CYCLICAL'S INDEX

NASDAQ Indices

\$ACTQE	NASDAQ/NMS MOST ACTIVES
\$ADVQE	NASDAQ/NMS ADVANCING ISSUES
\$ADVSE	NASDAQ ADVANCING ISSUES
\$COMPX	NASDAQ COMPOSIT INDEX**
\$DECQE	NASDAQ/NMS DECLING ISSUES
\$DECSE	NASDAQ DECLING ISSUES
\$DVOQE	NASDAQ/NMS DOWN VOLUME
\$DVOSE	NASDAQ DOWN VOLUME
\$INDS	NASDAQ INDUSTRIAL INDEX
\$INSR	NASDAQ INSURANCE INDEX
\$ISSQE	NASDAQ/NMS TRADED ISSUES
\$IXA	NASDAQ ADR INDEX
\$IXC	NASDAQ CHICAGO REGIONAL INDEX
\$IXF	NASDAQ FINANCIAL 100 INDEX
\$IXL	NASDAQ LOS ANGELES REGIONAL INDEX
\$IXN	NASDAQ NEW YORK REGIONAL INDEX
\$IXS	NASDAQ SAN FRANCISCO REGIONAL INDEX
\$IXTC	NASDAQ TELECOMMUNICATIONS INDEX
\$IXW	NASDAQ WASHINGTON DC REGIONAL INDEX
\$NCDQE	NASDAQ/NMS LOSERS
\$NCMP	NASDAQ NATL MARKET COMPOSIT INDEX
\$NCUQE	NASDAQ/NMS GAINERS
\$NCUSE	NASDAQ GAINERS
\$NDV	NASDAQ 100 INDEX WRAP AROUND
\$NDX	NASDAQ 100 INDEX 900T**
\$NIND	NASDAQ NATL MARKET INDUSTRIAL INDEX
\$OFIN	NASDAQ FINANCIAL INDEX
\$PCDQE	NASDAQ/NMS % LOSERS
\$PCDSE	NASDAQ % losers

\$PCUQE	NASDAQ/NMS % GAINERS
\$PCUSE	NASDAQ % GAINERS
\$TICQE	NASDAQ/NMS TICK INDICATOR
\$TICSE	NASDAQ TICK INDICATOR
\$STRANX	NASDAQ TRANSPORTATION INDEX
\$UVOSE	NASDAQ UP VOLUME
\$VOLQE	NASDAQ/NMS VOLUME
\$VOLSE	NASDAQ VOLUME
ATEST	\$\$NASDAQ TEST SYMBOL
ZYSLL	NASDAQ TEST SYMBOL
ZYSW	NASDAQ TEST SECURITY

**It is critically important to constantly change and update contract letters. This program changes contract letters quarterly. Currently M (June) is in use. For example /SPM8 is the current S&P Futures, therefore when it gets closer to June change the M to a U. The eight represents the last number in the year. For example, /SPM8 means this represents futures contracts for 1998. Therefore, next year on the first trading day the 8 will change to a 9.

Contract driven Futures Indices

/SPM8	S&P FUTURES
/USM8	BONDS
/NDMS	NASDAQ FUTURES

Day Session Month Codes Table

MONTH	CODE
January	F
February	G
March	H
April	J
May	K
June	M
July	N
August	Q
September	U
October	V
November	X
December	Z

APPENDIX 3 - BIBLIOGRAPHY

The following books are recommended by TradeTech

Investor's Business Daily Industry Group and Ticker Symbol Index, 12655 Beatrice Street, Los Angeles, CA 90066 800-831-2525

William J O'Neil, How to Make Money in Stocks

John Murphy, The Visual Investor

Jake Bernstein, The Complete Day Trader

Adrienne Laris Toghraie, & Jake Bernstein, The Winning Edge c95 On Target Press, North Carolina (To get a copy of this book call 919-851-8288)

Jake Bernstein, The Investor's Quotient Wiley, New York 1980

Martin J Pring, Investment Psychology Explained

Alexander Elder, Trading for a Living

Stan Weinstein, Secrets for Profiting in Bull and Bear Markets - (ignore what he says about short-term trading)

Mark Douglas, The Disciplined Trader

Jack Schwager, Market Wizards
(The first book)

Nicholas Darvas, How I made \$2 Million in the Market c 1960's
(About a dancer's success in the market. Story was verified by Time Magazine)

**** The following book is highly recommended for our Level III Charting Class ****

Steve Nison, Japanese Candlestick Charting Techniques: a contemporary guide to the ancient investment techniques of the Far East, New York Institute of Finance c 1995 ISBN 0-13-931650-7

APPENDIX 4 - INTERNET SITES

<http://www.briefing.com/etrade/earncal.htm> (splits and earnings info)

<http://www.equis.com> (Bollinger Bands)

<http://www.nyse.com> (Information on the NYSE)

<http://www.nyse.com/public/search/07in.htm> (NYSE curb/circuit breaker information)

<http://www.nasdaq.com>

<http://www.nasdaqtrader.com> (Information on the NASDAQ)

<http://www.nasdaqnews.com>

<http://www.nasd.com>

<http://www.nasdr.com>

<http://www.cnbc.wsj.com>

<http://www.economist.com>

<http://www.cnbc.com> (trading curbs)

<http://www.nasdaqtrader.com/trader/symboldirectory/symbol.stm> (Market Maker List)

APPENDIX 5 – GLOSSARY

ASK: The quoted price the Market Maker, Stock Exchange or ECNs are advertising on the offer.

BEST ASK: The lowest quoted price all competing Market Makers, Stock Exchanges or ECNs are selling a stock.

BREAKDOWN: When the price of a stock moves below the bottom of its support.

BREAKOUT: When the price of a stock moves above the top of its resistance.

CANDLESTICK CHART: An ancient method of technical charting using shadows to visually give the trader a quicker and more complete view of the day's trading activity.

COMMODITY CHANNEL INDEX: An indicator designed for use in markets that follow definite cyclical patterns.

CONVERGENCE: The degree to which a point at which lines converge or come together.

COVERING: Buy back a short position.

CYCLE PATTERN: A repeating chart pattern.

DELETED: A security is no longer included in the NASDAQ National Market.

DIVERGENCE: The degree to which a point at which lines diverge or break apart.

DOWN OFF BID: The Market Maker or ECN are no longer willing to pay the inside market bid price for their stock. Their bid price is adjusted in a downward direction off the inside market.

DOWN TO ASK: The Market Maker or ECN adjusts his advertised selling price down to the current inside market ask price.

DOWNTREND: A series of lower highs and lower lows in a given stock on a chart.

DROPS BID: The Market Maker or ECN on the inside market are no longer willing to buy stock at their advertised bid price and they lower their bid price.

ECN: Electronic Communication Network.

FILL: Executed order.

HE DROPS: The market maker to whom the trader just sold stock has moved away from his best bid price. The market maker has moved his market because he left the bid

HE LIFTS: The market maker from whom the trader just bought stock has moved away from his best offer price. The market maker has moved his market because he has left the offer.

HE STAYS: The market maker from whom the trader just bought or sold does not move his market. The market maker continues to buy or sell stock at his advertised price and is willing to continue.

HIGH BID: When a Market Maker or ECN outbids the other Market Maker. They advertise to buy stock at a higher price than any other Market Maker or ECN.

HIT THE BID: A customer (trader) sold on the bid.

HIT ME: A customer (trader) was bidding for stock and bought it.

INDICATOR: Pointing or directing device that helps to measure the direction of existing trends or trend changes.

INSIDE MARKET: The highest advertised bid and the lowest advertised offer prices among all competing Market Makers and ECN's in a NASDAQ stock.

INTERMEDIATE TERM: Someone who buys or sells short a stock and is in the trade for a longer period of time. Two days to possibly weeks.

INVESTOR: Someone who buy or sells short a stock and holds it for an indefinite period of time.

LIFTS OFFER: The current Market Maker or ECN adjusts his advertised selling price down to the current inside market ask price.

LIMIT ORDER: The only price for which a trader is willing to either buy or sell a stock.

LONG TERM: Someone who buys or sells short a stock and is in the trade for a longer term, usually several weeks forward.

LOW OFFER (ASK): A Market Maker or ECN is willing to sell their stock at a price lower than any other Market Maker or ECN.

MOVING AVERAGE: Shows the average value of data in its time window, five days, ten days, etc. in a running line. A five-day moving average shows the average price for the past five days in a running line.

MARGIN CALL: If you exceed your buying power two times your equity, you will generate a margin call. You will have three days to meet this call. The call will be equal to one half of the amount that you exceeded your maximum value or buying power.

MARKET MAKERS: The NASD member firms that buy and sell NASDAQ securities at prices and sizes they advertise in NASDAQ. There are more than 800 member firms that act as NASDAQ Market Makers.

MARKET MAKER SPREAD: The difference between the price at which a Market Maker is willing to sell a stock and the price at which that firm is willing to buy, the difference between the Market Maker's bid and ask for a given security.

MOMENTUM INDICATOR: An oscillator line that tells us the pace of the stock and whether prices are rising or falling.

MOST ACTIVE: Most active NASDAQ National Market stocks at any given time.

NASDAQ NATIONAL MARKET: The NASDAQ National Market is a group of more than 3,500 companies that have a national and/or international shareholder base. They must meet stringent financial requirements, agree to specific corporate governance standards and have applied for listing with.

NASDAQ: Once a company is approved and listed on the NASDAQ National Market, Market Makers are able to quote and trade the company's securities through a Level 1 or Level 2 electronic trading system.

(NASD) NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.: The self-regulatory organization of the securities industry responsible for the regulation of the over-the-counter markets.

NET CHANGE: The difference between the previous day's last trade and today's last trade.

OPEN ORDER: An order placed into the system to buy or sell a security that remains in effect until it is either canceled by the customer (trader) or executed.

OSCILLATOR: An indicator that helps determine when a market or stock has reached an important extreme on either the upside or the downside.

PATTERN RECOGNITION: Being able to recognize a candlestick chart pattern that indicates a possible buy or sell short opportunity.

PREVIOUS DAY'S CLOSE: The previous trading day's last reported trade.

PRINCIPAL ORDERS: This refers to the trading activity by a broker/dealer when buying or selling for its own account.

PULLBACK: After a stock breaks out of its trading range and advances, there is usually at least one profit-taking correction that brings the price of the stock down closer to its breakout point.

REAL-TIME TRADE REPORTING: Strict requirements imposed on Market Makers and non-Market Makers to report each trade within 90 seconds after completion of the transaction. However, when there is heavy volume and you are looking at executed trades on your time and sales window and they appear to be late trades. The trade could have been reported on time but because of heavy volume the electronic system has slowed down. Please always look at the stock for the real movement and price.

REFRESHING: After a market maker has fulfilled his obligation of buying or selling and is willing to buy or sell more stock at the same price.

RESISTANCE: The area where a rallying stock is likely to run into trouble and then move in another direction.

(SEC) SECURITIES AND EXCHANGE COMMISSION: A board charged with regulating and protecting the investing public against fraudulent and manipulative practices in the public buying and selling of securities.

SHORT SELLING: Short selling is the selling of a security that the seller borrows and does not necessarily own.

SHORT TERM: Someone who buys or sells short a stock and is in the trade for a very short time. The time frame could be seconds to an all day trade. However, we mean someone who is usually out of the trade either the day they entered or close to the open of tomorrow's trading day.

SPREAD: The difference between the price advertised on the bid or asked of a stock at any given time.

STOCHASTIC: This refers to the location of a current stock price in relation to its range over a set period of time.

STOCK SYMBOLS: NASDAQ securities have four or five letters assigned to them. If a fifth letter appears, it identifies the security as something other than a single issue of common stock or capital stock. Please see below a list of fifth letter identifiers and a description.

- | | |
|---|--|
| A | Class A |
| B | Class B |
| C | Issuer qualifications exceptions, which indicate that the issuer has been granted a continuance in NASDAQ under exception to the qualification standards for a limited period of time. |
| D | New |
| E | Delinquent in required filings with the SEC |

G	First convertible bond
H	Second convertible bond, same company
I	Third convertible bond, same company
J	Voting
K	Nonvoting
L	Miscellaneous situations such as depository receipts, stubs additional warrants and units
M	Fourth preferred, same company
N	Third preferred, same company
O	Second preferred, same company
P	First preferred, same company
Q	Bankruptcy Proceedings
R	Rights
S	Shares of beneficial interest
T	With warrants or with rights
U	Units
V	When issued and when distributed
W	Warrants
Y	ADR (American Depository Receipt)
Z	Miscellaneous situations such as depository receipts, stubs, additional warrants and units.

STOP/LOSS: A dollar amount that a trader has usually previously decided on to get out of a trade.

SUPPORT: The area where a stock that has been declining is likely to stabilize and then move in another direction.

TICKS UP: A market maker that is not currently advertising on the inside market adjusts his bid or ask in an upward direction.

TICKS DOWN: A market maker that is not currently advertising on the inside market adjusts his bid or ask in a downward direction.

TODAY'S HIGH: The intra-day high trading price.

TODAY'S LOW: The intra-day low trading price.

TOOK ME: A customer (trader) was offering stock and sold it.

TOOK THE OFFER: The customer (trader) has purchased stock on the offer.

TRADER: Someone who buys and sells stock. YOU

TRADING RANGE: The neutral zone in the ongoing battle between buyers and sellers: the middle area.

TRADING HALT: A temporary suspension of trading in a NASDAQ security, usually for 30 minutes.

TRENDLINE: Drawing a line that connects any two or more lows or highs on a chart.

UP OFF ASK: The Market Maker or ECN is no longer willing to sell a stock at the inside market ask price. They adjust their price in an upward direction of the inside market.

UP TO BID: A Market Maker or ECN is no longer willing to buy a stock at their current price. They adjust their bid price up to the current bid price.

UPTRENDS: A series of higher highs and higher lows in a given stock on a chart.

VOLUME: Total number of shares of stock executed and reported to the NASDAQ National Market for NASD members and exchanges trading NASDAQ securities between the hours of 8:00 a.m. and 5.15 p.m. EST.