Featuring: Keller's Tips and Tricks p. 8

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FUTURES, FOREX, & STOCKS *Magazine*

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## Become a Better Day Trader TODAY! p. 2

A Different Way to Own Gold by Edwin Tucker

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# In this issue......






One of the most sought after "jobs" in the trading industry by the retail sector is that of a day trader. With its short hours and minimal capitalization requirements, it does appear to be lucrative! So then why isn't everybody doing it? Probably not due to trying but more due to the results they experienced. Day Trading can be extremely rewarding if you know how. If you don't, you will probably become a position trader or stop trading all together.

With position traders being subjected to the past years extreme volatility due to the uncertainty that exists both in Europe as well as the United States, many traders are turning to day trading in an attempt to fill the void. With so many markets and so many strategies available, the choices can be overwhelming.

Over the past "soon to be" three decades of both trading as well as witnessing the trading of others as a retail broker I have seen, as well as heard, many things relating to this subject.

In 1989/1990…years before the internet and electronic trading I was in charge of overseeing a room of about 20 "customers" who were comprised of professional traders who had direct access to the floor (by phone). Computers in commodities were still a novelty and part of my duties were to help these traders set their computers up with their personal assortment of technical ingredients…which they protected from the eyes of the others with extreme diligence. I had to sign "trade secret" agreements with each one. Even though they all used different methods to trade, methods that they felt were superior to anything and everything else…they all did pretty much the same. I have found that true in many cases over the last 25 years of monitoring traders….that there is no ONE WAY to trade…and the only criteria being the end result, making money. Once when questioning a trader over his methodology so I better understood it, he told me…"yeah it's not pretty or as sophisticated as some of the other stuff I have seen but the bottom line is I understand it and it works, it makes me money…and that truly is the most important thing…the only thing".

Personally I have tried and used many different methods to day trade during my teaching on the demo trading software. Everything from pivot points, moving average crossovers, to Market Profile's pressure points. What I have found myself most comfortable with is using the same method favored by many successful traders, both floor as well as screen traders, which is scalping. What exactly is "scalping"; here's a combination what I found on the internet as well as my own personal opinion and views.

Scalping is a trading style specializing in taking profits on small price changes, generally soon after a trade has been entered and has become profitable. It requires a trader to have a strict exit strategy because one large loss could eliminate the many small gains that the trader has worked to obtain. Having the right tools, such as a live feed, a direct-access broker and the stamina to place many trades is required for this strategy to be successful.

Scalping is based on an assumption that most markets will complete the first stage of a movement (the surge) which will be followed by a retracement or recoil. Since a market spends about 80% of its time trading in a range and the other 20% changing or altering (trending?) its range market will move in the desired direction for a brief time but where it goes from there is uncertain; we usually watch the market bar by bar as we monitor the momentum and as the market approached an area we recognize as a resistance level we will fade resistance by selling and once filled place the exit order just above support. If you are familiar with "scale trading" you will quickly recognize the similarities in the discipline which is getting in and out in a predetermined fashion.

A scalper intends to take as many small profits as possible, not allowing them to evaporate. Such an approach is the opposite of the "let your profits run" mindset, which attempts to optimize positive trading results by increasing the size of winning trades while letting others reverse. Scalping achieves results by increasing the number of winners and sacrificing the size of the wins. It's not uncommon for a trader of a longer time frame to achieve positive results by winning only half or even less of his or her trades - it's just that the wins are much bigger than the losses. A successful scalper, however, will have a much higher ratio of winning trades versus losing ones while keeping profits roughly equal or slightly bigger than losses. The principle of a bird in the hand is worth two in the bush makes this easier to understand, how many times have you seen a position grow in profits for a long period in time only to disappear in a split second do to a unforeseen change in sentiment? I hate that! This helps you avoid giving back your gains in one fell swoop.

The main premises of scalping are:

"Lessened exposure limits risk - A brief exposure to the market diminishes the probability of running into an adverse event.

"Smaller moves are easier to obtain - A bigger imbalance of supply and demand is needed to warrant bigger price changes. It is easier for a market to make a 1 point move than it is to make a 10 point move.

"Smaller moves are more frequent than larger ones - Even during relatively quiet markets there are many small movements that a scalper can exploit.

Primary Style

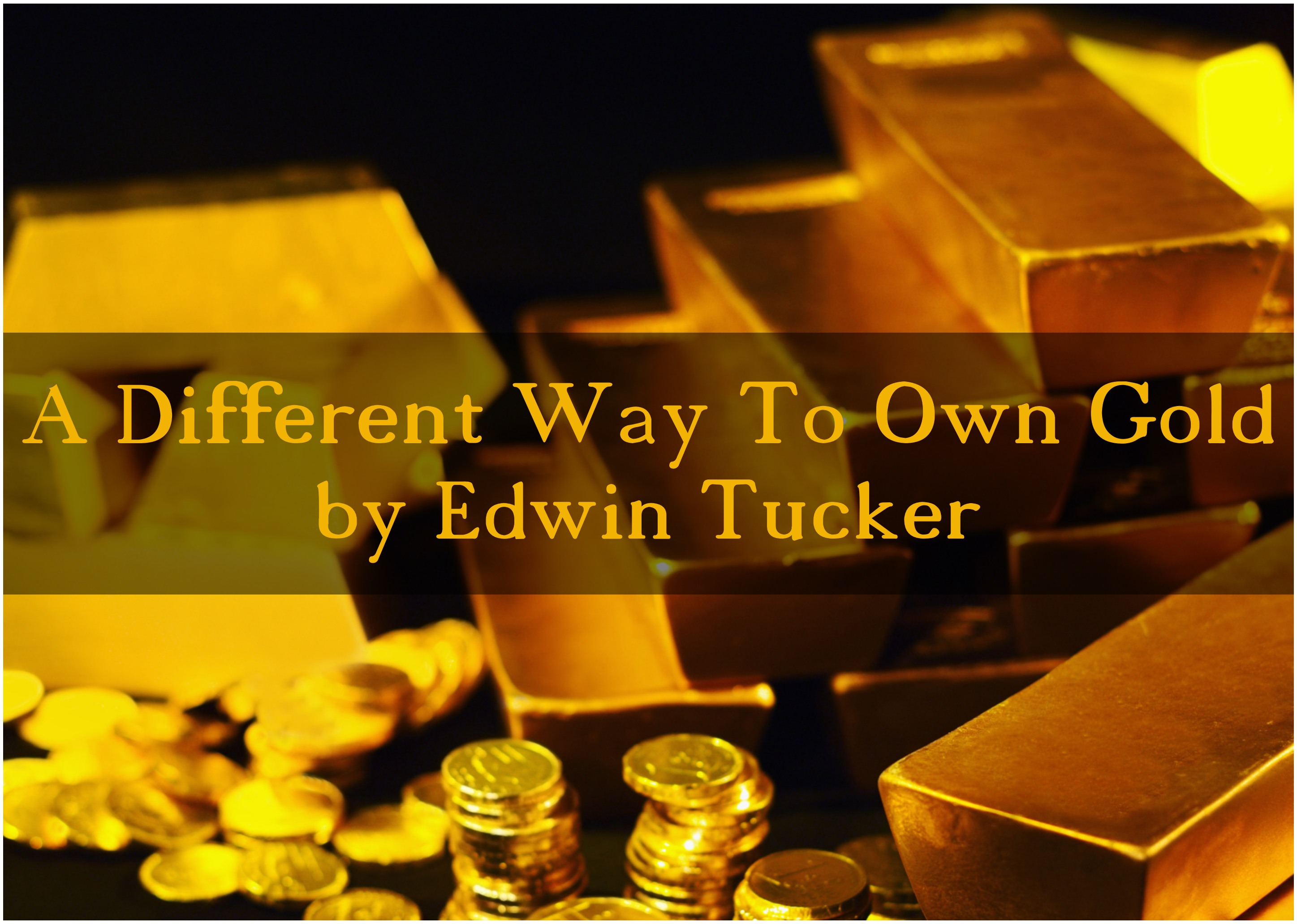
A scalper will make a number of trades a day, between five and 10 to hundreds (so a low commission and fast execution are essential). A scalper will mostly utilize one-minute charts since the time frame is small and he or she needs to see the setups as they shape up as close to real time as possible. Using a "Price Dom" or "Trade Ladder" makes this pretty easy because we can visually see where the prices are getting filled as well as pick up the "rhythm" of the market. You can actually use the rhythm to help you enter and exit the market better. When demo trading I personally prefer using a split screen with the ladder next to a one minute chart, which again is my personal choice. I do know other traders who use one without the other and do just fine.

The most important thing is that scalping can be profitable for traders who decide to use it as a primary strategy or even those who use it to supplement other types of trading. Adhering to the strict exit strategy is the key to making small profits, don't be greedy, (many many times) compound into large gains. The brief amount of market exposure and the frequency of small moves are key attributes that are the reasons why this strategy is popular among many types of traders.

Basically most traders start their trading day (at 8:20 am eastern) by accessing the markets overall position using standard technical tools on a daily chart and once they get an idea of where the market is based upon what it has been doing, most will shrink their time frame to a 15 minute to do additional technical analysis. Which mean we identify areas of support and resistance which we then translate into an even shorter time frame. As far as time frames are concerned, there is no "magical" time frame…you should use what is comfortable to you but since all you want to do is "get in" and "get out"…the shorter the better. Many Traders usually use a one minute chart to trade but do their analysis on various time increments looking for patterns. So they are constantly surfing back and forth between time frames, of course a trader could just have multiple windows open to avoid surfing while being able to monitor these different time frames.

Traders are looking for areas of support or resistance buying at support and selling before resistance, which needs to be at least more than a full S&P point in order to be able to buy and sell quickly. When using a price ladder the trader is buying and selling using limit orders so even though the trader can get filled with the market trading "at" the price, to be guaranteed a fill(there really are no guarantees) the market would have to "go through it to do it" so a trader is primarily fading support as well as resistance which means that if support is 5 and resistance is 10; a trader would place an order to buy at 6 and sell at 9 attempting to take the middle three points. In the case of the Emini this is generally anywhere from .50 a half a point ($25) to 1.50 a point and a half ($75). Now before you pshaw this as not enough money to make it worth your while, a scalper is generally in and out in about a minute using multiple lots many times in a session.

We have seen this trading style successfully employed by many professional traders in many different markets. They focus on short term price action rather than longer term forecasting.



# A Different Way To Own Gold by Edwin Tucker

With gold dominating headlines today, you might be wondering how to own the mysterious yellow metal. After 11 years of gains, many investors are beginning to understand the logic professed by gold bugs throughout this bull market. Once a decision to participate has been made, investors often face an even more confusing set of choices.

Gold can be held in many forms. Physical possession is one option. Holding gold physically creates the certainty that can only come with possession. Some physical ETFs have been accused of not possessing gold as they only hold paper futures contracts representing the right to purchase metal which might or might not exist. Holding physical gold is not risk free though as theft becomes a peril that must be avoided. This often creates storage costs in addition to the most common complaint, lack of utility.

As this bull market persists, gold mining stocks will become more popular. Savvy investors will begin to profess that controlling wealth in the ground is the most profitable approach to gold ownership. Considering that the sector's share prices have been mired in a persistent bear market, there are certainly an abundance of attractive gold producers to choose from. Often times these companies began developing their mines several years ago when gold was half of its current price. The mines were economically attractive then and a rising gold price only adds to profitability.

Gold mining somehow triggers a greed instinct in humans. Pure panics have at times caused geographic shifts that affect areas many years later. The gold rush of the late 1840's changed California forever. Canada's Yukon Territory is currently experiencing a modern gold rush. While the lure of excessive profits is powerful, we must remain objective when analyzing this sector if profits are desired.

As previously mentioned, the rising price of gold has made miners more attractive. Although the price of their output has doubled, the operating earnings per share have not necessarily followed suit. Fuel, labor and equipment costs have also risen. Add those costs to a volatile financing market and you begin to see the growing pains felt by many mining firms.

Another factor hurting mining equity valuations is countries that have failed to maintain consistent tax policy. As tax policy changes, manufacturing companies often relocate in search of a friendlier jurisdiction. Companies traditionally negotiate long term tax abatements in exchange for creating job growth through investment in a new facility. Mining firms do not have this option. If the gold is in the ground in Argentina, that is where you will have to build the mine. Argentina recently announced changes to the tax and regulatory structure that governs mining firms. There was uncertainty associated with the announcement which caused stock prices of companies with projects in the country to plummet.

While the potential for success in mining shares is great, the risks can be daunting. Most part time investors find it difficult to track 10 or more companies engaged in mining activities spread around the world. Some end up settling for a mutual fund approach as they attempt to leave it to the experts. Our experience has been that this approach does not accurately compensate you for the risks taken by participating in the sector. Returns are often mediocre as fund managers possess a surprisingly poor understanding of how to allocate capital.

What if you could own a portion of mine output without the risks associated with operating the mine? This could sound too good to be true but it is an option. The typical gold mine takes 7-10 years to achieve production. The entire process looks something like this:

• Exploration
• Discovery
• Shallow drilling
• Deep drilling
• Mapping & analysis
• Feasibility study
• Bankable feasibility study
• Mine construction

Companies can spend hundreds of millions of dollars just reaching the first feasibility study phase. This study outlines the exact economics that will be in place once the mine is operating. The geologists confirm the costs of the extraction techniques, the proven size of the deposit and the final extraction method. Once this study is considered bankable, construction financing is more readily available. Lenders feel certainty in the accepted methods used to construct the study.

During the journey that leads to the bankable phase the company is constantly trying not to run out of capital. If the project is becoming more and more attractive, constant capital needs can make it a sitting duck for unfavorably priced takeovers. Equity is often issued several times in order to keep this process moving. As a shareholder, each equity issuance narrows your slice of the pie.

In the company's approach to financing, management might consider an investment from a gold royalty company. These firms are led by executives with a deep knowledge of the mining industry. They are able to fully understand the project and make a good assessment of potential success. During the development phase, the royalty company will make a large capital infusion in exchange for a percentage of net mine revenue once operating. This arrangement is attractive in that the company is able to minimize its exposure to the public markets. Meanwhile, the royalty company is confident that the project will be economic and their ongoing payments from the mine will be significant.

Payments to a gold royalty company are often structured in the form of a Net Smelter Royalty. The royalty company evaluates and makes a decision about the risks associated with the project before making an investment. After the investment is made, they may keep tabs on the mining company's progress but are not involved in any part of operating the mine. They also bear no costs associated with development as the company spends the invested capital as they see fit or according to the terms of the investment. The royalty company does however maintain exposure to variable operating expenses associated with running the mine. Since their royalty is calculated on a net basis, rising costs will have to be offset by rising gold prices or increased output. At the end of each quarter a payment is made to the royalty company based on net operating profits.

As an investor seeking to participate in the gold bull market this can be an attractive arrangement. Many royalty companies are publicly traded and offer exposure to a rising gold price without some of the incredible risks associated with operating a mine. While this is an attractive investment in our view, there is a more direct and innovative approach that should at least be considered.

Gold streaming companies offer a similar appeal to that of the royalty firms but there is one key difference. The streaming company makes a similar investment, often during the same phase of development as a royalty company. Whereas the royalty firm seeks a portion of net revenues, the streaming firm enters into a Gold Purchase Agreement. In exchange for its investment, this agreement entitles the streaming company to purchase a certain percentage of production at a fixed price over the entire life of the mine. It is not uncommon for these firms to hold rights to 15-20% of mine output at $350-500 per ounce. The contract entitles them to actual gold ounces, not cash. This arrangement fully mitigates the risk of rising operating costs.

Streaming companies are still misunderstood by the investing public. At this time, the gold bull market is not even acknowledged by the mass investor. As currency debasement created by sovereign nations unable to pay their bills continues to persists, the price of gold will continue to rise. Streaming companies capitalizing on well negotiated gold purchase agreements offer perhaps the most innovative and sensible approach to participating in this trend.

*Edwin Tucker is a contributor to TradersLog.com and you can also follow him on his blog, thekwanbox.blogspot.com.*

# Keller's Tips and Tricks

Can you picture a private island in the Caribbean, a hammock on the beach, palm trees? Anyone else besides myself experiencing the sensation of an ocean breeze on their face right now? Where is my pina colada? Its celebration time.

I would like to inform all the new would be traders out there about a very important technical indicator, "Homing Oscillator and X-Ray(HOAX)". With the strength of a bull, wisdom of the owl, and ferocity of the tiger; The HOAX indicator is never wrong, will make you a multi-billionaire with only an investment of $5, and all in one year! Like Superman, nothing stands in HOAX way, but unfortunately like Superman, it also doesn't exist.

Okay, so I'm not the funniest man alive but I do know all about the HOAX indicators out there. So why am I saying all this anyway? Don't I work for a company that sells trading software and technical indicators? I'm saying this because I work with new traders every day and I've learned a lot from them over the years. For every 10 new clients I speak to, at least 1 of the 10 will be looking for a silver bullet, get rich quick scheme. I have never been told that it is my job to bring these clients back down to earth, but I couldn't do my job if I didn't. Whether trading for a living, side income or just a hobby, you will only get back what you put in.

Know who the good guys are and why they do what they do. Lan Turner is one of the good guys, I wouldn't work for him if he wasn't. Well over a decade ago, Lan was a new trader just like our new Gecko clients. He experienced the ups and the downs, exhilarating wins and defeat alike. He wanted a trading platform that had the features that he wanted, so he hired a programmer to make it for him. It worked, he loved it, and figured that he might as well sell it online. Little did he know, that he would soon be filling the back of pickup trucks with cases of his new "Gecko Charts" trading platform. He could barely print the software faster than it was selling. He was hooked, and being a business owner was his new found passion. He wasn't an unsuccessful trader who decided to dupe others into some pyramid scheme, he even still trades today.

What about all the trading educators out there? We work often with Paul Brittain, Dr Scott Brown and many more. They know their stuff and they trade often, so why teach what they know? Because they enjoy teaching it! Trading can be stressful, even if you are one of the best. If you spent thousands on education only to discover that there is a better way, that you can help others with their trading, wouldn't you be tempted to become a teacher as well? If you're promised the moon, be a skeptic. If you're told to 'Give me all your money and I'll take care of the rest," don't walk to the door, run!

At Gecko Software, all of us want to sleep at night and we all have the 'OK' to tell a new client that they are not ready to trade. If we find that a new client is getting ready to take their mortgage money to open an account, prepare for the soapbox speech. We want success stories just as much as our clients want the success. Paper trade, paper trade, paper trade, and as always best of trades!

*Jeff Keller has been with Gecko Software for almost five years, and is currently the Track 'n Trade Technical Support Manager. You can find Gecko Software online at: www.GeckoSoftware.com. Jeff makes himself available for calls and consultation during regular business hours, call Jeff at: 1-800-862-7193 Ext 3.*

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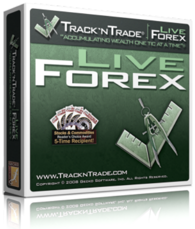


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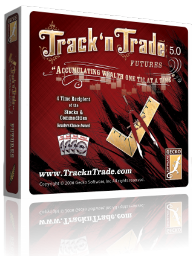


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## Charting Software


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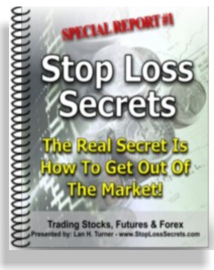
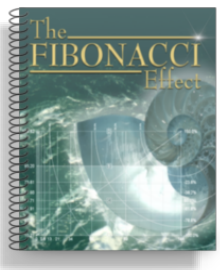



It seems that we spend 90% of our time studying and trying to figure out the best timing techniques for market entry, but we spend very little time actually learning the techniques of exiting the market. Getting into a market is easy, but getting out of the market, with a profit, is the true test of a traders skill.

**Learn More**

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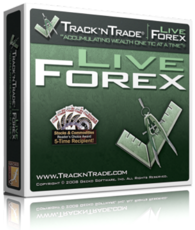

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