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**Futures, Forex, & Stocks**

*Magazine*

# Hierarchy of Trades

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*By: Scott Barrie*

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### December Corn: Poised For A Major Drop?

*By: Gene Nowell*

Corn producers have enjoyed \$3.00 plus corn for quite some time now. However, all good things must come to an end, and this appears to be one of them. My charts are showing a down trend that is going to be hard to break until after harvest of this year, most likely spring of next year. One of the most reliable programs...



### Lan Turner's Hierarchy of Trades: Part 1 of 6

*By: Lan H. Turner*

The biggest problem I see with new traders is that they come into this industry, and the first thing they do is grab a chart and start looking at oscillating indicators such as the MACD, Stochastics, or CCI. They believe that all they have to do is find the perfect indicator, then buy every time they receive a buy signal, and sell...



### Friday Strength in September is Reversed in the Euro

*By: Scott Barrie*

Fridays hold a special place in market lore as a day commonly associated with either "position squaring," "profit taking" or even, on occasion, panic. Friday comes before the only break the FX markets take – Saturday and half of Sunday. In fact, even the 24 hour a day, almost continuously traded Foreign Exchange (Forex or FX)...



### Trading Commodity Futures and Commodity-Driven Stocks

*By: Raghee Horner*

The ability to chart forex, futures, and stocks is not as complex as you may think. *Trading multiple markets at the same time is actually easier and better than trading one market alone!* However, you can do this only if you trade with charts and focus on liquid markets. By how else would you analyze the markets if not with charts, and...

# JUST RELEASED...

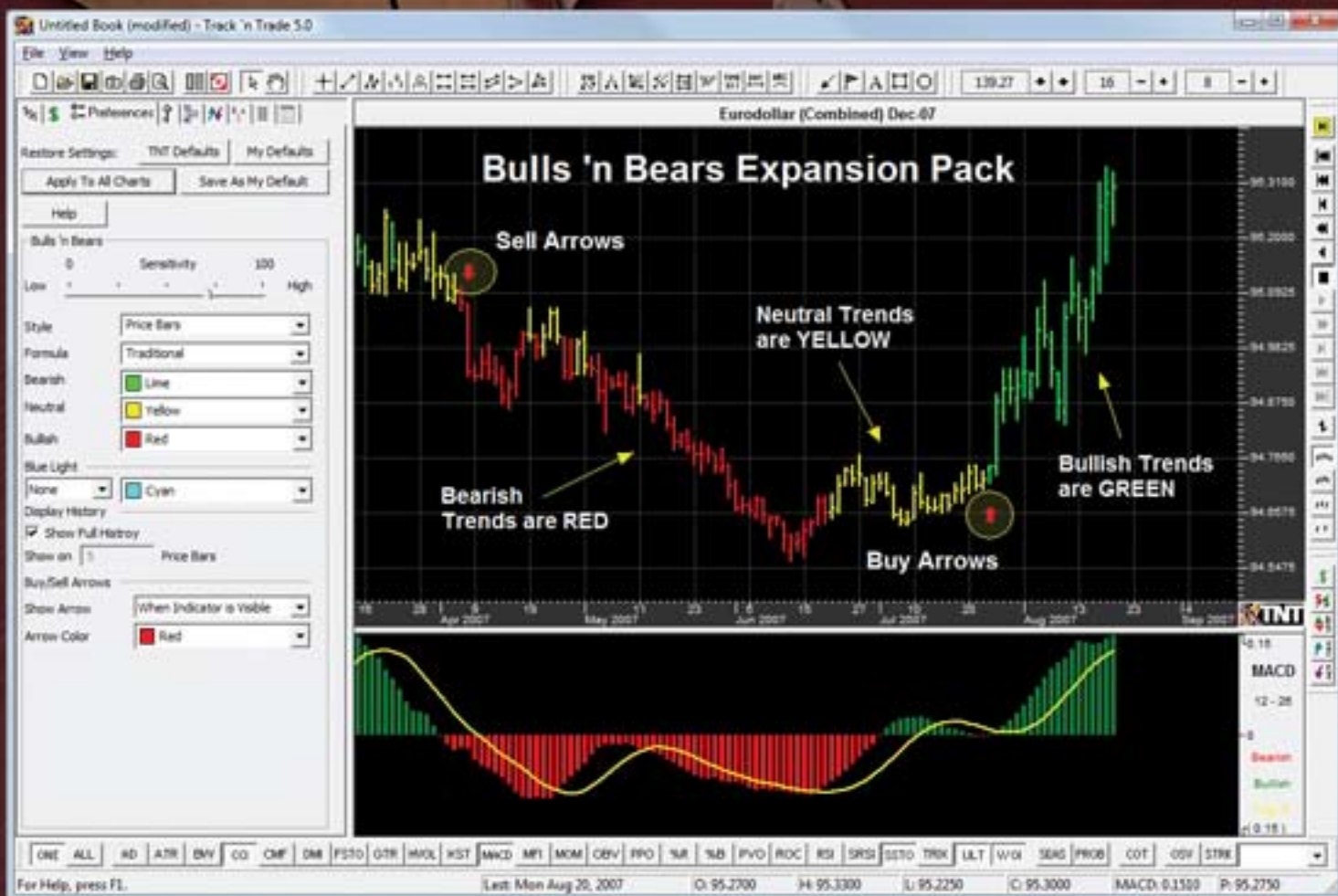
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# Editor's Note

The featured article in this issue, Lan Turner's Hierarchy of Trades, discusses the steps necessary to execute a trade effectively, that is: count, measure, trigger, and follow through. These principles, which will be discussed in greater detail in upcoming issues of PitNews.com Magazine, are also key to many of the other articles presented in this issue.

At the base of Turner's hierarchy is an understanding of the fundamental and seasonal nature of the markets. Scott Barrie provides an in-depth discussion of these factors as they relate to Metals in the September installment of the Commodity Trader's Almanac. Mr. Barrie also offers an analysis of a certain currency's behavior from a seasonal perspective in Friday Strength in September is Reversed in the Euro.

Gene Nowell goes a step further for Corn, analyzing it technically and posing the question, December Corn: Poised for Another Drop?

These principles, in addition to their usefulness in the Futures and Forex markets, are also applicable to Stocks, as Raghee Horner's Trading Commodity Futures and Commodity-Driven Stocks shows.

*Kimberly*

**Kimberly Lyon**  
Managing Editor  
PitNews.com Magazine

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RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL, OR IS LIKELY TO, ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM. ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM, IN SPITE OF TRADING LOSSES, ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS, IN GENERAL, OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

# OFF THE

# WALL

By: **Kimberly Lyon**  
Managing Editor  
PitNews.com Magazine

**The Wall** is PitNews.com's trading forum, found on the web at: <http://thewall.pitnews.com> or from the tab link on the front page of PitNews.com. Each month, we highlight a chart submitted by one of our users.



This month's "Off The Wall" chart comes from Thomas, who has recently discovered Track 'n Trade's new version 5.0. This is what he had to say about it:

*I got my new 5.0 Track 'n Trade, take a look at this!  
Look what we can do with Andrews Pitchforks now!!!  
Wahoo, they added Schiff!!! And distance markers!!!*

And that's not all... in addition to the Advanced Andrews Pitchfork features enjoyed by many contributors to The Wall, Gecko Software has added 15 additional indicators, optimized

long-term charts, the Fibonacci ABCD/123 Tool, a sleek new Preferences Tab, and more.

Visit <http://www.trackntrade.com/futures> to see what all the hype is about!

Get into the action! Start posting charts on The Wall, and maybe you'll see your chart highlighted here in our next PitNews.com Magazine issue.



September 2007

# COMMODITY TRADER'S ALMANAC

View And Review

*By: Scott Barrie*

**F**or many months, the Commodity Almanac View and Review has highlighted the supply side concerns affecting commodity prices such as grain market pollination and crop

progress, slaughter patterns in the Livestock markets, and even storage levels in Natural Gas. However, supply is only half of the equation in the marketplace. Demand can have a strong influence on prices as well.

Most markets generally tend to be either supply or demand driven markets. Though both supply and demand influence prices, usually one side of the equation is more volatile and uncertain than the other. For example, in the agricultural futures, supply concerns – such as weather – tend to move prices in most years, while demand (or usage)

concerns tend to push the more industrial markets, like the metals and petroleum. Of course, radical changes to either side of the equation will influence prices. But traders may be wise to concentrate on the demand side of the equation in the metals and petroleum markets, while concentrating on the supply side of the equation for the agricultural markets.

This month, we will show PitNews.com Magazine readers how the metals are influenced by various usage patterns in September.

## Gold Usage

The single largest consumer of Gold in any given year is the jewelry industry. Jewelry usage accounts for over two-thirds of the typical year's consumption. For the jewelry industry, the most important season is the holiday shopping season – commonly referred to as the period between the Thanksgiving and Christmas holidays. This six week period of time accounts for almost 40% of all jewelry sales in a year - making it the most important time of the year for retail sales businesses like

jewelry.

Preparation for the holiday shopping season begins as the European vacation seasons draws to a close in September. Fabricators buy bullion and begin fashioning it into the lovely trinkets and shiny bobbles which are given as gifts. This demand tends to pull prices higher. This can be seen by the historical price behavior facts:

- 1) **December Gold Futures have gained in 8 of the last 10 Septembers.**
- 2) **September is the second strongest month on record for December Gold futures.**
- 3) **December Gold futures have gained in the later half of September in 13 of the last 15 years.**

From a technical perspective, the demand push in Gold may be showing up. Gold futures are forming a large descending triangle pattern. An upside breakout of this pattern may signal an end to the recent price weakness in Gold – which is normal

### HYPOTHETICAL PERFORMANCE RESULTS December Gold Futures Dollars/Ounce Changes Enter Approximately September 9th / Exit Roughly September 28th

Entry Date	Entry Price	Exit Date	Exit Price	Closed P&L (pts)	Closed P&L (\$)	High Price	High Date	Low Price	Low Date
9/15/2006	583.00	9/29/2006	604.20	21.20	\$2,120.00	612.40	9/28/2006	576.60	9/15/2006
9/15/2005	459.30	9/30/2005	472.30	13.00	\$1,300.00	479.00	9/22/2005	452.40	9/15/2005
9/15/2004	406.80	9/30/2004	420.40	13.60	\$1,360.00	420.80	9/30/2004	404.20	9/16/2004
9/15/2003	375.60	9/30/2003	386.10	10.50	\$1,050.00	394.80	9/25/2003	372.50	9/16/2003
9/16/2002	318.50	9/30/2002	325.20	6.70	\$670.00	329.30	9/24/2002	314.70	9/17/2002
9/20/2001	289.80	9/28/2001	294.00	4.20	\$420.00	296.00	9/21/2001	288.00	9/24/2001
9/15/2000	275.80	9/29/2000	276.90	1.10	\$110.00	282.50	9/27/2000	271.70	9/21/2000
9/15/1999	257.30	9/30/1999	299.50	42.20	\$4,220.00	329.00	9/28/1999	255.00	9/17/1999
9/15/1998	293.00	9/30/1998	299.00	6.00	\$600.00	302.20	9/25/1998	290.20	9/16/1998
9/15/1997	324.70	9/30/1997	336.90	12.20	\$1,220.00	338.00	9/30/1997	320.00	9/17/1997
9/16/1996	386.30	9/30/1996	380.50	-5.80	(\$580.00)	387.00	9/17/1996	380.10	9/30/1996
9/15/1995	389.00	9/29/1995	386.50	-2.50	(\$250.00)	390.60	9/18/1995	385.60	9/22/1995
9/15/1994	391.90	9/30/1994	397.60	5.70	\$570.00	401.90	9/28/1994	390.60	9/23/1994
9/15/1993	349.60	9/30/1993	357.10	7.50	\$750.00	365.50	9/21/1993	346.80	9/23/1993
9/15/1992	348.40	9/30/1992	349.40	1.00	\$100.00	352.90	9/22/1992	347.50	9/23/1992

			In points	In \$'s		In points	In \$'s
# Trades	15	Total P&L	136.60	\$ 8,387.50	Max Draw	-6.90	(\$690.00)
# Win	13	Avg. P&L	9.11	\$ 559.17	Avg. Draw	-3.54	(\$354.00)
# Loss	2	Avg. Win	11.15	\$ 947.92	Min. Draw on Win		
% Win	87%	Avg. Loss	-4.15	\$ (995.83)		-6.90	(\$690.00)

Past performance is not necessarily indicative of future results – see disclaimer. Data compliments of Gecko Software, Inc.

for this time of the year – and the beginning of the demand pull on prices which usually sees Gold prices increase in the later third of the year.

### Silver Gains as Well

Though the United States held a bi-metal standard during much of the Brettonwoods agreement – which tied the value of the US Dollar to the price of Gold, as well as Silver – traders may wish to push out all thoughts of Silver being a “precious” metal, or at least relegating it to the same level as Copper, which has long been considered an industrial metal.

Of course, Silver still enjoys some of the benefits of Gold’s demand pull on prices. Silver enjoys demand from the jewelry industry as well as Gold, with roughly a quarter of the yearly usage accounted for from the jewelry and flatware industries. However, the concentration of consumption is not nearly as great as it is in the Gold market. But, the pull upward on prices is still evident by the fact that December Silver futures have rallied in the second half of September in 12 of the last 15 years.



Chart courtesy of Track 'n Trade 5.0 Futures.  
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### HYPOTHETICAL PERFORMANCE RESULTS December Silver Futures Cents/Ounce Changes Enter Approximately September 13th / Exit Roughly September 28th

Entry Date	Entry Price	Exit Date	Exit Price	Closed P&L (pts)	Closed P&L (\$)	High Price	High Date	Low Price	Low Date
9/13/2006	1120.00	9/29/2006	1154.00	34.00	\$1,700.00	1186.00	9/28/2006	1055.00	9/15/2006
9/13/2005	700.50	9/30/2005	751.20	50.70	\$2,535.00	764.50	9/30/2005	691.00	9/15/2005
9/13/2004	621.50	9/30/2004	693.80	72.30	\$3,615.00	698.00	9/30/2004	607.00	9/15/2004
9/11/2003	534.50	9/30/2003	514.20	-20.30	(\$1,015.00)	539.50	9/25/2003	507.00	9/29/2003
9/12/2002	460.80	9/30/2002	454.80	-6.00	(\$300.00)	472.00	9/24/2002	449.00	9/27/2002
9/18/2001	447.30	9/28/2001	467.50	20.20	\$1,010.00	476.00	9/19/2001	436.50	9/27/2001
9/13/2000	494.70	9/29/2000	494.80	0.10	\$5.00	503.00	9/27/2000	488.50	9/20/2000
9/13/1999	518.20	9/30/1999	561.50	43.30	\$2,165.00	595.00	9/28/1999	510.50	9/15/1999
9/11/1998	502.50	9/30/1998	536.00	33.50	\$1,675.00	540.00	9/29/1998	484.00	9/21/1998
9/11/1997	476.50	9/30/1997	523.20	46.70	\$2,335.00	533.00	9/30/1997	457.00	9/17/1997
9/12/1996	506.00	9/30/1996	487.70	-18.30	(\$915.00)	512.50	9/30/1996	484.00	9/20/1996
9/13/1995	544.50	9/29/1995	548.50	4.00	\$200.00	562.00	9/21/1995	534.50	9/21/1995
9/13/1994	552.50	9/30/1994	565.70	13.20	\$660.00	578.00	9/23/1994	541.00	9/15/1994
9/13/1993	393.80	9/30/1993	408.20	14.40	\$720.00	424.00	9/21/1993	392.00	9/14/1993
9/11/1992	370.70	9/30/1992	376.20	5.50	\$275.00	390.00	9/22/1992	368.50	9/14/1992

			In points	In \$'s		In points	In \$'s
# Trades	15	Total P&L	293.30	\$ 14,665.00	Max Draw	-65.00	(\$3,250.00)
# Win	12	Avg. P&L	19.55	\$ 977.67	Avg. Draw	-15.90	(\$795.00)
# Loss	3	Avg. Win	28.16	\$ 1,407.92	Min. Draw on Win	-65.00	(\$3,250.00)
% Win	80%	Avg. Loss	-14.87	\$ (743.33)			

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The weaker demand pull on Silver prices can be seen not only by the average size of draw downs – or adverse movement during a specific time period – but also on the charts, currently.

*...traders may wish to time Silver positions on the “long” side only following upside break-outs of the current trading range, which would be the marketplace’s way of verifying the possibility that the demand pull for Silver will occur this year, given the mixed economy.*



Unlike Gold, Silver futures are forming a trading range, which may be indicative of reversal in prices, but more likely, a continuation of the current downtrend.

As such, traders may wish to time Silver positions on the “long” side only following upside break-outs of the current trading range, which would be the marketplace’s way of verifying the

possibility that the demand pull for Silver will occur this year, given the mixed economy.

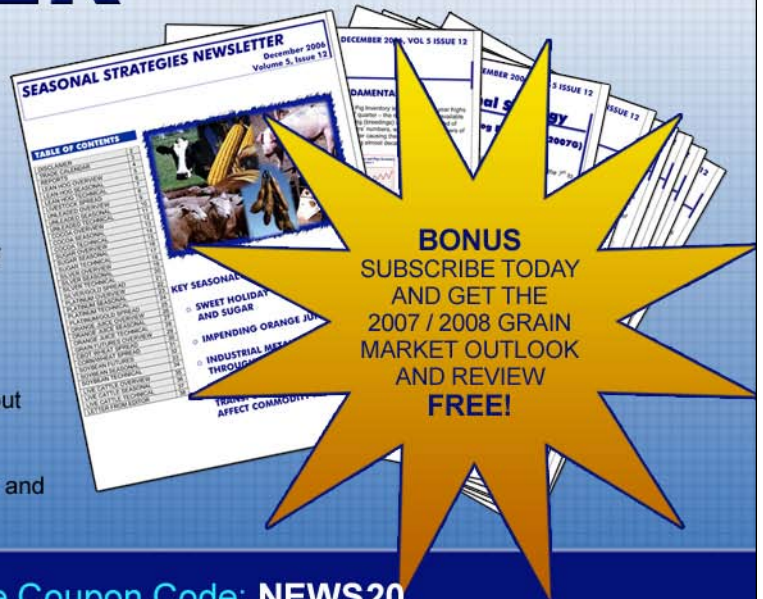
### Copper Prices Break

The demand pull for the metals market is readily apparent by looking at its most industrial member...Copper. Copper is

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**HYPOTHETICAL PERFORMANCE RESULTS**  
**December Copper Futures Cents/Ounce Changes**  
**Enter Approximately September 7th / Exit Roughly October 1st**

Entry	Entry	Exit	Exit	Closed	Closed	High	High	Low	Low
Date	Price	Date	Price	P&L (pts)	P&L (\$)	Price	Date	Price	Date
9/7/2006	364.60	10/2/2006	342.95	21.65	\$5,412.50	369.45	10/10/2006	325.50	9/20/2006
9/7/2005	164.70	10/3/2005	175.90	-11.20	(\$2,800.00)	176.00	10/3/2005	157.75	9/16/2005
9/7/2004	127.20	10/1/2004	140.40	-13.20	(\$3,300.00)	140.80	9/30/2004	123.40	9/16/2004
9/5/2003	83.35	10/1/2003	82.30	1.05	\$262.50	83.85	9/30/2003	80.70	9/10/2003
9/6/2002	68.25	10/1/2002	67.05	1.20	\$300.00	71.40	9/11/2002	65.95	9/30/2002
9/7/2001	65.80	10/1/2001	65.05	0.75	\$187.50	66.70	9/17/2001	64.50	10/1/2001
9/7/2000	91.20	10/2/2000	89.90	1.30	\$325.00	94.40	9/13/2000	89.85	10/2/2000
9/7/1999	82.65	10/1/1999	81.50	1.15	\$287.50	84.40	9/17/1999	79.50	9/27/1999
9/4/1998	75.50	10/1/1998	73.50	2.00	\$500.00	78.30	9/9/1998	72.80	10/1/1998
9/5/1997	98.45	10/1/1997	96.60	1.85	\$462.50	99.80	9/29/1997	92.75	9/16/1997
9/6/1996	89.80	10/1/1996	87.85	1.95	\$487.50	93.40	9/27/1996	84.50	9/12/1996
9/7/1995	131.75	10/2/1995	130.05	1.70	\$425.00	133.80	9/21/1995	124.40	9/14/1995
9/7/1994	114.75	10/3/1994	114.50	0.25	\$62.50	119.60	9/23/1994	112.00	9/30/1994
9/7/1993	85.85	10/1/1993	75.40	10.45	\$2,612.50	86.85	9/23/1993	74.30	9/30/1993
9/4/1992	112.50	10/1/1992	103.30	9.20	\$2,300.00	112.80	9/23/1992	103.05	10/1/1992

			In points	In \$'s		In points	In \$'s
# Trades	15	Total P&L	30.10	\$ 7,525.00	Max Draw	-13.60	(\$3,400.00)
# Win	13	Avg. P&L	2.01	\$ 501.67	Avg. Draw	-3.68	(\$920.00)
# Loss	2	Avg. Win	4.19	\$ 1,048.08	Min. Draw on Win		
% Win	87%	Avg. Loss	-12.20	\$ (3,050.00)		-4.85	(\$1,212.50)

Past performance is not necessarily indicative of future results – see disclaimer. Data compliments of Gecko Software, Inc.

mainly consumed by industry, with the largest single industrial consumer being the construction industry.

In the United States – and generally the northern hemisphere – the construction season tends to run from May through September, or the spring through the fall. During the winter and spring, temperatures and precipitation tend to slow down construction activity in many regions. This translates almost directly to a slowdown in Copper usage in most years, as Copper's fortune may be tied to that of the building industry.

The slowdown in construction projects and the industry can be seen by the fact that December Copper futures have declined in 13 of the last 15 years during September. The two rally years – 2005 and 2006 – occurred as the United States Real Estate market, and building boomed towards “bubble” proportions. As building activity has slowed greatly, traders may look for Copper to return to its normal pattern of breaking this time of the year.

The real estate slowdown and its bearish influence on Copper can be seen on the charts. December Copper futures formed a double top formation and have been breaking since July.



Chart courtesy of Track 'n Trade 5.0 Futures.  
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***The influence of demand and consumption patterns tends to move metals prices strongly in September.***

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### **Conclusion**

The influence of demand and consumption patterns tends to move metals prices strongly in September. Preparation for the Christmas shopping season tends to move Gold prices higher, and, to a lesser degree, Silver as well, while the slowdown in construction demand seen in the fall and winter tends to pressure copper prices.

Of course, patterns such as those presented can change and do not necessarily repeat themselves each year. However, traders should be aware of such patterns and have a solid understanding of the major influences on their markets if they hope to be profitable in the markets. After all, it is easier to discern direction if one has a basic understanding of the normal behavior, and the normal influences on the market in question.

*Scott Barrie is a former Chicago Exchange Member and Private Hedge Fund Operator. He is also a well respected speaker, author as well as the editor of Pitnews Magazine and a major contributing author. His firm, Commodity Futures and Equity Analytics (CFEA) offers newsletters, as well as consulting services for Individuals, Funds, and Brokerages involved in both Speculation as well as Hedging. For current research and products available from Scott Barrie and CFEA visit [www.CommodityAlmanac.com](http://www.CommodityAlmanac.com)*



# December Corn:

## Poised For A Major Drop? *by: Gene Nowell*



Corn producers have enjoyed \$3.00 plus corn for quite some time now. However, all good things must come to an end, and this appears to be one of them. My charts are showing a down trend that is going to be hard to break until after harvest of this year, most likely spring of next year.

One of the most reliable programs I have designed is showing 10 weekly cycles coming due the week of September 9, 2007. Normally 3 or even 4 cycles on the weekly charts is very powerful, but 10 is unbelievable. I am putting myself out on a limb on this forecast, but I feel very confident in my work.

The charts are generated by Gecko Software's Track 'n Trade. My first observation of this bearish scenario is the charts show corn in a weak position because price is behind time regarding the major 1x1 angle coming down from the first high in February.

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***Corn prices have struggled to get back to those levels and stay there.***

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The second and most convincing reason is that it cannot hold a rally when approaching price of the May Low's. The chart shows a consolidation of price during the May timeframe and current price must go into that consolidation and hold for a week or two to allow for accumulation. On July 13, and August 23, price briefly moved into that consolidation area then quickly dropped back. Corn prices have struggled

to get back to those levels and stay there.

I always state in my forecasts that I am a trader and I will be trading this one, so stops are a must and the conditions must be right for me to take this trade. A couple of the conditions are that I want to see the market trending up for a few days going into that time frame, and I want to see my 3 day RSI up around 85 or higher. Some other indicators showing an over bought market would add to the conviction of taking a short position.

The 1x1 angle coming down from the February High is the balance of price and time. What does this mean? I'll put it in terms of a ship in the water. When the ship's hull is completely dry, it is buoyant and stays on top of the water line which is what it's suppose to do. The 1x1 is this water line. If a few compartments of the hull get flooded, the buoyancy of the ship is decreased. There comes a point when the buoyancy is still balanced, but one more gallon of water added to the hull and it goes down. A few gallons taken out of the hull and it stays afloat. It takes a tremendous amount of buying for a market to go up but only a mere lack of it to go down. We can add one gallon of water to the balance of the ships buoyancy and it goes down, yet if we take one gallon away, it hardly moves.

Mr. Gann said when price is above the 1x1, it is in a strong position. However, when it moves far away from the 1x1, it is out of balance with time. When price is below, it is in a weak position, also putting it out of balance with time. All you have to do is look at price and see that it is well above the balance line 1x1. In order for price to balance with time, it must drop back to the 1x1 or find support from another 1x1 from the weekly or monthly chart (not shown here). Someone or some country has to have a heavy hand in buying to move prices higher. The 1x2 stopped the last significant rally. I believe if price moves up against this 1x2 again, it will fail for the last time before the drop

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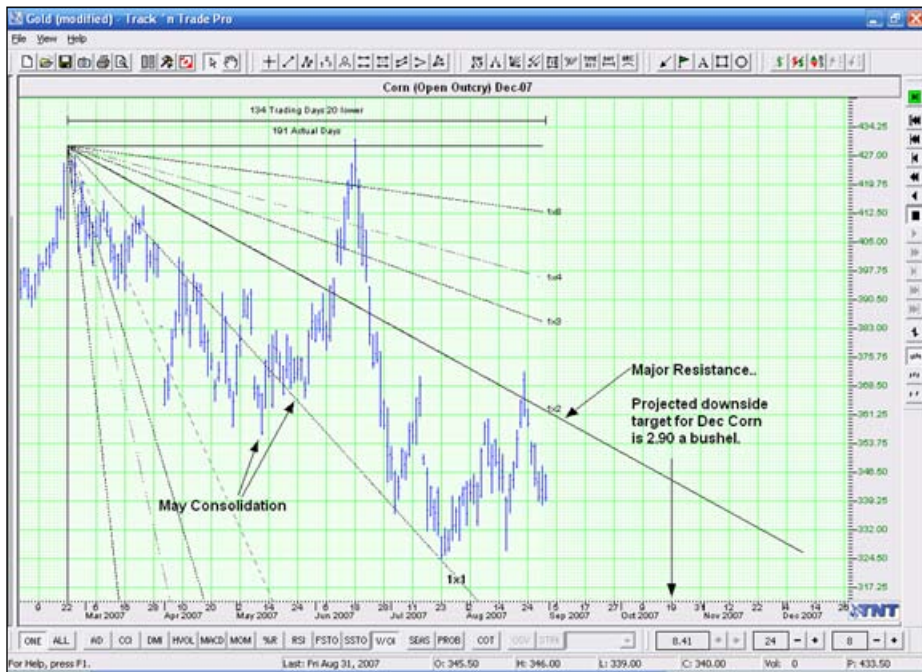
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**Lan Turner**  
 owner of Gecko Software

I expect. And I expect a BIG drop this time.

Because most Farmers are Chronic Bulls, they are looking at this chart pattern and saying we could have a double bottom and this is where price should stay. I'm buying, I'm buying, I'm not selling. This very well could be, but just in case it is not my dear farmer friends, *be sure to use stops, I am!*



*Gene Nowell has been trading since 1980. In 1989 he took the series 3 exam and became an associate broker for a grain firm near Chicago. During his employment, the firm sent him to a course about Mr. W.D. Gann's methods at the Chicago Mercantile Exchange. Since then, it has been a journey that has led him down many roads. Above all areas of study, Gene focuses on the timing of markets. He can be reached by phone during NYSE trading hours at 800-807-1820. Visit:*

[www.gannline.com](http://www.gannline.com) for more info.

# Lan Turner's Hierarchy of Trades

Part 1 of 6

"Count, Measure, Setup, Trigger, and Follow Through"

**T**he biggest problem I see with new traders is that they come into this industry, and the first thing they do is grab a chart and start looking at oscillating indicators such as the MACD, Stochastics, or CCI. They believe that all they have to do is find the perfect indicator, then buy every time they receive a buy signal, and sell every time they receive a sell signal, and they'll be rich beyond their wildest imaginations. After only a few short months, their freshly funded trading accounts are drained, their dreams are smashed, and their hopes and desires of being a successful trader are destroyed.

New traders are faced with the challenge of entering a market whose reputation for ripping the wheels off the unsuspecting newbie is legendary. So legendary in fact, that a federal government warning labels for trading these financial markets makes a warning label on a pack of cigarettes pale in comparison. If you've ever actually stopped to read the Risk Disclosure posted at the bottom of every financial web page, it would lead you to believe that the federal government

**By: Lan Turner**  
*President & CEO*  
*Gecko Software, Inc.*

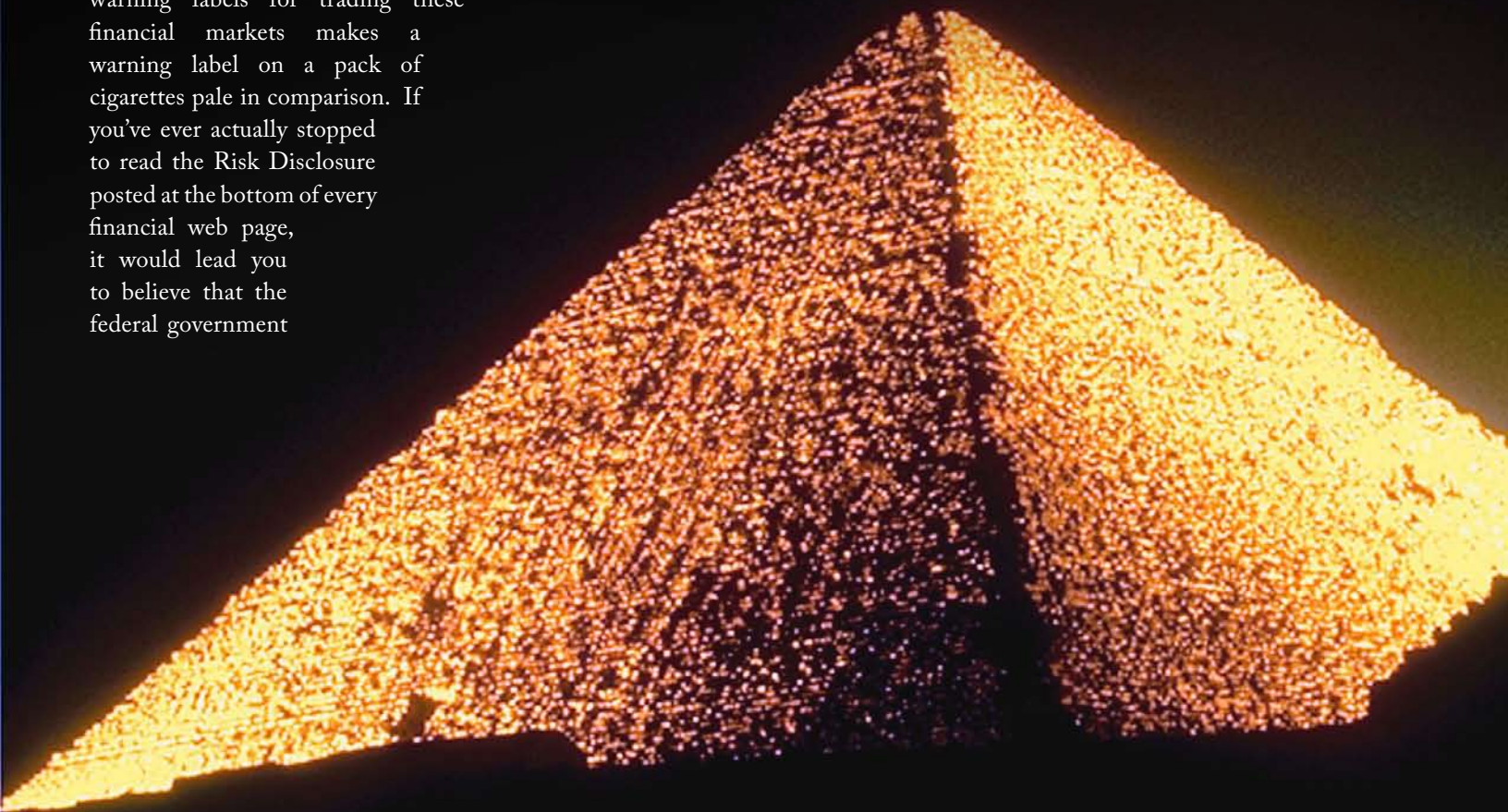
is more worried about protecting you from a loss of your savings account, than they are about life-threatening illnesses such as cancer.

Check out Gecko Software's, federally required risk disclosure document as an example:

<http://www.trackntrade.com/disclosure.htm>

The continued lure of excess money and wealth are as strong of an addiction as is nicotine, or alcohol, and it's for this reason that we keep coming back to these amazing financial markets, with increased enthusiasm and vigor, in an attempt to "beat the market!"

After having been directly involved in the financial world for over fifteen years as a market software developer, and trading trainer, I've compiled what I believe to be equivalent to Maslow's Hierarchy of Needs for the "would-be-trader."



### Lan Turner's Hierarchy of Trades:

- **Fundamentals**

Such as the seasonal nature of a commodity

- **Cycles**

Such as the psychological buying and selling habits of traders

- **Technical Analysis**

Such as Fibonacci, Gann, and recurring price patterns

- **Oscillating Indicators**

Such as MACD, Stochastics, and CCI

- **Entry & Exit**

Proper follow through, the skill of entering and exiting a trade

of each of the five steps of our Hierarchy of Trades, starting with the fundamental nature of the markets.

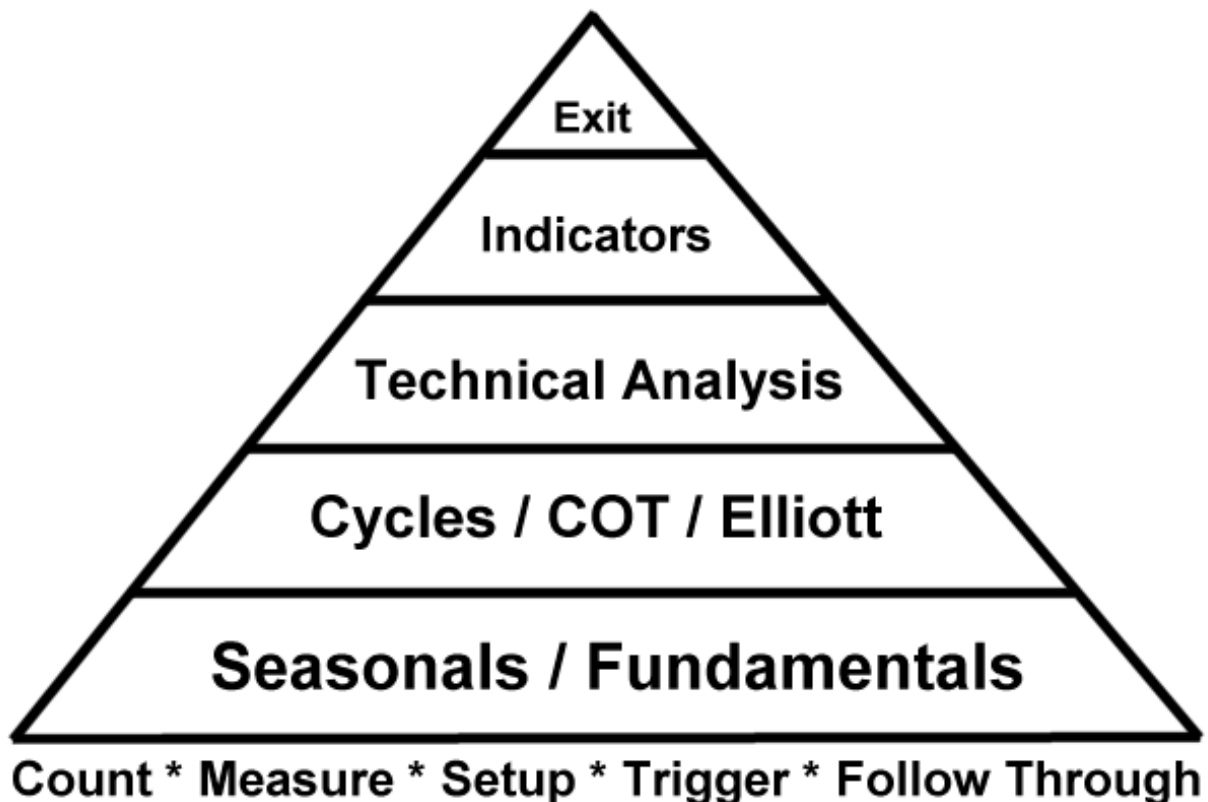
*Lan Turner is the president of Gecko Software, Inc. – creators of Track 'n Trade 5.0 and High Finance, which are two software applications dedicated to helping people not only trade the financial markets, but learn the techniques necessary to profit from them.*

*Mr. Turner is also the Editor in Chief of PitNews Magazine, owner of Chartbook.com and StockAnnual.com, plus he's an author, trainer, public speaker, columnist, and publisher of numerous educational videos, books and multimedia CD-ROM's that teach traders how to navigate the financial markets. Visit [www.TracknTrade.com](http://www.TracknTrade.com) to learn more!*

I've encapsulated this hierarchy of needs in a simple, easy mnemonic to help us remember to stay on the right path: **Count, Measure, Setup, Trigger and Follow Through.**

If we remember to follow these five simple steps, it will help us stay on the straight and narrow path to financial success.

In next month's edition, we will begin an in depth discussion





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Industry veteran **Paul Brittain** will cover beginning and advanced option trading strategies as well as his successful trading methodologies: The Beast, The Big MacDaddy, and The Cash Cow.

**Lan H. Turner**, President and CEO of Gecko Software, Inc., will cover Fibonacci, Elliott Wave, and Zig Zag trading techniques/theories.



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# Friday Strength in September is Reversed in the Euro *by: Scott Barrie*

**F**ridays hold a special place in market lore as a day commonly associated with either “position squaring,” “profit taking” or even, on occasion, panic. Friday comes before the only break the FX markets take – Saturday and half of Sunday. In fact, even the 24 hour a day, almost continuously traded Foreign Exchange (Forex or FX) markets take a break over the weekend – at least from Friday evening through Sunday afternoon.

The end of the week can have a strong affect on markets, as many short-term traders exit before the weekend to avoid not only simple “overnight” risk but also the additional passage of time associated with the weekend. However, in the FX markets, Fridays may be exceptionally ripe for those brave few souls, who are willing to embrace the additional risk for an additional amount of reward. After all, in the field of speculation, additional

risk always goes hand-in-hand with potential rates of return. To show this phenomenon, traders need to look no further than the Euro Currency Markets behavior on Fridays and Mondays during September versus the US Dollar – symbol +EC for the futures and EURUSD for spot Forex traders, both representing the exchange rate between the Dollar (USD) and the Euro (EUR).

## End of Quarter and Week Convergence

The Euro became the official currency for the European Union on January 1, 1999, though it was not until January 1, 2002, that the Euro became actual legal tender, as Germany stopped accepting Marks starting in 2002.

Today, the Euro surpasses the US Dollar in terms of cash in circulation, making this relative newcomer to the FX markets an

important currency. As such, the Euro and the Dollar are the two largest currencies in the world, and by large the exchange rate between these two currencies dominates trading. Hence, the Euro versus the Dollar (EURUSD in FX spot trading and symbol EC for futures) is popular among speculators.

The confluence of the end of the quarter as well as the end of the week may be an important factor in September. Given that the EURUSD is a popular trading vehicle, not only do individual speculators participate in the exchange of euros for dollars (and dollars for euros), but so do major Hedge Funds, Banks, and a menagerie of institutions one would not readily associate with speculation. Many of the larger participants – especially Hedge Funds – operate on a quarterly basis. The month of September is critical, as it marks the end of the traditional third quarter of the year for many market participants. Quarterly bonuses are on the line as well as anticipation for the larger yearly bonuses – a factor large enough according to some to “move” New York City area real estate values. As such, Fridays may well take on an added bit of importance in September, due to the end of quarter as well as the end of the week.

*Wall Street Journal, December 15, 2006*

**They'll Take Manhattan -- Still:  
Finance Sector Buys New York  
As Housing Slips Elsewhere;  
Big Board CEO's Big Buy**

“The state of the housing market in much of the country may be gloomy but in Manhattan, real-estate brokers are still celebrating -- and record Wall Street year-end bonuses are the reason!”

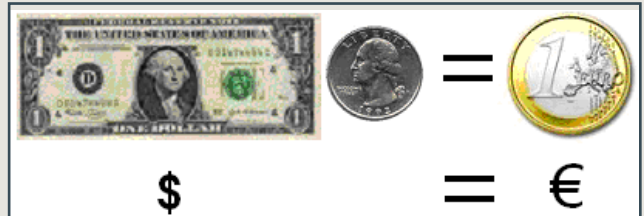
As this headline alludes to, Wall Street bonuses can be huge; the pursuit of them affects not only markets afterward, but quite possibly the behavior of traders in anticipation.

**Monday's Reverse Fridays Trend Shown**

Traders have two basic, but different avenues to trade the Euro/ US Dollar Exchange rate, either in the spot FX market (symbol EURUSD) or using Chicago Mercantile Exchange Futures (symbol +EC). These two vehicles differ in prices slightly, as the spot FX rate represents today's exchange rate, while the futures (December contract) represent the exchange rate in December, discounted back to present by interest rate differentials based on margin values. But, they both basically represent the number of US Dollars (USD) it takes to purchase 1 Euro (EUR) – see Robert Firestone of Alaron Las Vegas August 2007 Article on Futures versus Forex article for a comparison for a solid representation of futures versus spot FX trading.

**Exchange rates** are simply the amount of one currency it takes to buy another. In the Foreign Exchange marketplace (commonly known as Forex or FX) this is known as a currency pair. This represents how many units of one currency it takes to buy another.

For example, using the EURUSD exchange rate – which is shorthand for the Euro (EUR) versus the US Dollar (USD) – the first second symbol (USD) is divided into the first (EUR). Hence a EURUSD quote of 1.2500 means it takes \$1.25 US Dollar (USD) to buy one Euro (EUR).



Using this example, if the exchange rate (EURUSD) goes up, it means that it takes more US Dollars (USD) to buy a unit of the foreign currency. In other words, if the exchange rate number goes up – the dollar is weakening as more “bucks” are needed to buy a Euro; a declining exchange rate for the EURUSD means the US Dollar is increasing in value as it takes fewer “bucks” to buy a Euro. The futures operate in the same fashion.

Since 2000, Friday's settlement direction has been, more often than not, reversed on Mondays during September – e.g. Friday gains result in Monday declines, while Friday breaks tend to see higher prices on Monday. This market bias may well be due to risk aversion on the part of traders during September as traders liquidate positions on Fridays – to avoid extended “overnight” risk – possibly to secure yearly performance to date, as stated earlier.

Using FX spot data, the EURUSD has reversed Friday's settlement direction by 5:00pm ET on Monday on 21 of the 31 weeks studied since 2000. 11 of the 15 Fridays' rallies have been followed by Monday breaks, with an average settlement decline of -21 “pips” while Friday breaks have seen Monday settlement advances on 10 of 16 occasions with an average advance of +12 “pips.” The table below shows more detail, as well as the similarity in the performance using the December Euro futures (symbol +EC).

**Conclusion**

Thoughts of seasonality, day of the week effects, and other annual events do not typically come to mind for financial market traders. However, as this example shows, they possibly should! Markets

**Spot FX Futures  
EURUSD December Contract (+EC)**

<b>EOD</b>	<b>Fri</b>	<b>Fri</b>	<b>Mon</b>	<b>Mon</b>	<b>Mon</b>	<b>Fri</b>	<b>Fri</b>	<b>Mon</b>	<b>Mon</b>	<b>Mon</b>
<b>Date</b>	<b>Close</b>	<b>Change</b>	<b>Change</b>	<b>Rally</b>	<b>Break</b>	<b>Close</b>	<b>Change</b>	<b>Change</b>	<b>Rally</b>	<b>Break</b>
09/01/00	0.9005	0.0116	-0.0026	0.0032	-0.0038	90.44	1.20	-1.10	0.36	-1.46
09/08/00	0.8643	-0.0082	-0.0059	0.0085	-0.0071	87.37	-0.42	-1.10	0.03	-1.29
09/15/00	0.8524	-0.0119	0.0019	0.0050	-0.0007	85.96	-0.91	-0.18	0.18	-0.45
09/22/00	0.8784	0.0177	-0.0039	0.0043	-0.0068	88.26	2.07	-0.63	0.37	-0.78
09/29/00	0.8841	0.0041	-0.0064	0.0017	-0.0077	88.54	0.03	-0.37	0.40	-0.41
09/07/01	0.9070	0.0112	-0.0089	0.0011	-0.0096	90.32	1.02	-0.52	0.23	-0.82
09/14/01	0.9228	0.0117	0.0021	0.0105	-0.0051	91.93	0.94	0.46	1.17	-0.49
09/21/01	0.9136	-0.0145	0.0035	0.0058	-0.0027	91.09	-1.25	0.32	0.65	-0.25
09/28/01	0.9103	-0.0080	0.0075	0.0077	-0.0033	90.84	-0.69	0.65	0.72	-0.40
09/06/02	0.9818	-0.0096	-0.0026	0.0008	-0.0040	97.70	-1.19	-0.23	0.17	-0.29
09/13/02	0.9716	-0.0100	-0.0025	0.0010	-0.0053	96.88	-0.91	-0.15	0.04	-0.59
09/20/02	0.9814	-0.0049	-0.0035	0.0042	-0.0065	97.70	-0.40	-0.26	0.54	-0.54
09/27/02	0.9806	0.0042	0.0066	0.0091	-0.0003	97.62	0.20	0.72	1.07	0.13
09/05/03	1.1105	0.0161	-0.0040	0.0022	-0.0060	110.74	1.80	-0.10	0.26	-0.57
09/12/03	1.1286	0.0078	-0.0004	0.0021	-0.0042	112.57	0.87	0.15	0.24	-0.41
09/19/03	1.1359	0.0106	0.0100	0.0145	0.0000	113.28	1.13	1.29	1.50	0.24
09/26/03	1.1477	-0.0013	0.0118	0.0123	-0.0083	114.45	-0.15	1.15	1.33	-0.73
09/03/04	1.2062	-0.0113	0.0003	0.0018	-0.0013	120.58	-0.91	0.41	0.45	-0.08
09/10/04	1.2267	0.0054	-0.0011	0.0022	-0.0044	122.59	0.76	-0.08	0.02	-0.44
09/17/04	1.2182	-0.0001	-0.0006	0.0000	-0.0056	121.74	-0.08	-0.12	-0.01	-0.56
09/24/04	1.2262	-0.0009	0.0031	0.0053	-0.0014	122.57	-0.04	0.28	0.53	-0.03
09/02/05	1.2545	0.0042	-0.0003	0.0042	-0.0032	126.01	0.44	-0.62	0.43	-0.97
09/09/05	1.2413	0.0016	-0.0126	0.0001	-0.0142	124.62	0.02	-1.29	0.12	-1.35
09/16/05	1.2233	0.0009	-0.0091	-0.0058	-0.0132	122.95	0.23	-0.94	-0.66	-1.40
09/23/05	1.2048	-0.0106	0.0024	0.0034	-0.0037	121.03	-0.97	0.14	0.28	-0.43
09/30/05	1.2020	-0.0011	-0.0101	0.0012	-0.0118	120.59	-0.26	-0.99	0.21	-1.10
09/01/06	1.2837	0.0023	0.0036	0.0038	0.0000	129.15	0.26	-0.21	0.31	-0.43
09/08/06	1.2677	-0.0054	0.0024	0.0064	-0.0026	127.45	-0.62	0.27	0.66	-0.25
09/15/06	1.2656	-0.0070	0.0052	0.0056	-0.0024	127.25	-0.64	0.40	0.51	-0.29
09/22/06	1.2787	0.0007	-0.0041	0.0034	-0.0055	128.43	-0.04	-0.22	0.36	-0.53
09/29/06	1.2679	-0.0024	0.0058	0.0080	-0.0014	127.39	-0.27	0.53	0.73	-0.24
# UP		15	14	29	0		14	13	29	2
# DOWN		16	17	1	29		17	18	2	29
TOTAL		0.0029	-0.0124	0.1336	-0.1521		1.22	-2.34	13.20	-17.21
AVERAGE	0.0001	-0.0004	0.0043	-0.0049		0.04	-0.08	0.43	-0.56	
REVERSAL	67.7%					61.3%				

NOTES: Data compliments of Track 'n Trade, past performance is not necessarily indicative of future results.

Spot FX Data assumes settlement at 5:00pm ET. Monday Rally = Monday High – Friday Close; Monday Break = Monday Low – Friday Break

are simply the sum of people's reactions, and people's reactions may well be affected by the time of year, day, or even week.

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***...collectively the population tends to act differently during specific times of the year.***

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The major economic releases from the various Government agencies (such as the Bureau of Labor Statistics, or Federal Reserve Board) are all seasonally adjusted. Labor and money have peaks and troughs during the year, and though the effects of this may be minute in comparison - to recent sub-prime loan problems, emergency FOMC actions, etc. - traders should understand that even the "modern, digital, cyber" economy of the world is still somewhat dependent upon the basic calendar, as most of us base our lives upon the calendar.

The market is made up of individuals - as is the economy - and collectively the population tends to act differently during specific times of the year. For example, during the Christmas Holiday Season, people tend to spend more, during the summer more people (especially kids and teachers) seek part-time employment, or visit the beach, or drive their cars more. These, and many more, calendar based events affect the economy, not only of the United States but of the world. Given that exchange rates are simply a function of the world economy, perhaps it is not too much of a stretch - especially looking at data which supports the hypothesis - for traders to assume that exchange rates may be influenced by the broader actions of the population, which can readily be tied back to the calendar and passage of time.

*Scott Barrie is the author of the Commodity Almanac's Seasonal Strategies Newsletter as well as the 2007 Commodity Trader's Almanac. Readers may preview both at [www.CommodityAlmanac.com](http://www.CommodityAlmanac.com). He is also the Editor of Pitnews Magazine. Scott's background is diverse within the industry, having not only traded/worked on the floors of the major Chicago Futures/Options Exchanges but also having managed a private fund as well as done risk management and compliance for several large banks, brokerages and clearing firms.*

*Currently, Scott is working on a new Forex website and Annual Service, providing traders a statistical view of the Forex Market - both spot and futures based. Readers can preview this service at [www.FXAnnual.com](http://www.FXAnnual.com) Scott can be contracted at: [barrie@commodityalmanac.com](mailto:barrie@commodityalmanac.com) or 503-477-5383.*

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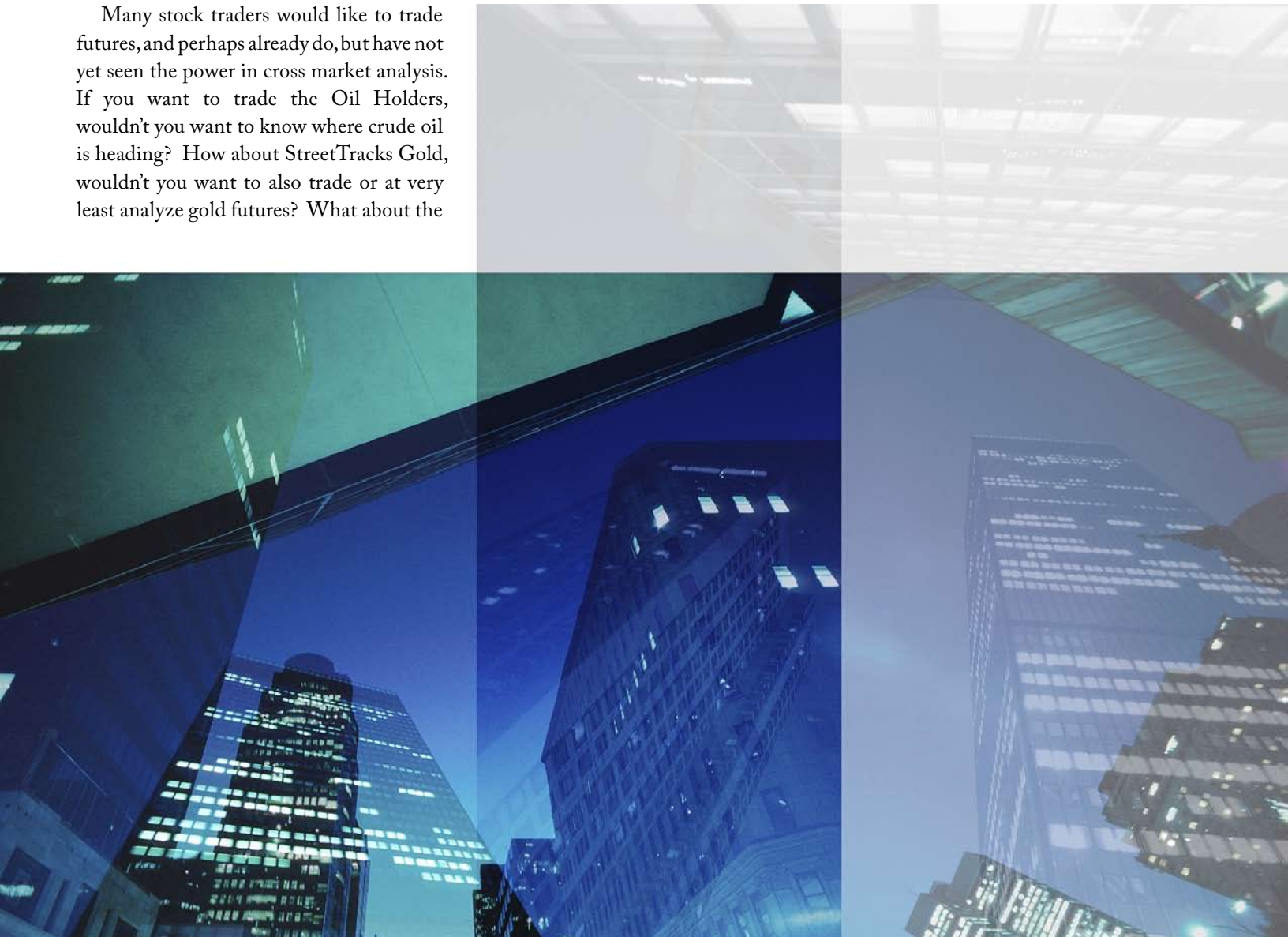
# Trading Commodity Futures and Commodity-Driven Stocks

by: Raghee Horner

**T**he ability to chart forex, futures, and stocks is not as complex as you may think. *Trading multiple markets at the same time is actually easier and better than trading one market alone!* However, you can do this only if you trade with charts and focus on liquid markets. By how else would you analyze the markets if not with charts, and why would any trader focus on illiquid markets? So you see you are already doing two of the key things you must do to be able to chart and trade any market.

Many stock traders would like to trade futures, and perhaps already do, but have not yet seen the power in cross market analysis. If you want to trade the Oil Holders, wouldn't you want to know where crude oil is heading? How about StreetTracks Gold, wouldn't you want to also trade or at very least analyze gold futures? What about the

SPY and DIA electronically traded funds? Couldn't you also look at the ES or DJ futures contracts? Let's look at those of you who may like to trade the e-mini S&P 500. Do you know which stocks make up about 50% of that average? Wouldn't you want to be aware of certain important hot zones like earning for volatility? Couldn't you also trade these stocks as well since their movement is tied to the Dow or S&P or even the Nasdaq? This all can be done with simple chart analysis.



These are just a few of the powerful questions and possibilities available to traders who understand trading one market, but don't understand that these relationships can not only cost them money but also opportunities.

Let's look at two scenarios: 1) Gold futures and Gold stocks and 2) Dow futures and stocks.

Gold has been in the spotlight since the rally up through \$450. So, what stocks have been going up with the ride? Let's take a look at one of my favorites, FCX.

This chart of FCX (Freeport-McMoran Copper) has been moving higher with the gold market and a strong Dow. Now am I simply

---

***Trading multiple markets  
at the same time is actually  
easier and better than  
trading one market alone!***

---

going to buy FCX just because gold is moving higher? Of course not. But what I do have is a list of stocks that coordinate with specific commodities markets and when I see the gold chart make a move, I can look at the stocks in my list and see if there is a set up on any of those. Some of the best futures sectors to do this type of research and play in are the energies and precious metals which is perfect since I am already going to be watching these sectors with my commodity currencies. See how when you look at more markets, the whole world of markets start to seem smaller and more intertwined?

Now I could also look at the GLD (Streettracks Gold) for similar correlation and the list does not end there nor does the relationship with stocks and futures. The oil services section and crude are another powerful pair that I could watch for mutually beneficial movement.

Let's look at another chart, the DIA, the Dow Jones "DIAMONDS" which reflects the movement in the Dow Jones. What most traders neglect to research is which stocks affect the Dow Jones whether they trade the DIA or the Dow Jones futures contract. There a quite of few reasons to know which stocks are the top



Charts courtesy of Track 'n Trade High Finance.  
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holding in the Dow. First, you can trade these stocks along with the Dow Jones and, second, since there are really only six to ten stocks you really need to know, it's good to know if there is a large move on any of those charts that could in turn affect the DJ futures of DIA.

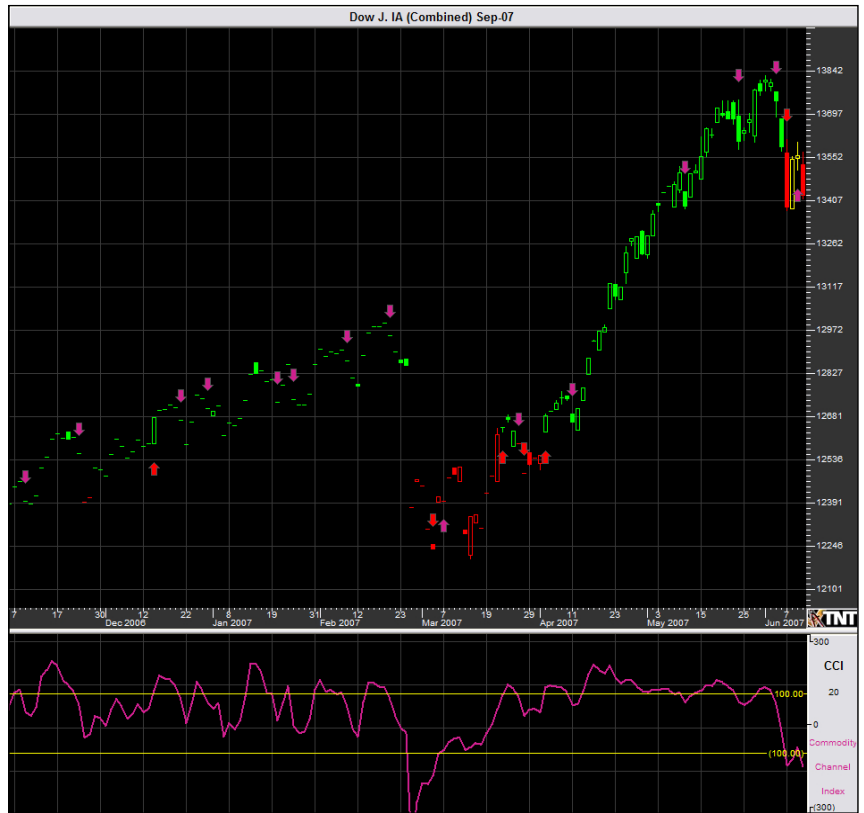
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**...choosing to ignore these relationships can not only cost you opportunities, but also money.**

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Looking at both these charts together you can see the movement is almost identical. I'll give you an example. It involves IBM, which currently gets the largest weighting in the Dow Jones. IBM, a number of years ago, had missed their earning number and gapped down 20 points. The chart pre-market looked like prices falling off a cliff. This move in IBM caused a 100 point drop in the Dow Jones all by itself.

So you see, choosing to ignore these rela-



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tionships can not only cost you opportunities, but also money. When trading stocks and futures together, you have two huge advantages: 1) You can look at underlying commodity market(s) that affect the stock itself and 2) You can look at the individual stocks of any index futures contract like the Dow, S&P, and Nasdaq just to name a few.

*Raghee Horner is a author and trader with more than 15 years experience in the markets. She supplies commentary and analysis for Trade Direct FX as well as leads the managed account program. Ms. Horner has taught her brand of technical analysis and charting strategies to students all over the world. She is also the author of the bestselling Forex Trading for Maximum Profit and Thirty Days of Trading. Ms. Horner has taught currencies, futures, and equities trading for more than a decade. Emphasizing charting and price action, Ms. Horner continues to teach the tools and strategies that encourage self-directed traders to pursue the study of technical analysis and market psychology. She is a much sought after public speaker who has conducted seminars in the US, Canada, the Caribbean, and Asia. You can get more information at [www.LearnHowtoTrade.com](http://www.LearnHowtoTrade.com)*

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### Track 'n Trade 4.0 Futures Charting Software

**Free 30 Day Trial**  
**Price: \$197**  
**Data: \$19.95/month**

This amazing charting software package gives you the ability to analyze commodity markets technically with various tools, unique market calculators, and customizable indicators.

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### TNT High Finance Forex Trading Platform

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**Price: \$497**  
**Data: FREE (Active Traders)**

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### TNT High Finance Stocks Charting Software

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**Price: FREE with data**  
**Data: \$29.90/month**

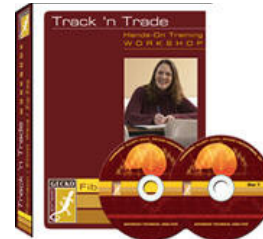
Track 'n Trade High Finance Stock Trading Package allows a trader to monitor, track and chart the popular stock market, giving the trader intra day snapshots and price activity throughout the day.

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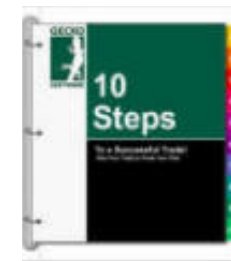


Learn how to use these tools in your trading! This course has in-depth training and includes step-by-step instruction in this course and 2 CD Set!

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### 10 Steps to a Successful Trade!



The 10 Steps Course, written by Lan H. Turner, gives you a step-by-step guide, showing you the process of breaking down a chart into its fundamental pieces.

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### Risk & Money Management CD

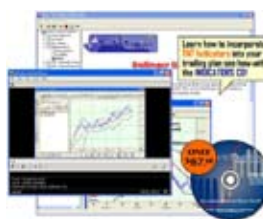


In the Risk & Money Management CD Course, by Lan H. Turner, you will learn how to lower your trading risk with risk and money management techniques.

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**Price: \$67**

### Indicators CD Course



The Indicators Course on CD, By Lan H. Turner, comes packed with tips and tricks on trading with Indicators - hours of videos and examples!

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## Futures Education

### CTS Commodity Webinar Set



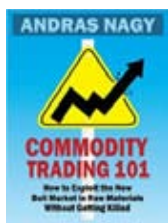
The Commodity Trading School Webinars CD Set covers numerous trading methods used by today's top traders. Also they cover everything from technical analysis concepts to option strategies.

**MORE INFO »**

**Price: \$197**

## Trading Books

### Commodity Trading 101

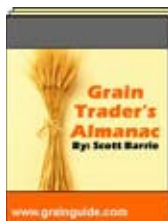


**by: Andras Nagy**  
A Commodity Trading Primer in the new age of oil and gold bull market, explaining Options and Futures Spreads from a former Chicago Board of Trade floor trader.

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**PDF: \$31.25**

### Grain Trader's Guide

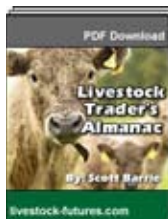


**by: Scott Barrie, CFEA**  
The Grain Trader's Almanac is a practical trading reference for producers, purchasers, and speculators in the grain futures markets. Don't trade the grains without this valuable information!

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**PDF: \$64.95**

### Livestock Trader's Guide



**by: Scott Barrie, CFEA**  
Futures trading can be difficult... let the Livestock Almanac help you to understand how changes in supply and demand effect prices.

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Minimum of 6 Options Trades per Month and 2-4 Weekly Futures and Forex Trades. Complete market info for the trade including tick values and option expiration.

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**Price: \$99/month**

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