

INDEX

A

Acceleration Factor, 129
Account value, 34
Action plan. *See* Market; Traders
AK-47, Outlook add-on, 43
Appel, Gerald, 235
ATR. *See* Average true range
Australian Technical Analysts
 Association, 185
Autoenvelope (program), 81
 appearance, change, 135
Automatic trading system, 135
Average Downside Penetration,
 131
Average true range (ATR), 128
Average Upside Penetration, 131

B

Bad trades, impact, 102
Baruch, Bernard, 154–155
Bearish divergences, 45f.
 See also Force Index;
 Indicators; Moving Average
 Convergence-Divergence
 signal, 97
Bear markets, 67

Bear raids, 172
Benyamini, Zvi, 176
Bleczinski, Bob, 231, 232, 235
Bollinger Bands
 bottom, 222
 market response, 16
Bottoms. *See* Stock market
 asymmetry, 178–180
 buying, difficulty, 180
Breakaway gap, 139f
Broker, commission, 169
Bucket shops, 224–226
Buffalin, Diane, 220–221
Buffett, Warren, 7, 62, 143
Bull, breaking the back of, 76
Bullish divergence. *See* Moving
 Average Convergence-
 Divergence
 missing right shoulder type, 78f
Bull markets, 67
 identification, 9–10
 stages, 67
 stocks, purchase, 117
 strength, 98–99
Buy grade, equation, 54
Buying, types, 57–60

C

Carrying charge. *See* Inventories
Catching Trend Reversals (Weis),
 236
 CFTC. *See* Commodity Futures
 Trading Commission
 Chandelier stop, 128
 Channel Coefficients, 56
 Channels. *See* Envelopes
 explanation, 56
 selling short, 188
 trading, 188
 Charts
 directional moves/trading
 ranges, 6
 examination, 14, 66
 notes, making, 42
 quote window, notes (writing),
 50f
 trading messages, writing, 48
Come into My Trading Room
 (Elder), 32, 56, 62, 128,
 130, 235
 Commissions, 57, 106
 Commodities
 ceiling and floor, 210
 contract, life span, 209
 Commodity Futures Trading
 Commission (CFTC),
 commitment reports, 210
 Counter-trend moves, 227
 Counter-trend trading
 advantages/disadvantages,
 10–11
 Covered writing, 219–220
 Crosses, trading, 226
 CTA. *See* Commodity trading
 advisor
 Currencies, trading, 92–93
 Cycles, impact, 148

D

Days to Cover, 203, 204, 206
 Day-trading, 124
 Decision-making process,
 documentation, 177
 Decision-making tree, 160
 explanation, 162–163
 rules, 160
 writing, 161
 Diary. *See* Trading Diary; Visual
 diary
 Discipline, 25–26
 Discretionary traders, 196f
 stops, importance, 102
 Discretionary trading vs.
 systematic trading, 11–13
 Divergence. *See* Bearish
 divergence; Bullish
 divergence
 Dividend cost, risk in shorting,
 169–170
 DJIA (Dow Jones Industrial
 Average), 175f
 Dollar risk per share, calculation,
 104–105
 Downtrend
 identification, 141
 persistence, 19
 shorting, 185–189

E

Earnings, importance of, 148
 Earnings reports
Economics of Futures Trading
 (Hieronymus), 208, 209,
 235
 Elder, Alexander, 235, 239–240
 EMA. *See* Exponential moving
 average
 Emotions, impact, 28

Engine noise exit, 137–138

Entries

grade, percentage, 70

grading, 57

process, 53–55

quality, 66–67

Entries & Exits (Elder), 12, 29, 51,
149, 235

Entry slippage, example, 39

Envelopes (channels), 14–16,
75–100

See also Standard deviation
channels

Equity curve, plotting, 55

eSignal, 130n

Excel spreadsheet, example,
130n

Exit grade, percentage, 143

Exits, 138

grading, 57

quality, 66–67

tactic, 138

Exit slippage, example, 39f

Exponential moving average
(EMA)

calculation, 56

direction change, 10f

increase, 17

value zone, 74–75

movement, 121f

F

False downside breakout,
68–69

bullish divergence, 93

False upside breakout, 90

Force Index

bearish divergence, 146f, 181

bullish divergence, 122f

bullish notch, 48f

downspike, 47f

usage, 14, 16–17

Forex, 224–228

futures trading, 226

houses, 224–225

margins, 224

problems, 224–225

shorting, 207–208

Friedentag, Harvey, 217, 235

Fundamental analysis, 189

difficulty, 8f

impact, 148

trade suggestion, 190

Futures

attraction, 12, 210–211

contract, settlement date, 211

floors/ceilings, 210

literature, recommendation,
208

shorting, 208–216

Futures in trading examples

Cocoa, 212f

Euro, 93f, 94f, 227f, 228f

Gold, 120f, 121f, 122f, 123f,
213f

Orange Juice, 214f, 215f, 216f,
217f

Sugar, 85f, 86f,

Wheat, 83f, 84f

G

Gajowiy, Nils, 28

Grove, Nic, 117

H

Hard stops, 107–109. *See also*
Soft Stops

Hieronymus, Thomas A., 208, 209,
235

Hubbert's Peak, 7–8

I

- Impulse system, 17
 - censorship method, 17
 - change, 93
- Indicators
 - bearish divergences, 151f
 - short-term action, 94
- Insiders, 148
- Interbank market, 224, 225
- Inventories, (carrying charge), 209
- Iron triangle, 103–105. *See also*
 - Money management

J

- Japanese stock market, 154

K

- Kangaroo tail, 97
- Kreiz, Shai, 190–191

L

- Limit orders, 106–107
- Longer-term trades
 - benefits, 124
 - stops, 126
 - targets, 94
 - traders, 165
 - trades, 163–164
 - wider stops, 126
- Lookback period, 130
- Loss
 - taking, unwillingness, 63
- Lovvorn, Kerry, 20, 43, 66, 206
 - trailing stops, usage, 132–133
 - Volatility-Drop tactic, 135
- Lower channel line, 187
 - calculation, 56

M

- MA. *See* Moving averages
- Mack, Donald, 13

- Margin account, standard
 - agreement, 169
- Market
 - action plan, 162
 - analysis, 37
 - bell, ringing, 152–157
 - manic-depressive behavior,
 - 55–56
 - noise, 70
 - opportunity, 174
 - orders, 106
 - policing, government role,
 - 172
 - randomness, 37
 - risk, 174
 - sell orders, influx, 116
 - temptations, 25
 - tops
 - shorting, 185
 - trading, concepts, 193, 196,
 - 197
 - two-party system, 67
 - volatility, 55
- Market if touched (MIT) order,
 - 106
- Mass psychology, 178
- McMahon, James, 40
- MetaStock, 130n
- Mind
 - filtering process, 24
 - trading instrument, 24–25
- MIT. *See* Market if touched
- Momentum trading, approach,
 - 58
- Money management
 - goals, 29
 - iron triangle, 126
 - protective stop, 127
 - rules, 38
- Monitoring list, 47

- Moving Average Convergence-Divergence (MACD)
 bullish divergence, 72–73, 93, 188
 MACD-Histogram (MACD-H), 16
 behavior, 93
 divergence, 189
 overbought level, 79
 tall peak, example, 133
 usage, 138–140
 MACD-Lines, 16
 bearish divergence, 181
 bullish divergence, 110f
- Moving averages (MA)
 explanation, 9
 role, 15
 value consensus, 56
- Moving stops, 102–103, 127–130
- N**
- Naked writing, 220–224
- New High-New Low (NH-NL)
 Index, 18–22
 sell signal, 158
- Nikkei Stock Index, 153f
- No-new-high tactic, 87
- Noise
 average level, 131
 “Noisy” penetrations, 130
- Non-equity instruments, shorting, 207
- O**
- One cancels other (OCO) order, 47
- Options
 attraction, 218
 literature, recommendation, 217
 writing, 217–219
- Order, placement, 52
- Outlook (Microsoft)
 Calendars, usage, 42, 46, 57
- P**
- Paper profit, 127
- Paper-trading, 65, 71
- Parabolic system, 129
- Parker, Jeff, 43
- Partial profits, taking, 146
- Performance
 deterioration, 29
 grading, 52–53
- Personal dividend, 230–233
- Position accumulation, plan, 144–145
- Position trade, 63
- Price
 bottom area, 109
 increase, 67
 movement, 58
 rally, 67
 risk, 169–170
 short-term action, 94
 value, 2–3
 volume, impact, 16–17
- Profit-taking order, placement, 47
- Profit target
 example, 32
 reaching, 151f
 setting, 66
 support/resistance level, 95
- Protective stops, 107. *See* Money management
- Psychology. *See* Mass psychology
 impact, 148
 importance, beginners, 27–29
- Pullbacks
 opportunities, 140
 usage, 187–188
- Pyramiding, guidelines, 34–35

Q

Quote window, 47–49
 example. *See* TradeStation

R

Rabbani, Sohail, 163
 Rauschkolb, Jim, 140
 Recordkeeping, 1, 37
 impact, 18
 importance, 25
 spreadsheet, 39f
 Regret, impact, 90, 91
 Resistance zones, target, 88
 Reversals, 139
 Reward-to-risk ratio, 69–70
 Rhea, Robert, 67
 Risk
 amount, 104
 control, 29–31
 perception, 102–103

S

S&P500 (Standard and Poor's
 500), 112f, 113f, 157f
 SafeZone stop, 130–132
 Sell grade, 54
 Selling
 choices, 64
 decision tree, 159–163
 earnings reports, impact,
 148–152
 quality, 54
 resistance level, 88–100
 stops, 101
 target, 65
 timeframe, 63
 types, 63–64
 Selling short, 167
 risk, 169–170
 Shorter-term trading, 99

Shorting. *See* Downtrend; Futures;
 Market; Non-equity
 instruments; Stocks;
 Tops
 advantage/disadvantage,
 172
 candidates, 203f
 fundamentals, 189–197
 Short interest, 202–205
 Short Interest Ratio, 202–205
 Shorts
 covering, 196f
 initiation, 175–178
 Short-term swings, trading, 95
 Short-term trade, 140
 identification, 163–164
 rating, 189
 Short-term trading opportunities,
 227
 Short trade, entry, 182
 Slippage
 cost, 57
 impact, 106–107
 reduction, 115–117
 Smith, Adam, 172, 212, 213
 SnagIt, software, 42
 Soft stops, 107–109
 Solitude, 25–26
 Spike group, 20, 197
 Spreadsheet literacy, 38–40
 Squeeze play, 133
 Standard deviation channels, 16
 Steidlmayer, J. Peter, 2
 Stock market
 analysis, 198, 199
 bottoms, 178
 rallies, 213
 Stocks
 earnings reports, impact, 148,
 149

- expectations, 103, 105
- IBM, analysis, 168–169
- industry groups
 - classification, 148
 - scanning, 198
- multidimensional view, 143
- profit target, identification, 65
- public stops, 117
- rallies, 26
 - target, determination, 92
- reward-to-risk ratio, 65
- sale, 172
 - decisions, 63–64
 - selection, 175
 - shorting, 171
 - restrictions, 207
- Stocks in trading examples
 - AAPL (Apple Computer, Inc.), 139f
 - ATI (Allegheny Technologies, Inc.), 222f
 - CEGE (Cell Genesys, Inc.), 77f, 78f, 79f, 80f
 - CHL (China Telecom Hong Kong, Ltd.), 223f
 - CPWR (Compuware Corporation), 110f, 111f
 - CSCO (Cisco Systems, Inc.), 150f
 - CVS (CVS Corporation), 118f, 119f
 - DB (Deutsche Bank AG), 45f, 46f, 47f, 48f
 - DE (Deere & Company), 131f
 - EWY (Ishares South Korea Index), 174f
 - EXTR (Extreme Networks, Inc.), 68f, 69f, 70f, 71f
 - F (Ford Motor Company), 144f, 145f, 146f, 147f, 179f
 - HANS (Hansen Natural Corporation), 206f
 - IBM (International Business Machines Corporation), 8f, 91f
 - IKN (IKON Office Solutions, Inc.), 140f, 141f, 142f
 - INFY (Infosys Technology, Ltd.), 75f, 76f
 - JCP (J. C. Penney, Inc.), 181f, 182f, 183f, 184f
 - KO (Coca-Cola Company), 125f, 126f, 127f
 - MMM (Minnesota Mining and Manufacturing Company), 134f, 135f
 - MNI (Milestone Scientific, Inc.), 173f
 - MS (Morgan Stanley), 173f
 - NURO (Neurotech Corporation), 205f
 - NWRE (Neoware Systems, Inc.), 186f, 187f
 - RIMM (Research in Motion), 151f, 152f
 - RL (Ralph Lauren Polo Corporation), 179f
 - STTSY (Stats Chippac, Ltd.), 95f, 96f, 97f, 98f
 - TINY (Harris & Harris Group), 114f, 115f
 - TVL (LIN TV Corporation), 176f, 177f
 - WTW (Weight Watchers International, Inc.), 190f, 191f, 192f, 193f, 194f, 195f, 196f, 197f
 - YHOO (Yahoo!, Inc.), 87f
- Stop-and-reverse orders, 213
- Stop order, placement, 106

- Stops. *See* Hard stops; Moving stops; Protective stops; Soft stops
 - adjustment, 95
 - decisions, 105
 - misconceptions, 109–111
 - tightening, 116, 138
- Support zones, 88
- Swing trades, 55
- System traders
 - discretionary traders, contrast, 138
 - trade rules, development, 162
- T**
- TC2007, 130n
 - scanning groups, 199f
- Technical analysis, 5–6
- Technical trading tools, 14
- The 2% Rule
 - explanation, 32
 - pyramiding guidelines, 34–35
 - risk limit, 194
- The 6% Rule
 - pyramiding guidelines, 34–35
 - usage, 31, 33–35
- Timeframes
 - advantages/disadvantages, 124
- Time Stop, usage, 128
- Tops
 - asymmetry, 178–180
 - greed, impact, 178
 - shorting, 180–185
 - signals, 97
- Trade grade, equation, 56
- Traders
 - action plan, 170
 - choices, 5–6
 - decisions, 126
 - diary, importance, 44
 - failure, 25
 - improvement, 27
 - personal life, impact, 29
 - records, impact, 37–38
 - simplicity, 62
- Traders' Expo, 155
- Trader's Governor* (McMahon), 40
- Trades
 - documentation, importance, 40
 - entry, 137
 - grading, 55–57
 - initiation, 129
 - loss, limitation, 32
 - money management question, 33
 - performance rating, 55
 - sharing, 184
- TradeStation, 130n
 - quote window, example, 49f
 - usage, 20, 201
- Trading. *See* Counter-trend trading; Trend trading
 - control, 49–50
 - lessons, 99–100
 - psychology, 29
 - signals, recognition, 24
 - styles
 - development, 71–72
 - system
 - action plan, 162
 - stops, absence, 102
- Trading Diary
 - entries, 43–44
 - essentials, 71
 - lookback advantage, 74–75
 - maintenance, 41–42
 - Outlook example, 43f
 - pictorial record, 40

Trading for a Living (Elder), 25,
90, 129

Trading plans
documentation process, 45–50
implementation, 51–52
writing, 25

Trailing stops, 128

Trends
recognition, 139

Trend trading
counter-trend trading, contrast,
9–11

Triple Screen
principle, 125f, 126f
trading system, 15

U

Upper channel
profit taking, 82
Upper channel line
calculation, 56
Uptick rule, 172

Uptrend
identification, 124

V

Value
buying, 57
consensus. *See* Moving
averages
moving averages

Value zone, 9

Visual diary, 41f
keeping, 198

Volatility-Drop method, 132–135

W

Weekly charts. *See* Stocks
strategic decision, 188

Weis, David, 236

Whipsaws, 124

Wilde, Oscar, 230–231

Willain, Pascal, 149

Winters, Deborah, 180, 184

