THE NETPICKS INFORMER

Savvy strategies for profitable traders.

4th Quarter | Issue 2
A $25.95 Value

LETTER FROM THE DEVELOPER

Welcome back to our latest issue. When our first issue came out a couple of months ago I was very impressed with all the beneficial trading articles that our Trading Coaches came up with. This new issue is certainly no exception.

At NetPicks, we always talk about how it's best to learn from people who "actually trade" – I know, quite a concept right? However, you'd probably be surprised how often you are purchasing software, systems, books, signals, etc… from people who haven't taken a trade – in a long time, and sometimes ever.

Things are quite a bit different here. When you read these articles you're hearing from individuals - people very much like yourself who "actually trade." In fact, I can tell you if you're reading this during the week, you can bet that I took several trades today. And the same goes for our entire coaching team.

Simply put, this is the #1 reason why we've been around since 1996 and why we continue to grow and flourish, 13 years later. We've never considered ourselves a slick marketing company. We've always been traders first, then we have a mission to share and teach what we find works for us, with people like you. I think you're going to find alot more of that knowledge sharing in this issue.

Perhaps the biggest news for us is the release of the High Velocity Market Master. This release was a huge deal for us and we're very excited to get it in the hands of fellow Universal Market Trader (UMT) and Ultimate Swing Trader (UST) Owner's alike.

In creating the HVMM, the goal was simple: Take everything that has been proven with the original UMT and increase the winning percentage of trades. Simple right? If you increase the winning percentage of trades, everything else follows.

Of course, trying to improve on a system that has already been proven effective across multiple markets and timeframes is not an easy task.

For every 100 ideas and brainstorms, 99 have to be thrown out.

However, with some hard work and research, I uncovered some really key breakthroughs that now make the HVMM my most powerful system to date!

Take some time and absorb these articles. I know I will – there's not a day that goes by when I don't look to learn something new. I'll stop when I start trading with 100% winners!

Have a great trading month,

Mark Soberman

Mark Soberman

CONTENTS

WHAT'S NEW AT NETPICKS?

High Velocity Market Master

In case you haven't noticed, we've had a lot of new and exciting events happen! Just this September, we debuted our newest flagship trading system, **The High Velocity Market Master**. We received a phenomenal response to this extremely powerful system. If you haven't gotten on-board, consider this a sign…

http://www.highvelocitymarketmaster.com

UK Live Classroom Training

In addition, we've also wrapped our first-ever **UK Live Classroom Training**! Taught by our own Troy "TJ" Noonan, we had a class full of eager students learning all our 'tricks of the trade' live and in-person. If you're interested in attending our next training, please contact us and we'd be happy to get you the details for the next live training.

Nightly Market Video Update

Are you signed up for our Nightly Market Video Update? A few times every week, we email out a series of short videos giving you the low-down on what's happening in the markets. Sometimes we're on fire, sometimes lukewarm – but either way, we're telling it like it is. See what NetPicks trading is really like with this FREE Video Update delivered straight to your inbox. Sign up here:

http://www.NetPicks.com/videoupdate

Owner's Meeting

Are you attending December's Owner's Meeting? This is the very first time we're hosting a 'virtual' version of the Owner's Meeting… that means you can watch from the comfort of your very own home or office without having to book a flight, reserve a room, or do any other traveling. That also means that there's just NO excuse!

We'll be teaching advanced lessons, giving special presentations, inviting guest speakers, and much, much more. If you've been working with one of our NetPicks coaches and have been wanting to put a face to that voice… here's your chance!

We'll be sending out details shortly so keep an eye on that inbox!

A DAY IN THE LIFE OF A NETPICKS TRADER *by Ron Weiland*

Many people ask, "How good is your system". Well, the final question in the end is "How good are you?" We can give you all the rules and tell you what to do every step of the way, but in the end you are the weak link. The UMT System could call 100% profitable trades but if you panic when it takes heat or don't take the next trade after some losses, you will not win in the end! We teach you how to overcome "yourself", and how to have a Trade plan that will be successful. Expect losses, but also expect more winners and expect to profit over time!

With all that said, let me show you not the best day, but days that will come your way. You need to expect them and be ready. I will set the stage.

We have been trading the TF 233 tick for the past several months. We continue to break out to new equity highs. The day before was April 22nd and we had a win a loss and another win for 3.2 net points! Now April 23rd is here and things aren't looking as good. **What would you do?**

At 9:31 right out of the gate we get a long at 468.8, it moves to our stop at 467.3, for a loss of 1.5 points. Ok no problem, we wait for the next trade. At 9:43 we get the short at 470.8 big loss 2.9 points. So, we are down over $440 per contract. Some are feeling nervous about the next trade.. "What if I get another loss... It is too choppy?... I can't afford to lose... this doesn't work!" We have heard them all. At 10:07 it is decision time. We get a long at 463.2 and it hits a nice target at 465.4 for 2.2 points. Glad I did not miss that. Then at 10:34 another long at 466.1, hit target at 467.9 for 1.8 points. Almost positive for the day, just one more winner, can we get it? Yes, a final short at 10:39, 464.4 hit target at 462.0 for 2.4 points. Using the Power of Quitting and we are up 2.0 points on the day.

These trades were called LIVE in our signal room. It was not easy, but then nothing good ever is. So now I only have one question for you: What would YOU have done? Remember, we can talk you through the entire morning, but we can't pull the trigger for you. It's up to you. Think about it!

4/23/09

1. 9:31 long at 468.8, stopped at 467.3 = - 1.5
2. 9:43 short at 470.8, stopped at 467.9 = - 2.9
3. 10:07 long at 463.2, hit T at 465.4 = + 2.2
4. 10:34 long at 466.1, hit T at 467.9 = + 1.8
5. 10:39 short at 464.4, hit T at 462 = + 2.4
6. Poq = + 2
7. **Balance = $9470**

GETTING TO KNOW US

Interviews from your NetPicks Staff. Meet our experienced coach, Will Feibel.

What do you trade (market/timeframes)?

I trade futures, specifically the 144 tick TY (10 year treasury notes) and the 89 tick S (soybeans). I've also traded the Dow, S&P, Nasdaq, and Russell 2000 eminis in the past. At this point I'm considering adding the TF (Russell 2000 emini) to my trade plan.

Where are you from? Where do you currently live?

I'm German, grew up mostly in South America, and have lived in the US since my freshman year in college. I live in Princeton, New Jersey and have resided in this area for the past quarter century or 25 years, whichever sounds lower.

Why did you become a trader?

I started trading stocks a little over ten years ago, swing trading using the CAN SLIM strategy popularized by Investor's Business Daily. I was laid off from my banking job a few years later and decided to give full time trading a shot. The idea of working from home appealed to me, and trading is a business that requires relatively small upfront investment and low operating costs. I consider myself a fortunate man because this decision allowed me to be with my children as they grew up, instead of stuck on a late commuter train from New York City.

How did you become a NetPicks coach? What inspired you to get involved?

I was a customer of NetPicks' previous release, the UTM (Ultimate Trading Machine). This was my introduction to futures and day trading. I jumped on the Universal Market Trader (UMT) as soon as it was released because I'd been happy with the UTM's performance and had a great deal of respect for the NetPicks team. I felt they were upfront with us customers and committed to our success. We old timers became very active in the UMT members' forum, discussing setups, backtests and performance. It was through the forums that I got to know Troy Noonan and Mike Rykse. As time went on a core of us devoted alot of time to helping newer members through the forums. Later on Brian started his semi weekly online live training room and we all migrated to that. I felt I had alot to contribute to the membership because of my experience with the system, and once Troy became active with the NetPicks team he suggested to Brian that I become a coach for the mentorship program. I jumped at the opportunity. I enjoy working with people and get a great deal of satisfaction from helping others succeed in trading, that's why I'm thrilled to be a NetPicks mentor and coach. Finally, I have great respect for everyone involved with the UMT and the other NetPicks systems, starting with Brian and Mark, the coaches, Cheryl, everyone. They are all committed to the system and to the membership.

Why do you like the UMT?

Because it works. I've traded it on several instruments and backtested it on more, and with rare exceptions the system has shown robust performance. It seems no matter where I apply it, I always get 60% to 65% win rates and equity curves that sawtooth from the bottom left to the top right of the chart. Like any system it has its drawdowns, it's not the holy grail, but for something so simple and straightforward it is remarkably successful.

How many other courses, strategies, etc. did you try before the UMT?

Not many really. The only other system I followed seriously was the CAN SLIM as stated earlier. Other than that I'd subscribed to several on line trading sites but none of them had anything as powerful, flexible and robust as the UMT.

What are the top benefits you think members have gotten from the mentor classes and/or live training rooms? Why do you think the mentor class is so successful?

The mentorship programs helps students gain confidence in the system and in themselves. Through a combination of backtesting and both group and one-on-one instruction they learn the three key elements to trading success: a methodology, effective money management, and mental discipline. You need all three to succeed in trading and I believe that we deliver that through the mentorship program. I should add, if the student puts his time and effort into it. The daily live training further reinforces what students learn in the mentorship program, and I feel that the mentorship students get more out of the live training than those members who haven't participated in it. They experience first- hand and in real-time the principles that they learned, they see how experienced traders put the UMT into action every day, they learn the subtleties of our money management techniques, and perhaps more importantly they witness the moderators' mental attitude and discipline once they've entered a trade, whether that trade results in a win or a loss. And it's that mental attitude and discipline that will, in the end, make or break a new trader.

Is there anything else you'd like to share with traders that are considering the UMT, HVMM, or another NetPicks system?

Yes. First of all, it is not the holy grail. Every trade is not a winner and there will be drawdown periods. Second, do not expect to start with a $5,000 account and make a million in six months, or $10,000 a month right off the bat. What the system will do for the committed trader is allow him or her to gradually build their account, and as the account grows they can increase the number of contracts and/or instruments they trade until they eventually build their account to a size that makes full-time trading possible. The system is incredibly flexible and robust, and has the best support I've seen anywhere in this business.

BACK TEST YOUR WAY TO SUCCESS: PART 2 *by Brian Short*

Back-testing is the process of applying a trading strategy or analytical method to historical data to see how accurately the strategy or method would have predicted actual results. Many traders learn about a trading technique by reading a book or purchasing a trading system, but how do you know if the method will really work for you? Do you jump right in to the market with real dollars and start trading away? Some traders do, and that is an expensive way to learn that a method is not for you. The answer here is to back- test and let the results of that test tell you whether to proceed into the live market. Let's now take a look at some keys to successful back- testing.

First let's review some of the key data points that can be collected and calculated in the back- test process.

1. Winning Percentage. This is probably the number one statistic that is quoted when looking at a trading method. It is calculated by taking the wining trades and dividing by the total trades taken. Your trading strategy should produce more than 50% winners. That's not to say that trading systems with smaller winning percentages can't be profitable, but the psychological pressure is enormous. Losing on seven trades out of ten and continuing to follow the system takes great discipline, and most traders can't stand the pressure.
2. Profit Factor. This is calculated by taking the profit generated from profitable trades and dividing it by the losses generated from your losing trades. A value of 2 would indicate that twice as much money was made from winning trades than was lost from losing trades. This will tell you how many dollars you are likely to win for every dollar you lose. The higher the profit factor the better the trading system. A trading system or method should have a profit factor of at least 1.5 or higher.
3. Consecutive winners and consecutive losers. These two statistics are used more as psychological tools than analysis tools. Consecutive losses is probably the more important statistic in this case, but it is good to have a feel for both. Knowing how many losing trades you have had in a row in the past can help you stay focused when you begin real trading and may experience 2, 3, or even 4 losing trades in a row. I have the opportunity to speak with many traders, and in my opinion, the number one downfall is staying focused and consistent in taking each trade as it comes. Too many quit after just a few losing trades only to miss out on the winning trade sequence that may come next.

Next I want to talk about recording your results. When I first look at a new method or system I will start by going thru a small sub- set of data and recording that on paper. If it passes the test for me at this level, I will do a more extensive test and record those results to a worksheet so I can sort and sift the information. Using a spreadsheet can make the job of recording and calculating some of the above statistics very easy. I have included a link to three sample worksheets that we use here at NetPicks. http://www.NetPicks.com/worksheets.zip

One of the keys to successful back- testing is to make sure that as you are walking through past trading sessions bar by bar. Try to play back the price action like it was in real time. Have future bars off the screen and then move forward one bar at a time. Evaluate what actions, if any, would be taken on each bar. It might be your target being hit, your stop being hit, or some type of money management action that would need to be taken.

One other consideration as you are collecting your back- test data is to collect more data or trades than what you think you may need or want. For example, I like to trade the morning session, but if I am looking at a new method I will collect data for the entire US trading session and break it into time slots and then analyze that information. I may discover, based on the results, that I should extend my morning trade time to 12:30 instead of 11:00 and so on.

Finally a few additional points to consider as you're running through the back- test. Make sure you have a large enough sample set, at least 150 to 200 trades or more. Try to test the method during different market conditions, both trending and sideways. Some methods only work in one type of market. Make sure as you are looking at the price action that it was executable. For example, when news is released it causes spikes in price action, that at first glance may look like a winning trade, when in fact there was no way you could have executed it.

In conclusion back- testing is a must for your trading success and a task that is worth the time that you put into it. It will assist you in development of your trade plan and should be a key tool in your trader's tool box. Good trading to you.

EXTRA EXTRA READ ALL ABOUT IT!

Remember, in every issue we have a little something extra for you. It may be a video, an ebook, a report, a featured podcast, or some tool you can't live without. Whatever we give away you can rest assured that it will focus on improving your trading career and ultimately making you more money!

In this issue we're giving you Free Trade Management Software. What does this software do exactly? Specifically, you'll be able to:

- Track trade statistics and performance with roll-up summary
- Find out your EXACT position size for 1x, 2x, and 3x
- Determine the different pip values per currency (for example pip value when trading the EURUSD is different than when trading the EURJPY)

Even better, this software works regardless of what trading system you use! Whether you use a NetPicks Trading System, your Broker's strategy, or your own method - this software is going to work across the board.

Download the Software here:
http://www.ultimateswingtrader.com/trade-software.html

GROWING YOUR ACCOUNT *by Ken Cunningham*

Now that you have subscribed to the High Velocity Market Master, one of the NetPicks trading systems, or another system, you are ready to take the big step and start trading live! Assuming you have studied the system, done your backtesting, participated in the live training rooms, can confidently and accurately identify trade setups, traded in simulation mode and know how to operate your broker's platform. Phew!!

If you haven't, do not rush all these steps – the market will still be there tomorrow, and in six months from now if that is how long it takes you to be able to place and manage trades with confidence.

You should have also already decided which market and time frame you are going to trade, and when you start, you are only going to trade one market. The next step is to start with a small account size and look forward to it growing steadily – remember the HVMM is not a big bang story. Your account will not explode upwards in a matter of days with the HVMM (nor with any reputable trading system for that matter). Rather it will consistently go two steps forward and one step backwards. Though, rest assured it will keep growing steadily upwards as long as you follow your rules and resist temptation to change markets or strategies.

There will be times when you will see repeated losing trades and this will challenge you. That is when you should review your backtesting spreadsheet to see that periods of drawdown have occurred in the past, and that you quickly recovered from them.

Start with a market that has small trade profiles, and correspondingly smaller risks. Markets like the Nasdaq, forex minis and the Dow are ideal for this. As your account starts to grow you can then look at adding more contracts. Then, in time you can look at trading a different market, with bigger profiles, or even an additional market.

Here is a list of suggested account sizes that you need to trade different markets. You should use this list as a guide and a starting point for your trading:

- $500 – trade forex micros
- $1,000 – trade one forex mini
- $5,000 – trade 1 Nasdaq (NQ) e-mini or one Dow (YM) e-mini
- $10,000 – trade one Russell (TF) e-mini, or one forex standard contract or one soybeans (S.C) contract
- $15,000 – trade one crude oil (CL) contract
- $20,000 – trade one DAX (FDAX) contract

Next, when your account size has doubled you can look at adding another contract. Then you will start to experience the power of compounding.

For example, if we are starting with a $10,000 account and we decide to trade the Russell 2000. We will backtest the strategy and timeframe we want to trade and then wait to have over 100 trades in the spreadsheet. This will give us some confidence in the accuracy of the backtesting. From the backtesting spreadsheet we can see that the average daily return is 1.0 points or $100, and because this is an average return, it takes into account the periods of drawdown. We will assume that slippage and brokerage fees have been included in this exercise (to keep it simple), but remember that when you do your backtesting, these costs are not accounted for and they are a real component of your trading costs.

After around 50 trading days, our account has grown from $5,000 to $10,000. Now we can trade a second contract without exceeding our risk management rules. When the account grows to $15,000 we can add a third contract. This time it only takes around 25 days to get another $5,000…wow! So let's see how this looks over a longer period of time:

ACCOUNT SIZE	NO. OF CONTRACTS	TRADING DAYS	NEW ACCOUNT SIZE
$5,000	1	50	$10,000
$10,000	2	25	$15,000
$15,000	3	17	$20,100
$20,100	4	13	$25,300
$25,300	5	10	$30,300
$30,300	6	9	$35,700
And so on			

At this stage you start to get excited when you realize that it is possible to grow your account from $5,000 to over $30,000 in only 125 trading days (or about 7 months), and from then on it is pure blue sky.

Is this really possible? Well in theory yes it is – in reality it is not as easy as it looks.

First, you will learn that it is very easy to make money with a demo account, but harder when trading live. When you start to trade with your hard earned money, everything you have studied and practiced up until now is challenged in your mind when you place a trade. You may be tempted to jump out of a trade when it is a few points in profit. You may start to panic when you see trades going against you. Or any number of other scenarios. This is when you find out that trading is a very lonely pastime.

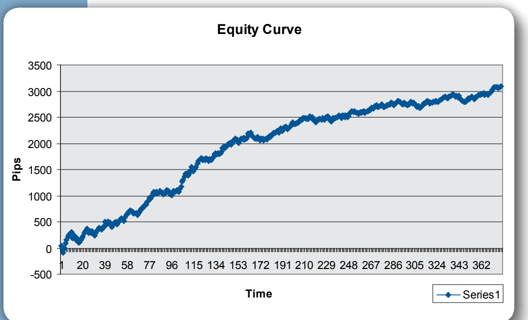
It is YOU who needs to make the decisions, and you cannot play 50/50 or "phone a friend" for advice. It is just you and your computer screen. This is why you have rules, and the rules must always be obeyed. If you are trading with money that you cannot afford to lose, then you are highly likely to make trading errors as you are tempted to make a quick grab for cash. Only trade with money that you can afford to lose – you must always be prepared to accept losing trades and drawdown, as they are an inevitable part of trading. When you are in the middle of a drawdown, the easiest action to take is to change markets or change strategies, and yet this action is certain to lead you to failure.

Another phenomenon that occurs for the majority of traders is that you experience a drawdown right from the very first trade. It is almost as if we are being tested to see if we have the mettle to tough it out. I have not met many traders who have started trading successfully from their first trade, yet this is hard to explain in technical terms, so when you first start trading expect an early losing streak, and then it will not be so hard to deal with.

continued on next page

You may also experience a period of drawdown which prevents you adding another contract. What we have shown in the table assumes average growth is achieved every day, and we all know that this does not happen in reality.

As funny as it may sound, it is hard for some people to keep adding contracts, where the risk exposure in dollar terms is higher, but in percentage of account terms is still acceptable. For instance, when you are trading six Russell contracts, one tick of movement is no longer $10, but instead it is $60. If you have a period of drawdown when you are trading six contracts, a drawdown of ten points is no longer $1,000, but it is $6,000. This is daunting for some people, even though we know as a matter of certainty that this will occur during our trading. Although, if you are discipline, you will find that the system will give you a winning edge over time.



To see this chart in a larger size visit: www.netpicks.com/charts

In the mentoring programs we teach not to think in dollar terms about your trades, but instead think in pips or points. The dollars flow from the points/pips, and you should train your mind only to think in terms of the price action on the charts and what trading decisions you need to take, without thinking about dollars.

On the Tradestation matrix I have personally removed the profit/loss column so that it does not distract me and tempt me to change the rules. I have also deselected the status bar at the bottom of the screen, so that I cannot see my account size or real time trade equity at all. I recommend that you do the same, as these numbers can be very distracting when you find yourself in the heat of the battle. I only look at my account balance when the daily email comes in with transaction summaries.

The toughest time to deal with drawdown is when your account is either going backwards or sideways. You can see an equity curve below for the 200 tick forex trading that we call in the Euro Session Trading Room using the UMT Advanced Tactics strategy. The curve plots 419 trades going back to November 2008. It looks great doesn't it? Who would not be happy trading this system?

But at around trade number 338 we experienced a period of backwards equity growth that started May 29th and lasted for over a week. In that period we lost about 150 pips, so for over a week we traded the system and saw our account shrink.

If your first day of trading was on the 29th of May, what would you be thinking? Would you have abandoned this system and traded something else? You could not see that the system would recover then, and you had to have faith in the system, the rules and your backtesting. This is very hard for new traders, yet the concept is so simple.

As your account grows, look at what percentage of your account you are risking per trade, and you should reduce this progressively. Typically you should not be risking more than 2% to 3% per trade. Then, you can comfortably manage a series of losing trades and come back to play again tomorrow. With a smaller account you sometimes have to risk up to 5% per trade. If you have to do this, start reducing the risk as the account grows. This will slow down your account growth, but it will help you sleep easier at night. Avoid the desire to be too aggressive.

In summary, remember to always follow the rules, backtest your rules and when you are happy with the results add these rules to your trade plan in writing. Always come back to the trade plan and your backtest spreadsheets when the going gets tough. Start reducing risk down to 2% to 3% per trade. Then, sit back and watch your account start to grow exponentially as you follow your discipline with full faith in the system. It's a tough lonely road sometimes, but it is very rewarding if you act with strict discipline.

VOLATILITY *by Mike Rykse*

For traders new to options, the pricing of the options is often times misunderstood. While there are many different ways of trading options, the Universal Market Trader (UMT) gives us a great tool to trade them directionally. When trading options, we need to first consider 3 variables about the specific stock in play:

1. The expected price direction
2. How long we think the move will take
3. The stock's future volatility

The UMT will give us an endless number of possible stocks to trade, which allows us to focus on picking the correct options to play that stock with. Most inexperienced options traders will pick the cheapest option possible to try and capture the large percentage return that comes with a home run trade. They don't understand that the most dominant factor in the pricing of options is volatility. Options are priced with the following factors in mind: stock price, strike price, time, interest rates, dividends, and volatility. All of these factors regarding option pricing are fixed except for volatility. Trading options without an understanding of how important a role volatility plays in their pricing, is one of the main reasons so many options traders struggle to find the desired results.

There are two types of volatility that are important to the discussion of options trading:

1. The first is historical volatility, which is a measure of how fast a stock has been moving when looking back at a given amount of time.
2. The second type of volatility that is important for options traders to understand is implied volatility. Implied volatility is an attempt by traders and market makers to assess the future volatility of the stock.

Volatility can be affected by situations such as an earnings announcement, a takeover bid, a sudden change in company leadership, or a government report to name a few.

Volatility will be displayed as a percentage. The percentage is used to determine the expected range of the stock over a year. For example, if XYZ stock is trading for $60 with a 20% volatility, then that stock is expected to trade between $48 and $72 over the following year. Volatility will change on a daily basis, which makes it the most important factor when deciding which strategy to put into play. This is why I like to be familiar with the stocks that I trade on a regular basis. I need to be familiar with the levels of volatility so I can choose the correct option to play. Since implied volatility is just an attempt by traders to measure the volatility going forward and is the only unknown factor in the pricing of the option, it is up to us to determine if that level is high or low. The implied volatility listed on your broker's platform will be the percentage that is being used in the pricing model to give the current price of the option.

Volatility will always go back to its historical levels at some stage in the future. With this in mind, if we determine that volatility is high, we could look into strategies that involve selling options. This would allow us to take advantage of the higher prices of the options, with the expectation of volatility falling back to normal levels. In periods of low volatility, we may decide to be buyers of options to take advantage of the cheaper prices, with the expectation of volatility going back to normal higher levels in the future.

Let's take a look at a recent example to see the affects of changes in volatility in the pricing of the option. Google released their earnings after the close on Thursday July 16. With Google trading at $442 just before the close of the equity session, a trader that was anticipating a bad reaction to the earnings could have purchased the August 440 put, which happened to be the at-the-money option. The earnings were released after the market close and the reaction was negative just as expected. The following table summarizes the result of this trade.

GOOGLE EARNINGS PLAY 7/16/09	
Stock Price 7/16: $442.60	Stock Price 7/17: $430.25 -12.35
Implied Volatility: 36%	Implied Volatility: 27%
440 Put: $17.50	440 Put: $19.20 +1.70

The Stock moved as anticipated, but the option only increased in value by $1.70 while the stock tanked by over $12.00. Implied volatility dropped back to 27% on Friday which meant the trader was right in his opinion of the stock move, but the drop in volatility prevented him from making as much money as anticipated.

For a trader to become a successful options trader, they must understand the importance of volatility in the pricing of options. My advice would be to pick a group of stocks that you are very familiar with and stick to trading those stocks only. When you step back to consider a professional market maker on the floor of an exchange, they only trade a few products. They don't need to trade numerous markets because they are experts in their products only. Retail traders should take this as a cue and become experts in their list of stocks. They should research levels of volatility on those stocks so they can get a feel for how that stock trades. Knowing the average size of a daily move on a stock and the normal levels of volatility will help in the process of selecting the proper options to play those stocks with. Understanding the role volatility plays in the pricing of options will provide a good foundation to work off of. With this foundation in place, a trader will then have the ability to use volatility as a guide in selecting the proper strategy to use when trading options.

MORE THAN MAJOR PAIRS *by Shane Daly*

Ask any trader what currencies they trade and 99% of them will mention the major pairs. The EURUSD, GBPUSD, USDJPY and a handful of others. These are very active, very liquid and perhaps out of habit, the most widely traded.

What about the "exotic" pairs? The Danish Krone (USDDKK), Singapore Dollar (USDSGD) and a host of other pairs, give ample opportunity for the professional trader to make money. Right away, the main argument will be about the spread to trade exotics. True, the spread is much higher than EURUSD but look at the pip cost below while trading 100k. It is not the standard $10/pip/$100k.

Here are some recent 14 period ATR numbers (Average True Range), pip value and spread:

PAIR	ATR	$/PIP	SPREAD
USD/DKK	520.69	1.89	40
USD/SEK	1355.31	1.28	100
USD/SGD	70.74	6.89	8
USD/NOK	885.22	1.56	75

* Based on Alpari. One standard lot ($100000.00) $1000 margin

Are these markets I would day trade every day? Possibly, with more backtesting and using a higher timeframe to start. The "secret" for me at this time, for trading these pairs is to watch for the pairs to start a trend. How? Look for break-out of the range, bullish/bearish chart patterns or a host of other methods to catch an impending move. Why? One look at the above numbers clearly shows the massive potential in catching a multi day move on the majority of those pairs. Even the USDSGD with its smaller ATR, still rattles out a huge $6.89/pip! The main reason these pairs move so much is simple…thin volume. Add in news releases and the volatility can increase 10x as much as the standard major pairs. We can't also forget that those who do day trade these pairs, are generally looking for a quick jump and then they run for cover.

Let's take a quick look at some extreme moves from the beginning of 2009 to July 09.

You can clearly see, once the USDSEK took off, not only did it run for literally 1000's of pips but it gave ample opportunity for astute trades to get on the train. Obviously you would not catch the extreme of the move but for illustration purposes, let's look at some numbers:

16518 pips x 1.28 = $21143.04 (Jan-Mar)
14629 pips x 1.28 = $18725.12 (Mar – Apr)
13826 pips x 1.28 = $17697.28 (Apr – Jun)

Let's look at the USDNOK

Once again, when the trend occurs, it occurs with some push. For the better part of March 09, +10244 pips. From April 20 to

continued on next page

To see this chart in a larger size visit: www.netpicks.com/charts

the end of May, it was a little subdued but 7308 pips at $1.56/pip is a tidy sum of $11400.00.

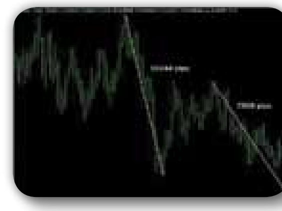
Can you see the potential in adding an exotic to your trading basket? Will all of them perform? Probably not. Do all brokers offer up a nice selection? No. You won't find the Cruzeiro, Baht, Dirham or many others at every broker. Even those that do, are limited in the number of price points they get from their data suppliers.

First thing you'd want to do in deciding on a pair is see if your broker offers it. Second, bring up a daily chart and look at how the pair trades. You will see either nice swooping action or, like the USDHKD, extreme low volume sideways action with massive support just below the 7.7500 level. You will know good action when you see it.

Are you put off about the spread? Don't be. While you may be used to seeing 1.2 – 4 for the majors, keep in mind the cost of those pips AND how much those pair move. When you are looking at a 100 pip spread at an exotic, look at the cost per pip but also the average movement of that pair. Many times, you will see that those combined factors offset the psychological mish-mash of a high spread. The spread cost can be wiped out quite quickly simply due to the volatility of the pairs.

Fundamental junkies will no doubt take no pleasure in trading the exotics. Frankly, the airwaves are not blaring the latest news out of Singapore or some other far off land. Just know that when investors are not adverse to risk, the exotics are a good place to shop. The opposite is also true. When concern arises over the state of the economy or anything else that gives investors pause, look for a decrease in risk appetite and a move away from the exotics. That alone gives you opportunity elsewhere.

The fx market is unlimited in potential. Don't limit yourself to the popular pairs especially when opportunity, and great opportunity at that, can be found in "exotic" locales. Your trader buddies may not have a clue what a "SEK" is, but your account balance sure will when you get on the right side of the move.



To see this chart in a larger size visit: www.netpicks.com/charts

WORKING WITH MULTIPLE TIME FRAMES *by Will Feibel*

Introduction

New UMT owners often ask if we look at other time frames or markets to confirm our setups. The simple answer is no, the Universal Market Trader was designed with ease of use in mind. That means a minimum number of indicators, unambiguous and clearly identified trade setups, stops and targets, and a single chart. We don't look for confirmation from any market or index other than the one we are trading, and we only reference the time frame on our chart. There are other systems however that do make use of these techniques, among them NetPicks' own Ultimate Swing Trader which makes use of two separate time frames to generate its trade setups.

Having said all that, in this article we'll cover some of the more common uses of multiple time frames in trading and offer a few suggestions as to how you might incorporate them into your own trading with the UMT.

Figure 1. To see this chart in a larger size visit: www.netpicks.com/charts

The three most common uses of multiple time frames are:

1. Confirmation of trade direction
2. Entry timing
3. Early warning

We'll cover each of the three uses and show some examples of their application with the UMT, but before that we need to consider what time frames are appropriate for each use.

Choosing the Time Frames

Your time frame of choice, i.e. your primary time frame, will depend largely on several factors.

- Are you a day trader or a swing trader?
- What is your maximum risk per trade?
- What money management technique are you using?

Your answers to these questions will guide you in selecting the instrument and time frame that's right for you. We won't cover this topic here, but it is addressed in other articles within this newsletter.

For our example, we'll assume you're day trading the Russell e-mini futures (TF) on the 300 tick time frame. We now need to determine both a larger and a smaller time frame to use in conjunction with our primary one. We need to make sure that the difference is large enough to be useful, because if we use time frames that are only slightly larger or smaller we will simply be generating similar signals with slightly different risk profiles and setups that are a bit earlier or later. The new time frames should in general be multiples of each other, and common multiples are two, three or four. We'll use three as our multiple for the discussion, so with our primary time frame at 300 ticks, the slower and faster charts will use 900 and 100 ticks respectively. We're now ready to look at each of the three uses of multiple time frames.

Confirmation of Trade Direction

Whenever a setup is generated in our primary time frame we look for confirmation from the slower time frame. In the context of the UMT, this means that the slower time frame has at least four of six elements pointing in the direction of our setup. Figure 1 shows an example.

Figure 1. We have two signals on the 300 tick chart. The long signal is filtered out because we have no confirmation from the 900 tick. The second setup, a short, is not confirmed either when it originally appears. Three bars later however the 900 tick gives us five of six red elements, and since the trade has not progressed beyond the 1X target we are able to enter on the pullback, indicated by the red arrow and magenta line.

Using the slower time frame as confirmation for our trade setup gives us greater confidence in its success, especially when in a strong trend, and may avoid losing trades against the direction of the general trend. Furthermore, by requiring a four of six confirmation we may avoid trading during choppy periods. Of course requiring confirmation will mean that we won't catch trades during the early stage of a trend reversal, or enter trades at the end of a longer term trend.

Entry Timing

Whenever a setup is signaled or we have four of six elements in a direction on our primary time frame we use a setup on the faster time frame for our entry. A common use of this approach is in catching trades when we're in a strong trend with no opportunity for reentry on the primary chart. Figure 2 shows an example.

Figure 2. We had a short hook on the primary time frame that went to target. Unfortunately it didn't give us any pullbacks setups and we were unable to benefit from the subsequent strong trend. Using the faster time frame however we had two winning trades – a hook and a pullback – which we would have missed otherwise.

By using this approach we may avoid entering a trade until a trend has been solidly established, and can enter trades we might otherwise miss in fast moving markets. The risk, of course, is that we may not get a fresh setup on the faster time frame and thereby miss out on a winning trade, or that the setup occurs late in the move and gets us in just as the primary trend starts to turn.

Early Warning

This is the canary in the mine approach to using multiple time frames. We still take our setups from the primary chart but now we monitor the faster time frame as an early warning of a possible trend change. If the faster chart gives us four of six elements in the opposite direction of the primary time frame we'd be more cautious in entering additional trades in the primary direction. Getting a setup in the opposite direction would suggest even more caution. See Figure 3 for an example of this use of multiple time frames.

Figure 2. To see this chart in a larger size visit: www.netpicks.com/charts

Figure 3. This shows a typical opening gap setup on the primary chart. Note how the faster time frame had a trend reversal ahead of and during this setup, helping us avoid a losing short trade.

This approach is particularly useful when considering pullback trades as they lose their effectiveness towards the end of a strong move. On the other hand we do risk missing out on potential winning setups.

Closing

The purpose of this article was to describe common uses of multiple time frames in trading and how they might be applied to the UMT. Remember though that the UMT was designed for simplicity of use, and adding layers to it will mean greater effort from the trader and possibly create uncertainty in entering trades, particularly if more than two time frames are considered, so tread with caution. Also beware of combining the three methods described above, as they may produce conflicting signals or filters. Settle on one and test it out. Finally, note that we have not performed extensive back tests to determine the efficacy of the different methods, and can't make any claims as to their performance compared to the standard UMT. We may do so in the future, but for now we leave that exercise to the interested reader.

Figure 3. To see this chart in a larger size visit: www.netpicks.com/charts

ON THE NETPICKS HORIZON

Here's your sneak peek at upcoming developments and events happening in the coming months at NetPicks. Be sure to check your Inbox for details and specific dates coming your way via email.

- Live Classroom Training on the UMT or HVMM system
- A special product launch in December
- The First Ever Virtual Owner's Club Meeting
- A Special Widget to Help with your Trade Management

TRADE OF THE MONTH July 10th, 2009 *by Troy "TJ" Noonan*

Long the Russell emini on a 233 tick chart, at 477.1, 9:38 am EST. We hit the full target at 479.7 by 9:50 for +2.7 points. On the surface, this would appear as a regular set-up and a fairly normal trade for us. But in truth, it was far from regular, and the correct interpretation of the trade rules, along with the interpretation of what the UMT system was actually trying to accomplish at the time, is what made the difference between a very successful session vs. a session that would have struggled and ended negative by quitting time. Let me set it up and explain what happened.

In the live trade room in which I host and call trades, we still trade the UMT Core (Original) strategy; the very strategy that began it all for us. In fact, some of us still trade one of the earliest flagship markets of the UMT, the Russell emini 233 tick. It has long proven that it can withstand the test of time, all types of market conditions, and deliver a consistent winning edge in the market. For that reason, we continue to trade it. That being said, it must also be stated that it is a system that requires concentration, and a thorough knowledge and understanding of not only the trade rules, but also, what the system is really trying to accomplish. In short, it wants to get into a presumably confirmed move as soon as possible. The entry price IS the final confirmation of the move on which we are trying to capitalize.

There is a unique rule that we apply for the first trade of the day that is designed to filter out bad trades in the direction of gap opens. We have a little trick where we watch two charts to start the session. The globex chart, which contains all the pre-market price data, and the daily charts which only include the US session data. So, on the daily chart, if the market closes at 477.6, like it did on July 9th, and then opens at 474 like it did on July 10th, you would see a gap of 3.6 points on the chart. You don't see the gap on the globex chart because the gap is filled with all the price action that took place in the pre-market. We have to watch both charts and then take the first legitimate set up that occurs based on our rules. We then use that chart for the rest of the session.

Here is the play by play with corresponding numbers on the two charts. See if you can follow along and then imagine watching these in real time and trying to interpret the market action and then make the correct trade decision. The correct decision equals a winning session and an incorrect decision equals a losing session.

To see this chart in a larger size visit: www.netpicks.com/charts

1. The market opens with the gap down on the daily (TF.D) chart. It takes time for the indicators to catch up to the price (which is what we want). We do not want to get short until the price moves back up to the trend lines, where resistance will be indicated, if we get a short set up with our entry price being hit.
2. Meanwhile, the market is oversold on both charts, indicated by the red lines on the histogram below. We need to calculate a reversal long entry as shown by the yellow arrow at #2. The set-up occurs just one minute after the market opens with an entry price at 477.2, shown by the dashed cyan horizontal line. This could be a fast entry.
3. We do get our pullback up into the trend lines and then, a red bar closing below the lines as indicated by #3 and the yellow arrow. The short entry would be 474.7 but it never reaches that level. Still though, at the time we need to be prepared to get long or short, with two active orders in play.
4. We also have to look for a possible reversal long trade on the globex chart due to it also becoming oversold. The rules say we need to get a legitimate set-up after the US market opens which would require a price bar closing below our momentum indicator (the white line). That never occurs though, so, no long reversal set-ups are considered on this chart.
5. One minute later, we get a completely different long set up on the globex chart; a cross-over set up which has a completely different set of rules and calculations. Luckily, as with all UMT strategies, all we have to do is click on the set-up bar and the data window tells us the set-ups, doing all the heavy lifting for us in real time. The entry (#5) is the same as the reversal long set-up on the daily chart, 477.2. It poses a unique dilemma. Which trade do we take? Easy! We always take the reversal set-ups when the two entries are the same. But...
6. Another minute passes, the market retraces some and gives us a new set-up bar with a lower entry price. We need to be concerned about breaking out over the swing level vs. taking an entry below it and hitting short term resistance. So we incorporate the 2 bar break out rule, which is rarely used and not very well understood. Simply, we need to go to the next bar to the left with a higher high than the new set-up bar. If that bar on the left calculates a lower entry than the original (first) set up bar at #5, we take the improved entry. If not, we stick with the first set up bar at #5. The market is moving, remember! We need to think this through and make decisions in real time. This set-up bar gives us an entry 1 tick below the other two entries described above (blue line on globex chart). Remember, the UMT wants us to get in as soon as we can, based on our best entry price. This, being one tick sooner, would trump the earlier set-up. And, it would be a nice big 27 tick trade (2.7 points).
7. To complicate things further, after another minute, the price retraces further, giving us an even newer and lower set-up bar and a new 2 bar break out. The new break out would give us an even lower entry, at 476.8 (pink dashed line), which puts us 1 tick beyond the prior swing level at 476.7. This is even a better entry and it seems straight forward. The only problem for me though, thinking this through live, was that I didn't like getting in just 2 ticks below a potential key level, the round numbered price of 477! I really wanted to convincingly break out of the swing at 476.7 and get long over 477. However, the rules are clear. You take the set-up with the closest entry.
8. I decided to make a rare adjustment. I took the newest set-up bar, which was a smaller trade profile of just 20 ticks (2

points) but made a 3 tick adjustment on the entry, getting in at 477.1, like the #6 set up. I hate taking 3 ticks away from our profit potential, in this case, 15%. When I do, I try to get a tick or two extra on the target to make up for the adjusted entry. There is a technique I teach for doing this but it is beyond the scope of this article. Suffice it to say, in this case, it did not give us the extra ticks and wound up hitting the profit objective perfectly at 478.8, for a 17 tick profit. I consider the 3 tick adjustment on the entry, the price of insurance to help confirm a very tricky set-up.

9. Moreover, by calling the trade accurately, we were able to get the next pullback long set up for another 17 ticks and our power of quitting goals were met with a perfect 2 for 2 session and +3.4 points ($340 per contract) result. Had we not interpreted the rules and system correctly, and if we had taken any of the other set ups, our targets would have been beyond and we would have not been able to catch the 2nd winner. The ensuing set-ups triggered a series of losses and we would have struggled for the remainder of the session. The UMT when followed as intended, coupled up with our 'power of quitting' goal setting strategy, continues to deliver the goods. This session broke us out to all new equity highs and a record breaking profit level for my live trade room. That, along with the fast paced thought process as 'slowly' described in detail above, qualifies this trade as the NetPicks Trade of the Month.

To see this chart in a larger size visit: www.netpicks.com/charts

---

MEMBER SPOTLIGHT - Trader of the Month *by Shane Fry*

Name: Stephan Venin or "Stef"

Age: 36

Currently Living: Melbourne, Victoria, Australia

Why did you become a trader? I started my journey 4-5yrs ago and really wanted to discover what it was that people were doing to make money and become independently wealthy. I could see that many wealthy people were making money in unconventional ways and I wanted to be part of that.

What systems/courses did you try prior to UMT/GMT? I did a general wealth creation seminar and purchased the Nick Halik DVD trading series which gave me a basic introduction to trading. I also had a close friend help start me off, acting as a mentor pointing me in the right direction.

How long have you been trading with the UMT system and which system did you start with? I've been a member now for just over 12 months and started trading with the Core system.

What was your trading like prior to UMT? I was regularly losing money and tended to be undisciplined in my trading approach.

What are the key elements that have turned your trading around? The environment of being in a live trading room with experienced traders. The right trading system and the perseverance to never give up!! The right tools, right platform, great charting.

What would you say to people trying to become successful as a trader? I believe that confidence in the system is key. This really only comes from back-testing. Your way to success helps build confidence. Coaching and mentoring is critical to help with your journey.

Biggest Tip: Family support and belief in yourself to never give up.

Market Traded: The German Dax and Russell emini.

Long-term goal: My long term goal is to become a full-time professional trader.

Just wanted to finish by saying…

My favorite saying is: What's the meaning of insanity? Doing the same thing every year and expecting better results! How do you achieve better results by doing the same thing every year?. You sell time to an employer or you sell time to a client if you run a business. We all do it until one day it clicks and you become desperate and you will do anything it takes to achieve your dream - mine was trading.

I could write a book on the sacrifices I have made to get where I am but most people don't want to know your war stories because they just don't understand what it's like to have losing trades every week, sleepless nights because you have just realized how much money you have lost chasing the market, losing weight because you have lost your appetite and you don't know how to make up those losses, or the sweaty palms as you're about to put on a trade with shaky hands as you're about to hit the button.

People fail due to avoiding risk and I risked just about everything.

Imagine running a business and not making money for years while it's actually costing you money to pay staff, rent, expenses etc. I set my family back by 3 years and my wife backed me the whole way. One thing is for sure, I didn't want to be one of the 95% of people that don't make it as a trader. I was in a very dark tunnel for a very long time with no light in sight… and I will never know if I was at the end of my trading journey or if meeting Shane from UMT/GMT was my saving grace.

I skimmed through the DVD's in one afternoon and started trading the UMT Core a few days later. The Core strategy was so black and white for me; you are either in a trade or you're not. The way I was trading before had too many variations but the Core I found to be very structured.

I have been in Shane's room ever since he first started calling it and he has come a long way since then. He's just so calm when the heat is on or when the market is super quick. I think there are only a few original members still there, including me. This is not for ever body but one thing is for sure, you will not have to go through what I went through in the past if you stick it through with UMT/GMT.

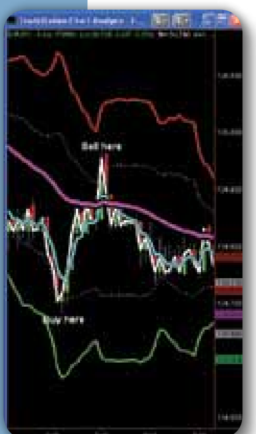
continued on next page

Although, what I went through might be a good thing. Looking back, it taught me a lot, especially during those depressing days that I try to block out. Even to this day I block out the dollar amount on my trading ladder so I can't see what I lose or make and just concentrate on my chart hitting the target and managing the stop... I only look at the dollar amount after I am done.

Money is a very emotional thing and as we all know we need to take the emotion out of trading and just trade a system that suits you. Once you are in the room with Shane you will realize that you have the world at your feet and how fortunate you are to have him calling the room. Then it's up to you how far you are willing to go to educate yourself. I have read books where traders in the money pit can only hold onto a trade for a few ticks… well, we hold onto a trade for twenty to thirty ticks and I haven't got an economics degree or a PhD in trading money markets so go figure!

I still have a long way to go compared to a lot of other people in the group but I am a trader in-the-making thanks to Shane and the UMT/GMT. Remember the saying: "If it's gonna be, it's up to me".

SPIKES, PIVOT CANDLES AND GREAT RISK/REWARD SETUPS *by Russell Rice*



To see this chart in a larger size visit: www.netpicks.com/charts

In the rough and tumble world of Forex trading, sudden sharp spikes in price are commonplace and seem to come from nowhere. They could be caused by breaking news half a world away or what is known in the business as a drive by – the execution of a large buy or sell order hitting the global spot market.

Sharp spikes in any market can be disconcerting for traders especially if they move in a direction against an open position. But if you are flat, exaggerated moves in price can often signal trades setups with very favorable risk/reward potential.

Pivot candles often signal the termination of a short to intermediate term move in price. They visually show the exact turning point in time and price where the buyers or sellers that caused the sharp move in price become exhausted. At that point a sharp reaction in the opposite direction often follows.

Identifying Pivot Candles

The key to using pivot candles successfully is developing a sharp eye for spotting them. This comes with practice, sharp focus and knowing what to look for...

Practice – Every time you see an aberrant move consisting of consecutively large candles (anywhere 3 to 8), start looking out for an upcoming pivot candle. Anticipate the fact that this move - likes all moves - will eventually run out of gas and terminate.

Sharp Focus – Be heads up and alert. Know what the larger trend is. Look for momentum to start slowing in the form of sudden smaller candles. Watch how other related instruments are trading and if they too are being affected. Keep an eye out for the latest breaking news or comments. Be aware of nearby areas of support and resistance on larger time frame charts. Try to make a quick judgment as to whether the move is simply reactionary or due to fundamental causes.

Knowing what to look for – Look for candles with long wicks (shadows) and short real bodies that finish at the opposite end of the high or low tick. As with all candles, the "rule of two" applies. That is to say, a single candle may give a strong message, but one should always wait to see what the next candle does before taking any trading action.

Great Risk/Reward Setups

With practice try to develop a feel for when momentum is waning. The technique is to enter a trade just after the pivot candle has completed and at a point close to the swing high or low of the pivot candle. At these points you can find trade setups with great risk/reward potential often with values as high as four, five even six to one ratios.

Setting targets and stops

I have developed a chart that can give me a quick visual image of short lived spikes.

I call it the Spike Look Chart and once you get use to using you will be amazed at how well it works.

The Analysis group consists of: a very fast 4 EMA (turquoise); an ultra fast 1 EMA (white), a 34 EMA (thick magenta) and 2 sets of Bollinger Bands, one at 2 standard deviations (white dashed line) the other at 4 standard deviations (red upper and green lower). Choose a thick heavy weight line for the EMA's for visual emphasis.

You set the upper BB to red to remind yourself that you should only be selling here, and the lower BB to green because you should only be a buyer here. New traders mistakenly do the opposite at these points and usually wind up an instant loser.

Use on a 1 minute chart

When the 1 EMA quickly outraces the 4 EMA by a grossly abnormal separation (you will know one when you see one) and shoots into the zone between Bollinger Bands, it's time to go long or short for a quick snapback to the 34 EMA.

Target: A move back to the 34 EMA is usually the first target. If you are trading two lots use the inner opposing Bollinger Band as target for the second lot and move the stop to break even.

Stop: Set the stop two to four ticks above or below the swing high or low of the pivot candle

The window of opportunity usually is very short so you must make a quick judgment call as to whether the move has finished or there is more to come. Again, if you are wrong you will lose a little. If you are right you should make at least three to four times as much.

Knowing this allows you to assume the risk and take advantage of the opportunity the market is giving you.

Note: The Spike Look chart can be kept very narrow and off to one side of your monitor because we are only interested in what the last 15 to 20 candles look like and primarily the current candle. Coordinate it with your other charts and use it as a quick visual reference.

The longer you use the chart the better you will become with it. In time you will be amazed at how well it works for not only scalping spikes but also for fine tuning entries and exits when using the UMT Advanced Tactics and Simple 2 calculator for trade setups.

Finding well-timed trades with great risk/reward ratios is the key that leads to consistently profitable results.

SWING TRADING VS. DAY TRADING *by Ron Weiland*

Swing trading and day trading are both active trading practices which require different strategies, techniques, and money management. Many times the tools they use are different. However, NetPicks offers indicators that can do both or just focus on swing trading.

We all know that day trading can be a full-time job and that you hold positions for very short times. The main advantage to this is that you don't have to worry about holding positions overnight. Then, you are often flush with cash in the morning ready to jump when an opportunity presents itself. Although, your trading costs will be higher as you place more trades and you will make smaller profits on each trade compared to swing trading.

Now if you can deal with the anxiety of holding positions overnight and maybe waking up to a loss or the market moving against your position, then swing trading may be for you. This is how it works. You capture very large moves, potentially making huge profits on these moves. You only place a few trades a week and you don't have to watch the market all the time. Every trade you enter has a stop and target already placed so you know ahead of time what your risk is. You don't have to trade full-time and it really can take only 10 minutes a day.

So before you decide whether swing trading or day trading is right for you, answer the following questions.

1. Do you have the time to day trade?
2. If you're holding a position over night or for days, will you have the ability to sleep and not worry about the trade?
3. Can you let the swing trades move to their targets and not close them early?
4. How much money do you have to start trading and are you looking to add an income stream or just grow your nest egg over time?
5. Finally, how much risk are you comfortable with?

Now that you have your answers in hand, let's take a look at our systems and see how they can work for you. With The Ultimate Swing Trader (UST), you can look at the markets in the evening and place some trades. You have your stops and targets in place and you just wait till the morning to see how many targets you have reached. When you reach your first target, you move your stop on the remaining position to break even. That's it, check back later that day and see if you hit any more targets. Move that final stop up to lock in more profit and you are done. If you can sleep well that first night, then swing trading is for you. Remember, once you hit your first target you have locked in profit and have Zero risk on the trade. You can also trade the UST in the Forex market with as little as $1,000. However, don't expect to make $100 a day. You should only risk 1% -2% per trade.

The Ultimate Swing Trader was designed originally for the Forex, although we have recently released UST modules specifically for Stock and Futures trading. In my opinion, it is by far the easiest and most simple system you will ever see. The fact that it works so well and is so easy to use makes it a diamond in the rough. We show you the trades every night so you are never alone in your decision and it helps you learn the 10% art of trading even faster. Let me sum it up this way. If I could load the indicators on your charts in less than 5 minutes, teach you the entire strategy in another 10 minutes, and you could look at your charts and compare them with the nightly update later that evening, what would you say? My guess is, show me how!

With the Universal Market Trader (UMT) or the High Velocity Market Master you can day trade, swing trade, or some combination of both. These systems are in fact universal. These systems work on every market out there and you change nothing but the symbol. How is that for simplicity? You will need to have between $5,000 and $10,000 to trade some markets so this is also something to consider when deciding on day or swing trading.

Like all our systems the UMT and the HVMM come with full support from the NetPicks' team. We offer live videos on day trading crude oil, soy beans, the Dow, the NASDAQ, Treasuries, Bonds, Stocks and ETF's, not to mention live trade rooms with the Dax, Forex, and Futures. In the live rooms, you are able to watch the market and signals alongside our trained coach. The coach walks you through every trade. How is that for training?! If someone could hold your hand on your very first live money trade, talk you through moving your stop as you lock in profit or tell you hold firm as the trade takes heat, then the whole room cheers as we hit target, you know you are not alone, we are right with you. I think it's the best way to learn the system and grow your confidence as a trader. I say it is priceless.

I tell clients the UMT or HVMM is for day traders, but we have people all over the world who also use it as a swing trading system. Again, all you do is change the time frame of the chart and you are swing trading. The last video I did on 4 stocks and 4 ETF's had win rates north of 70%. Truly amazing when you consider we go to a 233 tick chart and then day trade the same stock. You will need to have between $5,000 and $10,000 to trade some markets so this is also something to consider when deciding on day or swing trading.

At NetPicks we teach more than just the system and strategy. We attack the Achilles heal of most traders, the psychological, money management aspects of trading that are crucial to any traders success. Risk management is key in both swing and day trading and we focus on that so that you learn from past mistakes and don't wipe out another account. The road to growing your account is never a straight line, but with our plan, strategy and training, you will succeed as long as you are able to take the next trade. So swing or day trading, we are there with you every step of the way.

TRADE PLAN FOR RUSSELL 222 TICK Using Simple 2 & Trailing Stops / 2 Positions *by Troy "TJ" Noonan*

1. Use basic Simple 2 Entries with trend lines set at 55 and 34
2. Position 1 exits at the 2x or its 3 bar stop
3. Position 2 trails, and exits at its 3 bar stop
4. If a trade gets to 1 tick of T, aggressively exit position 1 around nearest or next nearest .0 or .5 (one tick beyond). This counts towards POQ (Power of Quitting).
5. When price gets to the 1x, incorporate 3 bar stop. Work around set up bar or nearby swing.
6. If price goes past 1x, move stop to nearest 3 bar stop level.
7. Always work around 0's and .5's. Never put an E at .4 or .9 if going long for example. Enter at .6 or .1 respectively. Vice versa for shorts. We would never go short at .6 or .1. We would adjust down to .4 or .9 respectively.
8. We enter on breakouts of the highs or lows of the set-up bars using our typical NP adjustments when necessary as described above in 7.

Trade Types:

1. Basic entries: We get in with a new hook of the solid (55) trend lines. Directional must already have turned in the same direction as the hook. In other words, if the solid bands turn from red to blue, the directional must already be green or turning simultaneously as one of the solid bands. We only need 1 of the 2 sold trend lines to agree with the directional. We need the set up bar to be close to exiting or beyond the solid trend lines. Buy the breakout on longs; sell on shorts. Regular level 1 Simple 2 entries. These entry rules are thoroughly described in the UMT Simple 2 trade instructions, available to all UMT Simple and Classic Owner's Club members.

2. Directional entries: If the solid trend lines hook before the directional indicator, we will enter on the basic island and wiggle entries as described in Simple 2 instructions.

3. Pullback Trades: We will take pullback trades that pull back into the solid trend lines (bands). Stops will be tighter. We'll place them just beyond the set-up bar or nearest swing level.

Brand New Trade Set-ups:

1. **Directional 2 Bar Breakout:** Sometimes the trend lines will hook and then the directional will follow. The price runs away though, never setting up an island or wiggle trade. This new set-up allows us to get on board that trade. Taking a long for example, we need to have two green bars breaking out, and then we buy the breakout of the 2nd bar, which becomes our set-up bar. The 2nd bar must have a higher high than the first (as a long example). In other words, it must have broken out beyond the first bar.

To see this chart in a larger size visit: www.netpicks.com/charts

2. **Directional Exit:** Very strong high percentage winning set-ups occur when the directional indicator exits out of the right hand side of the trend lines. When this happens, we either want to be on board, or, we can add to our positions if our account size allows for it.

   a. If you get a red bar, below the trend lines (short example), if the price has not pulled back to the trend lines, you can still sell the break out of that bar if the directional is exiting the trend lines. Use a tight stop like a pullback trade, just above the set-up bar or nearest swing level. It works best if the trend lines are sloping or curving downwards.
   b. If the price doesn't trigger and entry by breaking out as described above in a., and then it pulls back into any trend line (dashed is ok) if you then get a red bar after the pull back, you can sell the break out, canceling the set-up bar as described above. Your pullback becomes your new set-up. The opposite is true with longs.
   c. Note - this is usually a very strong set-up with larger than usual targets, tighter stops and a very high winning percentage.

3. **MOM Flip – Optional trade:** If you have had a successful trade, and the 3 bar stop takes you out, this will get you back in on a strong trending move. For this to be valid, once you are stopped out of the initial trade, you need your price bar to have closed below the momentum indicator. Then you need it to come back up and close above the mom. Buy the break out of that closing green bar. (long example). Use a tight pullback style stop. Go in with just one position. Manage the trade as you would any of the above examples with the 3 bar stop getting initiated once the 1x is achieved. This trade is not as common and probably has a lower winning percentage but if you go in with a smaller position and use the tight pullback style stop, you normally get a good shot at a continued trending move with minimal risk. It has the potential for big moves on trending action that you would have already been stopped out on. Sometimes it works even if the price just pierces below the MOM indicator but doesn't close below. I recommend experimenting and keeping track of these set ups to get a feel for them prior to taking them live.

Power of Quitting: For this trade plan, we are going to use a modified version of POQ.

We will quit after the 2x is reached on two separate trades. Minor winners that are stopped out by the 3 bar stop, prior to the 2x being achieved will not count towards POQ. The only exception is if we get 1 tick to target and then aggressively take ourselves out of the trade around the nearest 0 or .5, as describe above in #4. That will count towards POQ. Also, if a mom flip is entered, the 2x will count towards POQ.

We will trade until Noon, EST. If we are still not positive, we can take another set-up after the noon stop time.

First Trade of the Day: We will take pullback trades into the deep bands if they set up after the market opens. We will take Directional Exit (DE) trades as well.

If a DE sets up in the pre-market, close to our start time, we will look to grab that entry if the market pulls back and gives us the opportunity; the same with set ups approximately 5 minutes after news events.

We will NOT take 2nd attempts at trades that fail. We will take pullback set ups though, even after a trade fails. This is when the system is at its most vulnerable to choppy action, but you can also catch the break outs. By managing the stops as described above, most of the time, any losses incurred by choppy action will be minimal.

More Nuances: We always take the first pull back set ups into the solid bands. If the price closes on the opposite side of the trend lines however, we will then cancel that set-up and take the next newest set-up.

On trailing stops: Sometimes you get big final bars that spike in the direction of your trade. It is wise to tighten stops and take those big moves as a gift. You can get off of your 3 bar stop and work around an aggressive 0 or .5 level. You will at times, get stopped out prematurely and miss a continuation move so this is discretionary.

Too Much Risk: It is rare with the 222 but it can happen where you will get a stop that is greater than 2 points. These trades can be passed on and you can wait for a new set up. I like the 222 because most trades set up with risk less than 2 points and each trade gives the opportunity for large gains.

To see this chart in a larger size visit: www.netpicks.com/charts

Notes:

- Initial back test is for all of June and first two weeks of July, 2009. Not one trade lost more than 1.9 per position and that was rare. Most losses were fractional losses, that is, less than 1 point per position.
- Each contract was tracked as a separate position since their exits were different. One trade = 2 positions but were tracked as two trades except with the rare mom flip set ups.
- I took 216 positions (counted as 216 trades for statistic purposes)

To see this chart in a larger size visit: www.netpicks.com/charts

- 138 winners; 78 losses; 63.9% winning percentage; 148.6 net points for $14,860 in just 6 weeks! Profit factor (PF) = 5.26
- Basic entries won 44; lost 20; 68.8%; +30.3 = $3030; PF = 5.3
- Pull back entries won 22, lost 12; 64.7%; +29.6; $2960; PF = 6.9
- Trailing stop trades (the 2nd position entered on both basic and pb trades) won 65 and lost 35; 65%; +91.4 points; $9140; PF = 7
- Mom Flip (optional): won 5, lost 3; 62.5%; +2.8, $280, PF = 3
  - The mom flip hasn't had enough time or trades to establish itself. Many mom flip trades transition into pullback trades.

More Notes:

- Maximum winner was $620
- Maximum loss was -$190
- Trades during the first 30 minutes have the highest winning percentage
- All trades after noon, if still behind were winners. (16 positions; 8 trades)
- We have an 85.7% daily winning percentage and a 100% weekly winning percentage so far. We won 24 of our overall daily sessions and lost only 4. Our three biggest losing sessions were -5.3, - 4.6 and -3.4. Our 3 largest winning sessions were +14.7, +13.9 and + 12.5. We had several other double digit winning sessions too.

YOUR REWARD IS WAITING!

We want to hear from you. Every day you take trades just as we do, so we'd be crazy not to listen to what you have to say. The best part is we not only listen, but we reward you for speaking up.

In every issue we have a new contest with a new question to answer, and prizes to win.

Here's how it all works:

1. Answer one or more of the questions below.
2. Submit your answer(s) via email to: info@NetPicks.com and be sure to reference "NetPicks Informer Contest" in the subject line, or snail mail to: Attn: NetPicks Contest Department, 9400 Macarthur Blvd 124-417 Irving, TX 75063.
3. 2 winners will be chosen. We will contact the winners personally and announce them in the next issue of the NetPicks Informer.

Question: What aspect of trading do you want to learn more about or do you need help in and why? (Maybe a certain market, maybe risk management, or trade psychology…)

Let us know in what area you're looking for some extra help or what subject you'd like more information on and why. If we pick your answer to this question, we'll not only write an article about it, but we'll hook you up with one of our trade coaches to help you in that area! You'll get one hour of dedicated time with an expert trade coach.

We're looking for sincere honest answers and feedback. Keep your answers clear and concise, but remember one sentence answers won't cut it.

You have nothing to lose! This is your chance to let us know what's on your mind and get rewarded for it!

As always if you have any support questions or any other feedback, please email us at: info@NetPicks.com.

NETPICKS
Trading Strategies Since 1996
9400 Macarthur Blvd, 124-417
Irving, TX 75063

DAY TRADING YOUR WAY TO SUCCESS... ONE TRADE AT A TIME!

by Shane Fry

Welcome Back Traders,

I thought I would take the opportunity to share with you some of my brief thoughts on how to survive and prosper as a day-trader. Many traders are lured initially to day-trading based on the potential promise of massive returns, short-term market action and the excitement that intraday trading offers. However, the reality is often far from the truth, with so many traders not experiencing success. So how do we give ourselves every opportunity to succeed?

Trading in my opinion is more a psychological battle than the result of the perfect system. I believe a good day trader is more concerned with preparation, focus, discipline and trade execution than the actual trading outcome.

Most traders who become successful are dedicated, hard working people who have a high level of discipline and some degree of accountability within their structure and have mastered the psychology of trading. Here are some key points I believe are critical to your day-trading success:

- Know your trading system well so that you have excellent trade recognition;
- Backtest your system to build confidence and a level of reality;
- Use a price ladder for fast trade execution and practice until this part of your trading is seamless;
- Follow a trading plan that has been developed from your backtesting and tested during your real-time sim trading.
- Know what your worst losing streak is and your max drawdown prior to starting and prepare yourself for the possibility of that occurring;
- Know when to trade and when to walk away. Every market has its dead zones - make sure you know what they are.
- Don't over-trade, be sure to stick to your trading plan by only trading the periods which are highlighted in your trading plan. There are many successful traders using the "power of quitting", with some only ever trading 1 winner and done!
- Create a trading environment that has no outside distractions during trading times and be 100% focused on carrying out your trading plan each session.
- Have a piece of paper with your brokers' number and your account details in case of computer or internet outage, this allows for immediate trade management with your broker.
- Track your trading in real-time to ensure the results are similar to your backtesting
- Start the trading day early enough to revise the previous day's trades. Revisit the trades which didn't follow your trading plan, access and resolve the issue as to why there was and error.
- Keep a trading log; and finally;
- Spend time every day visualizing for 10 minutes your successful trading session

I hope you use this list as a starting point to help improve your day trading. We would like to wish you every success with your trading, and remember that if you would like assistance with your trading development, please contact support@NetPicks.com.

All the best.
Shane Fry & The NetPicks Team