THE NETPICKS INFORMER
Savvy strategies for profitable traders.

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(800) 515-0335
(949) 481-2396
info@netpicks.com

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LETTER FROM THE DEVELOPER....

Has the thawing out process begun? It was a tough winter for many of you – and trust me even down here in Texas I was never looking forward to receiving my monthly bill for heating. Unfortunately, I live in an area that is dependent upon Propane – and that hit record highs in costs here in February. Which is ironic given on an almost daily basis I'm day trading Heating Oil Futures, Unleaded Gas Futures and Crude Oil Futures and can use none of them for the house!

Which brings up a common question we get – people are always very curious what markets I personally trade and even more intrigued by what our coaching team chooses to trade. We're all a bit different, many think we all trade the same markets and times but all of us personalize what we trade based upon our availability, our trading personalities and our portfolio and risk sizes.

Choosing the right market to trade is pivotal. Sure, it's easy to change but the last thing you want to do is a trading dance and bounce around from market to market where you bail at the first sign of trouble. Or, you waste your time trading in a market that is never going to be productive no matter what the level of your stubbornness may be.

Since the average account size when we do surveys is $5,000 - $10,000 I thought I'd pass along a few suggestions of markets to consider if your account is in this range.

I prefer thinking about futures day trading for income purposes. There's consistency of trading (every day) and enough leverage that futures can be looked at for growing an income producing asset. In the $5k - $10K range you need to initially be focusing on markets that can yield on average $50 per day (call it $30 - $50) – I know doesn't sound like much. However, at just $50 a day you can build up to a full time income over time – the power of leverage and compounding.

The Dow e-Mini, Russell e-Mini, Heating Oil, Crude Oil and Soybeans are all potential candidates.

Forex Swing Trading I view as portfolio growth less than an income asset. The reason is, you'll find your account will grow leaps and bounds a handful of times per year. It is less consistent but no less productive. If you view it as a portfolio growth strategy, then forex swing trading can be a fine choice. My suggestion is never focus in on just one or two pairs. It's too difficult to know if/when a forex pair will start to perform. I feel 5 to 10 pairs at once in a low risk per position approach is going to be best.

Make sure you keep attending our free educational webinars – we talk about the markets to trade all the time. Make the right choice now can save you money, can save you stress, and can save you time.

Good Success,

Mark Soberman

Mark Soberman

ARE GLOBAL EVENTS CHANGING THE TRADING WORLD?

by Mike Rykse

Being involved in the financial markets for the past decade I have been able to see many different market conditions play out. I have seen the market crash back in '08 and '10 followed by a move to all time highs ever since. We have had times of high volatility and times where watching paint dry sounds like more fun. However, when we take a look at today's market does it feel like the game is changing? In the last year, the markets have brushed off terrible economic numbers which confirm the economy still needs time to recover. We have also seen global uncertainty caused by volatility in Japan and now the Russia/Ukraine crisis. After all this the markets are still up near all time highs. Traders and investors are showing no signs of fear and are buying every single downtick that this market shows. We haven't seen a 10% pullback now in the last few years. Does this really mean everything is ok and we should all just continue buying the new highs? Let's take a look at some ways we can approach these new market conditions.

First, we have to acknowledge the presence of the Fed as a big player in today's markets. The U.S. Federal Reserve has actually been joined by other countries in trying to support their economies. As a result of the historic monetary policies being used right now, we are seeing endless buying opportunities. There is no fear in the market because traders know the Fed is there to prevent any significant downturn. However, this approach is also coming with some consequences. We are seeing markets make historic moves higher towards all time highs. We are starting to see signs of bubbles in many markets which can be concerning. This also gives great opportunity as well if you know how to identify the right products. Take the movement in Natural Gas for example. Earlier in 2014 we saw a move to all time highs in Natural Gas. We saw endless buying for 6 weeks bringing this product into bubble territory. When you see movement like this in a product you have to be ready to act. Sure enough once we got to end of February this product had pulled back from the highs and did so very quickly. Instead of being paralyzed by this move you have to be ready to profit when the markets turn. We made good money on the pullback in NG by selling Call Options and Call Spreads because we were able to spot opportunity.

We are also seeing impressive moves higher in some of the grains and cattle products. While these aren't popular products with many retail traders it's important to recognize the moves. Feeder Cattle is a market that has been limit up a few times now in March. Prices in the Corn and Soybean markets have also been on the rise. What does this mean for us? It means we have opportunity in the coming months. It might mean we are trading products that are new to us but as long as I am making money I don't care what the product is.

Stocks like NFLX, PCLN, and GOOG have also been relentless on the upside for the past 6 months and are now reaching levels where buyers will start to run out of steam. When these stocks turn it won't come with advanced warning. Traders will rush to the exits all at once meaning you have to ready to act. I love when these situations develop because these turns can provide incredible profit potential. Using simple strategies like long Put Options or long Vertical Spreads give you a chance to profit from these quick moves lower. Having the ability to spot opportunity is something all traders have to learn how to do. Don't get suckered into buying new all time highs day after day. If you are ready to spot market extremes you will see some of the most profitable trading of your career when those markets turn.

Markets can't move to all time highs on an endless basis without a series of pullbacks along the way. When you take a look at the overall market using a product like the S&P 500 it's easy to see a market that is due for one of these pullbacks. That doesn't mean it has to happen tomorrow or next week. It does mean we have to be ready to play that 5-10% pullback when it does happen. One of the products to watch for signs of a market turn is the VIX. The VIX is a product that tracks the levels of implied volatility in the S&P 500 Index Options. It's an important product to track because we won't see the pullback without the VIX spiking up. Looking at the current levels of the VIX in the 14.00-15.00 range is a sign of low fear. I am looking for a move to the low 20's in the coming months which should also mean the market is rolling over. There are a few ways to profit from this move. First, you can trade an ETF like VXX which tracks the movement in volatility. This product does offer options, which makes it very attractive for smaller retail traders. Should we see the market rollover and volatility expand that will give us the opportunity to profit with a product like VXX Call Options.

Even with all the global events causing economic uncertainty there are still great opportunities if you are willing to think outside the box. This could involve trading markets you have never considered before. Spotting short term opportunities in these markets that are at extremes will become more important than ever in the coming months. In my opinion, volatility has been low for way too long. The move in Natural Gas is a perfect example of what happens when a market gets to an extreme. The overall equity markets are reaching extremes and as traders we need to be aware of that. We need to be ready to profit from markets turning quickly because when fear kicks in things speed up. It's not a time to jump out of the markets due to fear of a pullback. It's time to take advantage of products like VXX and Equity and ETF Put Options to profit from the move lower. Stay flexible and we could all be in for a really fun rest of 2014.

HOW TO KNOW WHEN TO STOP TRADING

by Troy "TJ" Noonan

Let's face it. We would all be better traders if we only knew when to stop trading each session. Before I discovered Netpicks, (and even quite a bit longer, because I stubbornly held onto old, wrong ideas) I wound up giving back a lot of my trade profits. It felt worse giving back hard won profits than it did just losing outright. The real problem was that I had no intelligent or effective way to actually know when to stop trading. If I quit too soon, I would miss a bunch of good winners. If I traded too much, I gave away my profits.

When I first started with Netpicks as a customer, one of their most important concepts, 'The Power of Quitting,' didn't really make sense to me. If the strategy was so good, then why would I want to quit trading? It is such a counter intuitive concept and later, as I learned more and actually began to turn my trading around, much of the new found success was largely a result of actually empowering myself to stop trading. Yet, to this day it remains one of the least understood necessities to ongoing success.

In short, the Power of Quitting (POQ) is a dynamic goal setting strategy that allows you to take what the market wants to give you, while allowing you to quit with positive results on 'most' sessions. In its most basic form, you need to get a winning trade AND have a positive result. This can be accomplished with the very first trade sometimes. Other times it requires more trading. There are also different formulas that you could use. POQ 2 means that you need to have TWO winners and a positive result. The PTU Trend Jumper actually needs a full target winner for one of its winning trades to qualify for POQ.

One issue that gives many traders problems is knowing when to stop on a hard session. There will be sessions with ALL strategies that just will not get positive. How long should a trader continue trying to get positive? What's a good circuit breaker? This is one of the most difficult questions to answer. So much of it depends on the trader. How long can he or she trade? How much capital do they have? How much stamina and attention span do they have? How much skill? Etc.. The only way to really know that answer is to actually conduct your own backtests so that you can come to the best answers based on actual research and understanding. Each strategy is different. Each market is different.

Some traders love finishing a session, one and done; that is, winning on the first trade to satisfy the basic POQ 1. Count me in as one of those traders. My own backtesting has shown me that the actual average profit per trade (the avg net of all trades in the backtest) is actually higher with fewer trades. POQ 2 might yield more net profits but it is actually less profitable and a lot harder, day in and day

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out. Why work harder? I prefer smarter? If I can increase my average profit per trade, all I have to do is increase my position size as my account grows. I do not need to trade more. Less is more, actually.

Some traders want to trade more. They also see the benefit of a POQ concept. Diversification is certainly a smart thing to work into your trading too. How does one satisfy all three while still remaining consistently profitable? Here are two ideas that have a lot of merit.

1. Diversification is one answer. You could begin trading one market and as the session progresses, stagger in other markets. Crude Oil or a forex pair could start at a certain time in the premarket. Then when the US market opens, you could trade an e-Mini or a grain futures, for example. You could also include some swing trading.

2. Another idea that I really like, is the whole idea of the 'mini session.' In the PTU for example, we learn how to use tools that help us isolate the most productive times of day to trade a specific market. Some markets have various pockets of time that are more productive than others. Taking that idea to the next level, I like treating each 'pocket of time' as a unique session, each with its own start time, stop time and POQ goals, typically, POQ 1, with a full winner being necessary to qualify. That means I have to have a full winner and be positive before I could quit the mini session. I also combine it with a maximum number of trades, a maximum number of losses and a hard stopping time, which would end the mini session.

   Then I just wait for the 2nd mini session to begin. The second mini session has its own unique trade plan and POQ, just as I described with the first. Here are a couple examples.

   Using the new Trend Jumper Pro Plus Calculator and Automation, I was able to determine a two hour and 40 minute window to trade Crude Oil Futures early in the morning. The trade plan allows me to take a maximum of six trades or two losses, with a POQ 1, whichever happens first. The second session begins later in the am and uses a completely different chart and trade plan. It goes for two hours and its own POQ. Both plans operate at their own cadence and have their own personalities. As separate plans, they are each profitable. Combining the two, adds more chances to grow my account while sticking to the 'less is more' concept. I get to have my cake and eat it too, in other words.

   For the Dow e-Mini, I actually have three different windows of time to trade three separate trade plans. Each one is profitable in its own right but combining the three, adds a lot of fire power and juice to the bottom line. It's also very flexible. If I am not available for one, I might be available for one of the others. It's a great way to go.

The important thing is to not overtrade. Combining a smart and dynamic goal setting strategy to your overall trade plan is essential to success. Anyone can make a winning trade. The hard part is hanging on to your hard earned gains on a steady basis and consistently growing your account. That's why we trade. Remember, it's not the quantity of trades that we take. It's the quality! It's also being able to keep our profits. Controlling one's risk exposure to the market is critical to success and the Power of Quitting is the perfect solution. But if it's not enough for you, don't throw the baby out with the bath water. Consider the idea of the mini session and learn to focus in on the most productive times of day to trade while still controlling your exposure and keeping your profits.

ALL TRADERS NEED A BREAK

by Ron Weiland

I am not talking about….you're in a trade and you yell at the computer screen, "Come on, Give me a Break". We have all been there, wondering why we seem to lose trades that looked perfect. Why does the market always have to move away from our entry and not shoot right to target. Or why is it the day you go live, you can count on a down day or a string of losses. That is Murphy's Law!

The break I talking about is taking some down time and not trading period. This can be very hard for most traders. We all like to be in the market and not missing the action or the next big trade. So, the thought of not trading for a few days or a week is hard for some to take. Well let me give you some words of wisdom. Sometimes it is better not to trade and forcing trades can hurt your account.

We teach at Netpicks the Power of Quitting, which means, you stop trading after "x" number of wins or once you have hit your circuit breaker on losses. That is very important, because without a plan you can't win in the long run and you can't trade all day. Don't you think it would be a little bit of a relief to turn off your monitor and computer after just a few hours of trading, rather than sitting there all day waiting for more and more trades? We think so!

Now let me talk about taking more than just a few hours off!

This was me just a few days ago in Iceland. We went there for a vacation and all I can tell you are that all the pictures I have; don't capture the true beauty of the country. The people were some of the friendliest of all the countries I have ever visited. I can't wait to go back, in Summer.

I did not think about trading, phones, news or emails. I was off the grid for about 4 days and it felt great. I used the time to reflect on what is important in life and to let go of all of the stress that can build up as a trader. This way I can come back next week and get back into the markets with renewed focus on the Big Picture. It is not about the trade you are in and fretting over, it is about the group of trades. The weeks and month and finally where you are at the end of the year. I trade to make money and with the money I make to travel with family and friends!

Now we all know that we can trade from anywhere. I could have fired up my computer and traded the European session or placed some swing trades, but then I might have been thinking about that swing trade while I was on a tour and

away from any internet. Or missed coffee in the morning, because the coffee shop did not have internet. I think it is good to give your mind a complete break and restore your balance as a trader.

So, take this chance to think about your goals as a trader and how you are trying to get there. Are you trading the Netpicks way, with a few hours a day and moving on? Or are you spending way too much time trying to get more out of the market that it might give you easily. Try and do your job easier, rather than harder. Reflect upon the glacier stream below, the quiet peace all around you. Why do you trade?

IS MEDIOCRE YOUR MODUS OPERANDI

by Shane Daly

Change. Lazy. Excuses.

The hard truth is that people are prone to mediocrity. They are prone to talk and not much else. At times, I have to actually make an effort to take action and though not 100% perfect at it, I am aware of my downfall. That gives me a chance to fix it.

You probably know people who say "I am going to….." but in the end, they never do what they said they were going to do.

The next time you are stuck in traffic, take a look at the car next to you. Ask yourself if they are living the life they planned or ever really moved forward to achieve it. After looking at them, check your mirror and ask yourself that same question.

Good Intentions + Consistency

With good intentions, people pick up trading books and crack open charts with the main intention of being a professional trader. They are ready for trade plans and understand that emotions can either make or break their chances of success. Money management is understood; they know their risk tolerance and are ready to enter the game.

The reality that trading is actually "work" sets in and suddenly juggling a full time job and a trading career is becoming a challenge.

The images of instant success or at least something to build on, takes a backseat to the reality of string of losing trades. This causes trading rules to become trading suggestions and to make back losses, they increase their risk profile.

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"What's the point" sets in and their trading schedule is reduced to whims and what started out like a laser beam, becomes the dull flicker of a dying light bulb. With a shrug, they let their natural state of mediocrity set in and return to being a dreamer without a road map to any place.

This reality is pretty harsh and according to a friend of mine who is a "success coach", this is how it plays out.

Be Aware Of Your Company

What speeds up this process is the energy of those they surround themselves with. Misery loves company, right? Chris Segrin, a professor of psychology and communications at the University of Arizona at Tucson stated:

"Happy people seek out happy people, and those who are down and out seek the same"

In my late teens and into my twenties, I had a few friends who could always find the cloud in the sunny sky. They were, for a lack of a better term, crap magnets. You could feel your energy being sucked out of you when they would bemoan their lot and potential in life.

I know if I would have remained in their company, I would not have succeeded in many things I have tried. I would have had "support" in giving up and I would have been in great company.

> **"If you want to achieve success, all you need to do is find a way to model those who have already succeeded." – Tony Robbins**

Those that **succeed** in anything, including trading, share certain characteristics. Three really stand out for me and I want to share them with you.

- They surround themselves with **people of excellence**. Success breeds success so it makes sense that the people you associate with have the same fortitude that you think you have. When striving for better than mediocre, you need energy that supports that. Trading can be lonely… just you and your computer…so many head to forums for their daily dose of connection. Since most people on forums are too busy on forums to actually make money, I don't know how great this is. Perhaps you would be better served in a trading room or training seminars with those looking to improve…like you are. As well, a reputable trading education business will have successful moderators who can help you on your journey.
- They are **decisive** in making decisions and waste no time in moving forward with their plans. When it comes to their trading, once the setup is in place, the trade is executed with neither bias nor remorse. Taking action is THE KEY to finding success in anything and even more so in trading. No action = no trade. Your trade plan is designed to keep you on track and to act when required without asking yourself if it is the right choice. With some trades, hesitation increases your risk, reduces your profit and allows the hesitation habit to grow.
- They are **conscientious** in their chosen task. Disciplined to execute the trade plan, self-control and being consistent in all aspects of trading can keep you on the road that may lead to success. Like a well-oiled machine, they stick to the routine and reap the rewards of doing so. Too many potential traders have a problem sticking to one trading method with a track record. If they can't do that, how can they expect to stick to proper risk profiles? They can't and the number of decimated accounts proves that.

You don't have to reinvent the wheel to find some level of success in anything. Those who have gone before you have left you a trail that you can follow.

The question for you is….how hard is change and will you be able to look back years from now and be happy with your failure to move forward when you had the impulse?

CUSTOM PAINTBARS IN TRADESTATION

By Will Feibel

In the last article we learned how to quickly create custom indicators using the TradeStation Custom 1 Line through Custom 4 Lines indicators. Using these tools we were able to build oscillators and histograms to test out our trading ideas. Sometimes though we simply want to know if the conditions are in place that favor a long or short trade based on our criteria, and we don't want to have to look at a lot of lines on the chart to figure that out. This is where the Custom PaintBar studies come in.

Custom PaintBars are similar to the Custom Line indicators with the difference that the former only tell us if a condition is true or false. Let's say that you're trying to design a new trading system. You've been placing the 9 and 18 period moving averages on your chart and you think that a good system would be to go long whenever the faster moving is above the slower one, and vice versa for shorts, as shown in Figure 1.

Figure 1- Two Moving Averages

For the most part it's fairly easy to tell when the fast moving average is above the slow one, but to identify the exact bar where the cross first takes place we might need to click on the chart and read the actual values of the two lines. Fortunately the Custom PaintBar can do this work for us. All we have to do is tell it to paint each bar where the fast average is above the slow average in green. In our last article we learned some basic EasyLanguage vocabulary so we know that the expression for this condition is: Average(Close,9) > Average(Close,18). This expression will always be either true or false.

To visualize this we'll add a Custom PaintBar to our chart. Use the Insert/PaintBar menu and scroll down and select the Custom PaintBar study. In the Style tab set the desired bar thickness for your highlighted bars, and in the Colors tab set their color. We'll pick green for this condition. The inputs tab is where you'll enter your custom condition expression. You can also add a second Custom PaintBar to highlight all those bars where the fast moving average is below the slow one. We'll color these bars red. In the figure below you can see how the Custom PaintBars make the long and short conditions jump out at you. You don't even need to place the actual moving averages on the chart anymore.

Figure 2 – Two Moving Averages PaintBar

You might decide that the two moving average cross is too delayed in signaling longs or shorts. Not a problem. Another approach to try is using an oscillator like the RSI. We can easily see what a system would look like that goes long when RSI is above the 50 level and goes short when below. Just add another couple of Custom PaintBars and use these formulas:

RSI(Close,14) >50

RSI(Close,14) < 50

The results can be seen in Figure 3.

Figure 3 – RSI PaintBar

Already at a glance it's apparent that this condition spots trend changes sooner, and we were able to test this quickly using the built in Custom PaintBar study. We did not have to painstakingly measure the indicator and annotate the chart bar by bar, nor did we have to hire a programmer to code it for us. We just had to spend a few minutes setting up the PaintBar to visually gauge the effectiveness of our strategy.

As an exercise set up a pair of Custom PaintBars to visualize a strategy where we go long if the two most recent bars closed above the 9 period exponential moving average and go short when the two most recent bars closed below it. To get you started here's the long condition:

Close > XAverage(Close,9) and Close[1] > XAverage(Close,9)[1]

The [1] means one bar ago, so Close[1] is the close from one bar ago.

The first step in developing new strategy ideas is visualization. Custom PaintBars are the perfect tools to bring this visualization to your charts. Go ahead and experiment, see how your trading ideas look in green or red (or whatever color combination you like). You may be the one that discovers the holy grail of trading.

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(800) 515-0335 | (949) 481-2396 | info@netpicks.com
9400 Macarthur Blvd, 124-417
Irving, Texas 75063

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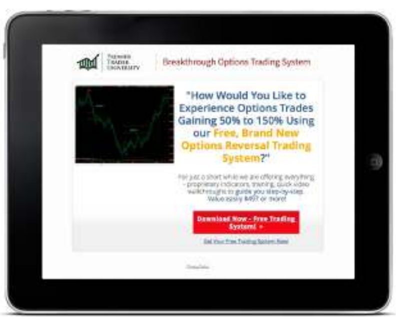

4 Rockstar Interview:
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