FIVE LOW RISK SETUPS FOR TRADING FUTURES
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HOW TO GET THE MOST OUT OF THIS BOOK

Thank you for downloading “Five Low Risk Setups for Trading Futures”. This book is designed for beginning, intermediate and advanced traders. The presenters in this book are leading experts in trading Stocks, Options, Futures and Forex markets.

As you read this book, you will be exposed to multiple strategies that have high probabilities of success and/or high profit. Most of the strategies in this book is divided into three sections:

• “The Game Plan” – An introduction to a charting technique. The strategy is then thoroughly explained along with illustrations and examples.

• “The Movie” – Once you have read the chapter, you can view the complete webinar on the strategy. You will gain a better understanding of the strategy along with multiple examples not covered in the chapter. In some cases, the presenter switches in to live trading to demonstrate the strategy in action. In many of the webinars, the presenter also fields questions from attendees.

• “Special Offers” – If you really like a strategy, you can follow the presenter and the strategy. There are thousands of dollars’ worth of trading tools, indicators, training and mentoring services, books and videos available at steeply discounted prices.

In short, you will have all of the information you need to trade your new favorite strategy tomorrow. Some of the things you will learn in this book are:

• Using super long moving averages to identify key support and resistance levels

• How to measure the strength of a trend

• Using Market Profile and Order Flow to Know Where the Buyers and Sellers are

• Using MACD and Donchian Channels to Identify Setups

• And much more

At TRADINGPUB, it is our sincere hope that you take away actionable information that you can use when you are done reading this book. You will also learn more about futures trading and will discover strategies that are best suited for your trading personality.

Finally, make sure to subscribe to TradingPub. We provide free ebooks, webinars, on-demand videos and many other publications for active traders in all of the markets. Our presenters are world-renowned industry experts and our content is provided free of charge in a relaxed and friendly setting. Cheers to your trading success!
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If you are an active trader, it’s important to build futures into your trading activity. Why? Because all markets are exposed to risk, and you want to hedge yourself. For example, if you only trade Apple (Nasdaq: AAPL), and Apple is doing fine, you can do nothing, or you might want to consider going long on the Nasdaq (NQ) futures. If you are long AAPL, but the stock starts moving against you, you can hedge your position by shorting NQ. Everyone who trades the stock market should have a small futures account so that you can hedge.

Futures are highly leveraged and can be dangerous, but if you use tight stop/losses they can be a very valuable ally. For example, it is possible to risk $156 to make $1000. That’s great news, but the bad news is that it only works 41.37 percent of the time. Here’s the profit plan over 10 trades:

1. 6 losing trades at $156 = $936 loss
2. 4 winning trades at $1,000 = $4,000 profit
3. Net profit on 10 trades = $3,064

But let’s say it is worse. Let’s say it only works 30 percent of the time. Then our profit plan looks like this:

1. 7 losing trades at $156 = $1,092 loss
2. 3 winning trades at $1,000 = $3,000
3. Net profit on 10 trades = $1,908

Before we talk about this trading strategy, it’s important to first see where you are in your trading career. Be honest with yourself and see where you fall on this continuum:

The Five Stages of Trading

1. You learn how to lose lots of money
2. You learn how to lose a little money
3. You tread water. Make a little, lose a little
4. You start making consistent cash flow
5. You’re making serious money
Most traders are stuck at level 3. The strategy we are going to discuss is how to move you up to level 4. There are also basically three styles of traders:

The “A” Style Trader – This trader takes huge losses, and follows it by a string of little wins. After taking a beating on a big loss, the trader probably exits out of a lot of winning trades early to build the account up. Then there’s another big loss, and the pattern repeats itself.

The “B” Style Trader – This trader manages risk to reward better. The “B” style trader is a much better place to be. You let a couple winners run long. You manage money and risk control much better and have strong discipline on controlling your losers. This is harder to do than it looks, but it is a much better place to be over the long run.

The “C” Style Trader – You don’t want to be this trader, because he won’t be around very long.

What is the best market to trade? If you are going to trade, you need to trade the S&P E-minis. You want to trade it because it has the most volume and everyone trades it. Then you start trading the E-minis, and you start getting chopped-up. You start wondering “Why can’t I do this?” or “This is just too hard. It’s got to be rigged.” You may feel betrayed.
The E-mini S&P (and many other markets) are very choppy. They rise and fall abruptly. They make unexpected breakouts, and then reverse course. As traders, we rely on a lot of information from outside sources to make decisions and sometimes we can feel like they are lying to us. Those sources are other traders, the media, investors, etc. The key question is: Did you test what they told you, or did you place blind trust in them? Does that market even reflect your personality or trading style?

If you don’t match your trading style to the right market, then trading can be very painful and frustrating. If you are a breakout trader, the E-mini S&P is not your friend, and neither is crude oil. But gold, bond, currency and agriculture futures will be your friend because of their inherent volatility.

So, which markets should you trade? Once again, that depends on your personality, so here’s a comparison of some of the futures markets:

<table>
<thead>
<tr>
<th>Symbol</th>
<th>(ATR)</th>
<th>Multiplier</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>YM Dow</td>
<td>93</td>
<td>x5</td>
<td>$465</td>
</tr>
<tr>
<td>ES S&amp;P</td>
<td>10.3</td>
<td>x50</td>
<td>$515</td>
</tr>
<tr>
<td>NQ Nasdaq</td>
<td>25.9</td>
<td>x20</td>
<td>$518</td>
</tr>
<tr>
<td>TF Russell</td>
<td>9.9</td>
<td>x100</td>
<td>$990</td>
</tr>
<tr>
<td>US 30 yr bond</td>
<td>1.15</td>
<td>x1000</td>
<td>-$1150</td>
</tr>
<tr>
<td>CL Crude Oil</td>
<td>1.83</td>
<td>x1000</td>
<td>$1830</td>
</tr>
<tr>
<td>SI Silver</td>
<td>0.63</td>
<td>x5000</td>
<td>$3150</td>
</tr>
<tr>
<td>GC Gold</td>
<td>18.41</td>
<td>x100</td>
<td>$1841</td>
</tr>
<tr>
<td>AD</td>
<td>0.0073</td>
<td>100000</td>
<td>$730</td>
</tr>
<tr>
<td>EC</td>
<td>0.009</td>
<td>125000</td>
<td>$1125</td>
</tr>
</tbody>
</table>

This table shows a variety of futures markets. The Average True Range (ATR) is the number of points that market typically moves in one day. The multiplier shows you what each point is worth and the total is the most money you can expect to make.

Each market has different characteristics:

**YM Dow** - You can make $465 a day, but it will chop back and forth on your way to that total.
**ES S&P** – Just like the Dow. Very choppy
**NQ Nasdaq** – Behaves just like the Dow and the S&P
**TF Russell** – Behaves very choppy, followed by a breakaway, and then it chops again.
US 30 Year Bond - This market goes up, pulls back, up, pulls back and reverts to half of its range.
CL Crude Oil – A little crazy. It can behave nicely, and then turn on you
SI Silver – Dangerous. Avoid at all costs
GC Gold – Will run, consolidate, run, consolidate, run, consolidate, then come back and adjust.
AD & EC – These currency markets can be good for trend traders.

This chapter is going to focus on the US 30 Year Bond. The Federal Government is starting a program called tapering. They have been buying enormous amounts of bonds, but that is going to end soon. When that happens, they bond market is likely to drop. The bond market may trade a little sideways just to keep an eye on the Fed, but if key levels are broken, then it could be a run.

BOND FUTURES BASICS

Let’s get started with some basics about bonds. Bond futures are not like the paper bonds our grandparents bought and held until maturity. We will talk about the following bond basics:

- Months
- Time
- Caution
- Symbols
- Tick Values
- DOME
- Margins
- Bond 1st Hour Trading Rules

<table>
<thead>
<tr>
<th>Delivery Month</th>
<th>Letter For that Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>F</td>
</tr>
<tr>
<td>February</td>
<td>G</td>
</tr>
<tr>
<td>March</td>
<td>H</td>
</tr>
<tr>
<td>April</td>
<td>J</td>
</tr>
<tr>
<td>May</td>
<td>K</td>
</tr>
<tr>
<td>June</td>
<td>M</td>
</tr>
<tr>
<td>July</td>
<td>N</td>
</tr>
<tr>
<td>August</td>
<td>Q</td>
</tr>
<tr>
<td>September</td>
<td>U</td>
</tr>
<tr>
<td>October</td>
<td>V</td>
</tr>
<tr>
<td>November</td>
<td>X</td>
</tr>
</tbody>
</table>
Alt’s important to have this calendar of futures months handy for reference. Whomever came up with this lettering system should be locked up, because it makes no sense. The letters that futures traders need to be focused on are:

- **H** March
- **M** June
- **U** September
- **Z** December long/short trending trade.

These months trade just like the E-minis. Each of these months started trading 2 weeks after the previous time period. For example, in the second week of March 2014, you would start trading the US M 14 bond futures, or the June contracts for 2014. In the 2nd week of June, you would start trading the US U 14 September contracts.

The Bond markets are open 23 hours, from 6pm EST to 5pm EST. The floor traders in the pits actively trade bonds between 8:30am to 3pm EST. When you look at these markets in Trade Station, here’s what the markets look like:

The symbol for the US 30 Year Bonds is @US. You will see the start time and the end time. It’s $1,000 a point, and the minimum move is $0.0313 or $31.25.

The cautionary things you need to know about when trading the US 30 Year Bonds are:

- Interest Rates
- Any other major economic news, such as FOMC notes
- Econoday.com (good source for news)
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- Interest Rates
- Any other major economic news, such as FOMC notes
- Econoday.com (good source for news)
This is the DOME in Trade Station. In this example, let’s assume that you want to get long at 135.

Each tick is worth 1/32 of a point. Your profit target is 136, or one full point, or $1,000. Your stop/loss is 5 ticks, or $156.25. The bond market moves around 1.15 points per day. If you got long at the right time, you have a better chance of reaching your target.
Here’s a side-by-side comparison between the Trade Station DOME and the Infinity Futures DOME. The only difference is that Trade Station uses fractions in their pricing and Infinity uses the decimal equivalent. First, you want to determine the direction of the market. Is it going to be up or down today? Next, you want to use an 8, 12 or 16 tick reversal strategy. This will be discussed shortly. Then you need to take a look at your margin requirements:

**Margin Intraday and Overnight**

<table>
<thead>
<tr>
<th>Intraday</th>
<th>Overnight</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Call your Broker</td>
<td>-30yr $3,375</td>
</tr>
<tr>
<td>- Could be as low as</td>
<td>-10yr $1,490</td>
</tr>
<tr>
<td>$300-$1,000 per Car</td>
<td>-5yr $743</td>
</tr>
<tr>
<td>- But Don’t Recommend</td>
<td>-2yr $304</td>
</tr>
</tbody>
</table>

When is a trade intraday or overnight? Remember, the Bond markets are open 23 hours, from 6pm EST to 5pm EST. If you hold a trade from 9:30 am EST to 4:30 EST, that would be an intraday trade, and your margin requirement could be somewhere around $500. If you held a trade from 9:30am to 5:10pm, that would be an overnight trade, since you held the trade past the close of the market.

If you opened a trade at 6:10pm and held it until 4:45pm the following day, that would be intraday. That would give you almost 23 hours of intraday trading to see if the bond market is going to work for you or against you.

Here are the Rules for Trading the 30-Year Reversal Trade 8,12,16
You really only want to focus on the 8 tick or 16 tick reversal. Ignore the 12.

- **First mark open 5 min chart 8:20 EST**
- **Can be used overnight**
- **Can use Globex**
- **Calculate using 8 or 16 tick reversals**
- **Stop at 5 ticks ($156.25)**
- **Target 32 ticks ($1,000)**
- **Trail Stop**
- **Look for the High or Low**
• **Try to stay on the side of the daily trend**

So let’s play this strategy out:

The overall direction of the market is down, so we want to follow the trend. We wait for an 8 tick uptrend reversal and enter a short limit order.

1. **First trade** – Wait for reversal place a short limit order with a 5 tick stop loss. The market spikes and takes out your stop. You take a $156.25 loss.

2. **Second Trade** – You do the same thing, and you get the same result. Another $156.25 loss.

3. **Third Trade** – You make the same trade, but this time it doesn’t get stopped and it runs for your target of one full point. You win $1,000.

When you subtract your two losers from your winning trade, your net profit is $687.50. So you took a little bit of pain in order to reach your goal. Let’s review the rules of this strategy again to be clear:
1. Take a look at the daily chart to confirm the direction of the market. It was on a very nice uptrend from March through April, but now it is in a sharp downtrend. The direction of the market is down.

2. Only make trades in the direction of the market.

3. Let the market bounce 8 or 16 ticks against the trend as your entry signal. Use it based on the 1.15 ATR for the 30yr bond.
   
   a. If half of the ATR is reached, use an 8 tick reversal
   
   b. If the full ATR has been reached, use a 16 tick reversal

4. Set your target at one full point, for a $1,000 gain.

Let’s take a closer look at a winning trade:
We have determined that the direction of the market is down after a selloff during the previous day.

At around 20:00, the market spikes downs and forms a low. It does an 8-tick upward reversal, triggering a short sell with a 5 tick stop/loss. Your risk is 5 ticks or $156.25, and your reward target is 32 ticks or 1 full point, or $1,000, which was achieved about 14 hours later.

Bonds are very predictable in their behavior, because they tend to go up, and pull back 8, 12 or 16 ticks, and they repeat this pattern all day long until the market chops sideways or gives back roughly 50 percent of its gains.

The EBT “Sneak Attack” Trade - 30yr Bond

This is another bond trade that works very well, and the rules are simple:

- Determine the direction of the market. Is it going up or down? In this example, remember again that we are in a down market.

- Always trade in the direction of the market

- Bracket the 7:20am EST – 8:20 time frame on your chart

- Identify the low and the high during that 1-hour period, and count how many ticks the range is. *This strategy works the best for 17 ticks or less. If the range is greater than 17 ticks, then this trade is too wide.*

- Use a 5 tick stop/loss: $156.25

- Since the market is in a downtrend, wait until the market hits the bottom range of the 7:20-8:20 time range and SELL with a 5 tick stop/loss and your profit target is the range of ticks covered between 7:20am EST and 8:20am EST. If it is 10 ticks, that is your target.
In this example, you can see that the 7:20-8:20 EST time period has been bracketed. The low and high of this time period has been marked, and it is 10 ticks. The overall market is in a downtrend from the previous day. The bond market drifts up slightly, and then starts its downward journey. Once the market hits the lower end of your 7:20-8:20 range, you SELL the bond market with a 5 tick stop/loss, and a 10 tick reward. You are risking $156.25 to make $312.50 and it works surprisingly well. It’s called the “Sneak Attack” because the setup occurs before the pit traders start trading at 8:30 EST.
To be successful at trading, you need a good plan which consistently gives you good entry points and good exits. If you manage your stop/losses and have a good profit plan that leads to increased profits, which in turn makes you a more confident trader.

Trading the 30yr bond market is good because it travels predictably. It moves up or down in generally the same pattern. It moves, pulls back a little, moves and pulls back a little. You have now learned two strategies for trading bonds that can yield strong consistent profits throughout 10 trades. Your losers will be minimal losers, but your rewards are much greater.
THE MOVIE

Hubert Senters will walk you through the basics of the 30yr bond markets, and goes into the two trading strategies discussed above. In addition, he makes a live trade and goes through a “lightning round” where he analyzes markets and stocks. WATCH THE VIDEO OF THIS PRESENTATION HERE

THE SPECIAL OFFER

Get Hubert Senters’ class “My Favorite Trades Right Now”! Simply CLICK HERE
Hubert Senters is a skilled professional day trader and successful entrepreneur. His philosophy is that, “If you need to accomplish something in life, find someone who is passionate about the topic of your interest and learn everything they know about it.” That philosophy has made Hubert Senters a successful day trader today. Hubert is a firm believer that you need to have your own style & method of trading that works for you.

While working in his fleet maintenance company, he met an individual that was quite successful in trading online. Hubert sat next to his new day trading mentor every day for a year. He spent countless hours learning all that his mentor knew about the stock market and how to read the market. One year later he placed his first trade and became hooked. Eventually he sold his fleet maintenance company and began trading full time, never looking back. Hubert has been trading ever since for nearly two decades.

Hubert has a passion of helping other people, just as his mentor helped him. He is best known for his No BS approach which is both effective, refreshing and entertaining. He currently owns HubertSenters.com has been featured on Bloomberg, CNN, CNBC, Stocks and Commodities, and Traders Expo to name a few. He holds a Series 3 and 30 License and is a Principal at Razor Trading holdings.

Hubert, his wife of over 20 years Lisa and their three children reside in Versailles, KY. You can usually find them at one of their children’s sporting events.
HOW I GOT STARTED.

First, my love of the markets started on the trading floors of the Chicago Board of Trade in the 80’s. From the outside looking in most would say what they were seeing was extremely chaotic when in fact the pits were very efficient, and they were around much longer than computers. The Chicago Board of Trade was established in 1848.

Now when I did start trading my own money the best advice I got from someone who started on the trading floors in 1963 was to “trade for beer money”. He said once I got consistent trading for “beer money” I would be on my way to becoming a successful trader. I realized later that this is when I learned the most about myself and at the same time about the markets. This is where I made most of my mistakes and learned one important aspect of trading, admitting when you are wrong. And if I missed a few weekends drinking beer I would live. This is also where I built confidence in what I was doing and with confidence comes one of the most important ingredients to successful trading, discipline.

WHY FUTURES AND OPTIONS?

Now over the past 15 years, I have seen more significant market moves take place in numerous futures markets than anywhere else. Just in 2014 alone dozens of moves, that if taken advantage of, could literally make the financial difference of a lifetime. Because of the leverage in futures more fortunes are made and lost quickly than in any other markets. With all of the potential that futures markets have very few really succeed. Why is this?

Well one reason is too many people come to trading chasing a “dream of riches”. They are tricked by what I refer to as “snake oil” tactics from people who really never found true success as traders if they even traded at all.
You can recognize these fairly quickly as these folks seem to always have their hand in your pocket selling you something else. Their goal is to take as much money out of your pocket as soon as possible, before you wise up to what you are dealing with. I have seen this first hand when I managed Futures Learning Center for Futures Magazine Group which I did for nearly 10 years. So these traders never really learned what it takes to become successful traders. I am hoping the following will help you on the road to becoming a consistent successful trader.

**MY TRADING STRATEGY.**

The basics for any good strategy are to first allow you to see a set-up in a market. Second allow you to find an entry into the market with confidence and very little if any anxiety. Third give you the needed information to manage the trade once entered, all the way through to exit.

1. Where to place your stop loss.
2. When to move your stop to breakeven.
3. Where and when to adjust trailing stops.
4. Finally pocketing money.

While I do not ignore fundamentals, my approach to analyzing the markets is technical. Back in the 80’s I would hear “if the high price of soybeans makes the front page of the business section of the Chicago Tribune, time to sell”. Also Richard Dennis has been quoted as saying “a known fundamental is a useless fundamental”. With the technicals I incorporate my goal is to determine the trends of the markets I trade, more specifically the strength or weakness of those trends. I know if you are able to determine accurately the strength or weakness of the trend of any market then over time you will make money.

**THE BEST TOOL.**

Over my many years of experience and testing many different systems and tools, the best tool hands down for telling me the strength or weakness of any trend in any market is ADX. ADX is part of the directional movement system and was developed by J. Welles Wilder.

ADX has only one purpose to tell me strength of trend. It can tell me if a market is in a weak trend or no trend. It can tell me if a current strong trend is weakening or strengthening, it can tell me when a trend is starting or possibly coming to an end. The only thing ADX will not tell me is market direction. So while ADX says very
strong trend it does not say uptrend or downtrend.

For this the second part of the directional movement system shows market direction. This is the directional movement index made up of two lines one +DI and the other –DI. Some services will show this as +DM and –DM. At Trends in Futures we use DI. +DI reflects buyers and –DI reflects sellers. Simply put if +DI is rising over –DI with what I call DI Differential rising than I am looking at a market heading up. The opposite is true for a market heading down.

So when analyzing the markets realize markets only move in two directions up and down. With that said the question now is how many conditions are there to trend that I need to define to trade successfully? Looking at the table below you will see the answer. The number 8, starting with the weak trend weakening and weak trend strengthening, both of these conditions reflect price action in a range and you could be looking at swing trading here. Note here that usually strong trending markets up or down started in a range. If you notice I said usually, there are times when a strong trend up quickly becomes a strong trend down, and this ADX is really good at telling me. ADX is also excellent at highlighting false breakouts of a range. The next two are strong trends starting either up or down. This is where you want to be looking as it may be time to get on board for a ride, a ride that could last hours (for day traders), days, weeks, or even months. A strengthening trend up or down may give me a signal to add to positions. Note here that strengthening trend will put me at ease with regards to an overbought or oversold market. The weakening trend up highlights choppy price action and time to make sure my trailing stops are secured. Looking at the table below ADX with +DI ad –DI will accurately pinpoint the answer to “where is the trend”.

<table>
<thead>
<tr>
<th>TREND and CONDITION</th>
<th>PRICE ACTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weak trend weakening</td>
<td>Range</td>
</tr>
<tr>
<td>Weak trend strengthening</td>
<td>Range</td>
</tr>
<tr>
<td>Strong <strong>up</strong> trend starting</td>
<td>Rising</td>
</tr>
<tr>
<td>Strong <strong>down</strong> trend starting</td>
<td>Dropping</td>
</tr>
<tr>
<td>Strong <strong>up</strong> trend strengthening</td>
<td>Rising</td>
</tr>
<tr>
<td>Strong <strong>up</strong> trend weakening</td>
<td>Dropping (choppy)</td>
</tr>
<tr>
<td>Strong <strong>down</strong> trend strengthening</td>
<td>Dropping</td>
</tr>
<tr>
<td>Strong <strong>down</strong> trend weakening</td>
<td>Rising (choppy)</td>
</tr>
</tbody>
</table>
RULES OF ADX.

The table below shows you the simple rules of ADX. Looking deeper into the rules below one must analyze whether or not ADX is actually rising or dropping between the values below. When doing this you will have an easier time defining a market from the conditions on the previous table. And remember ADX ONLY MEASURES STRENGTH OF TREND NOT MARKET DIRECTION.

<table>
<thead>
<tr>
<th>ADX Value</th>
<th>Trend</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-20</td>
<td>No trend weak trend</td>
</tr>
<tr>
<td>20-25</td>
<td>Transition</td>
</tr>
<tr>
<td>25-40</td>
<td>Strong trend</td>
</tr>
<tr>
<td>40-60</td>
<td>Very strong trend</td>
</tr>
<tr>
<td>60+</td>
<td>Extreme</td>
</tr>
</tbody>
</table>

Rules of Directional Movement Index. When putting it all together it looks like this.

<table>
<thead>
<tr>
<th>Condition</th>
<th>Analysis</th>
<th>Direction</th>
</tr>
</thead>
<tbody>
<tr>
<td>+DI is over -DI and DI Diff rising</td>
<td>Buyers are taking control</td>
<td>Rising</td>
</tr>
<tr>
<td>-DI is over +DI and DI Diff rising</td>
<td>Sellers are in control</td>
<td>Dropping</td>
</tr>
</tbody>
</table>

Here I could explain everything in paragraph after paragraph. The best way to get a clear view of what I am teaching here is with pictures. Charts to be exact and as they say a picture is worth a thousand words.

The daily chart below is of the April 2015 Crude Oil contract with the last candle on February 26, 2015. Crude Oil has been one of the best trending markets in 2014, thank you global production which was helped along by a solid increase to US production. At Trends in Futures the CRB TrendTrader started recommending shorts in

<table>
<thead>
<tr>
<th>ADX</th>
<th>DI+/DI-</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross up over 25 and rising</td>
<td>DI+/DI- and DI Diff rising</td>
<td>LONG</td>
</tr>
<tr>
<td>Cross up over 25 and rising</td>
<td>DI-/DI+ and DI Diff rising</td>
<td>SHORT</td>
</tr>
<tr>
<td>ADX above 40 and dropping</td>
<td>DI+/DI- and DI Diff dropping</td>
<td>LONG (exit)</td>
</tr>
<tr>
<td>ADX above 40 and dropping</td>
<td>DI-/DI+ and DI Diff dropping</td>
<td>SHORT (exit)</td>
</tr>
</tbody>
</table>

On the chart below you will see areas of the strengthening and weakening trend. The red vertical lines reflect what I refer to as MTS signals at Trends in Futures and are easy to see on the Futures Strategizer, a tool I created for myself to find these opportunities. These signals tell me if I am not already short get short and if I am managing a current short it could be time to add to the position. Look carefully at the price action as ADX is rising and DI Differential is rising. Now take a good look as February 2015 comes to an end. Crude oil is in a weak trend and look at the price range 50-54. Are you ready to catch the next major move in crude? I do believe it is going to be another long one.

Looking at the weekly chart of Crude Oil below you can see a nice strong downtrend starting early September 2013 that came to an end the first week of December 2013. A strong uptrend began early January 2014 that did get a bit choppy into June 2014. At the end of June 2014 solid MTS signal as price action drops into a very long term trade. Look at the height of ADX. This move took crude from the $107 area to the $45 are. Not a bad ride if you got on as many members did at Trends in Futures. And here as February 2015 comes to an end ADX numbers are dropping fast from extreme highs and look at –DI. Big question here, will crude oil see a solid weekly close below $45? I do use other tools at Trends in Futures to answer this question.
NOW WHAT ABOUT DAY TRADING WITH ADX.

The chart below is a five minute chart for crude oil for February 25, 2015 starting at 6:00AM and moving twelve hours. Now the ADX on this chart is the modified ADX I use at Trends in Futures and it is set at a 10-period ADX. You can see the weak trend between 8:00-9:00AM CT with a sign of strength developing with the move down below $49.30. At 9:30AM we see a wild ride down below $48.50 but the price snapped back up and here is a sign of a pending long coming. And here we have a green MTS signal at 10:10AM as the price action breaks above $49.30. Nice move here to $50.00. At $50.00 a weakening trend until Noon as we see another green MTS and now watching for the break above $50.00. At 2:40PM the last green MTS for the day and yes there is a red MTS early into the next days trading session.

In the next few daily charts you will clearly see how ADX works in all markets, even Forex. From what I have been told it works in stocks also. More importantly ADX works in all market conditions. Remember those eight conditions of trend. Also on the charts below you will see the green and red MTS signals from Trends in Futures. Realize these are not signals to blindly jump into a market. These are signals telling you to open eyes and look for a possible entry. I cover these signals everyday at Trends in Futures.
5 LOW RISK SETUPS FOR TRADING FUTURES
BOTTOM LINE

ADX is not the Holy Grail, as a matter of fact, and I hate to break this to you, but there is no such thing as the Holy Grail for trading. If there was who ever found it would not be selling it.

If it sounds like someone is trying to sell you the Holy Grail for trading, and there are plenty of people out there today selling this, run the other way.

A very successful trader told me more than once “successful trading is not easy, but is does not have to be complicated”.

However ADX when systematically will keep you on the right side of the trend allowing you to catch the big moves like you saw on the charts. And as I mentioned ADX works in all markets and in all market conditions.

More on MTS.

Note here that while ADX is a primary tool I use I do not use it alone. I have brought together and incorporated a number of other tools that compliment ADX. Tools that give me the confidence I need to pull the trigger in a trade. I’ve compiled a complimentary video for you to illustrate this technique. WATCH IT HERE It will open eyes to what truly lies beneath all trends.

I have met many traders who are successful, and unfortunately I have met many more who are not. Most really never learn for themselves what they must do to be successful. And believe me it is not about how much money you spend on education, software, or even fancy computer systems. I have worked with people who have spent tens of thousands of dollars on education and software and have not found success and after spending time with me have said “I wish I would have met you earlier, it would have saved me thousands”. If you are new to trading we now have met. Hopefully you do not go and throw your money away.

In closing the following is not something I wrote. Every time I have read this it is always signed anonymous. If you can’t figure out the answer to the question feel free to email me at Gary@TrendsinFutures.com.
YOUR CONSTANT TRADING COMPANION

I am your constant trading companion.
I am your greatest helper or heaviest burden.
I will push you onward to success, or drag you down to failure.
I am completely at your command.
I am managed with care—you must be firm with me. Show me exactly how you want something done, and after enough lessons, I will do it automatically.
I am the servant of all successful traders, and alas of all failures.
Those who trade successfully I have made successful. Those who are failures I have made fail.
I am not a machine, though I work with the precision of a machine and the intelligence of a person.
You may run me for profit, or run me for ruin; it makes no difference to me.
Take me, train me, and be firm and I will provide you with trading success, be easy with me and you will fail.
Who am I?
Anonymous
THE MOVIE

Watch **THIS SPECIAL SHORT VIDEO** by Gary to learn more about the technique shared in his chapter.

THE SPECIAL OFFER

[CLICK HERE](#) for more information about Trends in Futures and to start a free 14-day trial.
Gary Kamen, trader, Chief Market Strategist and Educator at CRB’s Trends in Futures, helps new, novice, and experienced traders each day trade the futures and Forex markets. Using his +25 years of market experience, he shares his knowledge to all levels of traders worldwide. “My love of the markets started on the trading floor of the Chicago Board of Trade, and if I learned anything about trading it is that successful trading is not easy. It takes work, but it does not have to be complicated.”

From 1997 to 2006, Gary managed Futures Learning Center (a division of Futures Magazine) where he helped thousands of retail traders learn to “trade to win.” When Gary’s group was sold to Commodity Research Bureau, he focused on their “TrendTrader” tool that provides specific trade recommendations. Coupling TrendTrader with his analysis of the Commitments of Traders report (COT) to find high-probability trades, TrendsinFutures.com was created.

With Trends in Futures, you get specific trade recommendations with instant access to charts Gary creates, showing proper chart confirmations. He provides video commentary on the trades Trends in Futures recommends, along with analysis of open trades with educational videos.
If you actively day trade the futures markets, specifically the ES, NQ, TF, CL, 6E and other popular futures markets, then this chapter is for you. You will learn about using the TradingZone method with Market Profile. This chapter will also focus on bridging the mechanics of trading with the human elements of trading. Most traders get into the technical side of trading without taking into consideration that trading is an emotional business.

Trading isn’t for everyone, and every trader develops a trading style that best fits their personality. Some traders are more attuned to day trading short time frames. Others swing trade and let a position ride for a few days. Still others have long time horizons. The beauty of trading the markets is that there are strategies tailored for each type of trading personality.

But first, you need to ask yourself “How much money am I prepared to lose?” What are you prepared to invest
into your trading business, and how much are you prepared to lose if things go terribly wrong. Once you have taken personal accountability for what you invest and what you’re prepared to lose, then you can identify what trading style is best suited to your personality.

**The TradingZone System is built on three primary pillars:**

- **Market Profile** – A tool used to assess the broad market. It’s like a big-picture roadmap. If you are driving from New York to Chicago, you need to know you are heading west. Where does the market want to go, and which direction is it going?

- **Patterns and Inflection Points** – There are some places on the charts that are better opportunities than others. Something has happened in the recent past, and that’s a better place to take a trade, or something has happened in the recent past, where it’s less advantageous to take a trade. Market Profile gives us the direction of the markets. Patterns and Inflection Points gives us the best spot on the charts to make a trade.

- **Price Action Order Flow** – The final step is to take a look at Price Action Order Flow. Once we have determined the direction of the market and where on the charts we need to trade, and we want to go long, are other traders moving in that direction as well?

The fourth pillar is **Money Management**. The reason why this pillar is separated from the others is that the first three pillars are determined solely by the market. Money management is determined by the trader, and it goes back to the human element of understanding what type of trader you are, how much you are prepared to lose and how you manage your money. 200 traders in the same trading room, using the same tools and
methodology will have 200 different P&L statements. We are all unique in our trading personalities.

**A KEY TOOL FOR DEVELOPING A POSITIVE TRADER’S PSYCHOLOGY**

In order to trade successfully, you need to learn how to trade consistently. One of the first things you can do is to set a reachable, reasonable daily goal. Let’s say it is $50. Once you reach that goal, stop trading for the day. Once you have become accustomed to reaching a daily goal and stopping, thereby protecting your earnings, it becomes easier and easier to do. As your account balance increases, you can gradually increase you daily goal as you move forward.

**MARKET PROFILE – THE FIRST PILLAR**

Market Profile is the most powerful and the most fun indicator to learn. It was originally developed in the 1900’s by J. Peter Steidlmayer, a floor trader on the Chicago Board of Trade, who subsequently licensed the program to the Chicago Board of Trade. Market Profile has been taught by numerous educators, and some have over-complicated it. In the TradingZone System, Market Profile is essential, but it is also greatly simplified. Market Profile organizes one single day’s trading data into a simple distribution curve. On the right, you have the prices that traded throughout the day. The letter blocks are plotted every time a specific price was traded. The letter blocks move from left to right as time moves forward. During the course of the day, as all the letter blocks are being plotted on the chart, it builds a distribution curve until one of those rows stands out the furthest. This row of letter blocks is called the **Point of Control (POC)**. It is the price level traded more frequently than all of the other price levels. To put it another way, it is the price where most buyers and sellers met to exchange...
product. It is the center of gravity, or the equilibrium point of the market. It is the most accepted price on the market.

Once the POC has been determined, the Market Profile calculates one standard deviation on either side of the POC, creating the **Upper Value Area** and the **Lower Value Area**. All of the data between the UVA and LVA comprises 68.3 percent of all of the data for the day. If you flipped this data on its side, it would look like the bell curves taught in statistics class. What this information tells us is that the relevant prices, or the most accepted prices happened within these 2 boundaries. The irrelevant prices, which were the prices with less acceptance and less volume, occurred outside the boundaries.

When you superimpose Market Profile on the daily charts, here’s what it looks like:

The chart becomes more visually appealing, and easier to understand. You can clearly see the uptrend with the brackets between the UVA and LVA stacking on top of each other. It’s much better, but it can be simplified even further.

This becomes even more visually appealing to traders. The Market Profile indicator is now superimposed on a candlestick chart regardless of the time frame you are using. If you have a visually appealing chart with patterns that are easily recognized, then the probability that you will hesitate to make a trade is diminished.

![Market Profile Chart](image)

On this chart, the green shaded area is the same as the Market Profile on the smaller chart above. You can easily see how the Point of Control drives the market. Above the green shaded area you can see yesterday’s Point of Control, Upper Value Area and Lower Value Area, so you can compare today’s price to yesterday’s value.
Yesterday’s charts established the value of the market. Has it become cheaper or more expensive? This chart lets you know whether you are trading above value, below value or inside value.

We can use these charts and value levels as a basis for making trades, or as guides to market structure and direction. Market Profile gives you the information instantly to identify if a market is range-bound, or whether it is trending.
This is a market that is building value. When you try to draw trend lines on traditional charts, it can become difficult trying to plot a clean trend line, due to periodic spikes. When you see how the value brackets line up, it’s much easier to draw a trend line that is more objective and quantifiable.

In contrast, this is a market that is losing value. The value brackets are being set up one below the other. There is one period where the market is actually bullish, but it is a reactionary movement away from the greater downtrend.
In this chart, the brackets are in line with each other, making this chart value neutral. It’s range-bound, so you can look to sell off the upper range, and buy off the lower range. So how do you identify a good entry opportunity?

This is a market that is neutral. It is contained within the upper and lower boundaries, providing an opportunity to buy off the low range and sell off the high range.
Here’s an example of a market that had a number of opportunities. This is more consistent with an active market. You tend to get 3-5 opportunities in a day. Support was tested twice and the market bounced back off the Upper Value Area.

This is Market Profile superimposed on a 2-minute chart. You still get the information you need for setups on a shorter intraday time-frame.
This is an example of the **80 percent rule**. It was a term coined by the makers of Market Profile because it works 80 percent of the time. When a price breaks out of the bracket, it will move to the other side of the bracket when it re-enters the bracket 80 percent of the time. It will travel from one extremity to the other.

With Market Profile in place as your primary indicator, you will notice that the market will almost always make a big move if it bounces off a value area, whether it’s the Upper Value Area or the Lower Value Area.
CONCLUSION

Market Profile and the TradingZone System gives you the tools you need to make objective and quantifiable decisions about determining the direction and structure of the markets. Market Profile also works on all markets whether you trade the eminis, stocks, commodities, ags or forex. Key benefits include:

- **Market Profile is Different from other Indicators.** It determines if the market is long, short, trend or range-bound

- **It is Easy to Learn.** Your chart isn’t cluttered with useless information

- **Works in Any Market.** Forex, Futures, Indices, etc.

- **Clearly Identifies Optimal Trading Price Levels.** It makes entries objective and accurate.

- **Provides Entries as well as Exits.** Keeps you in the trade for big moves.

- **Objective, Accurate and Precise Rules-Based Trading.** This is critical, because without it, you are just trading on information and not a methodology.
THE MOVIE

WATCH THE VIDEO OF THIS PRESENTATION – Greg Weitzman does an excellent job of explaining how the Market Profile and TradingZone System works. There are also numerous other examples of how to spot market direction, entry and exit points.

THE SPECIAL OFFER

Get this trading system cheat sheet complimentary eBook. SIMPLY CLICK HERE
Greg Weitzman founded the trading education firm TheTradingZone.com in 2003.

TheTradingZone teaches both new and experienced traders how to day trade the e-mini stock index futures, based on his own methodology of combining technical indicators, Price levels.

Market Profile ™ (market profile is a trademark of the CBOT), and Tape reading.
INTRODUCTION

Since childhood, I have always been interested in the financial markets. I am certain this interest started when I would watch and listen to my father and his desire to “learn how to invest”.

Like many, I first started with Forex. It was exciting and interesting, with many variables. At the time, you did not need a huge investment, the markets were liquid enough and you could trade a percentage of a pip vs a one lot. That interest waned as the Forex market for US citizens was shrinking and many brokerage houses with better spreads were no longer accepting US clients. I slowly made the transition to Futures.

I tried several different trading rooms, educators and indicators in my quest to learn how to trade futures. It was the typical route of a newbie. Finally, I was lucky enough to meet a small hedge fund manager who “taught me the ropes”. I spent endless hours, days, weeks and weekends testing out different strategies. With my mentor’s help, I discovered what worked and what did not, and I also learned to break some bad habits. Slowly but surely, I became profitable.

At that time, order flow software was reserved for the elite professionals and prop desks. I had a desire to have the same edge as the pros. After two and a half years of research and development, I found great programmers who knew exactly what I wanted, including a Quant Mathematician from Columbia University in NYC. We have now developed very robust Order Flow software for trading futures. In our trading/teaching room we incorporate Market Profile and Orderflow software to find high probability trades and the appropriate levels to execute those trades.

In this chapter, you will learn how to use order flow in combination with Market Profile. Most traders have several factors that shape their trading style, including risk tolerance, account balance, trading style, favorite instrument and trading timeline. With the use of Market Profile, which is included in the software, you can adjust the charts to suit your trading style.

You will be exposed to techniques for scalping the markets using these software tools. I am a scalper by nature, although many of my scalping trades turn into 50+ ticks. I tend to prefer trades that move, and the examples shown will illustrate these moves.
When we look at the market structure of the day, we want to see where the price is, and if a particular pattern is developing. Is it a “P” Shape, a “B” Shape or a Bell Curve? Where is the Point of Control (POC) and the Volume Weighted Average Price (VWAP)? Where is the High Value Area (HVA) and Low Value Area (LVA)?

The key is to initiate trades around these inflection points in addition to pivots, which are displayed on your screen. You want to see the market move from one point to another. If you are a pattern trader, you can clearly see the most recognized patterns, such as double tops. Once you become proficient at using the software, you will notice that you have a wide array of trading opportunities at your fingertips. But for now, let’s stick to the basics – getting from one end of the profile to the other. Moving from one pivot point to another. Looking for a bounce or rejection off the POC, or a break of the HVA or LVA. As a general rule, I do not want to place a trade when the markets are in balance.

**UNDERSTANDING THE CHARTS**

On the left side of the chart, you can see where the price has been. Price is indicated by the blue column. The darker the shade of blue, the more contracts that are being traded. The red and green areas indicate buyers and sellers in the market. The darker the green color, the more buyers, and the darker the red, the more sellers there are.

If the price is approaching a pivot point on the charts, and you are looking to BUY, you want to make sure your decision is being defended by buyers on the charts. When you look at the ladder and see the ASK price increasing, you also want to look to the left side of the chart and see the green bar building. You will confirm this with a positive Delta.

Enter the trade with a stop, just a few ticks below your entry under the pivot. The beauty of Orderflow is you can place tight stops with confidence, because you know exactly where the buyers and the sellers are. No more guesswork is needed on where to place your stops.

Your profit target is the opposing pivot. Since price often blows through pivots, I normally have 2 contracts in the market. I take one contract off the market, and move my stops up to break-even (BE) or even a +1. Keeping an eye on the order flow software, I can easily see if buyers are still actively engaged in the market. When orders are being executed in higher numbers, then I want to stay in the market.

**Exhaustion** occurs when the orders are not as large. Momentum is waning and there is likely to be a pullback. This is the point where you want to exit the trade. If the Delta is confirming, I will also take trades on the break of the HVA or LVA.
Here are some illustrations of trades using Orderflow software:

Figure 1: The price comes down, and cannot break the pivot. As buyers come in it is safe to initiate this trade. A 2 tick stop was placed before the pivot. Since you know where the buyers and sellers are, you can place tighter stops. The trade went long to the opposite pivot.
Figure 2: This is the same scenario as above. At 0.9358 there are no more sellers again. Buyers step in on this at 0.9358, which was confirmed by positive delta and divergence. The stop was once again placed 2 ticks below the volume profile.
Figure 3: At this Crude Oil pivot of 103.34, sellers defended their short positions by selling more, not allowing the price to rise. The market then dove to the opposing pivot, and the trade was exited at the end of the volume profile.

Figure 4: In this /NQ illustration, sellers are defending their short positions again. A stop was placed a point above the upper pivot, risking $20 to make a few hundred dollars. The market then dove to the opposite pivot point, picking up roughly 8.5 points or $175 in this example.
Figure 5: The red arrow indicates the top of the Market Profile. It would be safe to enter a trade with a 1-2 point stop confirmed by Orderflow. It breached the POC and both LVAs and came through the bottom of the profile which then presented an excellent buying opportunity for a coast-to-coast trade.

Figure 6: This is the same chart. If you were not at your computer when the market hit the bottom of the profile, you could have easily taken trade at the LVA or first POC going into fair value.
Figure 7: In this Crude Oil trade, Orderflow software not only showed a 21 tick selling opportunity, but it also indicated a buying opportunity that would have picked up 82 ticks! I stepped away from my computer and missed the trade at the bottom of the profile, but still managed to pick up the VWAP for a long entry.

CONCLUSION

In order to be a successful Futures trader it is imperative to understand the markets that interest you. Study them and practice what you have learned by continuously doing Market Replays. All markets have little nuances. The better understanding you have of them, the better trader you will become.

Orderflow may sound complicated and can be overwhelming at first I assure you it is not! With our software and our level of commitment for your success and this proven methodology, we will turn you into a profitable confident trader. It is much easier to enter a trade knowing who is in control of the market at the time you enter.
THE MOVIE

IN THIS SHORT VIDEO, you will see how OrderFlow software is used to make decisions trading in a live market.

THE SPECIAL OFFER

Get a Free trial to the Trade Order Flow room and trade live alongside Maria. Email her at TRADETHEEMINIS@GMAIL.COM and mention this offer for your special login information.
Maria Roussos, Founder of Trade OrderFlow, has designed a versatile and robust OrderFlow program that works exclusively for the NinjaTrader 7 platform. The OrderFlow tool is fully equipped with Volume Profile, VWAP, ABC’s, and Pivots. Plus, the entire program is completely customizable allowing traders to tailor it to their unique style of trading. The OrderFlow program provides a clear visual into any market, showing users exactly were orders are being executed. Following the dual market auction that occurs daily in every market, Trade OrderFlow makes it easy to see whether buyers or sellers are in control.
Throughout my trading career, I discovered that I personally like trading the futures markets. I started in the Forex currency market back in 1998. I enjoyed Forex and had a lot of great success with it. But the futures market always intrigued me. As I started reading and studying more about the futures market, it was clear that it was the direction I wanted to take. It offered a great risk to reward ratio, and in my case, very little risk with huge reward.

It was in the futures market that I developed my A.C.E. strategy, which I will discuss in this chapter. Since the development and perfection of the A.C.E strategy, it has transformed how I trade the futures markets and I haven't looked back.

WHAT ARE FUTURES?

A SHORT HISTORY OF FUTURES TRADING

Before Futures Trading came about, any producer of a commodity (e.g. a farmer growing wheat or corn) found himself at the mercy of a dealer when it came to selling his product. The system needed to be legalized in order that a specified amount and quality of product could be traded between producers and dealers at a specified date.

Contracts were drawn up between the two parties specifying a certain amount and quality of a commodity that would be delivered in a particular month. Then it occurred to me, futures trading had begun!

In 1878, a central dealing facility was opened in Chicago, USA where farmers and dealers could deal in ‘spot’ grain, i.e., immediately deliver their wheat crop for a cash settlement. Futures trading evolved as farmers and dealers committed to buying and selling future exchanges of the commodity. For example, a dealer would agree to buy 5,000 bushels of a specified quality of wheat from the farmer in June the following year, for a specified price. The farmer knew how much he would be paid in advance, and the dealer knew his costs. Until 20 years ago, futures markets consisted of only a few farm products, but now they have been joined by a huge number of tradable ‘commodities’. As well as metals like gold, silver and platinum; livestock like pork bellies and cattle; energies like crude oil and natural gas; foodstuffs like coffee and orange juice; and industrials
like lumber and cotton, modern futures markets include a wide range of interest-rate instruments, currencies, stocks and other indices such as the Dow Jones, Nasdaq and S&P 500.

Basically the futures market was created to help producers of the actual product (commodity) like cattle, hogs, sugar, coffee, etc., to be able to hedge (insure) their product. They were called hedgers. And they were the only ones that could play in the futures market.

Then of course they added speculators (retail traders, private investors, floor traders, etc.). These are usually people that have no direct relationship with the product or commodity. That’s why when you open an account now to brokerage firm states if you are a Hedger or Speculator.

Futures are a very advantageous form of investment.

Let’s say for example you want to trade light sweet crude oil. The symbol for it is usually CL. So let’s say that the price of oil right now is around $50 a barrel. Now if you want to buy a contract in oil, you don’t actually buy any barrels of oil. Instead you buy the contract.

So for one contract of crude oil you need $1,000 in your brokerage account. You should probably have a little bit more for cushion but that’s what you need to trade one contract (could be more or less depending on broker). What does one contract do? One contract controls 1000 barrels of oil. Now imagine that. Back before there were futures contracts, for you to control 1000 barrels of oil at the price of $50 a barrel, you needed $50,000. Now you’ll need $1000 (2% of the total) but you reap the benefits of 1000 barrels.

Let me explain further. If the price of oil goes up by five cents, how much will you be making on your one contract? No, not five cents. No, not $.50. No, not $5.00. On that five cent move your account would grow $50. And that’s just on five cents. The range of crude oil can be anywhere from 2 to 5 dollars in one day. That’s why I love the futures market.

Why $50? Let’s do the math. The price of oil goes up five cents a barrel. With your one contract you control 1000 barrels. So, 1000 x .05 (5 cents) = 5000 cents = $50. Not bad a $50 profit for a $1000 investment.

Now let’s say you wanted the same effect and return with an Oil Company. On a $.05 cent move, in order for you to make $50, you would need to put up $50,000 for 1000 shares. So in the stock/shares scenario you made .1% (that’s 1 tenth of 1%) In the futures scenario you made 5%. That’s 50 times greater return. That’s the power of futures. The downside of futures is not bad at all as long as you remember 1 simple thing… STOPS! We will discuss those in the next section.
WHAT ARE THE DOWNSIDES TO TRADING THE FUTURES MARKETS?

Before I go on with this, let me first dispel one myth.

**The Myth**: You can lose lots of money in the futures market. Well folks, you can lose a lot of money in any market or anything. You can lose money in the real estate market, the stock market, and in every business. So it’s not true when you say you can lose a lot of money in the futures market but the other ones are okay. That’s not a correct statement.

When you invest in any market, whether it’s stocks, options, futures or Forex, you must first decide what you are prepared to lose on a trade. But the problem is most people don’t view trading as an actual business, they view it as “Ah, let me just press a button here and there and make a lot of money”. It doesn’t work that way. You’ve got to learn how to trade and most importantly . . . you’ve got to place your stops!

Not placing stops is a key reason why 95% of all traders lose money. Always place your stops. You want to place well-calculated stops. You can trail your stops as the price continues in your favor, but don’t move your stops further back, to avoid taking a loss. Don’t be scared of stops. Embrace stops. Don’t look at them as “I lost”. Instead, look at them as “Man that stop saved me money, because I could have lost a lot more.” Love your stops. They are just insurance for your trading business.

TRADE SETUP

Let me map out for you a specific trade set up. This was my very first method when I first started out. Actually let me rephrase that. This is the foundation of my whole methodology. It has changed and been tweaked a bit, but it was my futures trading foundation and it still works today. I call this the ACE method. ACE stands for “Ate Coleslaw Everyday”. Just kidding. I just want to make sure you guys are paying attention. ACE stands for Anticipate, Confirm, Execute.

First, we will start with the regular price chart. The chart technically could be anything you like, as far as timeframes go. You could have a 1 minute, 5 minute, 10 minute, 15 minute, tick chart, range chart, or any kind of chart you want. Then we can add some indicators. Now for this purpose, I’m using NinjaTrader, but you can use any program or platform you’d like. These are common indicators, so every platform should have both of them. First we’ll plot a Donchian channel on the charts and I’ll show you in the figure below what the parameters look like. You’re only going to change the one parameter from 14 to 20 as it set in Ninja. The next indicator we’ll use is the MACD. The MACD I’ll be using is in Ninja. It has 2 signal Lines and a histogram. If your platform doesn’t have that, then you might have to add the signal line and the histogram, but in this example Ninja comes with it, and this is how it set it up.
Below are the parameter set ups for both indicators:

**DONCHIAN CHANNEL**

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**MACD**

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**Graphs**

- DONCHIAN CHANNEL
- MACD
Basics behind the A.C.E. Trade Set Up
(In all charts in these samples, we used an 89 tick chart)

When the MACD and the histogram are below the zero line you are only looking for shorts when the MACD and the histogram are above the zero line you only looking for longs. If the MACD is below the zero line but the histogram is above, we are still looking for shorts but we want a little bit more confirmation and vice versa with the longs if the histogram is below the zero line but the MACD is above.

Here we have the price chart with the MACD the histogram and the Donchian channel on the chart. Here is a short set up: When you see the MACD and histogram below the zero line, you wait for price to pull back and you take a short off of the mid-channel which is the Gold line in the figure below. As far as your stop, your stop should be the previous high point prior to the move back up to the midline or you could do like a five tick stop above the high of your entry bar.

As you can see, it reacts multiple times off the channel but the first touch is the most important one.
If the histogram is above or moves above the zero line, but the MACD is still below, you still can look for the short but now you will have to wait for it to go up to the top channel of the Donchian channel. The first initial move is the best on the first touch of the blue line.
Now let’s show you a long set up. For long set ups, the MACD and histogram have to be above the zero line and you wait for a pullback to come into the middle of the channel and take it long from there. If the histogram has dipped below the zero line but the MACD is still above the zero line you are still looking for the long but now you’re waiting for it to touch the bottom of the channel and again same thing applies first touches is most important.

Now you understand the basics and concepts of the short trades and the long trades. For a few bonuses, if you want to add more confirmation use these along with your style of trading.

For example: say you’re a fib trader and the markets going up, histogram and MACD are above zero line and
now it starts pulling back so you draw your fib levels 38%, 50%, 62%, 76% but you’re not sure where price will bounce, which fib level. Look at the mid-channel, and if the mid-channel also happens to line up with one of your fib levels that also makes it more attractive. Also if you have a pivot, R1, S1 near that midpoint or the top channel, or bottom channel depending on longs or shorts, that’s also an added confirmation.

Another trick or technique to use is if you’re looking for the mid-channel, let’s say to go long. So we have MACD and histogram above the zero line and price coming back into the mid-channel, it’s much stronger if there are multiple time frames lining up.

For example: Let’s say that we were trading CL and CL comes back to 49.40 and that’s where the mid-channel is on the 5 minute chart. Well what if that’s the same price of the mid-channel on the 30 minute chart and the 466 tick chart and the 8 range chart. Now you have the mid-channel lining up at the same price or roughly the same price on 3 or 4 different time charts. That makes it even more attractive and more powerful too.

As you can see in the example below, we have the mid-channel bounce 1st Trade and Top-channel bounce 2nd Trade, and we also have a few proprietary indicators to show you the complete GTR method as added confirmation. One of our proprietary techniques is used read volume and continuation and rejection. We know usually where the price will reject or continue and this is very important for you especially if you’re a breakout trader or if you’re pullback trader. How will you know if it’s a pullback and how far it will go before it takes off again? If you’re a breakout trader will this be the breakout or will it reject or even give you a fakeout breakout? That’s again a proprietary technique that we use for added confirmation. But before all this came about, we used the basic foundation of what I told you earlier. The MACD/Histogram and where they are located in reference to the zero line and then accordingly if they’re both in conjunction with each other to use the mid-channel for entry.
Visit us for a Free Trial and see how we do this in a live setting.

**IN CLOSING**

I would like to thank everyone for taking the time to download this eBook. And of course a Special Thanks to Trading Pub for allowing us the opportunity to share with you the A.C.E. Method.

I would like to say that even though this set up seems simple, don’t let it fool you. It’s very powerful. We use it every day along with our proprietary leading indicators. But prior to our development of those indicators, the basic A.C.E. method (MACD / Donchian) was the only thing we used. Also remember when you have multiple Channels lining up at same price it becomes even more powerful and first touch is the best.
THE MOVIE

I prepared A SHORT VIDEO HERE so you guys can see in real time how we actually monitor, track, and how we enter this trade set up. Watch the video and you should get a better idea of what the set up actually looks like as its happening. Hope you enjoy.

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Please remember to come to our FREE TRIALS EVERY TUESDAY. We offer a Tuesday US session, and a Thursday UK and Asia session. 3 trials, all free, every week, unlimited.

In our live trade room last year, we called out over 30,000 ticks and over 6,000 of those ticks were called in the Tuesday free trials. Make sure you read THIS ARTICLE ON FREE TRIALS.
SIMON JOUSEF

CTA

Simon Jousef- “The Professor” is a licensed CTA (Commodities Trading Advisor). Mr. Jousef, holds a B.Sc. in Physics

After intense research, Simon discovered a hidden phenomenon within the markets’ price action or volume. He witnessed a formula of numbers that keeps attracting the price back to them, a phenomenon he now calls trading magnets. Similar to black holes in space, the brackets pull or magnetize the price back to its origin, to the tick.

With this new found information, Simon entered live trading competitions and in June of 2006, he was listed as one of The World’s Top 5 Forex Traders.- Fxtrader.net

In 2010 and with the help of programmers, he developed an automated indicator called Trading Magnet, which was initially designed for futures markets such as Crude, Gold, and Indices but it works equally as well with stocks, options, and spot Forex markets.

Today he trades his live account in front of students and teaches the exact same strategies and tape reading methods he used during the live trading competitions daily during his live trading room sessions at FuturesFx.ca and GlobalTradeRoom.com
If you trade stocks, options, futures or forex, you may want to consider adding Nadex to your trading arsenal. Nadex gives you an opportunity to manage your money, risk/reward and it serves as hedge against market spikes that can keep you from losing trades. With Nadex, you always know what your maximum risk and maximum reward is before you place your order. In this chapter, you will be introduced to Nadex and you will be exposed to 2 strategies that have high probabilities of success.

Nadex Binary Options have been called “yes or no” trading propositions. When you trade Nadex binary options, you are making an educated opinion about the direction of the market relative to a specific strike price within a defined time expiration of your choosing. Each contract has a maximum value of $100. This means that the most you could win or lose is $100 per contract traded. Probabilities of success determine how much you can win or lose.

Let’s say it is noon and gold futures are trading at $1254. The market is on an uptrend, and you think the price of gold will be above $1250 at 1:30pm EST when the market closes.

- The market determines that there is a 70 percent probability you are right.
- You would risk $70 on a market order to make $30 on this high probability trade.
- If you place a trade on this proposition, then your $70 risk is deducted from your account balance, plus a $.90 cent execution fee.
  - If your statement is “True” and the market closes above $1250, then you receive a $100 payout. Your gross profit is $30 per contract, less $1.80 in execution and settlement fees, per contract traded.
  - If your statement is “False” and the market closes at or below $1250, then you receive $0. You forfeit the $70 you risked, plus a $.90 cent execution fee. No settlement fee is charged.
Conversely, let’s say gold futures are on an uptrend trading at $1254, and you think the price of gold will reverse and close below $1250 at 1:30pm EST.

- The market determines there is a 30 percent chance you are right.
- You would risk $30 on a market order to make $70 on this lower probability trade.
- If you place a trade on this proposition, then your $30 risk is deducted from your account balance.
  - If your statement is “True” and the market closes at or below $1250, then you receive a $100 payout. Your gross profit is $70 per contract, less $1.80 in execution and settlement fees, per contract traded.
  - If your statement is “False” and the market closes at or below $1250, then you receive $0. You forfeit the $30 you risked, plus a $.90 cent execution fee. No settlement fee is charged.

Nadex is the North American Derivatives Exchange. It is headquartered in Chicago and subject to regulatory oversight from the CFTC. When you trade with Nadex, your orders are placed directly on the exchange without a broker. You therefore pay no commissions to brokers. Nadex charges a $.90 cent fee to place an order on the exchange, and charges a $.90 cent fee if your trade settles in the money, or if you close your position early. As an exchange, Nadex matches buyers with sellers, and they take no positions in any of the assets made available for trading. In the gold example above, if you bought gold at $70, you would be matched against someone who is selling gold for $30 for an even $100 contract value. Nadex was previously only available to legal residents of the United States, Canada, Mexico and U.S. territories. As of March 2015, Nadex is now available in 49 countries!

**How Do Binary Options Work?**

- Everything starts with your opinion on which direction the market is going
- Choose the market you want to trade:
  - Major Indices, Major Commodities, Popular Forex Currency Pairs
- Select a contract expiration time (hourly, daily weekly)
- Determine whether you are buying or selling. How many contracts are you trading?
- Decide what price you are willing to pay. Will it be a market or limit order?
- Place your order directly on the exchange
- You can let your trade ride until expiration or close it out early.
The Nadex trading platform is extremely easy to use. On the left side, you can quickly find the market and time-frame you want to trade. In the middle of the screen you will find a watchlist of popular markets currently being traded, or you can populate this screen with a customized view of the markets you like to trade. Next, you can take a closer look at the chart of the market you want to trade.
Nadex charts give you a wide variety of indicators you can use for technical analysis. On this chart, the 8 EMA ("T-Line"), 50 period MA, Stochastics (12,3,3) are plotted along with a volume indicator. Once you have determined the direction of the market, it is time to place an order.

Here are two Nadex order tickets. On the top of each ticket is the strike price we are planning to BUY. The proposition is:

**GERMANY 30 (DEC) >9120 (4PM) (30-OCT-14)**

The proposition is that we think the price of the Germany 30 (DAX) will settle above 9120 at 4:00pm EST. Other areas on the order ticket include:

- **Expires in: 2h : 40m** – Shows you how much time left until expiration
- **Nadex Indicative Index: 9137.000** – Shows you the current price of the market
- **Bid and Offer Prices:** Shows you where the buyers and sellers are on this proposition
- **BUY and SELL Buttons:** Choose if you plan to BUY or SELL the proposition
- **Size:** Number of contracts you want to trade
- **Price:** The price you are willing to pay to BUY or SELL the proposition
- **Max loss:** The total amount of money you are risking
- **Max profit:** The total amount of your reward.
- **Place Order:** Once you have reviewed your order, submit it to the exchange
The ticket on the left is a market order. When you click BUY and select the number of contracts you want to trade, the “Price” box is populated with the current market price for this proposition. Looking below, you can instantly see that you will be risking a maximum of $61.50 to make a maximum of $38.50. Since this trade is already in the money, you are risking more money on a higher probability trade. The amount of money at risk ($61.50, plus a $.90 cent execution fee) is deducted from your account balance. If you are successful on this trade at expiration, you will be paid $100 (less a $.90 cent settlement fee). If you are unsuccessful at expiration, you will make $0.

The ticket on the right is a working (pending) order. This is the same ticket, but this time the price has been manually adjusted to fit your risk/reward plan. Now you are risking $40 to make $60 in profit. Since there is no current market for your proposition, your order will be filed as a “Working Order” until the contract is accepted. The amount of money at risk ($40, plus a $.90 cent execution fee) is deducted from your account balance. If the market retraces and fills your order, then your order will change from a “Working Order” to an “Open Position”. If the market does not retrace to fill your order at expiration, then the trade never happened. If your order gets filled and you are successful on this trade at expiration, you will be paid $100 (less a $.90 cent settlement fee). If you are unsuccessful at expiration, you will make $0.

HIGH PROBABILITY STRATEGY #1 – THE 7AM-9AM (EST) DAX “STRUDEL” STRATEGY

If you live in the United States or Canada, here’s a great trade you can make at breakfast before the markets open in New York.

Tom Busby, Founder of Diversified Trading Institute (DTI) presented a webinar entitled “30 Trading Insights to Help Overcome Your Trading Fears” in 2014. In one of his observations, Tom remarked that the 7am EST hourly bar of the DAX is a pivotal point that sets the tone for the next hour or so of the trading session. When you think about that statement, what he is saying is that a directional trend is in play, triggered by the 7am EST hourly bar. When the hourly charts of the DAX were reviewed, it turned out that Tom was right a great majority the time!

Here’s a look at four consecutive days using the hourly charts for Nadex on the Germany 30 (DAX). Four consecutive days, four successful trades.
This strategy is very simple, and it is based on the opening price of the 7am EST bar for the Nadex Germany 30 Index (DAX). If the 7am hourly bar is bullish, then you BUY the first proposition that Nadex offers below the 7am opening price. If the 7am hourly bar is bearish then you want to SELL above the 7am opening price. It’s that simple.

**PREPARATION FOR THE 7AM (EST) DAX “STRUDEL” STRATEGY**

- Be at your computer by 7am EST
- Check the [Economic Calendar](#) for any major news out of Germany and the US
- Check the Daily Chart of the DAX for a long-term bias. Uptrend or downtrend?
- Check the Hourly Chart of the DAX for the day. Uptrend or downtrend?
- Check the 15 minute and 5 minute Chart of the Dax. What’s happening?
- Check the 5-minute Ichimoku Cloud of the DAX. Confirming bearish or bullish?
- Plot the following indicators:
  - 8 Period Exponential Moving Average (EMA)
  - 50 period Moving Average (MA)
  - Stochastic Indicator set at 12,3,3

Now that you have done your technical analysis, and you feel comfortable with the probable direction of the DAX, it is time to execute the strategy.
EXECUTING THE 7AM (EST) DAX “STRUDEL” STRATEGY

• Select the 7am-9am time period
• Record the opening price of the 7am hourly bar
• When the 7am-9am time period opens, switch to the 5-minute chart. Is the market moving in your direction? If there is very sluggish or sideways movement at the open of the 7am bar, be patient and wait for the direction of the 7am hourly bar to reveal itself.
• Only make a decision to BUY or SELL once you are convinced that the 7am hourly candlestick is bullish or bearish. Be patient. Sometimes this can take an hour.
• If the direction of the 7am hourly candlestick is bullish, then BUY the DAX at the first strike price available below the 7am opening price.
• If the direction of the 7am hourly candlestick is bearish, then SELL the DAX at the first strike price available above the 7am opening price.
• You can place a market order and risk more money for a lesser profit, or you can place a working order and manually adjust your risk reward for a better return. Remember with a working order, the market will need to retrace to fill your order, so there is a chance your order will not be filled.
• That’s it. You are good to go. Simple enough?

Here’s an example of the trade using the 7am-9am Germany 30 (DAX) “Strudel Strategy”

In this example, the 7am hourly candlestick of the Nadex Germany 30 (DAX) market opened at 10625. The market moved aggressively bullish on the 5-minute charts, triggering a BUY order from the first strike price below the 7am opening price. The following order was placed:
**Trade Details:**

Contract: Germany 30 (Dec) > 10614 (9AM)
Expiration: Fri Jan 23 09:00:00 EST 2015
Direction: BUY
Quantity: 1
Price: 50.00

**This was a working order.** When the order was placed at 7:12 the market was moving upward aggressively. If a market order had been placed, it would have likely required $70 risk or greater per contract. But the decision was made to hold firm at 10614, risking $50. For this order to fill, the market would need to retrace.

Sure enough, after 8am, the market started grinding its way back down. At 8:40, the market dove briefly, breaching the 10614 strike price and filled the working order. It was now a live order with less than 20 minutes left in the trade. The market then moved back upward and expired safely in the money at 10636. Remember, in order for this trade to be successful, the market needed to expire above 10614 at 9:00am EST. The trade yielded a gross profit of $50 per contract, less $1.80 in exchange fees for a net profit of $48.20.

**BACKTESTING THIS STRATEGY**

If you backtest this strategy using **hourly** Nadex charts of the Germany 30 (DAX) market, all you have to do is go back 20 days or so and compare the 7am candlestick to the 8am candlestick. If the 7am candlestick is bullish, it’s not likely that the 8am hourly candlestick will close below the 7am opening price. Conversely if the 7am hourly candlestick is bearish, it’s also not likely that the 8am hourly candlestick will close above the 7am opening price.

**A COUPLE WORDS OF CAUTION TRADING THIS STRATEGY**

**DON’T TRY TO CATCH A FALLING KNIFE**

In this example, the market was moving downward on bad economic news from Germany with momentum.

The 4am and 5 am candlestick moved sharply downward, gapping away from the 8 Exponential Moving Average. Whenever the market drifts too far away from the 8 EMA, it always returns back to the line.

The 6am candlestick was a battle between the bulls and the bears, signaling a return to the 8 EMA line.
When the 7am candlestick turned green and returned to the 8 EMA, the market continued on its downward path on the 8am hourly candlestick.

If the rules of this strategy had been followed to the letter, then we would have entered a BUY order below the 7am candlestick, and we would have gotten run over by the 8am candlestick.

It’s wise not to step in front of a market that is falling like a knife. Get out of the way.

Avoid the temptation of trying to chase the DAX if your limit order doesn’t get filled. The more you chase the market, the more vulnerable you are to getting trapped in a market reversal.

If the market is on an aggressive uptrend/downtrend at 7am and you don’t think your order is going to get filled, you might want to consider trading a Nadex Spread. Nadex spreads are different than binary options, and they more closely resemble traditional trading. Click Here to find out more about trading Nadex Spreads.

**HIGH PROBABILITY STRATEGY #2 – THE GBP/USD “LONDON OPEN” STRATEGY**

This Nadex Strategy is based on a successful Forex trading strategy that has been around for years. It’s a great strategy to trade, especially if you are an early riser, or if you don’t have time to trade when the markets open in New York.

If you can wake yourself up at 4am-5am EST, you can log on to Nadex, place a trade and go back to sleep with a strong chance of having a successful trade.

The basic rule of this strategy couldn’t be simpler:

- The daily low or high of the GBP/USD currency pair will be established between 2am-5am EST, when the European and London financial markets open.
- The opposite high or low of the day will be established between 8am-2pm EDT after the opening of the New York market.
Think of it like a see-saw, where the 6am-7am time period is the fulcrum.

**WHY DOES THIS HAPPEN?**

At 2am EST, the European markets open and financial transactions start to happen. At 3am the London market and the Bank of England opens. 3am is also the final hour of trading in the Tokyo exchange. At 3am EDT, a huge volume of transactions are processed and cleared in a very short one-hour period of time. The result is often a very bullish or bearish move with the GBP and its related currency pairs. Think of it like a garden hose being crimped, with water accelerating out the hose when you squeeze it.

The volume of transactions, coupled with any economic news reports coming out of the UK (usually at 4:30am EDT) will set the direction of the market for the rest of the day. Here’s an example:

The GBP/USD had been on a downtrend on the daily charts. At 2am, the European markets was grinding downward. At 3am, when the London market opened, there was a sharp sell-off before shooting up at 3:40am and establishing a high at 4:05am. At 4:30am, the UK Construction PMI report was released, and the news was bearish. The market dove again.
Convinced that the 2am-5am high had already been established at 4:05am, the following order was placed at 5:30am:

**SELL GBP/USD >1.5720 (7AM EXPIRATION) RISK: $60 REWARD $40 (2 CONTRACTS SOLD)**

The order filled, and the market moved sharply downward and expired safely in the money at 7am. Since 2 contracts were traded, the gross profit was $80, less $3.60 in exchange fees.

If you can spot the low or the high of the market between 2-5am EST, there is a high probability that the opposing high or low will be revealed after 8am EST. If the low or the high of the morning session isn’t obvious to you, then it’s probably a good day to skip this strategy for the day.

**RULES FOR TRADING THE GBP/USD “LONDON OPEN” STRATEGY**

- Check the [Economic Calendar](#) for news from the UK and the US. Most news reports out of the UK are released at 4:30am EDT, so you want to hold off trading this strategy until those reports are released.
• Check the US Dollar Index. Is it trending up or down? The US Dollar Index moves in the opposite
direction of the GBP/USD.
• Check the daily chart for the GBP/USD. Is it trending up or down?
• Look for the daily low or high between 2am-5am EDT
  o If **LOW** has been established, then **BUY**
  o If **HIGH** has been established, then **SELL**
  o If you can’t find the low or high, then don’t trade this strategy
• Strike Price: +/- 20 pips above the morning low, or below the morning high
• Set the expiration of the contract for 7am or 3pm EDT depending on your preference.

The London Open Strategy works consistently as long as there is some give-and-take between the US Dollar and the British Pound.

**A WORD OF CAUTION USING THIS STRATEGY:**

At the time this chapter was written (March 2015), the US Dollar Index is trading at 14 year highs (around 100), and the GBP/USD is trading at lows not seen in years (1.4954).

This is like a tug-of-war that needs to be resolved. Under “normal” circumstances, bullish economic news out of the UK propels the GBP/USD upward. But the strength of the dollar can actually drive the GBP/USD downward in spite of good news out of the UK. Bearish news out of the UK normally cause the GBP/USD to fall, but a sudden selloff of the strong US Dollar, will cause the GBP/USD to rise sharply in spite of bad UK economic reports.

This strategy works the best when there’s a little bit of give-and-take between the US Dollar Index and the British Pound.
CONCLUSION

Trading Nadex Binary Options is a simple “yes or no”, “up or down” proposition. To trade Nadex Binary Options successfully, you need to master three areas of trading:

- **Disciplined money management** – Never risk more than 5% of your account per trade
- **Risk/Reward Management** – Make sure your documented probability of success is always greater than the amount you risk per trade. If you have tested a strategy, and you have proven that it has a 70% probability of being successful, then make sure you never risk more than $60 per trade on that strategy.
- **Trade Strategies with a High Probability of Success** – The only way to know for sure that you have a high probability strategy is to test that strategy 20+ times in demo and record your results.

If you can master these three areas, you will achieve much better consistency in your trading and your account balance will likely grow.

Trading Nadex binary options and spreads is not a replacement for traditional futures trading, but it can serve as an excellent hedge for futures traders. You can trade many of the markets you normally trade without the fear of getting stopped-out by market spikes and your maximum risk is always clearly defined and capped when you place your trade. With Nadex, you place your trade directly on an exchange, and not through a broker. Nadex is also now available for trading in 49 countries. A live Nadex account can be funded for as little as $100.
THE SPECIAL OFFER

**WATCH THE VIDEO (HIGHLY RECOMMENDED)** – Cam White walks you through the Nadex platform, how to use it and how to apply the two High Probability strategies discussed in this chapter.

**OPEN UP A 2-WEEK FREE NADEX DEMO ACCOUNT** – Sign up for a free Nadex demo account. It will be funded with $25,000 in play money. Test these strategies and see how they work out for you.

**GET A FREE LIBRARY OF NADEX INFORMATION** – Courtesy of TradingPub
Cam White has been working in Business Development with TradingPub since June 2014. His first assignment was to become familiar with Nadex. He downloaded the demo software and dove into the Nadex platform. A self-professed “crash test dummy”, Cam tests directional and non-directional strategies with Nadex Binary Options and Nadex spreads and publishes results.

Cam also publishes **THE PROBABILITY REPORT**, a monthly newsletter featuring Nadex webinars, and contributes articles on Nadex to financial media outlets.
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