

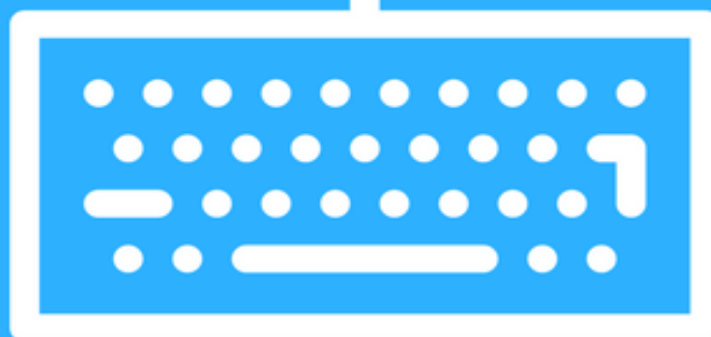
A PLAN ANYONE CAN FOLLOW



How To Make Profit Rich
Trades In 2 - 10 Days!

PROFIT RICH TRADING eCLASS LESSONS

JACK CARTER



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Government Required Disclaimers: Risk Disclosure Statement: The risk of loss in trading can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition.

Unique experiences and past performances do not guarantee future results! Results are non-representative of all clients; certain accounts may have worse performance than that indicated. Your trading results may vary. Because the risk factor is high, only genuine "risk" funds should be used in such trading. If you do not have the extra capital that you can afford to lose, you should not trade. No "safe" trading system has ever been devised, and no one can guarantee profits or freedom from loss.

Profit-Rich Trading Week 1

Your Lesson #1: The Profit Rich Trading Plan

Congratulations!

By investing in this e-course on how to make profit-rich trades, you've made the first step in not only becoming a great stock trader, but also the first step into something that could make you nearly unlimited money for the rest of your life.

Is this exciting or what?

OK. Do you want to know just how easy it is to make profit rich trades?

Then listen to this:

Recently I started looking for a hot stock to trade.

As you already know, I've made a ton of money trading stocks and options (more money than I care to admit) so I was excited to get into another hot stock.

You know? It's funny, I'm 52 years old now. I started trading stocks when I was 23. And the thrill I get... even after 29 years of doing it... it's still the same.

There's just nothing in the world that gives you the same feeling as being able to go into the stock market with your brains and your money and... within a few days... make a nice profit.

Anyway...

One day after lunch and about 17 minutes of looking at a list of hot stocks... I settled on the one hot stock I liked best.

The next day I entered my order to buy the stock.

Four (4) days later (on my way home from the gym one morning) I called Schwab to check the quote on the stock... I've got a \$1756.00 profit... and I sell it.

That's how easy it is to make profit rich trades. YOU can make money too.

I'm living proof.

And I'm going to show you how to do it step by step in these detailed lessons.

These lessons could end up bringing you thousands of dollars over the next few weeks. Because the current market conditions are great to trade.

And, using the core strategy you'll learn in these lessons, you can trade over and over again... doing 3... 5 ... 7 or even up to 40 trades per month.

In fact, once you get this trading strategy down pat, you can use it over and over again till your little heart's content.

As I said, I'm going to show you how to do it step by step in this 8 week eCourse.

It's the fastest, easiest way to learning an income skill that will last you a lifetime.

Are you excited, you should be.

Let's begin with me explaining my own story first...

My name is Jack Carter. As of this writing, I have over 32 years and close to one billion dollars in trading experience.

That's not a misprint.

I started in 1984 and traded throughout the largest up and down market in history.

In fact, I traded over eight million dollars worth of stock in one day. That was the day I traded 284,000 shares of ORCL and a few other stocks.

I've been a stockbroker, a Nasdaq Market Maker, a professional day trader and a "fast -money" hedge fund manager.

I'm not telling you all this to impress you - rather, to impress upon you that, when it comes to stocks and trading, I have successfully done it all. And I can help you make money using my experience.

In 1994, I left my position as a Nasdaq Market Maker to trade a professional account. My income from my first full month of hedge fund trading was just over \$100,000.

After six years of making money on the front lines of the trading trenches, I decided to put together a portfolio of strategies based on my trading as a Nasdaq Market Maker, hedge fund trader "fast money" day trader, and short term (two to ten days or longer if it's a runaway winner) "bathrobe" trader.

To prove my strategies work, I put myself in your shoes. You see, I'm not the kind of guy that just "talks the talk," I actually "walk the walk" as well.

To put myself in the shoes of a typical online trader, I opened an account with Schwab (since they are the most popular). I deposited \$25,000 and limited myself to doing only about 10 trades per month.

The result, after 1 full year of trading, using nothing more than the strategies that I teach and the resources available for free over the Internet, was a +286% return, compared to the Dow +25.22%, S&P +19.52%, and Nasdaq +85.58%.

Here's where it gets even more exciting...

Next, I analyzed my most profitable trades throughout the largest up and down market in history. I did this because I was looking for a way that anyone could use to beat the market.

The strategies I used to make the return in the CPA's report consisted of a lot of different strategies, some day trading stuff and even using options from time to time.

Even though all the different trading strategies worked, some were either too exotic or too advanced for the average guy.

So I spent the next four years developing a step-by-step system for making multiple point gains in the stock market and, once again to prove it worked I put my own money on the line.

By the time you've completed this book, you WILL know exactly how I'm making this money and how you can, too.

The other thing I've got to tell you up front is that this is NOT some "fluke" that has worked only for me, like lightning striking some guy in the middle of an Iowa cornfield.

The way that I trade may seem a little unusual, but everything that I'm doing has been done and is being done by lots of other people.

Once you have a computer and an Internet connection, you'll be able to trade online from anywhere - home, office or even while on vacation.

I've traded online from just about everywhere in the United States, and even on vacation outside the U.S.

You need to know how I got to where I am, so that you can understand the logic of this approach and have the confidence to do it as well.

I'll be much easier to understand if you can see the evolution of my trading methods and why it is the logical approach to the stock market today.

I'm going to tell you exactly what I do and how I do it.

Finally, I'm going to offer to help you get started with an unfair trading advantage.

How My Incredible Stock Trading Breakthrough Came To Be...

My breakthrough came like a bolt of lightning! After reviewing all the trades I made in the CPA's report, and, after reviewing all the different strategies I have used to pull cash out of the stock market... I have uncovered a simple but powerfully effective strategy.

In analyzing the trades from all the different strategies I used in making the 286% return in my "less than part time account, I discovered one common "thread" that ran through All The Really Monstrously Profitable Trades.

An up market? A down market? A sideways market? War? Peace? Depression? Recession? A bust economy? A good economy?

It Just Doesn't Matter!

What I have learned will make consistent stock market profits...no matter what is happening in the world or on Wall

Street.

Not only was this strategy working like a charm, but it was also producing profit-rich trades... over and over again and again. The original trade I analyzed was up over 400%.

#1 Secret To Making Profit Rich Trades: I want to share with you a core secret of why the trading strategy you'll learn works so well...

It all starts with finding the right stocks to trade.

There are two different ways of approaching the stock market in terms of looking for a stock to invest in or trade.

Those two different ways of looking for a stock are fundamental analysis and technical analysis.

In other words from a "predicative" view or "reactive" view.

The guys doing fundamental analysis read tons of stuff. They read all the company press releases, stacks piled to the ceiling of Wall Street analyst's reports (what a joke) from every brokerage firm on Wall Street.

They read the company's quarterly earnings reports (what a lie). Ever read one of these? These company produced quarterly reports and annual reports are filled with jargon and accounting language that nobody can understand and some of which seems to be totally made up. Like the "synthetic lease" found in one of Krispy Kreme Donut's quarterly reports.

The fundamental analysts read all this stuff and more, etcetera, etcetera, ad nauseum. From all these piles of crap they come up with calculations and stock price valuations to determine if a stock's price is overvalued or undervalued and from there they try to "predict" the stock's price movement.

Fundamental Analysis Is A Total Waste Of Time!

There are two reasons fundamental analysis is a total waste of time.

#1. The reason is because you cannot rely upon any information you get from the company you are researching or from Wall Street analysts.

Before I found success as a trader I was trained as a stock broker on Wall Street so I'm telling you this as an insider –

Company Management's Job Isn't To Tell You The Truth... It's To Get You To Like The Stock!

Same thing with Wall Street analysts, company management blows smoke up their skirt and the next thing you know the analyst's brokerage firm is issuing a "strong buy" recommendation.

2. Wall Street brokerage firms have already been busted for "conflict of interest" when it comes to recommending stocks. They would issue "buy recommendations" then talk amongst their peers and friends about what a piece of shit the company was.

Nobody On Wall Street Cares If YOU Make Money, They Only Care If THEY Make Money!

You cannot trust any information you get from a company or from Wall Street! Since you cannot trust any information from the company or Wall Street analysts, any time you spend on fundamental analysis is a complete and total waste of time.

Besides, all the relevant information is already built into a stock's price.

And... that leads us away from fundamental analysis, into technical analysis. Technical analysis is "reactive." And that's what I like about it.

Understand something: I don't try to predict anything. I simply react to a stock's price movement.

I like to ride trends in a stocks price. If the stocks price starts moving up, I react by buying it.

It's a reactive trading approach and it all starts with...

Stocks That Are Already Moving Up In Price!

Once you limit yourself to only getting involved with stocks that are already moving up in price, you'll eliminate large losses and dramatically improve your overall stock market results.

And, more importantly... you'll put yourself in a position to make a large, "mortgage payment sized" stock trading profit in a matter of days.

Stick to this first rule and...

Everything You Do In The Stock Market Becomes 100% Easier!

And, if applied correctly, this list of stocks can also put you...

Light Years Ahead Of Every Other Investor You Know!

In fact, if you were to hold a little investing challenge with your friends and, just to make it interesting, you let them have any competitive advantage in the stock market they wanted.

Some of them would say they wanted a recording device inside a CEO's office.

Others would say they wanted Warren Buffet as their investment advisor.

Others would say they wanted carefully “researched stocks” with stuff like the “lowest P/E ratio.”

Or the “best bottom line”... or... the “greatest quarter to quarter sequential earnings growth”... or... the “largest number of insider buying.”

Or the Fibonacci, Elliot Wave reversal with a thousand other technical indicators... half of which they can’t even pronounce

And despite giving them any competitive advantage they wanted ...

You’d Still Blow Them Away!

Simply by having a list of stocks that are already moving up when you find them.

Your biggest short cut to short term trading success is getting the list of stocks already moving up in price because...

Once An Object Is In Motion... It Tends To Stay In Motion!

Therefore, one way to profit off that “object in motion” concept as it relates to the stock market is to start with a list of... Stocks That Are Already Going Up In Price!

When you confine yourself to trading only and exclusively stocks that are moving up in price like the one shown in this chart, you drastically swing the odds of a profit rich trade in your favor!

Please do not discount the importance of what I have just

explained to you.

Trading stocks that are already going up in price when I find them in pre-existing trends is the very core of my phenomenal success. This is my #1 "secret: to making profit rich trades...

And, more importantly, this can be your "secret key" to turning very small trades into very big trading profits.

OK, now here's another key concept I want to share with you.

In my method of trading I like to...

**Buy High
And
Sell Higher!**

A lot of idiots out there preach the old "buy- low, sell-high concept.

Problem is, no one can pick tops and bottoms... no one... and... if they tell you they can... they're stone cold lying.

So, rather than mess around with that garbage, it's much easier and far more profitable to buy high and sell higher.

This way, you can take advantage of the stocks that rise in price by several dollars per share in the magic 2 to 10 day time window.

Not only is this 2 to 10 day time frame one of the best times to trade, but I really believe ...

**Short Term (2 to 10 day) Is Easier
To Learn Than Day Trading!**

That may seem funny to hear coming from a former Nasdaq Market Maker who sat in front of a computer all day from bell to

bell, burning his retinas out daytrading.

But... after reviewing the feedback of over 20,000 traders and having personally trained thousands of people to make money in the stock market, I can tell you that this type of trading is easily mastered by people brand new to trading and especially people starting over as a trader.

Besides, day trading requires that you have at a bare minimum \$35,000 to get started because pattern day trader rules kick in when your account gets to \$25,000. To avoid that, you need at least a \$10,000 cushion.

The stock trading system you'll learn about here does not involve day trading... but it does involve making a gain of \$3... \$4... \$5... or more dollars per share over 2 to 10 day trends.

Let's review some key concepts to making profit rich trades.

Those being...

**Stocks Trending Up In Price
Jumping On An Already Moving Train
Buying High And Selling Higher**

How I built a system on this discovery...

Specifically, what I did was, I took this discovery... used the exact same killer strategy that allowed me to make the easiest money over and over again and again in my documented less than part time trading account... tweaked it slightly... and turned it into a step-by-step method.

To demonstrate this step by step system and how you can copy this in your own online account to pull money out of the stock market... I put my own money on the line and applied the method on a trade of just 300 shares and pulled a \$1853 profit

out of the stock market in less than two weeks.

Now, with my step-by-step trading system, and real trades to use as an example, I have ...

A Blueprint For You To Follow!

Just so you understand how real this is, I've included my trade confirmations so you know it's for real...

SCHWAB
101 Montgomery Street San Francisco California 94104
800 435 4000 www.schwab.com

Trade Confirmation
Retain for Your Records

Account Number:
Page 2 of 2

Security Description	Action	Trade Date	Settlement Date	Type
EBAY INC	BOUGHT	4/15/03	4/21/03	Cash
Symbol: EBAY	Security No./Cusip: 278642-10-3			
Branch Code: 00YY				
Quantity: 300	Principal: \$26,340.00	Fees & Charges: Commission: \$29.95	Total Amount: \$26,369.95	

\$1853.00 PROFIT

Security Description	Action	Trade Date	Settlement Date	Type
EBAY INC	SOLD	4/28/03	5/01/03	Cash
Symbol: EBAY	Security No./Cusip: 278642-10-3			
Branch Code: 00YY				
Quantity: 248	Price: \$93.80	Principal: \$23,262.40	Fees & Charges: SEC Fee: \$1.09, Commission: 29.95	Total Amount: \$23,231.36
Totals: 248			\$31.04	\$23,231.36

10 DAYS

Security Description	Action	Trade Date	Settlement Date	Type
EBAY INC	SOLD	4/25/03	4/30/03	Cash
Symbol: EBAY	Security No./Cusip: 278642-10-3			
Branch Code: 00YY				
Quantity: 52	Price: \$94.82	Principal: \$4,930.64	Fees & Charges: SEC Fee: \$.24, Commission: 29.95	Total Amount: \$4,900.45
Totals: 52			\$30.19	\$4,900.45

For all of the above:
Unless you have already instructed us differently, we will: hold these proceeds in your account.
Market where executed: Archipelago Exchange
Unsolicited trade
THIS TRADE WAS EXECUTED IN THE PRE-MARKET SESSION
Capacity code A

I included these real trade confirmations for a couple of reasons...

#1. It's important for you to know that, unlike most people...

I Put My Money Where My Mouth Is.

I Don't Just Talk The Talk, I Walk The Walk!

And, I'm in the unique position of being able to teach you how to do it too.

Plus, I put these trade confirmations in here because I get sick to my stomach when I see all those pretend experts out there.

Most of those guys couldn't even trade baseball cards let alone stocks and none of them can back it up with real trades.

#2. I also included these trade confirmations to show you that you really can make obscene profits just trading 300 shares at a time. I bought and sold this stock after a short-term hold.

This stock was up seven points in this time frame, and, I used a special exit strategy I will teach you, to lock in a profit. And this 2 to 10 day time frame is one of the best times for you to be trading stocks.

To me, the really amazing part of this type of trading is that it only takes a few minutes a day. The fact that you can make so much money in such short time is a real benefit. Let's face it, we're all crunched for time. We all have a lot of demands on us and the idea of sitting in front of a computer all day trading is

just not practical for most people. You don't need to spend all day trading.

Spend Just 17 Minutes A Day And Still Make Thousands In Profits!

The ideal lifestyle, in my opinion, is to be able to make thousands trading online, in as little time as possible, and still have a life that includes plenty of time for family, friends, community service and personal pursuits.

But, if making as much money as possible is your goal, then the more time you spend trading the more money you can make.

And remember, you can make great money even with little time to spend and a full time job.

Before you begin learning the system, I want to tell you how to avoid common mistakes so none of them happen while you are learning the 8-week system

To help you avoid problems, I want to give you the Top 10 Mistakes Traders Make And How To Avoid Them...

Mistake #1. No Exit Strategy.

This is the single most common thing I see in new traders. They buy a stock for all kinds of reasons but never have a plan to sell.

A successful trader always knows how, when and where he's going to get out before he gets in. You will learn the exact way to get out of any trade in Week 5.

Mistake #2: Wrong Money / Fear of Loss

Most people's fear of loss is greater than their desire for gain. To have trading success you need to understand that taking losses is as much a part of trading as is taking gains. The difference is in how you handle it.

Before you can get a rush of successful trading, you have to lose all fear... fear of loss... fear of uncertainty... fear of anything.

You need to lose the fear so you can start developing your trader's intuition and open yourself up to more frequent and larger stock trading profits and see countless opportunities to make a stock trade.

This is key because fear is an emotion, and once you remove the fear and stop trading on your emotions, you'll no longer trade like the "dumb money."

Know the exact amount of money to trade with makes all the difference in the world. I'll show you the secret to this in Week#2.

Mistake #3: Failing To Keep Important Notes

Keep a Trade Journal. At one point in my life, I had a very rough time refining my trading. I was 24 years old, and not as disciplined as I needed to be.

Keeping a trade journal helped me considerably. I would write down everything. The trades that I did, number of shares, price, how long I held the trade, day of the week, time of day, market conditions, where the market was, etc.

After periodically reviewing my trading results, with the help of an experienced mentor, I learned several things about myself

that I could easily change. Once I did, I immediately became a more profitable trader simply by eliminating a stupid mistake that I repeated a few times every month. This is how we learn to get better.

Successful trading is more of a marathon than a sprint. Keeping a trade journal (and learning from your mistakes) is a key to winning the marathon.

For example, I found out that my most profitable trades were those that were held 10 days or longer if it was a runaway winner. I also found out, through analyzing my trade journal, that I had better success trading stocks over 15 dollars per share and at least 150,000 shares a day. I never would have discovered stuff like this, had it not been for keeping a trade journal.

Try it. You're guaranteed to find out some things about your trading that can dramatically improve your results.

Mistake #4: Getting Emotional

Don't get emotional about your trades. Emotions are the root of all evil when it comes to trading. Set an Exit Strategy before you get into any trade. Nothing will sabotage your success like your emotions. Remain as clear headed as possible, whether you are winning or losing.

A specific technique that I've found to take my emotions out of my trading is to determine my maximum profit and loss parameters before I get into a trade.

The worst time to decide what to do is AFTER you're already in the trade.

After you get in and things don't go as planned, you're in the worst possible emotional state to make decisions. This is the time

that you start making judgment errors and saying things like, "I won't sell it while it's down here, I'll wait until it comes back up and then sell it." Don't ever do that.

The way to take all of the emotions out of your trades is to know the exact amount of money you should be trading with. You'll learn this next week. Then in week 5 you'll learn to determine, in advance, your maximum loss and ideal profit. This way, you will know the most that you can lose, and if the stock gets to your max loss point, you can get the hell out and move on.

Once these parameters are set, you don't have to make the decision about what to do after you're in the trade, because it was already made when you were not emotional about it.

Mistake #5: Big Loser – Small Winner

Don't allow yourself to lose more than you allow yourself to make. Don't be the kind of trader that will take a five \$5000 loss on a trade, but that gets out every time he's up \$200.00.

I always try to allow myself to make at least twice that which I'm willing to lose. This way, I can be "wrong" half the time and still make a profit trading.

By the way, usually, if the stock starts to drop before it hits my profit target, I'll sell it "at the market," rather than let it drop and hope that it comes back.

Don't make a losing trade a long-term hold. This is a cardinal rule of trading, if there ever was one. As I said earlier, losing is as much a part of trading as is winning. Under no circumstances, would I hold a trade that went against me and hope that it goes back up, so that I can sell it when it does.

Limit your losses, and the gains will shine through. Let your losses run and you'll be out of money quickly. In fact, one of the people that I absolutely could NOT help was a guy from New Jersey that would take little tiny profits whenever he had them, but would hang on to a losing trade until it practically wiped him out.

Mistake #6: Type of stock.

Another common mistake is simply getting into the wrong types of stocks.

Most often people make this mistake in penny stocks. The lure of penny stock trading is great but the odds of success are small. You can get some of the largest returns on the planet with penny stocks but they are so risky that you will most likely end up losing all or some of your money.

On the other extreme, stocks like dividend stocks may hardly go up at all, but they have a nice safe dividend yield. You can also trade dividend stocks and buy and hold dividend stocks.

You can avoid this mistake by simply sticking with listed stocks to start out. Stocks that trade on the major exchanges.

Mistake #7: Trying to day trade.

This may seem like strange advice coming from a former professional day trader. But what I have discovered after consulting with thousands of people is that day trading happens too fast for most people.

I have also discovered that most people do not have the \$25,000 required to day trade. And that it is the easiest way to burn out.

The easiest way to profit trading is on common stocks that are trending up in price and moving enough so that you can make 2 to 10 dollars per share in 2 to 10 days. This is what you'll learn every week.

Mistake #8: Not knowing the broad market's trend.

The broad market's trend rules the overall stock market.

My research indicates you can improve your odds of success on any trade simply by trading in the same direction as the broad market.

If you are buying stock in bull market your odds of success rise dramatically.

If you are shorting stocks in bull market the odds are against your success.

Knowing what the "market" is doing is key. In some market conditions, you might not want to trade at all.

The easiest way to determine the broad market's trend is to simply look at the 6 month trend of ticker symbol DIA. You can tell from there what direction the trend is. For a better view you might want to add any chart criteria that helps you see the trend.

Mistake #9: Averaging Down

Averaging down is where you already own a stock at a higher price and it's down and you buy more shares when it's down to bring down your average price per share.

The bottom line is you still have a loss so when you average down you instantly lose money and create a bigger capital loss.

On the other hand, averaging up with a stock in a rising trend is great and can be very profitable.

Mistake #10: Too much fundamental analysis.

Ok, now that we have that part out of the way, let me give you an overview of the trading system you'll learn.

First you will get a solid foundation built with the right amount of money in the right account.

You already learned that stocks already going up are the best to trade. In Week 3 you'll learn how to get the exact list of stocks that are 97% certain to move up in price.

We'll focus on common stocks that are easy to find. Our goal is to make \$2 to \$10 dollars per share with a time frame of 2 to 10 days or longer if it's a runaway winner.

This time frame is the most profitable because it is not dominated by day traders or other market professionals.

Plus this time frame allows you to make the quickest and easiest profits the stock market has to offer.

After you get this special list of stocks, you will learn in Week 4 how to pick the cherries every single day the stock market is open.

Once you've picked a few cherries, you will learn in Week 6 how to enter and exit your trade before you get into it. We'll have an exit strategy in place on every trade.

To add to your trading skills, in week 6 you will get the secrets to sell stocks short. Stocks fall a lot faster than they go up so you need this to profit in volatile times and bear markets.

On top of this you will want to use options from time to time. In Week 7 you will learn the #1 way to make profits with options.

Trading involves risk but there is a secret way to have zero risk in a trade and I'll reveal how you can bullet=proof yourself in Week 8.

To build upon what you've learned here, you'll get a new lesson every week for 7 more weeks.

These lessons form the entire system and teach you step by step how to make profit rich trades.

Here's what you get...

Secret #2: The Secrets To A Strong Foundation. Without this you cannot succeed no matter what you try.

Secret #3: How To Get The Exact List Of Stocks That Are 97% Certain To Move Up In Price!

Secret #4: The Secret To Picking The Cherries Every Single Day The Market is Open!

Secret #5: How to get in and out of your trades so they have the highest possible chance of producing a profit!

Secret #6 The Secret To Shorting Stocks For Fast and Massive Profits!

Secret #7: Insiders Options Secret: The #1 Way To Make Profits With Options!

Secret #8: How To Make Yourself "Bullet-Proof" on Every Trade!

At the end of these 8 weeks you will know all how to make all the profit rich trades you want... part-time from home... every single day the stock market is open.

Next week, you'll receive lesson #2 The Secrets To A Strong Foundation. Don't trade until you read this.

Sincerely,

Jack

PS. This is a great time to learn to trade. The market should be perfect for trading for several more months.

Profit Rich Trading Week 2

The Secrets To A Strong Foundation.

Hi Trader

Welcome to week #2. This week, you will learn the secrets of building a strong foundation first, so you can handle making real measurable wealth trading stocks.

Before you we begin. I want to tell you something amazing about trading.

It's simply this...

**The Stock Market Is Willing To Make You
As Wealthy As You Want To Be!"**

Stock Trading is the best business in the world.

You can do it from anywhere in the world and you don't have to deal with all the crap the rest of the world has to deal with like having a job and all the hassles and headaches that go with it.

When you're a trader, you have...

- No Boss
- No Office
- No Co-Workers
- No Employees
- No Inventory
- No Products

- No Services
- No Customers
- Or anything else that makes your life heavy and complicated.

That last line is my favorite part about being a trader.

The stock market also has one more thing going for it that NO other market or business in the entire world has going for it. In the stock market, the profits you make come to you as real spendable cash... faster than anything else.

Another beautiful thing about the stock market is that, regardless of whether it's going up OR down, you can still make profit rich trades.

In fact, you can even make money faster in a falling market. We'll cover that in the part Week 6 about "shorting."

To be successful, it's absolutely critical that you get "the foundation" right.

This foundation includes...

- A. Having complete control and independence.
- B. Determining the right money you use to trade.
- C. Getting the right type of trading account opened.
- D. Trader Brainwashing!

Laying The Foundation.

Step One.

You need to have complete and total control over your emotions and the orders you enter.

This means you can't be financially desperate and you can't

be trading like the dumb money and expect to make a profit.

Your trades must be your trades in every sense of the word.

You can't expect to follow stock picking services and so called trading "guru's" and find success.

Here's a true story.

Recently I spoke to a man about how to trade stocks.

This guy was very serious about finding the right mentor. He researched some stock picking services on the internet, you know, the ones pitching pie in the sky returns. He signs up with one after reviewing their trading records with a microscope.

Prior to him subscribing to their service, the guru stock pickers were up like 700% for the year. He analyzes their return, then after he signs up they have over one hundred losing trades in a row and the guy loses about \$142,000.

He goes back online and "Google's" all kinds of search terms looking for the best traders and subscribing to their picks.

He finds another one, and without understanding a damn thing about what they were doing and how they derived at their trading picks... he blindly jumped in.

Same result.

Down another six figures.

This goes on two or three more times till he's down about \$500,000 until he calls me.

After you take this eCourse, you won't be like this guy because you will understand what's going on... how to pick your

own stocks to trade and why this type of trading works so well. You will know how to make your own trades without relying on anyone.

You should also control how your order is routed to the exchange using direct access brokerage firms.

It's easy to find the stocks to trade (I'll even show you how) so you won't have to rely on anything from Wall Street analysts or any stock picking services or advisory services or stock brokers or mutual funds anymore.

This way, no one will be able to pull the rug out from under you when you follow my system.

Step Two.

In order for you to have complete control over your emotions... and thereby avoiding the costly mistakes of the "dumb money"... you have to determine your risk capital. In order for you to have any kind of real success trading stocks you have to be trading with what you consider "risk capital".

You can't be using the rent or grocery money to make trades with. This is money you can't afford to lose... also known as "scared money." Scared money never wins, period.

The market can smell scared money and devour it like a pit bull that's been starved in a dark shed for three days.

My general rule of thumb on how much money you should start trading with is any amount that you could take a lighter to and not cry about it.

If losing this money impacts your life, it's not risk capital.

By the way, this does not mean you will lose all your money,

but once you've initially set yourself up to trade only with risk capital, you are far less likely to make emotional trading decisions.

This also mentally frees you up to experience larger and more frequent trading profits.

Before you can get a rush of successful trading, you have to lose all fear... fear of loss... fear of uncertainty... fear of anything.

You need to lose the fear so you can start developing your trader's intuition and open yourself up to more frequent and larger stock trading profits and see countless opportunities to make a stock trade.

This is key because fear is an emotion, and once you remove the fear and stop trading on your emotions, you'll no longer trade like the "dumb money."

I can't even begin to tell you how many people start out with the wrong money. The "wrong" money by the way has nothing to do with any amount of money. It has to do with the type of money.

See, even if you have a \$100,000 account, if it's money you can't afford to lose, you're doomed right from the start.

On the other hand, if you have a \$10,000 account, and it's funded with "risk" capital... then you're far less likely to trade with fear and hence... less like the dumb money.

Don't get me wrong, I love the dumb money and I'm convinced there is an endless supply of "dumb money" in the stock market every day. And, profiting off of it is so easy it's sometimes damn near embarrassing, like taking candy from a baby.

But my point is this=> The 10 grand account has a different "type" of money in it. In this case, a \$10,000 account of risk capital can be more powerful and profitable than a \$100,000 account filled with money you can't afford to lose.

Consider this...

Once I spoke to a man who desperate for some trading help.

He does about 50 trades a year in a \$100,000 account. However, he has trouble "pulling the trigger" and just can't enter a trade... long or short.

He couldn't understand it.

His trading problem couldn't be because he wasn't smart. He was very smart, in fact, far more intelligent than I am.

His problem couldn't be a lack of money because a \$100,000 account let's you do it all... day trade... swing trade... options... the whole nine yards.

It couldn't be because of a lack of trading opportunities because the markets' moving and opportunities are everywhere.

The guy's problem was that the hundred thousand dollars he had in his trading account was everything he had in the entire world... and then some.

To fund his trading account, he took out a home equity loan.

His plan was to take out a \$100,000 home equity loan and trade stocks for a living. He had a mountain of consumer debt he had to make monthly payments on and a new second mortgage payment and he needed to cover his nut every month trading stocks.

The bottom line was: Even with a college degree and \$100,000 in your account, if you're trading money you can't afford to lose, you'll never win.

Scared money never wins, period.

Just because you have \$100,000 and a college degree, it doesn't mean you can learn to be a great stock trader.

You could be a dumb ass from Gary, Indiana (who barely made it through school) and still make more money trading stocks in one month than most people make in 3 years.

I know, because I have.

The size of the account, the amount of money you have, doesn't matter.

What matter's is the type of money that's in your account.

Now figure out how much risk capital you have to fund your trading account and write that number down on a piece of paper.

Step Three:

You'll need the right brokerage account to execute your trades.

Back in the 90's, some brokerage firms had a definite advantage in the way orders were routed to the exchange and executed.

These days that is not the case. It's a level playing field when it comes to brokerage firms.

Firms like Schwab, Ameritrade, Scott Trade and Etrade all offer "direct access" to the markets and the ability to trades online with advanced features like "stops" and the ability to enter

option orders etc.

In my opinion, all the online brokers offer too many bells and whistles.

There's a ton of stuff at your fingertips, but none of it really gives you an edge and none of it will be needed for trading with this system.

What you'll learn here is easy. I've even just simply called in my orders using my cell phone, so it's not like you even have to sit in front of a computer to do this.

But I do recommend you get an account opened with a "direct access" broker. This way, you have complete control over your order's execution, whether that be online or on the phone.

You'll also want to be able to buy and sell options and have the ability to sell stocks short.

So when you decide on a firm to trade through, make sure you get the paperwork signed to do options and sell short.

Go online and check out a few online brokers. Download a demo of their trading platform or try a practice account.

Open your account with the brokerage firm that you are the most visually comfortable with when you look at their trading platform online and one that has live help in case your internet connection fails in the middle of a trade or some other unforeseen obstacle.

Here's a few to check out...

www.optionsxpress.com

www.optionshouse.com

www.interactivebrokers.com

OK, after you check out a few brokers, pick the one you want and write it down.

It would be a good idea at this point to stop and actually go through the process of opening your trading account. If you haven't already done so, do that now.

When doing this, you want to trade virtually at first, this will show you how things unfold in real time and show you what you can expect in terms of price movement and days involved.

It will also help your confidence to do this before your trade real money.

This week, take at least 3 days to consider your true risk capital.

Also, get a new dedicated trading account opened. And pick 3 to 5 stocks to start following.

It does not matter what stocks you pick as long as they are listed on major exchange. Start off with DIA, SPY, KO, plus a few others. This step is just to get you set up and looking at the market.

Next week we'll learn. Secret #3: How To Get The Exact List Of Stocks That Are 97% Certain To Move Up In Price!

Profit Rich Trading Week 3

How To Get The Exact List Of Stocks That Are 97% Certain To Move Up In Price.

Welcome to Week 3.

By now you know the #1 Secret To Making Profit Rich Trades, you know the secrets to building a strong foundation and you should have your account opened to trade virtually at first to build your confidence before you go live.

This week you'll learn one of the most valuable secrets you will ever learn about stocks. I've made more money than I care to admit because of this secret and I'm still using it... even in my IRA.

To understand this secret, we must first review a key principal of the stock trading system.

In the Profit Rich Trading System, a key principal is...

**Buy High
And
Sell Higher!**

Say that out loud... "Buy High and Sell Higher!"

A lot of idiots out there preach the old "buy- low, sell-high concept.

Problem is, no one can pick tops and bottoms... no one... and... if they tell you they can... they're stone cold lying.

So, rather than mess around with that garbage, it's much easier and far more profitable to buy high and sell higher.

This way, you can take advantage of the stocks that rise in price by several dollars per share in the magic 2 to 10 day time window.

Not only is this 2 to 10 day time frame one of the best times to trade, but I really believe ...

Short Term (2 to 10 day) Trading May Be Easier For You To Learn Than Day Trading!

That may seem funny to hear coming from a former Nasdaq Market Maker who sat in front of a computer all day from bell to bell, burning his retinas out daytrading.

But... after reviewing the feedback of over 20,000 traders and having personally trained thousands of people to make money in the stock market, I can tell you that this type of trading is easily mastered by people brand new to trading and especially people starting over as a trader.

Besides, day trading requires that you have at a bare minimum \$35,000 to get started because pattern day trader rules kick in when your account gets to \$25,000. To avoid that, you need at least a \$10,000 cushion.

The stock trading system you'll learn about here does not involve day trading... but it does involve making a gain of \$3... \$4... \$5... or more dollars per share over 2 to 10 day trends.

Let's review the foundation that we've laid here: You've identified and clarified your risk capital and the type of account you really need. You have a grasp of the trader's mindset. You know to focus on stocks that are in up trends when you find them.

We talked about some key concepts to making profit rich

trades. Those being...

Stocks Trending Up In Price...
Jumping On An Already Moving Train...
Buying High And Selling Higher...

Next, I'm going to teach you... in three easy steps... how to get the best stocks to trade.

Step One:

How To Get The Exact List Of Stocks
That Are Certain To Move Up In Price.

Step Two:

How To Filter Your List Down To The Cherries

Step Three:

The Secret Of Picking The Right Stock To Trade
(Focus On "Special Stocks")

Let's get started with step one:

How To Get The Exact List Of Stocks That Are Certain To
Move Up In Price!

What I'm going to share with you in this part is a secret so valuable, I can't even put a price on it.

I've made a ton of money personally trading stocks and options because of this secret.

But, more importantly, this little gem of a secret has turned more losing traders into winning traders than anything else on

the planet.

Not only that, but it's the quickest and easiest way to start trading stocks profitably.

Here's why...

If you were going to research stocks to trade and then make a list of the best ones, that would take months.

And even then, all the information you have would be a pile of total bullshit because it would all be fundamental analysis.

Since we don't want to wait months to get a list of stocks to trade... and... we don't want any stories involved in our stock picking or any unreliable information whatsoever, we're going to avoid all those problems and start off with a list of stocks that are currently moving up in price when we find them.

And the single best list of stocks to trade that you could ever get is a list of stocks that are making ...

A New 52 Week High!

This is our single best list of stocks to start with for several reasons...

Let me lay them out for you...

Reason #1 : The Law Of Physics

It's always good to have the law on your side. The law of physics also works in the stock market... once a stock's price trend is in motion it tends to stay in motion. This puts the odds of probability dramatically in your favor.

Reason #2 : Lack of "Overhead Supply"

Technically speaking, when a stock's price reaches a new 52 week high, there is what's called a "lack of overhead supply". The reason is because once a stock's price reaches a price level higher than any price it has traded at in the past 52 weeks, there are almost no sellers. This lack of overhead supply can make a stock skyrocket in price.

Reason #3 : "Professionals Piling On"

Stocks making a new 52 week high get picked up on "hedge fund radar" all over the world. Professional traders make millions from the momentum of a stock's price increase. These are the stocks that make them rich.

Reason #4 : Works Regardless Of Market Conditions

Stocks hitting a new 52 week high deliver profit rich trades...No Matter What The Overall Stock Market Is Doing!

Just so you understand how true that statement is consider this...

When the stock market experienced it's largest point drop in history... Monday, September 17, 2001... the Dow dropped 684.81 points. The Nasdaq dropped 115 points.

All in all, it was the worst day in the stock market... period!

And yet, as bad as that day was for the overall stock market... 63 stocks actually went up to a new 52 week high! On the Nasdaq, 35 stocks went on to make new highs... the very same day!

Reason #5 : Statistical Advantage

After analyzing thousands of my own trades throughout the largest up and down market in history, I made an important discovery.

What I noticed was when a stock hit a new 52 week high, it kept going up in price most of the time.

Then, when I look at some of my largest trading profits, I noticed that... every one was making new highs when I owned it.

This had me fascinated. So I then had a computer programming expert back test it over 6000 times to verify my discovery.

Just over 97% of the time, once a stock hit a new 52 week high, it went higher in price.

The stock may have gone up in price a few pennies over the next few days... or it may have gone up in price ten dollars or more in the next few days.

The bottom line is, this is the single best starting point when it comes to looking for stocks to trade.

These five (5) reasons make this the best list of stocks to start with.

There is yet another... very personal... reason that I want you to start with this list of stocks. This reason is because when most guys come to me for help, they've already been in the stock market for a number of years.

Some of them have been in the stock market for 10 years, 15 years, 20 years... some even more.

Some of them have already bought a ton of trading systems

through the mail and on the internet.

Some of them have attended workshops and some have even studied and been trained personally from other so called trading gurus.

Yet, despite how long they have been in the stock market, what they bought and who they learned from... if they added it all up... they are really no further ahead than when they started.

So when a guy like that comes to me I don't want to baffle him with more bullshit. First and foremost, I want that guy to start quickly and easily making a string of profit-rich trades.

That's the very first thing.

This builds up a guy's confidence like nothing else.

Then the guy can go from there to building as big of a trading business as he wants.

**Getting him "in the black" early,
quickly and easily is critical.**

And the fastest and easiest way for that to happen to him is for him to start with stocks that are currently moving up in price when he finds them, then get in and out while the stock is still trending up.

Pick up three, four, five or more bucks per share and then bail out and look for another stock to trade.

Again, it's the concept of jumping on an already moving train. And like I said, stocks hitting a new 52 week high are the best to start with.

Trading stocks on this list also puts us in the advantageous position of...

Buying High and Selling Higher!

You can get this list every single day the stock market is open.

You can get this list of stocks making a new 52 week high, every single day the stock market is open, from several sources both online and offline.

You can get it in some newspapers.

Or you can get it from my Trend Point software.

Or, you can get it online at a few websites.

Choose the one you like best then click on a few stocks in that list and check them out.

This is the list that we'll start with every time we'll be looking for new stocks to trade.

Over the next week, I want you to spend about 15-20 minutes a day looking at stocks on this list.

Don't spend a lot of time studying each chart in detail, just click on the stock symbol, look at the chart for a few seconds then move on to the next one.

Here's a secret about picking stocks on the list. And it's a good one. So good that it will give you an unfair head start. A bit later in this course, we'll use charts to help filter the list down.

But for right now, I want you to look at the stock symbols in the list of stocks hitting a new 52 week high.

And what I want you to do is pay particular attention only to the stock ticker symbols.

If you look at this list of stocks symbols every day... after a couple three days... you'll start to notice that there are a few stock symbols that appear on the list over and over again throughout the week.

These are stocks that are in enormously powerful trends. Trends that will continue going up in price. And they are the stocks that provide a good shortcut to success.

Trade Well,
Jack

PS. Next week you will learn how to pick the cherries to trade every day the market is open!

Profit Rich Trading Week 4

The Secret To Picking The Right Stocks To Trade

How To Filter Your List Of Stocks Down To The “Cherries”

At this point, we’re going to get deeper into the stock picking part.

And, it’s important that you get this part right.

To get your “trading brain” working, let’s review some key principals and concepts from the last lesson...

We talked about jumping on an already moving train... and ... buying high and selling higher.

The stocks that give us the best odds of doing that are stocks hitting a new 52 week high.

And we picked a few stocks from the “raw” list.

This next part is about...

How To Filter Your List Down To The Cherries

This is the next step in the stock picking process.

What we’re going to do here is filter that list we got in Step One... Down To The “Cherries.”

We need to “filter” the “raw” list of stocks down to the cherries because...

A. It’s too big.

The list might contain several hundred stocks, depending on market conditions.

B. Not all the stocks on the list are good to trade.

In our research, we found that the 52-week high phenomenon was powerful.

Yet, some stocks...after hitting a new 52 week high... only moved up in price a penny.

Some of the stocks moved up in price ten dollars per share... or twenty dollars... or more. The biggest difference in the stocks probability of moving up in price was the stock's pre-existing up trend or lack thereof.

Additionally, to increase our odds of success, we want to eliminate penny stocks and thinly traded stocks that don't have an average daily volume of at least 500,000 shares.

To "filter" the stocks down, we'll use...

Trader Vision

Trader vision is being able to see everything you need to know in a stock's chart.

This is critical because everything we do is based on the chart.

Here's why...

The Analysis Secret

Whenever you look for a stock to trade, there are only two different ways to find a stock.

Those two different ways are...fundamental analysis and technical analysis.

In other words, from a “predicative” view or “reactive” view.

The guys doing fundamental analysis read tons of stuff.

They read all the company press releases, stacks piled to the ceiling of Wall Street analyst’s reports (what a joke) from every brokerage firm on Wall Street.

They read the company’s quarterly earnings reports (what a lie).

Ever read one of these?

These company produced quarterly reports and annual reports are filled with jargon and accounting language that nobody can understand and some of which seems to be totally made up.

Like the “synthetic lease” found in one of Krispy Kreme Donut’s quarterly reports.

The fundamental analysts read all this stuff and more, etcetera, etcetera, ad nauseum...

From all these piles of crap they come up with calculations and stock price valuations to determine if a stock’s price is overvalued or undervalued and from there they try to “predict” the stock’s price movement.

Fundamental Analysis Is A Total Waste Of Time!

There are two reasons fundamental analysis is a total waste of time.

#1. The reason is because you cannot rely upon any information you get from the company you are researching or from Wall Street analysts.

Before I found success as a trader, I was trained as a stock

broker on Wall Street so I'm telling you this as an insider –

**Company Management's Job Isn't To Tell You The Truth...
It's To Get You To Like The Stock!**

Same thing with Wall Street analysts, company management blows smoke up their skirt and the next thing you know the analyst's brokerage firm is issuing a "strong buy" recommendation.

2. Wall Street brokerage firms have already been busted for "conflict of interest" when it comes to recommending stocks. They would issue "buy recommendations" then talk amongst their peers and friends about what a piece of shit the company was.

**Nobody On Wall Street Cares If YOU Make Money,
They Only Care If THEY Make Money!**

You cannot trust any information you get from a company or from Wall Street!

Since you cannot trust any information from the company or Wall Street analysts, any time you spend on fundamental analysis is a complete and total waste of time.

**Besides, all the relevant fundamental information is
already built into a stock's price.**

And... that leads us away from fundamental analysis, into technical analysis.

Technical analysis is "reactive."

And that's what I like about it.

Understand something: I don't try to predict anything. I simply react to a stock's price movement.

I like to ride trends in a stock's price.

If the stock's price starts moving up, I react by buying it.

So, the first thing I did that dramatically improved my results was to stop trying to find good stocks to trade based on fundamental analysis reading any research about the company and only use technical analysis to find stocks and decide when to get in when to get out.

When I say technical analysis, I mean using a stocks chart to see a trend.

A trend is a series of higher prices over time.

Using a chart's set up will also help us filter stocks as well.

This way, when you type in a stock symbol, you can tell in about 2 seconds if it's a good stock to trade.

Use the charting software that you have with your online broker to do this for you.

You have a charting program inside your online account.

Start by using that.

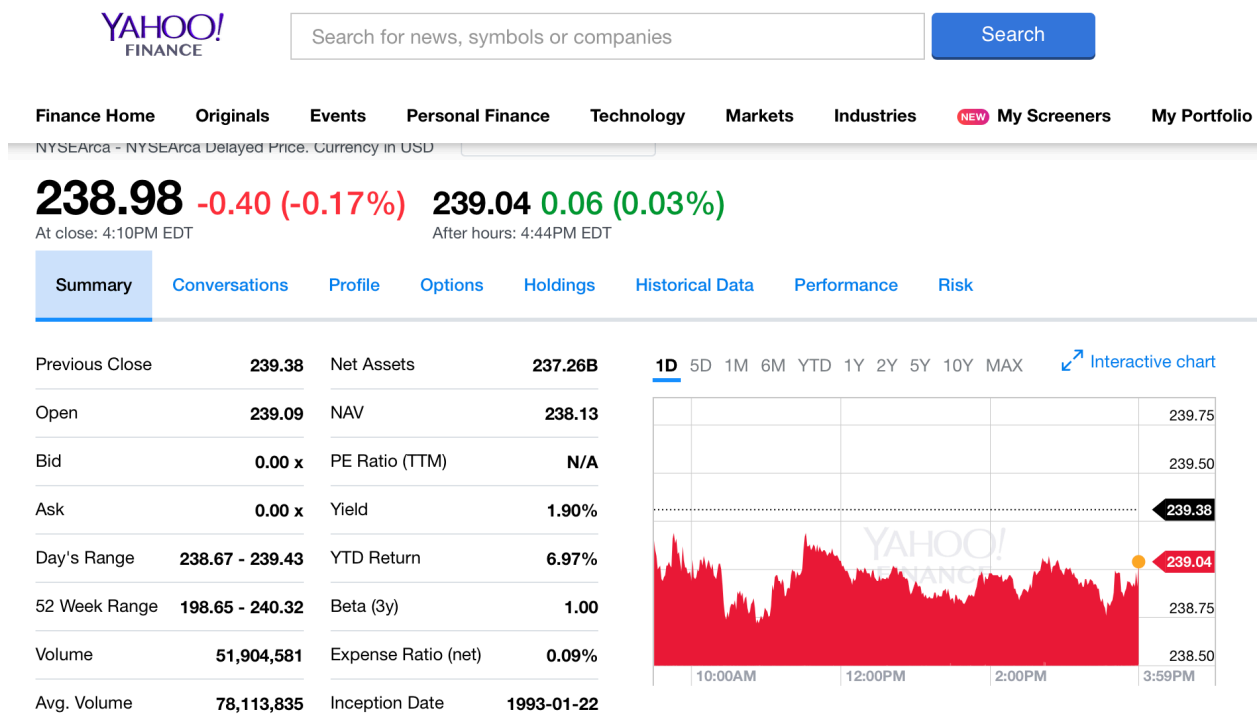
But since we have different accounts at different brokerage firms, let me show you how to do it, then you can apply it to the charting service you like best.

Here's the step-by-step process...

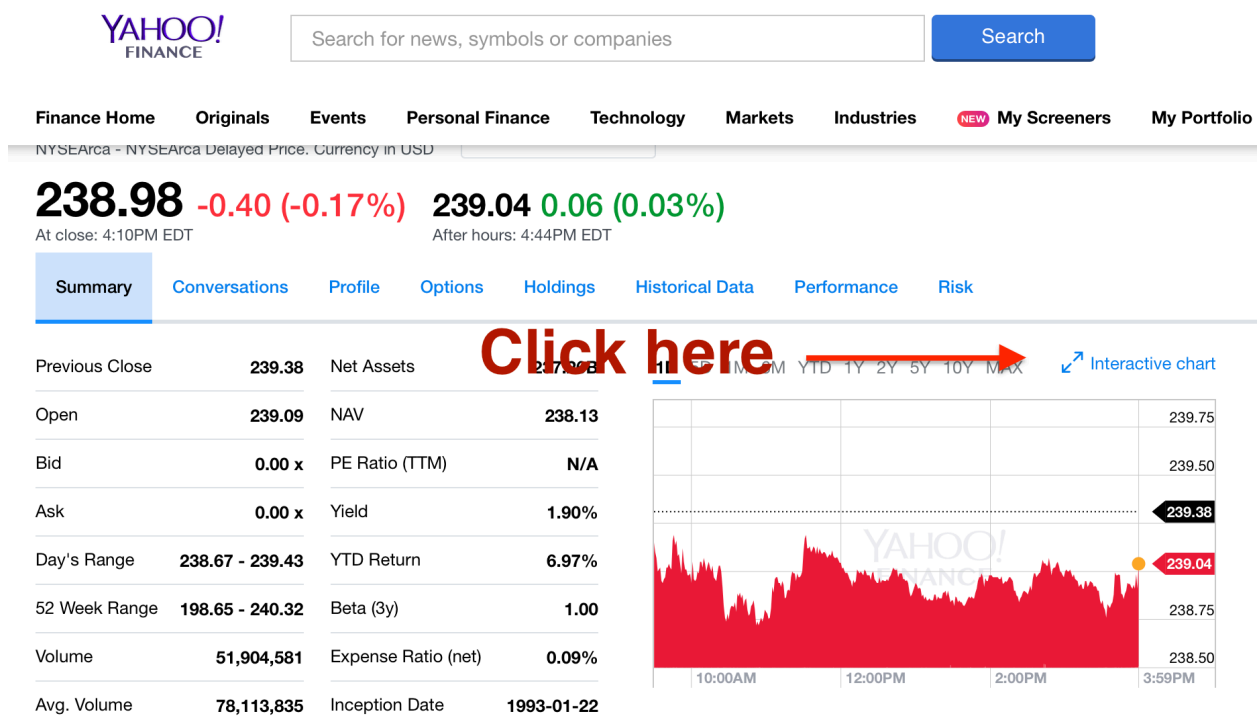
Step1. Go to yahoo.com

Step 2. Click on Finance

Step 3. Enter ticker symbol SPY



Next, click on interactive charting...



Once you click interactive chart, you will need to select a time frame for your charts.

The you will add 3 indicators.

First, set the time frame to set months.

In the interactive mode choose 6-month time frame...



Next, you will apply three technical indicators to your chart.

These technical indicators are...

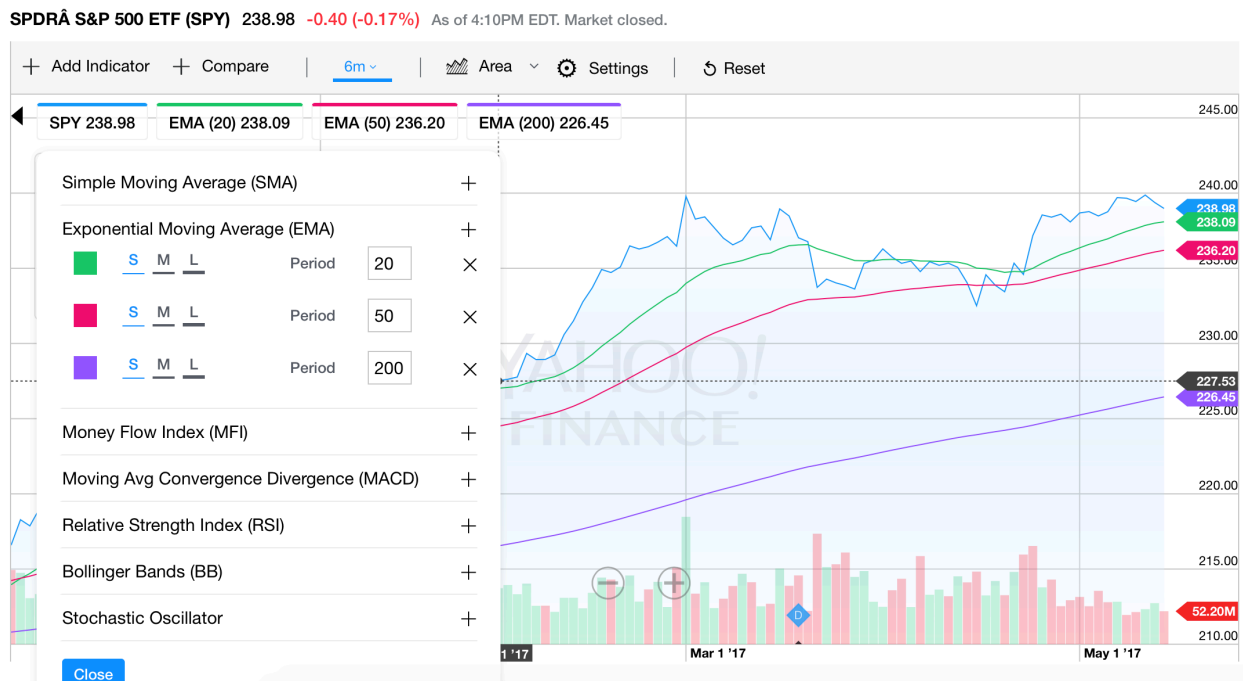
1. The first technical indicator will be the 20 Day EMA. This is an Exponential Moving Average.

I like it better than a simple moving average because it smooths out the data.

2. The second technical indicator will be the 90 day EMA.

3. The third technical indicator is the 200 Day EMA.

Now you can see where any stock or the stock market is in an instant...



Now that we have our “chart set up” every time we type in a stock we can see where it is relative to these three technical.

If it's above all three it's market condition is bullish.

If it's below all three, it's market condition is bearish.

If it's in between indicators, then it's in no- man's land and it will be volatile and bounce between these indicators.

Assignment #1: Use your trader vision. Set up your charts and determine the current market's condition and write it down here:

Also, look at every stock you own and see where it is relative to the technical indicators.

This chart set up is critical because it gives it gives you trader vision.

But it is also critical for another reason...

Every stock you buy and every trade you make will be...

MARKET DRIVEN!

What this means is that the broad market dictates our every move.

We never force a trade against the market.

We always trade with the broad market.

The Next Step In The Process...

The Secret Of Picking The Right Stock To Trade (Focus On "Special Stocks")

In picking stocks to trade, I generally rule out any stock that is...

~ Below \$15.00 per share. This is just based on my personal experience. As a trader, I do better with higher priced stocks.

~ Trading less than 500,000 shares a day in average daily volume.

~ Any stock in a “chaos” pattern.

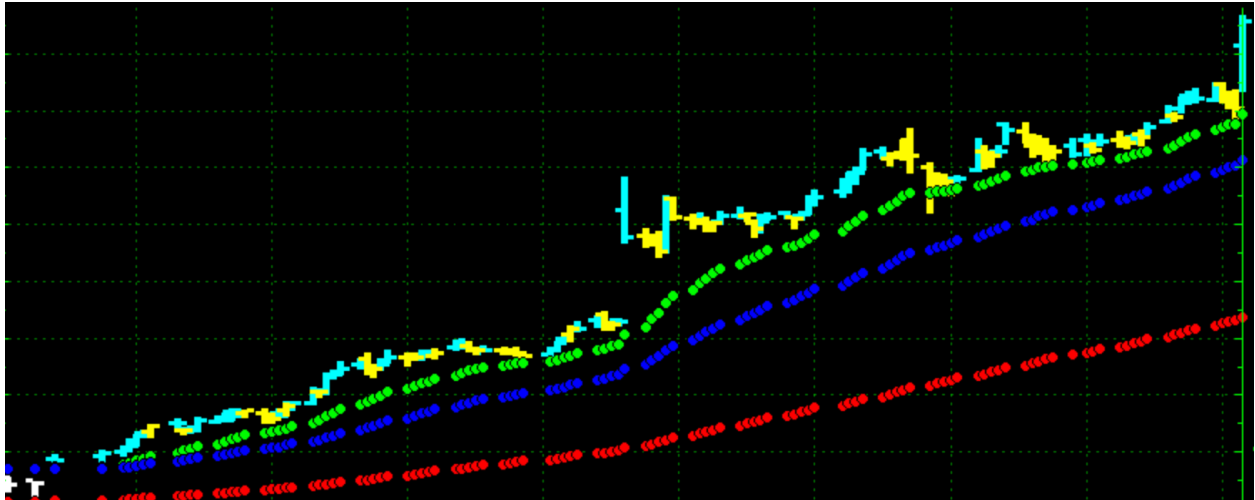
Specifically I am looking for stocks that are in positive uptrend when I find them.

I look for a nice smooth upslope in the stock’s price as well as rising EMAs.

The stock’s price, based on the six month chart, should have the potential to move up in price 3 or more dollars per share over a two to ten day time frame.

Relative to the EMA’s, I want the stock to be trading above all three with the short term EMA clearly serving as support.

The best way for me to explain it is with pictures so I’ll use charts of stocks that I like and charts of stocks that I don’t like so you can clearly see the difference.



I first found the stock using the same technique I’m teaching you.

This stock has two things going for it that really jump out at me.

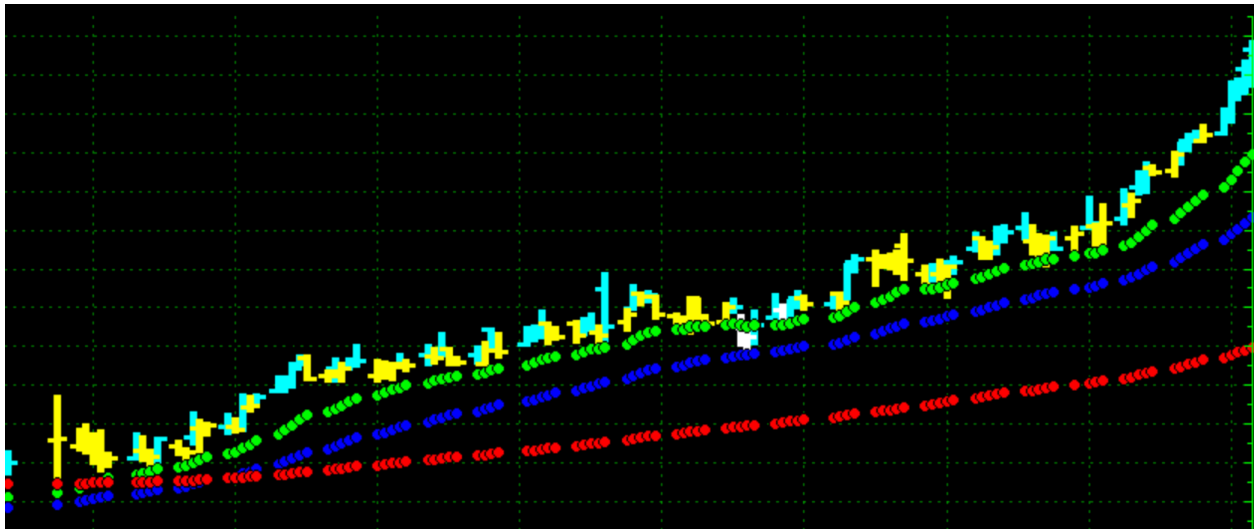
Those are...

1. Volatility
2. Directional bias.

A little bit of volatility is a good thing. We want the stocks we trade to have a little “juice” in them.

When you couple volatility with a directional bias you have the definition of trader’s nirvana.

This is another classic example...



OK, this week, you learned how to get the list of cherries to trade every single day the stock market is open.

Next week, you will learn the Profit Rich Trading Secret #5: The secrets of getting in and out with the least amount of risk and the highest profit potential on every trade.

Trade Well,
Jack

Profit Rich Trading Week 5

The Ins and Outs of Getting In And Out.

In the last lesson, we went over the biggest secret to your success as a trader.

If you haven't totally grasped that yet, do yourself a favor and re-read the last lesson.

Ok, let's pick up where we left off...

Now that we know the stock has a high probability of moving higher in price... the next part is...

How and When To Get Into A Trade:

Here is one of my most important "secrets." Most people think that you need hair splitting and extremely precise entry and exit points to make money trading.

And that thinking can be a huge obstacle to actually making profitable trades.

Since we are only dealing with stocks that are moving up or down \$2... \$3... \$4... \$5 or more dollars per share over 2 to 10 days, it's not worth getting all hung up on a few pennies difference in entry price.

All You Want Is A Little Piece Of The Existing Trend!

And the best way to make sure you get onboard an already moving stock is to buy it "At-The-Market."

What this means is you want to make sure your order is entered as a "market order."

Here's a true story...

It may help you conquer a huge trading problem.... something that may be holding you back... and preventing you from having real measurable short term trading profits...

The original trade that I studied for this system came from a trading strategy that was a bit labor intensive yet produced a string of profit rich trades.

The first step used to find a stock to trade was a manual system of "pattern recognition."

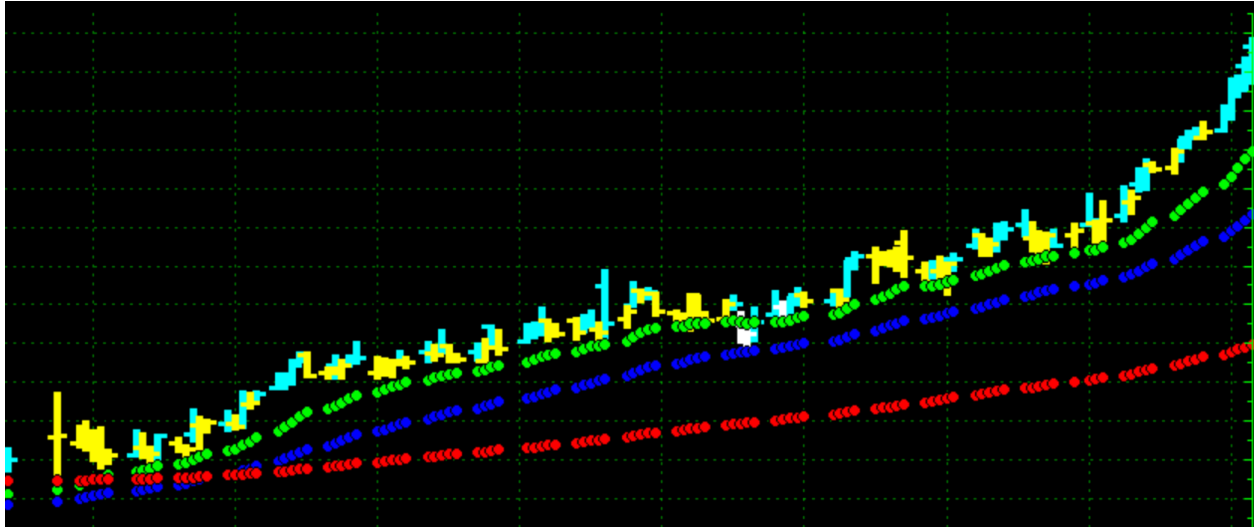
What our team of traders would do is study hundreds of chart patterns of stocks that have moved significantly prior to a certain event.

Then when they saw the same pattern on a certain list of stocks, they made a trade based on insight that the pattern would continue and the price would rise and they'd make a profit.

This "pattern recognition" method required a small team of traders getting a specialized list of stocks that met a certain criteria, then looking at each individual stock's chart to see if they recognized a certain pattern.

Next, they went through the list... pulled up each chart on their computer... until one of them sat straight up in their chair and shouted...."How 'bout this one?"

Profit-Rich Trade Chart Pattern To Recognize:



Once they saw something like this... they simply jumped on the "already-moving-up" stock simply by entering an order to buy the stock "at the market."

The "buy" order was entered at roughly the middle of the day... when the market is most quiet... between 10:00 and 2:00.

Most traders have it completely backwards.

Most traders place way too much emphasis on monitoring a huge list of stocks for precision entry points and not enough emphasis on managing the trade after they get in the trade.

We've already eliminated having to use technical analysis for determining entry and exit by only dealing exclusively with a list of stocks already moving up. You simply jump on an already moving train.

Here's another key benefit. Once they had a stock that was already moving up, they skipped all the problems caused by Wall Street analysts, accountants, and Wall Street corruption. This was a key to profiting throughout the largest up and down market in history.

Once they were in a stock that was already moving up in price, then, the real work began... managing the trade. You know, placing stops and adding trailing stops and using the math trick to determine where to get out.

They simply bought stocks off this list using pattern recognition as the only buy criteria.

Here's why...

Early in the game, after doing thousands of trades and calculating hair splitting entry points, they figured out that no matter how precise their entry point was...

They Were Still Just Guessing!

No matter what anyone says about how you should enter a trade... no matter how you or anyone else decides when to enter a trade... when you click the mouse to buy or sell, you are still just guessing.

I don't care if you use the most sophisticated trading software in the world. I don't care if you have 7 trading terminals and scan 5000 stocks and get the most expensive stocks picks...or develop sophisticated mathematical formulas.

Every single time you enter a trade, you will be guessing. Every real trader knows this. So don't stress your guess.

Here's something that will help you...

The Secret Life of Stocks

I want to share with you one of the biggest secrets to my success.

This secret helps me in three major ways...

1. Helps me avoid losses.
2. Keeps me from buying stocks at the wrong time.
3. Helps me make larger profits on every trade.

The secret I'm about to share with you involves understanding how stocks move on a day-to-day basis.

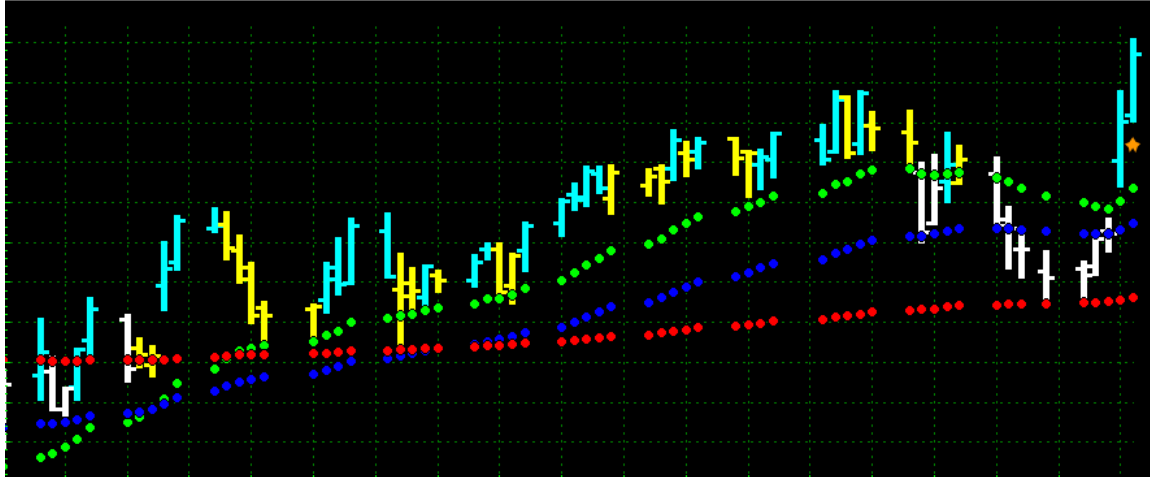
On a day-to-day basis, stocks may look like they move up and down randomly.

Most of the time, the news headlines try to explain something that happened that caused the stock market to move... a Goldman Sachs report about something a Fed move, news of war, etc, etc.

But the reality is that stocks move, day to day, based on where they are in their life cycle.

Stocks tend to move in the same direction for 3 to 5 days then pause or correct for 3 to 5 days, then repeat the cycle... inside a larger trend.

Let's use this chart as an example...



Now that you know the secret life of stocks, here's how to use it to your advantage...

In analyzing my profit-rich trades, I discovered that they did not come from day trading...

That may seem strange coming from a guy that day traded all day every day for years.

I discovered that within the secret life of stocks, the trades I held for 2 to 10 days produced the best profits.

This was shocking to me at first because my entire trading life had been based on high frequency, low profit trades and I discovered that, with my on money on the line, the low frequency, high profit trades outperformed everything else.

As I looked deeper into this, I discovered that 2 to 10 day window is a time frame that is overlooked by day traders, high frequency program traders and long-term "buy and hold" analysts...

That's why I say this 2 to 10 day time frame is the sweet spot for traders.

Using the buy high and sell high approach, I would buy a stock and hold it for just 2 to 10 days in most cases... sometimes longer if it's a runaway winner.

The next thing I discovered was that on the best trades in this 2 to 10 day time frame, I made multiple point gains...

In other words, big profits per trade...

Instead of trading to make .50 in a few minutes, my best trades were over a 2 to 10 day period and my profits were up, \$4, \$7, \$9, \$12... or more.

It was easier and more profitable to pick up multiple point profits over 2 to 10 days than anything else I did.

When making large profits per trade, you also get another unexpected advantage...

These profit-rich trades allow you to take a few losses without wiping out your entire account.

The trades are also easier to manage because you have more "wiggle room" with the stock before you have to cut a loss.

Now, let me show you the finer points of trade entry...

I like to enter the trade while the stock is going up in price.

I've got my daily bars color coded so that the bright blue bars represent days where the stock's price had a higher daily high and a higher daily low.

The yellow bars represent days where the stock had a higher high or a higher low but not both.

Put together, day by day, we see a general trend line.

This chart also shows you a picture of a classic bull trend defined by ...

Higher Daily Highs And Higher Daily Lows!

Ideally, you want to enter the trade when the stock is making higher highs and higher lows within an uptrend. This way, you jump on an already moving train.

That covers how to get into the trade.

Now let's move on to another key element of successful trading...

How and When To Get OUT of a Trade:

Let me explain how to get out.

Since, we take risk every time we enter a trade, and since anything can and will happen in the stock market, we must know where and how to cut our losses in case the stock moves in a direction against us.

The absolute best way to take all the emotion out of your trades and dramatically increase your stock market profits is to pre-determine your profit expectations and max loss allowance before you get into the trade.

Typically, when you are jumping on an already moving train, right after you get on, you want to enter your sell order at a price that is \$3, \$4, \$5 or more dollars per share higher than where you bought it.

For example, if you buy a stock at \$25.37, right after you receive confirmation that you bought the stock, enter a sell order to sell it at \$29.37. This way, it insures that you are buying high and selling higher. Once you pick the stock and do the buy part, the sell part happens automatically.

Make A Quick Exit With A Profit In A Volatile Market...

This is a good way to exit trades when the broad market is weak or has feeble rallies within a flat trend or downtrend.

Another good time to use this simple exit strategy is when you are just starting out or when you are kind of starting over as a trader and you want to put together a string of profitable trades.

It's critical that you have confidence in your trading so if you need a boost, use this simple exit strategy.

To protect your downside, make a note to yourself that if the stock drops \$2 or \$2.50 or if the stock drops down to the short term EMA and if that EMA becomes resistance, then that is where you'll have to sell the stock and take the loss.

If the stock starts really skyrocketing in price, cancel your order to sell it at \$29.37 and check the price daily.

If stalls in price, sell it.

If it does not stall but rather, it keeps going up, then let it ride. This is what I call a runaway winner and you'll want to have a few of these because they'll add a huge chunk to your bottom

line and they'll help absorb a bunch of small losses.

But most of the time, after a stock has put together an abnormal amount of higher daily highs and higher daily lows, I usually sell the stock.

For example, if I'm in a stock that has had six days... or more...in a row of higher daily highs and higher daily lows, and... looking back... it has not had six days in a row like that, then it's an abnormal run relative to what's been happening in the stock's chart and I'll probably sell the stock and get out while the gettin's good.

Sometimes, you will get into a stock... and... before you know it, you will be up like 5 or more dollars per share.

On top of that, when you look at the stock in the charts as we have them set up, you will see that there may be way more to go on the upside.

When you have one of these intoxicatingly large trades, it can be difficult to sell.

Lord knows you don't want to ride the damn thing back down to where you bought it.

And, you don't want to bail out if it's going up another 20 or 30 bucks a share.

So here's what you do...

You exit the trade with the use of a stop order.

The stop price triggers the sell order, which is then normally entered as a market order. A stop order takes two trades to execute:

1. Trigger. The trigger transaction activates the trade (the trigger transaction must be at or through the stop price).
2. Execution. The execution transaction completes the trade (the stop order has become a market order and is executed at the best market price).

You want to make sure your stop is placed well outside the normal intra-day's range. This way, you are less likely to get stopped out and then watch the stock soar in price after you get out.

I prefer to place my stop below the green short term trend point. This way I protect myself from a large loss.

And at the same time, I won't get stopped out only to watch the stock skyrocket in price.

By the way, if you use stops and you get stopped out only to watch the stock go back up, then you are placing your sell stops within the context of an uptrend. To avoid that, place the stop outside the short term trend point.

Here's another exit trick...

It's called a "trailing" stop.

The use of a "trailing" stop is an excellent professional money management technique that helps you lock in a profit as a stock moves higher.

It is also one of the best exit strategies you can use. Using this simple exit method can drastically improve your bottom line.

A trailing stop is much like an ordinary stop-loss. It gets you out of a trade when the market moves against you.

However, unlike a simple stop loss order, which usually

remains at the same price throughout the trade, a trailing stop is repeatedly adjusted upward as the trade progresses.

Trailing stops are used to lock in some of the paper profit that you'll have as the trade moves higher. Just like an ordinary stop, the trailing stop is started at some initial price, but then is moved up as the stock moves in your favor.

As an example, let's say you buy a stock at \$20.00 and set your initial stop at \$18.00.

The next day the stock trades at a high of \$22.87 and a low of \$20.75 so you move your stop up to \$20.

The following day the stock trades at a high of \$24.12 and a low of \$23.37 so you raise your stop to \$23 (now you've locked in 3 points). The third day the stock trades at a high of \$24 and a low of \$22.75 but you were stopped out at \$23 for a 3-point gain!

Regardless of what tactic you use to sell, as a general rule of thumb, on any trade, the exit occurs when either of these two things happen...

A. The stock rises or falls and you get stopped out by your trailing stop.

B. Your profit is larger than your average profit per trade, as determined by your math trick.

After you've done about 20 to 25 real trades, you can determine when to sell then stock when the profit you'd make is larger than your average profit per trade. This you determine from keeping a good trade journal so you know what your average profit per trade is. And, what your average loss per trade is.

You can know when to get out based on those numbers. Let me explain something to you about the numbers and... The Math

Trick

When you're in the stock business like this, you're really in the math business whether you know it or not.

You don't have to be good at math to make this work, but you do have to use math to help you determine when to sell.

And, when you should be happy with a profit and, when you should cut a loss and move on.

This is how you can have a dramatic increase in your bottom line.

What you do is take out all of your trade confirmations and match them up. You can take all of your trades, or last month's trades or even just your last 10 trades.

Let's say you just take your last 10 trades for starters.

Then, what you do is, you take all the winning trades and put them in a pile and take all the losing trades and put those in a separate pile.

Now, count how many did you make money on? How many did you lose money on? That is your win loss ratio.

Next, take all the winning trades, and add up all the money you made on the winning trades. Now, divide that number by the number of winning trades you had. That is your average profit per trade.

Then add up all the money you lost in your losing trades and then divide that number by the number of losing trades. That number is your average loss per trade.

Once you know how much profit you make... on average... every time you make a winning trade, and how much loss you

take... on average... every time you have a losing trade, it will be clear to you when you need to "exit" either a winning or a losing trade.

You sell when the stock stops going up... or... whenever the profit you can lock in is larger than your average profit per trade. Never forget, the best part about trading is taking a profit.

Here's something else to consider...

After you've determined your average profit and loss, you may notice that your average loss is larger than your average profit. This is not uncommon for beginners. Sometimes you can have 7 winning trades and 3 losing trades and still end up losing money. When this is the case, no doubt, you'll notice that 1 or 2 losing trades wiped out all the profits from your 7 winning trades.

Whenever that happens, you should immediately recognize two things...

1. If you're "right" 7 out of 10 times then you obviously understand how to pick stocks to trade. And, with a little tweak, you'll be downright dangerous.
2. You've got to cut your losses quicker.

The bottom line is, you have to turn it around to where you allow yourself to make more than you allow yourself to lose.

So, for example, if your average loss is three points per losing trade and your average profit is one point per winning trade, you have to turn this around to where you let yourself make more than you let yourself lose.

Let's say that every time you have a winning trade you make 4 points and every time you have a losing trade you lose 2 points. This way, even if you're only right half the time you still end up making a profit.

You can do that and really be successful in trading with only a 50% batting average.

This is shocking to people. I have had thousands of consultations with various people and I'll have guys showing me their trading records, and the last guy I did this math thing with, figured out he was right on 7 out of 10 trades; which is an amazingly high batting average.

This wasn't just on 10 trades it was on about 300 trades; which are just mind-boggling numbers.

Yet he had a loss in his trading account.

I immediately knew what we were going to see when that happened. And what we saw was a guy that has his parameters a little out of whack.

He would have 1 bad trade wipe out 10 profitable trades because he would fall in love with the stock or whatever his reason was, and he'd take a hellacious loss on 1 trade that would wipe out the profits he had on 10 good trades.

So you can't let yourself lose more than you're willing to make.

You have to set these parameters based on what the vibe of the stock is or what kind of a timeframe and then into that picture look at what your average gain and your average loss is.

**"The Best Part About Trading
Is Taking A Profit!"**

Trade Well,
Jack

PS. Next week you will learn one of my favorite lessons. It's all about shorting stocks and once you learn it you'll love it because stocks fall a lot faster than they go up. But there is one thing you must do to avoid problems and it's explained in the first part of next week's lesson.

Profit Rich Trading Week 6

Short Selling Stocks For Large And Fast Profits

I love this lesson.

And I can't wait to share it with you.

Here's why...

When you know how to sell short, you can profit even when the overall stock market is falling.

When you know how to sell short, you can profit no matter what the overall market is doing.

And that, my friend, is a priceless skill.

Listen up: I want to tell you something else very important about shorting stocks...

When you make a ton of money when the stock market drops... and... when everyone else is getting wiped out in the stock market, the LAST thing you want to do in that situation is gloat about it... or... even tell another living soul.

I've made a ton of money selling stocks short and profiting as they fall in price.

So much so, that even I was embarrassed by the amount of it.

In early 2000, I shared a few short selling secrets with some of my readers and I included a list of the stocks I was shorting in an email.

The profits made from shorting those stocks were simply off the charts.

And profits came in so fast as those stocks plummeted in price, that it was simply insane.

But a funny thing also happened.

You see, some people... as I found out later... actually think shorting stocks is bad and people like me who short stocks are evil.

What happened was, someone forwarded that email to someone else... who forwarded it to the people on his email list.

And so on and so on and before long, about 40,000 people read my short selling email.

The people that read that email and knew me, and knew what I was about, followed my instructions and made boatloads of money as the market fell apart.

One middle-aged guy even made so much money in one month short selling...

He Retired!

But that short selling email wasn't intend for 40,000 people.

And, it wasn't intended to be read by anyone who didn't know me and what I was about.

Some people thought that what I was doing should be illegal.

Some thought it was highly unethical.

Some thought I should be beaten and thrown in jail.

Some people thought that it was just plain bad to root for the company's share price to drop.

However, I wasn't rooting for the company's stock price to drop.

I had no emotion invested at all.

All I was doing was taking advantage of what was happening in the stock market.

As you can imagine, I got a lot of responses to that email.

Lots of it hate mail.

Lots of threats, too.

Which is why I say, don't tell anyone... not your friends or neighbors when you start making money shorting stocks.

It should also go without saying that you don't run out and buy a

shiny new car or SUV with your short selling profits either.

In this case, it's best just to make money. Keep quiet about it and keep a low profile.

Short selling can be a highly emotionally charged issue for sure.

But as traders, we don't have any emotions about trading or shorting for these three reasons.

Reason Number 1: Nobody on Wall Street cares if you make money. They only care if they make money. That's the way it's set up.

Reason Number 2: We don't get emotional about trading because...

All Stocks Are Equally Worthless

To us they are simply three or four letter symbols we use to make money trading.

Reason Number 3: You cannot trust any fundamental analysis or research information you get from the company itself or from Wall Street analysts.

With that in mind, we approach the stock market as a stock trading mercenary.

Here's something else...

Stocks Fall In Price Faster Than They Rise!

You might already know this from observation, but what you don't know is how intoxicating it is to make 100%... 200%... 400% or more as a stock drops in price like a piano thrown out a 20 story window.

I feel faint just thinking about it.

And now, I'm going to tell you how you can do it too.

Here's how I will break it down for you...

4. What is selling short ?
5. How can you sell a stock if you don't own it ?
6. How do I profit in a short sale ?
7. How do I lose money in a short sale ?
8. What is the risk ?
9. How do I protect myself ?
10. Finding stocks to short.
11. Take your cue from the broad market's trend.

Finding stocks to short regardless of market conditions.

Shorting mechanics.

OK, Let's get started... All trades consist of a Buy and a Sell.

The profit on all stock trades is calculated the same way...

The buy price minus the sale price = the profit/loss.

The profit or loss is the difference between the Buy price and the sale price.

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Most people trade only from the long side - that is, they buy first and sell second.

That's a "long" trade. You first buy a stock at one price and second, you sell it.

If it goes up and you sell it, the profit is the difference between the purchase price and the sale price.

Short selling is the same only in reverse.

Instead of buying first and selling the stock when it goes up, when short selling, you sell it first and buy it when it goes down.

In a short trade, you profit from a drop in price.

What is Selling Short?

Short selling is the act of selling a stock you don't own in anticipation of it dropping in price.

How is it done?

On your order entry screen of your online account, you'll have the choices of "buy", "sell" and "sell short".

Select "sell short". If you want to sell a stock short that you think will drop in price, you simply click sell short, enter the amount of shares and the type of order "market or "limit" (I prefer market orders) and enter the order.

The brokerage firm will sell the stock for you. If it goes down, you'll profit and if it goes up, you'll lose.

How can I sell a stock short when I don't own it?

Selling a stock you don't own sounds kind of confusing, but it's not.

Here's what happens.

When you sell a stock you already have in your account, (long), your broker delivers that stock to the buyer's brokerage account.

When you sell a stock short, your brokerage firm lends you the stock to sell and they deliver it to the buyer's broker for you, just like they do when you sell a long position.

The only difference is that they lend you the stock.

They actually borrow the stock from someone else that has an account at the same firm you do and deliver it to the buyer's broker for you.

When you buy the stock back and cover your short, they take the stock out of your account and replace it from the account they borrowed it from.

As a side note, if you signed a hypothecation agreement or a re-hypothecation agreement when you opened up your brokerage account, you've agreed to let the firm lend your stocks to short sellers at the same firm you have an account at.

Before you sell a stock short, it's a good idea to call and ask if the stock you want to short is OK to short.

Some stocks are on what's called a "hard to borrow" list and these stocks are hard to short because the brokerage firm can't make good delivery on the shares (to the buyer) so they won't let you short that particular stock.

Also, most firms have their own rules about the margin requirements to short, so take a few minutes before and call your brokerage firm and get any questions you have answered.

How do you profit in a short sale?

You profit on a short sale when you sell a stock short and it drops

in price.

Remember, all trading profits are calculated the exact same way, the profit is the difference between the price you paid and the price you sold.

But in trading, you don't have to buy first and then sell. You can sell first, then buy.

What is the risk?

The risk here is that the stock may rise in price after you sold it short.

A novice will tell you that the risk of a short sale is infinite because there is no limit to how high a stock will go.

Theoretically, that may be possible but it's not probable.

As you'll soon learn, there are easy and simple ways to limit your risk with short sales.

How do you lose money selling a stock short?

If you sell a stock short at \$40 and it rises to \$43 and you buy it back at \$43 to cover your short, then you lost \$3 per share.

The short squeeze –

The short squeeze is a term used to describe a stock with a large short interest that is moving up, rather than down.

In a short squeeze, the stock rallies as short sellers are all trying to buy the stock at the same time to cover their short positions, thereby driving the price higher.

Finding stocks to short.

There are a few ways to go about finding stocks to short.

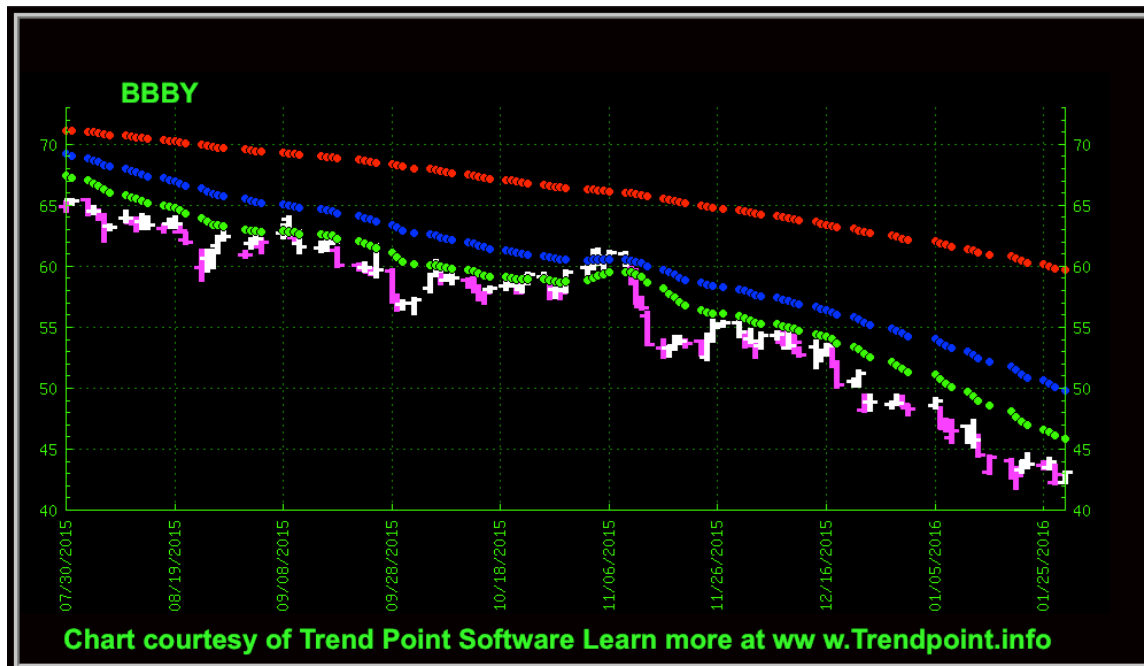
Some guys look for companies they believe are over valued and short the stock. This is the most common way.

However, there are rare times this works because shorting a company's stock because you believe it is fundamentally over valued carries the most risk of any type of shorting.

A famous hedge fund trader lost about a billion dollars shorting Herbalife because he thought it was overvalued.

Rather than using any fundamental analysis, your best odds of success will happen when you use a little technical analysis to find stocks to short when the stocks trend is already going down.

Here's an example...



This stock dropped \$20 and made short sellers a lot of money because it was already trending down.

These stocks tend to drop with no support in sight.

You can make a fortune shorting stocks in this situation.

There are always great short selling opportunities... regardless of market conditions.

Oddly enough, focusing on stocks hitting new lows leads to stocks that can drop even lower in price even when the broad market is flat or rising.

Here's an example...

Stocks hitting new lows tend to go lower.



This tends to be the best way to find stocks to short.

How to protect yourself.

Here's a huge tip...

Every time you enter an order to sell a stock short, also enter an order to cover your short if the stock goes up a certain amount. This way you limit your risk.

The worst ass kicking I ever took on a short sale happened because I tried to ride it out and got caught in a short squeeze.

This short squeeze happened over several days. I couldn't eat or sleep while this was happening. I get a little sick just thinking about it even now. It was the single biggest stock trading loss I

ever took in my life. I would like to help you avoid going through this experience by making sure it never happens to you...

Here's how...

As a rule, whenever you short a stock, ALWAYS apply your exit strategy when you enter the trade.

This will help you dramatically because it takes ALL the emotion and confusion and wonder out of when to cover your short.

Plus it's easy...

With the new online brokers these days, you can enter your order to short a stock and apply your exit strategy with just a few clicks on the same order ticket.

Here's an example...

Let's say you want to short XYZ. And XYZ is \$50 per share.

You go online to your broker and enter the order to short it.

Your order is to short however many shares you want to short of XYZ "at the market."

Adding to the order you will place two (2) buy orders as limit orders.

One of these buy orders will be at a limit price above 50... and one will be at a price below 50.

This way if XYZ goes down in price you will automatically lock in a profit...

And if XYZ goes up in price you will automatically cut your loss.

This next part is critical: With these 2 sell orders you want to make sure that they are entered on an OCO basis. OCO means One-Cancels-Other. This means that if XYZ goes down, you automatically lock in a profit and the order to cover your short at a higher price will automatically be cancelled.

Or...

If XYZ goes up and hits your "Buy Stop" order, you automatically cut your loss and the order to buy XYZ at a lower price will automatically be cancelled.

The bottom line here is that if you short XYZ at 50, you will buy to cover at a profit or loss automatically, based on where you place your limit orders. This gives you freedom from having to worry about getting out of any trade.

Before you trade, start in a virtual account or paper trade a few of your own picks. This way you can get a good idea of how well you pick stocks to short and how fast the stocks go down.

Trade Well,

Jack

Profit Rich Trading Week 7: OPTIONS ACCELERATOR

I'm going to share with you here a strategy that uses a stock and an option.

And a trick of the trade 99 out of 100 investors will never learn.

You're going to be light years ahead of everyone else. Here's why...

We're going to take a deep-dive into a strategy that can be super profitable.

And according to the CBOE, has less risk than owning stocks.

I can't guarantee anyone will make any money from this or not have losses.

However, as you are about to find out, you may actually discover that you rarely, if ever, have a loss when you use the tactics you will here.

I'm going to share with you here a strategy that uses a stock and an option.

What I'll cover... - How to pick the stock

- The type of options to use - How to select the exact options strike prices - What to do if things go wrong.

Trading stocks can be great. That is the foundation for everything I do. And when you add stock options, you get many new ways to

profit.

Before I go on, I want to mention that there is a ton of free information available about this topic on the internet.

A great deal of this information simply describes what it is but does not tell you how to do it with success.

Another great deal of it claims to tell you how to do it... but they are doing it all wrong.

I'll explain why it a minute. What you'll find here is different.

This is what works. I know this from direct experience.

The other thing you need to know is that my experience comes from having my own money on the line.

This is not some hypothetical stuff some guy reached and wrote about.

What you'll learn here has worked for me and it can for you too.

The #1 way to make money with stocks plus options.

The Covered Call

You're buying the stock and selling (writing) the Call option

It's a "covered" Call because if you have the stock "called away" then you would be covered because you own the stock.

This is the number one way to make money with options for 2

reasons.

Because most people already own a few stocks and they can sell a Call option against their position.

You can do covered calls in an IRA. I know because I do.

As a strategy, "Covered Calls" are one of the best, most pure, predictable, easily managed, "cash flow" trading strategies in today's market.

Why does it work so well?

The Covered Call works because it puts probability on your side.

Here's why...

In the options market, like the stock market, there are only two things you can do with options...

You can buy an option or sell an option.

Here is a hard core truth of the options market...

Options sellers make the most money most of the time.

Option buyers lose almost 100% of their money most of the time.

The reason is because...

Most options expire worthless.

The reason options buyers lose is because they buy an option and it ends up expiring worthless.

That means, options sellers have the odds in their favor.

A covered call has a high probability of success because it involves being Call seller.

This makes “Time Decay” work in your favor.

Your profit comes from selling a contract for a fixed period of time and the contract expires worthless.

Selling options gives you a huge edge. The covered call strategy is an options selling strategy.

What we are doing is selling a Call option on a stock we already own.

When you sell a Call option, you get paid cash and the Call option buyer has the right to “call the stock away from you at the strike price, until the option expires.

Let’s break it down... What is a Call option?

First thing to understand is that an option is nothing more than a simple contract to buy or sell a stock for a specific price (the strike price) on or before a specific date (the expiration date).

You can buy or sell Call options.

A Call option BUYER owns the RIGHT to buy a stock at a fixed price until the option expires. An option buyer pays money to own those rights.

A Call option seller owns the OBLIGATION to sell a stock at a fixed price until the option expires. An option seller receives money to take that obligation.

Each option contract is equal to 100 shares of the underlying stock. A mini option is equal to 10 shares.

The four parts of an option. 1. The TYPE - Put or Call.

2. The UNDERLYING STOCK 3. The EXPIRATION DATE 4. The STRIKE PRICE

1st Part Of An Option – Type: Calls or Puts

Calls

The Call buyer owns the right to “Call” the stock. The Call seller owns the obligation to deliver the stock if it gets “called away” at the strike price at expiration.

2nd Part Of An Option - The Underlying Stock

Every option has an underlying stock as its root. In our example above, ABCD is the underlying stock. The price fluctuation of the underlying stock will cause a fluctuation in the price of the option.

3rd Part Of An Option - The Expiration Date

Options are only traded until a fixed date called the expiration date.

4th Part Of An Option - The Strike Price

Here are a few more things you need to know about options...

Options Premium. The premium is the price of an option contract, as quoted by the exchange it trades on. It's the price that the buyer (holder) of the option pays to the option seller (writer) for the rights conveyed by the option contract.

"In-The-Money"

A Call is in-the-money when the price of the underlying stock is greater than the option's strike price.

"At-The-Money"

An option is at-the-money if the strike price of the option is equal to the market price of the underlying security.

"Out-Of-The-Money"

A Call option is out-of-the-money if the strike price is greater than the market price of the underlying stock.

"Intrinsic Value Of An Option"

The intrinsic value of an option is the difference between an in-the-money option strike price and the current market price of a share of the underlying stock.

"Time Value Of An Option"

Time value of an option is the portion of the premium that is attributable to the amount of time remaining until the expiration

of the option contract and to the fact that the underlying components that determine the value of the option may change during that time.

Time value is generally equal to the difference between the premium and the intrinsic value.

Three Things That Effect The Price Of An Option

1. The price of the underlying stock relative to the strike price of the option. Options in-the-money are priced higher than options that are out-of-the-money.
2. The time remaining until expiration of the option. The longer the time left in an option, the more value it will retain. As options get closer to expiration, the time decay erodes their value. We let this price erosion factor work to our benefit when we spread Puts in the current month.
3. The volatility of the underlying stock, the higher the option's premium will be.

What's happening when you do a covered call is you buy a stock, then sell a Call option. If the stock price ends up higher than the strike price of the call you sold, the stock will get called away but you are covered because you own the underlying stock. Hence the name "Covered Call."

Once you buy the stock you can choose from hundreds of different options to sell. You can choose many different strike

prices and time frames. You can use weekly options or monthly options listed several months out.

OK, now let's go over a covered call example that illustrates how it works...

Let's say it's a Monday in the first week of June and you like ABC company and you buy 1000 shares of ABC Co. at \$19.00 per share.

You check the option's quotes and the option weekly ABC 20 calls are quoted at \$1.00 bid and offered at \$1.25. You would enter an option's order to sell 10 of the ABC weekly \$20 calls for \$1.00 each and bring in \$1000.00 cash (minus commissions).

Here you have sold someone the right to call the stock away from you at \$20.00 per share (which you already own at \$19.00 per share) until the following Friday in exchange for \$1000.00 cash.

This is a covered call because you already own 1000 shares of ABC before you sell the calls. If you have ABC called away from you at 20 you're "covered" because you own the stock.

You buy the stock first. Then sell the weekly call options.

Buy the stock in increments of 100 and sell the options accordingly. Or in increments of 10 for stocks that have mini options.

Remember 1 option contract = 100 shares of stock, so if you buy 30 for the minis or 300 for regular options, 300 shares of ABC,

you would sell 3 calls.

Now we have bought 1000 shares of ABC and sold 10 ABC weekly 20 Calls for \$1.00

You can get out any time by simply buying back the Call you sold. That will leave you with just the stock. At that point, you can sell the stock if you want.

If we stay in the trade until the option's expiration date only two things can happen...

We get "called out" of the stock at expiration or We won't get called out.

It depends on what the underlying stock price is and if it is above or below your strike price...

If the stock closes above the strike price of the Call you sold, you will probably have the stock called away at the strike price.

If the stock price is below your strike price at expiration you will not have the stock called away. The options will expire worthless, we keep the \$1,000 we got for selling the Call and we still own the stock so now we can do it all over again.

If You Get "Called Out"...

If the stock goes over \$20.00 by Friday, you would probably have the stock called away from you.

In this case, you would have the stock called away at \$20.00 and

you would make 1.00 profit per share or \$300.00 on the stock **AND** we get to keep the premium we received for selling the calls, which is \$1000.00 for a total of \$2000. \$2000 return on or original investment = 10%.

Not bad for one WEEK.

You can do this in a cash account, like an IRA or you can double your return simply by buying the stock on margin.

If We Don't Get "Called Out" Of The Stock...

By the next Friday, if ABC is trading below 20, we won't get called out, the option expires worthless, and you will still get to keep the \$1000.00.

We now own 1000 shares of ABC at \$19.00. You've sold 10 contracts of the ABC weekly 20 strike price calls for \$1.00 each bringing in \$1000. That options contract expired worthless and now we own the stock at a lower cost basis... $\$19.00 - \$1.00 = \$18.00$

If you don't get called out, you have the same 1000 shares of ABC to sell a call against for the next month, and now your cost basis is down by 1 dollar per share because of the \$1.00 you brought in from selling the weekly 20 calls that expired worthless.

HOW TO FIGURE YOUR RETURNS...

To figure your returns, you take the execution price you sold the option at and divide it by the stock price.

If you buy the stock on margin, you would take the execution price of the call option you sold and divide that by half of the stock price (since that is all you had to put up to buy the stock.)

If you get called out. - Take the strike price (which will be the price you will have the stock called away), minus the purchase price (half the purchase price if you bought the stock on margin) plus the option premium you received, divided by the purchase price, (or half the purchase price if you bought the stock on margin).

Management Strategy

The upside always looks great but we also need to pay attention to the downside if we're going to be professional about it.

Let's not always assume the best. Let's be practical and realistic and acknowledge that this might not work great all the time.

We must know how to get out of a covered call and when to do it BEFORE we ever get into a trade.

How to get out.

Never get in before you know how to get out!

Let's cover the mechanics of unwinding a covered call.

To get out of a covered call, you do two things...

Buy back the same option you sold.

Sell the stock.

That covers how to do it.

Now let's go over when to do it...

In order to know when to do it, we need to know our Break- Even price.

Our B/E is the stock purchase price – the amount of money we got for selling the Call. $19.00 - 1.00 = \$18.00$ Break Even

Now that we know our B/E, we set a "trip wire" slightly above our B/E.

We set this trip wire slightly above our B/E because the options prices may cause our "real" B/E to be higher to cover the cost of buying back the Call we sold.

Our break-even was based on simple math but in the real world, the actual cost of buying back the option depends on the underlying stock's volatility and the amount of time left

It could be that our true B/E is a little higher than \$18.

The only way to know is to watch the market and the options and figure

But the only time you would need to consider any of this is if the stock is dropping.

Don't let the stock drop by more than you received for

selling the call.

In most cases, if you use the right stocks, you won't be in a position where you have to get out but, if the stock starts trading down over a period of 2 or more days and it is getting close to your break even, you should probably get out.

OK, now before we begin to apply what we just learned to the real world, let's have a quick review...

With this strategy, we buy a stock and sell a Call option against that stock.

A call is a contract for 100 shares or 10 if mini of a certain stock at a fixed price for a fixed amount of time.

When you sell a call, you have the obligation to deliver the stock at a fixed price for a fixed amount of time.

At the end of that time on the Friday they expire, the underlying stock will either be above or below your strike price.

It's important to understand that you can always sell the Call you bought or buy the call you sold at any time before expiration for whatever the market price is for the options you trade.

If the stock is below your strike price, you will not get your stock called away at the strike price.

The reason is because the market price is lower than the strike price so it's less expensive for the call owner to just buy the

underlying stock at the market price.

If the stock price on Friday's close is above your strike price, you will get your stock called away at the strike price.

The reason is because the call owner can buy your stock lower than the current market price.

It's ok if you get called out because it means you sold the stock at the strike price you picked which is higher than your purchase price. So...

When you get called out, you make the difference between your purchase price and your strike price...

Plus the amount of money you received for selling the call option.

Personally, I like getting the stock called away.

Ok, now let me share with you the key points to making this work in the real world.

The most critical part to making this work is using the right underlying stock.

The reason is because you lose money when the stock price drops by more than you received when you sold the Call.

You must pick stocks that are trending up and not likely to drop.

The reason most people lose with this is because they pick the

options to sell then they pick the stock... in other words, they select the covered call based on how much money they could get for selling the call on that stock. That does not work.

The underlying stock is the most important thing.

I like stocks that have a little volatility, but the most critical thing about the stock is that it has a directional bias. A visible up-trend.

The stock is the most critical part, so we only want to use stocks that are in positive trends when we find them.

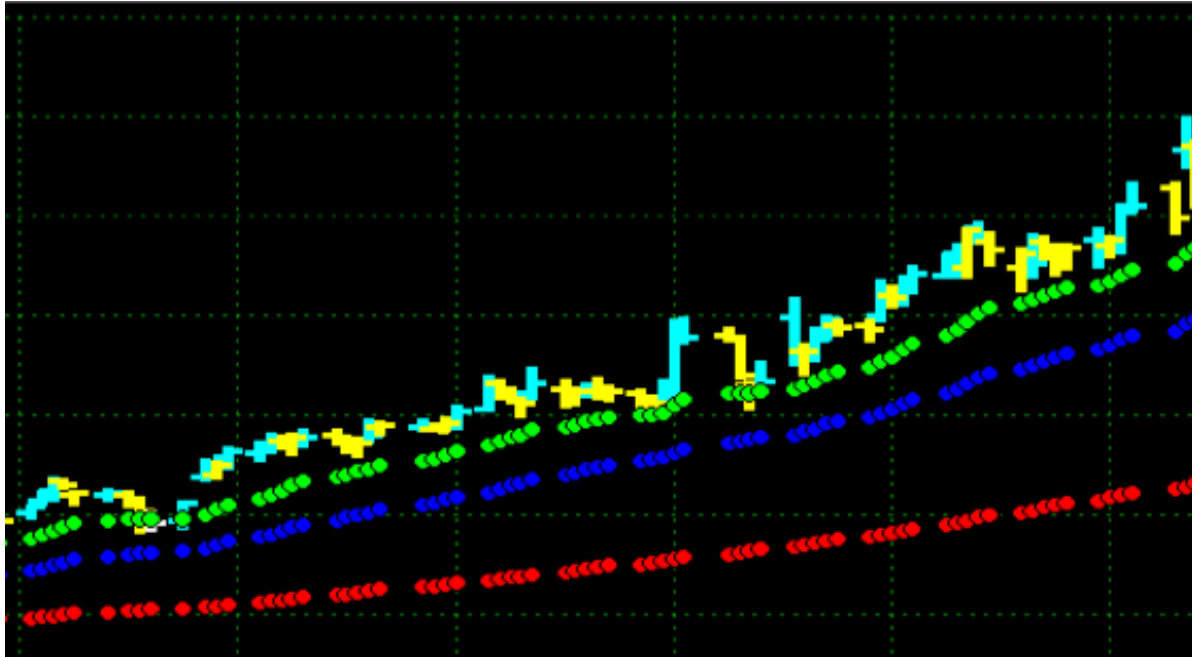
I use charts to tell what the trend is...

Like I said earlier, the key thing about being successful with options is to be able to analyze the underlying stock.

I look at the stock's chart to determine the pre-existing trend on the stock.

If that stock's pre-existing trend looks good... then... and only then... do I take a look at the stock's options to see if there is a potential trade.

Because the current trend of the underlying stock is the key thing.



After I find an appropriate stock, I look at strike prices and pick a strike price that the stock can possibly be above on expiration.

Then I go online and look at the live, weekly CALL options quotes.

I am looking to sell Call options against my stock at a price the stock will likely climb to at expiration and, at the same time, getting enough in premium to make it a nice return.

We want the stock to stay above our break-even price for the duration of the options life.

When we only use stocks that are trending higher, we increase the odds that ...

1. The stock doesn't go below our B/E creating a loss.
2. The stock stays above our BE and we keep the money we made selling the call.

3. We get called out at a strike price that is higher than our purchase price and make even more profit.

We can even increase our odds of success further by ONLY doing covered call trades on bullish stocks...

WHEN THE BROAD MARKET IS BULLISH!

This is a huge secret to my success with covered calls. Here's another secret I'll share with you...

You can increase your odds of success by 85% on any trade simply by trading in same direction as the broad market...

In other words, trading long in a bull market and short in a bear market.

And like I said, for this to work we ONLY use bullish stocks and to increase our odds of success, we only do it when the broad market is bullish.

Here's how to tell if the broad market is bullish or not...

Go back to your charts and type in ticker symbol SPY and look at a 6- month chart.

If SPY is above your technical points, it's bullish.

Please understand something, in any trade I have done with this strategy, the broad market was bullish and the underlying stock was in an uptrend.

Only after I find the stock in the right trend do I look at the Call options to sell.

In addition to the trend, ideal stocks have a slight amount of volatility.

This greatly enhances the amount you get selling Call options because volatility is a big part of an options price.

Which options to use... The short answer is, it depends. Everyone has unique goals and risk tolerance.

My preferred way to select the Call option to sell is to pick a Call at a strike price that is higher than my purchase price but still within a price range the stock could get up to before the options expires.

The reason is because I like to get the underlying stock “called away.” I like to get the underlying stock called away because when that happens, I profit twice.

The best part about trading is taking a profit.

Getting “Called Out” means you make two profits! The first profit you make is from selling the Call.

The second profit you make is from getting “called out” at a strike price that is higher than my purchase price.

Let’s look a real covered call case study...

Covered Call Case Study

There are several cool things about this case study. I did this trade in my IRA. Because it was my retirement money I needed a low risk way to make consistently make small, but measureable returns on my trades... with very little risk!

In this case, my strategy included these four things...

Buy A Dividend Stock, Capture The Dividend, Max My Return And... Take Very Little Risk!



Why Coca-Cola? Because KO has these three things going for it...

1. It was trending higher. (For my strategy to work, the stock doesn't have to go up, it just has to not drop much.
2. KO pays a dividend to shareholders.
3. KO has options on it.

I was going to buy a stock that paid a dividend, capture the dividend then, take little risk and then sell the stock.

Step 1: The first thing I did was, I bought shares of Coca- Cola, ticker symbol KO to get the dividend.

My second step was to take away almost all the risk of the stock dropping.

When I bought the shares of stock at about \$65.11, my second step was to immediately sell Call options against my position. In

my case I got \$1.11 for selling the KO 66.00 Calls. My B/E is now $65.11 - 1.11 = 64$. I'll need to unwind this trade if KO gets near this B/E.

On my trade, I could buy a dividend paying stock, KO, catch the dividend of .47 plus make \$1.11 selling the call and get the stock called away for an additional profit of .39 for a total of \$1.97 or 3% for 1 week.

Here's a secret: Because I'm using the weekly option instead of monthly option, I can make twice as much per month.

Weird but true. All the weekly call options are worth at least twice as much as the same strike priced monthly calls. And with weekly options, your money isn't tied up nearly as long.

In this case, there were three profit sources...

1: The amount I received for selling the Call = 1.11.

2: The dividend = .47.

3: The difference between my purchase price and the strike price if got "called out" = .39

This strategy will accelerate your profits dramatically.

Trade Well,

Jack

Profit Rich Trading Week 8

How To Make Yourself “Bullet-Proof” On Every Trade

Hi Trader,

Welcome to Week 8.

There are times when options make a lot of sense as a tool to enhance returns and add protection to your trading position. Sometimes you can do both... at the same time... on the same stock.

Before I go any further I just want to say that the cornerstone for pretty much everything trade I do comes from simply buying and selling stocks.

But there are times to use options, especially in a volatile market. This volatility can break trends and derail some perfectly good trades. And make other trades stall out.

One way to combat this is to add an option to a stock trade.

I say “add” an option to a stock trade because rarely do I recommend you buy call options or put options rather buy the stock or short the stock.

The problem with simply buying a call instead of buying the stock is that you’ll run out of time.

Unless the stock rockets higher the value of the option will start to drop the closer you get to expiration.

So what will end up happening is... even if you’re right about the direction of the stock you picked... your call option will most likely expire worthless. This is a proven fact.

Options are what is called a “zero sum game” which means for every loser there’s a winner. So in the options game, the guys selling the options are the ones with the yachts.

But you can’t just go wildly selling options. First because it takes a lot of balls to sell naked calls. They’re risky. If the stock takes off and you’ve sold someone the right to “call” the stock away from you at a lower price... like say \$5...\$10...\$15... or \$20 lower... it’s say to say you’re fucked.

It also takes a lot of money. You have to have the cash in your account to be able to cover the “call” obligation and that takes heavy cash because each option equals 100 shares of stock.

So unless you have an extra half million laying around that you want to risk in the options market forget about selling naked calls.

A “covered” call is selling a call that you already own the stock on. This way, if the stock rises to a level that you end up getting the stock “called away” from you, rather than having to go buy it in the open market (and take a massive loss) you are already “covered” because you already own the stock.

How might this work for us?

Ok, here’s a real example.

The stock was MHS.

The stock was at 99.53, but let’s say it’s an even 100 so the math will be easier.

In this example, you could sell the January 100 call for \$4.00. This means you get \$4.00 in exchange for the obligation

to sell your stock at 100 anytime between now and Friday Jan 18th.

If MHS is over 100 by then, you'll get called out at 100. If MHS is under 100 you won't get called out but you'll get to keep the \$4.00 you got for selling the option. You make a 5 dollar profit on the trade plus an additional 4 for selling the option. That's a 9.4% profit in a little over a month. The return is 18.8% in the same time period if you are trading on margin.

Instead of the selling the January 100 call, you could sell the January 105. This would bring you \$1.90. If MHS is over 105 by then you'll get called out at 105 and you keep the 1.90. Let's calculate the return in this scenario.

Buying 500 shares of MHS at 95 costs you \$47500 or \$23750 if you're trading on margin.

Selling 5 MHS Jan 105 Calls at \$1.90 brings you in \$950

Selling 500 shares of MHS at 105 bring you in another \$5000 profit.

Total profit = \$5950

Your return here is 12.5% or 25% on margin, for a little over a month.

In these volatile times adding a covered call can be a real profit enhancer.

Now let's look at using options as a protection strategy. This strategy is something you'll want to remember for the rest of your life because it's the only strategy in the stock market that bets on a sure thing... and... the only way to...

“Bullet-Proof” Every Trade!

It's called a “married Put” and it involves a stock and option combination whose value is secured by a definite selling price that YOU choose.

A huge benefit to you as a trader that uses this strategy is that, with a married put, you can expect a definite exit and at the same time have unlimited upside potential.

Buying 500 shares of MHS at 95.00 cost us \$47500 or \$23750 on margin.

The PUT option that locks in MHS's selling price of 95 costs us \$2.25 per contract x 5 = \$1125 to protect 500 shares of MHS. Total investment in this trade = \$23750 + \$1125 = \$24875.

For protection you used a married put, paying a little more but you now own an asset whose worth is guaranteed to be at least \$23750 for the next month. No matter what happens to the company or the stock market

So if the MHS drops in price because the broad market takes a hit... or... any reason at all... including surprisingly bad earnings... or... even if the CEO steal all the money, the corporate jet, two hot secretaries and takes off for parts unknown...

You Are Still Protected!

That means that you sleep like a baby no matter what is happening in the world or on Wall Street. You cannot lose more than \$95 on MHS.

This is the best protection strategy available.

But let's tweak it one more time. This time we can sell a CALL against our stock position so we can offset what we spent to buy the protective PUT.

Looking at the CALL options on MHS you can see that you could sell the Jan 100 CALL option for \$4.09. Selling 5 Jan MHS 100 CALLS at \$4.09 bring you in \$2045. That more than covers the \$1125 we spent to buy the protective PUT.

Our little "stock plus hazard insurance" combination would now have ZERO RISK because...

- 1) The original \$95.00 AT RISK amount is completely protected by the Jan 95 PUT you own.
- 2) The cost of the protective PUT is completely covered by the amount you brought in by selling the Jan 100 CALL.
- 3) If you are called out of the stock, you gain \$5.00 profit on the trade plus \$4.09 from the sale of the CALL
- 4) You still have a free and clear Put option that you can sell for whatever it's worth, if you want.

When this happens, you are BULLETPROOF. The stock can still pick up value, but it cannot lose any.

This options strategies can make even the most volatile markets profitable for us as traders.

Trade Well,
Jack

Profit Rich Trading Bonus Report

The Secrets Behind Making Profit Rich Trades With Just 2 Simple Phone Calls!

Dear Friend,

One quick way to get into some consistent trading profits is to re-think your approach to the stock market in terms of the type of trading personality you have.

Sometimes, just making a little tiny “tweak” to your trading approach can yield huge dividends in the long run.

One of those little “tweaks” you can make right now is how you view the market and yourself as a trader.

In general, there are three types of stock traders; the surfer, the specialist and the shepherd.

The Surfer

The surfer is completely objective and has no “favorite” stocks.

The surfer will ride the waves of the stock market looking for action; trading any stock that comes across his or her screen as long as it’s in motion.

You can have a similar approach by being open-minded to applying the strategies you will learn here to any stock that fits your criteria (not just being in motion).

The surfer trades them all and only views them as something to make money on, not as investments.

To trade as a surfer, you might look to the news headlines every morning to find stocks to trade in the hit and run style. The

“stock du jour” is the mindset.

For most online traders, being a bit of a surfer, especially in the morning can help you get into a higher number of potentially great trades.

The surfer rarely holds stock overnight and is only playing the stock not the fundamentals, management, story, etc... just the move.

The Specialist

Sometimes it's helpful to only focus on one stock. Part of the problem a lot of newer traders may experience is focus.

With all the news coming out every day and all the hoopla on CNBC and in the media, focusing can be difficult.

The specialist will trade only one stock that he or she knows inside and out.

The specialist knows when the earnings will be reported.

The specialist can also develop a “feel” for when the stock might be a bit low or a bit high because of the focus only on this stock and nothing else.

The absence of distractions has allowed the specialist to know this stock inside and out.

By watching the stock tick by tick all day long, the specialist can anticipate small moves to take advantage of.

I know several successful traders that only use this approach and make a nice living at it.

The advantage of being a specialist is that, by closing out any and all “noise,” you can focus your attention and energy on one stock

and only one stock.

Did you ever see the movie Papillion? In the movie, Steve McQueen and Dustin Hoffman were prisoners in New Guinea.

After making several escape attempts from the prison, and getting caught every time, McQueen and Hoffman were banished to a small, very remote island with no way off. The island was surrounded by sheer cliffs and crashing waves on all sides... making any escape attempt perilous.

But some guys just never quit.

McQueen's character in the movie sat at the top of one of the cliffs and watched the waves endlessly.

His whole focus was on the waves and nothing else. He soon noticed that every 7th wave would carry back out to sea.

This he discovered only after paying close attention to the waves. The result of his focus was that he found a way out and made it off the island.

If you feel trapped in your trading, try this approach for a week and see how you do.

Just focus on one stock.

To find a stock to trade as a specialist, first decide if you like the action on the NYSE stocks or on the Nasdaq stocks.

You'll want to find one that has enough volume to allow you to get in and out without a problem and has enough of an intra-day move to make you happy.

Obviously, you'll want to find one that matches your

temperament and the NYSE may not move enough intra-day to make it worth your while.

On the other hand, some stocks trading on the Nasdaq can move at too fast a pace.

The Shepherd

The shepherd is somewhat like the specialist; only he or she has four or five stocks in the "flock," so to speak.

This way there will always be something happening in at least one or two of the stocks.

Having a handful of stocks to constantly monitor gives you plenty of trading opportunities.

As a shepherd you would maintain a list that you'd watch. The benefit of having 5 or so stocks in your list is that usually you'll have at least 1 if not 2 or 3 that are moving nicely throughout the day.

This way, you can use a variety of trading strategies, swing trading, news play, technical trading... etc to capitalize on the moves of your "flock."

If you are day trading, you might want to have 2 or 3 stocks that move, say for example, at least 2 points up and down per day.

The way you check this is simply by looking at the difference between the daily high and the daily low to periodically see the intra-day range.

Sometimes you'll find that a stock that was once a nice day trading stock can lose volatility and flatten out. When that happens, you'll want to look for a new one to add.

For starters..... try being a shepherd.

Initially, don't bother with studying anything even remotely close to the stuff that investors study.

Don't waste any time reading annual reports or analyst reports or message boards or anything like that.

Just watch the stock in real time and focus on things like average trade size, daily volume, intra-day range and while you're watching the stock, notice how it "vibrates."

That is to say, how much does it move in one direction before it starts going in the other direction?

All stocks have a bit of a personality to them, the more you are aware of the way a stock "behaves," the better your odds of success on a daily basis.

This leads to confidence.

Confidence is a critical part of trading stocks and options.

The absolute best place to start is to start with a list of stocks already going up in price when you find them.

And, new research has proven this to be the best starting point for a successful trade for most people.

This list does not involve stocks that are "about" to go up in price.

It does not involve stocks that "should" go up. (based on your own research or someone else's.)

It does not involve stocks "at a bottom" (the best way to get killed on your next trade is to try to catch a falling knife!)

No, none of that.

This list gives you an unfair advantage right from the start because it only involves a list of stocks already going up in price.

Jump On An Already Moving Train!

One that is already moving in your desired direction.

This is infinitely easier than splitting hairs over tops and bottoms or precise entry and exit points.

Three Steps To A Stock Trading Profit!

Pick a stock that...

A: Is Already Going Up In Price

B. Is In An Already Established Up Trend

C. Moves in Multiple Point Gains In 2 to 10 Days

Once you have a stock that meets these three criteria, you can add it to your flock.

Pick five or six that you can watch over for constant trading profits.

After you get a feel for how these stocks trade, you can even get in and out in just a few days with a nice gain.

I initially found the stock for this trade using the exact same steps revealed in this book. And after a few profit rich trades I decided I would add it to my "flock".

Here's a trade that I recently did with just two simple phone calls to my broker...(Schwab)...

As you can see, this trade made me \$1244.00 in four days.

I know making \$1244.00 in four days with just two simple phone calls to your broker hardly seems fair. But you really can trade stocks poolside in your bathrobe... without even using the computer or making the trade online.

This stock is a stock in my "flock" and I get in and out of it whenever there is an opportunity.

In this case, I used an "event strategy." This type of "event" trading is almost too easy because you can know the date way ahead of time, and then simply plan your trade around the "event."

This trade was what I call an "earnings play."

I expected the dumb money to rush into the stock because of some kind of positive earning's announcement.

I legally front run the "dumb money" by buying the stock a few days prior to the earning's announcement and selling the stock to them at inflated prices after the stock shoots up in price.

This should probably be illegal because you can get really good at it and even end up making more money than you probably should be allowed to have for lounging around trading stocks on your laptop computer in your underwear.

Here's why it works... human nature never changes. The human nature is emotion and emotion is the fuel that feeds the dumb money's "knee - jerk" reaction to news and events.

In the stock market, human nature is such that a guy will say, "I'm gonna wait for the XYZ earnings announcement to come out, then if it's a good one, I'm gonna buy the stock."

Put another way, the "dumb money" waits for "certainty" in the market by buying the stock after the news hits.

Whereas, the “smart money” legally “front runs” the event by buying the stock prior to the event and selling into the jump up in price.

That’s what I did in the trade you just saw.

And I’ve done it more times than I care to admit.

But this isn’t about me, it’s about you and how you can profit from 20 years of trading experience for a personal breakthrough to success.

How To Have A Trading Breakthrough...

Before you can get a rush of successful trading, you have to lose all fear... fear of loss... fear of uncertainty... fear of anything.

You need to lose the fear so you can start developing your trader’s intuition and open yourself up to more frequent and larger stock trading profits and see countless opportunities to make a stock trade.

This is key because fear is an emotion, and once you remove the fear and stop trading on your emotions, you’ll no longer trade like the “dumb money.”

How you lose the fear is through two steps...

Step One: You And Your Money

I can’t even begin to tell you how many people start out with the wrong money. The “wrong” money by the way has nothing to do with any amount of money. It has to do with the type of money.

See, even if you have a \$100,000 account, if it’s money you can’t afford to lose, you’re doomed right from the start.

On the other hand, if you have a \$10,000 account, and it’s

funded with “risk” capital... then you’re far less likely to trade with fear and hence... less like the dumb money.

Don’t get me wrong, I love the dumb money and I’m convinced there is an endless supply of “dumb money” in the stock market every day.

And, profiting off of it is so easy it’s sometimes damn near embarrassing, like taking candy from a baby.

But my point is this=> The 10 grand account has a different “type” of money in it. In this case, a \$10,000 account of risk capital can be more powerful and profitable than a \$100,000 account filled with money you can’t afford to lose.

Consider this.

A man I just spoke to was desperate for some trading help. He does about 50 trades a year in a \$100,000 account. However, he has trouble “pulling the trigger” and just can’t enter a trade... long or short.

He couldn’t understand it.

His trading problem couldn’t be because he wasn’t smart. He was very smart, in fact, far more intelligent than I am.

His problem couldn’t be a lack of money because a \$100,000 account let’s you do it all... day trade... position trade... options... the whole nine yards.

His problem couldn’t be because of a lack of trading opportunities because the market was moving awesome at the time and opportunities are everywhere.

The guy’s problem was this: That hundred thousand dollars he had in his trading account was everything he had in the entire world... and then some.

He took out a home equity loan to get the money to fund his stock trading account.

His plan was to take out a \$100,000 home equity loan and trade stocks for a living. He had a mountain of debt he had to make monthly payments on and a new second mortgage payment and he needed to cover his nut every month trading stocks.

The bottom line was: Even with a college degree and \$100,000 in your account, if you're trading money you can't afford to lose, you'll never win. Scared money never wins, period.

Just because you have \$100,000 and a college degree, it doesn't mean you can learn to be a great stock trader.

You could be a dumb ass from Gary, Indiana (who barely made it through school) and still make more money trading stocks in one month than most people make in 3 years.

I know, because I have.

Here's the point... The size of the account, the amount of money you have, doesn't matter.

What matter's is the type of money that's in your account. By the way, I've seen people start trading with only \$2500 and do

I know because I taught them.

Step one is simply this, figure out your risk capital and start with that amount.

Step Two: Make One Trade Then Nine More

Hey, do you remember one of the very first promises I ever made to

It was this: I promise to talk straight talk with you.

And, in keeping with that promise I'll tell you, as a guy who's done hundred of millions of dollars worth of trades...

You'll Learn More Doing ONE Real Trade Than You Will Reading 10,000 Books On Trading!

You'll learn more making that one real trade than just about anything else because "direct experience" is the best teacher.

Same is true with trading, whether that is day trading, swing trading, options...whatever. You've got to get some direct experience with real money in the market.

By the way, paper trading is a waste of time. Not only that, but I think paper trading is hazardous to your trading health. Even though it's considered a "common practice" in the industry, I think it's a joke.

Why?

Because, in paper trading, you're not using real money.

You may be winning huge but what really happens is you end up getting a false test whether it was successful or not. False because, you're going to react to moves in stock price a lot different when you've got your own money on the line.

Your mind works a whole lot different when you have real money in the stock market.

It's as easy to be an arm chair trader as it is an armchair quarterback.

But when the stock is going against you... or... it's flying up in price... the way you react with real money will be entirely different than how you react in paper trading.

You could be an ace paper trader and win all kinds of stock trading contests, but couldn't make a real trade to save your life. I even know of several so-called stock trading experts who don't trade.

The fact that they don't trade is a huge "disconnect" from their customers and the major reason that people fail when following their advice

You know why all those stock system promoters tell you to paper trade first? It's because they don't trade stocks. If they did, they'd tell you how inaccurate it is as a measure of future success.

Skip all that paper trading bullshit and make 1 trade then 9 more. Then, use the "math trick" to adjust your profit and loss parameters and reset stops.

For now, don't worry about anything else, just focus on the next trade.

Speaking of size, when it comes to position sizing, I think you should start with an equal number of shares on all trades until you've calculated your average gain or average loss.

Later, after you've gotten real good at trading and have an average profit that is dramatically higher than your average loss... then you can worry about position sizing theories and advanced application models and all that fancy stuff.

Before you get lost in all that, just learn to trade. And the way you get good is through experience.

If you are truly serious about making a trading profit and then doing it over as fast and as often as your little heart desires, here's how to quickly and easily get really good... really fast...

Do one real trade.

Then do nine more trades with the exact same share size... 500 shares... 10,000 shares... 300 shares, whatever you want just as long as it's rounded up to the nearest 100 shares. No odd lots please.

After you've done ten real trades, you can begin to refine the process and dramatically increase your profits and cut your losses simply by knowing your averages.

Here's how you determine your averages => Take all your trade confirms from your ten trades.

Now, make two piles, a green pile and a red pile.

The green pile is the pile of confirmations on trades that were profitable. The red pile is the pile of trades that were unprofitable. Don't worry if the red pile is way higher than the green pile. What you're about to learn in this little lesson could instantly correct that problem.

Ok, now you have two piles of trade confirms. Take the green pile and write down how many trades were in this pile.

Next, add up all the money from all the trades in the green pile.

Now, divide the total amount of money by the number of trades made in the green pile. That's your average gain. Write this number down in your trade journal and the type of strategy you applied the trade to because it will be very important.

OK, now, on to the red pile.

Again, add up all the losses and divide that amount by the number of trades in the pile. That's your average loss. This is a critical step in getting better results because you're really in the math business as a trader. Now that you have done the math and

you know your average gain and loss, you have a great starting point.

Here's how to use this new data = > If, for example, your average loss is two points and your average gain is three points, then you can improve your results simply by cutting your losses at 1 1/2 points.

By the way, 1 "point" is equal to one dollar (\$1.00) per share price of the stock you are trading. For example, if you are trading XYZ and you buy 1000 shares at twenty-three dollars per share and you sell it a few days later at twenty-five dollars per share, you have made a 2 point profit (two dollars per share).

In this case, you made a \$2,000 profit before commissions. You can also learn to increase your average profit of three points simply by using trailing stops. You increase your profit per trade when you sell a stock for more profit than your average.

Trade Well,
Jack

Profit Rich Trading Bonus Report 2

How To Profit From Legal Stock Market Manipulation

Dear Friend,

As you already know, one of the hardest and riskiest parts of trading is picking the individual stocks to trade.

Yet, sometimes, picking stocks can be easy as child's play... and... making money trading them can be as easy as taking candy from a baby.

And, when it's this easy, you may even feel a little guilty about it.

In this report, I'm going to show you a real easy way to trade stocks using a secret that will put you in a position to make a huge profit following the "smart money."

You can trade stocks long or short using this little secret.

As a trading tactic, this one is as close to "guaranteed" as gets in the stock market.

Here's a little known secret: The major indexes like the S&P 500 Index, the Nasdaq Index and the Russell Indexes periodically add and drop certain stocks from their index as way to boost Year-To- Date returns.

Here's why: When a stock index initially selects the stocks in that index, as the market unfolds over time, they "reconstitute" the index with the stocks that perform best within a sector.

And when they delete a stock from an index that pretty much means that particular stock is a dog and it will pull down the index's Year-To-Date return, so they cut that stock from the

index.

Stocks that get added to an index make for some great trading opportunities from the long side.

Why?

Simply because billions and billions of dollars in professionally managed accounts (like mutual funds and pension accounts) gets pulled out of the stocks that get dropped from the index and pumped into the stocks that get added to the index.

You see, mutual funds and the like are forced to buy the same stocks in the index so the fund they manage can have similar performance results at the end of the year.

The benchmark for success in the managed fund industry is outperforming the S&P 500.

So the large institutional players are forced to buy and sell the same stocks as the index and when the index adds a stock a flood of buying comes into it... and when an index drops a stock... they all bail out of it.

And it's a major headache for the fund managers. So much of a headache, that over a dozen academic studies have been conducted on this market phenomenon.

And all of these studies have been done by some of the best brains money can buy.

Here are a few of the studies I found particularly interesting...

Beneish, M. D., and R. E. Whaley. 1996. "An Anatomy of the 'S&P Game': The Effects of Changing the Rules." *Journal of Finance*, Vol. 51, no. 5 (December):1909-1930.

Cushing, D., and A. Madhavan. 2001. "The Hidden Cost of Trading at the Close." In Brian Bruce (editor), Institutional Investor Inc., Investment Guide: Transaction Costs, 12-19.

Gardner, G., A. Kondra, and M. Pritamani. 2001. "Russell Indexes: Examining the Frequency of U.S. Reconstitution." Mimeo, Investment Policy & Research, Frank Russell Company.
Gastineau, G. 2002. "Equity Index Funds Have Lost Their Way." Forthcoming, Journal of Portfolio Management.

Goetzmann, W., and M. Garry. 1986. "Does Delisting from the S&P 500 Affect Stock Price?" Financial Analysts Journal, Vol. 42, no. 2 (March/April):64-69.

Keim, D., 1999. "An Analysis of Mutual Fund Design: The Case of Investing in Small-Cap Stocks." Journal of Financial Economics, Vol. 51 no. 3 (February):173-194.

Keim, D., and A. Madhavan. 1998. "The Costs of Institutional Equity Trades: An Overview." Financial Analysts Journal, Vol. 54, no. 4 (July/August):50-69.

Madhavan, A., 2002. "Index Reconstitution and Stock Returns." Forthcoming, Financial Analysts Journal.

Here are some interesting facts gleaned from these studies...

"Periodic index rebalancing is associated with substantial price movements for the stocks added to and deleted from the index."

"These price changes represent significant hidden costs to portfolio managers who track the index."

"In particular, following the announcement after the market

closes to the reconstitution date itself, the stocks added to the index had excess returns over the index of 13.9%, on average, while deletions experienced excess returns of -5.7%."

"With an estimated \$830 billion indexed to the S&P 500, these index changes could result in large money flows, which translate into large volume pressure between announcement and a few days after the effective date.

"Changes of this magnitude could potentially roil the markets. Indeed, several empirical studies of index revisions (Beneish and Whaley, 1996) document significant return effects associated with changes in the S&P 500 index."

"According to a recent S&P research paper, relative to a broad market index, symbols added to the S&P 500 tend to gain 8.5% between the announcement and the rebalancing date, while names deleted from the S&P 500 index tend to decline by 11.7%."

"Goetzmann and Garry (1986) study the effect of delisting from the S&P 500 index of seven stocks on November 30, 1983 and find significant, long-term price declines for the delisted stocks."

"Historical event studies documented significant temporary abnormal returns from announcement of index changes to the effective day"...

Wow!

As you can see, a lot of time and money has been spent analyzing the effects of index rebalancing on large funds and fund managers.

And these studies prove... beyond a shadow of a doubt... that

the rebalancing phenomenon really does move stock prices.

As a trading strategy, this one gives you an unfair advantage for traders because you're letting the index "bird dog" the stocks for you.

What happens is the index will issue a press release saying certain stocks will be added to or dropped from an index. The best part is, the index will put out a press release...

In Advance!

This causes the stock to move due to the fact so much money is going into it or out of it.

Each index does it a bit different.

For example...

Standard & Poor's, S&P 500 Index, makes changes throughout the year.

When a particular stock needs to be replaced in any of its indexes, S&P's selection committee approves a stock to replace it, only admitting companies with four straight quarters of positive earnings.

The Russell Index compiles its various indexes once a year.

Russell doesn't exclude unprofitable companies.

Both S&P and Russell however, give advance notice of additions and deletions, which lets index-fund managers plan the trades they'll need to make to minimize the difference between their funds' returns and those of the index.

The way to trade is to enter your trade (long or short) as

close to the announcement date as possible.

You can get the press releases right from the indexes website.

Then after a few days or weeks you take your profit when the stock stops moving in your desired direction. It really doesn't get any easier than this.

Shorting stocks that have been dropped from an index, will give you an edge in the stock market.

The same can be said for buying stocks that are added to an index.

When you buy a stock that has been added to an index you are buying the exact same stock the smart money is forced to buy. It's as close to a sure thing that exists in the stock market.

This is what successful traders do, find an edge and stay with it.

So either way, long or short, what you've just learned here works.

Trade Well,

Jack

PS. Check this out. When the Russell Investment Group announced the preliminary annual changes being made on its broadmarket Russell 3000. In all, 277 new names went onto the index, replacing companies that failed to keep up with the market's growth, were merged out of existence or taken private.

Over the past 10 years, the average year has seen 405 names changed during the annual reconstitution.

PPS. One famous talking head on CNBC recently said stocks that

get added to an index go up in price 44% and stocks that get deleted go down 28%. He went on to say the stocks go up when they get added to an index because of all the new analysts that cover the stock and issue research reports with a "Buy" rating on it.