

TRADING SECRET NO. 6

How to see into the future when you daytrade

Daytrading means entering and exiting all your trades during one trading session, and not carrying over any open positions to the next session. And, if you want to get the most *bang for your buck*, there is no question that daytrading is the way to go. The margins and commissions for daytrading are *way* lower than other trading styles.

The “overnight” margin for the S&P Emini is currently \$3,938 per contract. But, the margin for daytraders can be as low as *\$300 per contract*.

For a broker-assisted account, your commissions might be anywhere from \$25 a round turn to \$75 or more, depending on who your broker is, and what services he performs. But since daytrading orders are placed and matched electronically by computer, your commission could be as low as *\$5 a round turn*, and sometimes even lower that.

I recently made over \$50,000 in a single month in a daytrading contest sponsored by a major Chicago brokerage house. I don’t have enough room in this booklet to teach you all the skills I used, but I can show you one special trick that is the best kept trading secret I know.

As a film buff, I’ve always liked movies about *time travel* such as *The Time Machine*, *Back To The Future*, *Frequency*, etc. As a trader, I’ve always fantasized about seeing into the future.

IMAGINE KNOWING IN ADVANCE

WHAT DIRECTION THE S&P WILL MOVE.

Well, guess what. In a manner of speaking, we actually can!

Have you ever heard of the “DAX?” Those letters are an acronym for the *DEUTSCHEN AKTIENINDEX*, the major index of the German stock market. It is made up of 30 German companies traded on the Frankfurt stock exchange. So what does the DAX have to do with the S&P? In my home-study course I state my opinion that. . .

Technical analysis is not really about specific financial markets as much as it's about human psychology. It allows us to quantify and visualize human behavior in response to the stimuli of financial risk and reward.

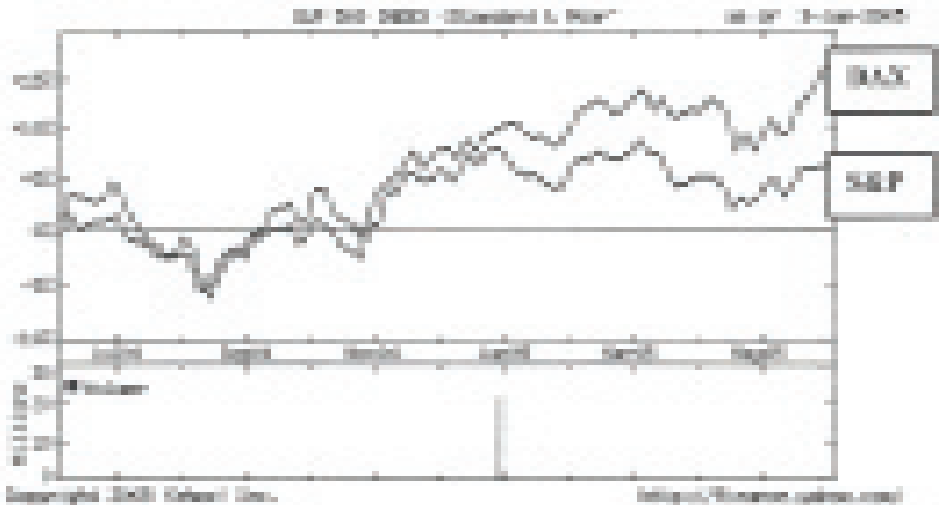


Fig. 6.1 – S&P500 compared to the German DAX

Because all traders are human, there is an inherent correlation between the DAX and the S&P. This fact is quite obvious when you look at this long-term comparison chart from Yahoo Finance. The DAX is on top; the S&P is underneath.

The correlation exists not only on the macro scale but on the micro scale as well. In other words, the intraday price movement of both indices shows a similar pattern.

Here is the secret. . .

THE DAX OPENS SEVEN HOURS BEFORE THE S&P. THIS MEANS THAT THE MAJOR TURNING POINTS ON THE DAX ARE LIKELY TO OCCUR BEFORE THE CORRESPONDING TURNING POINTS ON THE S&P.

Now, check out these two intraday charts of the DAX and S&P from www.futuresource.com. Both charts are from Thursday, June 2, 2005. Look at what happens through the day. Study the chart of the S&P 500.



Fig. 6.2 – S&P500 hourly chart

See how the S&P virtually mirrors the action of the DAX hours earlier? Do you think you could USE that knowledge to make money? You bet you could!



Fig. 6.3 – German DAX hourly chart

Although the correlation between the DAX and S&P isn't perfect, we can clearly see a similar 3-swing pattern on both indices. What's more, the DAX had essentially completed the first two swings by the time the S&P opened.

If the S&P daytrader checked the DAX chart when the S&P began trading, he would have seen *in advance* that there was an *incredibly high probability* that the S&P would trend up after the open, then correct to the downside around midday.

And, if he checked the DAX chart a bit later, he would have seen that there was a *very strong likelihood* that S&P would rally again into the close.

Man, I have to tell you, this Trading Secret is the next best thing to having tomorrow's *Wall Street Journal* today!

Now can you see why I think it's vital that you check out my complete **FORTUNE FORECASTER Trading Course**? It's little-known trading secrets like this that make the pros millions of dollars trading.

When you accept a risk-free trial of my course, newsletter and web site, and I'll also show you. . .

- ▶ **How to calculate key support and resistance zones using the Daily Pivot Point.**
- ▶ **Where to find those low margins and commissions I mentioned above.**
- ▶ **What time frame to use on the DAX chart for maximum effectiveness as leading indicator.**
- ▶ **My favorite trading tools for daytrading.**
- ▶ **Those special days you *must absolutely stay out* of the S&P. Hint: Mr. Bernanke is involved.**