

Dear Investor,

Welcome to Swing Vix Daily Market Forecast!

My name is Dex and I am known throughout the industry as a "no B.S." trader and tell-it-like-it-is advisor. I don't waste time dazzling you with overly intellectual analysis of the market, or spouting off elaborate, complicated formulas.

I cut right to the chase and give you exact, crystal clear, UNHEDGED, market directional calls. This type of market call has never been done before in the history of the stock market.

Thanks for joining us for this trial subscription. Please don't get overwhelmed initially by all the information presented in the Daily Trading Plan. Just absorb what you can, and follow along with the flow. It won't take you long to get in sync with the action.

Also, you'll find all the initial help you'll need on our website at <http://pulsescan.tripod.com/> There is a special section that I encourage you to read called "Successful Investing."

If you like what you see, please stay on with us and become a subscriber! When you pay your subscription fee, we'll give you access to our special Swing Vix Daily Trading Plan Handbook, which explains all of the trading set-ups I talk about each day. You'll easily learn the exact precision methods of entering our trading set-ups, precise stop placement methods, and even how to develop your own trading system and style using my Trading Plan.

Some traders have asked me why I have created the Daily Trading Plan, and why I charge such a low price. Believe me, I've had more than my share of angry floor traders and insiders jamming me for giving these secrets away.

Here's the bottom line: I care about traders and I'm sick of seeing traders getting gouged for useless information. This game is really stacked against the little guy, and I'm trying to level the playing field.

So let's begin this journey on the right track. Study our introductory material carefully. Learn all you can by watching the Daily Trading Plan for the term of your trial period, and if you are as serious about learning this game as I am about helping you, then let's rock and roll. This is the fastest game in town and if you've got the guts then I can definitely assist you in developing the skills you need to succeed.

Let's get started right away! Opportunity and good luck reach out to those who are looking for it.

Your trading friend,

Dex

# ***SECRETS TO SUCCESSFUL INVESTING***

## Part 1

### **\*What is Pulse Scan Technology?**

Pulse Scan technology is an automatic & scientific approach to trading that's designed to triple profits while decreasing risk of huge draw downs. The approach uses momentum & volatility to plot areas of major support and resistance within extreme overbought & oversold conditions.

Unlike most other systems Pulse Scan isolates cyclical trends and predicts turning points well in advance of the move! Utilizing tried and true principles that are demonstrable under both scientific testing conditions and real life situations, generating more winning trades with greater profits.

The markets do indeed foretell what they are about to do. 80% of the time the markets are congested like a traffic jam during rush hour. While the majority of investors get beat-up hoping for a breakout, prices stay within a relatively small range up or down. Utilizing precise measurements of volatility Pulse Scan gains an unfair advantage by determining where and when the market will collapse. Thus bridging the gap between price and time. Pulse Scan is made up of three proprietary indicators that are designed to distinguish between trading range markets and trending markets giving it the flexibility to become reactionary rather than predictive when it becomes necessary to do so.

The problem with standard technical indicators such as: Stochastics, Moving averages, and Momentum indicators is that they don't work on all markets and aren't very reliable most of the time. Moving averages are lagging indicators while Stochastics can stay overbought or oversold for extended periods of time. Meanwhile the market may be steadily climbing to new highs or falling to new lows.

Traditional Momentum indicators also fail to capture the true range of the market. Volume and Open interest can be very misleading. Often markets tend to both rise and fall on light volume and just because during the trading day advancers may be outpacing decliners that doesn't mean you should be buying!

### **\*"Buy and Hold"- yeah right.**

The most important concept in trading is money management. It doesn't matter how well you can call the markets or how well your "system" performs. Without strict disciplined money management you won't survive the inevitable draw down periods that even the best of traders go through. Floor traders know this all too well. One major hit and he's done. Floor traders NEVER! Buy and hold. Why not? Breakouts & Breakdowns are part of the qualitative dimensions of the catastrophic theory model. In layman's terms: Markets from time to time tend to have explosive moves in one direction (or trend). During sell-offs prices can remain depressed for considerable periods of time.

Quite often even if prices rebound off the lows they may never retrace enough to test the previous highs. Why? Because Bear Markets create fear, panic, uncertainty and a loss of confidence. When stocks hit bottom and turn up to

begin the next bull market most people, crippled by fear become hesitant and afraid. Being without a system to detect or interpret general market action they are left to rely on their emotions and personal opinions, which are totally worthless at critical turning points. The market's opinion is the only one ever worth following.

The opposite holds true for Bull Markets. When prices are climbing it creates euphoria, which leads to irrational exuberance and cockiness. Everybody becomes an analyst. The market hits a top and huge institutional investors knowing about the floor traders' methods, run up a few of the Dow stocks, or a few big High-Tech leaders in the NASDAQ and create a false impression or "Head Fake" which in turn creates a false "Break-Out" to new highs. Then without warning DISSASTER STRIKES! The market takes a nosedive. While your averaging down (buying the dips) they're selling— to you.

What to do? Learn how the pros trade for a living and you too can enjoy success, ridiculous profits, enormous financial reward, and the piece of mind that comes with true enlightenment.

### **\*The Floor Brokers Secret Here's How They Do It!**

The method is called "Swing Trading". As the market pivots between two points— the swing high and low new opportunities develop. Pivot points are used to time intra-day entries and exits. Support and Resistance lines are plotted on Weekly, Daily, and 60-minute charts and the trader has the option of either following the trend or fading the breakout.

Note: (Moving Averages, Stochastics, Trend Lines, MACD, Volume indicators, Advance /Decline lines are mainly a waste of time and are an unnecessary distraction, based on my research and experience over the years).

Learn to time the markets and trade like a pro.

**You can't win with Fundamental Analysis!**

That is why I developed Pulse Scan to scan the pulse of the market. This uncanny approach has led to unbelievable results.... you simply have to see it to believe!

**\*It just sounds too easy...**

That's healthy skepticism. You should investigate before you jump into anything; that's why we encourage you to use this method on paper, at no risk, without jumping in. Don't make a decision or form an opinion until you prove it to yourself and see results with your own eyes first. **THE WEALTH POTENTIAL IS STAGGERING!**

Many people consider results this good to be an impossible dream. When a man comes to you and says he has a plan that can literally make you a fortune with low stress, you naturally look at him with a great deal of skepticism. This is the way most people feel when they first hear of Pulse Scans success. But remember we're not promising 100% success. No matter how good this program is, if you can't accept the inevitable losses, don't even consider currency or futures trading. Let's face it; unexpected forces can move the markets in a way that no system can be prepared for. It happens. But those losses can easily be controlled. And most of the time the market is indeed entirely predictable. The bottom line is that those people willing to take a chance and invest in themselves have benefited handsomely from this program. And we're sharing it with you **RISK-FREE** so you can prove it to yourself without a worry.

### **\*Not A Get-Rich Quick Scheme**

This is not a get rich quick scheme but rather a realistic opportunity to strike it rich. Many trading programs roll the dice and look for a big killing.... but those are the guys who'll be lining your pockets with money. A typical trade will have you investing \$350-\$450 per position and pocketing 15-30% a month!

Imagine how you can compound that! By doing this again and again...with over 90% winners...your profits will grow quickly, steadily and safely. This system is based on one prime philosophy—it hates to lose. Until today the "little-guy" has almost always been wiped out when he tried his luck at trading. But now, thanks to the powerful reliable trading approach developed by Dex Johnson you can automatically overcome every investor's biggest problem—accurate trade selection— to get in and out with a profit almost every time you trade. You no longer need to worry about external factors that affect market conditions.... have to guess which stage of a move your market is in.... or what action to take now. Thanks to Dex's eye opening system, you can make fantastic percentage profits almost every time you trade. Now you can have this priceless knowledge without risking a penny.

**NO RISK 30-Day Free Trail!**

## **THE TROUBLE WITH INVESTING**

*You trade in the STOCK MARKET & FOREX Currency market to make money--to provide for your family, finance your children's education, or retire comfortably. But how can you receive top returns in a changing market?*

*No matter how much information you glean, or how closely you watch price movements, trading the STOCK market & FOREX Currencies often feels like little more than gambling. How can you be sure you're choosing to trade the right currency at the right time? Consequences can be dire if you choose wrong.*

## **WE HELP YOU STOP GUESSING**

*At PulseScan Swing Vix Daily Market FORECAST, we take the guesswork out of investing. Our trading advisory, based on top-technology and years of trading experience, uses state of the art analysis & proprietary indicators to give you top returns. When you sign on with us, you won't depend on the performance of one particular company as with individual stock trading.*

*No longer do you have to choose the right company, follow fads, or feel dependent on political events. We eliminate these considerations and lower your costs. The best part is that by trading the S&P 500 FUTURES, NASDAQ 100 FUTURES and Euro Currency FUTURES contracts, you eliminate traditional bias to the upside (as with the stock market), and find yourself in a position to profit both from rising as well as falling markets.*

## **MAKE MONEY EVEN WHEN OTHERS DON'T**

*We at PulseScan Technology believe the market itself is the best indicator of value, economic forces, and future price movement. The FOREX Currency Market has a strong history and high liquidity, which complements our system perfectly. We aren't swayed by any extraneous information, relying solely on some stock analyst or a bunch of CEOs of Fortune 500 companies, intra-day historical and recent price action. Nothing else contaminates our recommendations to you.*

*Each day, we keep you abreast with the latest trading information in a simple, straightforward form. We make easily followed recommendations on when to buy and sell, and deliver them on our web site and/or to your e-mail inbox instantaneously. Our trading advisory lets you take control, so you can enjoy more safety than you ever have before, and returns that put you on par with big players.*

## **ALL-WEATHER PERFORMANCE**

*Our Swing Vix System performs in all conditions. If the market moves up, down or sideways, you can still make a profit. When everyone else seems to be losing money steadily, you can enjoy your increased worth. With PulseScan Swing Vix Daily Market FORECAST, you not only profit from the market; you transcend it.*

## **TRADING MADE SIMPLE**

*PulseScan Swing Vix Daily Market FORECAST puts the power of profitable trading in your hands with our premiere Swing Vix trading system. Our program is designed exclusively for the E-mini S&P 500 FUTURES, E-mini NASDAQ 100 FUTURES and the Euro Currency*

*FUTURES Markets. While our system is technologically advanced, we simplify trading for you by guiding you through the market changes each day.*

### **HOW WE GUIDE YOUR TRADING**

*We give you all the information you need for placing the day's trades. You can either access our private Members area online, or receive this information by email. There is no need to constantly monitor the market. We have created an easy system, where you watch the market at the most critical points--the beginning and the end of the trading day.*

*At the day's start, we dispatch two triggers to you: a BUY or SELL trigger point to initiate a new position, and the corresponding Stop-loss point. You can then choose to place the orders with your executing broker, or follow the market and place your order once the trigger point is reached.*

*At the day's end, we send you a new signal. At this point, you will be advised to either keep or exit your current position.*

### **OUR SUPERIOR TECHNOLOGY**

*We created a system that is not only efficient, but also reliable. We have backed our technology with a 100% up-time guarantee. This means that you will always receive your signals without fail. Should there be any Internet delay whatsoever, we will fax you a copy of the signals immediately.*

### **GIVING YOU EXCELLENT SUPPORT**

*We provide you with access to our User's Guide, giving clear documentation and guidance on how to trade on these daily signals. Within the User's Guide, you will find easy instructions on how to maximize profits, minimize your risks, and avoid mistakes. We have included relevant, straightforward examples; to illustrate our strategies and show you how to utilize the tools we give you.*

*We also provide you with access to our "Hot Service" email during market hours to address any trading questions you might have. Our goal is to give you trading know-how and power, and we go the extra mile to make our system work for you.*

## **Confidence: The Mental Edge**

Most traders are conditioned to respond over and over again in the same way to the same experiences. They choose what makes life familiar and comfortable. They don't need to maintain a mental edge since nothing changes for them. What can be done?

Instead of looking for commonalities in the market, look for what every successful trader has in common. Every trader who has broken through to sustained success in the market has a common characteristic. **Confidence**. In other words, no matter how good you are at analyzing the market, if you don't have confidence, all you're really doing is repeatedly creating experiences to which you will respond with similar frustration and anxiety.

How do you achieve confidence? You gather knowledge and practice discipline. The more you learn about the markets and your approach to trading the markets, the more effective you become as a trader. The more effective you become, the less fearful you

are. Confidence is the lack of fear. That's it. Lack of fear. When you are confident, you can win.

Ask yourself:

- How do you handle your emotions? Is there a process?
- What is your perception of the world? How did you arrive there? Is it accurate?
- Are you able to have the same emotion whether you win or lose?
- Do past mistakes make you hesitant to pull the trigger today?
- Do you have the belief system of a winner or loser?
- Do think in terms of probabilities?
- Is the way you attach meaning to things too wrapped up in personal emotion?

No matter your profession the answers are critical for everyone.

### **Maintaining Discipline:**

There are typically three stages an investor goes through before they become successful. Building discipline starts with an understanding of these points:

1. **Easy Money:** The first stage involves thinking there is easy money to be made. This is the thinking of a newbie. Often, after a big stock tip gone wrong or a couple great broker recommendations that lose serious money, you enter the second stage.
2. **I need a plan:** The second stage begins when an investor or trader decides a plan is needed to win. The problems begin when the search for a plan becomes a search for the Holy Grail. And we all know there is no Holy Grail. What is needed is more than just a "system". What is needed is you following the system. This leads to stage three.
3. **I'm responsible for my success:** Stage three comes when the investor or trader realizes that success comes from inside the person, not outside. To achieve true success you must understand the market is not responsible, you are. There is no one to blame or compliment but yourself when it comes to trading. So find a solid plan and follow it.

Trend Following demands that you detach emotions from your trading and maintain exacting discipline. Trend Following, for example, can be a winning plan, but you must be disciplined to do the hard (and right) thing everyday.

# Trend Following Trading Help

## Broker Assisted Trading for Futures

Westminster Brokerage offers brokerage assistance to those that want to trade Trend Following systems on futures, but have little time to spend monitoring the markets. Other brokers can help on other markets.

**Q.** How did you come to see the market need for system assisting?

**A.** By being a broker as well as a trader, I witnessed on a daily basis, clients making common trading mistakes over and over again. They overtraded, risked too much capital, did not diversify, took profits of the table quickly and let losses run. They gambled with their losers and took sure thing profits. The opposite of what professionals do.

**Q.** How did you first learn of Trend Following?

**A.** I have been familiar with Trend Following since reading Market Wizards several years ago and recently decided to quantify it through programming. The task was challenging and time consuming. The output from **Trading Recipes** and EXCEL calculations were used for testing. Now I can take any number of markets and quickly back test.

**Q.** Experiences with other sub-par methods of trading?

**A.** Yes, most of the day-trading systems, even the systems that look great when tested do not perform well. The reason being is slippage. If you take the **supposed** top 10 day-trading systems and add a realistic figure for slippage it will eat up any edge [and you will lose]. This is why most successful money managers do not use these type of systems in their trading.

**Q.** Talk about your experiences of testing Trend Following systems.

**A.** It was interesting to test because the methodology seems straight forward, but has many wrinkles. This is a great feature, because if everyone was to use the exact identical system, with the same identical markets, the edge might diminish. Think about it -- that's why Trend Followers have different performances. Same system yes, but they choose different styles. One interesting aspect of the method compared to most other systems is the returns are far from linear. You can't trade this method on a quarter to quarter basis. You can have long periods of small gains or losses followed by a huge profits very quickly. Knowing when that time will come could cause impatience, but look at the success of the long time Trend Followers and I feel fears are eased.

**Q.** Psychologically, how do you handle Trend Following? Is it a natural fit?

**A.** The long term nature of Trend Following instills very good habits in traders. It teaches people to follow a plan, enter the market with a trend and measure your risk tightly. It's flexible enough for people who want to add their own flare as well. Most of my clients do not have a problem following an objective model, however subjective trading always brings disaster. I personally hate making subjective trading decisions, but when it comes to pre-planned methodologies, I follow them till the end.

## Market Timing for Trading: Does It Work?

Some people mistakenly feel Trend Following is Market Timing prediction. **It is not.** Trend Following reacts to market movements while Market Timing supposes you can predict or spot in advance a turning point and get a jump on the market. This is impossible to do with any regularity.

**Market Timing** is a technique used by investors or money managers who believe they can predict when the market will change course. For example, a mutual fund manager might switch the bulk of his fund's holdings from stocks into bonds or cash when he thinks -- based on analysis, his own "gut feeling," or both -- that stocks have peaked. If he times the market correctly, he could make a huge profit. Then, when he thinks the stock market is ready to take off again, he could shift back into stocks in an effort to make another big killing.

**Market Timing** attempts to predict future market directions, usually by examining recent price and volume data or economic data, and investing based on those predictions. Also called timing the market.

A huge number of investors think they are buy-and-holders, but in fact they use a peculiar form of **market timing** that we have described before, the ICSIA or "I can't stand it anymore" timing system. Though this is probably the most widely used timing system in the world, we don't recommend it. It relies on emotional reactions to market fluctuations. After a long period of market gains, this system induces many of its followers to finally jump into the market, usually against their better judgment, when they can no longer stand to sit on the sidelines watching other people making what looks like "easy money." When the market's in decline, this irrational system prompts its followers to remain invested, even as they continue to lose money, until they cannot stand the losses any more and then to bail out when prices are very depressed.

Market Timing attempts to leave the market entirely during downturns and reinvesting when it heads back up. **Requires a [crystal ball](#) to be effective.**

But the real "market timing" is by those thousands of us who use technical indicators, combine them and "massage" them to FOLLOW the market gyrations -- never to forecast it. We and you all know that no one, anywhere, can forecast any market, any time. But our "indicators" can show us internal changes that are taking place. That's the best that anything can do...

## I am Skeptical. Why Does Trend Following Work?

Why has Trend Following been the best style of trading for the past 30 years? Trend Following has worked in the past, excels today and will perform into the future for the simple reason: **trends exist and they can be traded up and down for profit.**

The world will always face constant change and no one can forecast a trend's beginning or end until it becomes a matter of record just like the weather. But if you have a basic strategy that's sound, you can take advantage of market changes to make money by capturing the bulk of a trend. Trend Following is based on good business principles. If your principles are designed to adapt, the changing world is not going to materially hurt you. It's the ability to adapt that allows Trend Following to continually pull profits from the marketplace.

We love volatility...for being on the right side of moving markets is what makes us money. A stagnant market in any [market]...means there's no opportunity for us to make money.

What are wrong views of the market we hear from readers?

1. My trading style tells me when the market will follow through.
2. The markets have changed.
3. Trend Following has changed.
4. Profit targets are wise
5. Short-term technical analysis that predicts direction works well.
6. Victor Niederhoffer recently wrote that the way to forecast a market is to first compare the estimated earnings yield of the S&P 500 at year end to the rate on the 10-year T-note.

How would Trend Followers respond?

1. You can not predict a follow-through of a market trend.
2. The markets have not changed. Trend Following has not changed either. New? Don't believe the hype.
3. The fact some one trader did poorly has to do with that one trader's greed/fear profile, not Trend Following.
4. Trend Followers all trade in a similar fashion.
5. Profit targets are prediction. Set a profit target and you miss trends by exiting early.
6. Trend is for stocks too.
7. There is no trading technique that can predict market direction.
8. Victor Niederhoffer's use of fundamentals to predict is not valid. There is no evidence this works. The only evidence we have is Niederhoffer's blowout of 1997.
9. [Danger!](#)

Big trends are like epidemics. Starting with only a few people, an epidemic can spread through a population as it multiplies again and again. Just like when a virus spreads, it doubles and doubles and doubles. It flows. It trends.

Extreme market trends can appear from out of nowhere moving either up or down. These trends often feed upon themselves and can quickly progress geometrically allowing the opportunity for huge profits if you traded the trend. However, people can have a hard time with this idea, because, like an epidemic, the end result often seems out of proportion to the cause. Instead of just riding the trend for profits, they seem more interested in understanding it. Instead of wanting to win, they want to be right.

In order to appreciate why market progressions or trends can be so powerfully rewarding, you must not expect proportionality. You need to prepare for the possibility that sometimes big market changes follow small events, and that sometimes that change can happen very quickly. [Trend Following trading](#) is designed to find and exploit those market trends long before they arrive on the radar screen of the masses.

## Impatience v. Wisdom

We know that prices move up and down. They always have and they always will. My theory is that behind these major movements is an irresistible force. That is all one needs to know. It is not well to be too curious about all the reasons behind price movements. You risk the danger of clouding your mind with non-essentials. Just recognize that the movement is there and take advantage of it by steering your speculative ship along with the tide. Do not argue with the condition, and most of all, do not try to combat it.

Systems don't make up for poor personal discipline. They are only as good as the individual adhering to the principles.

### **CHECKING US OUT**

*Get a better feel for PulseScan Swing Vix Daily Market FORECAST by examining our history on our POWERFUL Track Record by downloading it in PDF format by Adobe and let us walk you through the way our system works.*

*Right now, we also provide you with the opportunity to try PulseScan Swing Vix Daily Market FORECAST, during a one-month FREE TRIAL Subscription. We're confident that once you experience the freedom and profits we have to offer, you will agree that the PulseScan Swing Vix Daily Market FORECAST is the only way to trade.*

*Our advisory service comes with an unconditional Money Back Guarantee as follows: We will reverse your subscription charge if at the end of the validity of your 90 day subscription, our aggregate trading signals do not generate a gross profit.*

*When you register with PulseScan Swing Vix Daily Market FORECAST, you get a complete swing trading system that*

- *has performed in difficult market conditions.*
- *requires a minimal time commitment on your part,*
- *is easy to use,*
- *is the result of extensive research and trading experience*

*Subscriptions are only \$1,200 for 90 days. They include your daily trading signals, the user's guide, full access to our site, and the question & answer hot service.*

*To register, please CALL 1 (240) 299-5447 or E-mail us at [pulsescan@lycos.com](mailto:pulsescan@lycos.com)*

## Part 4

### "TREND TRADER"

"Your eyes and ears on the trading floor."

#### **How stock traders can benefit with Pulse Scan**

##### **Institutions use leverage**

Large institutions often initiate a large purchase or basket of stocks by buying the futures first. They do this to utilize the huge leverage in futures. Once they purchase the futures, they proceed to buy the stocks while at the same time gradually getting out of the futures. By doing this, they're often able to get in at a better price than they would have had they bought the stocks straight out.

##### **Anticipate the S&P and NASDAQ markets**

Every time The Investors Edge talks with stock traders, they tell us how they always keep an S&P chart and a NASDAQ chart on their screen in order to help them make their daily decisions while trading stocks. In that case, wouldn't it also be helpful to be able to tell which direction the futures are headed and where support and resistance are? The Investors Edge eyes and ears on the trading floor can help give you that DECISIVE EDGE!!

##### **Initiate a short position without waiting for an uptick**

Joining The Investors Edge can help you to become more comfortable with the futures markets. It can help you to take advantage of the huge leverage you can command with relatively small amounts of capital. Wouldn't it be great to be able to take advantage of a potential downturn in the market? Instead of waiting for an uptick as you would have to if you were trading stock, futures contracts like the S&P 500, NASDAQ or the E-Mini allow you to get short by simply entering a sell order from your ECN (Electronic Communication Network). By using futures contracts, you are able to hedge your portfolio for short periods of time, overnight, or longer if you wish.

##### **Be receptive to different avenues**

The more knowledge you command, the better prepared you are to take on the next trading opportunity, whether it's in the futures market or the stock market. The more avenues that are open to you, the more versatility you have to survive in the more complex markets we're all going to be part of in years to come.

##### **Be a Better Trader**

You'll be able to e-mail your trading questions to Dex directly.

# Basics of S&P 500 Futures Trading

If you're brand new to futures trading, this document will clarify the terms used in the Daily Forecast, and help you get started trading the most exciting market in the world -- the S&P 500 futures.

Our subscribers come from the entire range of traders, from seasoned professional fund managers and floor traders to novice traders and those looking to trade the S&P futures for the first time.

But one thing we all have in common is we're looking to know what the market is going to do that day.

With Swing Vix Daily Market Forecast, for the first time in history you'll receive crystal-clear, accurate calls on the market.

## What are we talking about?

The primary objective of our Daily Forecast is to help traders get on the right side of the market during that day's session, to capture 8 to 10 points in the e-mini S&P 500 Index futures.

I have been trading the S&P 500 Index futures for many, many years and that is the sole focus of my Daily Forecast -- **to make directional calls on the S&P 500 futures for that day's session**. All the numbers, trade setups and discussions deal only with the S&P 500 Futures contracts traded at the Chicago Mercantile Exchange ([CME](#)). I do not talk about the S&P Cash Index, OEX Options or anything else when talking about trading and "the market", although certainly there are other markets you can trade using my Daily Forecast.

## What are S&P 500 Index futures?

Equity traders entering the futures markets for the first time should consult the excellent information available from the Chicago Mercantile Exchange (CME). Also, many futures brokers can provide you with the specifics of the contracts and give you all the details you need about risk/reward, leverage, and the capital required to trade the contract.

The CME offers two sizes of the S&P 500 contract: the standard "big" futures contract and the S&P 500 "e-mini" contract. The standard contract is what the institutions and commercials trade, and the majority of these trades are done using the "open outcry" auction system in the pits of the Chicago Mercantile. This contract is known variously as the Big S&P, the Big Car, SPoos, etc. -- and the trading in this big contract sets the tone for the entire stock market. Most of the analysis we do at *21st Century Futures* is based on the trading in this contract.

For actual trading, our numbers focus on the e-mini contract. The "e" stands for "electronic," as this contract is exclusively traded on the CME's electronic, GLOBEX platform; and the "mini" represents the fact that this contract is one-fifth the size of the big contract.

At one-fifth the size, the e-mini is more affordable to retail traders, with lower day-trading margin requirements. This contract is traded electronically, resulting in high volume action, with volatility spikes beyond the range set by the big S&P for short periods. But generally the price action tends to follow that of the big S&P contract very closely.

## But...what exactly is the e-mini contract?

The E-mini S&P 500 futures are legally binding agreements to buy or sell the cash value of the S&P 500 Index at a specific future date. The contracts are valued at **\$50 \* the futures price**. For example, if the e-mini S&P 500 futures price is at 920.00, the value of the contract is \$46,000 ( $\$50 * 920.00$ ).

This also means that the value of the contract changes with every point the futures move. If the futures price is 922.00, then the contract is worth \$46,100 ( $\$50 * 922.00$ ). If it slips to 918, the contract is worth \$45,900 ( $\$50 * 918.00$ ). If you own or short an e-mini futures contract on the S&P 500, you are gaining -- or losing -- \$50 per point.

Like all commodities futures, you are required to only put up a fraction of the contract value to actually take a position. This amount is popularly called "margin," but it is unlike the margin requirements in stock trading. It is not even margin, but rather a "performance bond," in which you agree to honor the terms of the contract by either offsetting it before expiration or making a cash settlement. The amount of the performance bond is specified by the CME. Currently it is about \$3,500 per contract (See table below). If the market moves against your position, you may be required to add additional funds to maintain the necessary bond levels. Please consult your broker for his house rules for posting the bonds (margin), and always strive to be aware of your liabilities and obligations.

## Ticks

The minimum price movement of a futures contract is called a "tick." The tick value for the e-mini S&P is 0.25 index points, or \$12.50 per contract. This means that if the e-mini moves the minimum price increment (one tick), say, from 920.00 to 920.25, a long (buying) position would be credited \$12.50; a short (selling) position would be debited \$12.50.

Trading this contract offers tremendous leverage, which is also a double-edged sword. Relatively small amount of capital can result in huge percentage gains -- but it can also quickly result in big losses and total wipeouts. Often this catches traders migrating over from equities by surprise. Futures trading requires vigilance, discipline, and fortitude.

With the normal day-trading margin of \$2,000, one of our typical 8-10 handle (see the upcoming section, "What is a point?" for explanation of the term *handle*) trades will net you a \$400 to \$500 gain, before commissions and fees. That is a 20% to 25% return. To get yourself really excited, you can annualize the return. But we're not going to do that! Instead, we will point out that it's just as easy to lose all your capital and end up owing money to your broker.

The need for discipline cannot be emphasized enough when trading the e-mini.

## Contract Months

E-mini S&P 500 contracts are cash-settled, just like the standard S&P 500. There is no delivery of the individual stocks. Just like the big S&P, e-mini contracts also expire quarterly. E-mini S&P 500 daily settlements and quarterly expirations will use exactly the same price as the S&P 500, thus benefiting from the liquidity of the big S&P 500 futures.

S&P 500 Index futures contracts expire each quarter, always on the third Friday of March, June, September and December. Contracts with several expirations are traded simultaneously. ***PulseScan Swing Vix Daily Market Forecast*** focuses only on the leading month contract, which is by far the most actively traded.

E-mini S&P 500 Index Futures	
Ticker	ES
Contact Size	\$50 times e-mini S&P 500 Index futures price
Tick Size	0.25 Index point or \$12.50 per contract
Months	March, June, September & December
Trading Hours	From 5:30pm CT Sunday to 3:15pm CT Friday
Expiry	Third Friday of the contract month
Rollover	Thursday a week before the expiration Friday. The next contract month becomes the "lead contract" or the "front month." The new contract will be the day-trading vehicle from this day, even though the previous contract continues to trade until expiration date
Margin/Bond	Exchange minimum: \$3,563 Maintenance: \$2,850 Day-trading margins can be as low as \$1,700/contract, per your broker's requirements

Ticker symbols are created by combining the base symbol **ES**, the contract month and contract year. Month codes are:

H=March

M=June

U=September

Z=December

Therefore the ticker for the June 03 contract is **ESM03**

The symbol for the big car is **SP** and is built up the same way: **SPM03**

## So how many shares do you buy?

This is a common question from equity traders when they start looking into futures. The answer is: You don't. Just like options contracts, you buy single or multiple contracts. Most beginning traders and many experienced traders only trade a single contract -- "the one lot." If you are a beginning futures trader, it is important to establish a consistently-profitable method, over a period of time, before increasing lot size. In other words, start small!

## Trading 'round the clock...

Except for Friday evening through Sunday evening, the e-mini trades virtually around the clock. *21st Century Futures'* day-trading methodology is based on volume and price action of the pit trading session, also known as Regular Trading Hours (RTH), beginning at 9:30am Eastern Time until 4:15pm Eastern Time, for 405 minutes of nonstop fast action.

The *Morning Call* concerns itself only with the RTH trading session. Being hardworking "blue collar" types, we punch the clock at 4:15pm, pocket our paycheck and head home to relax with family and friends. There is more to life than the markets.

## What is a point?

Equity traders are sometimes confused by varied interpretation of "points," for understandable reasons.

According to CME contract specifications, one point is 1/100 or 0.01 of an index point. Using this definition, the e-mini moves in 25-point ticks. To avoid the confusion of index points versus contract points, the term *handle* is used to describe one index point and the index price levels.

Therefore if the S&P 500 Index futures move from 950 to 955, it is said to have moved from 950 handle to 955 handle for a move of 5 handles (index points) or 500 contract points.

## The numbers

*Daily Forecast* provides some key numbers for plotting the session's road map. For computing our various proprietary indicators, only the numbers of the big contract are used. All the previous day's session numbers, moving averages, are based on the price action of the big S&P 500 Index Futures contract. The Buy and Sell triggers are rounded to the e-mini tick size, since most traders use the e-mini as the trading vehicle.

Index numbers discussed as part of the Forecast are the Dow Industrial Average and the Nasdaq Composite Index. These are the cash indices universally available and quoted as broad market averages.

## Abbreviations you may wonder about

**B/O** means "breakout," and refers to the price breaking out above the high point of the first hour of trading during regular market hours on the e-mini S&P500.

**B/D** means "breakdown" and refers to the price breaking down below the low point of the first hour of trading during regular market hours on the e-mini S&P500.

## **Master yourself...master your methodology**

Trading the S&P 500 Index futures is serious work. You are pitting your wits against the most seasoned and well-funded professional traders in the world.

The Daily Forecast will teach you how to think like a floor trader and market insider. We'll teach you to never be a bull or a bear. Your market opinion simply doesn't matter when you're trading the e-mini. All you want to do is grab your 8 to 10 handles from the bulls or bears, by getting on the right side of the market at just the right time. Our crystal-clear set-ups and instructions will put you in this position time and again.

The rest is up to you! Mastering a methodology takes time, practice, repetition and persistence. Our methods can add significantly to your performance and to your existing methodology. The Daily Forecast will educate you on reading the markets skillfully, and won't muddle your mind with a plethora of indicators of dubious value. You'll think just like a professional trader.

In the longer term, macroeconomic and fundamental factors definitely influence price levels. But in the short run, markets are moved by sentiment, and are even -- somewhat surprisingly to novices -- often rigged to a pre-planned agenda.

Before jumping in, you'll need to invest in a good trading environment, and you'll need a top-notch set of market tools, including real-time charts and quote services such as those available from eSignal, LocalKnowledge, TradeStation, Quote.com, etc. You'll also need a fast execution platform such as "FLOORPASS" and above all, a good broker with not only low round-turn commissions, but quick live-broker assistance for problem resolution.

Many online futures brokers offer simulated trading, which is an ideal way to master the PulseScan Swing Vix Daily Market Forecast methodology without any risk.

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**NOTE: Don't have time to watch the market? Do you require more than just the standard complimentary service? Do you require more in-depth analysis, market timing and trading signals? You can have it ALL, specific timing signals that are tailored to your portfolio, now available on our Premium service. Please check the website for further details and pricing.**

Or call (240) 299-5447.or email at [pulsescan@lycos.com](mailto:pulsescan@lycos.com)

## **\*About the Creator of PulseScan Swing Vix**

**Dex Johnson has spent more than 10 years of tedious research, trial, and error before he Perfected this remarkable system. His experience as a Technical Analyst, and Options Strategist Has given him extraordinary insight into the markets and how they work. Dex has placed thousands Of trades for clients in both the Stock Index Futures and Options markets. Although PulseScan was designed to trade Stock Index Futures, Individual Stocks, and Foreign Currencies , Dex prefers to trade the Stock Index Futures and Currency Futures because of the leverage and liquidity.**

## **Important Disclosures:**

**Please note:** All profit examples are hypothetical, assuming that subscribers bought and sold at the time the recommendations were issued. Actual results can and do vary based on day of execution and commission charges.

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