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Scalper Buys & Sells

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Key Day Trading Strategies for CBOT mini-sized Dow[®] Futures

John F. Carter

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SCALPER BUYS AND SELLS— WHEN ONLY A QUICK CONFIRMATION WILL DO

Identifying and Profiting from
Changes in Trend without Catching
a Falling Knife or Stepping in Front
of a Freight Train.

What We Will Cover

- Key Trading Strategy for the YM:
 - Key Intraday Indicators I Watch
 - One Key Setup I follow
 - Money Management Techniques
- Trading CBOT Mini-Sized Dow vs. Emini S&P
- Attitude of a Trader: The make or break factor
- Questions/Answers/More Information

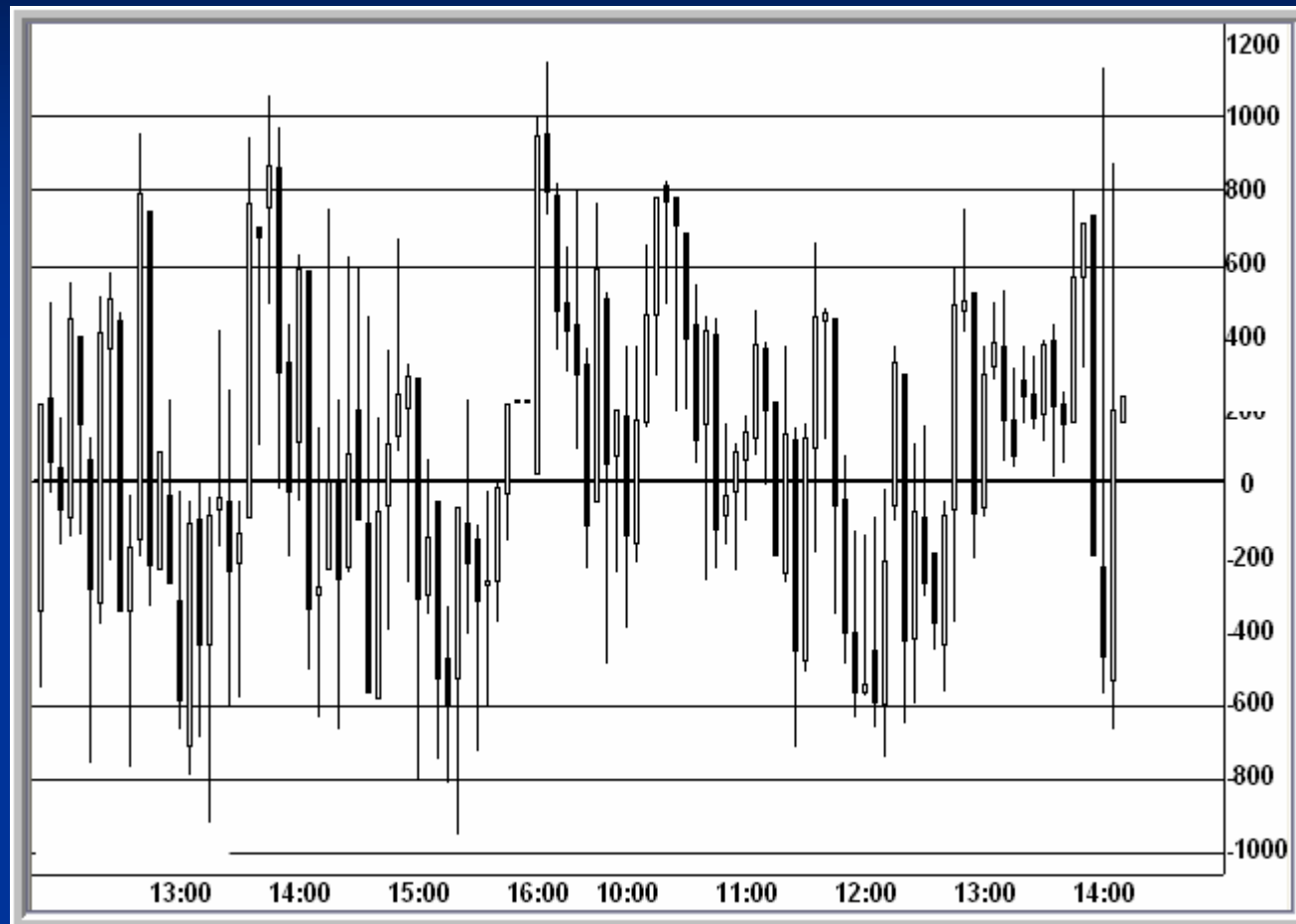
My Background

- I have traded actively for 19 years
- Full Time Trader Since 1996
- Started financial market research firm, www.tradethemarkets.com in 1999
- CTA and Principle in Razor Trading, a private money management firm
- Started off as stocks and options trader, now trade mostly futures because of greater flexibility

Key Intraday Indicators for Trading the Mini Sized Dow

- A large part of what dictates my intraday trades is determined by the action of the key intraday indicators that I watch. They are as follows:
- TICK (measures net buying/net selling NYSE)
- TIKI (measures net buying/net selling DOW)
- Put/Call (measures the ratio of calls vs. puts)
- TRIN (measures up/down volume on NYSE)
- TRINQ (measure up/down volume on Nasdaq)
- Sector Sorter List (measures sector performance and overall market strength or weakness)

TICK 5 Minute Chart

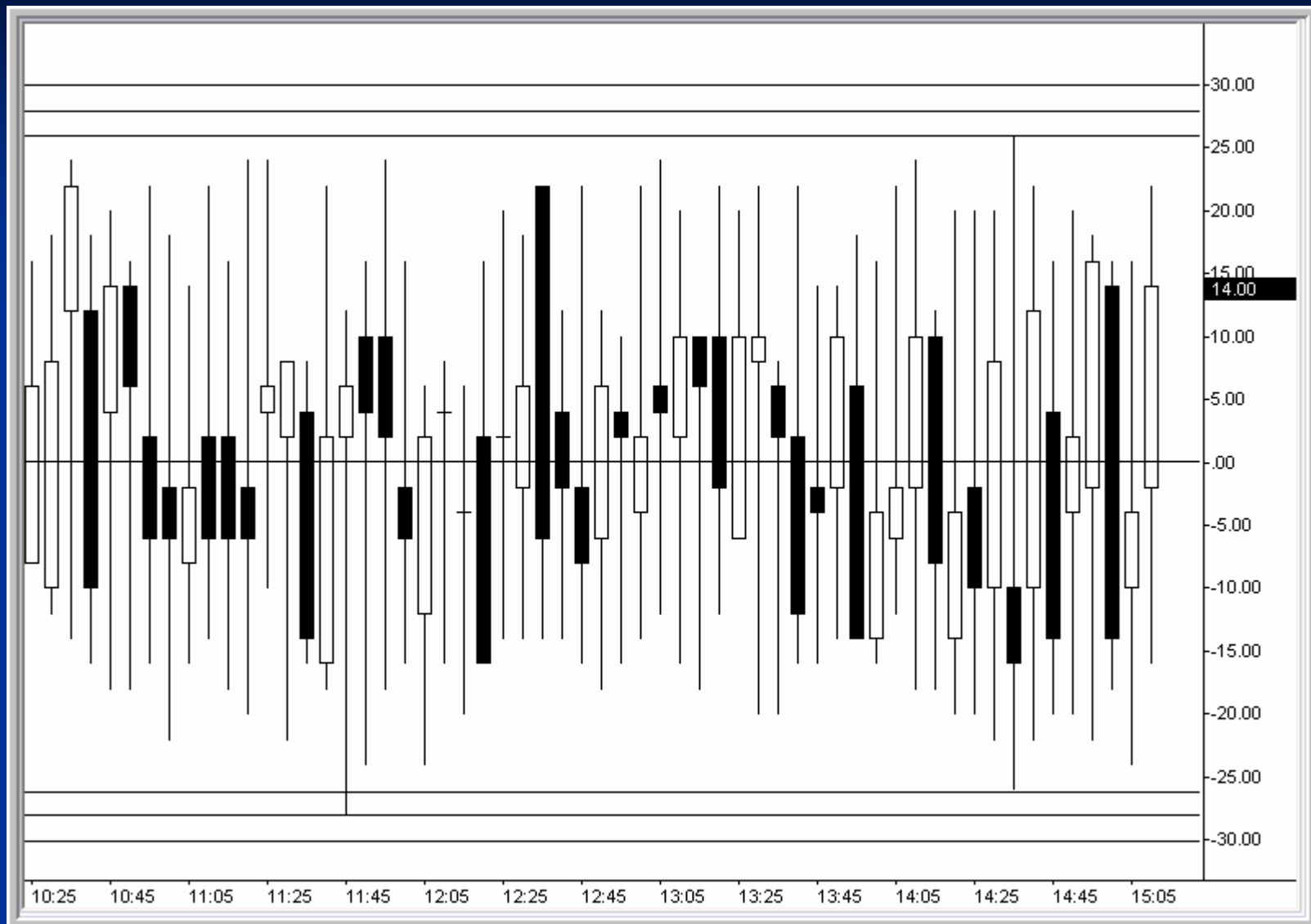


Audio Alerts at +/- 600, 800, 1000 and 1200 Ticks

TICK TIPS

- + or - 400 can be noise
- Pay attention over +800 or -800.
- If you are long and you get a +1000 tick reading, consider closing your trade and taking profits
- If you are short and you get a -1000 tick reading, consider closing your trade and taking profits
- Use +1000 or -1000 readings to consider new trades in the opposite direction of the tick
- Look for higher highs/lower lows to confirm trend

TIKI 5 Minute Chart



TIKI TIPS

- + or – 20 can be noise and may be ignored
- Pay attention over +26 or -26. This is indication of a buy or sell program. Highest are + or – 30.
- If you are long and you get a +28 or high reading, consider closing your trade and taking profits
- If you are short and you get a -28 or lower reading, consider closing your trade and taking profits
- Use +28 or -28 readings to consider new trades in the opposite direction of the tick
- TIKI is faster than the TICK. Early indicator.

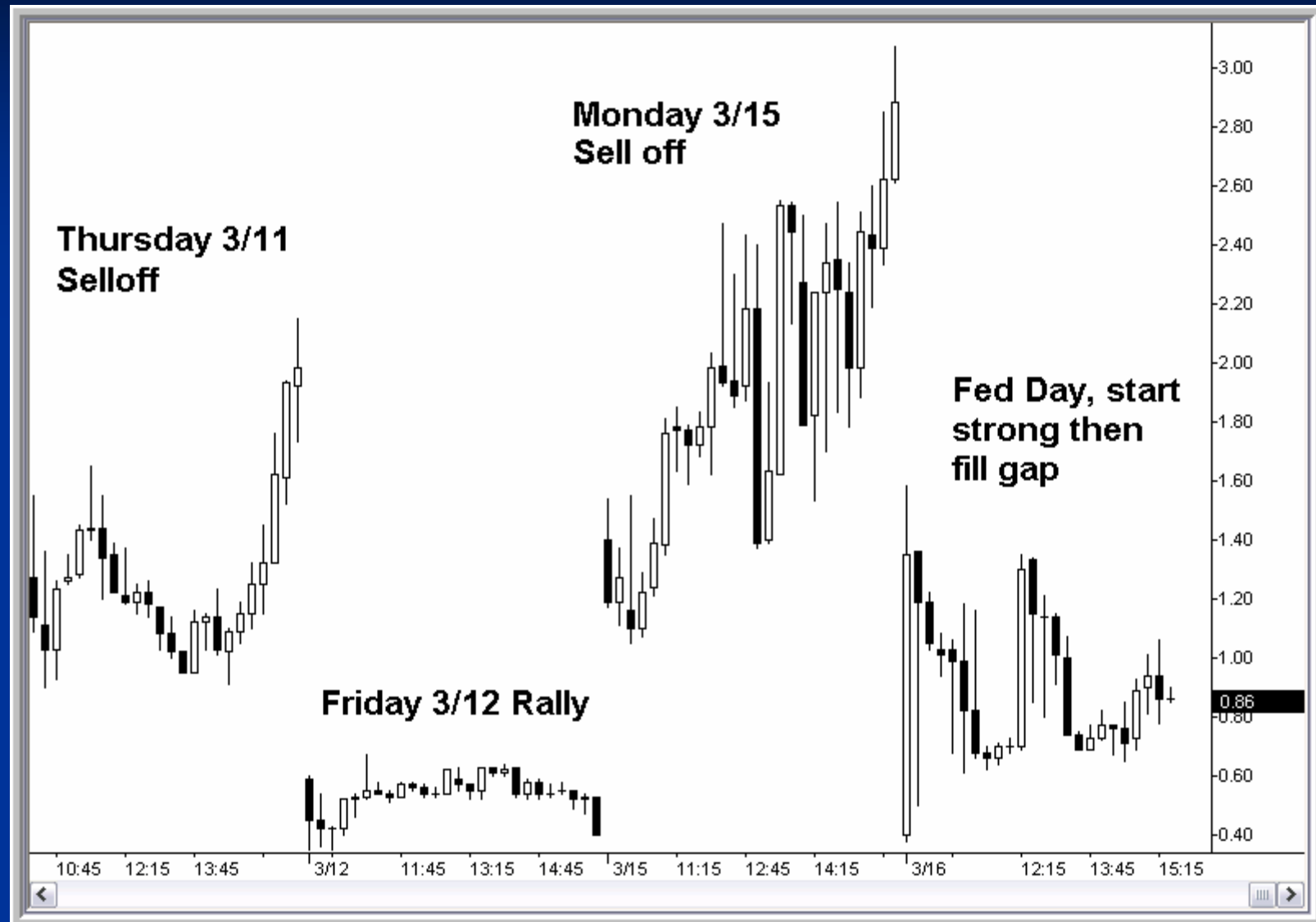
Put/Call Intraday Chart (over 5 days)



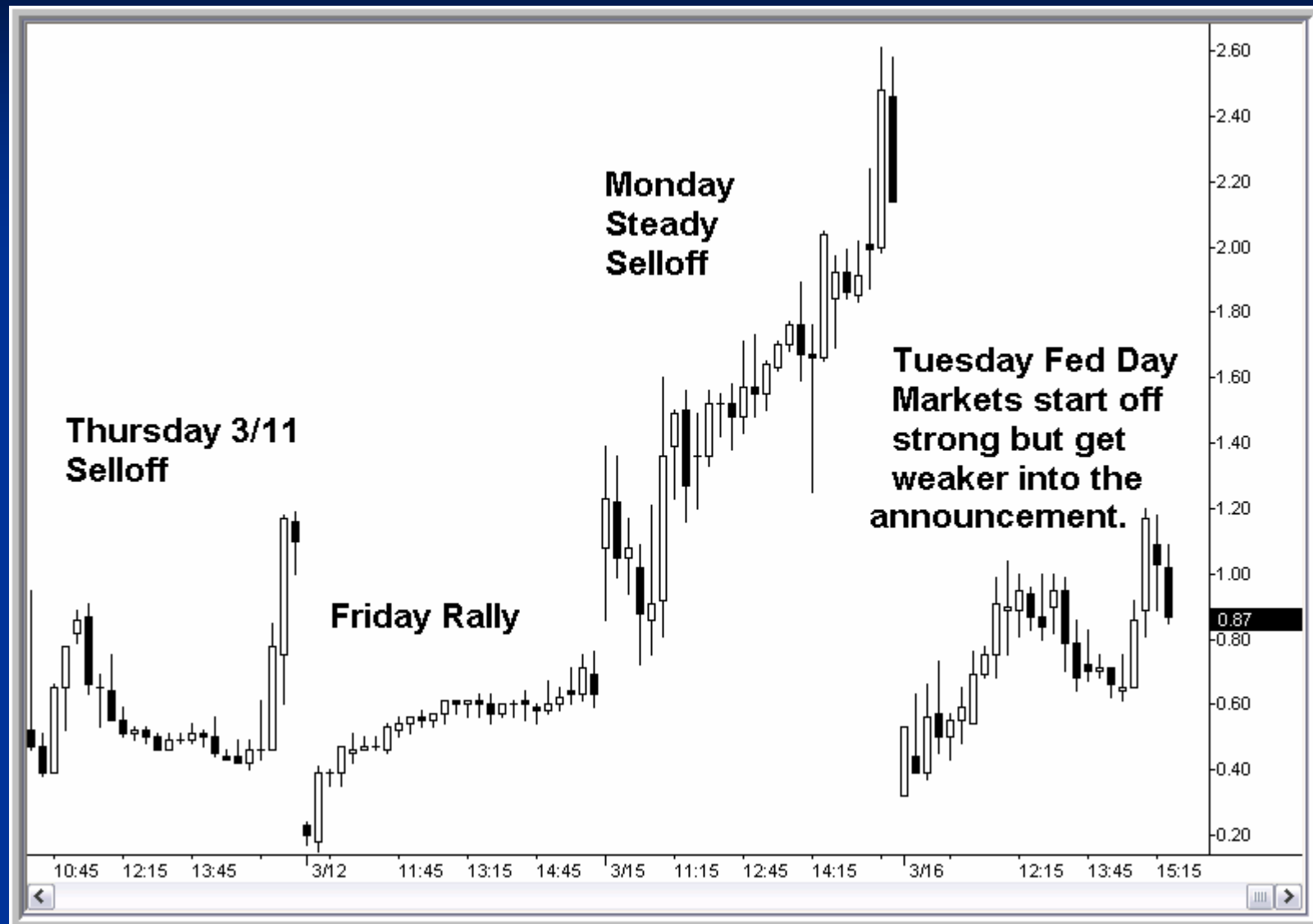
Put/Call TIPS

- Look for extreme readings: Over 1.0 may put a “floor” in the market – consider covering shorts and go long. (Extreme put buying: Too many bears)
- Under .50 can put a “ceiling” on the market. Consider closing longs and go short. (Extreme call buying: Too many bulls)
- Trend is important: You want the Put/Call to move in the direction of the market in order to confirm it.
- Rising put/call in a rising market confirms the trend (traders buying puts into a rally, gives fuel for short covering), while falling put/call in a rising market sets up a reversal (Vice Versa).
- After 10:00 a.m. you may get a more accurate reading as the listed stocks need to all open for trade.

TRIN 15 Minute Chart (4 days)



TRINQ 15 Minute Chart (4 days)



TRIN & TRINQ TIPS

- \$TRIN measures up/down volume (buying/selling pressure) of NYSE, \$TRINQ measures Nasdaq
- General: Over 1.0 is bearish, under 1.0 is bullish
- Not Important! What is important is the trend. Is it moving higher (increase in selling pressure) or moving lower (increase in buying pressure) from where it started the day? The “trend of the trins” is critical.
- \$TRIN close over 2.0 usually results in bounce next day. No bounce? Market is in trouble.
- Close under 0.50 usually results in selling the next day. No selling? Bears are in trouble.

SECTOR SORTER LIST

Market View							
Indices Stocks							
Symbol	Last	Prev*	Open* ...	Company	High	Low	E
..... \$XAU	95.11	+0.00	+1.78	PHLX GOLD SILVER SECTOR I	95.37	93.38	
..... \$XNG	291.20	-0.01	+1.45	AMEX NATURAL GAS INDEX I	291.54	287.04	
..... \$XOI	726.16	-0.01	+1.28	AMEX OIL GAS INDEX XOI	726.41	716.95	
..... \$HMO	1289.25	-0.04	+1.17	AMEX MORGAN STANLEY INDEX	1289.82	1274.32	1
..... \$GIN	165.28	+0.00	+1.09	GSTI INTERNET INDEX	165.95	163.49	
..... \$OSX	128.27	+0.00	+0.90	PHLX OIL SVC SCTR EURO ST	128.60	126.51	
..... \$NWX	224.72	-0.01	+0.74	AMEX NETWORKING INDEX	225.53	223.06	
..... \$INX	195.55	-0.03	+0.68	CBOE INTERNET INDEX INTE	196.54	194.22	
..... \$XBD	145.82	+0.01	+0.46	AMEX SECS BROKER/DEALER I	146.14	145.13	
..... \$IIX	157.09	-0.02	+0.45	AMEX INTRACTV WEEK INTR I	157.57	156.33	
..... \$DFX	246.45	+0.00	+0.33	Defense Sector (PHLX)	246.80	245.59	
..... \$GHA	300.83	+0.06	+0.30	GSTI HARDWARE NEW CALCULA	301.81	299.92	
..... \$XCI	686.76	-0.03	+0.16	AMEX CMPTR	690.02	685.65	0
..... \$RLX	434.40	-0.05	+0.11	SP RETAIL INDEX RETAIL	435.48	432.33	
..... \$BKX	100.64	+0.00	+0.08	PHLX KBW BK SECTOR INDX O	100.84	100.45	
..... \$GSM	196.87	-0.03	+0.08	GSTI SEMICNDCTR NEW CALCU	198.62	196.72	
..... \$MSH	469.13	-0.03	-0.13	AMEX MORGAN STANLEY HI TE	471.87	469.13	
..... \$UTY	370.37	+0.01	-0.13	PHLX UTIL SECTOR INDEX OP	371.52	368.85	
..... \$BTK	525.70	-0.05	-0.16	BIOTECHNOLOGY INDEX AMEX	529.21	525.58	
..... \$SOX	394.28	+0.00	-0.19	PHLX SEMICONDUCTOR SECTOR	398.90	394.10	
..... \$DRG	303.61	-0.02	-0.22	AMEX PHARMACEUTICAL INDEX	304.48	303.13	
..... \$HGX	462.94	+0.00	-0.29	PHLX HOUSING SECTOR INDEX	466.11	460.41	
..... \$GSO	161.38	-0.02	-0.32	GSTI SOFTWARE NEW CALCULA	162.64	161.28	
..... \$CMR	583.42	-0.07	-0.38	MORGAN STANLEY CONSUMER I	585.98	583.13	
..... \$BMX	112.59	+0.01	-0.42	PHLX COMPUTER BOX MAKER S	113.21	112.51	
..... \$GSV	132.04	-0.01	-0.68	CBOE GSTI SERVICES INDEX	133.11	131.91	
..... \$XAL	46.37	+0.00	-2.52	AMEX AIRLINE INDEX INDEX	47.95	46.32	

SECTOR SORTER LIST TIPS

- Watch number of sectors that are green vs. red (up vs. down) at any given time.
- Often times while indexes consolidate, the number of sectors up or down on the day will change. This is a heads up as to the direction of the next move.
- Any move without the Banks (BKX), Brokers (XBD) and Semiconductors (SOX) most likely will not last.
- Sort on a Net % change basis
- Very useful when playing gaps (see gap plays)



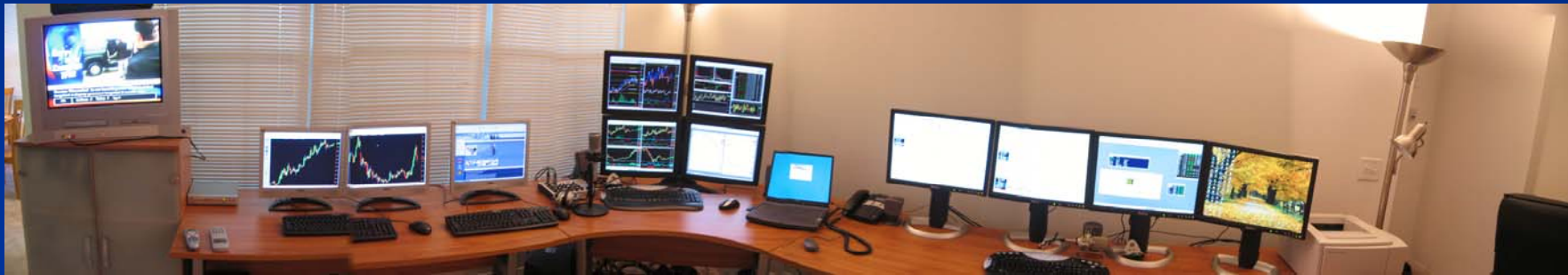
Hourly & Daily
Charts of the
Stock Indexes

Email,
Internet

Intraday Tick
Charts and Market
Internals

Backup
Laptop

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For Stocks and
Execution



Scalper Buys and Sells

- Most reversals take place after 3 consecutive higher closes or 3 consecutive lower closes.
- Intraday or intrabar highs and lows not important—it's the closes that matter.
- I want to see where the action “closes” because that represents capitulation as opposed to mere probing of highs and lows.

Scalper Buys and Sells

- For a downtrending market, once you see three higher closes in a row, on any time frame, that is a signal to go long.
- To exit the long, you can wait for the corresponding signal to go short (3 lower closes in a row) or scale out.
- I use lower time frames for scalping (144 tick, 233 tick) and higher time frames for larger moves.

Scalper Buys and Sells

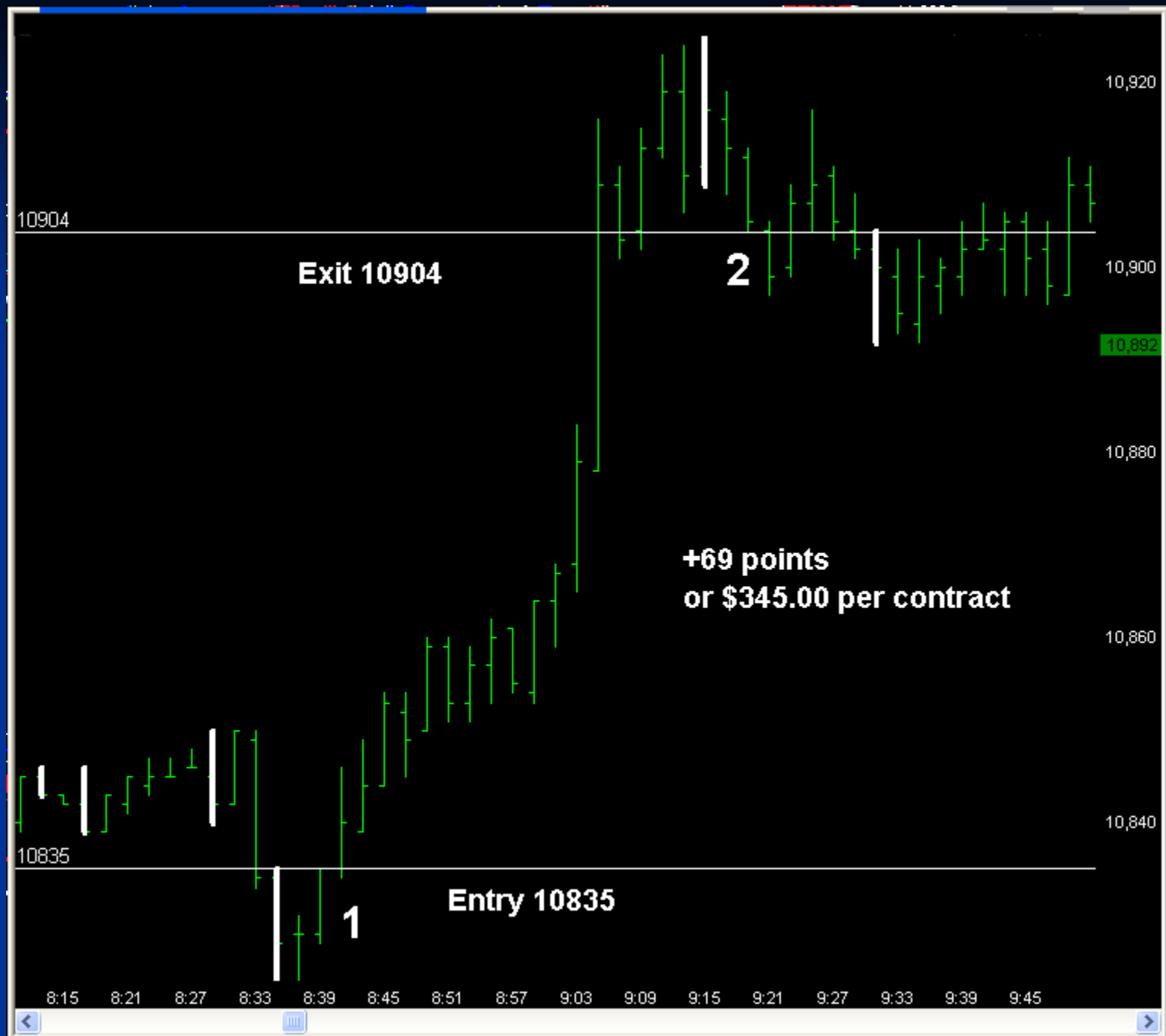
- Use in conjunction with the internals we discussed at the beginning of this presentation.
- If TRIN is going higher – that is bearish, so ignore scalp longs and focus on scalp shorts.
- If in a scalper buy on the long side and you get a +1000 tick reading – exit at least half the trade.

Scalper Buys and Sells

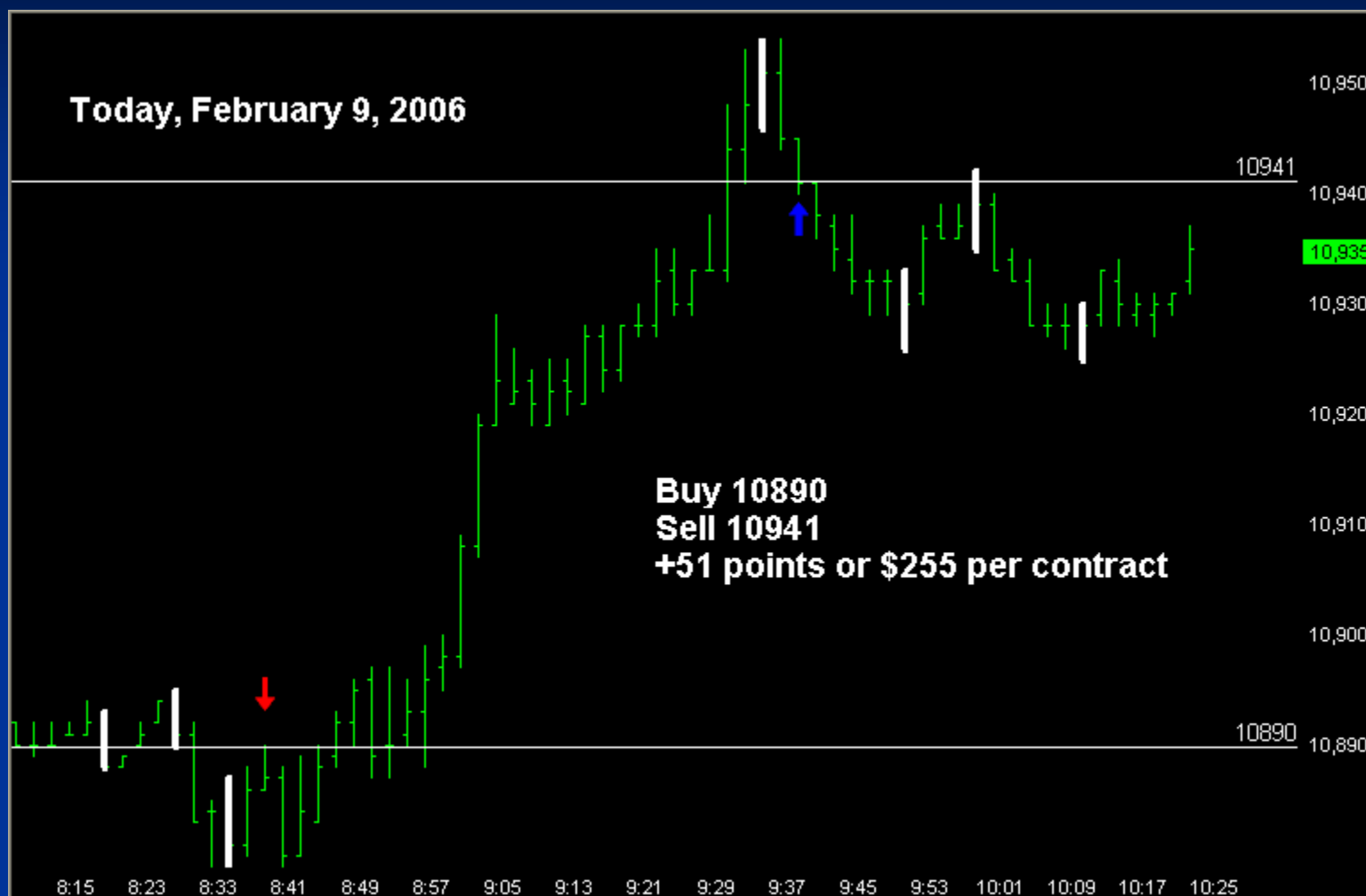
- Set up a 24-hour chart on intraday charts so the overnight activity can be accounted for in this indicator setup. This can be used in all time frames. The larger the time frame, the larger the parameters and potential move. For daily charts I will use the regular session hours.
- Ignore overnight session signals

Scalper Buys and Sells

- After three consecutive higher closes, I go long at the market, at the close of the third bar in the sequence.
- The trade is valid until three consecutive lower closes occur, at which point I exit the trade.



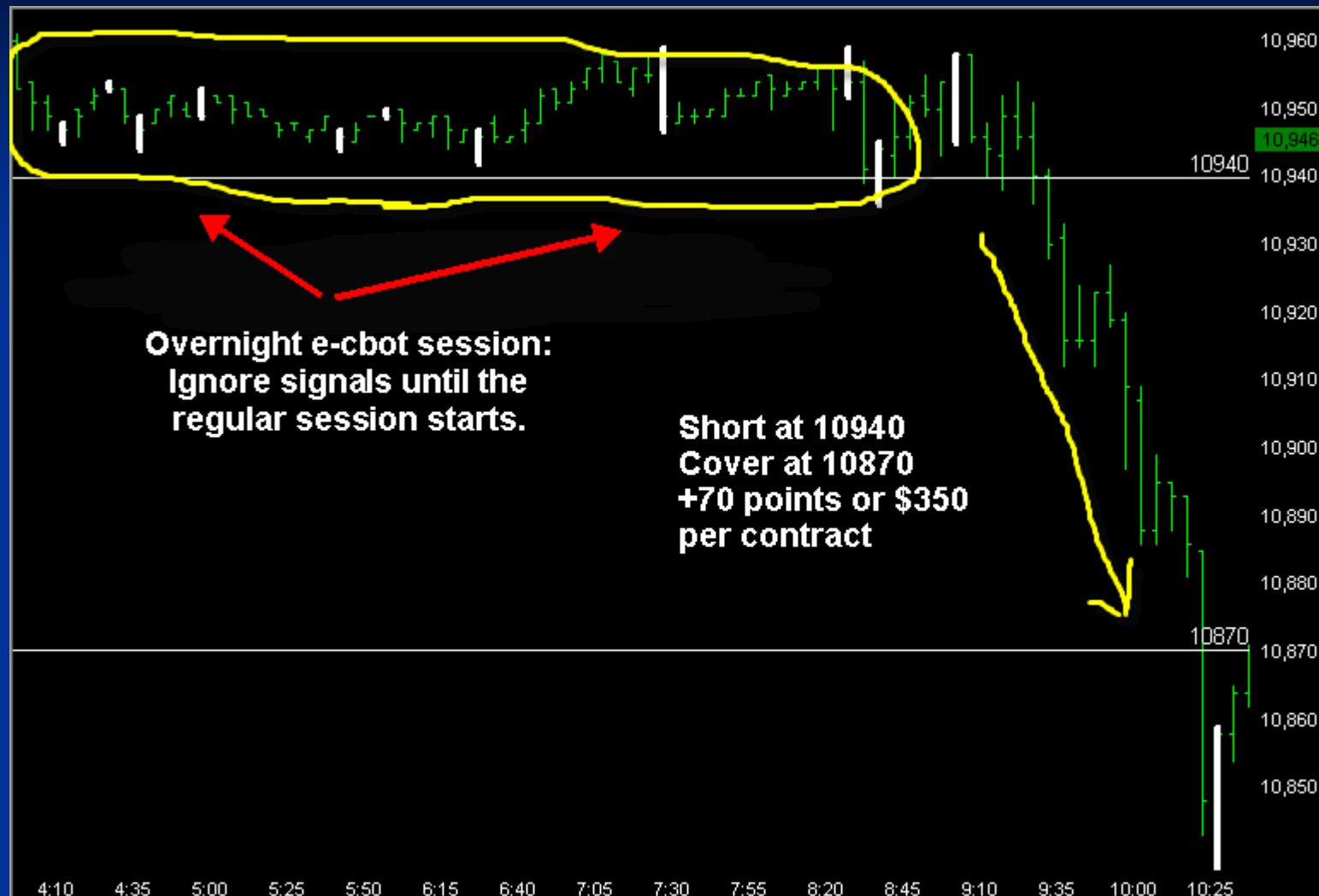
Today, February 9, 2006



1 Minute Chart -- has more signals

Captures most of the same move as the 2 minute, but has one shakeout.





Why the Dow (YM) over S&P (ES)?

- Both contracts have the same P&L movement
- 1 point on S&P is about 10 points on Dow
- 1 point on ES = \$50
- 10 points on YM = \$50 (10 points x \$5/point)
- ES moves 1 point in 4 increments
- YM moves same 10 points in 10 increments
- (NQ moves 1 point in 2 increments)
- Trading YM vs. ES allows 6 extra price levels
- Cuts spread by 60%; that cash goes to the trader

YM vs. ES (continued)

- Easy to watch all 30 Dow Stocks: Sort by highest to lowest net change
- Getting a feel of all 500 S&P stocks is almost impossible.
- Point Factor: 5 points vs. $\frac{1}{2}$ point



Symbol	Last	Clos...	Volume
XOM	51.19	+0.75	12,331,200
AXP	52.60	+0.67	7,594,800
C	48.50	+0.57	15,968,500
MCD	31.74	+0.49	5,401,900
GM	36.40	+0.44	9,323,400
MMM	81.62	+0.35	4,045,500
VZ	36.85	+0.35	10,776,700
AIG	66.38	+0.26	4,742,300
HON	35.17	+0.18	4,264,600
GE	35.26	+0.13	22,709,900
HPQ	20.06	+0.07	11,309,700
WMT	53.07	+0.06	8,573,100
KO	40.96	+0.05	6,819,600
MSFT	25.70	+0.05	69,015,800
JPM	36.88	+0.03	12,870,700
SBC	24.54	-0.04	8,888,200
AA	28.81	-0.12	4,667,500
PFE	24.35	-0.13	29,663,500
DIS	27.90	-0.25	6,037,700
JNJ	61.49	-0.36	5,938,600
INTC	22.00	-0.42	83,768,705
BA	49.64	-0.43	3,033,700
PG	55.21	-0.44	7,494,600
MRK	29.89	-0.47	10,307,000
HD	40.39	-0.51	6,174,100
IBM	91.80	-0.58	6,537,000
MO	62.16	-0.59	7,471,600
DD	46.01	-0.70	3,926,100
UTX	99.00	-1.08	1,980,700
CAT	88.12	-1.11	2,816,300

Attitude of a Trader

- Right attitude will make or break a trader
- Biggest obstacles are Greed and Euphoria
- Greed Kills
- Greed takes over and mistakes kick in:
overtrading, not sticking to parameters, yelling at screen
- All you can eat buffet: no reason to overload your plate on 1 trip; you can keep going back

Attitude of a Trader (cont.)

- Euphoria is worse than Greed
- Things are going great – so double up!
- This is like eating a great dinner. It tastes really great.
- So, to make your life even better you order a second plate
- This will only end in one way:
- **Badly:** Develop a business plan and stick to it!

Final Thoughts

- Futures are the future; get familiar with them
- Futures provide flexibility of different markets
- **CBOT Mini-Sized Dow** is a great way to take advantage of moves in the stock indexes

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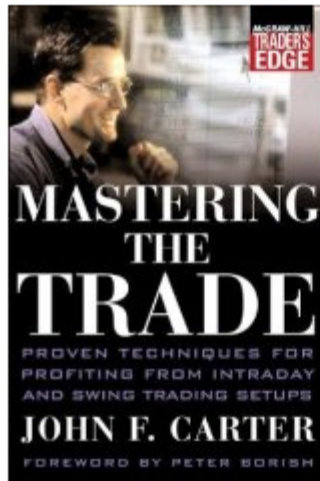
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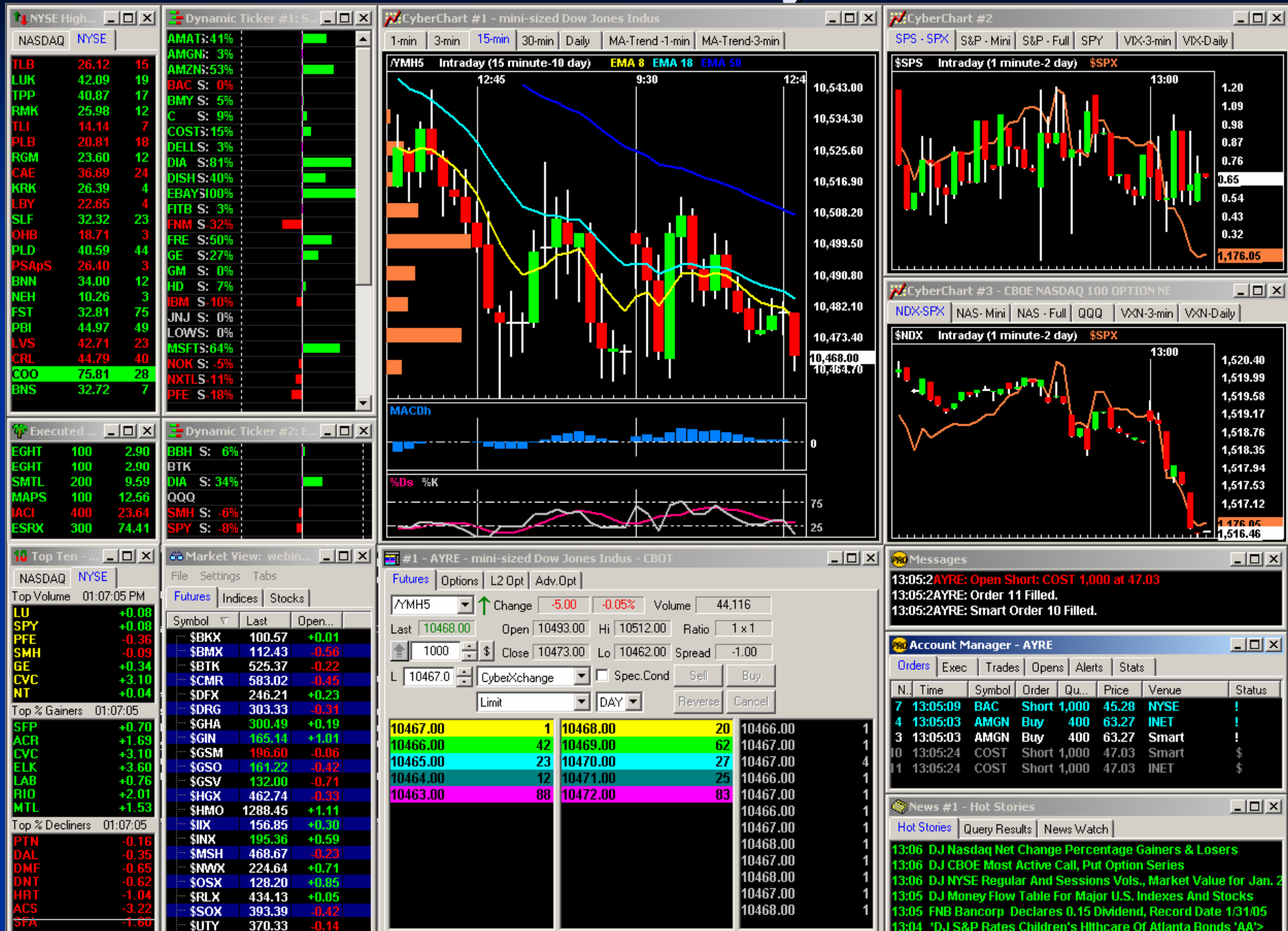
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