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http://www.toniturner.com/tradetherightstocks.htm
**Toni Turner.com**

- **DVDs**
  - *The Profitable Trading Attitude*
  - *Swing Trade Stocks & ETFs in Any Market*
  - *Trade the Right Stocks at the Right Time*
  - *Thirty One Center Points (audio CD)*

- **Books**
  - *A Beginner’s Guide to Day Trading Online*
  - *A Beginner’s Guide to Short-Term Trading*
  - *Short-Term Trading in the New Stock Market*
Workshop Overview

Module One
Sector Selection
Your Key to Consistent Profits

Module Two
Target Key Industry Groups
and Trading Candidates

Module Three
Winning Strategies to Keep You
on the Right Side of the Market

Module Four
Keep Your Head in the Game!
Module One

Sector Selection

Your Key to Consistent Profits

- Sector Selection—Why Is It Key to Consistent Profits in Today’s Markets?
- S & P 500 Sectors and Industry Groups
- Stock Selection & Economy
- Business and Stock Market Cycles
- Sectors and Economic Environment Relationships
- The Big Four Turbines
  - How they power market cycles
Why Is Sector Selection Key to Consistent Profits?

- For every market environment, certain sectors flourish and others weaken.

- Since 1990, average return differential between best & worst performing sector (per year) = approx. 50 percentage points.

- The VIX indicates market volatility is decreasing. Knowing which sectors are moving is key for trading profits.
Why Sector Selection Is Key to Consistent Profits

- Market environments may be:
  - Inflationary or non-inflationary, depending on interest rates
  - Recessionary
  - Bull or Bear climate
  - Affected by geopolitical events
  - Influenced by supply shocks, such as a jump in oil or food prices
Sector Selection Is Key to Consistent Short-Term Profits

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$TNXX: 48.29 -0.06
$UTYX: 462.25 +1.99
$RXHX: 454.81 -0.20
$BCTX: 844.99 -2.70
$BTKX: 654.73 -3.65
$ADVDEC: .632 -0.725
$XAXX: 2001.69 +2.89
$HMOX: 1736.77 +7.33
$XALX: 46.92 -0.79
$QMU6: 71.800 +.660
$QQVV: 18.38 +1.22
Sector Selection Is Key to Consistent Profits
Why Sector Selection Is Key to Consistent Profits

Sectors -- Definition

- Ten stock sectors in the Standard & Poor’s 500 Stock Index = ten diverse commercial groups that drive the U.S. economy.
- Each sector contains individual industry groups.
- Market reflects interplay between sectors.

Sectors

- Basic Materials
- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Health Care
- IT (Technology)
- Industrials
- Telecom
- Utilities
Sectors – Industry Groups

- **Basic Materials**
  - Chemicals & Ag Chemicals
  - Aluminum, Copper, Gold, Silver
  - Non-Metallic Mining
  - Integrated Oil and Gas

- **Consumer Discretionary**
  - Autos and Components
  - Consumer Durables and Apparel
  - Hotel, Restaurants, and Leisure
  - Media
  - Retail
Sectors – Industry Groups

- **Consumer Staples**
  - Food and Drug Retail
  - Food, Beverage, Tobacco
  - Household, Cosmetics and Personal Products

- **Energy**
  - Oil & Oil services

- **Financials**
  - Banks
  - Diversified financials
  - Insurance
  - Real Estate
Sectors – Industry Groups

- **Health Care**
  - Health Care Equipment and Services
  - Pharmas and Biotech

- **IT (Technology)**
  - Semiconductors & Semi Equipment
  - Software and Services
  - Technology Hardware and Equipment
Sectors – Industry Groups

- **Industrials**
  - Capital Goods
  - Commercial Services and Supplies
  - Transportation
  - Defense and aerospace

- **Telecom**
  - Telecommunications Services

- **Utilities**
  - Electric Utilities
  - Gas Utilities
  - Multi-Utilities
  - Water Utilities
Your Question . . .
Where Can I Find Industry Group Components to Trade?

- Populate RealTick® Market Minder with a symbol chain
  - Subscribe to RealTick® for 14-day free trial
    www.realtick.com

- Search MarketGauge.com Sectors and Groups
  - Free 14-day trial & Group Discount

This offer is not available anywhere else!
Stock Selection & Economy

Bull or Bear market? *When you trade, always play the odds*. . .

- **High odds**
  - Strong stocks in strong sectors / industry groups
  - Weak stocks in weak sectors / industry groups

- **Low odds**
  - Strong stock in weak sector / industry group
  - Weak stock in strong sector / industry group

*Fundamentally strong stocks can decline if they reside in a weak industry group*. . .
Stock Selection & Economy

- Investors buy stocks with strong fundamentals, ignoring market and sector strength and volatility...

  - Buying in a bear market = low odds
  - Fact: large portion of stocks’ price move related to sector / industry group move
  - Ignoring these facts can be dangerous to your wealth
As a successful trader / investor, you will…

- Evaluate market environment \textit{before} you enter:
  - Trending markets (bull or bear) favorable to traders on all time frames.
  - Horizontal markets favorable to \textit{short-term} traders.
  - Whippy \textit{intraday} markets unfavorable to active traders.
Broad market trends fueled by three powerful cycles:

- Business Cycle
- Stock Market Cycle
- Interest Rate Cycle
Business Cycle

Expansion

Peak

Recession

Trough
Stock Market Cycle

Late Bull Market
Basic Materials
Industrials
Middle Bull Market
IT
Telecom
Transportation
Early Bull Market

Energy

Early Bear Market
Consumer Staples
Health Care
Middle Bear Market
Utilities
Late Bear Market
Financials
Consumer Discretionary
Business and Market Cycles

- **Early Bull Market**
  - Expansion
- **Late Bull Market**
- **Top**
- **Peak**
- **Recession**
- **Late Bear**
- **Trough**

- **Early Bear**
- **Trough**
These are typical patterns. They are not absolute.

- Cycles develop in the long-term
  - Economic expansions can evolve for 6 mos. to 5 years, or longer

- Long-term cycles are created by short-term cycles

- Success = understanding dynamics underlying sector expansion or contraction.
Transportation – Thrives on low energy prices and strong economy.

IT- Technology thrives on low interest rates and strong economy.

Telecoms – Do best in expanding economies.

Basic Materials – As economy expands, commodity-related companies flourish.

Industrials – Thriving companies need more capital equipment.
Sectors & Environments

- **Energy** – At the top of a market expansion, energy prices typically skyrocket— inflationary.

- **Consumer Staples** – This sector thrives when investors become “defensive.”

- **Health Care** – Pharmas, health equipment also defensive

- **Utilities** – Capital intensive
  - Prosper in low-interest rate environments
  - Are able to pass on higher fuel (oil) costs
Financials – Flourish in low interest rate environments. Consumers spend more, re-finance more.

Consumer Discretionary – autos, trucks and housing. When interest rates and prices are low, pent-up demand for big-ticket items can lead the economy out of its slump.
Sectors & Environments

XHB and Oil miNY

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The Good News:
Traders concentrate on the short-term ...
Big Four Turbines

- Economic Data
- “Exogenous” Shocks
- Earnings Reports
- The Fed’s Monetary Policy
Economic Data

- Stay aware of upcoming reports
- Monthly calendar at ToniTurner.com
  - Econ reports announced monthly/quarterly
    - Most come out at 8:30 AM or 10:00 AM
- Market’s reaction to data can stop you out of a trade
- Impact on market varies with economic conditions
Economic Data

Key Reports

- ISM (Institute of Supply Mgt.) (1st of month)
- Jobs Report (1st Friday)
- Productivity (Quarterly, 1st week of 2nd month)
- Retail Sales (2nd week)
- Producer Price Index (2nd week)
- CPI (3rd week)
- Housing Starts and Building Permits (3rd week)
- GDP (3rd or 4th week)
Exogenous Shocks

Exogenous -- “Caused or produced by factors outside the organism or system.”

Examples

- Natural disasters, weather, pandemic
- Accounting scandals
- War, terrorism
- New technology, called “disruptive”
Exogenous Shocks

SPX: line chart

$XOI: Candle Chart Oil Index

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Earnings Reports

- Earnings season for U.S. companies: March, June, September, December
  - April, July, October and January volatile months—October typically most volatile
- Earnings/guidance of bellweathers move markets
- Companies may “game” consensus analysts
- True or false? Always buy a stock the minute the company announces good earnings!
Federal Reserve Board

Economic Environment & Monetary Policy

- **Inflationary** – Fed raises interest rates
  - Interest rates = cost of money
  - Higher rates decrease capital spending, consumer consumption
  - May lead to recession

- **Recessionary** – Fed maintains or lowers interest rates
  - Decreased production + decreased sales = lower prices
  - Lower prices = falling earnings = lower stock prices
S&P 500 & Current Interest Rate Cycle

- Rates stable 1996-98
- Rates lowered 1998-99
- Rates raised 1999-2000
- Rates lowered 2001-2004
- Rates raised 2004-06
NASDAQ 100 & Current Interest Rate Cycle

- Rates raised
- Rates lowered
- Rates stable

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Module One

Sector Selection Is Key to Profits

Review

- Certain market conditions benefit / impair certain sectors
- Profit spread between winning and loosing sectors is wide
- Choosing the right stock in the wrong sector can impact bottom line
- VIX indicates markets are quieting; traders need to know which sectors ripe for profits
Module One
Sector Selection is Key to Profits

Review continued

Bull Market Stars
- Transportation
- IT
- Basic Materials
- Telecom
- Industrials
- Energy

Bear Market Stars
- Consumer Staples
- Health Care
- Utilities
- Consumer Discretionary
- Financials
Module One
Sector Selection is Key to Profits

Review continued

- Stock market cycle leads business cycle
- Interest rate cycle fluctuates according to inflation or recessionary environments
- “Big Four Turbines” that fuel cycle moves
  - Economic Data
  - “Exogenous” Shocks
  - Earnings Reports
  - The Fed’s Monetary Policy
Take a Ten-Minute Break
Module Two
Target Key Industry Groups and Trading Candidates

- Top-Down Strategy: Four Key Points
- Essential Step: Risk-Reward Analysis
- Two Winning Setups and Formulas
Top-Down Strategy
Four Key Points

1. Evaluate current market trend

- Bull or bear market?
- Analyze Dow, S&P 500, NASDAQ 100 cash indices on weekly and daily charts
- Evaluate E-mini stock indices, YM, ES, NQ, ER
- Volatile or quiet?
  - Check VIX and VXN
2. Which “turbine” currently fuels the market?
   - Inflationary or recessionary climate?
   - Earnings season?
   - Exogenous shocks?
     - Check light crude oil miNY if available (root symbol QM, website [www.nymex.com](http://www.nymex.com))
     - XOI index
     - OIH (ETF)
   - Upcoming economic data?
3. Decide which sectors/industry groups benefit or lose in current climate.

*Scan weekly and daily charts...*

- Look for continuations of strong trends
- Look for reversals of slowing trends
Top-Down Strategy
Four Key Points

4. Compare daily and charts of applicable stock candidates.
   - Which are stronger than industry group?
   - Which follow similar pattern to group index?
   - Which are weaker?
   - Is there a high-probability candidate?
Top-Down Strategy - Comparing Candidates

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Top-Down Strategy - Comparing Candidates

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Top-Down Strategy - Comparing Candidates
Top-Down Strategy - Comparing Candidates
Risk-Reward Analysis Produces “A-Rated” Trades

- Determine risk-reward ratio before you enter each trade.
- If ratio is not at least 1:2, discard trade.
- Risk:reward ratio derived from three prices
  - Entry price
  - Stop-loss price (potential risk)
  - Initial profit target (potential reward)
- Apply process to every trade
  - Adjust to fit trading time frame
Accurate Risk-Reward Analysis Is Essential to Profitable Trades!
Risk – Reward Analysis

Optimum risk:reward ratio
1:2, 1:3, or higher

Enter at $30
Protective Stop $29
Initial profit target: $33
R:R ratio 1:3

$33
$30
$29
Set-Up One
Early Bull Flag Break-Out

On daily chart . . .

- Stock trading in an early uptrend
- Price now consolidating in a bull flag
- Price rests on or near 20-day MA
- 50-day MA rising below price pattern
- Optimally 200-day MA rising below pattern
- Stochastics oversold, bullish divergence
- OBV trending higher
- Buy as price breaks out of consolidation
Set-Up One
Early Bull Flag Break-Out

Market Criteria

- Dow and/or S&P 500 or Nasdaq 100 (or Composite) trending favorably
- Relevant sector benefits from current market environment
- Industry group where target stock resides consolidating or in context of uptrend
Iran announces it’s not going to limit uranium research.

Govt. contract awarded to NOC
Confirm on Weekly Chart

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Confirm Trend on Monthly Chart

NORTHROP GRUMMAN CORP


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Aug 28: Hi & Cls $66
Enter Aug 25: $65.70 - $66.10
Initial Stop: $65.40
Initial Profit Target $67.60 Initial RR 1:3
Entry – 10-minute Chart

Entry 65.90

Stop 65.50
Entry -- Trade Progression -- Exit

30-Minute Chart

Entry 65.90
Exit 68.50

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Life is good!
2.40 points
Setup Two

Moving Average Jump Start

- On daily chart, stock rising out of base
- 20-day EMA crossing above 35-day MA, just below price pattern
- 200-day MA above price pattern, level or rising
- Strong volume on breakout
- Stochastics must be rising
- OBV rising
- Same market criteria as Early Bull Flag Breakout
- Buy as stock breaks out of base
Locate Setup on Daily Chart
Confirm on Weekly Chart
Confirm Industry Group Positioning
Entry window: 8.35 – 8.60
Initial Stop: 8.20
Profit target: 10  R:R  1:3
Entry—Trade Progression—Exit

15-Minute Chart

Entry 8.55
Initial Stop 8.37
Add to position - prior resistance broken (9.00)
Exit 9.79
Sell signals

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Module Two
Target Key Industry Groups and Trading Candidates

Review
Top-Down Strategy - Four Key Points

1. Evaluate current market trend
2. Which “turbine” powers the market?
3. Which sectors or groups benefit or lose from current climate?
4. Scan daily, weekly, and monthly charts of stock candidates
Module Two
Target Key Industry Groups and Trading Candidates

Review -- continued

- Focused risk-reward analysis produces “A” rated trades.

- Two High-Probability Setups
  - Early Bull Flag Breakout
  - Moving Average Jump Start
Our lunch today is served courtesy of Townsend Analytics, Ltd, Developers and creators of RealTick© . . . The premiere trading platform
Module Three

Winning Strategies to Keep You on the Right Side of the Market

- Two High-Probability Short Sale Setups
- Trading the News and Econ Reports
- ETFs: Core Trades and Hedging Tools
Good news for some sectors is bad news for others

For example:
- Higher energy prices = bad news for transportation stocks
- Higher interest rates = bad news for autos, housing stocks
- Low inflation = bad news for gold stocks
- Lower oil prices = bad news for oil & oil services
Setup Three: Triple Threat Short

- Daily chart: Stock’s price pattern has fallen under 20, 40, and 200-day MAs
- 20 MA is crossing below 40 MA
- Negative weekly and monthly chart
- Momentum Ind. (12-period) hooked down
- Negative OBV
- Strong downside volume optimum
- **Sell short when stock breaks nearby support**
Setup Three: Triple Threat Short

**Market Criteria**

- Dow and/or S&P 500 or Nasdaq 100 (or Composite) negative
- Relevant sector showing negative impact from current market environment
- Industry group where target stock resides moving in downtrend
Confirm Downtrend - Weekly Chart

Weekly (Right) RIG-TRANSOCEAN INC Bar Volume MA30 SIG MCD

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Confirm Industry Group

Ugggggly!
Entry: 71.50 - 70.70

Initial stop: 71.80; adjust to above entry day’s 1st 60-minute high

Profit target: 66 (prior support, Nov. 2005)  R:R  1:3+

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Entry--Trade Progression--Exit
30-Minute Chart

Entry 71.80
Initial Stop 72.40

Target 66
Exit ½ 67.50
Exit ½ 66.25
Summary -- Daily Chart

4+ point profit
Good trade!
Setup Four: Deadly Double Dip

- Daily chart: Stock’s price pattern trades below 18 EMA, 40 SMA, and 200-day MA.
- Within last 60 days, 20 EMA has crossed above 40 MA.
- Now, 20 EMA loops down to cross below 40 MA.
- Momentum Ind. (12-period) hooked down.
- Downtrending OBV.
- Strong downside volume on entry day optimum.
- Same market criteria as Triple Threat Short.
- *Sell short as price breaks support*.
Locate Setup on Daily Chart

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Confirm on Weekly Chart

RealTick® graphics used with permission of Townsend Analytics, Ltd. © 1986-2006 Townsend Analytics, Ltd.
Confirm Trend on Monthly Chart

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Return to Daily Chart – Risk: Reward

Entry 33.10 – 32.40
Initial stop 33
Profit target 30
RR: 1:4+
Entered at 33.03

Take partial profits at the close, 32.30, or next day’s first hourly low, 31.80

Watch volume
Entry--Trade Progression--Exit

OIH – Oil Svcs. ETF 15-Minute Chart

Stop

Coincident entry

Coincident partial profits
Summary -- Daily Chart

1.25 points profit
Trading the News and Econ Reports

- Do not trade the news, itself
  - Wait until the market absorbs the news

- Trade the market’s *reaction* to the news

- Tool: Index futures and Dow Jones Industrials TICK, or “TIKI,” NYSE TICK

- Applicable industry group reaction
Trading the News

“Buy the rumor, sell the news.”

- “Smart money” plays early
- News may be factored into price before announcement
- News release (as expected) = profit-taking
- Don’t trade on Fed day
When the News Is Highly Anticipated . . .

- If the news is good, buyers may have already saturated the market.
- Result: When the news comes out, few buyers remain.
- If the news is negative, sellers may have already squashed the market
- Result, few sellers remain.
Trading the News

- **It should go lower, but it doesn’t**
  - Translation: it’s going higher
  - Market may have discounted news
  - Example: Housing starts dive, but HGX (Homebuilders Index) flies higher

- **It should go higher, but it doesn’t**
  - Translation: it’s going lower
  - Example: Company reports good earnings, but stock falls
Trade the Market’s *Reaction* to News

Housing Starts data . . . worst report in years!
Take a Ten-Minute Break
ETFs: Core Trades and Hedging

- Trade entire index, sector, industry group or country in a single stock
- Narrows time spent on research
- Provides diversity in a single equity
- Lower expense ratios than mutual funds
- Can be shorted on a downtick
- Use for speculation or as hedge
- Check ADV before day trading
Most Popular Index Shares

- Dow Jones Diamonds      DIA
- Nasdaq 100 Trust Unit   QQQQ
- S & P 400 Midcap SPDR   MDY
- S & P 500 SPDR          SPY
Where to Find ETFs

- State Street Global Advisors
  Select Sector SPDRS
  - www.spdrindex.com

- Merrill Lynch HOLDRS
  - www.holdrs.com

- Barclays’ Global Investors iShares
  - www.ishares.com
Where to Find ETFs

- State Street Global Advisors
  streetTRACKS [www.streettracks.com](http://www.streettracks.com)

- Vanguard VIPERS
  [www.vanguard.com](http://www.vanguard.com)

- PowerShares Capital Management
  [www.powershares.com](http://www.powershares.com)

- ProShares *
  [www.proshares.com](http://www.proshares.com) (short index opportunities)
ETFs and Sector Rotation

Early Bull
- Technology: QQQQ, XLK, SMH, HHH, SWH
- Transportation: IYT
- Basic Materials: XLB, IYM, IYJ, IYD
- Telecom: TTH, BDH
- Industrials: DIA, SPY

Middle Bull
- Energy: OIH, XLE, IYE, IXC

Middle Bear
- Consumer Staples: XLP, IYK*
- Healthcare: XLV, BBH, PPH
- Utilities: UTH, PHO, XLU, IDU*

Late Bear
- Financials: IYR, RKH, XLF, IYF

Late Bull
- Consumer Discretionary: XHB, RTH, VDC*

* Low liquidity
ETFs – Core Trades

- ETFs make great position trade tools
- Buy as ETF breaks out of base and moves into uptrend on daily chart
- Sell short as ETF experiences top reversal on daily chart and falls into downtrend
- Establish trailing stop under pivot lows (or highs, for short position)
- Exit when trend weakens or breaks
Hedging with ETFs

- ETFs make great hedging tools
- Use to protect swing positions during earnings season, volatile economic reports + unexpected global events

Hedging guidelines:

- If possible, hedge a dollar-amount equal to your portfolio position, and . . .
- Don’t hedge as a substitute for exiting a losing position
Module Four
Keep Your Head in the Game!

- Identify your strengths & challenges
- Three thought processes that lead to success
- Double your profits!
Module Four
Keep Your Head in the Game!

Identify Your Strengths & Challenges

When you trade . . .

- In which areas do you excel?
  - How can you become even better?

- In which areas do you need improvement?
  - Identify weaknesses
  - Develop a plan for turning them into strengths
  - Write them down and take action steps every day...
Module Four
Keep Your Head in the Game!

Three thought processes that lead to success…

1. The quality of your questions determines the quality of your trading life.
   - *Continually* ask yourself high-quality questions
   - Formulate high-quality answers, and *act on them*!
Module Four
Keep Your Head in the Game!

Potential Questions to Ask Yourself . . .
- How can I conduct my pre-market analysis more efficiently and effectively?
- How can I learn my level of risk tolerance?
- How can I become an expert in one or two setups?
- Is my trading plan and criteria working well?
- How can I raise my winning trade percentage?
- How can I apply more effective discipline?
Module Four
Keep Your Head in the Game!

*Three thought processes that lead to success…*

2. Investigate your personal belief systems
   - Do you think everyone is smarter than you are?
   - Do you believe that “the love of money” is connected with evil and selfishness?
   - Do you believe that you don’t deserve to make money quickly and easily?
Points to consider . . .

You are *extremely* smart. Establish that belief system right now!

- Take “right” and “wrong” out of your trading vocabulary.
- Every decision is a choice. Different choices lead to different outcomes.
- *Don’t react* to market action – *respond*!
- Stay *proactive* -- not reactive.
- Don’t compare your success with others. You are competing with your own levels of success.
Points to consider (cont’d) . . .

“Inaction breeds doubt and fear. Action breeds confidence and courage. If you want to conquer fear, do not sit home and think about it. Go out and get busy.” --Dale Carnegie
Points to consider (cont’d) . . .

“Love of money is the root of all evil,” comes from deep-seated belief system of Puritanical upbringing.
  - Rationalized by others’ fears and failures

Does not apply to you!

Money is good . . .
  - Measure of value placed on goods and services.
  - Essential to our lives
  - Offers the opportunity to share with others
Module Four
Keep Your Head in the Game!

- Check your deservability belief systems
  - Do you hold on to outworn, negative beliefs established in childhood?
  - Do you earn good profits, and then lose them?
  - Do you deserve to make a lot of money?

You are programmed to fulfill your belief systems!
Module Four
Keep Your Head in the Game!

Three thought processes that lead to success…

3. Develop a well-thought out trading career plan.

1. Use process-oriented and percentage goals, not monetary goals.

2. Review your plan daily; at least weekly.

If you don’t know where you want to go, how can you possibly arrive there?
Module Four
Keep Your Head in the Game!

Double Your Profits!

- *Kaizen* principle: “continuous betterment”
- Expand your trading knowledge by $\frac{1}{10}$ of 1% each day.
- By end of week = $\frac{1}{2}$ of 1%
- $\frac{1}{2}$ of 1% compounded for 4 weeks = 2% gains in knowledge & experience
Double Your Profits!

- Thirteen, 4-week months in one year
- Two-percent knowledge and experience gains x 13 = 26%
- Compounded, will double in value every 2 ½ to 3 years!
Module Four
Keep Your Head in the Game!

- **Identify your strengths & challenges**

- **Three thought processes that lead to success**
  1. The quality of your questions determines the quality of your trading life.
  2. Investigate your personable beliefs programming.
  3. Develop a well-thought-out career plan.

- **Double your profits!**
  - *Kaizen* principle: “continuous betterment”
My best wishes go with you. . .
To your good wealth!

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