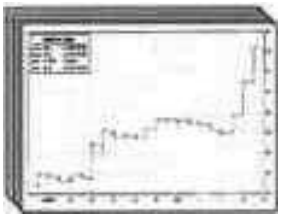


CHAPTER

OPENING THOUGHTS

When I sat down to write HJ! *and Run Trading* a lew years ago, I had no idea it would have such an impact. 1 knew there was a lack of information available for short-term equity traders. I did not know that so many thousands of traders were craving this information.

I have heard the good and bad about my first book. The bad stemmed predominately from the few people who hoped to turn £5,000 into millions. That is never going to happen with my strategies. The good came Irom the many traders who have taken the strategies and grown their accounts. An extreme example was told to me recently by a senior executive at a major discount biokerage firm. He stated one of their customers, using only one strategy from Ihe book, has grown his account from 530,000 to over $300,000 in 24 months. This performance is astounding and E could only hope for IE to happen to me someday!

Hi! and Run Trading is about momentum trading. It is about climbing aboard strongly trending stocks in order to make fast profits. It is abo about taking very small risks. This is done with tight protective stops. Recently, Gary Smith from TheStreetcom traded my method and stated

Jeff's come up i

: ited. Stack those odds in your favor and you should get *exactly* what I found: more wins than losses, and the average win being greater than the average loss.

Gary is exactly right in his analysis. By risking small amounts in order to hopefully make larger amounts, the odds do get slacked in your favor.

Hil *and Run* Trading /(is an advanced version of the first book. It is a culmination of patterns, concepts, and trading techniques to make you an even better trader. I have broken the book into four sections. The first is the largest as it contains trend continuation patterns. These aie specific setups that occur in strongly trending stocks. They are meant to be used for either day-trading or to be held for a few days as a move plays itself out.

The second section contains, in my opinion, the most powerful day-trading strategies ever published for equity traders. In it you will learn three advanced strategies to what 1 consider my best trading method. Stepping In Front Of Si2e™-

The third section is made up of short-term reversal strategies for you ID focus on. Reversals on momentum stocks come quickly and these strategies allow you to pounce on stocks as wrong-footed traders run for cover

In the fourth section, we will look at various techniques to improve your trading even further. Stop placement, carrying positions overnight, trading technology, etc. are just a few of the concepts I will share with you. 1 have also included an interview of me and more than 40 actual learning examples taken from my daily trading service. All combined, I hope to share with you the many aspects c>f successful trading.

Now let's move on to the first section.

SECTION ONE

MOMENTUM CONTINUATION STRATEGIES

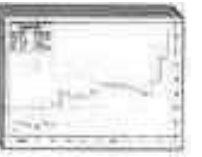
A stock in motion remains in motion, until proven otherwise. That is the cornerstone of momentum trading. There are numerous ways to exploit this, and the following chapters are among the best.

The next eight chapters will help you further identify the correct names to focus on and will give you the proper entry method. Each chapter focuses on entering a momentum stock in the direction *of* the overall trend. You will be climbing aboard the strongest moving stocks and. with the use of trailing stops, slay in them while the move occurs. These moves can last for as short as a few minutes lo as long as a few days.

The other piece of the puzzle for each strategy is the constant use of protective slops. Catastrophic losses can never be eliminated, but they can be minimized. This is done by risking 1 point or less on a trade. You cannot stop a stock from gapping overnight

in the opposite direction (catastrophic loss), but you can protect yourself intraday **wilt** these stops. You **will** see that taking small losses is the difference between those traders who make a consistent living and everyone else.

Please note: *In* Hit and **Run** Trading I, / *showed you how to correctly identify the best stocks to trade each day. I have reprinted some of the rales in the Appendix to help remind you.* . _



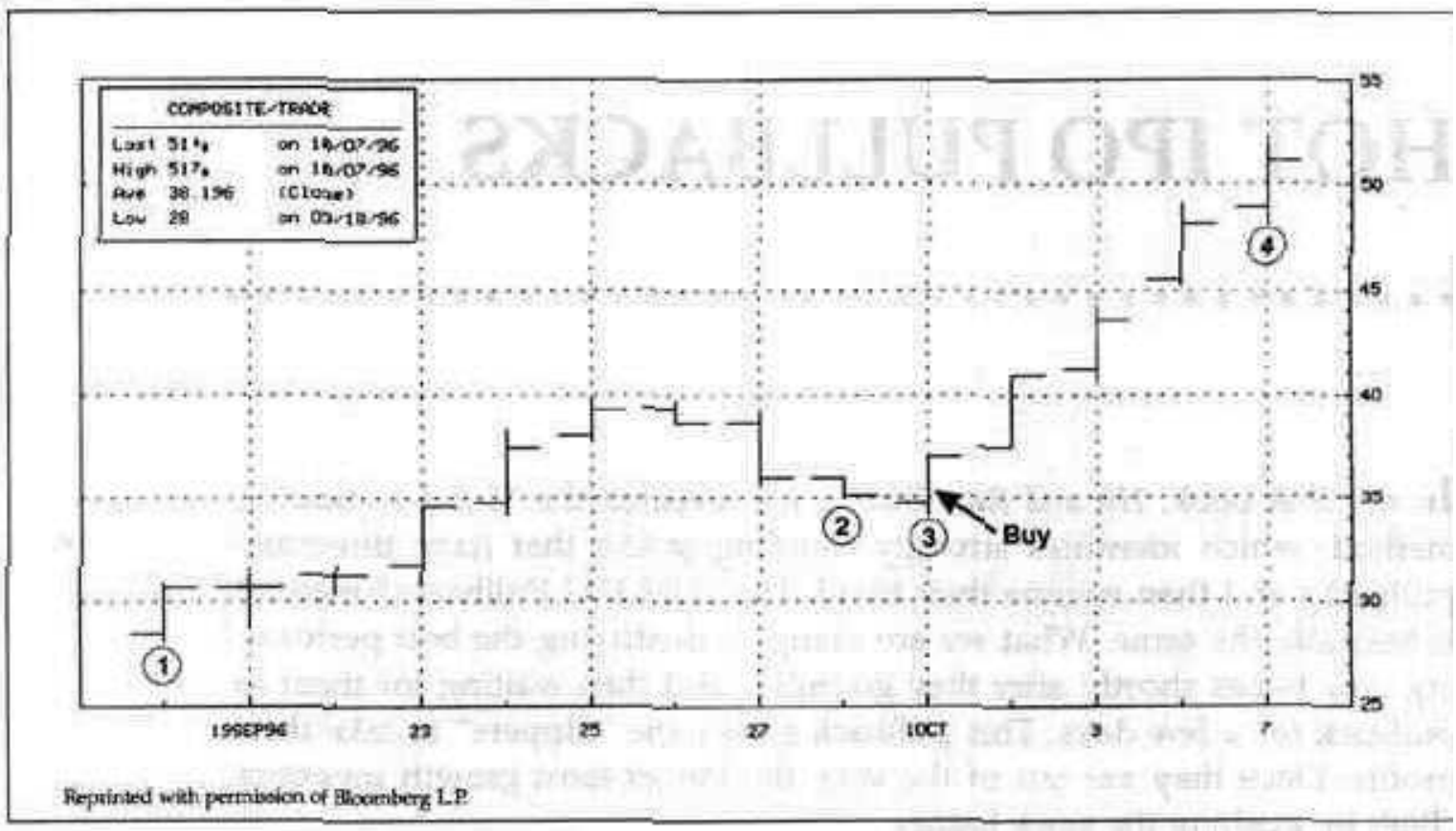
HOT IPO FULLBACKS

4. Place your initial protective stop at the previous day's low.

5. Hold the position from one to five days using trailing stops.

Here are five examples:

EXAMPLE 2.1 INSS



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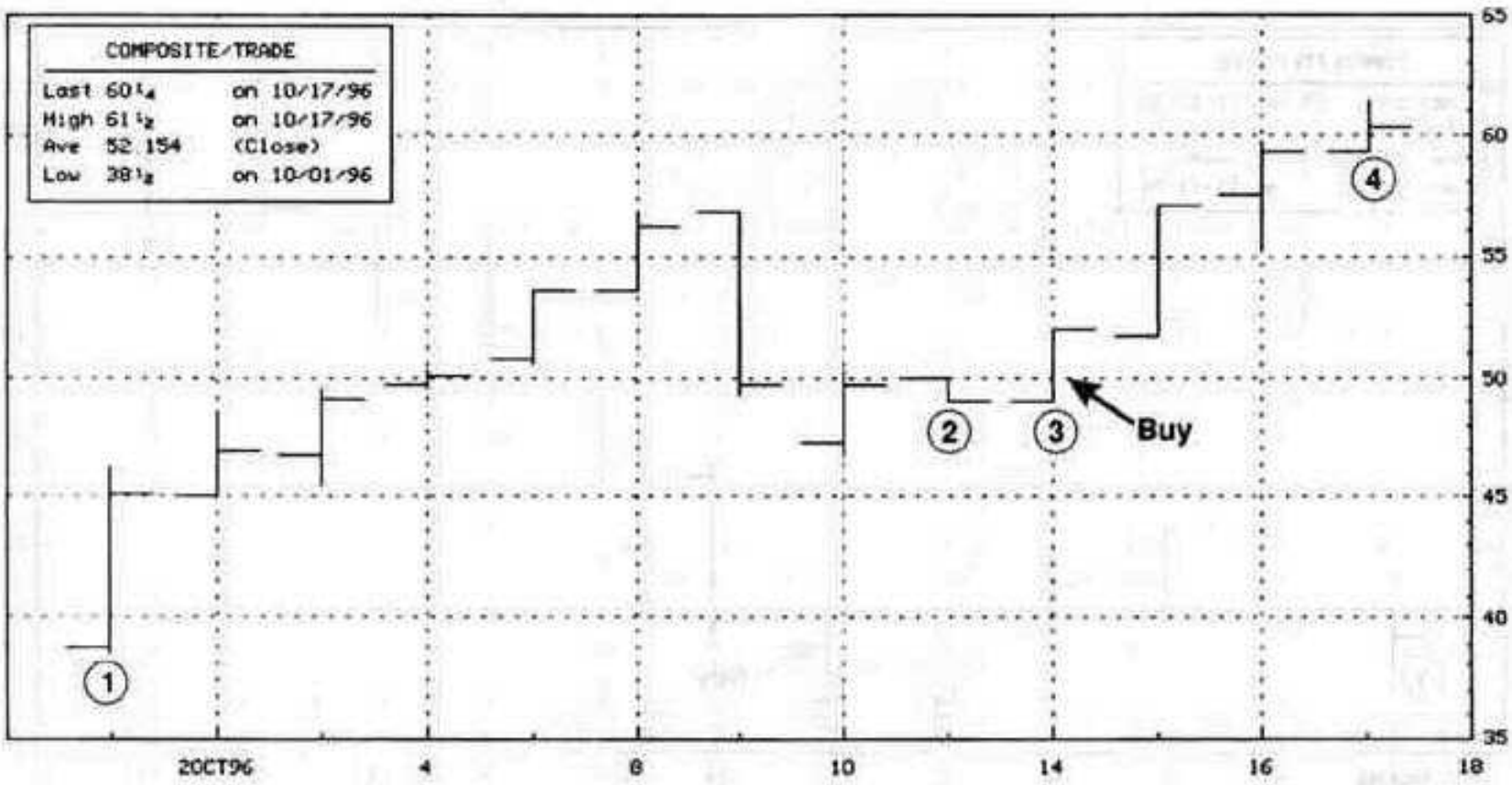
1. On September 18, International Network Services goes public at $16/share and opens at 28 1/2. This qualifies as a "hot issue" as it trades more than 15 percent above its offering price.

2. The stock has a three-day pullback.

3. After the pullback, we buy 1/16 above the high of September 30 and are filled at 36 1/16. Our stop is near the previous day's low of 35.

4. We have an approximately 40 percent profit in a week.

EXAMPLE 2.2 AFCI



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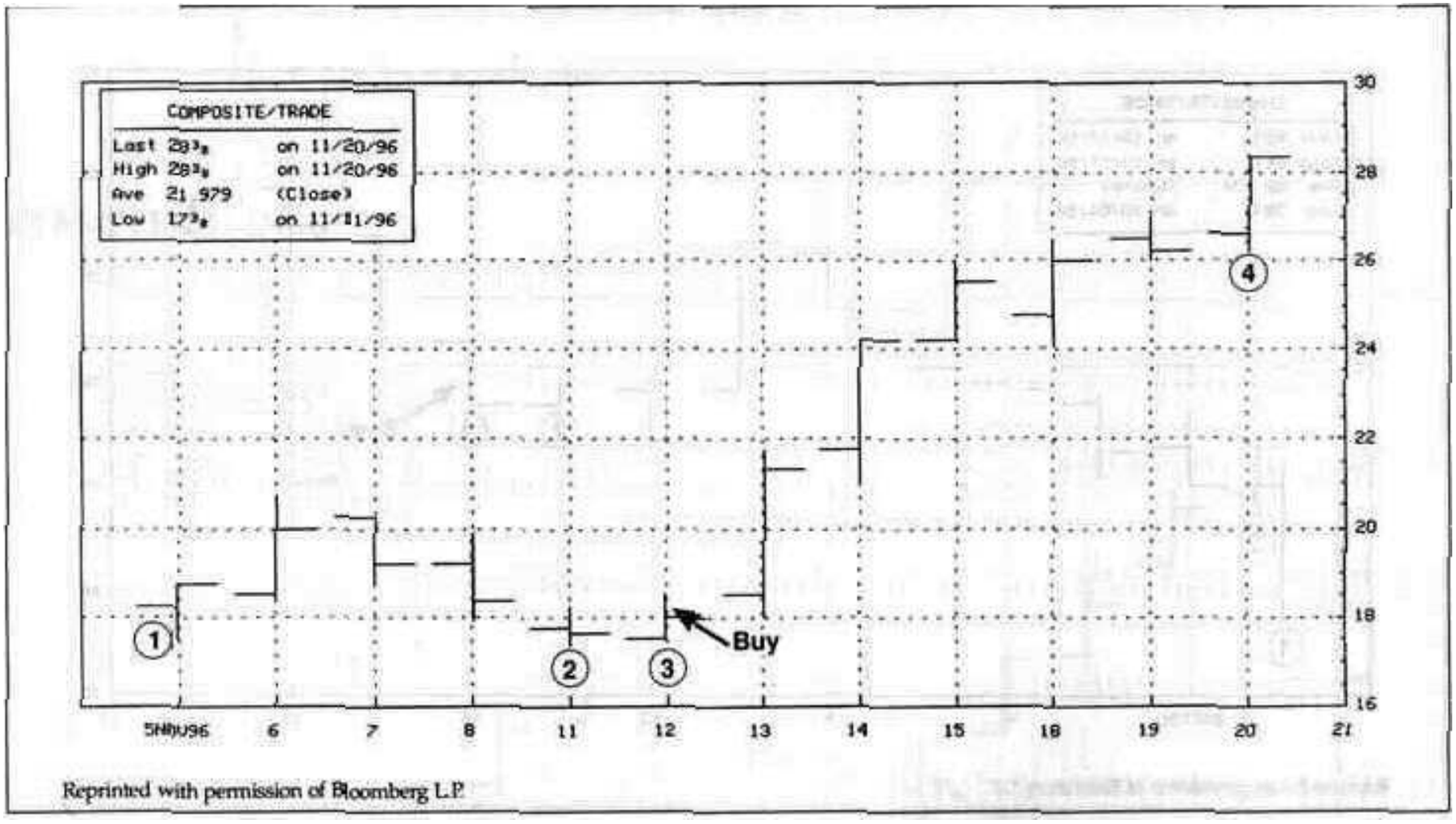
protective stop is near the previous **day's** low of 49.

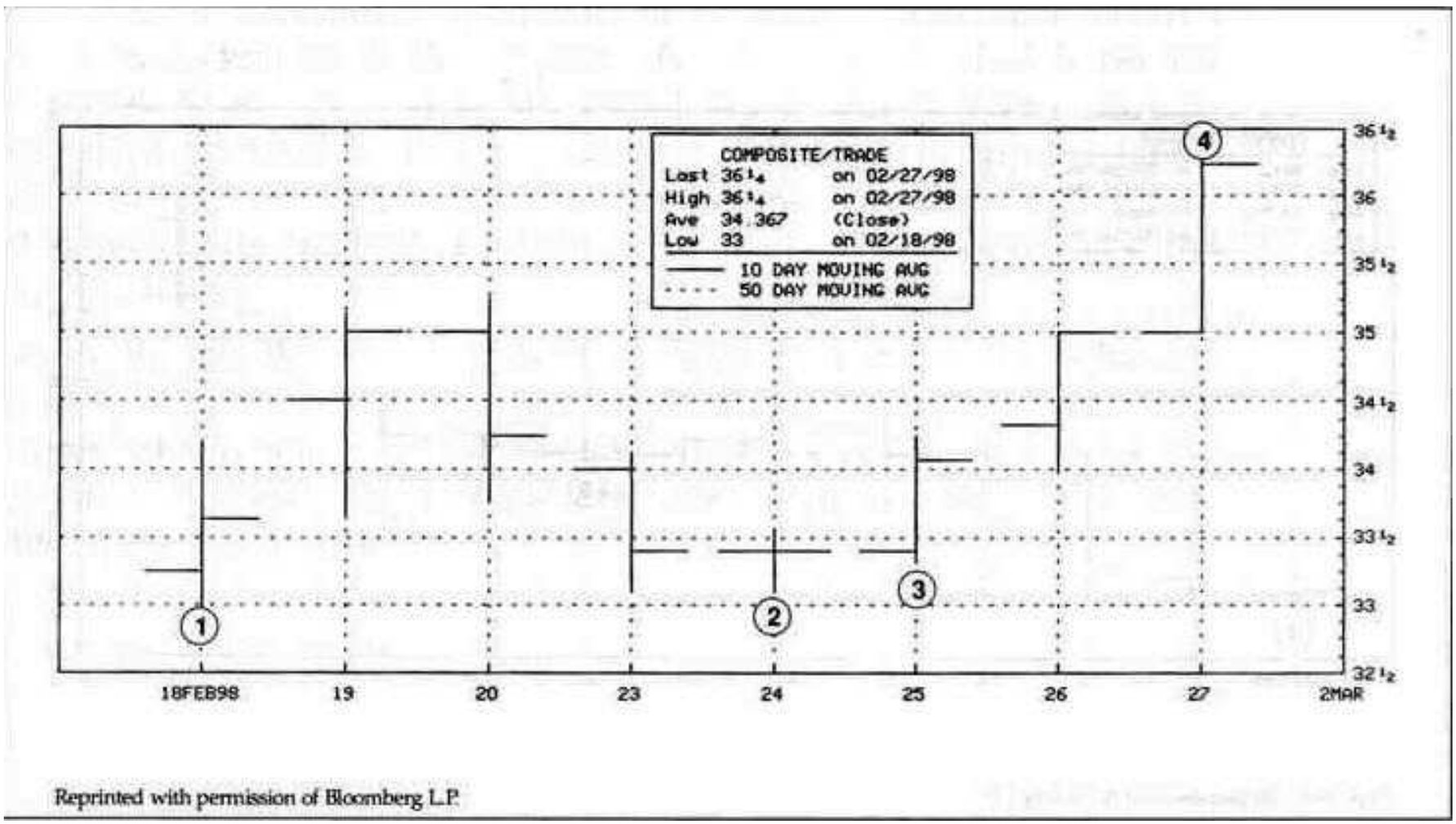
4. Three days later we have a 10-point profit.

EXAMPLE 2.3 SEAC



1. Sea Change International goes public at 15 and trades up more than 15 percent.
2. A brief pullback as profit takers come in. • i -Uluu O1A £.
3. The growth funds start buying and we get filled at 18 5/16. .£
4. The stock rises more than 50 percent within a week and a half.

EXAMPLE 2.4 5CS



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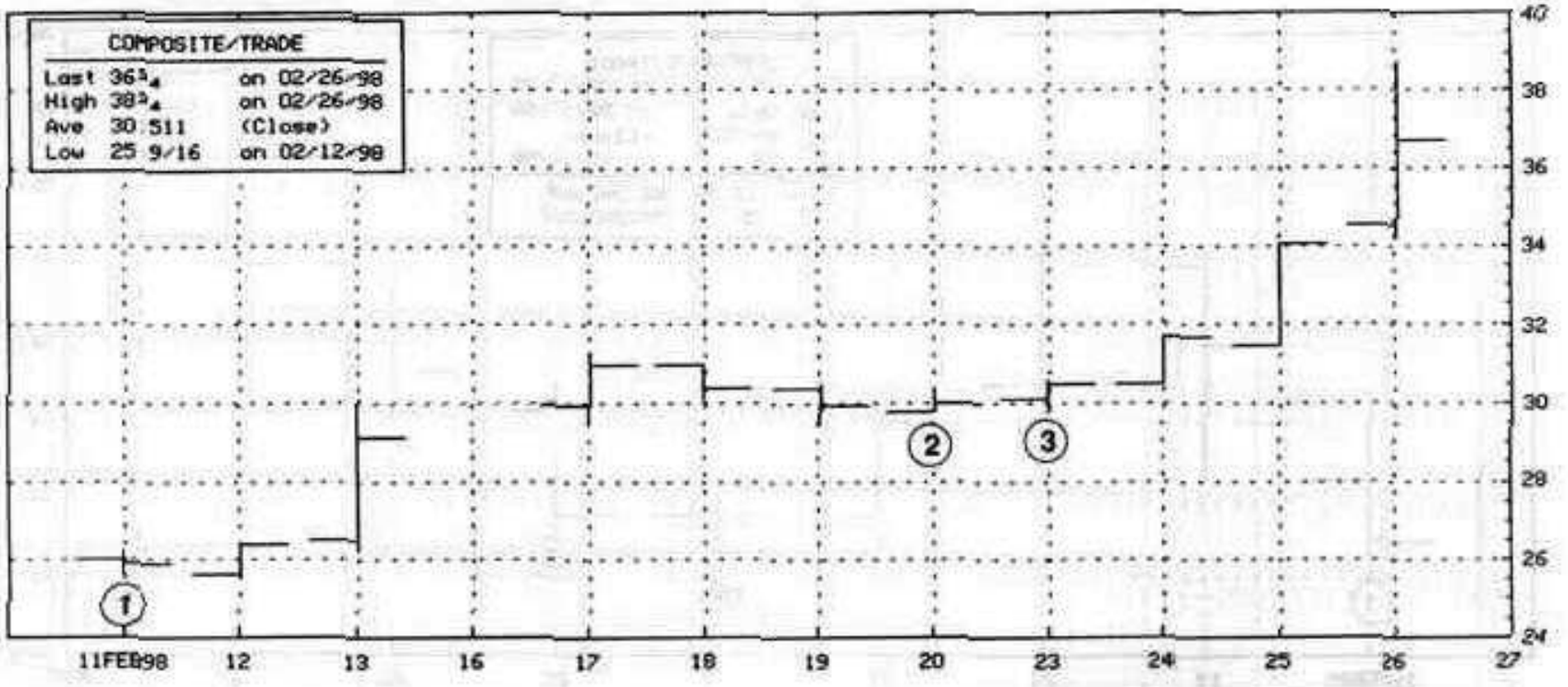
1. Steelcase Inc. is priced **at** 28 on **February** 18 and **opens more than 5** points higher. i '.-.HI

2. A three-day pullback. I •;

3. Buy above the previous day's **high and risk** 1/2 **point.** ' -•.' -*

4. A 10 percent gain in three days. •' •:• -i --..'><\ ›'. • .t-

EXAMPLE 2.5 GTSG



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1. **Global** TeleSystems **Group** is priced at 20 and opens 30 percent higher.
2. Apullback. ; . .ifoatfflwq yeKwuU A ,E
3. Buy at 30 5/16 and risk 5/8 of a point. 7'.o^/?vuJi .(,
4. A 20 percent gain in a week. .-.,.,.-,, ,j'-rt>^ft4i'A .t

CONCLUSION

Let's again understand the dynamics of this setup. Strong demand (i.e., lots of excitement about the company's future) causes the stock to rise the first week. Short-term traders who were lucky enough to receive stock on the offering take their profits, causing a pullback. The growth funds, which did not get enough stock on the offering, then come in and take advantage of the pullback, pushing prices higher. This is clean, easy, and very predictable.

Finally, the other nice thing about this strategy is that you do not have to sit in front of a screen all day. Simply placing a buy stop with your broker and giving him or her instructions to put in a protective stop for you after the fill allows you to trade this setup while you are attending to other matters in your life. ' *

CHAPTER,

FLAT-TOP EXPANSION BREAKOUTS

lit this Chapter, I am going to share with *you* how io identify the best

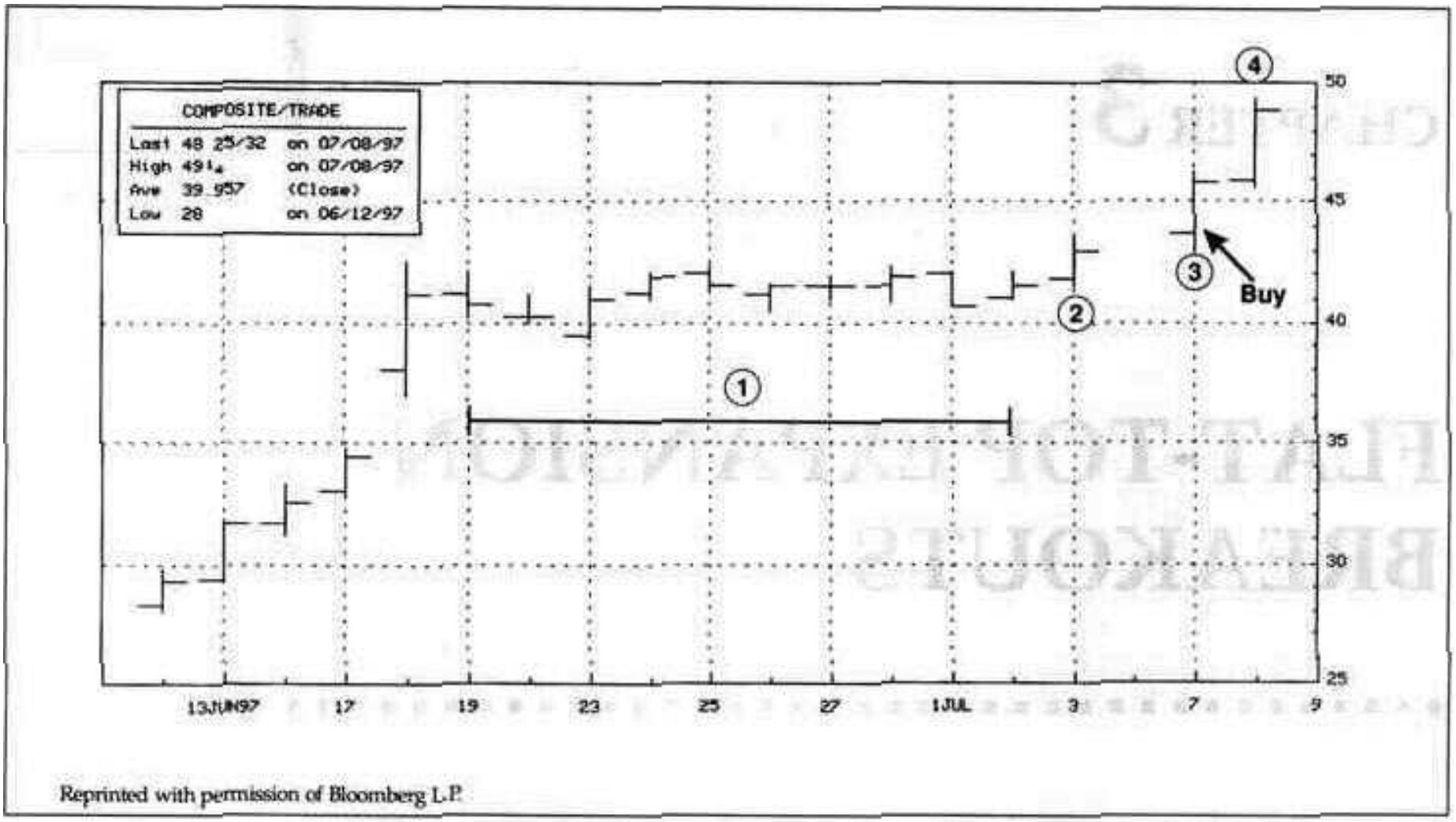
every day. I E is impossible to trade them all, and therefore it is advantageous to *$v\vt|* the ones thai are most lively lo toLkjiv through.

The highest pe^enlage *of* Espinsion BreaVont thai work come off what I cjll flat-lops. Flal-Tpp EMpansicn Breabouls occur when marten trade

flattening *of* tfu> slock chart and Is a period of built-up energy When a *Stfel.* explodes out of this position, it not only doe. it strongly, but it many times continues ID nm foi two To Three consecutive days. These moves can *at* timei *bv* evtiemely large, and being patient is the hey to maximizing the gains.

Lei's loolt al five exampks of what Ihls setup looks like and how To Bade

EXAMPLE 3.1 JBL



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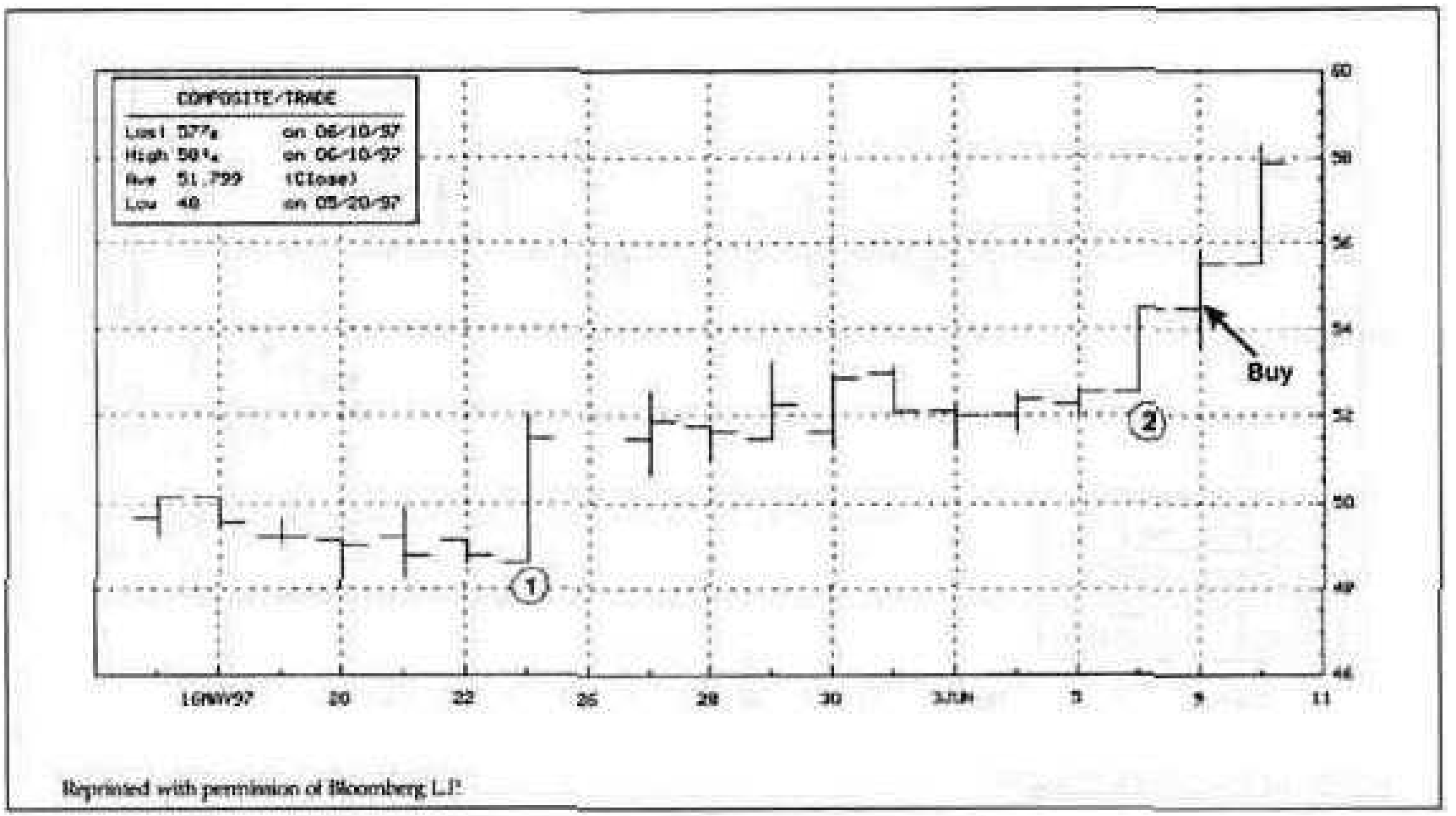
® As you can see, after JBL made new highs on June 18, it traded sideways for two weeks. © On July 3, it had an Expansion Breakout. ® We enter the next day at 43 11/16- The stock closes strongly and moves another 3 points higher the following day.

EXAMPLE 33 CCU

rr i timn/



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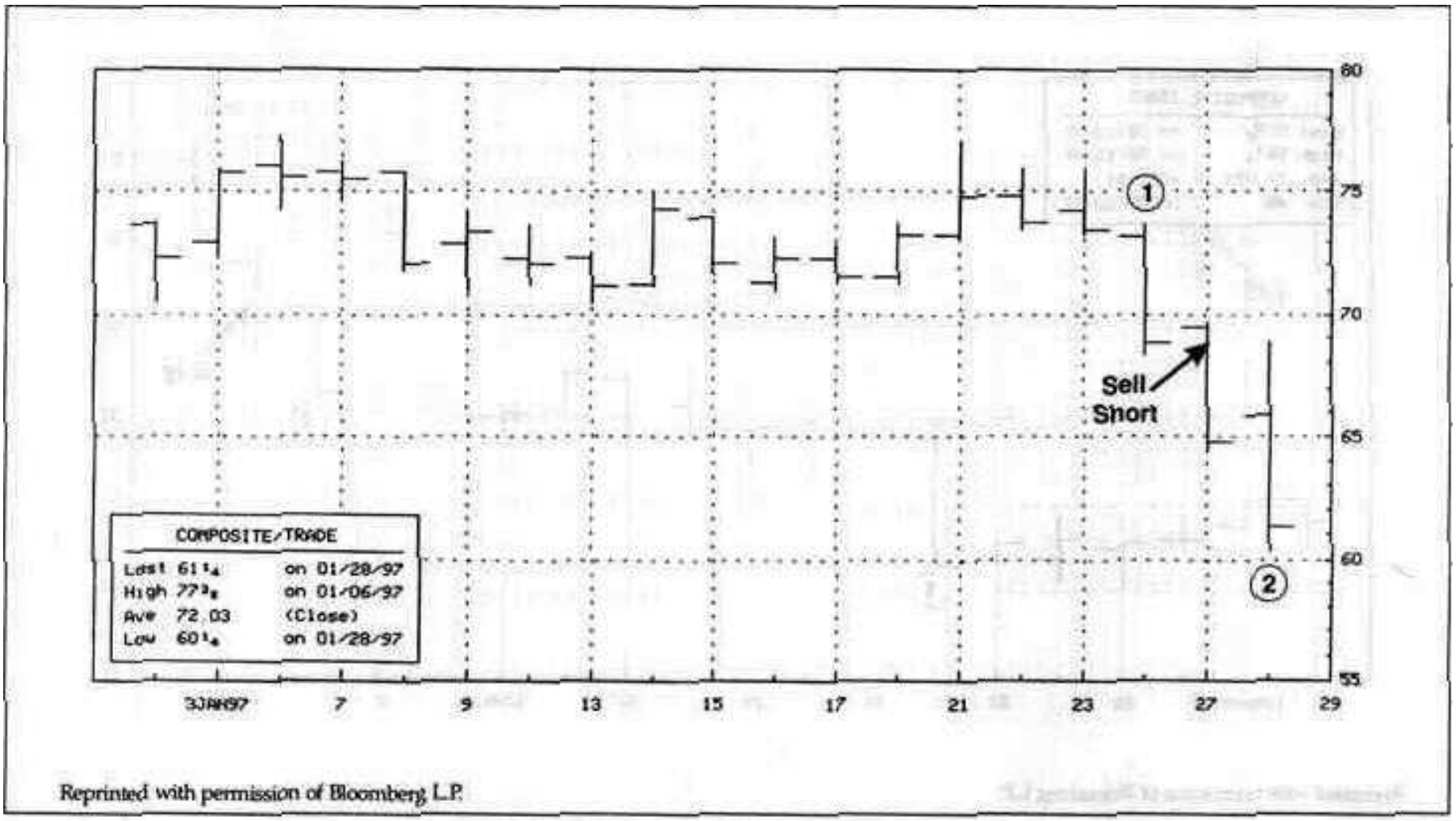
1. On May 35, 1997, CCU made new highs and then traded sideways tor two weeks,

2. It broke out on June 8 on an Expansion Breakout and then proceeded to move up to 58 over the next couple of days.

EXAMPLE 3.3 COM3



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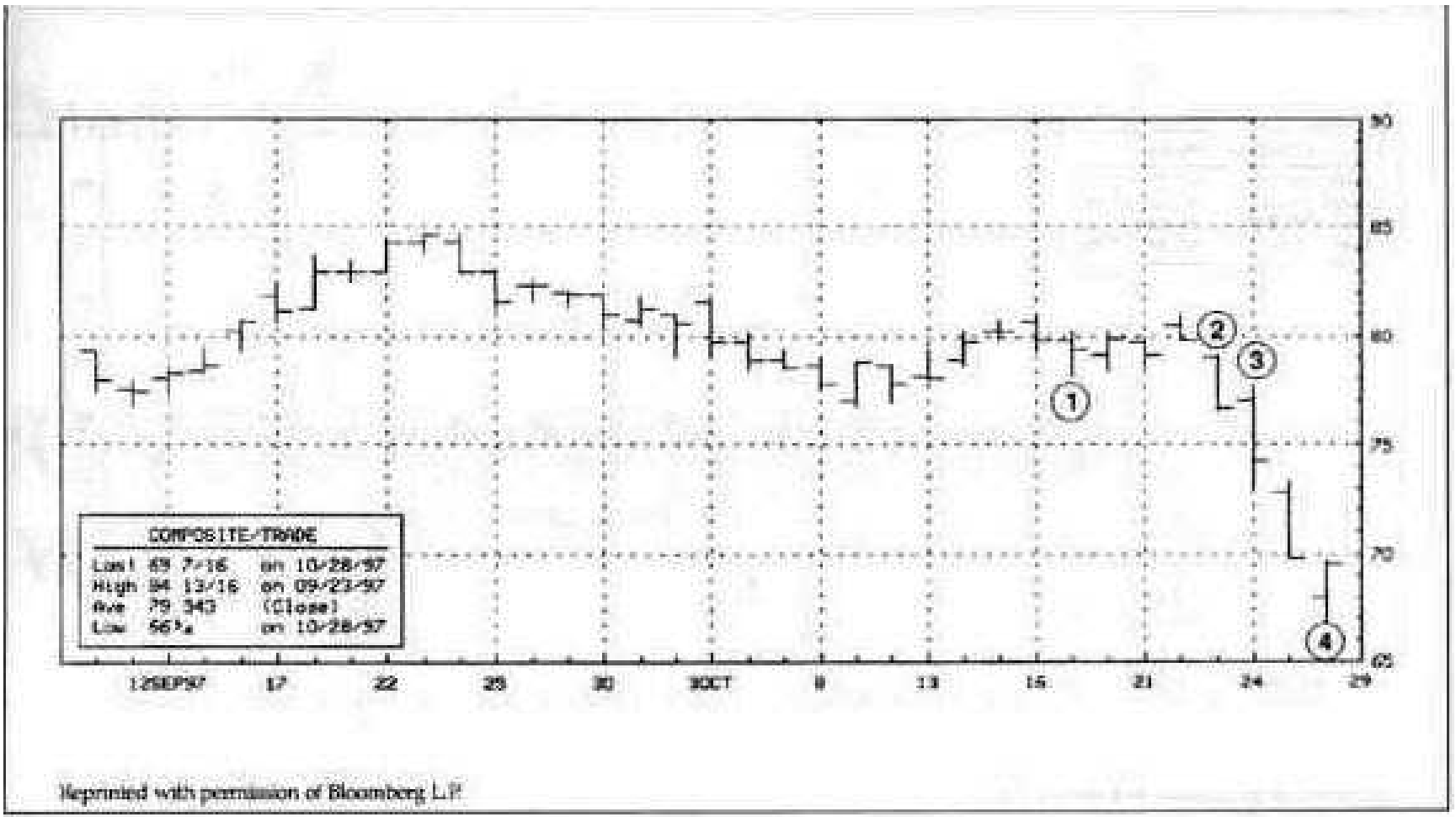
1. This strategy works just as well to the short-side- On January 26, 1997, the stock had an Expansion Breakdown after trading sideways for three weeks.

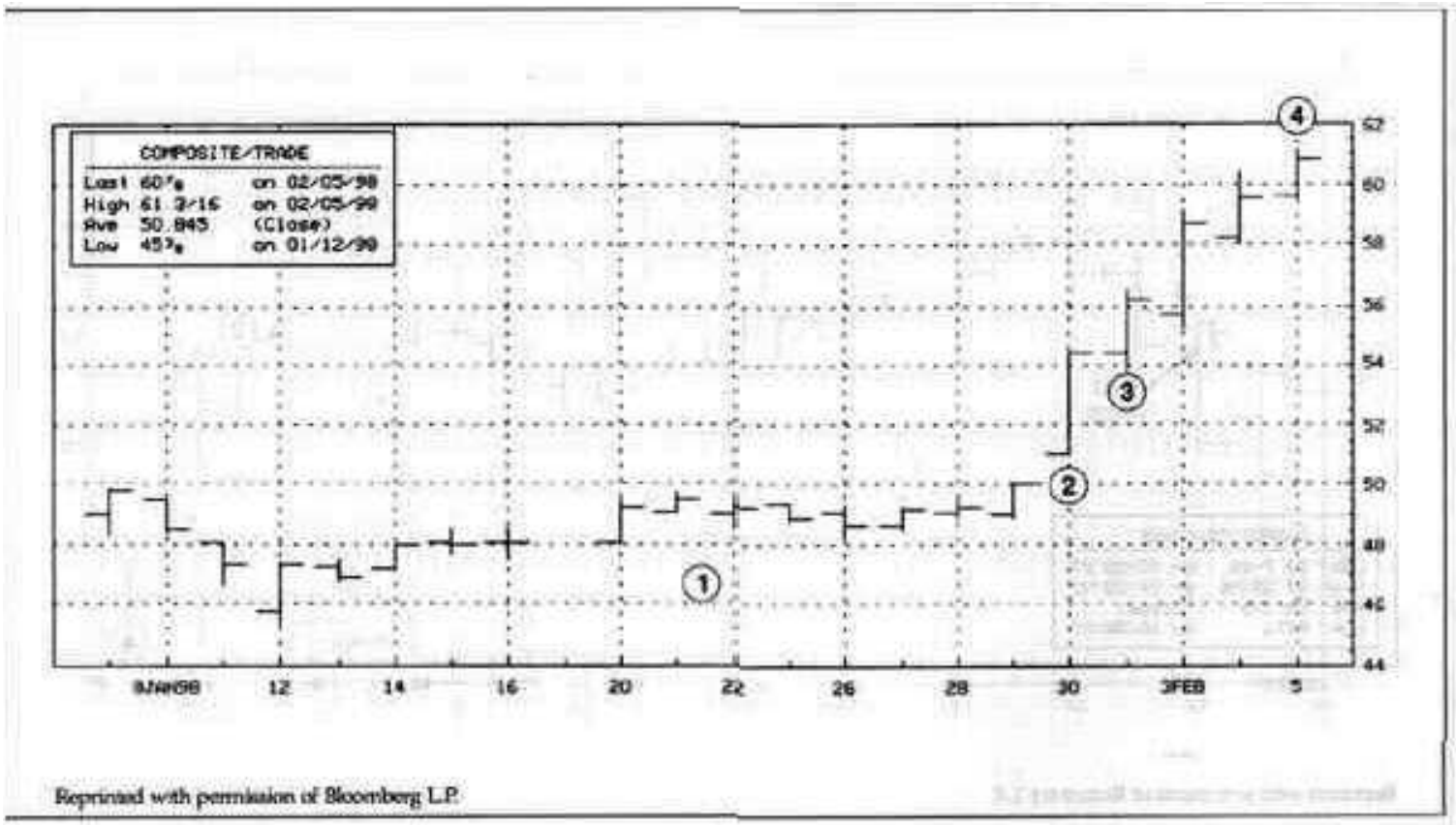
2. This breakdown followed through for an additional 10 percent drop in prices over the next two days.

EXAMPLE 3.4 LTX



1. Consolidation near its lows.
2. An Expansion Breakdown-
3. Sell short.
4. Trailing stops Luck in a very solid gain.

EXAMPLE 3.5 AFL



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1. Consolidation in a tighl range.
2. An Expansion Breakout.
3. Buy. -»a
4. A 10 percent move in a few days.

CONCLUSION

Earlier, we discussed the problem of too many Expansion Breakouts in a day. Flat-Top Expansion Breakouts are the best way to overcome this problem. By focusing on stocks that have traded sideways (or a number of days, you art looking at stocks that have built-up pressure in them. When ihis pressure explodes, it many times leads to solid, substantial

REVERSAL NEW HIGHS METHOD

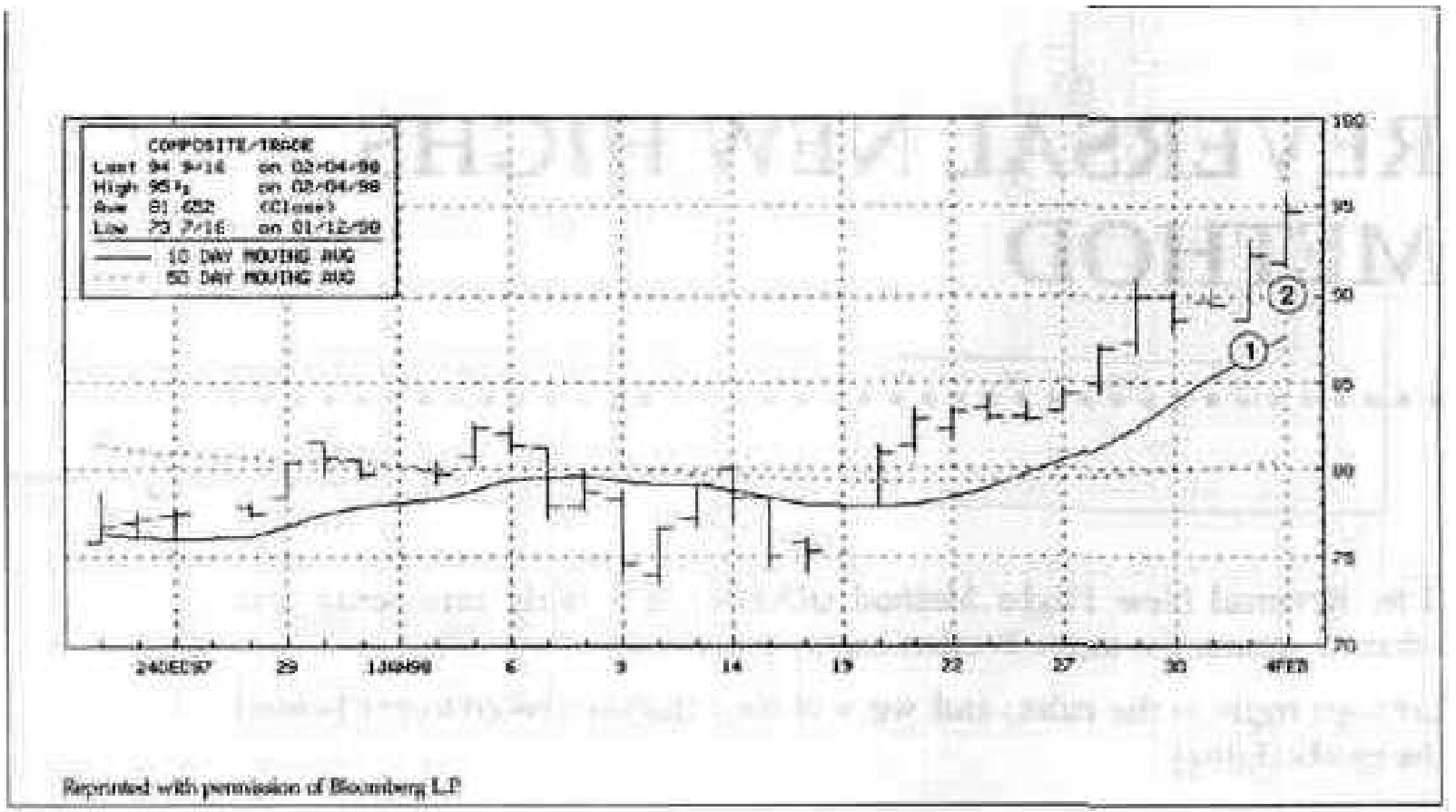
Lei's go right to Ihc rules, and we will Ihrn distLiH tine concept behind the methodology.

FOR BUYS Bells Arc Reversed)

4. Use a trailing stop and stay in the position until you are stopped out. This can be as shor! as a few hours to as long as a *few days*.

Lei's look at five examples.

EXAMPLE 4.1 LU

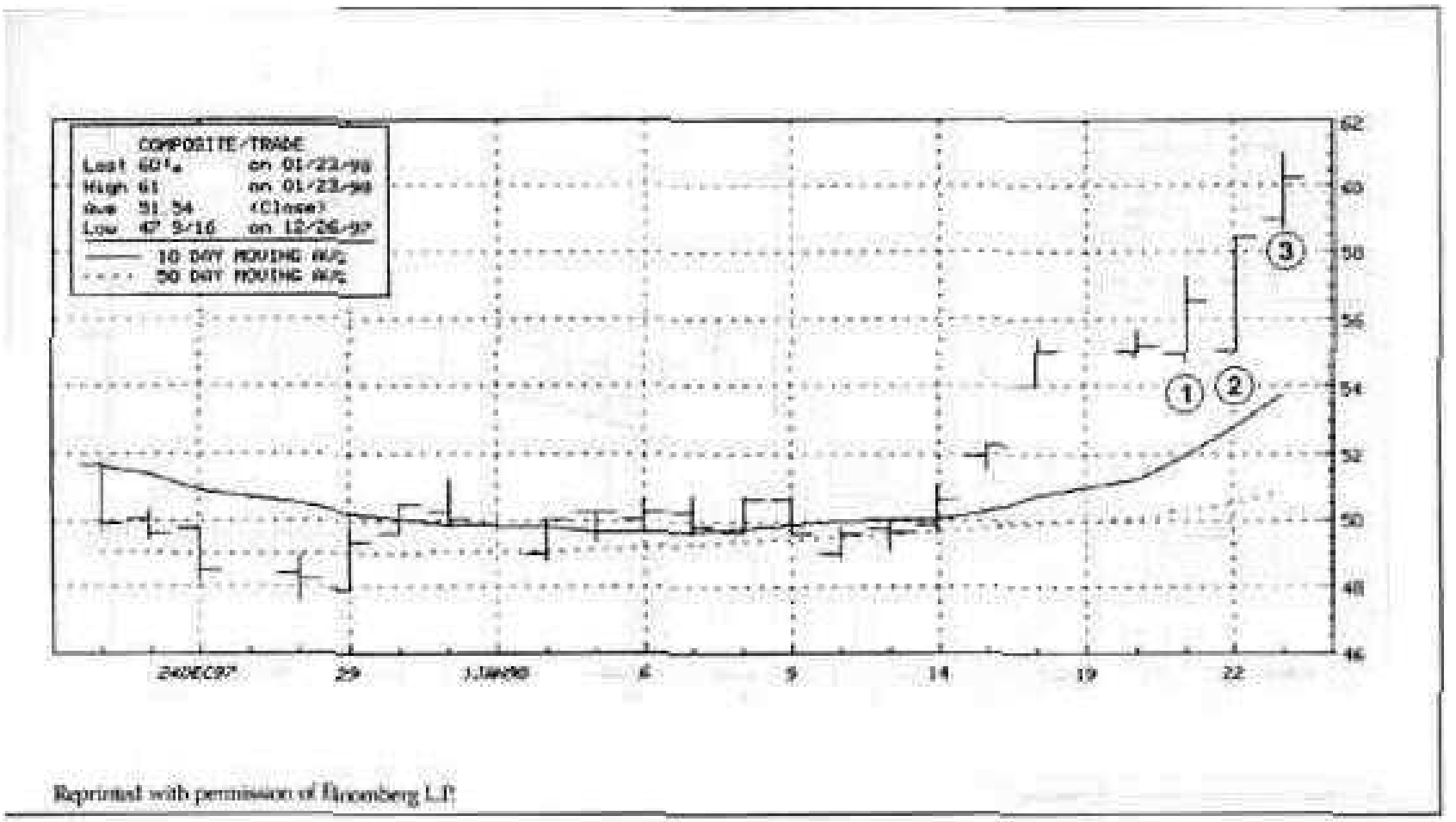


1. On February 3, Lucent Technologies (LU) trades below the previous day's low and above the previous day's high lan outside day). The daily range is the largest of five days, and the slock makes a new 60-day high.

2. Buy at 93 5/16,1/16 above yesterday's high, and the slock trades up more than 2 points inlraday.

EXAMPLES BOX

'..' I'll- • a "M.-/.I



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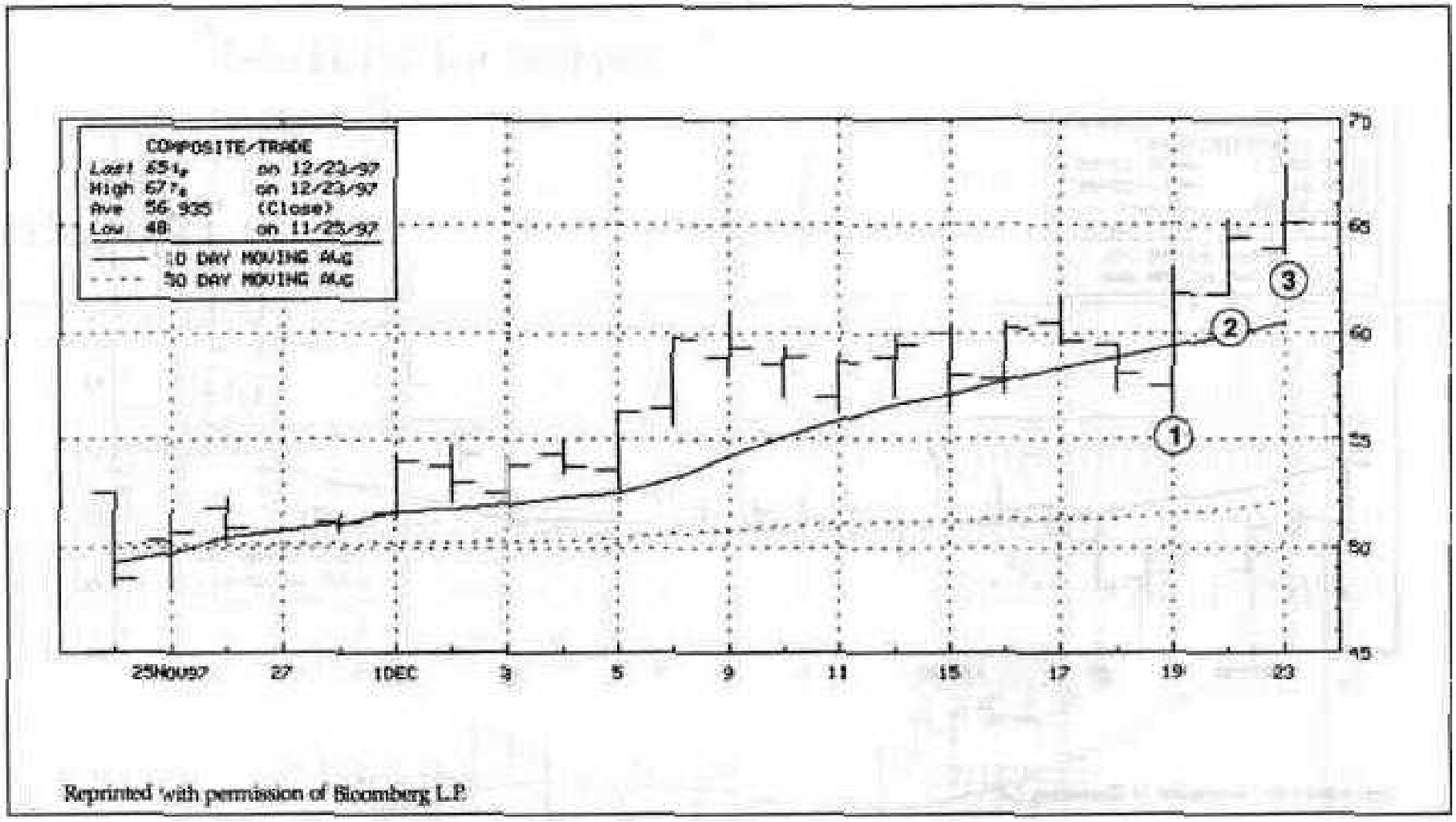
1. On lanuary 21, BDX has an outside day, trades to a new 60-day high, and its range is the largest of five days.

   Buy at 57 5/16 and risk 1 point.

   Tile next day the slock trades tea

EXAMPLE 4.3 YHOO



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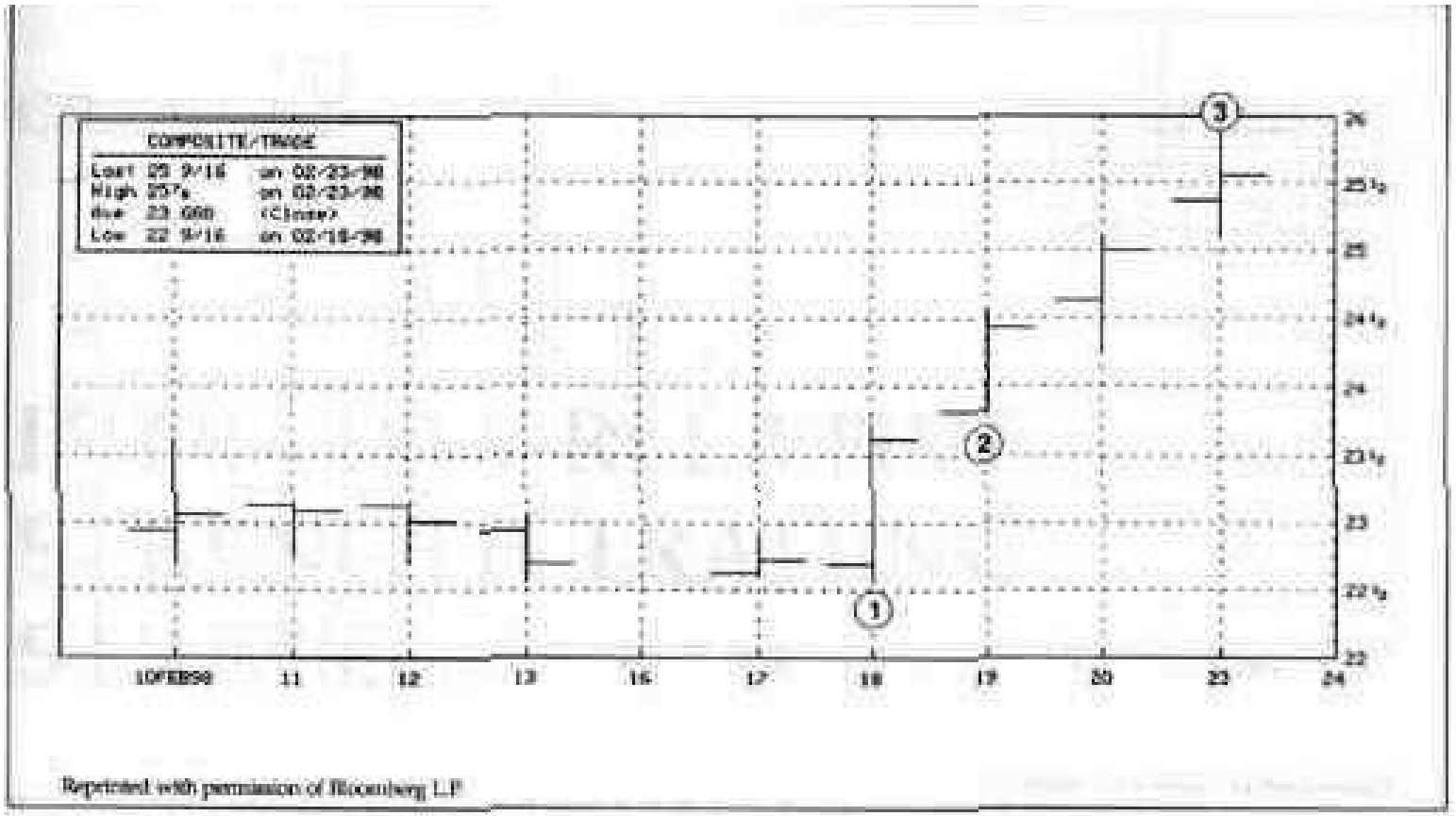
1. An outside day, 60-day new high, and a five-day **range expansion.,**
2. Buy at 63 1/4 and risk 1 point.
3. The next day. Yahoo trades as much as 4 5/8 points above our en-

Also note the successful setup on December 5-8.

EXAMPLE 4.4 MAST



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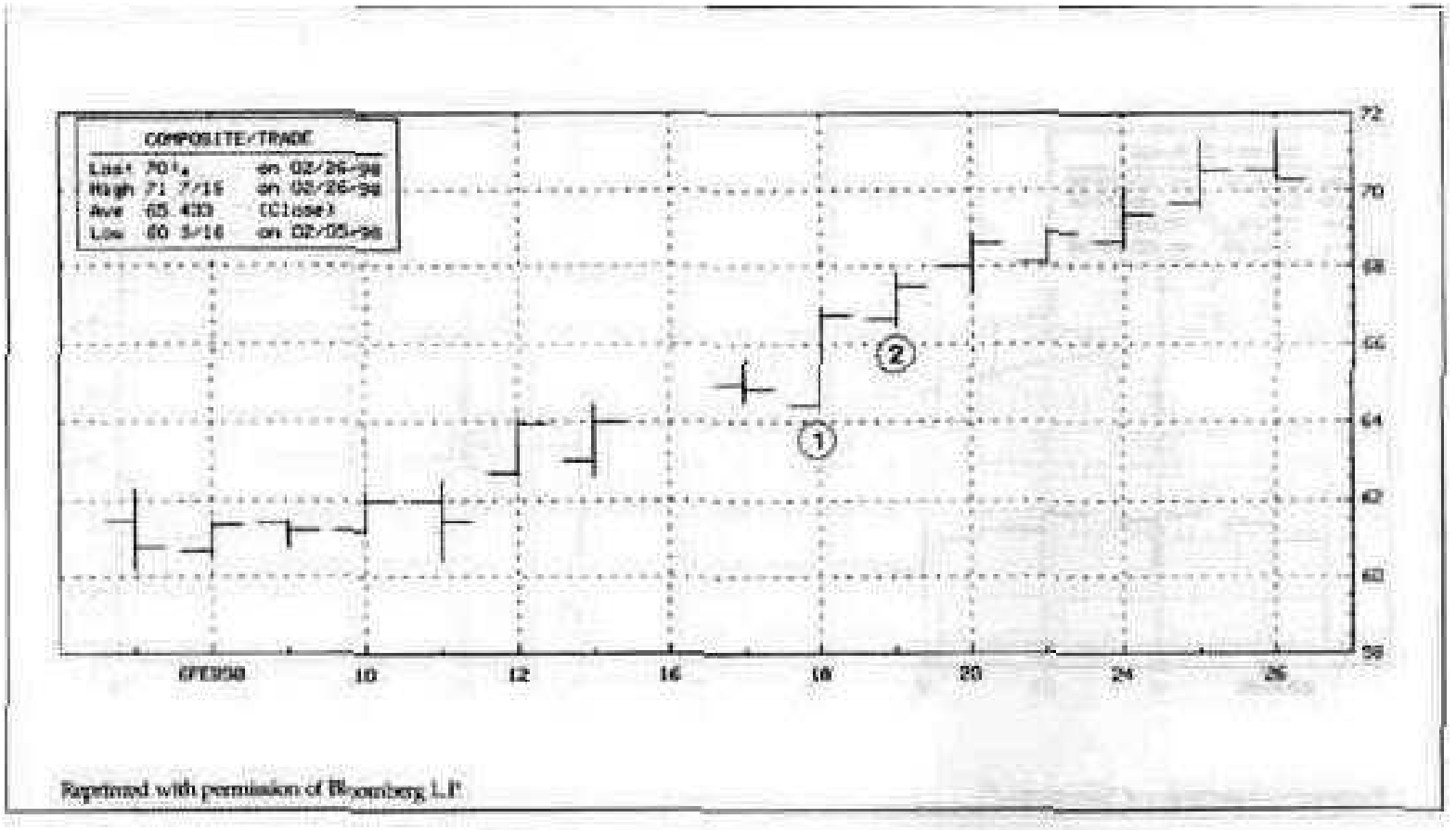
1. MAST trades under the previous day's lew, then trades above the previous day's high. Ite range is the largest of five days and it makes a now 60-day high.

2. Buy on Ihe opening, as the stock trades above the previous day's high-

3. The trflnd remains intact.

EX AMPLE 15 MWD

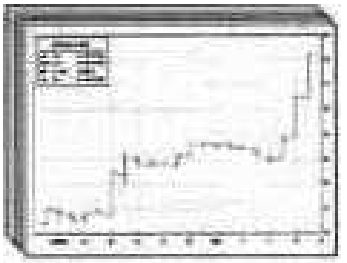


1. An outside day, the largest range of five days, and a new 60-day high.

2. Buy I/16 above Ihe February 18 high.

CONCLUSION

ith this setup? A stock that is trading near new
y and then immediately reverses. The reversal is
h moves in a latge range and again makes new highs. The
tum is *pmeafvl. and il often follows through far the net! couple*



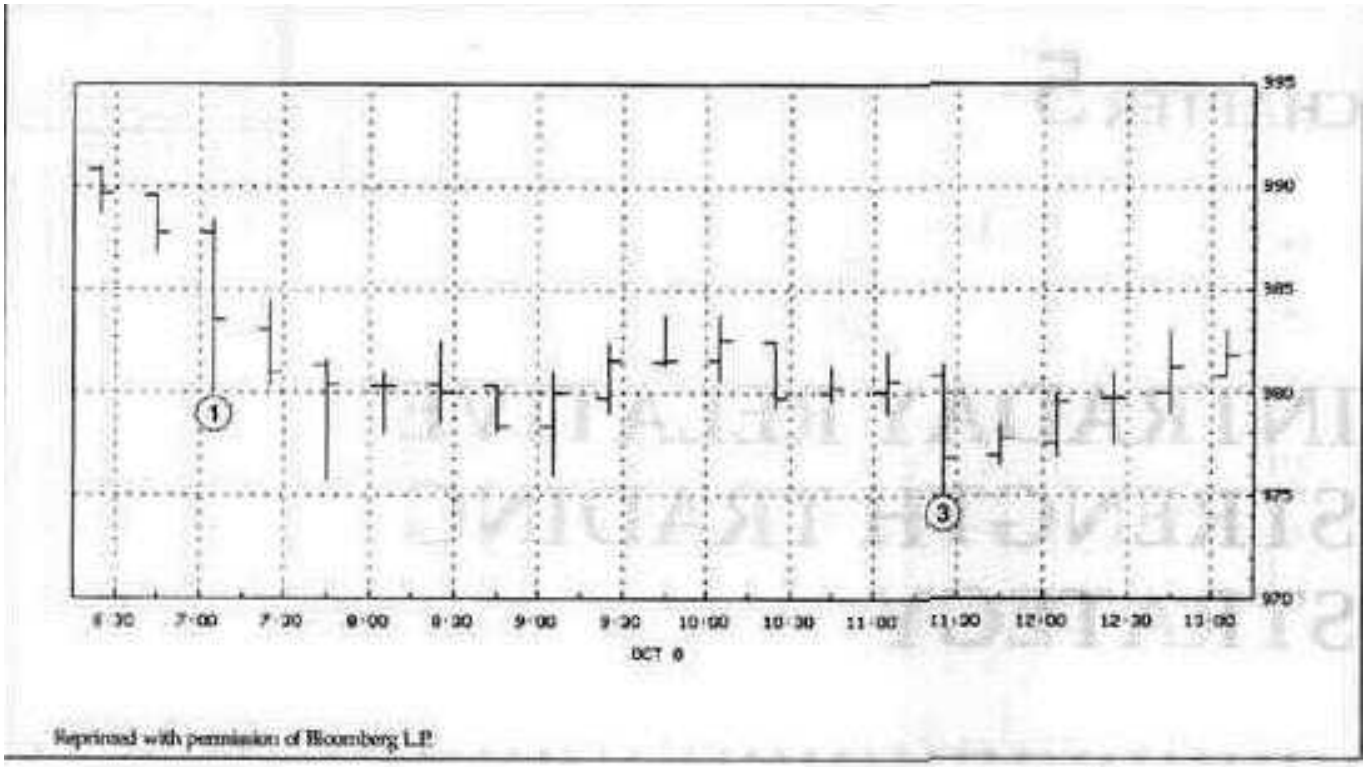
CHAPTER

INTRADAY RELATIVE STRENGTH TRADING STRATEGY

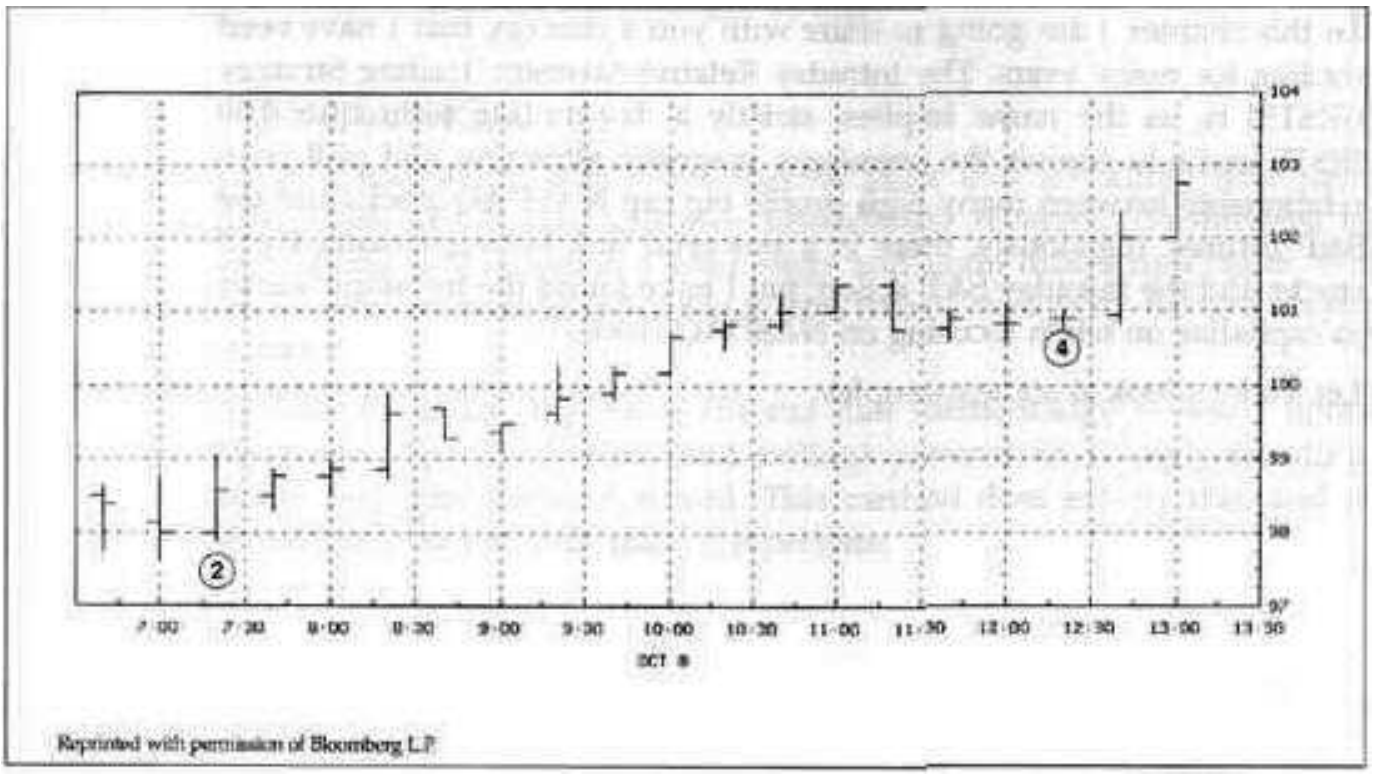
In this chapter, 1 *am* going *to* share with you a strategy thai I have been trading for many years. The Intiaday Relative Strength Trading Strategy (KSTS) is, as the name implies, strictly a day-trading technique. The IRSTS seeks to exploit the seemingly magnetic attraction and pull-push relationship between many high profile big cap MASDAQ stocks and the S&P futures. (Obviously, there is a powerful link between many listed stocks and the intraday S&P action, but I have found the technique easier to capitali7e on when focusing on NASDAQ stocks.)

Let's take a look a[some examples-

EXAMPLE S.1 S4F 500



EXAMPLE 5J AMAT



ffi As you can see (Examples 5.1 and *5.1), on* Wednesday, *October* S, Ihe Sir Futures plunged 10 points in the First half hour of trading. However, whereas [he S&Ps continue lo move lower. ® AMAT (Eiample 5.2) turns positive on the day. Thii is the first sign of strength. What you want In do *is* watch the behavior of AMAT versus the futures From this point. If the Futures continue to drop and AMAT holds firm or trends slightly higher, you want to be a buyer of AMAT any time the SiPs start to turn

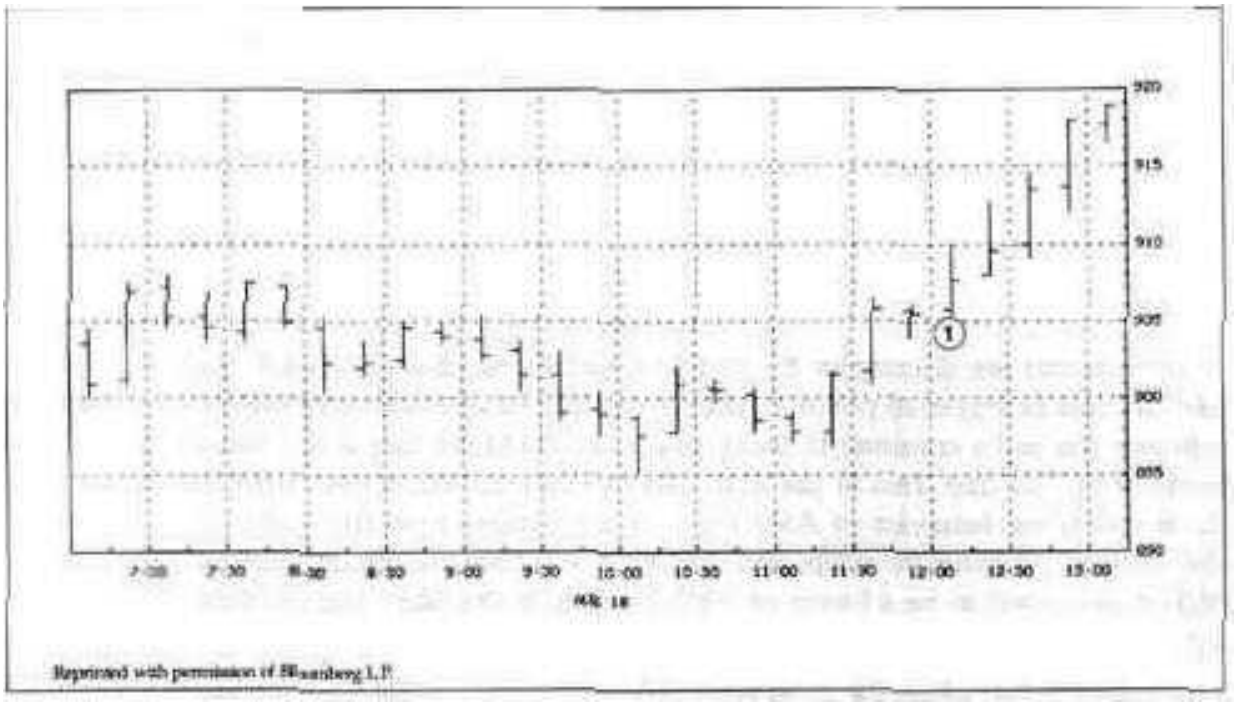
I have found that often the mast profitable time oF day to rake advantage oF this kind of glaring relative strength is in the First hour or last hour. Let's focus in on the lasl hour of trading on October 8.

The futures tested their morning low. $ but what did AMAT do during Ihe drop? The stock barely hiccuped. If the test of the morning low in the Futures proves successful and they start to rally, AMAT is going up. perhaps in a big way.

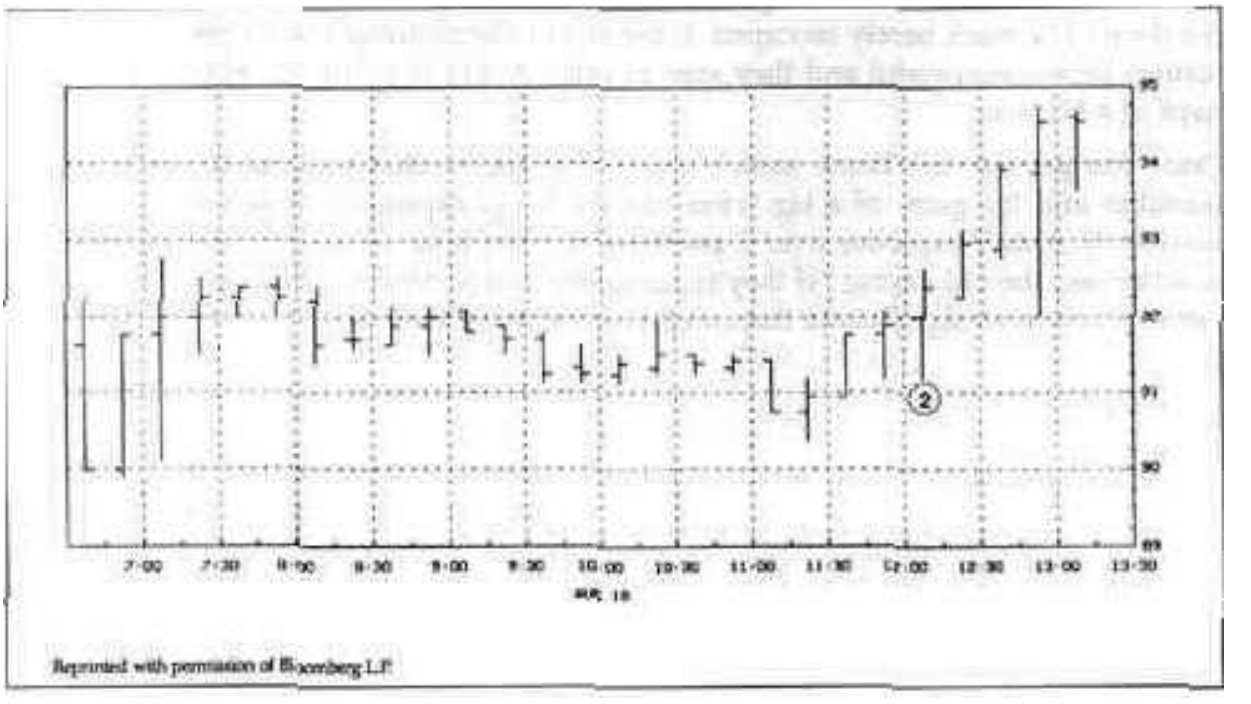
Once you get into the home stretch, the chance For another reversal di-

rnarket <£ AMAT explodes over *2* points in the last hour of trading. As you can see, the old saying *"It* they're rot going down, they're going up" carries even more significance than mighl appear lobe Ihe case.

EXAMPLES SiP500Futu



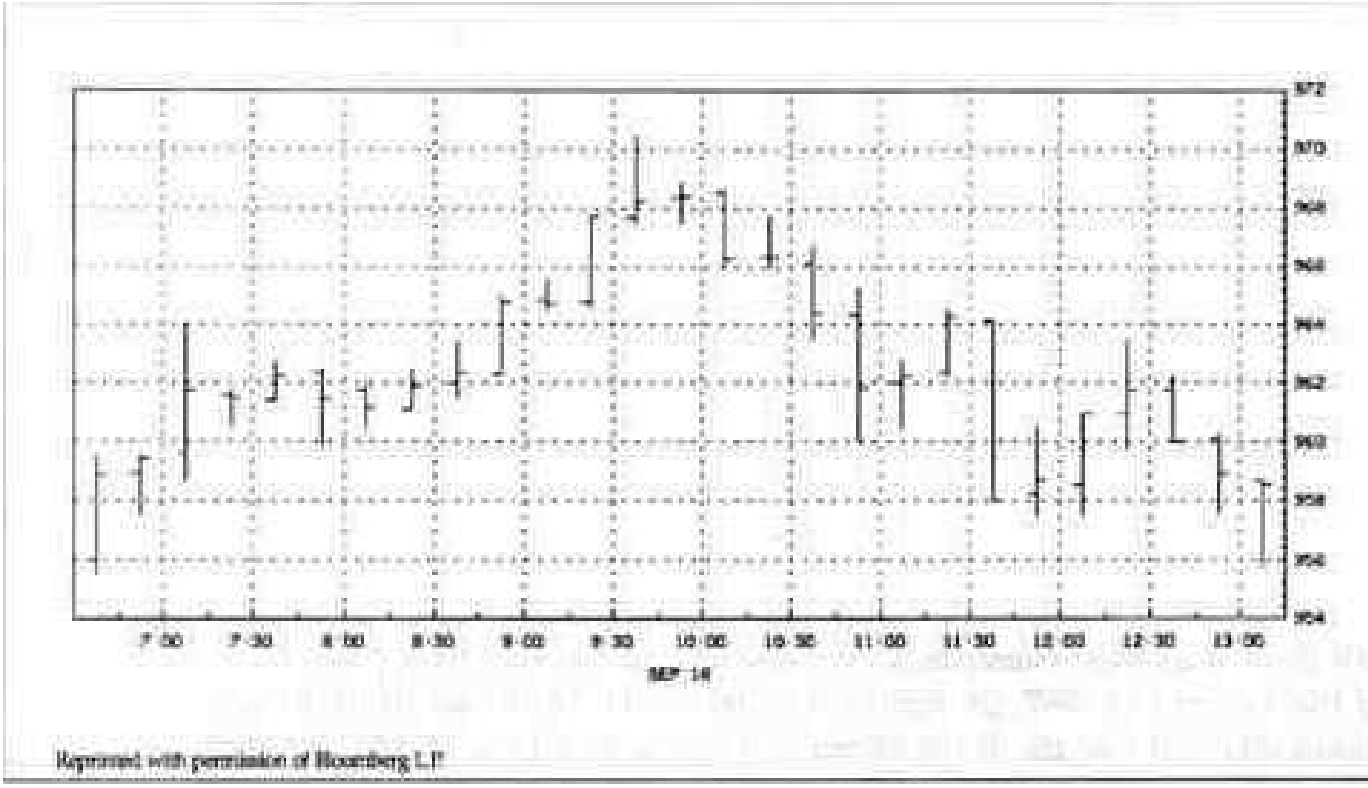
EXAMPLE 5.4 I[*TC



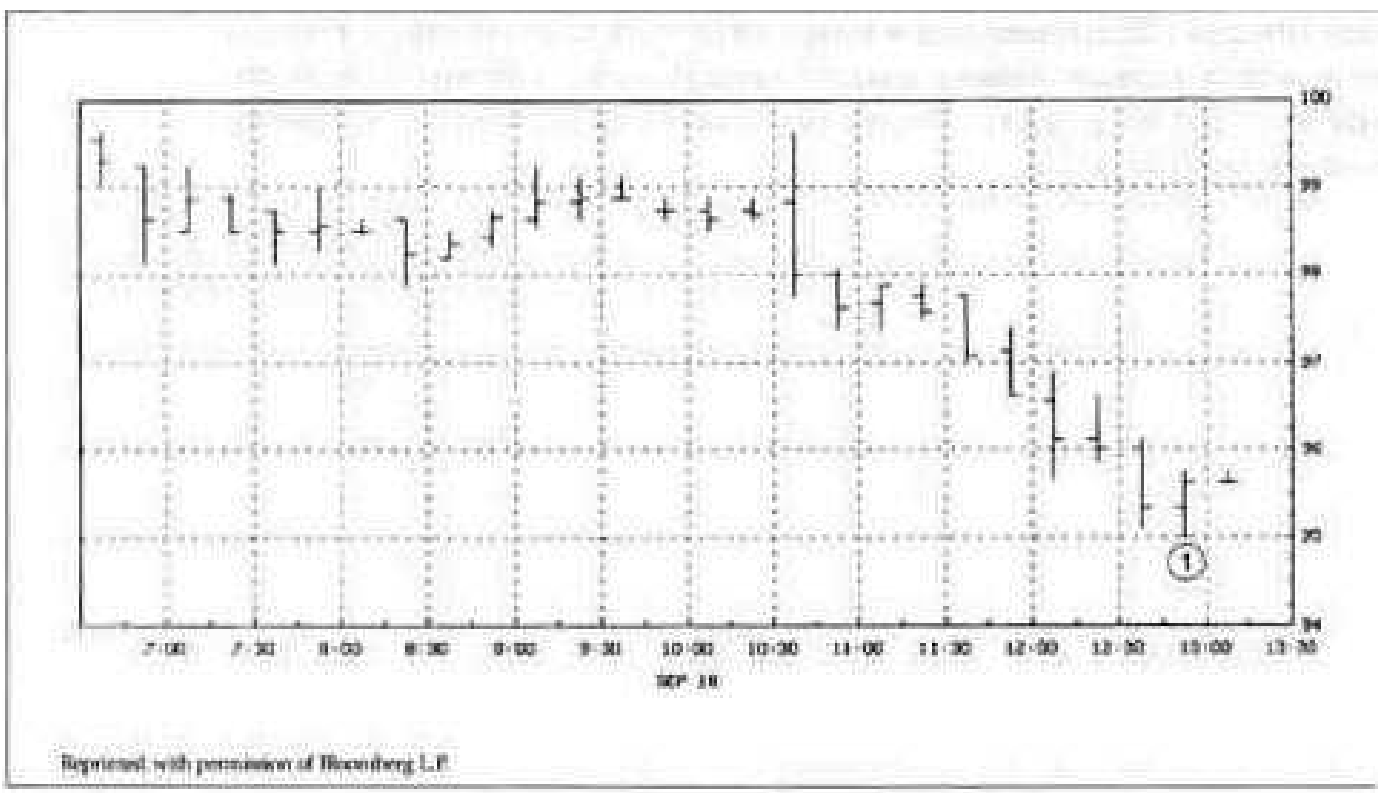
. a.irtu i "•'«--JJ,* s . -LTlt.'/. ' I

Lef s look at another example (Examples 5.3 and 5.4) thai took place dut-
ing the summer of 1997. On Friday, August 15, the SStPs had an ugly day,
dosing down 20 points. <S On Monday, August IS, after a midday test of
Friday's low, the S&Ps lake out the day's trading range going positive in
the last hour. % Intel, which has followed the S&Ps in tandem all day,
forges ahead over 2 points in fhe last hour. As you can see, sharp late day
reversals (up or clown) can he wry profitable. Shorts caught complacent
(from the quiet afternoon) and wrong footed rush to cover rather than go
home with a position closing sharply against them. Sold out bulls stam-
pede in to get long again. The mixture usually is explosive, catapulting
the stock into the bell.

EXAMPLE *5.5* SAP SM Fu



EXAMPLE M AMAT

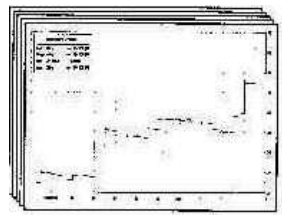


Let's look at a reversal to the downside (Examples 5.5 and 5.6), Here's AMAT again on September 18. 1997. Although the S&Ps gain over 10 points by midday, AMAT is sluck in neutral. The stock can't attract any buyers. If il can't make any progress while the futures are running, what's going to happen if the futures reverse?

As you can see, once the futures break their morning support, AMAT proceeds to plunge, CO losing more than 4 percent of its value in two and one-half hours.

CONCLUSION

When a NASDAQ market leader is moving intraday opposite the overall market, it is often telling you something. When the overall market reverses, these stocks tend to move in an exaggerated fashion, and profits can be made quickly.



CHAPTER I

EXTENDED LEVEL BOOMERS

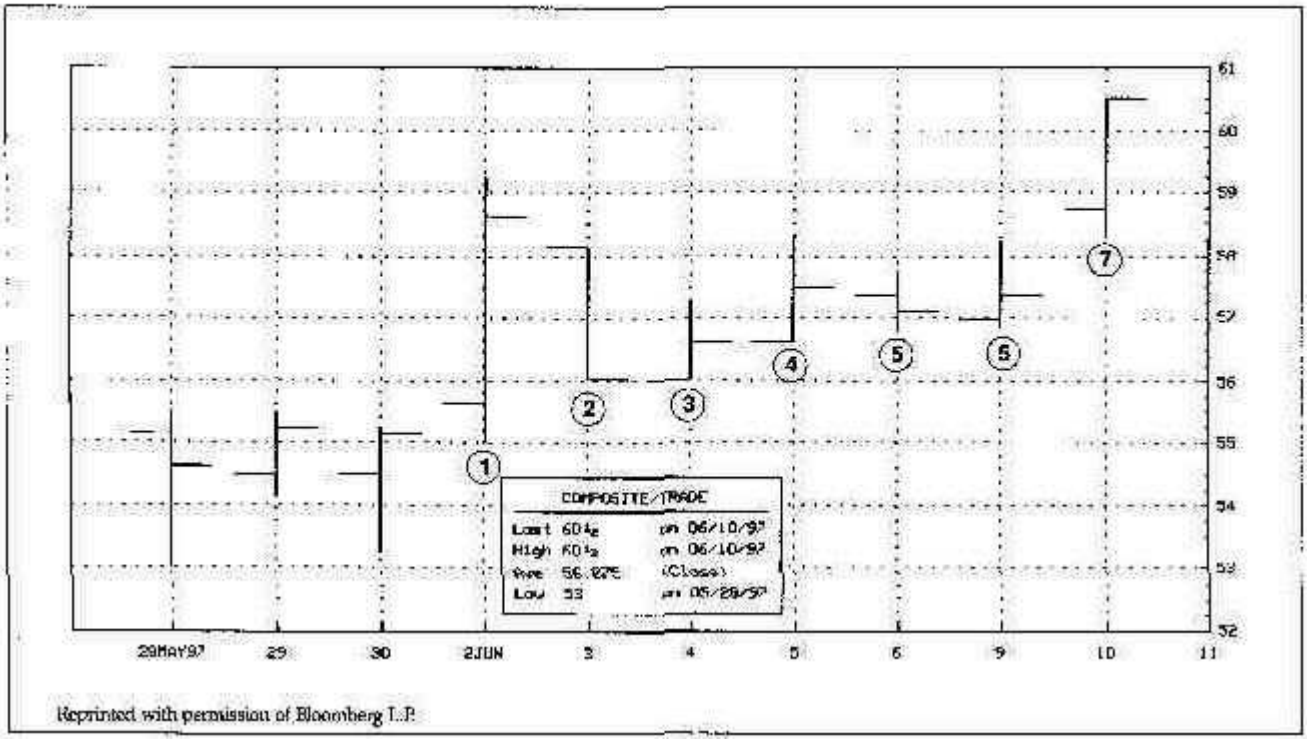
Extended Level Boomers (ELBs) are multiple inside days that follow new highs or new lows. It is a stock that makes a new high (or new low) and is then followed by two or more trading days where prices contract. This contraction is then followed by a breakout in the original overall direction as the trend resumes.

Here are the rules for buys (short sales are reversed).

1. Day one makes a 60-day high.
2. The next two days and beyond, the stock trades under or equal to the day-one high and above or equal to the day-one low.
3. Following the two days that the stock trades inside the day-one high, place a buy stop (good till canceled) one tick above the day-one high.
4. If the stock trades under the day-one low before it trades above the day-one high, cancel the order.
5. When filled, risk 1 point and use a trailing stop to lock in profits.

Here are four examples to help clarify the rules further.

EXAMPLE 6.1 AOL



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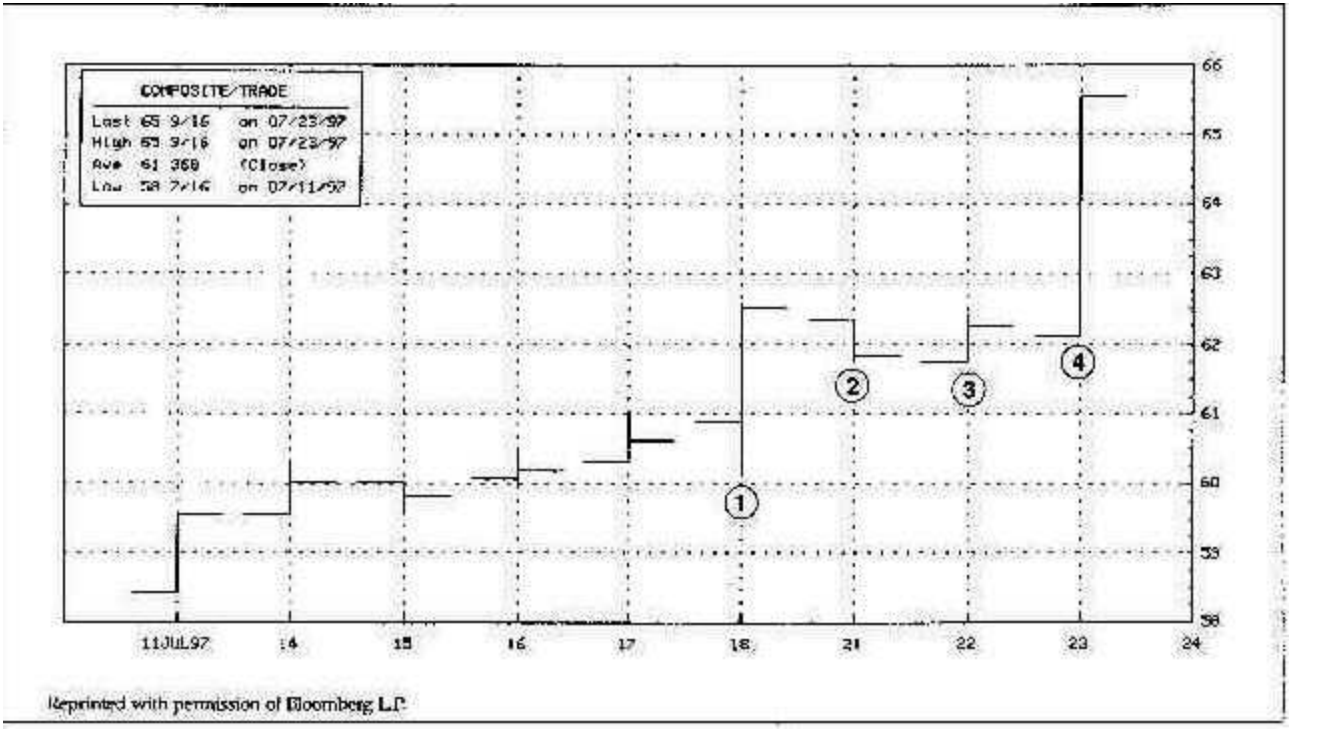
1. AOL makes a 60-day new high.

2-6. The next five days, trade inside day on

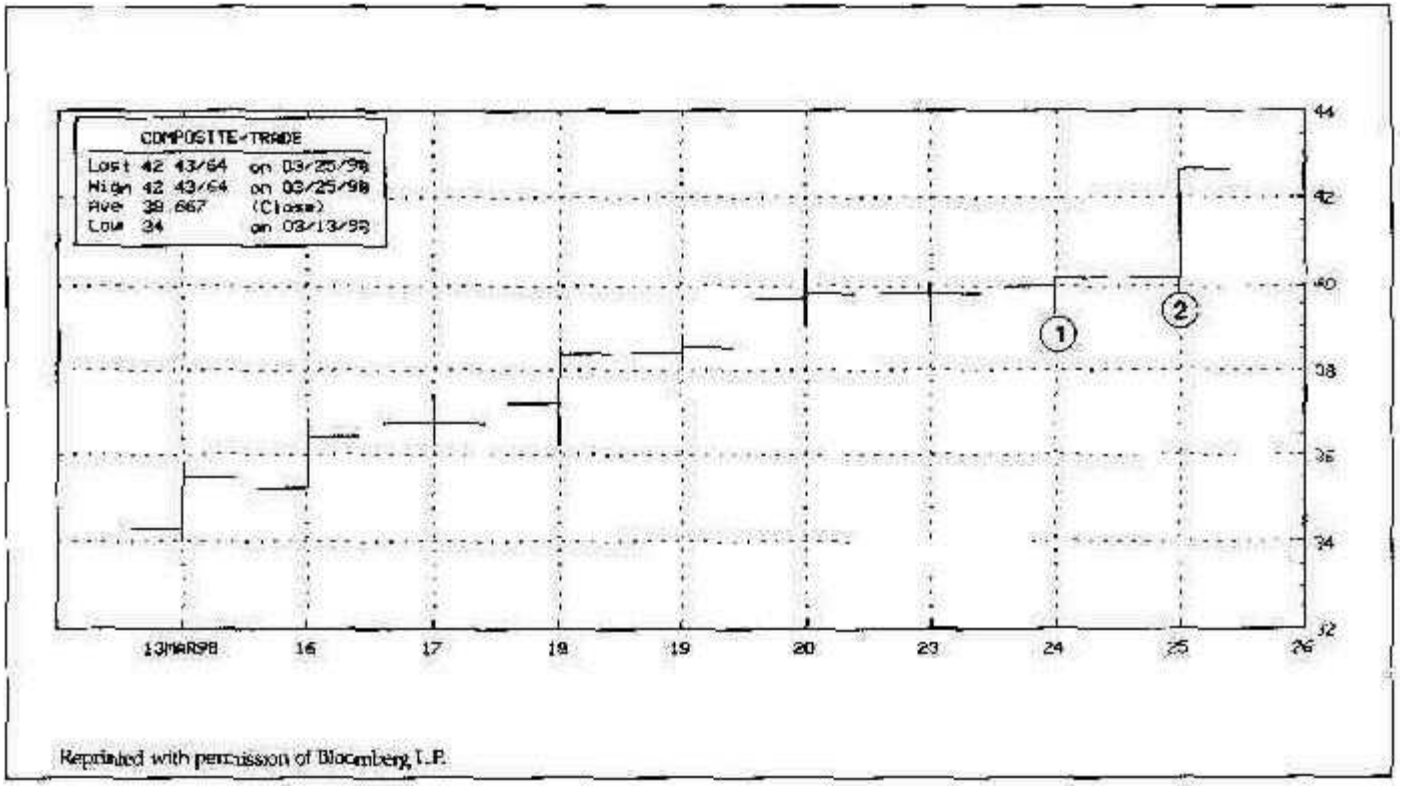
7. Buy one tick above the day-one high.

EXAMPLE 6.2 NC



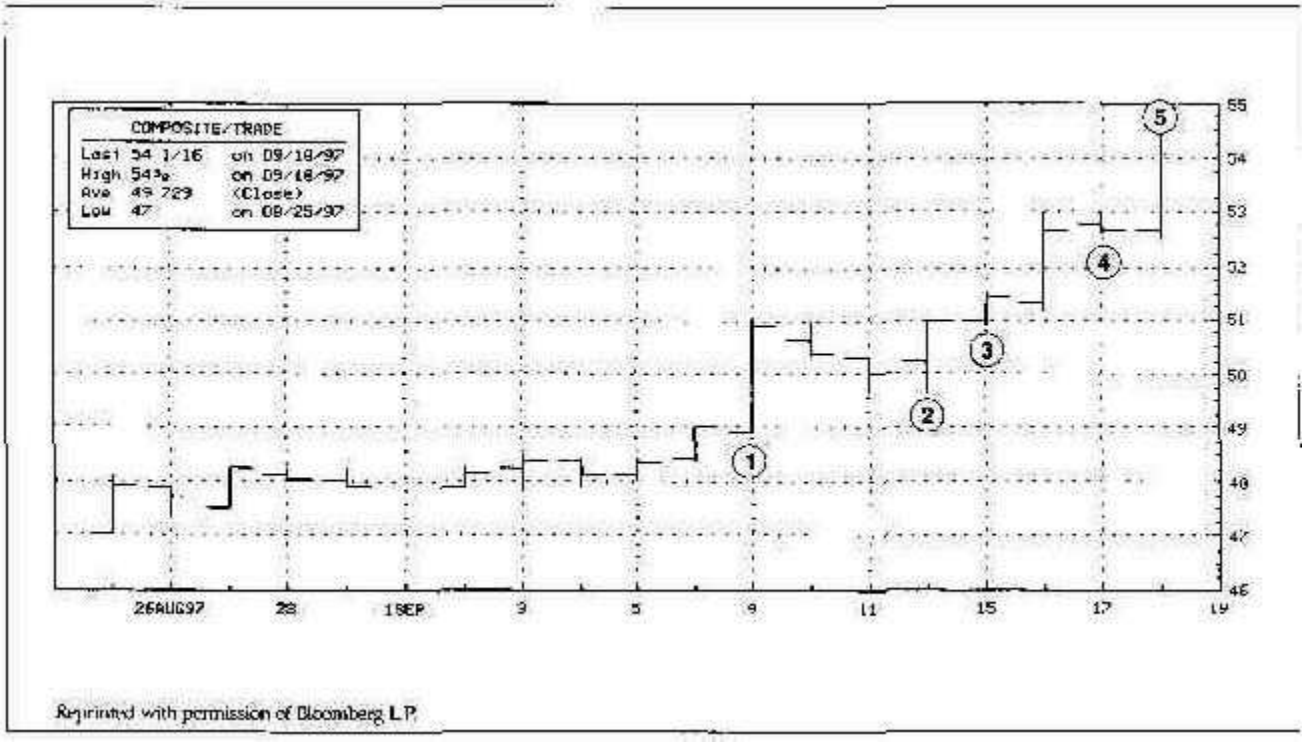
1. A 60-day new high.

EXAMPLE 6.3 **CCIL**



Two days inside the March 20 high.

Buy 1/16 above the March 20 high and v
profit for the day.



1 A new 60-day high.

2. Tliree days inside the September 9 range.

3. Buy at new highs, and a strong close.

4. A Jack-In-The-Box setup (Chapter 8).

5. Again, new highs.

CONCLUSION

As with the original Boomer strategy, ELBs look to capitalize on trend continuations that occur after markets rest. Because we are only risking *1* point, our risk is low; and because we are trading a breakout pattern.

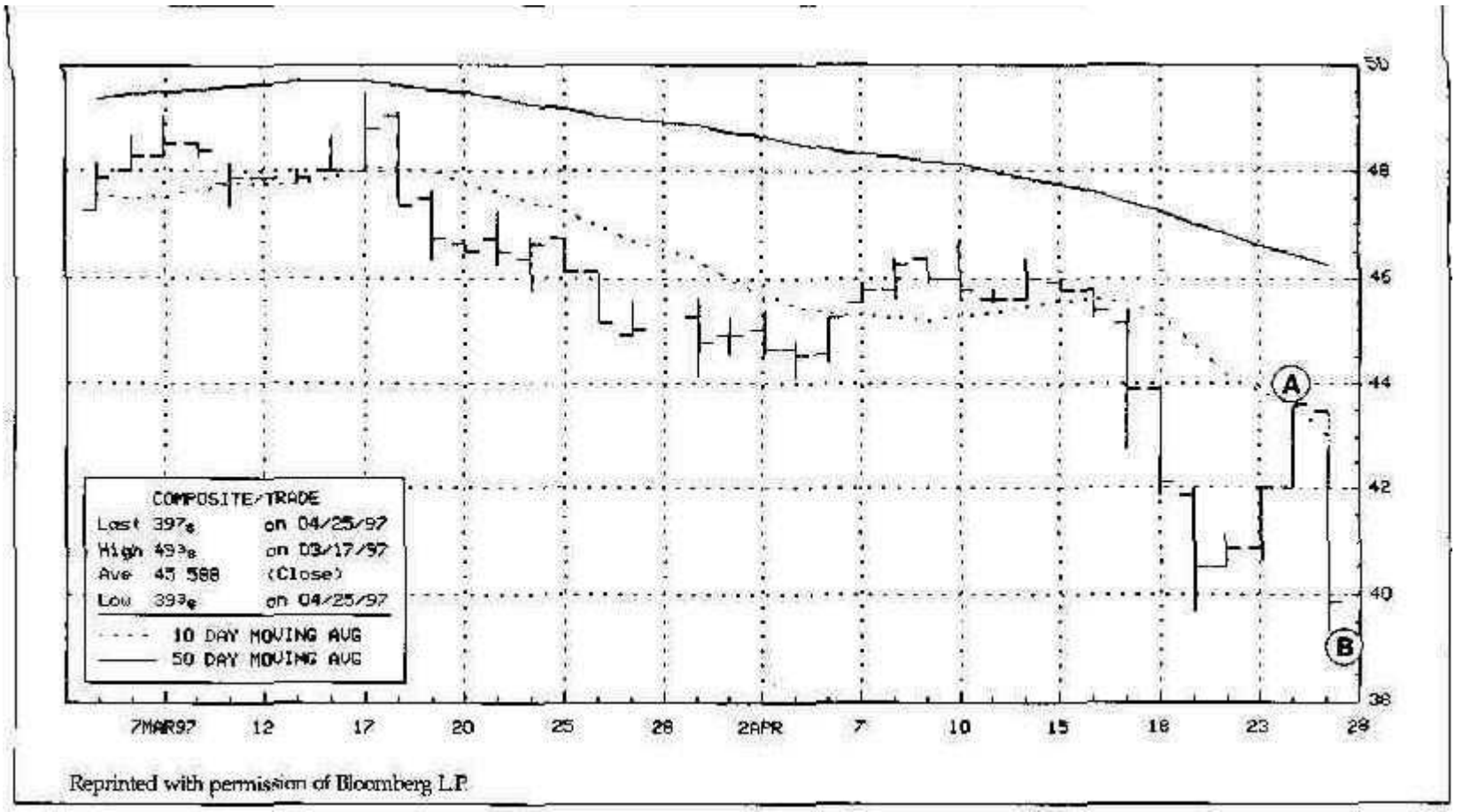
CHAPTER .

NON-ADX l-2-3-4s

One of my favorite one-to-three day strategies is the 1-2-3-4 setup. With a 1-2-3-4, we are looking for a strongly trending stock to rest for three days and then resume its trend. The best way to identify a strongly trending stock is with the ADX measurement. Ideally, I want to see the ADX reading be above 30, as this tells me the stock is moving solidly in one direction. The only drawback to using such a rigid mechanical approach is that it many times misses stocks which are clearly trending. The ADX is a slow, lagging indicator, and it takes quite some time for a stock to achieve a level of 30 or higher. In order to participate in those stocks which are clearly moving strongly in one direction but do not have an ADX reading of 30, you can from time to time be flexible and use some discretion. As you will see from the upcoming examples, your eyes can also detect the trend, and it becomes your expertise of identifying these situations that allow you to profit from the setup.

On the following pages are five Non-ADX 1-2-3-4 setups that illustrate the potential of this strategy. Also, please note that this is not a scalping strategy. It often leads to explosive moves, and using trailing stops allows you to stay with the move.

EXAMPLE 7.1 NIN

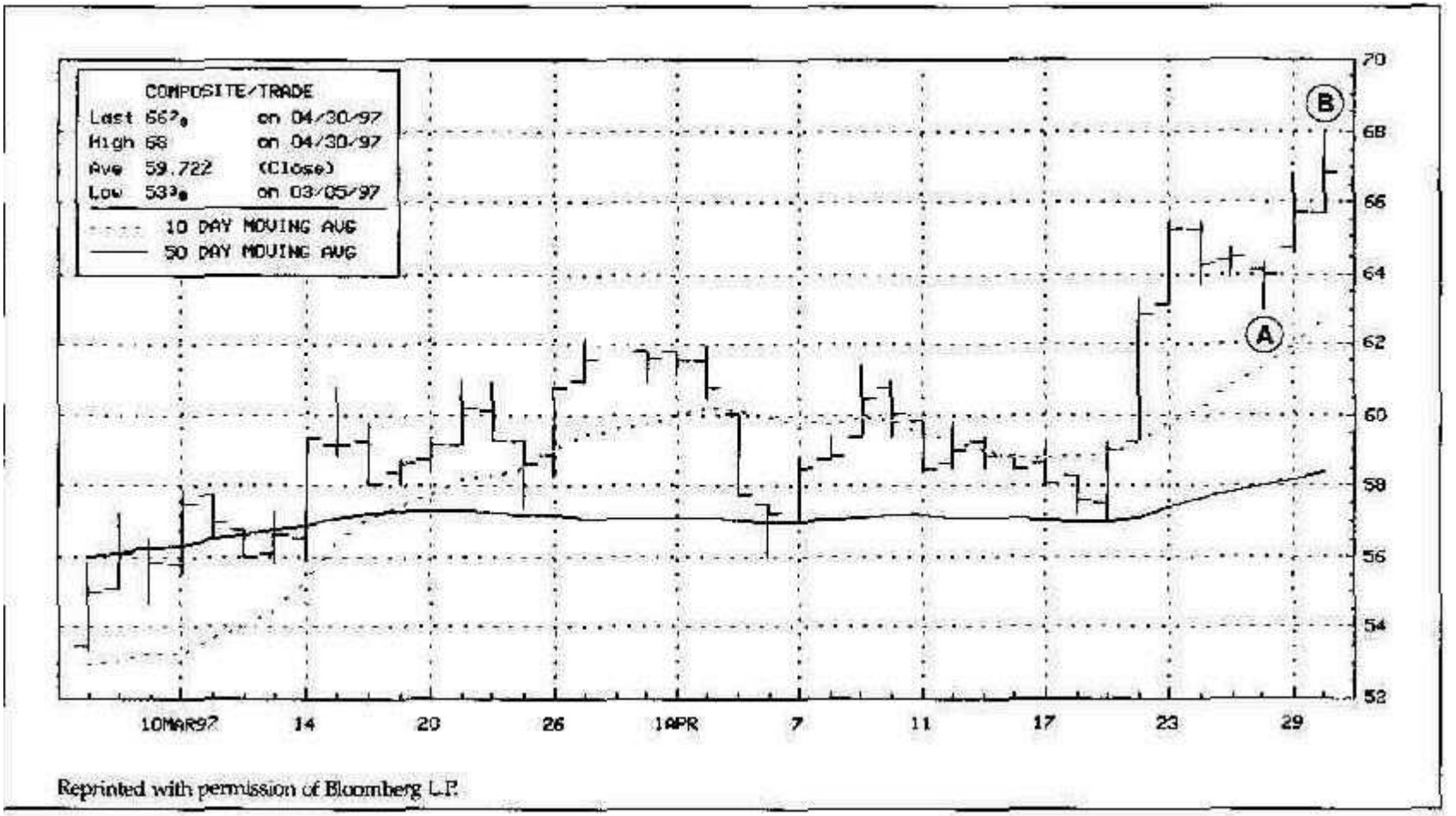


Nine West Group develops and markets women's footwear.

With the non-ADX 1-2-3-4 setup, ideally I want to see a stock trading under its 50-day moving average (for sells) and above its 50-day moving average (for buys). This gives me a good feel for the trend.

In this example, NIN has an ADX reading of only 24 (on April 24) but the stock is clearly trending lower, as it is not only trading under its 50-day moving average but has also lost nearly 20 percent of its value in the past six weeks. (A)The downtrend was broken for three days (1-2-3), and (e)on day four, the overall trend resumed as a sell signal is triggered at 41 15/16 (1/16 below the day-three low).

EXAMPLE 7.2 EVI



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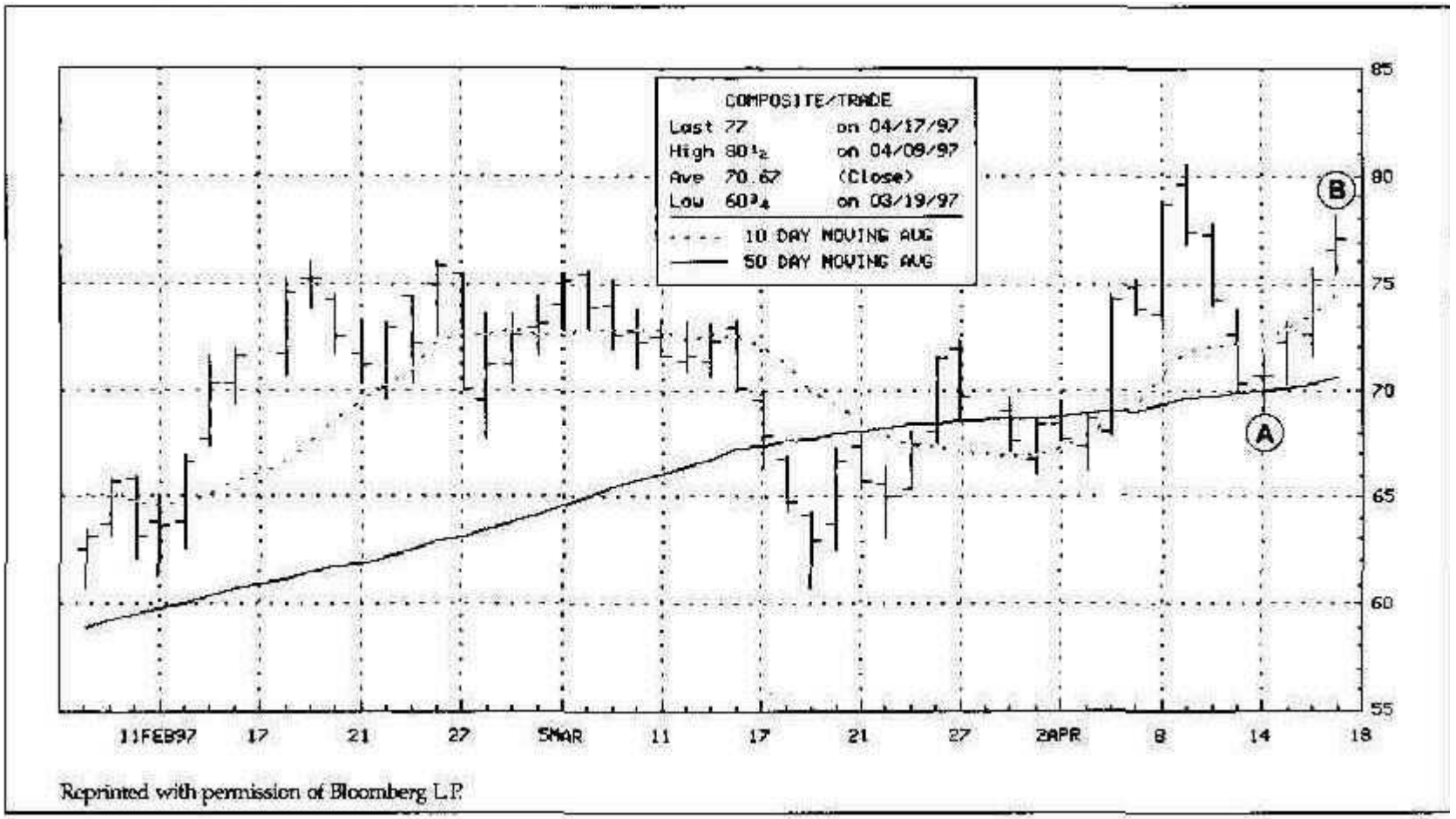
Here we have a stock whose ADX is under 30 but is trading well above its 50-day moving average. Please note the stock is also trading at all-time highs, signifying the strong trend. (A)On April 24, we begin a three-day pullback from new highs before(s)a two-day resumption of the trend.

EXAMPLE 7.3 DELL



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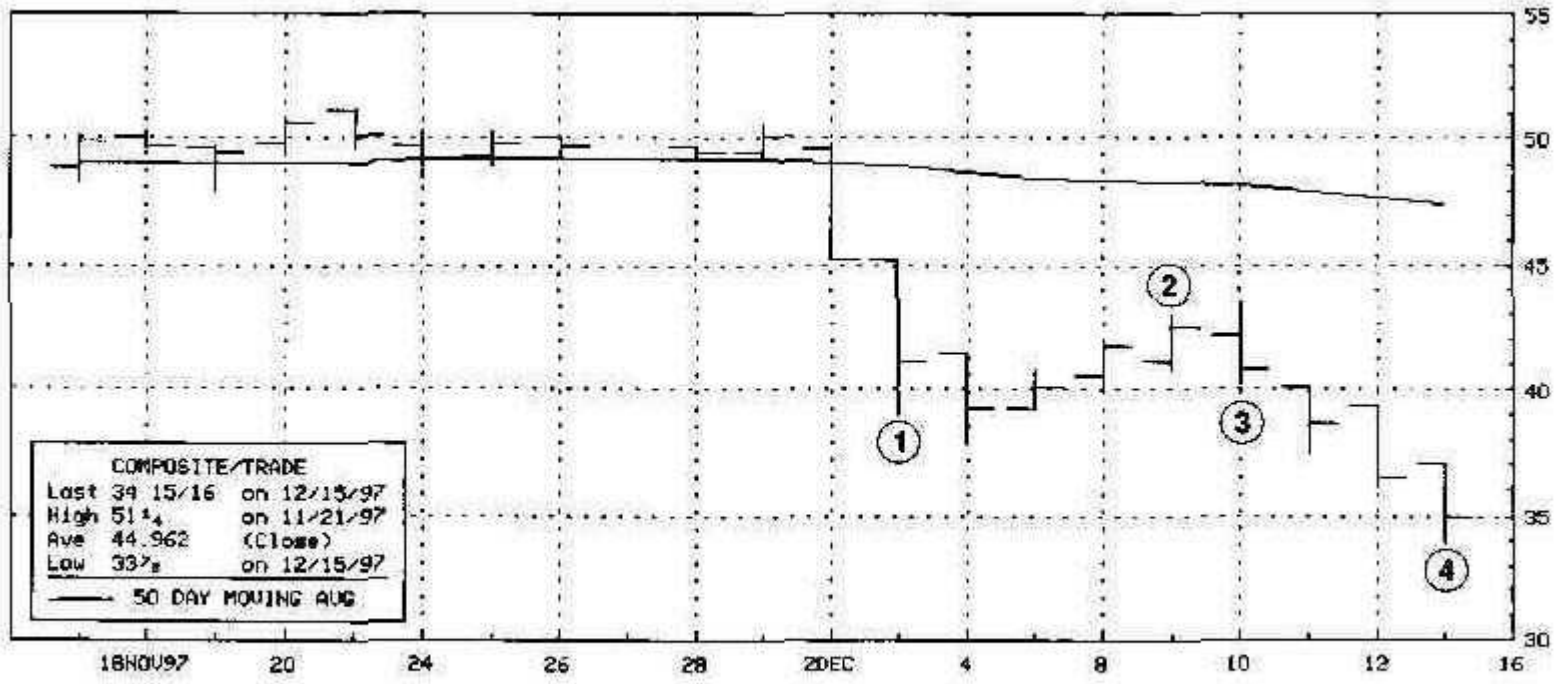
Notice again (April 8) a stock at all-time highs, above its 50-day moving average, and yet the ADX reading was only 17! (A)Here we have a pull-back, and on April 15, we have a resumption of the trend, which leads to (g)as much as a 6-point profit over the next two days.

EXAMPLE 7.4 ADFT



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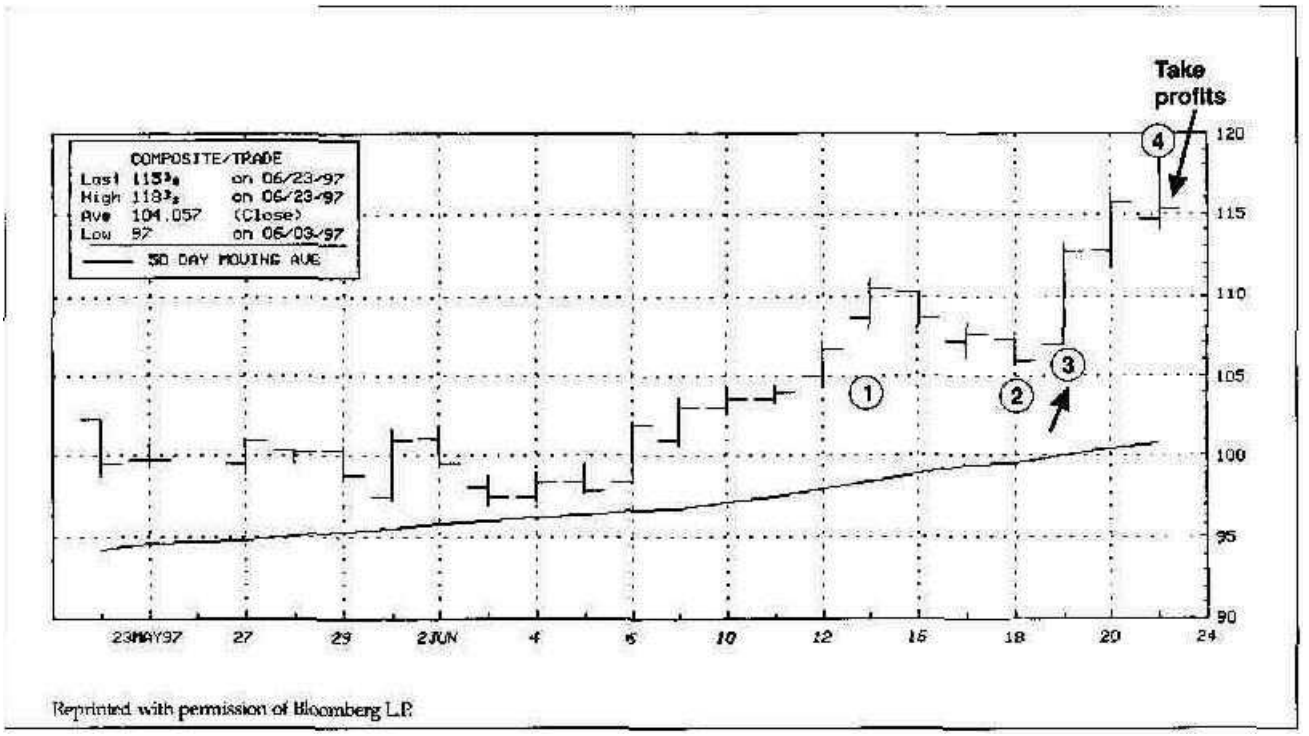
1. A 10-point **drop** in two days **lets us** know the trend is **definitely** down.

2. A 1-2-3 rise.

3. Sell short 1/16 **under the December 9 low.**

4. The stock loses **more** than 5 points in a couple of days, as the **trend** kicks **back in.**

EXAMPLE 7.5 WLA

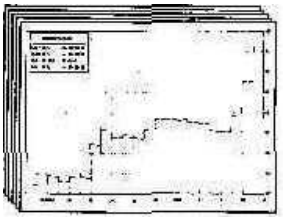


1. Strong upward trend as the stock makes new highs.
2. A 1-2-3 pullback.
3. Buy 1/16 above the June 18 high. Notice that at the close, we also have an Expansion Breakout. There is no reason to sell this stock today.
4. New highs and profit taking comes in. Trailing stops assure substantial gains.

CONCLUSION

I attempt to be as disciplined as possible with my trading rules, but at rimes discretion allows me to take my trading one step further, hi this case, my discretion is well grounded as it is based on proven trading principles.

Pullbacks on strongly trending stocks are an inherent feature of the stock market. Waiting for and identifying pullbacks on the correct stocks is, in my opinion, one of the very best ways to trade the market.



CHAPTER 8

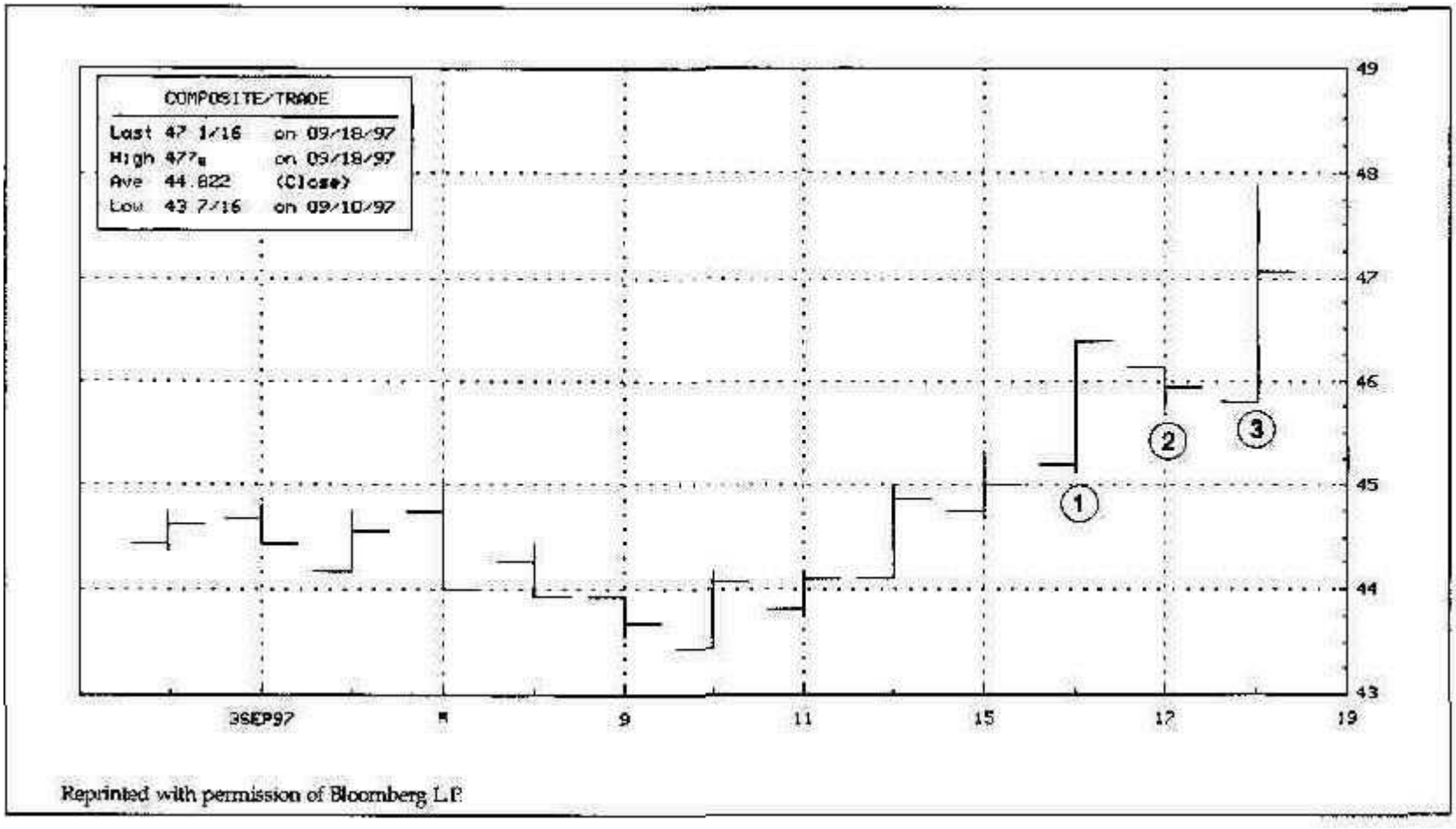
JACK-IN-THE-BOX STRATEGY

As I have mentioned, I am a big believer in trading pullbacks on strongly trending stocks. In this chapter, I will teach you my Jack-In-The-Box strategy. This strategy identifies a one-day pullback from breakouts. Following this one-day pullback, markets then again explode.

RULES FOR BUYS (Short Sales are Reversed)

1. A stock must make an Expansion Breakout (XBO). This means it must make a 60-day high and its range must be the largest range of the previous nine trading sessions.
2. The day after the XBO, the market must contract and trade inside the XBO day's bar. That means its high must be less than or equal to the XBO day's high and its low must be more than or equal to the XBO day's low (this will be more apparent when you see the examples).
3. Buy the day after the inside day, 1/16 above the XBO day's high and risk 1 point.
4. If the stock closes strongly in the top of the day's range, hold at least half your position overnight, as it is likely to follow through the next day.

EXAMPLE 8.1 OLN



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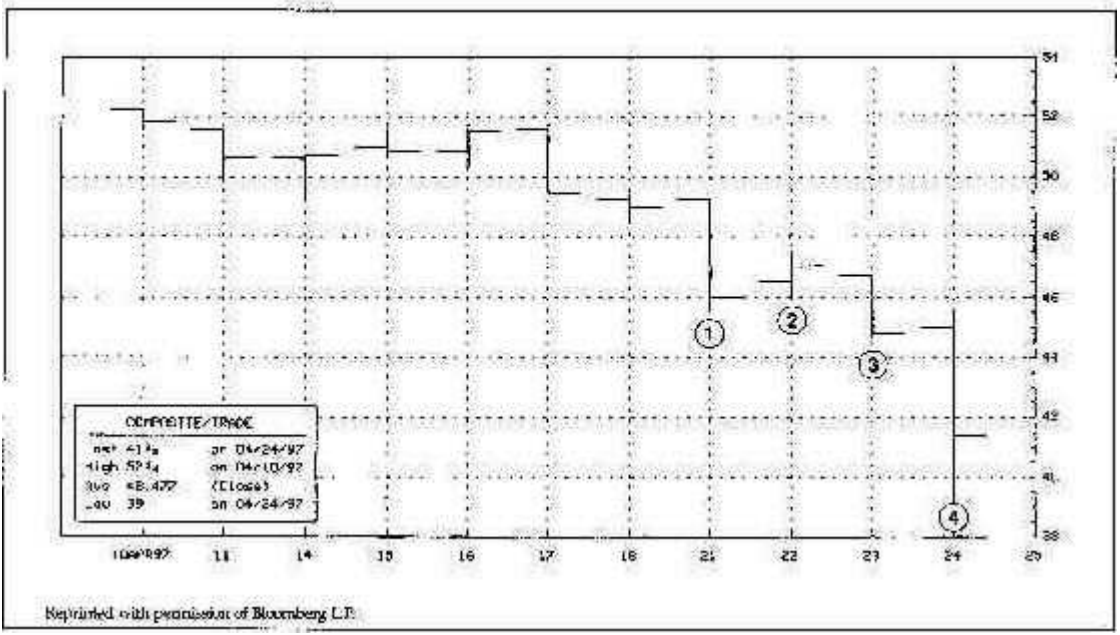
1. Olin Corporation has an Expansion Breakout.
2. An inside day.
3. Buy at 46 7/16,1/16 above the September 16 high. The stock trades more than 1 1/2 points higher, and profits should be locked-in near the close.

EXAMPLE 8.2 TOM

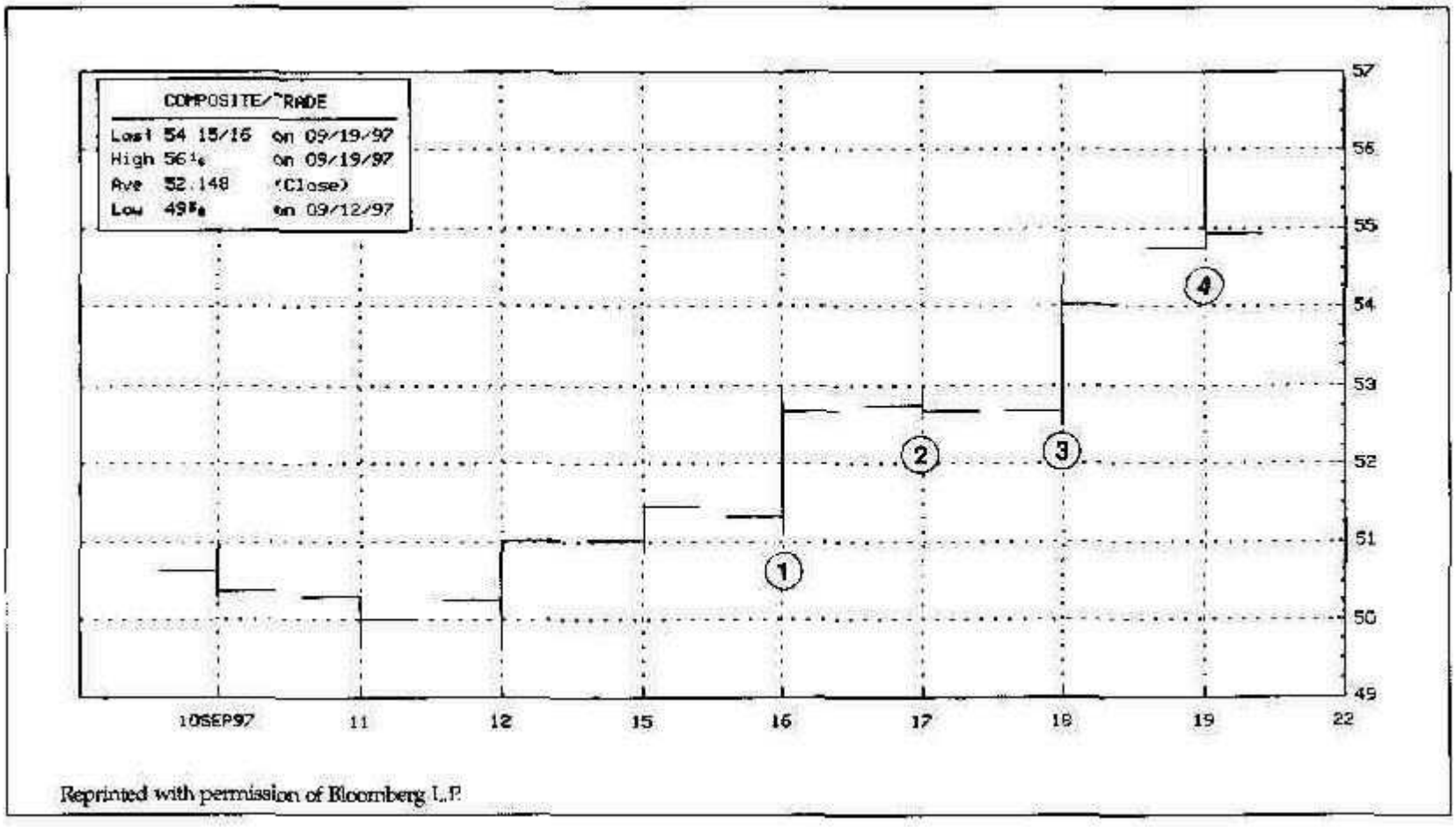


2. An inside day.

3. Sell short at 45 7/16, 1/16 under (he April 21 low, and it do.

short entry point.

EXAMPLE 8.3 SDG



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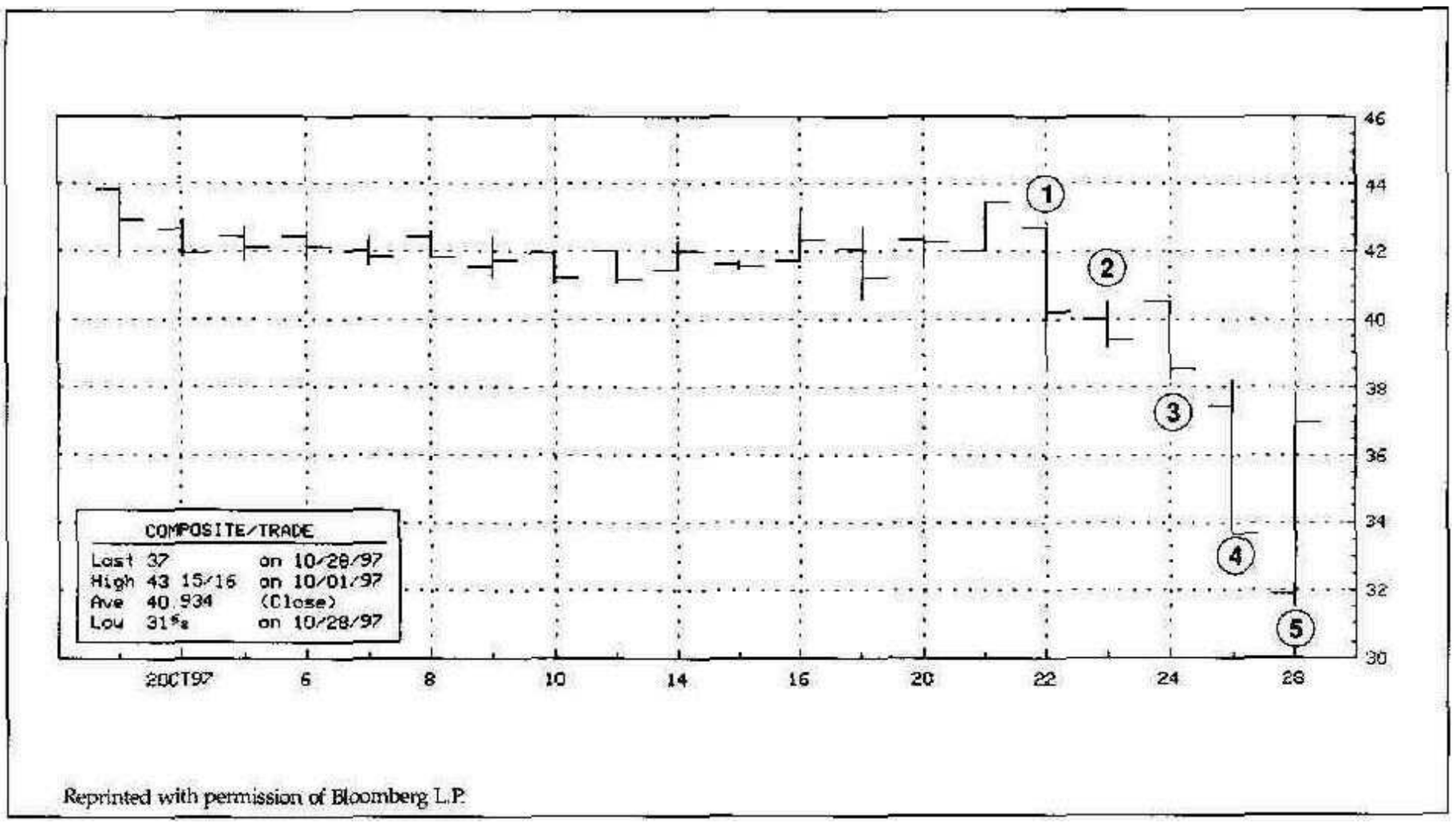
1. Sofamor Danek Group makes a 60-day high, and its range is the largest of the past nine days.

2. An inside day.

3. Buy 1/16 above the September 16 high and risk 1 point. On the close, lock in profits on one-half and hold the other half overnight.

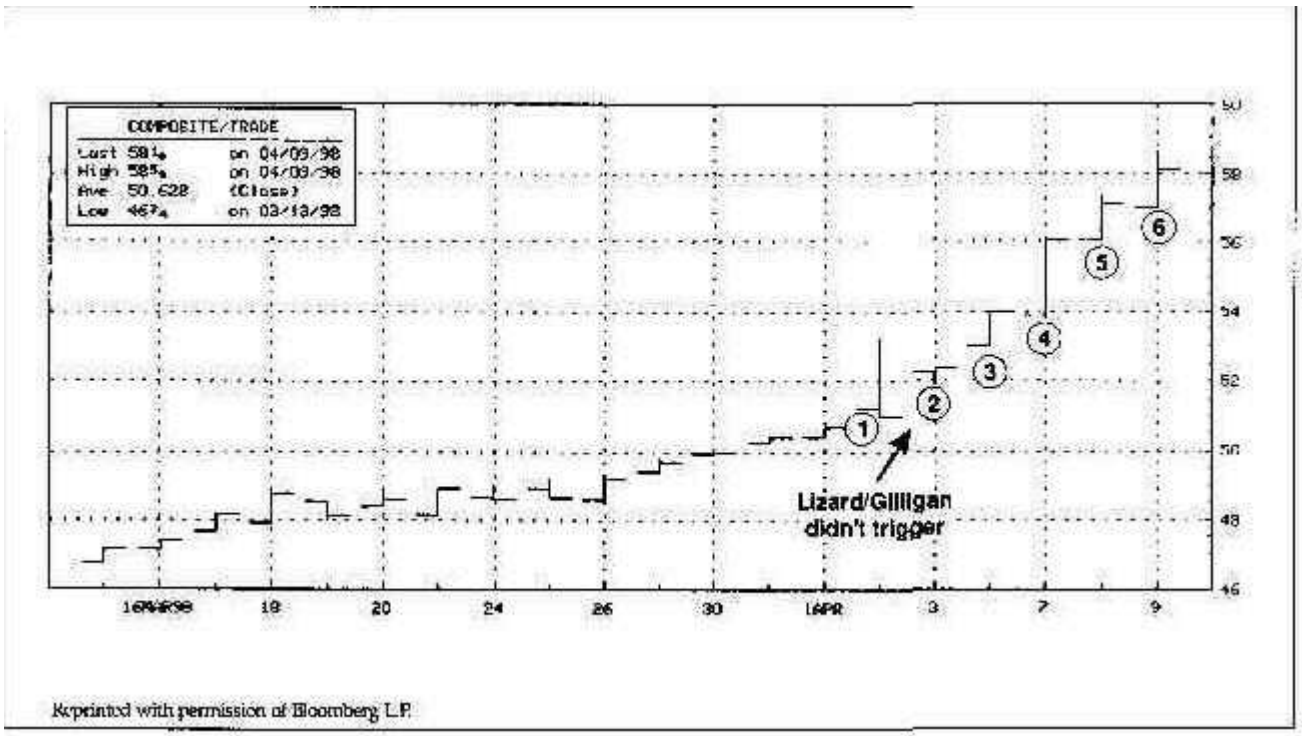
4. The stock trades as much as 3 points above our entry, and profits should be locked into as profit taking comes in.

EXAMPLE 8.4 ALD



1. An Expansion Breakdown.
2. An inside day.
3. Short 1/16 below the October 22 low and risk 1 point.
4. A close at the bottom of the range.
5. A gap lower and a trailing stock locks in solid profits.

EXAMPLE 8.5 OCR



1. This is an interesting setup. We have an Expansion Breakout, yet

2. The Lizard/Gilligan never triggers (implying lack of selling pres-

3. Buy and a close at the day's high.

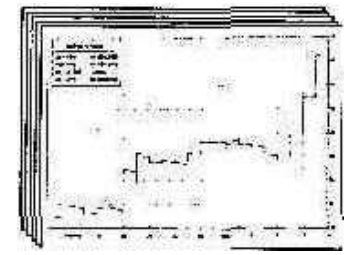
4. Another strong close.

5. Another strong close.

6. Lock in profits.

CONCLUSION

This is a very solid strategy to trade. The one-day pause after the Expansion Breakout is normal and is then followed by the next wave of mo-



CHAPTER .

V-THRUSTS

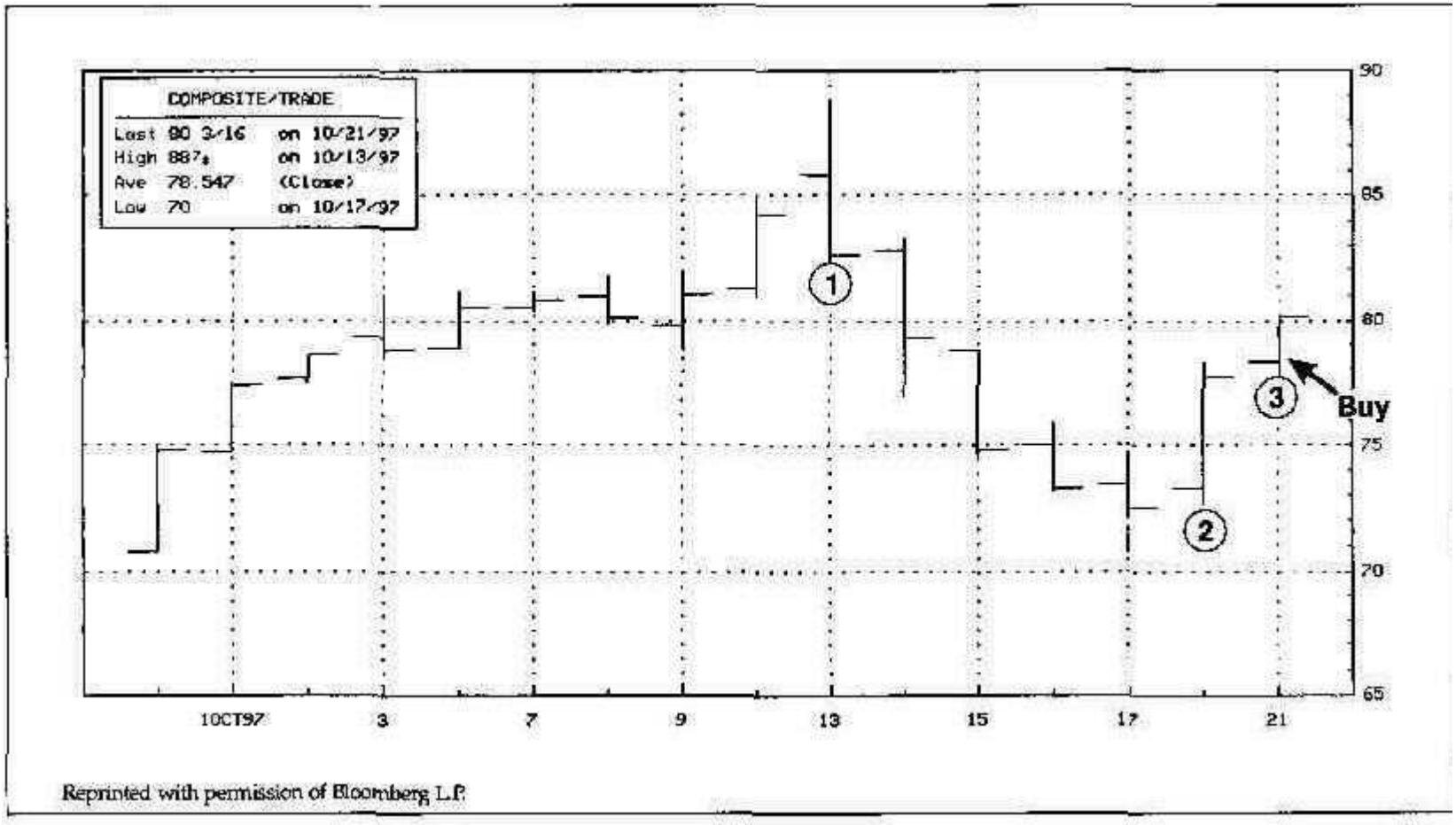
I am going to share with you a new pattern I have recently begun trading. V-Thrusts is a setup that occurs after strongly trending stocks experience a sharp selloff and then thrust higher. The setup combines some of the same concepts as the 1-2-3-4 strategy and the 5-Day Momentum Method. The main difference is that the V-Thrust strategy is mostly a day-trading strategy.

Let's look at the rules:

1. The stock must have made a 60-day high within the past seven trading sessions.
2. A sharp three- to six-day sell-off must then ensue.
3. Yesterday, the stock must have risen above the previous day's high, giving us the beginning of a V-formation {the examples will clarify this).
4. Today only, buy 1/16 above yesterday's high and risk 1 point.
5. Exit on the close. If the stock closes near the top of its range, you may want to hold one-half overnight.

Here are five examples to leam from.

EXAMPLE 9.1 NOI



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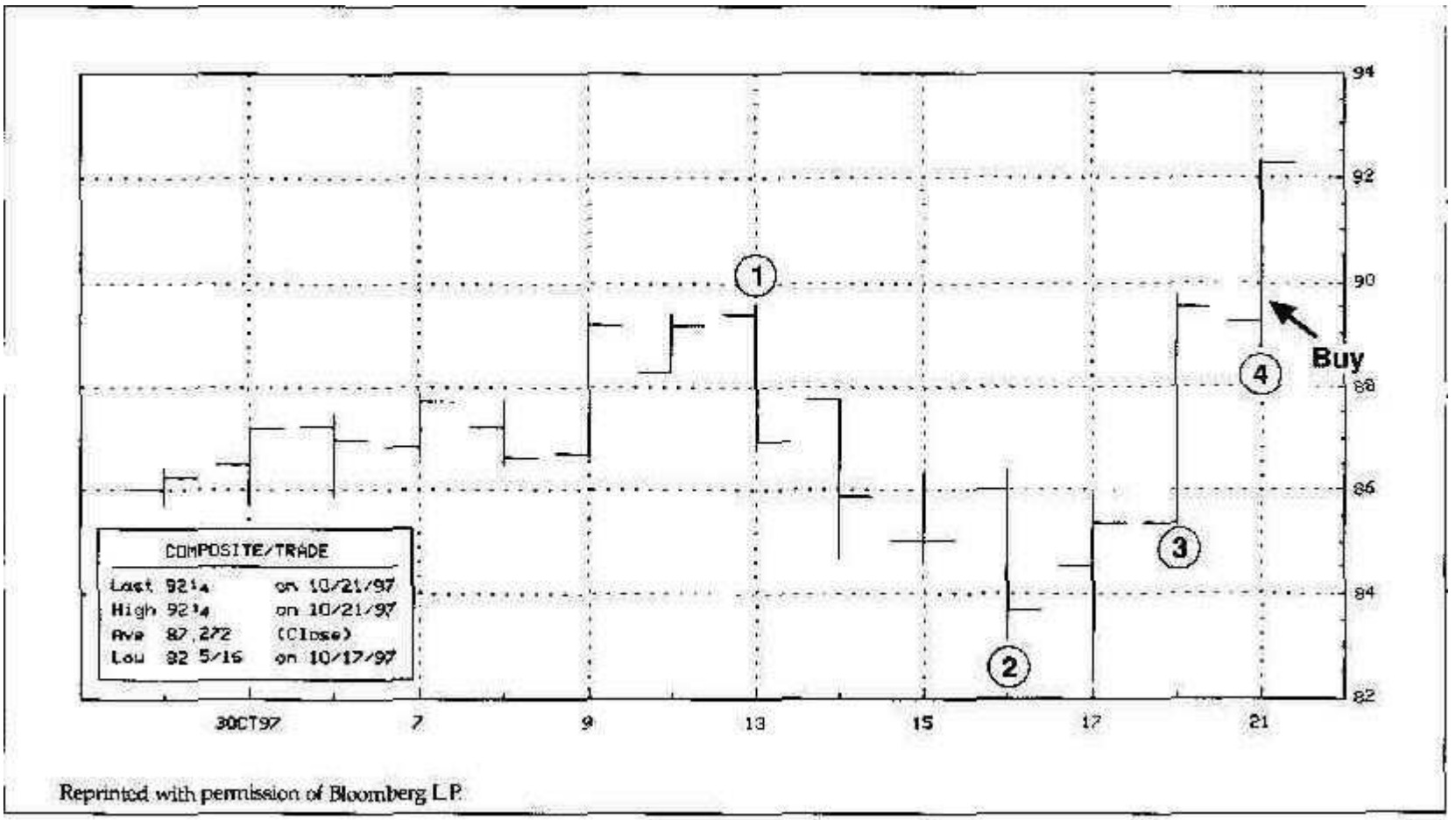
1. National Oilwell makes a new 60-day high and then sells off sharply for a few days (and has a very successful Gilligan's Island).

2. The upward trend resumes (the beginning of a V) with a 5-point rise for the day.

3. Buy 1 tick above yesterday's high of 78 1/4 and the stock closes nearly 2 points higher for the day.

EXAMPLE 9.2 SLB



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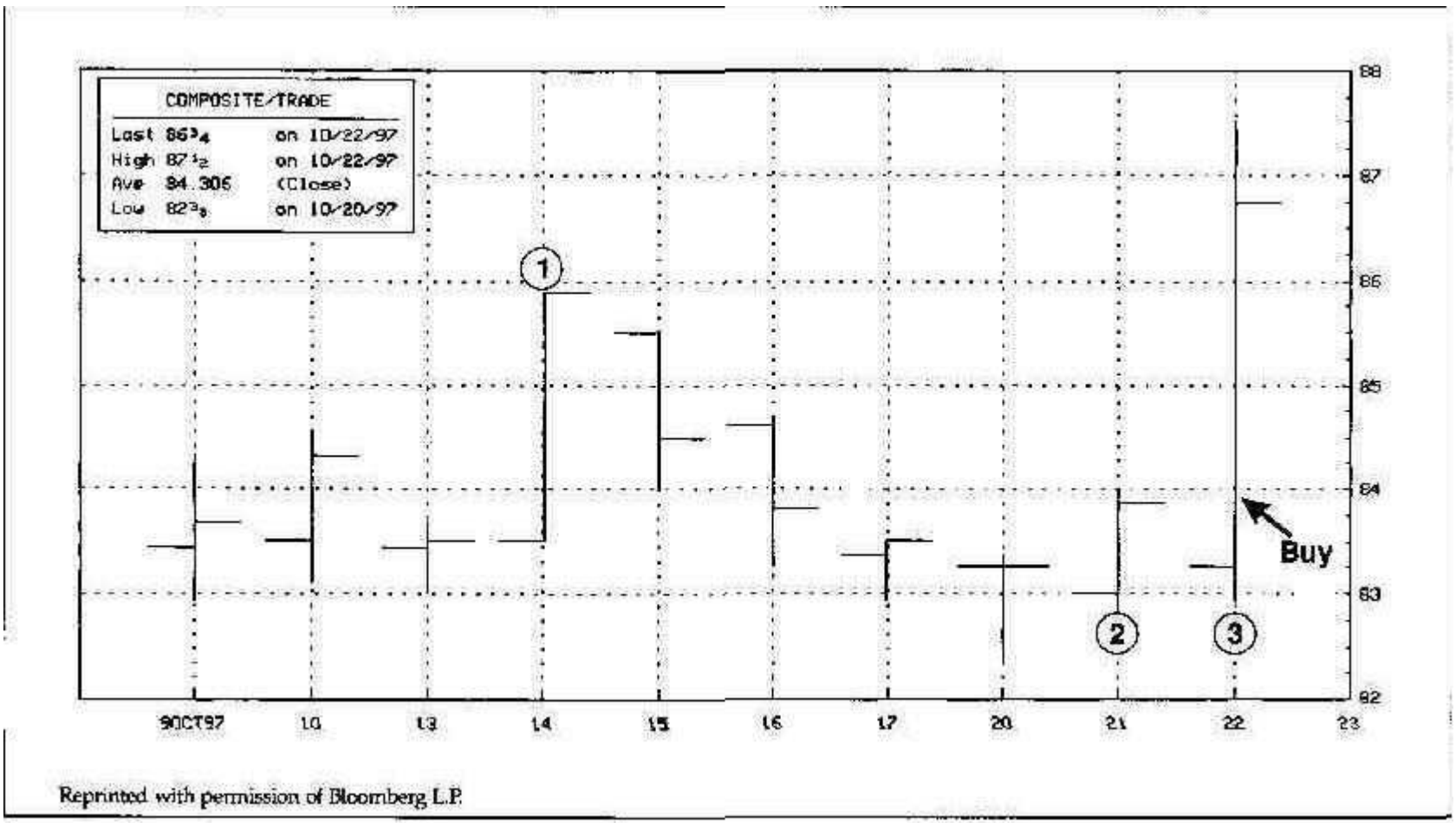
1. Schlumberger makes a 60-day high.
2. A sharp sell-off.
3. A solid 4 1/8-point rise for the day.
4. We buy at 89 7/8, 1 tick above yesterday's high, and the stock closes at 92 1/4 as the momentum resumes.

EXAMPLE 9.3 POT



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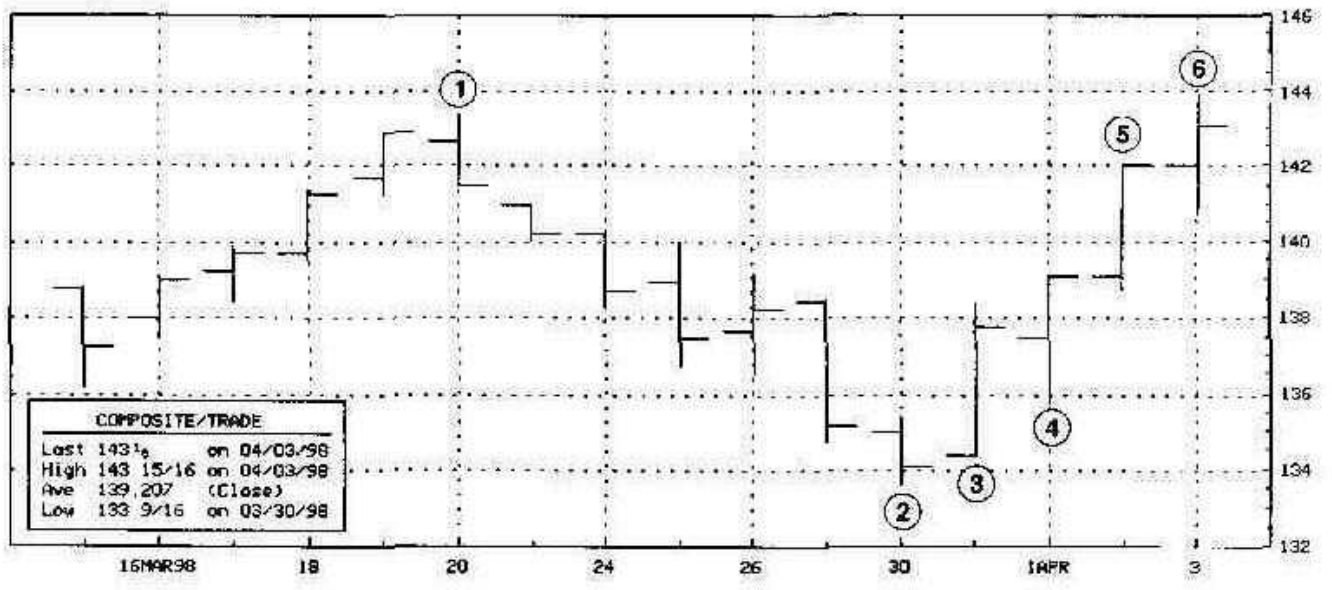
1. **A new high** followed by a sell-off.
2. The resumption of the upward move.
3. Buy at 84 1/16 and the stock moves more than 3 points higher intraday.

EXAMPLE 9.4 HI



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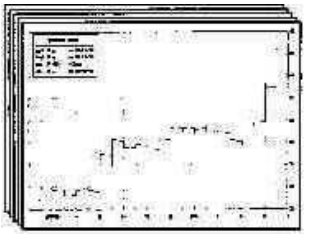
1. A 60-day high.
2. A sharp sell-off.
3. The beginning of the V.
4. Buy at 138 1/2 and risk 1 point. It closes at the daily high, giving us little reason to sell.
5. Another close on its high.
6. Trades to as high as 144 before profit-taking comes in.

CONCLUSION

V-Thrusts is a momentum-based setup that identifies strongly trending markets which, after profit-taking, resume their upside move. Many times it occurs in stocks that are heavily shorted, and the resumption of the trend forces the shorts to run to cover, pushing prices even further. When you look at the charts of strongly trending stocks in the past, you will see just how often this pattern takes place.

SECTION TWO



MORE STEPPING IN FRONT OF SIZE™

If I could only trade one method, it would be Stepping In Front Of Size™. To me, it is the simplest and most consistently profitable method I have created.

In the following three chapters, I will build upon the Stepping In Front Of Size™ strategy I taught in *Hit and Run Trading I.* Before moving forward, let's review the rules for the original strategy:

FOR BUYS

1. A stock **must** have **an** ADX **reading of** above 30 **and its** +DI greater than its -DI, or the stock **must** have an RS reading of 95 or higher.
2. The average daily volume for the stock should be under 200,000 shares a day. The lower the volume, the more money you will make with this strategy.
3. The stock must be trading higher for the day. This strategy doesn't work for stocks down on the day.

4. Most importantly, the buyer must show me he is impatient, or I must see there is more than one institution trading this strategy. How do I know this? Because I am waiting for two consecutive higher bid prices where there is size to buy. (Size means 5,000 shares or more). For example, I want to see a market that has 5,000 shares bid at 52 and 1,000 offered at 52 1/4. I then want to see the bid go to 52 1/8 or 52 1/4 with 5,000 shares to buy again. This means someone is desperately looking for stock.

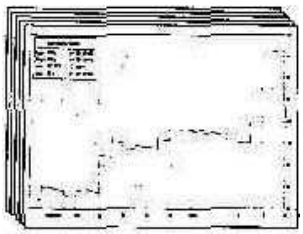
5. In the previous example, if the market goes 52 1/8 bid (with at least 5,000 to buy) and 52 3/8 offer, I will pay the offer side. The only time I will ignore this higher bid is if I see 5,000 shares or more offered there. This means there may be a seller who can accommodate a large buyer).

6. My protective stop is 1/16 point under the price of the original 5,000-share bid (52).

7. Where I take profits is very subjective. Many times, if I see size on the offer side or if I see my new friend has been filled on his order, I will automatically take my profits.

What we are attempting to do is to buy stock ahead of a very large buyer. Because the above strategy is done on thinly traded stocks, the likelihood of a large institution moving prices higher before he is filled is high.

Before **moving on, I need to make** one more point. This strategy also applies to shorting downtrending stocks. Even though you need an uptick to get filled, the principles **still apply. Just reverse** the rules and you will **be able to** apply **this** method when **a bear** market occurs.



CHAPTER 10

STEPPING IN FRONT OF SIZE ON NEW HIGHS AND NEW LOWS™

Stepping In Front Of Size on New Highs and New Lows™ is fairly simple. Each evening, you must first identify the strongest moving, *thinly traded* names that made a 60-day new high or low for that day. The average daily volume should be less than 200,000 shares/day, and the *lower the volume, the better!* These are the stocks that attract the momentum players (both to the upside and downside). As these stocks reach new levels, the momentum players dogpile in, pushing these stocks further and further. Therefore, we want to focus on this list and wait for these players to show their hand. (Showing their hand means two consecutive higher bids for the stock (for buys) to trigger our signal.) When this happens, we step in front of these buyers and, after being filled, place a protective stop 1/16 point below the price of the first large bid (1/16 above the offer for sells).

What is happening is that the new highs (new lows) are attracting all sorts of attention from the momentum funds and panic from the short-sellers. These two groups basically trip over themselves attempting to buy stock. You must remember though that it is extremely difficult to buy

large blocks of stock in thinly traded stocks *and even mare difficult when these stockf reach new extreme levels'.* We, as individual traders, can buy 500-1,000 shares easily and participate as those funds battle for stock, pushing it higher.

Here are three examples which will help you understand the strategy even further.

EXAMPLE 10.1 **CVVC**

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DG49 Equity Q R M

MARKET / TRADE RECAP
Volumes scaled by inc

Page 7

Time [illegible] Min Vol [illegible]
Date [illegible] Price Range [illegible] To [illegible]

CARIBINER INTL INC (CWC US) PRICE 68¼ N $

Time	E	Bid/Trd/Ask	E	Size	Cond.	Time	E	Bid/Trd/Ask	E	Size	Cond.
11:22	N	66½		2		11:08	N	65½/65⅞	N	20x5	
11:22	N	↑66½		2		11:08	N	↑65½		1	
11:22	N	66⅛/66⅛	N	100x5		11:08	N	65½/65⅞	N	5x5	
11:22	N	66⅛/66½	X	100x1		11:08	N	65½/65⅞	N	5x5	
11:22	N	66⅛/66½	M	100x1		11:05	N	65½		1	
11:22	N	↑66½		5		11:05	N	65⅛/65⅞	N	20x5	
11:21	N	↓65⅞		5		11:05	N	65⅛/65½	X	20x1	
11:19	N	65⅞/66⅛	N	100x5		11:05	N	65⅛/65½	M	20x1	
11:19	N	65⅞/66½	X	100x1		11:05	N	65½		3	
11:19	N	65⅞/66½	M	100x1 (2)		11:05	N	65½		3	
11:19	N	66		5		11:05	N	65½		5	
11:19	N	66		5		10:46	N	65⅛/65½	N	10x11	
11:19	N	↑66		5		10:26	M	↑65½		1	
11:18	N	65½/66	N	100x5 (1)		10:09	N	65⅛/65⅞	N	10x2	
11:11	N	65⅞/66	N	20x5		10:01	N	65⅛		2	
11:11	N	65⅞/66	N	20x5		10:00	N	65⅛/65½	N	5x2	
11:09	N	65⅝/66	N	20x5		09:49	N	65⅛/65⅞	N	5x2	
11:09	N	↑65½		4		09:49	N	65⅛/65½	N	5x2	

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The bid is raised (on sia?) to 65 7/8. This triggers our buy signal, and our protective stop is af 65 9/16, 1/16 under the original bid. CWC closes the day at 68 7/8, more than 2 1/2 points above the

EXAMPLE 10.2 NOI

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DG49 Equity Q R M

MARKET / TRADE RECAP

Page 4

Volumes scaled by 100

Time ..:.. Min Vol 100
Date 5/20 Price Range ..... To .....

NATIONAL-OILWELL INC (NOI US) PRICE 52 1/2 N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
11:12	N	45 3/4		24		11:05	N	45 3/8 / 45 1/2	M	20x2	
11:12	N	45 5/8 / 45 3/4	N	10x46		11:05	N	45 1/2		50	
11:12	N	45 5/8 / 45 3/4	N	10x46		11:04	N	45 3/8 / 45 1/2	N	50x50	
11:12	N	45 5/8 / 45 7/8	N	10x10		11:04	N	↑45 1/2		5	
11:12	N	45 5/8 / 45 3/4	P	10x2		11:01	N	45 3/8 / 45 1/2	N	50x55 (2)	
11:12	N	45 3/4		10		11:01	N	45 3/8 / 45 1/2	N	50x55	
11:11	N	45 5/8 / 45 3/4	M	10x2		11:01	N	45 1/8 / 45 1/2	N	20x55	
11:11	N	45 5/8 / 45 3/4	P	10x2		11:01	N	45 3/8		1	
11:11	N	↑45 3/4		5		11:01	N	45 3/8 / 45 1/2	N	20x55	
11:11	N	45 1/2 / 45 3/4	N	50x10		11:01	N	45 3/8 / 45 3/8	M	20x2	
11:09	N	45 1/2 / 45 3/4	N	10x10		11:01	N	45 1/4 / 45 3/8	M	100x2	
11:06	N	45 1/2 / 45 3/4	N	10x10		11:01	N	↑45 3/8		5	
11:06	N	45 5/8		1		11:00	N	45 1/4 / 45 3/8	N	100x10	
11:06	N	45 5/8		10		11:00	N	45 1/4 / 45 3/8	N	100x5	
11:06	N	45 1/2 / 45 5/8	M	10x2		11:00	N	45 1/4 / 45 1/4	M	100x2 (1)	
11:06	N	45 5/8		2		11:00	N	45 1/4		65	
11:06	N	↑45 5/8		2		10:58	N	45 1/8 / 45 1/4	N	5x65	
11:05	N	45 3/8 / 45 5/8	N	20x5		10:58	N	45 1/8 / 45 1/4	N	5x65	

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1. NOI is at new highs, and a buyer bids for stock at 45 1/4.

2. One minute later, the bid is raised triggering our buy and the stock closes at 46 1/4.

EXAMPLE 10.3 EVI

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DG49 **Equity Q R M**

M A R K E T / T R A D E R E C A P

Page 9

Volumes scaled by 100

Time ___:___ Min Vol 100
Date 6/ 2 Price Range _____ To _____

EVI INC (EVI US) PRICE 40¼ M $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
11:47	N	38¼/38½	N	50x20	(2)	11:34	P	38⅜		5	
11:42	N	38¼/38½	N	20x20		11:34	N	38⅜/38⅝	N	10x10	
11:42	N	38¼/38½	N	24x20		11:34	N	38⅜/38½	P	10x5	
11:41	N	38¼/38½	N	20x20		11:33	N	38⅜/38⅜	P	10x5	
11:41	N	38⅜		60		11:33	N	38⅜/38⅜	P	10x5	
11:39	N	38⅜/38½	N	3x20		11:33	N	38⅜/38⅜	P	5x5	
11:38	N	38¼/38½	N	10x20		11:33	N	38¼/38⅜	P	30x5	
11:38	N	38⅜		20		11:33	N	38⅜		10	
11:38	N	38⅜		27		11:33	N	↑38⅜		24	
11:38	P	38⅜		5		11:32	N	38¼/38⅜	N	5x20	
11:36	N	38⅜/38½	N	10x20		11:31	N	38⅛/38⅜	N	100x20	
11:36	P	38⅜/38½	N	5x20		11:31	N	38⅛/38⅜	N	100x20	
11:35	P	38⅜/38½	N	5x10		11:31	N	38⅛/38¼	N	100x5	
11:35	P	38⅜/38½	N	5x10		11:31	T	↑38¼		2	
11:35	P	38⅜/38½	N	5x10		11:30	N	38/38¼	N	100x5	
11:35	N	38⅜		10		11:30	N	↓38⅛		150	
11:34	N	38⅜/38⅝	N	10x10		11:29	N	38⅛/38⅛	N	100x15	
11:34	N	38⅜		10		11:28	N	38⅛/38⅜	N	100x15	(1)

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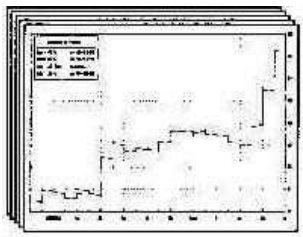
1. **EVI has a buyer at new** highs.
2. **The bid is raised, and** we **buy at 38** 1/2 **and our** stop **is at** 38 1/16. The stock **immediately trades to as high** as 39 7/8.

CONCLUSION

Again, this is a simple, fairly low-risk strategy. Remember, it is a day-trading strategy and positions should be closed before the close. Also, these stocks trade quickly, so please make sure you are disciplined with your protective stops.



CHAPTER 11

STEPPING IN FRONT OF "SUBSTANTIAL" SIZE™

In this chapter, I will teach you an advanced, and possibly the best, method to Step In Front Of Size™. I call it Stepping In Front Of "Substantial" Size™.

As we have **discussed, when an institution** tries to buy a **block** in a thinly **traded stock (daily volume under 200,000 shares), it many times pushes prices** higher **until it** gets **filled.** Most **times (90 percent of the** time), **either** the specialists **or the trading desk working the order** will **only show** 5,000 **shares to buy and not let anyone know just how** big the **order** is. Sometimes (the **remaining 10 percent of the** time), **the specialist or** the trading **desk** will **show** a **bid** for 10,000 **or more shares. At these times, I** will not wait **for them to raise the bid again** as **I do** with the other Stepping In **Front Of** Size™ **strategies. I will immediately step in front** of the **bid and buy** stock. I will **then place my stop 1/16 under the large bid** price. This **means** that **if there is initially** 10,000 **shares or more** to buy at 58 **1/8, I will buy on the offer and my stop** will be **placed at** 58 1/16 **(please remember that the stock must be up for the day before trading this strategy). A bid of 10,000 shares or more on a thinly traded** stock tells **me that there is a high** likelihood **the buyer is going to have to pay** higher to get filled. **Sometimes, as you will see from the following examples,** they pay **much higher.**

AMPLE 11.1 SDG

M A R K E T / T R A D E R E C A P Page 2

Volumes scaled by 100

Time [redacted] Min Vol [redacted] 100

Date [redacted] 3/31 Price Range [redacted] To [redacted]

SOFAMOR DANEK GROUP INC (SDG US) PRICE $83\frac{1}{2}$ N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
06:55	N	$82\frac{5}{16}/82\frac{7}{16}$	P	400x1		06:42	N	$82\frac{3}{8}/82\frac{7}{16}$	N	5x5	
06:55	N	$82\frac{5}{16}/82\frac{5}{16}$	T	400x1	TRIM	06:42	N	↓$82\frac{3}{8}$		5	
06:55	N	$82\frac{5}{16}$		12		06:38	N	$82\frac{3}{8}/82\frac{5}{8}$	N	5x2	
06:54	N	↓$82\frac{5}{16}$		20		06:38	N	$82\frac{5}{8}$		2	
06:52	T	↑$82\frac{3}{8}$		5		06:36	N	$82\frac{3}{8}/82\frac{5}{8}$	N	5x4	
06:50	N	$82\frac{1}{16}/82\frac{5}{16}$	N	5x32		06:35	N	$82\frac{5}{8}$		4	
06:50	N	$82\frac{1}{4}$		2		06:35	B	$82\frac{5}{8}$		1	
06:50	N	$82\frac{1}{16}/82\frac{5}{16}$	N	5x20		06:35	N	$82\frac{5}{8}$		5	
06:50	P	$82\frac{1}{8}/82\frac{5}{16}$	N	1x20		06:34	N	$82\frac{3}{8}/82\frac{11}{16}$	N	5x5	
06:50	B	$82\frac{1}{8}/82\frac{5}{16}$	N	1x20		06:34	M	$82\frac{5}{8}$		10	
06:50	T	$82\frac{3}{16}/82\frac{5}{16}$	N	1x20	TRIM	06:34	T	$82\frac{5}{8}$		2	
06:50	N	↓$82\frac{1}{4}$		3		06:34	N	↓$82\frac{5}{8}$		12	
06:50	N	$82\frac{1}{4}/82\frac{7}{16}$	N	5x22							
06:43	N	$82\frac{1}{4}/82\frac{7}{16}$	N	5x7							
06:42	N	$82\frac{1}{8}/82\frac{7}{16}$	N	5x5							
06:42	T	$82\frac{5}{16}/82\frac{7}{16}$	N	1x5	TRIM						
06:42	T	$82\frac{3}{8}$		10							
06:42	N	$82\frac{3}{8}$		10							

1

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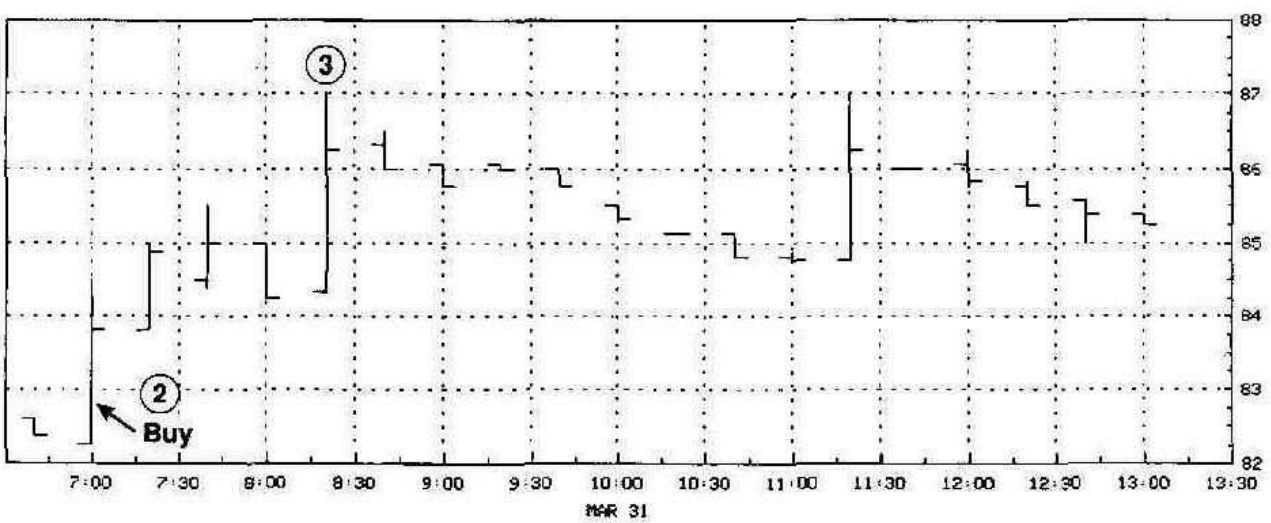

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The average daily volume for SDG on March 31, 1998, was in the 95,000 share range.

1- 2. A 40,000 share bid at 82 5/16. Buy at 82 7/16 or higher and place your initial stop at 82 1/4.

3. The stock explodes more than 4 points over the next 90 minutes.

EXAMPLE 11.2 ETH

MARKET/TRADE RECAP Page 19

Volumes scaled by 100

Time : Min Vol 100

Date 4/ 1 Price Range To

ETHAN ALLEN INTERIORS IN (ETH US) PRICE 62¾ N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
07:01	N	61 3/16		5		06:57	N	↑61 1/8		5	
07:01	N	61 3/16		7		06:56	P	↓60 7/8		2	
07:01	N	↑61 3/16		6		06:56	N	60 7/8/61 1/8	N	50x10	
07:01	N	61/61 3/16	N	50x5		06:56	N	60 7/8/61 1/16	T	50x1	TRIM
07:01	M	↑61 1/8		1		06:56	N	60 7/8/61	N	50x1	
07:01	N	↓61 1/16		5		06:56	N	60 7/8/61	N	30x1	
07:00	N	↑61 1/8		5		06:56	N	↑61		3	
07:00	T	↓61		1		06:56	N	60 7/8/61	B	30x1	
07:00	N	61/61 1/8	N	50x5		06:56	N	60 7/8/60 15/16	T	30x1	TRIM
06:59	N	61/61 1/4	N	50x10		06:56	N	60 7/8		2	
06:59	T	61 1/16/61 1/4	N	1x10	TRIM	06:55	N	60 3/4/60 7/8	N	100x1 (1)	
06:58	T	↑61 1/4		3		06:53	N	60 3/4/61	N	16x2	
06:58	N	61 1/8/61 1/4	N	10x10		06:53	N	60 3/4/60 15/16	T	16x1	TRIM
06:58	N	61/61 1/4	N	20x10		06:53	T	60 7/8		1	
06:57	N	61/61 3/16	T	20x1	TRIM	06:52	N	60 3/4/60 7/8	N	16x2	
06:57	N	61 1/8		16		06:52	N	60 3/4/61	N	16x5	
06:57	N	61 1/8		3		06:52	N	60 3/4/60 15/16	T	16x1	TRIM
06:57	N	61 1/8		8		06:52	N	60 7/8		20	

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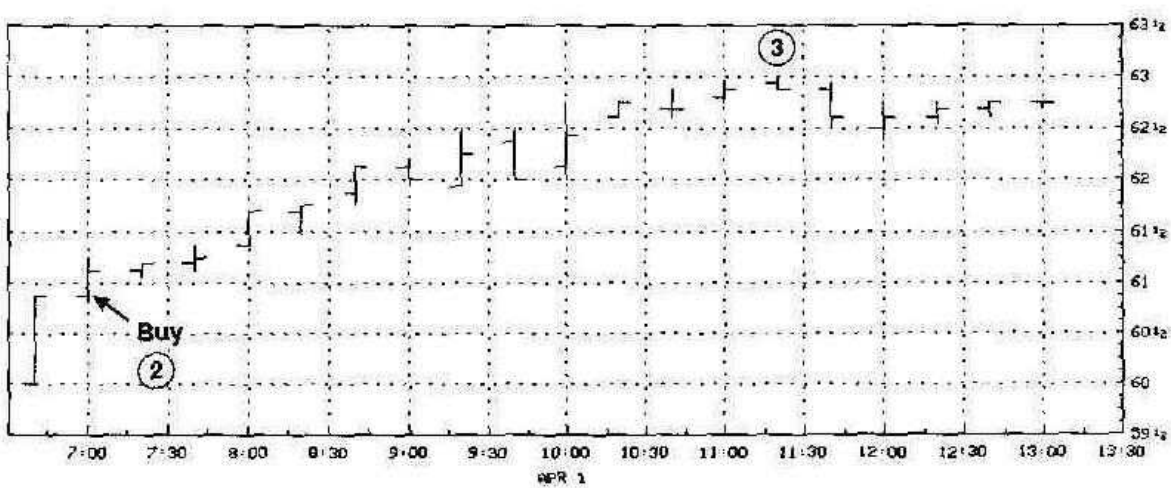

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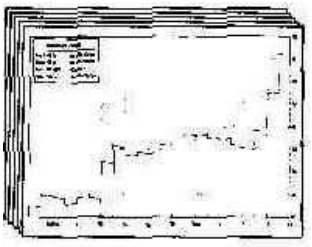
The average daily volume for ETH on April 1, 1998, was 174,000 shares.

1-2. A 10,000 share bid at 60 3/4. Buy at 60 7/8 and 61 with your protective stop at 60 11/16.

3. Buyers push the stock more than 2 points higher.

Chapter 11

CONCLUSION



CHAPTER 12

OFFERING KNOCK-OUTS—AN ADVANCED STEPPING IN FRONT OF SIZE™ STRATEGY

In this chapter, I will teach you an advanced variation I created for the Stepping In Front Of Size™ strategy. As we have discussed, when an institution is bidding for size on a thinly traded stock, they can easily push prices higher before they get filled. This is because the demand of their order exceeds the supply of stock available at current prices. By buying ahead of this buyer, you are often legally front-running his order. In *Hit and Run Trading I*, I stated that the buyer must make two consecutive higher bids with size to trigger our buy signal. For this advanced strategy, the rules are a bit different. We will be looking for a large amount of stock on the offer side to be taken out (bought) to trigger an entry.

Here are the rules:

1. NYSE or ASE stocks only

2. **10-day average daily volume must be under 200,000 shares per day.**

3. **Price > 30, ADX > 30, -i-DI > -DI, or RS (from** *Investor's Business Daily)* is **95 or higher.**

4. **Stock must be up for the day.**

5. **If a block of stock (5,000** shares or more) is **offered for sale, we will** place a buy stop **order** 1/16 **above the offer price.** This **means that if** 5,000 **shares are offered at** 36 1/2, **we** will buy **only if the** stock **then trades to 36** 9/16 **or higher.**

6. If filled, risk no more than 1/2 point.

7. **Exit on your own** discretion **and before the close.**

Here are three examples:

EXAMPLE 12.1 MCK

MARKET/TRADE RECAP

Time [redacted] Min Vol [redacted] 100 Volumes scaled by 100

Date 10/29 Price Range [redacted] To [redacted]

MCKESSON CORPORATION (MCK US) PRICE 104 15/16 N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
07:58	N	105		5		07:45	N	104 3/4		27	2
07:58	N	105		5		07:45	N	104 5/8 / 104 3/4	N	76x27	2
07:58	N	↑105		4		07:45	N	104 3/4		28	2
07:57	N	104 7/8 / 105	N	50x5		07:45	N	104 5/8 / 104 3/4	N	76x55	1
07:57	N	↑104 7/8		1		07:45	N	104 5/8 / 104 3/4	N	76x28	
07:55	N	104 13/16		20		07:45	N	104 3/4		8	
07:55	N	104 13/16		20		07:45	N	104 5/8 / 104 3/4	N	10x28	
07:55	N	104 3/4 / 105	N	20x6		07:43	N	104 5/8 / 104 3/4	N	10x30	
07:55	N	↑104 13/16		20	3	07:41	N	104 9/16 / 104 3/4	N	35x30	
07:49	N	104 3/4 / 105	N	16x6		07:40	N	104 9/16 / 104 3/4	N	35x14	
07:49	N	104 3/4 / 105	N	16x5		07:38	N	104 9/16 / 104 15/16	N	35x14	
07:49	N	104 3/4 / 104 15/16	N	16x7		07:38	N	104 9/16 / 104 7/8	B	35x1	
07:49	N	104 3/4		14		07:38	N	104 9/16 / 104 7/8	M	35x1	
07:48	N	104 3/4 / 104 15/16	N	30x7		07:38	N	104 3/4		62	
07:46	N	104 11/16 / 104 15/16	N	10x7		07:38	N	↑104 3/4		100	
07:46	N	104 11/16 / 104 7/8	B	10x1		07:37	N	104 9/16 / 104 3/4	N	35x18	
07:46	N	104 11/16 / 104 7/8	P	10x1		07:33	N	104 9/16 / 104 11/16	N	35x8	
07:46	N	104 15/16 / 104 7/8	M	10x1		07:33		/ 104 3/4	N	x19	

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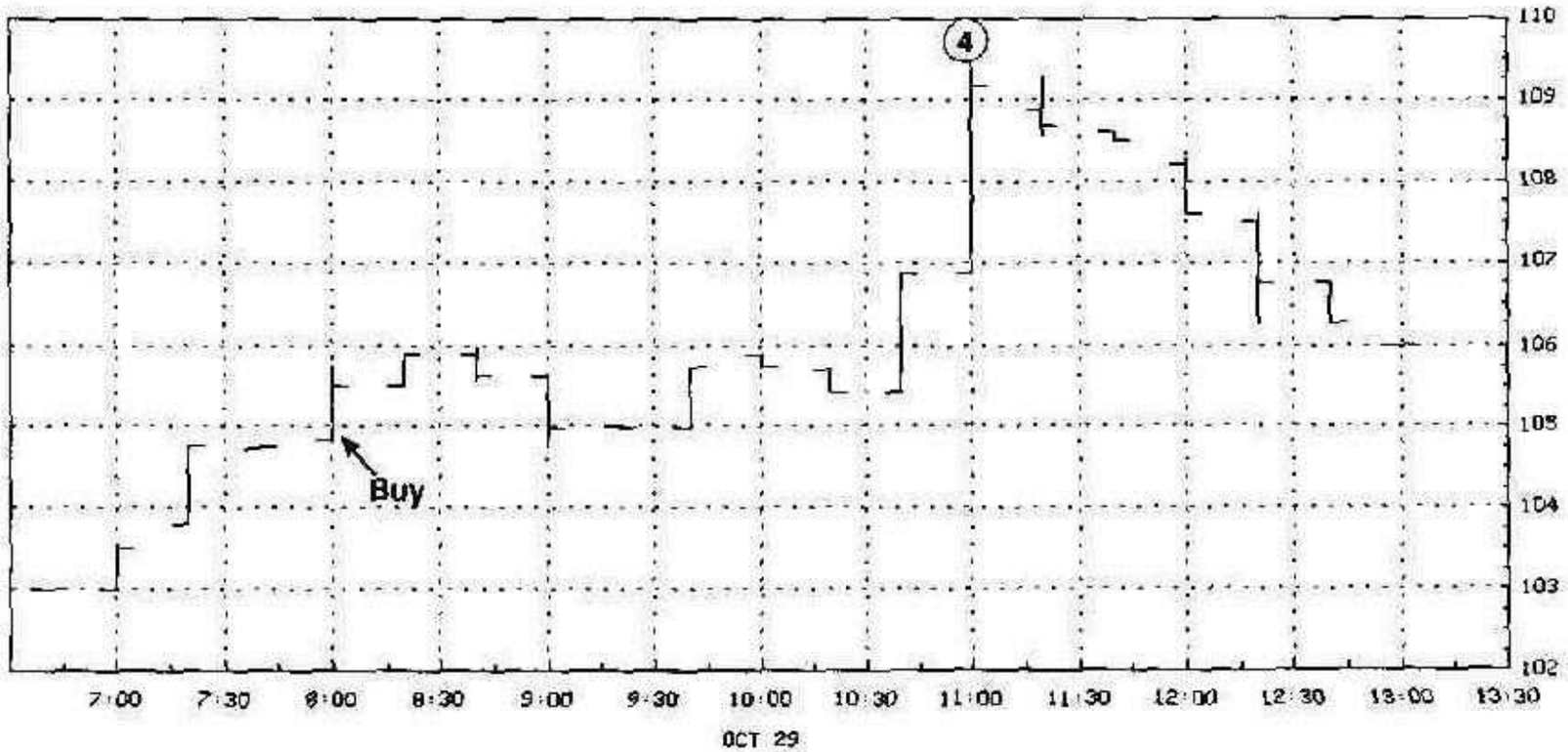

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McKesson Corp. meets all our pre-conditions.

1. A large seller offers stock at 104 3/4. We will place a buy stop order at 104 13/16,1/16 above his offer.

2. The offer is taken out by buyers.

3. Our buy stop is executed. We will put our protective stop at 1/2 point under our fill.

4. The buyer pushes MCK more than 4 points above our entry.

EXAMPLE 12.2 MTG

MARKET/TRADE RECAP

Time [redacted] Min Vol [redacted] 100 Volumes scaled by 100
Date 11/11 Price Range [redacted] To [redacted]

MGIC INVESTMENT CORP (MTG US) PRICE $58^{15}/_{16}$ N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
06:51	N	↑$63^{1}/_{2}$		3	(3)	06:35	P	$62^{7}/_{8}$		4	
06:51	N	$63^{5}/_{16}$/$63^{1}/_{2}$	N	3x5		06:35	N	$62^{3}/_{4}$/63	N	10x5	
06:51	N	↑$63^{5}/_{16}$		1	(2)	06:34	N	↑$62^{7}/_{8}$		6	
06:49	N	$63^{1}/_{8}$/$63^{1}/_{2}$	N	10x5							
06:49	N	$63^{1}/_{8}$/$63^{3}/_{8}$	N	10x5							
06:49	N	$63^{1}/_{4}$		75	(2)						
06:49	N	$63^{1}/_{8}$/$63^{3}/_{8}$	N	3x5							
06:49	N	$63^{1}/_{8}$/$63^{1}/_{4}$	N	3x75							
06:49	N	$63^{1}/_{4}$		20							
06:49	N	$63^{1}/_{8}$/$63^{1}/_{4}$	N	3x95							
06:49	N	↑$63^{1}/_{4}$		5							
06:49	N	↑$63^{1}/_{8}$		3							
06:49	N	$63^{1}/_{8}$/$63^{1}/_{4}$	N	3x100	(1)						
06:44	N	63/$63^{1}/_{8}$	N	10x3							
06:39	N	63/$63^{1}/_{4}$	N	10x10							
06:39	N	63/$63^{1}/_{8}$	B	10x1							
06:39	N	63/$63^{1}/_{8}$	M	10x1							
06:39	N	↑63		4							

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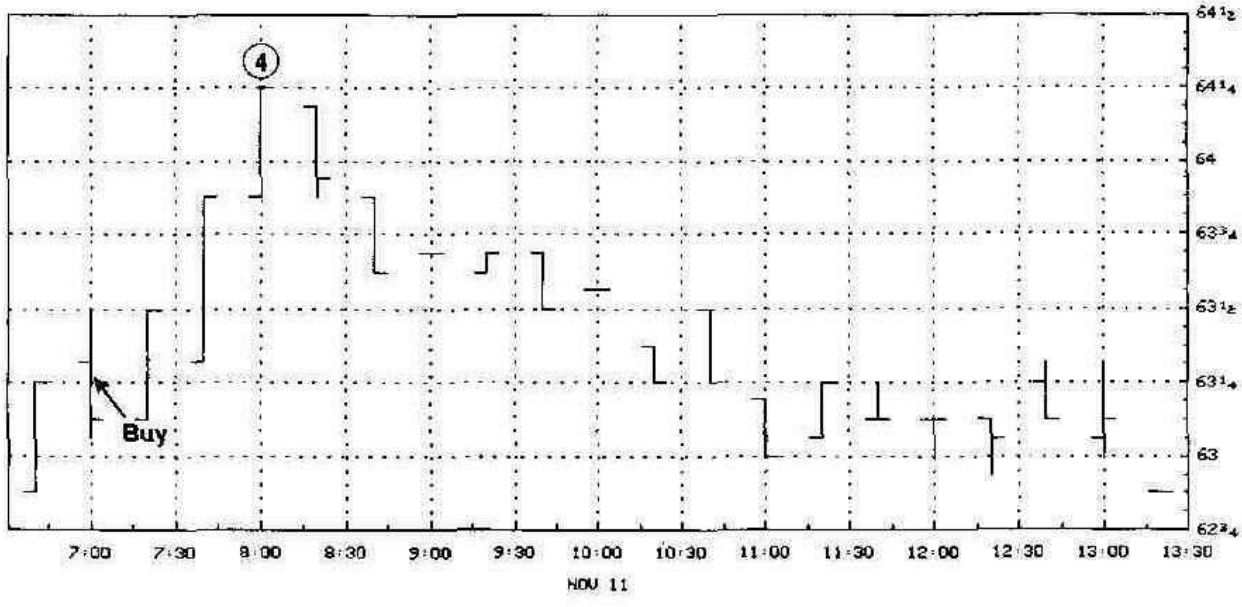

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MTG pre-qualifies as a candidate.

1. A size seller at 63 1/4. We will place our buy stop at 63 5/16, 1/16 above his offer.

2. Buyers take out the seller, and the stock begins trading through our buy stop order, which (3) now becomes a market order.

4. Within an hour, the momentum buyers push the stock to as high as 64 1/4.

EXAMPLE 123 TXI

MARKET/TRADE RECAP

Time [redacted] Min Vol [redacted] 100 Volumes scaled by 100
Date 11/10 Price Range [redacted] To [redacted]

TEXAS INDUSTRIES INC (TXI US) PRICE 47¾ M $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
07:42	N	47 11/16/47¾	N	25x5		07:31	N	47⅝/47 11/16	N	20x8	
07:42	N	47 11/16/47¾	N	5x5		07:31	N	↑47 13/16		7	
07:41	N	47⅝/47¾	N	10x5		07:29	N	**47⅝**		1	
07:40	N	47½/47¾	N	5x5		07:29	N	47⅝/47 11/16	N	20x15	
07:40	B	47⅝/47¾	N	1x5		07:29	N	47⅝/47 11/16	N	20x30	
07:40	N	**47⅝**		34		07:27	N	47 9/16/47 11/16	N	27x30	
07:40	T	**47⅝**		1		07:27	X	47⅝/47 11/16	N	1x30	
07:40	N	↓**47⅝**		34		07:27	X	47⅝/47 11/16	N	1x50	(1)
07:40	N	47⅝/47 13/16	N	1x5		07:27	N	**47⅝**		40	
07:40	T	47⅝/47 13/16	N	5x5	TRIM	07:27	N	47⅝/47 11/16	N	1x50	
07:40	T	47⅝/47¾	M	5x3	TRIM	07:27	N	↓**47⅝**		32	
07:40	X	47¾/47¾	M	1x3		07:24	N	47 9/16/47 11/16	N	28x50	
07:40	X	47 11/16/47¾	M	1x3		07:24	N	47 9/16/47 11/16	N	28x30	
07:40	N	47¾/47¾	M	1x3		07:24	N	47 9/16/47 11/16	N	28x50	
07:36	N	47 11/16/47¾	M	1x3		07:22	T	↑**47¾**		4	
07:31	N	47⅝/47¾	M	20x3	(2)	07:17	N	47 9/16/47¾	N	28x50	
07:31	N	47⅝/47 11/16	X	20x1		07:14	N	47 9/16/47¾	N	28x10	
07:31	N	**47 11/16**		3		07:14	N	↑**47⅝**		10	

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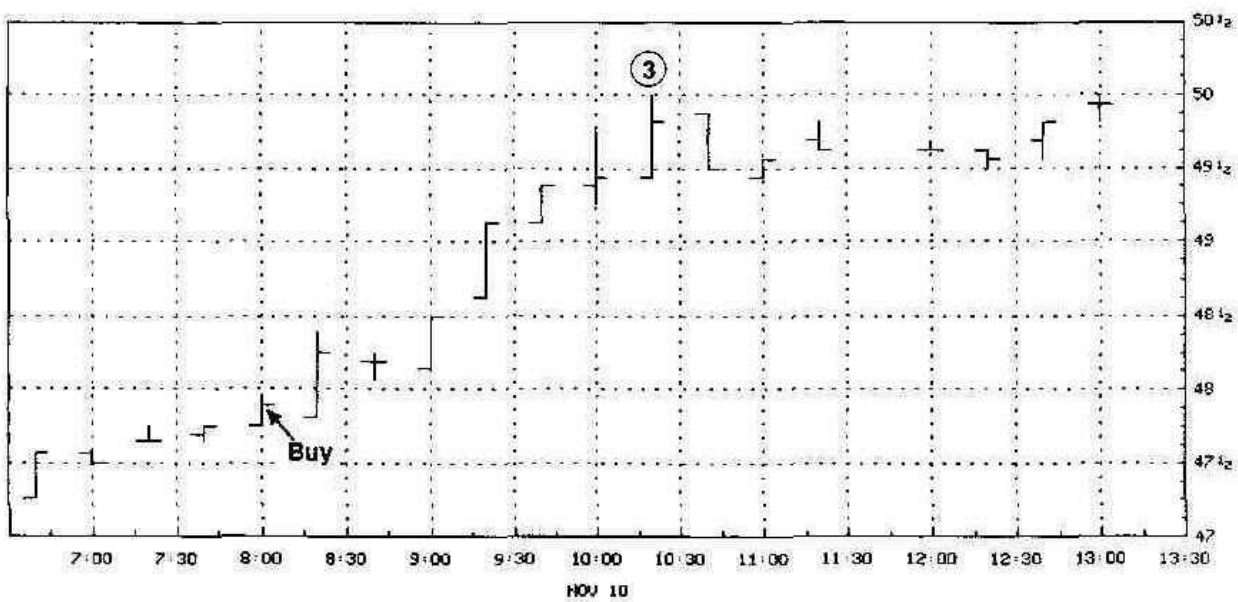

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TXI is a strongly trending, thinly traded stock that meets all of our preconditions.

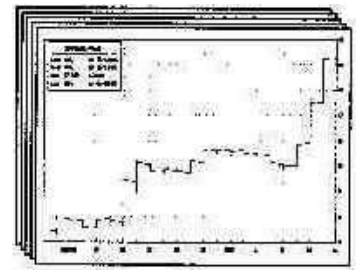
1. The stock is up for the day, and a large seller offers stock at 47 11/16. We will place a buy stop at 47 3/4,1/16 above his offer.
2. The offer disappears, and we soon get filled at 47 3/4.
3. TXI explodes more than 2 points higher within a few hours as the buyer(s) push prices higher in their attempt to accumulate more stock.

CONCLUSION

Why are we doing this? Because profit taking naturally comes into a strongly uptrending stock. If the sellers are immediately taken out by the buyers, then it means even more buying will probably follow and push prices higher.

Watch this strategy closely, as it has a fairly low-risk, solid return potential.

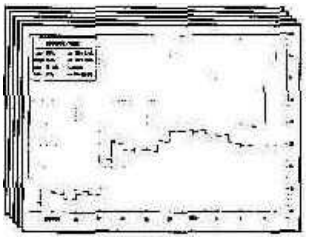
SECTION THREE



MORE REVERSAL STRATEGIES

Reversal patterns on momentum stocks should be traded by only the bravest traders who are comfortable with **increased risks.** As you **are aware, stocks drop** faster **than they rise. Momentum** stocks **drop even faster.** These **declines are accompanied by high volatility,** and you must **be extremely nimble and quick** to lock **in gains.**

hi *Hit and Run Trading I,* **I showed you the Lizards and Gilligan's Island reversal strategies.** In **the** following **chapters, we will look at four more reversal strategies. These** strategies **are** a bit **more** complicated **than the ones in the** first **book, but they** are worth the effort to **learn.**



CHAPTER 13

EXPANSION RANGE DOUBLE STICKS

In this chapter, I am going to share with you a brand new setup I have recently begun to trade. Expansion Range Double Sticks is a reversal strategy that we trade for one to four days. It takes into account companies that have a panic-buying day and immediately following, a panic-selling day. The selling very much carries over into the next day, and it allows us a good short-selling opportunity.

Here are the rules:

1. Day one (yesterday), a stock must make a 60-day high and its range must be at least the third largest range day of the past 10 days.

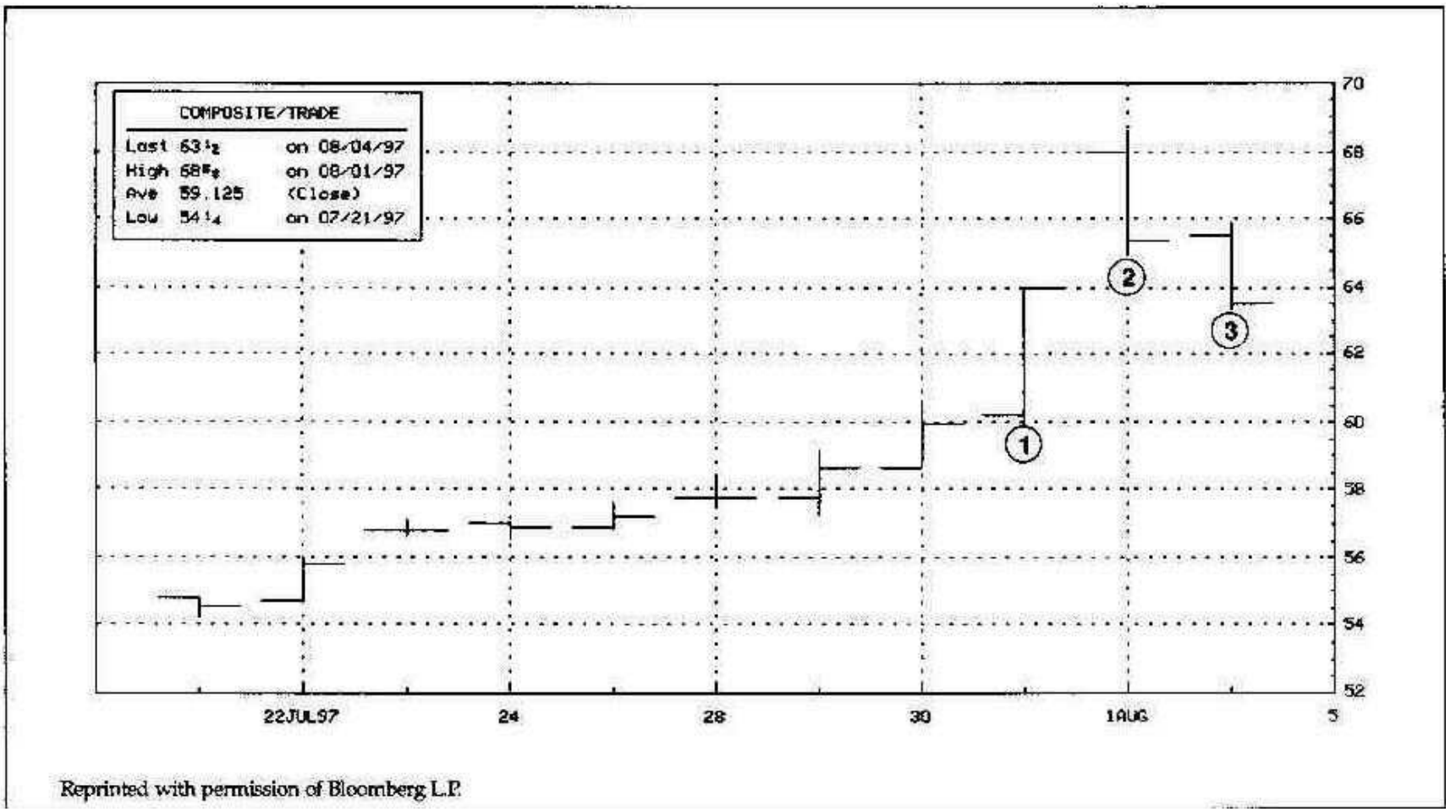
2. Day two (today) must close below its opening and its range must be at least the third largest range day over the past 10 days.

3. If rules 1 and 2 are met, we will sell short tomorrow, one tick under the day-two low and we will risk 1 point with a protective stop.

4. Use a trailing stop to lock in profits.

Let's look at five setups:

EXAMPLE 13.1 SB



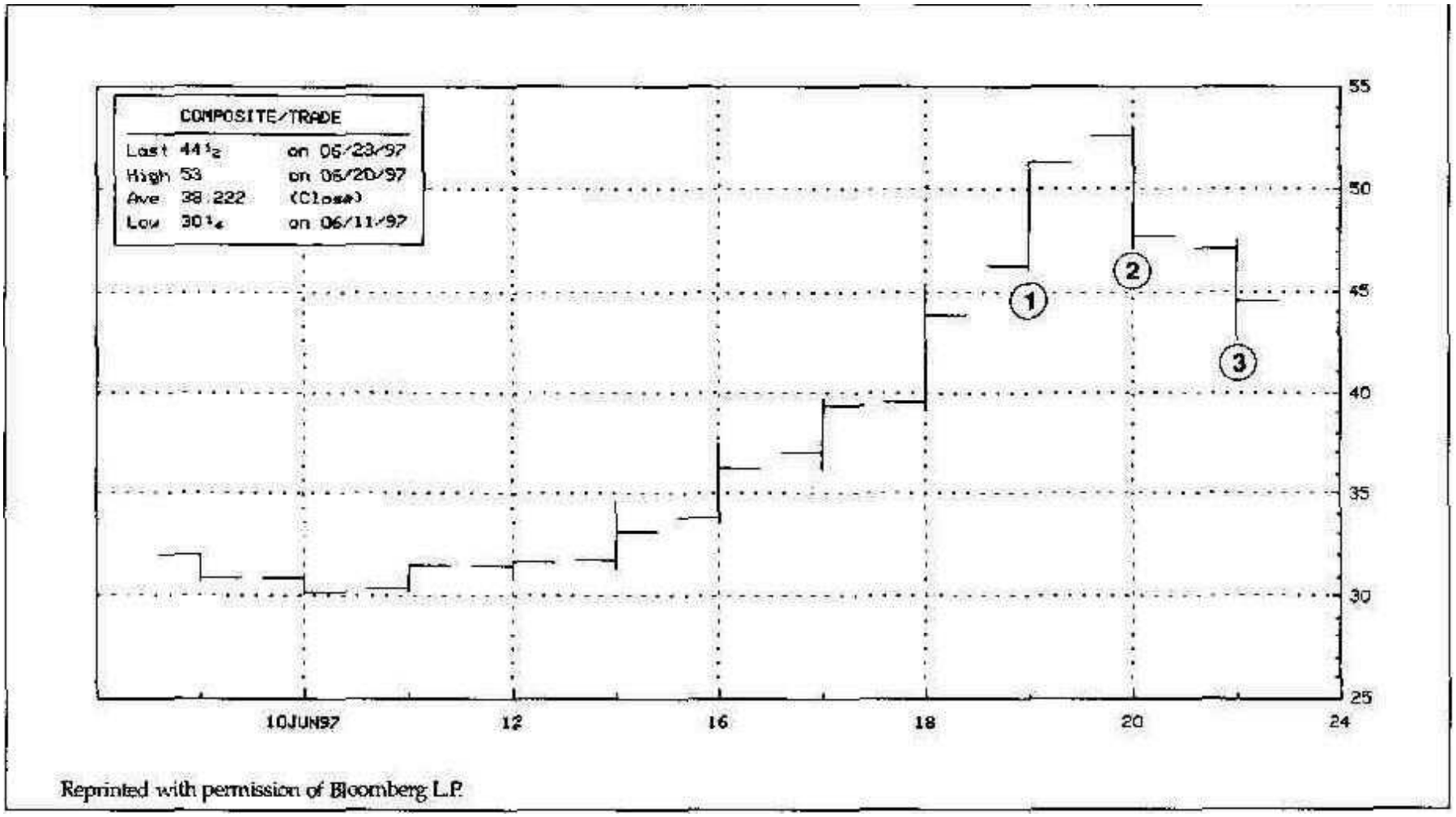
1. The stock makes a new 60-day high and its range is at least the third largest range of the past 10 days. {In fact, it is the largest range of the period.)

2. The stock's range is at least the third largest range of the past 10 days and it closes below its opening.

3. Sell **short at 64** 7/8, **1/16** under **the previous day's low and our stop is at 65** 7/8, risking **1 point.**

4. SB closes at 63 1/2 **for** a 1 3/8 **point scalp.**

EXAMPLE 13.2 **RMBS**

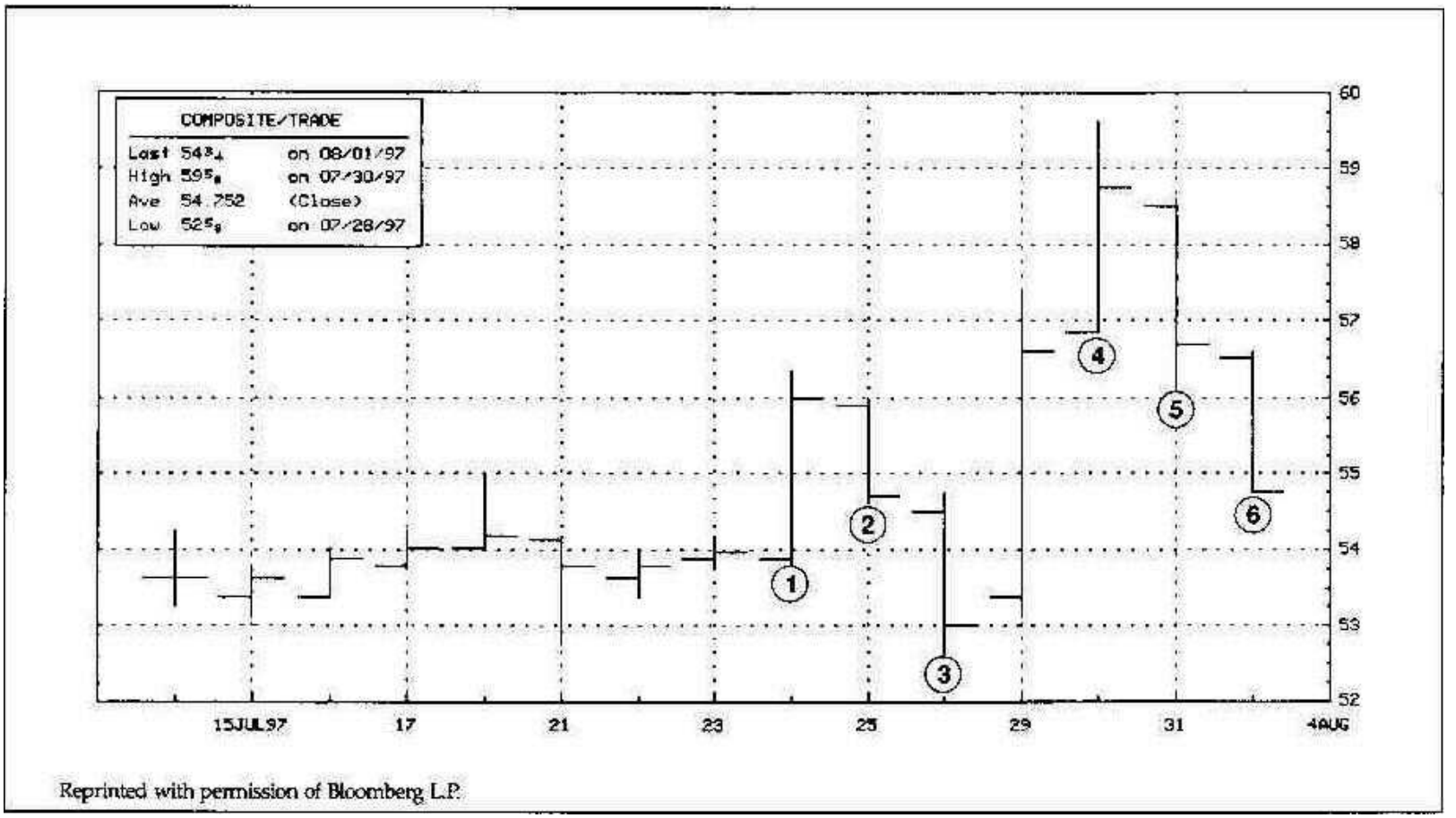


RMBS makes a new 60-day high and its range is at least the third largest day range of the 10-day period.

A close below its opening and the range is at least the third largest range of the past 10 days. We also have a multiple sell-short signal, as it is also a Gilligan's Island setup.

Sell short at 46 15/16 and our protective stop is at 47 15/16. The stock drops as much as 4 1/2 points intraday.

EXAMPLE 13.3 **NOBE**



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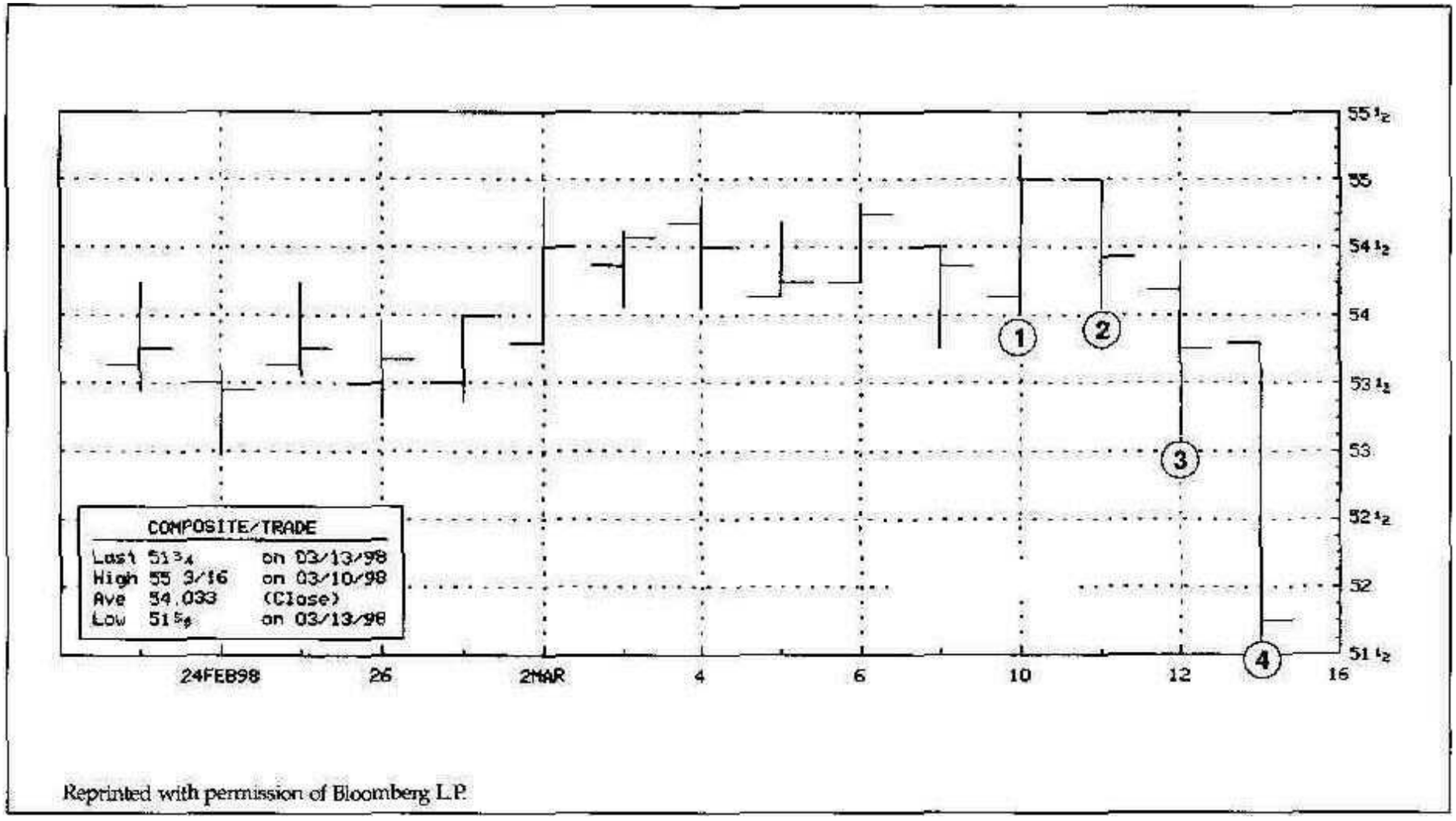
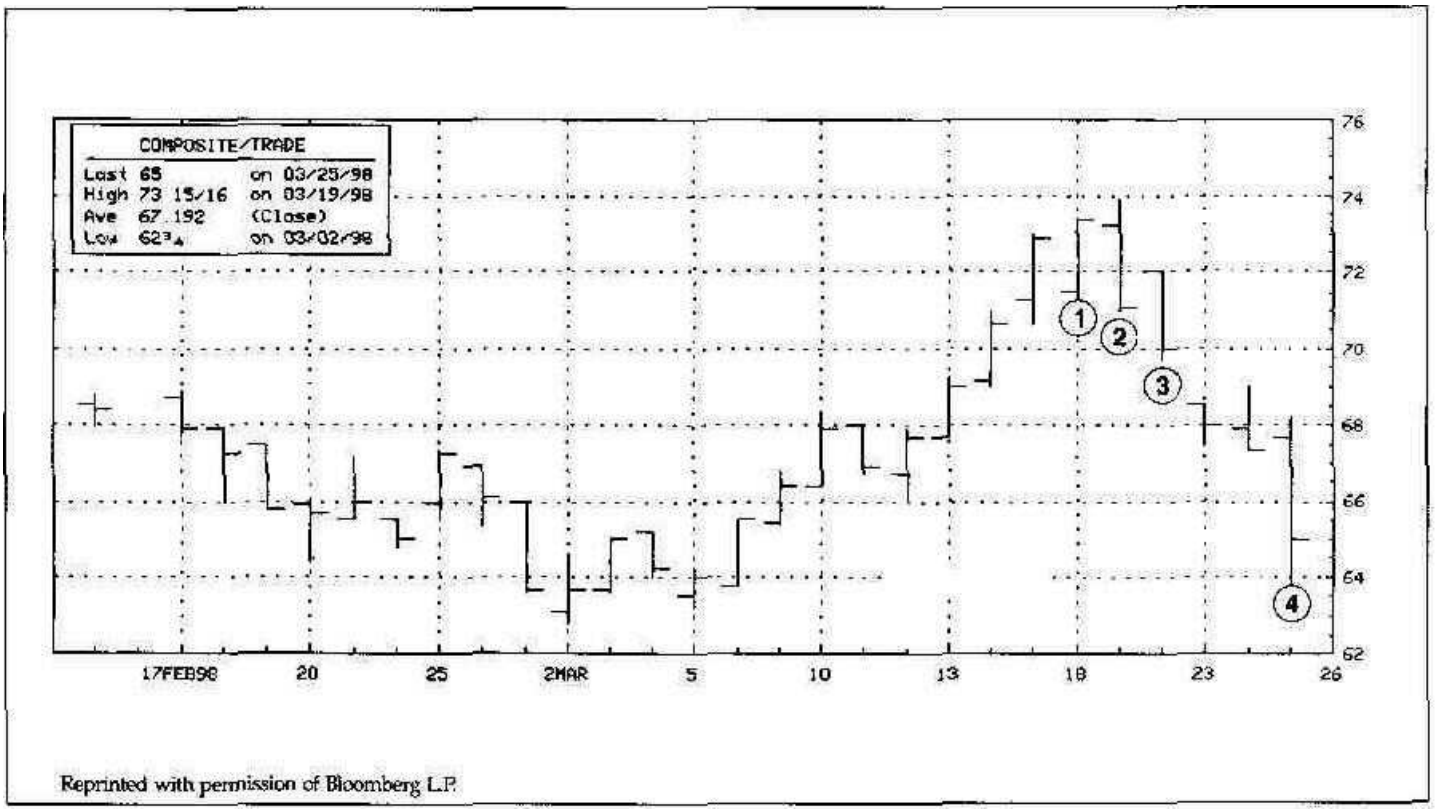
1. A 60-day high and at least the third largest range of the past 10 days.
2. A close below its opening and at least the third largest range day of the past 10.
3. Sell short at 54 9/16, the stop is at 55 9/16 and Nordstrom closes 11/2 points lower.
4. The second largest range of the past 10 days and a 60-day high.
5. The third largest range day of the past 10 and a close below its opening.
6. Sell short for a quick profit.

EXAMPLE 13.4 CCK



1. Here CCK makes a 60-day new high on a large-range day.
2. The second largest-range day of the past 10 days and a close below the open.
3. Sell short at 54.
4. Closes at 51 3/4 the next day.

EXAMPLE 13.5 FDX

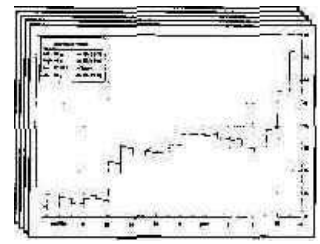


1. A 60-day high **for Federal** Express **and** its **range is the largest of the past 10 days.**
2. A close below the open combined with an expanding range.
3. Sell short **in the** 70 3/4 **area.**
4. **A drop of as much as 7 points in a few days.**

CONCLUSION

I feel **this setup works better to the downside. I believe** it is **caused** by panic **buyers causing an expansion** breakout and then, when **there is no follow through, they** sell **out over the next** few days. I **do not feel this setup has any long-term implications; it is simply a short-term phenomenon that lends itself well to a fairly** low-risk **trade.**

One final note; as with **all** my **strategies,** I prefer **to trade** this **setup with higher priced stocks. This assures us of getting** sufficient **intraday** range to profit from.



CHAPTER 14

BOOMERANGS

In this chapter, I am going to show you a reversal strategy that involves a pattern that evolves over a number of days. Since the strategy requires multiple days to set-up, the ensuing move is often explosive.

The basic concept of the pattern is that a stock in a strong trend pauses in a tight consolidation formation (a ledge). The stock then attempts a breakout of this ledge. This breakout immediately fails and the stock comes back in—hence the name Boomerangs.

Boomerangs are a powerful setup as fast moves typically spring from false moves. However, since the strategy fades the predominant trend, you must be diligent with stops.

The Boomerang and its rules are somewhat more subjective than the other *Hit and Run* setups since it takes time to evolve. However, I am sure the following examples will clarify the strategy.

First, here are the rules for shorts (longs are reversed):

1. Identify a stock in a strong trend. The stock must be above its 50-day moving average. The ADX will typically be > 30 as well. (Depending on the period of the pause or consolidation, the ADX may have receded somewhat.)

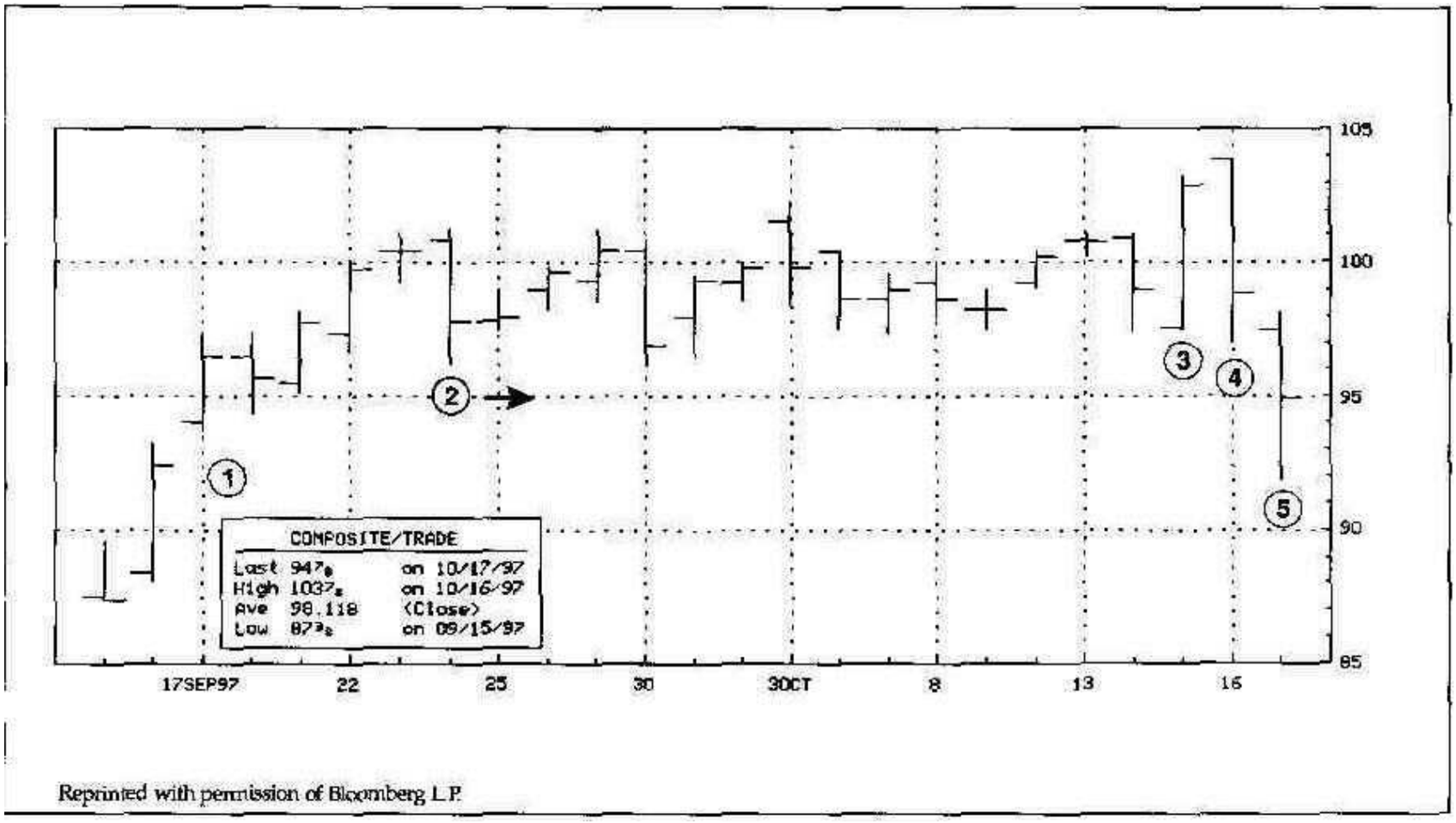
2. Identify a period of not less than 5 trading days and not more than 20 trading days where the stock consolidates in a relatively tight range subsequent to the strong run.

3. Day one, the stock breaks out **above** the consolidation.

4. The stock then is a short sale 1/16 below the low of the breakout day on either day two, three, or four (i.e., up to three days after the breakout).

5. Once triggered, hold the position overnight should it close in the bottom 25 percent of the range and use a trailing stop to attempt to maximize the trade for a few days.

EXAMPLE 14.1 DELL



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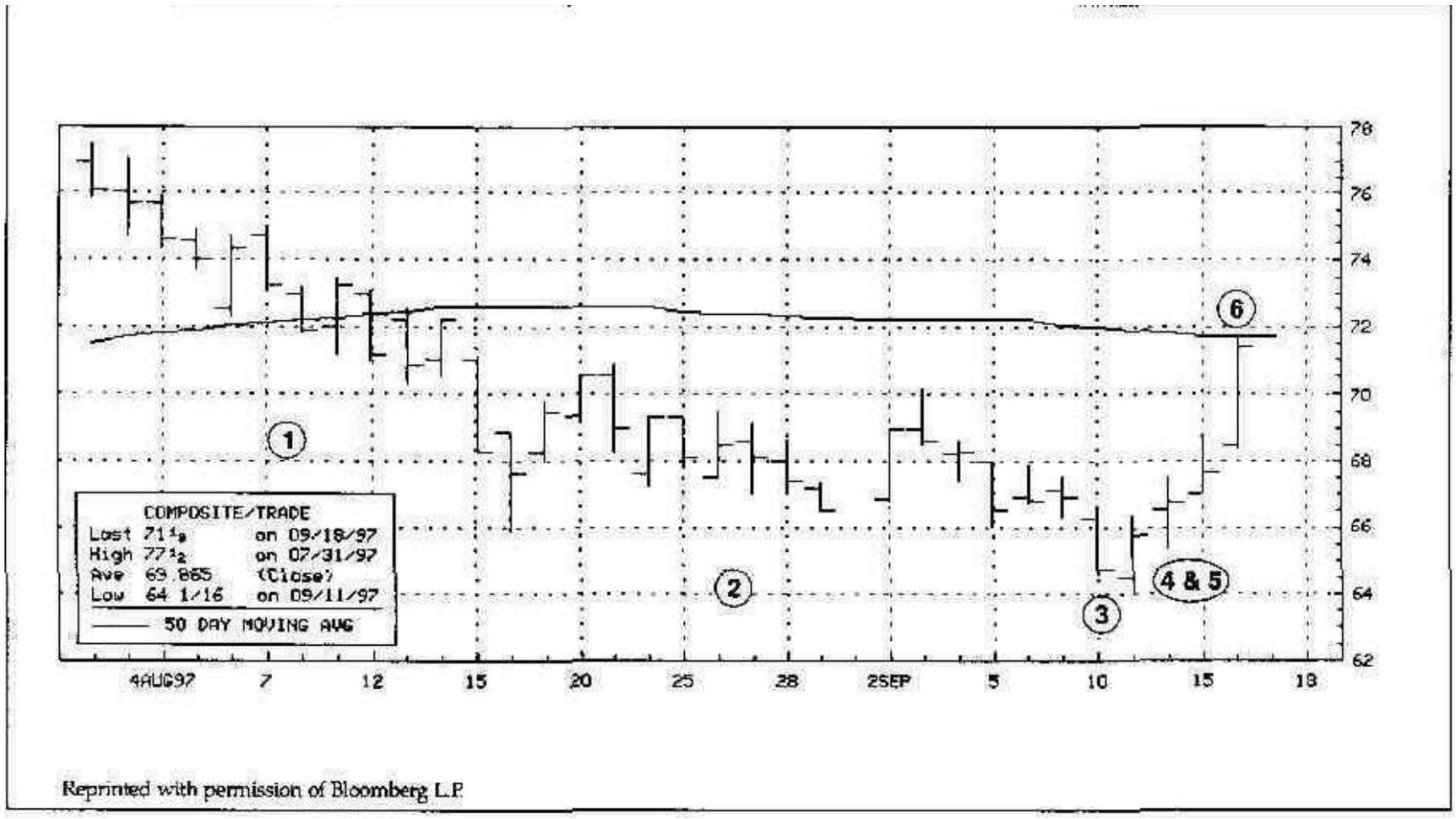
1. DELL experiences a strong run from July to September.
2. On 9/24, DELL begins a tight consolidation.
3. On 10/15, DELL breaks out of the flat top.
4. DELL is a short any of the next three daysat977/16.
5. On 10/17, DELL trades as low as 91 7/8.

P.S. Please be aware that after a failing three-day rally, DELL imploded to as law as 73.

EXAMPLE 14.2 PG



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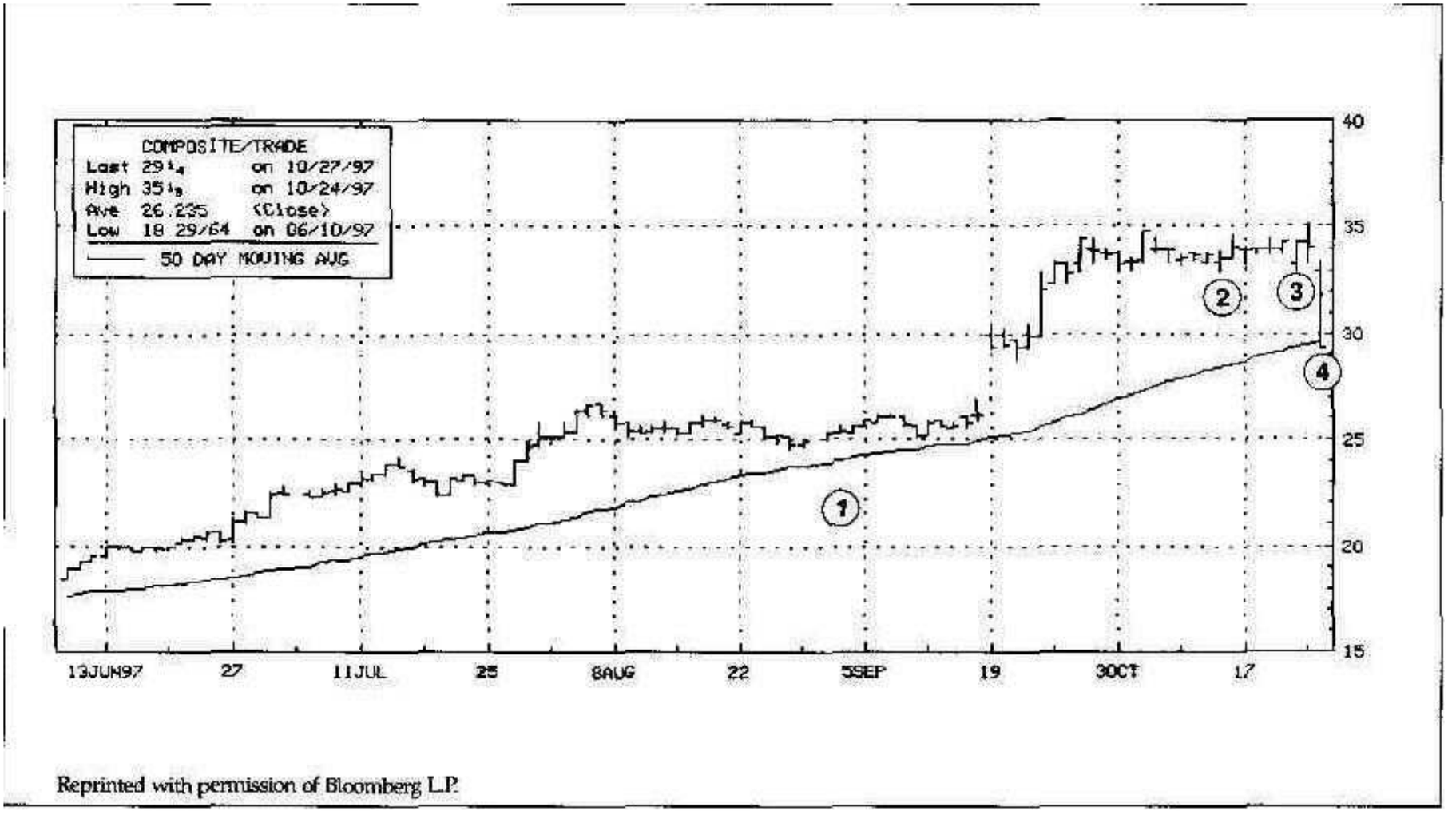
4. PG is a buy 1/16 above the high of the breakdown bar any of the next three days (9/11, 9/12, 9/15).

5. PG triggers a buy at 66 3/4 on 9/12.

6. The stock trades as high as 71 3/4 over the next two days.

EXAMPLE 14.3 KSU



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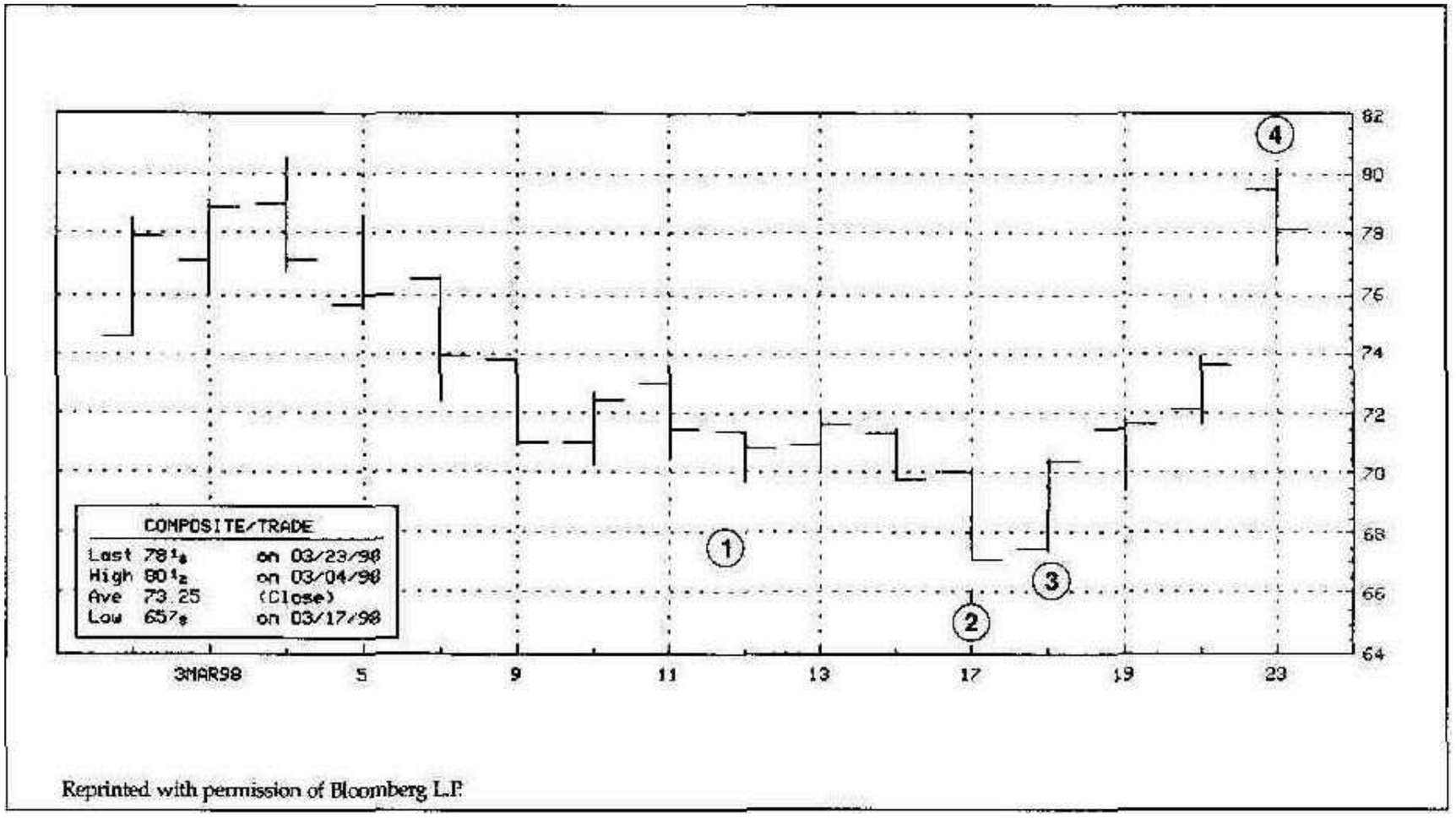
1. Prom 6/10 to 9/30, we see a strong trend.
2. Then a 17-day flat consolidation or ledge to 10/23.
3. Breakout day on 10/24; low of breakout day 33 1/4.
4. KSU is a short the next trading day, near 33 and closes at 29 1/4.

EXAMPLE 14J SLB



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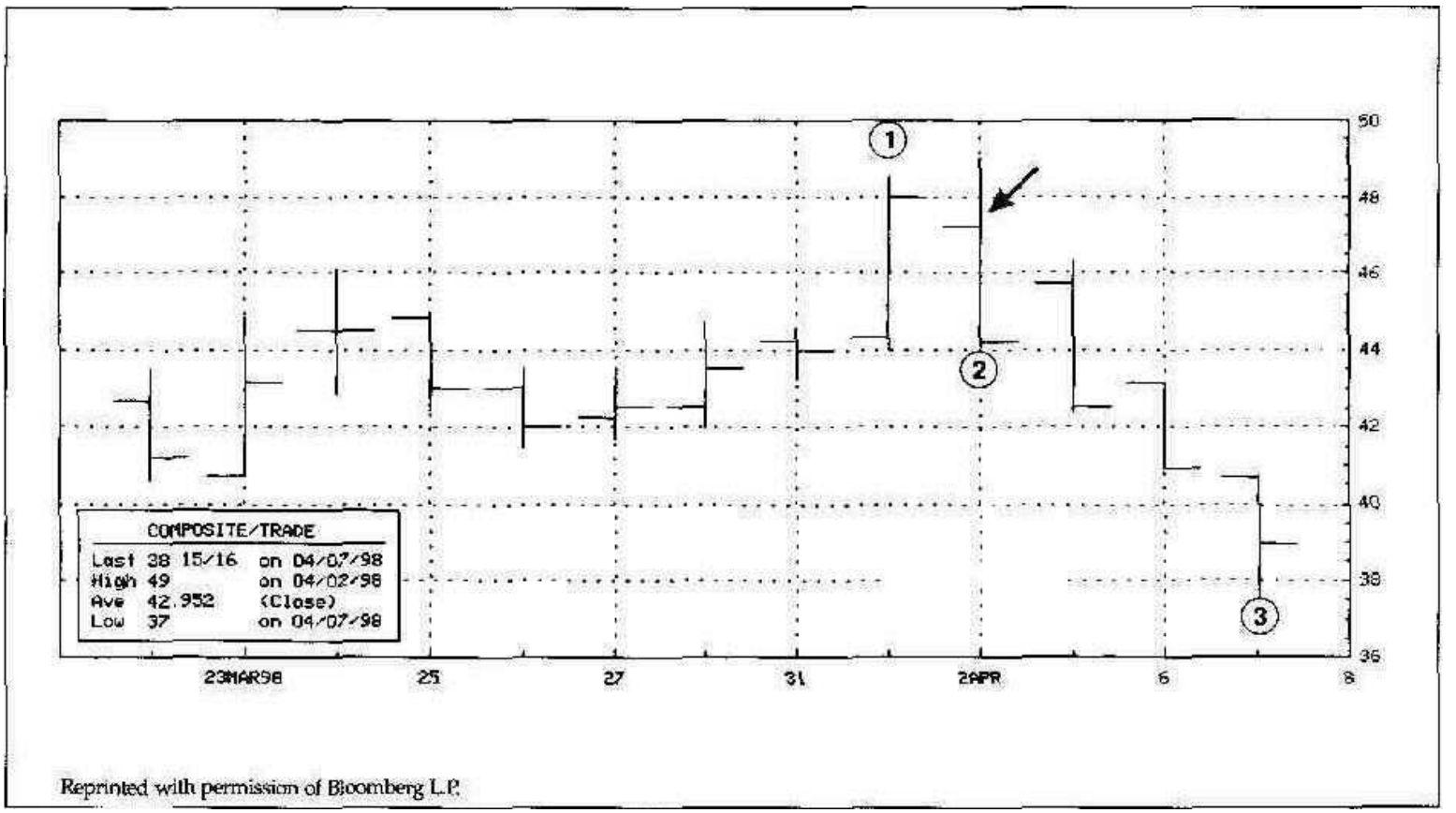
1. A consolidation period near its lows.
2. A break to the downside.
3. A reversal to go long. Note also this is an Expansion Range Double Sticks buy setup. As I have repeatedly mentioned, multiple setups are the best setups.
4. Nearly 10 points in a few days.

EXAMPLE 14.5 VRSN



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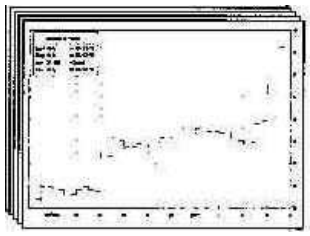
Here is a Boomerang, Turtle Soup Expansion (Chapter 15), and an Expansion Range Double Sticks all happening at the same time!

1. A breakout from a consolidation.
2. A reversal back in.
3. A solid three day profit.

CONCLUSION

I have found that Boomerangs do a good job of identifying stocks that have attracted weak hand breakout buyers (or sellers). When the breakout fails, these individuals quickly abandon their position, causing the market to move in a panicky, exaggerated direction opposite the breakout.



CHAPTER 15

TURTLE SOUP EXPANSIONS

In their terrific book. *Street Smarts*, Larry Connors and Linda Raschke describe two related reversal strategies they called Turtle Soup and Turtle Soup Plus One. The Turtle Soup pattern derives its name from the system popularized in the 1980s that keyed off a 20-day breakout of prices. The reversals that occur from test failures of these 20-day highs (for shorts) or lows (for buys) often catch the breakout trend followers wrong-footed—hence the name Turtle Soup.

I have benefited from trading the Turtle Soup and Turtle Soup Plus One strategies and have added a twist of my own which, although occurring less frequently, I believe does a good job of identifying which reversals ultimately have a greater likelihood of profitability.

I call my strategy Turtle Soup Expansions.

Here are the rules for short sales (buys are reversed):

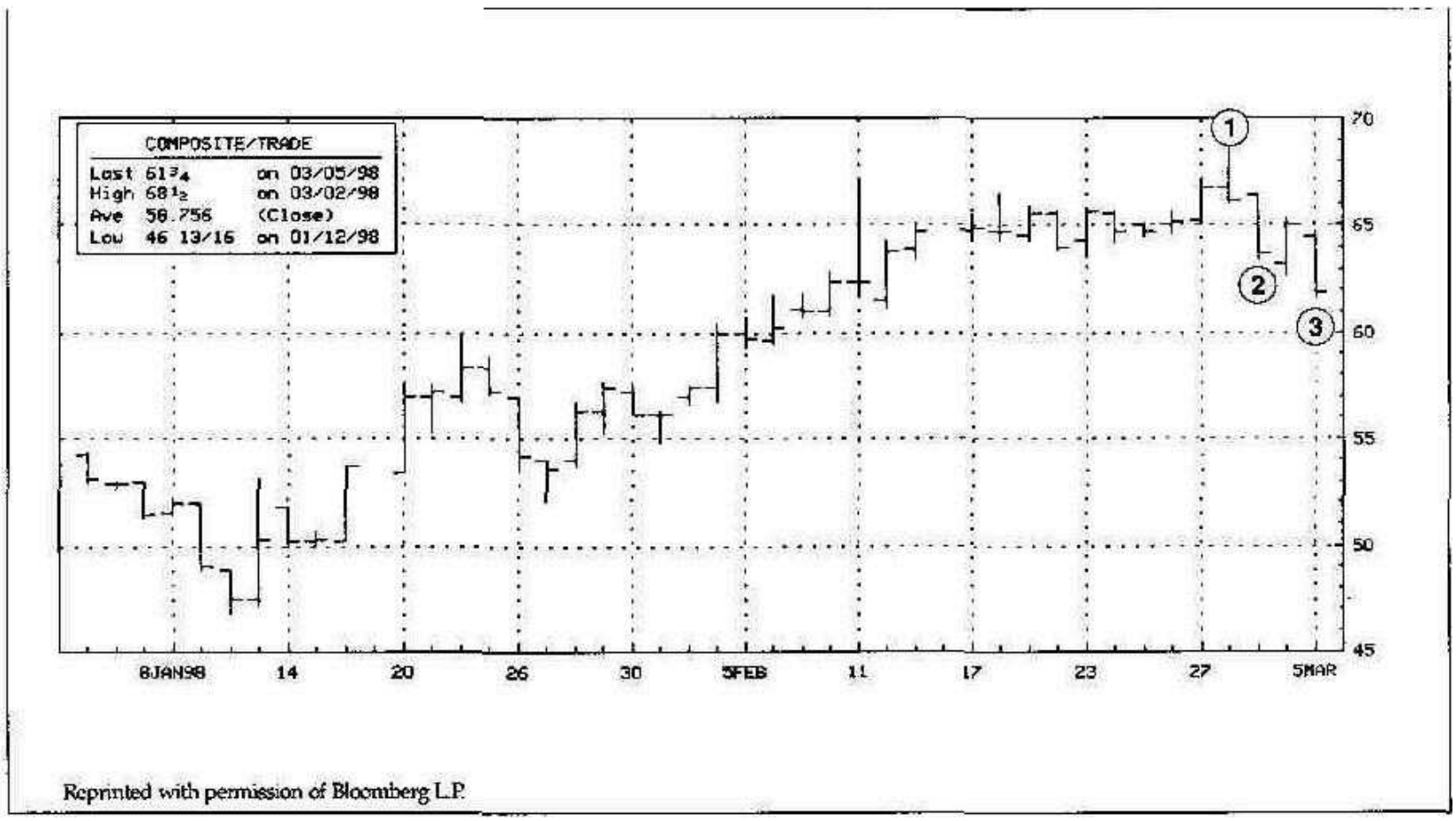
1. Today the stock must make a new 20-day high.

2. The previous 20-day high must have occurred at least four trading days earlier. This is important since we want to see a high, a retracement, and a subsequent test of that high fail. Establishing at least a four-day separation between the two highs helps to ensure against shorting into a runaway move.

3. **If the stock** "comes **in" today** or tomorrow **reversing below the prior 20-day high and has a range greater than that of** any **of the** prior **four** days, **then** tomorrow **(Day Two) we will short 1** tick **below the previous day's low. Use a 1 to 1 1/2-point** stop **initially and a** trailing **stop** as the **position moves in your favor.**

Let's look at **some examples that I am** sure will **clarify the picture.**

EXAMPLE 15.1 CBR

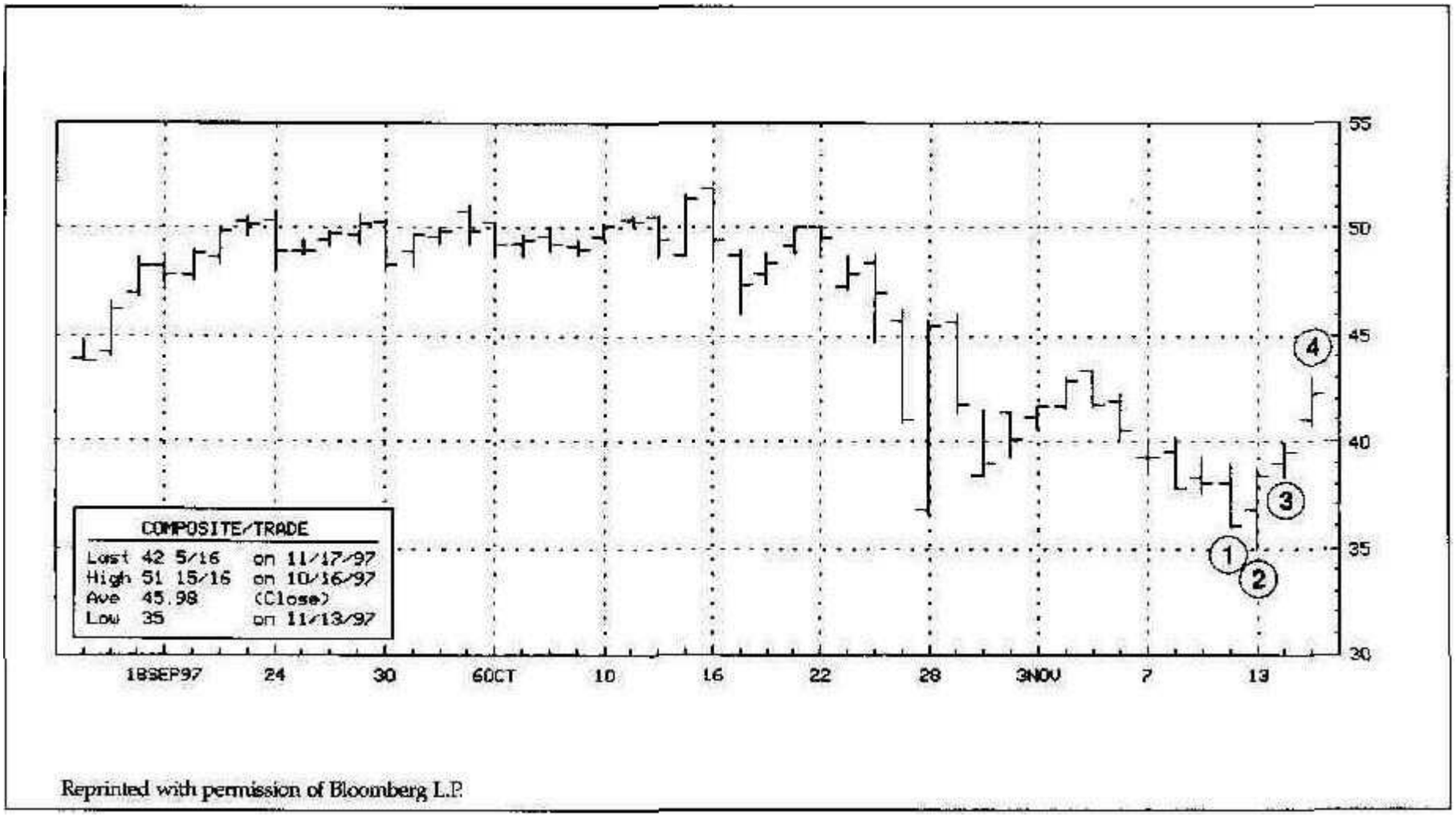


1. **A 20-period high and the previous high was more than four days ago.** Today's **range is** also **the largest of the past** four days.

2. **We sell short** 1/16 **below yesterday's low.**

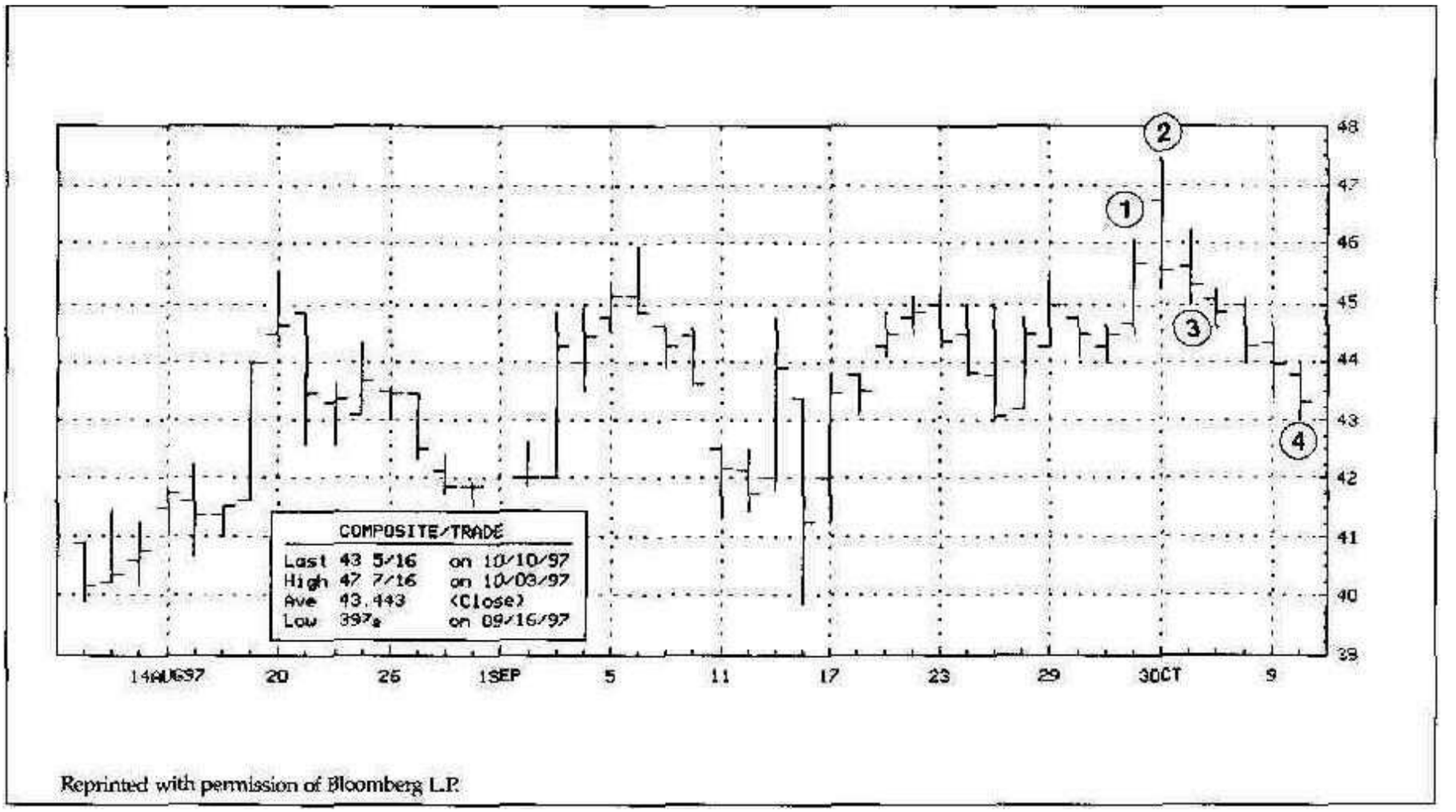
3. **A 4-point profit in three days.**

EXAMPLE 15.2 **DELL**



1. **A 20-period** low.
2. A reversal back-up through the October 28 low on a large-range day.
3. Buy **at** 39.
4. A nearly 10 **percent gain** overnight.

EXAMPLE 15.3 *SLR*



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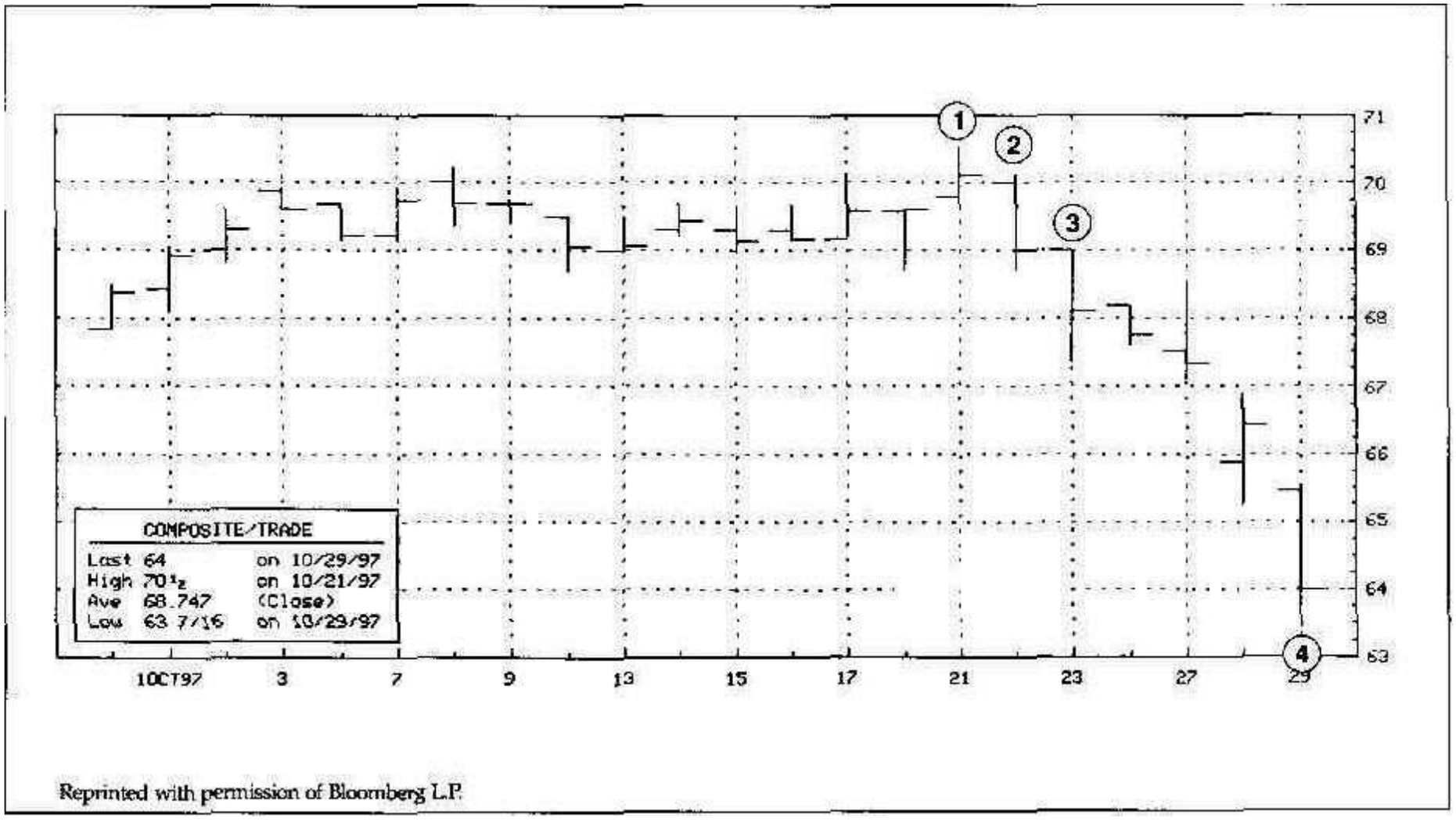
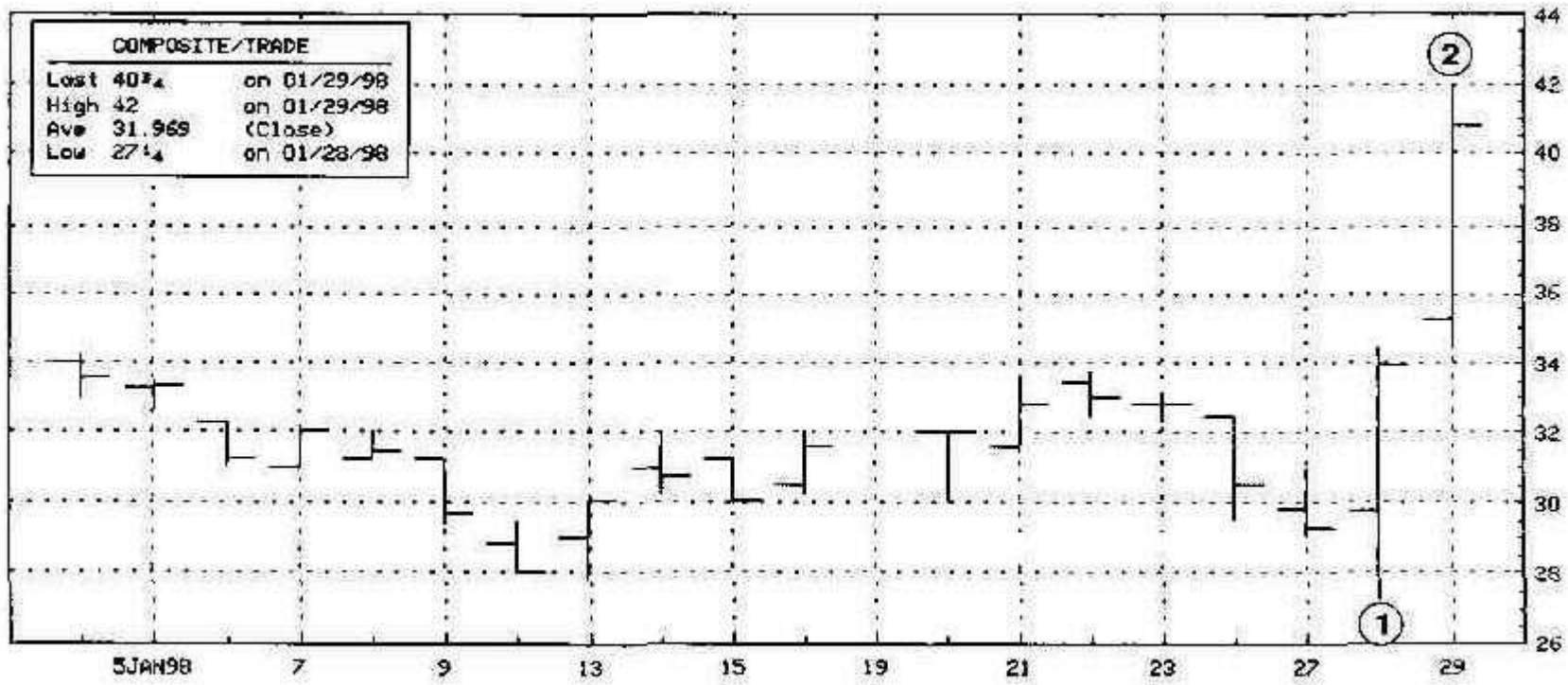
1. A 20-period high.
2. The largest range of the previous four days and it trades back through the high of September 8.
3. Sell short 1/16 under the October 3 low.
4. Five consecutive down days.

EXAMPLE 15.4 BTL



1. A 20-day **high. The previous high was made nine** days **previous.**
2. A reversal back under the October 8 high on a large-range day.
3. Sell short 1/16 under the October 22 low.
4. A solid sell-off **ensues.**

EXAMPLE 15.5 JDAS



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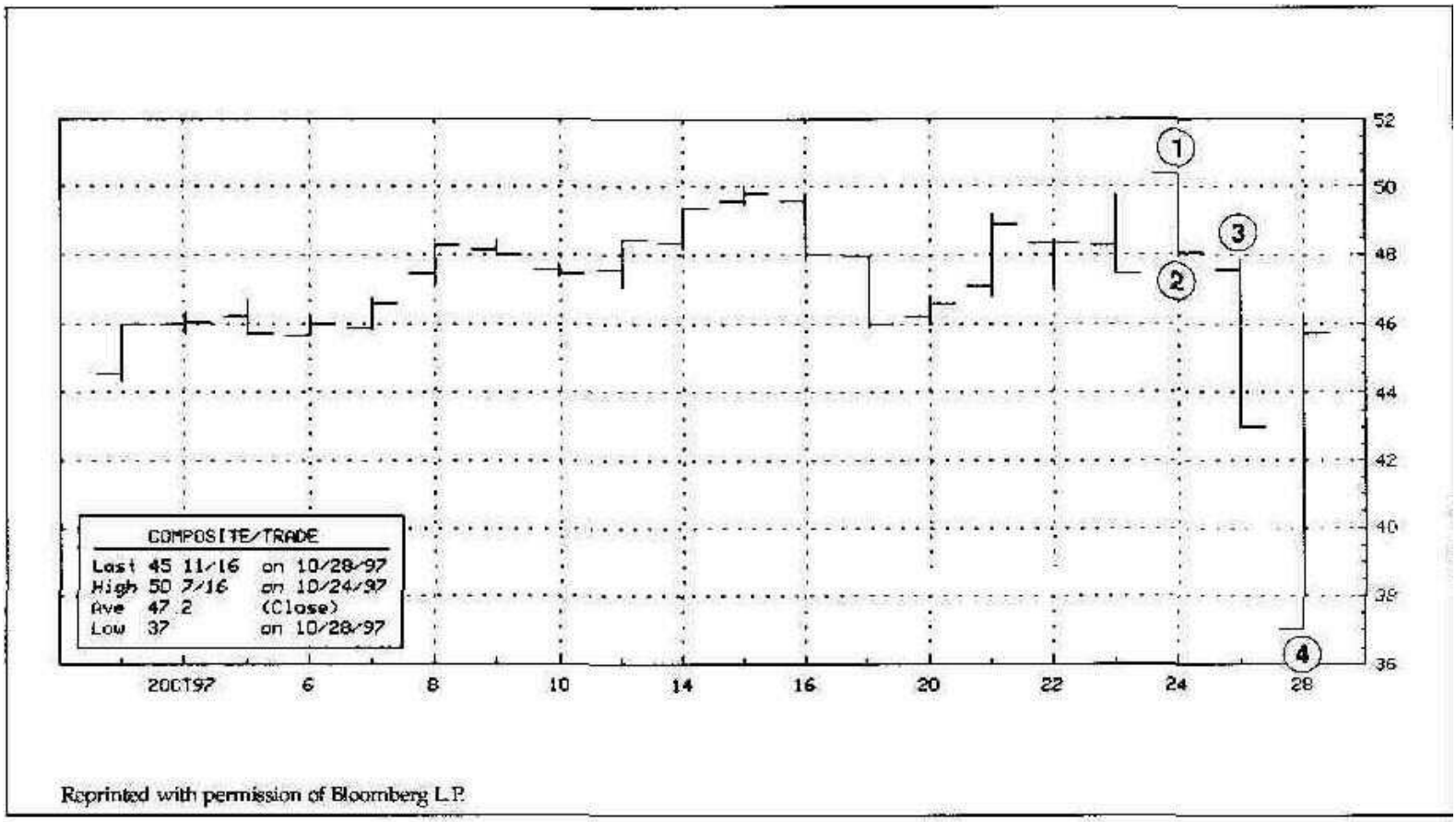
1. A 20-period **low and** a **reversal above the previous low made on January 13.**

2. **Buy on the opening and the stock explodes** more **than 6** points **higher intraday.**

EXAMPLE 15.6 SOC



1. A new 20-day high. The previous 20-day high occurred more than four trading days before.

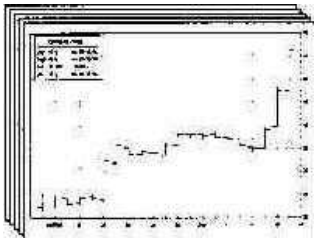
2. After making a new high, it reverses back under the previous high made on October 15.

3. Sell short at 47 3/4.

4. Opens 10 3/4 points lower the next day.

CONCLUSION

A false breakout combined with a range expansion helps "flush out" weak breakout players. These breakout traders are caught on the wrong side and help create a short-term panic. This panic causes prices to move further than normal, which allows us an opportunity to profit.



CHAPTER 16

IGUANAS

As a short-term momentum methodology, *Hit and Run Trading* is built on strategies derived from daily bar charts. However, this doesn't mean we should ignore weekly bar charts. Learning to look at the behavior of the weekly chart can often help put some pieces together. For example, if a stock has a strong reversal down on its weekly charts, it is often a signal of distribution.

You are familiar with the Lizard and Gilligan reversal strategies I showed in *Hit and Run Trading I.* In this chapter, I am going to reveal a strategy that utilizes the same concept as the Lizard and Gilligan strategies, but on a weekly basis.

2. The week's open and close must be in the bottom 25 percent of the weekly range.

   OR

3. A stock must gap open to a new four-week high on Monday and close below the week's open on Friday.

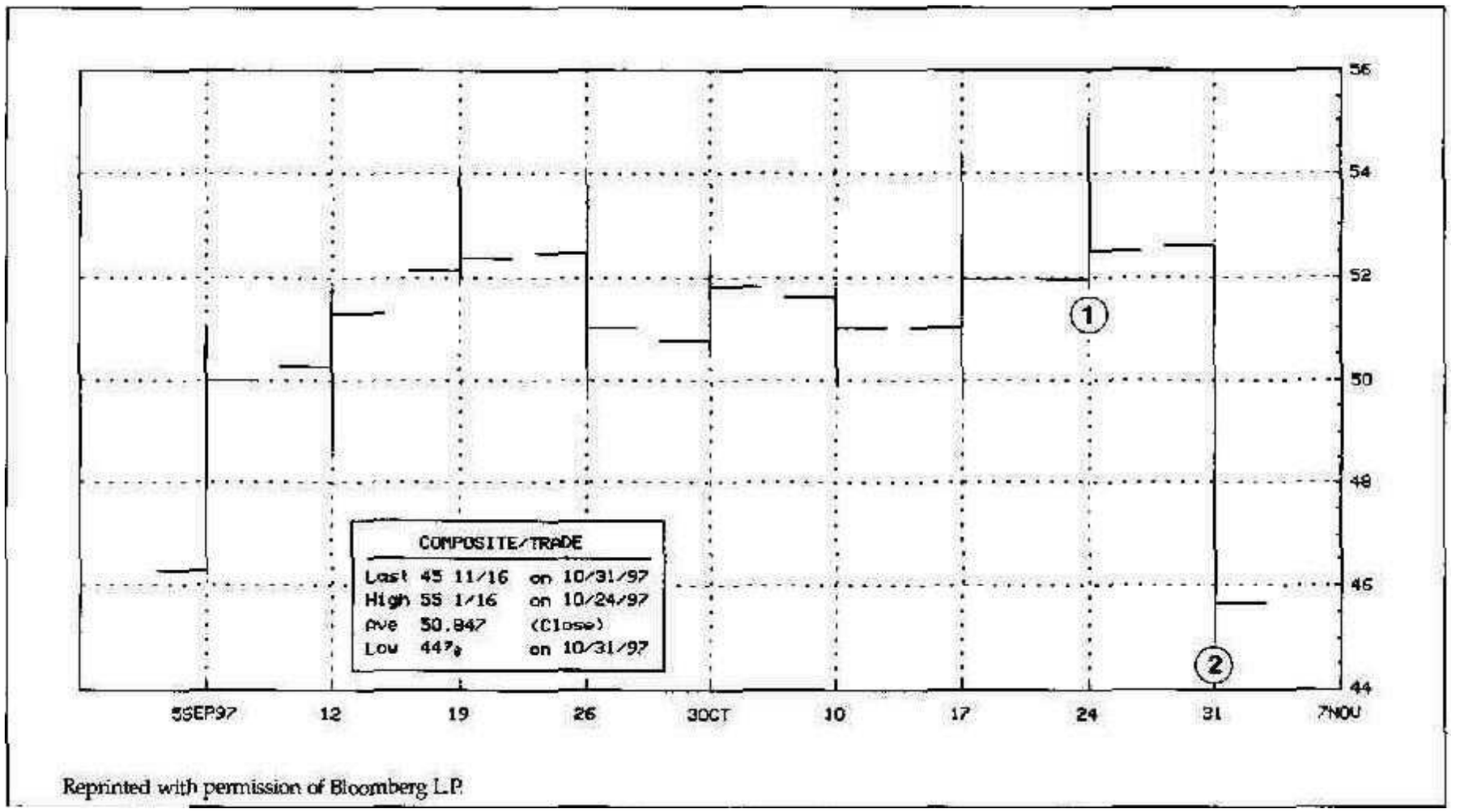
4. The following week, short 1/16 below the prior weeks low only on Monday or Tuesday. Risk 1 point.

5. If the setup is triggered and the stock closes strongly in your favor, hold at least half the position overnight, as it is likely to follow through the next day.

Since the strategy is based on a weekly reversal, I have found it is often a good idea to let a piece of the position run for two to five days, protecting gains with a trailing stop.

Let's look at some examples.

EXAMPLE 16.1 POS (week ending 10/24/97)



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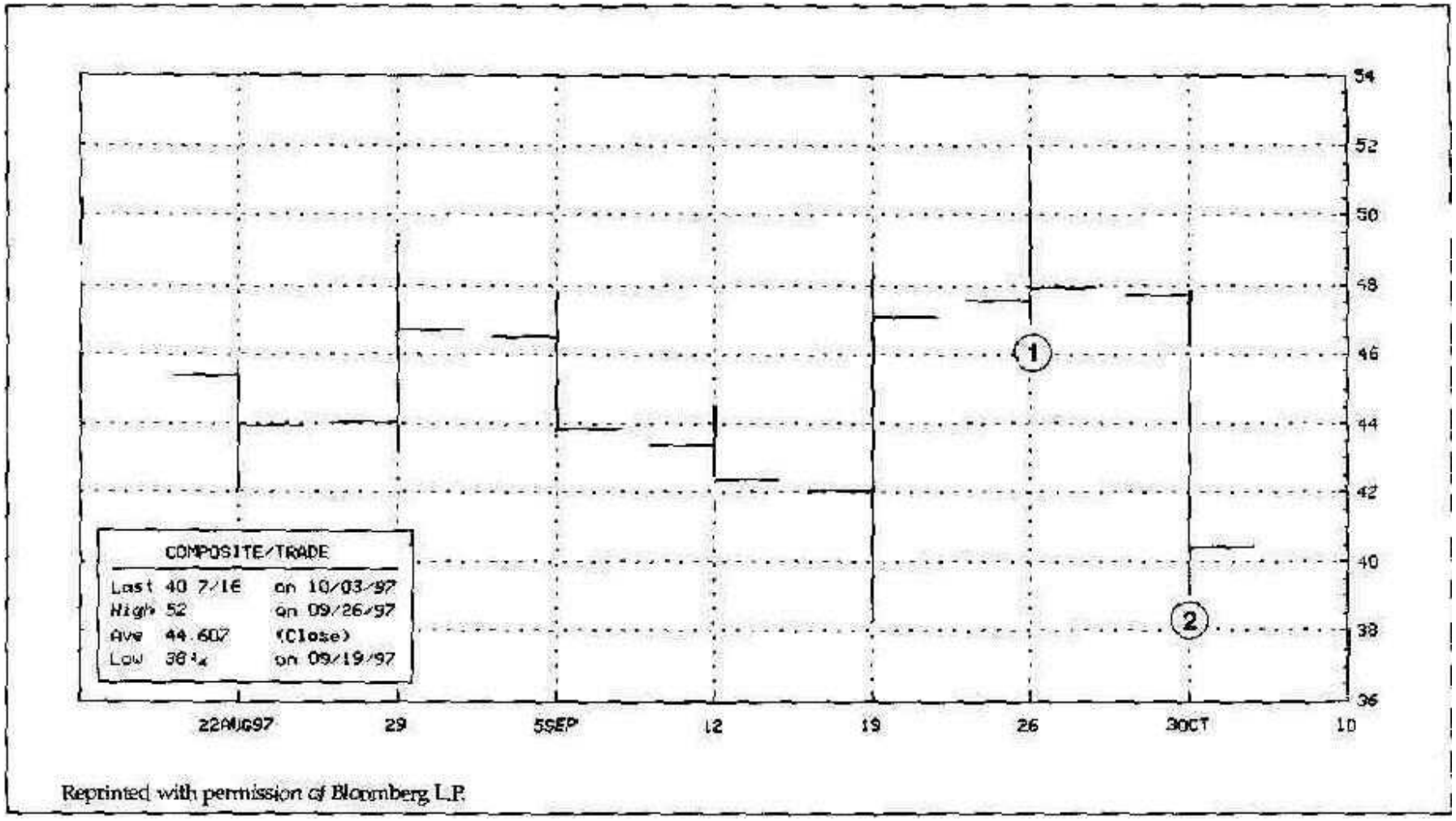
POS made a four-week high and the open and close were in the bottom 25 percent of the weekly range.

Monday, 10/27, a short is triggered when POS trades at 51 11/16, 1/16 below the prior week's low. POS closes Monday at 48 7/16. The next day POS opens at 47 1/4. We move our stop down to 48 1/4 and are stopped out with a 2 3/8-point profit.

EXAMPLE 16.2 MTZ (week ending 9/26/97)



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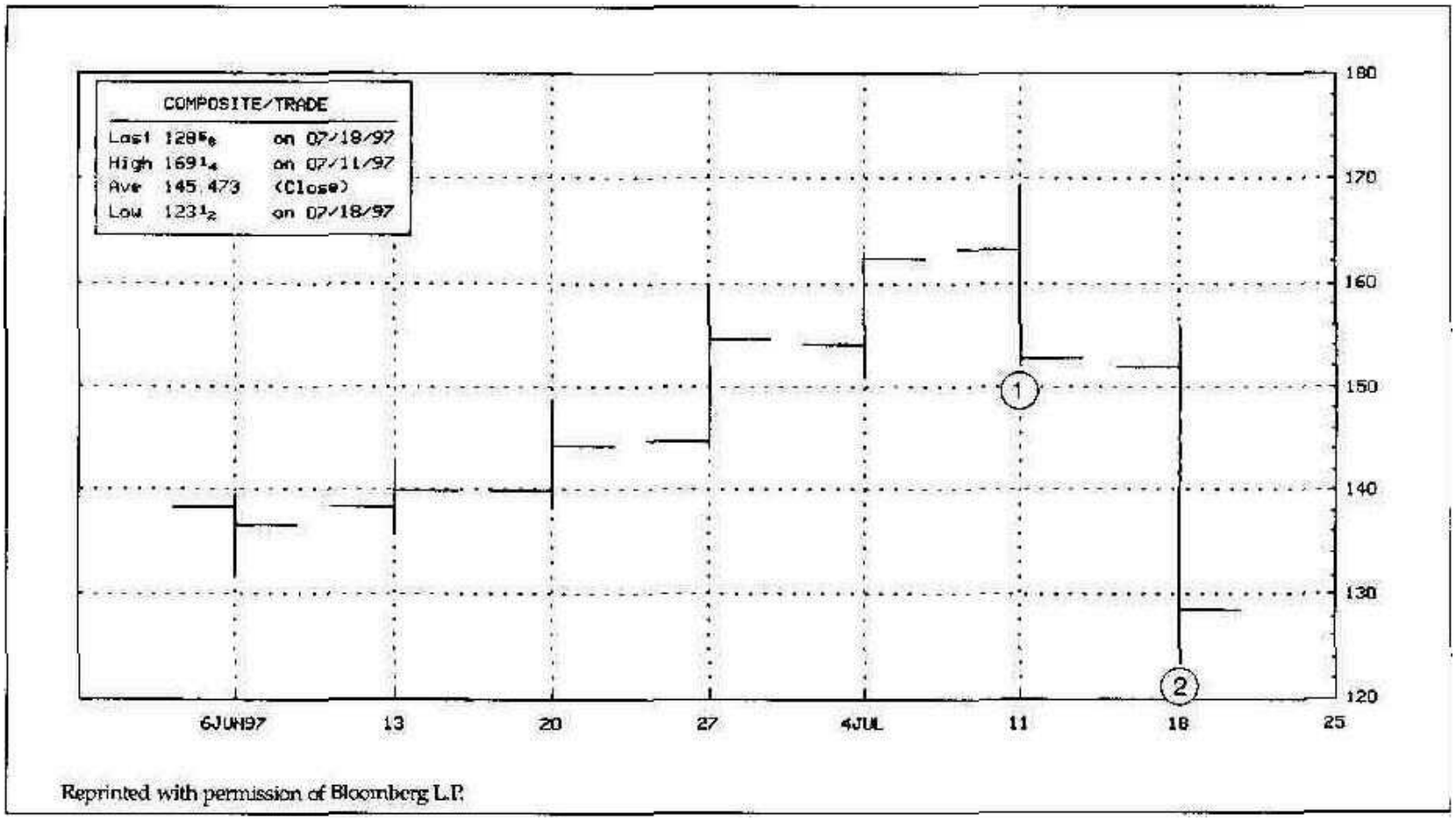
1. MTZ makes a four-week high but closes poorly, and in the bottom 25 percent range. MTZ will be a short should it trade below 47 on the following Monday or Tuesday.

2. The trade triggers at 46 15/16 and closes the week at 40 1/2.

EXAMPLE 16.3 TBR (week ending 7/11/97)

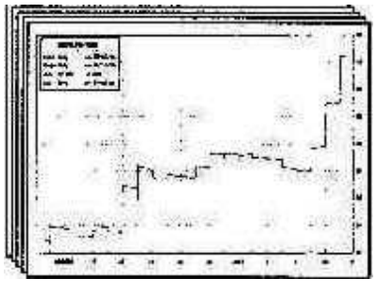


1. A gap opening, and a poor close. TBR is a short 1/16 below 151 1/8 on Monday.

2. The stock **opens** at **151** 3/4 **and** closes **at 146** 1/4 **on Tuesday.** By **the end of the** week, **the stock closes more than** 20 points **lower.**

CONCLUSION

The Iguana, although it occurs infrequently, does a solid job of identifying weekly reversals and provides a strategy to capitalize on a continuation of the selling momentum early into the following week. As with all reversal strategies, you must be extremely diligent with your stops. Many times these reversals are sharp and short lived and you must lock in the profits when they exist.

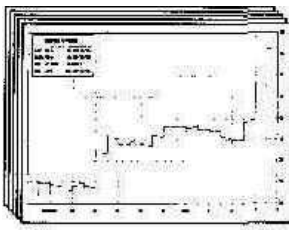


SECTION FOUR

TECHNIQUES OF A PROFESSIONAL TRADER

This section is as important as the previous three sections combined. It focuses on important pieces of trading mat most traders ignore. Among the topics we will look at are money management, stop placement, and exiting positions. We will also look at daily preparation and a number of intangible factors that separate top traders from everyone else.

I strongly urge you to read and re-read the following chapters. Understanding and mastering these principles will greatly improve your trading results.



CHAPTER 17

MAXIMIZING PROFITS WITH TRAILING STOPS

One of the toughest decisions to make as a short-term trader is where to take profits. Some traders become excited when they have a 1-potnt profit and close their position out only to see that if they had waited a few hours more, they would have made 3 points. Other traders tell themselves a 1-point profit isn't enough (even though they see the stock reversing on them) and let their gain turn into a loss.

In this chapter, I will show you how I use trailing stops to lock in profits and how they can help you maximize your gains. By combining this chapter with the next chapter (holding positions overnight versus closing them out at or before the close), you will have a formula to help you become an even stronger trader.

Before looking at the first example, let's look at what we hope to accomplish using trailing stops. Initially, upon our position being filled, we want to immediately put in a protective stop to assure us of keeping our loss small if the trade doesn't work. This is considered our insurance policy. To protect ourselves from a reversal, we will usually not move our protective stop until we have a 3/4-point profit (for NASDAQ positions this will be measured against the bid side for long positions and the offer side for short positions).

When our 3/4-point profit occurs, we immediately move our stop to approximately break-even. This means that if we buy the stock at 41 1/2 and our initial protective stop is 39 1/2, when the stock trades up to 42

1/4 (actual trading price for NYSE and ASE and bid side for NASDAQ) we will move our stop to 41 1/2 or 41 5/8, assuring us of at worst "scratching the trade" if there is no follow through.

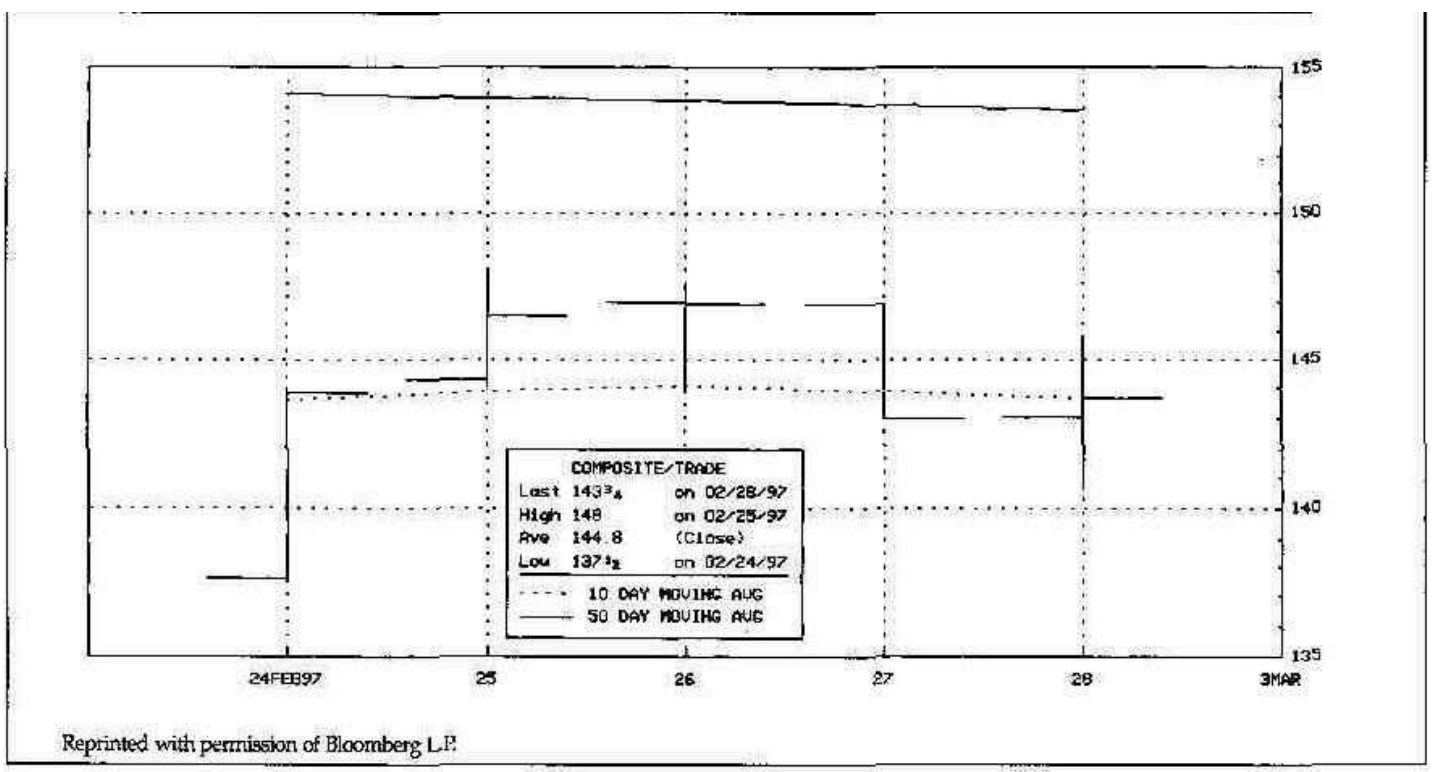
When our stock moves to a 1 1/4- to 1 1/2-point profit, we will move our stop (for at least 1/2 the position) to 42 1/8 or 42 1/4. Whether you decide to lock in the profit with the other half position is a personal choice; for me, the decision is based on experience and it is much more of an art (gut feeling) than a science. The most important aspect, though, is to *never allow a profit of at least 3/4 of a point to turn into a loss!* Remember, day-trading and short-term trading is a game of eighths, and profits must be protected!

Finally, as the stock becomes more and more profitable, your likelihood of locking in profits on half the position should increase, and of course you must continue to trail your stops to maximize your gains.

One final note: As of this writing, many NASDAQ market makers won't accept trailing stops. The solution to this is to (1) only trade NYSE and ASE stocks or (2) use mental stops and be disciplined in locking in your profits when a stock begins to move in the opposite direction.

Now, let's look at three examples of trades that triggered recently. I chose these three for their educational value, and I have intentionally included two short-sale setups to help you get used to aggressively shorting stocks when the market turns down.

EXAMPLE 17.1 IBM



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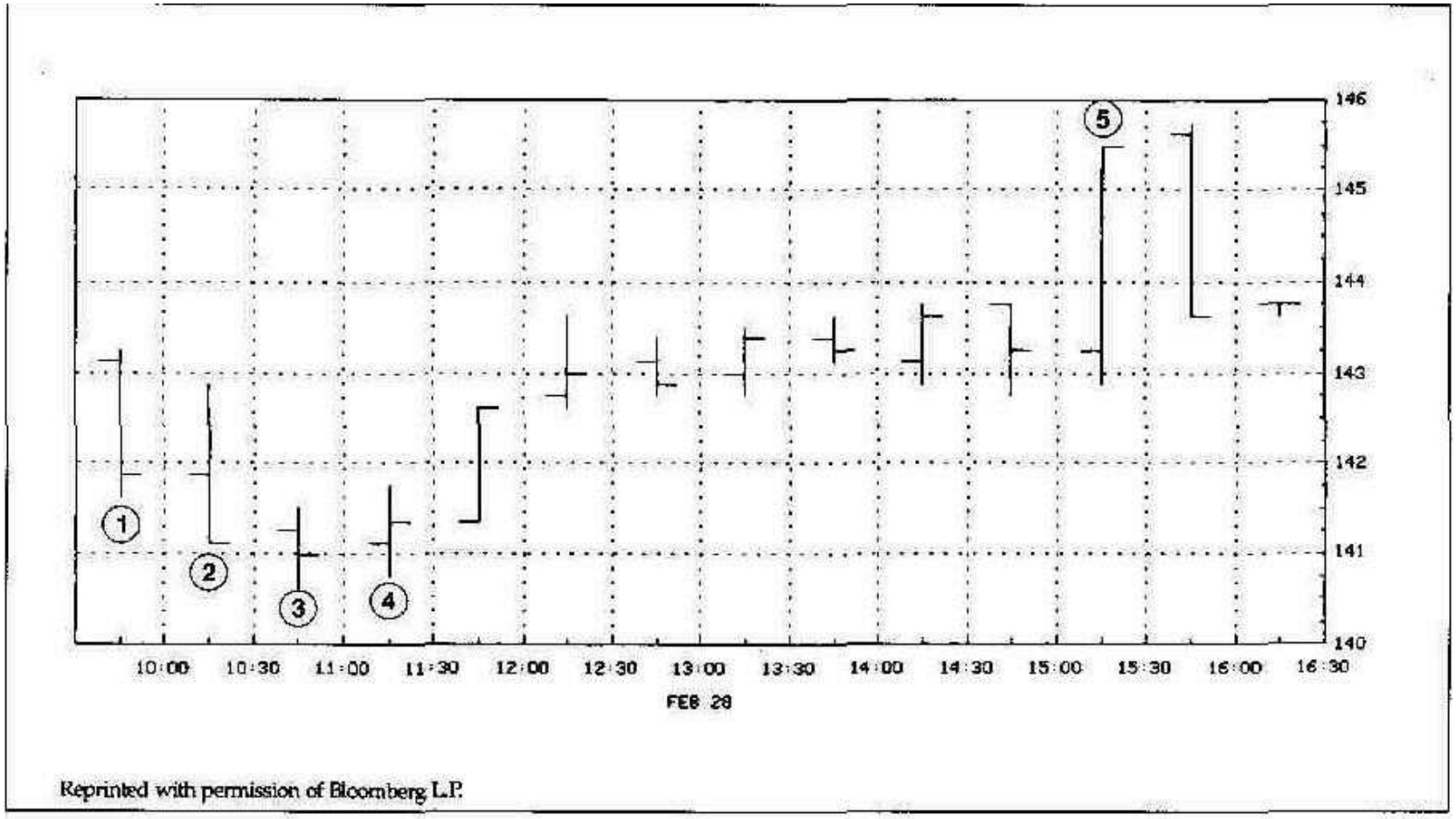


Coming into February 28, 1997, we have a 180 short-sell setup on IBM.

1. Our short sale is triggered on the uptick at 143 on a 142 7/8 stop and we risk 1 point with our protective buy stop placed at 144. Within a few minutes, IBM is trading at 142 1/4 and we immediately move our stop to break-even at 143.

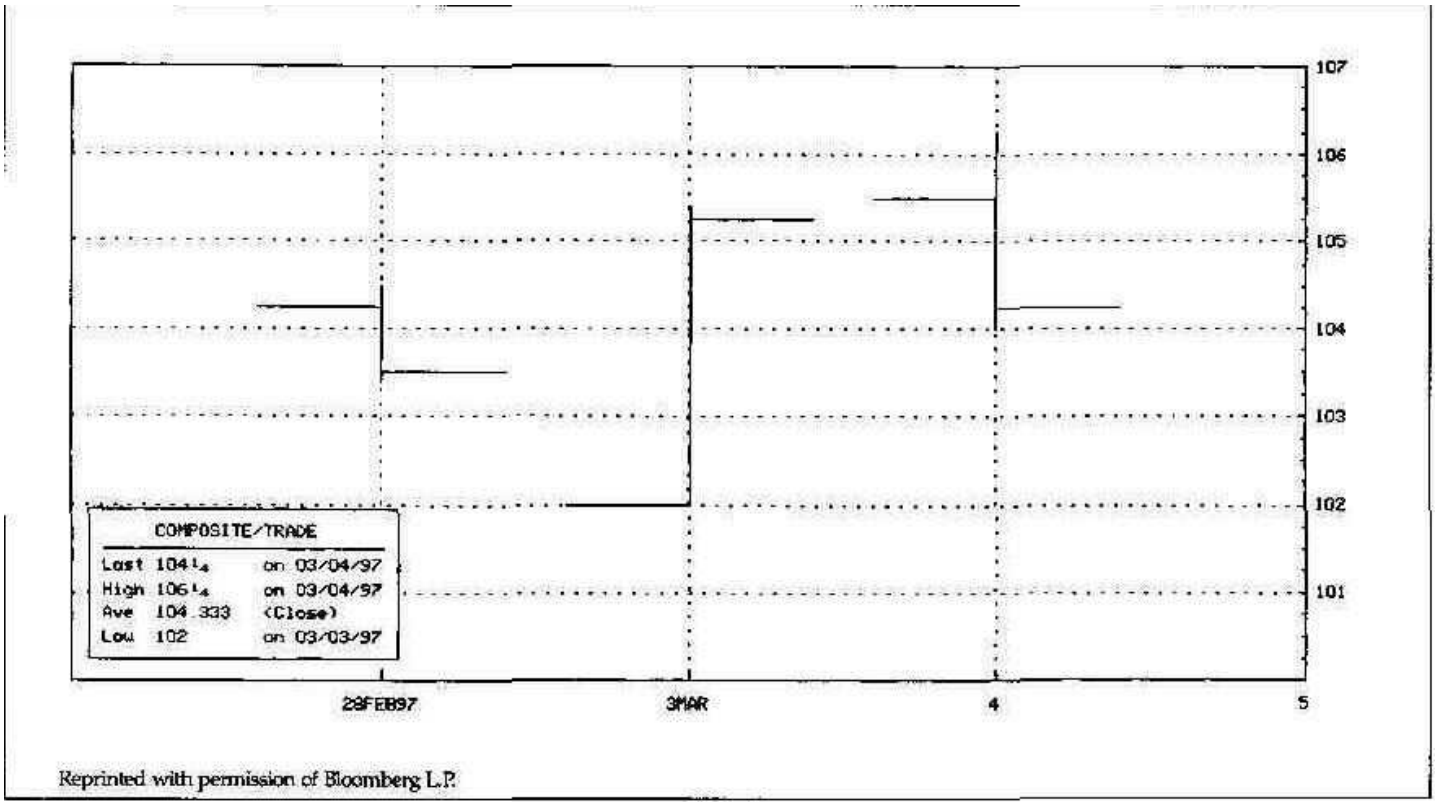
2. The stock trades to 141 1/8 giving us a 1 7/8-point profit. We move our stop to 142 (give or take an 1/8), and we have the option of buying back 1/2 our position to lock in a quick, solid gain.

3. IBM trades to as low as 140 5/8, giving us a 2 3/8-point profit and we need to move our stop to 141 1/2 to further protect our gains.

4. Our gains are locked-in and we watch .. .

5. … money in the bank lost by those traders who don't use stops!

EXAMPLE 17.2 CL



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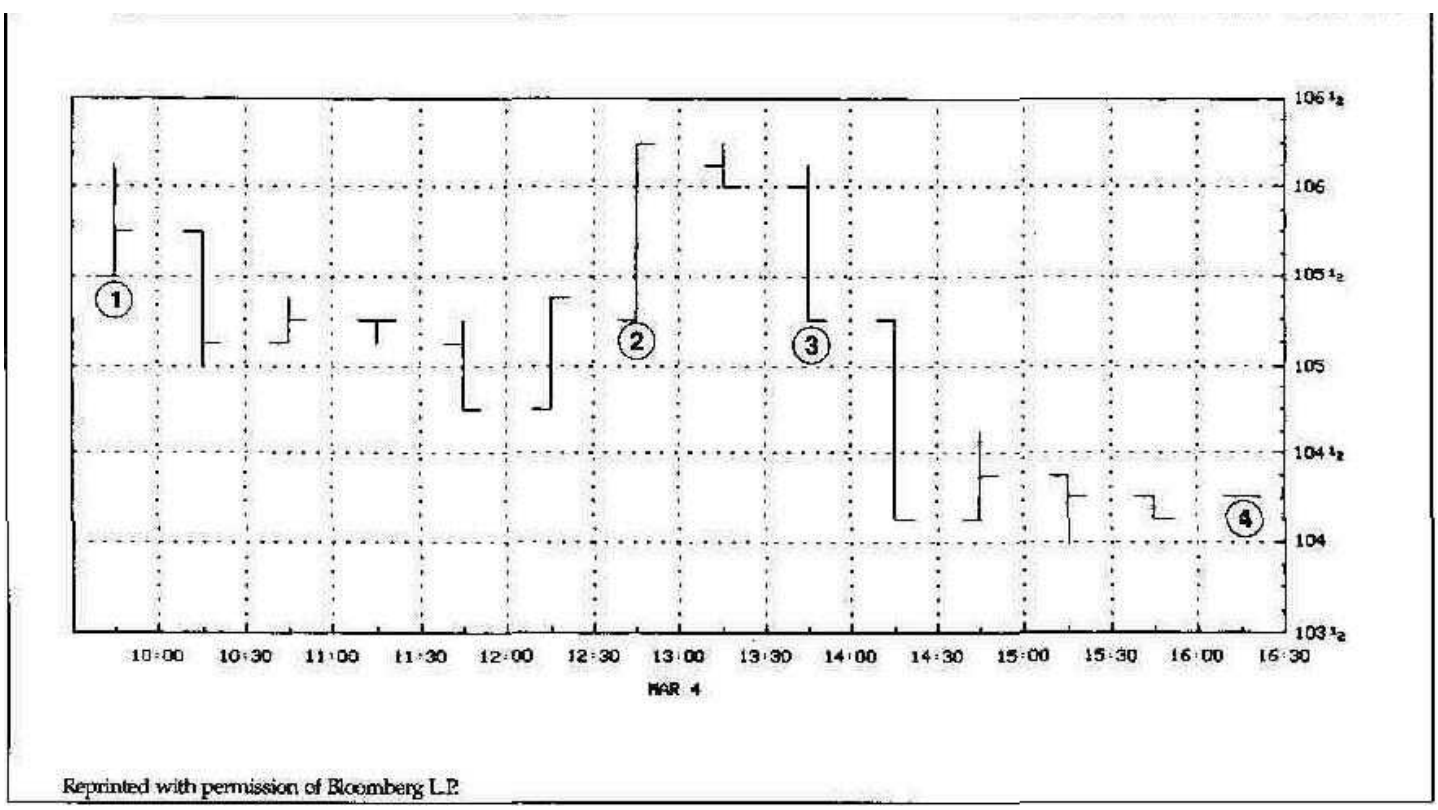

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Colgate Palmolive has a 180 buy setup that triggered on March 4,1997.

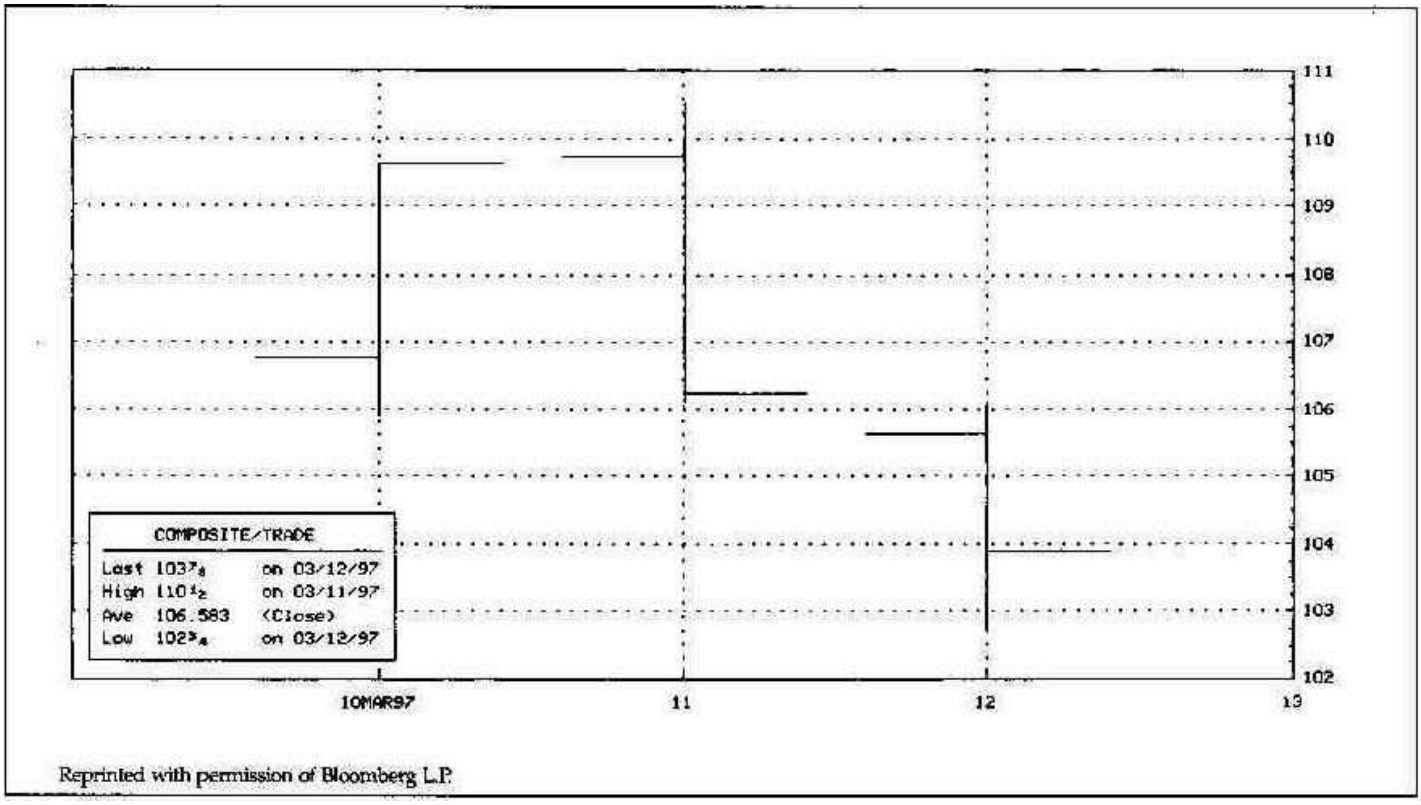
1. The 180 buy triggers on the opening at 105 1/2 (on our 105 1/4 stop), and our initial protective stop is placed at 104 1/2.

2. The stock trades in a tight range until finally giving us a 3/4-point profit. We move our stop to 105 1/2 or 105 5/8 to at worst scratch the trade.

3. No follow through for the stock and we are filled.

4. Our trailing stop strategy allows us to scratch what would have been a losing trade if we held it into the close. As I have repeatedly mentioned, I never mind scratching a trade, especially when it would have eventually turned into a loss. This is the key to preserving capital.

EXAMPLE 17.3 CMB



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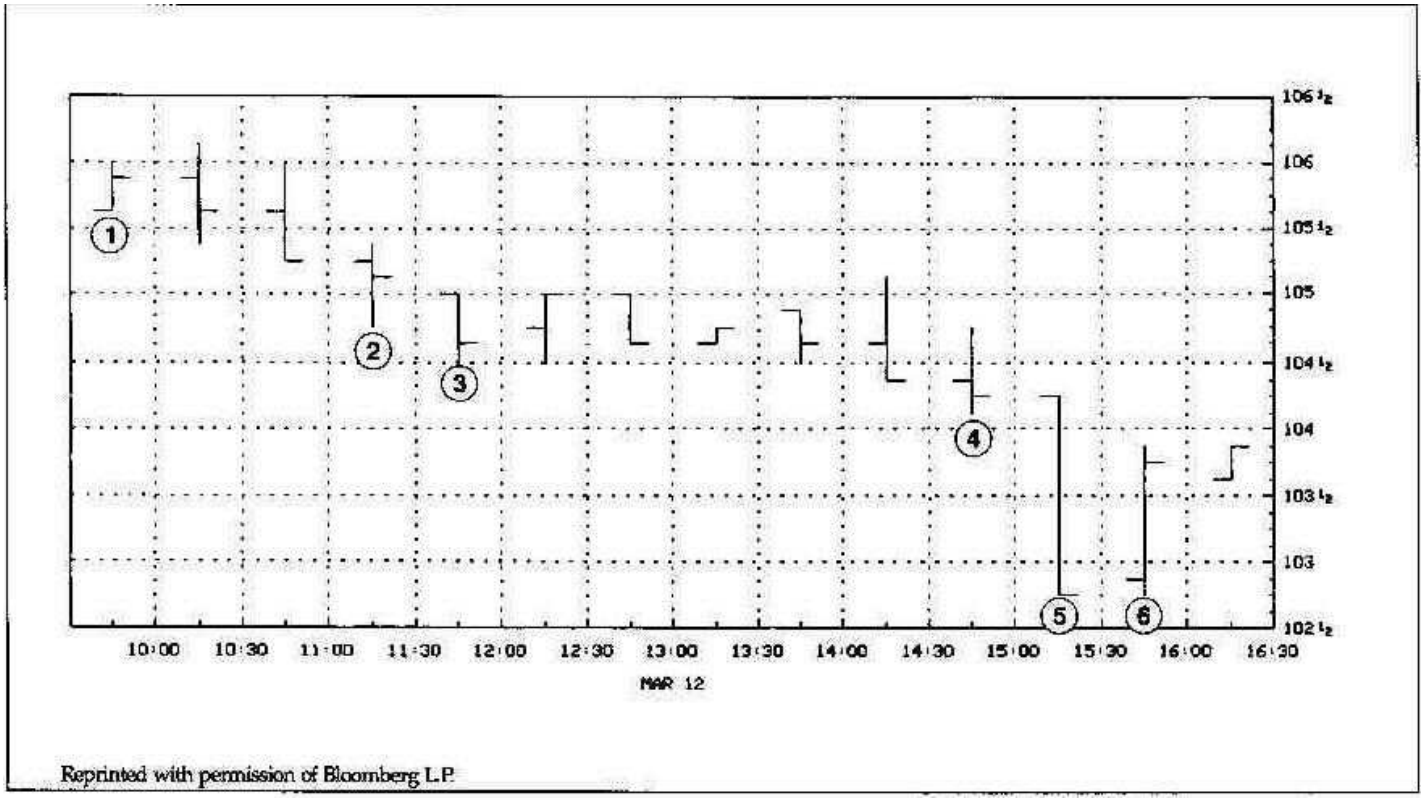

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On March 11, 1997, Chase Manhattan Bank has a Gilligan's Island setup, which triggers the following day.

1. Chase opens at 105 5/8, and the short sale is triggered on the up-tick at 105 3/4. Our initial protective stop is at 106 3/4, risking 1 point.

2. The stock slowly **sells** off, **and** within 2 **hours we have a** 3/4-point profit **and** we **move our stop to break-even (105** 3/4).

3. Another 1/2-point profit, and we should move the stop to the 105 1/4-105 1/2 range to at least lock in a small profit.

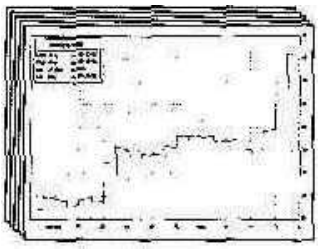
4. Our profit increases, and when the stock trades at 104 1/4, we should look to possibly buy back half our position and move our stop to 105.

5. A sharp sell-off, and the stop needs to be tightened to at least 103 3/4.

6. A 2-point profit is locked-in.

CONCLUSION

As I have stated before, I became a more profitable trader when years ago I implemented trailing stops in my trading. The only downside all traders have to contend with in using this approach is being stopped out only to see the position then move back in its original direction. This is part of the game, and I am willing to tolerate it in order to assure my locking in profits and to protect myself against large losses.



WHEN TO HOLD 'EM AND WHEN TO FOLD 'EM

In the last chapter, we looked at how to properly use trailing stops to both protect ourselves from reversals and to lock in profits. In this chapter, we will look at the all important situation of when to get out of positions intraday and when to hold them overnight.

One of the hardest things to do as traders is to let profits run. It is human nature to want to grab the profits and move onto the next trade. Many times, as "Hit and Run Traders," this makes sense, but there are times whereby holding the position overnight can greatly improve your chances of increasing profitability.

Maximizing profits is a never-ending quest that can never be made perfect. I have found though, through my research and trading, that it can be improved by implementing the following principles.

I. Never, never, never, hold a losing position overnight.

In the book *Market Wizards*, Gary Biefeldt was asked what are the elements of good trading. His reply was short and to the point, "Staying with your winners and getting rid of your losers." This obviously makes a great deal of sense and can be immediately implemented in your own

trading by *getting out of all losing positions before the dose.* This one practice alone will greatly increase your chances of profitability, as it eliminates the chances of a small loss turning into a catastrophe! (See Example 18.3.)

2. If a stock is closing poorly (in the opposite of the desired direction), take your profits no matter how small they are.

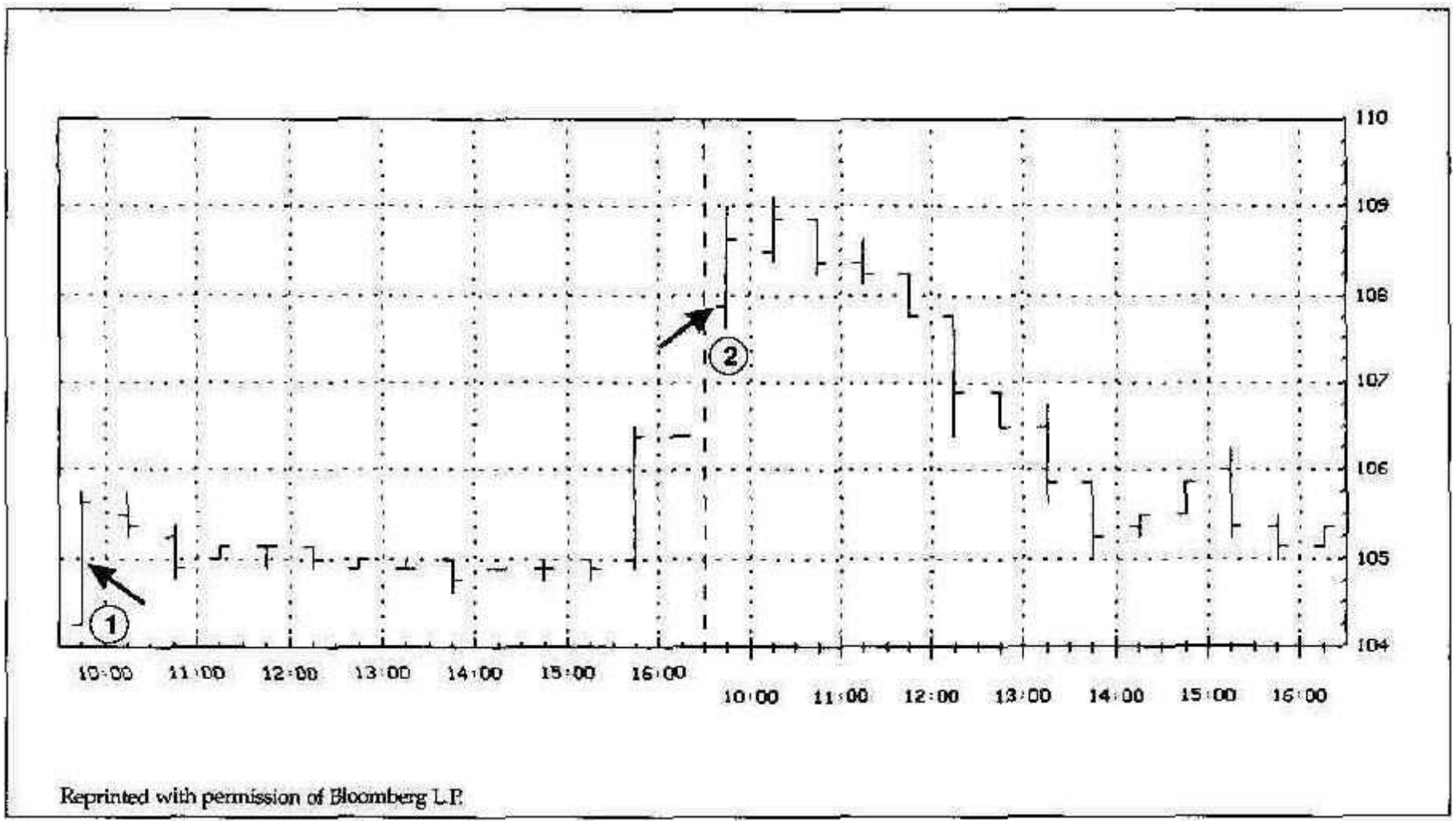
This rule will allow you to lock in profits intraday. For example, a stock you bought at 69 is trading at 71 going into the final hour. Ideally, you will want this stock not to trade under 70 3/8 (give or take an 1/8) before the close. If it starts selling off, you need to be aggressive about locking in the gains, as this sell-off may be a warning sign for tomorrow.

3. The most important rule to maximize profits: Hold strong closes (weak closes for short positions) overnight.

This one rule alone will help you further your profits more than any other. My experience has taught me that strong closes (weak closes for shorts) have a higher than average likelihood of following through into the next morning. Is this observation 100 percent correct? No! But over time, you will be able to participate in those moves that do follow through overnight and these moves can at times be substantial.

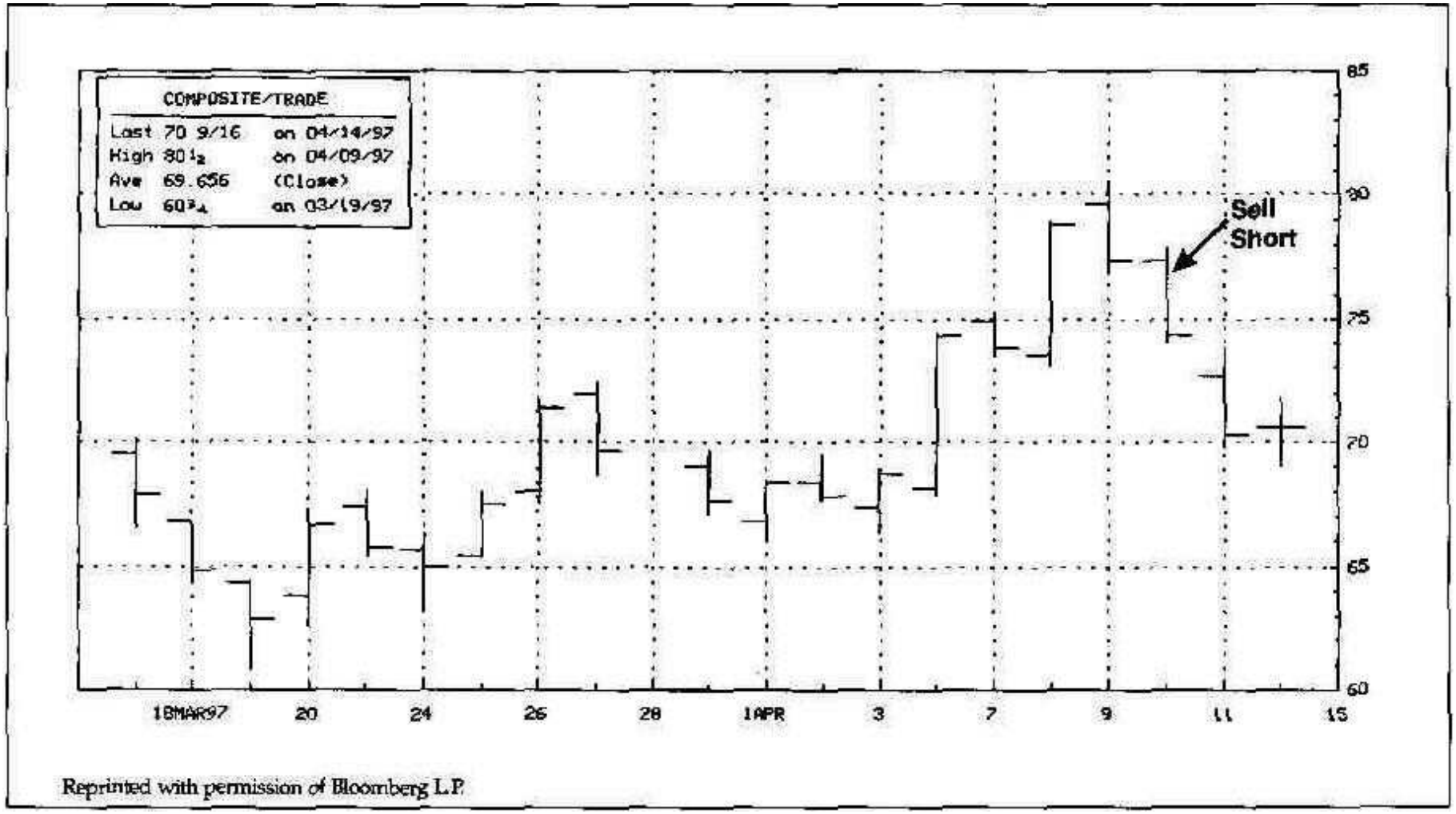
Let's look at some examples.

EXAMPLE 18.1 SLB



©Here Schlumberger triggered a Lizard buy at 104 3/4 and our stop is placed at 103 3/4. As you can see, the stock drifts sideways most of the day before exploding to the upside in the final 30 minutes. There is absolutely no reason to sell, as the stock closes very neat the high of the day. Holding the position overnight leads to an additional 1 1/2-point profit <2) on the opening and as much as 2 3/4-point profit intraday.

EXAMPLE 18.2 **DELL**



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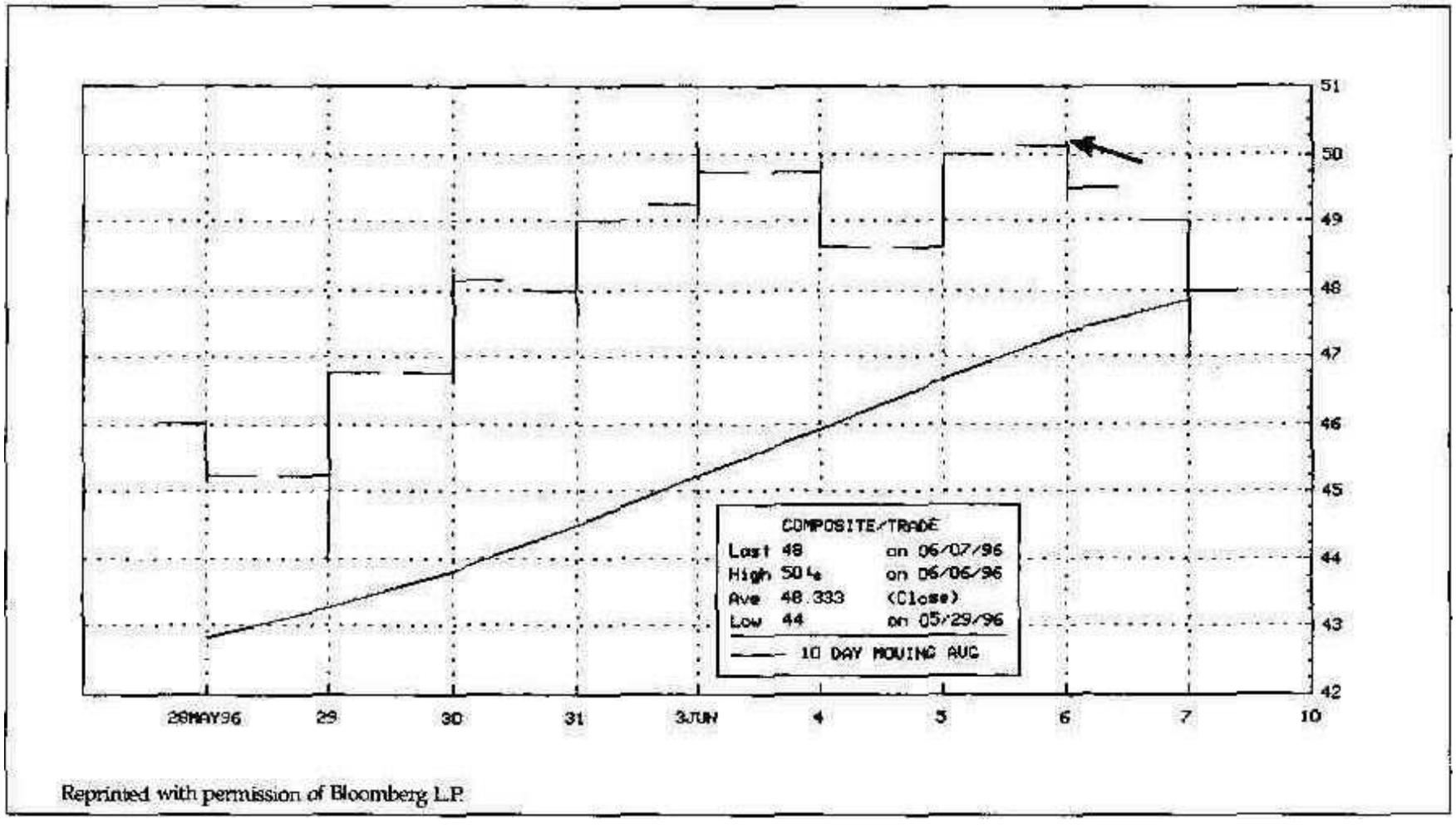
Dell had a nice Gilligan's short-sale trigger on April 10, 1997, and closed at the bottom of its range. Staying with it led to a lower gap opening and an additional 4 points the next day.

EXAMPLE 18.3 MGX



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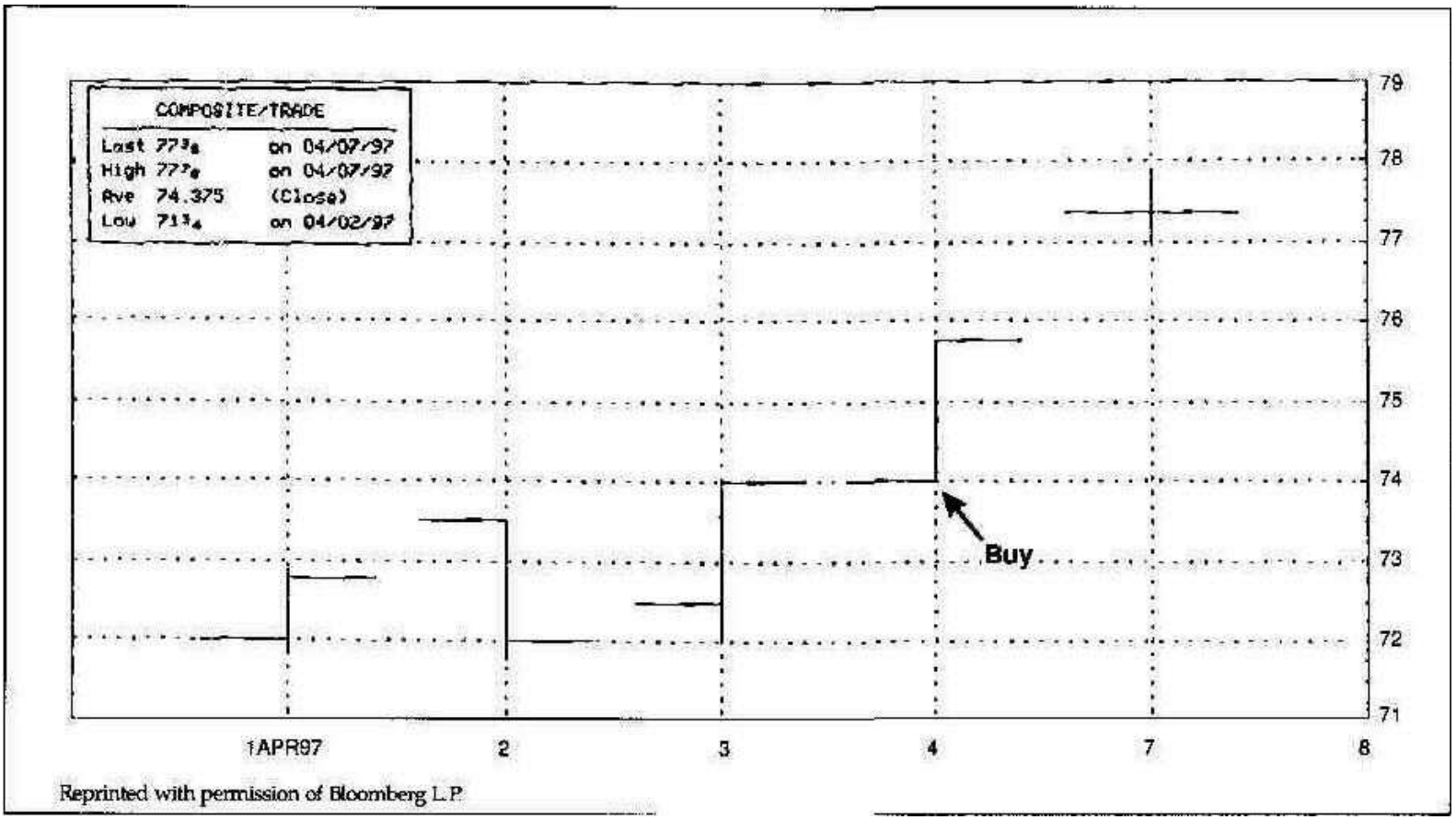
Mossimo was a high-flying stock in the summer of 1996. **On** June 6, it triggered **an unsuccessful** 180 buy **at 50 1/8. Our protective** stop **is not hit, but the** stock closes with **a 5/8-point loss. Ignoring the rules and not getting** out **of** this losing **position before the close unfortunately leads to a 1 1/2-point loss on the opening the next morning.**

P.S. Those "buy **and hold" investors who do not** believe in stops **now** own a **stock that is trading at 5 1/2!**

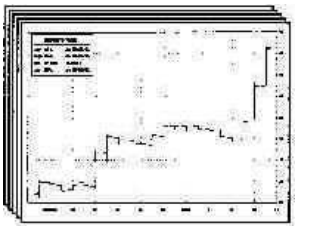
EXAMPLE 18.4 GUC



Gucci had a 180 buy setup at 74 1/8. By the end of the day there was a 1 5/8-point profit, but because of the way it closed, it lead to a 3 1/4-point profit on the opening the following morning.

CONCLUSION

By combining the last chapter with this, you are now in possession of how to properly exit trades. As I have mentioned before, this methodology is not perfect, but it is very good. There will, of course, be times where the opposite of what I am writing about will happen, but if you stay disciplined, consistent, and focused, these methods will help give you an even greater edge.



CHAPTER 19

PREPARING FOR DAILY BATTLE

From *time to time, I receive faxes and letters from traders who have read* Hit and Run Trading *and ask me how I prepare for the day or what a typical trading day looks like. Because it is critical to my profitability, I have a daily schedule •which helps me maximize my effectiveness. In this chapter, I will share with you what a day looks like, and hopefully this can help you identify areas in your own daily preparation which can be made more efficient.*

Tomorrow's trading day begins today, **one hour after the market closes.** At 2:00 P.M. PST T begin **my** routine.

The first thing I **do** is **download the** closing **prices onto my** computer. This **takes** almost one **hour and it is needed** for **me to generate my** signals, not only **for** my **own trading, but for my daily** trading **service** subscribers. While **this** is going on, I **begin scanning the stocks that had large moves for the day. I attempt to look for recurring themes, i.e., lots of Expansion Breakouts,** lots of **reversal** sells, etc. **This gives me the first** clue **as to** what to expect for **tomorrow. I then go on to look at my overbought and oversold indicators. I am looking for either extreme overbought or extreme** oversold **conditions. This will allow me to decide which** side **of the market I want to** focus on. For **example, if we are** very

overbought, I ideally want to be a short-seller tomorrow and if we are very oversold, I want to be a buyer. When this is done, I move onto the printout of tomorrow's setups. If there is a bias from my indicators to be long, I will be especially interested in the buy setups, and if I have a bias to be short, I will look closely at the short setups. Also, another gauge I use is if the overwhelming number of my setups are buys I know that the market will likely be higher (or lower if there are numerous sells) tomorrow. I first and foremost look at the setups from my weekly Hit List which I make each weekend, and I then move onto the non-Hit List setups.

While all this is happening, I have CNBC on in the background to see if any events after the close may affect the market tomorrow. For example, recently Seagate announced unexpectedly bad earnings after market hours, and that was an indication that the techs would be weak the next day (they were).

After this analysis is completed, I put the best setups onto a daily trading sheet, both for myself and my subscribers. This is my "focus sheet," and it allows me to have everything organized when I come in the next morning. The entire process takes about three hours, give or take 30 minutes.

I am at my desk at 5:00 A.M. PST the next morning. I immediately look at the night markets (S&Ps, bonds, and currencies), and I glance at the foreign markets. This gives me a feel for the sentiment for the morning. I then put on CNBC for the news, and I scan *Investor's Business Daily* for any interesting stock movements I might have missed. At 6:00 A.M., I try to touch base with at least one trading desk I use in order to see if they have any news of interest. I also use the time to confirm any positions held overnight.

When the bell goes off at 6:30 A.M., I am prepared. In spite of this, I always have butterflies in my stomach (a permanent condition), and I am tense. The stocks I am focusing on for the day are on the screen in front of me, and I place orders (stop orders) as my setups trade close to the trigger point. I also place protective stops in on positions held from the previous day.

The first 60 minutes are for me the most hectic and stressful. Setups often trigger at the same time, and I must be alert and quick. Because I only trade momentum stocks, a 30-second lapse can cause me to enter a trade

late and turn what should have been a winning trade into a loss due to a poor fill.

As far as outside interference, I have virtually none. My wife knows not to bother me during the trading day (unless she is dying) and to hold all personal matters until the night. After 7:30 A.M., I usually speak with one or two trading friends and we share thoughts and ideas, but my eyes and focus are on the screen. This scenario plays itself out for the next five hours until 12:30 P.M. PST when things get stressful again. In the last thirty minutes of trading, I need to decide whether or not I will get out of any or all my positions or carry them overnight. Ideally, I will carry the strongest performing ones overnight, but on strongly trending days, this can be four or five positions. This is usually too much exposure for me, and I need to decide which positions I will pare off. At 1:00 EM. PST, the market closes, and I spend the next 30 minutes on the phone with the trading desks confirming my trades. I then take about a half an hour to eat lunch (and relax) before beginning the routine for tomorrow.

The following are sample worksheets that I trade from daily . . .

***NOTE:** You will see a strategy identified as HG2. This is a term I originally used for a pullback setup co-created with a friend. It now stands for any setup which I like but does not fully comply with the rules.

COOPER TRADING INC. SMALL CAP FAX SERVICE 30 April 1998

TREND CONTINUATION (LOWEST RISK OF THREE) *Boomers(BM) • 1-2-3-4s • HG2s • 180s • Whoops (WP)*	REVERSALS (COUNTERTREND -- BE NIMBLE) *Gilligan's Islands (GI) • Lizards (LZ)*	RANGE EXPANSIONS/NEW HIGHS/LOWS (MOST VOLATILE) *Expansion Breakouts(XBO) • Expansion Breakdowns (XBD) • Expansion Pivots (XPT) • Slingshots (SLG)*

Symbol	Strategy	B/SS	Entry Protective Stop
✓SHR	BM	B	75 1/8 74 1/8
MTW	HG2	B	45 1/8 44 1/8
SDG**	HG2	B	83 3/4 82 1/2
WHR	HG2	B	71 1/2 70 1/2
CHP	180	B	54 1/4 53 1/4

Symbol	Strategy	B/SS	Entry Protective Stop
–NONE TODAY–			

Symbol	Strategy	B/SS	Entry Protective Stop
WAC**	XBO	B	41 5/8 40 5/8
BEC**	XPT	B	56 1/4 55 1/4
BWA**	XPT	SS	60 3/4 61 3/4

MARKET GLEAMINGS: TOM on the upside and SJK on the downside; both still look interesting.

Possible Stepping In Front Of Size Carryovers

Size Buyers Near The Close	Size Sellers Near the Close	60 Day New Highs	60 Day New Lows
WAC WHR	--NONE--	WAC	--NONE--

COOPER TRADING INDICATOR
3

*MULTIPLE SIGNALS. **NOT ON THE HIT LIST. ✓ HIGH VELOCITY.

GAP RULE: Any buy recommendation that opens 3/4 point above the stated entry price and any sell recommendation that opens 3/4 point below the stated entry price should be ignored for the day.

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COOPER TRADING INC. BIG CAP FAX SERVICE 30 April 1998

TREND CONTINUATION (LOWEST RISK OF THREE)	REVERSALS (COUNTERTREND -- BE NIMBLE)	RANGE EXPANSIONS/NEW HIGHS/LOWS (MOST VOLATILE)
Boomers(BM) • 1-2-3-4s • HG2s • 180s • Whoops (WP)	*Gilligan's Islands (GI) • Lizards (LZ)*	*Expansion Breakouts(XBO) • Expansion Breakdowns (XBD) • Expansion Pivots (XPT) • Slingshots (SLG)*

Symbol	Strategy	B/SS	Entry Protective Stop	Symbol	Strategy	B/SS	Entry Protective Stop	Symbol	Strategy	B/SS	Entry Protective Stop
✓FILE**	HG2	B	53 3/4 52 1/2	✓ICIX	GI	B	71 70	GPS	XBO	B	48 1/2 47 1/2
PFE**	HG2	B	113 1/2 112 1/2					RON**	XBO	B	66 3/4 65 3/4
LU	180	B	74 7/8 73 7/8					SLB**	XBO	B	83 7/8 82 7/8
GDT**	1-2-3-4	SS	65 1/2 66 1/2					DH* **	XPT 180	B	85 3/8 84 3/8

MARKET GLEAMINGS: Last night, I recommended two stocks in the oil service group – SLB and CDG. Whenever I show more than one stock in the same group, it should alert you to focus on these names and to look at the overall group. Demand (versus supply) looks like it's back in control in the oil service sector.

*MULTIPLE SIGNALS. **NOT ON THE HIT LIST. ✓ HIGH VELOCITY.

GAP RULE Any buy recommendation that opens 3/4 point above the stated entry price and any sell recommendation that opens 3/4 point below the stated entry price should be ignored for the day.

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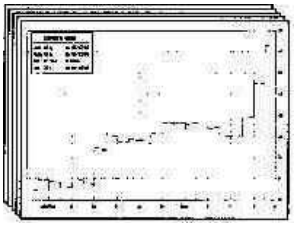
CONCLUSION

There are many outsiders who think that traders have the easy life. They believe, for example, that because I live on the west coast, I trade from 6:30A.M.to 1:00 P.M. and by 1:15 P.M, I am surfing. I wish this was true, but it is not. Trading is a full-time profession, no different than any other high-stakes profession. There are lots of very smart people and lots of very advanced computers that are vying to do the same thing that we are, and unless you commit yourself 100 percent to this game, your results will fall short. This is the one thing I can guarantee. On the other hand, with the chance to make a nice living and a chance to answer to nobody but yourself, the effort is worth it.

I hope this gives you some insight into the way I conduct my business and it provides you with some thoughts on making your day even more efficient. This added efficiency will take your profitability even further.



CHAPTER 20

THE EDUCATION OF A STOCK TRADER

Over the past two years, I have been interviewed by a number of newspapers, radio shows, and website chat rooms. I thought it would be interesting to have a trading friend take the best questions, add a few of his own, and have me answer them in one session.

Q: You often talk about the importance of being prepared each day. Can you expand upon this?

A: I believe daily preparation is key. You must have the names you are going to trade, you must be aware of their trigger points, and you must have a plan of attack well before the morning bell rings. Many people are lazy and try to wing it. Sorry, but this doesn't work. Daily preparation is tedious, but it is also a necessity.

Q: Beyond preparation, what role does money management and entry techniques play?

A: Entry technique is important, but money management is more important. It will sustain you through choppy markets and dry periods. I tell people they should pat themselves on the back for scratching a trade or taking a small loss. When I learned to scratch

a trade or take an 1/8 or 1/4-point loss, I became a more profitable trader. It leaves me with a fresh opportunity to take another trade with more potential.

Q: Do you have a favorite strategy/pattern?

A: Stepping in Front of Size™ is first. I also very much like pullbacks in strong trends such as the 1-2-3-4 strategies and the 5-Day Momentum Method. Also, some of my biggest gains have come on stocks that had multiple setups pointing in the same direction.

Q: You have at least two dozen strategies. Do you trade them all?

A: It is impossible to trade them all at the same time. I do trade them all over time.

Q: How often are you wrong?

A: More than most people think. I am wrong at least 40 percent of the time, if not higher. This is where the protective stops come in and get me out with only a small loss.

Q: Why do you think most people eventually get chewed up trading?

A: Two reasons. First, they are in the wrong stocks. You must be in the stocks that are strongly trending and have some volatility.

Second, they don't know how to take a loss. They let small losses turn into large losses, and this paralyzes them both emotionally and financially. I can't tell you how many faxes and letters I receive from people who have read my book and still don't use protective stops! They call my office asking for my help. I tell them, to re-read my book and make darn sure they have stops in on every trade.

Q: On most days, there are too many stocks with your setup patterns. How do you pick the ones to trade?

A: I work four to six hours after the close on Friday identifying the best trending stocks (up and down). From this, I create my "hit list." Each day I spend up to three hours focusing on the action that occurred. I am first looking for multiple setups on my list, then the best setups from my list and then any other setups from my universe of stocks that look interesting. Obviously, this process is quite subjective, and my names won't be the same names someone else will come up with.

Q: Then does gut and intuition play a role in your trading?

A: I have a sense of how certain stocks trade and their personality. My intuition began to blossom as I created my methodology and had fewer things to focus on. Someone trading the Hit and Run methodologies for years will be much better than someone trading it for the first time.

Q: Let's talk about taking positions home overnight.

A: If a stock closes strongly in my favor, I will often carry at least half the position into the next day. I almost never carry a losing position overnight. The few times I have, I paid for it dearly.

Q: Do you take overall market activity into consideration?

A: Yes, the market tone guides me to how aggressive I want to get. No matter how strong a setup is, if the overall market is moving in the opposite direction, I know the setup is less likely to succeed.

Q: Your methodology is to hit a lot of singles. Ever get the urge to hit a home run with your trading?

A: Of course. The temptation is always there. Fortunately, I have learned to control it. I get very angry at myself when I allow a profit to evaporate because I thought this was the big one.

Q: Do you ever add to a position intraday?

A: Sometimes, but not often. It will happen when, for example, a setup triggers at 85 1/4 and I buy 1,000 snares. If it's a thinly traded stock and someone bids 10,000 shares at 85 3/4,1 will step in front of him and buy another 500 shares. The buyer is protecting me, and the odds favor this as a low-risk entry.

Q: Are all signals created equal?

A: No. A signal is much stronger at new highs or new lows than if it occurs in congestion. Also, multiple signals are better than one signal.

Q: Are you absolutely rigid to the rules?

A: Yes and no. Yes in that I need structure and no because flexibility is important. Let me explain this further. The rules state for Expan-

sion Breakouts that today must be a 60-day high or low. If it's a 58-day high or low, I'll take the trade. The concept is the same, and two days aren't going to make a difference in the setup's performance.

Q: Do you focus on the bigger picture?

A: I am aware of it. Obviously, it's been easier to focus and trade on the long side over the past few years than the short side. When we start trending down, my focus will be to the short side.

Q: You once said that when you feel out of sync with your trading, you only Step hi Front Of Size to get your rhythm back. Is that still true?

A: Yes, for me it's my bread-and-butter strategy and it provides me with the best edge.

Q: Then why not only trade one strategy?

A: For a few reasons. I get very bored only trading one setup. Also, Stepping In Front Of Size requires added focus, and I sometimes like other strategies that are a little less mentally strenuous.

Q: What outside sources do you rely on?

A: CNBC. It helps me gather a general framework on what's going on.

Q: Do you ever trade off of their advice?

A: My father told me never to say never. In this case, I'll make an exception: Never!

Q: You're expressing a tinge of cynicism.

A; As a kid, I would watch my father trade. Whenever I said "look at that stock move," his reply was always, "Stocks don't move, they ARE moved!" Time and time again, I see market manipulation. You have to get a little cynical and ask who's moving this stock? Also, time and time again, I see brokerage houses upgrade stocks only to see the stock gap higher and sell off. You don't have to think real hard as to who is doing the selling.

Q: You are sometimes buying a stock one day and shorting it the next. Isn't mis difficult?

A: You can't personalize a stock. If you think it's going higher, you buy it, if you think its going lower, you short it. The toughest part is to go long, be wrong, and then stop yourself out with a loss and go short. The human mind is wired to avoid pain. Once a stock bites you, it is against human nature to turn around and trade the same stock again, but that's where some of my largest profits have come from. My best trades have come when I was wrong about direction, took the loss, and turned around to trade the opposite direction.

Q: Do you surf?

A: (Laughing) I thought we were talking about trading, but I know where you're coming from. You'd be surprised at the number of people who ask me that question. Many think because the markets close at one o'clock on the West Coast, I take off and go play. My day runs from 5:00 A.M. into the early evening. I do not know many successful people whose day is much different. There is a price to pay, and unfortunately long hours is part of it.

Q: Then you're obsessed?

A: You're not far off, but again I'm not much different from other people in this respect.

Q: Do you trade futures?

A: No, it's not my cup of tea. I do watch the S&P and bond futures closely in order to gauge the market.

Q: What about options?

A: From time to time. I much prefer equities, though.

Q: How do you handle rumors and tips?

A: Like most people, I used to pounce on most of them. 1 now only have to review my tax returns to remind me of the consequences. It's a bad habit which I broke years ago.

Q: Talk more on the mind frame of taking losses.

A: There's a certain psychology that is required to take a loss. Unfortunately, this mind frame is totally against the norm for most people. Let me give you an example. A surgeon is trained to be as close to

perfect as possible. Most surgeons will be successful 90 percent if not higher in the surgeries they perform. They do not know how to lose, and this is a wonderful trait. Now, this same surgeon retires and decides he wants to spend his retirement trading. He will trade the same way he practiced his profession, absolutely trying to win every time. Taking a loss is not in his psychological make-up. He will work a losing position as hard as he works a surgery that's gone bad. He will do everything he can to save the trade just as he has done in surgery every day for the past 35 years.

Most successful individuals are the same, they personalize a loss and apply an "I am going to will this thing to succeed" approach just as they did to succeed in other parts of their life. In trading though, this is a kiss of death. To be profitable at this game, you must learn how to lose. You must be willing to take small losses 40 to 50 percent of the time. The profits will take care of themselves. It's the losses that need to be focused on. It is impossible to will a loss into a gain, and as soon as one becomes enlightened to this, their world improves.

Q: So, taking losses is more important than locking in profits?

A: Exactly.

Q: Anything more on this?

A: Yes, market opinions. The Street is cluttered with market bears who refused to acknowledge the bull market of the 90s. These people had their self-worth so wrapped-up in their opinion that they not only missed one of the greatest market moves in history, they also got wiped out in the process.

I have been bearish since late 1995, yet I have had some of my most profitable years trading.

Q: How did you do that being bearish?

A: By going with the overall trend. Wall Street doesn't give a damn if Jeff Cooper is bearish. The market is going where the market wants to go no matter what I think. My livelihood is dependent upon predicting prices for a few hours to a few days. If I allowed my bearish opinion to overwhelm me, I would have missed literally thousands of profitable trades over the past few years.

Do you have the urge to pick tops and bottoms in the market?

I gave that game up years ago. It's a losing proposition.

Why then is Wall Street and the public so obsessed with trying to do this?

Ego. There's an emotional reward by calling tops and bottoms. It's far easier and financially more rewarding to trade short-term in the direction of the trend.

But you do have patterns to pick off tops (and bottoms)?

That's right, but they are mostly one- to three-day setups. Many major tops and bottoms are Gilligans and Lizards, but few Gilligans and Lizards are major tops and bottoms.

Do you have losing streaks?

As time passes, they become fewer and fewer. I often have bad days but rarely bad months.

Let's go back to trading specifics. You once said that you are impatient with stocks. What did you mean?

If a stock doesn't move immediately in my favor, I am quickly moving up my stops. My strategies are such that a stock should immediately become profitable. If it doesn't, I get very antsy.

So you move your stop closer, get stopped out, and then the market explodes the way it should!

It sometimes happens. It's unfortunately part of the game.

Ever get used to it?

It used to piss me off to no end. Now I just scream and move on.

You earlier used the phrase "getting to know the personality of a stock." What do you mean?

Stocks don't all trade the same way. Specialists move them around differently; some fluctuate around a commodity price such as the oil service and oil stocks, and some trend smoother than others.

How does one learn a stock's personality?

A: By trading it over and over. It is no different than spending time with a friend. Over a long period, you get to know him or her very well. Their behavior becomes more and more predictable.

Q: Are there stocks that don't fall into this category?

A: Yes. There are certain stocks I absolutely can't make money in. Guidant (GDI) is an example. No matter how great a setup is on this stock, it does the opposite of what it should. There are many others, and over time I just give up on them. Luckily, there are many that do what they are supposed to do.

Q: How many trades do you make a day?

A: Six to ten on average.

Q: That's healthy. Your broker must love you. And how many positions at a time?

A: Obviously, the fewer the better. Once I get up to five or six, I begin to lose the needed focus.

Q: So you're in front of the screen all day?

A: Yes, pretty much.

Q: You work out of your home. Are there distractions?

A: Not really. My wife is terrific and knows not to acknowledge my existence until after market hours.

Q: What about the outside day-to-day distractions? You're building a home in Malibu as we speak.

A: My contractor is under strict orders not to call before 1:00 P.M. unless there's an emergency. I pretty much try to drown out most of the world until the market closes. Focus for me is important.

Q: Do you trade every day into the close?

A: If I have a big morning I call it a day. Otherwise, yes.

Q: Vacations?

A: Two to three weeks off at the end of the year. No markets, no quotes, nothing. I don't care if they blow Wall Street up. I'm on vacation.

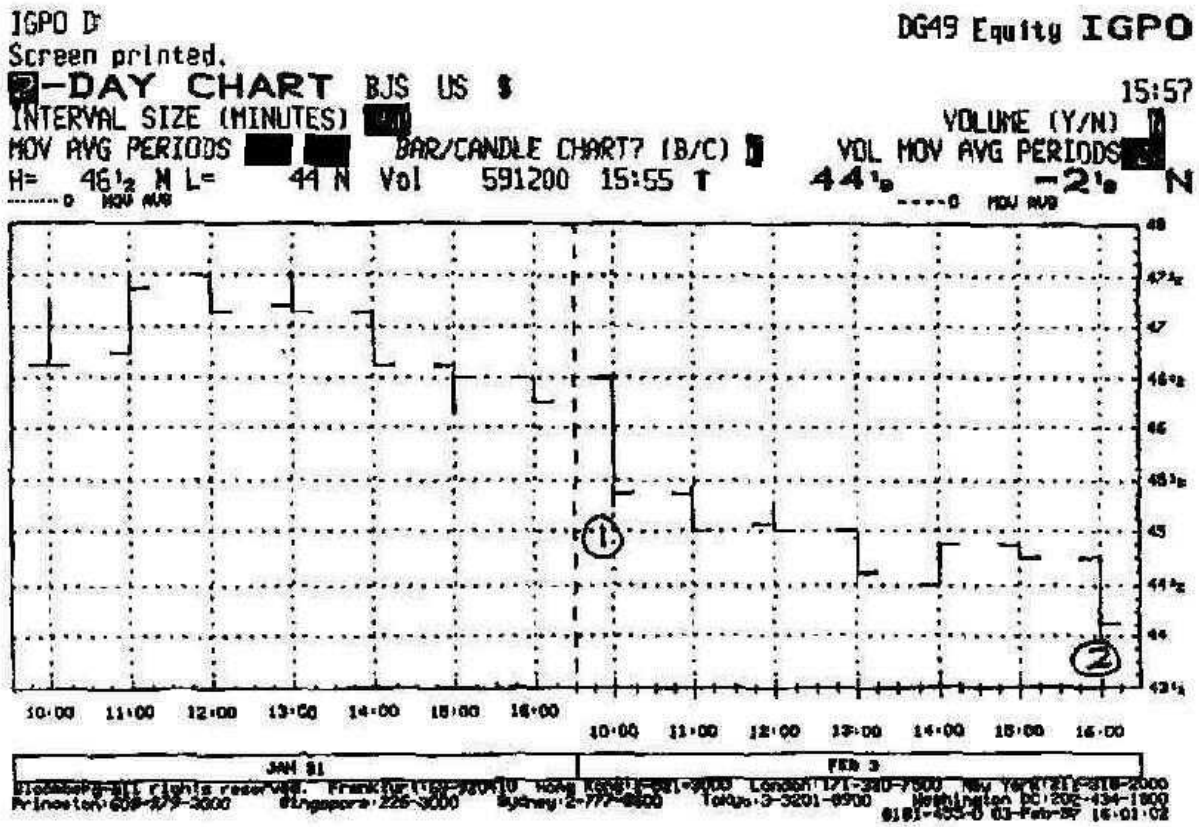
CHAPTER 21

THE BEST OF MY LEARNING SHEETS

The following are some of the actual learning sheets received by the subscribers to my *Small-Cap Trading Service.* I had them photocopied, and I am sharing them with you for their educational purposes, as they reinforce many of the trading principles I use to trade.

You should note three things before reading: (1) Most of these examples worked. In the real world this is not always true. (2) I have not changed a word from the original sheets. Therefore, you are reading them unproofed, warts and all. (3) Because these examples are up to a year old, some are a bit faded. I apologize to you ahead of time. What is most important about these learning sheets, and what I am hoping to convey, are the insights they bring to help make you a better trader.

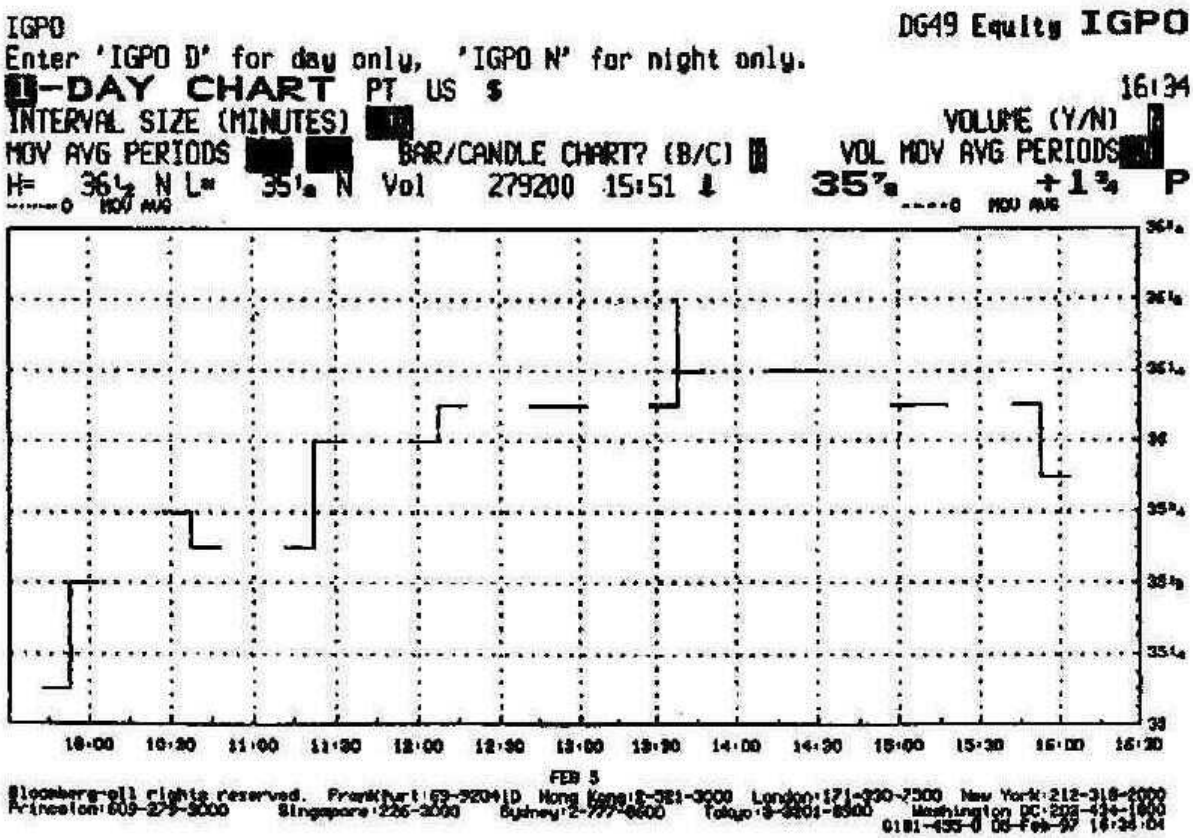
COOPER TRADING INC.
DAILY LEARNING SHEET
4 FEBRUARY 1997



REPRINTED WITH PERMISSION OF BLOOMBERG L.P.

Today's short sale on BJS was another example of Putting Pieces Together. ® The stock opens at 1/4 point higher and reverses triggering a Whoops and it also triggers a 180 sell at 46. © It drifts lower throughout the day, trading to as low as 44 late hi the afternoon. **Remember;** The more signals in one direction a stock has, the more likely it is to be profitable,

COOPER TRADING INC.
DAILY LEARNING SHEET
6 FEBRUARY 1997



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In the Stepping In Front OFSize chapter in *HitAndRun Trading,* I spoke about looking for buyers in thinly traded stocks. Everyday 1 use 5000 shares (bid) as my benchmark and become extremely excited when I see bids of 10,000 shares in these stocks.

Today was one of those rare "can't miss" situations on one of our Small Cap stocks - Portugal Telecom. The stock opened with a bid for 50,000 shares (!) at 35. The bid was imnwdiately raised to 35 1/S for 25,000 sharcMtriggCTir^ our buy sigiml) and a few EunutesUterwBsraiswl to 35 1/4 for 35,000' This was the work of a very large, desperate buyer who proceeds to push the stock to as high as 36 1/2. When you see a thinly traded stock with extremely large size bids, take advantage of it!

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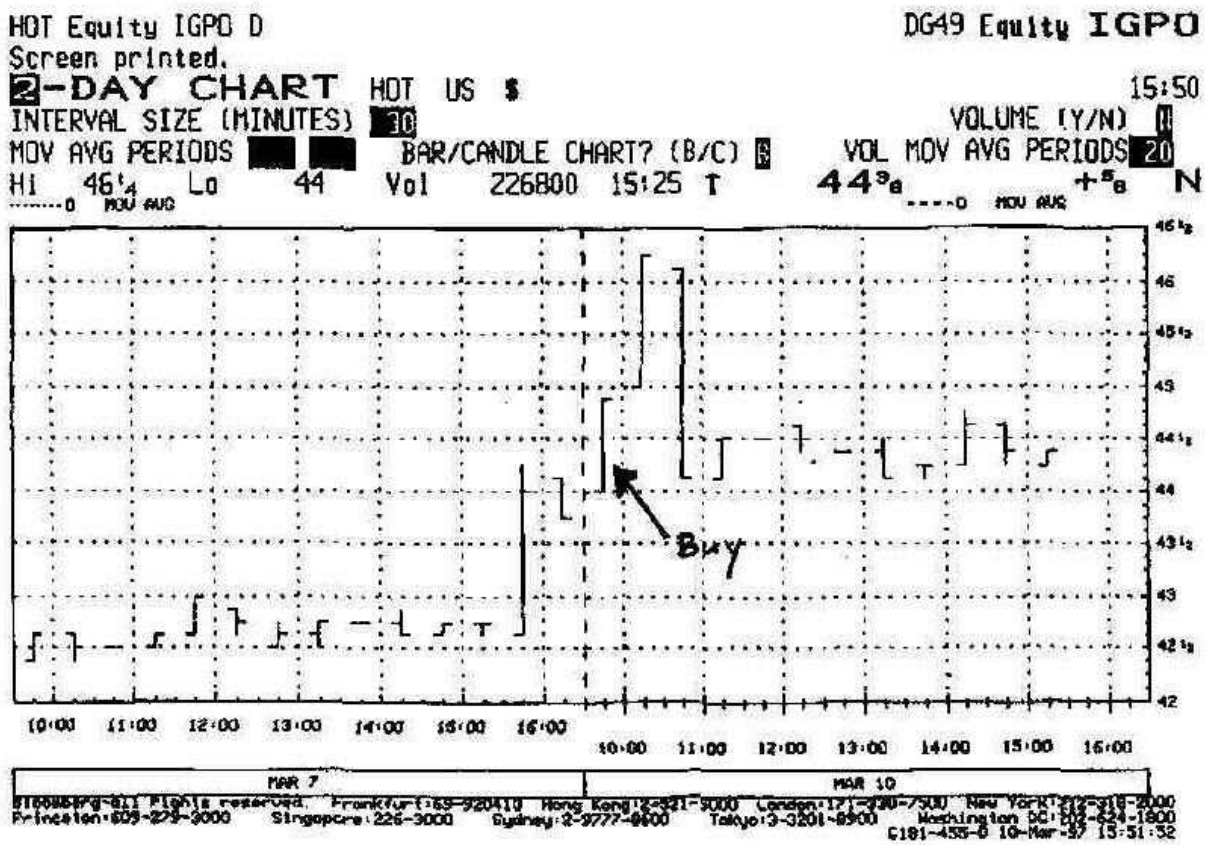
COOPER TRADING INC.
DAILY LEARNING SHEET
11 MARCH 1997



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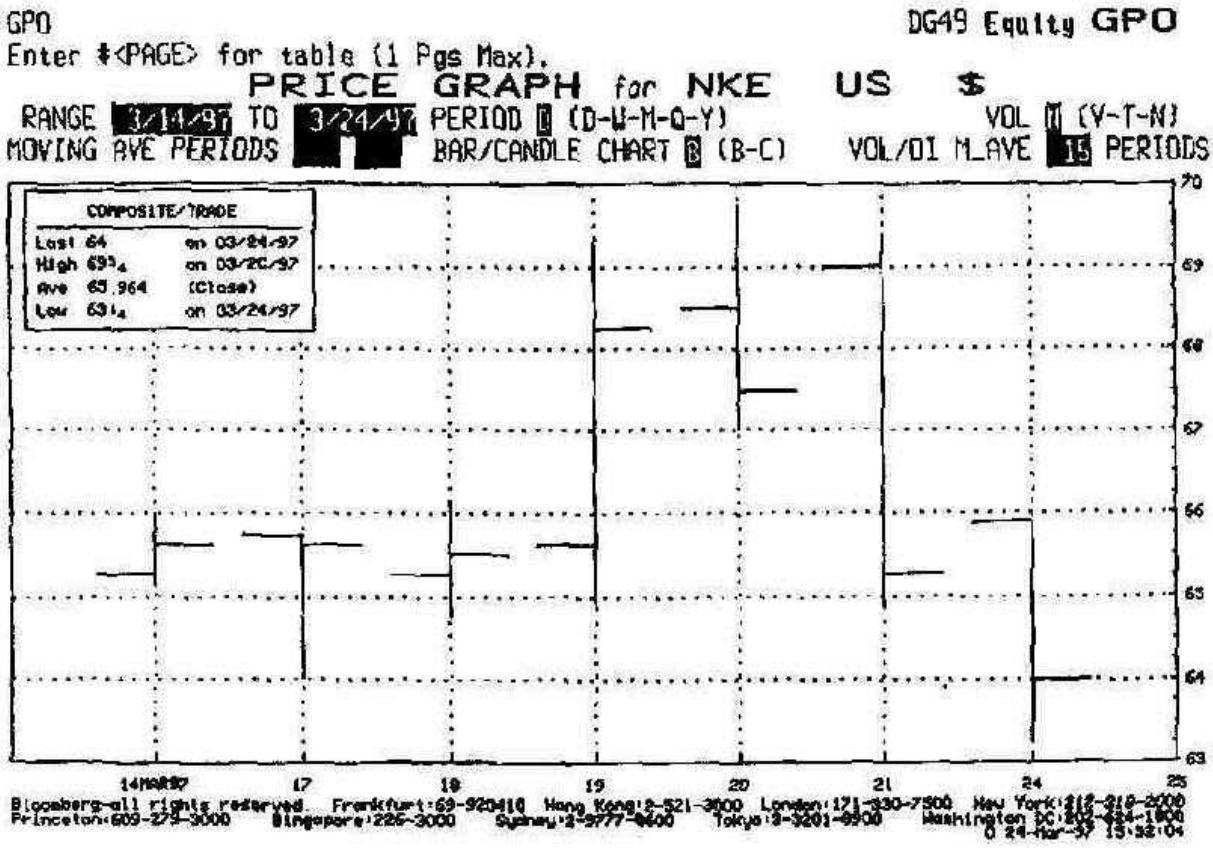
Today we had another example illustrating the importance of using trailing stops to lock in intra-day profits.

Starwood Lodging (HOT) triggered an Expansion Breakout buy at 44 3/8 (filled at 44 1/2). Within 45 minutes the stock traded'to as high as 46 1/4 giving us a 1 3/4 point profit. Your stop must be moved to at least 45 1/2 to assure locking into a solid 1 point gain. If the stock continues to run, you can trail the stop up, but in the interim, it is always best to protect yourself from a reversal.

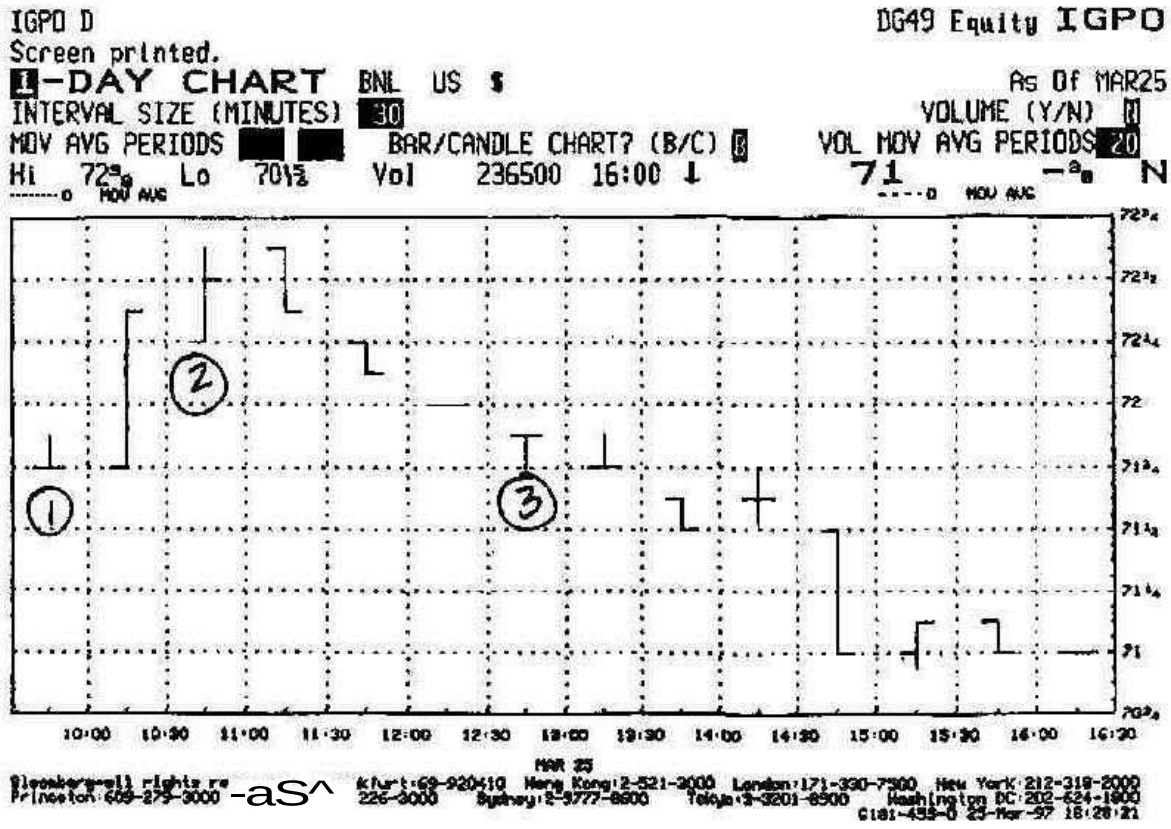
COOPER TRADING INC
DAILY LEARNING SHEET
25 MARCH 1997



REPRINTED WITH PERMISSION OF BLOOMBERG L.P.

Today's learning example will discus what happens to stocks that don't go up on good news. Friday, Nike (NKE) announced much better than expected earnings and the stock opened 1 1/2 points higher. Notice how it could not sustain its gains and in feet sold off on the good news. This led to an Expansion Pivot sell today which got triggered at 65 on our 64 7/8 stop. The stock had an intra-day profit of as much as 1 3/4. More importantly, it was simply a continuation of Friday's selling. When a stock can't go up on good news, it is giving you a loud and clear message!

COOPER TRADING INC
DAILY LEARNING SHEET
26 MARCH 1997



KBtmrED mm *pewtssiOH OF* W.OOWBBW *L.P.*

Let's look at the importance of scratching a trade.

Scratching a trade means breaking even (plus or minus an 1/8) because the trade is no longer moving in your favor. This is absolutely the difference between successful traders (the few) and everyone else. Most individuals can't stomach the thought of not making money on a trade and therefore allow break-even trades to turn into losers.

Today, BNL CD triggered an Expansion Pivot buy at 76 3/4 ®, When the stock moved to a 3/4 point profit, you must move your slop to break-even (plus or minus an 1/8). This protects us from sharp reversals as happened today <*S*> and it allows us to walk away unscathed. As you know, not every trade works and it is how you handle these trades that will determine your long-term success as a trader.

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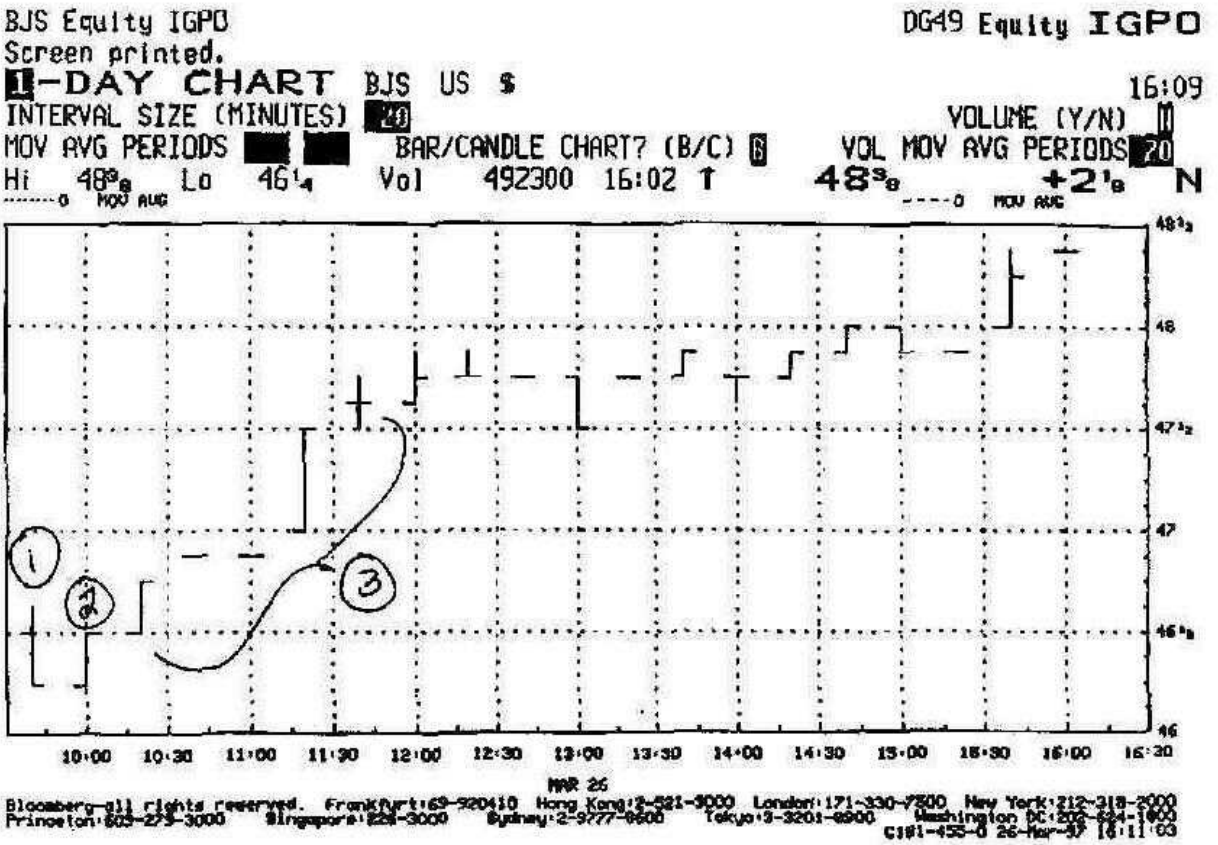
COOPER TRADING INC
DAILY LEARNING SHEET
27 MARCH 1997



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One of the questions I am asked most often concerns when to add to a position. Today's example wíll discuss the importance of capitalizing on set-ups when Pieces Come Together to maximize our gains.

The Expansion Pivot on BJS got triggered on the open today (46 1/2)®. Shortly thereafter, size buyers show up: At 9:56am, there is a bid for 5,000 shares at 46 1/4 followed minutes later by a 5,500 share bid at463/8®. AtlO:24am,anotherbuyer(oursamefriend?)jumpsinwithabidfor7,500at461/2. The buyers continue to leapfiog each other further confirming our original buy signal and allowing us to implement our Stepping In Front Of Size strategy to add to our position. These factors combined with the strength in the whole oil sector (i.e. DO) created a great risk-to-reward play today.

When Pieces Come Together like this, it is a good time to step up to the plate with a larger than usual position. BJS flair stepped up cleanly all day closing on its high, and left us with an Expansion Pivot and Expansion Breakout, so at least a half position should have been held overnight.

OCCPYWOHT COOPER TRADING *INC., 1UT.*

COOPER TRADING INC
DAILY LEARNING SHEET
17 APRIL 1997

STEPPING IN FRONT OF SEE LIVES

A great way to test the temperature of a stock is to watch it's behavior in market declines, whether intraday or during a prolonged reaction such as the current market.

IGPO DG49 **Emms IGPO**
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INTEWfIL SIZE MINUTES) *ftt* VOLUME [Y/N1_J|
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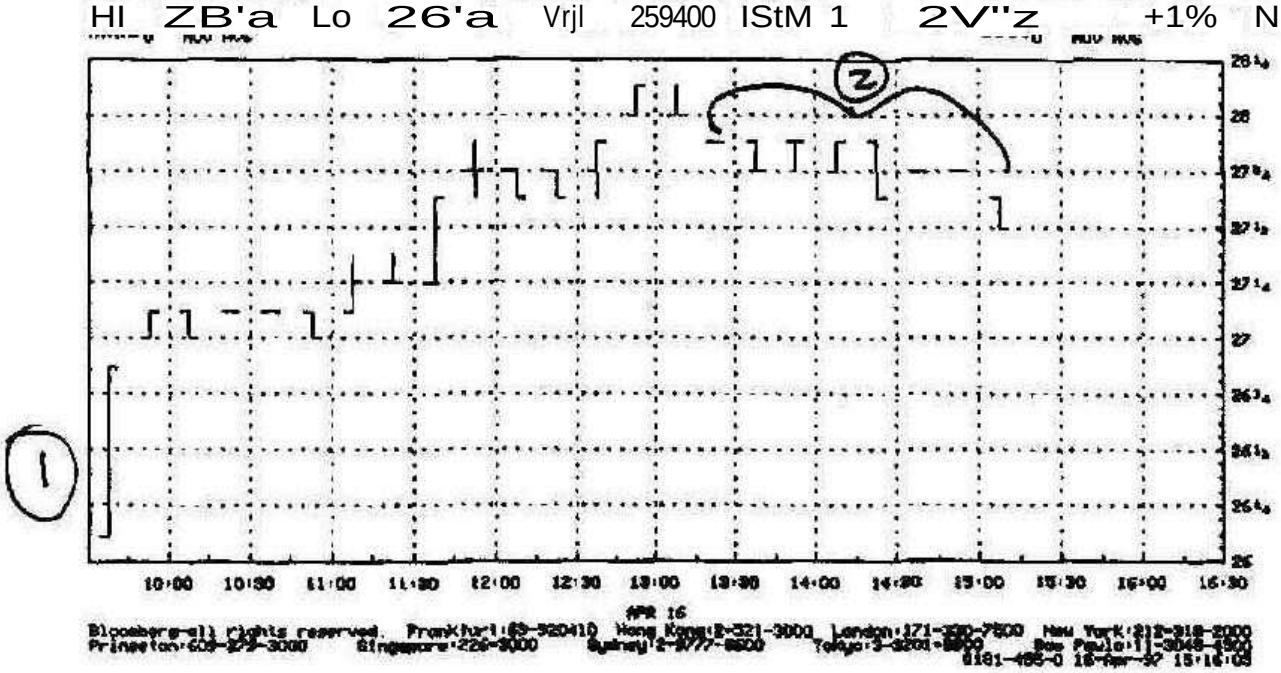


REPRINTED WITH PERMISSION OF BLOOMBERG L.P.

MWL (MBil-Well) is a great example of a stock that having ignored the overall iMrketdeclioe was poised to explode as soon the market rallied. **Today,** size buyer* leapfrogged each other attempting to get filled, enabling us to profit ftora ow Stepping In Front Of Size itntegy. Here'i the morning recap: O

9:3 lira Rjght out of ht box, » buyer iho>vsshiihafld with 5000 wbu vat 26

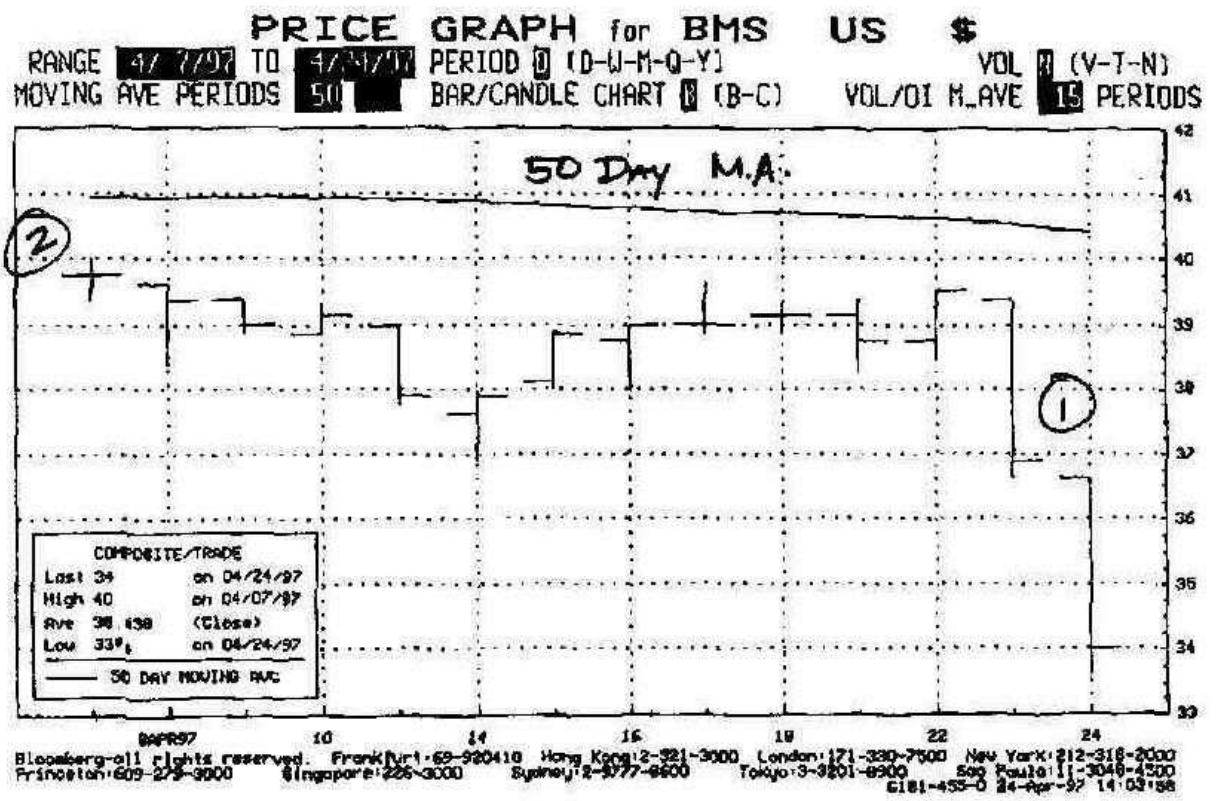
9:32un A 5,000 sbara bid at 26 1/8, and we go long.
9:37un A bid for 10,000 sham at 26 3/8.
9:42sm A 5,000 share buyer bkb 26 1/2.
9:44am Ar»awrbidfe5,OOO.tt263/4.
9:46am A 27 bid fin- 5,000 shares.

1 receive many questions regtrdiog when to lock-up a profit; and this is more of an art than a science, but perhaps my actions on MWL will shed some light at Its highs today MWL wa» up oeariy 50% in 13 trading days; wlien the Dow and S*P eitpk-ded late this aftonoon and MWL made no flirtber progress ®, ttii» was niy c» » ™<8 the cash register. In cases such as these where to ntbbcffband » iWtehed, I will sell « least one half rny position.

T cooftt nuowa we, » *m.*

COOPER. TRADING INC.
DAILY LEARNING SHEET
25 APRIL 1997

The Expansion Breakdown on BMS (Semis) worked out well on Thursday. A few factors made this an attractive risk-to-reward set-up, 1) The stock has been living below its 50 day moving average for approximately a month. 2) BMS was only able to drift up to the area of the prior breakdown 2> when it leftuswithtnemultir^3eUsigiid(180,Expii^^ 3}TheraDge expansion coupled with the fact that the stock closed near its lows on Wednesday ® (and a new 60 day veil) augured for a probable follow through to the downside.



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Add to these pieces the size offers throughout the morning and you can see the result: BMS was down 3 1/4 points before turning around (and leaving us with a Lizard buy signal).

The fly in the ointment is that the first uptick occurred at 3 5 1/8. Even so, there was as much as a 11/2 point potential profit on the table and with trailing stops this was a profitable trade. You can see why the implementation of trailing stops is so important: it locks in the profit and protects you from turning a profit into a large Loss. However, as you can see often when everything looks too apparent, too easy, and too comfortable as would be the case with BMS when it was down 3 points today, that is usually a time to cover at least half your position. (You must consider that there may have been traders short from Wednesday's reversal). This is more intuitive rather than something that lends itself to teaching. However, the discipline of trailing stops will enhance your confidence as your intuition grows over time.

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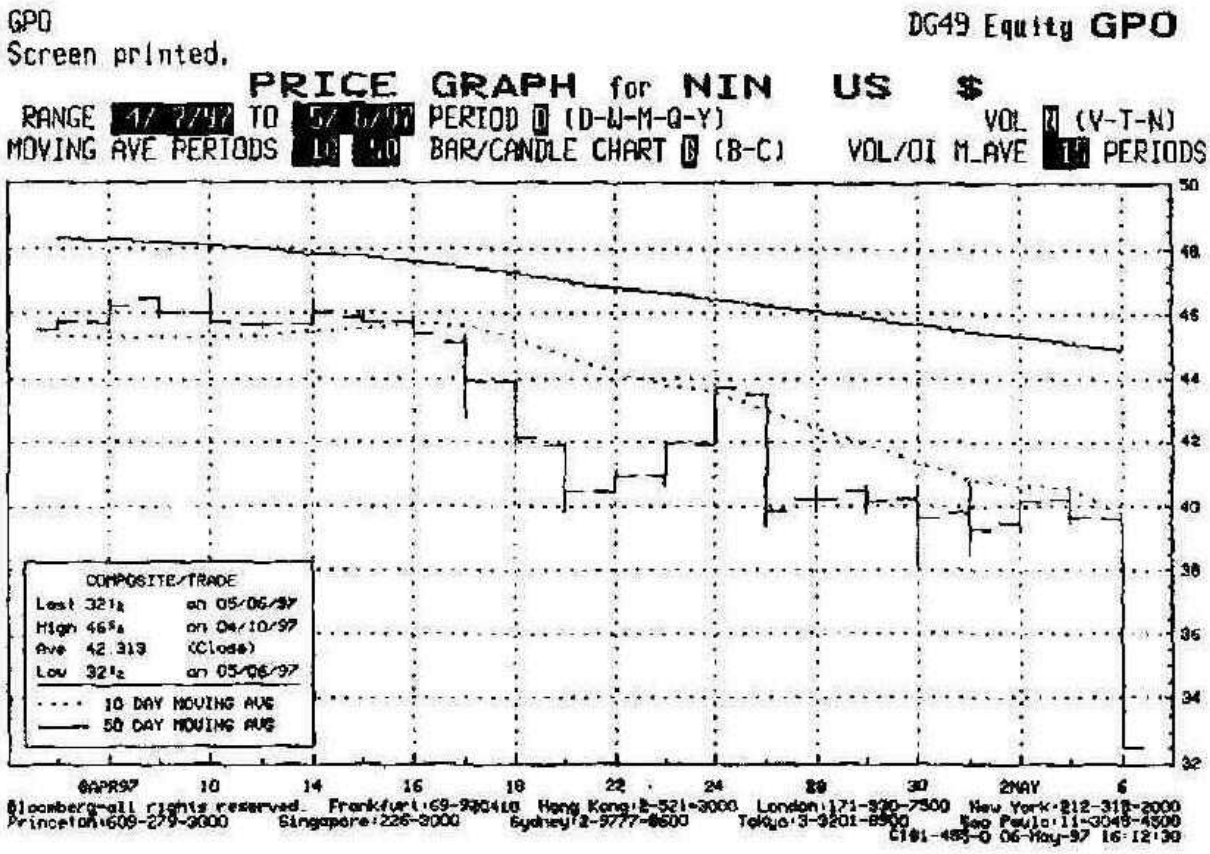
COOPER TRADING INC
DAILY LEARNING SHEET
7 MAY 1997



REPMHTEDWTTH

Today's (Tuesday's) set-up sheet had only one multiple signal set-up and that was Nine West Group (NIN). As you are aware, multiple set-ups are the best signals to trade and over time they lead to the most consistent profits.

Also, NIN had a large seller at the close, making the signal even stronger. Today, after our short sale was triggered, the company announced they were the target of an SEC investigation and the stock collapsed more than seven points. We are certainly lucky when this happens but also, many times the technicals (the 1-2-3-4 set-up and the 180) front-run the fundamentals.

Whenever possible, continue to focus on multiple signals as they lead to good things.

COOPER TRADING INC
DAILY LEARNING SHEET
3 JUNE 1997

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Screen printed.

MARKET / TRADE RECAP Page 6
Volumes scaled by 100

Time [redacted] Min Vol [redacted]
Date [redacted] Price Range [redacted] To [redacted]

CARIBINER INTL INC (CWC US) PRICE 68 7/8 N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
11:27	N	+67 1/4		6		11:23	N	66 1/4 / 66 5/8	N	100x5	
11:26	N	66 3/4 / 67 1/4	N	100x5		11:23	N	66 1/4 / 66 5/8	N	100x5	
11:26	N	67		1		11:22	N	66 1/2		2	
11:26	N	67		1		11:22	N	66 1/2		2	
11:26	N	67		1		11:22	N	+66 1/2		2	
11:26	N	+67		1		11:22	N	66 1/4 / 66 3/8	N	100x5	
11:24	N	66 3/4 / 67 1/4	N	100x5		11:22	N	66 1/4 / 66 1/2	X	100x1	
11:24	N	66 3/4 / 67 1/8	X	100x1		11:22	N	66 1/4 / 66 1/2	M	100x1	
11:24	N	66 3/4 / 67 1/8	M	100x1		11:22	N	+66 1/4		5	
11:24	N	+66 3/4		5		11:21	N	+65 7/8		5	
11:23	N	66 1/4 / 67	N	100x5		11:19	N	65 7/8 / 66 3/8	N	100x5	
11:23	N	66 1/4 / 66 7/8	N	100x5		11:19	N	65 7/8 / 66 1/8	X	100x1	
11:23	N	66 1/4 / 66 3/4	X	100x1		11:19	N	65 7/8 / 66 1/8	M	100x1	
11:23	N	66 1/4 / 66 3/4	M	100x1		11:19	N	66		5	
11:23	N	66 1/2		1		11:19	N	66		5	
11:23	N	66 1/4 / 66 5/8	N	100x5		11:19	N	+66		5	
11:23	N	66 1/4 / 66 3/8	N	100x5		11:18	N	65 3/8 / 66	N	100x5	
11:23	N	66 1/4 / 66 1/2	N	100x1		11:11	N	65 3/8 / 66	N	20x5	

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Princeton:609-279-3000 Singapore:226-3000 Sydney:2-9777-8600 Tokyo:3-3201-8900 Sao Paulo:11-3048-4500
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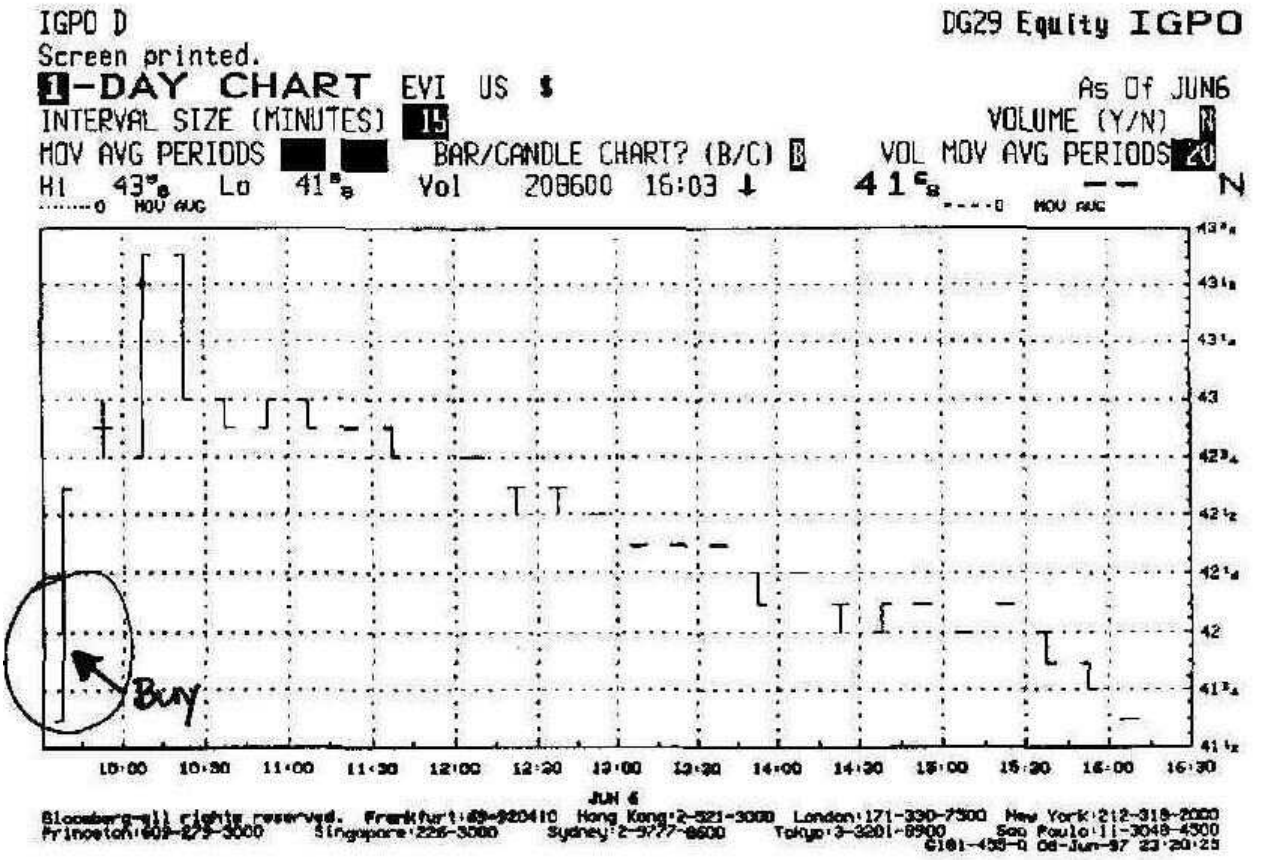
A few weeks ago we looked at the advanced *Hit **And Run*** strategy of Stepping In Front Of Size when a stock makes a new high. This again played itself out today combined with an Expansion Breakout on CWC. Note die buyer desperately looking for stock this morning. Twenty minutes after the first signal (triggered at 11:19am) he pushed the stock up to 68 3/4.

In this type of runaway market, this strategy works <u>especially</u> well!

COOPER TRADING INC
DAILY LEARNING SHEET
9 JUNE 1997



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As you know, trailing stops are the cornerstone of the Hit And Run Trading methodology. Locking in profits is critical to accumulating gains.

Friday, we had a 180 buy signal trigger at 41 7/8 and within 30 minutes the stock traded up 1 3/4 points to 43 5/8. At this level, you must seriously consider locking in a portion of your gain and at the very least, moving your protective stop to the 42 3/4 * 43 range.

As you can see, this allows you to lock in ttw profits and just as Importantly, avoid the reversal. Profits of at least 1 point must never be allowed to turn into a loss!!

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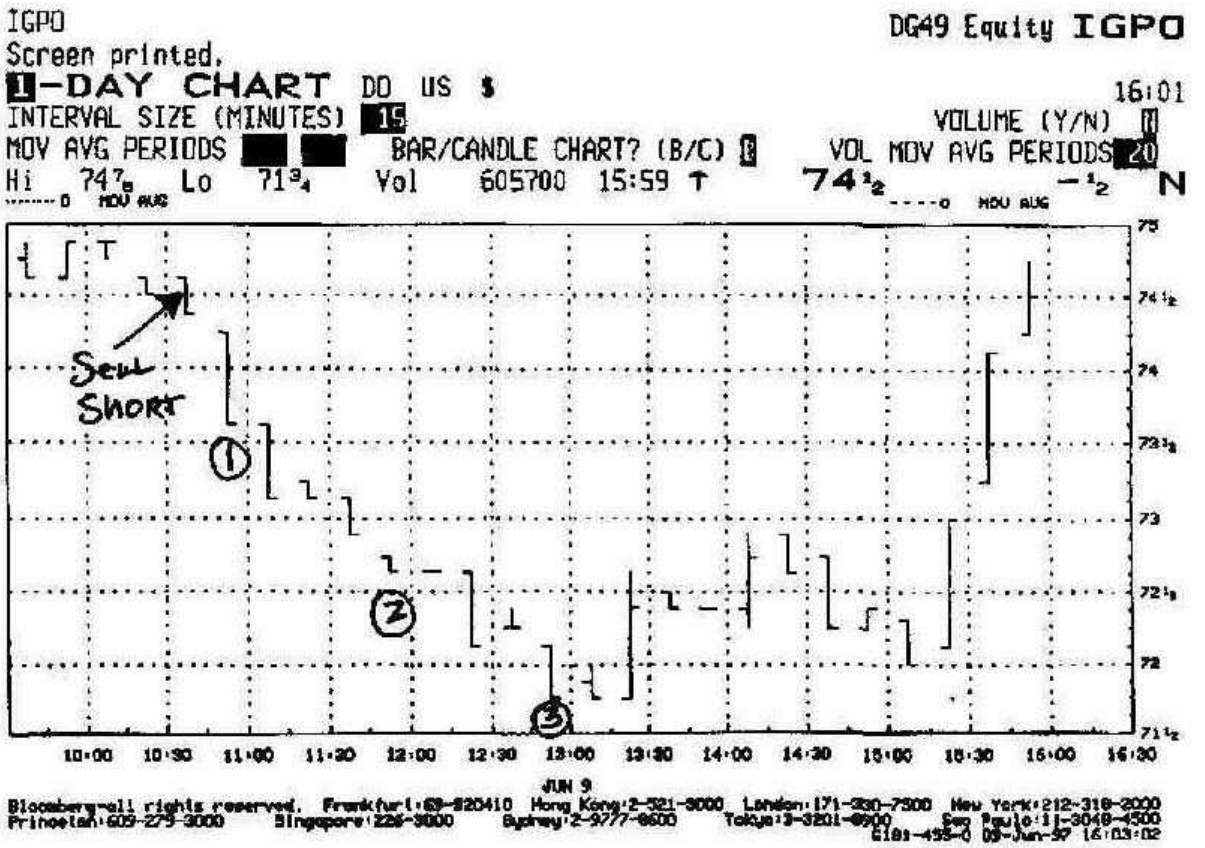
COOPER TRADING INC
DAILY LEARNING SHEET
10 JUNE 1997



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TrailiofiSt*

Let's look at how to lock in intra-day gains. Today, we had a Lizard sell short trigger at 74 3/4 on DO and filled at 74 5/8. Our initial protective stop was at 75 3/4. 0) When Diamond Offshore traded at 73 3/4, we need to move our stop to breakeven (74 5/8). ® When we have a two point profit, it is strongly advised to take profits on half and move the stop to 73 5/8 to lock in the gain on your remaining shares. ® At 71 3/4, the stop should be moved to 72 5/8 which locks in the profit on the final piece before the market reverses.

Trailing stops help lock in intra-day gains and assure that profitable trades are pocketed.

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COOPER TRADING INC
DAILY LEARNING SHEET
12 JUNE 1997
How To Tell When A *Stack* Will Get Killed

Yesterday's buyer of BVF followed through this morning driving the price higher. ® (There was a 5,000 share bid at 33) However, at 10:26, a large seller showed up with 10,000 shares for sale at 33 1C. <2> When another large offer of 10,000 shares appears jusl minutes later (at 10:29), this is the tip off to set! at least half any long position. From this point on persistent size sellers show up. Here's the recap:

10:35	20,000 offered at 33 1/4
10:38	25,000 offered ai 33 1/8
10:39	35,000 offered at 33
10:40	7,500 offered at 32 7/8
10:40	5,000 offered at 32 3/4

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Breaking Ihe early buyer's bid of 33 is the last straw. Remember, we want to use the initial size bids as "cushions' or failsafe levels.

With this kind of relentless size for sale, someone probably knows something as the patterns (price action) and technicals usually front run the fundamentals. When the stock goes negative on the day, it is a good time to consider me possibility of a short sale if you're an aggressive trader. ® As it happens, a negative news story was finally released at 2:03 pm EST. ®

The critical lesson to be learned is: you must always trade with trailing stops. Not only will they lock in profits, but they will protect you from disasters.

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COOPEH TRADING INC
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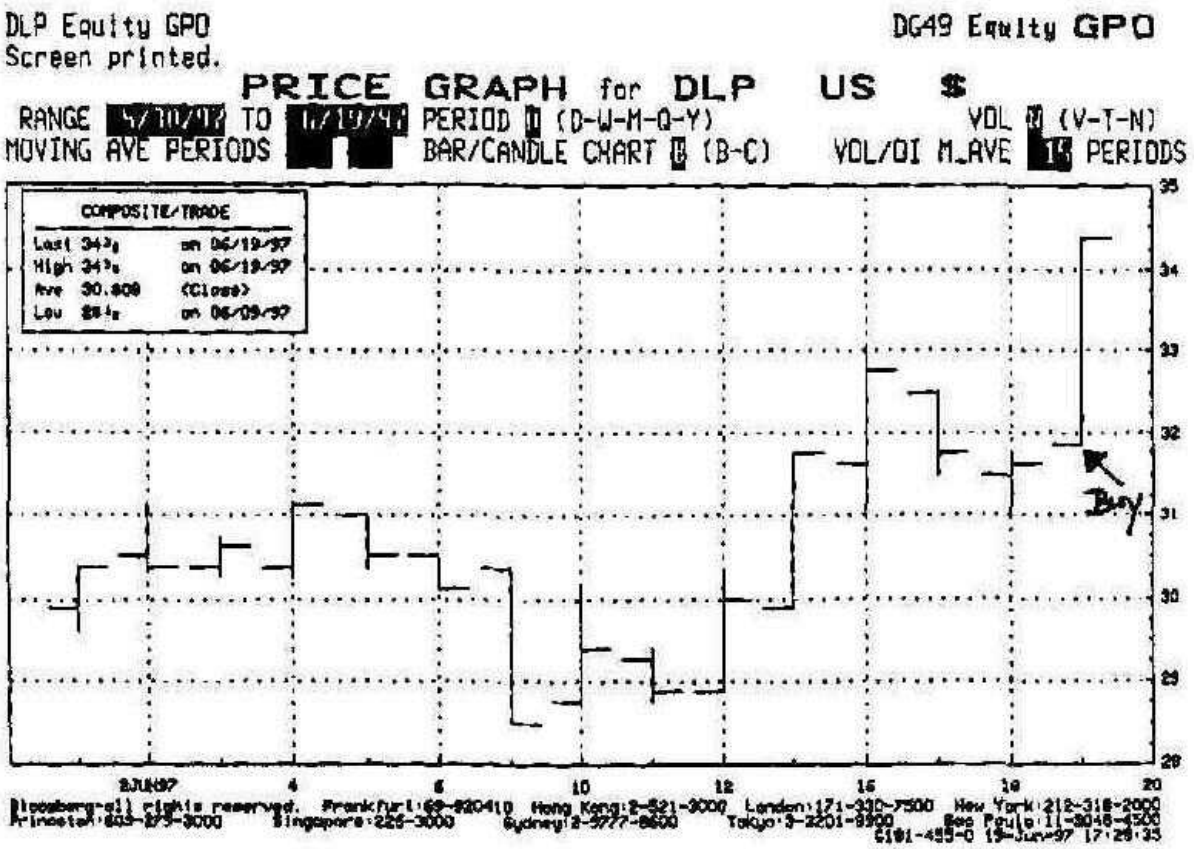
20 JUNE 1997



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The Few Times **1 Use News**

Today, we had a 180 buy set-up on Delta and Pine (DLP). The stock was dormant until the company announced they would have a solid and better than expected 1997. Shortly thereafter, our set-up was triggered taking the stock to new highs.

As I have mentioned before, many times, our set-ups front-run the news (i.e. FLH from Monday) and by being alert for these news stories, you can gain an even greater edge.

*CQOP&t TMNNa IHC., *M7,*

COOPER TRADING INC DAILY LEARNING SHEET 24 JUNE 1997

IBM TICK CHART

THP£fnttSSK>HOFBL0(H*B£mi-P.

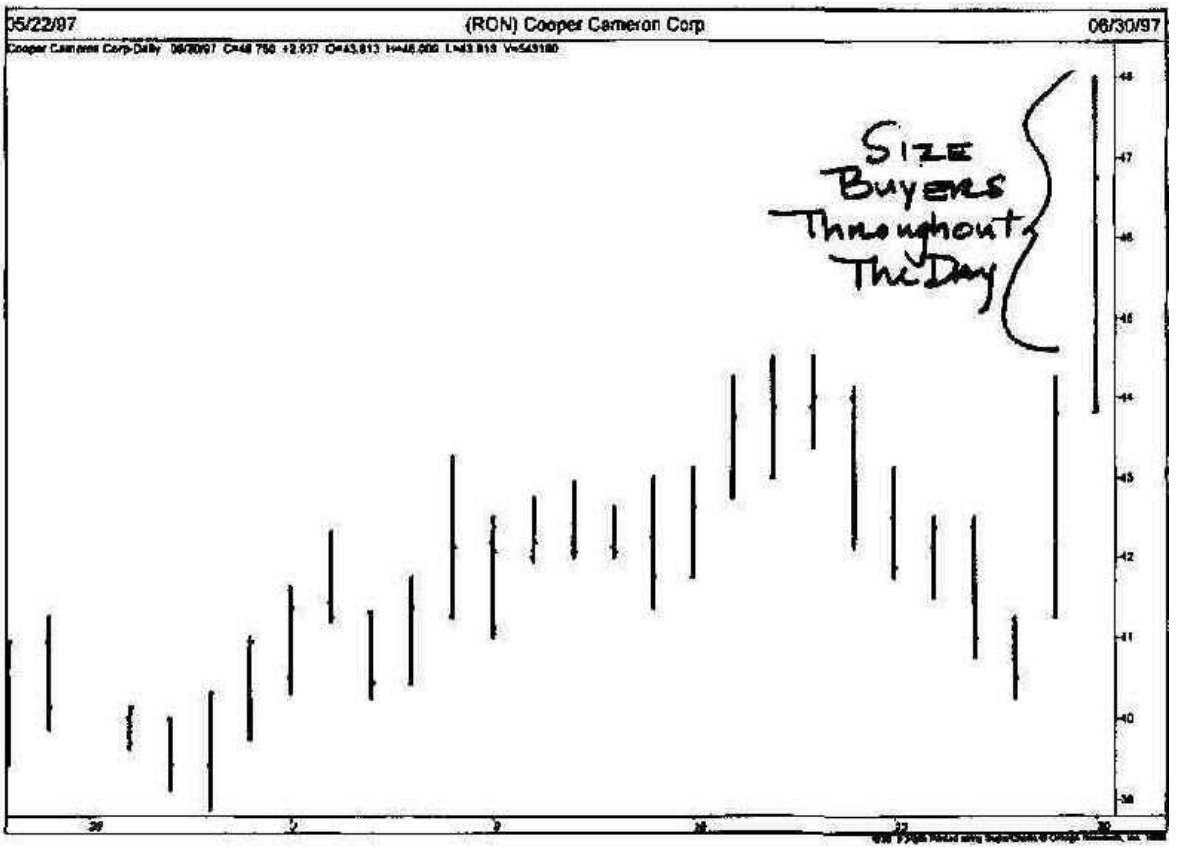
Once Bitten, Twice...Profits hie

Friday's Lizard set-up on IBM was triggered early Monday ® and the stock did not follow through — it traded sideways for a good hour before hitting our protective stop ® and running up to test Friday's highs.® When a stock comes back in (particularly after testing resistance and failing) and triggers our signal a second time. <3> the trade should be taken. Often this can be more profitable than the original signal- Most traders rail to do this, but in my experience, in the markets, often the hard thing to do pays off.

***CCOPYMOHT* COOPER nUOWfl** WC-, *M7,

COOPER TRADING INC DAILY LEARNING **SHEET**

1 JULY 1997



There You Go Again - RON

As I am sure you noticed, an old friend, RON (that has appeared as a Learning Example before), was added to the Hit Ust this weekend- The oil service group was quite strong Friday and you want to be alert to any size bids from institutions who weren't filled on orders Friday. Right off the bat 5600 shares isbidforat441/eat9:41am Then at 9:44am, the bid is raised to 44 5/16. This is the first tip-off At 9:51am, with the stock at new highs,' 5000 is bid for at 45 1/4 and at &58am 10000 shows up at 45 3/8. Again, persistent buyers appear:

10:20 5000 bid for at 451/4
10:25 10000 bid for at 451/2
12:21 10000 bid at 45 5/8
Raised to 45 3/4 at 12:21
And again raised to 45 7/8 at 12:22.

At 12:23 a 5000 bid shows up at 46-Before the dogpiling is over RON trades as high as 48.

"Remember the power of the Stepping In Front Of Size strategy at new highs.

OCOPVWSHr *COOPER* TKA0MG *INC., 1197.*

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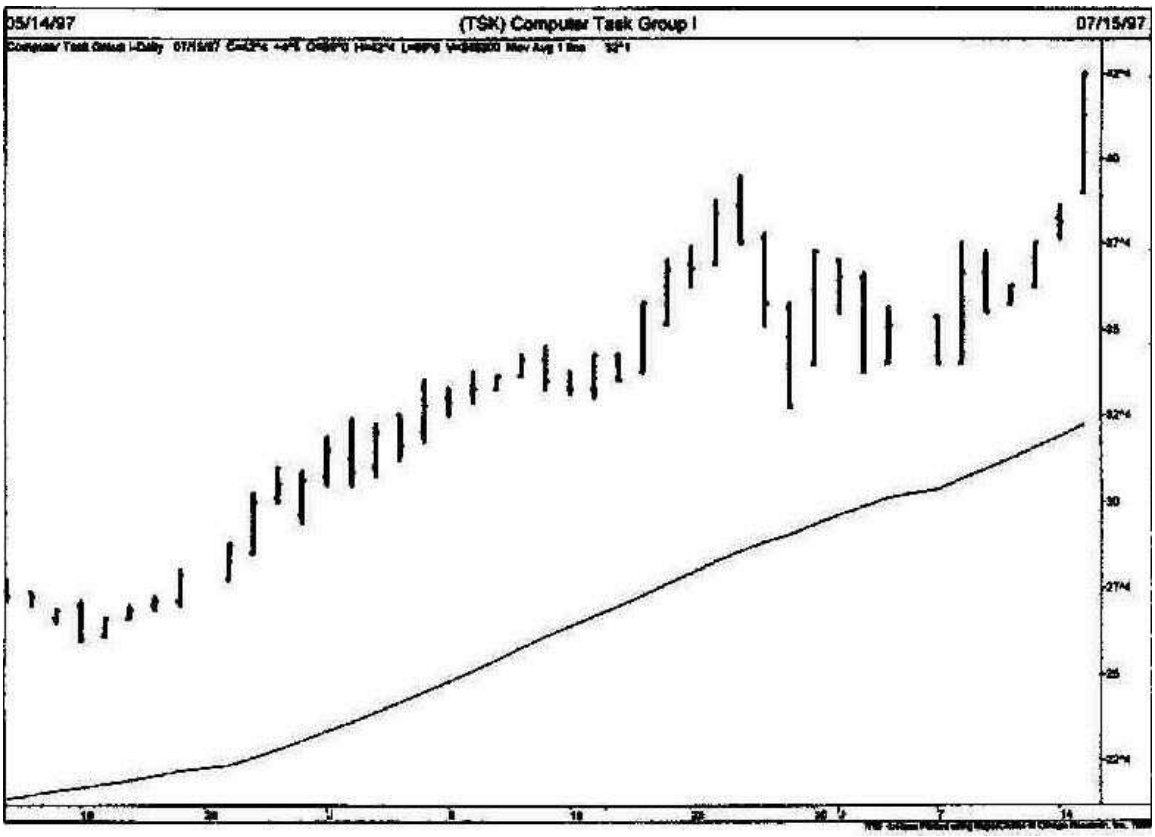
16 JULY 1997



TSK - An Old Friend Delivers

TSK is a good example of Stepping In Front Of Size at New Highs. After a large gap open to 39 on a good earnings report - the first sign of momentum and a potential breakout - a 5000 share bid shows up at 39 1/2 (9:40am) - a sign of follow through that the gap up is real. The bid is quickly raised to 39 3/4 for 5000 (9:41am) and immediately another buyer steps in with 5000 to buy at 40.

TSK never looks back, closing on its high, and leaving us with an Expansion Breakout signal tonight.

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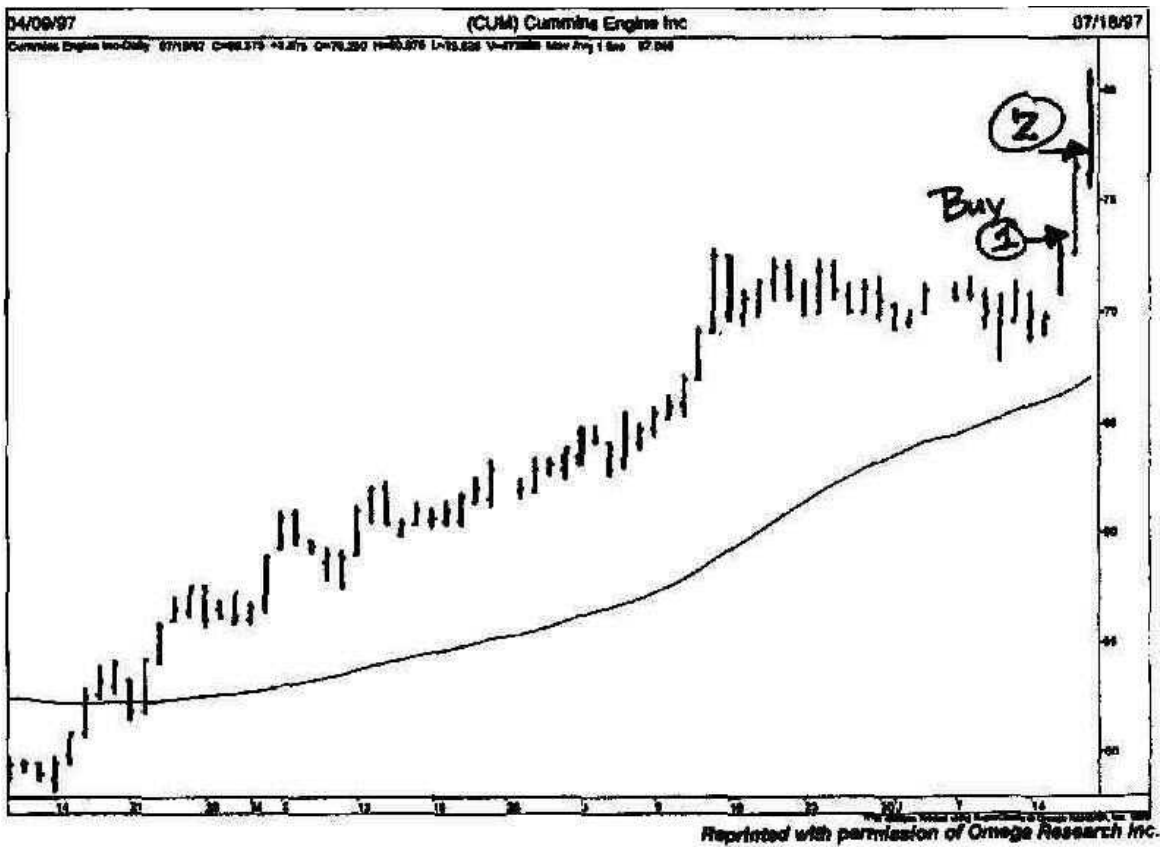

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Torpedo At New High

Cummins Engine (CUM) Is another great example of How to use a new trigger point to reenter if stopped out Having carried over a piece of Cummins from the solid Expansion Breakout set-up on Thursday, <c I tightened up my stop to protect my profits Friday morning when the market started to implode. The stop was hit, however, when CUM executed the back-to-back Expansion Breakout signal from Thursday at *TT,* ® it was time to reenter. I particularly wanted to go tang the stock again sines in spite of a plunging market CUM began to lift (Torpedo - Damn the market, full speed ahead!) eventually climbing to over 80 and leaving us with another 3 point prom. These back-U-back Expansion Breakouts are truly indicative of streaking stocks that are r a powerful runaway move. When you see one - particularly with a torpedo at new highs - good things usually happen. Incredibly, Cummins went out with a third Expansion Breakout signell

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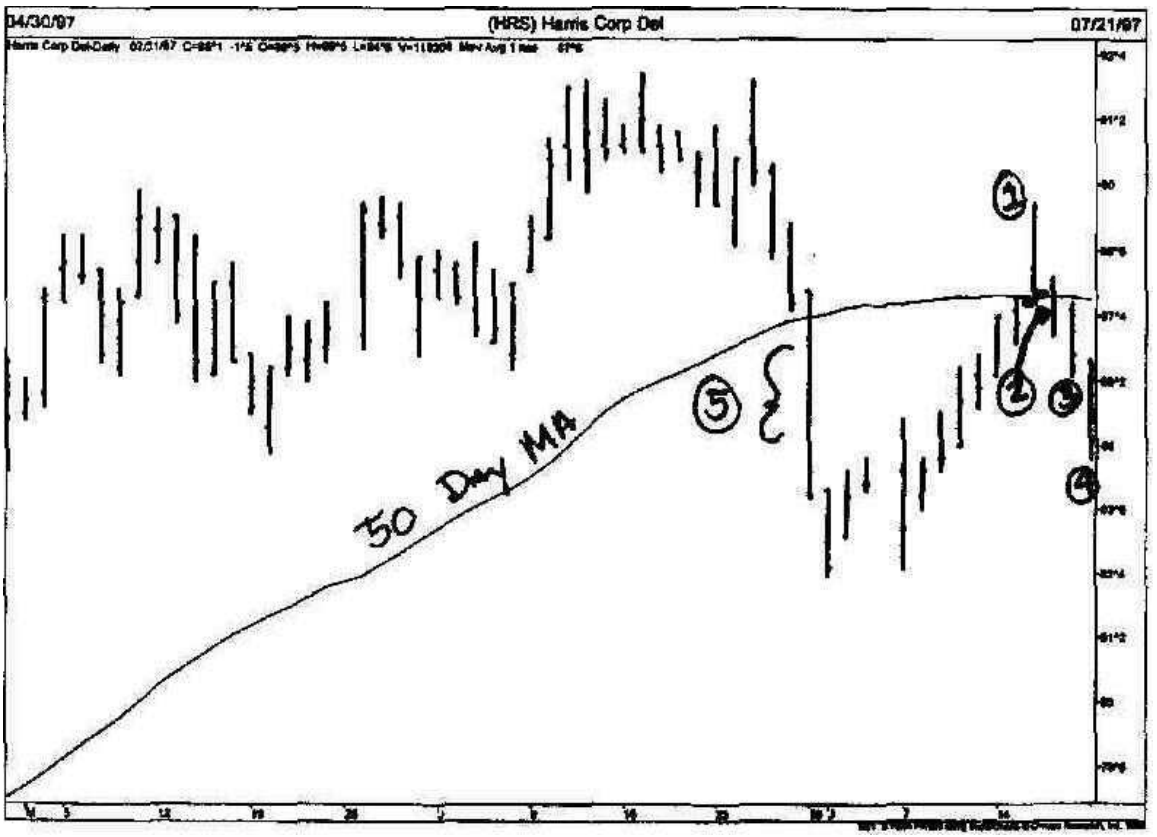

Last Thursday, MRS triggered our Lizard short sale set-up O at 87 5/8 * and although we had only a small profit, the stock closed at/near the low of the day suggesting the position be carried over. Friday, HRS followed through to the downside - again dosing near its low for the day <$>, so again a short should be maintained. Monday, the patience paid off as HRS traded down to 84 3/4 ®. This is typical behavior once a stock pivots, it may move slowly - the range expanding as it gains momentum. The analogy I like to use is that of a rain storm: it starts out with an innocent trickle and climaxes in a downpour. This Is often true of price action on a short-term and long-term picture,

The overriding reason to focus on last week's Lizard short sate was the failure of HRS as it ran back up to the 50 day moving average and the area of its breakdown (the Expansion Pivot off 6/30)®.

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23 JULY 1997

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An Example of a Trailing Stop

The cornerstone of the Hit & Run methodology is using trailing stops to protect profits. Since we are short-term (1-3 days) momentum players, this Is particularly true: we don't want to nurse a position hoping It will come back, while other opportunities are occurring.

For example, RHI triggered us long Tuesday at 511/2 and ran up to 53 3/4 before reversing and closing virtually flat, leaving us with a Lizard sell signal tonight. ® Trailing stops would have locked in at (east a 1 point profit.

Often good news (or bad) will impact a stock over the first hour of trading only to see sellers (or buyers) who "anticipated" the news take advantage of the move. Such was the case with RHI which had good earnings today,

Note how the stock found high in the first hour - and in spite of the roaring market gave up a 2 1/4 point gain. Often, I have mentioned the tendency for a stock to find its high or low for the day in the first hour. Typically, if there's going to be a reversal it will occur from that 1st hour peak or trough.

OCOPYWOWT COOPER TJWWWB *UK.*, IM7.

COOPER TRADING INC
DAILY LEARNING SHEET
28 JULY 1997

NotAllExpi

Here we have VMC, which was a good Expansion Breakout set-up for us Thursday nightl ® The set-up triggered at 80 7/8 and the stock grinded up all day, closing on its high for a solid 3 point profit. ® The strongly favorable high to dose ratio suggests further follow through so a piece should have been carried over.

As I've mentioned in the past these Flat Top Expansion Breakouts tend to follow through for at least a few days before they pullback. The Expansion Breakout Thursday, though not glaringly obvious, was a pivot to a new 60 day high on a range greater than that of the last 9 days. In my experience, paying attention to these subtle breakouts has proven rewarding - as the stock often explodes the next day. Many times, I have noticed how huge, booming Expansion Breakouts with bells and whistles that the crowd easily recognizes - although they often follow through the next day - are prone to quick intraday whipsaws or a 1 to 2 day pullbacK before the initial impulse continues.

As you can see, Flat Top Breakouts offer good risk to reward as the stocks explode out of a sideways compression.

OCOPVWOHT COOPER *TfUDINQ IHC., 1997.*

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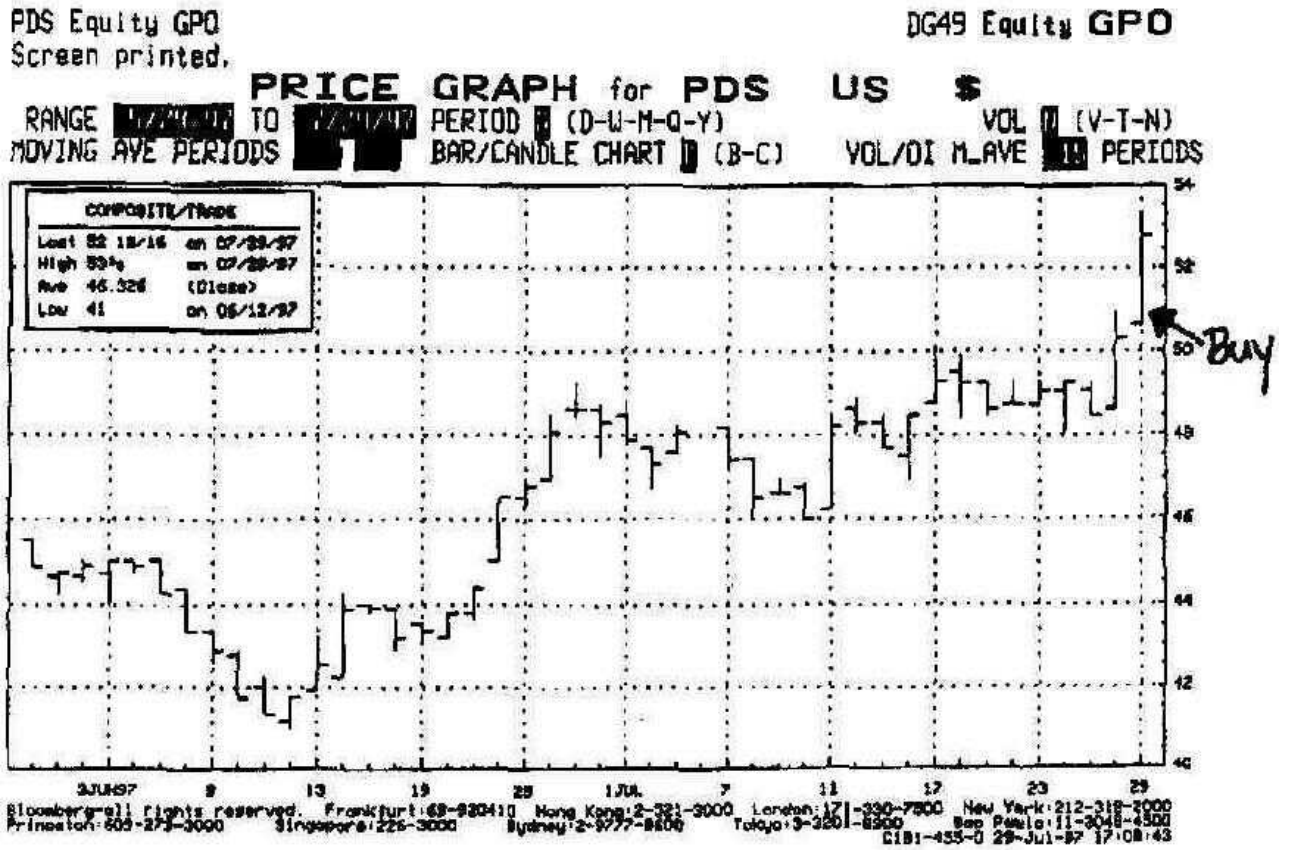
30 JULY 1997



Those of you who are long-time subscribers know how strongly I feel about multiple signals. Today, PDS (along with LUX) were multiple set-ups on the Small Cap sheet. Our entry on PDS was at 51 and the stock exploded as much as 2 3/8 points higher.

As I have stated in the past, if you cannot trade all set-ups, focus on the ones with multiple signals. This will increase your chances of success even further.

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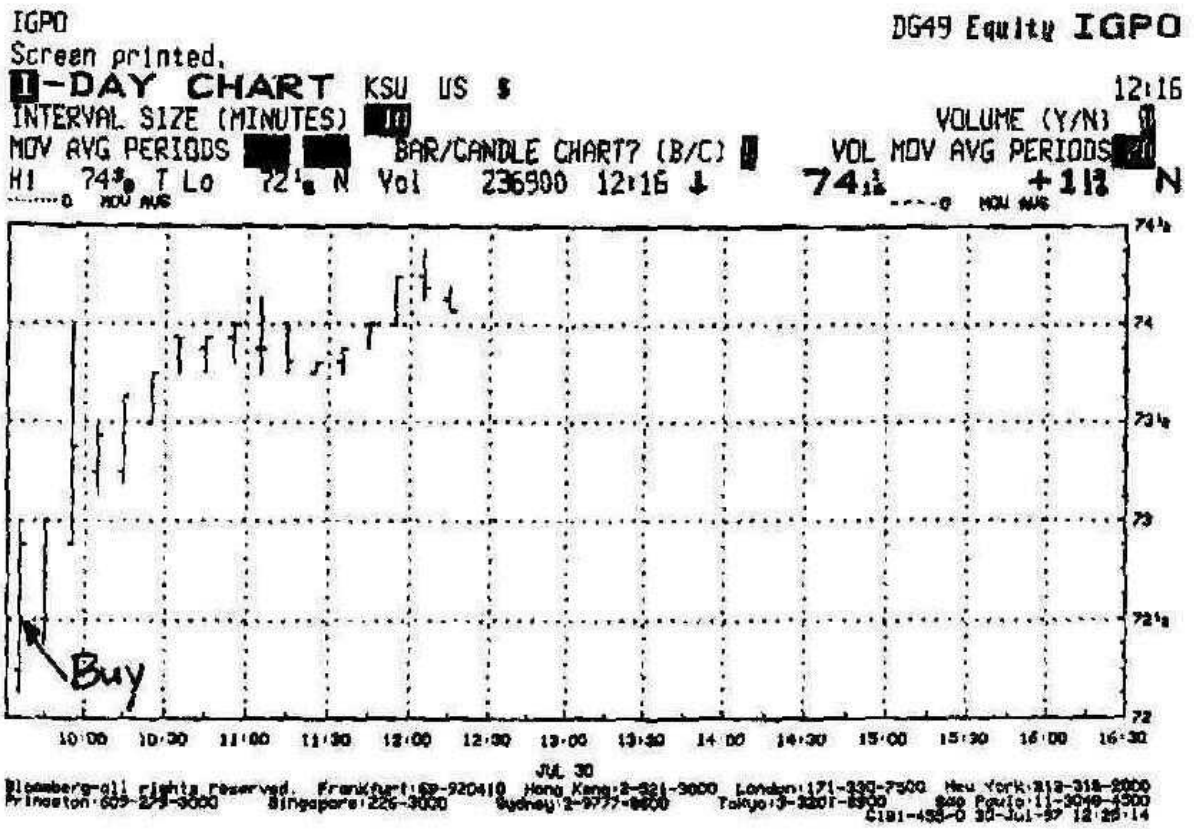

m*peamastoH of BLOOMERS L.P.*

Maximizing tti» EffactlvBi*w« of the Small Cap S»rvic»

One of the key features of the Small Cap Fax Setvica is the section where I point out the large buyers and sellers near the close. Many times, those large orders get carried into the next morning, pushing prices even further.

This was the situation today on KSU, a stock I added to the list for Wednesday. Not only did it have a 180 set-up but there was a very large buyer bidding for stock near Tuesday's close. This morning our 180 set-up triggered at 72 3/8 (filled at 72 1/2) and the buyer(s) pushed prices to 74 almost immediately!

The Small Cap Stocks lend themselves to many more opportunities than the Big Cap and by Putting Pieces Together (as above) you expand your profit potential.

&t TRttOtHQ INC., IttT.

COOPER TRADING INC.
DAILY LEARNING SHEET
8 AUGUST 1997

Backpage DG49 Equity Q R M

MARKET/TRADE RECAP Page 11

Volumes scaled by 100

Time [redacted] Min Vol [redacted]
Date [redacted] Price Range [redacted] To [redacted]

THIOKOL CORP (TKC US) PRICE 78 11/16 N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
10:10	N	77 11/16		2		09:54	N	77 5/8/77 11/16	N	7x2	
10:10	N	+77 11/16		5		09:54	M	77 5/8		1	
10:09	N	77 1/4		1		09:53	N	77 5/8/77 11/16	N	2x15	
10:09	N	77 11/16/77 11/16	N	50x2		09:53	M	77 5/8		2	
10:07	N	77 11/16/77 11/16	N	50x22		09:53	N	77 1/2/77 11/16	N	50x5	
10:02	N	77 1/4		5		09:53	N	77 1/2/77 1/4	B	50x1	
10:01	N	77 3/4		2		09:53	N	77 1/2/77 3/4	X	50x1	
10:00	N	77 3/4		38		09:53	N	77 1/2/77 1/4	M	50x1	2
09:59	N	77 11/16/77 11/16	N	10x22		09:53	N	+77 5/8		1	
09:56	N	77 5/8/77 11/16	N	50x22		09:53	N	77 1/2/77 5/8	N	50x5	1
09:56	N	77 5/8/77 11/16	N	50x21		09:41	N	77 1/2		4	
09:56	N	77 3/4/77 11/16	N	1x21		09:40	N	77 1/2		10	
09:56	N	77 1/4		1		09:40	N	77 1/4/77 5/8	N	10x5	
09:56	N	77 3/4/77 11/16	N	1x23		09:40	N	77 1/2		27	
09:55	N	77 5/8/77 11/16	N	50x5		09:39	P	77 1/2		3	
09:55	N	77 3/4		5		09:39	M	77 1/2		7	
09:55	N	+77 3/4		5		09:39	M	77 1/2		1	
09:55	N	77 5/8/77 11/16	N	7x5		09:39	N	+77 1/2		65	

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Princeton:609-279-3000 Singapore:226-3080 Sydney:2-9777-8600 Tokyo:3-3201-8900 Sao Paulo:11-3048-4500
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As you know, the Small Cap service w structured to make money numerous ways. On Thursday's sheet, for example, we had an Expansion Breakout set-up on TKC (which I added to the list) and we also noted it had a large buyer at the close. This morning, the stock opened at 77 1/2, triggering our buy signal, but also look at 0) the fact that the buyer was again looking for stocki Also, note that he <2> immediately raised his bid, triggering *a* Stepping In Front Of Size signal.

Putting pieces of the puzzle together, as we did above, is the difference between the small handful of professional traders who make a consistent living and everyone else!

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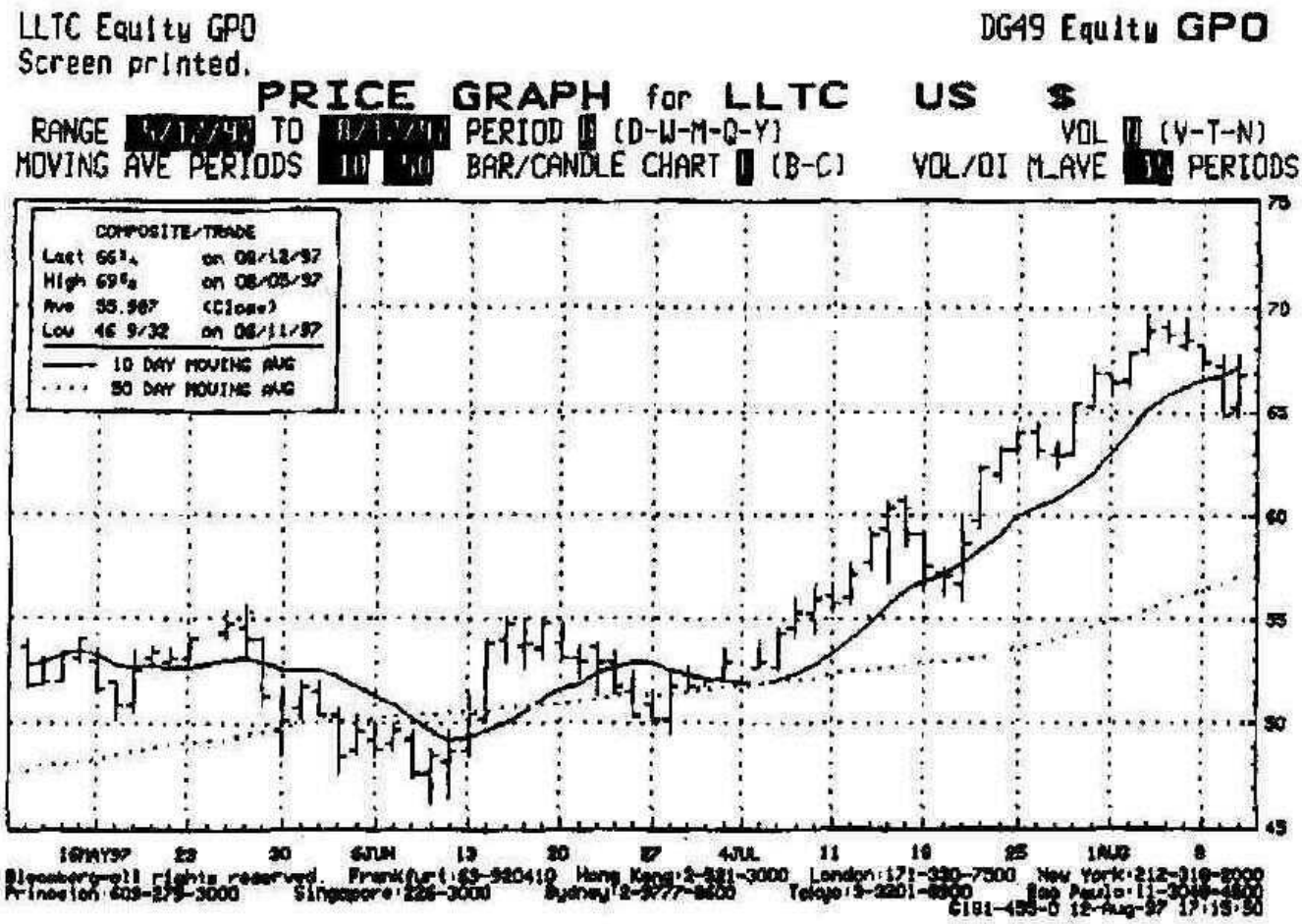
13 AUGUST 1997



JKPIVWTED tWTHMHMSSKW OF BLOOHBOG LP.

One of the concepts I have continuously stressed is looking at stocks that traded the way they should not have traded.

Today, the NASDAQ 100 Index dropped nearly 2% yet, Linear Technology rose 1 7/8. The stock has a strong ADX reading *of 45* and it also has a 1-2-3-4 set-up for tomorrow. For risking approximately one point, we have a chance to participate in a potentially large move day should the buying follow-through.

When a leading stock rises 1 7/8 on a day, the Dow loses 100 points, it is usually telling you something very positive.

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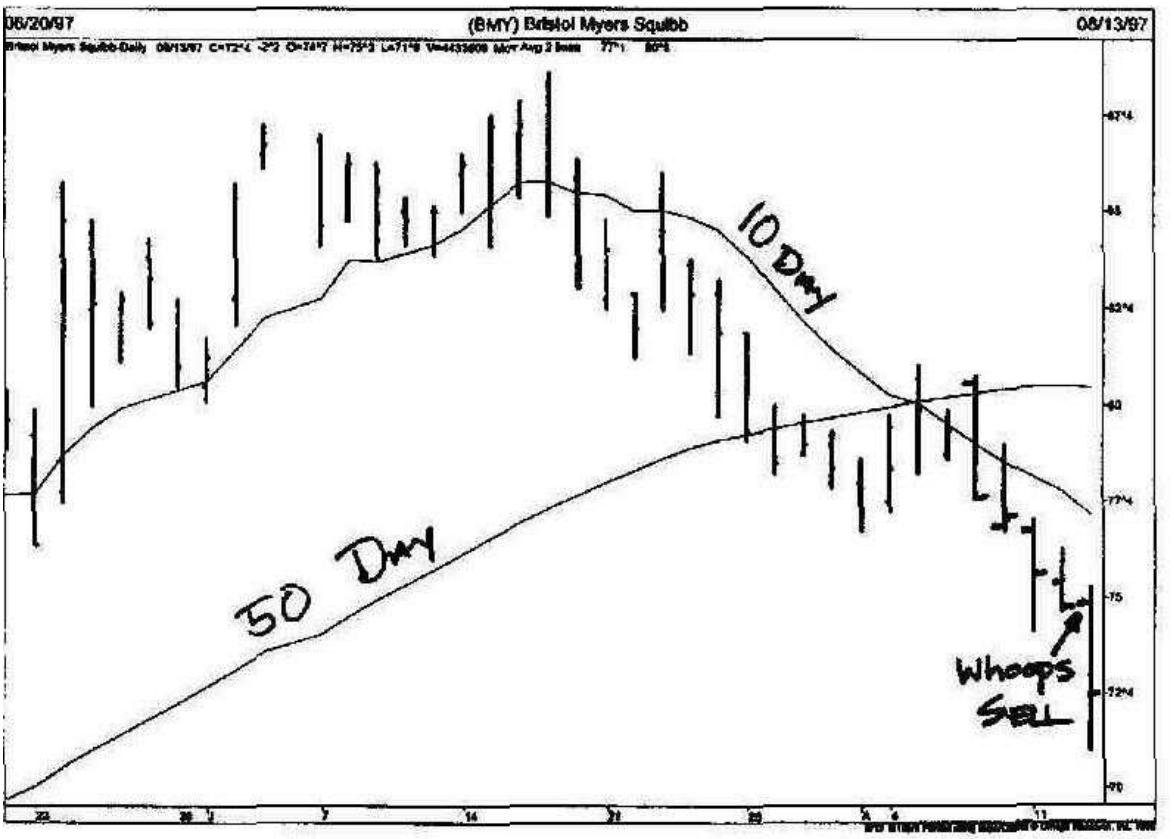
14 AUGUST 1997



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The Whoops strategy is especially valuable to focus on when the market has indigestion.

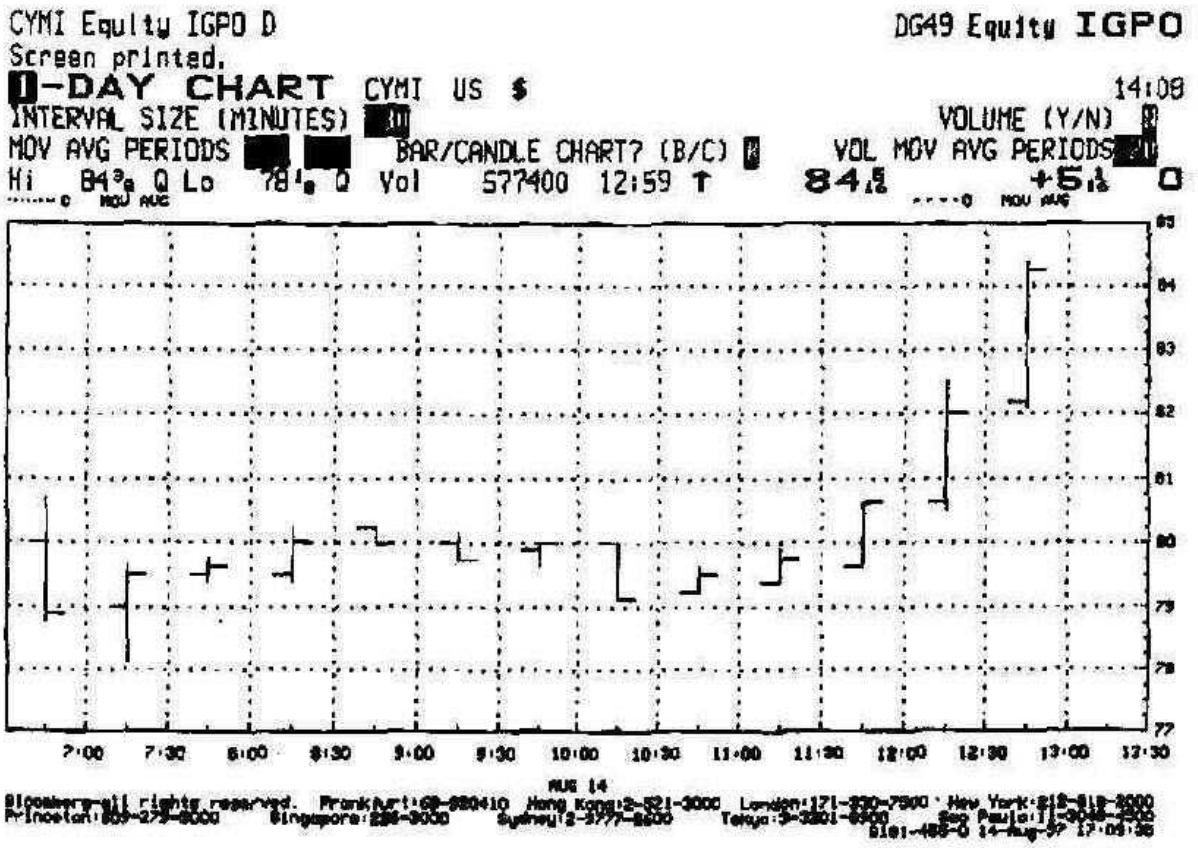
This is a good time to look at the downtrending names ft.e, those stocks trading below their 50 and 10 day moving averages) on the Hit List.

Not only do you have a stock under pressure, but during a reaction/consolidation **phase** such as we're currently undergoing, you also have the market winds at your back.

BMY (on the downtrending Hit List) closed below its open on Tuesday and popped up 1/4 to 1/2 points al Wednesday's open creating a Whoops set-up. The trigger was 74 3/4, Tuesday's dose. Within 40 minutes of our entry BMY trades to 71 3/4. When the character of the trend in a stock has changed **(from up to down), it is often accompanied by a series of Whoops. This indicates distribution: the stock** tales to pop it's head up a little above water in the morning only to be met by seders. Please monitor our downtrending stocks for this bread and butter set-up.

OCOPYWOtfT COOPER *TRADING UK., 1t»1.*

COOPER. TRADING INC
DAILY LEARNING SHEET
15 AUGUST 1997



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Whv It Pav» To R^ntof After Balno Stooped Out

I get many questions asking if it makes sense to reenter a trade fte same day after getting stopped out. In a nutshell, the answer is yes, reenter at the original trigger price.

Sometimes terrific gains will occur after just such a flush out **CYMI.** a 1-2-3-4 buy today, is a good example. It put us long first thing this morning at 80 1/6 and we were stopped out at 79 1/8. However, the signal was re-triggered when the stock traded at 80 1/8 again, as you can see, after building a base intraday. CYMI exploded to 84 1/2 in the last hour.

Seldom are traders, who are triggered long (or short) and quickly stopped out, willing to reenter when the trigger is hit a second time; it is difficult emotionally to take these trades the second time around: no one wants to add injury to insurt by getting stopped out twice. However, this is one of the attributes that separates great traders from average traders. In the markets, it is often the hard filing to do that pays.

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Page DG49 Equity Q R M
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MARKET / TRADE RECAP Page 5

Time [redacted] Min Vol [redacted] Volumes scaled by 100
Date [redacted] Price Range [redacted] To [redacted]

OCEAN ENERGY INC (OEI US) PRICE 53 9/16 N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
07:31	N	51 9/16/		5x		07:20	N	↑51 5/8		20	
07:31	N	51 9/16/51 1/4	P	5x1		07:20	N	51 1/2/51 3/4	N	20x5	
07:30	N	51 9/16/51 1/4	X	5x1		07:20	N	51 1/2/51 5/8	B	20x1	
07:30	N	↑51 5/8		100	Z	07:20	N	51 1/2/51 5/8	P	20x1	
07:30	N	↓51 9/16		14		07:19	N	51 1/2/51 5/8	X	20x1	
07:30	N	51 9/16/51 5/8	N	5x99	1	07:19	N	51 1/2		30	
07:29	N	51 9/16/51 11/16	N	5x99		07:18	X	51 1/2		20	
07:29	N	51 9/16/51 3/4	N	5x99		07:17	N	51 1/4/51 1/2	N	5x30	
07:29	N	↓51 5/8		2		07:17	B	51 3/8/51 1/2	N	1x30	
07:28	N	51 9/16/51 5/8	N	5x2		07:17	P	51 3/8/51 1/2	N	1x30	
07:27	N	51 3/4		1		07:17	X	51 3/8/51 1/2	N	1x30	
07:27	N	51 9/16/51 3/4	N	5x98		07:17	N	51 1/2		20	
07:27	N	51 3/4		2		07:15	N	51 1/2/51 9/16	N	20x5	
07:24	T	51 3/4		2		07:14	N	51 3/8/51 9/16	N	5x5	
07:20	N	51 9/16/51 3/4	N	5x2		07:14	N	51 3/8/51 5/8	N	5x10	
07:20	N	51 9/16/51 11/16	N	5x8		07:14	N	↓51 1/2		10	
07:20	N	51 5/8/51 11/16	N	5x8		07:14	N	51 3/8/51 9/16	N	5x5	
07:20	N	51 1/2/51 11/16	N	20x8		07:14	N	↓51 9/16		1	

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Princeton:609-279-3000 Singapore:226-3000 Sydney:2-9777-8600 Tokyo:3-3201-8900 Sao Paulo:11 3048-4500
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Last night I pointed out the multiple set-up on OEI. Today, it worked nicely {up more than 3 points intraday). On tonight's Learning Sheet. I would like to point out something interesting to you. As we know, OEI is a thinly traded stock. This morning, <B a large seller showed up. This should have put an end to the move for at least awhile but, <*S*> the offer was immediately taken out! This showed us that there was still sotid buying coming into the stock and it told us the stock was likely to move higher.

When stocks make new highs and large blocks for sale are easily removed, the likelihood of higher prices to greatly increased. Look for this phenomena in your trading; it wif improve your results even further.

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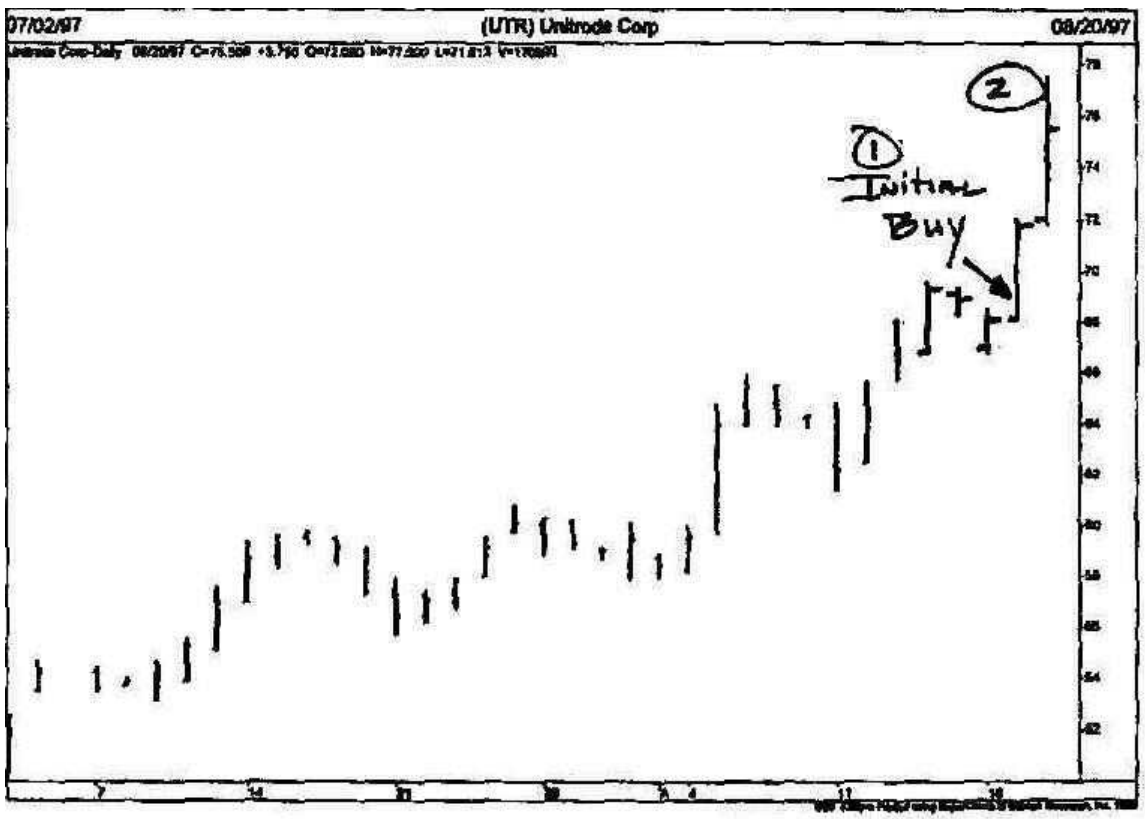
21 AUGUST 1997



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More On When To Carry Over A Position

As I've pointed out in the past; when a stock closes near it's highs, it's a good idea to carry over a position (or at least a piece).

When a stock doses near its highs and also creates a new signal going into the ctose. there is an even greater propensity for the stock to follow through the next day. Let's look at an example. We went long UTR on Tuesday at 68 5/8 (off the HG2 Buy signal), ffl The stock closed within a fraction of its high and was an Expansion Breakout.

Putting these two pieces together gave us a strong reason to carry the position overnight; and as you can see UTR exploded out of the gate Wednesday trading to as high as 77 1/2 (leaving us with a piggy back Expansion Breakout) © Staying long a position in the face of a new signal enhances the potential for profits.

OCWVWOHT *COOPER* ITUOWa *IHC., 1t»J.*

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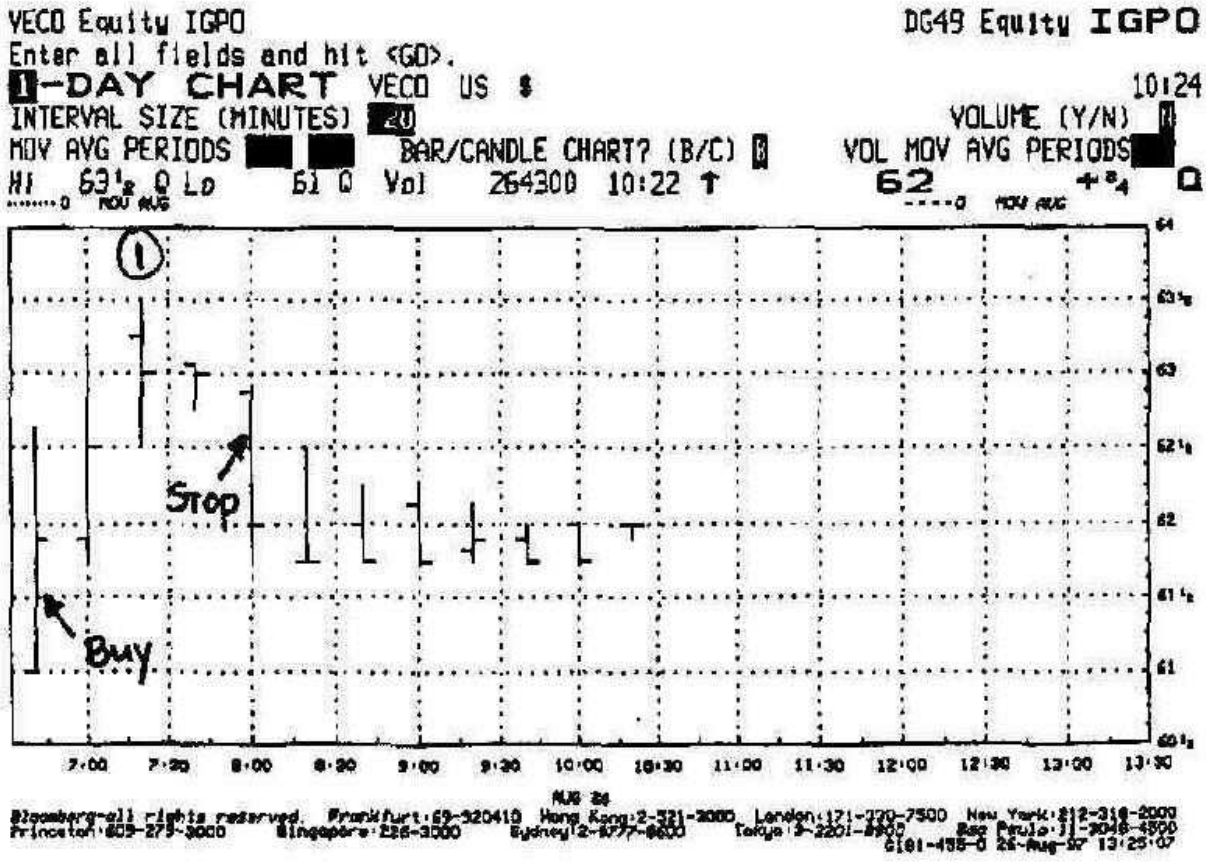
27 AUGUST 1997



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t would like to use tonight's Learning Sheet to again stress the importance of locking in profits. Even if you did not take this trade, it serves as a good example.

Last night, I added VECO. a high velocity stock, to our list. The stock had an Expansion Breakout which triggered today at 61 1/2. Within 40 minutes, there was a 2 point profit 0) and moving the stop up to 62 1/2 on at least 1/2 the position assures this of becoming a profitable trade.

Sold gains must be locked Into, especially in this market environment which is highly volatile.

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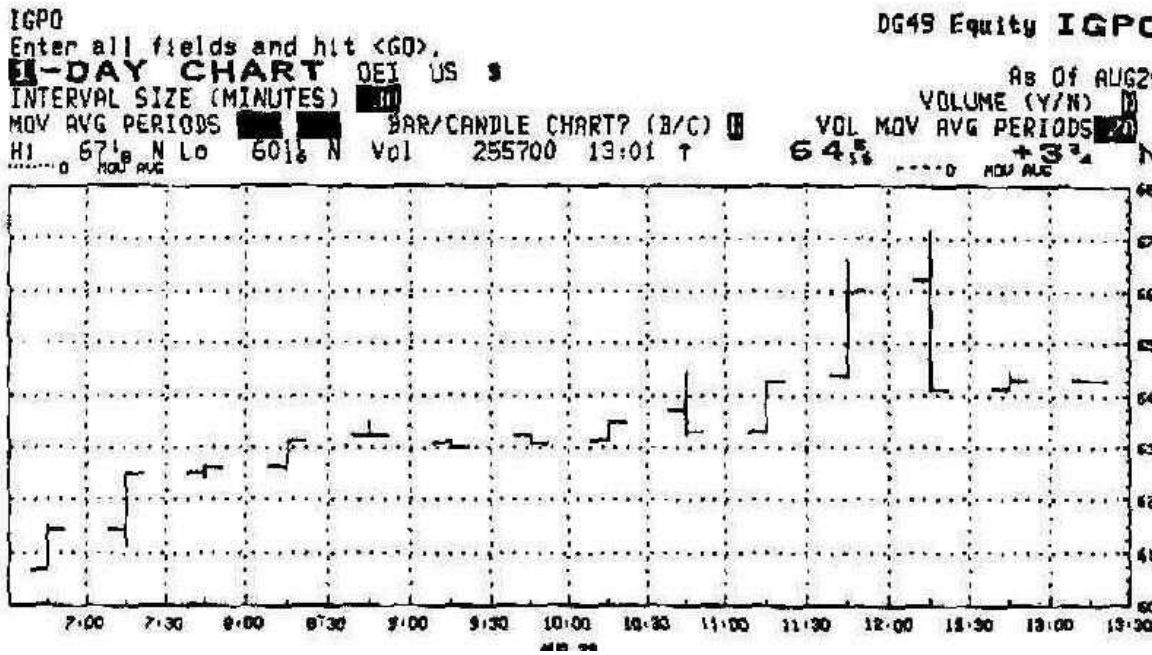
2 SEPTEMBER 1997



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/tfew **HfoAs and Sfa« To Buy**

This moming, Size To Buy showed up on OEI (the old Flores and Rucks Co.) which is on our list. First, there was a bid for 5,000 shares at 61 1/4 (7:18 PST) and size was bid the uptick at few minutes later at 61 1/2. OEI traded to as high as 64 7/16 where a large seller (15,000 shares} showed up Immediately another large offer (22.000 shares) appeared at 64 1/16 which was increased to 42,000 shares I

This put an end to the move-short-term-knocking the stock down a point to 63. However, something interesting happens at **Itiis** point which you want to store in your memory bank. OEI works its way back to 64 again where you'd ordinarily expect resistance. But what happens? A large buyer (10,000 shares at 64} shows up (11:22 PST), the 10,000 share bid is raised to 64 1/4 at 11:30 PST and a minute later, the 10,000 bid is raised yet again to 64 3/8. Someone's getting desperate!

At 11:34 PST, a 10,000 share bid appears at 65. The stock has easily removed the large blocks seen earlier, and the large bid at new highs tells us that the buying strength has overwhelmed the sellers. The stock quickly trades to 67 before settling back and trailing stops would have locked in nice profits.

One of the benefits to trading thinner small cap stocks is that when an institution wants in, tney usually bid up the price continuously.

This persistency in a stock is one of the characteristics I look for when assembling the Hit List.

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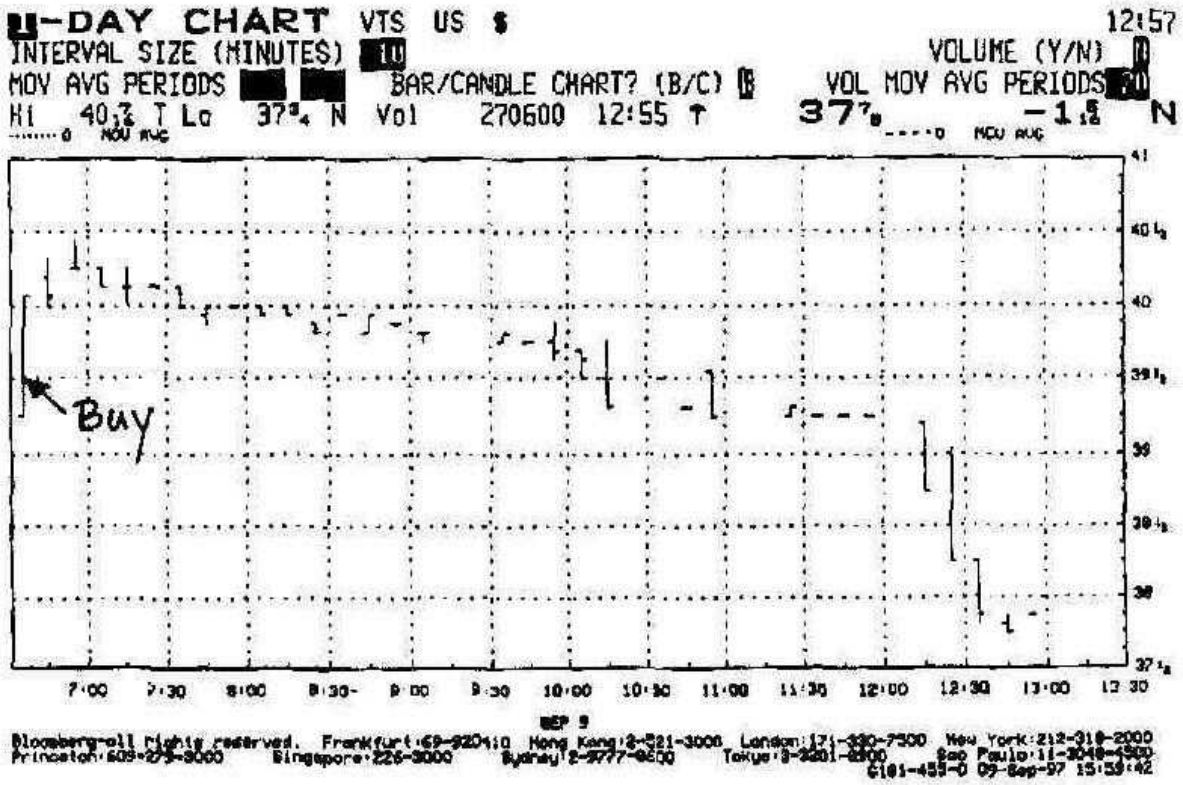
10 SEPTEMBER 1997



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How Not **To Let A Gain** Turn **Into** A Loss

One of my beliefs is that it is just as important to know how not to lose money as it is to know how to make money. As you are aware, the profitable Hit And Run set-ups many times take care of themselves. These are trades that, once you enter, they become profitable and stay that way into the close. Unfortunately, life isn't that simple. There are trades that immediately become profitable and just as quickly become losers. How you handle this situation will dictate how successful you are at this game.

Today, VTS triggered an Expansion Breakout buy at 39 1/2. The **stock** immediately **shot nearly a point** higher. **Mo matter how** hard you believe **the move** will continue, you must **move** your **stop to break-even to avoid this becoming a losing trade** should **it reverse. Those** who did **this today** basically **had** a **"scratched trade"; those who** didn't, saw a gain turn **into a** loss **(and now have a smaller net worth),**

I become a much more successful trader when I learned the above money management strategy. Fortunately, it only took me five years to make this, discovery!

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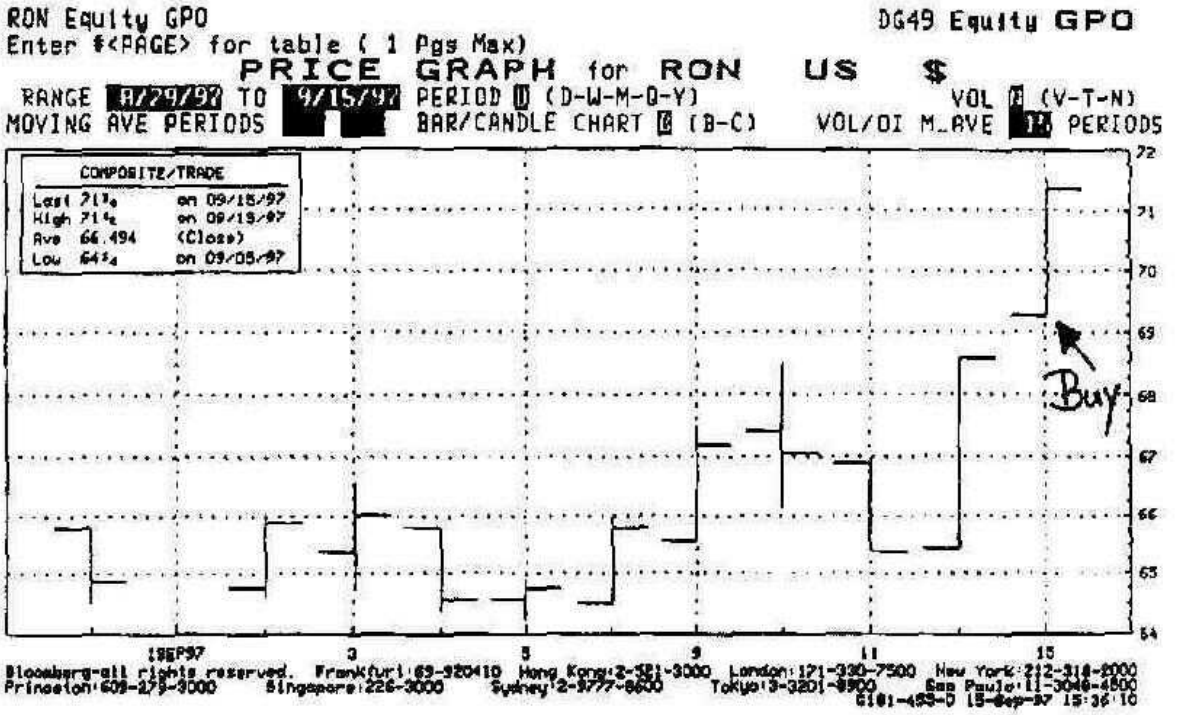

<u>Why Multiple Signals are the Best Signals</u>

As I have continuously stated, those stocks that have multiple set-ups are historically the best performing set-ups to trade.

Today, on the two sheets we had 5 multiple set-ups. MTL didn't trigger, and OEI triggered and was quiet. RON, NC, and TPL were another story. These three stocks immediately exploded higher after triggering our buy stops and all three moved to all-time highs.

If you cannot srt in front of the screen all day, focus in the multiple set-ups when they exist. This will improve your chances of success even greater!

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MARKET / TRADE RECAP

Page 10

Time [redacted] Min Vol [redacted] Volumes scaled by 100
Date [redacted] Price Range [redacted] To [redacted]

FRANKLIN RESOURCES INC (BEN US) PRICE 84 11/32 T $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
07:16	N	83 1/2 / 83 1/4	N	5x10		07:08	N	83 5/16 / 83 1/2	N	7x15	
07:16	N	83 1/2 / 83 1/4	N	4x10		07:08	N	83 7/16		4	
07:16	N	83 5/8		5	3	07:08	N	83 5/16 / 83 1/2	N	5x15	
07:16	N	83 5/8 / 83 1/4	N	5x10		07:08	N	83 1/4 / 83 1/2	N	50x15	
07:15	N	83 3/8		70	3	07:08	N	83 7/16		4	
07:15	N	83 1/2 / 83 3/4	N	10x10		07:07	N	83 7/16		4	
07:15	N	83 5/8		48	3	07:07	N	83 7/16		3	
07:15	N	83 5/8 / 83 1/4	N	5x5		07:07	N	↑83 7/16		1	
07:14	N	83 1/2 / 83 3/4	N	10x10		07:03	N	83 1/4 / 83 7/16	N	50x5	1
07:14	N	83 5/8		29		07:02	N	83 1/4 / 83 3/8	N	1x5	
07:14	N	↑83 1/8		7	3	07:01	N	83 1/8 / 83 3/8	N	5x5	
07:13	N	↑83 7/16		5		07:01	N	83 1/4		10	
07:13	N	83 7/16 / 83 5/8	N	50x5	2	07:01	N	83 1/4		3	
07:13	N	83 7/16 / 83 9/16	P	50x1		07:01	N	83 1/16 / 83 1/4	N	24x5	
07:13	N	83 7/16 / 83 1/2	X	50x1		07:01	T	83 1/4		3	
07:12	X	↓83 5/16		5		07:01	N	↑83 3/4		7	
07:11	N	83 5/16 / 83 7/16	N	30x5		06:59	N	83 1/16 / 83 1/4	N	1x5	
07:11	N	83 5/16 / 83 7/16	N	7x5		06:58		/ 83 1/4	N	x5	

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Usina the Bond Mai

Whenever the bond market has a large move (as it did today), the financial market stocks follow. One of the best Small Cap financial markets stocks to trade is BEN (Franklin Resources). The ideal way to enter this stock, on a day like today, is to step in front of size

(D Early this morning, a buyer of at least 5000 shares bid for stock at 83 1/4 and @ he raised his bid to 83 7/16. triggering our buy signal.. ® We buy at 83 5/6 and place our stop at 83 1/8 which is 1/8 under the first bid.

By risking only 1/2 point, you got a chance to participate in a stock that traded to as high as B5 15/16 within a few hours. Focus on the financial market stocks on days the bond market either explodes or Implode as they lead to solid moves.

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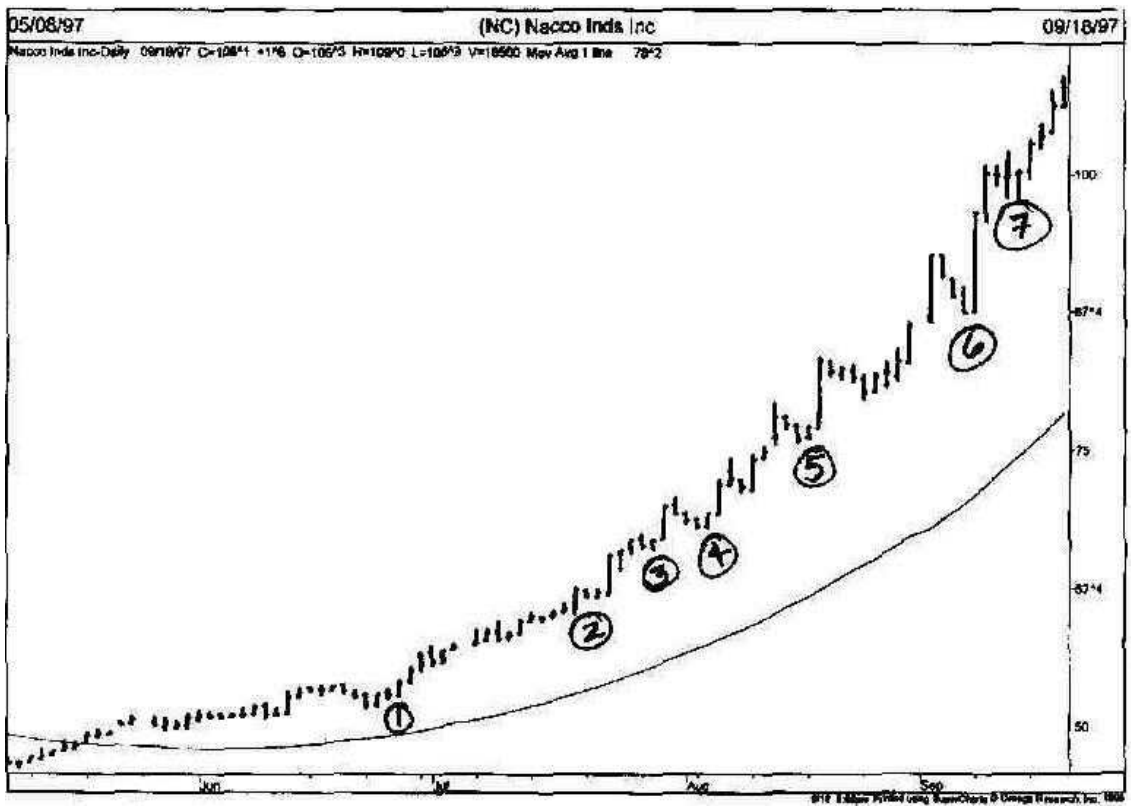

A FEW WORDS ON THE MATURE OF PE3ISTEHCY AND STALKING **STOCKS**

One of the biggest mistakes most traders make (myself included) **is** finding a great slock, but not going back to It again and again.

However, once a strong trend or runaway move begins, they're nature is to continue, They don't end easily or quickly The old expression is "me Bull dies hard." Momentum begets momentum particularly when a bull market has given rise to so many 'players." 1 am a great believer in keeping my decision-making process simple-getting overwhelmed with a lot of indicators tends to paralyze *me.* Hence. I rely a great deal on ADX (Average Directional Movement Index) to identify strong trends

NC (which nas been on our Hit List for months), is a terrific example of the kind of persistency in trend I'm refering to. Besides many days of winning Stepping In Front Of Size trades, NC nas left us with numerous Hit And Run set-ups all Hie way up.

Here are a few examples:

6/26	**XBOS**	7/29	180/Slingshot<3>	8/18	180®
7/22	**Boomer®**	**8/5**	**180®**	**9/5**	**1-2-3-4 ®**
				9/12	**1-2-3-4** S>

an see, stalking stocks *far* profits becomes much more doable once you've identified persistency - this is n for the Hit List. It becomes our starting or focus point when looking for set-ups.

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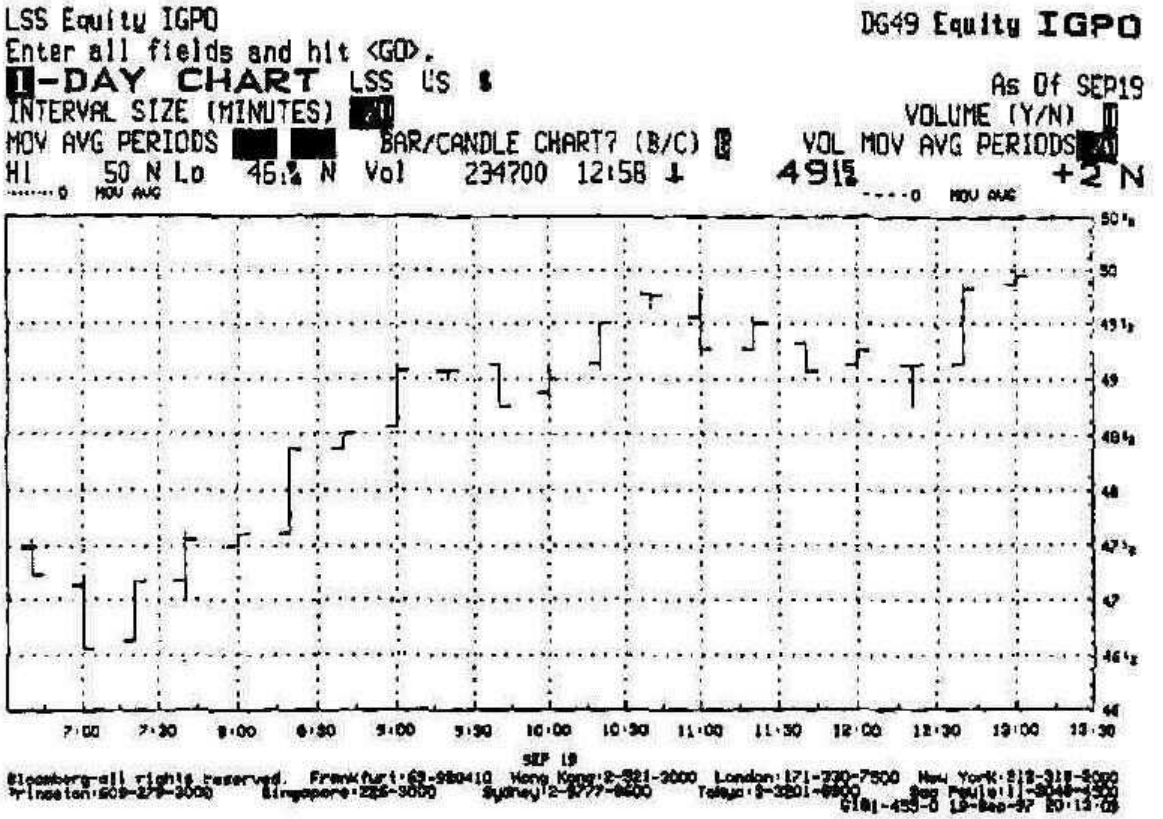

Size To Buy As A Stock **Goes** Positive On The Day

Stepping In Front Of Size on a stock that has been down in the morning and is just going positive offers a good risk to reward ratio. The morning decline serves to pullback the rubberband and create a bit of compression. If the stock is able to 90 positive on the day and size buyers are around, there is a good likelihood of follow through. I have found this to be a particularly powerful strategy when used with stocks that are just coming off recent new highs.

Let's look at an example. LSS closed at 47 15/16 Thursday. Friday, the stock pulls back to 46 9/16 (-1 3/8 points) in the first hour of trading. At 8:26 AM PST a 5000 share bid shows up at 47 3/4; at 8:28 AM PST, the bid is immediately raised to 48 1/8 (pivoting positive on the day) and we buy.

LSS leaves us with a 180 buy signal tonight and in classic technical terms had an outside day up {lower km, higher high, higher dose) - a further sign of strength.

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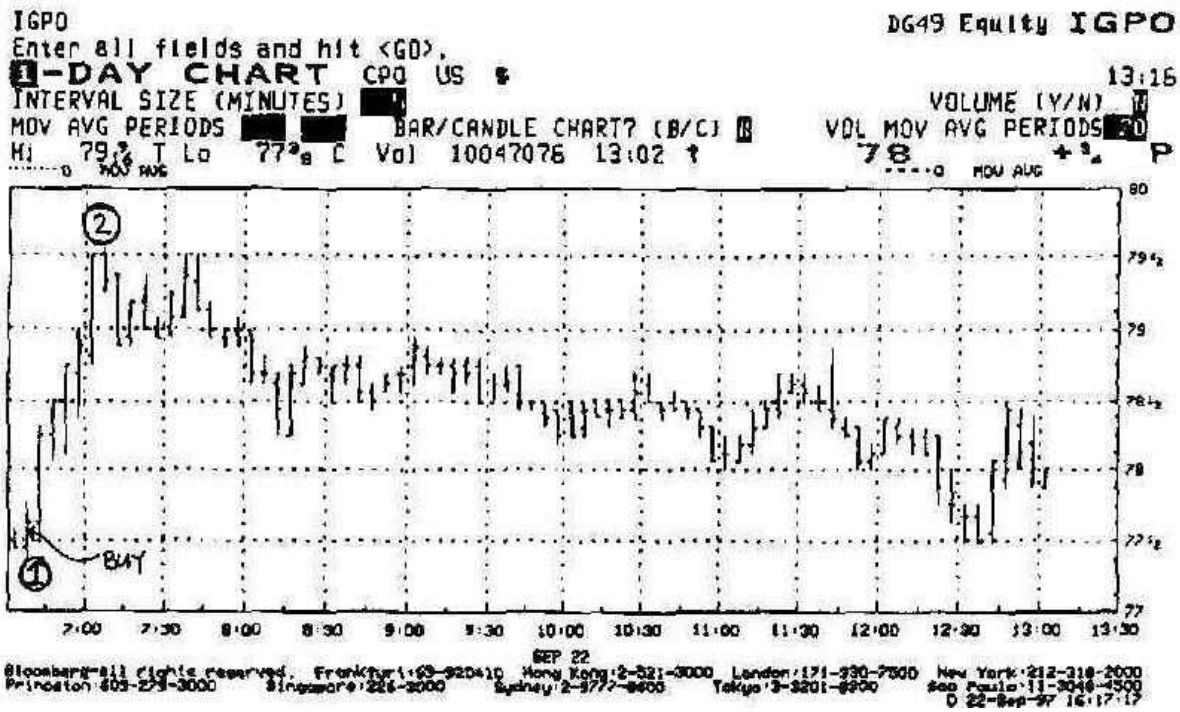

Locking In Profits-The Cornerstone Of The Hit And Run Methodology.

e our trading **style is extremely** short-term, **it** is **imperative to** lock **in profits.** When this is done on a consistent **basis,** it allows you **to make a very** nice **living.**

Today, for example, we had **a 180 buy** set-up trigger **on** (j) **Compaq (CPO) at 77 5/8.** © The stock **rose to a 1 7/8** point profit within 30 **minutes- At these levels, you should** sell **half of your position and move your stop to around 78 5/8 to** lock **in profits** on the **other half.** This **allows you to guarantee a profit and move on** to other **trades.**

As I have stated before, trailing stops are the single best way to assure a profitable trade **remains that way!**

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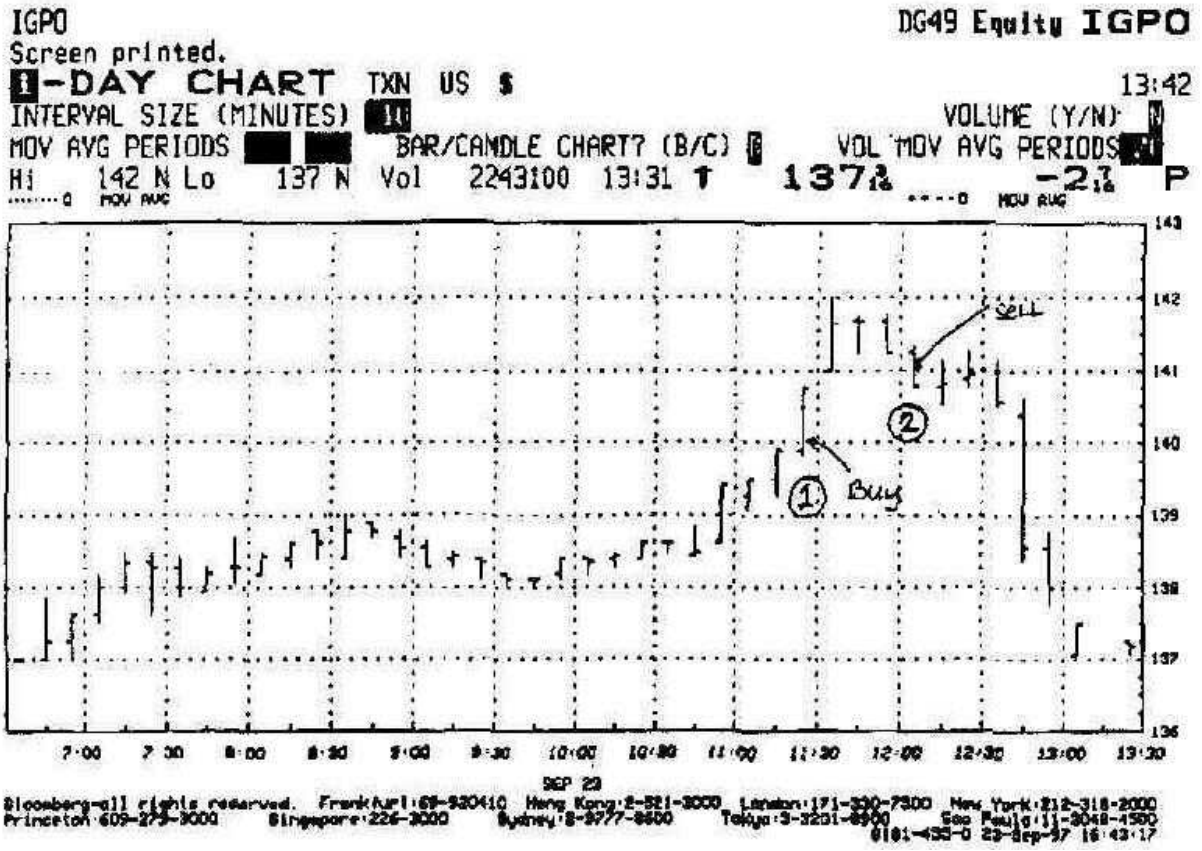

Locking In Profits - Part II

As we discussed last evening, the key to successful trading is locking in profits. Thi8 is especially true with high velocity stocks that are extremely volatile.

Today, late in the day. ® a buy signal was triggered on TXN at 140. Within minutes, there was a two point profit. You must move your stop up © to at least 141 to assure this trade remains profitable and more importantly, not allowing it to turn into a toss. The ability to lock in gains is the difference between those few traders who successfully do thfe for a living and everyone

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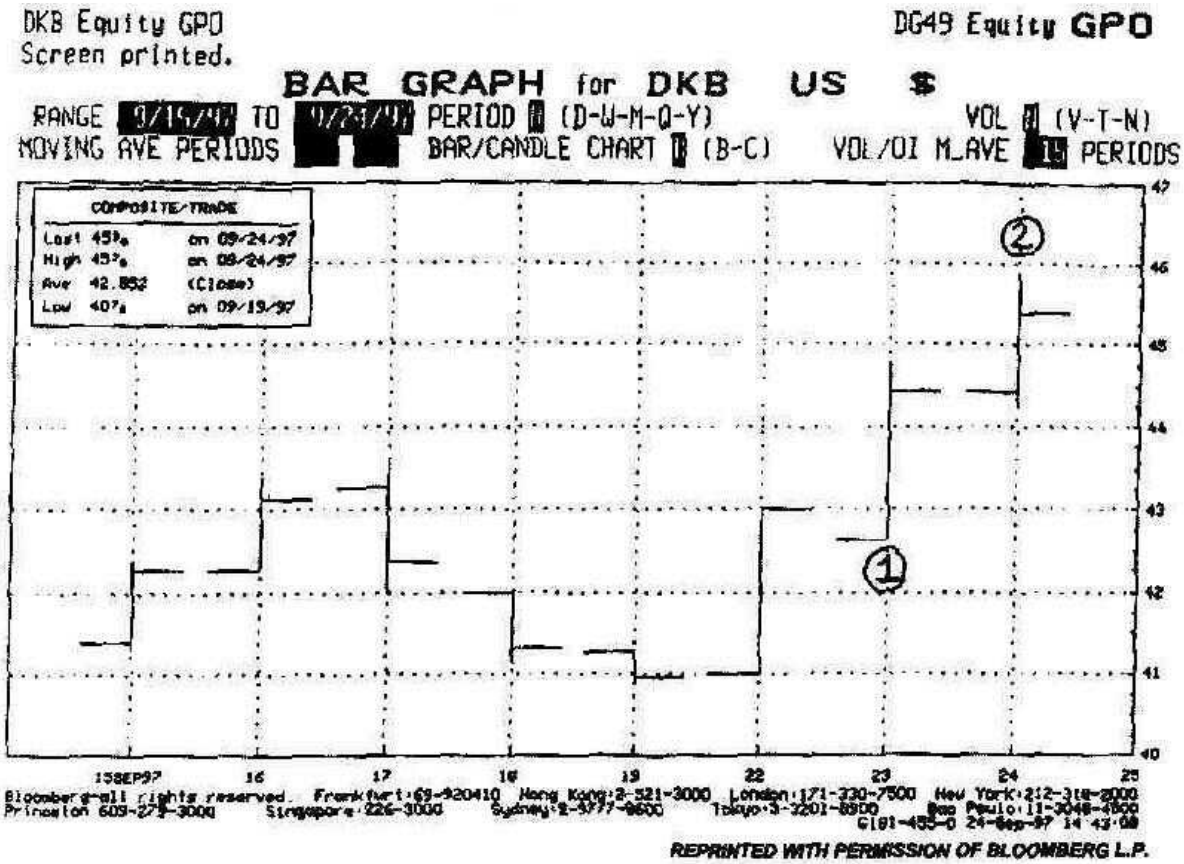

When To Hold A Position Overnight

The majority of the Hit and Run Set-ups ^re for day trading. There are times, though, when it te advantageous to hold a position overnight. This occurs when a stock doses near or at the top of its range (bottom of its range for short positions).

On Tuesday ® we had a 180 buy signal trigger at 43 1/8 on DKB. As you can see, the stock closed near the top of its range for the day and on an Expansion Breakout. The odds favor the buying carrying into the next morning ® (today) and that is exactly what happened.

Even though there is additional risk holding positions overnight, stocks that dose strongly in your favor are good bets to follow through the next morning.

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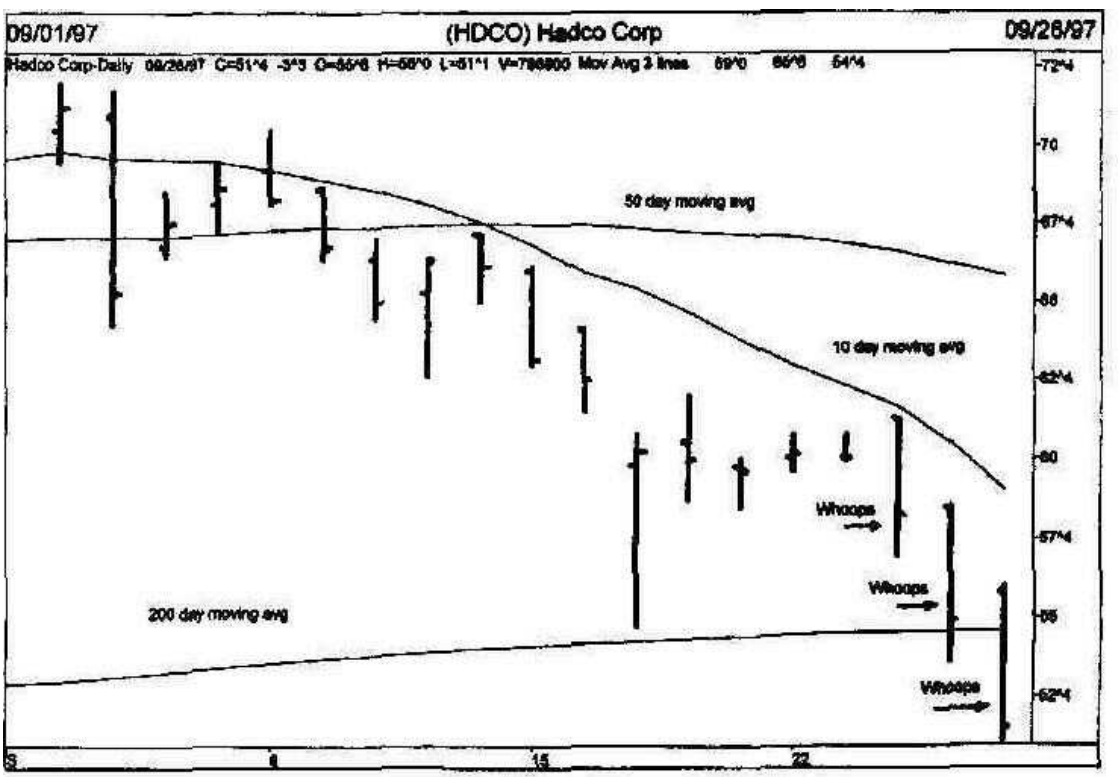

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How to Diagnose A Stock That's Sick

The first piece to use in determining the health of a stock is Hs relation to its 10 and 50 day moving averages. If the stock is trading below both of these, it's under wiling pressure- at least in the short run.

The second piece to use is the propensity of a stock to open near its high for ma day and close near Its low for the day. This indicates persistent distribution. This dMribution is particularly evident when a stock pops up on the open (in sympathy with a strong open on the S&P Futures for example) and can't hold the gain. This is symptomatic of institutions using any type of strength to unload inventory (they prefer to seH into strength If accommodated rather than hit discount bids, which only serves to further weaken a stock).

The selling could be simply profit taking, but often it's a signal that something in the bigger picture is wrong. That's why w» focus on these stocks on a dally baste, because if (here is something wrong, we'll be there to participate on the short side.

The Whoops Strategy (popping up and turning down on the day) does a good tab of identifying when sellers are more anxious than buyers. Stocks undergoing day after day of Whoops such as HDCO. often indicates someone knows just how sick toe patent may realty be.

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MARKET / TRADE RECAP

Page 9

Volumes scaled by 100

Time [redacted] Min Vol [redacted]

Date [redacted] Price Range [redacted] To [redacted]

LONE STAR TECHNOLOGIES I (LSS US) PRICE 52 3/16 N $

Time	E	Bid/Trd/Ask	E	Size	Cond	Time	E	Bid/Trd/Ask	E	Size	Cond
10:02	M	↓50 7/8		5		09:45	N	51/51 3/8	B	10x1	
09:58	N	50 7/8/51 3/16	N	5x5		09:45	N	51/51 5/16	T	10x5	TRIM
09:58	T	50 7/8/51 3/16	N	5x5	TRIM	09:45	N	50 7/8/51 5/16	T	5x5	TRIM
09:58	N	↓51		4		09:45	N	51 3/16		8	
09:58	N	51/51 3/16	N	2x5		09:45	N	↑51 3/16		5	
09:58	N	51/51 1/2	N	2x5		09:44	M	51		10	
09:58	N	51 3/16		3		09:44	N	50 7/8/51 3/4	N	5x5	
09:58	N	↑51 1/16		2		09:44	N	50 7/8/51 1/8	X	5x1	
09:54	N	51 1/16/51 1/2	N	5x5		09:44	N	50 7/8/51 1/16	T	5x5	TRIM
09:54	B	51 1/8/51 1/2	N	1x5		09:44	N	50 3/4/51 1/16	T	5x5	TRIM
09:54	T	51 3/16/51 1/2	N	5x5	TRIM	09:44	N	51		50 (2)	
09:54	X	51 1/4/51 1/2	N	1x5		09:44	N	51		22	
09:53	N	51 5/16		5		09:44	N	50 3/4/51	N	5x72	
09:53	N	51 3/16/51 1/2	N	5x5		09:44	N	51		41 (2)	
09:51	N	51 1/16/51 1/2	N	5x5		09:36	M	51		10	
09:51	N	51/51 1/2	N	10x5		09:36	N	50 3/4/51	N	5x115 (1)	
09:51	N	↑51 5/16		8		09:35	M	51		10	
09:45	N	51/51 7/16	N	10x5		09:34	T	↑51		11	

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Taking Out A Large Offer On A New High

As many of you know. Stepping in Front of Size on new highs is a valuable and profitable strategy. Another angle to this theme is to took for large blocks of stock for sale on a thinly traded stock that is trading at new highs. If this block is eliminated by buyers, you know the momentum players are focused on this stock and are taking it higher-

Today, LSS had a large seller cp at 51 as the stock made all time highs. As you can see © the seller was quickly taken out and this indicated that more buying than selling was prevalent. The stock proceeded to close at 52 3/16 on an Expansion Breakout.

Look for this type of situation whenever you can as it many times lead to further price appreciation.

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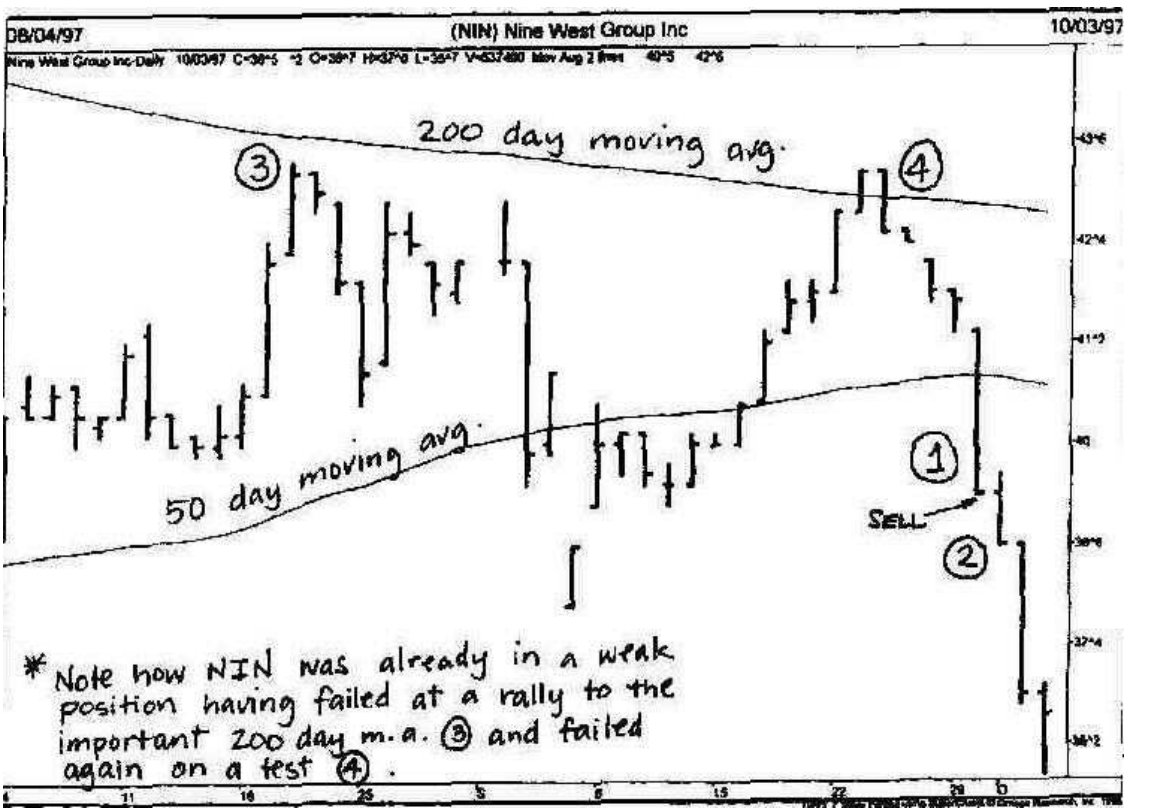

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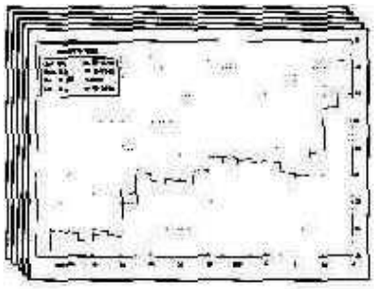
Waterfall Declines

Despite the market's strength this week, NIN gave a Multiple sell signal (180, XPT) on Tuesday ® that was triggered at 39 1/4 on Wednesday ®.

As you can see, NIN closed on its low Wednesday and Thursday - Why would you cover? Friday, NIN traded down another point to 35 7/8, before some apparent short covering showed up (often traders square out positions before a weekend). Trailing stops should have been tightened to approximately 36 1/2 - 36 5/8 in order to protect a solid profit.

Stocks that continue convincingly lower day after day while closing near the bottom of the daily range are symptomatic of liquidation. When you see a stock begin a waterfall decline against the backdrop of a strong overall market, there is a good opportunity for a quick profit.



CHAPTER 22

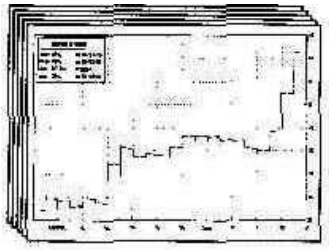
CONCLUDING REMARKS

In his book *A Writer's Diary,* Fyoder Dostoyevsky quotes a friend who tells him "You do know, whatever you write or portray, whatever you set down in writing, you can never match in real life. It doesn't matter what you depict—it will always come out weaker than real life."

As true as this is for literature, it is even truer for trading. No matter how many setups, strategies, concepts, and insights I share with you, it will never compare to you actually executing the trades. The knowledge from my books will give you an edge over most traders. To fully maximize this edge, though, you must apply it to the real world. Only then will you be able to master the markets.

I wish you the best of luck with your trading!

Jeff Cooper



APPENDIX

Over the past couple of years, my office has been inundated with requests for information on the best brokerage houses and the best technology for Hit and Run Trading. I have recently assigned the ***on-line*** *brokerage firm A. B. Watley as the exclusive brokerage house of Cooper Trading. A. B. Watley's UltimateTrader™ is in my opinion, one of the best technology pieces available for short-term traders. The speed of trade execution combined with extremely low transaction costs makes it a superior product.*

I have asked Jonathan ***Priddle,*** *a senior officer with the firm, to talk about the latest advances in trading technology and the UltimateTrader™. If you would like further information on the firm's services, you can call them at 1-888-229-2853 or 1-212-647-1600, ext. 618. Make sure you tell them you heard about them from Cooper Trading and you will receive special benefits not available to other traders.*

THE TECHNOLOGY EDGE

Massive strides in information and trading technologies are bringing major advances to the way high-end, active retail traders conduct business. A new **breed of technologically innovative trading** systems **and telecommunication protocols are now available to the general public that are cheaper, faster and** easily **integrated into the active trader's tool kit. These new technologies not only provide real-time, fully configurable data feed** with **integrated execution, but** also **allow for consistently reliable connection**

Newly introduced Proprietary Trading Systems (PTS) are designed to run on the PC and are specifically tailored for active traders and their data and execution needs. Through powerful desktop software, traders are able to configure their desktop screen so that they can see price data as it suits their own needs. With the innovation of integrated point and click execution into these systems, traders are better able to trade between the spread and consistently achieve significant cost savings. As execution costs decrease, so does the overall cost of trading. The PC of today performs most of the same functions for the remote trader that were previously reserved for the cumbersome workstations of dedicated hardware and leased lines of the old line Wall Street professional.

THE PROPRIETARY TRADING SYSTEM

A PTS is proprietary software that combines real-time data feed with order entry capability tied directly to the exchanges. The PTS is designed to run in a Windows95 environment so that it is accessible to virtually anyone with a PC. Within the PTS execution alternatives usually include all the methods for the electronic, negotiated markets, including SelectNet (NASDAQ's order routing system) and SOES (Small Order Execution System), along with access to the private Electronic Communications Networks (ECN's), such as Island, Bloomberg or Instinet. For the floor exchange auction markets, execution is usually achieved through the Designated Order Turnaround (DOT) feature that allows for direct electronic order routing to floor specialists for listed securities and options. *The best PTS will deliver orders to these various exchanges in less than one second.*

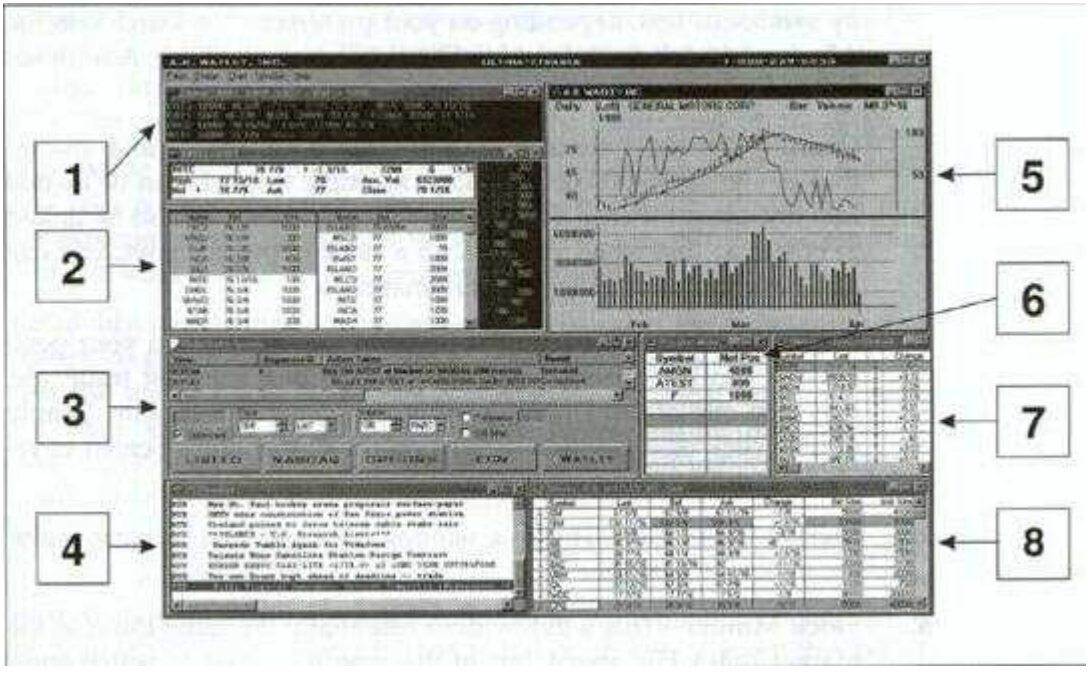
Flexible data feed delivery systems with proven records of delivering real-time, institutional quality data, such as PC Quote and S&P Cornstock, provide the market data for these PTS and are also considered the "Vendor of Record." There are now also services that offer the consolidation of separate data feeds, offering choices from among a variety of institutional quality real-time news feeds. The Windows environment allows for the traders to configure this data in a fashion that is most conducive to their trading style, and represents a significant improvement over the rigid, pre-determined data formats that many traditional, off-the-shelf data providers offer. Traders not only receive their data in real time, they can also configure their screens in order to see the direction of the market. The data can be formatted to appear in running tickers, extensive charts with applicable technical indicators that change with

price movements, time and sales windows, and color-coded NASDAQ

The set up of these windows is achieved with the ease of simple Win-

real-time P&L Tlte PTS software does have a learning curve, so it is im-

Below is a picture of the UltimaleTrador™. a proprietary system created by A. B Walley (and also used by Jeff Cooper). Each of the displayed



choose from, *le.*, NASDAQ Top 100, DOW Jones Utilities, etc., 01 create youj own ticker with stocks you are mosl concerned with. Color indicators show up and down ticks. Prices scroll vertically 01

2. NASDAQ Level II Data Window—This is a multifunctional window that has four parts. (1) The top most box shows fundamental price and trading information. (2) The box directly below it shows who is on the price and for how much. (3) The little rectangular box directly to the right of it Time and Sales for that stock. 4) This window serves as the entry point to the Order Entry Screen. Simply double click on a bid, to sell, or an ask, to buy, and the Order Entry Screen pre-loads your order for review.

3. The Order Entry Screen—The five buttons on the bottom portion of the screen show you how to route your order. The large window above them shows you all transaction history and serves as your order history file clerk.

4. News—Real-time Reuters or Dow Jones news feeds can be filtered by symbol or text, depending on your preference for search criteria. All news is "clickable" and will bring up your story. Additional features include new alerts.

5. Charts—The chart function has roughly 35 analytics and studies that can be overlayed on a symbol. Multiple symbols can be loaded into one chart for easy comparison. This function can also be linked to others so that when you pull up a stock quote, or news, you can also have the chart generated automatically.

6. Positions—This is the window function that shows you your positions. It can be expanded to show price, profit, loss, last trade, etc. It is also one of the Order Entry Screen generation points. Simply double click on a position to activate the Order Entry Screen to review an order pre-set for sending.

7. Market Index File—This is a window to allow you to view multiple indices in real time.

8. Stock Minder—This window does essentially the same thing as the Market Index File above, but in this case it is used to watch equities. It is also an Order Entry Screen generation point.

The features listed above represent a small portion of the available software potential.

It is also very important to note that there are system requirements for this kind of a PTS. Although the PC requirements are very standard (recommended 166 megahertz processor, 32 MEG RAM, quality Internet

Service Provider, keyboard and mouse) it should be noted that the size of the monitor is quite important. 17' inch monitors are recommended as a minimum size. Many traders have installed dual video cards so that two monitors in tandem can be used in order to view more data with one PC. As with all hardware these days, bigger and faster is better.

EXECUTION

The greatest asset of the PTS is integrated execution in order to fully exploit this market access and price transparency, particularly in the OTC market. Transactions are completed with use of your mouse on the security or by using pre-programmed hot keys. To execute the trade, another button is clicked and the trade is routed to the desired exchange or ECN. When a trader places a price through the system, the price becomes an actual part of that market. The executing broker who provides the PTS does not get involved in the transaction between the trader and the exchanges, but rather is extending its trading facilities to the trader via the PTS. The executing broker then reconciles *the* trades through the clearer.

The trading firm that routes *the* order for you is acting as a routing machine and does not take the other side of the trade, giving you unparalleled market exposure and speed. Should the order be delicate or large, you may find that you want the firm to take your order and work it for you.

Reliability, speed, and integration are also central to the order entry component of the best PTS. True market transparency now allows you to access the inside prices simply by choosing the pertinent routing vehicle. By using SelectNet, the trader can select market makers directly at their posted prices on Level n, or broadcast an order at or between the spread to all market makers, as if it were a dealer-to-dealer transaction.

For trades of 1,000 shares or less, depending on the tier size of the security, the Small Order Execution System will effect an almost immediate confirmation in normal market conditions. Additionally, connection to ECN's such as Island allows traders to bid or offer in between the spread, with the price appearing on Level II. These prices appear directly on the screens of market makers and all other market participants with direct lines into the ECN, and may be traded on by any or all these participants up to the desired amount posted.

Orders are consistently sent to both die market makers and ECN, and in the case of listed orders and options to the exchanges, in less than one second. On screen confirmation of trade execution is returned to the

trader's screen in an average of two to five seconds, depending on market conditions. Positions will automatically appear in the position minder, updating constantly in real time. Another great advantage of a good PTS is that the software will not allow you to violate exchange rules or trade over your buying power, recognizing new or exited positions instantly.

Some companies also allow pre- and post-market trading, usually accessing Instinet, the most liquid vehicle during these "off" hours.

Proper management of PTS server capacity by the broker/dealer should eliminate concern about the volume of clients that the PTS can handle and system performance levels in busy market conditions. System designs allow for a maximum of 100 percent simultaneous client capacity usage, a major difference to the incomparable browser-based technology. Those of you who trade stocks on a regular basis using a browser based on-line order entry vehicle such as ETrade, Ameritrade, and the like, are well aware of the frustrations involved with congestion. Long delays in confirmations and status reports are commonplace. Fills are often disappointing and outside of the true inside market due to the sale of order flow. To top it all, these problems only occur if you can actually manage to connect to the broker. For the serious day-trader, these problems need no longer be an issue with the evolution of the PTS.

Until recently, this type of information and execution has only been available to Wall Street professionals and hedge fund managers at a cost of thousands of dollars per month. Now you can get involved on the same level for a fraction of that cost per month.

Once you evaluate speed and transparency, coupled with service on a cost analysis basis—no more giving up spreads to the broker and lessening the chance of missing a price—a PTS can easily pay for itself in one or two trades. It is also especially helpful when you need to get out of a losing position quickly.

Let's go through a typical trade. You are watching IBM, for example, as one of your Cooper Trading momentum opportunities. A buy signal is generated. You will simply click on the ask, and an order entry screen will pop up pre-configured for size, price, and other parameters of your choice. Hit the LlSTEp execution button which will already be set to buy (as you clicked on the ask), and your order will hit the specialist's book in less than one second! In normal conditions, you will receive an on-screen confirmation of your buy in just a few moments more, and the

position will show up instantly in the position minder, updating in real time.

Trading support services should also be large factor in choosing a PTS/trading firm. As a trader, it is essential to receive immediate, accurate and reliable client support. As a valued client, you should feel comfortable with the firm with which you deal in that they can provide support for the software, your trading activity and all the back office functions that are essential to the proper maintenance and functioning of your trading day.

TELECOMMUNICATIONS PROTOCOLS AND CONNECTIVITY

In order to directly address the increasing Internet capacity problems and the cost associated with modem-to-modem hookups, several innovative firms have created intelligent connection alternatives. In order to assure that your trading day is never interrupted and runs as smoothly as possible, there are two different types of telecom protocols with which you should be familiar; dedicated bandwidth service and cable modems.

Some firms offer proprietary telecom connections based on dedicated bandwidth for their clients *only*. What this means is that they afford you the option of a private telephone "road" to their servers and systems. A Dedicated Port Service (DPS) is based on "frame relay" telecommunications technology. For a fixed monthly cost of approximately $350 (or approximately $17 per business day), you are assigned a unique, personal LOCAL telephone number affording you unlimited access to the company's data and proprietary trading network. This service uses a point-to-point connection via "frame relay," without involving Internet Service Providers (ISP) or intrusive Internet traffic. In essence, you are on a virtual WAN (Wide Area Network) via a local call. This kind of DPS should be available in nearly all U.S. metropolitan areas and selected cities overseas (higher costs are associated with overseas usage). You can connect to these DPS systems via 28.8, 33.6 and in some cases 56kps modems. Connection really depends on the local carrier capabilities.

Through this connection solution you can avoid the Internet completely and transact your business on a proprietary network backbone. Your connection is more stable, more reliable and faster than ISP connections, and much cheaper than traditional modem-to-modem hookups.

Cable modems have also dramatically changed the rules of the Internet data delivery game. Cable modems deliver the Internet to your home computer up to 100 times faster than the standard 28.8 dial-up modem, and 15 times faster than an ISDN line. With a cable modem connection, 10 meg files download in about 52 seconds, in comparison to about 47 minutes with a 28.8 baud modem.

The cable is connected to your personal computer through an external cable modem. The same cable line that provides dozens of channels to your television can simultaneously send data back and forth between your personal computer and the Internet. This technology is referred to as "broadband technology" and transmits data at speeds up to 100 times faster than a standard 28.8 kbps telephone modem. Typically, cable modems operate at speeds in the range of 1,500 to 3,000 kbps.

There are no "handshaking" delays with the cable modems and connections are instant. Just log on and go. And because cable modems are independent of phone connections, there's no clocking of incoming calls, no costly second phone line or ISDN connections to install and maintain.

There are several companies who are starting to provide this incredible service. ©Home is the Netscape of the cable world. A spokeswoman for the company suggested that they would offer their service in competition with WebTV. They have plans to market their browser on store shelves soon. Currently several cable companies are offering the ©Home browser as the browser of choice when an installation is being done.

You will need to contact your local cable provider for details regarding cable modem service. The service is not currently available in all areas, however, most providers plan on offering national access by the end of the year. Local cable companies such as Cablevision give a detailed description of their service.

Typical monthly subscription prices are $29.95-$49.95. Installation charges for dial-up services, ISDN services, and second telephone lines vary by provider and typically range between $75 and $250. Cable companies typically charge a one-time installation fee of $99-$175. The installation fee covers: cost and installation of a Networking Interface Card (NIC card) in your home computer, splitting and running the cable wire to your home computer anywhere in your home, installation and configuration of a customized Netscape or Explorer browser, and a personalized overview of the service.

Cable modems make very **good** sense and should be looked at very carefully. **They** offer **greater** capacity and stability at an average lower monthly cost.

/ would like to thank Jonathan Priddlefor taking the time to write this section. If you would like to learn more about A. 6. Watley services (and to receive five free trades when you open an account), call them at 1-888-229-2853 or 212-647-1600, ext. 618. Don't forget to say that you heard about A. B. Watley from Cooper Trading to receive the extra benefits.