Monster Market Movers

Prerequisites

By Robert Roy

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Also Better Trades' personnel are not subject to trading restrictions. I and others at Better Trades could have a position in a security or initiate a position in a security at any time.

How To Use
Monster Market Movers
To Your Advantage

Using This Workshop

• Pick one strategy to start your paper trading with. It is not uncommon to want to trade everything that comes your way but just consider one strategy. (Ex. Buying calls and puts, spreads, etc.) Buying calls and puts will be the most basic way to start.

• Print out the "Options Process Selection System"

• Print out the "Potential Trading Candidates" from the workshop slides (You will receive these slides approximately one hour prior to the start of the event).

• The candidates will be potential trade setups to watch over the next few days and weeks; look through them daily for potential trade setups.

• Review the recording of the live workshop over the next few days to help solidify the information you heard and pick up on the things you may have missed.

• **Attend The Next Monster Market Movers (Once A Month) to continue to build your skills.**

Trader Type

New Trader

• Take it slow; don't try to do it all at once or you will never do anything
• Review the recording as often as possible (at least 3 times over the next 30 days)
• Practice every day
• Work on your charting skills (daily)
• Pick one strategy to start with

Intermediate Trader

• Unless you are already trading profitable funded trades start with one strategy
• Once profitable add another strategy
• Review the recording at least 2 times over the next 30 days
• Continue to practice and build your charting skills

Experienced Trader

• Review the recording once over the next week
• Add the candidates to your watchlist and use your trading strategies for them
• Continue to evaluate and practice new trading strategies

All Traders

• Continue to build your skills by attending Monster Market Movers monthly

Using Technical Indicators

Technical Indicators

Different technical indicators will be discussed during the workshop that are the ones that I tend to like.

I am a Harmonic Trader (my definition of a harmonic trader is one who uses indicators that are in tune with nature, such as Fibonacci).

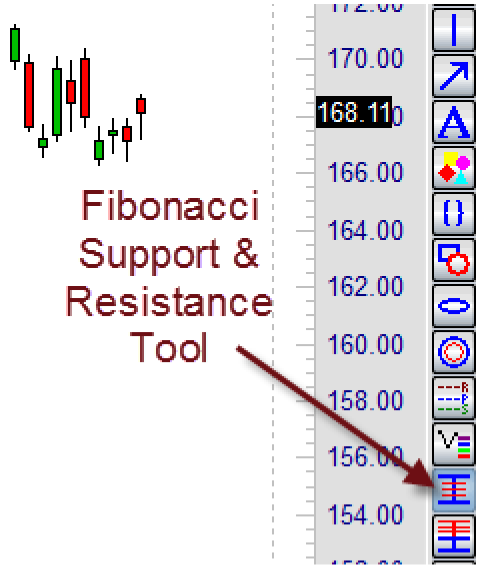
You may choose to use the indicators I will be discussing or you can use your own, it is totally up to you.

On the following pages are some of the indicators that will be used during the workshop and others I consider important

Fibonacci

Fibonacci

The Primary Fibonacci tool I use is called “Fibonacci Support & Resistance” (on Extreme Charts, other charting programs may have different names for it)



Use the Fibs tool that has the blue lines on the outside and all of the redlines on the inside

Fibonacci

Fibonacci are a measure of price retracements.

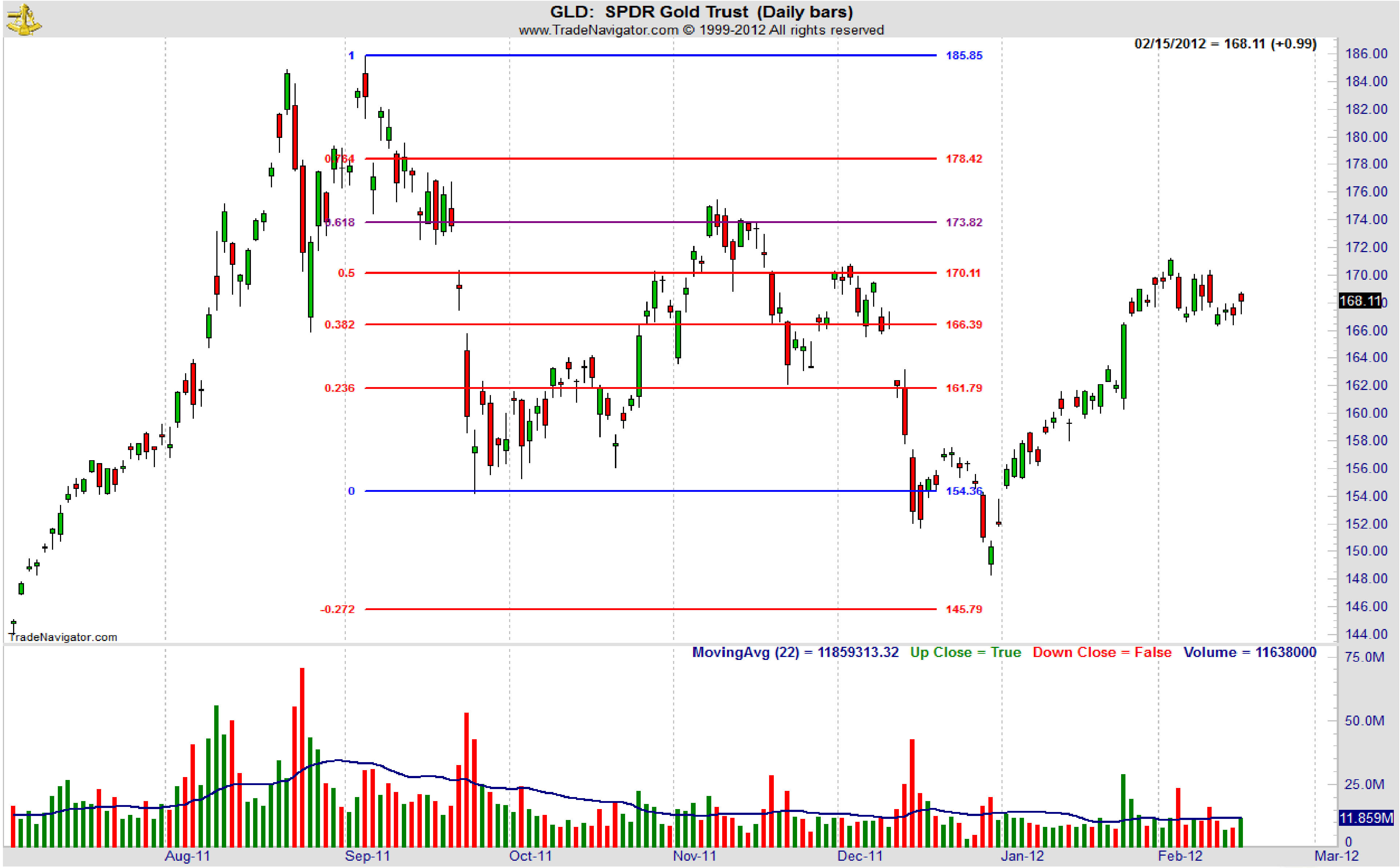
If a stock moves from $10 to $16 and the stock starts moving down from there then the entire move was $6. If the stock pulls back to $13 that would be a 50% retracement.

Check your charting program for these settings :

-1	.382
-.618	.5
-.382	.618
-.272	.764
0	1
.236	

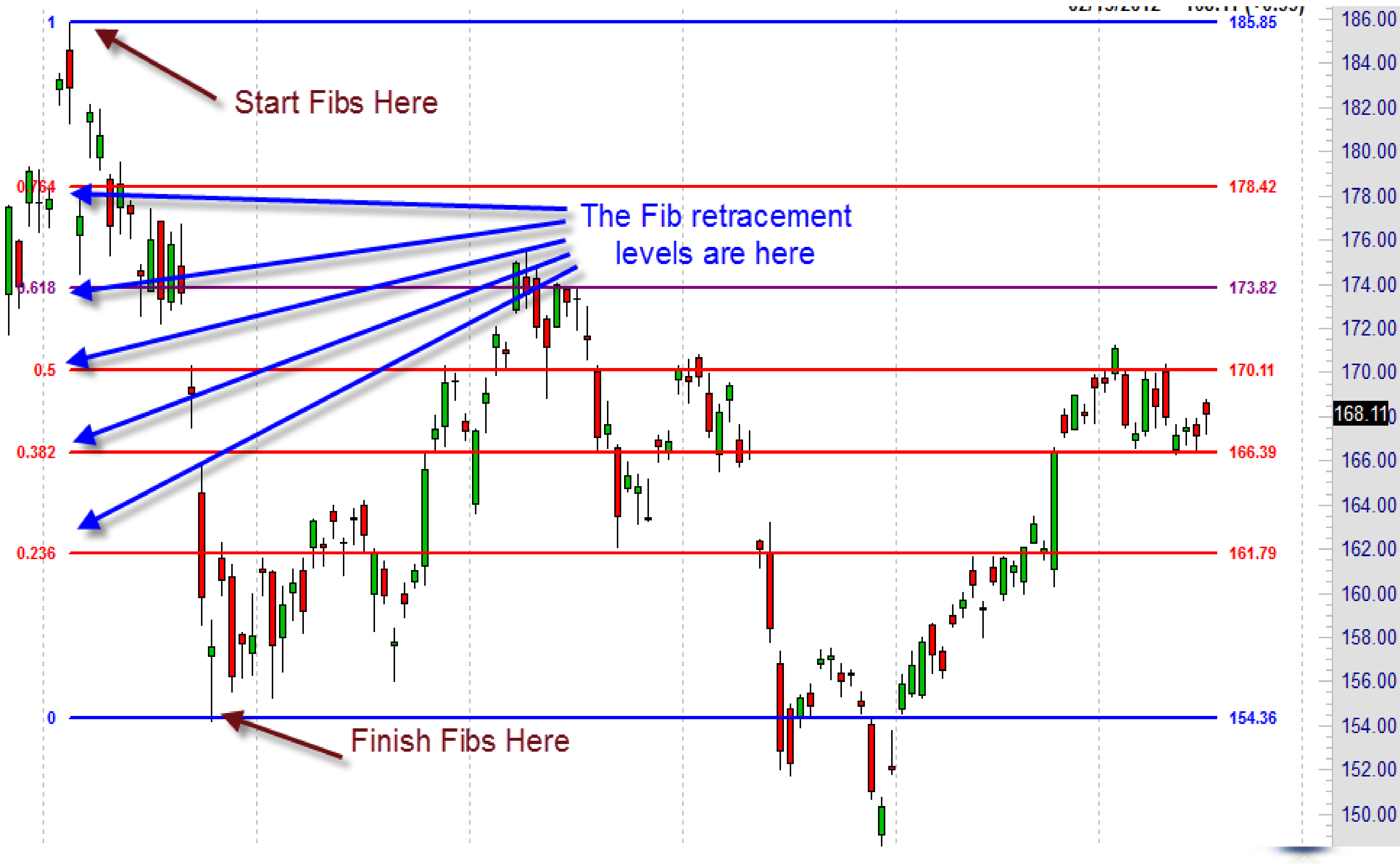
Tech Support can help with Extreme Charts settings for other programs check with their support team.

Fibonacci



GLD: SPDR Gold Trust (Daily bars)
www.TradeNavigator.com © 1999-2012 All rights reserved
02/15/2012 = 168.11 (+0.99)
1
185.85
0.764
178.42
0.618
173.82
0.5
170.11
0.382
166.39
0.236
161.79
0
154.36
-0.272
145.79
TradeNavigator.com
MovingAvg (22) = 11859313.32 Up Close = True Down Close = False Volume = 11638000
Aug-11
Sep-11
Oct-11
Nov-11
Dec-11
Jan-12
Feb-12
Mar-12

Fibonacci


Start Fibs Here
The Fib retracement levels are here
Finish Fibs Here
1
0.764
0.618
0.5
0.382
0.236
0
185.85
178.42
173.82
170.11
166.39
161.79
154.36
168.11
186.00
184.00
182.00
180.00
178.00
176.00
174.00
172.00
170.00
166.00
164.00
162.00
160.00
158.00
156.00
154.00
152.00
150.00

Fibonacci

<u>Drawing Fibonacci (The Steps)</u>

• Determine the direction the stock is moving in.

• If the stock is moving up (bullish) draw the fibs from the lowest low to the highest high in the run.

• If the stock is moving down (bearish) draw the fibs from the highest high to the lowest low in the run.

• Each of the Fibonacci levels are considered a retracement level (by percentage of the move).

• There are numerous Fibonacci trade setups that can be used; I will focus on the most common ones here.

Fibonacci

Drawing Fibonacci (The Steps) Continued

• Watch for the stock to get to the 50% retracement level.

• Once it does, watch to see if the stock starts to reverse off of that level. If it does consider trading the position on the direction of the retracement move.

Fibonacci

Drawing Fibonacci (Example)

- The stock moves up from $40 to $50 and starts moving down
- The stock gets near the $45 level (50% retracement)
- Watch for a bounce off of the 50% level

Enter The Trade

- Place a bullish trade (buy a call)

Setting The Exits

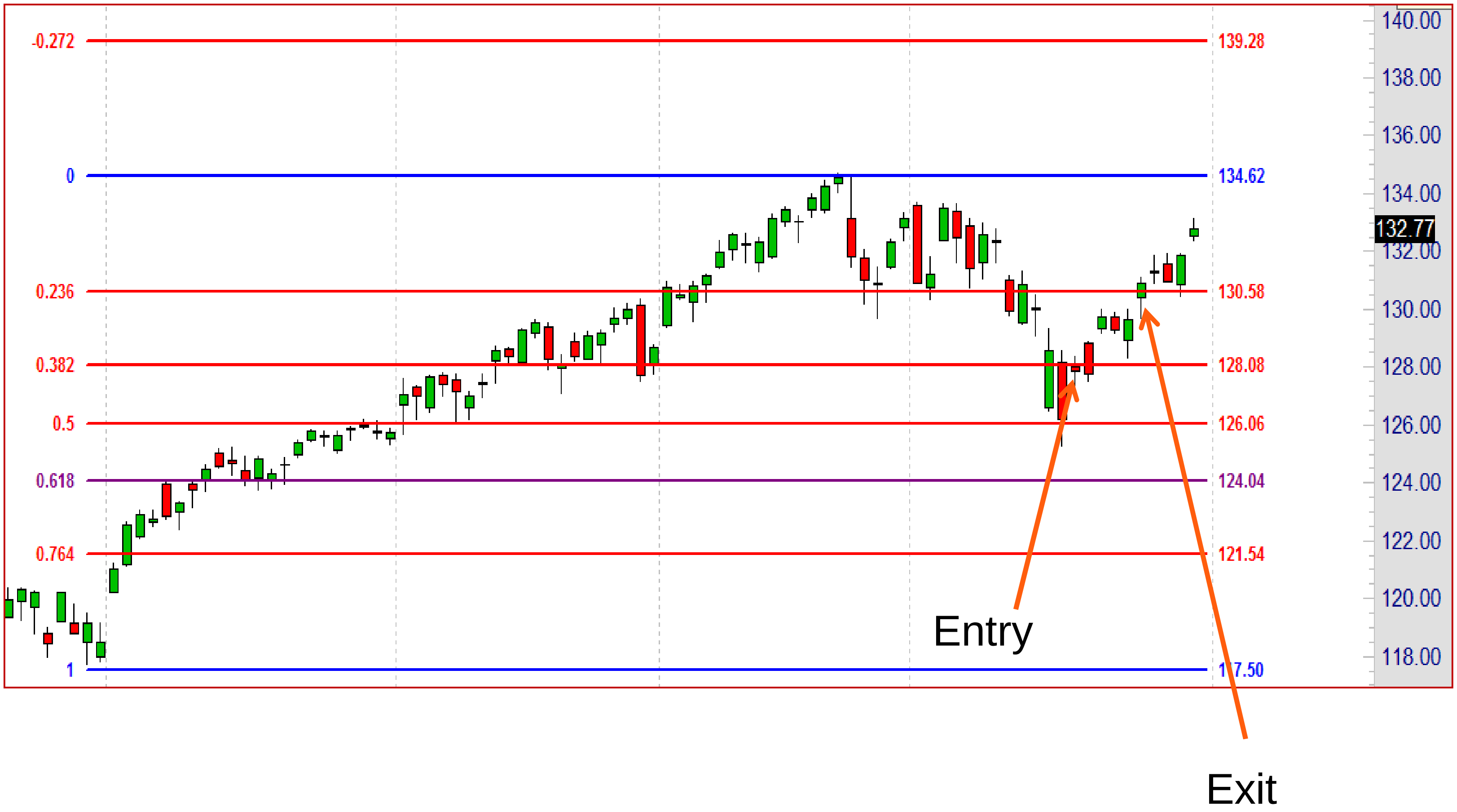
- Set the exit just below the .236 fib level
- You can consider scaling out of the trade in multiple exits

Setting The Stops

- Set the stop below the 50% level

In my workshop “Fibonacci The Secrets Revealed” I go into greater depth on different Fibonacci trade setups

Fibonacci


-0.272
0
0.236
0.382
0.5
0.618
0.764
1
139.28
134.62
130.58
128.08
126.06
124.04
121.54
117.50
140.00
138.00
136.00
134.00
132.77
132.00
130.00
128.00
126.00
124.00
122.00
120.00
118.00
Entry
Exit

Pivot Points

Pivot Points

Pivot Points are known as the Floor Trader's secret weapon. There are many different ways that they can be calculated, but the standard, time-tested calculations are the most commonly used.

Pivots are made up of three different types of lines, they are:

The Pivots - This is the point the stock is expected to pivot off of, it is also known as the "mean" or the area of normalization

Resistance Lines – They are also known as R1, R2, R3, R4, R5

Support Lines - They are also known as S1, S2, S3, S4, S5

The basics to using Pivot Points will be covered here. I go into much greater depth in my "Controlling Price Action With Pivot Points" Workshop.

Pivot Points

Pivot Points are derived by a mathematical formula. Before any of the support or resistance lines can be calculated, you first need to calculate the Pivot Point.

The Pivot Point Formula is calculated by taking
Yesterday's High + Yesterday's Low + Yesterday's Close = Add them up and divide the answer by 3.

Here is a look at the formula:
(H+L+C) / 3 = Pivot Point

Example
Yesterday's High: 20
Yesterday's Low: 18
Yesterday's Close: 22

(20 + 18 + 22) = 60 / 3 = 20

That will make the pivot point 20 for that time period

Pivot Points

Calculating the Support and Resistances requires a little more math.

<u>Calculations</u>

R5 = R3 + (High – Low)
R4 = R2 + (High – Low)
R3 = R1 + (High – Low)
R2 = Pivot + (High – Low)
R1 = (2 x Pivot) – Low

Pivot = Yesterdays (H + L + C) / 3

S1 = (2 x Pivot) – High
S2 = Pivot – (High – Low)
S3 = S1 - (High – Low)
S4 = S2 – (High – Low)
S5 = S3 – (High – Low)

Pivot Points

Using Pivots

• Pivots can be used for intraday as well as end of day trading

• Calculate these levels prior to the market open for stocks on your watchlist

• Draw the lines on your intraday charts (1, 3 or 5 minute charts)

• Use the specific trade setup details on the following pages

Pivot Points Reversal

- As a stock moves to a pivot level look for a potential reversal.

- Example – A stock gaps up on the open. It moves up toward any of the pivot levels. Look for the next candle stick to show weakness, if it does consider entering a bearish trade (long put).

- GTC – Set the GTC just above the next pivot level

- Stop Loss – Set the stop above the pivot level the stock reversed off of.

- Look at the example on the next page

Pivot Points Reversal

Pivot Points Reversal

Pivot Points Reversal

• Pivots can be used on intraday and end of day charts

• The trade is designed to be a quick moving trade

• If the stock moves against you the exit should take you out with minimal cost

Pivot Points Continuation

- As a stock breaks through a pivot level look for a potential continuation.

- Example - A stock moves up toward any of the pivot levels and breaks through. Look for the next candle stick to show strength in the direction of the initial move. If it does, consider entering a bullish trade (long call).

- GTC – Set the GTC just below the next pivot level

- Stop Loss – Set the stop below the pivot level the stock broke through.

- Look at the example on the next page

Pivot Points Continuation

Additional Indicators

Additional Indicators

• There are over 100 technical indicators on the market today. Some have more value than others.

• Here are some of the other indicators to consider using:

- Fibonacci
- Pivot Points
- Volume
- MACD
- Bollinger Bands
- Moving Averages

This is not an exhaustive list. Feel free to use any indicators you like. These are the main ones I use.

Option Selection Process

Option Selection Process

Before you even look at an option chain there are a few things to confirm first

• Review the chart and draw all of your lines

• Confirm the Volume of the stock to be a minimum of? My personal minimum is 1,000,000 shares traded a day

• Verify the technical indicators meet your criteria

Option Selection Process Checklist

Print out this checklist and keep it in front of you when picking an option, this will help reduce errors.

- Chose an option with at least 1 full month of time
- Delta range of 65 – 85
- Open Interest minimum of 100
- Fair value of the option is not too over valued
- Confirm that earnings is not scheduled to come out prior to the date you believe the trade will be over
- Make sure the option does not have the highest time value

Option Selection Process

On the following page is an option chain. The 3 most common choices traders make is the 62.50, 60.00 and 57.50 call, lets break them down.

62.50 – It has the highest time value of all the strike prices, you would pass on this one because it violates the rules.

57.50 – It has a higher delta than you want but a trader could consider it if there are no other good choices on the option chain.

60.00 – The delta is good, it has great open interest and the option is fairly valued, it meets the criteria.

Note: Ultimately it is the traders choice which option to chose, use this as a guideline for your own trading.

Option Selection Process

CALL SERIES					APRIL 2012							
Option Symbol	Strike Price	Bid Price	Ask Price	Intrinsic Value	Time Value	Theoretic Value	Difference	Volume	Open Interest	Delta	Gamma	Theta
QCOM APR12 45 C	45.00	17.80	19.85	18.44	1.41	18.45	1.40	0	500	1.00	0.000	0.00
QCOM APR12 46 C	46.00	16.80	18.75	17.44	1.31	17.45	1.30	0	405	1.00	0.000	0.00
QCOM APR12 47 C	47.00	16.40	16.55	16.44	0.11	16.45	0.10	0	861	1.00	0.000	0.00
QCOM APR12 48 C	48.00	15.40	15.55	15.44	0.11	15.45	0.10	0	1860	1.00	0.001	-0.00
QCOM APR12 49 C	49.00	14.40	14.50	14.44	0.06	14.45	0.05	0	2304	1.00	0.002	-0.00
QCOM APR12 50 C	50.00	13.40	13.55	13.44	0.11	13.46	0.09	0	3376	0.99	0.003	-0.00
QCOM APR12 52.5 C	52.50	10.95	11.10	10.94	0.16	11.00	0.10	0	6429	0.98	0.009	-0.00
QCOM APR12 55 C	55.00	8.60	8.70	8.44	0.26	8.62	0.08	0	5580	0.94	0.020	-0.01
QCOM APR12 57.5 C	57.50	6.35	6.45	5.94	0.51	6.41	0.04	0	10792	0.86	0.037	-0.01
QCOM APR12 60 C	60.00	4.30	4.40	3.44	0.96	4.48	-0.08	0	21398	0.74	0.054	-0.02
QCOM APR12 62.5 C	62.50	2.66	2.69	0.94	1.75	2.92	-0.23	0	26809	0.58	0.064	-0.02
QCOM APR12 65 C	65.00	1.43	1.46	0.00	1.46	1.76	-0.30	0	19740	0.42	0.064	-0.02

Market Moving Events

Market Moving Events

There are numerous things that make the market move. Our job as traders is to decipher what information will make the market move and what will not.

We will discuss these events in more depth at "Monster Market Movers"

On the following pages are a listing of the top newsy events I have found to move the market

Big Picture Market Events

What are some of the things that make the market move?

• **<u>Political Announcements</u>** – Major announcements from the US government can move the overall market. Going to war, Economic concerns, Presidential election approaching, etc. Consider trading the SPY, QQQ ,DIA or other ETF's

• **<u>Oil</u>** – The increase or decrease in oil prices can adversely effect the market and many individual stocks. Consider trading the top oil stocks or oil ETF's

• **<u>Gold</u>** – Gold can be a monster mover. There can be swings of hundreds of dollars at a time. "GLD" is the gold ETF and "SLV" is for silver. These hold the actual bullion.

Individual Stock / Sector News

• **Earnings** – Trading Earnings is a great way to take advantage of monster market moves. Allow the earnings to come out and consider using the pivot trades (found on earlier pages in this document).

• **Upgrades & Downgrades** – This is where a company is given an upgrade or a downgrade by a brokerage company. Some companies ratings hold more weight than others. Goldman Sachs is one of the top ratings companies today. One way to trade these is to allow the announcement to come out and allow the stock to move. Wait for a pullback to an area of support or a pivot level and if the stock reverses off of that level consider entering a trade in the direction of the original move.

• **Rumors** – The news doesn't have to be accurate al long as it is tradable. Buy on rumor and sell on fact.

Technical Patterns

Technical Patterns

In Monster Market Movers we will look for various technical patterns. Some of these patterns will be more commonplace than others.

We will look at some very predictable and repeatable patterns and possibly some uncommon patterns.

We will discuss the entries and exits for the various patterns along the way.

As for specific exits and GTC's ultimately, you as the trader will make the final decision as to your own personal risk tolerance in a specific trade.

Breaking Down The Moves

Technical Patterns

- Line Patterns
  - Double Tops & Bottoms
  - Head and Shoulders (Tops & Bottoms)
  - Wedges

- Candle Patterns
  - Rising Three
  - Falling Three
  - Morning & Evening Stars
  - Doji
  - Engulfing
  - Etc.

Breaking Down The Moves

Technical Patterns

- Stocks at Support & Resistance
  - Bouncing off of a level
  - Approaching a level
  - Channeling (Bullish & Bearish)

- Technical Formations
  - Fibonacci
  - Pivot Points
  - Etc.

- Other potential trading patterns to use

Economic Events

Economic Events

There are numerous Economic Events that can adversely affect the market. Here are a few of the top reports to be concerned with.

The reports I focus on are:

- Personal Income & Outlays
- Jobless Claims
- Retail Sales
- PPI
- CPI

Personal Income and Outlays

Why Investors Care

The income and outlays data are another handy way to gauge the strength of the consumer sector in this economy and where it is headed. Income gives households the power to spend and/or save. Spending greases the wheels of the economy and keeps it growing. Savings are often invested in the financial markets and can drive up the prices of stocks and bonds. Even if savings simply go into a bank account, part of those funds typically is used by the bank for lending and therefore contributes to economic activity. In the past twenty years, the personal saving rate has diminished rapidly as consumers have spent a greater and greater share of their income. But that has reversed in part during the recession that began in 2008 as consumers have cut back on credit card use and have been rebuilding retirement accounts.

The consumption (outlays) part of this report is even more directly tied to the economy, which we know usually dictates how the markets perform. Consumer spending accounts for more than two-thirds of the economy, so if you know what consumers are up to, you'll have a pretty good handle on where the economy is headed. Investors can see how consumers are directing their spending, whether they are buying durable goods, nondurable goods or services. Needless to say, that's a big advantage for investors who determine which companies' shares they will buy.

Importance

Income is the major determinant of spending -- U.S. consumers spend roughly 95 cents of each new dollar. Consumer spending accounts directly for more than two-thirds of overall economic activity and indirectly influences capital spending, inventory investment and imports.

Personal Income and Outlays

Interpretation
Increases (decreases) in income and consumption cause bond prices to fall (rally). As long as spending isn't inflationary, the stock market benefits because greater spending spurs corporate profits. Financial market participants pay somewhat less attention to personal consumption expenditures than to retail sales, which are released earlier in the month. However, they do closely monitor personal income and the PCE deflator.

Changes in personal income signal changes in consumer spending. For instance, a period of rapid income growth may signal future gains in personal consumption expenditures as well. Conversely, a period of declining income growth could signal an impending recession. While consumers often still must purchase necessities, discretionary purchases may decline, or moderate.

Consumers are more likely to increase spending when they see their stock portfolios increase in tandem with the stock market. When the stock market falls, spending is likely to decline because consumers feel less wealthy. Home prices and home equity have similar effects. Rising home prices boost the amount of equity consumers have in their homes. This allows access to Home Equity Line of Credit (HELOC) accounts. Plus consumers feel wealthier whether they have a HELOC account or not. When home prices decline, home equity falls and cuts into consumer spending.

Frequency - Monthly.

Availability - Usually the last week of the month.

Coverage - Data are for the previous month. Data for June are released in July.

Jobless Claims

Why Investors Care
Jobless claims are an easy way to gauge the strength of the job market. The fewer people filing for unemployment benefits, the more have jobs, and that tells investors a great deal about the economy. Nearly every job comes with an income that gives a household spending power. Spending greases the wheels of the economy and keeps it growing, so a stronger job market generates a healthier economy.

There's a downside to it, though. Unemployment claims, and therefore the number of job seekers, can fall to such a low level that businesses have a tough time finding new workers. They might have to pay overtime wages to current staff, use higher wages to lure people from other jobs, and in general spend more on labor costs because of a shortage of workers. This leads to wage inflation, which is bad news for the stock and bond markets. Federal Reserve officials are always on the look out for inflationary pressures.

By tracking the number of jobless claims, investors can gain a sense of how tight, or how loose, the job market is. If wage inflation threatens, it's a good bet that interest rates will rise, bond and stock prices will fall, and the only investors in a good mood will be the ones who tracked jobless claims and adjusted their portfolios to anticipate these events.

Just remember, the lower the number of unemployment claims, the stronger the job market, and vice versa.

Availability - Thursdays.

Coverage - Week-ending Saturday before the release.

Frequency - Weekly

Retail Sales

Why Investors Care
Consumer spending accounts for more than two-thirds of the economy, so if you know what consumers are up to, you'll have a pretty good handle on where the economy is headed. Needless to say, that's a big advantage for investors.

The pattern in consumer spending is often the foremost influence on stock and bond markets. For stocks, strong economic growth translates to healthy corporate profits and higher stock prices. For bonds, the focus is whether economic growth goes overboard and leads to inflation. Ideally, the economy walks that fine line between strong growth and excessive (inflationary) growth. Retail sales not only give you a sense of the big picture, but also the trends among different types of retailers. Perhaps auto sales are especially strong or apparel sales are showing exceptional weakness. These trends from the retail sales data can help you spot specific investment opportunities, without having to wait for a company's quarterly or annual report.

Balance was achieved through much of the nineties. For this reason alone, investors in the stock and bond markets enjoyed huge gains during the bull market of the 1990s. Retail sales growth did slow down in tandem with the equity market in 2000 and 2001, but then rebounded at a healthy pace between 2003 and 2005. By 2007, the credit crunch was well underway and starting to undermine growth in consumer spending. Later in 2008 and 2009, the rise in unemployment and loss of income during the recession also cut into retail sales. Spending rebounded in 2010 and 2011 but was constrained by lingering high unemployment.

Importance
Retail sales are a major indicator of consumer spending trends because they account for nearly one-half of total consumer spending and approximately one-third of aggregate economic activity.

Retail Sales

Interpretation
Strong retail sales are bearish for the bond market, but favorable for the stock market, particularly retail stocks. Sluggish retail sales could lead to a bond market rally, but will probably be bearish for the stock market.

Retail sales are subject to substantial month-to-month variability. In order to provide a more accurate picture of the consumer spending trend, follow the three-month moving average of the monthly percent changes or the year-over-year percent change. Retail sales are also subject to substantial monthly revisions, which makes it more difficult to discern the underlying trend. This problem underscores the need to monitor the moving average rather than just the latest one month of data.

In an attempt to avoid the more extreme volatility, economists and financial market participants monitor retail sales less autos (actually less auto dealers which include trucks, too.) Motor vehicle sales are excluded not because they are irrelevant, but because they fluctuate more than overall retail sales.

Watch for changes in food and energy prices which could affect two large components among nondurable goods stores: food stores and gasoline service stations. Large declines in food or energy prices could lead to declines in store sales which are due to price, not volume. This would mean that real sales were stronger than nominal dollar sales.

Since economic performance depend on real, rather than nominal growth rates, compare the trend growth rate in retail sales to that in the CPI for commodities.

Retail Sales

Frequency
Monthly.

Availability
Mid-month.

Coverage
Data are for the previous month. Data for June are released in July.

Definition
Retail sales measure the total receipts at stores that sell merchandise and related services to final consumers. Sales are by retail and food services stores. Data are collected from the Monthly Retail Trade Survey conducted by the U.S. Bureau of the Census. Essentially, retail sales cover the durables and nondurables portions of consumer spending. Consumer spending typically accounts for about two-thirds of GDP and is therefore a key element in economic growth.

Producer Price Index (PPI)

Why Investors Care

The PPI measures prices at the producer level before they are passed along to consumers. Since the producer price index measures prices of consumer goods and capital equipment, a portion of the inflation at the producer level gets passed through to the consumer price index (CPI). By tracking price pressures in the pipeline, investors can anticipate inflationary consequences in coming months.

While the CPI is the price index with the most impact in setting interest rates, the PPI provides significant information earlier in the production process. As a starting point, interest rates have an "inflation premium" and components for risk factors. A lender will want the money paid back from a loan to at least have the same purchasing power as when loaned. The interest rate at a minimum equals the inflation rate to maintain purchasing power and this generally is based on the CPI. Changes in inflation lead to changes in interest rates and, in turn, in equity prices.

The PPI comes in three versions: finished goods; intermediate supplies, materials & components; and crude materials that need further processing. The finished goods PPI is most often cited in the media. This index covers final products bought from producers by businesses to sell to consumers or to use for capital equipment.

The PPI is considered a precursor of both consumer price inflation and profits. If the prices paid to manufacturers increase, businesses are faced with either charging higher prices or they taking a cut in profits. The ability to pass along price increases depends on the strength and competitiveness of the marketplace.

Producer Price Index (PPI)

Producer prices are more volatile than consumer prices. The CPI includes services components - which are more stable than goods - and the PPI does not. Wages are a bigger share of the costs at the retail level than at the producer level. Commodity prices react more quickly to supply and demand. Volatility is higher earlier in the production chain. Food and energy prices are major sources of volatility, hence, the greater focus on the "core PPI" which excludes these two components.

The bond market rallies when the PPI decreases or posts only small increases, but bond prices fall when the PPI posts larger-than-expected gains. The equity market rallies with the bond market because low inflation promises low interest rates and is good for profits.

Importance

The producer price index for finished goods is a major indicator of commodity prices in the manufacturing sector. These prices are more sensitive to supply and demand pressures than the more comprehensive consumer price index. Changes in the producer price index are considered a leading indicator for consumer price changes, although only a small portion of the PPI is directly connected to less than half of the CPI.

Interpretation

The bond market will rally when the PPI decreases or posts only small increases, but bond prices will fall when the PPI post larger-than-expected gains. The equity market rallies with the bond market because low inflation promises low interest rates and is good for profits.

Producer Price Index (PPI)

Changes in the producer price index for finished goods are considered a precursor of consumer price inflation. If the prices that manufacturers pay for their raw materials rise, they would have to raise the prices that consumers pay for their finished goods in order to not decrease profit margins. Changes in the supply and demand for labor will affect wage changes with a delay because wages are institutionalized and contractual. However, commodity prices react more quickly to changes in supply and demand.

Commodity prices vary from month to month, but food and energy prices, which make up nearly one-quarter of the PPI, are the major source of the volatility. Due to sharp movements in these two components, market players and economists have become accustomed to monitoring the PPI excluding food and energy. In shorthand, this is also referred to as the "core" PPI. (In reality, what can be more "core" than food and gasoline to consumers?)

The PPI for finished goods gets the most attention, but market players have turned to the PPI for intermediate materials and crude materials for early indications of inflation. The earlier the stage of processing, the more volatile the index.

Frequency - Monthly.
Availability - Around mid-month.
Coverage - Data are for one month prior to release month. Data for June are released in July.
Definition - The Producer Price Index (PPI) of the Bureau of Labor Statistics (BLS) is a family of indexes that measure the average change over time in the prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller. The headline PPI (for finished goods) is a measure of the average price level for a fixed basket of capital and consumer goods for prices received by producers.

Consumer Price Index (CPI)

Why Investors Care
The consumer price index is the most widely followed monthly indicator of inflation. An investor who understands how inflation influences the markets will benefit over those investors that do not understand the impact.

Inflation is an increase in the overall prices of goods and services. The relationship between inflation and interest rates is the key to understanding how indicators such as the CPI influence the markets- and your investments.

If someone borrows $100 dollars from you today and promises to repay it in one year with interest, how much interest should you charge? The answer depends largely on inflation as you know the $100 will not be able to buy the same amount of goods and services a year from now. The CPI tells us that prices rose 4.2 percent in the U.S. over 2007. To recoup your purchasing power, you would have to charge 4.2 percent interest. You might want to add one or two percentage points to cover default and other risks, but inflation remains the key factor behind the interest rate you charge.

Inflation (along with various risks) basically explains how interest rates are set on everything from your mortgage and auto loans to Treasury bills, notes and bonds. As the rate of inflation changes and as expectations on inflation change, the markets adjust interest rates. The effect ripples across stocks, bonds, commodities, and your portfolio, often in a dramatic fashion.

Importance
The consumer price index is the most widely followed monthly indicator of inflation. The CPI is considered a cost-of-living measure since it is used to adjust contracts of all types that are tied to inflation. Labor contracts are tied to changes in the CPI; Social Security payments are tied to the CPI; and even tax brackets are tied to the consumer price index.

Consumer Price Index (CPI)

For monetary policy, the Federal Reserve generally follows "headline" and "core" inflation. This latter measure excludes the volatile food and energy components. The Fed's preferred inflation measure is not the CPI but the personal consumption price index because it reflects what consumers are actually buying during any given period-the component weights are updated annually while those for the CPI are updated infrequently. However, the subcomponent price data of the CPI are used to compile the PCE price index (PCE prices are released almost two weeks after the CPI). Thus, the CPI and the PCE price index are inextricably linked. In the long run, the overall CPI and core CPI track each other.

Interpretation

The bond market will rally (fall) when increases in the CPI are small (large). The equity market rallies with the bond market because low inflation promises low interest rates and is good for profits.

Economic data tends to be volatile from month to month; the CPI is no exception. Large fluctuations in the consumer price index are often due to the food and energy components. Weather conditions affect both to a large extent. OPEC, the oil cartel, also affects energy prices. As a result, economists and financial market participants prefer to monitor the CPI excluding food and energy prices for its greater monthly stability. This is also referred to as the "core" CPI. Oddly enough, items that make part of the "core" also include discretionary goods and services. And while food and energy prices are excluded because of their monthly volatility, what can be more "core" than food and energy? Food and energy prices account for a little more than one-fifth of the CPI.

The consumer price index has evolved over time as consumer expenditures changed. Commodities now make up only 40 percent of the index and the remaining 60 percent are services. It is useful to monitor goods and services separately since prices of goods are more volatile than prices of services.

Consumer Price Index (CPI)

Usually, when investors refer to the real rate of interest, they use the year-over-year rise in the CPI to subtract from an interest rate, such as the 10-year Treasury note. Consumer prices rose 2.5 percent from June 2004 to June 2005; the 10-year Treasury note averaged 4.0 percent in June 2005. The Treasury yield less the inflation rate put the real interest rate at 1.5 percent for the month.

Frequency - Monthly
Availability - Around mid-month.
Coverage - Data are for one month prior to release month. Data for June are released in July.
Definition - The Consumer Price Index is a measure of the change in the average price level of a fixed basket of goods and services purchased by consumers. That is the index shows the change in price levels since the index base period, currently 1982-84 = 100. Monthly changes in the CPI represent the rate of inflation.

The consumer price index is available nationally by expenditure category and by commodity and service group for all urban consumers (CPI-U) and wage earners (CPI-W). All urban consumers are a more inclusive group, representing about 87 percent of the population. The CPI-U is the more widely quoted of the two, although cost-of-living contracts for unions and Social Security benefits are usually tied to the CPI-W, because it has a longer history. Monthly variations between the two are slight.

The CPI is also available by size of city, by region of the country, for cross-classifications of regions and population-size classes, and for many metropolitan areas. The regional and city CPIs are often used in local contracts.

The Bureau of Labor Statistics also produces a chain-weighted index called the Chained CPI. This measures a variable basket of goods and services whereas the regular CPI-U and CPI-W measure a fixed basket of goods and services. The Chained CPI is similar to the personal consumption expenditure price index that is closely monitored by the Federal Reserve Board.

Bonus Section

Bonus Section Breakdown

- Option Selection Process Checklist
- Robs Candlestick Cheat Sheets

Option Selection Process Checklist

Option Selection Process Checklist

Print out this checklist and keep it in front of you when picking an option, this will help reduce errors.

- Chose an option with at least 1 full month of time
- Delta range of 65 – 85
- Open Interest minimum of 100
- Fair value of the option is not too overvalued
- Confirm that earnings is not scheduled to come out prior to the date you believe the trade will be over
- Make sure the option does not have the highest time value

Rob’s Candlestick Cheat Sheets

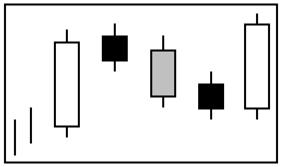
Rob's Candlestick Cheat Sheet

Below are a few of the highest reliability candlestick patterns traders look for. It is important to note that some patterns will present themselves more often than others.

The goal of these "Cheat Sheets" is for you to be able to make a quick determination of a high probability pattern setting itself up.

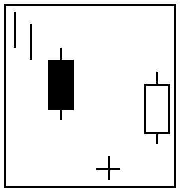
For success candle patterns you need specific details on how the patterns work. You should research each pattern you wish to trade in depth.

Rising Three



Pattern – Continuation
Trend – Bullish
Reliability – High

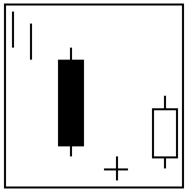
Abandoned Baby Bullish



Pattern – Reversal
Trend – Bullish
Reliability – High

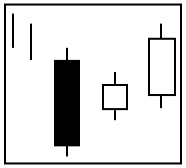
Rob's Candlestick Cheat Sheet

Morning Doji Star



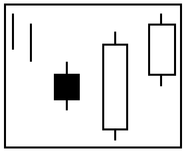
Pattern – Reversal
Trend – Bullish
Reliability – High

Three Inside Up



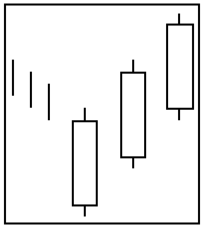
Pattern – Reversal
Trend – Bullish
Reliability – High

Three Outside Up



Pattern – Reversal
Trend – Bullish
Reliability – High

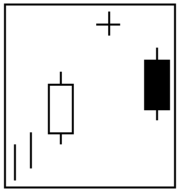
Three White Soldiers



Pattern – Reversal
Trend – Bullish
Reliability – High

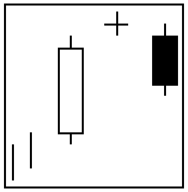
Rob's Candlestick Cheat Sheet

Abandoned Baby Bearish



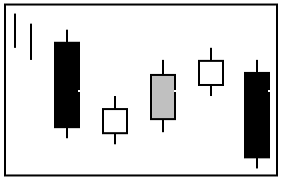
Pattern – Reversal
Trend – Bearish
Reliability – High

Evening Doji Star



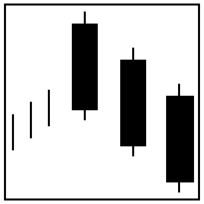
Pattern – Reversal
Trend – Bearish
Reliability – High

Falling Three Method



Pattern – Continuation
Trend – Bearish
Reliability – High

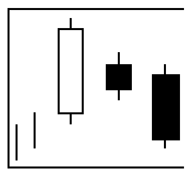
Three Black Crows



Pattern – Reversal
Trend – Bearish
Reliability – High

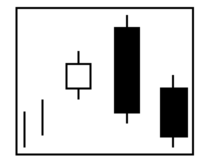
Rob's Candlestick Cheat Sheet

Three Inside Down



Pattern – Reversal
Trend – Bearish
Reliability – High

Three Outside Down



Pattern – Reversal
Trend – Bearish
Reliability – High

Keep in mind this is a sampling of some of the higher reliability patterns. There are other patterns that a trader should learn to recognize after these have been completed.

What Will You Learn At Monster Market Movers?

- Identifying the “Top Trading Patterns” for today’s market
- My Personal “Option’s Process Selection System”
- How to ***PROPERLY IDENTIFY*** trading candidates (The Watchlists)
- The “Strategy Creation System” for Trading News
- A “Prerequisite” manual (Received The Day Before The Event)

Bonuses

- Candlestick Pattern Cheat Sheet
- How Economic Reports may affect your trading decisions (Special Report)
- The ability to review the event for 30 days after the event is taught live (online)
- Me help answering any educational questions for 30 days after the workshop
- And Much More…

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With:	**Robert Roy (Trading Education Coach)**

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Your Investment:	**$ 99.00**

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