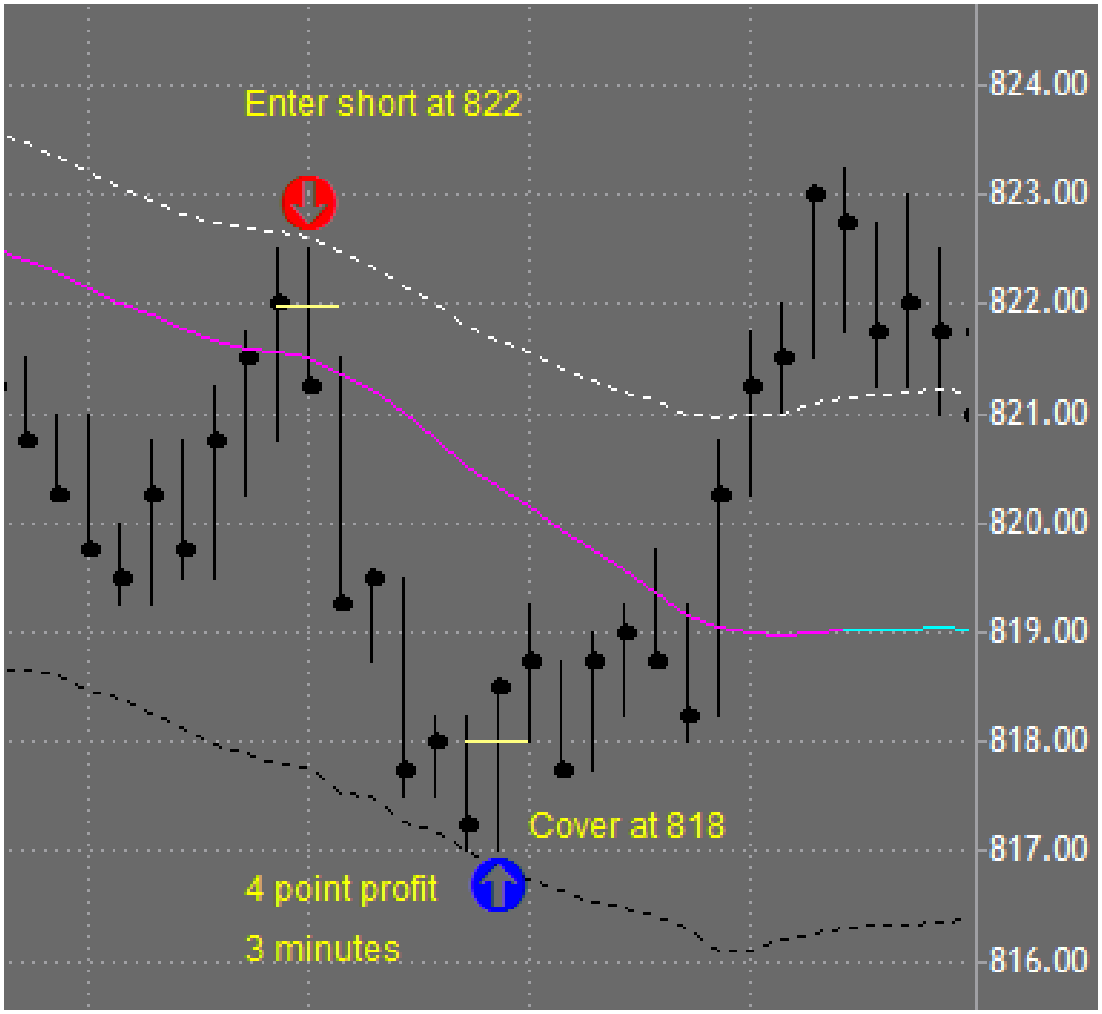
If I had to "define" my style of trading...

... I'd probably call it "pivot to pivot" trading. Not scalping, day-trading, and certainly not swing trading. While there are many styles of trading and hundreds of methodologies, the EA (Emini Academy) methodology is based on solid technical analysis and risk management techniques.

Back in the 80's and 90's scalpers typically made hundreds of trades a day. They were basically playing the fraction spread. I wasn't trading back then, but that sounds like a pain in the ass. Who really wants to have their face planted 2" from the computer screen trying to scalp a 1/4 or 1/2 point dozens of times every hour? Can you imagine all the commissions? Today, scalping is kind of similar... it's become a little more difficult to "scalp" with equities since we've gone to the decimal scale. I've spoken to e-mini traders who try and scalp a 1/2 - 2 points on the ES (S&P 500 e-mini). At the end of the day they could have as many as 30-50 trades! With $4 round-turns per contract that can be a hefty load! Say you net 5-7 points at the end of the day (which most traders can't), your commission eats all your profit!

I define "pivot-to-pivot" trading as looking to make anywhere from 3-7 points on average on any given trade. The time it takes for a trade that size to play out is about 1-8 minutes. About 25% of the time, the trade fails to develop and is cut short. The other 75% of the time we usually get a pop in our direction about 1-2 points. While most traders would be ecstatic with 1-2 points average on a trade, we typically look to hold for our main targets, which are a minimum of 3-5 points away. We typically get about 6-14 **high probability** set ups in the average trading day. All we need to catch is a couple good trades to be very profitable.

Here's an example of a real EA high probability, pivot-to-pivot trade from today. Many of our students were able to catch this with nice precision:



If the short was entered at 822 and covered at 818, the trader would have made 4 points or ($50 per point x 4= $200). This trade took about 3 minutes to play out... with 5 contracts, that's $1000 in 3 minutes!

With this kind of potential, why the hell would **anyone** want to hold positions over night? I talk to traders almost every day who say, "I know it's a bad habit, but I just *know* the market is going up/down tomorrow". Ha... don't even get me started on people who try and **guess** where the market might go tomorrow. I don't care and neither should you!

No matter what style of trading you play, make sure you have solid technical reasons for entering, managing, and exiting trades. The absolute WORST thing you can do as a trader is try and **guess** where the market will go on a tick-by-tick, minute-by-minute, or day-by-day basis. If you try to "beat" the market, it will eat you alive!

Automated trading systems don’t work!

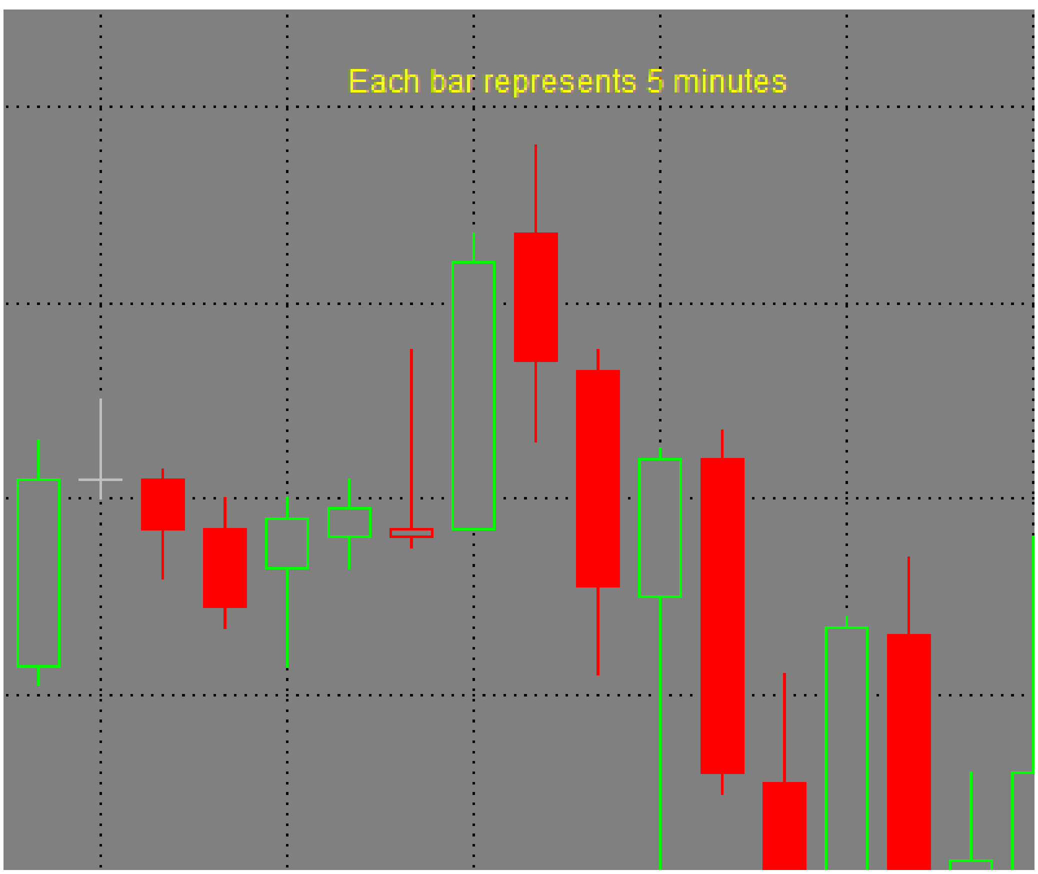
Frequently, I face questions regarding automated trading systems, software and other such technological “money-makers” claimed in so many advertisements. Many self-proclaimed trading gurus talk about how they programmed their computer to make them millions. Any claim by a software developer that mentions profitable and automatic trading should immediately put a savvy trader on the back foot. Come to think of it, if the software really worked, the guy would have used it to become the richest person on the planet. And given the volume of financial instruments that trade in a day, the developer could do it in a couple of days. We do not trade the markets; we trade people. There is no way for a computer to keep track of every market participant and what their next decision will be. I think we have become so dependent on technology that we have constantly been led to believe in the power of computers. Not to discredit computers in any way, but there is a need to understand the fact that humans are still the most important part of any decision making process. According to Bo Yoder, “Humans act and react to psychological trigger points, while computer-based trading models react to statistical anomalies, mathematically derived over-bought or oversold indicators and momentum-based measures.” This simple fact, however, seems to have been disregarded by the people who came up with the idea of having a trading system make all the decisions for their traders.

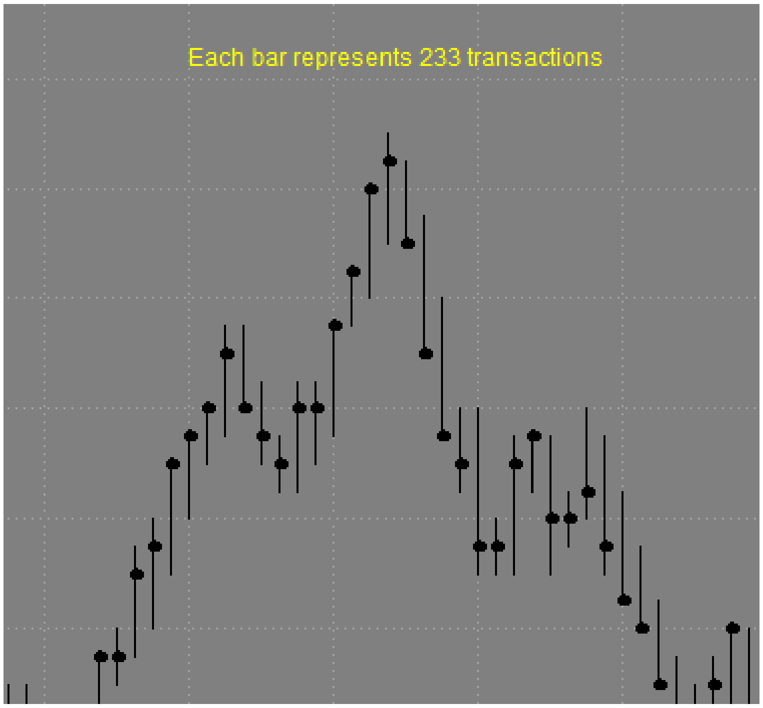
If trading systems won’t do the trick, then what will? The key is having a “trading structure”, and fine tuning that structure based on your personal trading style. A trading structure includes a set of guidelines (not rules) that assists you in your decision making process. Trading is not a science, it is an art. For example, you can sit for hours reading a book about how to play the piano. But unless you get physically involved, you will just acquire a lot of head knowledge. First, you’ll need to learn key placement and how to read music. Next, you’ll need to practice and develop the skill. Trading follows the same principle. You’ll need to learn all the technical stuff, then fine tune your trading skills. Every trader is different. There is no one size fits all approach here. Risk tolerance, available time to trade, and financial goals all play a part in your trading structure. I belong to a group that trades for income and invests time, money, and energy in our success. If you’re serious about trading, I urge you to do the same.

Getting in on the edge

Learning how to take trades on "the edge" or on a "pivot" is crucial in becoming a professional trader. While most traders are waiting for confirmation that an area has already held, we are pinpointing the exact area we anticipate a bounce. According to Bo Yoder, trading on the edge is a very important and profitable skill to learn: "This market-making style delivers an edge because I am buying against support before confirmation exists. The majority of active traders wait for confirmation, and in doing so are forced to pay me a one-to four-point premium for the privilege."

Our short-term trading style allows us to use the necessary tools to pinpoint our entries. By using shorter-term charts, we can zoom in on the area that is expected to bounce. Most traders I talk to (outside of our trading group) use minute charts with a volume indicator at the bottom of the chart. On the other hand, we use "tick charts". Tick charts plot bars based on a certain number of transactions. For example, a 233 tick chart would contain 233 transactions per bar. It could take 10 seconds or 10 minutes to complete 233 transactions. Either way, you would get 1 bar for every 233 transactions. Since volume is indicated in the actual bars, we don't need to use a volume indicator below our price bars.





So what's the difference and why do we care? As we know, tick charts allow us to see every single transaction reflected in price bars. Whereas, minute charts plot bars based soley upon a certain period of time. If used with volume, minute charts offer a similar picture to tick charts. The difference would be like watching a movie on a regular screen, and someone else watching the movie with 3D glasses. Same movie, different perspective. And our perspective on the market allows us to anticipate pivots with "price action". Price action is used similarly to candlestick patterns on minute charts (i.e. doji, hammer, morning star). With price action, we have identified similar reversal patterns that work with a high degree of accuracy.

To effectively use our specific time frames and price action, we must have an effective way to discover areas anticipated to bounce. Many traders use momentum indicators and oscillators to discover strength and weakness in a trend (i.e. MACD, RSI, and CCI). My trading group uses an indicator that is very good at pinpointing when an area should hold. Whatever you use, it needs to be an indicator that works for you. Note: I do not sell software.

Whatever trading style you employ, you need to have an effective way to get in on the edge. To become a professional trader, separate yourself from the masses and use what works for you. I recommend using historical charts to go back and test your theories. There are many educational sources available for trading. Whichever one you choose, make sure it fits your risk, equity, and time objectives.