

Larry Williams and Jake Bernstein

present

Lessons from 90 Combined Years of Market Experience

Sunday 7 April 2013

- * Introduction and background
- * How this Webinar will work
- * Why we are doing this
- * Your questions – our answers
- * Open forum for questions
- * Summary and Conclusions

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Introduction by Larry and Jake

- Welcome from Larry
- Welcome from Jake
- Why we are doing this
- Jake explains where these questions came from
- How this Webinar will work
- Your questions – our answers
- Quality vs quantity: fewer ?s BETTER answers or vice versa
- Last 30 minutes open forum for questions
- Larry: larry@ireallytrade.com
- Jake: jake@trade-futures.com

About Larry and Jake

- Jake

brief introduction



- Larry

brief introduction

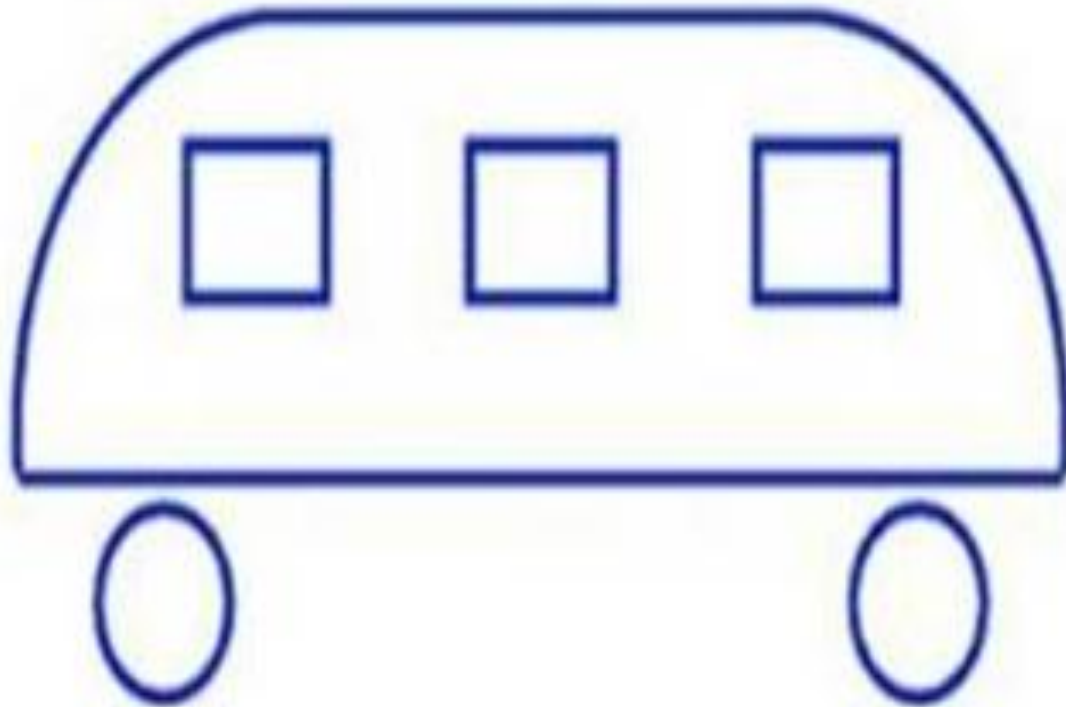




Larry Williams...

***A Few Things
I Have Learned in
50 Years of Trading***

Which way is the bus going?



Here They Are..

1. The Government Is Right



Caution

- **DISCLAIMER: NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL, OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE DISCUSSED WITHIN THIS SITE, SUPPORT AND TEXTS. OUR COURSE(S), PRODUCTS AND SERVICES SHOULD BE USED AS LEARNING AIDS. IF YOU DECIDE TO INVEST REAL MONEY, ALL TRADING DECISIONS ARE YOUR OWN. OUR TRACK RECORD IS FROM TRADES GIVEN TO SUBSCRIBERS IN ADVANCE AND ARE NOT HINDSIGHT. THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. SIMULATED TRADING PROGRAMS ARE SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. THE RISK OF LOSS IN TRADING COMMODITIES CAN BE SUBSTANTIAL. YOU SHOULD THEREFORE CAREFULLY CONSIDER WHETHER SUCH TRADING IS SUITABLE FOR YOU IN LIGHT OF YOUR FINANCIAL CONDITION.**



Caution

CFTC RULE 4.41 - HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN.



The Other 4 things

2. We Can Get a Glimpse of the Future...on Occasion
3. Fundamentals Matter
4. The Key is Money Management
5. Align yourself with Trend

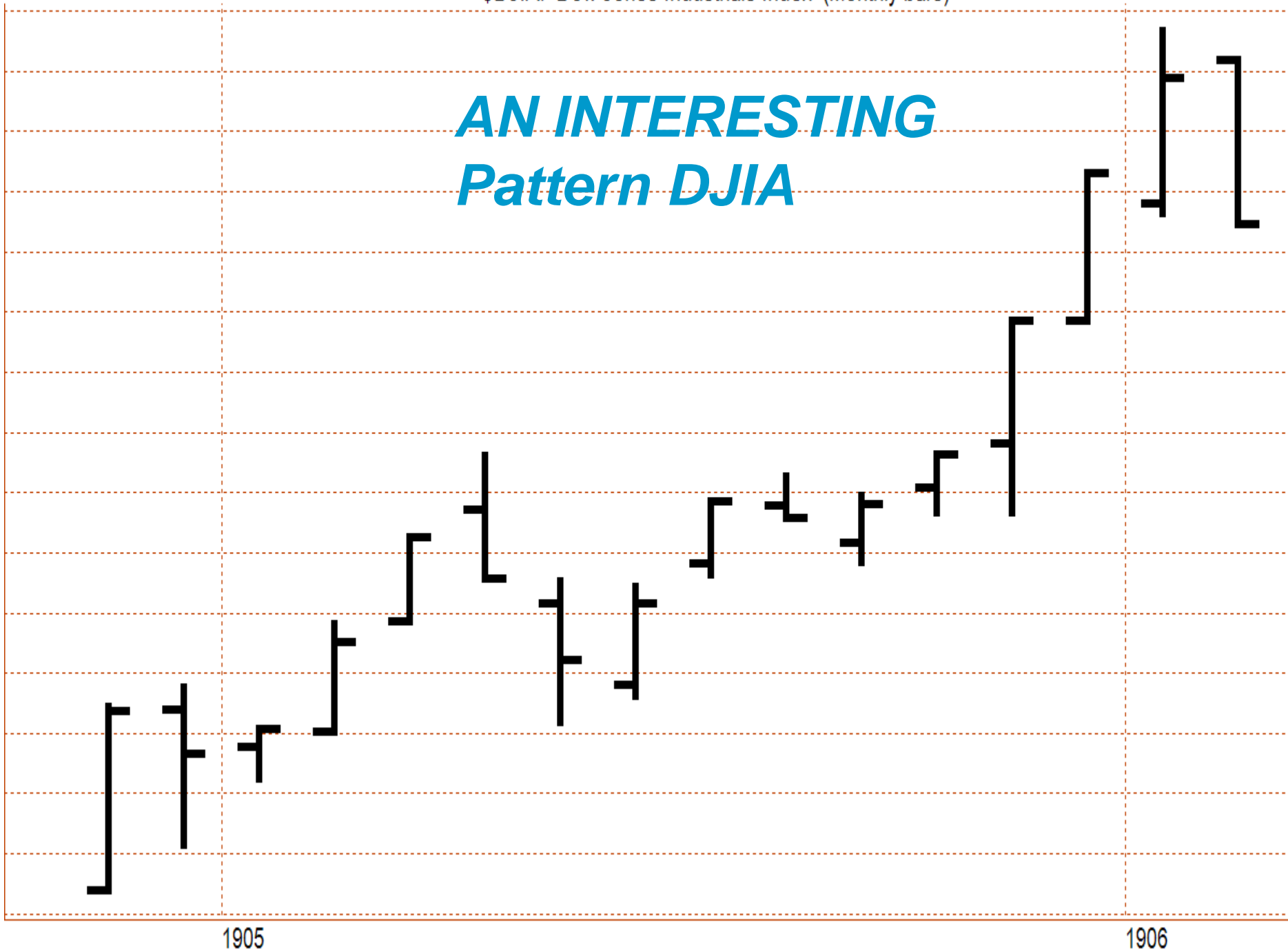


A Glimpse of the Future

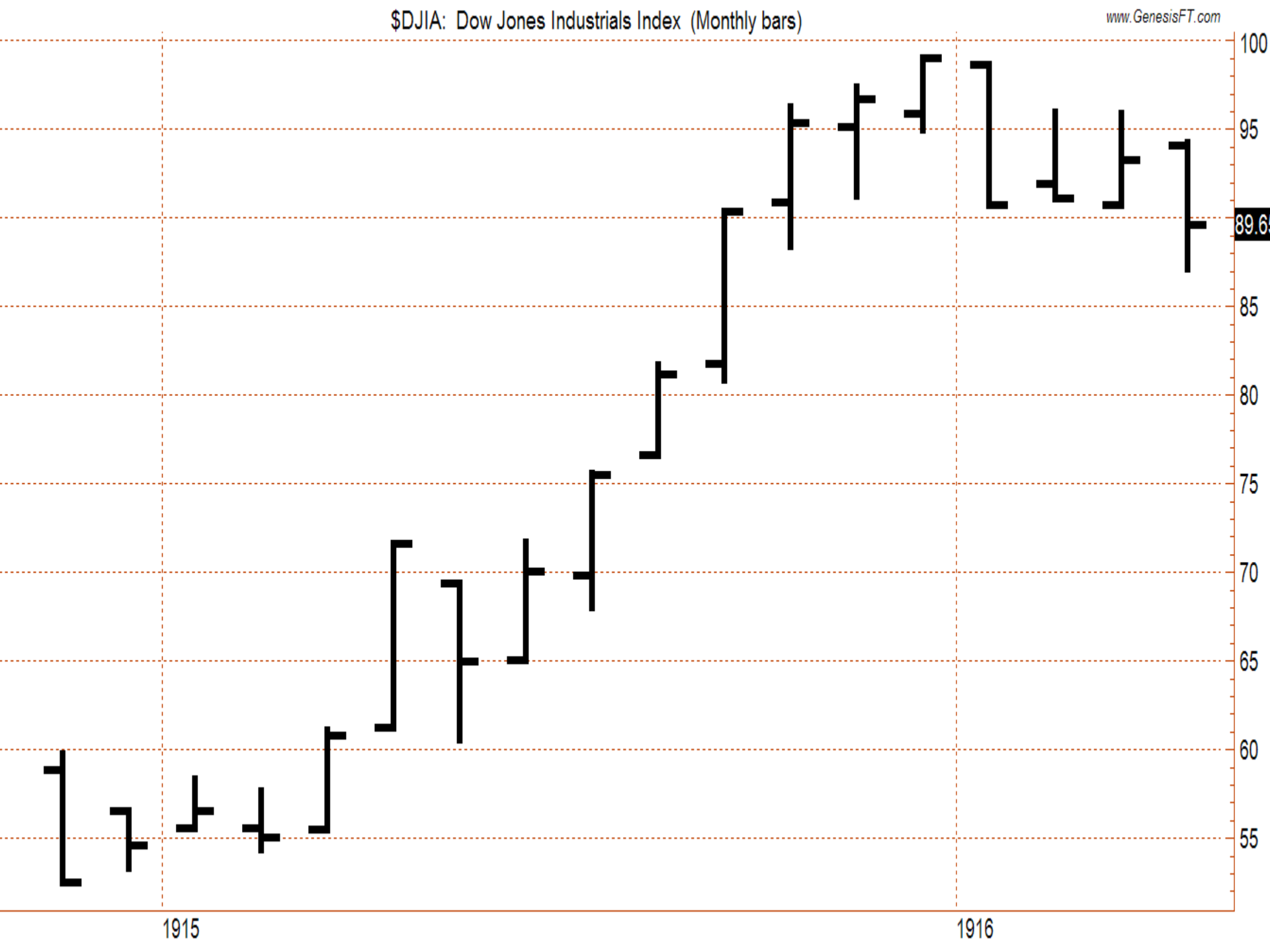
1. SEASONALS
2. CYCLES
3. PATTERNS IN PRICE



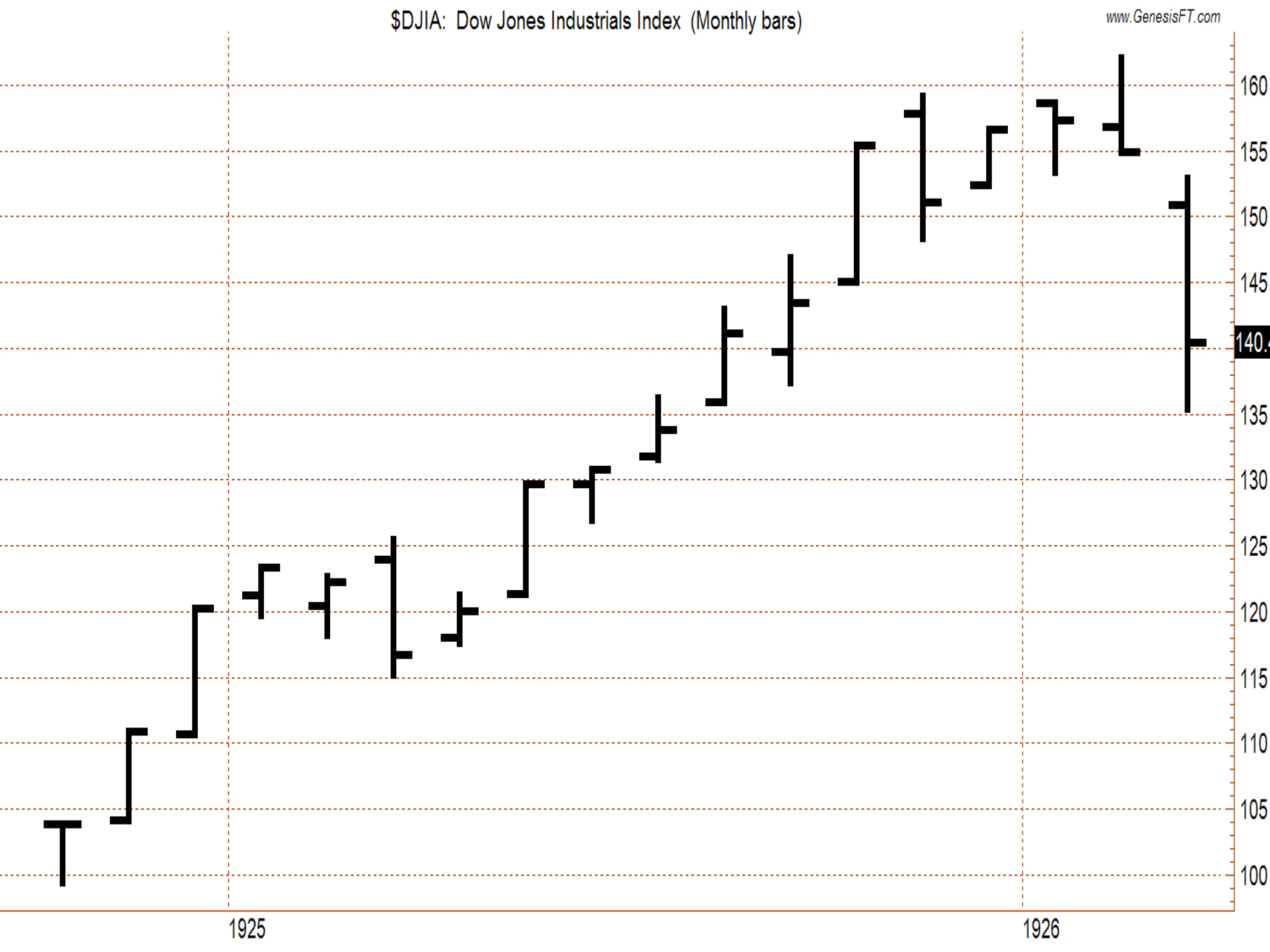
***AN INTERESTING
Pattern DJIA***



\$DJIA: Dow Jones Industrials Index (Monthly bars)



\$DJIA: Dow Jones Industrials Index (Monthly bars)

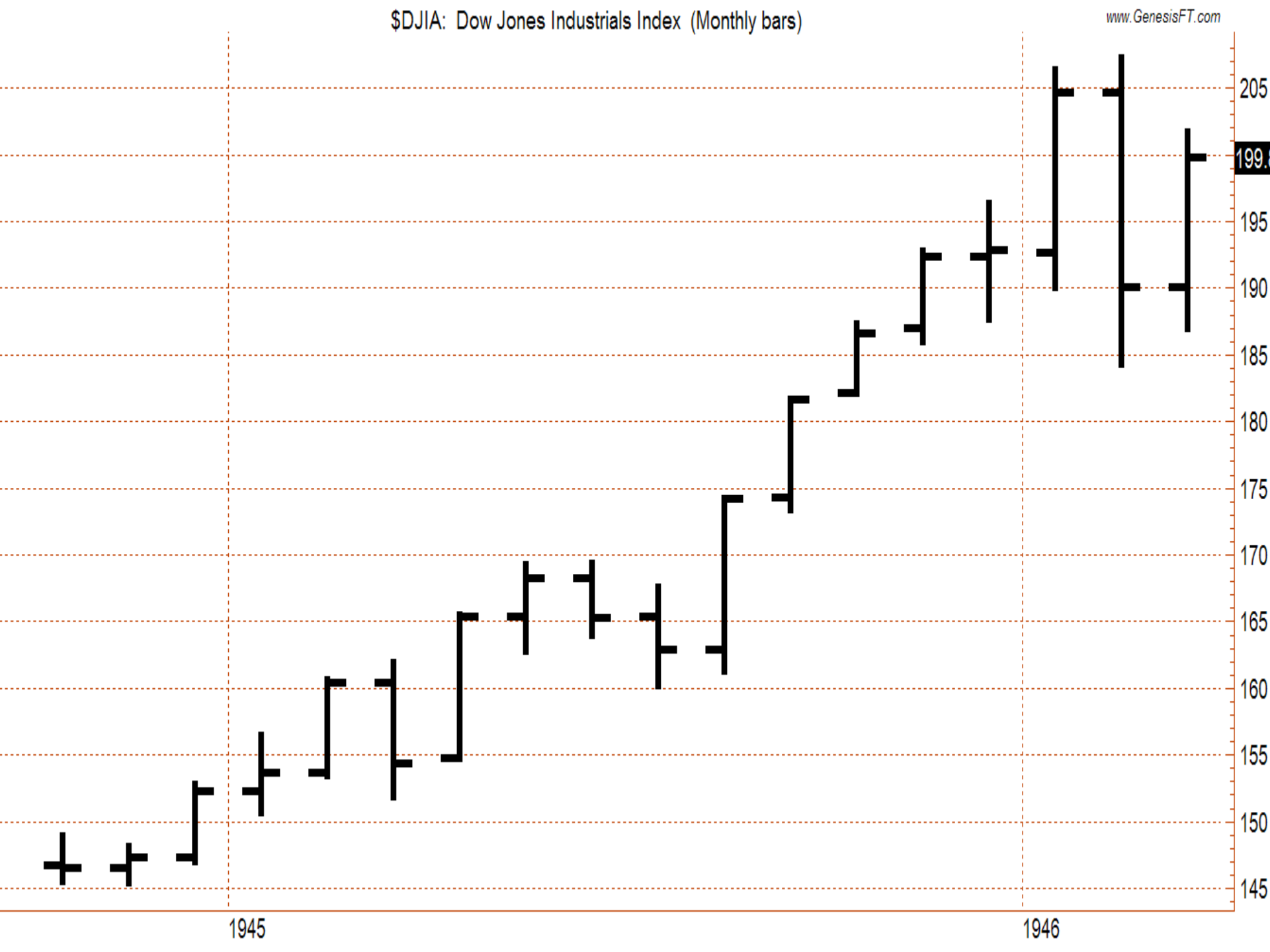


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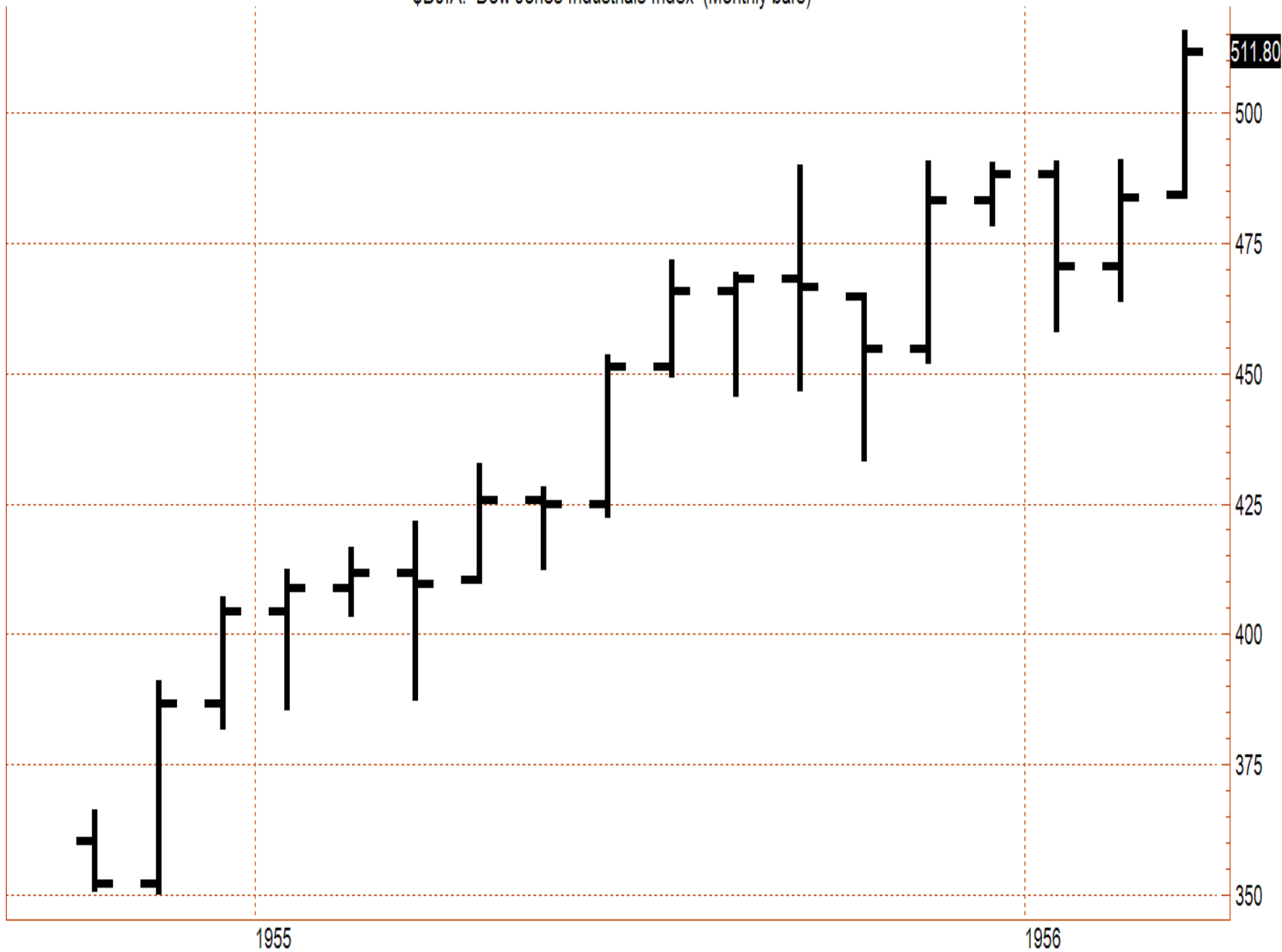
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\$DJIA: Dow Jones Industrials Index (Monthly bars)

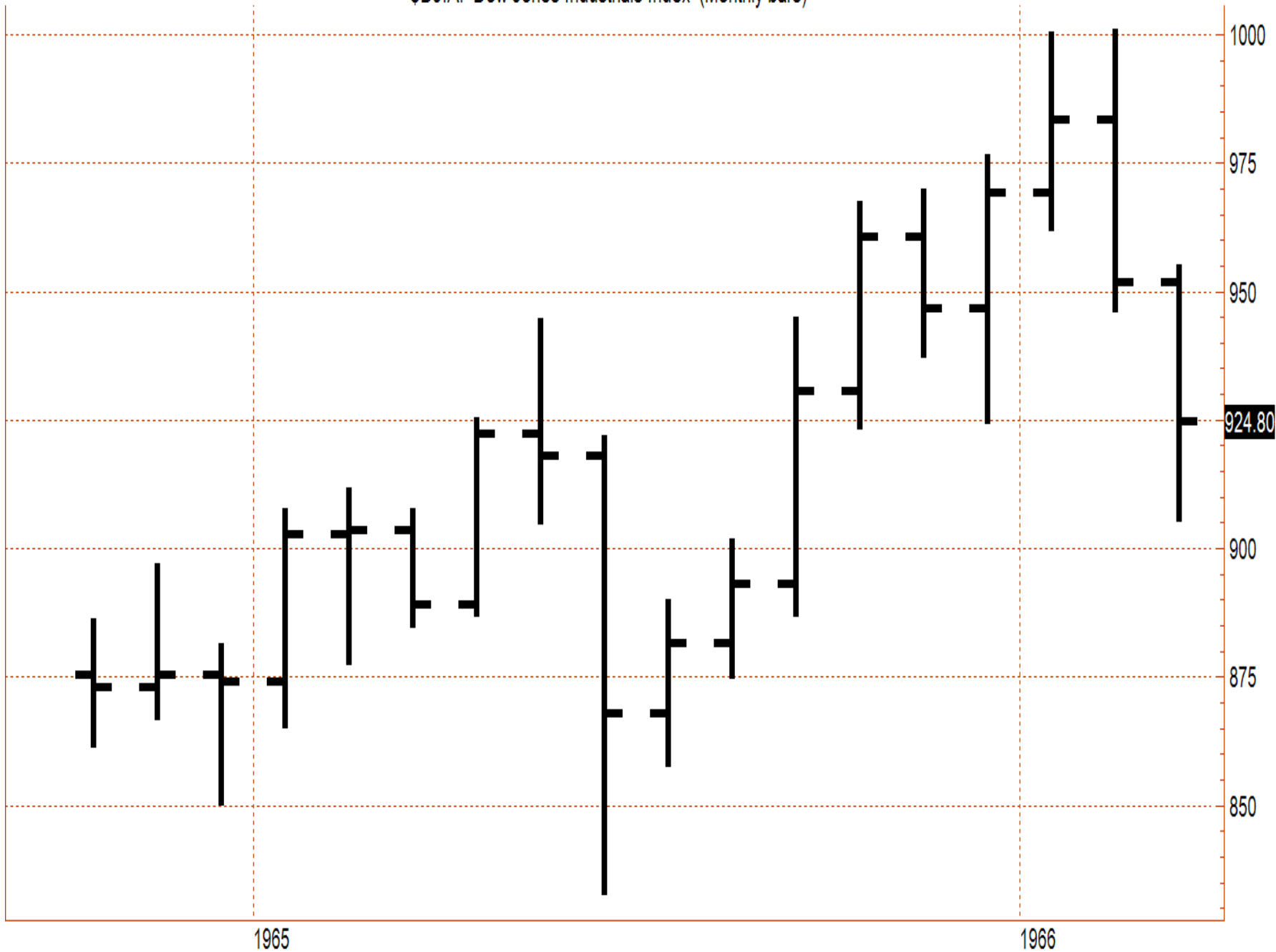


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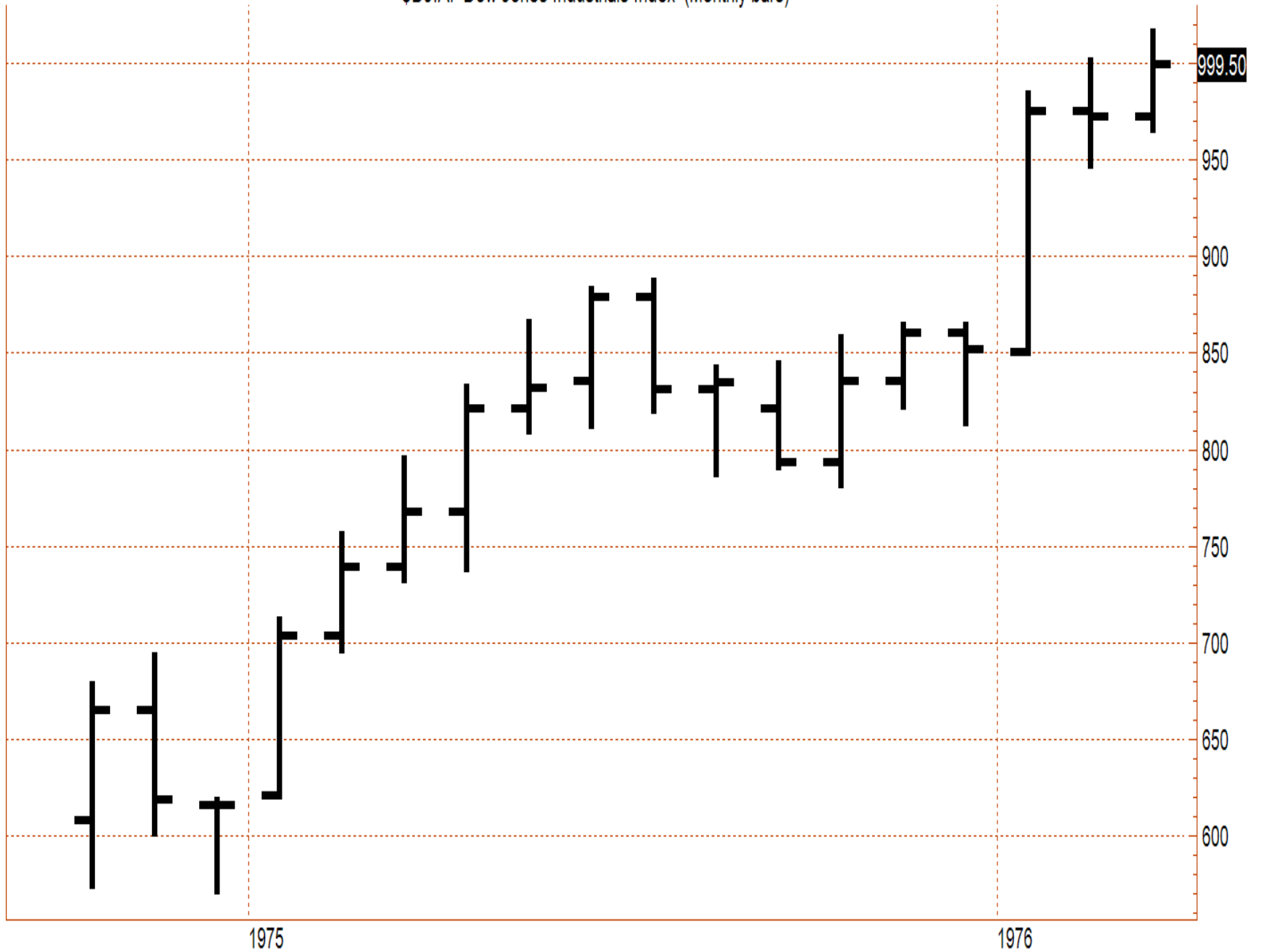


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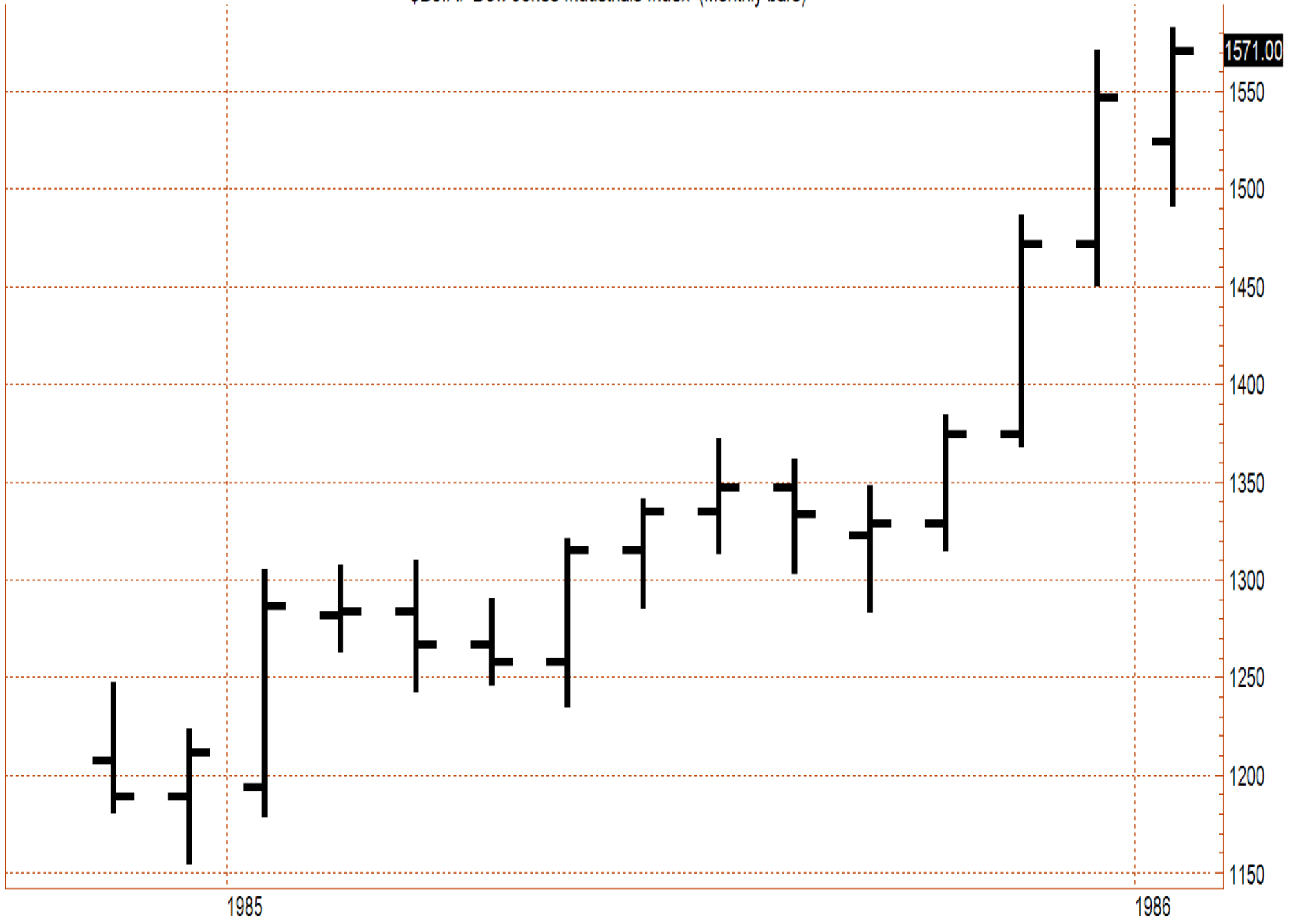


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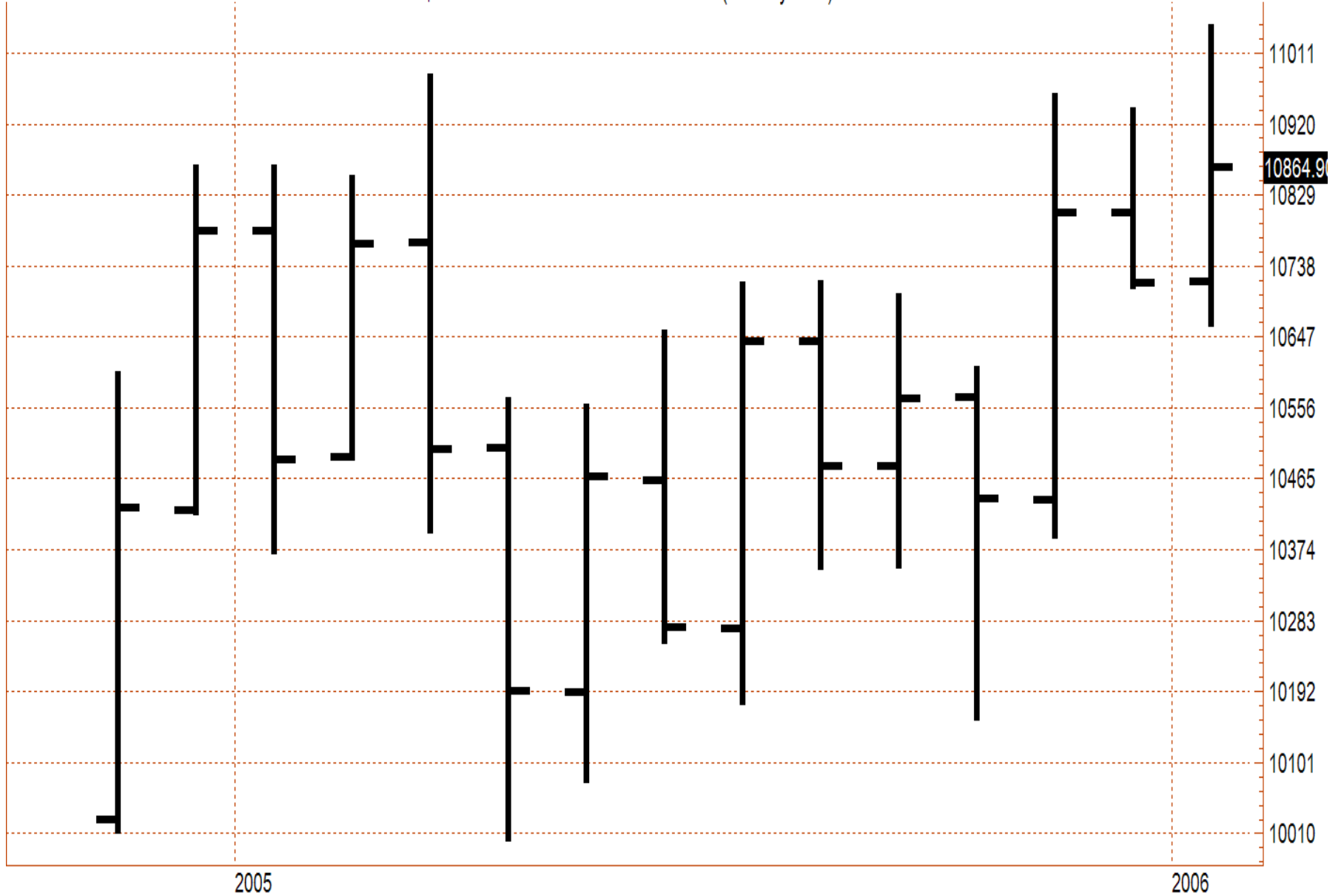


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2015???

**WHAT DO
YOU THINK?**

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4 Year Cycle Pattern



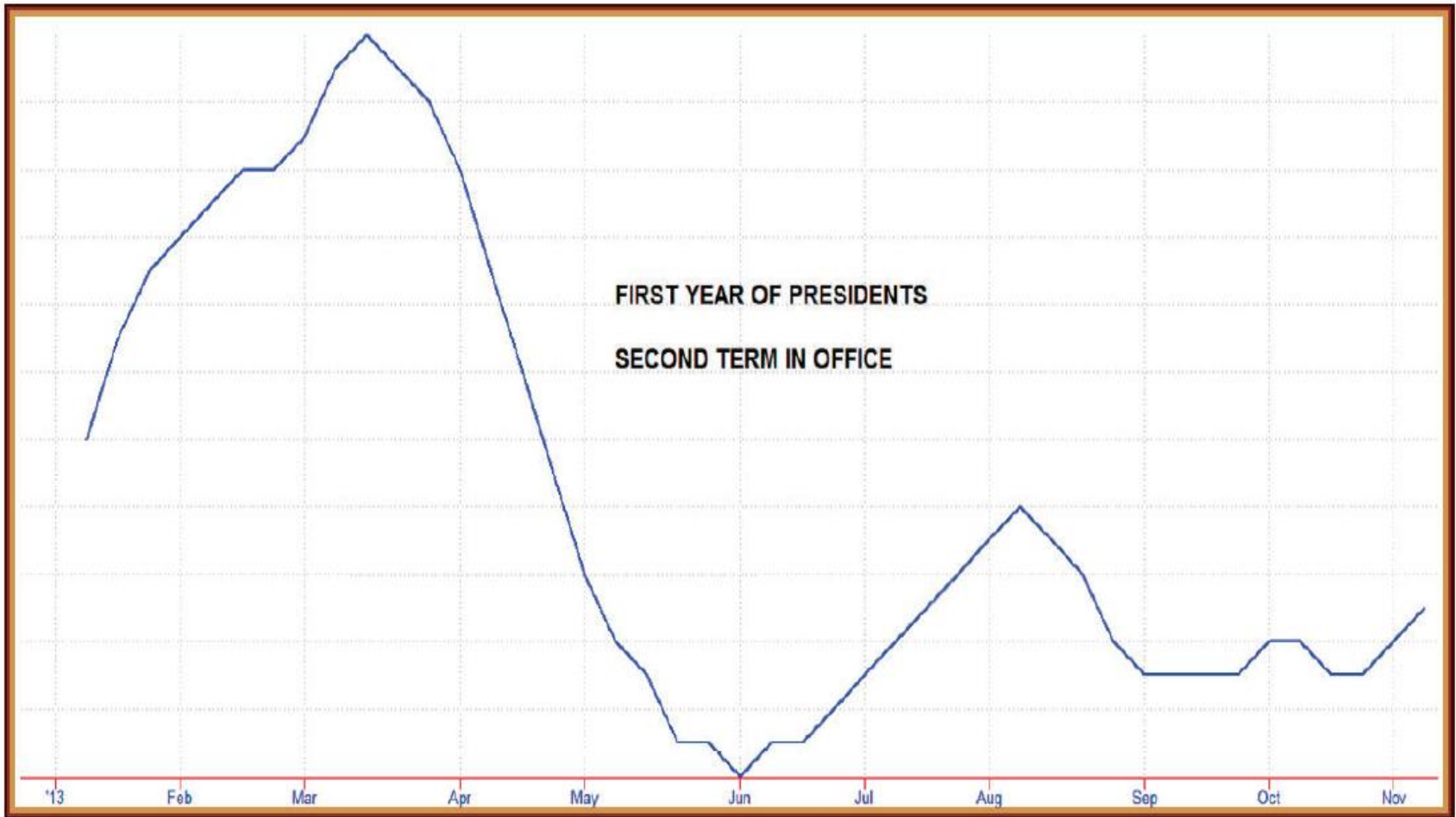
4 Year Cycle Pattern



4 Year Cycle Pattern



2013



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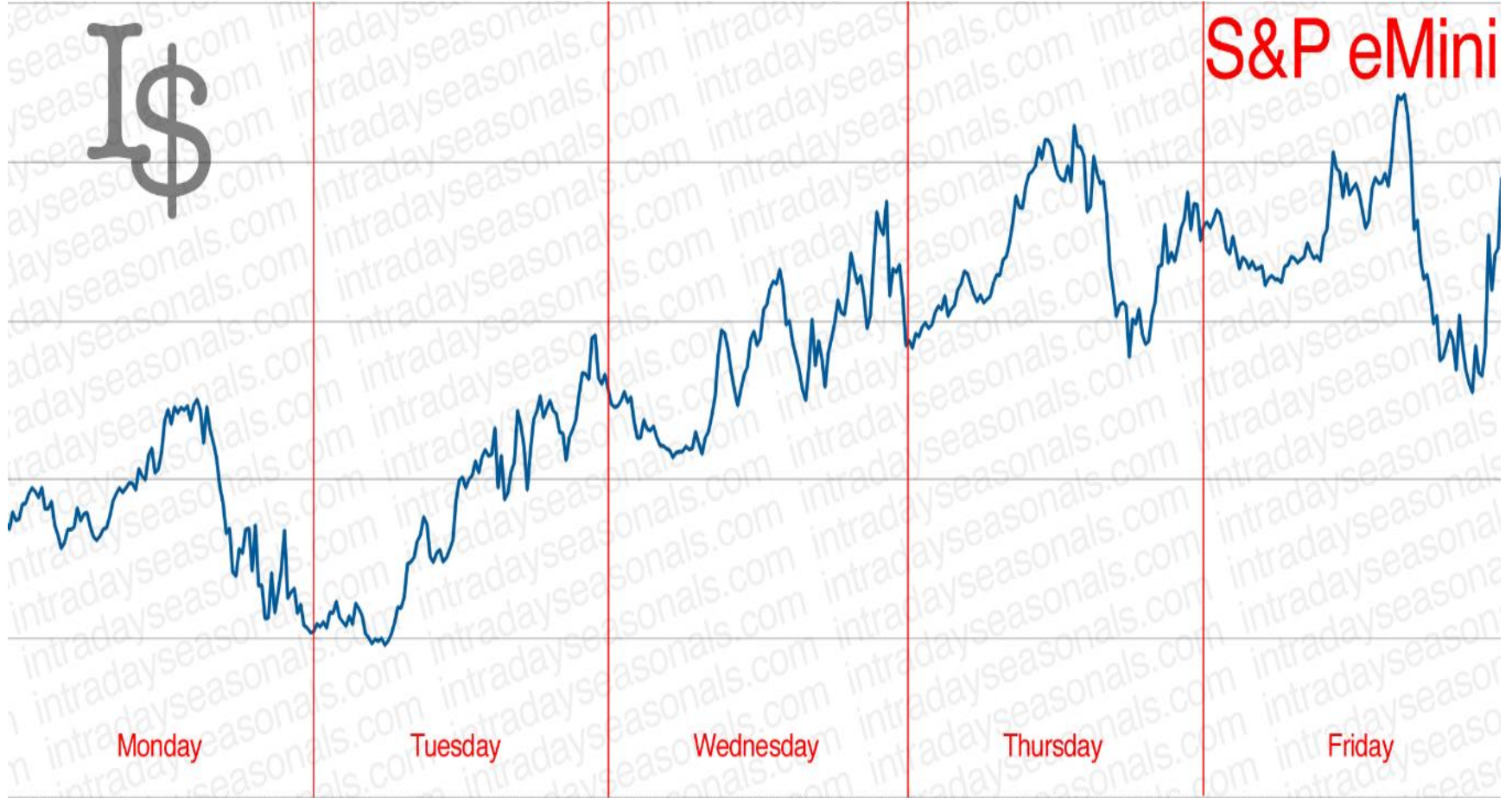


SEASONALS

UP CLOSE AND PERSONAL

SHORTER TIME FRAMES

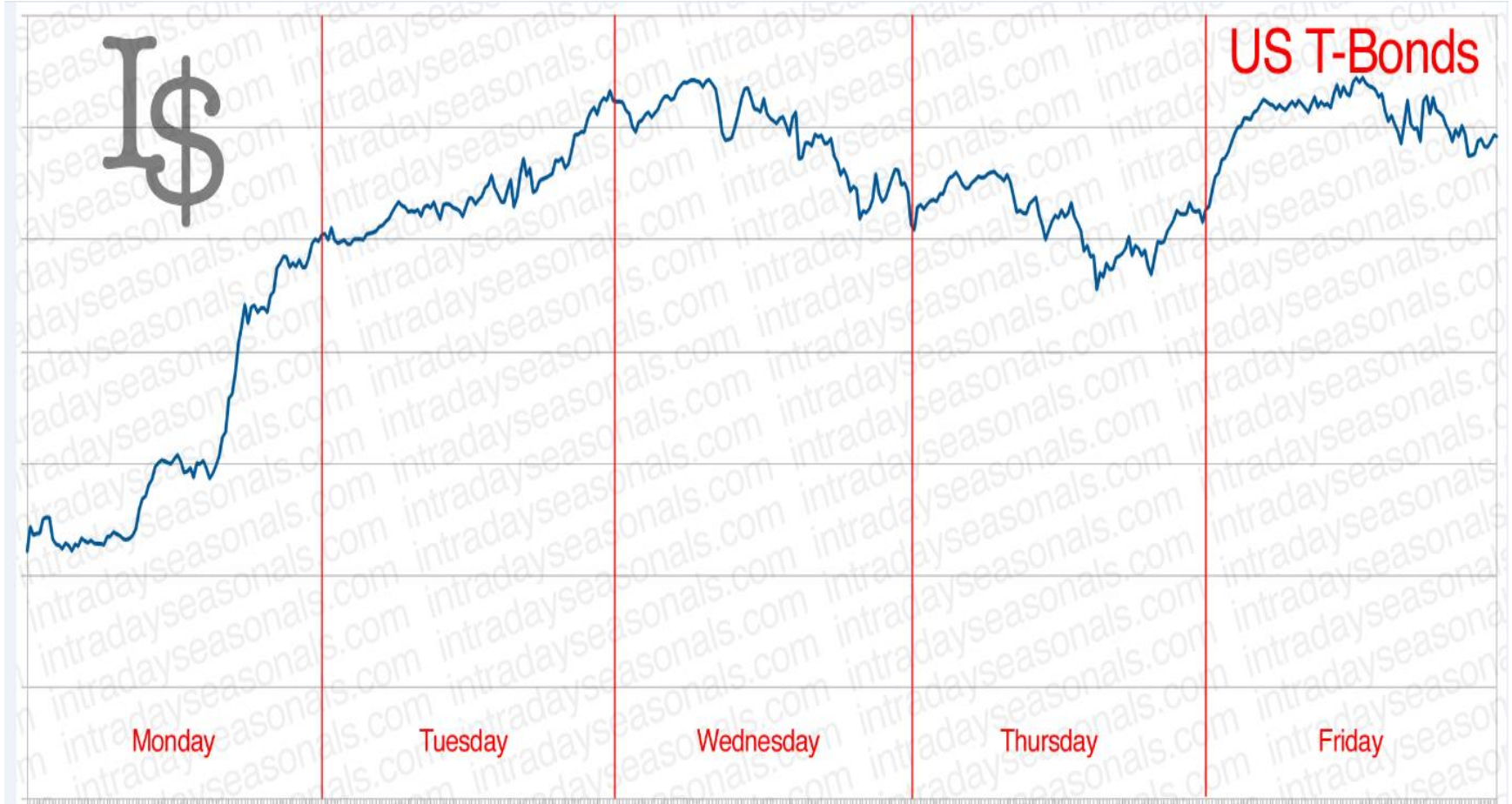
Intraday Seasonal



Gold Intraday



Bonds Intraday



CYCLE FORECAST



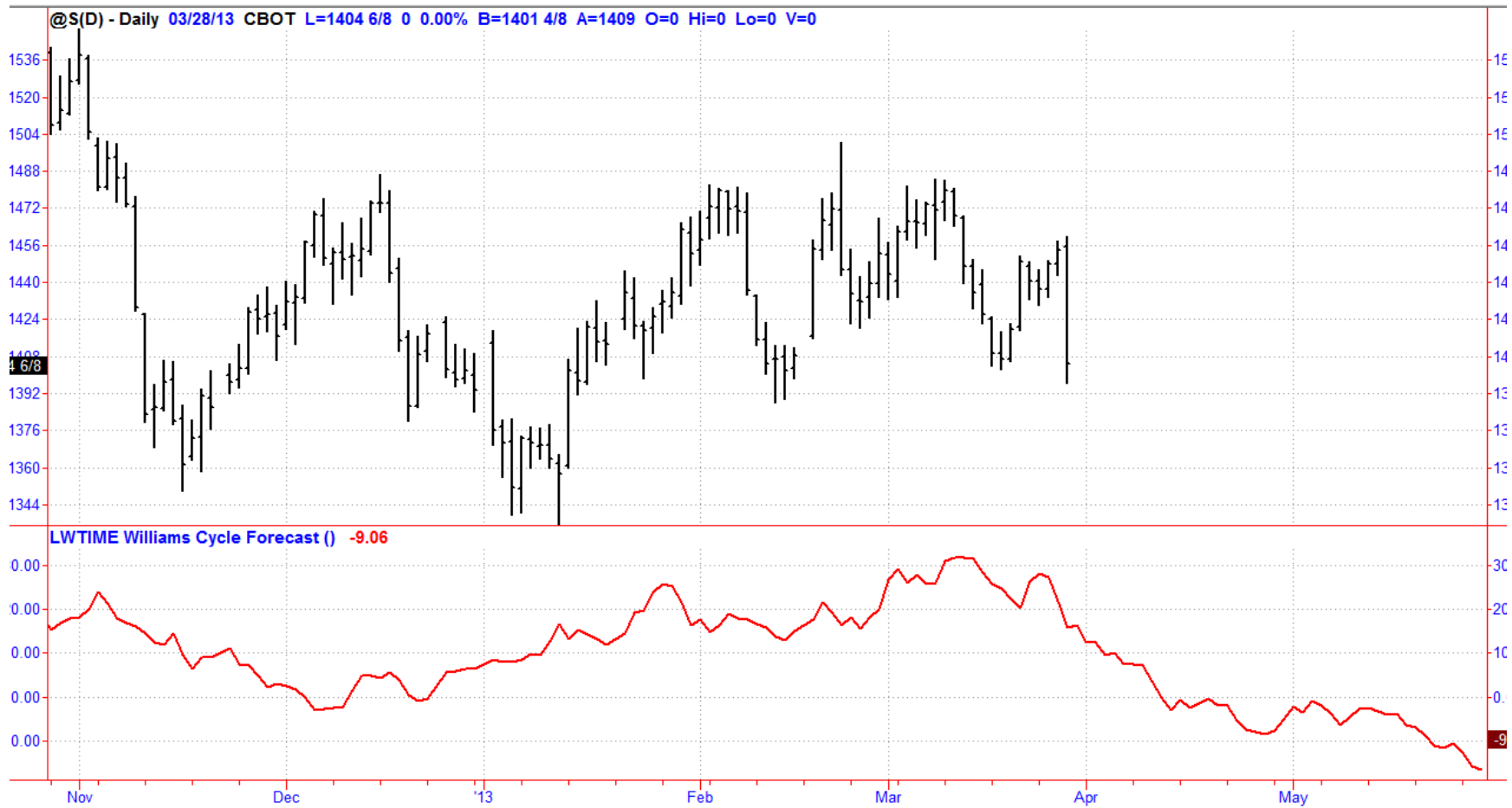
APPLE FOLLOW UP



IBM



BEANS FORECAST



FUNDAMENTALS MATTER

SUPPLY AND DEMAND

PREMIUM/CONTANGO

COMMERCIAL BUYING

ADVISORY SENTIMENT

VALUATION

MONEY SUPPLY/INTEREST RATES



Trend Followers Strike Out

Organization / Fund	Return	YTD *	AUM **
Abraham Trading ¹	0.66%	-5.59%	\$416M
Altis Partners ²	-0.48%	-10.07%	\$791M
Aspect Capital ³	0.67%	-10.69%	\$6,739M
Beach Horizon ⁴	-0.84%	-19.51%	\$686M
BlueTrend ⁵	1.46%	1.72%	N/A
Campbell & Company ⁶	3.65%	1.23%	\$435M
Chesapeake Capital ⁷	-2.52%	-17.81%	\$578M
Clarke Capital ⁸	-1.45%	14.99%	\$21M
Drury Capital ⁹	1.93%	-4.64%	\$342M
Dunn Capital ¹⁰	2.64%	-18.62%	\$244M
Eckhardt Trading ¹¹	0.01%	3.92%	\$392M
EMC Capital ¹²	1.00%	5.98%	\$90M
Graham Capital ¹³	1.91%	-4.25%	\$2,667M
Hawksbill Capital ¹⁴	-0.79%	-13.64%	\$113M
Hyman Beck & Co. ¹⁵	3.67%	-19.63%	\$372M
JWH & Co. (as of Sep.) ¹⁶	N/A	-21.13%***	\$91M***
Man AHL Diversified ¹⁷	0.50%	-6.30%	\$641M
Mark J. Walsh & Co. ¹⁸	1.10%	-5.05%	\$108M
Millburn Ridgefield ¹⁹	1.50%	-5.35%	\$1,017M
Rabar Market Research ²⁰	0.08%	-6.70%	\$295M



QUANTS STRIKE OUT

The Newedge CTA Trend Sub-Index, which tracks the performance of the **largest quant funds**, fell 3.4 percent last year after a 7.9 percent decline in 2011.

‘Quants are technical analysts
in wolves clothing’



MONEY MANAGEMENT

NOTHING
IS MORE IMPORTANT
THAN HOW ONE WAGERS
....NOTHING



It's not your money...it's you

$$E = M C^2$$

Explains it all



MONEY MANAGEMENT

BOTTOM LINE
OF MONEY MANAGEMENT IS TO ALWAYS

BET SMALL



MONEY MANAGEMENT

**Download Our Free
Money Management iPhone
App**

www.lwucalc.com



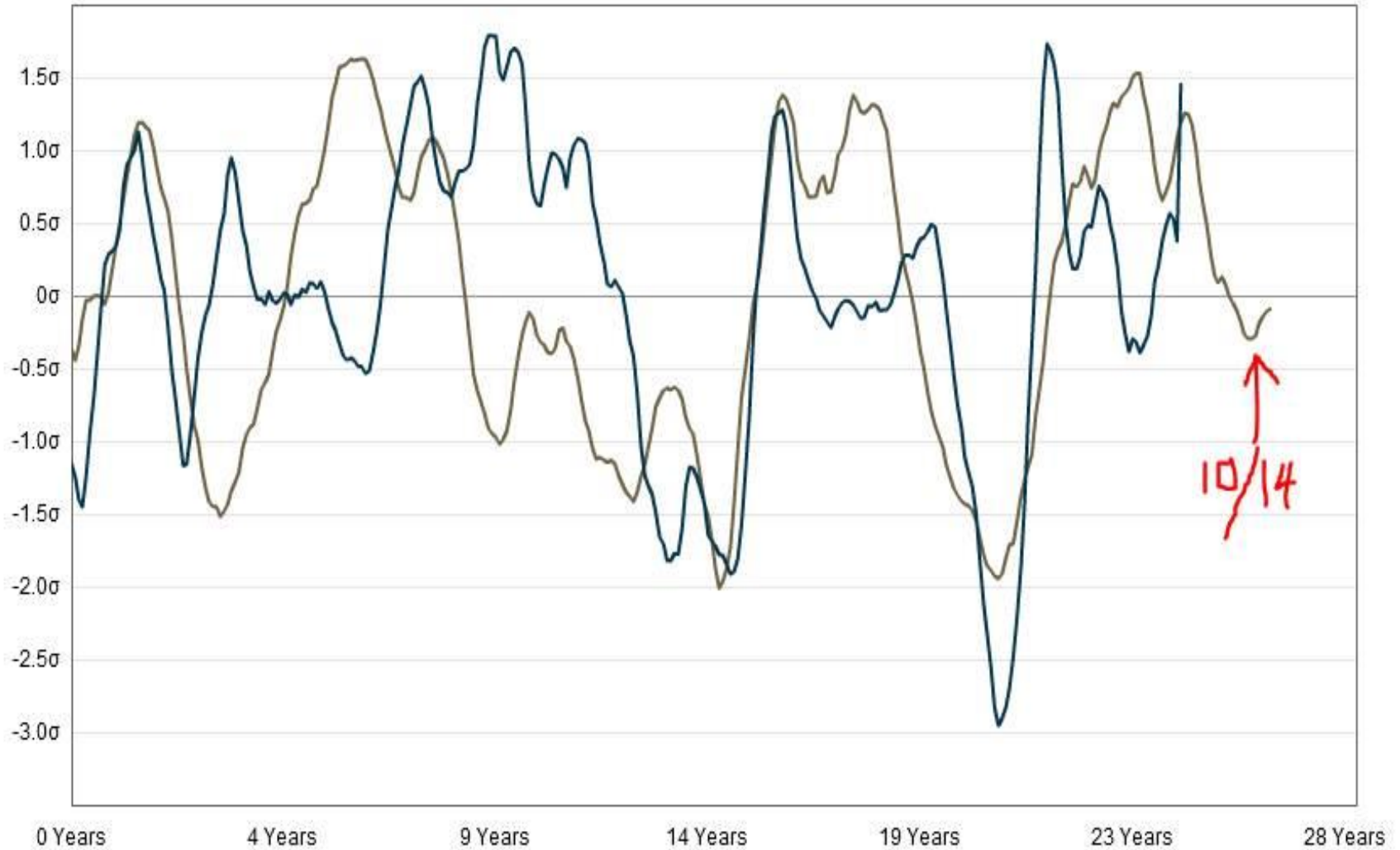
TREND

ALL PROFITS ARE
A FUNCTION OF TREND

TREND IS A FUNCTION OF TIME
NO TIME NO PROFITS



STOCK PRICES IN BLUE YIELD CURVE IN GREEN



- **LIFES LESSONS FOR TRADING**
- **GET IN SHAPE THE RIGHT WAY**
- **GOALS MUST BE REALISTIC**
- **THE SHOE MUST FIT**
- **ANXIETY DRIVES EMOTIONS**
- **MONEY MANAGEMENT IS ANXIETY MANAGEMENT**

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Thank you for your participation

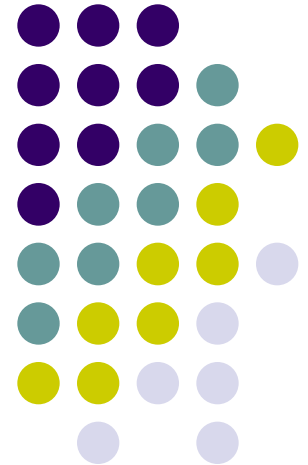


Jake Bernstein

<http://www.trade-futures.com>

A Few Things my 44 Years have Taught Me

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Who I am – What I do

How I got started

- My education
- My first trade
- The results
- The learning process
- What I discovered
- Why it's important
- What I can teach you today
- The nature of traders and investors

- **Why am I doing this?**
- **The nature of the markets**
- **Trading goals and objectives**
- **Who wants you to win?**
- **Who wants you to lose?**
- **Fate of the typical trader**
- **What I will give you today**

Why Traders Lose – How Traders Win

The key ingredients:

- + Objectivity and clarity**
- + Structured Trading Model**
- + Specific entry rules**
- + Profit maximizing strategies**
- + Discipline**
- + Sufficient starting capital**
- + Ability to sit through a series of losses**
- + Seeing the big picture**
- + Avoid micro-managing**

Be Careful what you tell yourself...You may start believing it
Be careful what others tell youYou may start believing it...

- Market myths perpetuate
- Common myths...
 - 1) Small stop losses will protect you
 - 2) The more you trade the more you make
 - 3) “I need to make \$xxxxxx a month”
 - 4) Options are the best way to trade
 - 5) My broker is there to help me...are you sure?
 - 6) A bigger and faster computer will help you make more money
 - 7) Day trading S&P is the best game in town
 - 8) The FOREX market is the best market for profitable trading
 - 9) The myth of the 200 day moving average
 - 10) Follow what the professional traders are doing and you’ll succeed
 - 11) The REVERSAL and KEY REVERSAL are profitable signals
 - 12) Spread trading is virtually risk free

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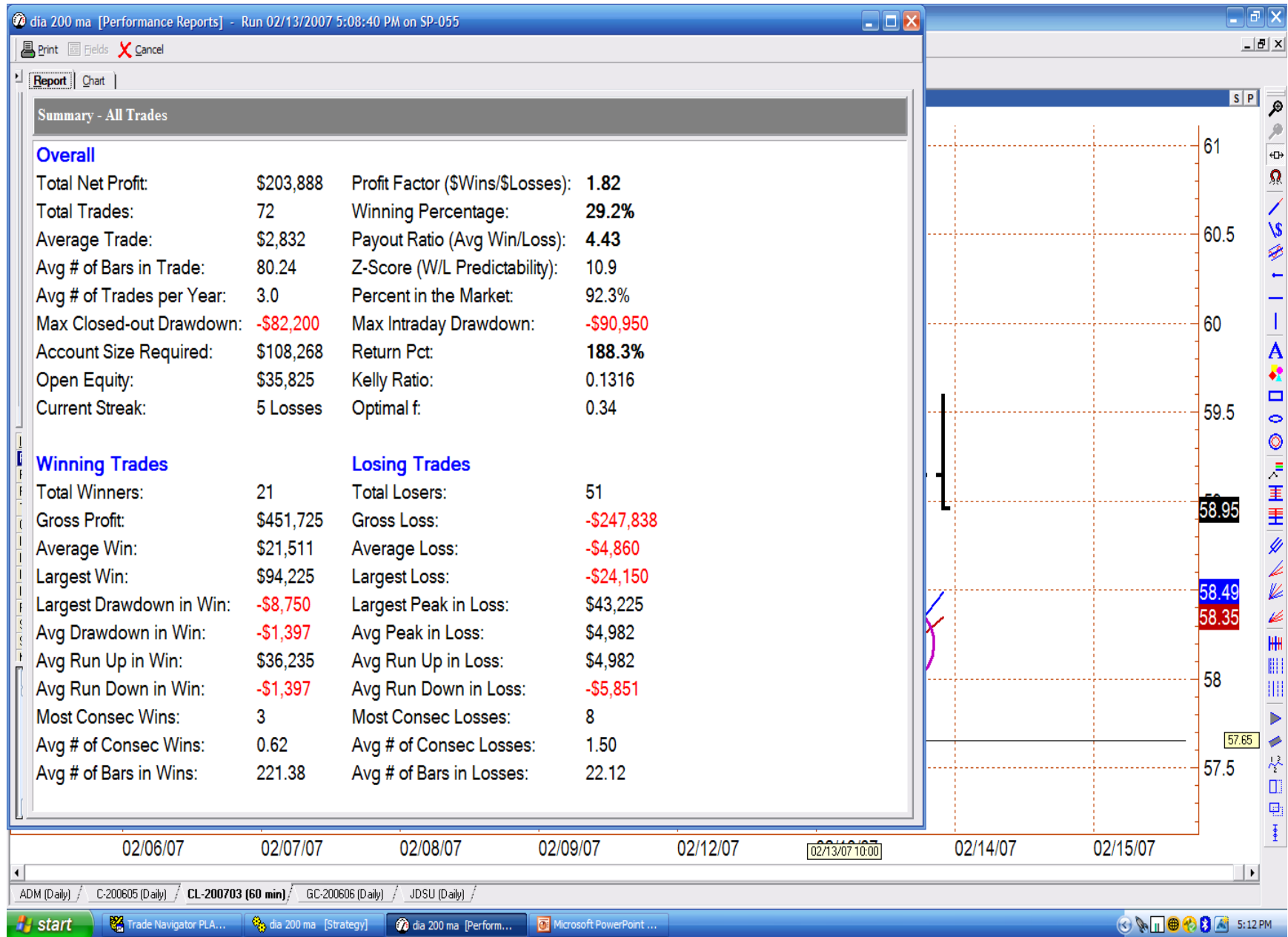
Most traders believe what they read and hear...but WHY?

- Many traders are uneducated
- They believe what the advertising says
- Do the futures exchanges do their part to educate traders?
- Futures trading: the “zero sum game”
- Who wants YOU TO WIN?
- Whose success depends on YOUR LOSSES?
- Trading is a lonely game
- Traders are daily exposed to a constant stream of worthless opinions and worthless methods
- Traders listen to business television such as CNBC and Bloomberg and make their decisions on the news
- Traders are generally disorganized
- Traders have too much information

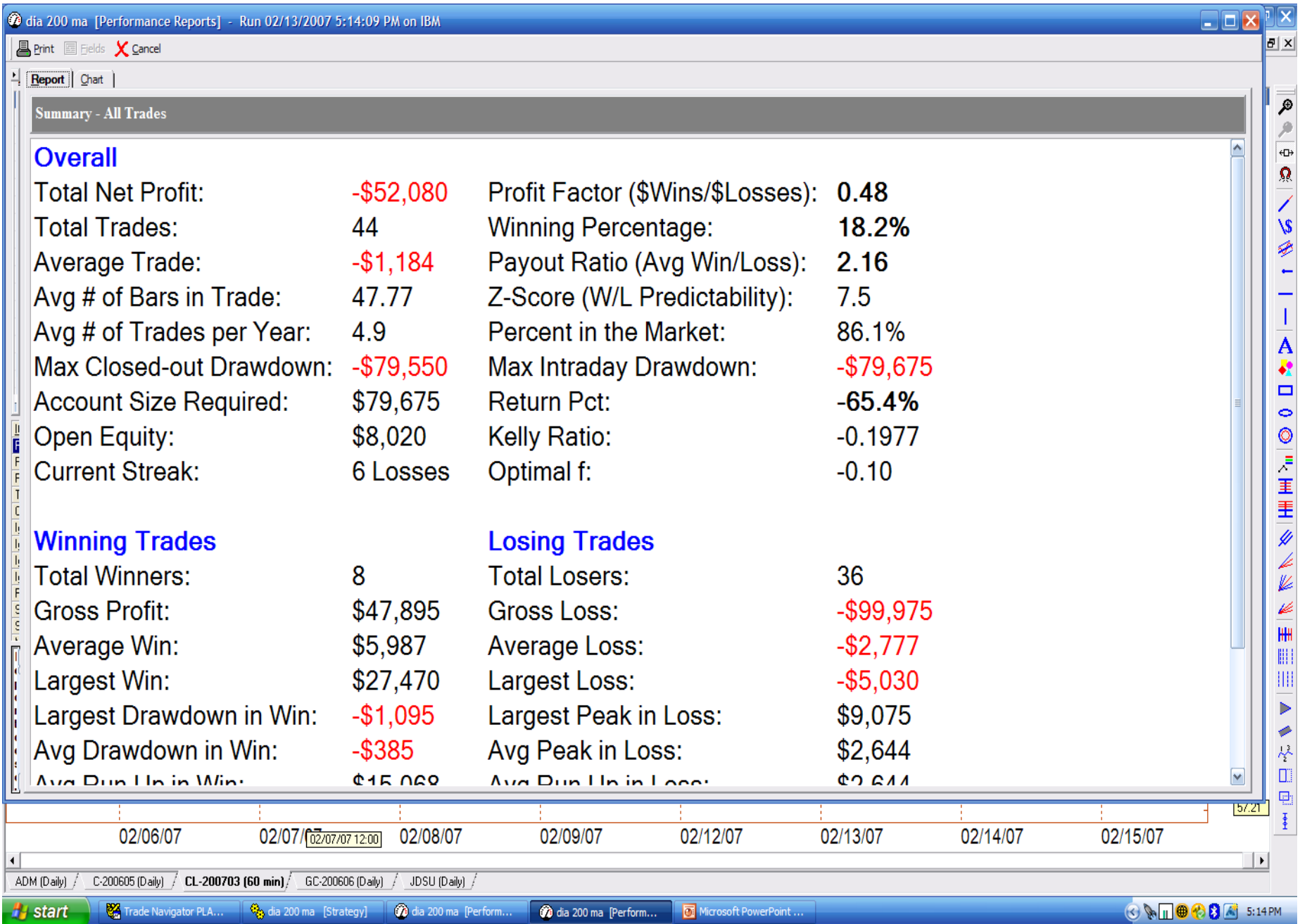
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Track Record 200 day MA in S&P

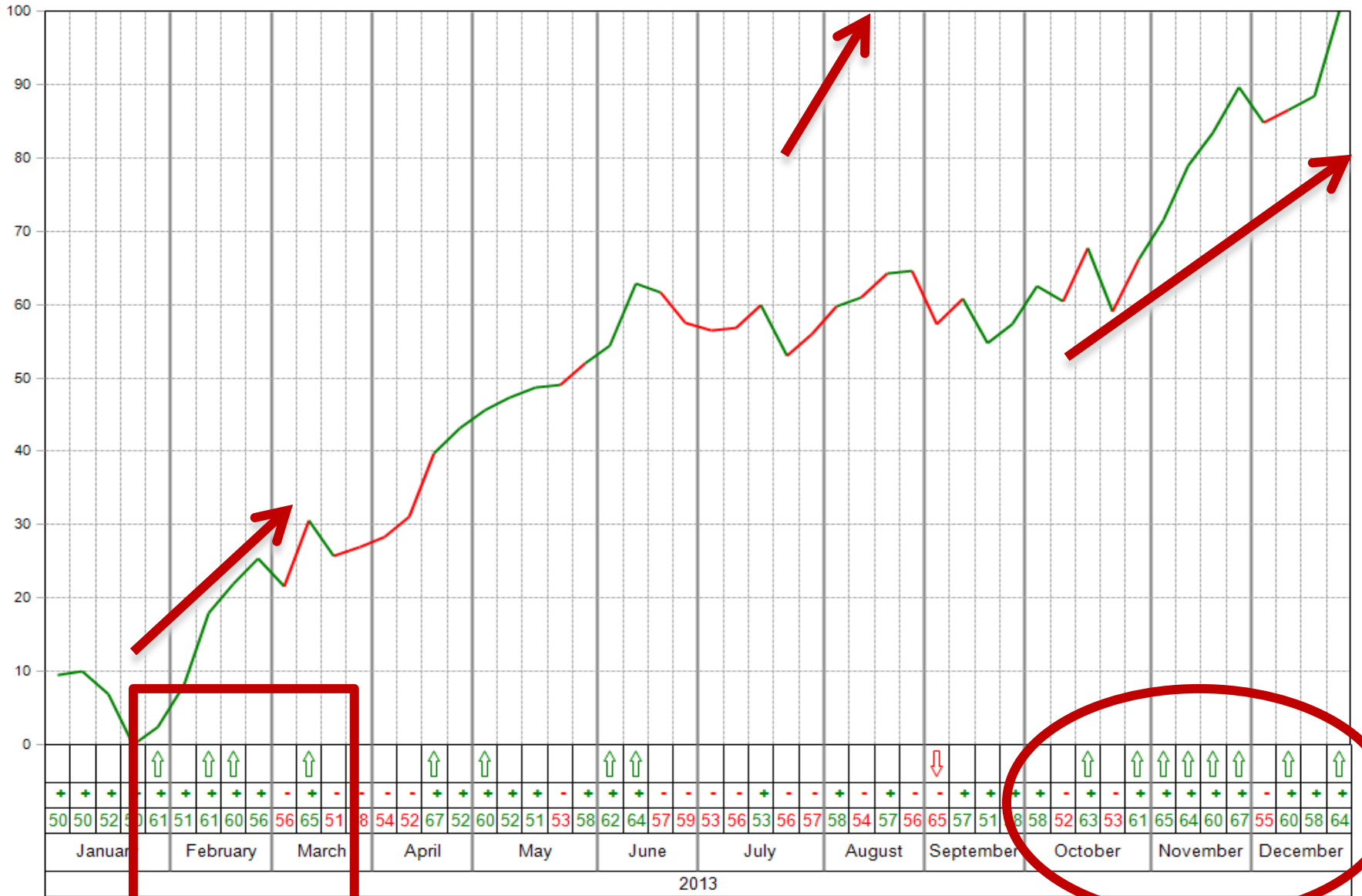


200 Day MA IBM

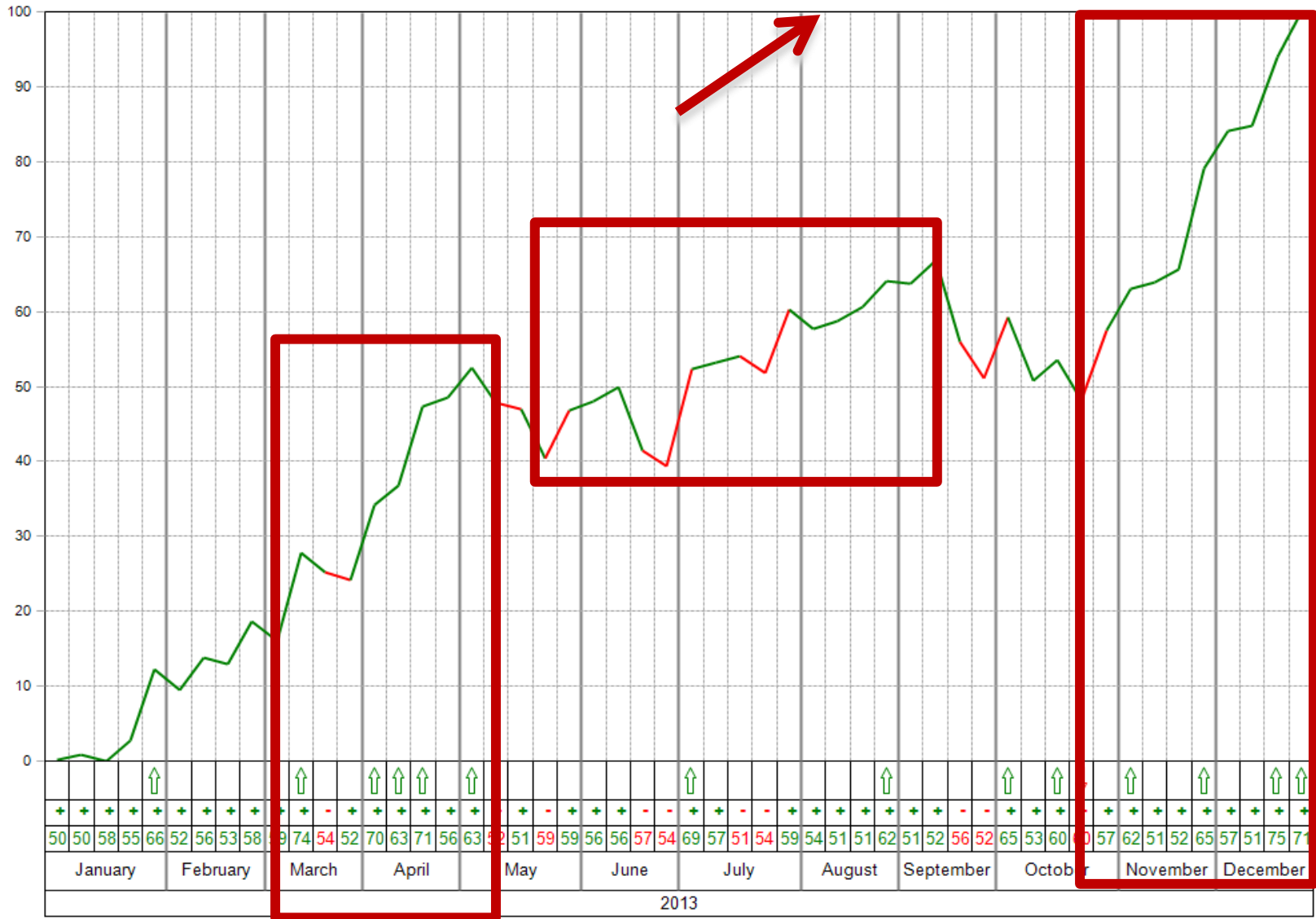


Compare!

WEEKLY SEASONAL STOCK COMPOSITE 3M : 1970 - 2013



WEEKLY SEASONAL STOCK COMPOSITE DJ Ind Avg 1950 : 1950 - 2013



Stocks Filter:

DJ Ind Avg 1950

Save selected stocks to a folder:

00AA

Create a new folder:

<input type="checkbox"/>	Stock	Sym	L/S	Entry Date	Exit Date	Stop %	PL Ratio	% Wins	Avg Profit	Avg Loss	% Avg Profit	% Avg Loss	Max Wins	Max Up Swing	Max Loss	Max Draw Down	Growth
<input type="checkbox"/>	DJ Ind Avg 1950	\$DJIA	L	3/1	4/18	12	4.4	79.4	159.45	-137.93	4.16	3.25	8	3337.92	2	-999.04	Y
<input type="checkbox"/>	DJ Ind Avg 1950	\$DJIA	L	3/1	4/15	12	3.1	79.4	144.29	-179.36	3.89	3.46	11	2900.86	2	-1023.17	Y
<input type="checkbox"/>	DJ Ind Avg 1950	\$DJIA	L	3/1	4/15	6	2.5	79.4	144.29	-221.08	3.89	3.86	11	2900.86	2	-1023.17	Y
<input type="checkbox"/>	DJ Ind Avg 1950	\$DJIA	L	3/13	5/3	9	6.7	77.8	210.03	-109.42	4.73	3.31	8	4869.18	2	-547.56	Y

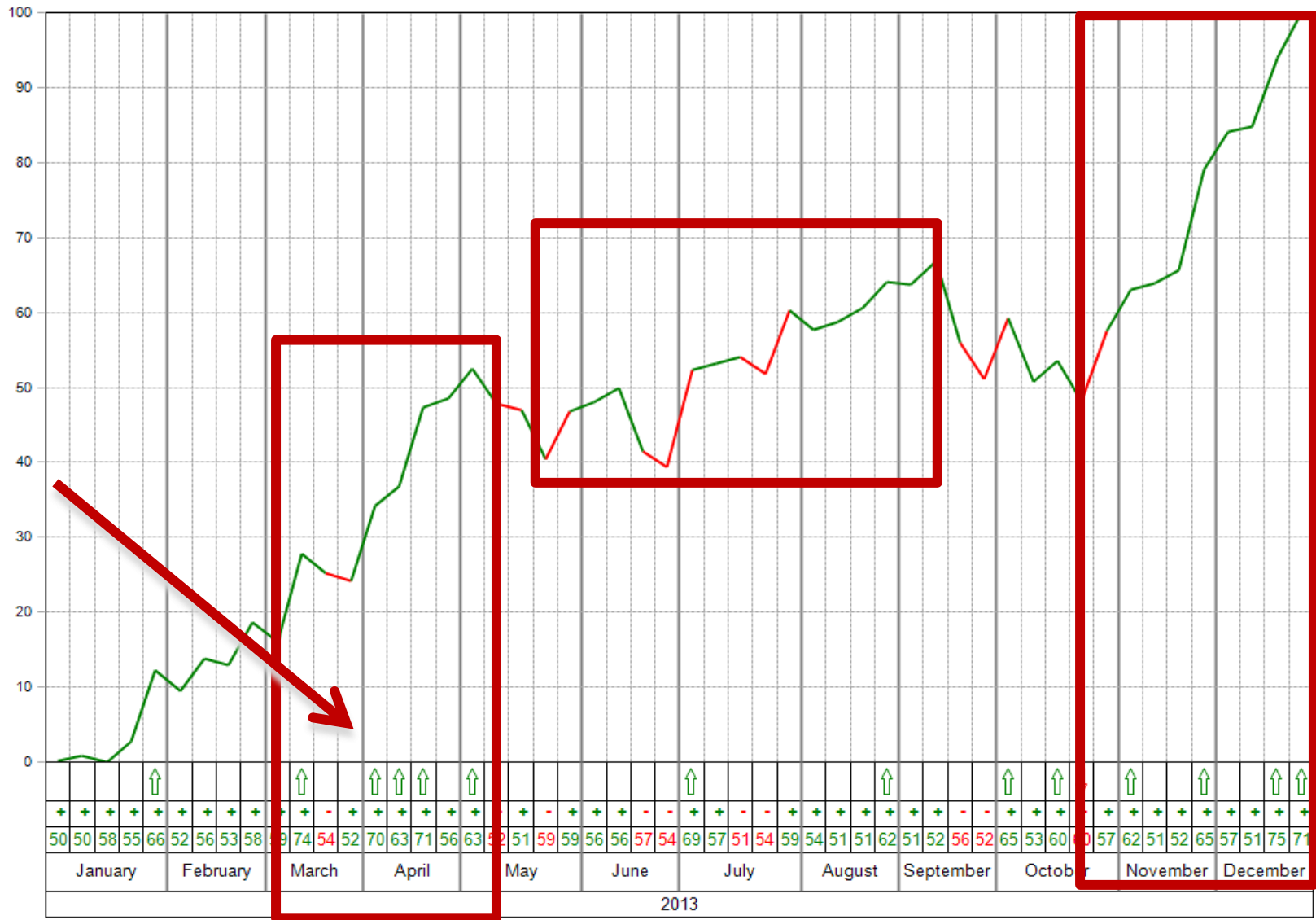


YM-201306: Mini-Sized Dow (\$5) Jun 2013 (Daily bars)

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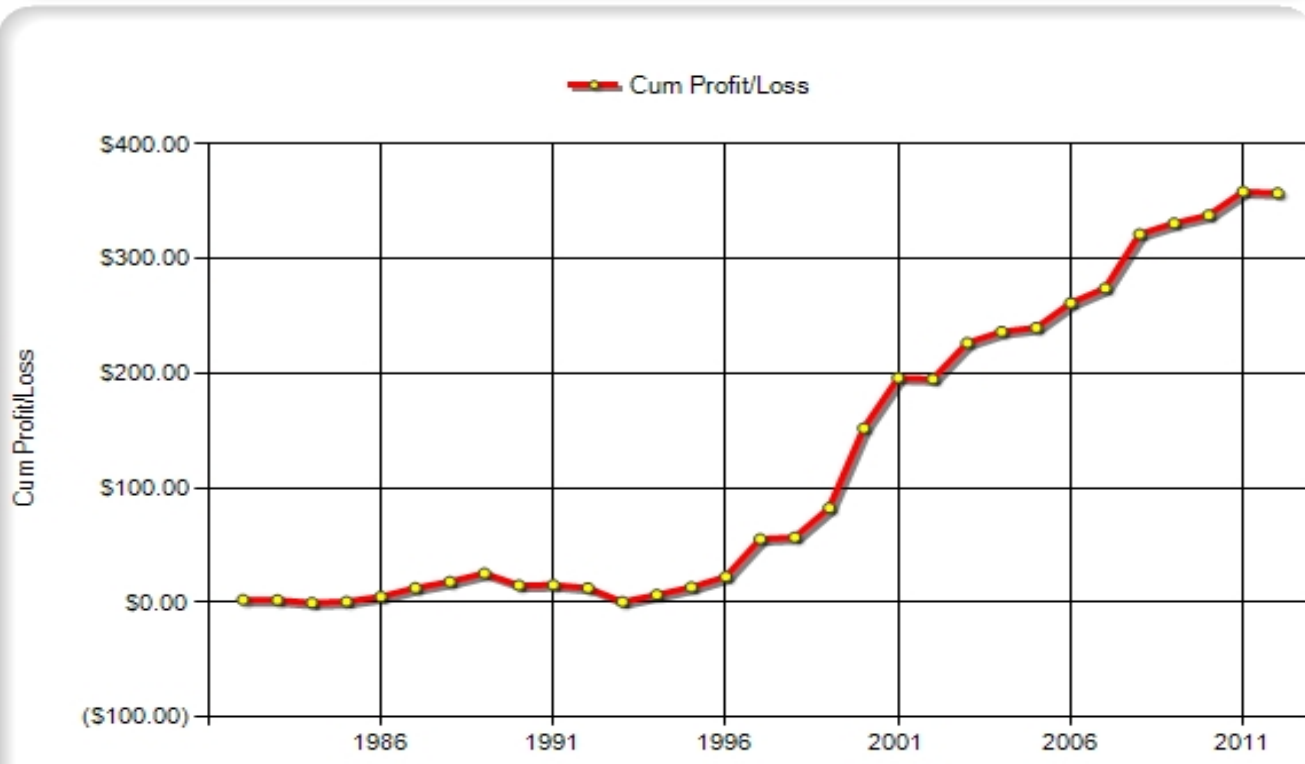
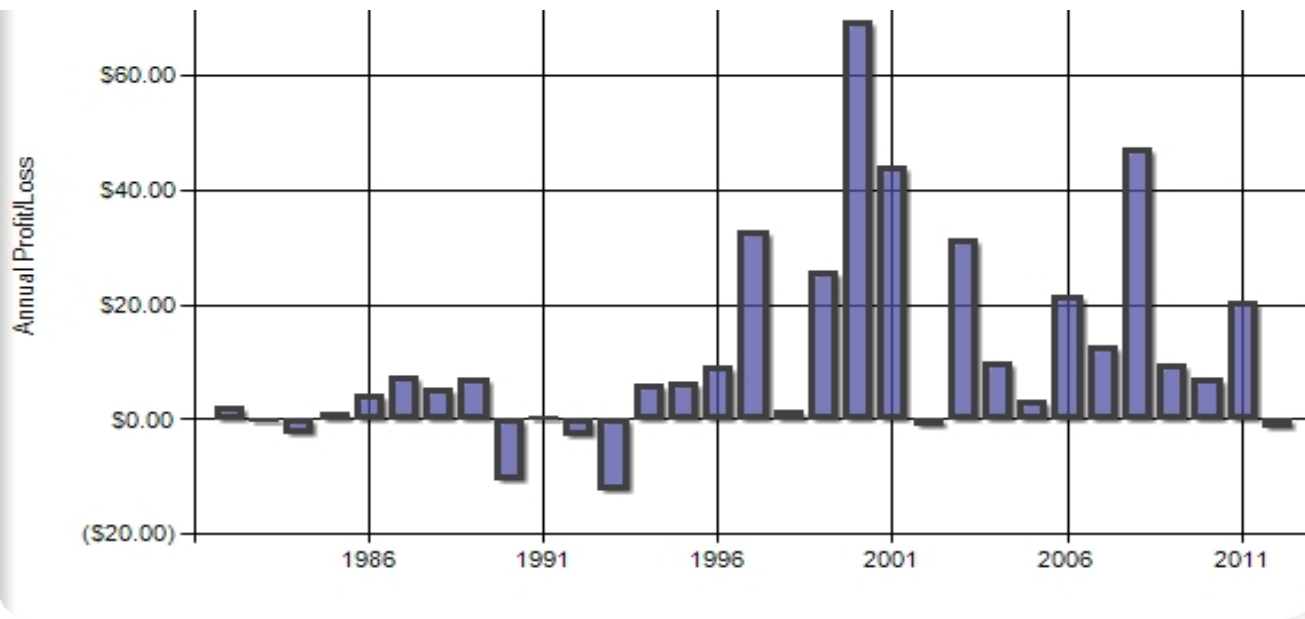


WEEKLY SEASONAL STOCK COMPOSITE DJ Ind Avg 1950 : 1950 - 2013





Name	Month	LS	Entry Date	Exit Date	Stop %	P/L Ratio	% Wins	Avg Profit	Avg Loss	% Avg Profit	% Avg Loss	Max Wins	Max Up Swing	Max Loss	Growth
SP 500	Jun	L	4/14	4/23	3.00	12.8	77.4	16.14	-4.32	1.88	1.18	9	195.50	2	Y
SP 500	Jun	L	4/14	4/24	3.00	6.7	77.4	16.10	-8.23	1.80	1.55	10	180.30	2	Y
SP 500	Jun	L	4/14	4/26	3.00	4.8	77.4	20.91	-14.86	2.26	2.08	8	198.70	4	Y
SP 500	Jun	L	4/15	4/23	2.50	8.9	74.2	13.90	-4.47	1.61	1.15	9	153.30	2	Y
SP 500	Jun	L	4/14	4/25	3.00	6.0	74.2	20.02	-9.64	2.06	1.56	10	203.90	4	Y
SP 500	Jun	L	4/15	4/22	2.50	5.9	74.2	13.25	-6.44	1.43	1.38	15	274.25	2	Y
SP 500	Jun	L	4/14	4/23	2.00	5.7	74.2	15.72	-7.88	1.88	1.22	9	163.50	2	Y



The 21 DEADLY Mistakes and more

- 1) Lack of an objective profit maximizing strategy
- 2) Lack of organization
- 3) Listening to the news
- 4) Lack of an objective trading method
- 5) Too many indicators Too much “analysis”
- 6) Beginning with insufficient capital
- 7) Trading too many markets at once
- 8) Lack of diversification
- 9) Failure to understand order types
- 10) Careless but costly errors (examples)
- 11) Impulsive behavior (trades not based on methods)
- 12) Excessive day trading
- 13) Low delta options
- 14) Stop losses that are too small
- 15) Trading markets that are too risky (i.e. new traders trading natural gas)

DEADLY Mistakes +(cont'd)

16) Riding losses

17) Taking a quick profit

18) Spreading to avoid taking a loss

19) Visiting “chat room”

20) Lack of ability to take at least 6 losses in a row

21) Changing time frames to get the answer you want

- Any one of these mistakes could be deadly
- Most traders are guilty of several blunders or much more
- Many traders can't commit to any system consistently
- Many traders don't understand the importance of consistency
- Too many traders react to random market behavior
- As much as 45% of market behavior is random
- Traders use trailing stops that are too close to the market
- 80% - 90% of your money will be made on 10%-20% of your trades

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The 7 Winning Behaviors

- 1) Use the Setup – Trigger – Follow Through market structure that uses a clear and concise profit maximizing strategy and get out of the “danger zone” as quickly as possible
- 2) Begin with sufficient capital (minimum) and commit only 50% of your capital to positions - hold 50% in reserve
- 3) Don't trade it if you can't test it – what constitutes an adequate test? Do you need to back test with a computer program?
- 4) Use totally objective rules or you WILL FAIL – you must NEVER interpret anything
- 5) Trade at least 3 unduplicated or uncorrelated markets but preferably as many as 15 uncorrelated or unduplicated markets (examples)
- 6) Trade multiple positions (units of three)
- 7) Begin trading a new method AFTER it has had at least three consecutive losing trades

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Summarizing

- Trading is not as easy as we have been led to believe but trading is not nearly as difficult as we have been led to believe
- Simple methods work best as long as they are valid and include a trigger and follow through method
- Trading multiple positions is BEST
- Adapt the “danger zone” concept
- Use 3-5 effective methods
- Don't mix time frames (examples)
- I have not seen anyone consistently make money with methods that require analysis or interpretation – I suggest that you avoid them unless you're psychic!

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What we know – what we don't know

- There are many things we don't know about trading and investing
- There are only a few things we know that are highly reliable
- Why deal with the unknown and the unknowable?
- What do we know?
- How can we use it?

Thurs Fri EuroFX

- C>O Thurs
- Buy Fri 2 ticks above Thurs high
- C<O Thurs
- Sell Fri 40 ticks below Thurs low
- Exit FPO or stop loss
- CAUTION in Micro and Mini Euro FX

Summary - All Trades

Overall

Total Net Profit:	\$87,000	Profit Factor (\$Wins/\$Losses):	1.92
Total Trades:	250	Winning Percentage:	86.8%
Average Trade:	\$348	Payout Ratio (AvgWin/AvgLoss):	0.29
Max Closed-out Drawdown:	-\$11,746	CPC Index (PF x Win% x PR):	0.49
Max Intraday Drawdown:	-\$13,937	Expectancy (AvgTrade/AvgLoss):	12.16%
Account Size Required:	\$19,337	Return Pct:	449.9%
Open Equity:	\$2,141	Kelly Pct (AvgTrade/AvgWin):	41.61%
Percent in the Market:	25.8%	Optimal f:	0.47
Avg # of Bars in Trade:	2.70	Z-Score (W/L Predictability):	0.3
Avg # of Trades per Year:	27.2	Current Streak:	6 Wins

Monthly Profit Analysis

Average Monthly Profit:	\$784	Monthly Sharpe Ratio:	0.35
Std Dev of Monthly Profits:	\$2,159	Annualized Sharpe Ratio:	1.21

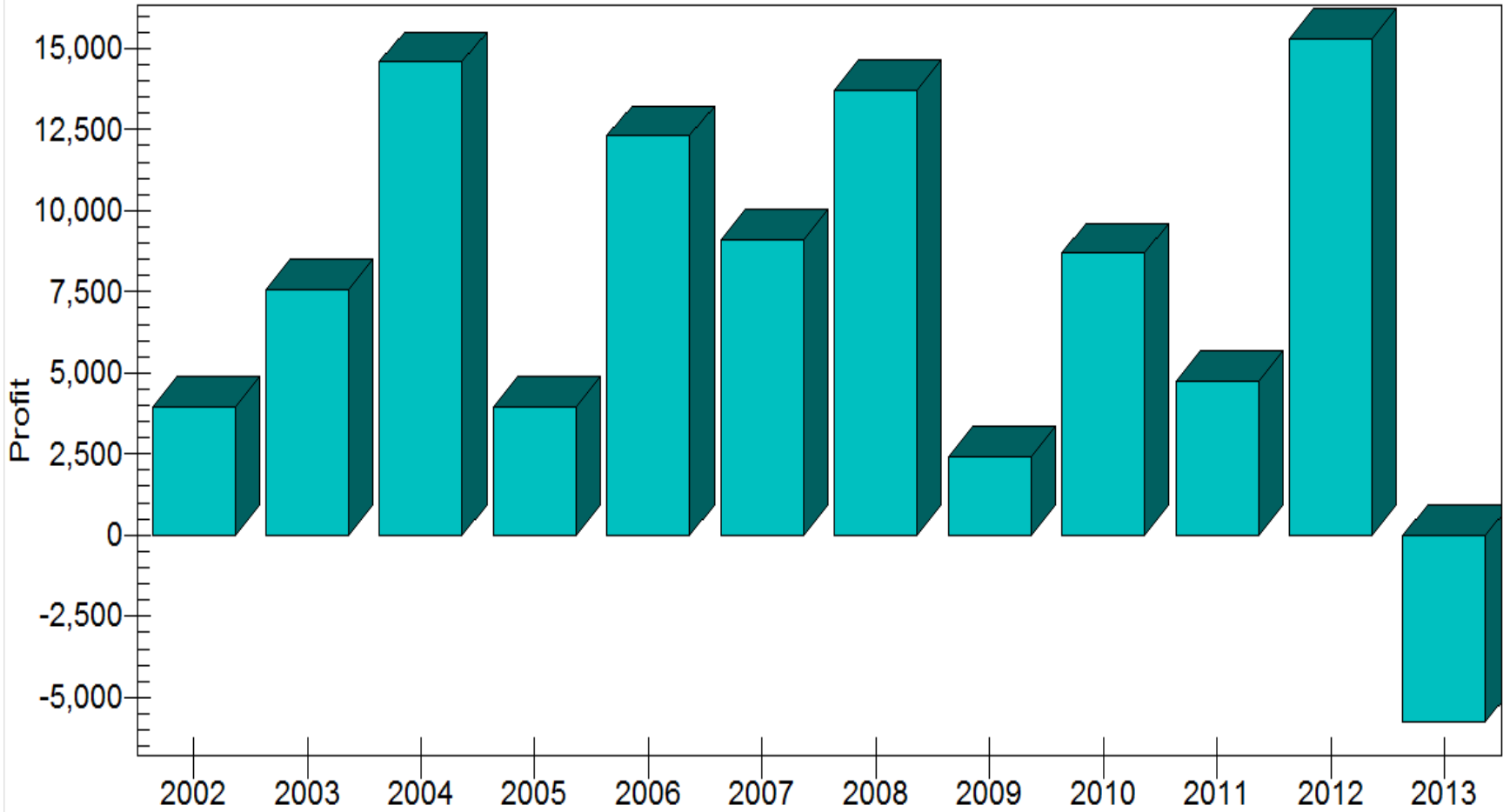
Winning Trades

Total Winners:	217
Gross Profit:	\$181,472
Average Win:	\$836
Largest Win:	\$4,041
Largest Drawdown in Win:	-\$3,234
Avg Drawdown in Win:	-\$570
Avg Run Up in Win:	\$1,124
Avg Run Down in Win:	-\$570
Most Consec Wins:	22
Avg # of Consec Wins:	7.23
Avg # of Bars in Wins:	2.36

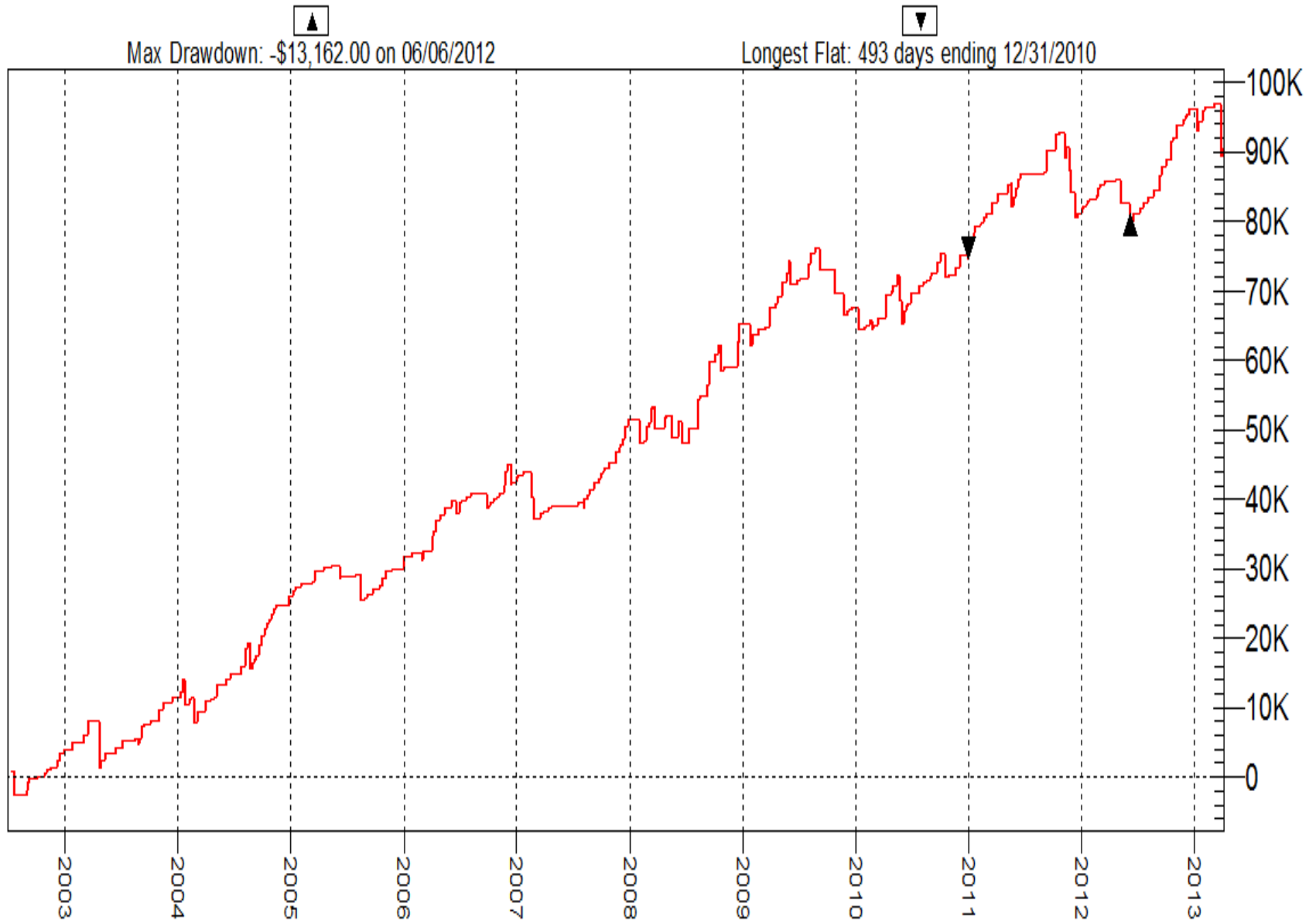
Losing Trades

Total Losers:	33
Gross Loss:	-\$94,472
Average Loss:	-\$2,863
Largest Loss:	-\$3,834
Largest Peak in Loss:	\$1,316
Avg Peak in Loss:	\$376
Avg Run Up in Loss:	\$376
Avg Run Down in Loss:	-\$3,125
Most Consec Losses:	2
Avg # of Consec Losses:	1.14
Avg # of Bars in Losses:	4.94

By Year by Profit



Equity Curve (by Date)



The True Origin of Discipline

- **What is discipline?**
- **Why does lack of discipline lead to losses and inhibit profits?**
- **Fate of the typical trader revisited**
- **The intricate and intimate relationship between discipline and confidence**
- **Why most traders lack confidence**
- **How lack of confidence leads to lack of discipline**

What works...what doesn't work

- Judgment
- Intuition
- The “Edsel” method
- Gann
- Elliott Wave
- Chart Patterns
- Traditional moving averages
- Following the news
- CNBC
- Fibonacci
- “Overbought” “Oversold”
- Chat rooms and blogs - Why don't they work?

Trading Model: Part of the Cure

- What is a trading model?
- Why use a trading model?
- Examples of trading models
- What works best
- How a trading model reduces errors
- A trading model can help you learn from your mistakes
- A close look at the Setup – Trigger – Follow Through (STF) Model
- Examples of how it works
- Why STF will help you learn from losses and profits

The Model

- Patterns + Process + Persistence = Profits

- **SETUP** **TRIGGER** **Follow Thru**



*Tested and proven accurate
100% objective and rule based – not subject to interpretation
No myths or magical mumbo jumbo
No “looks like”*



*Step by step
Clear checklist
Procedure
Implementation
Triggers
Exact risk based on market behavior
Exit strategy
Profit maximizing strategy*



*Know your odds
Drawdown
Max cons loss
Max cons profit
Max % risk/trade
Patience
Don't MM!
Less is more
Limit media
Isolation
Chat room NO*



*Set a daily goal? ABSURD!
Have to be BIG
Remove some
Diversify
Profits create confidence which then will Foster discipline and more profits!*

- Now...the Q and A based on a selection of questions sent in by many of you

- How can we understand open interest and how it relates to the commodity markets; how can we tell if the changes in open interest are caused by the commercials or large traders?

What is open interest and how does it work?

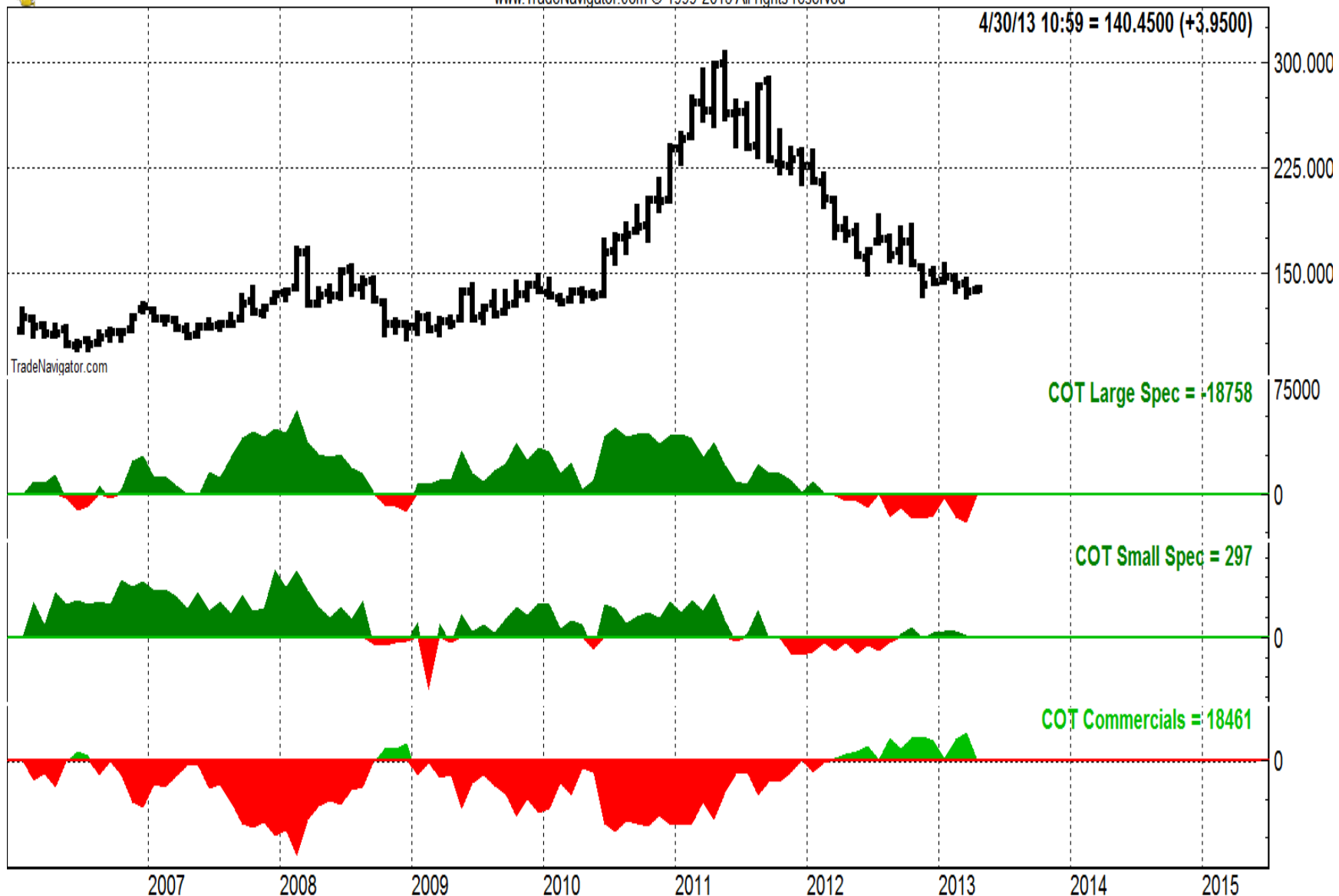
COT (Jake chart)

LW “it is what it is”, interest in the market; that’s the key



KC2-055: Coffee (Comb) Cont 1st (Monthly bars)

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4/30/13 10:59 = 140.4500 (+3.9500)

TradeNavigator.com

- All the money management techniques I have seen relate to an account that has a lot of capital, what approach is a relatively safe way to build capital from a small starting balance?

Jake

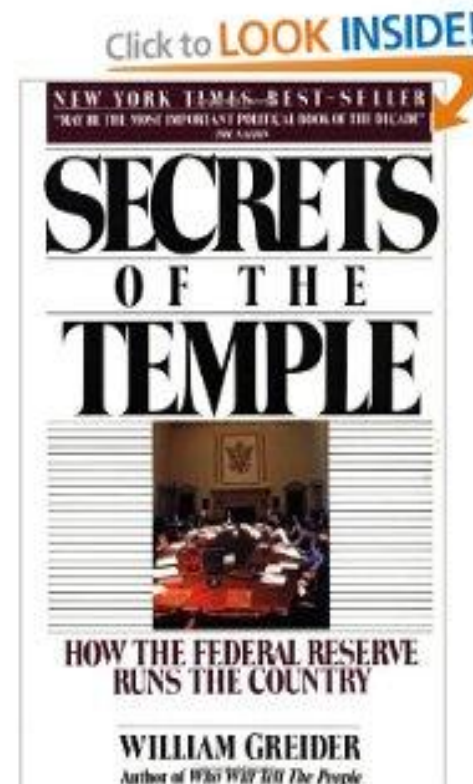
Definitions: what is a “small” account? Stocks; futures?

- What is a good book to fully understand the bond market and all the factors that influence it?

Jake: Secrets of the Temple; Greider

Larry:

Martin Pring



- What is the simplest and/or best path to go from beginner to trading full time? (I know there are many variables, as personality, risk tolerance, level of interest, etc.... but thinking the general path, start up capital, etc.)

Larry:

Negative splits are critical

- a) prevents crashing the account
- b) allows you to learn while you earn
- c) **MUST** have a strategy that fits your personality

Jake:

Take the ten trade challenge; use a structured model

- What attitudes are essential to being a successful trader?

Jake: Attitudes vs behaviors; behavior more important than attitude

Run you trading like a business; don't micromanage

Men vs women traders

Look in the mirror

Keep a journal

BE ORGANIZED; methods: less is more

Larry: Things from my sons studies...

Ability to rationally deal with emotions

Lack of confidence

Stops to control emotions

Know your weakness and adapt

- Is it better to specialize in say 1-3 markets, or is it better to just look for whatever is setup?

Jake:

Focus on where the action is or the set ups

Correlation

Account Size

Diversification smooths performance

- When I set tight stops I get stopped out of a position too soon with only a small profit. When I have loose stops I take too much of a loss before getting stopped out, sometimes after having a profit for a day or two. What do I do?

Size of stop issue; what is a “tight” stop?

The larger the stop the higher the odds

Stop not a function of what you want to risk but NEED to risk

Stop size is a function of the system: Jake examples (charts)

Do you have a mechanical approach to trailing stops?

Does stop size fit your personality?

The market doesn't care about your stop or risk level



ZS-201307: Soybeans CBT (Elec) Jul 2013 (Daily bars)

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MovingAvg (L,8) = 1371^6 MovingAvg (H,10) = 1401^2 Jake 2 below Channel = False Jake 2 above Channel = False 4/5/13 11:00 = 1339^6 (-12^0)



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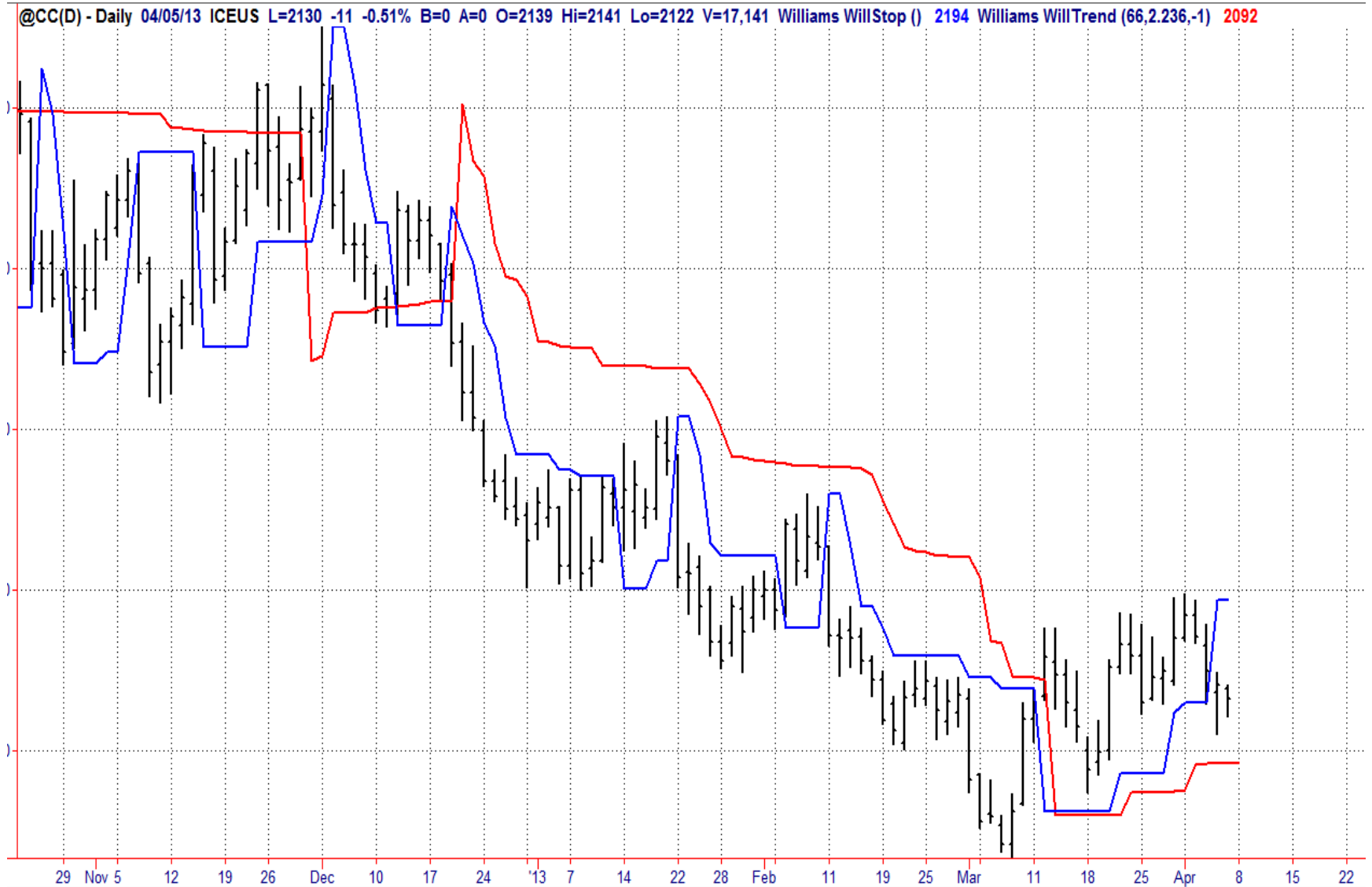


G6E-201306: Euro FX (Elec) Jun 2013 (Daily bars)

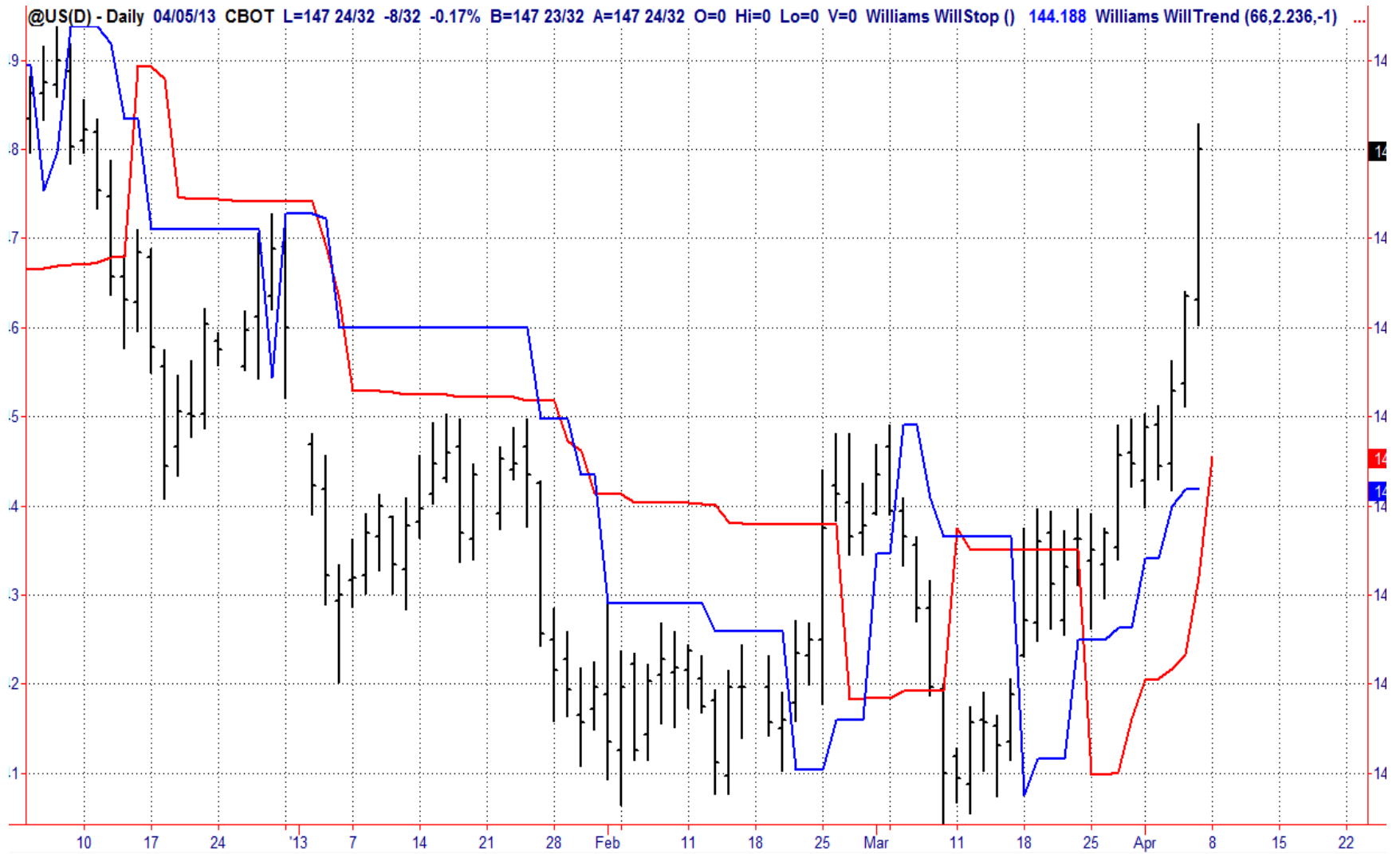
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WillStop vs WillTrend



WillStop WillTrend



- Why did the grain markets have such a massive sell off recently?

Issue of reports

Largest corn storage since 1936

What does it mean?

Are you a technical or fundamental trader? YES

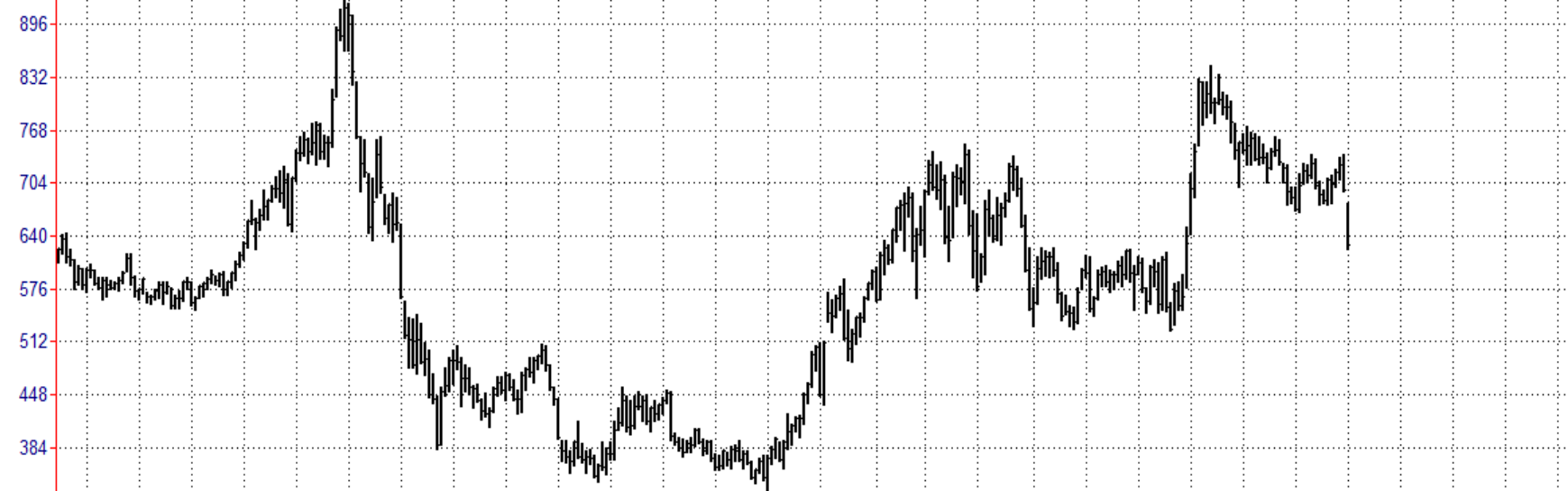
I ask: what were the Commercials doing? (Chart)

COT IN WHEAT

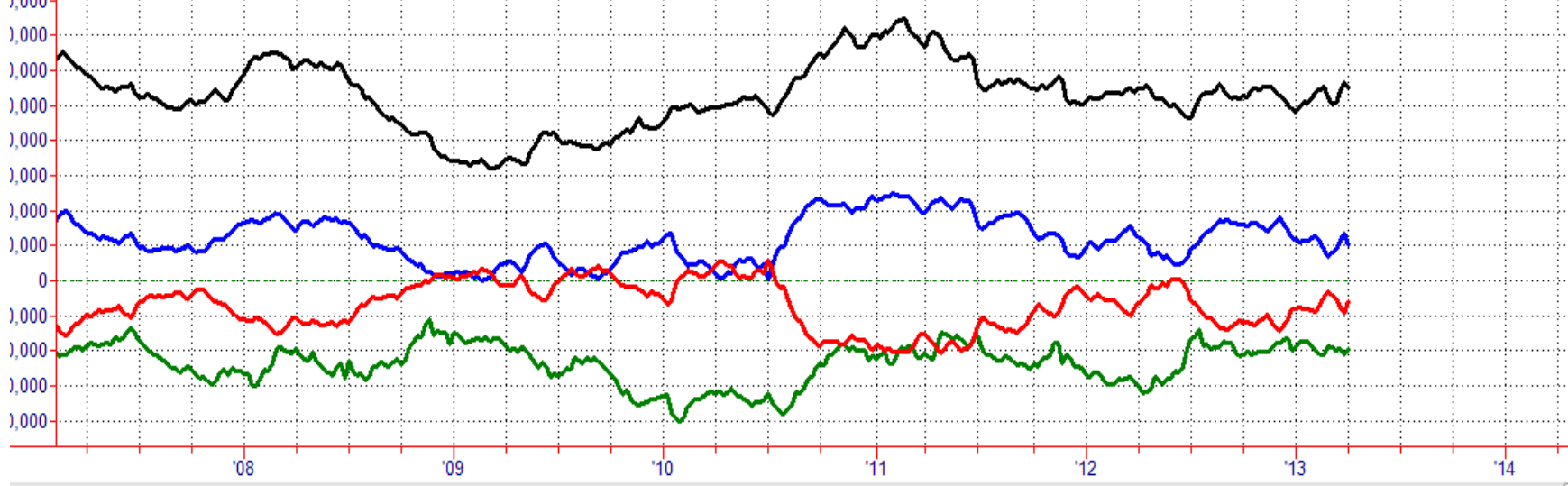


COT IN CORN

@C.C(D) - Weekly 04/05/13 CBOT L=629 6/8 -2/8 -0.04% B=628 6/8 A=628 6/8 O=630 Hi=635 6/8 Lo=626 4/8 V=289,462



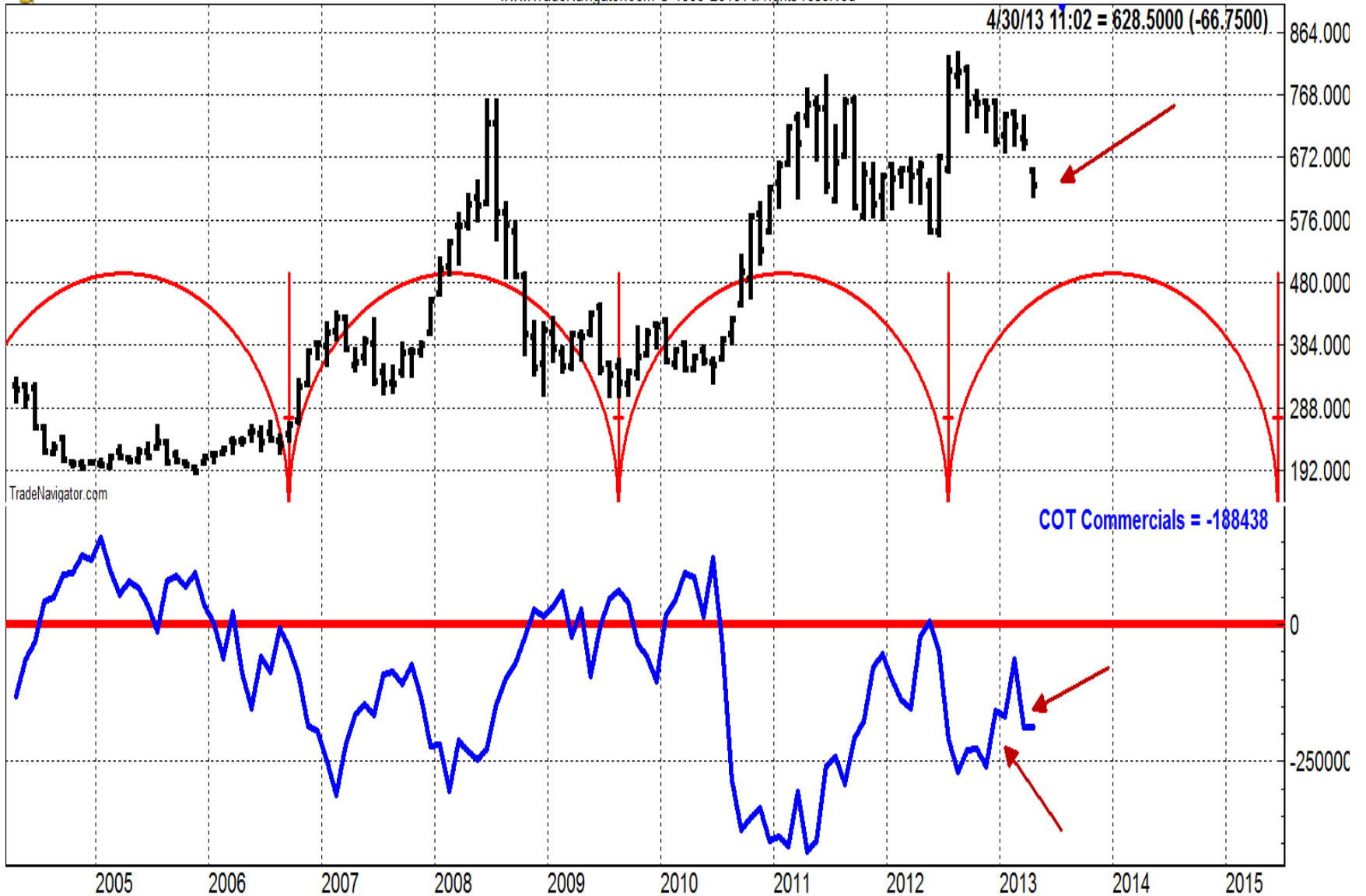
LWSENT Williams COT NetPositions OI (5,false) -121746.00 200296.00 -392750.00 1098247.00





C-055: Corn CBT (Pit) Cont 1st (Monthly bars)

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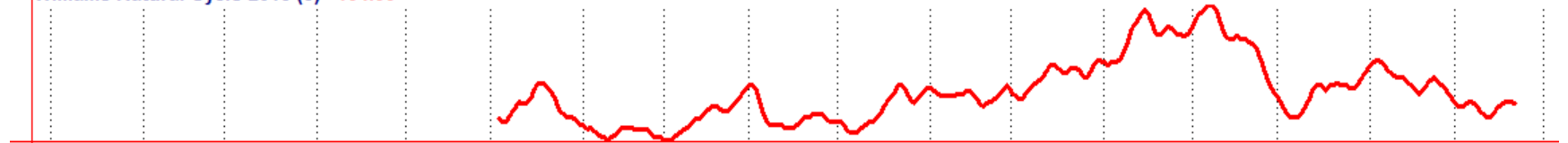


BEANS FORECAST

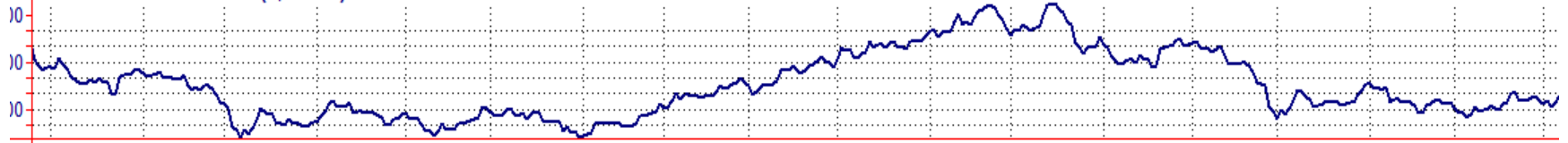
@S.C(D) - Daily 03/22/13 CBOT L=1439 4/8 -9 4/8 -0.66% B=1440 6/8 A=1440 6/8 O=1447 Hi=1448 6/8 Lo=1433 V=146,800



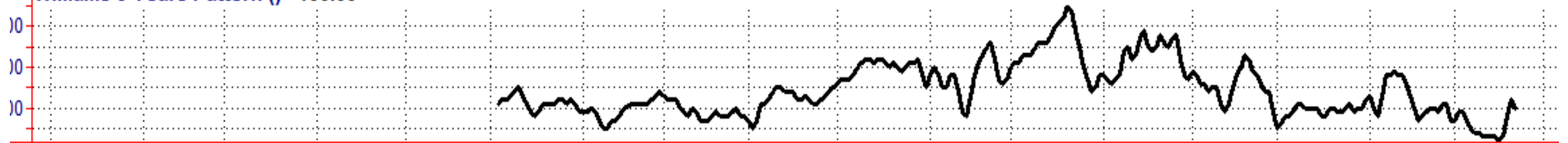
Williams Natural Cycle 2013 (3) 104.00



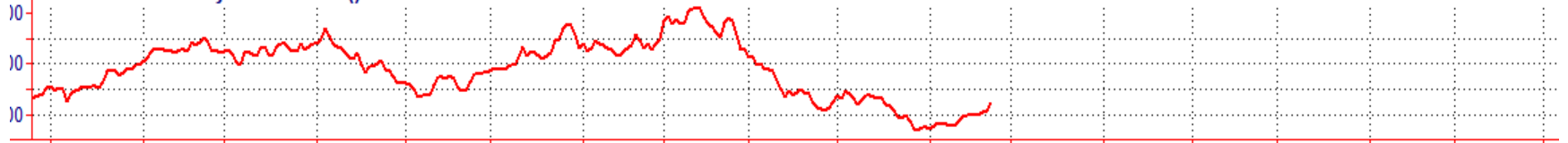
Williams True Seasonal (1,TRUE) 50.50



Williams 3 Years Pattern () 100.00

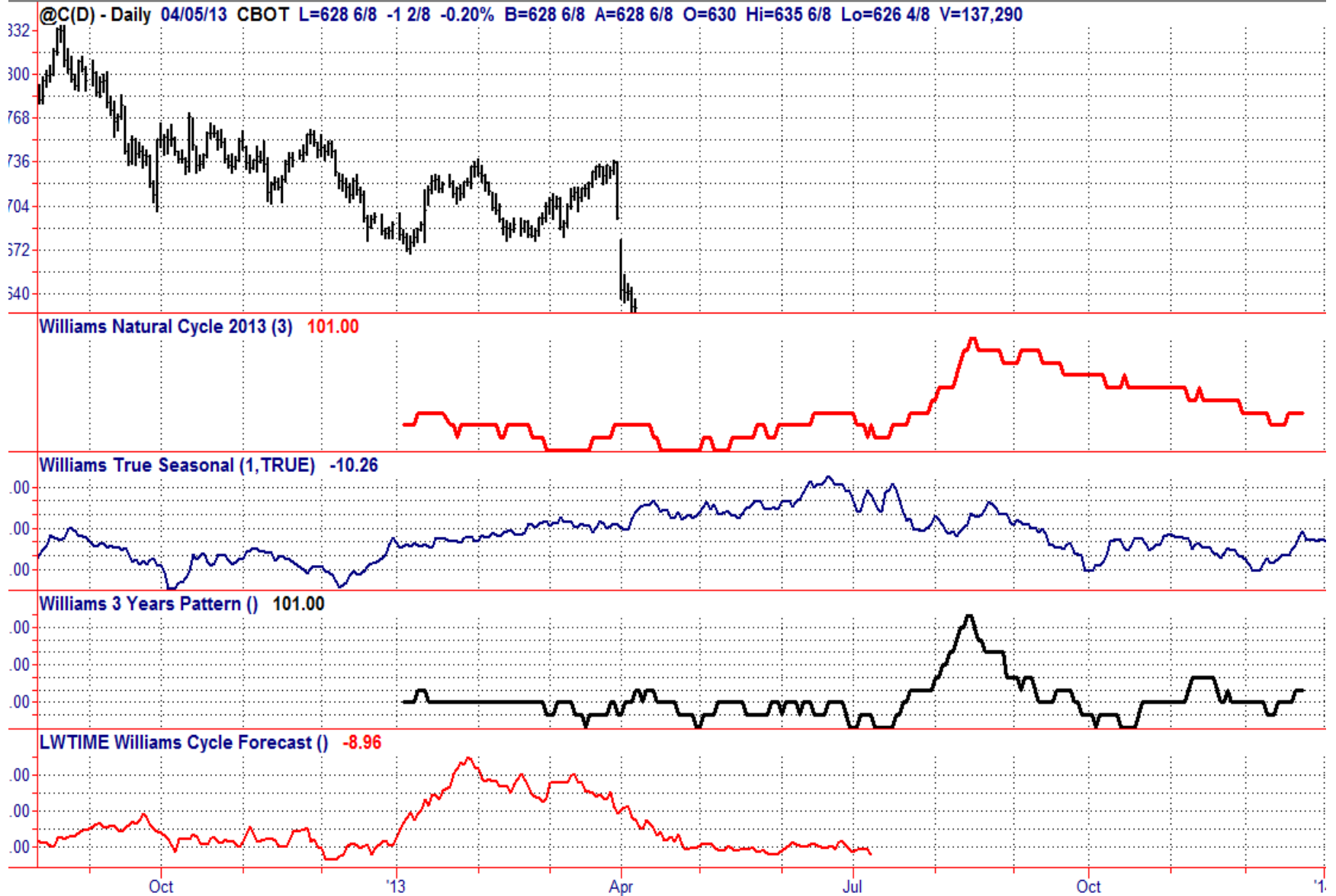


LWTIME Williams Cycle Forecast () -5.26



Oct '13 Apr '14 Jul '14 Oct '14

CORN FORECAST



For a new trader which markets would you start in to gain experience and confidence?

Larry:

Bonds, grains, gold...

Jake:

Mini sized gold, Aussie and EuroFX mini; soybeans or soybean oil; avoid mini s&p (why); avoid options (why)

Avoid markets that will kill you dead if you are wrong;

LEARN SPREADS

Over the years both of you have been the target of criticism, regulatory actions and bad mouthing – what are your comments or responses?

Larry:

Tall Poppy Syndrome

We were not alone

In our youth...

Worth the battle

Competitive jealousy

It goes with the territory

We spit in their face and changed laws

Lots of Jealousy in this business

Youth is wasted on the young

Jake: dominance of brokerage forces; independent traders were targets, NFA kangaroo court, old boys club

Some brokers have gone broke, in fact, too many have done so. Can you recommend what to look for and/or any firms you can suggest?

Larry:

- Know your broker
- Read their financials
- Run at even a whisper of problems

Jake:

Spread assets; know financial status; look at length of time
ASK questions!

What was your biggest mistake and/or worst trade?

Larry:

That takes weeks to cover all of them...Cattle in 1973 and not being long Gold/Silver since 1974

Jake:

Pork bellies: Maduff

Cotton

- Knowing what you know today, how would you grow a small (\$25,000) account today?

Larry:

I'd do negative splits, have low ambitions, know my strategy fit my Personality

Jake:

2-5 uncorrelated markets

Multiple positions

Profit maximizing strategies

“Danger zone” concept

How long can the central planners manipulate the markets before any real contraction happens?

Larry:

Do they? Our job is to trade trends; I keep it at that

Jake:

Unimportant to me. Just follow the setups and signals and follow through; solid methods anticipate the news

What has made both of you so successful?

Jake:

What I learned from Larry many times and in the early 1970's...a little true story

Larry:

No other option; learn from errors keep looking and researching. I endure pain pretty well and learned money management

What have been the biggest consequences of the markets going digital? What kind of future do you foresee for individual traders?

Larry: better fills, more personal responsibility, lack of gaps, momentum patterns more effective, more liquidity

Jake: volatility, hacking issues, fat finger, trader addiction, instantism

What markets remain the most reliable when hitting a lot of the check points on your indicators? Which ones are in flux or notoriously fickle?

Larry:

fickle; seasonals, Elliott wave, fibonacci maybe because I don't understand them. Solid indicators; price action, trend, COT, valuation

Jake:

volume and liquidity, "pure market" concept, the dirty words: "looks like"

What's the best supplemental career for a life-time trader?
What sort of work keeps you engaged and learning, but also reasonably detached and realistic?

Larry:

Something that is not high in emotions yet full filling...that provides time to spend and focus on the markets

Jake:

Hobbies and what to do with your money – “is that all there is?” Poverty and education, writing

For Jake, with so many changes to the way the COT is now calculated,(and so many different COT players) will the COT still remain a powerful trading indicator when used correctly in the future?

Jake: Why did CFTC want to end the COT?

- New categories limited history
- COT as a setup and trigger

Larry: it will always “work” and the old calculations seem to still be the best...keep in mind this is not a precise timing tool. Also never forget the markets were set up for Commercials and they are not speculators they are hedgers and take delivery

For Larry, you have been a big proponent of the COT over most of your trading career. Is it still one of your favorite indicators today?

- **OH YES IT IS**

For Larry and Jake, with the electronic markets today and the open outcry markets almost gone, has this affected or will affect the way your best trading indicators perform in real time ?

Larry:

OOPS! Does not happen as often now or work as well.
Have to have a strategy for sleeping

Jake:

Depth of market; value of bids and offers and size helps me immensely with orders

What method is best to get into a trade after the set up and trigger have been experienced? Is it best to wait for a trade above/below a calculated level? Get in on the next open?

Larry:

I like some form of trend change or very bullish/bearish short term pattern

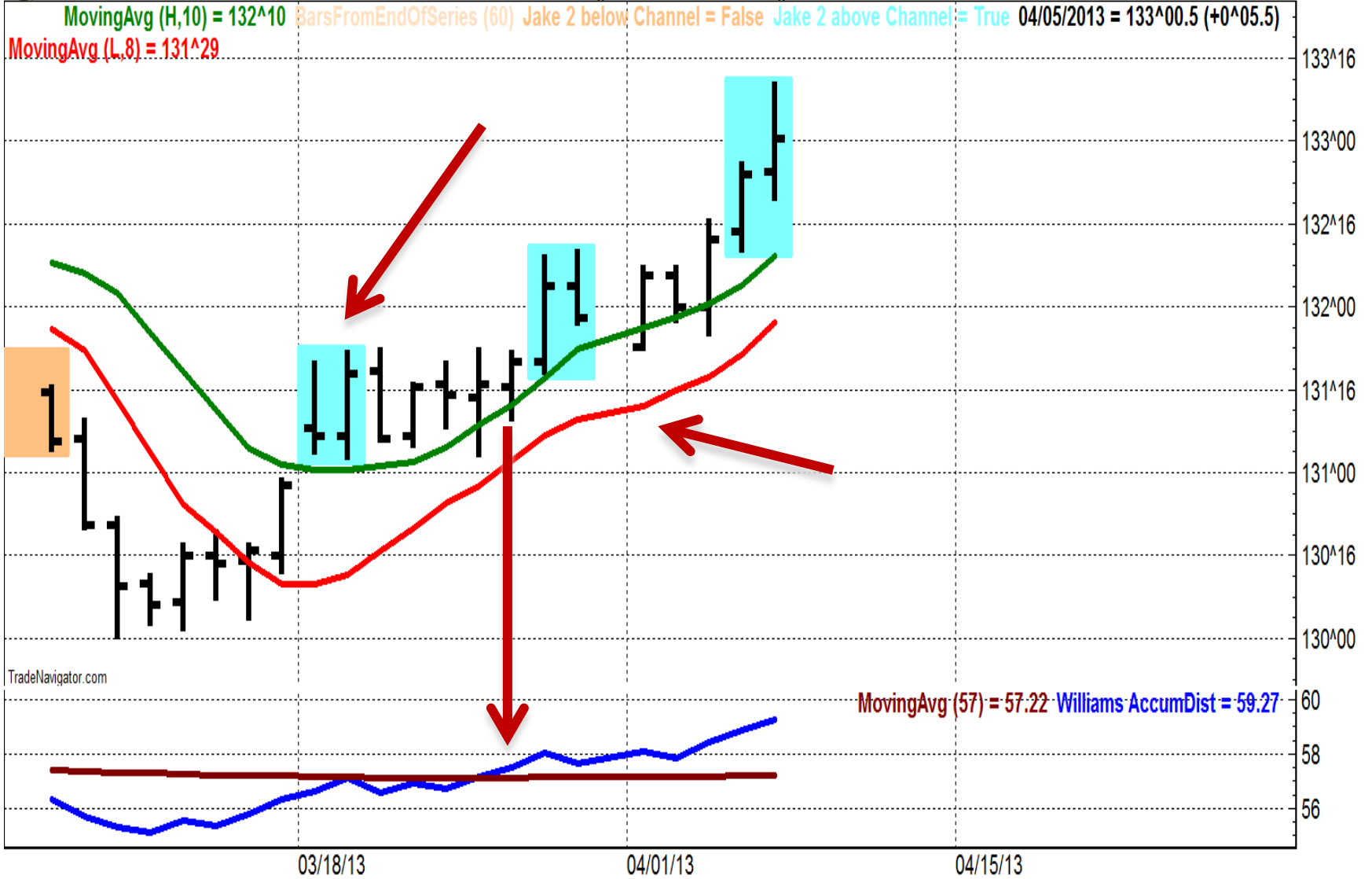
Jake:

2 choices: act immediately; wait for test – the good news and the bad news (chart example)



ZN-055: T-Notes 10Yr CBT Elec Cont 1st (Daily bars)

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What steps are used for employing the weekly chart as a set up. Wait for the daily to confirm? Then what?

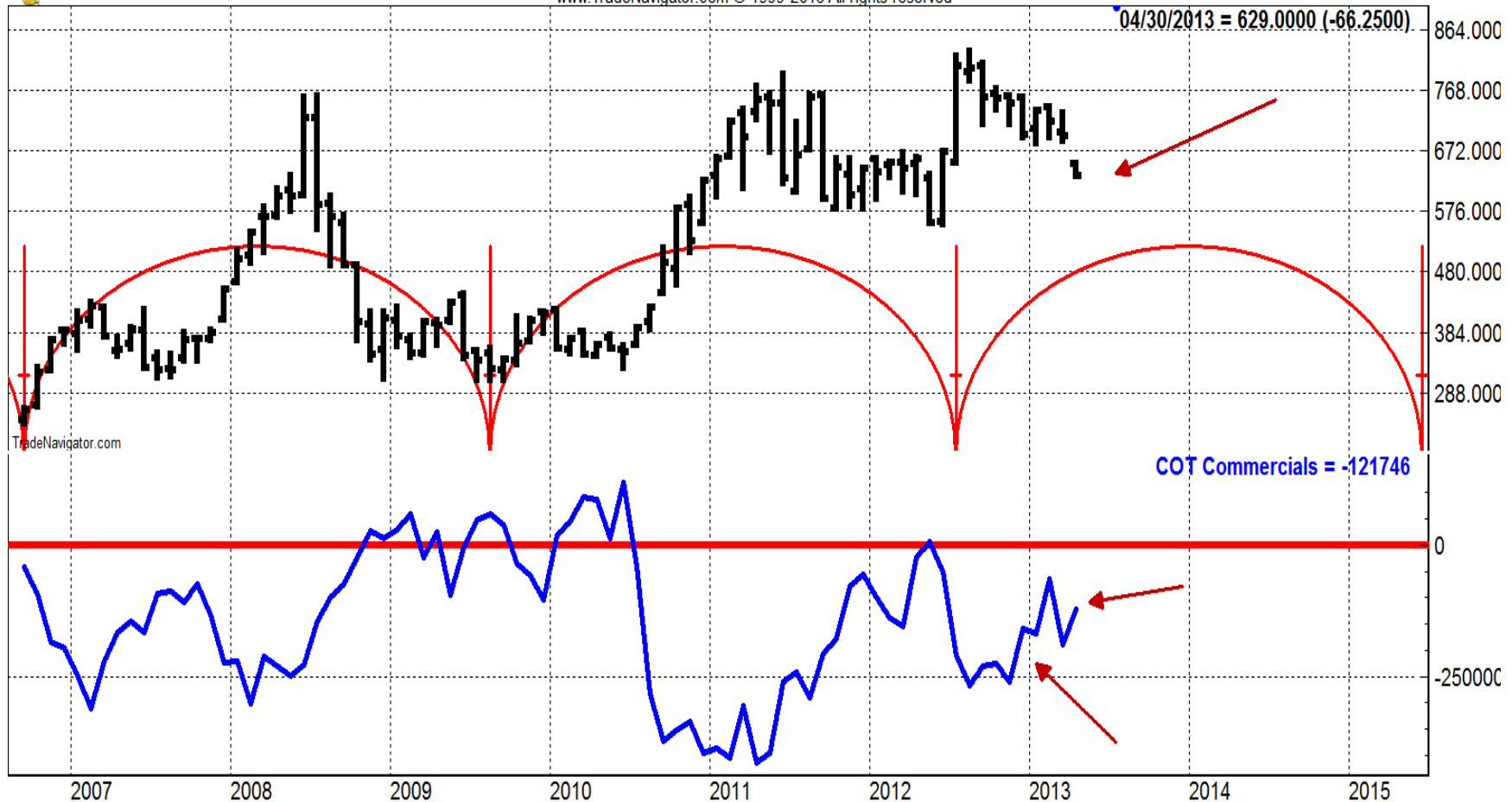
Jake:

Time frames and applications; mixing time frames does not work for me no matter what Dr X says. In some cases an exception is warranted; chart example next slide

Corn – most bearish stat since 1936! So ask why are prices so high?



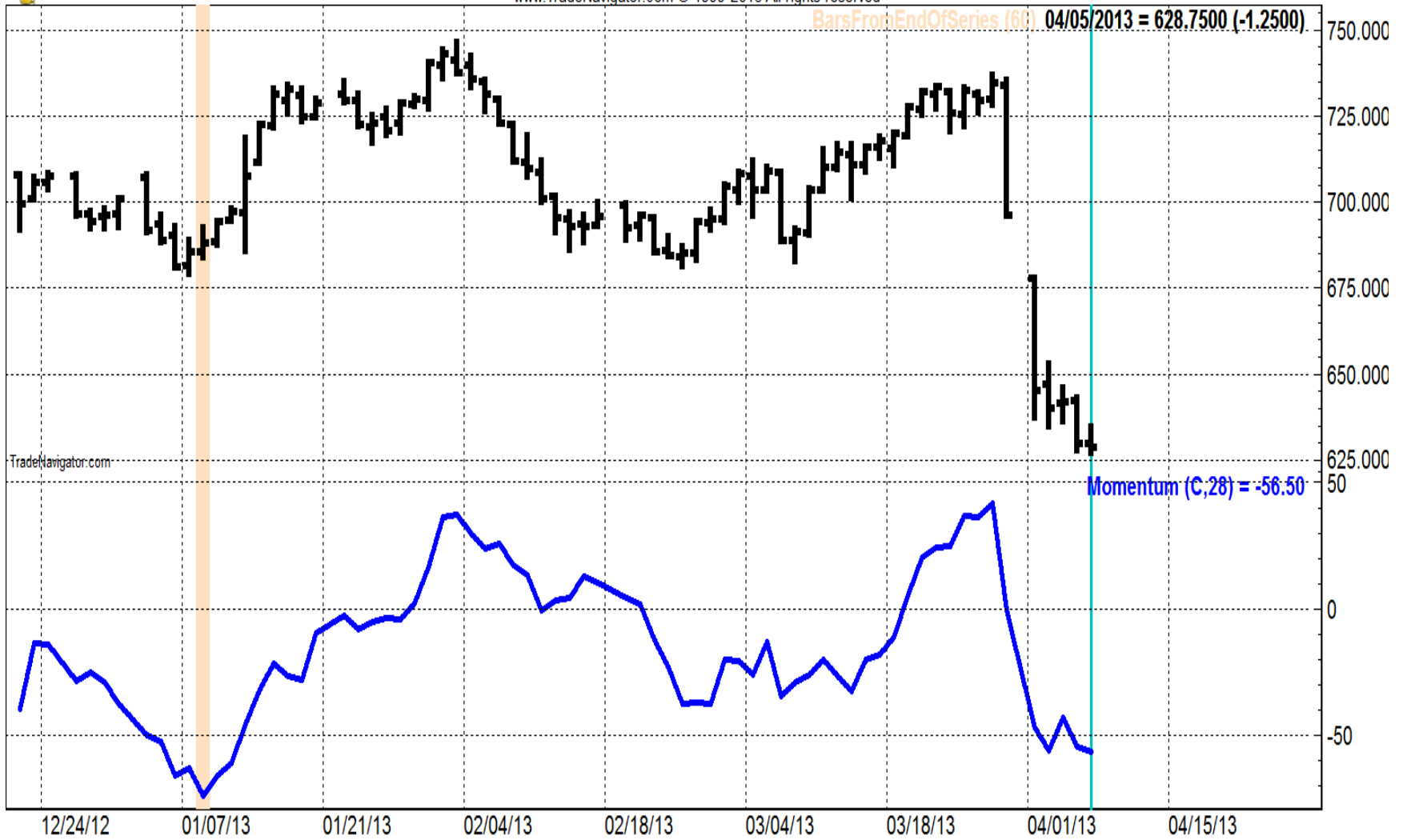
C-055: Corn CBT (Pit) Cont 1st (Monthly bars)
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ZC-201305: Corn CBT (Elec) May 2013 (Daily bars)

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What methods or techniques are working effectively now?

Jake: Divergence, swing trade, seasonals, Larry OOPS (chart)

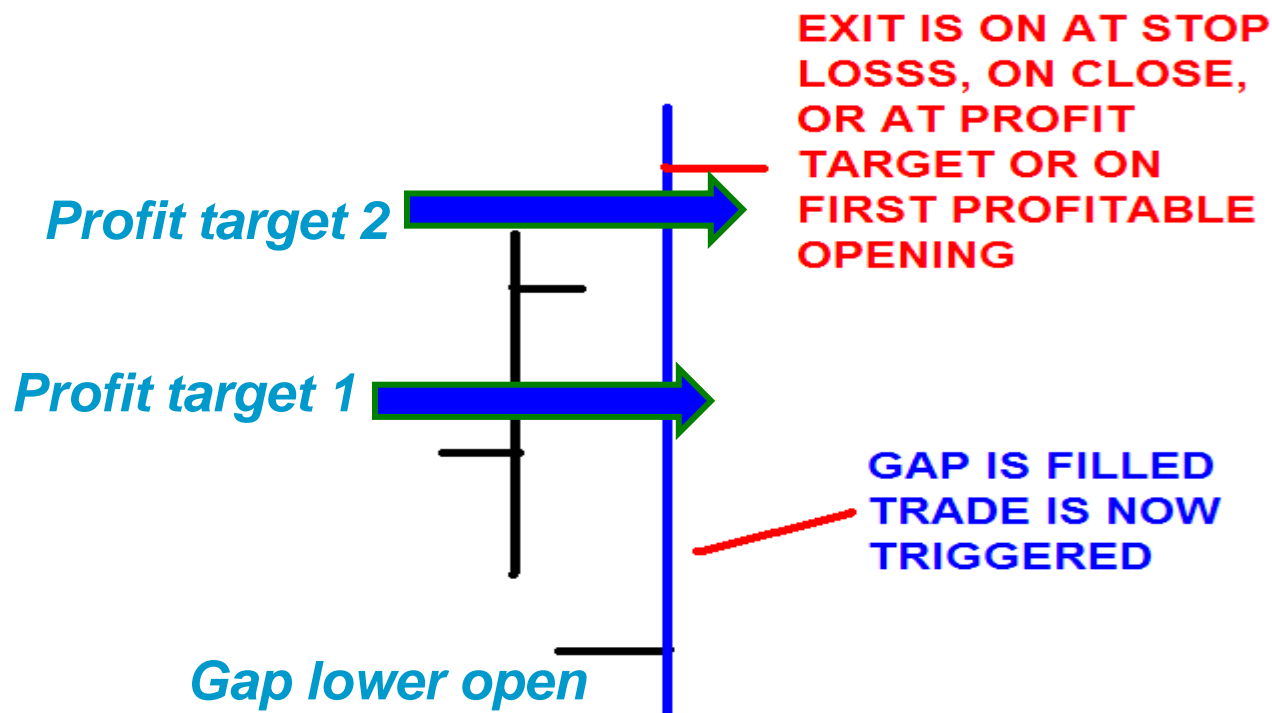
Larry; Momentum, trend breaks



XHB: SPDR S&P Homebuilders ETF (Daily bars)
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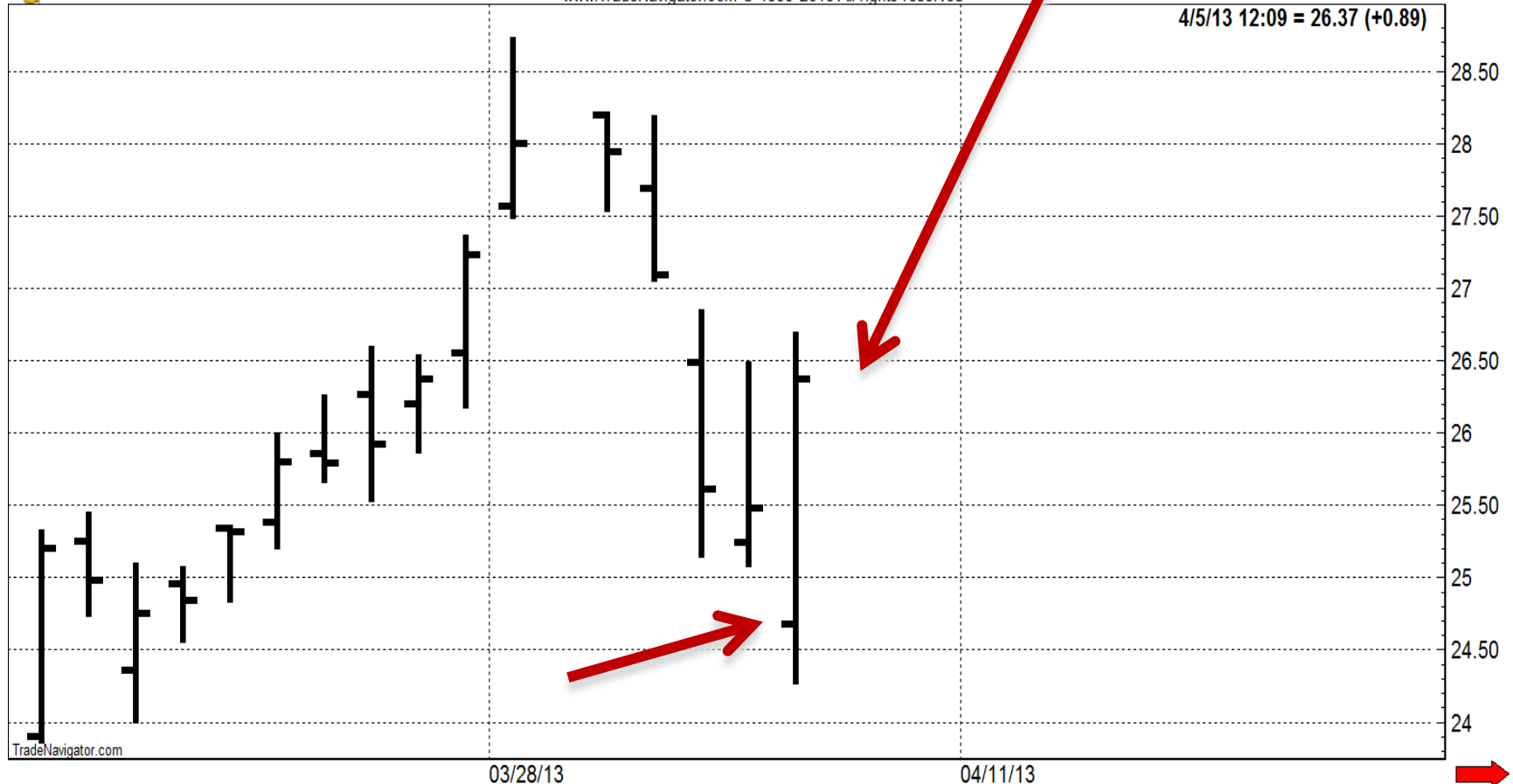
Gap buy trade triggered and closed out at end of day



Thank you again Larry!



LNG: Cheniere Energy, Inc. (Daily bars)
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03/28/13

04/11/13

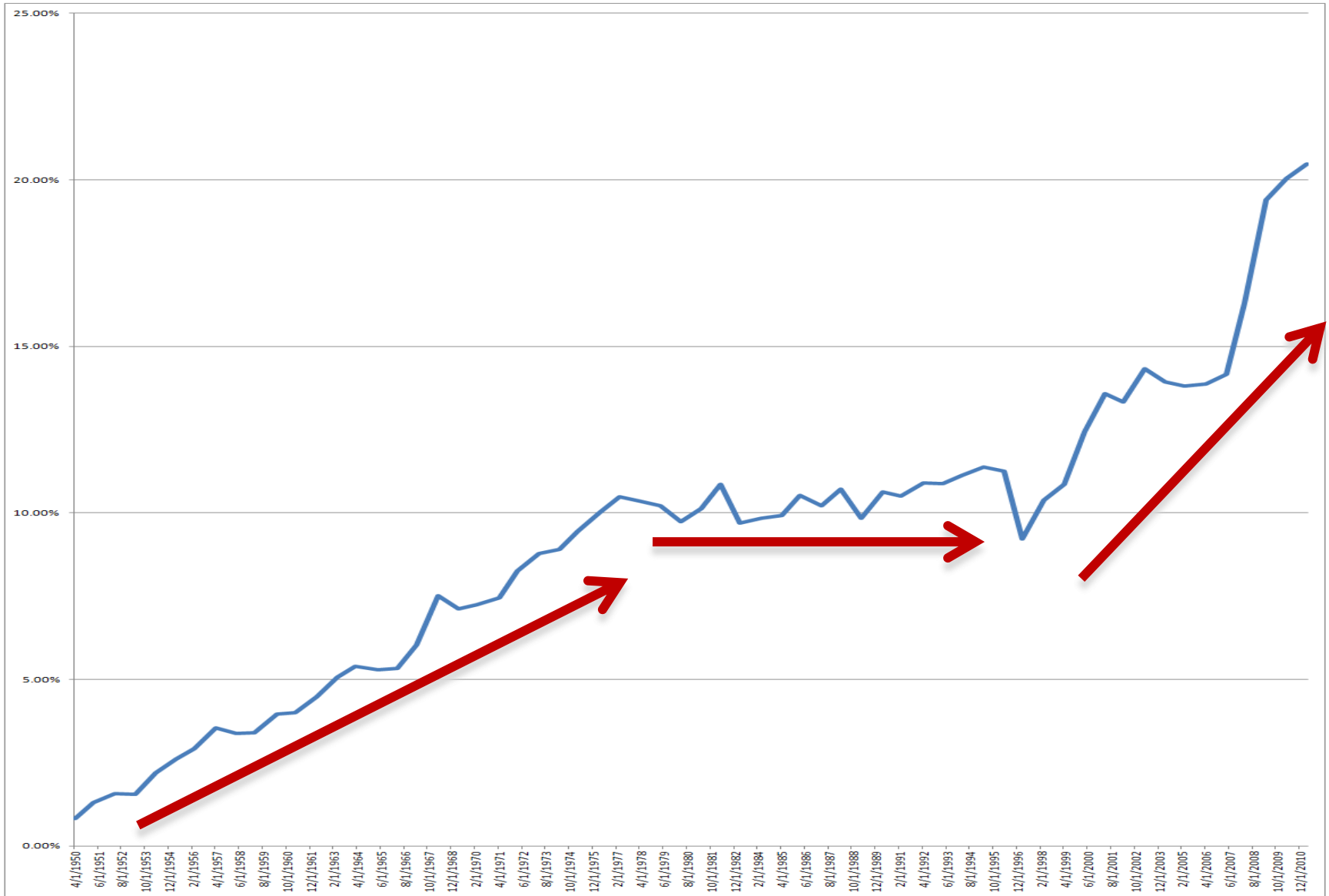


If you had to trade only one method or technique, what would it be? (Details please).

Jake: seasonals (2 examples)

LW :end of month trades

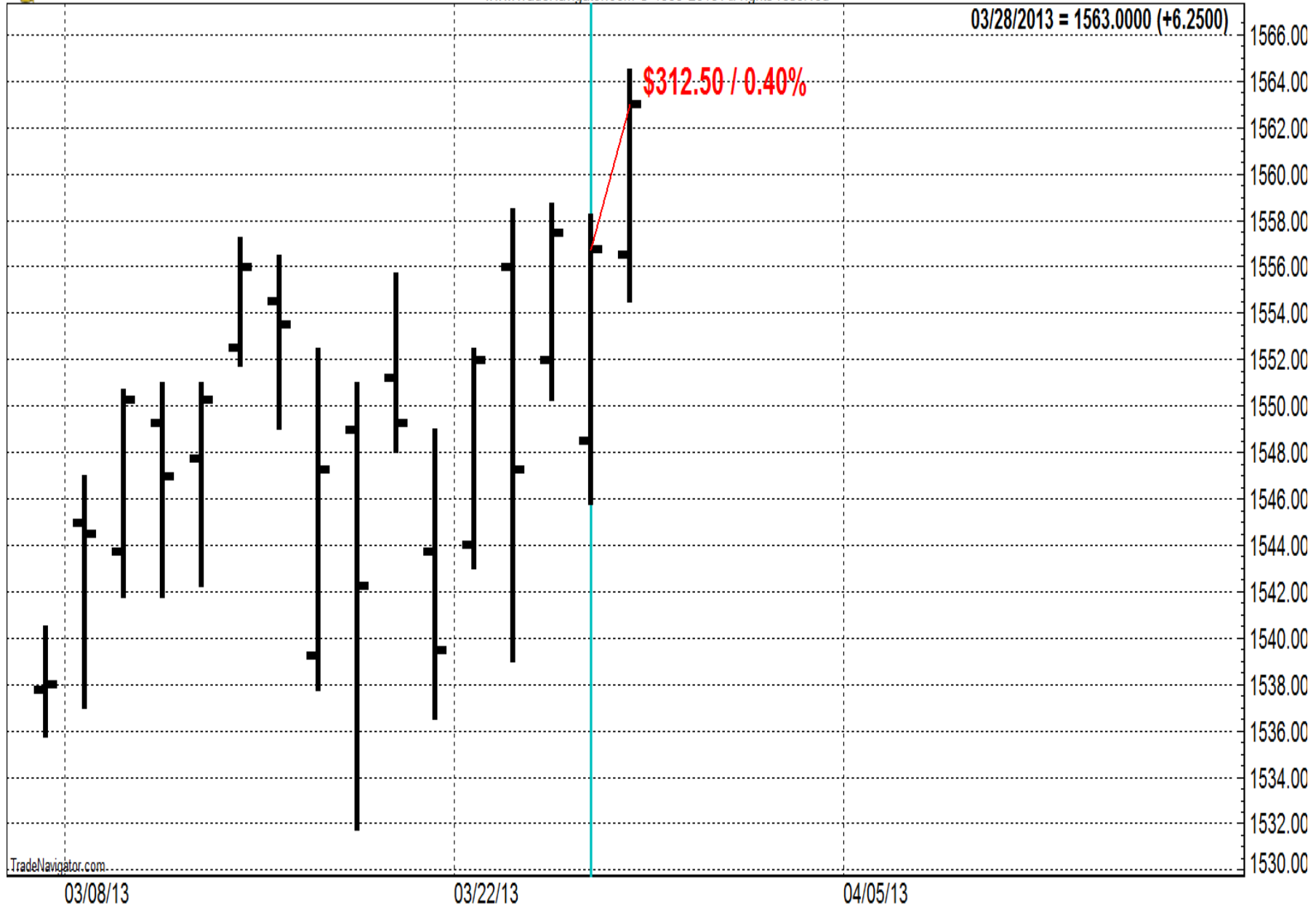
GFri Trades 62 Wins 45 Win: 73%



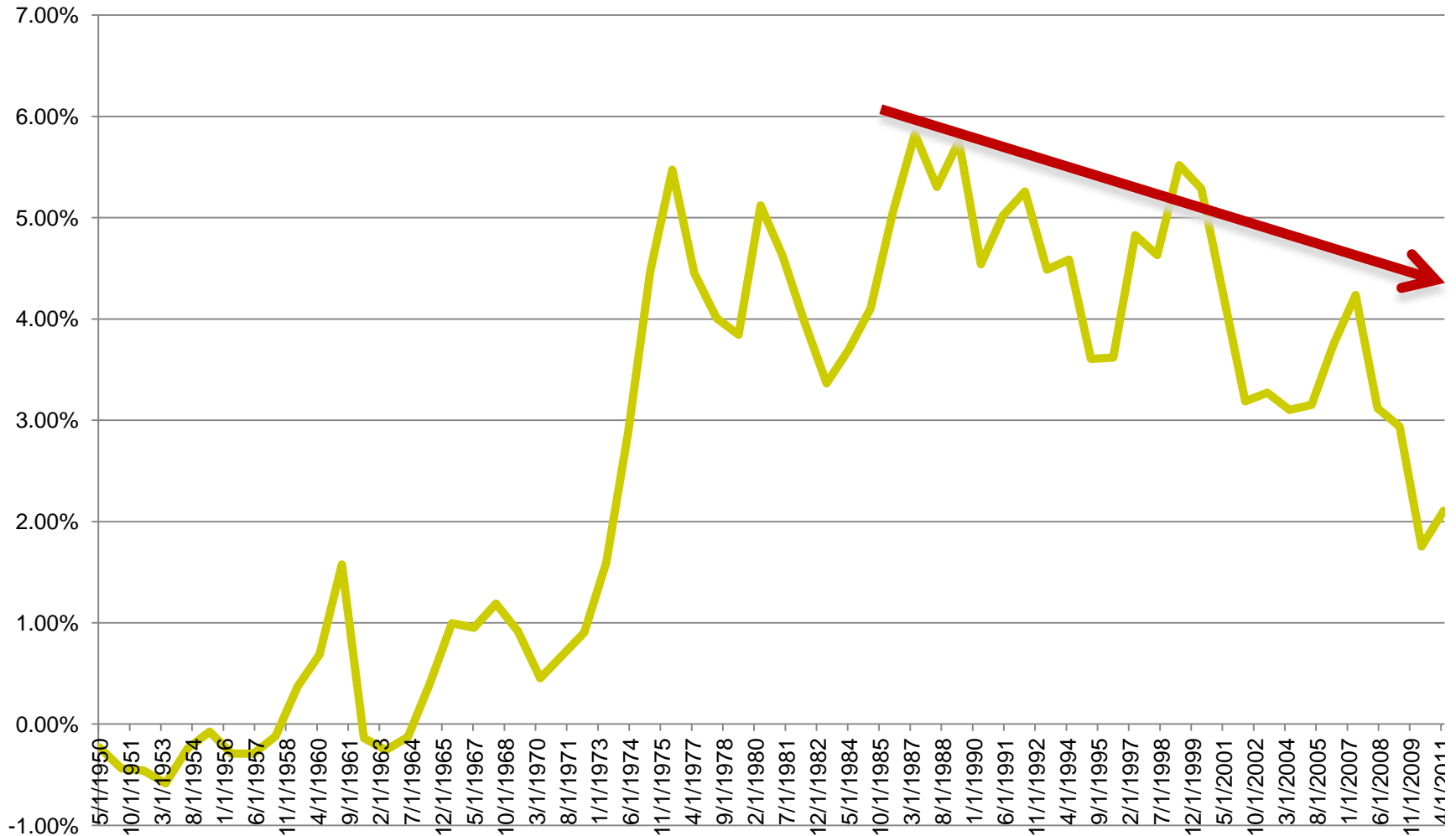


ES1-201306: E-Mini S&P 500 (Day) Jun 2013 (Daily bars)

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MemD Trades 62 Wins 33 Win % 53%



What method or technique do you think is the best for generating income?

Larry: High dividend stocks; writing calls

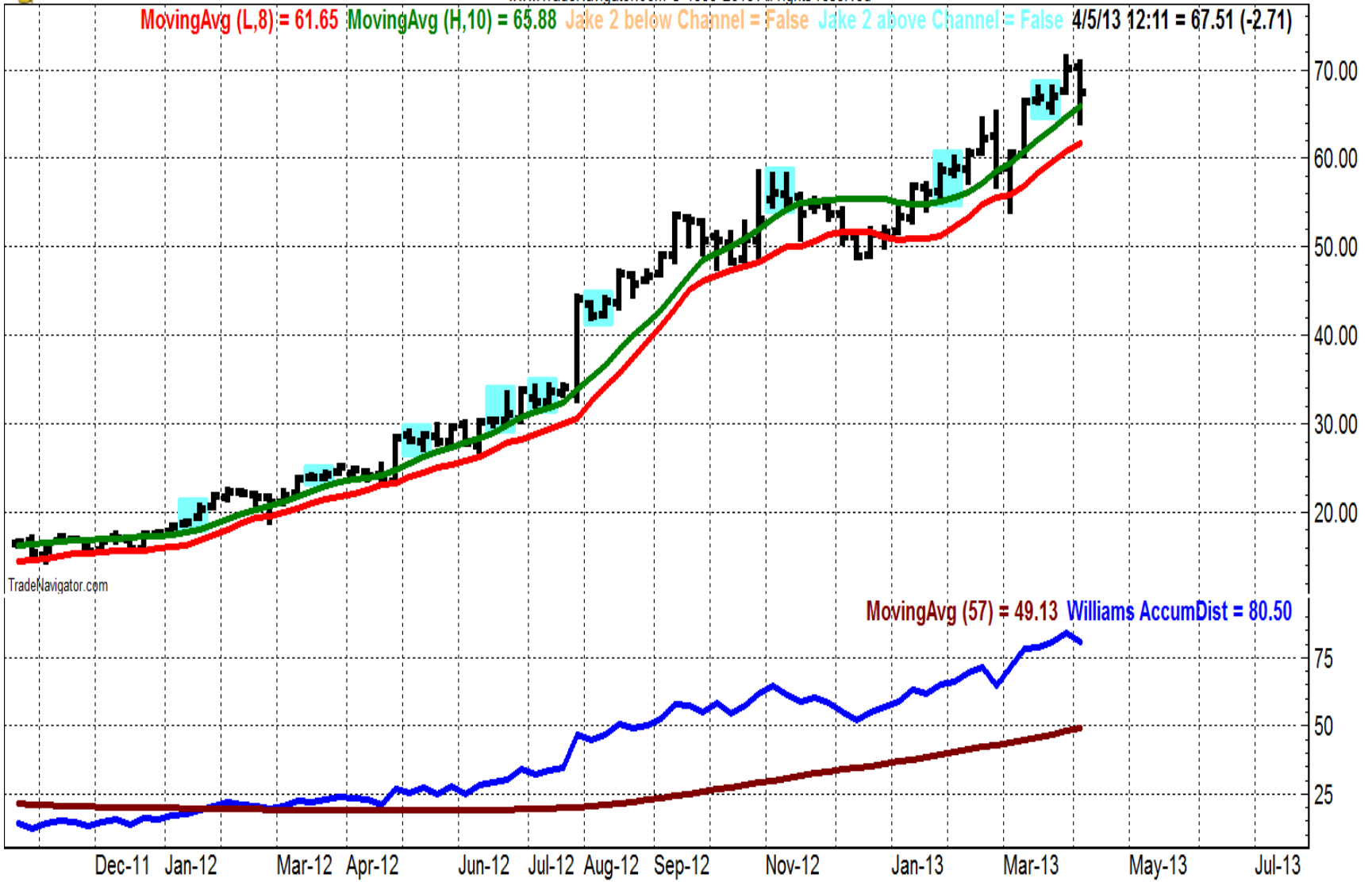
Jake: MAC weekly stocks (chart)



LL: Lumber Liquidators Holdings, I (Weekly bars)

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MovingAvg (L,8) = 61.65 MovingAvg (H,10) = 65.88 Jake 2 below Channel = False Jake 2 above Channel = False 4/5/13 12:11 = 67.51 (-2.71)



What rules for allocation do you follow?

Jake:

75% of equity as margin, 5% or less risk stocks, 10% or less Futures*, diversification, uncorrelated markets, trade in units of 3 (3, 6, 9 futures; 300 shares, 600 shares etc; why?

Larry:

2% risk of account at start of trade

How do I know when the trade has gone bad? I hold on too long. Parameters?

Larry:

It psychologically hurts—you feel foolish

Jake

You stop gets hit. Its really not complicated but we can complicate anything if we want to – the Internet will help us. HOPE sets in. If you begin to hope then you know its no good!

Self esteem seems to be affected by the success here. How can I better separate myself from it.

Larry: You are not your trades—good or bad

Jake: thoughts about discipline and confidence; focus on process and not money – the money will come if the process is right

Any sign of bottom in sugar, coffee, cocoa? see next slides

Larry: Charts

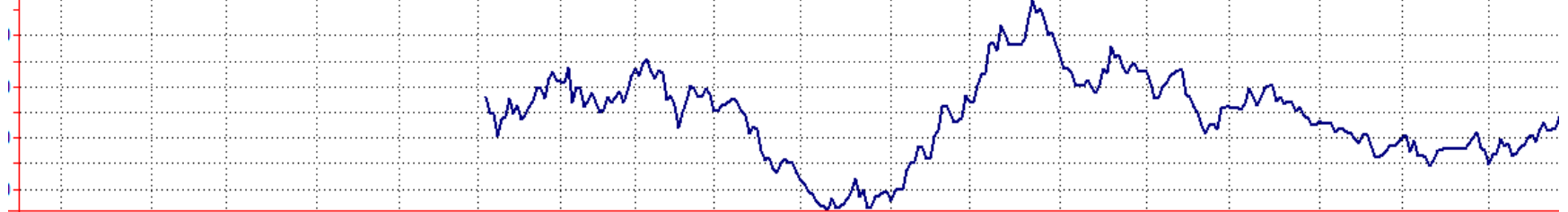
Jake: Coffee COTC and seasonals cash charts (slides)

SUGAR

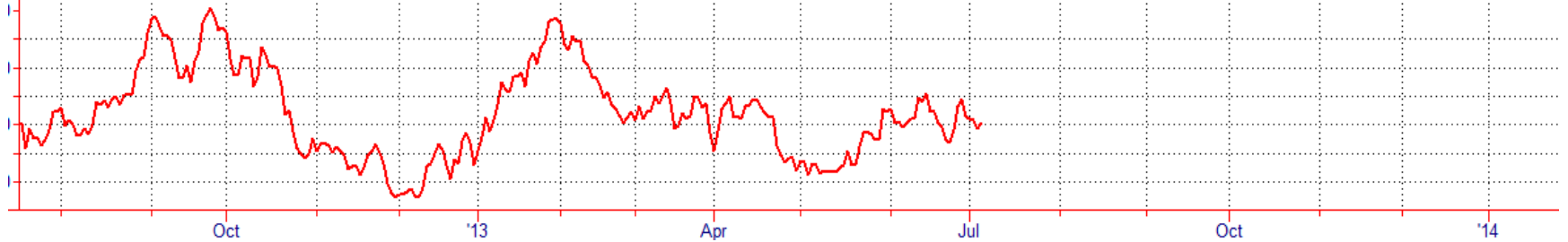
@SB(D) - Daily 04/03/13 ICEUS L=17.56 -0.03 -0.17% B=17.56 A=17.57 O=17.59 Hi=17.71 Lo=17.55 V=8,535



Williams True Seasonal (1,TRUE) -1.35

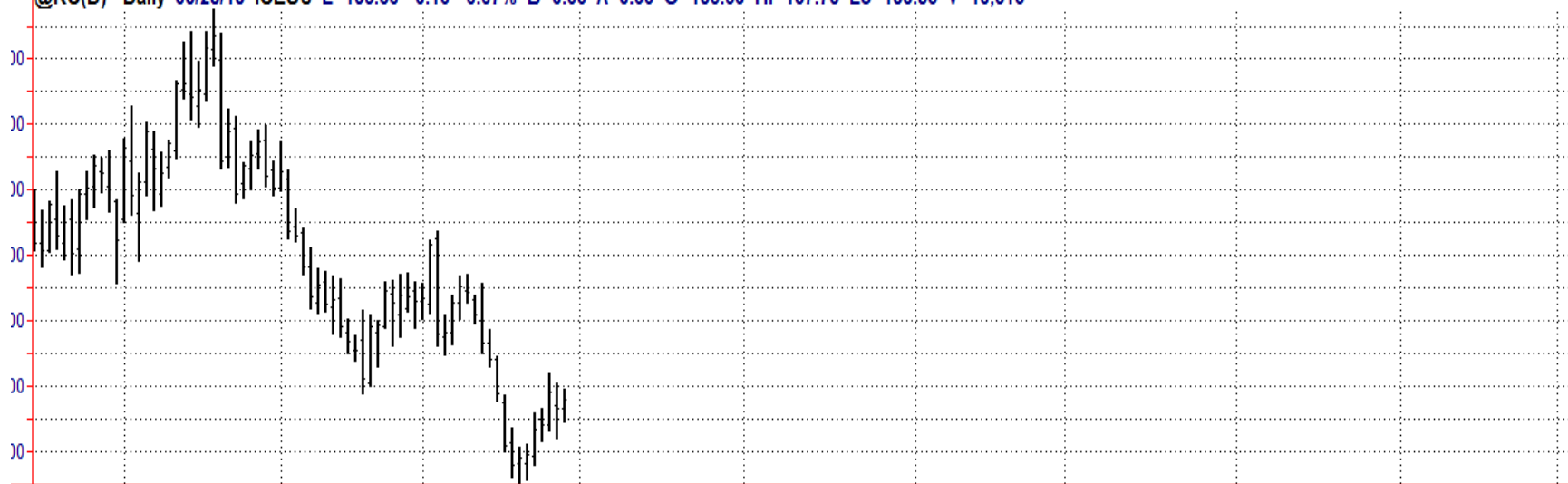


LWTIME Williams Cycle Forecast () -4.57

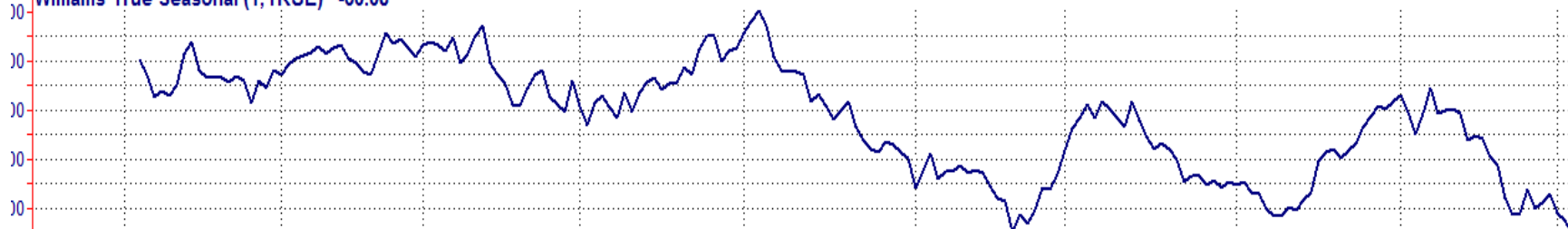


COFFEE

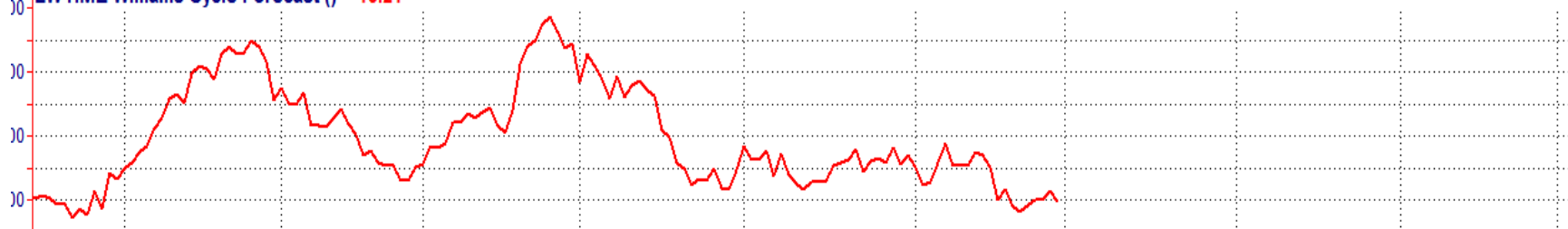
@KC(D) - Daily 03/28/13 ICEUS L=136.50 -0.10 -0.07% B=0.00 A=0.00 O=136.60 Hi=137.75 Lo=135.85 V=10,315



Williams True Seasonal (1, TRUE) -50.08

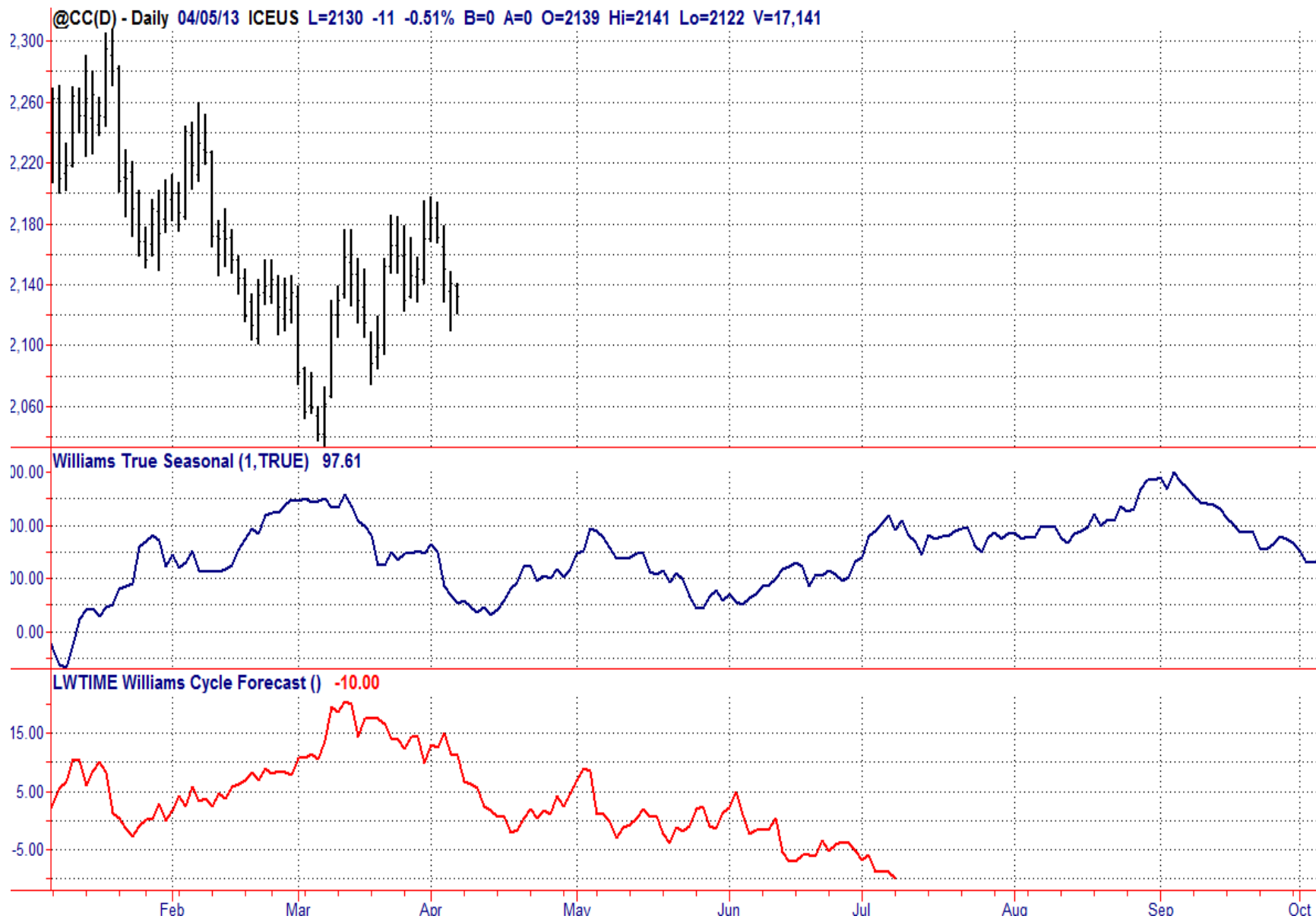


LWTIME Williams Cycle Forecast () -15.21



'13 Feb Mar Apr May Jun Jul Aug Sep Oct

COCOA



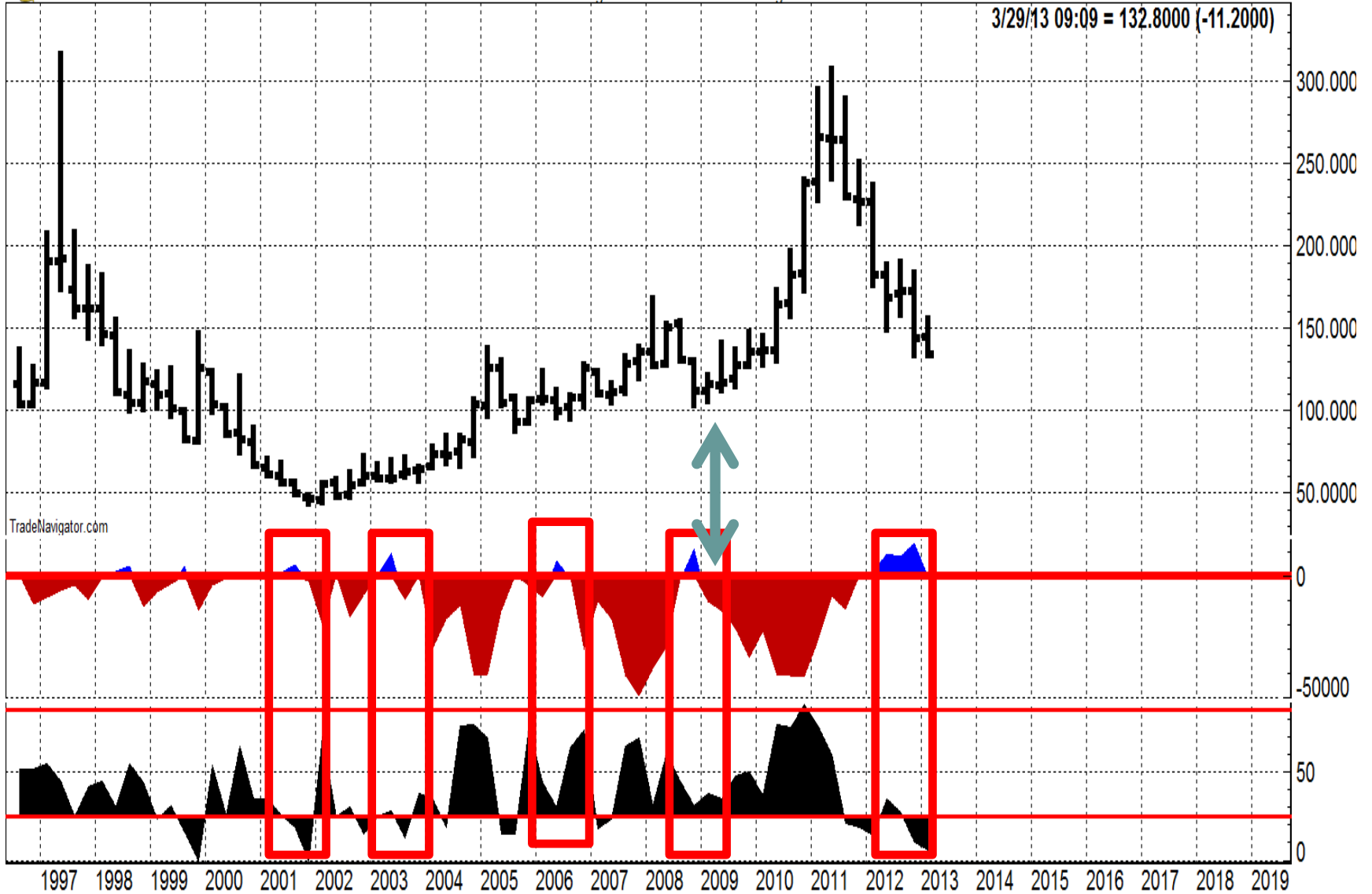
COT



KC-055: Coffee (Elec) Cont 1st (Quarterly bars)

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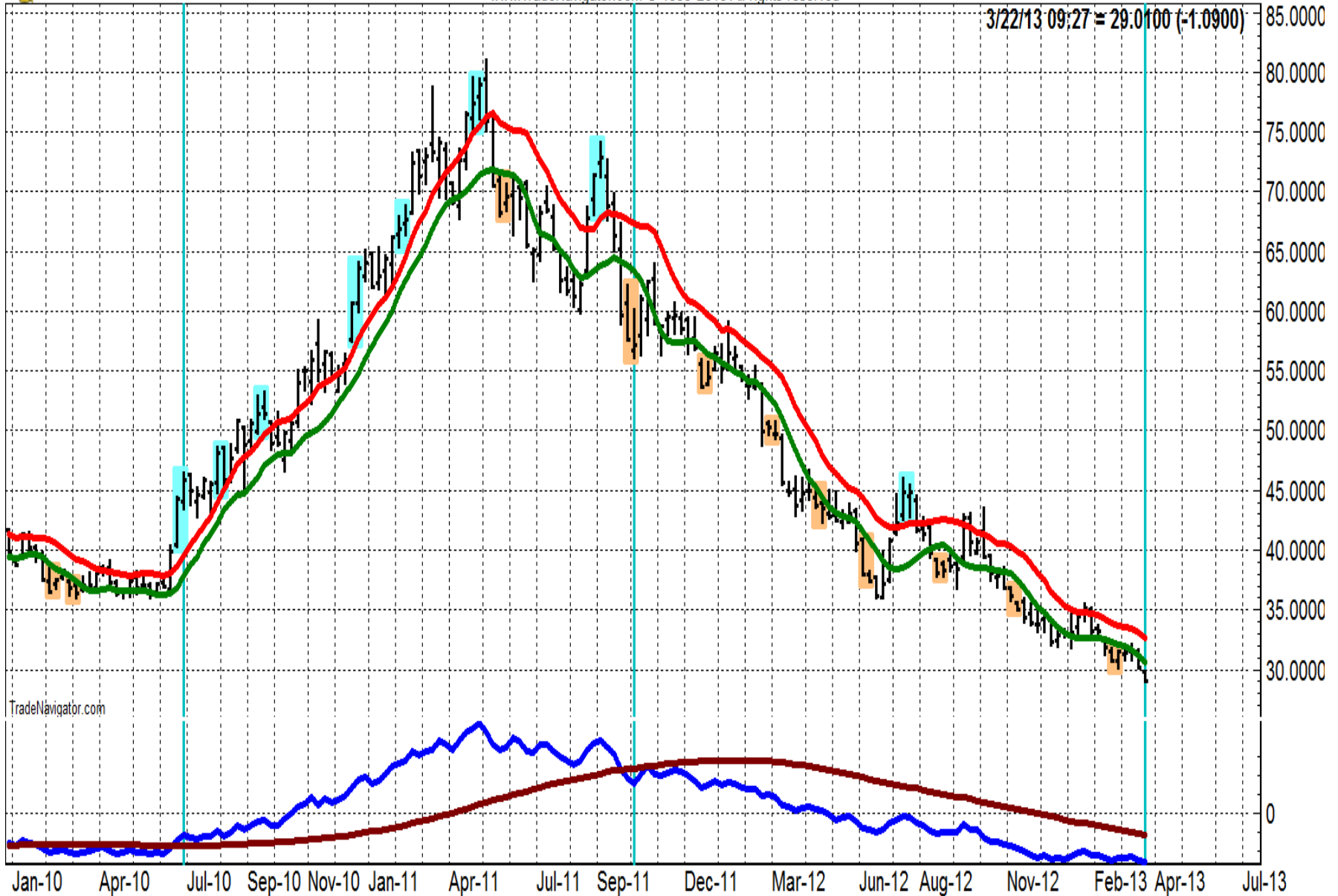
3/29/13 09:09 = 132.8000 (-11.2000)





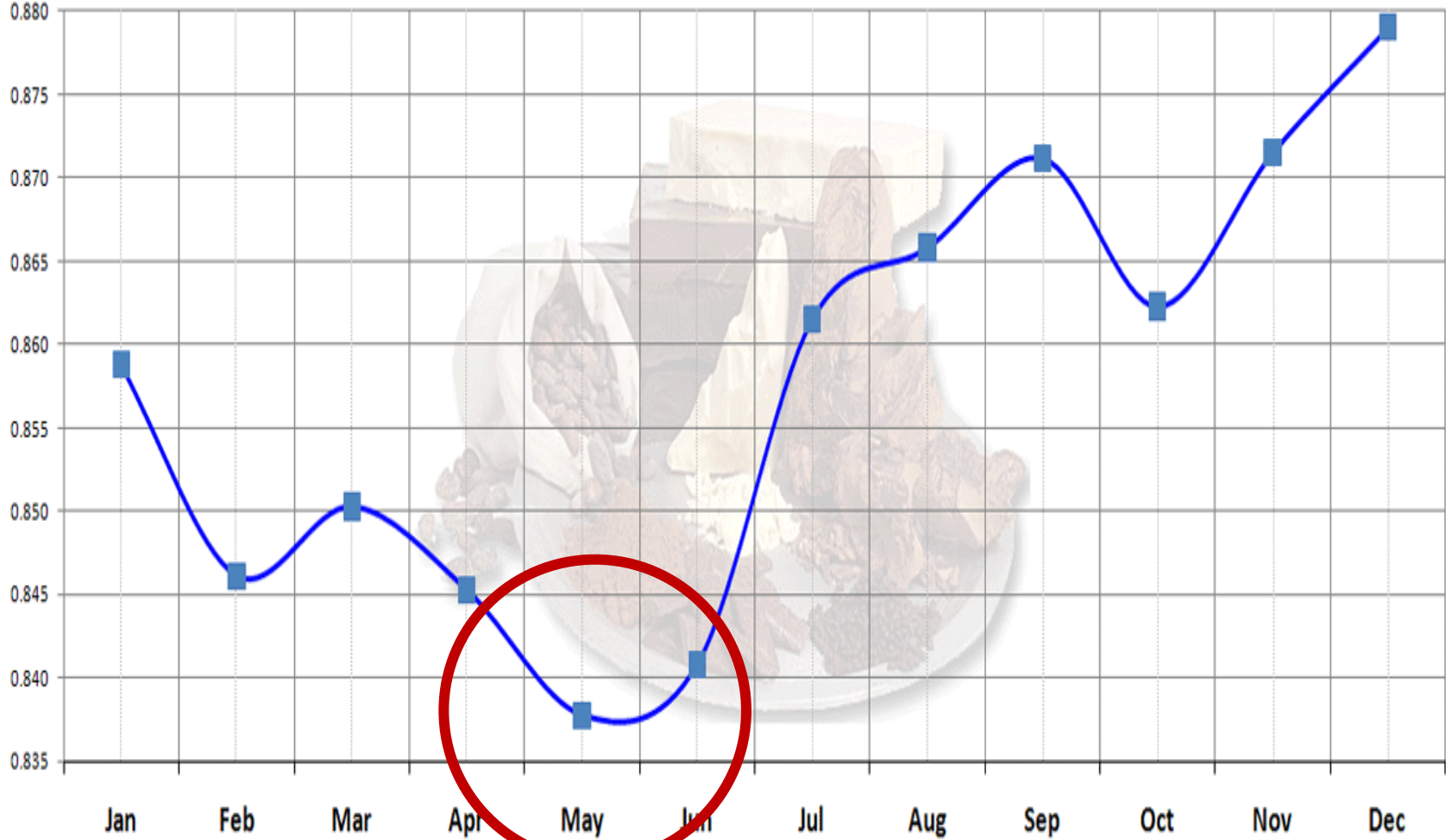
JO: iPath DJ-UBS Coffee ETN (Weekly bars)

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Normalized Average Price: COCOA (1929-2008)

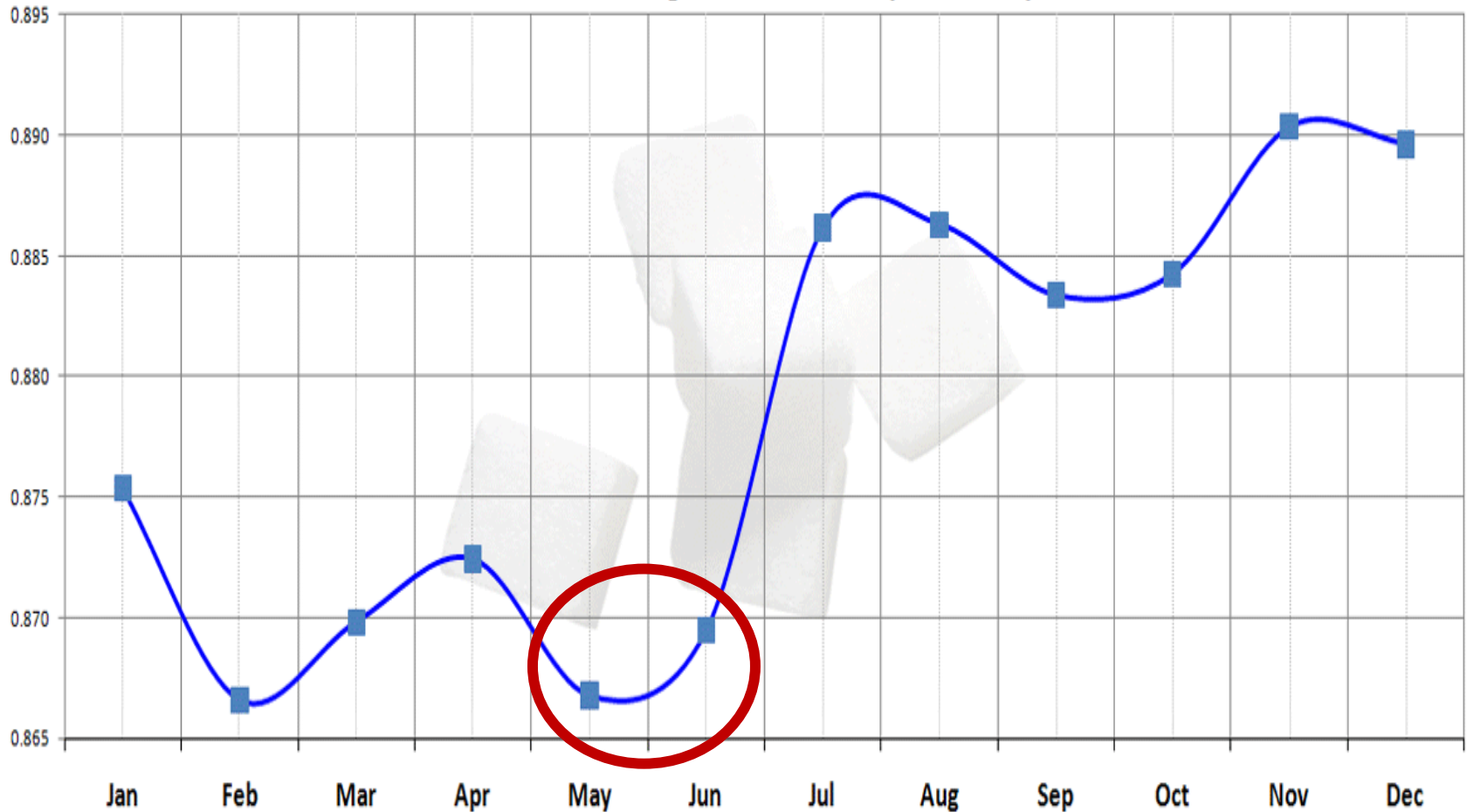


Jake Bernstein's Monthly Seasonal Charts™

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www.Trade-Futures.com

Normalized Average Price: SUGAR (1929-2008)



Jake Bernstein's Monthly Seasonal Charts™

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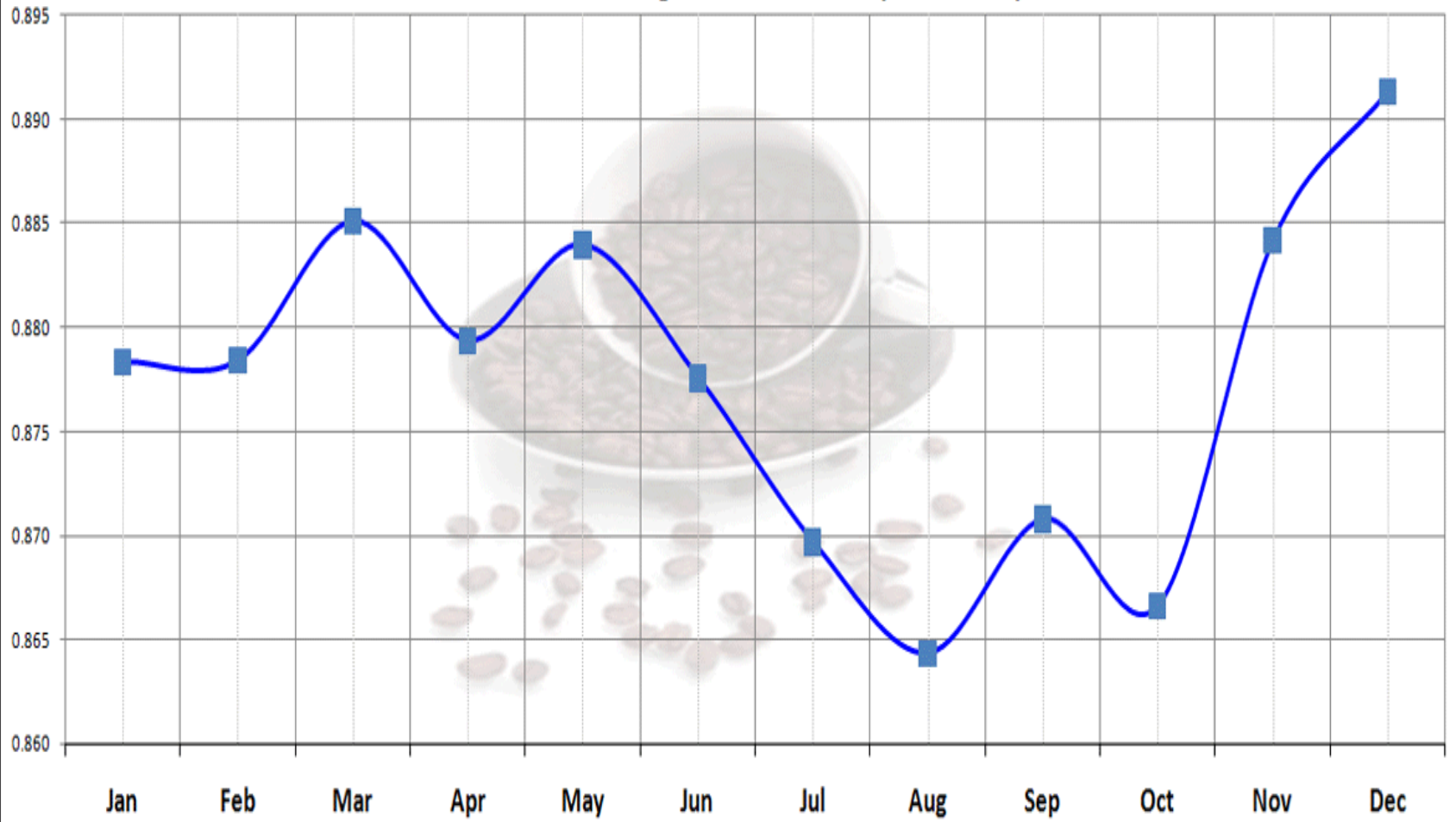
www.Trade-Futures.com

Seasonal Cash Array Analysis - SUGAR

79 Yrs

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Jan	-67%	-53%	-57%	52%	53%	59%	-56%	-59%	-58%	-58%	-54%
	Feb	-58%	-56%	52%	-51%	61%	61%	-59%	-62%	-58%	-58%
		Mar	-56%	-54%	-51%	61%	62%	62%	-56%	-53%	-54%
			Apr	-62%	-52%	54%	57%	62%	65%	-52%	-51%
				May	-57%	-51%	56%	57%	59%	59%	53%
					Jun	51%	56%	58%	56%	54%	52%
						Jul	-58%	-62%	-51%	-56%	-57%
							Aug	-62%	-53%	-59%	-51%
								Sep	-51%	-62%	-58%
									Oct	-59%	-57%
										Nov	-58%
											Dec

Normalized Average Price: COFFEE (1940-2008)



Jake Bernstein's Monthly Seasonal Charts™

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Seasonal Cash Array Analysis - COFFEE

68 Yrs

Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Jan	-57%	-53%	-59%	51%	-53%	-54%	51%	-55%	57%	54%	54%
	Feb	-57%	-59%	-56%	-56%	-66%	-62%	-50%	63%	60%	56%
		Mar	-65%	-66%	-59%	-69%	-69%	-68%	59%	56%	56%
			Apr	-54%	-50%	-62%	-63%	-65%	-59%	-50%	53%
				May	-56%	-66%	-62%	-63%	-50%	-56%	56%
					Jun	-55%	-62%	-60%	-59%	-50%	-50%
						Jul	-59%	-56%	-56%	-51%	-51%
							Aug	-54%	-53%	-50%	-54%
								Sep	-65%	-59%	-57%
									Oct	-51%	-53%
										Nov	-62%
											Dec

Which methods worked best 5/10/20? years ago that are less profitable today and why?

Jake:

Myths and methods; golden cross, death cross, 4,9,18 MA, truth vs fantasy, point and figure charts, etc



What trends have you identified lately in trading (if any ex: volatility and/or volume ...) and how do you think that we as trader need to adapt in order to make money?

Jake:

Sentiment (DSI hedge funds) and divergence patterns, open vs close relationships (OC charts)



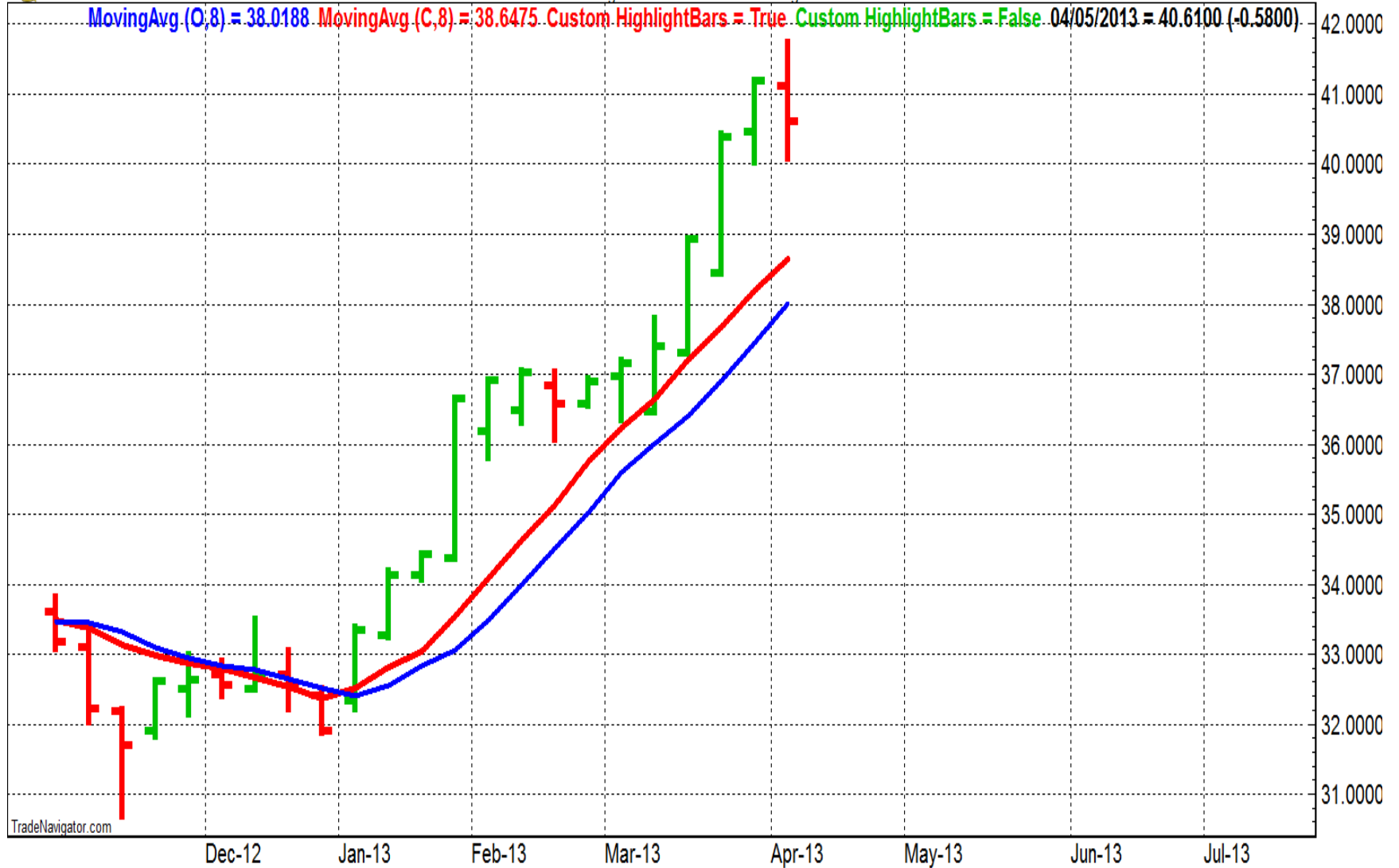
BMJ: Bristol-Myers Squibb Company (Daily bars)

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BMJ: Bristol-Myers Squibb Company (Weekly bars)

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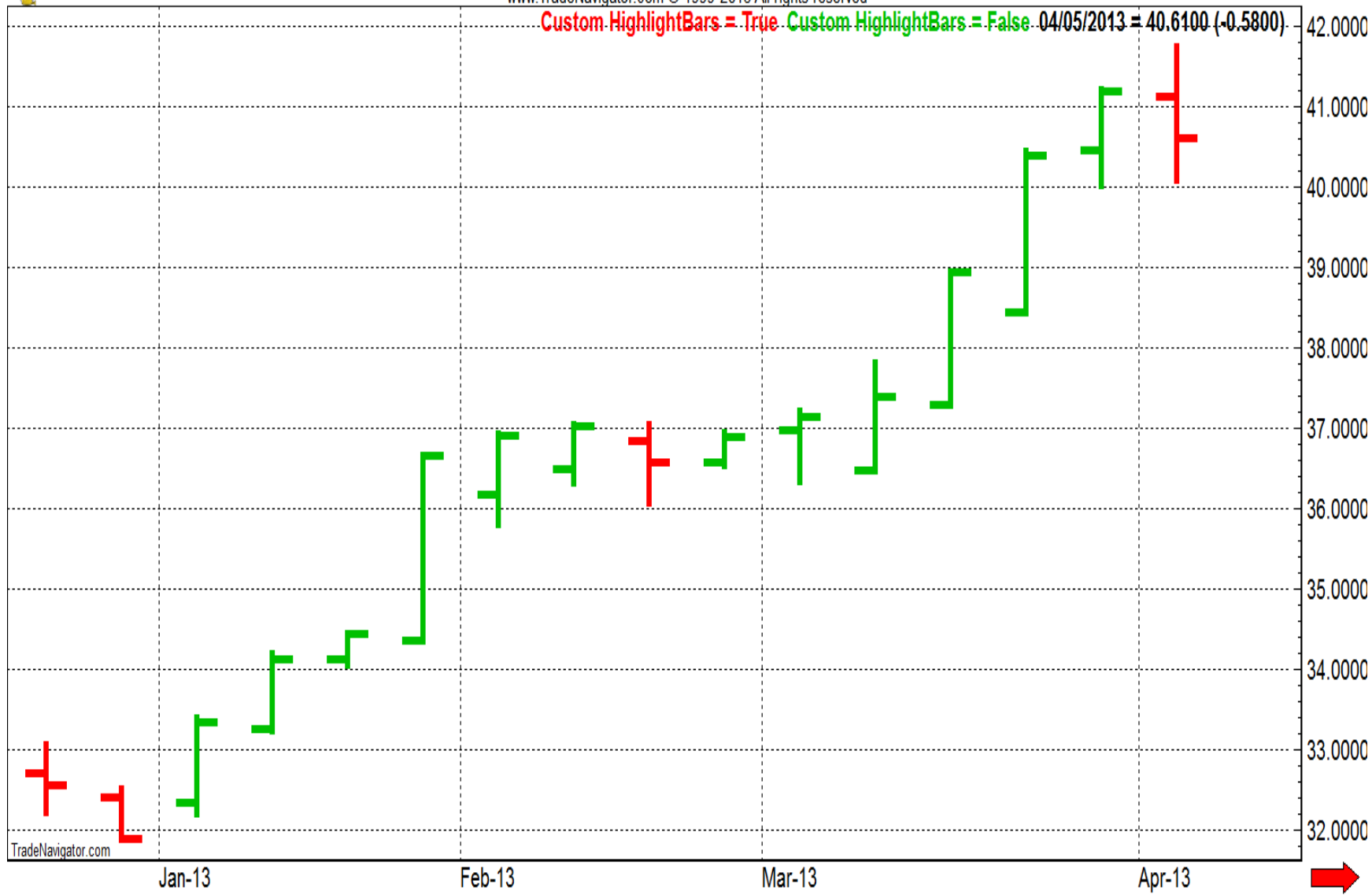




BMY: Bristol-Myers Squibb Company (Weekly bars)

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Custom.HighlightBars = True Custom.HighlightBars = False 04/05/2013 = 40.6100 (-0.5800)



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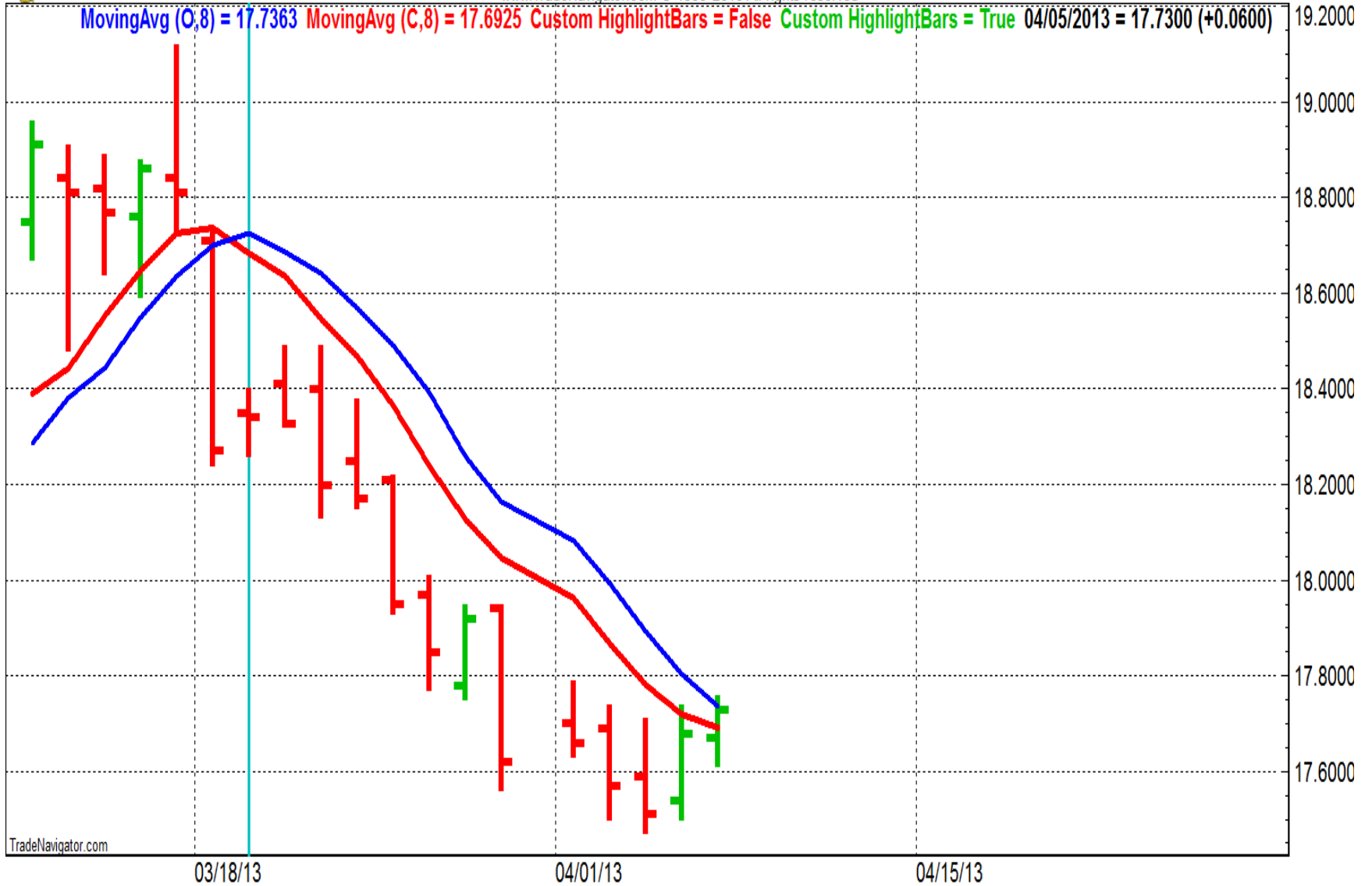




SB2-201305: Sugar #11 (Comb) May 2013 (Daily bars)

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MovingAvg (O,8) = 17.7363 MovingAvg (C,8) = 17.6925 Custom HighlightBars = False Custom HighlightBars = True 04/05/2013 = 17.7300 (+0.0600)



Open Q&A

Jake upcoming event next week

- Place your orders and walk away!



JAKE BERNSTEIN
10, 11, 12 APRIL 2013
P.O.W.A./2
TRADING WEBINAR
Place your Orders
and Walk Away
3 consecutive mornings
for 60 minutes

5:30 AM - 6:30 AM USA Pacific
Click here to register
These sessions will be recorded.

http://trade-futures.com/POWA/powa_2_edit.html

- Mentoring appointment interview
- <http://www.comtrade1.com/letter/>
- Session was recorded

- Thank you for attending
- Session was recorded and will be sent to you within 24 hrs
- Larry can be reached at **800-209-1664**
- Jake can be reached at 800-678-5253 or 831-430-0600
- Email if you have questions
- Larry: larry@ireallytrade.com
- Jake: jake@trade-futures.com
- Best of trading

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