

Greetings from the Pirate!

Hi everybody, I hope this edition of Traders Edge Insider finds each of you safe as we enter the final stretch of the trading year. As traders we normally look to December for the possibility of a directional Santa rally or at least some decent range on which to take advantage. It's always nice to close out the year on a positive note with solid gains booked for the month and year!

Whether we get a decisive directional move (up or down) or remain range-bound remains to be seen, but you can bet that December will no doubt be both interesting and challenging given that the clock steadily ticks down as we inch closer still to the Fiscal Cliff.

We've witnessed already the day-to-day gamesmanship of the political parties and the ensuing whipsaw market reactions to such headlines. You can bet there's more of

that to come before the calendar turns. We've certainly talked about this issue at length for some time now and are prepared to leverage trade strategies suited for whatever scenario unfolds—agreement and aversion, a nasty trip over the “Cliff,” or something in-between...

For now, I encourage you to read and reflect on this month's edition of TEI—you'll find it's packed with plenty of good info that will benefit and enlighten. Most importantly, I'd like to thank each of you for being an invaluable part of our family. I wish you and your families a safe and joyous Holiday Season, a very Merry Christmas and a prosperous New Year that's everything you envision it to be!

— Preston James

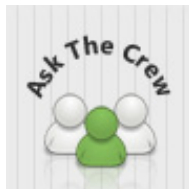


Preston James
—Author,
“The 1% Solution”

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Ask The Crew

Crew members tackle questions submitted by readers each month...



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Monster's Perspective

As we enter December, 2012, the S&P 500 is higher by about one-tenth of a percent. It has been climbing for the last two weeks...



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Zaner's Perspective

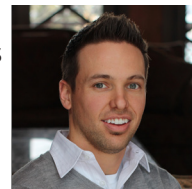
On behalf of the Zaner Group, I am delighted to talk with you about Futures and Forex!



[Read more » pages 11-12](#)

Coaches Corner

Hello again fellow traders and welcome to the Coaches Corner! I'd like to chat briefly about an important element that will contribute to any trader's success...



[Read more » page 15](#)

Upcoming Events & Special Announcements

Upcoming Projects

With the Holidays upon us, we thought we'd let you in on a bit of a secret. We don't want to spoil the surprise just yet, so for now we decided to share the fact that Preston and the TE Crew have been working overtime behind the scenes on a number of new and exciting projects created specifically to further enhance our array of offerings that help today's trader navigate the prevailing

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Traders Talk:

TEI's Louis Horkan Interviews Karson Keith



In this month's Traders Talk we're chatting with Karson Keith, a principal at TE and someone many of you have trained with. Surely all of you have listened to Preston rave about KK and refer to him as his right-hand man on a frequent basis.

No doubt you've heard the story—he is a trading phenom...a bit of a wunderkind that started extremely young and found success before he was old enough to drive. You'd expect that such success would breed arrogance hard to tolerate or learn from; yet talking with Karson for just a short period leaves you with an altogether different impression. He is refreshing in his passion for the market and in his desire and enthusiasm to help others—especially when it comes to small traders because that's where he came from.

Karson is candid enough to admit that his success was due to luck starting out, but smart enough to have learned his lessons and leveraged his trading approach into serious returns that few can boast—all during the post-Y2K period that has seen the broad indices go nowhere.

In this first of a two-part interview, Karson shares some about his trading background, as well as insight regarding his straightforward philosophy on how to make money in the market.

TEI: When did you begin to realize you could do this successfully and would want to make this your life's work?

KK: I actually started trading with my father when I was 12 going on 13 years old. He was a day trader. We traded the E-minis, which were brand new at the time. We traded together and had to call up on the phone. There was none of this online stuff—forget that. You would call up on the phone and tell your broker what you wanted to do.

Long story short, I got pretty good at it. My dad opened up an entity that I could trade under and I made a ton of money. At the time I was just 16 years old and grew an account to like \$85,000 in a couple

of weeks. I bought a nice BMW M3. Keep in mind this is a 16 year old kid, so you can imagine how arrogant I was. That was my first taste. That was the turning point for me. I realized that, Holy Cow, you can really make a lot of money doing this... Basically I just got lucky though. With that kind of arrogance you can get into trouble... I lost it all and learned my lessons very young. I'm glad I learned those lessons. I knew then it was for me. I guess you can say that from the time I was 13 years old I just knew that this is what I wanted to do.

TEI: What was the hardest or most important lesson for you to learn back then?

KK: The lesson I learned back then was the market is always right—not you.

TEI: Yeah, that never changes.

KK: Well, what happened was the NASDAQ bubble burst. That's really when I got stung... Instead of me stepping back saying we're going to collapse here, I still traded like I would normally trade. It was obviously silly, but it's a lesson learned. Make no mistake, I was not a highly-specialized, highly-skilled trader back then. It's what I call pure luck, but I made a lot of money doing it.

TEI: I've known many traders over the years and everybody had at least a pretty good scare. Most have blown up one, two, three or more accounts on their way to getting successful.

KK: That's the only account I ever blew up and it will be the last. Certainly now there is no way that would happen...lesson learned!

TEI: When it comes to trading, ultimately you've got to gain experience running real trades—getting trades under your belt and learning lessons. Would you agree?

KK: There's two ways to learn. You learn from looking at this guy—he knows what he's doing...whether it's a book or training or whatever it might be, and you truly

understand what he's talking about. Or you learn the hard way. So everyone learns their own way, but there's the easy way to do it. I've tried to save people from making the same mistakes.

TEI: Early on did you utilize multiple strategies and trading instruments or did you primarily stick to one approach?

KK: Early on it was mostly day trading. The E-minis long and short...pretty straight forward. My trading really evolved as I got older—I mean like 17. I learned about options and realized, wow, there's a much smarter way to trade. You could really take advantage of things like time decay and you could hedge different positions. So, that's when I really started getting into the more structured stuff.

TEI: You mentioned listening and learning from others. Is there someone that you fashioned your trading after or learned from?

KK: I have to give 100 percent credit to Preston James. He definitely was the eye-opener to the world of what you can do with options. Before that I think I'd fallen into the same boat as everyone else... just getting a good, general knowledge of what options are and all the glossary terms. But that doesn't make you any money or do any good for you...but hey, at least you're like a dictionary for option terms—whoop-dee-doo. I would have to say that Preston was absolutely the one that tipped me toward what you can actually do with these things.

TEI: How long ago was that approximately?

KK: Maybe eight, ten years ago. A long, long time ago in a galaxy far, far away. [laughs]

TEI: You have pretty much focused on options ever since, is that correct?

KK: Pretty much, yes. I do some minor day trading, but even most of my day trades are around option positions.

TEI: When you started, did you spend a lot of time learning technical analysis or did you spend more time on the

fundamental side, learning about PEs and similar metrics? Where do you place emphasis now?

KK: When I first started I was really heavy into technical analysis because of the day trading with my father. With day trading that's what you're looking at...real-time trying to make decisions. Then I kind of read the 3-inch thick manual on options. It didn't take me very long, thanks to Preston, to conclude that a lot of that is a bunch of mumbo jumbo.

The bottom line is what can you go out there and make money with...that's what matters. If I'm looking at the PE ratio and every other investor in the whole world is looking at the same thing as me, do I have any edge whatsoever? No, I don't have any edge at all. So I learned fairly young that it's not about analyzing stock and companies as much as it is how I can make money exploiting things that options present. There is certain fundamental analysis that you can factor in, such as whether a company is going to fall off a cliff in the next six days while I'm in this trade. If the answer is no, then great, that's about all I need to know.

TEI: What about being aware of upcoming earnings and things of that sort?

KK: Of course earnings are a fantastic opportunity. Anything that causes movement, then there's money to be made....even in a boring market there's money to be made. But looking at a PE ratio...you're crazy if you think that you're looking at that PE ratio and see something that no one else sees. It's all the same information. Maybe that worked before, but the speed at which information is passed now—there's no way...there's nothing there.

TEI: Looking at the technical side, would you say that same factor has negated the advantage of most indicators?

KK: Absolutely. If there's an indicator that you've heard of before, I promise you it doesn't work. Bollinger Bands or any of these moving averages and other things... if you've heard of it before or if it's built into your platform, it doesn't work. I promise, promise, promise it's been beat to death.

TEI: What's your advice to newbs coming into the business in terms of, hey, focus on this, learn this?

KK: First I say here's what making money right now. As I'm talking to you now, I'm doing extremely well with long butterflies. This sounds insane because the VIX is down the toilet and you're grossly undercompensated right now for risk. So, a position like a long butterfly that benefits from time decay seems insane. But look at my track record—it's fantastic.

To go back to your question, I usually start with what's making money. First things first, somebody who is making money is a hundred times more interested and more committed than somebody who's not. It's very simple to jump from one program to another, saying "I'm not making any money yet." You kind of lose your enthusiasm. But if all the sudden you see a little bit of positive action in your account...wow, wait a second—this is it! I need to pay more attention to what he's doing because this really works and my account is filling up. I try to be that guy for as many people as possible.

So I usually focus on one strategy with new traders—whatever happens to be working at the time. I'll tell them to learn this inside and out...this one strategy. It'll take you all of two weeks to really get it down pat, then go make money and then we'll branch out from there.

TEI: To what would you most attribute your success?

KK: First of all I think the biggest factor for me was passion. This is what I was born to do. There's absolutely no question, I've always been very passionate about it. But that passion is short-lived if you don't have an open mind. You really have to keep your eyes and ears open for what is working—what you can make money with. You can't have an opinion and say "I'm right no matter what." That's very dangerous. For example, say seven to eight months ago, if you told me that I was going to make the majority of my gains now from long butterflies, I would have said you're crazy. I would have given you a list of a dozen reasons why a long butterfly is a bad idea...Yet they've paid off tremendously, it's unbelievable.

So, passion being number one, but you have to learn to stay out of your own way and be willing to do it on your

own and able to recognize something when it's good. You don't have to be some trading genius or destined to be some great trader. You just need to keep an open mind and be realistic. Don't have such a strong opinion that you can't be wrong. Other than that, what can I say...follow me, the Stock Wiz Kid, and I'll lead you in the right direction—I promise.

TEI: What would you offer on cash management strategy?

KK: Most of my trades are statistical advantage trades. You take every single one of the trades and they'll make more money than they lose when all is said and done. You use the same amount of capital on each one and there are very basic rules. It sounds so simple, but it can really make a huge difference in the end.

TEI: You mentioned the Stock Wiz Kid service. What made you decide to start SWK and can you briefly describe it for those that might not be familiar?

KK: We have a lot of small account traders out there, which was me when I got going. There's lots of different ideas to trade for the guy who has a lot of money, but I kind of look out for the small guy, because I have a soft spot since I was a small guy. So that's what drove me to start Stock Wiz Kid...it seemed like there was a big hole that needed to be filled for people who didn't have a lot of money but who were generally interested in trading and actually pulling money out of the market.

TEI: What is the focus of the service?

KK: The priority of this service is absolutely to help traders with structured positions on options—to help a small account grow into a big account. Naturally you can do it in a bigger account as well, but I almost never put trading ideas out there that require a very large amount of capital to do so.

TEI: When did you launch the service?

KK: We're going on two years...We did one big promotion to launch Stock Wiz Kid almost two years ago and one minor one after that, but that's been it. I think we have somewhere in the neighborhood of 80 percent of those members who signed up still with me.

TEI: You limit the window for subscription membership—it's closed for a good part of the year. Why do you do that?

KK: Well, it's really simple. When I have a new audience, I speak very differently than I do to guys that have been with me for a while who know my train of thought. They know what I'm talking about when I say short butterfly, long butterfly. Whatever the position might be, I know that they're up to speed. So I like to open it for brief periods of time to get new guys in. I can go into a little bit more detail, along with the training that's available, to really help them get up to speed fast.

TEI: That really caters to that new person starting out so they don't feel lost coming in.

KK: Exactly.

TEI: What's your track record with the service?

KK: I am actually having an audited track record put together now, but the unaudited version for the year is up something like 350 percent...something ridiculous like that. These are all low-risk, low-margin requirement trades. Now I know that sounds ridiculous, but it's true.

TEI: You have a pretty active community. How does that benefit subscribers?

KK: I have a bunch of guys who—I don't know how else to say it—but they love me...it's really easy for someone to grow fond of somebody else when they make them a ton of money. So, there are a bunch of guys who feel like they owe me one. They're very active on the site and they like to help out other people. It kind of takes a burden off of me. I get on the site almost daily to answer questions and address anything that people aren't clear on. Most of the time these guys who've been with me a while have already answered the questions for me, which is very helpful. So it's a very helpful, active community. There's a lot of conversation between members, as well as between the members and myself.

TEI: How would you characterize the training you provide in SWK?

KK: Precise training. Basically there's a lot of bad information out there—information that is useless. Guys trying to sound smart when really they are just reading from a textbook. You can find an option book that is three-inches thick and read the whole thing and then say, "Now what?"

So all of my training is geared toward a guy who just wants to know what's needed to make money—how things work and what to be watching for. You're not going to find a bunch of Greek definitions on my site. That doesn't mean I don't talk about Greeks, but only when they matter to the position. I'm very to the point, very direct. So there's lots of training on there that is exactly that...straight to the point—here's why I like this trade, here's what's working in my favor, here's what's working against me and here's what I want to have happened.

TEI: Does the service consist of both video and live content?

KK: All of the training is video-based. Some of it is actually live trading that's been recorded for replay. It's very digestible—I try to put it in as simple terms as possible.

TEI: Is the service more geared for day traders, less-active traders or both?

KK: I would say anywhere in-between. Most of my structured positions tend to be for two or three days and a lot of times over the weekend, but it really just depends on the market. I do have a little bit of a day trading aspect if there's something's happening, such as earnings reports or things like that, where we'll be in and out within a 24-hour window. It kind of spans the whole gamut, but I would say I don't cater to the really long-term investor. That's just not my style. I just feel I can make more money in the shorter term.

TEI: How does someone interested find out more about the service?

KK: Since it's closed the best way to find out about it is to call customer service.

TEI: Hindsight always offers a good perspective. What would you do if you were just starting now, but armed with your level of experience and education?

KK: Well, I would pay a lot of attention to two guys—Karson Keith and Jeff Augen. [laugh] The major thing is we're coming up on this fiscal cliff. Jeff and I have been talking about it forever. We want to be able to trade the collapse. That would be a major thing I'd want to focus on. Other than that, I would focus on these long butterflies. They require very low capital, with solid returns...they've done very well for us. That would be my focus right out of the gate. Then I would like to pick up day trading as I got more versed with the indicators.

TEI: Well, you've offered some great stuff and we've covered a lot of ground. Anything you'd like to add as we close?

KK: I want to make one thing very clear. I am a trader! I make my money from trading and I educate people. There are a lot of guys out there who are not traders at all...so-called educators. I know a few personally and they leave a bad taste in my mouth because they don't actually trade on their own. That makes a big

difference. There's a big difference between a lot of guys out there and Jeff Augen, Preston and myself. We're real traders, so you're talking about thousands of trades a year...

Karson Keith

Karson's interest in trading began at a very young age. By the age of thirteen he began trading and managing his father's money. Today, his passion for trading has attracted a following of like-minded income traders seeking his help in taking their trading to the next level.

Karson specializes in cutting-edge options strategies, volatile markets and small trading accounts. He not only has single-handedly grown several small accounts into large portfolio-margin accounts within just a few months, but has helped countless people achieve the same results.

A natural teacher, Karson has a unique ability to take complex strategies and break them down into simple, actionable formats. This makes the exclusive benefits of highly skilled, profitable trading not only accessible to traders at all levels, but possible for even the beginner to succeed!



Upcoming Events & Special Announcements, *cont'd...*

tough-n-tumble markets and a very challenging economic environment. Keep an eye out—we'll be unveiling them early next year.....

Ok, we know that nobody likes to be teased with gifts then told to wait to open them till much later...so, we've got a couple early gifts for you to rip into right away. No worries, you can take a peak straight away without making the naughty list—in fact we highly suggest you take advantage of them both right now!

Check out this replay of Karson Keith's just-released Stock Wiz Kid video containing a special, limited-time membership subscription opportunity: [View the Replay](#)

We invite you to view a replay of our recent Traders Edge Trader Tax Advantage Seminar, featuring a small-biz tax and trading consultant providing insight and information ranging from trading-business organization to taxes, asset protection and much more...: [View the Replay](#)

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Monster's Perspective: November Gave us a Little Bit of Everything

By Jon "DRJ" Najarian



As we enter December, 2012, the S&P 500 is higher by about one-tenth of a percent. It has been climbing for the last two weeks of November after bouncing from a pullback earlier in the month and is now in the middle of its trading range for the second-half of the year.

Even with improving employment and housing numbers, and while economic fundamentals have been largely positive, investors now seem worried about the danger of higher tax rates and less government spending after January 1. At this writing, there have been few indications of a deal in Washington so be aware that the markets may be vulnerable to "fiscal cliff" comments from the Capitol.

The question that remains, of course, is "Why?" The main thing we can say is that, while there might be plenty of talk about the fiscal cliff, there is not a lot of hedging going on. Some will say that all of the recent action in the VIX options and futures, as well as in SPY and SPX puts, means that everyone is already hedged; we have never seen that argument work.

It could be that people aren't as worried about the fiscal cliff as the media would have us believe. Maybe they believe that the government will come through or that the consequences are already priced into the recent market decline. Or maybe they actually are worried but not doing anything about it, as a recent institutional survey suggested. We encountered a similar situation with the debt debacle.

From our perspective this is another case of the market mispricing risk. The market will very likely go up if a compromise is reached, but we don't see a runaway bull phase in our future. Alternatively, if things go south, they could do so in dramatic fashion.

So volatility may not be "cheap" here, but it could be viewed as such in retrospect if we do go off that cliff. So getting long volatility is a good idea here and the easiest way to do so is to [buy puts](#) in equity indexes and ETFs.

Also during this last week of November sentiment is positive overseas, with European and Asian indexes advancing by more than half a percent. Germany's lower house voted strongly in favor of an aid package for Greece, maintaining the momentum toward resolution of the Mediterranean country's debt crisis.

We have also been noticing that foreign-exchange trading is slightly bullish. The euro is posting small gains against the US dollar, but the Canadian and Australian dollars are down. The biggest mover is the Japanese yen, which is falling dramatically on continued speculation that the Bank of Japan will ease monetary policy after the approval of a new stimulus package last night.

We have taken further notice this last week of November that commodities have been mixed, with oil little changed and copper higher by almost half a percent. Precious metals are flat and most agricultural foodstuffs are down.

Stocks like financials and technology, especially Apple, always grab lots of attention. But other names have been flying under the radar with some important developments these days.

In some company-specific news, fast-food giant Yum Brands is showing some end-of-November weakness after they issued a warning about slow growth in China. Yum Brands said that it expects fourth-quarter comparable sales to fall by about 4 percent in China. Management blamed weak macro conditions in the country, which accounts for more than half its business. YUM dropped considerably at the end of November.

Telecom supplier Tellabs is up 17 percent after announcing a \$1-share special dividend. Most observers would say that this is a lot of money for a stock that closed at \$2.95 as recently as November 29th.

Finally, Zynga has been taking a beating during November after Facebook renegotiated its business

relationship with the gaming company. The new arrangement will make it harder for ZNGA to channel traffic to its site; the news is sending the shares tumbling at month-end.

As 2012 draws to a close, we hope that you will enjoy a joyous Holiday Season and New Year of Happiness and Good Trading.

Jon "DRJ" Najarian

Jon 'DRJ' Najarian is co-founder of optionMONSTER® and co-lead analyst for the InsideOptions™ trade idea alert systems. He spent the first 29 years of his trading career trading in and around the pits of the Chicago exchanges.

"DRJ" is a frequent contributor to CNBC, the Wall Street Journal, as well as other prominent financial media organizations. Mr. Najarian also co-developed the patented trading algorithm the Heat Seeker®, used to detect unusual trading activity.



Money Chasing You - Trading Success Stories

Hi Guys, I had a bad trading habit that plagued me for years—lost a lot of money and stopped trading for long periods of time. Specifically, when directional options were going against me, I'd buy more and hope it turned so I could get out at break-even or a small profit. Clearly, two wrongs don't make it right, but it will make you broke eventually.

Since I've been in your program, almost all my trades are wins now (small "meter drops" - \$300, \$500, \$1K - day trade or hold overnight at best - > 95% weeklies). I'm doing bull-put spreads for now, predominantly AAPL in the early part of the week when I can go deep in the money, but also other stocks mentioned today in steady uptrends. Your AAPL indicators are helping me sharpen when to get in and get out, although I'm still setting underlying stock price alerts based on macro trend charts so I don't have to stare at the monitors while these positions are "cooking" during the main part of the day.

Amazingly, I have not had the urge to correct a BPS that is going against me by buying more hoping to make some profit. My focus has turned to profit generation by balancing exit timing with preserving premium paid at entry. The few times I have lost on these the losses have been small.

Preston taught this strategy years ago and now your tools combined are making this a reality for me. Before I had TradeMONSTER and the Augen indicators for AAPL, I would not have been able to do this with confidence!

Many thanks
N.P., PA

Sincerest thanks to Jeff and Karson for an amazing webinar! I have been trading my own portfolio for about ten years now and heard many good things about Mr. Augen.

There was so much great information I learned from the webinar—I am in the process of getting all of Jeff's books as we speak. I am very excited about implementing what I have learned so far and look forward to continuing up the learning curve with the great information that can be found in the materials.

Kind Regards,
E.W., IL

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TEI Insight: This is It?

By Louis Horkan



When we talked a month ago, there were myriad issues facing the markets that traders had to be aware of because of their potential to send the broad indices north or south in a decisive, directional fashion. This is something we've talked about for some time, given the coiling and stored energy that has been building into those indices.

Well, we did get such a move post-election...sorta. Both the SPX and INDU broke through significant levels and key longer-term trendline support. The INDU looked poised to trade all the way back to test its channel support level down at 12k—very significant because that channel has

existed on the monthly chart dating back to the 2009 lows. The SPX was sporting the same basic profile.

Then a funny thing happened...just when it looked like the short side of the market was gonna prevail, both pulled off rather sizable intraday reversals on 11/16. Thereafter they headed back to the same perches they've occupied for some time now—namely 13k area for the INDU and the 1,400 level for the SPX. The net effect is they are down very moderately from their levels a month ago and the same boundaries in terms of support and resistance remain in play.





So has anything changed or are we witnessing a market that remains indecisive and content to head out of the year in side-winding fashion? Well, one thing has changed. We no longer have myriad issues in front of us to contend with. The election is done. Earnings have concluded with relatively little damage done. Iran, Israel, China and Europe all remain troubled, but things have surprisingly quieted on each front in the past days.

Which leaves us with the Fiscal Cliff... That was always going to be the issue and it is indeed so now. All eyes are on the daily developments and the pols have been dutifully spinning, which has served to whipsaw activity in both directions...and back again to the aforementioned perches.

The issue is clear enough, but clarity on the outcome is anything but. We are looking at several basic scenarios:

- A grand agreement is struck.
- We get no agreement and go over the cliff.

- The pols find a way to take half-measures and kick the can down the road via a very limited agreement.
- Both sides agree to go over the cliff with a "built-in" save baked in immediately after the first of the year—enabling both to besmear the other and take credit for saving the day.

No doubt that sounds pretty Machiavellian—sadly it is befitting the track records of both sides of the isle in Washington.

With all that said, the clock ticks down, the pressure ratchets up and the question remains—who will prevail and will these indices finally be allowed to exert their stored energy in decisive, tradable fashion, no matter the direction?

We shall see....

~LH

Zaner's Perspective: An Endless Array of Trading Possibilities...

On behalf of the Zaner Group, I am delighted to talk with you about Futures and Forex!

Futures and Forex add to your arsenal of profitable tactics and strategies. For example, we have crude oil and gold, in addition to equity futures.

For many of you the markets of ES, EUR/USD and USD/JPY loom with much attraction. Why? Due to such reasons as their profit-potential mixture of liquidity, volatility, history and market significance (i.e., relationship with US, European and Japanese economies). You can access those futures and Forex markets via the Zaner 360 platform and others we offer. We're delighted to explain the array of trading platforms available to you, in addition to the Zaner 360 platform. Do we offer the NinjaTrader platform? Yep.

The CME just changed the trading hours for the ES. If you have any questions or are confused about when the trading day ends and then starts again, let me know.

By Lee Snyder



I'd bet you'd like to know the kinds of orders our platforms can take. Market orders, limits, stops, OCOs, etc. How about this one: "if-then" orders that allow you to say, "If I get filled on my ES order, then place my NQ (mini-NASDAQ) order." We can also take time orders, such as: place my ES order at 8:30:00 am CST and then at 8:30:01 am CST cancel that order if not filled.

Confused by what you've heard about "margin?" For the ES futures contract we offer day-trading margin of \$500 per contract. You have to determine for yourself the best combination of trade size and use of margin that best fits your trading style and risk. With such low day trading margin you can trade at your own speed. If you have questions about margin for the ES or other markets just give us a call.

The array of markets we offer is staggering. How about Hurricane futures and options? Hail yes. Snowfall futures! Can you dig it? But please do check on liquidity before you trade. We'd be glad to help.

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AND DATA-RICH WEBSITE FOR
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**TOP 50 REASONS WHY
FUTURES TRADERS
LOSE MONEY**

REASON NUMBER 43: Often, traders jump into a market based on a story in the morning paper; the market many times has already discounted the information.

Find Out More

ZANER

If you're looking for more traditional markets, we offer stock indices such as the Dow, NASDAQ and Russell; and outside the equity world we have grains, coffee, sugar, cocoa, natural gas, heating oil, bonds, silver and much more.

If you want to trade major currency pairs involving the euro, yen or pound with us, go ahead. Interested in the profit potential of "non-majors" and emerging markets of Brazilian real, Israeli shekel, Korean won, Chinese Renminbi? Let me know.

We'd be pleased to be your personal broker. Our services do indeed include more than just "back-up." We provide one-on-one personalized service. You can reach a human when you have a question or problem. Our Zaner support desk can help you open an account, understand the platform and assist with order entry/placing your first trades. We provide on-going support for the life of the account. The services of Zaner Group, combined with our clearing partners, provide 24/6 trade-desk support.

I can be reached at 312-277-0103 and lsnyder@zaner.com to discuss the possibilities.

Lee Snyder

Lee Snyder, Vice President of the Zaner Group; is a series 3 registered futures and forex broker; was previously Vice President/Manager of the Global Services Division of LFG, overseeing the foreign exchange desk and a 30-person global futures execution desk; has taught options classes in-house at Citibank, LIT Holdings, & additional FCMs; holds a M.B.A. in economics from DePaul University of Chicago, and holds Eurex certification.

Disclaimer:

Trading commodity futures and options involves substantial risk of loss and may not be suitable for all investors. You should carefully consider whether trading is suitable for you in light of your circumstances, knowledge, and financial resources. Opinions are subject to change at any time, and are not a solicitation or recommendation to buy or sell commodity futures or commodity options. Past performance is not indicative of future results.



Money Chasing You - Trading Success Stories, cont'd...

I find the Augen indicators amazing and right on target in dealing with today's computer driven trading. The psychological reaction of the markets to news and events can no longer be predictably relied upon to take advantage of volatility and time decay in options trading.

After using leaps as stock surrogates, I moved to 3-month and then to 1-month options to try to improve predictability of market behavior. Then I discovered Preston's approach to using weekly options. But even there it appeared there were price manipulations that were not related to stock news or fundamentals, or even the overall market direction. So I have started taking smaller profits off the table each day rather than leave trades such as the money press in place over night. Even that did not catch some major intraday negative reversals. I read Jeff Augen's book on weekly options trading and it helped but the Augen Beta is a real breakthrough.

I appreciate the complexity of the market behavior that Jeff is trying to capture and react quickly enough to make significant profit with minimal risk. My education and work experience put me in a unique position to grasp this. I am a retired engineering graduate of MIT with a PhD in Aeronautics and Astronautics from NYU. My graduate studies included extensive advanced mathematics courses and computer modeling of complex systems. For much of my career I worked on computational fluid dynamics and heat transfer applications, which often involved visualization and analysis of multi-dimensional, time varying data sets governed by nonlinear partial differential equations. Algorithm development and computer programming were necessary aspects of these efforts. In addition, I have

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Musings from the Editor: The 12 Lumps of Christmas

By Louis Horkan



No doubt you've already started to fatigue from the "cutesy" holiday references, abounding wishes of glad tidings, long lines at the stores, etc. Tis the Season and all that...

Being that we're entering the end of the year, it's certainly time to take stock and reflect. Now I could sugarcoat everything and seek to focus on the positives out there, which would certainly go with the season... But frankly I don't think it would serve you so much...nor be all that fun. So I've elected to go with more of a "Tim Burton" approach and offer up a bit of a twist on the classic 12 Days of Christmas.

Without further adieu...

1st Lump of Coal—Partridge in a Pear Tree (aka – Fiscal Cliff): No doubt the looming fiscal cliff has earned top honors this year, surpassing the European sovereign debt crisis that nobly reigned during the past several years. While our European brethren fought the good fight once again this year, doing their damndest to spoil the markets for the rest of us, the fact is that when our leaders put their mind to it, no government can be more dysfunctional or wasteful than that found right here in the good ol' U.S. of A. Damn Skippy!

2nd Lump of Coal—Two Turtle Doves (aka – The Pols): As the saying goes, it takes two to Tango...or tussle. Without getting political or taking sides, truth is we have two parties that time-and-again prove they are interested only in serving themselves and besmearing one another. While it makes for good theater, fact is the elephants and donkeys are engaged in dangerous gamesmanship for the sake of scoring points. Meanwhile, the peeps that actually drive this economy (along with the rest of the world) are held hostage as the two sides DANCE toward the Fiscal Cliff.

3rd Lump of Coal—Three French Hens (aka – The Troika): While some might guess Lagarde, Sarkozy and Hollande, three French nationalists whom have collectively factored huge in the European debacle, the Troika, as it is not-so-affectionately known (especially amongst the Greeks), is comprised of

the European Commission (EC), European Central Bank (ECB – let's call them what they really are – German Savings and Loan) and the International Monetary Fund (IMF). The primary function of the Troika is that of heading up efforts to "kick the can" down the road far enough to allow for the crisis to resolve itself.

4th Lump of Coal—Four Calling Birds (aka – Sovereign Debt Crisis and Treasury Secretary Geithner): This is a tough call as both are deserving. The debt crisis slipped from its 1st Lump perch, but given it now enters its 4th year (the Greeks announced the problem with their "books" in late 2009), it surely deserves continued recognition. As for Geithner, he's earned special recognition because of the role he played throughout the entire crisis and more particularly due to the four years he failed to pay Social Security and Medicare Payroll taxes...Nothing political here—just don't sit well and would seem to sum up rather appropriately the whole sorted tax and spending mess we are in when you consider the fact that the individual in charge of our beloved IRS actually failed to pay his fair share. Just sayin...

5th Lump of Coal—Five Gold Rings (aka – Global Economic Meltdown): What hasn't been said already—that's a gold ring for each year that's passed since the crisis began unfolding back in 2008.

6th Lump of Coal—Six Geese a Laying (aka – Goose Egg): As in what short-term treasuries and money markets are paying you to park your money with them. Even a 1-yr CD pays pittance at just over 1 percent. Factor taxes and inflation (which will come roaring back one of these days) and it's clear that playing it safe is proving to be a costly endeavor.

7th Lump of Coal—Seven Swans a Swimming (aka – Apple Swan Dive): The sweetheart of the market for some time has been AAPL...a common mantra in the past couple years has been "As goes AAPL, so goes the market." The stock traded to an all-time-high just over 700 in September, but has since reversed sharply,

down roughly 119 points or nearly 17 percent. Some are wondering if AAPL has suddenly become a black swan...

8th Lump of Coal—Eight Maids a Milking (aka – Milked Investors): What buy-and-hold investors have experienced by following the advice of the so-called experts within the financial services community who've warned them of the perils of doing anything other than parking their money and forgetting about it. To gain perspective, one simply has to take a gander today at the bellwether S&P 500 index, which is sitting just shy of where it ended December 31, 1999, at 1,469.25. When you consider the collective fees paid by the masses for this advice...milked pretty much sums it up!

9th Lump of Coal—Nine Ladies Dancing (aka – Anemic Recovery): As in the nine quarters we've danced along at a clip of at least 2 percent or more in GDP growth since emerging from the 2008-09 recession. If you factor in the other five quarters (total of 13 quarter of positive growth since the recession), GDP growth has clipped along at 2.22 percent...anything but impressive.

10th Lump of Coal—Ten Lords a Leaping (aka – Disgraceful Jobless Rate): 10 percent unemployment rate is what we topped out at in October 2009. For perspective, consider the fact that unemployment sat in the area of 4.5 percent for much of 2006 to 2007. Moreover, it was at 5 percent heading into 2008. From there it went on to double over the next 21 months...staggering by any measure and nothing to joke about...

11th Lump of Coal—Eleven Pipers Piping (aka – New Debt Added): As in the nearly \$11 trillion in national debt added since the start of the new millennium. That right, we started 2000 in the red by roughly \$5.6 trillion (give or take several hundred million) and our national debt has since climbed to \$16.2 trillion...

12th Lump of Coal—Twelve Drummers Drumming (aka – FOMC): The Fed, headed up by Bernanke and his posse—12 voting members in all. This crew and the one prior (Greenspan's tenure) have been debasing the dollar and coming up with every type of creative tool imaginable to stimulate employment and economic growth...to no avail. Much debate as to the effectiveness of quantitative easing initiatives in terms of whether they saved us previously or will work to stimulate growth in the future. What is painfully clear is the fact the Fed has truly run out of effective ammo to counter anything bad that might happen from here forward if the economy takes a southbound header...not a pleasant prospect when you circle back to the 1st Lump of Coal—the Fiscal Cliff...

Well, there you have it—if that don't cheer you nothing will...Doh! Hey, the good news is "we ain't Greece." I'll take a stocking full of coal over being in their shoes any day of the week!

Merry Christmas, Happy Holidays and a Prosperous New Year!

Louis Horkan
Editor

Louis entered the biz in the late 80s and spent over a decade working as a trader, instilling him with unique insight into trading and the markets. In 1998 he switched gears to become the group editorial director for a large network of award-winning, trading-focused newsletters. In 2002 he became the founding editor-in-chief for two financial trade magazines—each served approx. 40,000 independent financial advisers nationwide. He's appeared on business TV, in the business press and on numerous biz-focused radio programs in the past. He writes market commentary and analysis most days and trades on a daily basis.



Money Chasing You - Trading Success Stories, cont'd...

studied chaotic systems and fractals in dealing with turbulent systems, including error and noise propagation in extended computations.

Please pass my comments on to Jeff. His work is truly ground breaking for an individual investor like me.

Thank you,
E.F., PhD - MD

Coaches Corner: Treat Your Trading Like a Business

By Mike Curtis



Hello again fellow traders and welcome to the Coaches Corner! I'd like to chat briefly about an important element that will contribute to any trader's success... treating your trading like a business. Yeah I know, you've heard that a dozen times before. Are you actually doing so?

Treating your trading like a business involves two things in my humble opinion: First, having the MINDSET that your trading is a business. Trading shouldn't be too personal or a hobby or just something to do to stay entertained. Why do you trade? The answer should be the same as every other trader out there...to make money!

If you are looking at your trading as a way to feed your family or pay a bill it can become personal, emotional and dangerous! (See my September column for more info on dealing with fear and emotions)

Run your trading business like any other business and your mindset shifts to where it needs to be. Look for ways to cut costs—commissions, fees, margin interest; increase revenue—more winning trades than losing trades; and increase profitability—don't cut your winners short and ride the losing trades...In the words of Jon Najarian, "Don't eat like a bird and defecate like an elephant."

The second component of treating your trading like a business is literally structuring it as a business. With almost every single student I have worked with over the many years, the conversation always comes up about how I structure my trading business. The immediate follow-up question to that is how in the world do you handle taxes!

Any of you who've traded in the past know this can be a bit of a pain. Well, let's be honest, it can be a BIG pain. I need to first state that I am not a tax attorney, CPA or anything even close to either, but being around the world of trading for the last decade I have picked up a few things. Another disclaimer, I don't do my own taxes and would never even attempt to try—I just don't have the patience nor do I have the desire!

I personally place all of my trades through a business entity and most of my brokerage accounts have been setup under that business name.

Treating my trading literally like a business can help in several ways. It helps provide some asset protection when I have business accounts that hold assets. A trading business also enables me to write-off a bunch of expenses that I would most likely be paying for anyway—not a bad deal in my opinion!

That's really just the start... We recently had a webinar with a small-business advisor who knows a lot more about this stuff than I do. The webinar was packed with a bunch of information and recorded for anyone that missed it. You can view the entire recording here:

<http://www.tradersedgenetwork.com/trader-tax-advantages-replay/>

If you want to get more information about trading, taxes, asset protection, etc., I would carve out a few minutes of your day and dive into that webinar. I know I learned a few new things from it.

I hope you find the information helpful and I hope all of you have a very Happy Holiday season and a Merry Christmas!

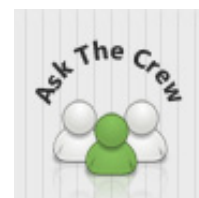
Mike Curtis

Mike Curtis has been an active trader in the derivatives markets for 8 years. He has mastered the world of equity and index options along with spread trades, futures and foreign currency. He loves teaching and has personally coached over 500 individual investors needing help learning to apply a consistent trading method. Through his mentoring, he has helped hundreds of people change their financial situation through trading in the financial markets. He is a husband and father of 4 young children and currently lives in Salt Lake City, Utah.

You can contact Mike at 801-717-3993 to learn more about the Traders Edge Coaching Program.



Ask the Crew: Crew members tackle questions submitted by readers each month



Q: What is the main value of open interest in an option?

A: Primarily it will provide an indication as to liquidity. Greater open interest would generally indicate liquidity sufficient to perform larger trades on a particular contract with less price discrepancy, while smaller amounts of open interest would indicate the opposite.

Q: What is quadruple-witching and how often does it occur?

A: It's the day that single stock futures, stock options, stock index futures and stock index options all expire. This occurs four times yearly on the 3rd Friday of March, June, September and December, respectively.

Q: What does it mean to roll an options contract forward and why would I do so?

A: You roll a contract forward by closing your existing contract(s) and then putting on a similar contract (same underlying, number of contracts and strike) with an expiration month further into the future. You do so to allow your strategy to have more time to play out. A roll enables you to maintain your position beyond the initial expiration.

Q: If an option is ITM will it be exercised automatically or not?

A: It depends. They will if they are ITM buy at least \$0.01 on Friday before expiration. The Option Clearing Corp (OCC) does so automatically if they are ITM by at least that amount.

Our goal is to cover ground that will benefit the entire community... so get busy sending in those questions...



Upcoming Events & Special Announcements, *cont'd...*

Next Edition

Be sure to join us in the upcoming January edition of Traders Edge Insider when we conclude our conversation with Karson Keith. Part II is focused on the trading strategies that Karson routinely utilizes to bag substantial gains in this crazy market. His insight on how best to profit based on prevailing market conditions will no doubt prove invaluable to you entering the New Year!

Traders Edge Network Blog

Be sure to check out the Traders Edge Network blog each Thursday afternoon, as TEI Editor Louis Horkan offers a bit of tongue-n-cheek commentary on what's occurring, as well as insight on things you need to be aware of and suggestions on how best to succeed in these markets. Trust us, this isn't the same ol' staid, button-down rehashed news or analysis you're accustomed to running across most places! Join us each week on the Traders Edge website (www.tradersedgenetwork.com) and be sure to leave a comment telling us what you think...

Money Chasing You - Trading Success Stories

Experienced recent trading success or have a lifestyle success story as a result of your trading?

We would love to hear it!

Please email them to: alicin@tradersedgenetwork.com

Comments, Questions, Contact Us

Hey Gang, when we say we value your presence in the Traders Edge Network, we really mean it! It's not really a network, or for that matter much fun, without each of you participating... Please don't hesitate to send us your thoughts, comments, suggestions, criticisms or questions. PJ

SEND EMAIL