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DiversifiedTradingInstitute

“The Early Bird Ate the Worm”

At the Day Trading Institute we use the S&P 500 futures market to trade around the clock. First we need to be clear about what the S&P is and where and how it trades. The S&P 500 Futures Contract is an agreement to buy or sell a predetermined amount of the securities that make up the broad-based index called the Standard & Poor's 500. It trades like any other commodity on the Chicago Mercantile Exchange and offers a number of important features that contribute to its being an especially attractive trading vehicle. Its substantial trading volume makes it highly liquid allowing the trader easy entry and exit from trades. This means slippage from the specified trigger price is typically minimal. There is sufficient volatility in the S&P Futures market to offer abundant opportunity to capture multiple point price moves in intra-day time spans. Margin requirements to trade this instrument are typically low making it one of the most leverage able trading vehicles available in the market. With the S&P Futures Contract, a margin deposit of a few thousand dollars makes it possible to control hundreds of thousands of dollars of securities. You may trade it either through a traditional commodities brokerage or via any of several excellent on-line electronic Web broker systems now available. As we teach in our school, you may and should always use a stop loss order in combination with each trade you make of the S&P 500 Futures Contract. Learning about the S&P offers knowledge useful in trading any number of other markets including stocks, mutual funds, and other commodities.

The S&P trading week opens on Sunday night at 5:30pm Central Time on the Globex [electronic on the Chicago Mercantile Exchange] and continues virtually around the clock until Friday afternoon at 3:15pm Central Time. That which follows is a step-by-step analysis of a night that was picture perfect for the trader who understood the market's language. Our philosophy at the Day Trading Institute is that the trading day consists of 24 hours. For example, the beginning of Monday's market starts on Sunday night. As the markets trade throughout the night one can refer to several of the overseas markets as indicators, first from the Pacific Rim and then the European markets. First, check two Asian Markets: Japan (Nikkei 225) and Hong Kong (Hang Seng). Now record the “opening” number and “last trade” number for each.

Now we shift our focus from Asia to Europe and check four European Markets: France, Germany, Switzerland and the United Kingdom. Now record the “opening” number and “last trade” number for each. The CAC 40 market also echoes the higher open and lower close that we saw with the two Asian markets.

At about this time of the night the trend on the S&P 500 starts to accelerate. The S&P breaks the early evening trend and heads lower, and the DAX market will typically confirm the trend. The S&P continues to trade lower and as America wakes up we turn our attention to the Swiss and the FTSE markets. Now as the people on the East Coast wake up they begin to hear news about the Markets' trading and they respond to it. The S&P reacts and will continue to follow the overseas trading pattern.

Since our students have the added advantage of our unique proprietary software that lets our computers do the work, we are able to leverage our time and take advantage of those people who trade the market without the advantage of using every aid that is available. After over 20 years of trading the S&P 500 I have come to the conclusion that it is better to let the market tell us how to trade and leave my ego at the door.

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