



## When the Sun is Away, Traders Can Play

The alarm goes off and a hand slips out from underneath the covers to turn it off. Economic news in Europe will be announced in 30 minutes and may give an opportunity to trade. A quick cup of coffee and the glare of the computer screens help to get the sleep out of the mind before clicking on the mouse. 4:00am CT comes early but if the setup is right, this trade can put a trader ahead before the rest of the U.S. wakes up.

The market continually changes and a trader must keep his options open. Most traders only look at the day market between the times of 8:30am and 3:15pm CT. However, while the traders in the U.S. sleep, the market continues to trade throughout the world. Depending on where the sun is shining, determines who has control of the market. Following the market throughout the world can give a trader the insight on what will happen during the U.S. day market. Though getting up early is sometimes hard, it can pay big dividends to those who choose to be the early bird.

The biggest problem with trading in the night market is the lack of “indicators” to help guide the trader. The E-mini S&P futures open at 3:30pm CT and close at 3:15pm CT. Knowing this, the S&P futures trade virtually 24 hours a day. Taking advantage of the night market can help in determining how the day market will perform. But figuring out what moves the market can be baffling. The key to understanding the night market is who is controlling it. The first market to open is the Nikkei (Japan), followed by the Hang Seng (Hong Kong). These are the two primary Asian markets. How they trade will determine where the S&P will go. Asia has its own economy and its own news, and depending on how the news filters in, depends on where the market goes. The S&P futures will follow this trend while Asia is open.

A word of caution: the Globex market (the night market) moves very slowly. Unlike the day market in the E-mini S&P futures, which has an average range of 25 points, the night market will move only about 7 points in a 16 hour time period. Compared to the day market that is open only 6 hours and 45 minutes, it can be seen that patience really can be a virtue. Do not be eager to be paid quickly. Though the night market can move like the day market during big news, it generally will be like watching paint dry if you watch it tick by tick. The best strategy is to get in the market, place a protective stop, and go find something else to do; only checking in on your trade every now and then.

As Europe begins to open, more evidence of market direction can be seen. Germany has the largest economy in Europe and its DAX futures reigns king during the European trading. Because of this transition, the E-mini S&P futures begin to follow the direction of the DAX futures. Like the U.S. market, it is best to give the DAX the first hour and a half from its open to trade to allow it to find a direction. In doing this, the S&P futures have time to readjust from the Asian markets to the European markets.

Chart 1 shows the opening of the DAX futures and the E-mini S&P futures during the same time period. On this day, the DAX futures open and begin heading lower. After the first hour and a half the E-mini S&P begins to retrace, keeping the DAX from moving lower. The E-mini S&P could not hold up as the DAX would not follow and therefore began selling off again. After Asia was quiet during their session, Europe opened lower based off of Asia’s performance. Knowing this, the small decline in the DAX was a correction from Asia’s higher prices. If the S&P would have taken out the overnight highs, the uptrend would have been confirmed in the market. However, the S&P held, giving caution to the long side and aiding in being patient as the market consolidated before heading lower.



Chart 1

One of the best trades in the DAX futures markets is made after the first 30 minutes of the German cash market. The DAX futures begin trading at 1:00am CT, but the cash market does not open until 2:00am CT. Though we must look at the global markets for confirmation, trading off of this range will normally pay 5 to 10 DAX points. Chart 2 shows this opening range with the DAX in sync with the global markets. The DAX is worth €25 per points and trades in 0.5 point increments. Its opening range (first 30 minutes of the cash market) is from 7608.00 to 7589.00. Selling the DAX futures 5 points below the bar (or buying it 5 points above the bar if the market went higher) would get you short at 7584.00. If looking for 10 points on the trade, a buy limit at 7574.00 got filled shortly after entry. 10 points on the DAX is €250.00. If converting to U.S. dollars, this would be about \$361 per contract.



Chart 2

Most European news is announced between 3:00am and 4:00am CT. Waking up at 2:00am CT everyday can get tiring, but 4:00am CT may be a little more amiable to one's sleep habits. Since economic news is a market moving event, it may pay well to get up and see if the markets are moving off the European news. A listing of the global news can be seen at [www.forexfactory.com](http://www.forexfactory.com). Using the same technique as trading at 2:30am CT, the previous 30 minute bar prior to news can be used for the entry trigger.

Some may have noticed that I like to use a 30 minute bar. The 30 minute bar will take the "hash" marks out of the market. Remember, the Globex market moves very slowly and may only have a 0.50 range during a 30 minute time period. If looking at a 1 or 5 minute bar, the market may not trade during that time and all you will see is a "hash" mark on your chart. Keep the 30 minute bar and it show a larger range and take the noise out of the market.

Trading at night can try your patience if you are not used to watching a slow market. As the sun moves around the world, more volume and volatility pours into the market making it easier to get in and get out with a profit. As long as all the foreign markets are trading in one direction, the odds of making a good trade greatly increase as the DAX futures open. Follow the S&P and DAX trend; they will keep you on the right side of the market.

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