

# Making Money Trading the Market

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You can make a ton of money trading the market. Trading can be very short-term (one or two days), short-term (1 to 4 weeks) or longer. Trading one week or longer involves market timing. The key to making money is knowing when to buy, what instrument to trade in, and when to sell. This article will discuss all three, but focuses primarily on trading in a one to four week time frame.

***A 3 to 5 percent move in stocks can produce returns of 20 to 100 percent or more in the options markets.*** Trading options is best conducted using no more than a 4 week time frame because the time premium built into the price of options works against the price gain you are realizing from a move in the markets. ***When trading options, the key is when to get in, making sure when you get in when there is a 3 to 5 percent move coming, and when to get out before the trend (even a corrective counter move) occurs, which can eat up all your profits very fast.*** Trading options requires having access to terrific momentum measure indicators. The problem with Full Stochastic, RSI and MACD Momentum indicators is that they can stay overbought or oversold for a long time, and if you rely upon them for entry, you may be getting in far too soon. They do provide nice early warning background, a get “ready signal” for when to enter. ***However, you need a trigger indicator that won’t get faked out when a new trend that can be traded for profit is starting.***

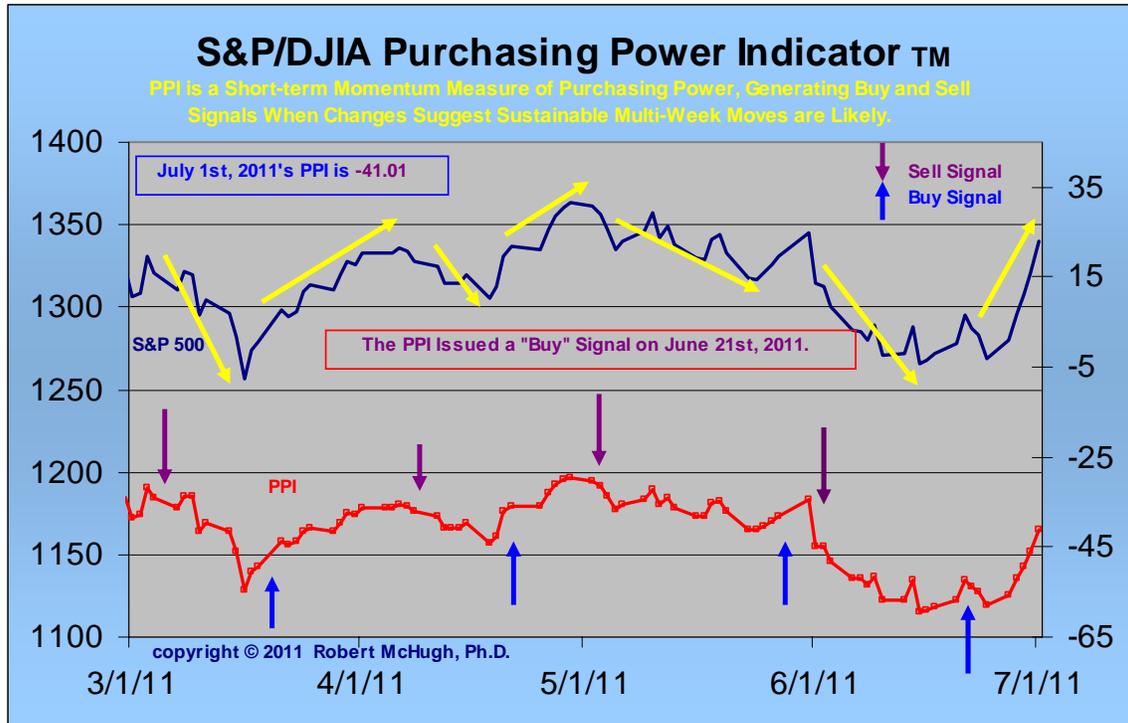
***We have found that the best indicator as a trigger to enter a trade is our own Purchasing Power Indicator. It has done a remarkable job identifying high probability 1 to 4 week trend turns that result in 3 to 5 percent moves, enough to make a nice profit on an options trade.*** This indicator is a stock market indicator we present to subscribers every night in our market newsletters at [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com) . While it is not perfect, it is very good. The following chart and tables show its performance since March 2009, when the current Bull Market started.

Since it triggered a new buy signal on June 21<sup>st</sup>, 2011, which appeared to many to come out of the blue, but this indicator is smart, a cold calculation of market internal data and momentum, since this buy signal on June 21<sup>st</sup>, the Industrials have risen 406 points, 3.3 percent. It saw this past week’s mega rally coming before pretty much everyone. All was doom and gloom when our PPI generated a new buy signal that proved prescient once again.

The beauty of short-term market timing trading is you get opportunities to make money during the impulsive stock market moves in the direction of the primary long-term trend, but also you get to play the better corrective counter-trend moves as well. ***You can make money whether stocks go up or down. Given the normal cycle of market moves, there***

could be as many as 20 or 30 moves of 3 to 5 percent per year! That is a lot of trading opportunity that buy and hold completely misses.

We also have another terrific stock trend turn indicator that is excellent at identifying tradable trend turns. It is call our *Secondary Trend Indicator*, which we present every night in our market forecasting newsletters. This indicator generated a new buy signal on June 17<sup>th</sup>, telling us the June 15<sup>th</sup> market low was going to stick. Since that buy signal, the Dow Industrials have risen 592 points, or 5.0 percent. These are the kinds of tools that market timing traders can use to make a lot of money!



**Performance of Our Purchasing Power Indicator Buy Signals from March 2009 through June 2011**

PPI Buy Signal Date	S&P 500 Closing Price	Date of Furthest Price Move In Direction of Signal	Furthest Extent Of Price Move	Price Gains	Percent Move

3/10/09	719.6	3/26/09	832.98	113.38	15.76%
4/2/09	834.38	4/17/09	875.63	41.25	4.94%
4/23/09	851.92	5/8/09	930.17	78.25	9.19%
5/18/09	909.71	6/11/09	956.23	46.52	5.11%
6/25/09	920.26	7/1/09	931.92	11.66	1.27%
7/13/09	901.05	8/7/09	1018	116.95	12.98%
8/21/09	1026.13	8/26/09	1039.47	13.34	1.30%
9/8/09	1025.39	9/23/09	1080.15	54.76	5.34%
10/6/09	1054.72	10/21/09	1101.36	46.64	4.42%
10/29/09	1066.11	10/30/09	1033.38	-32.73	-3.07%
11/5/09	1066.63	12/4/09	1119.13	52.5	4.92%
1/4/10	1132.99	1/19/10	1150.45	17.46	1.54%
2/16/10	1094.87	4/9/10	1194.66	99.79	9.11%
5/10/10	1159.73	5/13/10	1173.57	13.84	1.19%
5/27/10	1103.06	5/28/10	1102.59	-0.47	-0.04%
6/2/10	1098.38	6/3/10	1105.67	7.29	0.66%
6/10/10	1086.84	6/21/10	1131.23	44.39	4.08%
7/7/10	1060.27	7/13/10	1099.46	39.19	3.70%
7/22/10	1093.67	8/9/10	1129.24	35.57	3.25%
9/1/10	1080.29	10/25/10	1196.14	115.85	10.72%
11/2/10	1193.57	11/5/10	1227.08	33.51	2.81%
12/1/10	1206.07	1/27/11	1301.29	95.22	7.90%
2/1/11	1307.59	2/18/11	1344.07	36.48	2.79%
3/3/11	1330.97	3/4/11	1331.08	0.11	0.01%
3/21/11	1298.38	4/8/11	1339.46	41.08	3.16%
4/20/11	1330.46	5/2/11	1370.58	40.12	3.02%
5/31/11	1345.2	5/31/11	1345.2	0	0.00%
6/21/11	1295.52	7/1/11	1341.01	45.49	3.51%

**Rally Points From 3/9/09 to 12/31/10**

**Total 1207.44**

**S&P at 3/9/10**

**676.53**

**S&P at 7/1/11**

**1339.67**

**Rise in Index**

**Total 663.14**

**Conclusion:**

**PPI Signals Identified 182 % of the Up Points as the S&P 500 Rose**

**Performance of Our Purchasing Power Indicator Sell Signals  
from March 2009 through June 2011**

			Date of Furthest			
	PPI		Price	Furthest		
	Sell	S&P 500	Move In	Extent		
	Signal	Closing	Direction	Of Price	Price	Percent
	<u>Date</u>	<u>Price</u>	<u>of Signal</u>	<u>Move</u>	<u>Gains</u>	<u>Move</u>
	2/10/09	827.16	3/6/09	666.79	160.37	19.39%
	3/30/09	787.53	4/1/09	783.32	4.21	0.53%
	4/20/09	832.39	4/21/09	826.83	5.56	0.67%
	5/13/09	883.92	5/15/09	878.94	4.98	0.56%
	6/16/09	911.97	6/23/09	888.68	23.29	2.55%
	7/2/09	896.42	7/8/09	869.32	27.1	3.02%
	8/17/09	979.73	8/19/09	980.62	-0.89	-0.09%
	9/1/09	998.04	9/2/09	991.97	6.07	0.61%
	10/1/09	1029.85	10/2/09	1019.95	9.9	0.96%
	10/26/09	1066.95	10/28/09	1042.19	24.76	2.32%
	10/30/09	1036.19	11/2/09	1029.38	6.81	0.66%
	12/17/09	1096.07	12/18/09	1093.88	2.19	0.20%
	1/21/10	1116.48	2/5/10	1044.5	71.98	6.45%
	4/16/10	1192.13	5/6/10	1065.79	126.34	10.60%

5/14/10	1135.68	5/25/10	1040.78	94.9	<b>8.36%</b>
6/1/10	1070.71	6/2/10	1072.03	-1.32	<b>-0.12%</b>
6/4/10	1064.88	6/8/10	1042.17	22.71	<b>2.13%</b>
6/24/10	1073.69	7/1/10	1010.91	62.78	<b>5.85%</b>
7/16/10	1064.88	7/20/10	1056.88	8	<b>0.75%</b>
8/11/10	1089.47	8/27/10	1039.7	49.77	<b>4.57%</b>
10/19/10	1165.9	11/2/10	1187.86	-21.96	<b>-1.88%</b>
11/12/10	1199.21	11/29/10	1173.64	25.57	<b>2.13%</b>
1/28/11	1276.34	1/31/11	1276.5	-0.16	<b>-0.01%</b>
2/22/11	1315.44	2/24/11	1294.26	21.18	<b>1.61%</b>
3/10/11	1295.11	3/16/11	1249.05	46.06	<b>3.56%</b>
4/18/11	1305.14	4/19/11	1303.97	1.17	<b>0.09%</b>
5/5/11	1335.1	5/25/11	1311.8	23.3	<b>1.75%</b>
6/1/11	1314.55	6/16/11	1258.07	56.48	<b>4.30%</b>

**Decline Points From 2/10/09 to 10/29/10**

<b>Total</b>	<b>861.15</b>
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**Conclusion:**

**PPI Signals Caught Significant Price Moves**

Times are tough right now. Making money is important. Protecting money is important. Being aggressive with *a small budget* of funds you are willing to take a chance with, and trade, requires discipline and a willingness to lose money from time to time, but can be very beneficial.

We have a Platinum Trading Service at [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com) where we do the trading with our own money, in real time, that subscribers can follow along with, for either educational purposes, or for ideas to do their own market timing trading within 15 minutes of when we trade.

***A trader can make a lot of money without risking a lot of money. By buying Call or Put options long, our loss risk is limited to the amount of money we invest in the options.*** In our Platinum Trading Service, for the first 6 months of 2011 we limited risk to an average trade of ½ percent of our total portfolio capital, and were able to gain a return on that investment of 282 percent – in just the first six months of 2011. If you had \$25,000 of risk capital, that could have been turned into \$70,000 in six months using our Platinum Trading Service. That is a nice return with the only downside risk being ½ or one percent of one's portfolio. Past performance is no guarantee of future performance, but the point is, the Purchasing Power Indicator, used in connection with other momentum indicators we follow, resulted in terrific results with minimum risk.

If someone did not want to join our Platinum Trading Service, did not need the hand holding, they could simply use our Purchasing Power Indicator and other indicators of their own choosing to conduct trades themselves in either the options market, or another market which also presents terrific opportunities for market timing traders:

***The leveraged ETF market allows someone to enter a position with trading funds and enjoy a move that is two or even three times the move that the S&P 500, the Dow Industrials, or any other stock index one is playing moves without being in the options market where there is an expiration date.*** For simple educational purposes (I am not selling or recommending these ETFs, you must do your own due diligence) the following ETF's offer leveraging opportunities to play these three markets to decline:

***SDOW Ultra Pro Short Dow 30 Industrials (Leveraged Targets 300 % Daily Move)***  
***SPXU Ultra Pro Short S&P 500 (Leveraged Targets 300 % Daily Move)***  
***SQQQ Ultra Pro Short QQQ NASDAQ 100 (Leveraged Targets 300 % Daily Move)***

And, if you want to play these markets to rally, but want to see your investment move three times as the stock index moves, here are three ETFs to consider:

***UDOW Ultra Pro Dow 30 Industrials (Leveraged ETF Targeting 300% Daily Move)***  
***UPRO Ultra Pro S&P 500 3X (Leveraged ETF Targeting 300% of Daily Move)***

***TQQQ Ultra Pro QQQ NDX 100 3X (Leveraged ETF Targeting 300% of Daily Move)***

Not all trades are winners, but we have found that ***by limiting the amount invested, and using reliable (not perfect but right more than wrong) momentum trend turn indicators such as our Purchasing Power Indicator, the gains exceed the losses over time, and the net result of return on investment is pretty darned good.***

Successful trading not only takes discipline to wait for signal changes to enter, and discipline to limit the amount invested to an amount we can afford to lose, but it also requires knowing when to sell, to either take losses on a losing trade and get out, or when to take a profit on a winning trade. Exiting is in the eye of the beholder, depending upon the trader's risk appetite, experience, and financial position. We like to set a goal, and once that profit goal is achieved, to grab the money and run. You will never lose money taking profits. The temptation is always to get greedy, and stay in too long. This is where judgment, experience, and discipline help a lot. Are you happy with a 20 percent profit in an options trade? A 50 percent profit? Not many trades go to 100 percent, but some do. That decision requires a gut check. We like to sell at the sleep-at-night level. Certainly market conditions play a part, but the best read on a market can go sour fast with news events or a fast turn in market psychology. ***Some people like to enter when we get a new buy or sell signal in our Purchasing Power Indicator and then sell when certain reliable momentum indicators approach overbought or oversold in the direction of the trade.***

We offer you the option of calling your own shots at [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com) or plugging into our thoughts and following along with our Platinum Trading Service. The decision is up to you.

We cover a host of indicators and patterns, and present charts for most major markets in our International and U.S. Market reports, available to subscribers at [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com)

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***“Jesus said to them, “I am the bread of life; he who comes to Me shall not hunger, and he who believes in Me shall never thirst.  
For I have come down from heaven,  
For this is the will of My Father, that everyone who beholds the Son and believes in Him, may have eternal life;  
and I Myself will raise him up on the last day.”***

***John 6: 35, 38, 40***

Robert McHugh Ph.D. is President and CEO of Main Line Investors, Inc., a registered investment advisor in the Commonwealth of Pennsylvania, and can be reached at [www.technicalindicatorindex.com](http://www.technicalindicatorindex.com). The statements, opinions, buy and sell signals, and analyses presented in this newsletter are provided as a general information and education service only. Opinions, estimates, buy and sell signals, and probabilities expressed herein constitute the judgment of the author as of the date indicated and are subject to change without notice. Nothing contained in this newsletter is intended to be, nor shall it be construed as, investment advice, nor is it to be relied upon in making any investment or other decision. Prior to making any investment decision, you are advised to consult with your broker, investment advisor or other appropriate tax or financial professional to determine the suitability of any investment. Neither Main Line Investors, Inc. nor Robert D. McHugh, Jr., Ph.D. Editor shall be responsible or have any liability for investment decisions based upon, or the results obtained from, the information provided. Copyright 2011, Main Line Investors, Inc. All Rights Reserved.