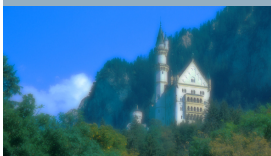


The Daytrader



THIS ISSUE

DAYTRADING

Daytrading offers the advantages of immediate gratification and being flat overnight. But, you need volatility to trade. No other market offers the bang-for-your-buck in daytrading like stock indices. To be successful here you need to be able to handle the three types of intraday market action. We cover one of those types here.

ALWAYS

OUR GOAL

is to help individual investors become better traders through logical chart analysis, rigorous testing of trading ideas and honest reporting of results.

One Component of a Successful Daytrade System

Handling Running Markets

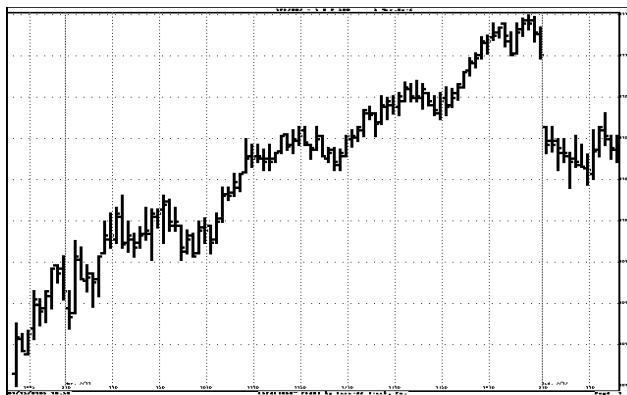
Running Markets are classified as a market that opens the day and almost immediately commences to trend. To capture profits in this market you must get on board the trend. But, don't get in too early - before a legitimate trend is established. You may get on board what you think is a strongly trending market, only to have it stop and go against you as either a reversal or choppy market. But how do you know?

Imagine a rocket ship launched from Cape Canaveral to the moon. It must use tremendous force to fight earth's gravitation. But, there is a **critical point** where the earth's gravitation stops pulling the spaceship down. At that point, the ship has an easy ride "to the moon." Where the gravitation stops acting on the ship is the "critical point".

What does this have to do with trading? Plenty. There is a "gravitational force" around the market's open of the day. Above the open, the force is sellers. Trying to push the market back down on

every advance. Below the open of the day, the force is buyers.

Once the market can overcome the force of these sellers or buyers, and get past the **Critical Point**, it has a much easier ride. Often because the former sellers and buyers must now cover their shorts or longs at a loss. Further propelling the market away from the open of the day.



Trading The Critical Point

So, you want to buy or sell the market once it gets past its Critical Point around the open. This type of trade is called an "opening range breakout". My father talked about this in his first series of books in the 1970's. Because the market is literally breaking out of the opening range of the day. And, hopefully "running to the moon"

How would you trade an OPENING RANGE BREAKOUT? Carefully. Get in too early, a false breakout will turn against you. Handing you a loss. Get in too late and you miss out on profits.

Open + 6 Daytrade System

Hypothetical Performance Results

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+++ — Run produced on 01/13/2005 by EXCALIBUR™ v1.20 Futures Truth, Co. ©1989-2000 +++
+++                                     *** SUMMARY REPORT ***                                     +++
+++ S & P 500      using      5-Minute Bar Data      Tested Jan.  1, 1996 thru June 30, 2004 +++
+++   Program Open+6                                     elapsed time 1:01:30 Avg. Margin   5750$   +++
+++   All figures are shown after deducting 100$ for Commissions and Slippage.           +++
+++ -----
<SP
      Total Net P/L           123550$      Test  8.50 years or 2139 trading days
      %Winning Months         58%          Avg. Net/Year           14535$
      Maximum DrawDown       34100$      Avg. %Ret. MaxDD/Year   36%
      Best Trade              19150$      Avg. %Ret. with Time    171%
      Average Trade           87$         or .43 ratio, on 05/19/2004
      Average Win             2389$      Worst Trade             -2475$
      Long Net P/L           36525$      Net Prof:Loss Ratio     1.1
                                    Average Loss             -834$
                                    Short Net P/L           87025$

      # of Trades             1421      Avg. Trades/Year        167
      # of Winning Trade      406      Percent Winners         28.6%
      # of Losing Trades      1015     Most Cons. Losses       21
      Avg. Days Per Trade     .3       Longest Flat Time       735 days
  
```

One method:

Buy the S&P market at the open of the day plus 6 points. And sell at open minus 6 points.

In the chart on the previous page, the OPEN = 1095.50. Buying at the open plus 6 points got you in at 1101.5. You could have ridden this trade ALL day and come out on the close at 1110. For a profit of 8 1/2 points or \$2,125 before commission and slippage.

In the table above is the performance of our simple 6 point opening range breakout system. A three point stop loss is used on all trades. Not bad results. It's average win of \$2,389 is almost 3 times the average loss of \$ 834.

Point Based vs Volatility Based Systems

The system we have thus far is what I call a "point based" system. Meaning the signals are generated by using specific points or numbers. Numbers that never change.

The inherent weakness of a strict point based mechanical systems is their lack of adaptability to changing market conditions. What is needed is a system that **RESPONDS QUICKLY** to changes in market conditions.

What does this mean?: This means that the critical points CHANGE EVERYDAY. So you NEED a trading method which changes everyday to adapt to CURRENT market conditions.

In the "Opening Range Breakout System", we said for example, to buy at the open plus 6 points. This constant parameter will not be accurate in ALL markets for ALL time. So, what about using some measure of current market conditions.

Say, buy and sell at the open of the day plus and minus 50% of Yesterday's range.

Please go to www.stafforddaytrading.com to download this entire article. It is on page 3 - "Free Downloads" and is labelled "Opening Range Breakout S&P Daytrade System"

Lundy Stafford Hill is son of *Futures Truth* founder John R. Hill. He is principal of Stafford Trading Co. His "V-Based" daytrade system has shown 8 consecutive profitable years in a row since release. To contact: 800-270-1362, lundish@aol.com. Or visit www.stafforddaytrading.com, or www.staffordtrading.com

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+++ — Run produced on 01/13/2005 by EXCALIBUR™ v1.20 Futures Truth, Co. ©1989-2000 +++
+++                                     *** SUMMARY REPORT ***                                     +++
+++ S & P 500      using      5-Minute Bar Data   Tested Jan.  1, 1996 thru June 30, 2004 +++
+++ Program Open+50%                                     elapsed time 1:01:30 Avg. Margin   5750$   +++
+++ All figures are shown after deducting 100$ for Commissions and Slippage.           +++
+++ -----
<SP
Total Net P/L          150788$      Test  8.50 years or 2139 trading days
%Winning Months        59%          Avg. Net/Year          17740$
Maximum DrawDown      38225$      Avg. %Ret. MaxDD/Year  40%
Average Trade          124$        Avg. %Ret. with Time   199%
Average Win            1926$      or .46 ratio, on 12/04/2000
Long Net P/L          97738$      Net Prof:Loss Ratio    1.2
Short Net P/L          53050$      Average Loss           -819$
# of Trades            1213      Avg. Trades/Year       143
# of Winning Trade     417        Percent Winners        34.4%
# of Losing Trades     796        Most Cons. Losses     14
%Time in the Market   20%        Sharpe Ratio           .25

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Hypothetical Results of our 50% Opening Range Breakout Daytrade System.

Shown above are the performance numbers generated by buying and selling at the open of the day plus and minus 50% of yesterday's range.

Better profits. Slightly higher maximum drawdown. The average trade goes up to \$124. This is not a problem. In a daytrade system, you are looking to make many, many trades. If you have a positive expectancy on those trades, you should come out ahead. Not bad. Can we improve this even more?

Price Trend Indicator

Look at any daily stock index chart and you will notice that the market moves in 3 to 5 day cycles: up, down or sideways. It never moves in a straight line for very long. As a daytrader, we are trying to maximize our profits. To do this, we want to correctly read the cycles. At cycle lows, the market could be ready to move up for 3 to 5 days. At cycle highs, the market could move down for 3 to 5 days.

What if after the market had 3 to 5 days down, we made it easier to buy because we are expecting an upmove. For instance, we buy at the open plus 3 points instead of 6.

We still sell at the open - 6 points. After the market has had 3 to 5 days up, we sell short at the open minus 3 points instead of 6 because we are expecting a downmove. We still buy at the open plus 6 point.

You need an exact mathematical formula to determine these overbought and oversold conditions. All the day-trade systems by *Stafford Trading Co.* employ the "*price trend indicator*". Developed by John Hill in the early 90's, the *price trend indicator* is your guide to maximizing profits by determining overbought / oversold conditions.

Time of Day

Another consideration is when to trade. Studies show there to be a time-of-day when these volatility breakouts off the open work exceptionally well. If you limit your trading to just these times, you may dramatically improve the odds in your favor. As professional gamblers know, you only want to play the game when the odds are in your favor. That's what we try to do here. Find the highest probability trades through intense historical backtesting. Then only trade when we have an advantage. This is how we came up with our "*20 Minute-a-Day Daytrader*"

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+++ — Run produced on 06/18/2004 by EXCALIBUR™ v1.20 Futures Truth, Co. ©1989-2000 +++
+++                                     *** Hypothetical SUMMARY REPORT ***                                     +++
+++ S & P 500      using      5-Minute Bar Data      Tested June 1, 1992 thru Feb. 29, 2004 +++
+++ Program S171T-ft15                                     elapsed time 1:01:30 Avg. Margin 5750$ +++
+++ All figures are shown after deducting 100$ for Commissions and Slippage. +++
+++ _____

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<SP		Test 11.75 years or 2961 trading days	
Total Net P/L	125500\$	Avg. Net/Year	10681\$
9111 Avg. Trade	91\$	Pessimistic Return	1.41
Optimal f	.18	Geometric Mean	1.0083
%Winning Months	54%	Avg. %Ret. MaxDD/Year	59%
		Avg. %Ret. with Time	578%
Maximum Drawdown	12225\$	or .87 ratio, on 11/06/2003	
Max DrawDn w/OTE	12225\$	or .87 ratio, on 11/06/2003	
Best Trade	14025\$	Worst Trade	-1975\$
Average Trade	207\$	Net Prof:Loss Ratio	1.4
Average Win	1863\$	Average Loss	-743\$
Long Net P/L	91713\$	Short Net P/L	33788\$
# of Trades	606	Avg. Trades/Year	52
# of Winning Trade	221	Percent Winners	36.5%
# of Losing Trades	385	Most Cons. Losses	10
Avg. Days Per Trade	.5	Longest Flat Time	1082 days
%Time in the Market	10%	Sharpe Ratio	.25

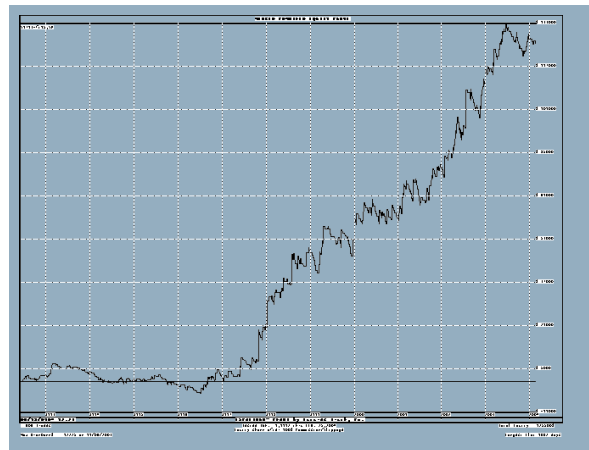
Hypothetical Performance Results of the "20 Minutes-a-Day" Daytrade System.

The "6 Point" opening range breakout system showed a profit to drawdown ratio of 3.6:1. The "50% Breakout" system increased this to 3.9:1. The "FT 20 Minutes-a-Day" system improved the results dramatically. This system shows a profit to drawdown ratio of 10 : 1.

So, the conclusion is to daytrade you should

1. Use an opening range breakout methodology
2. Watch overbought / oversold condition of the market.
3. Capitalize on the right time of day to trade.

All of these are part of our "FT 20 Minute-a-Day" day-trade system. The system usually sells for \$295. Order by March 14th, 2005 and **SAVE \$50**. Only \$245 for the secure ebook before 3/14/05. Our valuable money management ebook is also included. REMEMBER, if you decide to upgrade to our "V-Based" system, we will apply your purchase price towards that system. You can download more information on these systems right on our new website: www.stafforddaytrading.com.



Hypothetical Equity Curve of the "20 Minutes-a-Day" Daytrade System.

Lundy Stafford Hill is son of *Futures Truth* founder **John R. Hill**. He is principal of Stafford Trading Co. His "V-Based" day-trade system has shown 8 consecutive profitable years in a row since release. To contact: 800-270-1362, lundish@aol.com. www.staffordtrading.com