YOUR TRADING solutions

3 Steps To Mastery

The Big Money Game

FX Trading

11 Things They Didn't Tell Me About Being a Trader

Market Update
Matthew Sharratt

Sell in May and Go Away...or...Buy in May and Make Hay

Trading skills can be one of the most difficult skills to acquire, yet how many traders take on a coach to help them with their trading? If we were to talk about any sporting endeavour which you wanted to achieve your best in then you would hardly think twice about taking on someone to help make it work for us, but trading, no, that seems to be different. Of course trading coaches may not be cheap, but in most cases they are a lot cheaper than the losses which many make in the markets.

A quote by Derek Bok sums it up nicely **"If you think education is expensive, try ignorance".**

It is not difficult to make money in the markets, but there are many things you need to learn and you also may need to "unlearn". It is learning to do what you learn intellectually, that ultimately proves so difficult. Knowing what you should do is not enough. That is where the coach comes in to help you not only to know what you should do, but actually do it.

A large number of losses exist through not following a profitable trading system and this is where the coach comes in to find out what is stopping you working in your own best interest.
Your coach will give you methods to follow to help strengthen your internal discipline and continues to work with you until it works for you. That is when the fees charged will be dwarfed in comparison with the money you can make from the markets.
Winners go for what they need. **If you think there is scope for improvement in your trading then you should do something about it. The first step is to decide that you are going to be a winner, and then just do it.**

Become the Best Trader You Can Be!

When would now be a good time become a successful trader and make massive profits from the market? Pick up the phone and CALL NOW on +61 400 482 653 or email me on graeme@yourtradingsolutions.com for more information on our transformational coaching. Graeme Pearson.

As Anthony Robbins says **"Never leave the scene of a decision without taking the first step"**

YOUR TRADING solutions

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FROM The Editors

Welcome to Issue 34 of the **Your Trading Solutions** eMagazine.

In this issue I have written an article titled "3 Steps To Mastery" I look at research into mastering a field. Gary Stone investigates the validity of a market phenomenon in "Sell in May and Go Away…or…Buy in May and Make Hay". Louise Bedford's article "11 Things They Didn't Tell Me About Being a Trader" explores some revelations in becoming a trader. In Van K. Tharp's article "The Big Money Game" he looks at what it takes to win the game. We would also like to welcome our new contributor Colin Simpson. Colin provides us with an article on "FX Trading".

We have our regular Market Update with Matthew Sharratt from SCM Equities and also an addition research article. Matt is offering all YTS eMagazine readers a full review of your portfolio and he will put a comprehensive investment plan together for you free of charge.

We hope you enjoy the current issue of the **Your Trading Solutions** eMagazine. If you have any comments or feedback, please direct them to: support@yourtradingsolutions.com

Your Trading Solutions is committed to assisting Traders to gain the right knowledge and to educate themselves to make informed decisions about financial matters.

All or love and best wishes to you for a continued happy and profitable 2012!

Graeme and Natalie Pearson

Note: Articles have been reprinted in the English language supplied

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31st May 2013

Markets Report for May 2013

Market Returns

S&P 500	+3.5%
XJO	-4.47%

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I am writing this month's market warp on 31st May with one day of trading left so my figures are not final but however we close what a month it has been.

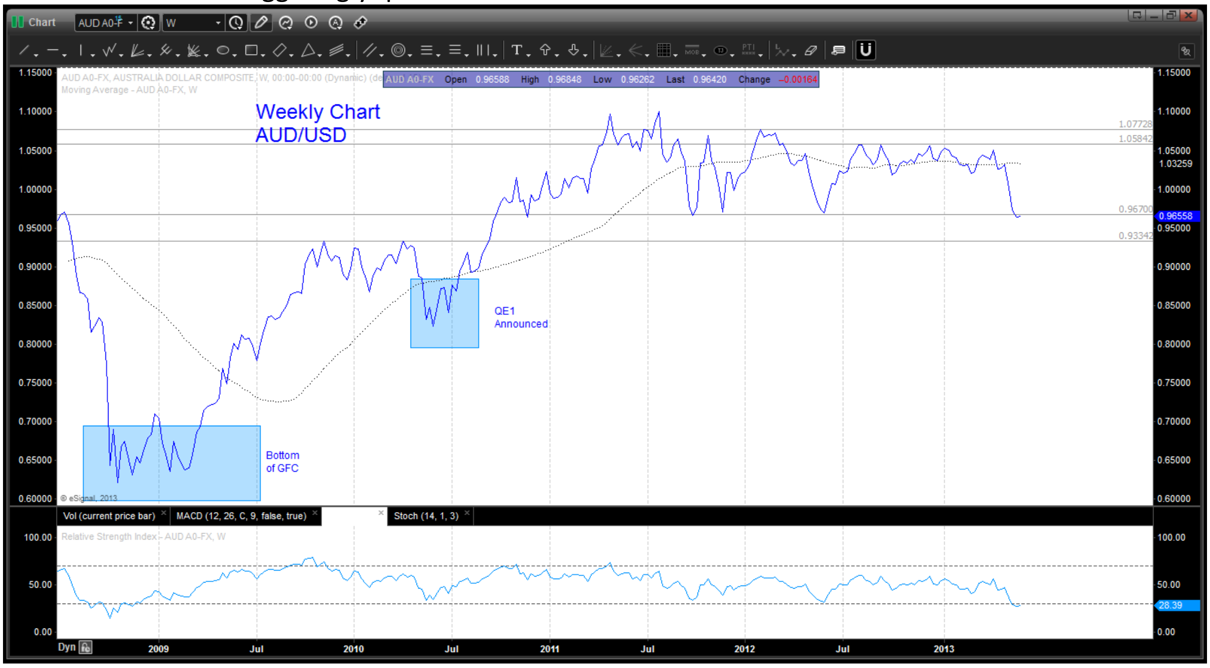
3 themes have dominated;

1. Fed tapering
2. Aussie dollar crashing
3. Aussie high yield (and US high yield) crashing

All 3 themes are very much connected and whilst the "Fed tapering" is arguably the biggest story, from an Australian centric view point the latter 2 will have had the biggest impact.

Australian Dollar

The Aussie Dollar fell 6.8% against the US Dollar, at the start of the month it opened @ 1.03650, as I am writing it is trading @ 0.96561. We have mentioned in previous reports our bearish view on AUD but this move was staggeringly quick.



Is the move over?

We think not, we wrote a note to client's mid-month suggesting a move to 0.93 was likely by September. If you want a copy of the report drop me a line.

Ultimately a weaker currency is a good for equities, especially exporters and companies earning in USD but we think the bigger story is "the rising US dollar". That is the multiyear trade you want to be in. Again this is another theme we have been recommending since 2010 and our conviction is even stronger now. We have a model US equity portfolio that is up over 20% YTD in USD terms, in AUD….add another 7%, having a basket of quality US equities makes sense right now.

Aussie Banks Take a Pounding

A falling Aussie dollar squizzed the currency carry trade to the point that foreign investors were forced to pull the pin on their high yield investments in Australia. As attractive as a 6% yield is, losing 7% on the currency move was not. As a result we saw the Australian financial sector get slammed over 8% in May.

We highlighted last month the disparity between financials and the rest of the market but just like the currency move we were surprised at the velocity of the decline. Granted 3 of the big four banks went ex div in May but the Aussie Dollar falling was what really moved our financials.

Technically we are a concerned that the XFJ has put in a monthly outside reversal, this may mean the move is not yet over however if yield is your primary aim this decline should be seen as a buying opportunity.

Our head of Australian research put out a great paper on the Aussie bank this week; I have asked the guys at Your Trading Solutions to include it in this month's magazine, defiantly worth a read.

Have a great month.

About SCM Equities

SCM Equities are specialist in Australian and International equity markets; they are specialists in Integrated Portfolio Management and running Individual Managed Portfolio's for their clients and provide comprehensive economic and company specific research and recommendations. As a special offer for Your Trading Solutions subscriber, if you mention you are from YTS, you will get 3 months free access to their model investment portfolios in Australia and US.

Contact Matthew Sharratt for further information.

Regards

Matthew Sharratt
Head of Global Markets

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QUOTES To Inspire

"The definition of insanity is "Doing what you have always done and expecting a different result."

~ Albert Einstein

" The only way you get a real education in the market is to invest cash, track your trade, and study your mistakes…"

~ Jesse Livermore

"The first requisite for success is the ability to apply your physical and mental energies to one problem incessantly without growing weary."

~Thomas Edison

"The winners in life think constantly in terms of I can, I will, and I am. Losers, on the other hand, concentrate their waking thoughts on what they should have or would have done, or what they can't do."

~ Dennis Waitley

" When you have total intention to create something

- that is you deeply desire it,

you completely believe that you can do it,

and you are totally willing to have it

- it simply cannot fail to manifest,

and usually within a very short time.

~ Shakti Gawain: Creative Visualization

3 Steps To Mastery

By Graeme Pearson

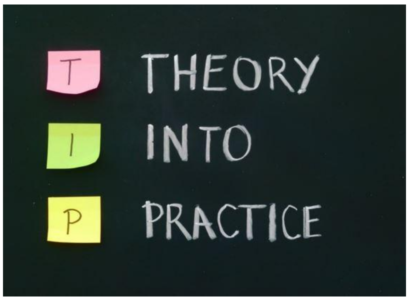
Knowledge of great performance has improved quite a bit over the last couple of decades. More and more research is coming to the conclusion that top-level performance has very little to do with natural born talents or amazing mental prowess. Three things which don't appear to drive great performance, going against common opinion, are experience, specific inborn abilities, and general abilities such as intelligence and memory.

In essence what mastery boils down to is good old fashioned hard work. It is not just hard work alone but a particular type of hard work and that can be dependent on the field or endeavour that you are pursuing.

There is a magic number of 10,000 hours which leads to mastery. This was popularised by Malcolm Gladwell in his book "Outliers". This book drew on research and study carried out by Anders Ericsson. In his book Gladwell explains that reaching the 10,000-Hour Rule, which he considers the key to success in any field, is simply a matter of practicing a specific task that can be accomplished with 20 hours of work a week for 10 years.

One of the key parts of that practice is that it is deliberate. If it just required 10,000 hours of just turning up there would be a myriad of successful people in all fields. Deliberate practice requires focus and concentration. This usually makes it mentally taxing and the upper limits across many disciplines tend to be approximately 4 hours a day.

This deliberate practice is constantly trying to do the things they cannot do. When most people practice, they focus on what they already know they can do. It's all about pushing ourselves beyond what we can currently do.



Deliberate practice can involve recording your actions and then reviewing them. Another method is studying actions of existing masters or working through specific case studies or examples. Other important approaches of deliberate practice are improving the underlying cognitive skills you already have. Actively work on learning more about your field and how to use what you learn when you are in situations that are unpredictable.

For trading deliberate practice would be carrying out back testing of your trading plan or placing trades on a demo account. Some trading software allows you to play back historical data at faster rates. You can play back times when major moves happened in the markets and you can hone your skills on how you respond to those situations.

Some steps which can help your deliberate practice are thinking about the before, during and after aspects of your practice. Before – where you focus on setting your goals and make a specific plan for getting there. During – this is where you focus on what you are doing. After – practice is pointless without feedback. Decide how you are going to adapt your actions for next time.

Feedback is a very important feature. In sports you can usually see the results of your efforts, but in many other areas, feedback from a teacher, coach, or mentor is vital.

So 10,000 hours may sound like a lot to many people but this is the difference between making trading, or any endeavour, your business or it remaining a hobby. Hobbies cost money businesses generate money. In many cases the path to mastery is actually greater than the 10,000 hours as the path is not directed.

I don't think there is any way of short cutting the 10,000 hours to mastery but there are three steps to ensure that remain on the shortest and quickest path.

Find Yourself a Mentor

Gladwell continuously reminds the reader that genius is not the only or even the most important thing when determining a person's success. Using an anecdote to illustrate his claim, he discusses the story of Christopher Langan, a man who ended up owning a horse farm in rural Missouri despite having an IQ of 195 (Gladwell claims that Einstein's was 150). Gladwell points out that Langan has not reached a high level of success because of the environment he grew up in. With no one in Langan's life and nothing in his background to help him take advantage of his exceptional gifts, he had to find success by himself. "No one—not rock stars, not professional athletes, not software billionaires, and not even geniuses—ever makes it alone," writes Gladwell..

As discussed previously feedback is a critical aspect of mastery and unless you are very skilled at being present it is very hard to take a good hard look at yourself objectively. We all have our own model of the world and because the filters this creates any self coaching can result in self reinforcing delusion where we can't see past our own *stuff.*

A key part of deliberate practice is stretching beyond your current capability which is where a mentor plays an important part. Firstly directing you towards what skills you may need and secondly creating accountability. We tend to stretch further when pushed by others rather than when left to our own devices.

Associate With Experts

This can be done many different ways but probably the most powerful and effective is through mastermind groups. This also reinforces Gladwell's statement that "No one ever makes it alone".

Another way is to join associations such as the Australian Technical Analysts Association to surround yourself with like minded people.

Reading books or articles written by experts in the field can also be useful but probably less effective than personal contact. Just being a subscriber to this e-magazine is a good start.

Put In The Work

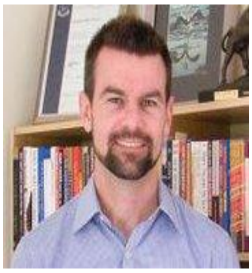
This is where the rubber hits the road. You need to take action and if you have done the steps above you will be able to take focussed directed action rather than wandering through the wilderness.

Many people get lured into get rich quick schemes or apparent ease through which money can be earned via trading but the hard facts are that it takes time and perseverance. Just like any vocation there is an apprenticeship phase to firstly become proficient at the skills required. It is then a step up again to reach trading mastery.

Work out your plan of deliberate practice and then start practicing. With the potential of 10,000 hours ahead of you when would *now* be a good time start.

In today's society of instant gratification the steps above may seem out of the question but there are no short cuts. If you follow the steps and do the deliberate practice work you can become an overnight success-10 years in the making.

If you would like more information on deliberate practice for trading mastery or help in getting accountability to complete your deliberate practice then contact me at graeme@yourtradingsolutions.com to help you become the best trader you can be.



About the Author: Graeme Pearson is a Professional Trader and Trading Coach for Your Trading Solutions. Since resigning from his Full-time job as a Mechanical Engineer back in 2006, Graeme realised that although he had reached his goal of financial independence something was still missing. Graeme found that he gained great pleasure in helping others and particularly when that help involved trading. Graeme now utilises his trading experience, Neuro Linguistic Programming and coaching training to combine mindset and methodology to help other traders become the best they can be. For more information about coaching contact Graeme at: graeme@yourtradingsolutions.com

11 Things They Didn't Tell Me About Being a Trader

By Louise Bedford

1. When you're a full-time trader, filling in your day with non-trading activities so that you don't tinker with your plan is harder than you'd think.

2. Finding other traders who understand where you're at is critical to your success.

3. Handling the profits can be just as hard as handling the losses.

4. Over time you begin to become unemployable. Eventually you won't want any other job.

5. Trading with your back to the wall out of desperation usually doesn't work. You have to be at peace within yourself to learn the lessons the market is trying to teach you.

6. Trading Plan + Time + Support = Trading Success.

7. Sometimes non-traders will irritate the beegeebeez out of you because they'll think you're a gambler, unemployed, irresponsible or a stuck up mole with too much money. Luckily, you and I know that trading is a noble profession where we live by our wits and get paid in direct proportion to our levels of discipline.

8. Your relatives won't respect or understand what you do, but when there's a crisis that money can fix – you'll be the first person they run to.

9. You'll need to find a deeper meaning in your life than just earning money.

10. The extra face to face time you spend with your family and the people you CHOOSE to be with is the most incredible gift trading can provide.

11. The choices that this way of life opens up simply can't be understood by the outside world.

If you feel that there are some areas you need to improve with your trading and your mindset, grab my free newsletter and free 5-part e-course from www.tradinggame.com.au. I'd love to be by your side as you progress on your trading journey.

Louise Bedford (www.tradingsecrets.com.au) is a full-time private trader and author of *The Secret of Writing Options, The Secret of Candlestick Charting* and *Trading Secrets.*

Sell in May and Go Away...or...Buy in May and Make Hay

by Gary Stone

My attention was drawn to an article in The Age (also published in other Fairfax newspapers) on 23 April, entitled "Time to let go: selling in May could be a winning strategy" written by ATAA member Alan Clement. The "Sell in May and Go Away" subject comes up around this time of every year with market commentators putting different spins on the old adage, some for and some against, so I thought that I would try and put it to rest once and for all.

Alan's article looked at historical data on the S&P500 going back to 1998. 13 of the 15 years span a secular bear market. I decided to run some research that went back to 1950 and then back to 1928 which includes multiple secular bull and bear markets to determine whether the "Sell in May and Go Away" strategy had an edge or not and, if so, how good an edge.

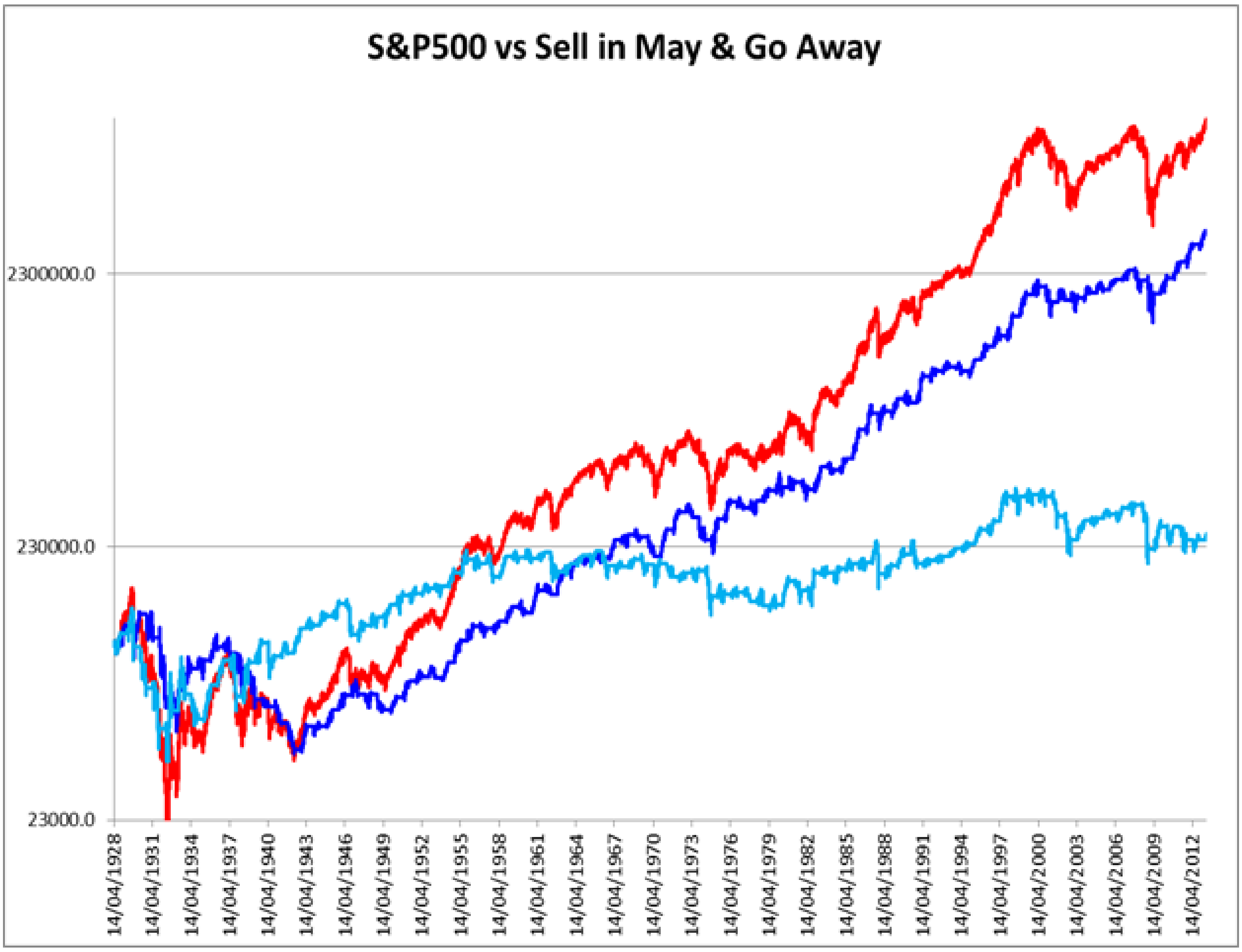
The basic rules of the strategy that I researched were to buy in the last week of October or the first week of November, depending on which was the closest Monday to the end of October, and to Sell on the last Friday of April. I chose the last week of October, as opposed to earlier in October, to avoid or minimise the effect of the big falls of 2008, 1987 and 1929 – yes hindsight bias. When buying at the end of October each year, the same amount of capital that was divested in April was re-invested in October later that year.

The theory is that one will avoid the so-called notorious market periods from May to October in the North American and European summers when people supposedly go away on holiday and hence reduce your exposure or exit the market, and that one will engage the market during the so-called Christmas and New Year rallies from November to April when people are supposed to feel positive.

Many market commentators investigate this "Sell in May and Go Away" phenomenon by measuring the market performance in individual months and then average them, or use some other statistics, to determine whether this phenomenon is actually true of not.

My view is that this is best done by using an equity curve that emulates having managed a portfolio that bought and sold the index over a large sample of years to capture as many different market conditions as possible. Then compare this portfolio equity curve to that of 'buying and holding' the index and to doing the opposite, i.e. buying in May and selling in October of each year.

The red line in the chart below is a log chart of the S&P500 from April 1928 to May 2013. The navy blue line is the equity curve of “Sell in May and Go Away” until the end of October each year. The light blue line is the equity curve of “Buy in May and Make Hay” until the end of October each year.



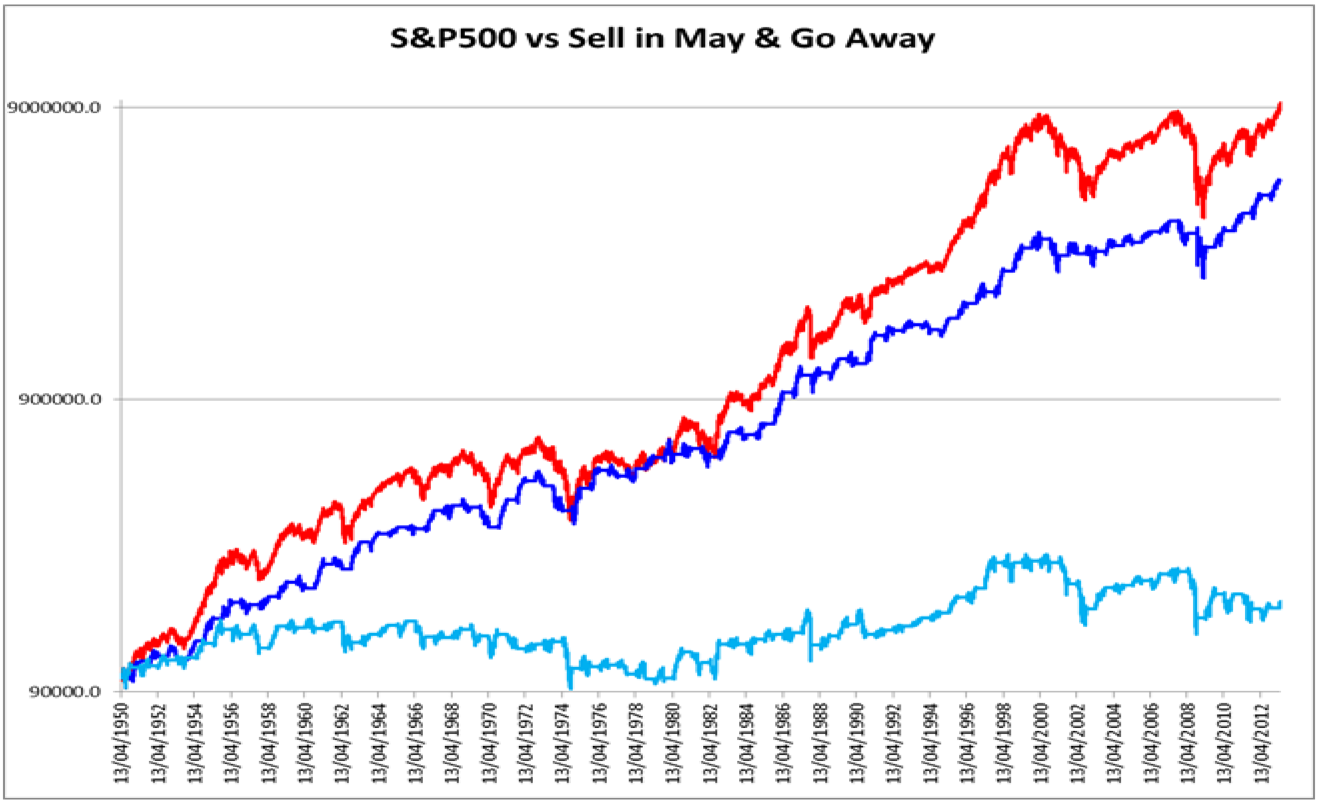
It is obvious from the above equity curves that over the entire period since 1928 “Sell in May and Go Away” performed better than “Buy in May and Make Hay”, however still did not match or outperform buying and holding the index.

The log graph belies the final difference between the index and the “Sell in May and Go Away” portfolio value. The index grew from $100,000 to $8,472,916 at 5.36% compounded per annum (CAGR) whilst “Sell in May and Go Away” grew to less than half at $3,281,952 which is 4.19% CAGR. “Buy in May” did not make hay growing only to $257,959 at 1.19% CAGR.

Maximum drawdown’s were not that different: -86.45% on 1/06/1932 for the S&P500 index, -69.74% on 28/04/1942 for the “Sell in May and Go Away” strategy and -72.65% on 1/06/1932 for the “Buy in May and (don’t) Make Hay” strategy.

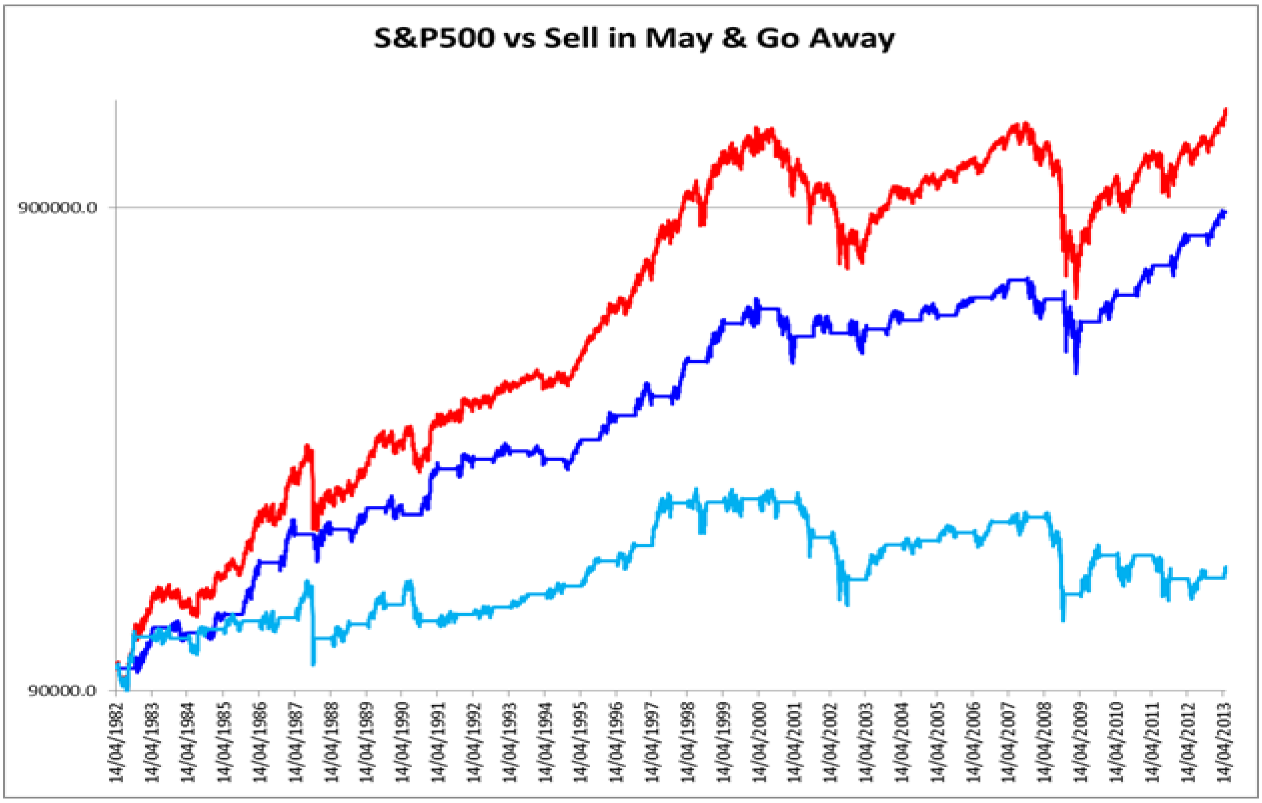
However, note that “Buy in May and Make Hay” matched and then outperformed both the other equity curves until the early 1950′s. If market commentators where conducting this same debate back in 1952 they would probably have concluded that “Buy in May and Make Hay” was a better strategy than “Sell in May and Go Away”!

The next chart analyses the period from April 1950 to current.



Again "Sell in May and Go Away" outperforms the buy in May timing and again does not outperform buying and holding the index.

The next chart zooms in to the period from April 1982 to current, a period of 31 years, with a similar outcome.

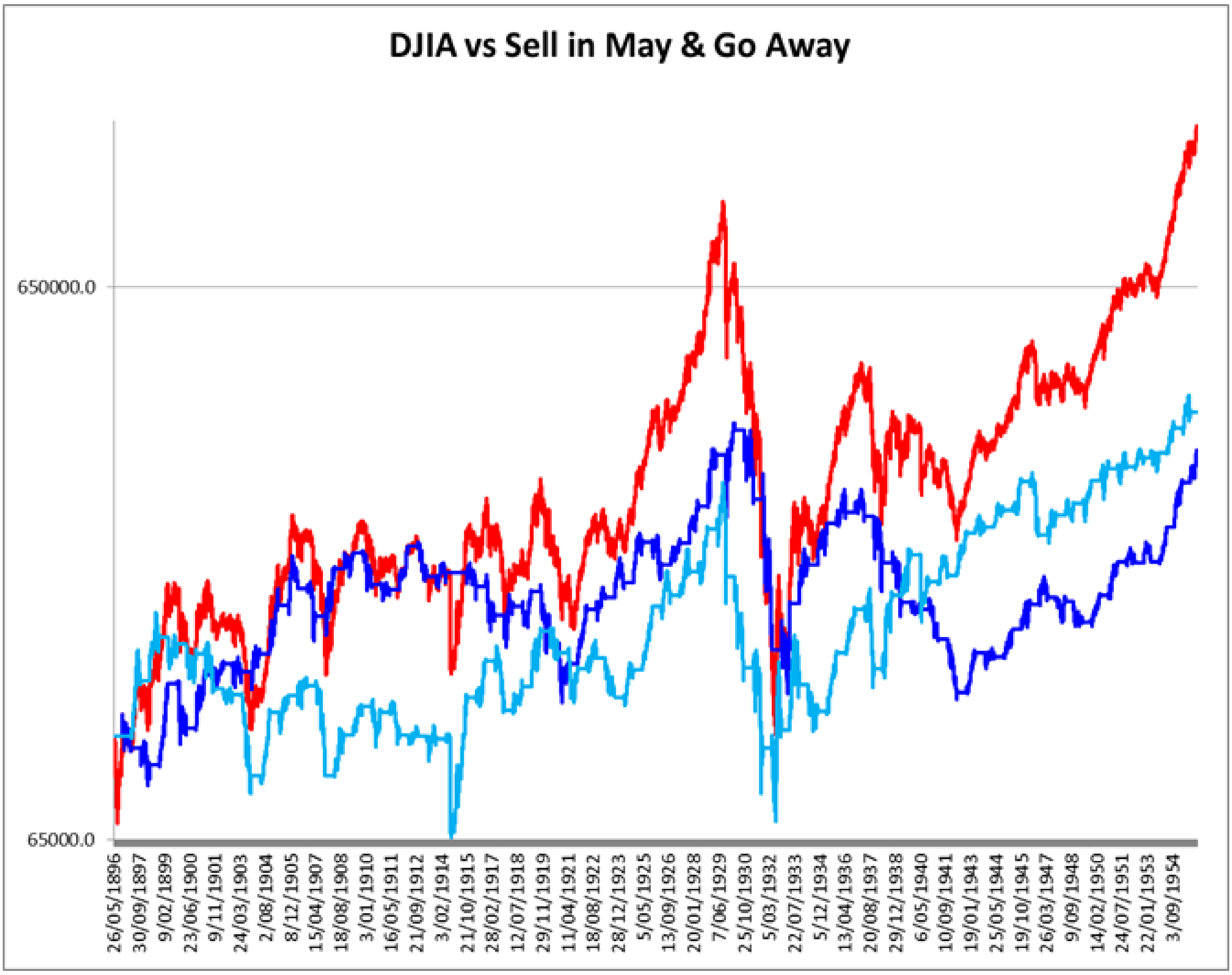


The statistics are even more convincing for this last period. The respective CAGR's for the S&P500, "Sell in May and Go Away" and buy in May and not make hay were 8.96%, 7.25% and 1.57%. The shapes of the line graphs above show that the difference between the two timing strategies has become even more stark since 1997 and during the secular bear market since 2000.

From the above analysis it might be concluded that:

1. Both timings have an edge in that both are profitable. The survivor bias of an index alone should ensure this.
2. "Sell in May and Go Away" has a better edge than buying in May and selling late in October. This shows that the market does perform far better during the November – April timeframe than the May to October timeframe.
3. Neither timing strategy has an edge over merely buying and holding the index. However, buying and holding the index could not be done prior to 1992 (since the inception of ETFs).
4. The "Sell in May and Go Away" phenomenon only really started in the early to mid 1950's. Why is another subject altogether.

I decided to do a little more research to determine whether this post 1950 notion might carry any weight. Using data on the Dow Jones Industrial Average (DJIA) from May 1896 to April 1956 and using the same rules as used on the S&P500, the chart below resulted.



Over this 60 year period there is no evidence that the “Sell in May and Go Away” phenomenon was in effect in the market. In fact, “Buy in May and Make Hay” was the better strategy. Note how much better it performed than “Sell in May and Go Away” from 1932 to 1956 following a deeper drawdown during the 1929 crash.

One of the problems with trying to form a view from such analysis is that the sample of 85 years (=trades) may be too small to be sufficiently statistically significant and on which to base an investment strategy going forward from here.

Even though the phenomenon seems to have accelerated over the 12 or so years, which has been a secular bear market, there is no reason why the market psyche with respect to this phenomenon couldn’t return to that of the 60 period prior to 1956. Indeed, the other period that “Buy in May and Make Hay” did very poorly was during the 1965 to 1982 secular bear market (see the first chart above).

My parting points are these:

1. Anything can happen. It is far better to keep an open and neutral mind to the market at all times rather than have a LOLO (Lock On Lock Out) mindset. Rather expect and assume that anything can happen at any time.
2. People look for patterns. It’s inherent in all of us to look for reasons to explain why. Finding patterns that may reoccur is not a bad thing but putting too much energy, focus and weighting on any one pattern to the exclusion of all other information can be dangerous to one’s investment accounts.
3. People are convinced in small samples and by recent events. If we had two or three years in a row when the markets climbed strongly in May to October and fell sharply in October to April how would we collectively react? Is this possible? Of course, “anything can happen” so we should keep our minds open to the possibility rather than closing them based on a bias.
4. Trying to match the index is simply not good enough. As active investors we need to aim at outperforming the index by at least four compounded percentage points per annum.

Investors should use these points in devising their approaches to decision making in the market.

Gary Stone is the founding Director of Share Wealth Systems and leads the Research and Development Team. Trading and researching the markets since 1990, Gary is motivated by a conviction to help people do better. He has a strong belief that gaining knowledge in the market is not enough. “Investors need to be able to step into a set of repeatable and measurable processes that emanate from the market. Without a set of rigorous processes the probability of success is low”. A contributor to media outlets such as Sky Business News, ABC Radio, Your Trading Edge Magazine and the Australian Technical Analysis Association, Gary is regarded as a well-researched and credible market commentator.

DID You Know?

JB Hi-Fi Pty Ltd

JB Hi-Fi was established in Melbourne suburb of Keilor East by John Barbuto in 1974.

Barbuto sold the business in 1983 to Richard Bouris and David Rodd who expanded JB Hi-Fi into a chain of ten stores in Melbourne and Sydney turning over $150 million by 2000, when they sold the majority of their holding to private equity.

It was subsequently floated on the Australian Stock Exchange in October 2003.

As of 28 June 2012 the JB Hi-Fi listed 157 store locations across Australia and the company has thirteen stores open in New Zealand .

JB Hi-Fi has diversified its business from predominantly selling music CDs, and are now a major retailer for Plasma and LCD televisions, audio/visual, digital camera photography, portable audio, in-car entertainment, computer/video games, DVD & Blu-ray movies, gadgets and information technology.

As of 2012, JB Hi-Fi has diversified into other accessories, such as CB Radios, IP and fixed surveillance camera systems, musical instruments such as guitars, electronic keyboards, Ukeleles and guitars, and pro-dj equipment such as CD mixers, microphones and portable DJ P/A docking systems.

JB Hi-Fi was listed on the Australian stock market on 23 October 2003. JBH traded at an all time low of $1.98 on the 1st December 2003 and reached an all time high of $23.71 on the 26th November 2009.

http://en.wikipedia.org/wiki/Jb_hifi

The Big Money Game

by Van Tharp, Ph.D.

I've decided to write a series of articles on the Big Money Game. This is the game in which big money decides that the winners are those with the most money. You can play as well (because it helps big money play their game) and you might be considered a winner if you just accumulate the latest and best toys. Watch the ads on television and notice the smiling faces of those who have the latest and best toys.

The basic rules of the game are to: 1) capture the wealth of others; 2) prevent others from capturing your wealth; and 3) if necessary, form alliances to gain to control of your area of business, or even control governments— if that's the best way of getting what you want. For example, a few years back, the executives of Enron stayed in the White House and with Prince Charles in Buckingham Palace. Money becomes power and control and people think they are winners when they have it. They are not happier and often, they hurt others by playing the game. Nevertheless, the game becomes their main focus and everyone thinks it is important. To some, it is the American dream.

In order to win the money game, people have to determine the basic rule that wins (i.e., have the most money) and the rules by which the game is played. However, those rules are broken or sidestepped as much as possible by the players. The men who "made" America did things like corner a market; destroy all competition related to that market; buy off politicians; water down stock; etc., etc. While many of the practices of the "old days" are illegal now, big money players are always finding ways to bend the rules or just taking chances, knowing they won't get caught. If you are big enough and important enough, others in power will often overlook you breaking the rules.

So why am I writing this series of articles? First of all, I have been teaching the essence of games in Peak 202 for some time. And even if you haven't taken that workshop, most of you know that one alternative to the big money game is the freedom game. You become free, from a financial perspective, when your passive income (money that works for you) is greater than your monthly expenses. So, if your money expenses are $5,000 per month, and you have no passive income, then your freedom number is $5,000 per month.

I also believe that the consciousness of humanity is going up; and eventually, all of humanity will wake up, meaning we treat each other as one so that the whole world is "us." That's happening now. There is a direct correlation between your level of consciousness and your happiness. I've watched my level of happiness go up to the point where it is constantly around 75-80 (on a scale that goes from -35 to +85). And since I've become a oneness trainer, I've seen dramatic changes in my Super Traders as well. Most of those who have completed Super Trader I now have happiness scores that are consistently above 75 and I would consider some of them to be awake. Oneness now says that as of January 21st, there are over 350,000 awake people on the planet and I personally know around 150 awake people. Five years ago, I didn't know any.

In order for the planet to wake up, the big money game as we know it has to end. We can't have rich people keeping poor countries in debt, and leaders in those countries taking everything for themselves, including the food that others need to survive. As people begin to wake up, they see it is their duty not to play games that hurt others. I'm not talking socialism or something similar here; I'm talking about people's consciousness changing, and in turn, following sound spiritual principles. As this change in the game begins to happen, everything we now know will change.

Let me give you an example of how the game has been played and why it has to change. John Rockefeller formed the Standard Oil Trust in Ohio in 1882, which was basically a monopoly for petroleum. Standard controlled wells, refining and transportation. If you wanted light (kerosene) for your house, you paid the Standard Oil Trust; however, making sure that everyone could have light is certainly progress. When electricity was invented, however, more homes were able to turn on the lights. . Electricity could have been the end of the petroleum industry; and what difference would it have made to those who were already very rich?

Then, a new development came into play, as Henry Ford developed an automobile that everyone could afford. He thought that alcohol was much easier for most Americans to obtain than gasoline, and he wanted his first cars to run equally well on grain alcohol or gasoline. If the automobile industry moved towards alcohol, cars would have taken a different course and the greenhouse gas effect of the 20th century would have been at least mitigated (because alcohol is far less toxic to the environment).

What did Rockefeller do? He put his money behind the prohibition amendment. Do you really think that prohibition was adopted because a lot of people thought that others shouldn't drink? No, it was big money making sure that the petroleum industry continued to thrive, even as people switched from kerosene to electricity and automobile ownership became widespread. That's a prime example of how the game is played.

As people awaken, however, there will be a movement toward helping others, toward increased happiness, toward more abundance for all, more tolerance for all, and the cessation of violence toward others. Wars, another way the money game is played, will be a thing of the past. I wouldn't have thought that this was possible in my lifetime even two years ago, but based upon the changes I've personally seen, I now think it will happen. Perhaps I'm a just a crazy old man, but what if I'm right?

Anyway, I've been telling people we have been in a secular bear market since 2000, and that it could last 15-20 years. However, the fundamental conditions for much of the world are not sound at all. So, I think this bear market might just end with a collapse of the entire system. If it weren't for my involvement with oneness, I might be very depressed by this foresight, but I now believe that from the ashes of such a collapse, something wonderful will arise!

As a result, I am inspired to write a series of articles on famous people who have played the money game, and give you some of the rules they lived by.

First, we'll explore some famous people who dominated the economics of at least the United States. These people will include:

Name	**Commentary**
John Jacob Astor	Dominated the fur trade in the early US and ended up owning much of NY City.
Commodore Vanderbilt	Steamships and then railroads into New York.
Jay Gould	Owned much of the US railroad network.
John D. Rockefeller	Cornered the petroleum industry.
Henry Flagler	The mastermind behind Standard oil concepts who built up the state of Florida. Miami might not exist without him.
Mayer Amschel Rothschild	Father of the **Rothschild Dynasty.** While that dynasty was primarily in Europe, it also played a part in the United States. The Song from *Fiddler on the Roof* called, "If I Were a Rich Man," really in Yiddish is, "If I were a Rothschild."
Nathan Mayer Rothschild	Founder of the British branch of the Rothschild family banking dynasty.
August Belmont	An agent of the Rothschild House who got rich after the panic of 1837.
Andrew Carnegie	Cornered the steel industry.
J.P. Morgan	As an investment banker, controlled electricity, steel, and railroads in the US. He also helped finance the US through the panic of 1907. However, he may not have been one of the richest men because the Rothschild's indirectly owned much of his Empire.
Hettie Green	The Witch of Wall Street, one of the wealthiest, American women ever.
Russell Sage	Made his fortune loaning on stocks and bonds, and charging high interest rates so that people couldn't pay and get their stocks as a result. One of the richest Americans if not the richest in the world.
Paul Warberg Federal Reserve "father"	The Warberg family and the Federal Reserve definitely deserve a special mention. The US income tax and the Federal Reserve came to Americans like two twins. When the Fed was born, a movie cost 5 cents. Today, it is $15 -- that's the legacy of the Fed. And who has gotten rich on that inflationary trend?
Henry Ford	Made the car an essential that everyone could afford.
Bill Gates	Listed as one of the world's wealthiest men of all time. One of my Super Traders used to work closely with him, so I may defer the article on him to that person.
Warren Buffet	One of the top investors of all time and also one of the world's wealthiest men of all time.
The people listed above are typically thought of as American Heroes, but were they? On the other hand, it is probably worth talking about a few people who were real scoundrels as well…	
Lord Gregor McGregor	One of the great scoundrels of the early years who was never sent to jail.
Daniel Drew	Another real scoundrel who learned about watering down stock from watering down cattle.

John Perkins as an example of an "Economic Hit Man"	I plan to include a few examples from John Perkins book, *Confessions of an Economic Hit Man* in this section. It will provide excellent ideas about the rules of the big money game and why it must end for Oneness to be possible. And the "Hit Man" was just carrying out orders!
10 of the people above are listed among the 25 wealthiest people of all time, so it's a good selection. And McGregor and Drew are among the most scandalous.	

Incidentally, I now have framed autographs, usually on stocks certificates or bonds, of everyone on this list, except the founder of the Rothschild dynasty and Paul Warberg. I've been studying these people just to familiarize myself with my own collection. The documents and signatures will all be framed and on display in our offices by the end of 2013 in our Robber Barron's Hallway.

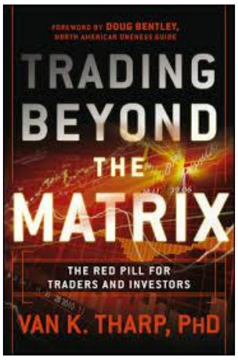
My plan is, the first part of this series will consist of a series of 15 articles (but perhaps more) on these famous people. I will probably read several articles and sometimes even a book on most of these people, but don't expect a detailed treatise on their lives. There are lots of myths and history has a way of promulgating them. It's very difficult for a casual reader to separate myth and fiction from what actually happened. The winners tend to make history, and history is just a series of beliefs (many not true) about what happened in the past. However, my primary purpose will be to show you some of the rules by which these people played the money game. As for that task, I believe I can do a good job.

By the way, while many of these people hurt a lot of others in their rise to power, modern civilization also would not exist without them. We all owe a debt of gratitude to these people for large buildings, various forms of transportation, modern finance, medicine, etc.

In this series of articles, I also want to cover some of the great panics and disasters that have occurred. Some of the one's that might be included are as follows:

Year	Description
1637	Tulip Mania Bubble
1720	The Mississippi Bubble
1796-7	Caused the Buttonwood agreement
1837	Panic of 1837
1857	Panic of 1857
1873	Initialed long depression
1893	Panic of 1893
1896	Panic of 1896
1901	Panic of 1901
1907	Panic of 1907
1929	Great Crash and Great Depression

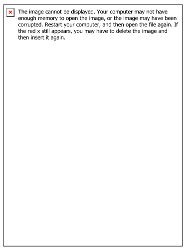
I plan to choose those I find the most interesting among this list to write about. I plan to write about at least five of them. I am thinking of including some modern ones such as 1973-4 oil embargo; 1980-1982, the Hunt Brothers Silver Corner, the Dot Com Bubble, Subprime Crisis, etc.



My overall goal in these articles will be to give you a great idea of the money game, how it's played, and how it may totally collapse in the future if we do see a significant increase in human consciousness. Although your world could change completely in the coming years, you'll understand how it will be for the better and that no one has to suffer in any way through those possible changes. To understand this concept better, read about level II transformation in my new book, **Trading Beyond the Matrix**.

Finally, I plan to devote some articles to different ideas about how the money game could be played. These ideas are harder to find because these people did not survive when others were using force to play. For example, American Indians were largely wiped out by those playing the big money game. Native Americans generally had no ideas of ownership and believed that it was the job of the tribe to ensure that everyone had enough to live. I find some of their ideas quite noble, and I plan to discuss them in this series.

At the conclusion of about 30 articles, I think I'll have a much better idea about how the big money game will change. I expect to spend the next few years working on this project.



About the Author: Trading coach, and author, Dr. Van K. Tharp is widely recognized for his best-selling books and his outstanding Peak Performance Home Study program—a highly regarded classic that is suitable for all levels of traders and investors. You can learn more about Van Tharp at www.vantharp.com.

FX Trading

By Colin Simpson

There is a misconception that the FX markets are the ones to turn to when Equities are not performing. Somehow the fact that FX trades 24/5 and has huge liquidity gives novices a feeling that there are instant riches to be had. Indeed the number of dubious spruikers out there flogging one day FX courses and giving testimonials from Mrs. Average Housewife who made a killing in the last month highlights the amount of interest in Foreign Exchange. Contracts for Difference known as CFD's have enabled FX to be traded in accounts with as little as a few thousand dollars. In years gone by FX was in the domain of the big banks and hedge funds due to the cost of the contracts.

So is FX trading different to Equities trading? Sure there are differences in tick sizes between the pairs, and there is no actual exchange where trading takes place, but I take the view that FX trading really is no different to trading equities. Whatever you trade it is essential to have a trading plan and a robust system combined with sound money management, and of course you have to have your head in the right space. It is also important to understand why you are trading. Some say it is to free up time by giving up the day job but then they spend the same amount of time on front of the computer day trading tick charts. It is possible to trade intraday without being glued to the screen, but end of day trading tends to suit most people. It is important to be aware of not trading for entertainment. Knowing when to be out of the market is just as (perhaps more so) important than knowing when to engage the market.

Just as in trading other markets, FX can be traded a number of ways. The two I want to look at are breakout trading and retracement trading. Breakout is probably the most popular trading method. This involves entering a long trade when price makes a new high (or for a short trade a new low), according to the parameters of your trading system. A stop is set at the level where you are happy to admit the trade is not doing what you thought it would, and you get out. Depending on your trading system, a profit target may or may not be used to exit with a given amount of profit. Once entered, just leave the trade alone. See the following chart. Your stop will take care of things if it go pear shaped and if all goes according to plan then eventually you will move your stop according to your system rules. It is very important to realize that there is no such thing as a perfect stop. There are a multitude of stop setting strategies, but what is absolutely essential is that you use a stop. A few years ago I had a client who thought that FX was different to equities and that he did not need to use a stop. He found out the hard way that stops are a good thing!

CHART 1 BREAKOUT TRADE.

The price closed below the support line, thus triggering a short breakout trade.

Retracement trading involves going long after a pullback in an uptrend according to your rules. Many traders will use candle patterns to identify opportunities, and the place a stop at the bottom of the retracement. It is more common with this type of trading to set a profit target.

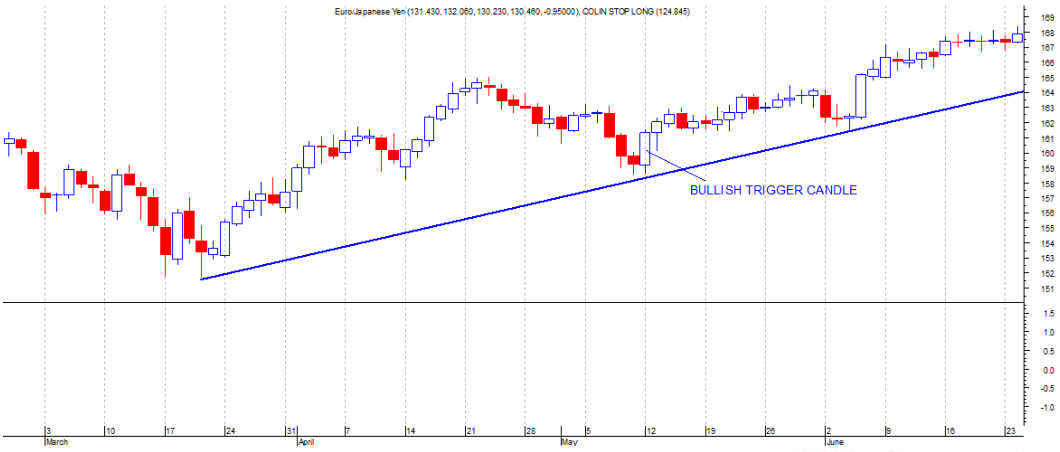


CHART 2 RETRACEMENT TRADE.

In this example we can see a pullback in the uptrend, followed by a big bullish candle. This would be the trigger to enter the trade.

It is important for both stops and profit targets to be 'live' in the market so that as soon as either is hit you are out. The 24 hour nature of FX trading means you do not want to wait until you wake up to activate your stop, as price may have plummeted below your level, meaning your loss is much greater than you originally intended. Similarly if your profit target is hit at 2:00am, you will be pretty unhappy if by 7:00am the price has dropped back to your entry, thus eroding all those profits.

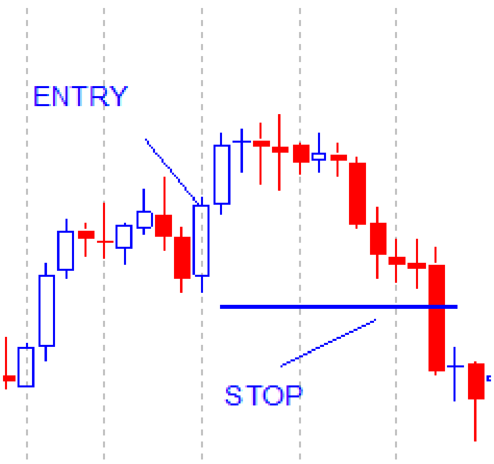


CHART 3 STOP.

A retracement trade was entered as shown, and then price faltered and ultimately retraced. If the stop was not automatically triggered at the line, the loss would be much greater.

From the first two charts it is apparent that FX charts are no different to charts of equities. All tradable instruments spend a lot of time going sideways, punctuated by periods of uptrends and downtrends. The one major difference with FX is we don’t find prices going to zero as occurred with Enron etc. As we can see from the monthly chart of AUD/JPY, prices have been in a range of 55 to 110 for more than 20 years. However within that range there have been many profitable trades.

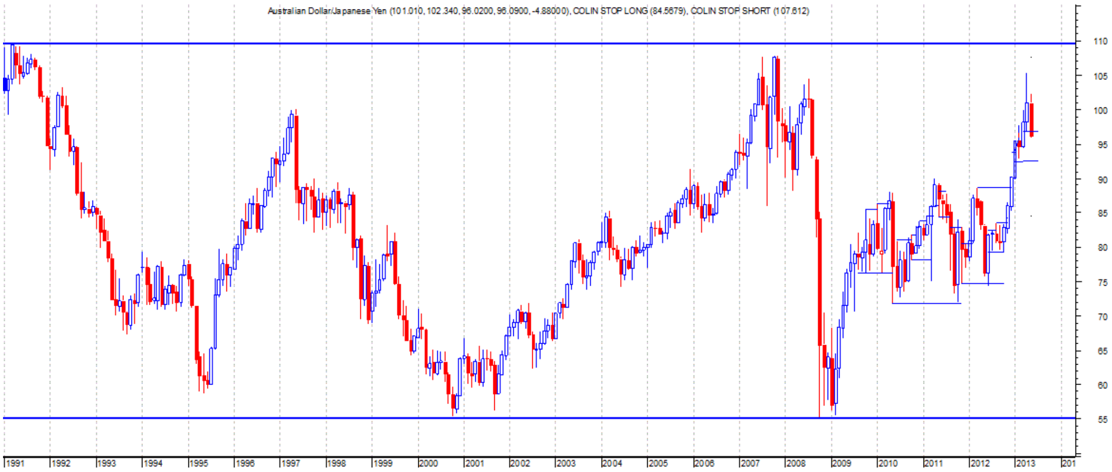


CHART 4 AUD/JPY MONTHLY.

In future articles I will look at both stops and money management in detail.

Colin Simpson has a background in farming and after completing Agricultural Science he began working as an Irrigation engineer and then running his family farm. Colin's interest in trading was piqued many years ago when his late father used to subscribe to a newsletter that included charts. He thought they were really cool, and dabbled in trading from quite a young age. Colin went on to complete Louise Bedford's Mentor Program in 2004. Today he is a full-time trader focusing on the FX, Indices and Commodities markets. He now lives in Far North Queensland and enjoys sailing, tennis, golf and radio controlled model planes in his spare time, as well as being involved with the Coast Guard.

SCM EQUITIES

Equity Research

THE BANKS AND TLS

27 May 2013

Which falling knife is best to catch?

In the space of the last fortnight the ASX200 has now fallen from 5,220 to 4,953 or over 5.1%. This has been attributed to foreign investors selling.

Greg Peel, the renowned popular local market commentator, said today: "*Would the last foreign investor to leave the Australian stock market please turn out the lights.*"

But the rise in the ASX200 began last November when the AX200 was languishing at 4,336 or 20% below its May high.

The ASX was likely propelled to its May high by QE (not just in the US but also in Japan) spilling out from its country of origin. Back in November the AUD/USD was 104c compared to 96.4c currently. Understandably, the rise was attributable to foreign investors buying. The target of these overflowing funds was yield.

Accordingly, our high-yielding stocks, the large banks and TLS, rose in total by over 30% in the same period (November 2012 to May 2013) putting on over $104 billion in value to add to the $342 billion market capitalisation in November ($406 billion total).

In the last fortnight this value has declined $28 billion or 6.6% to $416.7 billion.

Greg Peel went on to suggest: "*A popular stock market expression is "don't try to catch a falling knife". The great foreign exodus is bringing stock values back to levels which will no longer have stock analysts scratching their heads as to whether they can still put yield-based Buy ratings on stocks which are otherwise clearly overvalued. The banks are a particular case in point. At some point the dust will settle and rising entry yields (on falling stock prices) will entice investors in again.*"

The table below depicts the recent equity market decline on an individual stock basis for the banks and TLS.

Table 1: Bank stocks and TLS—Percentage moves from November 2012 lows to May 2013 highs and then May lows

		current price ($)		market cap $m	Nov-May rise %	decline May 13 %	net move %	current yield %
ANZ	AUST AND NZ BANK	27.735	$	76,103.167	27.9%	-8.3%	19.6%	6.0%
BEN	BENDIGO AND ADEL	10.080	$	4,153.039	41.5%	-7.1%	34.4%	6.1%
BOQ	BANK QUEENSLAND	8.870	$	2,789.301	39.6%	-6.8%	32.8%	6.5%
CBA	COMMONW BK AUSTI	68.120	$	109,617.392	25.6%	-7.0%	18.7%	5.5%
NAB	NATL AUST BANK	31.080	$	72,802.459	42.6%	-6.1%	36.6%	6.4%
WBC	WESTPAC BANKING	29.010	$	90,039.180	34.3%	-7.5%	26.8%	6.3%
TLS	TELSTRA CORP	4.920	$	61,219.923	23.3%	-3.1%	20.2%	5.9%
			$	**416,724.461**	**30.5%**	**-6.6%**	**27.0%**	**6.1%**

Source: SCME

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THE BANKS AND TLS

27 May 2013

Which falling knife is best to catch? (continued)

Clearly, if foreign investors continue to sell, then all the BANKS and TLS are SELLS as they have only retraced 20% of their recent share price rises.

We could also argue (simplistically) that the stocks showing the largest rises have the furthest to fall.

Hence we would favour retaining ANZ, CBA and TLS over the others, as they have risen the least.

The largest risers have been BEN, BOQ, NAB and WBC.

However, in each case the prospective yield for each for next year is above the (total) average for next year of 6.4% (with the one exception being BEN).

Next we can overlay our Sector Value Screen which suggests the following valuation differentials:

Table 2: The BANKS and TLS — Sector Value Screen Value Differentials

		current price			Target Price		Recommer	Valuation differential
ANZ	AUST AND NZ BANK	27.735	$	76,103.167	$	30.81	BUY	11.1%
BEN	BENDIGO AND ADEL	10.085	$	4,155.099	$	9.90	HOLD	-1.8%
BOQ	BANK QUEENSLAND	8.870	$	2,789.301	$	8.93	HOLD	0.7%
CBA	COMMONW BK AUSTI	68.120	$	109,617.392	$	71.53	HOLD	5.0%
NAB	NATL AUST BANK	31.080	$	72,802.459	$	32.13	HOLD	3.4%
WBC	WESTPAC BANKING	29.010	$	90,039.180	$	32.18	BUY	10.9%
TLS	TELSTRA CORP	4.920	$	61,219.923	$	5.01	HOLD	1.8%
			$	416,726.521				

Source: SCME, Companies

This suggests that only ANZ and WBC are BUYS.

So, purely on the basis of having to select falling knives, we would pick ANZ and dodge BEN.

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Recommendation definitions

BUY – return>5% in excess of benchmark return

HOLD – return within 5% of benchmark return

SELL – return >5% below benchmark return

Benchmark return is determined by movement in All Accumulation Index

Recommendation proportions and history

SCM Equities Ratings	
Rating Category	**Coverage**
Buy	46.7%
Hold/Neutral	30.2%
Sell	23.0%

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Trading Beyond the Matrix

By Van Tharp

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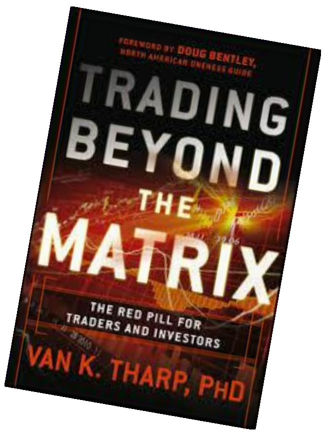

Product Description

A comprehensive volume of today's most profitable trade set-ups

How to transform your trading results by transforming yourself

In the unique arena of professional trading coaches and consultants, Van K. Tharp is an internationally recognized expert at helping others become the best traders they can be. In Trading Beyond the Matrix: The Red Pill for Traders and Investors, Tharp leads readers to dramatically improve their trading results and financial life by looking within. He takes the reader by the hand through the steps of self-transformation, from incorporating "Tharp Think"—ideas drawn from his modelling work with great traders—making changes in yourself so that you can adopt the beliefs and attitudes necessary to win when you stop

[redacted]

making mistakes and avoid methods that don't work. You'll change your level of consciousness so that you can avoiding trading out of fear and greed and move toward higher levels such as acceptance or joy.

A leading trader offers unique learning strategies for turning yourself into a great trader

Goes beyond trading systems to help readers develop more effective trading psychology

Trains the reader to overcome self-sabotage that obstructs trading success

Presented through real transformations made by other traders

Advocating an unconventional approach to evaluating trading systems and beliefs, trading expert Van K. Tharp has produced a powerful manual every trader can use to make the best trades and optimize their success.

Customer Review By Steve Burns

This is a trading book like no other. Van Tharp is one trading author that helped me get over the hump to trading success with lessons from his past books. It is hard to argue against the fact that Van Tharp is the top psychology coach for traders in the world. In this book he reiterates and expands on many key concepts that lead to trading success.

1. Trading with the use of R Multiples. Risk a set amount per trade with the goal to make a minimum of three Rs for every one risked. If the trade is does not work out cut the loss at 1R.

2. Only trade if you have an edge, which is defined by only taking the very best trading opportunities, position sizing correctly, being in control of your feelings, and having a great risk to reward ratio, etc.

3. To be a successful trader you must know what your trading objectives are, how much do you want to make in a year? What percent of return are you looking for?

4. You need defined goals of whether you want to trade for a living, make a million dollars, or just for capital appreciation.

5. A primary goal of this book is to make the leap from trading our opinions about the markets to trading what is actually happening in the markets.

The power of this book is in the psychology and spiritual insights shared by both the author and many successful traders that share their journey with the reader with the chapters they wrote for this book.

6. Traders must analyse their beliefs to see if they are helpful in their life or need to be discarded for more pragmatic beliefs.

7. Traders can overcome negative emotional charges linked to beliefs and circumstances by being mindful of why emotions are surfacing in certain situations.

8. The book explains how traders must battle with many different desires affecting our trading due to different persona's battling each other. Traders are fathers, husbands, risk managers, want to be right, want to win, and want to pay bills, these conflicting priorities is what can make traders go off their plans and do strange things that they didn't want to do.

9. If a trader's top priority is to be right all the time they will have a very difficult time. Great traders judge a good trade by a trade where a trading plan was followed regardless of the monetary out come.

10. The big difference in this book is that Mr. Tharp believes that Super Traders must be in touch with their own inner guidance or a higher power to truly excel in the markets.

I got a huge value from this book's teachings. It went deep down the rabbit hole of some super trader's psychology and spiritual paths to success. It really made me much more mindful of my own issues on those levels. This book does have New Age spiritual teachings that may offend church goers and the members of some main stream religions. Agnostics and Atheists will also have trouble with many of the concepts of this book. I had trouble with the spiritual journey and 'miracles' of Chapter 10 and I am very open minded and pragmatic. But that did not diminish the value I received from this book's principles. With that said it is possible to use the spiritual concepts in conjunction with your own spiritual beliefs about a higher power, also Atheists higher power may be probabilities and universal laws and their inner guidance may be logic and reason over emotions.

This trading book is one like no other and very helpful with any traders trying to overcome the mental or spiritual side of trading the financial markets which is what trips many up.