



For the week of February 16 - February 20, 2009

The Climb is a weekly publication that focuses on high probability trade set ups in the U.S. Futures market. The Climb is a purely technical newsletter with a focus on pattern recognition and Fibonacci ratio analysis. As such there will be no fundamental bias as to whether the trade set ups discussed should be long or short. It will be left up to the individual to filter these set ups with additional fundamental analysis. In addition to the set ups, all examples will include a discussion on using MESO (Multiple Entry Single Output) and SISO (Scale In Scale Out) advanced money management techniques.

Weekly Summary

Exchange	Contract	Month	Setup	Price	Order	Date
FOREX	USD/CAD	SPOT	Bear Gartley	1.2520	Sell	New
CME	ES	March	Bull Retest	730	Buy	New

Special Event!

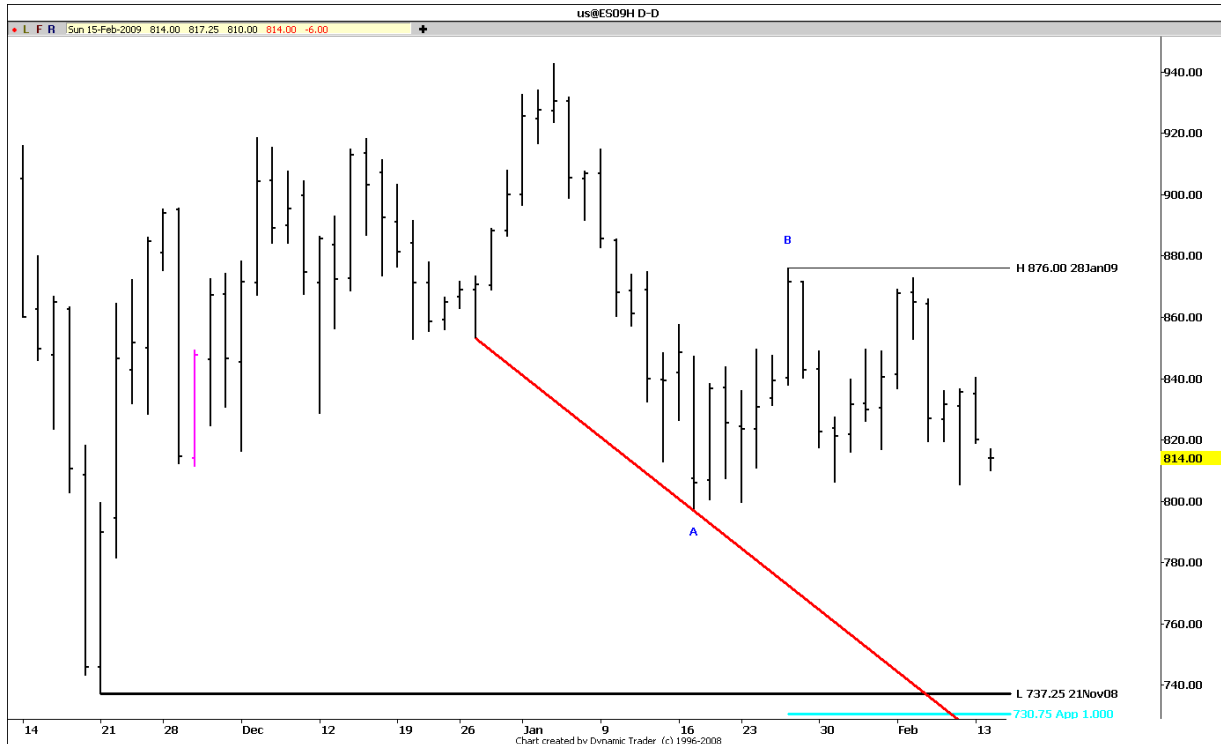
“Mind over Markets” Workshop – Chicago, IL.

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Trade Setups of the Week

CME March E-Mini S&P

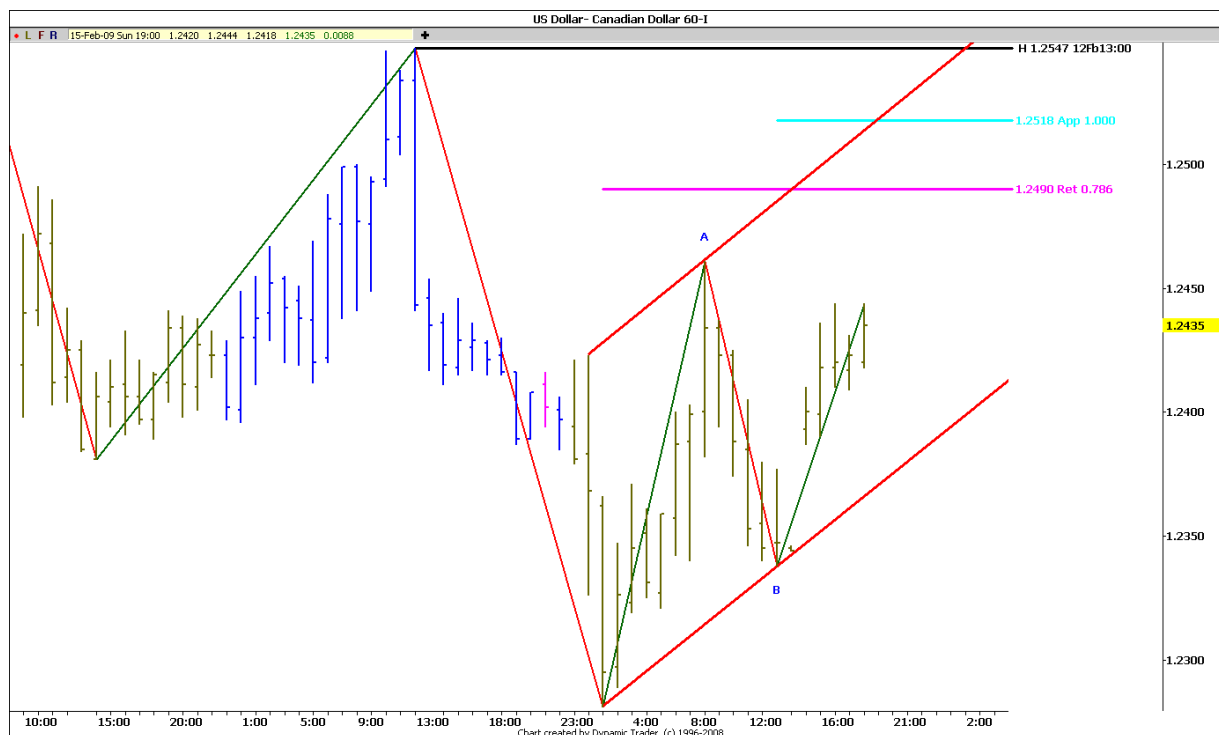


Trade Set Up

We have a bullish retest pattern setting up in March ES on the daily chart. The pattern is based on a 100% Fibonacci retracement on the rally from the November 21st low at 737.25, up to the January 6th high at 942.75. In addition, a simple ABC zigzag will be complete at 730.75. If the ES declines this week to 730.75 before it rallies to 876.00, the bullish retest pattern will be complete and we will want to enter with limit orders on the long side.

Trade Setups for the Week

Spot Forex USD/CAD



Trade Set Up

We have a Bearish Gartley in the USD/CAD on the 60 min chart. The pattern is based on a 78.6% Fibonacci retracement on the impulsive trend move down from the February 12th high at 1.2547, down to the February 13th low at 1.2281. In addition, a simple ABC correction against the down trend will be complete at 1.2518. If the USD/CAD rallies this week to 1.2520 before it declines to 1.2338, the bearish Gartley might be complete and we may choose to enter with limit orders on the short side.

Entry/Exit Strategies

Our two favorite methods of entering/exiting our trade set ups are with MESO (Multiple Entry Single Output) and SISO (Scale In Scale Out).

MESO dictates that we enter with a minimum of three contracts and exit the position in thirds. The first target is a short term profit target, the second target is a intermediate term swing trader target. The third target uses a trailing stop that can lock in a substantial profit when you are right. This third contract can be viewed as a “position trader” contract.

The SISO strategy is a pure martingale and will double the position size at specified intervals if the position moves against us. Once the position moves in our favor by a single interval, we will liquidate all open positions. The SISO strategy is VERY AGGRESSIVE but has the highest probability of winning. Majestic Peak Trading has software that allows you to execute martingale/cost averaging strategies easily and automatically on the PFG ProTrader platform. For more information on the SISO module for the ProTrader program, go to

http://www.majesticpeaktrading.com/siso_module

To obtain the specific rules entry and exit for the above mentioned trades in this newsletter, subscribe to the full version of “The Climb” at

www.majesticpeaktrading.com/subscribe_to_the_climb

Weekly Technical Analysis *Review*

The Public is Always Wrong!

I think we've all heard that 90-95% of futures traders blow up their trading account. How does that make us feel? These statistics may prevent some people from even trying. But is it possible to use these numbers to our advantage? One of the most important concepts to understand regarding trading is that "the public" is always wrong. This can be useful information however to quote Larry Williams, "there is one little problem..... WE are the public!" In other words, we have to fight the traditional trading and investing programming that we've listened to our whole lives! We will no longer follow the herd, traders are mavericks. Therefore, don't expect to win popularity contests in online trader chat rooms. Most of these chat rooms are filled with paper traders who have yet to put money in the markets who love to talk about the trades they "did" and how bright they are. If you feel a need to hang out in these chat rooms, I would suggest you enter these rooms to determine what trades that most of them are taking and take the other side!

This may sound strange to you if you haven't heard this before but we have to be a contrarian. If this philosophy is hard to swallow, consider the following facts. The Commodity Futures Trading Commission publishes a report every week called the Commitment of Traders (COT) report. The report is sometimes referred to as legal inside information due to the fact that any futures trader that holds a reportable position overnight has to inform the government. Reportable positions are open futures positions that are sizeable and not typical of a small retail traders position. From the COT data, we are able to determine what the net positions are for the large commercial traders and the small retail trader. Sometimes there is no significant difference between the commercials and the small traders (the public.) However when there is a significant difference, pay attention!

For example let's imagine that there has been a bearish trend in soybeans for the past six months. We look at the Commitment of Traders report and it says that the small retail traders are significantly more short than long, in fact they haven't been this short for about two years. Now we turn to the commercials and their net open positions. The COT states that the commercials are significantly more long than short and they haven't been this long for two years. This is useful information as the commercials and small retail traders are polar opposite

to each other at this point. Guess who is going to win this fight? Remember the golden rule? ... the one with the gold makes the rules? Yes, the commercials always win and the public is always wrong.

When you see the charts to prove the above COT example, you truly will become a believer in the fact that the public is always wrong! Armed with this contrarian information, we can give ourselves an edge when it comes to trading futures and will help us avoid staying in the the 90-95% club.

Ross Beck, DMS, FCSI

