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Presents….

HOW THE MARKET REALLY WORKS…

AND

WHY YOU SHOULD BE SCARED SH**LESS IF YOU HAVE EVEN JUST 1 DOLLAR IN IT!

By Robert Dorfman

Hedge Fund Manager: (Genie One, Silverhawk) Author: (Hedge Fund Trading Secrets Revealed)

YOU SHOULD PRINT THIS BOOK OUT FOR FUTURE REFERENCE.. 80 pages!

Hi,.. **Robert Dorfman** here……First of all, thanks for your interest in this ebook and wanting to learn how to trade/invest more effectively, or for just wanting to learn more about how the market itself really works.

You may or may not know me…that's ok…this book will teach some key tips about what it really takes to money in the stock market…I am a 20+ year veteran trader…**Wall Street** trained, bred, and sometimes disgusted by,…so……**I can absolutely promise one thing here**…..

<u>You are about to learn the truth about how it all works…</u>..
so lets' get started…..

First a Little History….

The history of the **New York Stock Exchange** basically begins with the signing of the **Buttonwood Agreement** by twenty-four **New York City** stockbrokers and merchants on May 17, 1792, outside at 68 Wall Street under a buttonwood tree (above). The agreement was only two sentences long, and was simply a promise to only trade with each other and abide by a .25% commission.

In the beginning there were five instruments being traded, three of which were government bonds created to finance the **Revolutionary War** as well as the first listed company … the **Bank of New York.**

The exchange began to grow and in 1817 a constitution with rules and regulations was developed and trading was moved indoors. The organization was given a formal name, the **New York Stock & Exchange Board** and rented office space on Wall Street. In 1863 the name was changed to the **New York Stock Exchange**.

By the mid-1800s, the **United States** itself was experiencing rapid growth due to the burgeoning **Industrial Revolution** and the end the **Civil War** and companies needed funds to assist in the expansion required to meet increasing demand of their goods and services from the wave of new immigrants coming to **America's** shores and America's pending unification.

The great potential of the NYSE was becoming increasingly apparent to companies that realized investors would be interested in riding this incredible growth wave and began selling stock in their companies to quickly facilitate their expansion requirements.

This investing growth also benefitted the NYSE itself .

So much so that in 1865 it moved to a permanent location on **Broad Street** and implemented a continuous trading system of all its listed stocks on a large open trading floor with established working hours, replacing the previous method of calling the various stocks at set trading times.

This stock trading boom also created a new form of investing when investors started to realize that additional profits could be made by re-selling their stock to other investors directly.

These transactions were the beginning of what became known as the secondary, or " speculators market" which made the market was more volatile than ever before because it was now fueled by *subjective speculation* about the company's future, rather than its present.

To meet the public's demand for more market information, in 1896 **The Wall Street Journal** began publishing **The Dow Jones Industrial Average** initially comprised of twelve stocks which became an overall indication of the NYSE's daily performance. **The Dow** with a starting value of 40.74.

Over the next few decades, the levels of share trading drastically increased, and by 1900 was hitting a whopping million shares per day so the Exchange needed to expand once again and decided to hold a contest to choose the design for its new building on **18 Broad St.**

The exchange's board chose the now famous neoclassic design of architect **George B. Post** which opened on April 22, 1903 to much fanfare and festivity.

The six massive **Corinthian** columns across its Broad Street façade, topped by a marble sculpture by **John Quincy Adams Ward**, called "***Integrity Protecting the***

Works of Man" created a feeling of substance and stability…..not just in the market, but in the **United States** itself.

Today, the Exchange building is considered one of Post's masterpieces and is a New York City and American national landmark.

The Roaring 1920's marked another great stock market expansion period, with the Dow growing from 60 to its 1929 peak of 381.17.. and marked the beginnings of modern America as it transitioned again from a wartime to peacetime economy with increased productivity.

The decade of bath tub gin, the model T, the $5 work day, the first radio broadcast, transatlantic flight, and the movies, helped the nation became more urban and commercial. **Calvin Coolidge** declared that America's business was business.   *Good times were here!*

Then the unthinkable happened…..

On October 24th, 1929 otherwise known as **"Black Thursday**" stock prices fell sharply on record volume of nearly13 million shares….. Five days later, "**Black Tuesday**" shook the world as prices fall sharply again and the stock market officially crashes with volume of over 16 million shares which is a level not to be surpassed again for 39 years. The Dow Jones Industrial Average falls more than 11 percent.

This "crash" is often blamed for precipitating the **Great Depression**.

Additional NYSE Notes…

- The first ticker was installed in 1867.
- The first telephones were put in in 1878.
- In 1883, the NYSE got its first electric lights.
- The electronic displays boards so often seen were first put up in 1966.
- The highest price ever paid for a seat was $4 million in Dec 2006. (multiple)

Have A Seat…

A Membership on the **NYSE** is traditionally still referred to as a **'seat'** since the early years of its existence when as mentioned earlier, members sat in assigned chairs in the hall where the Exchange's daily roll call of stocks was conducted. In 1817 a seat cost $25

Owning or leasing a seat on the Exchange enabled qualified and licensed professionals to buy and sell securities on the floor.

However, the term 'seat' lost its literal meaning with the advent of the current continuous trading method conducted at trading posts on a large open floor that you see today via **specialists**, as the actual seats that the brokers had once occupied are long gone.

The current trading floor has seventeen trading posts and each stock is assigned to one of these posts. This means that the bulk of trading in any one stock is centralized and specialists are assigned to specific posts and stocks and are required to act in a way that is deemed to maintain an '**orderly**' market. (more about them later).

Brokers are employed by investment firms and trade either on behalf of their firm's clients or the firm itself. The broker moves around the floor bringing buy and sell orders to the specialists. The specialists are therefore the *broker's broker*.

In 1868 the Exchange established a fixed number of memberships and revised its rules to allow members to sell their seats directly until December 30, 2005 when member seat sales officially ended in anticipation of the NYSE's plans to become a publicly traded company by way of merger with **Archipelago Holdings Inc**. (NYX)

Now instead of selling seats, the NYSE sells one year licenses.

There are now over 2700 stocks on the NYSE, including 453 from 47 different countries traded by the exchanges primary order processing system called **SuperDot** which stands for: **Super Designated Order Turnaround System**.

The system allows the NYSE to see the current status of any equity order and is believed to be able to process 7 billion shares per trading day.

The Stock Exchange at 10-12 Broad Street, in 1882 **The floor today**

NYSE and NASDAQ Markets

These two "exchanges" account for the bulk of equities traded in North America and the world. At the same time, however, the NYSE and Nasdaq are very different in the way they operate and in the types of equities that trade their.

Knowing these differences will help you better understand the function of a stock exchange and the mechanics behind the buying and selling of stocks.

Location, Location, Location
The location of an exchange refers not so much to its street address but the "place" where its transactions take place. On the NYSE, all trades occur in a physical place, on the trading floor of the NYSE. So, when you see those guys waving their hands on TV or ringing a bell before opening the exchange, you are seeing the people through whom stocks are transacted on the NYSE.

The Nasdaq, on the other hand, is located not on a physical trading floor but on a telecommunications network. People are not on a floor of the exchange matching buy and sell orders on the behalf of investors. Instead, trading takes place directly between investors and their buyers or sellers, who are the market makers through an elaborate system of companies electronically connected to one another.

Dealer vs. Auction Market
The fundamental difference between the NYSE and Nasdaq is in the way securities on the exchanges are transacted between buyers and sellers. The Nasdaq is a dealer's market, wherein market participants are not buying from and selling to one another but to and

from a dealer, which, in the case of the Nasdaq, is a market maker. The NYSE is an auction market, wherein individuals are typically buying and selling between one another and there is an auction occurring; that is, the highest bidding price will be matched with the lowest asking price.

Traffic Control

Each stock market has its own traffic control police officer. Yup, that's right, just as a broken traffic light needs a person to control the flow of cars, each exchange requires people who are at the "intersection" where buyers and sellers "meet", or place their orders. The traffic controllers of both exchanges deal with specific traffic problems and, in turn, make it possible for their markets to work.

On the Nasdaq, the traffic controller is known as the market maker, who, we already mentioned, transacts with buyers and sellers to keep the flow of trading going. On the NYSE, the exchange traffic controller is known as the specialist, who is in charge of matching buyers and sellers together.

The definitions of the role of the market maker and that of the specialist are technically different as a market maker "creates a market" for a security whereas the specialist merely facilitates it. **However, the duty of both the market maker and specialist is to ensure smooth and orderly markets for clients**. If too many orders get backed up, the traffic controllers of the exchanges will work to match the bidders with the askers to ensure the completion of as many orders as possible.

If there is nobody willing to buy or sell, the market makers of the Nasdaq and the specialists of the NYSE will try to see if they can find buyers and sellers and even buy and sell from their own inventories.

Conclusion

Both the NYSE and the Nasdaq markets accommodate the major portion of all equities trading in North America, but these exchanges are by no means the same. Although their differences may not affect your stock picks, your understanding of how these exchanges work will give you some insight into how trades are executed and how a market works

Thanks to Investopedia.com

Now that you have learned the basics….

How It All Works Now

Ok…so many of you may still be asking how this whole trading/investing market thing works for you…sure……. but **BE AWARE** ….. the market is <u>still</u> an evolving monster…..devouring most of its own clients just for pure enjoyment of it……. not even leaving the bones behind for the rest of us to pick at and learn from especially as ***technology*** plays an ever increasing role…

The truth is, many full time traders don't even know how it all works….. but I will try to make some sense of it all.

So….with some time, patience, and this ebook, you will learn more about the secrets to investing/trading and what goes on behind the scenes so that **you will become a smarter investor/trader….** keeping the monster at bay….. <u>*because it truly is out to eat you alive*</u> ….

just like the **Dilophosaurus** theropod dinosaur, which in spite of its supposed friendly appearance, eventually spews deadly venom to blind and paralyze its targets before eating them, just like how you saw **Newman** from **Seinfeld** die in the **Jurassic Park** movie.

Appearances can be deceiving…even in the stock market… or maybe *especially so…*

So before you get started trading, two things to keep in mind….

First….Don't get overwhelmed by the amount of information you find concerning the stock market or trading.

Yes it's certainly a vast subject, and studying all its facets could take the rest of your life. But if you decide to play the trading/investing game, know that you will always need to be a student of human psychology and the <u>latest trading methodologies and technologies</u> to keep a handle on it. (remember the underlined part for later)

Second….Wall Street is **not** a casino…even though you may already have that perception like many other traders who have lost money or even non-investors who believe that playing the stock market is gambling….that is a mis-perception.

<u>*Well actually, the truth is, to the under-educated investor it probably is a casino..*</u>

Because, just like those gamblers who go to a casino with no game plan and are <u>expecting</u> to get lucky and break the bank so to speak, ….which is ok if they can afford the risk, but that is exactly how **Vegas** casino owners can build those wonderful palaces of decadence….

…..thanks to people's innocent expectations of *good luck* ….or….. thinking they are *smarter* than the house which already has a built in <u>edge</u> in every game.

The same can be said of many stock market players….

But for those of us who know exactly what, why, and how markets and prices move, …….and have a regimented money management plan, going to the *"Wall Street casino"* indeed can be both fun and *highly profitable ..…. as you will soon learn*

It is simply one of the most exciting businesses/hobbies the world has ever seen.

Ok….You may be thinking… *"Trading isn't that complicated*… I am a smart businessman, I've made a lot of money in my career, …I have an online brokerage account with some of my hard earned money in it, ….I do my research into a companies' fundamentals, ……I can even read a chart to predict a price move ………and when I hit the **buy** button, my broker is going to make sure that I get the best fill and that I make money.

In Fact*, *I think I'm smarter than most of those talking heads on TV *……what's so complicated about it?"*

Well you may be *partly* right**.**

You indeed <u>may</u> be smarter than some of the guys you see on TV blabbing about the market…I don't know,.. but that certainly does not mean you *will actually make money* trading……
Yes you may have done your research into a company which might serve some useful purpose in some aspect of the business world, but don't believe for a minute that information will be useful in trading its stock.

There are forces in the market working against you that you don't even know about ….

….which basically means that you are competing to make and take money from the people who have the inherent ability to create everything you see and hear about a stock or a market…. Even creating that "herd" like enthusiasm or unnecessary fear to get ordinary, un-knowing investors (you) to do what *they want* you to do with your shares …..and you don't even know it …..or maybe even believe it……but I assure its true as you will soon learn.

And don't believe for a minute that your broker cares about you and wants to see you make money.

The reality is those guys could care less if you do…**They just got paid on your order regardless of whether you make money or not.**

But without getting into the ulterior motives of most brokers, ….what you need to know is this………..

When you place a trade, whether online or over the phone, your broker looks at the order and has to decide which the best way to get your order executed, ***………..for HIM to make the most money ……..*** by choosing one of the following options.

Order to the Floor - For stocks trading on exchanges such as the New York Stock Exchange (NYSE), the broker can direct your order to the floor of the stock exchange, or to a regional exchange. In some instances regional exchanges will pay a fee for the privilege to execute a broker's order, known as payment for order flow. Because your order is going through human hands, it can take some time for the floor broker to get to your order and fill it.

Order to Third Market Maker - For stocks trading on an exchange like the NYSE, your brokerage can direct your order to what is called a third market maker. A third market maker is likely to receive the order if: A) they entice the broker with an incentive to direct the order to them or B) the broker is not a member firm of the exchange in which the order would otherwise be directed.

Internalization - Internalization occurs when the broker decides to fill your order from the inventory of stocks your brokerage firm owns. This can make for quick execution. This type of execution is accompanied by your broker's firm making additional money on the spread.

Electronic Communications Network (ECN) - ECNs automatically match buy and sell orders. These systems are used particularly for limit orders because the ECN can match by price very quickly.

Order to Market Maker - For over-the-counter markets such as the Nasdaq, your broker can direct your trade to the market maker in charge of the stock you wish to purchase or sell. This is usually timely, and some brokers make additional money by sending orders to certain market makers (payment for order flow). This means your broker may not always be sending your order to the best possible market maker.

As you can now see, your broker has different motives for directing orders to specific places……basically *whoever is offering the best deal*….. **Commissions talk!!!**

The choice the broker makes can affect <u>your</u> bottom line.

Now learn more about these key players who have caused your past losses.

The Specialists

Here is the term you heard earlier, *.....but who are they and what exactly do they do?*

Specialists are people on the trading floor of the NYSE, who hold inventories of particular stocks and whose job it is to match buyers and sellers and **to keep an inventory for him or herself** that can be used to fill orders during a period of illiquidity.

Every specialist can accomplish this by filling one of the four vital roles of (1) auctioneer, (2) catalyst, (3) agent and (4) principal.

Let's take a closer look at what a specialist does in fulfilling each of these roles:

1. ***Auctioneer*** – Shows best bids and offers, becoming a 'market maker'.
2. ***Catalyst*** – Keeps track of the interests of different buyers and sellers and continually updates them.
3. ***Agent*** – Places electronically routed orders on behalf of clients. Floor brokers can leave an order with a specialist, freeing themselves up to take on other orders. Specialists then take on the responsibilities of a broker.
4. ***Principal*** – Acts as the major party to a transaction. Since specialists are responsible for keeping the market in equilibrium, they are required to execute all customer orders ahead of their own.

The specialists at the **NYSE** are employed by only a few powerful firms..

Companies becoming listed will interview employees of the specialist firms seeking the most suitable people to represent them (by holding inventories of their stock).

There are about 500 individual specialists on the floor working mostly for these current NYSE specialist firms:

- **Bank of America Specialists, Barclays Capital, Kellogg Specialist Group, LaBranche and Co. LLC, and Spear, Leeds & Kellogg Specialists**

Now here's a great stat for you…….***Specialist firms earn between 80 to 190% a year even during crashes*** How is that even possible?

NOTE... At the time of this writing, In a move to be more competitive against faster moving markets, dark pools and alternative trading systems that have eroded its

market share, the New York Stock Exchange is proposing new rules that will phase out specialists and redefine the role to be called designated market makers or DMMs.

Perhaps the most important change is that the new specialists will no longer have an information advantage over other market participants. Under the new rules, DMM will not have a first look at electronic orders before they are displayed in the order book……..

Now you might be thinking everything seems pretty harmless so far for a book carrying such a bold title Right? …..

Well get ready to feel aggravated, disgusted, cheated, robbed, annoyed …. *and quite possibly RICH!!!!*

Here's How the Market *Really* Works

"Once upon a time a man appeared in a village and announced to the villagers that he would buy monkeys for $10 each.

The villagers, seeing that there were many monkeys around, went out to the forest, and started catching them. The man bought thousands at $10 and as supply started to diminish, the villagers stopped their effort. He further announced that he would now buy at $20. This renewed the efforts of the villagers and they started catching monkeys again.

Soon the supply diminished even further and people started going back to their farms. The offer increased to $25 each and the supply of monkeys became so little that it was an effort to even see a monkey, let alone catch it!

The man now announced that he would buy monkeys at $50! However, since he had to go to the city on some business, his assistant would now buy on behalf of him.

In the absence of the man, the assistant told the villagers. "Look at all these monkeys in the big cage that the man has collected. I will sell them to you at $35 and when the man returns from the city, you can sell them to him for $50 each."

The villagers rounded up with all their savings and bought all the monkeys.

Then they never saw the man nor his assistant, only monkeys everywhere!

Well that kind of sums up it up….. Make sense to you? Ok Let me explain further.

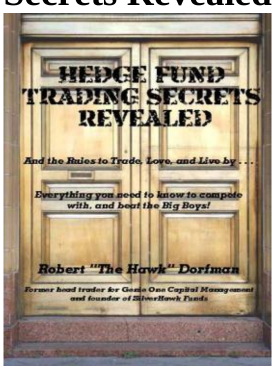
Richard Ney on the Role of the Specialist

If you don't know the name **Richard Ney**, you will in a moment….

……

Ney wrote 3 books about the true inner workings of the market as they happened about 30 years ago, and its' important to know that his views have of course been at odds with the people he writes about… but based on my own market experiences, I can tell you.. **He was DEAD right.**

In fact, I tried to do the same thing in my own book, **Hedge Fund Trading Secrets Revealed ……**of exposing some similar practices that still



take place even in today's fully "transparent" markets, as well as teaching you some very effective trading strategies that you can use to profit over and over with.

But back to Mr. Ney….. Like I said, he was a market author, and like me didn't grow up in the business so to speak … He did however grow up in New York and earned an economics degree from **Columbia**, but due to few finance related job prospects in the early 1940's, he decided to audition for **Broadway** and landed a role in a play titled **"Life With Father"** cast as the elder son.

That role led him to Hollywood**,** where, with his dark good looks , was cast as **Greer Garson's** son, **Vin**, in the 1942 wartime drama **"Mrs. Miniver**," for which Ms. Garson won an **Oscar**……. A year later they married and divorced in 1947.

So what the heck does a no name actor have to do with the inner workings of Wall Street? …....

Well in 1961 Ney finally put his economics degree to use and began working as a **Beverly Hills** investment counselor for many celebrities eventually writing a book called ***The Wall Street Jungle***, which was on the ***New York Times*** best seller list for 11 months.

Ney, paying close attention to his clients' trades, figured out something was awry and doggedly campaigned to anyone who would listen, that the markets were a sham and were being manipulated to benefit insiders and specialists rather than the individual investors of those he represented.

Even though his book was on the ***New York Times*** best seller list for 11 months, the *Times* would not review it. ….

The Wall Street Journal refused to take an ads from New York bookstores that carried it, and he was one of only two people then, along with **Ralph Nader,** to be banned by **NBC** from appearing on **The Tonight Show with Johnny Carson**…………….*Why?*

Because In a 1965 interview with **The New York Times** he called the Stock Market system *"incredible mechanisms for legalized larceny*" and that "The average investor in the market is like a blind man crossing the street……….. **He can't compete with professionals.**"

Let's just say more than a few powerful people who were happy as pigs in poop doing business as usual, were extremely pissed off and made him public enemy #1…… but that did not stop him from getting the word out.

The public started to listen…. He followed up with 2 more great books..

The Wall Street Gang, and **Making It in the Market.**

His books were mandatory reading when I came to Wall Street so I learned a lot from him, but I'll let departed book reviewer **Michael Templain**, the source of the following information, tell you more……

R. Dorfman

“The story is told that after he had been deported to Italy, Lucky Luciano granted an interview in which he described a visit to the floor of the New York Stock Exchange. When the operations of floor specialists had been explained to him, he said, 'A terrible thing happened. I realized I'd joined the wrong mob'" (1Ney, 8).”

It was with these words that Ney began his first of three books on the nature of the New York Stock Exchange. Ney wrote at a time when a 750 Dow was high and today's volumes were beyond imagining. Some of his material is dated, and must be read in the light in which it was written.

But the main premise of his books is still true: that **the specialist exists not to ensure the free and orderly trade of stock in a particular company, but to fatten himself up upon the innocence and ignorance of the small investor.**

Here are some key points he uncovered…

The New York Stock Exchange is not an auction market (2Ney, 86), though many investors still hold onto that image. *It is a rigged market.* Volume is an effect of price. Prices are controlled absolutely by the specialists, the 'market makers' in individual stocks.

It was this discovery that led Mr. Ney to eventually give us small investors a priceless gift: <u>enlightenment.</u>

"Studying the transactions in each stock, I became immediately conscious that, on too many occasion to be a coincidence, a stock would advance from its morning low and then, often during the afternoon, would show an up-tick of a half-point or more on a large block of anywhere from 1,500 to 5,000 or more shares.

This transaction seemed to herald a transformation in what was taking place, for immediately thereafter the stock would begin to drop like Newton's apple. Before I could find out what caused this, another question presented itself: What caused the same thing to happen at the low point in that stock's decline? For it was also apparent that a block of stock of the same size often appeared on a down-tick of a half-point or more, after which the stock quickly rallied.

Together these two facts seemed to give a stock's pattern continuity. At the end of several days of investigation, **I discovered that these transactions at the top and bottom of a stock's price pattern were for the specialist's own account. .**.. Clod that I was, I had at last recognized that, although the study of human nature may not be fashionable among economists, it is never out of season" (2Ney, 9).

The specialist is part of a system. First, **he is part of that rare fraternity of men who are all specialists in an exchange. It is a small private club, to whose membership one can only be born.**

The specialists of the Dow 30 exhibit the spirit of 'all for one, and one for all'. If one of the 30 is having problems, the other 29 wait for him, before they move onto their next agreed upon campaign (2Ney, 172). The rest of the specialists take their lead from watching the Dow 30.

But the system is more extensive and more powerful than just the specialists. The specialists are the heart of the exchange. **The exchange, in turn, has practical control of the major corporations, banks, insurance companies, and brokerage houses in this country.** These, in turn, influence news reporting and the regulatory agencies.

ADVANTAGES OF BEING A SPECIALIST

The specialist has many advantages, many tools to use to pry dollars from unsuspecting investors and mutual funds. Chief among these advantages is his ***book***. In his book he can see at a glance all the buy and sell orders from the public and the funds.

His book tells him of potentially massive sales above and below his current price. This gives him a great advantage when he is trading on his own investment and omnibus accounts.

Because of his book, the specialist sees shifts in trends long before anyone else. This gives him a great advantage. The specialist will buy heavily at the bottom of a slide (at wholesale) then advance prices and sell, at heavy volume, at the peak of the rally (retail). He will then sell short and take prices down. The turning points of a rally will be marked by heavy volume in the Dow 30 (3Ney, 85-89). (note… this behavior is what partially drives our trading strategies..R. Dorfman)

When he desires he can even make large block trades without entering them into his book. In this way the public is never made aware of those trades. Should the specialist want to supply a buy or sell order from his own accounts, rather than from public orders on book, he can and will do so (1Ney, 156).

Ney cites specific examples when his customers' orders were ignored while the specialist completed orders for his own accounts.

When serving as the market maker, the *broker's broker*, the specialist trades from his Trading Account, which is to be used to service the needs of the market. However, **he also has his own Investment Accounts** (plural).

His Segregated Investment Accounts put him directly into competition with every other investor in his stock.

The reason for he has segregated investment accounts is that they enable him to convert regular income into long-term capital gains (1Ney, 113).

In addition, he also trades on Omnibus accounts, taking orders from a friendly bank on behalf of friends, family, and himself (1Ney, 58).

Although he is not allowed to be both long and short in his Trading account, he can take the opposite stance in his Investment or Omnibus accounts (3Ney, 130).

A Specialist will often not have any shares for a particular stock in his trading or omnibus accounts. **If public demand for these shares suddenly increases, the Specialist is more than happy to supply those shares to the public by short selling**.

This, of course, forces the Specialist to take the price down soon thereafter, so that he may cover his short sales at the lower price. Or, the Specialist may sell from his Investment Accounts, establishing a middle or long term high (1Ney, 61), and then take the price down.

Whichever strategy he employs, a large public demand for stock ultimately drives the price of that stock down, not up.

Distribution of large amounts of stock can be done from the specialist's trading account, usually as **short sales**.

The trading account can then be covered by transferring stock from the long-term investment accounts into the trading account (1Ney, 64).

The existence of the specialist's Investment and Omnibus Accounts is ultimately detrimental to the public. "In a stock with only a small capitalization or floating supply, the segregation of large blocks into long-term investment accounts for the specialist further decreases the supply of the stock available to the public" (1Ney, 61)

The specialist has absolute control over price. He can match the buys with the sells in any way he sees fit. He can raise the price of the stock 3 points in three trades, and open the next day down 5.

The seeming unpredictability of stock prices is due to the fact that prices exist at the whim of the specialist. **A stock is only worth what the specialist is willing to pay for it at the moment**. The fluctuations you see are, in fact, the evidence of how the specialist is working out his inventory problems to meet his short-term, intermediate-term, and long-term goals (2Ney, 172).

The specialist will sometimes 'leap frog' his prices up or down, creating a gap. This is done to keep a group of investors from buying or selling at a particular price. 'Leap Frogs' show specialist intent.

Because most investors have margin accounts, and the margin account agreement allows their brokers to lend their shares, **specialists have an unlimited number of shares to borrow and sell short (**1Ney, 68).

Margin agreements also allow the broker to use their customer's shares as collateral without the customer's knowledge or permission.

Margin accounts usually allow the broker to borrow any cash in the account to use for his own purposes at no interest, even to lend back to the customer for margin purchases, at interest (1Ney, 119).

At the bottom of a cycle of a stock, having panicked customers into selling, the brokers and specialist borrow the customers' money to make their own long-term purchases; <u>using their advantageous margin to acquire large amounts of stock.</u> At the top of the cycle the process is reversed.

Customers are paid back their money by the brokers and the specialist selling their shares to customers at a profit. The insiders even have extra cash to loan customers for margin purchases (1Ney, 136).

Another powerful tool for the specialist is the short sale. Though the specialist is responsible for 85 percent of the short selling done in a stock, the Exchanges are loathe to print any timely data on specialist short sales (2Ney, 94)(3Ney, 234). The specialist uses the short sale to control both downward and upward movements of stock (3Ney, 88).

THE CORPORATION, THE SPECIALIST, AND THE EXCHANGE

The specialists and brokers hold shares "in street name" for investors, and therefore can vote the proxies for those shares. Officers in a corporation must report to the SEC any trading they do in the shares of their own company. Yet the Specialist reports his profits in trading the shares in that same corporation to no one (1Ney, 54-55).

The specialist, one of his partners, a friendly broker, their lawyers, or their bankers, often sit on the company's board of directors, which makes the specialist privy to information before the average trader. Where an officer of a corporation is held strictly accountable to the SEC for his use of 'inside information', **the specialist and fellow brokers are accountable to no one** (1Ney, 54-55).

"It is an ideal situation. When you control a corporation's proxies, everyone is sympathetic to your point of view and your choice of directors. This is the other reason why nearly every major corporation listed with the Exchange (NYSE, M.T.) has a broker or a broker's banker on its board**. ….It gives the exchange a pipeline to that corporation" (1Ney, 90).**

Large brokerage houses, large banks, and the New York Stock exchange use dummy corporations as fronts to hold large portions of stocks in corporations. A list from any large corporation of its largest stockholders will be a roll of these very dummy corporations, who show up on list after list of major stock holders in America's largest corporations (2Ney, 19-23).

The intertwining of interests runs even deeper when the relations of Wall Street's top Law firms are examined. For example, in 1974 the New York Stock Exchange's legal counsel also represented Chase Manhattan Bank. Both entities, through their dummy corporations, were large stockholders in scores of major U.S. corporations (2Ney, 26).

THE EXCHANGE, THE SEC, THE FEDERAL RESERVE, AND THE WHITE HOUSE

"The bankers' man, Senator Carter Glass, who steered the Federal Reserve Act through Congress in 1913, had maintained that the Federal Reserve banks would be merely 'lenders of money.' The only collateral they were to accept was notes that could be paid when, in the course of business, goods and services had been manufactured and distributed.

However, **almost from the day of its inception, the Federal Reserve System set about making loans on common stocks**" (1Ney, 103).

Who sits on the Federal Reserve Board? ... <u>Chief officers of banks and corporations, all of whose companies are controlled by the Exchange (1Ney, 103-105). (</u>**Note.. this still holds true today)**….

Billions, perhaps trillions of dollars worth of stocks are now held by banks as collateral for loans. **This too works to the advantage of the specialists**. For, to protect their interests, banks will issue stop orders to sell the stock before it falls below a certain price.

The specialist holds those stop orders in his book and therefore knows exactly where a large number of shares can be had, and at what price they can be purchased.

One quick sweep down those ranges of prices will deliver to the specialist the inventory he desires for short and mid-term purposes (1Ney, 101). (**Note..this too still holds true today…even more so due to diminishing spreads)**

On June 30, 1934 **President Roosevelt** appointed **Joseph Kennedy** to be the **first Chairman of the SEC**. Only 4 months before, Kennedy, along with Mason Day, Harry Sinclair, Elisha Walker, and others were found to be responsible for operating 'pools' that were **actively manipulating stock**.

When these, "poolsters withdrew and the boom collapsed the administration denounced the men who operated them" (1Ney, 215). But what's a little denouncement between friends?

The stock markets had been headed downhill since December of 1968. On May 26, 1969 a party was held at **the Nixon White House**. In attendance were **John Mitchell, Maurice Stans, Peter Flannigan**, thirty five guests from Wall Street, fourteen industrialists, seven bankers, five heads of mutual and pension funds, and two heads of insurance companies. The next day a bull rally began on Wall Street. May 27th saw the Dow Jones 30 average rise by 5 per cent in one day (2Ney, 71).

On April 17, 1971, President Nixon, who along with Attorney General Mitchell had been a Wall Street lawyer (Maurice Stans was a broker), appeared for photographs with friends from the New York Stock Exchange.

There is a revolving door between the exchange and Washington.

SEC Chairmen 'retire' to go to work for the Exchanges or major brokerage houses at many times their government salaries (2Ney, 50-63). SEC Chairman Hamer Budge was found by Senator Proxmire's investigation to be making frequent trips to Minneapolis to confer with officials of IDS. IDS was under investigation at the time by the SEC. After leaving the SEC, Budge took the position of Chairman of the Board with IDS (2Ney, 56).

Dorfman note…. This cozy Wall Street/White House relationship was evident in both Bush White Houses, and is a definite factor in today's **Obama administration…..…..**…..especially because of the powerful political influence iconic investment bank **Goldman Sachs** has right now. Its' scary.

Goldman's sleek new building in NYC

To learn more about that, you should also read this great story by **Mike Taibbi in *Rolling Stone* magazine ….**called **"The Great American Bubble Company"** laying out the role Goldman has played in our past economic collapses and policies…incredible Link is here…

http://www.rollingstone.com/politics/story/29127316/the_great_american_bubble_machine

(You can also learn more about these cozy relationships in my book **…Hedge Fund Trading Secrets Revealed.. (**available on this site and bookstores everywhere))

Templain cont..

SPECIALIST STRATEGY

His goal, always, is to buy at wholesale prices and to sell at retail. This applies to his actions in the course of trading day as well as a year of trading.

At the bottom of a slide the specialist will buy heavily for his trading, investment, and omnibus accounts.

His goal then becomes to raise the price of his stock with his wholesale inventory intact. In practice, though, he may have to sell shares to meet public demand. This will cause him, then, to lower the price to re-accumulate his inventory before he can proceed to higher levels.

A rally begins while the price of the average stock is still falling. "Major rallies begin and end with the unexpected," (3Ney, 184).

To stimulate public demand for his stock, near the high the specialist will raise the angle of the rising prices dramatically for the stock.

True to one of Ney's axioms that prices beget volume, the public will rush into the market place at the rally high.

The specialist can now sell his accumulated inventory to fill the increased demand. Heavy Dow 30 volume at the high is evidence of heavy short sales by the specialists (3Ney, 113)……..When the specialist has sold all his inventory, and has sold short, he will then begin a downward slide of prices so necessary to his plans. Slides are a mirror of rallies**.**

Near the bottom, the specialist will increase the angle of price decline, alarming investors, scaring them into selling their shares to the specialist who needs them to cover his short sales, and to build a new inventory at wholesale.

The media will remain bullish, or cautiously optimistic throughout a slide, until the last two weeks, when they will turn suddenly bearish (3Ney, 158).

TIPS FROM RICHARD NEY:

- Specialists in the most active stocks will require more time than their fellow specialists to move stocks up or down, or to cover at the top of a rally or the bottom of a slide (2Ney, 84-85).
- Specialists may use a rally as a 'stalking horse' for a later rally. Price is used like a geiger counter to locate volume (3Ney, 149).
- During the typical bear market, or slide, the specialists will usually bring prices up on Fridays, to keep investors hopes alive (2Ney, 92).
- Leaders of the rally in the Dow 30 will often act as 'screens' for the price declines of the other 24 or 25 Dow stocks.
- Each stock exhibits its own distinct pattern or rhythm of price behavior (2Ney, 189).

THINGS OF WHICH TO BE AWARE

How can you spot the nadir of each high and low? Ney says to look at volume very closely. **In particular look at the volume of the individual Dow 30 Industrial stocks (2**Ney, 171). Get to know these specialists' habits. Follow what they do**. Patterns of behavior will emerge**.

Ney was convinced that detecting Specialist short selling was a key. **Specialist short selling at the peak of a rally should be detectable through increased volume**.

Ney points to the gaps in prices that develop when a specialist is trying to 'catch up' with the market. These gaps, be they up or down, signal specialist intent (2Ney, 172).

"Investors assume that what happens in the economy or to the corporation in terms of earnings or sales determines the trend of stock prices. ... <u>The most misleading element in this type of analysis is that it ignores the basic needs and motivations of the specialist system" (2Ney, 150).</u>

We, as consumers react to certain critical numbers. Specialists know this. **Specialists use the 10's (10, 20, 30, etc.) and 5's (5, 15, 25, etc.) in their strategies. They will use these numbers to elicit heavier buying or selling from the public**. Often too, though, they will avoid critical numbers to avoid buying or selling stock when they do not wish to do so (2Ney, 155-156 & 163). **END.**

Hello….Dorfman here again**….*Great Stuff Right?*** ..….

Now again it is important to note that some of Ney's comments here are a bit outdated… **BUT, the fact remains that there is definitely still a slippery slope to climb in order to trade successfully even in today's supposedly "transparent markets"**

In fact I am going to update and elaborate on some of Ney's information right now………

Let me start by saying that yes in theory, the exchanges are governed by a highly moral code of financial conduct, but the mere fact that the Exchange vehemently defends the specialist system while failing to properly address the incestuous conflicts of interest operating there, it has proven one dubious fact….

*Specialists don't work for the exchange, they **ARE** the exchange….*

and the exchange allows **the specialist's to pit his financial interests against those of his customers…..** just as Ney made crystal clear.

The Exchange and even the regulatory bodies of the Federal Government have failed to properly address the basic fault in the specialist's game,….. namely, that the conflict of interest is **built into** their function.

He is meant to be both the exchanges' representative to the public, and at the same time he makes most of his income by trading against them.

And then whenever a specialist catches some heat for some unjust enrichment scheme, the NYSE always maintains that specialists have the right to buy and sell stocks as a regular schmo investor, just like you and me.

Ney also correctly pointed out that Dow specialists work together as a group using their power and influence as a consensus for what the whole market should be doing at any given time and trade for themselves accordingly,……even using pre-arranged signals to sucker the investing public to get in or out at the exact wrong time depending on their needs….
under their 3 *Musketeer* influenced motto…

All For One…And One For All.. …………. no joke.

Buckling under investor pressure, numerous **Congressional Committees** have half heartedly responded to consumer uproars about market losses by conducting market investigations for the benefit of the press.

But one of the reasons specialists still survive is that despite all the noise made by these investigations, the committee's findings have for the most part have remained unknown. *hmmmmmmmmmmm*

Then, as surprising as former majority leader **Tom Delay** actually appearing on ***Dancin' With The Stars***, in April of 2005, federal prosecutors from **The Southern District of New York,** actually had the balls to indict 15, at the time current and former registered specialists, for federal securities violations…. alleging that over the course of nearly four years, that they were basically 'trading ahead" of public orders, thereby benefitting themselves, causing retail investors to lose more than 19 million dollars in that one investigation alone.

The NYSE itself was even fined millions of dollars by the SEC for failing to properly monitor their trading activities.

So were they found guilty? …Some were….and fines totaling $245 million were paid… but did the public get any of their money back?.... NO.. ….and here's the best part…

Every charge and/or conviction against the individuals named was eventually dropped, reversed, or over-turned by various courts ,

…. meaning that basically **no crimes** were ever committed…. making the SDNY prosecutors' office an embarrassing 0-15 against the specialists, ……so for now it is still business as usual.

How They Benefit

Besides having the guilty pleasure of laughing all the way to the bank most every trading day, Specialists also have the uncanny ability to predict public investor behavior whenever "news" or earnings announcements are released.

Its'simply remarkable how the public is <u>never</u> on the right side of a trade after a news release.

This ***Uri Geller*** like mentalism, is driven by the fact that they have the ability to decide *how* they want investors to behave depending on the disposition of their inventory, whether they need to advance prices to dispose of inventory, or wish to lower prices in order to accumulate more.

Even I can do that when you control the game, and its players…..

Succinctly put……***It is not public demand that causes rising stock prices, but rising stock prices that cause demand……*** Read That Again….
The problem for most retail investors to make money in the market, is that they do not know or care how to interpret news or volume as an indicator of future price change.

Volume figures are the most important clue to specialist intentions.

Most investors believe that good news and high volume during a rally is proof of the markets' underlying strength, or high volume on bad news is a testament to weakness…. but in fact **the very opposite is true**.

As you learn more about specialist tactics, you will also learn that in the course of a major rally or decline, volume will *increase* as stocks move toward or just thru their "**critical numbers of 10…..40, 50, 60 etc.** which incite retail buying or selling because he knows investors are psychologically influenced by these round numbers to invoke some action.

A specialist can drop his stock's price to a critical number, acquire the increasing amount of shares sold to him as price approaches this price level, and then will launch a rally that often times carries the stock to just under or just above another critical level. …..And do it again…and again…

Volume is therefore a manifestation of specialist accumulation when it is on the downside or an indication of specialist distribution when it occurs on the upside.

Although only the specialist himself really knows what his plans are for his inventory, but when properly analyzed, volume can show what his true intentions probably are.

If you see an increase of 200-500% , in a stock, you can expect specialists are up to something.

It is also important to note that both traditional fundamental and even technical analysis methods can put a trader on the right street toward ***Profitville***, but both of these trading vehicles eventually bring you to a dead end with a precarious cliff, because they totally ignored the warning signs on the way …and the specialists will desire to send you over it…

By putting in play those stocks whose news or common technical patterns should cause them to become objects of public demand, the specialists are busy paving a shiny new road to **Profitville**, for the investor to take to get there…Its beautiful, well lit, safe and secre…..But then something cruddy happens on the way: ….out of nowhere there is road construction, speed traps, detours, and specialist owned toll booths to suck you dry …and suddenly all the happiness of driving down that highway is gone….

Ok enough metaphors…I think you get the point. The stock market is mostly an internal driven operation. Economic or news developments do not usually cause stock prices to move one way or the other. That information is used to rationalize market maker driven price movements to exploit investor psychology, which *then* impacts economic conditions.

The exchange even has a by-law for its listed companies that says that they must inform their specialists of any information which might materially affect the stocks' price. So with information in hand, they can plot their strategy to either dump the stock off to the public in the case of bad news, or buy more from the public in anticipation of the good news.

So*, in a nutshell, trading successfully basically comes down to this ….*

.

When investors are buying and the market is going up, specialists are probably selling and when investors are selling heavily out of fear,…. specialists are buying.

<u>Thus the public's bearishness is actually bullish, and its bullishness is in fact, bearish</u>.

Which side do you think you should be on? Well of course it is the specialist side. So how can someone do that? …… **via *technology***...…

NASDAQ Market

Ok… so now you may be thinking… ok, I won't trade NYSE stocks against those Neanderthal specialists, I'll stick to Nasdaq stocks where there are no "specialists" and everything is done electronically and is transparent. I'll have a better chance of success.

Ok… that again is only somewhat true. But its' not any easier trading there either……. If you look at stocks and their volume activity, you will still see major volume spikes at the highs and lows which launch reversals just like on the NYSE.

In the Nasdaq market there are three different types of players for which you would need to learn their moves.

- Market Makers (MM) - These are the players who provide liquidity in the marketplace. This means that they are required to buy when nobody else is buying and sell when nobody else is selling. They make the market similar to the NYSE specialists
- Electronic Communication Networks (ECN) - these electronic trading systems bring buyers and sellers together for the electronic execution of trades. They disseminate information to interested parties about the orders entered into the network to be executed. It is important to note that anyone can trade through ECNs, even large institutional traders.
- Wholesalers (Order flow firms) - Many online brokers sell their order flow to wholesalers; these order flow firms then execute orders on behalf of online brokers (usually retail traders).

The Ax

The most important market maker to look for in a particular stock is called **the ax**. This is the market maker that *controls* the price action in a given stock at any given time.

The ax isn't always trading the stock in one direction or another. Sometime he is keeping it in a tight range and sometimes he is not there at all and another ax may step forward.

The point is the ax is the one to watch closer than all other parties or MMs. Many day traders try to make sure to trade with the ax because it typically results in a higher probability of success.

But figuring out who the ax is, of course is not easy. On any given day any party can be an ax, there may be one ax in the morning and another in the afternoon.

NASDAQ Tricks and Deception

Although watching level 2 screens can tell you a lot about what is happening in a NASDAQ stock, there is also a lot of deception taking place to get individual traders to do the exact opposite of what is really going on.

Here are a few of the most common tricks played by Market Makers.

- Market makers can hide their order sizes by placing small orders and updating them whenever they get a fill. They do this in order to unload or pick up a large order without tipping off other traders and scaring them away.
- Market makers also occasionally try to deceive other traders using their order sizes and timing. These types of orders are called NITBB or NITSO (No Intention to Buy Bid or No Intention to Sell Offer). When using this technique, the market participant displays a huge size greatly exceeding all others seen on Level 2. Most often it’s done in order to provoke traders to move in the opposite direction, as they are trying to undercut this big size or to get in or out “front running” this size.
- Using big order size for buyer attraction is the opposite scenario. When a player has a big position to sell, he can try and display big size in order to attract a buyer who sees the opportunity to build his position in a single hit. This involves differentiation between this situation and the one we described earlier, when appearance of a big size will spook most individual traders.
- Market makers can also hide their actions by trading through ECNs. Remember, ECNs can be used by anyone, so it is often difficult to tell whether large ECN orders are retail or institutional.

Level 2 can give you unique insight into a stock's price action, but there are also a lot of things that market makers can do to disguise their true intentions. Therefore, the average trader cannot rely on Level 2 alone. He should only use it in conjunction with other forms of analysis when determining whether to buy or sell a stock.

When High Powered Technology and Mathematics Came To Wall Street

I'm not talking about the *telegraph* which was the first major technological event to transform Wall Street, which gave those who first used it, *a major advantage* over everyone else who didn't, by getting their orders filled before everyone else even knew what was going on.

That basic idea still holds true today. From the days of everyone standing around that buttonwood tree at 68 Wall Street shouting their trades to each other when it didn't rain or snow, to when trading moved indoors where it eventually was the brokers and traders who were the most agile with their elbows, knees, or loudest voices who had the slight advantage.

Today, it is those firms who use ***high powered technology*** who have a distinct edge over those who don't. **(especially those firms using the controversial "flash trading" techniques….this is the new faster price probing technology derived from algorithmic trading concepts)**

But ever since this "next generation" technology came to Wall Street, there has been a nagging question emanating from the halls of Wall Street's lesser-known firms, which is this . . . *"How the hell do the top firms consistently earn such spectacular returns on their investments (especially* ***Goldman Sachs*** *) and we are not?*

For example, in 2006 the five largest U.S. investment banks—**MorganStanley, Goldman Sachs, Merrill Lynch, Lehman Brothers, and Bear Stearns**—generated a whopping $61 billion in profits from their proprietary trading strategies (about half their total revenue)—a 54% increase over 2005.

What is it that they know that no one else seems to know? . . . ***I do have the answer . . . .***

But before I tell you, I'm going to let you in on another little market secret. . .
Most of Wall Street's biggest brokerages and investment banks that spend millions of advert dollars touting the value of the classic "buy and hold" investment strategy for their mutual funds, are in fact themselves making their

millions *not* by buying and holding, but with ***short-term trading techniques*** which account for that 61 billion mentioned earlier.

Which leads to the answer……..

Many of those highly profitable firms use complex super-computer driven mathematical models to analyze and predict future price movement.

These models are generated by analyzing as much market input data that can possibly be gathered, including *market maker tactics*,that effects an instruments pricing behavior eliminating human frailties and emotion …..

For our real time trade alert clients, we utilize that same technological advantage to help our clients make money www.traderssecretsrevealed.com

Here's How….

In the early 80's back at **Genie,** I was one of the junior traders tasked with the testing, implementation, and experimentation, of a new computer driven trading concept developed by a company called **Advanced Software Systems** (now **MarketLogicData Corp)** which set out to see if computers could understand an instruments' past pricing behavior to ***predict future results.***

Well, as you can probably guess, the findings were nothing short of amazing and this emerging technology was soon sitting on those massive mainframe computers at many of the most technologically progressive money management firms from **London to New York,....** including **Genie One**

This technology then quickly catapulted earnings for these early-adopter firms almost beyond belief, as profitable trading ideas became more and more computerized ….. and more importantly… ***more predictable.***

I still remember the computer geeks trying to explain to us the input functions that drove the signals:

Terms such as **balance lines, fractals, grounded vs. ungrounded assessments, linear regression, data marts, binary selection of assumptions, reversion to the mean, matrix manipulations**, **symbolic integration** were thrown at us…. Huh??

Imagine a bunch of young gun Wall Street hyper-active traders in **Armani** suits

trying to sit still while the bespectacled, black skinny tied, white shirted computer geeks tried to convince us that their computer program was smarter than us……….
Insults flew in both directions.

It was mind-boggling, confusing, and often times hilarious.

It was so new … No one I knew had ever saw something like this being used in the financial markets before. **Technical** analysis yes of course, ….but this method took non-fundamental analysis to the n^{th} degree.

Many of my fellow traders dismissed it as total nonsense and went back to trading with their old-school fundamental trading strategies… **I didn't …..**

I was mesmerized by how potent this number crunching program was at correctly picking out stocks about to move.

And after a few weeks sitting with these guys day in and day out, I finally converted, became a believer and gave the "geeks" my total respect.

This trading program literally changed my life…It made me rich **because I got to see it operate first hand and never looked back.** To this day I am still in contact with most of the guys who created it.

The human brains behind these formulas became known as ***"quants"*** and went on to form companies such as **Getco, Tradebot, MarketLogicData Corp (formerly Advanced Systems Software) and ATD** just to name a few**,** as well as their own hedge funds to take advantage of the markets using these mathematical algorithms.

This technology has now literally transformed how the markets work and over the years, it has become known as "**quantitative**," "**algorithmic," "high (or low) frequency" "artificial neural", or even "black-box"**

It has been *reinvented, refined, rejuvenated perfected, sped up, and even criticized*...But whatever name someone calls it, the bottom line is that **it is still one of the best kept secrets the street has kept from individual investors …….. *much to your disadvantage.***

Dictionary.com defines "quants" A person who has strong skills in mathematics, engineering, or computer science, and who applies those skills to the securities business.

For example, a pension fund may employ a quant to put together an optimal portfolio of bonds to meet the fund's future liabilities. *Also called* **rocket scientistist**
In fact, now many of the top investment funds in the world, and thanks to us, some individual traders, now rely on active mathematical (algo's) price discovery models for real time trade recommendations to try to improve upon certain benchmark performance levels to **achieve superior returns.**

WHAT IF YOU HAD THE SAME PROFIT PRODUCING INFORMATION AS THE FIRMS MENTIONED BELOW, DELIVERED RIGHT TO YOUR CELL PHONE IN REAL TIME?

Today, major investment firms such as **Bank of America, Morgan Stanley, Man Financial, Fortress Financial Group, Eton Park, Quantum, Wisdom Tree, Citi Corp, BlueSquare, D.E. Shaw, Bear- Stearns, Renaissance Technologies, and numerous others,** and……..**especially the venerable Goldman Sachs,** have determined that high-powered algorithmic price discovery modeling should be a critical component for at least a portion of their respective portfolios.

This computer driven trading methodology is now responsible for an estimated half of all **NASDAQ and NYSE transactions,** 40 per cent of **London Stock Exchange** trades and a quarter of all worldwide currency trades **(FOREX)…….**

Like I said, for almost 30 years now his powerful method of profit generation has pretty much been kept secret from the general investing public but has recently come to light thanks to a highly publicized software theft at **Goldman Sachs** of their proprietary trading code (July 2009) by one of its former programmers who was to be paid millions of dollars by a competitor who wanted to *exploit* the markets for massive profits….. just like Goldman does.

But a funny thing happened on the way to the courthouse…….

This crime accidently alerted the public to the major advantages that this trading program gives its owner and is now creating great controversy about its usage.

After speaking with high ranking Goldman execs about the crime, The prosecutor in this case released the following statement:…..

"***The bank (Goldman Sachs) has raised the possibility that there is a danger that somebody who knew how to use this program could use it to manipulate markets in unfair ways,"***

….and how right he is. ……That really says it all about how the market works nowadays.

Ah ha!....but interestingly,……Goldman immediately tried to deny that statement as fact, fearing that their private money making secrets would indeed be exposed and their "genius" label would be forever tarnished.

Read all about it here..

http://www.bloomberg.com/apps/news?pid=20601087&sid=axYw_ykTBokE

However, in spite of this technologies' consistent undeniable profitability, many pundits still debate how a stock picking program **based on mathematics, crowd psychology, cyclical economic events, weather patterns, geopolitical maneuverings, professional traders' concepts, moving averages, news events, and even esoteric "rules of the universe,"** could actually be effective at predicting ***future*** price movement.

Some say the results are simply due to some kind of self-fulfilling prophecy, (its' not)… others say it is truly how the market moves nowadays (it is) …. *but who cares why....*

My Experience with it proves one incontrovertible fact....

It Just Works…

Here is what the Washington Post says about our technology…

"They are the powerful, cerebral and offstage actors of Wall Street, but the recent turmoil in the financial markets has yanked them into the light. They are the math geniuses of the quant funds. Short for "quantitative equity," a quant fund is a hedge fund that relies on complex and sophisticated mathematical algorithms to search for anomalies and **non-obvious** patterns in the markets. These glitches, often too small for the human eye, **can present opportunities for short- and long-term trades that yield high-profit returns.**

The models replace instinct. They try to turn historical trends into predictive science, using elegant mathematics seemingly above the comprehension of your average 401(k) participant or Wall Street fund manager.

Instead of veteran, market-savvy traders waving fistfuls of sell slips, the elite quant funds employ Nobel nerds with math PhDs, often divorced from the real world. It's not for nothing that **they are called "black-box" funds -- opaque to outsiders, the boxes contain investment magic understood by only the wizards who conjured it up"**

Couldn't have said it better myself…**.**

Do You Want The Industry's Most Powerful Computer Driven Stock Picking Program Working For You Also?

At our signal service we have also solved a large part of the trading puzzle by utilizing this very same powerful technology.. ……..READ ON…

Hi, Dorfman here again....Let me ask you a few questions.

Knowing what you know now about this little game of ours and all the little factors working against you, ……. *Are you still willing to start trading based solely on your guts?*

*Do you wish you had a high-powered Wall Street stock advisory firm that could notify you in **real time** which stocks are starting to make a big move over the next few days earning substantial profits for you? **(10, 38, even 100% and more!)***

*Maybe you just wish you had the input of a veteran Wall Street trained hedge fund manager advising you at exactly the right time to sell.....**in real time**... to insure you don't miss big moves or give back profits...*

*Maybe you would just be happy knowing that you didn't have to do the labor intensive company research, or study confusing chart patterns **to still make money in the stock market?***

*Or maybe you just want to make money **now** while you are learning to trade on your own to help pay your increasing expenses.?*

Well, Now You Can Do All Of The Above And Make More Money Trading Stocks Than You Ever Thought Possible!

How you ask? …Because **<u>this is your personal invitation</u>** for you to trade along with us *in real time*, using the exact same **technological advantages** mentioned earlier.

I can assure you that this technological advantage is not some **Madison Avenue** hype story to grab your interest in what we do……. It is simply the **truth** about the evolution of quantitative mathematics and the ever increasing role it plays in today's markets**….**

In a nutshell,… we have jumped on board with quantitative analysis data feed firm **MarketLogicData Corp** and are pleased to be able to make their signals available to a limited number of individual traders through an exclusive arrangement **You'll love this!**…..

But first things first…..

I would not be doing my job as a market educator if I did not have you first determine if you are truly ready to be a trader…

You should know that trading can be a brutal, sometimes vicious contest that leaves many people, including professionals, devastated, demoralized, and desperate after suffering numerous successive or large losses… (they probably did not have an effective money management plan like ours.)

….But the rewards can be amazing…

Therefore,
You must be sure that you are emotionally and financially ready for this occupation/hobby.

<u>So please take a moment to do this self analysis test…..</u>

1. Is successful trading a long time dream of yours?

2. Do you have complete support from your spouse or significant other?
3. Are you willing to follow the rules I lay out for you?
4. Is the money you are using to fund your trading account strictly risk capital at this point?
5. Have you suffered previous painful trading losses? (we hope so)
6. Can you honestly accept that some losses will occur?
7. Will you treat your trading endeavor like a business and act accordingly?
8. Do you understand that trading is not gambling and that there is a methodical method to making money?
9. Do you understand that that there is no emotional attachment to any of our positions?
10. Are you ready to accept personal responsibility regardless of your level of success?
11. Do you want to supplement your income so that you can afford some of the finer things in life, instead of maybe living from paycheck to paycheck?
12. Do you accept the fact this is not a perfect business?
13. Will you commit to using a portion of your additional profits for charitable causes?

Ok …….I hope you answered **yes** to every question…if not you may need to re-evaluate your decision to trade….even if you are going to allow us to hold your hand all the way through….<u>Its' not for everybody</u>

But ….if it is for you……. *There is only one thing that makes a dream impossible to achieve……the fear of failure*.
The Alchemist

HEDGE FUND INFO

Some of you who are new to trading may not know exactly what a hedge fund is, so I will give you a brief definition so that you understand **why we make superior returns over your standard mutual funds.**

A hedge fund is a private investment vehicle used by wealthy individuals (accredited investors) and institutions which can use aggressive trading strategies such as **selling short, leverage, program trading, swaps, arbitrage, and derivatives** etc. that are unavailable to mutual funds due to SEC prohibitions.

We are restricted by law to no more than 100 limited partners (investors) and as a result most hedge funds set extremely high minimum investment amounts ranging anywhere from **$250,000 to over $1 million**.

As with traditional mutual funds, our investors pay a management fee; however unlike mutual funds, **we also collect a percentage of the profits** (usually 20%) and most hedge managers such as myself, have their own money in their fund, so producing profits is how we make money.

Funds structured under foreign law, or located outside the U.S. are designated as **"offshore hedge funds**" whose advantage is that the investors are not subject to United States taxation, and are typically based in the Caribbean; however a European/Asian offshore fund may be appropriate if a substantial number of investors from those areas are involved. …..

<u>We are also known for being "**first movers**" with technology to achieve our profit objectives</u>

Oh..I almost forgot.. we are not allowed to advertise in any manner to entice investors…especially non-accredited ones.

SELLING SHORT

Another question you may have is what does "selling short" mean? The quick answer is this.. It is simply a technique employed by investors and traders who believe the price of a security will drop and want to **make money as the price goes down**.

<u>This is one of the fundamental advantages a hedge fund has over a mutual fund which are strictly prohibited from selling short</u>.

Very simply it works like this…

When deciding to sell short, you simply advise your broker you want to **"sell short"** the particular stock and the number of shares

The broker then borrows the stock from one of their other clients or themselves and loans them to you and the order is executed….The trader has in fact borrowed the shares and is now **short** those shares and profits as the price declines….

Now when you close the short position you in effect want to "**buy back" or "buy to cover"** the position at a lower price.

After paying the brokerage commission for the transaction just like you do when buying stocks, **you keep the difference from what you sold them for and from the price you bought it back for.**

There is nothing *difficult, illegal, immoral, un-American, or even mystical* about it as you might have been lead to believe. The reality is that short sales are an integral part of supplying market liquidity…

Why You Should Also Know That Trading In "Real Time" Can Make All The Difference In The World Between Consistently Winning And Losing…..

You may be asking yourself what is the big deal about trading in "**real time"** ...**Great question**.

Let me first make it clear that if you are not trading in real time you are *either*..

A. really a ***buy and pray*** investor or **B**. giving the edge to the players who are trading in real time…. **Either way you will probably lose…** but if you are serious about taking money out of the market on a fairly consistent basis, then <u>**real time trading**</u> **is probably the** <u>**edge**</u> **you need**…

So for those of you who still don't get it, ***Here is common sad scenario*** that takes place every trading day to most traders/investors simply due to complete <u>lack of knowledge</u> about how the market really works. (note……this is a dramatization of factual events)

……………………..

The under-educated investor, or better known as **"Mr. Dumb Money"** to the street, (we'll call him **MR. DM** for short) …..is about to get sucked dry….so please follow along closely…***This could be happening to you…..***

MR. DM finally gets home at 6:30 one night after working all day as a manager at the local **Coke** bottling plant which he has done for 20 years, grabs a beer, plops down in his favorite chair, turns the TV on to **CNBC** to see what news affected his retirement savings today.

He has $118,000 in his mutual fund account (was $183,000 last year) and just recently opened a separate trading account putting $45,000 in there which he hopes to build up and trade full time when he retires to *live his dreams*.

Watching CNBC this fateful night, he sees Jim Cramer hootin,' hollerin,' and booya'in' that **IBM** just released a great earnings report after today's close and Cramer says "its' going higher…IBM is a great company…solid fundamentals"

Now that's great news for IBM but not necessarily for its stock… **There's a big difference between the two**……but here's exactly what happens next……

Mr. DM., feeling Cramers' excitement, agrees with him and thinks he needs to buy IBM tomorrow at the open because it is going to make a big move thanks to this "great" news.

He goes to his **Dell** desk top computer, opens his **E*Trade** brokerage account, gets a quote on IBM and sees it closed at 105.38, and puts in an over –night order to buy 400 shares at the next days' open, loading up his account on this *"sure winner"* …..

<u>MR. DM just made another dumb investment decision</u>….

Without knowing, he just basically gave control of his account to the IBM specialist who now has the power to open the price as high as he wants thanks to **Mr. DM's, and the thousands of other MR. DM's** who all also believe that IBM is going to rocket higher because of this fantastic news that Cramer is pontificating about, causing those numerous same over night **"market open buy orders"** landing on the specialists desk. **(note..in no way are we suggesting that Cramer has**

done anything wrong in this scenario)  Jim Cramer

The next morning as **Mr. DM** is getting ready to go to work, he turns on CNBC and sees **IBM** is trading $3 higher in pre-market trading…. creating an opening "price gap" meaning the price is trading $3 above yesterday's closing price before the market opens…… and if you have read this far and paid attention, <u>you already know what happens to a stock when this "good" news comes public</u>

but let's continue with Mr. DM's saga……

Unfortunately, Mr. DM was incorrectly assuming that his order would be executed near last night's **closing price** of 105.38 and is thinking he has already made $1200 today..(400 x $3) and gleefully heads off to work.
"IBM is going to 125 today" he is thinking…*based on absolutely no fundamental or technical criteria, other than his gut.*

As soon as Mr. DM gets to work 30 minutes later, he runs to his computer, checks his trading account and learns he was executed **at the opening gap price of 108.5**<u>*…$3 more than the previous close*</u>....

He does not understand how all that works and grudgingly accepts it…but he sees IBM is already trading at 110 …..up about $5 from the previous day's close....... thinking he's still in good shape..

"I am still up $600 in 30 minutes…I'm going to sell it at the end of the day for a big gain and go buy that **SeaDoo** I've been eyeballing in the **Yamaha** showroom window" which he passes everyday to and from work,.

Mr. DM. then dutifully heads out on to the plant floor whistling his favorite song, ***Another One Bites The Dust.***

<u>*Now here's where it starts to ges ugly for Mr. DM*</u>….

Just as it has a few times already since he opened his trading account…..

At lunch time, he runs back to his tiny office with those dollar signs filling his head....puts on CNBC to find out how much more money he has made and sees the scrolling ticker at the bottom of his screen….. ***IBM…. 107.35 …+1.97.....***

"What???" ....He spurts out loud… "that can't be right… I must have mis-read that..it must have been ***117.35***" ....

With his heart, now pumping a little faster, he quickly logs back on to his E-Trade account to make sure he did not really see IBM was at 107.35……. and sadly sees that IBM is now trading at **106.95**…

What the heck happened?… Sweat now starts dripping into his already sweaty armpits…**"fear of loss"** is setting in… he is now actually **LOSING $620…** (remember he was executed at the open price of 108.5)

He is now frozen with fear …..doesn't know what to do...**so he does nothing,** figuring it must be some sort of "profit-taking" and convinces himself that it will certainly close higher. "It has to"… They reported record earnings!!! Cramer says its heading higher!..... and he heads to the cafeteria for lunch… ..*quiet as a mouse*……

Now at this point, I feel sorry for Mr. DM… I know what's coming…..

Immediately at the end of his ass breaking shift on the plant floor, he runs back to his tiny office, turns on CNBC impatiently waiting for the IBM quote to scroll across the screen hoping for the best…but before he gets to see the IBM quote, CNBC cuts to a commercial…. ***and he freaks****....*

He can't even wait for the commercials to end….so he logs back on to his E*Trade account…… and unfortunately finally sees the **bad news**..

IBM …. 102.8 ..down $2.58 from the previous close ….

Mr. DM is slack-jawed to say the least…**He is down $2280** …...(remember he was executed at the opening price of $108.5.. ….$5.7 x $400= $2258)

…He now feels like vomiting…

I'm down $2300 !!!…in one day!!!!!!!!!!!!! He doesn't understand how this happened...... ***IBM...great company…great news***! It should have gone higher!

And then Mr. DM makes another bad decision…..

Unable to cut his losses, he decides to hold on till it comes back to near his purchase price where he will sell at "break-even" …It has to.. he says again …. (this another common mistake most investors make……*hoping)*

But as you can probably guess,…… In this drama, IBM does not come near that price again for a long time which is no reflection on IBM or even Cramer…They are both genuinely optimistic about IBM's future earnings potential.

But…..The "**smart money**" crowd had been buyers of IBM long before this news was released, because they <u>expected, or *even knew* that it was coming,</u> and were the ones **selling** everything they could to all the Mr. DM's piling in….. driving the price down further and further…..

Mr. DM never had a chance……

Weeks go by...... IBM keeps drifting lower and lower after some failed rallies giving him false hope.

Mr. DM finally gives in and sells his shares at $98.00 taking a $10 loss…over $4000, <u>10% of his account balance</u>……. and decides to look for another good trading opportunity to "win" it back.

Luckily he found www.hedgefundtradealert.com

I hope this important story made sense to you. This is just one example of the markets working against the individual.

<u>You too may also be missing out of what could be many profitable trades or giving back large profits</u>, because you do not know what happens to your stocks during each trading day…. relying only on opening and closing price information ……..which tells you really nothing that important.

Many stocks make major money making moves during the day and even close lower….. and all the Mr. DM's out there did not take profits when they were available. **They just didn't know how or when….**

But by trading in real time with us, you ***will*** capture those profits.

That is my responsibility to you and I take it very seriously.

My reputation depends on making you money, reducing your risk, and minimizing any losses so that you stick around for a long time.

Nothing that happens in the market on a daily basis escapes us. If any unexpected news or event creates a sudden price move in a particular stock, we will be there to advise you via our real time alert system.

We are your eyes and ears for your open positions…..

A continuous monitoring of the market is needed to be effective at taking those profits and cutting losses ….utilizing **both real time analysis and real world instinct.**

Therefore real time trading gives you an enormous advantage over market participants who don't. And this advantage, *this edge*, is exactly what you are looking for if you truly want to be a consistently profitable trader...

And you don't have to be at your computer all day to do it!

You Can Take Advantage Of This Amazing Technology Secret That Wall Street Has Coveted For Over 30 Years ……..Starting Tomorrow!

Ok…..Here We Go…………

"The journey of 1000 miles starts with a single step"

So if you are seriously thinking of participating in our **real time alert service,** which I truly hope you are, you will need some tools (which you probably already have) in order to trade along with us..…

They are : a **cell phone** that can receive text messages (**this is required**), a **calculator,** … and a **notebook**… ….**That's it!!!!**

If you can operate those simple lo-tech items,, then you can participate in the most progressive technological advances driving most of Wall Street's current profits… ironic right?

As a **real time trade alert** client, each trading day you will receive alerts advising you which stocks (ETF's) are expected to move based on the analysis provided my MLDC's Logicast program, then verified through the **AutEx** trading network institutional order demand and our own proprietary risk/reward analysis.

The alerts simply specify the <u>symbol</u>, <u>direction</u> and the exact price where this expected move will commence from.

<u>This service is therefore a perfect solution for you if you simply cannot, or do not want to watch the market all day, but still want to profit handsomely from it.</u>

So our first disclosure is that obviously our fund will be entering these same trades as well. We do not trade ahead of our clients but of course in some cases that may happen..

The alerts go out **AS** we are entering the trades ourselves…*You may in fact, get executed before we do because of our size issues..*

We never trade for the sake of action… *We trade for the sake of profits.*

Please remember that stocks do not go straight up or down. ..The data we use is tracking the underlying market maker buying or selling action that will soon expose itself to the market which is usually **when price then explodes and we take profits.**

The only thing that disrupts these mathematical behavioral patterns are unexpected news events that no one could predict…even the specialists.

One of the benefits of our trading plan is that we also get to trade entire market sectors through ETF's.

So what are ETF's?*...glad you asked….*

ETF'S

Exchange-Traded Funds (ETFs) are basically securities that closely resemble index funds, but can be bought and sold during the day just like common stocks.

They offer the simplicity of a stock trading along with the diversification of a mutual fund, giving us the ability to trade broad groupings such as, whole market indices, industry sectors, international stocks, bonds, currencies, and even commodities, thereby minimizing risk by not being directly subject to the whims of some specific companies' CEO, CFO, market makers, and analysts who are all pumping (or dumping) their respective firms for their own selfish reasons.

You are probably already familiar with the most popular ETFs such as the S&P 500 SPDR **(SPY**) or Nasdaq 100 Index Tracking Stock (**QQQQ**), or the Dow Jones Industrial Average (**DIA)**

Additional Benefits Of ETF's

- **Reduced risk of substantial loss -** Do you ever wonder if you are going to wake up in the morning and find out your stock dropped 50% because the CEO was caught with his hands in the cookie jar? ETFs are automatically diversified equities, which greatly reduces this risk because there is minimal exposure to any one individual stock. In the iShares Semiconductor Index (IGW), for example, the biggest holding is Texas Instruments, which only has an approximate 8% weighting in that ETF. By trading ETFs, you can greatly reduce the risk of a trading catastrophe.
- **Access to more markets -** With ETFs, you now have access to markets that were previously difficult and expensive for retail investors to participate in. Government T-bonds, international markets, commodities, and even a currency ETF can all be traded with the same ease and commission cost of an individual stock. With new ETFs being created every month, the realm of trading opportunities keeps growing.
- **Liquidity is never an issue -** Unlike individual stocks, in which liquidity can greatly affect how a stock trades, all exchange traded funds are synthetic instruments. As such, the amount of average daily volume that an ETF trades is, for the most part, irrelevant. Even if a particular ETF had no buyers or sellers for several hours, the bid and ask prices would continue to move in correlation with the market value of the ETF that is derived from the prices of the underlying stocks. An ETF with a low average daily volume may sometimes have slightly wider spreads between the bid and ask prices, but you can simply use limit orders if this is the case. We trade for points, not pennies, so paying a few cents more on occasion is not a big deal.
- **Lower trading commissions -** Prior to the inception of ETFs, if you wanted to buy a basket of stocks within a particular industry sector, you had to pay a separate commission for each stock you wanted to buy. However, through trading in the sector-specific ETFs, you now only pay one commission to buy or sell short an entire group of stocks within an industry.
- **Better odds of follow-through -** You have identified a particular sector you would like to be in, place the trade, then watch every single stock in that sector go in the right direction EXCEPT the one you are in! Has this ever happened to you? With ETFs, you are at less risk of buying or selling short the wrong stock because you are buying or selling short an entire group of stocks within the sector or index. If you buy the Biotech HOLDR (BBH), it does not matter much if Morgan Stanley has a big sell order on Amgen because you also have exposure to many other stocks within the Biotech Index.

- **No uptick rule -** Unlike individual stocks, ETFs are not subject to the uptick rule that prevents the short sale of stocks on a downtick. This makes selling short an ETF much easier and quicker than with an individual stock.

At this point I will say that you have learned a good deal about some of the realities of trading in today's markets…

Are you now ready to see what we can do for you?

If so, please read on… If not…I hope you learned something new about ***How The Market Really Works*** and use that knowledge to your benefit somehow…. The rest of this ebook will probably not be useful to you.

I wish you success!
Robert Dorfman

Ok..for those of you who have made the intelligent choice to continue learning more, I will show you how our service works

THE ALERTS

So if you are considering trying us out, you should be wondering how we share the trades with you.

Well real simple….. We use a very efficient multi-national SMS text message system which sends the alerts to our subscribers instantaneously direct to your phone …. almost anywhere in the world.

This is an example what they look like when received on your cell phone……. .. (New Trades)

ALERT… buy DIA @ 85….

(note….because of our usually minimum 3 to 1 reward to risk ratio, you can enter the trade anywhere within $1.00 of the alert price and still benefit)…..

Or…..**ALERT… sell short XBI at 45.00….**
(this means that you can enter the trade anywhere between $44-46.00 if you missed the exact price)

ALERT…buy INTC @ 12.35….

Some alerts will give a specific price range ……

ALERT..buy DIA @ 85-86. …(so you should not enter below or above those prices)…

We are not too concerned with exact entry prices since we are not scalping.

Our profits are **usually in the 2-10 point range.**

You should however enter the trade as soon as the alert is received to maximize your potential gains…which is why you should act in real time.

Also note … due to our sub-market buying and selling tracking which may not be reflected in what the market is doing on a given day, **we will at times have draw-downs.**

Professional traders always expect and have them. *It is how you handle them that counts.*

It is this underlying buying or selling that drives our alerts, NOT what is happening in the markets on a daily basis, so it may take a few days to see our trades turn **profitable as the market tries to shake out the weak hands of those who are just luckily tagging along** just as you have learned.

Remember…. we are trading with the "smart money" crowd. …where NOTHING is obvious.

Is it fool-proof? ….Absolutely not …,sometimes the bigger institutions will turn us into the weak hands and force us into closing our positions… probably with just a small loss…and then we watch the trade immediately turn back around on us.

It WILL happen… There is nothing we can do about it…. Has that happened to you before?

But….to give you an idea of our success rate, in **Feb 2009 we had 18 trades and only one lost an insignificant amount of money…….. 17-1 not bad….. MAY 2009 generated 80 points!! June, 6+ , and July, 22+ ….**

CY Young numbers…..

<u>But again it is not foolproof</u> . …..**Big unexpected market news always trumps algorithms no matter what the smart money is doing**…..

Also realize that not every alert will pertain to you…You will probably not be in every position we broadcast possibly due to limited available trading capital. ….Nothing we can do about that either. Just delete them.

You can expect an average of **5-7 new trades per week**….and since we are not specifically day trading, you can easily enter the trade with your broker via phone or by internet at or near the price we recommend… even if the alert is a few hours old
Later on I will show how what an alert looks like when we take profits or close a position..

You should keep track of your positions in your notebook if you do not have your computer handy during trading hours.

Note… very rarely do we send any alerts between 11:30 AM – 2:30 EST.

This is actually a reversal time in the markets due to some program trading, market makers taking lunch, market review etc.....so this is a great time for you to take care of your other personal or business related projects and not worry about missing too much here.

FYI…..Some other key market reversal times are as follows:

9:30 – 9-35	9:50- 10:10	11:30- 2:30
10:30- 10-45	3:00- 3:10	3:30- 3:45

RISK/MONEY MANANGEMENT

Now that you understand the alerts themselves, you must then determine **how many** shares you are to buy when entering a trade…… <u>This is crucial to your long term trading success!!!!!</u>
The answer is not however many you can afford!

We HIGHLY recommend that you follow this money management guideline which will teach you how to keep your risk to a minimum whether you utilize our service or not.

This is part of the trading process where you will need to do some math… simple math…. but math none the less/// but let me start by saying that proper **risk control is the foundation of long term survival for all traders… …..***no matter how much you have to trade with*.

Because of our track record, I do not want you to have unreasonable expectations by taking huge positions on our alerts because you are anxious/excited to start making big money.

Large trading profits are gained and compounded over time by winning consistently and conserving capital in the short term..

Trading in positions that are too large for your specific risk parameters result in larger than average losses and is **the #1 reason many new traders quickly go broke.**

The urge to make more money more quickly will always be a battle you will be fighting.

You must resist those urges and just accept the fact that as a professional trader **your #1 priority is capital preservation and taking home numerous small to medium size gains of 2-10% within a 2-10 day time frame…**but extrapolating a 5% gain in 10 days equates to **180%** annual return …….

multiply that by the number of trades you enter in a year and you will have enormous realized returns…just like our other clients do

So contrary to popular belief, trading is not about trying to hit home runs with big positions and taking substantial risk…. *unless you are a true gambler* ….then by all means go for it……but don't blame me for your large losses…..

Consistently hitting singles and doubles and of course the occasional triple and home run is how pros build their bank account with dynamic results…

No matter what stories you hear about from some people who say they doubled or tripled their money in a short time.. (yes it does happen), but I can guarantee you that **luck** probably played a significant role…and like playing in a casino, *luck soon runs out….*

But you only hear about the big win… not the previous or subsequent bigger losses…

I can **absolutely assure you** that there is a direct correlation between correct position size and higher profitability.

Some losses are inevitable even with our service, but correct position size results in smaller insignificant ones. …..**But sometimes we all get greedy**… especially when our alerts are so accurate …giving even us a false sense of security….. So it is inevitable that whenever we disregard our own position size rules hoping to make a quick big kill…..we get smacked back to reality…. Almost as if the market knew we went against our plan and we are stuck with a sizable loss…..

Don’t make those mistakes.

Some of the best traders in the world earn 80% of their profits from only 20% of their trades (the “80/20 rule”) because they strictly control their losses….. But if the stock doesn’t do what they expect it to do—they quickly close it out and move on to the next trade. No big deal.

Those small losses can be considered your trader club dues. **We all pay them**

It is therefore imperative to stay in control of your emotions, the greed factor, and these position allocation rules….

Now I am going to assume that you already have an online or standard brokerage account and have set it up with **margin** trading ability… If not, I suggest you contact your broker immediately and tell them you want to open a <u>margin</u> account.
If you are not familiar with margin, it is basically a low cost loan from your broker who matches the amount of funds you have on deposit with them in order to give you more **buying power…..** or *leverage*….This margin will give you 2 to 1 leverage on your money and also allows you to **sell short**.

While there are some inherent risks when trading on margin, we have built in margin related risk controls in our service which you will discover more about shortly…….. **so do not fear leverage**.   But it is your choice to use it.

Now let’s learn how to determine what your proper **maximum position size should be**…..These steps should be taken methodically whenever entering a new trade to properly protect your trading capital.

But the first risk management myth I want to dispel is the balanced position size myth…which says you should enter every trade with the same 100, 500, 1000 or 2000 share allotment size for no real reason except…it’s easy.

While it seems like the proper thing to do because it is easy,…. **it isn’t proper**………

For example, taking just a 2% loss trading 1000 shares of a $50 stock will have way more impact on your account than a 2% loss on 1000 shares of a $10 stock if not calculated correctly…..   a 2% loss on the 1000 share $10 stock position, the loss is only be $200,   but the same 2% loss on the 1000 shares of the $50 stock, the loss is $1000…. **5X greater**!.. Think of the negative impact a loss like that would have on your account.

A $200 dollar loss is certainly manageable for most people but a $1000 loss would probably cause some pain for their account..….

Without proper risk management and discipline you will be trading in the dark regardless of how many winning trades you enter and subjecting your account to undue risk.

You will learn to correctly calculate the 2% risk amount in a moment.

Since we do not know is how much you are trading with to correctly calculate **your true exact risk amount,** I am presenting to you a somewhat generic risk management method that will still properly teach you how many shares to enter for each trade based on your available buying power.
This is the only part of our service which *you* need to do on your own…

"*Do not risk thy whole wad"* is the first rule of trading.
Dr. Alexander Elder

The 2% Risk Management Rule

Basically what the 2% risk management rule says is that **no one position should represent more than 2% risk to your entire portfolio**.

Calculating this strategy starts *before*, not after the trade.

All too often we hear our clients say that they loaded up on one of our alerts to maximize their gains. However, **That is NOT what we teach**..... .

When I or my traders look at a potential trade, a large portion of our time is immediately spent **identifying the risk/reward ratio** to validate the trade.

We need to know at what point that if a trade does goes against us exceeding our risk/reward analysis, that we are going to cave in and say this trade just did not go as we or **marketlogicdata** predicted.

Our traders further know that if a trade does not offer at least a 3-1 risk/reward ratio, they cannot send it out to our **trade signal** clients.

So don't view an alert in terms of how much more you can gain by maxing out your account to make more money, you must look at it in terms of <u>how much of your account you are willing to risk on one trade.</u>

This starts with knowing **your available buying power and how to properly calculate this rule**

The 2% figure does not mean you can only use 2% of your account balance for each position…… or that your entire risk is 2%,…no …..

<u>Here is what it means….</u>

Example: (for non-margin accounts) If you have **a $10k portfolio ready to trade with, multiply that amount by 2% which gives you your portfolio risk amount** which in this case **= $200 …** …($10,000 x 2%)

This $200 represents how much you can afford to lose on at least <u>your initial trade</u>s

As a trade signal client client, you can assume that **we will usually not ever lose more than $2 per share on any one trade... (position risk)**

So for your calculations in determining the correct amount of shares to buy, you could use the $2 figure and be well within an acceptable risk level.

Example: **ALERT... buy DELL @ $11** ......Now take your $200.00 **portfolio risk** amount and divide it by the $2.00 **position risk** and you come out with **100.**....

This means, that as long as you have the available buying power, you can safely purchase **a <u>maximum</u> of 100 shares** of DELL @ $11

If our stop loss exit gets hit at or near the $2.00 risk per share figure, which in this example, DELL would have to trade down to $9, your loss would only be $200… (100 shares x $2 loss per share= $200))

Another Example/..

Let's assume that you still have the $10,000 balance and the next alert comes……**ALERT.... Buy IYG @ 55.5 ...** ..

Now take your same $200 portfolio risk and divide it by $2.00 same position risk and once again, you come out with 100 of course.

So you could continue buying 100 shares of a new trade as long as your portfolio maintains the $10,000 balance **and you have the available buying power to enter new trades.**

Now as your trades move in real time, your portfolio balance will fluctuate. So when you want to enter a new trade, you will use your updated portfolio balance to see if it is possible to do so.

So let's assume your account goes to $10,950 after those two trades close out. Let's see what happens next when we adhere to our 2% risk parameter calculation before entering a new trade…

ALERT ... Sell Short GLD @ 95.25...

So you now know that your new portfolio balance is $10,950 , x 2% portfolio risk now = $219 ….. Divided by your position risk of $2.00 which equals 109.5 ... obviously you would round up and you could safely **sell short 110 shares** of GLD

However in this case, you would be maxing out your account on this one trade. (110 x 95.25 = $10,477 of your $10,959) which I don't recommend.

You may want to skip this alert and wait for another lower priced one to maintain a proper risk reward balance for your account.

Ok one more.. ... **ALERT… buy FLEX @ 7.35**

For this one, lets' say your portfolio balance is $57,500... x 2% portfolio risk= $1150 divided by your position risk of $2.... you could therefore buy 575 shares... ………………………..Did you understand that?

Now .. If this 2% figure seems like too small amount for you to risk because you have *mucho dinero* or risk capital to play with and don't mind taking higher risk....you can raise your portfolio risk to 3%.... some successful traders even use 5%...... I don't recommend it .. but that is up to you.

Now that you hopefully have that down,

I am going to present you with our ***proprietary*** *2% Rule calculation used for* ***margin*** *accounts*

OK….Let's add the fact that you are trading on margin into the equation and that your broker calculates your **Available Buying Power (ABP)** (usually twice your cash balance) in real time for you, then this is how you would calculate the **2% risk management formula**

Let's say you are starting out with the same $10,000 trading capital but now it is in a margin account… which means your **Available Buying Power** is actually $20,000...(2X)

The first thing you need to do before you enter any trades is multiply the 20k by **30%**....... which is your "**set aside**" % amount....This is the amount of your actual buying power that you *"set aside*" and do not use for trading purposes…

This capital cushion serves as an additional protection layer to absorb draw-downs to ensure against receiving margin calls.

In the example above, you would be setting aside $6000 of your account balance that **will not** be used to calculate buying power when entering new trades......which in this case, would leave you with $14,000 **Usable Buying Power** (UBP) to actually trade with.

Using the same formula you learned earlier, you would still multiply the $14,000 x the 2% portfolio risk figure …..this gives you **$280** risk per trade.

Now just as before, divide that $280 by your same assumed $2.00 position risk amount giving you 140 shares to enter new trades (280/2) ... this gives you a little higher risk level based on your actual portfolio cash balance, but it is still within acceptable risk limits.

The key to this formula is to always calculate your UBP after the set aside amount has been deducted from the ABP for new trades.

So now you want to enter a new trade………

Let’s say your initial $10,000 has grown to $15,760 which means you have $31,520 actual buying power..... deduct the 30% “set aside” amount ($9456) which leaves you with **$22,064 UBP** x 2% portfolio risk = **$441** risk for this trade..

Again now divide the risk per trade by your $2.00 position risk which = **220** which is how many you should purchase for this trade.

As your account grows, you will be trading with ***more shares...same risk…***
Now lets’ say your cash deposit to your account is $125,000.....great.... your broker has now given you **$250,000 actual buying power ...** so deduct your 30% set aside amount of $75,000 leaving you with **$175,000 UBP**..... at least for your first trades..

Note.. there will be some trades you will have to pass because you do not have enough buying power to buy higher priced stocks because doing so it would exceed your UBP...Simply wait for a lower priced stock alert signal, or just buy a lesser amount of shares if you want to be in that particular...(suggested min 100)

Ok…..**ALERT…buy AMGN @ 55.15**... so...$175,000 x 2% = $3500 position risk....... divided by $2.00 risk per trade = 1750 shares… MAX.. .... so in this case you would be buying a max 1750 shares at 55.15 using $96,512 of your $175,000 UBP, leaving you with $78,488 buying power for additional trades.

This strategy allows you to have a few consecutive losing trades, and still stay alive till you hit the big winners and still grow your account.

Note... sometimes things may happen like price gaps that'll exceed the intended 2% portfolio risk... but we will be doing additional analysis to determine whether to stay in the position or not............... We Never Panic.... Nor Should You

ALSO…..another good rule to sound money management is that you should never have more than 10% exposure of your UBP on at any one time. …So this effectively means that you may have up to 5 trades on with the 2% risk factor, or 3 at 3% so you can sleep even better..

Remember This Formula.....

Portfolio Balance (including margin) = your Actual Buying Power (ABP) x 30% set aside = Usable Buying Power (UBP) x Portfolio Risk amount (2%) divided by Position Risk ($2) equals the number of shares to purchase or short

Remember to always verify your UBP to ensure that you can enter a new trade with a minimum of 100 shares.

You do not have to use the maximum number of purchasable shares. You may reduce the amount to buy to 1000 if the max allowed was, say 1200 or whatever which will leave you with more buying power for additional trades.

This risk management process may seem odd, unusual and maybe even uncomfortable, especially if you have OCD like me and like round numbers, or are just too lazy to want to calculate it before entering a trade…. I understand….but it truly is the only sure fire method of proper risk control.

<u>It is not trading equal share amounts because you like it that way</u>…… sorry to tell ya ……

TEST……Ok...for 1 million dollars *.....tell me how many shares you would buy if you started with a $35,000 deposit in a margin account using our formula.... The answer is below*

<u>Additionally….</u>.

Now that you are making money consistently, you may want to take out some of your profits to enjoy the fruits of your labor.

Many of our clients take out half their profits every month to use as they wish and leave the rest in the account to trade with.

This is a good idea because it simultaneously builds your trading account and gives you the additional spending money to use for whatever you need or want.

<u>Test Answer</u>... <u>490</u>   ($35,000 x 2 (margin) = $70,000 ABP x 30% set aside = $49,000 UBP...x 2% portfolio risk = $980 / $2.00 position risk = 490 max shares..
Did you get it correct? Great!!! Guess what????? only joking about the million dollars……….but you could earn that much using this risk management process!

Selling Portions Of, and Closing Out A Position

Now that you have properly bought the correct amount of shares using the above rules, you will now be advised via text alert when we are selling a portion of or closing out a position.

Here is how this part goes.. (note….. you should have always have your notebook or a piece of paper handy to keep track of your current positions and balances so you **Always know where you stand with your open positions**,, especially if you are on the go)

All alerts which go out regarding selling an open position will specify the portion or "lot" size. This is because we are always taking profits when they are presented by selling <u>in1/2 lots as the stock is moving up</u> .

So….. let's say you bought   **900 shares of SSO**….

Then the next day an alert comes…**ALERT.. .sell ½ lot SSO @ 25.35….**

now obviously **we do not know** how many shares you bought, so it is up to you to figure out what half your position is…..so with this trade you should know to sell 450 shares.. (1/2 of 900)

This obviously leaves you with 450 shares still trading…

Now let's say a day or so later we send this alert

ALERT…. sell ½ lot SSO @ 29.00…..

This means that you are to sell 225 shares.. (half of your remaining 450)

This will leave you with 225 shares still working for you … It is not imperative in all cases to sell exactly half…you may round off in some instances.

And finally, the last alert for that trade will be this….**ALERT...close SSO @ 31**...
That means sell **all** your remaining shares.

If you are in a short a position, the alerts will come as follows..
ALERT … buy to cover ½ lot of RKH @ 65

Therefore if you were short 635 shares of RKH , you would notify your broker ..”buy to cover 320 shares of RKH at the market

The next alert may say ..**ALERT…buy to cover ½ lot RKH @ 63.35** you would then buy back 160 shares, leaving you with 160.

Some Alerts will come like this…. **ALERT**…**close ALL open positions….or…. ALERT…close ½ lots of all positions**…..rather than giving specific symbols or prices…..

This is simply to get the alerts out quicker during an unexpected macro-economic event and we need to save time.

Please note that there will be times when we will advise you to close a position shortly after the initial buy or sell alert went out if we think the alert was manipulated, or if negative news suddenly comes out or something else goes awry for which we will probably have to take a small loss..

We may also close some trades after only 1 or 2 price targets have been met..

Remember we are moving in Real Time…so **we react to what the market and institutional traders are telling us.**

Note .. we do not use limit orders, especially when closing a position, therefore neither should you… so do not try to squeeze a few extra cents out of a trade… when we are getting out, you should too…

Note… there will be times when for whatever reason, you will miss an alert to close out an open position due to technical issues, cell phone unavailability, traveling, or other unavoidable circumstances etc… **Do not panic**…...

Calmly get a quote from your broker and close the position at the current price… sometimes the price will actually be HIGHER than our original alert price just accept any loss as just a cost of doing business and move on.

Some “costs” will be bigger than others…..
Nothing in trading is always perfect/..especially us,…..even professional traders working on Wall Street have to deal with unexpected events that happen in the real world (I.E. 9/11), that takes their attention off their trading screens causing them to miss a trade, lose profits, or take a larger loss than they should have..

If I may say this,……. Sometimes **Shit Happens**……..deal with it…and move on.

Also be aware that some alerts you receive will not be related to you because the trades were already active before your subscription started and as I said earlier, obviously we have no idea which positions you are in or what your available buying power is. Simply ignore the irrelevant alerts and just keep an eye out for the ones **that do relate** to your open positions…. **especially if they are advising you to sell an existing position to take profits**.

Very Important… Friday afternoons are a critical time to make yourself available to exit some trades if necessary.

You might want to make an effort to be at your computer or available to phone your broker at 3:45 PM EST (15 mins before the close) to the close because for many reasons this is when we will usually see a mountain of volatility and may start closing positions …… especially if it is an options expiration day which can affect share prices if institutions are squaring their portfolios.

MORE TRADERS’ TIDBITS

- Myth #2…”.Buy low sell high”…… successful professional traders do not make money by buying low and selling high; that is a guessing game…. traders make money buying high and selling higher or shorting low and buying lower
- Amateurs usually dominate the openings with overnight orders based on old news, while the professionals dominate the close. We do not react to old news..
- Earnings surprises positive or negative, represent the biggest reason why institutional traders hammer down or run up a stock. Especially if they have been lied to by company executives for which they will show no mercy in their selling.. Or they may buy rampantly if the news is surprisingly positive..

- The last price of an equity represents the emotional unification of the masses that are currently acting on their beliefs. The reason a stock has reached a specific price level is irrelevant to traders who only care about where the price is going.
- The best traders are those who have unshakable confidence in themselves and in their decisions
- Do not get overly happy with profitable trades, nor get overly sad with losers.. Remain on an even keel…and stick to the plan we have laid out for you.
- Never average down.. that is a stock broker's ploy usually touted as a way to cover his ass
- Never meet a margin call (you should never have one while trading with us) but if you do, close out your losing trades…...not your winners
- If you must close some positions to raise cash for whatever reason, liquidate your worst position…
- Believe with all your heart, soul and consciousness that you deserve to be wealthy …..and you will be… Even God wants you to be wealthy in order to serve him properly

If you have any questions about the service, you can contact us at support@hedgefundtradealert.com but be aware that we cannot give personalized trading advice due to SEC regulations……. but we will answer any questions I feel are appropriate, so it certainly doesn't hurt to ask what's on your mind..….

Also keep in mind that we shut down the service for 2 weeks during Christmas and New Years and a few weeks in July or so, where we close out all positions win/lose or break even…we don't care ….and we try to take off and go enjoy ourselves….. and you should to**…. **And no we do not pro-rate those months as I have no idea how to do it so please don't ask to or complain about it….

And with all due respect,…… let me repeat this….please do not fall into the typical retail trader mind set who thinks stocks will go straight up upon their purchase......

Not many ever do..
They mostly move in some sort of stair step fashion as the market makers try to shake out "weak hands" and to allow new buyers to come in…. but like I explained previously, **when market makers see retail orders coming in, they will try to manipulate you (us) out of most every trade.**.

In fact, many times the price will **drop** as soon as you purchase it for those very same reasons. …That's the reality of how it works as you now know ……do not worry…we actually expect it…

Yes sometimes we will be the weak hands when players much bigger than us want us out too because a big move is coming... but it doesn't happen too often.

If you are a nervous trader and expect every trade to be profitable immediately and can't handle to see a drawdown,….. You should ask yourself this….

What kind of system am I looking for?..one that loses lots of money with little drawdown. or ……**one that makes big money with some occasional drawdown?**

I realize our service is not for everyone no matter how successful it is for various reasons, but in my 20+ years, trading, I can honestly say that I have never seen a more accurate predictor of price movement than what **Marketlogic Data Corp** provides because the proof is that besides the actual results we see in our trading is that many people who leave us for whatever reason, *eventually come back*

….Why? ***because we produce***. ..

Keep in mind that some trades will actually take 2-4 weeks to fully develop until the underlying market maker buying or selling pressure reaches a peak. So with some trades patience is a must.

We also recommend that you give this system 90 days to fully evaluate its effectiveness. Anything less, you are doing yourself a disservice.

What matters most is what your ROI is at the end of each month, quarter, year…

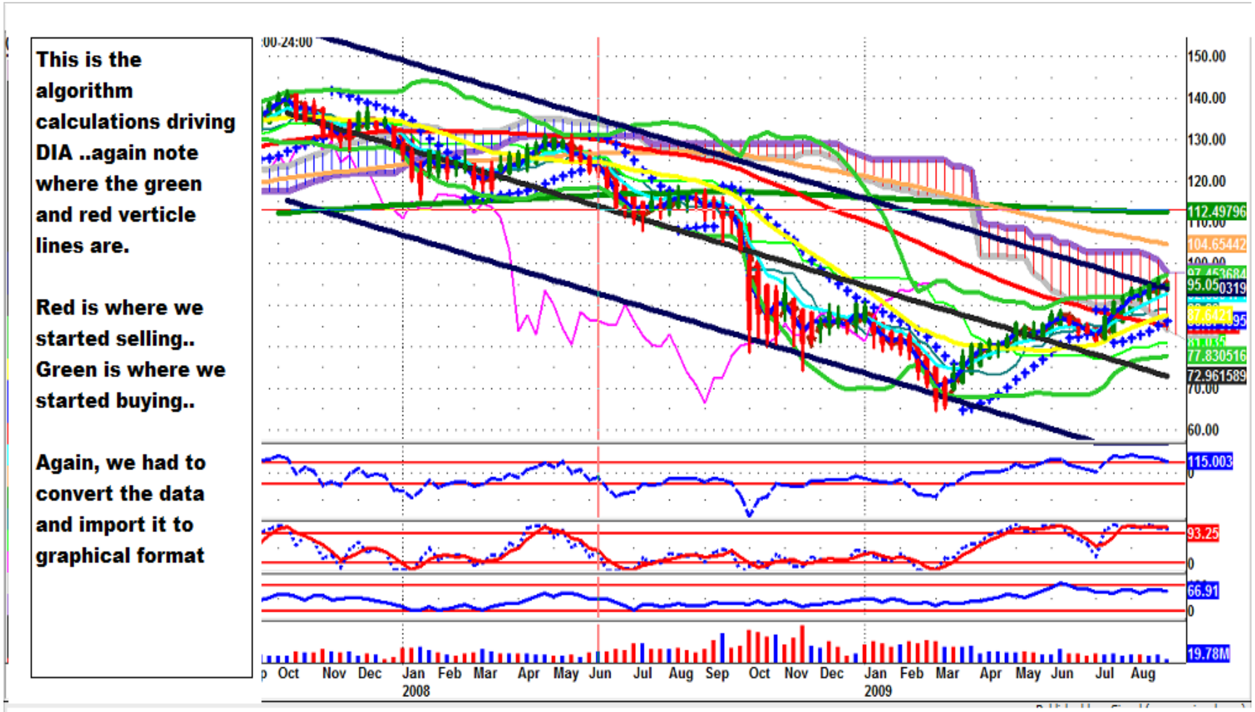
Special Note…If you cannot handle draw-downs, then maybe you should consider letting us manage a portion of your risk capital for you so you do not have to get involved in day to day price movements....

Think about this option only if trading directly is not for you. If you want more information on this option, please email me directly at **robertd@silverhawkfund.com**

"Without going out of doors, one may know the entire universe; without looking out of the window, one may see the way of heaven. The further one travels, the less one may know. Thus it is that without moving you shall know; without looking you shall see; without doing you shall attain"
TAO saying

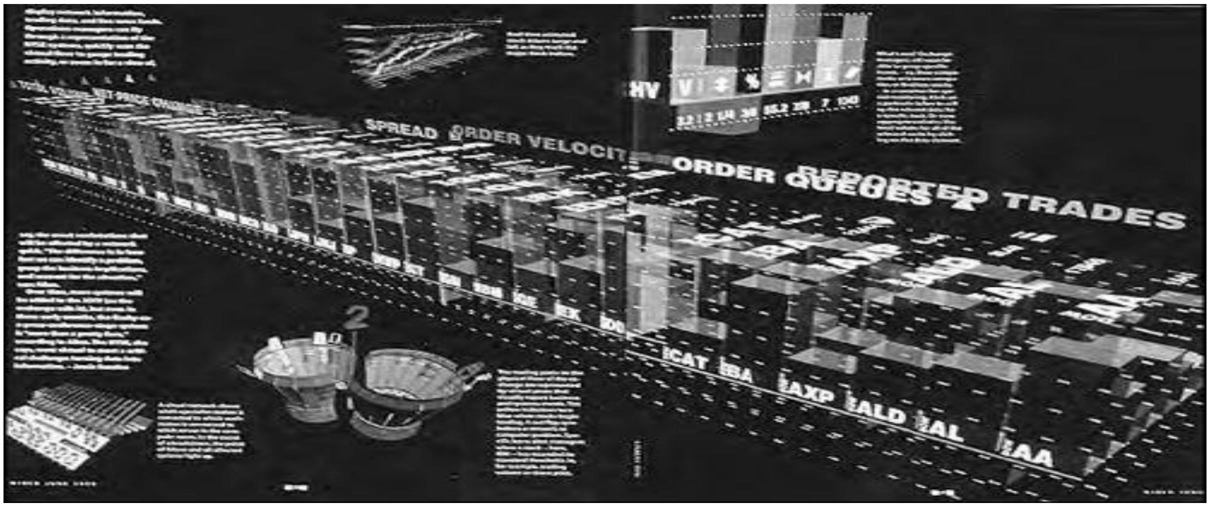
CHART EXAMPLES…

While the algorithms are the mathematical formulas running behind the scenes to generate the trade alerts, the people at Marketlogicdata Corp have allowed us to show you what they look like when put into a graphical format using the symbols DIA, SPY, and QQQQ . ………Very Cool!



What these graphs are basically depicting is the amalgamation of the data inputs used to predict price movement and showing when we were buying (green vertical lines) or selling (red vertical lines) which you can see the gains made as price moves in our favor over time

To actually see the inputs come to life like this is really incredible.



NYSE Dow 30 graphical data feed conversion as reported to Marketlogicdata Corp's servers

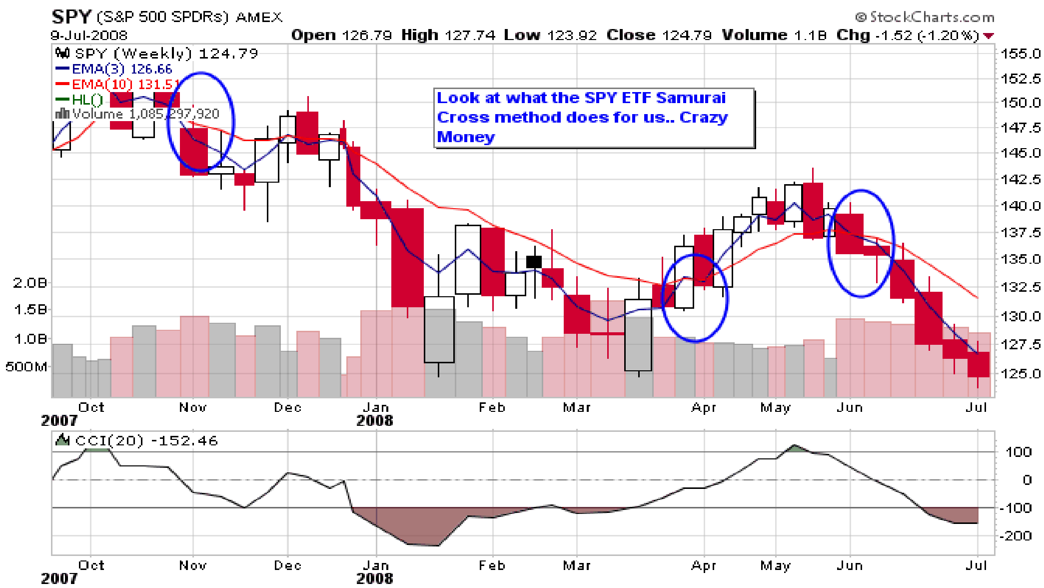
And as I mentioned earlier, I am the co-creator of the trading methods which has become known as the **Samurai Trading System** used by numerous money managers around the world.

This system is the reason my publishers tracked me down and convinced me to write the book after learning of it from one of my colleagues using it in their fund.

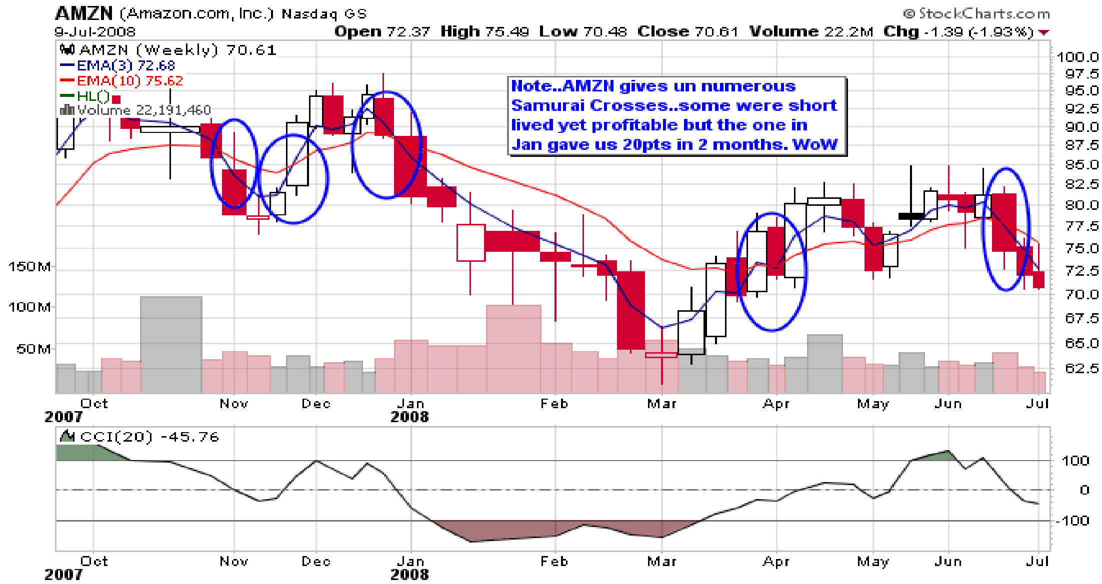
 And since we are in the chart showing mode, I figured I would show you what those strategies look like for a few of our actual trades over the last few years.

In this example above we traded SINA 3 times. First we shorted it at 46 and closed it 42. We then bought it at 39 and sold it at 50 and then we shorted it again at 45 and covered at 41 **16 total points!**

In this example above , we traded ADSK 3 times..We first shorted it in Dec at 46 and covered at 32 for a 14 pt. gain, We then bought it at 36 and sold it at 40, and then we shorted it at 37. The trade was still active when we printed this.



In this example above, we shorted SPY at 145 and covered at 140 (we missed some major gains on this one) We then went long at 135 and sold at 140 and then sold short at 135 and covered at 125 **25 points!**



You can follow along to see the profits we made here with AMZN. (above)
On this trade below we were short IYF (financials).. since early May 2008… I do not need to tell you how low the financial sector went through 2009….. This may have been one of our greatest trades ever… We took profits all the way down through the 2008 banking crisis.

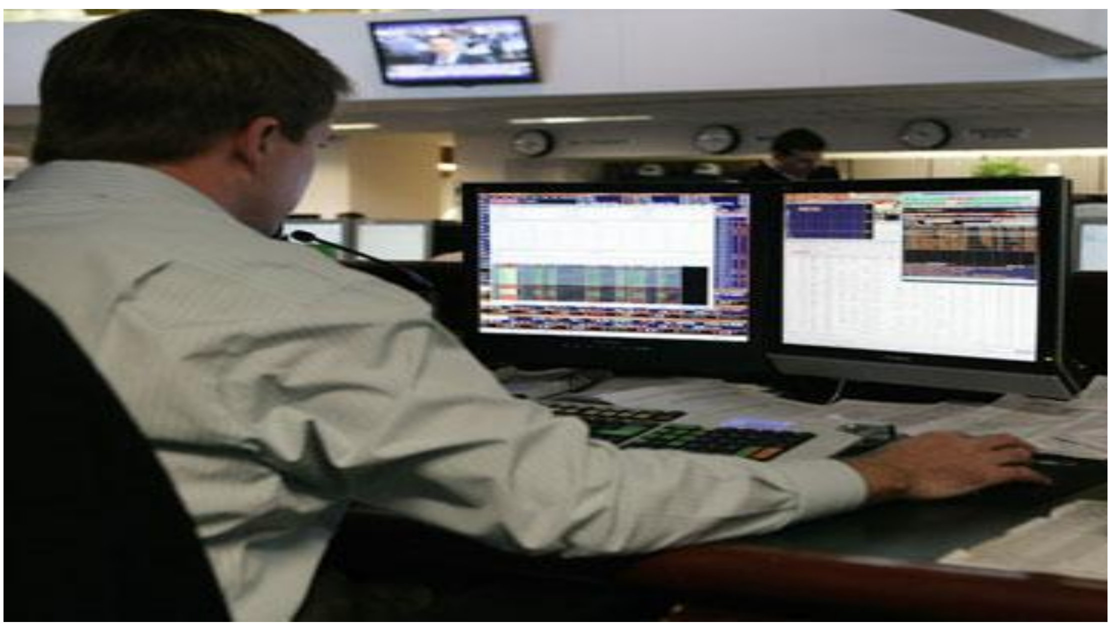
This chart below showed us a tremendous volume surge in Nov..many traders went long.. We knew better.. Our analysis told us to go short..

Notice how November's wide candle and increased volume preceded that nice move up. We rode it from 50 to 57.. a slow by steady winner

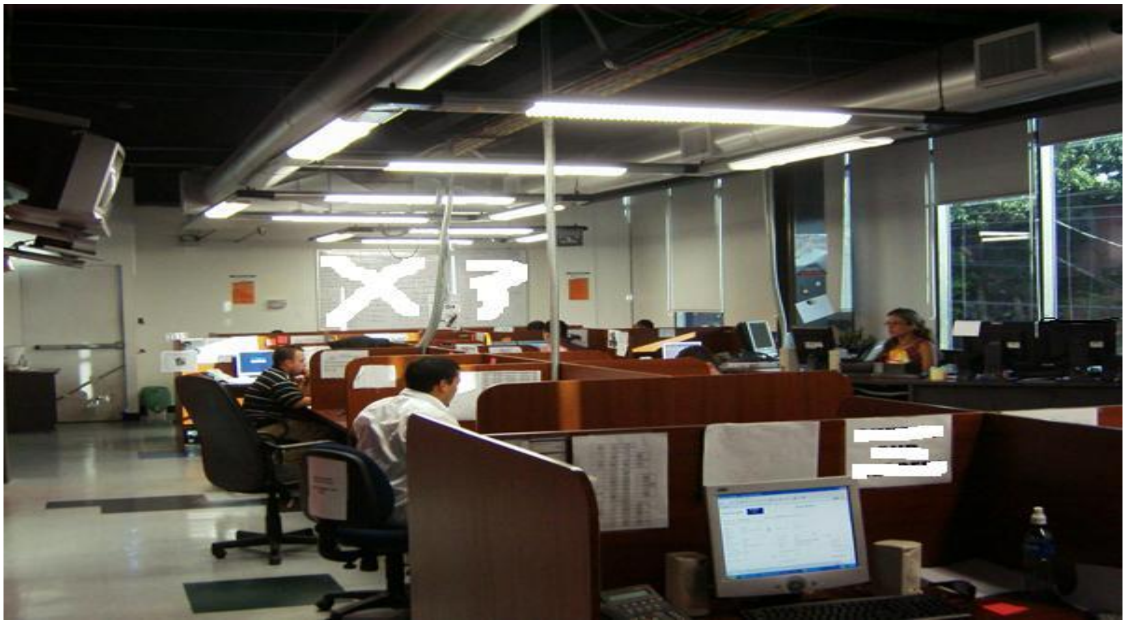
ADDENDUM

Here some pics of our Costa Rica based trading operations

Our office building.. in Pavas, San Jose Costa Rica… The President of Costa Rica lives less than 5 minutes away!



Trader at work monitoring the alerts from marketlogicdatacorp



Hedgefundtradealert customer service….

My Trading Station

Another Winning Trade!!

You may come visit us to see for yourself!

If you are interested in my book **Hedge Fund Trading Secrets Revealed…and The Rules to Trade, Love, and Live By,**…. **Everything you need to know to compete with, and *beat* the big boys….**. it is available here at a $20 discount,

http://www.hedgefundtradealert.com/ebook.html

My complete learn to trade on your own **Samurai Trading System** eCourse is available here

http://www.traderssecretsrevealed.com/product-ecourse.html

Happy Trading……
Robert Dorfman

Trade Alert Service Payment Options

You will receive the first 30 days Free.. Thereafter..each month is just $250 or a voluntary 10% commission of your profits, whichever is greater.

This means that if your profits in any month exceed $2500, you could pay the commission if you choose to.

Example…if you earn $5000 in one month,… the commission would be $500 …. but if in any month your profits are less than $2500..all you would pay for the following month's service is the monthly fee…

This ***pay for performance*** is **strictly voluntary.** We will never ask you how much you earned or ask for the commissions**…**It is totally up to you…if you feel we deserved it, send it in. We appreciate it. Here's why……

This performance fee allows us to keep our client list to a minimum and still cover our overhead, especially for the Marketlogicdata data feed which drives our profits and is very expensive to say the least.

Keeping our client list small prevents drastic entry and exit price movement….. possibly cutting into your profits.

This voluntary payment is also meant to try to ensure that our clients are using the alerts for themselves and not reselling or distributing the information to other persons or firms to exploit the alerts.

We have unfortunately learned that some unscrupulous people (money managers) have found a way to get Marketlogicdata's data virtually free through us by signing up as individual traders and enter the same trades in their fund thereby avoiding paying their well deserved fees.…

Neither we nor Marketlogicdata ever thought about that scenario till we found out it was happening the hard way…. ***Sad but true***

Therefore, we reserve the right to drop those clients who we suspect are taking advantage of this service … or even those who feel paying 10% of their profits is not warranted regardless of how much money they make from us…. No problem. …… **This service is not for everybody**……… Making money is not for everybody.

We know many people prefer only paying $50- $100 a month for a trading service. Most lose money most every month but have a nice website..

remember….**Websites don't make you money**… <u>the brains behind the strategies do</u>.

I am not saying that we are the absolute best stock signal service in existence, but I do know one thing after 20+ years in this business utilizing this data… **We Rock!!!!**

Keep in mind also that our fund's direct investors pay 25% of profits, plus a 1% management fee which is fairly typical hedge fund's fee structure.

You are participating in the same trades which usually generate profits of up to 100% a year for the fund.…so you are actually saving money using the alert service

So please do not be cheap if you are using us to make money.

PERFORMANCE RESULTS

Now as you now know, hedge funds are not allowed whatsoever to advertise their trading results to induce investors into their fund. It is a ridiculous rule, but we have to live with it. But I can certainly show the results of one of our in-house prop trader's which pertain only to him..

We put up 500k for him to trade with… (name withheld upon request) He earns 25% of the monthly profits he generates. He uses Marketlogicdata corp's for about 75% of his trading ideas.

___Name Deleted_______________________$500K Initial Trading Allocation
SilverHawk Fund LLC July 2006 - June 2009

Date	Beginning Equity	Additions Withdrawals	Profit Loss	Ending Equity	Period Return	Cumulative Return	Vami
Jul-2006	$500,000.00	0.00	-$17,288	$482,713	-3.46%	-3.46%	965.43
Aug-2006	$482,713.00	0.00	$19,925	$502,638	4.13%	0.53%	1,005.28
Sep-2006	$502,638.00	0.00	-$10,689	$491,949	-2.13%	-1.61%	983.90
Oct-2006	$491,949.00	0.00	$9,001	$500,950	1.83%	0.19%	1,001.90
Nov-2006	$500,950.00	0.00	$34,990	$535,941	6.98%	7.19%	1,071.88
Dec-2006	$535,941.00	0.00	$42,944	$578,884	8.01%	15.78%	1,157.77
Jan-2007	$578,884.00	0.00	$29,739	$608,623	5.14%	21.72%	1,217.25
Feb-2007	$608,623.00	0.00	$6,431	$615,053	1.06%	23.01%	1,230.11
Mar-2007	$615,053.00	0.00	$9,145	$624,198	1.49%	24.84%	1,248.40
Apr-2007	$624,198.00	0.00	$29,786	$653,985	4.77%	30.80%	1,307.97
May-2007	$653,985.00	0.00	$39,569	$693,553	6.05%	38.71%	1,387.11
Jun-2007	$693,553.00	0.00	$26,642	$720,195	3.84%	44.04%	1,440.39
Jul-2007	$720,195.00	0.00	-$29,897	$690,299	-4.15%	38.06%	1,380.60
Aug-2007	$690,299.00	0.00	-$5,403	$684,896	-0.78%	36.98%	1,369.79
Sep-2007	$684,896.00	0.00	$76,092	$760,988	11.11%	52.20%	1,521.98
Oct-2007	$760,988.00	0.00	$20,121	$781,109	2.64%	56.22%	1,562.22
Nov-2007	$781,109.00	0.00	$28,512	$809,621	3.65%	61.92%	1,619.24
Dec-2007	$809,621.00	0.00	$2,338	$811,958	0.29%	62.39%	1,623.92
Jan-2008	$811,958.00	0.00	$44,301	$856,259	5.46%	71.25%	1,712.52
Feb-2008	$856,259.00	0.00	$49,937	$906,196	5.83%	81.24%	1,812.39
Mar-2008	$906,196.00	0.00	$582	$906,778	0.06%	81.36%	1,813.56
Apr-2008	$906,778.00	0.00	$29,264	$936,041	3.23%	87.21%	1,872.08
May-2008	$936,041.00	0.00	$7,725	$943,767	0.83%	88.75%	1,887.53
Jun-2008	$943,767.00	0.00	$86,512	$1,030,279	9.17%	106.06%	2,060.56
Jul-2008	$1,030,279.00	0.00	$22,013	$1,052,292	2.14%	110.46%	2,104.58
Aug-2008	$1,052,292.00	0.00	-$35,217	$1,017,075	-3.35%	103.41%	2,034.15
Sep-2008	$1,017,075.00	0.00	$40,491	$1,057,566	3.98%	111.51%	2,115.13
Oct-2008	$1,057,566.00	0.00	$99,065	$1,156,631	9.37%	131.33%	2,313.26
Nov-2008	$1,156,631.00	0.00	-$29,982	$1,126,649	-2.59%	125.33%	2,253.30
Dec-2008	$1,126,649.00	0.00	-$23,059	$1,103,590	-2.05%	120.72%	2,207.18
Jan-2009	$1,103,590.00	0.00	$15,333	$1,118,923	1.39%	123.78%	2,237.85
Feb-2009	$1,118,923.00	0.00	-$1,329	$1,117,594	-0.12%	123.52%	2,235.19
Mar-2009	$1,117,594.00	0.00	$59,328	$1,176,922	5.31%	135.38%	2,353.84
Apr-2009	$1,176,922.00	0.00	$11,304	$1,188,226	0.96%	137.65%	2,376.45
May-2009	$1,188,226.00	0.00	$6,370	$1,194,596	0.54%	138.92%	2,389.19
Jun-2009	$1,194,596.00	0.00	$8,969	$1,203,565	0.75%	140.71%	2,407.13

I count 28 out of 33 profitable months…..Not too bad….

TESTIMONIALS

Here Are Some Testimonials From My Past And Present Subscribers.

Mr. Dorfman, I find you very genuine and your trading ideas are **tremendous value for money**. You are generous in providing your actual trades especially to those like me who are new traders and do not wish to spend a fortune learning how to trade. I Hope you will continue to do that.
Mahesh S Perth, Australia

I just can't believe how many **quality trades** you share with us. I bought one month of service so far and the results are **excellent** and you keep giving your trades like I've never experienced before. I generally never share trading ideas with my friends, but I have told a few about your remarkable service. Thank you so much .**Doug V. Minneapolis, Mn**

Thanx Mr. Dorfman for a great alert service. I've been a free customer for almost **a year now** and look forward to the trade alerts you send to my cell phone. I only regret that my free 1 year test is over but I don't mind paying for sure! I really do appreciate the service Thanx Again,

Doug S. Mountain View CA.

Mr. Dorfman, The alerts, the tips, the concise text message alerts to buy or sell… nothing more...just what we need to do, no **fluff**, it allows me to enter my trades with confidence. Thanks! **R. W. Cranston, RI**

Hello Mr. Dorfman

I would like to thank you for your continued trading alerts which I receive eagerly. They are really paying off for me Big Time!

I am very grateful for the time and effort you put into your service

Thank you., Roger P. Playa Hermosa, Costa Rica

Hi Mr. Dorfman

I wanted to start trading but just didn't know how to start. Thanks to your alert service, I was able to **trade successfully** almost from my first few days… Thank you very much and keep on doing the good works because your alerts andmoney management info are very helpful. **Ronald V. Las Vega, NV**

I have been a subscriber for some time. I am currently trading and in fact using your HedgeFundtrade alert. From you I have also learnt that **simplicity is a key factor** in trading. I look forward to another profitable alert

Michael Brisbane – Australia

L.Robert Dorfman is one of the few honest people in this industry that speaks the truth about how it really works and his trading alerts are consistently some the most **profitable** trades I make. **Aziz A. Jakarta**

Mr. Dorfman, I admire your work sharing your trading alerts via e-mails and text messages. It's like having a personal **trading mentor,** who calls with great info Keep up this great work! Thanks a bunch.

RC NYC, NY, USA

Mr. Dorfman doesn't explain in detail all of the various techniques involved in trading. But when I was trading on my own I used to get confused and could not understand why I was making my mistakes which cost me thousands. Even without the in depth knowledge, It is hands down the **best program on the market in my opinion .Bob B Grand Rapids, Michigan**

Mr. Dorfman, Thank you for keeping me in your test program to improve your client's trading profits. I've been with you for 5 months and this year, based on my monthly average, I will top **$100K** in tax free income from trading my ROTH IRA. I love tax free income .**Jim S Woodstock, NY**

" Impressed with the caliber of service and skillful timing on trades. I am learning very much from some of the best in the business. Thanks to Silverhawk, I am making good money this year." **A.E. Las Vegas, NV**

Unfortunately I have kept my size low because it's a new system but now I wish I had placed some real size… I think I will start. No service gets everything right but this so far has been unbelieveable. **Anthony C. Boston Mass**

I just wanted you to know that I was very impressed with your selections. I paper traded many of them and missed many others. Overall, I was pleased with the results but I realized that I am a little undercapitalized at the moment and I have a few personal maters I need to attend to before I'd like to continue with your fine service Ron D. Los Angeles Ca.

ARE YOU F__--- n kidding me? This can't be real..82 pts in a month????????????????????/ I am a client for life!!

Nick P. St. Louis Mo.

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- the disclosures below,
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