

## 5 DAY TRIAL SIGNAL

### INSTRUCTIONS

**Introduction.** Set forth below are general guidelines for following my signals. Before you read them, please note the following.

First, the purpose of the 5 day trial is to introduce you to my proprietary trading system and give you a flavor of the trades it generates. Although my system includes a very good scalping component, due to the nature of a “signaling” service, it is not possible for me to signal small, scalping trades (although some trades may end up to be just that). Some traders like to be constantly in the action, long when the market moves up and short when the market is moving down, regardless of whether those moves are occurring within a narrow range. Even if I would want to trade that way, it would not be possible for me to signal in that style of trading, for the simple reason that it would be impossible for everyone to respond timely to the signals before the trade would have already substantially played out.

Second, for the foregoing reasons, I am looking at a bigger picture and try to signal trades that I believe will have “legs” (although, of course, they don’t always turn out that way). For this reason, many times we will sit in a trade for what appears to be a long time, since I am playing for a “target” based on a bigger picture. I do not like getting stopped out on market “noise”, so after initially moving the stop to breakeven as the trade progresses in our favor, I may leave it there until the first target is hit, unless it looks as if there will be a substantial retracement or reversal before the price reaches the target. ***Remember, the object of this game is to make money. It is not to (i) negotiate against yourself by trying to outguess the market once you are in a trade, or (ii) to make your broker rich by overtrading.***

Third, because I am looking at a bigger picture, sometimes, the market will move significantly and I will not have signaled to get on the move. This is because I am either (i) waiting to fade the move once the market reaches the right price level, if the market sets up correctly, or (ii) waiting for a pullback or retracement to enable a lower risk entry in the direction of the move.

Of course, nothing I do should stop you from doing whatever you feel is prudent. That means that you are free to take a trade, even if I have not, and you are free to exit a trade, even if I have not. Some subscribers use me for target information and nothing more. Others follow exactly what I say and do. The choice is yours.

**Signal Window.** Signals are sent via Yahoo Messenger, a free messaging program for Windows operating systems. You can configure the program to alert you with a “pop-up” window and sound whenever a signal is delivered. In order to receive the signals, you will need to download and install that program on your computer. Please go to <http://messenger.yahoo.com> and follow the directions for installing the program. You will then need to email me your Yahoo ID so that I can add you to my signal list.

**Signals.** I use “shorthand” when I signal, usually dropping the first digit in the price, and sometimes the second digit, as well as the decimal point. For example, I may send the following signal when the price is trading at 895.00: **“Buy mkt; stop 9250. First target is 100.”** This means **“Buy at the market and place your stop at 892.50. The first target is 901.00.”** It may be confusing at first, but you will quickly get used to it. I give “fills” after an entry is signaled. This is for purposes of determining “breakeven” so you will know where I assume your breakeven is. However, all fills are hypothetical.

**Exits.** I generally give one or more targets when entering a trade or shortly thereafter. Other than moving stops to breakeven at certain predetermined levels (usually when we have reached a 2 - 3 point profit), and recommending certain price levels as places to “scale out” or “take some more off the table”, I rarely signal absolute exits, preferring instead to wait to see what happens at my primary targets. However, I sometimes give more specific exit instructions for “conservative” traders, taking them entirely out of the trade, while the remaining subscribers are still in the trade. This strategy has worked well on narrow range days, but on occasion you may miss a bigger move. If you choose to take the conservative route, then you should do so consistently, rather than trying to pick and choose when to do so. This will allow you to maximize the benefits of this strategy.

As a rule of thumb, try to aim for at least my first target, but be diligent with your stops. And remember, if you exit early on a trending day, I cannot guarantee that I will be able to signal a re-entry point if the trailing stop that I signaled is still working (that is, in those circumstances I assume most are still in the trade). But don't fret, there will be other trades.

There are a number of ways to play the signals. If you are trading a one lot, then you can either (i) exit at 2 points profit and wait for the next trade, or (ii) move your stop to b/e at that time and trail, looking to exit at least at the first target. Of course, you can also use the foregoing strategy with multiple contracts.

A word about my targets. My targets tend to be very accurate, but that doesn't mean the price will hit them on the move we are on. Sometimes the price almost gets there, then retraces to a point where we are stopped out, then resumes the original direction (in which

case I will endeavor to get us back in the trade, but only if we can get a low risk entry). Therefore, it is always important to at least move your stop to b/e as quickly as possible, since we never want a winner to turn into a loser.

Again, the object of the game is to minimize losses. This means that we will sometimes get stopped out and then have to jump back in if the price heads back in the direction we were counting on originally. My view is that, given the lack of follow thru on most days, I'd rather take a 2 point loss and stand aside than suffer through a deep retracement and be 4 or 5 points under water while the market decides which direction it wants to go. In the current environment, it is very difficult to make up a 4 or 5 point loss on one trade, so why allow ourselves to be put in that position in the first place.

That is not to say we won't have losing trades or even losing days. Of course we will. But my goal is to not have a losing day in excess of 4 or 5 points total for the day. When that happens, and I can assure you it does, I am generally confident we will make it all back and more the following day (although, of course, there can be no guarantee in that regard). That is the essence of my trading strategy.

You may try to filter my signals with your own system and not take every trade I signal. Although this may eliminate some losers, it will inevitably eliminate winners and like anything else, if you don't take every trade, you will likely reduce your overall results.

**In order to avoid distractions, please do not instant message me or telephone me during market hours. If you have a question or problem, I ask that you e-mail me instead. In such a case, I will respond when I am able.**

Well, that is the system in a nutshell. Thank you again for giving me a try.

Regards,  
Lowell  
[www.targettrading.com](http://www.targettrading.com)