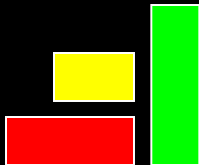


The Basics of MTG Price Guides

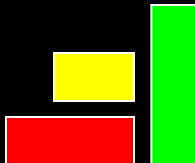


Disclaimer

This material is intended for educational purposes only and is believed to be accurate, but its accuracy is not guaranteed. Trading and investing has large potential rewards and large potential risks. You must be aware of, and fully understand, these risks and be willing to accept them in order to invest in equity, futures, options, currencies and other financial markets.

Do not trade with money that you cannot afford to lose. This material is neither a solicitation nor an offer to buy or sell equities, futures, options, or currencies. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed. The past performance of any trading system or methodology is not necessarily indicative of future results. The presenter is a not a certified financial planner or commodity trading advisor.

Use this information at your own risk!!



Agenda: Lesson 4

- Price Guide Overview
- Price Guide Terms
- Trading Concepts
- Summary

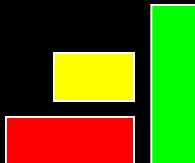


Price Guide Overview

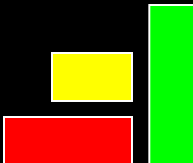


Price Guide Overview

- Designed to:
 - Identify potential support/resistance for today's trading
 - Select locations for placement of stops and targets
 - Determine market strength or weakness
 - Create areas in which to consider placing trades
- The Price Guides are simply a tool
- Price Guide colors:
 - **Green** = 3 key price levels in close proximity
 - **Yellow** = 2 key price levels in close proximity
- Posted daily between 6pm and 9pm ET



Price Guide Terms



Price Guide Terms

➤ Open/High/Low/Close

- The Daily, Weekly, Monthly OHLC using the regular session for each market. Closing price = last trade

➤ D2 High/Low

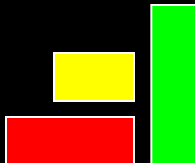
- The high and low from 2 days ago

➤ D3 High/Low

- The high and low from 3 days ago

➤ Yesterday's Midpoint

- $(\text{Yesterday High} + \text{Yesterday Low}) * .50$



Price Guide Terms

➤ Pivots

- "Classic" formulas are used for calculating the floor trader pivots. The regular session is used for the calculations.
- The Daily, Weekly, and Monthly numbers are derived from the same calculations.

$$R3 = \text{High} + 2 * (\text{Pivot} - \text{Low})$$

$$R2 = P + (R1 - S1)$$

$$R1 = (2 \times P) - L$$

$$\text{Pivot (P)} = (\text{High} + \text{Low} + \text{Close}) / 3$$

$$S1 = (2 \times P) - H$$

$$S2 = P - (R1 - S1)$$

$$S3 = \text{Low} - 2 * (\text{High} - \text{Pivot})$$



Price Guide Terms

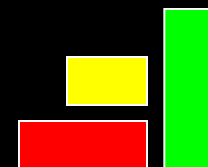
➤ JR1/JS1

- Derived from the Jackson Zone concept
- $BP = \text{Balance Point(Pivot)} = (H+L+C)/3$
- $\text{Range} = \text{Yesterday's High} - \text{Low}$
- $JR1 = BP + (\text{Range} * .50)$
- $JS1 = BP - (\text{Range} * .50)$

➤ Fibonacci Extensions

- $\text{Range} = \text{Yesterday High} - \text{Yesterday Low}$
- $\text{Yesterday } 1.618 = \text{Low} + (\text{Range} * 1.618)$
 $\text{Yesterday } 1.272 = \text{Low} + (\text{Range} * 1.272)$

 $\text{Yesterday } 1.272 = \text{High} - (\text{Range} * 1.272)$
 $\text{Yesterday } 1.618 = \text{High} - (\text{Range} * 1.618)$



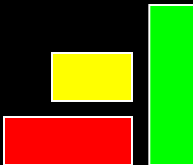
Price Guide Terms

➤ Market Profile

- Market Profile is a graphical organization of price and time information. Market Profile displays price on the vertical axis and time on the horizontal axis. Letters are used to symbolize time brackets. These letters are called TPO's (Time-Price-Opportunity) *(CBOT website definition)*
- The Value Area is the zone where approximately 70% (1 std deviation) of session's price action was recorded.
- VAH: The High of the Value Area.
POC: The longest row of TPO's or most common price.
VAL: The Low of the Value Area.

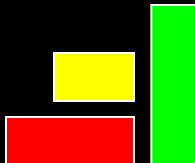


Trading Concepts



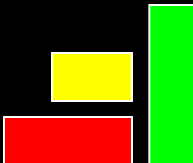
ES	6/2/2009
968.00	Monthly R2
965.50	R3
958.25	Yest 1.618
957.50	Weekly R2
956.25	R2
952.00	Yest 1.272
947.75	R1
947.50	JR1
947.25	Yest Hi
946.00	Value Area Hi
943.00	Monthly R1
942.00	Point of Control
939.00	Yest Close
939.00	Value Area Lo
938.50	Pivot
938.50	Yest Midpoint
937.75	Weekly R1
932.00	Yest Open
930.00	S1
929.75	JS1
929.50	Yest Lo
927.75	Last Week Hi
927.75	Last Month Hi
927.75	D2 Hi

Potential Support and Resistance areas



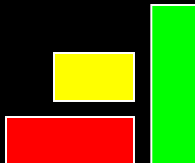


Summary

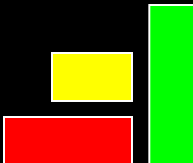


Summary

- Price Guides are simply a tool for intraday analysis
- YOU must develop your own set of rules/guidelines
- Focus on your annual plan and not daily results
- Keys to success:
 - Consistency
 - Capital preservation
 - Good money management
 - Finding the right balance of risk/reward for you
- Trade at your own risk!



End of Lesson 4



Questions?

Something confusing?

Email: tim@masterthegap.com

