



Market Timing, Options Trading Webinar Agenda

*Saturday, May 9th, 2009
1200 CDT*

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Our Game Plan Today

- ❖ Market Timing
- ❖ Indicators Set
- ❖ Real-Time Sentiment
- ❖ Options Trading
- ❖ How to best use Twitter



Market Timing

- ❖ Why is it important to have a opinion about the Market Timing
- ❖ Interrelationship of Market Internals
 - ❖ Breadth (A/D Line)
 - ❖ Volume for confirmation
 - ❖ TICK and TICKQ (short-term pulse)
- ❖ Relative Volatility Measures
- ❖ Fundamental, Technical, Sentiment & Derivatives



Our Proprietary Indicators Set

Types of Markets

- ❖ Trending (30% of the time)
- ❖ Trading Range (70% of the time)

- ❖ CI & CI_Diff
- ❖ Support, Pivot & Resistance Levels (Daily, Weekly & Monthly)
- ❖ Sigma Channels (20 day or 200 day center-line)
- ❖ Platforms – Myths and Reality

Support, Pivot & Resistance

- ❖ $S3 >> S2 >> S1 >> \text{Pivot} << R1 << R2 << R3$
- ❖ $\text{Pivot} = (\text{High} + \text{Low} + \text{Close}) / 3$
- ❖ $R1 = (2 * \text{Pivot}) - \text{Low}$
- ❖ $S1 = (2 * \text{Pivot}) - \text{High}$
- ❖ $R2 = \text{Pivot} + (R1 - S1)$
- ❖ $S2 = \text{Pivot} - (R1 - S1)$
- ❖ $R3 = (2 * R1) - S1$
- ❖ $S3 = (2 * S1) - R1$
- ❖ A variant is when we use the Open for calculating Pivot – the issue is accuracy of the open.

Sigma Channels

❖ Definitions:

- ❖ **Sigma:** In Statistics, the **standard deviation** of a random variable or a population of values is a measure of the spread of its values. It is usually denoted with the letter σ (lower case sigma). It is defined as the square root of variance. In other words, the standard deviation is the root mean square (RMS) deviation of values from their arithmetic mean.
- ❖ **Arithmetic Mean:** In Statistics, the **arithmetic mean** of a list of numbers is the sum of all the members of the list divided by the number of items in the list.
- ❖ Source: wikipedia.org

| Sigma Channels | Probability of Asset Price Travel |
|----------------|-----------------------------------|
| +1 to -1 | 68.26895% |
| +2 to -2 | 95.44997% |
| +3 to -3 | 99.73002% |
| +4 to -4 | 99.99366% |
| +5 to -5 | 99.99994% |
| +6 to -6 | 99.999998% |

Sigma Channels Chart



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Sigma Channels Trading Rules

- ❖ Why is Sigma Channels important for traders ?
 - ❖ Which Sigma Levels to Plot: Simple Subset is the Standard Bollinger Bands
 - ❖ At minimum what do traders need to know
 - ❖ LONG Trade:
 - ❖ Enter the position >>> as price crosses *above* +1 Sigma (Two Greens & One Yellow boxes are lit)
 - ❖ Hold the position >>> while the price is trading between +1 Sigma to +2 Sigma
 - ❖ Money Management Stop >>> set it at Zero (0) Sigma (Orange background)
 - ❖ Exit the position (Limit Order) >>> at +3 Sigma (this move is over -- expect a retracement)
 - ❖ SHORT Trade:
 - ❖ Enter the position >>> as the price crosses *below* -1 sigma (Two Reds and One Yellow are lit)
 - ❖ Hold the position >>> while the price is trading between -1 Sigma to -2 Sigma
 - ❖ Money Management Stop >>> set it at Zero (0) Sigma (Orange background)
 - ❖ Exit the position (Limit Order) >>> at -3 Sigma (this move is over -- expect a retracement)



Real Time Sentiment

- ❖ The advantage of Hamzei Analytics' Real-Time Dollar-Weighted Put/Call Ratio is that it enables you to view changes in investor sentiment as they occur.
- ❖ Simple Put/Call ratios are based on contract volumes alone.
- ❖ Hamzei Analytics' Real Time Dollar-Weighted Put/Call Ratios are dynamically updated, throughout the day and reflect changes in both volume and options premium.



Real-Time Dollar Weighted OptionChains

Friday, May 8, 2009 15:53 CT

| Symbol | Call Volume | Put Volume | Call \$wVol | Put \$wVol | Simple P/C Ratio | Dollar W P/C Ratio | Total Volume | Total \$wVol |
|--------------|------------------|----------------|----------------|----------------|------------------|--------------------|------------------|------------------|
| XOM | 612,548 | 39,930 | 387,872 | 10,405 | 0.07 | 0.03 | 652,478 | 398,277 |
| MS | 83,679 | 50,730 | 31,000 | 5,246 | 0.61 | 0.17 | 134,409 | 36,246 |
| WFC | 249,439 | 183,079 | 116,594 | 27,105 | 0.73 | 0.23 | 432,518 | 143,699 |
| CSCO | 57,526 | 21,688 | 5,594 | 1,923 | 0.38 | 0.34 | 79,214 | 7,517 |
| GS | 67,961 | 61,004 | 41,409 | 14,414 | 0.90 | 0.35 | 128,965 | 55,823 |
| JPM | 127,781 | 100,840 | 41,941 | 16,059 | 0.79 | 0.38 | 228,621 | 58,000 |
| RIMM | 55,650 | 45,244 | 33,713 | 16,039 | 0.81 | 0.48 | 100,894 | 49,752 |
| AMZN | 86,546 | 28,957 | 26,581 | 13,740 | 0.33 | 0.52 | 115,503 | 40,321 |
| GOOG | 27,135 | 20,600 | 31,431 | 16,749 | 0.76 | 0.53 | 47,735 | 48,180 |
| CVX | 16,211 | 11,574 | 5,989 | 3,353 | 0.71 | 0.56 | 27,785 | 9,342 |
| AKAM | 1,491 | 1,211 | 192 | 108 | 0.81 | 0.56 | 2,702 | 300 |
| AAPL | 144,774 | 109,389 | 54,125 | 31,191 | 0.76 | 0.58 | 254,163 | 85,316 |
| COP | 57,004 | 28,761 | 14,455 | 8,682 | 0.50 | 0.60 | 85,765 | 23,137 |
| IBM | 28,304 | 22,629 | 7,761 | 5,289 | 0.80 | 0.68 | 50,933 | 13,050 |
| QCOM | 14,884 | 13,455 | 2,625 | 2,475 | 0.90 | 0.94 | 28,339 | 5,100 |
| INTC | 43,647 | 37,440 | 4,140 | 3,933 | 0.86 | 0.95 | 81,087 | 8,073 |
| NFLX | 8,917 | 6,092 | 951 | 1,095 | 0.68 | 1.15 | 15,009 | 2,046 |
| CAT | 31,621 | 25,061 | 6,347 | 7,374 | 0.79 | 1.16 | 56,682 | 13,721 |
| POT | 13,078 | 24,628 | 7,220 | 9,285 | 1.88 | 1.29 | 37,706 | 16,505 |
| MSFT | 56,436 | 67,489 | 5,721 | 11,077 | 1.20 | 1.94 | 123,925 | 16,798 |
| Total | 1,784,632 | 899,801 | 825,661 | 205,542 | 0.50 | 0.25 | 2,684,433 | 1,031,203 |

High Gamma Options Trades

- ❖ How to look for **High Gamma Plays**:
 - a) Slightly **O-T-M Long Calls and/or Long Puts**
 - b) Sigma Channels & CI Patterns
 - c) Dollar weighted Put/Call Ratios
 - d) use Delta to calculate Profit Target
 - e) in this market, must use STOP LOSS

High Gamma Setups

- ❖ Do not allocate more than 5% of your investment/trading capital
- ❖ Great GG: “It is all about Staying Power”
- ❖ Breakouts and Breakdowns
- ❖ Short Squeezes and Long Squeezes

Twitter FAQ

- ❖ www.HamzeiAnalytics.com/Twitter.asp
- ❖ Why I am using Twitter ?
- ❖ It is like being in a big Chatroom/Trading Room collaborating with other active traders
- ❖ We will post short-term trading ideas in stocks, options and futures in real-time. RTs are welcome and encouraged.
- ❖ No more direct posting n ST. Takes valuable space on 140 char limit. Plus for me the site has too much white noise with too many novices gaming it. Not my cup of tea.
- ❖ Normal Hours of Operations 0730 to 1530 CDT, Monday thru Friday except exchange holidays and major market breaking news
- ❖ Please do not abuse the Replies feature during Market Hours



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