

Index

- 401K account, 4
- Accounting and financial standards, 24
- Accounting distortions, 74–75
- accounting standards, 74
 - earnings management, 75
 - estimation errors, 74
 - reliability versus relevance, 74
- Accounting income, 74
- Accounting method of inventory, 24–25
- Accounting standards, 74
- Actively managed ETFs, 54
- Actively managed funds, 50
- Allport, Gordon, 178
- American Association of Retired People (AARP), 30
- American International Group (AIG), 8
- Ameritrade Holding Corporation, 14
- Anger, 10
- Aptitude, 200–201
- Asset-backed securities (ABS), 17
- Asset selection based merely on asset-specific risk, 27
- Attain, 201
- Attitude, 200
- Bank of America, 3
- Bar charts, 83
- Bearish divergences, 93
- Bear Stearns, 3, 5
- Behavioral finance (BF) theory, 82, 112
- Behavioral decision theory, 82, 112
- Behaviorism, 167
- Bernanke, Ben S., 8–9
- “Blue chip” stocks, 28
- Bond ETFs, 54
- Book value, 76–77
- Brouhard, Professor Thomas, 167, 168
- Bullish divergence, 93
- Bush Administration, 7
- Business plan, creating, 196–197
- Buy-and-hold strategies, 13, 14, 27–30
- Capital gains, 42
- Capital gains distribution, 33
- Ceiling, 82
- CFTC Commitment of Traders Report*, 58
- Chart patterns, 82
- Cheap money, 6
- Chicago Board Options Exchange (CBOE), 20
- Clearinghouses, 62
- Collateral mortgage obligations (CMOs), 7, 8
- Commodities ETFs, 53
- Commodity Futures Trading Commission (CFTC), 59, 63
- Commodity index trading strategies, 58
- Common stocks market, 40–46
- challenges of trading common stocks, 44–46
 - day-trading rule, 43–44
 - leveraged strategies, 42
 - margin buying, 43
 - market size, 40
 - profit-and-loss calculations, 41

- Common stocks market (*Continued*)
 - regulations and taxation, 41–42
 - short-selling, 42–43
- Commodity Redevelopment Act, 7
- Company cash flow, 75
- Company earnings, 73
- Company income, 73–74
- Complex systems, 107–108
- Confidence crisis, 9
- Consumer wealth, 4
- Contraction/expansion principle, 108
- Credit default swaps (CDSs), 8, 17
- Currency ETFs, 54
- Current financial crisis, 6–9
- Cyclical behavior, 110–111

- Day-trading rule, 43–44
- Delivery date, 57
- Denial, 9–10
- Detrended price oscillator (DPO), 93–94, 98–101, 112, 115–117, 135
- Diamond, 50
- Discounted cash flow (DCF), 78
- Dispositional approach, 165
- Divergence, identifying, 93
- Diversification, 16–17
- Dividend discount model (DDM), 77–78
- Dow Jones Industrial Average, 3, 6, 21–22
- Downtrend, 85
- Downtrend reversal, 89
- Dunlap, Al, 28–29
- Dynamic systems, 106–107

- Earnings management, 75
- Earnings per share (EPS), 24, 44
- Efficient Market Hypothesis (EMH), 81, 111
- E-mini S&P futures contracts, 59, 61, 125–131
- Emotional toil, 9–10, 157
- Employee stock option (ESO), 74
- Enron, 3

- Entry signals, 115–117
 - long signals, 115–116
 - short signals, 116–117
- Equity account, 4
- Equity valuation methods, 76–79
 - book value, 76–77
 - discounted cash flow (DCF), 78
 - dividend discount model (DDM), 77–78
 - market multiples, 77
- Estimation errors, 74
- Excessive borrowing, 6
- Exit signals, 117–121
 - Fibonacci retracement levels, 120–121
 - moving averages crossover, 120
 - new reversal signals, 118–119
 - one confirmation, 119
- Exchange-traded funds market, 47–51
 - advantages and disadvantages, 50–51
 - characteristics of ETFs, 47–50
 - ETFs: attractive trading instruments, 55
 - sectors and types, 51–54
 - sponsors, 55
- Exchange-traded funds (ETFs), 13, 15–17
 - features of, 16–17, 47–50
 - most popular, 16, 48

- “Fair value,” 24
- Fannie Mae, 3, 7
- FDR Administration, 7
- Fear, 109
- Federal Deposit Insurance Corp. (FDIC), 3–4
- Federal Open Market Committee (FOMC), 137
- Federal Reserve, 43
- Fibonacci, Leonardo, 101
- Fibonacci numbers, 101
- Fibonacci retracements, 101–104, 120–121
- Final settlement date, 57

- Financial Accounting Standards Board (FASB), 203
- Financial assets, 39–40
- Financial Industry Regulatory Authority (FINRA), 41, 44
- Financial markets, 39
- Financial scandals, 45–46
- Financial statements, 46, 72–75
 - accounting distortions, 74–75
 - company cash flow, 75
 - company earnings, 73
 - company income, 73–74
- Financing activities, 75
- Five domains of personality (OCEAN), 178–185
 - openness (O Domain), 178–180
 - conscientiousness (C Domain), 180–181
 - extroversion (E Domain), 181–182
 - agreeableness (A Domain), 182–184
 - neuroticism (N Domain), 184–185
- Five-Factor Model (FFM), 173–175, 178–185
 - compared to Myers-Briggs Type Indicator, 174–175
- Flexible and active management, 15
- Floor, 82
- Focal points, 23
- Foreclosures, 7, 8
- Frame dependence, 82, 112
- Freddie Mac, 3, 7, 16
- Free cash flow (FCF), 75
- Free cash flow to equity, 75
- Freud's psychoanalytic theory, 162, 163
- Fundamental analysis, 24–25, 34, 71–79
 - defined, 72
 - equity evaluation methods, 76–79
 - financial statements, 72–75
 - fundamental analysis can't deliver timely information, 79
- Futures commodities types, 58–59, 60
- Futures contract, 57
- Futures market: financial and physical commodities, 57–67
 - characteristics of futures markets, 58–64
 - leverage opportunities, 64–67
- Futures markets, characteristics of, 58–64
 - clearinghouses, 62
 - futures commodities types, 58–59
 - margin and futures trading
 - brokerage accounts, 59–62
 - mark to market, 62
 - open interests and volume, 63
 - profit-and-loss calculations, 59
 - regulation and taxation, 63–64
 - size of futures markets, 58
- Generally accepted accounting principles (GAAP), 24
- General systems theory, 23
- Genotype, 170–173
- Government bailout, 3, 30
- Greed, 109
- Greenspan, Alan, 6
- Gross domestic product (GDP), 7
- Habitual patterns, 110–111
- Healthy mind, healthy body, 196
- Hedge funds, 4–5
- Helplessness, 10
- Heuristic-driven biases, 82, 112
- Home-equity lines of credit (HELOCs), 7
- Hope, 109
- Hopelessness, 10
- Housing bubble, 7
- How to Become a Successful Trader* (Gandevani), 144–145, 177, 179
- Humanistic approach, 165
- Ideographic approach, 162
- Index ETFs, 51
- Individual retirement account (IRA), 4
- Insight, 169
- Intermarket analysis dynamics, 22–24
- Intermediate market trends, 111

- Internal Revenue Code Section 475, 204
- International ETFs, 54
- Internet charting programs, 144
- Intraday price swings, 21–22
- Intraday trading, 16
- Intrinsic value, 79
- Inverse and bear market ETFs, 54
- Investing activities, 75
- Investing for the long term, 30–34
- Investment Company Institute (ICT), 18, 47
- Investment portfolio, 4
- Investment stocks, 4
- Investor, 12
- Investor fear indicator, 20
- Investors influenced by emotions, 24

- Jung, Carl, 166

- Keynes, John Maynard, 79
- Knowledge, 169

- Lack of proper oversight and vigorous standards, 6
- LeDoux, Dr. Joseph E., 169
- Lehman Brothers, 3, 5
- Leverage opportunities, 64–67
- Leverage strategies, 42
- Light portfolio monitoring, 34
- Liquidation value, 76
- Liquidity
 - of ETFs, 50–51
 - of futures markets, 66
- Liquidity crisis, 9
- Long signals, 115–116
- Long-term planning, 32
- Low expense ratio, 16
- Low interest rates, 6
- Lucent, 3

- Major market trends, 111
- Margin, 61
- Margin buying, 43
- Margin requirements, 64–66

- Mark to market, 62
- Market as a system, 106–108
 - complex systems, 107–108
 - dynamic systems, 106–107
 - nonlinear systems, 107
- Market behavior, 11
- Market model, 6, 105
- Market multiples, 77
- Market price behavior, 20
- Market retracement levels, 100–101
- Market trends, 111
 - intermediate, 111
 - major, 111
 - short-term or minor, 111
- MarketWatch, 144
- Mechanics of the Wiring Edge Trading System, 115–124
 - entry signals, 115–117
 - exit signals, 117–121
 - system's protective stops, 121–124
- Merrill Lynch, 3
- Modified accelerated cost recovery system (MACRS), 204
- Modified mark-to-market (MMM) approach, 205
- Momentum indicators, 85–92
 - downtrend reversal, 89
 - moving averages, 90–92
 - trend lines, 85–88
 - uptrend reversal, 88–89
- Money stops, 122–123
- More choices, better trading opportunities, 17
- Mortgage-backed securities (MBSs), 7, 8, 17
- Motivation, 191–193
- Moving average (MA), 19, 90–92
- Moving average convergence/divergence (MACD) oscillator, 95–96
- Moving average line, 90
- Moving averages crossover, 120
- Murphy, John, 23
- Mutual funds, 16, 32–34, 48
- Myers-Briggs Type Indicator (MBTI), 166, 174–175

- NASDAQ, 3, 6, 39, 40
- NASDAQ futures contracts, 147–151
- National Futures Association (NFA), 59
- Nature or nurture?, 168
- Net operating profit after taxes (NOPAT), 73
- Neurolinguistic program (NLP), 177
- New and old investment paradigms compared, 35
- New market conditions, 18–22
 - high intraday price swings, 21–22
 - high trading volatility, 18–20
 - high volatility, 20–21
- New reversal signals, 118–119
- New trading paradigms, 13–25
 - exchange-traded funds, 15–17
 - flexible and active management, 15
 - fundamental analysis, 24–25
 - intermarket analysis, 22–24
 - more choices, better trading opportunities, 17
 - new market conditions, 18–22
 - online trading, 14–15
- New York Stock Exchange, 39, 40, 44
- Nomothetic approach, 162
- Nonlinear dynamic system behavior, 25
- Nonlinear systems, 107
- Old investing paradigm, pitfalls of, 27–35
 - asset selection, 34
 - buy and hold, 27–30
 - heavy reliance on fundamental analysis, 34
 - invest for the long term, 30–34
 - light portfolio monitoring, 34
 - time to take charge, 34–35
- One confirmation, 119
- Online trading, 14–15
- Open interests and volume, 63
- Operating activities, 75
- Operating cash flow (OCF), 75
- Operating income, 73
- Oscillators, 92–100
- Paper trading, 195
- Pension funds, 4
- Personality, defined, 159–160
- Personality, importance to trading success, 160–162
- Personality traits theory, 166–168
- Personality type theory, 165–166
- Phenomenological approach, 165
- Phenotype, 170–173
- Philadelphia Stock Exchange, 47
- Physical assets, 39
- Piedmont, Dr. Ralph L., 171
- Present value theory, 76
- Price chart, 82
- Price to book ratio, 44
- Price-to-earnings (P/E) ratio, 24, 25, 44
- Price to sales ratio, 44
- Profit-and-loss calculations, 59
- Psychodynamic approach, 163–164
- Psychosomatic medicine, 196
- QQQQ, 131–134
- Qubes, 50
- Range bond, 85
- Real estate investment trusts (REITs), 17
- Regulation and taxation, 63–64
- Reinvestment of ETFs, 51
- Relative strength index (RSI), 93, 96–98, 100, 112, 115–117, 135
- Reliability versus relevance, 74
- Reported income, 74
- Rescuing yourself from financial disaster, 10–12
- Resistance, 82
- Resistance levels, 44
- Resistance trend line, 85
- Retirement savings, 4
- Ricketts, J. Joe, 14–15
- Rosenburg, Bar, 23
- Russell 1000 Index futures, 143–147
- Sector ETFs, 52–53
- Securities and Exchange Commission (SEC), 41, 47

- Securities Industry and Financial Markets Association, 18
- Securitization of mortgages, 7
- Settlement prices, 57
- Short market trends, 111
- Short-selling, 16, 33–34, 42–42
- Short signals, 116–117
- Short-term market trends, 111
- Skinner, F.F., 164
- SMART trading goals, 197–200
 - S for specific, 197–198
 - M for measurable, 198
 - A for attainable, 199
 - R for realistic, 199
 - T for timetable, 199–200
- Social-cognitive approach, 164
- SPDR, 15, 16, 47, 48
- Spiders (SPDRs), 50
- Sponsors of ETFs, 55
- Standard and Poor's (S&P) futures, 135–141
- Standard & Poor's (S&P) 500 index, 3, 6
- Standard and Poor's (S&P) 500 option series, 20
- State Street Global Advisors, 15, 47
- Stock market crash in 2000, 6
- Stock market meltdown, 3–12
 - dealing with emotional toll, 9–10
 - primary causes of current financial crisis, 6–9
 - rescuing yourself from financial disaster, 10–12
 - transitioning from investor to trader, 12
- Style ETFs, 53
- Successful trader's blueprint, 191–202
 - constructing your trading success blueprint, 191–197
 - set SMART trading goals, 197–200
 - Triple-A Formula for success, 200–201
- Sunbeam, 28–29
- Support levels, 44, 82
- Support trend line, 85
- Sustainable income, 73
- Swing trading S&P futures, 135
- Systematic risk, 44
- System's protective stops, 121–124
 - money stops, 122
 - technical stops, 123–124
- Systems theory, 23
- Tax efficiency, 17
- Technical analysis, 81–104
 - Fibonacci retracements, 101–104
 - market retracement levels, 100–101
 - technical indicators, 85–100
 - tools used for technical analysis, 82–85
- Technical indicators, 82, 85–100, 123
- Technical stops, 123–124
- Tech sector bubble, 6
- Toxic assets and the modified mark-to-market valuation method, 203–206
- Trader, 11–12
- TradeStation, 148
- Trading environment, 195–196
- Trading instruments, 17
- Trading market basket or index with one stock, 16
- Trading markets, types of, 40
- Trading Personality Profile (TPP) test, 177–190
 - Five-Factor Model (FFM) of personality, 178–185
 - reviewing your TPP score, 190
 - TPP or OCEAN score guide, 189
- Trading Personality Profile sample test, 188–189
- what the TPP test reveals about you, 185–188
- Trading psychology and your trading personality profile, 155–175
 - five-factor or big five model, 173–175
 - genotype and phenotype, 170–173
 - nature or nurture? 168–170
 - personality theories, 162–165
 - personality traits theory, 166–168
 - personality type theory, 165–166

- two pillars of successful trading, 155–158
- what is personality? 159–160
- why is personality important in trading success? 160–162
- Trading style, 193–194
- Trading success blueprint, 191–197
 - motivation, 191–193
 - trading style, 193–194
 - trading system, 194–195
- Trading system, 6, 194–195
- Trading Systems as a Determining Factor in Trading Performance* (Gandevani), 194
- Trading volume, 18–20, 82, 83–85
- Transitioning from investor to trader, 12
- Trend-line orders, 112
- Trend lines, 85–88
- Triple-A Formula for success, 200–201
 - aptitude, 200–201
 - attain, 201
 - attitude, 200
- Two pillars of successful trading, 155–158
- Unemployment, 4
- Unsystematic risk, 44
- Uptick rule, 43
- Uptrend, 85
- Uptrend reversal, 88–89
- Vanguard 500 Index Fund, 16, 48
- Volatility, 5, 20–21
- Volatility Index (VIX), 20–21
- Walt Disney Co., 41
- Weighted average cost of capital (WACC), 76
- Winning Edge trading strategies, 207–211
 - trading signals subscription services, 207–209
 - trading systems for purchase, 209–211
- Winning Edge Trading system
 - for day trading, 125–134
 - for intermediate-term or swing trading, 135–141
 - for long-term or position trading, 143–151
 - market model, 105–113
 - mechanics of, 115–124
- WorldCom, 3
- Yahoo, 144
- Zero-line crosses, 94–95