

SPECIAL REPORT

**Trading Futures Can
Damage Your Wealth!**

A background image of a candlestick chart on a light yellow grid. The chart shows several candlesticks of varying sizes and colors (white and grey), representing price movements over time. The overall trend appears to be a downward movement from left to right.

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Special Report :

Trading Futures Can Damage Your Wealth!

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"Trading doesn't need to be tough"

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Introduction

If you trade futures, such as the ES, NQ, or Eurostoxx, you'll definitely want to read this report.

I'm going to show you exactly why, by trading futures, you are making your life more difficult and less profitable than it needs to be. You could be leaving massive amounts of money on the table, and yet you almost certainly spend longer in front of your trading screen than I do!

A Tale of Two Hotdog Sellers

I want to start off by telling you a story. Bear with me here, because this has a very definite implications for futures traders.

Way back in the days before I became a full time trader, I worked in an office in a large city. During my lunch breaks, I used to walk a little way across town to the park where I could enjoy some sunshine, fresh air, and a newspaper.

Having worked out the quickest way to reach the park, I took the same route most days. About halfway down one of the busier roads, there was a guy who sold hotdogs. His name was Dan, and he was there every day - with his hotdog cart - come rain or shine.

Occasionally I would buy a 'dog from Dan, and we'd chat a little, passing the time of day. I'd ask him how business was. Some days he would reply "Yeah, it's good today - loads of tourists around and I'm almost sold out!". Other days, he was a bit more downbeat. "Nobody passing by today," he would say, "I don't know where everyone is".

I never really paid much attention to Dan's dilemma. I mean, business is like that, right? Sometimes there are customers, sometimes there aren't. Just one of those things.

But one lunchtime stroll made me think again. My normal route was blocked by some work being done in the main road, so I took a different route to the park. It was only a slight deviation, down a small side street. I was surprised to find that the street was packed with tourists. There were some well known jazz musicians playing on the sidewalk, and lots of people had come to listen. A little way along from the musicians, there was a hotdog stand. It wasn't Dan, it was someone else. Needless to say, being lunchtime and being in a road full of hungry tourists, this guy was doing a roaring trade. A long queue had formed in front of him.

The following day I took the same side street. This time there were no tourists, and no hotdog stand. However, a few blocks further on I turned the corner, and there in front of me was the hotdog man I had seen the day before. And once again, he was doing great business! The reason why quickly became apparent - there was a street-art exhibition being held in that road that day.

Being the curious sort, I bought a can of sofa from this guy and started chatting with him. I asked him why he wasn't in the same place as yesterday. His answer was both strikingly obvious, and yet incredibly insightful. He said to me "Why would I want to stay in the same place every day and hope that the people come to me? **I go where the action is.**"

I saw straight away what he meant. Whilst Dan was rigidly routed to his pitch in the main road, hoping to have a busy day, this other guy (his name turned out to be Ed) wasn't taking any chances. He realised that in a big town there is always something going on somewhere, which means there will always be a concentration of people. And all people to Ed, were potential customers! All he had to do was find out what was happening in the city each day (the tourist office was happy to help with that), and then trundle off with his cart to the crowds of soon-so-be customers.

How does all this relate to futures? Well it's pretty simple really. If you're trading one or two futures, you're in the same boat as Dan, You're standing on your same street corner each day, hoping that there will be some action. Some days there will be, and you'll have a great time. Other days will be very quiet. Most days will probably be somewhere in-between.

If on the other hand, you think like Ed, and go and find out *where the action is*, then you can have a great day every day!

Finding The Action

Consider the following two charts. Which one would you rather be trading?

Chart A

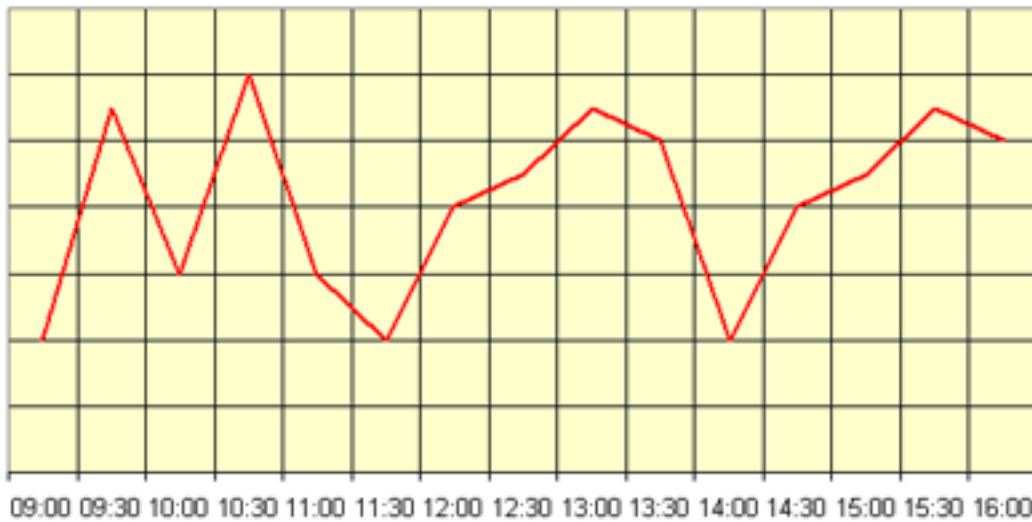


Chart B



I'm guessing you'd probably prefer to trade Chart B? I know I would! There's some *action* going on there. If you could find a chart that looked like that every day, do you think it would be easier to make a profitable trade, *every day*?

Of course, there is no futures contract in the world that will look like Chart B, every single day. So perhaps you watch a couple of futures hoping one of them will move?

The most popular futures among day traders are: ES (Emini S&P), the NQ (Emini Nasdaq), and the YM (the mini Dow). Other popular contracts include the FTSE, and the EuroStoxx.

That makes a total of about five different charts you could be watching, maximum. That increases the possibility of finding a "nice" chart. But it's by no means certain.

What if, instead of five different charts to look at, you had five *thousand* charts to choose from each day? Do you think that would give you a better chance of finding a chart with some action? I can tell you, in five thousand charts, there is all the action you could want!

Ok, so where do we find five thousand charts, and how do we possibly watch them all to find the interesting ones?

The answers are actually very simple. The Nasdaq exchange currently trades more than 3,300 different stocks. The NYSE (New York Stock Exchange) trades another 2,800. Some of those stocks are of no interest to day traders, for various technical reasons that I won't go into here. If we leave those out, that still leaves us at *least* five thousand "interesting" stocks to watch.

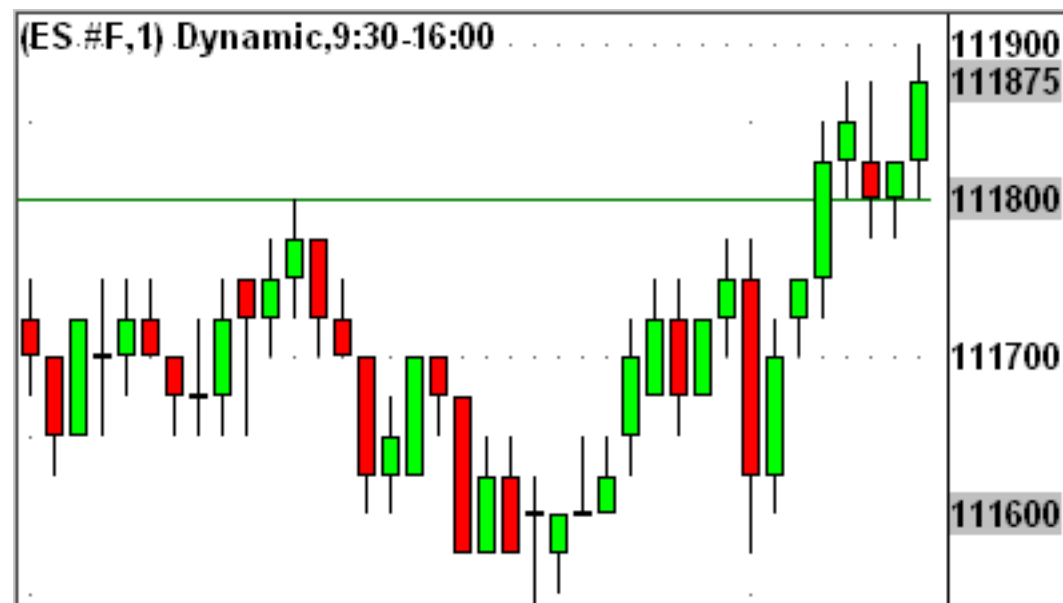
How do we watch all five thousand to find the good ones? Well, we don't need to.

The fact is, every stock represents a business - a real company run by real people. Every business has its own story. Directors come and go. Scandals are published in newspapers. New products are developed and launched. Mergers and acquisitions take place.

Among the thousands of businesses that are traded on the stock exchanges, every day there will be a whole bunch that are making the news for some reason or another. Open the business section of any daily newspaper and you'll see what I mean. That news *will* move the stock price. In other words, the news creates *action*, and action to a trader, means *opportunity*.

For Example

Here are a couple more charts. They are taken from the same trading day. The first is the ES future:



Pretty tough chart to trade huh? I don't see much opportunity there. If I was watching this chart all day, I'd feel like Dan standing in his empty street, hoping that some customers might come along soon.

In the meantime, here is the chart for a stock - MVSN - for the same day and time period:



Doesn't that look a whole lot more interesting? There is some action going on here! If we were watching this chart, we'd have a much better chance of making a profitable trade. This stock was moving because it was in the news.

Charts like that happen every single day, regardless of what the futures are doing. All we need to do is be like Ed, and go out and find them.

And you know, finding them isn't difficult. There are lots and lots of tools we can use. Some of those tools are used during the trading day, to tell us where the action is happening *right now*. Others will give us strong hints before the market even opens, as to where the action is *going* to happen.

Popular Myths

I know there are a lot of myths about trading stocks. I hear from people all the time who tell me things like:

- "I heard you need lots of money in your account to trade stocks"
- "You can't make as much with stocks as with futures"
- "There's more risk with stocks"

And plenty more besides. While there might be good reasons for believing some of these myths, in fact none of the them are true. Stocks are just as accessible to the trader as futures. They offer *less* risk, and *more* profit potential. And they are, in my opinion, easier to trade.

Summary

- The stock market offers day traders approximately a *thousand times* more opportunity every single trading day, than the futures market.
- If we know which tools to use, we can predict before the market opens, exactly where that opportunity can be found.
- And once the market is open, we can use other tools to tell us where the action is happening.
- Most of these tools are free, or very low in cost.
- Stocks are cheap to trade, and are very flexible in terms of the risk and leverage we want to work with. They also respond very well to technical analysis, and have certain characteristics which makes them more predictable and easier to trade than futures.

I hope this report has been interesting, and has given you an insight into the massive opportunity that exists outside of the world of futures.

I wish you good trading,

Harvey.