

RUSSELL'S GUIDE : MINI-NASDAQ'S ORDER SUGGESTIONS

There are different types of traders subscribing to and using the information provided by Daytrader's Bulletin's mini NASDAQ futures service. Following are some suggestions for how to use the service to your best advantage, based on your own experience level and available resources.

NEW TRADERS

Some of these traders have only a quote screen available to them and use the service as a "Black Box" trading system. These traders follow the signals given as best they are able, enter and exit as suggested and when suggested.

If They see:

Exit, Bail Out !

Exit all contracts @ market

Cancel All Open orders relating to this trade only!

Flat

11:04:33 AM EASTERN

then that is exactly what they are to do as soon as they are able to get it accomplished. Normally I would advise using a limit order to exit the trade a point above or below the market depending on being long or short. A market order may get you slippage of as much as five points per contract.

They have no way of knowing if anything has changed during the 10 – 25 seconds it takes me to put out the signal so they must exit expeditiously!

If They see:

Exit, Bail Out !
Exit all contracts @ even or better
Cancel All Open orders relating to this trade only!
Flat
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they would then place an order to cover their trade at the entry price or slightly better to cover commission cost, unless they are paying their broker \$75 a trade or some such figure which is absurd.

Normally no more than one point should cover commission cost at a maximum. Several traders I know are trading for \$7.00 – \$12.50 per round turn. This is all it should cost unless you are using the broker to place your trades for you. In that case you may be paying \$25 or even more to clear a trade — and you should be, for you have employed the broker to do your work!

EXPERIENCED TRADERS

This trader has a real-time quote feed and a chart available of the time frame I use, such as a 1-Min chart of the mini-NQ futures. This person has the advantage of seeing what is occurring at the time the signal is received. This is the preferred way to utilize this service. It is the way of looking at and seeing the various waves I point out in my calculations that I comment on each day.

When this trader sees:

Exit, Bail Out !
Exit all contracts @ market
Cancel All Open orders relating to this trade only!
Flat
11:04:33 AM EASTERN

and he or she has a short trade on, if the market is plummeting there is no sweat to take the trade off, even if I have said, "Exit the trade." Obviously things have changed a bit while I was putting out the signal and it is only common sense that you use your head. For the record, I will exit the trade at about 30 – 60 seconds after my signal, but you need to use some discretion, if you see the bar dropping away on you.

Conversely, if I have sent the Exit and we are breaking out to new highs on the day use your judgment to take the trade off. Again, I will exit the trade at about 30 – 60 seconds after my signal, but you need to make your own decision, if you see the bar running away on you to the upside.

The caveat in using your own best judgment (using your head) in these instances is allowing the trade to get away from you as a loss! If you cannot trust yourself to exit, then follow the signals without any question or hesitation, regardless of what you think you see.

You must also remember that in all cases what we see from our quote vendor may or may not be "timely." You may be looking at history, and I know you are looking at history in a fast market!

When this trader sees:

Exit, Bail Out !
Exit all contracts @ even or better
Cancel All Open orders relating to this trade only!
Flat
11:04:33 AM EASTERN

depending on what the chart is doing, it may be possible to get 2 – 4 points of profit within the next two minutes or so, and that attempt should be made if you have the real-time chart in front of you.

I will not use the "even or better" terminology unless I feel there is at least a 75% chance of getting a good fill within the next 1– 3 minutes or so. I used to

trade the live pits with “even or better” orders and many times the broker did a better job of filling me “better” rather than “even.” The only way you can do this with electronic trading is to “jiggle” the price and then send the limit order to exit.

JIGGLE THE PRICE

What does that mean? I have suggested to many traders that they not just blindly put in a limit order to exit. I have suggested that they type in a price in their electronic order system and when we get to that price make a decision if they can get a point or two better and “adjust” their order price and then send it immediately. If we cannot get better we may have to allow for it and take less.

The bottom line in all this discussion on exiting a trade is to “Use Your Head.”

At times we must bail immediately and at other times, such as our present slow markets (June – July 2001) we may churn for several minutes in a 2 – 4 point range throughout most of the day. There is little need to rush most of the time. In times like January of 2001, if you hesitated you could cost yourself 5 points for each 30 seconds of hesitation.

It is said that much of trading is “art” and this area is in the “artsy” part of trading in my opinion.

Now lets talk about exit ranges or suggestions.

Suppose you see:

Profit Target for Shorts
Buy 2 @ 1683-1677 Limit.
OR Buy 2 @ 1680 +/- 3 points Limit.
Now Short 2 contracts
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What are you to do? I have provided a profit target area that I fully expect the market to make. I would first try for the middle of this area of price at 1680 or

1680.5 on a limit order to cover my shorts. I would send the order when I see the price traded on my screen if you have a reliable quote vendor!

WHY? Because NASDAQ Level II shows the bid and ask, the quantity, and the price.

If there are any activists out there, this is something I would like eliminated on futures contracts on NASDAQ Level II quote screens. In the futures pits you cannot see the bid or the offer and the size until it occurs. It is part of the manner of trading that this information be concealed.

If five separate traders are trying to buy 15 contracts at 1680, some "cute clown" competitor may decide we "know" something and try to buy 25 contracts at 1681 and we will not get filled. It is my opinion that in this scenario 25 contracts could cause a pop.

A few days back I gave a range to exit in at XX17.0 and we came down nicely and made XX17.5 and rallied. What to do? We have no choice if we are in the third wave but to cover our trade higher than the limit I gave. Why? Because we do not know if we are going to get a 5th wave down!

A rule of thumb that I suggest is if a trade eats up 50% of your profit, exit the trade to make sure you get something from it. I usually send something to the effect of "if you are not out I suggest you get out NOW!" That usually gets it covered.

FINAL THOUGHTS ON SUBJECTIVENESS

The question comes up of subjectiveness. Remember, this service is a suggestion service. I have a couple traders that regularly do better than I do. They are experienced and use me for a confirming viewpoint to their trades.

The balance of any new traders need to follow the suggestions as closely as possible each day. I will do my best to keep offering profitable suggestions.

I am not trying to bend the rules, introduce subjectiveness, or anything else. I am trying to point out that there are many ways a trader can use this service. It is not iron clad in it suggestions. It is just that, suggestions.

I try to put us in a trade that has a predictable outcome and a target level that makes the entry worth while. It does not always work out well. It only takes one institution and only for a few minutes to upset the apple cart. Later we may go on to a successful outcome to our trade. We may make the same entry twice within a very few minutes of separation. We may not have changed our expectation; the market may have given us some "noise" to deal with.

Anyway, I felt a few comments about exits and bail out suggestions may be in order at this time! I hope we all continue to prosper through this service.

Have a great evening,

Ralph Russell,
Nasdaq Trader
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