

**IntesaTrade** and



**PRESENT**

# **Building Your E-mini Trading Strategy**

Prepared and Presented by Daniel Gramza

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Daniel Gramza is currently completing two books:

Trading in the Eye of the Storm

The Handbook of Japanese Candle Trading Strategies

You can be notified when these books are available by contacting Daniel Gramza.

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# Building Your E-mini Trading Strategy

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- Identify market you're going to trade
- Determine your trading time frame
- Select trading approach
- Create trading strategy
- Establish trading strategy parameters
- Measure performance of trading strategy
- Implement new trading strategy

# Section 1: IDENTIFY MARKET YOU'RE GOING TO TRADE

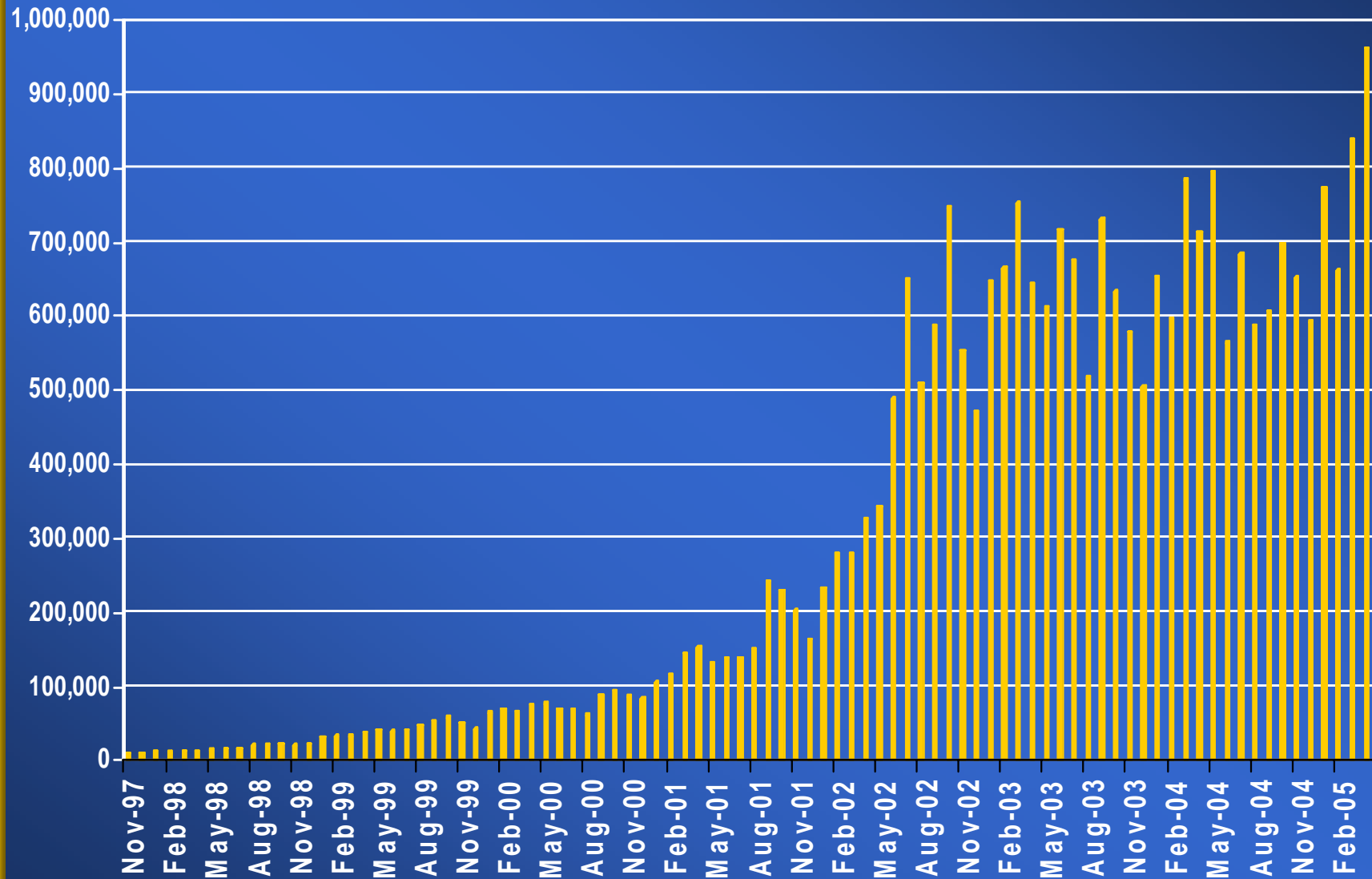
CME E-mini™ Futures

OPTIONS on CME E-mini™ Futures

CME eFX FUTURES

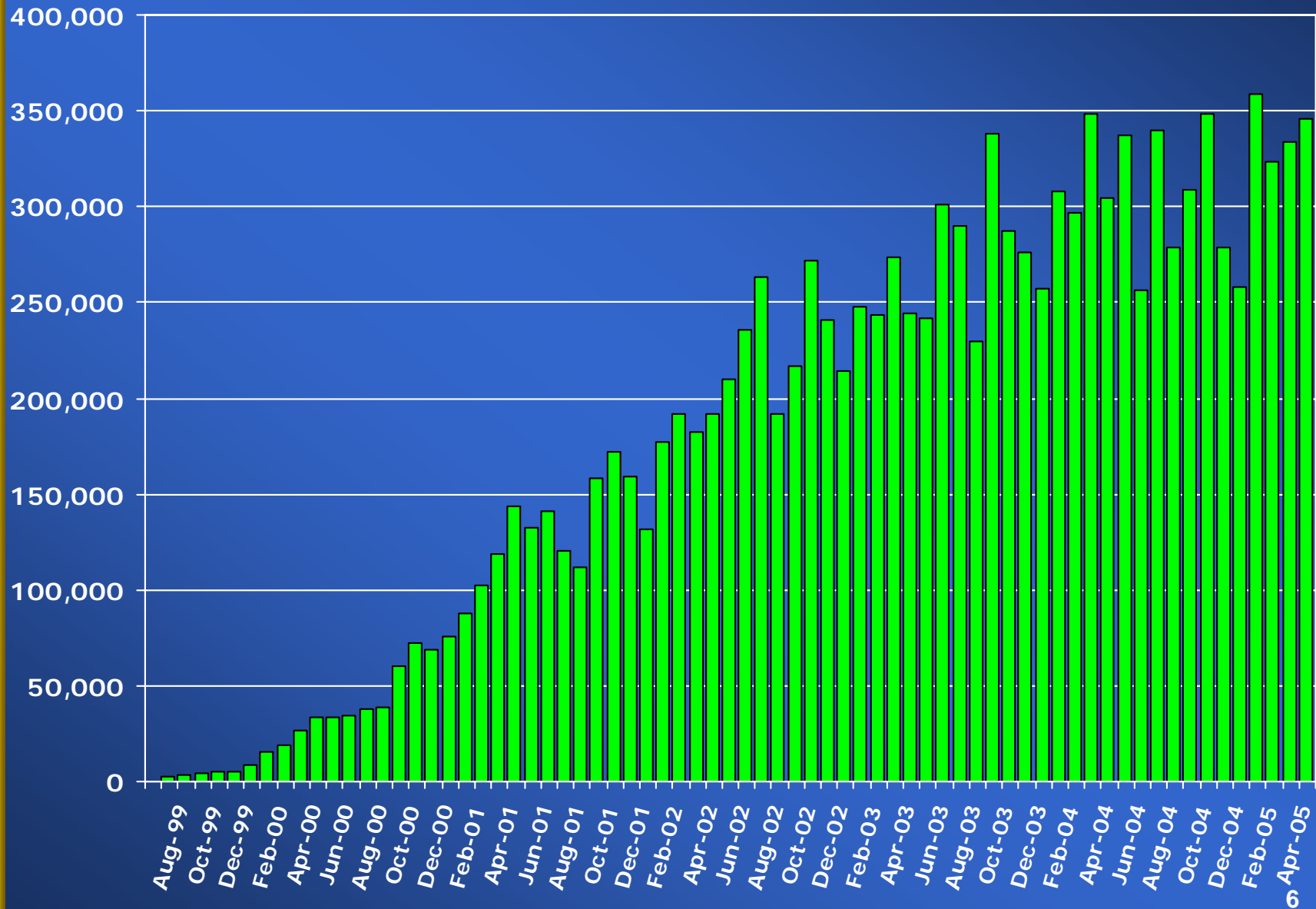
# CME E-mini™ S&P 500® Futures Average Daily Volume

Increasing Volume = Increasing Product Acceptance



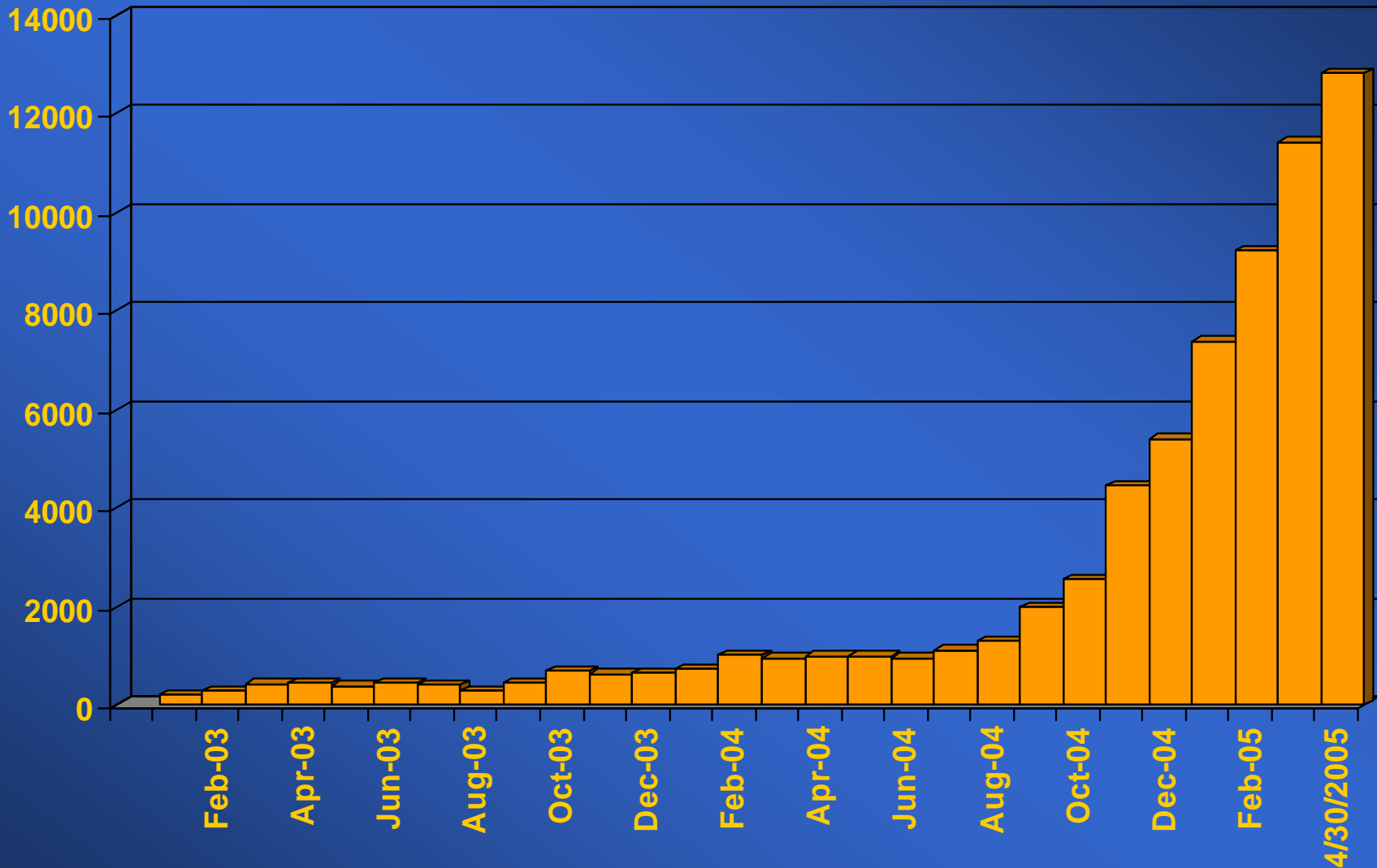
# CME E-mini NASDAQ-100<sup>®</sup> Futures Average Daily Volume

Increasing Volume = Increasing Product Acceptance



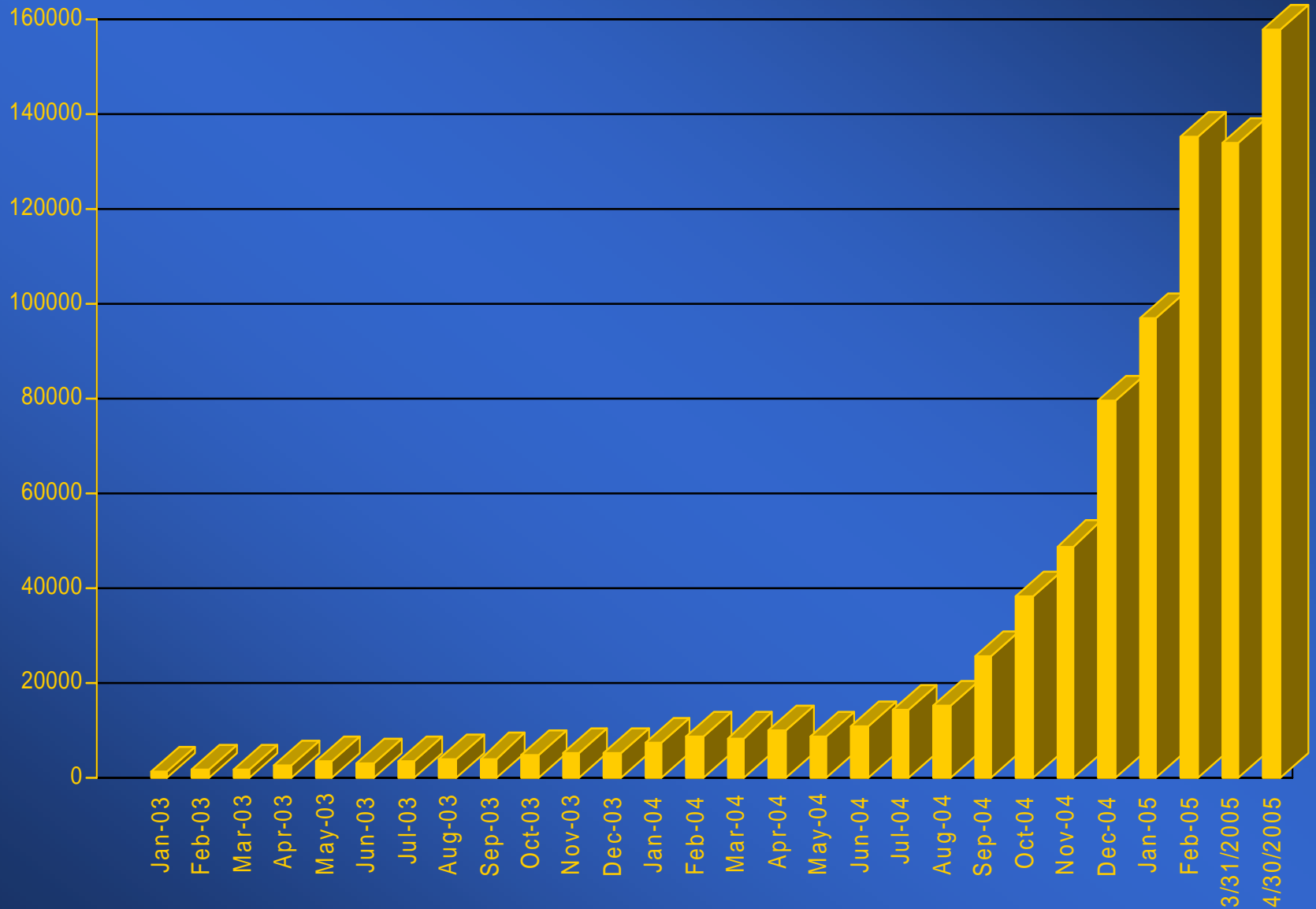
# OPTIONS on CME E-mini™ S&P 500® Futures Average Daily Volume

Increasing Volume = Increasing Product Acceptance



# OPTIONS on CME E-mini™ S&P 500® Futures Month End Open Interest:

Increasing Open Interest = Increasing Product Commitment

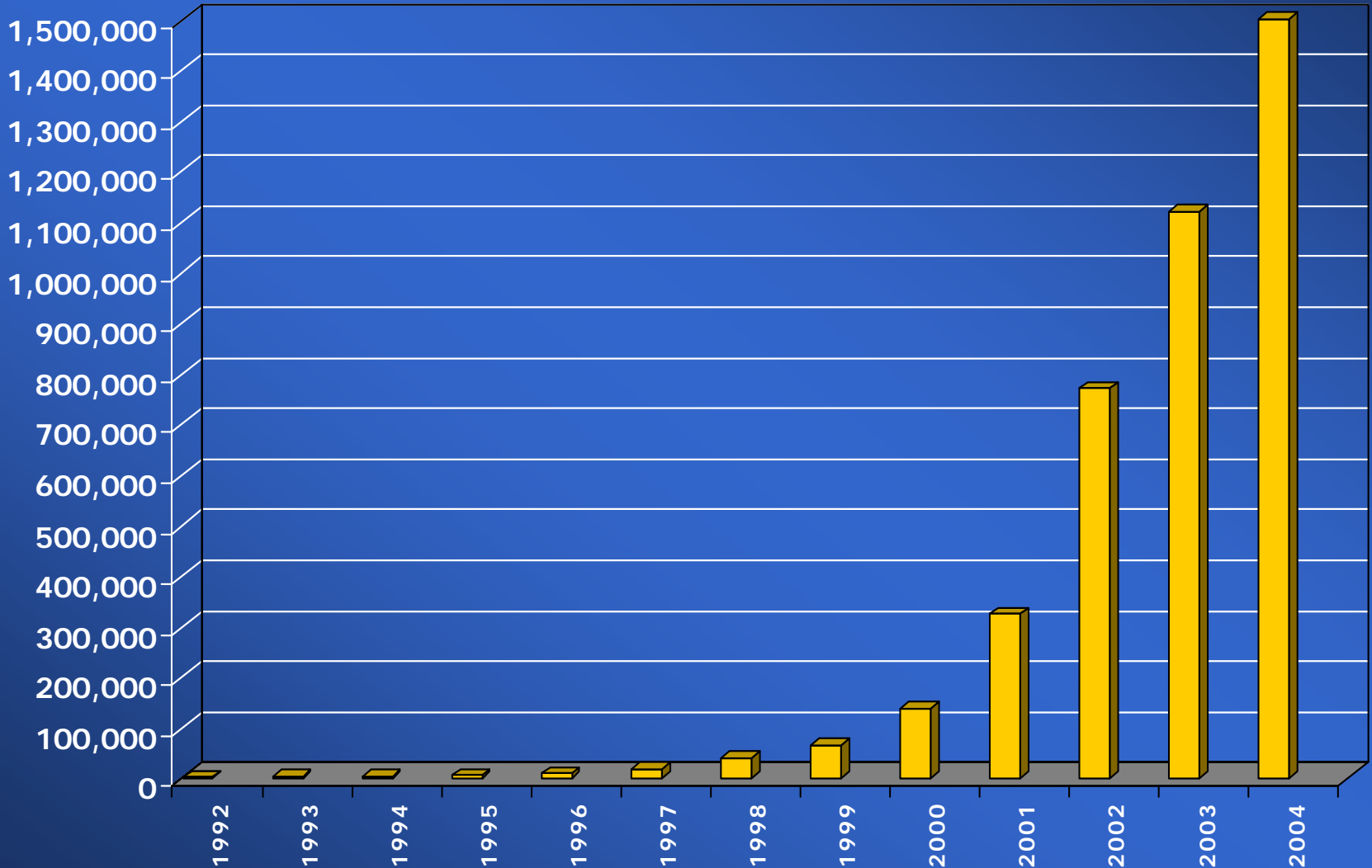




# CME and Growth of Electronic Trading

Increasing Volume = Increasing Product Acceptance

Average Daily Volume by Year



# Why Trade *CME E-mini™* Futures?

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- Easy access
- Virtually 24-hour trading
- One central marketplace
- Highly liquid
- Tight bid/ask spreads
- Leverage
- No Margin Interest Charged
- No Inventory Required for Short Position
- No Short Position Interest Charged

# Why Trade *CME E-mini™* Futures?

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## KEY BENCHMARK INDEXES

### **CME E-mini S&P 500® futures**

Tracks large-capitalization U.S. stocks

### **CME E-mini NASDAQ-100® futures**

Tracks technology, telecom and biotechnology issues

### **CME E-mini S&P MidCap 400™ futures**

Tracks mid-size U.S. companies

### **CME E-mini Russell 2000® futures**

Tracks small-capitalization U.S. stocks

### **CME E-mini Russell 1000® futures**

Tracks 1000 largest cap companies in the U.S.

based on total market capitalization.

# CME E-mini™ FUTURES Contract Specifications

	CME E-mini™ S&P 500®	CME E-mini NASDAQ-100®	CME E-mini Russell 2000®	CME E-mini S&P MidCap 400™	CME E-mini Russell 1000®
<b>Ticker Symbol</b>	ES	NQ	ER2	EMD	RS1
<b>Contract Size*</b>	\$50 x E-mini S&P 500 \$55,000	\$20 x E-mini NASDAQ-100 \$30,000	\$100 x E-mini Russell 2000 \$56,000	\$100 x E-mini S&P MidCap 400 \$58,000	\$100 x E-mini Russell 1000 \$64,000
<b>Minimum Price Fluctuation (Tick)</b>	.25 futures index points = \$12.50	.50 futures index points = \$10.00	.10 futures index points = \$10.00	.10 futures index points = \$10.00	.10 futures index points = \$10.00
<b>Trading Hours</b>	Nearly 24 hours, Sunday afternoon through Friday afternoon				
<b>Contract Months**</b>	H, M, U, Z				
<b>Last Day of Trading</b>	8:30 a.m. third Friday of contract month				
<b>Performance</b>					
<b>Bond Margin***</b>	\$4,000	\$3,750	\$3,500	\$3,500	\$3,625

\* Contract value fluctuates daily with market

\*\* H = March                      M = June                      U = September                      Z = December

\*\*\* ALL PERFORMANCE BONDS SUBJECT TO CHANGE AND BROKERS MAY REQUIRE HIGHER MARGINS

**Expiration Dates**

March 18, 2005  
 June 17, 2005  
 September 16, 2005  
 December 16, 2005

Trading may occur up to 8:30 a.m. Chicago time on these dates.

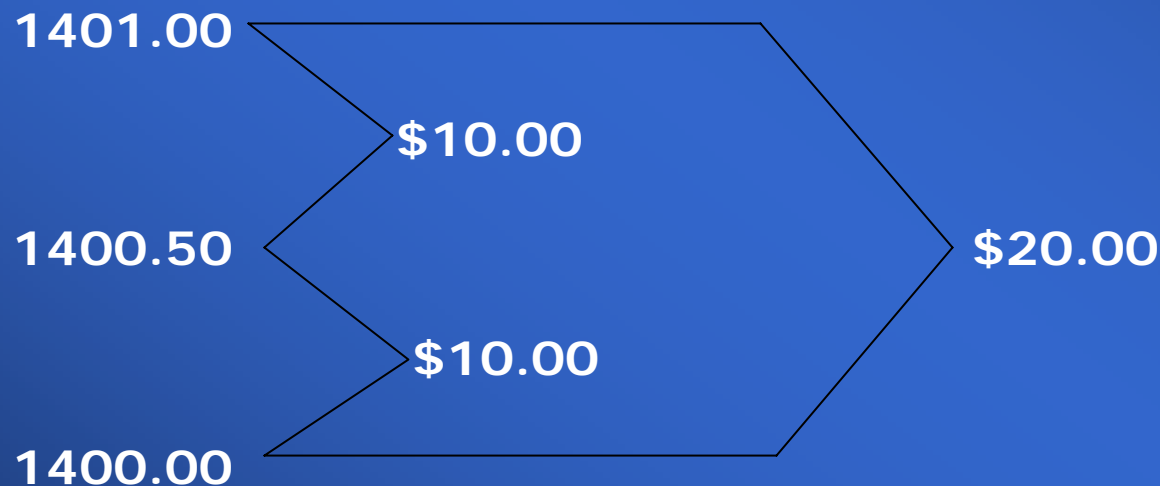
# How are E-Mini S&P 500 profits and losses calculated?

The CME E-Mini S&P 500 futures contract is traded in .25 increments = a tick = \$12.50 per contract or 1 full point = \$50



## How are CME E-Mini NASDAQ-100 profits and losses calculated?

The CME E-Mini NASDAQ-100 futures contract is traded in .50 increments = a tick = \$10.00 per contract or 1 full point = \$20



# E-mini FUTURES COMPARED TO SPDRS

**VALUE OF INVESTMENT      \$55,000**

(Assume S&P 500 Index value = 1100, CME E-mini S&P 500 multiplier value = \$50  
Value of 1 E-mini S&P 500 futures contract = 1100 X \$50 = \$55,000)

	<u>SPDRs</u>	<u>CME E-mini S&amp;P 500</u>
<b>Current Level</b>	\$110 per share	1100.00 per contract
<b>Quantity</b>	\$55,000/\$110 per share = 500 shares	1 contract
<b>Min. Tick Size</b>	\$0.01 per share	\$12.50 per contract
<b>Tick Value</b>	500 SHARES * .01 = \$5.00	\$12.50 per contract

## E-mini FUTURES COMPARED TO SPDRS (Cont'd)

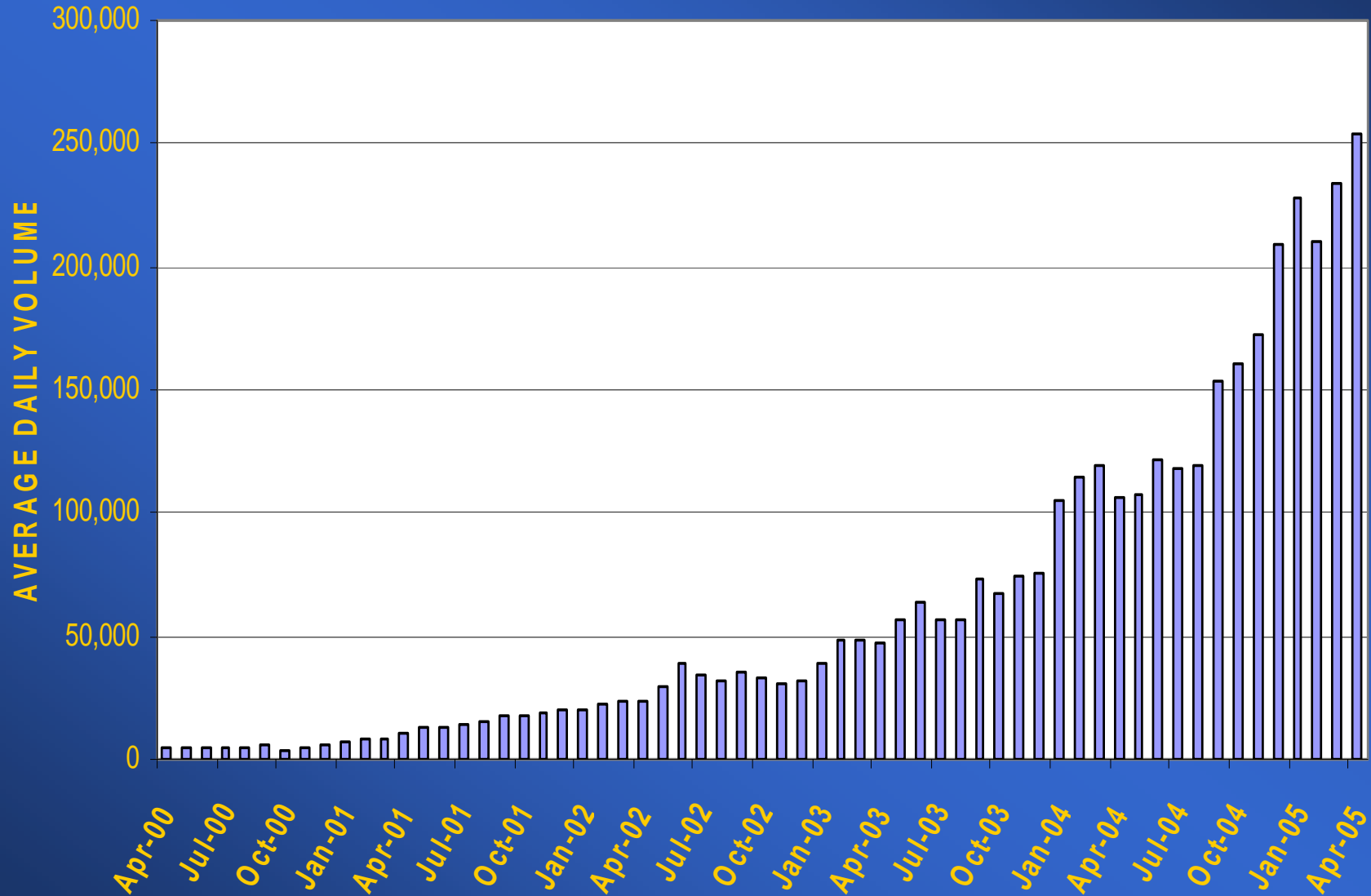
### COST TO ACQUIRE \$55,000 S&P INVESTMENT

	<u>SPDRs</u>	<u>CME E-mini S&amp;P 500</u>
Margin	50% = \$27,500	7.3% = \$4,000
	Plus Margin Interest	0
If Short	Plus Short Interest	0



# CME eFX Futures Average Daily Volume

Increasing Volume = Increasing Product Acceptance



# TRADING CME FX FUTURES

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Easy access

FX Futures offers portfolio diversification.

- Changes in exchange rates typically have low correlations to the stock and interest rates markets.

Tight bid/ask spreads

Highly liquid

Virtually 24-hour trading

One central marketplace

CME exchange environment, offers open and transparent FX pricing.

CME is largest regulated FX market in the world

Segregated accounts

# TRADING CME FX FUTURES

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Most liquid financial market in the world, representing more than \$1.88 trillion worth of transactions each day.

Foreign Exchange = forex = FX = Currency Market = the exchange of one country's currency for another countries currency.

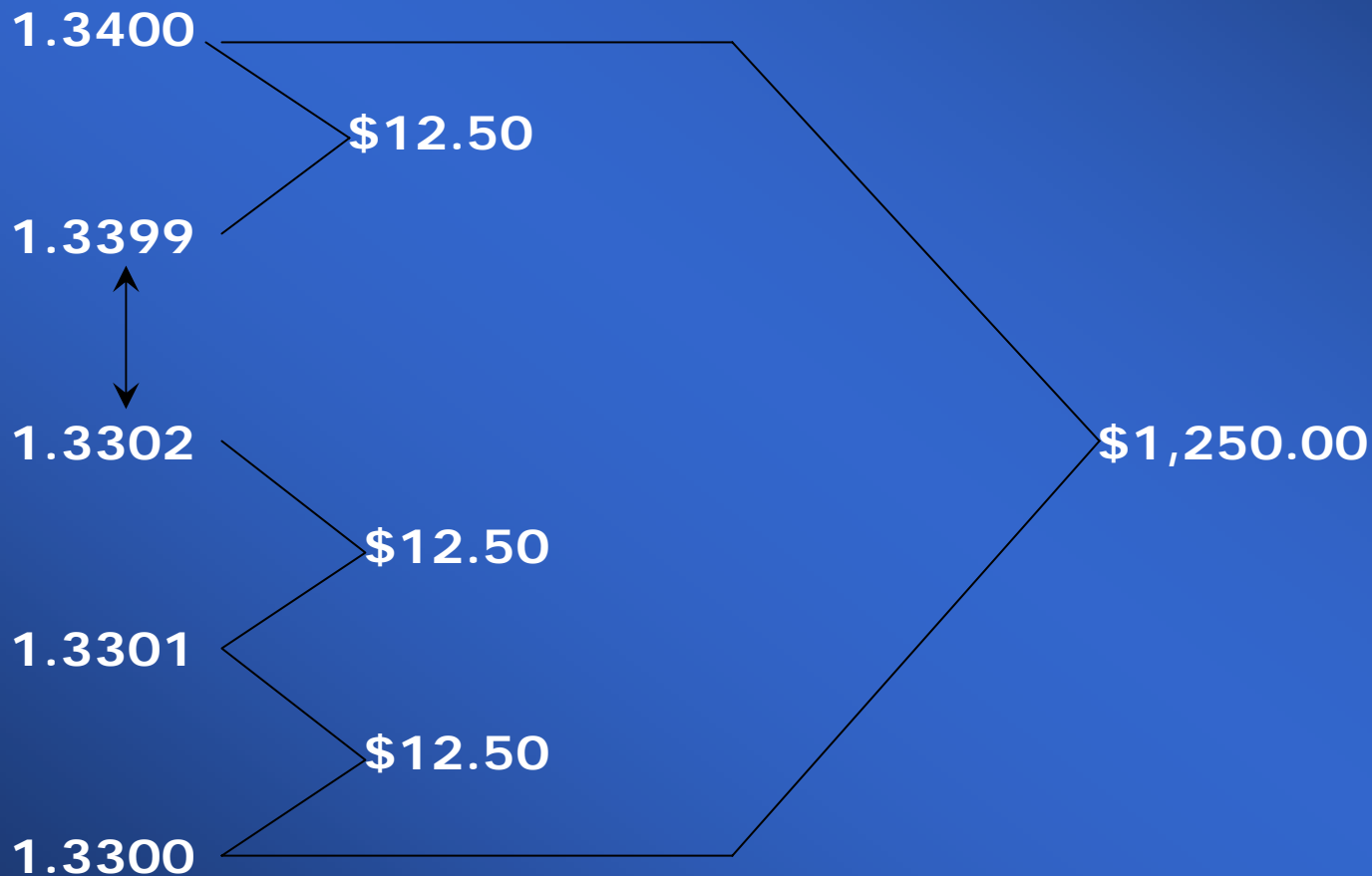
Currencies are traded in pairs, such as U.S. dollar/Japanese yen (USD/JPY) or Euro/U.S. dollar (EUR/USD), or via currency indexes, such as the CME\$INDEX(TM).

Currency trading is simultaneous purchase of a currency in terms of another currency.

- ◆ EUR/USD = Value of 1 Euro expressed in US Dollar terms.
- ◆ EUR/USD = 1.3300 = 1 Euro = US\$1.3300

# How are Euro Currency profits and losses calculated?

The CME Euro Currency futures contract size is 125,000 Euro and is traded in .0001 increments = a tick = \$12.50 per contract or 1 full point = \$1,250.00



# How are E-Mini Currency profits and losses calculated?

The CME E-Mini Euro Currency futures contract is 62,500 Euro and is traded in .0001 increments = a tick = \$6.25 per contract or 1 full point = \$625.00



## Section 2: DETERMINE YOUR TRADING TIME FRAME

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- Scalping
- Micro day trading
- Macro day trading
- Swing trading
- Position trading

Your trading time frame creates demands on:

Available \_\_\_\_\_ to trade

Trading approach \_\_\_\_\_

Trading technology \_\_\_\_\_

\_\_\_\_\_

## Section 3: SELECT TRADING APPROACH

- **Fundamental**

Fundamental traders trade on the \_\_\_\_\_ that other traders will react to the fundamental information in the same way as the fundamental trader.

- **Technical**

Technical traders trade the \_\_\_\_\_ reaction to fundamentals.

Technical analysis categories:

- Direct analysis of price movement
- Indirect analysis of price movement
- Combination of direct and indirect analysis of price movement

## Section 4: CREATE YOUR TRADING STRATEGY

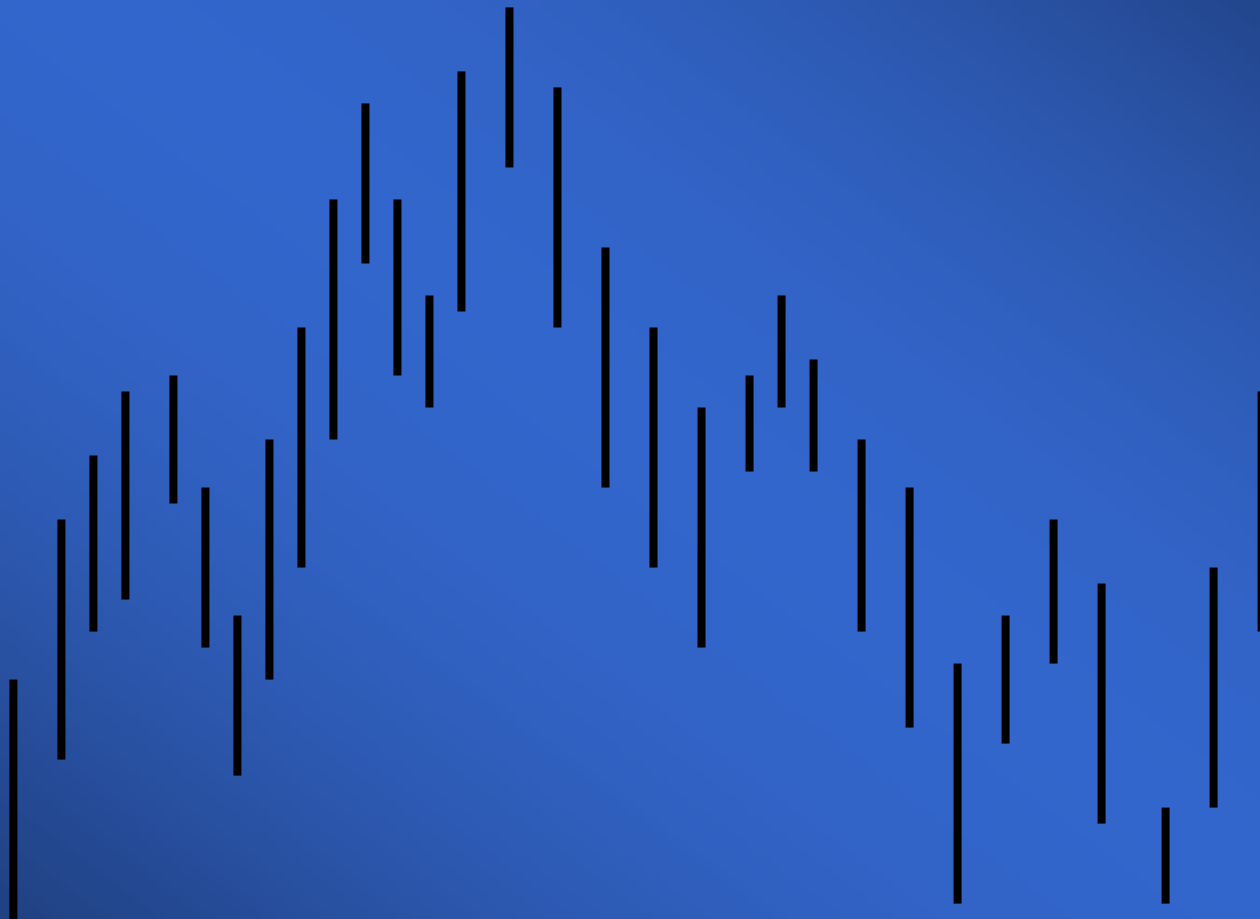
Identify the tools that will create the foundation of your trading strategy.

- **Trend Analysis**
- **Japanese Candle Charts**



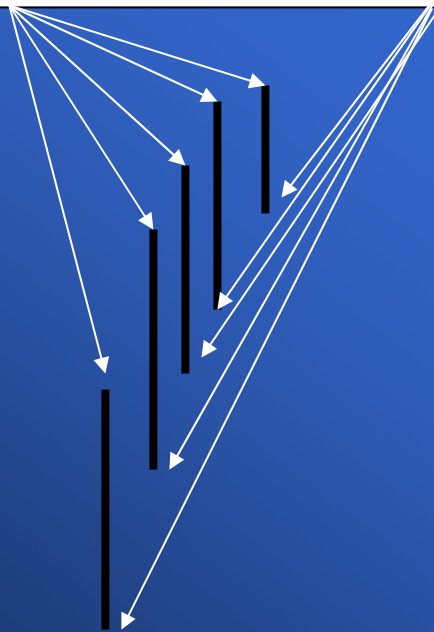
# TREND ANALYSIS

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# TREND ANALYSIS

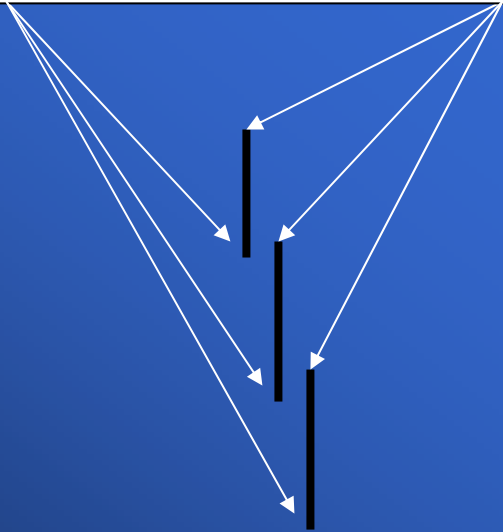
Higher Highs and Higher Lows = Uptrend



# TREND ANALYSIS

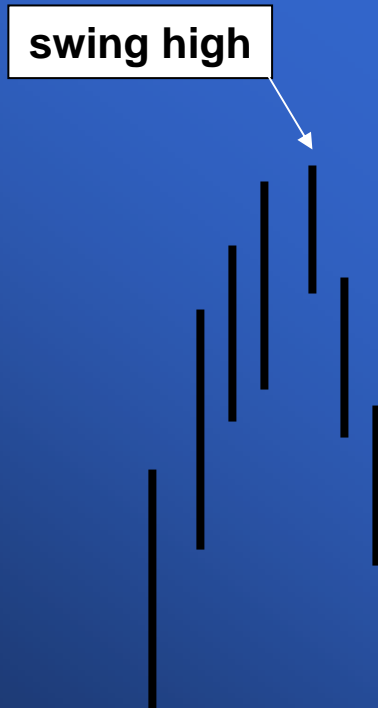
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**Lower Lows and Lower Highs = Downtrend**



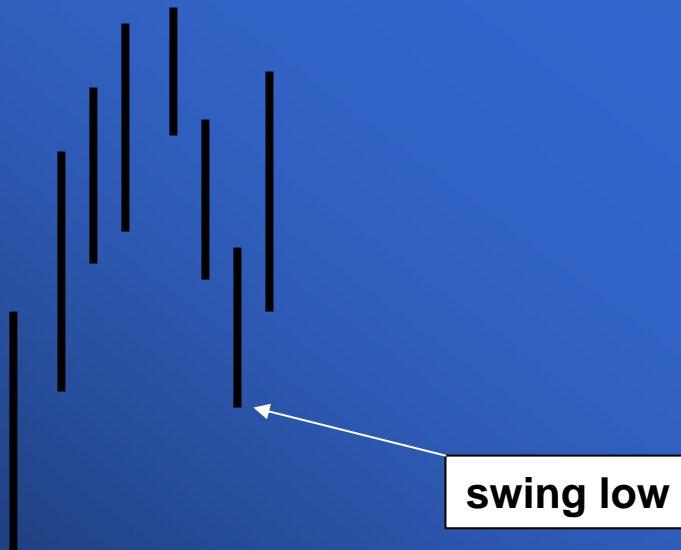
# TREND ANALYSIS

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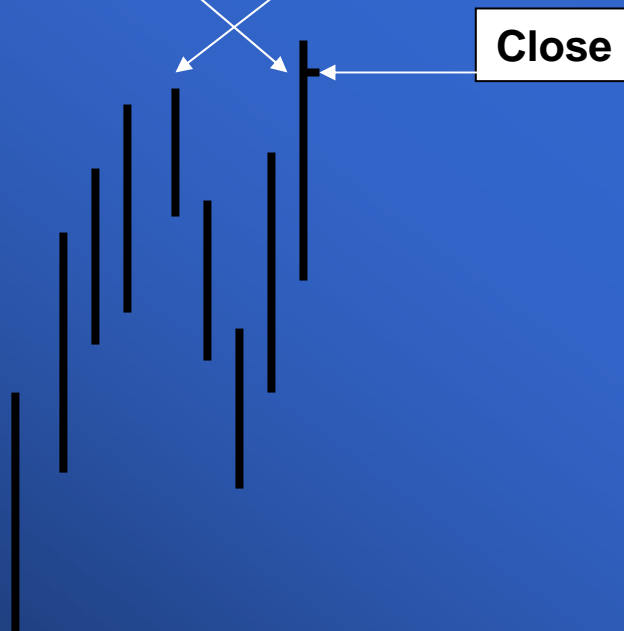
# TREND ANALYSIS

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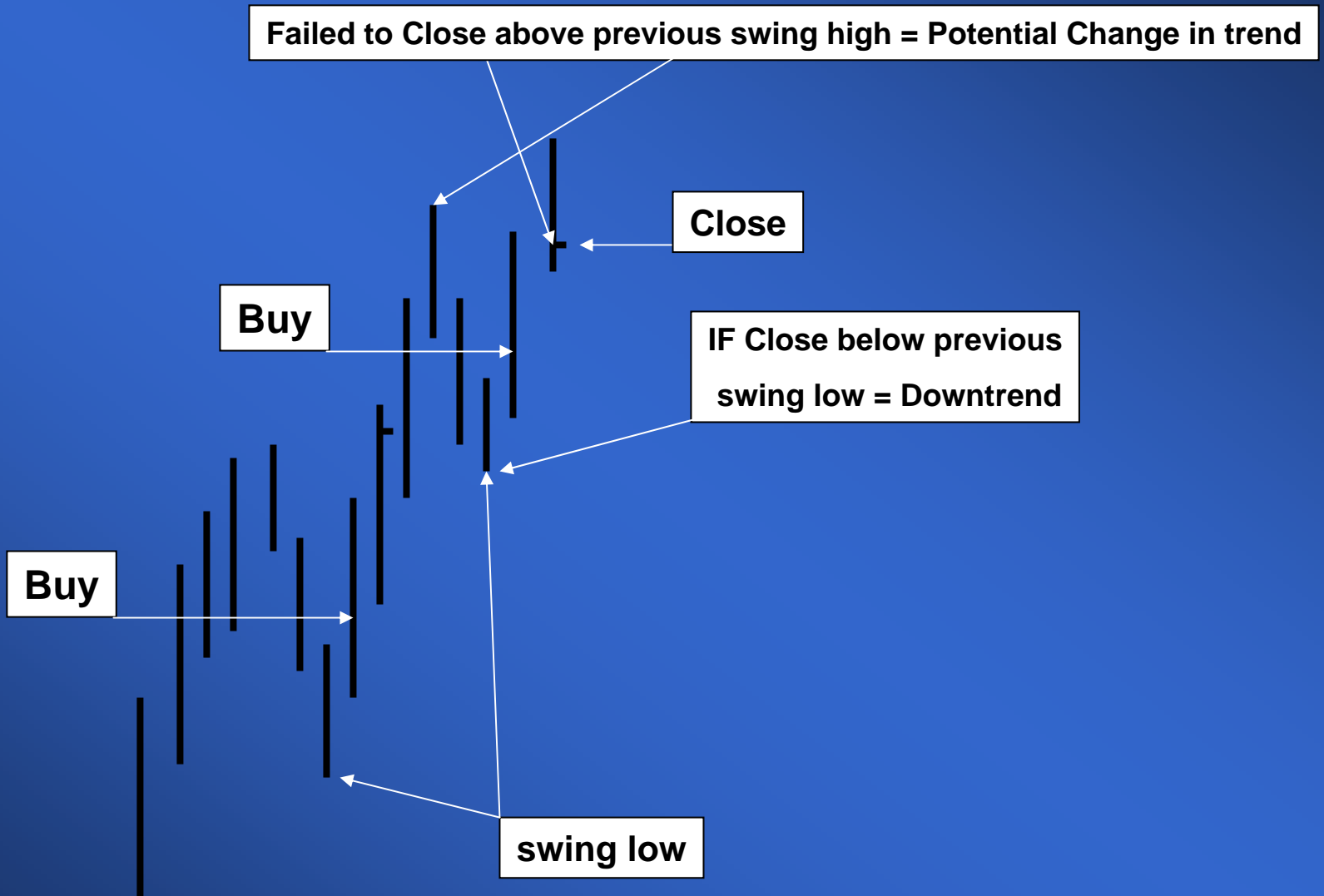


# TREND ANALYSIS

Close above previous swing high = continuation of trend = Uptrend



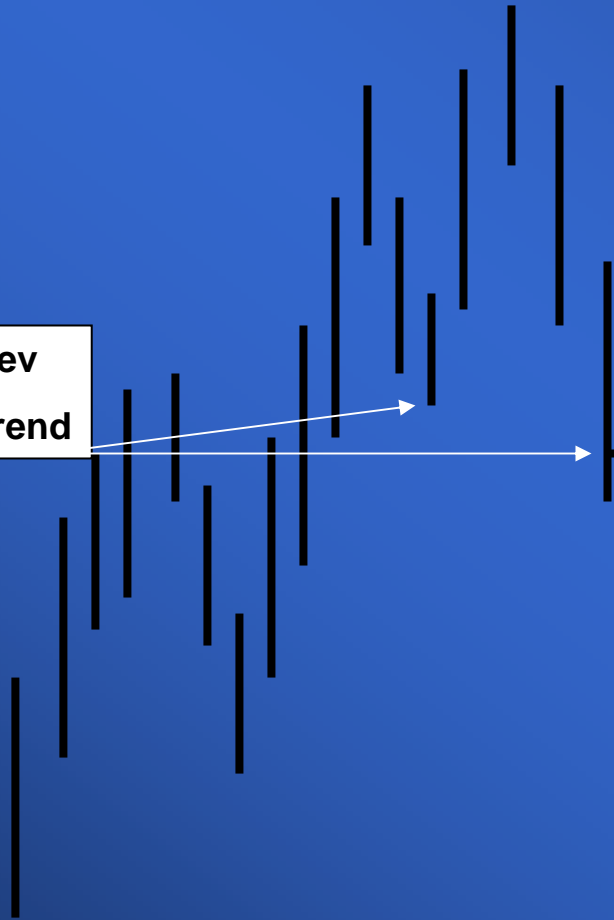
# TREND ANALYSIS



# TREND ANALYSIS

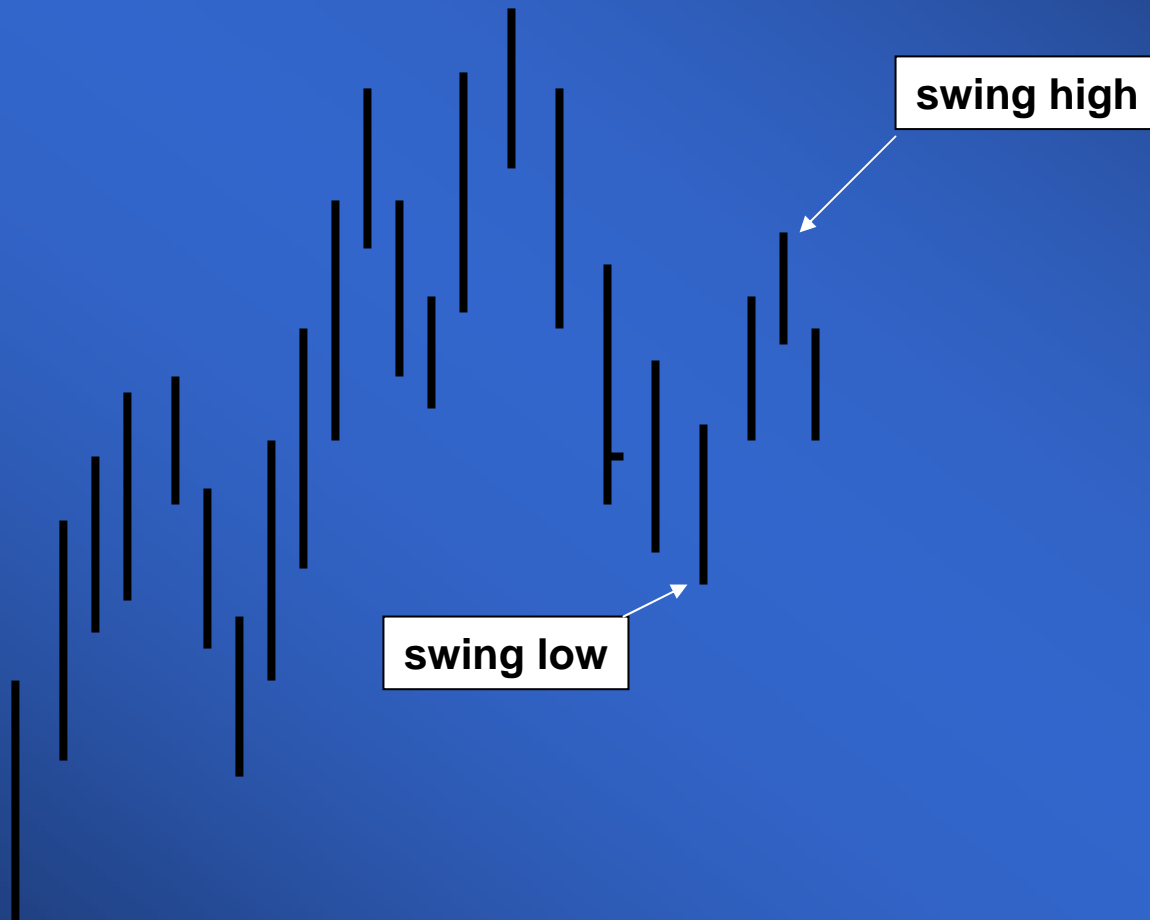
Close below prev  
swing low = Dntrend

Close



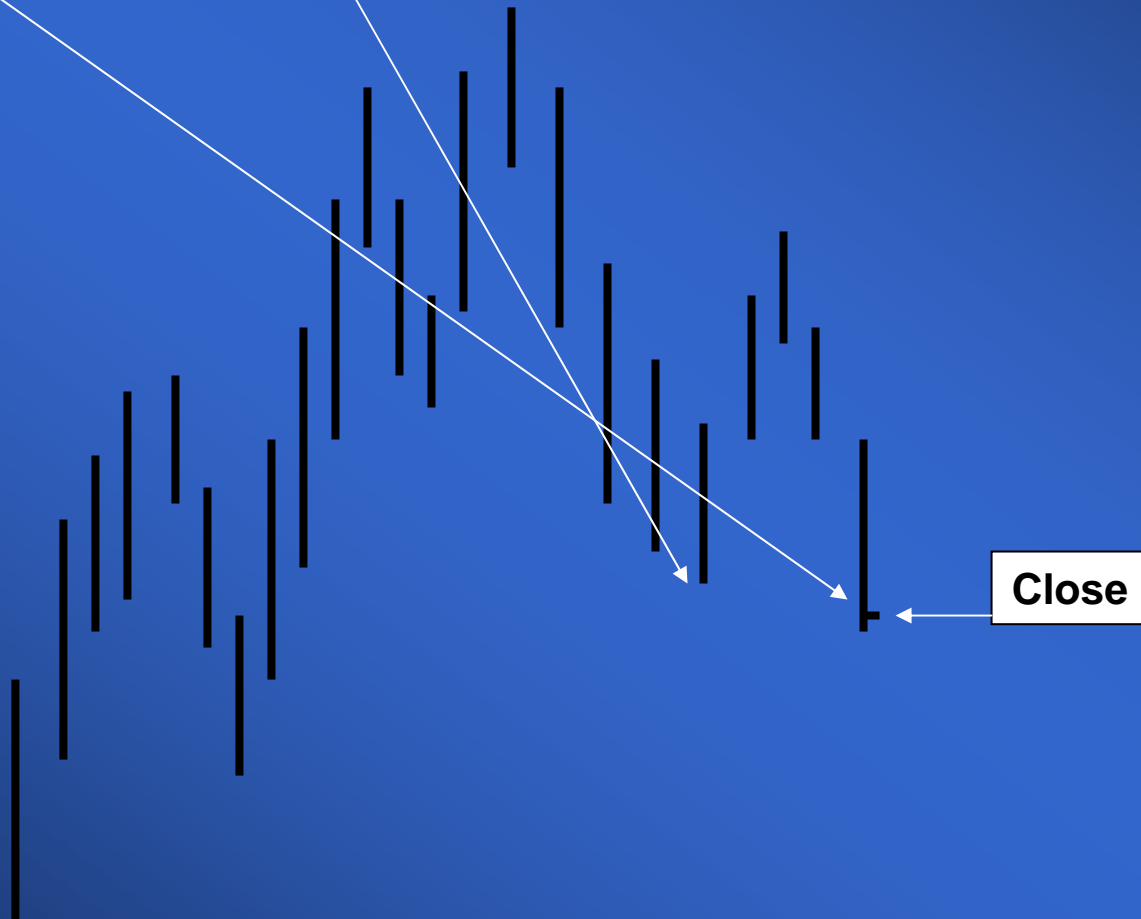


# TREND ANALYSIS

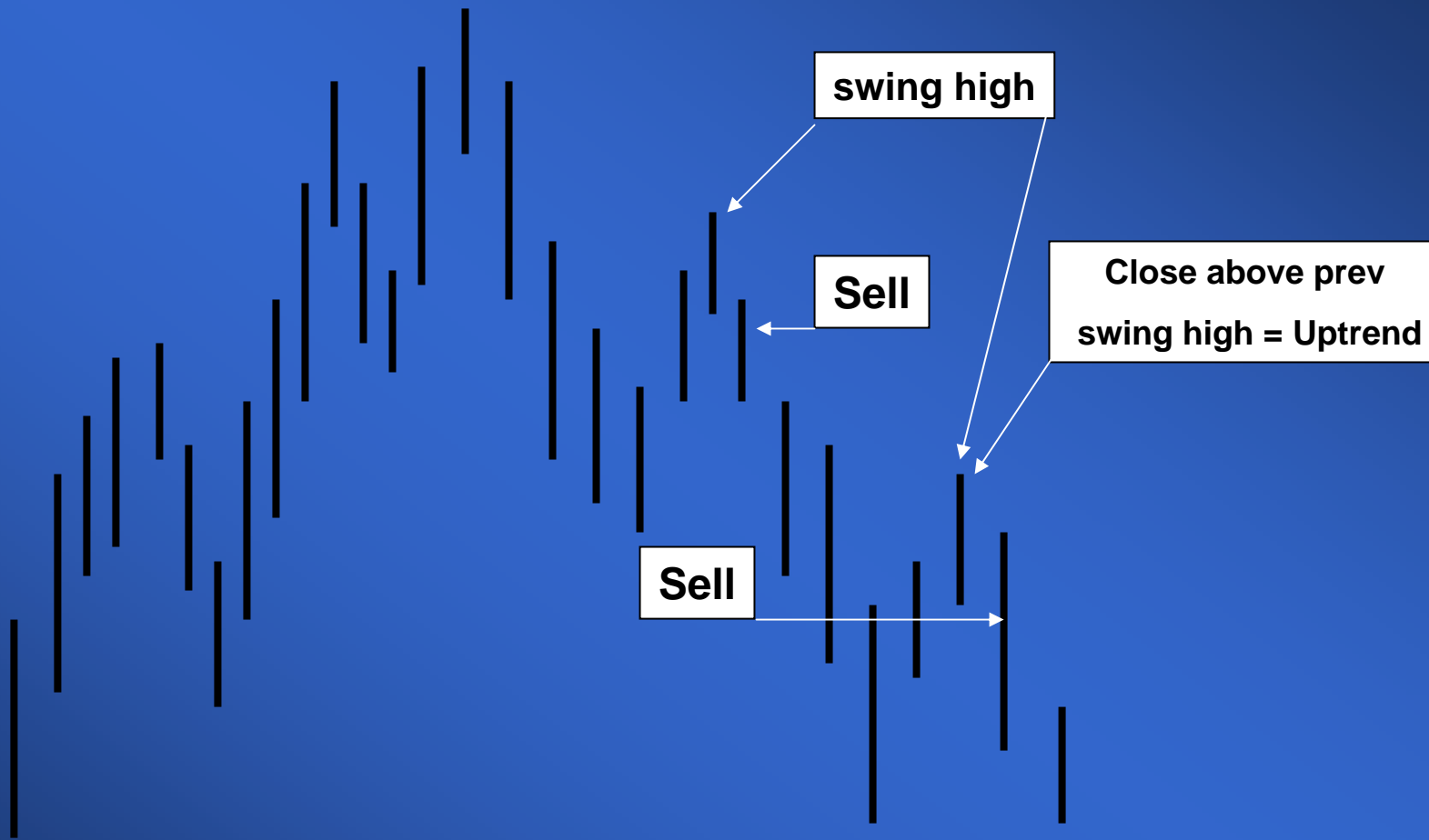


# TREND ANALYSIS

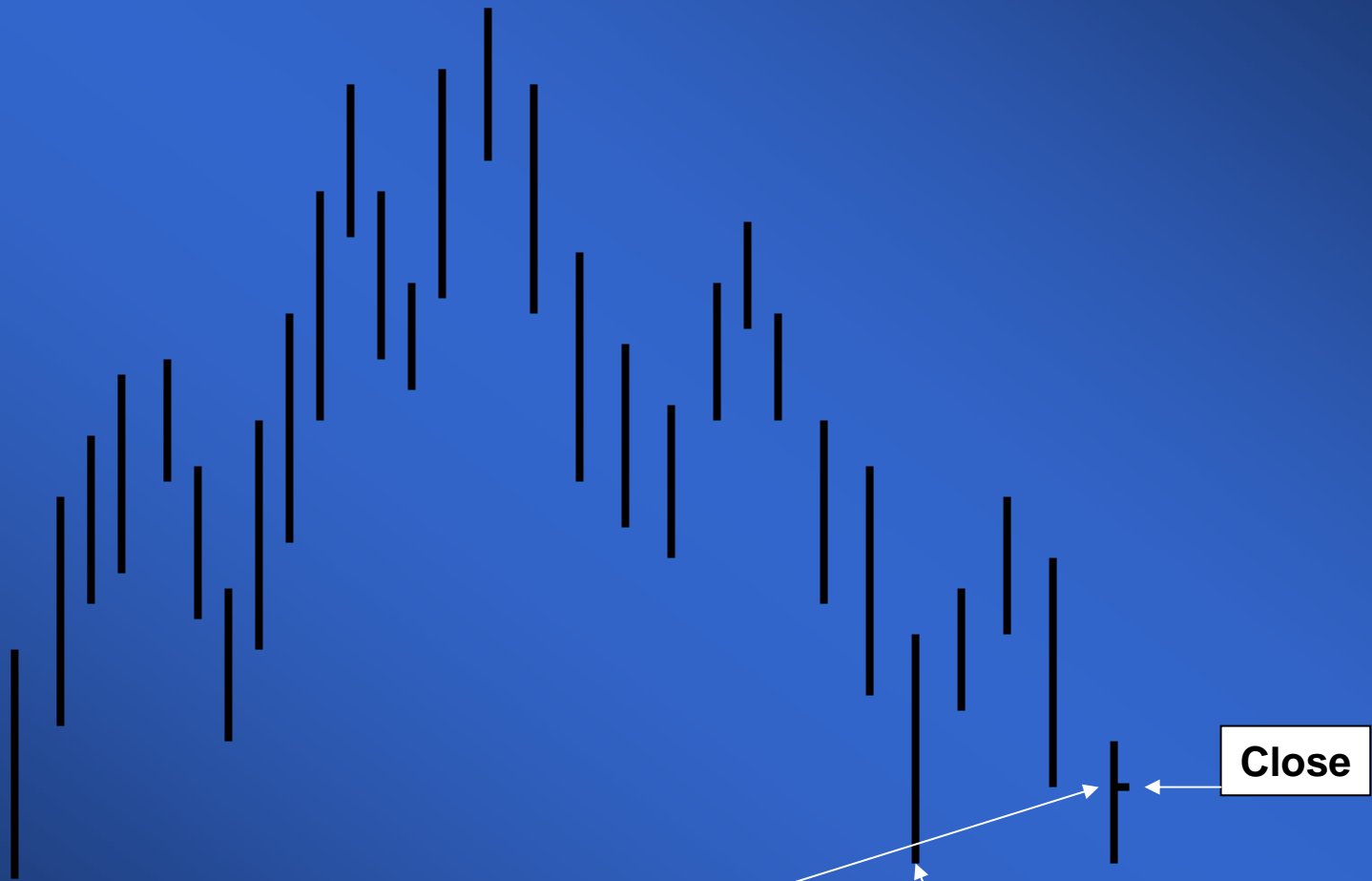
Close below previous low = continuation of trend = Downtrend



# TREND ANALYSIS

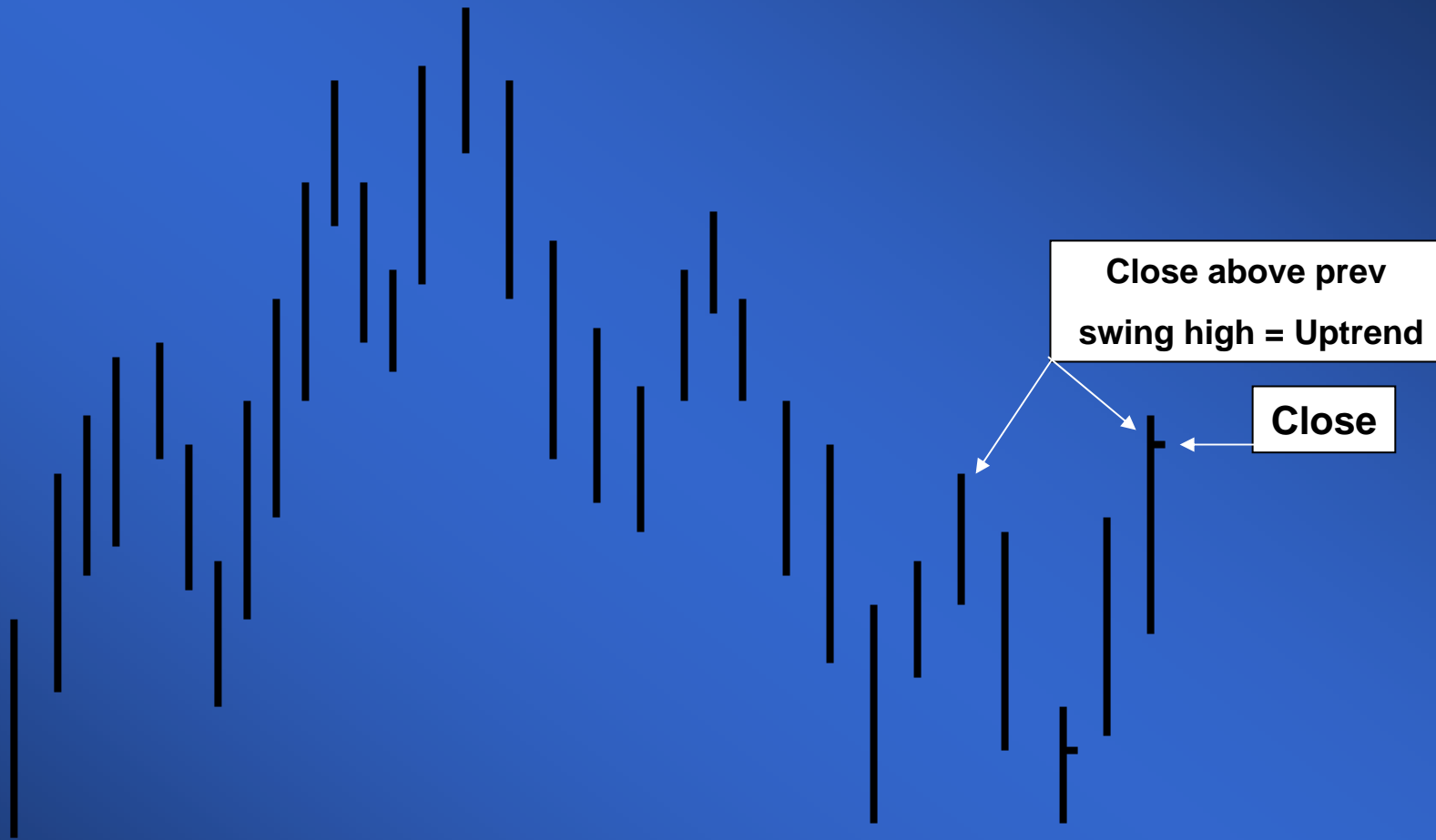


# TREND ANALYSIS



Failed to Close below previous swing low = Potential Change in trend

# TREND ANALYSIS



# TREND ANALYSIS



# JAPANESE CANDLE CHARTS

## Japanese Candle Foundation Shape



# Japanese Candle Construction



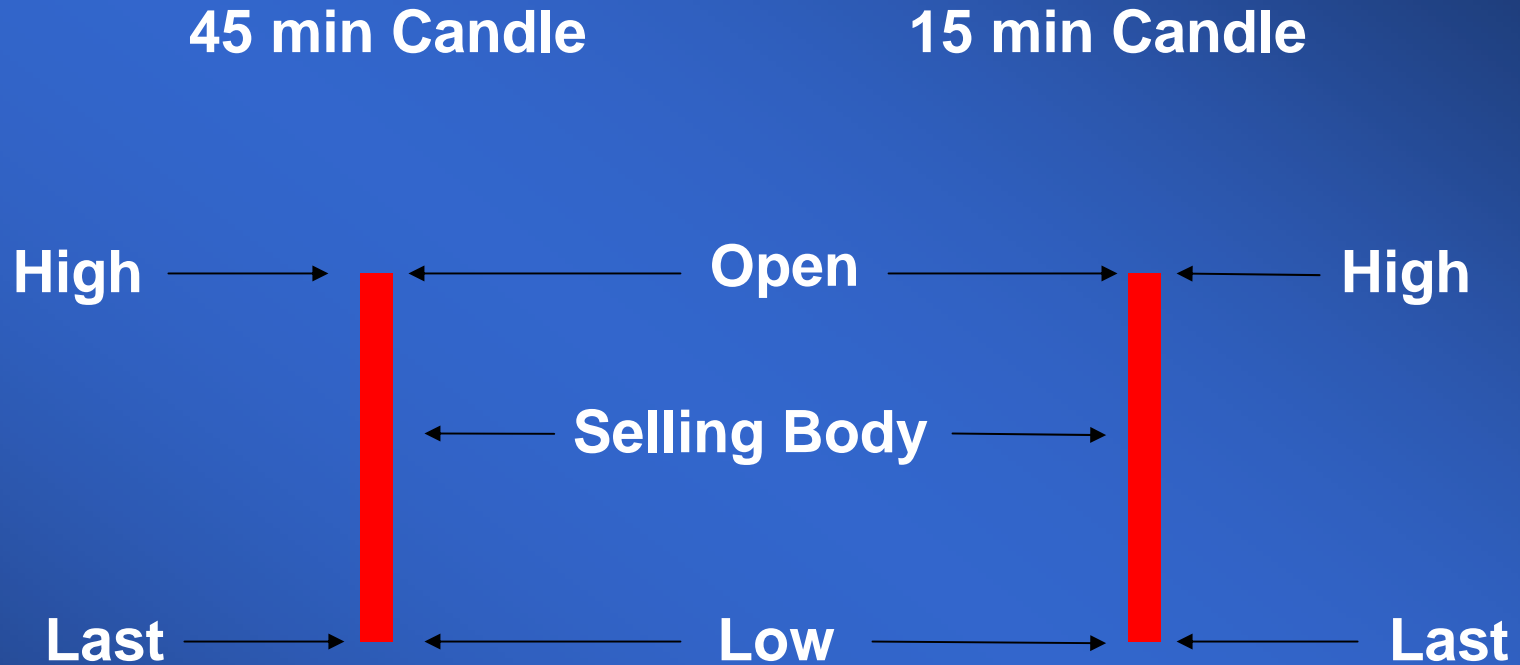


# Japanese Candle Shadow Development

45 min Candle



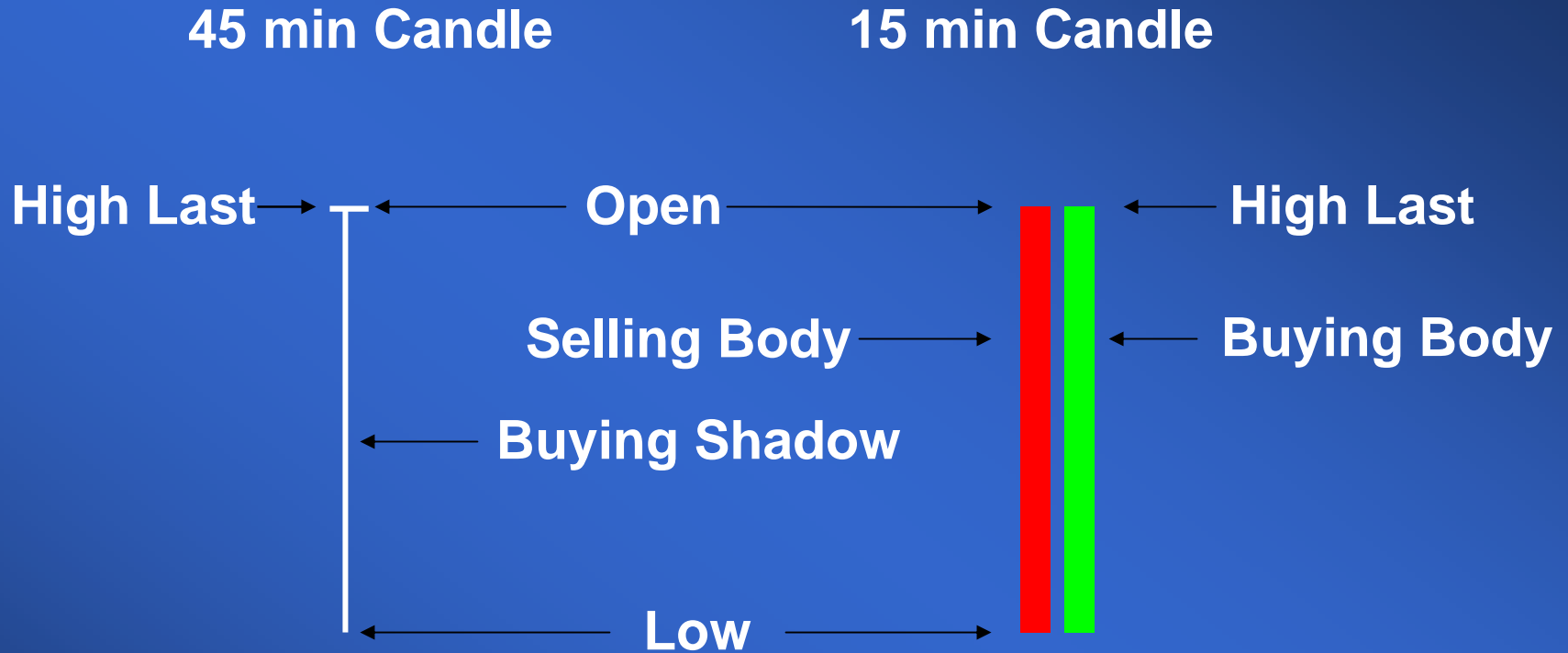
# Japanese Candle Shadow Development (Cont'd)



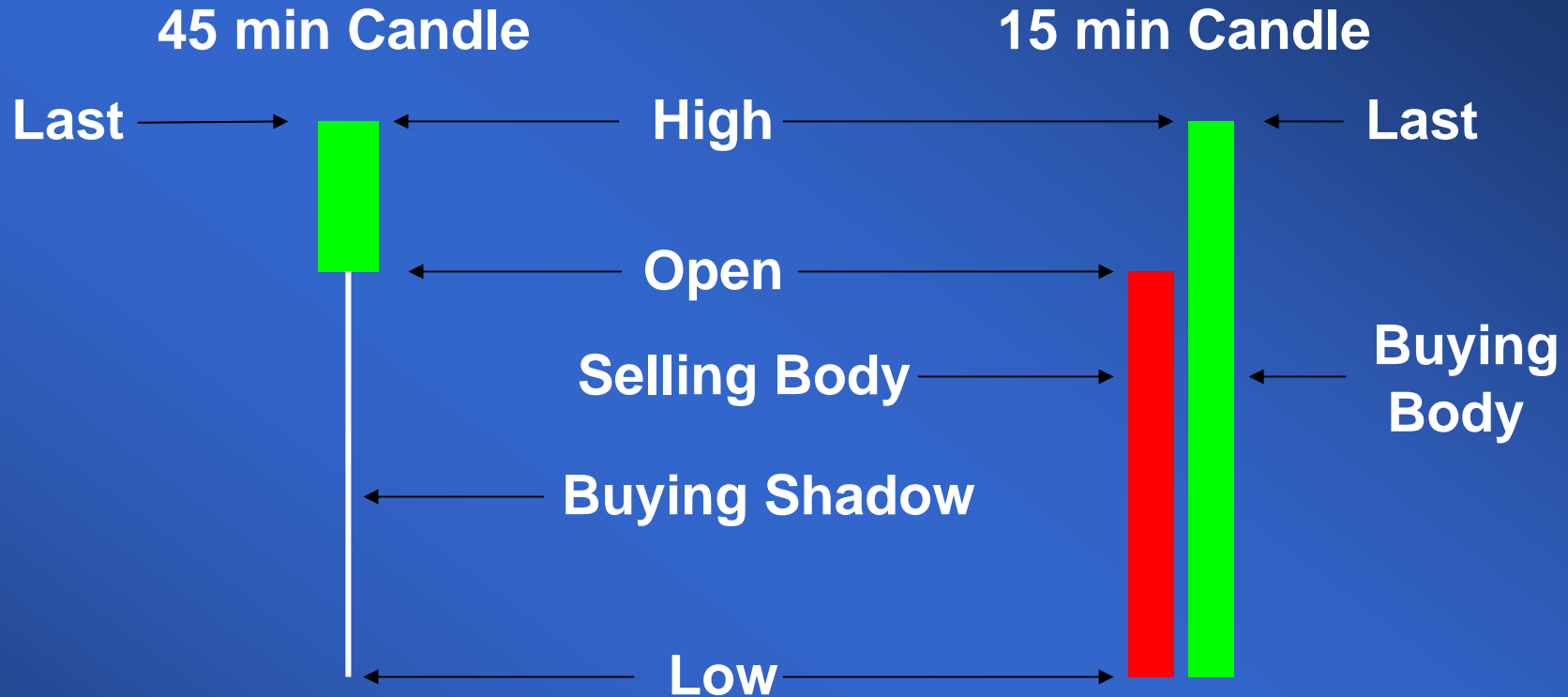
# Japanese Candle Shadow Development (Cont'd)



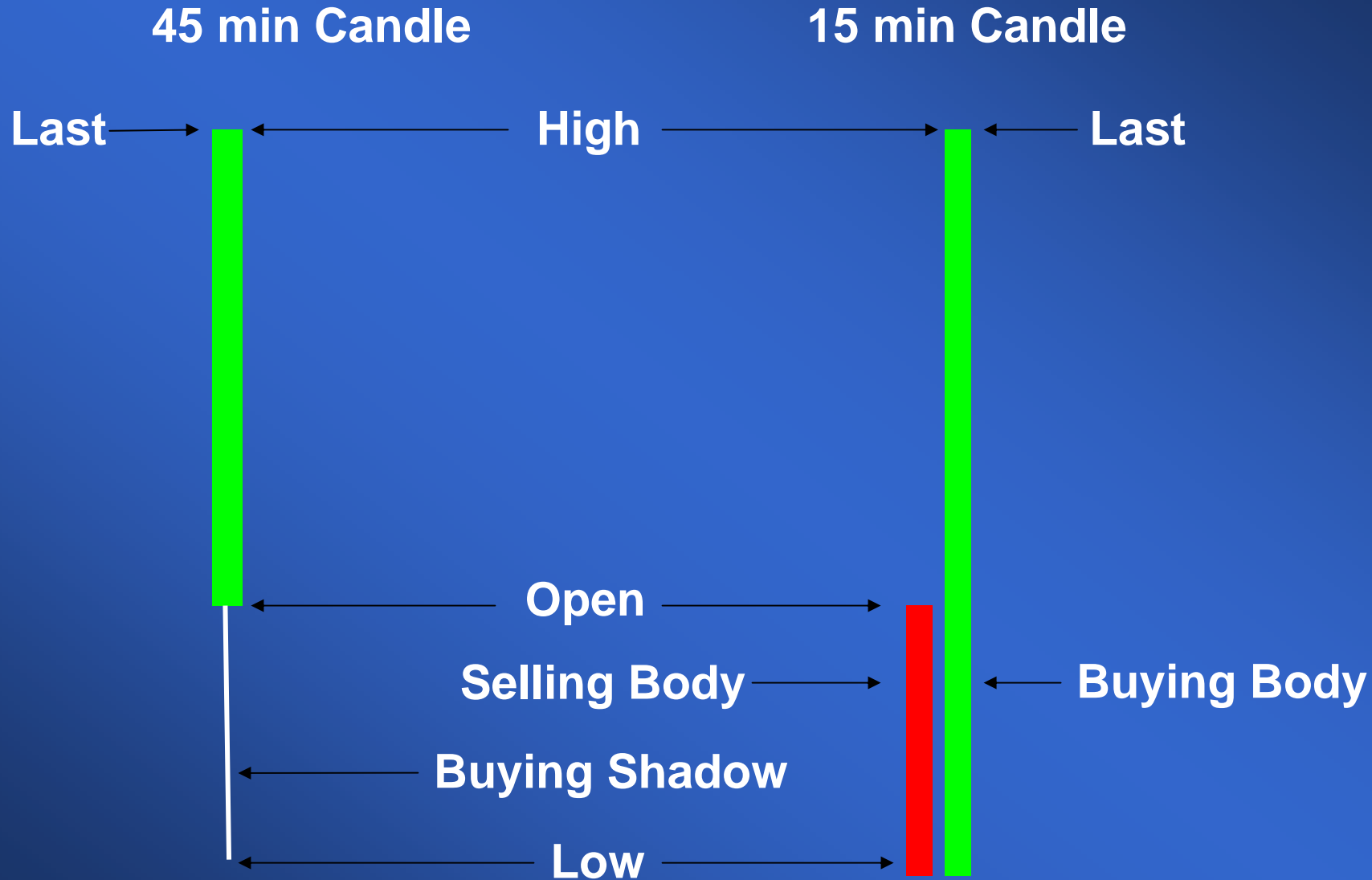
# Japanese Candle Shadow Development (Cont'd)



# Japanese Candle Shadow Development (Cont'd)



# Japanese Candle Shadow Development (Cont'd)



# Japanese Candle Shadow Development (Cont'd)

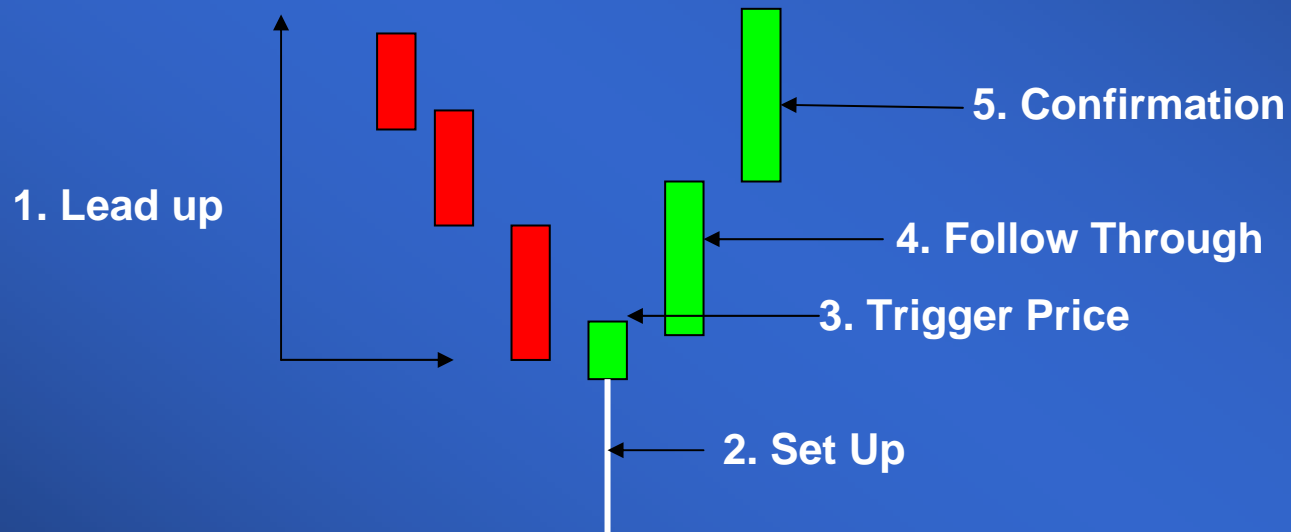
45 min Candle

15 min Candle



# Candle Pattern Development

The identification and analysis of the price relationships that create a reversal pattern





# Candle Characteristics



1) Range

HIGH TO LOW = MEASURE OF \_\_\_\_\_

2) Body Color

GREEN = \_\_\_\_\_

RED = \_\_\_\_\_

3) Body Size

\_\_\_\_\_

\_\_\_\_\_

4) Shadow Location **BOTTOM** = \_\_\_\_\_

**TOP** = \_\_\_\_\_

5) Shadow Size

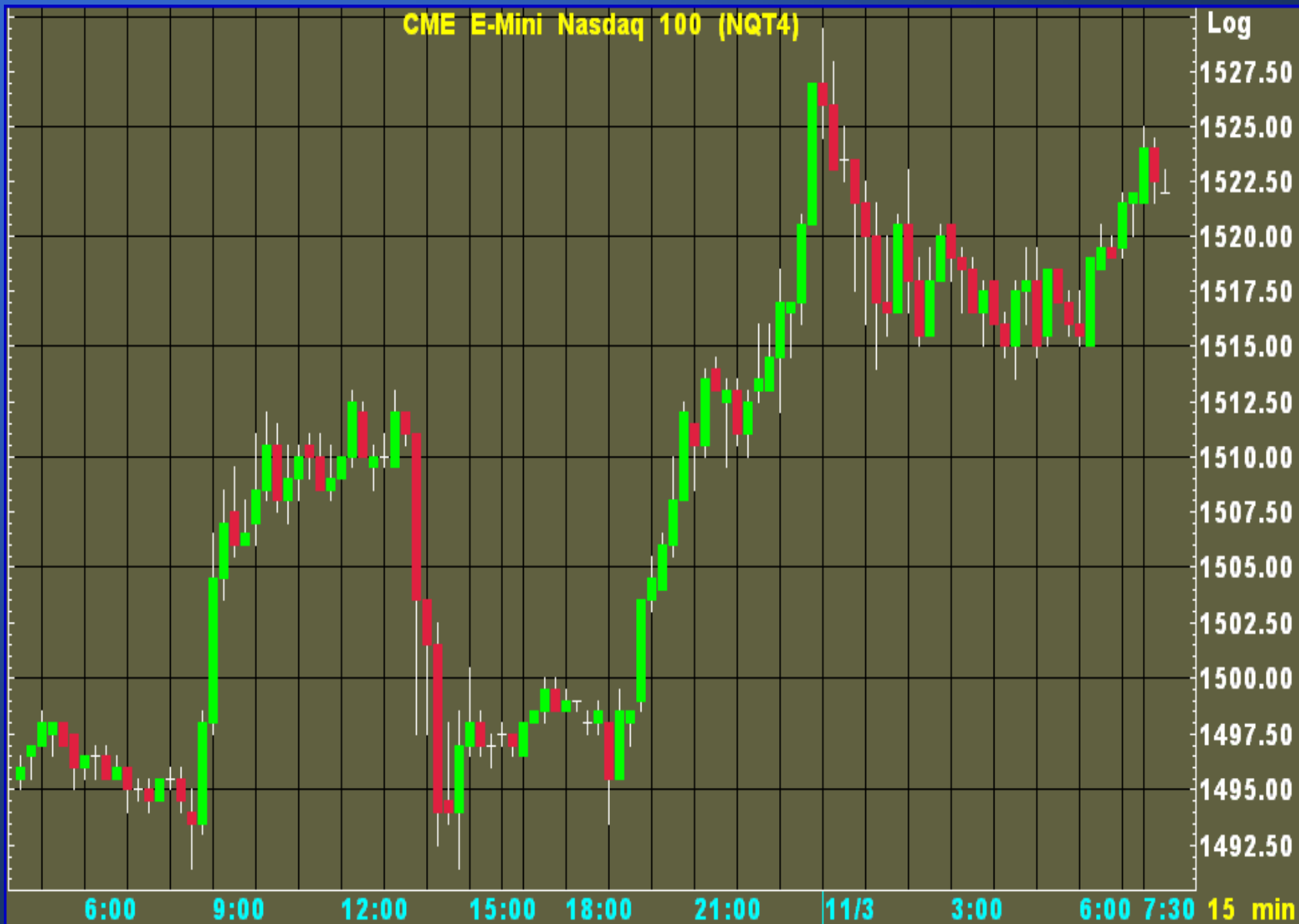
\_\_\_\_\_ **OF BUYING OR SELLING**







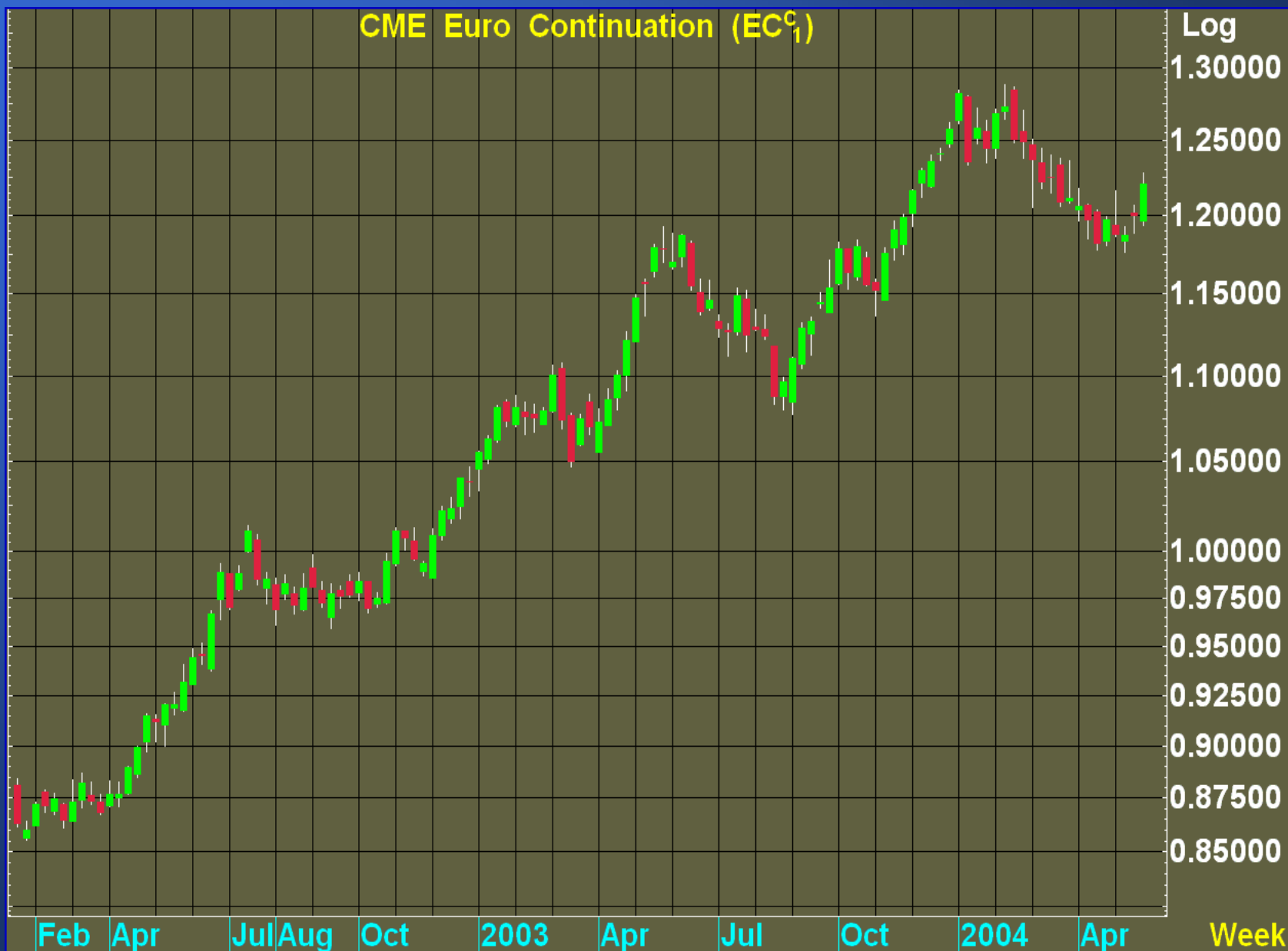




















# Candle Global Environment

## 1. What is the current market condition?

Is it \_\_\_\_\_ on a yearly, monthly, weekly, daily or intra-day basis?

Is it \_\_\_\_\_ over what period of time and what is its magnitude?



# Candle Global Environment (Cont'd)

2. Through the analysis of long-term charts what is the \_\_\_\_\_ of the current market?

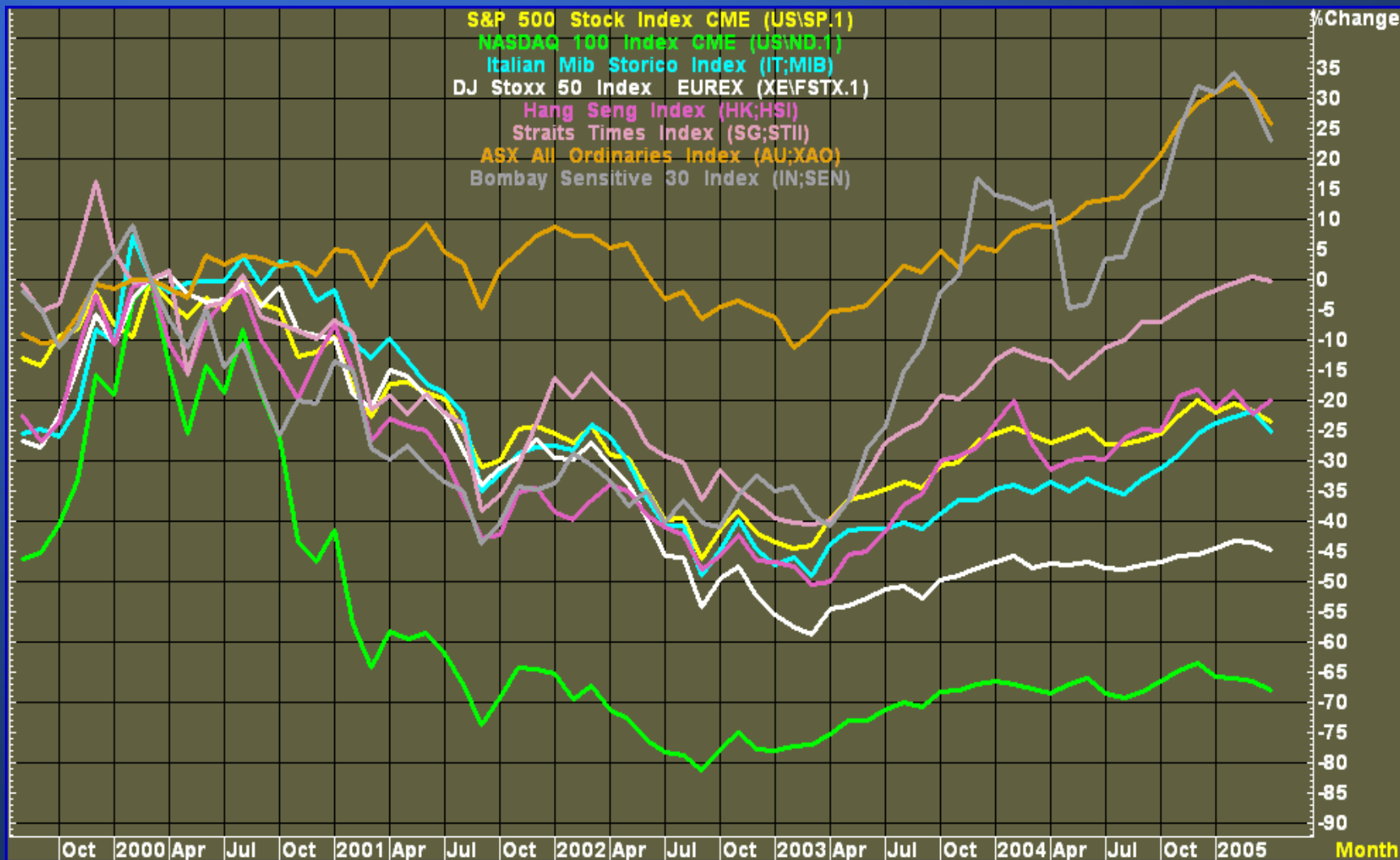
- Overvalued, At value, Undervalued



# Candle Global Environment (Cont'd)

## 3. How does the market compare to:

- \_\_\_\_\_ both domestically and internationally





# Candle Global Environment (Cont'd)

## 3. How does the market compare (Cont'd)



# Candle Global Environment (Cont'd)

4. What is the market \_\_\_\_\_ ?

What is a relationship of the current market levels to \_\_\_\_\_ candles?



# Candle Global Environment (Cont'd)

5. What is the \_\_\_\_\_ of the trade?

- Are you trading \_\_\_\_\_ the trend?
- Are you going \_\_\_\_\_ current bearish or bullish candle patterns?



# Candle Global Environment (Cont'd)

6. What are price \_\_\_\_\_ and price \_\_\_\_\_ at major highs and lows?



# Candle Global Environment (Cont'd)

7. What is the \_\_\_\_\_ of major highs and lows?



# Candle Global Environment (Cont'd)

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## 8. Is the trade clean?

- Does it hit you between the eyes and scream at you to \_\_\_\_\_ the trade?
- Does current information \_\_\_\_\_ the trade?
- Be patient and let the \_\_\_\_\_ come to you.

# POTENTIAL OUTCOMES OF A TREND REVERSAL PATTERN

Be prepared for any outcome!



# Essential Considerations When Combining Technical Trading Techniques

1. What are distinctive CHARACTERISTICS of each study?
2. What is the IDEAL market environment for each study?
3. What LEAD UP creates the most profitable signals for each study?
4. What are STRENGTHS AND WEAKNESSES of each study?
5. What are the SIMILARITIES AND DIFFERENCES between studies?
6. What does each study ADD to your trading decision?
7. Do studies trigger the SAME buy and sell signals?
8. If one study leads another study, what is the IDEAL LEAD TIME?

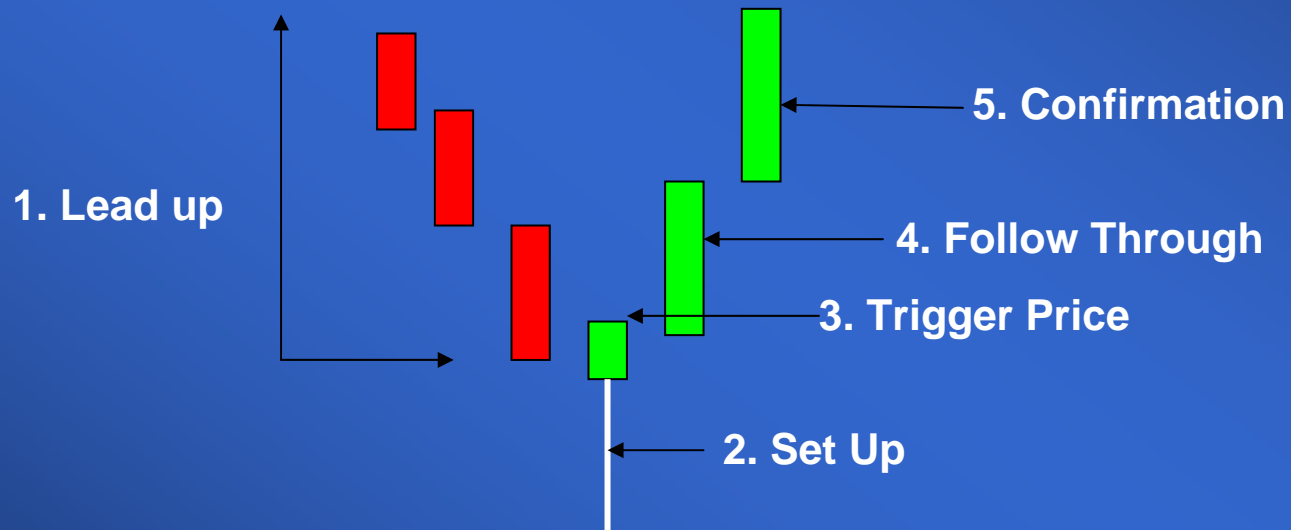


# Essential Considerations When Combining Technical Trading Techniques (Cont'd)

9. What is the impact of an individual study and the combined studies on the FREQUENCY of buying and selling signals?
10. What is the impact of an individual study and the combined studies on the MAGNITUDE of profits?
11. What is the impact of an individual study and the combined studies on the MAGNITUDE of profits when the mathematical study FAILS?
12. What is the impact of an individual study and the combined studies on the NUMBER of time periods to complete a trading cycle from beginning to end?
13. What is the impact of an individual study and the combined studies on the HEAT INDEX for your trades?

## Section 5: ESTABLISH YOUR TRADING STRATEGY PARAMETERS

Trading strategy parameters are the identification and analysis of the price relationships that create a reversal pattern and its profit potential and heat index characteristics



# ESTABLISH YOUR TRADING STRATEGY PARAMETERS (Cont'd)

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1. The **LEAD UP** phase is the candles and stochastic behavior making up the \_\_\_\_\_ that proceeds the set up candle.

What are the characteristics of the lead up phase for profitable trades?

- ◆ \_\_\_\_\_ of lead up magnitude (minimum to maximum)
- ◆ The \_\_\_\_\_ of periods that create the lead up phase.

# ESTABLISH YOUR TRADING STRATEGY PARAMETERS (Cont'd)

2. **SETUP** is the candle or candles and stochastic behavior that \_\_\_\_\_ the reversal pattern.

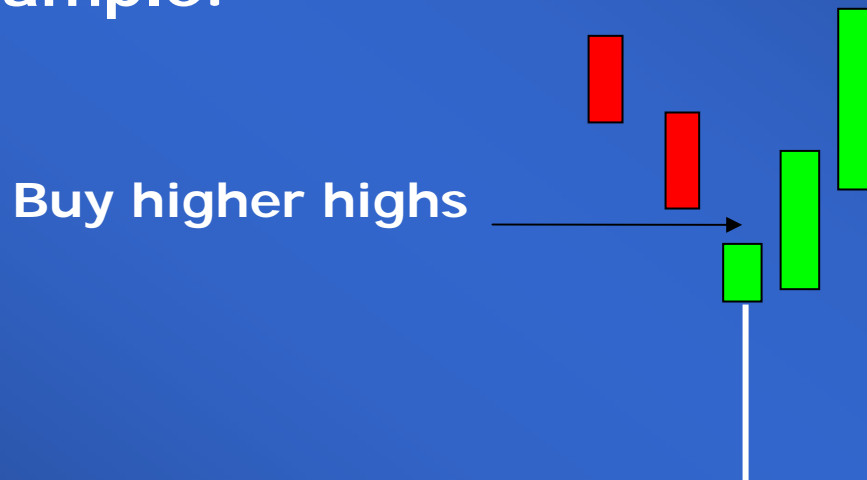
What are the characteristics of the set up candle and the stochastic signal?

- ◆ \_\_\_\_\_ (set up candle's body within / below / surrounding previous candle's body and or shadows etc. and stochastics is in a 0 oversold or overbought condition.)
- ◆ \_\_\_\_\_ (setup candle's body size and shadow location and size and stochastics signal lines have crossed over
- ◆ \_\_\_\_\_ (magnitude of setup candle's high to low range)
- ◆ \_\_\_\_\_ characteristics of setup candle

# ESTABLISH YOUR TRADING STRATEGY PARAMETERS (Cont'd)

3. The **TRIGGER PRICE** is the price level used to \_\_\_\_\_ the trade.

For example:



# ESTABLISH YOUR TRADING STRATEGY PARAMETERS (Cont'd)

4. **FOLLOW THROUGH** is the type of price action that should occur after the trade is entered.

\_\_\_\_\_ should follow through occur?

\_\_\_\_\_ is typical magnitude of follow through?

5. **CONFIRMATION** is the price action that verifies the completion of most reversal patterns.

\_\_\_\_\_ should confirmation occur?

\_\_\_\_\_ is typical magnitude of confirmation?

## Section 6: MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY

### 1. Trading Strategy Evaluation

(The following Trading Strategy Evaluation techniques apply to all trading techniques. Japanese candles are being used for illustrative purposes.)

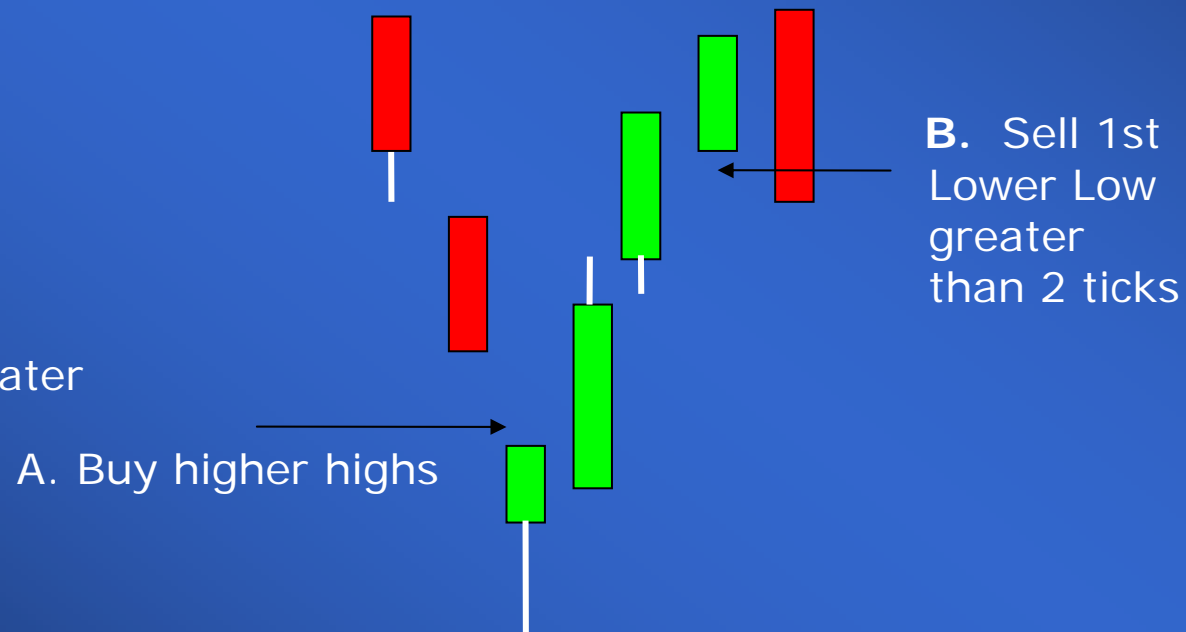
Trading Strategy being created and evaluated:

#### A. Trade entry

Buy new high of Japanese candle rejection pattern

#### B. Trade exit

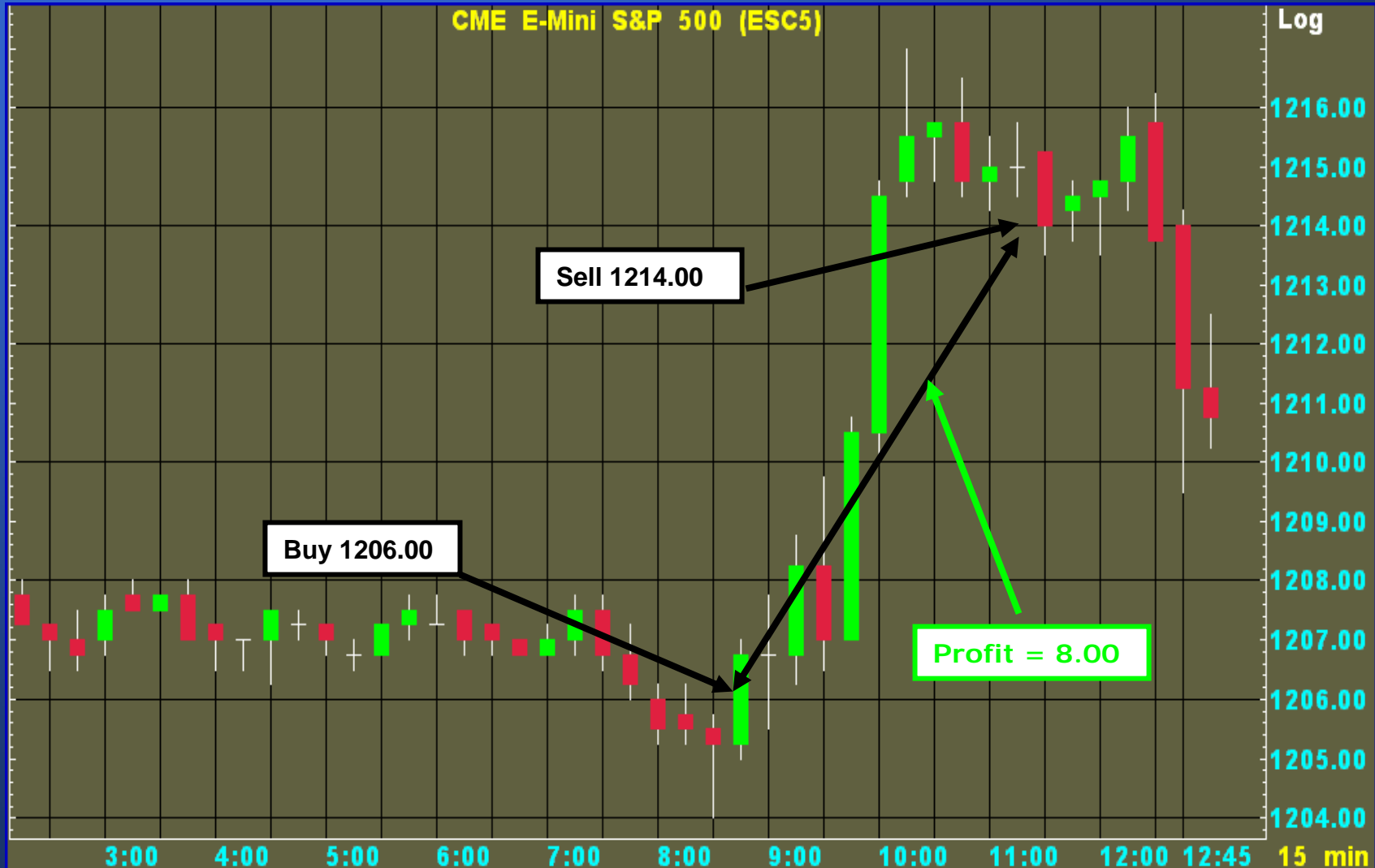
Sell first lower low greater than 2 ticks



# MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY (Cont'd)

2. For each trade what is the MAGNITUDE RANGE of profits?

The magnitude range is used to determine PROFIT EXPECTATIONS for the trade.



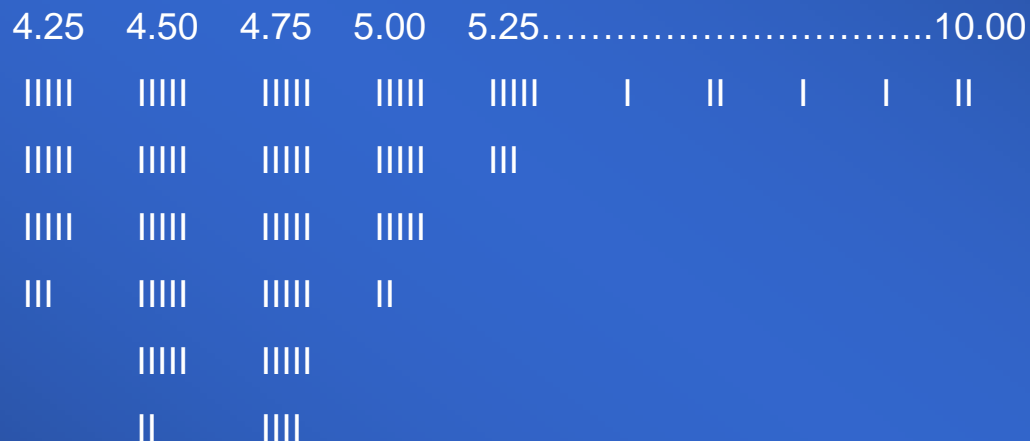


# MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY (Cont'd)

2. For example: Lowest value to the highest value of profit is 4.25 to 10.00

What is the frequency \_\_\_\_\_ of those profits?

Are there distribution \_\_\_\_\_?



Possible trading strategy to **PRESERVE PROFITS** on a profitable trade is to Sell ½ position at 4.00 points of profit and move stop to breakeven incl. brokerage.

## MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY (Cont'd)

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### 3. What is the heat index range?

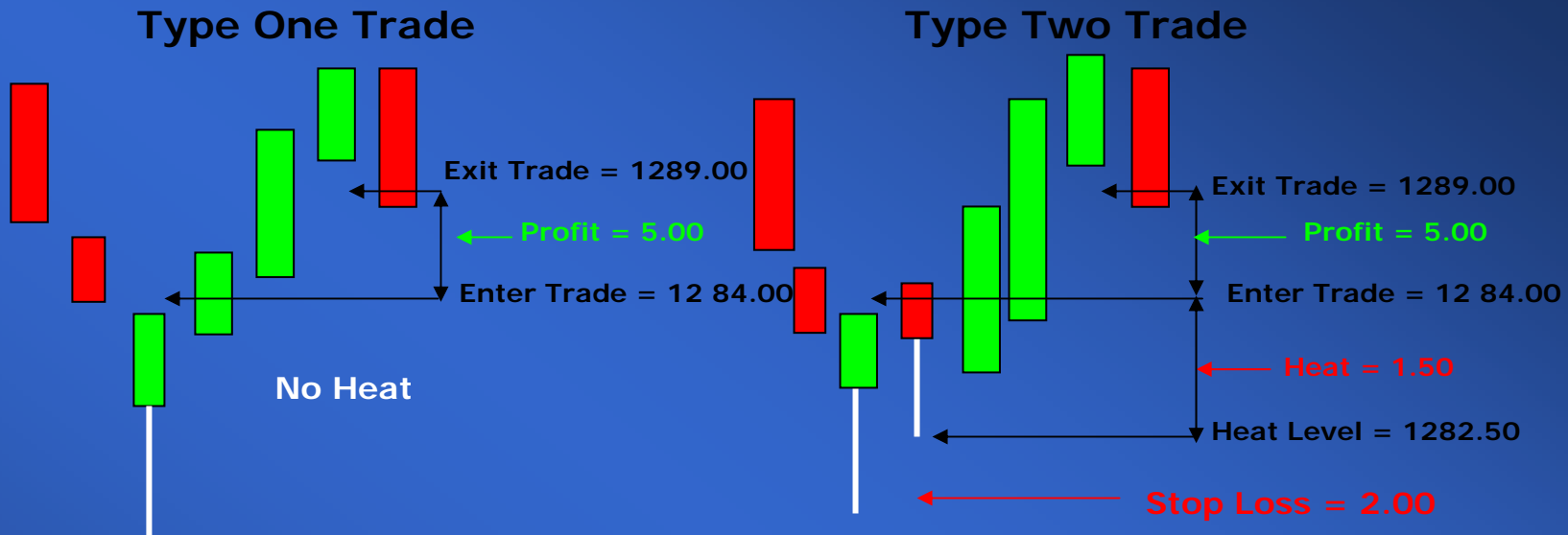
The heat index range is used to determine point of trading strategy \_\_\_\_\_, magnitude of \_\_\_\_\_ and placement of risk management \_\_\_\_\_ orders.

There are two different types of profitable trades:

Type one is a profitable trade where the market does \_\_\_\_\_ trade below the entry price.

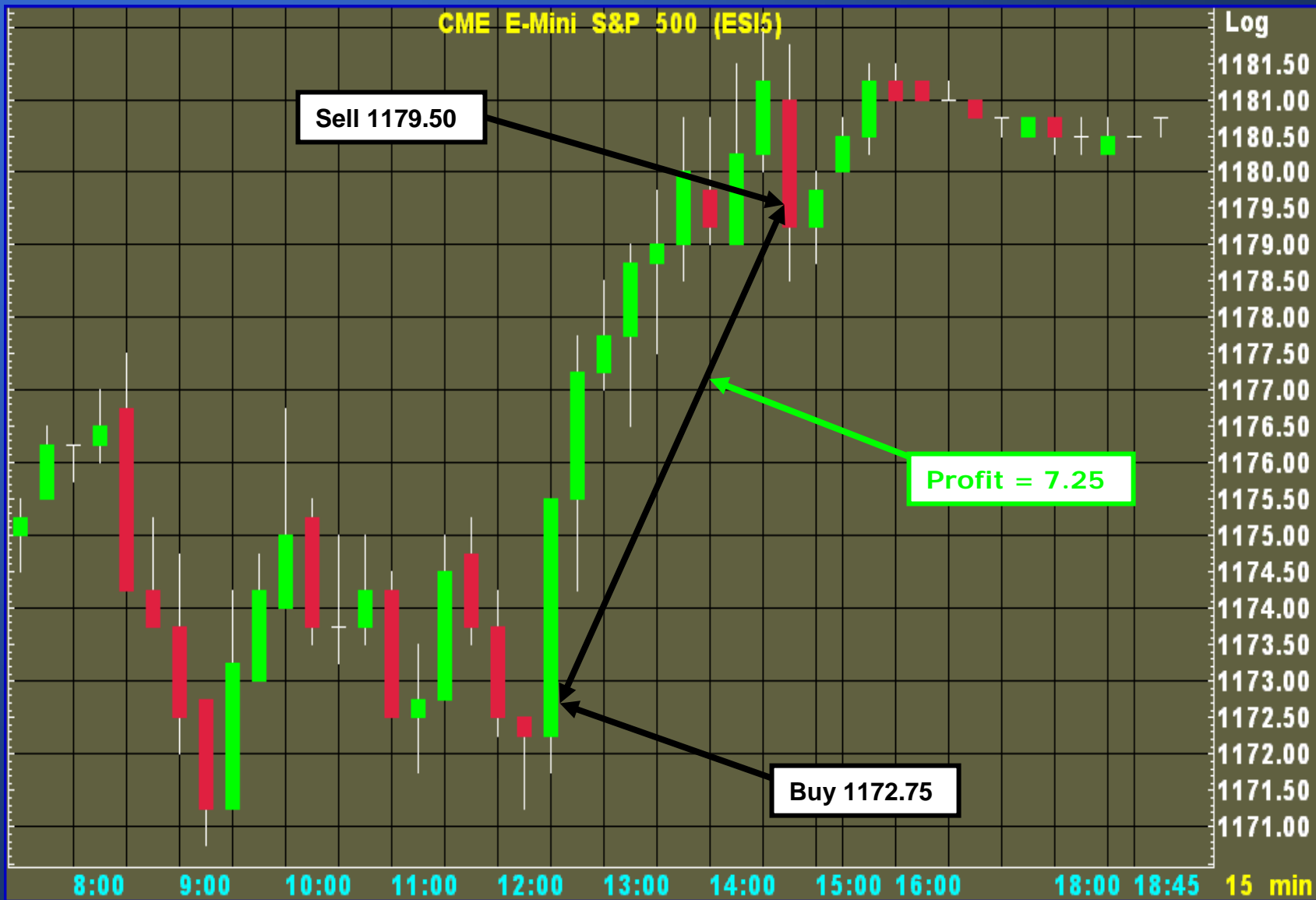
Type two is a profitable trade where the market \_\_\_\_\_ trade below the entry price.

# MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY (Heat Index Range Cont'd)



# MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY (Heat Index Range Cont'd)

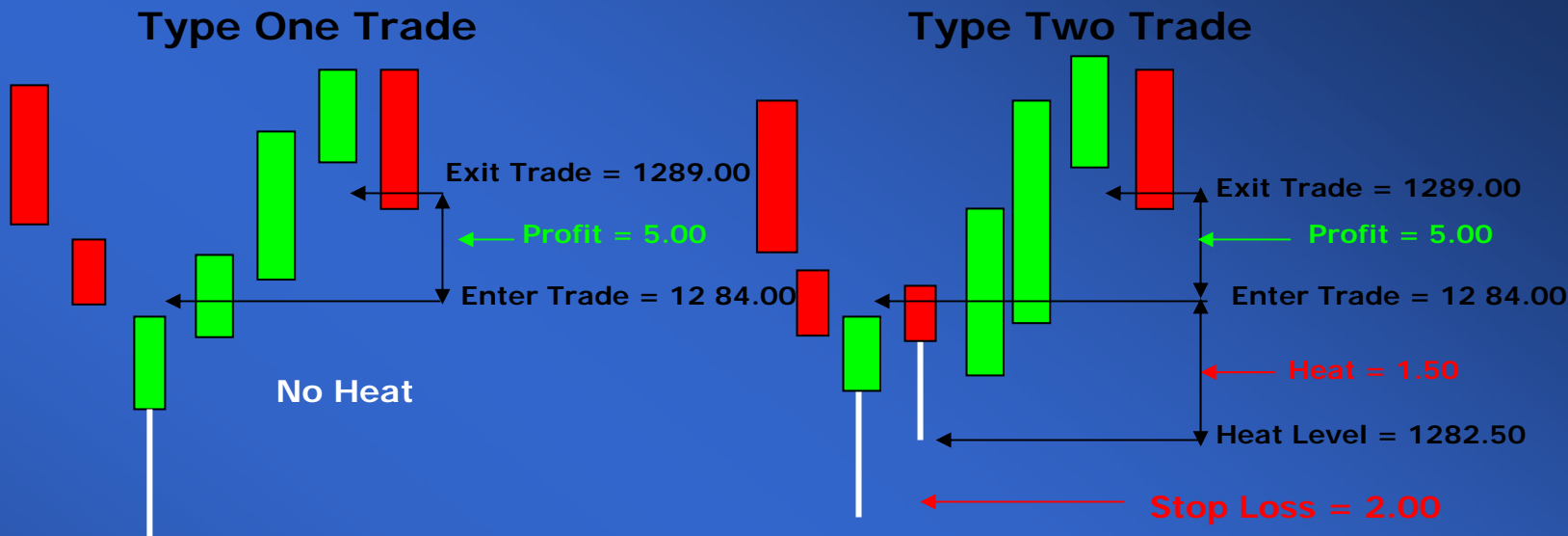








# MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY (Heat Index Range Cont'd)



For example: Lowest value to the highest value of heat is 0.25 to 1.75.

What is the frequency \_\_\_\_\_ of the heat values?

Are there distribution \_\_\_\_\_ ?

.25	.50	.75	1.00	1.25	1.50	1.75

Potential sell stop is 2.00



## MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY (Cont'd)

### 4. What is the *probability* of the trade working?

The probability of a profitable trade is used in the determination the \_\_\_\_\_ of having a profitable trade and risk reward relationship of the trading strategy.

Divide the profitable trades by the total number of trades = % probability of a profitable trade.

$$\frac{\text{Profitable Trades}}{\text{Total Number of Trades}} = \frac{40}{60} = 66\% \text{ chance of a profitable trades}$$

## MEASURE THE PERFORMANCE OF YOUR TRADING STRATEGY (Cont'd)

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5. How many periods between the beginning of a trade to the end of a trade?

The number of periods is used to determine \_\_\_\_\_ to allow the trade to work.

It provides a guide to increase the trader's level of \_\_\_\_\_ by allowing the trade enough time to mature.

It can also be used as a \_\_\_\_\_ to let the trader know, when the trade has not been productive in a timely fashion and the trader may be overstaying his welcome in a trade.

6. What is the \_\_\_\_\_ of the trade?

7. Are the profits stable in \_\_\_\_\_ markets?

## Section 7: IMPLEMENT YOUR TRADING STRATEGY

- The essential steps in the trading process
- Trading in the Eye of the Storm

## THE ESSENTIAL STEPS IN THE TRADING PROCESS.

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1. \_\_\_\_\_Trade

2. \_\_\_\_\_Trade

3. \_\_\_\_\_Trade

4. \_\_\_\_\_Trade

- Profit and Loss
- Yourself

5. Monitor above categories:

Where am I the \_\_\_\_\_?

Where am I the \_\_\_\_\_?

6. What am I going to do to change this?

7. When and how will I implement those changes?

# Identify and Evaluate the Trade

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- What is your perspective?
- What market information is candle analysis (Candle Characteristics, Pattern Development and Global Environment) providing for the long, intermediate, and short term?
- Is the market imbalanced to the buy or sell side?
- What are major support and resistance areas?

## Identify and Evaluate the Trade (Cont'd)

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- What information is being revealed by mathematical studies?
- Does the current accumulated market information support or contradict new or existing market positions?
- What are the challenges to your trade?
- Is trade location favorable?

# Trade Execution and Management

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Before the trade is entered and after the trade is executed, consider the following:

- What is your mental state?
- Is this a full or partial position?
- What is considered positive or negative market activity?
- How, when, and where will the trade be entered, added to, reduced and exited?

# Evaluate and Monitor the Trading Decision Process

- What is the profit per trade production?
- Is this on target?
- What is the loss per trade production?
- Is this on target?
- What is your frequency of trades per day, week, month?



# Evaluate and Monitor the Trading Decision Process (Cont'd)

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- Is this within expected parameters?
- Is there a time of day, week, month or year when you trade your best?
- Is there a time of day, week, month or year when you trade your worst?
- Are you trading to trade or are you patiently selecting high quality trades?
- Do you typically trade with or against the trend?

# Evaluate and Monitor the Trading Decision Process (Cont'd)

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- Do you review your profitable and unprofitable trades at a minimum on a monthly basis?
- Is one more profitable than the other?
- Do you review your profitable and unprofitable trades at a minimum on a monthly basis?
- What have you learned from your unprofitable trades?

## Evaluate and Monitor the Trading Decision Process (Cont'd)

- Are there distinctive characteristics between profitable and unprofitable trades?
- If yes, how and when will you implement this into your trading?
- How do you feel during and after profitable or unprofitable trades?
- Does your trading time frame match your ability to execute the trade?
- Are you asking something from the market that the market cannot give?

## Evaluate and Monitor the Trading Decision Process (Cont'd)

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- Does your trading strategy match the market and your trading time frame?
- What type of trade were you doing when you felt the "best" trading?
- What type of trade were you doing when you felt the "worst" trading?
- What aspect of trading do you enjoy the most?
- What aspect of trading do you enjoy the least?
- What aspect of trading concerns you the most?

# Evaluate and Monitor the Trading Decision Process (Cont'd)

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- What are you doing about these concerns?
- Have you done your homework before you execute the trade?
- Are you in good physical condition?
- Does your physical trading environment support your trading business or is it a distraction?
- Would you give money to yourself to manage with your trading approach?

# TRADING IN THE EYE OF THE STORM

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- High performance trading occurs in the Eye of the Storm.
- What storm?

Storm = Markets

= Trading

= Others

= Yourself

**A trader's objective is to stay in the eye of the storm, free from the distractions of the storm's movement**

# How does a trader stay in the eye of storm?

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The trader must recognize and accept that trading is a physical business that requires a synergy of **thoughts and physical response** in a relaxed, yet totally aware state.

# THOUGHTS

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- Create the trader's reality
- Direct the body
- Basic elements of the thought process are:
  - Thought Choice
  - Thought Energy



# THOUGHT CHOICE

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- The thoughts the trader allows himself to have are his thought choices.
- A trader makes a thought choice, therefore, the trader is responsible for that thought choice.
- These thought choices determine how he reacts to trading and life.
- He can choose a positive thought or a negative one, but whichever the choice, it will impact the thoughts that follow.
- What is the payoff for keeping and maintaining a thought choice?
  - Power
  - Weakness
  - Self-sabotage

## THOUGHT ENERGY

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- The trader's thought choices have an impact on his life.
- The amount of impact is determined by the amount of thought energy the trader gives each thought.

# IDENTIFYING YOUR NEGATIVE THOUGHT DEMONS

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Thought Demons are negative thoughts that hold you back and prevent you from accomplishing your life and trading goals.

What are your first or typical thoughts when faced with challenges in your life?

How you react to these challenges is usually how you will react to the challenges of trading.

In life or trading, do you choose and energize negative thoughts?

# IDENTIFYING YOUR NEGATIVE THOUGHT DEMONS

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The Negative Thought Demons Journal will help you:

- ◆ examine your thought choices
- ◆ identify your negative thought demons
- ◆ increase your awareness of these thoughts
- ◆ develop a specific target for your energy and efforts to make a change.

# NEGATIVE THOUGHT DEMONS JOURNAL

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Identify your negative thought demons by answering the following questions:

- When and what was happening before you had negative thoughts?
- What were those negative thoughts?
- What type of inward and/or outward reaction did you have from these negative thoughts?
- How did you feel when you had these negative thoughts?

# NEGATIVE THOUGHT DEMONS JOURNAL

## (Cont'd)

- What are these negative thoughts taking away from you?
- How are these negative thoughts holding you back?
- What payoff did you get by keeping this negative thought?

# NEGATIVE THOUGHT DEMONS JOURNAL

## (Cont'd)

- Do you accept that you created this negative thought? If not, why not?
- Which thought management technique from the following section are you going to use to help you de-energize this negative thought and reach your ideal thought reaction?
- When are you going to implement this thought reaction?

# THOUGHT MANAGEMENT TECHNIQUES

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- Thought management techniques are used to conquer your thought demons.



# The Consultant Technique

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- When a problem arises, consultants are often used to provide an objective approach to finding a solution.

**Imagine that you are a consultant.**

You have been retained to provide consulting services to a person with a situation exactly like yours.

The key to being a good consultant is asking the right questions, so objectively review the questions found in the Negative Thought Demons Journal as if you were questioning another person as a consultant.

An objective review of the responses may provide just the point of view needed to implement positive solutions.

## The Consultant Technique (Cont'd)

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**Albert Einstein said**

**“You cannot solve a problem with  
the same mind that created it.”**

# Situation Control Recognition Technique

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- This technique allows you to control your negative thoughts by recognizing those situations you control and those you do not.

**You begin to have negative thoughts** relating to a situation over which you have no control.

**You consciously recognize that you have done all you can,** and it is now up to the situation to complete itself.

**You choose not to energize the negative thoughts** or allow them to overwhelm you.

**The situation is not under your control** and you are not going to waste your energy on unproductive thoughts.

# Situation Control Recognition Technique (Cont'd)

For example:

You have

- ◆ identified a trade,
- ◆ executed your order to enter the trade,
- ◆ and placed your risk management stop order according to your strategy.

You then allow yourself to become more and more emotionally involved with each back-and-forth market movement.

The reality is that the market is in control, and you have no control over the market.

Recognize this, relax, and let your trade work.

You will either make money or lose money, and what you do control is how you react to the outcome.

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**Remember, it is always within  
your power to change.**

# PHYSICAL RESPONSE

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- **Effortless action** is confident physical response without hesitation.
- The trader's goal is to achieve effortless action when trading.
- When he trades with effortless action, he stands a side and allows his trading strategy to work
- Examples of effortless action in your daily life:
  - ◆ tying your shoe
  - ◆ combing your hair
  - ◆ raising a fork, spoon or cup to your mouth and
  - ◆ driving your car

**When trading, executing a properly evaluated trade should feel the same way!**

## PHYSICAL RESPONSE (Cont'd)

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Effortless action is the result of:

- Taking time to "practice" a strategy through properly conducted research.
- Having complete confidence in the strategy.
- Total focus on implementing the trading strategy when trading and not on issues that should have been resolved during non-trading hours.

# HOW TO BECOME AND STAY CALM AND FOCUSED

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- Choose and energize thoughts that support your trading objectives.
- Create and maintain a relaxed state and stay in the present moment through:
  - ◆ Proper breathing
  - ◆ Relaxation exercises
  - ◆ Visualization exercises.
- Develop and consistently apply a well researched trading strategy.
- Be prepared for all trading outcomes.



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# **Building Your E-mini Trading Strategy**

Prepared and Presented by Daniel Gramza