The S&P SIPHON

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Past performance is not indicative of future results. Before investing, or if in doubt about the suitability of an investment please seek independent financial advice.

Introduction

Much as I hate to admit it, learning the nuts and bolts of financial trading isn't everyone's idea of a good time. I love it and am fascinated by it, but have found over the years that not everyone agrees with me. I've even heard the words time-consuming, complicated and boring used by people overwhelmed by the amount of research, study and work that's needed to make some systems pay.

But here's the thing…When you get it right, there's a lot of money to be made…and fast! I should know – financial trading has been my life and my living for more years than I care to remember. My involvement stretches back way before the internet made the thing a whole lot easier. Now it really was time consuming and complicated way back then!

Financial trading has provided me with an enviable lifestyle, and it's one I've been able to guide others towards through numerous books, manuals courses and workshops that I've authored and presented over the past few years. Most of those have been published through Streetwise Publications who tell me that the testimonial files for my work are thicker than any others on their office shelves. It's gratifying to know that I'm their most popular financial market 'expert' (I hate that word!) but it's a fact that presented me with a little difficulty!

You see, John Harrison at Streetwise presented me with a bit of a challenge. He's noticed that while some people are happy to methodically learn the methods and systems I use to make money in financial markets, there are others who would like to reap the benefits, but have neither the time nor inclination to learn how to trade 'properly'. His challenge to me went something like this:

Is there a way to make money from financial markets without having to learn how to trade? Is it possible to bypass the boring theory, the complicated charts and the unfathomable data, and make easy money without investing the time and effort which the 'experts' say is essential? And is it possible without forking out a small fortune for an expensive training course or piece of software? In other words, is there a 'cheap and sneaky' shortcut route to making money from financial markets… for people who can't trade - and don't want to learn?

I've got to be honest, my first inclination was to tell him that people shouldn't be so bloomin' lazy, and if they can't put in the time to learn how to do things properly, they don't deserve the rewards. But then I remembered something I need reminding of from time to time – I lead the sort of charmed life which other people dream of. Yes, I've put the work in to get where I am, but I had a bit of good fortune along the way which enabled me to do things when they needed to be done. Not everyone is so fortunate, and I figured they deserve a break. To be brutally honest again, I figured that if I helped them get some easy money now, they might come back to me later to learn how to be a full time serious trader.

It was with that in mind that I decided to publish the system you now hold in your hands. It's one I use personally, particularly when I'm short of time, and delivers an 80% strike rate. More about that later. It's also incredibly quick and easy to learn. You can't fail to have noticed that this manual is very short. I make absolutely no apology for that, in fact I think you were told about that before you ordered. Why so short? Because there's very little information that I need to impart, and I refuse to pad it out, just for the sake of it.

In any event, I'm guessing you ordered this because you want something you can implement quickly and easily, with the minimum of preparation and fuss. Otherwise, you'd have ordered a more mainstream trading course. I'm guessing you don't want to wade through a thick manual and learn a wad of theory. Well with this, you don't need to.

Don't be fooled though; there's nothing second rate about the profits you can make with this. The system works beautifully, and yet you can learn it in minutes. What could be better than that?

One more thing you need to know before we get started; this system works no matter what the market is doing – Boom or Bust, Bear or Bull, Rising or Plummeting – it really doesn't matter at all. We can make easy money with this, no matter which way the market is headed.

Okay, let's get started.

The S & P Siphon Explained

Hello and welcome to the "S&P Siphon"!

This very simple and straightforward trading signal is a great way to get started on a financial trading career, and in this straightforward and simple manual, I'll explain more about it and how you can benefit from it.

First though, let's be clear about a few things…

This signal doesn't appear every day - indeed quite a few days can go by without it appearing, and on its own, it's certainly not going to make you rich. On the other hand, when it does appear, it provides an 80% or better chance of making a nice little profit, and that's about as good as it gets in terms of "risk to reward ratios" in any type of trading environment. Please be in no doubt though - financial trading carries with it a clear risk of losing money too. By no means all trades are likely to be profitable, and you should never trade with money you cannot afford to lose. Using next month's rent payment for trading, simply isn't on

So what's the "S&P" part of the "Siphon" then?

"S&P" stands for Standard & Poors, which is an American stock market ratings agency, and the S&P500 index is one of their products. The S&P 500 Index is a stock market performance index, compiled from each day's trading in 500 of the biggest USA companies. You'll certainly have heard of the Dow Jones Index. Well, the S&P500 is similar, but the big difference from our point of view is that – because of the way the prices are calculated – you can start off a trading career at much less cost (and risk) via the S&P than via the Dow.

So how does an index like the S&P500 actually work?

Well, let's say company number 499 in the index sees its share price rise, but companies 358 and 21 see their share price fall at any particular time. That's pretty normal market behaviour - company share prices rise and fall all the time, but not all at the same time or in the same direction. The S&P500 index simply amalgamates all share prices in the index, and that calculation determines the index value at any given moment.

So what?

So, traders who know what they're doing can make money from working out what the index might be about to do next - and that's where this S&P Siphon signal comes in.

Let's now look at how we implement, and profit from the S&P Siphon – step by step.

The S&P Siphon – Step By Step

Step One

The first thing we're looking for is a day when the market opens either above or below the preceding day's closing price. That's the first thing we need to see, and it happens most days. That's because there is trading taking place 24 hours a day in different time zones, and so a lot can happen between one day's close, and the official opening next morning at 9.30am New York time.

Although there is usually movement between one day's close and the next day's opening, subsequent movements in the market may not fit with our requirements. That's the reason why there can be quite a few days when we'll have no further interest in looking at trading this index.

Anyway, let's say the index has opened either above or below yesterday's closing price (I'll show you how to check yesterday's closing price in one of the videos that go along with this manual - it's very easy to do.) That's step one in the S&P Siphon process completed.

Step Two

Next, we need to watch how the price moves in the first one to thirty minutes after the open. If it moves either sideways or in the same direction as the open, then it's of no interest to us. So if the market has risen over night, and keeps climbing after the open, it's of no interest. If it's fallen over night, and keeps falling, it's of no interest.

What we want to see is what the technical people call a retrace. We want to see a down opening followed by an immediate push back up, or conversely, an up opening followed by an immediate push back down. That's all there is to Step Two.

Step Three

You're now looking for the index to head back in its original direction. That's to say, if it opened up but then retraced down, or opened down, but retraced up, we're in business.

So, say the market closed at 1220 and re-opened at 1226, what we're looking for in the first 5-30 minutes of trading, is for the index to move back down towards, or beyond, 1220. We need a move of at least 2 pips (to 1224 in this example) before we're ready to enter the market. At this point we want to place a buy/up trade at a little above the level at which the market opened.

What this means is that we are expecting the market to turn back again, and rise above the level of today's open. If it does, we are putting in place an order to buy. Why? Because we expect it to then rise even further in those circumstances, and that's where we take our profit. In this case, we'd set the buy order level at around 1227. If you're at all confused by this, see the faq section at www.trading-the-easy-way.com/spsiphon/faq.html

If and when the index reaches that level, the bet is filled and then my experience is that 80% of the time, the market will deliver us a profit. I'll cover what happens if it falls in a moment.

Conversely, if the S&P500 opens down, then you are looking for an upward retrace of at least two pips before placing a sell order at one pip below today's opening price. Why? Because we expect it to then fall even further in those circumstances, and that’s where we take our profit. This is a mirror image of what we do when we’re expecting the market to rise.

You'll be able to see this in action when you watch the accompanying videos. That's going to be the best way to explain to you exactly what I mean here.

It’s worth mentioning that if the market doesn’t rise to one pip above yesterdays close (with a buy order) or fall to one pip below yesterdays close (in the case of a sell order) then the trade is never filled and we have neither gained nor lost anything.

Step Four

Step Four comes when your order is activated. This can be referred to as going ‘live’ or being ‘filled’. After that has happened, the trade is either going to go in your favour (80% probability) or against you and make a loss. (20% probability.) I’ll cover exactly how to place your bets a little later in the manual and in the accompanying video clips.

Managing Your Trades

"So how much profit am I going to make?" - I hear you ask.

Well, a more important a question is "How do I manage a losing position?" Why is that more important than managing a winning trade? Simple! If you don't have a strategy to get out of losing positions, you'll be tempted to stay in them too long, wishing and hoping that they will come right again for you. That's a sure way to financial ruin!

Thankfully, knowing when to walk away from a losing position is very straightforward. Again, I'll show you what I mean in one of the video clips that come with this manual. And guess what? Yes - that's correct - knowing how to manage a winning trade (much more pleasant!) is also pretty simple, as you'll also see.

Again, a video clip is the easiest way to show you how to manage an open trade. It involves the use of something known as a moving average. The technicalities of how a moving average is calculated don't really matter. It's enough to know that we use a "ten period" moving average. What that means is that if each bar on the chart represents five minutes' worth of price action, then a "ten" moving average takes an average price of the last ten periods of five minutes each. As I said though, the technicalities don't really matter. The charting software draws the line for us as you'll see in the accompanying video clips.

There are 3 ways to manage a trade:

1. Do it personally, ‘live’
2. Use a Trailing Stop
3. Set a Limit Order

<u>Live and personal</u>

For me, this is the ideal method. It means you can move the stop loss figure personally and therefore opens up the possibility of keeping positions open where it’s clear that the market is going to run on in the direction it’s currently headed.

To take advantage of live management of a trade, like this, you’ll need to be on hand to take a quick glance at your screen every ten or fifteen minutes or so. This may not be as onerous as it first appears because typically, these "Siphon trades" are over and done with within a couple of hours or so,

However, if you can't stay at your screen to move your stop loss positions along with the moving average, then you need to use one of the other two methods.

Trailing Stop

A stop loss is a provision you put in place, so that if the trade turns against you, you know exactly what you stand to lose. So if the price is at, say, 1220, and you're betting on a market rise, you may set a stop loss at 1217, meaning if the market falls to that level, you are automatically taken out of the trade, and your loss is limited to 3 pips. With a Trailing Stop, you set up a stop loss order which literally trails behind the price action. I'll explain exactly how a trailing stop loss works in a moment.

Limit Order

With a Limit Order, you automatically have your position closed out for you if the price hits a pre-determined target level that you've set. In the examples we've discussed in this manual, we've set that level at 1 pip above or below the previous days close, depending on whether we're betting on a rise or a fall.

The Trailing Stop In Practice

Many spread bet providers offer you the opportunity to place trailing stops, where all you need to do is simply click on the number of pips you want, and they do the rest for you. In the case of these Siphon trades, that number is three pips. For this index, one pip is represented by the last digit before the decimal point, so if you see a price on your spread bet platform that says 1196.25 and the price moves to 1197.25, it has moved up one pip – some people say "point" but "pip" is more common. (Please note that you need to check that your spread bet provider prices the S&P in this way. A small number use the first decimal place as opposed to the whole number)

So for example, if you have opened your trade at (say) 1195 and it's an "Up" bet, your original stop loss would be three pips lower at 1192. When the screen price reaches 1196, the stop loss becomes 1193, and so on. In due course if the screen price hits 1198, then your trade has reached "breakeven" because your stop loss is now at the same level as where your trade was opened. (minus a small spread cost of course.)

If the price reaches 1201, your stop loss would be brought higher, to 1198, putting you three pips (less spread costs) in profit - and so on. A drop back of three pips in the price action at any stage would automatically close out your trade - thus the risk element is well controlled, at a maximum three pips plus spread costs - and that would only happen if the trade immediately went against you.

In fact, you can expect an average losing trade to cost you around two pips multiplied by the amount you have bet per pip - so at £1 per pip you can expect 20% of all your trades (taken as an average) to lose you £2 each. On the other side of the ledger, you can expect 80% of your trades to win you six pips multiplied by your stake. That means your overall risk/reward becomes 1:3 - and that is more than acceptable.

If you have to use a "limit order" mentioned above, your risk/reward ratio is more like 1:2. That's because you won't get any of the bigger profits that can arise when the market keeps going in your direction beyond your planned exit position. Why? Because for safety, you need to place your limit exit six pips above (up bet) or below (down bet) your entry price.

Again however, at least you can walk away from your screen if you have no time to keep watching using this method of managing your trades. But in order of preference, limit exits are at the bottom of the list, with trailing stops better, and personal trade management best of all.

So if you can at least just keep an eye on things for a couple of hours or so, that's how to manage your trades most profitably.

Opening Accounts And Placing Trades

None of this can happen, of course, until you've opened an account and placed a trade. How do you do that? It's actually very easy. Yes, if you're a total newcomer to trading, it's a scary prospect - of course it is! But fear not - I'm here to guide you through the process.

First you'll need to open a trading account with an appropriate company, and deposit some funds with them. You could use a stockbroker but frankly that's a pretty expensive way to go about things because they need quite a lot of money deposited. By far the best way to take advantage of the S&P Siphon is to go to a financial spread betting company, because many of them offer trades at very low prices - sometimes even allowing you to trade at just 10p per pip. Some also offer "practice accounts" where you don't even need to risk a single penny of your own money until you feel comfortable enough to begin trading for real.

Now please don't be put off by the "betting" word. That term is used because such transactions come under the UK's Betting and Gaming Act for tax purposes - and currently that means you pay no tax on your profits - a wee bonus for sure! And remember too, that even if you feel a bit snooty about the matter and say "Oh, but I would never bet - I'm an investor" – What precisely are you doing when you buy shares in any company? You are betting that the price will rise!

There's a list of potentially suitable spread bet providers below - all regulated by Britain's financial authorities so that you don't need to worry whether they're a safe place to invest your money. If you type "spread betting" into Google you'll find plenty more. It's up to you to shop around for what you feel is the best deal for you. Some offer lower stakes than others, and some offer practice accounts too - not to mention bonuses from time to time.

You might try:

www.ggmarkets.com

www.finspreads.com

www.igindex.co.uk

www.cityindex.co.uk

www.worldspreads.com

www.cmcmarkets.co.uk

It's a competitive marketplace so, deals abound! I'm not recommending any particular company here, by the way - just listing some of the better known ones for you.

Once you have opened an account and deposited some funds (unless you're just going for a "demo account" to begin with of course) then it's time to look at actually placing an opening order. This aspect is covered in detail in the short videos which accompany this manual.

So Let's Get Started!

Complicated? Worrying? Off - putting? No need to be concerned. Part of this service - a big part - is the fact that you can email me for assistance if you're struggling a bit! Once you have one or two trades under your belt, you'll wonder what all the fuss was about anyway - it really is pretty straightforward stuff.

Okay, that's about all I need to explain in writing. Take a look at the movie clips now, because "a picture paints a thousand words". And as I say, if you get stuck, drop me an email. Generally I can reply the same day, unless I'm on my travels or off fishing for a few hours. However, do visit the FAQ section of the website first which you'll find at:

www.trading-the-easy-way.com/spsiphon/faq.html

On that note, welcome to the wonderful world of financial trading via the S&P Siphon signal. Who knows? You might become so engrossed that you expand your trading horizons beyond it, and decide to join me as a full time trader. I do hope so. It's a marvellous way to make a living and live a financially free life.

Best wishes, and here's to your trading success!

Ian Williams.

If you need to get hold of me, or there's anything you don't understand, you can contact me at:

Info@Trading-the-easy-way.com

I'll try to get back to you within the day, which I usually can unless travelling.