

LIVE @ TAG

W O R K B O O K



LIVE @ TAG

Workshop

Full-Conference

The Janus Factor

Why is it that at times profits come easily, while at other times your trading nets only red ink and frustration? Have your trading methods changed, or has something about the market environment changed your odds for success? In this seminar, Gary Anderson introduces you to The Janus Factor, the single most powerful influence on your trading results. The market shifts back and forth between two modes and only one will offer traders a consistently favorable risk/reward. In this seminar, you will learn how to tell the difference. Whether you are a new trader or a seasoned pro, learn to handicap your odds for success from market to market and when to cut back or stay out or when to double down. Gary will teach you how to find the market's high-probability sweet-spot and how to avoid low-probability trades. Finally, learn to compute The Spread, the ultimate guide to risk-management.

Biography



Gary Anderson is a principal of Anderson & Loe, a ten-year-old firm providing technical consulting to an international clientele of professional money managers. Gary is the publisher of TradersBootCamp.com, an online educational trading course. His articles have been published in Technical Analysis of Stocks and Commodities and his work has been featured in Barron's.

Gary

Anderson

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1. Introduction



1. A POWERFUL MARKET FORCE
2. NEW TOOLS
3. NEW TECHNIQUES
 - FOCUS TRADING
 - IMPROVE PERFORMANCE

**RISK
BI&K**

2. Offense and Defense



Risk involves loss, or, more precisely, the probability of loss.

Because the probability of loss is greatest when markets are falling, the defensive qualities of a stock are most severely tested during periods of market weakness, when the risk of loss is most acute.

Rising markets are risky, too.

If a stock cannot score as the market rises, it subjects the trader to another risk . . . lost opportunity.

Since the risk of lost opportunity is greatest as the market rises, offensive strength is best measured as the market advances.

Relative Strength

3

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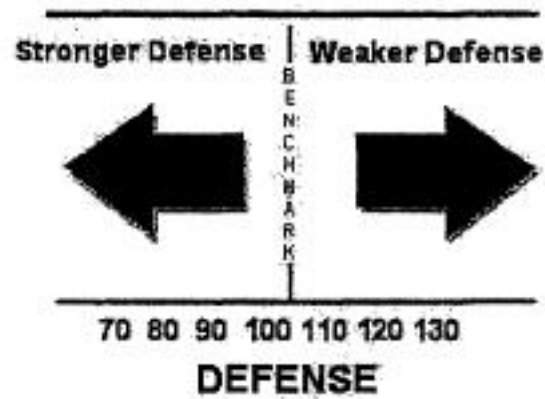
bench'mark a standard or point of reference in measuring or judging quality, value, etc.

Webster's Dictionary

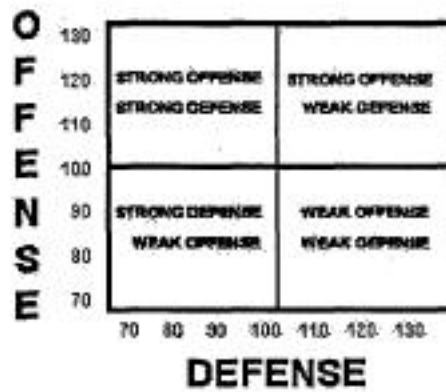
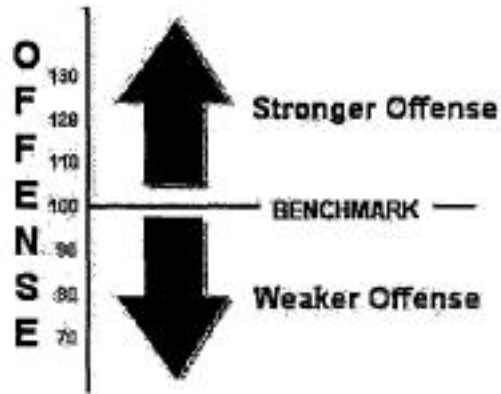
The benchmark is the opposition, the other team.

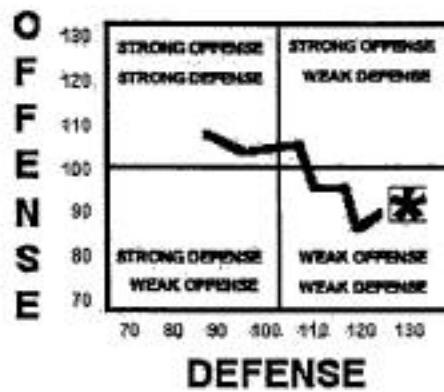
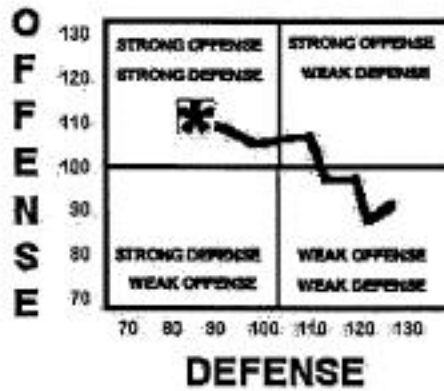
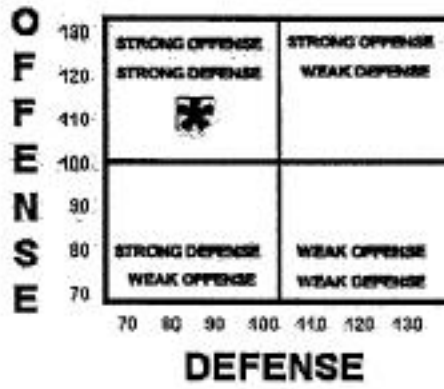
To do well on defense, a stock must retreat less than the benchmark during periods when the benchmark declines.

3. Charting Offense and Defense

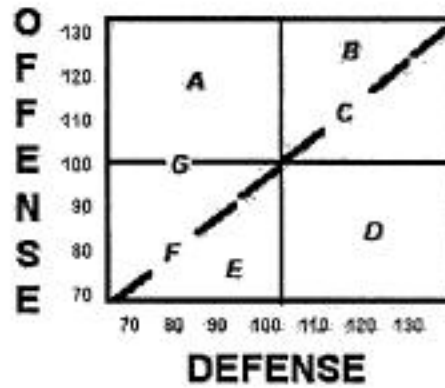
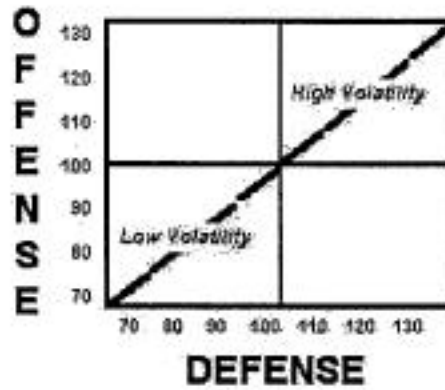
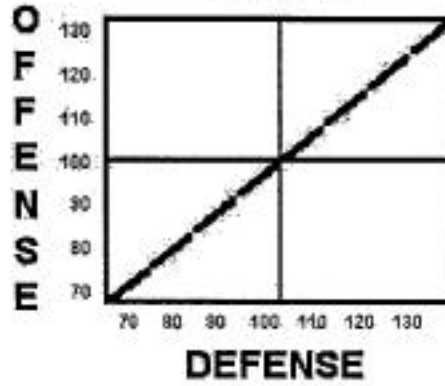


To beat the benchmark
offensively, a stock must
out-perform the benchmark
as the benchmark rises.

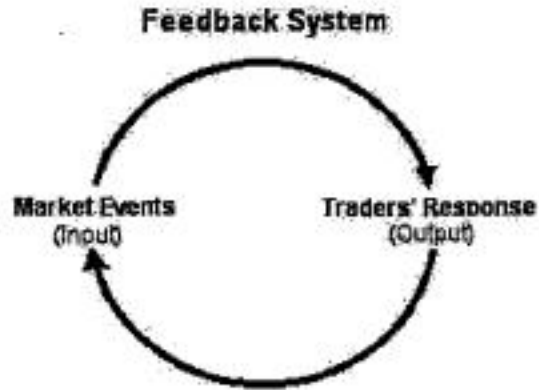




B. E. L.



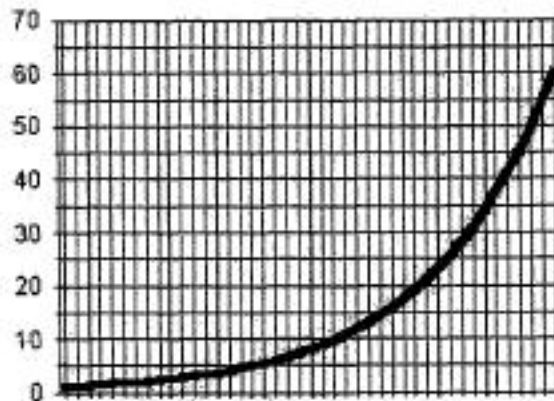
4. Feedback Systems



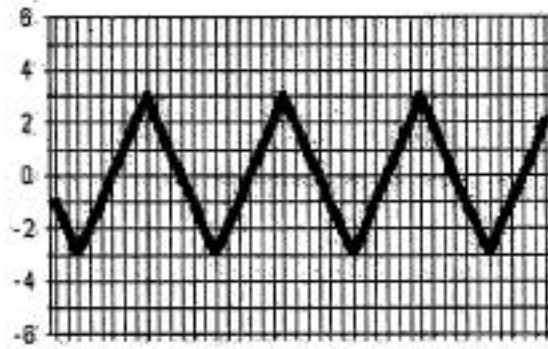
Two Sorts of Feedback

- **Positive Feedback**
 - Amplified Audio Screech
 - Thermonuclear Bomb
 - Burning House
- **Negative Feedback**
 - Thermostat
 - Engine Governor
 - Predator-Prey

Positive Feedback = Acceleration

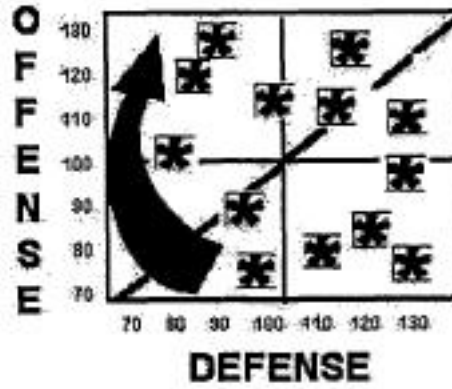
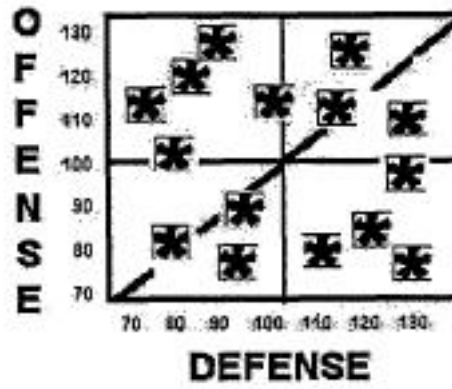


Negative Feedback = Stable (Cycle)

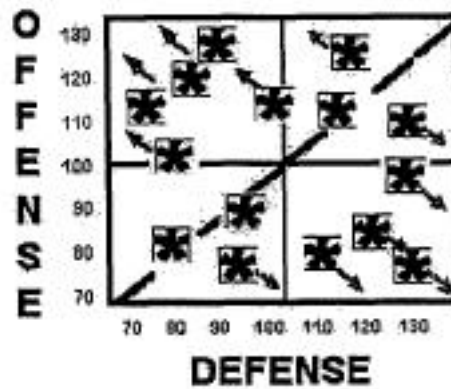


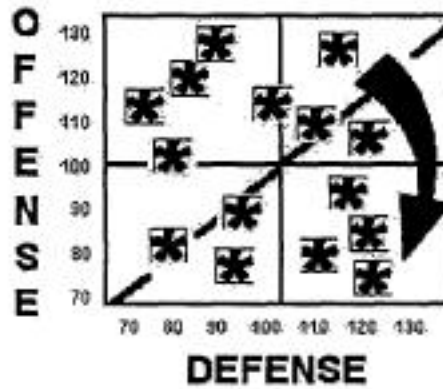
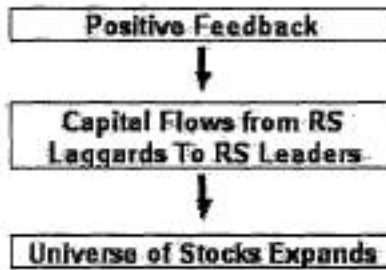
Positive Feedback



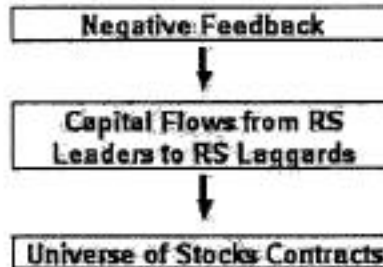
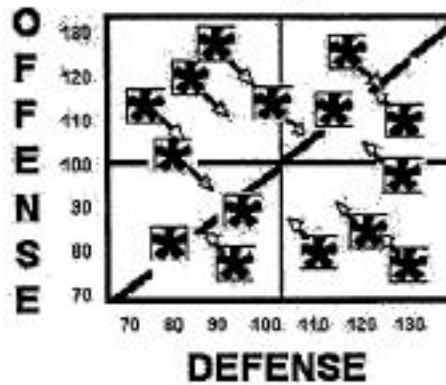


Expanding Market

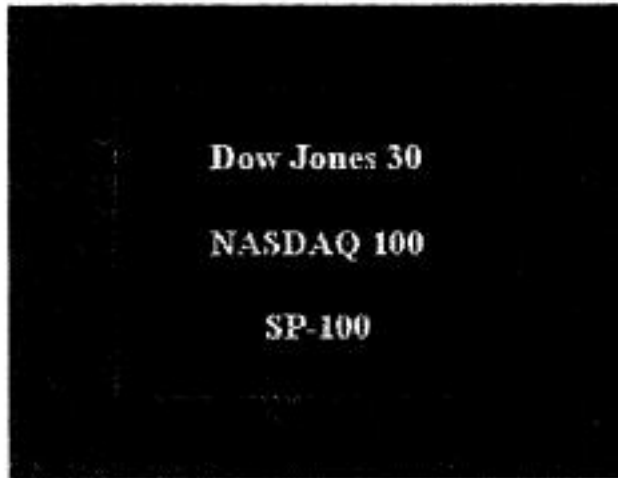




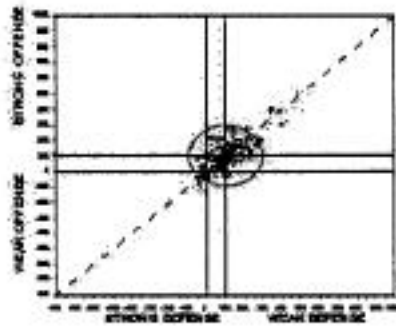
Contracting Market



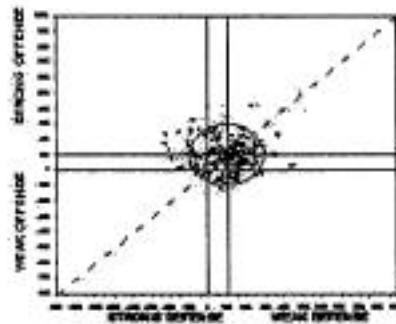
5. Universe



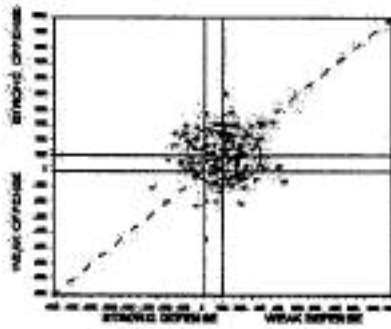
January 1999



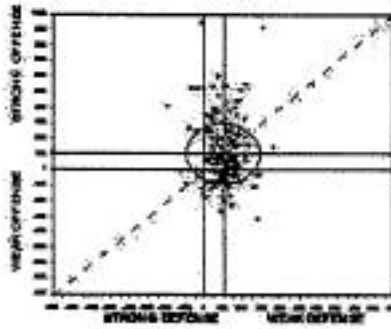
March 1999



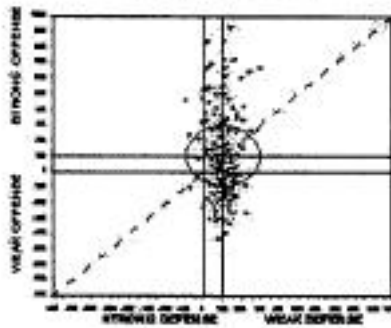
May 1999



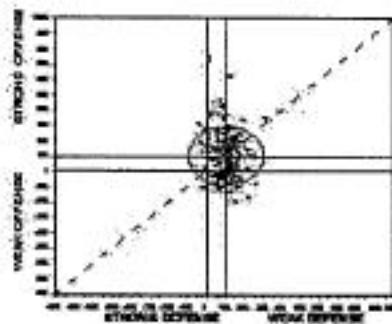
July 1999



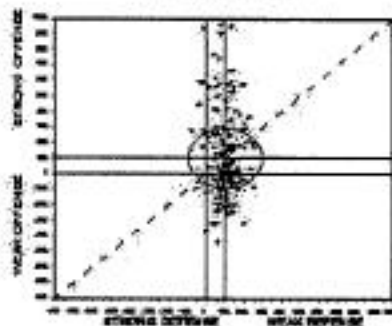
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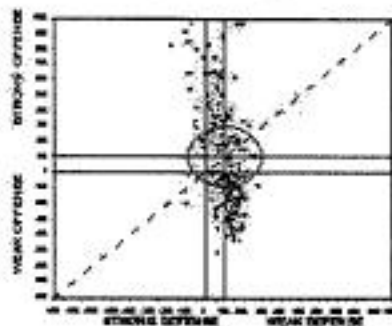
November 1999



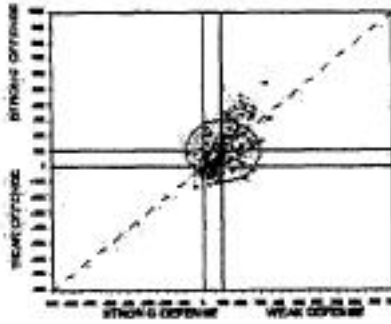
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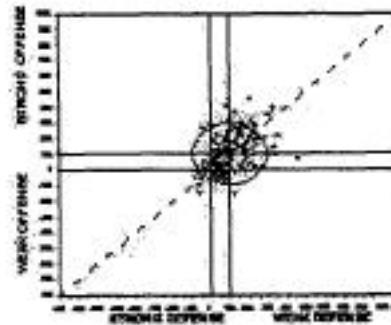
March 2000



May 2000



July 2000



6. Expanding and Contracting Markets

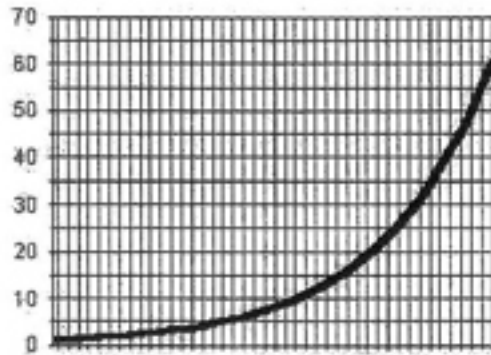
**Expansion and
Contraction Create
Two Distinct
Market Environments**

**Expanding Markets
are
Strength-Following
Markets**

**Strength-Following Markets
are driven by
Positive-Feedback**

- Traders buy into strength and defer profit
- Weak stocks sold to finance purchases
- Capital flows from weakness to strength
- Trends develop and persist
- Flows are linear, predictable

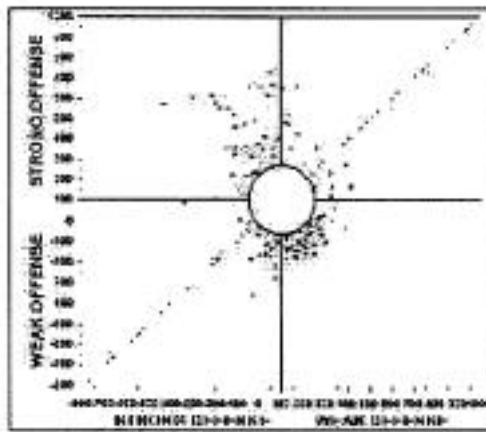
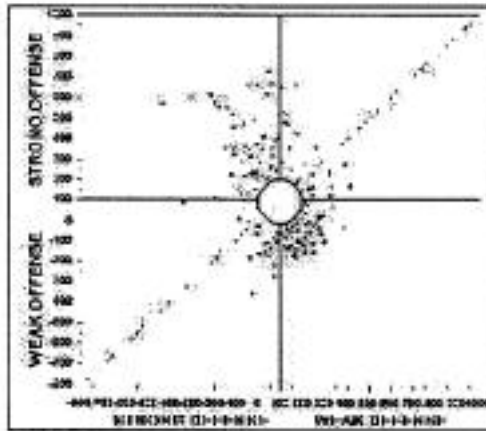
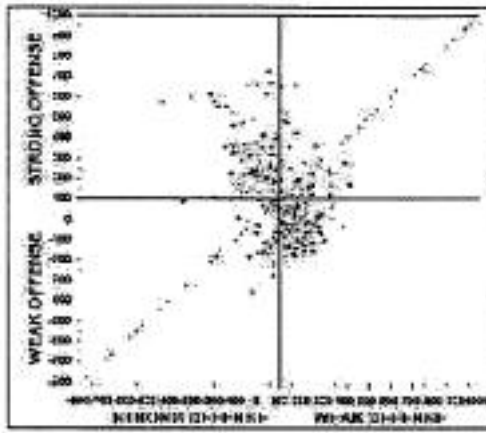
Positive Feedback = Acceleration

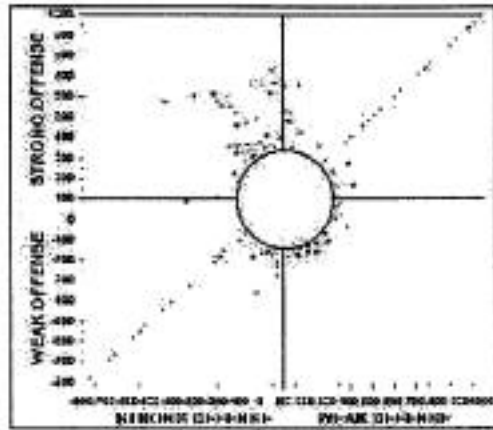


Strength-Following Markets

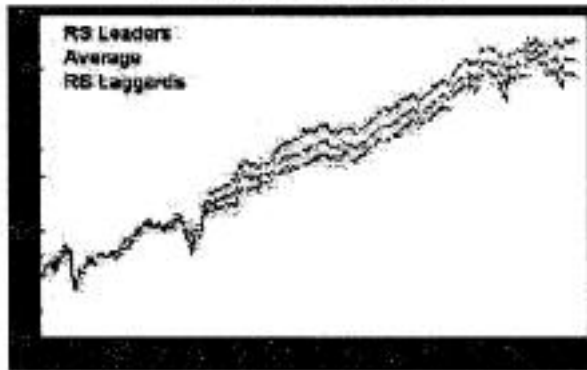
- Investors are confident
- Strong stocks get relatively stronger
- Weak stocks get relatively weaker
- Trending market
- Market rises 78% of the time
- Strongest stocks advance the most

**Strongest Stocks
Advance the Most**

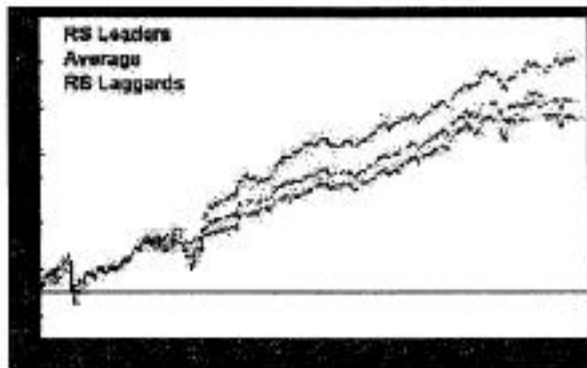




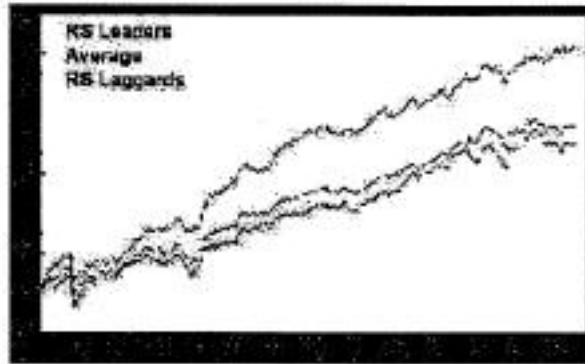
Leaders versus Laggards.



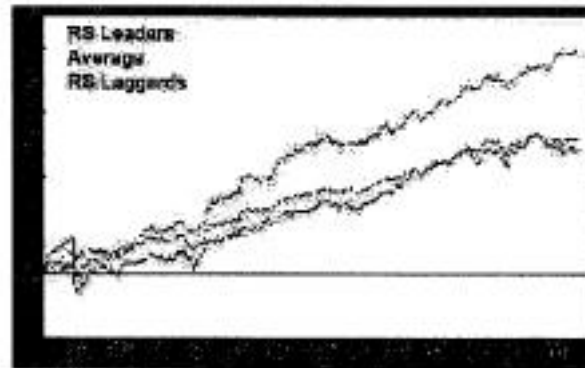
Leaders versus Laggards.



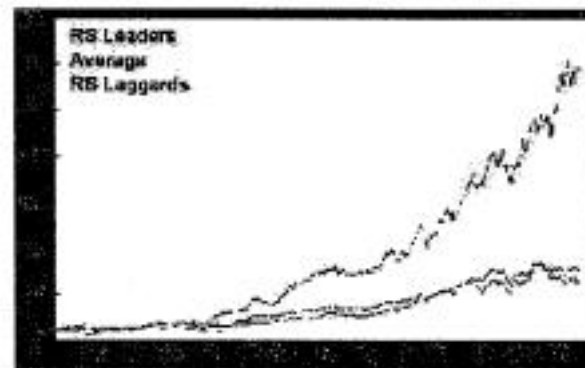
Leaders versus Laggards.



Leaders versus Laggards.



Leaders versus Laggards.



7. Tactics

Strength-Following Tactics

- Focus on RS leaders
- Buy near new rigs
- Relative strength more important than overbought/oversold condition
- Buy strongly the better
- Let profits ride



RULE #1

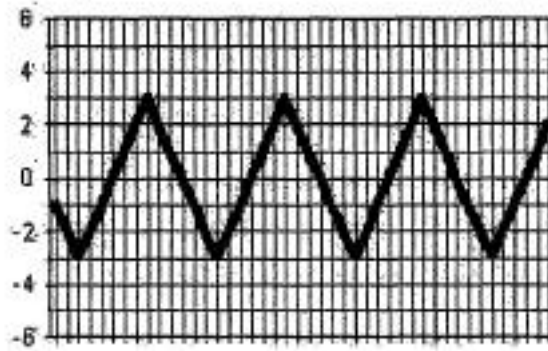
**Always Trade The
Strongest Stocks In A
Rising
Strength-Following
Market**

**Contracting Markets
are
Contrarian
Markets**

**Contrarian Markets
are driven by**

- Traders sell into strength and buy sold-out laggards
- Capital flows from strength to weakness
- Trading is usually range-bound
- Flows are turbulent, unpredictable

Negative Feedback = Stable (Cycle)



Contrarian Markets

- Investors are risk-averse
- Weak stocks get relatively stronger
- Strong stocks get relatively weaker
- Turbulent market
- Market rises 50% of the time

Contrarian Tactics

- Focus on out-of-favor laggards
- Moving out of large bases
- Overbought-oversold indications are more important than relative strength
- Scarcity premium
- Take profits





The Most Profitable Contrarian Tactics

- Mow the lawn
- Take a vacation
- Watch TV
- Develop a hobby
- Play with the kids

RULE #2

**Do Not Trade
Contrarian**

8. The Spread

The Spread

To Calculate The Spread

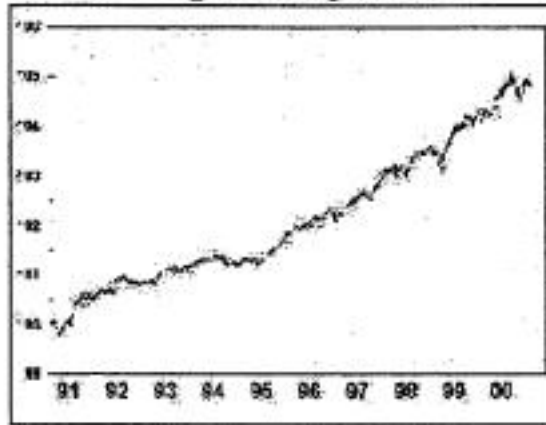
1. Calculate Relative Strength (100 days) of each target in the universe
2. Group stocks by RS (NW or SE of the BEL)
3. Average NEXT 5 days' performance (days 101-105) for each group
4. Subtract SE (Weaker) groups' average performance from NW (Stronger) groups' average performance
5. Cumulate daily difference over time.

The Spread

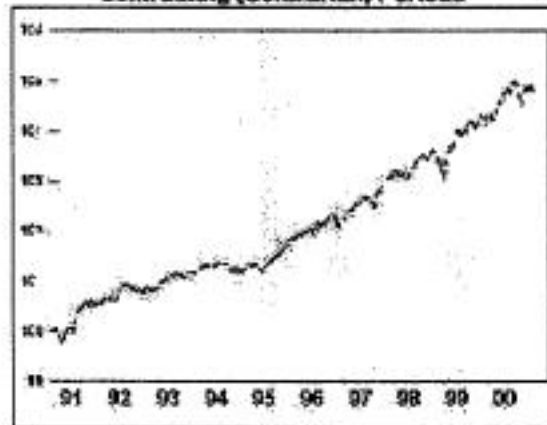
13 Years



Strength-Following Markets



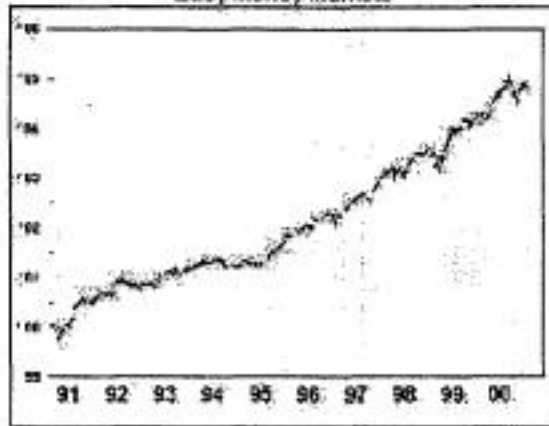
Contracting (Contrarian) Periods



EXCEPTION TO RULE #2

**Only Trade Rising
Contrarian Markets
After Major
Consolidations Or**

Easy Money Markets



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9. Think Strategically

Think Strategically!

Consider Three Trends:

- 1. The Spread**
- 2. Leaders**
- 3. Laggards**

Spread Up

- 1. Leaders Up: Buy Leaders**
- 2. Leaders/Laggards Dn: Short Laggards**

Spread Down

- 3. Laggards Up: Buy Laggards***
- 4. Leaders/Laggards Dn: Short Leaders**

	Rising Market		Time
Rising Spread	160%	67%	12%
Falling Spread	64%	80%	27%
	Mixed Market		
Rising Spread	52%	24%	11%
Falling Spread	36%	45%	16%
	Falling Market		
Rising Spread	-25%	-84%	13%
Falling Spread	-92%	-56%	12%

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Trader's Boot Camp

A Complete Online Course in Trading

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Personal Workshop Presentation

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