



All About Trends

We Trade What We See, Not What We Hear, Think or Fear

www.allabouttrends.net

Mid-Day Update

October 4, 2011

This morning we used market strength on the shortside (which is in the face of fear on the longside mind you) to walk away and lock gains in ALL of our short sells.

We hope you took advantage of that. Aside from managing the total value of the portfolio as being the main reason for that we have the Greece issue being dragged on and quite frankly the market said it pretty much had enough (at least we did). From the sounds of the chatter its not going to be resolved till the 13th. Folks the longer this drags on the less impact its possibly going to have aside from a gasping gap down moment in the near future at some point in time. Over which we'll use to probably buy something on the longside.

So what did we accomplish over the last week with our short sells?

TZA 125 shares short at 46.14, covered at 63.12 for a gain of **\$2,122.50**

TSCO 200 shares short at 65.19, covered at 59.11 for a gain of **\$1216.00**

IBM 100 shares short at 180.65, covered at 171.54 for a gain of **\$911.00**

SRCL 150 shares short at 80.69, covered at 76.37 for a gain of **\$648.00**

HUM 175 shares short at 74.22, covered at 68.19 for a gain of **\$1,055.25**

GMCR 100 shares short at 94.90, covered at 85.83 for a gain of **\$907.00**

All in all not bad for taking it easy and sweating with a few of them while they were in the zone and waiting for them to come to us.

One thing we want to bring up is that of GMCR and the power of chart pattern recognition and trade size risk management.

As we all know August and September were pretty dicey to those who are not in control of their emotions. At one point in time on GMCR we were down 20 points or 21%. Now on it's own that may seem like a lot HOWEVER because we practice trade size risk

management we only had 5.5% of our overall portfolio in this issue. The impact to our portfolio at that point in time amounted to a measly 1.1% .

Because of that we didn't really fret over it too much. Then when you coupled that point in time with what our index work was saying and what we told you to be on the look out for (shake and bake high) we opted to hang onto it. Because of that? We turned a \$2000.00 at a point in time loss into a \$907.00 gain. That's how you turn scars into stars!

Folks, that's the power of trade size risk management, chart pattern recognition and most importantly managing ones state of mind at all times.

On to the indexes

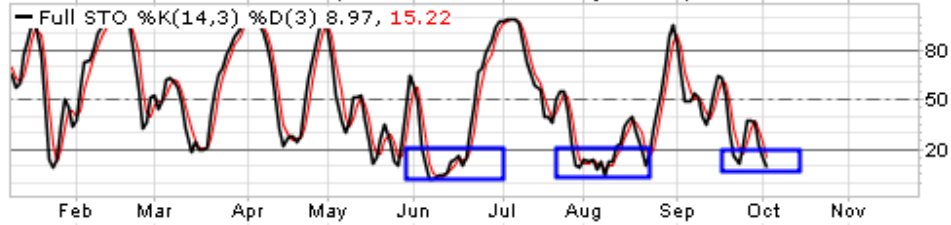


\$RUT (Russell 2000 Small Cap Index) INDX

© StockCharts.com

4-Oct-2011 12:03pm Op 605.42 Hi 621.09 Lo 601.71 Last 620.02 Chg +10.53 (+1.73%) ▲

▲ RSI(14) 37.12





Gosh haven't we said it before around here? On the 3rd to 4th day watch for a reversal? What day is it when looking at the above chart? Hmmm can you say 4th down day in a row?

What is so special about why the NASDAQ Comp. stopped where it did today? Simple, the chart below tells the story.



Can you say a SUPPORT LEVEL? In addition to that see the POSITIVE RSI DIVERGENCE at the top of the chart?

We've talked about positive RS divergence showing up in a few of the indexes and we talked about a 5th wave not to mention we even talked about not being surprised in the event of an undercut of recent lows of which all of those transpired. We talk about this type of stuff everyday around here and the action today is exactly why we do.

While on the subject of SUPPORT LEVELS let's take a look at yesterday's chart of the day again. Hat tip to Harold for bringing this to our attention the other day!



Gosh can you see the 5 waves down? Can you see the positive RSI divergence, the Full Stoh's oversold. See where it stopped? Another point we want to bring up is that of the IBD style of investing. Most tried and true followers of that style won't even consider looking at it till it breaks out into a new high out of a base right? We say good luck with that as you are going to be waiting for a long time and would end up paying up big time for it considering where it is now. Heck today alone just off the lows its almost a 5% move higher. We say this because all the while those who follow that methodology are going to be waiting a long time to get into something we are going to keep using classic chart pattern recognition (As in Support in this case) to make trades off of. You may want to think about doing alternative things to achieve your goals while you are waiting for the next bull market to come around. It may be awhile you know?

In simplest form? What are YOU going to do to achieve you're goals while your waiting. Just a forward thinking thought, after all isn't the buzz word here at All About Trends REGARDLESS OF WHAT THE MARKET THROWS AT YOU?

So back to the indexes, what we'll want to watch for is that of chewing around down here. We aren't out of the woods just yet. There have been many times where we've seen indexes come back to the scene of the crime the same day (which we kinda doubt today) or over the next day or so. SHOULD that happen? You want to take notice as if that is all it is is a retest and it launches off of it? You better be prepared to go long as that would and could be a tradeable low in place with confirmation in the form of a retest. If we see it? Yes we'll be going long. We talked about all this a few weeks back in order to prepare you for what happens when they decide to set up the pins again and you MAY be seeing the first faint rumblings right now.

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For Traders Looking For A Game Plan

Something to think about here may be that of devising a trading plan for between now and year end. One may to look at between now and year end from a hit and run get in get out standpoint and be a trader.

After all \$200 a day is \$1,000 a week is \$4,000 a month and over the next three months between now and year end that's \$12,000 added to the bottom line in a perfect world. All things considered given the way the year has been turning out? There is nothing wrong with that if you ask us. Heck on a \$100,000 portfolio that's a 12% return from here. How's that for a game plan should one be on the hunt for one. Just a thought.

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SHORT SIDE WATCH LIST

NONE

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LONG SIDE WATCH LIST

"Only The Best And Forget The Rest "

"We Trade What We SEE, NOT What We Think, Hear Or Fear "

Any of the long side trades that will be coming will be from issues tagging major supports and will not for the most part be coming from issues breaking into new highs out of cup and handles and the like -- it'll be months before we see that to any great degree.

Should we get some capitulation (we know we're getting tired of waiting and saying that) there will be names that hit lows and get serious bounces off those lows fast and large. Makes for great trades and we stress trades.

Come Monday we will NOT be buyers of anything on this list. We can't stress this to you enough that this is just a watch list in order for you all to use on a capitulation wash out type of move down in the indexes.

LEADING STOCKS OF INTEREST

AMZN



AAPL

AAPL (Apple, Inc.) Nasdaq GS © StockCharts.com
4 Oct 2011 12:03pm **Last 379.93 Volume 11.1M Chg +5.33 (+1.42%) ▲**



ULTA

ULTA (Ulta Salon Cosmetics & Fragrance Inc.) Nasdaq GS © StockCharts.com
 4-Oct-2011 12:10pm O 60.27 H 62.39 L 58.71 Last 62.08 V 587.7K Chg +0.76 (+1.24%) ▲



ATHN

ATHN (Athenahealth Inc.) Nasdaq GM © StockCharts.com
4-Oct-2011 12:12pm O 55.50 H 56.99 L 54.17 Last 56.71 V 250.9K Chg +0.68 (+1.21%) ▲



NUS

NUS (Nu Skin Enterprises, Inc.) NYSE

© StockCharts.com

4-Oct-2011 12:07pm **O** 38.84 **H** 38.99 **L** 37.67 **Last** 38.72 **V** 561.4K **Chg** -0.67 (-1.70%) ▼



CRM

CRM (Salesforce.com, Inc.) NYSE

© StockCharts.com

4 Oct 2011 12:06pm

Last 117.65 Volume 1.4M Chg +6.74 (+5.13%) ▲

▲ RSI(14) 43.77



APKT



10-4 hmmm Shake and bake low?

RVBD



While on the subject of double bottoms **because they are starting to show up everywhere (Take Note)** below is:

CMI



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FEATURED BUT NOT TRADE TRIGGERED BY US LIST

10-4 See The Notes on 10-2 Below for those that are long SDS or QID. Those notes have been there for the last week or so.

When we locked our gains in TZA that was the time to walk away from SDS and QID per those notes.

10-2 If we get a capitulation move over the next week or so? These take off and we will use that strength to lock gains. We are long only TZA but when we walk away on it take that as a cue to do so with SDS and QID or whatever inverse equity index ETF you may have.

SDS



QID



10-4 Any market weakness per the index action of our updates could be used to walk away in the event you didn't per this morning's alerts and the notes above.

GLD

GLD (SPDR Gold Trust Shares) NYSE © StockCharts.com
4-Oct-2011 12:16pm Last 157.73 Volume 13.5M Chg -3.23 (-2.00%) ▼



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All About Options In The World According To All About Trends

Over the weekend we posted an article in this space entitled:

OPTIONS – Your best friend and worst enemy

That article is at the bottom of this newsletter for reference anytime you need it.

NOTE: The exchanges recently started WEEKLY EXPIRATIONS of options. Going forward, make sure that you check to see which ones you are buying. Let's stay with traditional options expirations which are the ones that expire the 3rd Saturday of every month.

Keep an eye on the new long side WATCH list. We get capitulation then we want to hone in on those names.



CURRENT POSITIONS

Let Your Stocks Tell You What To Do By The Action They Exhibit"

LONG SIDE POSITIONS

VMW



Ya Baby! This is exactly why we had our longside watch list- Its called BEING PREPARED IN ADVANCE regardless of what the market action is looking like.

Only regret we have is? We didn't also step up in the face of fear and buy APKT,VMW,NUS,ULTA as ALL off the lows of the day are up huge!

Never underestimate the power of the market and chart pattern recognition.

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To our NEW SUBSCRIBERS

What we've tried to do is break our watch list down into chart pattern recognition structure from a visual standpoint. Learn the patterns and the components of patterns and you'll blow those Wall Street MBAs away. You don't need a \$3,000 software program either. All you need is a BURNING DESIRE to be the best that you can be and we're here to help.

We have a lot of new folks here and we thank you! We want you to take it easy, get to know how the routine works around here for awhile and to feel comfortable.

We hope you all aren't here because you are chasing performance. For us it's more about educating and making you the best you that you can be first (that's what we focus upon!). Like many of our long time subscribers they have all found out that they have no use for traditional Wall Street (and we don't blame them) and it's our hope that over time you'll have acquired enough knowledge from us to say the same with conviction.

One of the most important things we want to stress is that of RISK MANAGEMENT via POSITION SIZING. You don't need to stack your account with just a few big positions as we've seen it time and time again that those who get into trouble are the ones who take large positions and do not employ any risk management system IE shoot for the fences. Those are the people who live on the fringes of extremes and yes ultimately get burned.

As a guideline a good initial system is that of the following example.

Let's say you have a \$100,000 portfolio and let's say that as a guide you never place more than 10% (\$10,000) into any one position. Now let's say that one day a news driven event hits (over which you have no control over anyway) and one of the positions tanks 20%. On its own that position is sporting a \$2,000 loss, while that may seem devastating on its own its really no big deal overall.

Why? Simple its all about risk management being properly employed. What is the impact of a \$2,000 loss to the TOTAL VALUE of the portfolio in this example.

Answer: A whopping 2% LOSS. Now you know why we say no big deal.

We can also tell you new people here that you will get stopped out of names and you will take hits. There is nobody on the planet living that has ever hit 18 holes in one and there never will be. We'd rather get you grounded in reality right away vs talking about pie in the sky all the time like a lot of other sites. In so doing your head is screwed on straight from the start and when those days happen (and they will) mentally it won't mean a thing to you. To us that's what's most important is YOUR state of mind as it's your most important asset. We hope you appreciate our honesty.

We have a very good retention rate here at All About Trends and a lot of great outstanding people here. We like to think that a part of that is being upfront about what can happen (in both directions). Verses those up 500%, I turned \$50,000 into \$3 million or some other absurd number to get you to bite. That's not who we are.

WELCOME ABOARD!

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Lastly with regards to taking any trade:

Remember the moment you take a trade you are at the mercy of the market and have no control except when to sell. If you are not willing to take the risk and are not willing to pay that price do not take the trade. We are willing to take that risk knowing full well the end result could be a loss. That said make sure that portfolio management trade size is used accordingly. With any position you may take make sure that should something go awry the amount of total impact to your account does not devastate your acct. Try to stick to a 5% position That's the key to portfolio management, not biting off more than you can chew.

Remember the mechanics of reality with regards to the stock market states a stock can only do one of three things: Up, Down, Nowhere. The moment you hit the enter button you are at the mercy of the market therefore the only control you have is when to sell/cover. You can't manage your gains as you have none to manage initially. Knowing this in advance it allows you to stay in outcome, that being you will either:

1. Make a gain
2. Wash
3. Get stopped out at a loss

Remember the market IS the boss. IT is going to do what IT wants to do.

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OPTIONS – Your best friend and worst enemy

Let's talk about options for a moment. First off this is a big universe with a lot of advanced strategies and terms like theta, delta, straddles, butterflies and the whole gambit. For the purposes of this conversation we'll keep it real simple and not try to get too deep.

We'll approach it from simple buy puts (short side) buy calls (long side). The first thing I want to mention is that options attract the fast money crowd in hopes of turning 500 into 10,000 overnight. This is also the get rich quick crowd. And more often than not these type of people get broke faster than they get rich. Please don't be one of them as greed kills.

Time and time again we hear from people who like to trade options, and time and time again we hear the horror stories too. When we hear the horror stories nine times out of ten we can guess as to why their option went to zero. Nine times out of ten it was because they bought out of the money options or at the money options. This is the reason why 80% of those who do options lose money by the way.

Sure there are folks who use out of the monies and at the monies but those are experienced traders that know the ins outs ups and downs.

You see the trick is to NOT pay for time. You want as close to a point for point move as possible with the stock because there is nothing worse than seeing your stock move yet your option does nothing or very little, know the feeling?

So for All About Trends we only want to look at IN THE MONEY CALLS OR PUTS and we DO NOT WANT TO PAY FOR TIME, sure they cost more BUT we want to be as close as possible to being able to see a point for point move with the stock.

We hate paying for time. We want true value without the time. We're not saying our way is any better than others, we're just saying it's what works for us.

Now let's touch upon how we would build a portfolio dedicated to options and how to make it a piece of your overall portfolio via allocation. Keep in mind this is more geared towards beginners so you advanced people might be bored with it but then again it never hurts to revisit the basics every now and then. At All About Trends Trends we talk a lot about never biting off more than you can chew and trade size position management. We do that for a reason, we do it so as to when Murphy's law shows up it never devastates us or blows us up. Typically we try to stay within a 5-7% position size when we do a trade. The same thing goes for options. If we were to start a portfolio of options or shall we say allocate a portion of our overall portfolio to options the way we would look at it is the following:

For example, let's say the total value of your portfolio is \$100,000. The most we'd consider allocating towards an options strategy is 10% of the whole portfolio. In this case \$10,000. So now you'd have a \$10,000 option portfolio to work with. Now let's say that you are the worst trader on the planet (we doubt that!) and you lose the whole

option portfolio, what's the risk to the total value of the overall portfolio? 10% in which case you live to play another day. Now let's touch upon that \$10,000 you allocated toward options. Let's reduce the risk even further (and we haven't even talked about what stocks to trade yet). Let's take that \$10,000 and split it up into no more than 10% (\$1,000) can be allocated to anyone position as a guide. (Sometimes 1000 can get you 3-4 contracts you know). Now let's say that one of those positions goes bust (and they will! and sometimes more than one at the same time we assure you.) What is the total impact to the overall options portfolio? 10% right?

Now let's take that a step further. What's the total impact to the overall investment portfolio of 100,000? 1% - that's right 1 measly percent. When it comes to options you need to employ some sort of portfolio risk management structure parameters as this way you can get in trouble and you don't lose sleep - you just have a bad day that's all.

As for getting rich overnight? Forget about it. That's just a marketing ploy. As for taking 50,000 and turning it into millions? Ain't happening overnight but it sure sounds good doesn't it? And that is why people bite on those marketing ploys.

As for time? We never go out months. As a swing trader we're in positions for only a couple of weeks best case so why pay for the time to go out further in time when you don't have to. When the stock moves whether it's right away or not they sure seem to suck that time out of you just as fast anyway right?

Typically we'll look at the front month (current month) or the next month but not months. When we say front month if options expiration is a week or sometimes even two weeks away we'll look out to the next month and not the current. While time is our enemy in most cases, in this case it's your friend. It's just that you don't want to pay for it.

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