

Expanded Trading Opportunities with CME Group Equity Index & Interest Rate Options

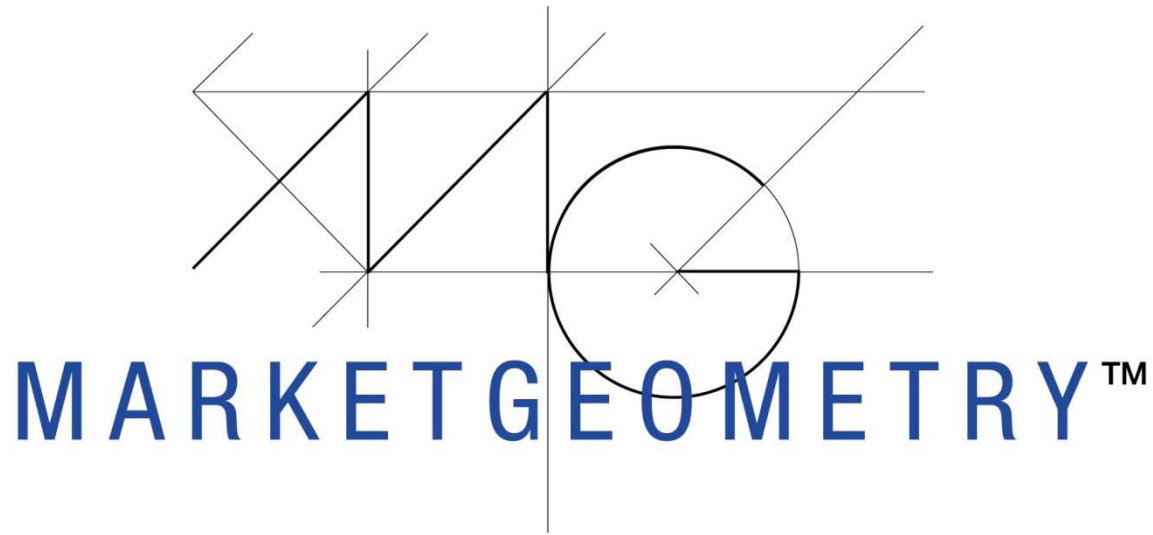


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Blackthorne Capital, Inc.

Internet Presentation Sponsored by Interactive Brokers May 10, 2012

www.marketgeometry.com

www.medianline.com



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FOREX and Futures Risk Disclaimer

Trading in the off exchange retail foreign currency market or futures markets is one of the riskiest forms of investments available in the financial markets and suitable for sophisticated individuals and institutions. The possibility exists that you could sustain a substantial loss of funds and therefore you should not invest money that you cannot afford to lose. Nothing in this presentation is a recommendation to buy or sell currencies or futures and Timothy Morge is not liable for any loss or damage, including without limitation, any loss of profit, which may arise directly or indirectly from the use of Timothy Morge's tools or reliance on such information.

Results

Past performance does not guarantee future results.

This is one persons experience, your experience may differ.

Results are not guaranteed, individual experiences may vary.

Market Volatility

In volatile market conditions, substantial losses may occur.

In volatile market conditions, orders may not be filled as placed.

Leverage

The leveraged nature of FX trading and Futures trading means that any market movement will have an equally proportional effect on your deposited funds. This may work against you as well as for you. The possibility exists that you could sustain a total loss of initial margin funds and be required to deposit additional funds to maintain your position. If you fail to meet any margin call within the time prescribed, your position will be liquidated and you will be responsible for any resulting losses.

This webcast is dedicated to my two early mentors:

Dr. Alan Andrews, a Newtonian Physicist that developed Action/Reaction Lines and the Median Line in the mid-1920's.

And Amos Hostetter, the best 'Campaign Trader' in the last 300 years. He was the master of risk reward and money management.

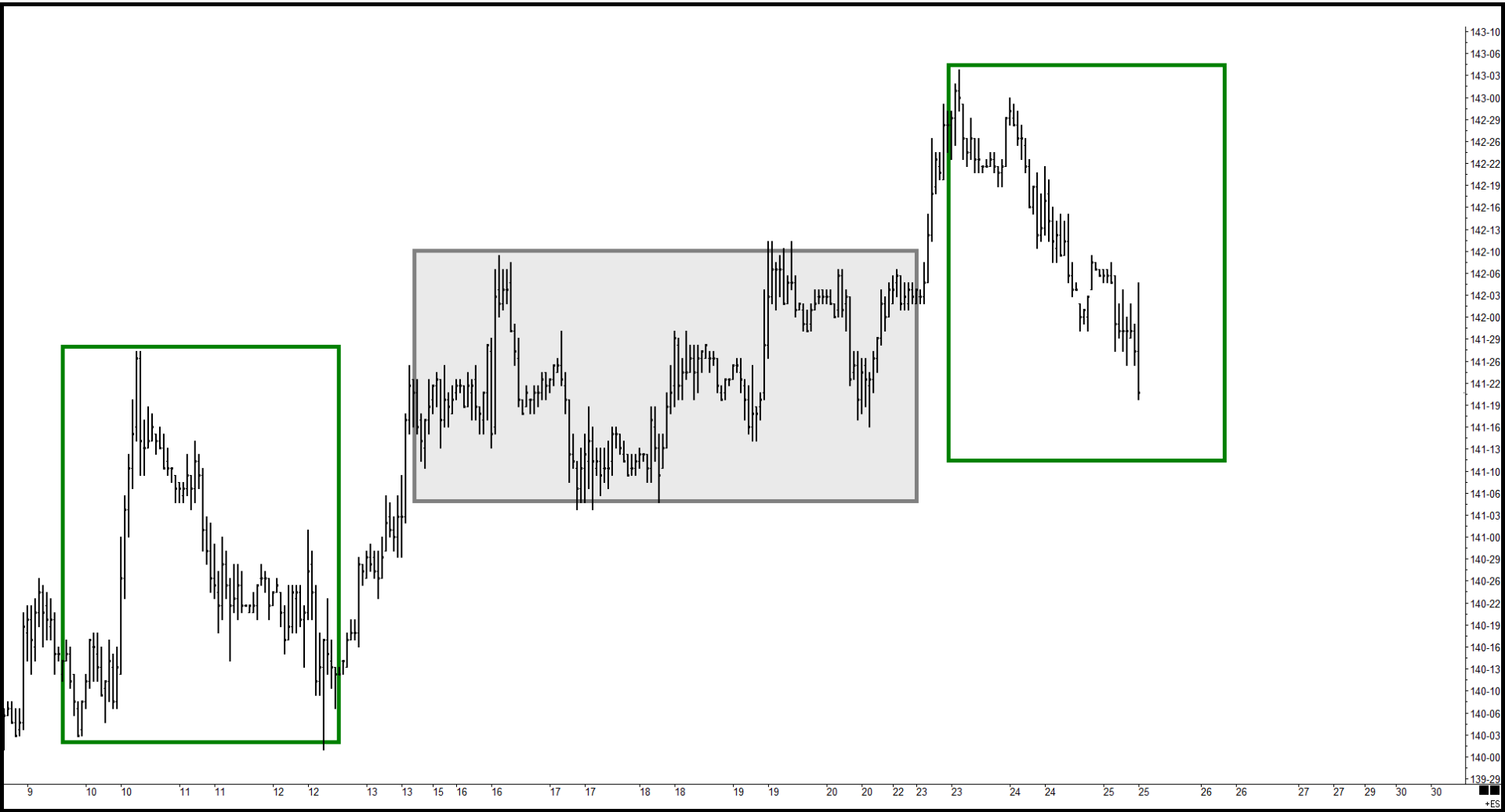
Using a simple Call strategy to limit risk in the 30 year U. S. Bond futures

I start each morning with a blank chart and then Observe each market's behavior, bar by bar. Then I begin to mark out Market Structure, including Swing Highs and Swing Lows and the patterns that catch my eyes, so I can begin to understand the phase and flow – the context – of that market.





As I mark out the simple Swing Highs and Swing Lows on this Bond futures chart, I begin to see order ‘between the bars’. It’s easier for me to show you than simply talk about it.



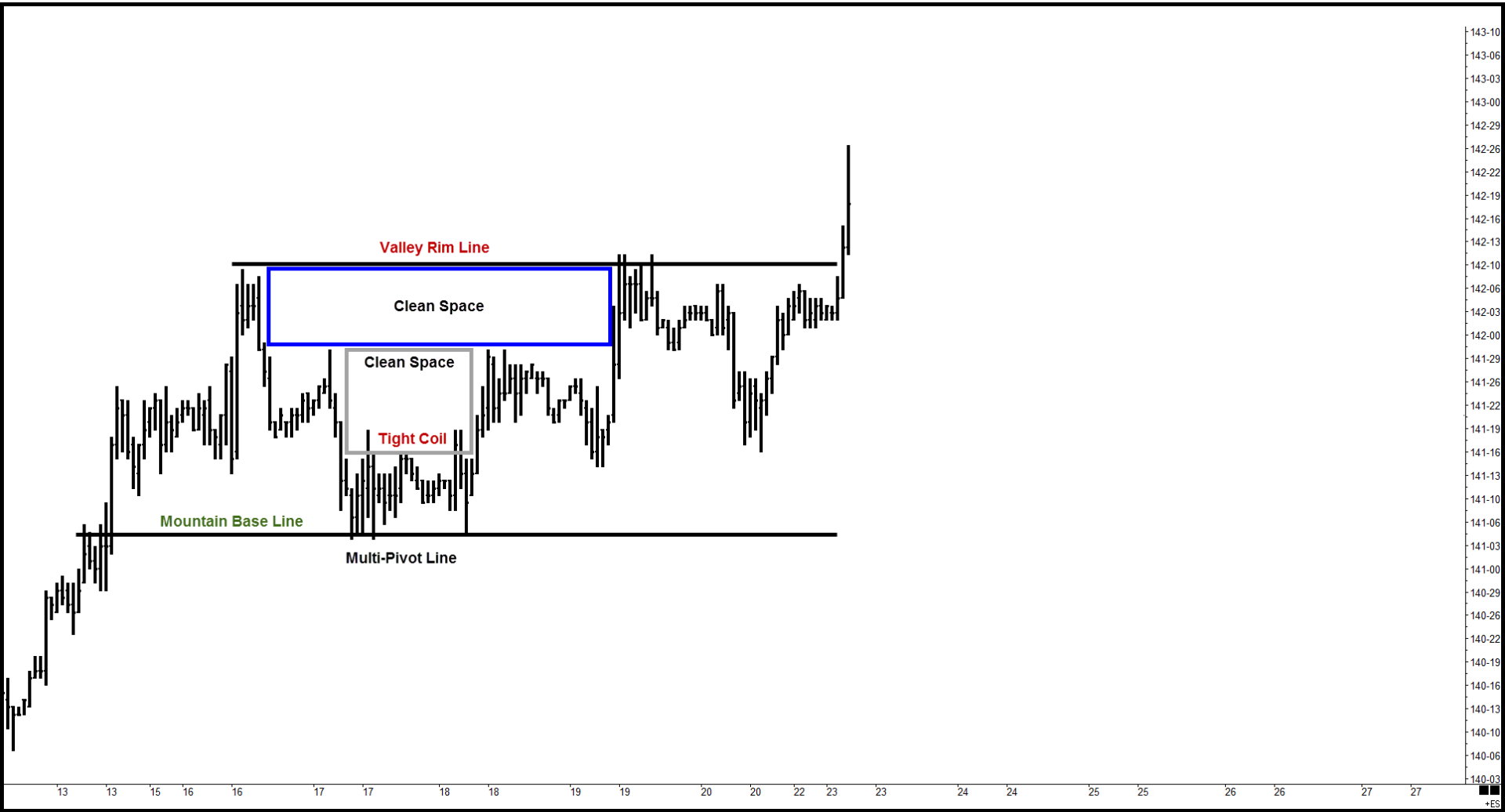


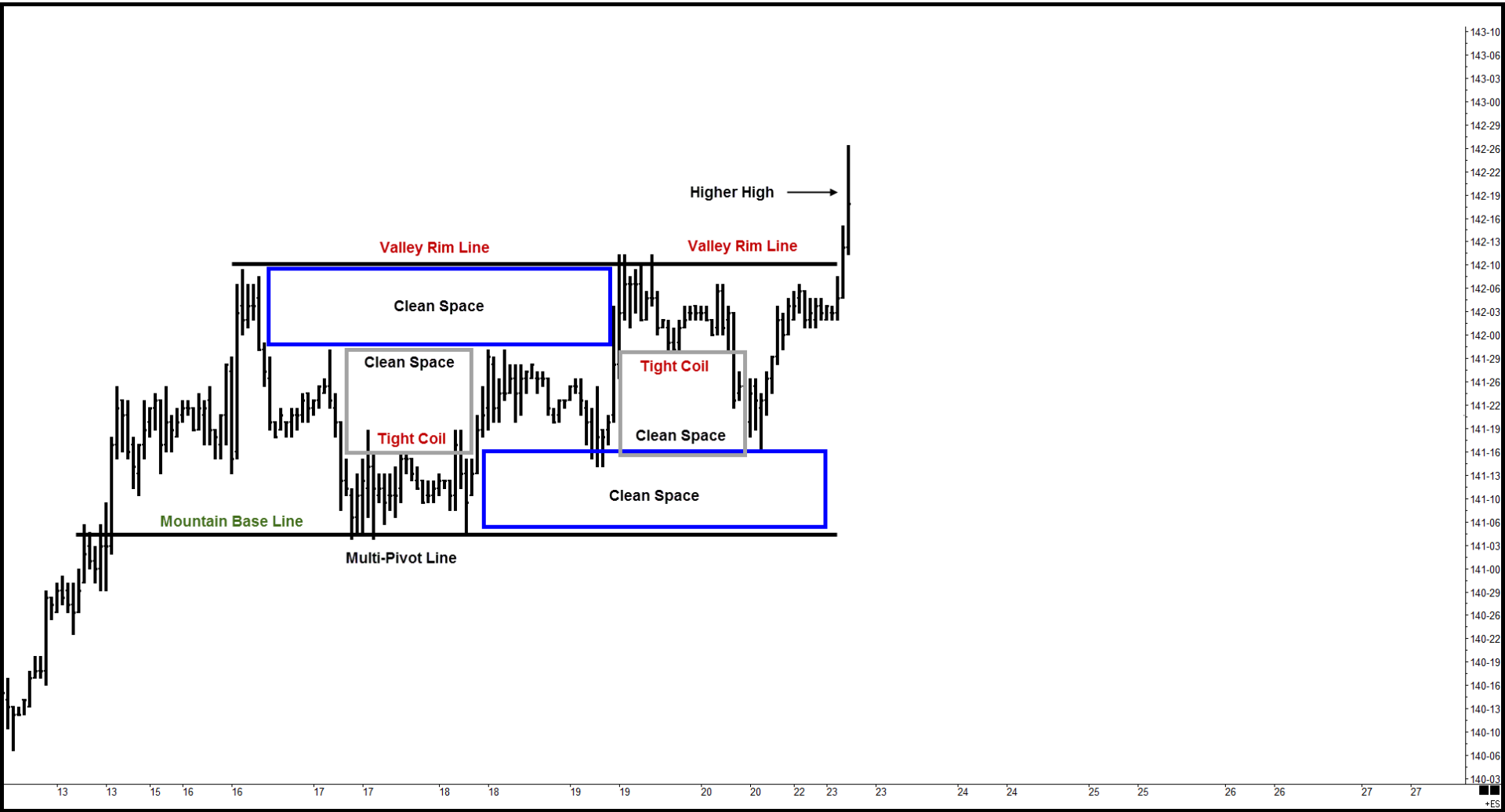
Now that I have drawn this Symmetry, I see even more 'between the bars'. Let me take this chart apart, roll it back, and show you what I see hiding there.



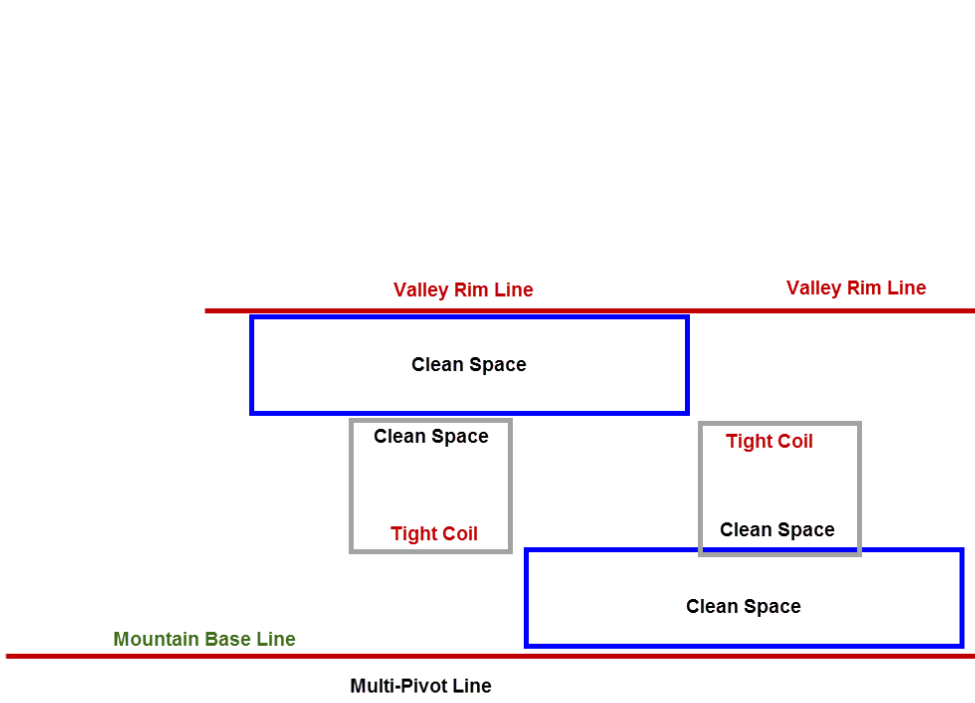








Maybe you can't see it. Let me take off the Price Bars and see if you catch the beauty hidden 'Between the Bars'. The symmetry is truly breath taking.

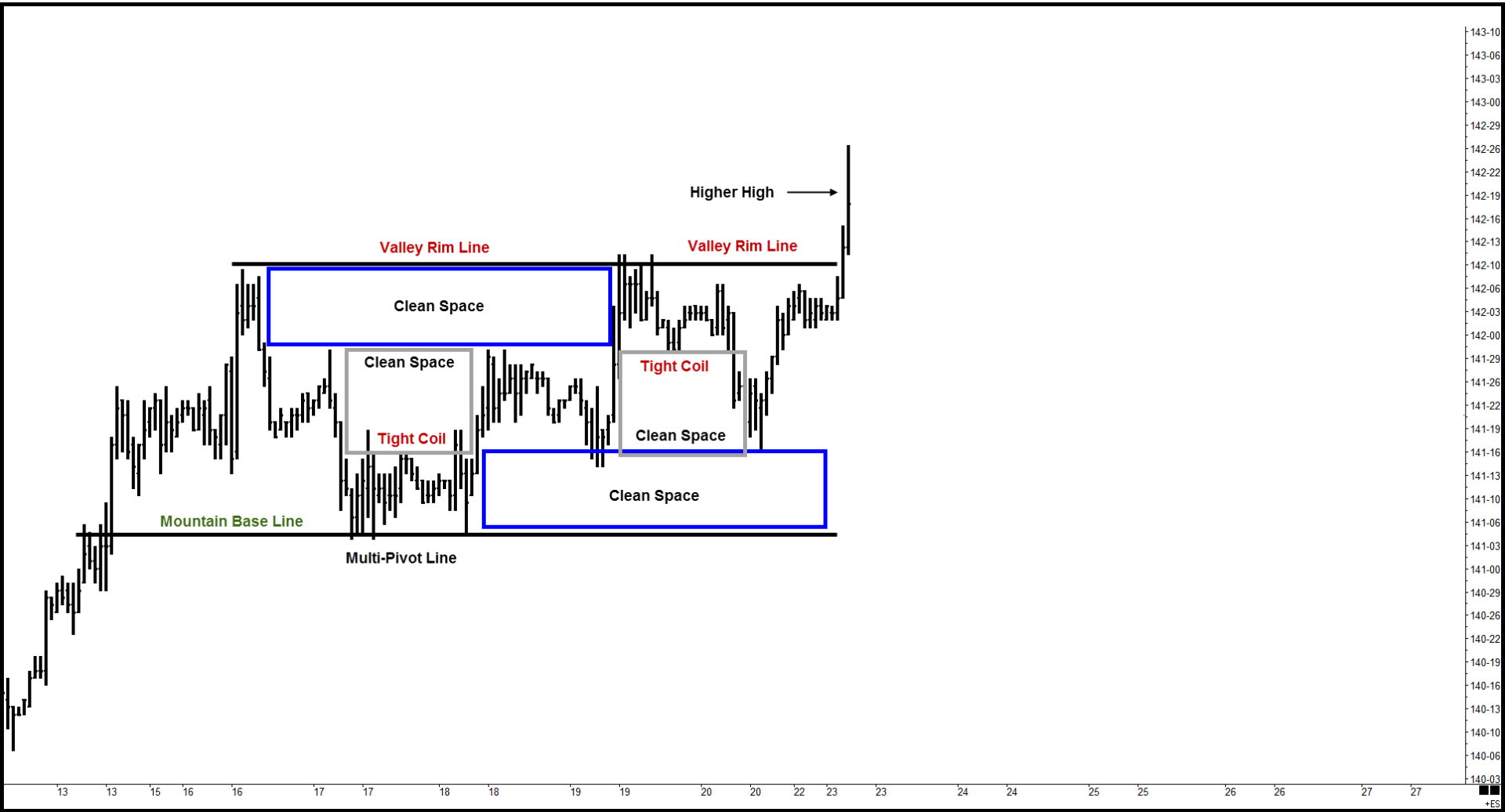


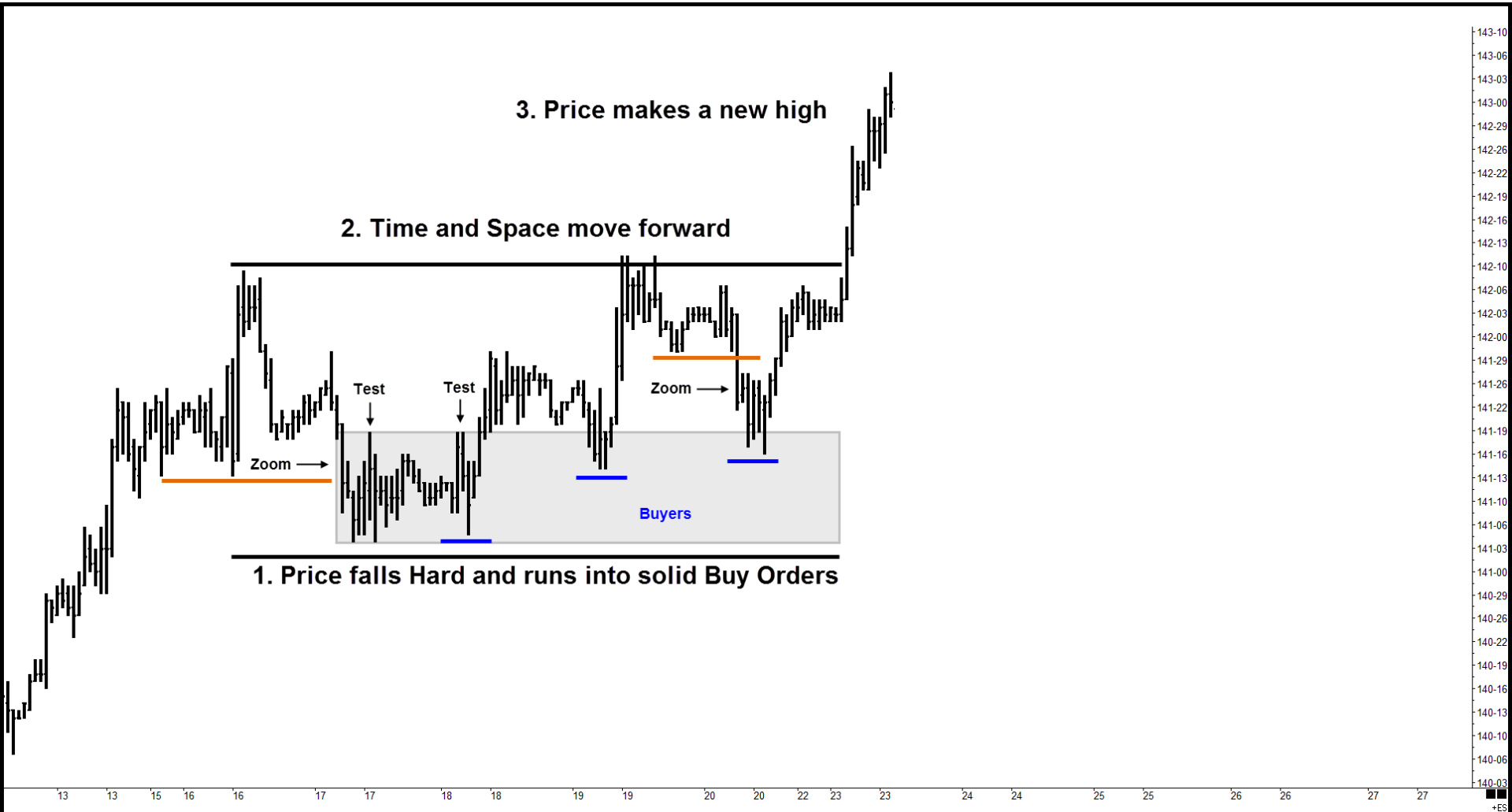
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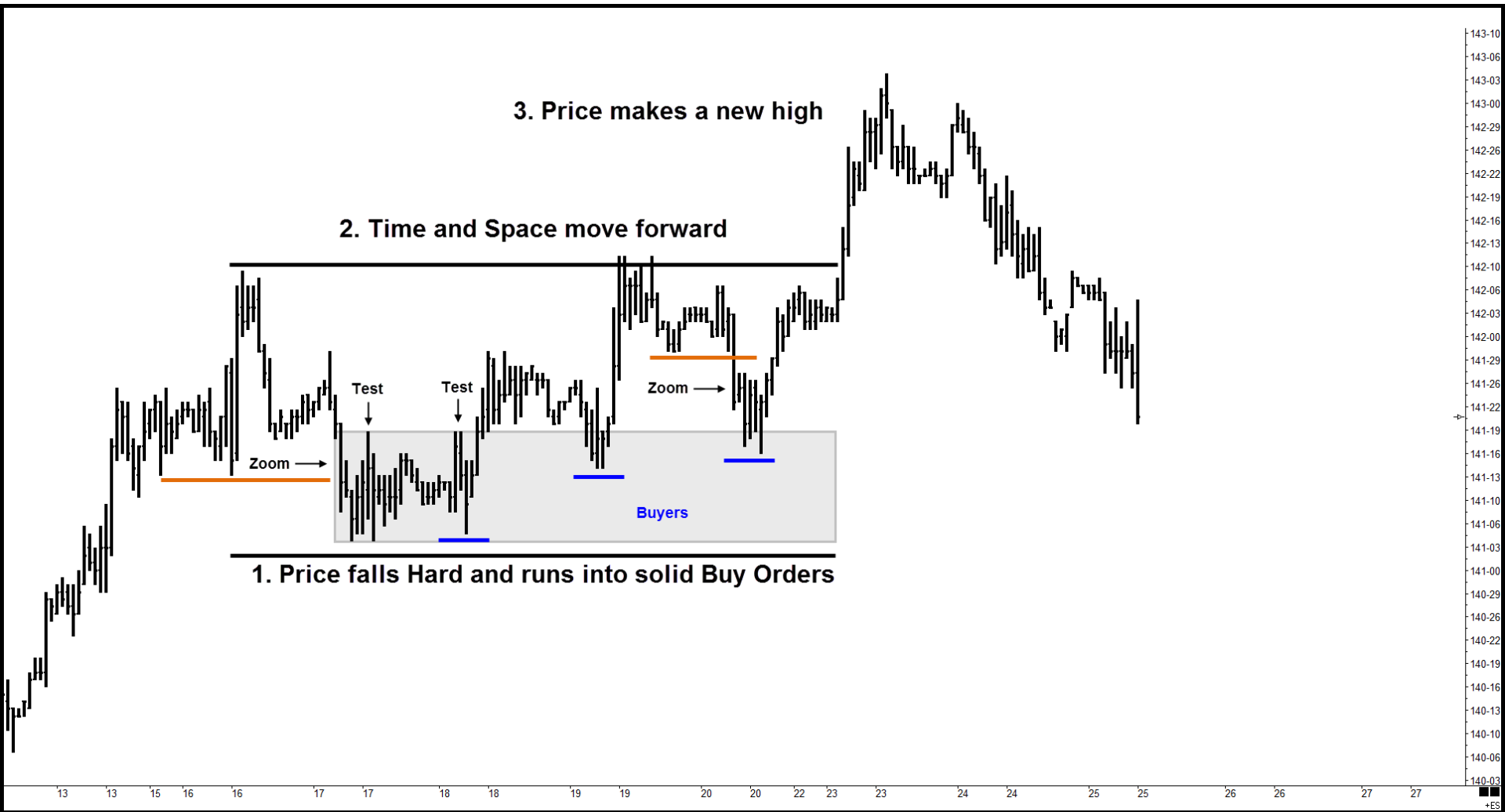
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Can you see the beauty hidden within the Price Bars now? What does it have to do with trading this contract? Let me show you how it frames and sets up a trade.







Now that I have 'found' the buyers and sellers, it's time to draw some simple lines.



Price will become volatile during and after the Fed announcement. Can I enter the market with a defined risk IF Price fills the Mountain?



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Line of Maximum Excursion

Trend Barrier

Zoom →

Fed Announcement

Close is in the Upper Third

Wide Range Bar with Separation

Buyers

Long Calls where I identified buyers

Buyers at Potential Fill of the Mountain Base Line

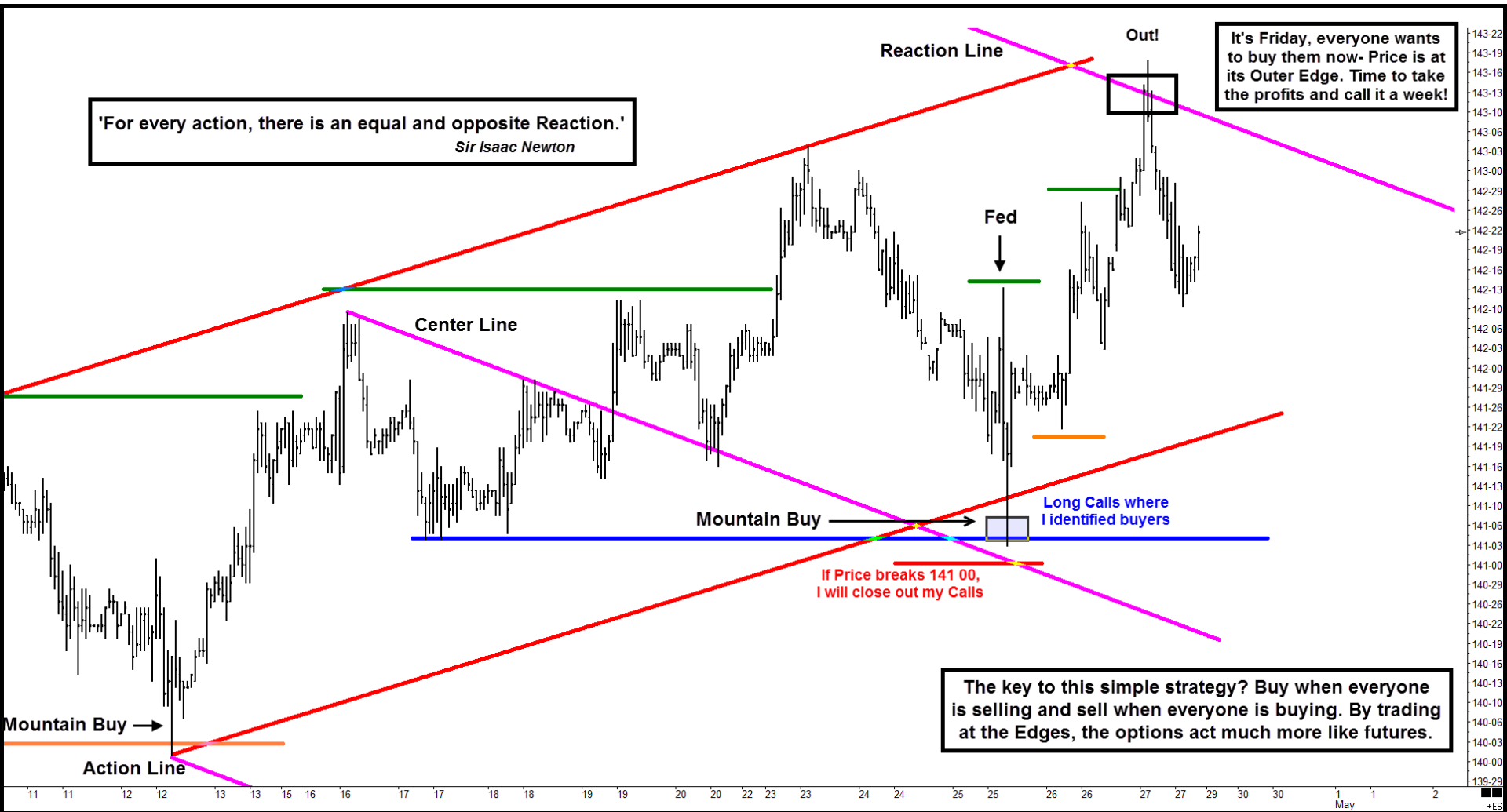
If Price breaks 141 00, I will close out my Calls

Price filled the Mountain in one bar!

This Mirror of the Line of Maximum Excursion Projects Time and Price Forward

Because Price will be volatile during and after the Fed announcement, I chose to take a simple option position. My profit per contract will be smaller, but I know up front the maximum I can lose per contract.



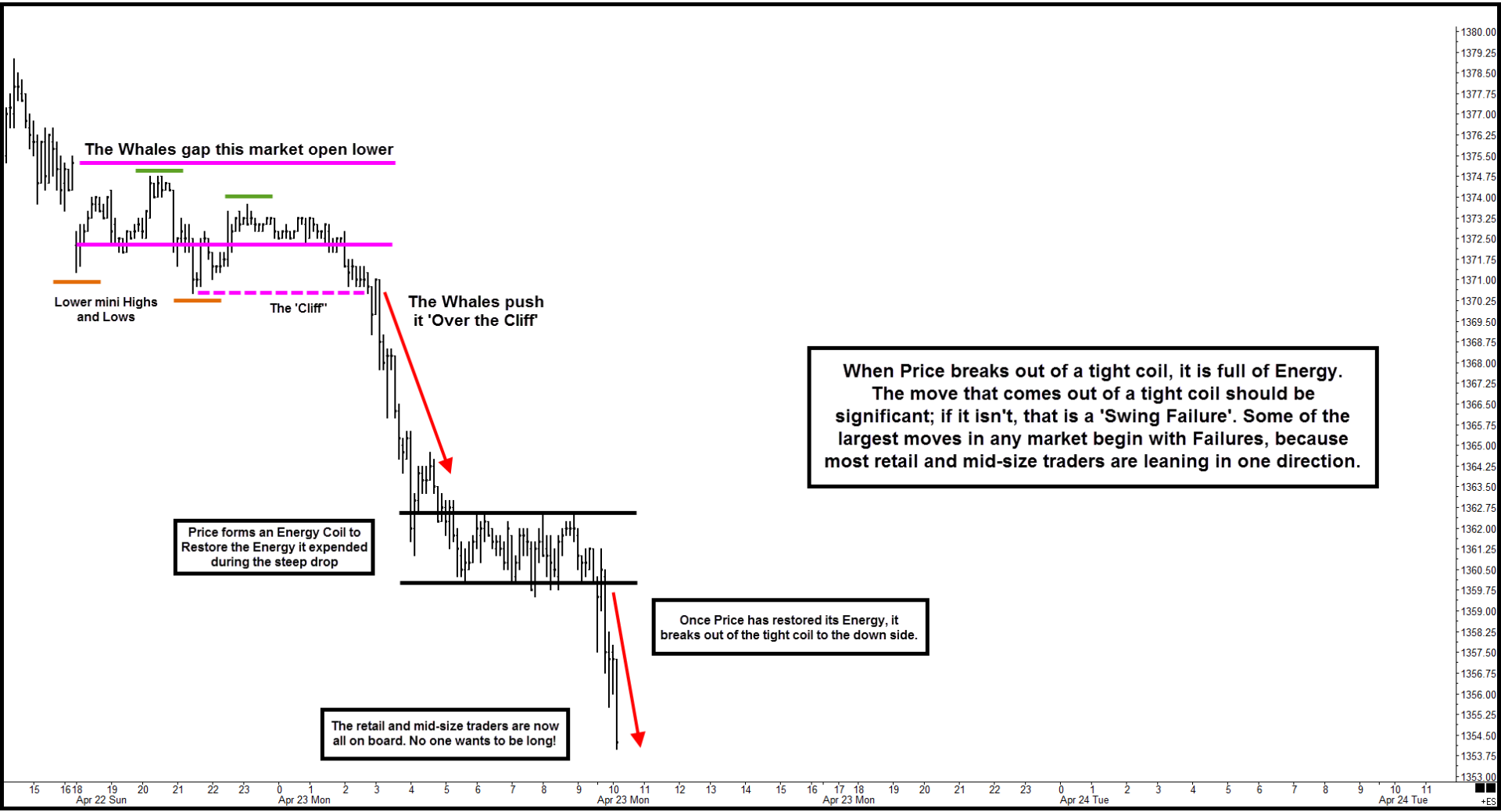


I don't use options every day. I use them if they fit the market conditions, at the times when I need to limit my risk. By using these simple options strategies, at the right time, I can take and hold positions before economic reports.

But there are other times when they are useful. Let's look at another trade.

I can use a simple options strategy to allow me to take a position in the E Mini futures near the market close, right before significant earning reports are due.



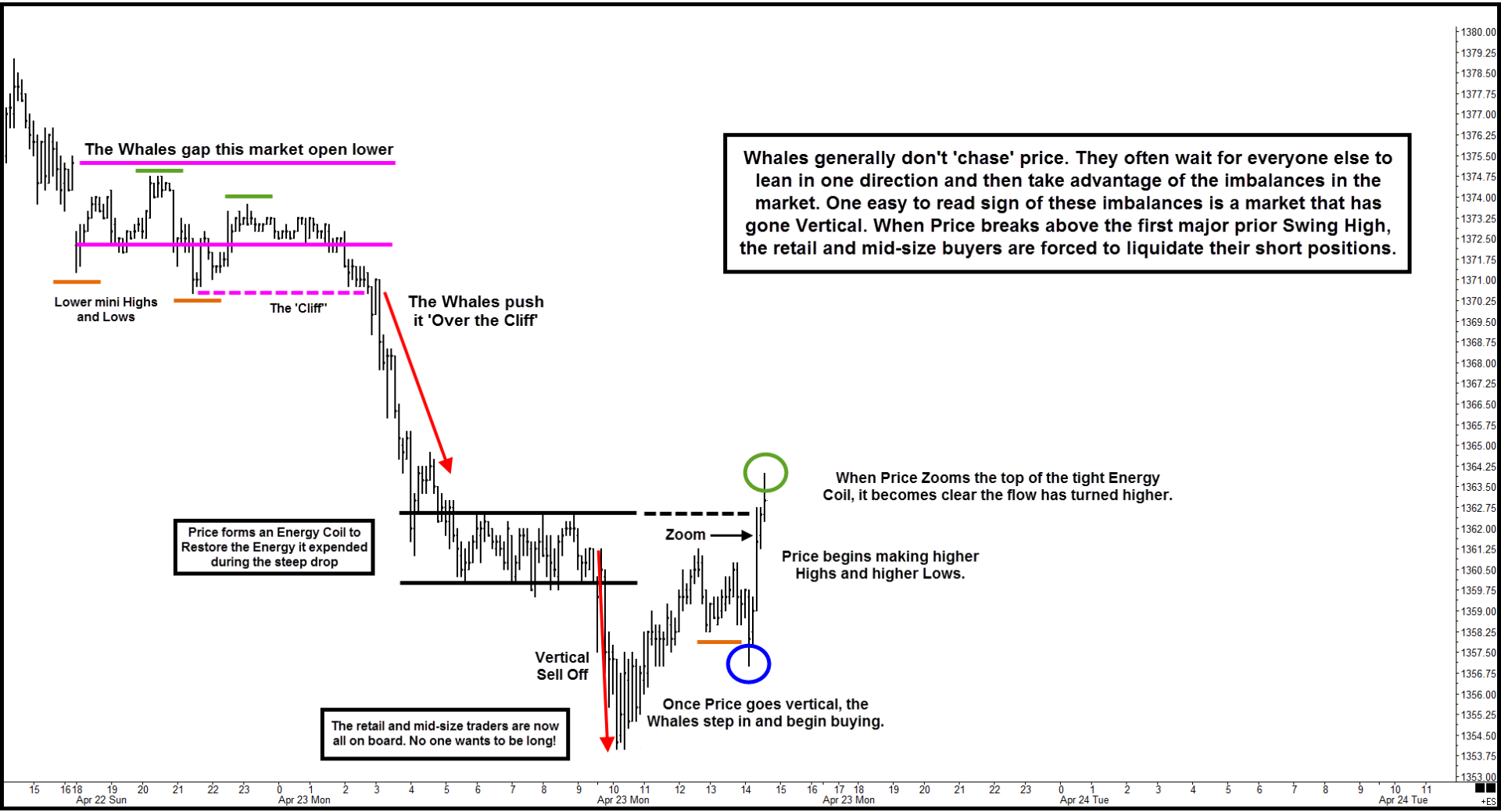


When Price breaks out of a tight coil, it is full of Energy. The move that comes out of a tight coil should be significant; if it isn't, that is a 'Swing Failure'. Some of the largest moves in any market begin with Failures, because most retail and mid-size traders are leaning in one direction.

Price forms an Energy Coil to Restore the Energy it expended during the steep drop

Once Price has restored its Energy, it breaks out of the tight coil to the down side.

The retail and mid-size traders are now all on board. No one wants to be long!



Whales generally don't 'chase' price. They often wait for everyone else to lean in one direction and then take advantage of the imbalances in the market. One easy to read sign of these imbalances is a market that has gone Vertical. When Price breaks above the first major prior Swing High, the retail and mid-size buyers are forced to liquidate their short positions.

Price forms an Energy Coil to Restore the Energy it expended during the steep drop

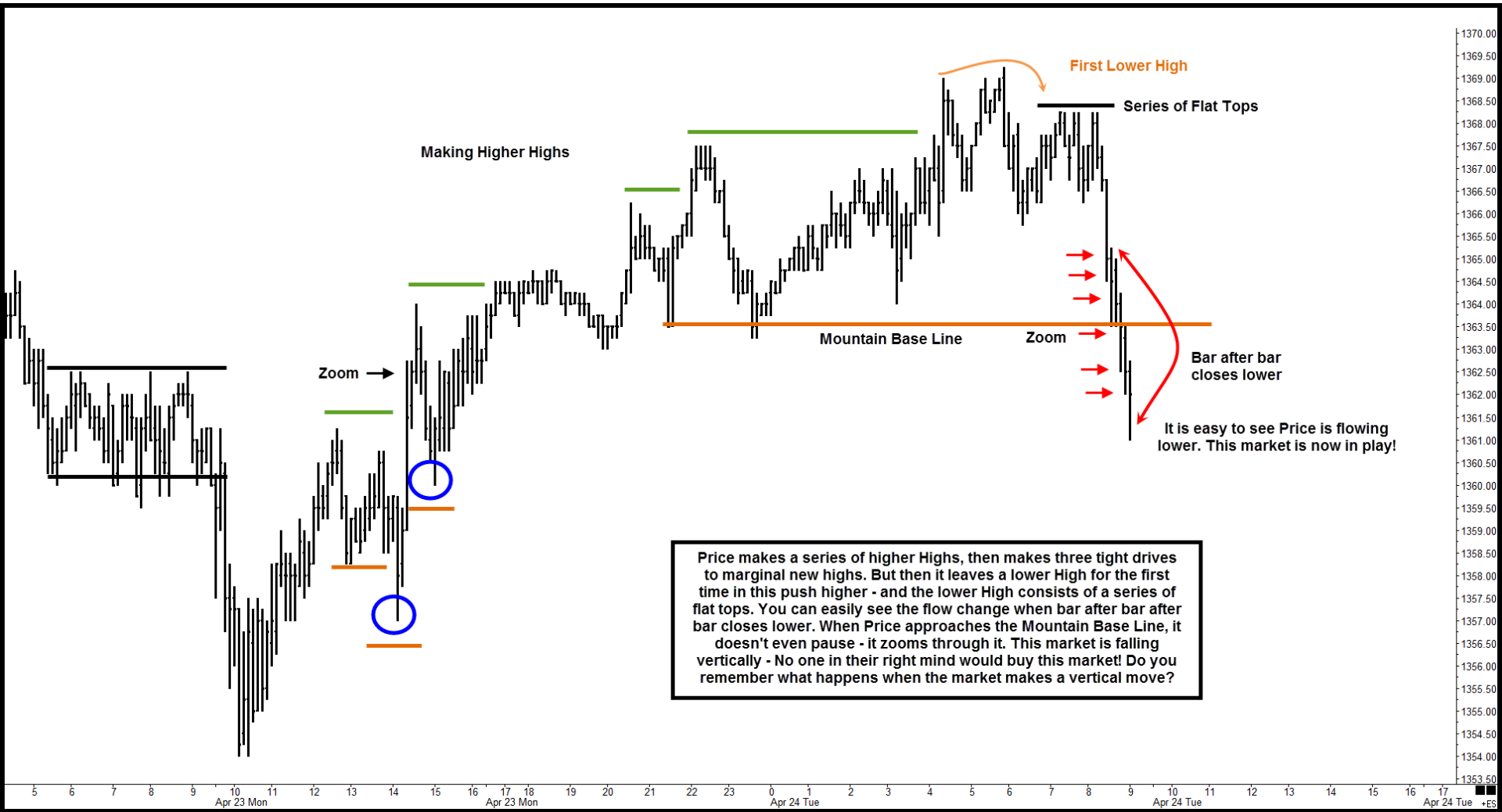
The retail and mid-size traders are now all on board. No one wants to be long!

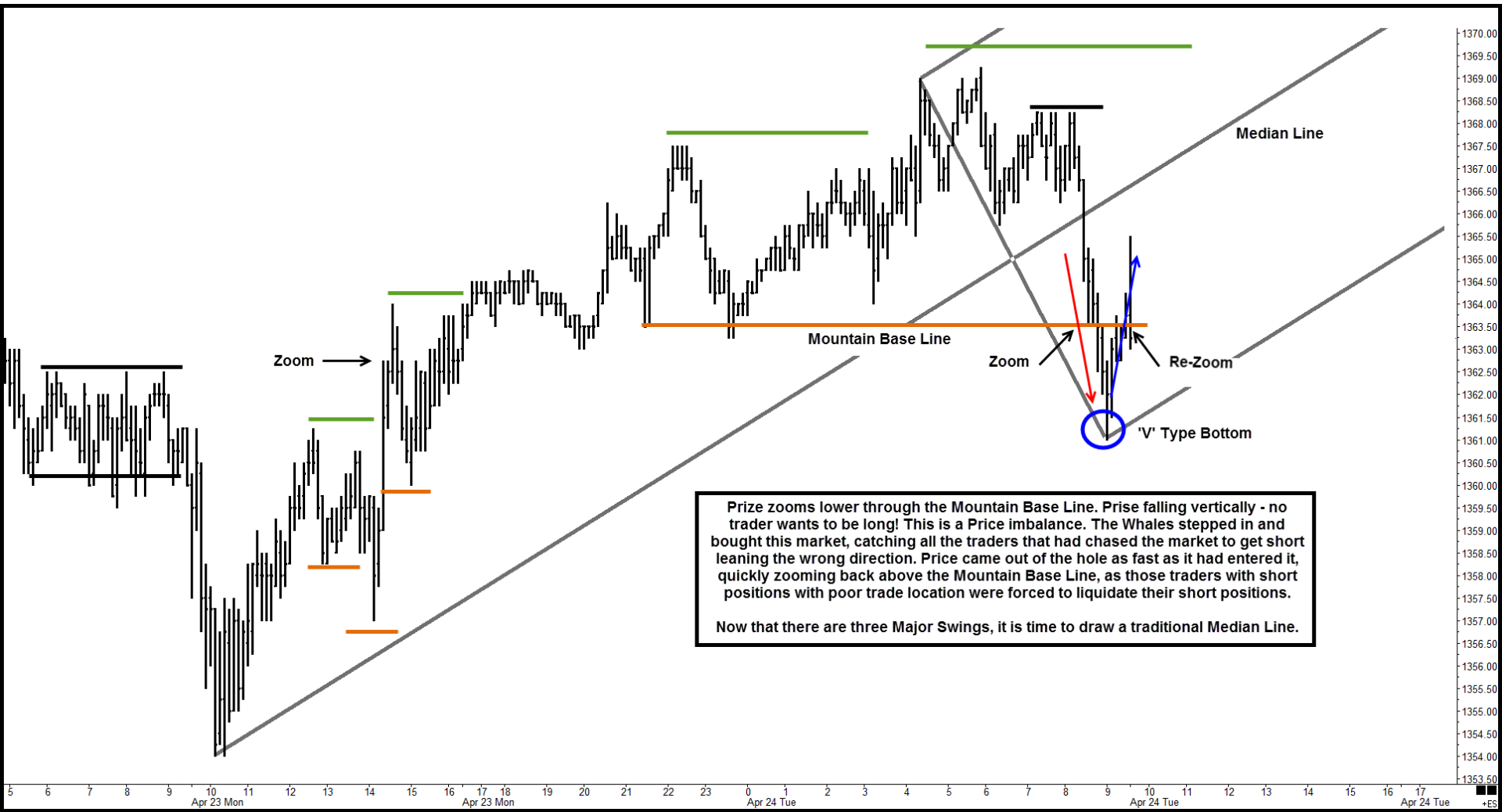
When Price Zooms the top of the tight Energy Coil, it becomes clear the flow has turned higher.

Price begins making higher Highs and higher Lows.

Once Price goes vertical, the Whales step in and begin buying.

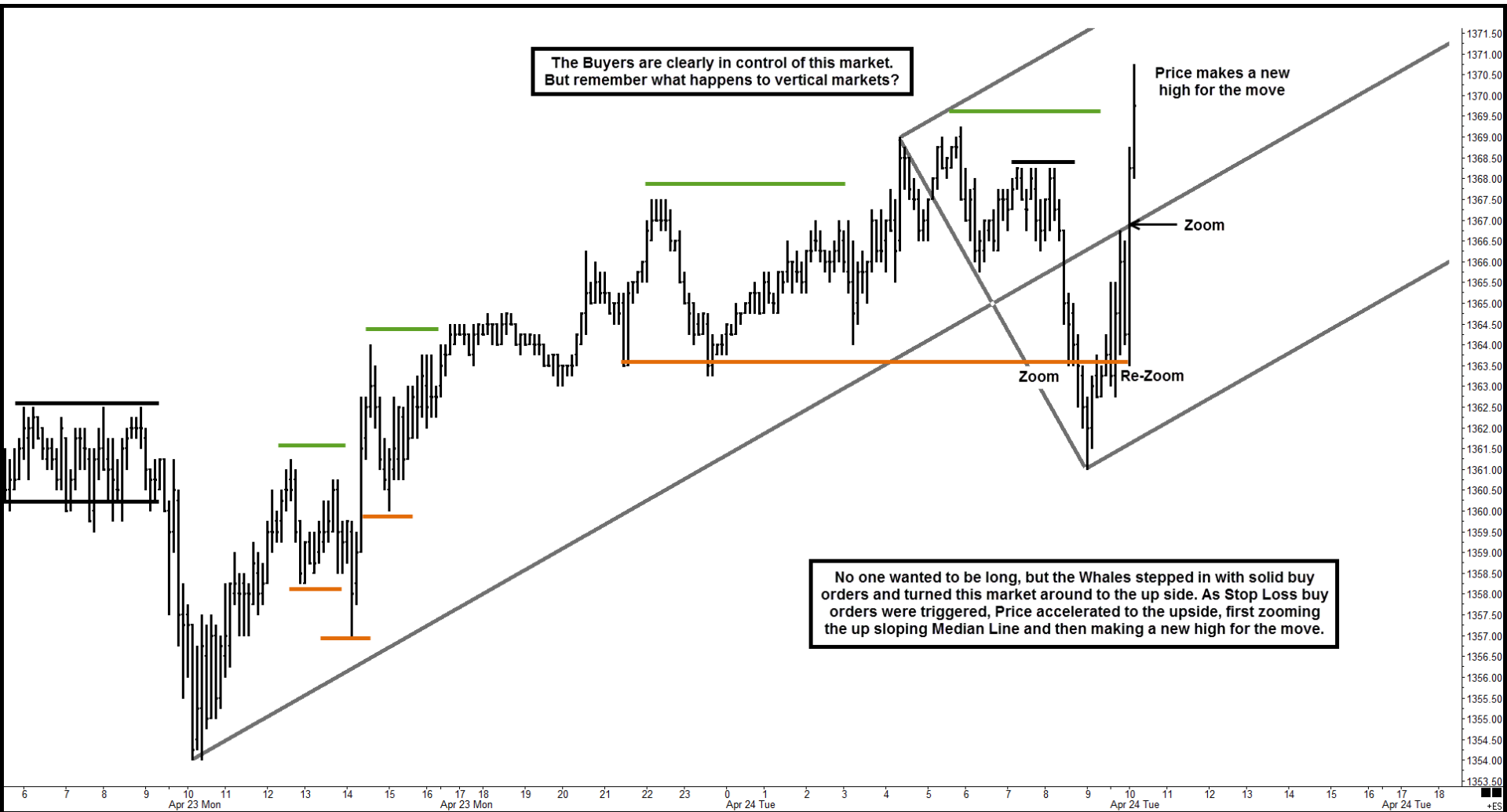


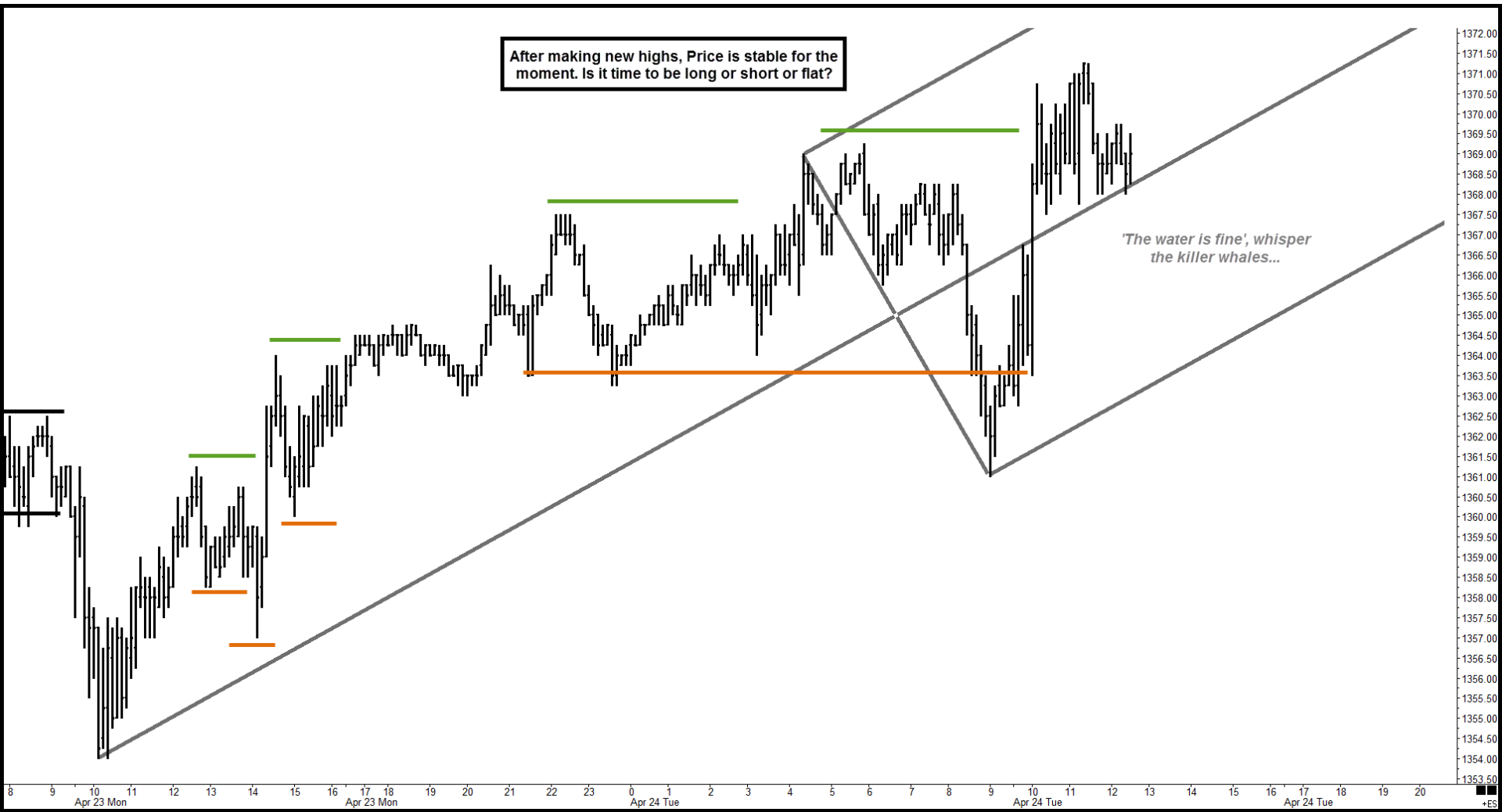


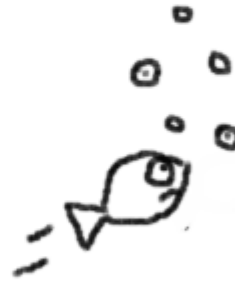
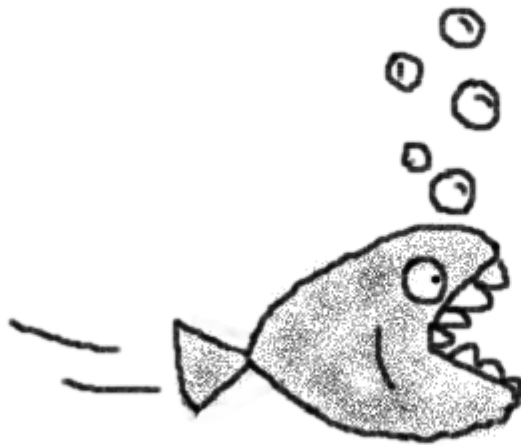


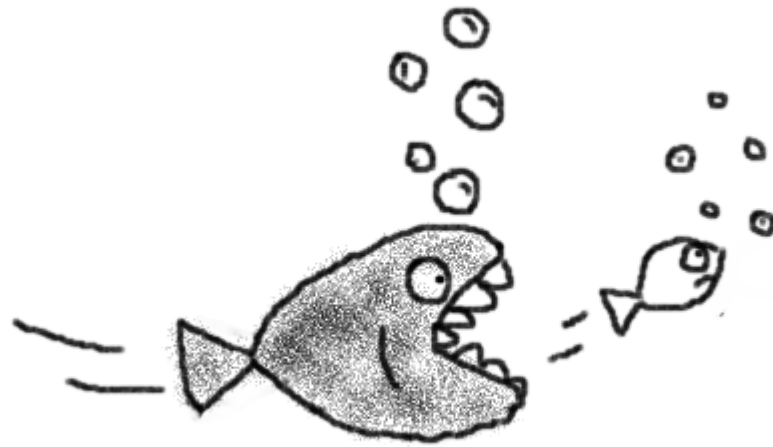
Prize zooms lower through the Mountain Base Line. Price falling vertically - no trader wants to be long! This is a Price imbalance. The Whales stepped in and bought this market, catching all the traders that had chased the market to get short leaning the wrong direction. Price came out of the hole as fast as it had entered it, quickly zooming back above the Mountain Base Line, as those traders with short positions with poor trade location were forced to liquidate their short positions.

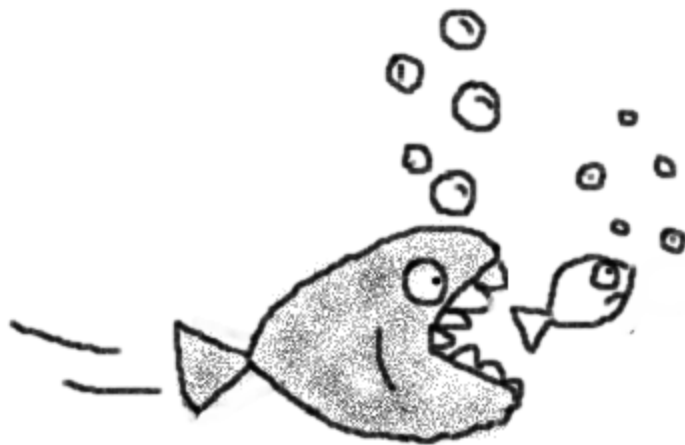
Now that there are three Major Swings, it is time to draw a traditional Median Line.



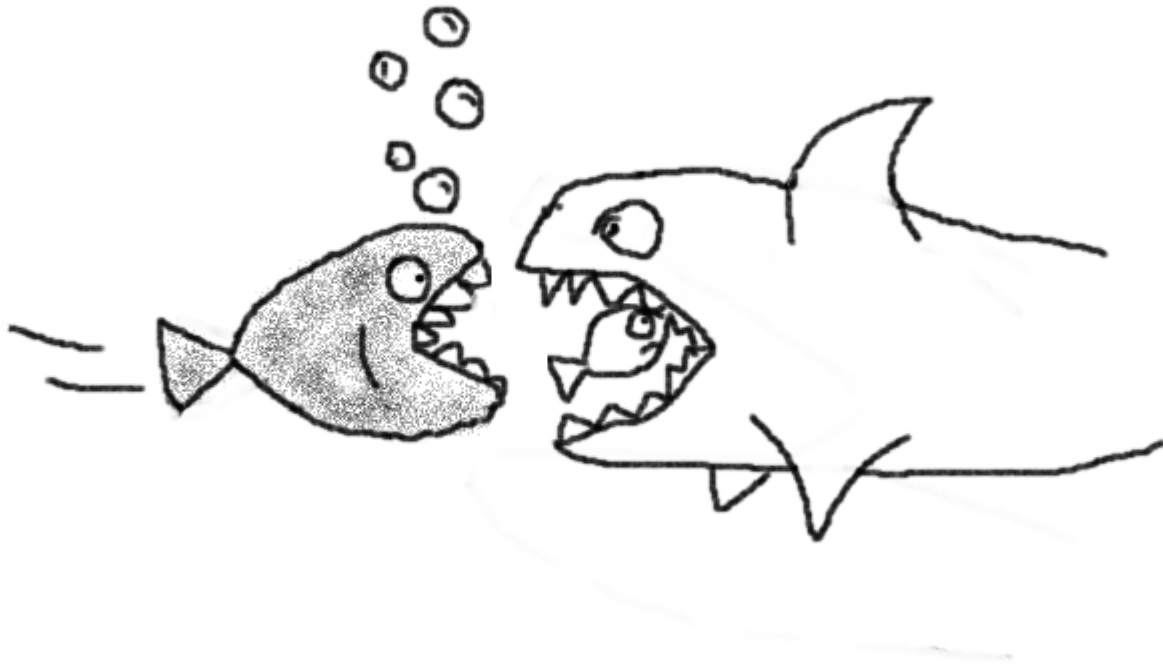


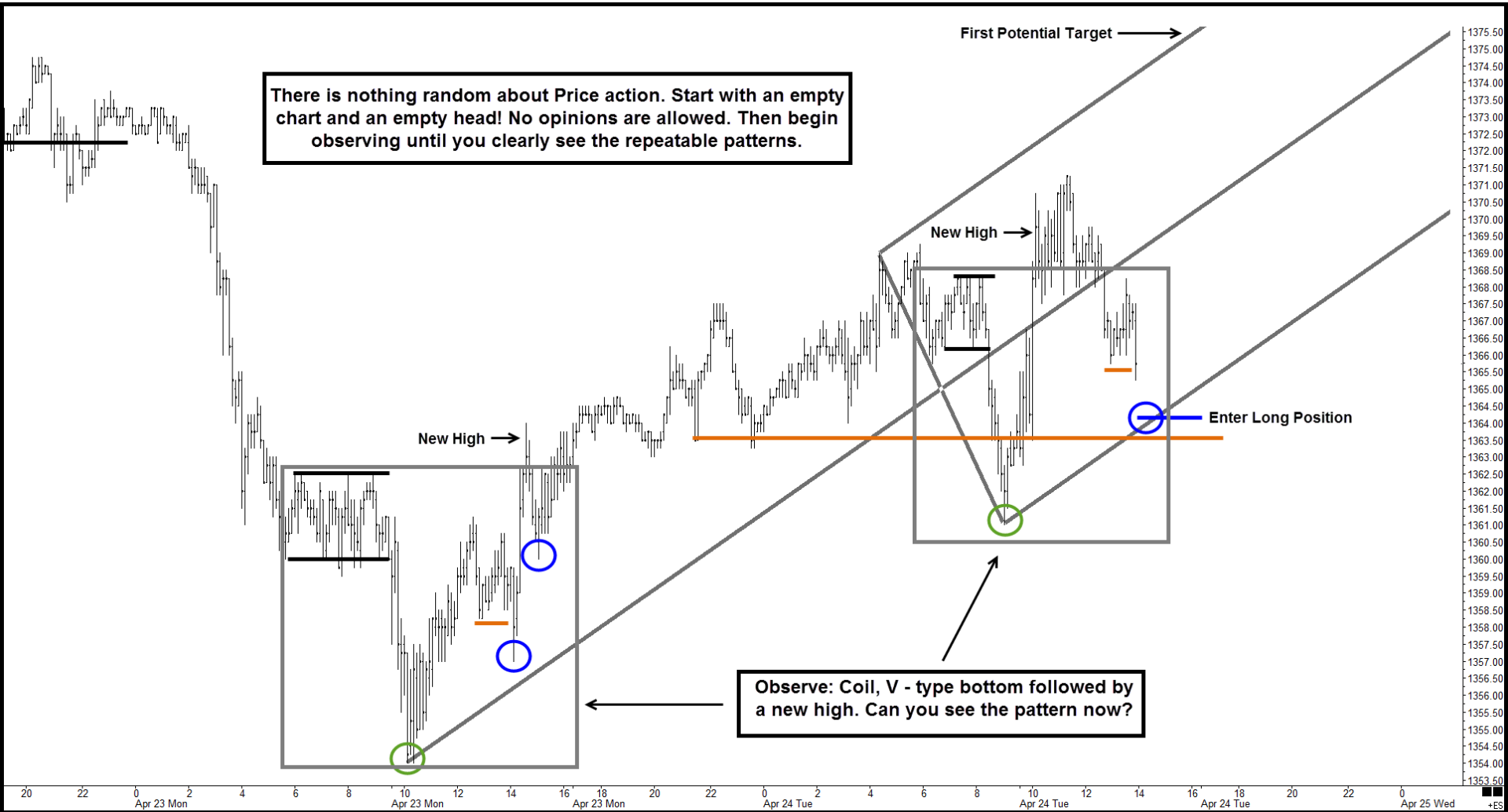




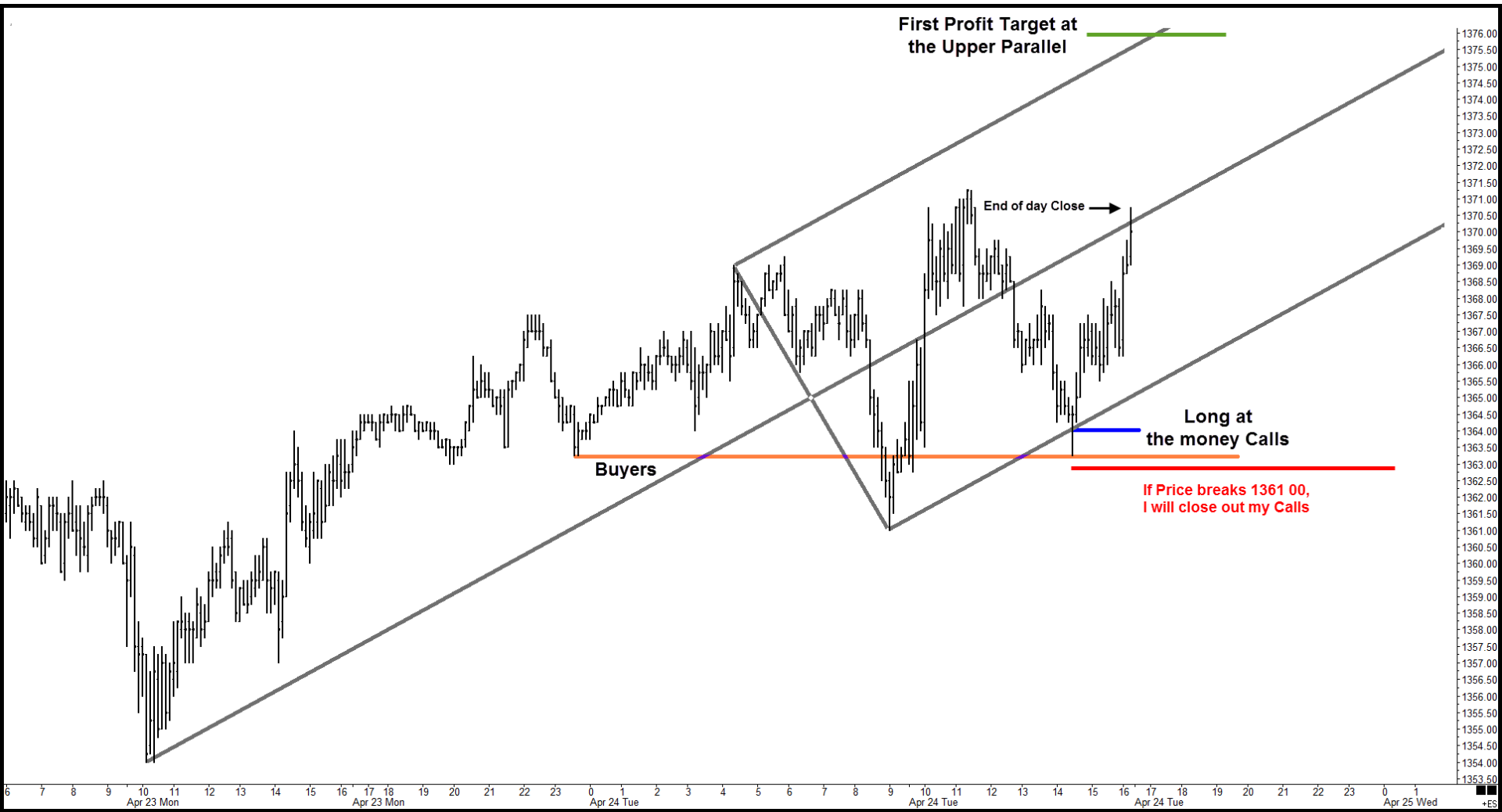






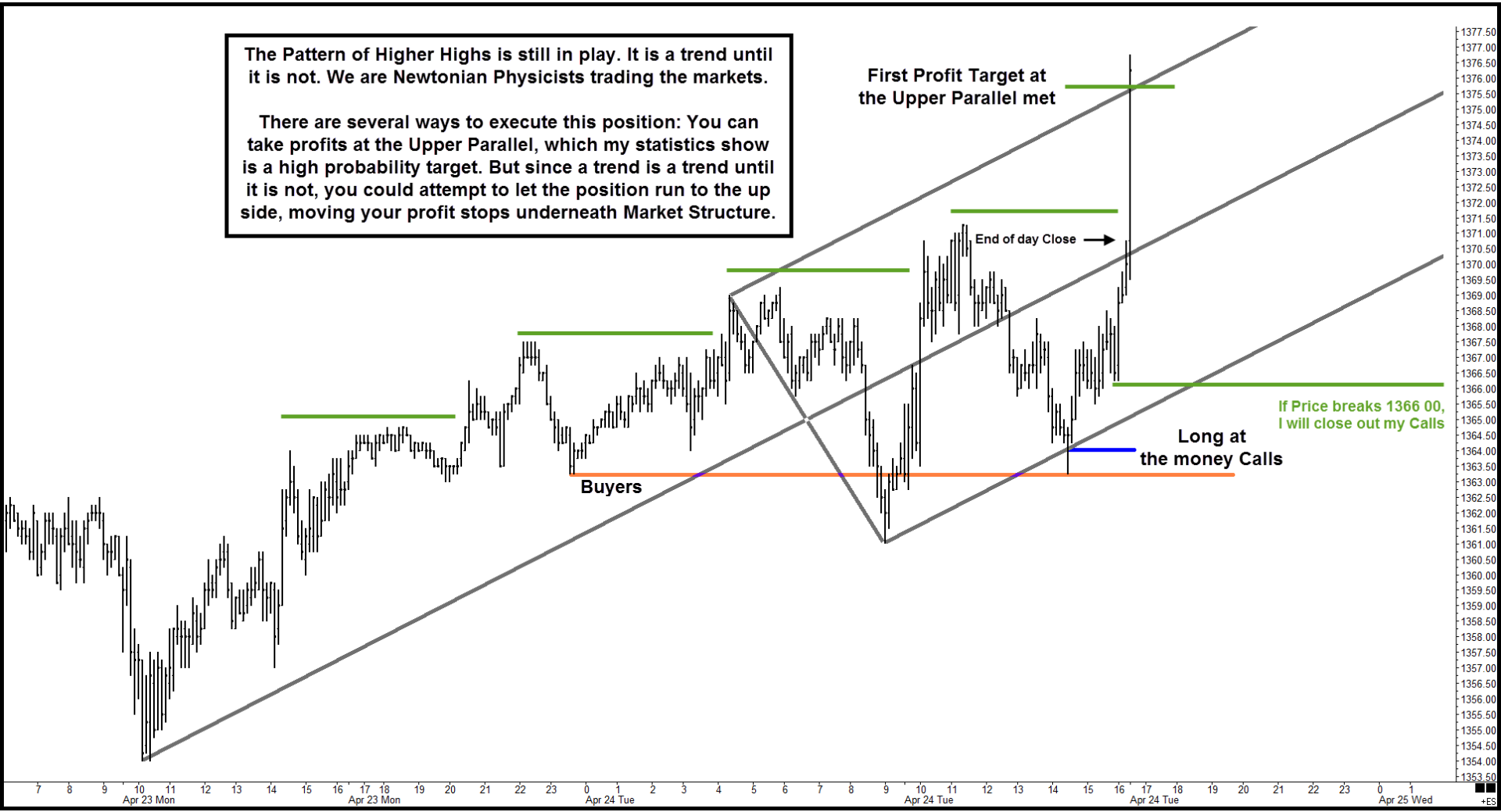






The Pattern of Higher Highs is still in play. It is a trend until it is not. We are Newtonian Physicists trading the markets.

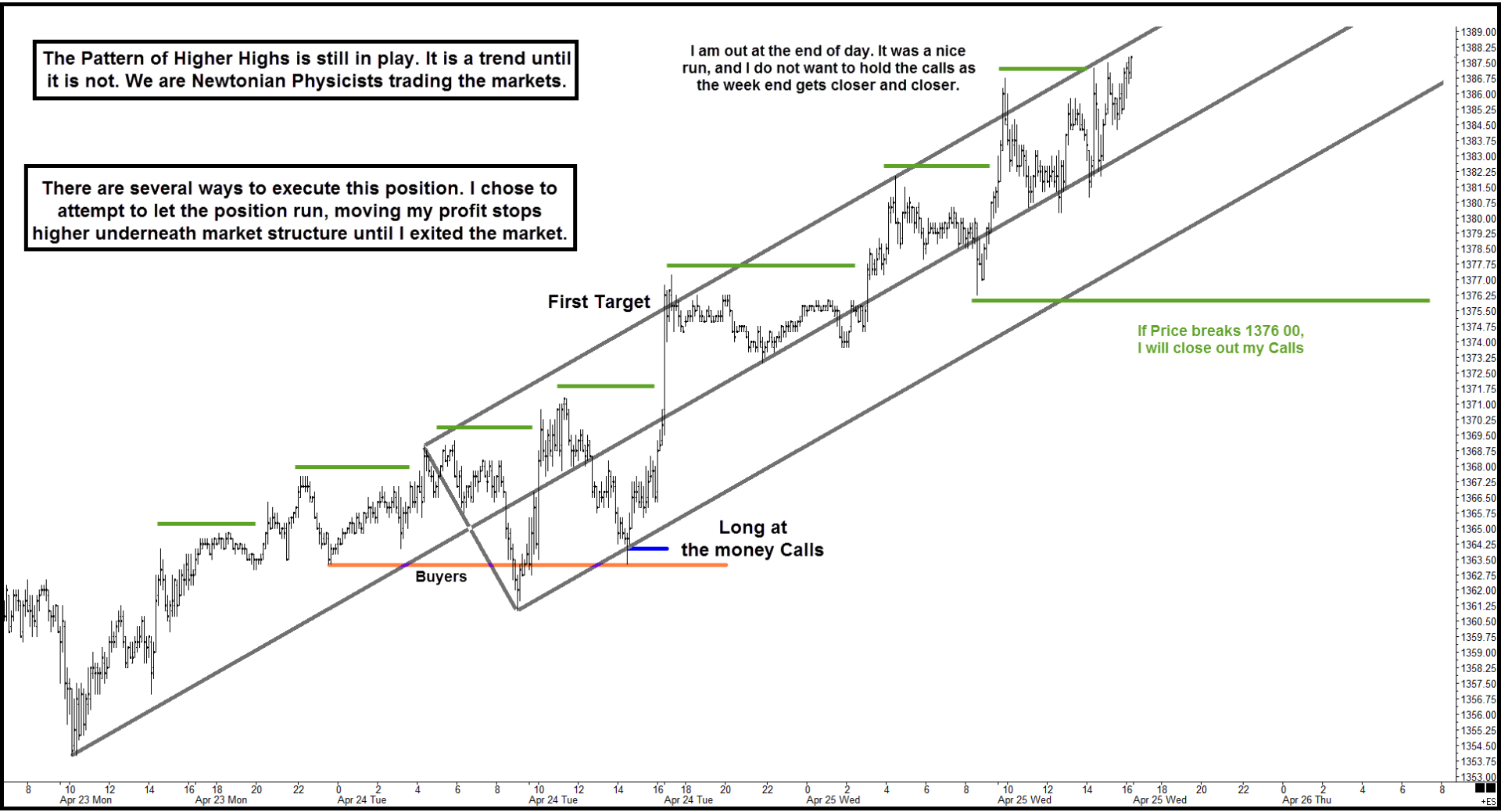
There are several ways to execute this position: You can take profits at the Upper Parallel, which my statistics show is a high probability target. But since a trend is a trend until it is not, you could attempt to let the position run to the upside, moving your profit stops underneath Market Structure.

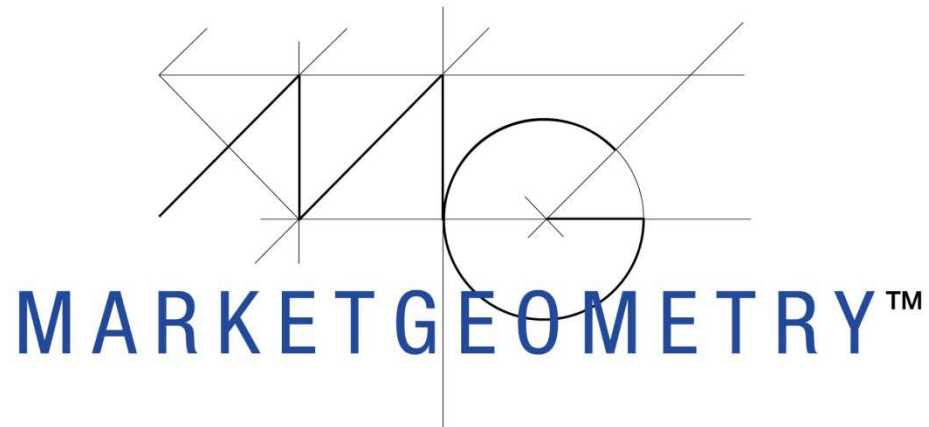


The Pattern of Higher Highs is still in play. It is a trend until it is not. We are Newtonian Physicists trading the markets.

There are several ways to execute this position. I chose to attempt to let the position run, moving my profit stops higher underneath market structure until I exited the market.

I am out at the end of day. It was a nice run, and I do not want to hold the calls as the week end gets closer and closer.





Thank You for taking the time to attend this session. Questions?

“Master your tools, master yourself.”

®Timothy Morge

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Options on Futures

Differences / Similarities to Equity Options

- Options are options (same strategies, calls, puts, limited risk)
- Underlying for futures options are futures contracts, not share
- Pricing differs based on market
- Futures options trade electronically & in open outcry

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