GUY COHEN

Introduction to the OVI

Follow The Insiders To Make Windfall Profits

TRADE WHAT YOU SEE AND FOLLOW THE INSIDERS

Introduction

Trade Safely in Three Easy Steps

In this introductory report I'm going to outline how to trade safely and for windfall profits in just three easy steps prior to our webinar.

My method embraces one of the most respected traditional techniques combined with a unique way of following insider trading activity. These are meshed together into a simple trading plan that anyone can replicate. My method is endorsed by professional traders who not only subscribe to my unique services, but also use my tools to qualify their own recommendations.

Dramatic Trades That Demonstrate What We Do Best

Just to whet your appetite I'm going to mention a few trades that illustrate the power of what we do and how simple it is.

Bear Stearns (BSC) 2008

Between 1st January 2008 and 28th February 2008, Bear Stearns (BSC) shares traded in a range between $68.18 and $93.09. Nothing unusual in that.

On 3rd March 2008 Bear Stearns closed at $77.32. At around this time most commentators (famously including those on CNBC) were suggesting that BSC could be a takeover target and as such were optimistic about the stock's prospects.

At the same time, a discreet new indicator plummeted to its lowest possible reading for BSC. In itself that wasn't the key factor. It's the fact that for the next two weeks the indicator remained at its most negative reading for all but two days.

Exactly two weeks after the unknown indicator first plummeted, BSC went into free-fall, reaching a low of $2.84. Bear Stearns was indeed taken over … but at $10 per share, a far cry from the heady heights of $77.32.

The share price drop represented a move of over 80% and a massive profit for those who had bet on BSC's demise.

This was one of the most dramatic declines in the history of the stock market, and yet not one commentator saw it coming.

And yet, there were people who DID see it coming … and they made a fortune from it too.

How do we know this? Well, the "unknown indicator" measures what options traders are doing. And the good news is that this report is not about how to trade options. All we're doing is following the lead of what options traders are betting on, and then applying that to simply trading stocks.

In the case of BSC, the indicator went nuts to the downside two weeks before BSC collapsed!

Someone, somewhere must have known something ...

In this report you're going to learn how to spot another Bear Stearns, or more positively, how to spot a meteoric rise in a stock before it happens.

Whatever your trading experience or proficiency may be, this report will suit you. This is because my method is effective, simple and easy to apply.

I also want to re-emphasize, this is NOT a report on options! We will refer briefly to options during the report because part of our method relies on following what savvy options traders are doing, but this is specifically **not** an options trading method.

What we're doing is following a simple indicator that is derived from options transaction data. We combine this with a traditional chart pattern in order to trade stocks. As for the simple indicator, well, it's simple to use, but what's behind it is pretty sophisticated.

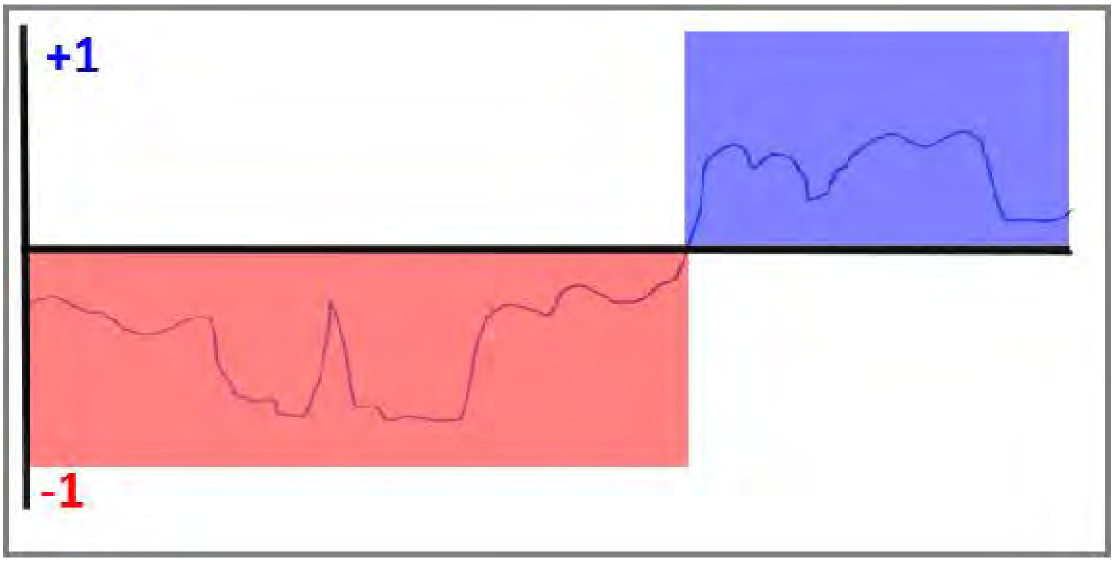
This indicator is known as the OVI.

Look at the diagram below - can you identify where this line is positive (above the horizontal line) or negative (below the horizontal line)? Of course you can!

- In the first two-thirds of the chart the indicator is negative. When it's like this for a few days we focus more on bearish chart patterns.
- In the last third of the chart the indicator is positive. When it's like this for a few days we focus more on bullish chart patterns.

It's that simple to read!

The OVI is a simple line:



Typically what we're looking for is for the indicator to correspond with a particular chart pattern. When the two match, then we have a potential trade.

Here's another example.

Apple Inc (AAPL) 2012

In this example you can see how the indicator was positive for over a month before AAPL broke out to the upside. This led to a move of over 200 points, representing a 50% increase in AAPL's share price in just three months. During this move there were several opportunities to buy the stock using our method and profiting from the fantastic move.


Original bull flag
Jan 2, 2012
Mar 1, 2012
Apr 2, 2012

Bank of America (BAC) 2011

In the next example you can see how the OVI was negative preceding Bank of America's several breakouts to the downside. Within four months of the first obvious breakout the stock had halved in price meaning massive returns for short traders.

So now you've had a teaser of what's to come, here's a summary of our three steps.

1. You're going to learn about flags and breakouts.
2. You're going to learn how to use the OVI.
3. Finally I'm going to outline the trading plan.

Prior to our webinar, I'm also going to outline some of the facts that underpin our method and some of the challenges that traders face.

The Facts

- **Fact 1**

  More fortunes have been created from the stock market than any other financial instrument.
- **Fact 2**

  There is one type of chart pattern that is responsible for more success than any other pattern or indicator. This pattern is easy to find and easy to trade with.
- **Fact 3**

  "Insiders" are consistently successful in the stock market. But insiders do not just include the dodgy ones – they can be completely legitimate.
- **Fact 4**

  No-one can consistently predict the direction of the market. You have to trade what you see.
- **Fact 5**

  You must always trade with a trading plan. The trading plan must specify where you enter, where you exit, and where you take profits.

These are pretty bold statements so examine each of them in turn:

Fact 1 – More fortunes are made in the stock market than any other instrument
Of course there are people who've made fortunes from Forex, commodities, futures, options and other instruments. But many more fortunes have been made from stocks. Why? Because they're more accessible and because stocks, like no other instrument, give certain people at certain times an "edge" that no other instrument can give. And that edge is what I call "privileged" information.

In this report I'm going to show you how to follow the traders who appear to have privileged information, and how to translate that into profitable trading for you.

Fact 2 – One particular chart pattern has made many fortunes
Legendary traders like Darvas, O'Neil, Zanger all celebrate a particular chart pattern

that has been largely responsible for their own trading fortunes. This is the pattern we're going to focus on in this report.

Fact 3 – Insiders make more profits more often!

This may seem like an obvious statement but "insiders" can be completely legitimate.

It's a fact that some people are going to know what's going on with certain organisations at certain times. Sometimes this information is apparent because they have proximity to the business – for example a supplier or customer to the business has no illegal insider information per se, but has a general feel for how things are going for that corporation. Sometimes the information is more intimate with an insider connotation, for example in the case of information held only by the company's officers and close advisors.

I certainly do not advocate illegal insider trading, but it's a fact of life that it does go on. However, sometimes "informed" trading occurs which is totally legitimate. Either way, the tell-tale signs of informed trading are easy to spot. And our job is to follow it because it leads to high probability trading profits.

You don't need to be an "insider" or even have any information per se to make use of privileged information. Sometimes even those with supposed inside information get it wrong because they overestimate the impact their information may have. As such, illegal insider trading doesn't necessarily translate to profits anyway.

Suffice to say for now that our purposes, being able to observe transactions in the financial markets is far more important than the specific information on which they may be based.

Fact 4 – Don't predict, only trade what you see …

No-one can predict the market as in with a crystal ball. But what we can do is make educated decisions based on patterns when they start to move in our favor.

Fact 5 – Trade with a trading plan

This should really read "trade with a robust trading plan". Not all trading plans are made equal. The right plan should embrace a tradeable chart pattern (like our preferred chart pattern), where you enter, where you exit, and where you take profits. It is simple but you have to have discipline to execute it over and over again.

Successful trading is all about having an edge or advantage.

What Traders Really Need

We traders need a clear and simple method that is based on sound principles.

And yet, the trading world abounds with complex theories and all kinds of funky hocus-pocus.

Our way of trading focuses on these factors:

- Our favored chart pattern must be in place.
- An insight into what the insiders are doing.
- No earnings announcement likely to interfere with our trade.
- A clear and simple trading plan that specifies where we enter and exit the trade.

  The trading plan must embrace taking partial profits early, and then hopefully windfall profits will follow if the markets trend in our favor.

Earnings Season **occurs every quarter where the majority of companies announce their results for the previous quarter, and is often coupled with a trading statement for the current quarter and beyond.**

Is all this possible for the amateur trader?

Absolutely YES, that's what this report is all about.

So let's see how we can achieve this.

- **What is the favored chart pattern?**

  Our favored chart pattern is called a flag. There are two types of flag pattern, bullish and bearish. With bull flags we profit as the stock rises. With bear flags we profit as the stock falls.

  We also like to trade price breakouts from "support" and "resistance". Support is like a floor formed by previous low prices, and resistance is like a ceiling formed by previous high prices. As a stock price breaks these levels we have the chance to make money.

- **Is it possible to profit from the breakout and keep our risk low?**

  Yes, we can. By entering a trade that will only be triggered after the breakout occurs, we radically reduce our risk while still being able to participate in potential windfall profits.

- **Can we really see what the insiders have been up to?**

  Absolutely! Clever traders congregate in the options markets. My original training was in options so I know just where to look for them. This is where my OVI indicator comes in very handy.

- **Can we find stocks that are not about to report earnings?**

  Yes, we can identify stocks that have already reported earnings and disqualify those stocks that are about to make announcements. We can also find stocks that have no earnings in the imminent future. The more news there is in the recent past, the less likely there is of a potential nasty surprise. But that's not the only thing that we need here … we need a combination of factors.

- **Can a trading plan really be simple?**

  Yes. The components to it are:

  - ✓ when to enter
  - ✓ when to exit with a small loss
  - ✓ when to take your first profit
  - ✓ when to take your second profit.

When you trade the method I'm about to teach you in the webinar, you must be able to manage the trade properly. This means taking partial early profits and allowing for further profits if the stock continues to move in our favor.

Don't worry, I'll teach you exactly how to do that. I'll also teach you how to recognise the easiest and least risky patterns to trade.

Finally …

- **Can we find the opportunities easily?**

  Yes, we can identify these stocks with just a couple of clicks of the mouse:
  - ✓ with no scheduled news announcements in the near future
  - ✓ forming our favored chart patterns
  - ✓ those where the insiders seem to be trading

The Three Easy Steps

So let's remind ourselves of the three easy steps.

1. We trade with our favored flag patterns and breakouts from support and resistance.
2. We follow what the insiders are trading by monitoring the unique OVI indicator.
3. We execute a simple trading plan that specifies where we enter and exit. We only enter when a breakout is occurring and we take partial profits early in the hope that the remaining part will lead to a windfall. If it doesn't then at least we've still cashed in a profit. Also, we avoid stocks that are about to make an earnings announcement.

That's it for now ... I look forward to seeing you on the webinar!