

How to Begin Your Trading Day

Section 1

Four Steps

There's too much information. It's paralyzing. If you want to stop overloading your brain in the morning, do these four things and you'll be set up for each and every day.

1. Email(s)
 - a. RBS' email speaks to the cash markets and the futures markets in a very concise way.
 - b. My morning emails
 - i. my emails arrive 1 ½ hours before RBS' email
 - ii. there's quick-shot news for the prior day and overnight
 - iii. read my research note, "What's in the treas morning email" to learn more about what's inside.
2. What's the Fed/Bernanke paying attention too?
 - a. Currently [Nov-2006] it's inflation and the slowing economy.
 - i. always know what the Fed's main focus is
 - ii. if you don't know, then ask someone
3. What's New?
 - a. What is the market currently paying attention too?
 - i. You'll find the answer in the morning email you read and through the talk on the trading floor throughout the day. (See details in the next section, "Further Explanation of the 4 Steps".)
 - b. What happened overnight in the markets?
 - i. Where did the commodity you trade close yesterday?
 - ii. Where is it trading this morning? Why? Did something happen overnight? This information is in my morning email, 'treas'.
4. What's Happening Today?
 - a. Where did we come from?
 - i. Was there a big number release yesterday? Did it make the market move in a big way? Maybe it should have moved and it didn't.
 - ii. was there an auction yesterday?
 - iii. did the Fed meet yesterday?
 - iv. etc
 - b. Where are we today?
 - i. what numbers are coming out?
 - ii. is there a Fed speaker?

- iii. are we expecting a big corporate pricing?
- iv. come to my morning meeting, at 6:45, and you'll find out
- c. Where are we going tomorrow?
 - i. big number tomorrow?
 - ii. fed meeting?
 - iii. corporate pricing?
 - iv. etc., you get the idea.

Section 2

Further explanation of the 4 steps

What's the Fed paying attention too?

Currently [Nov, 200] the fed is paying attention to the following:

Inflation

1. PPI (Monthly)
2. CPI (Monthly)
3. GDP Price Deflator (Monthly)
4. NFP: this number has become big again for many reasons. The biggest being, the fed is worried about the tight labor markets pushing up inflation.

What's New?

1. There's always something that creeps into the market, 3 times, or so, a year.
2. This is usually tied to a commodity
 - a. Oil
 - b. Yen
 - c. JGB
 - d. An index such as DOW, SP, or ND
 - e. Euro
 - f. US \$, etc.
3. What's happening here is something's beginning to have an affect on the Fixed Income markets. More and more people begin to watch this new 'indicator'
4. The News services begin to pick up on this new 'indicator'
5. How about now? (June , 2004)
 - a. The JGB is creeping into the story
 - b. The following is from an email sent out today (June, 8th)
 - i. "A much more exciting story -- today at least -- concerns JGBs. Bonds dipped overnight in response to better but not overwhelming selling and the ongoing pressure from JGBs. Talk about a horror show; last night included they have now slid 11 days in a row for their worst losing streak in at least 14 years. Yields have perked up to their highest level in four years."
 - c. How would you trade off of this?
 - ii. JGB Yields go up, then
 - iii. SELL notes
 - iv. Why?

1. Who cares
 - d. the Japanese bond market is the new indicator
 - e. However, this doesn't mean that it's the new LEADING indicator. It's just a FACTOR affecting us.
 - f. The leading indicator will always be FED policy, for this day and age. (Of course, this will change at some point. But not now.)

What is Happening Today?

1. Read your morning email
2. Here's some of the things you want to know before you start trading, everyday:
 - a. Economic Releases?
 - i. what?
 - ii. when?
 - b. Fed Talk
 - i. are there any fed governors or Greenspan spewing rhetoric?
 - ii. to whom are they talking too?
 - c. Auctions?
 - i. what?
 - ii. when?
 - d. Daily and weekly support levels
 - i. how will I trade if we get to those levels?
 - ii. is the street talking up some level?
 - e. DOW, ND, or SP
 - i. are any of these at significant MONTHLY support or resistance levels, and/or
 - ii. are the News services or the street talking about them in any significant manner? It's not the DOW or ND or SP I'm specifically talking about, but the new indicator that I mentioned above.