Around The Horn Plan
Wednesday, December 15, 2010



Symbol	COV	Sector Symbol	$HCX.X
Description	COVIDIEN PLC		
Pattern	Line Drive	HEALTH CARE EQUIPMENT	
Position	Long	Resistance 2	46.47
Entry	45.59	Resistance 1	45.78
Stop	45.20	Pivot	44.80
Initial Target	46.14	Support 1	44.11
Ratio	1.41	Support 2	43.13
50% To Target	45.87		

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Symbol	SYK	Sector Symbol	$HCX.X
Description	STRYKER CORP		
Pattern	Line Drive	HEALTH CARE EQUIPMENT	
Position	Long	Resistance 2	55.02
Entry	54.46	Resistance 1	54.54
Stop	54.10	Pivot	53.87
Initial Target	54.98	Support 1	53.39
Ratio	1.44	Support 2	52.72
50% To Target	54.72		

Stocks To Watch

Wednesday, December 15, 2010



COMPUTER SCIENCES CORP

Symbol		**CSC**
Pattern		Line Drive
Position		Long
Entry		49.19
Stop	?	
Initial Target		49.60
50% To Target		49.40
Resistance 2		**50.16**
Resistance 1		**49.53**
Pivot		**48.47**
Support 1		**47.84**
Support 2		**46.78**
Sector		IT SERVICES
Sector Symbol		$XIT.X



LAUDER ESTEE COS INC CL A

Symbol		**EL**
Pattern		Fast Ball
Position		Long
Entry		79.53
Stop	?	
Initial Target		79.94
50% To Target		79.74
Resistance 2		**81.07**
Resistance 1		**80.00**
Pivot		**78.37**
Support 1		**77.30**
Support 2		**75.67**
Sector		CONSUMER STAPLES
Sector Symbol		$CMR.X

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Stocks And Sectors On The Radar

Wednesday, December 15, 2010



COVANCE INC

Symbol	CVD
Sector	HEALTH CARE
Sector Symbol	$HCX.X
Pattern	Line Drive
Position	Long
Entry	51.73
Target	52.00
R2	53.34
R1	52.27
Pivot	50.56
S1	49.49
S2	47.78
50% To Target	51.87



OFFICEMAX INC DEL

Symbol	OMX
Sector	SPECIALTY STORES
Sector Symbol	$RLX.X
Pattern	Fast Ball
Position	Short
Entry	16.67
Target	16.36
R2	18.21
R1	17.59
Pivot	17.18
S1	16.56
S2	16.15
50% To Target	16.52

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Trade Date 15-Dec-10 **Wednesday**

Around The Horn

Symbol	Setup	Entry	Direction	Stop	50%	Target	Sector Symbol
COV	Line Drive	45.59	Long	45.20	45.87	46.14	$HCX.X
SYK	Line Drive	54.46	Long	54.10	54.72	54.98	$HCX.X

Stocks To Watch

Symbol	Setup	Entry	Direction	Stop	50%	Target	Sector Symbol
CSC	Line Drive	49.19	Long		49.40	49.60	$XIT.X
EL	Fast Ball	79.53	Long		79.74	79.94	$CMR.X

Stocks And Sectors On The Radar

Symbol	Setup	Entry	Direction	Stop	50%	Target	Sector Symbol
CVD	Line Drive	51.73	Long	SCALP	51.87	52.00	$HCX.X
OMX	Fast Ball	16.67	Short	SCALP	16.52	16.36	$RLX.X

Around the Horn:
The Rule Book

Just as the Around the Horn trading plan developed for our personal use, these rules also evolved to maximize our own trading profits, minimize risk and still allow the trades room to breathe. When we compute the monthly results, we use these rules to calculate the plan's efficacy. Individual trade results may exceed or fall short of the monthly results (for example, more or less favorable fills or missing a trade), but these rules allow comparison of results over time and a measure for one's own trading performance using pre-established criteria. While these guidelines will always have an exception to the rule (e.g. stopping out of a trade that later becomes profitable) over time, they serve us well more often than not.

Entries:

1. The entry price (or entry tick within the allowable slippage or gap) has to ***print on the NYSE***. That is, a stock that ticks the entry price on the NAS on or before the open does not count as a legitimate entry as the tick must originate on NYSE;
2. For ***Gaps*** and ***allowable slippage,*** profit target is the key. Your entry slippage should not be more than 25% of the total amount you expect to make and for planned trades should never be more than 20 cents total. Thus, if your profit target is a 40 cent gain, then allow for 10 cents of slippage. If the profit target is over a dollar, then 20 cents of slippage is reasonable. If you enter a trade beyond this level, then mentally shift gears and treat the trade as an intraday play or scalp trade, not as a planned trade;
3. ***No new entries*** after 12:20 PST/3:20 EST (40 minutes to close).

Stop Protocol:

Once you enter a trade at the stated entry price or within the acceptable 10 cent slip level there are several criteria we use to protect ourselves from losses, as well as protect profits, while still allowing some room for volatility. During the trading day, I like to think of these as hurdles, moving from one to the next as the trade progresses.

Hurdle 1: After entering the trade at the stated entry price, watch to see if the trade goes 10 cents in your favor FROM THE STATED ENTRY PRICE, NOT YOUR FILL PRICE. If it does not go 10 cents in the trade's favor from the entry price before it goes 10 cents against the trade, exit the trade 10 cents against your trade and watch for another entry opportunity.

Issues: This strategy has protected us against what I call getting "tagged-in" only to head straight to the stop-loss. To execute this strategy, a trader needs to be comfortable paying the extra commissions if the trade comes back to your entry. Also, another entry here does not count as a "second" entry. If you are uncomfortable with this strategy, don't use it and use the stop level as your exit.

Hurdle 2: Once the trade is in your favor 10 cents beyond the entry price, keep the stop loss at the stated stop loss until the trade hits the 50% to Target level.

Hurdle 3: At the 50% to Target level, move the Stop Loss from the stated stop loss to a breakeven level at the STATED ENTRY PRICE, NOT YOUR FILL PRICE.

Hurdle 4: Once the trade ticks within 10 cents to the stated Initial Profit Target, move the stop to a Profit Stop at the 50% to Initial Profit Target level.

Hurdle 5: Once the trade hits the Initial Profit Target, determine if the trade is zooming past your price (in other words, it would be a struggle to exit the trade at that price as it is trading so strongly in your favor it has already surpassed the Initial Profit Target before you can get your order in). If this happy situation is occurring, stay in and trail with a profit stop, initially at the Profit Target.

If the trade is not this strong (as occurs much more often), exit the trade at the Initial Profit Target. Some traders choose to exit only half or some other percentage at this level and then trail a profit stop initially at the 50% to Target level, then later the Initial Profit Target, then by some other method as the trade gets progressively further from this level (reversal of two closes, violation of the 8 period simple moving average, support/resistance, etc.).

Note: These are the rules we use to calculate the monthly performance. As trader's you may find some other variation useful. For instance, for the 10 cent "tagged in" rule when a trade has not gone more than 10 cents in your favor before reversing, some traders prefer not to exit at 10 cents against you in favor of a wider exit at a 50% to stop loss level, giving the stock a little more room to breathe. Another example some traders employ is to take a percentage of profits at the 50% to Target level, another percentage at the initial profit target, and the final if it travels further, with protective stops for each of these levels as the trade progresses.

It is important to understand how we are trading and the rules we are using. It is also important that trading rules suit your psychology. If you have questions or thoughts please don't hesitate to contact me at: Julie@TraderInsight.com

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