VEGAS WEALTH BUILDER
BY
VEGAS

INTRODUCTION

'Beauty. Terrible beauty.'
A passage from the Iliad, by Homer, describing Helen of Troy.

"The hardest easy money you will ever make."

The first thing a veteran trader told me the very first time I walked onto the trading floor, on my first day of trading at the now defunct Mid America Commodity Exchange, sometime in the late Spring of 1980. Fresh out of exchange orientation, there I am in my brand new trading jacket, with a shiny new trading badge with a red dot conspicuously placed for the world to see. I decide to start my career trading gold futures.

I hit the trading floor from the members lounge like I own the place, striding confidently into the trading pit about 20 minutes before the open. There are only a handful of traders there at this point, but they collectively give me a sneering look, realizing in an instant this is the day of the month when new members are unleashed onto the floor. I come to realize very quickly all newbie's are treated like financial road-kill by the veteran floor members. We are there to fund their free-wheeling lifestyle, make the payment on the Porsche, maybe even fund juniors' college. We are not there to survive and buck the odds. We are not there to add too the pit population. If we survive it means the same amount of public orders divided by more people, and that ultimately means less money in their pocket.

As the gold market gets closer to the open, members start coming in at a rapid rate. I get jostled around like a pinball, moving from spot to spot because I am standing in some members much coveted space. I feel that if one more guy [not many, if any girls] squeezes into this pit it's going to explode. I am so close to people that if I moved about three inches I could kiss them. I feel like I am prepared, having spent weeks memorizing hand signals, bidding and offering protocols, checking trades, and proper record-keeping measures mandated by the exchange and the CFTC [Commodity Futures Trading Commission].

Just a couple of minutes until the market goes live. Pit energy is rising exponentially as brokers are yelling out pre-open bids and offers, giving the pit an idea where price will be when the opening bell rings. Members are also trying to get the brokers attention, to let them know how interested they are, and at what price, in filling their orders. I am nervous and excited, thoughts racing through my head. Can I do this? This place is nuts!! Will I remember how to bid and offer? On and on ad infinitum. Ten seconds to liftoff.

I have been waiting for this moment a long time. Working, saving, and planning for well over a year. I have hocked everything I own to be here. I have begged every relative from immediate family to eighth cousin twice removed for money [It's a great way of making sure you never have to see them again]. I raise enough money to be here, but just barely. I start with about $8,000 in my trading account after I buy my membership [about $10,000]. I have a wife, a two year-old son, and outside of my trading account, about $10 in the bank. I have a rent payment and an 11 year-old car that uses more oil than gas. I have a family [both sides] that thinks I am completely out of my mind. I am a sucker, a sap, a nit-wit, an idiot. They're making bets with each other the exact day I blow out, with the over-under at about 30 days. How can you do this to your wonderful wife and son, you irresponsible dumb-ass?

Pressure, what pressure? You think this is pressure?

The opening bell rings. All hell breaks loose from every direction. I am being hit from all sides, screaming people in my face. Everything is moving at warp 10. Price going up, down, and sideways. Bids are over offers in parts of the pit, and people are already threatening fights. I get hit with a wad of spit on the front of my jacket. Nice I think; wonder which cockroach this came from.

In no way, shape, or form am I ready for this. I'm paralyzed.

At the end of the day I'm down about $50 on 2 trades that I made. Not bad I think, but I'm physically and mentally exhausted. I will do better tomorrow. I make my way up to my clearing house to put my trading jacket and tie in the traders lounge and gather my things and go home. I put my trader jacket and tie on a hanger and notice that somebody has penned on the back of my jacket [black magic marker] the following: "FAG Trading". No wonder those babes in the elevator were laughing. Welcome to the exchange. Can you take it?

Twenty five plus years have passed since that first day, and I still remember it as if it were last Thursday. I often think of what that veteran trader told me. Simple, funny and perceptibly accurate. A perfect colloquialism illuminating life as a trader.

I know many of you who are reading this are losing money trading futures and/or forex. It makes no difference if you are a newbie or have been losing for years. You've spent hundreds, maybe even thousands of dollars on worthless seminars and/or systems in an attempt to turn things around. Everything seems so promising yet losses continue to mount. You're confused about how to stop the bleeding. While you sit at your computer screen [instead of standing in a pit at an exchange] you go through the same emotions, bewilderment, hurt and shock that I experienced in the very early part of my floor career. Pit trader or computer trader; every trader, sooner or later, faces the trading demons.

Please take heart!! I have walked in your shoes. I understand totally what you are going through. However, it is time to take trading matters in a different direction. That is the purpose of this file. I am going to lay out a trading plan for you to become wealthy. All it takes is time and your ability to implement the plan [more on this second point in a minute]. What makes making money in futures and/or forex easy is 1) having a method, 2) implementing the method at the proper time without second-guessing yourself, and 3) staying with the trade until the market tells you it is time to exit.

I receive many emails from people who are bewildered at why I am willing to share my trading secrets [up until now the 1 hour and 4 hour tunnel trading methods] with the general public for free. It is really very simple. First, many veteran traders early in my career helped me enormously. They gave and never once asked for anything in return. They didn't have to do it, but they did it out of a sense of "what goes around comes around". Secondly, it does not cost me anything to share my knowledge of markets. Even if everyone who reads this implements it exactly as written, it won't affect any currency pair 1 pip. Finally, I am disgusted at the hucksters who have built an entire cottage industry out of the misery of newbies and losers. Preying on their hope, all they do is separate people from their cash.

With three words Homer captured the essence of irony in describing Helen of Troy. A beautiful woman is timeless in effecting the hearts and minds of men. Has anything been learned in three thousand years? How do you change the heart of a man? Now change Helen to forex and S&P futures. It is different yet at the same time it is the same.

My challenge is to communicate what I know about this effectively. As the donor, I will do my best. As the donee, do what it takes to make the change and become a winner.

CHAPTER 1
METHOD TRADING

'Humpty Dumpty sat on a wall;
Humpty Dumpty had a great fall.
All the King's horses and all the King's men
Couldn't put Humpty Dumpty in his place again.'

From Through The Looking Glass by Lewis Carroll.

Since 1999, maybe even sometime in 2000, trading financial products [stock indices, interest rate futures, and currencies] on e-platforms has exploded. While this unprecedented growth has spawned many benefits to the trading public, it has also created the world's largest virtual trading pit. Trading is no longer dominated by a physical trading pit in Chicago. What once was the exclusive domain of member's of the CME [Chicago Mercantile Exchange] and CBOT [Chicago Board of Trade], the trading public now trades on the same virtual electronic playing field. We now have currency pits with about 2 million locals.

Whenever I visit the local Border's or Barnes & Nobles, I make it a point to wander over to the magazine section and take a quick look at Futures Magazine, Active Trader, and whatever else takes up space on trading. No, I'm not interested in the articles [most are crap]. I flip to the back pages and check out all the hucksters touting trading systems, seminars, and advisory services. Day-trade the e-mini stock indices, bonds, notes, gold, and of course currencies. Make 100 gazillion percent a month. There are dozens and dozens each month in every publication. The trading public never learns.

There is a virus of pandemic proportions infecting the trading public. It's the utter fascination with scalping and/or day-trading spot forex. I know it exists because every time I go surfing forex chat boards, I find dozens [if not hundreds] of people sharing their latest 5 or 10 pip scalp for easy money. Make no mistake; I have nothing against these people and their trading style. It's just that so few are successful long-term, it seems counter-productive to adopt this type of trading.

Here's the reason. Let's say you decide to be a EUR/USD scalper [spot forex]. You decide that 10 pips are reasonable, so your strategy is to buy/sell and look to book the profit at 10 pips. Losses will also be taken at 10 pips, so your losers are not larger than your profits. [Quick Note: If in fact any of your losing trades are larger than any winning trade, you are on the path to ruin. I don't care what method or system you use to trade. This one thing has to change right now if you seriously want to get rich trading.]

I think the scenario for our hypothetical trader is realistic. Maybe you could change the number of pips [up or down], but the strategy is one that many scalpers utilize. Let's look at the math. EUR/USD is trading on his e-platform at 1.2020 bid 1.2023 offer. He decides to buy, so he buys the offer at 1.2023. In the following minutes, EUR/USD rallies to 1.2030 bid [the 10 pip move]. He clicks the bid button and makes a net profit of 7 pips. But let's say after his buy the market suddenly moves lower [gee, this never happens]. It goes from 1.2020 bid to 1.2010 bid. He's got a 10 pip loss on the bid side, so he clicks the bid button and takes the loss. He lost 13 pips.

I don't think you need to be a math whiz to see that on a 10 pip move [either bid or offer and up or down] he wins 7 pips and loses 13 pips. He needs 66% winners and 33% losers to just breakeven. Win on twice as many trades as you lose to breakeven. In fact, at a 5 to 1 ratio [83.33% winners and 16.67% losers] of wins to losses he makes a whopping 22 pips. What's wrong with this picture? Somebody tell me where all the customer yachts are moored?

I realize there are many bright, highly educated, intelligent people who will read this file. Maybe you are one of them. For all I know, you may be the smartest person in the room. I'm going to share with you one of the greatest secrets of trading. Here it is:

BRAINS ARE NOT THE TICKET TO WEALTH IN TRADING.
DISCIPLINE IS THE KEY TO WEALTH IN TRADING.

You listen attentively to people in the know [Everybody knows brokerage analysts are all the smartest people in forex.]. You watch the news intent on deciphering the latest market-moving news [Your TV is fixated on CNBC to catch the latest tip from the hucksters appearing here.]. What to do with all this information? Lose money that's what. Ignore this basic principle at your financial peril.

Many of you will be surprised to learn that I don't trade spot forex when I trade the US dollar currency pairs. I use the futures contracts traded on Globex at the CME. The reasons are as follows: 1) it's cheaper than spot forex, with a 1 pip market spread most of the time, ample liquidity, and low commissions [$5 - $8 per roundturn per contract]. 2) The interest differentials are calculated into the trade price, so I get a true interest spread instead of getting screwed by the brokerage house on rollovers. 3) The market on Globex never goes down when news hits the wires. Many brokerage houses go dark for 5, 10, or even 15 minutes or more when big news items [like unemployment Friday in the US] are due and then released.

I don't care what method you use to trade. If you use other technical and/or fundamental indicators that is your problem. But if you trade the market based on a hunch or a whim, or are looking for a little short-term action, then you are making a big mistake. You cannot defeat the market by thinking you can outsmart everybody else. In the long-run you will run out of money. You must concentrate all your energies on implementing your method correctly. After you have done your homework and decided how you will trade, the only criteria you have for determining whether you are successful or not, is how well you implemented the trade based on your method. Ignore market moves up and down and why they happen. It is a futile exercise that will either drive you nuts with frustration or cause your account equity to go negative.

Humpty Dumpty was a very arrogant egg. He sat on a high wall thinking no harm could possibly come his way. Despite the stern warning that such behavior could be very harmful to him, he ignored the advice. Everybody knows what happened next. Treat trading the same way and then call yourself Humpty Dumpty.

CHAPTER 2
THE VEGAS CURRENCY DAILY

'The trend is your friend.'
Market colloquialism

It should come as no surprise that I believe most of you are wasting your time and energy on scalping and/or day-trading. The first step to take is to lengthen your time horizon for making money. Call it one of the pillars of 'Vegas Law's Of Trading'. Wealth, from trading, is directly proportional to the length of time you base a trade. The universe of time being from seconds to days [not weeks and months].

I receive many emails from people who tell me they cannot implement the 1 hour and/or the 4 hour tunnel methods because they either have to work for a living [or travel quite a bit for work] or don't want to sit in front of a computer screen all day and night. They all ask what strategy can work given these restrictions. Move to the daily charts and implement what I call ‘The Vegas Currency Daily’.

Step 1.
Create a daily candlestick [or OHLC bar chart if you prefer] for any currency pair.

Step 2.

Overlay on this chart a 24 EMA [exponential moving average] and a 28 EMA. This is the daily tunnel. Calculate the appropriate fib levels for the currency pair.

[Note: I don’t care what charting service you use to implement this, but our favorite has become Metatrader 4. The reason is twofold. First, it is easy to script plug-ins, and the second is that it is free. If you haven’t done so, go to the Metatrader website (www.metatrader4.com) and download. They even have a mobile version but I haven’t used this version.]

I have scripted a plug-in called ‘Vegas Currency Daily’ to use on the daily charts. It will plot and draw the tunnel EMA’s as well as various fib levels [three on each side of the tunnel per model #]. When you open ‘Vegas Currency Daily’ you have 4 input models [fib numbers] to choose from. They are as follows:

Model #1 = 89, 144, 233
Model #2 = 144, 233, 377
Model #3 = 233, 377, 610
Model #4 = 377, 610, 987

[Note: I have included the plug-in with your email, so you can create the appropriate metatrader 4 charts immediately.]

For the following currency pairs, use the following model # on your daily chart.

EUR/USD - Model # 1 **AND** Model #2. Overlay #2 after you have setup Model #1. Just go back and do #2. This will now produce an overlap of #1 and #2 And produce 4 fib lines on both sides of the tunnel [for a total of 8]. You will now have fib numbers calculated at 89, 144, 233, and 377 from the daily tunnel.

GBP/USD - Model #1 **AND** Model #3. Overlay #3 after you have setup Model #1. You now have 5 fib lines on both sides of the tunnel [for a total of 10]. The fib numbers are calculated at 89, 144, 233, 377, and 610 from the daily tunnel.

USD/CHF - Model #2. You now have 3 fib lines on both sides of the tunnel [for a total of 6]. The fib numbers are calculated at 144, 233, and 377 from the daily tunnel.

USD/JPY - Model # 1. You now have 3 fib lines on both sides of the tunnel [for a total of 6]. The fib numbers are calculated at 89, 144, and 233 from the daily tunnel.

AUD/USD - Model # 1. You now have 3 fib lines on both sides of the tunnel [for a total of 6]. The fib numbers are calculated at 89, 144, and 233 from the daily tunnel.

USD/CAD - Model #2. You now have 3 fib lines on both sides of the tunnel [for a total of 6]. The fib numbers are calculated at 144, 233, and 377 from the daily tunnel.

EUR/JPY - Model #2. You now have 3 fib lines on both sides of the tunnel [for a total of 6]. The fib numbers are calculated at 144, 233, and 377 from the daily tunnel.

EUR/GBP - Model # 1. You now have 3 fib lines on both sides of the tunnel [for a total of 6]. The fib numbers are calculated at 89, 144, and 233 from the daily tunnel.

Step 3.

We are interested only when the market gets to the following fib numbers per appropriate currency pair. They are as follows:

EUR/USD - When it reaches the third fib level [233] or higher.
GBP/USD - The third fib level [233] and higher.
USD/CHF - The second fib level [233] and higher.
USD/JPY - The second fib level [144] and higher.
AUD/USD - The second fib level [144] and higher.
USD/CAD - The second fib level [233] and higher.
EUR/JPY - The second fib level [233] and higher.
EUR/GBP - The first fib level [89] and higher.

Once these fib levels are breached, we now look for specific technical indicators that signal a reverse in trend. These are [in no importance of order] 1) Reversals, 2) Spinning Tops, 3) Hammer and/or Hanging man, and 4) Inverted Hammer and/or Shooting Star [For those who need a quick lesson in Candlesticks go to the following website: http://www.stockcharts.com/education/ChartAnalysis/candlesticks.html].

In the Appendices that follow the text, I have charted each currency pair [Appendices A – H that are listed above] from March 12, 2004 to January 13, 2006. Each chart has black dots that appear on the chart. These dots correspond to the criteria listed above.

Step 4.

Strategy

1) When the black dots are above the tunnel, initiate short positions. When the black dots are below the tunnel initiate long positions. It is important to remember that just because the market breaches a fib line, it doesn't mean it's time to enter a position. We must wait [have patience] for the market to tell us when it's over. We want the market to exhaust itself before we enter.
2) Stops are placed above the recent market high for short positions, and below the recent market low for long positions. An example will clarify. Go to Appendix B and look at chart 5 [GBP/USD]. The first black dot on the chart is a reversal day about 8/17/05 at the fourth [377] fib level. This is our signal to initiate new short position at approximately 1.81 and change. Stop would be place above 1.8190, the most recent market high.
3) After initiating a new position, and stops are in place, we look to take 50% of position off at/or around the tunnel. In other words, we book half the position for a profit. Stop on the other 50% of position is raised to an appropriate profit level or breakeven.
4) The last 50% of position is held until we get opposite signal on the other side of the tunnel [first part of step 3].
5) If you have 2 losing trades in a row, it's a message that the market is in a very strong trend. You therefore must not initiate a new position [with appropriate stop] until you get a signal at the **LAST** fib level on your chart. In GBP/USD, for example, this would be at the fifth [610] fib level. If this leads to a losing trade, then we must wait for the market to come back to the tunnel and start over.
6) I have no problem for those who wish to adjust the last 50% of their position to something else. Perhaps you will trail the market with a stop, or look to get out, for example in a bull run, with a violation of the previous days low. Maybe you have something else in mind. That's OK because this is not trying to fit a square peg into a round hole.

From the Appendices, I think you can see quite clearly this is a very profitable strategy in all currency pairs. The key here is discipline. Although there are some losing trades [any method or system will have them, and if they don't run away as fast as you can], in the scheme of things [our trading plan] they are very small versus our winning trades. In a very real sense this is the "Holy Grail" of trading. What I mean is that once you have a winning trade, you're holding the winning cards at the table. Your options are infinite, and the pressure of holding a losing position is obviously not present.

The one remaining thing I would like to say is that I wouldn't get too nit-picky about the candle formations I look for. My spinning top may not be the exact textbook version, but I guarantee it is close. Same with the other signals. I'm not trying to be a candlestick guru, dissecting textbook versions to be perfect. All I'm attempting to do is find where the market exhausts itself for a nice move in the other direction. Will this be the start of the next big trend? Who cares?

This is **PART I** in implementing the 'Vegas Wealth Builder'. You pick the currency pairs you are interested in trading. Some people may be conservative [the crosses, and AUD/USD for example], others may be very aggressive [GBP/USD and EUR/YEN for example]. It's your choice depending on your trading style, tolerance for risk, and the size of your trading account. You also pick the size you trade, how you trade [spot or futures on Globex], and where you trade [brokerage house] based on what's best for your personal situation. For those not inclined to try and trade the market with the 1 hour or 4 hour tunnel methods [or any other method or system for that matter], currency pairs should represent approximately 60 to 80 percent of your trading equity.

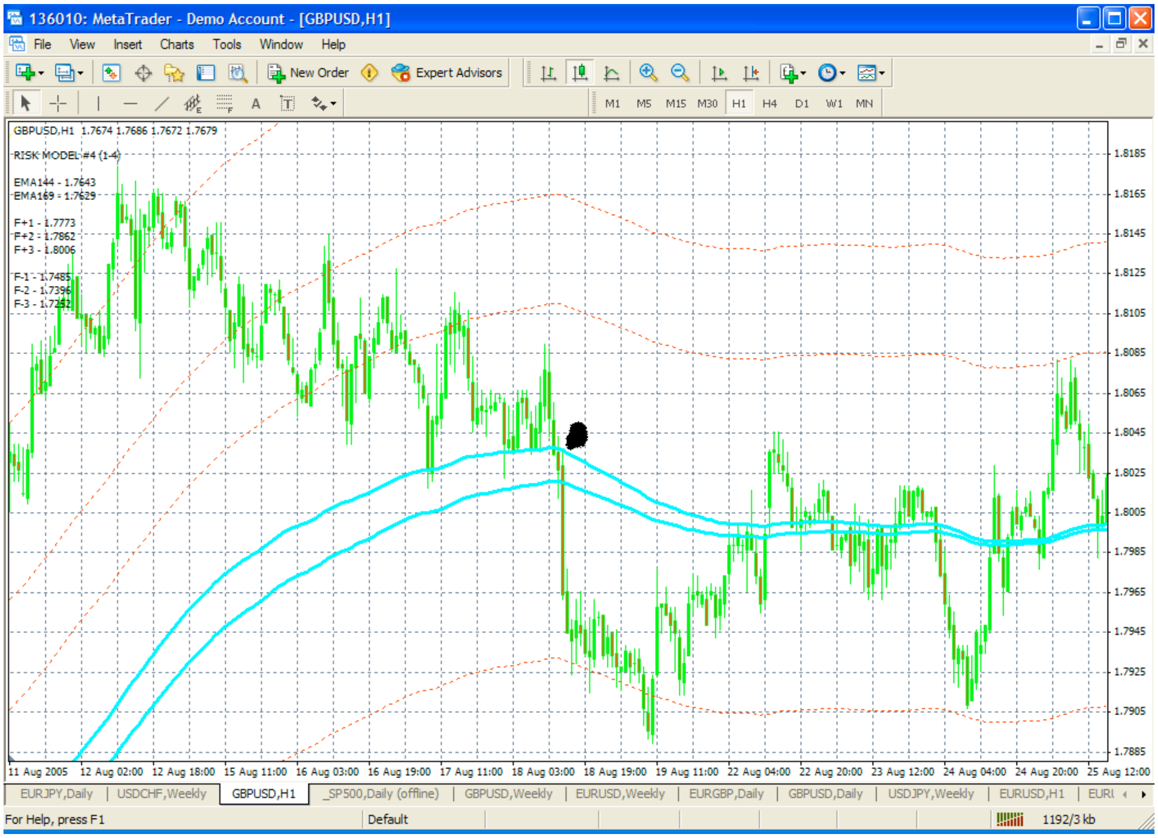
CHAPTER 3
UPDATING THE 1 HOUR & 4 HOUR TUNNEL METHODS

'Nature does not know extinction; all it knows is transformation.'
Werner von Braun

From what you just read in Chapter 2, I hope most of you can see how the 'Vegas Currency Daily' can help you in implementing the 1 hour and/or the 4 hour tunnel methods.

For the 1 hour tunnel method, I would not trade a breach of the 1hour tunnel [144 and 169 EMA's] if the fib levels on the daily chart breached the levels given in Chapter 2, Step 3 on the same side. The probability of success is limited. By the same token, I would be much more inclined to increase my size of trading on a confirmation of the signal given by 'The Vegas Currency Daily' on the opposite side.

Take the example I gave in the last chapter on GBP/USD around 8/17/05. "The Vegas Currency Daily' has just given a sell signal [See Appendix B, chart 5] with a reversal day highlighted by a black dot I put on the chart. Now here is the GBP/USD on the 1 hour chart:



When the lower tunnel boundary was breached, it was a straight shot to the 89 fib level within a few hours.

With the 4 hour tunnel method, I am inclined to use ‘The Vegas Currency Daily’ black dots as guideposts for determining whether to be long or short from the signals. The difference in the values of the weekly MA’s [moving averages] in determining long or short can often lag the market quite dramatically. If the black dots are above the daily tunnel, initiate short positions when you get the 4 hour signal, and if the black dots are below the daily tunnel, initiate long positions when you get the 4 hour signal.

Use the same criteria when ‘The Vegas Currency Daily’ has more than 2 losses in a row. In this case, the market is in a very strong trend. Stay with it until you reach the last fib number on the daily chart.

By doing this, you will be going back and forth between black dots for your signal to be long or short the market. Based on the 4 hour signal crossover, you will be quicker to react to changes in market trend.

CHAPTER 4
THE VEGAS S&P DAILY

‘The business of America is business.’
U.S. President Theodore Roosevelt

If a portion of your trading capital is not being used to trade the e-mini futures contract on the S & P 500, traded electronically on Globex, then you are giving money away. Most of you can probably trade the e-mini through the same brokerage house as you trade forex. If not, I can recommend two that you can check-out first in your search for a brokerage house. The first is InteractiveBrokers [www.interactivebrokers.com] where you can trade the e-mini for US $3.30 / round-turn. The second is ProActive Futures [www.proactivefutures.com] where you can trade the e-mini for US $ 4.75/ round-turn. These are the best rates I have seen for not requiring a monthly volume level. In addition, they are well respected in the online trading community.

The e-mini trades differently than the currency pairs. Although stock indices can get volatile, they are nothing like currencies. In my humble opinion, there exists an upward bias in stock index trading that can be captured by using the same concepts in tunnel trading as we use in currency trading.

Step 1.

Create a daily chart in the spot [cash] S & P 500 Index. Metatrader 4 will do this but it is done offline, which is fine since we only need it at the end of the day anyway. At the end of each day, Metatrader 4 will update the cash chart [You may have to close the Metatrader 4 application, and then reopen to get the update. Some days I have to do this.].

Step 2.

Overlay on this chart a 24 EMA [exponential moving average] and a 28 EMA. This is the daily tunnel. Calculate the appropriate fib levels for the S & P 500.

I have scripted a plug-in called ‘Vegas S&P Daily’ to use on the daily charts. It will plot and draw the tunnel EMA’s as well as various fib levels [three on each side of the tunnel per model #]. When you open ‘Vegas S&P Daily’ you have 4 input models [fib numbers] to choose from. They are as follows:

Model #1 = 34 (8.50), 55 (13.75), 89 (22.25)
Model #2 = 55 (13.75), 89 (22.25), 144 (36.00)
Model #3 = 89 (22.25), 144 (36.00), 233 (58.25)
Model #4 = 144 (36.00), 233 (58.25), 377 (94.25)

The numbers in parenthesis are the cash index points per respective fib level. Since the minimum tick value in the futures contract is 0.25 index points, the 34 fib level = 0.25 *

34 = 8.50. The 55 fib level = 0.25 * 55 = 13.75 index points, and the rest of the fib numbers [in index points] are calculated the same way.

[Note: I have included this second plug-in with your email, so you can create the appropriate metatrader 4 chart immediately.]

For the S & P 500 daily chart use Model # 2 **AND** Model #4. Overlay #4 after you have setup Model #2. Just go back and do #4. This will now produce an overlap of #2 and #4 and produce 5 fib lines on both sides of the tunnel [for a total of 10]. You will now have fib numbers calculated at 55 (13.75 index points), 89 (22.25 index points), 144 (36.00 index points), 233 (58.25 index points), and 377 (94.25 index points) from the daily tunnel.

Step 3.

We are interested only when the market gets past the second fib [89] level on the S & P 500 Index [Cash]. Once this fib level is breached, just like in 'The Vegas Currency Daily', we now look for specific technical indicators that signal a reverse in trend. These are [in no importance of order] 1) Reversals, 2) Spinning Tops, 3) Hammer and/or Hanging man, and 4) Inverted Hammer and/or Shooting Star [Again, for those who need a quick lesson in Candlesticks go to the following website:
http://www.stockcharts.com/education/ChartAnalysis/candlesticks.html
].

In the Appendices that follow the text, I have charts of the S & P 500 Index [Cash] [Appendix J] from September 29, 2000 to January 13, 2006. I have gone back farther than I did in the currency pairs so that you can see a full-fledged bear market in stocks and how that appears on the charts.

You will immediately notice that in a bear market, the market breaches the third level quite often and continues down. It is important to note that bear markets in stocks need a constant "theme story" in the press to continue to get the investing public to sell their shares. In 2000 it was the internet and technology bubble that was bursting all around and in the news practically every day. Later the Enron, WorldCom, Adelphia, Tyco, etc. corporate corruption scandals hit, and again were in the news almost every day for about 5 months. While I don't listen to pundits talk about where the stock market is going, I do keep my ear to the ground to stay abreast of any developments that might become a "theme" in driving down prices to an extent that could be more than just normal profit-taking.

Each S & P chart has black dots that appear on the chart. These dots correspond to the criteria listed above.

Step 4.

Strategy

Strategy

1) When the black dots are above the tunnel, initiate short positions. When the black dots are below the tunnel, initiate long positions. It is important to remember that just because the market breaches a fib line, it doesn't mean it's time to enter a position. We must wait [have patience] for the market to tell us when it's over. We want the market to exhaust itself before we enter.
2) Stops are placed above the recent market high for short positions, and below the recent market low for long positions. An example will clarify. Go to Appendix J and look at chart 38 [S & P 500 Index]. The first black dot on the chart is a classic reversal day about 3/10/03 at the third [144] fib level. This is our signal to initiate a new long position at approximately the 803 area and change. Stop would be placed below the 790 area, the most recent market low.
3) After initiating a new position, and stops are in place, we look to take 50% of position off at/or around the tunnel. In other words, we book half the position for a profit. Stop on the other 50% of position is raised to an appropriate profit level or breakeven.
4) The last 50% of position is held until we get opposite signal on the other side of the tunnel at about the second fib level.
5) If you have 2 losing trades in a row, it's a message that the market is in a very strong trend. You therefore must not initiate a new position [with appropriate stop] until you get a signal at the **LAST** fib level on your chart. For the S & P 500, this would be at the fifth [377] fib level. If this leads to a losing trade, then we must wait for the market to come back to the tunnel and start over.
6) Just as in the 'Vegas Currency Daily', I have no problem for those who wish to adjust the last 50% of their position to something else. Perhaps you will trail the market with a stop, or look to get out, for example in a bull run, with a violation of the previous days low. Maybe you have something else in mind. That's OK because this is not trying to fit a square peg into a round hole.
7) I would be very careful about initiating new short positions at the second fib line. Granted, you may catch some winning trades, but I think the third fib line is much safer.

From Appendix J, I think you can see quite clearly this is a very profitable strategy in the S &P 500 index. Again, the key here is discipline. Although there are some losing trades [any method or system will have them, and if they don't run away as fast as you can], in the scheme of things [our trading plan] they are very small versus our winning trades.

This is **PART II**, the final stage, in implementing the 'Vegas Wealth Builder'. You pick whether you trade the e-mini futures contract, the ETF's, the SPDR's, or create your own CFD. It's your choice depending on your trading style, tolerance for risk, and the size of your trading account. You also pick the size you trade, and where you trade [brokerage house] based on what's best for your personal situation. Except for very experienced traders, I do not recommend that you try and trade this market with the 1 hour or 4 hour tunnel methods [or any other method or system for that matter]. 'The Vegas SP Daily' should represent approximately 20 to 40 percent of your trading equity.

CHAPTER 5
IMPLEMENTING THE WEALTH BUILDER

'Are you dumb enough to be rich?'
From Vegas

I want everyone who reads this file to realize that implementing this plan will be much harder than it looks. Think about it for a second. If you are not trading successfully, then you are buying market rallies and/or selling market breaks. You have a trader profile that gets long at the top and short at the bottom [no matter what timeframes you now trade]. This is exactly the opposite of what you are supposed to do when you look at a particular currency pair or the S & P 500. This is not a habit that will be easily broken.

The way you break this losing cycle is to remember what I said earlier. First get a method; 1 hour, 4 hour, 'Vegas Wealth Builder', whatever. Second is doing your homework and having faith in the method you choose. You absolutely must believe in your model because at crunch time [trade entry] you don't want to be second-guessing yourself. Third is ringing the register when you are supposed to and not believing that you are the smartest person on earth because you now have a winning trade. Do these things and you are well on your way to breaking the losing cycle.

I would be disappointed if many of you don't take this information and run with it in your own peculiar way. This is a model, not a system. I'm not trying to fit a square peg into a round hole. As with the 1 hour and the 4 hour, 'Vegas Wealth Builder' is flexible and adaptable to your trading style. If there are other filters you want to add, then by all means add them. If your profit objectives are different, then that's OK too.

My main objective has been and always will be to get you to buy bottoms and sell tops. I hope I have stimulated the little grey cells and got you to think about your trading and how you approach the currency and S & P 500 markets. As always, I welcome your comments and/or any suggestions. Please feel free to write me at trafficcap@hotmail.com

-vegas
January 16, 2006

APPENDICES

All charts have black dots which are special days at the outer fib numbers. They are either 1) Potential reversal days 2) Spinning Tops, 3) Hammer and Hanging Man, or 4) Inverted Hammer and Shooting Star.

If you would like a detailed explanation of these candlestick formations please go to the following website:
http://www.stockcharts.com/education/ChartAnalysis/candlesticks.html

A.
EUR/USD
All Euro charts have 4 fib lines. Three dashed red and one dashed blue. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily of spot.

Fib lines are calculated by 'Vegas Currency Daily' plug-in. Model #2 was overlaid on Model #1 to produce lines. First line [red dash] = 89, second line [red dash] = 144, third line [red dash] =233, fourth line [blue dash] = 377.

Chart 1
EUR/USD
July 29, 2005 – January 13, 2006

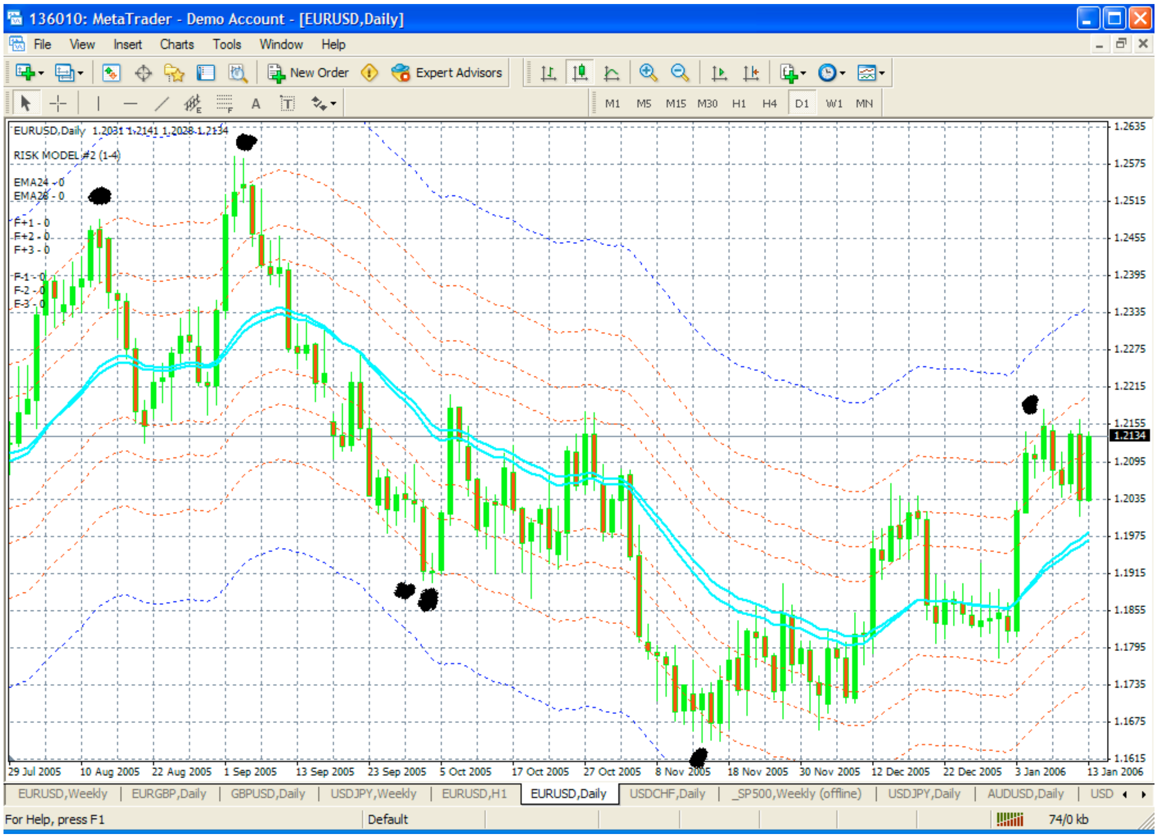


Chart 2
EUR/USD
February 11, 2005 – July 29, 2005

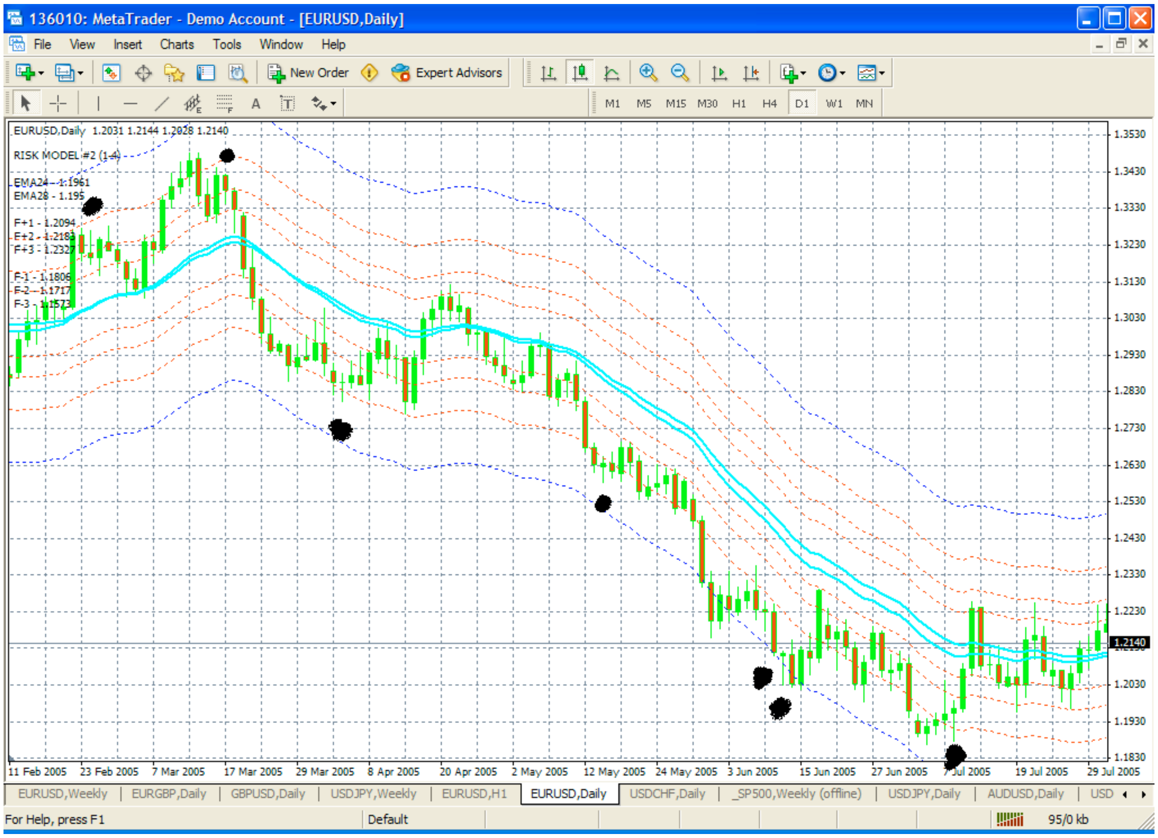


Chart 3
EUR/USD
August 27, 2004 – February 11, 2005

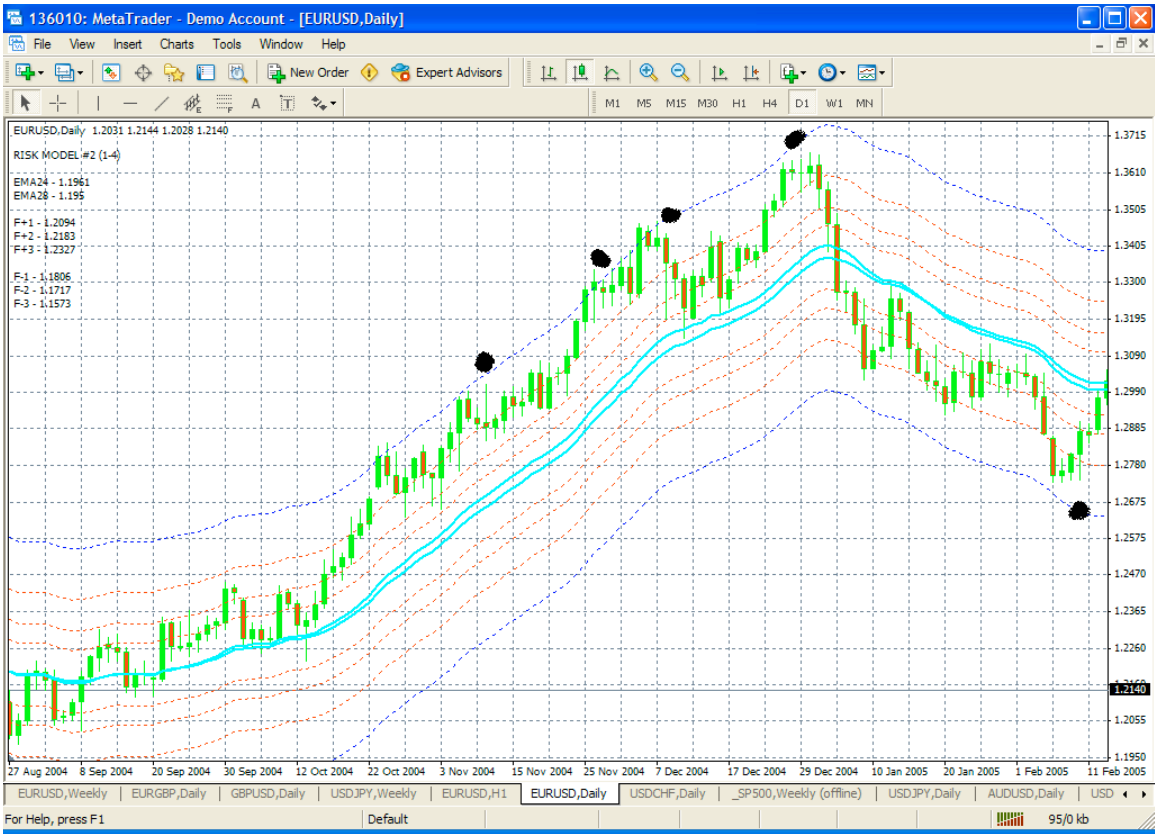
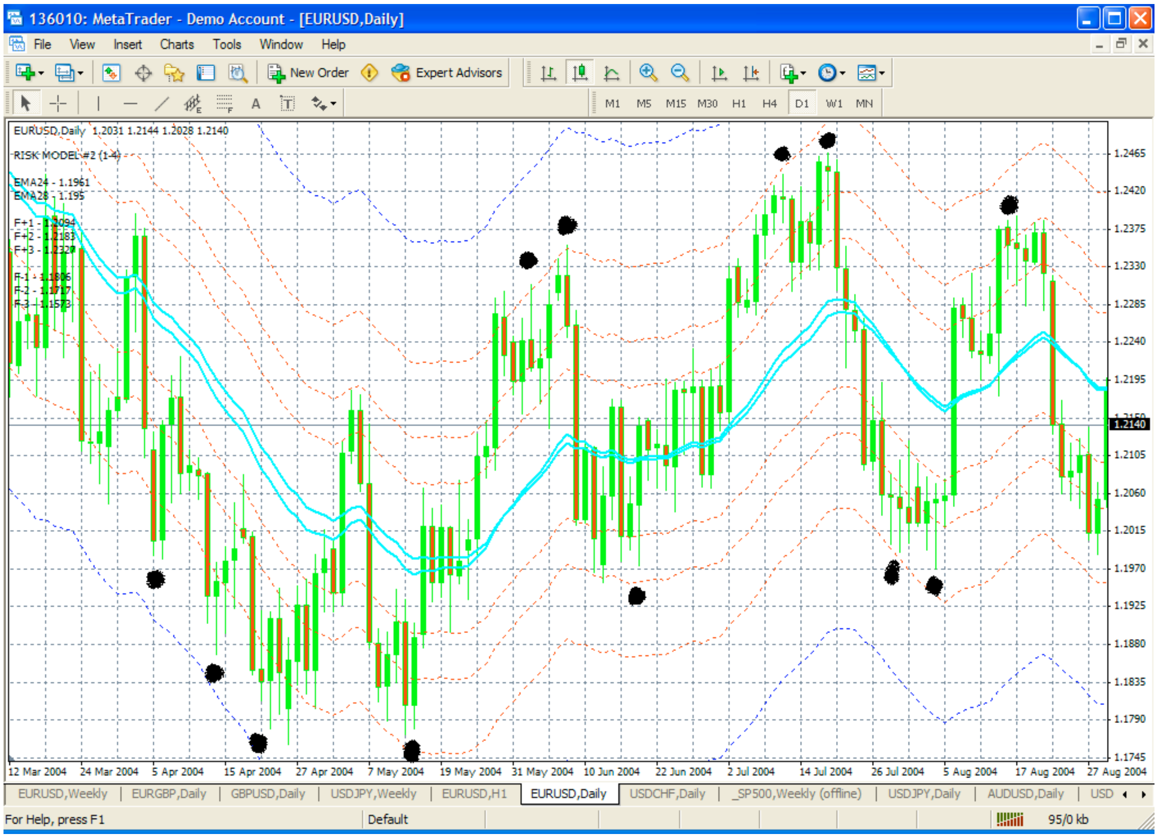


Chart 4
EUR/USD
March 12, 2004 – August 27, 2004



B.
GBP/USD

All GBP/USD charts have 5 lines. Three dashed red, two dashed blue. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily for spot.

Fib lines are calculated by 'Vegas Currency Daily' plug-in. Model #3 was overlaid on Model #1 to produce lines. First line [red dash] = 89, second line [red dash] = 144, third line [red dash] = 233, fourth line [blue dash] = 377, and fifth line [blue dash] = 610.

Chart 5
GBP/USD
July 29, 2005 – January 13, 2006

Chart 6
GBP/USD
February 11, 2005 – July 29, 2005

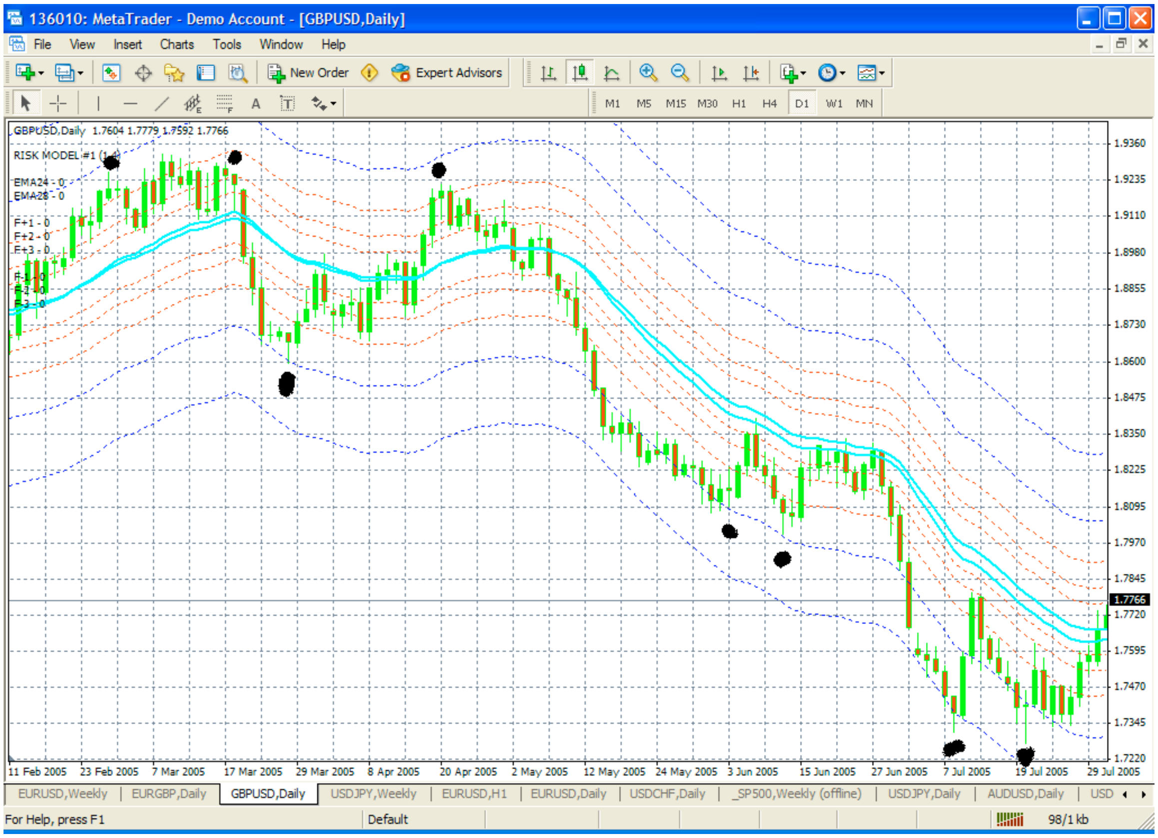


Chart 7
GBP/USD
August 27, 2004 – February 11, 2005

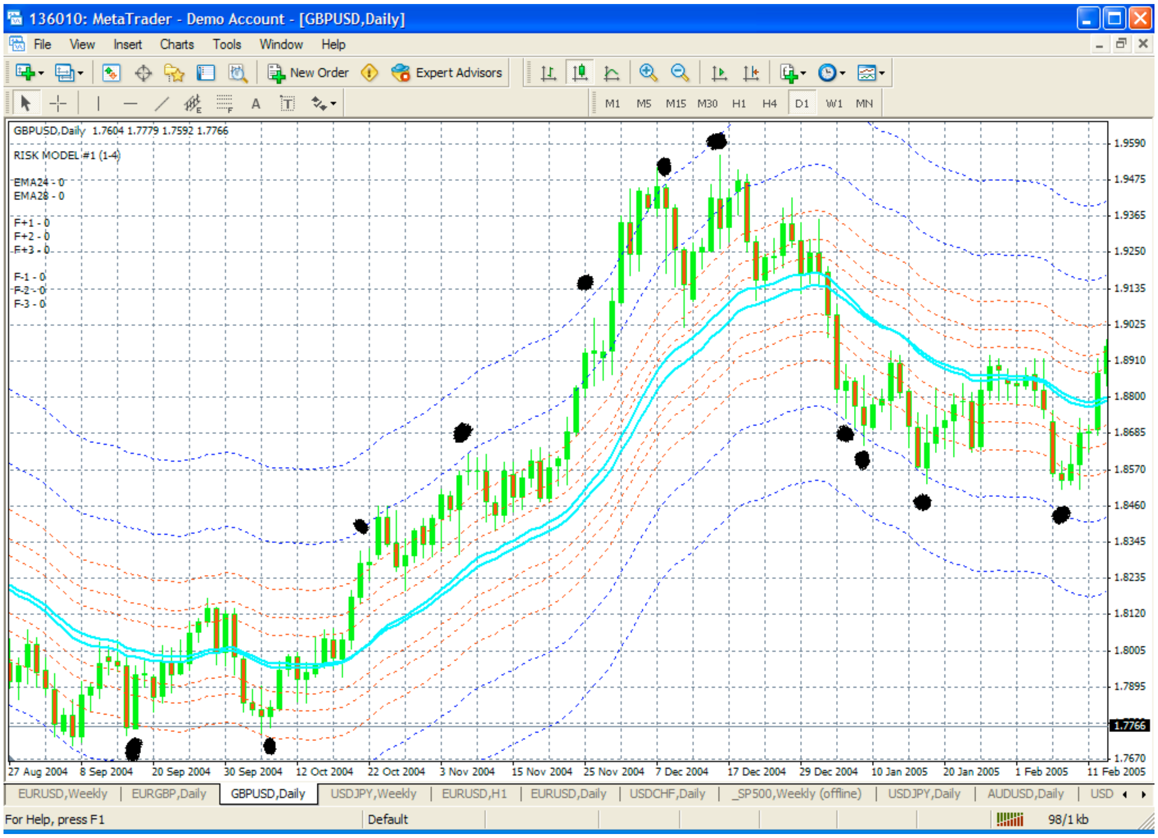
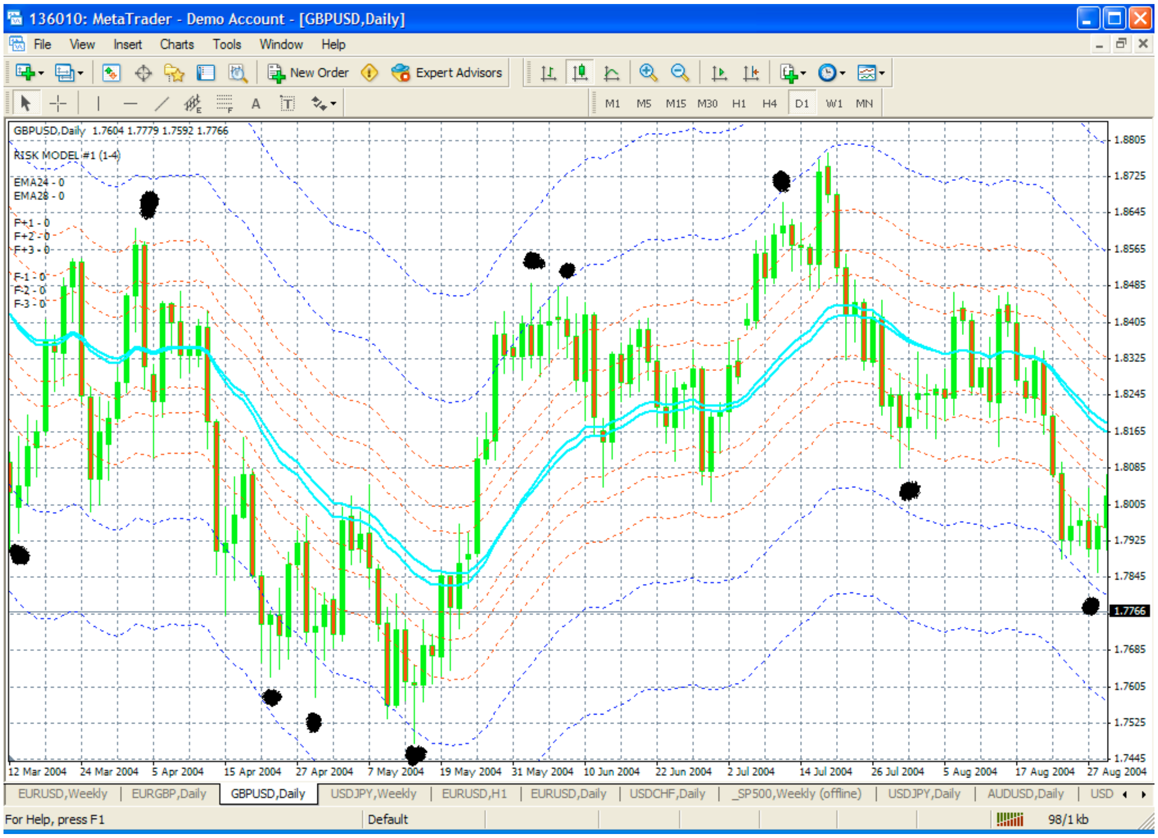


Chart 8
GBP/USD
March 12, 2004 – August 27, 2004



C.
USD/CHF

All USD/CHF charts have three fib lines. All three are dashed red. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily for spot.

Fib lines are calculated by 'Vegas Currency Daily' plug-in. Model #2 is used to produce the lines. First line [red dash] = 144, second line [red dash] = 233, and third line [red dash] = 377.

Chart 9
USD/CHF
July 29, 2005 – January 13, 2006

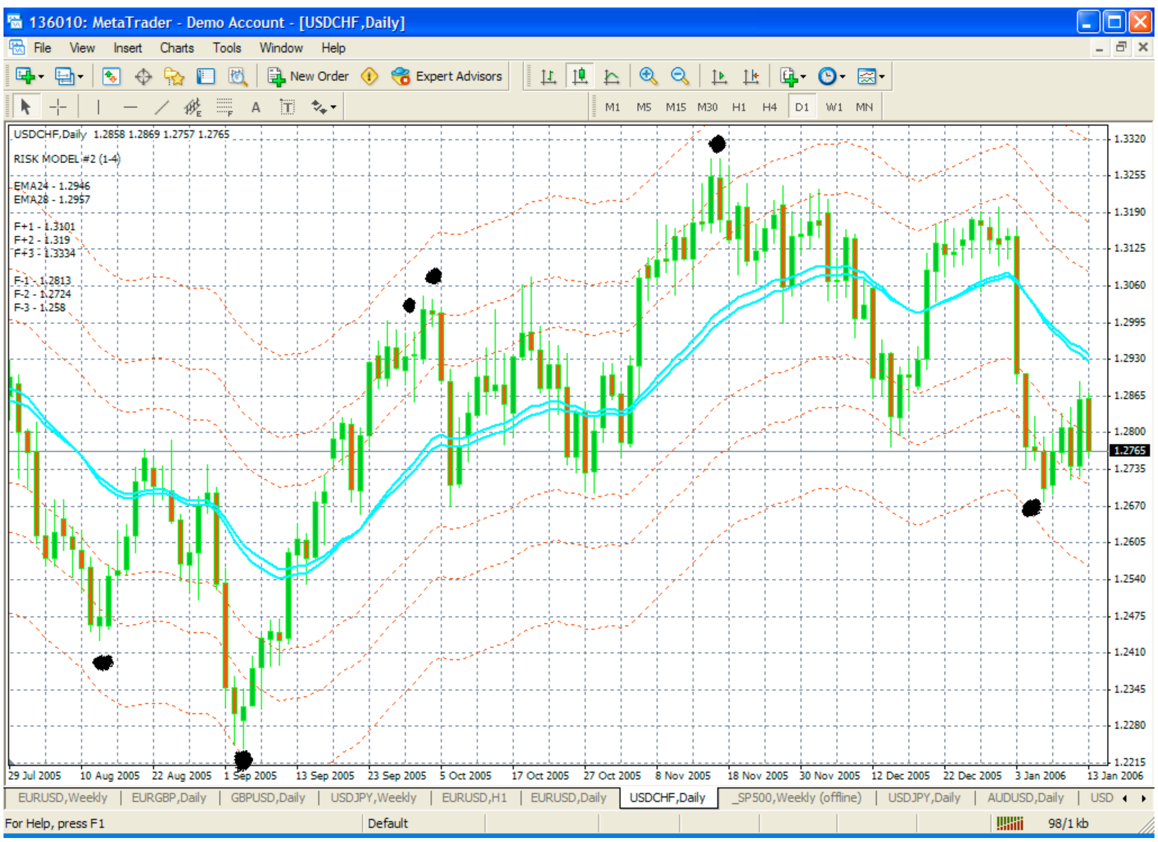


Chart 10
USD/CHF
February 11, 2005 – July 29, 2005

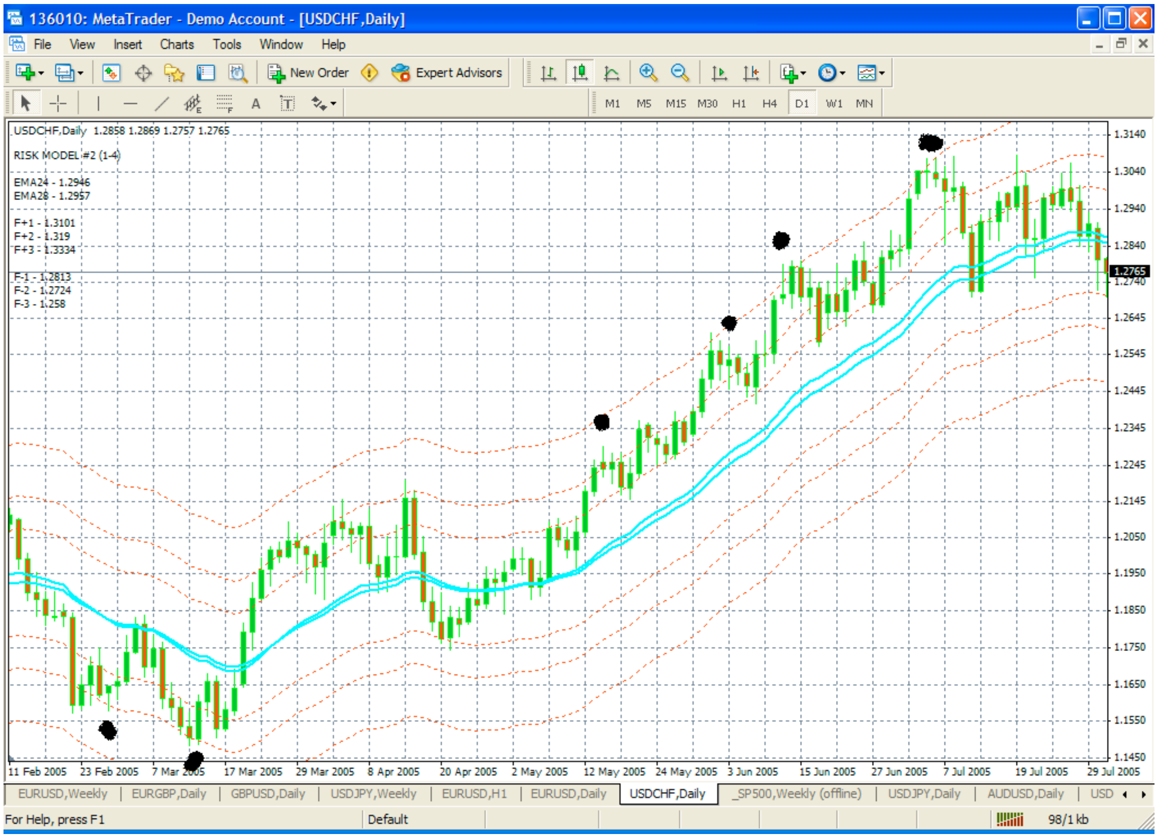


Chart 11
USD/CHF
August 27, 2004 – February 11, 2005

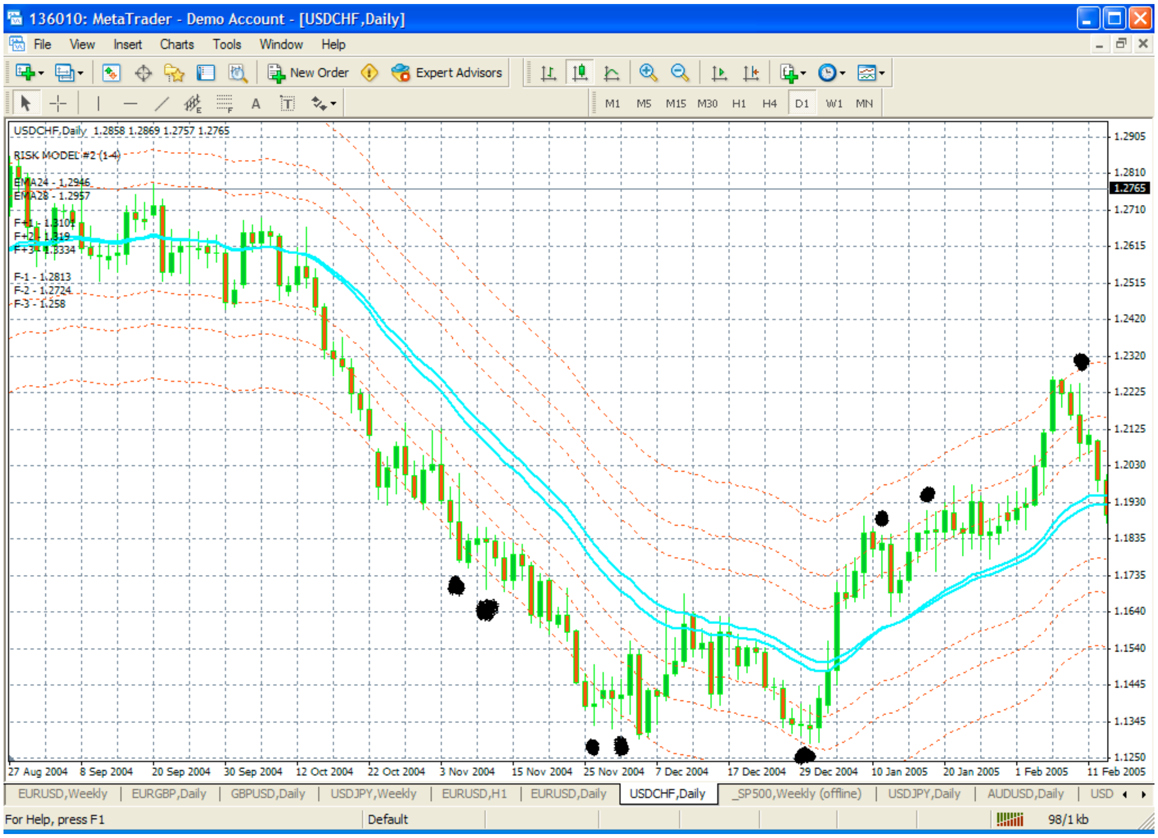
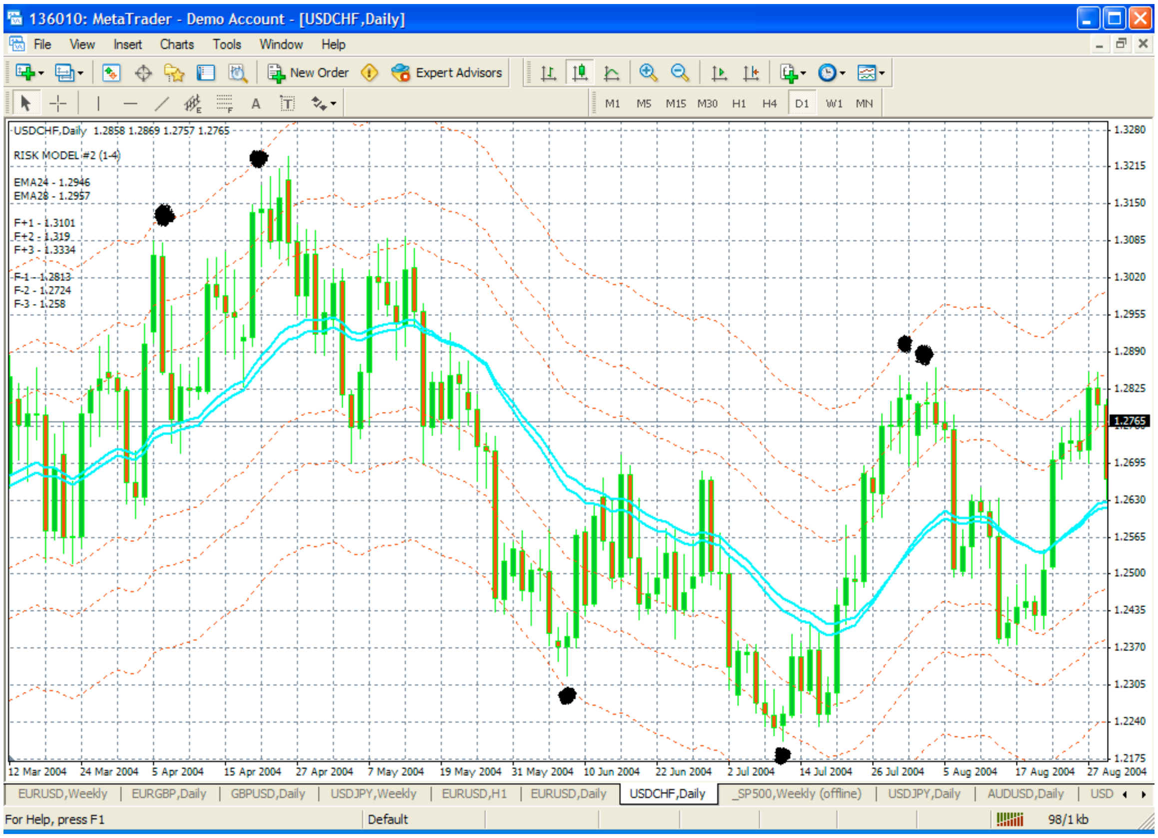


Chart 12
USD/CHF
March 12, 2004 – August 27, 2004



D.
USD/JPY

All USD/JPY charts have three fib lines. All three are dashed red. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily for spot.

Fib lines are calculated by 'Vegas Currency Daily' plug-in. Model #1 is used to produce the lines. First line [red dash] = 89, second line [red dash] = 144, and the third line [red dash] = 233.

Chart 13
USD/JPY
July 29, 2005 – January 13, 2006

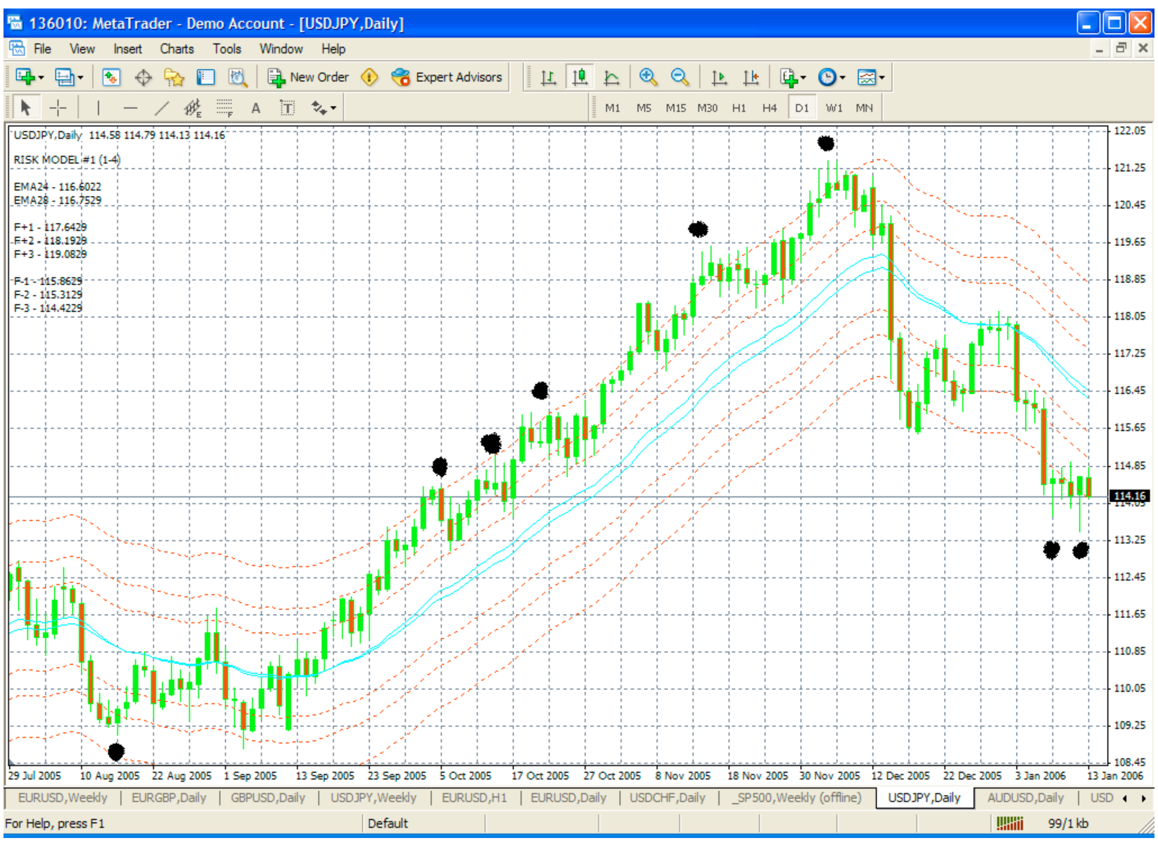


Chart 14
USD/JPY
February 11, 2005 – July 29, 2006

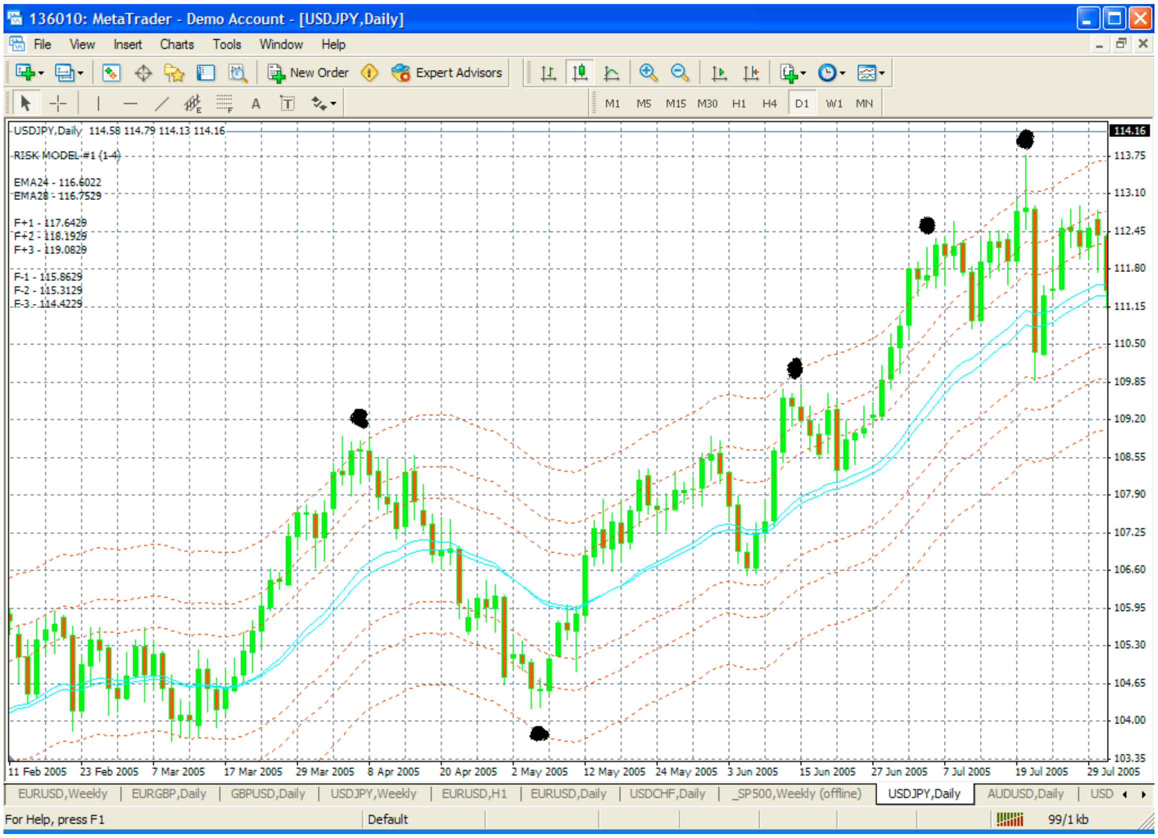


Chart 15
USD/JPY
August 27, 2004 – February 11, 2005

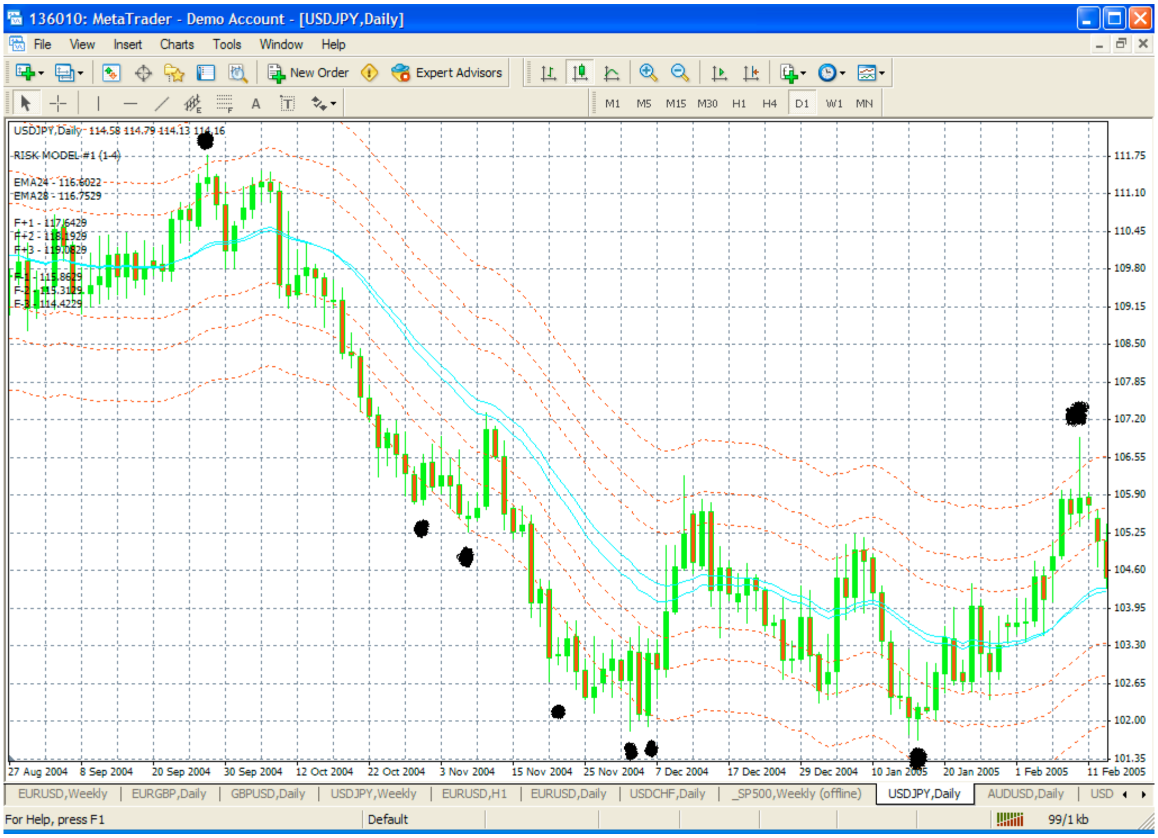
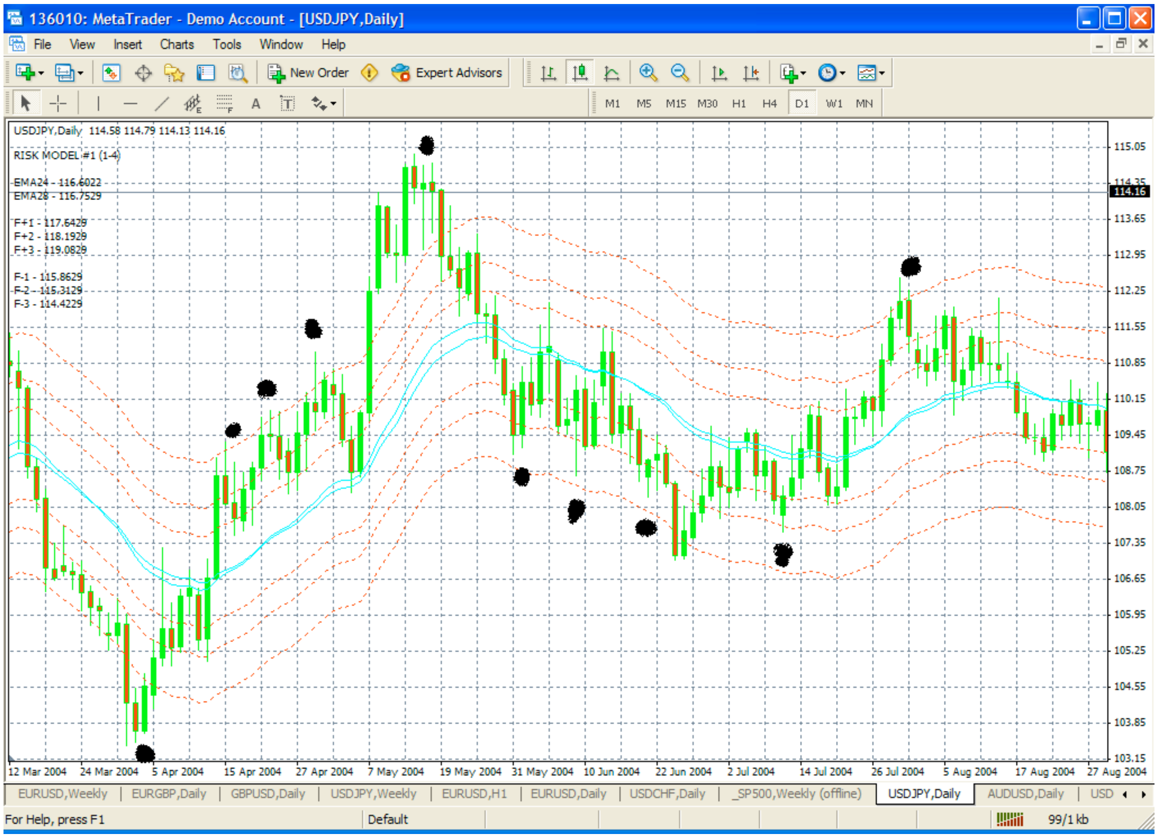


Chart 16
USD/JPY
March 12, 2004 – August 27, 2004



E.
AUD/USD

All AUD/USD charts have three fib lines. All three are dashed red. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily for spot.

Fib lines are calculated by 'Vegas Currency Daily' plug-in. Model #1 is used to produce the lines. First line [red dash] = 89, second line [red dash] = 144, and the third line [red dash] = 233.

Chart 17
AUD/USD
July 29, 2005 – January 13, 2006

Chart 18
AUD/USD
February 11, 2005 – July 29, 2005

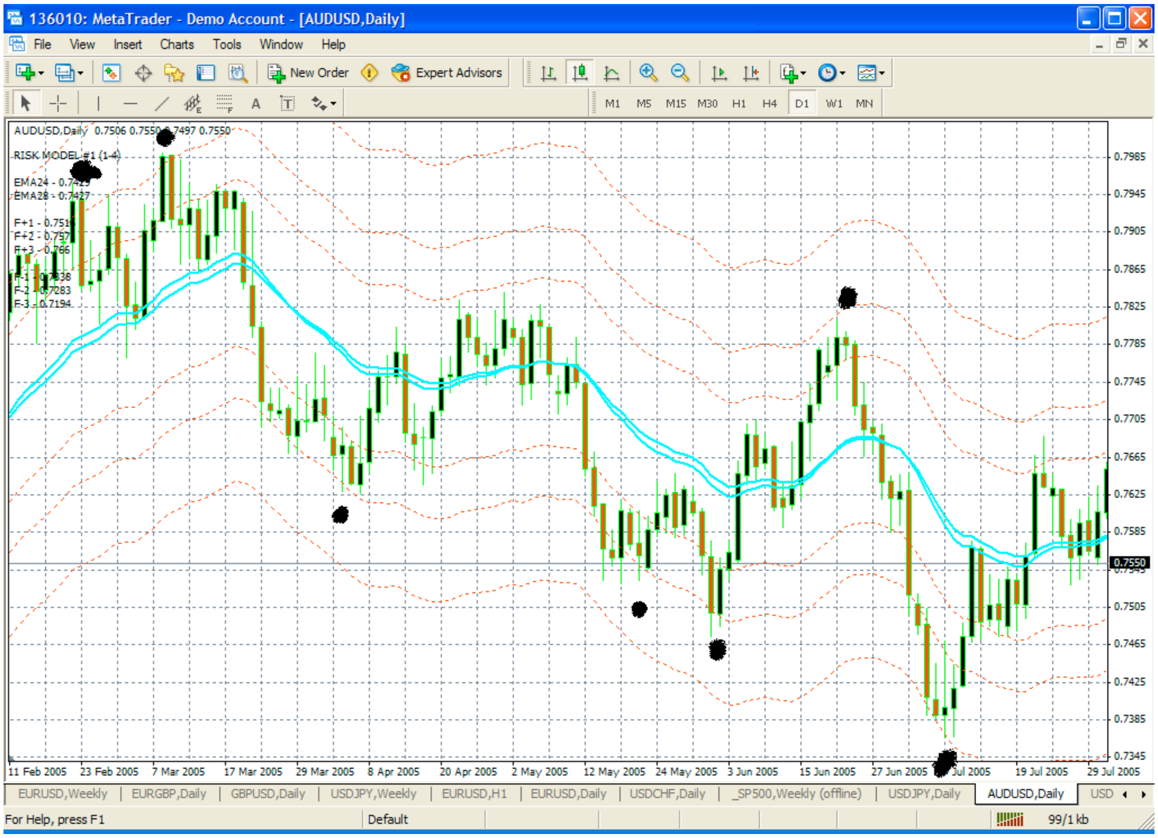


Chart 19
AUD/USD
August 27, 2004 – February 11, 2005

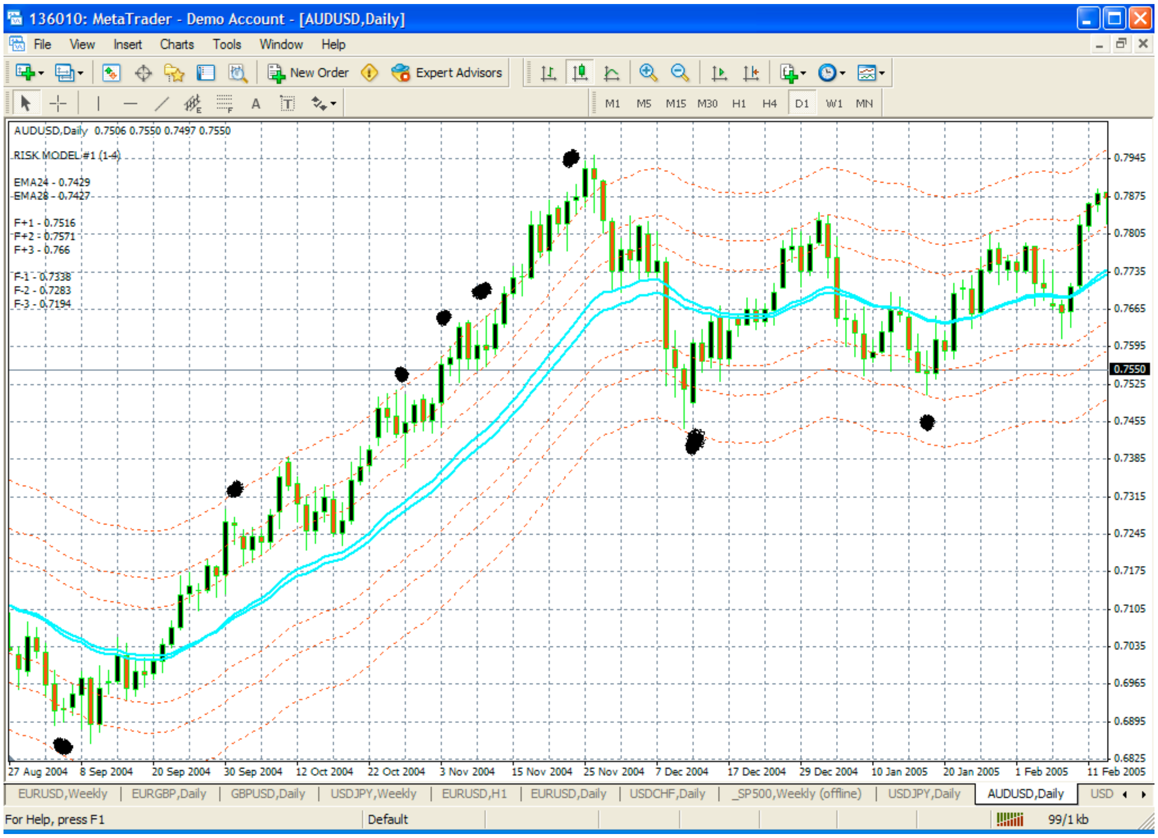
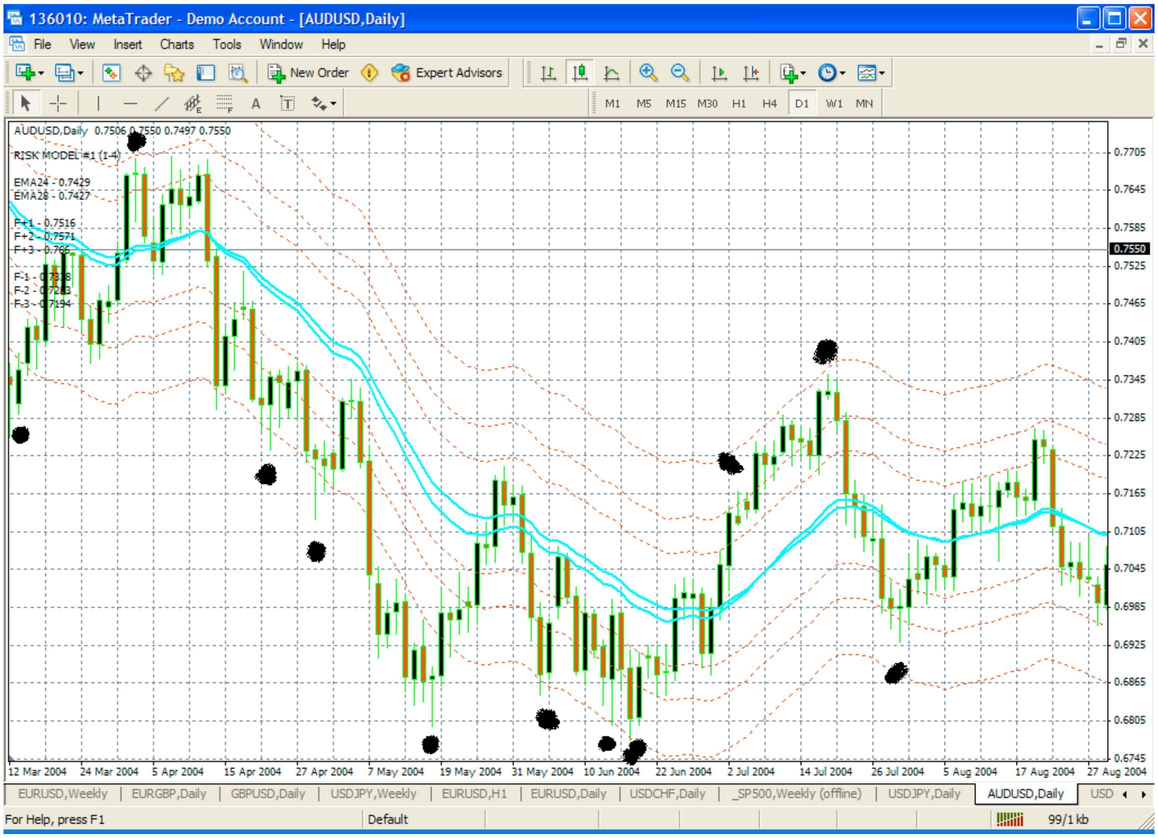


Chart 20
AUD/USD
March 12, 2004 – August 27, 2004



F.
USD/CAD

All USD/CAD charts have three fib lines. All three are dashed red. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily for spot.

Fib lines are calculated by 'Vegas Currency Daily' plug-in. Model #2 is used to produce the lines. First line [red dash] = 144, second line [red dash] = 233, and the third line [red dash] = 377.

Chart 21
USD/CAD
July 29, 2005 – January 13, 2006

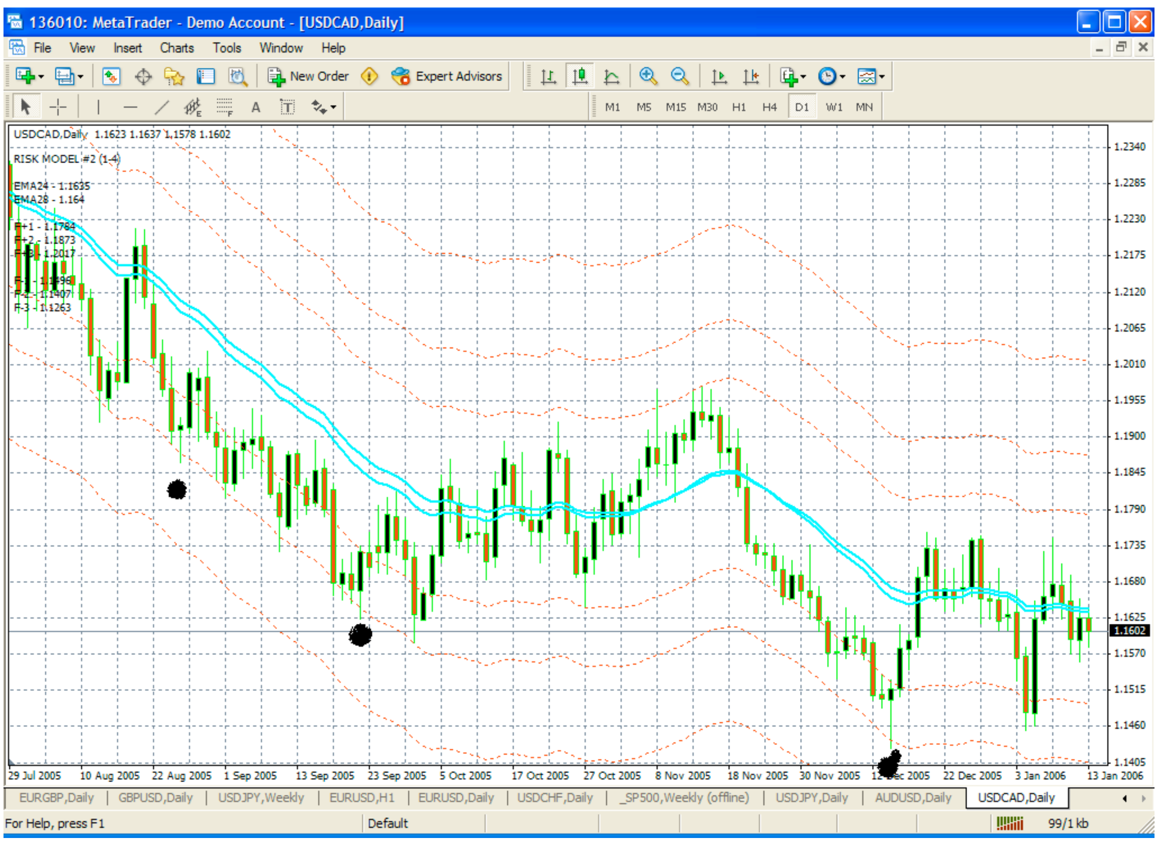


Chart 22
USD/CAD
February 11, 2005 – July 29, 2005

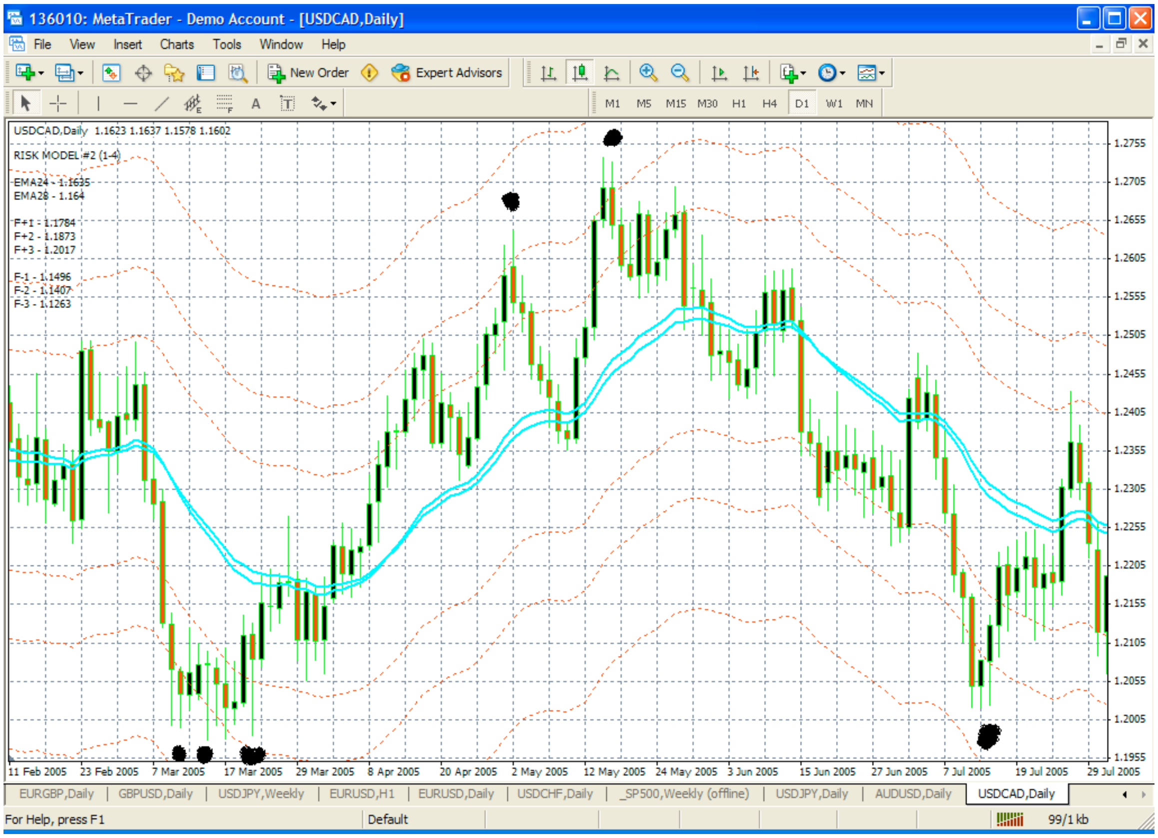


Chart 23
USD/CAD
August 27, 2004 – February 11, 2005

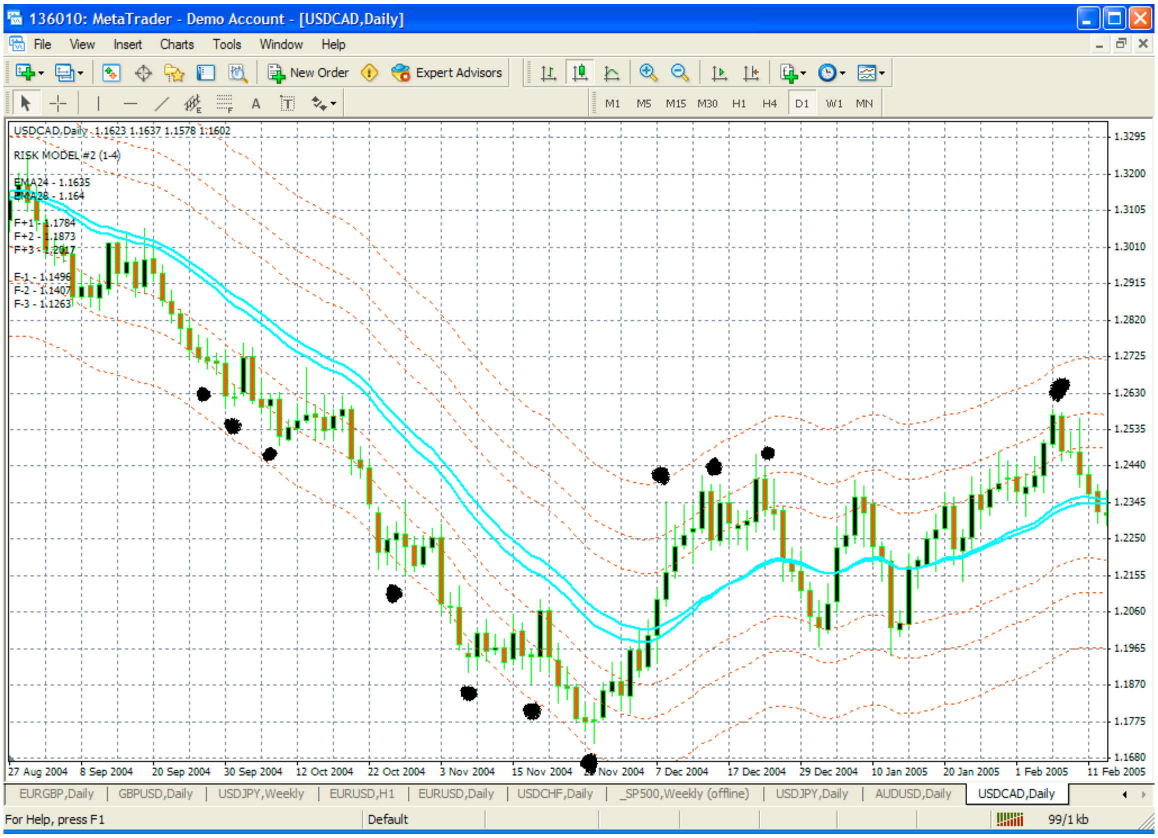
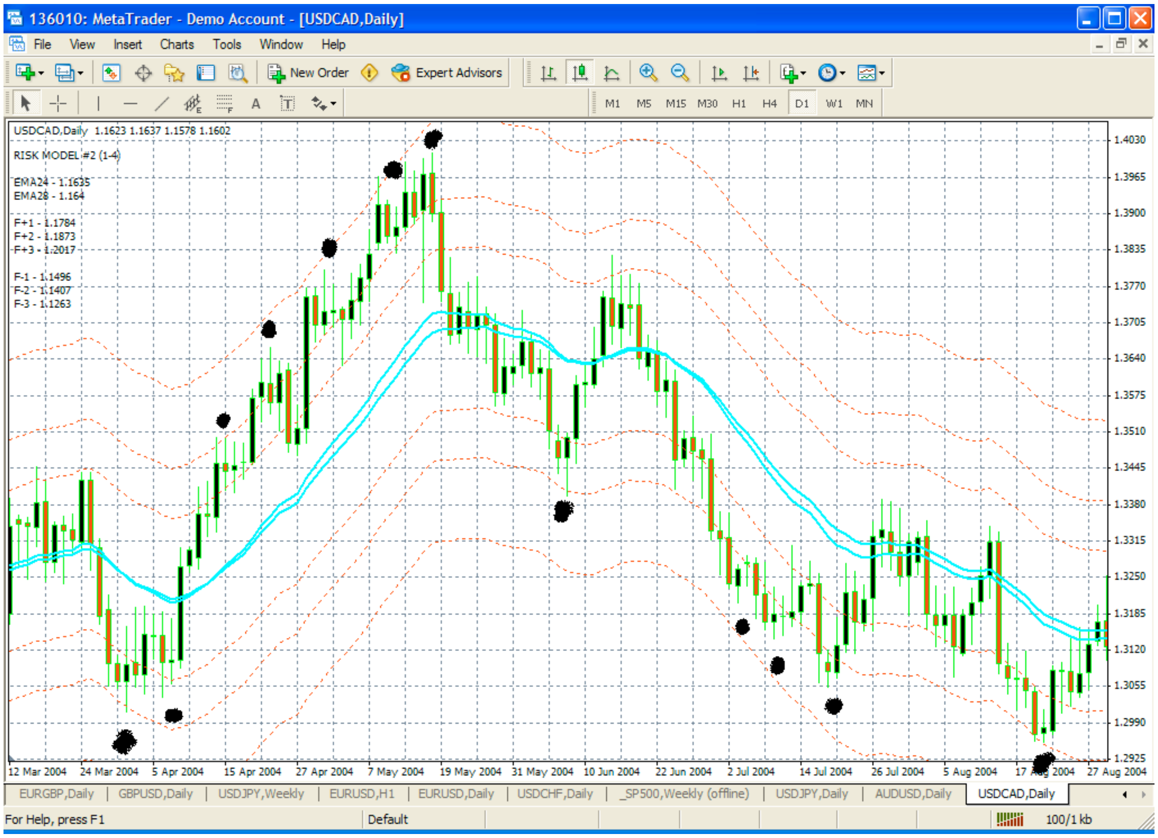


Chart 24
USD/CAD
March 12, 2004 – August 27, 2004



G.
EUR/JPY

All EUR/YEN charts have three fib lines. All three are dashed red. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily for spot.

Fib lines are calculated by 'Vegas Currency Daily' plug-in. Model #2 is used to produce the lines. First line [red dash] = 144, second line [red dash] = 233, and the third line [red dash] = 377.

Chart 25
EUR/JPY
July 29, 2005 – January 13, 2006

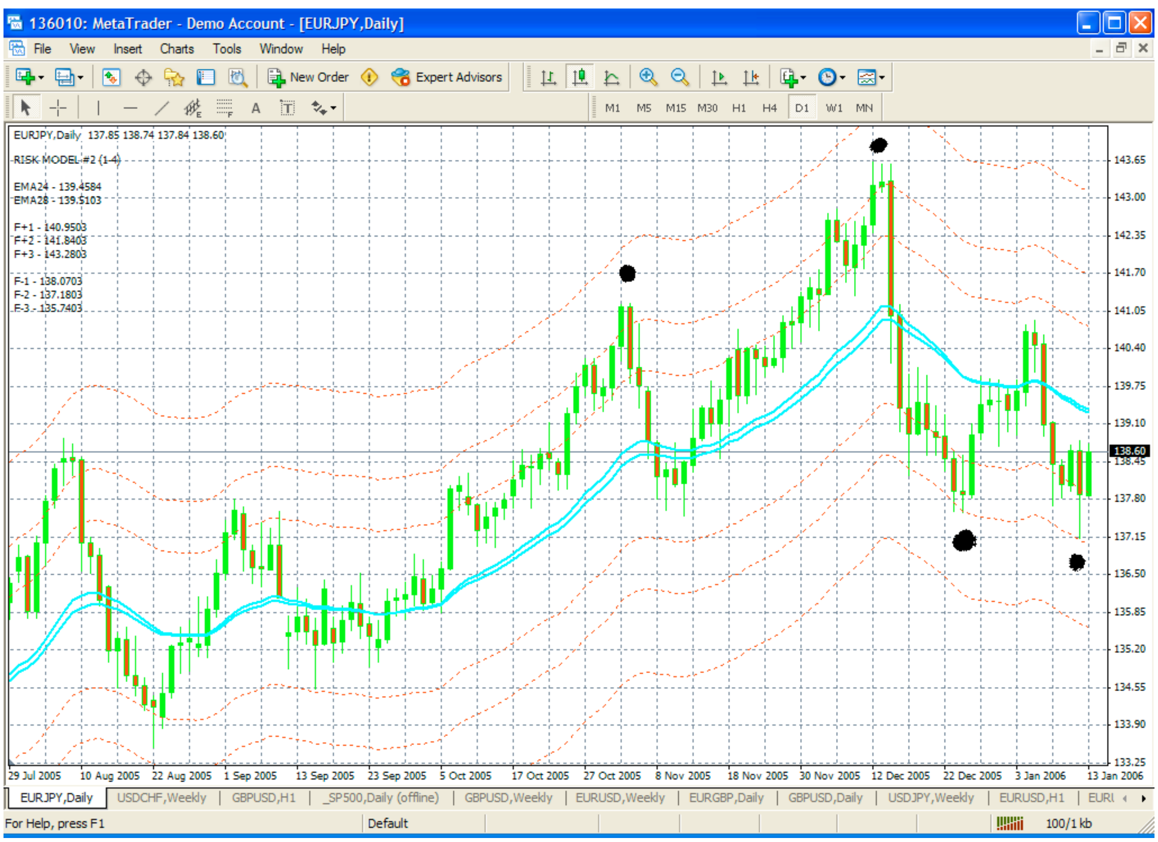


Chart 26
EUR/JPY
February 11, 2005 – July 29, 2005

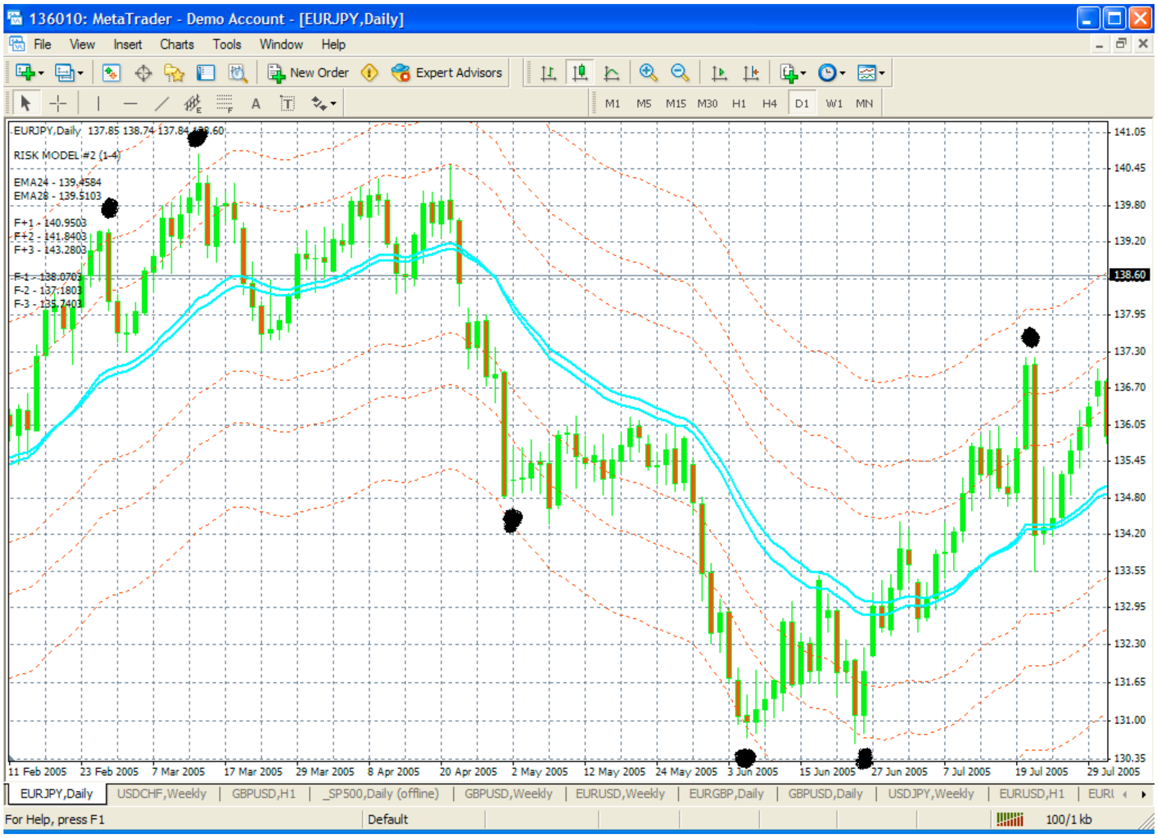


Chart 27
EUR/YEN
August 27, 2004 – February 11, 2005

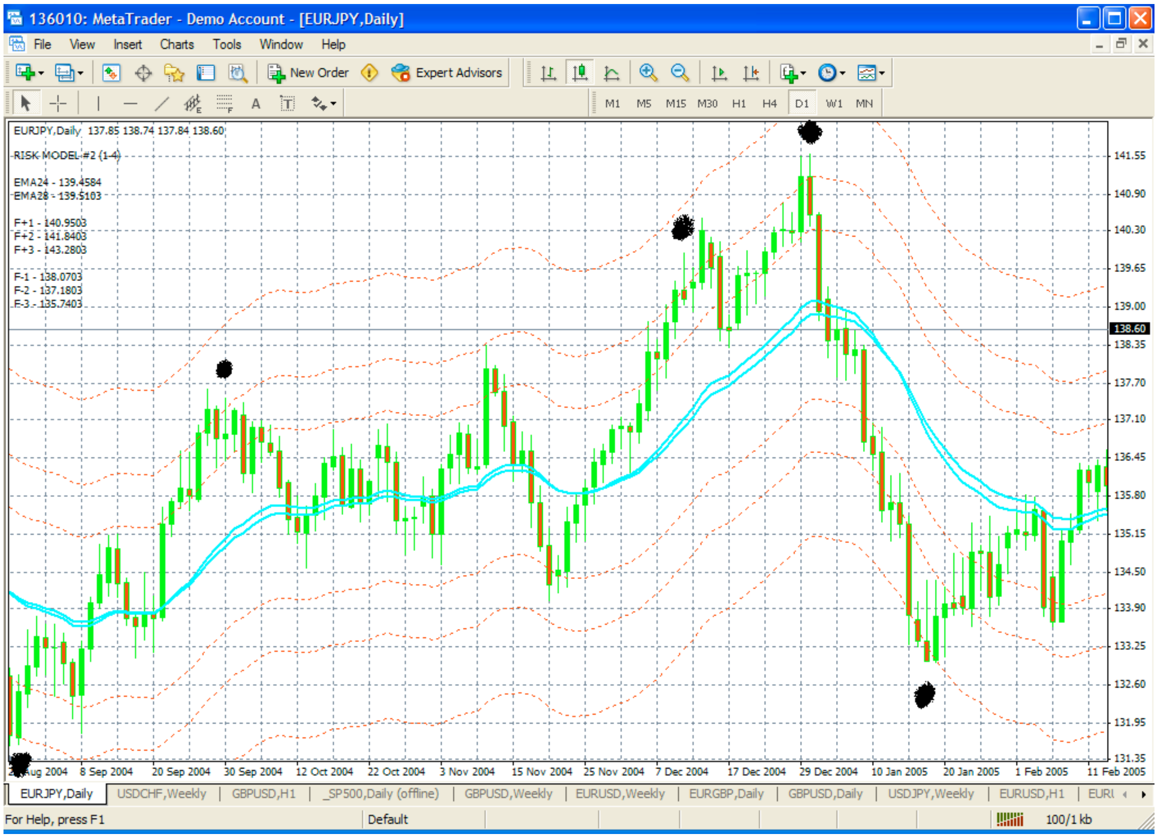
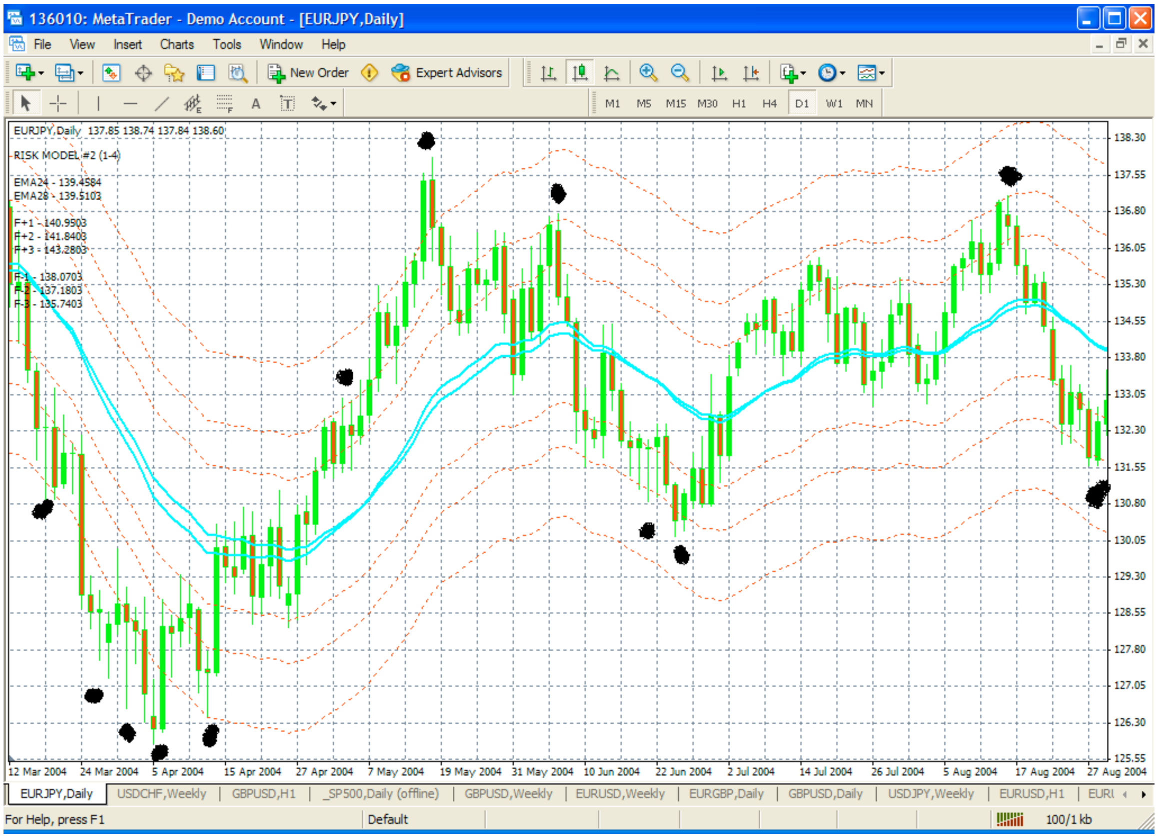


Chart 28
EUR/JPY
March 12, 2004 – August 27, 2004



H.
EUR/GBP

All EUR/GBP charts have three fib lines. All three are dashed red. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily for spot.

Fib lines are calculated by 'Vegas Currency Daily' plug-in. Model #1 is used to produce the lines. First line [red dash] = 89, second line [red dash] = 144, and the third line [red dash] = 233.

Chart 29
EUR/GBP
July 29, 2005 – January 13, 2006

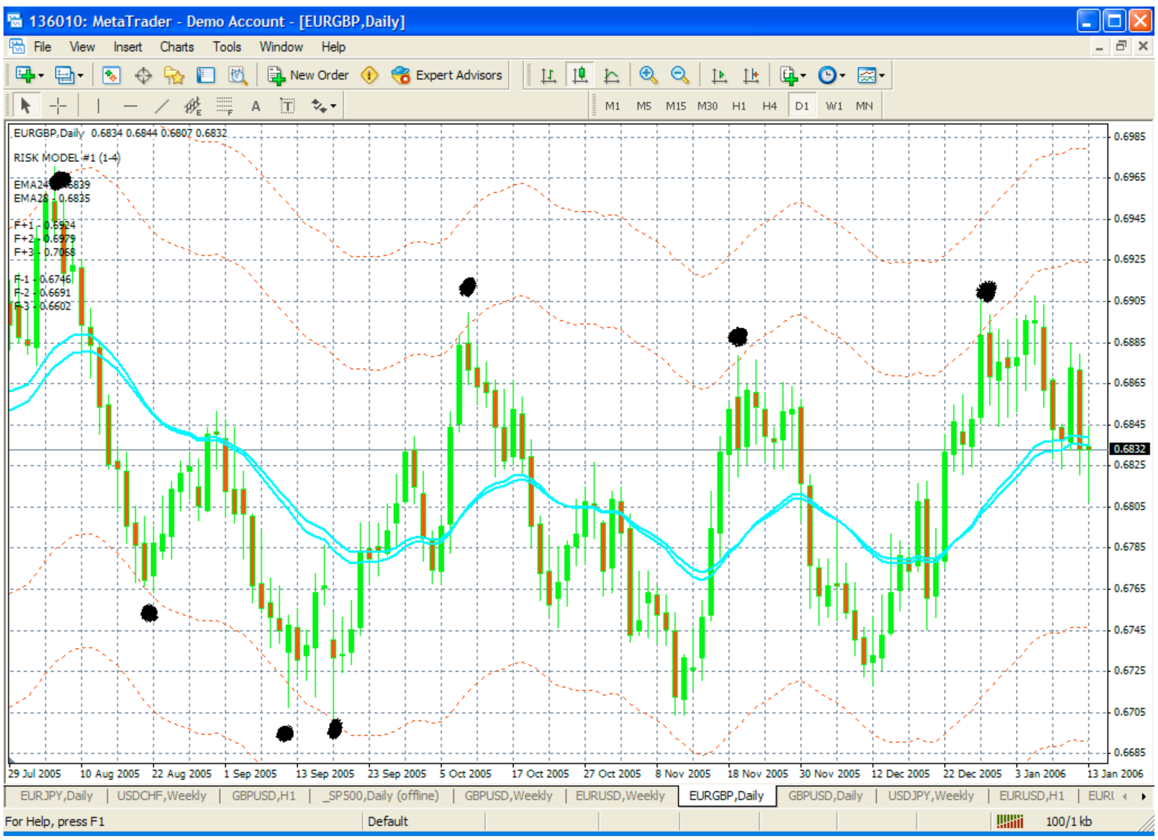


Chart 30
EUR/GBP
February 11, 2005 – July 29, 2005

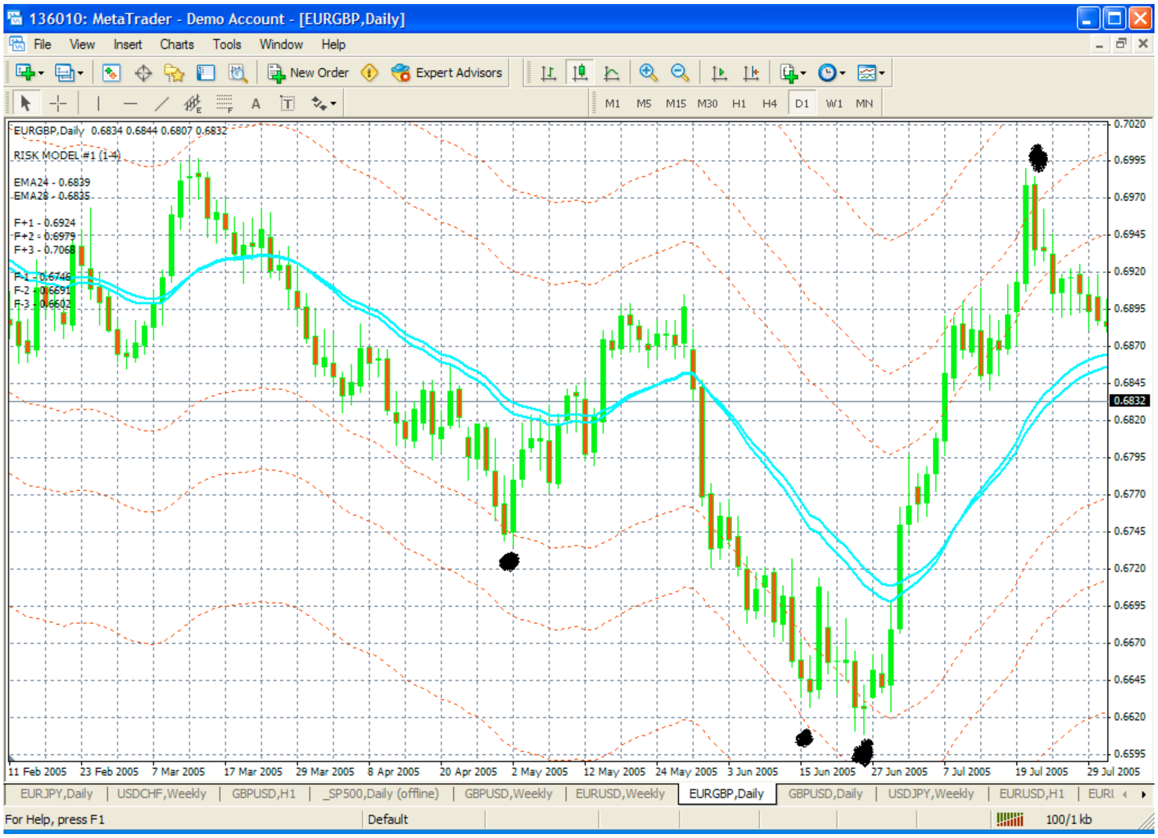


Chart 31
EUR/GBP
August 27, 2004 February 11, 2005

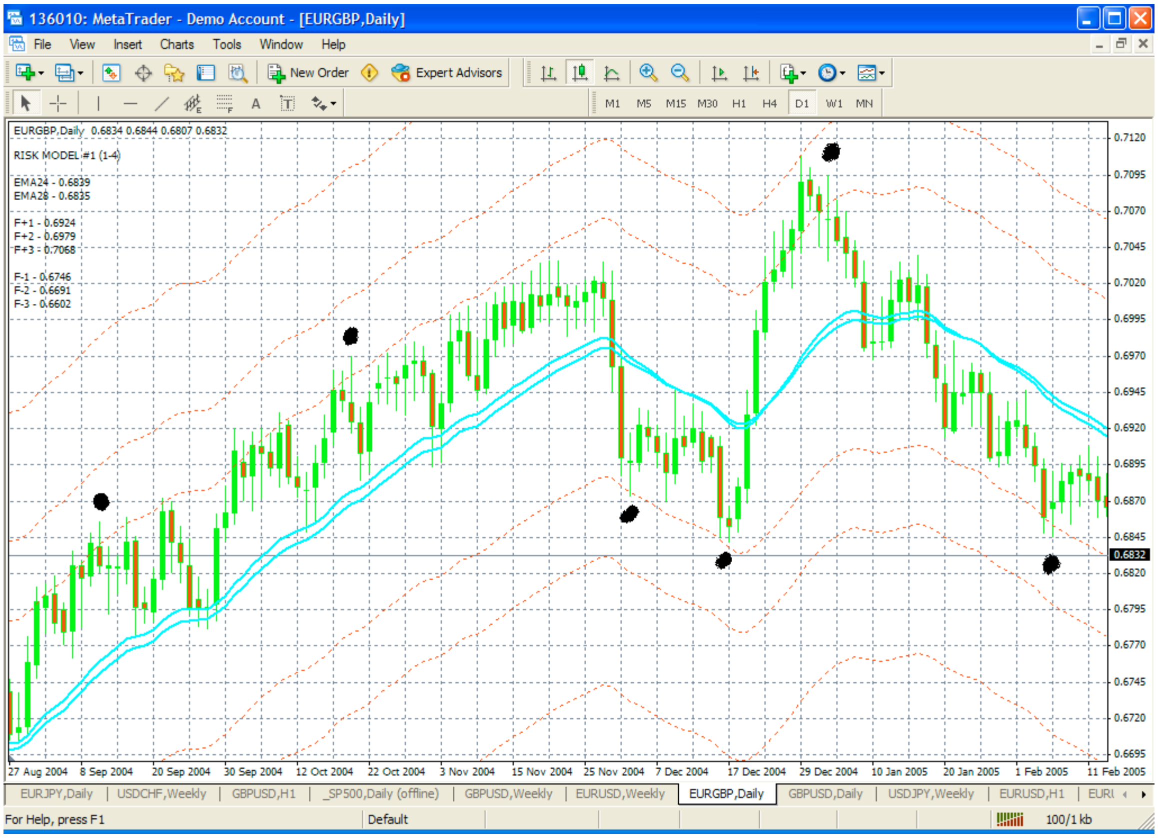
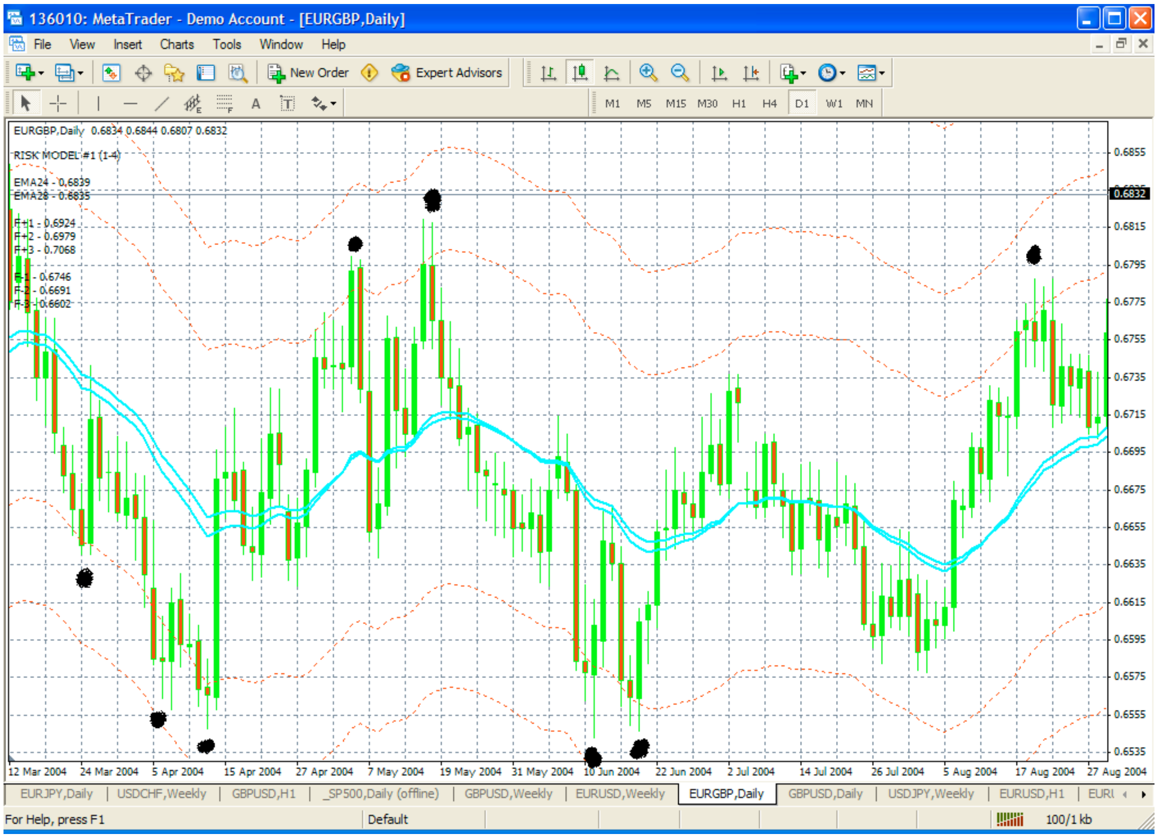


Chart 32
EUR/GBP
March 12, 2004 – August 27, 2004



J.

S & P 500 INDEX

All S & P 500 Index charts have 5 lines. Three dashed red, two dashed blue. The 24 – 28 EMA's are in Aqua. Candlestick bars are green for up, red for down. All charts are daily for spot.

Fib lines are calculated by 'Vegas SP Daily' plug-in. Model #4 was overlaid on Model #2 to produce lines. First line [red dash] = 13.75 (55), second line [red dash] = 22.25 (89), third line [red dash] = 36.00 (144), fourth line [blue dash] = 58.25 (233), and fifth line [blue dash] = 94.25 (377).

Chart 33

S&P 500 INDEX

July 22, 2005 – January 13, 2006

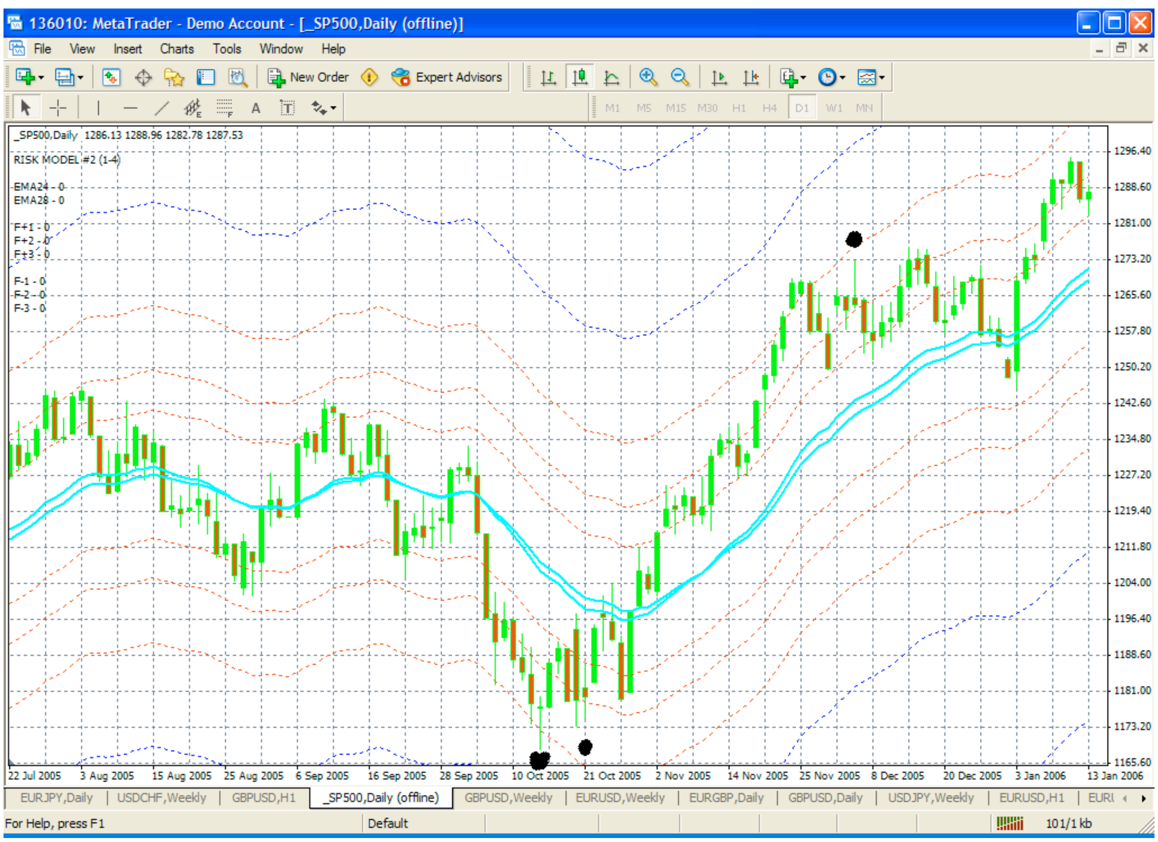


Chart 34
S&P 500 INDEX
January 31, 2005 – July 22, 2005

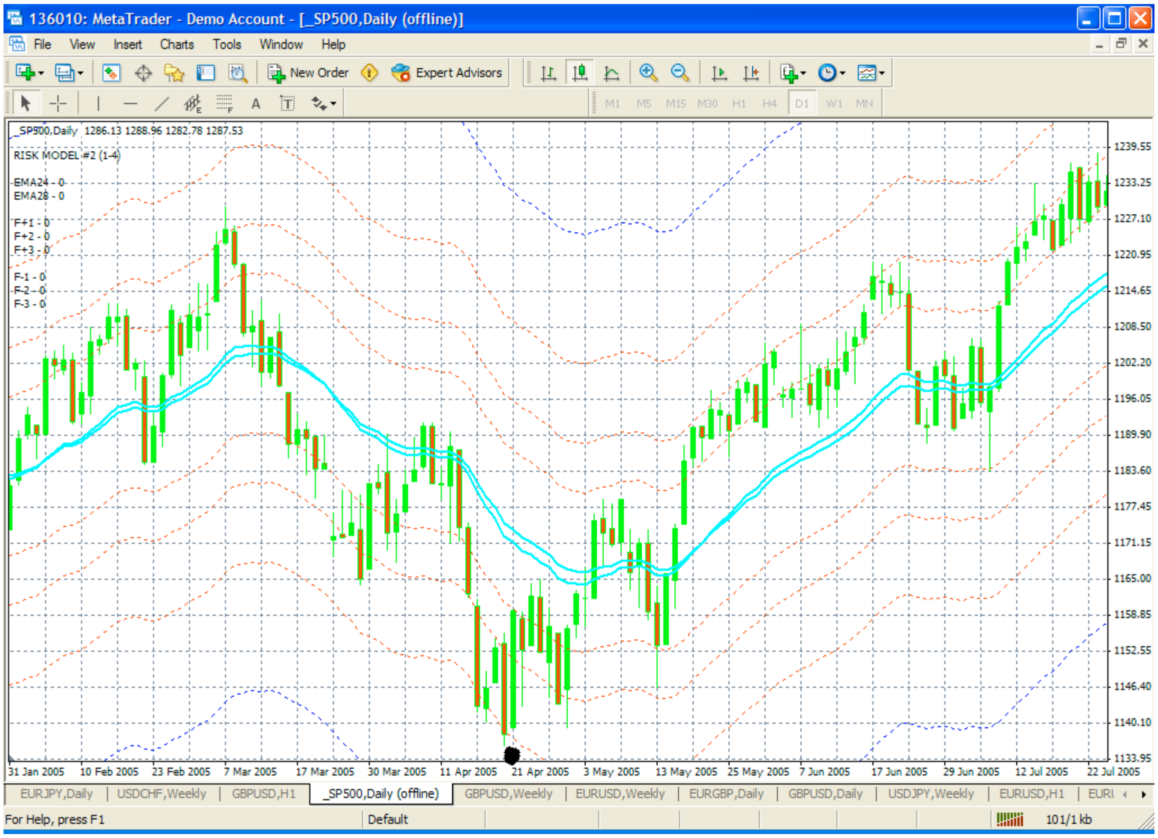


Chart 35
S&P 500 INDEX
August 10, 2004 – January 31, 2005

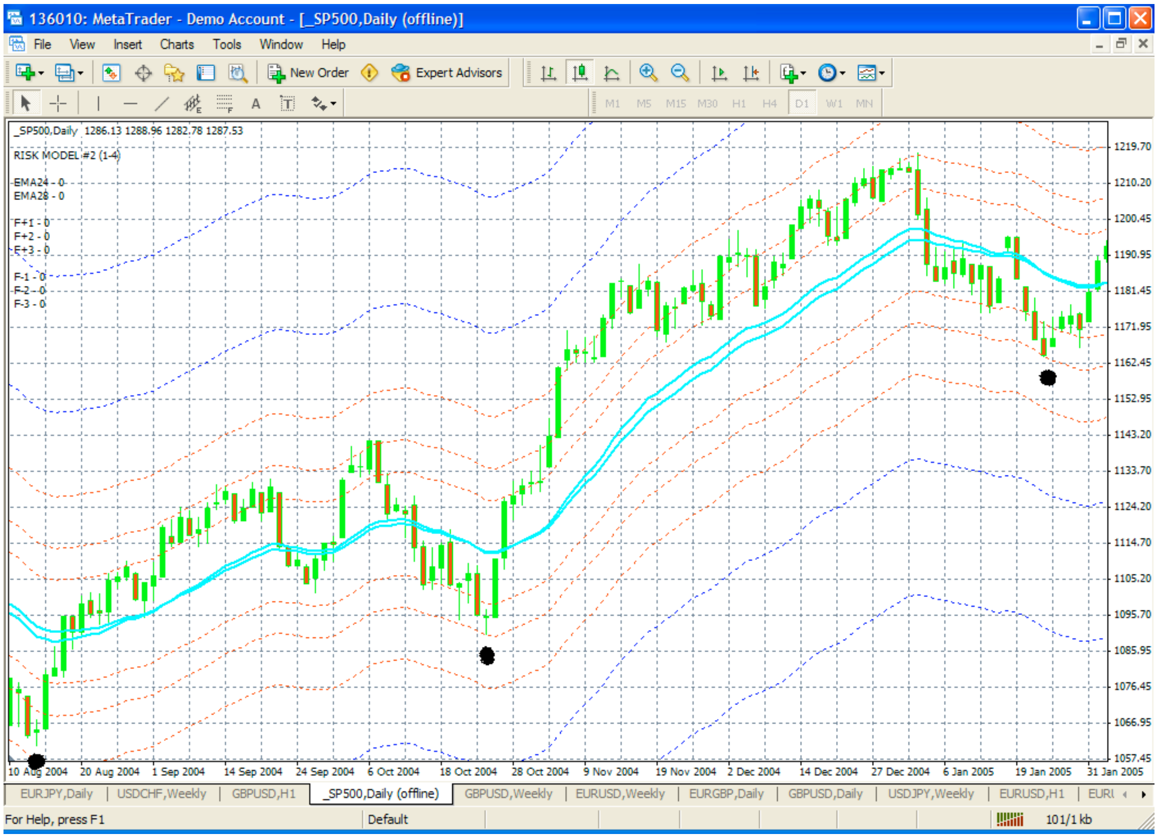


Chart 36
S&P 500 INDEX
February 19, 2004 – August 10, 2004

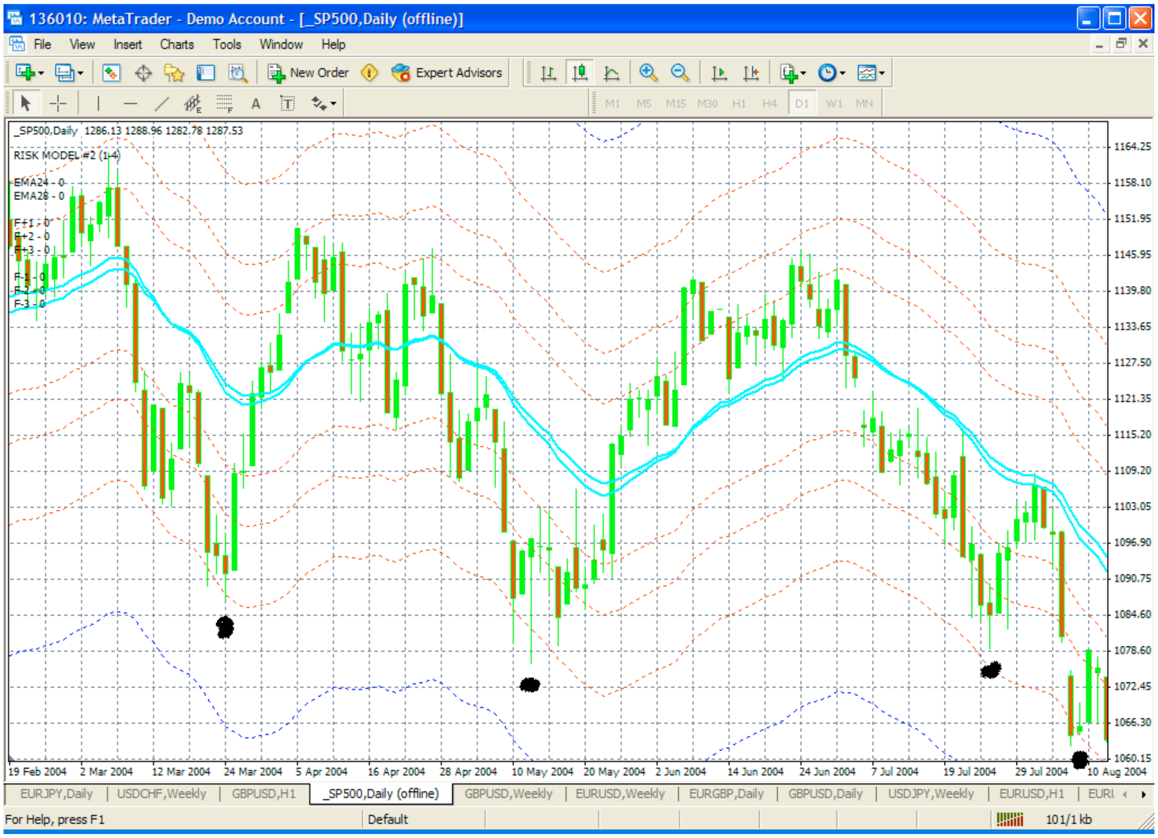


Chart 37
S&P 500 INDEX
August 27, 2003 – February 19, 2004

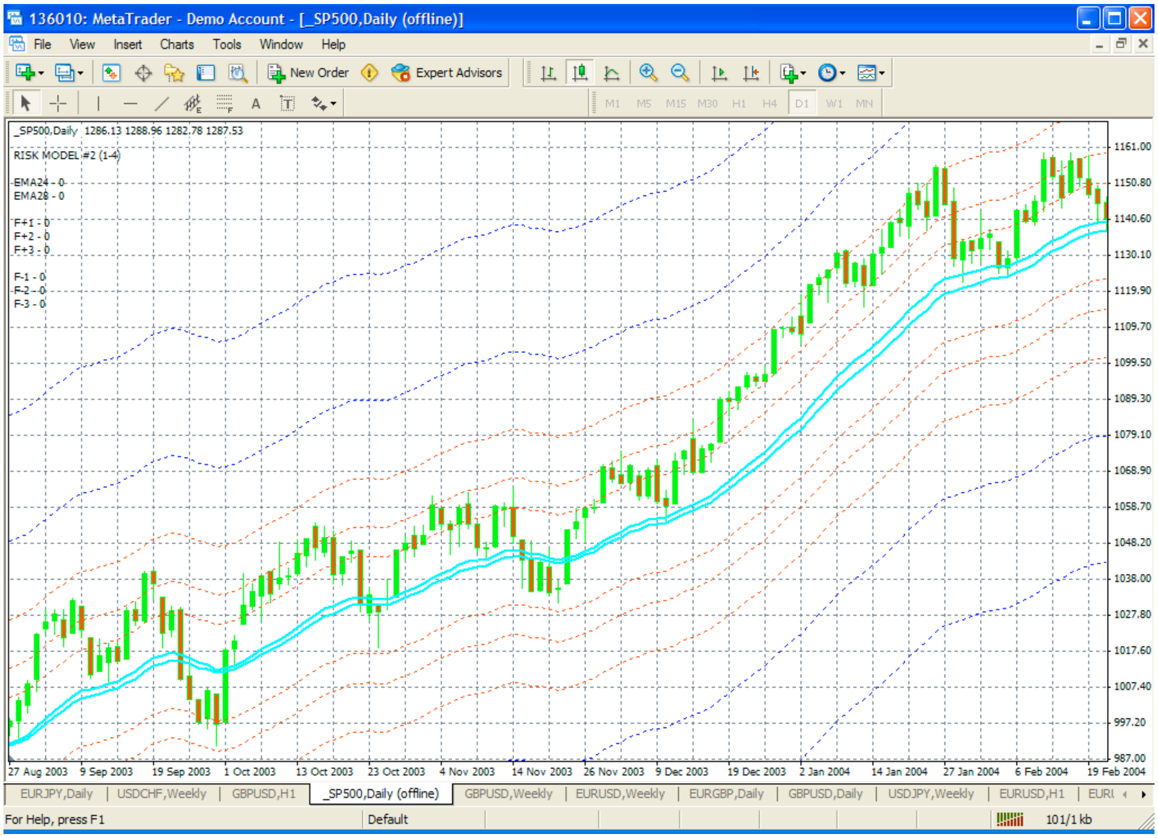


Chart 38
S&P 500 INDEX
March 7, 2003 – August 27, 2003

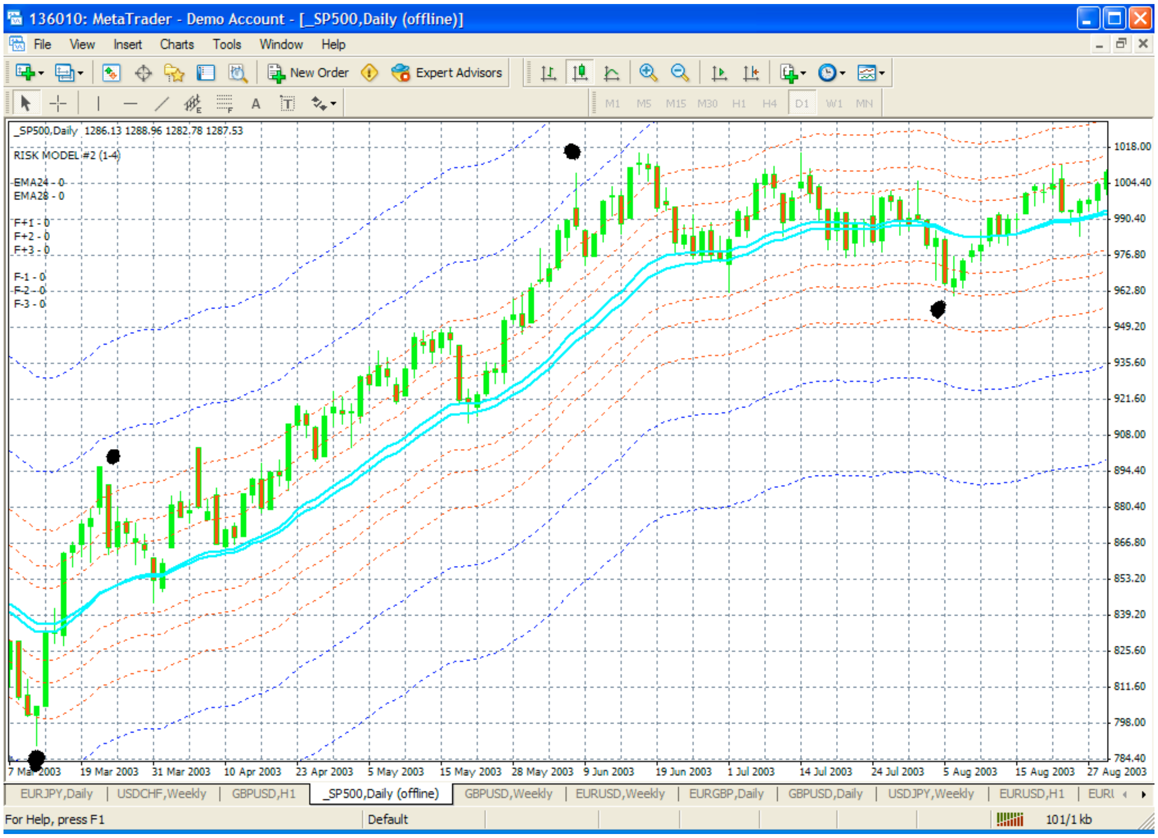


Chart 39
S&P 500 INDEX
September 12, 2002 – March 7, 2003

Chart 40
S&P 500 INDEX
March 15, 2002 – September 12, 2002

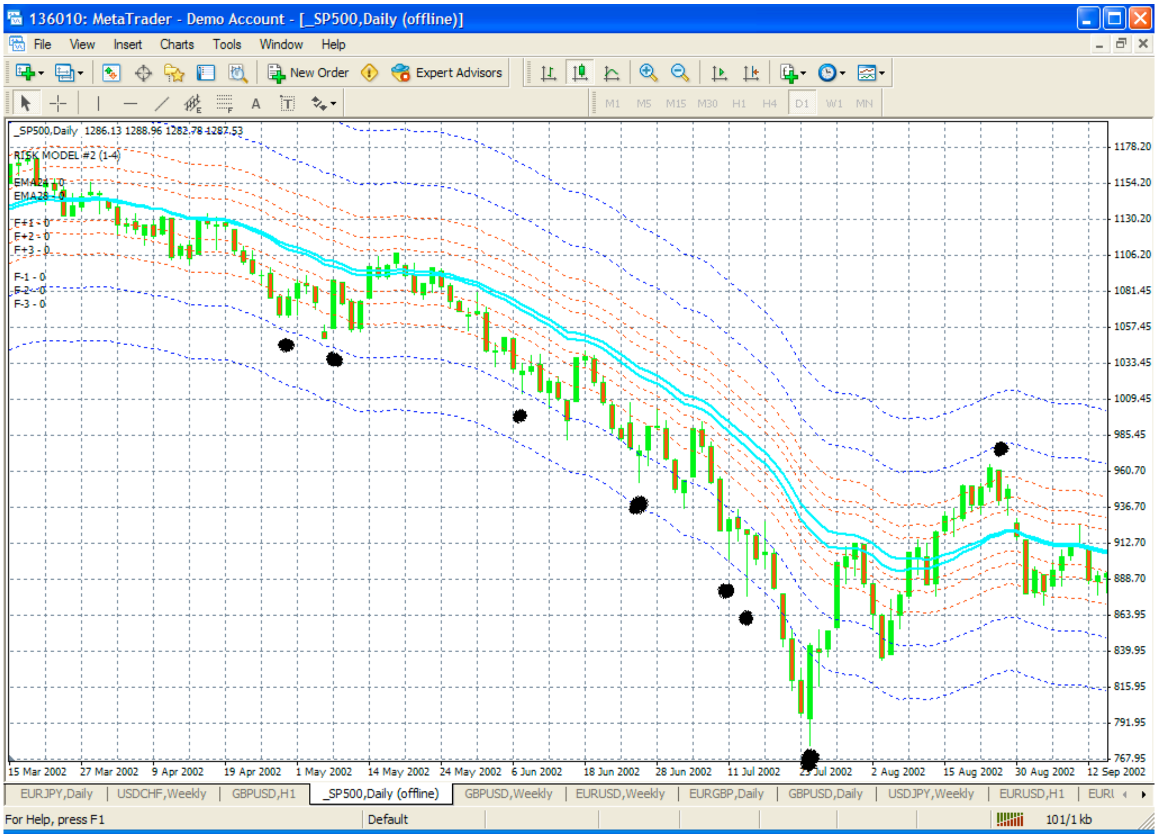


Chart 41
S&P 500 INDEX
September 19, 2001 – March 15, 2002

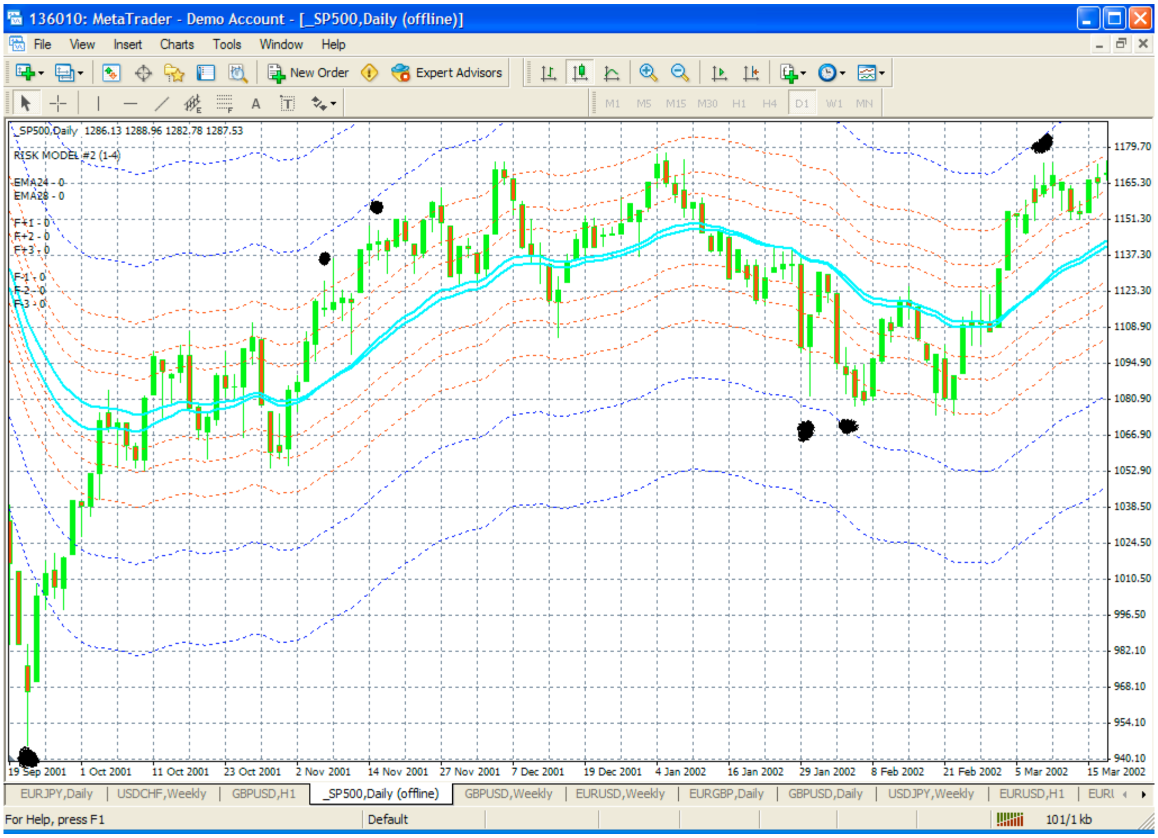


Chart 42
S&P 500 INDEX
March 23, 2001 – September 19, 2001

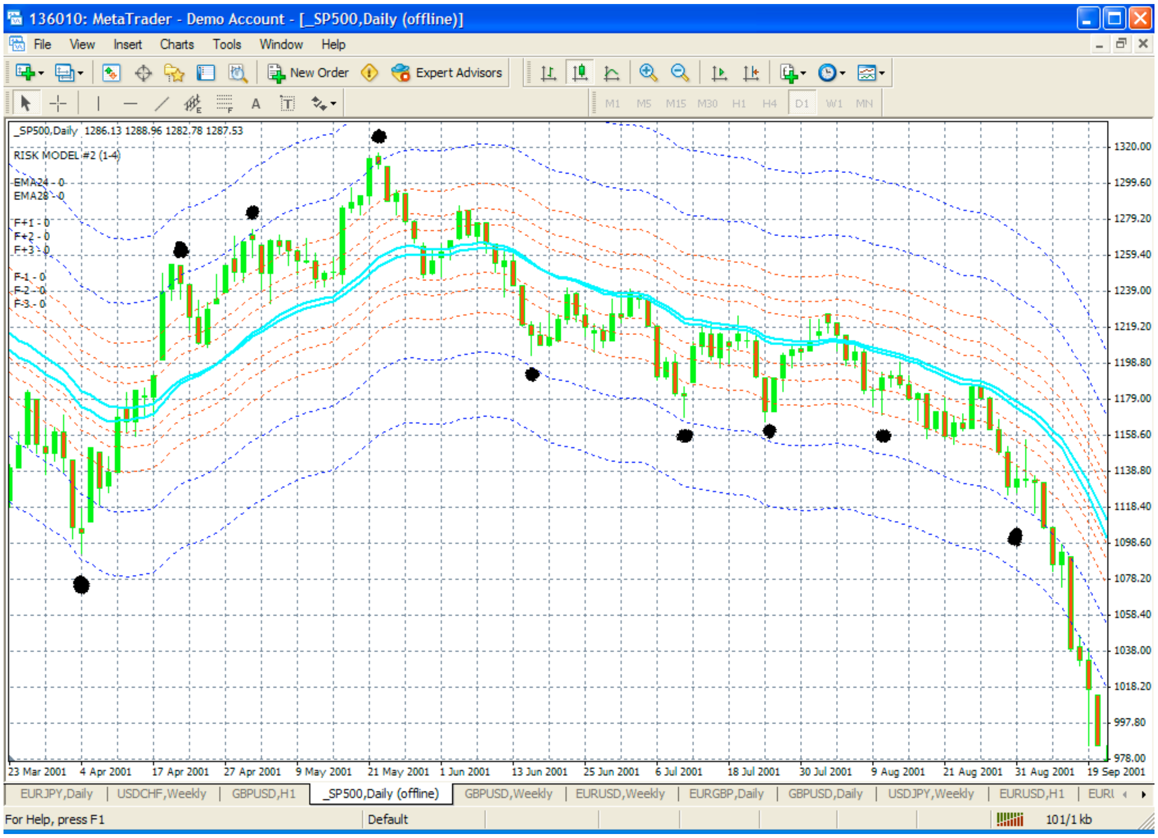
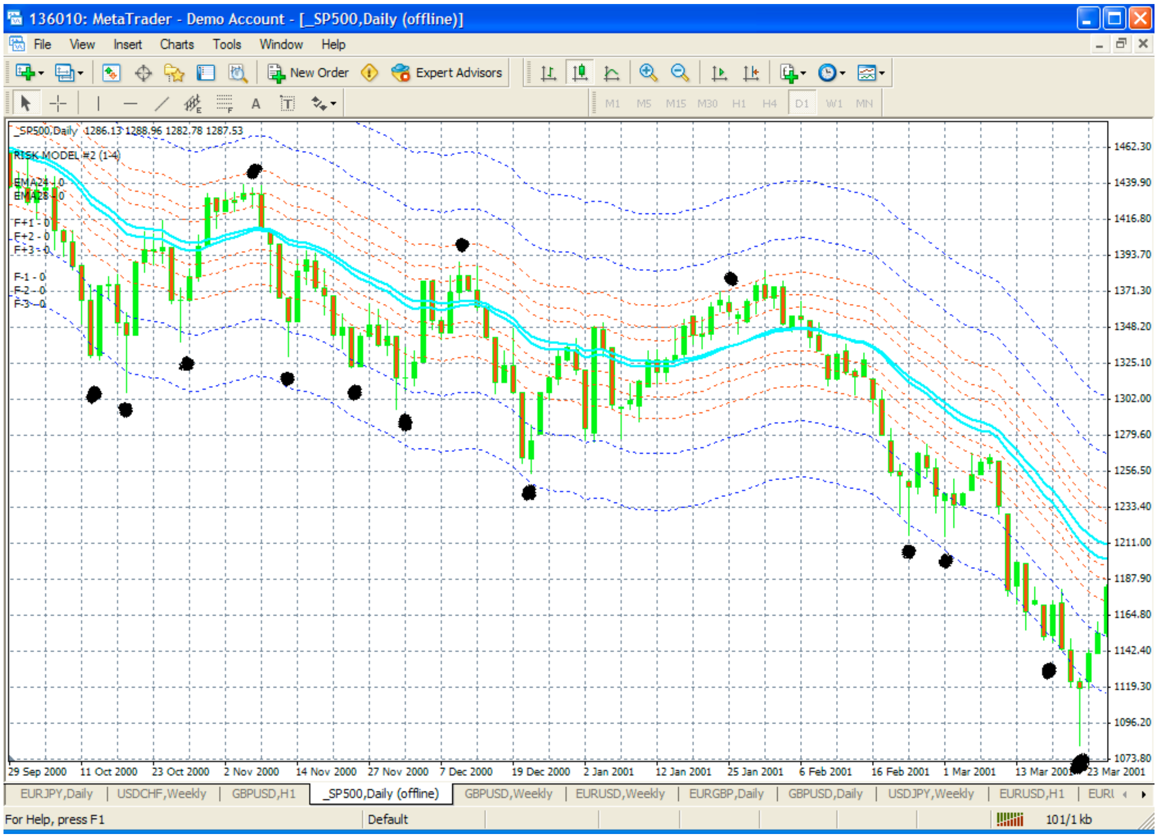


Chart 43
S&P 500 INDEX
September 29, 2000 – March 23, 2001



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