Pristine's "Cardinal Rules of Trading"

QUICKLIST for GAPS

Rule 1: "Do not buy any stock that gaps open more than $0.50 above the prior day's close OR our recommended buy price, whichever is higher."

Example: "We'll look to buy XYZ Corp. once it trades above $50.00." This means our ideal entry price will be $50.06, or 1/16th above $50.00. The stock actually opens at $50.56, or $0.50 above our ideal entry price of $50.06. This is the maximum gap we allow. Any gap greater than this would be more than our allowable $0.50 allowance, and render the play invalid.

Commentary: Most commonly our recommended buy price (i.e., our ideal entry price) is higher than the prior day's close, so this is the price to which we add $0.50. If the stock does in fact gap open more than we allow, a trader may wish to apply our "30-Minute Gap Buy Rule" (see http://www.pristine.com/aeduc/gap.htm). While a great technique for capitalizing on gapping stocks, the 30-Minute Gap Buy Rule is NOT used in the reporting of our plays unless specifically a part of a play's stated entry criteria. The same applies to "Pristine's $1.00 Rule." A handy technique, it is not applied in our Performance Reports. Feel free to tailor our plays to your trading style and personality, using the rules that fit best with your individual risk tolerance.

For the Pristine Lite plays, we allow only a $0.37 gap allowance that is applied in the same way as the above Example.

Our single exception is the "6-8 Week Breakout Play." For plays labeled as such, please refer to the Cardinal Rules for a complete explanation (see http://www.pristine.com/aeduc/cardinal.htm).

The $1 Rule - Once a Winner, Always a Winner

Once a stock (your employee) has moved favorably by $1, you should immediately adjust your initial stop to your break-even price. Now note that we did not say, "once you have a $1 gain…" No. You will move your stop to break-even once the stock has risen (fallen if short) $1 above the ideal entry price. It sounds the same, but there is a major difference. Continuing with the example above, you have bought XYZ at $20. Your initial stop is at $19.25, and you are looking for a $1.75 to $2 gain. The stock moves to $21, making for a $1 rise. If you were to sell at this point, you may not be able to get $21. A rise of $1 does not always equal a profit of $1. But that's not the point. Because it has risen $1, your action should be to raise your stop from $19.25 to $20, your break-even point. At this point, it's all smooth sailing. You can sit back, and relax in the comfort that you will make money at best or break-even at worst. Your trade is now being paid for by the market. And as we've mentioned above, you've got to like that. Special Note: Our in-house traders use a 75 Cents Rule when trading stocks under $12. We encourage you to do the same.

How to Make Money Shorting Stocks in Up and Down Markets

Now I am very much aware that many market players do not like to short stocks. This bias against the short side of the market is totally understandable, especially given the fact that the widespread reluctance is garnered and perpetuated by the various exchanges and the other powers-that-be. For example, one can only short a stock if it is trading on an uptick. That one rule makes getting shorts off (filled) extremely difficult in declining markets. The reason for this handicap of course is to prevent traders from adding to the selling pressure. Yet there is no bias of that nature directed against the upside. The exchanges seem to have very little problem with the market rising in an unfettered fashion.

Now, the number of stocks that can be made available for shorting, even if they are trading on an uptick, is being limited by the exchanges. This further handicaps the short seller, and clearly makes it known that the powers-that-be don't want the public shorting. I don't know about you, but whenever the higher-ups say "No, we don't want you doing that," I ask, "Hmm, I wonder why they don't?" That's me. I'm a questioner. Always have been. Always will be. It's the way I'm wired, I guess. Of course these rules are said to be for the benefit of the "average investor," whatever that term means. But we as professionals know this to be untrue, at least to a certain extent. These hindrances or barricades to the world of shorting are to protect one of the last areas of really big money. Small fortunes (and some not that small) are made everyday on the short side of the market by those professionals who do not have these restrictions imposed on them.

A Specialist on the American Stock Exchange (AMEX) does not have to wait for an uptick to get short. Neither does a NASDAQ market maker, for that matter. Again, my nature compels me to ask, "Why? Why can they and not us?" It's the same age-old reason, my friends. Money. Big money. And instead of the little guy being let in on it, he is being kept out, or at least discouraged, all in the false light of "protection." The public is being duped again, and many are buying it. "Why short when the market is going up" is the loud cry we hear from the establishment. Yet it's the establishment who has conveniently made sure they are free of these restrictions in this up market. I smell a rat! And the stench is incredible.

The Theory

Stocks that are up robustly on the day, and actually close near the day's high, are no doubt very strong stocks. In fact, this strength, particularly if a lot of it occurred near the day's end, will typically lead to immediate upside movement the following morning. The reason behind this upside tendency is quite simple, though relatively unknown. Many people forget or do not realize that the job of a NYSE specialist or NASDAQ market maker is to provide liquidity. This means that if a stock is falling and there is an absence of buyers, they must buy. Conversely, if a stock is running up quickly and there are no sellers to offset the buying, they must take the other side as sellers. This often times puts the specialists and the market makers at odds with the trend and or the current momentum. In many cases, the specialists and the market makers will actually sell so much of their inventory (personally owned stock) on the way up, that they become what the industry terms, "net short." This simply means that they have sold more stock than they own and will have to buy the stock back lower than their average short price if they are to make money. Therein lies the key to our philosophy. With specialist and market makers (large firms backed by enormous amounts of money) short, they have a vested interest in the stock dropping so that they can cover their open short positions at a profit. And believe me my friends, they will do everything in their power to make it happen. Otherwise they will lose, which they do at times, and lose big. This is where we come in.

The Approach

The focus of our approach is to join the well-capitalized professionals (the specialists and/ or the market makers) precisely when they are the most interested in the stock going down. In other words, we only want to think about shorting when these heavy weights are also rich with open short positions. This dramatically increases the odds of our being right. To this end, we have devised a very simple yet powerful approach to let us know when to strike on the short side. We are proud to say that the approach enjoys a very high degree of accuracy, and as mentioned above, is predicated on what the big money will be doing. Let's take a closer look at what's required to use this professional technique.

The Tools

1) A daily price chart which displays roughly three to six months of price data. As many of you know, we rely on the price chart to reveal the flow of money. An upward movement in the price chart shows buying and a downward price chart reveals heavy selling.

2) Standard Bollinger Bands (20 period exponential bands with 2 standard deviations). This technical tool can be found in every commercial charting package on the market. Even sophisticated order entry systems like The Executioner® and Real Tick III which give traders near instant fills will have this study included. Let's move to The Set-Up.

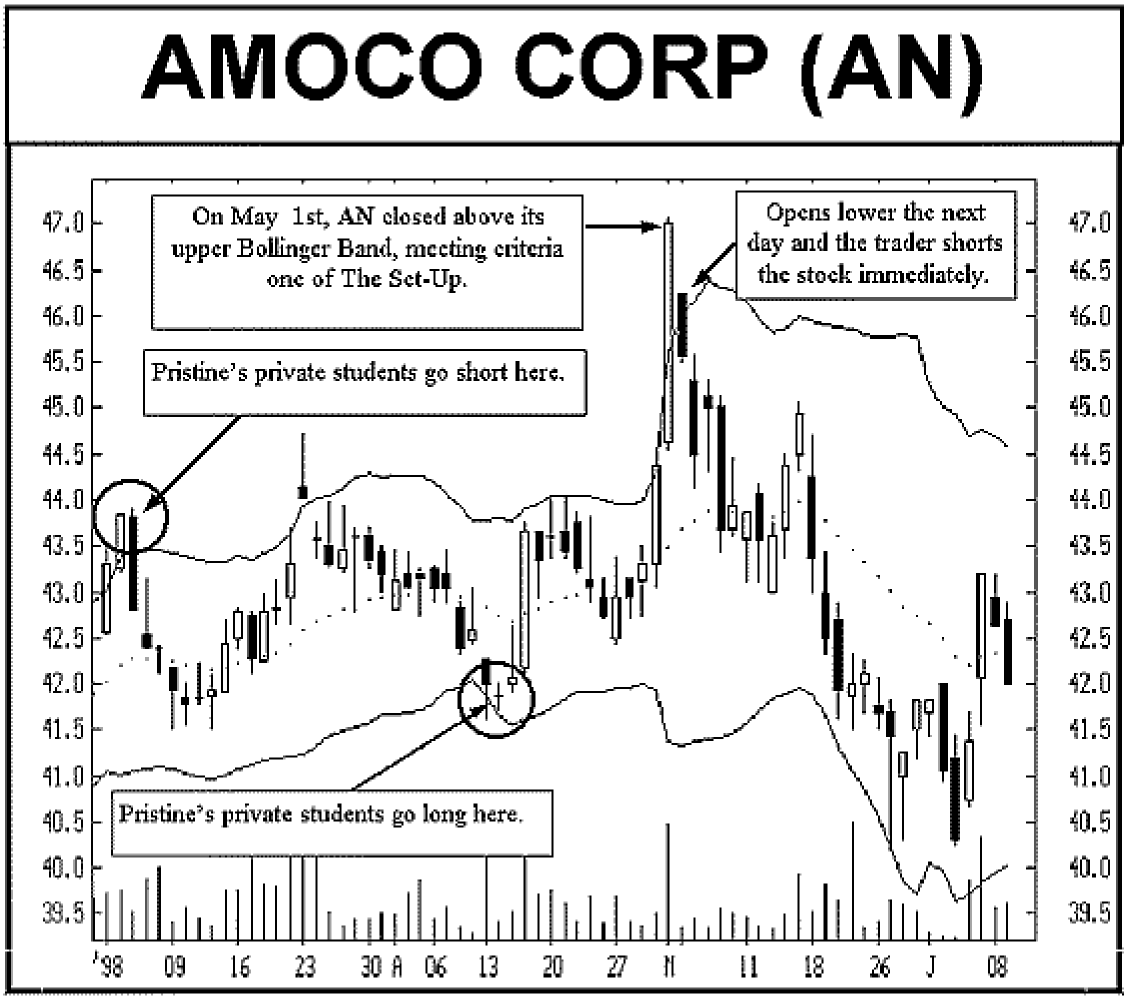
The Set Up

1) The stock must first puncture and close outside (above) the upper Bollinger Band. The closer the closing price is to the high of the day, the better. And the bigger the day's advance, the better. As a general rule, you will want this day's bar to be at least $2 or more in length from high to low. This is not always necessary, but it's better to have it.
2) On the following day, the stock must "gap" down below the prior day's close. This "gap down" is crucial as it serves as the most important criteria of the entire strategy. If the stock does not open for trading below the prior day's close by at least 50 cents (preferably more), no action should be taken. We need weakness right at the open. Example: If on Tuesday the stock closed at $40, we want to see the stock open for trading on Wednesday no higher than $39.50. It must open down!

Note: In many cases, this gap down will be caused by either an exceptionally weak market open or a negative news item on the company, such as a brokerage downgrade. But in either case, the gap down signifies major selling (profit taking), and the pros who short will be loving it. Keep in mind that both the above criteria must be met before action is taken.

The Action

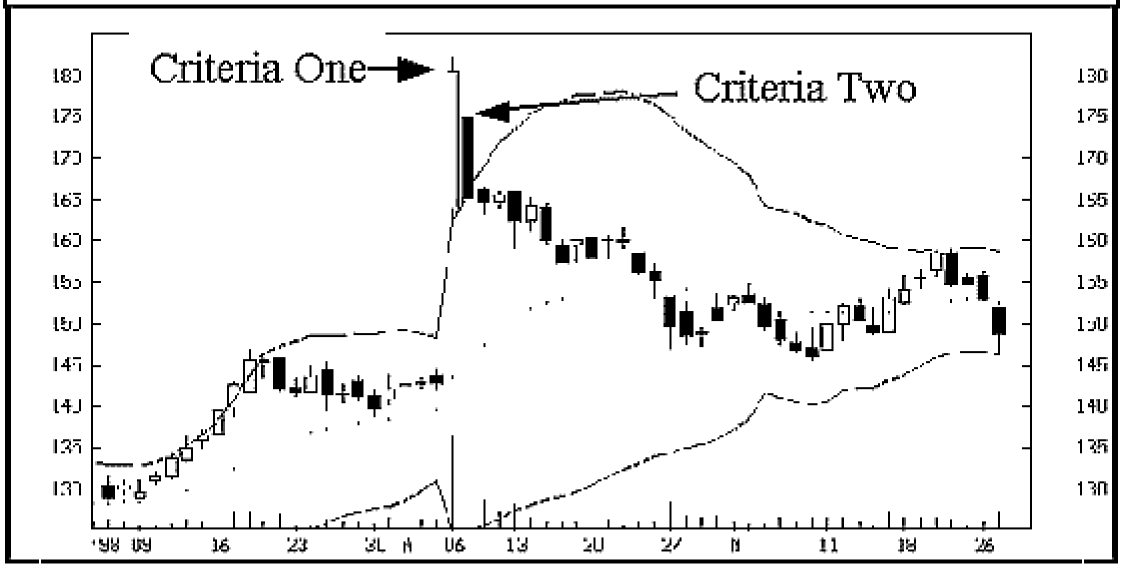
Once the above Set Up Criteria is met, the trader will do the following:
1) Sell the stock short (at the market if you have the luxury of being able to kill the trade instantly in the event the stock gets too far away from you). With order entry systems like The Executioner®, the trader will be able to instantly cancel the open order, if need be. If the trader lacks this "instant canceling" capability, he is better off placing a limit sell order.
2) Once the short has been filled, place a protective stop (mental or otherwise) 1/8 above the high of the prior day. This is our insurance policy against disaster. If the stock rises above the high of the prior day, that is our sign that the shorts are being squeezed, and the major advance has more steam left, as those short will be forced to buy at higher prices to curtail their losses.
3) Hold for two to three days or more, protecting your profits on the way down with some form of trailing stop methodology. Note: Some traders may want to move their protective stop 1/8 above each prior day's high. This is called "tracking the prior highs." Others may want to "book profits" in the following manner: "Once up $1, move stop to break-even. Once up $2, protect 1/2 of the gain, and once up $3 or more, protect 2/3 of the gain. Note: The idea is to ride the short for maximum profits. But of course if the trader is shorting a weak stock in the context of a bullish market environment, booking the profits sooner rather than later is preferred, even if it means missing additional gains. We don't want to fight the major flow of the market too long. A few examples will make this clear.



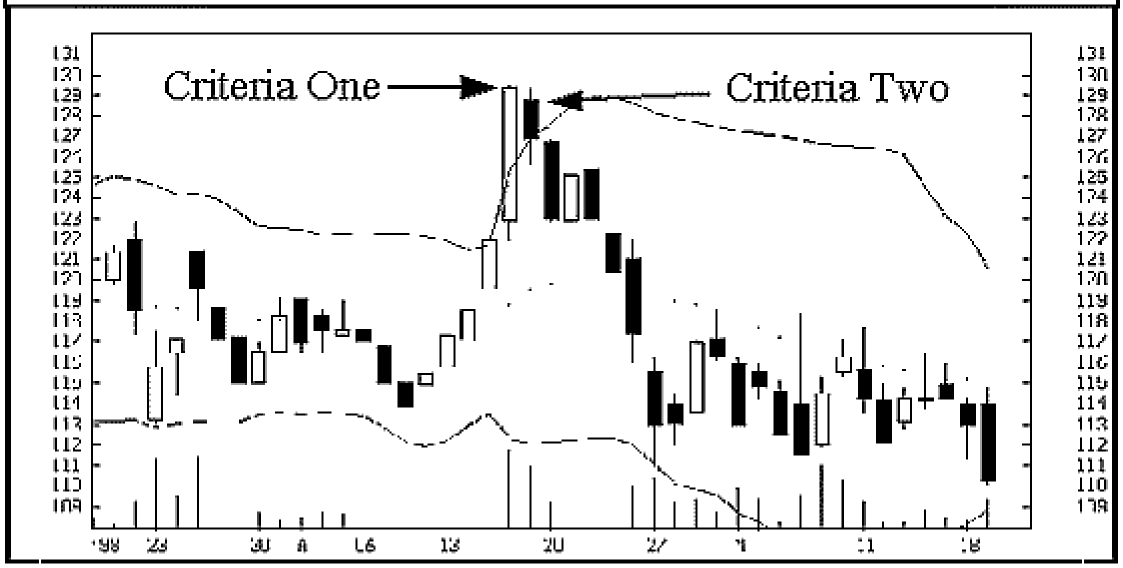
Amoco Corp (AN), a multi-national oil & gas company, topped out in a very big way in the beginning of May 1998, and astute traders who were able to detect the dynamics at play capitalized on the ensuing down move. As shown in the above price chart, AN rallied very strongly on Friday, May 1, 1998 and managed to close at $47, well outside its upper Bollinger Band. This bullish move perfectly met criteria one of our short strategy. As you can see, on the following trading day, which was Monday, May 4, 1998, AN opened at $46.25, well below its prior day's close of $47, helping it to meet the second and final criteria of our shorting strategy. It is at this point the Pristine trader would sell AN short with a stop at $47 3/16, which is 1/8 above Friday's high of $47 1/16. Once the Pristine trader gets short and has his stop in place (mental or otherwise), he sits back and relaxes, making sure that he m7anages his open position with some form of trailing stop method. See comments under The Action on page 3. AN went on to fall as low as $40.25 before it regained its strength. Note: The circles on the chart show other short and long opportunities that many of our private students would have capitalized on, as they met the criteria of other reliable Pristine Trading Tactics. For more info regarding how you can become a private student of Pristine, please call toll free 1-877-999-0979. A representative will gladly help up. In the mean time, let's take a look at a few other examples to drill home the accuracy of this technique.

How to Short Stocks Like a Pro!

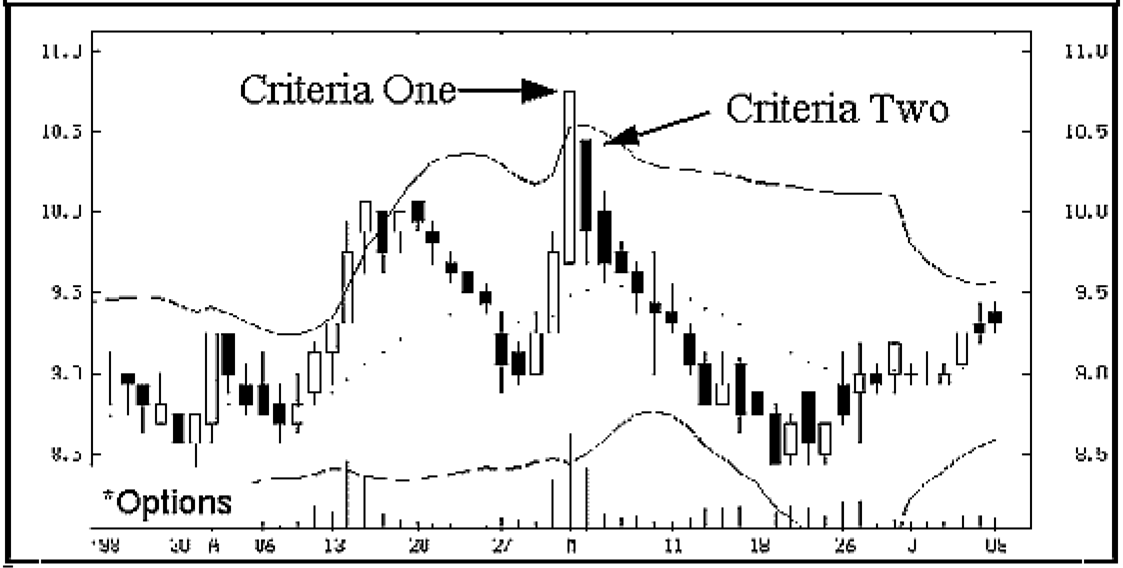
CITICORP (CCI)*



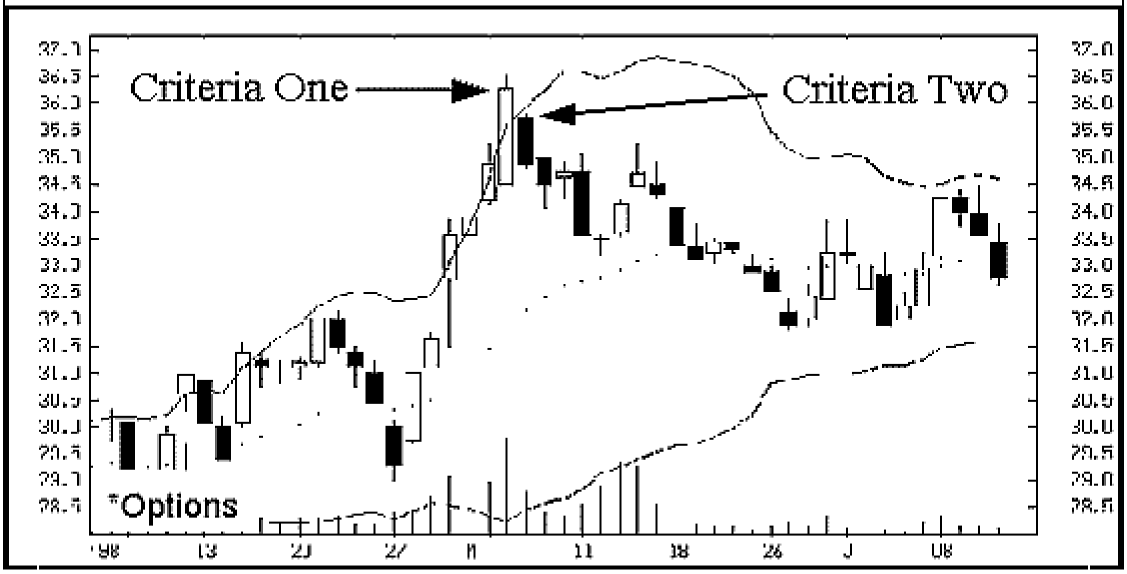
DELTA AIRLINES (DAL)*



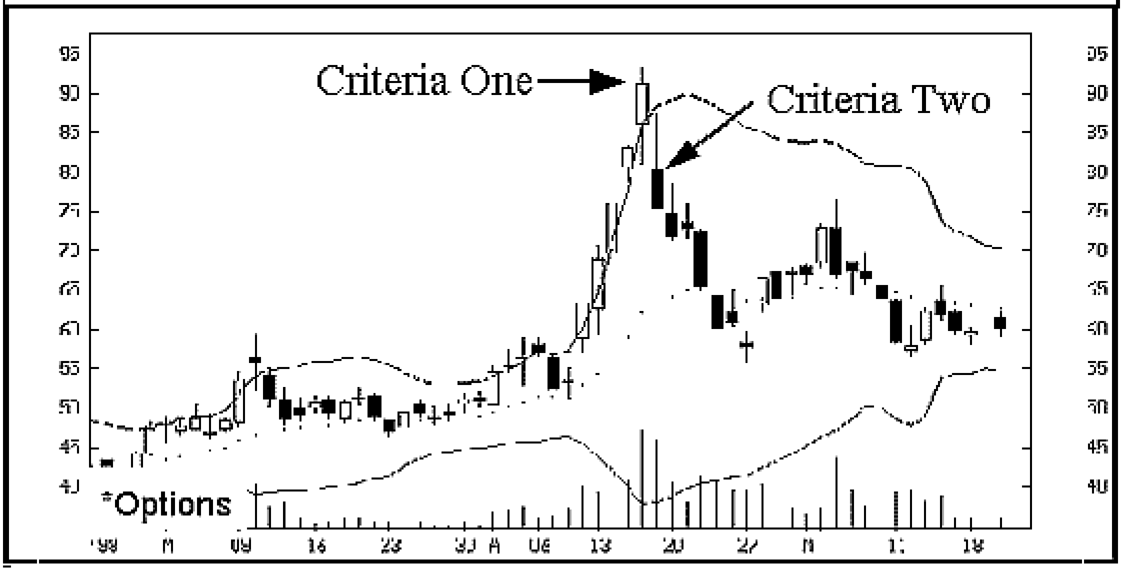
IVAX CORP FLORIDA (IVX)*



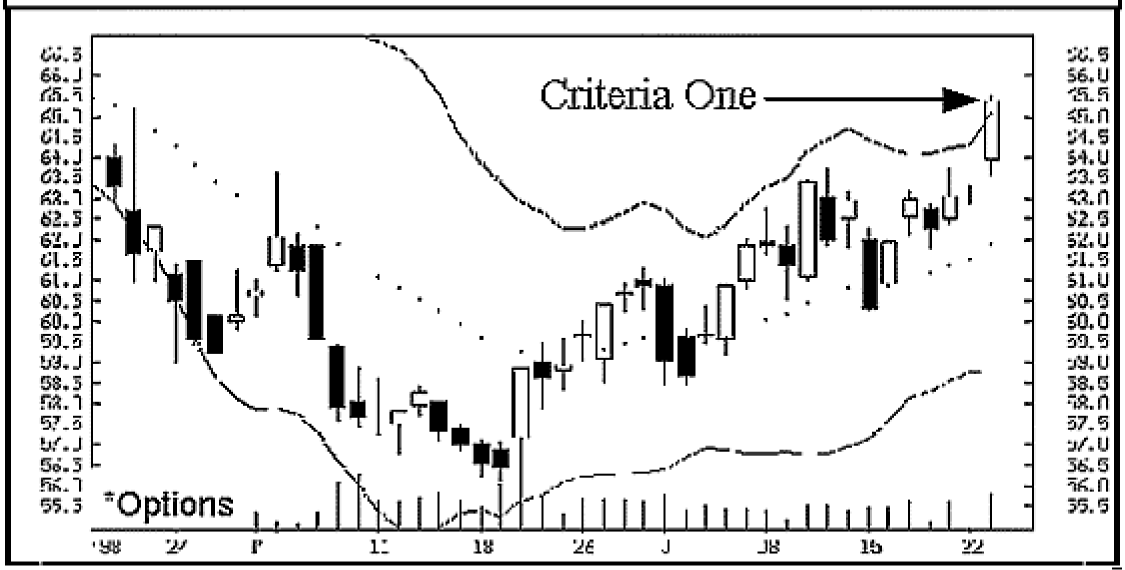
LIMITED CORP (LTD)*



EXCITE INC (XCIT)*



A T & T (T)*



The above examples should drive home how accurate our short technique is, and how robust the gains can be, if handled as we outlined in the previous pages of this report. Note: Some of the above plays were outlined in the Pristine Day Trader, many were mentioned in our Real-Time Trading Room, but most were simply capitalized on by our private students who know "what" to do, "how" to do it, and most importantly, "when" to do it. As mentioned before, if you wish to receive information on how to become a Private Pristine Student (PPS) or you'd like to attend our next one day Trading Boot Camp, please call toll free 1-877-999-0979. Let us help you make your journey to the high lands of trading mastery easier and shorter. Well, there you have it. Your key to making profits on the short-side, just like the pros!

**The following is a list of the most common trade types complete with a brief description of each style of trade. These trade types should not be confused with the many specific, proprietary trading strategies and tactics taught in Pristine's 1- and 3-day Advanced Trading Seminars. For more information on how to master Pristine's three types of trading styles (Swing Trading, Guerilla Trading & Micro-trading), please call our seminar department toll free (877) 999-0979.*

Scalp Trade: A style of trading that is designed to capitalize on small moves, using price setups that present exceptionally low risk opportunities. The typical objective for a scalp trade is 1/4 to a 5/8 or more. Scalping demands a familiarity with Level 2 as well as the use of a direct access system such as The Executioner (http://www.executioner.com/) for instant order execution. The best scalping opportunities are found in liquid stocks (trading 500k or more shares a day) with quality market maker representation. Pristine Scalp setups are typically found using charts in smaller intra-day timeframes such as a 2-, 5- and 15-minutes.

Day Trade: Conventionally speaking, a day trade is a position initiated and closed out in the same trading session. In Pristine's Real-time Trading Room, a day trade is an opportunity with the potential to become an overnight (o/n) and/or develop into a swing trade, but because it occurs early in the day, it is typically treated more aggressively in terms of locking in partial or complete profits. Day trades also typically employ tighter stops than the average swing trade does. We have found that the best day trades usually have "room to run," with resistance being far enough away to warrant holding through a brief pullback or period of consolidation if necessary. Day trades are typically found using intraday charts with medium length timeframes such as a 15-minute or hourly chart.

Overnight Trade: An overnight trade is typically a position entered late in the day in a stock which is closing at or near its high (or low, for shorts) with the potential to gap up or see follow-through the next morning. As mentioned above, an overnight can also start as a day trade that closes strong enough to warrant holding past the close and into the following day. Overnights are frequently closed out in the early going of the following morning (if not right at or before the open) with some traders opting to sell only half, with the remaining half held for a longer period and a potentially larger price gain.

Swing Trade: A swing trade is one that is entered with the idea of profiting from the natural ebb and flow of a stock's daily movements. Swing trades are usually initiated in an area of significant support (or resistance, for shorts), and seek to capture between $1 to $4 in profits, depending on the situation. Typically held for a period of two to five (or more) days, swing trades take advantage of a very profitable market niche overlooked by most active investors. Too brief for large institutional concerns to take advantage of and, at the same time, too lengthy for floor traders (who typically don't hold positions overnight) to be comfortable with, this time frame offers the perfect opportunity for independent traders who possess the expertise necessary to profitably exploit it. Swing trades are found primarily using daily (and weekly) charts, with occasional reference to a 15-minute chart as well.

Core Trade: A Core Trade is a longer-term style that seeks to take advantage of an extended market move, typically on the long side. Looking beyond the usual two to five day objective of the swing trade, a core trade is often held for weeks if not months. Exiting a core position could be based on either the market signaling that it is time to cut back our exposure, or the stock itself experiencing a technically bearish breakdown such as a weekly reversal candlestick or violation of a significant moving average. Because of the very different mindset involved in managing core trades, it is recommended that traders keep a separate account.

Pristine's Cardinal Rules of Trading

"Pristine's cardinal Rules of Trading" is a special report designed to educate Members of The Pristine Day Trader on the finer elements of short-term market speculation. Its sole purpose is to lay out, in full detail, the DOs and DONTs of trading "The Pristine Way," and to aid each subscriber in sidestepping the most common errors made in the investment arena. It is our view that the reader who thoroughly internalizes each cardinal trading rule will dramatically increase his overall potential for above-average profits.

Pristine on Different Types of Buy Orders

Entering a stock properly is responsible for 85% of all successful trades, so knowing the different types of orders, which can be used to enter a stock, is obviously crucial. And while this is neither the time nor the proper format in which to review this matter in detail, I will quickly list the primary order types that are most frequently used in the strategies outlined in The Pristine Day Trader.

1) The Market Order is simply an instruction that informs your broker that you want to buy or sell a stock at the best possible price that can be currently obtained. This is the most widely used order type which is precisely why it isn't overly used by astute market players who have the luxury of watching their stocks closely. This is not to say that the market order has no place in a traders program, but rather that it should be utilized sparingly, and only after the market and the playable stock has already begun trading. **Rule: Traders should never place a market order on any stock before the market opens.** This is an error typically made by inexperienced stock market players who get over-zealous in their desire to buy or sell a particular stock. Professionals simply don't buy or sell stocks without any regard for what price they are going to open. They would prefer to run the risk of missing the entire play, comforting themselves in the irrefutable fact that "missed money is much better than lost money." Market orders should be used primarily in quiet trading climates, and only then after the overall market and the underlying stock has opened. Market orders used any other way are nothing more than dangerous, shoot-from-the-hip, gambling bets that will wreak havoc with your trading career. How many times have you bought at, or before the open, only to find out later that you purchased at the highest price of the day? Want to dramatically reduce the odds of this ever happening again? Just have the patience to wait a few extra minutes, and I guarantee that those extra moments will often mean the difference between latching onto a winner at the right price, and getting caught in a dud.

2) The Buy Stop Order is by far our most frequently used order type and should be thoroughly understood by all of our traders. This order instructs your broker to buy a stock once (and only if) a specific price objective has been met. For instance, we may instruct you to place a buy stop order for XYZ Company at $20.50, which is well above XYZ's current price of $19.75. If XYZ displays enough strength to trade up to $20.50, you will be filled at the best price obtainable at that time. If XYZ fails to reach the buy stop price of $20.50, because of inherent weakness or overall market softness, you (fortunately) will not be executed. Whenever we advise you to use a buy stop order, you should observe the following cardinal rule, unless otherwise instructed. **Rule: Place all your "buy stop" orders after the underlying stock has opened for trading.** Just like the rule above, this will virtually eliminate the chance of you being caught into an issue that gaps open several points higher at the opening bell. **Tip:** You will be frequently instructed to buy a stock once it trades above a certain price level. It is this recommended strategy that is ideal for the "buy stop" order. If we are advising that you buy ABC Company, once it trades above $30, you will want to place a "buy stop" order at $30 1/16, providing that you are dealing with a stock on which you can place such an order. Unfortunately, stop orders cannot be placed on all stocks. The stocks on which you cannot use buy or sell stops must obviously be watched closely in order for the appropriate action to be taken. This is commonly referred to as using a "mental stop."

Pristine on Selling

Selling is largely the most difficult part of the overall investment/ trading equation, and if a market player does not have a firm handle on a few sell guidelines which aid in making proper sell decisions, profits will be hard to keep, if they are ever come by at all. Below, I have listed a few guidelines that will help limit the number of errors which can too easily occur in this most delicate of all trading areas.

Rule 1: Consider selling any short term stock recommendation that languishes for 10 consecutive trading days without ever achieving its upside target or violating its downside stop loss. We are in the business of moving in and out quickly (in most cases 2 to 5 trading days), and in order to maintain a certain degree of liquidity, we must eliminate any stock which attempts to tie up our much needed capital. We refer to this as a "time stop," and it is an excellent tool to incorporate into any short-term oriented trading program. **Tip: I**n most cases, if a good part of the expected move has not occurred during the first 5 trading days, the chances are good that the stock will be "timed out" or even stopped out. You will find that most of our winning plays do produce a large part of their move in the beginning. This is not to say that one should not go the full distance with each short-term stock pick (max. 10 days). I just felt this point was worth being aware of.

Rule 2: Consider selling only 1/2 of any stock that catapults over 25% within 3 trading days. While we are primarily short-term traders, as mentioned above, we are intelligent enough to realize the importance of capitalizing on longer-term opportunities that offer the chance of truly spectacular price gains. And our studies suggest that those stocks which rocket 25% or more in less than 3 trading days are the ones that will typically go on to be the market's big winners. **Tip:** We usually sell 1/2 of our position in these quick 25% cases, and keep the remaining half as long as the stock stays above its break even point and/or its 50 Day Moving Average (50 MA).

Rule 3: On short term trades, consider always selling 1/2 of your current position whenever you can lock in a $1.50 to $2 profit, even if we state that we're looking for a larger gain. While it is true that many of our stock picks go on to score very large price gains, locking in a part of your profits by selling 1/2 gives the trader an opportunity to profit in two ways. The smaller "trading" profit will undoubtedly satisfy that insatiable urge to take home some bacon for the kids NOW. While letting the remaining half ride will satisfy the natural urge to really go for the gusto, just in case you happened to have purchased a "Pristine Rocket." **Tip:** This is a strategy that will largely appeal to those who trade in larger lot sizes, but we have found that it can work wonders for those who initially buy as little as 200 shares. Just remember, should you decide to put this strategy into practice, never allow your remaining portion (1/2) to slip back into negative territory. The beauty of this approach is that it is virtually a no lose situation. Locking in the initial profit makes part of the "paper gain" real, while the rest of your money either makes more money, or breaks even at the very worst. This is a very important point. Remember it.

Rule 4: Do not lose more than 8% (10% max.) on any stock that is above $15. You will automatically adhered to this rule if our suggested stop losses are strictly administered. The "stop loss" is the the tool that we will always use as insurance against disaster. As a short term trader who utilizes the stop loss, you will frequently experience being stopped out of a stock, only to watch it quickly rise again. Unfortunately, this is a reality we traders must face and learn to live with. Why? Because this scenario is here to stay. When playing stocks over longer time frames, you can afford to give a stock a greater degree of latitude, because time becomes more of a positive factor. However, when you're playing stocks over several days (typically 2-10 days), you cannot be as generous with your risk parameters. This is why The Pristine Day Trader places such a great degree of significance on stops, even if it means occasionally selling our stocks near the low of the day. When you're primarily trying to capture $2.50 to $3 gains per trade, your average loss must obviously be significantly smaller than that. So a tight stop loss, just as those detailed in The Pristine Day Trader, is a must. **Tip:** At times, we will feel quite strongly that a stock which is about to be stopped out is still an excellent hold over a slightly longer period of time. And if we are willing to extend our holding period a bit, we will decide to sell only 1/2 of our current position at our suggested stop loss. The remaining half will be given a wider risk parameter. This partial sell technique typically accomplishes two things. First of all, it lightens the burden of our loss by exactly 1/2. At that point we are dealing with only a portion of your original problem. And a portion, as you well know, is a lot easier to deal with than the whole. Secondly, it gives the stock an opportunity to come back, as many of our stocks often do. While we don't want to minimize the importance of taking your lumps quickly and moving on, initially selling only 1/2 of a very strong stock on the downside can prove to be a wise choice. Just remember. Everything has its price, and this revised stop loss technique is no exception.

Rule 5: Never let a $2.00 gain in any stock turn into a loss. This should be self-explanatory. It is hard enough finding issues that go in the desired direction, without allowing those that do to turn into wicked losers. Once you have a $2.00 gain or greater, consider yourself free from the possibility of loss. At that point you can either adhere to rule number 3 above, or even sell it all. But whatever you decide to do, never ever let a $2.00 profit go sour. It's simply not smart, my friends.

Pristine on Gap Openings

Gaps openings are those frustrating occurrences when a stock (which we what to buy) starts the day trading significantly higher than the price at which it closed the previous day. Knowing how to deal with them in the context of our strategies can mean the difference between staying out of trouble and losing money very quickly. Below you will find a few helpful trading rules to aid you in coping with these frequent occurrences.

Rule 1: Do not buy any stock that gaps open more than $0.50 above the previous day's close or our recommended buy price, whichever is higher. For example, if we state that we will "look to buy once it trades above $35.00", i.e., entering at $35 1/16, and the stock then opens at $35.62 (over $0.50 above our recommended entry price of $35 1/16), it becomes invalid and should not be entered. Gap openings are typically caused by a euphoric morning rush of buy orders that dramatically overwhelms the number of shares currently being sold. As mentioned in the Market Order section of this report (see part one; page one), professional traders don't indiscriminately place buy orders at the market open, without any regard for where the stock is going to open. So, your job as a professional short-term trader is to refrain from getting caught in these amateur driven stampedes. And you can accomplish that by waiting to see where the stock begins trading, before you decide to act. **Tip:** As mentioned in part one of this report, you must never place a market order on a stock before it opens for trading. This one single rule should virtually eliminate the possibility of being caught in a morning gap. Also, I'd like to point out the fact that we personally use a more precise version of this rule, and strongly suggest that you consider incorporating it into your trading plan. ***Note***: For stocks under $15.00, we will allow only a $0.37 gap above the previous day's close or our recommended buy price, whichever is higher, instead of the full $0.50 as stated above.

Rule 2: Consider all trades that gap open more than $.50 (as stated above) INVALID, even if they subsequently fall back into our suggested buy range. This is by far one of our most important "gap" rules. Once a stock has opened for trading beyond the point we are willing to pay for it, the recommended trade becomes permanently invalid. Very often, a stock will start the day off very strong, only to meet with major selling that takes the issue back down to our originally desired buy range. When this happens, there is a strong tendency for those who feel that they've missed the first run up to gleefully buy it on the decline. Generally, this practice will produce more losers than winners. When a stock fails to maintain its initial strength, it is a strong indication that either professional traders who already own some are using the strength to take profits or that they're simply "fading" the issue. Note: Fading refers to a trading technique that involves going against the herd or crowd. If a stock jumps up too abruptly, some market makers or professional traders will sell into the rise with the idea that the herd mentality that caused the advance will quickly die out. Of course this applies to the reverse scenario as well. **Tip**: Just keep in mind that this is a general rule that will save you money most of the time. It does not mean that a stock cannot rally after experiencing a mild set back. I am only suggesting that the safest thing to do is stay away, because, as you know, "missed money is better than lost money." As always, when you are in doubt, call us before you act. That's what we're here for.

Rule 3: Consider buying only 1/2 your normal size of any stock that gaps open within our suggested buy range. As mentioned above, we will limit our buys to a maximum $.50 above our suggested buy price; however, when a stop gaps open less than that (say 25 cents) it is still buyable but should be bought with 1/2 the funds you were initially willing to commit to the trade.

Why? Because any gap open will translate into a higher purchase price, and a higher purchase price obviously means a higher degree of risk. If our stated downside risk is $1.50 based on our recommended stop loss (assuming no gap), adding 50 cents to the cost will now make the downside risk $2.00. To compensate for the additional risk, a trader limits his/her size. **Tip:** Additional risk can always be compensated by buying less than your normal lot size. Whenever you are not buying at the ideal point, you are assuming more risk. Buying less will help offset the added risk. Make sense? I hope so.

Pristine on the Single Gap Exception

There is only one exception to the rule(s) mentioned above, and I feel compelled to briefly mention a few comments regarding this exception to the rule(s). **Exception: Anytime a stock gaps out of a six to eight week base, it should be bought according to Rule 3 (above).** At times, we will recommend a stock based on a strategy we call The 6 - 8 Week Break-Out, which is an extremely powerful stock play that often leads to big price moves. Because of the enormous upside potential that this particular strategy possesses, the underlying stock can be bought irrespective of a gap opening. **Tip:** An important point to note is that "gaps" are a sign of strength (although often temporary in nature), but one does need to have a general idea of when that strength is likely to be the start of something big, versus a temporary phenomenon that will quickly die out. The 6 -8 Week Break-out plays recommended in The Pristine Day Trader will offer you that clue. Look out for them and play them.

Pristine on Miscellaneous Points

Below you will find a list of miscellaneous points that do not command their own category, but are just as important as the aforementioned rules (some are even more important). In fact, this page may be the page to which many of you turn the most frequently for daily guidance. Repeatedly read each item with care, internalizing the rich meaning contained within.

Point 1: Consider "6-8 Week Break-Out Plays," "50 Day Moving Average Plays," "Channel Plays," "Stair Step Plays" and "3 to 5 Down Day Plays" our most compelling trading strategies. As a Pristine subscriber, you will be exposed to, and learn from, a large number of reliable trading tactics, but the above mentioned strategies (listed in order of importance) are by far the most reliable and the most plentiful. In fact, some traders may want to play these strategies exclusively. **Tip:** Whenever these strategies are used, they are very clearly stated in the commentary and/or on each accompanying chart.

Point 2: If a recently recommended stock is not mentioned in our "Pristine Stocks Update" section, it is to be assumed that the original (or last updated) strategy is to be adhered to. Because of limited space, there are times when we are simply not able to update every one of our open positions; however, this is not usually necessary, anyway. Each of our stocks is accompanied by a very detailed buy a sell strategy at the time of its recommendation. That original strategy (namely stops and price targets) should be strictly adhered to, in the event that no update appears. Typically we will not mention a stock in our update section if it requires not change or adjustment in strategy. **Tip:** There will be times when a stock is not updated, despite having met its upside target or violated its downside stop. This lack of an update is not to be construed as no action taken on our part. In these cases, all stocks meeting their up or downside objectives should be assumed closed by us.

Point 3: Please keep in mind that our suggested price objectives are calculated from the most current price, not from where you buy the recommended stock. For instance, let's assume that a stock is currently at $35, and we are looking for a $3 rise. this will make our upside target $38 ($35 + $3 = $38). Should you happen to buy the stock at $36, your upside potential profit will then be $2. **Tip:** Consider this important point whenever choosing which stock(s) to play.

Point 4: Do not anticipate (jump the gun) by buying a stock BEFORE the suggested buy point is met. Very often we will recommend that you buy an issue once it trades "above" a certain price (example, XYZ: Current price $20. Buy once it trades above $20.25). We obviously choose to buy certain stocks this way for a good reason. Buying them before the upside buy point is met can prove very costly. DON'T DO IT. That is if keeping your hard earned money is important to you.

Point 5: Do not buy any recommendation that "hits" its entry price in pre-market trading, before the market is actually officially open for trading. Occasionally, one of our over-the-counter recommendations will "trade up" to meet our stated entry price before the bell, but oftentimes these pre-market machinations are nothing more than market maker games best to be left alone by all but the most experienced traders.

Point 6: Consider buying only 1/2 your normal lot size on any stock recommendation that has a stop loss more than $2.00 away. Playing half when the potential for loss is a bit healthy is a very important element in our approach. There is nothing more important than our (your) original capital, and keeping it in tact is the paramount objective. We'd rather err on the side of making far less than we could have to save ourselves from the potential of being devastated by a large loss. Tip: always err on the side of caution. You may not become a billionaire, but at least you'll be around to play another day.

Point 7: Whenever choosing which of our four stocks to play, always consider the worst case scenario first. Each of our stock recommendations will have a suggested stop price at which to sell, should the trade go sour. If the noted stop loss is $2.50 away, tabulate the loss you will sustain if the stop is hit. If you feel that you will have no problem taking a loss of that size, then all systems are go (green light). If the tabulated loss will cause emotional and/ or financial difficulty, either reduce your size (example: reduce from 500 to 200 shares), or disregard the trade. Its fortunate that as traders we do have choices. You'd be very surprised how just a little forethought can save us a lot of heartache and pain, not to mention money.

Point 8: Do not believe that trading big size (1,000 share lots) is necessary to make big money in the stock market, because it is not. This was one of my greatest discoveries and it literally marked the beginning of an unbelievably profitable era for me. Some traders simply don't have the mental wherewithal to trade in sizes in which each up and down tick dramatically effects their financial well-being (I know I don't). The large size often causes them to "dollar count" with each tick (a dangerous practice) a make premature decisions out of sheer greed and fear. What's more, large sizes will make the most meaningless move emotionally and financially dramatic, a fact that will certainly evoke frequently "stupid" decisions. Trading with smaller lots eliminates many of these concerns by evoking a calm that produces a high level of mental clarity. It is only in the state of this calm that sound decisions and responses can be made. I dare you to try this. Stop being greedy, and start being consistent. Most traders, lacking consistency, try to substitute a high batting average with size (obviously going for the grand slam). I say lower your lot size, and go for the higher batting average. When you are wrong and lose, it will be easily dealt with. When you're right (consistently) you'll laugh all the way to the bank. "Small" is a very good thing at times. Try it!

A PRISTINE DAY TRADING TACTIC

Pristine's 30-Minute Gap Buy Rule

The first 20 to 30 minutes of trading is perhaps the trickiest time period of the day, particularly when the market is poised to open up very strong. Why? Because, buy orders that have accumulated over night and just before the open provide professional market makers and specialists with an extra advantage that they simply don't enjoy during any other part of the trading day. These accumulated market orders provide them with advanced, or shall we say, inside information on the abundant demand for a stock. This gives them a much greater ability to open the stock higher. This is what causes stocks to gap up, large numbers of accumulated buy orders placed before the market opens. But here is the key, a very important key. In many cases, the amount which the professional market maker or specialist opens the stock up is often excessive, setting up what we call a Bull Trap. In other words, the stock is opened up artificially high to sucker in novice buyers (those who buy simply because a stock looks strong) so that they, the pros, can get out.

Remember, for every buy order, there is someone on the other side with a matching sell order. The question is "Who's smarter in this case?" The buyer or the seller? Well, when a stock gaps up excessively, it is usually the seller who is the smart one. This is why many stocks that gap up tend to pull back rather sharply after the first 10 to 20 minutes of trading. Once the abundant pre-market buy orders have all been satisfied, the demand is gone, and the stock tends to give way to "professional" selling. But there is an exception, and it is this exception that sets the stage for one of our most powerful trading tactics. Our studies have shown that if a stock that has gapped up is able to trade to a new daily high after 30 minutes of trading, the strength demonstrated at the open was not artificial, but real. The strength in this case is real because it's being confirmed by continued buying after the early a.m. rush (the first 20 minutes or so of trading). This one simple discovery encouraged us to design a simple yet powerful way for the Pristine Trader to capitalize on the stocks that are truly strong. It's called Pristine's 30-Minute Gap Buy Rule. Here's how it works.

The Set-up

The stock must gap up at the open by 1/2 or more. In most cases, a gap up much greater than $1 will be news related (positive earnings, brokerage upgrade, etc.), which is fine. It is best if the stock gaps open above the previous day's high.

The Strategy

Once the stock has gapped open, the trader must let it trade for a full 30 minutes. No action other than watching the stock is required during this time. Often the trader will be watching and monitoring several stocks that have met the above set-up criteria.

After 30 minutes, the trader sets an alert 1/16 above the high of the day, which in many cases will not be too far away from the current price. Note: We, and all of our in-house traders, use The Executioner (http://www.executioner.com/) as our professional trading system. Not only does this complete trading system provide us with near instant executions and confirmations, its alert mechanism is one of the very best we've ever seen. We would be lost without it. If you are truly a serious trader, I strongly recommend that you try it. There is no better trading vehicle in my mind.

Once the alert is triggered (the stock breaks to a new daily high), the trader buys with a stop 1/16 below the day's low. This often makes the play low risk. Note: The ideal situation occurs when the stock breaks to a new daily high an hour or so after the first ½ hour of trading. But don't let the lack of the ideal situation hinder your action. The play can be taken anytime the stock breaks to a new daily high after 30 minutes of trading.

Once in, the Pristine trader would use the trade management and profit taking steps below to work the play.

Summary

There you have it. A simply yet powerful way to capitalize on gaps. This strategy has above average profit potential, as well as an inherent safety measure, better known as a protective stop. It also automatically helps the trader to distinguish between those stocks that open up artificially strong, and those that are genuinely explosive. It is a powerful strategy, and as a Pristine subscriber you will be guided well in its proper use. Once again, we welcome you into our circle of champions. You now have the ability to read and play gaps like a professional. Note: To become one of Pristine's in-house traders, call 914-682-7613. To receive more information regarding Pristine's daily stock newsletters, e-mail tony@pristine.com.

Pristine's 30 Minute Gap Sell Rule

The first 20 to 30 minutes of trading is perhaps the trickiest time period of the day, particularly when the market is poised to open down very big. Why? Because, sell orders that have accumulated over night and just before the open provide professional market makers and specialists with an extra advantage that they simply don't have during any other part of the trading day. These accumulated (sell) market orders provide them with an advanced, or shall we say, inside view of the abundant supply in a stock, which gives them the ability to open the stock lower. This is what causes stocks to gap down, large numbers of accumulated sell orders placed before the market opens. But here is the key, a very important key. In many cases, the amount which the professional market maker or specialist opens the stock down is often excessive, setting up what we call a Bear Trap. In other words, the stock is opened down artificially low to panic novice sellers (those who sell simply because a stock looks weak) so that they, the pros, can get in. Remember, for every sell order, there is someone on the other side with a matching buy order. The question is "Who's smarter in this case?" The seller or the buyer? Well, when a stock gaps down excessively, it is usually the buyer who is the smart one. This is why many stocks that gap down tend to rebound rather sharply after the first 10 to 20 minutes of trading. Once the abundant pre-market sell orders have all been satisfied, the distribution pressure (supply) is gone, and the stock tends to lift due to "professional" buying. But there is an exception, and it is this exception that sets the stage for on of our most powerful trading tactics. Our studies have shown that if a stock that has gapped down is able to trade to a new daily low after 30 minutes of trading, the weakness demonstrated at the open was not artificial, but very real. The weakness in this case is real because it's being confirmed by continued selling after the early a.m. panic (the first 20 minutes or so of trading). This one simple discovery encouraged us to design a simple yet powerful way for the Pristine Trader to capitalize on the stocks that reveal themselves as truly weak. It's called Pristine's 30 Minute Sell Rule. Here's how it works.

The Set-up

The stock must gap down at the open by 1/2 or more. In most cases, a gap down much greater than $1 will be news related (negative earnings, brokerage downgrade, etc.) which is fine. It is best if the stock gaps down below the previous day's low.

The Strategy

Once the stock has gapped down, the trader must let it trade for a full 30 minutes. No action other than watching the stock is required at this time. Often the trader will be watching and monitoring several stocks that have met the above set-up criteria.

After 30 minutes, the trader sets an alert 1/16 below the low of the day, which in many cases will not be too far away from the current price.Note: We, and all of our in-house traders, use The Executioner (http://www.executioner.com/) as our professional trading system. Not only does this complete trading system provide us with near instant executions and confirmations, its alert mechanism is one of the very best we've ever seen. We would be lost without it. If you are truly a serious trader, I strongly recommend that you try it. There is no better trading vehicle in my mind.

Once the alert is triggered (the stock breaks to a new daily low), the trader sells short with a stop 1/16 above the day's high. This often makes the play low risk. Note: The ideal situation occurs when the stock breaks to a new daily low an hour or so after the first ½ hour of trading.

But don't let the lack of the ideal situation hinder your action.

Summary

There you have it. A simply yet powerful way to capitalize on gaps. This strategy has above average profit potential, as well as an inherent safety measure, better known as a protective stop. It also automatically helps the trader to distinguish between those stocks that open up artificially strong, and those that are genuinely explosive. It is a powerful strategy, and as a Pristine subscriber you will be guided well in its proper use. Once again, we welcome you into our circle of champions. You now have the ability to read and play gaps like a professional.

Channel Your Way To Consistent Profits In The Stock Market

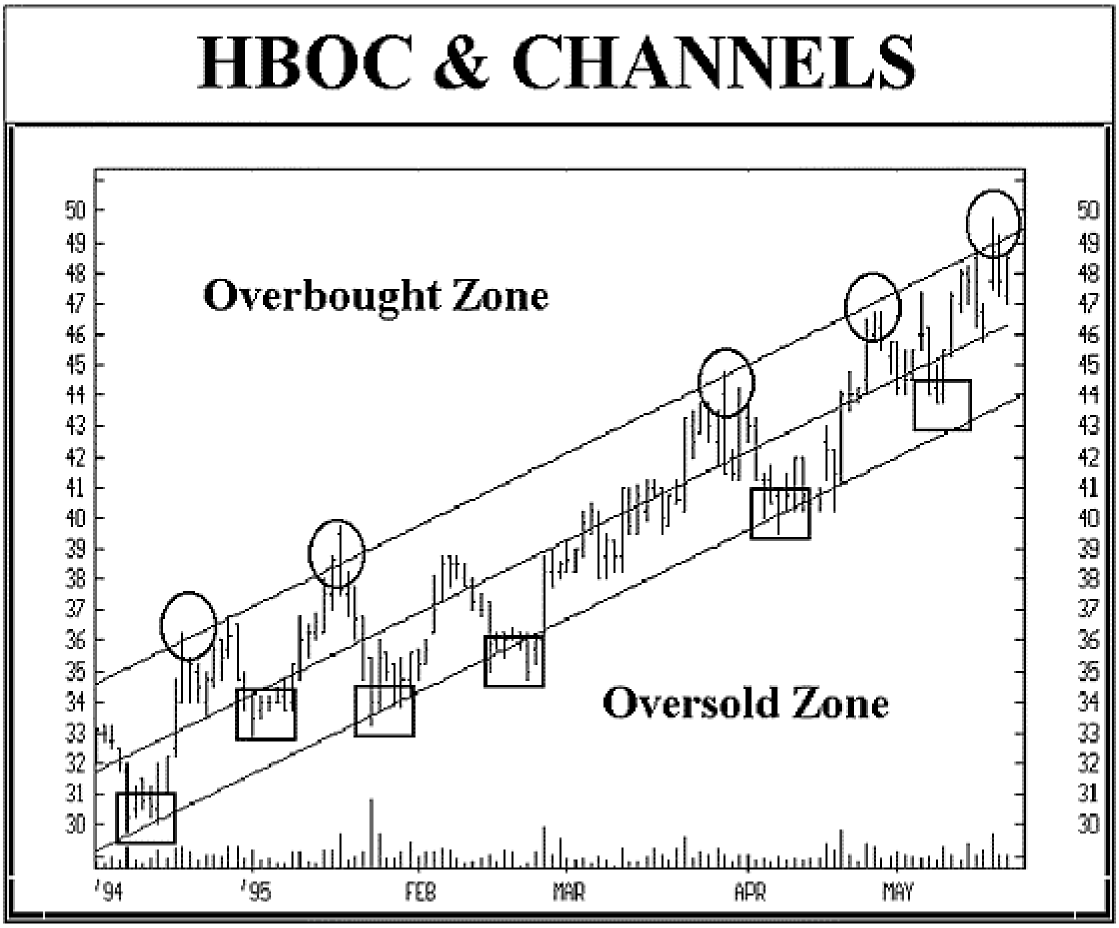
My Educational Inserts are geared towards teaching and showing the subscribers of the **Pristine Day Trader** and **Pristine Lite** the many techniques which I have learned and use to outperform the markets year after year. The idea for this addition was born out of the countless requests I received to reveal the many secrets which enable us to be so accurate. Once again, I will state as strongly as I know how that there are no secrets. Secrets do not exist in the stock market, and don't let anyone convince you that they do. There is only "common sense," and what I like to refer to as "no sense." I have just managed to learn what that common sense is (still learning actually). The many techniques and methods that I have revealed (or will reveal) are the result of years of study and trial and error. In my view they are priceless and worth many times our yearly subscription rate, as they have cost me many lost fortunes to perfect and refine. I suggest that you retain them, read them, study them, and then repeat the process. Believe me, it will be time well spent.

I provide this gift to our subscribers out of a great degree of gratitude for their trust and loyalty (94% of our first time subscribers remain with us, hopefully for eternity). It is also my sincere desire to provide the much needed guidance which I so desperately lacked in my early days. Being able to sit in the company of an astute market player who has already paid his dues to the market is a great privilege which has no true price tag. With no exaggeration, it can literally shave years off your developmental phase, and dramatically reduce the expensive tuition which the financial market demands from all those who wish to learn its ways.

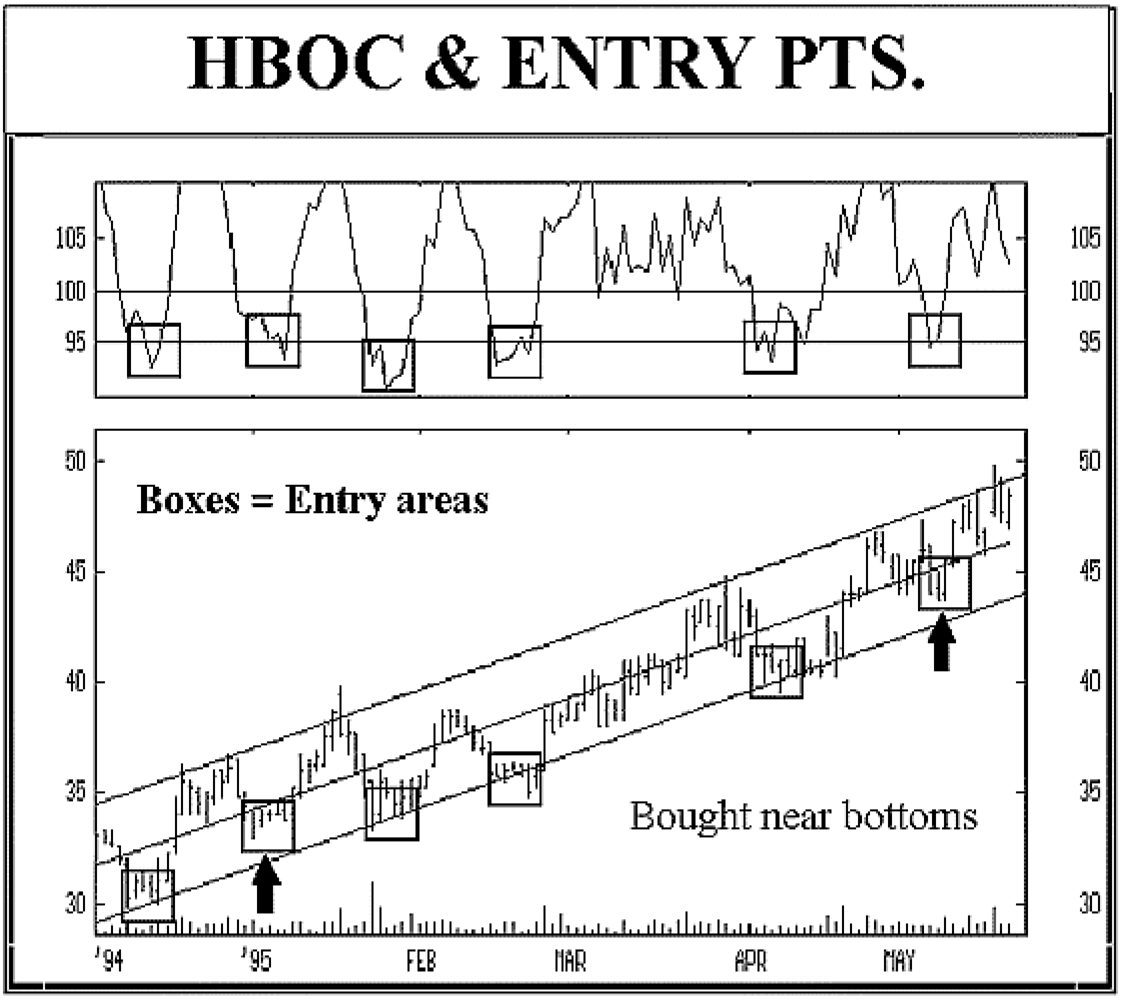
I have decided to use this educational insert to show you how you can **channel your way to consistent profits in the stock market**. As most of you know, I rely quite heavily on channels to determine my entry and exit points. They represent the backbone of my trading style, and I'm going to show you how they have helped me consistently outperform the best of the best. It is my firm belief that after you review and study the following illustrations and their accompanying comments, you will be better able to assess where to hand your shares over to the late buyers, and where to take them back from the frightened sellers. It should always be remembered that true professional traders always keep the amateurs off balance and perpetually on the wrong side of the fence. This is precisely why most traders/investors buy when they should be selling, and sell when they should be buying. Sound familiar? Well, today's issue should help you change that. I have chosen to show you my most recent trading activity in **HBO & Co. (HBOC)**. Those of you who have played our numerous recommendations in HBOC will find the charts very familiar. As a final note, I would like to say that the trades you are about to witness are not hypothetical. They are real live transactions (without dates this time due to limited space) utilizing real live cash. I will never show you anything hypothetical, as I have always questioned the value of such nonsense. If it's not real, don't trust it. It's that simple. Now let's get to work.

A Pristine Education

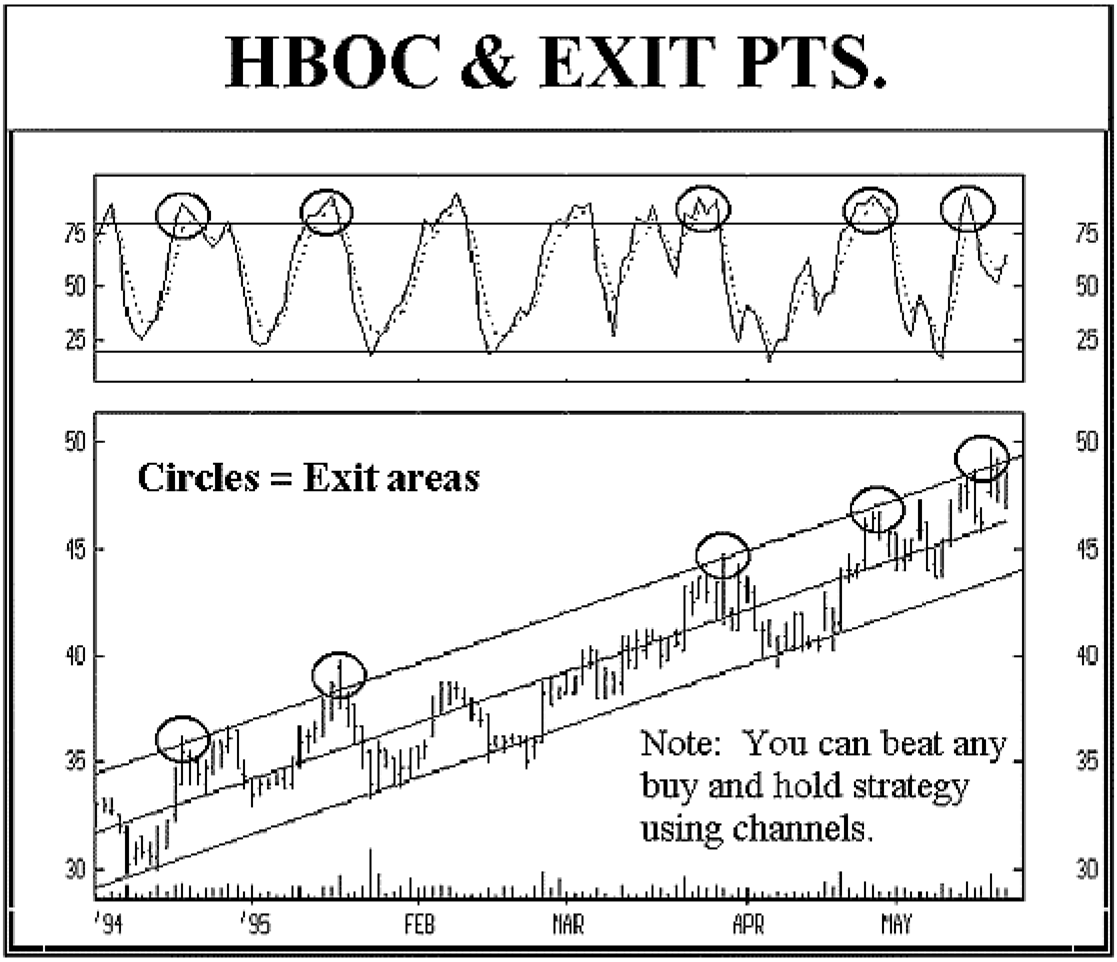
Note that each chart to your right shows the last 5 1/2 months of price history for HBOC with the appropriate price channel neatly displayed. The first chart shows all the buys and sells taken over this time frame (boxes represent my buys and the circles represent my sells). Now, many of you will surely ask how one goes about constructing a proper price channel, so I will attempt to answer the question now. Once an established trend becomes apparent (determined by two higher peaks and two higher troughs), simply draw two parallel lines on each side of the price activity. The key element is to make sure you contain 90% to 95% of the price activity. Once the outer lines are established, bisect the two with a line in the middle. That's all there is to it. Simply put, when the price is at the lower channel line, it is ripe for a possible purchase. When the price rises to or beyond the upper channel line, the issue is overbought and due for a mild set back. One should usually sell at or above the upper channel line (we tend to sell only part of our position if we feel the issue has more upside potential). The chart to the right demonstrates this approach with the first purchase being made in the second week of December 1994 at a price of 30 3/4.



Just by viewing the first chart, it is very clear that a trader can profitably utilize price channels without reference to anything else; however, I attempt to improve on this by confirming the retest of a lower channel line with one of our proprietary timing indicators (PTI), such as the one displayed in the second chart which appears to your right (the second and third charts are identical to the first; however, the second chart just shows the buys and the third just shows the sells). When this PTI falls below 95, at the same time that the price is retesting the lower channel line, it is a very strong indication that a buy should be made. Since the accuracy of our PTI is extremely high, I tend to take its signals even if the price has not quite declined to the lower channel line. This is why two of my purchases occurred prior to the price declining to the very bottom (see arrows). But those who don't have the benefit of our buy indicator will only look for the lower line to be touched, otherwise there would be no trade. This is actually the safer approach as the downside risk is exceptionally small at the lower line. Note how powerful the moves are when both criteria are met (price at lower channel line and PTI below 95). Many of our daily recommendations utilize this very combination.



This last chart shows my exit points which I qualified with a simple 5,3 Stochastic Indicator (5,3 STOCH-found in every commercial charting software package). When the price moved to or beyond the upper channel line and the overbought condition was confirmed by the 5,3 STOCH being over 85 (marked by horizontal line), a near perfect sell signal was the result. Notice how the 5,3 STOCH reached overbought status on several occasions without the price rising to the upper channel line. I ignore these occasional readings as the key element in my sell criteria is the upward penetration of the upper channel line. I utilize the 5,3 STOCH as only a confirming indicator, not a sell signal. At each sell point, I lightened up by selling half of my initial position. Note how a mild decline typically followed these overbought readings. Once the price moved to the lower section, I re-purchased the sold lot and rode it for another leg up. I am still holding half of my initial purchase and will continue to until this consistent pattern breaks down. Continue to watch HBOC and you should be able to ascertain almost every future move I make in this issue. Good Luck!



Count Your Way To Huge Profits In The Stock Market

Throughout my investment career, I have been fortunate enough to discover a number of very profitable concepts which I have used to consistently outperform some of the best market players in the country. In this issue of A Pristine Education, I am going to reveal one of my most cherished concepts. Not only can this methodology, you're about to be given, reap you a fortune (only if you're disciplined enough to implement it, of course), it is so simple that even a six year old can employ it. In fact, I am willing to bet that this strategy is so simple that it will be taken very lightly by most. It will probably be scoffed at and disregarded as rubbish. Some will probably even laugh at its lack of modern day, computerized sophistication. But while some will laugh, others will be struck by the sudden realization that they have been given a valuable gift. It will be these astute souls who will have the last laugh, and we all know where that takes place. At the bank, of course.

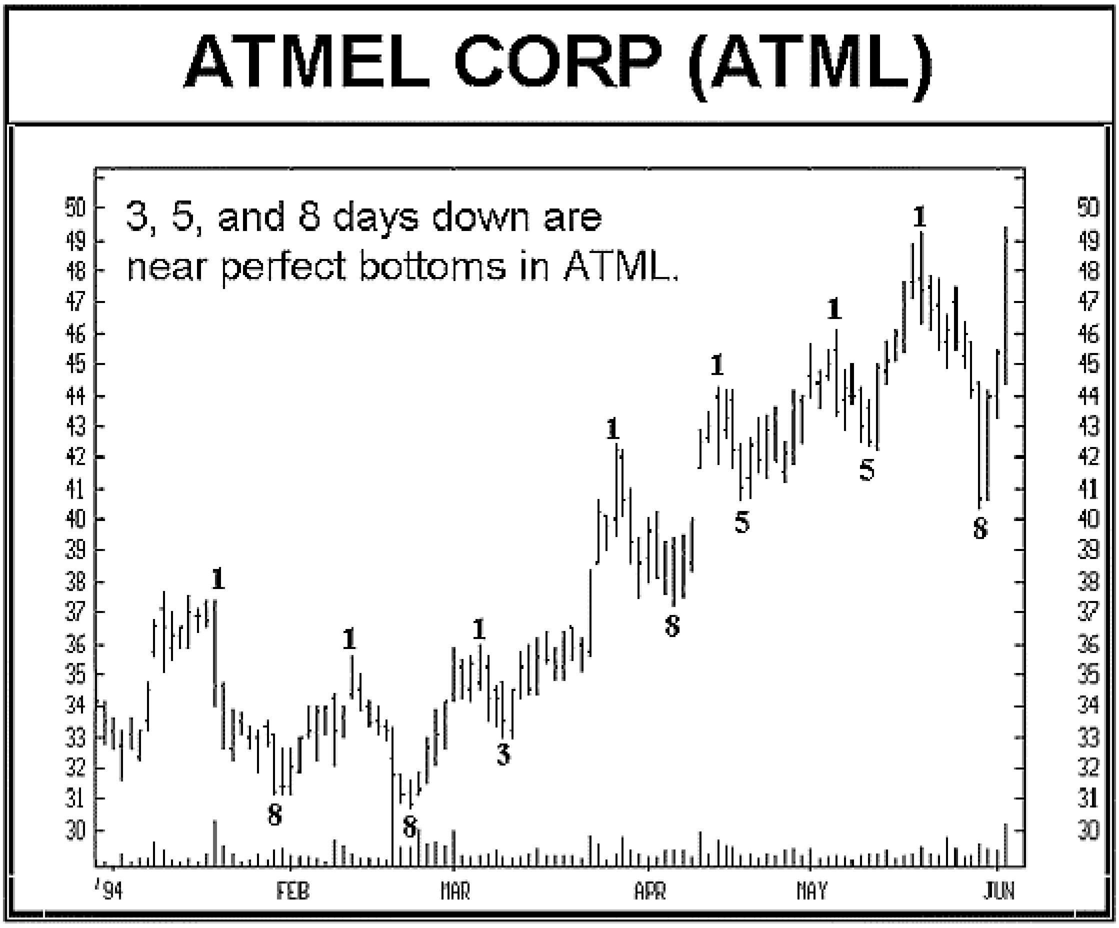
I want to show you how it is possible to accurately pick short term bottoms in stocks that are on their way to loftier prices. I am sure that most of you have been told, or at least heard, that it is impossible to consistently pick tops and bottoms in stocks. But I hope to at least partially dispel that silly notion. Predicting short term price turns can be done far more accurately than predicting price movements over the long term. Why? Because there are too many variables which can occur over long periods of time. Think about it. You can be quite precise at predicting your exact whereabouts in the next hour. But your accuracy will dramatically break down once you expand the time horizon to a year. Do you know where your exact whereabouts will be one year from today? No! The same concept applies to stock price forecasting. On a short term basis, one CAN be accurate beyond the laws of chance at predicting short term price moves (our record should be proof enough). And I am going to show you a way. You may not totally accept what I am about to reveal, but one thing is certain. By the time you finish today's education, you will understand how we have been so accurate at picking short term bottoms in stocks that have gone on to score big price gains. Why? Because I have made it a point to use previously recommended stocks to show you this simplistic approach. Many of you should be highly familiar with the examples that I've used, as we have recommended all of them recently, and one of them more than five times this year. So sit back, relax and read carefully as I show you how to **"COUNT YOUR WAY TO HUGE PROFITS IN THE STOCK MARKET."**

I am about to demonstrate how anyone with the ability to count to eight (8) can trade the markets successfully. While I don't have the space to go into minute detail, accept for now the fact that 3 dominant short term cycles exist in most securities that are rising at a rapid rate. And once you are aware of which cycle is the most prevalent, you can make a fortune by simply **COUNTING!** The only numbers you need be aware of are **3, 5, and 8. Can you count to 8?** If you can, then you can produce above average profits in the stock market. Here's excately how.

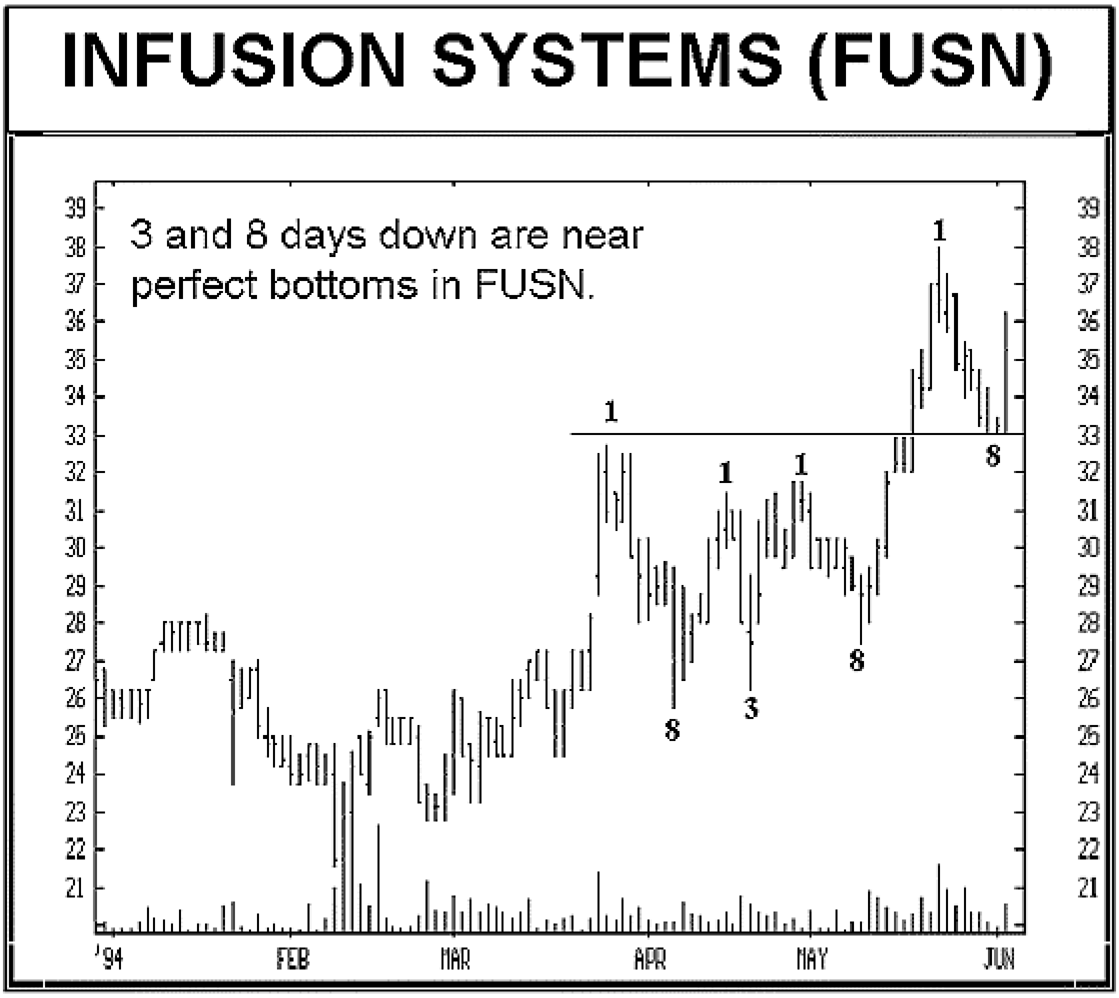
As we all know, every rising stock must decline from time to time. But what if you could accurately pick the very day the price will stop its short term fall and start to head higher? What if you knew the precise point at which to bottom fish in a falling issue, and be right at it more than 85% of the time? You could make a nice living at this game, that's what. Here is the key: Stocks which are generally in an up trend tend to stop declining on the **3rd, 5th, or 8th day down.** Why? Who knows, and who cares? All I know is that it works, and I have used it successfully for years. When a rising stock starts to fall, I simply look for a turning point on the 3rd day. If the issue does not turn on the 3rd day, I look for a turn on the 5th day. If the 5th day fails to produce a halt in the descent, the odds overwhelmingly suggest that a strong bounce will occur on the 8th day, and I have a few examples to show you how this works. But before we move to the charts, you must keep a few things in mind. 1) This concept works best on rising stocks. Flat to declining stocks require other refinements. 2) I usually want to see two previous turning points occur on either 3,5, or 8 days down before I play it. This will increase the odds of a repeat occurrence. 3) I personally do not use this method as a stand alone technique, although it can be done. And finally 4) This is A concept. Not MY concept. I did not create it. I simply use it......very successfully!

A Pristine Education

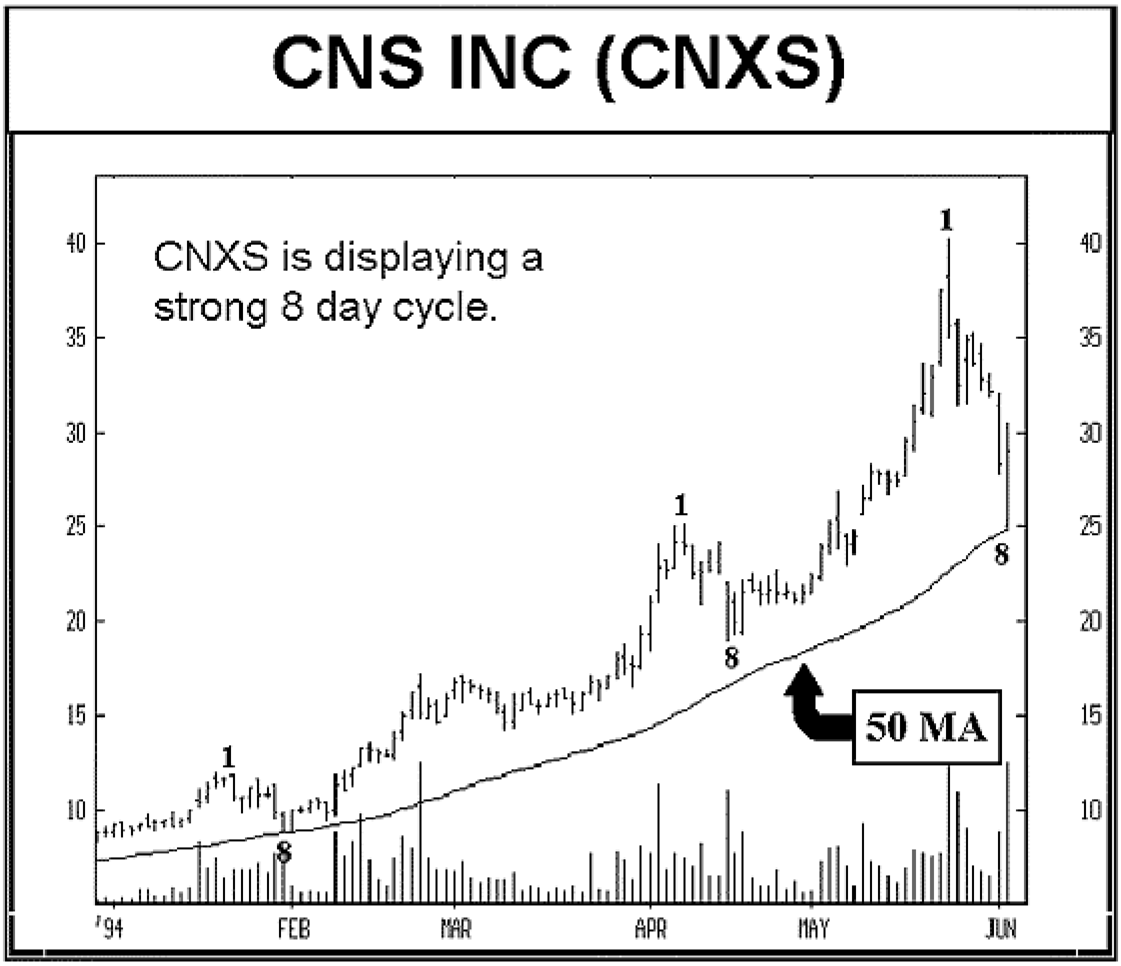
As most of you know by now, **Atmel Corp. (ATML)** is one of our favorite stocks, and the chart to your right should show you how we have been counting our way to huge profits for several months now. Note how accurately our "3,5,8" day concept picks near perfect bottoms in ATML. It has been my experience that the 5 and 8 day cycles are more prevalent in over-the-counter (OTC) stocks. This is precisely why there are far more 5 and 8 day bottoms in the three charts to your right, than there are 3 day bottoms. However, issues which consistently decline only 3 days before another rally are the strongest of all. A prevalent 3 day cycle in a stock is a very strong indication that the issue will go on to be a big winner. This is really common sense. A stock which declines the least is a stock in great demand, and great demand equals higher prices, and higher prices creates even greater demand, and........ Well, you get the picture. And you thought math was dull.



Infusion Systems (FUSN) should be familiar to everyone, as this was one of our buy recommendations yesterday (see Friday, June 2, 1995 issue). Despite a down day in the market (as measured by the Dow), FUSN catapulted ahead for a $3 gain (based on intra-day high). In yesterday's commentary we said, "FUSN is over extended to the downside, and we are looking for the correction to bottom in this area." Now, why do you suppose we were expecting the decline to end? 8 days down from the top, that's why! What a beauty. Note how dominant the 8 day cycle has become. Once FUSN's advance began in earnest, the astute market watcher would have began his counting with the sole purpose of finding out what the prevalent cycle was going to be. Once she witnesses two turning points after the same number of down days, she can confidently begin playing it. After witnessing FUSN turn at 8 days down, we were eagerly waiting for the next golden opportunity. And all we had to do was count. Trading sure can be easy..... sometimes!



CNS Inc. (CNXS) is one of our biggest winners year to date. Our initial buy recommendation was made in our 3/24/95 issue at a price of 16 3/4. At its highest point, this Pristine Top 25 Club member was up a whopping 140%. Despite a rather huge decline, we did not (and do not think this baby is done moving higher). In fact, we had a very nice trade in it yesterday (Friday, June 2, 1995) as it was, yup, you guessed it, the 8th day down from the top. Note how dominant the 8 day cycle is in CNXS. Having seen two turning points occur after 8 down days, we were rather confident when we stepped up to the plate on Friday to purchase these shares for all of our managed accounts. By now it should be no surprise that it worked. CNXS opened the day at $25 and immediately began a dramatic rise which took it close to $31 (a 24% gain in 3 hours). Are you beginning to see the potential in counting. All we did was count to 8. Now our clients are counting in the 1,000's. Try it. I think you'll like it.



Trade For Huge Profits

Trading for a living is no doubt the goal and burning aspiration of nearly every novice market player who experiences his or her first winning trade. Total independence, absolute freedom and the potentially enormous financial rewards are but a few of the realities which capture their imaginations and infiltrate their dreams. But despite this almost universal desire, most individuals never even come close to the point of being a professional. In fact, the majority of aspiring traders/investors never even come close to being average market players. And while there are numerous reasons for this abnormally high failure rate, the two primary causes are: lack of a disciplined approach and lack of an experienced guide or mentor, who is willing to reveal winning techniques and how to implement them.

As Pristine Subscribers, I honestly feel that you have a priceless advantage over your counterparts. Not only do we provide profitable trading ideas which typically out pace nearly every conceivable investment vehicle known to mankind, but you also receive an ongoing education from an experienced market player who has successfully made that difficult transition from mere mortal to professional trader. Confucius once said, "Give a man a fish, and you feed him for a day. Teach a man to fish, and you feed him for a lifetime." This is why I regard the Pristine educational inserts as the most valuable part of our overall service.

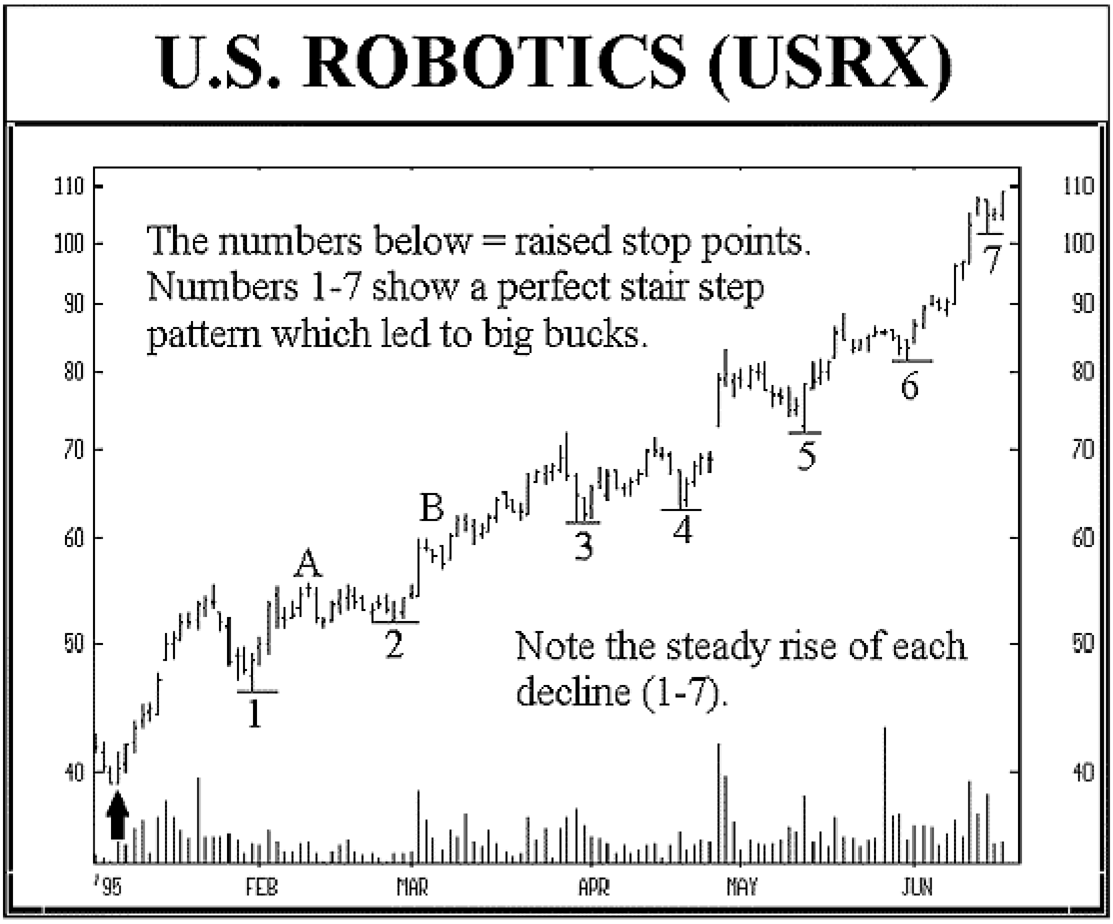
Each day, you are fed with profitable trading ideas (on balance). You are told what stock to buy, when to buy it, where to buy it and how to buy it. You are provided with a short term price target, and, at times, you are given an intermediate term profit objective, if we feel the issue has enduring promise. What's more, you are even told when and where to run for cover should the trade turn sour. In short, you are given a detailed road map to profits which only require that you follow each step in a disciplined manner. But, **every month,** I attempt to show you ways to feed yourself. These brief instructional works are designed to help facilitate your progress by placing you in direct contact with the mind of a successful trader. They are intended to show you how and why The Pristine Day Trader is up over 130% year to date, with only one losing week since September of 1994. Needless to say, what we do on a daily basis (provide the fish) and what is done every two weeks (teaching to fish) is a powerful combination which no service we are aware of provides. I strongly urge that you retain each of these issues as they should profitably serve you for many years to come.

Now, without further delay, I will be using this week's insert to show you **"HOW TO RIDE A WINNING TRADE FOR HUGE PROFITS."** It is truly surprising how many market participants have no idea of how to ride an intermediate term trend. Without this knowledge, how can one ever experience big price gains? As I have said numerous times before, your objective, as a trader, is not to be right, but to win big when your are right. What does it profit a trader to take 2 points out of a winning position when 10, 15 or 20 points can be had? Trading out of winning positions too quickly, while holding losers too long is the hallmark of a chronic loser. This is akin to a gardener plucking his roses while letting his wild weeds grow and flourish. Note: As a general rule you should never hold a losing position more than 3 weeks, and I mean never.

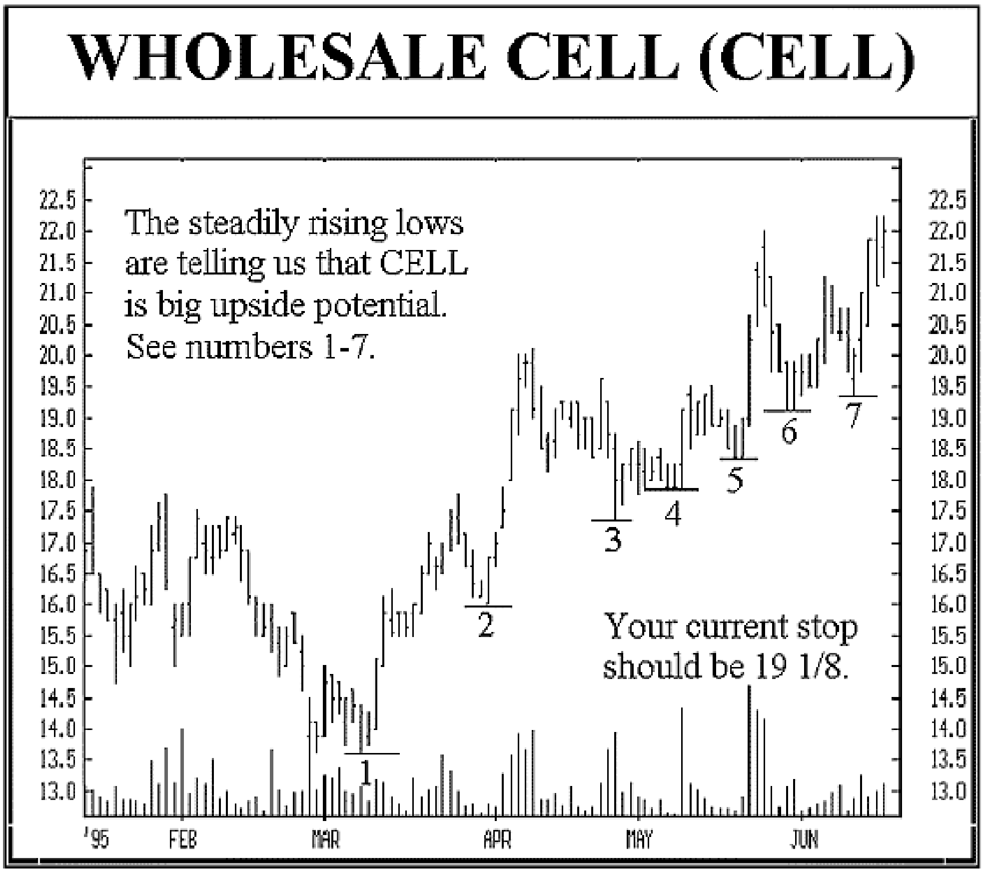
Now, am I down playing the importance or the efficacy of short term trading? Absolutely not. By now, you should know that quick profits are our forte. But the key to being head and shoulders above the competition is knowing when to be an above average short term trader, and when to abandon the short term mentality. Remember, there is a time and season for everything. On the following page, I have provided some very interesting examples which detail a very simple approach which I have been using for years. I have even provided a potential big winner on which you might want to practice this method. So sit back, read and reap!

A Pristine Education

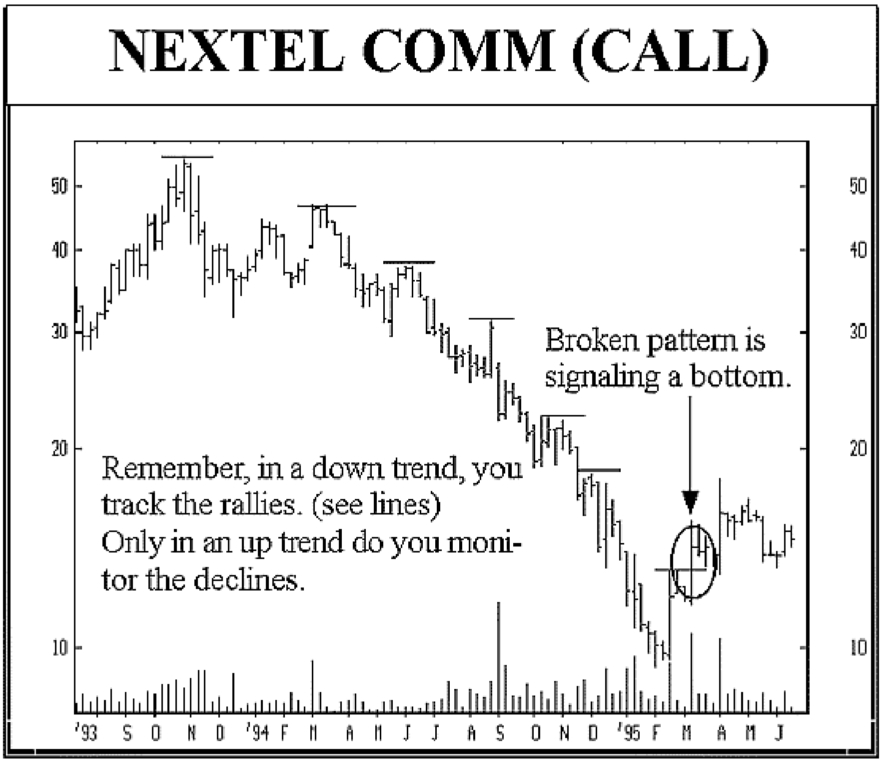
US Robotics (USRX), currently our biggest winner year to date (see current issue of The Pristine Top 25 Club), provides a perfect example of how easily one can rack up big price gains if one knows what to do. The arrow indicates our first buy recommendation at a price of $42 (see 1/9/95 issue). Immediately after our entry, USRX proceeded to rise from 42 to 55 in just 13 days. When any issue charges forward with force of that magnitude, the experienced trader recognizes that it is only a precursor of what is to come, and the technique which I am about to reveal is quickly put into practice. Once we've latched on to a winner, we begin monitoring one thing and one thing only, **The Sell Offs.** As long as each decline in the issue is higher than the last, we stay with the trade. Note: We are **not** concerned with the the stock's advances (the roses). The rise will normally take care of itself. It is the declines (the weeds) which we watch like a hawk. Remember, amateurs usually do just the opposite. We also utilize the lows to tell us where to place our stops. For instance, once USRX experienced its first real correction and then proceeded to rebound (point A), a stop would be placed 1% below the lowest point of the decline, which is marked by the number 1. After USRX's second decline, which was followed by a rise to area B, the stop loss would be adjusted to 1% below the lowest point of that fall (see point 2). As long as each decline in USRX halts at a higher price than the previous decline, the trader can relax and reap the windfall, moving his stops directly under each brief price decline. As you can see, this pattern can go on for quite some time, and USRX is showing no signs of fatigue even after racking up gains in excess of 160% above our initial buy price.



Wholesale Cellular (CELL) is a favorite of ours which we believe has huge upside potential. Many of our subscribers own this issue due to our repeated buy recommendations, and therefore have a wonderful opportunity to try out our stair step method. Notice the very controlled way in which CELL is putting in higher lows (see numbers 1 - 7). This really means that the buyers are dominating the sellers as the latter cannot push this issue down a sufficient amount before heavy buying sets in. For those who own CELL (and for those who will), your stop should now be at 19 1/8. Why? Point number 7 was CELL's last decline which bottomed at 19 3/8. Adhering to our rule, you raise your stop to 1% below 19 3/8 which is roughly 19 1/8. If CELL's healthy rise is to continue, that price point (19 1/8) should not be violated. If it does give way, then you should quickly move out of it. Notice how this method does not rely on stories, tips, rumors, earnings and other silly notions which have little bearing on a stocks rise or fall. Remember, the only thing on planet earth that can make a stock rise is more buying than selling. Conversely, the only thing that can make a stock decline, is more selling than buying. It's that simple. By monitoring the declines in a rising stock, you're automatically keeping tabs on the only real thing that counts. Try it. I'm sure you'll like it. **Important:** I am obligated to tell you that my initial buy price for CELL was 10 1/4. I also entered this issue in a stock picking contest in November '94. It should be no surprise that I am currently in 1st place.



Nextel Comm (CALL) was thrown in to show you that this stair step approach to big profits is just as reliable on the short side. Notice the very controlled manner in which CALL declined. Each brief rally failed to move above the previous rally until mid March. This short sale candidate was a virtual no brainer for those traders who knew what to do. Did you miss this one? Don't worry. There will be plenty more to capture, now that you are familiar with our stair step approach to huge profitability.



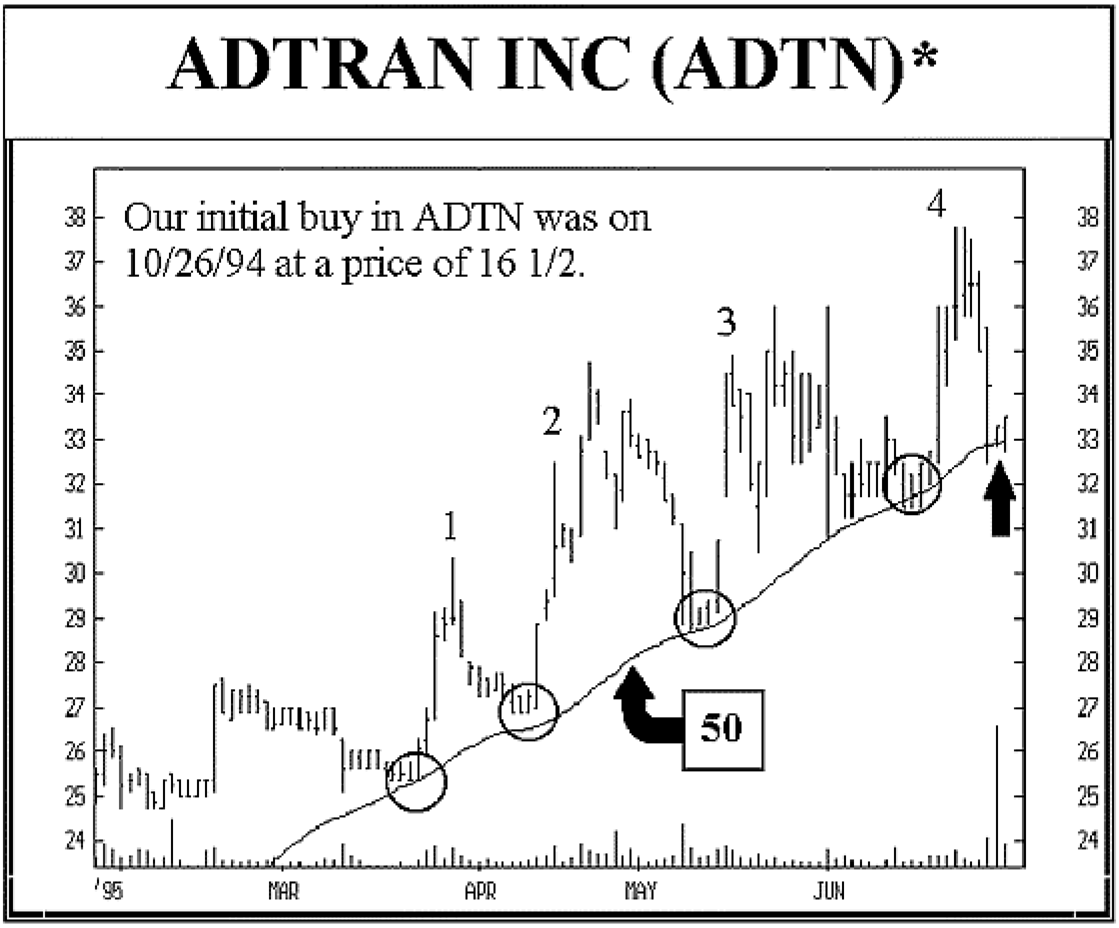
The Magic 50 Period Moving Average

There is not a day that goes by that I don't get calls from subscribers and trial members who would like to know how and why we are so accurate. Most individuals marvel at our ability to call short term bottoms in stocks and anticipate their moves. In most cases *(and the operative word is most)*, we are certain that the move that we are expecting will occur over the following five-day period, and this literally floors our followers *(not to mention our competition)*. The sad fact is, so many existing services and self promoted experts are sub-par, that when investors come across anyone who is even moderately accurate, they seem to worship the ground s/he walks on. This is precisely why the investment community has so many "gurus" today. In reality, this should not be the case. I don't believe that anyone is deserving of worship, however accurate they may be. Why? Because, I have always believed that if an individual can learn a few workable concepts and acquire a few basic tools, s/he should be able to consistently outperform the market and all of the so-called experts.
The $64,000 question, of course, is "How does one learn these concepts and acquire these basic tools?" Unfortunately, the best source (i.e., individuals who consistently win in the markets) is not readily accessible. Why? Well, many winners simply don't talk much. Yes, my friends, finding successful market players who consistently trounce the averages is hard enough. Finding those who will be willing to teach you their methods and workable concepts is nearly impossible.
We at Pristine.com are attempting to fill this void. This is why the so-called experts are beginning to call the Pristine Day Trader, "the ultimate daily advisory for ALL stock market players," simply because we are providing an education, in addition to profitable trading ideas. I only wish that I had access to a group of individuals (or even one person for that matter) who was willing to educate me as I went along when I was starting out. It would have literally saved me tens of thousands of dollars in trial and error, and shaved years off my developmental period. Most of my subscribers know that I have a burning desire to have the most successful subscriber base in the industry. Otherwise my partner, Greg Capra, and I would not have made ourselves so accessible to our supporters. Unlike many, I believe that yearly gains in excess of 50% can be obtained. And over time, I will be revealing the many techniques we use to consistently produce annual gains as high as 100%. I'm going to show you how to do just as well in nearly all market environments, by revealing a number of our techniques.
So let me begin by revisiting one of our most valuable tools. I personally call it **"THE MAGIC 50 PERIOD MOVING AVERAGE."** Most of you have noticed that nearly all of our charts show the fifty period simple moving average (50 MA) which is designated by the number 50 in a box. If I had to rely on one tool and dispense with all the others which are so integral to our approach, it would be this one. On the following page, I will show you why with a few clear examples. We have made more money for ourselves using this one simple tool, than with any other approach. So I strongly urge that you become very familiar with it. Two of the examples I will be providing should be tracked and possibly acted upon as the underlying issues are particularly timely. So let's turn the page and let's have some fun.

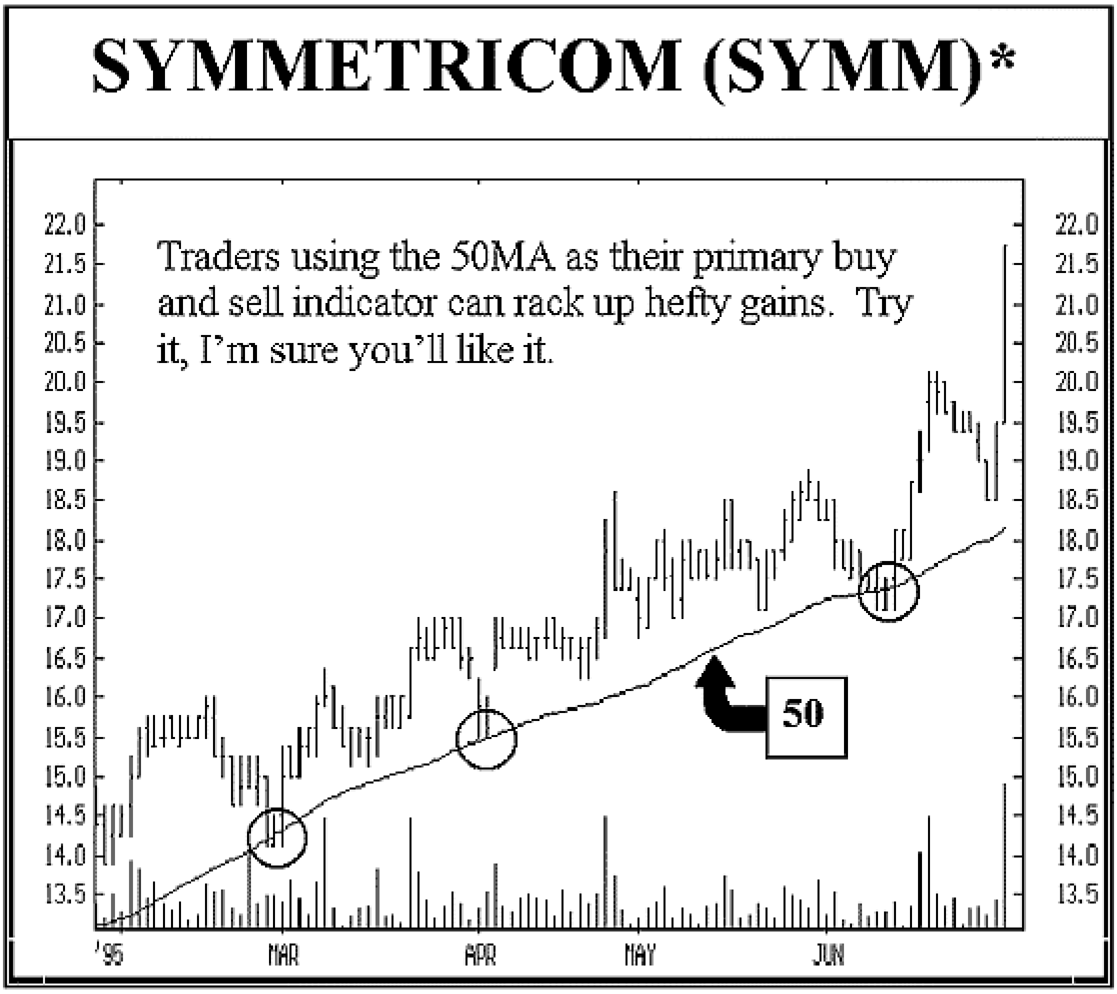
A Pristine Education

Adtran Inc. (ADTN), should be familiar to most of you as we have recommended it several times this year. ADTN went public in August 1994 at a price of $10. The amazing, but not so infrequent, fact is that this issue has never violated its 50 period moving average (50 MA). Had an individual bought these shares anytime during 1994, and used the 50MA as the primary sell indicator, he/she would still be holding this issue with a gain well in excess of 50%. But more importantly than this, we would like to call your attention to the tendency of sharply rising issues to violently rise off of their 50MA (see circles). Each time ADTN retested its 50MA, institutional investors, and many Pristine subscribers bought aggressively, pushing the shares higher. This amazing phenomenon occurs frequently enough for active traders to rely on it with great confidence. Here is an approach we have pointed out in several of our previous Pristine Educational Inserts. If we believe an issue has enduring promise, we use half of our position to trade the short term swings in the issue, selling after sharp 4 to 5 point rises (see numbers) and buying back in near the 50MA (see circles), while leaving the remaining half in the stock as long as it does not seriously violate the 50MA on the downside. Had one done this with

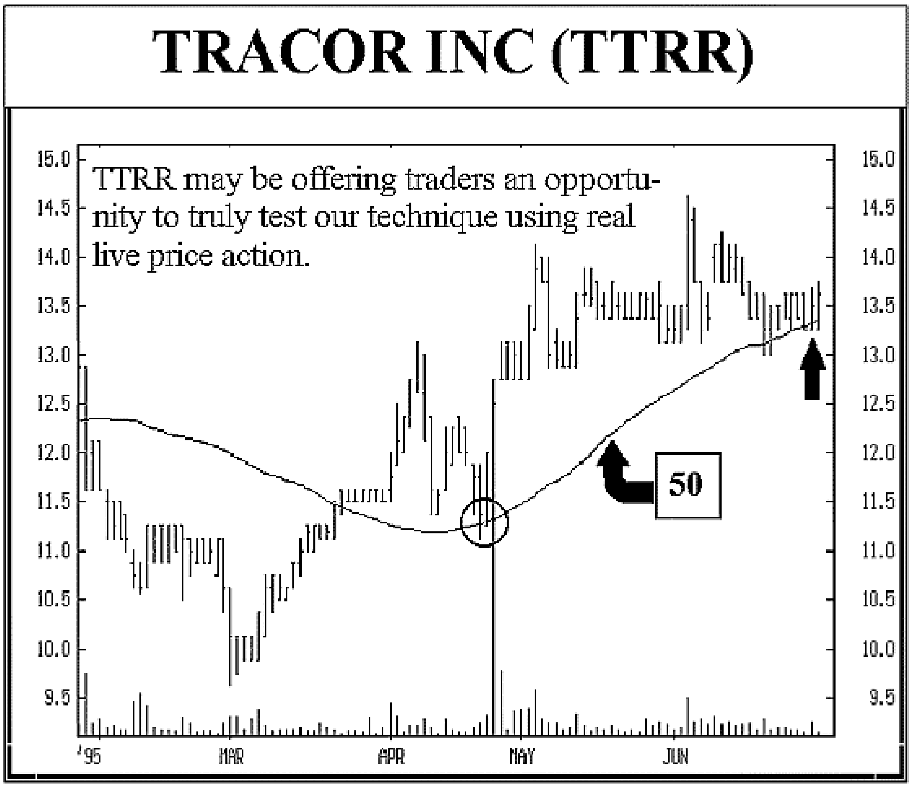
ADTN, the gain would easily be upwards of 100%. Now, note where we are now. The current price is once again retesting the 50MA. Should we buy? Of course we should. Why second guess what has worked time and time again. Will it work? Who knows, but wouldn't you agree that the odds are overwhelmingly in our favor, as long as other market internals are in our favor? Very few indicators can be effectively used for both buy and sell signals. The 50MA is one of those few. Study it, watch it, and USE IT!!



Symmetricom Inc. (SYMM) is another convincing example of how any stock market participant can completely solve the complex gut wrenching dilemma of the "Should I sell? I wish I knew" syndrome. Traders who have latched on to a winner which appears to be a potentially big mover should often keep a portion in the issue as long as it remains above its 50MA, and SYMM is a perfect example of how effective this one simple rule can be. Once again, if an individual were fortunate enough to buy SYMM at much lower prices, and used the 50MA as his/her ultimate sell rule, the current gains would be spectacular, and SYMM is showing absolutely no signs of fatigue. Notice how on several occasions, the price moved toward the 50MA (see circles) , only to quickly rise as if thousands of astute market players were just waiting to pick up the shares at those levels. I am revealing something which should be taken very seriously. You can literally wait for these opportunities. We have several subscribers who only play our recommendations featuring stocks on their 50MA (see Presstek in this Friday, June 30, 1995 issue). And they are producing dramatic results. You see, consistent profitability with a few basic concepts can be easy, my friends. All you need is someone who is willing to show you a few basic things.



Tracor Inc. (TTRR) is looking very interesting as its current price is resting directly on the 50MA. I strongly encourage all to monitor this issue, as it is a perfect example upon which to test this approach. I like to see one successful retest of the 50MA before I put this approach into practice. The first retest has occurred (see circle) and TTRR looks poised to move off the 50MA for the second time. This issue has the makings of a big winner. Track it, maybe even buy it if you are thoroughly convinced of my technique. When and if the move begins, you will want to sell part of your holdings after short term gains of say 10% or more, while holding the remaining portion as long as the issue stays above its Magic 50 PERIOD MOVING AVERAGE. Good Luck!



How To Cycle Your Way To Riches

First of all, I would like to apologize for the long delay since our last educational insert. Technical difficulties rendered us incapable of providing you with our monthly instruction. However, we have recently realized that this period of void, which was forced upon us, was not a total loss. In fact, we are now somewhat pleased that there was this dearth. Why? Well, because it was only after not being able to provide you with our knowledge that we fully realized how appreciated our efforts were. Countless letters, which poured in week by week, and frustrated voice mail messages clearly communicated your intense desire for our monthly lessons. I cannot express strongly enough how much this means to us, as these additional pieces are not only time consuming, but somewhat costly to produce. But as we have mentioned many times before, Greg and I have a mission and a dream which we are determined to bring into the realm of reality. We have resolved to create the most educated and financially successful subscriber base in the country. We want everyone who joins us to profit like us.

For years, we have been shocked and appalled at the high degree of non-sense sloshing around the financial advisory community. Everything, from complex computerized systems, which will make you rich over night, to $150 trading books, is being bundled, packaged and sold at a rate which leaves us stupefied. Each and every day, you and your precious purse are being attacked by venomous schemers, disguised as successful market players, who want nothing more than to separate you from your hard earned cash. By promising you a world which they cannot deliver, many of these self promoters have become enormously wealthy. And the saddest fact of all is that the public is not only buying these unworkable items, but they are "relying" on them. Buying these books and programs, while not using them, would at least keep the loss to a painful minimum. But using them will certainly make well intentioned souls first rate candidates for the poor house.

It is absolutely criminal that the majority of well publicized newsletters (and their subscribers) lose money, when the result (theoretically) should be the reverse. But how can the result be any different when more than 90% of all newsletter writers don't put their own money where their mouth is, by personally playing the market. Most financial writers are content to talk, but few are willing, or able, to DO that which they so fervently preach. Well, for the record, I would like to say that we are NOT theoreticians or academics with a handful of untested theories to push. We don't write books or give seminars. We leave those activities for those who can talk a good game, but lack the "gift" (the gift of successful action that is). To put it succinctly, my friends, we are of a far more superior species. **WE ARE TRADERS!** Nothing more, nothing less....thank heavens. Each and every day, we are on the front lines doing battle in the markets because our families depend on our ACTION, not our words. If I talk, my family doesn't eat. If I write without backing my words with the independence of action, I will become like every other 9 to 5 working person looking to someone else for his livelihood. So right here and now, I will make a promise which I intend never to break to all those who have placed a certain degree of faith in our ability, our knowledge and our experience. Never will I pen or verbally promote any method or technique which has not helped my associates and me make small fortunes in the markets. You will not be asked to buy our books because we don't write books. You will never be asked to pay thousands of dollars to attend a seminar in order to benefit from our knowledge. All you need do is be a Pristine member, and our expertise is your expertise, our knowledge, your knowledge.

After much consideration, we (Greg and I) have decided to give you our ALL. In these precious monthly pages, and in our letters, you will be made privy to every one of our discoveries which has been instrumental in our ability to beat the market, year after year. While we have worked hard at maintaining a certain degree of anonymity in this cut throat industry, we are willing to sacrifice a portion of our private lives because we are terribly disturbed by the ever growing void of "real" know-how. And we are going to (have been, actually) do our best to fill it with all we know. Many of our subscribers have already benefited in a way that has changed their lives forever. Some have even managed to break the shackles of that 9 to 5 prison which is the cornerstone of a life of mediocrity. And I must say that these things fill me with a joy that words could never communicate. Why? Because **WE ARE MAKING A DIFFERENCE,** and will continue to do so. And if by chance we ever feel that we can no longer adequately transfer the "gift," when we are no longer able to provide you with market beating performance, we will close our doors. Why? Because we will not allow anyone to pay us for mediocre performance. We want to sleep at night. Besides, the market doesn't reward the average, and neither should you. So watch us; scrutinize us; pull out your microscope if you must. Make us live up to your highest expectations. And if we falter or fail, if we slip or stumble, bail ship as fast as you possibly can. WE WOULD!

Now that all of this is out of the way, let's delve into this month's education which will show you "How To Cycle Your Way To Riches." We think you'll enjoy it very much, so let's get started, shall we?*

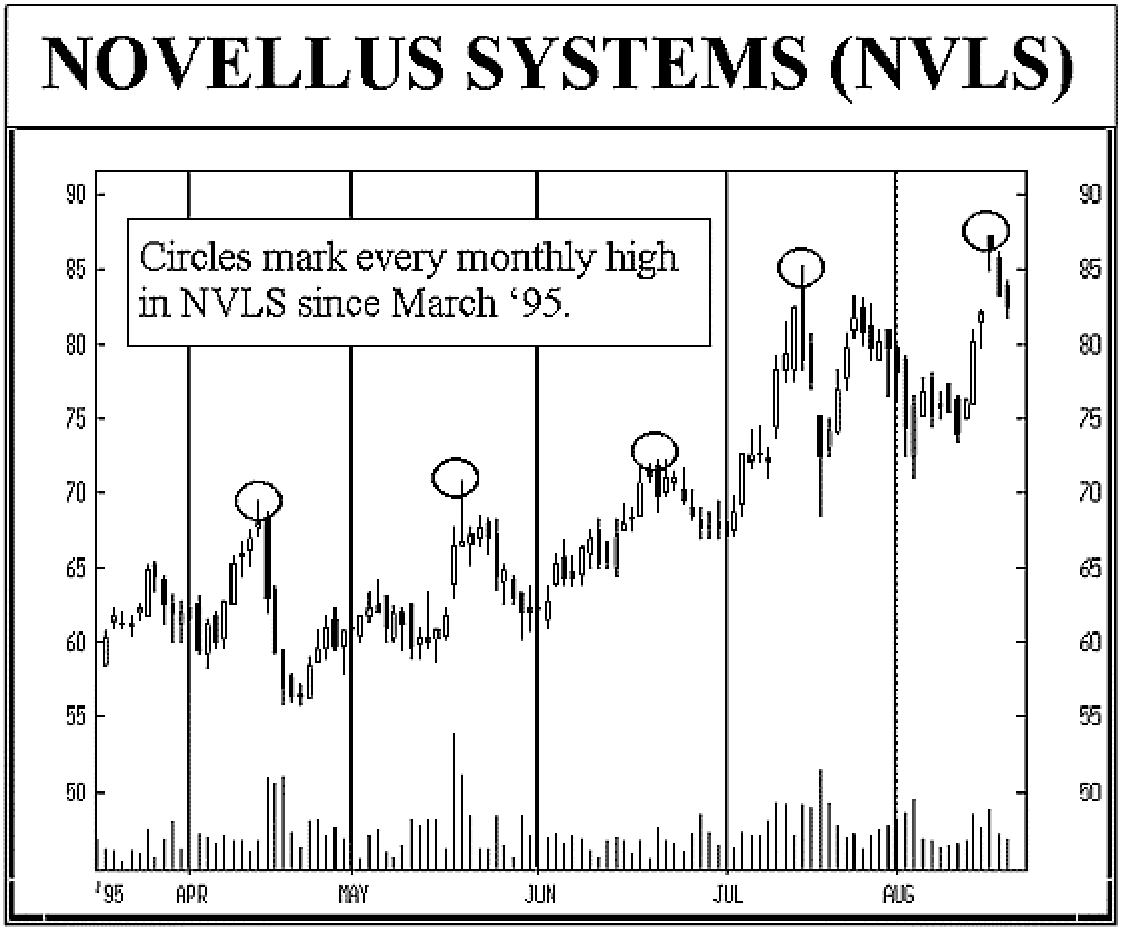
*** Please Note: This report was originally written 8/18/95. It's purpose today is for education only.**

A Pristine Education

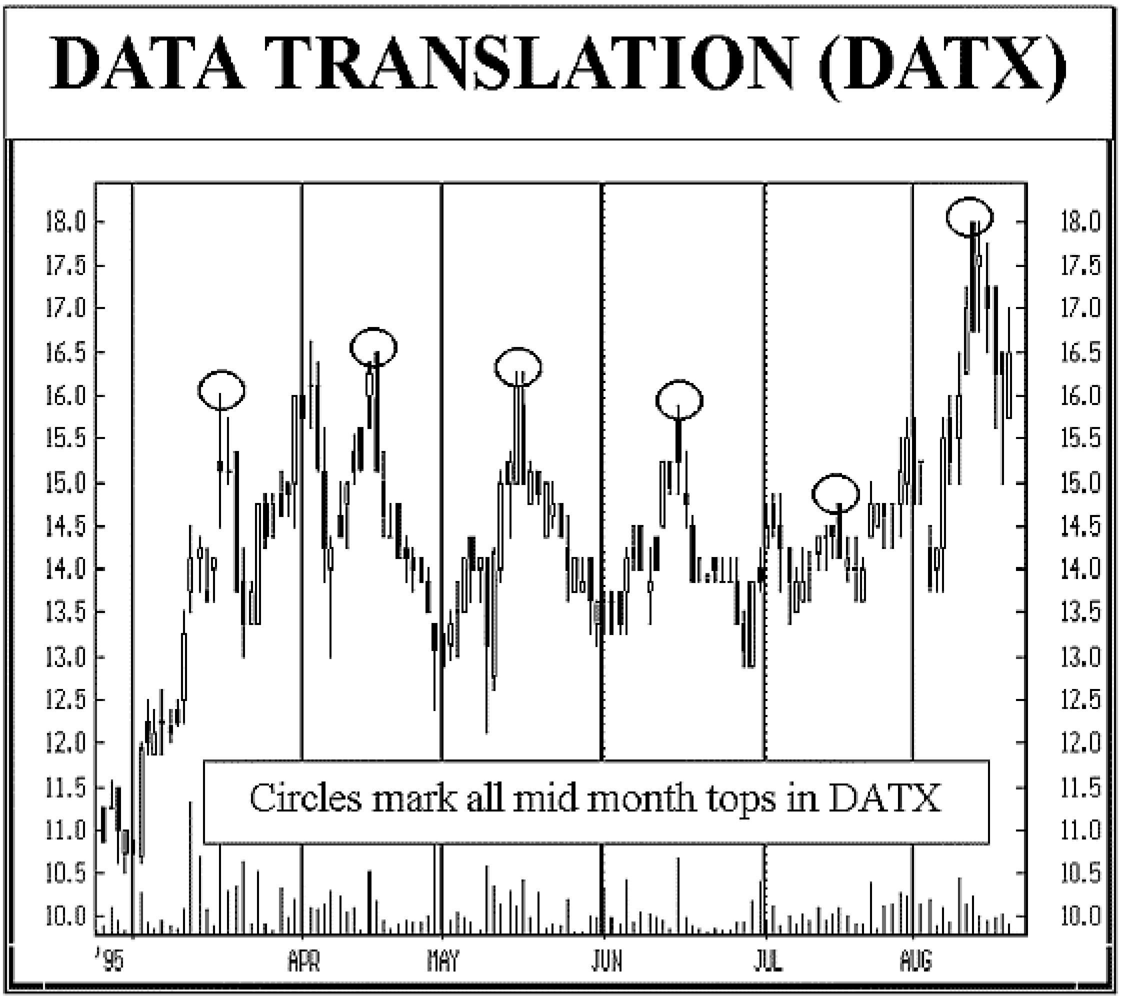
Far too many academics with frayed shirt sleeves and no money in their bank accounts have ridiculed and "theoretically" disproved that cycles in the stock market don't exist. But despite how quickly many frustrated market players are willing to dismiss the efficacy of cycles, they are real and should be paid the utmost respect. We have been relying on them for years, and we are about to show you how using them can dramatically improve your buying AND selling accuracy. **** Nearly everything in nature is subject to a cyclical force of some sort. Whether its the cyclical ebb and flow of the tide which rises and falls, or the continuous pattern of light (day) and darkness (night), cycles exists! It can be seen in the repetition of the seasons of the year, and most importantly, IT CAN CLEARLY BE SEEN IN THE UPS AND DOWNS OF STOCK PRICES! Now most market players are completely unaware of the tendencies I am about to mention. So your being made aware will give you an incredible advantage over the rest of the sleeping crowd on Wall Street.

Instead of weighing you down with all the cycles which can be successfully played, I would like to concentrate on what I feel is by far the most dominant cycle of them all, **THE MID MONTH CYCLE.** And those market players astute enough to be aware of its existence can raise the accuracy of their entries and exits to heights unknown to even the best of traders. "So what is this wonderful tool," you ask? My many years of trading experience has proven to me that a great many stocks (not all however) have a very strong tendency to make distinct turning points directly in the middle of each month. If a stock rose for the first two weeks of the month, I found that the issue's odds of turning down in "mid month" were overwhelming. Conversely, if a particular stock had been declining for the first two weeks of the month, a distinct and definite rise was usually very close at hand. This little discovery of mine added to my arsenal the ability to call short term tops and bottoms in stocks with razor sharp accuracy. Trade after trade, and year after year, we disprove the silly notion that tops and bottoms can't be called with any degree of consistency. In fact, our ability to pinpoint turning points is so precise, that we have been the subject of numerous tests and analytical studies. **The Mid Month Cycle** is one of the main ingredients of this ability. Lets look at a few examples which will clearly show what we mean.

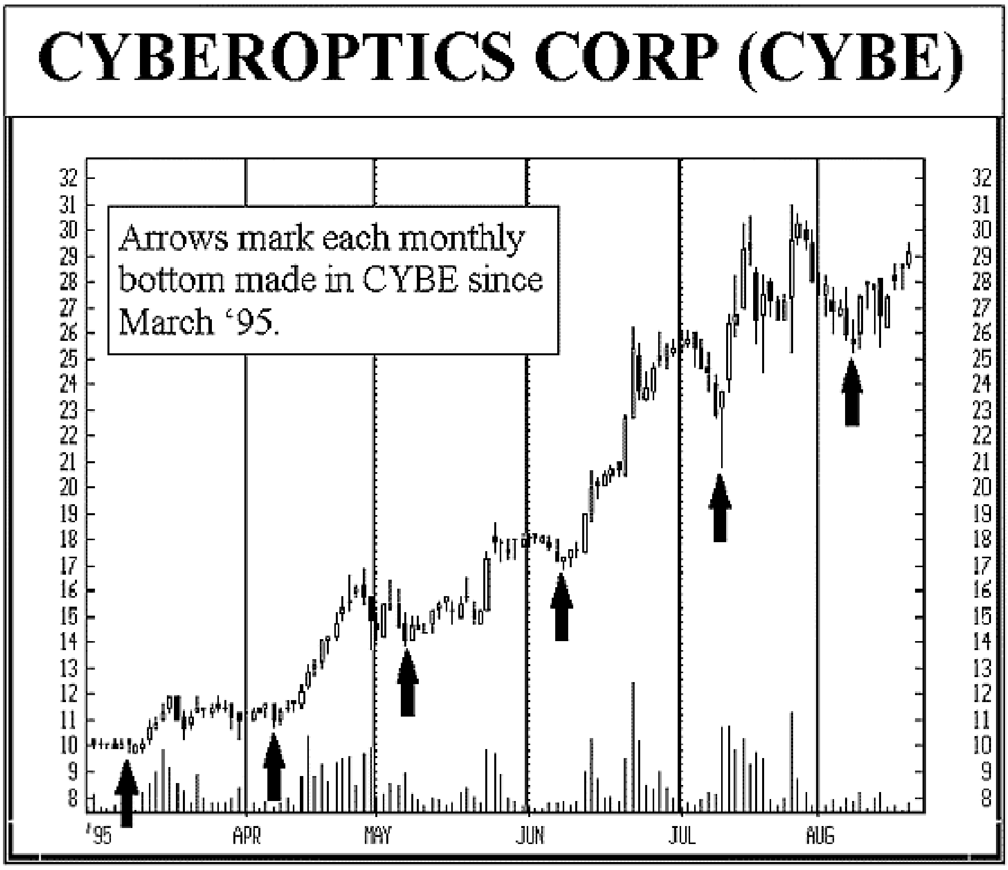
Novellus Systems (NVLS) is an issue which follows the Mid month Cycle with a great deal of accuracy. Precisely in the middle of every single month, NVLS turns sharply to the downside (see circles). Any trader aware of this strong tendency could literally make a fortune utilizing this once cycle alone. NVLS has been trading this way for many months, and we believe it will continue to do so.



Just in case you are not convinced yet, let's look at **Data Translation (DATX).** After witnessing mid month falls this consistently, what would you do if you were long DATX in the middle of the month? Wouldn't you get rid of your long, and capitalize on this cycle by going short? I have found stocks similar to DATX which track this cycle so predictably, that a trader could literally earn a 6 figure salary by trading only once a month. Look very hard at how accurate DATX's falls occur in mid month. Do you realize the advantage one has knowing this tendency? This knowledge can mean riches to those who truly grasp the enormously profitable implications.



Cyberoptics Corp. (CYBE) was chosen to point out the need for a bit of flexibility with this successful method (as one should do with any method). Instead of the exact middle of the month, CYBE has displayed a very powerful tendency to rally sharply after the first week of every month (see arrows). From the beginning of its dramatic move, CYBE has made its monthly low around the first week in every month. Based on this predictable cycle, when is the most beneficial time to go long CYBE? Immediately after the first week in the month, of course. Starting to get the picture? Try it. We're sure you'll like it.



A Pristine Educational Series

II this report, we cover a very reliable technique that a trader can use to pick up consistent gains via the options market. While we typically do not make specific options recommendations in the Pristine Day Trader, we fully acknowledge that the astute market player can use these instruments to make small but regular gains with a very low degree of risk. And it is our intention to show you how.

The mistake that many would-be-successful options players make is that they attempt to use options as a way to score huge gains, while utilizing only a small amount of money. As is always the case with any method that promises the world without much to lose, that approach is a trap. The well-intentioned souls who think that options are a cheap way to big gains are the dreamers that will make your and my profits possible. They are the gamblers who still believe that you can get a lot, while sacrificing little, and in so doing perpetually add to our coffers. They are among the many who have bought into the notion that one can make a big score, while putting close to nothing in the till. And it is on their backs that the astute options players can build fortunes. Sad? You bet. But oh so very true. And let me make the point here and now that the bulk of these gamblers are the buyers of options, not the sellers (writers). And therein lies the biggest mistake of all.
It is our job, no, it is our duty to make you aware that options are largely a game of Hope. **And if one would be profitable at this most viscous game we call Options, one must be the seller of hope, not the buyer of hope.** To those with eyes, let him see; and to those with ears, let him hear. Because in that last statement lies the master key to winning at the game of Options. But if you missed it, do not despair. We are about to show you how to stay on the winning side of the options game 85% of the time. So sit back, relax and enjoy

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The Theory

It has been stated that as much as 85% of all options contracts expire worthless. That's right. Worthless! That means that those who buy calls with the hope that they will appreciate in value lose 85% of the time. It also means that those who buy puts with the idea that they will produce a profit lose 85% of the time as well. While this sounds incredible, the above fact is common knowledge. Yet buyers of options are still losing. That is what is incredible. But think about this. If the buyer loses 85% of the time, then those doing the selling must win 85% of the time. Get the picture. The best odds of winning consistently as an options player exists as a seller, not a buyer. Got it?

The Approach

With that fact in mind, we will focus on a method that puts us on the sell side of the options game. Professionals call this approach Selling Volatility. With this approach, the astute options player takes the opposite side of the gambler. The gambler wants to buy, and we are all too willing to accommodate him by being the seller -- when the time is right of course. And the time is right when the premium (value) we get for selling the option has mushroomed to overly inflated levels. Now some may ask, "when do I know the value of the option is at extreme levels?" To answer that we need only a few basic tools and the knowledge of how to use them. Let's get to that now.

The Tools

1) **A Daily Price Chart** which displays roughly six months of price data.
2) **Standard Bollinger Bands** (20 period exponential bands with two deviations).

Note: This technical tool can be found in just about every commercial charting package around.

The Set Up

1) The stock must first puncture the upper Bollinger Band.
2) Then the stock has to have a steady seven to 10 day decline to puncture the lower band.

Note: The number of days is extremely important, for reasons we can't go into right now. But both criteria above must be met before any action is taken.

The Action

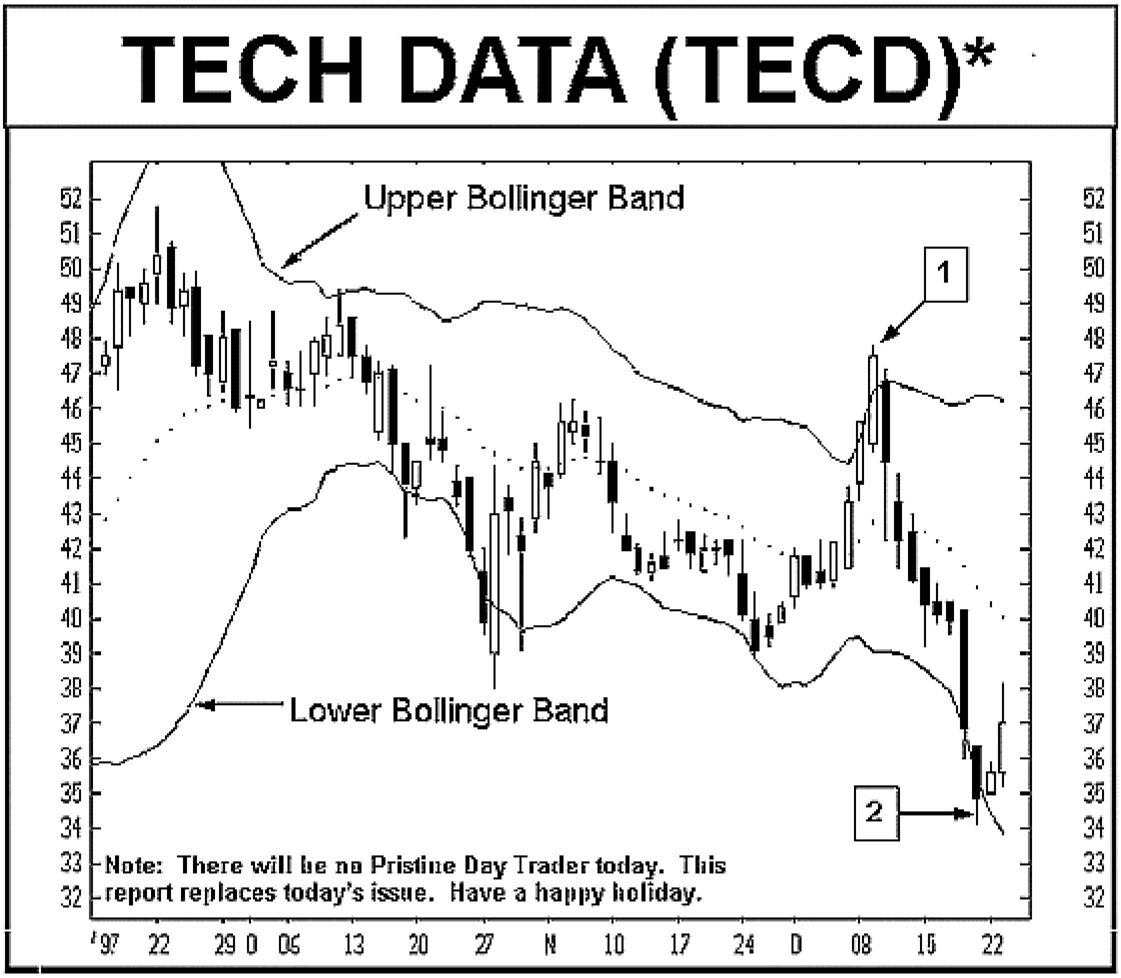
Once the above Set Up Criteria is met, the trader will do the following:

1) Sell either at-the-money or out-of-the-money "Puts" (note: aggressive traders can even sell slightly in-the-money puts as the return should be greater since the delta is higher for deep in-the-money puts) on the day of the puncture.
2) Sell the Puts the day after the bottom Bollinger Band is punctured.
3) Hold on to the position (sold puts) for three trading days.
4) Cover (close the short position by buying the puts back to close) your position near the close of the third day.

Note: The idea is to sell the puts at a price higher than the price you buy them back for. For instance, if you sold puts for $3 a contract, and then bought them back three days later for $2, you would net a $1 gain.

Commentary

You will be selling puts at a time when the premium should have mushroomed due to the steady seven to 10 day drop. That inflated premium is what you will be selling. If the stock rises after you sell the puts, you will profit. Even if the underlying stock stays dormant, the overly inflated premium will likely contract in value, in addition to the time value of the option price expiring over time, giving you the opportunity to buy them back cheaper, pocketing the difference. I hope this is not too confusing for you. But hopefully an example will make this concept very clear.



Tech Data (TECD) punctures the upper Bollinger Band on 12/09, satisfying part one of the Set Up. See number 1 on chart. Once that happened, TECD declined steadily for seven days and severely punctured the lower band on the eighth day (12/19). At that point, the option player is ready to leap into action. Either he sells at-the-money, Jan 35 puts or out-of-the-money Jan 30 puts on the eighth day (day of the puncture) or the ninth day (day after the puncture). This is a personal choice. Once the puts are sold, the option player simply waits for three days, then covers the put position (buys them back, hopefully at a lower price then they were sold for). In the above example, our player would be preparing to cover or buy back the puts today, if he did not do so the prior day. Note how TECD rose in price immediately after puncturing the lower band. This is ideal and will certainly result in the trader making a very quick profit, when it happens. **A final word:** Ideally the trader wants the bands to be rather wide, not narrow. Well, that's it. We always find the need for more time, but more time is not had. I am sure if you review the above report, you will find it helpful as well as profitable.

BUILDING WEALTH WITH PRISTINE'S GUERILLA TRADING TACTICS

EVERY trader's goal should be to acquire several highly reliable trading techniques, which can be used with ease and great confidence. I have always believed that two or three workable approaches are all that is necessary to earn a very decent living from the markets, and I will be outlining two (2) guerilla trading tactics which I have personally used to score big price gains in the stock market. These techniques are not only simple to use, but they have proved to be profitable in all market environments, and will go a long way toward helping you build considerable wealth. I strongly urge you to incorporate them into your own strategies, as I'm sure they will profitably serve you for many years to come.
These two strategies are what I refer to as "no brainers." They are termed as such because I have found them statistically reliable enough to be acted on 100% of the time, without even the slightest thought as to their validity. The first of these two gems is **"The 6 to 8 Week Breakout."** This play occurs when an issue emerges out of a 6 to 8 week sideways price pattern on above average volume (see figure 1A). The breakout signifies a renewed interest in the stock, and a step up in the institutional buying.

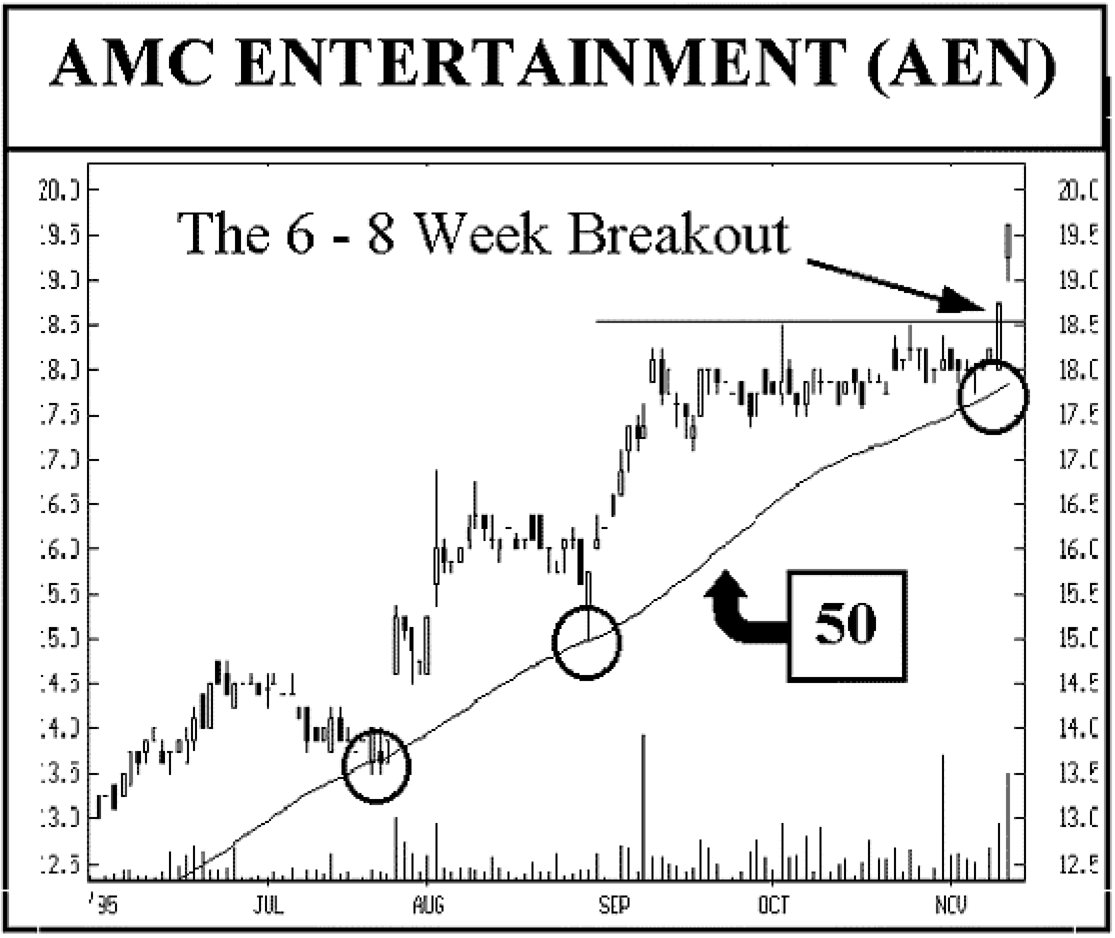


Figure 1A. The chart above shows a typical 6 to 8 Week Breakout

In most cases, a rapid short term rise of several points will occur. The 6 to 8 Week Breakout is also an excellent intermediate term play, as many of them continue their relentless ascents for several weeks to several months. This breakout play should be respected and acted on each and every time it is presented to you in our letter. We will alert you to this reliable strategy by clearly stamping the chart of the recommended issue **"6 - 8 week Breakout."**
Pristine's second highly reliable technique which classifies as a "no-brainer" is called **The 50**

Period Moving Average (MA) Advance. This technique should be an integral part of every stock trader's arsenal. Not only is it the picture of simplicity, it is the very essence of raw power and reliability. Its accuracy is so high, that it can be used as your only trading tactic if you are patient enough to wait for it. As most of our subscribers should already know, many of our most successful trades have been based on this trading technique. This is why almost every one of the charts presented in **The Pristine Day Trader** will display the 50 period moving average (50 MA). Let's take a closer look, shall we?

First of all, it should be realized that the 50 MA can be used as a quick gauge to determine if an issue is very strong (rising 50 MA), neutral (flat 50 MA) or weak (declining 50 MA). Figure 1A is a perfect example of a very strong stock. Note how steadily AEN's 50 MA has been rising. As long as the 50 MA is rising, as it is on the chart of AEN, it is undergoing major institutional buying and is a good candidate for purchase. However, aside from being a valuable filter, the 50 MA's most valuable trait is its tendency to halt a stock's decline dead in its tracks. For reasons which I can't go into at this time, the 50 MA is a powerful area of price support for most stocks, and when an issue falls anywhere close to it, massive buying typically comes into the stock causing an almost immediate advance.

Once again we will turn to figure 1A for a perfect example of this amazing phenomenon. Note how each of the three times AEN moved down to the 50 MA, the price exploded to new highs (see circles). It appears that buyers were just waiting for AEN to decline to its 50 MA. And when it did, they took control of the issue by snapping up the shares at an unprecedented rate. In fact, it was the support of AEN's 50 MA which caused the **"6-8 Week Breakout"** referred to earlier. Had you bought at each point, your gains would be quite large.

When we present "50 Moving Average recommendations" to you in **The Pristine Day Trader,** we will alert you by clearly stating on the chart, **"We are expecting a rise off the 50 MA."** Of course we will carefully map out the specific buy strategy when this scenario presents itself. You will know precisely how to profitably exploit it, as we will tell you when, where and how to buy the issue. We will leave no questions unanswered, no stone unturned.

Fortunately I don't have to limit myself to only one trading tactic, but if I were forced to do just that, the 50 MA strategy would be my 1st choice, hands down. We at Pristine have made more money using this one technique than with any other strategy in our arsenal. I strongly encourage you to act on this valuable technique whenever we alert you to its presence. Believe me. You won't be sorry.

While we have only presented you with 2 of the 4 techniques we will eventually bring to you, these are by far the most powerful and the most accurate. In a future issue we will bring you the other two to complete our education.

However, in the meantime, I hope you realize the value of what I have given you in these few short paragraphs. By revealing the two most accurate strategies we use, the Pristine subscriber is now able to systematically increase his overall profitability by playing these tactics more aggressively than the others. No longer will he/she be plagued with the gut wrenching dilemma of "What issue should I buy?" or "Which one of the four recommendations is more likely to be the big winner?" In fact, should the subscriber decide to play these 2 techniques exclusively, without ever considering our other techniques, we believe he/she would be able to consistently out perform the overall market and at least 85% of those so-called "experts" on Wall Street. Of course you'd have to patiently wait for them to be presented, but your wait would be rewarded with a greater degree of accuracy and of course, a bigger bank account. Try it!

INCREASING PROFITS WITH THE NYSE DAILY NEW LOWS

KNOWING when to play the market aggressively and when to step back and reduce one's exposure by playing more cautiously is the hallmark of a "master." Many would-be successful traders fail to realize that a large part of their overall profitability is determined by their ability to determine when the environment is favorable and when it is not. And when it is not, you had better have an alternative approach to the markets or you will be eaten up alive, plain and simple! Here's a simple, but effective, measure that will guarantee that you are on the right side of the market. At least you'll know when to jump in with both feet, and when to keep the exit signs in clear view. **Tip:** When the Daily New Lows on the NYSE (found in any daily newspaper reporting stock quotes) come in consistently *under 30,* the market is very bullish and can be played aggressively. When the Daily New Lows are steadily *above 30,* play more cautiously. Try it. It works!

A TRADING TECHNIQUE FOR DIFFICULT MARKET ENVIRONMENTS

THERE will be plenty of times when we'll advise traders to exercise a high degree of caution due to a difficult trading environment. Typically we'll say something like, *"The current market isn't providing us with a very favorable set of odds; so we are advising that you take profits quickly!"* You'll also here us say, *"This is no time to go for the top dollar; you must be satisfied with taking nickels and dimes."* Whenever we make comments like this, we are attempting to warn you of periods in which we feel stocks will not experience *enduring advances.* These are precisely those times in which the bulk of our stock picks will turn out to be profitable the first day, only to turn around and disappoint you on the second or third day. Sound familiar?

These up and down consolidation periods often wreak havoc with a trader's program, by systematically whipsawing him back and forth with tiny but painful losses. It only takes several account crushing phases like this to make it obvious that having a specific trading strategy designed to deal with these difficult environments is crucial.

Below, I will outline an approach which, when applied to our Pristine picks, will keep you consistently on the winning side of these frustrating periods. Quite naturally it will call for you to be satisfied with smaller than normal profits, but smaller gains are far more preferable than losses (of any kind). So here's how this simple **Four (4) Step Trading Strategy** works:

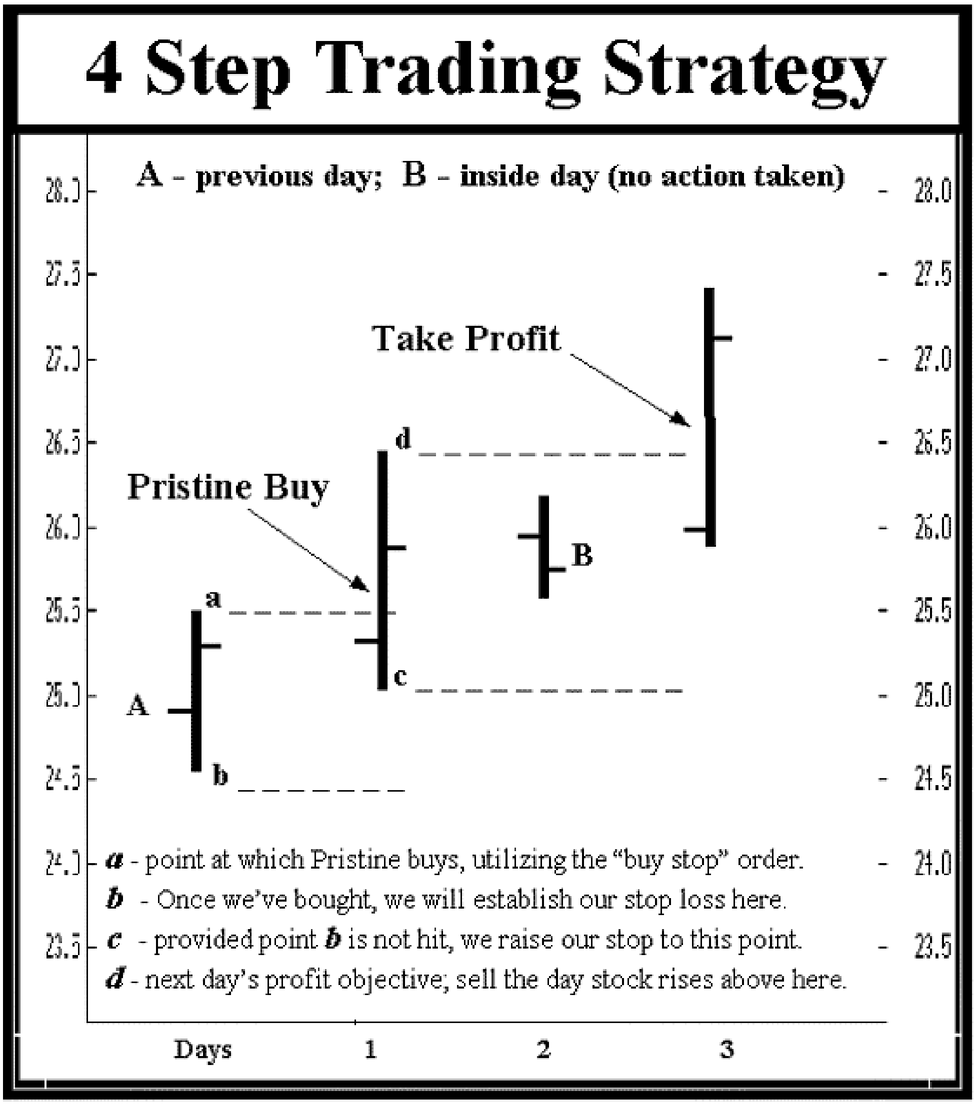
1) Entry: You decide to buy one of our Pristine picks, (utilizing a "buy stop order" whenever feasible), purchasing it as close as possible to our recommended buy price. With this technique, it is vital that you follow our exact buy strategy for each of our stock picks, otherwise the accuracy of this approach will be greatly curtailed.

2) Initial Stop: As soon as you've entered the stock, you must immediately establish the point at which the issue will be eliminated, should the trade go south. This sell point is commonly referred to as a "stop loss." When using this approach, your stop loss will be set ***directly below the previous day's low.*** Our research indicates that most successful short term trades do not fall back below the lowest price of the previous day. This makes this point very critical. Should you follow the detailed strategies outlined in **The Pristine Trader,** you will be automatically adhering to this 2nd rule.

3) Adjust Stop: Assuming the trade is not stopped out by the end of the day, the issue is held into the next day. On the 2nd day, prior to the market's open, you will adjust (raise) your stop loss to the ***lowest price of the entry day.*** For instance, let us say that you've successfully entered a stock on day one at a price of $25 5/8. Your initial stop was not triggered so you will now be going into the 2nd day of the trade. However, before the market opens, you will have to determine what the lowest price of the first day was. For the sake of simplicity, let's assume this was $23 1/8. You would then call your broker to place a "stop loss order" at $23 1/8. If your broker can't take stop loss orders, than you would have to carefully watch that price, and sell on any violation of it. This will help curtail the losers.

4) Sell. Once we are into the 2nd say of the trade, and our "adjusted stop" has been set (actually or mentally), we are ready to concentrate on selling as the stock continues its move forward. Our objective will be to **sell on the day the stock moves "above" the high price of the entry day (the 1st day).** This will typically occur on the 2nd or 3rd day; but please note that this will not always be the case. At times you may have to wait four or five days for the 1st day's high to be exceeded. Of course there will be times when the stock will not rise above the highest price of the entry day. Rather it will fall back, setting off the "adjusted stop" you placed on day number 2. In these cases, you will be stopped out for a small loss. However, the point which must be remembered is this: **The trade is held, day after day, until either the high price of the entry day is exceeded to the upside, or the low price of the entry day is exceeded to the downside. Both sell scenarios (profit or loss) will hinge on the critical *Day of Entry.* The example below should make this perfectly clear.**

Now it should be noted that at times this strategy will have you selling for very meager profits of a $1 or less. But do not scoff at these tiny gains. While the majority of traders will be taking $2 to $3 losses, due to a difficult trading environment, you will be nickel and dime-ing the market at a profit. Of course you will have your share of $4 to $5 runs as well. Try it!

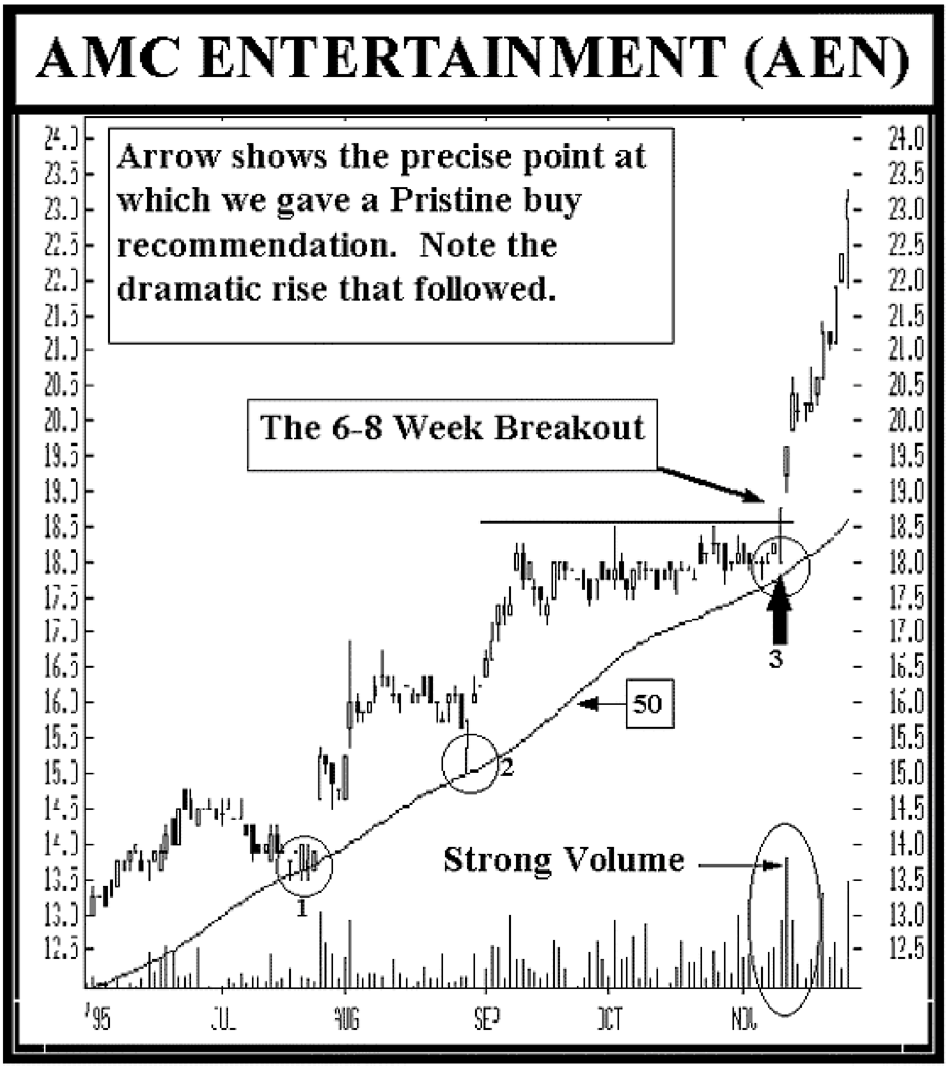


PRISTINE COMMENTS

THE chart below is a more expanded view of **AMC Entertainment (AEN),** which was first recommended by us on November 10, 1995. As can be clearly seen, the result was quite dramatic, but the chart displayed doesn't even begin to tell the whole story. **AEN** eventually rose to $28.75, producing a two week gain greater than 53%. Incredible!

Despite **AEN's** dramatic rise, I could have presented you with any one of Pristine's 372 previous recommendations which were based on the above strategies. However, **AEN** was chosen because it happened to have met our two most valuable techniques, ***simultaneously.***

Note how beautifully AEN bounced off its 50 period moving average the first two times (see numbers 1 & 2). However, the third time (number 3) was not only a **"50 Moving Average Play,"** it was simultaneously a **"6-8 Week Breakout Play."** Whenever these two valuable techniques give a buy signal at the same time, the move is almost guaranteed to produce an explosive move. You will most definitely want to be on the lookout for these rare gems. When we present them, dig deep, sit back, and reap! You'll be amazed at how quickly profitable these plays can be.


AMC ENTERTAINMENT (AEN)
Arrow shows the precise point at which we gave a Pristine buy recommendation. Note the dramatic rise that followed.
The 6-8 Week Breakout
50
Strong Volume
1
2
3
24.0
23.5
23.0
22.5
22.0
21.5
21.0
20.5
20.0
19.5
19.0
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'95
JUL
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NOV

One day I received a call from a very prominent Wall Street "guru" who wanted to know why I was so intent on revealing my *secrets of success* in the stock market. He was of the opinion that not only were my efforts a waste of my valuable time, but that if I truly succeeded in teaching these *inner workings*, it would result in many of my techniques becoming obsolete due to their overuse.

While I simply don't have the space to fully address this gentleman's question, I would like to establish one thing before we go any further. These methods and techniques are not my secrets or anyone else's for that matter. And whenever you even hear the words, *"I am going to reveal my secrets on how . . . .,"* you should make a 180 degree turn and run as fast, and as far away, as you possibly can. Why? Because that is an old sales pitch which has been used by every baloney artist since the beginning of time. And if you stay around long enough, you'll end up losing your shirt.

The fact is, the public's belief that "secrets" exist helps to support a multi-billion dollar book industry, as there are no less than three financial books published every single week (all of which contain the "ultimate" secret to riches, of course). And this is not to mention the multi-millions of dollars spent on the latest computer software programs which will triple your money every three months, "guaranteed."

No, my friends! As disappointing as this may be, **there are no secrets**. . . . . just plain, old-fashioned hard work and common sense. And I am about to go over a few common sense sell guidelines which should help you to better ascertain when to exit your trades. In addition to individual sell pointers, I will reveal to you what I like to refer to as the Pristine Profit Plan (PPP). I strongly encourage that you make every effort to understand it, as it is a simple approach which makes it difficult to lose money in the stock market over time. Now I know that sounds like a sales pitch, but I'm not selling anything remember. You are already subscribers.

Once again, I am presenting something which I feel is worth several times the annual subscription rate to the ***Pristine Day Trader***. Read it, study it, keep it, and above all employ it. There is no doubt that knowing *how to sell* and *when to sell* will help you obtain more consistent profitability in your everyday trading. So, let's get right to it.

THE PRISTINE PROFIT PLAN (PPP)

(A simple approach which will render it mathematically impossible to lose money)

RULE NUMBER 1: NEVER LOSE MORE THAN 8% ON ANY STOCK

What is the trader/investor's most valuable commodity? His/her initial capital, of course. What should be of paramount importance is the preservation of your starting capital. This is your life. This is what will keep you in the game, and it is foolish to do anything that will jeopardize it. That is why you should never be willing to let a position go against you by more than 8%. If you have entered the trade properly, and your timing was precise (our suggested entry points minimize this concern), the issue SHOULD NOT decline by more than 8%. Otherwise, something has gone amiss and the trade should be eliminated with no questions asked. But what if it's a blue chip company? What if the earnings are still positive? Frankly, these are the rationalizations of an amateur. The earnings of a company don't put money in your pocket. Neither does the color of the company's chip. There is only one thing that can put money in the bank if you are long the stock. That is a **RISING STOCK**, not a declining one. Remember, all stock are bad, unless they go up. Cut your losses at 8% and move on.

RULE NUMBER 2: ALWAYS TAKE PROFITS (AT LEAST SOME) AT 20% - 25%

Once a stock you own rises by 20% or more, it is foolish not to pull at least some profits off the table. This really boils down to common sense. Stocks have a tendency to advance 20% to 25%, then decline before they take off again (if they are going to take off again at all). I am in the habit of comparing my daily and weekly profits to the purchaser of a certificate of deposit (CD). I constantly ask myself, "How long will it take for the average one-year CD to produce the gains that I have in this stock right now?" This question is an excellent way to keep your feet firmly fixed on the ground of financial reality. It also does a good job of tempering greed, one of the biggest enemies of every trader. It would take the purchaser of a one-year CD paying 6% more than eight years to match a 20% stock gain. Many of you have witnessed many of our stock selections rise 20% or more over several days. But more important than all of this is the mathematical magic that the combination of Rule 1 and Rule 2 brings into being. If your are disciplined enough to cut losses at 8% while taking profits at resistance with a reasonable profit objective, you should not lose money over time as this law of mathematics should not be broken. With these two simple rules, you can lose three times and win only once, and still not get into financial trouble. Now, if you can't produce one winning trade out of every three, you don't belong in the market. Of course, as subscribers, this shouldn't be your problem. I know two traders who sell only on the basis of Rule 1 and 2. The stocks that they buy will either be sold at an 8% loss, or they will be sold at 20% or above. That's it. That's their only sell rules, and they both are profitable over time, I might add. But I will show you how to do even better.

RULE NUMBER 3: ONCE A STOCK RISES BY 6% TO 8%, MOVE YOUR SELL POINT TO BREAK EVEN

This additional sell rule is not employed by my friends mentioned above, as they operate on a do-or-die approach. Either their stock produces the predicted gain, or it produces an 8% loss. I don't believe you should be so fatalistic. Allowing a winner to fall back into losing territory is just not smart, no matter what the reason. It is hard enough being right in the stock market without allowing the winners to turn into losers. So after a stock has demonstrated it's ability to move in the desired direction, you should take further action by raising your sell point to break even. This will have the effect of taking ALL of the risk out of the trade. At that point you can literally put your feet up on the coffee table, lean back and watch, as there is no initial capital at risk. I can not begin to tell you how psychologically important this rule is. Once a trader realizes that money can no longer be lost, a tremendous calm and clarity begins to pervade his mind. A sense of power and control evolves as he adopts the frame of mind of an employer who has now hired an employee (the stock) to do all the work. Once you're up 6% or more, decide never to be down in that position again.

RULE NUMBER 4: ONCE A STOCK RISES BY 10%, PROTECT 3% OF YOUR PROFITS

This rule should be self-explanatory after Rule 3. There are some who might ask, "Why just 3%?" And it's a good question. So why so small a goal? Well, in reality this goal is not as small as one might think. If you can produce a monthly gain of 3%, your annual return will be in excess of 45%. Now, if you can produce gains in excess of 45% annually on a consistent basis, Wall Street would be sleeping outside your door (we step over them every day, smile). Let's take the scenario a bit further by asking, "What if you produced an average 3% gain on all of your stock trades?" We certainly wouldn't have to worry about your financial condition. That's for sure. So are you starting to understand why we will not let that 3% get away from us when we have at least a 10% gain? Please do likewise, my friends. I promise you won't be sorry. Nickels and dimes do add up.

RULE NUMBER 5: ONCE A STOCK RISES 15%, PROTECT 10% AND TARGET YOUR 20% PROFIT POINT

You now know the rationale. The higher a stock continues to rise, the greater the probability of a decline. So with this in mind, we tighten our stops and only give the stock a 5% margin of movement. It is at this point that we experience a lot of sells as many of the stock selections fall back a bit. But in most cases, the 10% gain is produced over *several days*. The average mutual fund produces gains in the area of 7% *yearly*. So why should we be disappointed? Besides, there is no rule that says we can't repurchase a stock after selling it. We do this all the time. Now a good portion of your selections will not stop you out at 10%. These are the stocks which tend to be the future leaders in the market. Once you have a 15% gain and you have moved your stop to protect 10% of your profits, determine the exact price at which you will sell at least 1/2 of your position. This step that I am mentioning now is one of the hallmarks of a professional. At this point he comes to the market every day knowing precisely where he will exit. When the price reaches his sell spot, he leaps into action unfettered by indecision and confusion. There are no rationalizations, no waiting for another 1/4 point, no delaying, just action. We favor the approach of selling only one-half of your position, especially with those stocks which have run to this level in less than two weeks. Rapid movement of this nature indicates very strong demand and the likelihood that it will carry is very great. The remaining half can stay in as long as the stock stays above it's 50-period simple moving average (the sum of last 50 day's closing prices divided by 50).

COMMENTS

That's all there is to our Pristine Profit Plan, just five relatively simple rules. However, let me be very real for a moment. There is no question, that if you are disciplined enough to follow a plan such as the one just outlined, it will dramatically improve your results many times over. But the fact is that most individuals will not comply. Why? Where will they fail in their attempt to stick to a proven money making approach? Nearly all will fail at the very beginning, *Rule Number 1.* If I had to choose the biggest difference between winners and losers it would by Rule Number 1. Winners cut their losses short and move on to the next winning trade. Losers hold on to falling stocks 1/4 point by 1/4 point until the very ability to make a rational decision has been zapped from their bodies. This costly fault is also an ego problem as selling at a loss forces the trader to admit that he was wrong. As long as he holds on to his dud, he does not have to really admit he has made a mistake. This attitude and frame of mind is the hallmark of a loser. And finding someone who thinks like this and suffers from this paralysis can actually be a gem in and of itself. Once you have pinpointed a true loser, reverse his every decision and I guarantee that you'll make a fortune. Because when he should be selling a losing position, he'll buy more rationalizing that it's now cheaper that his original purchase. When he *should* by buying, it will look too high for his taste, or the spread will be too big, or the P/E ratio will be too high. He will find any excuse not to take a winning trade. Why? Because a loser can't help it; the simple truth is winning is against his nature.

A FINAL NOTE

When I first started out in this business, I lost money consistently. The day I bought a stock was the last up day that issue would see in a great while. When I sold, it was sure to be the bottom just before a major multi-month advance. I was a kid without any direction, without any experience and no one willing to help me get it. I spent many years and a lot of lost money to get to the point at which I am now. A very talented trader would not even be impressed with that. I had the privilege of spending a period of time with an individual who effortlessly pulled $40,000 a day out of the markets. And guys, that is no typo. The time I spent with this "master" was worth more money than most people will ever see in a lifetime. If you are ever fortunate enough to find a successful market player like this, do everything in your power to procure his guidance. Pay him $100,000 for several weeks instruction if you can. Believe me, that sum will prove to be a mere pittance compared to the future rewards. The time and money saved alone will be well worth the cost.

The **Pristine Day Trader** was formed to partly provide this guidance which I so desperately needed in my early years. And while it can never replace the benefit of personalized instruction, I do believe it is the next best thing. Good luck my friends, and happy trading!