

TRADEWINS PUBLISHING ANNOUNCES

THE EVENT-TRADING PHENOMENON

A NEW BOOK THAT SHOWS YOU HOW TO PROFIT WHEN NEWS DRIVES THE MARKET



Do You Trust Wall Street?

Wall Street created a buying mania with the false promise of a "New Economy." When the mania ended, the pros walked away with fortunes. The average investor walked away with nothing.

Use Predictability and Leverage

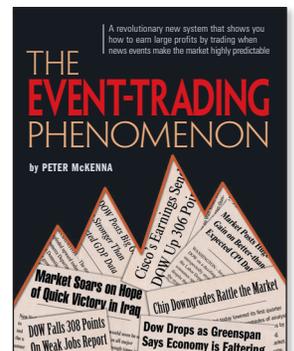
Peter McKenna, a veteran market reporter, has discovered that throughout history the market's largest moves have occurred when the right market and world news is released under the right market conditions.

He has turned this phenomenon into a disciplined trading strategy. It calls for investors to buy index options rather than stocks when the right combination of news and market conditions cause a high degree of market predictability for one day.

More than \$2.5 Million in Profits

When this phenomenon occurs, you can make more money in a single day than you will make in a year of trading stocks. (See page 5 for details.)

Finally, someone has figured out this market. Finally, someone has ended your dependence on Wall Street. Read *The Event-Trading Phenomenon*. Get your money back.



NOW THERE IS A WAY TO LEVEL THE PLAYING FIELD

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WHAT IS EVENT TRADING?

Peter McKenna has made an important discovery: The release of news is the single most important tool available to investors. Throughout history, it has been the reason for the DOW's largest moves, both up and down.

NEWS EQUALS PREDICTABILITY

Not all news events create large market moves. Mr. McKenna's book will teach you when to trade and when not to trade. It will teach you which news events cause market direction to be predictable, and which events cause unpredictability.

THE POWER OF LEVERAGE

Event traders do not buy and sell stocks. When an event day occurs, they buy index options. They can make more money in a single day than they will make trading stocks for a year.

SIMPLE COLOR-CODED SYSTEM

Event-Trading is based on a simple color-coded system that shows you when news will cause the market to be highly predictable or just moderately predictable. These are GREEN ALERT and YELLOW ALERT DAYS. On RED ALERT DAYS, there is no predictability and event trader must stay out of the market.

COLOR-CODED ALERT DAYS

The Event-Trading Phenomenon gives you a simple color-coded system that tells you when news events and market conditions will make market direction highly predictable.

There are Green Alert and Yellow Alert upside and downside days.



ON A GREEN ALERT DAY, the DOW is likely to gain or lose 150 points or more.



ON A YELLOW ALERT DAY, the Dow is likely to gain or lose up to 150 points.



ON A RED ALERT DAY, you must stay out of the market. (market direction is highly unpredictable)

► Here's an example of the way event trading captures the market's largest upward and downward moves:

The event-trading strategy considers the following factors:

- 1 The nature of the good or bad news that is released.
- 2 The oversold or overbought level of the market when the news is released
- 3 The absence or presence of news conflicts.

FOR EXAMPLE, On May 8, 2002, Cisco Systems announced much-better-than-expected earnings. The market was badly oversold at the time. It had been going down for weeks on glum earnings news. Cisco's news changed the outlook dramatically. When the news hit the market, it literally had no place to go but up, way up.

The DOW gained 294 points. The S&P 500 went up 34 points. Event traders who bought just 10 at-the-money S&P 500 calls made more than \$20,000 in a single day.

Those who had read The Event-Trading Phenomenon would have known that the conditions for a GREEN ALERT upside day had

been met. The news was better-than-expected and the market was oversold. Equally as important, there was no negative news to mute the good Cisco news. In other words, there were no conflicts.

If you have never traded index options before, don't worry. **The Event-Trading Phenomenon** is written in clear and direct language that market newcomers can understand. The use of index options is clearly explained.

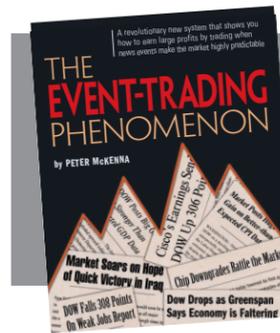
WHY TRADE EVENTS? WHY NOT TAKE YOUR BROKER'S ADVICE AND BUY STOCKS FOR THE LONG TERM?

During the bull market, Wall Street professionals bid-up the price of tech stocks well beyond the true value of the underlying companies. They urged you to buy these stocks. They pumped these stocks to get the lucrative investment banking (IPO) business that comes during a market craze. When the tech bubble burst, they quickly dumped the same stocks they were selling to you as wise, long-term investments. Tech stock prices fell from hundreds of dollars per share to a few dollars per share.

Small investors lost their life savings when the bubble burst. Wall Street professionals turned their backs on them, saying only that "Investing can be risky."

If the crash of the tech market taught us anything, it is that you cannot trust anyone on Wall Street. You must trust yourself. Do you trust brokers to give you sound, prudent advice after the pain and suffering they caused thousands upon thousands of small investors?

You no longer have to be a victim of Wall Street greed. Event Trading is an intelligent, meticulously reasoned and safe way to prosper in the market without relying on Wall Street professionals.



The major goal of event trading is to EDUCATE, EMPOWER and ENRICH those investors who lost money when the bull market collapsed and now must restore their financial health, before old-age becomes an unavoidable issue.

CONSIDER THE FOLLOWING:

- 1 Event traders make money in both up and down markets. They also make money when the economy is expanding or contracting.
- 2 This is because a growing economy produces news events that trigger upside alert days. A faltering economy produces news events that trigger downside alert days. There are always alert days, no matter what the economy is doing.
- 3 When the economy falters, stock prices decline. Stock investors must often wait years to break even.
- 4 Event traders make quick, one-day profits and move on. They do not have to wait for stock values to increase, 5 because they do not buy stocks.
- 5 Daytraders must learn highly complicated strategies. It can take years to master these strategies. Daytrading schools are expensive. So is the computer equipment you need to daytrade successfully.

EVENT TRADING PERFORMANCE 1/1/01–10/1/2003

► There have been **241 event days** from January 1, 2001 to October 1, 2003. More than **90% of these days have returned huge profits** for event traders. Buy purchasing just 10 at-the-money contracts each time (S&P 500 Index Options), **an event trader would have made \$2,552, 800.** The event-trading performance table is below.

| Year | Win | Lose | %Chg | Total \$ | Avg. Trade \$ |
|-------|-----|------|-------|-------------|---------------|
| 2001 | 83 | 5 | 94.32 | \$958,380 | \$10,890.68 |
| 2002 | 110 | 2 | 98.21 | \$1,169,000 | \$10,437.50 |
| 2003* | 50 | 1 | 98.03 | \$425,500 | \$8,329.41 |
| TOTAL | 241 | 8 | 96.81 | \$2,552,880 | \$10,170.84* |

(*thru 10/01)

TRADE DATA

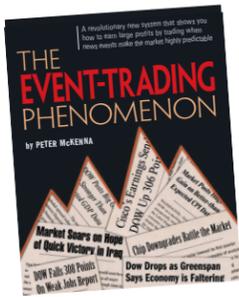
Starting Account: \$28,600 (No Pyramiding of trades)
Trades Per Week: 1.75 Average
Trades Per Month: 7.6 Average
Monthly Profit: \$77,360 **Monthly Return** 270%
Annual Profit: \$928,320 **Annual Return** 3246%

ABOUT THE AUTHOR



The Event-Trading system was developed by Peter McKenna, a journalist with more than 20 years of experience reporting on the stock market. As a reporter for *Investor's Business Daily*, he watched in horror as thousands of small investors lost their money when the tech bubble crashed. He went looking for a better system, a system that would put the power back in the hands of the small investor and keep the so-called professionals at bay. The system he found was the Event Trading Phenomenon.

announcing THE EVENT-TRADING PHENOMENON



The Event-Trading Phenomenon contains many easy-to-read graphs and charts that make learning the system easy. The pages at left are taken from the book.

6 Momentum traders must pick one or two stocks from among thousands that might make a gain or loss on a given day. In the current bear market, these gains and losses are usually just a point or two.

7 Event traders use the same "quick strike" strategy as daytraders and momentum traders, but they don't have to pick stocks. Also, they earn large profits by using the power and leverage of index options.

EVENT TRADING KEEPS MARKET RISK EXTREMELY LOW
Event traders trade only when a news event makes market direction highly predictable for one day. When this day occurs, you will buy index options in the morning and sell them before the market closes. **This keeps risk remarkably low.**

If you use the event-trading strategy, you will not have to rely on the opinions of Wall Street brokers and analysts. These professionals ignored the interest of small investors during the bull market. They sold their souls for investment banking business. Forget their worthless advice-you'll know how to profit without them.

IS EVENT TRADING COMPLICATED?

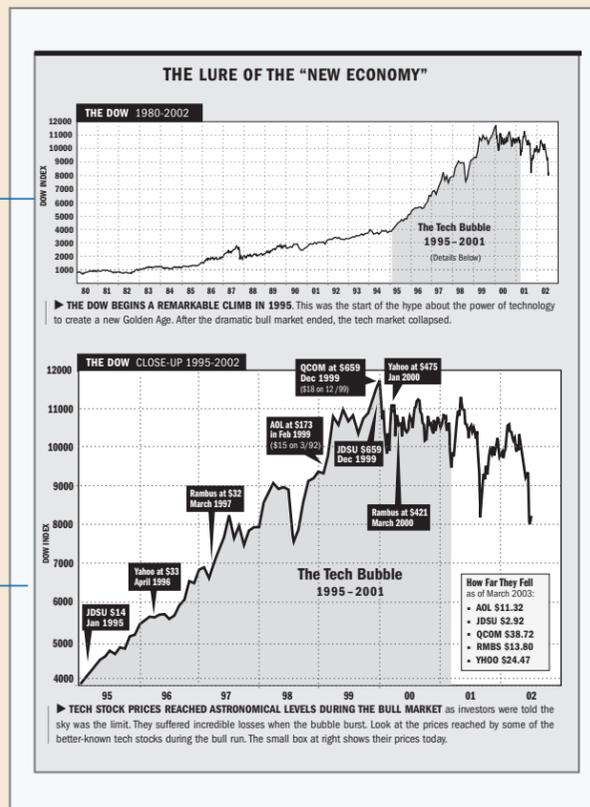


NO. If you can read the English language, and spend a few hours reviewing this book, you can easily understand how event trading works. Once you start to apply it, you will see how consistently the trading rules work. The **GREEN, YELLOW and RED ALERT** system is as simple as passing under a traffic light.

Charts in the book give you a graphic sense of how Wall Street created a false "New Economy"

Readers can see graphic proof of how Wall Street inflated the price of tech stocks

The book contains a checklist that helps event traders easily keep track of and evaluate upcoming news events



The event trading strategy is explained in both easy-to-understand copy and graphics.

ANALYZING EACH DAY'S TRADING OPPORTUNITY

THE SIX BUILDING BLOCKS OF EVENT TRADING

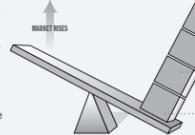
The six elements below are the heart of the event trading system



EVENT TRADING IS A HIGHLY DISCIPLINED SYSTEM that can result in large profits with little initial investment. Most important, event-traders take a much smaller risk than daytraders, momentum traders or long-term investors. After extensive research, the author has discovered that certain market and world news events, released under certain market conditions, are the reasons behind the largest upward and downward moves in the market. If you patiently wait for these days to occur, you can make substantial amounts of money while taking little risk. These news events and conditions are the building blocks of event trading. World events, Fed interest rate decisions and comments by Alan Greenspan are wild cards that are outside the event trading rules.

GREEN ALERT: UPSIDE

This is the best upside day to trade. The market is oversold and suddenly gets better-than-expected earnings or economic news. There is no bad news released at the same time to cause a conflict. And there is no uncertainty about outside events. The Dow can gain 200 points or more.



- 1 OVERSOLD MARKET
- 2 NO CONFLICTS
- 3 NO UNCERTAINTY
- 4 BETTER-THAN-EXPECTED-EARNINGS OR ECONOMIC INDICATOR

YELLOW ALERT: UPSIDE

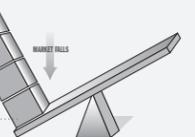
This is the second best upside day to trade. The same conditions that create a Green Alert have occurred, but there is a conflict with bad news. The bad news, however, does not involve earnings, the strongest market event of all. The Dow can gain 100 points or more.



- 1 OVERSOLD MARKET
- 2 GOOD/BAD NEWS CONFLICT (not earnings related)
- 3 NO UNCERTAINTY
- 4 BETTER-THAN-EXPECTED-EARNINGS OR ECONOMIC INDICATOR

GREEN ALERT: DOWSIDE

This is the best downside day to trade. The market is overbought and suddenly it gets worse-than-expected earnings or economic news. There is no conflict with good news released at the same time. The more uncertainty the better. The Dow can lose 200 points or more.



- 1 OVERBOUGHT MARKET
- 2 NO CONFLICTS
- 3 UNCERTAINTY (OPTIONAL)
- 4 WORSE-THAN-EXPECTED-EARNINGS OR ECONOMIC INDICATOR

YELLOW ALERT: DOWSIDE

This is the second best downside day to trade. It's the same as a Green Alert Day, with one exception. There is a conflict caused by good news released at the same time as the bad news. The bad news, however, does not concern earnings. The Dow can fall 100 points or more.



- 1 OVERBOUGHT MARKET
- 2 UNCERTAINTY (OPTIONAL)
- 3 WORSE-THAN-EXPECTED-EARNINGS OR ECONOMIC INDICATOR
- 4 GOOD/BAD NEWS CONFLICT (not earnings related)

The color-coded trading system is clearly presented with various charts and tables.

EVENT TRADING CHECKLIST

On the list below, record the economic indicators that will be released during the week you paper trade. Fill in the information as explained in the check list on the left.

| | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY |
|----------------------------|--------|---------|-----------|----------|--------|
| ECONOMIC INDICATORS | | | | | |
| MARKETING CONDITION | | | | | |
| CONFLICTS | | | | | |
| UNCERTAINTY | | | | | |
| NEWS EVENT | | | | | |
| MARKET EVALUATION | | | | | |
| MARKET PERFORMANCE | | | | | |

FILL OUT THE LIST ABOVE AS INSTRUCTED. Start by listing each of the economic indicators that will be released during the upcoming week. Then determine if the market is oversold or overbought or the presence of any market conflicts. If the market is preoccupied by uncertainty, make note of the conflict. When the indicator is released, determine if it is better or worse than expected. Then apply the event-trading rules to the information you have collected. Before the opening bell rings, declare whether the market will have a Green, Yellow or Red Alert Day.

CHICAGO BOARD OF TRADE OPTION LISTINGS

DJX OPTION QUOTES

The chart below shows what you will see if you look-up the prices for a DJX contract at the CBOT website. Let's take a closer look at some of the details.

DJX-E (CBOE)

| Calls | | Last Sale | Net | Bid | Ask | Vol | Open Int |
|-------------------------|------|-----------|------|------|-----|------|----------|
| 03 Apr 75.00 (DJX DW-E) | 7.00 | +0.30 | 6.80 | 7.30 | 260 | 1668 | |

DJX-E (CBOE)

| Calls | | Last Sale | Net | Bid | Ask | Vol | Open Int |
|-------------------------|------|-----------|------|------|-----|-------|----------|
| 03 Apr 75.00 (DJX DW-E) | 7.00 | +0.30 | 6.80 | 7.30 | 260 | 1668 | |
| 03 Apr 76.00 (DJX DW-E) | 6.10 | +0.60 | 5.80 | 6.30 | 6 | 1424 | |
| 03 Apr 77.00 (DJX DW-E) | 5.40 | +0.70 | 4.90 | 5.30 | 30 | 391 | |
| 03 Apr 78.00 (DJX DW-E) | 3.50 | | 3.90 | 4.30 | 3 | 6400 | |
| 03 Apr 79.00 (DJX DW-E) | 2.30 | +0.20 | 3.00 | 3.40 | 340 | 2473 | |
| 03 Apr 80.00 (DJX DW-E) | 2.30 | | 2.20 | 2.40 | 34 | 15093 | |

the contract price will go up more than an out-of-the-money contract. The contract also has the following weaknesses: If something happens to resolve the tensions between India and Pakistan, the market, already oversold, may well go up. In that case, you could sell your put quickly to minimize your loss, or you could hold on, hoping the market turns down again before expiration.

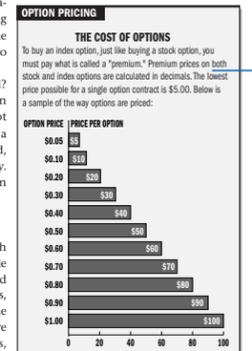
Each contract has an identification code, called a trading symbol. The symbol is listed in the box with the strike price and expiration date. The put you purchased has the following code: DJVRV. The first three letters identify the contract as a Dow Jones contract. The second two indicate the strike price and expiration.

What happens if the Dow continues to fall? The contract price will go up, offering you an opportunity to sell and take a profit. You cannot exercise an index option in the same sense as a stock option. When a stock option is exercised, the option holder buys the underlying security. When an index option is exercised, the option holder gets the cash value of the contract.

THE NASDAQ 100 (NDX)

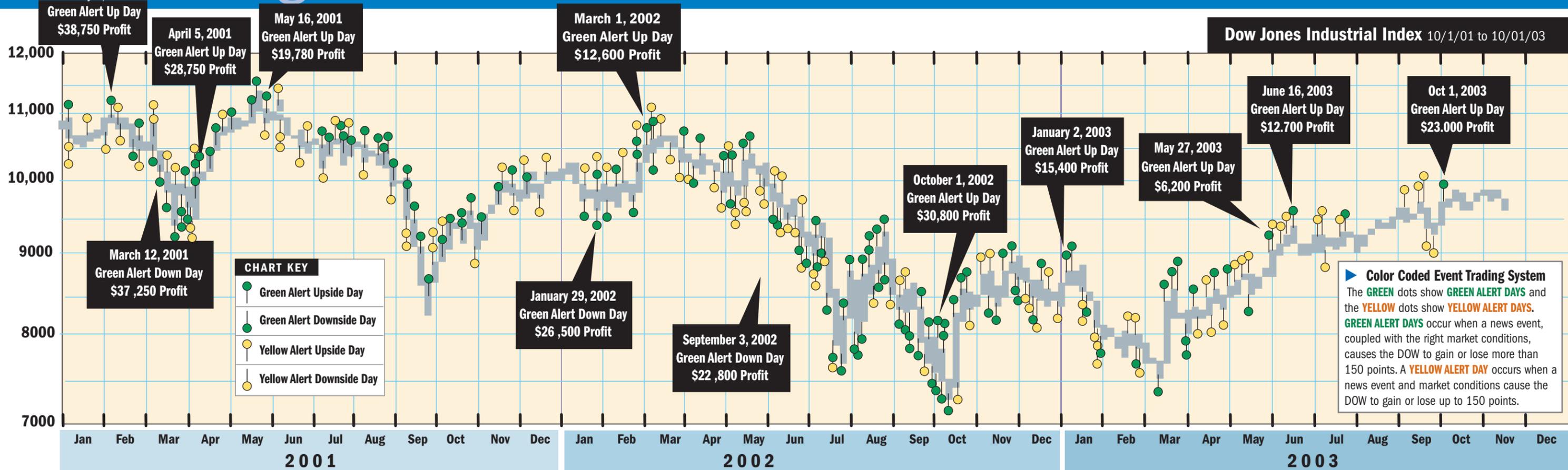
The NASDAQ 100 index is home to many of the tech glamour boys that led the bull market. They include Microsoft, Cisco, Qualcomm, Dell, Oracle, Applied Materials, Amazon, JDS Uniphase, Sun Microsystems, Apple Computer and other household names. The 100 stocks in the index include computer hardware and software stocks and telecommunications, retail/wholesale trade and biotechnology stocks. Some of the most promising biotech stocks, such as Human Genome Sciences, are in the index. There are no financial stocks in the index. Because many of these stocks are speculative, traded by daytraders and other speculators, the index is highly volatile.

The Nasdaq 100 is a capitalization-weighted index. It is, however, a modified capitalization-weighted index. It has been designed so that the companies with the largest market caps do not have an exaggerated effect on the computation of the index. This is done through a mathematical formula that is too complex to explain here. Do not



Charts explains how index options are priced and how to buy them cheaply.

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241 Event Days Producing \$2,552,800 Million Dollars of Profits

► The Spectacular Profits of Event-Trading



The chart above shows all the alert days that occurred from January 1, 2000 to October 1, 2003. There were 241 alert days in total, 130 Green Alert Days and 110 Yellow Alert Days. An event trader who bought 10 S&P 500 at-the-money index options on each of these 241 event days would have made more than \$2.5 million.

The black boxes above show the results of trading just 12 Green Alert Days during this same period. Buying just 10 S&P index options, event traders would have made \$274,030 on these 12 days alone. The details of these trades are shown in the box at right.

Keep in mind that these substantial profits were made quickly, without consulting a broker for a stock recommendation. Trading events rather than stocks ends your dependence on Wall Street.

Details of the 12 Green Alert Trades Above

| DATE | DAILY EVENT STATUS | EVENT | DOW INDUSTRIAL ADVERAGE OPEN | HIGH | LOW | CLOSE | GAIN/LOSS | S&P TRADE* | PROFIT |
|---------|----------------------|----------------------------|------------------------------|--------|--------|--------|-----------|------------|----------|
| 1/3/01 | Green Alert Upside | Fed Rate Cut | 10,637 | 11,212 | 10,367 | 10,945 | 299 | Call | \$38,750 |
| 3/12/01 | Green Alert Downside | Earnings Warnings | 10,638 | 10,638 | 10,038 | 10,208 | 406 | Put | \$37,250 |
| 4/5/01 | Green Alert Upside | Dell's Strong Outlook | 9,527 | 9,969 | 9,527 | 9,918 | 402 | Call | \$28,750 |
| 5/16/01 | Green Alert Upside | Strong CPI Data | 10,866 | 11,258 | 10,779 | 11,248 | 343 | Call | \$19,780 |
| 1/29/02 | Green Alert Downside | Earnings Warnings | 9,865 | 9,952 | 9,576 | 9,618 | 247 | Put | \$26,500 |
| 3/1/02 | Green Alert Upside | Strong Manufacturing Data | 10,111 | 10,397 | 10,086 | 10,368 | 257 | Put | \$12,600 |
| 9/3/02 | Green Alert Downside | Bad Earnings | 8,659 | 8,659 | 8,282 | 8,308 | 351 | Put | \$22,800 |
| 10/1/02 | Green Alert Upside | Analyst Upgrades | 7,593 | 7,964 | 7,558 | 7,938 | 390 | Call | \$30,800 |
| 1/2/03 | Green Alert Upside | Strong ISM Number | 8,342 | 8,633 | 8,342 | 8,607 | 266 | Call | \$15,400 |
| 5/27/03 | Green Alert Upside | Consumer Confidence Surges | 8,600 | 8,812 | 8,523 | 8,781 | 181 | Call | \$6,200 |
| 6/16/03 | Green Alert Upside | Strong Manufacturing Data | 9,117 | 9,335 | 9,117 | 9,318 | 201 | Call | \$12,700 |
| 10/1/03 | Green Alert Upside | Good Earnings Data | 7,593 | 7,964 | 7,558 | 7,938 | 345 | Call | \$23,000 |

(based on 10 at-the-money contracts per trade) ► Total Profits \$274,030

► Yellow Alert Days Increase Your Opportunities



The best possible alert day is the Green Alert Day, as you can see in the chart on the left. These are the days when the DOW makes its largest upward and downward moves, from 150 to 300 points. These are the days when event traders make the most money.

Yellow Alert Days are also money makers, and they occur almost as frequently as Green Alert Days. On a Yellow Alert Day, the DOW will rise or fall by 100 to 150 points.

A Yellow Alert Day is a step down from a Green Alert Day. Most often, there is a conflict, such as good news and bad news released at the same time. But market direction is still predictable on these days, and event traders can still make good money.

