

Global Profit Opportunities

In my 08/30/08 blog I explored trading global ETFs instead of US individual stocks. With the current volatility in US markets, on any given day a stock can rally or decline 10% to 30% in one day. This type of volatility makes it difficult for any trading strategy to profit from the long or short side. In contrast to the volatile price moves in US stocks, most global currency, commodity and equity markets have experienced clearly defined, consistent trends providing ample profit opportunities from the long and short side.

My *Global PowerTrend System* (GPS) identifies the major price trend of a market and allows us to “trade with the trend” instead of trying to predict the future price movement of a market. The 1-Month Price of a market in relation to its 20-Month Exponential Moving Average (EMA) is an excellent way to identify the major trend of a market. If the 1-Month Price is above the 20-Month Exponential Moving Average (EMA) a bullish trend is indicated. If the 1-Month Price is below the 20-Month EMA a bearish trend is indicated. This simple system has been very effective in correctly identifying major trends in global currency, commodity and equity markets. Trading in the direction of the major trend helps prevent “whipsaw” trades when counter-trend rallies or sell offs occur. Preventing whipsaw trades can increase profits, reduce losses and increase the percentage of winning trades.

GPS Historical Profit Results

The *GPS* 1-Month/20-Month EMA system is a rule based system with clearly defined “buy” and “sell” rules which allow for historical profit testing. Historical profit results are based on closing out bearish ETFs and buying a bullish ETF or call option when the 1-Month price crosses above the 20-Month EMA and closing out bullish ETFs and buying a bearish ETF or put option when the 1-Month price crosses below the 20-Month EMA. I conducted historical testing on a diversified portfolio of ten global markets listed below:

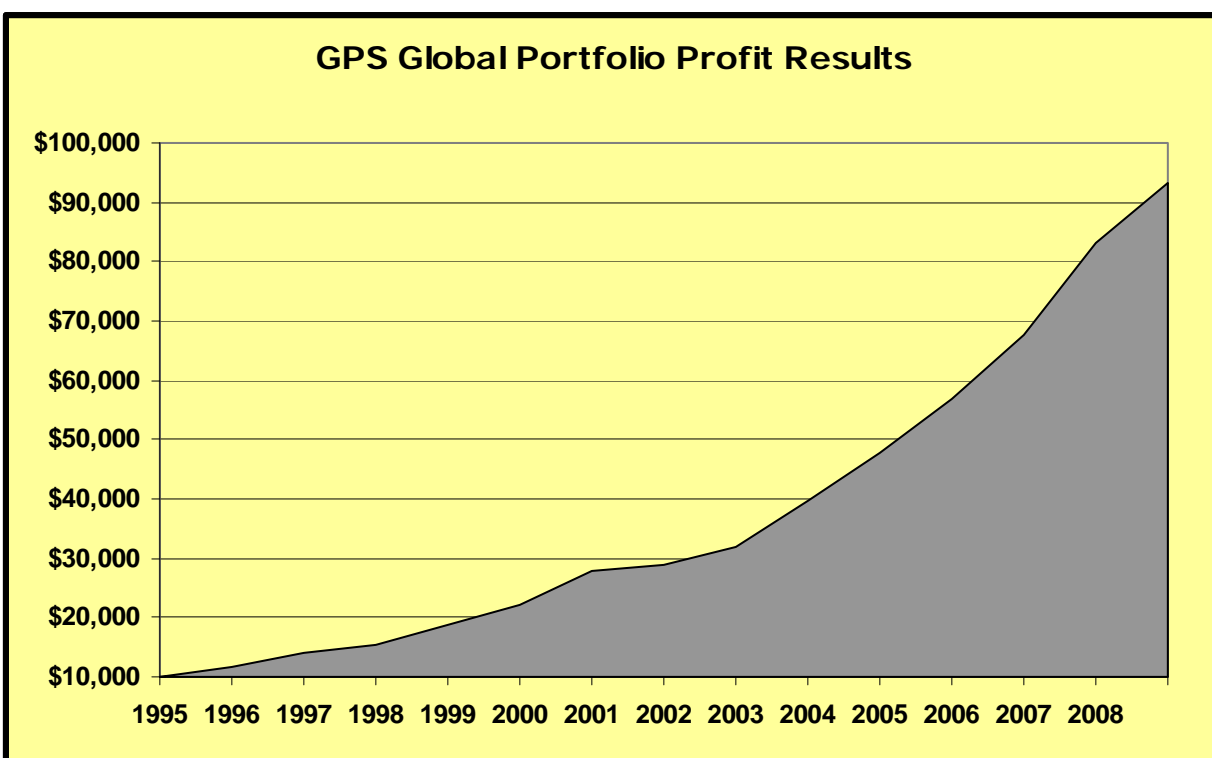
GPS Diversified Global Portfolio

Crude Oil		Gold
Euro Currency		20-Year Treasury Bonds
MSCI Emerging Market Index		iShares Latin America
Heating Oil		S&P 500 Index
MSCI United Kingdom Index		MSCI Brazil

The historical profit results that follow are based on an initial investment of \$10,000 divided equally among the ten global markets in 1995 (or ETF inception) and compounding the results thereafter and do not include commissions. The historical results do not reflect the use leverage or margin.

GPS Global Portfolio Historical Results

Initial Investment	\$10,000
Number Years	13¾
Profit	\$83,414
Total Return	834%
Average Annual Return	60.6%
Total Profits	\$86,609
Total Losses	\$3,195
Profit:Loss Ratio	27.1 to 1
Average Profit Per Trade	\$1,635
Largest Losing Trade	-9.2%
Average Losing Trade	-3.2%



Historical results reveal that the *GPS* produced impressive profits with very low risk. A \$10,000 investment in 1995 grew to \$93,414 by September 2008. After deducting the initial \$10,000 investment, the total profits were \$83,414 (before commissions) which equates to a 834% return on the initial \$10,000 investment. Over the almost fourteen year test period this translates to a 60.6% average annual return. This is an excellent annual return for a system that does not use leverage or margin! All years were profitable.

Profit:Loss Ratio of 27.1 to 1

The system produced \$86,609 in total profits and \$3,195 in total losses. Dividing the total profits by the total losses results in a Profit:Loss Ratio of 27.1 to 1 which translates to more than 27 dollars of profit for each 1 dollar of loss. The Profit:Loss Ratio is a good measure of risk. A high Profit:Loss Ratio indicates that the *GPS* keeps losses to a minimum by exiting losing trades before a big loss occurs. One of the essential requirements of profitable trading is to cut losses short before they develop into large losses which can ruin a trading program.

The largest losing trade over the 13¾ year test period was a -9.2% and of the trades that were losers, the average losing trade was only -3.2%. The *GPS* almost always exits a trade before a big loss occurs and provides you with the discipline necessary to become a successful trader.

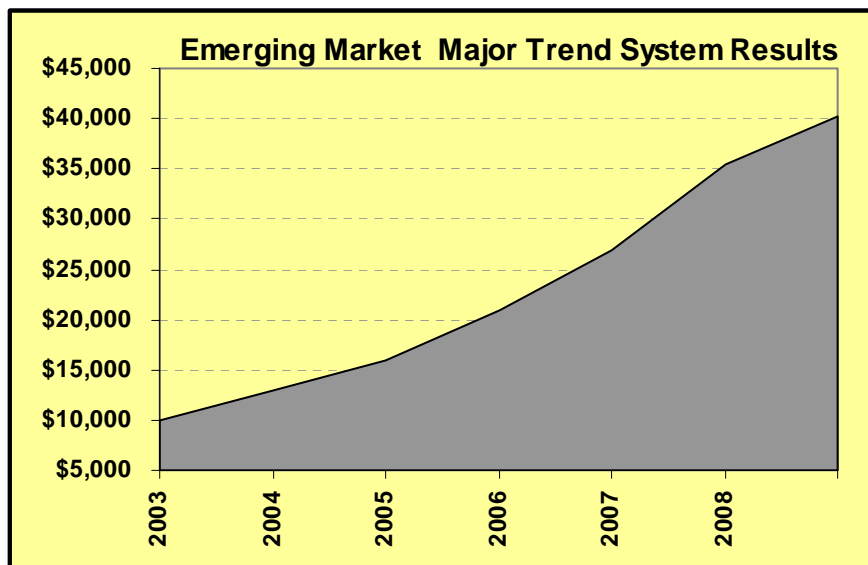
Keep in mind that two global bear markets occurred during this period including the worst bear market since 1932 during which the S&P 500 Index lost 50% of its value and the NASDAQ suffered a 76% loss. These profit results demonstrate that the *GPS* is a versatile, effective method for profiting from long or short trades in any type of market.

Most investment programs recommend diversifying your portfolio across different industry groups. One of the great advantages of the *GPS* is that it allows you to also diversify your portfolio by asset class which further reduces risk and can result in higher returns. The ability of the *GPS* to take both long and short trades also increases the diversity and profit opportunities of the system.

GPS Individual Market Profit Results

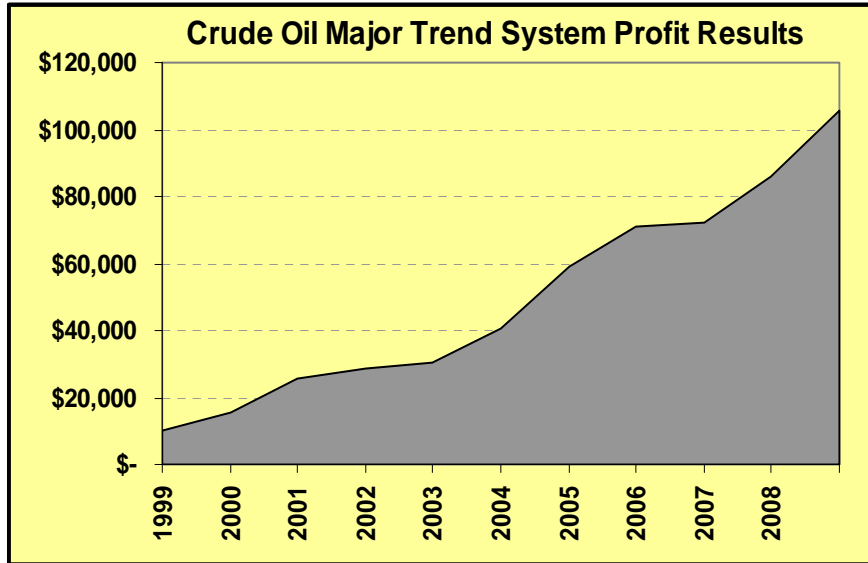
The *GPS* historical profit results for individual markets are displayed in the Profit Results Equity Graphs and Profit Results Tables that follow.

Emerging Market Index



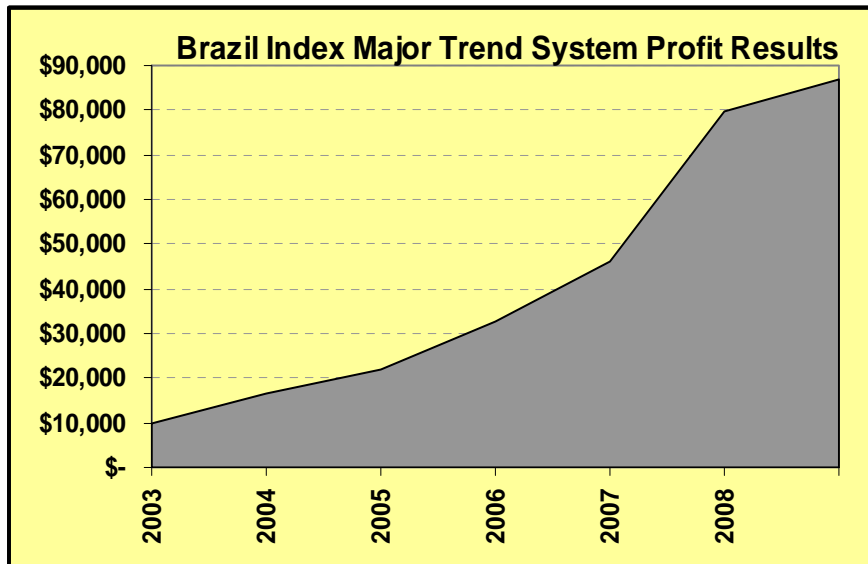
Initial Investment	\$10,000
Number Years	5
Profit	\$30,319
Total Return	303.1%
Avg Annual Return	60.6%
Profit:Loss Ratio	No Losses

Crude Oil



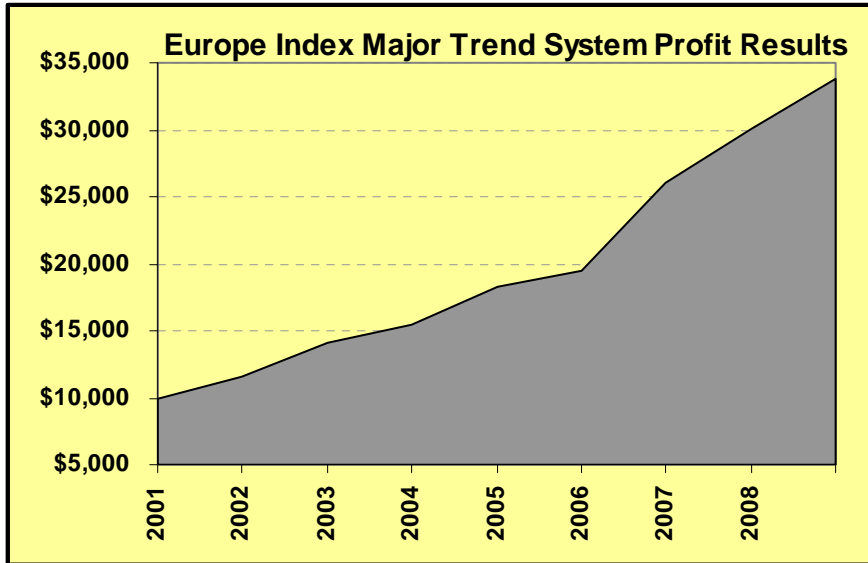
Initial Investment	\$10,000
Number Years	9
Profit	\$95,544
Total Return	955%
Avg Annual Return	106%
Profit:Loss Ratio	19 to 1

Brazil Index



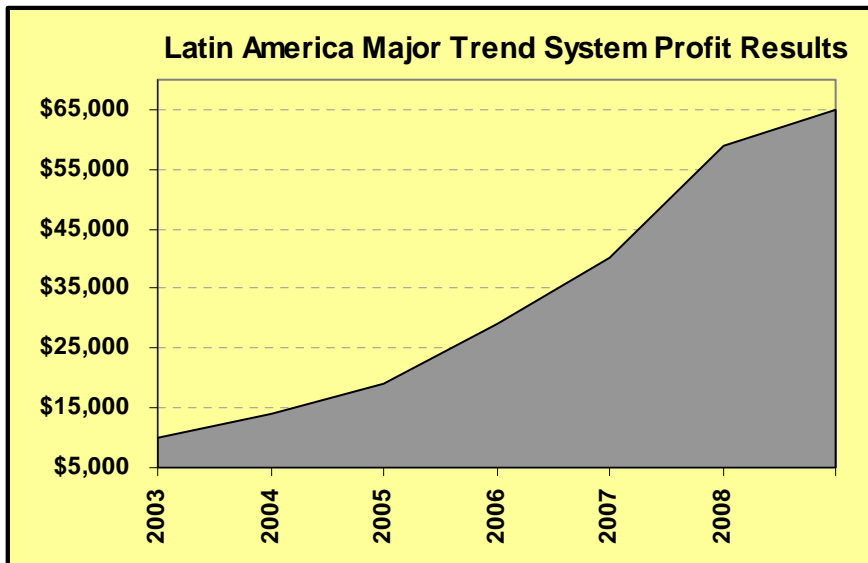
Initial Investment	\$10,000
Number Years	5
Profit	\$77,034
Total Return	770%
Avg Annual Return	154%
Profit:Loss Ratio	No Losses

Europe Index



Initial Investment	\$10,000
Number Years	7
Profit	\$23,814
Total Return	238%
Avg Annual Return	34%
Profit:Loss Ratio	No Losses

Latin America Index



Initial Investment	\$10,000
Number Years	5
Profit	\$55,095
Total Return	550%
Avg Annual Return	110%
Profit:Loss Ratio	No Losses

Recent Profit Results

My *GPS Advisory Service* makes trading recommendations for global currency, commodity and equity markets. Current open trade results as of September 30th are listed below.

Currency Portfolio \$35,665 Profit/Average Return 79.9%

Currency ETF	Entry	Qty	Last	Gain	Percent
9/30/2008	Price		Price		Gain
Australian Dollar put	\$15.40	6	\$22.60	\$4,320	46.8%
Australian Dollar put	\$13.20	-6	\$13.00	\$120	-1.5%
British Pound put	\$20.00	6	\$33.90	\$8,340	69.5%
British Pound put	\$18.00	-6	\$15.45	\$1,530	-14.2%
Euro ETF put	\$15.60	6	\$21.00	\$3,240	34.6%
Euro ETF put	\$13.30	-6	\$12.45	\$510	-6.4%
Euro ETF put	\$15.60	6	\$21.00	\$3,240	34.6%
Australian Dollar put	\$15.40	6	\$22.60	\$4,320	46.8%
Short Euro Fund	\$40.46	250	\$47.28	\$1,705	16.9%
British Pound put	\$20.00	6	\$33.90	\$8,340	69.5%
Total Profit / Average Gain				\$35,665.00	79.9%

Commodity Portfolio \$71,225 Profit/Average Return 138.0%

Commodity ETF	Entry	Qty	Last	Gain	Percent
9/30/2008	Price		Price		Gain
Basic Mtrls Fund put	\$12.80	8	\$25.05	\$9,800	95.7%
Mtrls Fund put	\$12.30	-8	\$16.25	-\$3,160	32.1%
Coal ETF put	\$13.40	8	\$25.60	\$9,760	91.0%
Coal ETF put	\$11.20	-8	\$12.05	-\$680	7.6%
Steel ETF put	\$17.10	6	\$42.55	\$15,270	148.8%
Steel ETF put	\$16.90	-6	\$27.60	-\$6,420	63.3%
Short Mtrls Fund	\$37.22	300	\$53.25	\$4,809	43.1%
Short Mtrls Fund call	\$8.65	-3	\$14.65	-\$1,800	69.4%
Agricultural ETF put	\$11.40	8	\$23.10	\$9,360	102.6%
Agricultural ETF put	\$9.70	-8	\$13.75	-\$3,240	41.8%
Short Mtrls Fund	\$37.22	200	\$53.25	\$3,206	43.1%
Coal ETF put	\$13.40	6	\$25.60	\$7,320	91.0%
Agricultural ETF put	\$11.40	6	\$23.10	\$7,020	102.6%
Basic Mtrls Fund put	\$12.80	8	\$25.05	\$9,800	95.7%
Steel ETF put	\$17.10	4	\$42.55	\$10,180	148.8%
Total Profit / Average Gain				\$71,225.00	138.0%

Equity Portfolio \$98,761.40 Profit/Average Return 138.3%

Equity ETF	Entry	Qty	Last	Gain	Percent
9/30/2008	Price		Price		Gain
China Fund put	\$12.40	8	\$26.00	\$10,880	109.7%
China Fund put	\$8.10	-8	\$8.45	-\$280	4.3%
So Korea ETF put	\$11.20	9	\$25.30	\$12,690	125.9%
So Korea ETF put	\$7.80	-9	\$7.20	\$540	-7.7%
Emrg Mrkt put	\$15.50	6	\$25.93	\$6,258	67.3%
Emrg Mrkt put	\$12.40	-6	\$11.60	\$480	-6.5%
BRIC ETF put	\$9.80	10	\$20.55	\$10,750	109.7%
BRIC ETF put	\$8.00	-10	\$10.95	-\$2,950	36.9%
Russia ETF put	\$9.20	10	\$21.30	\$12,100	131.5%
Russia ETF put	\$7.90	-10	\$11.85	-\$3,950	50.0%
Short Emerg Mrkt Fund	\$80.98	100	\$97.05	\$1,607	19.8%
Emerg Mrkt Fund call	\$23.50	-1	\$16.95	\$655	-27.9%
Russia ETF put	\$9.20	7	\$21.30	\$8,470	131.5%
BRIC ETF put	\$9.80	7	\$20.55	\$7,525	109.7%
Short Emerg Mrkt Fund	\$80.98	120	\$97.05	\$1,928	19.8%
Emrg Mrkt put	\$15.50	6	\$25.93	\$6,258	67.3%
EAFE ETF put	\$12.90	6	\$28.20	\$9,180	118.6%
So Korea put	\$11.20	6	\$25.30	\$8,460	125.9%
China Fund put	\$12.40	6	\$26.00	\$8,160	109.7%
Total Profit / Average Gain				\$98,761.40	138.3%