Pristine Tips

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Building Wealth With Pristine's Guerilla Trading Tactics *By Oliver L. Velez*

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.

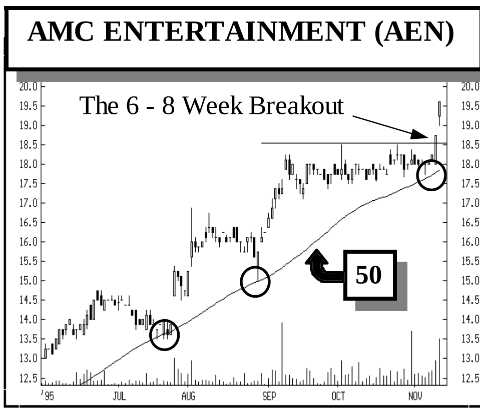

Figure 1A. The chart above shows a typical 6 to 8 Week Breakout

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.

(*Continued on page 2)*

Increasing Profits with the NYSE Daily New lows *By Oliver L. Velez*

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 very effective trading strategy for less than desirable market environments is revealed on page 2.
A careful read is highly encouraged.

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A Trading Technique For Difficult Market Environments

By Oliver L. Velez

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.

...smaller gains are far more preferable than losses...

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. ***(Turn to page 4)***

Pristine's Guerilla Trading Tactics

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 ***(next page).***

Guerilla Trading Tactics

(contd. from page 2)

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! ◆

AMC ENTERTAINMENT (AEN)

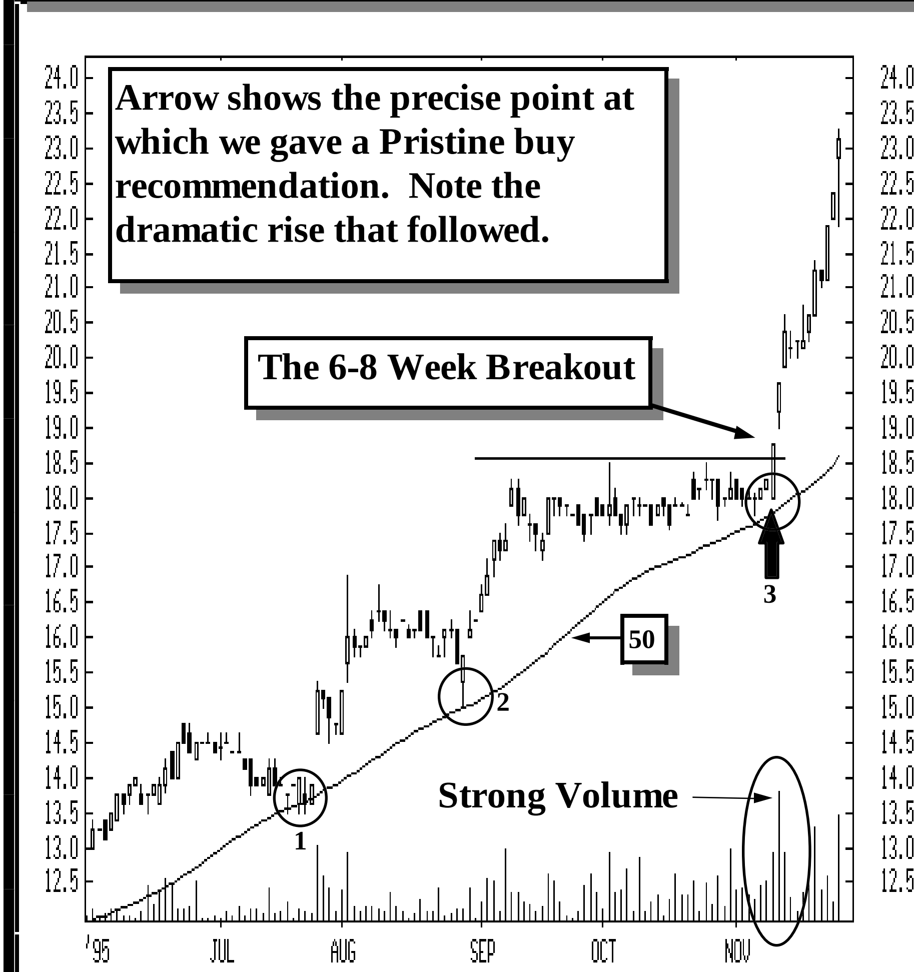

Chart courtesy of “Charts On Call”, a division of Pristine Capital Management

Pristine Comments

By Oliver L. Velez

THE chart above 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 <u>at the same time</u>, 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 thes plays can be. ◆

4 Step Trading Strategy

(contd. from page 2)

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

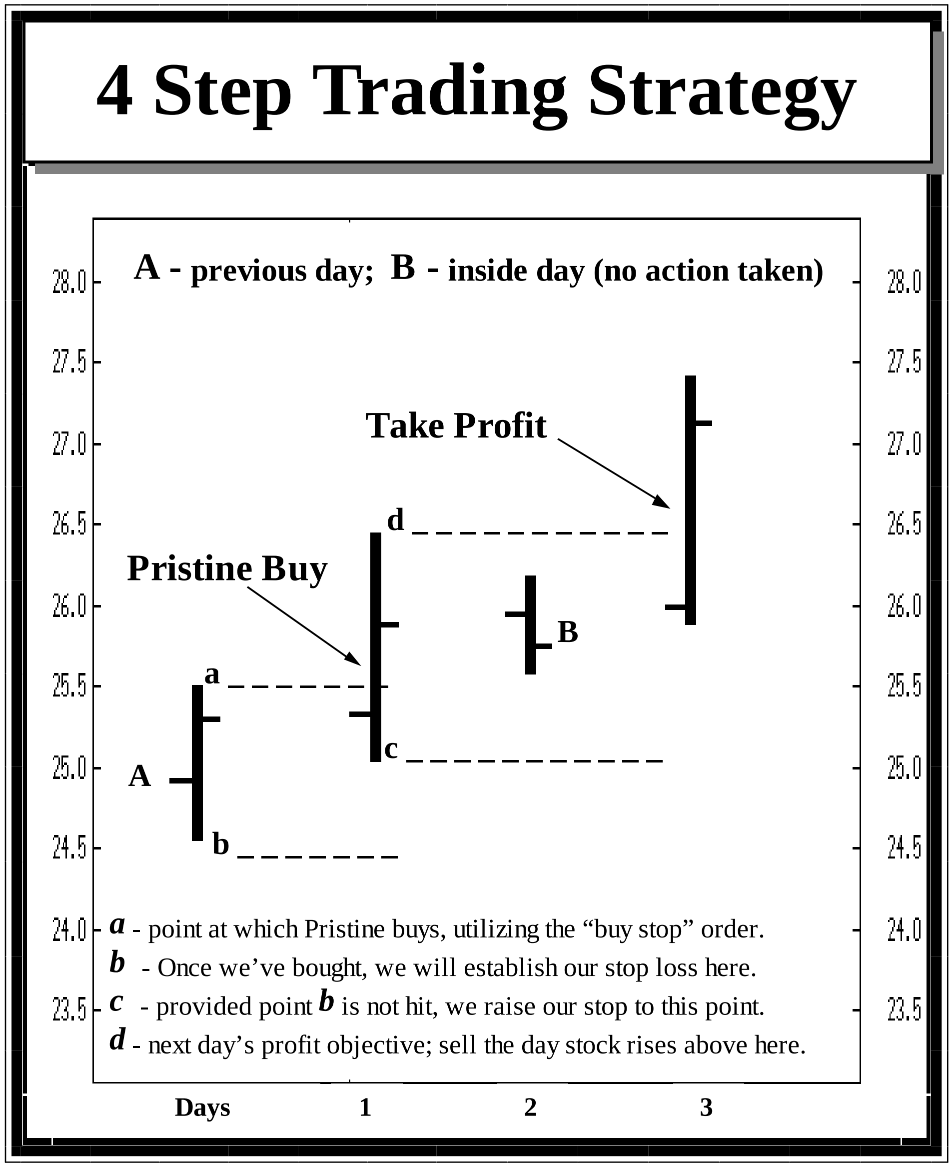

Chart courtesy of "Charts On Call", a division of Pristine Capital Management

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 above example 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! ◆

A very prosperous holiday to all the Clients, Subscribers and Friends of Pristine Capital Management, Inc. ☆