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GLOBEX FUNDAMENTALS #1

April 2014



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Bill Costarides

Professional Globex Trader

- Started w/ Merrill Lynch in 1977
- Joined Prudential Securities in 1980's as Senior VP
- Portfolio Manager and Investment Banker
- Opened Raymond James offices along Gulf Coast in 1997
- Opened own Broker/Dealer in 2000; sold in 2006
- Traded futures since 1990's





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Topics Covered

- **Globex Market and its Trading Benefits**
- **Which Financial Futures Trade at Night**
- **Time Zones to Watch**
- **Helpful Websites for Trading the 24 Hour Markets**
- **Money Management Strategies**
- **Useful Tools and Indicators for the 24-Hour Market**



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What is the Globex?

- **CME Globex Trading System was introduced in 1992 with Reuters Technology for Electronic Trading**
- **We now refer to the Globex as Overnight Futures Trading**
- **Trading Hours Evolved and now Begin at 5:00 PM to 8:30 AM CT**
- **A Post Settlement Session between 3:30 and 4:15 PM is sometimes traded also in this Night Scalper Program**



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Benefits of the Globex Market

- **Differences between Globex and RTH**
(Regular Trade Hours = Cash Day Market)
- **Why many find success in Globex Trading over the Day Sessions**
- **What markets to Trade and monitor during Globex**
- **Utilization of the NightScalper Program**
Special Alerts, Trade Room, Webinars



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History of Globex

- **1987 – Globex Concept approved for after hours trading**
- **1992 – Currency and Interest Rate Products began trading**
- **1995 - Stock Index Products were added**
- **2000 – Globex allows Open Access**
- **2002 – Avg. Daily Volume Exceeds 1,000,000**
- **2004 – Globex Volume Exceeds Pit Volume**
- **2006 – NYMEX Products Listed**
- **2007 – CBOT Products Listed and Volume Exceeds 1Billion**
- **2012 – Evening Open Changes from 3:30 PM to 5:00PM**



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Globex Historical Details

- **Grandfather of Electronic Trading**
- **Originally Developed for Currency Traders**
- **Only those with Globex Terminals had access**
 - **Big S&P Only – Thinly Traded, Bad Fills, Expensive**
 - **Info and News were difficult to obtain**
 - **I.E. – Irrational Exuberance**
- **CME developed smaller contract exclusive for Globex (ES – E-Mini S&P of today)**
- **Open Access to anyone with a computer/internet**



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Globex Trading Benefits

- **SPECULATION:**
 - We live in a Global Market Place – 24 Hours News
 - Globex can be slow developing but trending market
 - E-Mini S&P provides ample liquidity and volatility for trading at night
- **HEDGING:**
 - Learn ways to determine what overall day trend will be overnight
 - Use ETF's, Options and Futures to Hedge a Portfolio at Night



- **1 ES represents ~ \$75K (Price of ES * \$50 per Point)**
 - Assume ES 1500 * \$50 = \$75,000
- **If an Investor has a \$150K Portfolio (Long) and is bearish on the night market, or wants to protect for News in the morning, they could sell 2 ES Contracts and have a decent hedge**
- **ES Drops 2% overnight**
 - 30 Points (2 X 30 X \$50) = \$3000 Profit from the Hedge
- **Their Portfolio would drop similar as if S&P 2%**
 - \$150,000 X 2% = \$3000 Loss with no hedge
- **RESULT – Investor Breaks Even vs. a \$3000 loss without hedge**



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Contracts to Watch

- **E-mini SP Future - (ES)**
 - **The Contract Night Scalper focuses trading on**
- **E-mini NASDAQ - (NQ)**
- **E-Mini DOW – (YM)**
- **30 Year US Govt. Bond – (ZB)**
- **USD Index – (DX)**



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ES, NQ and YM Trade Hours

- **Trading Week is 5 Days – 23:15 per Day**
- **Sunday Night thru Thursday Night Sessions**
 - **5:00 PM CT Trading to 4:15 CT with a break from 3:15 to 3:30 CT for Settlement/Limit Stop Adjustments**
 - **Friday Close at 4:15 PM CT does not re-open until Sunday Night at 5:00 PM CT for start of Monday Asian Market Session**



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US Treasury Bonds (ZB)

- **Electronic Trading Hours – Interest Products**
 - Sunday Night – Thursday Night
 - 17:00 CT to 16:00 CT (Next Day) 23 Hours
 - Pre-Open Electronic Trading Session
 - Sunday 16:00 CT (Re-Checked this on CME Website 12-15-13)
 - Mon-Thur 16:45
 - Open Outcry Pit (Monday – Friday)
 - 07:20 AM to 14:00 PM CT
- **Bonds have 32 ticks per Point; Each Point is \$1000**
 - Each Tick is worth \$31.25



- **Trading Value**

- Each Point of Movement for ES is worth \$50
- ES trades in 0.25 Increments
- Each Tick is worth \$12.50

- **Contract Symbols and Month Codes**

- ES Trades 4 Monthly Periods per Year (Quarterly)
- March – (H), June - (M), Sept – (U), Dec - (Z)
- Years are Specified 1 or 2 digit depending on platform
- March 2014 ES Contract Symbol is:
 - ESM4 or ESM14 on most platforms for trading futures



- **End of US Dominance**
 - **3:30 to 4:15 CT (Post/Pre-Session in CME 2012)**
 - This time is very difficult to trade, no real drivers unless an Earnings Announcement for a major stock is out.
- **Asian Session (CST)**
 - Begins at 5:00 PM markets begin to shift focus to Asia
 -
 - Ends from 1:00-4:30 AM Cash/Futures
- **Japan – Nikkei Futures (NKK)**
 - Opens 18:00 CST/19:00 CDT
- **China – Hang Seng Futures (HSI)**
 - Opens 19:15 CST/20:15 CDT
 - Both of these markets are influential on ES trading



- **European Markets Zones to Watch**
 - DAX (German DOW Equivalent 30 Largest)
 - FTSE, Swiss Markets all Important to Watch during European Sessions
- **Market Times – Europe Session**
 - 1:00AM CT Open– Electronic Trading - 3:00 PM Close
 - 2:00 AM CT Open – Cash Market – 10:30 AM Close
 - Daylight Savings Time Changeover in Europe is not always same as in US so check with CME and News Sites during the transition times of the year spring and fall.
- **ES Afternoon Session may have an affect on the European Cash Open**



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Key Intraday Times

- **US Market Key Times**
 - Note ES Price at 10:30 AM (European Cash Close)
 - Also note 10:45 AM CT
 - Compare to ES US Cash Market Close 3:15 PM
- **Different Overnight Scenarios Develop with Significant ES Moves from 10:30 AM to Close**
 - Larger Rallies or Selloff and the Effects on the Asian Market are NightScalper Program Strategies



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Time Zone Pivots

- **High Percentage Trade Opportunities**
- **Time Periods are meant to be viewed as Pivots**
- **Use of the Pivot will depend on the market condition (UP or DOWN) at the time period**
- **I.E. – Market Rallies into time pivot, and some negative indicators are present, we will look for a short trade if the DOM and other factors are in line**



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Time Zones/Pivot Points

ALL TIMES ARE US CENTRAL TIME

- **6:00 – 6:30 PM** (Bearish Tendency)
- **7:30 – 7:50 PM**
- **8:30 PM**
- **9:00 PM**
- **9:15 – 9:30 PM** (Bearish Tendency)
- **10:15 PM** (Bearish Tendency)
- **11:15 PM** (Bearish Tendency)
- **12:30 AM** (Bullish Tendency into DAX Open (1:00 AM))



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Time Zones/Pivot Points

ALL TIMES ARE US CENTRAL TIME

- **1:10-1:15 AM** (If DAX gaps Open – can be reversal scalp)
- **1:35 AM**
- **2:10 AM** (If DAX gaps Open – can be reversal scalp trade)
- **2:30 AM**
- **3:00 – 3:15 AM**
- **4:00 – 4:15 AM** (Bearish Tendency)
- **5:45 AM** (Bearish Tendency)
- **7:15 AM** (Bearish Tendency if there is no NEWS)
- **8:00 AM**



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Helpful News Sites

www.DailyFX.com/calendar

www.FinancialJuice.com

www.ForexFactory.com

www.ForexPros.com/economic-calendar

www.Bloomberg.com

www.finance.yahoo.com

www.CNBC.com

www.Investing.com/indices/indices-futures



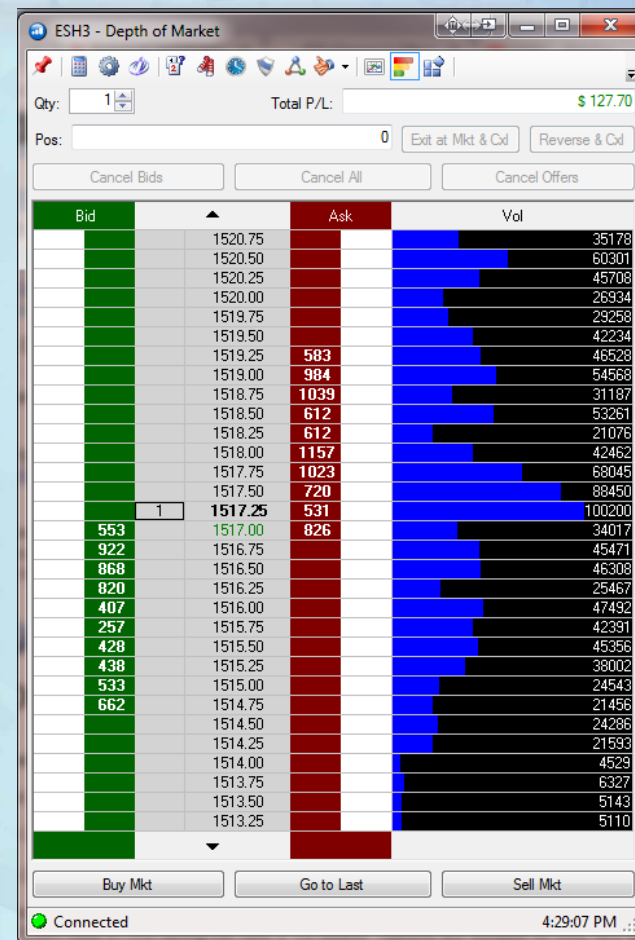
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Night Scalper Indicators

- **DOM – Order Book**
- **Other Markets – NKK, HSI, YEN, Euro, DAX, FTSE-Z**
- **US Interest/Currency – Bonds ZB, Dollar DX**



- The Order Book (DOM) is made up of BUY and Sell Limit Orders
- This indicates the liquidity of the market
- Watch the number of Contracts to see where larger orders are moving/levels
- NightScalper Market Indicator – DOM
- Volume Attracts Price (5 Levels)
 - More BID Side Volume – Neg DOM – Price Moves Lower
 - More ASK Side Volume – Pos DOM – Price Moves Higher

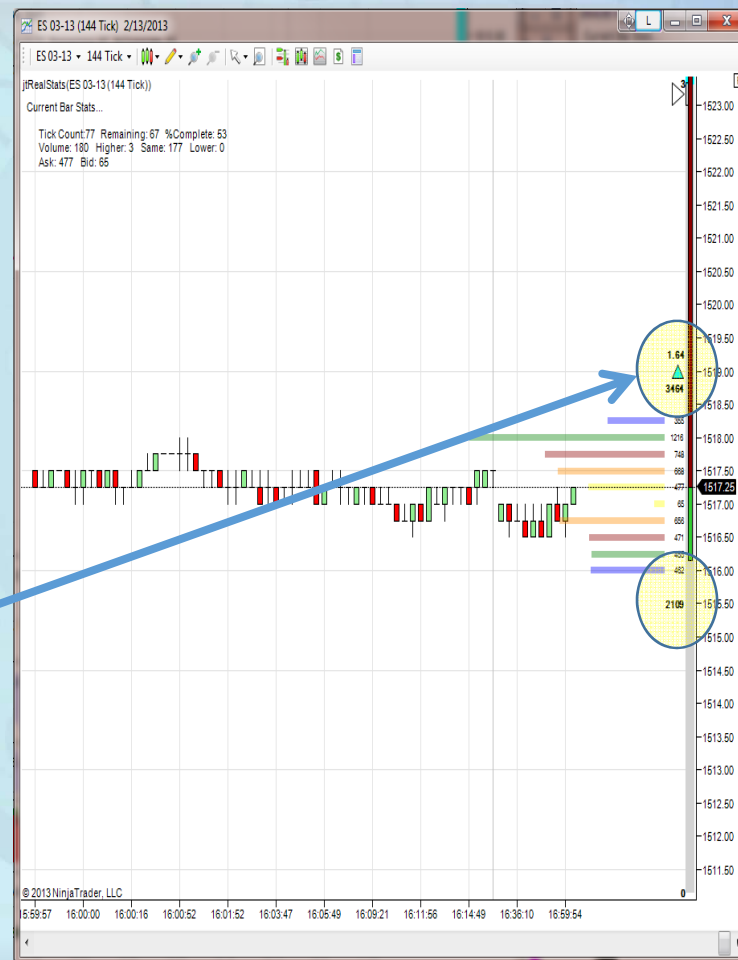




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DOM-O-MATIC

- Automated representation of Bill's DOM Calculation of 5 Levels of Bid and Ask Contracts
- Provides a total for each and a ratio (Bid/Ask) to indicate a negative DOM or (Ask/Bid) to indicate a positive DOM
(Ratio Below 1.2 = Neutral)
- Includes an Arrow to Indicate Price Movement Direction
 - More Vol Bid = Negative Movement
 - More Vol Ask = Positive Movement





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Money Management

- **Many NightScalper Traders are looking for added Income**
- **Slow and Steady: 1-2 Points a day makes a great month**
- **Trading Multiple Contracts (Pairs) Allows for winning strategies**
 - Taking half off at initial target, moving stop down to prevent loss on 2nd half
- **Set a goal - \$2000 per Month – 20 Trade Days ~ \$100/day**
 - Need some more to account for Losses
 - 1-2 Trades per Night, 1-2 Points – (2) Contracts Satisfies the Goal



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Money Management

- **Treat this NightScalper Trading Program as a Job**
 - Learn the process
 - Minimize your risks
- **Do not over-trade:**
 - Reach your goal and quit for the day
- **Take a Weekly/Monthly Profit from your account like a paycheck**