

# Identifying Trade Buy & Sell Signal Criteria Using Candlesticks

**Dan Gramza, Gramza Capital Markets**

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*in conjunction with*

**CME Group**

*present:*

## **Identifying Trade Buy & Sell Signal Criteria Using Candlesticks**

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*The Professional's Gateway to the World's Markets*



# Why Interactive Brokers?

- **Globality:** trade stocks, options, futures, forex, bonds, funds and CFD's on over 80 market destinations in 17 countries from a single screen
- **Best Trade Execution & Trade Cost:** IB has automated every aspect of the trade process in-house, enabling us to offer low commissions
- **Trading Technology:** market-maker designed Trader Workstation (TWS) optimizes your trading speed with a single multi-product spreadsheet interface offering real-time streaming quotes and quick click order entry.
- **Risk Management & Control:** real time margin & market risk management platform
- **Strength & Security:** We currently hold \$4.4 billion in equity capital and handle over 1 million trades per day



# INTERACTIVE BROKERS FINANCIALS 2008

	2008	2007
Net Revenues	\$1,850 MM (+26%)	\$1,468 MM
Net Profit (before tax)	\$1,250 MM (+34%)	\$932 MM
Earnings Per Share	\$2.24 (+ 41%)	\$1.59

"2008 was a record year, for the first time our profits have exceeded the billion dollar mark," said Thomas Peterffy, our CEO. "It is not easy to report record profits in a year that has been generally difficult for our industry."



# IBG Strength and Security Facts

- IBG and affiliates currently hold \$4.4 billion in equity capital.
- IBG and affiliates handle over 1,000,000 trades per day.
- Access to trading on over 80 exchanges, market destinations, and clearing corporations around the world.
- IB Group and its predecessor companies have been in the trading business for 32 years.
- We have always been at the forefront of trading innovation, starting with the invention of the first trading floor based handheld computer in 1983.
- Customers are protected by up to \$30 million of SIPC and Lloyd's of London securities account protection.



# IBG Strength and Security Facts

- Our real-time margin system continuously enforces limits for each account, and automatically liquidates positions if any individual account violates its limits at any time.
- All orders are automatically vetted on a pre-trade basis.
- We do not hold CDOs, Subprime Debt, or Credit Default Swaps.
- With the exception of foreign exchange, we trade only exchange-listed products that are cleared through central clearing houses and are marked daily to external closing prices disseminated by the exchanges.
- Positions and resulting payables/receivables are automatically reconciled against external sources daily.



# Undercutting The Competition

- **CME E-mini Forex Futures**
  - Bundled price structure (all fees included):
    - USD 2.10 per contract/ USD 4.20 Roundturn
  - Unbundled pricing structure (cost + based pricing):
    - USD 0.25 to 0.90 (plus exchange & regulatory fees)

**Compare the above rates to what you would pay  
at other brokers!**

# Undercutting The Competition

## Interest and Financing

- Interactive Brokers pays market competitive rates.
- We use internationally recognized benchmarks for overnight deposits as a basis for determining the rates which we pay and charge interest.

	<b>Interest Paid (long positions)</b>	<b>Interest Charged (short positions)</b>
<b>AUD</b>	>150K = 2.812% <150K = 2.562%	<150K = 4.56% >150K = 4.062% >1.50M = 3.562%
<b>USD</b>	0%	<100K = 1.67% >100K = 1.17% >1M = 0.67%

**Compare the above rates to what you would pay/ receive at other brokers!**



# Sales Representative

**Neil Swanson**

**Interactive Brokers LLC, Sydney**

**(02) 9240 5148**

**[nswanson@interactivebrokers.com](mailto:nswanson@interactivebrokers.com)**

When completing the application, select salesperson **Neil Swanson**. This will ensure you have an Australian representative on the account.

# Identifying Trade Buy & Sell Signal Criteria Using Candles

**KC Lam, CME Group**

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# Forex E-micro Futures

## Benefits:

- **Trading in a Regulated market**
  - Credibility of Quotes & Executions vs. Margined FX Platforms
- **Fully Transparent Markets**
- **Investor Protections**
  - Counterparty Credit Risk Virtually eliminated by the CME Clearing House
  - Segregation/ Safety of Customer Funds at US-based FCM's
- **Fair & Level playing field for all participants**
- **Trade exclusively on CME Globex – delivering millisecond response time**
- **Standardize Quarterly Rolls vs. Cash Rolls every 2 days**

Available Forex E-micro  
futures contracts:  
EUR/USD, USD/JPY,  
GBP/USD, USD/CAD,  
AUD/USD, USD/CHF

For more information, visit [www.cmegroup.com/forexmicos](http://www.cmegroup.com/forexmicos) .

# Forex E-micro Futures Contract Specs

- Six currency pairs
- 1/10<sup>th</sup> the standard contract size
- Quoted in Interbank terms

	E-micro EUR/USD Futures	E-micro USD/JPY Futures	E-micro GBP/USD Futures	E-micro USD/CHF Futures	E-micro USD/CAD Futures	E-micro AUD/USD Futures
<b>Contract Size</b>	12,500 euros	10,000 U.S. dollars	6,250 British pounds	10,000 U.S. dollars	10,000 U.S. dollars	10,000 Australian dollars
<b>Delivery</b>	Cash-settled					
<b>Minimum Tick Size</b>	0.0001 USD/EUR (=US\$1.25)	0.01 JPY/USD (=¥100)	0.0001 USD/GBP (=US\$0.625)	0.0001 CHF/USD (=1.25 CHF)	0.0001 CAD/USD (=1.00 CAD)	0.0001 USD/AUD (=US\$1.00)
<b>Contract Value</b>	If USD/EUR=1.3000 then contract = \$16,250 (=€12,500 x \$1.3000/€)	If JPY/USD=93.00 then contract = ¥930,000 (= \$10,000 x 93.00¥/\$)	If USD/GBP=1.5000 then contract = \$9,375 (=£6,250 x \$1.5000/£)	If CHF/USD=1.2000 then contract = 12,000 CHF (= \$10,000 x 1.2000 CHF/\$)	If CAD/USD=1.2500 then contract = 12,500 CAD (= \$10,000 x 1.2500 CAD/USD)	If USD/AUD=0.6600 then contract = US\$6,600 (=10,000 AUD x US\$0.6600/AUD)
<b>Contract Months</b>	2 months in the March quarterly cycle (Mar, Jun, Sep, Dec)					
<b>Last Trade Date/Time</b>	9:16 a.m. Central Time (CT) on the 2 <sup>nd</sup> business day immediately preceding the 3 <sup>rd</sup> Wednesday of contract month (usually Monday), except for E-micro <b>USD/CAD</b> futures which is on the business day immediately preceding the 3 <sup>rd</sup> Wednesday of the contract month (usually Tuesday).					
<b>Trading Hours</b>	Trades exclusively on CME Globex electronic trading platform: Sundays: 5:00 p.m. – 4:00 p.m. Central Time (CT) the next day. Monday – Friday: 5:00 p.m. – 4:00 p.m. CT the next day, except on Friday - closes at 4:00 p.m. and reopens Sunday at 5:00 p.m. CT.					

For more information, visit [www.cmegroup.com/forexmicos](http://www.cmegroup.com/forexmicos) .

# Forex E-micro Margins\*

## 1/10 the size of current standard contracts

- Euro FX (EUR/USD) - (M6E) \$473.00 Margin Per Contract
- Japanese Yen (USD/JPY) - (M6J) 36,450 Yen Margin Per Contract
- British Pound (GBP/USD) - (M6B) \$270.00 Margin Per Contract
- Canadian Dollar (USD/CAD) - (M6C) 567 CAD Margin Per Contract
- Swiss Franc (USD/CHF) - (M6S) 513 SF Margin Per Contract
- Australian Dollar (AUD/USD) - (M6A) \$473.00 Margin Per Contract

\*Margins may fluctuate due to market conditions

\*Exchange Initial Margin Rates as of 5/02/09; broker margins may differ

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**Daniel M. Gramza  
President  
Gramza Capital Management, Inc.**

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# Today's Agenda

- Forex E-micro EUR/USD Example
- Forex E-micro USD/JPY Example
- Converting Currency Amounts to USD's
- Forex E-micro Futures Contract Specs
- Global FX Market Size Relative to Other Assets
- How are Euro Currency profits and losses calculated?
- Candlestick Construction
- CME Group Euro trading example
- Questions and answers

# Forex E-micro EUR/USD (M6E) Example

**Price Quote**                    **1.2892 = \$1.2892 per Euro**

**Contract Size**                **12,500 euros**

**Unit Price**                    **Dollars and cents per euro**

**Contract Value**              **12,500 euros x \$1.2892 = \$16,115**

**1 Tick Movement**          **\$.001 (1 point) = \$1.25**            **ex. 1.2892 to 1.2893**

**1 Cent Movement**         **100 points x \$1.25 = \$125**        **ex. 1.2892 to 1.2992**

**Performance Bond\***         **\$235.00 per contract**

**\*Performance bond subject to change due to market conditions**

# Forex E-micro USD/JPY (M6Y)

<b>Price Quote</b>	<b>90.27 per dollar</b>
<b>Contract Size</b>	<b>\$10,000 Dollars</b>
<b>Unit Price</b>	<b>Japanese Yen per US Dollar</b>
<b>Contract Value</b>	<b>\$10,000 Dollars x 90.27 = 902,700 Yen</b>
<b>1 Tick Movement</b>	<b>.01 (1 point) = 100 Yen 90.27 to 90.28</b>
<b>1 Cent Movement</b>	<b>100 points = 10,000 Yen 90.27 to 91.27</b>

**Performance Bond\* ¥36,450 per contract**

**\*Performance bond subject to change due to market conditions**

# Converting Currency Amounts to USD's

Trader **Sells** 1 Micro USD/JPY (M6J) at 90.28

Trader **Buys** 1 Micro USD/JPY (M6J) at 90.27

.01 = 1 point = 100 Yen

The Trader has made 1 point or 1 tick = 100 Yen per tick of Profit

**CALCULATE HOW MUCH 1 TICK OF YEN PROFIT = IN US DOLLARS**

100 Yen / 90.28 = \$1.1076 US Dollars per tick

# Converting Currency Amounts to USD's

Trader **Sells** 1 Micro USD/JPY (M6J) at 91.27

Trader **Buys** 1 Micro USD/JPY (M6J) at 90.27

1.00 = 100 points or ticks

The Trader has made 100 ticks = 1 Handle Move

**CALCULATE HOW MUCH 100 TICKS OF YEN PROFIT = IN US DOLLARS**

1 Handle = 100 ticks X 100 Yen per Tick = 10,000 Yen

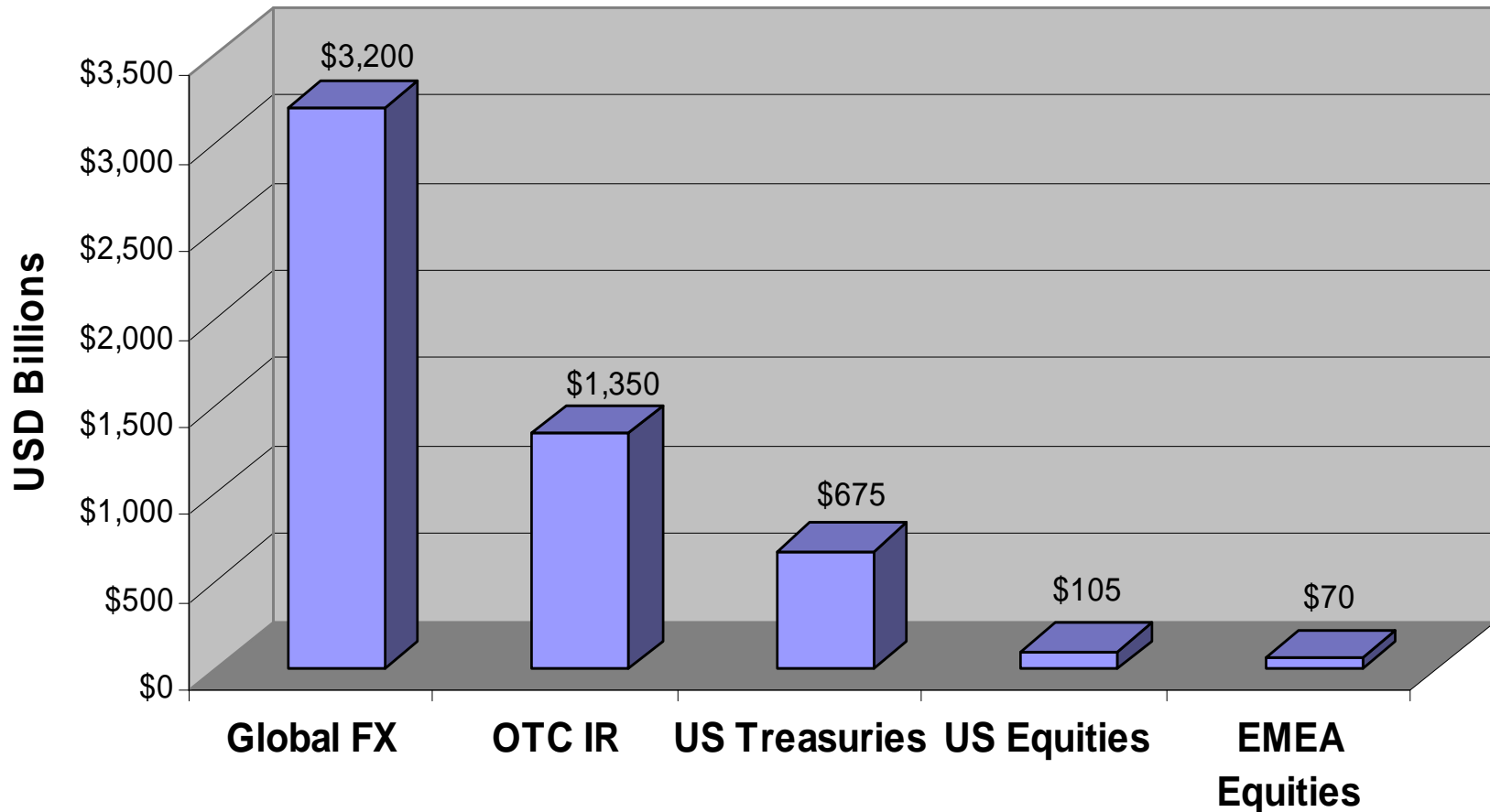
10,000 Yen / 90.27 = US\$110.78

# Forex E-micro Futures Contract Specs

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# Global FX Market Size Relative to Other Assets

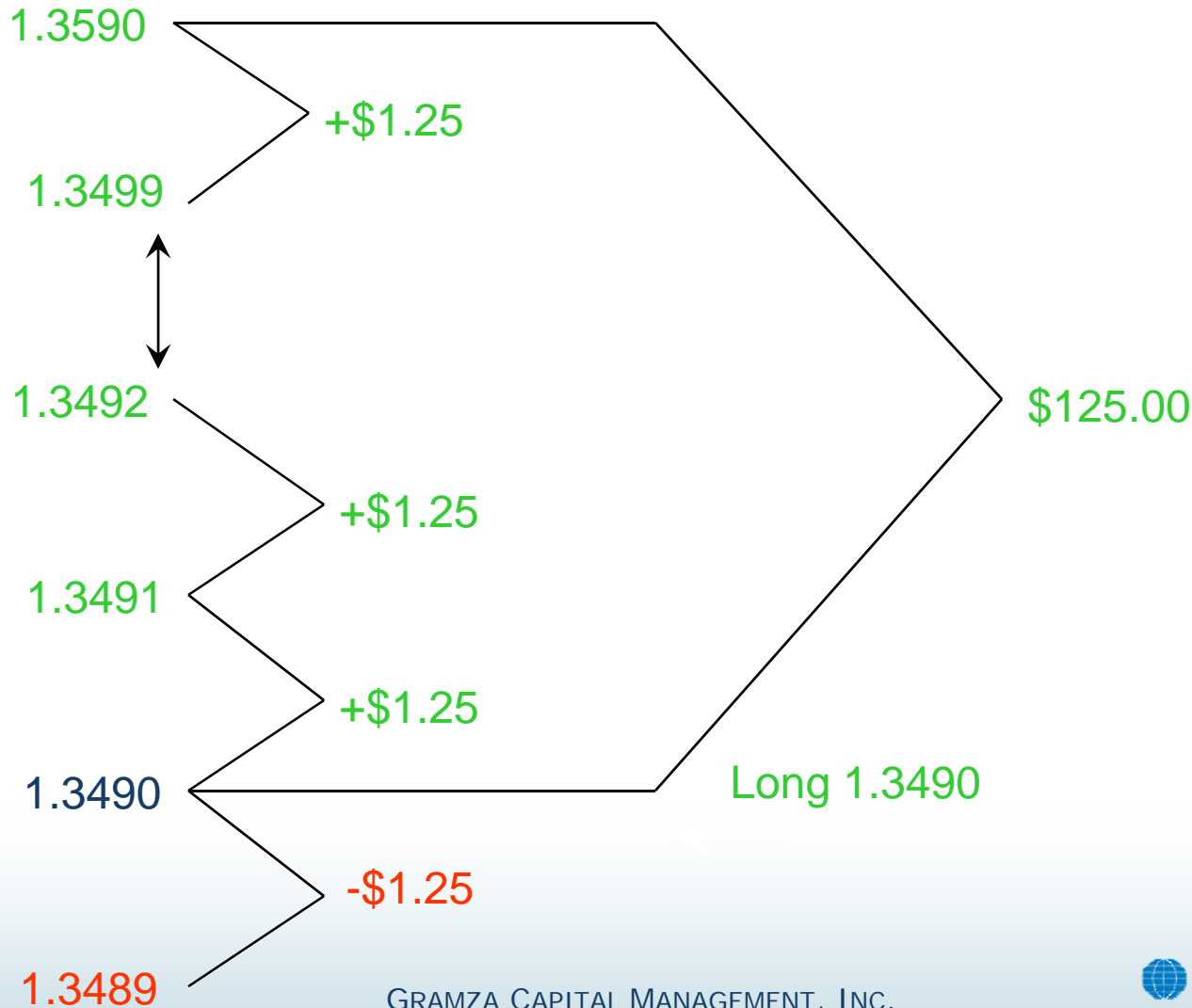
## Average Daily Turnover



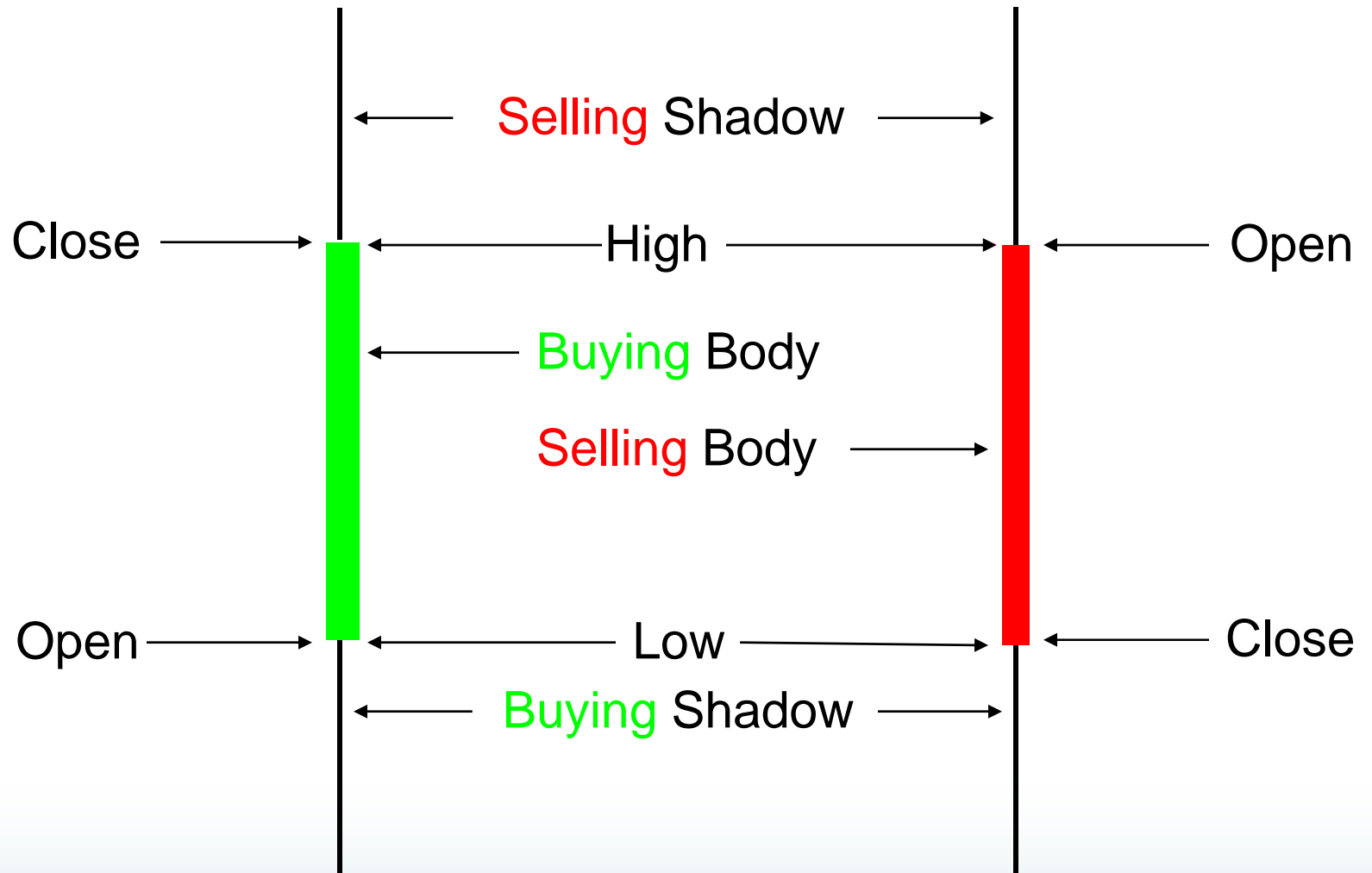
Source: BIS 2007 Survey, SIA, Federal Reserve Bank of New York & World Federation of Exchanges, Celent Report

# How are Euro Currency profits and losses calculated?

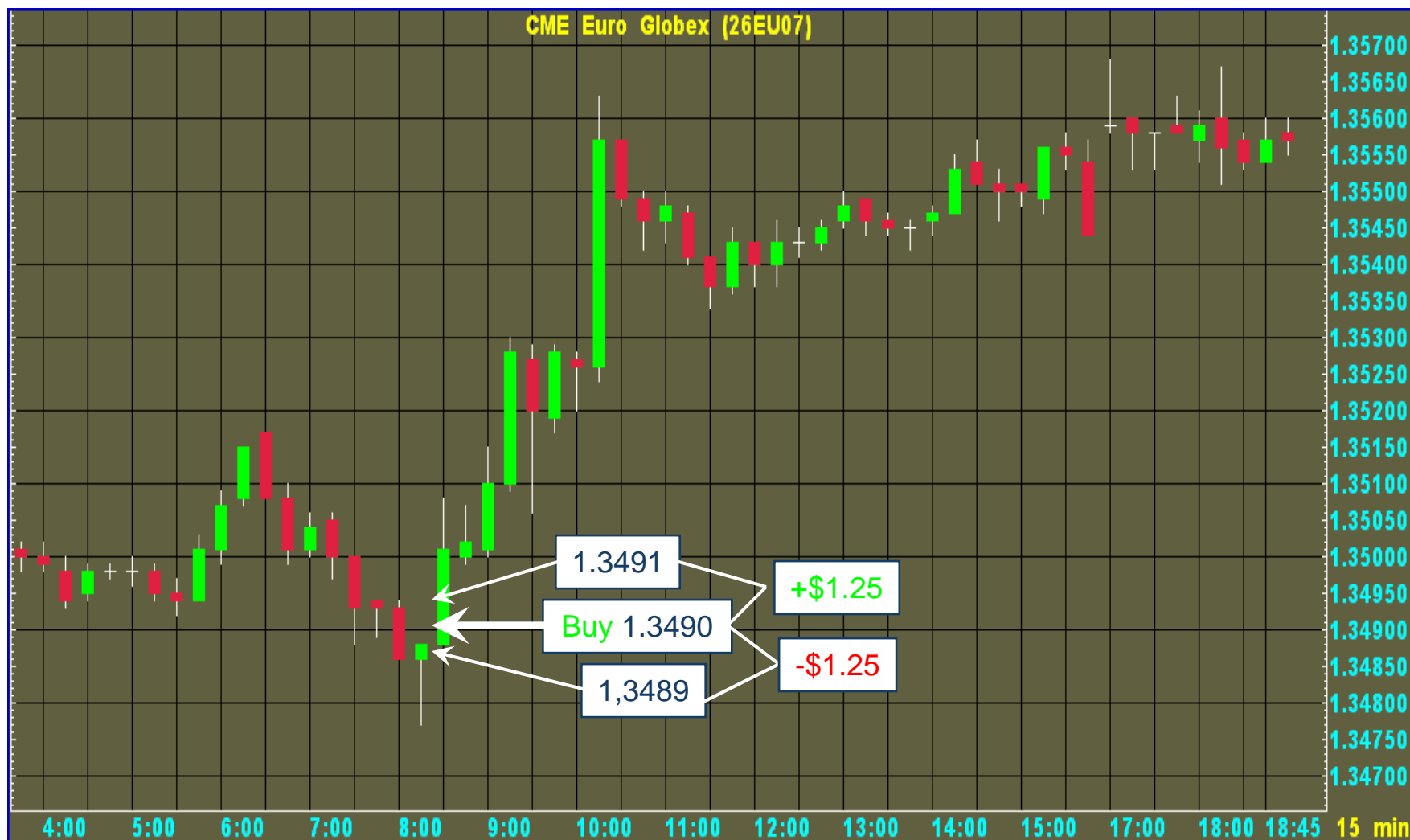
The CME Group Euro Currency futures contract is traded in .0001 increments = a tick = \$1.25 per contract or 1 full point = \$125.00



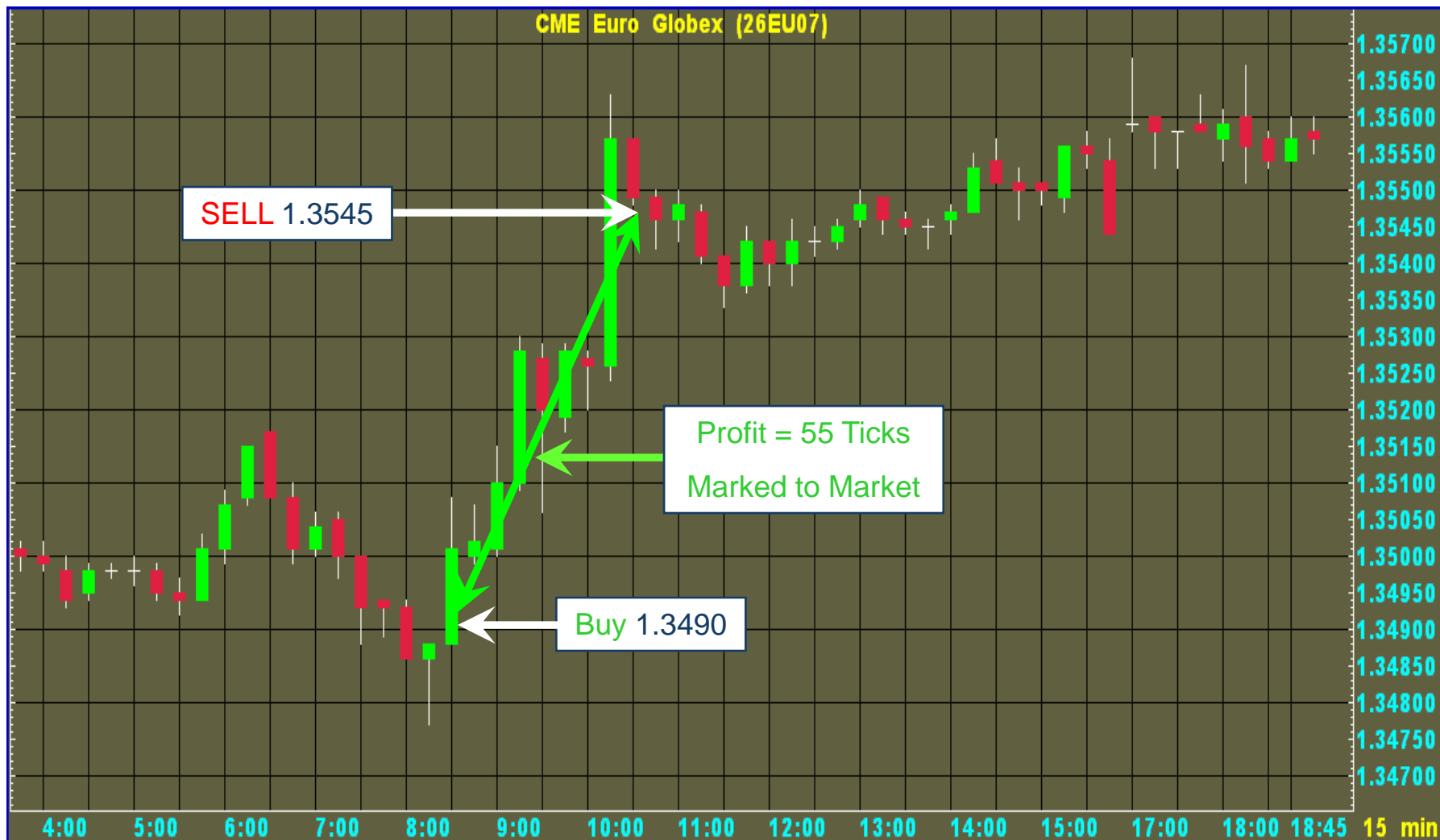
# Japanese Candle Construction



# CME Group Euro TRADING EXAMPLE



# CME Group Euro TRADING EXAMPLE



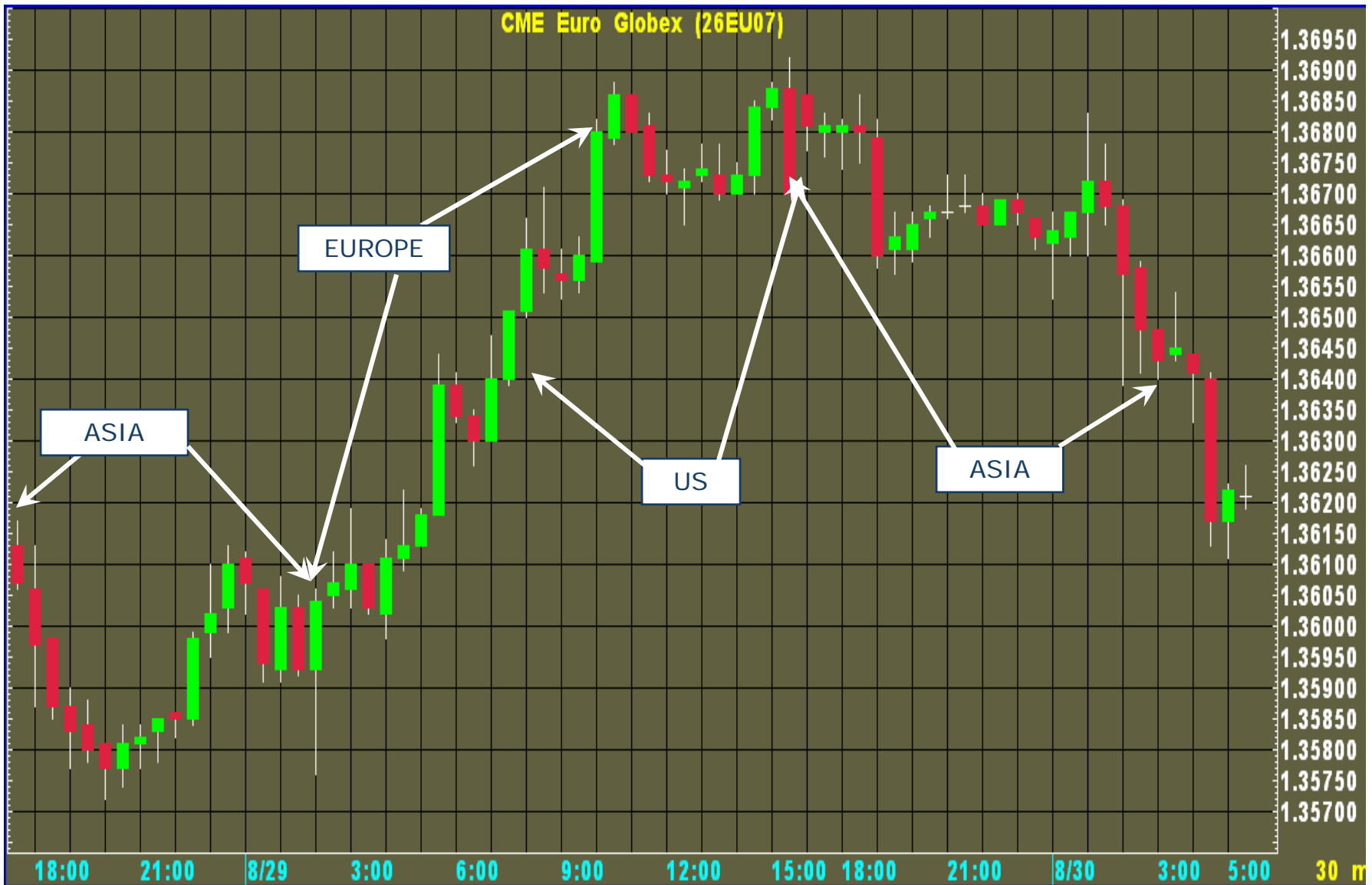
# CME Group Euro TRADING EXAMPLE

Opening position **BOUGHT** 1 contract at 1.3490

Closing position **SOLD** 1 contract at 1.3545

Profit = + .0055 / Contract

+55 Ticks (\$1.25 / Tick) = \$68.75 / Contract



**To learn more about CME Forex E-micros –**

For more information, visit:

[www.cmegroup.com/forexmicros](http://www.cmegroup.com/forexmicros)

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# Question & Answer Period

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