Since 1972

Jake Bernstein's

A Comprehensive Guide to Trends, Timing, Cycles & Seasonals in Futures

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Trading In The Age Of "Instantism"

There Was A Time

Although the expression "the world is getting smaller" is a well worn one indeed, it is nonetheless true. But I suggest that we add another expression that more correctly describes what has been happening and what will most likely continue to happen. And that expression is "the world is getting faster." J. Peter Steidlmayer, creator and developer of the Market Profile Theory, once noted that "we live in an age of instantism." Although his words were written over a decade ago, they have certainly shown themselves to be true. And with the passage of time; with the development of faster computers; faster means of communication; and faster methods of disseminating information, the "age of instantism" becomes more apparent daily. What effect has this had upon society? What effect has this had on traders and investors? What effect has this had on the human mind and the human condition? The effects have been many and varied and not particularly positive (in my view).

The Philosophy Of Alan Watts

Perhaps the greatest American philosopher in history, Alan Watts, noted in his classic writings that what we call progress is often illusory. In the same way that every action has an opposite and equal reaction, Watts noted that every bit of progress often has an equal and opposite reaction. The discovery of nuclear energy with its promise of unlimited energy has brought the world to the brink of destruction with the use of atomic energy in weaponry. The discovery of antibiotics has helped cure many diseases but, in so doing, it has also created super strong germs that are drug resistant. The use of fossil fuels allows us to live easier lives and to travel all over the world, but at the same time the pollution it creates threatens our health and the very future of our environment. Now consider this dichotomy in the light of "advances" that have been made in trading technology over the last 50 years.

Effects - The Good, The Bad, And The Ugly

Have we really advanced or has the progress been illusory? Are things better for the average trader or are they worse? Have the good traders gotten better and have the bad traders gotten worse? Indeed, these points are well worth pondering. As I sit here at my computer writing these words I am surrounded by computer screens. I see prices going "tick tick tick." I see markets responding wildly to the slightest bit of news. I see wild and frenzied trading in the E-Mini S&P futures. I see crude oil futures opening nearly a dollar a barrel higher and within a few minutes dropping by over 70 cents a barrel. Without a doubt the age of "instantism" has arrived and its effect is clear and unmistakable in the financial markets. Here are some of my observations - perhaps you will not agree with them, but in any event, they may provide some food for thought and, perhaps, even a re-evaluation of what you are currently doing in the markets and where you want to go with your trading.

Have advances in computer technology combined with the low cost of data and powerful software improved the lot of the average trader? Frankly, I see no evidence of that. In fact, I believe that the vast majority of traders are just as bad off or even worse off than they were 25 or 50 years ago prior to these advances. Why? Because more information has created more doubt, more choices and more pressure - and with these changes the average trader is more emotional - and more emotional trading makes for worse results. The progress in technology has been undone by the regression in emotions.

Has fully electronic trading been a blessing or a curse? Many traders have become addicted to electronic trading. They sit at their computers all day long trading for one or two ticks, as their anxiety increases, and they work ten times as hard to make less than half the money they might make with intermediate-term positions or even short-term positions. And what's worse is that they lose their perspective. By looking at the very short-term picture, they often miss the bigger moves that are easier to trade. Their focus on very short-term time spans distracts many traders from the more predictable and more profitable moves that require less attention, and which do not require micro-management. I have seen many an otherwise good trader turn into a nervous trader as they attempt to play every little swing in the markets. While electronic trading is a wonderful thing both in terms of execution and commission, it has its negative side as well. Ask any trader who has opted to spend his or her life living and dying with every tick. Ask them if they're making money consistently.

Has the Internet been a help to traders? Indeed it's a two-sided coin. At first blush, you would be tempted to reply with a resounding "yes!" But in fact, what often seems apparent is not real. Here's what I mean. The Internet has allowed for the virtually instantaneous dissemination of news throughout the world. (Continued Page 3)

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Trading in the Age of "Instantism" (Continued from Page 1)

News impacts and influences traders. Much of the news is either old news, useless news, meaningless news or even more importantly, news designed to prompt traders into actions that may not be valid. What do I mean?

The news is a powerful weapon. In the past it has been used by savvy traders to disseminate misinformation or disinformation. History is rash in such accounts. The news can hurt you and it can help you. If the news is correct and true, and if you are fast enough and if you get a good price fill, then the news will help you. How often does that happen? In actuality what I see happening is this: Traders react wildly to the smallest bit of news. The markets react immediately gyrating wildly, as stop order are hit. Many traders are stopped out. Within a few minutes the knee-jerk reaction is over. Traders who thought they could capitalize on the news by trading WITH the news have usually have lost money, whereas, experienced traders who know how to fake the news have usually made money. And so, the speed of news dissemination has, in my view, hurt the average trader.

Instant Messaging; Web Cams, Chat Rooms and E-Mail: These are all wonderful tools. They have brought families closer together, they have brought traders closer to one another, they have helped lonely peple meet their mates on line, they have been a shot in the arm to the pornography business, they have opened a vast new area of cottage industry for anyone with a camera and no shame, and they have brought to the market chat rooms where traders can exchange ideas with each other. But rarely is the chat room a place for education or an exchange of intelligent ideas. Hiding behind screen names, some traders visit chat rooms to support their positions or to influence other traders to their points of view. Still other traders attack each other verbally engaging in childish behaviors akin to the school yard. And then there are traders who promote trading systems and methods. They swear by certain indicators. They boast of their great successes. And in the end most of what we see in chat rooms is nothing more than puffery and nonsense. The sad thing is that many traders believe what they are told and they act on it. Hopefully, they learn their lessons soon enough to avoid chat rooms like the plague. Yes, the speed of communications and the Internet have brought us the good, the bad, and the ugly.

Instant Gratification from Instant Trading: This has, in my view, been the most potentially dangerous, as well as the most enticing aspect of the advances, that have been made in trading technology. While the ability to obtain an instantenous price fill is attractive to many traders there are also some potentially serious issues that now confront many traders. Here are some of the concerns:

* As noted above, many traders have lost their perspective.They have enjoyed the lure of instant price executions; the attraction of relatively little slippage and the lower commissions.This has, in my view, created many more price swings. And the price swings have in turn created the illusion of profit opportunities. These profit opportunities have attracted even more traders. And the result has, in some cases, been severe market over-reactions to relatively minor news events. Be that as it may, the mere presence of such volatility does not mean that traders should feel compelled to trade.

* Near round-the-clock trading has sent many system traders back to the drawing board in efforts to deal with the extended hours.Should the extended hours be included in their trading models? Are the trading ranges in the extended hours sufficient to warrant inclusion in the trading model? Should stoplosses be in the market for the full session or only for the day session? Have the new hours invalidated timing indicators and price patterns that were heretofore based on the day session data? How will trading systems be affected by the new hours? These are only a few of the issues that will need to be addressed over the next few years. In my view the ability to execute orders instantly, the ability to trade nearly 24 hours a day, the ability to trade foreign markets electronically, and the ability to participate in markets using ultra short-term methods that have, until recently, been the near exclusive domain of the pit broker, are double edged swords that have the potential to help, as well as the potential to hurt.

The Psycho-Social Impact of Instantism: I believe that the psychological and social impact of a faster world have been dramatic. Our society has slowly but surely come to place great value on faster everything; faster cars, faster food, faster medical treatment, faster price fills, faster mortgage approvals, faster cash machines, faster planes, faster acting medications, faster cleaners, faster tailoring, faster cheeseburgers and tacos, faster acting antidepressants, one hour eyeglasses, instant Lasik eye surgery, more powerful caffeine drinks so we can get a bigger and faster buzz, faster acting longer lasting erectile dysfunction medication, 10-minute in chair back massages, faster acting sleep drugs for the insomniacs that a fast society has created, faster computer chips, faster weight loss, one hour liposuction, faster airport check-in...and the list goes on. Is it any wonder that so many children suffer from attention deficit disorders? Their parents barely have the time to give them quality care and attention. They over react to minor behavioral symptoms that will often go away on their own - they seek instant answers to issues that cannot be resolved instantly. And our society has come to value the instant result in everything from the sports heroes we worship to the Hollywood stars whose performances we value. And in the interim the sales of drugs to treat the symptoms of a fast society achieve record profits.

Conclusions: From what I have seen in my over 35 years of trading, I leave you with the following observations and suggestions: Instantism in the markets has its positives as well as its negatives. It is not a sure thing - it is not a panacea and most of all it will not have a positive impact on the bottom line of most traders. Innovations come and go. I have seen the ticker tape give way to the electronic screen. I have seen the telephone give way to the Internet. I have seen the large refrigerator sized computer give way to the desktop computer and the laptop computer. I have seen graph paper and hand made charts give way to computerized charts. I have seen the manual calculation of timing signals give way to the hand held calculator and then to the programmable hand held calculator, and then to the computer. I have seen commissions tumble. I have seen the floor trader become a thing of the past. I have seen a revolution in almost every area of trading. I have witnessed the transition from long-term trading, to short-term trading, to day trading and then to trading by the minute. And in spite of all the progress, I do not see the lot of the average trader as having improved to any similar extent. I sit back in my chair as I write these words and I ask myself why, what for, to what end, to what purpose, and to what extent instantism has impacted our lives and our trading. The effects have extended way beyond the markets. Am I a Luddite? If you are not familiar with the term take some time and look it up - don't rush. No, I'm not a Luddite. But I am a realist. I look around and I see vast strides in instantism, but very little actual progress for the average trader. And I ask why.

High Probability Daily Seasonal Tendencies						
For the Week of 12 Februrary 2007 through 16 Februrary 2007						
Percentage of time Close was UP (+) or Down (-) for this Date						
DATE	MON	TUES	WED	THURS	FRI	COMMENT
MARKET/MONTH	12	13	14	15	16	
GRAIN AND SOYBEAN COMPLEX						
Mar Corn					-63%	Sideways To Lower
Mar Oats						Sideways To Lower
Mar Soybeans					75%	Could Rally Strongly This Month
Mar Soybean Meal			63%		63%	Tends To Rally
Mar Soybean Oil				-60%	69%	Could Rally Strongly This Month
Mar Wheat				-60%	63%	Seasonal Low Due In June
METALS						
Mar Copper		61%	67%	62%		Strong Recovery Possible
Feb Gold						Tends To Move Lower
Mar Palladium	63%			-78%	-67%	Could Correct Sharply Lower
Apr Platinum		64%	-67%	83%		Tends To Be Bullish
Mar Silver	63%	74%		-60%		Could Top Mid Month
CURRENCIES						
Mar BrPound		70%		83%	83%	Bearish
Mar Canadian $	-65%			-80%	-64%	Bearish
MarJapanese Yen		90%				Bearish
Mar Swiss Franc	-62%	60%		83%		Bearish
FIBERS/WOOD						
Mar Cotton	-63%	73%				Strong Rally Possible Late In Month
May Lumber					75%	Tends To Top Mid Feb
SOFTS						
Mar Cocoa		65%				Mixed Trend
Mar Coffee			65%	-67%	67%	Tends To Be Strong In Feb
Mar Orange Juice	61%		-72%	-62%		Usually Lower This Month
May Sugar	-64%	64%				Tends To Top Mid Month
MEAT / LIVESTOCK						
May Feeder Cattle	70%	-70%	69%	67%		Sideways Trend
Apr Live Cattle						Sideways Trend
Apr Lean Hogs		63%		67%	-73%	Tends To Move Lower In Feb
INTEREST RATE FUTURES						
Mar EuroDollar	-67%	-60%				Bearish
Mar T-Bonds	60%					Bearish
Mar T-Notes						Sideways To Lower
STOCK INDEX FUTURES						
Mar S&P 500				-78%	-78%	Could Top Mid Month
PETROLEUM COMPLEX						
May Crude Oil	75%			63%	63%	Bottoming Pattern Continues
May Heating Oil	61%		62%			Low Due Late Feb
Apr Ntrl Gas	-60%	-90%		-60%	-80%	Strong Rally Possible Late Feb

GUIDE: The table above shows the % of time the given market and contract month has closed higher or lower for the given calendar date. These % readings merely indicate tendencies based on history. They do not guarantee that the moves will be the same this year. Seasonals are not perfect. They can change over time.

Metals

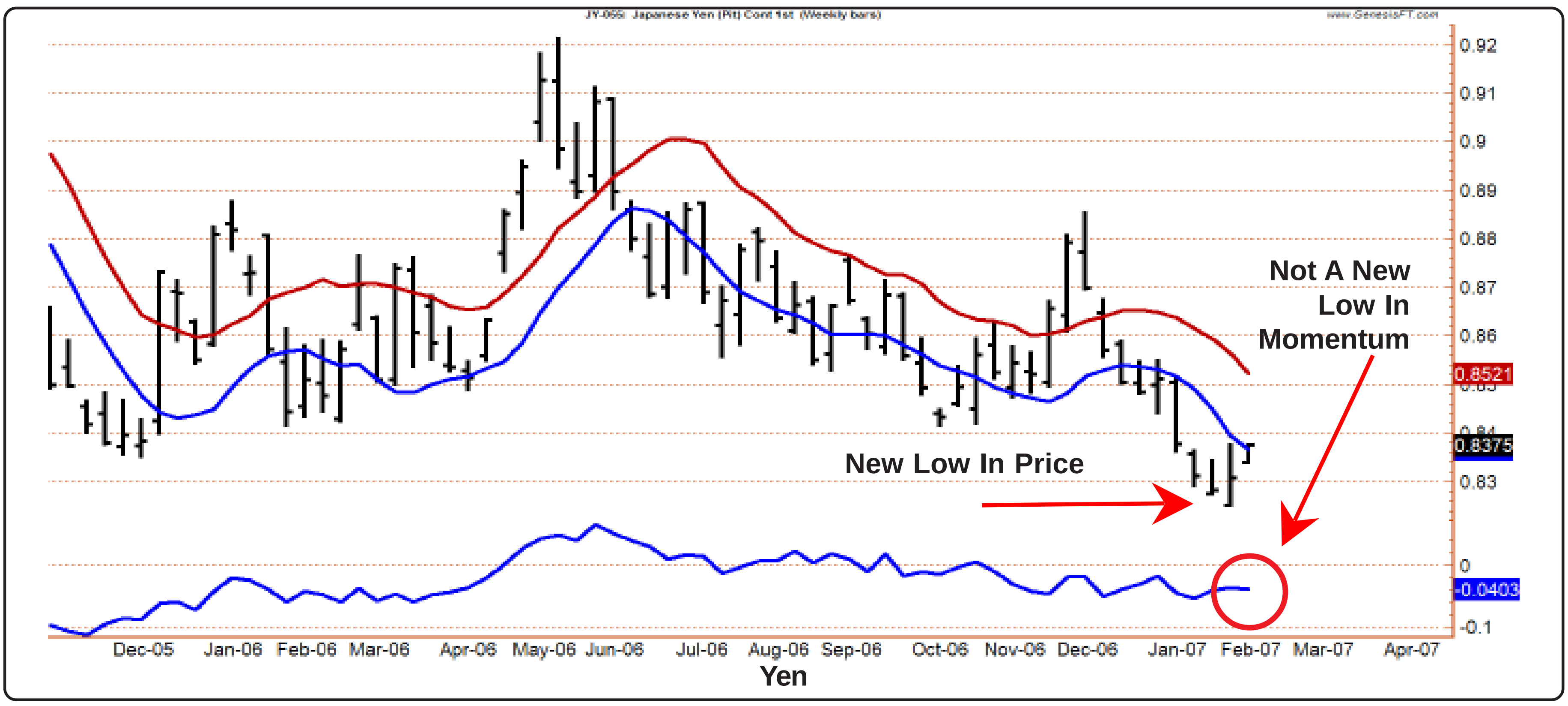
The markets are still in long-term bull trends. The rallies in platinum, copper, silver and gold have been nothing short of dramatic and persistent. Declines to long-term support have, as predicted, proven to be buying opportunities. I believe it's just a matter of time before gold challenges its recent highs. There is some cause for concern on a short-term basis inasmuch as the daily chart now shows bearish momentum divergence. I advise short-term traders to be prepared for a correction to the downside. This does not, however, alter my long-term or intermediate-term bullish expectations.

Copper: Although the decline has been sharp and steep, I told you that good technical support should develop. Support appears to be developing. The next move COULD challenge major resistance. Given the extreme price volatility in this market the odds of a large loss are substantial. I, therefore, advise most traders to AVOID this market. The COT report shows that commercials are net long the market and that they have added to longs as the market has declined.

Gold: I advised you to get ready for another rally. This rally is now in process. STOCK TRADERS were advised to consult the gold stock recommendations in my weekly **Bernstein on Stocks** newsletter. Short-term bearish divergence suggests the possibility of a correction to support.

Silver: Long-term investors who subscribe to my services and reports were advised to hold positions in silver and silver mining stocks with trailing stops to lock in profits. The market appears to have made the expected short-term low with considerable resistance now likely in the 1370 area. This l-vel is now posing resistance as expected. Silver still has major upside potential, especially now that the market has completed its short-term correction down. There has been a seasonal tendency for lower prices over the next few weeks.

Platinum/Palladium: My long-term bullish forecast for both markets remains in effect. The recent downside corrections were expected and were seen as reasonable developments in secular bull markets. I believe that palladium offers a potentially large ground floor opportunity. Because trading volume is very thin, I advise caution and the use of LIMIT ORDERS only in palladium as well as platinum. Palladium remains one of my favorite long-term buy and hold markets, however, the thin volume necessitates the use of limit orders in order to avoid a bad price fill. As an alternative to futures, note that the stock of North American Palladium (PAL) is bottoming. This is a speculative stock, however, its history shows that it has considerable upside potential in a palladium bull market.



Currencies

Aussie $: I told you that the expected low in metals and energies would likely result in a short-term Aus$ rally. The short-term trend topped as expected. One of my currency trading systems has turned short-term bullish.

Eurocurrency and Swiss Franc: Both markets rallied to projected long-term resistance areas and topped as expected. I advised you that "some of my indicators have turned bearish." The decline has developed. Seasonals favored a further decline which continues as predicted.

Japanese Yen: I continue to expect a MAJOR rally in the Yen vs. US dollar over the next few years. The market has been testing 2005 lows. See the accompanying chart above. Bullish divergence continues to develop.

US Dollar: I am long-term bullish on the US dollar. The short-term trend remains bullish as expected.The hotline recommended a short-term long position that should have been closed out at a profit. The short-term trend remains bullish.

Canadian $: A buy recommendation was given via the hotline. Bullish divergence continues to suggest that a major low could come at any time now.

BrPound: The market has made an 8.1-year cycle top almost exactly as predicted. I expected the rally to end at or near long-term or intermediate-term resistance. Trend remains intermediate-term lower and short-term topping. The market has encountered considerable resistance and continues to show signs of a long-term cyclical top.

Tropicals

Cocoa: My forecast remains bullish. My advice has been as follows: “There are numerous signs on my indicators that the breakout has started.” The introduction of electronic trading in many of the New York markets will, in my view, be a breath of fresh air and will dispel the negative attitudes that some traders have developed about these markets over the last few decades. Cocoa prices remain in a bullish trend.

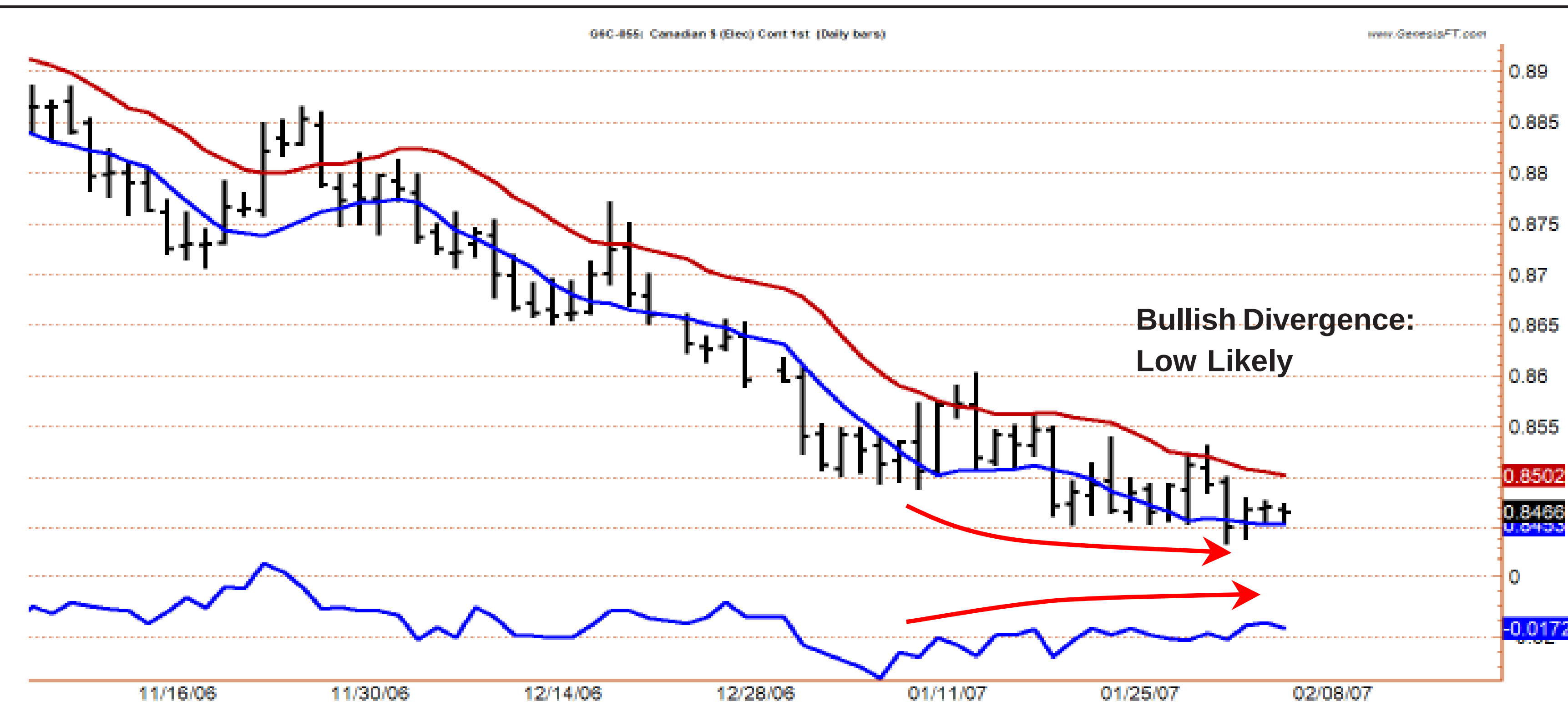
Sugar: The market continues to decline as it forms a major bullish divergence pattern that should explode to the upside like a coiled spring. Indeed, the upturn in energies could help this move occur. Due to my long-term bullish stance I recommended rolling the long March trade to long July.

The long-term cycles still point to a major bull market. Small trader sentiment remains low with many traders having lost their interest since energy prices have fallen sharply. In addition, the narrowing of daily trading ranges and the continuation of an essentially sideways monthly trend sinceSeptember of 2006, suggests that prices are in a bottoming mode. I remain long-term bullish. Note that the sugar market has now started trading electronically. This should increase the trading volume, but most important of all, it will likely mean more equitable price fills than before.

Orange Juice: My outlook for OJ has been as follows: “I DO NOT see any significant technical indications of a long-term top as yet.” As we go to press, the technical situation is beginning to change. The huge bull market may, however, be entering a period of retracement to long-term support. Unless prices can recover to recent highs over the next few weeks, the odds favor a potential decline to long-term support in the 175 area as the expected decline continues.

Coffee: My long-term cycles have been telling me that coffee prices were overdue for a major rally that could take prices much higher in 2006 and beyond. Although the market has declined in the last weeks, my long-term outlook has not changed. Traders who like to trade long-term moves are advised to consider coffee now that we have dropped to very important technical support levels. In the last few weeks the market has established a base of short-term support. My analyses suggest that this is a new and major bull market that is beginning to validate my long-term bullish forecasts.

THIS IS A MARKET FOR HIGH RISK TRADERS ONLY: Buy on declines to support. **RISK WARNING! The coffee market has had a history of major volatility and the market has been too quiet for too long. Price fills can be very poor if you use “at the market” orders.**



Dollar Canada

Fibers

Cotton: I continue to expect a strong intermediate and long rally in cotton for the intermediate and long-term. Based on my long term trend and timing indicators, as well as the cycles I follow, I believe that it’s just a question of time and patience before cotton prices begin a substantial rally. I will advise you when I think the time is right to enter longs. The developing correction to short-term support is likely to trigger a buying opportunity very soon -be prepared for a hotline recommendation to buy. PLEASE TAKE NOTE: All recommendations in cotton are high risk due to the large intraday volatility.

Lumber: A major low COULD BE developing based on the long-term and intermediate-term cycles. The long-term cycles, as well as the yearly seasonals that I have been studying for many years suggest that lows are very likely. The major negative consideration, as you should or may already know, is the exceptionally thin trading volume (often only a few hundred contracts daily) in this market. I have not given any hotline recommendations in lumber for many years due to the thin trading volume. Nor do I anticipate giving any recommendations unless trading volume increases to at least 5000 contracts daily. Regardless of the contraction in the home building sector, I believe that demand for lumber will remain high,and that a longer term upward cycle has started. Note that commercials are now net long the market - is this an early indication of lows? I do believe so!

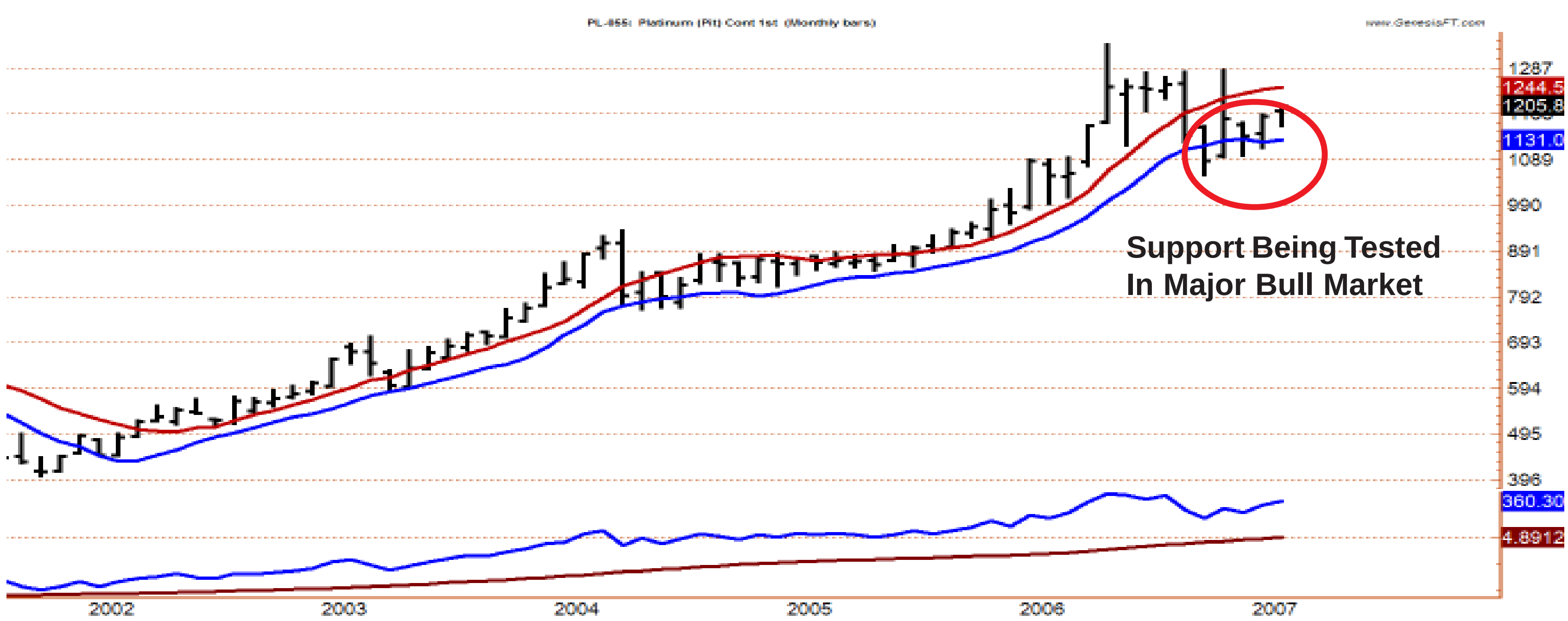
TBonds / TNotes

My expectation of higher interest rates is coming to pass and I believe that there is more coming. My forecast has not changed. First, however, I expect rates to decline over the short-term and to rally over the long-term.The long-standing and reliable cycles and patterns suggest that we will see inflation, as opposed to recession, and with that, higher interest rate trends. The precious metals markets are also reflecting this expectation. On a long-term cyclical basis, the patterns I have found also provide fairly strong technical justification to believe that interest rates will move higher - perhaps considerably higher - and for several years as an inflationary “blowoff” is likely to develop in commodity prices.

There are those who believe that there is so much available money in the world that interest rates should remain low - in other words, the supply of available money is likely to keep rates low. This is, however, a double-edged sword. Note that one definition of inflation is “more money chasing fewer goods.” If that is indeed the case, then we are in the midst of inflation right now.

Stock

Stock markets throughout the world remain strong. We are still being urged by leading “experts” to expect still higher prices. They tell us that stocks have “no choice but to go higher due to the international surplus of cash.” Watch for bearish divergence to trigger possible sell signals this month, but note that there are NO SELL TRIGGERS as yet. See the accompanying chart. As we go to press the markets have continued in an ominous pattern of higher prices and lower momentum. This pattern can continue for a fairly long time before it triggers a decline. This is a clearly bearish divergence that portends what could be a dramatic decline in stocks although it may well be short lived. My advice has been and continues to be CAUTION in every respect of the word. I believe that when the decline comes it will be substantial and that the market “will take no prisoners.” Rather, it will eliminate those who have positions on the long side that are too large. If you are long in stocks, riding the current uptrend, then please be sure that you have close trailing stops to lock in profits.



Platinum

SP

Petroleum Complex

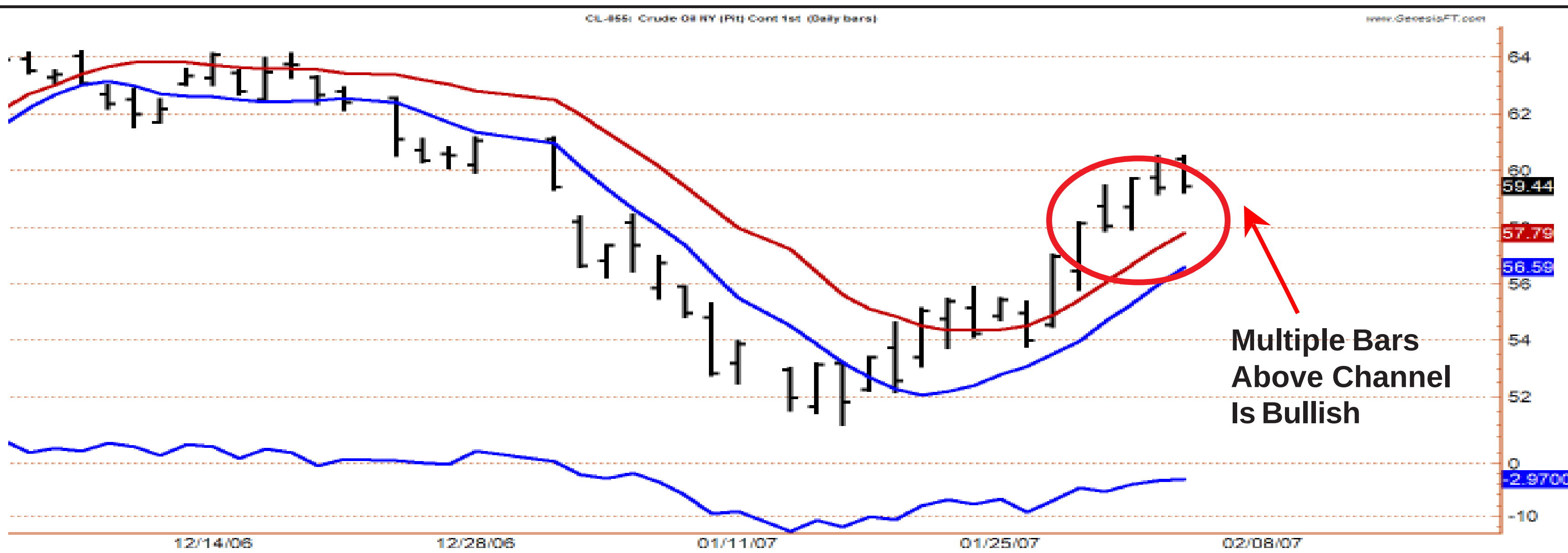
Bullish sentiment in all energies declined to very low levels and remained at or near those levels for an extended period of time. Not surprisingly, the markets turned higher, led by natural gas. I advised you several weeks prior to the rally that a turn was imminent and that it could be a fairly large one. Based on my short-term indicators the odds favor a continuation of highly volatile price moves in the entire complex. A warning to the small trader is in order - exercise extreme CAUTION. Even the smaller sized crude oil contract carries significant risk and has shown major price swings on an intraday basis. Several weeks ago I told you that the “energy stocks may have made short-term lows.” It appears that futures have also confirmed my forecast. The odds now favor a setback to short-term support which is now at the bottom of the daily moving average channel.

Metals And Energy Report: Please Note

Based on my studies and analyses, I believe that the next ten days will be critically important in the energy and precious metals due to the possibility of significant setbacks to technical support levels. The way in which prices react on the anticipated declines, particularly in the energies, will give me a wealth of information regarding the course of prices over the next six months.

The characteristics and the quality of the anticipated corrections are important to me. In order to give you my VERY BEST analysis and forecast, I will wait at least a few more days before releasing this report.

I appreciate your patience in this matter. Given the pervasive and growing volatility across all market sectors, timing is more critical than ever before.



Heating Oil

Crude

There is a risk of loss in futures trading

Comments in this letter are subject to change as a function of market conditions. Recommendations are given via hotline, fax, e-mail, Internet or tape updates.

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