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Question: If you wanted to find the top 10 performing live futures trading rooms (FTRs) out of the 337 I found in my last 100 page Google search, how would you do it? Well, having been in 97 FTRs to date (46 this year alone), I can assure you:

- not quickly,
- not easily and,
- not until you eliminate 97% of all rooms.

My strategy to evaluate FTRs (*Futures Truth Magazine*, Issue #2-2012) begins with the position that superior futures trading involves true talent, above experience, formal training, programs, indicators, etc. And trading talent, like all forms of talent, has features that allow us to understand, compare and rank it, because talent is:

1. Measureable
2. Observable
3. Dependable and
4. Variable (by FTR)

I used these features to evaluate 337 FTRs (the reasonable trading universe), and my goal was to identify the top 10 (i.e. 3%) best trading rooms; I started with:

1. **Measurable performance (i.e. P/L track record):** Einstein said a thing that has not been measured cannot be understood; I agree. Of the 337 FTR, 203 do not have a track record but I inquired. Responses included “you should not focus on track record”; “we do not use track record as a marketing tool”, “we are established and had no need of records”, “we are educational”, “we do not call trades”, “we cannot due to NFA regulations”. Well, many rooms comply with the NFA regulations and do post track records (*special mention: most accurate and clearly defined track record; Rick Vinecki while @ BeyondProfile.com; currently @ <http://www.affinitytrading.com>*). For me, if a FTR has no track record, I tend to set them aside. I admit I have evaluated FTRs without track records based on fellow trader recommendations, but practically speaking, if you spent just 1 week in each of those 203 FTRs, it would be impractical. Set aside these 203 FTRs, plus 7 more that are cadaveric (no pulse); now at 127.

Of the remaining, I examined the posted records with inordinate care, tracked and verified their posted trades (in many cases hundreds) to authenticate their P/L (I do not presume 100% fidelity in track records and for good reasons as I will define later). Very often, when entry costs and platform fees are accounted for, many of these rooms yield modest to minimal net returns. Of the 127, I was able to set aside an additional 38 FTRs based on minimal net returns from their track performance alone; down to 89.

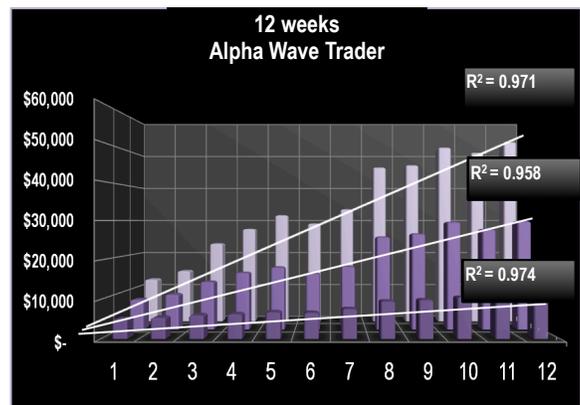
2. Observing talent: True talents distills down to one or two critical actions: the best pitcher in the baseball league throws the ball; the best batter hits it; the world’s champion chess player moves their pieces while the world’s best poker player keeps or discards cards. Professional trading translates to only two distinctive actions: buying and selling (entry, exit, contract size, targets and stops). If you are to observe true trading talent, precise trade numerics need to be spoken, typed, shown on a chart or trade dome, with icons (triangles, cross hairs) or avatars (*special mention: most elaborate and information rich trade site- Day Trade the Futures; special mention: most number of indices traded- Advance Trading Workshop*). You want exact information; do not accept surrogates such as sounds (bells, sound files), stock typed statements (BUY ALERT; BUY BUY BUY; Consider buying, etc). Be assured, these do not tell you what the head trader is doing, instead they are instructions for you. Non-descript calls serve as trap doors for the head traders, providing them ambiguity to escape failed trades or to claim near perfect exits. If you cannot see/hear their exact trade numerics, you are not observing their talent and many rooms prefer to substitute surrogate actions for exact trade numerics. Be assured, if you are precluding observing from official trade numerics, is not in consumers’ best interests. Similarly, many FTRs calls allow ample time to enter the trade; calls that require cat-like reflexes to trade are not useful..



I observed often that when surrogate trade instructions are given and I compare what I observed at the time of the call to the subsequent official records, discrepancies emerge – mostly in favor of the FTR. I have examined official track records (corresponding to days I was present in the FTRs) which show trade entries not possible when the instructions were given (front running official trades). In addition to superior entries, they also have near perfect exits and P/L that would raise the dead. When I eliminate 28 FTRs that do not clearly communicate trade numerics, 61 are left.

3. Dependable performance: A variety of FTRs will have an excellent month or two followed for several months of poor returns. While I cannot explain such fluctuations in performance, it is overly evident and can be mathematically modeled using linear regression analyses and R² values (ignoring for now diurnal, circadian or ultradian variations). To evaluate is actually simple: enter historical data (daily is good) in an Excel spread sheet, graph it, add a linear regression line and check the box R² values.

Not to be boring, but R² is a coefficient of determination; it provides a measure of how well future outcomes are likely to be predicted by the current results (i.e. the daily information you are modeling). My advice: don’t start trading without it. All of the best rooms have R²



values of 0.90 and greater. What does it look like? See 12 weeks of trades (~300 official trades) I took in real time in alphawavetrader.com where P/L for 1, 5 or 10 contract trades are shown from all trades taken on TF, 6E and NQ (<http://alphawavetrader.com/testimonials/>). The R² values all speak to uniformity of wk P/L. Similar example: 12 weeks of trade (~250 trades) results of all official trades taken in TraderShark.com room @ 2 contracts per trade on the ES (<http://tradershark.com/about-us/independent-study/>).



We are told that past results do not predict future results, but they do speak to uniformity of performance and that is a strong reliability indicator. I generally use 50-100 trade P/L to evaluate for R² values. Other rooms that exhibit high R² values include: AdvancedTradingWorkshop.com, BonTrade.org, DayTradetoWin.com, theStrategyLab.com, DayTradingtheFutures.com, StrategicDayTrading.com, theTradingClan.com, TradetheEmini.com, TripleThreatTradeing.com. I grandfather in AffintyTradingInstitute.com based on what I have observed there and BeyondProfile.com (<http://www.beyondprofile.com/traderoom-testimony>). Based on the above three criteria, I eliminated 32 more FTRs; down to 29 and in the home stretch.

4. Comparative performance: We have nearly forged the golden key that unlocks final FTR selection; next step - normalize P/L across indices: P/L for \$5 indices (NQ, YM) are doubled; P/L for \$12.50 indices (ES, 6E) are reduced by 0.8 and P/L for \$10 indices (TF, GC, CL) are used as is. Then average index-adjusted P/L for 50 trades (more often 200-500) to obtain a master P/L per FTR. That information, coupled with track record, observable, measurable and dependable performance, form the gimbals of my composite evaluation of all past FTRs and new ones under evaluation.



FYI: some FTRs trade money, most are sim. Many fellow traders want the FTR to trade real money, thus linking their financial outcome with the head trader. Mathematically speaking, it is irrelevant if a FTR trades cash or sim, as long as you can consistently observe their trade numerics. I watched (and recorded) a head trader lose \$19,600 real money in one trade on his trade dome, as well as many losing trades in the \$7000-\$12000 range. Would you be significantly relieved, having lost that much money, knowing that he did as well? Want to trade in a FTR where the head trader uses real money but falls asleep (snoring) during the trade? Want to trade real money in a FTR where 1 trade was called in 8 days? While sim accounts will show far more rapid fills (entries or exits), be assured that the P/L equations over hundreds of trades are not distorted, corrupted or skewed with sim accounts.

So the First Class, First String, Five Star FTRs, based on my empirical observations, computational evaluations and personal subjective criteria, currently includes (shown in the order of evaluation):

- Beyond Profile (currently Affinity Trading Institute)
- AlphaWaveTrader.com
- TraderShark.com
- TradetheEmini.com
- DayTradingtheFutures.com
- AdvancedTradingWorkshop.com
- BonTrade.org
- Strategic DayTrading.com
- TheTradingClan.com
- TripleThreatTradeing.com.

These best FTRs are truly professional, offering earnest mentorship, dedicated trade commitment, achieving a sustained and steady P/L, and are worthy of your attention. Very often the better, best (very best) live FTRs have little or no marketing maneuvers; they just trade. I have enjoyed the comprehensive creativity and the amazing diversity of these and other FTRs where I have been as a guest member. I look forward to additional room evaluations (I am normally in 4 rooms each day), as the known FTR universe is yet young. I am always looking for recommendations of rooms that you feel merit review, so please communicate your thoughts.

Dean Handley: PhD, MBA, JD. Disclaimer: All FTRs mentioned above, their employees or their affiliates were not aware of, did not contribute to, nor approve of this study or its imprimatur. Dr. Handley did not receive any 3rd party compensation to conduct these studies nor has Dr. Handley received any formal training from these FTRs. All information was auto-didactic; Dr. Handley assumes all responsibility for any errors in this study; additional disclaimers or inquiries can be directed to drdhandley@yahoo.com. Dr. Handley is a not a licensed broker or agent. His friends believe he uses statistics like a drunken uses a lamppost- more for support than illumination.

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