



# THE ART OF TRADING

## MAKING YOU A BETTER TRADER EVERY DAY!

Monday, October 31, 2011

## Things I've Learned After 15 Years Of Trading

Never underestimate the power of a momentum move. Up or Down. Once the freight train is in motion, it will keep going much further than most have anticipated.

Price is the only thing that matters. Adapt to it, don't fight it.

Don't under estimate the power of desperate money managers in the fourth quarter. They need to beat their bench marks or risk losing their jobs/clients.

Mental stops will ensure you an emotional trade. Don't use mental stops. You are either in the trade or not. Mental stops invite emotions.

Mental stops is another way of saying : "I am not sure where to place my stop"

Adding to a losing position is one of the best ways to end your trading career.

The biggest winning trades normally have big volume driving them higher.

Trading triple ETFs will deplete the account over the long term.

"Too many eyes" on a key breakout point will most likely cause that pattern to fail first. AKA ; fuckery. Revisit the "NEW" setup after the fuckery has shaken out the majority.

Sentiment is always more negative on bottom retests than in the FIRST low. Watch out above if the retest is successful.

Most double bottoms come with strong MACD/RSI divergences. A powerful event if you see this.

Be aware of stocks that take "too long to go". early indication of demand drying up.

The best trade setups, work immediately after they trigger. They barely give you a chance of to jump on board.

The best traders are incredibly nimble. They can be bearish but still capable to taking longs without hesitation.

Perma bears and perma bulls eventually get washed out of the market. You have to respect a strong bull market and you have to respect a mean bear market.

More trades does NOT equal more profits. LESS IS MORE.

The best traders i know, keep their routine very simple.

Price charts and volume is all you need. Most indicators are noise the majority of the time.

Never confuse YOUR macro views with what is actually happening in the stock market.

Economy could be in recession but if the market is rallying, you need to listen to the market. It pays better.

Fighting the trend doesn't pay well. In general, trading with a trend, pays off much better.

Get aggressive when you make 2-3 good trades back to back.

Get VERY defensive when you make 2-3 bad trades. Often times traders will do the opposite. (Self destructive behavior).

Trading on margin is the surest way to emotional decision making and eventually will wash you out of the business.

Never underestimate the confidence building power of a tiny gain that is booked. Green on the screen helps build confidence for future trades.

Big winning streak start with tiny wins. (The snow ball effect).

Most losing streaks start because a "basic" rule was broken. Emotions taking over.

IN bulls markets, if you are to err, err on the long side. NOT SHORT. Short squeezes can be powerful and painful.

It's ok to be wrong but it's NEVER ok to "STAY WRONG".

Good fundamental analysis and proper technical trading is a killer combination. Think CANSLIM / IBD (investors Business Daily)

Too many bullish setups is NOT always a "good thing"/ A plethora of bullish setups normally precedes a big down day. Aka: Fuckery.

Trading stocks is a lot like a beauty contest. What looks best, wins.

The best technical patterns is the BULL FLAGS. It comes in many varieties. Learn to spot them.

Candle stick patterns don't mean anything WITHOUT follow thru. A Hammer or a DOJI means nothing unless it gets follow thru the next day.

Very hard to short a market when the financial stocks(XLF) are strong.

Trading with 'conviction' is great BUT trading with 'arrogance' is a sure way to the poor house.

You have to understand, you cannot impose your will on the market. The market is bigger and smarter than you and you need to adapt to it. Not the other way around.

Sentiment polls are worthless for the most part. Focus on price action.

More market bottoms take place in October than in any other month. A simple observation that i made over the years.

Always be aware when short interest on the NYSE starts to hit record highs. Normally means we are getting close to a major bottom.

In december, small caps and micro cap stocks(junk stocks) come alive. many will double or triple in a few days.

Keep your approach as simple and basic as possible. Can you explain it to a 10 year old?

The market is master at forecasting events well ahead of time. by the time, the actual news hits, the market has already discounted it.

never short a market in momentum mode.

Never short a market that is "quiet" or "choppy".

Trading in choppy market is one of the most difficult and frustrating things to do.

Shorting over the long run pays very poorly. Odds are heavily stacked against bears over the long run.

Many strong forces are constantly working against shorts: PPT, short sales bans, government intervention etc.

Every stock will go thru a period of accumulation, topping out, distribution and bottoming and a new cycle begins. Rinse, repeat.....

Big long candles on big volume are often the start of something bigger. Scan and track those stocks. Many will end up being big winners.

Trust your gut, if something doesn't 'feel' right, sell it. Analyze it from the sidelines (emotion free)

Chat rooms are the best learning tool but be aware of what is noise and what is quality actionable, tradeable information.

Be ware of trades that "fill easily". The best trades barely give you a 'good price'.

It takes a brave soul to admit a trade is not working and sell it at a loss. The 'easy' thing to do is carry the position and "hope" it turns.

Your 'hardest' work should be done while the market is closed. So that when the market opens, you will be prepared once your setups become active.

Surround yourself with POSITIVE people. haters are hating for a reason. They are LOSING. pure and simple. Positive people are winning or on the right path to winning.

Work HARD and work SMART. Both are equally important if you want to make a profession from your trades.

The character of the person will be tested when things are going horribly bad. Will you be the phoenix to rise from the ashes?

Don't brag, beat your chest when things are going well. Eventually mother market humbles us all.

The harder you force trades, the more likely to lose. Allow the natural process to happen...naturally.

Lucky breaks normally come when you are trading well. Unlucky breaks come when you are trading poorly.

Winning and losing streaks come in cycles. Be aware which cycle YOU are currently in. Be aggressive when winning and confidence is high.

TOPS are a long process, rarely a single day event.

Failed breakouts and deterioration of stocks under the surface are the first warning signs. Fewer and fewer stocks left holding up the indexes.

BOTTOMS are a process, rarely a single event. Many stocks start to bottom well ahead of the indexes.

Always be aware of what is going on in the "MARKET OF STOCKS", not just the "stock market". INDEXES will always react to what is happening to stocks under the surface.

in bull markets, you buy dips and trade breakouts when momentum is clearly UP. In bear markets, you short weak low volume bounces and short breakdowns when momentum is clearly DOWN.

Don't be a bull, don't be a bear: Be a predator. constantly lurking and stalking the "easy prey".

Perma bulls and perma bears are dangerous, lazy and arrogant. Don't take their views too seriously if you care about YOUR account.

It's not about being 'bullish' or 'bearish'. It's about being RIGHT. Please understand this. It's vital to long term survival.

It's not about being 'bullish' or 'bearish'. It's about being RIGHT. Please understand this. It's vital to long term survival.

It's not about being 'bullish' or 'bearish'. It's about being RIGHT. Please understand this. It's vital to long term survival.

Catching falling knives will sooner or later land you into a mine field. Big difference between buying a dip and catching a falling knife.

Swing trading triple ETFs will give you insomnia. Is it really worth it?

Professional traders know strength begets more strengths. Weakness begets more weakness.

Anticipate "now" what you think will be 'popular' later.

Most traders are never "happy" with their trades. Understand that no trade will ever be "PERFECT".

When a stock breaks out on big volume. The first dip will normaly bought up very quickly.

If you have no solid plan(i.e. Setup, proper entry, stop loss, exit strategy, target), then why are you in the trade?

Often times, the best trades require you to buy high and sell higher.

Learn to be patient once in a winning position. Learn to be very impateint when in a losing or questionable position  
Lowering a stop loss is the first sign of trouble. You are breaking the rules and emotions are starting to creep in. Careful when u see that.

Never ever, get into a position that is "too BIG" for the account size. All it takes is a bad trades to cripple you beyond repair.

It's ok to say " i am wrong and what do i need to do now?"

Always be aware of which stocks are exhibiting STRENGTH in a weak tape.

Always be aware of which stocks are exhibiting WEAKNESS in a strong tape.

Boredom trades costs add up and can hurt you. Be aware of when you are simply bored and looking to trade something  
"JUST TO TRADE"

You will never buy the exact bottom and you'll never exact sell the exact top: Don't beat yourself up if "you left money on the table"

EMOTIONS is what causes most traders to break their rules.

It's NOT the news that is most important, it's the REACTION to the news. Respect the price action.

Use YOUR gut. If it doesn't 'feel' right. Remove it. Reassess from the sidelines(emotion free).

Have a list of setups READY for the following day. Know the trigger prices ahead of time. Have plan: setup, position size, entry, exit, max loss and targets.

NO plan? NO TRADE!

10 times out of 10, Traders who carry BIG losses wishes they had respected their "ORIGINAL" stop. So, respect the ORIGINAL STOP LOSS, ALWAYS!

Over trading is the POISON for your trading. LESS IS MORE!

Never chase GAP UPS. Allow the first 45-60 minutes to pass by and then see what is setting up best intra-day.

You want to enter stocks that have the BEST bases on ALL TIME FRAMES. Weekly, daily, 60 min, 30 min, 10, 5 min. << the more time frames align, the higher the probability the trade.

Focus on finding "GOOD BASES" :: The longer a stock bases, the more meaningful the breakout.

Keep a balanced life. It's not all about the screens. Spend time with family, friends: They deserve more attention.