DAY TRADE INDICATORS™

7 DEVASTATING MISTAKES
Made When Choosing a TRADING SYSTEM

"Don't waste your time or spend one dime until you read this book."

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TABLE OF CONTENTS

INTRODUCTION

PROFITS. Whether you're an experienced trader or completely new to trading, it's the one thing we all desire. Profits are what allow you to make trading a profession rather than a hobby. Profits are what any business needs to stay in business. Keeping this idea in mind, many businesses involved in day trading are in business to make profits –*not* profitable customers. Due to the hundreds of options and trading methods advertised today, this book was designed to at least eliminate those that are plainly out to take your money and run.

Changes in the economy have placed the stress and burden of financial planning on the head of the household. Time, money, risk, education, and motivation are all factors that must be considered when deciding to trade your own money. Most of these factors are easily determined, but risk has multiple levels and is probably the most important factor to move forward.

Unfortunately, those who push trading education and trading systems know there are hundreds of thousands of uneducated buyers who will unwittingly buy their bad or even fraudulent products.
Some buyers like to be adventurous and learn as they go. If you're one of those people, please be sure to read all 7 Devastating Mistakes. Practice only makes perfect if the practice is beneficial. Some traders make money on luck, but if you want to make consistent gains, you need reliable skills. The markets needn't be a trip to Vegas. There's no need to gamble as there are ways to make very good money trading.

Each of the mistakes outlined in this book is current and widely 'practiced' in the markets today by thousands of new and 'experienced' traders. Be sure evaluate each mistake moving forward in trading and planning your financial future.

MISTAKE 1

No Ongoing Support or Continued Education

Before discussing Support and Continued Education in detail, we need to look at what is happening right now in the world.
Today, we live in an era where technology advances exponentially and computers are taking over the world. Let's pause there. Are computers *really* taking over the world? Recently we saw a spike in the Forex markets that caused the single largest change in the Yen that we have ever seen. Experts in all areas attributed this failure to robotic or 'bot' trading trading, which lost millions and millions of dollars on a single programming code.

The human mind is more capable than the most advanced computer and is expected to remain so for the forseeable future. Even when computers equal or exceed the capacity than the human brain, there is something that they may never have, and that is the ability to evolve and change. Charles Darwin once said, "It is not the strongest species that survive, nor the most intelligent, but the ones most responsive to change."
Fortunately, computers are not a living species, nor are they very responsive to change. Just as the world saw with these huge losses experienced trading the Yen, a human mind would have stopped the execution or the continuation of losses, which these robots could not.
What good is a system or trading tool if there is no support or continued Education to help me become more responsive to change?

There was a time when the market had just begun that certain candle stick patterns began emerging along with their respective names. *Dojis*, *Hammers*, *Hangmans*, and all different types of *cloud cover*. Traders that knew and understood what these many candles looked like and their likely after math could make millions on traders using older techniques.

Economics has made the rule of supply and demand very clear that if something works or is profitable, demand for that thing increases and the supply of money to be made (trading) decreases. So what then? What does a trader do with an old system that is no longer as profitable, if at all? Some go searching for the next golden goose and some refine the system using additional data to be unique or different to make profit on what is now the norm. This idea is what Continued Education is all about.
Today there are still traders who trade candle stick patterns but not candlesticks alone. They combine this knowledge with the current market conditions and other trading strategies.

Now what if I subscribe to an elite system but their Support or Continued Education costs too much? Well this is a common trick of the trade. Many if not most of traders lose their first trade without even trading. How? They pay far too much for the materials and education to learn how to make money.
If I subscribe to a system that only yields $4,000 a month but I pay $3,500 for coaching and trading, it is likely that my remaining $500 –if not more– goes to pay my broker.

Another likely predicament is you lose money learning how to lose money. As you will find in reading this book, there are many trading businesses that really don't care or accept any accountability if you lose money.

So even though you are learning and society has taught you that an education is good, there is nothing worse than learning bad practices and habits. Only good practice makes perfect, not just merely practicing. So when analyzing a system to trade, **verify first that there is reasonable support and continued education before you get all excited about what they are trying to sell you.**

Now the most challenging part of this chapter is to check-off the first two items with confidence. Ask yourself, "**Is their Continued Education *really* Continued Education** or more like Past Education?" Many system teachers will say they have Continued Education courses but they consist of ancient info from a past generation. **We need current, live info that is cutting-edge and relevant**. Relevant Continued Education will come in the form of **live webinars, and meetings**. Not old videos and books. Although this older info may be relevant, live info is important because past data can lose relevance as market conditions shift and advance.

MISTAKE 2

Vague Tools with No Specific Way to Replicate Results

If you are new to trading, which we'll define as having less than two years of solid exposure, then you still fall into the category of what I call a 'begging trader'. This is not a bad thing. Trust me, we've all been there. But if you fall into this category we need to have a little heart to heart about how you are going to find success.

You will NOT find success in merely getting signed-up with a trading software and support team. Just because you know how to push 'BUY' and 'SELL' and pull up a few indicators does not make you a pro.

The big players and brokers would like you to believe that but in reality, you're generously 'donating' easy money to the markets.

What I am saying is, software companies are often a part of a trading strategy but they should never be the strategy. What type of returns do you think you'll earn with free indicators and trading tips?

Let's not confuse trading software platforms with systems designed to work on or with these platforms. There are a few reputable companies that have proficient systems that work with charting software and even custom build versions of their software or indicators for their members only. This is not a guarantee that their system works but at least you're making some progress.

Many popular indicators out there such as, **MACD**, **Moving**

Average, **Bollinger Bands**, and **Fibonacci Retracements** have been around a long time. These are known by advanced traders as **Lagging Indicators**, due to the more experienced traders' common practice of taking profits on those using them.
When trading with **free or universal indicators** like those listed above, you may notice a slow response to your signal. Why? Because many savvy traders have devised multiple methods to keep themselves a step ahead of those using the free and common indicators by writing their own custom software and using their own highly refined indicators and robots.
Either way, I have yet to see a strategy or system that trades these indicators that can be consistently replicated. I am not referring to success replication but interpretation. **A true, successful system can be replicated to the exact measure** if others are to test its validity.

Retracement is a common phrase now heard among traders. Fibonacci and his retracement principles are often connected with retracement. Let me warn of a few new terms that I have heard that are basically Fibonacci retracements rebranded to sell at no benefit to you.
Pivot Point, **Prediction Points**, **Swing Marks**, **Buy or Sell Levels**, **Trade Levels**, are just a few common terms that businesses are using to get you to pay for techniques that are old and free.
All warnings aside, Fibonacci was a great man and a it's great tool to use for trading but never let it or its new names be the only tool on your tool belt. There are enough uneducated traders out there willing to 'donate' their money to the market, let *them*.

Let's examine some other tools that may appear enticing, yet be destructive. Let's touch on trading **announcements**. **Announcements or consumer confidence** can be very inconsistent and unpredictable. I have witnessed announcements with the exact same results have complete opposite reactions in the market.
Trading based on transpiring events and trying to predict market reactions is likely the oldest trading strategy. There are

some announcements that can be traded alone and are what we call “slam dunks” but it may take years practice to differentiate between those and other tempting trades that *appear* to be slam dunks. Again, announcements and consumer confidence are very good to know but letting this be the only tool on your tool belt will again have you ‘donating’ to the more experienced traders.

Lastly, and probably the most difficult trading system to find is one based on actual results. You may find a system that works with announcements, or one that works with indicators but does it make money?
I have run across systems that base trades off the moon’s gravitational pull, –and yes, even this system had testimonials. This is not uncommon and in fact, is easy to replicate. If I run 100 people through my doors, technically speaking, I should have a 50/50 chance of creating good traders. Any system, to make themselves appear legit, need only post a few successful testimonials on their website; which in reality may represent a very small percentage of their traders.

The point to take home is this: In your research, it’s not difficult to get real trading results from each system you’re researching. So when you read those testimonials touting success, do your homework to see if that’s the case with more than just a few traders.

MISTAKE 3

Unclear Entry and Exit Strategies

I recently came across a strategy that I knew was a joke. It was comprised of a single trade that made hundreds of thousands of dollars which they attributed to an education that they were selling.

I would like to load my discovery by first asking a couple questions: If a person decides to make a trade, what does he stand to gain? What does he stand to lose?

If a company or system wanted a good testimonial but didn't want the risk involved in making that kind of return, what could be done to mimic this type of testimonial backed-up with real trading statements?

One possibility is a **hedge**. A **hedge** is an opposing trade of equal value that offsets any profits or losses accrued by the first trade and is a likely scenario. The trader sets up two accounts and takes a trade in opposite directions. The profits of one even out the losses of the other and guess which one you end up seeing? The profitable account.

This is only one of many ways that educators are enticing customers to use their programs. When I see only a couple trades on a statement you know what they are doing.

Now let's say you see a trading statement with over a hundred trades, each showing huge amounts of profit. Looking at numbers you might think, "This must be a good system". The first red flag that you should identify is was there a **stop loss** in place? Traders with millions of dollars can trade the market on the smallest level and trade with no **stop loss** meaning that they allow the market to take big swings and never close bad trades. The only problem with this is, one bad trade could outweigh more than 100 good trades and wipe-out an entire account. So make sure the system has clear **stop loss** parameters used or has clear exit strategies.

A system with **no losses** should raise red flags because there is no such thing as a perfect trading system. You cannot trade and not calculate losses into the equation.

Another factor that I am seeing a lot now with educators is a lack of education on **margin** with using their system. It seems they purposely leave this out to give their system flexibility when you get **margined out** of a trade and want to blame them. **Margin** requirements should never be taught after you have experienced it by taking a loss. By this time it is too late. **Margin** must be clearly discussed and clearly understood by new traders.
What never makes sense and clearly defines amateur systems is when **margin** requirements don't meet their **stop losses**. Meaning your **margin** would kick you out of a trade far before your **stop loss** would. This is merely oversight of the educator, and if they miss this, what else aren't they telling you?

The last topic related to **entry** and **exits** is how **long** or **short** to make them. First let's talk about **exits**. When identifying an exit each strategy sets them out closer or further. Usually this amount is determined on what works. But some educators just throw a dart out there to determine this. Here is what you what to look for: Don't focus on the length. Rather, the winners to looser ratio. This is simple 3rd grade math. Find out if the total profit from winners outweighs the losses on the losers. Regardless of length or style this is how you can simply determine if this is a good strategy. Now there is an X-factor in this that must considered and that is: Whether to choose a **scalping** method (very short exits and stops) or **long term** strategies, (very long exits and stops.) The main consideration is your financial ability to trade one over the other. Many people think that scalping would involve less money than long term trading when actually the opposite is true. In addition

–and this is a personal preference– trade short term systems! With uncertainty in the world's economies and unsteady market conditions in recent years, **long term** trading is not as safe as it once was and **scalping** methods eliminate some risk by having limited time exposed to the markets.

MISTAKE 4

Paying for Seminars, Books and Videos

Let me say this at the very beginning just in the case you can't finish reading this today: **Seminars are glorified information that you can find on You Tube**. What I mean by this is seminars spend most of their time and energies teaching facts and old strategies that can be found on the internet for free.

I recently came across one seminar that was charging $3,600 for their six-hour introduction class –and all they covered were facts about the market. There was not a single thing taught about how to even trade it. But they handed out really nice binders, provided lunch and made the customers feel like this was a big secret. Just the fact that it *is* a seminar should put up the red flag. Seminars have been notorious for scamming people. What better way to do it than showing up to a town for a couple days collect a ton of money and then leave with no real contact info for unhappy customers to find you.

One key factor here that I hope you'll remember that applies to trading educators but also business in general: The way you get charged reflects how a business maintains a relationship with you. If they charge you everything up front, then they sold you something that has a high probability of making you fail. If they charge you monthly, then they likely have a product that depends on you being satisfied with it. In trading, educators that charge monthly fees are generally more supportive and more concerned

about you being successful because if you're not, they stop making money. Be cautious of large up front costs.
Books are always a good form of education and for the avid reader, a inexpensive way to learn about the markets. Unfortunately, to actually make money in the markets you are going to need a lot more than reading material to get you started. Trading platforms and software alone are changing so rapidly that any book discussing these matters that's more than two years old is out of date. Avoid those types of books for this reason.

I have found the best type of reading for traders often has nothing to do with trading and its information does not age with time. These books usually deal with the psychology and mental readiness of trading. Most traders think this part of trading is irrelevant, I believe it is responsible for 75% of your success. For those who are not big readers, identify these books and get them in audio format to listen to in the car or at the office.

With Technological advances in education and TV and PC media becoming more interactive, videos can be a faster, easier way to learn trading but again, come with the same precautions as all other forms of education.

One note worth mentioning is if you are thinking about getting started with a system and you find they don't have education videos, they are likely behind the times which may be a clear identifier of their program. We discussed You Tube and the plethora of free online educational trading information. A lot of what is out there is repetitive and even incorrect but no one can complain about free information. If you search long enough you will identify quality video producers and can learn a lot by perusing their videos.

MISTAKE 5

Systems That Don't Fit Your Financial Ability

Nothing will kill your profitability faster than your lack of or abundance of funds. There are two factors that are completely unrelated to the system traded: 1. Liquidity and 2. The market in which you are going to trade. Many educators and systems claim to have the same positive results in any market. While their claim may be true, how much money is required? Or the liquidity of the market may put caps on your profit.
In every market there are caps. Many **Forex** markets caps are traded in billions of dollars. Whereas in the futures markets, you begin capping out at around $5,000.

Let's first address the **Forex** market. Because so much money is exchanged on the **Forex** market (close to 3 Trillion daily) most traders will not have to worry about caps in terms of profitability. However, minimums are small but do exist. Many brokers have what is called a **micro account** where you can open an account for as little as five dollars. These accounts charge a little bit more in **spreads** but offer just about anyone the ability to trade it.
A normal or **Standard Account** usually starts around $500 and offers lower **pip spreads**. Keep in mind also that the **Forex** market takes their profit at the beginning by putting you however many **pips** behind your entry to pay the **spread** difference.

The **Futures** market is not for everyone and requires **CFTC** (Commodity Futures Trading Commission) standard minimums.

First off, most brokers will not allow you to open an account with less than $5000. In addition to this, **margin** per contract can vary from $500-$6000 a **contract** traded. These parameters are set to prevent losses that you could not cover. Also, the **Futures** market is a little more unreliable in terms of **liquidity**.
Take for example the **S&P 500** vs. **Silver Futures**. The **S&P 500** has many more people trading it and in translation, has more opportunity to make profits without **slippage**. **Slippage** is defined as the change in price not because of the reaction of participants but more so the lack there of. When the markets **slips** and there is not enough people participating to exit your trade you simply must wait until the price moves far enough to pull you out completely. This can result in huge losses or little profit if market orders are placed in times when there are not enough participants.

Conclusively I would say that the **Futures** markets can be a great place to trade your system but be very knowledgeable about the product, the time of day and **overnight margin requirements**. The best type of educator or system will already have direction on which market fits your individual financial requirements and the **leverage** at which it should be traded.

MISTAKE 6

Phrases that Sell Now But Lose Money Overall

Being in the industry, it is hard not to critique and listen for holes in various educator's pitches while they're trying to sell their system, or listening to remarks from potential purchasers. Regardless of where you go, expect them to be sold on their product and tell you it's the best.
You are going to be sold to regardless of where you go so put the cheesy pitches aside and really focus on the details of what is being said.

One recent pitch I heard was so convincing that the educator really didn't have to sell anything. All this company did is live trading and pointed out what they were using to make those trades. This is an optimal way to test what you're seeing but unfortunately state and federal regulations limit how you can go about this without proper licensing. Furthermore, most traders that do this have 12-20 years experience and as mentioned previously in this book, the system cannot be replicated because their **mind is most of the system**.

"Over 75 % **accuracy**," the salesman says. Your eyes light up and you wonder if he's being honest. The answer is most likely yes. The word accuracy will always be used as a tool to sell a system because it means absolutely nothing but sounds very promising. For example, there are systems that are 15% accurate but the system is set up in a way that if there were 100 trades the 15 winners outweigh the 85 losers. The opposite is also true. If a

company says they have 95% accuracy this means out of 100 trades 95 are profitable and the other 5 are not. Depending on stop losses if any, this could translate into a losing system if those 5 trades in losses outweigh the 95 winning trades.
So the question that immediately comes to mind after I hear "accuracy" is always "What is the overall **P/L?**" (profit and loss.)

"**Guarantee**," is a common word heard in sales pitches and is only valid when referring to a purchase price or satisfaction quality. It is neither legal nor ethical to make future guarantees on profits. The only establishments that can do this are Federally Regulated Banks, because if they default they are insured by the FDIC.
No mutual fund, 401k, stock, or trading account ever should have these words next to them and if they do, proceed with caution. You will rarely find these anymore but there are still rip-off educators and systems that will use these words and 'guarantee' results. If you give them money, they will likely never even invest it. Most people are up to par on this and you will always find risk disclaimers with any reputable company. In fact, in most cases, federal law requires a risk disclaimer on websites that meets certain requirements before they may begin trading. Again if they don't have this it doesn't mean their system doesn't work, it just means they are in violation of federal law and will likely pay hefty fees or be shut down altogether.

"**Even a monkey could trade this**," comes off the lips of a presenter while watching a demo. Truth is, he is probably right –and wrong. They did a study years ago where they put a monkey and a person in front of a computer and had them both trade for a certain period of time. By the end of the study the monkey had made more money than the human. Studies like this mean nothing because the study was not conducted over multiple participants. Had they done a test with 1000 monkeys and 1000 humans I think a much different conclusion would have resulted. The main principle here is salesmen will try to make trading easy and it simply isn't. It can however be simplified to where even a new trader is making money consistently over a two month period. But just in execution practices, a trader should have at least one month's practice putting trades in and out and understanding everything about their trading platform.

MISTAKE 7

Poor or No Broker Advice or Relationships

A trader who doesn't trade makes no money and neither does their broker. Trading systems that work have incredible broker relationships because traders that make money, keep trading and every trade is money in that broker's pocket.

Trades or no trades, brokers will still want you whether you're with them for a week or years. They will almost always speak well of whoever referred you so they can continue to receive referrals from that individual. They may even offer good rates.

There are a couple things to know when looking at a system to really determine how they make their money. Some educators for instance, make more money on you trading as **IBs** (introducing broker) than they do charging you fees each month. Most brokers set aside a certain amount of money that they can give to **IBs** who are registered for traders referred. The problem with this is many **IB** educators begin shopping for a broker that will pay them the best kickback rather than a broker who will best meet the needs of their traders. In my experience, it's a two-edged sword and a little research is required. One way to tell is most **IBs** are much more conservative in their marketing because everything they say and do is monitored and regulated. On the flip-side, educators that are not **IBs** usually will identify the best places to trade with because they have no incentive to do otherwise.

Another formality that is often overlooked are books, videos or even seminars that offer full courses on trading techniques and tips but **offer no reference on how to set up a broker account** or where to trade. Some of the largest trading platforms in the world offer no phone or email support. If your educator doesn't provide videos, support, or live help on setting this up then you have information that will never translate into actual trading. This is getting better and many of these online brokers are now offering support forums. But even these do not ever cover all the bases. Before you pay, make sure that you are getting not just an education but trading application tools and support.

One important subject that you will find almost no information on anywhere is **advice on taxes, retirement planning, and understanding interest** in trading. Taxes are a large part of trading because depending on how you set up your account can change the tax implications on a huge scale. Many people set up corporations to trade when they shouldn't and many traders trade and should have it in a corporate account.

Retirement planning actually goes hand in hand with taxes. There are many ways to set up your account that can contribute to your Traditional IRA's, ROTH IRA's and other tax beneficial forms of planning for retirement. All brokers work with their type of accounts but will usually neglect to mention them to customers and will not offer advice as to what type of account to open. As a word of caution, most of these types of accounts require higher account minimums to get started.

The BIGGEST MISTAKE

Black Box or Robot Trading

I first want to connect these **Robo** or **Bot** systems to the type of people Americans are becoming. There is nothing one wants more than **limited risk**, **no effort**, and **high returns**. In my experience this does not exist and if it does, it is likely to end-up hurting the majority of participants involved.
Regardless of the truth, this is by far the most popular form of trading today as computers and technology seem to attract customers.

In 2008 the S&P 500 hit all time lows, prompting the reformulation of just about every manual system and destroying virtually every automated system in existence. This was an exciting time as the playing fields were once again level for most participants and many trading floors, stock advisors and day traders all had to revaluate their trading methods and previous ways of doing business.
The problem that most robots experienced at this time was their inability to adapt to new market conditions and new patterns that had never been seen before. The markets had changed forever and so would trading.

Most robots or black box ideas have very little live testing and usually derive off of back testing. In other words, the systems are based off of old data and past results to entice their new contributors. The major problem with this is it is not hard to make tweaks to a system that was **back tested** profitable.
Once the market changed as we described in 2008, computers

began changing and adapting at an exponential rate. So how do black boxes keep up with that? Personally, I have yet to see one. I have seen many **back tested** results but few long term running. This would obviously mean one of two things would happen: Either the system would stop running and you would stop making money and pull out, or the system would lose money so fast that it would be too late to pull out.

The term "Robots and Black Box" are often a term now used like a wolf in sheep clothes. If someone is running a ponzi or has no intention of ever trading your money it is likely they will promote a black box / robotic system. Why? Because of the simplicity of making a back tested simulator that showed past profit.

I recently came across the story of a guy who claimed he was running a robot system but was actually trading the money himself. Why would someone do that? He found that using the term robot attracted customers but he personally traded it because he trusted his own moves more than a computer.
Now, this does not mean that there are not legitimate robots out there. I will say that if they *are* legit and not just using you to test them live, then you probably can't afford them.

The usual succession of robots is: 1. Find a profitable back tested system; 2. Test it on some uneducated participants (you) until it's profitable; and then 3. Sell it to trading floors, institutions, or wealthy private investors.

CONCLUSION

Is There a Perfect System?

No system is perfect but many are profitable enough to make a good living. If you properly research each system, testing it against the checklist below, your chances of finding the perfect/ profitable system for you are exponentially increased.

What would a system that passes the 7 Devastating Mistakes checklist look like?

- ☐ Ongoing support and cutting-edge continuing education
- ☐ Clear tools with a specfic method to replicate positive results
- ☐ Clear entry and exit strategies
- ☐ Free meetings, books and videos
- ☐ Meets your financial ability, $500 to $5M
- ☐ No red flag claims or phrases
- ☐ Offers broker advice and has broker relationships
- ☐ Does not involve robo trading
- ☐ Makes a profit

We hope you enjoyed this book and find success as a result of what you have read. If this book made you a fortune, saved you a fortune, or if you would like to see more self-help and educational publications from Day Trade Indicators, please consider donating $5, $10, $20 or $50 at DayTradeIndicators.com/donate.html

If you have any questions or comments about the ideas expressed in this book, please call us at 775-291-3589 or email Support@DayTradeIndicators.com
We would love to hear your feedback.

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3. Unclear Entry and Exit Strategies
4. Paying for Seminars, Books and Videos
5. Systems that Don't Fit Your Financial Ability
6. Poor or No Broker Advice or Relationships
7. Phrases that Sell Now But Lose Money Overall

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