

"I Can Teach Myself"



"I am teaching myself how to trade." One of the most famous one liners you hear from up and coming traders. When I started trading back in 2006, I was in the same camp. Young, brash and cocky as hell, *"I will DOMINATE the market because I'm smarter than everyone else,"* was pretty much my train of thought. When chatting with new traders, I hear the same brash overconfidence in their voices today.

Can you teach yourself how to trade? Of course you can. You can also teach yourself how to ride a motorcycle or speak mandarin. You can try, but no one said it will be the most practical way of doing things. Or safe. Please don't hop on a motorcycle trying to prove me wrong.

When starting off, most new traders tend to lose money. They might have an early winner or two but usually 3-6 months down the road, the luck runs out and reality sets in. If you are trading on leverage or margin, I would say about a month tops until most new traders have that blood-pumping, tunnel-vision feeling when they see their portfolio crashing down. Most newbies learn these lessons the hard way, and there's no tougher lesson than one learned when losing money. Trust me on that one. Most new traders (95%) tend to lose their initial deposit within the first year, which we chalk up to "paying the market's tuition." When I say pay, I mean blow up their account. Let's face it, the amount of money risked in the beginning isn't going to be life

changing either way. Maybe in that moment it seems like all the money in the world, but in the long run, it's a small toll most traders pay. Think of when you were a kid and someone older gave you \$20, you thought it was all the money in the world --- Now it's barely lunch at Chipotle. The new trader either licks their wounds and saves up for the next attempt, or just throws in the towel and calls it quits. *"The markets rigged!!"* They will claim. The biggest issue with trying to teach yourself isn't the loss of capital but the waste of time potentially applying the wrong strategies.

***"Success is doing what the failures won't do"* Trading Experts**

Trading is one of the most difficult skill sets in the world to learn, where 90% of the population loses money each and every year. You know how they say '*practice makes perfect.*' Well, growing up my football coach would always say ***"perfect practice makes perfect."*** If you're just out there going through the motions, are you really getting better? If you're trying to teach yourself to trade, attempting unproven methods and strategies that you can't explain in a simple manner, are you really getting better?

***"There's two ways to learn how to Trade --- through someone else's mistakes or the school of Hard Knocks"* Trading Experts**

We will go through my first trade as a rookie, so you can see how it took me over 2 years to figure out the most basic lesson of all: how to profit from a stock. This lesson is the one of the first lessons we teach our members, with most members picking it up in 15-30 minutes. If only I had someone to show me this stuff back when I first started, would have saved a lot of time and money!

The question is, why buy a stock? To make money or profit, duh. Simple, right? But how, how do you profit from a stock? That question what took me over 2 years to figure out.

My first trade back in 2006 was none other than the most talked about stock on the street, Apple. Now if you're not aware, AAPL had a 7-1 stock split back in 2014 when their stock was at \$645. So I didn't buy Apple at \$10 a share, it was about \$72 at the time.



The reason I bring up the stock split was because the amount of shares I purchased is straight up comical. Before looking below, take a wild guess how many shares of the then \$72 Apple stock I bought?

1. One fucking share. It still cracks me up to this day. Commission alone was \$12.99 back then so I was immediately down over 15% on my investment just from buying that 1 share at \$72. So just like most new traders, my main goal was to scrap up some money, run to the nearest broker, open an account, fund it and buy the first stock I saw. So easy right?! Now I have my 1 share of Apple, but now what?

I was in a huge rush to buy this stock but what the fuck do I do with it? I have not the slightest clue. So I start doing some research online, buy a bunch of books (that I don't read, or barely glance at) and tried to figure out why do people buy stocks? I had no clue what to do, other than stare at my portfolio of this one share with a strange look of bewilderment. Now on the outside, I'm cocky as ever, bragging to my friends *"I'm an investor," "I own Apple!" "What stocks are you guys in?"* Yet inside I'm scratching my head wondering what do I do with this 1 share?

As the days and months pass, I start to see the two main columns on my portfolio (\$ and % gain or loss) slowly go from red and losing money to green and profitable. Remember my commission put me over 15% in the hole right off the bat. Slowly but surely it started becoming profitable and I had that first *"Ah ha!"* moment about 6 months down the line. *"This is the reason why I buy stocks!"*



For me I was obviously lucky buying what would be the strongest stock of the decade, but for the most part, the new trader is buying a stock to watch it drop like a rock and never sees the light of day (profit). Most new traders buy cheap stocks, under \$10 a share, and those cheap stocks, tend to get cheaper as time goes on, while the expensive ones (the ones we trade) tend to grow as time goes on. That's another story for another day.

Fast forward almost a year later and Apple is up around 100% from my price so my \$80 investment is now worth \$160. BEAST, right? However, I still didn't grasp the simple concept that one has to **sell** their stock to realize a profit. After some brief euphoria I have the next, not-so-fun lesson. This is the ***"I should have sold it"*** lesson.

Now, Apple is dropping like a rock every day and that 100% gain is quickly getting erased much faster than it rose (another lesson you learn quickly from trading). My confidence is now at an all time low. I remember thinking, *"How could I be so stupid?"*

"I woulda sold when I was up 100% if I could go back in time" Hindsight trader



Professional traders will typically say the market reflects human emotions and this can be very true. We're currently at new all time highs (**January 2017**) in the S&P 500, Nasdaq, Dow 30, and Russell 2000 and guess what? Consumer confidence is at a decade high! (**Updated October 2017 guess what we're at even higher highs**) Sounds similar to me when I was rolling in the dough when I had AAPL up 100%.

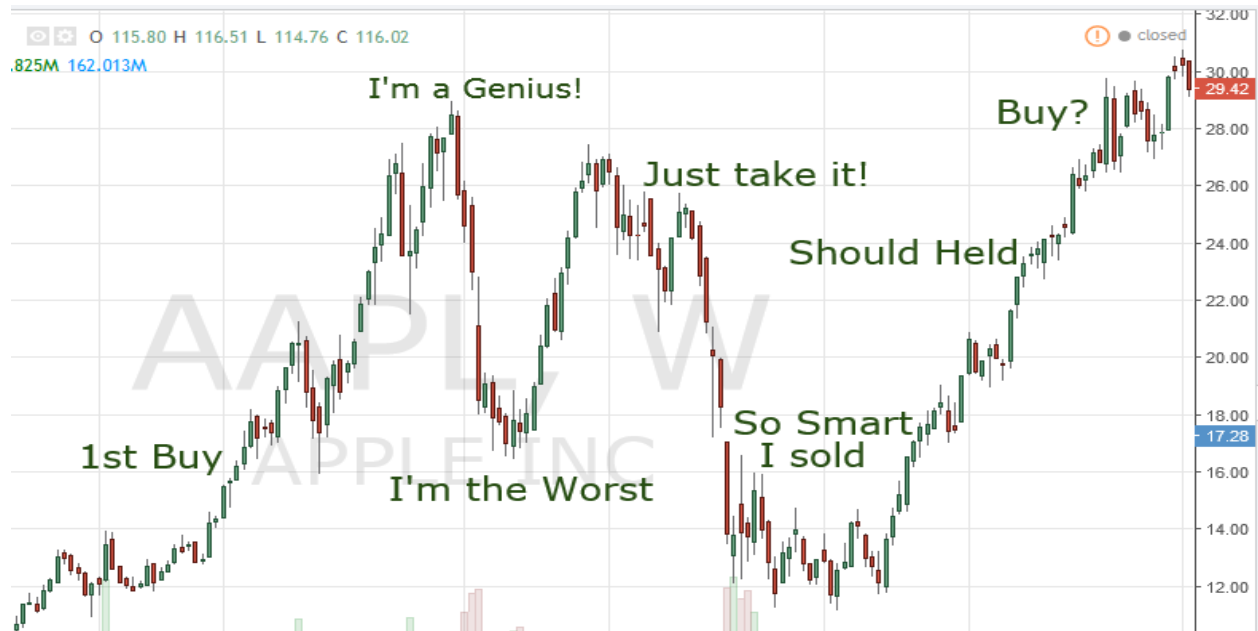
"I can do no wrong."

"I can make no mistake."

"My next stock will do the same in half the time!"

Yet when the stock is back at my price, I'm thinking, *"You IDIOT you were up 100%!"* That's when I started thinking, why don't I just cut my losses here? It's never going back to highs. I'm always wrong.

Wrong again. 6-8 months later Apple rose back near those prior highs and I simply sold it for no reason other than to make a profit. God damn that was exhausting! Except this time, I'm not pounding my chest telling everyone I'm the man or flexing any sort of trading muscles. I'm happy to have made it out of that one alive. Mind you, that was with ONE share!!



All said and done, it took me almost two years to make \$50 profit on \$80. On a percentage basis that's a pretty solid return, however that \$50 is meaningless. What mattered was that it took me two years to figure out you not only buy a stock, but have to SELL IT to make a profit! Groundbreaking stuff, I know. But when our members learn this lesson day 1, they're learning something that took me over 600 days to figure out.

“Winning & being a winning trader are two very different things” Trading Experts

Fast forward over the next decade, I have learned thousands of lessons from hundreds of thousands of dollars worth of profits and losses! When starting out, focus on learning and less on earning. If you learn and stay consistent with most things in life, the money will come. If you start off focusing on the money, and more importantly the money you're going to make with the small sum you are starting with as I did, it's a fool's errand.

“Pain + reflection = progress” Ray Dalio