

20 Years Later

Tom Hougaard

Notes

1. Notes to this talk will be available to download. I will give you the URL at the end of the presentation.
2. You are welcome to record on your phones.
3. You are welcome to take pictures of slides.
4. The notes will be in English.
5. Talen er på dansk.

Bio

Name: Tom Hougaard

Place of Birth: Hørsholm – Denmark

Date: September 1969

Higher Education: BSc Economics

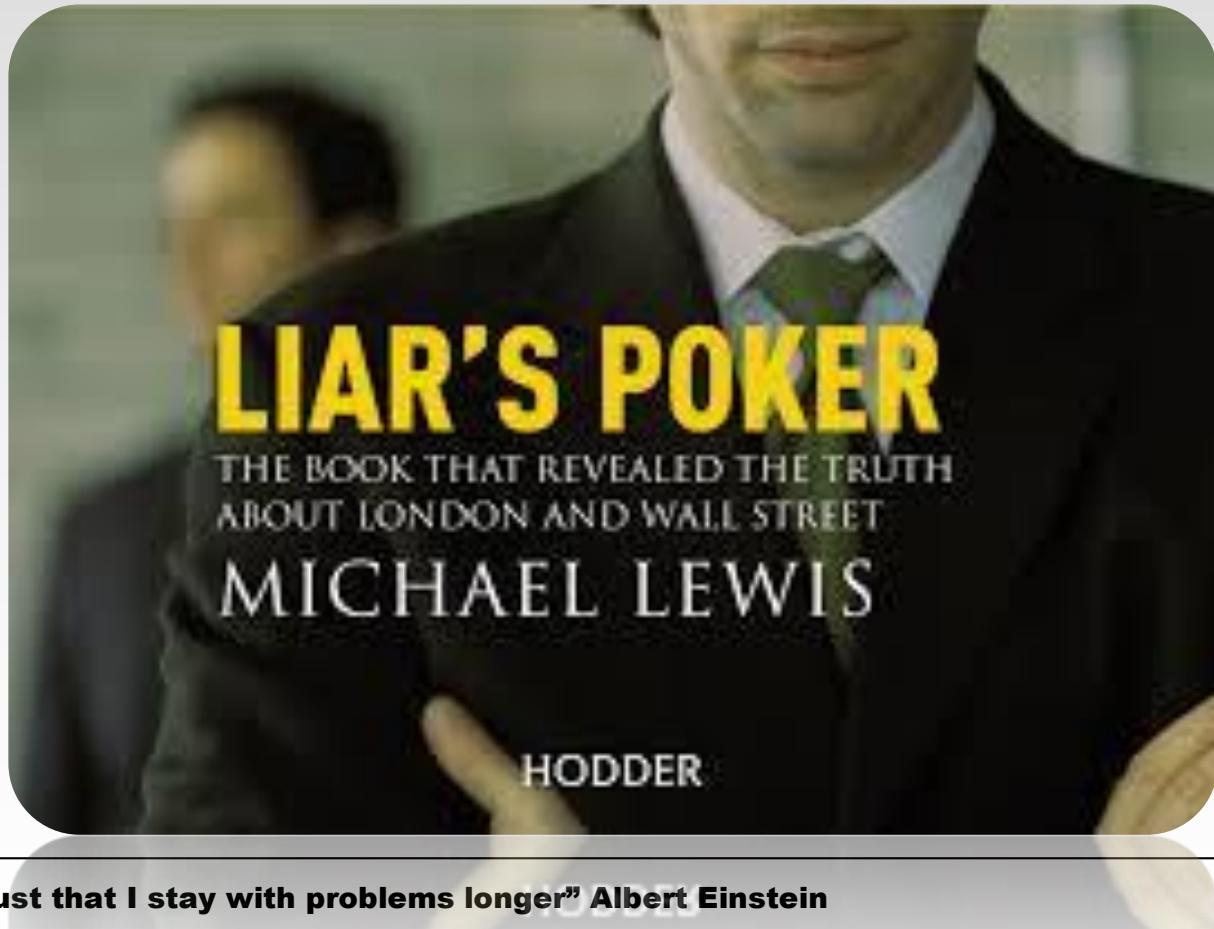
MSc Money Banking & Finance

Career Highlights: JP Morgan: 1997 – 2000

Home Trader: 2000 – 2001

City of London: Broker/Trader/Chief Market Strategist 2001 – 2009

Private Trader: 2009 - 2079



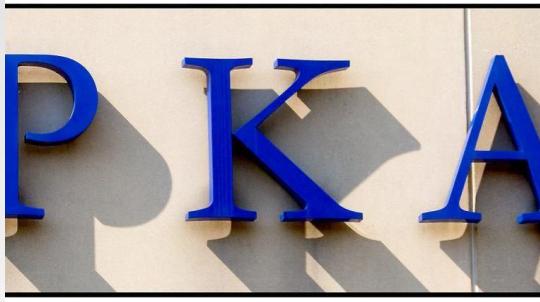
"It's not that I'm so smart, it's just that I stay with problems longer" Albert Einstein



“It's not that I'm so smart, it's just that I stay with problems longer” Albert Einstein



“It's not that I'm so smart, it's just that I stay with problems longer” Albert Einstein



"It's not that I'm so smart, it's just that I stay with problems longer" Albert Einstein







PRIFYSGOL
CYMRU
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OF WALES



UNIVERSITY OF
BIRMINGHAM

J.P.Morgan





PRIFYSGOL
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UNIVERSITY OF BIRMINGHAM

Taught me Economics.

Taught me how the world financial system is put together – at least back in the 1990's.

Taught me Economic History.

It didn't teach me how to trade!

The screenshot shows the Wikipedia article for "Ceteris paribus". At the top, there is a cartoon illustration of a small figure holding a wand and a sign that reads "THE ceteris paribus FAIRY". Below the title, there is a snippet of text: "Ceteris paribus or *caeteris paribus* is a Latin phrase meaning "other things equal"; English translations of the phrase include "all other things being equal" or "other things held constant" or "all else unchanged". [WikiPedia](#)". There are also several smaller images related to the concept, such as a map, a graph, and a person standing next to a car. A "More images" link is visible. At the bottom right, there is a "Feedback" link.

J.P.Morgan

Working for JP Morgan taught me an invaluable lesson about life:

You can work all the hours God gives, get to work at 5am and leave at 11pm, but unless you are prepared to go where other people will not, you are unlikely to get to where you **really** want to end up.

It means that work ethics is a must – but you have to be prepared to sacrifice it all. I did. I left JP Morgan, just as I was getting ready for a major promotion. You have to work with your heart. You **MUST** follow your heart. I sacrificed it all – just so I could follow my heart. I reasoned that I would rather fail spectacularly at something I loved than to succeed in something I couldn't give an F about.



I did approximately 1300 interviews on CNN, CNBC, Bloomberg, BBC in my 9 year career. You learn very quickly to adjust to “their” way of thinking. You learn to talk in “soundbites”. You learn the memory span of front desk journalists is VERY short-lived.

You quickly realise that journalists suffer from “news nausea”, akin to a junkie getting immune to the hit from his preferred drug. You learn that their focus is on the latest piece of news.

.. working on a trading floor. You observe human emotions and their associated behaviour through the prism of the financial markets: impatience – impulse buying – fear – panic buying and panic selling – hope – holding on to positions long past their “expiration” day – greed – stupidity – stubbornness – despair



City Index had 3000 active clients who logged in most days and traded stocks, currencies, commodities and stock indices. I must have been a witness to somewhere between 50m and 100m trades.

I recently spoke to a friend of mine, the CEO of a CFD broker in the UK. He has celebrated 30 years in the trading industry. He says he remembers perhaps 10 traders from those 30 years, traders who impressed him.

We are talking about a percentage so infinitesimal small that it makes you wonder why anyone would want to trade in the first place?



Trader Tom

The Tools..... is that the key?



DAIxetr									
cfd Daimler AG		DAIxetr - EUR							
Last traded	Net change	% Change	Open	Low	High	Prev. close	Last update		
68.350	0.000	0.00%	68.190	68.040	68.740	68.000	09:02:53	Deutsche Börse (XETRA)	
Realtime prices									
Orders	Acc	#	Size	Bid	Ask	Size	#	Acc	Orders
149	1	149	68.340	68.350	620	5	620		
1,555	9	1,406	68.330	68.360	1,096	9	1,716		
3,480	13	1,925	68.320	68.370	1,723	12	3,439		
5,938	15	2,458	68.310	68.380	2,915	16	6,354		
8,833	17	2,895	68.300	68.390	2,578	15	8,932		
11.2k	14	2,339	68.290	68.400	2,866	16	11.8k		
12.8k	10	1,588	68.280	68.410	2,457	14	14.3k		
14.4k	9	1,600	68.270	68.420	3,681	13	17.9k		
16.2k	11	1,812	68.260	68.430	1,024	8	19.0k		
16.4k	11	2,000	68.260	68.440	892	5	19.9k		

SaxoTrader GO

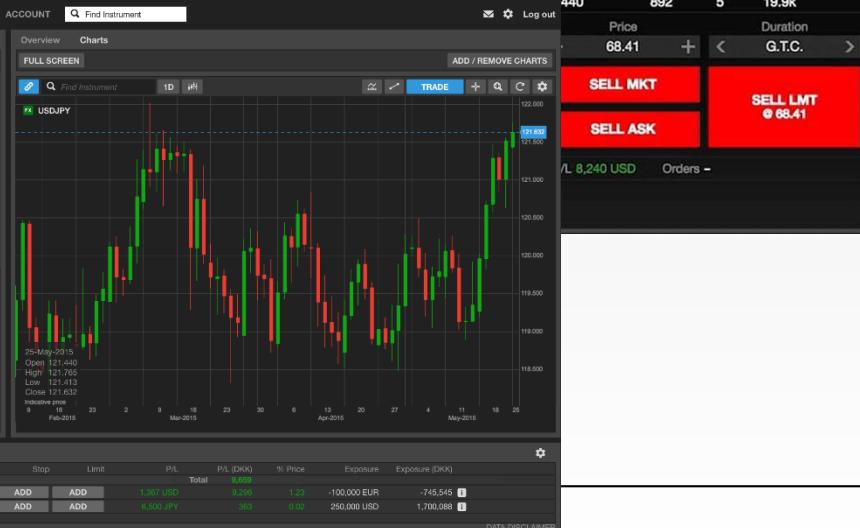
Watchlists Alerts Forex European

Instrument	BID	ASK
EURUSD	62.4	64.4
GBPUSD	86.2	89.5
EURJPY	34.1	37.5
GBJPY	35.9	42.9
USDJPY	63.2	65.5
EURCHF	45.5	48.5
USDJPY	72.0	38.0
XAUEUR	0.20	0.20
XAGEUR	0.00	0.00
EURGBP	77.4	80.4
XAUUSD	56.0	01.0
EURAUD	07.7	14.7
EURCAD	79.8	88.8

Positions Orders

Instrument	#	Status	L/S	Amount	Open	Close	Stop	Limit	P/L	P/L (DKK)	% Price	Exposure	Exposure (DKK)
Forex (2)									Total	9,698			
EURUSD	1	Open	Short	-100.000	1.1000	1.0983	ADD	ADD	1,367 USD	8,296	+2.13	-100.000 EUR	-745.545
USDJPY	1	Open	Long	250.000	121.616	121.646	ADD	ADD	6,661 JPY	563	+0.02	250.000 USD	1,700.088

DATA/DISCLAIMER



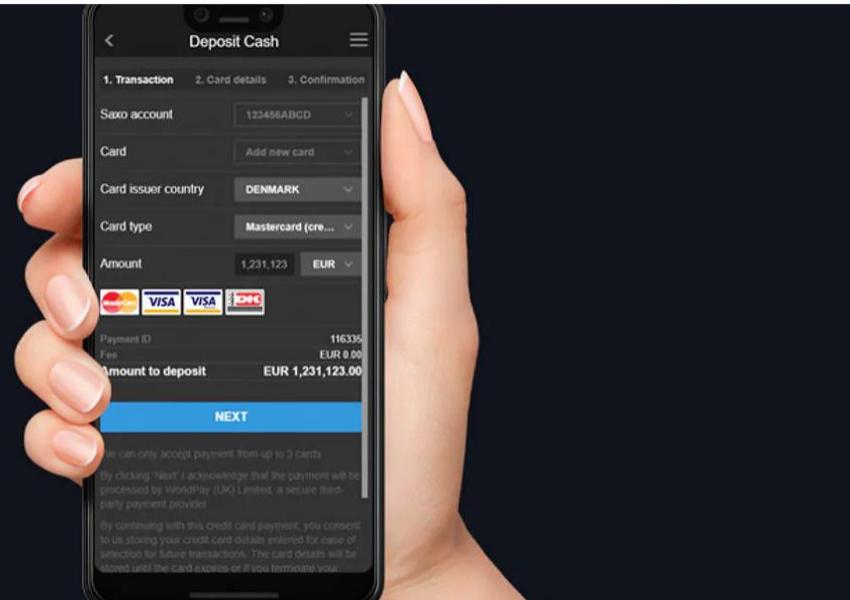


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- Bank transfer
- Stock transfer

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Saxo completes BinckBank takeover

We are pleased to announce that we have completed the acquisition of BinckBank.

[Find out more](#)

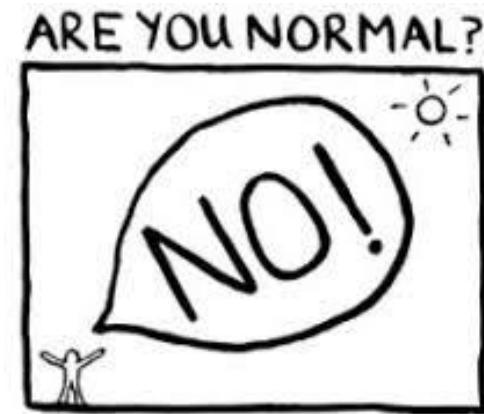
CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. **79.6% of retail investor accounts lose money when trading spread bets and CFDs with this provider.** You should consider whether you understand how CFDs work, and whether you can afford to take the high risk of losing your money.

ⓘ Trade Responsibly: CFDs and Spread Betting are complex instruments and come with a high risk of losing money rapidly due to leverage. 79% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs and Spread Betting work and whether you can afford to take the high risk of losing your money.



If this is normal, show me what is **not** normal.

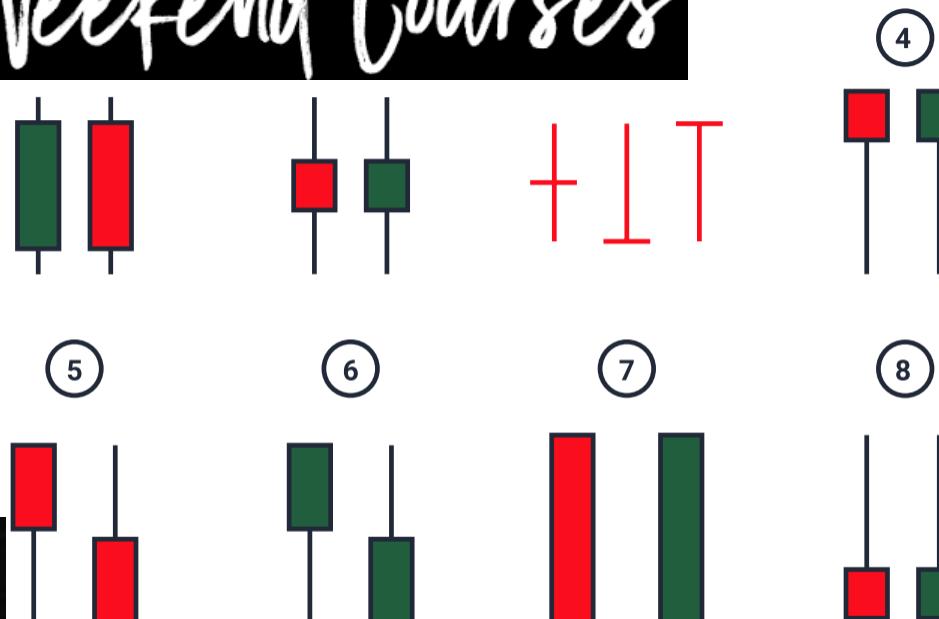
Show me the face of the “not normal” trader, the “I don’t belong to the 80% trader”.

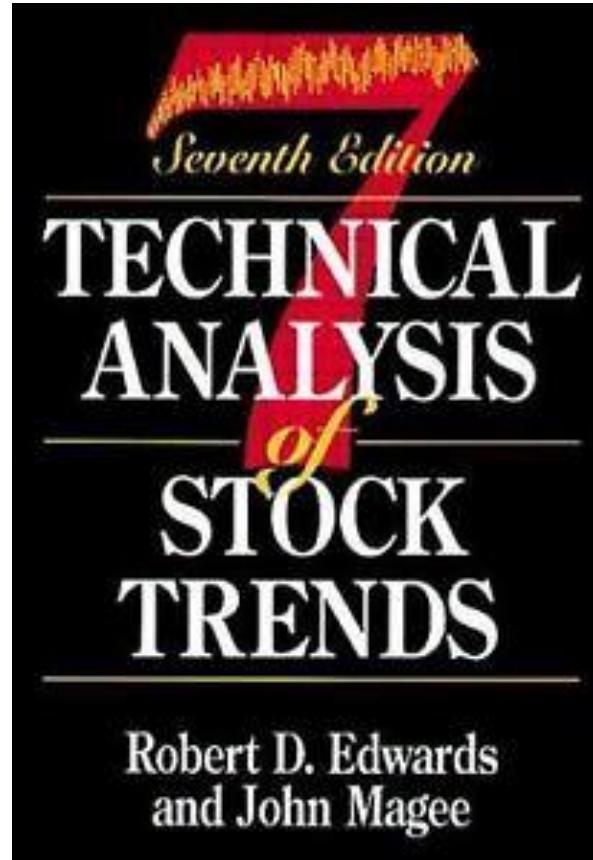


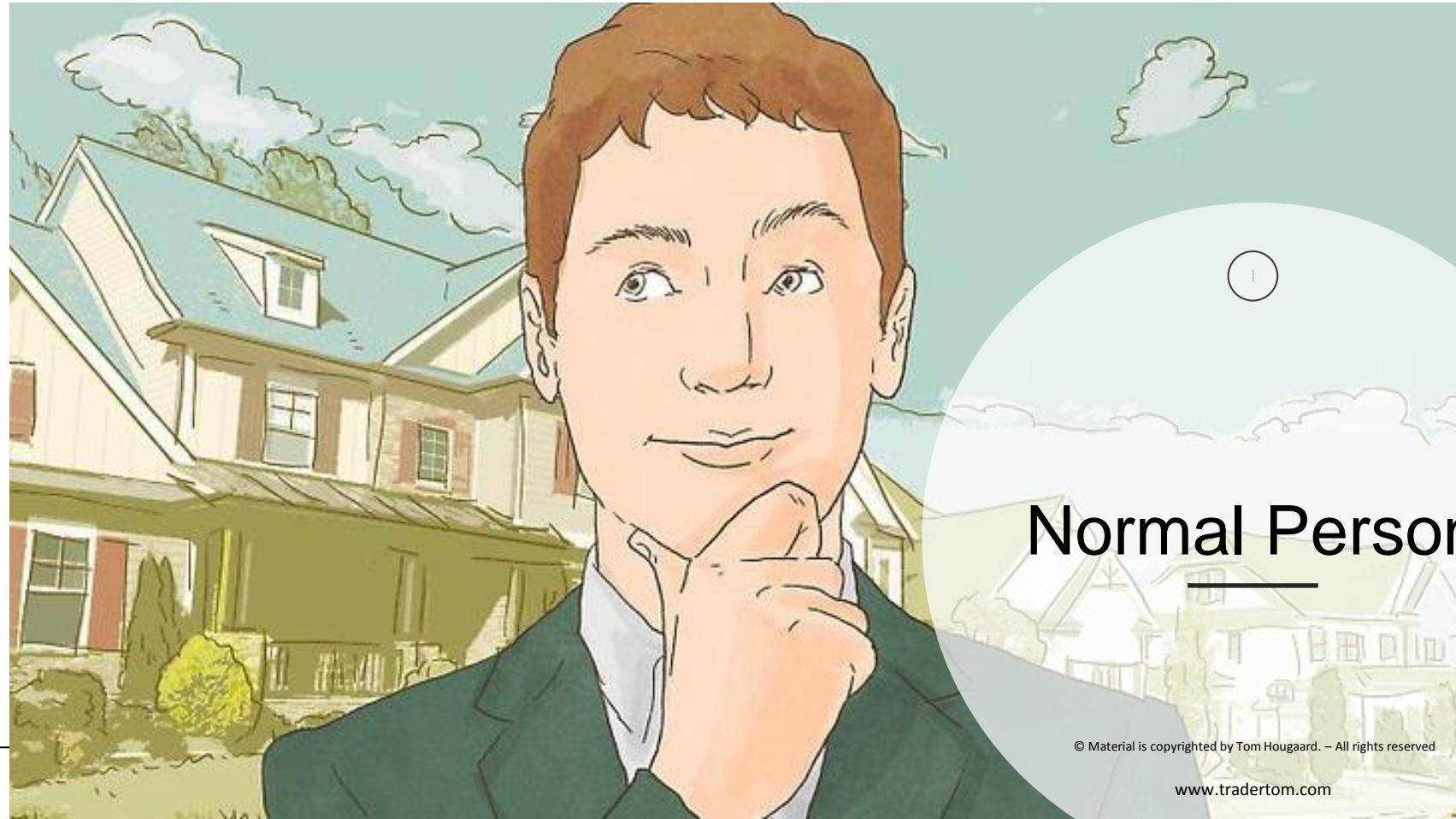
Am I Normal?



Weekend Courses







Tough Questions – Honest Answers

1. **Are people good traders?** Yes and No.
2. **Why “yes”?** More winning trades than losing trades.
3. **Why “no”?** They run their losses longer.
4. **How do you make money?** By letting people trade.
5. **Do you hedge?** We only hedge big traders.
6. **Do you have losing months?** Yes, at times, but very rare.
7. **What are your best months?** When the market is in a “runaway mode”.
8. **What’s the problem?** Clients have no emotional control.

What is Normal in Trading?

Your Answer

The Answer

Percentage winners?

Pips/points won?

Pips/points lost?

What is Normal in Trading?

	Your Answer	The Answer
Percentage winners?	-----	62%
Pips/points won?	-----	48 pips
Pips/points lost?	-----	82 pips

$$(62 * 48) - (38 * 82) = \text{140 pips deficit}$$



Sidestepping Sigmund Freud for a moment:

1. People love to find the low in a bear trend.
2. People love to find the top in a bull trend.
3. People think every reaction in a trend is the beginning of a new trend.
4. People are fearful when they should be hopeful.
5. People are hopeful when they should be fearful.

Why they do what they do, I will explore momentarily.

Action	Reason	Subconscious Reason
1. I am letting my loss run.	1. I am hoping.	1. Avoid pain.
2. I am letting my loss run.	2. Indicator/Fib/etc says so.	2. Avoid pain.
3. I am taking my profits.	3. You can't go broke taking a profit.	3. Avoid pain.
4. I am winning, so I am reducing my stake.	4. I want to take it easy now.	4. Avoid pain.
5. I am losing, so I am increasing my stake.	5. I am trying to get back to where I was.	5. Get rid of pain.
6. I made my points for today so I stop.	6. I am afraid to lose what I made.	6. Avoid pain.
7. Trading without real conviction	7. I am bored / or scared of missing out.	7. Avoid pain of boredom or pain of missing out.

Fear & Hope

People are **fearful when they should be **hopeful**.**

People are **hopeful when they should be **fearful**.**



Not So Normal Behaviour

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www.tradertom.com

In his biography by Fallon he says:

“The time you know you’ve become a good trader is that first day you were able to win by holding and adding to a winning position. There are many people here (in the pit)that have traded for a long time and who have never added to a winner.”



“Unfortunately, its only human nature to want to cut your winnings. Everett Klipp* taught me that. I am long and 6 and market goes 7, *SO GET ME OUT*.”

“That’s human nature. It is also human nature to ride the losses. I am stuck. Don’t sell.

The Message

“But when you are a good futures trader, everything you do hurts.”

You have got to fight it (your human-ness) unless there is a reason to do it, based on what you see in the market.



The Message

“But when you are a good (futures) trader, everything you do hurts.”

Wall Street	3,000.0	\$	25419.6	25135.9	kr851,150.00
	500.0	\$	25458.	25135.9	kr161,500.00
	700.0	\$	25455	25135.9	kr224,000.00
	350.0	\$	25469	25135.9	kr116,725.00
	450.0	\$	25455	25135.9	kr143,775.00
	200.0	\$	25441.	25135.9	kr61,100.00
	300.0	\$	25329	25135.9	kr58,050.00
	250.0	\$	25356	25135.9	kr55,250.00
	125.0	\$	25258	25135.9	kr15,312.50
	125.0	\$	25259	25135.9	kr15,437.50

Mental Foundation for Profitable Trading

1. Are you prepared to do what the 90% are not doing?
2. Are you aware of your weaknesses?
3. Do you have a routine to counteract them?
4. Are you pushing yourself? Or are you “Sunday golfing?”
5. Are you trading your account or are you trading your past trades, or are you trading the markets?
6. Do you have a metaphor or a philosophy that enables you to detach from the outcome?

Mental Foundation for Profitable Trading

1. Are you prepared to do what the 90% are not doing?

What does that involve? You need to create 2 things:

1. A method you can trade from. This is a strategy.
2. A philosophy – Not any old philosophy – but one that makes you different to the 90%



Sidestepping Sigmund Freud for a moment:

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I have accepted with every inch of my being, with every cell of my belief system, that I have no idea if my next trade will be the best trade of my life or a little loss.



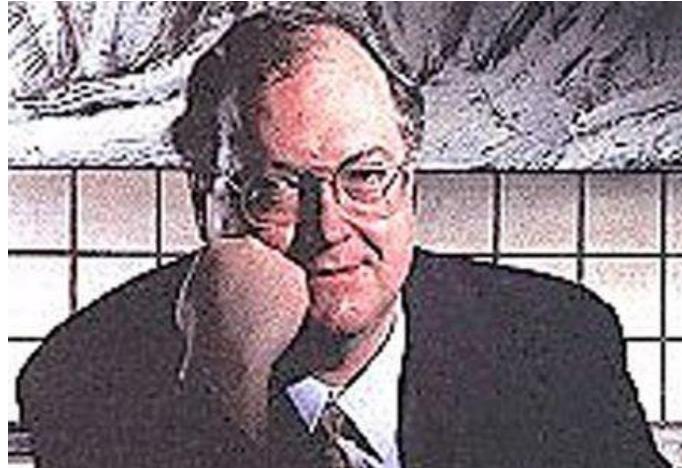
I know with every fibre of my body that this trade can easily turn into my worst trade ever, and bust my account if I let it. All I have to do is to act like the 90%, and “hope” at the wrong time, or “fear” at the wrong time.



I am not a fortune teller – I REALLY don’t know what will happen next - so my self-worth is not tied to the outcome of the position, but I am curious how big my profit can get.



I am conscious that if I want to be like the 90%, then I will consider “targets” and invent ideas when to get out, but I am not like the 90% - so I embrace the “pain” – the uncomfortableness – and run the trade – just to see how big my profit will get.



"To follow the good principles and not let fear, greed and hope interfere with your trading is tough. You're swimming upstream against human nature. There's nothing quite as good or bad as trading. They give you a number every day. That's what's good about it, and that's what's bad about it. That's what makes it hard. That's what makes it worth doing."

Richard Dennis

BigTV10

@EdMatts

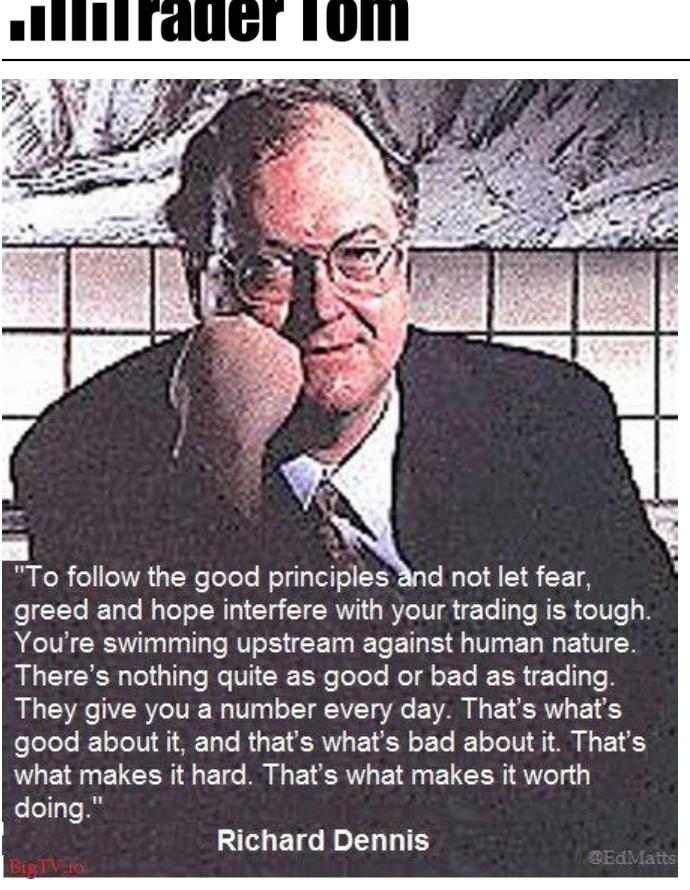
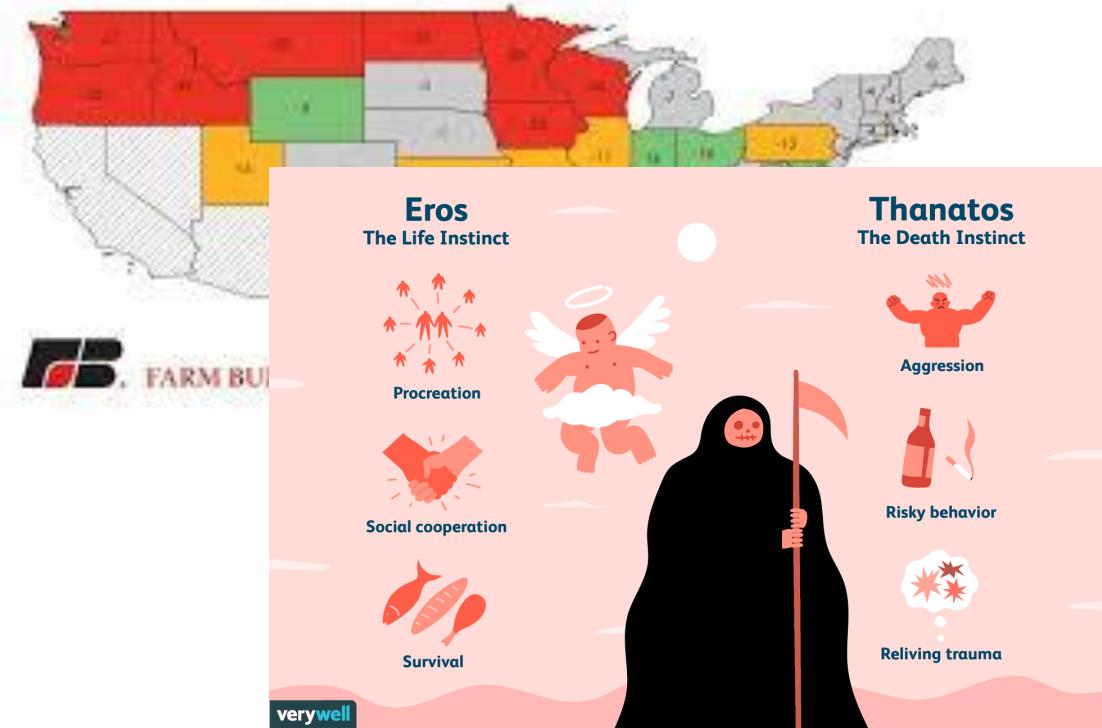


Figure 2. Year-Over-Year Difference in Corn Percent Planted
Based on May 7, 2017 Crop Progress
U.S. Average -14% Behind 2016



Maybe a little “new age” advice – but here goes

- 1. Making sure I am fit – strong body – rested body – rested mind**
2. Practicing detachment – what we do is not normal.
3. You can't have a standard attitude about money and do well in this business.
4. The best way to learn detachment is to practise it.

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Developing a Low-Risk Idea

1. High performance traders approach their preparation like a pro tennis player approaches his preparation to a game.
2. The 80% that loses with spread betting and CFD companies, they know chart patterns as well as the best of us.
3. Successful traders also train people, but their skills is unlikely to be transferred to the student? Why is that?
4. Because there is much more to trading than seeing a S-H-S pattern.
5. Why is it that there are more winning trades in our industry than losing trades?









LOG OUT

Cash Balance

kr227,789.68

Open Profit/Loss

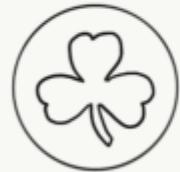
kr586,660.00

600.0	S	11991.0	11829.2	kr97,080.00
600.0	S	11992.0	11829.2	kr97,680.00
600.0	S	11982.0	11829.2	kr91,680.00
600.0	S	12000.3	11829.2	kr102,660.00
300.0	S	11979.8	11829.2	kr45,180.00
300.0	S	11978.5	11829.2	kr44,790.00
500.0	S	11924.3	11829.2	kr47,550.00
100.0	S	11926.8	11829.2	kr9,760.00
600.0	S	11906.0	11829.2	kr46,080.00



4,500.0	S	11289.4	11314.0	▲	kr-110,510.00
300.0	S	11288.3	11314.0		kr-7,710.00
350.0	S	11286.8	11314.0		kr-9,520.00
400.0	S	11285.2	11314.0		kr-11,520.00
500.0	S	11285.0	11314.0		kr-14,500.00
500.0	S	11279.0	11314.0		kr-17,500.00
500.0	S	11274.8	11314.0		kr-19,600.00
450.0	S	11295.2	11314.0		kr-8,460.00
500.0	S	11293.2	11314.0		kr-10,400.00
500.0	S	11292.7	11314.0		kr-10,650.00
500.0	S	11312.7	11314.0		kr-650.00
2,000.0	S	25392.4	25433.5	▼	kr-82,150.00
700.0	S	25378.5	25433.5		kr-38,500.00
300.0	S	25378.0	25433.5		kr-16,650.00
1,000.0	S	25406.5	25433.5		kr-27,000.00

Control Your Mind – Control Your Future



WHAT HURTS MORE,
THE PAIN OF HARD WORK
OR THE PAIN OF REGRET?

Jim Cramer: "Bear Stearns is Fine!" Tues, 3/11/08



BEAR STEARNS CO. INC. DL1 (BSC)









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Картопля молода, кг

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Акція діє в м. Київ, м. Бориспіль, м. Бровари, м. Буча, м. Вишневе, м. Черкаси, м. Тернопіль, м. Рівне

19,99

Акція діє в м. Київ, м. Бориспіль, м. Бровари, м. Буча, м. Вишневе, м. Черкаси, м. Тернопіль, м. Рівне

59,99 ₴^{68,99}

Акції в супермаркетах »

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Ковбаски-гриль з печінкою охолоджені, кг **-11%**

Ніжки курячі Апетитні охолоджені, кг **-14%**

Шашлик свинячий Барбекю охолоджений, кг **-11%**

57,99 ₴^{64,99}

НАШЕ Виробництво

Акція діє в м. Київ, м. Бориспіль, м. Бровари, м. Буча, м. Вишневе, м. Черкаси, м. Тернопіль, м. Рівне

55,99 ₴^{64,99}

НАШЕ Виробництво

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79,99 ₴^{89,99}

НАШЕ Виробництво

Акції в супермаркетах »

Акція діє в м. Київ, м. Бориспіль, м. Бровари, м. Буча, м. Вишневе, м. Черкаси, м. Тернопіль, м. Рівне

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6.⁹⁹

Affligem Blond
6 x 0,33 l



35% KORTING
6.49

4.²²

Brand IPA
6 x 0,3 l



2E HALVE PRIJS

6.⁹⁹

Leffe Blond abdijbier
6 x 0.3 l



6.⁹⁹

La Chouffe Bier
4 x 0,33 l



2E HALVE PRIJS
6.⁴⁹

Leffe Zomer 6pack
6 x 0,33 l



10.³⁹

Corona Extra pils
6 x 35,5 cl



5.²⁵

Jillz Raspberry
6 x 0,23 l



4.⁷⁹
3.¹¹

Brand Weizen 0.0%
6 x 0.3 l



5.⁶⁹

Hoegaarden Belgisch witbier
6 x 0.3 l



6.⁸⁹

Karmeliet Tripel .
4 x 0.33 l

Meer om mee te proosten?
[Bekijk meer speciaalbier](#)







Technical Analysis vs. Fundamental Analysis



Opinion: Technicians vs. analysts in a CNBC stock-picking slapdown: Who wins?

Published: Sept 4, 2015 5:01 a.m. ET

 700  122   135

Aa 

New study provides definitive answers



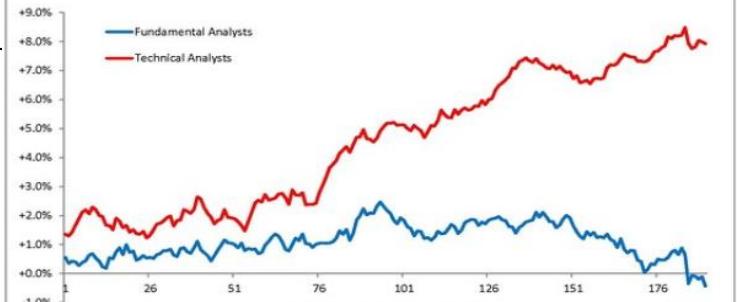
CHAPEL HILL, N.C. (MarketWatch) — The age-old debate between technicians and fundamental analysts appears to be on the verge of being answered.

Over investment horizons ranging from one month to one year, top technicians come out well ahead of leading analysts.

In fact, according to the academic study that reached this conclusion, it's not even close: While the average buy recommendation from well-known technicians outperforms the broad stock market by 8% over the subsequent nine months, the average stock recommended by leading fundamental analysts underperforms the market.

Do technicians talk better numbers?

Performance relative to market of "strong buys" on CNBC/Yahoo's Numbers" show



Doron Avramov, Guy Kaplanski, Haim Levy

Consider first the stocks that the technical analysts identified as strong buys. They on average proceeded to outperform the overall stock market by 7.9% over the subsequent nine months, while the stocks they recommended as strong sells underperformed by 8.9%.

That spread of 16.8 percentage points is highly significant from a statistical point of view. As the professors put it in their study, it means that "technicians display rather impressive stock-picking skills."

Contrast that with the performance of the fundamental analysts. The researchers found that their strong buys proceeded on average to underperform the market over the nine months following recommendation — though not by enough to conclude at the 95% confidence level that these analysts were actually worse than random. Even worse, the stocks that these analysts rated as strong sells did not perform appreciably differently than those they considered strong buys.

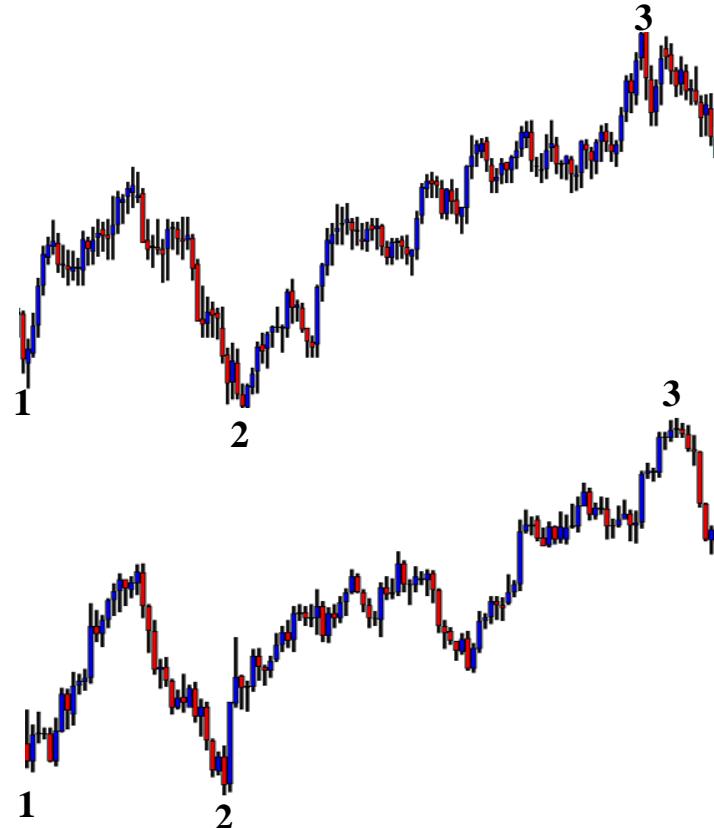
It won't be easy for fundamental analysts to wriggle out from underneath the weight of these results. Since the TV show creates a head-to-head comparison on the same stocks over similar time horizons, the usual escape valves have been closed off.

It is the same market.

The top chart is a 5min chart.

The bottom chart is a daily chart.

Both are Euro Dollar

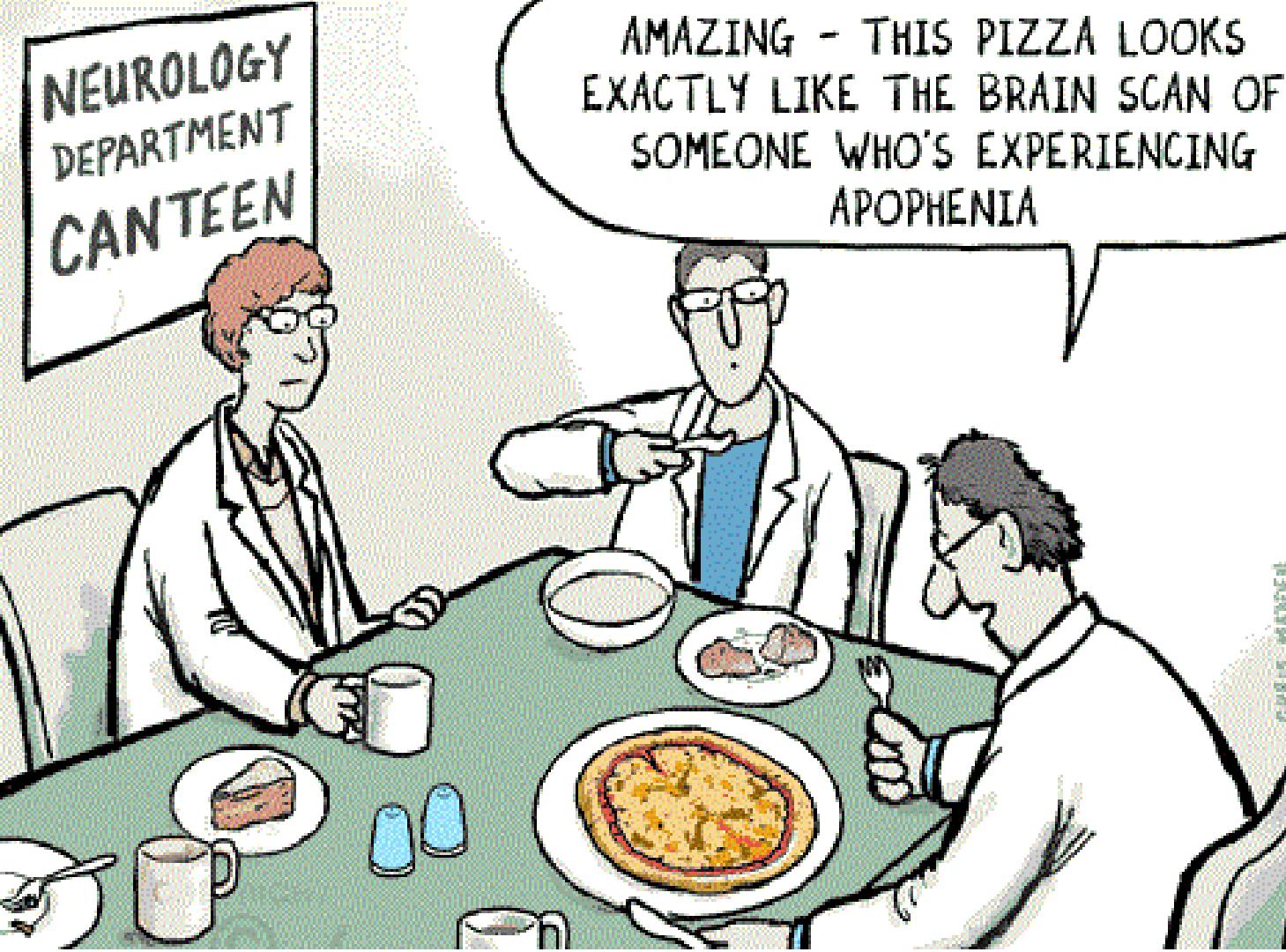




Holy Grail



The Holy Grail is a treasure that serves as an important motif in Arthurian literature. Different traditions describe it as a cup, dish or stone with miraculous powers that provide happiness, eternal youth or sustenance in infinite abundance, often in the custody of the Fisher King. [Wikipedia](#)



Apophenia – also called “patternicity” is a common cause in people trading.

Think about the nature of all indicators.... What is their common purpose?

Reversals

Apophenia (/æpəʊ'fiːniə/) is the tendency to mistakenly perceive connections and meaning between unrelated things. The term (German: Apophänie) was coined by psychiatrist Klaus Conrad in his 1958 publication on the beginning stages of schizophrenia.

Apophenia - Wikipedia

<https://en.wikipedia.org/wiki/Apophenia>







We don't
see things
as they are,
we see them
as we are.

-Anais Nin

mediawebapps.com



Deception of Charts



The “Deception of Charts” is that our EYES will seek out that which confirms the fact you are seeking to prove or support the bias you have already established.

08:00 09:00 10:00 11:00 12:00 13:00 14:00 15:00 16:00
07/04/12

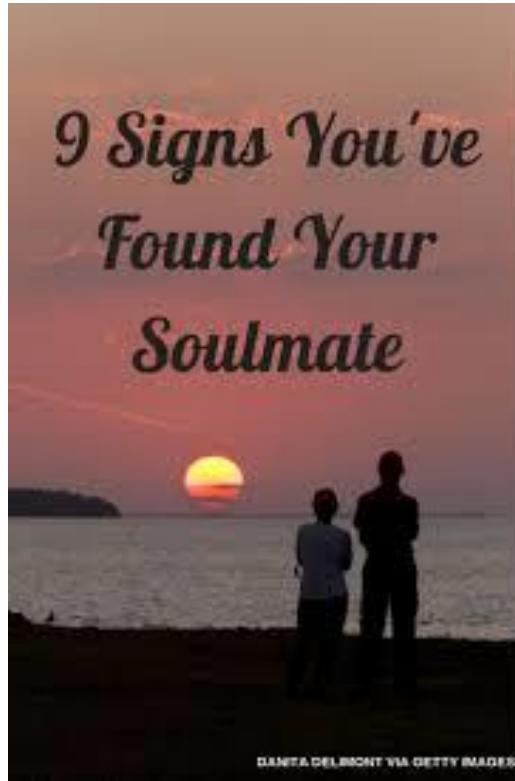
Deception of Charts



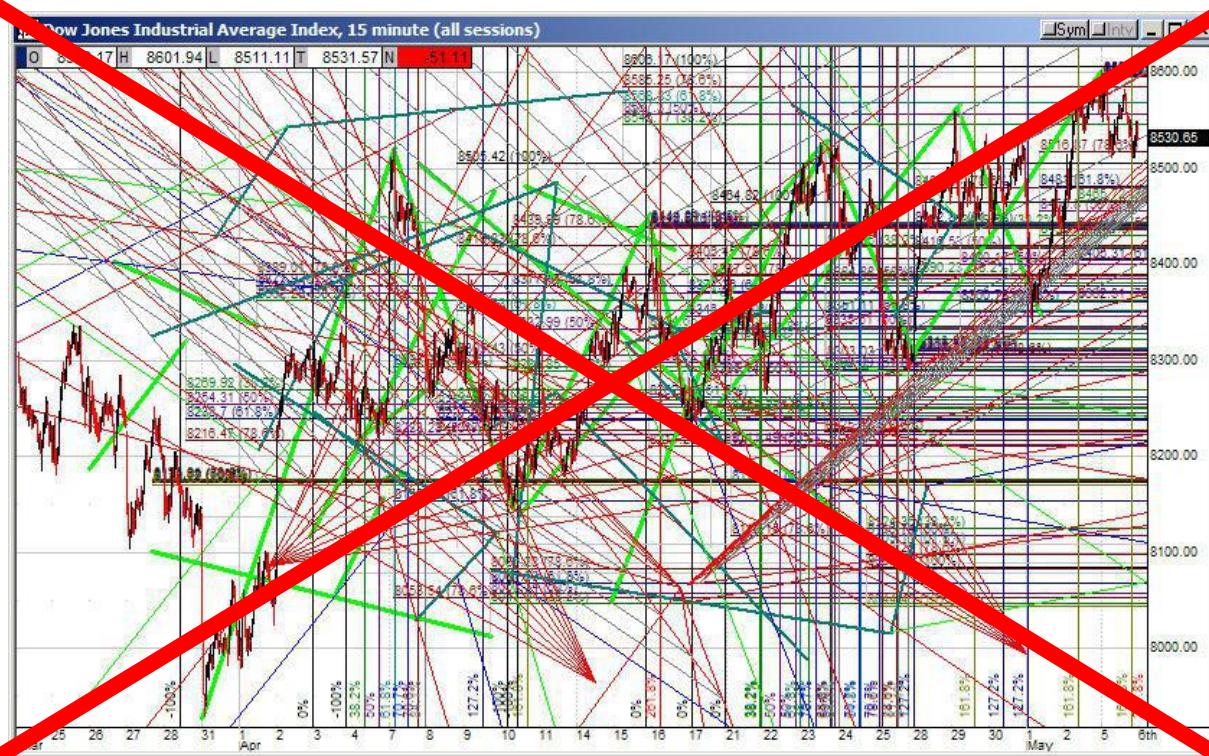
The “Deception of Charts” is that our EYES will seek out that which confirms the fact you are seeking to prove or support the bias you have already established.

Deception of Charts





That the perfect trading setup exist – and that it can be bought!!!













What do you want to do?

1. Buy because it is a bullish doji?
 2. Sell because at top of trading range?
 3. Your answer please?





TraderTom

DAX failed to attract buyers..... I am looking to sell short again....

386 11:03

TraderTom

Trader ALERT 50% position.... short DAX at 11,295

• 383 11:04

TraderTom

stop loss at 11,315 381 11:04

TraderTom

I cut my trading size I have a string of losing trades behind me....

381 11:04

TraderTom

I hate to even say this, but I am finding today hard to understand.

379 11:06

TraderTom

TRADE ALERT WATCH DOW... I AM SHORTING DAX again now

328 11:27

TraderTom

11,280 327 11:27

To me DAX fails at the most critical point, where it has a chance to clear the trading range of the last 16 bars, and push towards new highs, but it fails.



High: 11374.2 Low: 11240.3 (-0.29%)

Period: 5 min Chart Type: Candle Price: Mid



Germany 30 - Google Chrome

ETX Capital (Monecor (London) Limited) [GB] | https://trade.etxcapital.com/itrade/TearOff.html?childType=MarketChart2&childID=MarketChart2X101&appManID=1&lang=EN&acf=null&theme=null&z=1550505085873&fontList=MyriadPro.swf&lcts=true

Charts Studies Drawing Options Settings

In 13s

High: 11374.2 Low: 11240.3 (-0.29%)

Period: 5 min Chart Type: Candle Price: Mid



High: 11374.2 Low: 11240.3 (-0.29%)

Period: 5 min Chart Type: Candle Price: Mid



What was your answer?

When I asked this question last week to 120 people over 3 days, the vast majority said (98%) said “sell short”. A few said “buy”.



What do you want to do?

1. Buy because it is a trading range
 2. Sell because it is lower highs and breaking below support
 3. Your answer please?

It may look negative but
CONTEXT is up. The market
doesn't reverse nearly as often
as you think it will. Most
“reversal” bars fail!!!

Now what do you do?

What do you want to do?

1. Buy because it is a bullish doji?
2. Sell because at top of trading range?
3. Your answer please?

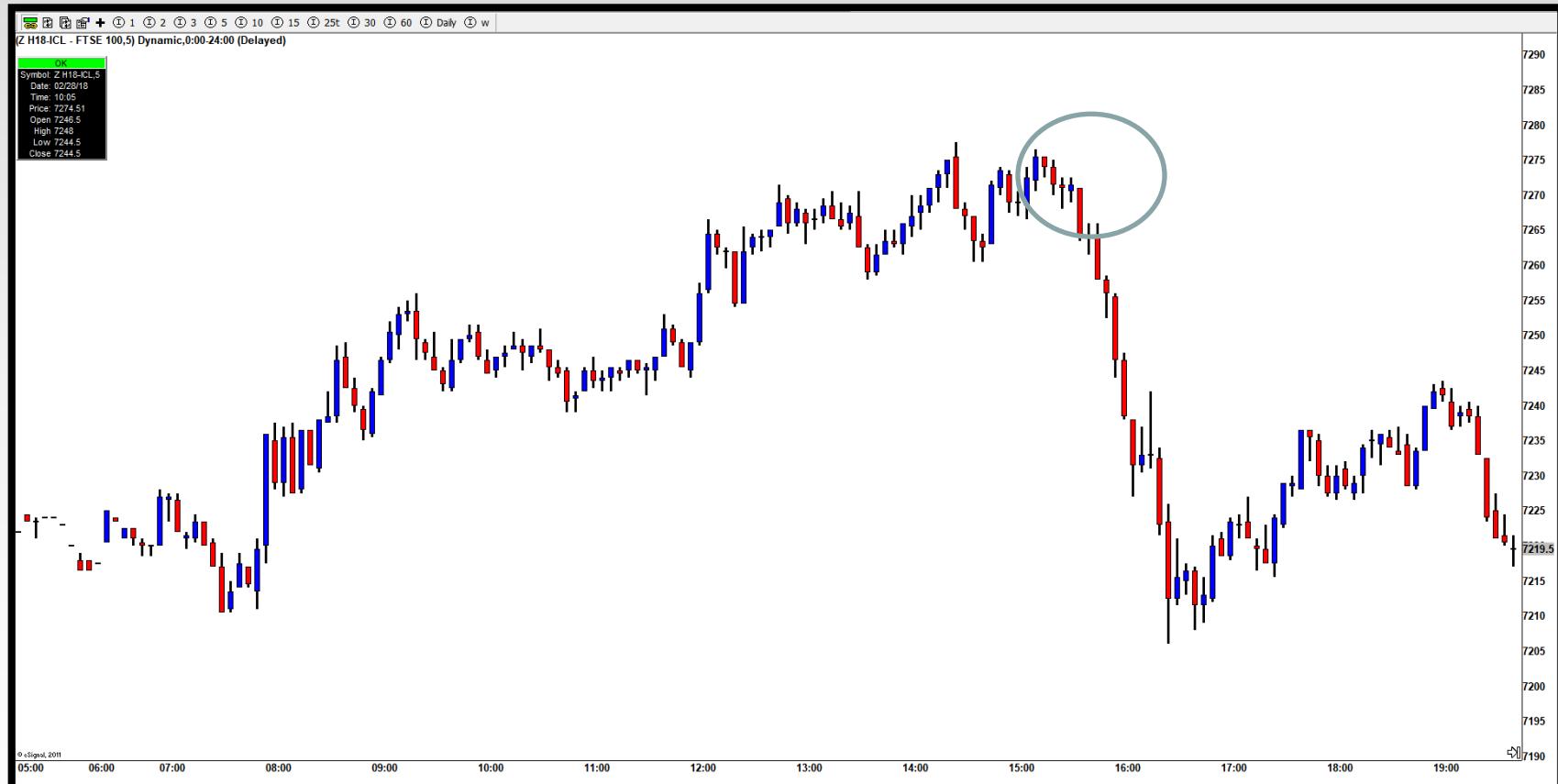


The market continues higher.
What do you want to do now?
Buy? Another Sell Short? The
answer is on next page where
the chart continues from the
circle.....





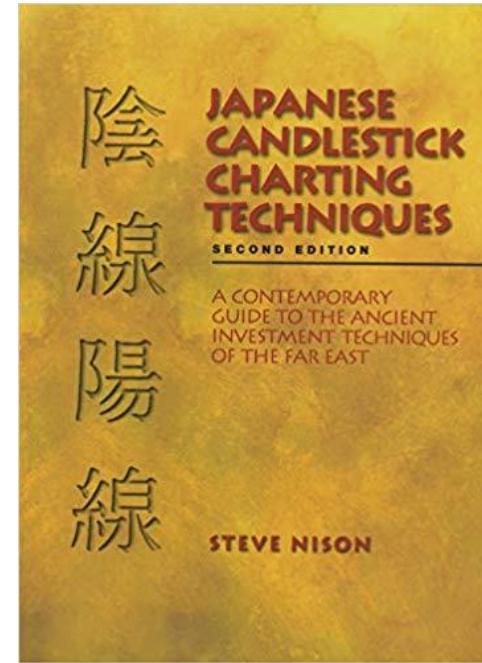
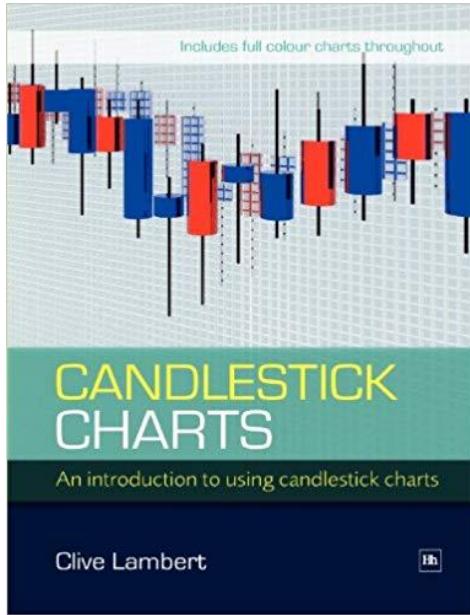




The Nature of the Game – not helping you

1. The players change – the brokers change – but the game never changes – because **you** are the game.
2. History clearly shows that the game of trading has never changed (e.g. 15k Merrill Lynch commodity clients data 4x losses vs. gains – empirical research – Larry Livingstone).
3. The very thing supposed to help you is what is keeping you trapped.
4. Charts are not a solution – they are an ingredient – but one ingredient does not make a dish.
5. The solution is not more charts – more indicators – because that is what everyone else is doingand.....they are mostly wrong!!!!
6. Everyone else is losing – thank you ESMA for pointing this out to us.
7. Remember – The “reptile mind” is there to protect you from pain – so introduce pain slowly..

The individual components of a chart: Bar chart – Candle Chart etc.



Characteristics of charts: Trends – Trading Ranges -

Download my free Trading e-book

The First Trading Manual is an e-book I wrote for both beginners and people with some trading experience.

I wrote it after a student of mine showed me the notes he had received at a weekend course on trading. It had cost him £3,000. I decided to create an e-book with superior content to the course, and give it away for free. The 180-page manual will take you through a host of topics. After reading this manual you will be in a better position than my friend, who took the £3,000 course.

First Name _____

Last Name _____

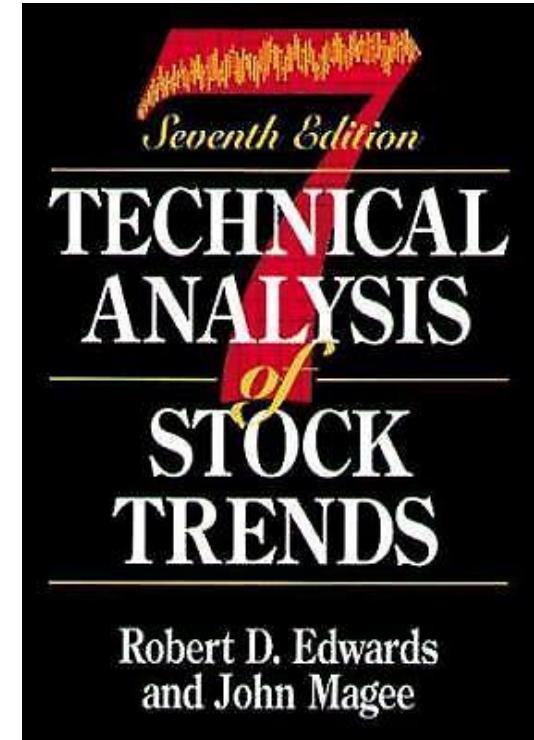
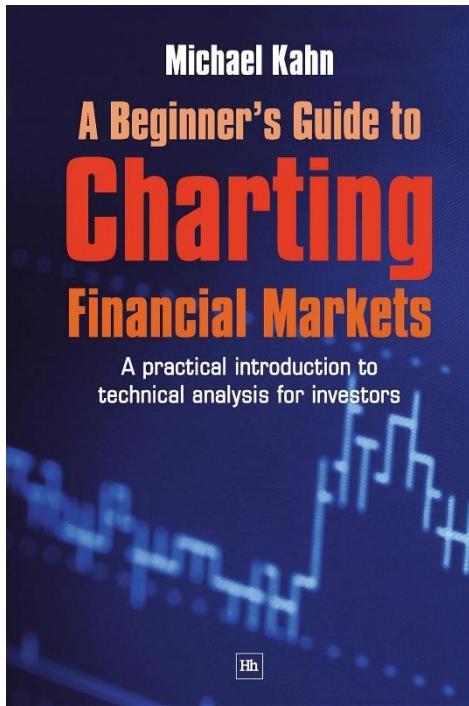
Email _____

I agree to the [Privacy Policy](#)

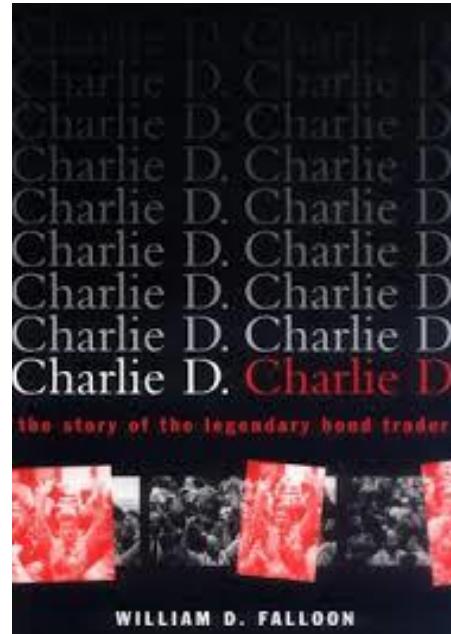
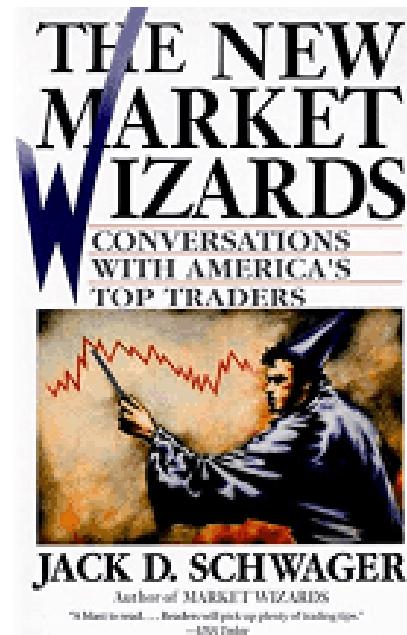
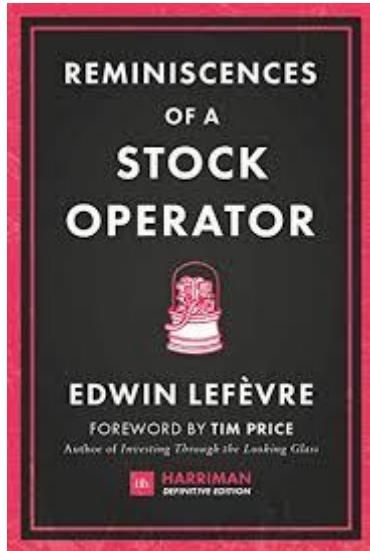
Download 

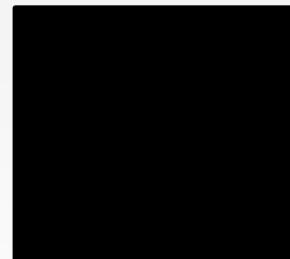


Patterns such as Double Tops – Head & Shoulders – Cup and Handle



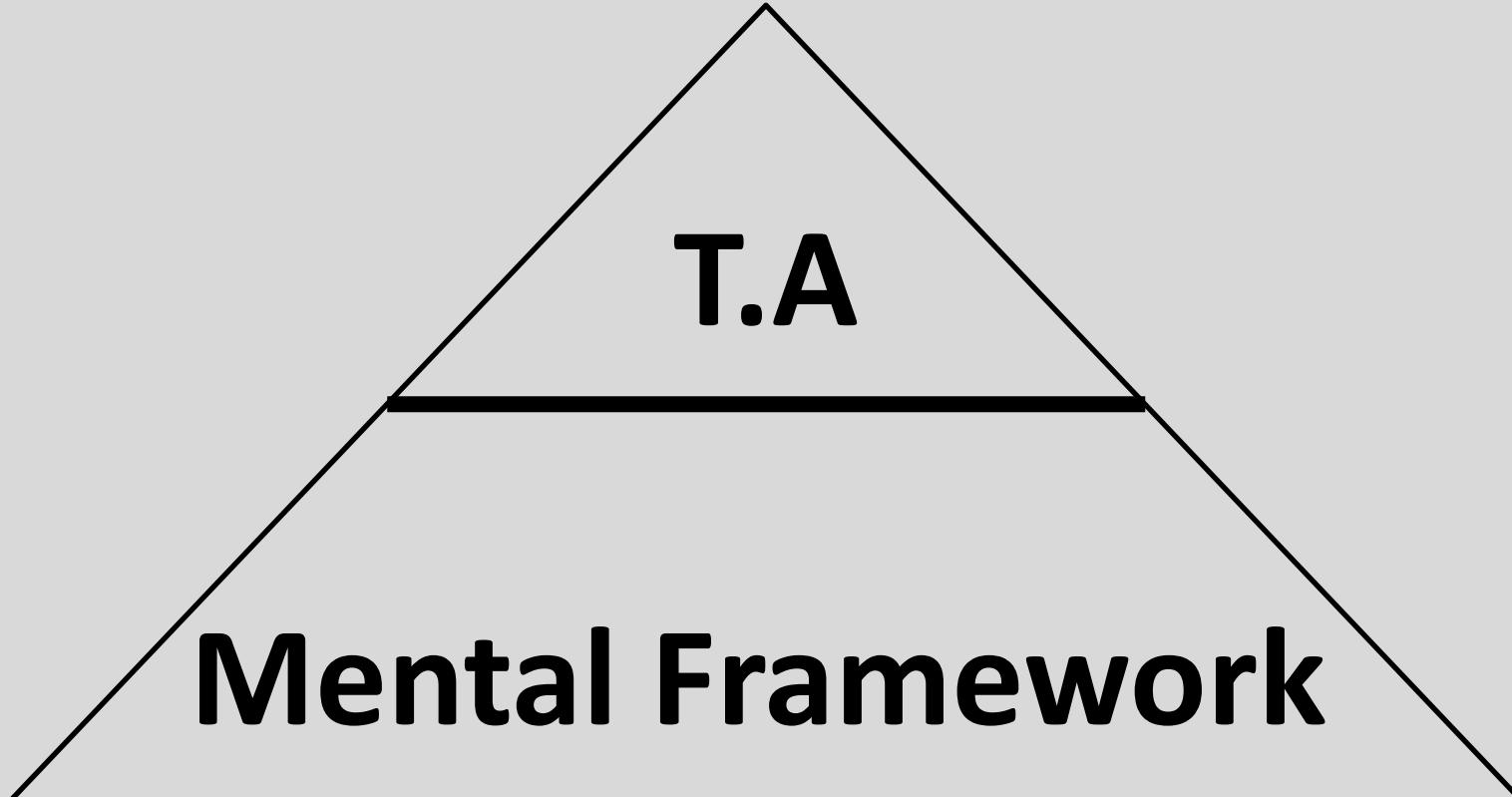
Life as a trader





RED YELLOW GREEN

BLUE BLACK WHITE

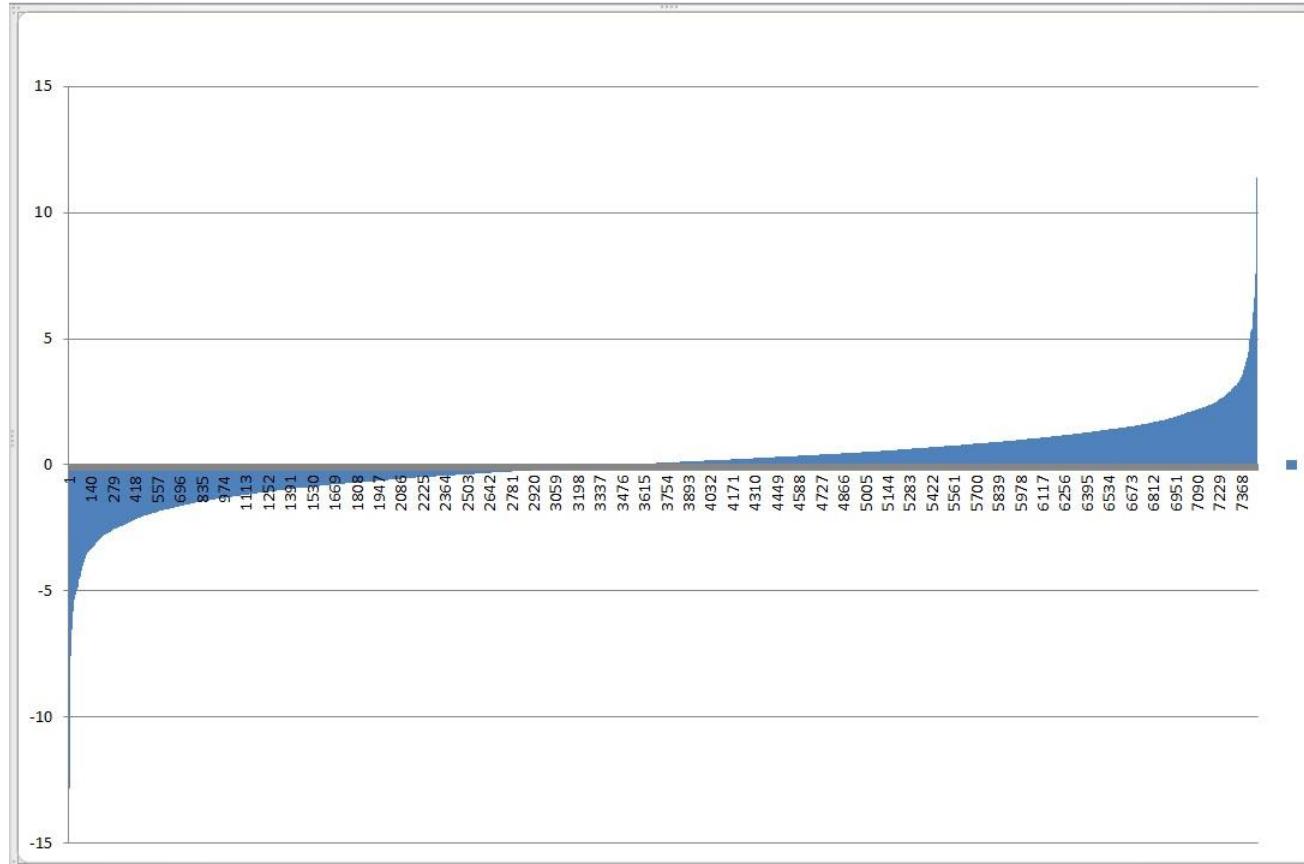


T.A

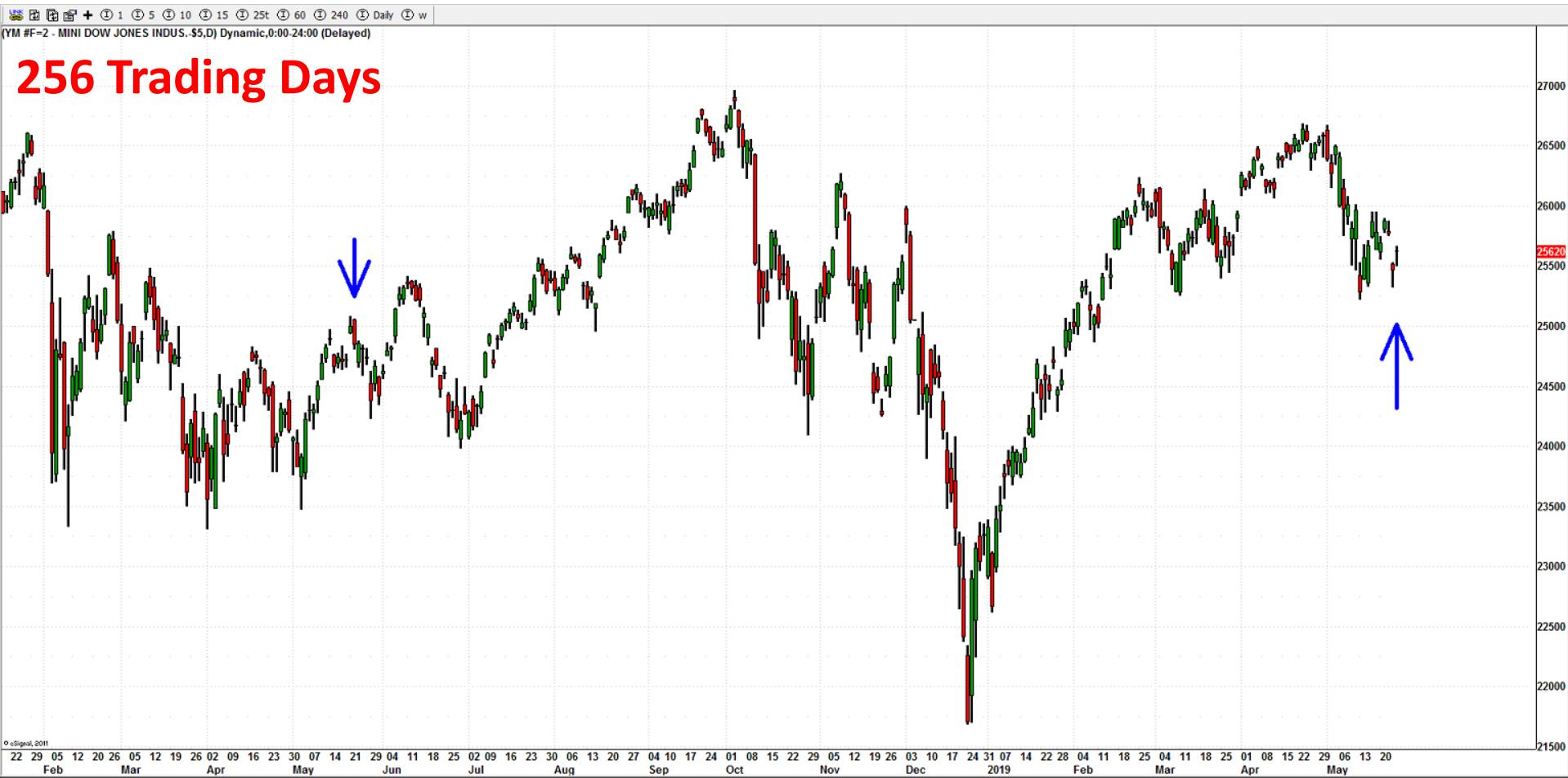
Mental Framework

Ideas & Perspectives

Thinking in “Scenarios”



1. How often does the Dow “gap up” or “gap down” in a year?
2. Is there any truth to the “As Wednesday goes, so too goes Friday”?
3. Is there a rhythm to the markets – 5 days on, 2 days off?
4. How often is Monday the low and Friday the high?
5. Does it help to know Fibonacci as a day-trader in Dow?
6. Is there any merit to the “strong Friday, strong Monday”?
7. How many days a year are “trend days”?
8. Is there any merit to “what Monday starts, Wednesday continues”?
9. Is there any truth to the 32 Calendar day cycle?



1. If Thursday is higher than Friday, then what does the following Monday look like?
2. If you only traded “extended bars” on a scalp basis, how would you do? Would you make money?
3. Is there evidence of Fibonacci at play intra-day?
4. Is there evidence to support that what Monday starts, Wednesday continues?
5. How often is a low or a high made in the first 30 minutes of the day?
6. How often do gaps occur? Do they always fill, as the saying goes?
7. How often does the market have trend days? How do you trade a trend day?
8. Are there common denominators between strong* trend days?
9. Is there support for the comment that strong Fridays means strong Mondays?
10. If Tuesday is lower than Monday, then what does that mean for Wednesday?

*strong = strongly to the upside OR downside

How often is Monday the high/low of the week?

It isn't often that Monday marks the high of the week or the low of the week. In a moment, after we have gone through this initial research, I will show you a much more important pattern.

For now I will state the facts. Over the last year, Monday has marked the high of the week, or the low of the week, 31 times.

31/52 = 60%

This information by itself is not particularly helpful. However, say you prepare for trading on Thursday, and you see that Monday is so far the highest day of the week, could that help you?

The results I show you is manually tested. It means I go through many print outs. I am certain I could do it much quicker if I had a programmer to do the testing for me. However, while I am checking for data, I also take in other pieces of information.

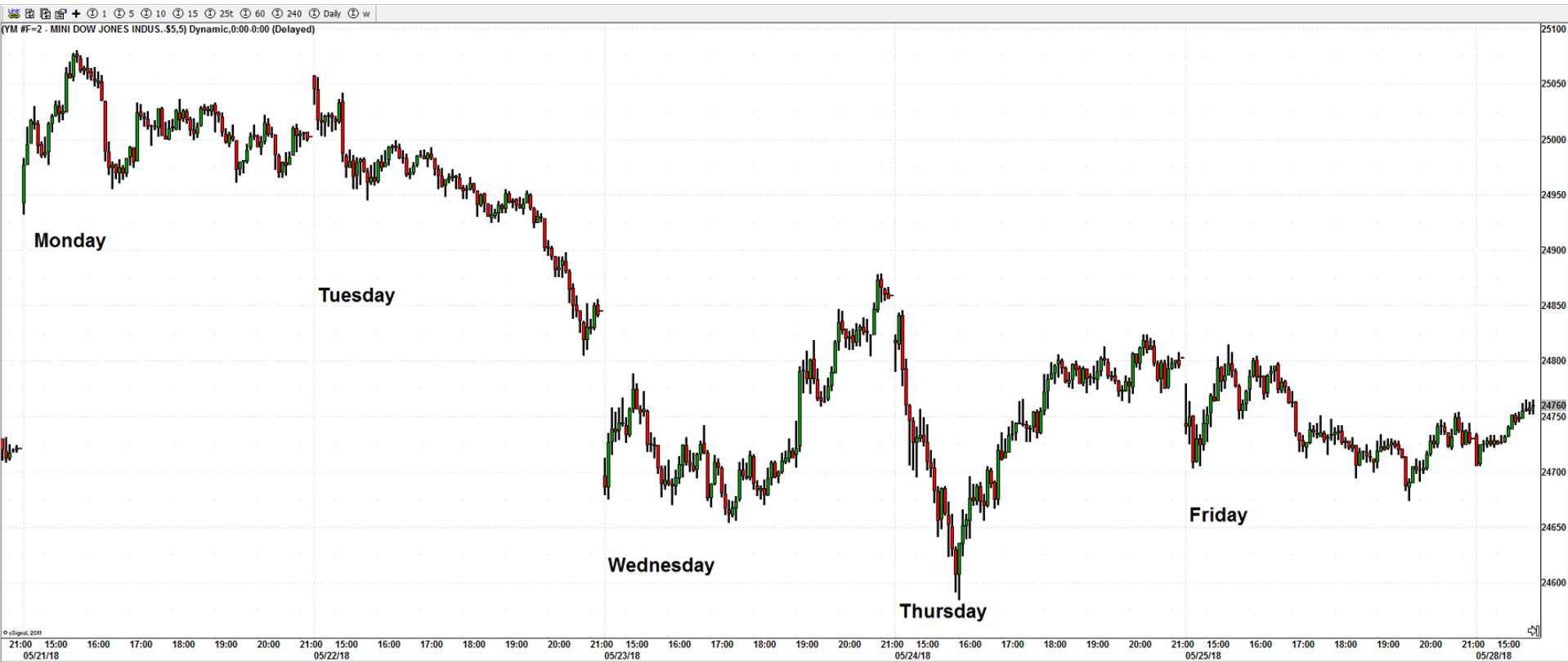
What I have asked myself here specifically is this question:

If Monday so far is the highest traded point for the last 3 days, i.e.. Monday Tuesday Wednesday, then how often is Thursday going to trade below the low of Wednesday?

I found there were a total of 25 times, when I was faced with this possibility, i.e. Monday was so far the highest point of the week, and Tuesday and Wednesday were weak.

Out of those 25 times, the Dow trade below the Wednesday low a total of 21 times.

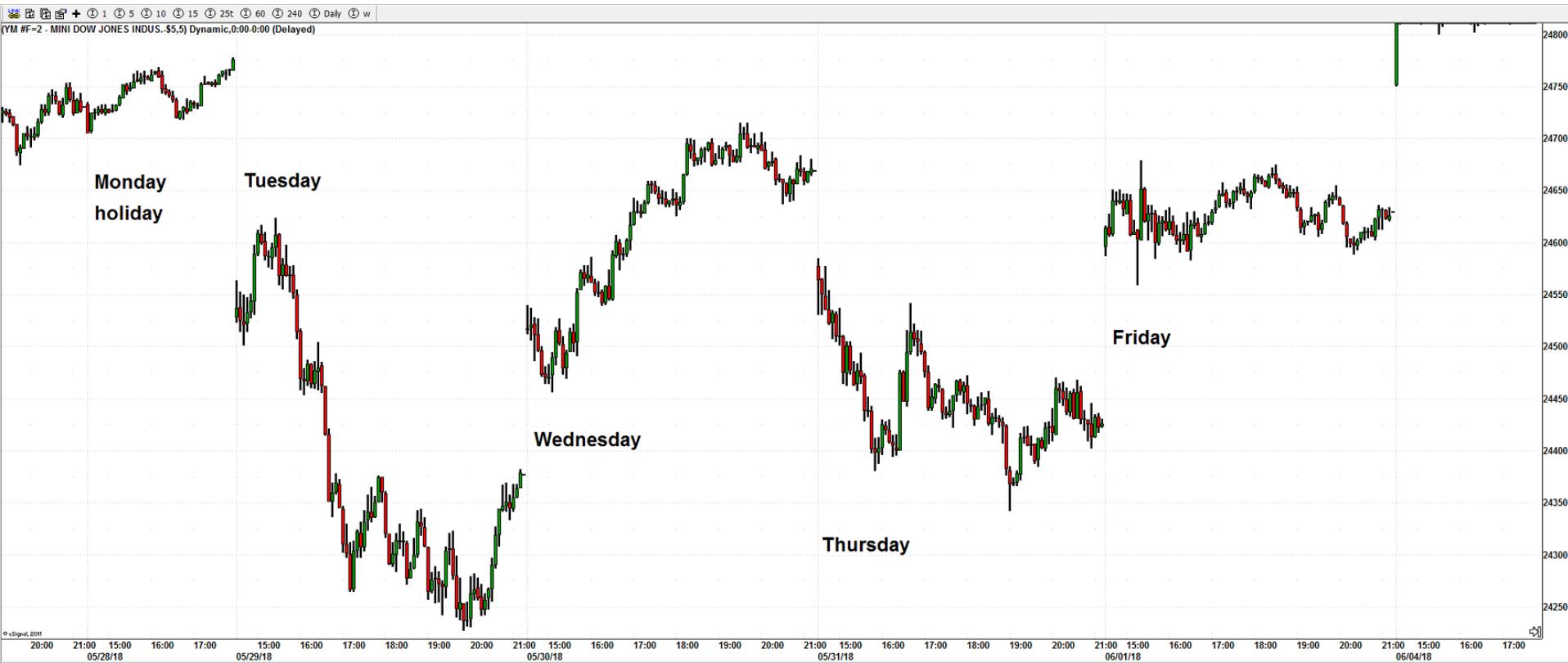
To me that is a significant piece of information. Let me show you some example, and some close calls.



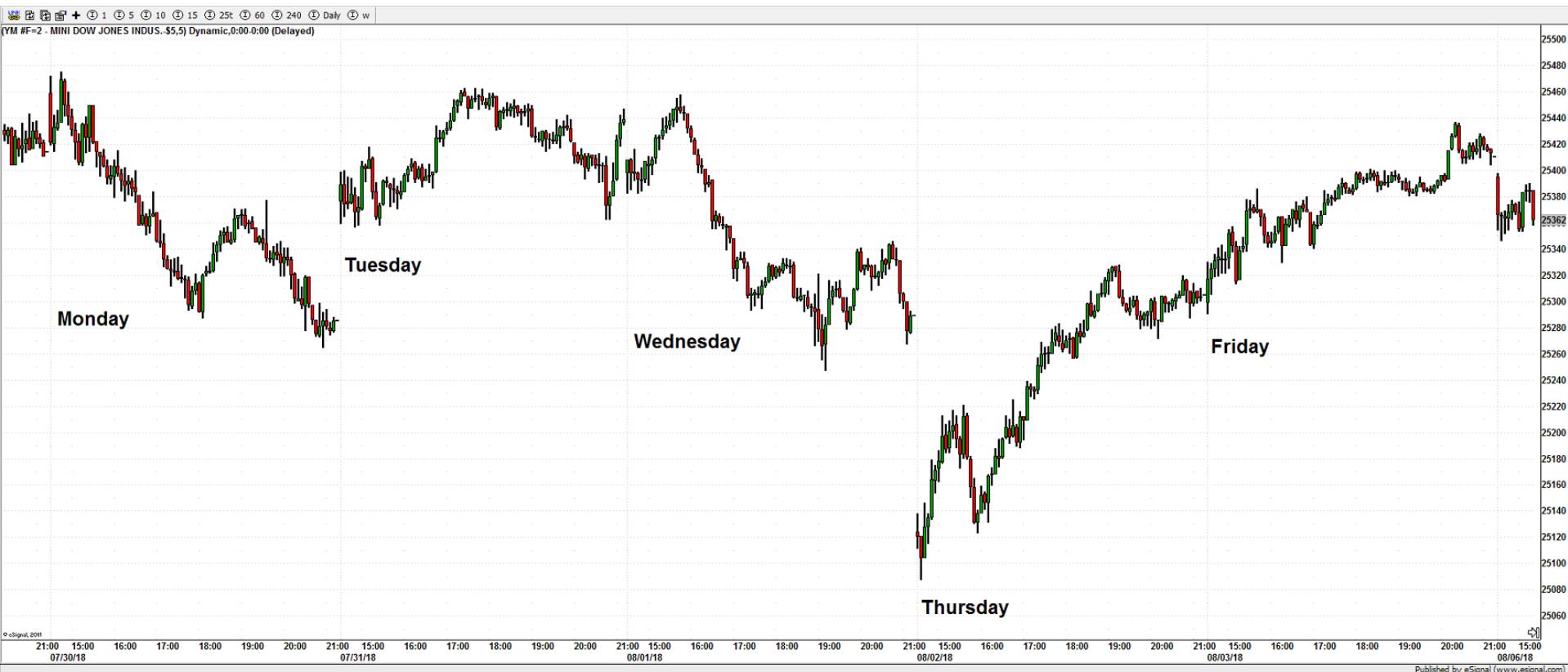
•••Trader Tom

Example





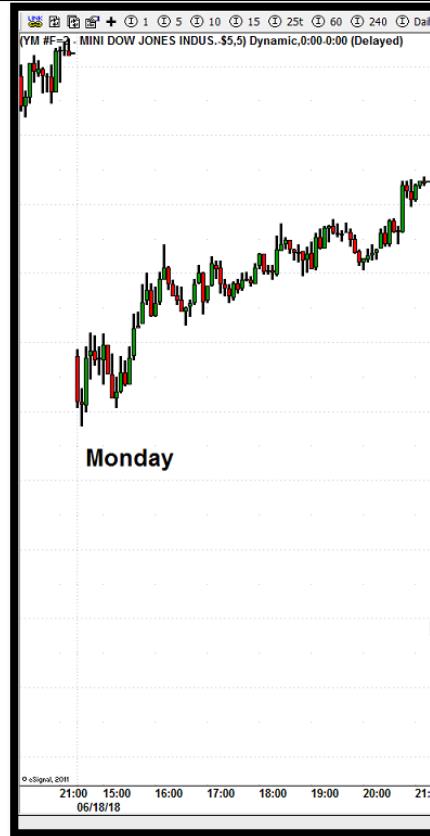






**If Thursday is higher than Friday, then what does
Monday look like?**

- I mentioned earlier that I work on “scenarios” which I then test.
- Another scenario that I have dreamt up is the idea of weakness going into the weekend.
- Specifically, what happens to “Monday” if the previous Friday trades below the highs of Thursday?
- Over the last 52 weeks, there were 21 instances where the price action on Friday was unable to trade above the highest point of the previous day, Thursday.
- I then looked at what happened on the following Monday. If there was a holiday on the Monday, I would view the price action on the Tuesday.
- Considering the **random nature** of the markets on a day by day basis, there shouldn’t be a pattern, and if there is, I have found an edge to exploit.

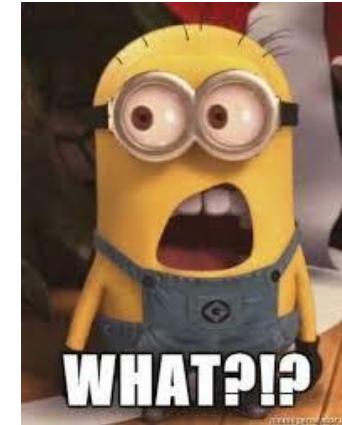




I decided not to go through each and everyone – out of consideration of time. I will just tell you the result.

20 out of 21 times the Dow traded lower on Monday.

To me that is quite impressive stats.



Gaps

1. Out of 256 trading day, how many days did the Dow make a gap up or down? The answer is 206 days.
2. The Dow made **no meaningful gap only 50 times** in the last year. By “meaningful” I mean a gap of more than 10 points.

Next I will differentiate between

- Dow made a gap and it was filled within the same trading day.
- Dow made a gap and it was not filled on the same trading, but within 2 additional trading days.
- Dow made a gap and it was not filled on the day or the next 2 days.

Dow made a gap and it was filled within the same trading day:

Out of the 206 days where Dow made a gap of more than 10 points, it closed the gap on the same day on 120 occasions.

120/206 = 58%

86 times it didn't close the gap on the same day. How many times did it close the gap in the next 2 trading days, if it failed to close the gap during the trading day?

42 times

42/86 = 49%

I can now conclude that gaps in the Dow will either

- Close on the day
- Or close within the next 2 trading days 42 times
- Close either on the same day or within the next two days $162/206 = \underline{78.60\%}$

High of the Day

Low of the Day

High or Low of the Day

All 5min bars:

1st bar of the day has a 20% chance of being the HIGH or the LOW of the day.

But, if we see a **BIG BULL BAR** after a gap down, or a **BIG BEAR BAR** after a gap up, then the odds are now 30% that we just saw the low or the high of the day.

By 30 minutes in, or by bar 7, there is now a 50% chance that the high or the low of the day is formed.

By the close of the 13th bar, around 1 hour into the trading session, the odds are now 70% that we have seen the high or the low of the day.

By bar 18, there is now a 90% chance we have seen the H or L for the day.

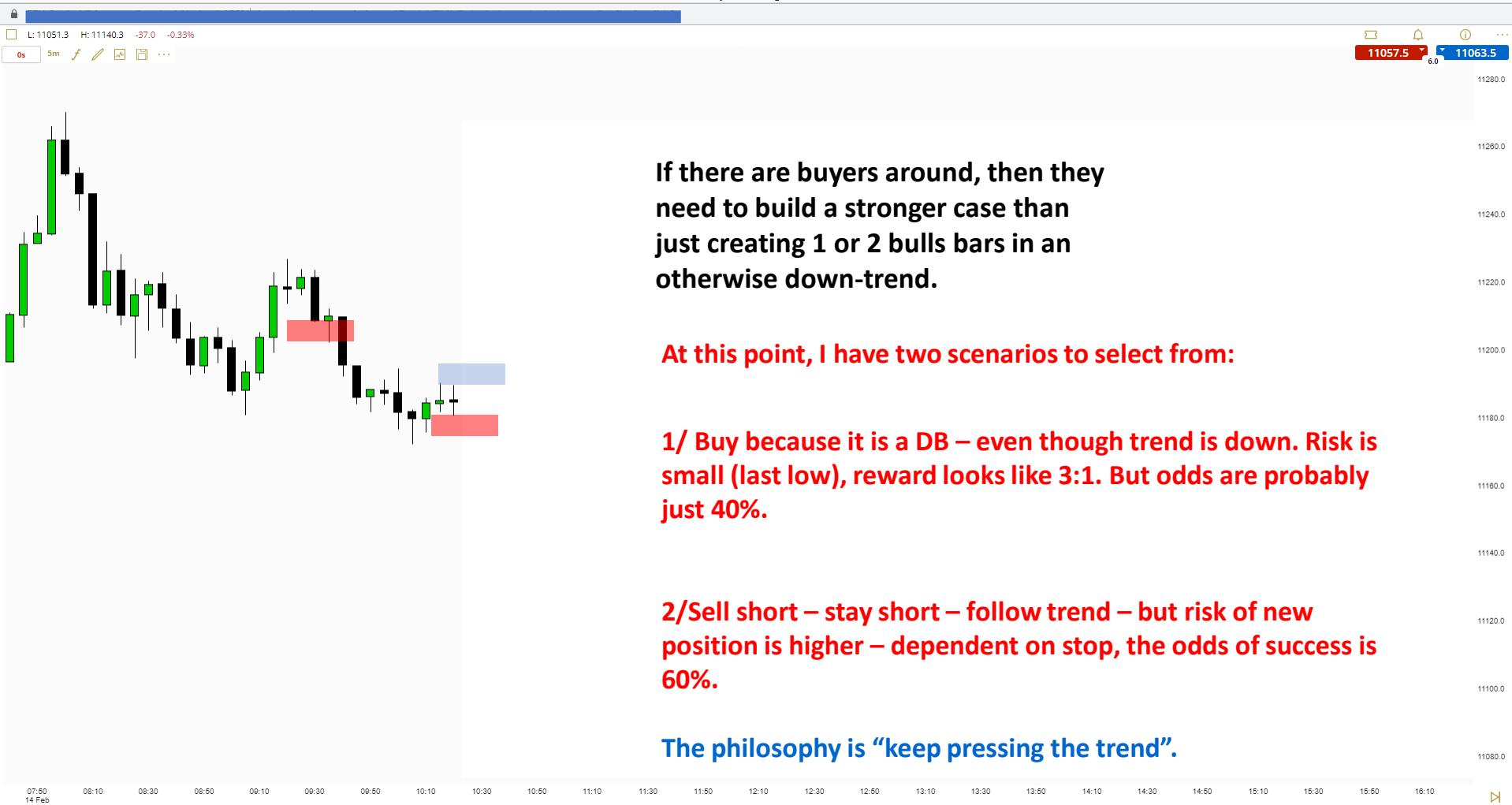
By bar 78, there is a 99.99% chance you have seen the high or the low of the day

Example of a gap down and bull bar



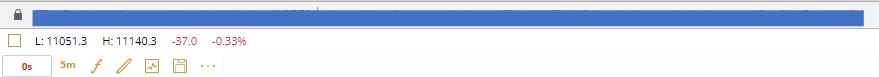
Example of a Trade

**It is not pretty – but it is real – and it perfectly sums up what it
is like to trade for a living.....**









A bull bar – closing near its high – breaking a bearish channel.

Will buyers or seller step up above/below the range of this bar.

If sellers step in, expect down-trend to re-assert itself, but above, it increases the odds of the market moving back to the last swing-top from 20 bars ago.

Scenario:

If I buy, stop is about $\frac{1}{2}$ of the distance to the old top – could make good trade.

If I sell short, I will be betting on “trend day”, and I simply sell into short-term strength on weak day – BUT is it that weak?

















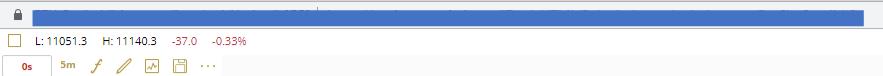
OBSERVATION

Biggest ranging bar of the last 4 hours... while not closing on lows, you have no top wig, and it is a bearish bar.

What do you do?

Evaluate risk





OBSERVATION

Pressed below last low – no top wig –

What do you do?

Evaluate risk

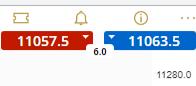
Risk scenario:

Still in range? Long position possible?

Is the bar news related (13:30)..

What is risk on either direction, and what are the odds?





Indecision

Will you buy, sell, add to short,
do nothing.

L: 11051.3 H: 11140.3 -37.0 -0.33%
0s 5m f / ...

11057.5 6.0 11063.5
11280.0



What is your philosophy?

Catch the low?

Trade counter-trend?

Press the existing trend without trying to guess where it will end

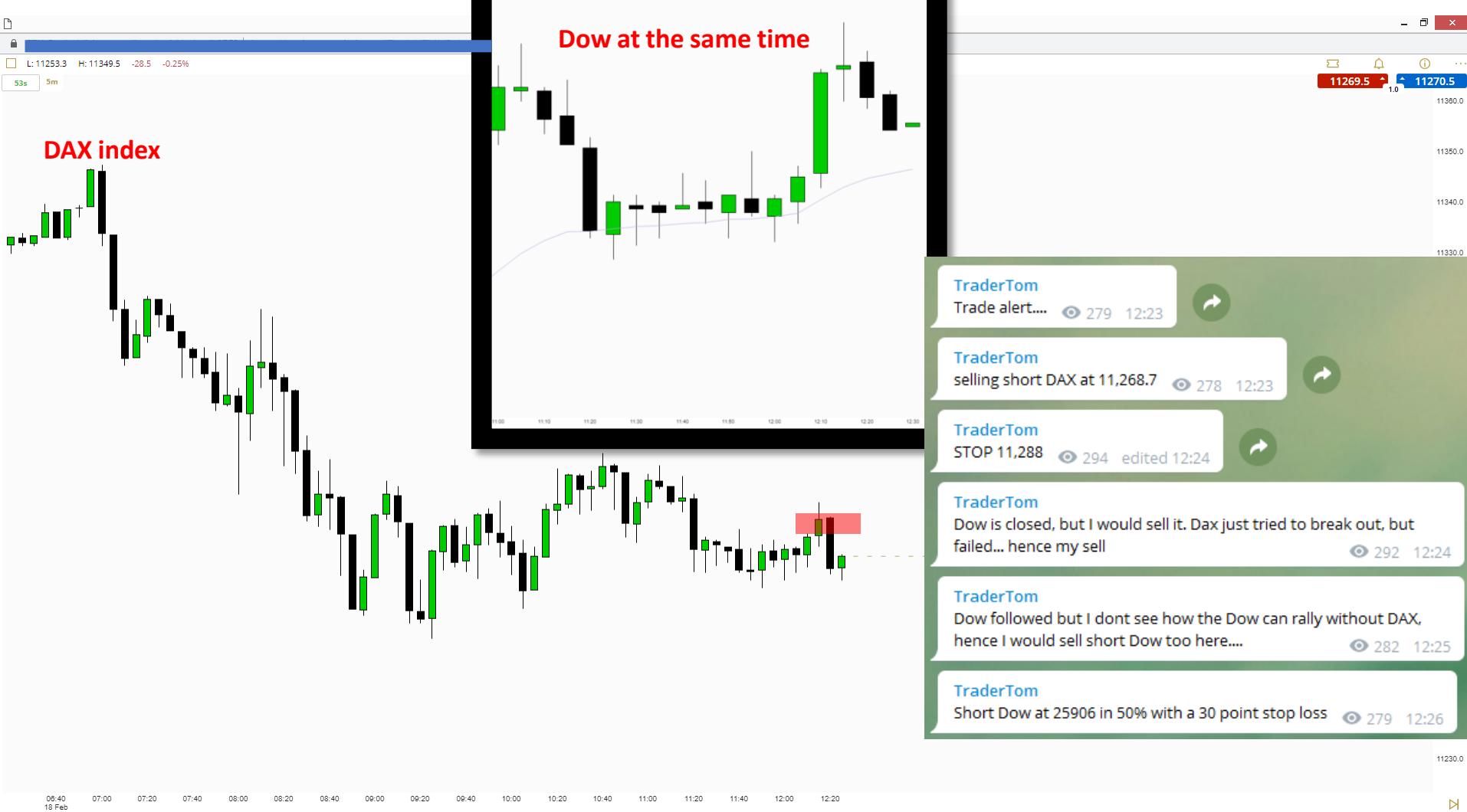


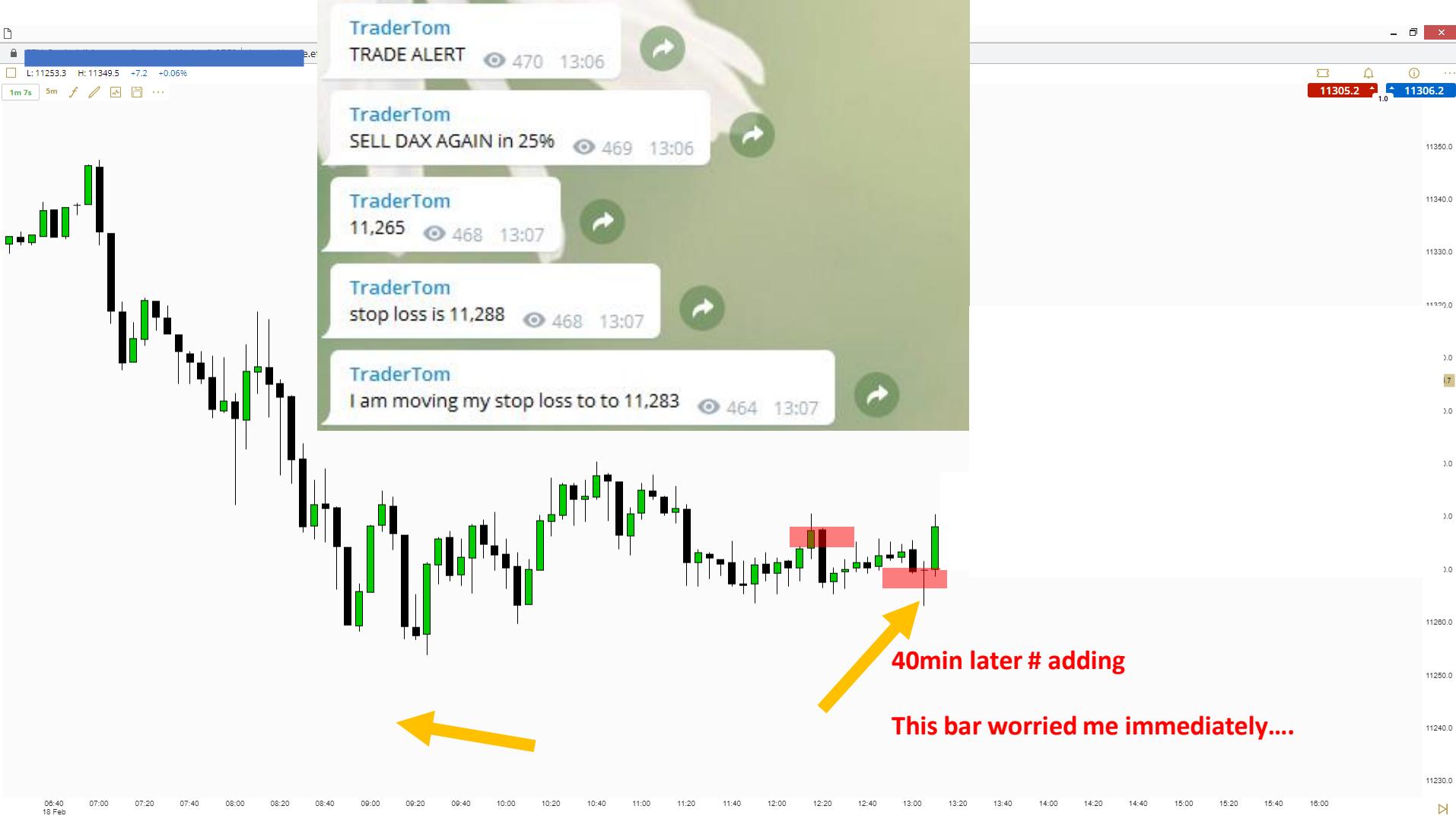


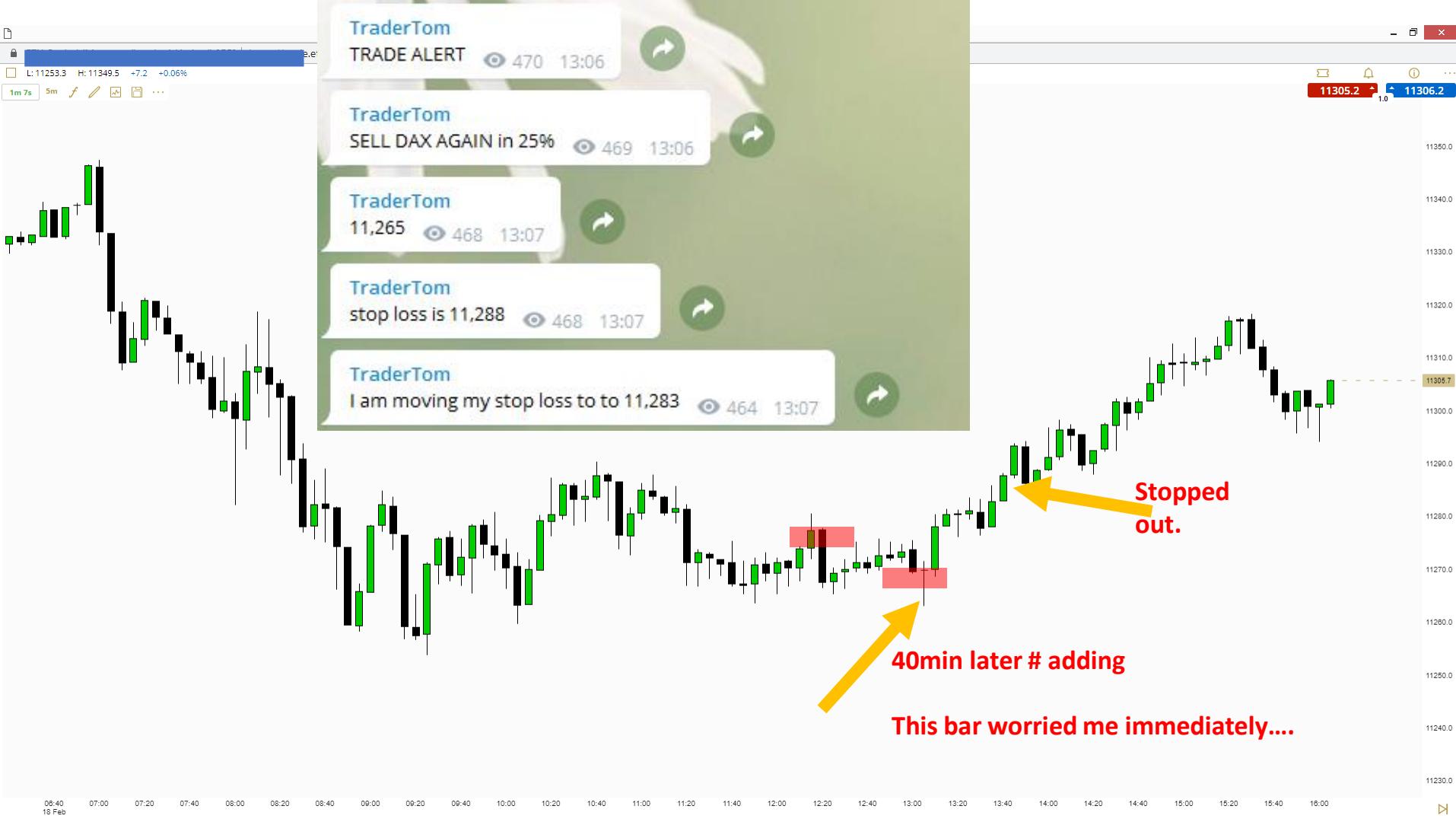




Example of a Trade







Saxo Bank Notes

1. The files sent to you consist of 2 parts.
2. There is a PDF file of the slides you have just seen.
3. I have also created a Word Document, which gives you my thoughts and many additional thoughts to each slide. It is incomplete. I have done 135 of the 165 pages. I will do the last 30 slides tonight and tomorrow.
4. If you want to receive both files, there is a very easy way of doing so.
5. **www.tradertom.com/saxo**

Thank you

hello@tradertom.com

Tom Hougaard

www.tradertom.com
