

the little book of

trading secrets



The
Little
Book

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INTRODUCTION

Thank for taking the time to read the Little Book of Trading Secrets.

This little book should take you less than 15 minutes to read – in fact the word book may be a misnomer.

The exciting thing is this little book is just the beginning because over the coming weeks we will be giving you more valuable material, tools, resources and reports to help you on your trading and investing journey.

The road that you are now on can potentially lead to financial freedom for you and your family but of course it requires a little more effort than just reading a short book. But if you do the right thing, invest a little bit of money and follow the rules of professional investing this Little Book of Trading Secrets could be the beginning of something really special.

We look forward to sending you lots more valuable content and we hope you enjoy the book.



THE TRADING IDEA

We have designed this little book on one simple premise.

The simple premise is that many traders have problems making money in the markets and we plan to address each of the main issues one by one.

The primary issue is that traders do not know when to trade and do not know when to take profits.

Solution – this simple trade delivers both.

Here is the trade, and we have chosen one that is both simple AND delivers solid results...

The MARKET – German DAX Index Market

The CONCEPT – The first day of the month often offers explosive profits to the upside as new institutional money hits the market.

The TRADE – we open our trade, in this case by BUYING the market, just before 2100 (UK time) the session before the first trading day of the month (note it is the first trading day so it may not necessary be the first day of the month). So if the first day of the month is a Tuesday we buy just before 2100 on the Monday. If it is a Monday we buy on the Friday.

The CLOSE of the trade – we then close our trade the following day, being the first of the month, at 11.00 and bank our profits. Like any trade it will incur losses from time to time but new money for the new month often means the market rallies on the first day of each month.

HIT RATE – You will see from Cameron's spreadsheet in Appendix 1 that we achieved a **hit rate of 76%** over the period shown. There were only 5 losses in that period and 16 profits (a total of 21 trades) – 16 divided by 21 is 76%

RISK PROTECTION - You must always use risk protection – and we use a stop 52 points away from our entry. If you look at the chart in Appendix 1 the third column lists the lowest price seen overnight and the stop is kept wide so we can ride these overnight moves (of course they are often in our favour).

And that's it!

The information below will help you trade this system as will the subsequent emails



TOP TRADING SECRETS

(those who fail never do this)

1. PROBLEM:

Traders are often not ready when the trade comes along

1a. SOLUTION:

PREPARATION IS KEY

Do all your preparation before it is time to trade; do not leave it to the last minute. Otherwise you will not succeed in the long run.

Discipline is vital in this profession. You can't control the market but you can control yourself.

The worst event that can occur to a new trader is winning from an unplanned trade.

The reason being that he/she will be more likely to hang onto a bad trade in the future in the hope that this trade will also turn into a winner. We all know where this leads and it's usually to an account with a balance of zero. The after effects also give way to all kinds of psychological problems such as fear and lack of confidence.

2. PROBLEM:

Traders are fixated by the profit/loss on the current trade and this also affects their psychology

2a. SOLUTION:

TURN YOUR ATTENTION TO THE MARKET AND NOT YOUR P&L ACCOUNT

When trading, focus on your chart price and not your profit and loss account. If you have done your preparation there should be no need to focus on what profit or loss has been made whilst the trade is active. Your stop loss is a predetermined level of risk so let it do its job. And your exit target is not based on how much profit the trade is currently earning you. Applying this concept will reduce common emotional problems such as cutting profits too early and allowing a loss to run.

3. PROBLEM:

New Traders take too many trades

3a. SOLUTION:

QUALITY NOT QUANTITY

Being a trader doesn't mean you have to place multiple trades every day.

It's a common misconception that large quantities of trades have to be placed in order to succeed in day trading. Over trading is just a by product of greed and impatience.

If there is no set up for the day, which meets your criteria, take the day off.

A day trader only needs 2---3 good trades a week to make a healthy living out of this profession.



TOP TRADING SECRETS continued...

5. PROBLEM:

People tend to make everything far too complex

5a. SOLUTION:

Keep it simple stupid!

Simple is better. Your core system/strategy should be as simple as possible. In our experience the more complicated a system, the less chance of success. This is why we have kept the trade we have given you extremely simple; simple but highly effective!

6. PROBLEM:

Many traders are fixated by the news

6a. SOLUTION:

Realise that the news is just one factor that moves the market and it is not the most important.

If you spend any time in the market you will know this scenario. Apple Inc produce fantastic results and everybody is saying how great they are.

But, what's this, the share price goes DOWN! How can that be?

The reason is simple; the market was expecting even better results and was disappointed – the sellers came in. The news was trumped by market sentiment.

We pretty much ignore the news in our trading systems, preferring instead to focus on money movements and investor psychology – all this is built into our systems, you need not worry about any of these factors.

7. PROBLEM:

Some traders make their trading all about themselves and their ego

7a. SOLUTION:

Be humble and count the cash

Avoid looking for that one big move. Too many traders obsess with trying to catch that one big move and the majority fail miserably.

Largely this is down to ego.

In reality the markets trend only 20% of the time and for 80% of the time they are range bound. We have developed strategies that can profit from these conditions. Overtime, consistent profits will stack up.

8. PROBLEM:

Most people struggle all their lives and get nowhere

8a. SOLUTION:

Join us in the top 5%

It's no real secret that 5% of the world's population holds most of the wealth and the other 95% struggle to achieve what they want (often on many levels!).

This statistic applies to many parts of life. Society has led us to believe that those who really succeed are either special, more intelligent, or lucky. The fact is that members of the human race are very similar and, apart from those who inherit wealth, it is really only the human mind set which prevents most goals from being achieved.

TOP TRADING SECRETS continued...

There are 3 key characteristics of the 5% which separates them from the 95%:

1. Taking action

We all have good ideas, plans and visions of where we want to end up but very few people actually take any action. The ones who do succeed take their thoughts and act on them. The action is the more important part of this equation. You also need enthusiasm and perseverance.

2. Education

If you want to succeed in anything then you need to put some work in. It only takes one piece of useful information to make a dramatic change to your life. The Internet is littered with quick fix systems and programmes which promise vast quantities of wealth whilst lying by your pool, drinking cocktails. Whilst this is possible with a few businesses (trading being one of them), you still need to put some time into learning and correctly applying the information which you have purchased to get to this stage.

3. Failure

The 5% do not give up and treat failure as a learning curve where valuable lessons have been learnt. If we look at some of the most successful businessmen e.g. Walt Disney, Donald Trump and Henry Heinz, they have all been previously bankrupt.

Now if we enter the world of trading then it may come as no surprise that the same statistics apply to this business as well. 5% of traders earn considerable amounts from the markets and the other 95% struggle to achieve their desired goals.

So how do these characteristics fit into trading?

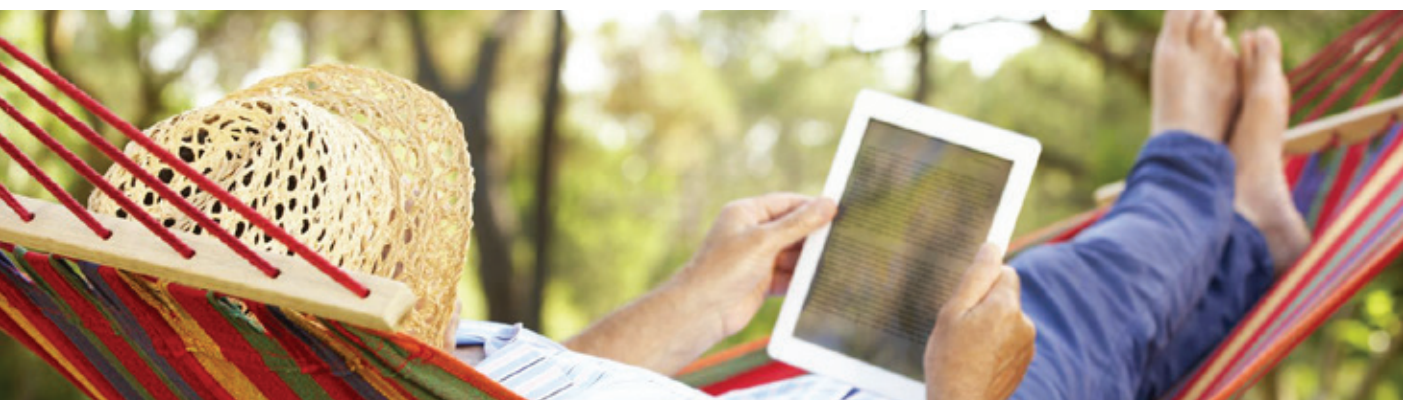
Taking Action is rarely the problem. These days opening a trading account is made relatively easy for you and the actual process of trading is straightforward.

Education

If you want to make money in anything then you have to put some time in. If you have access to good information, spend the time to soak it up and use it to your benefit. Did you know that if you spend just 1 hour of your day, each and every day learning a particular profession, then after 1 year you will be an expert in that area! Expertise is within easy reach.

Failure

Of the three we believe this is the biggest and most challenging hurdle which separates the traders who go on to make considerable amounts of money from those who struggle or eventually give up. For this reason we are now going to spend some time on this key point.



FAILURE

It is programmed into us from a young age that failure is not acceptable and to succeed in life we cannot fail. For this reason when most of us fail at something we give up at the first instance.

Now, we all know that in trading we have to accept losses (you will notice our trading system had five losses over the period) and to some this comes as a real challenge as it is going against our subconscious belief systems. It did for all four of us certainly. We have quite competitive personalities as it is but when we first started trading, we really did not like taking losses and it was a real challenge to accept this was part of the business (basically a business expense). We did on more than one occasion contemplate quitting trading in our early years. We are very glad we didn't.

We still dislike taking a loss but the trades we do take have little risk attached to them so if they do fail then this has little impact on us.

Taking lots of small losses actually strengthens the trading mind.

Taking a large loss weakens your trading mind.

But how many losses can the human mind actually take?

This is an interesting question and I believe this is where most new traders come undone. It's all very well accepting you will take a few small losses in trading but the majority do not understand the probabilities of their system / strategy. If you understand an outcome and/or scenario then it's far easier to act rationally than emotionally when seen.

As a rule of thumb... One loss is ok

Two losses and you start to feel a bit uncomfortable

Three losses - it can't get worse than this, can it??

Four losses.....This is the threshold for most.

For 95% of people, 4 trade losses in a row would lead to a strong emotional attack which will in turn manifest into future problems such as fear of placing a trade, lack of faith, taking winners too early, etc, etc; and of course some will quit trading at this point.



KEY FORMULA

So what's the rational approach?

Let's suggest a system with a hit rate of 70% and a favourable risk/reward of at least 1:1. By all accounts this would be deemed as a good system with top traders. Putting this simply, when you lose, you lose \$10, but when you win, you also win \$10. With a 70% strike rate you would win \$70 for every \$30 lost.

Happy days!

There's a simple piece of maths that will calculate just how likely you are to have a losing run, provided you know the expected success rate of your trading strategy.

I won't bore you with the calculation but if your win rate is 70%, your losing rate will be 30%.

The maths work out that you then have a 0.81% (ie less than 1%) probability of getting a run of 4 losing trades.

It might not sound like a lot but it works out as almost 1 times in every 100 trades.

So every 100 trades (approximately) you will see four losses in a row – it is inevitable!

Yet many traders give up once they see something that is inevitable – how loony is that?

One of our systems /strategies --- **the Whale Trade** --- runs on a higher win rate at around 80% and although we have never experienced 4 losses in a row, if we did, we would be fully prepared.

We want all our clients to be in the 5% so let's work together to ensure this is the case.



APPENDIX 1

	Buy 21:00	Lowest price	DD	Sell 08:00	Sell 09:00	Sell 10:00	Sell 11:00				
Dec-11	6124	6088	36	6088	-36	6056	-52	6070	-52	6080	-52
Jan-12	5858	5853	5	5889	31	5954	96	5987	129	5994	136
Feb-12	6486	6461	25	6476	-10	6549	63	6585	99	6584	98
Mar-12	6856	6819	37	6833	-23	6863	7	6887	31	6886	30
Apr-12	6952	6947	5	6998	46	7020	68	6940	-12	6970	18
May-12	6806	6794	12	6846	40	6815	9	6805	-1	6783	-23
Jun-12	6269	6234	35	6257	-12	6226	-43	6146	-52	6134	-52
Jul-12	6429	6399	30	6408	-21	6425	-4	6493	64	6470	41
Aug-12	6758	6744	14	6762	4	6793	35	6776	18	6778	20
Sep-12	6962	6921	41	6950	-12	6997	35	6998	36	7004	42
Oct-12	7235	7200	35	7234	-1	7296	61	7320	85	7305	70
Nov-12	7264	7242	22	7253	-11	7280	16	7267	3	7298	34
Dec-12	7418	7416	2	7422	4	7430	12	7429	11	7439	21
Jan-13	7649	7643	6	7772	123	7738	89	7757	108	7762	113
Feb-13	7774	7770	4	7793	19	7816	42	7826	52	7816	42
Mar-13	7744	7715	29	7732	-12	7752	8	7712	-32	7692	-52
Apr-13	7793	7779	14	7796	3	7850	57	7853	60	7881	88
May-13	7969	7962	7	7974	5	7971	2	7963	-6	7983	14
Jun-13	8306	8282	24	8307	1	8262	-52	8244	-52	8280	-52
Jul-13	7946	7905	41	7959	13	7972	26	7915	-31	7993	47
Aug-13	8268	8260	8	8316	48	8339	71	8333	65	8375	107
					199	367	523	690			



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