2ND EDITION
23 PRO TRADERS

THE ONE THING

I Wish Someone Would've Told Me...

CHAT WITH TRADERS

The One Thing I Wish Someone Would've Told Me Before I Started Trading...

Aaron here—host of the Chat With Traders podcast. Thanks for grabbing a copy of this guide.

In 2015 I asked 17 traders to complete the statement above and presented it to you as a guide, it was a hit and it has since been read by thousands.

I've now asked another 23 traders to do the same. Their insight can be found on the following pages...

Please read the disclaimer on page 53 before continuing.

Contents

BUSINESS

Tim Grittani

Day Trader • Equities

"Trading is not easy; expect to fail before you can succeed."

Most people become traders looking to make a radical change to their life. They're fed up with their 9-5 job, low pay, and then they stumble across a service promising riches and telling the stories of successful subscribers who "made it"...

Who wouldn't want in?

Unfortunately, many fail to understand the long road they must travel before reaching success. I studied my ass off and everything looked so easy in hindsight, but when I started trading and my money was on the line, it was suddenly a whole different ballgame.

Perhaps your story will be like mine, where you blow up your account once early on before finding consistency—it took me 9 months of studying/trading before I did. Perhaps it will be like others, where you experience some early success (or luck) before eventually giving it all back. Whatever the case, expect glorious failure.

I do not know a single millionaire trader who didn't blow up their account at least once before finally finding their niche and learning to be consistent. You will likely be no exception.

So don't start trading expecting instant earnings. You probably won't pay the bills with trading profits anytime soon. Definitely don't expect to get rich overnight and don't trade far too large when you're in your learning period.

If I hadn't traded small for my first six months, my blowup would have been beyond recovery and I would not have had the opportunity to later succeed. Go into trading with money you can afford to lose, and let every loss be a lesson that helps you to improve. If you fight through those early losses and keep them manageable, the lessons you take away from them will set you up for success down the road.

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Michele Koenig

Day & Swing Trader • Equities

"Trading is a business and should be treated like one."

Take the time to educate yourself about the basics…

What style of trading do you want to focus on—are you interested in day trading or swing trading? What instruments are you going to trade—stocks, options, futures? Do you understand various order types, long/short, margin etc? Have you considered whether you qualify for trader tax status?

These are the types of questions most traders starting out never even consider. Most are in a hurry to start pushing buttons without even considering some very basic questions which they need to be able to answer.

Take the time to develop a plan…

What chart timeframes are you going to use—daily, intraday, both? Are you going to use technical analysis or fundamentals?

What criteria are you going to use to determine your entries? What risk will you set and how will you determine that? How will you manage the trade while it's active? How will you determine when you exit?

Do you understand that losses are part of trading? How will you handle drawdowns?

The emotional side of trading is the most difficult, and we're often our own worst enemies. There are always ups and downs in trading, so having put some thought into the emotional side is very important—most give little thought to this early on...

Many come to trading with a false view that it's going to be easy, but it's very much the opposite. By spending some time to answer these basic questions before you start trading will help you to be better prepared, but also know that your plan will be a work in progress as you develop as a trader.

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Bryan Wiener

Options Trader • Former-CME Market Maker

"There will be extreme ebbs and flows in the options market and you need to be able to deal with trading droughts."

Let me preface this by saying that I was recruited out of college to become an options trader and had no trading inclination before graduation…

As a young options floor trader, with a salary and time to learn the market, I had the luxury of feeling out the industry. I came in right after the internet bubble burst, in mid 2000. So there was a decent amount of volatility, but it was kinda like the static that you'd see on a TV which is leftover from the Big Bang.

After 9/11 happened the market volatility returned, but then the drought happened between 2002-2005. During this time I still had a salary and a bonus, so I was sheltered from what it would be like when I finally went on my own—outside of the pit and onto the electronic market, where I had no friendly advantage for paper on the floor.

Soon after I began at Trading Machines, working under Haim Bodek; I had a great salary and a great bonus for a few years. But still I was sheltered from what it would be like in the future…

And that was delayed even further after I left Trading Machines, as I found a great niche trading AAPL wings, making six-figures. But post-AAPL split, I have been trying to find my new trade, and it's been a grind for over a year.

So what's the takeaway?

In my professional opinion, don't take a comfortable salary for granted. Don't go into trading full-time, giving up said salary, unless you have a plan that you are so confident about that it's not even a question of whether or not you should do it.

I hear so many people say they want to quit their job to become a full-time trader, even doctors and lawyers. Well, that might just be boredom speaking for you... Consider this before you take the plunge, because the water isn't always warm.

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PROCESS

Dan Shapiro

Day Trader • Former-Prop Trader

"I wish someone had told me how important it is to be perfect."

We hear the expression all the time "no one is perfect". Sure, we're all human beings who have many faults displayed daily. However trading is its own animal.

None of us growing up wanted to be traders, heck most of us didn't even have a clue what trading was. Since there's no blueprint to success, when you open your first brokerage account, you have to figure out things the hard way—through trial and error.

For the 10% of traders out there, the lucky profitable ones; value and process is all we have to keep us from the other 90%. Our rules are our lifeline. If we deviate from those rules, we die. In trading we don't have a luxury of a mulligan. You either trade with a process or you die without one.

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Jeff Davis

Algorithmic Trader • S&P Futures Specialist

"There is no magic pattern, indicator or line on a chart— the magic is only in your process."

Until a trader understands this they will waste a lot of time and energy. Charts, order flow software, and technical analysis are just tools. The idea that some tool will lead to success or somehow lead to consistent profitability is being sold to you from many sources and is hard for aspiring traders to resist.

Realize that these are just tools used in the craft and how and when you use them is what's important. Spend more time on how you will manage the trade once you are in one. Spend time on what emotions will trigger and managing them.

This is your process. The magic comes in the actions you take.

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Bryce Edwards

Day Trader • ASX Equities

"Trading is just a series of processes. Develop, analyze, refine and apply your processes."

Most traders already have a process for scanning the market, but they should also think about developing processes for all elements of trading; for risk management, for scaling in/out of positions, for regulating their emotions when they're on tilt etc.

Particularly for short-term discretionary traders, the process approach brings structure to their trading operations and helps to somewhat suppress the rogue emotional human element.

By developing a series of processes and operating purely on their application, you have the ability to create good habit patterns whereby your natural reaction to unforeseen circumstances will be to follow your process and do the right thing. Consistent profitability can only come about by consistently applying a series of processes.

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Ari Pine

Head of TradeCo Global • Quantitiative Trader

"Focus on process."

At first I thought I would write about a very particular detail that would have helped me most at my start (and for far longer than that); not every trade needs to be a winner. In fact, if all of your trades are winners then you are not taking appropriate risk.

But after thinking about it, it seemed to me that this fits into the larger framework of process driven trading (this is a hat tip to the successful Morgan Stanley group led by Peter Muller). The process comes with an estimate of how many times you should expect to be wrong. Wrong is actually the wrong word. Winners and losers both make up trading; they are neither wrong nor right.

Which leads to thinking about psychology and that need to always have a winner. There is much talk about psychology in trading; you won't hear it from me. Either you have an exploitable edge or you do not. If you understand your edge and you have a reasonable idea of how to tell if it is degrading, then there is no need for psychology. A preoccupation with psychology indicates a lack of confidence in the process—that need to make money on every trade. Get comfortable with uncertainty as this is useful in all parts of your life. Even if your trading is not automated, you should still know what your set ups and exits are. Again, this ends up being something of a re-write of “plan the trade, then trade the plan.” Yet you have to have a good idea of what your edge is and where it is coming from.

In the end, if there is a “one thing” then that one thing is to focus on process. Find an exploitable edge. Understand that not every trade will be a winner but all trades are part of the whole. Then, go out in the markets and beat that edge to death.

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STRATEGY

Paul Singh

Day & Swing Trader • Equities

"Focus less on stock picking and setups—focus more on managing the trade once the stock is picked."

We are professional traders, not stock pickers. Picking stocks and understanding setups is the easy part. Most traders have been successful in other walks of life and mastered many complex ideas. Understanding a setup is simpler than understanding the tax code, the nervous system, or engineering ratios.

However, setups are not what makes a good trader. Once in a trade, you need to know how to profit from it. This is more complex as it brings into play; the mental game, our human frailties, market understanding, risk tolerances, and ability to adapt. This is what separates winning and losing traders.

As an example; I'm working with two students who both traded GOOGL through a market sell-off (as did I). The Sunday before the sell-off, we talked about how to handle a possible over reaction, panic selloff and bounce. Our mental stops were hit, but I explained very clearly how to deal with the gap down. If the opening gap down level held, we would hold onto our stop. If the morning level broke, we get out...

Trader A panicked and sold at the open for a 50 point loss. He explained how relieved he was to be out of the position, despite the big loss. He did not manage his emotions, which lead to poor decision making. Trader B understood the market, his own psychology, adapted his plan, and as of this writing is up 30 points on the position.

Two traders. Same stock. Same setup. Different trade management. Very different results.

To become a winning trader, spend more time learning 'how' to trade, not 'what' to trade.

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Craig Peters

Algorithmic Trader • Equities

"Focus on what actually works, don't spend time on grand theories."

If, like me, you have a strongly analytical mind, we have the tendency to over complicate things in the pursuit of ideas and theories to more accurately capture market behaviour.

I have personally wasted at least a couple of years in total, in such pursuits, only to realise that much simpler techniques yield the same trading performance. For example; when setting profit targets, I now use a simple percentage target most of the time.

While it would be an oversimplification to say that the pursuit of some sophisticated ideas wouldn't be fruitful, close scrutiny of such ideas during backtesting, should be done as early as possible. This will prevent you from wasting too much time, and investing too much emotional capital in bad trading ideas.

One more thing that's been key in my development over the past ten years is; thinking about whole portfolio risk, not just risk per trade.

I've had the message of only risking 0.5%-2% per trade drummed into me so many times that it's has never been a problem for me, thankfully. As much as this rule is one of the most important rules to follow, I've been severely burned by overtrading and taking too much risk in my portfolio as a whole...

Today's markets seem to have much more correlation across international boundaries than in the past. Therefore three trades in seemingly unrelated stocks, can end up being affected in the same way by the same piece of economic news/event. So I limit the number of trades I have on at any one time to a total of six, or up to twelve if I keep very tight risk management stops in place.

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Kevin Davey

Algorithmic Trader • World Cup of Futures Championship Winner

"Having one trading strategy is not enough."

Back when I first started creating algorithmic/mechanical trading strategies, I constantly searched for the "perfect" strategy. You know, the one strategy that would, by itself, make me fabulously wealthy…

I spent a lot of time and effort looking for that strategy. Many times, my historical backtest told me I had such a strategy, but every time I started trading such a perfect strategy with real money, I almost always lost.

It took me a long time to realize one of the secrets to successful trading; you need to trade multiple strategies. There are numerous reasons for this…

First, every strategy will likely eventually stop working. If you only have one strategy, and it breaks, you are in trouble.

Second, when you have a bunch of strategies, the strategies can be "good," but do not have to be "great." And good strategies are easier to create than great strategies.

Third, markets change over time, and having multiple strategies lets you participate in whatever the day's hot market is. With multiple strategies, you'll have your fingers in every market opportunity.

But the biggest reason why you should create and trade multiple strategies is diversification. The concept of diversification is well documented in financial literature, and it turns out not only to be academically acceptable, it is great in the real world, too.

Simply create strategies for different markets, with different timeframes and different strategy themes (trend, mean reversion, etc) and you'll have a diversified portfolio. Trading such a portfolio really helps control the drawdown, while still allowing profits to accumulate. It is the best of both worlds, and I wish someone had told me about it years ago!

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Tom Basso

Trend Follower • Market Wizard

"Risk, volatility and money management are far more important to success than how to buy and sell."

I started out in trading looking at all sorts of trading strategies and this was before personal computers, so I had lots of tedious work. When I finally got to a place where I could make it work, I spent the next 20 years learning how to improve that strategy with various ways of controlling risk, controlling volatility, diversification theories, hedging techniques and margin control. Only then did I have something I felt was truly robust.

Why is this important?

The general area of money management, which includes diversification, market selection, risk and volatility control, and hedging, smoothes the performance. In other words, making that performance more robust in varying conditions, helping the psychology of the trader to allow him/her to hang in there during tough markets. Without these in place, it's going to be a wild ride and most can't take the heat.

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Nicola Duke

Swing Trader • Futures & Forex

"Exits are as important as entries."

When people first start learning to trade they're on an endless search for setups and usually the big "swing for the fences" trade. But how you take profit in a trade and get out when you're wrong, is just as important as how you enter—it can make the difference between whether or not you're profitable.

When I first started I had a strategy with an edge, I was really good at seeing and executing the trades, but really bad at managing them so I wasn't profitable. Nothing is more destroying than having a winner come all the way back to a scratch or a loser.

Having a fixed method for taking profit that is as robust as the one you have for selecting trades means that exits are automatic and so much easier. For some, that means taking partial profits at fixed signals, and for others that means all in or all out. I personally like to take partial profits and try to run the rest. This was my turning point to becoming a profitable trader.

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Luke Cummings

Hedge Fund Manager

“Trading without an ‘edge’ is otherwise known as gambling.”

Having an edge and understanding not only what it is, but also why it works is non-negotiable, if you plan on becoming a successful trader.

An edge is essentially a technique or approach that will give you a higher probability of being profitable than not. It need not be elaborate or complicated—it’s something that gives you an advantage against the market.

But more important than what your edge is, is actually understanding why it works, i.e. what exactly are you doing that gives you an advantage? If you don’t know, then you’re in trouble. Because markets are dynamic and you need to be prepared to adjust your approach accordingly. If you don’t know why your approach works, then it’s going to be difficult to make adjustments as circumstances demand it.

Additionally, an edge needs to be repeatable. If you’re edge can’t be consistently exploited then your career as a trader is going to be short lived.

The ability to identify and continually exploit an edge is what separates a professional trader from a novice. In the absence of a known edge, profitable trades are nothing more than the result of temporary good fortune.

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POSITION SIZING

Jack Litle

Global Macro Trader • High-Stakes Poker Player

"Focus on the how, when, and why of making big bets."

Learn how to size your big bets properly and learn how to trade cautiously and conservatively when big bets aren't appropriate (which is most of the time).

Virtually every single superstar trader or investor you've heard of grew rich from big bets. What do George Soros, Stanley Druckenmiller, Warren Buffett, Paul Tudor Jones, Bruce Kovner, Carl Icahn, T. Boone Pickens, and Jesse Livermore have in common? They all knew and practiced the art of the big bet.

The big bet is multi-disciplinary. Silicon Valley legends like Bill Gates, Steve Jobs, Mark Zuckerberg, Larry Page and Sergey Brin were masters of the big bet—in respect to betting big on their best ideas.

If you see a guy walking down the street with a supermodel-caliber girlfriend on his arm, guess what? He had to approach her at some point, which meant betting big on his own self-confidence.

Winners know how to bet big.

The big bet principle is woven into the fabric of the universe because of the way opportunity is distributed. Opportunity distribution is not smooth or frequent—it is lumpy and rare. It tends toward outliers and fat tails. Opportunity maximization thus favors a simple formula: Stay cautious and conservative most of the time—and then, when true opportunity presents itself, be incredibly aggressive.

There are two pieces of conventional trading wisdom which are completely wrong. The first is, "take care of the losses and the profits will take care of themselves." Baloney. If you fail to aggressively maximize your best opportunities, you won't rise above the churn. The second wrong piece of advice is, "never bet the farm." Instead it should read, "bet the farm on rare occasions—and always have a farm in reserve."

The art of the big bet is rarely discussed. It is one of the hardest trading lessons to master. But doesn't this make sense? There's a reason why only a small percentage of traders get rich.

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Jon Boorman

Trend Follower • Chartered Market Technician

"The one thing I wish someone would've told me before I started trading is the importance of position sizing."

I could easily say something about the need to be patient and disciplined, as those are important, but the truth is people did tell me all those things, and when you're young you don't listen.

Traders are only human and need to make their own mistakes for behavioural lessons to hit home and to develop mental fortitude. But had I have known the role position sizing plays and truly understood just how significantly it can impact your trading, I feel I could've reached the current path in my journey much quicker.

I've traded for many portfolio managers over the years and I don't believe any of them size positions in their portfolios to account for a stocks volatility or for when they are wrong on an idea. Their mandate was more about weighting their exposure in a portfolio relative to a sector or an index.

Even as a prop trader years later, having never been taught the concept, I still wasn't position sizing in the way I do now...

It was only after I went through a long period of losses and introspection that I broke everything down to its component parts, having been inspired by the work of Van Tharp on the subject, and I came to recognize the basic building blocks of any positive expectancy trading system.

Exits relative to entry determine whether a trade results in a profit or loss, but position size determines by how much. For that reason, position sizing is a major variable in any system—when used correctly it can help you manage risk effectively and succeed in achieving your objectives.

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Trader Steve

Trend Follower • Trading Coach

"Spend time to understand the basic maths behind winning."

A big "ah-ha!" moment for me was getting a grip on the concept of expectancy, and understanding how the basic mathematics of small losses countered by the occasional big winners, combined with a reasonable win rate, could work.

I found out that successful trend followers could win over a long period of time, while at the same time they were losing on most of their trades—how good is that?

A lot of people cannot grasp or accept this. They have a belief that, to win, they have to win more times than they lose. There is also a need in a lot of traders that they need to be proven right on a trade or an investment—they refuse to cut their losses when things go against them. Trend following and the concept of expectancy, proved this was not the case. Certainly when I started trading I fell into this trap, along with having weak risk control.

This realisation came around the same time as determining to risk only a small portion of my trading capital on each trade, so there was a seismic shift not only in my performance, but also on controlling my emotions. Once I "got it", accepting losing trades, or even a run of losses, became a whole lot easier—knowing that over the long haul the basic mathematical logic held up. Then it was solely down to me to remain disciplined and committed through the bad times and the good.

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PSYCHOLOGY

Chris Sayce

Trend Follower • Equities

"Make use of two trading accounts."

I once read a blog by a successful investor who had a 'crazy punt fund' in this he used to make all the bets he wanted to make that were not part of his strategy. The idea is actually rather sound from a psychological point of view…

In Market Wizards' Jack Schwager asks Ed Seykota if when he interferes with his system, does it affect his bottom line. His answer was that he needs to interfere occasionally, as it is a side of his personality that if not allowed to express itself could come out in more damaging ways.

Put another way, let's say you have a winning system but you've lost patience with it. Well you can address the patience issue at a later date, but the fact you know the system is a winning one means you should probably continue trading it.

You could do so by opening a second brokerage account; use one to trade your plan with complete discipline, and use the other one to experiment. Of course, it goes without saying that you must still apply appropriate risk control to the 'crazy punt fund'!

My experience from when I first started trading, was I found a system that I was okay with—it made money and suited me.

However I got bored, changed things around, applied new ideas etc. After 18 months of tinkering I went back to my initial system and looked at the trades I'd made. It was clear, if I had of stayed with my initial strategy I would of made a lot more money…

Now the positive in this situation is that I gained a lot of necessary experience which I use everyday. But if I had of applied my rule of two trading accounts, I would of walked away with the experience and a lot more money!

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Stuart McPhee

Forex Trader • Author of Trading in a Nutshell

"Most of the actions required to trade successfully are counter-intuitive."

Many decisions and actions that are required of us are counter-intuitive. Let me give you some examples...

As we are trading to make money, it is intuitive to think about and focus on making money. It is counter-intuitive to focus on protecting the money that we have.

If we open a trade and it moves into a losing position, it is intuitive to hold on to that trade in the hope that it will soon return to break-even and we can close the trade with minimal loss. It is counter-intuitive to close that losing trade at a loss as it denies us the opportunity of at least breaking even and getting our money back.

If we open a trade and it moves into a profitable position, it is intuitive to close that trade to realise the profit and keep the money or, at the very least, move our stop close to the price. It is counter-intuitive to hold off from closing the trade, providing it the opportunity to continue moving higher.

If we experience a losing streak of several losing trades in a row, resulting in a decrease in our trading capital, it is intuitive to commit more money into the next few trades in order to win our money back sooner. It is counter-intuitive to scale back the size of our trades in order to manage our risk and protect our capital.

Finally, when we first start trading, it is intuitive to think that our decision to enter a trade, being the first decision we make, is the most important and will ultimately affect whether our trade is a winner or loser. It is counter-intuitive to think that other things like the size of our trade and where our exit is are more important.

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Kam Dhadwar

Futures Trader • NLP (Neuro Linguistic Practitioner)

“Specifically, how could you become a more disciplined and a more patient trader?”

Without having a specific set of techniques to build discipline and patience you only ‘know’ these are important traits, which is simply not enough. It’s like knowing that you need to lose weight, but if you don’t know ‘how’ you are lost dreaming about it.

When trading without these traits you’ll constantly be reminded (by the market) that this is something you need to improve on. All traders learn to know; any trading strategy without the discipline to follow it and the patience to wait for the right trades is pretty much useless. Which results in mindless trading, frustration and self-doubt—because you cannot trust yourself to do the right thing.

The only way you’ll become the trader you aspire to be, is purely through dedication and commitment to becoming a more disciplined and a more patient human being (not just as a trader). This will mean being motivated through a thorough understanding of:

- Why are you in this business in the first place?
- Why do you need this discipline?

- What will happen if you don't obtain it?

Think about the situation you'll find yourself in if you don't commit right now to becoming a more disciplined human being, then commit to a lifestyle full of discipline—consider how you eat, sleep, live, and trade.

Learn the importance of mindfulness and self-awareness in everything that you do. When you get this and you practice it, you cannot help but become a more disciplined trader, as it's now in your blood and in the core of who you are.

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Jesse (@PsychoOnWallSt)

Day/Swing Trader • Equities

"Take it slow. Start small. Crawl before you ball."

Many new traders want to go big right away, skipping the most vital part of what they need to learn for how to become a career trader…

The most important rules you need, to graduate from being a greenhorn to being green in the bank, are developed in the beginning—the other 1% come later when you eventually learn how to trade with size.

The initial 99% consists of learning how to manage your emotional game. Technical analysis, scanning, execution, scaling in/out, price & volume—those aspects of trading are the easiest to learn. Mastering your emotions takes time. A lot of time.

Also, too many new traders want to go full-time immediately. The problem with this is, even if you have a tremendous amount of success starting out, if you aren't emotionally prepared for your sole source of income to derive from a completely unpredictable source, you're gonna bury yourself trying to comeback from a big loss or a losing streak.

Embrace the process, take pride in the journey, and put your dick back in your pants because the only person you're competing against is yourself.

The tortoise will always beat the hare.

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PERSPECTIVE

Bert Mouler

Algorithmic Trader • Machine Learning

"Look at what everyone else is doing—read books, articles, forum posts—then do things differently."

From trading the markets myself and being lucky enough to know some very proficient traders, I've come to realize that they have one thing in common; boundless creativity. There are literally millions of ways to make money in the market. However, to be truly great, you have to step outside the box.

I'm a systematic trader, therefore I'm much more comfortable risking capital on a trade when I have a large sample size (e.g. 1,000+) of trades that have been successful X% of the time with an expected payoff of Y. I keep to a set of very simple principles. I use machine learning to discover novel algorithms and trade as many markets as possible—remember; diversification is the only free lunch.

Always be mindful of your biases, both as a human and as a trader, and spend the least amount of time in the markets as possible. If you're not there for the six sigma events, you are much more likely to survive in the long term. Know the maximum potential profit a market can provide and strive to capture 1% of that.

Make sure to evaluate the signal content of your predictors—do you really think you're going to outperform using the same tools that everyone else uses? And keep your trade to parameter ratio (# out-of-sample trades / # free variables) high.

Finally, as always, utilize proper money management. A "tiny" edge utilized over and over and over will result in "huge" long-term profits. You don't need to be right all the time—you don't even need to be right half the time.

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FuturesTrader71

Futures Trader • Former-Prop Firm Owner

"Your education so far is designed around conformity and predictability. Trading is about probability, constant change and modifying yourself to fit the market."

In 15 years of trading and training prop traders, I have learned that the greatest part of the struggle to being a consistent trader is modifying who you are as a person.

Everyone has been taught that if you do one thing, you should expect a predictable outcome. Trading doesn't work this way. Trading is about probability and stacking the odds while minimizing risk. Trading is about being deliberate about the time you spend in front of the market. Time is unrecoverable once it passes—don't throw it away.

The best chance you have of making it is to understand that you have to make it your own approach. Do this as a business owner. You have to modify yourself to fit what the market says it wants to do. You have to respect risk like an alligator handler respects the primal response of an alligator—so never take your eye off of risk. Look inwards. The inability to look inwards and be aware of your relationship with fear and with losing is the reason traders make money in theory but not in real life.

Want to do this for real?

Then understand why price moves and focus on the auction. Understand how you respond to fear. Learn to calm your mind through meditation. Define what a trade is worth to you. Take the trade and let the market tell you if it agrees with your current bias.

MORE ABOUT FUTURESTRADER71

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John Carter

Options Trader • Author of Mastering the Trade

"A true trading journey involves unlearning most of what you were taught in the first few years of your trading life."

It's not magic; it's just math, news and price have very little in common, and so on—these are oversold readings…

What happens in the past has very little to do with what will happen in the future. The reality is that markets move in such a way as to trick most of the people, most of the time.

Have you ever noticed how an "obvious top" is never obvious until well after the fact? During the heat of the moment, the goal is to suck people in short, and then rip their heads off. Or suck people in long with a break to new highs, so the markets can be taken down to shake out the weak hands.

Why is this? For a market to move, there has to be angst. Complacency in a market means that both buyers and sellers are happy with the current price. If they are both happy, then the stock isn't going to move, as no one is buying or selling. That just doesn't work in today's markets, where probes for support and resistance are the norm.

The markets' job is, in essence, to get people on the wrong side of the trade. Suck them in long, or suck them in short, and then spit them out.

The key to navigating these waters is to sit back and realize, anything can happen. And if anything can happen, this means you don't know what is going to happen next. And if you don't know what is going to happen next, then there is nothing to fear. Set your risk parameters and stay on the path of least resistance.

MORE ABOUT JOHN CARTER

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To all the traders who contributed...

I’d like to say, a very special thank you for sharing many of your most valuable lessons.

~ Aaron Fifield

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