

# THE PLAYBOOK

AN INSIDE LOOK AT HOW TO THINK  
LIKE A PROFESSIONAL TRADER

MIKE BELLAFIORE

# The PlayBook

*This page intentionally left blank*

# The PlayBook

An Inside Look at How to  
Think Like a Professional  
Trader

**Mike Bellafiore**

Vice President, Publisher: Tim Moore  
Associate Publisher and Director of Marketing: Amy Neidlinger  
Executive Editor: Jim Boyd  
Operations Specialist: Jodi Kemper  
Marketing Manager: Lisa Loftus  
Cover Designer: Chuti Prasertsith  
Managing Editor: Kristy Hart  
Project Editors: Elaine Wiley and Jovana Shirley  
Copy Editor: WriteOrWrong Editing Services  
Proofreader: Sarah Kearns  
Indexer: Cheryl Lenser  
Senior Compositor: Gloria Schurick  
Manufacturing Buyer: Dan Uhrig

© 2014 by Mike Bellafiore  
Publishing as FT Press  
Upper Saddle River, New Jersey 07458

**This book is sold with the understanding that neither the author nor the publisher is engaged in rendering legal, accounting, or other professional services or advice by publishing this book. Each individual situation is unique. Thus, if legal or financial advice or other expert assistance is required in a specific situation, the services of a competent professional should be sought to ensure that the situation has been evaluated carefully and appropriately. The author and the publisher disclaim any liability, loss, or risk resulting directly or indirectly, from the use or application of any of the contents of this book.**

FT Press offers excellent discounts on this book when ordered in quantity for bulk purchases or special sales. For more information, please contact U.S. Corporate and Government Sales, 1-800-382-3419, [corpsales@pearsontechgroup.com](mailto:corpsales@pearsontechgroup.com). For sales outside the U.S., please contact International Sales at [international@pearsoned.com](mailto:international@pearsoned.com).

Company and product names mentioned herein are the trademarks or registered trademarks of their respective owners.

All rights reserved. No part of this book may be reproduced, in any form or by any means, without permission in writing from the publisher.

Printed in the United States of America

First Printing July 2013

ISBN-10: 0-13-293764-6

ISBN-13: 978-0-13-293764-1

Pearson Education LTD.  
Pearson Education Australia PTY, Limited.  
Pearson Education Singapore, Pte. Ltd.  
Pearson Education Asia, Ltd.  
Pearson Education Canada, Ltd.  
Pearson Educación de Mexico, S.A. de C.V.  
Pearson Education—Japan  
Pearson Education Malaysia, Pte. Ltd.

*To my dad, who teaches me the most valuable lesson:  
work ethic*

# Contents

|          |  |           |
|----------|--|-----------|
|          | <b>Introduction</b> . . . . .  | <b>1</b>  |
|          | The Perfect Storm . . . . .  | 6         |
|          | The PlayBook Becomes Our Solution . . . . .                                    | 11        |
|          | The Truth about Trading . . . . .  | 12        |
|          | Yes, You Can! . . . . .  | 12        |
|          | What's Inside . . . . .  | 13        |
| <b>1</b> | <b>The PlayBook</b> . . . . .  | <b>17</b> |
|          | The Big Picture: First Know What Is Moving the Market . . . . .                | 19        |
|          | Intraday Fundamentals: Trade with Real Order Flow Behind Your Stocks . . . . . | 20        |
|          | Technical Analysis: Friend and Foe . . . . .                                   | 29        |
|          | Reading the Tape: Find Better Entries and Exits . . . . .                      | 30        |
|          | Intuition: Unartful Things Said During an Interview . . . . .                  | 31        |
|          | The PlayBook: An Example with a Second Day Play . . . . .                      | 32        |
|          | Top Ten Ways the PlayBook Can Help Your Trading . . . . .                      | 42        |
| <b>2</b> | <b>Trade Like a Shark</b> . . . . .  | <b>53</b> |
|          | The Work Output of a Pro Trader . . . . .                                      | 55        |
|          | The Language of the Successful Trader . . . . .                                | 64        |
|          | Good Traders Are Real-Time Relentless . . . . .                                | 65        |
|          | Shark's Best Trade Ever (NKE) . . . . .  | 66        |
|          | If Shark Can Do It, Why Can't You? . . . . .                                   | 70        |
|          | Trading Calm . . . . .   | 71        |
|          | The Overanxious Trader . . . . .   | 72        |
|          | Most Valuable Trader . . . . .   | 73        |
|          | Shark Is Self-Actualized . . . . .   | 75        |
|          | Shark's Focus on the Process . . . . .   | 77        |
|          | Shark Hunts the Best Stocks . . . . .  | 78        |

|          |   |             |
|----------|---|-------------|
| <b>3</b> | <b>The Day Knight Capital Almost Fell (A Support Play)</b>            | <b>.81</b>  |
|          | Reasons2Sell  | .84         |
|          | From Our Training Room: A Trade Discussion with Shark                 | .103        |
| <b>4</b> | <b>TO: How Good Can You Be?</b>                                       | <b>.115</b> |
|          | TO: The Ultimate Trading Competitor                                   | .116        |
|          | TO Is One Step Ahead of You   | .125        |
|          | The Failure Rate of a Prop Trader                                     | .136        |
|          | The Standard Is: How Good Can You Be?                                 | .138        |
|          | And the Winner Is...TO  | .144        |
|          | From the Training Room: A Biotech Fade Trade Review with TO           | .149        |
| <b>5</b> | <b>Follow the Trading Path of Pippen</b>                              | <b>.159</b> |
|          | A Path to Profitability   | .161        |
|          | Be in Your Right Culture  | .168        |
|          | One Good Trade  | .178        |
|          | From the Training Room: Trading an IPO (FB) with Pippen               | .183        |
| <b>6</b> | <b>Special Projects: Get Ready to Trade Pro</b>                       | <b>.197</b> |
|          | Do You Fail as a Trader, or Do You Learn It Is Not Your Passion?      | .198        |
|          | The GM Test   | .200        |
|          | The Rise of College Traders   | .203        |
|          | Make It Happen!   | .206        |
|          | Why Aren't Universities Teaching Trading?                             | .209        |
|          | We Need More Female Traders   | .212        |
|          | The Future Five-Year Career Path                                      | .213        |
|          | From Our Training Room: A Reversal Trade Review with Special Projects | .219        |
| <b>7</b> | <b>Prep</b>   | <b>.229</b> |
|          | It Is Everyone Else's Fault But Mine                                  | .230        |
|          | Trader Rant   | .231        |
|          | Fear of Missing Out (FOMO)  | .233        |
|          | Follow Your Giveback Rule   | .235        |
|          | Consider the Big Picture  | .238        |
|          | Negative Self-Talk  | .241        |
|          | You Are Trading Too Many Stocks                                       | .243        |
|          | Making Money Starts with Being Professional                           | .247        |
|          | Trading on Tilt   | .248        |
|          | Finding the Solutions   | .249        |
|          | From Our Training Room: One Good Losing Trade with Prep               | .256        |
| <b>8</b> | <b>We Are All Rudy</b>  | <b>.269</b> |
|          | The Blue-Collar Trader  | .270        |
|          | Do Poker Players Make Better Traders?                                 | .271        |
|          | Is a Gifted Mind Enough to Become a Great Trader?                     | .275        |
|          | Mental Agility and Concentration Built from Gaming, But...            | .277        |
|          | You Cannot Execute If You Don't First Settle Your Personal Issues     | .279        |
|          | Overthinking Harms Your Execution                                     | .285        |
|          | From the Training Room: A Technical Trade Review with Rudy            | .293        |



|           |  |             |
|-----------|--|-------------|
| <b>9</b>  | <b>Iceman: No Guts, No Glory</b>                                       | <b>.307</b> |
|           | Having the Guts to Be Your Best Trader                                 | .308        |
|           | Iceman Trades His Personality  | .309        |
|           | Eleven Steps to Trade Bigger   | .314        |
|           | The Unavoidable Psychological Journey to Success                       | .320        |
|           | From the Training Room: An Opening Drive Review with Iceman            | .334        |
| <b>10</b> | <b>GMan: Trading Is <i>Not</i> Easy</b>                                | <b>.345</b> |
|           | Traders Need Great Coaching  | .346        |
|           | How GMan Improved His Trading Methodology                              | .350        |
|           | Remember How Tough Trading Is  | .351        |
|           | Argghh: Insufficient Trader Training                                   | .356        |
|           | Party Time   | .360        |
|           | GMan's Pullback Trade  | .362        |
| <b>11</b> | <b>South Africa</b>  | <b>.379</b> |
|           | The No Trend Pledge  | .380        |
|           | A Trading Desk of Tennis Players                                       | .381        |
|           | Was It True That Stocks In Play Didn't Trend in South Africa?          | .382        |
|           | The American Version of SMB Traders Off the Tracks                     | .385        |
|           | Some "Proper" Traders  | .386        |
|           | Phillie: Some Call It Perspective                                      | .387        |
|           | Stevie: There Is No Option But to Succeed                              | .388        |
|           | Carpe Diem: A Comfort for Action                                       | .393        |
|           | Brody: A Pursuit to YBT  | .397        |
|           | Rudders: Ultra Calm and Giving   | .398        |
|           | JoeBoy: The Natural  | .399        |
|           | <b>Conclusion</b>  | <b>.405</b> |
|           | How You Can Become a Profitable Trader                                 | .406        |
|           | You Are a Multiproduct, Multimarket, Bionic Discretionary Quant Trader | .409        |
|           | You Can Be Better Tomorrow Than You Are Today                          | .410        |
|           | <b>References</b>  | <b>.411</b> |
|           | <b>Index</b>   | <b>.423</b> |

# Acknowledgments

This book took almost two years to write. Numerous chapters were scrapped or substantially rewritten for the best end product. For that I thank Jim Boyd—for your ideas, encouragement, and steady hand in this project. And thanks to Michael Thomsett and Elaine Wiley and Jovana Shirley from Pearson Education for helping me find the best path for *The PlayBook*.

All arguments I make inside received detailed research. A special thank you to Geoff Horton for his help with research. Thank you to Heath Bailey for making this enormous task more manageable. Alex Carver, great job going above and beyond with the transcriptions from previous SMB Tradecasts used for the book.

I would like to thank all of the interns who helped on research, including

Agron Kovangji

Aria Vossoughi

Brendon Chan

Cameron Wright

Derek Uhm

Henry Theurer

Hoshang Daroga

Julian J. He

Mark Madias

Jonathan Miller

Morgan McCarthy

Krish Ramasubrama

Siddanth Singh

Steve Liang

Wonchan Yi

Segeun Choi

Stamatis Kakleas

Wenchang Qian

Greg Magadni

Jian Zhi

James Zhang

Mit Kalola

Pradyumna Nagesha

Gideon Wout

Yuxiang Huang

Tian Mao

Shivani Jariwala

Anthony Chon

Chris Zaloom

Robert Gray

Thank you to Steve Spencer for covering for me when my family needed me. A big shout out to Gilbert Mendez, GMan, for the best PlayBook trade in the book. I am grateful to have the good fortune to work every day with Seth Freudberg, who has built the SMB Options Tribe around a culture I am so very proud of. To Marc Principato, of SMB FX, your writing and morning call are outstanding.

To Andy Kershner, I look forward to building the best prop desk in NYC with your team at KTG, SMB, and you.

To Rosie Mendez, thank you for making me look smarter. To Carlton Bryon, I appreciate you putting up with my Coach Bella side and your work to ensure our guys have the best training infrastructure they deserve.

To Shark, thank you for leading this rebuilding process. I look forward to the day when you are a better trader than GMan.

To Iceman, I have never met a better young entrepreneur. There is nothing you cannot build.

To TO, thank you for your sustained and outstanding effort. You inspire me to be a better coach.

To Pippen, you prove that you can be gracious and a top trader.

To Prep, simply, we miss you!

To Rudy, stop taking our guys during the monthly SMB poker game.

To my friends at Storm Securities and African Gateway, most notably for this work—Monti, JoeBoy, Phillie, Stevie, Rod, Brody, Rudders, Kevin, and Jules; thank you for the experience of a lifetime. Trade well, boys!

To PhillipCapital, your friendship and partnership excites all of us at SMB. We will see you soon in Singapore.

To the guys on my desk, thank you for making it fun to come to work each day.

To Dr. Jonathan Katz, Dr. Andrew Menaker, and Denise Shull, thank you for your contributions to trader psychology.

The greatest reward for starting SMB and then SMBU are the friendships with sharing traders and educators. Buss Bower, Michael Martin, Brian Shannon, Corey Rosenbloom, Steven Place, Tadas Viskanta, Charles Kirk, Tim Bourquin, Mark Zagora, Melissa Fann, David Blair, Josh Brown, Jerry Khachoyan, Andrew Keene, John Locke, Jeff Augen, Tom Sosnoff, our family at StockTwits, Sean Hendelman, Nadav Sapeika, Jeff White, Bruce Bower, Jeff Davis, Matt Nadell, Joey Fondura, Joe Fahmy, Jared Levy, and Jim Rogers, thank you for all the work you do for the trading community.

To the best in the business, the Coach K of trading coaches, Dr. Steenbarger, we do our best to live up to the standard you set for all of us.

Thank you to Barry Lyons for your editing genius.

To all the traders who email, tweet, or chat with me, thank you for sharing your trading journeys. Build from your strengths.

To my wife, I cannot wait to watch our son Luke grow with you.

To all who have the guts to try and play pro, I hope you find help inside *The PlayBook*. I am grateful that you have chosen to spend the next many hours with my trading thoughts. Please feel free to reach out to me with any trading questions or just say hi, [mbellafiore@smbcap.com](mailto:mbellafiore@smbcap.com).

# About the Author

**Mike Bellafiore** is the co-founder of SMB Capital, a proprietary trading firm in New York City; SMBU, their education arm; and SMB Systems Trading, their algorithmic trading division. He is the author of “the trading classic” *One Good Trade*. His firm has regularly appeared on CNBC, Bloomberg TV, CNN Money, Fox Business, the BBC, and in the *Wall Street Journal* and the street.com. SMB’s trader training program was highlighted on the TV documentary *Wall Street Warriors*. An international lecturer, Mr. Bellafiore has built trader training programs globally for hedge funds, prop trading desks, and retail traders, working with some of the world’s largest traders. He lives on the Upper West Side, with his wife and newborn son.

# Introduction

Weaknesses don't matter if you find solutions.

—Ray Dalio

*The PlayBook* will help you become a better, bigger, more profitable, increasingly efficient, well-rounded, calmer, happier, and grateful trader. This book teaches you how to make more of the trades that make the most sense to you, with larger size, holding them for the real move, so that you boost your trading P&L. It will gift you with the tools to realize what I argue should be your ultimate goal: becoming *your best trader* (YBT). The PlayBook is the derivative of something good coming from personal hardship (mine, as it turns out). Let me tell you how it all happened and how the PlayBook can transform your trading performance.

\*\*\*

I was in my hotel room in Phoenix, Arizona, preparing to talk to the Scottsdale–Phoenix meet-up group when my BlackBerry vibrated. It was my mom.

“Michael, I am so sorry to tell you this. Your father has had a stroke. It's not good. I don't know what to do.”

“Here, please talk to your father,” continued my mom.

She put my dad on the phone. Well, more accurately a man's voice came to the phone. It could have been my dad, but it was hard to tell. The man on other end of this phone clearly had had a stroke. “Hello” was “Hawoooooh” and with great strain from the speaker. The man gave the phone back to my mom.

“Mom, let me check when I can get out there and call you back.”

“Okay, thank God. Thank you, Michael.”

I hung up the phone, went to Kayak.com, and punched in an airline search for from Phoenix to Tampa. My hands felt frozen from the shock. I could arrive very early the next morning if I left in the next hour, or in the early afternoon with the first flight out the next day. I thought: Seriously, you can't get from Phoenix to Tampa in a few hours. Driving would take forever, the same with a bus, and there were no trains.

Guilt for my inadequacy to immediately be in Tampa persecuted my mind and body. In 46 minutes, I had a commitment to give a lecture to a group important to me to support and for which I'd flown across the country. But my family needed me. I needed to be in Tampa for them urgently. Should I bolt to the airport, cancel my presentation, and land in Tampa early morning the next day? Should I do the talk and head out on the first flight the next morning? I called my wife. I called my sister. I called my mom. This was my prisoner's dilemma. We decided on the first flight out the next morning. I hated this decision.

I arrived at the venue for the Scottsdale–Phoenix meet-up, which to me appeared like a quintessential location shoot for those political town hall meetings. *And now running for the Scottsdale city council, please help me welcome candidate Mike Bellafigiore.* What was I doing here? None of this was helping my mom or dad. I was physically present while my mind was observing the absurdity of my presence.

So I went and did it: I stood on my feet for three hours talking to a room full of mostly retired investors. I had painstakingly prepared a talk on short-term trading setups, but after one look around the room of this friendly senior citizen crowd, I scrapped my prepared remarks to engage this demographic. I got lost in our talk for a few hours, with appreciative attendees coming together as a community, a trading community. They were admirably in attendance to learn more about the markets, meet some new people who invested like them, and perhaps spend a night away from mindless reality TV. There cannot be enough great meet-ups for investors/traders across the United States. People like me have an obligation to support them. Such communities make our markets better for the plain reason that a well-educated trader class manifests a better market.

I gave that audience everything I had, answered every last question, and shook each hand with a smile such that no one detected my personal hardship. *Just like my dad would have done.* Engrained in my memory is a snapshot of my dad on his hands and knees, paint, dirt, and muck smothering his work blue polo, improving a family property for one of his tenants. This is work ethic. You do things as well as you can because what else is there?

At 9 p.m., I walked out of the hall exhausted, on-the-road famished, and about to face one of the most difficult years of my life. I drove my rented mid-size back to my resort hotel, asked for a 3:30 a.m. wakeup call, and passed out soberly, still in my suit and shoes.

BAA-RING!!!!

BAA-RING!!!!

My next conscious moment was the phone in my room ringing as I awoke feeling as if a 300-pound lineman had just sacked me. The early hour brought me that sleep-deprived physical pain, stomach discomfort, and uncomfortable head pressure. Somehow I got on a plane, with my bags, and touched down in Tampa.

I called my mom.

“Hi, Mom. I’m here.”

“Oh, Michael, thank God you’re here. Your father is at Morton Plant Hospital. Do you know where it is?”

“I’ll find it.”

I walked into my dad’s hospital room, my mother sitting across from him, pale and trying to force an unworried smile. When her first-born son entered a room, my mother usually stood and made me feel like there was nothing else more important than me. She tried this now-impossible task while living her life-changing moment. I looked to the right at my dad, smiled, but inside was *astonished*. He couldn’t talk. He couldn’t move. He couldn’t lift his hand. “Michael” was “Mikahhhhhh.” The strongest person I have ever known was now as fragile as a newborn.

This was so much worse than my mother had explained. I made happy small talk, unsure when to stop the farce. After this absurd hospital custom, my mom grabbed my arm and pulled me into a private room a few doors down the hall.

“Mom, people make full recoveries from strokes. Let’s not assume anything. When can we get him rehabbing?”

Okay, at this point (or well before, and if so, thank you for your patience), you might be wondering why I’m sharing this personal story with you, an account that has yet to say a single thing about trading. As it happens, this drama is pertinent, as you are about to see. And if ever there is a person who can inspire you to improve everyday as a trader, or serve as an allegory for the path of the new, developing, or underperforming trader, it is a recovering stroke victim. Further, an event like this helps traders place their work in the proper context. No one has ever lost a loved one in a losing trade. More to the point, the PlayBook might never have been born without this calamity.

\* \* \*

Fast-forward (and bypassing medical bureaucratic details too numerous to recount), we finally freed my dad out of the hospital and into a 24-hour rehab center, where he (and I to a lesser extent) would live for the next 2 weeks. I write often on the SMBU blog that trading is an exercise in getting better everyday. A stroke victim personifies the ultimate real-life, all-consequences example of a struggle to get better each day. Your brain has been injured. New connections in your brain circuitry to control walking, speaking, and thinking must be remade. Harder still, you must do all of this in the autumn of your life, when you’re supposed to be slowing down and enjoying the rewards you worked your whole life to reap.

Building your PlayBook is a similar test. As a trader, you must make connections in your trading brain for the setups that make the most sense to you. Then you can execute these plays as automatically as you breathe, walk, and talk. But before, each trade is a struggle of indecision and uncertainty. More about this soon.

I called Steve Spencer, now one the most recognized U.S. equities traders in the world, the best man at my wedding, and my partner at SMB. “My dad has had a stroke. I am going to be here for a while.”

“Okay, stay as long as you need.”

I didn’t wonder for even a moment whether I would help my dad in his rehab. There were only moments when I questioned whether I needed to do more. My dad had given me so much. We ate dinner together every night during my childhood. I cannot recall a game he ever missed. He never declined a throwing session, which led to me becoming a college athlete. College. Law school. Now I would be there to help him.

Day one of rehab was one of the better days of my life, during the worst period of my life. I love the science of performance enhancement and saw it all-day, in real-time, inches from me. We went to speech therapy, physical therapy, and occupational therapy. Dad couldn’t do much, and everything was so difficult. Picking up a sandbag during occupational therapy was impossible. I had to lift his back to get him into a bridge position during physical therapy. He still really couldn’t talk. In a lighter moment, we got into trouble during speech therapy for not following one of the rules. Threats were made at us, and angrily. We laughed and laughed and laughed some more about potentially getting kicked out of the rehab home. As if there is anything really bad that can happen to you after having a massive stroke or seeing your hero after he has had one.

By the end of the day, Dad improved. He had the infrastructure to make progress, like a new trader must. And he was determined with every breath and thought to get better. Mom used to



say she never met anyone as determined and focused as my dad. The rehab center was seeing that. He worked.

I returned home that first day to our Clearwater Beach family condo, which overlooks the Gulf of Mexico at one end and Tampa Bay on the other. My mom, obviously anxious and eager to hear my report, sprung up from her reclining chair upon my arrival. “Mom, he is going to make a substantial recovery.”

“Oh, Michael, that is such wonderful news.”

For the next ten days, I woke early, grabbed a few protein bars, and headed over to the rehab center to spend the day with my dad. I had in my head that the more he moved and thought, the better he would get. Sort of like the more screen time you get as a newb, the more you improve. During rest breaks, I asked him to punch my hand. By day three, he could. I would move my hand up and down, and he would slap at it. You could sense his brain struggle to figure out how to get his arms to hit my hand.

It was also hard to miss how my dad outworked the others in rehab (and by a large margin). Many did enough not to get in trouble, literally stopping their reps when the staff stopped looking. My dad did extra reps.

After every rehab set where I noticed progress, I praised him. We built from the positives. I would tap his stomach and say, “Good set” or “Good work, Dad.” The trading coach in me knew that to sustain his motivation I had to encourage the effort and not the result. I knew that act of touching would help reduce his stress and communicate we were in this together. Before I headed home after day five, I pulled his chair right up to mine, waited for his eyes to meet mine, smiled, and said unwaveringly, “You are going to make a substantial recovery. People can make remarkable recoveries from strokes. Keep working. You are going to get better.” I could have been talking to one of my traders.

I sensed he wanted to get better *for me*. Of course, he wanted to improve for himself, but he also wanted to get better for me. I wanted (no, needed!) him to get better, and he read that. I see this behavior in my traders with whom I am close. They do not want to disappoint *me*. Coaches who love their players will see them do almost anything not to disappoint them. Love is a powerful motivator.

During speech therapy, my dad earned the nickname “Friendly Frank” because he gabbed with everyone in the facility. Friendly Frank grasped that he needed to talk as much as he could to expedite his speech progress. So he talked to everyone. He was working to get better and enjoying himself with his latest challenge.

There were periods of frustration to overcome. On one particular day, my dad got discouraged at a lack of staff attentiveness. He directed unkind comments at their competence and performance. He was acting like a trader on tilt. I had to keep him focused on his task. When Dad started complaining about bad service, I refocused him on the only thing that was important: our day of improvement. I told him to count to ten when he got mad, and to take deep breaths between each number. All that mattered was that he play as much as he could with his rubber bands and speech exercises and jabbing drills we had created to speed his recovery. I could have been talking to one of my favorite traders moaning about *high-frequency traders* (HFTs). In trading, we say, “One Good Trade and then One Good Trade and then One Good Trade.” (I hear there is a pretty good trading book by this title.)

My wife flew down for Christmas. I hadn’t seen her for a few weeks at that point, which was just two months after our wedding. She got a kick out of seeing my dad working so hard, stopping to talk with everyone, and answering every question asked to the rehabbers during group therapy.

“Frank, don’t raise your hand. You can’t answer every question.”

“Why not?”

She laughed. My dad and I laughed. We all laughed again together. He had a point. Why not?

On day ten, my dad stood, placed his right hand on a handrail, and walked 40 yards up the rehab hall and then back. Wow! He was going to walk again! I couldn’t wait to go home and tell my mom.

The prior four nights my mom had been very ill. She had a history of stomach issues and couldn’t keep anything down. She wasn’t sleeping. Her back was terminally screwed up, and she was in constant pain. I found her pacing our condo in the middle of the night trying to relieve her back pain. Doctors say one of the mistakes a family makes is not looking after the spouse of the stroke victim (in this case, my mom).

Before my wife and I left the rehab center that day, my dad asked me to go check on my mom. Ever selfless, he was first worried about her and her health. As hard as life had been after taking that call about my dad from my mom, it was now about to get worse.

My wife and I grabbed some dinner at the mall in Tampa and then headed back to the condo. I opened the door and found my mom face down on our kitchen floor.

I sprinted right to her, turned her over, and found a huge welt above her left eye, which had absorbed her fall. I called 911. “My mom is unconscious. Send an ambulance.”

“Okay, sir. Where are you?”

I answered.

“Is she breathing?”

“How do I tell?” And on it went.

“Clasp your hands together and push against her chest. I will help you with the tempo.” And the guy was going, “And push and push and push and push.” My mom was covered in sweat and obviously dead, and here I was, in my opinion, just hurting her body.

“Mom, please wake up. Mom, please wake up.”

Seemingly hours later, really approximately 15 minutes, the paramedics and police arrived. Like some *CSI* episode, the paramedics took over and applied machines and technology to my mom. In cases like this, the police look around. They ask you questions. You show them your license. They are doing their job, and their presence is comforting, but you cannot help but think, “Does anything else matter but that my mom is obviously dead? How in the world am I going to tell this to my dad?”

We followed the paramedics to the nearest hospital. Well, we started to, but then got lost. We eventually arrived, and then waited in the waiting room (never has a room been so aptly named). It was bizarre: I was certain my mother had passed, but we were waiting around as if she had an ankle sprain and were anticipating X-ray results. I called my sister.

“We’re at the hospital. Mom had an accident.”

Now, you wait, and you know what they are going to come and say. They hand you a plastic bag of your mom’s possessions. Strange thoughts drift about like, “God, is that a ginormous diamond necklace she wore!” They escorted us from the waiting room into an exam room and told us the doctor would come with news. News? The doctor is going to come and tell us that my mother is dead.

Some young, sweet Indian doctor and kind-eyed nurse entered the room. *Well, this can't be good.* The nurse was obviously there to help us with the grieving. If it were good, there would be no nurse. This must be protocol.

"I am so sorry to tell you that your mother has passed away. You can go and see her now." I entered the room and felt more grief than one should possibly have to bear. And I felt an awful and strange protective guilt for the trauma to which I had just exposed my wife. How could I have missed not paying more attention to my mother?

My sister flew down on the next day, Christmas, with my then one-year-old niece Kate. My little sister had ordered me not to tell my dad until she arrived. Mom always said, "Never awake anyone with bad news. It can wait until the morning." It's funny the things you never question said by your mom.

We found my dad. I wasted little time. "Dad, we lost mom last night." My heart broke looking at my dad's face as he absorbed this news. We brought in Kate to play on Poppa's lap, desperate for some way to distract.

Over the next several days, we flew my dad back to Long Island, buried my mom, moved my dad into a rehab center in our hometown, and kept moving.

During all of this, the markets don't close, the competition in the trader education space doesn't discontinue business, trading systems need tweaking, and my traders require coaching and direction. Deals have to be negotiated, calls returned, and problems solved. But I wasn't able to work. I had lost my mom, and my dad needed my help. I was emotionally unavailable.

Later, at a conference in Singapore, I proclaimed that starting SMB was the stupidest, most arrogant, naive thing I had ever done. Starting a firm like I did, essentially from my Upper West Side apartment and with no outside funding, was overly-ambitious. I cannot help but think the years of my mom telling me I could do or be whatever I wanted led me to start SMB. Now that unconditional voice of confidence was silently resting. Meanwhile, the strongest person I had ever known was broken and years away from a significant recovery.

As if things were not bad enough, they were about to get worse.

## The Perfect Storm

A perfect storm of events compiled to stop and reverse SMB's forward progress. As a firm or business, particularly in the money business, you never want to be backtracking; after all, the firm's very existence depends on forward momentum. Running a prop firm is very expensive. Specifically, even a flat month in P&L can cost 200k plus after fees, expenses, staff, and rent. From profitable to broke can come fast. Add to this strain 1) some of our profitable traders left, 2) the industry as a whole was struggling, 3) a large legal bill was ahead, 4) new regulation increased costs, and we were headed in the wrong direction. All of this came when I wanted to be elsewhere, with my dad and family.

I always love how people think running a business is so easy, particularly a trading firm. Respectfully, it isn't. And your individual trading business will not be easy for you to run either. We will be upfront about not having all the answers, mistakes made, the need for timeouts during personal struggles, and the necessity to persevere as a trader or firm. Solutions must be found, you must uncover a way to subsist and even reinvent yourself. This is true even for the best traders and firms. This is the life we have chosen. As it so happened, *The PlayBook* was the key for how we weathered this storm.

A great clash lay ahead, one that would have been daunting even if I were at full strength. But I wasn't. My mental state held us back. For example, SMB was sucked into a contentious negotiation with our third-party provider. We leased space and routed our trades through this third party. I had to excuse myself from these meetings because the idea of fighting over a nickel on tickets just wasn't in me. Nor was I in the proper state of mind for the day-to-day grind of running a prop-trading desk, educational arm, and our new systems-trading division. When you have just experienced trauma, stress can trigger a return to a state of trauma, which is unhealthy.

## ***Ciao Bella***

That perfect storm? First, some of our consistently profitable traders left. At that time, the career path for our traders was this: become a consistently profitable trader and then get bigger. How 2007! Other firms (poachers from the League of Lesser Firms) learned of the success of many of our home-grown traders. These firms started offering our built-from-scratch guys race-to-the-bottom trading deals that we could not match. It would be hard to find objective traders who would not acknowledge that we offered the best training and infrastructure for the beginning trader. Most of our competitors even admit this. The problem was we were not offering enough value to those who we had trained to become consistently profitable heading into their year three or four with us. SMB thought loyalty and our present value would keep the traders we built for their entire career. We were mistaken.

Here's where we were wrong. If a firm is only going to offer the chance to get bigger after traders are consistently profitable, these traders might forget or undervalue the firm's contribution to their success. At that point, you can be viewed as just a buying-power provider, for which some profitable traders do not want to share much of their profits. In 2009, traders were seeing their profits shrink from the historic trading opportunity of 2008, so some sought ways to keep more of their take. Poaching firms were desperate to fill their emptying seats and so pitched our traders. In fact, one firm kept a file of all the bad things they could say about SMB and literally handed our guys this information. It was mainly printouts of trader forum nonsense, home of the anonymous failed trader and made-up testimonials. I have heard from reliable sources that this firm is responsible for many of the negative quotes in these forums about competing firms. This mistakes playing tackle, being a tough businessman, with being unethical. Some of our guys wanted to find a way to get closer to their 2008 levels and fell for this sell of greener pastures.

SMB had a math problem. You see a prop firm takes losses on underperforming or new traders so that one day those better traders will have a new crop of traders around them offering fresh ideas, new strategies, and lower transactions costs. You are only as good as the stocks you trade. Sixty extra pairs of well-trained eyes calling out trading opportunities helps you as an experienced trader. Then these new traders develop strategies that you have not considered, which you might add to your trading quiver. Further, when these new traders get good, transaction costs decrease for the firm, which can be spread to all traders. When the older, profitable traders squeeze the firm for minimal profits, the firm cannot support the lesser traders' losses.

Simply put, our profitable traders asked for deals that we could not meet within our prop trading model. They got upset that we weren't matching the race-to-the-bottom deals that poacher arcades were offering them, so they left. After a few guys leave, others find other reasons to leave. A firm can become like a downtrending stock that needs a catalyst for it to change direction. Arcades offer a seat and computer but do not offer downside risk, draws, or value-added trading tools and services to traders. It's cheaper to trade at an arcade. I don't have

a problem with another firm talking to our traders that approach them. I am even okay with another firm approaching a trader who came to us as experienced. I have a problem with that firm approaching traders I built from scratch and selling them on a better world of slightly lower transactions costs. One trader left to save maybe \$500 a month. That is about the cost of parking in NYC. Seriously, that is the business you are in?

Pitch them on added value, specifically technology, more downside, better education, and so on. Show them how you can significantly increase their P&L. That is fair game as far as I am concerned. Also, show some decency. Don't come after the guys I spent ten hours a day with for three years. Playing the lowest cost provider game with rates now so cheap actually harms better firms like mine who invest in their traders. Without firms like SMB, there will be no new blood of future star traders. Also, it sells a false premise that lower transaction costs will improve your P&L. Unfortunately, too many trade to their P&L regardless of transaction costs, meaning that once you know your costs you factor that into all of your trades. Your overall results stay the same. This is just trader psychology.

Perhaps the reason for leaving was our limited career path. Perhaps it was the tougher market of 2009 forcing traders to look elsewhere. Perhaps after three years of our coaching it was time for a new voice for some of them. With our past model of "get good and get bigger," perhaps our desk was more like a college basketball program where, after four years, seniors graduate or turn pro and you have to develop a whole new set of players. Perhaps those traders should have been more loyal.

Whatever the reasons, winners get to write history. You cannot keep losing consistently profitable traders and then claim you were right. That is a world of failure. All that said, I am proud that most of those traders were grateful for the trading education they received from our firm, how much they learned, and our indisputable contribution to their trading success. Some now are seven-figure traders. Many gross more than \$250,000 each trading year. A few are even running their own firms. A bunch manage money for others. A half-dozen even work at places like Bridgewater, the second-largest hedge fund in the world. One thing was crystal clear from the loss of traders in 2009–2010: We needed to get better and offer more.

In full disclosure, I was deeply hurt by this trader exodus. Intellectually I am aware that I am not supposed to take such things personally, that business is business. That is beyond my capacity. Guys I train are more like friends and family to me. I spend too much time with them, worry too much about their progress, and get to know them too well not to miss them when they leave. This even applies to traders who don't succeed; it's a horrible feeling that haunts me for weeks when a guy fails. What's worse is when new recruits come in and don't see some of those great traders you helped develop. That is tremendously disappointing.

And there was more.

## The Intraday Trading Contraction

Adding to my strife, the intraday trading industry as a whole was struggling. This was not indigenous to intraday trading; in fact, it is more accurate to note that the equity trading world was hurting. So difficult was this period that intraday trading godfather Steven Schoenfeld penned an infamous letter to his traders putting them on notice that many would soon be fired if their performance did not improve. The biggest, baddest, and richest intraday trading firm on the Street was cutting costs. Also, there was the "day trading is dead" blog of the week. These were exaggerations. Day trading (a term I refuse to recognize; it's called *intraday trading*) was contracting, times were tough, but it was not dead. When I first started, we were taught the trading principle that not all years on the Street are wildly profitable. I did not hide any of this on my blog penning numerous posts on this subject.

In one of these “day trading is dead” blogs of the week, I lost a friend who runs an established finance website. From my perspective, SMB was very helpful to this site when it first launched, earning it credibility on the Street. His site posted a sensational, irresponsible blog post titled “Day Trading Is Dead.” The industry was down enough; this post that would be read by many didn’t need to exaggerate. I knew the author of this piece, who had spent like three minutes in the field of intraday trading, and also knew that the title had been changed by my former friend for the purpose of driving traffic. I called respectfully lobbying the website to rechange the headline to its original title. He did, but that was the last we spoke.

Firms were shrinking as traders were being washed out. HFTs were seen as ruling the day. Allocators were pulling funding of the bigger intraday traders as their appetite to back discretionary traders waned. It was a tough time for the intraday trader and firm.

And then came the worst moment of my trading career.

## The Government

Steve was calling. I answered.

“Hey, how are things?”

“I have some bad news. We just received a subpoena from the SEC to be a witness to an investigation.”

Adding to all this, SMB was about to absorb a major legal spend complying with an SEC witness subpoena. Remember our third-party partners with whom I couldn’t bear to argue? They were being investigated by the SEC. We were issued a subpoena to be a witness to their investigation and provide documentation that related to them.

And the hits just keep on coming.

My dad had a stroke, my mom had passed, we lost some of our better traders, equity trading was suffering, and now we had to provide hundreds of pages of documents and pay a top lawyer god knows how much because someone else was potentially in trouble with the SEC?

WTF!

There is something about getting documents from the government, any documents; no matter how innocuous they might be, it just scares the heck out of you. Add to this that at this time penalizing the Street, anyone on the Street, was political treasure. We immediately wondered if we were doing something the SEC had decided to use its enforcement power to correct. And if they did, how far would they go? This may seem odd, but the rules for trading firms at times are not clear, even after review from your lawyers. And you cannot just call up the SEC and get their guidance on activities. They tell you when you are wrong only after you act, not before. You could be doing something improper without your counsel or you knowing it. Regulators can decide you were doing something incorrect without you being able to foresee it. That is just the way it is. It is a weird game of moving regulatory target practice, even for the good guys on the Street.

As a firm, you do the best you can so that the government never even wants to ask a question as to whether you are or were doing something improper. Firms in our space had been shut down by the SEC, with partners banned from the business. To clarify: Those firms were doing some very shady stuff that was clearly illegal. Was the subpoena as a witness just a ruse to start investigating us next? While most likely not, at this time our sole focus was not to end up on the front page of the *Wall Street Journal* and live to play another day.

More perverse during this whole fiasco, I felt like a guilty person. I racked my brain thinking, reviewing, wondering if we had done something wrong. I am a lawyer, so is Steve, and our business model is regularly scrubbed by attorneys. None of us could think of anything. The whole reason I started SMB was to give new, developing, and underperforming traders their best chance of succeeding. Check the thousands of blogs we have shared for free in the blogosphere. See *One Good Trade* and the hundreds of webinar hours released to the trading community. And here I was worried about having done something improper and having to expend money and time and stress to contain this matter?

WTF!

Imagine sitting down with your newlywed wife and telling her that news.

WTF!

We spent five days finding the best attorney. We spent the next six months paying him and his firm and providing all the documents requested by the SEC. We shared hundreds and hundreds of pages of documents through our lawyers. Our e-mails, contracts, and trader results were delivered. Again, I felt like a villain, while desperately trying to find something we could have done untoward. We were part paranoid, part responsible business owners playing outstanding defense.

As it turned out, we were, in fact, not next to be investigated. We really were only a witness. And that third party in the end had done nothing improper. It turned out this third party was one of many being scrubbed by the SEC simultaneously. But this was huge money, brain, and time drain that required daily attention during a period when we were not at our best. The result of this industry-wide investigation was most prop firms moving to regulated entities, registering their traders, and dealing with the added cost of this regulation.

---

## Just Doing Their Job

The SEC and other Wall Street regulators have a difficult job. Wall Street is a dangerous, powerful place with a few dishonest players. It's often the case that "good guys" are in fact the crooks; so how can governmental lawyers know whom to trust? Jon Corzine, a U.S. senator, governor of New Jersey, and former head of Goldman Sachs, blew up his futures firm, MF Global, including customer money totaling \$1.6 billion, with absurd trading risk. Long Term Capital Management, whose traders were once known by the phrase "the smartest guys in the room" blew up \$4.6 billion following the Russian financial crisis, which required intervention by the Federal Reserve. The head of JPMorganChase, who used to possess the best reputation on the Street, testified to Congress that a "London Whale" trading loss would be in the vicinity of \$2 billion. It turned out to be more than \$6.2 billion. Recently, major banks, most notably Barclays, have been fined and charged with fixing interest rates. And let's not forget Bernie Madoff.

And then we have the mortgage-backed securities fiasco, which was perhaps the heart of the 2008 financial collapse. Our prestigious banks took outsized risks with mortgage-backed securities, and then tax payers had to bail them out. Some journalists, however, have argued that it wasn't so much that the banks took outsized risks. It's that they engaged in outright fraud. As *Rolling Stone* reporter Matt Taibbi has noted about the 650-page bipartisan report titled *Wall Street and the Financial Crisis: Anatomy of a Financial Collapse*,

the document compiled “a mountain of evidence” against Goldman Sachs. Evidence of “gross, bald-faced fraud delivered up in such quantities as to almost serve as a kind of sarcastic challenge to the...Justice Department.” Consider this morsel. Goldman’s CFO, David Viniar wrote, in an internal memo, of the urgency to reduce the bank’s giant bet on mortgages. “Let’s be aggressive distributing things because there will be very good opportunities as the markets [go] into what is likely to be even greater distress, and we want to be in a position to take advantage of them.” Taibbi’s translation: “Let’s find as many suckers as we can as fast as we can, because we’ll only make more money as more and more shit hits the fan.”

Clearly, there are many leaders in finance who do things that are unconscionable such that it brings a pox on all of us. So, the government has to investigate fully, even a matter as small as ours. The sins of others are a regulatory tax on all of us.

Okay, so this was not the best of days for our firm. SMB was not very good. On the Street, like in golf, we learn to play the ball where it lies. We needed a solution. We knew improvement would take time, at least two years. We needed to invest in our strength, building new and developing traders, with new and better techniques and wait. We went all in on our core competency, building profitable traders from scratch.

## The PlayBook Becomes Our Solution

Some traders on our desk still needed my help during our rebuilding phase at SMB. But I needed a time out. I had learned enough not to trade in this psychological condition, so they wouldn’t receive my tick-by-tick, real-time trading instruction. With me on the desk, actively trading, a new trader learns the best stocks to trade, the setups that are worth risk in real-time, strategies for various trading patterns, how to read the tape at expert level, how to get big and hold, and much more. Real-time coaching is the most effective way of working with a new, developing, or underperforming trader. Mentoring and reviewing a trader’s work after the close or a lull in the trading action is effective but not as beneficial as real-time coaching. (I find it disappointing when trading education firms don’t know the difference between mentoring and coaching.) This is true of any sport. Going to the office on most days was not possible, as I was still helping my dad rehab, so face-to-face, one-on-one coaching sessions with our traders also were not an option. I faced a quandary: How could I contribute to the firm in this psychological state—and from Long Island?

The answer was The PlayBook. I needed a way to show our traders I still cared about their progress, though as this absentee coach. You cannot teach or coach anyone if students/players do not know you care. Reviewing their PlayBook trades and providing detailed feedback showed them that I did. I required a way to rebuild the desk without being on the desk.

Also, I coveted a way to get our core of developing traders bigger in their best setups. They suffered from what I call and outline inside this book *Trader Wuss Syndrome*, afraid to “man up” in their better risk/reward opportunities. Further, I craved a way for our traders to transition into more intraday swing trading, what we call Trades2Hold, from the momentum trading that worked so well in 2007 and 2008. HFTs had gamed that strategy out of the market, save for the very best momentum traders. Moreover, I needed a way to get them to hold their trades longer for the real move. In addition, because we had a solid core of young traders, I wanted them to learn more from each other.



The PlayBook was their framework to talk most specifically about trading setups with this strong core. The act of talking about your trading with fellow traders is a very powerful progress tool. I needed to get our firm back on track and our traders improving—and I had to do it all from a distance. And so out of this crisis the SMB Playbook was born. It was our solution.

## The Truth about Trading

People often ask me to autograph *One Good Trade*, which I do with gratitude. I receive appreciative e-mails daily about how my work has helped traders, which makes my day. When I was in Singapore, I literally couldn't pass through the lobby of my hotel without someone recognizing me and asking to take a picture. Perhaps the large billboards of Jim Rogers and me presenting at a big conference was the cause. SMB recently had to shop for a new trading space in NYC for a *joint venture* (JV) with a larger firm. Apparently, very few traders missed *Wall Street Warriors*, and some of our other appearances, as they easily recognized Steve and me when we walked onto a trading desk looking to sublease space. I have been introduced as a "trading expert" to multiple packed-house lectures. If you Google my name, you can find some pretty nice things said about my writing and the contribution my firm has made to the trading community. All of this makes me very uncomfortable in the sense that some might think that I, and people like me, have mastered the trading game. I haven't. I never will. This is impossible.

What you can learn from me, my firm, and *The PlayBook*, and the reason I have shared so openly about the personal events described earlier, is the truth about trading. These truths often escape what I call The Financial Media Entertainment Complex and leave many new traders misinformed. You must get better every day. Even if you do become a great trader, you'll sometimes face personal struggles and need a timeout. When you become a successful trader, this is not the end. There is no trader destination. Trades will stop working, and you will have to find new ones that do work. Seven-figure traders can walk around in a frustrated daze desperately searching for a return to just a profitable month. Trading is a sport of survival, reinvention, and perseverance, even for the successful trader. That is why I shared the earlier personal anecdotes. That is why it is so important for each trader to develop his or her own PlayBook. This is what I hope you learn from this book.

## Yes, You Can!

Even though trading is so very challenging, you *can* do it! The market doesn't care where you went to school, who your father is or isn't, what country club you belong to, your past stardom as a college athlete, or your IQ. But the right path to success does matter. The daily rehearsal, practice, thinking, trade talking, and review are crucial. You must embrace the mindset to improve every day, build from your strengths, and develop your PlayBook. That's why, and I hope you agree, that this is an important book for your trading development.

Martin Seligman teaches us in his wonderful book *Learned Optimism* that we should absorb difficult events, such as mine described earlier, and learn to look beyond the hardship to recognize those moments in our life that appear catastrophic and to embrace them as opportunities to open our minds for the good that could follow next. And I found the good. I found The PlayBook.

Rogue Traderette, a terrific blog run by an Aussie woman, notes the difference between optimism of the common glass-is-half-full kind to what she considers to be real optimism:

Real optimism is the ability to attribute the good stuff to “that’s how life is” and the bad stuff to “that’s how things are [at] this moment, but not forever.

We did make it through the storm. We did find a solution, which perhaps you can learn from. We are stronger than ever. Tomorrow can be better than yesterday. Our traders improved, our work developing traders was recognized, and we built a new and stronger office with everything new, developing, underperforming, or even experienced traders need to excel.

Developing your Playbook will be a personal journey of trader rehearsal. Your goal should be to improve to become a *Consistently Profitable Trader* (CPT) and then a YBT. Focus unrelentingly on what setups make the most sense to you. Your storms will come, but you can persevere and find your path to becoming a stronger trader.

## What’s Inside

Here’s how the PlayBook works: After each trading session, I ask the players on our desk (and now you?) to archive a trading setup that made the most sense to them during that day. They archive this play in a template form, which we share: the SMB PlayBook. This exercise brands their winning trades in their trading brain, synthesizes the most important market patterns for them to study, and helps them internalize their best trading setups so that they trade them instinctively in real-time. There is no real-time deep thought and hesitation for their A+ trades. They spot a favorite trading pattern, they execute (*and* with size). The best traders know when they are right and get bigger. They spend their energy searching for more of their favorite setups and focus on where they can add size responsibly. In this book, you will learn how to get bigger in your best trades so that you improve *your* trading performance.

In this book, most chapters are divided into three sections: an introduction to a pro trader; their PlayBook trade; and a review of this trade with the trader, our desk, and me. We begin most chapters with a delicious look at a character, a pro trader, and his journey, from which you will learn. What best practices can you co-opt from this trader? What should you avoid? What solutions worked for some of these traders that you can implement if you experience similar struggles? You will meet experienced, new, developing, and underperforming traders, some who made it and some who failed. As is my writing niche, interesting, page-turning, and often humorous trader stories are wrapped inside of trading principles and lessons to help you improve your trading performance, while enjoying this read.

The second part of most chapters is a specific trade archived in SMB PlayBook form. You will learn patterns that our desk uses that you might co-opt for your trading. We break down each trade as follows:

- The Big Picture

- Intraday Fundamentals

- Technical Analysis

- Reading the Tape

- Trade Management

- Trade Strategy

- Trade Review

Note the detail provided for each archived trade. It is not my intention to preach that you should dissect trades exactly like I do, as you may trade a different product or time frame or see

the markets differently than me. I do, however, encourage you to develop a similar *system* of archiving your best trading setups that makes the most sense to you in the format that works best for you. Frankly, if you have not developed your PlayBook, you should. Recently, I met with a series of very experienced but underperforming traders. The common denominator for this group was that none of them had a methodology to archive their favorite setups, nor could they clearly, definitively, and instantly articulate their best plays. They were more or less just flying by the seat of their pants (that is, unorganized and unstudied intuition). Your PlayBook's contents are up to you. But its existence, with all due respect, should not be. *All traders should build a PlayBook.*

The third part of most chapters consists of a trade review between the pro trader introduced, our desk, and me. Tick by tick, we review the highlighted trade. Trading fundamentals and principles are explained and explored as we unveil these trades made by pro traders. Pay closest attention to how we think through our trades, the detail, the clarity of thought, and the standard of professionalism. To be a pro, you must learn first to think like a pro.

You do not become a great trader by being shown cookie cutter technical setups and then soon become successful. That is a myth from what I call Trader Disneyland. It would be wonderful if Trader Disneyland existed, marketed and spun by too many that it does, but it doesn't. I intend to teach you how to think like a pro trader and develop a methodology that enables you to recognize your strengths, provide a foundation for you to prosper when the markets change, and jump start your progress to becoming a CPT and then YBT.

*The PlayBook* begins smartly with a summary of how to develop a PlayBook trade in Chapter 1, while explaining the top ten ways it can help your trading. Chapter 2 reviews the trading journey of Shark, the model for those who want to quit their job and take up trading full-time. He gets his own chapter because he is the best trainee, the hardest worker, I have trained in five years. Chapter 3 introduces the concept of Reasons2Sell that will give you a guideline for how to exit your winning trades. Also, this chapter highlights a trade setup in Knight Capital after its infamous \$444 million trading error that Shark archived and we reviewed together, paying close attention to whether he had enough size.

Next in Chapter 4, you meet TO, who teaches you how to compete as a pro trader and find out how good you can be. You also get a sneak peek into his personal daily trade review. Further, TO walks us through a Fade Trade, a trading pattern that melds best with his personality. Chapter 5 introduces Pippen, who presents a path to follow for developing and new traders. We do something special in this chapter and review the historic IPO of Facebook, stock symbol FB, with his trade review. Chapter 6 explores the insufficiency of trader education in colleges, introduces the humorous and concurrently sad "GM test," and *pounds the table* about what traders should be doing before they turn pro. Special Projects, our intern, is placed on the hot seat as we review his Reversal Trade, a powerful trade for developing traders.

Chapter 7 introduces Prep, who might just become the hero of underperforming traders everywhere, as he made almost every mistake a trader can make but stayed in the game. We review his failed trade in JCP that was still One Good Trade. Stay tuned for the plot twist involving Prep in the postscript of this section. In Chapter 8, we introduce Rudy to debunk the theory that the bright start their trading career on second base, ahead of others. I allegedly rip Rudy in this memorable trade review, of an awful Technical Trade. What some call "rip," I call essential critical feedback. In Chapter 9, Iceman challenges you to take on more risk with your trading and gives you an inside look at the psychological journey from newb to pro trader. We check out his gutsy Opening Drive Play in the high beta stock, LNKD. This chapter helps you answer an important trading question: Are you taking on enough risk in your trading?

In Chapter 10, we study an SMB icon, GMan, to demonstrate the importance of continuous great coaching in your trading career. GMan shares his favorite and most profitable trade of late in great detail, the Pullback Trade, transcribed from an SMB teaching event in Singapore. This trade is worth many re-reads. Chapter 11 brings us to South Africa, showing how *The PlayBook* can help pro traders in other markets and products. We meet some interesting players from the largest prop firm in South Africa and review a few trades we made with them while I visited. *The PlayBook* concludes with my assessment of the future of trading, focusing on our future opportunity. *It has never been a better time to be a trader!*

You will learn to think through your trades and develop your own *PlayBook*. This book exposes you to trading patterns that you can co-opt and start to make your own. Trading fundamentals and principles too numerous to list are included with each trade review, with our traders recounting their trading journey. You will marvel at the work and detail of a pro trader striving to compete in the highly competitive world of the proprietary trading. You will laugh, shake your head, and learn from the stories shared by some we trained from scratch on my desk. This book was written to be a page-turner while also offering significant market lessons. I want to remind you that this is a game to be enjoyed and that you can play successfully with the right purposeful practice, archiving your best trading setups that make the most sense to you.

It is also my ultimate hope that you embrace the opportunity you have, that you are grateful each day for the privilege to follow your passion, and that you discover the true value of striving to be your best trader, whether successful or not.

\*\*\*

How's my dad? Did he make a full recovery? Not yet. But he has made a substantial recovery. His relentless will to improve inspires me. Let's give him some more time. As for you, there are about 250 trading days a year for you to progress by working on your *PlayBook*. My firm? Things are going really well for us, which we will discuss the how and why of inside. Keep moving forward in your trading career motivated perhaps a bit by my story but more authoritatively by the words of Ray Dalio, founder of the largest U.S. hedge fund:

Weaknesses don't matter if you find solutions.

Next, let's explain how to create a *PlayBook* and how it can improve your trading. It is my great privilege to present to you, *The PlayBook*.

**Mike Bellafiore**

**@mikebellafiore**

**mbellafiore@smbcap.com**

*This page intentionally left blank*

*This page intentionally left blank*

# Index

## A

A+ trades, growing, 44-45  
*Abnormal Returns: Winning Strategies from the Frontlines of the Investment Blogosphere* (Viskanta), 357  
accelerating learning curve, 46-47  
Achor, Shawn, 307  
Adami, Paul, 164  
admitting mistakes, 75-76  
advice for new traders, 406-409  
after-hours trading, 334  
Agassi, Andre, 202, 209  
All-In Trades, 319-320  
Allen, Paul, 205  
Allen, Ray, 210  
Altucher, James, 205  
AMRN trade  
    analysis, 149-158  
    explained, 146-148  
Andrews, Andy, 208  
anxiety in trading, 72  
APOL trade, 141

*The Art and Science of Technical Analysis* (Grimes), 29  
Augen, Jeff, 30  
auto trading, 47-48, 407  
automatic stops, 265

## B

background of successful traders, 70-71  
*Bailout Nation* (Ritholtz), 357  
Baiynd, Anne-Marie, 369  
Battier, Shane, 210  
Beatles, 202  
becoming a profitable trader, 406-409  
Bender, Mike, 347  
Bernanke, Ben, 400  
Berns, Robert, 210  
best single trades, explained  
    AMRN trade, 146-148  
    FB trade, 179-182  
    LNKD trade, 326-333  
    LVS trade, 287-292  
    NKE trade, 66-67, 70  
    ORCL trade, 213-218

Big Picture  
 explained, 19-20  
 FSR Breaking News Play, 390  
 importance of considering, 238-241  
 NPN Trend-Trend Trade, 394  
 precious metals fundamental play, 400  
 Second-Day Play example, 34-35  
 The Big Picture (blog), 357  
 Bird, Larry, 199  
 Blair, David, 208  
 blaming others, 230-232  
 Bloomberg TV, CNBC versus, 207  
 bottoms, picking, 364  
*Bounce* (Syed), 346  
 bounce trading, 183, 223, 226  
 Bowerman, Bill, 410  
 Bradley, Keegan, 347  
 Brandt, Peter, 18  
 Branson, Richard, 205  
 breaking news, 87, 90, 260  
 Breaking News Play, FSR (FirstRand) Big Picture, 390  
 breaking resistance, 109  
 breaking to the downside, 224  
 breakout scalp, 304  
 Brody, 397-398  
 Brooks, Scott, 175  
 Buffett, Warren, 285  
 buying pattern, dissipation of, 92

## C

calmness in trading, 71  
 candles, steep, 111  
 career path for traders, 210-213  
 Carney, John, 205  
 Carpe Diem, 393  
 Trend-Trend Trade, 396  
 Big Picture, 394  
 reading the tape, 396  
 technical analysis, 394  
 Cash Flow trades, 108

checks, 18  
 Big Picture, 19-20  
 Intraday Fundamentals, 20-21  
 gained market share, 25  
 government investigation, 22  
 improved margins, 21  
 market cannot put ceiling on earnings, 26  
 new products, 26  
 raised guidance going forward, 23  
 revenue significantly better than expected, 24  
 SMB Radar score of 6 or higher, 28  
 stock +/- 3 percent with increased premarket volume, 28  
 technical analysis, 29-30  
 treading the tape, 30-31  
 intuition, 31-32  
 CNBC, Bloomberg TV versus, 207  
 CNBC Stock Draft, 164  
 coaching. *See also* training programs  
 GMan and, 348-351  
 importance of, 346-347, 351-356  
 seeking after, 171-172  
 solution-focused therapy, 348  
 Cochran, Sean, 347  
 Cohen, Steve, 206, 272, 277  
 college education  
 lack of trading training, 209-210  
 real-world experience versus, 205-206  
 college traders, 203-204  
 taking initiative, 206-207  
 college trading labs, 209-210  
 Colvin, Geoff, 198  
 competitiveness  
 GMan, 345-346  
 TO, 115-119, 125  
*The Complete Turtle Trader* (Covel), 285  
 concentration, importance of, 277-278  
 Consistently Profitable Trader (CPT), 13, 269  
 continuing education, 358-360



core, trading around, 340  
 Cortez, Hernando, 208  
 Corzine, Jon, 10  
 cost of continuing education, 358  
 Covell, Michael, 285  
 Coyle, Daniel, 122, 172  
 CPT (Consistently Profitable Trader),  
   13, 269  
 Cramer, Jim, 164, 364  
 Csikszentmihalyi, Mihaly, 198  
 Cuban, Mark, 46  
 culture of trading  
   finding right culture for you, 168-171  
   seeking master coaches, 171-172

## D

D trades, eliminating, 44  
 Daily Trading Review  
   AMRN trade analysis, 149-158  
   FB trade analysis, 183-195  
   FSR (FirstRand), 392  
   JCP trade analysis, 256-267  
   KCG trade analysis, 96-114  
   learning from, 77-78  
   LNKD trade analysis, 334-344  
   LVS trade analysis, 293-305  
   ORCL trade analysis, 219-227  
   precious metals fundamental play, 402-403  
   Pullback trade analysis, 362-377  
   Second-Day Play example, 41-42  
   from Shark, 56-63  
   from TO, 117-120  
 Dalio, Ray, 1  
 Damon, Matt, 271  
 Dell (company), 164  
 Dell, Michael, 205  
 Dennis, Richard, 285  
*Diary of a Professional Commodity Trader*  
   (Brandt), 18  
*The Disciplined Trader* (Douglas), 280  
 discouragement of TO, 136-138  
 dissipation of clear buying pattern, 92

Doolittle, Abigail, 164  
 doubling down, 355  
 Douglas, Mark, 234, 248, 280  
*Dow 36,000* (Glassman), 164  
*Drive* (Pink), 276  
 Drogen, Leigh, 127  
 Dunleavy, Mike, Sr., 201  
 Durant, Kevin, 175, 199  
 Dweck, Carol, 65, 198

## E

Eckhardt, William, 285  
 education  
   lack of trading training, 209-210  
   real-world experience versus, 205-206  
 Einhorn, David, 43, 277  
 eliminating D trades, 44  
 Elion, Julie, 347  
 Ellison, Larry, 205  
 Emmert, Mark, 204  
 emotional trading, 248-249  
 emotions  
   calmness, 71  
   controlling, 320-321, 323-325  
   performance pressure, 72  
   self-actualization, 75-76  
*Enhancing Trader Performance*  
   (Steenbarger), 211  
 entries, finding, 30-31  
 execution, importance of, 269-270, 279  
 exits, finding, 30-31, 303  
 expected reward, 308

## F

Fade Trades, 139-143  
 Fail Boy, comparison with TO, 144-145  
 failure rate of TO, 136-138  
 FB trade  
   analysis of, 183-195  
   explained, 179-182  
 fear of missing out (FOMO), 233-235  
 female traders, 212

Ferry, Danny, 202  
 Fibonacci levels, 369  
 finding  
   best setup, 42-44  
   entries and exits, 30-31  
 FirstRand. *See* FSR (FirstRand)  
 Flip Trades, 72  
*Flow* (Csikszentmihalyi), 198  
 FOMO (fear of missing out), 233-235  
 foreign exchange (FX), 213  
 Francis, Michael, 251  
 Fredette, Jimmer, 203-204  
 Freudberg, Seth, 43, 73, 359  
 FSR (FirstRand), 382  
   Breaking News Play  
     Big Picture, 390  
     intraday fundamentals, 390  
     reading the tape, 391  
     technical analysis, 390  
     trade review, 392  
 fundamental analysis, price action versus,  
   107. *See also* big picture  
 future of trading, 405-406  
   advice for new traders, 406-409  
   preparing for, 49-52  
 FX (foreign exchange), 213

## G

gained market share, 25  
 gaming. *See* poker players as traders  
 Gap and Go strategy, 48  
 Gates, Bill, 202, 205  
 Ginobili, Manu, 175  
 giveback rule, 235-238  
 Glassman, James, 164  
 GMan  
   coaching, 346-351  
   competitiveness, 345-346  
   difficulty of trading, 351-356  
   Pullback trade, 362-377  
   Shark competition with, 74-75  
   SMB trading lingo, 360

  solution to Iceman's problem, 311  
   solution-focused therapy, 348  
   trading simplicity, 285  
   training programs, importance of, 356-358  
 GOOG, 164  
 Gordon, Ben, 201  
 government investigation, 22  
 Grasso, Steve, 19  
 Greenberg, Herb, 164  
 Grimes, Adam, 29  
 growth stocks, 26-27

## H

*The Happiness Advantage* (Achor), 307  
 Harden, James, 175  
 Harmon, Butch, 347  
 Harrison, Todd, 358  
 HFTs (high-frequency traders), 30, 46, 407  
 Hickey, Paul, 164  
 high beta stock trades, 184  
   explained, 326-333  
   LNKD trade analysis, 334-344  
 high-frequency traders (HFTs), 30, 407  
 hiring prospective traders  
   college traders, 203-204  
   qualifications for, 200-203, 207-208  
 Hirschhorn, Doug, 44  
 Ho, Robin, 359  
 holding positions, 374  
 holding trades for real move, 45  
 holds above resistance, 109  
 Holowczak, Richard D., 209  
 hot sectors  
   movement in, 185  
   watch lists, 125-126  
*How Lucky Can You Be* (Olney), 405  
*How to Be an Alpha Male*, 280  
 Hurricane Sandy, 409

## I

I See It Trade, 320  
 Icahn, Carl, 240, 272

Iceman  
  LNKD trade  
    analysis, 334-344  
    explained, 326-333  
  psychological issues, overcoming, 320-325  
  risk, increasing, 308-309, 312-314  
    steps for, 314-320  
  Shark comparison, 325  
  trading style and personality, 309-312  
illiquidity from Knight Capital, 282-283  
impatient traders, 234-235  
improvement  
  focus on, 77  
  in margins, 21  
  in TO, 138-143  
increasing risk, 167-168, 308-309, 312-314  
  challenges in, 308  
  steps for, 314-320  
indicators. *See* trading indicators  
*The Inner Voice of Trading* (Martin),  
  163, 358  
intelligence, trading ability and, 275-277  
Intraday Fundamentals, 20  
  FSR (FirstRand), 390  
  gained market share, 25  
  government investigation, 22  
  improved margins, 21  
  market cannot put ceiling on earnings,  
    26-27  
  morning meeting: top three ideas, 28  
  new products, 26  
  raised guidance going forward, 23  
  revenue significantly better than expected,  
    24  
  Second-Day Play example, 35  
  SMB Radar score of 6 or higher, 28  
  stock +/- 3 percent with increased  
    premarket volume, 28  
  tips, 29  
intraday technical level, 262  
intraday trades, position trades versus, 377  
intraday uptrend, 86  
intuition, 31-32, 143-144

investigations, government, 22  
investing, trading versus, 210  
InvestShares, 43  
IPOs (FB trade analysis), 183-195  
irrelevancy of ones, 50

## J

James, LeBron, 199, 202  
JCP, 164  
  analysis, 256-267  
  explained, 251-255  
JNJ, 164  
Jobs, Steve, 205, 407  
JoeBoy, 399  
  precious metals fundamental play  
    Big Picture, 400  
    trade idea, 401  
    trade review, 402-403  
Johnson, Magic, 199  
Johnson, Ron, 251  
Johnson, Zach, 347  
Jones, Paul Tudor, 42, 355  
Jordan, Michael, 117, 160

## K

Kadlee, Charles, 164  
Karp, David, 205  
Katz, Jonathan, 136, 283  
KCG  
  illiquidity resulting from, 282-283  
  trade analysis, 96-114  
Kennedy, John F., 229  
Kiev, Ari, 234, 308  
Kirk, Charles, 284  
Knight, Phil, 202  
Kolhatkar, Sheelah, 212

## L

language usage of successful traders, 64-65  
Lauren, Ralph, 205  
learning curve for trading, 209-210  
  accelerating, 46-47

learning from mistakes, 64-65, 77-78

Lee, Bruce, 17

Lewis, Michael, 201

limitations, recognizing, 76

Lincoln, Abraham, 202, 405, 410

Lindzon, Howard, 358

Livermore, Jesse, 285

LNKD trade

analysis, 334-344

explained, 326-333

Lombardi, Vince, 66

losing trades, 251-255

losses, minimizing, 165-166

lowering trading stress, 47

LVS trade

analysis, 293-305

explained, 287-292

## M

Mandela, Nelson, 168

margins, improved, 21

market cannot put ceiling on earnings  
(news event), 26-27

*Market Mind Games* (Shull), 163

market resistance, 88

market share, gained, 25

market stocks, 304-305

“market tuition,” 358-360

markets

at important technical resistance level, 88

seeing as patterns, 382-385

Martin, Michael, 163, 201, 282, 358

Max, 280-282

meetings, morning meeting: top three  
ideas, 28

Menaker, Andrew, 136, 233-234, 319

Mendez, Gil. *See* GMan

mentoring, importance of, 74, 351-356

Mickelson, Phil, 347, 357, 406

Microsoft, 164

Middleton, Reggie, 164

*MindSet* (Dweck), 65, 198

minimizing losses, 165-166

mistakes of traders

admitting, 75-76

big picture, not considering, 238-241

blaming others, 230-232

emotional trading, 248-249

FOMO (fear of missing out), 233-235

giveback rule, not following, 235-238

learning from, 64-65, 77-78

negative self-talk, 241-243

overtrading, 243-246

professionalism, lack of, 247

*Moneyball* (Lewis), 201

Moneymaker, Chris, 271

motivation for trading success, 208-209

Move2Move trades, 82

## N

Najarian, Pete, 164

negative self-talk, 241-243

Netto, John, 31

new products, 26

new traders, advice for, 406-409

news events, 20-21

breaking news, 87, 90

gained market share, 25

government investigation, 22

improved margins, 21

market cannot put ceiling on earnings,  
26-27

new products, 26

raised guidance going forward, 23

revenue significantly better than  
expected, 24

SMB Radar score of 6 or higher, 28

stock +/- 3 percent with increased  
premarket volume, 28

Nike, 410

NKE trade, explained, 66-67, 70

No Trend Pledge, 380-381

NPN Trend-Trend Trade, 396

Big Picture, 394

reading the tape, 396

technical analysis, 394

## O

Olney, Buster, 405  
*One Good Trade* (Bellafiore), 29, 281, 310, 347  
*One Shot – One Kill: Precision Trading Using Technical Analysis* (Netto), 31  
 online poker, 271  
 Opening Drive Play, 313  
   explained, 326-333  
   LNKD trade analysis, 334-344  
 ORCL trade  
   analysis, 219-227  
   explained, 213-218  
*The Other Side of Wall Street* (Harrison), 358  
*Outliers*, 201-202  
 overcoming psychological issues, 320-325  
 overconfident market predictions, 163-165  
 overnight positions, trading, 363  
 overthinking trades, 285-286  
 overtrading, 243-246  
 Owens, Terrell, 115

## P

passion for trading, 198-200, 354  
   importance of, 270-273  
 path to profitability, 161-163  
 patterns, seeing markets as, 382-385  
 Paulson, John, 240  
 pay raise anecdote, 77  
 Pearlman, Phil, 319  
 Pelz, Dave, 347  
 performance pressure, 72  
 personal issues. *See* psychological issues  
 personality, trading style and, 309-312  
 Phillie, 387-388  
 picking bottoms, 364  
 “piece out your stops,” 110  
 Pink, Daniel, 276  
 Pippen  
   background, 159-161  
   FB trade

  analysis, 183-195  
   explained, 179, 181-182  
   increasing risk, 167-168  
   minimizing losses, 165-166  
   profitability path, 161-163  
   relationship with TO, 160  
   risk taking, improvement in, 175  
   trading culture  
     finding right culture for you, 168-171  
     seeking master coaches, 171-172  
   trading method versus money made, 172-175  
   weekly trading review, 175-177  
 Pippen, Scottie, 117, 160  
 PlayBook  
   benefits  
     accelerating learning curve, 46-47  
     becoming an auto trader, 47-48  
     eliminating D trades, 44  
     finding best setup for you, 42-44  
     getting bigger in A+ positions, 44-45  
     holding trades for real move, 45  
     lowering trading stress, 47  
     preparing for future of trading, 49-52  
     sidestepping HFTs, 46  
     thinking through trades like a pro, 48-49  
 Big Picture, explained, 19-20  
 development of, 11-12  
 explained, 17-19  
 importance of developing, 270-271  
 Intraday Fundamentals, 20-21  
   gained market share, 25  
   government investigation, 22  
   improved margins, 21  
   market cannot put ceiling on earnings, 26-27  
   morning meeting: top three ideas, 28  
   new products, 26  
   raised guidance going forward, 23  
   revenue significantly better than expected, 24  
   SMB Radar score of 6 or higher, 28

stock +/- 3 percent with increased pre-market volume, 28  
 tips, 29  
 intuition, 31-32  
 news events, 20  
 reading the tape, 30-31  
 Second-Day Play example  
   Big Picture, 34-35  
   Intraday Fundamentals, 35  
   overview, 32-33  
   reading the tape, 39-40  
   technical analysis, 37, 39  
   trade review, 41-42  
 trade output  
   of Shark, 55-56  
   of TO, 121-124  
 technical analysis, 29-30  
 poker players as traders, 271-274, 277-278  
 position trades, intraday trades versus, 377  
 positions, holding, 374  
 pre-market trading, 334  
 precious metals fundamental play  
   Big Picture, 400  
   trade idea, 401  
   trade review, 402-403  
 predictions, overconfidence in, 163-165  
 Prep  
   giveback rule, 235-238  
 JCP trade  
   analysis, 256-267  
   explained, 251-255  
 mistakes  
   big picture, not considering, 238-241  
   blaming others, 230-232  
   emotional trading, 248-249  
   FOMO (fear of missing out), 233-235  
   negative self-talk, 241-243  
   overtrading, 243-244, 246  
   professionalism, lack of, 247  
 preparing for future of trading, 49-52  
 price action, fundamental analysis  
   versus, 107

price targets, 85  
 prints, 30  
 products, new, 26  
 professional traders. *See* traders  
 professionalism, 247  
 profitability  
   minimizing losses, 165-166  
   path to, 161-163  
 profits, increasing risk and, 308  
 prospective traders  
   college traders, 203-204  
   qualifications for, 201-203, 207-208  
 psychological issues  
   facing, 279-285  
   overcoming, 320-325, 355  
 psychology coaches, 120, 136  
 psychology of short squeeze, 338  
 psychology of trading  
   FOMO (fear of missing out), 233-235  
   impatient traders, 234-235  
   negative self-talk, 241-243  
   overtrading, 243-246  
 Pullback trade, 95, 361-377

## Q-R

quadruple witching, 241  
 qualifications for prospective traders,  
   200-203, 207-208  
 quant trading, 47-48  
 RadioShack, 164  
 raised guidance going forward, 23  
 reading the tape  
   FSR (FirstRand), 391  
   NPN Trend-Trend Trade, 396  
   overview, 30-31  
   Second-Day Play example, 39-40  
 real-world experience, college education  
   versus, 205-206  
 Reason2Exit, 354  
 Reasons2Sell, 113, 369  
   breaking news in market, 87, 90  
   clear buying pattern dissipates, 92

explained, 81-84  
intraday uptrend is broken, 86  
market at important technical resistance level, 88  
stock hits your price target, 85  
time clock goes off, 93  
too much pullback, 95  
too steep, 94  
trading day ends, 95  
unusual seller on the tape, 91  
Reineker, Greg, 126  
resistance  
  breaking, 109  
  long in front of, 297  
resistance levels, 88  
revenue significantly better than expected, 24  
reviewing trades. *See* Daily Trading Review  
reward calculations, 192  
risk  
  increasing, 167-168, 308-309, 312-314  
  challenges in, 308  
  steps for, 314-320  
  rule of, 44  
risk management  
  importance of, 112  
  near targets, 302  
risk taking, improvement in, 175  
risk/reward  
  calculations, 192  
  in pullback trades, 370-371  
Ritholtz, Barry, 43, 357  
Rivers, Austin, 163  
Rogers, Jim, 12, 43, 278, 359  
Rogue Traderette, 12  
Ronaldo, Cristiano, 74  
Rose, Kevin, 205  
*Rounders* (film), 271  
Rudders, 398-399  
Rudy  
  execution, importance of, 269-270, 279  
  intelligence and trading ability, 275-277

LVS trade  
  analysis, 293-305  
  explained, 287-292  
  overthinking trades, 285-286  
  passion for trading, importance of, 270-271  
  poker players as traders, 271-274, 277-278  
  psychological issues, facing, 279, 282-285  
rule of risk, 44  
running below expected value, 272

## S

Schwager, Jack, 309  
Second-Day Play example  
  Big Picture, 34-35  
  Intraday Fundamentals, 35  
  overview, 32-33  
  reading the tape, 39-40  
  technical analysis, 37, 39  
  trade review, 41-42  
seeing markets as patterns, 382-385  
self-actualization, 75-76  
Seligman, Martin, 12, 405  
“Sell the News” trade (AMRN)  
  analysis, 149-158  
  explained, 146-148  
selling. *See* Reasons2Sell  
setups, finding best setup for you, 42-44  
*Seven Habits of Highly Effective People*, 280  
Seykota, Ed, 358  
Shannon, Brian, 29  
Shark  
  background of, 70-71  
  Daily Trading Review, 56-63  
  emotions  
    calmness, 71  
    performance pressure, 72  
    self-actualization, 75-76  
  focus on improvement, 77  
  GMan competition with, 74-75  
  Iceman comparison, 325

- KCG trade analysis, 96-114
- language of, 64-65
- as mentor, 74
- NKE trade explained, 66-67, 70
- PlayBook trade output, 55-56
- recognizing limitations, 76
- team value of, 73-74
- work ethic of, 65-66, 78-80
- short squeeze, psychology of, 338
- Shull, Denise, 163, 310
- sidestepping HFTs, 46
- Simons, James, 272
- sleep, importance of, 356
- SMB Options Tribe, 43
- SMB Radar, score of 6 or higher, 28
- SMB trading lingo, 360
- software testing, 126-135
- solution-focused therapy, 348
- South African markets, 379-380
  - FSR Breaking News Play
    - Big Picture, 390
    - intraday fundamentals, 390
    - reading the tape, 391
    - technical analysis, 390
    - trade review, 392
  - NPN Trend-Trend Trade
    - Big Picture, 394
    - reading the tape, 396
    - technical analysis, 394
  - seeing markets as patterns, 382-385
  - trends, 382
    - No Trend Pledge, 380-381
- South African traders, 381, 386-387
  - Brody, 397-398
  - Carpe Diem, 393
    - Trend-Trend Trade, 394, 396
  - getting traders back on track, 385-386
  - JoeBoy, 399
    - precious metals fundamental play, 400-403
  - Phillie, 387-388
  - Rudders, 398-399
  - Stevie, 388
    - FSR Breaking News Play, 390-392
  - Special Projects
    - ORCL trade analysis, 219-227
    - ORCL trade explained, 213, 215-218
  - “special” traders. *See* Rudy
  - Spencer, Steve, 3, 197, 229
    - trading simplicity, 285
  - Sperling, Marc, 201
  - spikes, 94
  - Starbucks, 164
  - Steenbarger, Brett, 43, 136, 206, 211, 234, 285, 309, 319, 321, 348
  - steep candles, 111
  - Stevie, 388
    - FSR Breaking News Play
      - Big Picture, 390
      - intraday fundamentals, 390
      - reading the tape, 391
      - technical analysis, 390
      - trade review, 392
  - Stewart, Payne, 406
  - stock +/- 3 percent with increased premarket volume (news event), 28
  - Stockton, Dave, 347
  - StockTwits 50, 29
  - stop-limit orders, 317-318
  - stops
    - automatic stops, 265
    - “piece out your stops,” 110
    - setting, 110
  - strength, signs of, 192
  - stress, lowering, 47
  - success in trading, motivation for, 208-209
  - Super Stock In Play news events, 20-21
    - gained market share, 25
    - government investigation, 22
    - improved margins, 21
    - market cannot put ceiling on earnings, 26-27
    - new products, 26
    - raised guidance going forward, 23
    - revenue significantly better than expected, 24
    - SMB Radar score of 6 or higher, 28
    - stock +/- 3 percent with increased pre-market volume, 28



supermodel chart, 19  
support level  
    for IPOs, 187  
    technical support, failure at, 194  
    for weak stocks, 258  
swing trades, 319  
Syed, Matthew, 346

## T

Taibbi, Matt, 10  
*The Talent Code* (Coyle), 122, 172, 201-202  
*Talent Is Overrated* (Colvin), 198, 201-202  
tape, reading  
    FSR (FirstRand), 391  
    NPN Trend-Trend Trade, 396  
    overview, 30-31  
    Second-Day Play example, 39-40  
targets, 85  
    risk management near, 302  
Tatro, Quint, 284  
Taylor, Jack, 205  
team, providing value to, 73-74  
technical analysis, 29-30  
    FSR (FirstRand), 390  
    NPN Trend-Trend Trade, 394  
    Second-Day Play example, 37, 39  
*Technical Analysis Using Multiple Timeframes* (Shannon), 29  
technical levels, rating importance of, 293  
technical support, failure at, 194  
*Ted* (film), 310  
testing software, 126-135  
Tharp, Van, 309  
Thiel, Peter, 205  
thinking about trading, 121-124  
thinking through trades like a pro, 48-49  
Tier#, explained, 374  
“tilt,” trading on, 248-249  
time frames in pullback trades, 371-372  
time stops, 354  
TO  
    AMRN trade  
        analysis, 149-158  
        explained, 146-148  
    competitiveness of, 115-119, 125  
    Daily Trading Review, 117-120  
    Fail Boy comparison, 144-145  
    failure rate, 136-138  
    FB trade analysis, 184-185  
    hot sector watch lists, 125-126  
    improvement in, 138-143  
    intuition development, 143-144  
    PlayBook trade output, 121-124  
    psychology coaches, 120, 136  
    relationship with Pippen, 160  
    software testing, 126-135  
    thinking about trading, 121-124  
tools. *See* software testing  
*Top Gun* (film), 310-311  
trade output  
    of Shark, 55-56  
    of TO, 121-124  
Trade2Hold, 113, 226-227  
Trader Wuss Syndrome, 11  
TraderFeed, 319  
traders  
    career path, 210-211, 213  
    college traders, taking initiative, 206-207  
    failure rate, 136-138  
    getting traders back on track, 385-386  
    hiring prospective traders  
        college traders, 203-204  
        qualifications for, 200-203, 207-208  
    poker players as, 271-274, 277-278  
trades, overthinking, 285-286  
Trades2Hold, 82  
trading  
    difficulty of, 351-356  
    investing versus, 210  
    lack of training in college, 209-210  
    learning curve for, 209-210  
    overnight positions, 363  
    passion for, 198-200, 354  
    thinking about, 121-124  
trading ability  
    intelligence and, 275-277  
    psychological issues and, 279-285  
*The Trading Book* (Baiynd), 369

trading bounces, 223, 226

trading culture

- finding right culture for you, 168-171
- seeking master coaches, 171-172

*Trading in the Zone* (Douglas), 248

trading indictators, 18

- Big Picture, 19-20
- Intraday Fundamentals, 20-21
  - gained market share, 25
  - government investigation, 22
  - improved margins, 21
  - market cannot put ceiling on
    - earnings, 26
  - new products, 26
  - raised guidance going forward, 23
  - revenue significantly better than
    - expected, 24
  - SMB Radar score of 6 or higher, 28
  - stock +/- 3 percent with increased pre-market volume, 28
- intuition, 31-32
- reading the tape, 30-31
- technical analysis, 29-30

trading intuition, 143-144

trading IPOs, FB trade analysis, 183-195

trading labs at colleges, 209-210

trading lingo, 360

trading method, importance over money made, 172-175

trading mistakes

- big picture, not considering, 238-241
- blaming others, 230-232
- emotional trading, 248-249
- FOMO (fear of missing out), 233-235
- giveback rule, not following, 235-238
- negative self-talk, 241-243
- overtrading, 243-246
- professionalism, lack of, 247

trading passion, importance of, 270-273

*Trading Places* (film), 286

trading reviews. *See* Daily Trading Review

trading stress, lowering, 47

trading style, personality and, 309-312

trading success, motivation for, 208-209

Trafdon, Jodie, 235

training programs. *See also* coaching

- continuing education, 360
- cost of continuing education, 358
- importance of, 356-358
- value of, 354

Travis, qualifications of, 207

Trend-Trend Trade, 382

- NPN, 396
  - Big Picture, 394
  - reading the tape, 396
  - technical analysis, 394

trendlines, drawing in pullback trades, 373

trends in South African markets, No Trend Pledge, 380-381

Turtle traders, 285

## U-V

Ubuntu, 168

Unusual Hold on the Bid play, 103-104

unusual seller on the tape, 91

value to team, 73-74

Viniar, David, 11

Viskanta, Tadas, 209, 309, 357

visualization, increasing risk with, 318

VWAP, 260-261

## W-Z

Wachtel, Larry, 164

watch lists for hot sectors, 125-126

weak stocks, support levels for, 258

weekly trading review, 175-177

Westbrook, Russell, 175

Wilder, Thornton, 71

win rate, 308

women in trading careers, 212

Wooden, John, 145

Woods, Tiger, 202

work ethic of successful traders, 65-66, 78-80

Zuckerberg, Mark, 205