

How I Learn To Trade A Small Account

Trading EveryDay

To Some...Trading Is Irrational

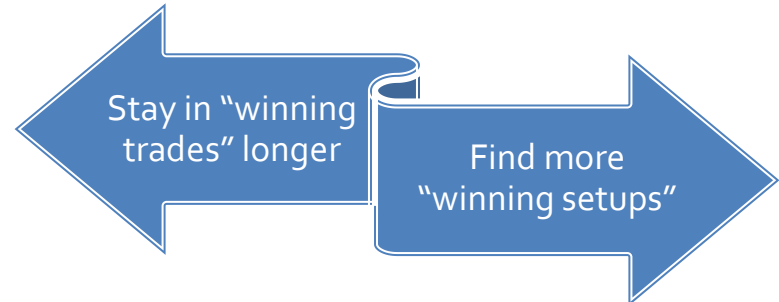
Traders are subconsciously programmed to fail in scalp trading

- Trading appears deceptively easy,
- Traders ignore the real risk and take thoughtless chances,
- Bad habits, negative demeanor and knowledge denial,
- Perception of unlimited possibilities...leading to gambling tendencies,
- **Impatience, lack of discipline, no control**
- Looking for instant gratification,
- Unrealistic expectations,

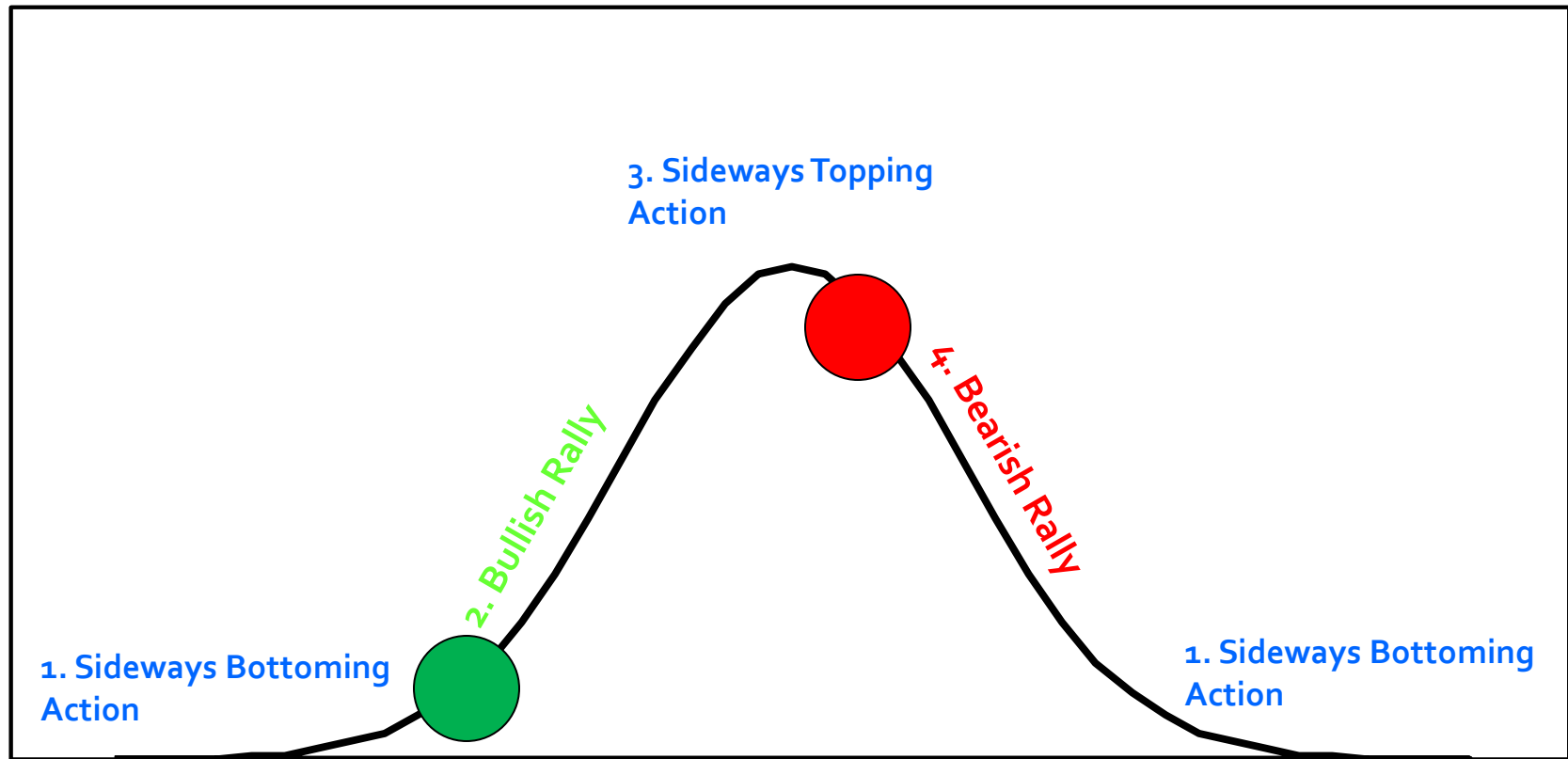
It takes PAIN for traders to realize the markets require you to be SERIOUS!

The Fastest Way To Succeed In Trading

- Focus on learning to stay in “winning trades longer”
- Learn to manage trades from a “free trade” mentality
- Place emphasis on keeping profits
 - Without taking on “too much risk”
 - Use them on “higher timeframes”
- Get good at trading simple up-trends and down trend.
 - *Have a SOH strategy otherwise!*



Knowing Where You Are ...In The Present

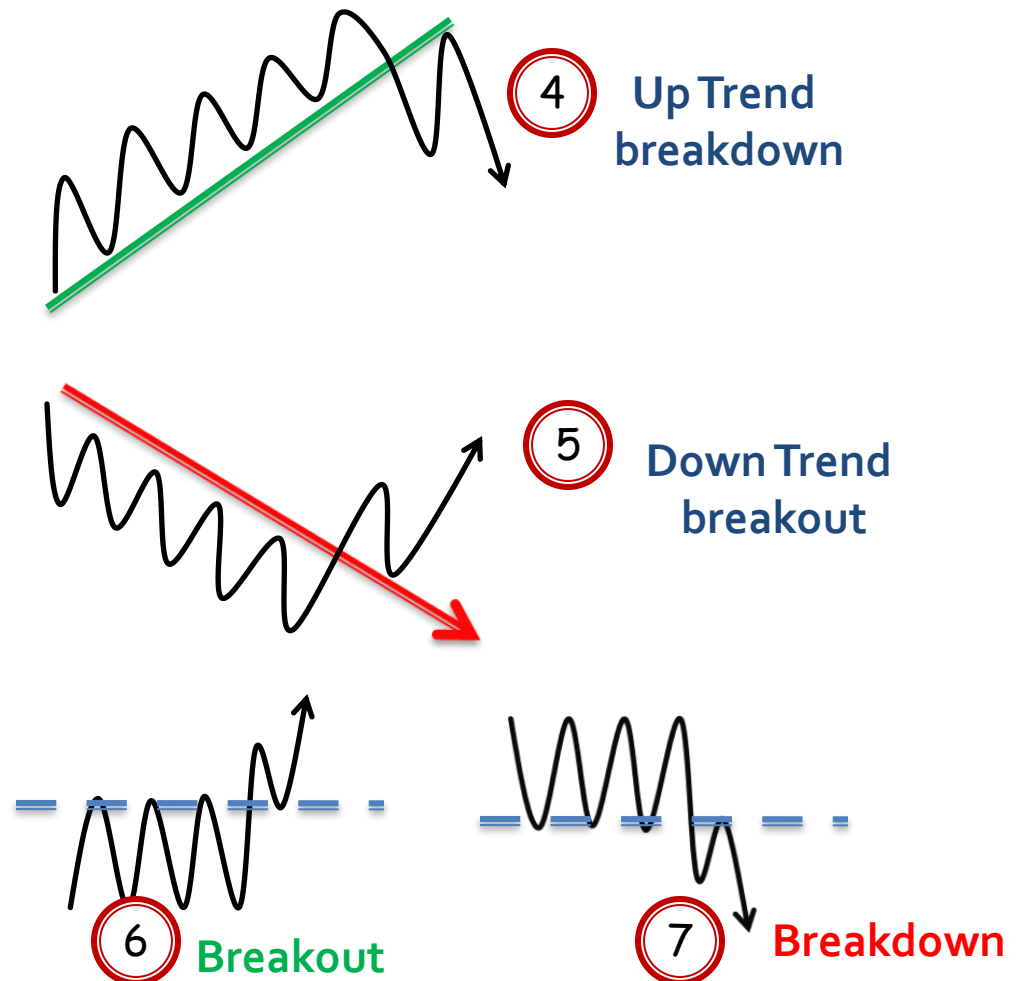


Boot Camp 2.0/2.1+ Basics

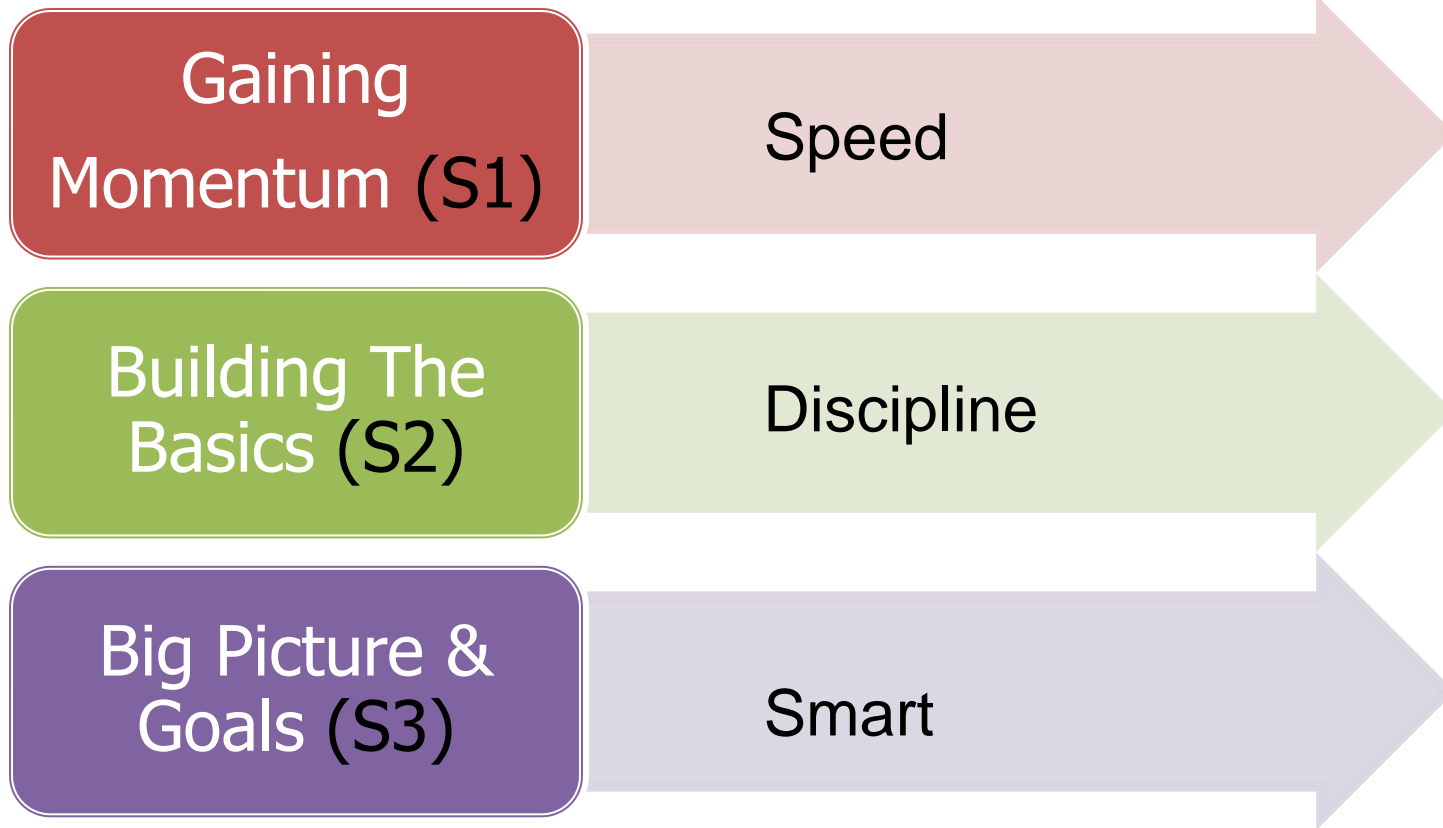
7 Profit Generating Opportunities from Price Movement



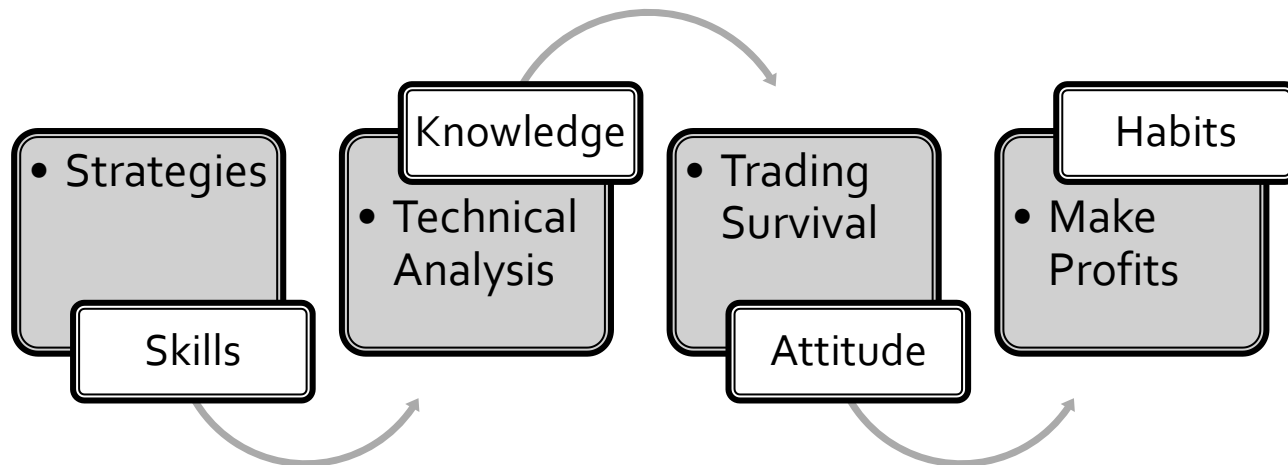
Expansion of movements



Three Stages To Pursuing Success...

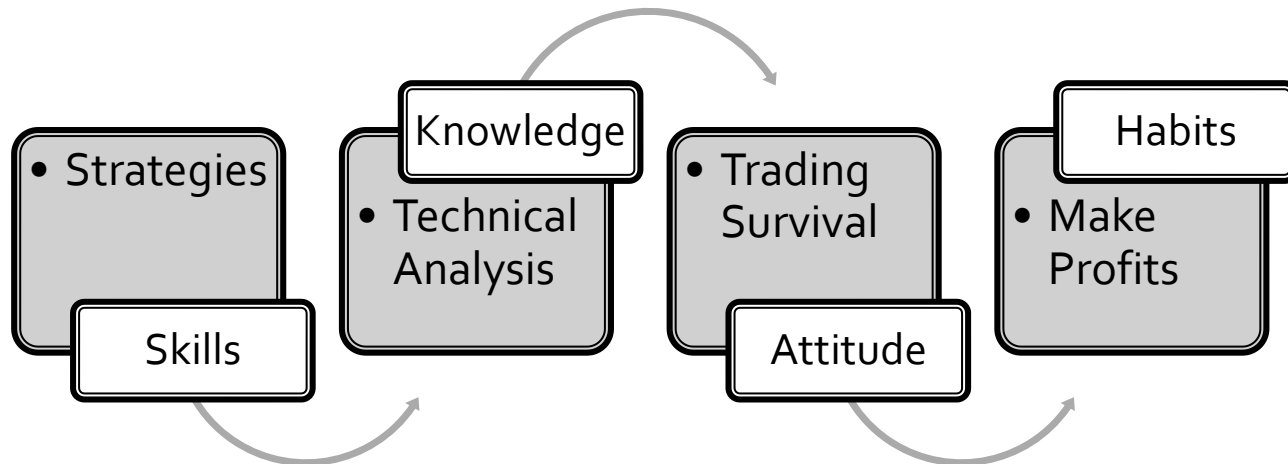


We Start With ...A Linear Approach

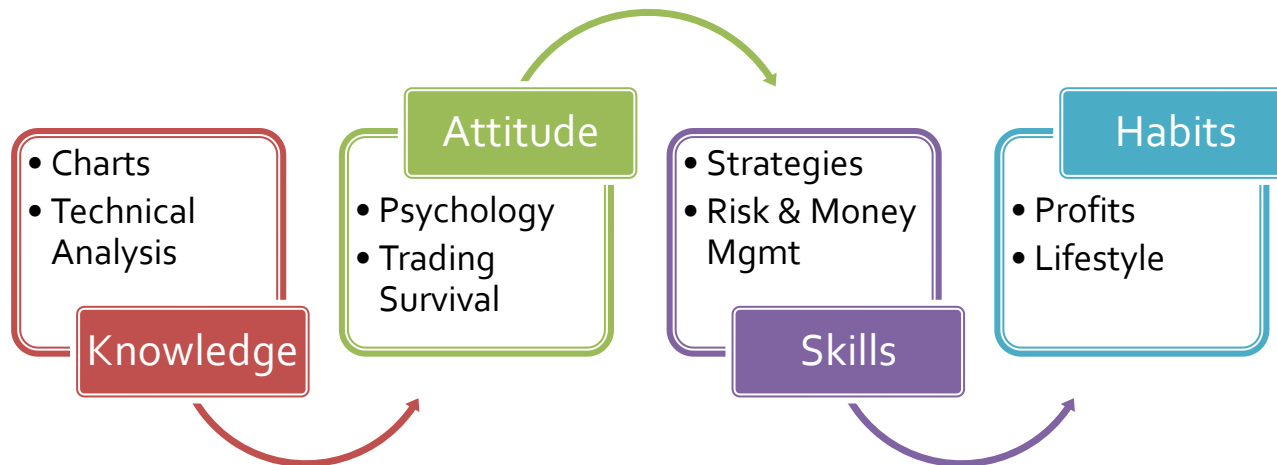


We Start With ...A Linear Approach

But it's missing the **"RIGHT"** ingredients and the order is **WRONG!**



Linear Approach



What's Really Required? (S1)

- How do you know what you're doing will work?
- You **Need Feedback!**
 - How do you get it fast, inexpensive and safely?
- Lot's of things not in this stage of "learning to trade"
- Need to start "Earning" and Not Learning everything first (Buy yourself time!)
- Simple Trading Tactics, Tools and Trading Plan
- Renewed Confidence
- Avoid "Resistance To Change"

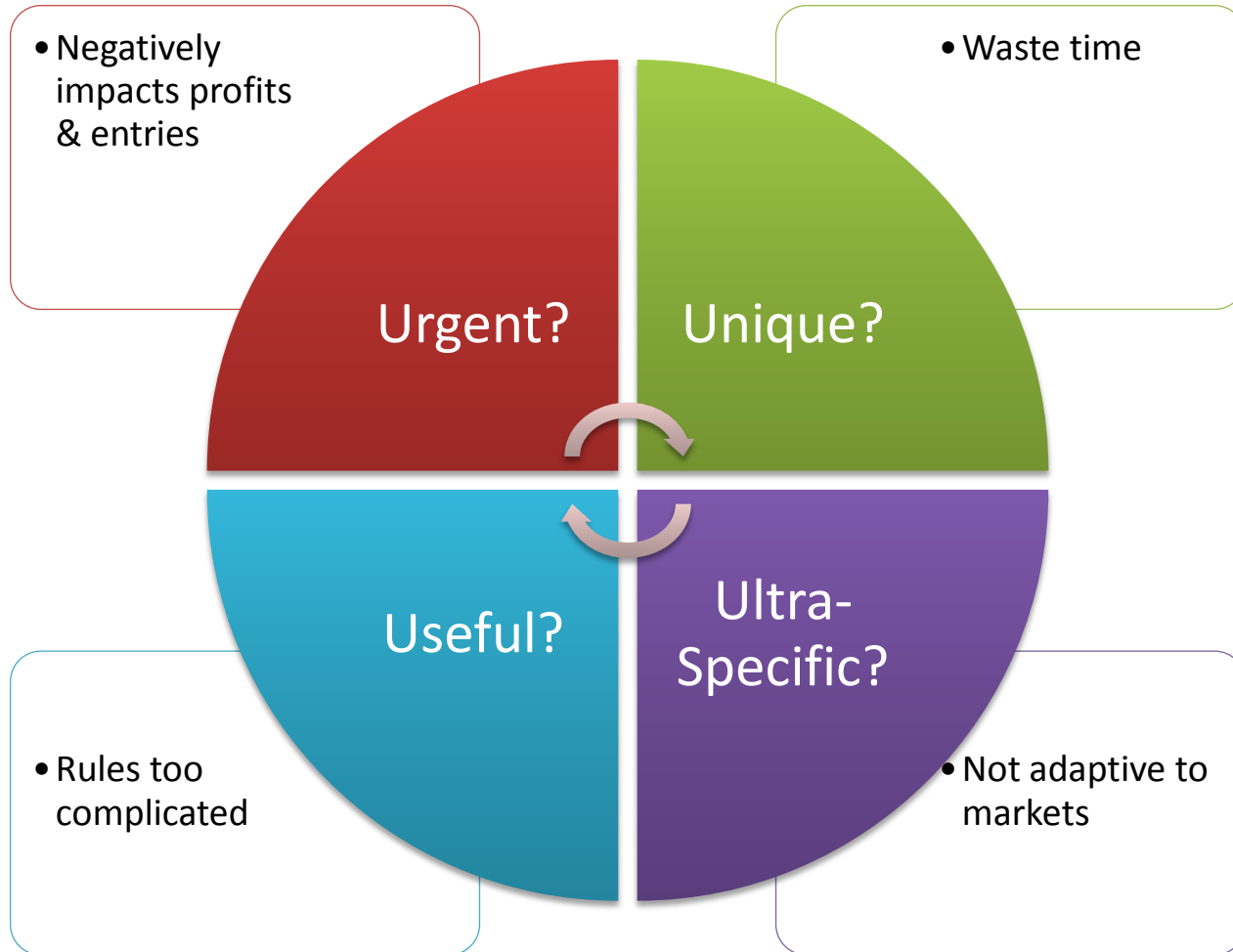
What's Less Important?

- Technical Analysis...
- You want things to be easy at first!
- Figure out your
 - **Trading problems,**
 - **Psychological Barriers and**
 - **Mental Constraints**
- Desperation Mode
 - “Have to make something happen!”
- Need to **stay FOCUSED**

Less Is More!

- Great stuff being taught from lots of trading authorities and gurus
 - Tools, tactics, techniques, indicators, technical analysis...
- But this is *not required* for the first stage of a traders career pursuit
- Should be *common sense*
- We easily forget that
 - There is a proper sequence to really learn
- *Waste of time* on complicated stuff
 - You can save these things for later, after you're making money
- Need to target and master trending markets

Learning...Four U's Approach



What's Really Required? (cont.)

- You only need ...
 - 1 – 2 setups,
 - 1 – 2 tactics and
 - Not a lot more initially
- Having a lot of stuff...
 - Forces you to have to manage the *“information beast”* sooner than you are ready too
- By doing less, *you get ahead further and faster*

Small Account Traders Must ...

Prioritize Your Time

Urgent and important

- Includes chart analysis, daily log and journal, computer maintenance

Not urgent but important

- Developing and testing you next strategy, planning for "increasing your position size"

Urgent but not important

- Interruptions and distractions (friends and family)

Not urgent and not important

- Surfing the internet, daydreaming, spending your profits, taking social phone calls during trading hours

Building Out Your Basics (Foundation – S2)

- You need to know *how much you have to risk* to get profits!
- Risk-to-Reward
- You can then be selective about your trades
- **To grow, you have to have bigger winning trades**
- Figure out trading equation (R-2-R) and trading survival
- Stay away from *“slot machine” approach* and *“sweat equity”*
- Are these tools a part of sustainable trading tactics?
- You want to build momentum with longevity
 - That’s trade setups that will last at least into the future!

Think About It This Way!

- You have \$5,000...in your trading account
 - You have two trade setups that you *“should”* use
 - And every 5 trades ...you make a net profit of \$500
 - You risked a total of \$500
- Your Risk-to-Reward is ...
 - \$500 risk to make \$500 in profit
 - That's 1-1...
 - You risked \$1 to generate \$1 in profit
 - Would you keep doing this ...if you knew it consistently worked 50%, 60% or 70% of the time?

Can You Repeat It?

- So you pursue repeating this behavior for 10 more times
- 70% work for you and 30% don't work
 - The winners...lead to $7 * \$500 = \$3,500$ in profits
 - The losers...leads to $3 * \$500 = \$1,500$ in loses
 - So your net profits are $\$3,500 - \$1,500 = \$2,000$
- Your account now **has grown** from \$5,000 to \$7,000
- So we have to now go backwards and see if we can consistently find those two setups and they work at least 70% of the time

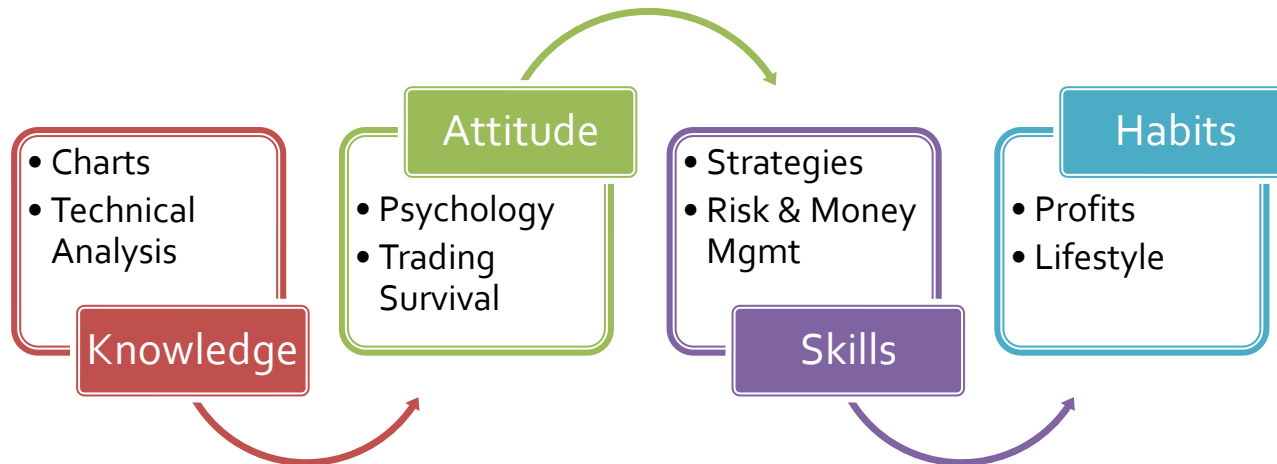
Oops!...You Have A Mental Breakdown...

- You start looking for more setups to compound the profits faster
- But you don't know if these other setups will *help or hurt* your progress and profits
- You start *trying to do more* ... by *taking on more risk*
 - Hoping for “bigger” profits than the \$500
- You start *trading faster*
 - To get more than 70% right
 - You filter some of the opportunities that the two (2) setups present
 - You start taking bigger losses
- ***Now you have a mess!***
- You *revert back* to old tools and tactic to try and recover
- You're *subconsciously confused*...
 - You realize that you're not disciplined
 - You can't follow your own rules and setups

Focus On Bigger Picture (S3)

- Look at your *trading as a business*
- **Break it down** into **modules** that you can tackle
- *Focus on simplicity*
- You want **certainty** in your trading approach and style
- Your trading will evolve and **you will need to answer new questions** and solve different problems
- **Shifting the order** on how you learn and apply it can change your trading
- It's Not WHAT you do....but WHEN you do it!

Remember...The Order Is What's Important



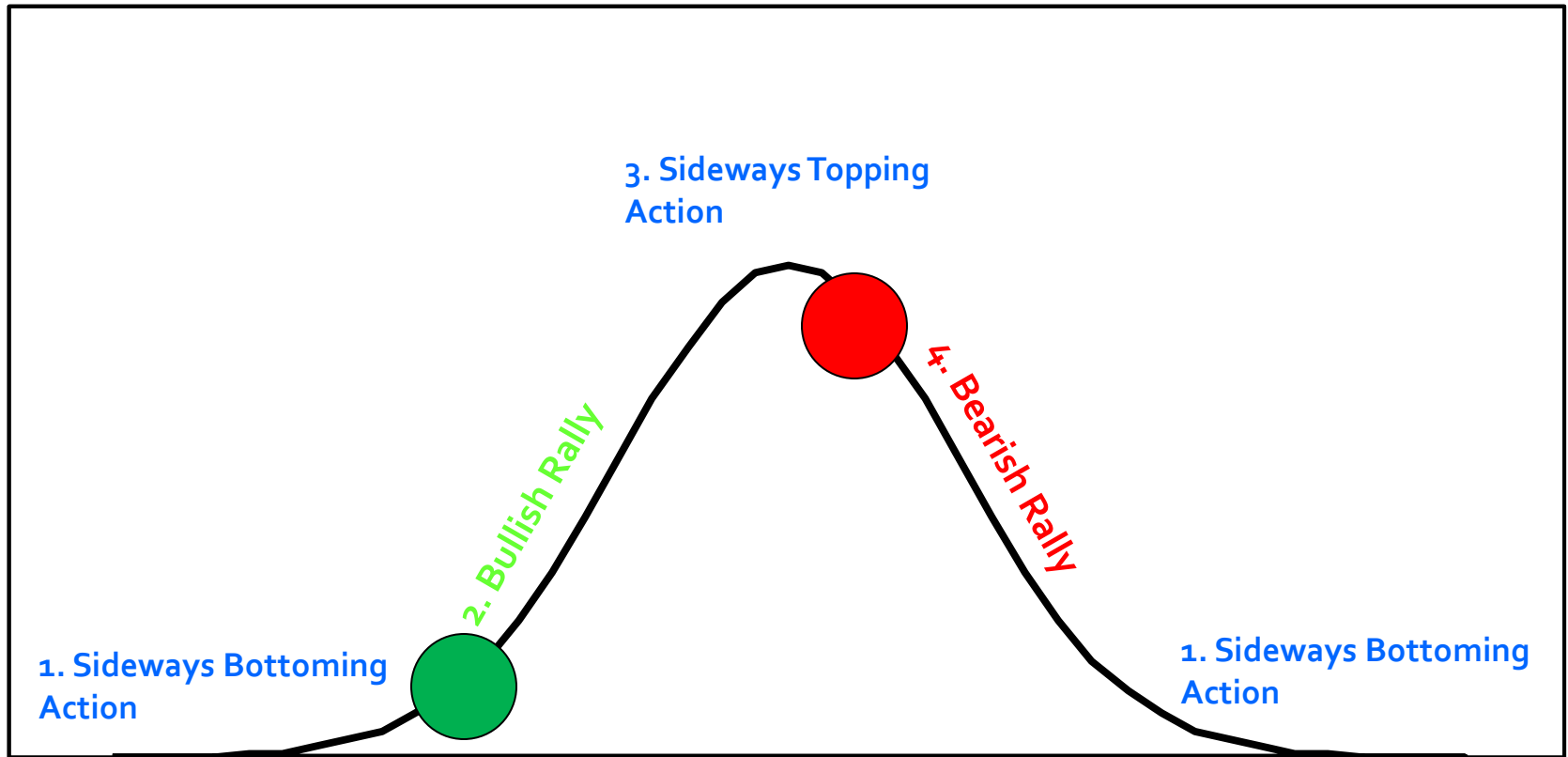
Focus On Bigger Picture (cont.)

- Traders try and learn “everything”! **WRONG approach**
- Focus on *“In-The-Moment”* Learning
- Identify what to learn so you can *take your next step*
- If you are not following a predefined path, then *every step you consider can go “lots of different ways”*
- This leads to **overwhelmed, anxiety, frustration...**
- You might be learning ... *but not applying it* ...
 - So call it what it really is....just reviewing or studying
- Do you ask the question:
 - How does this help my trading before I start learning it...and not after you learn the concept
- Are you spread to thin?

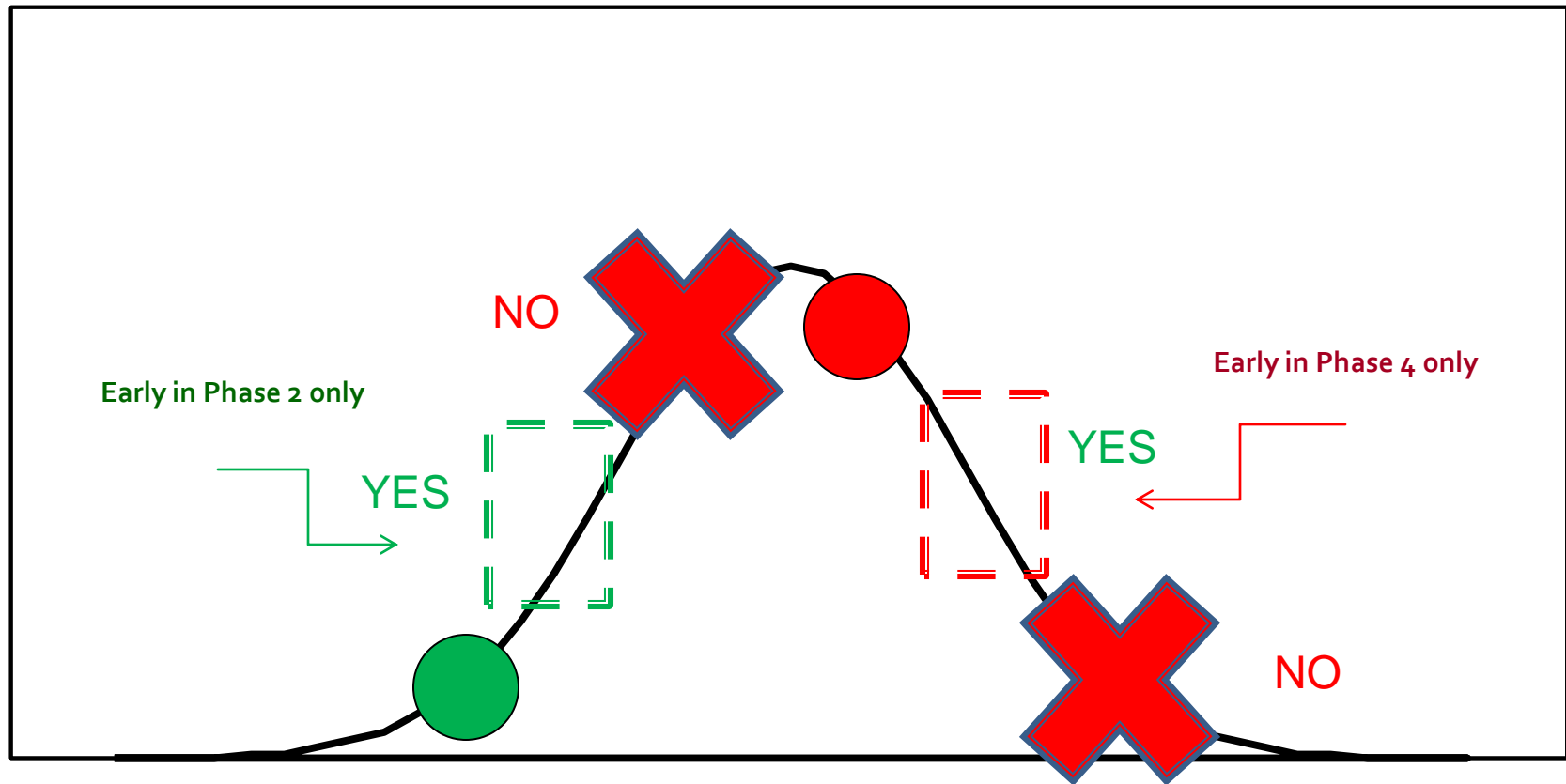
In The Beginning...

- Finding “winning trades” is #1 priority
- Learn to cycle...”Back and Forth”
- You need to build your ...
 - “Confidence” and
 - “Leverage”

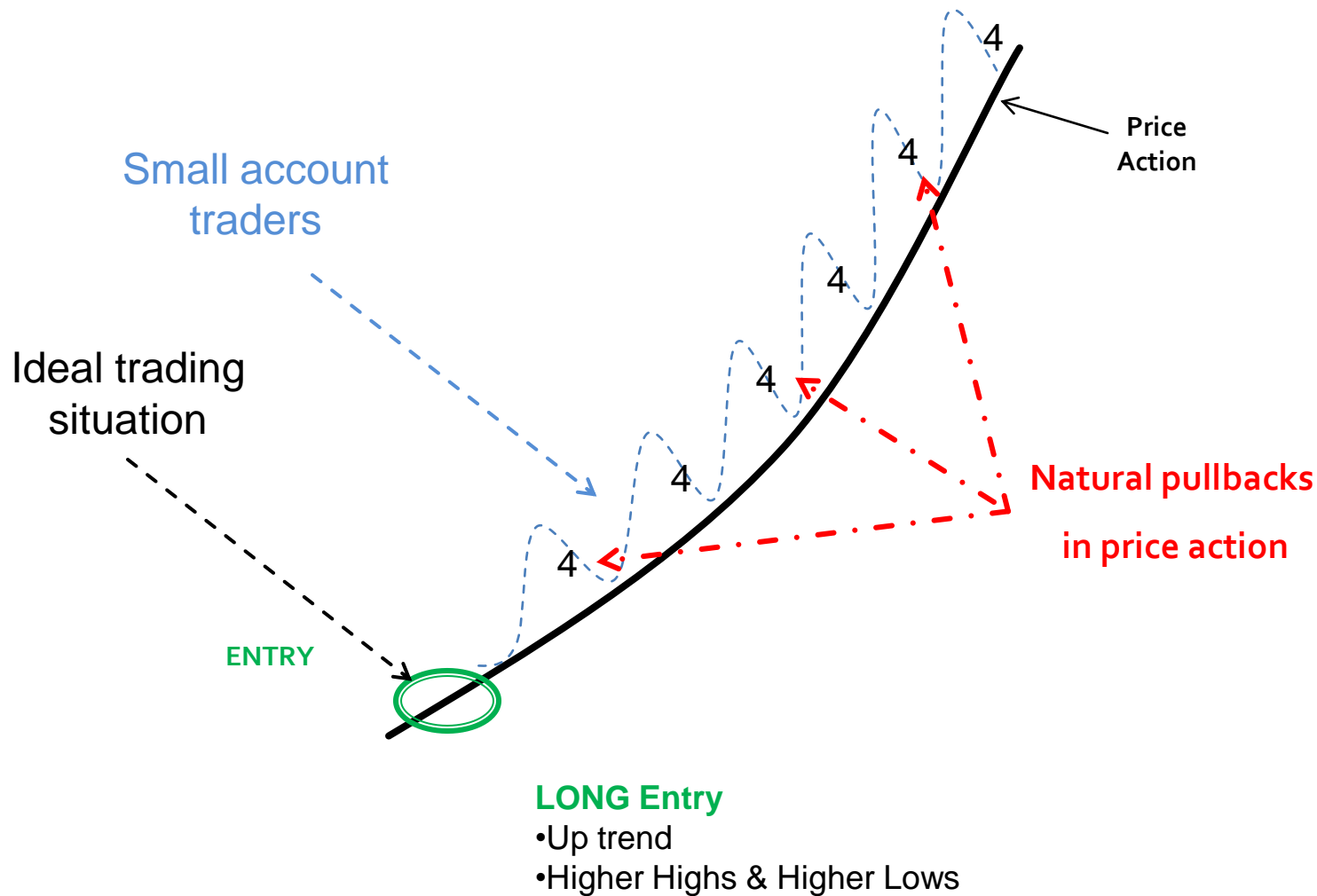
The Markets...Cycle...Back and Forth...



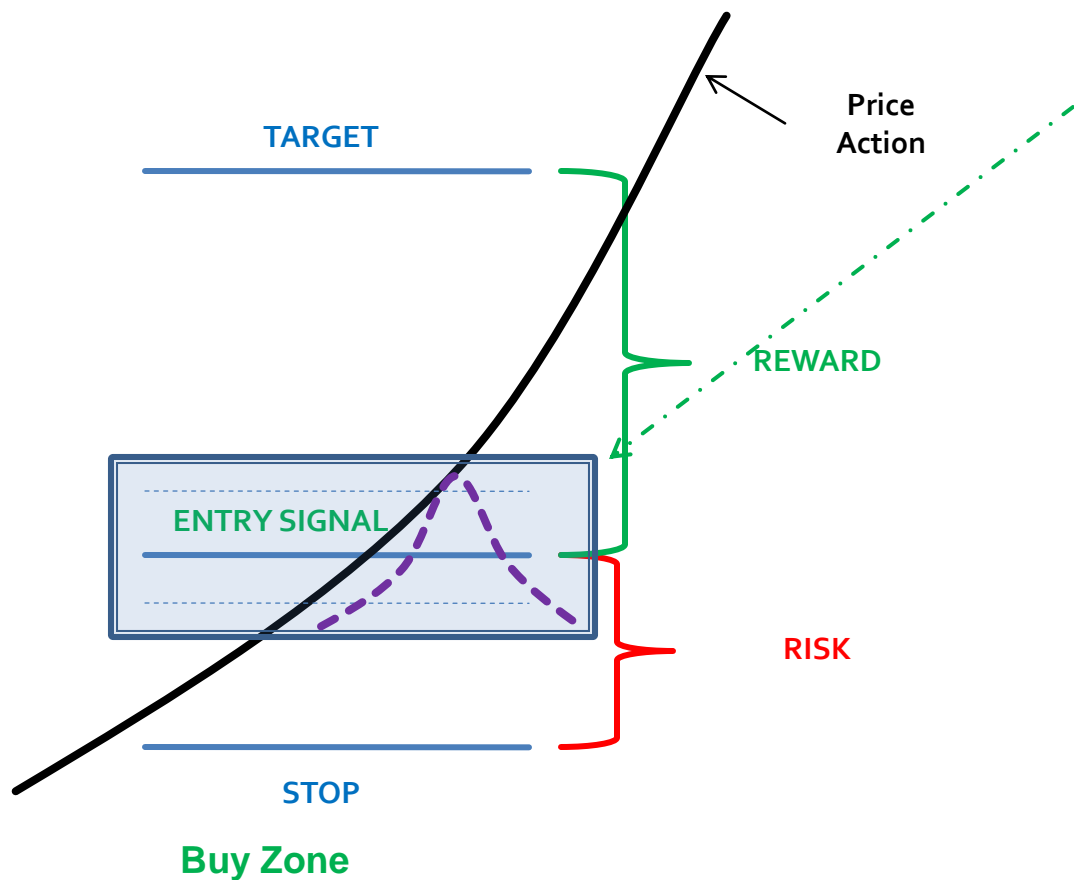
Where small account traders should trade...



Confused about...?



Lower Timeframe Entry Signals

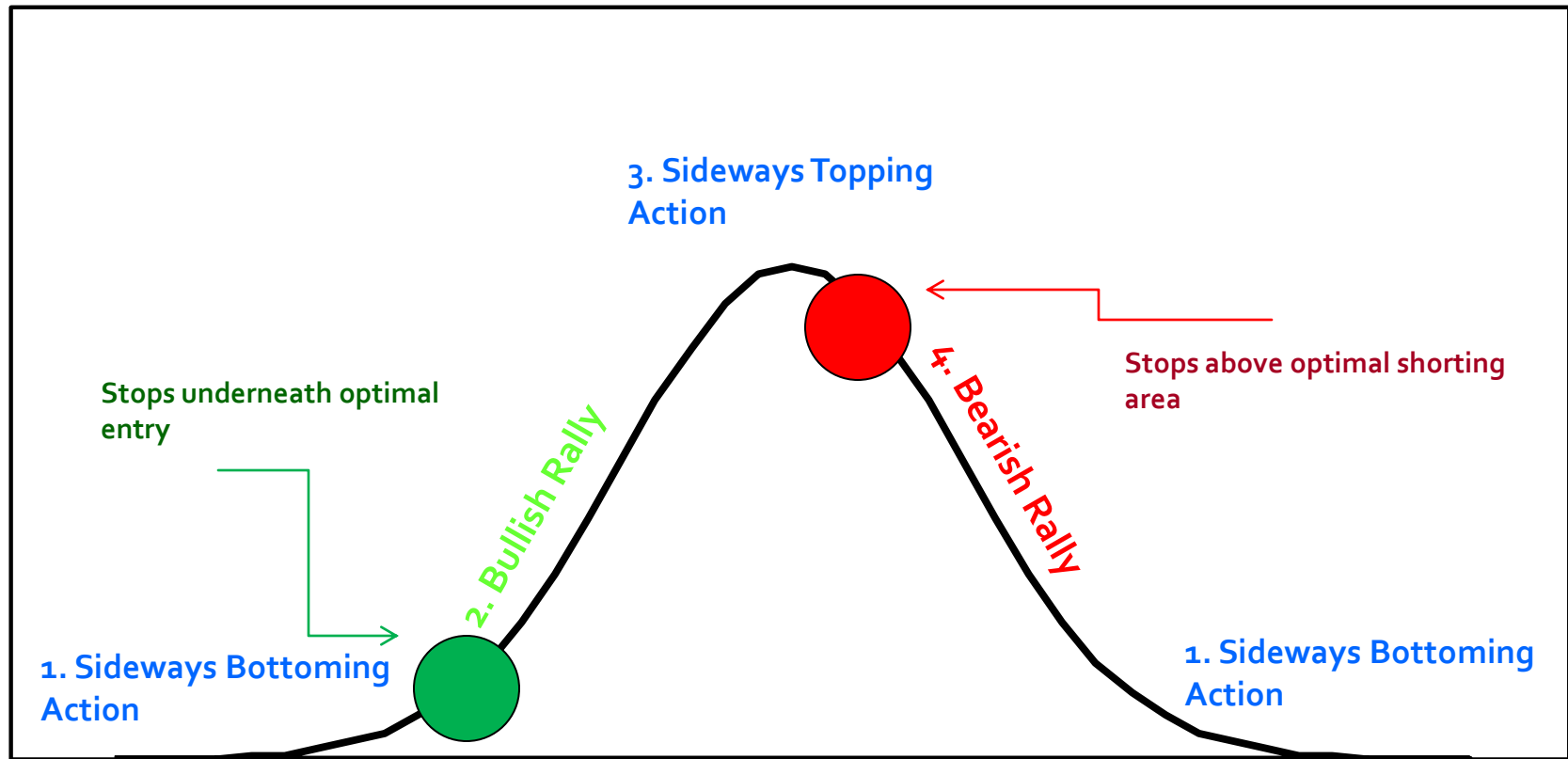


Looking for entry in lower timeframe

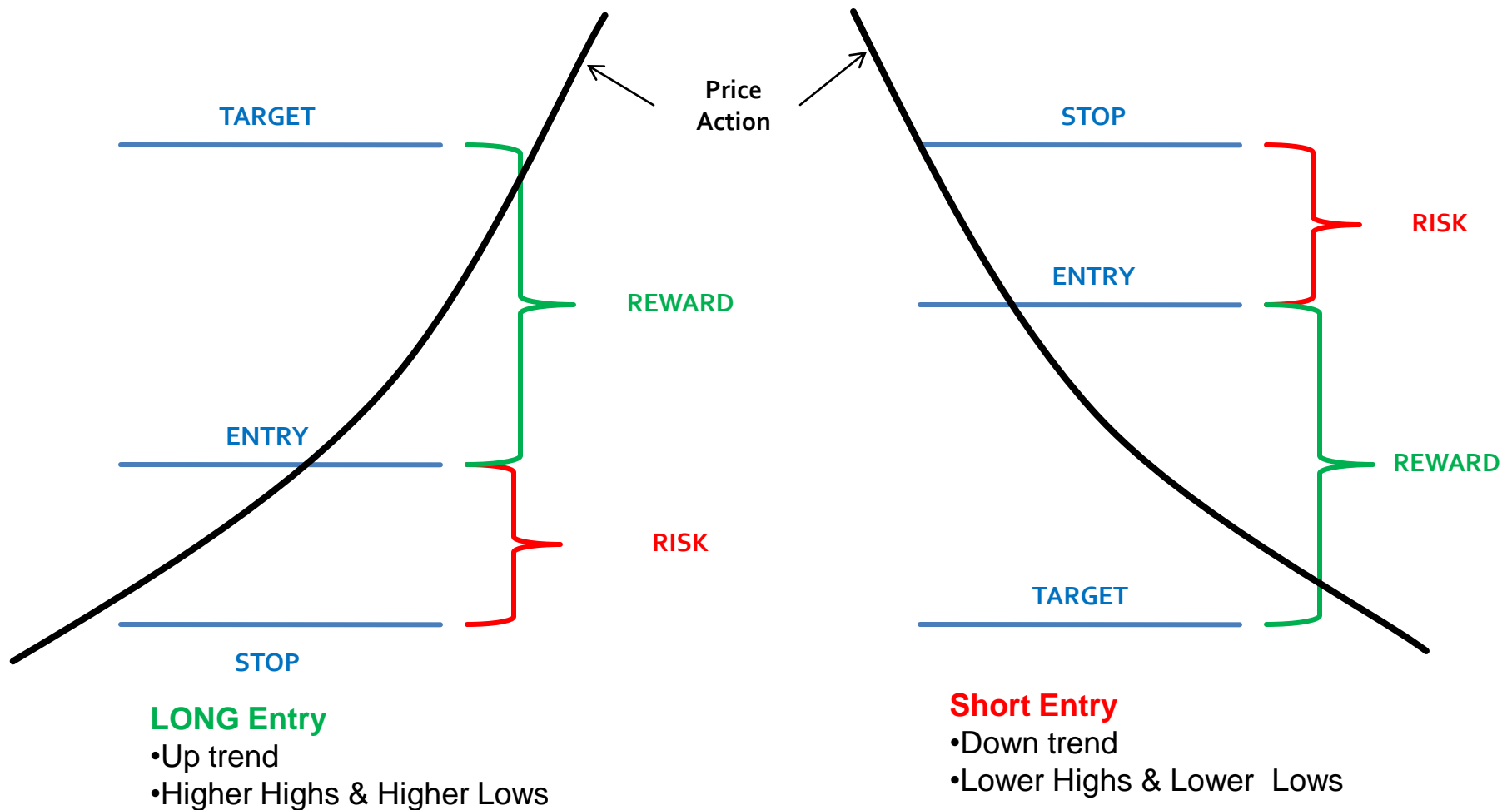
Higher timeframe entry signal is more potent

Tighter stop are usually inherent with lower timeframe entry signal – potentially more traders getting stopped out

Best Stops/Targets with Market Cycle



Entering In Best Possible Buying/Shorting Area



Unique Trading Psychology Mindset

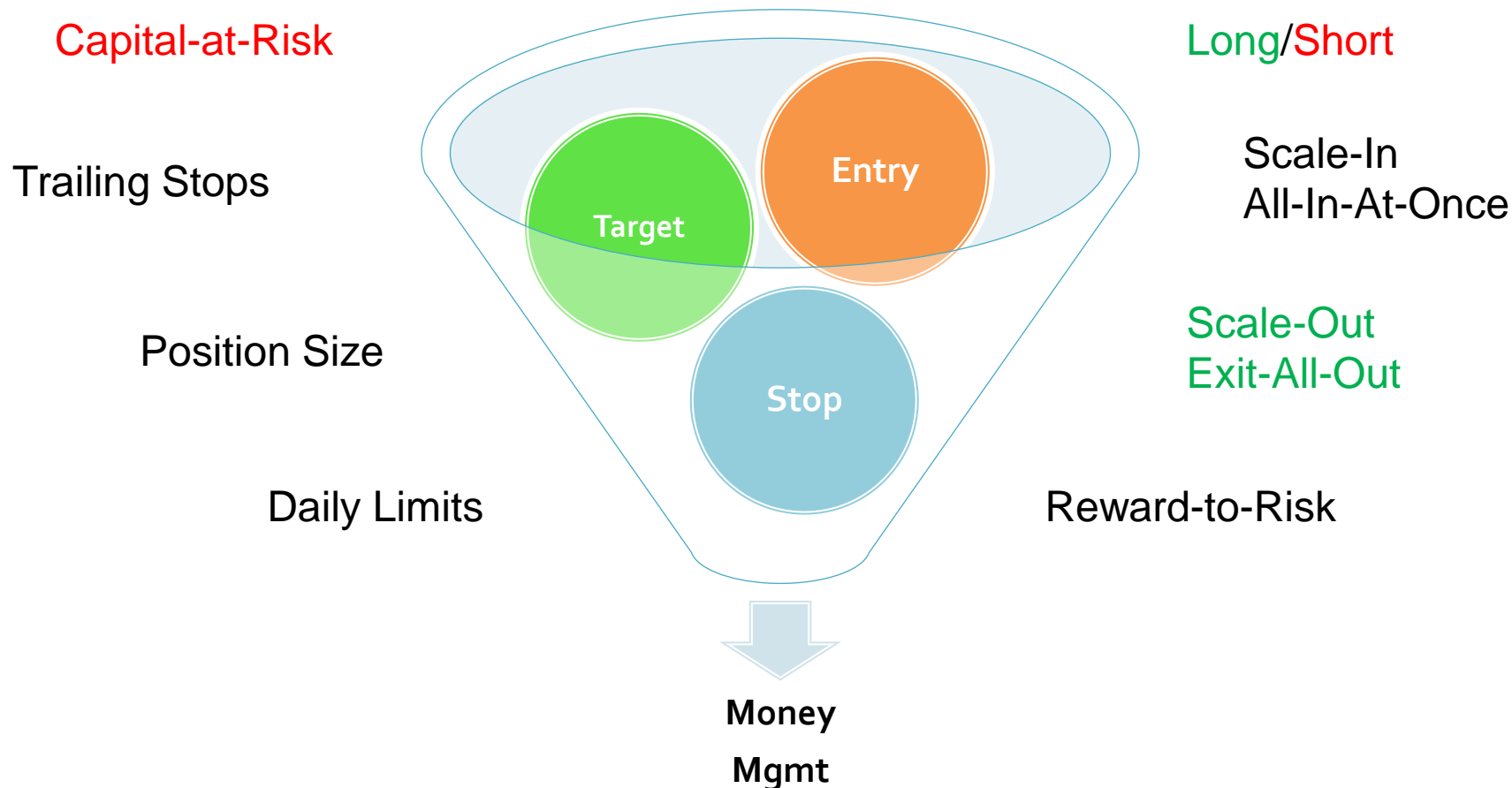


Simple Trading Psychology

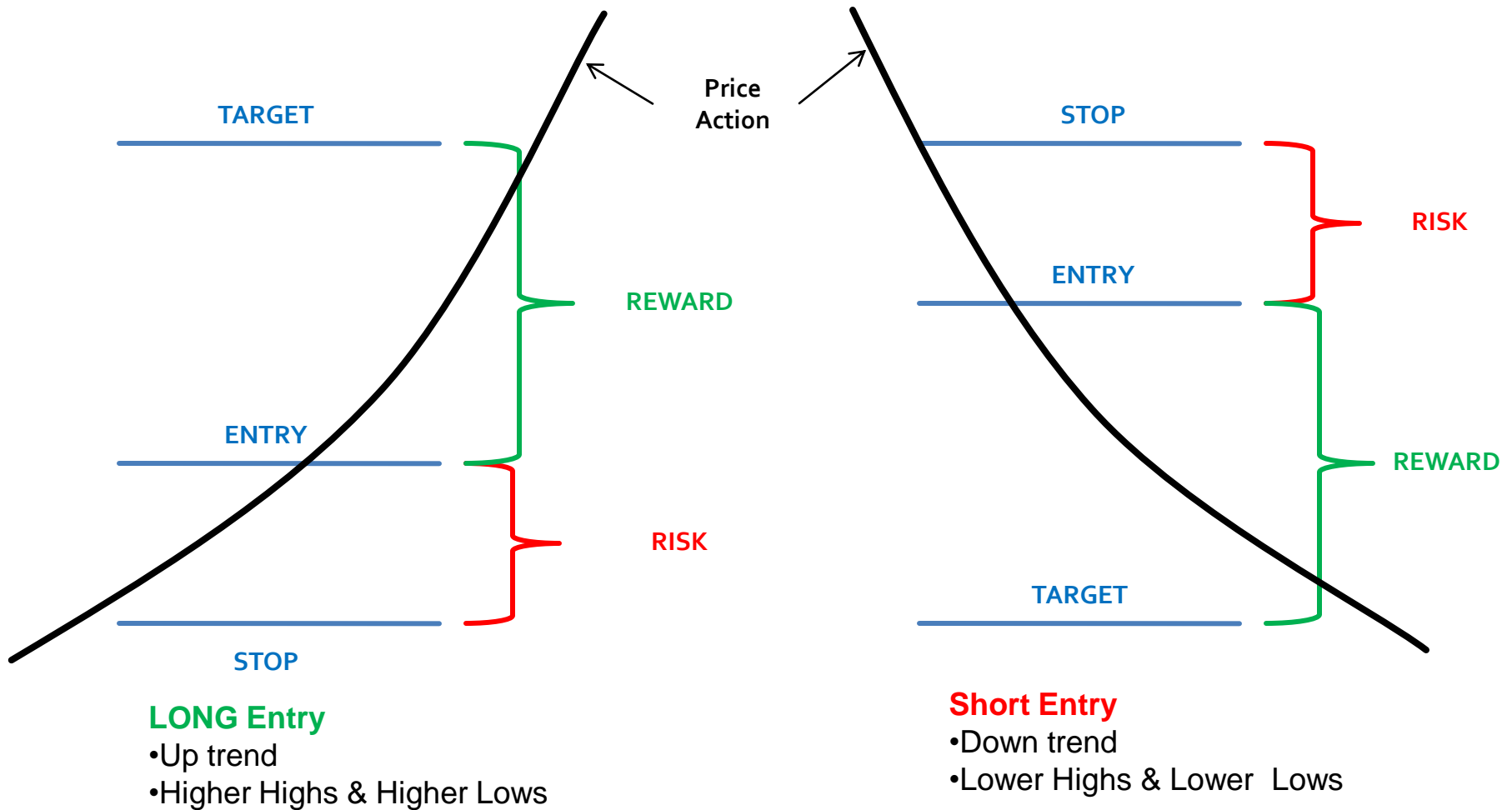
Free Trades Approach

- Learn to use the “Best Chart Patterns” (*flags*) as opportunities for Free Trades
- *When price action moves in your favor...*
 - There is initially a profit of some size
 - Initial stop can be moved to minimize or eliminate the initial risk; hence a free trade
- Eliminates the *hidden trading-barriers* that block you from reaping real trading profits consistently
- *Teaches you about the current price action movements* and find answers to how you can generate consistent profits that have been constantly eluding you
- Allows *you to accept the “natural” price action movement* (i.e., pullbacks and rallies) and determine whether to risk some if not all of the profits in order to trade directional trends.

Too Many Trading Decisions To Make Consistently!

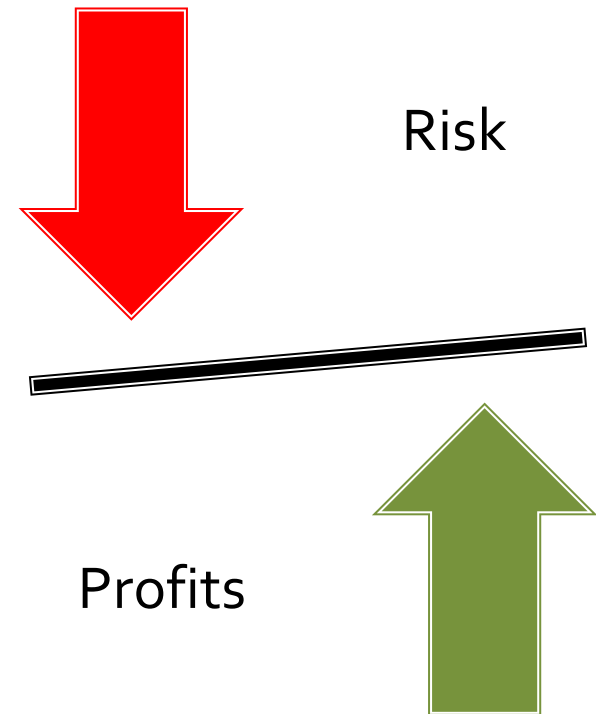


Trading Execution



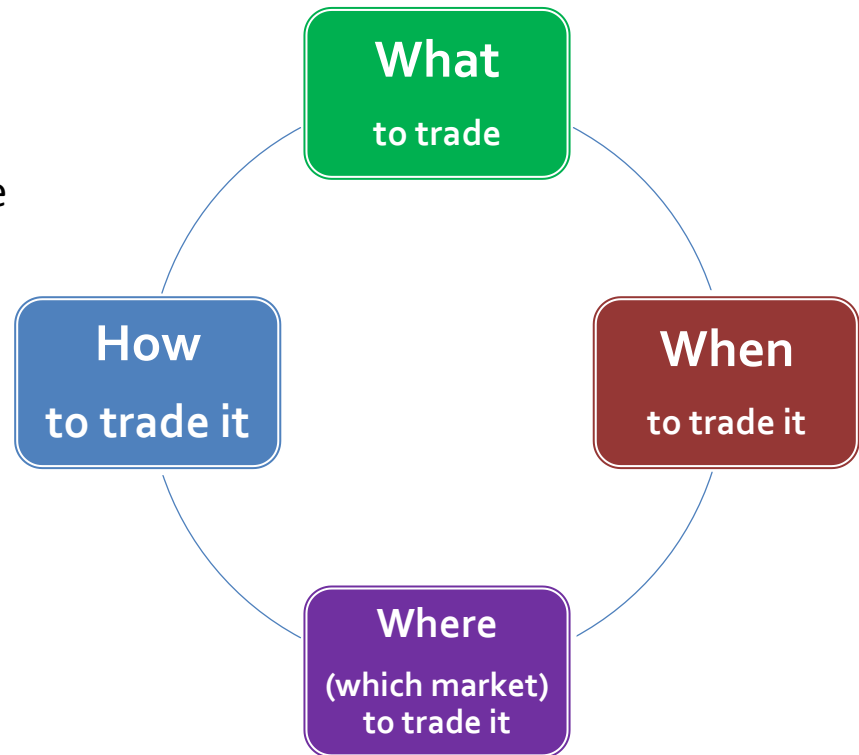
Balance

- Focus on “two-dimensions” of every trade: risk and profits
- Analyze market risk and trading capital risk
- Emphasis on generating profits
 - Without taking on “too much risk”
 - Within a pre-determined time
- Initially have a predetermined target for the trade.
 - *Does not mean you can't move the target for more or less “profits”.*

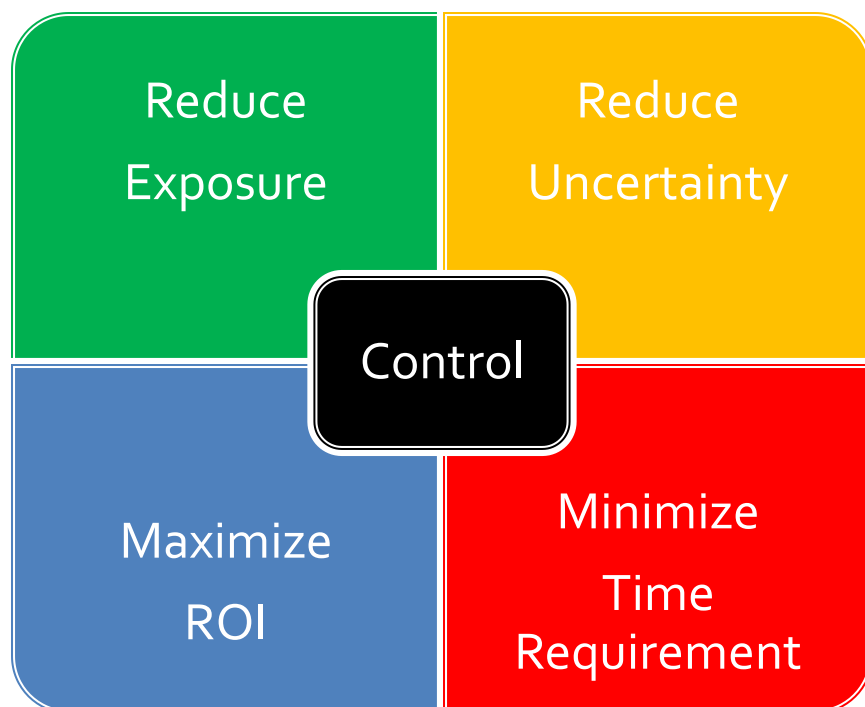


Calm

- *How can you trade as if you have no problems, enjoying peace of mind and freedom from anxiety and worry, no matter what is happening with price action?*
- Learning to trade from the “perspective” that there are no problems...
 - *(Notice were not saying there are no problems!)*
- Trade either hits stop or target.



Control



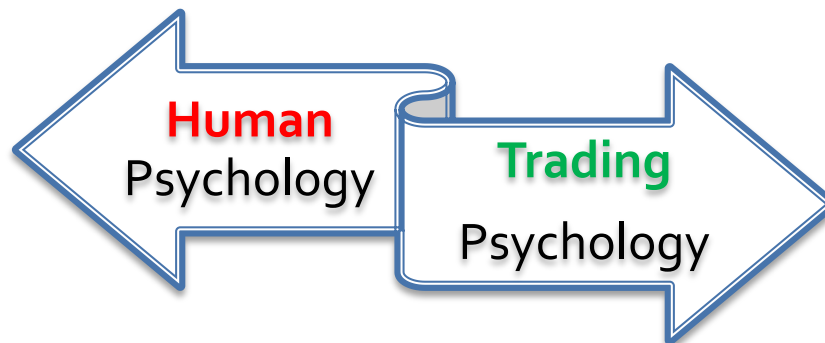
- The **elimination** of physiological symptoms such as *sweating, increased heart beat* and *raised blood pressure*.
- The **elimination** of worry ...*negative self-talk* that often distracts the mind from *focusing* on the problem at hand.
- Must preserve and protect trading capital “at all cost”.
 - Hence, define sufficient controls

Poise



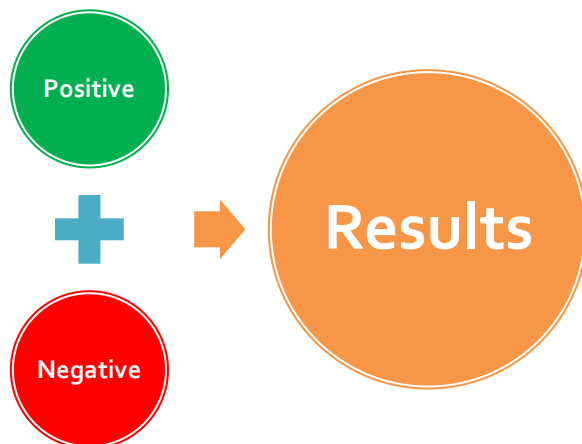
Promoting Poise

- *Balance, calm, confidence* and *control*
 - (B-3C) are vital for poise.
- **Poise** comes with an understanding and experience of price actions natural free movement.
- The common response to perceived loss of (B-3C), is to allow emotions to *intensify* (i.e., stiffen) in order to prevent a *negative event* (trading loss).
- We need to feel at ease with trading and price action movement to remove the fear of failure.



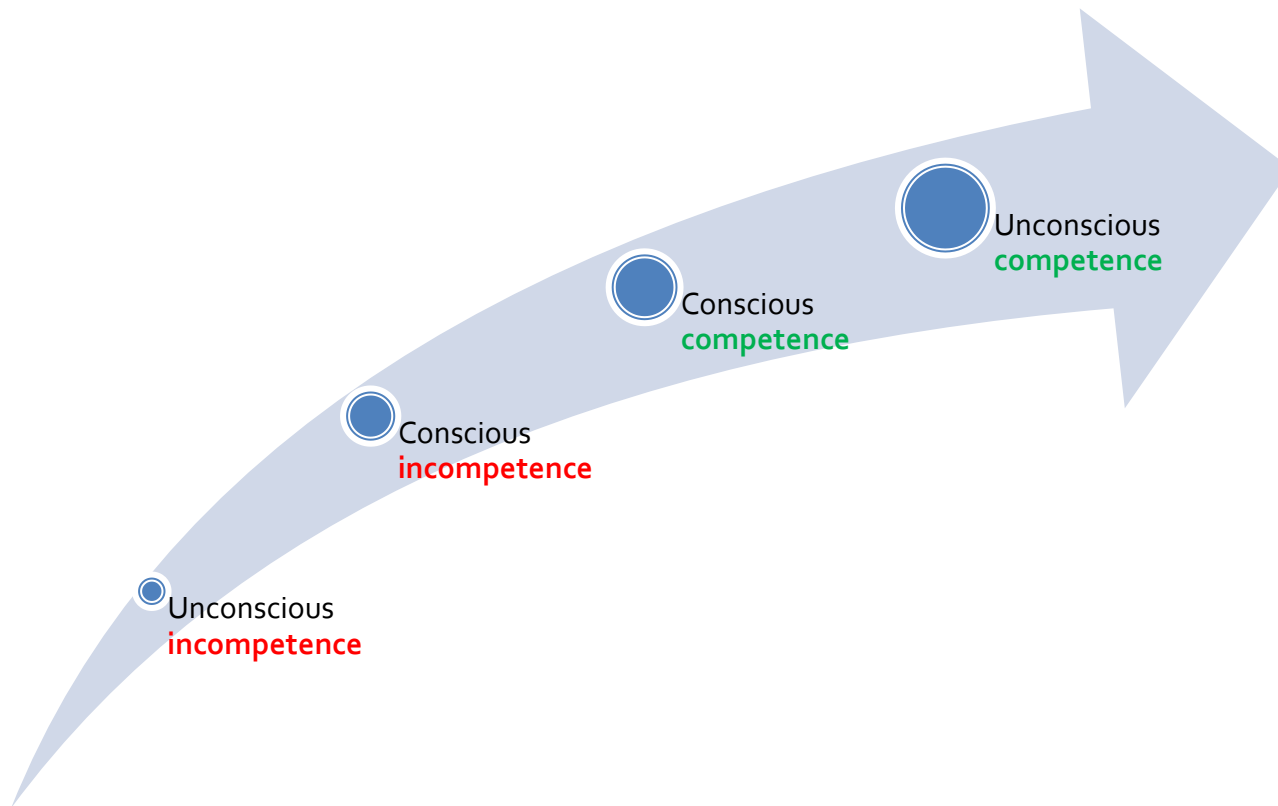
Promoting Poise (cont.)

- **Poise** is obtained through the *restful study and observation* of trade execution.
- **Poise** is a mental state achieved only by *steady and carefree education of the mind and maintenance* of (B-3C).
- **Poise** can only be attained *when the habits* of interfering with the mechanisms for (B-3C) are removed.



Trading contributions – both positive and negative.

Mind Set Evolution



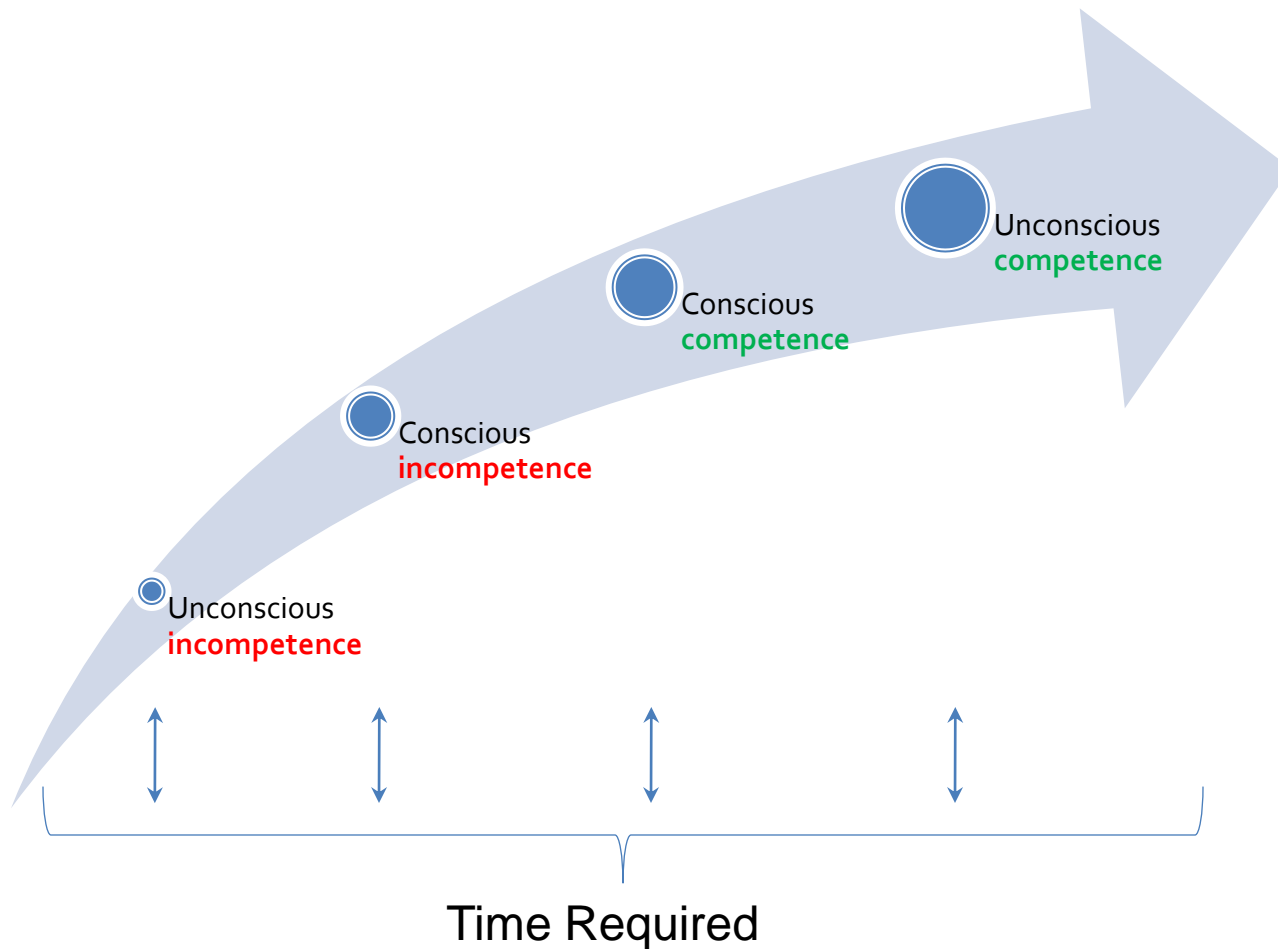
Four (4) Stages Trading Competence

- Unconscious **incompetence** - traders are naive and blind as to what they don't know about "learning to day trade" well.
- Conscious **incompetence** - traders realize, after big losses, they don't know "how to trade" well.
- Conscious **competence** - trading dramatically improving with profits by using proven trading plan, strategies, support, and lots of practice.
- Unconscious **competence** – trading in natural sense and flow, trading skills or reaching levels of intuitive.

Time is Required

- An aspiring trader needs to accept ...
 - Time amount of time is required for the conscious development
 - to go from a dissatisfied, inconsistent, not profitable trader
 - understand that *focus, accountability, structure and actions* are required
 - just to achieve average results.

Mind Set Evolution



Trading Execution w/ Small Position Size

