** SPECIAL REPORT **

The Trading Secrets

Why do few people always make money in the stock market?
No matter what happens on the world's stock market.

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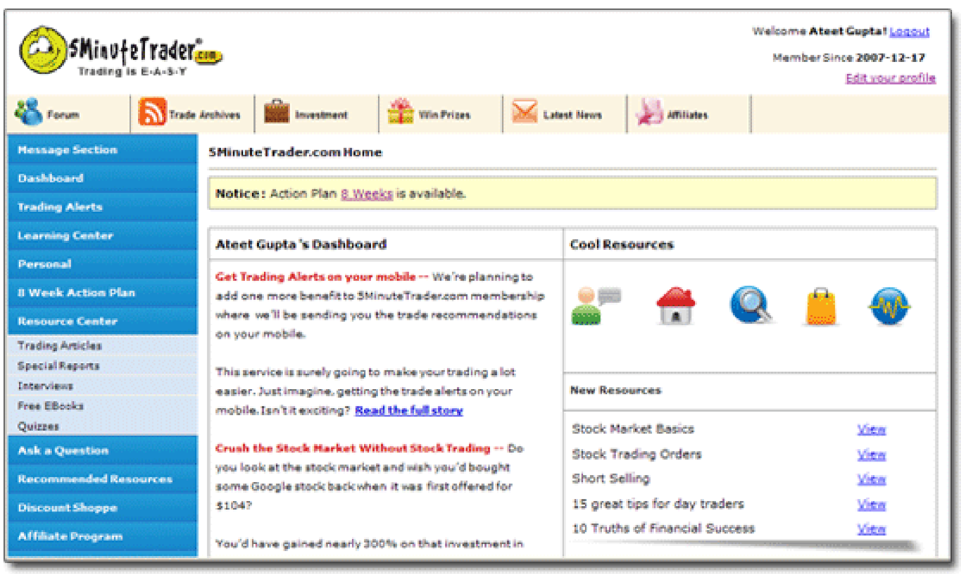

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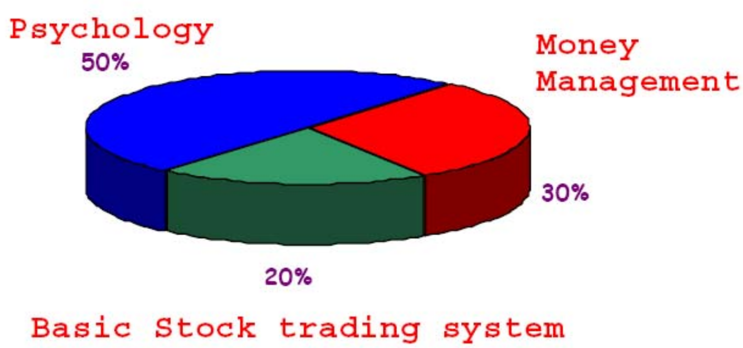
The Trading Secrets

Let me begin with this simple but one of the most talked about question: **Why do few people always make money in the stock market?**

These people have few unknown amazing secrets of successful traders and in this EBook, I am going to disclose all those secrets. So keep reading...

The secrets are trading psychology, proper money management and basic stock trading system (entry, exit & trading rules). If you can master these three techniques, money will surely flow into your hands.

I call them secrets **NOT** because very few of us are aware of them, but because very few of us use them. Have a look at the pie chart given below.



It has been found that the entire trading process can be divided into these 3 elements.

- **Trading Psychology**
- **Money Management**
- **Basic Stock Trading System**

I am going to reveal these secrets one-by-one. And I want you to pay some special attention here. Let's begin with Psychology...

TRADING PSYCHOLOGY- KNOWING YOURSELF IS A KEY

Let me share a story with you-

This story is about two young men. Both of them graduated from the college on the same day. Both of them have a passion towards stock trading, both were intelligent, both of them were full of aspirations and wanted to become successful in the stock market.

Both of them started trading at the same time. They started trading with same capital, same type of trading software and tools along with the same type of trading system with the precise rules for entry and exit.

But after one month, there was a difference in the amount they have earned during that month trading stocks.
After one month, one trader gone broke and other returned with 25% returns on his investment.

Any guess work???

What makes this kind of difference in their trading results?

Do winning traders have some special talent...? Do they have some inside knowledge of the stock market that is not available to others...? Is it that they have some kind of positive winning attitude...? ...a better computer and software?

It's none of the above!

The difference lies within you. Psychology plays a very important role in your way to trade. It is the relationship between your thoughts and actions that will determine how successful you are as a trader and ultimately how much money you make.

Your feelings have an immediate impact on your account equity. You may have a brilliant trading system, but if you feel frightened, arrogant, or upset, your account is sure to suffer.

When you recognize that a gambler's high or fear is clouding your mind, stop trading. **Your success or failure as a trader depends on controlling your emotions.**

When you trade, you compete against the sharpest minds in the world. The field on which you compete has been slanted to ensure your failure. If you allow your emotions to interfere with your trading, the battle is over.

You are responsible for every trade that you make. A trade begins when you decide to enter the market and grids only when you decide to take yourself out. Having a good trading system is not enough. Most traders with good systems wash out of the markets because psychologically they are not prepared to win.

You must win the BATTLE WITHIN YOURSELF first, before you can win in the markets.

The pie chart given in the beginning of this chapter shows that **50%** of your trading depends upon your psychology. As traders we have to realize that we have no control over the market and we cannot influence the direction of the market.

You must develop the mindset (and the true understanding) that you are a winning trader whether you are experiencing a run of losing trades or winning trades.

Treat yourself as a professional trader. Know what motivates you, understand your limitations and become familiar with your strengths. This will help you to move smoothly through losing streaks so you can be there for the winning streaks.

Most new and "intermediate" traders do **NOTHING** about their mental trading fitness. And this is how they trade in the market:

"My god, Here I go again ! Can't I do anything right ! What will my wife say if I lose this one !"

They are willing to spend thousands of dollars on "**use-less**" systems and out-of-town seminars, but are totally neglecting mental conditioning.

You should be training as hard on your mental fitness as you do on preparing your trading signals. Don't get emotional about trading. Always remember, the current trade is only one of a long series. You are in this business for the long term.

Remember that and don't, ever, get too attached to any one trade.

It is highly unlikely that you will become a successful trader if you allow your emotions to control your trading decisions.

IDENTIFY THE BLOCKS TO WINNING PSYCHOLOGY

The most destructive emotions leading to poor trading decisions are:

- ✓ Greed
- ✓ Fear
- ✓ Pride.

Let's talk about them one-by-one:

GREED

Greed tends to keep a trader from closing out a position when a reasonable profit has already been made, in the hope that the stock price will go even higher.

It's very easy to be greedy in this business. You always want more. If you have made 100 points profit in a trade, you want 200. And the moment you have 200 points profit, you start looking for 300. This lack of satisfaction is one reason why some people get themselves in trouble.

So how would you avoid this feeling of greediness?

To avoid being greedy with your trading, you may want to know the reason behind that- why is it so easy to be greedy with the trading?

Greed stems from a belief that there's never enough and there won't be enough. A greedy person will never be satisfied; he will always look for more no matter how much he already has.

It seems that the reason people are greedy when trading is because they take non-market factors (like how badly they want money, why they want it, can they afford to risk etc.) and apply them to the market and their trades.

But it makes no sense because your non-market factors will **NEVER** decide that which way market should move. So your non-market decision like I want to buy a fancy watch from this trade is not at all going to change the market direction.

Market will move the way it wants to move.

So when you cannot change the direction of the market, don't let your non-market decisions make you greedy. Your greed makes you want more than the market may be offering and it certainly influences you into not acting in your own best interest.

ALWAYS REMEMBER

Wishing and hoping is never going to take you anywhere. Be practical. Do what market is telling you to do...

Staying in the market for too long (hoping for a huge windfall) is a strategy that backfires more often than not. Greed also tends to result in rash or impulsive trades.

FEAR

Fear will have traders selling existing positions too soon or avoid buying a stock that should be bought. In other word, fear leads to trading decisions becoming "paralyzed".

Mark Douglas's four fears are:

- ✓ Fear of Loss
- ✓ Fear of being wrong
- ✓ Fear of missing out
- ✓ Fear of leaving money on the table

I was once sitting in a room and trading futures. There I met a guy. I noticed that he was very unhappy and distressed. I asked him the reason. He had bet the farm shorting a strong bull market. He said-

"I don't know why I just didn't cut the position earlier; anyone would have seen the strength- why didn't I?"

I never saw him again.

That is the effect of fear - it drives out knowledge; it leads to shortsightedness, it immobilizes us and leads to inaction.

Let me share an example offered in **"The Discipline Trader"**.

A child bitten by a dog would quite often associate all dogs with the threat of pain, and consequently generate an intense fear or even terror whenever he encounters any dog in the future.

The child's fear of all other dogs other than the one that bit him is real. He has no way of making a distinction between a friendly and a dangerous dog because his personal experience leads him to believe that all dogs are dangerous.

However, the truth is something else…not every dog is dangerous. In fact, some of the dogs are quite friendly and wants to play with the child.

But the child has no idea about that and his fear continues to grow even further whenever he encounters any other dog. He thinks that the source of his fear lies in the outside world.

But that's not the case here. His fear actually lies within himself. He has a wrong perception that **ALL DOGS ARE DANGEROUS.**

The same goes to stock market. We could experience the similar fear during trade. When we focus on our losing trades, mistakes, etc. we give our subconscious mind powerful direction. We could then end up with those same loses that we are trying so hard to avoid.

Winning and losing are the part of the game. If you fail to make money once, it doesn't mean that you not make money from any stock you trade in the future.

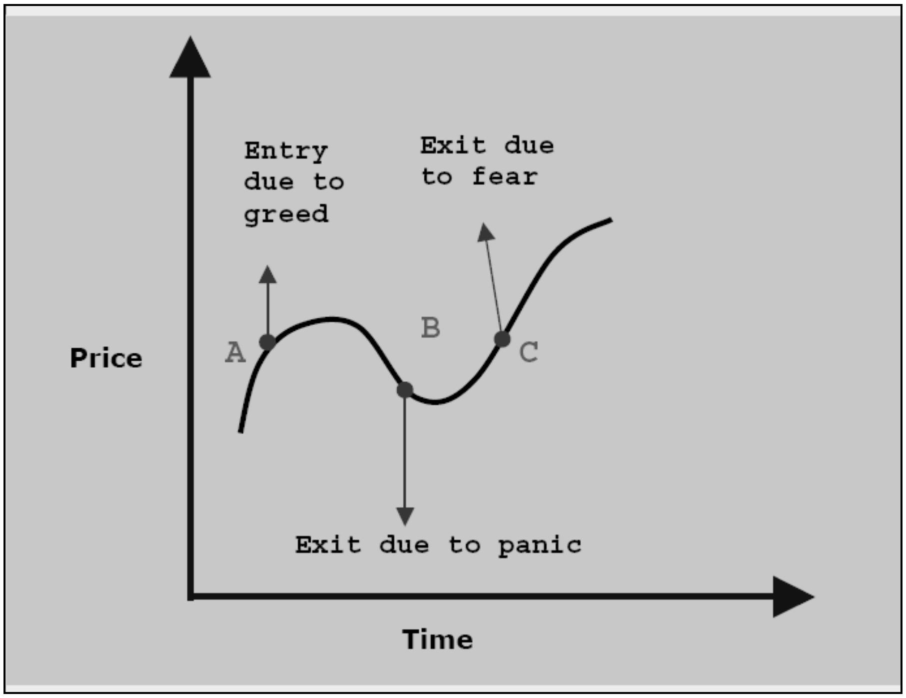
This type of feeling makes no sense and you can get yourself in trouble while trading.

PRIDE

Pride tends to keep a trader in a losing position for too long because of unwillingness to admit that the original trading decision may not have been the right one.

Let's take an example to have a better understanding of Greed, Fear and Pride. Our Trader **Harry** is an inexperienced trader like most of the traders in the stock market. He is a kind of trader who wants to earn money from the stock market but he doesn't have **proper knowledge, equipments, tools and strategies.**

Behavior of an Inexperienced Trader



The figure given above illustrates the way our trader Harry follows while trading in the stock market

The typical inexperienced member of trading Harry enters the market at **point A.** At the point A, the price of the stock is increasing and due to this increase in the price; he buys it and wants to earn some money out of an ongoing rally.

Once a trade is entered, stock immediately moves strongly in his favor. Harry will suddenly start seeing a villa in the sun or a new sports car flashing before his eyes.

"This trade is going to the moon so he removes his price target and decides to let it go."

Greed has now completely taken over his trading decisions and the previous plan (if any) is ignored.

Of course, markets rarely move in one direction for long so trade starts moving against him because **experienced traders start to cash in** (Profit booking) on their profits and the rally quickly starts running out of steam.

When the market turns, **the greed turns to fear** as the dream slips away and Harry tries to hold on until the price gets back to where it was. The day trade becomes a position trade...

Now Harry will fear that he has made a mistake. He fears making loss so he waits and hopes that the market moves back in his favor.

The fear of taking loss now controls his trading decision. He is expecting that market will bounce back and he refuses to get out of the trade

- ***the day trade becomes a position trade of a few days and then it becomes a long term 'buy and hold' strategy.***

When the stock declines to the point where Harry cannot take any more pain **he gets out at point B**, just before the stock finally hits its bottom. If for some reason he didn't exit at point B, he will most **likely exit at point C** being happy to recover some of his losses.

Our trader Harry is exactly the kind of "herd" trader that successful traders prey upon.

On the other hand,

- ✓ The successful trader will have tested their strategy extensively and will be aware that a losing is also a part of the game. They will also measure their success on whether they place the trade according to their system rather than whether it is purely a winner or a loser.

- ✓ The fear is removed from the trade because they know that several losers in a row is to be expected.

- ✓ The successful trader has set a target, either a certain price or a timed exit and will stick to it. If the trade only takes 5 minutes then that's just great, there's plenty that won't.

To trade successfully you need to remove all emotional influences.

Here's a little exercise for you and believe me it can do wonders. So read it carefully.

At the start of each trading day, before the market opens, take a few minutes for yourself. Close your eyes. Start visualizing the market. See the real time chart on your computer screen.

Watch as the price goes up and down.

See yourself entering the trade. Notice you feel relaxed. You are alert but calm.

Completely non emotional

Observe how the price moves after you enter. How it comes close to your stop loss.

Mentally place a number of trades. Follow them through. You get a losing trade. Notice you see the big picture. You are unemotional. Completely calm

You put on another trade. Again, another smaller loss. You are still calm. Next a winning trade. Again, you are relaxed. It's all part of the job.

This takes practice. And you must do it regularly to get the maximum benefit. Try it every morning, and any time you even begin feel stressed or you lose you focus.

The advantage of this technique is it's FREE. And payoff is excellent.

MONEY MANAGEMENT…!!

Warning … money and portfolio management is one of the most important parts of successful trading. In this EBook we are only going to touch upon money management.

Let's first define money management:

Money management evaluates the risk and reward of a trade and determines the best use of investment money. It tells you how many shares to purchase and how much money to place at risk.

It is the difference between great trading performance and poor performance. It will make the difference between making money and going broke.

Smart money management doesn't just involve risking the right amount on every trade, it also involves managing a winning trade from start to finish.

This is an important part of any good trading methodology that is often overlooked by beginning and expert traders.

One of the main ideas behind money management is to preserve capital so as to enable one to live to trade another day. Before you ever enter a trade, the first thing you should ask yourself:

How much money am I risking here and can I afford to lose it?

The first goal of money management is to **ensure survival**. You need to avoid risks that can put you out of business. The second goal is to earn a **steady rate of return**, and the third goal is to **earn high returns**- but survival comes first.

Attempting to get the big win may be exciting, but failure in the attempt can wipe you out.

You have to know in advance how much you can lose - when and at what level you will cut your loss. Professionals tend to run as soon as they smell trouble and re-enter the market when they see fit. Amateurs hang on and hope.

"What do I do after I enter a trade and it begins to make money?"

You hear so-called experts often make general comments such as "Don't let a winning trade turn into a loss," "You'll never go broke taking a profit" or "The trend is your friend" and other similar remarks.

These general pieces of advice can do more harm than good because - **THEY ARE TOO GENERAL!!!**

A beginning trader cannot be left filling in the blanks. Everything must be defined. That is why a complete trading strategy must include specifically how winning trades will be managed until the position is closed.

Believe it or not, many people have trouble closing-out a profitable trade. It is a greed problem. If you are showing a large profit and you are a beginner, you got lucky. Go ahead and take the profit! To wait, just to see the profit disappear, is a classic beginner's mistake.

Don't end up saying, "I should have sold when I was up".

One of the most common mistakes new and inexperienced traders make is that they start trading without any planning.

They don't have any clue about the amount of money they can afford to lose if the trade does not go in their favor.

There is a term associated with the money management called ***"Risk / reward ratio"***, which plays a very important part in your trading.

Risk / Reward Ratio

Risk / reward ratio is a measure of reward obtained from the trade compared to the amount of risk taken for the trade.

Let's take an example to understand the concept of risk / reward ratio.

Example

Harry purchases 100 shares of a company "A" at $10. His initial stop on this trade was set to $9.5 which means that, he will sell all his shares if the price of "A" drop to $9.5.

Hence, Risk = Cost Price - Selling Price (Stop Loss)

= (10 X 100) - (9.5 X 100)

= 1000 – 950

= 50

Therefore, the amount he is risking on this trade is $50.

Now suppose, the trade goes well and he sells all his shares in the company "A" at $12.

Hence profit = Selling Price - Cost Price
= (12 X 100) - (10 X 100)
= 1200 – 1000
= 200

Therefore, his reward for this trade is $200.

To calculate the risk / reward ratio, we will determine ratio of risk taken in the trade to the reward.

Risk / reward = 50 / 200
= 1 / 4

This means that for every $1 risked in this trade, he was rewarded with $4.

You should understand that every time you enter a trade you take a certain amount of risk. A prudent approach to trading is to identify this risk before the trade is entered.

This will help you to place the stop loss and preserve your capital to make sure you can trade another day. We will talk about the Stop loss later.

BASIC STOCK TRADING SYSTEM…!!

A well defined trading system is essential in trading. Trading system can be divided into 3 parts

- ✓ Entry
- ✓ Exit
- ✓ Stop Loss

Let's begin with Entry and Exit

Without a specific entry & exit system, traders are like soldiers without a mission. The system has to specify when to get in and when to get out of a position.

Taking a loss can be emotionally hard, but taking a profit can be even harder. The outcome of every trade is dependent on the exit.

If we enter in a timely fashion and then exit poorly, the trade is likely to be a loss. If our entry happens to be poor but our exit is good we might still save some profit.

You can take a small loss automatically if you have the discipline to set a stop the moment you enter a trade. Taking a profit requires more thought. When the market moves in your favor, you need to decide whether to stay put, get out, or add to your position.

An amateur can tie his mind into a knot trying to decide what to do about a profit. He multiplies the number of ticks by their dollar value and feels a surge of greed: Let the trade run, make even more money. Then the market ticks against him, and he is hit with a jolt of fear: Grab that profit now, before it melts. A trader who acts on his emotions cannot make rational decisions.

NOTE

You can go back to the Greed and Fear example we have discussed earlier if you need a quick revision.

One of the worst mistakes of traders is counting money while they have an open position. Counting money ties your mind into a knot. It interferes with your ability to trade rationally.

If you catch yourself counting paper profits and thinking what you can buy with them -get rid of those thoughts!

"If you cannot get rid of them, get rid of your position."

If a beginner cashes out too early, he kicks himself for leaving money on the table. He decides to hang on the next time, overstays a trade, and loses money.

If a beginner misses a profit because of a reversal, he grabs the first profit on the next trade and may well miss a major move. The market tugs on the amateur's emotions and he jerks in response.

A trader who responds to his feelings instead of external reality is certain to lose. He may grab a profit here and there but will eventually bust out, even if his system gives him good trades. Greed and fear destroy traders by clouding their minds.

The only way to succeed in trading is to use your intellect.

The exits, not the entries, determine the outcome of our trades. Bad exits can make a good entry look bad and good exits can make a bad entry look good.

...Always have a proper Entry and Exit prices before even entering the trade.

Stop Loss

This is the point where you admit you were wrong. No one can pick winning stocks 100% of the time. Accept this fact. You can only play the odds.

In trading, a stop loss is a must. Before entering a trade, the trader must know precisely when he is getting out if the trade goes against him. A trader has to be very disciplined about this.

Trading without a stop is like walking down Fifth Avenue in Manhattan without pants on. It can be done, I have seen people do it, but it is not worth the trouble.

A stop will not protect you from a bad trading system; the best it can do is slow down the damage.

Example

Let's say Harry buys a stock at $20 with the plan that it will go up to $24. Now he has to decide what to do if the stock does not go up, but suddenly start falling.

He decides that if the stock moves below $19, he will accept that he was wrong about the direction of the stock, sell the position immediately, and take a small loss.

By taking small losses, he preserves his trading capital, which allows him to trade again tomorrow. In other words, setting a stop-loss order for 5% below the price you paid for the stock would limit your loss to 5%.

Finally, always remember that if the trade is not going in your favor, there is only one thing to do - Get Out!

You can't win every time. As a reminder, a big and costly loser usually starts-off as a small one. Generally, if you are out more than one point you are in real trouble.

Some people don't like using Stop-loss when trading. For some strange reasons, they get caught up in thinking that the market will hit their stop order and then immediately starts moving in their direction after they're stopped out.

You know what, this will happens sometimes. But I still insist you to use stop loss.

On the other hand, there are few people who like to place mental stop-loss. They think, they can call their broker and get out of the trade if it starts moving against.

There is nothing wrong in that but you have to stick to that. I've found thousands of people feeling hesitant to call their brokers and get out of the losing trade. t usually cost them lot of money as they do not act in their best interest.

The biggest reason people don't want to use stop order is because they fail to accept that "THEY WERE WRONG".

There is nothing wrong with having a manageable losing trade. The difficulty comes in when you have an unmanageable losing trade. This can easily happens because if you take too much risk on a particular trade by not using a protective stop order.

Don't let a losing trade turn into a HUGE losing trade.

Breakeven Order

The first few days in a trade are the hardest. You have done your homework, found a trade, and placed an order.

It has been filled, and you placed a stop-loss order. There is not much else you can do-you are like a pilot strapped into his seat for takeoff. The engines are blasting at full power, but the speed is low, and there is no room to maneuver-just sit back and trust your system.

As soon as prices start to move in your favor, move your stop to a breakeven level.

When the takeoff is completed, your flight is at a safer stage. Now you get to choose between keeping your money or gaining more, instead of choosing between a loss and a gain.

When you move a stop to a break-even level, you increase the risk of a whipsaw. Amateurs often kick themselves for "leaving money on the table."

Many amateurs allow themselves only one entry into a trade. There is nothing wrong with re-entering a trade after getting stopped out.

Professionals keep trying to get in until they get a good entry, using tight money management.

After you read the report make sure to post your comments in our blog! And yes! You'll find **more EBooks and articles in the blog**, so make sure to visit it regularly.

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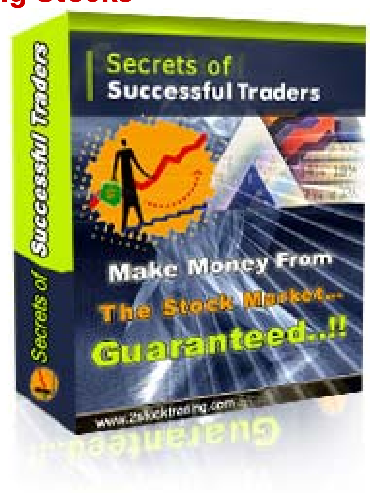
"The Secret Strategy To Turn Your $1000 Into $1 Million+ In Less Than 5 Years Trading Stocks"



Entering the stock trading industry can be described as entering **a war zone.** Without the **proper tools, scouting devices, ammunition and strategy**, your chances of success are small.

In fact, **90% of the traders FAIL** to make money from the stock market.

If you're searching for a way to make yourself much wealthier. Check out this amazing trading EBook that is packed with everything you need to know in order to trade better than professionals.

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