

CONTROLLING
Your TRADES,
MONEY &
EMOTIONS

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INTRODUCTION

In this condensed guide I have put together some key points which I think should be read a few times in order for these critical trading ideas to be stored in your subconscious for quick retrieval.

When reading this guide, try to put yourself in a trading state of mind; the markets open and it's 9:45am ET, trades are being executed and your emotions are flying as new highs or lows are being made for the session. The question we ask ourselves as traders is, "What Position Should I Take?"

Most individuals analyze and trade the market contrary to what is correct. The primary reason is because the majority of traders do not have a trading strategy with simple entry and exit rules. Instead, these traders jump into the market chasing prices riding the emotional roller coaster on nearly every trade.

No matter how good of a trader you are, you can never completely remove your emotions from trading; however, being able to diminish them and learning to manage them the remainder of the time will change the way you trade forever. If you feel you don't have a trading strategy or clearly defined entry and exit rules, [I will be running a trading/mentoring program in the spring of 2011.](#)

The program will be for traders, who want to truly be able to read the market, learn trading strategies through my video courses, and ask me trading questions throughout the one month intensive program. Each trading session will be recorded for individuals who work and/or would like to review a trading session. This trading program allows participants to gain years worth of trading experience within a short period of time.

On the next page are some trading thoughts and tips to help you minimize losses, ride your winners while reducing trading stress.

TRADING RULES

Never Trade With Capital You Cannot Afford To Lose

The market is a dangerous place and it will take everything you have without missing a beat. Trade only with capital that is not life changing, which you can afford to lose. This helps eliminate some of your emotions because scared money WILL be lost.

When in Doubt, Stay Out

If you are not sure how to read a chart its best to look at a longer time frame and to also review the shorter term charts for clarity. If you still are unsure, wait for something else that fits your trading style.

Plan The Trade & Trade The Plan

Make sure you have a trading strategy/plan for each trade. Know the reasons for entering and when to get out if things go against your original assessment. If the trade starts to go wrong and moves against you just exit the position. Analyze each trade after you exit and confirm what happened and check to see if you traded/ exited correctly.

Entry Points Are Key

A properly timed entry point makes a big difference to your bottom line. Patiently waiting for a high probability setup is required to be successful as a trader long term. Cash is a position and if you happen to miss a setup, don't worry there will always be another trade just around the corner.

Do Not Average Down On A Losing Position

Averaging down is never a good idea. Compounding losses is a great way to blow up your account or make for a big loss that takes a long time to come back from.

Don't Hold Trades Which Are Not Performing

Once you are in a trade and if a chart pattern looked like it only had another 5-10 bars to complete its formation but is taking much longer 15-20 bars then it will most likely be a loser. Exit the position and move on even if you are going to take a small loss.

Be A Loser And Ride The Winner

People naturally want to hold onto losing trades simply because they do not like to be proven wrong (a loser). But in trading, holding onto losers is by far the fastest way to go broke and be removed from the business/game. Losing trades can continue to lose for extended periods of time and move much further than what any trading account can withstand. The same goes for winning trades. Winners can continue winning for an extended period of time growing your account to new highs very easily. This is the reason you must cut losers and scale out slowly on winning trades always holding a core position which can fully mature with the position.

Don't Anticipate Potential Chart Patterns and Reversals

Look forward at what scenario is likely to unfold in the near term, but wait for price to confirm a pattern or reversal before putting any money to work.

Do Not Put All Of Your Capital Into One Trade

Don't put all your money into one position . This is a bad idea for a couple reasons. First, trading is about taking advantage of different opportunities so if your money is tied up in one position, then you are not able to take another position if something better arises. Additionally, it is extremely difficult to manage your emotions when everything you have is riding on one position during the intraday roller coaster. Elevated emotions generate fear and greed which typically lead to bad trading decisions by getting shaken out of a winning trade, or holding on to a losing position.

Trade What The Chart Is Telling You, Not What You Believe Should Happen

Only price pays in the market... so follow the price action and what the chart is telling you. Don't get caught up in thinking the market is overbought or over sold ready to reverse.... Picking tops and bottoms is by far the most difficult trading strategy and generally leads to costly mistakes. Trade the trend until proven wrong, and then follow the new trend.

TRADING TIPS

Volatility and Volume Are Your Warning Signal

Just before the market changes direction we tend to see volatility and volume rise. During a trending market they lessen

Never Trade On News or Tips

I strongly believe that the market has already priced in the majority of the news and tips which come to light in the market place. This is the reason why the market or an individual stock sell off on good news and rally on bad news. Don't get sucked into the intraday price blip (spikes) as they are just a great way for the market to take your money.

Never Use Leveraged ETF's For Chart/Trend Analysis

When analyzing the market always use the underlying investment chart to locate trends and support/resistance levels. Leveraged exchange traded funds lose value over time and also carry more intraday volatility. This results in false breakouts and support/resistance levels.

Buy The Pullback

The first pullback after a trend reversal or breakout is typically the best place and time to initiate a position.

Finding It Hard To Buy or Short The Market?

A general rule is if it's hard to buy into the market its going higher, if it's tough to sell short its going lower.

Heavy Volume Sells

It is important to know that light volume trading session typically trade flat or trend higher overall. This can be used to our advantage and seen in the market on Monday's, Friday's, and the days before a US holiday. Sell offs in the market require strong rising volume because there is always a natural upward/buying bias in the market.

Best Day/Short Term Times To Trade

Those of you, who trade each day, should focus on trading between 9:35am – 11:30 am ET in the morning. That is when there are solid trends, heavy volume, and the least amount of market maker manipulation. Step away at lunch and start watching the market around 2:00pm – 4:00pm ET when volume starts to pick back up along with trends.

Exit At The First Sign Of Trouble

Being wrong is part of trading; staying wrong is wrong and expensive.

Protective Stops

It is important to always use protective stops. If you can monitor the market and stick to a trading plan then mental stops are the best way to go.

Trade Defensive

The market has no mercy and will take every penny you have if you are not careful. Moves protective stops up, take partial profits on price surges in your favor, and exit weak looking positions.

Trading During Market Uncertainty

Focus on trading smaller positions and shorter time frame charts like the daily and 60 minute charts during a losing streak, during market uncertainty or elevated volatility levels.

You Will Never Go Broke Taking A Profit

Scale out of winning positions taking partial profits on the first sizable surge in your favor. This reduces emotions, mitigates downside risk, and increases your win/loss ratio.

Are You Asking For Advice On a Position?

If you're asking someone for advice on a position then you are most likely on the wrong side of the trade and should exit.

KEY TECHNICAL TRADING RULES

Before entering any trade it is important to have an understanding of what the overall market conditions are like. Depending on market conditions, you will be focusing on more of a trending type of strategy or a much shorter term momentum trading strategy. The key is to wait for low risk/high probability setups to present themselves so the odds are in your favor before taking a trade. Below are some key factors you should be aware of prior to taking a trade.

Finding a Low Risk/High Probability Setup:

- Trade in the direction of the underlying longer term trend. I use the 20 or 50 day moving average on the daily chart depending on the market condition.
- If the trend looks to be over extended and has not had a pullback in a while, trade with a smaller position size.
- If the market is at or near overhead resistance, trade with a smaller position size.
- Time your entries and exits using short term time frames like the 10 or 30 minute charts.
- Clearly identify an exit point for each trade prior to entering. Use support/resistance levels, pivot highs/lows, and trend lines.
- Identify the first area where the trade will lose momentum (support/resistance) and look to take partial profits at that level, and then move your protective stop up accordingly.
- Take partial profits on the first sizable surge in your favor. This reduces emotions, downside risk and increases the number of winning trades you will make.

- Avoid big losses by exiting positions at the first sign of weakness or if your stop level has been reached.
- Follow the price and volume. I always watch the volume using shorter term time frames like the 1 and 10 minute charts to get a feel if the larger orders are buys or sells. You can use the time and sales window with a filter showing only futures orders of 50 contracts or more, and for stocks I filter out orders under 500 or 1000 shares depending on the volume of the stock.
- You must have patience with winning trades because winners can run for days or even months. When in doubt slowly scale out of position locking in more gains as it continues to move in your favor.

TRADING CONCLUSION

Pulling money from the market on a daily, weekly, or monthly basis is no easy task. Which is why 90-95% of traders break-even or lose money year after year. I will admit being able to follow the market without any directional bias is difficult especially with so many online publications that post their analysis and opinions as to why the market should go up or down. While it is possible to predict and trade some short term movements, anything beyond a couple trading sessions is virtually impossible.

We are lucky we are not hedge fund managers as they carry an extra burden that adds stress and emotions to their trading. Some individuals think this way also but I find it a waste of mental energy to even worry about. That is to out perform the market on a weekly, monthly or yearly basis. The way I look at and trade the market is simple: I find low risk setups; take positions scaling out partial profits on the first sizable surge in my direction, and then ride the position hoping the trend continues for much larger gains. There are years when I outperform the market, others where I under perform but the key is that I am always making money and know I will never take a big loss from any trade or be caught on the wrong side of the market for long because I manage my money and positions.

I focus on multiple time frames using the daily, 60 min, 10 min and 1 minute charts which I find provides me with a solid grasp of the price action, buying/selling volume, and key support/resistance levels. The daily chart is to find the underlying trend, 60 and 10 minute charts help me get a feel from key support/resistance levels, market sentiment, and timing. The 1 minute chart along with the time & sales window gives me a solid feel for the short term momentum with big buyers or sellers actively trading.

Traders/investors in general tend to react to new, events and chart patterns in a very predictable way. Once you understand what the average trader (the herd) is seeing and feeling on an emotional level only then can you position yourself with high probability setups to take advantage of their bad habits. My trading strategies use a

combination of price action, volume and intraday market sentiment indicators for doing just that.

I am a strong believer that cash is a great position to be in. I find that 80% of the time my active trading account is in cash waiting for short term high probability setups to unfold. Hopefully this short guide has got you thinking about your trading strategy and emotional behaviors. Remember the market is always evolving and learning to change with the times is crucial for long term success.

Receive my daily pre-market trading videos, learn how to trade and get my ETF trading signals be sure to checkout my trading service: TheGoldAndOilGuy.com

Economic Indicator Effects

www.TheTechnicalTraders.com/Markets/How-To-Trade-Economic-Indicators-Data.html

| Economic Indicator | When The Indicator Is: | Price Of Gold | The Dollar Reaction | The Bond Reaction | The Stock Reaction |
|------------------------------|------------------------|---------------|---------------------|-------------------|--------------------|
| | | | Will Be: | Will Be: | Will Be: |
| GNP | UP | DOWN | UP | DOWN | UP |
| | DOWN | UP | DOWN | UP | DOWN |
| Car Sales | UP | DOWN | UP | DOWN | UP |
| | DOWN | UP | DOWN | UP | DOWN |
| NAPM | UP | DOWN | UP | DOWN | UP |
| | DOWN | UP | DOWN | UP | DOWN |
| Nonfarm Payroll | UP | DOWN | UP | DOWN | UP |
| | DOWN | UP | DOWN | UP | DOWN |
| Unemployment Rate | UP | UP | DOWN | UP | DOWN |
| | DOWN | DOWN | UP | DOWN | UP |
| Producer Price Index | UP | UNCERTAIN | UNCERTAIN | DOWN | UP |
| | DOWN | UNCERTAIN | UNCERTAIN | UP | DOWN |
| Retail Sales | UP | LITTLE CHANGE | LITTLE CHANGE | DOWN | UP |
| | DOWN | LITTLE CHANGE | LITTLE CHANGE | UP | DOWN |
| Industrial Production | UP | LITTLE CHANGE | LITTLE CHANGE | DOWN | UP |
| | DOWN | LITTLE CHANGE | LITTLE CHANGE | UP | DOWN |
| Capacity Utilization | UP | LITTLE CHANGE | LITTLE CHANGE | DOWN | UP |
| | DOWN | LITTLE CHANGE | LITTLE CHANGE | UP | DOWN |
| Housing Starts | UP | NO REACTION | NO REACTION | DOWN | UP |
| | DOWN | NO REACTION | NO REACTION | UP | DOWN |
| Consumer Price Index | UP | UNCERTAIN | UNCERTAIN | DOWN | UP |
| | DOWN | UNCERTAIN | UNCERTAIN | UP | DOWN |
| Durable Goods Orders | UP | NO REACTION | NO REACTION | DOWN | UP |
| | DOWN | NO REACTION | NO REACTION | UP | DOWN |
| Personal Income | UP | DOWN | UP | DOWN | UP |
| | DOWN | UP | DOWN | UP | DOWN |
| Income Consumption | UP | DOWN | UP | DOWN | UP |
| | DOWN | UP | DOWN | UP | DOWN |
| Leading Indicators | UP | DOWN | UP | DOWN | UP |
| | DOWN | UP | DOWN | UP | DOWN |
| New Home Sales | UP | NO REACTION | NO REACTION | DOWN | NO REACTION |
| | DOWN | NO REACTION | NO REACTION | UP | NO REACTION |
| Construction Spending | UP | NO REACTION | NO REACTION | NO REACTION | NO REACTION |
| | DOWN | NO REACTION | NO REACTION | NO REACTION | NO REACTION |
| Factory Orders | UP | NO REACTION | NO REACTION | DOWN | NO REACTION |
| | DOWN | NO REACTION | NO REACTION | UP | NO REACTION |
| Business Inventories | UP | NO REACTION | NO REACTION | UNCERTAIN | NO REACTION |
| | DOWN | NO REACTION | NO REACTION | UNCERTAIN | NO REACTION |
| Trade Balance | UP | DOWN | UP | UNCERTAIN | UP |
| | DOWN | UP | DOWN | UNCERTAIN | DOWN |
| Exports | UP | | | DOWN | |
| | DOWN | | | UP | |
| Imports | UP | | | DOWN | |
| | DOWN | | | UP | |

Quick Tip

If news is above or below expected prices (a surprise) then expect larger moves on the indexes.