Mark: Hi, Hello everybody. Welcome to the 7 trading secrets to your trading success. Thanks for joining us today. My name is Mark Soberman and I have on the line with me today Brian Short and Troy Noonan, and what were going to be doing here is covering what we have identified over the last twelve years at NetPicks as being the 7 key secrets to successful trading. We'll take you through each of those and why they are so important and also why, if you can master these 7 secrets, you're going to be better off than probably 98% of the other traders out there. And certainly, if you've encountered any difficulties in your trading (we all know that trading can be extremely challenging), it's going to be really important to make sure that you really buy-in and subscribe to these 7 trading secrets. So, really quickly, what I wanted to do was just give you a quick introduction about myself, and also we'll have Brian and Troy let you know a little bit about themselves, and why we feel why we're uniquely qualified to present this information to you. Myself, I actually started NetPicks back in 1996, so really over the last 12 years I've been working with active individual investors, across the board, as far as forex, stocks, futures, day trading, swing trading. We've provided signal services, trading education, strategies, and systems. We've all probably dealt with and talked to thousands of traders from every corner of the world, and that's really where this information that you're going to be hearing today came from. My personal trading started back in 1984, when I took my first trade. It was an options trade, and really the love and passion of trading started way back then. So, Brian, go ahead and give it a quick intro, and move it along to Troy.

Brian: Thanks, Mark. This is Brian Short. I've been involved with NetPicks for the past 5 years, and had the opportunity to speak with many, many traders over that time. I work, in the support area of NetPicks, and so a lot of the things we're going to talk about today, I've dealt with individuals on their level and these same issues come up over and over again. As we talk through these issues today, I think if you can take away from this one area that you're struggling with in your trading and try to hone that in, that will hopefully be a benefit to you. In my trading, I've been a trader for over 20 years, buy and whole trader for that period of time. For the last five years I've been more focused on intra-day trading (a little more active) and so that's my trading experience and with that I will turn it over to Troy.

Troy: Yeah, hi, my name is Troy Noonan, I'm also known as TJ Noon amongst my trading friends and colleagues. I've been trading for many years myself and I took my first trade way back in the early 1990's after receiving a brochure in the mail. I was intrigued by what he had to say and I started subscribing to charts and manually writing in the bars to each chart until I got my new set of charts the following week. And at some point I sold a futures contract of British pounds against the dollar and happened to catch a big move down. I was pretty famous in those days. As a result of that I took some

of my winnings and and traveled abroad and ended up eventually in South America, where I met my wife. And now I'm happily married with a wife and two kids from Venezuela and so I don't know if I could ever make a better profit on any trade. Although I did get bit by the bug and I have been trading ever since. I lived through the boom and bust of the dot com era in the late 90's, and I wish I knew then what I know now, I would've hung onto that first hundred shares of Cisco I bought way back when - it would've split about 10 times and would probably be worth over three-hundred grand. But I sold it, made a thousand bucks, and I was happy with that. Anyway, I've been trading ever since. And right now I'm currently a trading coach and also call a trade signal service for NetPicks, which I'm really pleased about, and I feel really at home with NetPicks.

Mark: Okay, well great guys. Thanks for the introductions there. So let's go ahead and jump into what we've identified as the 7 secrets for trading and just go through these one by one. We won't take too much time on each because they're actually fairly simple concepts, but they're things that people tend to ignore. Troy brought up the fact that this should really be called your master trading plan and that's really the case - you really have to have a plan in order to be an effective trader. And that plan incorporates a lot of different elements. One of the first ones that we have found to be essential to successful trading is mastering a strategy that enables you to trade multiple markets and multiple time frames. And what we mean by that is a lot of people end up spending time on one market – they do testing, development, put on a million indicators, go and trade live and they do everything they can while spending all kinds of time trying to figure out one market and one timeframe. But then what almost always happens is that the market starts to go sideways or that market is no longer en vogue with active traders – and it starts to compress. Troy mentioned back in the big dot com boom, when there were so many stocks just a few years ago that would be incredible to trade, that either don't exist anymore or would not trade successfully today. So you really have to have the ability to be able to adapt to market conditions and not to waste your time on trying to really master one market which is critical. And that's sometimes counterintuitive because a lot of people teach that you really need to learn the ins and outs of one market and that you should know every little thing you could possibly do. But the problem with that philosophy is that it's very difficult over the years to stay with one market, and especially with one market and one timeframe. Do you guys have anything to add on that?

Brian: Yeah Mark, I know from my own personal trading being able to master a strategy and apply that same strategy across multiple markets has been key for my trade plan. Over the last year I have made 3 different adjustments to my trade plan and because I have that ability after learning a single strategy, it was very easy to make that transition. Now, let me say, on the other side of that I don't recommend that you jump from market

to market on a daily basis or even a weekly basis. In my case, it was a change that was very slow and thought-out, WELL thought-out, and integrated into my trade plan and then implemented. But again, to have that capability of moving between markets when you identify a market that's moving very well and to be able to move very quickly and nimbly into new markets and new opportunities is a key ability to have.

Mark: Right, Brian. For instance, on the charts here, can you go ahead and show the soybeans chart?

Brian: Sure.

Mark: They're all split up so they're kind of hard to see.

Brian: Yes, I'll focus in on soybeans. Soybeans market has been very hot of late, and again, here's a good example of a market that has become very active and the success rate in this market has escalated over the last two weeks - we're at about an 80% success rate on soybeans). That doesn't mean it's always there, but market conditions have changed for some reason and so when you identify this kind of a situation you can take advantage of it. I know a lot of traders that I work with in our trading room are taking advantage of soybeans right now, and it's a very active market. You can see trades where we use The Power of Quitting. So here's a session where we have 2 wins and we're done for the session at around eleven o'clock. And so you know, it's just a very powerful market…

Mark: Right. I think the point being here is that we can go ahead and switch over to, for instance, the back. What you're seeing on the chart is the Universal Market Trader, which is our strategy and course that NetPicks offers. It's really our premiere product that we offer, and this is an example of you watching the same exact strategy, the same exact indicators, jumping across from soybeans to the DAX Futures -- completely different market – or we could pull up the Russell eMini or crude oil, or we could pull up the stock of Google. It wouldn't matter, because with the Universal Market Trader, our indicators never change, our rules never change, and so, we all feel really empowered because we know that it doesn't matter if tomorrow the Russell stops being a market to trade, we're not going to have to learn anything new and we're just going to have to identify where have all the active traders gone (because that's where we want to be). Troy, do you have anything to add on that?

Troy: Yes, I do, actually. You know, we're talking about mastering a strategy that can be fit into multiple markets and multiple timeframes, versus just becoming a master of one market. To sum that all up in one word, and I think everyone can recognize the

reason why this would be so powerful and why it's one of the 7 secrets, and that word would be: diversification. With a system like this, we are able to trade in different timeframes, different markets -- we could be day trading one market that's effective for us and fits within our lifestyles and our trade plan, but we can also then apply the same strategy to a longer term swing trade, for example. Or, perhaps we don't have time to day trade for awhile, but we still want to trade, so all of a sudden we can take this strategy and apply it to a slightly longer timeframe, and again swing trade. We can swing trade, or day trade multiple markets, which keeps us diversified, which we all know, diversification is a source of strength when we're considering trading.

Mark: That's a great point. I didn't even mention that additional timeframe. Huge difference when you can mix it, because none of us are really going to know, at any one time, if swing trading is going to be better than day trading today. Next week or next month, things may vary, but having the ability to do both, like Troy mentioned, you're going to be so much better off. So I would tell any trader out there, don't get so hung up on trying to master that one little part of the market. Like Brian mentioned, you don't want to jump all over the place, but if you don't have a flexible strategy you're really going to be at a major disadvantage when conditions change (and they always change). We've been doing this long enough to know that conditions do not always stay the same and what works in the summer, may not work in the winter and what might work this year may change, especially with crude oil and commodities doing what they're doing! These markets may go flat line a year from now and you have to have the ability to adjust. Brian had mentioned, and it kind of brings us to our second trading secret and this is a big one, and we call it The Power of Quitting.

With trading you always try to stay positive. Now, the word 'quitting' doesn't sound so positive, but this is one of the single most important rules that you really have to have, especially if you're an active investor. What I mean by that is if you're day or swing trading actively, you might mistakenly believe that you can take every single trade set up, from the opening bell to the closing bell (or take every swing trade from the opening bell Monday to the close Friday) and never miss a thing. For one, it never happens. Two, you end up making mistakes. Three, you deal with energy and fatigue issues. Four, it ends up being usually a waste of time, because what happens, and maybe where I can show this a little bit is when markets go on a run up or down, they inevitably go into a congestion pattern. To address this, we developed this concept called The Power of Quitting. The Power of Quitting is essentially creating a very specific objective for each trading day. For example, if we are day trading, and when we hit that - we're done. A very common rule set for us with The Power of Quitting is if we get 2 wins and end positive on that day, we're done trading. And the key word there is 'end.' It doesn't mean that we'll quit with two wins, because we may have three losses and a couple wins

and still be down on the day so at that point, we continue trading. Because, we know if that's happening, the market is not performing to our normal and historical expectations. And that means the next trades that are coming, are more than likely, stacked in our favor. However, the same thing is true when you have 2 go your way - the math and history implies that you can win that third time in a row, but your odds of being successful decrease. So it becomes a waste of energy and time, and it also affects your results, so we focus in on two wins, end positive. When we hit that we're done. And the great thing about that is sometimes we're done in twenty minutes, sometimes ten minutes or sometimes it might take two hours and we always preach that with the Universal Market Trader. It's something that is one of the most important rules in day and swing trading because it's going to help you avoid those inevitable consolidations. In addition, it's going to make you trade through the choppy trade, because ultimately that market's going to break out and if you stick to the rules, you're going to catch that. Anything else to add on that, guys?

Brian: I'd like to add just a few things here. The Power of Quitting is key. We preach it here at NetPicks and if you are a member in any of our services, you'll hear it said over and over again. It really prevents you from over trading and protects you from a lot of the psychology of trading that you could succumb to once the market gets choppy. It is not an easy thing to go through choppy markets. And a side benefit on The Power of Quitting (quitting when you're basically ahead) is keeping you out of that kind of price action, and that is so key.

Troy: Right. The Power of Quitting should almost require that the 'power' be in all capital letters. It is power because it keeps you from over trading but also influences you positively in more subtle ways. For example, we all want to set trading goals for ourselves and many people get caught up in setting a goal that's artificial; it's not dynamic to market conditions. You might say, "Oh, I want to make three points a day," or "I want to make five hundred dollars a day and then I'm done" but what you end up doing is forcing your goals into the market conditions. And market conditions are what they are - it doesn't matter what our goals are. So what The Power of Quitting does, is it almost has a self-adjusting mechanism. The goal is to hit two wins and be positive for the session. Now, we may only end up with one pick after taking a few losses and a few wins and finally we get positive, we quit at that point. Or, we might get two wins in a row and end up with five points. But the fact that The Power of Quitting is this self-adjusting mechanism is a unique goal and I think that it fits more in with market conditions in general. It's a more realistic type of goal to set for your trading, and to me, I think that's a very important point.

Mark: Yes, I think that's a great point. What Troy has identified is just classic sales and marketing - people tend to be sold that you can make $500.00 or a $1,000.00 a day, and when you start to do your numbers and your calculations, you're saying to yourself "Wow, that's amazing money! I'm going to make $250,000.00 this year on my trading, it says so right here in this ad." The difference that we're trying to convey to you is the fact that, you know at NetPicks we're actually all traders and we're all involved in the market. Thus, we're a little more realistic about what to expect. I think on the marketing standpoint it's great, but we're trying to advise you to not fall prey to that pitch, because Troy's exactly right. None of us could say consistently that "You're going to make X amount per day, and don't stop till you make that because you're systems going to make that every day." It's just not going to happen. Because there just are some days that it's so congested that no matter what you do (even if you do the plan perfectly) you're going to basically fail on that given day, results-wise. So, Troy's definitely right. You may hit your objective, and our objective might yield very little profit that day, but the next day might be really easy, and you'll probably do quite well. But you can't force the markets to do what you want them to do, and it's really not a good idea to fall victim to a lot of the big pitches that are out there. There are a lot out there: you know, "This system make a million dollars in the upcoming year," but nobody can truly say that. They say it, but there's just nobody that can predict that it's really going to happen. It also brings us to our next trading secret, which is The Power of Trading Rules.

And like Troy mentioned, maybe we should capitalize again, the word 'power'. You're looking at the chart here, and you've got some indicators here from the Universal Market Trader and these are our proprietary indicators. But they're just indicators, and everybody's got a lot of indicators they could put on a chart. But we have an extremely explicit rule set behind these indicators so we know, for instance, on this chart where you see the market going short. There's a reason it went short at that price - the indicator said there's a setup coming. The price action said it's going to be a short. We have something that we call an incremental, that tells us the exact price to get in and what we also have always is an exact exit point, an exact stop, an exact target. I can't tell you over the years, how many traders I've talked to who once they're in a trade, they have absolutely no idea what their objective is, other than they want to be rich on that trade. They want that trade to be a winner and they want to make a bunch of money but they have no idea what to expect and, like Troy said, one of the mistakes people make is being very fixed. They say to themselves, "Okay I'm going to get into X market," (let's say Russell) "and I'm going to get two points on my winners and I'm going to risk a point and a half because that's a good ratio. That's smart trading right there and that's going to be a successful plan." Almost always that ends up failing because, again, the ranges vary on given days, given weeks, given months. If you try to force the market to be a winner by going two points and only risking one and a half, market conditions might change,

volatility changes, and suddenly your winning system goes down the tubes. One thing that we make sure of with the Universal Market Trader (or 'UMT' for short) is that everything about it is dynamic. The rule set is always static, we always know exactly when and where we're getting in, but my target and my stop is going to vary down to every trade and that's all tuned to current market conditions. That alone is going to make a huge difference in your trading. So whether you do the UMT with us, or something else, I would really try to avoid forcing the market to move certain fixed amounts that you feel should work because unfortunately that type of trading virtually always falls apart. Anything to add on that, guys?

Troy: Okay, well you know we're talking about our third trading secret here - The Power of Rule – and the kicker is that it's more common sense than a 'secret' per se. But we're calling it a secret because most people overlook it and most people go into trading without having their rules in place. But what I've found, and what I've learned in the old days when I was still cutting my teeth on trading, was that I would get into a trade and I'm getting into my profit, and all of a sudden I'm like, "Well, God, what do I do?" Do I take my profit? Do I risk giving it back? What's my objective, what am I trying to get to? I had no rules; I had nothing there to kind of guide me through the minefield of every single trade. And so, you know, at some point I felt like I was just a deer caught in the headlights of an oncoming car and through that moment of indecision the trade ended up failing and what was a winning trade ended up becoming a losing trade. Or on the flip-side I took my profit too soon and got out right at the moment that the market was getting ready to really verse forward and hit a level that really should have been my profit objective. So the next time around I go, "Okay, well this time I'm going to stay in and try to hit that better profit objective." And then what happens? The market does an about face and nose dives, and I end up losing again. And all that is a result of not having set rules prior to going in to my trading day.

Mark: Yeah, that's a great point that you made there, Troy. It seems somewhat obvious, but you talk to a lot of our traders and customers and it's something that everybody seems to think that they know but how many people actually follow that? My experience has been that 95% of people don't ever have a plan once they start a trade, or if they do they completely second guess it because it's not a solid plan and they end up making bad decisions. From the traders you interact with, do you see that happening often, Brian?

Brian: Yes I do, and I'll add a couple more comments here to The Power of Trading Rules. One thing that it does for you by having those trading rules is it gives you confidence. What you can do with those trading rules is back test. And with that back testing you know what your edge is in the market and that's key with any system - you want to know what your edge is. Knowing that means that you're going to win a percentage of time and also lose a percentage of time. So when the losing trades come (and that's probably the more difficult part of this process), you can continue to stick to those trading rules and continue to trade consistently through choppy price action and a series of losing trades. That's key and you've got to have that down before you go to market. To just simply be out there with out any kind of guidance is a recipe for disaster.

Mark: Yes, that's a really good point, Brian. Back testing is something we talk about all the time. You have to have this tremendous confidence to be able to take your trades going forward, especially when things aren't going well during a rough patch, you must be able to continue taking the trades. You're not going to do that if you don't believe in your strategy or if you don't believe in your system. And the way you do that, of course, is to see improvement over time - by going as far back as we want to prove that our system and our strategy works. If you don't have that confidence or have the ability to back test, you really need to get that. There are going to be times (and you can see on these charts where it does get a little choppy) when it's not going to work well no matter what you do. But then you need to be able to trade through that and know that your system is a winner. One final thing that I want to point out is that we talk a lot about rules. We try to stay away from the word 'mechanical,' because people then start to think 'optimization,' and it's a big fallacy in trading, really just a scam out there. Why is it a fallacy? Because anyone can optimize any strategy to look amazing over back testing and curve fitting. Any of us could come up with the most amazing 90% winning system with just the benefit of history and an application like you see here at TradeStation or eSignal and it's not very difficult to come up with. And just because you see something that has worked well when it's been curve fitted it doesn't mean that it's going to work going forward. And more than likely, it's not going to, because I've been doing this so long, I've yet to see a 100% mechanical system that is effective over any length of time. So we call it trading rules, because it brings us to our fourth trading secret. The fourth secret, that we always try to stress, is that part of trading is an artform.

People want to feel like they always have mechanical rules and you can just hit a button on the computer and it's going to magically trade for you. And that sounds wonderful but it's not realistic. You do have to put in some discretion into your trading. And we can actually make a lot of that very rules-based, which is kind of cool. A good example of this would be the news: as a day trader, it's easy to keep up with the news. Only a real human trader would know that it's usually a bad idea to try to execute a trade a few minutes before, or a few minutes after a major economic news update. Human intuition in trading falls under trading as an art. It's not complicated. Another thing is, if you're looking at the chart here, look at the lows that are just a little bit below sixty-eight-ten. If you had a trade that was setting up to go short lets say at sixty-eight-0-nine-seventy-five, would you go short there even though the system says that's the level? I actually would

end up waiting for that low to be broken, because we've got a clear double bottom here. Your mechanical system is probably not going to be able to identify every obvious point on the chart - you just can't program everything into a computer. Your visual, and your eye, and your logic knows that, "Hey, I've got to respect those key levels." And key levels are really important. But key levels, even though they feel somewhat mechanical, are still part of the art. It's respecting those highs, those lows, those swings, the areas where the market ran into trouble. It could be that there's a lot of support in that area; there's a lot of buyers. Do you want to fight with those people, the professional traders? I know personally that I don't. We want to go ahead and get through some of those hurdles before we take our set up, so in the Universal Market Trader we can expect very mechanical set-ups. But there are definitely times that we use our knowledge, our experience, our art in trading and make very small, but subtle adjustments, and those many times make all the difference in the world on trading.

Brian: I'll add a few things to that, Mark. With that though, I get the question all the time, you've seen the Trade Assistant on the chart here, and that's what is identifying some of these trades. Everyone's looking for that magical piece of computer code that can execute trades for you automatically. And we've done a good job, we've got a programmer that works for us here at NetPicks who has programmed our strategy very well, but I can tell you, most of our traders here at NetPicks use the Trade Assistant as a guide for where they should be at. They still make their own decisions -- that ten percent art -- that cannot be programmed into the Trade Assistant. And you will get a bump in your performance by simply implementing a few key things. Just a few logical things can bump your performance 5-10%. And that's why we stress, tell, and encourage traders to use their brain, to think a little bit in the trading process.

Mark: Right, it's why we just don't sell a system. It's why we build so much interactivity and trading, even having coaching programs. We want to be able to teach this art so you can really master your trading plan. Troy, do you have anything to add on that?

Troy: Yes, I do. I grew up in a family of artists, my grandmother being a painter. Her paintings hung in the San Francisco museum of art back in 1940 and at the age of twelve she was editing Greenwich Village art magazines in New York City. As a musician (a drummer for 36 years), one thing I've learned is that art is very difficult to teach. A lot of people just are never going to become very good artists and so this 90/10 formula, 90% rules, 10% art, is really important to key in on that. That doesn't mean 20% or 30% art because that's too much art. What's going to end up happening is that you're going to start interjecting your feelings on trade decisions and you're going to end up short circuiting the actual system itself. Art in trading is best learned by experience so I would

be very cautious about adjusting even the little things… swing levels, things like that. That's really what you're getting at when you talk about the 10% art. For me, one of the most artful parts of trading is knowing when to exit a trade when you're in profit. Basically, how you know when to get out. With the UMT, for example, it's pretty easy because we have defined trades. We've got targets already in place, but what happens when you get to 80% or 90% of target? And you're struggling to get up to that target, and you've worked pretty hard to gather that 80-90% move, but you still want to let your system hit it's target. You've got to weigh that out; what's more important? Your system hitting the target or knowing how to exit that trade with some profit in hand? So again, we have to go to our rules and we have to interject a tiny little bit of art that we're going to learn over time as we experience trading for real. And I just wanted to mention the fact that while I love art and I think there's a place for it in trading, it's also a double edged sword so you need to be very careful with it.

Mark: Yes, that's a great point, Troy. It's true, and I certainly don't want anybody to think that that 10%, like Troy mentioned, is the permission slip to basically override everything that we talked about in secret number 3 (The Power of Trading Rules). And like Troy mentioned, the art is found in small subtle things not necessarily major things you need to learn. For example, learning the news reports are is pretty simple art. Learning about a key level area - we're not talking very high end technical analysis here - we're talking a simple look at the chart and you're done. It should take a split second to know. So you don't want any of those parts of the art to be something that is complicated or takes all kinds of analysis or pulling your hair out or judgment. If it is, that means that you've gone way beyond the 10%, like Troy has mentioned. Let's go on to the fifth key trading secret and this is managing your risk.

And call this 'managing your risk two-three-five' and the reason for that is you need to know what you're willing to risk of your account on any one trade. This is going to determine what your position sizing should be as your account goes up, and if you're in any kind of draw down it's going to go ahead and force you to lower your position size as you go down. And this is another one of those things that I would bet that almost every trader out there rarely actually pays attention to. They pretty much want to trade a hundred shares or they want to trade a thousand shares, or they want to go ahead and trade a full size forex or their broker said they could trade immunity futures for a $1,000.00, and they've got $5,000.00 in their account so they trade five S&P eMini's at the same time because their broker says they can. Almost always it's a big mistake, because you're not going to be able to survive long enough, or you're going to draw down your account and you're going to have the inevitable margin call. Or you'll have to refund that account and probably most of you out there that have been trading awhile have had to refund an account probably more than once. One great way to prevent that from happening is to manage your risks. Risk management is actually very simple and we suggest that you write these down, have them by your trading station and go over them periodically. Because you'll be amazed at how often you're going to derail and not follow these 7 secrets! And it's going to make a big difference and it's going to be probably the times when you start having trouble and you're starting to struggle. But again, this concept is not very difficult. You have a $10,000.00 account and you decide that you're willing to risk 2% per trade. That means your risk for trade is going to be equal to $200.00. Now let's say that your trade is, say, the Russell eMini and it turns out, on average, it's about a two point risk. Well, I know that's going to be $200.00 because it's $100.00 per point. Simply put, that means I should be trading one contract. Simple, huh? Now, there's going to be a lot of people who are going to look at a $10,000.00 account, and they're going to say, "Well, my broker lets me trade four, five, six." They're going to let you, but you're going to be risking way too much, way out of what's an acceptable range. Normal trading is somewhere in the 2-5% range. When you're up to 5%, that's already very aggressive trading. But I do realize that often people with smaller accounts are probably going to have to opt towards the higher end of that range. As your account grows, which you typically find with most traders is that they tend to risk less for trades. But with more capital to work with you're always going to have that 2-5% range. The same goes with a smaller account, for example, we might have a $5,000.00 account and if we have a two point risk ($200.00), 2% isn't going to get us there, because 2% is going to be $100.00. Well that's going to tell me that I can't even trade one contract, so I'm done there. I'm going to have to bump it up to 4% and ask myself, is that acceptable? If it's not acceptable to you, if that feels like too much risk then you're doing something wrong. It means you need to either raise up the capital on your account or you need to look at a different market where your risk is going to be lower. Maybe for somebody that's going to be the S&P eMini, where that two point risk is going to be equal to $100.00, that person with the $5,000.00 account may be able to go ahead and have that two percent risk and be comfortable at that size. The same goes on the forex: people make this mistake all the time, because on the forex brokers will give you a hundred to one leverage, fifty to one. Again, it's so easy to be risking a quarter of your account when you've got leverage like that you need to do the same exact thing, you have a $10,000.00 forex account same math has got to happen, you've got to decide, "What is my risk I'm willing to take?" and try to stick with that risk in good times and in bad. As the account grows up from $15,000.00 to $20,000.00 the great thing about sitting at 2% is that when I get up to $20,000.00, you're going to be able to risk what? $400.00. That's going to automatically have me go up another contract and if my risks on the trades go down, I may be able to go up to another contract sooner. But the great thing is if I get pulled down, I get in a draw down, it will go ahead and lower my position size. And this works for stocks, it works for futures, it works for forex, it's the same exact theory. I've been doing this a long time and I can't tell you how many times I had to address

somebody who says, "Hey, I can't trade Google, because…' or '…Google's at X hundreds of dollars per share,' …because my accounts only X amount." And I always answer that you shouldn't be thinking about it like you have to trade a hundred shares for every stock. It doesn't make any difference whether you trade 17 shares of a stock or a 100, if you follow this formula. If you follow this formula and you have a stock or a market that's got the right volatility and it fits your system, you should never worry about forcing yourself to trade 'X' amount of anything. Let it always adjust - if you trade stocks it could mean that one stock you're trading 250 shares and the next stock you trade you might only be able to trade 40 shares in order to be able to match that risk. It doesn't mean you're trading any less with the 40 shares then the 250. With the UMT we talk about this all the time, it's in our coaching program, it's in our training, we really feel it's really critical to what you do. It takes more work, it takes more effort and a lot of people don't want to go to that extra step but again it's a big mistake if you don't do that. So, what happens when you have a draw down? When you have a draw down, this formula is going to guide you through it. If your account falls from $10,000.00 to $8,000.00 and you're still at that 2% risk, that's a $160.00 and you have some decisions to make at that point. Certainly, you can still trade if you're down at the minimum one contract, but at that point at least you're recognizing the fact that you're no longer risking 2% - your risk might be jumping up to 3%. This is much more prevalent of course, as your account grows and you're trading multiple contracts or shares. As your account goes up and down, you will at times be trading, for example, the forex as well as five eMini's and then your account drops down from, say, $25,000.00 to $21,000.00. Suddenly, you do your math and realize that you can only trade four eMini's and that's exactly what you want to be doing to manage your risk. You want to actually put the brakes on a little bit when your accounts are coming down because if you don't you're going to accelerate your draw down. Now, you don't have to sit there on every trade make this fine calculation. A day trader, for example, could do this once a day. Just knowing what your account size was to start the day and knowing what your risk was and you'll basically have your number. And if your account balance doesn't change very much on that day or that week or that month if you're swing trading. You don't have to go through this for every single trade, but just keep and eye on it, do the math periodically, and you're going to be far better off. Somebody who does this is going to last and are going to make it through the learning curve. When we teach the UMT, it's not that difficult but there is a learning curve. You're going to make it through that learning curve with out having to refund that account if you stick to a plan like this. The first thing a lot of new traders want to rip open the course or the software immediately and the next morning they think they're ready to actively trade. This results in all kinds of mistakes and, obviously, losses. Hey, that's okay if you risk 2%, 3%, or 4% but to the people who are risking 10% on the trade, they lose 4 or 5 times in a row and all of a sudden they don't have an account to trade with. You can make some mistakes at 2% risk but the damage will be

controlled and all will be forgiven, just sticking to these percentages. So let's go ahead and jump into number six and this is one that again comes up a lot.

You can't cut corners on your trading tools and maybe that's as simple as this secret needs to be. Well, it may seem obvious, but I cannot tell you how many times we hear from people that are trying to get free data or free charting and they're trying to force their trading because their trading platform doesn't have certain features (like tick charts). You're willing to put up five, ten, fifteen, twenty, thirty thousand dollars, we've got people who fund one-hundred thousand dollars, and then it comes down to saying, "Well, you have a low cost for trading your data but I can get it for free here." This is the last place you want to cut a corner. Never cut corners on your broker, never cut corners on your data feed, don't cut corners on your platform, your hardware… I mean you guys are technical guys, Brian and Troy. What are your thoughts on this?

Brian: Mark, this is a mistake that I see quite often. Again, you've heard me say I work with the tech support here at NetPicks and I also am in charge of the mentorship program. One of the requirements of the mentorship program is that the traders in that room have a professional trading platform (TradeStation) and it's for a reason. You're going to be running a business and every business is going to have expense. And I know one of the worst things that you can try to rationalize in your mind is that you know it cost you, whatever it is $100, $200, $250 a month, or I can do it free over here. There is a reason it's free - it doesn't have the functionality, it doesn't have the stability, it doesn't have the correct data feed or the flexibility. Whenever I have a trader come in and they say they're trading on 'XYZ' platform, I begin the process of trying to educate them as to why they need to consider a professional trading platform. You just want to have that in your tool box as a professional trader.

Mark: Yeah, that's definitely a great point. Troy, do you have anything to add on that?

Troy: Well, just an analogy - I liken this whole notion of trading tools to a couple things. Do you want to build your house by pounding nails with a rock in your hand? Or would you rather have a hydraulic gun that shoots nails? Or another analogy: do you want to receive your data from someone across town sending you smoke signals? No! You want to get it at lightning speed because you need that data as it's happening now. You don't want to be placing trades on yesterday's news, even if yesterday's news is only 20 or 30 seconds old. You need to have the best of the best, this is your business as Brian said, and you have to treat it like a business and use the best business tools that are available. It's the one thing you do not skimp on otherwise, it's penny wise and pound foolish.

Mark: Yes, you're right, that's exactly true. I mean, no doubt when you're looking for a broker, absolutely shop commissions. Commissions is something that can really cost you and most places can get you pretty much the same execution regardless, but you've got to pay attention to that as well. Pay attention to the platform and the supports you've got. But sure, you do want to shop because we all look for deals. It just always amazes me how much money people are willing to risk in a trade but they don't get a quality data feed. I've even seen people try to trade off delayed data, just to save a very minimal amount that you will easily make back on one successful trade as a result of your better platform. And that's all it typically takes to pay for that entire month. And these days, with all the competition many times you can get great platforms for nothing just by putting a trading account somewhere – then suddenly your problem is solved. There's a lot of solutions without having to have a lot of cost, but if you get so hung up on the cost you're going to really make a mistake. It's going to be reflected in your results and you're not going to do as well as the next person with the same exact strategy. That brings us to the last trading secret and it probably is the one that may even be the most complicated. It's certainly not going to be one that in this short call we're going to be able to solve for anybody but it's important to know that all traders go through the psychological mind games, no matter how much experience we have.

We've all learned over the years to stay as level as possible. One of our NetPicks traders pointed out that when things were going really well and we were on a big winning streak he would point out that we never reach a level of absolute excitement. Yes, inside a little excited but you want to do your best and rein that in and stay as level as possible. For one thing, you expect that to happen, right? You've been here before, you're a winner and you're trading a winning system. If I'm trading the UMT I expect to win on a regular basis, at the same time, I also expect to lose on a regular basis. And there's no avoiding that. There is no trading system or strategy in the world that can guarantee you a no loss system. You can pursue it as long as you want, do as many searches in Google as you want for the Holy Grail trading system but it's not going to matter because you're never ever going to find it. You're always going to have a system that's going to win a percentage of the time and it's going to lose a percentage of the time. It's difficult because now you are essentially playing a game professionally. You are now involved a business where you can work hard all day and have nothing to show for it. Even worse, you may have less to show for it than when you started the day! And that's just commonplace. That's just the way it goes and you have to actually get comfortable with being a loser, to some degree. And I don't say that in a bad way, a negative way, I'm a loser too…some of the time. It's just we have no influence over what happens on the trading floor or across the globe. I can't control what happens with a crop report or what happens with crude oil or when something flares up in a region of the world. None of us can control that. As traders we're simply reacting to what's on the chart that you see on

the screen and do the best we can. And the best we can do is stack the odds in our favor and have that confidence it takes to trade however tough and challenging it is on your psyche. It is tough to hit in a few winners and to stay positive but it comes over time, experience, going through some of the down turns, and realizing that you do come out the other side and you will hit new equity highs if you stick with those rules and your program. What about you guys? What are your feelings on that?

Brian: Mark, I'll add a few comments to that. In the mentorship program, we do cover trade psychology in detail. In fact, if you want to relate a percent to how trading is made up and what affects trading, trade psychology is probably up there in that 60-70% of what you need to learn to control to be a successful trader. You know, some of you new traders might think, "Well, the big thing is to find a strategy because that makes up 80% of being a successful trader." But that's not the case. What you need to master is trade psychology. Here are a few of the points we make in the class: the first one is the need to be right and usually that manifests itself as taking profit early. That's a common mistake I see many traders make. I see it in our training room every day. When a trade is going towards that target objective, let's say it's a twenty-six target objective, and it gets ten-six in our favor, there are traders in the room that will just be tempted to take that trade off right at that ten tick profit - and that is the worst mistake you could make. You're risking twenty ticks to make ten in that case and over time that will not be successful. You've got to let a trade work to its conclusion. The next point we talk about is consecutive loses. 'I'm going to step aside.' After that second and third loser, it can get agonizing. And so the temptation there is to stop trading. And while we recommend that you have a circuit breaker in your trade plan, the worst thing you can do is stop trading after a series of losers, because the winners are going to come. By statistics, we know that to be the case. Next point, afraid to lose. Let's move that stop. That is another common mistake, once a trade starts to go against you and starts approaching your stop, that's probably one of the most uncomfortable things that you need to learn to deal with but whatever you do, don't move your stop. If a trade hits that stop, it hits the stop and you're out of the trade. The worst thing you could do is adjust that stop to make that trade bigger. Another common trade psychology mistake is modifying the system to avoid losing trades. In other words, there's the concept that I can somehow know when a trade is going to be a loser, and when it's not and I will take those trades. Again, I've seen this time and time again. I've seen traders rationalize why they're not going to take this next trade and that's the trade that ends up being the winner.

Mark: I think we're all guilty of doing that and it's a good reminder that we shouldn't try to outsmart our system that's already been proven to work. But I think we all end up sometimes falling victim to that and falling prey to that.

Brian: So those are just a few of the different things that we do cover in our Mentorship Program. Let me end with saying this: for as far as trade psychology is concerned, you need to realize there's a connection between your thoughts and emotions and the performance in the market. And if you think about that and realize that you will definitely improve your trading in regard to trade psychology.

Mark: Yes, those are great points, Brian. We spend a lot of time discussing these topics in our Mentorship Program because they make a big difference in your trading. Troy, do you have anything you want to add to that?

Troy: Just a few things. I just want to say since I've been involved in NetPicks both you and Brian have taught me a tremendous amount. I think my trading has improved and a lot has to do with psychology. There are a couple points that I always bring up to my group that I'm coaching in the Mentorship Program, and they seem to be really help people focus in and hunker down. One of it is that all these rules kind of tie together. You need to have a good understanding of all these rules in order to support your trade psychology, and like Brian said, that's the biggest percentage of the formula to being successful. So here's the way I look at it, we do not know on any given trade as to if we are going to win or lose. We know we're going to take this trade and we're going to follow our rules, it might win, it might lose. But we do know from back testing and doing our homework and following these other 7 secrets of trading success, that we have the edge in our favor. We know that we are going to win a larger percentage of time than we are going to lose. More of our traders are going to win than lose. And Mark, you taught me this, the very simple two thirds rule. We want to make sure that over a sequence of trades we are winning two thirds of the time approximately, and losing one third. But that's just it, that's where you have to really be strong with your psychology. You cannot win two thirds of your trades if you're not willing to accept losing one third of your trades. I always tell my students in my group to not lose the forest from the trees. I mean it's such a common cliché but it's so appropriate here. We're okay with sacrificing one third of the trees in our forest, if it means we are going to be able to grow our forest two thirds bigger. And that's exactly what we do with Universal Market Trader and the 7 secret steps to trading success. And the only one other analogy I would offer is a really good one, is just think of yourself as the casino with the trading edge in your favor. The casino only has a four and a half percent edge when they're playing black jack but do they care if they win a hand or lose a hand? Are they selectively saying, "Oh no, I'm not going let you play this hand, but five minutes from now we'll let you play ten more, and then…" No, they don't care - they just play every single hand. And if they do a hundred million dollars at the end of the year they know that they made a hundred and four point five million dollars because they had that four and a half percent edge. And we have a bigger edge then four and a half percent, if we're winning two

thirds of the time, then we've pretty much got a fifteen or sixteen percent edge. So as long as we keep taking the trades, we let the edge work in our favor. And knowing that helps my psychology as a trader, when I'm entering every single trade, day to day.

Mark: Yeah, I love both of those analogies, the tree and forest one. I never even thought about that! And, I think the casino analogy is also excellent because you know business in that industry, it's all based upon the math and it's all based upon the percentages, and Troy makes the perfect point that they don't even rely on the odds being significantly in their favor. They're barely in their favor and that's all it takes. And then it's just a game of numbers and they don't need to just suddenly halt trading or I should say, halt playing with the slots or at the poker tables or black jack tables. They let you just keep on going because they know it's eventually going to come around their way. So, great point on that. The bottom line here with these 7 secrets is that you should write them and remind yourself of them periodically even if you feel they're simple. When things aren't going well go back through these and think about it. Have you really adhered to all 7? And if not, which of the 7 have you derailed from and what can you do to get back on track? It's just a good idea… you stand nothing to lose. In addition, absolutely consider the courses and the services that NetPicks offers. Though we encourage you to try us out, these rules apply wherever you go. But just know that we love helping traders out with this whether it's with the Universal Market Trader or our forex or futures live signal service that Troy heads up. We have forex and Mentorship Programs so you can learn about all that at www.NetPicks.com. But it doesn't matter how you trade, what you trade, where you trade, if you trade with us or not - these rules are really going to serve you well. And just real quick recap: (1) Master a strategy, preferably one that trades multiple markets and multiple timeframes. Personally, I wouldn't waste my time with anything else other than a strategy that can do that. (2) The Power of Quitting and always have a trading plan. (3) The Power of Trading Rules and having dynamic targets and dynamic stops. Don't be overly mechanical; don't force a market to do what you want it to do. And then always avoid optimization and curve fitting which is deceptive. (4) Trading as an Art and the 90/10 rule that Troy mentioned. You leave 10% to art, no more, and you're going to do great. (5) Managing your risk. The two-three-five, always know what percentage you're willing to risk on every trade and stick to that plan, don't get away from that. When you start to lose, there's always a tendency to get too aggressive. (6) Do not cut corners on your trading tools. Simple as that. Follow that and you'll be good. (7) Mind games that are involved in trading. Remind yourself of the casino example and the tree example. Those should serve as the reminder you need if you run into any trouble. And then of course, the three different things that Brian outlined for you as well, those mistakes that he sees and how they assess those in the Mentorship Program. So that's it, I think this was great, I actually learned a few things myself and it

reminded me of a couple things that I need to keep in mind, even in my trading plan and I certainly appreciate the feedback. Brian and Troy, do you have anything else to add?

Brian: That'll wrap it up for me, thanks for your time everyone.

Troy: Yeah, thank you, I think that says it all.

Mark: Okay guys, thanks.