THE NETPICKS INFORMER

Savvy strategies for profitable traders.

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LETTER FROM THE DEVELOPER

The dog days of summer have arrived. Little did I know but there's actually a date range for the "dog days" - if you're bored one summer day you can check out the history of this saying and the actual date ranges: http://en.wikipedia.org/wiki/Dog_Days

Now, whether those date ranges will apply to this period of dormant trading volatility in the markets or not, it's hard to say. Maybe it's the algorithmic trading we've all heard about (Flash trading) where money is made now on fractions of a penny movement and not real breakouts. Regardless, the reality is that we are currently facing trading conditions that are providing very little in the way of momentum and breakouts.

Hopefully by the time you read this issue of the Informer we are seeing a recovery off of the "dog days of summer," but hoping in trading usually leads you down a path of losses.

How do you as a trader take back control and actually survive when trading conditions are less than ideal? After all, when I look at current trading ranges in the forex markets, many of the pairs we all like to trade are at multi-year lows. When I look at the futures markets, I see the same and definitely very few big ranges in prices intraday.

This is exactly why you'll find that we develop our trading systems, such as the Trend Jumper and Keltner Bells, to be completely dynamic with changing market conditions. Sometimes when the market is ripe for easy pickings we get questioned a lot as to why we complicate our trading systems with variable targets and stops, why we track multiple markets, why we focus so much on key times of the day (or night) to trade, etc. You're now witnessing the reason firsthand.

It's essential to be able to move between markets and find the spots where the volatility still exists. If you had a trading system that just focused on one market, with fixed targets and stops, you're basically dead in the water and surviving the dog days, which, for as long as they last, would be impossible.

With trading systems such as the Trend Jumper and the Keltner Bells you have access to dozens of markets, you have targets and stops that will adapt to the lower volatility and, while even these systems will not have the easiest pickings like they did earlier in the year, you can still endure and work your way to profitability.

I think it's absolutely essential, whether you are trading with one of our systems or your own, that you ensure it has the ability to trade multiple markets successfully and, as important, that it dynamically adapts to changing market conditions. In my 17+ years of working with individual traders I've seen way too many short-term success stories - systems that work in a specific market and environment only to implode weeks or months later, putting you back at square one.

Survive the dog days; only trade with systems that are truly dynamic to the ever-changing market volatility.

Good Success,

Mark Soberman

Mark Soberman

IS THE PURSUIT OF PERFECTION SLOWING YOU DOWN?

by Mike Rykse

There aren't many activities that I love more than trading. Being a sports fan is something that ranks right up there though. It's amazing how many similarities there are between the two. I was reminded of this while working with one of my Options Mastery students over the last few weeks. One of his biggest struggles was feeling the need to be perfect before committing any capital to work. Often time's retail traders are working with smaller accounts which can lead to trading with scared money. They try and wait for the guaranteed winner before pulling the trigger, when in reality there is no such thing as a guaranteed winner. The most successful traders are the ones that can recognize a system that puts the odds in their favor on every trade and then take each trade as they come. So how does this relate to sports? Let's take a look.

The summer months in the U.S. for sports fans are all about baseball. As a baseball fan I'm always amazed by how much players are paid, when in reality they fail more often than they are successful. Let's take a look at batting average, which is one of the most tracked statistics for baseball players. The player with the highest batting average as I write this article is Troy Tulowitzki of the Colorado Rockies with an average of .350. This means the best hitter in baseball this year is successful between 3 and 4 times out of 10. Tulowitzki makes $10 million a year to play to be right 30-40% of the time. Arguably one of the best hitters of all time is Miguel Cabrera who plays for the Detroit Tigers. Cabrera year in and year out has one of Major League Baseball's highest batting averages. At the time of this article Cabrera is batting .315 for the season. This means he is getting a hit just over 3 times out of 10. Cabrera signed a $292 million contract last year to play for the Tigers. The point of this whole example is to show how much money these players can make with only a 30-40% success rate. In fact out of the hundreds of MLB players there are only 20 or so players that have a batting average over .300. If teams waited for the player that could get a hit every time they came up to bat they would be stuck with an empty team. Perfection is not even a consideration but yet players are making millions of dollars each season.

RK	PLAYER	TEAM	AB	R	H	2B	3B	HR	RBI	SB	CS	BB	SO	AVG	OBP	SLG	OPS	WAR
1	Troy Tulowitzki	COL	297	70	104	17	1	20	49	1	1	48	52	**.350**	.441	.616	1.057	5.7
2	Adrian Beltre	TEX	299	50	102	20	1	13	50	1	1	21	43	**.341**	.385	.545	.930	3.5
3	Jose Altuve	HOU	375	47	127	27	2	2	27	41	3	23	27	**.339**	.378	.437	.815	3.3
4	Matt Adams	STL	289	29	97	22	3	10	38	3	1	8	56	**.336**	.350	.536	.886	2.6
5	Victor Martinez	DET	302	45	99	19	0	21	55	2	2	33	23	**.328**	.391	.599	.991	2.7
6	Robinson Cano	SEA	342	47	112	21	1	6	52	7	2	32	44	**.327**	.387	.447	.834	3.4
7	Michael Brantley	CLE	339	61	111	22	1	14	62	10	0	30	31	**.327**	.389	.522	.911	3.9
8	Lonnie Chisenhall	CLE	253	37	82	20	1	9	40	2	0	22	45	**.324**	.387	.518	.904	1.8
9	Jonathan Lucroy	MIL	328	43	106	31	1	9	44	3	3	37	42	**.323**	.391	.506	.897	4.3
10	Casey McGehee	MIA	350	35	112	20	1	1	53	1	0	41	54	**.320**	.387	.391	.779	1.6
RK	PLAYER	TEAM	AB	R	H	2B	3B	HR	RBI	SB	CS	BB	SO	AVG	OBP	SLG	OPS	WAR
11	Andrew McCutchen	PIT	343	51	109	26	4	14	58	15	0	57	72	**.318**	.415	.539	.954	4.0
12	Miguel Cabrera	DET	333	57	105	34	1	14	73	0	1	35	56	**.315**	.376	.550	.926	3.1
13	Justin Morneau	COL	320	36	100	20	2	13	59	0	0	16	38	**.313**	.346	.509	.855	1.9
14	Paul Goldschmidt	ARI	346	66	108	35	1	16	61	8	2	54	92	**.312**	.404	.558	.962	4.3
15	Mike Trout	LAA	332	63	103	24	5	21	68	10	0	52	93	**.310**	.401	.602	1.003	5.3
16	Kurt Suzuki	MIN	267	25	82	18	0	2	35	0	0	22	24	**.307**	.362	.397	.759	2.2
17	Yasiel Puig	LAD	333	52	102	25	5	12	50	7	7	41	74	**.306**	.391	.520	.911	3.0
18	Ian Kinsler	DET	367	64	112	26	2	11	49	9	3	18	40	**.305**	.339	.477	.816	3.8
19	Hunter Pence	SF	368	65	112	20	4	12	33	8	2	32	67	**.304**	.362	.478	.841	3.0
20	Adam Jones	BAL	375	53	114	19	2	16	54	4	0	11	66	**.304**	.327	.493	.821	3.0

In trading, it's important to understand that like baseball we can make a lot of money without being perfect. I trade certain stocks and ETF's that only win 55-60% of the time but yet they produce massive profits over time. The traders that are waiting for the perfect setup or the perfect system are the ones that will be caught in the never ending cycle of using new products. The key in my trading is staying consistent. I know I have a system that puts the odds in my favor. I know unlike baseball players that only get a hit 3 times out of 10 I can be successful 60-70% of the time. However, the only way I can take advantage of those odds is to take every trade as they come. I can't wait for the perfect setup. There is no such thing.

It's also important to point out that even with a system that wins 60% of the time, I will have losing streaks. Let's take a look at the chart below. A system that has a 60% win rate will have a 100% probability of experiencing a 5 trade losing streak at some point in time. I have a 10% probability of losing 9 trades in a row. Understanding these probabilities shows how important it is to keep your size small. I would rather take trades with a small percentage of my overall account rather than taking large trades which many retail traders do. Keeping my risk small let's me stay in the game long enough to let the odds play out in my favor even through the losing streaks.

Losing streaks as of various systems' winning percentages

System win percentage	100% probability	Average probability	10% probability	1 % probability	maximum
80%	2	3	4	6	7
70%	3	3	6	8	10
60%	4	5	7	10	14
50%	5	6	9	12	19

While there are no guaranteed contracts in trading like there are in professional baseball it's easy to see that we can make a lot of money without the need for perfection. In fact the pursuit of perfection can be detrimental to traders if you are not careful. Understanding that being right 100% of the time in trading is not possible is the first step towards becoming a successful trader. You need to commit to a system that puts the odds in your favor and as long as you are using small risk it doesn't matter if a losing streak comes along. I mentioned earlier that I trade products that only have 55% win rates but yet they are producing thousands of dollars each year. I keep the big picture in mind and know that in the end I will make money. This allows me to focus on executing my trades correctly instead of looking for the next great new system that hits the market. Trading is not a game of perfect but a game of managing risk. Understanding your odds and then letting those odds work in your favor is what separates the great traders from the average retail trader struggling to get by. While most of us do not have superior athletic ability that allows us to make millions of dollars playing sports, we can make a great living through trading as long as we ditch the pursuit of perfection and focus on making sure the odds are in our favor.

TRADING WITH MINDFULNESS

by James Kessick

Up until more recently, meditation was seen as a little non-mainstream. However, the fact that there have been many scientific studies on the benefits of meditation and numerous high profile figures who have extoled the virtues of the practice, has meant that where people were once skeptical, they are now embracing meditation in their droves. Trading with mindfulness is certainly an appealing prospect. Ray Dalio, founder of one of the largest hedge funds about, Bridgewater Associates, credits meditation as one of the key factors to his success.

"Meditation, more than any other factor, has been the reason for what success I've had"

– Ray Dalio

Now that's some endorsement.

In the Moment

Mindfulness is a form of meditation. It's all about being **in the moment** and totally aware of what's going on around you. Even if you were to take away all of the supposed health benefits to meditation, being able to focus on something, without bias, is surely a skill that *any trader would wish to have*. Getting good at it isn't as complicated as you might think and really just requires deliberate practice of the trading skills that you probably already have.

Putting out Fires

Being able to take in, prioritize and interpret the endless stream of information available to you as a trader, is no mean feat. It's definitely very doable though. It may not always be 100% perfect, but then we are still human and we can improve our skill level with some effort. But trying to remain totally focused while you trade is just not going to cut it on its own. If you fail to prepare and have no idea of what to expect given a certain set of market scenarios, you'll always be **"putting out fires"** as you trade – you'll be caught off guard and have to figure out what certain things imply as they happen. This is a tiring and emotionally draining way of working and one where you will find that you'll struggle to remain fully focused over the course of a session.

Practicing Trading with Mindfulness

There are three basic principles to remaining totally focused and trading with mindfulness: -

1) Trading Preparation.
2) Trading Observation.
3) Trading Calmness.

Preparation

This isn't just about getting ready for each trading session. It's also about having a **framework** that you can lean on as information comes on to your radar. Having an expectation of what is likely to happen given a certain scenario gives you a **point of reference** to refer to when that scenario occurs. It means that you're ready to observe what happens and don't need to interpret the meaning of the information as it presents itself to you.

Observation

Of course any trader will be making observations about the market, regardless of their level of skill. But the quality of these observations will be dependent on a number of key factors. First of all, a trader needs to **be prepared**. A single market provides an endless stream of information and knowing what you're looking for allows you to ready your mind for when specifically important market instances occur. These observations must also be made **without bias**. Having decided that you want to see certain things happen in the market can lead the mind to *looking for supportive information* and *ignoring information that is detrimental to an idea.* It is absolutely critical that observation is made without bias. Finally, it is vital that a trader is able to

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remain focused on the task at hand. As a trader becomes more adept at mindfulness, distractions are less of an issue. However, a trader must do what is necessary in order to **shut out potential distractions and interruptions** to a great extent.

Calmness

Being calm as a trader is not always easy – that's for sure. Many a keyboard has bitten the dust at the fist of a furious trader! But taking trades from an *emotional state* of mind tends to lead to losses. The aforementioned furious trader might take a revenge trade for example. A trader jubilant from a number of winners however, might take trades from a cocky frame of mind. Emotions not only have the potential to make us trade in an unwise manner, but they also have great potential to cloud our minds and prevent proper interpretation of useful information.

So remaining calm, centered and ready to act is what every *serious* trader should be striving for – and a big part of this is being okay with trading outcomes. Learning that a losing trade taken for the *right reasons* is **not a threat** and is part of a much larger set of trades (as taught by Mark Douglas in Trading in the Zone) is the first half to this. Practicing your response to losing trades is the other – even if you know that you shouldn't get frustrated and annoyed, it might not be something that you can control in the event unless you practice and rehearse taking your losing trades.

So there you have it – practicing all the things that you probably are already aware of as being useful to your trading might actually constitute the bones of trading with mindfulness already. Put them together and you'll likely see a positive impact on your P/L and just maybe you'll also experience some of the broader benefits that meditators claim to receive too.

HEAD AND SHOULDERS ABOVE THE REST

by Will Feibel

One of the best known chart patterns is the head and shoulders pattern. The pattern is formed at the end of a trend and signals a reversal in direction. Its name is based on its resemblance to the outline of a head and shoulders, three peaks with the middle one being the highest, as seen in Figure 1.

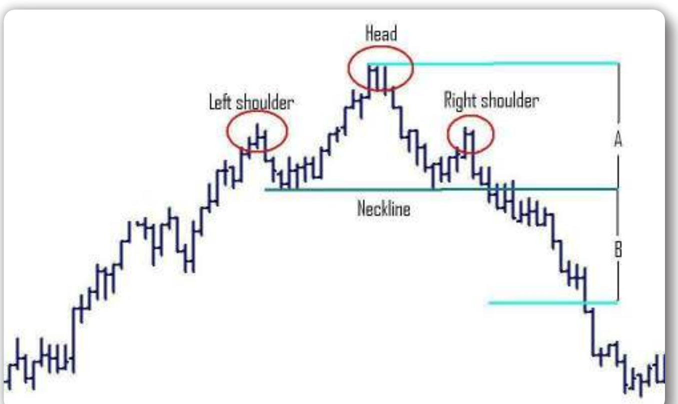

Figure 1

As you can see the tall peak in the middle (the head) is flanked by two smaller peaks (the shoulders). Extending the comparison we have the fourth feature of the pattern, the neckline, formed by drawing a line between the two depressions between the shoulders and the head.

Classical technical analysis defines an uptrend as a series of higher highs and higher lows. This is what we see in Figure 1, a clear uptrend culminating in the head of the pattern. The right shoulder suggests a weakening of this uptrend because it is the first lower high in the chart. This weakening is further indicated by a new low at the right neckline that is just barely higher, or the same, as the prior low. The pattern of higher highs and higher lows is breaking down and suggests that the uptrend is coming to an end. When a trend ends it will inevitably be followed by either a sideways price consolidation or by a trend reversal. In the case of a head and shoulders pattern the reversal is signaled by price breaking through the neckline.

The neckline of the pattern represents a level of resistance to a downward move in price. Think of it as a resistance level formed by the double bottom inside the head and shoulders formation. Once this resistance level is broken to the downside it becomes support for the downtrend and you will often see price retrace to the neckline before resuming the downtrend. The neckline also helps us project the size of the move down. This is done by measuring the distance from the top of the head to the neckline. This distance is then subtracted from the neckline where price breaks through it to give us a minimum target for the move down. In Figure 1 the distance between the head and neckline is denoted as A and this is projected down as B which you'll see was easily reached in the reversing move.

The head and shoulders pattern is often further confirmed by volume. The left shoulder will typically have strong volume, while the volume at the head will be lower because the uptrend is weakening. The volume at the right shoulder will be weaker still signaling an end to the trend while the break through the neckline will come on strong volume. This volume pattern is a secondary confirmation however and will not always be there. Rely on the formation of the pattern and the breaking of the neckline to indicate the reversal.

So far we have only discussed the head and shoulders pattern as indicating a reversal from an uptrend to a downtrend. There is also an opposing pattern, the inverse head and shoulders pattern that signals a reversal from a downtrend to an uptrend, and you could even see alternating patterns within a larger time frame consolidation. Figure 2 shows an example of this.

Figure 2

In Figure 2 we have a head and shoulders pattern that is broken to the downside and gives us a target A once the neckline is broken. Price actually retraces to retest the neckline before resuming its downtrend. The downtrend doesn't last long before an inverse head and shoulders is formed. This is broken to the upside and measuring the distance from the head to the neckline gives us a target of B, which again is reached after a few tests of the neckline.

Like all technical analysis patterns the head and shoulder will not always precede a reversal. The pattern can also fail and we typically consider it failed if price breaks above the right shoulder. When that happens we will most likely have entered a consolidation or resumed the uptrend. The latter would be confirmed by a price break above the top of the head, similarly for the inverse head and shoulders.

It can be difficult at times to spot head and shoulders patterns on a chart, usually because we look for them in the wrong places. You will only find these patterns at the end of a trend so don't bother looking for them during a price consolidation or in very choppy markets, make sure that there was a clear pattern of higher highs and higher lows first. Also, don't force it, don't squint too hard or try to finesse it too much. When the pattern is there it will be very clear, as in Figures 1 and 2. Reversals can also be indicated by other technical patterns so don't assume you'll find a head and shoulders at every reversal.

Exercise your eyes and mind and start looking for head and shoulder patterns on your charts. Once you spot them make your target projections and see how often they are hit. You may find that this pattern can be a profitable addition to your trading toolkit or at least provide a strong confirmation for reversals signaled by your current system. Good luck in your trading.

5 THINGS YOU NEED TO DO TO "LIVE THROUGH DRAWDOWNS"

by Jane Fox

Many talk about the psychology of trading and how important it is to develop a mindset that is conducive to trading. However, there seems to very little written about how to live through the daily riggers of trading. How to live through the daily, weekly or monthly drawdowns that plague us … well daily, weekly, monthly. Hopefully this article will help you to do just that.

Notice the title of this article is not live through "a" drawdown but live through drawdowns - plural. And I'm not talking about the MAX drawdown, I'm talking about the drawdowns you will be in most of your trading career.

First of all lets revisit, what is a drawdown? A drawdown is the dip between new equity highs in your equity curve, it's as simple as that. So, by definition, you can see a trader will spend most of his/her time in drawdowns. Some traders think drawdowns as an extremely rare event, or at most, a once a year or quarter event - but the fact of the matter is that traders will spend more than 75% of their time in a drawdown.

The Green boxes are new equity highs. This is when your account is making more than it's ever made trading this system. These are your feel good times. Now look at the red line when it's not in one of the green boxes, for this is "the rest of the story." The red line is you living in a drawdown. I'm thinking 75% of your time in a drawdown may be a little too conservative and that it may be more.

So if you're going to spend more than ¾ of your time in this quagmire called a drawdown, you need to learn how to live through them.

Here's a list of 5 things I think you should do to help you live through the drawdowns.

1. Know the drawdown numbers of every system you trade as well as you know your birthday. This is not meant to be funny. Your ability to handle drawdowns, hands down, is dependent completely upon how mentally prepared you are for them. This means it's crucial you know your system's past Max Drawdown as well as you know your own birthday. However, just like that birthday, you should expect to visit a drawdown of equivalent

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size once a year then, an even bigger one sometime in the future – we'll talk about this later.

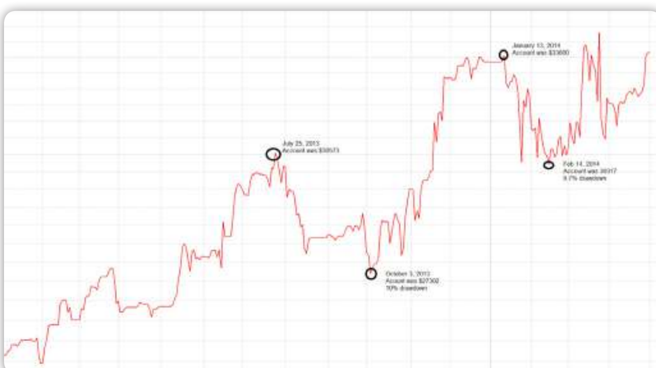
If you're trading, and consider yourself a trader, you need to be very aware of what will happen to your account during that drawdown. If you do, you will be mentally prepared and have the intestinal fortitude to stick with the program through these tough times.

If you're not prepared mentally for the drawdown, you will make emotionally driven decisions at the worst possible time in the worst possible place. These emotional decisions lead to that trait all bad traders share - getting out at the lows. How many of us have done that?

One of the main benefits of trading with an algorithm is to eliminate those counterproductive emotional decisions. Please don't offset that advantage by acting emotionally when in DD.

2. Measure your drawdown. Don't we all look at the drawdown stats from the evaluator sheets and say, ya I can live with that, seemingly giving them their due. Then we see those drawdowns in OUR account and, lo and behold, we react like deer in the headlights and say, "What is happening? I didn't expect this."

It's completely unreasonable to expect a trading system to make money each and every day of each and every month. Things simply don't go UP, nor DOWN, forever. They peak and valley, go through up cycles and down cycles.



Here's the same equity curve. This system has a MAX Drawdown of 21%. If you started trading this algorithm with $25,000 on January 30, 2013 by July 25, 2013 your account grew to $30,573. It was a pretty good steady growth with a few drawdowns thrown in. Anyone trading this would be sitting back on July 25th feeling pretty darn good because the portfolio grew 22% in just a few short months. How prepared do you think you were for the next few months? A new equity high was not seen until November 18th. As well, on October 3rd the account had fallen 10%. Do you think you would've bailed around October 4th? Good chance!

By January 13th, 2014 the account was back up to $33,600 and you are now kicking yourself.

But, hold on, another drawdown is just about to start. However, this one was on 9.7% and a new equity high was seen by March. My point is the MAX drawdown was 21% and the drawdowns experienced so far have been 10% and 9.7% both completely in the realm of possibility.

You've looked at the equity curve of the system and know this kind of up and down is very typical.

So measure each of your drawdowns and use the MAX drawdown to see if the one you're currently in, is in the realm of possibilities. But most importantly, don't be dejected by a drawdown, especially if it is well within the historical parameters you've evaluated.

I believe this simple exercise will get you used to what a drawdown is and will help you to live through them, since most of your time will be spent in them.

3. Assume the worst drawdown the system will ever encounter is in the future. Just like death and taxes - you can't escape them. The only way you can avoid death is not being born – silly but true. The only way you can avoid taxes is never making, or spending, any money – silly but true. The only way you will never encounter a drawdown is by never trading. These all seem silly but they are true, aren't they?

So if you want to trade you need to accept drawdowns but more than that you also need to expect a new max DD will always take place in the future - after you've invested, of course. If you approach your trading accepting DD and have an expectation of a new MAX DD somewhere in the future, you'll never be a nervous wreck who can't think straight when it happens. You will take it in stride, step back, and asses the system rationally.

4. Accept the fact there's no such thing as risk free returns, the larger the returns, the larger the risk. The larger the returns, the more volatility in your equity curve. You can easily get no risk by investing in US saving bonds, but will you be happy with gains of just 2% per year. Probably not, and for that reason traders are on the lookout for larger returns. But how many are prepared for the higher risk and volatility that accompanies that higher return?

Our natural tendency is to stop that which is causing us pain (losses), and so a human's natural inclination is to quit a system when it's in a drawdown because it "just doesn't feel right." You have to overcome this very basic human instinct by making it all about the statistics and being prepared.

Set a realistic line in the sand, a line based on your tolerance for losses and the stats of your trading system. If you do this BEFORE you start trading and make a pact with yourself to not flinch until that line is crossed. If you do, your daily mental battle of whether you should stick with the program or dump it, has been won. You'll have what very few traders have, intestinal fortitude.

Part of the problem with trading with systems like QiT is that it's too easy to quit. All you do is stop trading. Heck you don't even have to pick up the phone. All you do is stop. An investment in real estate or a hedge fund for example, often takes more time to liquidate, giving traders time to let the emotion run its course and evaluate from a place of rationality.

It is important to note the corollary to things don't go UP forever: things don't go DOWN forever either. Trading systems are very cyclical, they make money, then they lose money, then they make money etc. It pays to stick with a system in its downturn, because their cyclical nature means they will come out of it.

5. Quit once the system has fallen below its circuit breaker. You know your drawdown numbers, you measure your drawdowns, you've accepted drawdowns, and you expect to have another large drawdown in the future. But there is one more very important question to answer. What if the drawdown I'm in is more than a drawdown and the system has broken?

You need to have a mechanism to help you answer this question. You need to have a mechanism to know when to move to cash. You need to have a line in the sand.

Fortunately QiT's line is the circuit breaker. A moving average on the equity curve that we use to move to cash once its violated. Without this line, you could go crazy wondering whether the current drawdown equates to a "broken system."

Conclusion:

Drawdowns, like taxes and death are unavoidable, are real and will occur as long as you trade. They are that terrible feeling in the pit of your stomach. Drawdowns happen. Drawdowns will happen again and again and again. These are the facts. Successful traders know this so they prepare for it.

THE ESSENTIALS TO SUCCESSFUL EMINI FUTURES TRADING

(or any other market you like to daytrade)

by Troy Noonan

The eMini futures markets are both seductive and treacherous yet in my opinion, they offer the best and most consistent opportunities for day traders. On any given session a trader can find numerous profitable trades. But along with the opportunities come many hazards. Like the ancient Greek Sirens of old, it is critical to not let yourself be seduced by the enchantments of untold profits. The futures markets can be a cash register but more often than not, it is putting your money into the drawer and ringing up other people's profits. In fact, navigating your way through an eMini session, without crashing into the rocks and losing your hard earned capital can be very difficult, but it doesn't have to be so. Whether you're trading the Russell eMini, the S&P, the Nasdaq or the Dow, here are some basic key pointers that you will want to pay attention to if you are serious about succeeding as a profitable day trader.

1. Focus on a strategy with a proven track record. As you get better, you can diversify by using additional strategies, but this is something to aspire to later. You may decide to just keep things simple and we all know that simple is usually the best approach.
2. Limit your trading to a consistent time period each day. You should know your start time and stop time and you should be extremely disciplined in sticking to it each and every session.
3. Backtest your time period and determine consistent profitability. This will give you the confidence you need to succeed by knowing that your predetermined timeframe does indeed produce profits. It is best to use a preprogrammed spreadsheet to track your trades.
    a. Note – Manual backtests are far more valuable than automated backtests because it forces you to think through every trade.
4. Focus in on a single market that meets your specific needs. When I speak of needs, I am referring to three essential things.
    a. Capital requirements; don't select a market that you cannot afford.
    b. Enough quality trades on a day to day basis, as discovered in your backtest.
    c. A market that you are skilled enough to trade with perfect executions. You should practice in a sim account until you have proven your ability.
5. Less is always more when day trading. Your quitting time should be teamed up with a dynamic goal setting strategy. If you can hit your goals before your hard stopping time, all the better.
    a. Your goals should be based on what the market wants to give you vs. what you want from the market. We call this the Power of Quitting. One of the universally best formulas is what we call 'poq1.' That means you need at least one winner and a positive result, then quit for the session. Combine that with a maximum number of trades and a hard stopping time and then prove it is consistently going to grow your account via your backtest.
    b. There are other PoQ formulas:
        i. poq2 which requires two winners and a positive result
        ii. requiring a winner to be a full target winner and not a partial winner
        iii. 'x' number of winners vs 'x' number of losses, whichever comes first. This approach doesn't require a positive result but will do a great job in limiting your quantity of daily trades and could prove itself to be the best profitable approach over time.

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c. The important thing is to live to fight another day. A great day trading strategy will win more often than it loses so it is essential not to give back your hard earned gains due to one bad session. This leads us to the next essential point…

6. Surrender to the fact that there is NO such thing as perfection in trading. NOTHING wins 100%. The good news is that you don't have to win 100% to be extremely successful. Trying to divorce your losing trades from your winners is not possible and IS a loser's pursuit. Accept that fact and move a long way towards long term, consistent profits.
7. Add a 2nd and then 3rd market to your day trading routine but stagger them so that you don't find yourself trying to execute multiple trades at the same time. This leads to mistakes. Mistakes lead to losses.
8. Strive for 100% perfection in your execution of your tradeplan. Zero mistakes is the goal you always want to strive for, each and every session.
9. Limit your risk. NEVER risk more than 2% of your trade capital on any given trade. Great wealth comes from consistency. Go for lots of singles and doubles with the occasional homerun. Swinging for the fence on every trade leads to lots of strikeouts and lots of losses. Just increase your position size as your account grows.
10. Find a good mentor. Whether it is a reputable virtual traderoom or some other sort of trade coach, this is a very important key to success.
11. Treat your trading as a business and run it with 'best practices' each and every day.

There is a lot of money to be made day trading but most traders don't know when to quit and will often turn a positive session into a negative one. Or they don't have their entire tradeplan figured out in advance. Or they break their own rules, get distracted, make mistakes, etc.. Having a mentor (or trading partner) is a great way to be disciplined because you will be held accountable for your actions or lack of actions. It forces you to 'plan your trade' and then, 'trade your plan.' Ultimately, it takes a very professional mindset. You want to treat your trading as your business and not as a hobby, your source of entertainment or anything else. If you exercise 'best practices' as outlined in this article, you will be ahead of a majority of traders out there and will be in the best possible position to succeed.

Finally, seek out an eMini (futures/day trade) Trading Course that teaches you ALL of the above pointers. **One trading course that does teach all of the above is the Premier Trader University's Trend Jumper Trading Strategy.** This comprehensive course offers everything listed above and a whole lot more:

- Proven tradeplans with rules to follow
- Video based training
- Live, in the market training
- Chart structure that leaves NO guesswork on when and what to trade
- Directional bias
- Price action based trading; takes advantage of price momentum
- High percentage targets
- Favorable risk reward ratios
- Clear and concise training that makes everything crystal clear

Trading should be easy but it is not simple. The PTU Trend Jumper makes trading as easy as it could possibly be. Sure, it is not the only eMini Trading Course that covers all of the above essential keys. But it is a great choice that has a long term proven track record. Whatever you choose though as your eMini day trading course, you will be best served if you insist that all of the above is covered in a comprehensive, easy to understand way.

3 FX TRADING TIPS TO IMPROVE YOUR TRADING

by Shane Daly

When Forex trading became open to the average retail trader, it brought out the sharks just looking to part the dreamers of a better life from their money. Trading currencies was made to look easy and many people lost their money by following Forex trading tips and tricks that were simply thrown together in pricey e-books and courses.

The sad part was those people that truly wanted to learn Forex trading, became disillusioned and never really gave themselves the chance to see if they have what it takes to make it.

You can certainly make money Forex trading but you need an edge. In simple terms, a trading edge is where, over time, you will end up making more money than you lose. Sounds simple enough. Well, I'm here to say that what it takes to get to that stage is simple. It is just not easy.

There are 3 categories that make up "what it takes" and these are something that successful forex traders have not only understood, but aimed to excel at. These 3 items when combined make up your edge:

1. **A Forex trading strategy**
2. **Excellent money management skills**
3. **An understanding of psychology as it relates to trading**

All successful traders have taken these top 3 categories and mastered them to the extent that they are second nature. Most articles and courses on how to trade Forex cover the basics such as choosing the best forex broker for your needs, paper trading, and what trading platform you should use.

In this article though, I want to touch on the type of Forex information I feel has a direct impact on the type of success you may have.

Forex Trading Tip #1

Strategy. First off, understand that there is nothing that fits the bill as the best forex trading system regardless of how many times you hear any system described as such.

Your strategy for trading is generally comprised of two parts:

Setup – What constitutes a valid trading opportunity?
Trigger – Once the setup occurs, how are you triggered into the trade?

You want to find something that you understand, can replicate, and has the probability of making more points/pips than it loses over time. One of the simplest types of trading system is using support and resistance and trading any violation of either one of them. Keeping things simple in trading makes it much easier to be able to replicate it over many trading opportunities. Too many moving parts can often time give contradictory information which will do nothing but confuse you.

This is a quick example of the type of trading using simply market structure and price action.

This chart was not cherry picked and was the first chart I brought up for this example.

1. You can see where price had historical significance as a support level that was then broken.
2. Price revisits the area right to the pip and you can see price was rejected from a move higher.
3. Price smashes through the level with thrusting price action.
4. After a healthy rally, price returns to our original level and is rejected again.

These areas all represented a setup condition: price challenged a historical structure level

We still need the trigger. Due to space limitations I am showing the price action on a lower time frame at the number two arrow.

You can clearly see a muted rally into the resistance zone, a higher swing low marked by the red line. You could use a break of that level as your trigger or wait for a break and pullback as seen by the blue arrow.

There are other trading techniques that can be used using strictly structure levels and price action for your trading. An understanding of market mechanics and structure can open up an entire world of trading methods for you.

The bottom line is this **Forex tip is all about keeping things simple**. Don't get bogged down in confusion.

The main drawback of this type of trading though is at times, people have an issue quantifying the setups and triggers. For those people, a trading system such as Trend Jumper may be preferable.

All the setups are mechanical which means when certain variables are met, you are informed of a trading opportunity. All targets, stops and entries are printed for you and that helps keep you consistent in your trading.

Forex Trading Tip #2

Money management is not the most glamorous Forex topics but without a full understanding of risk and leverage, you run the risk of account ruin.

Nobody is able to tell you what risk to use per trade but the standard quote is usually 1-2% of your account balance. I will add two things to that.

- .5% is conservative and allows new traders to take the losses without too much account damage.
- Consider using the balance +/- the p/l of any open trades.

This can be an in-depth subject with examples and "what ifs" however following two basic **account management tips** can go a long way in protecting your account from a string of losses.

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1. What you are thinking of risking, cut it in half.
2. Ensure your stops are not just a suggestion….but a demand.

While the majority of traders simply use their account balance as a sign of success or failure, it does not go far enough pointing out where you can improve. It also doesn't show you where the bleeding is happening with your trading.

A free software application is available called the [Ultimate Trade Analyzer](). Not only will it keep a log of all your trades but also give you scenarios surrounding risk per trade and contract sizing. This information is imperative to enable you to maximize your trading efforts. It will also show you how increasing/decreasing risk can have a measurable impact on your trading success.

Forex Trading Tip #3

If we were robots, **trading psychology** would not be an issue, we would have no issue sticking to any type of trading whether it is trend trading or any of the numerous mean reversion systems. Our trades would execute and either our targets or stops would be hit. We would risk the appropriate amount for our account size and trading system expectations.

Stating the obvious – *We are human.*

We are all subject to emotions and ignoring things that we know are not good for us. We make excuses why we do things. For instance, taking a few losing trades and then seeing price bounce back, we decide to ignore the stop the next time we trade. This one doesn't come back and your account is drained.

This happens all the time!

Again, this is such a vast subject and there is no way to do it justice in a blog. However, what I am about to say was one of the most important **forex tips** I ever received.

Why?

Because it encompasses so many things such as:

- Follow the trade plan
- Take your stops when they come.
- Stick to your risk per trade.
- Don't over-leverage.

Here it is: **Embrace the fact that wins and loses come in random distribution.**

This means that we don't know if the next trade is a winner or a loser. In fact, we don't know if the next five trades will win or lose. What we do know is that it will win OR lose.

Can you see how understanding that basic fact makes it crazy to risk too much on the next trade?

How it makes moving your stop further from price is not a smart thing to do?

How skipping the next setup even though it is a perfect trade plan setup is senseless?

You have to give yourself a fighting chance with every trade…with every opportunity. Embrace not knowing and do everything that makes up smart trading on every single play.

- You don't know if the next trade will return the recent dollar losses back into your account. It makes no sense to skip it.
- You don't know if price will bounce back so it makes no sense to not honor your stop.
- You don't know if the next trade will be a loser (with slippage) giving yourself a larger pip loss. Makes no sense to increase risk.

In my opinion, how to [trade Forex successfully]() means doing everything you are supposed to do on every trade.

Don't improv. Improve.

Every trade, give yourself the goal to improve on every aspect of the three categories mentioned above. It is my hope that this assembly of Forex trading tips helps refocus you to act and think like a professional trader who enjoys the good life because of doing all the right things…at the right time….which is every time.

BECOMING AN ALGORITHM

by Jane Fox

Matt gets up from the couch and ambles over to the computer, time to put on his nightly trades. OXBT is a buy for tomorrow at 4.74. Matt's first thought is I'll bring up Yahoo Finances to see what kind of news I can find about OXBT. He doesn't find too much so goes ahead and puts on the trade. Lo and behold, the next day he gets an email from his broker that OXBT buy order filled. The first thing he does is fire up his broker's application and check the trade. Opps its going down. Ah gee. He watches it all day and its going down and down. He starts to wonder if he should get out or stick with the system. He decides to stay in.

That night he logs on to netpicksquantitrader.com to get the signals and OXBT is a HOLD. The whole next day he watches it go down even further and, at one point, his position is down over 11%. He is beside himself. What do I do? Should I stay in or get out? Eventually he bails, he can't take it anymore.

That night he checks the signals and it is a HOLD again and he smugly thinks, I'm a lot smarter than the system, I lost some money but not as much as the "system" is going to.

The next morning OXBT opens at 4.35 and rallies the whole day closing at 5.05. The position is closed out at 5.02 the following day for a 5.9% profit.

John gets home from work late and decides to put on his trades before he settles in for the night. He sees OXBT is a buy for tomorrow. He doesn't know anything about the stock but is too tired to go look for information and just puts the buy order on. He is filled the next day so logs on to his brokers application and, as does Matt, starts to fret that it is going down. He is totally dejected as he watches it all day and when it closes at 4.26 the second day he is even more dejected, what a dog he is thinking. He has the same anxiety that Matt has but he decides to stay in.

The next day OXBT rallies to a high of 5.85 and John is no longer dejected but elated. Wow a winner. Unfortunately OXBT closes at 5.02 not 5.85 and John is dejected again. Gee this baby was up to 5.85 and it closes at 5.02. Ah gee.

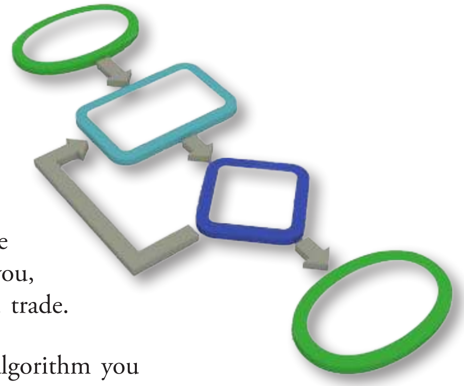
On the same day Matt and John put on their OXBT buy orders, Mary gets home from the gym and puts on her trades as well. The next day she also gets an email from her broker that OXBT is filled. She doesn't watch her trades throughout the day and goes about her business. That night she places her trades and leaves OXBT alone because it is a hold. She is not feeling good about the fact that he is down but the system has a 63/37 win/loss ratio so 37% of her trades will be losers. This may be one of them.

The next night Mary logs on her broker application to place her trades. Oh my gosh OXBT closed at 5.02, wow! Mary goes to bed feeling wonderful that a loser has turned into a winner. The position closes out at a profit.

Which trader do you think will be successful with this system?

As a trader, we all have preconceived ideas of what we need to do to become a successful trader, a trader who can make long term consistent profits. You've all probably read numerous books, taken multiple seminars, maybe even attended a few seminars in person to meet other traders.

Maybe you've learned different types of strategies, maybe developed an indicator that is excellent at reading the market, or learned how to glean nuggets of information about a company from its balance sheets. All of this is good, all of it has value and I don't want you to think I'm telling it doesn't.



However, and you all knew there was a big however coming didn't you, if you enter the world of quant trading, you have to put all this behind you, at least while you're in a trade.

If you trade with an algorithm you have give yourself up to it. You have to trade as if you were the algorithm. This doesn't mean you have to give up any particular indicator you like but if you want to trade with an algorithm and use this particular indicator, you develop your algorithm around it. If you have a particular strategy you always trade, develop your algorithm around it. Then test and test and retest that algorithm to see if it was successful during bullish years, bearish years, low volatility, high volatility, and market crashes (like we had in 2008). Test it every kind of trading environment you can think of and see how well it works. If it holds up then do what is called sensitively testing to ensure you haven't over optimized – a topic I don't want to address right now but will be writing a blog on later.

Once you've put in the hours and the dollars to develop your algorithm you enter the world of trading like a Quant and you become the algorithm when you trade. All the planning has been done and is behind you, so all you need to do is follow the signals given to you by your planning and work you've put into developing this algorithm.

One of the comments I had from a member is that he wanted to Trust but verify. Funny but that was exactly what I said back in 2012 when I first started down this path. Little did I realize just how much it takes to do the verification. So here is where Quantitrader comes in, we've already done the verification for you. We've put in the hours, the dollars, the learning and have verified a set of rules so all you have to do is trade it.

But you need to trade it as if you were the algorithm, not as if were a trader. Does the algorithm take heed of the news? Does the algorithm worry about economic events that take place during the day? Does the algorithm watch price action during the day?

The answer to all those above questions is no.

Take off the trader's hat and put on the quant hat. The more often you do this the better that hat will fit. The easier it will become to not heed news, not watch your trade intraday and just give yourself to the algorithm.

Now am I advocating to trade this system blindly. HMMMM NO! Not at all.

What I am advocating is that you first of all dig into the rules, and see if they fit you as a trader? Dig into the performance and see if the metrics of this algorithm fits you as a trader? Dig into the methodology. Does it fit you as a trader. If the answer to those questions are yes and you decide to proceed, become the algorithm.

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TRADING SCHOOL

by Ron Weiland

I recently got over a medical condition that put me on Disability and kept me away from a job that I loved ever since I was a kid, Flying! I was grounded for several years and so in that time I was able to focus on my trading. Now that I am back at School, learning the Aircraft again and flying the simulator, I realize just how similar learning aircraft systems and trading are. Yes, after flying the simulator last night, it is just like riding a bike. It came right back to me.

So, I wanted to focus the article on several aspects of trading and training. Let's throw you into ground school.

1. You need to learn each system on the aircraft and each indicator on your chart. You will learn the interaction between these systems and how they relate to one another. A good example of this is with the Trend Jumper system. We use the two moving averages to show us special measuring stick trades that have a very high win rate.
2. You need to learn what buttons to push and in the correct order to get the plane working. With trading, you need to understand how to place orders on your trading platform and execute the signals that your system gives you.
3. Pick your plane. I am flying a large Boeing 767 and I picked that because it fly's to places I want to go and is fun to fly. You should look at the various markets that you might want to trade and pick the one that suites you best. It might be dependent upon your account size or the time that you are able to trade. There are many markets out there from Futures, to Options or Forex that can satisfy most every trader.
4. On my aircraft, we have a computer called the Flight Management Computer. This will calculate takeoff and landing speeds as well as navigation, based upon the inputs you put into it. Well, roll that into trading and you have your Trend Jumper calculator. We give you settings to put into it and then it will give you exact entry, stops and targets for each trade. So, it will give you everything you need to get your trading off the ground.

5. You can't fly a big plane by yourself, you need a copilot. He is there to back you up and guild you in case you miss something. Welcome to our live trade room. This is one of the most unique and powerful aspects of trading. Here you can watch us, learn from us on each trade as we call them live and guild you through your own trades. In addition, there are hundreds of other traders there to also guild and share their experience and trades that they are taking.
6. Time to go into the Simulator. Last night we must have done 10 approaches, 10 landings and several go-arounds. So, what do you think, repetition makes you better. You hone your skills and become a better trader. You learn from your mistakes, which is why you practice in the simulator and not on your live account. After you have become error free, you go live and I go out on the line and fly people ☺

Let's recap. You start with a solid system and really study it. Learn how it works, and understand why it gives you the trades that it does. Look for patterns, you might discover that certain trades win quite a bit more than others and so you refine how you trade. You have made the system your own. From there you, test it out and practice. You build up your skills as a trader and your execution, so that you are making 25 mistake free trades. Then, you should be ready to go live. I hope to see you in the trade room or on an airplane flying somewhere around the world. Good Trading!

Capt Ron