THE NETPICKS INFORMER

Savvy strategies for profitable traders.

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LETTER FROM THE DEVELOPER

Hello again to everyone. I am writing you this message from my Spring Break - spending a week here in the Dominican Republic. Hopefully you were able to spend some time away from the markets and your usual home routine. Hard to believe that we are just about done with winter and entering spring - probably by the time you read this.

This is also a reminder why it's important to mix the styles of trading you follow. First of all, I see nothing wrong with just ignoring your trading for a week, two weeks or whatever you need when on vacation. However, if you take more trips for business and other personal reasons then you might want to ensure that your approach to the markets fits your trading strategy. Swing trading is an excellent way to be able to travel domestically and abroad yet still manage all your trades.

“Swing trading is an excellent way to be able to travel domestically and abroad yet still manage all your trades.”

While I'm on vacation here, I have been able to keep up on my forex swing trades but have set aside my futures trades, since I day trade on the futures side. Trust me, with the internet being what it has been, at least in this part of the world, I could never rely on it for day trading. Even when I've had excellent internet when traveling it is always one connection drop or bandwidth slowdown from costing me serious dollars. I simply do not run into that problem with swing trades so I definitely encourage you to be both a day and a swing trader. Then hit the road, skies or water.

As we enter spring we have big plans for our continuing classes in the Premier Trader University. This has been a significant success story for NetPicks and the students who have been moving through the University. Currently armed with both day and swing trading trade plans, plus more than one unique system approach, there truly is a perfect combination for every trader available at the "PTU." If you haven't checked it out yet, I suggest you simply go to:

www.PremierUniversityTrader.com/webinars

Here you can sign-up for free educational webinars and learn more about the University. Training and education is simply the best path to success for a trader - that and repetition/ practice of your skills. Even if you don't register now, it's a great way to learn from our entire faculty here at NetPicks and all available at no cost. Hope to see you on one of those webinars. Which reminds me - be sure you join us every Friday for another cool freebie - our live NetPicks Hangout. Just go to www.NetPicks.com/hangout on Friday at 2pm EST (New York Time) and you can watch us talk markets, make predications, teach you and answer your questions. Looking forward to hanging out and seeing what the spring brings all of us.

Great Trading,

Mark Soberman

Mark Soberman

THE BIG GAME TRAIL *by James Kessick*

Trailing the market in the hopes of making big profits isn't always going to be the best thing to do in every situation. Markets which aren't trending (and most of the time, most are not) will come back on you and take you out for a much smaller profit than you might have taken otherwise; the losses however, remain the same. But with a little bit of common sense and a reasonable amount of practice, it's more than possible to apply this sort of technique without the need to increase the amount of risk on a trade when the context of the situation is right. Trailing for big game (and profits) is *exactly* what you need to do in these circumstances.

Given that it's not always going to be the best idea to go for the home-run trades, but you know they do exist, it's worth putting in a bit of work to figuring out the best way to attempt to capitalize on any scenarios where the potential for one has elevated odds. A home-run trade can be tricky psychologically though. You have to remain focused on your everyday bread and butter trades and not get carried away into thinking you can pull a massive trade out of the hat every other trade. That said if you're sensible and grounded about it, a few big trades here and there can really give you a fantastic platform to build on.

Here and there you get situations crop up where the market is literally telling you it's ready to make a move. Like in the example I'll show you later on, one particular scenario is where a market has been balancing for several days and has several overlapping sessions. This usually happens when participants are waiting for new information and are unwilling to commit capital beforehand. This can happen for example, leading up to a US jobs report. When the data is released and if there's a big surprise, there will be a big move. If you're willing to do the background context work in trading and *have a plan to trade it* when the market is giving you a strong indication of what it's likely to do next, there's no reason why you shouldn't be able to capitalize safely on it when it does make the move. Incorporating a looser trailing stop in these instances can give you the opportunity to capture a much bigger than normal profit on a trade. However, given that the outcome of no trade can be known beforehand it's of paramount importance to appropriately address risk in order to cover yourself when you are wrong *and* to maintain control when your position is in profit.

Being able to run a multiple position strategy (and this is partly why product selection and account capitalization are so important) if done correctly, allows you to manage your risk throughout the trade. As more of the position is scaled out of, the risk of a profitable position turning negative diminishes greatly. This principle can be applied to the situation where you don't know how far a market is going to go in your favor and so you trail a stop in order to capture larger profits. By taking something off the table early on in the trade, you give the trade a solid footing. If done correctly, the trade can become virtually risk-free at this point, leaving the remainder of the position plenty of room to breathe. Risk is not just about how large your initial stop is and how often it's hit, it's also about management of profits before you close the trade off completely. If you have a strategy for example where your stop is normally around 10 ticks yet your position is 30 ticks onside with a trailing stop at 20 ticks, your risk is elevated. By reducing the position size on the trade, you can actively manage this element of risk. Sure, you might not be taking as much on your winning trades, but what you are doing is protecting your account when the losing trades would otherwise occur or ensuring some level of profits depending on the stage at which the trade is.

There are just a few of words of caution I have for anyone who wants to trade in this way. Firstly, letting the market tell you when it's ready to move is massively important. Getting one or two big juicy moves under your belt is great, but every opportunity is different from the last. Whilst it might be frustrating when you see a potentially huge trade vaporize before your eyes, it's imperative that you act based on what the market is telling you it wants to do and rather than on what you hope it will do. Next is that annoying situation where you miss an opportunity. Either you didn't see it soon enough through lack of concentration or perhaps you didn't have the confidence to pull the trigger. IF YOU GET IN A TRADE TOO LATE, YOU ARE INFLATING YOUR RISK ON THE TRADE. Don't worry about it. Let it go. There are plenty more fish in the sea. Finally, it's important to go into a trade (and in fact this applies equally to any trade at all) recognizing that you will never be likely to capture most of a move. If you hold on to a trade too long and beyond what you've planned for or you re-enter a completed trade because you think there's more in the move, you're increasing your risk or even worse you're entering into a situation where you haven't identified what your risk is at all. Being happy with what you've got, reset and wait for the next trade.

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HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY TRADING ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN, IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL TRADING PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM

ONE OF THE LIMITATIONS OF HYPOTHETICAL TRADING PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CAN NOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL TRADING PERFORMANCE RESULTS, AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS

PAST RESULTS OF NETPICKS IS NOT INDICATIVE OF FUTURE PERFORMANCE. THE MONTHLY AND COMPOSITE ANNUAL RESULTS SHOULD BE VIEWED AS HYPOTHETICAL. IN REALITY, THE RESULTS DO NOT REPRESENT THE TRACK RECORD OF THE METHODOLOGY ORIGINATOR OR SUBSCRIBERS. THIS ALSO MEANS THERE IS NO GUARANTEE THAT ONE APPLYING THESE METHODOLOGIES WOULD HAVE THE SAME RESULTS AS POSTED. SINCE TRADING SUCCESSFULLY DEPENDS ON MANY ELEMENTS INCLUDING BUT NOT LIMITED TO A TRADING METHODOLOGY AND TRADER'S OWN PSYCHOLOGY, WE DO NOT MAKE ANY REPRESENTATION WHATSOEVER THAT THE ABOVE MENTIONED TRADING SYSTEMS MIGHT BE OR IS SUITABLE OR PROFITABLE FOR YOU

Bund example

In the bund example from last November, the chances of a big move were growing as a tight balance had developed over the course of the prior 7 trading sessions. Trading the strategy with its normal trailer would have been a start, but considering that the potential for a far bigger move was on the cards, it was worthwhile running a much looser trailing stop once the usual targets had been booked. In this case, the setup occurred right at the low of the balance zone and depending on how you trade you might have given it an extra tick before entering rather than the 2 tick adjustment I show in the chart. Either way you can see that by trailing the yellow moving average by a couple of ticks (last bar close value +2 ticks in this case) on part of the trade, it was possible to take larger profits than usual whilst remaining in control of risk.

What is important to understand is that any strategy and its management should be founded in logic and reason. If you can tip the odds in your favor by recognizing when that logic and reason is most likely to hold true, you're in the best possible place to capitalize on your strategy. Trailing for big game (and big profits) is no different.

INCREASE YOUR ODDS WITH CONFLUENCE *by Shane Daly*

When two or more things collide, a disaster can result. It doesn't matter if it is two storm fronts like we recently saw or a vehicle collision. When things collide, many times good things do not result.

In trading, the collision of two or more things can be a blessing! Many times it can spell the difference between success or failure of a trade. Think of this….if many people are looking at "X" and then something happens at "X", expect a reaction. If many people are looking at "Y", expect a reaction. What if "X" and "Y" meet and you get twice as many people looking at the same thing? A bigger reaction? Perhaps but at least a greater chance of something happening.

In trading, we call it a confluence. When two or more variables are present, a confluence exists and these areas are ripe for the picking.

In the following chart, it is a recent EURUSD chart. Let's walk through a few things:

a. Is the top of the move
b. is the bottom of the move

A simple Fibonacci retracement is drawn from point a to point b and several levels are drawn on the chart.

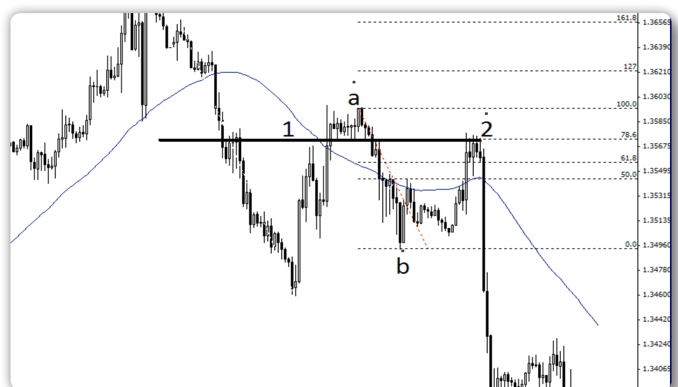
"1" Is where price shot higher from and that price level is obviously supporting price at that time. Price does eventually tumble through that level albeit a little hesitation just below it. The red line represents a price area that once supported that price.

"2" Is the 50% retracement level which happens to coincide exactly at that former support area.

You can clearly see that price rallied from "b" right to that area. The moving average is pointing down giving you an objective direction to take a trade. How you enter, is up to you. It could be a range breakout or a trendline break. Perhaps you dialed down to a smaller timeframe and saw a candlestick pattern. The point is that a confluence of a former support level and a Fibonacci retracement area gave you an objective area in advance to look for a trade if price returned.

Let's look at chart 2

Line 1 is the bottom of the range of price at "a". A Fibonacci



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retracement is drawn from a-b giving you areas to look for price to return to. Price rallies to the 78.6% level (yes, this level is a great level due to the way order blocks are formed) and notice the huge drop after price hits the 78.6% level. (as an exercise, go through charts and see how price reacts on that level!).

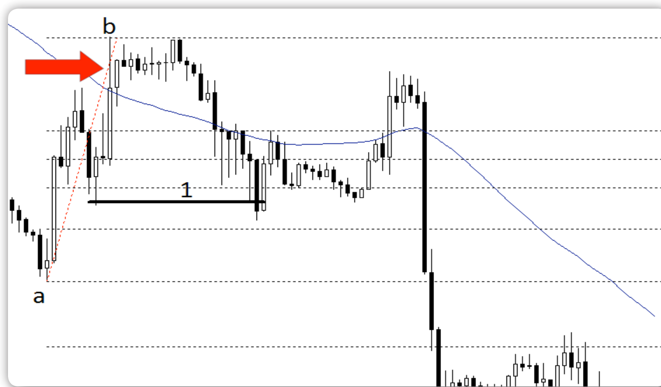
The first chart gives you about 80 pips and the second one is over 200 pips! The risk, is minimal so think of the position sizing.

A confluence is a great thing to look for when going over your charts. It is a proactive exercise to pinpoint zones where if price returns that you can look to take some action.

Even better, it can force you to be more selective in your trade selection which can alleviate the disease of over trading.

Exits And Confluence

Since we can enter the market using confluence, what about exiting? There are also high probability areas where price can stall or reverse and these are the areas you would want to either exit at OR lock in some profit. What you do is dependant on your trade plan, the overall direction of the market and your goals with the trade.



In the first chart, we are going to cover the exit for the first trade from chart three.

The red arrow indicates the area that we looked for in advance of the price returning to that area. Price breaks lower but where to exit?

"a" is the low of the original move while "b" is the completion. A simple Fibonacci retracement show that the 61.8% level lines up with a zone where price was rejected from (see black line). That move down is about 70 pips from the bottom of the trade zone.

You may have made more or less depending on how you enter that trade. The point though is a combination of Fibonacci and a support area gave you an objective area to exit. As an added point, that level also coincides with the 127% fib so either the extension tool or the retracement tool gives you the same area.

The next chart is the second trade area and this one rocketed down!

Here, we simply used the a-b-c move to give us Fibonacci expansion levels and the red arrow is where the trade originates from.

Line 1 has its zone at a level where price was once supported and lines up with the 100% extension area. If you were reading price action, there is really no reason to exit right at the level as price sliced through it like butter.

Line 2 is the 127% level but to the left, it just lines up with a cluster of trading activity but neither a support or resistance level.

Line 3 lines up with the 161% level **PLUS** lines up with a support zone to the left. Although price sliced this level, it started to find some balance in that area. Here, is either a great place to take some profit, all profit or lock in profit.

The "Can it make it" level is interesting. It is the 261% level and also lines up with the origin of a 413 pip move to the upside.

If you were in this trade, you may want to do some higher timeframe analysis to see where you are in the bigger picture considering that an uptrend is still intact although weakening.

Hope you can see how a confluence of factors (this example using simple fibs and s/r zones) can give you objectivity in your trading when looking to not only enter, but exit your trades.

CLAP ON.. CLAP OFF.. … … THE CLAPPER! *by TJ Noonan*

Remember that horrible commercial. Actually, history would probably show us that it was a GREAT commercial because here I am decades later, and I still remember it. I feel sorry for the poor fool (like me) who gets that terrible jingle stuck in his or her head. Forget it! It's all over!! You'll never be able to stop singing it. Yikes, it's almost as bad as the Cars for Kids song!

In case you're not old enough to remember or you're lucky enough to never have had that torturous jingle stuck in your head, The Clapper was a device that allowed us to become sloths. All you had to do was clap your hands, and the lights would come on. Clap them again, and the lights would go off. Clap on, clap off… … … The Clapper!! (Someone save me, please!!) I often wonder if the beginnings of the diabetes epidemic could be partly attributable to how lazy this device made people.

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What if there was a device similar to The Clapper, that could move the markets up or down. Do I have your attention? Clap on, the markets go up. Clap off, the markets go down. Ha! I bet you would love that! Who wouldn't? The only problem is, it would be illegal and you'd end up going back to the real Clapper – in your private room – at Leavenworth! If, they even would let you have one!!

Well, the big money gets to do things that us little guys can't. They get to use their version of the Clapper and they do it in a way that keeps them out of the clink. So why should we care? Because we can profit from the big money's Clapper, if we were to know exactly what to look for. Most of us smalltime traders are making the real money on the heels of the big money movers anyway, aren't we? So what if we had a glimpse into what they were actually doing. They clap, the markets go up. They clap again, the markets go down. We can follow them.

Here's a new jingle for you:

'Risk on.. Risk off.. .. ..' (Now help me here because I haven't come up with the catchy phrase yet) … … 'Follow the big money..' Well, something like that.

In order to do that, you have to understand what 'risk on' and risk off' is. We hear the talking heads rattle that phrase off every day and never once does anyone ever explain what the heck they're talking about. It got to the point where I nearly hated that risk on, risk off phrase as much as the clap on, clap off jingle, until I actually had it explained to me in a way that I could understand. Ahhhh… Someone clapped on the lights in my head and I had one of 'those' moments.

To fully understand what is being said by 'risk on' or 'risk off' one must understand the carry trade and the significance of what that means to you and your trading/Investing. The big money didn't get big by accident. Big money is big because it is very smart; smarter than most of us. At least I'm smart enough to realize I'm not as smart. That realization was humbling in its own right but necessary to my success because in so realizing, I can now just do what the smart money is doing without it bruising my ego or sense of self. That's a biggie, by the way, but not the subject of this article. I'd rather be not so smart making money, than someone else trying to prove how smart he is while losing his money, right?

Here's how the big money gets even bigger. It borrows against 'low interest' currency and then takes that money and buys 'high yielding' currency. That's pretty smart, no? Who wouldn't want to borrow a bunch of money at say 0% or .25% interest and then park that money into something that is paying 3%, or 4%, or even higher? That's a HUGE no brainer!! This IS the carry trade. Big money is selling JPY for example (borrowing low interest currency) and buying high yielding currency like the AUD.

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That's pretty smart but they are even smarter than that. All the free money they are making from the interest rate spread accumulates. It has to go somewhere, right? Where do you think it goes? It goes into appreciating assets. Why not? It's free money! How can they leverage it? By doing what is called 'putting risk on.' They buy appreciating assets like the US Stock Market, gold, grains, energies, etc., etc.. It's the ultimate 'making money with opm,' other people's money, right?

At some point, when they feel it is time to unwind their positions and 'book the profits' or whatever, they begin to 'take risk off.' What happens? Hard assets get sold. The US Stock Market and other assets sell off. Now granted, this is a very simplistic way of looking at things. But it helps in understanding what is meant by 'risk on, risk off.' It also helps shine a light on just how significant the 'carry trade' can be to you and your trading/investing.

How can we get a direct line into whether the big money is using their clapper, to put risk on, or turn risk off? Easy! In a word, PRICE. Price action cannot hide and IS the light bulb that goes on and off, telling us exactly what is happening in the market. Clap on, price goes up. Clap off, price goes down. Know this: Price moves and there's not a doggone thing anyone can do about it. It is what it is.

All you have to do is open up an AUDJPY chart (there are others but this one is a common barometer that many traders use) to know whether risk is on or risk is off. If the AUDJPY is going up, then traders are selling the low interest JPY (borrowing it) and they are buying the high yielding AUD. Then, they are taking all their newly found money and putting it to use, mostly into the US Stock Market. Again, this is a simplistic way of looking at things but quite effective. As of this writing, March 13th, the Dow has gone up 9 days in a row, despite not the best economic news, anywhere. Why? The Carry Trade! Risk on, money is working and buying appreciating assets. It's like a self fulfilling prophecy for the most part. Open up an AUDJPY chart and notice the 10 day winning streak in that market. Watch it and learn from it. Sometimes (not always) it will actually lead the market and will give you a crystal ball prediction of where the stock market is going. Check it out.

By the way, I follow the big clappers of the market with the Trend Jumper trade system. I grabbed hundreds of pips following the big money UP with the AUDJPY pair. I used Trend Jumper to guide my entries, exits and stops and booked many hundreds of pips. You can do the same thing. It's not illegal. You don't need your own clapper. You just need to know how to follow when the big money claps. You can use the same info to dodge and dart in and out of some pretty smart YM and ES trades too.

USING THE TRADESTATION STRATEGY BUILDER *by Will Feibel*

You don't have to be a programmer to develop your own automated trading strategy. If you use TradeStation you can create a custom strategy using a slew of built in strategies that you can mix and match. In this article we'll show you how to put together a simple system using these tools.

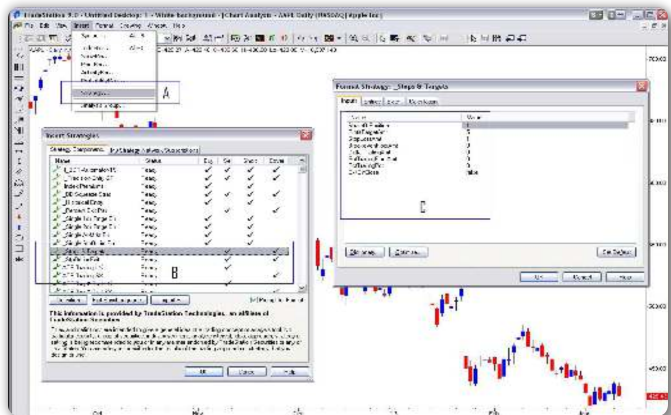

Figure 1

Figure 1 shows how to add the strategy elements to a chart. In this case we're using a daily chart of Apple Computer stock (AAPL) for our testing. To begin the process insert a strategy as highlighted in A above. This opens the Insert Strategies window, shown in B. Every line in this window represents a different strategy element, either an entry strategy or an exit strategy, for either longs or shorts. The columns indicate the type of strategy element: buy for a long entry, sell for a long exit, short for a short entry, and cover for a short exit. You can sort on these columns to help in your search. We'll start out by adding the _Stops & Targets strategy to our chart. This strategy issues sell and cover orders to exit trades. Highlight C shows the inputs for this strategy. If the first input is set to 1 then all the subsequent inputs apply to a single share or contract, and in the defaults it tells TradeStation to exit trades when either $5 per share in profit or $1 per share in loss is reached. Note that this strategy element is very flexible as it also allows you to use breakeven and simple trailing stops.

Having selected the basic exit strategy, we next focus on the entries. There are many options here also, some are breakout entries, others are fading entries (mostly oscillator based), yet others are based on volume or volatility. You can learn more about each by pressing the Definition button in the Insert Strategies window, which will open the TradeStation Help description of how the strategy works and what all the inputs represent.

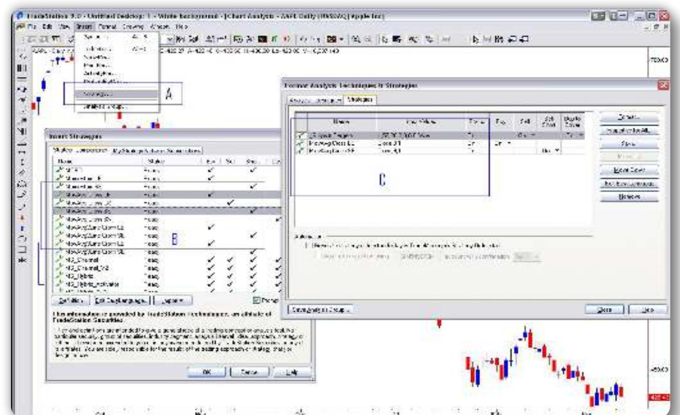

Figure 2

In Figure 2 we select the Moving Cross entry strategies. Note that we select two separate strategies here, one for entering longs

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(buy) and one for entering shorts (sell). You don't have to use the same type of strategy for both long and short, you could combine the Moving Cross LE (long entry) with a Moving 2Line Cross SE (short entry) for example. But we'll keep it simple by choosing the same entry method for both longs and shorts. Highlighted in C you see the Format Strategies window which now contains our single strategy to exit long and short trades and one strategy each for entering longs and shorts.

And that's all there is to it. You can now view the Strategy Performance Report from the View menu and see how your strategy performs. Odds are that it won't be perfect because not every strategy will work the same way on every instrument and time frame. Some tweaking will be required. Fortunately TradeStation gives us powerful tools to do this. It allows us to essentially optimize every input in every strategy element.

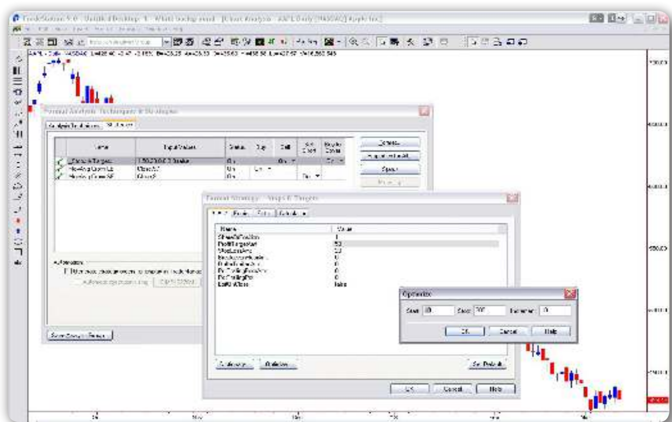

Figure 3

Look at Figure 3 to see how easy it is to optimize a strategy. We open up the Format Strategies window and select the _Stops & Targets strategy. Press Format to get to the strategy inputs. In this example we highlight the input ProfitTargetAmt and press Optimize. This opens the Optimize window for that input. Simply give it a Start and Stop value and an increment, and TradeStation will calculate the system's profitability for each step. In this case we'll test profit target amounts of $10, $20, $30, etc. all the way to $200. You can repeat this process for every input in every strategy, but just be careful not to over optimize. It's best to stick with default values as much as possible, although I do recommend optimizing the profit and stop loss amount for each symbol and time frame tested as their normal movement range can vary greatly.

Figure 4

Once TradeStation completes its optimization you can look at the results in the Optimization Report, which you access from the View menu. In our example you can see that all profit amounts tested yielded positive overall results, which indicates that the system is fairly robust on the daily AAPL chart. You should always be careful if the best result is a big green number surrounded by much smaller green values or even red results. This is a clear sign of curve fitting or over optimization. Fortunately that's not the case here.

In our example we only optimized the profit amount and the stop loss amount. We did not optimize any of the entry strategies' inputs. The results turned out to be quite strong, as shown in Figure 5.

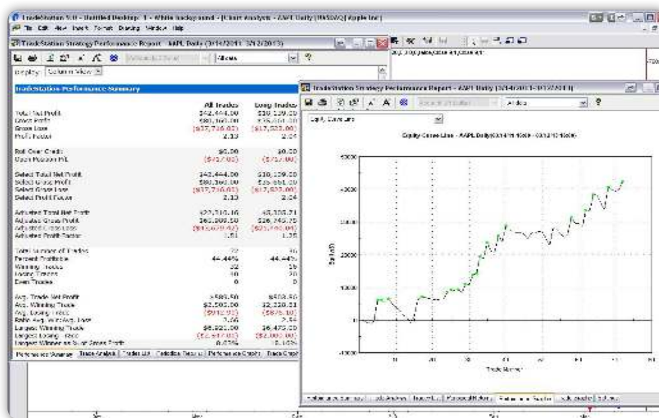

Figure 5

The Strategy Performance Report is also accessed through the View menu, and in Figure 5 we show two pages from the report, the Performance Summary and the Equity Curve Line. The figures in the report are based on trading 100 shares of AAPL over a two year period. The overall profit is over $42,000, not counting slippage and commissions, and although the win percentage is only 44%, the size of the winners is more than twice the size of the losers, giving us an average net profit per trade of almost $600 per 100 shares traded, more than enough to cover normal commissions and slippage. If you apply the same system to a different instrument the results can be very different however, so be sure to at least rerun the optimization for the profit and stop loss amounts.

This approach obviously is not perfect. While it works well on daily charts its application to intraday charts is hampered by the fact that we cannot set a start and stop time for day trading, so trades are taken around the clock. Nor does this approach allow for any power of quitting rules, such as stopping trading if the first trade of the day is a winner or if we've booked a total of $100 or more for the session. It's also impossible to apply filters, for example only entering long trades if the 50 period EMA is above the 200 period EMA. The approach does however give us an excellent starting point for testing different strategies that we can later enhance through additional programming.

If you use TradeStation try building your own system with these tools. There are a wide variety of entry and exit strategies, experiment with them and try your own creative combinations. Your ticket to trading income independence is waiting to be discovered.

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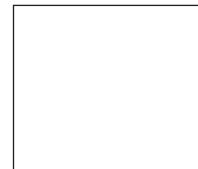

CAN MAKING MISTAKES LEAD TO BECOMING A PROFITABLE TRADER?

by Michael Rykse

An important part of my business plan is to read at least one book per month. These books could be about anything from trading techniques, to the mental side of trading, or even business in general. I believe this is so important because it keeps my brain in learning mode all the time and prevents me from becoming complacent. From time to time, I revisit my library and re-read some of my all time favorites. Over the past month I decided to read one of the best trading books that I have come across. It is *"Reminiscences of a Stock Operator"* by Edwin Lefevre. This book is the biography of Jesse Livermore, one of the most fascinating traders of all time. Even though the book was first written back in 1923 its content remains very relevant in today's market. The book is both entertaining as well as educational with stories of his trading adventures accompanied by pieces of advice along the way.

While reading through it this time, one paragraph really stuck out to me. It is early on in the book but I couldn't get past it without reading it over a few times. The paragraph goes like this:

"With me I must back my opinions with my money. My losses have taught me that I must not begin to advance until I am sure I shall not have to retreat. But if I cannot advance I do not move at all. I do not mean by this that a man should not limit his losses when he is wrong. He should. But that should not breed indecision. All my life I have made mistakes but in losing money I have gained experience and accumulated a lot of valuable don'ts. I have been flat broke several times but my loss has never been a total loss. Otherwise, I wouldn't be here now. I always knew I would have another chance and that I would not make the same mistake a second time. I believed in myself." (Lefevre p.27)

There are so many parts to this paragraph that I could touch on but the main point here is to learn from your mistakes so you can stay in the game for the long haul. So many traders that I work with get stuck in a rut where they make the same mistakes over and over again because they never stop to learn from their experiences. I preach to my students that it is so important to back test their systems and markets that they trade and then keep a trade journal ongoing so they can be sure to learn from both their successes and failures. It's so important in trading to have a plan in place and to follow the plan religiously. Many times it seems as if traders are more determined to prove the system or market wrong instead of finding the best way to make it work. This means being open to changing your approach if need be. Every rule in your trade plan has to put the odds in your favor. If any part of your plan doesn't do so, then it's time to change your plan. Don't let your trading get to the point where you can no longer play the game. Learn from your losses and make sure you are setting yourself up for future success not failure.

It is so important to believe in yourself as a trader if you want to make a living in the markets. This means having a system in place that you can trade with confidence that includes having rules which govern your every move. When I make a mistake a first time I can live it. Make the same mistake a second time and it's shame on me. If you can learn from your losses and mistakes you will be well on your way to becoming a successful trader. This book shows how Livermore went broke numerous times but still managed to learn from his mistakes to become one of the greatest traders of all time.

"Reminiscences of a Stock Operator" is a must read by every trader regardless of experience level. From cover to cover you will find great advice on how to become a successful trader. It might be an old book but its lessons remain important as ever especially in today's uncertain markets. Now more than ever you have to make sure you are equipped to survive these volatile times. This book will give you great insight into what it takes to not just survive these markets but to thrive in them.