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**3 Steps To
Successful Goals**

**Become a Market
Direction Expert**



**5 Qualities of Top
Traders**

**Thinking You Know What
Will Happen Vs
Understanding Probability**



Market Update
Matthew Sharratt

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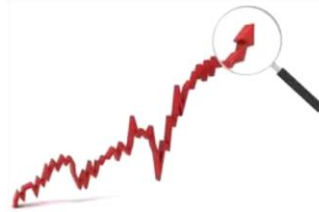


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FROM The Editors



Welcome to Issue 27 of the **Your Trading Solutions** eMagazine.

In this issue I have written an article on "3 Steps to Successful Goals" where I look at the steps to make goal setting work for you. Gary Stone shares his views on thinking of the market in terms of probabilities in "Thinking You Know What Will Happen Vs Understanding Probability". Louise Bedford's article "Become a Market Direction Expert" explores some tools that can help to determine market direction. In Van K. Tharp's article "5 Qualities of Top Traders" he provides some insights from his research into top traders. Lastly we have another trading success story with an interview of Gabriel Grammatidis.

We have our regular Market Update with Matthew Sharratt from SCM Equities. Matt is offering all YTS eMagazine readers a full review of your portfolio and he will put a comprehensive investment plan together for you free of charge.

We hope you enjoy the current issue of the **Your Trading Solutions** eMagazine. If you have any comments or feedback, please direct them to: support@yourtradingsolutions.com

Your Trading Solutions is committed to assisting Traders to gain the right knowledge and to educate themselves to make informed decisions about financial matters.

All our love and best wishes to you for a continued happy and profitable 2012!

Graeme and Natalie Pearson



Note: Articles have been reprinted in the English language supplied

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Markets Report for October 2012

The Dow Jones Index closed the month down 2.5%, its first losing month since May.

US Reporting Season

This sell off was mainly due to a disappointing reporting season. More than 70% of firms actually beat expectations however the disappointment mainly came from their revenues with only 36% reporting sales above the mean estimation.

The absolute earnings growth rate for Q3 2012 is -1.2% so far. If this is the final growth rate for the quarter it will mark the end of the eleven-quarter streak of earnings growth for US stocks.

For Q4 2012, so far 48 companies have issued negative EPS guidance and 14 companies have issued positive EPS guidance.

Corporate Bottom Line under Pressure

As we have mentioned in previous reports US earnings cannot keep rising forever. Since the GFC companies have been able to manage their earnings to show a smooth increase. This has been done primarily by cutting costs to fight the tough economic conditions however there is only so much they can cut. Revenue on the other hand is probably a better indicator of economic health; if revenues start flattening then earnings will start to decline. Next earnings season the market might start to face some real difficulties if the overall economic condition does not start to improve.

Another concern is the fiscal cliff, whilst it is extremely unlikely the U.S. government will let the economy “fall over the cliff”, budget constraints will certainly kick in and that will mean less government spending and higher taxes, which will have negative impact on the economy. The probable impact on GDP is approximately 1%, which will slow the already low growth economy.

Looking forward

So here are the economic conditions we are facing in the next 3-6 months.

1. Growth slowing down
2. Corporate profits starting to decline
3. A fiscal cliff
4. US Presidential Election

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Under these conditions stock picking will be very important; we want to invest in companies that offer significant value. Typically we want companies that have;

1. Low Valuations
2. Growth, but not high growth estimates, being priced into their share price. Under the current conditions we want companies to be growing their sales and earnings, however if the target is too high they are unlikely to achieve it in a low growth environment and this is likely to result negatively on their share price.
3. Positive Free Cash Flow; companies generating free cash flow back into the business and not investing too much based on unreal expectations should perform better.
4. High ROE: Investments need to generate high returns
5. Low Debt.
6. Be overweight bigger cap stocks.

In the US our stock screen based on these criteria came up with the following stocks:

Ticker	Company	Industry
AAPL	Apple Inc.	Personal Computers
AU	Anglogold Ashanti Ltd	Gold
BAC	Bank of America	Money Center Banks
BAX	Baxter Intl	Medical Instruments & Supplies
CAT	Caterpillar	Conglomerates
CSCO	Cisco Sys	Networking & Commutation Devices
CSX	CSX Corp	Railroads
CVX	Shevron Corp	Major Integrated Oil & Gas
DELL	Dell Inc	Personal Computers
GM	General Motors	Auto Manufacturers
GOOG	Google Inc	Internet Information Providers
HUM	Humana Inc	Health Care Plans
KSS	Kohls Corp	Department Stores
MSFT	Microsoft	Application Software
STX	Seagate	Data Storage Devices
WMT	Wal-Mart	Discount, Variety Stores

You will notice a lot of quality companies in this list. We believe this portfolio of big cap stocks is likely to outperform the markets in the near future.

Model Portfolios

In July of this year we launched 3 model portfolios at SCME. Our model portfolios are real investments portfolios managed to deliver specific outcomes. Assets are held in the client's names and investment stock selections are clearly outlined in advance by the portfolio managers.

Our 3 models cover;

1. Australian Growth Portfolio
2. High Income Portfolio
3. US Stock Portfolio

The purpose of our models is to deliver long term outperformance versus benchmark indices with an investment approach that is thoroughly researched and constructed in such a way that it is easy for our clients to implement and follow and mirror our returns.

For more information including the 1st quarter performance, please contact us on the contact details at the start of this report.

Have a great month

Matthew Sharratt & Alan Liao
Portfolio Managers with SCM Equities

About SCM Equities

SCM Equities is part of the Strategic Capital Management Group which has been providing global investment services, portfolio management and advice to institutional, corporate and private clients since 2000. They hold an AFSL Licence Number: 313495 through ASIC.

As a special offer for Your Trading Solutions subscriber, if you mention you are from YTS, they will conduct a full review of your portfolio and put together a comprehensive investment strategy for you to meet your financial goals free of charge.

Contact Matthew Sharratt or Alain Liao for further information.

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QUOTES To Inspire



"It's not what the Vision is, it's what the Vision does."

~ Peter M Senge

"Fortune favours the bold."

~ Alexander the Great

"A pessimist sees the difficulty in every opportunity; an optimist sees the opportunity in every difficulty."

~ Winston Churchill

"There are many times when I have been completely in cash, especially when I was unsure of the direction of the market and waiting for a confirmation of the next move...."

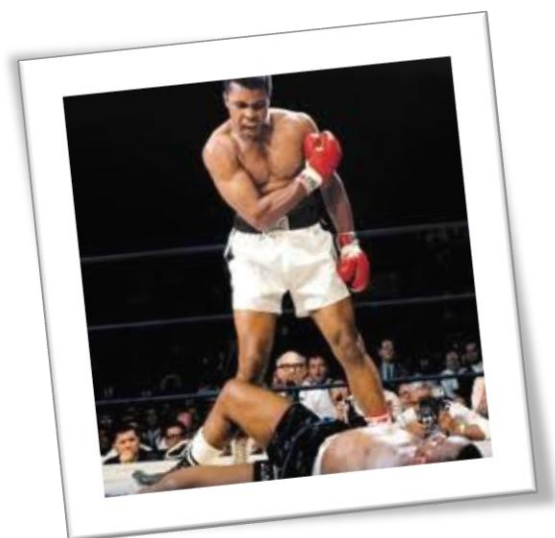
~ Jesse Livermore

"Here's the essence of risk management: Risk no more than you can afford to lose, and also risk enough so that a win is meaningful. If there is no such amount, don't play."

~ Ed Seykota

"The fight is won or lost far away from witnesses - behind the lines, in the gym, and out there on the road, long before I dance under those lights."

~ Muhammad Ali



3 Steps To Successful Goals

By Graeme Pearson



Goal setting has been around for thousands of years but sometimes it is not carried out as well as it could be. Goal setting when done well can be very powerful. Even when done poorly it is still better than not setting any goals at all.

Most goal setting focuses only on one key aspect of goals and that is the outcome. What is rarely taught are two other critical components to helping you achieve your goals. The three steps required for successful goals are outcome, performance and process.

To make sure you successfully hit your goals you need to have sub-goals in each of those areas. They all synergistically work together to ensure your success. If you don't set goals in each of these areas it is like an engine that doesn't fire on all cylinders. To reach peak performance you'll want each component covered. So lets look at each of these areas in more depth to get a greater understanding.

Outcome

The first part of goal setting is knowing where you are going. In the words of noted psychologist Arnold Glasgow, "In life, as in football, you won't go far unless you know where the goalposts are." This is the component to goal setting which most people would be familiar with and also one of the most commonly used acronyms for goal setting is the SMARTS formula. As an extra step I have added an S on the end of the more typical SMART version. Although this goal setting approach is well known I will touch on it briefly with a short description of each step. The definitions I use for each of the steps are:



Specific - It is important to be specific about your outcome. Have a clear picture in your mind about your end result.

Measurable/Meaningful - Having it measurable allows you to track you progress towards your goal. A meaningful goal will allow you to get emotionally involved in achieving it and will help to keep you motivated.

As if Now/Allow - Wording your goal in present tense as if you have it now switches your mindset to that of abundance rather than lack. If you have thoughts and feeling of lack towards your goal you will always be pushing it away. By thinking and feeling that you already have it your goal will be attracted to you. The other part is to allow yourself to

achieve your goal. Your current self-image may get in the way of success if you feel unworthy of your goal.

Realistic - This step is not meant to put limitations on your goals. It is more a matter of starting with what is believable to you and growing from there to build your success. A good starting point is to identify if someone has achieved what you are setting out to do. This does not mean that you can't set lofty goals otherwise things which have never been done would never have been accomplished. It is just important to believe that you can do it.

Timed/Towards - Being timed helps as a motivation but be careful that you don't see it as a failure if you miss the deadline. Towards means to word your goal towards the positive of what you do want and not away from a negative you don't want.

Steps/Smile - You don't have to know every step to meet your goal but you at least want to know the next step. In wording your goal you want to incorporate a positive emotion so that it makes it more pleasurable. Don't get too serious about it and just have fun.

An example of a goal using the above formula would be - it is now the 14th of December 2013 and I am so proud and happy that I have achieved my goal of becoming a full-time trader earning \$100,000 per annum. I am now able to spend more time with my family and travel the world and allow myself to live a life of freedom.

Performance

Performance ties in with the measurable steps of the SMARTS formula. The founder of quality control and continuous improvement William Edwards Deming quoted "You can expect what you inspect." Deming emphasized the importance of measuring and testing to



predict typical results. Another management adage is you can't improve what you don't measure. Another quote by Dr. H. James Harrington, a founder of performance improvement, is "Measurement is the first step that leads to control and eventually to improvement. If you can't measure something, you can't understand it. If you can't understand it, you can't control it. If you can't control it, you can't improve it."

To use a sports analogy the score board is a lagging indicator. Performance stats are the leading indicators. In trading some of the key metrics to measure your performance are R-multiple, expectancy, win%, win/lose ratio, profit/loss ratio and your trading efficiency. I will give a brief explanation of each of these and their importance.

R-multiple - Reporting of your individual trades in terms of the risk taken for each trade. A 5R trade is a profit that generates a return of 5 times the risk taken. If your trade risk was \$500 or 1% then a 5R trade returns \$2,500 or 5% on your capital.

Expectancy - Is related to R-multiple in that expectancy is the mean of a R-multiple distribution generated by a trading system. Expectancy is quoted in terms of how much you would make on average per dollar you risk.

Win% - Is a measure of reliability for a trading system. Win% gives the number of winning trades as a percentage of all trades in a sample.

Win/Lose Ratio - This reports the number of winning trades as a ratio of the number of losing trades. Very closely related to the win%.

Profit/Loss Ratio - Is a measure of the average profitable trade relative to the average losing trade. For a profitable system you need at least one of the win/lose or profit/loss ratios to be greater than 1.

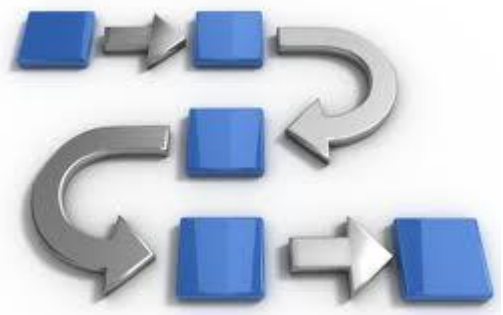
Trading efficiency - This measures how well you follow your trading system rules. Trading efficiency is calculated as the number of trades following your system rules as a percentage of the total sample of trades. If for example you had a sample of 100 trades and 83 of those trades you perfectly executed according to your trading plan then you are trading a level of 83% efficiency. The aim of course is to be 100% efficient.

All the above performance metrics can be calculated from any back testing and paper trading. This can then be used as a benchmark for your performance goals. If you are using back tested results as your benchmark then a few considerations need to be taken. Firstly you can have variations between live and back tested trades depending on how well you have factored in slippage, spread and other costs in your testing. The other consideration is the market phase that you tested over. It is a little counter productive to compare the tested results of a bull market with the current results during a bear market.

Process

Process goals are where the rubber hits the road and are more specific to your daily actions. This is where the technique of modelling is of great use. Rather than trying to come up with your own processes through trial and error you can model the processes of traders already achieving the success you want. The fast track to excellence therefore is to find a mentor or coach to model your processes off.

When you are actually carrying out your trading activities you purely want to be focussed on the process. By purely focussing on the process you are more likely to get in the zone and get the results you actually desire. You still need the appropriate process though.



Process goals are mostly about skills and technique but psychology plays a very important role. In sports skills and technique are developed through training. The equivalent in trading is to back test, paper trade or trade a demo account. You can be the most skilled athlete or trader but if you don't include psychology in your process your hard work will be to no avail.

Psychology comes into play from a process perspective in that skills and technique can be overridden by psychology in the heat of battle. To give a sports analogy lets say you play basket ball and have a 75% free throw percentage. You have a good process of keeping eyes on your target, well balanced stance, smooth bend of knees, good ball control with



fingers spread, with ball and shooting eye forming a straight line to basket, uncoil your body with legs, core and arm coordinated and extend shooting arm in a straight line to the rim. Now when you are under pressure of making a free throw in the last quarter with 1 second left in the game and scores tied your percentages may be lower if you don't manage your psychology.

If you let thoughts of "I'm going to lose the game if I don't get this shot", "I always miss important shots" and feelings of doubt and worry take hold and over ride a good process your percentages can be considerably less. If part of your process includes a reliable mind clearing exercise, empowering self-talk and visualising the perfect shot being made you have a better chance of being consistent with your percentages under all circumstances.

The same applies to your trading. You can have good trading technique but if psychology is not managed as part of your process for trading your results will be below your best. A great tool to help you develop and manage a high performance process is that of a trading journal. A trading journal acts as a great way to monitor your progress and create a feedback loop on your trading activities.

Once you have all three steps of outcome, performance and process covered you will begin to see a difference in your results. All three aspects work in synergy so that you have in place the processes to get the performance you want and by achieving your performance goals it follows that you will then achieve your outcome goals. Look after the processes and the profits look after themselves.

If you would like more information on setting your trading goals or would like support on your trading journey then free to contact me at graeme@yourtradingsolutions.com to help you become the best trader you can be.



About the Author: Graeme Pearson is a Professional Trader and Trading Coach for Your Trading Solutions. Since resigning from his Full-time job as a Mechanical Engineer back in 2006, Graeme realised that although he had reached his goal of financial independence something was still missing. Graeme found that he gained great pleasure in helping others and particularly when that help involved trading. Graeme now utilises his trading experience, Neuro Linguistic Programming and coaching training to combine mindset and methodology to help other traders become the best they can be. For more information about coaching contact Graeme at: graeme@yourtradingsolutions.com

Become a Market Direction Expert

By Louise Bedford

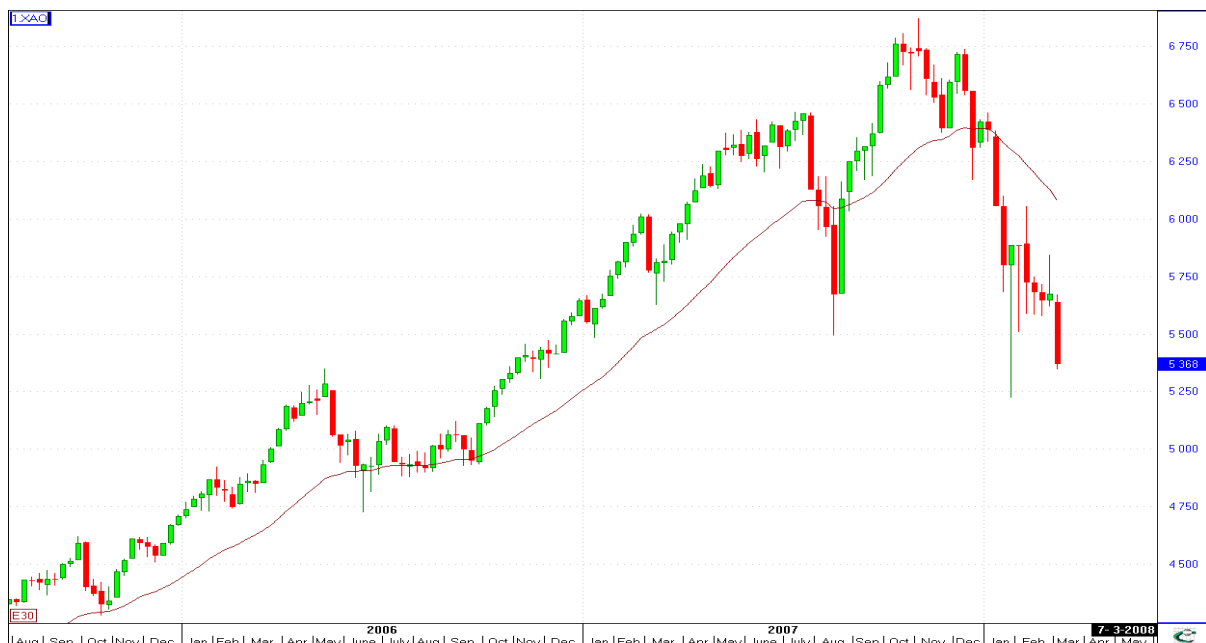
Traders in the current market are hopping from foot to foot as if they're walking on a scorching hot pavement. It's hard to keep a cool head. Do you want to become a market direction expert like the handful of traders who are currently making massive profits? Then keep reading as I discuss three excellent tools that you can use to help you determine the market direction, and to identify winning trades. By the end of this article, you will have formed a view of how to ascertain the current market direction and be well on your way to achieving 'expert' status! Yes, I'll be using some old charts, but suck it up. I'm trying to give you the skills you need rather than tell you exactly what I think of the current market. These skills will take you further in comparison to if I just analysed the market right now & said what I think about it's direction.

Moving Averages

A moving average smooths price fluctuations on a chart by taking the sum of the closing prices and averaging them across a particular period. Share prices, or Index points in this case, located above the moving average are a bullish sign. Conversely, when share prices are located below the moving average, this is a bearish sign.

There is no magic setting for using a moving average that will give you the best results at all times. As a rule of thumb, I suggest that you use a 30-period exponential moving average (EMA). In general terms, I only open new equity positions when the All-Ords index is above its 30-week EMA. Here is a weekly chart of the All-Ords for you to analyse.

All-Ords – Weekly



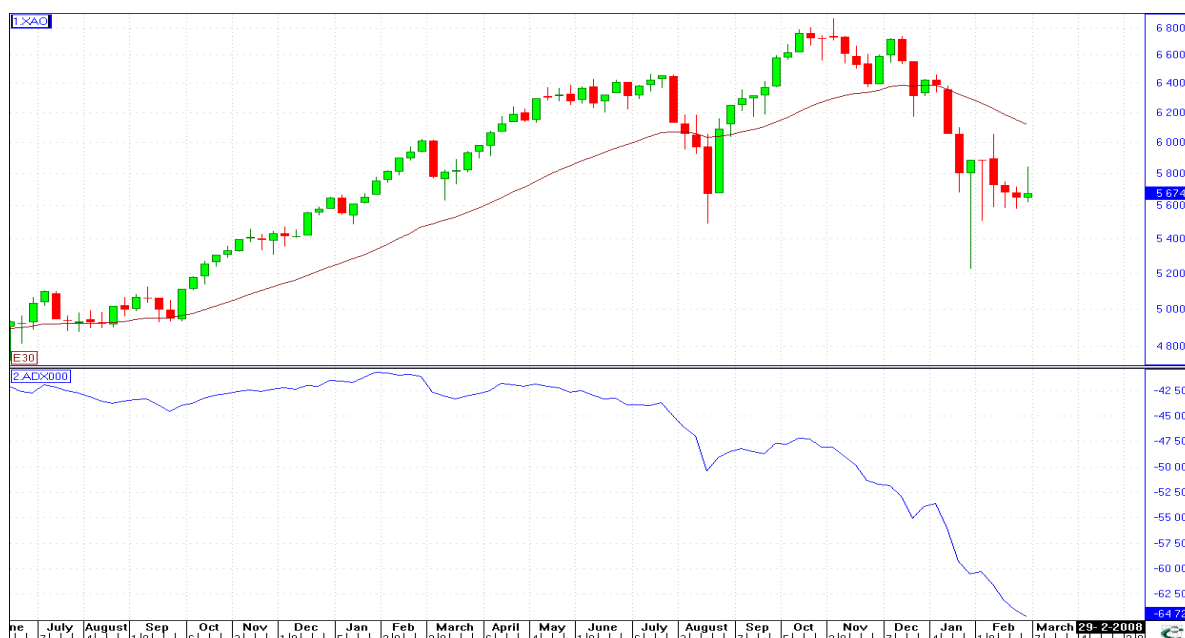
Also look at the patterns formed by the chart. A series of lower highs means that the instrument is downtrending. What is your view of the chart shown here? Are you more likely to be a bull or a bear?

Advance-Decline Lines

If you want to become a direction expert, you should also look at Advance-Decline lines (AD lines). An AD line measures the absolute number of shares increasing in value, in comparison to those decreasing in value. A positively sloping AD line is a bullish sign as it depicts that the majority of shares are increasing in value. Ideally, a bull market will be characterised by more shares increasing than decreasing in value. However, it doesn't always happen this way. Sometimes, an index can still be a rising even if it's AD line is falling, because the accumulated value of the declining shares is less than the accumulated value of the fewer advancing shares.

AD line data comes from top quality data providers, rather than being a resident indicator in your charting package. A line like the one shown for the All Market below, shows that more shares have been decreasing in value in comparison to increasing in price.

All-Ords chart & AD line of All Market - Weekly



Some traders refuse to trade unless both the Index and the AD line are pointing skyward. Unfortunately, they would have missed out in participating in much of the last several years of the greatest bull-run in history as there was a negative AD line status present for long periods.

Take the AD line into account, but do not allow this one piece of analysis to weigh too heavily if there is other evidence of bullishness.

The Relative Strength Comparison

A relative strength comparison shows how one asset is performing in relation to another. For example, if a sector is outperforming the All Ordinaries Index, that sector will display a positive relative strength. Ideally, you want to buy the strongest shares in the strongest sectors, when the overall market is bullish. If the market is falling, you can profit from these conditions by looking for shares that are under-performing the general market, preferably in underperforming 'cold' sectors. If you identify these candidates, you can make money through tools such as bought put options, written call options, and short sold CFD positions.

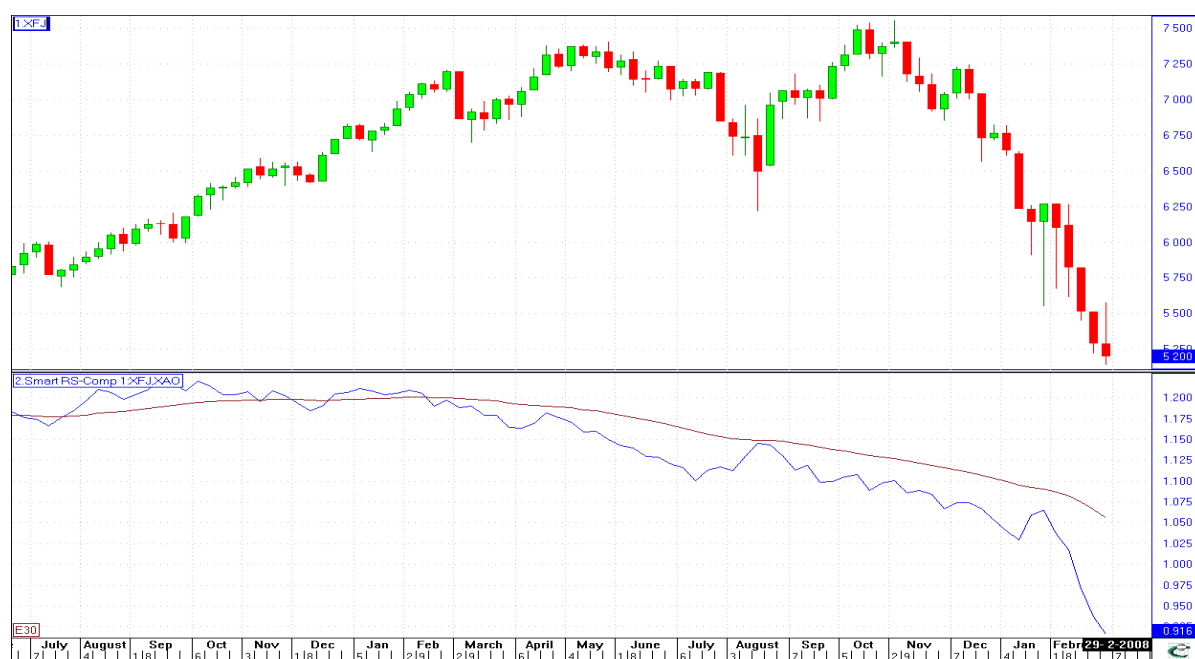
When you first identify that a downtrend is in place, you can swoop in and open short positions. As new sell signals emerge, you can open new short positions as well. The danger in shorting a market that has been falling for a while is that you may find the trend is running out of puff. It's fine to sit on the sidelines during these periods and wait for a clear signal to initiate your next position.

I search for hot and cold sectors showing positive and negative relative strength once a week. I post the results of this search on my website, www.tradingsecrets.com.au where you can access them for free.

A mechanical method of using this indicator to find short positions is to ensure that the RSC has been trading below a medium term moving average for at least one week. To open long positions, you may choose an opposite 5 week benchmark.

So, once you've determined the market direction to your satisfaction, use RSC to help you determine specific sectors that are either hot or cold. Then you can drill down using RSC to identify candidates outperforming the hot sectors or underperforming the cold sectors. For example, the Financials sector is trending down, and underperforming the All-Ords, so the weight of evidence suggests that you could look for short positions within this sector.

RSC Financials and All-Ords - Weekly



To help you improve your trading results, there is a trading plan template called a 'Trading Plan Review', available for free from my website www.tradingsecrets.com.au. Simply enter the competition to potentially win a free Home Study Course, and you will also receive 1 month free forum access, a free monthly email newsletter, as well as my Trading Plan Review. It will help you work through all of the vital issues that need to be included in a sophisticated trading plan to give you an edge in the sharemarket.

Want to get Louise's free 5-part e-course so you can excel in the markets? Register your details right now at www.tradinggame.com.au and you'll never look back.

Louise Bedford (www.tradingsecrets.com.au) is a full-time private trader and author of *The Secret of Writing Options*, *The Secret of Candlestick Charting* and *Trading Secrets*.

Thinking You Know What Will Happen Vs Understanding Probability

by Gary Stone

Let's imagine you have just opened and read an email from the stock picking newsletter you subscribe to and see a buy alert for your "favourite" stock. The company is planning to announce its earnings to the market within the next 10 days, and it now has a 'buy' recommendation based on a potential positive announcement. You can hardly contain your excitement because you remember the last time the company announced its earnings the stock price shot up like a rocket. You think to yourself there is no way I'm going to miss out on this trade, because you just 'know' it will happen again this time around.



You open your charting package and pull up a chart of the stock. You see that until recently it has been rising steadily but technically the stock has now turned down. But hey, you can hardly sleep due to the excitement of placing an order the next day on the hope that the news will be good. You rationalise that the downtrend is only minor and that the expected positive announcement will cause the stock price to rally sharply. You begin fantasising about what you will do with the profit holiday, new car, boat.



The above scenario is an example how a trader or investor can take the available neutral information and distorted it to suit his belief about the future price of the stock. Distorting information when making decisions can trigger emotions that lead to costly mistakes.

Ignoring the information displayed in the charts you buy the stock on the open the next day and then watch in disbelief over the next week as the price continues to fall. 'Nevermind' you rationalise, 'it will rally as soon as the earnings announcement is made'. When the announcement does come, it is an earnings downgrade or an earnings upgrade that did not meet expectations

and the stock price gets smashed by the market and the capital you have invested in this trade is halved!! So much for trusting your 'gut' and ignoring the price action shown in the price chart.

A few mental triggers that can cause a trader to distort neutral and unbiased information:

- A previous trade with a stock that was successful. Association with past experiences in the market is not a good trading trait.
- Following someone else's advice or opinion that is contrary to the facts.
- Feeling like you 'need' to make a successful trade.
- Feeling that everyone, except you, is making a lot of money and picking the right trades.
- Not having a thorough understanding of the strategy you are using.
- Investing with a stock picking mindset rather than a portfolio mindset.
- A previous trade with a stock that was a loser so not doing the trade because it "feels" that the same will occur this time around.
- Believing you know what price will do next so you don't need to limit your risk.
- Not believing the current price.

The most important skills that a trader and investor can develop are objectivity and consistency. Learning to stay in the NOW and not associate with the past or have an expectation of the future will help the trader to view the market price action objectively as it is unfolding and not as they would hope it to unfold. This is the beginning of understanding that you need to operate in terms of probabilities and does the trade have a reasonable edge to profit, instead of trying to think you know what is going to happen in the markets.



Let's take probabilities into consideration and look at how important it is to understanding trading as nothing more than likelihood of one thing happening over another. If you can learn to identify your strategy with probabilities you will no longer need to base it on anything else and there will never be a trade that you *have* to be in.

There is no trader or investor who trades with the right side of the chart filled in. We all have loss trades. But by thinking in terms of probabilities, combined with risk and money management, we can learn to accept that winners and losers and the size of the winners and losers are factored into the probabilities and hence make consistent profits over a large sample of trades and trading events.

As traders and investors we need to understand that the market is a probabilistic environment. By implementing a strategy that has a probabilistic EDGE we are investing with the probabilities in our favour.

5 Qualities of Top Traders

by Van Tharp, Ph.D.



People often ask me questions like, "What qualities do top traders have?" One person even hired me on a consulting basis for a half day to get my answers to this question. However, paying a sizable fee for that information is unnecessary. Here are the five most important characteristics that I have found researching top traders.

1. A belief that you create your results in life.



Most people don't understand this concept. They repeat the same mistakes over and over again because they blame their mistakes on external factors. For example, if you blame your bankruptcy in one of my marble games on the person who pulled the 5R marble against you, you are not taking responsibility for your position sizing error of risking 20% (or more!) of your equity on a single trade. Consequently, you'll repeat this mistake over and over again and there will always be someone to blame for pulling the 5R marble against you.

Conversely, top traders are constantly determining how they produced their results and working to correct their mistakes. They create their reality.

2. The interest and desire to really understand yourself.

You cannot understand how you create your own results if you don't know yourself intimately. I believe that most people live their lives like the automatons in the movie, *The Matrix*. They just do their thing, not realizing how much they have been programmed by their culture, and their family and friends rather than understanding that they always have a choice in everything.

The great traders I know continually study and challenge themselves, their thinking, their actions, and their reactions.

3. Discipline to continually work to improve yourself.

Top traders often have a passion to work on themselves. A good trader will probably complete the Peak Performance Course once or twice and internalize many aspects of it. A top trader, or a potential top trader, will go through the course many times and develop a discipline that involves spending 1-4 hours each day working on improving himself or herself.



Several years ago we held a private workshop for one of the best traders in the world. I expected to go out to dinner with him after the workshop and get to know him better; that did not happen. Instead, his entire day was so meticulously planned (i.e., so he could fit in all of his daily disciplines) that he had exactly the amount of time to attend the workshop but—literally—not three minutes more.

Discipline of that nature creates excellence.

4. The ability to strategize well.

Good traders tend to excel at high skill games (e.g., poker, backgammon, chess, blackjack) because they can create good strategies and stick with them.

Top traders execute their strategies based on robust business plans that they have created to guide their trading. They have taken the time and effort to form meaningful objectives. They have also developed effective strategies to reach those objectives by understanding the multiple scenarios that are possible and how they will respond.



5. The ability to get in the zone.

Top traders can become one with the market and accurately sense what it is doing. They have the ability to live in the present moment without being influenced by the past or the future. It's a very intuitive state and often gives them a total sense of how successful their moves will be in the market even before they make them.

Now, take a look at yourself and consider honestly if you have what it takes to be a top trader.

About the Author: Trading coach, and author, Dr. Van K. Tharp is widely recognized for his best-selling books and his outstanding Peak Performance Home Study program—a highly regarded classic that is suitable for all levels of traders and investors. You can learn more about Van Tharp at www.vantharp.com.

Trading Success Story

An interview with Gabriel Grammatidis

Q: Are you a purely technical trader who just looks at the charts?

Gabriel: I monitor macroeconomic developments very closely, especially during these turbulent times. They form the basis for my big-picture view of capital markets, which determines how I structure my investments and trading—i.e., what and how I should trade (investing, swing trading, daytrading), which asset classes to own, etc. If you want to protect your wealth, I believe it's important to think about where potential risks might develop. When it comes to short- and medium-term trading, I focus on charts.

Q: It seems that you rely more on the price action you see in the charts than on indicators. Why is that?

Gabriel: Actually, I use a combination of price action and indicators. Most of the indicators people use are based on past price action, which provides a signal after a price move has occurred (lagging indicator). Consequently, many traders enter when the move has already played out quite a bit. To get in early, I typically use leading indicators that anticipate a price before the move happens. Combining leading indicators with price action helps me get the best view of the markets.

Q: Do you monitor the markets on days you don't trade, or do you just catch up when you get back to trading?

Gabriel: I don't monitor the markets when I'm not trading. The Forex market operates in sufficient liquidity 24 hours a day, so there are opportunities around the clock. This gives me the flexibility to schedule my trading times around whatever else is going on in my day. In Forex, I think it's much more important to trade at times when you feel your best rather than to allow specific exchange hours to dictate your day. When I take a day off to go hiking in the mountains, I usually catch up the next morning.

Q: Van K. Tharp stresses the importance of understanding market types for trading system development. Do you measure market type in the currency markets?

Gabriel: There is no Holy Grail system that works well in all market types, so it's important to analyze how well a system performs in each market type and how many trade opportunities might occur. You can then select or concentrate on those systems that perform best in the specific market type you have. The three systems I teach in the upcoming workshop are trend-following systems that require good uptrends or downtrends. Quiet market types allow me to benefit from other kinds of low-risk trade ideas (e.g., a consolidation pattern breakout failure).



Q: What do you believe causes support and resistance levels? Is the same force at work in Forex markets as in equities or commodities?

Gabriel: Support and resistance levels are caused by market participant psychology. When you look back in time, you see that support and resistance levels have worked even when charting was not performed. Technical analysis applies particularly well to Forex

Q: Have you read any good books on Forex trading, or do you find technical analysis books more useful?

Gabriel: I screen the market for Forex books once in a while. They all make for interesting reading, but now that I understand the inner workings of the Forex market, I find technical analysis books more useful. In the end, the best trading book is your own trading journal.

Q: You used a trading simulator at your workshop to help people learn your systems' setups, entries and exits. Have you used a simulator yourself to practice trades on your own?

Gabriel: Yes. I believe that a simulator is a good tool to use after a trade is finished. During my daily debriefs and weekly reviews, the simulator allows me to go back in time and replay situations as though they were "live." It's like a drill training session that gives me the ability to think through difficult situations and work on my weaknesses (just as in sports).

Q: You talk a lot about risk management. Why is it important, and how do you apply it to your own trading?

Gabriel: Apart from psychology, trading is mainly about risk management and less about generating profits. Once the risk is under control, the profits tend to unfold themselves (if the system has an edge). I manage my risk through a dynamic position sizing strategy and by monitoring key trade statistics that give me an early warning indication if something isn't working right.



Q: You also stress the importance of preparing for the trading day. How do you prepare?

Gabriel: It is my habit to follow certain routines in life. I start my trading day by riding my stationary bike, stretching and meditating. A self-analysis and mental rehearsal is also part of my trading preparation. Van stresses the importance of following the top tasks of trading, and these preparations are an important part of the tasks. When I don't follow my morning preparation, my mental state for trading is impaired. So I better do it...

Q: Some of the attendees at your June workshop were a little surprised that meditation improves your trading. How does meditating and understanding your personal psychology help you trade better?

Gabriel: Meditation improves every aspect of life and trading. The more I trade, the more I understand that trading is mainly about psychology and mental states. Meditation is an important tool for achieving a peak trading mental state. Accepting or even being grateful for whatever happens (win or lose) is a precondition for trading well. Trading from a state of fear or greed is not advisable.

Q: In what areas do you think you excel as a trader?

Gabriel: I am a creative person, and I constantly research and test new systems. One of my strengths is being able to take a trading idea and test and refine the rules for it until the system is production ready.

Q: If you could improve one aspect of your trading, what would it be?

Gabriel: Being less prone to overtrading.



Q: What's the hardest part of trading for you?

Gabriel: The hardest part for me is flawless execution of my system rules no matter what. Not following your rules is a mistake, and most mistakes generate losses. If you want to flawlessly execute your rules, you need to work on clearing non-useful beliefs or emotional blocks. Too often, the mind self-sabotages in order to satisfy unconscious beliefs that are detrimental to trading success. During the Super Trader program, I had to unlearn many of the beliefs I had acquired in my life and learn new ones.

Q: What do you do to continue your education and development as trader?

Gabriel: I attend workshops, talk to trader friends and read books. Having a social network of trader friends is important.

Q: Where do you see your trading going in the next year or two?

Gabriel: Right now I'm developing some new trading systems that should be operative within a year's time. I'm also working on opportunity detection tools that give me visual alerts if a setup is about to trigger.

**Q: What kinds of life experiences have been the most helpful to your trading?
Athletics? Your corporate experience?**

Gabriel: That's an interesting question. I used to think that trading was similar to athletics, but it's not. Whereas athletics is an emotionally intense activity, trading is done best when emotional intensity is very low. My corporate career taught me how to be creative within a logical mind frame, so I guess that my professional career has helped me the most.

Q: Why is trading so difficult to learn?

Gabriel: Trading is a simple thing once you get past all the obstacles—but doing that can take years. When most people start trading, they are “unconscious incompetent.” As they acquire more trading knowledge, they become “conscious incompetent,” then “conscious competent.” This can be compared to somebody who learns to drive a car and just had some driving lessons. The most critical step toward consistently winning in trading is developing the ability to execute systems flawlessly (unconscious competence). Most people, including myself, are unaware of this progression, or else they grossly underestimate the time and effort it will take to advance through the process.

Q: Why do you teach other people your trading systems when you could stay home and make money just trading them?

Gabriel: This question implies that life's purpose is all about money. I take great joy from teaching others and seeing them progress. I know how difficult it is to get started, and I know that I can save people a lot of time by pointing them in the right direction. I'm grateful to all the people who helped me, so I'm happy to transfer my know-how to others.

Interview Supplied by The Van Tharp Institute. Interview by R.J. Hixson. Gabriel Grammatidis is a successful full-time trader and graduate of Van K. Tharp's Super Trader program. In the following interview, Gabriel talks about his approach to trading, the techniques and habits that lead to success in the markets, and his own development as a trader.



DID YOU KNOW?



Apple Inc.

Apple was established on April 1, 1976 by Steve Jobs, Steve Wozniak and Ronald Wayne to sell the Apple I personal computer kit. The kits were hand-built by Wozniak and first shown to the public at the Homebrew Computer Club. The Apple I was sold as a motherboard (with CPU, RAM, and basic textual-video chips), which is less than what is today considered a complete personal computer. The Apple I went on sale in July 1976 and was market-priced at \$666.66 (\$2,723 in 2012 dollars, adjusted for inflation.)

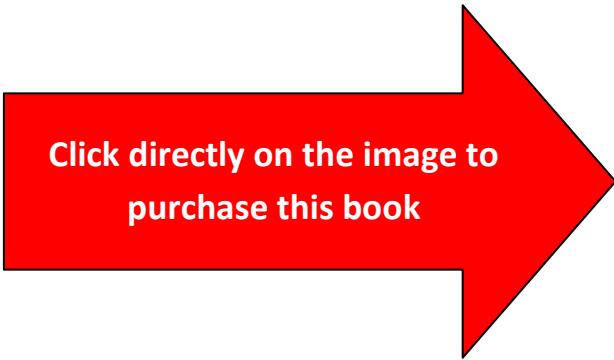
Between early 2003 and 2006, the price of Apple's stock increased more than tenfold, from around \$6 per share (split-adjusted) to over \$80. In January 2006, Apple's market cap surpassed that of Dell. Nine years prior, Dell's CEO Michael Dell said that if he ran Apple he would "shut it down and give the money back to the shareholders." Although Apple's market share in computers had grown, it remained far behind competitors using Microsoft Windows, with only about 8% of desktops and laptops in the US. In 2007 Apple achieved widespread success with its iPhone, iPod Touch and iPad products, which introduced innovations in mobile phones, portable music players and personal computers respectively.

As of August 2012, Apple has 393 retail stores in fourteen countries as well as the online Apple Store and iTunes Store. It is the largest publicly-traded corporation in the world by market capitalization, with an estimated value of US\$626 billion as of September 2012. The Apple market cap is larger than that of Google and Microsoft combined. As of September 29, 2012, the company had 72,800 permanent full-time employees and 3,300 temporary full-time employees worldwide. Its worldwide annual revenue in 2010 totalled \$65 billion, growing to \$156 billion in 2012.

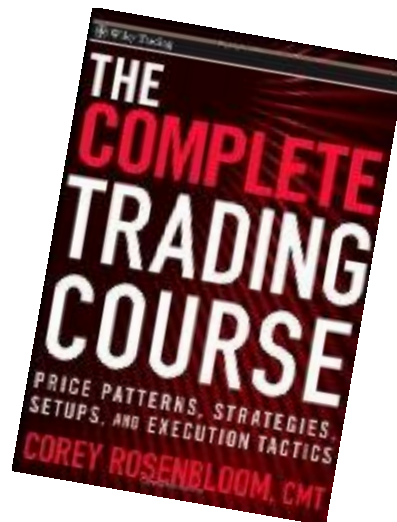
http://en.wikipedia.org/wiki/Apple_Inc.

Each issue we will feature a Review from Amazon.com about a book that we would recommend for your Trading Library. If you would like to purchase the book each month simply click on the image and you will be taken directly to our Amazon A-Store to securely take your order.

The Complete Trading Course By Corey Rosenbloom.



Click directly on the image to
purchase this book



Product Description

A practical guide covering everything the serious trader needs to know

While a variety of approaches can be used to analyze financial market behavior and identify potential trading/investing opportunities, no approach is completely accurate. The challenge for traders is to find a method that they feel comfortable with and are able to implement consistently, through the normal ups and downs of trading.

The Trading Course provides you with a detailed description of the methods used to analyze markets, spot profitable trading opportunities, and properly execute trades. Page by page, this book references different trading methodologies, but focuses specifically on applying them when attempting to identify good trades.

- Discusses the principles of price behavior, trends, trade set ups, trade execution, and intermarket relationships
- Details different trading tools and techniques, including Japanese Candlesticks, Elliott Wave, Dow Theory, momentum indicators, and much more.

If you want to become a successful trader, you have to be prepared. This book will show you what it takes to make it in this field and how you can excel without getting overwhelmed.

The Complete Trading Course provides aspiring traders with a detailed description of methods to analyze markets, spot profitable trading opportunities, and execute trades properly. Using a variety of approaches—such as Candlesticks, Elliott Wave, Dow Theory, and others—this book shows you how these methods overlap to identify tradable moments in the markets. Author Corey Rosenbloom skillfully explains how to identify trades based on price trend, momentum, and volatility—and how to make decisions confidently and maintain that confidence throughout the trade.

The Complete Trading Course goes beyond basic strategies to reveal how to assess your edge—the specifics of trade execution tactics geared to your unique personality—and then incorporate your experiences, stage in life, risk-tolerance, and individual psychological make-up into a lifetime of learning. By creating this unique approach, you'll learn to progress month to month and then year to year as a developing trader.

No one book, indicator, or seminar can teach you all you need to know to be a successful trader, but this timely guide lays the foundation upon which to build a lifelong trading career.

Customer Review By Andy Cole

After reading Corey Rosenbloom's, The Complete Trading Course, there was one basic theme that I took away from the book: these days, there is no excuse for your average every-day investor not to at least make an attempt to manage some of his/her own money. And I also couldn't help but hope that many would immediately add Corey's book to their trading library.

The difference between today and twenty years ago is the arrival of the internet and the vast array of tools and information that can now be accessed by just about everyone. Couple that with what Corey achieves in the writing of this book, and you have the building blocks for a solid foundation on which to build a profitable trading strategy for today's markets.

SMB has gotten to know Corey very well as he is a frequent lecturer across the country and shares his trading knowledge daily at his invaluable blog. Corey is a true scholar of the markets and as you read you feel you are in his trading classroom.

I think the closest analogy that I can make for this book is that it's similar to sampling h'orderves at a dinner party. There are many different options. All of them look delicious, but as the saying goes, "to each person his own." What Corey does in this book is survey all the different options with regards to technical trading, leaving it up to the reader to determine

what works best for them. This is a fantastic way to teach as we do best at what interests us most.

Delving into the book a bit, Rosenbloom goes through the usage of indicators, how to use them, and how they are CALCULATED. Most trading platforms come with hundreds of different indicators and 99% of traders who use these indicators have no idea how they are calculated, yet they still use them. While I (and SMB for that matter) don't use very many indicators, I think it's very important to know exactly what I'm using while I'm trading.

Corey also gives the reader insight on the proper usage of Fibonacci retracement as well as a brief overview of Elliot Wave Theory. You might say this book is an enjoyable master's course in all things technical analysis. For this information to be available in "Complete Trading Course" today can only be viewed as a win for every day investors.

To the beginning trader, it can be overwhelming to know where to even start. Corey does a great job of breaking down the decision making process that he makes when placing a trade. From analyzing trends, to understanding the importance of momentum, and finally tying it all together with some straightforward setups near the end of the book, this is definitely the next book to go get for library of the every day investor.



Trading skills can be one of the most difficult skills to acquire, yet how many traders take on a coach to help them with their trading? If we were to talk about any sporting endeavour which you wanted to achieve your best in then you would hardly think twice about taking on someone to help make it work for us, but trading, no, that seems to be different. Of course trading coaches may not be cheap, but in most cases they are a lot cheaper than the losses which many make in the markets.

A quote by Derek Bok sums it up nicely **“If you think education is expensive, try ignorance”**.

It is not difficult to make money in the markets, but there are many things you need to learn and you also may need to “unlearn”. It is learning to do what you learn intellectually, that ultimately proves so difficult. Knowing what you should do is not enough. That is where the coach comes in to help you not only to know what you should do, but actually do it.

A large number of losses exist through not following a profitable trading system and this is where the coach comes in to find out what is stopping you working in your own best interest.

Your coach will give you methods to follow to help strengthen your internal discipline and continues to work with you until it works for you. That is when the fees charged will be dwarfed in comparison with the money you can make from the markets.

Winners go for what they need. **If you think there is scope for improvement in your trading then you should do something about it. The first step is to decide that you are going to be a winner, and then just do it.**

Become the Best Trader You Can Be!

When would now be a good time become a successful trader and make massive profits from the market? Pick up the phone and CALL NOW on +61 400 482 653 or email me on graeme@yourtradingsolutions.com for more information on our transformational coaching. Graeme Pearson.

As Anthony Robbins says **“Never leave the scene of a decision without taking the first step”**

