TRADING: THE BEST OF THE BEST

TOP TRADING TIPS FOR OUR TIMES

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From the bclund.com Blog

TRADING: THE BEST OF THE BEST
Top Trading Tips for Our Times

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INTRODUCTION

The genesis for this book came from a post I wrote on my blog (www.bclund.com) entitled, "30 Crowdsourced Tips From Real Traders." It was my attempt to harness some of the incredible insight and information you can find on the StockTwits Network.

Traders are told not to use tips to trade from, and that is good advice. But using tips about trading to help them to become more successful traders is a different case altogether.

There is a temptation to discount tips as not providing real value because by their nature they are short and simple. That type of thinking is a mistake. A good tip is not an end; it is the means to an end. It is the spark that makes you think in more depth about a specific aspect of trading.

On the following pages you will find over two hundred tips from sixty different traders and investors. Some tips may contradict others. Some may reinforce others. And some you may never have heard before. But no matter what your experience and skill level is in the markets, I think you will find something of value in them.

However, in order to understand their true power, make sure to first check out the "What Is The Value Of This Book" page. I think you will realize after reading it that "tips" are not all this book offers and that it is the first of its kind to give you perpetual access to ongoing quality content about trading.....and all just for the price you paid for it.

I hope you enjoy this book and since it is my first attempt at the format I would love to get your feedback. Please drop by my blog and leave me a comment or touch base with me at bclundblog@gmail.com to let me know what I got right, and what I missed by a mile.

And don't forget to follow me on StockTwits and Twitter.

Thanks,
-B

bclund

THE INTERSECTION OF MARKETS, TRADING, AND LIFE!

WHAT'S THE VALUE OF THIS BOOK?

In my opinion, most books written about trading have limited value to their intended audience. That's really a nice way of saying they "suck." But it's true, most do because they tend to fail on a number of different levels.

TIMELINESS

The first and perhaps most important "fail" is that they are usually out of date almost as soon as they are printed.

This is because the markets are dynamic and ever changing, and the trading techniques, ideas, and concepts of today's markets may make little or no sense in the markets of tomorrow.

This book was written in an eBook format specifically to address that issue. As you read through this book you will notice that each author is linked to, on both their social presence (i.e. website) and StockTwits profile, after each tip or piece of trading advice. It doesn't matter if you read this book today, or five years from today; you will always be able to follow those links in order to get the most current content of the authors.

AUTHENTICITY

Another problem with most trading books is that they are written by authors who don't trade, have limited trading experience, or haven't traded in many years. Most of these authors make their money by writing about trading, giving seminars about trading, or selling systems on how to trade; basically anything but actually trading itself.

The tips in this book come from traders who participate in the current markets on a daily basis. For many of them it is the ONLY source of income in their lives and they understand the markets in a "real world" sense, not a theoretical one.

RELATABILITY

Look, I like to read about the exploits of traders in big institutions, prop firms, and hedge funds....who doesn't? But the fact of the matter is, very little if any of the advice or information you get from reading the musings of a billionaire trader is going to be useful to the average retail trader. And that's what the vast majority of us are, retail traders.

Although many of the people in this book have decades of experience at the highest levels of the trading profession, nothing that is written in these pages will be out of reach for the reader, and the ideas and advice contained within will apply to anyone from the novice to the expert retail trader.

ACCESSIBILITY

Have you ever read a book from a "trading pro" and wished you could get some clarification or expansion on a concept they wrote about? Chances are you can if you subscribe to their "exclusive" service or drop three grand to go to one of their seminars. You won't have that problem with the contributors in this book.

Almost all of them are accessible on StockTwits or Twitter and as long as you are sincere and respectful most will be more than happy to dialogue with you.

HOW TO USE THIS BOOK

If the market said the same thing, every day, all the time, well we'd pretty much have it all figured out and hopefully be rolling in the dough. But we'd also be bored. Thankfully, the market is always dynamic. And so is this book.

While the content on the pages remains the same, the traders who contributed to this book are constantly producing new content and offering new advice via their websites and StockTwits feeds. That's why you'll find that there are links throughout this book that can take you to the most current and up to date information that each of these contributers are putting out.

Here's how it works:

1. When you see any text that is **underlined**, there is a link. Hover your cursor over it and click.

2. When you see a trader's name and their StockTwits name, even though they are NOT underlined, there are **two links**...one to their website or blog* and the other to their StockTwits feed.

*NOTE: Not every trader has a website or blog but all have a StockTwits feed.

In order to read this eBook on your mobile device with active links, use the Adobe Reader app which can be downloaded for Android here and iOS here. Finally this eBook is designed for viewing in the landscape format.

EXAMPLE

The genesis for this book came from a post I wrote on my blog (www.bclund.com) entitled, "30 Crowdsourced Tips From Real Traders." It was my attempt to harness some of the incredible insight and information you can find on the StockTwits Network.

LINK TO URL

The most powerful bottoms come with strong MACD/RSI divergences. This is a powerful signal and creates a high probability of a successful event.

....

You want to enter stocks that have the BEST bases on ALL TIME FRAMES. Weekly, daily, 60 min, 30 min, 10 min, 5 min. The more time frames align, the higher the probability the trade.

....

Always be aware of which stocks are exhibiting STRENGTH in a weak tape.

- Trader Stewie (@traderstewie)

LINK TO CONTRIBUTOR'S WEBSITE AND CURRENT CONTENT

LINK TO CONTRIBUTOR'S LIVE STREAM AND PROFILE PAGE ON STOCKTWITS

TIP (OR MULTIPLE TIPS) BY CONTRIBUTOR

YOUR TRADING PLAN

The need to be "sure" in terms of news flow, earnings, etc. as a means to reduce risk, can sometimes increase your risk. It's now added to your price risk as you've paid a higher price because of the need to "know". Because the market anticipates, the more you know, the later it is. The later it is, the higher your price risk. Thus there is no safety to buying on good news or shorting on bad news. This is why I believe you need a trading process and plan you can stick to and execute regardless of news flow.

. . . .

Fight for every penny in your P&L. That means using limit orders on entry/exit and learning to trade intraday for the best entry/exit. Over a year and a lifetime of trading these pennies can compound to a lot of money.

- Raj Dhaliwal (@RSDtrading)

Write out your complete trade idea on paper; pretend you are presenting it to a mentor or trader you admire. If you don't need a ton of caveats or extra lines and indicators it's probably a good trade.

- Economic Disconnect (@GYSC16)

Don't deviate from your trading style and risk management strategy, we're all tempted to try and take a few bucks out of a hot stock in the news now and then but that type of trading will destroy your returns.

- Leigh Drogen (@ldrogen)

If you fail to plan with regard to trading, you better plan to fail.

. . . .

When I sit at my desk and trade it involves 80% controlling the psychological aspect of trading and 20% using discipline to stick with the trade. That makes for a trade that is a 100%, or A+, setup.

- Zachary A. Musso (@Zmoose12)

Puppy love is for kids.

Implement a tough love strategy when trading. If your entry isn't what you thought it was, kick it to the curb.

You can always buy it again.

- Joe Donohue (@UpsideTrader)

YOUR TRADING PLAN

Many plan their trade entries, but to manage your risk you must also plan your exit and do it BEFORE you trade.

- Greg Harmon (@harmongreg)

Never, under any circumstances, change your trading style in order to chase performance.

- Tom Morton (@TheEquitiesRoom)

Keep a trade journal: Log all your trades in a notebook with notes, and you can go back later and analyze all the positives and negatives of your trades.

- Brandon Hayward (@VexTrades)

A STOP order should be the first order you enter before thinking about getting into a trade. And if you can NOT accept the risk, there is no point in entering the market at all.

....

Keep your trading rules/plan simple with a handful on your list. And the #1 rule is "Do Not Break Your Rules/Plan."

- Pratik Patel (@TheFuturesRoom)

No one makes money in the markets all the time. If you strive for consistent trading results you need to find the appropriate method and timeframe that matches your personality. I believe that a strong understanding of market structure and risk management should be at the core of every participants approach.

- Brian Shannon (@Alphatrends)

The market is more **competitive** than ever.

It's your plan vs. everyone else's plan.

Your plan had better be backed up with numbers and a history of winning.

- David Aferiat (@TradeIdeas)

TRADER SPOTLIGHT: CHRIS PERRUNA

Putting All the Pieces Together

MANAGE RISK
Learn to trade a manageable portion of your portfolio (I recommend risking less than 2% of your overall portfolio equity on each trade). Always establish a risk/reward ratio before making a trade. Without the ratio, how do you know your risk?

UNDERSTAND POSITION SIZING
All traders must learn to know "how much" to trade on each position. Do not overtrade or you will run the risk of ruin. Position sizing is rule number one of managing risk.

CUT LOSSES
Do not allow losses to run wild. You must learn to cut losses and understand that losses are a part of the game, a large part of the game. Check your ego of winning at the door. We are here to make money, not go undefeated. Play sports if you want to keep score with a record rather than your bankroll.

LEARN WHEN TO SELL
You must learn when to sell. Selling is more important than buying as it ties directly to risk management. Use stops if you haven't yet developed the discipline to get out at your predetermined stop or profit goal.

IGNORE THE TALKING HEADS
Do not listen to the stories, gossip and rumors flying around on network television, blogs, twitter, stock forums or the major financial newspapers. It's a surefire route to bad information and clueless advice. Do your own research; you'll come out much further ahead.

- Chris Perruna (@cperruna)

TRADER SPOTLIGHT: KIRA BRECHT

Get to Know Your Markets

Markets are like living, breathing organisms. Watch one market every day for a month. Get to know the markets you trade and they will tell you where they want to go.

In one of my first jobs in this business my boss had me "hand chart" 10-year note yields every day. Yes, by hand, with a pencil and a ruler on a piece of graph paper. I truly thought it was an exercise in futility, but I soon learned otherwise.

In this modern era of charting software and high speed Internet connections, one develops a certain feel, understanding and knowledge of a market when one is charting by hand. You become involved in the action of the market. You get to know your market. You develop a feel that can't be gleaned from watching a bar chart on a screen.

Years ago on Wall Street, this is how stock technicians did their jobs every day. In back rooms, technicians hand-charted hundreds of markets. Back then, there was no other option.

Technology has provided with us many short-cuts and time savers, but important nuances can get lost in translation. Take some time, pick one market and hand chart for a month. Have some fun drawing real trendlines with a ruler, you'll find it isn't so easy to cheat and the lines may have even more meaning.

- Kira Brecht (@KiraBrecht)
has been writing about the markets for 20 years
and is managing editor at www.TraderPlanet.com

ANALYSIS

Forget what you "know" about what's going to happen to price. Focus on the price action rather than your predictions because the market doesn't care what you think. And in reality, you probably don't actually know anything anyway – and the sooner you get used to that idea, the better your trading will be.

- Jessica Peletier (@RogueTraderette)

Buy high, sell higher. I know it's a cliché, but if a stock is hitting a 52 week high or better yet an all time high that means that it is doing something right and Wall Street acknowledges it. I've bought too many stocks on sale or based on valuation that don't do squat or go lower while waiting on a catalyst.

- Michael K. Dawson (@TrendRida)

Know your technical levels: Make sure you know where to set your stops and your exits. Study candlesticks, moving averages, MACD, RSI, etc.

....

Know your fundamentals: Upcoming catalysts, pending lawsuits, earnings report dates, etc. Usually, for example, you will not want to hold a stock through earnings (Or a biotech stock through an FDA event), as it is dangerous.

- Brandon Hayward (@VexTrades)

The market does not value your opinion of the news and it often does the opposite of what common sense would indicate. Focus on price action and risk management. Only price pays!

- Brian Shannon (@Alphatrends)

have the **discipline**
to stay on the sidelines and be patient when the tape doesn't fit your strategy.

have the **confidence**
to step in and make trades when opportunities present themselves.

have the **work ethic**
to continue to do your homework and research so that you are able to identify and execute #'s 1 and 2.

- Tom Morton (@TheEquitiesRoom)

ANALYSIS

The most powerful bottoms come with strong MACD/RSI divergences. This is a powerful signal and creates a high probability of a successful event.

....

You want to enter stocks that have the BEST bases on ALL TIME FRAMES. Weekly, daily, 60 min, 30 min, 10 min, 5 min. The more time frames align, the higher the probability the trade.

....

Always be aware of which stocks are exhibiting STRENGTH in a weak tape.

- Trader Stewie (@traderstewie)

The sweetest spot on the curve is when perception says "I doubt" but price says "I believe."

....

The presence of abnormally high range and/or volume can point us to instances of high potential regret, a clear anchor point upon which we can take extra confidence in the presence of true support or resistance.

- Derek Hernquist (@derekhernquist)

In golf, it helps to look at a putt from both sides of the hole. Do the same thing when you trade. If you are bullish on a stock try and wrap your head around the bear case before you make a trade (and vice versa for a short)...you may see something you didn't notice the first time.

- Tom Morton (@TheEquitiesRoom)

Prosecute and cross-examine your chart patterns and the trading plan behind them. Defend them with DATA not EGO. Example: backtested results that show win probabilities, stop loss amounts, and even the right time of day to be trading.

- David Aferiat (@TradeIdeas)

Price Action Trumps All. You can improve your trading by just simply paying attention to price action.

- Jerry Khachoyan (@TheArmoTrader)

Every stock chart is telling you a story...if you don't understand the story, don't trade the stock.

- Anne-Marie Baynard (@AnneMarieTrades)

Before you enter a position ask yourself two questions:

Where has the stock come from? Is there a recent consolidation area which can act as the basis of our low risk stop?

The answer identifies our risk in case the market doesn't agree with our analysis.

Where does the stock have the potential to go? Where does it look like the stock could reasonably travel to before encountering a source of supply (long) which could act as resistance?

This is the basis of our theoretical reward.

- Brian Shannon (@alphatrends)

If you don't use a wide, 30-minute chart to plan your trend and chop trades, do something better suited to you.

- Vic Scherer (@daytrend)

The single best time to buy a stock is when given bad news, the stock refuses to go down anymore. At bottoms, there is negative and no positive information, but the price risk is now minimal.

....

Trade in terms of probabilities. Your trading process and "edge" should make you the "casino" or "house" rather than the "gambler." The house always makes money and so should your trading process regardless of the market environment.

- Raj Dhaliwal (@RSDtrading)

Know what you don't know: when you think you've found free money in the market, think again.

- Kid Dynamite (@KidDynamiteBlog)

TRADER SPOTLIGHT: SHELDON MCINTYRE

Keys to Trading Success

RESPECT
Respect the profession and all market operators. Everyone starts at the same place.

HUMILITY
You are not and you'll never be bigger than the market.

MENTORS
If you are looking for a mentor, target the most fundamentally sound and not the most fundamentally loud. You will never learn from someone who is in love with their own voice.

CHEATING
If you cheat on your entry point you must realize that you have to live with the price action of the base / consolidation. Most weak hands cannot.

DOWNSIDE GAPS
If a stock gaps down below your stop take the next best price. Preserve your emotional and mental capital.

HALLMARK
A hallmark of a good trader is the ability to re-enter a position after being stopped out.

PERFORMANCE
If you are not hitting your goals consider hiring a performance psychologist. There is a reason that top hedge funds and professional and non-professional sport teams hire such professionals. Maximize potential.

TAPE READING
The most important edge you can develop is tape reading. A good feel for the tape enables a trader to know when to bend the rules and when not to.

- Sheldon McIntyre (@hertcapital)

TRADER SPOTLIGHT: TIM BOURQUIN

Know Your Exit Points

Before you enter every trade, know your exit points.

We've all heard that we should be using stops whenever trading to avoid large losses. However, very few traders actually know where they will place a stop and a profit target BEFORE they enter every trade.

Wealthy traders leave nothing to chance and plan every trade in its entirety before they even enter. Your written trading plan should have objective measures of where your stop loss should be placed as well as where you'll take profits.

Not knowing, or simply guessing at where these price points will be after you have entered a trade can lead to indecision or price targets outside of the average range of the security you are trading. Why set an arbitrary profit target of three points when the average range of that market is only two points?

Furthermore, wealthy traders set position sizes and stop losses that are almost always a function of their risk tolerance for any given trade. For example, if the maximum risk on any one trade is 2% of their trading account, the number of shares they will trade (based on the price of shares) and a reasonable stop loss is calculated before the trade is placed.

I rarely talk with a wealthy trader who says their position size is 1,000 shares. They usually tell me it depends entirely on what they are trading. They take their maximum acceptable loss and work backward to find a stop loss and position size that matches that objective measure.

- Tim Bourquin
Co-founder of TraderInterviews.com
and author of "Traders at Work"

TRADE & RISK MANAGEMENT

It's the trader's responsibility to adapt to the ever-changing market conditions. No strategy will work well in every market. You must constantly adapt.

....

10 times out of 10, Traders who carry BIG losses wish they had respected their "ORIGINAL" stop. So, respect the ORIGINAL STOP LOSS, ALWAYS!

....

Too many eyes on a key breakout point will most likely cause that pattern to fail first. AKA; f**kery. Revisit the "NEW" setup after the f**kery has shaken out the majority.

....

Sentiment is always most negative on bottom retests than in the FIRST low. Watch out above if the retest holds. Shorts covering and new buyers.

- Trader Stewie (@traderstewie)

Be aware of your risk limits before your trade and play within them. Most trading mistakes come from extreme emotions and extreme emotions arise when a trader takes more risk than he is prepared to take.

- Phil Pearlman (@ppearlman)

It's not about how high you think the stock can go. That's not up to you. Focus on how much you're willing to risk for that potential....reward. It's the only thing you can control.

- J.C. Parets (@allstarcharts)

In market uptrends, buying and holding leaders is a great approach vs. day trading. When leading stocks break out of a solid base on a great earnings report, buy immediately and hold it as long as it keeps making new highs on regular bases. Trading around the core holding often works well in these types of markets as well.

....

When a hot stock has run up for a long time and goes into a parabolic curve on huge volume, it's time to sell. You must sell these moves on the way up since all the money pouring in will result in a massively overbought condition, which will usually end up with a steep decline after the move is over. Example is SINA when it peaked at 147 in April 2011 parabolically, making its historic top.

- Angela Zhou (@z8anglea)

A good pullback is a balancing act, draining excess emotion without disturbing the underlying momentum.

- Derek Hernquist (@derekhernquist)

There are a lot of good stock pickers out there. That is 1 percent of trading. Trade management/position management; that's the next level stuff that takes you from doing this as a hobby to doing it for a living.

- Kunal Desai (@kunal00)

TRADE & RISK MANAGEMENT

Scale in & out: Purchase and sell portions of positions at a given time and this will minimize your risk and help you preserve capital.

....

Ride your winners & cut your losers: Of course you must scale out on the way up.

....

Buy dips & sell into strength: When everyone is full of euphoria, is when you should be selling. Big pops are often short-lived.

....

Never be afraid to take a small loss: A small loss can turn into a big loss quickly if you trade blindly and don't use stop orders.

- Brandon Hayward (@VexTrades)

Watch for news and price action divergence. Negative news but the price action goes up. Positive news but the price action goes down. The price action usually tells us the truth.

....

DIVERSIFY, DIVERSIFY, DIVERSIFY: They all say they do, but no one ever does. Then they are sorry. (via Teresa Lo).

- Pete (@TradeWithPete)

Relative volume is the most important indicator for a chart breakout.

- Keith Kern (@stt2318)

Limit the number of trades you take on any given day. Overtrading can be disastrous. This way you will only take your best ideas.

....

Trade with the trend. Adhering to this one rule improved my trading immensely.

....

Before you take any trade, determine a reasonable stop. Know ahead of time how much of a loss you can take without triggering your emotions, size your trade so that your stop will not be a trigger. Set the stop to take the emotions out of it.

- The Trading Wife (@thetradingwife)

Get good at getting out quick for a small loss. This practice of losing small, and often, is what will give you confidence when trades do not go your way. Taking small losses properly is where you as a trader score. Internalize: 'Every small loss gets me closer to a big win.'

- Dan Mirkin (@TradeIdeas1)

If you are trend-trading then the base is your friend – stay close to the base and trade around the base selling into extended moves away from the base (chasing after extended moves is probably the fastest way to blow-out for new traders).

- High Chart Patterns Group (@HCPG)

TRADE & RISK MANAGEMENT

Trade the trend. The easy and big money in general is made following the trend. In "bull" markets, surprises (news, earnings) come to the upside. The price you get today is likely worse than the price you'll get at the next rally. The complete opposite is true for bear markets. Although it seems (feels) safer to wait it typically leaves your money and mind more vulnerable to loss.

....

Spend more time on risk management than stock analysis. Generally in my experience, risk management in terms of position sizing, stops, entry/exit and understanding the VAR, leverage, beta and skew of your portfolio are more important than choosing the right stock to trade.

- Raj Dhaliwal (@RSDtrading)

Upgrades = potential selling opportunities. Downgrades= potential buying opportunities. I find this works when there is no significant news about the stock.

- Thomas Viola (@traderinvestor)

Know your timeframes – a great set-up for an intra-day scalp trade won't be of any use if you plan on holding the stock for a swing.

- Julie (@tsxswingtrader)

When you're trading high growth high momentum names on an intermediate to position trading time frame, it's often the story that matters much more than the underlying fundamentals. Understanding what stage in the cycle of the story you're at is extremely important to managing risk.

- Leigh Drogen (@ldrogen)

The difference between "I was shaken out" and "I should've sold out"; IS THE OUTCOME OF THE TRADE.

- Frank Zorrilla (@ZorTrades)

By the time everyone is talking about it on Twitter, it might be too late for an entry. Enter only on a setup, in your terms, before joining with the crowd.

- NYC Trader (@szaman)

No matter how much work you have done on a stock and regardless of how perfect and flawless you think your entry may be, use a STOP, as one negative announcement or unexpected market event can turn it all upside down.

....

Keep losses small; better to have a few small losses than a monumental disaster.

- Joe Donohue (@upsidetrader)

TRADER SPOTLIGHT: DAVID BLAIR

Insight from a Trading Philosophy

I believe that consistently successful traders keep things very simple. They have realized through personal experience that all that really matters is price. Strip away all the noise in the markets and what is left is today's price versus yesterday's.

Once a trader accepts simplicity, then a simple strategy can be developed to determine when to take advantage of the probability of price moving in one direction or the other. If price confirms the decision, then the trader humbly accepts the profits made; when the trader does not make money, then he exits gracefully and waits for the next opportunity.

....

Solid technical analysis is not so much about the ability to read the left hand side of the chart as it is the discipline to properly react to the constantly changing environment of the right hand side of the chart.

The very best technical analysis should first confirm when you are wrong and, if not wrong, when you have overstayed your welcome.

....

No one can predict the future, and because of that there is nothing that anyone can invent to predict the future, including an indicator or algorithm. Therefore, accepting our inability to predict the future will release us from the need to know what cannot be known, allowing us to adjust our expectations and conform to the uncertainty of the markets.

If we expect that anything can happen, then we also accept whatever happens. If we cannot accept uncertainty, then our need to be right will cause us more damage than our acceptance of being wrong would. The market doesn't care about confirming or denying our expectations, so depending on the market to fulfill our dreams of untold riches is at best humbling, and at worst, career ending.

- David Blair (@crosshairtrader)

TRADER SPOTLIGHT: SUNRISE TRADER

Zen and the Art of Trading

When using secondary indicators/oscillators. K.I.S.S. The more you use the more chance of paralysis by over analysis.

....

Shoulda, woulda, coulda, are a drain on emotional capital. Be occupied by now and next.

....

As a trader your job is to look for opportunity, manage risk, and consistently take profits out of the market while preserving emotional and financial capital.

....

If I could give a gift to my trading friends it would be the gift of patience and discipline as they are the ultimate enhancer to one's trading edge.

....

(Another way I have said the above) Two areas of strength that all traders need, discipline and patience. If I could give a gift to all traders it would be these as they are the ultimate enhancer to a trader's edge.

....

All about trading a go-to list of names, developing a plan, having the patience to see the setup first and the confidence to pull the trigger.

....

Clear concise rules are how we as traders become consistent, manage our capital, emotions and gain confidence in our abilities.

....

If you repeat the same negative behavior over and over you can't call it a mistake. Own it, call it stupidity and move on.

....

Charting and technical analysis are predictors of what's coming. They show us what the market knows and we don't. You must trust what you see.

....

Take responsibility for your trades. Do not let the ego justify a poor trade or give it an excuse. If you do you will never learn.

....

Be a great trader not a perfect trader. Keep losses small; take partial amounts off the table as you let your winners run. Trade, trim and trail.

....

When a stock is falling in price there is a tendency to think it is on sale. Don't buy until the chart gives a good technical signal to buy.

TRADER SPOTLIGHT: SUNRISE TRADER

Never follow the masses. Trade the trader. Think contrarian. Keep an open mind to all possibilities. Be ready to flip on a dime.

The best trading plan means, zero, nada, zilch if you don't push the button and execute the plan. Plan the trade and trade the plan.

I would rather wish I was in a trade than wish I was out of one.

Preparation for trading takes more work and time than executing and watching a trade. Think big, plan carefully, execute perfectly.

Be flexible in your thinking and rigid in your discipline. Trade the trader. Be one step ahead of the masses.

To trade well you have to get comfortable with taking losses. The key is to keep them small. If you are wrong, you are wrong. Cut the line let it go. Learn and move on.

When looking at charts to take on a new position be it short or long, always ask yourself where has the stock come from and where does it have the potential to go.

The market doesn't care what we think, feel, hope or want. We must look for opportunity, manage risk and let the tape tell us how to trade.

Keep in mind most bases or sideways consolidations tend to resolve themselves in the direction of the trend.

Remember without our health none of this matters. Be safe, be well.

- Sunrise Trader (@SunriseTrader)

THE MENTAL GAME

The market is a woodchipper to your self confidence - when you feel your confidence waning, step back and stop trading real money. Get back to finding your rhythm off the real playing field before getting back into the fray. You're a major league player - you don't go to the game to practice - you practice, then go to the game.

....

Trading when you're tired, angry or distracted is a recipe for developing blind spots and ignoring proper trading signals.

....

There are no prizes awarded for trading frequency. Don't feel just because you're staring at the charts, you've got to be in a trade - you don't.

- Anne-Marie Baynard (@AnneMarieTrades)

If you're struggling to be disciplined in your trading, start practicing discipline in other areas of your life too. Prove to yourself you can be disciplined with small, achievable (but not necessarily easy) things like not eating chocolate during the day for 3 days straight, or not checking your emails until 1pm for a week, and you will start to believe you can be disciplined as a human, which will flow on to becoming disciplined as a trader.

- Jessica Peletier (@RogueTraderette)

I once had a mental stop in and didn't obey it. That's how I ended up with my first kid.

- Brian Lund (@bclund)

1) Never let a winning trade turn into a losing trade. Understand that this is easier said than done.

2) Journal every trade. Make the time and take the time.

3) Specialize. You don't have to trade every currency pair out there. Get to know the personality of the pair and if it jives with your own personality, trade it. If it doesn't, leave it alone. The whole world trades the EURUSD. I don't.

4) Trade through your losing streak. Because you are keeping a journal, you should be able to see where you are deviating from your rules and change your behavior. Don't stop trading. Don't switch to a demo account. Take smaller positions. Make fewer trades. But keep trading.

- Lydia Idem writes the Faith Might FX blog on the StockTwits Network (@faithmight)

THE MENTAL GAME

Once you place the trade you must come to terms with a simple fact. Actually, you have no idea what will happen. Most amateur traders just don't want to admit this simple fact. Nobody knows the future. So, just like the pros in golf you have to visualize the desired result but have confidence that if the desired result does not happen you will be able to recover.

....

One of my favorite trading quotes is "Trading is a game with a beginning, a middle, and an end...if you can figure out which part you are in...then you become successful at trading." - Anonymous

- David Aferiat (@TradeIdeas)

Trading is going to force you to experience your feelings and emotions whether you want to or not. I'd start looking into them on your own time with something like meditation, tai chi or yoga. That self discovery can really help you to embrace them and handle them when the market forces them on you. You hear about trading your plan, following rules etc., over and over in the trading space - these are emotional intelligence factors. Like working to understand a trading system, you can work to understand your emotional system. If you do, the pay off is huge and not just in trading.

- Richard Chignell (@embracethetrend)

Although doing what you love is incredibly important, doing what you do is ten times more effective.

- Zachary A. Musso (@ZMoose12)

Trading is like reading a book, learn the language and don't try to predict what will happen next. Go with the flow of the market (s).

....

Remember, there will always be another trading day and trading opportunity. No need to chase a trade or market.

....

Markets can only go up, down, and sideways with no control on our part. We as traders can control the ups and downs of emotions.

- Pratik Patel (@TheFuturesRoom)

Be contrarian in your thinking when it comes to entries and exits. If you run with the herd you are more likely to get run over by chasing the obvious.

- Steve Gomez (@TodayTrader)

Your emotions are your nemesis but they also keep you safe. Every trader needs to figure out what rules he/she needs to set in order to avoid emotional triggers. Write them down and stick to them. When I stray from my rules, that is when I screw up.

....

If you start to get emotional, shut it down and walk away. Then ask yourself what triggered your emotions, figure out a rule that will keep that trigger at bay.

- The Trading Wife (@thetradingwife)

THE MENTAL GAME

Nothing trumps health in trading. "Sick" has many meanings and at a minimum it means you're impaired. If you think everyone you're trading with is impaired, maybe you're ok to trade. But, realistically, the best usually aren't. So, trade when you're in competitive shape, and if that's rare, get in better shape... physically, mentally, and emotionally.

- Vic Scherer (@daytrend)

If you have to think for more than 5 seconds about how your trade is going to work, then it's too complicated. Simple is Sexy.

- Sean McLaughlin (@chicagosean)

Don't fall into the trap of thinking you are right. Remain objective. The market doesn't care what you think.

- Market Plunger (@MarketPlunger)

Trade what you see, not what you think.

- Derald Muniz (@1nvestor)

Embrace uncertainty. A great trader can make money in any market. Start each trading day with a clean slate. I start each morning reminding myself that I have no clue which way the market will go. Then trade the price action of the day. Embracing uncertainty will free you from the need to "know". This allows you to be free of bias and trade what the market is giving you.

- Raj Dhaliwal (@RSDtrading)

Trade your own plan: Don't follow the crowd. Do your own research. Once you have cultivated your trading skills, you should be comfortable with this.

....

Don't cry over "spilled beer": If a trade does not go as planned, forget it and go on to the next one. Never play the "coulda-woulda-shoulda" game.

....

Don't trade just for the sake of trading: Let the good trades come to you. Do not over-trade. Do not "revenge trade".

- Brandon Hayward (@VexTrades)

Every new trader should learn to fall out of love with trading "The Market." She doesn't love you or ever make you mentally whole. She is in it for the money and not the love . Like any relationship that mentally tortures you, it is not healthy, so stop loving her once and for all . This will emotionally detach you from every trade and let technicals take over. Does a construction worker love his hammer?

- Dan Shapiro (@danshep55)

Pay extremely close attention to where you are in the cycle of your own emotions as it relates to your exposure and the direction the market is moving in; trading without emotion is a myth, even quants pull the plug sometimes.

- Leigh Drogen (@ldrogen)

THE MENTAL GAME

Do not become passive in response to positive external events. Conduct the analysis and remember that "news" is almost always that catalyst that smart money has been waiting for to sell.

. . . .

Do not become passive in response to negative external events. Always take action. Correct your mistake and move on.

- Dynamic Hedge (@DynamicHedge)

If you're 100% certain on something, and so are your buddies, you better look to trade in the opposite direction because chances are you're wrong.

. . . .

If you don't know, you don't know. Look elsewhere

- J.C. Parets (@allstarcharts)

Step away from trading when stressed, fatigued, physically ill, or dealing with an issue that has you off-balance mentally or emotionally.

- PCH Trades (@PCHtrades)

Understand the goal. If given the chance between being "rich" and being "right" always pick "rich." You can always pay someone to tell you how great you are. Being "right" and having nothing to show for it makes you an a$$hole (and gets old fast). The difference between the two outcomes is execution.

- Eli Radke (@eradke)

The vast majority of traders fail. The biggest trading costs are often not financial but opportunity costs.

. . . .

There are limits to outperformance. Always be skeptical of claims of outsized performance.

. . . .

Trading, like life, isn't fair. If you don't like the game, get out while you can.

. . . .

Your trading results will be some combination of skill and luck. However you, and you alone, are responsible for your results.

. . . .

Every trader needs a plan. Keeping a checklist can help you on track.

. . . .

Being right is overrated. Or if you don't understand expectancy, you don't understand trading.

- Tadas Viskanta
Founder and Editor of Abnormal Returns
(@abnormalreturns)

Adapted from his book,
Abnormal Returns: Winning Strategies from the Frontline of the Investment Blogosphere

TRADER SPOTLIGHT: IVAN HOFF

Finding Opportunities in the Market

Learn when to fish, when to take on more risk, and when to sit on your hands. Just like no sane person goes to fish in the ocean during a storm, no investor should increase exposure during times of excessive market volatility. The risk to reward ratio is asymmetric and not in your favor.

....

Learn where to fish. Focus on strength. The best performers reside on the 52-week high list. Forget about the stocks on the 52-week low list. Stocks that are on the 52-week low list during bull markets are usually there for a good reason. 1 out of 3 publicly traded companies eventually decline 75% below their IPO price. They all come from the 52-week low list.

....

Buy strength. The only time to buy weakness in great brands is during rare periods of forced liquidation. Lately, they've been happening once a year.

....

The best performing stocks in any given year are usually the ones that surprise the most and hence come from a sector no one expects.

....

Diversification will harm your return in bull markets and it won't help you in bear markets, when correlation goes to 1.00 and everything moves together. I am not saying to put all your money in one stock. This is foolish.

You need more than one good idea, because it could go wrong for various unforeseeable reasons. My point is that most investors would be better off by concentrating their capital in 6-7 stocks during good market times and just ride the trend.

....

Everyone uses some form of risk management in order to survive. Even value investors. They might not use stops, but they use proper position sizing to make sure that one big mistake won't take them out of business.

....

A bull market is a market of stocks, where there are opportunities for both longs and shorts. Corrections in bull markets take the form of sector rotation.

....

Stock prices run in cycles.

....

Prices change when expectations change and expectations change when prices change. In other words, sometimes price action can be its own catalyst.

....

Both, tops and bottoms are a process and never an event, the reason being that for investors' The Mental Game changes slowly.

- Ivan Hoff (@ivanhoff)

TRADER SPOTLIGHT: MARIBETH WILLOUGHBY

7 Rules for Daytrading

ONE

The number one mistake, and usually the biggest mistake that new traders make, is adding to losing positions. Sure, doing this will bring the cost of your trade down and give you a better average cost, but is it a good idea? Or are you just adding a larger loot to your losing trade? In my opinion, it's the latter..and is something that you want to avoid. If you have watched me trade you probably have noticed that I rarely average down on a stock.. if I double up or add to a position it's always when I am already ahead on that stock. The only time it's ever a good idea to average down on a stock is if you are swing trading and have a plan mapped out. If you are day trading, then there is no logical reason why you should average down on a losing position.

TWO

Scale out of winning positions and put stops at your buy price on the rest; that way you never give back the full profits on a stock that you are up on. Obviously there are certain markets where it's better to trade fast and just sell your whole position, but for the most part, when market is good this is your best game plan. You maximize your results that way.

THREE

Never double dip in a stock that you made money on same day unless you have a logical reason. I see this happen all the time and I used to regularly do it myself. It's an emotional trade. You enter a stock.. you sell it for a nice gain.. and it keeps going up... so you buy back in and get a terrible price only to watch it fall back in your face. Avoid!

FOUR

Never hold thru earnings or FDA decisions.. total gamble. Might as well put your money on black or red.

FIVE

Never short strong stocks before the afternoon session. This is a personal rule but one that I love. Stocks with news/PR/earnings behind them can run huge through the day.. especially if they have a low float. So never think to yourself, "there is no way this stock can go any higher today," cause I promise you it can! Just look at SUPN, ROSG, HEAT from the past.. The thing that I have found is often these types of stocks will run up huge in the morning and finally breakdown late day. Wait for that setup before you go short. It will save you a lot of $$!!

SIX

Never trade out of boredom, you must have a setup and plan.

SEVEN

Cut losses fast, small losses are ok.

- Maribeth Willoughby (@mb_willoughby)

TRADING VS. INVESTING

Trading is...well, many different things to many different people.

To some it's a wild form of gambling; it's a roller coaster ride, with mind-numbing loops and swings. It's a ride, which gives the riders bouts of nausea and spikes of adrenaline, robbing them of sleep, often for weeks at a time.

It's a ride, which throws you from "I am invincible, I can do no wrong and I'd better start figuring out how to spend all this money" to "it's over."

How could I have possibly been this much of an idiot? I'm done with this for good, sometimes in a matter of days...sometimes in a matter of minutes, depending on the instrument and the leverage you've chosen for this particular bet.

If this is how you feel, don't tell anyone you're a trader, for there's a rather limited amount of time during which you'd be able to claim this dubious title.

- Ricky Roma (@RickyRomaO)

"There's a saying (I may be messing up); not all Germans were Nazi's but all Nazi's were German. Similarly, not all traders are investors but all investors are (at least similar to) traders.

Let me clarify/elaborate before you jump down my throat: I think most really good investors think similarly, at least in terms of entry/exit, risk management etc, to good traders, even though the strategies and time horizons may be vastly different. Investors may look for firms with high growth potential, deep moats, competitive, funding, operational advantages, etc., and having a general margin of safety.

But, if you boil it down, that's not all too different of a basic thought process than a chartist looking for securities with established support/resistance, and a strong trendline (or whatever, I'm not a professional technician). It just generally takes A LOT more time, effort, etc to do the fundamental work/diligence.

*A good investor, then, isn't much different, at the most basic level, from a good trader. Both look for good risk adjusted opportunities with limited downside; the strategy, approach, time horizon, etc are just different.**

*Of course there are exceptions to this observation, but with enough work, you can find exceptions to anything.

- Jordan Terry (@The_Analyst)
Managing Director
Stone Street Advisors LLC

TRADING VS. INVESTING

Stop thinking about the market as being "cheap" or "expensive"- Watch any business television channel for a while and you'll hear commentators refer to a stock or the oil market as looking "expensive" or "cheap at these price levels."

The vast majority of market participants will look at a stock and judge it to be "expensive" simply because it has had a long run to the upside. Twenty-five cent call options that are far out-of-the-money a week before expiration are "cheap" because the maximum you can lose is a quarter, right? Wealthy traders don't view price that way.

The only thing that matters to traders is this: is someone going to pay more or less for this stock five minutes from now, an hour from now, or a day from now, depending on their time frame. Google at $650 isn't expensive if someone is willing to pay $651 for it in thirty minutes. Likewise, penny stocks are great because you can buy a lot of shares in a small account, but is $2.00 really a good buy if tomorrow they are only worth $1.50? Successful short-term traders who make their living buying and selling only care about being able to profit on something during their holding period.

Leave the arguments about whether $150 oil is ridiculously overvalued in the context of the current political climate for the long-term investors and talking heads on TV. If I believe someone will be willing to buy oil futures at $505 in two hours, I'll buy $500 oil all day long. There is no "cheap" or "expensive" in the eyes of a wealthy trader.

- Tim Bourquin (@TraderInterview)

The "Rules" According To Kid Dynamite

#1: Know What You Don't Know

#2: Know Why You're In A Trade

#3: Understand the Product You Are Trading

#4: Learn To Take Losses

#5: There Is No Magic Trading Rule

#6: Have A Plan!

#7: Via Pulp Fiction's Marcellus Wallace

#8: Beware of "Newton's Law" Rules

- Kid Dynamite (@KidDynamite Blog)

TRADER SPOTLIGHT: KEITH KERN

Keeping Things Simple

A couple of trading tips, or rules, that I feel are simple yet effective. Keeping things simple is always a positive when it comes to trading!

First is pattern recognition. Study the patterns that provide high probabilities and train your eye to recognize. This is more of an art vs. science.

How do you do this?

What's worked for me is simply flipping through a ton of charts. I then like to look for these patterns on multiple time frames. I start by running my scans and looking for certain patterns on the daily chart view, and then use the 5 min or even the 1 min to look for secondary patterns to help me figure out the most sensitive exit/entries.

Lastly, and this is somewhat of a new rule that I think is good for traders with the advent of social media; do not try to trade simply off of twitter posts.

No matter how good the trader is on twitter, it is not a good idea to simply mirror a trader/chat room moderator etc. Social media is a great place to learn but not a place to try to take shortcuts!

- Keith Kern (@stt2318)

INVESTOR SPOTLIGHT: TODD SULLIVAN

An Investor's Point of View

First off, I am not by any stretch an active trader. Maybe one trade every couple weeks, sometimes longer and I have no problem holdings positions for years as long as the company's fundamentals continue to improve. That being said, I believe:

- The market "tells us" nothing. It simply fluctuates between bouts of depression and euphoria. NOT getting caught up in that will allow you to take advantage of those periods. For instance, if you only made one trade in the last 3 years and bought the S&P in the spring of '09 you'd be doing > ~20% annually since. All without the daily angst and without making another trade since. Not bad.

- The best time to be buying is when the "general consensus" is the most bleak. It is in fact always darkest before the dawn.

- The daily price fluctuations of stocks are wholly irrelevant. Over time the fundamental performance of a company will dictate the direction of the stock price. Your eventual return on that stock will be dictated by just how cheap you purchased shares.

- You are neither "right" nor "wrong" about an investment because of its price fluctuation in any given time period. You were either "right" or "wrong" about it when you eventually exit it for a profit or a loss.

- TURN OFF the TV.......READ for ideas......do not wait for some schlep to spoon feed them to you.

- Read the opinions of those who disagree with you closer than those who agree. Those who disagree may have found something you may have missed.

- Use Twitter/StockTwits. It is the best way I have found to find people who are smart who you can garner from and share information with.

- Todd Sullivan (@ToddSullivan)

AFTER THE BELL

Common Sense can make you a lot of money in markets. Open your eyes and look around to see emerging trends/themes and the impacted companies. The market is forward-looking, pay attention to where companies are going, not where they have been.

- Joe Kunkle (@OptionsHawk)

When you're learning, celebrate the stuff you're good at. If you're great at adhering to your stops, brilliant! That's one essential trading skill nailed. Congratulate yourself, because there is so much to learn and work on that if you don't celebrate the stuff you're great at, you'll become overwhelmed and discouraged by the rest.

. . . .

Get some exercise. So many people under-estimate the positive impact working up a sweat can have – not just on your physical health which is kind of obvious, but also on your mental health. My running shoes are one of my best trading secrets.

- Jessica Peletier (@RogueTraderette)

It doesn't matter how high the $SPY tries to fly away, eventually all gaps get filled. I usually wait for a big gap up in the $SPY. When the $SPY fails to break one of the Fibonacci levels I'm currently watching I just take it down.

- Oscar Martinez (@fuinhaz)

Option trading requires high tolerance for big fluctuations in price. Make sure to trade a size you can afford to lose on. Also be careful with time value in both calls and puts during specific events or during earnings season.

. . . .

Do not tweet or chat too much during volatile trading sessions. High frequency trading dominates during these times and they are lightning fast. The distractions from questions by newer traders or opposite opinions by others could cause you to miss entries/exits or cloud your judgement. Good and clear thinking requires a quiet mind.

- Angela Zhou (@z8angela)

Ask yourself of the technology used in your trading: 'Is this tool scaling my ability to automate my trade intentions and leverage the time I have to trade in the markets? Is the tool generating more answers vs. questions?'

- David Aferiat (@TradeIdeas)

Learn the language...pop open the StockTwits suggested stream and immerse yourself for 6 months in the flow and language – 20 min a day.

- Howard Lindzon (@howardlindzon)

AFTER THE BELL

Surround yourself with POSITIVE people. haters are hating for a reason. They are LOSING. pure and simple. Positive people are winning or on the right path to winning.

....

Shorting over the long run pays very poorly. Odds are heavily stacked against bears over the long run.

....

Very hard to short a market when the financial stocks(XLF) are strong. They are the only and true market leaders.

....

The best traders i know, keep their routine very simple.

- Trader Stewie (@traderstewie)

Community is great, but if you want to pay the bills, learn to trade and stick with your own ideas.

- Dinosaur Trader (@dinosaurtrader)

Set realistic goals for your P&L. Remember that not every day will be a winner. Make sure you have enough capital to start with and treat trading like a business. Trading is one of the hardest things to do. And the fact is that probably close to 90% of traders will lose money.

- Raj Dhaliwal (@RSDtrading)

Would you drive a car without insurance? Then you should never trade without a STOP order, protect your position.

- Pratik Patel (@TheFuturesRoom)

Journal, journal, journal, whatever strategy you run find a way to keep track of your ideas or the data that impacts your decisions and do this on a daily basis. Sharing your journal whether it be on your blog, StockTwits, Twitter, or Estimize is even better because it forces you to be honest with yourself by being transparent with others.

- Leigh Drogen (@ldrogen)

There is an old saying…"never let the facts get in the way of a good story." Well we're trading stocks, not companies. Forget the story. Focus on the facts. Fact = price.

....

Check your ego at the door before the markets open up. It's not about being right. It's about making money.

- J.C. Parets (@allstarcharts)

I constantly tell traders to turn off the financial media while trading. There is zero upside to this incessant "noise" and you will be amazed at the new found clarity you will get. There are way too many opinions and the "experts" most likely aren't trading "your" time frames anyway.

- Joe Donohue (@UpsideTrader)

Don't just work hard.
Work hard to work smart.

- Derald Muniz (@1nvestor)

Make sure you have the proper hardware & software: Modern computer systems, multiple monitors, various news-feeds, charting software you are comfortable with using, etc....

....

Use a broker(s) that can supply you with inexpensive commissions: Some allow you to bargain with them, depending on how much trading you do.

....

If you are new to trading, practice first: You can always paper-trade to perfect your skills before you dive into the market with your real hard-earned money.

- Brandon Hayward (@VexTrades)

If you're starting out, don't worry about being innovative. Find a methodology and trade it with extreme discipline. For a couple of years, innovate only by reducing your errors.

....

Trading is a hard business. Your decision-set is confined to: buy, sell, short, or do nothing, in varying amounts. Managing positions and taking losses can be draining. Fill your life with activities that are broad and rewarding. Strive for balance.

- Dynamic Hedge (@DynamicHedge)

Never settle for anything less than wanting more. "When you want to succeed as bad as you want to breathe, that's when you'll become successful." Trading is hard work, and the amazing traders I've met have never settled for anything less than an attempt at perfection; when it doesn't happen, they bust their toosh to make sure that they can work harder next time.

....

Whatever happens regarding continuing education with trading, do not quit. Always find the motivation to continue, even if it appears during your learning curve that you'll never be able to "get it" or understand the markets. If it is truly something you're passionate about, keep it going.

- Zachary A. Musso (@ZMoose12)

When getting someone else's opinion on a stock/trade, ALWAYS make sure you know his / her time frame and trading objective(s), and make sure it matches up with yours. If it doesn't, that opinion can be completely irrelevant.

....

Avoid overtrading. Recognize that often the best trades are the ones not made, and that some of your best days can be when you don't make a dime.

- Tom Morton (@TheEquitiesRoom)

ABOUT THE AUTHOR

Brian Lund is the co-founder of Ditto Trade and Followable, and has been trading, drumming, and running businesses for over 25 years.

He is also the super neat cool guy behind the bclund blog on the StockTwits Network, where he writes about:

LIFE

Time Is Killing My Little Girl

The Thing That I Fear Most

How To Bring A Loved One Back From The Dead

TRADING

The Most Important Concept For Successful Trading

How You'll Know When A Tradable Bottom Is In

The 10 Commandments Of Trading

LIFE AND TRADING

Avoiding The Suicide Trade At All Costs

How I Missed 400 Points In Apple

How 2008 Scarred My Trading, Intra-Uterine Insemination and Why Gary Numan is the Ideal Trader

Brian's goal on his blog is to create a narrative that ties life and trading together in order to "demystify" the markets and help his readers become more successful in both trading and in life in general.

You can subscribe to bclund.com for free via E-mail or via RSS.

And don't forget to follow Brian via his @bclund account on Twitter or StockTwits.