



Tools of the Trade

An Introduction to Professional Stock Trading



Tools of the Trade

Key Points:

- Be prepared before you start trading so you don't "crash and burn"
- Trade Smart - develop trading skills and mental focus
- Coaching helps you get in the game faster, and helps counteract the psychological effects of trading

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An Introduction to Professional Stock Trading

Imagine that you are suddenly at the controls of a Lear jet, flying at 35,000 feet. You have no pilot training, no hope of navigating to your destination, and little chance of even getting down in one piece. Sound a little far-fetched? Everyday, beginner traders do the same thing in the stock market. Unprepared for what lies ahead, they put their money into the market and hope for the best.

Sure, some get what they hope for. But the vast majority - the ones you don't hear so much about - crash and burn. By one estimate, 90% of new traders are wiped out in the first three months. Learn from their mistakes so that you can avoid them.

Trade Smart

There are several steps to becoming a licensed pilot including ground school, flight instruction, and finally solo flight. But there is no licensing process to become a Professional Trader. It is not surprising then that the failure rate is so high. It's up to you to Trade Smart by learning the tools of the trade: trading techniques and chart analysis, learning how to keep your mental focus, and finding out where to get the training you need.



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Key Points:

- Day trading, swing trading, etc. are all different disciplines. Decide what "type" of Professional Trader you want to be by learning about all of them first.
- No matter how methodical your analysis, some trades will go sour
- Study your own trading record to help you fine-tune your technique and improve your strategy

This short paper is an introduction to what you can expect as a Professional Trader. It is a complex process, but it can be generalized into two areas: learning trading techniques and understanding the psychological factors that can hinder your success. In short, you need to develop wisdom and confidence.

Lastly, we will review how a Trading Coach, like a Flight Instructor, can help you become more successful faster and help you stay in the game.

Trading Techniques: Developing Your Trading Strategy

There is no one strategy that is guaranteed to make you money. At a high level, there are many different trading philosophies including day or micro trading, swing trading, discretionary trading, and computer systems trading, to name a few. Within these categories, there are different approaches that use different statistical analyses and charting techniques to take advantage of changes in the market as they occur.

No matter which technique you use, some trades will go sour. But the point is that you need to develop a trading strategy using one or more techniques and stick to it. That being said, you also need flexibility in your system. A technique that works today doesn't mean it will work tomorrow, and the faster you recognize and change a losing streak, the less you'll lose.

Which brings up a vital part of your trading strategy: charting your own success. Constantly measure how well your trades did throughout a given time period, how many trades in a row you won or lost, percentage of profits in winning trades vs. percentage of loss in losing trades, etc. Find out why one trade worked and why another didn't. The stock market is volatile, and all the technical analysis in the world won't



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Key Points:

- Professional Traders build "weight of evidence" to decide if a stock is right to buy or short
- Chart analysis allows you to evaluate a series of indicators - the more indicators going in the same direction, the better your weight of evidence
- Professional Traders tend to develop their own analytical system after learning all the basics

prevent you from losing trades. But if it was a mistake on your part that led to the loss, adjust your trading strategy accordingly.

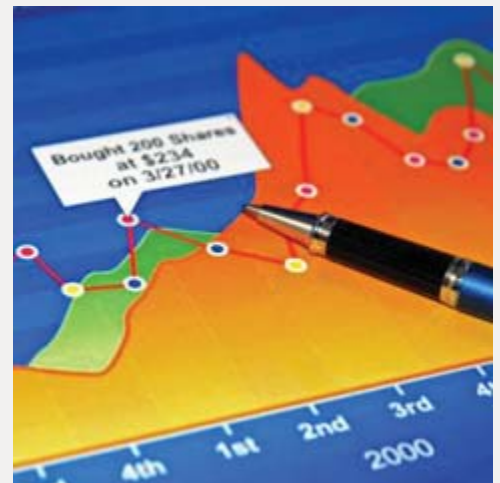
Charting Analysis

As far as developing your trading techniques goes, the single most important skill to learn is charting analysis. Like trading techniques, there are several different approaches to reading charts. Each approach has varying levels of statistical analysis. Generally speaking, the more in-depth your research, the better your chances for success.

Professional Traders use these approaches to build what is called a "weight of evidence." Like a stock trading CSI, you gather as much information as possible within the charts, searching for key indicators that will tell you which way the price of a stock will likely turn next. One indicator is rarely enough to successfully predict the stock, which is why research is so important. The more indicators you find going in the same direction, the more your weight of evidence grows until you finally decide to take action by buying (or shorting) that stock as well as determining your target price and stop-loss level.

As a beginning trader, your best bet is to learn as many different charting analysis approaches as possible at the basic level. You will probably favor one particular method - one that "fits" you best. Run with that one first. Learn how to dig deeper with more advanced analyses, and get a good feel for the techniques so that eventually you have fine-tuned them.

After some experience, you may explore other methods and even use a handful of different techniques at the same time depending on the patterns that you see and the stock market conditions. Professional Traders naturally develop an analytical system of their own



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based on their own trading philosophies, risk tolerance, confidence level, and other factors.

You can find more information about trading styles, types, and techniques on my website (www.tradingeveryday.com).

The Psychology of Trading

The biggest difference between success and failure in your trading career is you. After you have developed a skill for reading charts and created your trading plan, the challenge is to stay focused. Even the most experienced Professional Traders must constantly deal with a number of emotions both positive and (especially) negative. The two biggest are fear and greed.

Fear can drive you to do things that do not fit your trading plan. Fear of losing money, fear of making the wrong move, even fear of feeling like a "loser" when a position fails. But let me tell you right now: you will lose on a great deal of trades. The market is an extremely unpredictable environment; technical analysis can help you play trends but you cannot predict every variable with 100% accuracy. Most Professional Traders believe that a 65% win ratio is a good target to aim for, and higher than 80% is very difficult to maintain in the long-term.

The key is to reduce the money lost on trades by recognizing the signs that your position is failing and get out. If you use a stop-loss on every trade and stick to your system, you will reduce the money that you lose and free you up to look for the next trade.

Greed and over-confidence are two other demons to avoid. Even if your position is shooting up past your target price, you need to keep the discipline to sell. What goes up quickly can also come down just as fast. Even experienced Professional Traders relearn this lesson



Key Points:

- Identify psychological factors that can affect your success: fear, lack of confidence, greed, and others
- You will lose on trades - don't let a loss on one trade throw your concentration and threaten all of your resources
- Most Professional Traders shoot for a 65% success rate in their trades - over 80% is difficult to maintain even for the best traders

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Key Points:

- Trading Coaches help beginners learn the basics of trading techniques and psychology so they can "fast track" and make more money sooner
- Trading Coaches help you keep your mental focus, develop techniques, and keep your confidence up
- Even Professional Traders use coaching services. Like a personal trainer or life coach, a Trading Coach help traders of any experience take their trading to the next level

every once in a while, ultimately selling a losing trade instead of a winning one because they were waiting for that "extra" point up that never came.

Learn about the psychology of trading and the pitfalls that others before you have already fallen into - and how you can avoid them.

Trading Coaches: Fast-Track Your Trading Career

Trading Coaches, just like the flight instructor mentioned in the introduction, helps you in two important ways: developing your skills and keeping your mental focus and confidence.

For beginners, a Trading Coach is like a fast track to your trading career, mentoring you through the technical and psychological aspects of trading. For experienced traders, a Trading Coach can help you take trading to the next level. To use the flying analogy again, once you have learned how to fly a Cessna, you can go on to jets, military planes, perhaps the Blue Angels, maybe even pilot the Space Shuttle. Each of these steps requires more training and flight instruction from knowledgeable professionals who have been there before.

Mental focus and confidence is equally important. Trading stocks, especially at the day trading level, is very much a mental game. And like mental games, your brain has a funny way of tripping you up. Alexander Rodriguez, one of baseball's best hitters, hired a personal life coach to help him improve his batting numbers. He had the talent and skill to hit the ball, but his life coach helped keep his mental focus and confidence up. It was the edge he needed to win batting titles and ultimately the 2005 AL MVP award.



As you will quickly learn in your own trading career, mental focus and confidence are the cornerstones of a successful

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Key Points:

- Seek out the skills and knowledge you need to become a successful Professional Trader
- You will lose many trades, but this does not make you a “loser”
- Personalized learning gets you in the game faster, and helps keep you there

career. Whether you use my services or those of someone else, I highly recommend hiring a Trading Coach to teach you the skills and give you the confidence you need to start making money faster.

What Have We Learned?

- ◆ Seek out the skills and knowledge you need to become a successful trader
- ◆ Learn how to use trading techniques and chart analysis
- ◆ Develop a trading strategy and trading system that works for you
- ◆ Psychology plays a large part in the trading process
- ◆ Learn to control your emotions and stick to your plan
- ◆ Markets are volatile - you will lose on many trades, but this doesn't make you a "loser"
- ◆ Fear and other emotions can undermine your trading plan
- ◆ Mental focus and confidence are key
- ◆ Hiring a Trading Coach is an investment in your trading career
- ◆ Personalized learning gets you in the game faster - and gives you a better chance of staying there



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Key Points:

- Only 10% of beginner traders are still around after 3 months
- Most of these "crash and burn" because they do not learn the tools of their trade or are not psychologically prepared
- A Trading Coach/Mentor helps you learn how to trade and how to deal with your emotions effectively for a more successful trading career

What's Next?

Only 10% of beginners go on to become successful Professional Traders. Before you get in the game, you need to be prepared so that you can stay in the game. A Trading Coach may give you the edge you need to climb to that elite status, that 10% that build a successful - and profitable - career at trading stocks.

You can find out more about my services including my personal coaching sessions on my website (www.tradingeveryday.com). There you will also find more in-depth explanations about trading techniques, charting analysis, and the psychological aspect of becoming a Professional Trader, as well as other resources to help you on your way.

If at any point you have questions either about this introduction to trading or about the content on my website, feel free to e-mail me at leroyrushing@tradingeveryday.com



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Key Points:

- Professional Trader for 10+ Years
- Extensive education and experience in Risk Management, Finance, Statistics, and Training Techniques
- Free Training Session available to evaluate TradingEveryDay.com's coaching sessions and system

About Leroy Rushing Jr.

With two Master's degrees in Business Administration (Finance) and Science (Statistics), professionally trading stocks is almost a natural vocation for me. By applying my knowledge of business and mathematical principles to the stock market, I found that I could reduce my investment risk by "deconstructing" a stock using chart analysis and market indicators.

But it wasn't always a walk in the park. I found that there are other variables, like the emotional and mental state of the trader, that play a large part in the trading process. I've developed a plan that helps traders find the right trades, and find the courage to make the right decisions.

In my previous corporate life, I was also responsible for providing leadership and training to others in the company. That extensive experience has become the basis of my coaching program today.

I encourage you to [contact me](#) with any questions you may have about my products or services. And don't forget to [register for a Free Consultation/Training Session](#). I will give you the guidance and support that you need to improve your knowledge, skills, and mental focus for higher profitability.

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