

10 TOP TRADING TIPS THE PROFESSIONALS DON'T TELL YOU

Trading your way to a Fortune in Bull
and Bear Markets



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10 tips from a trading veteran to help you put the odds in your favour

When you have been trading futures, options, stocks and commodities for over 26 years, it can be easy to forget what it was like starting out. In this booklet, I will share with you some of the secrets that I wish I'd known when I started trading. Whilst I have focused on Financial Spread Betting, the principles I outline are valid, regardless if you're using CFDs, FX, Futures, Exchange Traded Funds, or just buying shares via broker.

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1 You can make money in all market conditions up, down and even sideways

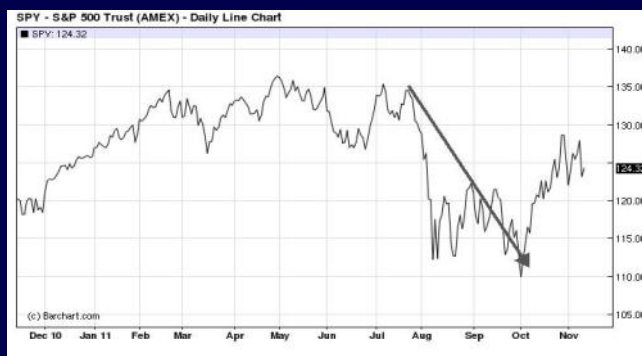
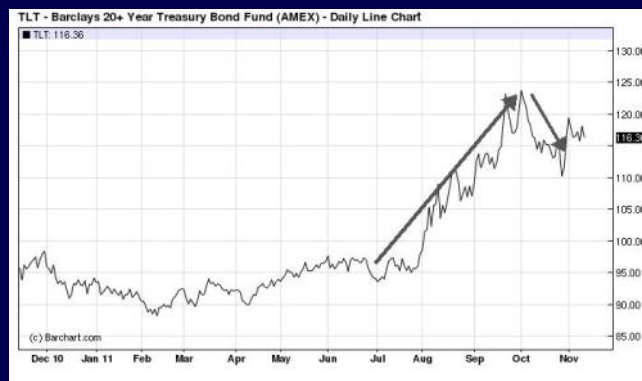
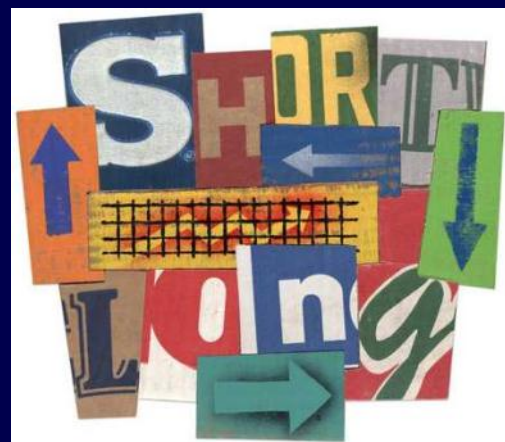
While many areas of the media report the grim headlines, what they forget to tell you is that opportunities to make money as a smart trader are all around you. Today, thanks to spread trading, you too can profit from markets, shares, currencies and commodities to go down (Short Sell) or to go up (Long Buy). You even trade sideways (Barrier Range), where you would bet for a market to stay in a trading range, such as the FTSE 100 to stay within a range of 5,800 to 6,000 for the next 10 days. This can be done via a bookmaker such as www.betonmarkets.net

For example, Crude Oil went up for around 5 years, but then reversed nearly all the gains in 5 months in late 2008.

Financial markets are like a see-saw; if money flows out of one market, such as equity markets, then it flows into another market, such as commodities or bonds. A good example of this was July 2011, where money flowed out of stocks and into US treasury Bonds.

If the US dollar is weak, then the Euro, Swiss or Australian Dollar will be strong. Trading is a zero sum game; you always have a winner and a loser.

Also, don't just think about your home market. Most UK based traders only buy UK listed stocks. However, it's a big world out there and it is as easy for you to trade IBM, Total SA, and China Telecom as



Many also have a directional bias, such as always wanting to be long or always negative. A good trader should be happy to trade and profit from up or down movements. I often stop and reverse trades. So for example, I may be Long Netflix (NFLX) and then when the trade is closed, I can then open a new short trade and profit from a down move.

Remember, shares and markets fall faster than they rise. So you can make faster returns in a falling market than in a rising one.



2 Start small and build up

No successful trader starts out in a big way. For my own trading, I started out with £2,000 of risk capital. Today I trade £100,000+ per transaction without even blinking.

Thanks to small bet sizes and practice accounts offered by some financial bookmakers and brokers, you can trade via a real system with no risk. This beats the old paper trading game. Then you can start trading with small stakes and build up. One of my secrets of success is using the power of compounding profits and trades.

Many new traders often try to carry too big a position with too little capital, and trade too frequently for the size of the account. I see new traders wanting to trade in the most volatile or "exciting" markets, when the truth is, they should be trading more conservative slower moving markets, especially when starting out.



A Grain of Rice

The daughter of the Chinese Emperor was ill, and he promised riches beyond compare to whoever could cure her. A young peasant named Pong Lo entered the palace. With his wit and bravery, he restored the Princess' health and won her heart. As a reward, Pong Lo asked for her hand in marriage. The emperor refused and asked the peasant to think of anything else he would like.

After several moments of thought, Pong Lo said, "I would like a grain of rice." "A grain of rice! That's nonsense! Ask me for fine silks, the grandest room in the palace, a stable full of wild stallions - they shall be yours!"

"A grain of rice will do" said Pong Lo "But if his Majesty insists, he may double the amount every day for a hundred days."

So on the first day, a grain of rice was delivered to Pong Lo. On the second, 2 grains of rice were delivered, on the third day 4 grains, and on the fourth day 8 grains. On the fifth day 16 grains, on the sixth day 32 grains, on the seventh day 64 grains, on the eighth day 128 grains.

By the twelfth day, the grains of rice numbered 2,048. By the twentieth day 524,288 grains were delivered. And by the thirtieth day 536,870,912 grains - requiring 40 servants to carry them to Pong Lo.

In desperation the Emperor did the only honourable thing he could do, and consented to the marriage. Out of consideration for the Emperor's feelings, no rice was served at the wedding banquet!

(Retold from a grain of Rice by Helena Pittman)

3 Diversify

The advantage of trading with a financial bookmaker, and now with the vast number of Exchange Traded Funds (ETFs), is that it allows you to trade numerous products, such as currencies, commodities, stocks and bonds, all from one account. Yet most customers stick to FTSE or DOW.

By diversifying your bets, you reduce risk, especially in non-correlated markets. For example, the S&P500, Dow, FTSE and the Dax are all major stock indices. As such, you can safely say if the S&P goes down, the others follow.

However, if you traded one of the above, and also Gold, Oil, Wheat or \$/Swiss Franc, you would have a far better balanced account.

Another successful strategy that I trade is trading sectors or Sector ETFs. For example, you could bet one sector to go down, such as Financials, and one sector to go up, such as Consumer Staples.



Prices

Display

View as

Pairs

01:03:18

Beverages

DFB

195

Sell

Buy

10024

10044

Low: 9830

High: 10061

01:03:18

Beverages

DEC-11

194

Sell

Buy

10016

10077

Low: 9824

High: 10094

01:03:18

Beverages

MAR-12

195

Sell

Buy

10042

10113

Low: 9849

High: 10130

An example of betting on the FTSE Beverages Sector

With Financial Spread Trading, you can trade on major sectors, both to go Long (buy) and to go Short (sell). You can also spread bet many Exchange Traded Funds, which enable you to take a view on a certain sector such as Nuclear Energy, Mining or Agriculture.

| Prices | | | | Display | View as | Pairs | |
|---------------------------------|----------|----------------------|----------|----------------------|---------|----------------------|------|
| 01:03:23 | 01:03:23 | 01:03:23 | 01:03:23 | | | | |
| Market Vectors Agribusiness ETF | | | | 80 | | | |
| Sell | Buy | Sell | Buy | Sell | Buy | Sell | Buy |
| 4991 | 4999 | 4986 | 5011 | 4995 | 5022 | 5001 | 5034 |
| Low: 4950 High: 5022 | | Low: 4945 High: 5035 | | Low: 4954 High: 5045 | | Low: 4960 High: 5057 | |

Here is an example of the Market Vectors Agribusiness ETF (MOO)

One trade gives you exposure to a basket of agribusiness stocks such as Deere, Monsanto, Potash Corp, Bunge and Syngenta.

The nine S&P500 sectors which can be traded via a spread bet, traded options or bought via an online broker are:

- Consumer Discretionary Select Sector SPDR Fund - XLY
- Consumer Staples Select Sector SPDR Fund - XLP
- Energy Select Sector SPDR Fund - XLE
- Financial Select Sector SPDR Fund - XLF
- Health Care Select Sector SPDR Fund - XLV
- Industrial Select Sector SPDR Fund - XLI
- Materials Select Sector SPDR Fund - XLB
- Technology Select Sector SPDR Fund - XLK
- Utilities Select Sector SPDR Fund - XLU

Its possible to be long on sector and short another, or you could be long the S&P500 and short the Financial Sector.

4 Know your personality and trading style

While "day trading" and short-term bets may sound exciting, the truth is that my wealth has not come from short term bets. It has come from trading trends over weeks, months and years.

While brokers and bookmakers like to generate more business from active customers, the winners in the long run are the least active traders.

For many readers that are more conservative and with a little grey hair, you will not be suited to short term in and out trading. As a trend trader, I am not glued to a screen all day and only check prices at the end of the day; on some trades, I only check once a week.

Many new traders confuse being "busy" with making money. In many cases, a good trending stock can be left to run. This can be far more profitable than trying to second guess each twist and turn.

Do be careful with the online dealing and now with the new services available on mobile phones and devices like the iPad. It can be tempting to over check prices and overreact to short term movements. Remember, millions of pounds have been invested in these new online dealing platforms. But for whose benefit?

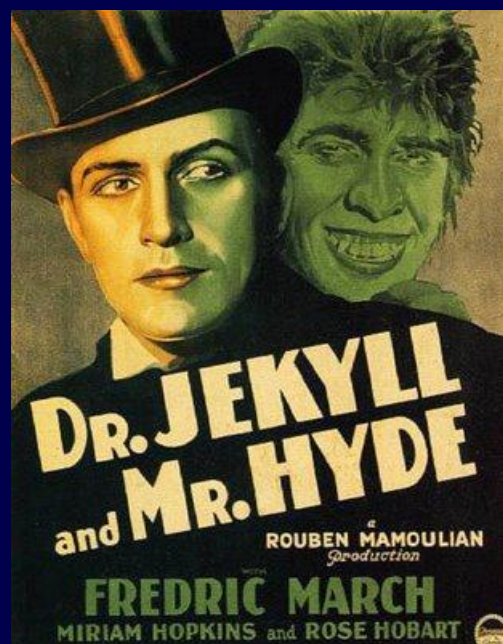
I look at shares and markets as if they are people

Stocks often act like people. You have various personalities and a stock can change from one to another.

Personalities can be aggressive, steady plodders, hyper which normally burn out and predictable.

Charts and a moving average can help you spot the personalities which you can trade. There is nothing wrong with hyper stocks but understand that you are playing with fire. Protect yourself with stops and be ready to walk away when it all ends.

Most new traders overtrade without doing enough research. Many do not understand how much risk or exposure they have entered into. I remember one client opening up £10 a point on the Italian MIB thinking that was a small trade. At the time the MIB index was 43,500 and a move of 500 points a day was the norm.



5

Money management is the key to survival

A good trader does not need to make money that often. In fact, you could get 80% of your trades wrong and still make money. Let's say you lose £100 on 8 trades and you then make £500 on two trades. You are in profit, even though your win to lose ratio is terrible.

However sure you are that the market will crash or XYZ is going to soar, make your first trade a small one, and then, if you are correct, add more to that trade.

Pyramiding a successful trade is the key to making large returns. Never add to a losing trade!

Financial Spread Betting, CFDs and Futures are leveraged products. Therefore, a relatively small movement can be magnified. This is great when it goes your way, but not that nice when it does not.

For example, if you bought 1000 shares of Vodafone at £1.50, that would be an investment of £1500. With a spread bet, you could bet £10 a point (the same as 1000 shares). However, you would

only need around 10% deposit £150 in order to have 10 times bigger exposure with the same investment.

Leverage is not a bad thing to have, but you need to treat it with respect; many new traders go to the maximum leverage limit they can have. However, it would be wiser to use less leverage – you don't have to drive at the maximum speed limit!

"Trade up in good times and trade down in not so good times. It is important to add to winning trades. For most of my trades I will start with a relatively small opening trade. I like to "test" my trades, for example, if I owned a shop I would not buy thousands of books, I would buy a few, see if they sell and if they do then I would buy some more. In trading I could buy a small position, if it's looking good and starts moving my way I can add to it."

However "smart" we think we are in trading and investing we are dealing with unknowns, what is known and what we can control is how much we decide to risk on each trade, and that is what you should be spending more time on.

Vince Stanzione



6

Cut your losses and let winners run – Spend more time planning your EXIT

Everyone tells you this, but few can do it. Trading comes down to psychology; everyone wants to win and no one likes to be wrong, or be classed as a loser. Most unsuccessful traders take profits quickly, yet they will let losing trades run and run in the hope that things will get better. When I was a broker, I would see this all the time. Clients wanted to get out of winning trades and found it easy to close these out, but getting them to close losing trades was near impossible.

The table shows what you have to make back to recover your losses.

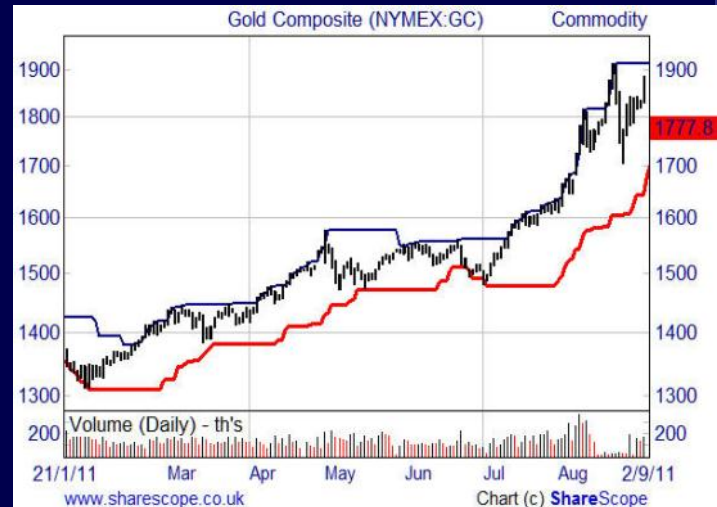
What I suggest is that you have a mechanical approach to exits and entries. That is, you have a get out point set on opening a trade. I cover this in full in my course Making Money From Financial Spread Trading.

Financial Bookmakers offer a guaranteed stop loss on most products. This means that you can place a bet knowing that the most you can lose is known, say £200. Yet your profit could be unlimited.

Another good tip is to trail stops, which is to lock in some profits but keep the trade running. Once a trade moves into profit, you could move the stop loss to your entry point. This means that the worse case scenario is a break-even trade.

A price channel or “Donchian Channel” can easily be added to a price chart. In this example, we see a 20 day high and low channel; as the price moves up, so does the channel. Think of the channel as a safety net which allows you to lock in profits.

Most new traders spend too much time planning when to get in and buy, when in fact, they should spend much more time on the exit strategy and how much they are going to trade. In my course I explain how to get in and out.



Drawdown and Drawdown Recovery

| % Loss of Capital | % Profit to Recover |
|-------------------|---------------------|
| 10% | 11.11% |
| 20% | 25.00% |
| 30% | 42.85% |
| 40% | 66.66% |
| 50% | 100% |
| 60% | 150% |
| 70% | 233% |
| 80% | 400% |
| 90% | 900% |
| 100% | You are Broke |

7 Treat Financial Spread Trading and investing as a business

If you want to make real money, you need to treat this as a business and work to a professional standard. Keep records of your trades, invest time and money to learn to trade, and continue to update your skills. It is a never-ending learning process.

You should not be trading for fun, excitement or to impress your friends. You are in business to make money!

Many have opened financial spread betting accounts as an escape from there "boring " day time jobs and are really gambling with no system or plan.



8 Don't get carried away by technology

It's easy to get blown away by all the great software, on-line trading, real time data, charts, iPad apps, business channels and bells and whistles.

The truth is, less is more, and information overload makes you a worse trader. The more complicated your system, the less chance it will work or that you will follow it.

The majority of technical trading indicators are a total waste of time, and you do not need to waste money on expensive trading software that claims to predict markets. The most important factor when trading any market is the price.

If the price goes to 50, 51, 55, 60, it is going up; it doesn't matter what the indicator or news says or what you think should be happening. The price tells you the truth and should always be obeyed.

Trade with what you see not what you think. Yes, XYZ could be overvalued and at some stage you may be right, but the old saying "Markets can remain irrational a lot longer than you can remain solvent" is very true.



9

The crowd and media are normally wrong

Some of the best times to buy are when the crowd is terrified and there is blood on the streets.

Markets go down because of lack of buyers, not because of sellers. For a bull market to continue, you need new money to keep the party going, similar to a Ponzi or pyramid scheme.

If everyone is bullish on the market, then it has no other way to go but down, as everyone that wanted to buy has already done so. A classic example of this was the NASDAQ in March 2000.

On the reverse, I have made a very good profit from the Tobacco sector over the last decade. Tobacco companies were despised by Wall Street back in 2000 -2002. Since then, many companies such as BAT are up over 600%, and that's not including the dividends.

In my course, I reveal the sentiment indicators that I use and how to know what the crowd is doing. Be aware that stock market crashes do not start when everyone expects them. Front covers of business

magazines can be good contra indicators.

This was a front cover published the end of May 2008 – with Oil at \$135 - by the end of the same year Oil was at \$36



Many traders don't realise the news they hear and read has, in many cases, already been discounted by the market. Often, new traders jump into a market based on a story in the morning paper or on a business channel; the market many times has already discounted the information.



10

Don't feel you have to trade all the time – Don't mistake good luck with skill



Only gamblers bet on markets every single day. Sometimes the best trades are the ones you do not make. Trading can become addictive, both for losing traders who want to get even, and winning traders who are now on a roll and want to take over the world in 5 days!

After a few profitable trades, some traders become wild and un-conservative. They base their trades on hunches and long shots, rather than sound fundamental and technical reasoning, or they put their money into one deal that "can't fail".

Markets have been here for years and they will be here for many more to come. As already stated, the best trades are trend trends where a trade is entered long or short and is left to run with the trend.

Don't make new trades or mess with an open winning trade just because you're bored or want something new. I have seen many sell shares like Apple and ARM Holdings with small profits as they become bored. Had they just stayed with them, they would have made far

bigger returns for doing nothing.

Don't dig up your healthy plants and keep your weeds!

Just Wait Until There Is Money Lying On The Corner

"I just wait until there is money lying on the corner, and all I have to do is go over there and pick it up. I do nothing in the meantime. Even people who lose money in the market say, "I just lost my money, now I have to do something to make it back." No you don't. You should sit there until you find something."

Jim Rogers— Market Wizards

"There is nothing new on Wall Street or in stock speculation. What has happened in the past will happen again, and again, and again. This is because human nature does not change, and it is human emotion, solidly built into human nature, that always gets in the way of human intelligence. Of this I am sure. "

Jesse Livermore

www.winonmarkets.net

Want to take your Trading Investing to the next level?

Whether you're a complete beginner or you trade the financial markets already, I'm certain I can help you make more money and give you an unfair advantage, regardless of market conditions, which product your trading, and where you're based.

Vince Stanzione has produced a home study course to teach private investors how to benefit from trading financial Spread Bets and Fixed Odds priced at £197. For more information please visit

www.winonmarkets.net



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