Dr. Barry Burns Presents

A Simple Exercise to Improve Your Trading Discipline and Help You Trade with More Confidence.

TOP DOG TRADING

Important Disclaimer

- Trading is not suitable for all people. Futures are leveraged instruments and therefore it is possible to lose more than the amount of money deposited for a position.
- A person should only use funds they can afford to lose and that fits within their overall financial plan as developed by a qualified financial planner.
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OH HEY! LOOK, IT'S ME!

- My Name is Dr. Barry Burns and I'm the Founder of **Top Dog Trading**

  Professional Trading Educator

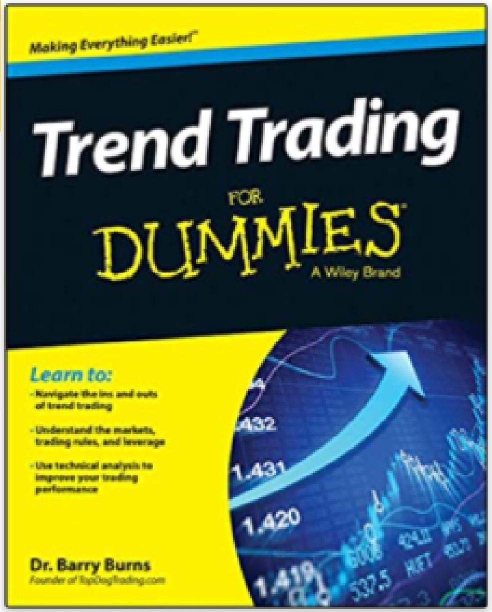
  Over 50 Years of Trading Experience

  Trained by a Floor Trader at the Chicago Mercantile Exchange

  Conducted Seminars Internationally including for the CME & Eurex Exchange

  And...

Look inside



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Trend Trading For Dummies (For Dummies Series) Paperback – August 25, 2014

by Barry Burns (Author)

115 ratings

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Trend trading lets the market do the work for you

Is your portfolio doing all it should? Are you looking for a market-focused way to increase returns? Try your hand at trend trading. Instead of analyzing the performance of a company, analyze the performance of the market as a whole. When you spot a trend, jump on it and let it ride until it's time to move. Whether your strategy is short-term, intermediate-term, or long-term, trend trading can help you capitalize on the action of market and get the most out of every move you make.

Trend Trading For Dummies will get you up to speed on the ins and outs of this unique

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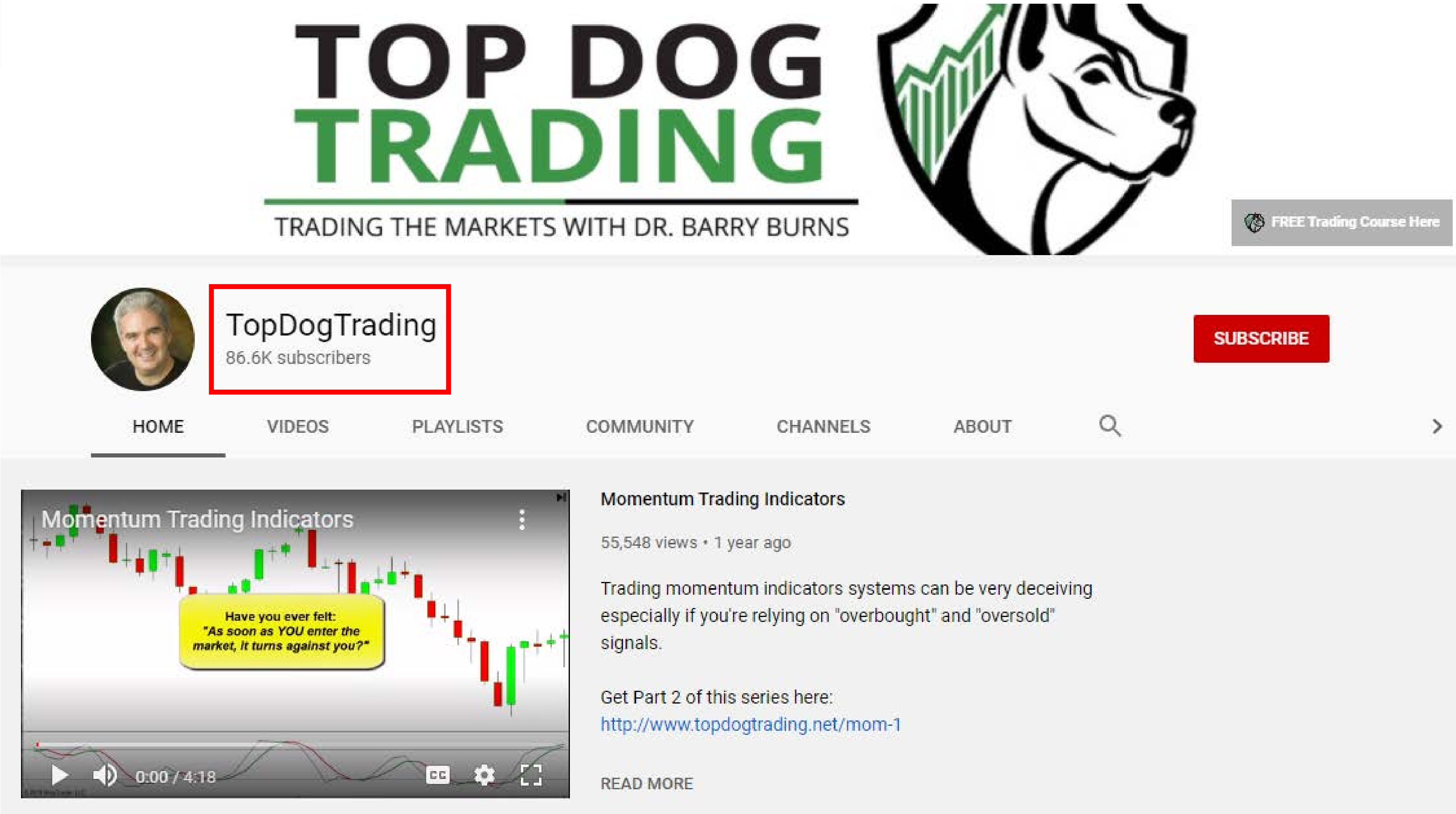

IT ALL STARTED AT ONLY 8 YEARS OLD...

I've **SEEN IT ALL…**

The **HIGHS** & Lows

CREATING MY SUCCESS WAS A JOURNEY

There were 2 steps to my success:

1. Learning to Master the Market.

2. Learning to Master my Mind.

What Moves the Markets?

- Do Fundamentals matter for TRADING? Markets sometimes go up on good news and down on bad news.
- People move the market
- The Market moves based on people's BELIEFS and FEELINGS
- LOTS of people – Mass Psychology
- "Technical Analysis is the Math of Mass Psychology"

The “Nature” of the Markets

The movement of the market is the movement of mass psychology. So the “nature” of the market is HUMAN NATURE.

1. Charts are maps of collective human BEHAVIOR.
2. The market isn’t LIKE people, it IS people.
3. Nothing gets plotted on a chart until people take ACTION.
4. Charts don’t map people’s thoughts, beliefs, hopes and fears … they map COMMITMENTS!

The Nature of People

1. Goal Oriented - Trends

2. “3 Steps Forward, 2 Steps Back” - Oscillations

3. “Getting Stuck” - Consolidation

4. Work and Rest - Cycles

5. “All Nighters” and Vacation – Expanding and Contracting Cycles

6. Emotional Beings: Love and Hate, Overreact and passive aggressive. Not always logical.

Trading Psychology

In Market Wizards, Jack Schwager interviews some of the world's most successful traders in search of a commonality that can lead to success for others. His conclusion after the interviews:

"What set these traders apart? Most people think that winning in the markets has something to do with finding the secret formula. The truth is that any common denominator among the traders I interviewed had more to do with ATTITUDE than APPROACH."

Trading Psychology

PRACTICAL EXERCISE TO THINK DIFFERENT THAN THE MASSES:

Attend a lot of free live trading chat rooms where the traders are actively communicating with each other.

Watch the charts in conjunction with their comments.

Remember, the masses are wrong most of the time. So what you’re hearing is the inner dialog and the behavior of the losers.

Do this for 3-6 months (listening to their comments and watching the charts in conjunction with their comments), and before long you’ll be able to do the reverse:

Watch the charts and hear the dialog of the losing traders!

Don’t be like them!

Trading Psychology

In his follow-up book, The New Market Wizards, Jack Schwager wrote:

"When asked what was important to success, the Market Wizards never talked about indicators or techniques, but rather about such things as discipline, emotional control, patience, and mental attitude toward losing. The message is clear: The key to winning in the markets is internal, not external."

Trading Psychology

It’s clear that to be a successful trader, you need a viable trading method with setups, rules and a plan that works. Without that, no amount of “psychology” is going to help you.

Unfortunately, there are many traders who have a viable trading method, who never know it, because they have never tested the method divorced from their emotions.

For this reason I highly recommend that you PAPER trade any new method you’re trying (even if you’re a seasoned trader) for at least 3-6 months before you put a single real-money trade on the line. This paper trading must be done in real-time, not after the fact.

Trading Psychology

This gives the additional benefit of helping you learn the timing of the entries. Learning to enter your orders without hesitation is a critical trading behavior for your success. It will also help you learn whether the methodology fits your personality.

By paper trading for 3-6 months, and keeping track of every trade (using trading logs), you will find that the method works … as long as you trade it without emotion.

Before you can trade successfully, you need to have confidence in your method. Without confidence in your method, you will second-guess the rules, get discouraged during draw downs, and fearfully stay out of good setups. The ONLY thing that will create that confidence is success. And the best way to achieve a winning track record is to trade without emotion … and at the beginning, that means trading without money.

After successfully paper trading for an extended amount of time, it’s time to start trading with a SMALL AMOUNT of real money. Now if you start losing, then you know the variable is the emotion of trading with money.

Once we solve the problem of finding a successful trading method, then we have to deal with the problem of YOU!

Trading Psychology

Overtrading is one of the biggest challenges to new traders. But one of the hallmarks of successful traders is that they actually trade very little. They wait for the PERFECT setups because they know that is the ONLY time that the odds are really with them, and that makes the difference between trading and gambling.

Even in the gambling world, however, the professionals know this. Profitable poker players fold on more hands than they play. If they don't have a strong opening hand with a high probability of winning, they simply fold and wait for a better one.

Trading Psychology

“People who are way better educated than me rip my theories from here to Hades and back. They claim gambling is all math and statistical analysis. They will never grasp the true meaning of gambling – because they have never been there.

… People who think that a math equation is gonna give them a leg up on winning ought have that leg whack them in the area where they sit on their brains.

… [The pros] don’t make MISTAKES, and they don’t have tells. Patience is a virtue, stupidity is a one-way street to disaster, talk is minimal, and mercy is absent. Make a MISTAKE and seven vultures circle the wagons, waiting to divide the spoils. When the night is done and you are fortunate enough to escape with a small profit, the ride home gives you only a short time to count your blessings and your money.”

John Patrick in MONEY MANAGEMENT FOR GAMBLERS

Trading Psychology

If you’re not trading well with a successful methodology, it’s most likely because you are making mistakes.

So is there a way to eliminate mistakes? No one ever becomes a perfect trader, but the first step to reducing your mistakes is to identify them.

Here are10 Commandments which are general rules. We’ll translate them into specific “mistakes” as they would relate to the rules of our trading methodology.

Trading Psychology

1. Thou Shalt Not Chase a Move. If you missed the best risk/reward entry, just let the trade go. Never chase the market.
2. Thou Shalt Not Trade in Choppy Markets. Trading is not a zero sum game. You lose money on every trade on both the bid/ask slippage and commissions/fees. Without clear directional momentum on your side you do not have an "edge" and without an edge you will not have a profit! **Never trade when the 50 MA is flat!**
3. Thou Shalt Not Trade "Kamikazes! (shorting Higher Highs or buying Lower Lows)." These can look SO good, but because momentum is against you it's like trying to push a Sumo wrestler out of the ring.
4. Thou Shalt Not Trade Too Many Contracts for your Account Size. If you lose more money than you are comfortable with, then you will trade badly. Everyone, even the best traders, go through periods of days, weeks, and occasionally even entire months of losses. You need to keep your losses per trade and per day small enough that you can financially survive a major losing streak without having to refund your account, and without causing you emotional stress.
5. Thou Shalt Not Trade for the "Action." Trading is a business, not an extreme sport! Like any good businessperson, your primary objective is to increase your bottom line.

Trading Psychology

6. Thou Shalt Guard Your Capital; it is your lifeblood. Without it you can't trade.
7. Thou Shalt Never "Revenge Trade." When you have a losing trade, that money is gone and the trade is done. Trying to get the money back by bending your rules will only result in more losses. Remember, your rules are what make you money. They're what is proven to give you the high-probability trades.
8. Thou Shalt Not Worry About "Missing the Boat." Your goal is not to catch every big move in the market, in fact you won't and no one does. Your ONLY objective is to trade your rules, and take the money the market will give you each week according to those rules. Even though we talk about "trading the market, in the strictest sense you cannot trade the market, you can only trade your rules.
9. Thou Shalt Not Place Your Stops Too Close. If you are doing this, it's an excellent indication that you are not in the right frame of mind for trading and you should not be trading right now. You can't trade scared. Stops should be placed where the pattern you are trading would be broken, and no closer. You must give the market room to wiggle. It doesn't move in a straight line. Allow for the bids/asks of individuals to move the market around messily within your trading setup.
10. Thou Shalt Not Take Profits Too Soon. It's nearly impossible to make money based on win/loss ratios alone. Scalping is for the true pros, mostly the floor traders. Your money will be made by having a respectable win/loss ratio (in the area of 40%-60%) and having your winning trades be larger than your losing trades. Be patient with the trends and let them ring up big money for you.

Trading Psychology

One of my favorite sayings in trading is:

“Successful Trading is Simply a Matter of NOT MAKING MISTAKES.”

I have found this to be a great truism in my trading life. As long as I don’t make mistakes, I come out ahead at the end of the week or month.

The “mistakes” I refer to are the 10 Commandments listed above. This is my list and I encourage you to add or subtract to it. Make it your own. Use this as a springboard for creating your own list.

Your goal is to trade the method as strictly as possible and without making any of these mistakes.

Avoiding mistakes is a matter of self-discipline.

Although I can’t give you self-discipline, I will give you an exercise that can help you tremendously with the issue. You still have to actually stick to it, but if nothing else it can serve as a mirror as to how out of control your trading may actually be.

Trading Psychology

DAILY TRADING LOG DATE: ______/______/______

Successful Trading is Simply a Business of NOT MAKING MISTAKES
That's what separates the pro who makes money from the educated amateur.

TIMES OF ECONOMIC REPORTS:

1. ______________ 3. ______________

2. ______________ 4. ______________

ENTRY TIME	TRADING VEHICLE	LONG/SHORT ENTRY PRICE	PROTECTIVE STOP	1ST TARGET	2ND TARGET	EXIT TIME	EXIT PRICE	$ GAIN/LOSS	TOTAL GAIN/LOSS
NOTES:						MISTAKES:			
NOTES:						MISTAKES			
NOTES:						MISTAKES			

Trading Psychology

TRADE LOG FOR THE WEEK OF ________________ to ________________

DATE	WIN/LOSS		TOTAL P/L		AVERAGE $ WIN/$LOSS		COM-MISS	NET P/L; % ACCT		# OF MIS-TAKES	NET P/L w/o MIS-TAKES	MISTAKES
WEEK TOTALS												

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