

# TRADERS WHEEL

## Trading Tactics

### 20 GOLDEN RULES FOR TRADERS

**Want to trade successfully?** Just choose the good positions and **avoid** the bad ones. Poor trade selection takes a heavy toll as it bleeds your confidence and wallet. You face many crossroads during each market day. Without a system of discipline for your decision-making, impulse and emotion will undermine skills as you chase the wrong stocks at the worst times.

**Many short-term players view trading as a form of gambling.** Without planning or discipline, they throw money at the market. The occasional big score reinforces this easy money attitude but sets them up for ultimate failure. Without defensive rules, insiders easily feed off these losers and send them off to other hobbies.

**Technical Analysis teaches traders to execute positions based on numbers, time and volume.** This discipline forces traders to distance themselves from reckless gambling behavior. Through detached execution and solid risk management, short-term trading finally "works".

**Markets echo similar patterns over and over again.** The science of trend allows you to build systematic rules to play these repeating formations and avoid the chase:

1. **Forget the news, remember the chart.** You're not smart enough to know how news will affect price. The chart already knows the news is coming.
2. **Buy the first pullback from a new high. Sell the first pullback from a new low.** There's always a crowd that missed the first boat.
3. **Buy at support, sell at resistance.** Everyone sees the same thing and they're all just waiting to jump in the pool.
4. **Short rallies not selloffs.** When markets drop, shorts finally turn a profit and get ready to cover.
5. **Don't buy up into a major moving average or sell down into one.** See #3.
6. **Don't chase momentum if you can't find the exit.** Assume the market will reverse the minute you get in. If it's a long way to the door, you're in big trouble.
7. **Exhaustion gaps get filled. Breakaway and continuation gaps don't.** The old traders' wisdom is a lie. Trade in the direction of gap support whenever you can.
8. **Trends test the point of last support/resistance.** Enter here even if it hurts.
9. **Trade with the TICK not against it.** Don't be a hero. Go with the money flow.
10. **If you have to look, it isn't there.** Forget your college degree and trust your instincts.

11. **Sell the second high, buy the second low.** After sharp pullbacks, the first test of any high or low always runs into resistance. Look for the break on the third or fourth try.
12. **The trend is your friend in the last hour.** As volume cranks up at 3:00pm don't expect anyone to change the channel.
13. **Avoid the open.** They see YOU coming sucker
14. **1-2-3-Drop-Up.** Look for downtrends to reverse after a top, two lower highs and a double bottom.
15. **Bulls live above the 200 day, bears live below.** Sellers eat up rallies below this key moving average line and buyers to come to the rescue above it.
16. **Price has memory.** What did price do the last time it hit a certain level? Chances are it will do it again.
17. **Big volume kills moves.** Climax blow-offs take both buyers and sellers out of the market and lead to sideways action.
18. **Trends never turn on a dime.** Reversals build slowly. The first sharp dip always finds buyers and the first sharp rise always finds sellers.
19. **Bottoms take longer to form than tops.** Fear acts more quickly than greed and causes stocks to drop from their own weight.
20. **Beat the crowd in and out the door.** You have to take their money before they take yours, period.