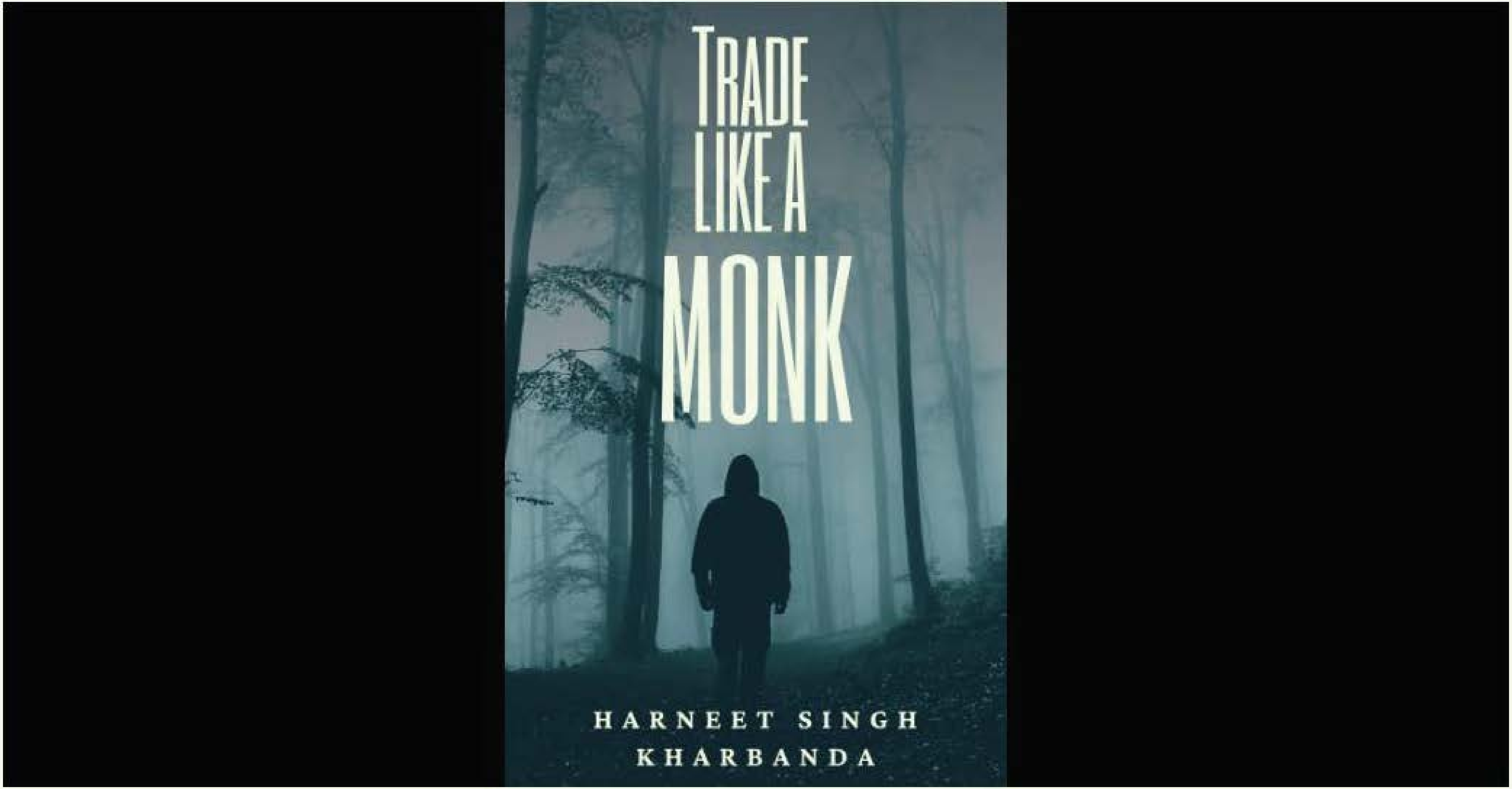
TRADE LIKE A MONK: TRADING PSYCHOLOGY IS THE KEY TO SUCCESSFUL TRADING



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PREFACE

I have been trading full-time in the stock markets for the last 5 years, and I am quite active on social media. I have interacted with thousands of traders and investors via social media platforms and directly while attending offline trading and investing conferences across India. While interacting with a trader or investor, whether they are seasoned players of the markets or just starting their journey into the exciting realm of stock markets, one thing I found in common was that everyone focused too much on the technical and strategy aspects of trading and almost everyone ignored the psychology part.

If you interact with any pro trader or investor, they would tell you how much trading psychology helped them be better traders or investors. In fact, I believe that trading psychology and mindset is 80% of the equation to being a better trader or investor because if everyone could become a better trader just by being good at technical or fundamental analysis, all the CMT's (Chartered Market Technicians)and CFA's (Chartered Financial Analysts) of the world would have been the ones dominating the markets. Whereas we have seen that the great investors and traders are people who have humble educational backgrounds, but have mastered their trading and investing by conquering their mind. It's " You vs. You " over here, rather than " You vs. the Markets. "

QUOTE #1

The Millions that I lost in the Stock Market, Taught me lessons worth Billions!

CHAPTER 1.

THE FLICKERING LIGHTS!

Are you a new trader and want to make it big in the stock market?

Are you fascinated by the red and green flickering numbers on the screen and want to know how they work?

Have you heard amazing stories of some of the legendary investors or traders who have made it big in the stock market, and now you also want to walk on the same path?

Have you always wanted to understand what the technical charts indicate and how you can use them to make *real* money?

These are some of the questions that every new trader has in his mind, and they just want to enter the realm of the stock market; full of excitement and make it to the top. While passion and excitement are the fuel to fulfill any desire, we should proceed only after planning fully and doing groundwork, before jumping into the ocean of the stock market.

The most common mistake that people make is that they enter into the market half-prepared or let's face it, not prepared at all. They are just fascinated by the huge success stories of some of the legendary traders and investors, and they start seeing themselves in their shoes. However, in any other occupation or profession, we need to complete a certain amount of formal studies followed by higher studies and finally some internship or practice sessions before finally landing into a profession that makes us money.

Whereas in the case of the stock market, we can just open a Demat account and start trading immediately, and the irony is, we have a chance of being right 50% of the time! Stocks can either move up or down, so we have a chance of being right on our very first trade, and believe me, there is something called "beginner's luck," and it's often seen that our first trade generally goes in our favor.

It might sound good. But it is actually the worst thing that can happen to a new trader as it gives him/her the illusion that it's effortless to make money in the stock market. The profit that the trader made in his/her first attempt will induce him/her to multiply it with the days of the week, month, and even the entire year and get a false idea of how much he/she can *actually* make.

It is one of the most critical factors why we start wrong in the first place, and once we get a taste of the quick money, we get hooked. After that, there is no looking back, and we often keep trading without any plan till we realize our mistake too late.

There is no doubt that only 10% of the traders can make it big, because it takes a lot of dedication and experience to trade successfully, and knowledge is the first step of all the variables. Your decision to buy and read this book is a sign that you are passionate about the markets and ready to put in the work. That's why you have decided to study about trading rather than just diving into it like everyone else.

So I want to congratulate and welcome you to the Fascinating world of stock markets.

Let me start by telling you an exciting story. There was a young boy, very enthusiastic about markets. Let's call him Rahul. Rahul's family was involved in the cloth business, and after completing his studies, he had to join his family business as that sounded like the sanest plan at that time. After doing this business for a few years, although he was making good money, his heart was not really into it.

He realized that making money and how you make money are two different things. Although he was doing great in his business and had already taken his family business to new peaks, he felt empty and hollow from inside and wanted to pursue something he really liked. Something that he would even love to do for free!

He had heard about the stock market from his friends when he was in college but didn't take it seriously as he had heard many devastating stories of some of his father's friends and relatives who had lost an enormous amount in the markets.

He didn't think about the stock market after that till he met a guy who was making a living out of full-time trading. He got very excited and wanted to learn about trading. The trader told him that as many people make losses, it is evident that a few people take away all the money in the form of profits. So there has to be an equilibrium in the markets in the short term.

He was so eager to learn about trading that he requested the trader to teach him everything about the markets. The trader accepted his request and called him to his house the following day. When he went there, he noticed that even though the trader had a multi-screen setup, he was not glued to the screens and was just glancing at the rates once in a while. He looked at ease and was not worried by the red and green lights constantly flickering in front of him. For Rahul, the office and setup were love at first sight.

He knew in a heartbeat that this is what he will do for the rest of his life. He was already making money in his family business, but he didn't like the way he was making it. He had to literally beg for his own money from the customers who took the goods on credit. He was frustrated with the unprofessional behavior that prevailed in the brick and mortar types of businesses.

Stock market, on the other hand, could give him the privilege to trade from anywhere in the world and without talking to anyone. No begging, no bad debts, no dead inventory, no liquidation problem, and no scalability issues were just a few of the things he was fascinated about, and which the stock market provided.

So the trader taught him everything about the markets. Why prices moved up and down, and how not to get carried away by the ever-moving price ticker and to look at the bigger picture. Then, he started teaching him about the basics of technical analysis right from scratch, as in, from the basics of candle sticks to indicators and advanced strategies.

Rahul followed his advice religiously and went back home and did his homework with total dedication and even started to take an interest in stock market books and watched many videos online. He knew deep inside that he had already found his love and could do this for the rest of his life. So he visited the trader's house a few more times that month and soaked in all the information he possibly could.

Not everyone shares their knowledge freely, and he was grateful to the trader who had become his mentor by now and was teaching him a lot of new things daily. So as soon as Rahul thought that he had all the knowledge that was needed to trade successfully in the markets, he took his first trade by following one of the strategies that he had learnt from his mentor, and, you guessed it right, he made a good profit from it.

He felt a sense of satisfaction that his hard work had already started to deliver results. He had invested a small amount as he was new to the markets and wanted to get a feel for it before jumping in with full momentum. Almost every trade he took was making him money, and he was on top of the world. He couldn't believe that it was so easy to make money in the markets, and he even suggested to his family members that they all should also trade in the stock market.

What he didn't realize is that he had entered in a soaring bull market, and his dream run was about to end. After making a few small gains, he decided to pump up his capital and start making decent money, and leave his family business altogether.

As soon as he was trading a much bigger account, he started to lose money because he was not mentally prepared to handle a bigger account. He was going to learn about position sizing the hard way. He got stuck in a trade, and instead of booking it out for a small loss, he started averaging because he had only seen his stocks go up and believed that this time also the same would happen.

He kept averaging on every major fall, and his ego didn't allow him to take the loss. So he had to take a much bigger loss finally. He was frustrated and couldn't believe that most of the money that he made while trading his small account was lost in this single trade. He felt aggression inside his body and felt like the stock market had taken something from him personally.

He wanted to get his money back, and he wanted it back quickly! He lost more and more money trying to recover his previous loss. He couldn't believe that the same study which was making him money earlier was now betraying him. However, he was astute enough to realize soon that it was not his study that was at fault but his own emotions.

The more he tried to recover his losses, the more they occurred. He tried to pump in more money in every trade as he desperately wanted his hard-earned money back. Before realizing it, he fell into a vicious circle and eventually blew most of his account. That was a shock for him, and he made a promise to himself that he would recover his losses but wouldn't hurry this time and would lay down a plan and even study his previous trades to find out what went wrong.

He took a break from the markets for a few months and went back to his study table, and spent hours every day studying his mistakes. He got interested in other aspects of trading, such as position sizing, risk management, and, last but not least, the psychology of a successful trader. He read many books on psychology and mindset and started trading again after a few months, this time well prepared. He gradually increased his position size, modified his trading approach, and eventually made it big and is still trading for a living and enjoying his life! Surprise! This is actually my story – Rahul was just a pseudonym I used.

We all want to enjoy the lifestyle that a trader enjoys; he doesn't have to report to any boss: he is his own boss. He is not bound by any timetable and can work at his own disposal. He doesn't have to travel daily to his office and can work from his bedroom or practically from anywhere in the world. There are thousands of benefits of being a full-time trader and investor, but it needs practice and study to excel in it, like any other business.

In the following chapters, I will explain the critical factors that are required to be followed, and I hope they will help you in your trading journey as much as they helped me in mine.

QUOTE #2

Thank You Stock Market For Teaching Me So Much About Myself. I Never Knew it Would be This Way Around!

CHAPTER 2.

KNOW YOURSELF FIRST.

From the study of Rahul in the previous chapter, we can notice that Rahul did everything that he could to learn about the markets and how it works, but he never tried to know how " he" or " his mind" works. That's much more important in the market. If only studying the aspects of markets could be enough, all the CA's and CMT's would have been successful in the market. But we know that that's not the case.

It is imperative to know-

- How we think
- How we process information
- How we react to a loss
- How we react after a profit
- How much of ego do we have under control
- How easily do we get excited about something

It is essential to think about all these aspects and, most importantly, to think about our own thought processes. Psychology plays a huge role in the success or failure of a trader. We can learn about the technical or fundamental part of the markets in a few days, but it can take a lifetime to understand how our mind works.

Our mind is powerful machinery; it can work with us or against us, depending upon how we use it.
Let's see why we think and behave the way we do. We can only work upon ourselves only if we know how our mind and thought process works or what "fuels" our thinking.

As stated in almost all the religious scriptures, our mind is generally affected by these "enemies, " and we need to fight them to gain control over ourselves. These are present in all aspects of our lives, and the ultimate motive of our lives is to win over them and not be bounded by them throughout our lives.

These enemies are " Krodh " (Anger) , " Lobh " (Greed) , " Moh " (Attachment) , " Ahankaara " (Ego)

To prosper in life, we really need to take charge of ourselves and make sure that we are not affected. For example, in markets, If we get "Krodh " or anger, we might feel frustrated after a loss, even knowing that it is a part of the process and it will always be there.

Our job is to make sure that we have our losses in control, and the amount that we are willing to lose should be pre- decided and not calculated according to our emotions while we are in a trade. After a loss, this feeling of "Krodh "will generally make our previous trade appear more significant as soon as we take our next trade. We would be trading out of revenge and would like to cover up our losses as soon as possible, which might lead to more losses as we might trade irrationally.

The next trade might not be calculated according to the technical setup or risk-reward ratio but could be just to recover our previous loss. In most cases, we are just so desperate to get back our money that we end up losing more of it. I have seen many traders getting so angry and frustrated that they try to recover their losses on the same day as if the market is not going to open the next day.

I have even seen people trading in the same stock as if the stock has memory and it knows that it has taken some money from your pocket and now it is liable to pay it back to you. We can avoid going into such a situation only if we learn to forgive ourselves and understand that this is a game of probability, and we don't have to be correct every time. We just have to be correct *big* and wrong *small*. So having control over "Krodh" is essential.

The next aspect that we are going to discuss is " Lobh," or greed. It is one of the most critical aspects, and if we don't know how to have control over it, we might never be successful in trading. Again, technical setups or fundamental reasons are essential, but they won't matter if we don't have our greed factor in control.

If we notice, trading is mainly about how much of our greed we have in control. When we make a profit, we get greedy and try to book it as soon as we see it on the screen, only to realize that if we had held it long enough, we would have made much more.

This greed works in other ways too. For example, when we are at a loss, our greed makes us hold on to it, hoping that we would eventually recover it someday in the future. Unfortunately, in most cases, the loss keeps getting bigger and bigger before we realize our mistake and have already booked a significant loss.

So, hence we can conclude that greed is one of the most important factors we should know how to control if we really need to be successful in the stock market. I always tell my friends that we should be happy for our profit instead of yearning for the extra profit that we could have made. Whatever happens, happens for the good.

A simple hack that I use to control my greed is – I simply remove the stock from my watchlist as soon as I book it out. After I have booked my profit, there is no point in looking at it again and again on that same day because it would either go up or down. If it goes up, we will start regretting it. Or if it l goes down, we might be tempted to buy again just to replicate the move that we just got. But this time, it could be coming down after getting rejected from resistance and might not take support. We might end up losing our previous profit and even some of our capital.

The next aspect is "Moh," or Attachment. When we study a lot about a company, we sometimes go into very minute details and get attached to the company a lot. We tend to get so much attached that we don't ever think about exiting from that stock even if it hits our stop loss. A thorough study of any company or on any subject is a good thing; please don't get me wrong here, but what I am saying is that we should be open towards our investments and not get attached to them.

A mistake that I used to commit in my initial years was that I always used to enter according to the technical aspects or according to the chart, but once the stock came closer to my stop loss, I would jump on to the fundamental aspects of the company just to assure myself that the company is sound and should recover back someday.

This was wrong because when I entered, I had made a plan to exit at a specific price, and when the stock is finally there, I should not deviate from the plan just because now I am attached to the trade. I know some stocks can rebound and again come into profit, but there are hundreds of examples of stocks that have become penny stocks or even delisted. I have seen people losing their entire capital because they got attached to a company so much that they bet their entire capital on that particular stock and kept on averaging it at every significant dip.

Our religious scriptures have always advised us to be detached from as many things as possible. That's why the saints and sadhus used to go to Himalayas Mountains to do meditation, and they were kind of detaching themselves from the busy life and worldly possessions.

The next aspect is "Ahankaara" or Ego. We all know that not only in the stock market, but ego is really dangerous for any kind of business and even for our life. It is said that in a War of egos, the loser always wins. Therefore, the more knowledge we have about some subject, the lesser ego we should have.

A market is a great place where people generally begin with inflated egos. Once they see the cycles of ups and downs - and most of the traders and investors have blown up their capital at least once even before they have come to know about the market - they tend to lose their ego, and they realize that the stock market is an ocean and we are just a tiny drop.

Let's look at the super successful investors like Warren Buffet, Charlie Munger, Peter Lynch, Ramdeo Agrawal, Radhakishan Damani, etc. We would notice that these guys are so humble and down to earth. I have had the honor to meet a few of these big names personally, and I was just blown away by their humbleness and soft-spoken nature. One reason could be that almost all of them came from very humble backgrounds and got to learn a lot from the markets that they never let ego get in the way.

So it is imperative to have the discipline and patience to control all these emotions to excel in the stock market or any other profession.

QUOTE #3

A Trader Should Work Very Hard Preparing his/her Trades, But his/her Actual Trading Should be Effortless.

CHAPTER 3.

DO WE HAVE A PRO-TRADER'S MINDSET?

When we enter the market, we have a vision that we will be rich overnight and will make a killing in the markets. We assume that it's effortless to make money here, and we start trading from day one without acquiring any knowledge. Once we face reality, and probably after a few losses, we realize that we need to learn about this subject. Then we start learning about the technical or fundamental studies as they are the most critical aspects of the market. But, we forget that our mind is the tool that puts any study into use, and it's really important to focus on it first.

I know that understanding the technical part is of utmost importance as it forms the basics of chart reading. Therefore, everybody should be well acquainted with these basics before setting out on the journey of successful trading. However, a trader's mindset should be given much more importance as that decides how a trader would perform and manage the trades.

We can learn about the technical aspects of trading by following the traditional approach that we use to learn anything else in this world: reading books or by taking guidance from teachers/mentors. What is really difficult is understanding the mindset as we are not aware of how to do it, and we were never taught about it in our school or college.

The journey is a very long and laborious one, but that's what trading is all about. It's about enjoying the journey, and most successful traders are really passionate, and enjoy this journey. They have realized that money is a by-product of good trading.

It's not easy to master the mind, but there is no other option. We have to know how to use it efficiently to make it work for us and not against us.

To do this, we can follow these easy steps –

1. **Write down the plan *before* taking the trade** – This may look like a very

common thing to do, but most of us skip this part. It is essential to write down our plan *before* taking the trade. Once we have a plan written on paper, with well-defined entry, exit, position size and reason for the entry, and most importantly, exit, we literally transfer our anxiety out of our brains to a well-structured plan. The next step is just to sit back and just execute our plan. I have observed that a written plan takes care of most of the fretting that we may develop once we are in the trade.

2. **Too much information** – Earlier, there was very little information available. People always used to hunt for any information that they could lay their hands on regarding the company in which they have invested or regarding the stock price of that particular company. People used to get the stock prices by going to the broker's office or in the newspapers. But,

unfortunately, most of the traders didn't have the privilege to get real-time prices.

These days, on the other hand, as the information is abundantly available, we are confused in deciding what is important and what is not. As a result, we tend to be overwhelmed with the information flow out there, and it eventually makes us feel really confused and can very quickly make us deviate from our plan.

These days with all the business channels running 24 X 7 and giving away free stock recommendations and traders and analysts giving their views on social media, it is challenging to remain sane.

A few steps that I have taken, and I have seen many of my trader friends also practice, is that we don't look at business channels at all, and we don't log into social media during the market hours. Most of the people that I follow are my friends and they don't give away stock suggestions. It helps me to focus only on my study irrespective of what the world out there is doing.

It is easy to say that we don't get carried away with other's opinions. However, when someone's contrary view about our trade is in the back of our mind, we will get worried if that particular stock starts moving against us. We might start thinking, "what if that guy knows much more than me??" "Did I really take a good decision by entering into this trade?"

3. **It's a probability game** – Trading is a game of probabilities, and I have often said that "whenever we make a loss, we should not take it to our heart, and if we make a profit, we should not take it to our

mind!" Unfortunately, both these situations will negatively impact our minds, and we are bound to make irrational decisions as we advance.

We all know that we should not trade with ego, but at the same time, if we make a loss, we should not feel bad or punish ourselves or doubt our abilities. The purpose should be to keep making good trades and not to think much about the monetary reward.

Another thing which I would like to focus on, is that, we have to remember that the trade that we are taking is just 1 of the next 1000 trades we are going to take. We should not get so much emotionally attached to it that we end up losing our sleep if it doesn't go according to the plan. By minimizing the importance of that one particular trade, we can really trade with ease and would be in a better situation to take sound decisions.

Almost all pro traders use these techniques to stay one step ahead of all the others. However, with years of experience, they realize the importance of controlling the mind and look at trading as a serious profession that is to be carried out with a proper plan and not just by a hit-and- run approach.

QUOTE #4

If We Can't Convert

10,000 to 20,000

We Should Not Try To Convert

1,00,000 to 2,00,000

CHAPTER 4.

THE 3 MONKEYS.

Have you ever wondered why there are thousands or maybe millions of traders who have never been profitable but still keep trading? They should have admitted many years ago that there is something wrong in their approach towards the markets, and which is why that, even after all this time, they still cannot make consistent profits from the market.

But instead of working towards it, they mostly end up trading even more aggressively, keep losing more money, and the cycle continues. So it has actually got a lot to do with the wiring of our brain.

There was an experiment done with three monkeys. They were supposed to do a task. The task was similar for all 3 of them, but they were rewarded unequally.

The first monkey was instructed to do a task, and as soon as the task was done, he was given a reward. He again did the task and again got the prize. He now knew that he would get a reward every time he completes the task, so he kept on doing it until he was exhausted and decided to wait for a while.

The second monkey was also instructed to do the same task, but this one didn't get any reward. He got confused and did the task again as he expected a similar reward given to the first monkey. But still, there was no reward given. He soon realized that whatever he was doing was going in vain, so he stopped immediately and didn't show any further interest in the task, even when the instructors told him to do it again. The instructors tried to force him to do the task, but he still wouldn't do it as he knew by now that there was no reward attached to the task.

The third monkey was being rewarded differently. He was rewarded "randomly. " That is, he was given the reward on some of the random occasions. Like he got the reward on the first attempt, on the third, then on the fifth and sixth attempt, and then directly on the ninth attempt.

The rewards were coming, but they were coming in uncertain intervals. So since the monkey didn't know when the reward would come and when it won't, he kept on doing the task every time. He kept on doing it because he had "hope "that he would definitely get the reward sometime.

This uncertain rewarding system made him do the task every single time till he also got exhausted just like the first monkey, but in this case, he got very few rewards as compared to the first monkey.

You must have related this style of getting the reward with trading by now. In trading also, as it is a game of probability, we get rewards at uncertain intervals. Sometimes we might get a winning streak or a losing streak, but our trades generally end up unsure.

In the initial days of trading, when we get good profits, we end up thinking that maybe this will continue forever, and when it doesn't, we keep on trading in the hope of similar results. Similar results can again come, and they might come anytime, but that hope will make us trade again and again even if we got the first few profits just out of luck. The market is constructed in a way where we know that we cannot profit from each and every trade, but we still expect to profit from each trade we are putting in the system. So we attach our hopes and get excited about every trade that we do.

It has also got to do with a hormone named "Dopamine." It is a feel-good hormone, and our brain craves it. So whenever the monkeys got the reward, or in our case, whenever we get profits, this hormone is released in excess throughout our body, and our brain tells us that it liked whatever just happened and wants more of it. This craving and greed for more of this hormone leads us to keep repeating the action, even if the reward is collected randomly.

It is one reason traders who blow up their entire capital still keep on trading. They even go to the extent of borrowing money from friends and relatives just to trade. Finally, they get so addicted to the random reward that they just can't let it go. Trading becomes so addictive to them that they sometimes even end up losing the borrowed money and then go into depression.

So it is essential to know why we are over trading and how to overcome this, using some of the hacks and tricks I have tried to explain in this book.

QUOTE #5

Series of Profits Make Us Greedy and Series of Losses Make Us Fearful. Taking a Small Break After Both These Scenarios Helps a Lot.

CHAPTER 5.

THE 3 SALESMEN

After the story of the 3 monkeys, let me tell you another story.

There was a shop that had 3 salesmen. The first one was very obedient, and he used to talk very politely with all customers. He used to take care of their demands and was very dear to the shop owner as well. He had a charming personality and was great at bargaining too, and never let any of the customers go out of the shop empty-handed.

All loved him, and to date, he proved to be one of the best salesmen the shop owner had ever had. Since he got employed at the shop, he had immensely benefitted the shop, and the owner was making huge profits because of him.

The second salesman, was a decent guy but a lazy one. He didn't talk politely with the customers, but neither did he speak rudely. He just kept sitting idly in the shop. He was neither a burden nor an asset to the shop. He was just sitting there idle and was minding his own business most of the time. The shopkeeper didn't fire him because he might turn out to be a good salesman one day.

Then there was a third salesman. He was really rude to the customers and was always angry. He had very little patience and was always ready to take on a fight with every customer. Customers literally tried to avoid any contact with him as they knew of his temper and attitude.

The shopkeeper was also annoyed with him and knew that he was just a liability to the shop and had never been fruitful. He didn't generate any profits for the shop and had driven away many customers with his attitude and rude behavior. Everyone was upset because of him as he created a very negative ambience in the shop. He behaved rudely with his co-workers, customers, and the shop owner as well.

One day, because of reduced sales, the shopkeeper had to fire one of the salesmen, as he literally couldn't afford 3 salespeople.

What do you think the shopkeeper would have done? Which salesman would have got fired?

The Third one! Right? I am pretty sure there's no doubt about that.

And that's what happened. The shopkeeper fired the third salesman as it was obvious that he was no good to the shop and was just a burden on everyone. The shopkeeper felt relieved as soon as he fired him as he saved some money. He won't have to be worried about someone talking rudely to his customers now, and the other two salesmen were also very happy now. They could perform their duty even more efficiently now.

Now let's relate this story to the Stock Market.

Suppose we have 3 open positions in our Demat account. The first position is giving us significant profits, and it is basically in an uptrend. It has been giving us substantial gains since we bought it as the uptrend was just starting when it was purchased, and the trend was still very strong. There was no reversal sign in sight, and it was clear that it could be held in the portfolio for much longer. In technical terms, it was making Higher Highs and

Higher Lows, was above the important Moving Averages, was Strong in the Relative Strength indicator. To cut a long story short, it was the perfect stock that anyone could have in his/her portfolio.

Then there was the second stock, which was just like the second salesman. It was at break even. It was not giving any profit, nor was it giving any loss. Since the day that stock was bought, it was just lying there near the purchase value. It was not a burden to the trader nor an asset. It was just lying there waiting for its next move. As it was just lying there, it didn't bother the trader much and he could focus on his routine work, finding new stocks, looking for new sectors to trade, etc.

Then there was the third stock, which has been at a loss since he bought it. It is a burden as it is taking money from the account, but here, instead of exiting it, we will keep holding it in the hope that it " might " recover sometime in the future.

Our behavior is totally irrational when dealing in the stock market, and it can take a lot of time, experience, and losses until we realize what we have been doing.

Traders have many stocks in their portfolios. So whenever a stock gives good moves on the upside and shows some profits, traders are eager to sell it and close the position. In simple words, they are impatient with the profitable stocks.

At the same time, when a stock starts falling, they recall all the quotes of Warren Buffet regarding patience, and they hold these bleeding scripts for many years.

As a trader, have you experienced this?

Do you think of any co-relation between the story of the 3 salespeople and portfolio holdings?

Your guess is correct!

The same thought process influenced your decision-making, and most of you end up selling profitable stocks soon. It is the first mistake. Besides, most of you end up holding all the losing stocks. It is the second mistake.

A trader or investor will become successful only if he reverses the equation. I.e., as traders, we should be impatient with the losing trades, and we should keep much patience with the winning trades.

QUOTE #6

Best Trading book is your own Trading Journal. Analyze it and see what has been working for you and what's not.

Do more of what's working for you and less of what's not working for you. You will get to know your trading "EDGE" through it, keep following it once u find it out.

CHAPTER 6 – TRADING JOURNAL

A trading journal is nothing but a log that traders can use to record their trades. Therefore, it is one of the most effective tools to improve the trading skills of a trader.

A good trading journal serves two purposes – 1) it helps to track the progress of trading, and 2) it also highlights the mistakes committed by a trader.

There are many benefits of a trading journal. Some of them are below:

- It helps to identify the weakness of a trader. After identifying, if a trader avoids such failed trades, he will immediately fall into the breakeven zone (no loss, no profit).
- It helps to fine-tune the trading strategy
- It helps to identify under which conditions a trader is getting success. Then, later a trader can take a little more risk to maximize the profits.
- A trading journal tells everything about a trader. In simple words, it is like the marks sheet of a student

How to create a Trading Journal?

Creating a trading journal is easy, and traders should include all the details related to their trading.

Step 1 – Pick a source to log the information. It can be your own spreadsheet or online journal. I suggest picking your own trading spreadsheet.

Step 2 – Identify all the information which needs to be recorded in the journal. Some of the mandatory details are Instrument Name, Entry Date, Entry Reason, Entry Price, Exit Date, Exit Price, Exit Reason, Stop-loss, Learnings, etc.

Step 3 – Once you have the template, log all your trades in it. Never postpone this step.

Step 4 – Once you have sufficient data (25-100 trades), compile the data and study where you are making mistakes. Then, try to avoid these mistakes going forward.

Traders can use the below trading template to log their trades.

Trade #	Instrument Name	Entry Date	Entry Price	Quantity	Entry Reason	Stop-loss	% Risk in Portfolio	Exit Date	Exit Price	Exit Reason	Success/Failure	Risk-Reward	Mistakes/Learnings
1	Tata Motors	[illegible]	[illegible]	100	Trading System-1	[illegible]	1%	[illegible]	[illegible]	Trail SL hit	Success	[illegible]	Execution error
2	Reliance	30-03-2022	[illegible]	25	Trading System-2	[illegible]	1.50%	5/4/2022	[illegible]	SL hit	Failure	N/A	[illegible]

Importance of a Trading Journal

With a good trading journal, traders can fine-tune their trading strategy/system over time.

It also helps to cut down the emotions while managing the trades (either entry or exit).

Successful traders rely on a profitable trading framework. A good trading journal forms a valuable input for the trading framework and helps traders manage their trades in different market conditions.

Trading Psychology plays a crucial role in trading success. Many traders experience different kinds of emotions that lead to unplanned trading activities in the live market.

Maintaining a trading journal allows you to record your emotions during the live market, identifying the source of such feelings at the later stages, and it accelerates your success in trading.

Documentation of every trade makes you accountable for every action. As you know, successful trading is all about making better trading decisions. Taking accountability for every move is the first step towards making better decisions in the future.

It helps to get linear growth. A trader can't execute the same quantity every time he aims to achieve good growth in this field.

QUOTE #7

The Market is not closed for serious Traders on Weekends.

This is the Time to Sharpen Our Sword by :

- **Reading Books**
- **Watching Interviews/ Documentaries**
- **Scanning Stocks for Next Week**

INTERVIEWS

#1 STEVE BURNS

Tennessee, USA

1. A brief about your educational background and when did you first hear about the markets?

While my traditional academic education ended with my high school diploma, my self-education continued with me reading over 1,000 non-fiction books, with over 400 of those in the investing, trading, and finance category. At one time I was rated the most helpful trading book reviewer on Amazon approximately 13 years ago. My love for reading and self-education continues to this day as I average reading one book per week.

I started looking at compound capital growth charts in the late 1980's as a teenager. Around the same time I started looking at stock quotes in the newspaper and watched how they moved daily. I have always loved capitalism and business operations, so the stock market was a natural extension of this interest. My plan at the age of 19 was to use the stock market to grow a large sum of capital and become financially independent.

2. What problems did you face in your initial trading months/years?

I was lucky as my first process of simply investing in high growth and tech mutual funds in the 1990's worked from the start. Investing seemed very easy and I was off to compounding and growing my capital year over year and sometimes daily.

My first real education came in the year 2000 as the market peaked and I learned how fast a sector can go down. I spent 2001 and 2002 getting a better game plan together to come out of my drawdown and get to my equity peak and start growing my capital again. This started my real journey as a trend trader and learning how to cut losses and lock in big gains while they were still there.

3. What markets do you trade and what is your trading style?

I am a swing trader who trades big cap growth stocks, exchange traded funds, IPOs, and options at times. I will trade longer term trends when there is no good reason to exit a big winning swing trade.

4. Did you incur losses when you started trading? How did you overcome that difficult time and stay motivated?

I did not occur any longer term losses from 1992 until the dotcom meltdown in March of 2000 when I could no longer get back to new all-time highs in capital. Of course I was more of a longer term investor and focused on holding and rotating my portfolio to be as aggressive as possible.

Of course I had drawdowns on each market pull back but they did not last long as the NASDAQ would eventually make a new all-time high and my capital along with it in most instances. Back then I thought stocks only went up. I learned a lot from my first big -50% drawdown in capital from March

2000 to early 2003 I got back to my peak around 2005.

5. How do you presently trade? (Please give examples along with charts if possible)

My favorite swing trading signals now are 5 day / 20 day EMA crossover signals on daily charts and I ride winners until they have bearish candlestick reversals or become overbought near the 70 RSI.

Here is one of my trade examples I am currently still in right now $TQQQ. (Attached)

(TrendSpider chart)

6. What's your advice to new traders?

If you want to be a trader the first step is to create a quantified trading system with a positive expectancy. Then trade it with proper diversification, position sizing, and discipline over the long term. Don't be a gambler, trade like a casino.

7. What books do you suggest everyone to read?

For new traders I suggest starting with my book "New Trader, Rich Trader" and then advancing through my other books. For more experienced traders some of the best trading books ever written are "The Market Wizards" series by Jack Schwager and "Trend Following" by Michael Covel, if you want to understand how the best professional traders and money managers really trade.

#2 INDRAZITH SHANTHARAJ

Bengaluru , India

1. A brief about your educational background and when did you first hear about the markets?

Thanks for the opportunity.

I have an Engineering Degree (IT), and like a typical Bangalorean, I started my career in the software industry.

I joined Australia and New Zealand Banking Group (ANZ) in 2007. Most of my colleagues played with markets, and I started buying and selling some shares along with them.

But I have another story that inspired me to take a serious look at the markets. It's a big story, and I have explained this story in my new book 'Price Action Trading.'

The short story is I have a close friend who is super-intelligent and got success in all the areas of life except the stock market. He lost all his savings (in fact, more than his savings) when Nifty hit the upper circuit in may-2019.

From that day, I became inquisitive about the markets.

2. **What problems did you face in your initial trading months/ years?**

From the beginning, I had a particular liking for intraday trading. It is not only because of quick money, but also there is no need to worry about overnight risk, and the next day will be a brand new day.

During those days, brokerage for day trading was too high. I still remember, one day, I was able to catch some points profit in Nifty, and I was happy. But when I looked at the statement at EOD, it was negative because I had to pay some extra money due to high brokerage.

All these problems disappeared when Zerodha was introduced.

Besides, managing trading along with my job was really challenging.

3. **What markets do you trade, and what is your trading style?**

I trade only in Indian markets.

I trade only Nifty and Banknifty for intraday trading.

For positional trading, I observe all the good stocks in Nifty.

I use Market Profile concepts for my intraday trading and Breakout/Price Action Trading for my positional bets. Depending on the market conditions, I use different trading instruments in intraday trading.

For example, before the introduction of weekly options, I was a pure options buyer at the intraday level.

After the availability of weekly options, volume reduced in monthly options, and time decay (theta) was working against me in weekly options. Hence, during that time, I shifted to futures trading.

Once Covid-19 started, both the Nifty and Banknifty daily range has increased a lot. Earlier 500-600 points move in a day in Banknifty was a rare scenario. Now (2020-2021), Banknifty is giving that move almost every day.

So in the futures, my position size reduces automatically (to maintain the same risk); hence the profit will also be less.

Due to this change, I shifted to options selling game. Most of the time, I deploy a credit spread strategy. Sometimes, I do use Iron Condor and options buying.

4. **Did you incur losses when you started trading? How did you overcome that difficult time and stay motivated?**

I have committed most of the blunders in trading.

Whenever I lost big money, I used to take a break for a few days and come back, try again.

I thought there is a magic indicator, and it was the secret to make lots of money in trading. I had attended many trading seminars during that time.

But later, I realized that Money Management and Trading Psychology play a significant role in trading.

Everyone commits mistakes, and I was no different. I used to take more risk per trade, and whenever I faced some failures, I used to feel bad for two reasons – 1) the pain of losing money and 2) difficulty in accepting the failure.

Later I reduced my risk to 2% per trade, and then the first problem (pain of losing money) dissolved automatically (as I was not losing a big chunk of my portfolio).

Meditation helps me to accept failure and move on in my trading.

There is no better teacher than the market itself. Whenever I felt I knew everything and could make much money, I used to get a bigger loss on the following day itself. So, I have decided to be humble, maintain a learning attitude forever instead of losing money to the market!

5. **How do you presently trade? (please give examples along with charts if possible)**

Positional Trade

I use simple price action and breakout concepts for my positional trades.

The holding period varies between 2 days to 1 month, and I share most of my positional trades on Twitter to educate people.

I am very crazy about breakout trades as they bring a good move in quick time.

I look for the below points to opt for a breakout trade:

1) A big breakout candle
2) The breakout should come in quick time (means in one day)
3) Absence of Selling in the breakout candle
4) Good volume on the breakout candle

Image 1 – Mind Tree Breakout Trade on 10-March-2021

The above image shows a good breakout trade opportunity in Mindtree on 10th March 2021.

It satisfied all the requirements (4 parameters), and hence I took a long trade above the breakout candle on the next trading day.

Image 2 – Mind Tree Breakout Trade Result

After making the entry, I prefer to trail stop-loss below the swing lows or in case of a big bearish candle, below the low of that candle.

In the above image, 1,2,3, and 4 are my trail stop-loss points. It hit my stop-loss on 13th April.

Intraday Trade

I refer to the last few days' trading activities and the previous day's market sentiment for my intraday trades.

Image 1 – Nifty Daily Chart as after the Market close of 12-April-2021

If we look at the above chart (Nifty daily), one thing is clear: sellers are dominating in the last 1-1.5 months.

The previous day's market sentiment is negative as it opened with a big gap and closed at a day’s low.

Coincidently the day’s low aligns with the previous swing low (just 19 points difference).

So, there is a possibility of a big move if it breaks the 14260 levels (highlighted in yellow), and I plan to take short trade for the next day (I will maintain this view unless I see a clear rejection of price at 14260).

But taking the proper entry is essential.

In my opinion, only ‘Entry’ and ‘Exit’ decide the fate of our trade, and everything else is useless.

Image 2 – Nifty 15-min chart at 9.30 AM on 13-April-2021

I didn't opt for any open action trade as the price didn't break the 14260 (previous swing low) or 14280 (previous day low).

At 9.30 AM (after 15-minutes of market open), it was clear that there are some buyers during the open action, and they don't want the price to trade below the previous day.

So, my next option is to wait until the buying is exhausted or selling is evident.

The waiting game started.

Image 3 – Nifty 15-min chart at 10.30 AM on 13-April-2021

At 10.30 AM, buyers were exhausted in Nifty, and also, there is a bearish engulfing pattern that appeared in the 15-min chart.

So, I decided to take a small short position.

I didn't want to buy puts as it may not fall immediately. Hence, I opted for a short position through credit spread.

Sold 14400 CE at 98 (main position) 'NN' lots (where NN is a number)
Bought 14500 CE at 47 (hedging position) 'NN' lots.

As per credit spread strategy

Maximum Profit Potential is (98 – 47) = 51 points.

Maximum Loss (100 – 51) = 49 points.

It means I make money if Nifty falls further or goes into the sideways zone (as time decay works for me).

I lose money only nifty starts trading above the bearish engulfing level in a quick time.

So, my success ratio is 66.6%, and risk-reward is 1:1.

Image 4 – Nifty 15-min chart at 12.00 PM on 13-April-2021

The price started falling as I expected, and I was in some profits (around 17-18 points per lot).

The price was very close to the day's low and the previous day's low, and a big move is inevitable if it breaks the low.

But price witnessed some buying at lower levels at 12 PM. I decided to hold on to my trade as I don't have anything to lose (the price already moved in my favor, and theta is with me).

I decided to add some more short positions if it breaks the low or gives a bounce and shows exhaustion again.

Image 5 – Nifty 15-min chart at 01.00 PM on 13-April-2021

As expected, nifty showed some bounce and exhaustion at 1:00 PM.

If you are familiar with Nifty and Banknifty, the second rally starts between 1:00 – 2:00 PM.

I added some more short positions again when the Nifty broke the low of the last candle (with the same quantity).

Sold 14400 CE at 72 (main position) 'NN' lots

Bought 14500 CE at 31 (hedging position) 'NN' lots.

Now I have loaded with a short position, and the maximum risk is defined, theta is in my favor.

So, all looks good till that point.

Image 6 – Nifty 15-min chart at 01.30 PM on 13-April-2021

Again, the price moved in my favor, and it is looking good for a significant fall.

All I needed a slight push below day's low, then the fall happens automatically (as it triggers the stop-loss orders of all the buyers).

I was feeling happy, but at the exact moment, I was also conscious that many times the market has spoiled my games in the past.

I didn't know that it will spoil my party in the next 15 minutes.

Image 7 – Nifty 15-min chart at 01.45 PM on 13-April-2021

All my plans were shattered when the Nifty failed to break the low. Besides, it displayed some bounce.

I had realized this is the time to close my short position.

It was a painful moment, but I had to respect the market. Otherwise, a loss is guaranteed.

I closed my position as below

Bought 14400 CE at 74 (main position) 'NN' lots X 2
Sold 14500 CE at 32 (hedging position) 'NN' lots X 2

My first entry gave around 10 points profit and the second entry was almost breakeven.

Even though there was a profit of 10 points, I will consider this a breakeven trade (due to brokerage and taxes).

I expected a big profit but ended up getting nothing.

But let's see what happened to the market at EOD.

Image 8 – Nifty 15-min chart at EOD on 13-April-2021

(All charts are from TradingView)

The price moved on the upside and witnessed a close at day's high.

My decision to close the short trade proved correct.

It looks simple and beautiful on paper. But there is a reason for sharing this particular trade.

Two things are difficult for day traders:

1 – Riding the profits

2 – Changing their view (or bias) in the live market

Only conscious practice is required to learn to ride the profits.

But the second point is the most important, and it is the turning point for any day trader.

Do you know the reason?

Because that is the starting point for all the mistakes and any trading blunders.

On most days, traders make good entries, but they fail to change their bias when the market is changing.

For example, most new traders would either hold on to the short trade or add more positions to the losing position (as per their bias).

That does not mean I am perfect. I do make mistakes in trading. But I will try to avoid my mistakes as much as possible.

6. **What's your advice to new traders?**

'Advice' is a big word as I am still learning many things every day in the market. But I can only give some friendly suggestions:

- Anything can happen in the market, and trading is just a probability game. Hence, don’t risk big in one trade
- Don’t look at other traders’ profit screenshots as it will not teach you anything but disturb your emotional balance. Focus on your trader setup and risk management all the time
- Whenever you get into a lower timeframe, you find more opportunities, but risk and noise also increases. So pick a timeframe that suits your mindset and time availability
- Any debate over a trading concept is not necessary. If you are making money, you are right; otherwise, you are wrong
- ‘Trading Psychology’ and ‘Risk Management’ are equally important as compared to technical analysis. Please also focus on these two aspects

- Trading is a small aspect of life. Try to explore this beautiful life along with trading. One can read books, travel to a different place, spend some time with nature, help needy people, learn some spiritual practices, etc

7. What books do you suggest everyone to read?

Being an author, I know the difficulty of writing a book. Articulation of thought in words is a difficult task. Hence, I have immense respect for the below books:

1) Trading in the Zone
2) Trade Like a Casino
3) New Trader Rich Trader
4) How to Avoid Loss and Earn Consistently in the Stock Market
5) Master Mind of Day Trading

Apart from these, people can also read articles on my blog https://www.profiletraders.in/blog

#3 JAKE WUJASTYK

Highlands Ranch, CO, USA

1. **A brief about your educational background and when did you first hear about the markets?**

I started trading at age 12 when my dad created a custodial trading account for me and wanted me to learn about the markets. I quickly became fascinated with the stock market and was fascinated with "trends". When I went to college, I studied economics which helped me understand the underlying forces moving price, supply and demand.

2. **What problems did you face in your initial trading months/years?**

My biggest issue trading initially was that I tried buying very small companies that had very low stock prices as I didn't have a lot of money to use in the markets. This was something that didn't work well at all, as most of these companies went to zero. I blew up my first trading account within 18 months.

3. What markets do you trade and what is your trading style?

I generally am trading the US equity markets and trading stocks that I am familiar with. I almost never trade a stock I haven't been watching for weeks or months. It is important to understand the personality of the stocks you are trading to have an edge. I am a swing trader/position trader usually focusing on the daily and weekly charts.

4. Did you incur losses when you started trading? How did you overcome that difficult time and stay motivated?

Yes, I blew up my account rather quickly when I first started as I was trading very poor quality stocks and buying these because their stock price was low and I thought it was better to be able to buy "a lot of shares". The way I was able to stay motivated was by learning and reading as much as I could. Anytime I saw a term that I didn't know, I would look it up and try to learn everything I could about it. A lot of education in trading is by going out and being a proactive learner.

How do you presently trade? (Please give examples along with charts if possible)

I currently use Raindrop charts, anchored volume by price, simple chart patterns, and anchored VWAP to trade. These tools that I use on TrendSpider allow me to see supply and demand in a new light as well as see simple chart patterns setting up, using basic trendlines/zones. (SNOW chart attached)

(TrendSpider Chart)

5. What's your advice to new traders?

My advice to new traders is to focus on what works for you and your personality. One trading style may work great for one person and be a complete failure for another person. The only way to understand your personality in the markets is by experiencing wins and losses. Trading books are great to set a base knowledge, but experience teaches you about yourself and how you react to wins and losses.

6. What books do you suggest everyone to read?

Confessions of a stock market addict - Jim Cramer

The Quants - Scott Patterson

#4 SOUMYA MALANI

Kolkata, India

1. **A brief about your educational background and when did you first hear about the markets?**

I was one of the state toppers in secondary and higher secondary examinations. Coming from a business family, entrepreneurship and finance were the fields that always interested me. So I pursued CA and CS, and in both I secured All India Ranks. However, I didn't go on to finish those degrees since in-between I got a dream opportunity to study at the London School of Economics, (LSE) where I completed MSc in Accounting and Finance. The idea was always to gain as much knowledge as possible in the field of Accounting and Finance. The idea of accumulating degrees never motivated me. I was always motivated by a thirst for knowledge.

My grandfather used to invest his savings in stock markets so right from my childhood I had curiosity about the reds and green flashing on the screen. When I was in primary school Annual Reports used to come in physical form. Even as a child, I used to randomly glance through them without understanding them even a bit. Neither did I know that these sometimes colourful and sometimes black and white books would become my partners for life.

2. What problems did you face in your initial trading months/years?

One of the most confusing things for a beginner in the market is that there are a million ways to trade/invest in the market and there are no right or wrong ways it is all about your own mindset, strengths and weaknesses.

I firmly believe that in order to succeed in any field you need to have a clear-cut understanding of your strengths and weaknesses with respect to that field and then mould your style according to that.

When I came back from LSE one thing was crystal clear to me that there would definitely be a massive difference between the theoretical and practical world. Hence, I wanted to shorten my practical learning curve by learning from those who have already excelled at what I had set my eyes on. In the pursuit of the same, I travelled across the country and was fortunate to meet many of the topmost investors of India. The biggest lesson for me when I met them was that there is no single way to make money in the markets. All of these investors were super successful yet their styles were poles apart. This opened my mind and made me understand that the path which all of us try to find out from outside is within us.

Once this realisation was there, I tried to read and gain more knowledge about the different ways in which the market can be approached coz without that you would never be able to know what approach will suit you. I soon grasped the things that would match with my mindset and would give me returns as well as a good night's sleep when I followed them.

3. What markets do you trade and what is your trading style?

I only trade in Indian Stock Markets. While diversification across countries has its own benefits, personally I feel specialisation is very important. By focussing on one market, you gain a good understanding of the companies and their businesses over a period of time, which helps you to make smarter decisions.

I do both Positional Investing and Swing Trading. My entire approach towards stock picking is to find the strongest stocks. I am a strong believer in following the market rather than predicting it. I start by looking at charts of stocks and sectors that are hitting new highs. For any stock to be a multi-bagger it has to consistently hit new highs throughout its journey.

After that, I dig in deep to understand the fundamentals of the company, to understand what is the kind of growth that the company can post and for how long, as that is one of the most important factors that makes a company a multi-bagger.

As I spent more time in the markets and gained experience, I realised that multi-baggers have some common traits. Any stock that has the following lethal combination would have a massive potential to be a big multi-bagger:

Visionary Management + Scalability + Pricing Power + Tailwinds + High Growth + Higher Incremental ROCE

+ Low Equity + Under Ownership + Leader in a Niche Area = Lethal Combination for a Multibagger

This approach helped me to find life-changing multi-baggers such as Avanti Feeds, Bharat Rasayan, Apollo Tricoat, Minda Industries, Ajanta Pharma, Laurus Labs, etc. These stocks over a period of time have contributed massively to the growth of my portfolio.

Apart from that, I am also very active in Start-up Investing. It gives me the opportunity to interact with so many brilliant minds which helps me to cultivate my own ideas and to stay connected to ground realities.

4. Did you incur losses when you started trading? How did you overcome that difficult time and stay motivated?

Initially, when I started trading, I used to make the same mistakes that any newbie in the market makes: such as not cutting my losses fast, praying and waiting for my cost price to come, not riding my winners enough to make a meaningful difference to my trading account, trying to buy the stocks that are falling as an attempt to buy them at the bottom.

Fortunately, I was quick to realise that the way I was approaching the market was like a hobby and not a profession. Hobbies are supposed to take money from you; whereas a profession is something that generates money for you. Hence, I made a 360-degree change in my approach towards the market.

I started to read about successful traders and investors and how they approached markets. I also spent hours and hours going back into history to understand the common factors that made a company a wealth creator or a wealth destroyer (I still keep doing the same). I also worked a lot on understanding my strengths and mindset to work on strategies that would suit my personality.

I never really lacked motivation since it was crystal clear in my mind that I wanted to build a career in this field and there was no going back. I am fortunate to have a family that always supports me and believes in me. I think having a supportive family during your tough periods is the biggest blessing that one can have.

5. How do you presently trade? (please give examples along with charts if possible)

I see myself as a "Growth+Momentum" Investor. Chartically, my setup is very simple. I use price and volume along with 52 week high (which is denoted by the blue arrows). I try to look for strong price action in stocks that are hitting new highs. Once this is done I try and understand what the company does. After that, I use another filter criteria, which is a fundamental screener from where I try and understand how the company is performing in terms of its operations and whether the company fits my checklist.

Once a company satisfies these filter parameters of mine, I then go on to do deep fundamental analysis on the company including scuttlebutt wherever possible before taking a final buy decision.

Note: The **Scuttlebutt** technique refers to a method of learning about a company and its **investment** merits by talking to many people in the company and industry, through which you can educate yourself thoroughly before making an **investment**.

(Chart from Metastock)

Generally, people avoid buying stocks hitting a new high since the stock normally is up 50-100% by that time. However, one has to realise that there could be a big story unfolding and this could just be the start of something massive. The easiest way to discard a potential idea is to say “It has already moved up a lot”. Whereas the job of an investor is to try and understand why such a strong move has come and whether it can still be a multi-bagger from these prices.

As you can see from the attached chart of Avanti Feeds that it was around Rs 13-14 when the stock made a new high after a long period in 2013. In that calendar year, the stock had a low of Rs 6.21 which means the stock was already up more than 100% from its lows when the stock had come on my radar. However, the stock went on to hit a high of Rs 980 in less than 4 years. This was a life-changing investment for me where I made 70 times of my capital in 4 years with an allocation that reached 44% of my portfolio at one point in time.

The biggest mistake that I could have done when it hit a new high was to ignore the stock just by thinking it has already doubled in price. My mindset at that point was totally opposite – I was working double hard to figure out as much as I could about the business of the company and to understand what could be the potential from there on. While doing it I realised that there were massive tailwinds that were supporting the strong growth of the company backed by solid management which increased my conviction multi-fold.

The disclaimer here is that I am not suggesting that just because a company has hit a new high you go and buy it blindly. New highs are just a "starting point" or a filter, so that we can be with the strongest stocks in the market. Lots and lots of work is needed after that in order to shortlist the stock before buying it. Also, one must manage the risk and get out if the company is not performing as per your thesis.

6. What's your advice to new traders?

My advice to new traders would be to understand themselves and their personality in a better way and then trade accordingly. In markets, the tendency is to focus a lot on what is happening around us - however the answers that we are looking for lie within us. Be inspired by people, learn from them, but make your own path rather than blindly copying someone.

Also, your approach towards periods of losses and drawdowns determines how strongly you come back again. Losses are like tuition fees that every trader has to give to the market to learn the art. However, the most important thing is to learn from the losses. Mistakes cannot be avoided altogether but they can definitely be reduced if one is taking full responsibility for his results and is making a conscious effort to improve.

7. What books do you suggest everyone to read?

The following books have had a massive impact on my stock market journey and I would like to suggest the same for everyone to read:

One Up on Wall Street

Beating the Street

How to Make Money in Stocks

Trade like a Stock Market Wizard

Market Wizards

Reminiscences of a Stock Operator

Think and Trade like a Champion

Trading in the Zone

#5 JAMES GILLEN

New York, USA

1. **A brief about your educational background and when did you first hear about the markets?**

The way I was first introduced to trading was through a friend who also happened to be my boss at that time. I can distinctly remember that he owned shares of $TSLA stock which I believe were around $60.00 pre-split. His words were to "invest in $TSLA and don't sell.". I wish I heeded his words, but I had my own notions about trading and hurdles I would need to overcome. I would have to learn the hard way which so many of us do.

If I had listened and invested in $TSLA at that time, I would be a very rich man right now! He would always show me his portfolio and account of Total Gains. I was intrigued by the fact you could buy shares of a company and compound your capital at such a high percentage the way that he was doing. This introduction to the investing world ignited a fire which would evolve into a career and passion that I didn't plan. He was a buy and hold investor, and this was the trading style I wanted to emulate when I opened my first trading account.

2. What problems did you face in your initial trading months/years?

In the beginning of my trading career I lacked the discipline, knowledge, and patience and most importantly the 'seat time' needed to become a successful trader. I quickly shifted from wanting to be a long-term investor to a day trader. The quick action and massive gains were fascinating to me. I saw traders making hundreds to thousands of dollars in minutes and I wanted to do the same. I did not understand the fundamentals of trading which included risk management, position sizing, stop losses and to never average down; simple things which are necessary to trade profitably.

These concepts were unknown to me and I paid for it early on. I would buy into one stock using my entire capital plus margin, I would win some and lose some. Eventually I took one giant loss which wiped out over 50% of my account. I felt depressed and discouraged that I lost so much money in such a short period of time. I cashed out my remaining capital from my trading account and hung up my hat for the next couple of years. I finally returned to the market during the short lived 2020 COVID bear market, I saw an opportunity to capitalize on discounted stocks. Within weeks I had lost half my account again, a stock I sold for a loss I then watched run 50%-100% afterwards. I felt the same frustration and pain I did from my first major loss, but this time a fire ignited within me. A fire that set me on the course to learn, grow and evolve as a trader and to never take a large loss on my hard-earned money in the market again.

I read technical analysis books every night, studied patterns, candles, volume, moving averages. Watched videos and read books on how to exercise proper risk management, position sizing and correct buy points. I studied charts every night and began to finally annotate my own charts.

This was a turning point in my trading career, when I turned inward to conquer trading rather than rely on what other traders were doing, what stocks they were buying. My inspiration was drawn from chartists like @TraderStewie @MadMraket @TraderAmogh @PatternProfits @Patrickwalker56 and long-term investors such as @saxena_puru @jonahlupton, position traders like @duckman1717 and @raytl- some of the great traders on Twitter.

I took a piece from all the traders I inspired to be like and turned it into my own style. I then turned that 50% loss into an 800% gain or 400% gain from my initial investment in less than a year. I thought I was a stock market wizard at this point, simply brilliant because I made 400% returns on my initial investment. Listen to me very closely, because I am about to give you some of the best advice out there, free of charge.

Making money is only half the battle when it comes to trading. The second half is keeping that money and locking in your gains! You are only as good as your last trade; locking in profit when the pickings are good is even more important than making those gains in the first place. The stock market will humble you, and it is usually after our biggest gains when we suffer our largest losses. Protect your capital at all costs and always use a stop loss. Risk management is always number one when it comes to my trading!

3. What markets do you trade and what is your trading style?

I trade stocks that are on the NYSE which include common stocks, ETF's and recently I have started to trade crypto. I would describe my trading style as hybrid in nature; first and foremost a position trader and secondly a swing trader.

My style is rooted in the teachings of William O'Neil which boils down to the strongest stocks from the strongest sectors with the best fundamentals. I am a breakout trader; I look for stocks in a consolidation period then position myself when that stock breaks out from a pattern (base.) I have created a formula which I look for repeatedly in stocks, cryptos and ETF's.

I am looking for a specific pattern (bullish pennant, falling wedge, cup w handle), a volume shelf building around price within the pattern, and for the volume to dry up as price consolidates. I will then start a position when the stock breaks out from this pattern on HIGH volume. There are many factors which contribute to starting a new position, this is a basic breakdown, the bones of the trade, so to speak.

Once I am in a position that is working, I will ride the trend as long as possible, whether that is weeks, months, or years. I will trim profits on the way up and add to the position on pullbacks and new breakouts. Will completely exit the trade when there is a character change in the stock or when it breaks through a key moving average on high volume and it doesn't reclaim it immediately. This is a cliff notes version of my position trading strategy.

My swing trading is similar in the way I select the stocks that I position trade and the buy point I enter the position. Only difference is that I hold the trade for a shorter duration of time, and I do not add to the trade. When I exit the swing trade, I will close out the entire position or I will sell half into strength and let the other half of shares ride. The trick is to consistently lock in profit, always lock in profit when it is available even if it's just a fraction of your position.

4. **Did you incur losses when you started trading? How did you overcome that difficult time and stay motivated?**

Early in my trading career I incurred heavy losses. As painful as the losses were financially and mentally, it was the pain of those losses which gave me the fire and motivation to teach myself how to trade profitably. You must remember that trading is a journey and not a destination. Ironically the hardships, struggles, losses, and pain that come with learning the art of trading is the fuel which forces you to learn how to trade profitably and become disciplined.

The trick with trading is to learn from your mistakes, and use them as a guide to create a rules-based trading system which keeps you profitable. Losses will expose the loopholes and weak points in your trading, and it will force you to come up with a plan and system, so that you never face a large loss again.

5. How do you presently trade? (Please give examples along with charts if possible)

The way that I trade presently is to enter a position just as the stock is breaking out and to always use a stop loss to mitigate the downside risk. When you mitigate downside risk you create endless opportunity for the stock to run. You know the most you are willing to lose on the trade is 4-7% at the same time you are creating unlimited upside potential.

The architecture of my trade includes buy point, stop loss and position size; every trade has a strict criteria and structure. Stock selection is based off fundamentals. I am looking for the strongest stocks from the top sectors and industries in the market. Among these are consecutive increasing sales and EPS during the last 3 quarters, steady increases in fund ownership, High ROI, RS rating above 90, and quality fund ownership. Find the leading industries and sectors in the market, then find the leading stocks from these sectors and industries. Then you dive in and look for quality technical setups in these stocks, this is when the charts come in.

You look for stocks in consolidation phases that are building bases, then watch and wait for these stocks to breakout on high volume. If a stock doesn't have high volume behind the breakout, which means volume greater than any of the last ten days, then the likelihood of that breakout sticking and working significantly decreases.

The same stock patterns have been repeating themselves since the inception of the stock market; this is where human psychology comes in. As professional investors we understand and recognize these patterns and base our trading around them. Stock charts are a trader's road map and most prized tool. Some of my favourite patterns to trade are bullish pennants, cups with handles, W Bottoms and falling wedges.

Below are two of my most profitable trades in 2020. $APPS, Digital Turbine is a company that is listed on the NASDAQ. They develop mobile software that enables mobile content distribution and transactions. From December 2019 – June 2020 the company had 3 consecutive quarters of increasing double-and triple-digit EPS & sales. The company had a

99 RS rating, which means they had stronger relative strength than 99% of the companies in the NASDAQ. This company had some of the strongest fundamentals out there.

I started the position after the stock broke out of the downtrend within the W/double bottom, I then added onto the position when it broke out of the neckline of the W bottom, making a full-size position. I sold 2 separate quarters into strength and added another half position on the bullish long legged doji reversal off the 50 day SMA.

I sold 1/3 of shares into strength then added another half size position when the stock had a triple top breakout. I sold another half into strength then added another half position on the falling wedge breakout. I sold the rest of shares in small increments while the stock climbed until price broke through the 50 day SMA on heavy volume and couldn't reclaim it. Once price falls below the key moving averages that price has respected, it's time to exit the trade.

Once price falls below the key moving averages (especially on high volume) which price has respected during the entire run up, and can't immediately reclaim these moving averages, you should see warning signs flashing. It's most likely time to immediately exit the trade.

You can see that every breakout where I added onto the position was on high volume. This was a picture-perfect position trade and the stock ran $ 290% from the time I started the position. It only takes a handful of high percentage trades each year to keep your portfolio profitable as long as you keep your losses minimal.

$TSLA was one of the true market leaders of 2020 and ran around 1000% off the March lows, of the short lived COVID bear market. The stock had 3 consecutive quarters of triple digit EPS from December 2019 – June 2020, with new funds piling in, an RS rating in the 90's coupled with massive bullish sentiment. Almost every trader I know caught a piece of TESLAS massive run.

It's not about buying at the exact bottom and selling at the exact top. It's about biting a big chunk out of the middle and that is exactly what I did with this $TSLA trade. I entered the position when price broke out of a small bullish pennant on high volume. I then added 3 separate times to this position during this trade, as you can see annotated on the chart below.

The entire run up I trimmed portions between ¼ to ½ and I finally exited the trade when price fell through the 50 day SMA on heavy volume and couldn't immediately reclaim it. It's important to learn the character of the stocks you trade because every stock has its own personality. $TSLA for example consolidated in bullish pennants during its entire run, and every time price broke out, it was on heavy volume. During this entire trade, price ran 340% from where I started my position.

Charts by TrendSpider

6. What's your advice to new traders?

My best advice to new traders is that risk management should come first and foremost. One of the most important factors of trading is preserving your capital. Not just your financial capital; it is also paramount to preserve your mental capital. If you're losing money it is important to scale down exposure, use smaller position sizes, tighter stop losses.

If you don't have a confident and clear mind in trading, it is very easy to lose money. The mental aspect of trading is not nearly talked about enough, yet it is one of the most important aspects of trading. If you're trading to make up for losses, you will always lose, and if you're trading out of revenge you will always lose.

That is why you need to create a clear and simple rules-based system that you can stick to. When the market isn't working in your favour it is better to remain all CASH. You don't always have to remain active in the markets, especially during corrections and sideways action which could last months or years. You need to know when to step aside and when to put your foot on the pedal.

Simple rule is if your trades are working, you should gradually increase exposure. If your trades aren't working you should decrease exposure. Always use stop losses for every single trade, you can always re-enter the trade if it proves itself down the line. Never average down, only average up and add onto a trade when it is working. Use proper position sizing, no more than 10% of your account for one position. If you put 50% of your account into one stock and that stock happens to drop 20% in one day, your entire account is down 10% for the day, which is not encouraging.

Never risk more than 1% of your entire account for each trade. Always lock in profit when it's available, hold onto your core position, but make sure you are always taking profit on the way up. Keep your losses minimal and let your winners run. Don't worry so much about day to day action, once you have a nice cushion in a position; let the stock work for you.

Only consider exiting position if there is a major character change or if price breaks through a key moving average on heavy volume and doesn't immediately reclaim that moving average. Never impose your will on the market, always let the trades come to you.

8. **What books do you suggest everyone to read?**

How to Make Money in Stocks by William O'Neil

Monster Stocks by John Boik

Reminiscences of a Stock Operator by Jesse Livermore

are my 3 favourite trading books.

#6 RAJARSHITA SUR

Mumbai, India

1. **A brief about your educational background.**

Here is a brief information of my educational background –

BCom Hons (Calcutta University)
MS Finance (ICFAI)
MBA (ISBM)

2. **What problems did you face in your initial trading months/years?**

Being a novice, I was driven more by emotions and didn't practice control over the classic emotions of greed and fear. Only over time was I able to train my mind to control these emotions. Also, I used to do lot of overtrading, Jumping from one hope trade to another in search of the Holy Grail. All these led to small losses turning into bigger ones

Admitting you were wrong and moving on iis probably the hardest challenge of them all. It took me more than a year to be able to cut my losses and accept/ admit that losses are also part of the trading game.

Once you train your mind and accept this fact, with good risk management practices, you can achieve consistent results. Easier said than done, as sometimes market gyrations can cause continuous losses and you can start to lose confidence, making you feel like an underdog, or a good bull run will cause a mirage in your head that you are the sleekest trader alive; both of which are aberrations.

This is where your mental strength, conviction and good discipline come into play, helping you avoid disastrous losses and assisting you to recuperate quickly, so that you are back in the game. Ultimately, it's all about the nerves!

3. **What markets do you trade and what is your trading style?**

Primarily, I focus and trade in Indian equities, earlier global FX markets, but also follow commodities closely. I am a swing trader which means I hold positions overnight for several days, ,hence riskier than day trading which could result in large gap up/ down openings.

It is imperative that one is able to identify one's personality trait, risk appetite, before choosing the style of trading, which could be a challenging task for newbies. But this is essential for long term consistency and peaceful relationship with the markets. If as an anxious person you decide to take positional trades, a large gap up/ down could cause your blood vessels to swell with pressure and this is not healthy for your wellbeing, neither your finances in the long run. Swing trading generally requires a larger stop loss than day trading, so the ability to keep calm when a trade is against you is a necessity.

4. **Did you incur losses when you started trading? How did you overcome that difficult time and stay motivated?**

Of course, like every aspirant trader, I too have donated my share of monies to the markets, more during my earlier days and a little every now and then, even today. Losses are like nasty relatives, you may not like them, but you are bound to bump into them occasionally. When you do encounter either (relatives or losses ☺) of them, practice caution and handle with care.

It is paramount that at any cost you ought to protect your capital, as it is with this that you tread the markets and if you extinguish this, your journey culminates. When you take any trade/ position, you start with a 50:50 chance and in spite of where the markets go, it is ultimately your discipline, risk management policies, control over behavioral traits that will help you survive a long and prosperous journey in the markets. The best professional athletes become excited when they discover they have a weakness in their game. They use the weakness as a catalyst to improve.

Some basic principles I adhere to are:

1. Accept responsibility for your trades/ positions. It is easy to blame markets, news, events, geo political tensions, luck or any other random superstition. However ultimately you need to have the humility to accept and take ownership. Do as much postmortem as needed but take full responsibility for your actions. Remember, some news may have caused markets to move against you, but nothing stops you from exiting a position.
2. Take learning from your mistakes or from the postmortem you conduct after a failed trade due to any of umpteen reasons. The first step towards resolution of a problem is to identify and accept that a shortcoming exists. Ask yourself, where did you fall short? Was the trade well-planned? Were you mentally sharp, or did you hold a losing trade hoping to avoid a loss?

Take a break to figure out what went wrong. Assess what happened by reviewing events carefully. Once identified, inspire yourself to overcome this weakness by constantly persevering in that direction, whether it is deeper study, better skills, more control over mind and emotions.

5. **How do you presently trade? (Please give examples along with charts if possible)**

I follow basic price action for my trading as I like to keep the trading approach simple. Simple approach allows us to clearly see the charts without any biases. Like in the following example, you can see that how beautifully the stock played out from 1650 to 3400 odd levels.

A trader could have bought it after any of the following breakouts or if someone was already holding this from lower levels, these fresh breakouts provided a chance to add to our winning position.

Here in the second example, I have used 50 EMA (Exponential Moving Average) and was basically waiting for a clean breakout above it along with a trend line breakout. Once the breakout came, the recent swing highs were the next probable targets. Once it gave a breakout, we can keep trailing it with the same 50 EMA.

Charts by TradingView

6. What's your advice to new traders?

1. Before entering financial markets, make sure you have the right tools to help you navigate. Equip yourself with fundamentals and or technical skills to help analyze price movement before taking a call. Do not put on any money before you have enough knowledge of the markets, the methods of functioning, basic rules and regulations etc.
2. Take enough time to explore markets before you decide to take a plunge. If you are young, you can try interning with a stock broker, seek help from friends/ family who are in the markets, be a dormant but close observant of the happenings and gather enough practical information so as to be able to take basic decisions on your own, before you put your own money to trade.

3. NEVER trade with borrowed capital! I cannot stress this enough; one should participate in the financial markets ONLY with own capital, irrespective of how small it is, and don't fall prey to misleading promotions of "doubling" money, "guaranteed" profits and other such rackets. I assure you, with consistency, discipline, and perseverance you can make enough money from the markets *over a period of time* provided you don't treat it like a game of roulette. Also, Trade only with authorized dealers and NEVER with any unauthorized/ illegal punters like dabba trading

4. Never start your trading journey with derivatives segment like Futures & Options as a new entrant. Leave this for the professionals or once you have seasoned yourself enough for at least a few years (3 to 4 years), that too if you fully understand ALL the risks and loss potential in ALL scenarios

5. As mentioned earlier, find a strategy that suits you. There are plenty of different ways to make money in the market and I believe it is very important to find a strategy that suits your personality, lifestyle, and risk appetite

6. Most important is Risk/ Money management. Stop loss is the only Holy Grail in the trading world as nothing else can save u from a disaster. You should have a very clear idea of risk reward ratio.

Say you have INR 100 capital you should make sure to not lose more than INR 10 on any given trade.

Effectively that leaves you with 10 shots at the market with your given capital and markets have to prove you wrong 10 times consecutively to wipe you out. Probabilistically, chances are odd that this will happen if you have a well thought out strategy and discipline to follow it religiously. Do not feel demotivated if you incur losses at the start, it takes time to become a consistent earning trader, so take your time

7. Take a break! Human mind is designed to work only a certain number of hours a day post which we max out and require a certain amount of sleep, rest, relaxation. I give utmost importance to my mental health and peace and hence take frequent travel breaks to help me unwind. Remember, the markets are just another source to provide you with money. Nobody enjoys while earning money, the real joy is in spending it. For me it's always travelling around the world. Therefore, do take a break and detach from the markets periodically.

7. What books do you suggest everyone to read?

Technical Analysis of the Financial Markets: A Comprehensive Guide to Trading Methods and Applications by John murphy

A Complete Guide To Volume Price Analysis by Anna Coulling

Market Wizards, Updated: Interviews with Top Traders by Jack Schwager

The Disciplined Trader: Developing Winning Attitudes by Mark Douglas

The Complete Turtle Trader: How 23 Novice Investors Became Overnight Millionaires by Michael Covel

Reminiscence of a Stock Operator by Jesse Livermore

#7 PIYUSH CHAUDHRY

Mumbai, India

1. A brief about your educational background and when did you first hear about the markets?

I'm a Bachelors in Commerce, an MBA in Finance and a Cost & Works Accountant. However, I must add that everyone irrespective of their educational backgrounds start in Stock Markets from scratch.

Though I had heard and read about stock markets throughout my MBA, it was only during one of the sessions on Technical Analysis that I got interested.

2. **What problems did you face in your initial trading months/ years?**

The beginning of my Trading career was more like jumping into the pool and learning to swim. In hindsight, and after all these years of being in the Market, that was pretty much the worst way of entering the Markets.

3. **What markets do you trade and what is your trading style?**

The Markets we trade depend on our skills and our temperament. My entire focus has always been patterns and the charts form of Technical Analysis per se. Though I started off with classical patterns, it took me several years to get a reasonable grasp of the Elliott Wave Principle. I then learnt coding and coded a few of the Strategies that I would generally observe working on the Charts. The application of my studies and my temperament suits both cash/ futures and that's where I am.

4. **Did you incur losses when you started trading? How did you overcome that difficult time and stay motivated?**

Well, that's a long list. I think for many years I struggled to make money in Markets. It was, as if, there was a puzzle somewhere and I was getting better but in the end would always lose the bet. That illusion that I was getting better along with large overleveraged positions caused me a huge loss in 2008. That year I also lost my job, thanks to attrition.

Much more than a financial shocker, I felt that after all these years of studying, saving and working, if all I could manage was this kind of devastation in my finances, then

I must really work on rebuilding myself. There on, I set upon a journey of a complete change. I have pretty much overhauled myself in all these years. I studied harder and worked on Elliott Wave Principle and Trading Algorithms, focused on Health and began cutting down all negatives from life. I re-worked on each and every aspect of my life.

5. **How do you presently trade? (please give examples along with charts if possible)**

My Trades are primarily into NIFTY, which I do as per the wave principle. For the rest, I only do as per my automated Trading Strategies. My long term investment portfolio is also entirely based on Elliott Wave Principle.

6. What's your advice to new traders?

Trading is about 3 *M's* - Mind, Money and Method. Get all of them right before entering the Markets. Start small and build from there.

7. What books do you suggest everyone to read?

The books that I would recommend are the ones that have helped me immensely.

- Technical Analsyis of Stock Trends – Robert Edwards and John Magee
- Technical Analysis of Financial Markets – John Murphy
- Candlesticks Explained – Gregory Morris

- Technical Analysis Explained – Martin Pring
- Trading for a Living – Alexander Elder
- Trading in the Zone – Mark Douglas
- Elliott wave Principle – Robert Prechter

FINAL WORDS

If you liked this book, I would be really THANKFUL, if you could post your valuable review on Amazon.

Amazon Link - https://amzn.to/3vpBxXE

Thanks a lot for reading this book. I hope you would have gained some important insights about the stock market and the message of the book may pave the path to your successful trading career.

As you may have noticed, all these traders emphasize that mindset is the most important criteria in being a successful trader. This book should help you in achieving that. Good luck and profitable trading!

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