

(continued from front flap)

and engaging anecdotes—*Winning the Day Trading Game* will serve as a perfect introduction for the novice, as well as a clarifying, insightful guide for the established trader.

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THOMAS L. BUSBY, a twenty-five-year veteran of the market, began his trading career with Merrill Lynch while earning a law degree. After training in New York, he earned his brokerage license and a license to trade futures, and enjoyed remarkable success. But on October 19, 1987, the market crashed, and with it his career and—worst of all—his self-confidence. After several years of struggle, he reappraised all that he had learned, ultimately devising an innovative short-term trading strategy focused on risk management. Applying this new method, he achieved phenomenal results. In 1996 he founded the Day Trading Institute, now one of the world's most successful trading schools. Mr. Busby is a member of both the Chicago Mercantile Exchange and the Chicago Board of Trade.

PATSY BUSBY DOW is a former educator, an attorney, and a trader. As Tom Busby's first cousin, she heard him talk about the markets and his trading experiences. Her fascination with his stories and market savvy led her to study his trading methods. She is currently employed by the Day Trading Institute as a staff writer.

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"All day traders will relate to the stories and lessons in Busby's new book, and new day trading entrants need to read it before they set out on what can be a perilous 'journey.' It will make the going much smoother."

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Winning the Day Trading Game
Lessons and Techniques from a Lifetime of Trading

Winning the Day Trading Game

Lessons and Techniques from a Lifetime of Trading

Thomas L. Busby
with Patsy Busby Dow

\$60.00 USA/\$77.99 CAN/£34.99 UK

After great initial success as a professional trader, Thomas Busby was nearly wiped out in the stock market crash of 1987. Rebounding from that devastating experience, he devised an innovative risk-averse, high-percentage method of day trading that allowed him to reap enormous profits from the market while avoiding its pitfalls.

Now you can benefit from his quarter-century of market experience distilled in this highly readable, deeply informative volume. *Winning the Day Trading Game* will show you how to mine the tremendous opportunities available in the market today. You'll learn how the author took his early fascination with trading from a part-time hobby to a full-time—and highly profitable—livelihood. You'll also discover how he bounced back from the most shattering loss of all: the loss of his self-confidence after Black Monday.

Busby describes the watershed moment that changed his life. Recounting his hard-won recovery from the "dark years," he will teach you the difference between working hard and working smart. You'll understand the crucial role psychology plays in the trading game. And you'll find out why risk management—not profit-taking—must be the day trader's highest priority.

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- The news you can use—and the news you can't
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(continued on back flap)

Winning the Day Trading Game

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Winning the Day Trading Game

Lessons and Techniques

from

a Lifetime of Trading

Thomas L. Busby



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CONTENTS

Acknowledgments	vi
Introduction	vii
1. The Crucible: Black Monday	1
2. Timing Is Central	23
3. Trading Is a Numbers Game	47
4. Read the Tape	66
5. There's No Crying in Trading	87
6. Riding the Rail	104
7. Worry about Risk, the Rewards Will Come	123
<X>8. Respect the News	145
<X>9. Getting Down to the Brass Tacks	164
<X>10. Preparation Pays	191
<X>11. A Study in Contrast	209
<X>12. Recap the Essentials	222
<X>13. An Afterthought for Consideration: The Doctrine of Genius	241
<X>Appendix A: Glossary	246
<X>Appendix B: Getting Started	252

<X>Appendix C: Order Types

260

<X>Appendix D: Suggested Reading

265

<X>Appendix E: Helpful Websites

266

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Introduction

Trading is risky business that involves a great deal of discretion and skill. Accurate market analysis, correct execution, emotional control, discipline, consistency, and good money management are some of the skills that are required to trade successfully. In addition, there are times when any method, even when executed correctly, will result in a loss.

A great deal of effort has been made to insure that the information presented in this book is correct and accurate. However, we are all human and mistakes can always be made. The information and techniques presented have been helpful to me. However, I cannot and do not guarantee or assure you that they will work for you. I hope that you will find some of the ideas useful. In fact, I hope that your trading will be both more enjoyable and more profitable as a result of the information and ideas presented.

Before you trade, be sure that you can afford to lose the money that you are risking. Always limit your risk first and worry about taking profits second. I make money with this method, but past results are never a guarantee of future results.

Enjoy the book and trade with care.

1. The Crucible: Black Monday

October 19, 1987. When the sun rose on that Monday morning, I felt financially secure. I had a great job, a beautiful house, nice cars, money in the bank, and a belief that the future would bring me greater and greater riches. By the time the sun set that evening, I was broke!

During the course of the day, the Dow Jones Industrial Average dropped more than 500 points. The Dow lost approximately 22% of its total value in a single day. A trillion dollars of financial assets vanished as quickly as a tiny puff of smoke in a strong wind. And, of course, the Dow was not alone. The Nasdaq also fell, losing more than 10% of its value.

America's financial markets had undergone a free fall and there seemed to be no stopping or even bracing the fall. Furthermore, the decline was not limited to the United States. Major markets around the globe took a nosedive. It was as though a flame on Wall Street quickly got out of control and spread around the world faster than a fire in a parched, dense thicket. Close to home, the Canadian market reeled from historical losses and dropped over 20% before the disaster ended. The international scene was not any better: by the week's end the average stock value on the London Financial Times Stock Exchange had declined by over 20%; Asian markets also tumbled. On October 20th, the Nikkei experienced the biggest loss in its history. The market in Singapore was down significantly for the week. After experiencing a huge decline on October 20th, the Hang Seng closed for days. In the wake of the crash, the Australian market suffered a record double-digit loss. Some exchanges and indexes closed for a few days in the hope that the

break or timeout would serve to calm jittery nerves. The reality of a global economy became all too real.

What caused the crash? Theories were cheap. Everybody had one. Program traders, soaring federal debt, high bond yields, market overvaluation – these were only a few of the speculated causes. In reality, all of these factors probably played a role. I didn't know the cause, and I really didn't care.

To me, the debate was strictly academic. What was real was that I, and some of my clients and dearest friends, had lost a lot of money. I had lost not only my wealth, but my self-confidence as well. I was broke and my faith in my trading ability was undermined. I grieved for my clients and for myself.

Even in the depths of my despair, there was no time for pity or resignation. I had a wife and two small children depending on me. It was time to be tested. Failure was not an option.

FROM PORK BELLIES TO PAN AM

At the time of the crash, I had been a trader for almost a decade. My experiences with the stock market began in 1978 when I was stationed in Spain with the U.S. Air Force. One of my fellow officers was trading pork bellies. He often talked to me about his experiences and the money he was making. He made it all sound very exciting and easy. I knew absolutely nothing about trading pork bellies or anything else, but I wanted a piece of the action. I did not have a clue as to how to begin, and the only brokerage firm I had ever heard of was Merrill Lynch. This was back in the days when their major

TV advertisement was the bull in the china shop...I truly thought that Merrill Lynch was the only brokerage firm in existence.

I was stationed at Torrejon Air Force Base in Madrid and the brokerage house was in the city's central business district. I had to use the subway, which I usually avoided because I found it so difficult. My Spanish was poor and my southern accent added a slow twang to the few Spanish words that I knew. Then, as now, I couldn't roll my tongue. In an effort to communicate, I gestured profusely. This small-town boy found downtown Madrid daunting. As I searched for the brokerage office, I just kept asking directions and gesturing. It was southern Spanish spoken with hand signals.

When I finally arrived at the office, I opened an equities account with the intent of trading pork bellies, a commodity. I was so ignorant and naive that I didn't understand that pork bellies were a commodity and therefore couldn't be traded via a stock account. If you want to know the truth, I am not sure I even knew that pork bellies were commodities and equities were stocks. At any rate, I am sure that I did not have a clear view of the significant distinctions between the two.

Nevertheless, I opened an account. The military published *The Stars and Stripes*, a paper to boost the spirits of servicemen abroad and to help them stay in touch with events at home. I began following the financial information and paid close attention to the stock quotes, even though the quotes were about three days old. That was the extent of my market research. After reading *The Stars and Stripes* for a number of days and considering the information presented, I decided to purchase my first stock. I bought one hundred shares of Pan Am and another one hundred shares of Eastern Airlines. I eagerly awaited every issue of *The Stars and Stripes* so that I could follow the fluctuating price of

my holdings. It was exciting to be a stockholder and I enjoyed talking about my new portfolio.

Unfortunately, in the long run, my investments did not work out and both companies filed for bankruptcy. I had no stops; it was an all or nothing mentality. When both of my stock picks eventually went belly up, I lost everything from my first venture. However, I was not easily dissuaded. One loss did not make me a quitter. I had enjoyed investing and I continued to study the markets looking for other stocks to purchase and other investment opportunities. Trading was the closest profession to sports that I had ever tried and I quickly gravitated to it. I had no idea that I would eventually become a professional trader. I just enjoyed the markets.

My Avocation Becomes My vocation

After getting out of the military and returning to the states, I settled in Oklahoma City and started attending law school. Trading for a living was not part of my life plan; in fact, I never even considered it. I intended to be a lawyer. I enrolled in law school while also continuing to invest in a small trading account. My trading was a hobby from which I hoped to eventually make a few bucks. My broker, Henry, and I soon developed a friendship and he introduced me to stock options in oil companies. At that time, oil was king in Oklahoma City. Henry taught me his trading strategy for options. It was a very easy three-step plan that he called the “Bigger Fool Theory”. The essence of the theory was simple; buy a stock at a high price and there is always someone (a bigger fool) who will buy it from you at an even higher price.

Here is how the system worked. A stock price would rise one day, we bought it on the second day, and we sold it on the following day. I began regularly watching the market. Just as the strategy dictated, if an oil stock went up one day, I bought it on the second day, and then I sold it on the third day. Believe it or not, I successfully executed this strategy over and over again. Oklahoma City was booming and oil prices seemed to go up every day. The “Bigger Fool Theory” was working like a charm for me and my account was growing. I seemed to have a knack with options as evidenced by my profits. I didn’t know that the odds of trading options to the long side were like playing the lottery.

One day I was surprised to receive an invitation to come to the local brokerage house and meet the boss. From the time I entered the door until the time I left the office, I was treated like royalty. I soon learned that the office manager was aware of my successful options trading. Everyone seemed to be impressed and they offered me a position. I was still attending law school and planned to finish my studies. I was not sure I wanted to be a broker or work in the financial field. I intended to be a lawyer. I communicated my feelings to them. However, the firm offered me a chance to achieve both objectives. Accept the position with them and attend law school at night. I could be a broker in the Oklahoma City office and my studies would not be interrupted. It was an offer I could not refuse. I took the deal, and from that day forward, my life would never be the same. I began the journey to becoming a trader. I started to educate myself about the stock market. I wanted to learn all of Wall Street’s secrets.

Soon I received training in New York; not long thereafter I obtained my brokerage license and I returned to Oklahoma City where I honed my skills. I did well

and gained the confidence of my clients and management at Merrill. I was dedicated to profitably managing my clients' portfolios and assisting them with their financial wealth management. I liked the industry and saw the potential to succeed and achieve my personal goals. Trading was both a passion and a profession for me. I loved it.

In 1982, the S&P Futures opened for trading. It was a watershed day for me. On that first day, I made the best and the worst single trade of my career. I bought the S & P at the open for a price of approximately 118.70. With the S & P currently trading at 1220.00, the trade would be worth \$275,000.00 today! And, that is just for one contract! That was my best trade ever because I have been buying it and selling it ever since. However, I also sold the S & P; that was my worst trade because if I had kept it, think of what it would be worth today.

So, from the very beginning, I traded the futures indexes. After studying futures, I added to my credentials by receiving a license to trade them. I quickly fell in love with this new market. As a beginning broker, I had become concerned about the limitations of a one-way trading strategy. That is, if you buy stocks, you can only make a profit if the stock prices rise. But, stocks move both ways. They go up, and they go down. Therefore, the strategy that I had been taught was flawed. I knew I needed a strategy to work in both bull and bear markets. Futures offered me the flexibility and the versatility that I needed. A stock trader with the best bull strategy in the world cannot profit from a bear market. Futures are not so restrictive. A good futures trader can make just as much money in a bearish market (maybe even more) than he can in a bull market. His trading opportunities are doubled. The trick is, of course, to correctly read the market and trade on the right side of it. That is where experience and education pay off.

I worked long hours and after four hard years, I was reaping the benefits. Within a short time I moved on and accepted a position with another established firm where I became a vice-president. I was one of the biggest producers in the office and in fact, in the region.

Options became my obsession. You might say that I never met an option that I wouldn't sell. Just before the crash in 1987, I had assisted one of my largest clients in making over a million dollars in the options market. That is a million dollars profit in one month! I was one of the biggest retail options traders in the United States. I thought I was one of the chosen ones. Walking on water didn't seem like that hard of a task. Then there was October 19, 1987, the day the floor evaporated beneath my feet.

My Mistake

I lost a lot of money on Black Monday. Let me tell you what happened. On Thursday, October 15th, I was holding two contrary market positions. I was long 1,000 S & P 100 puts and I was also short 1,000 S & P 100 puts. My short position was off-set by my long position and *visa versa*. There was no problem because the off-setting positions were my insurance against calamity. I was protected regardless of where the market traveled.

My problem surfaced on Friday the 16th, just before the crash; my long positions expired but my short positions did not. They did not expire for another month; I was holding naked options. In other words, I had sold 1,000 options that I did not own; I had guaranteed a buyer that I would deliver the options to him if the strike price was hit. On Black Monday the strike price was hit and I had to produce. Because I did not own the

options, I was forced to buy them at a pre-set high market price, even though the market was dropping like a ton of bricks.

If I had been able to hold on to my long puts for one more week, I would have made millions of dollars. But, the market did not wait for me. I was a day late and a thousand puts short. On Black Monday, with the market falling out of bed, all I could do was wring my hands and suffer. As the day progressed I was literally throwing up in the trash can. That day, I experienced anguish that I never want to feel again.

THE AFTERMATH

I wish that I could say that on Tuesday the 20th of October, all was well for me, but that was not the case. I went to the office as usual, but the atmosphere in the office was far from usual. Our office was in turmoil. Throughout the financial industry there was total panic. Clients wanted to be assured that things were not so bad, but we could not offer that assurance. No one knew what the day or even the next day or week would bring. Everyone was asking questions. How much had been lost? Were we solvent? Were the markets going to continue to fall? Was our nation going to experience another depression like the one we suffered in 1929?

Some analysts compared Black Monday of '87 with Black Monday of '29. Did the crash of '29 cause the Great Depression? Was the world going to experience years of financial suffering? It depended on whom you read. Some writers predicted the worst while others framed the crash as nothing more than a correction. At any rate, a heavy sense of apprehension hovered over the financial industry. For a time, a sense of doom and dread engulfed the nation and the world.

Computer systems lacked the sophistication of the systems of today. So much information had been thrown at them so quickly that these titans of technology were not able to keep up with and process the data. Over 600 million shares had traded hands on Black Monday alone. How bad was it? No one seemed to know. Wall Street firms feared the extent of their exposure. We were in quicksand and did not know what to do or where to begin to make sense of it. I remember selling some IBM shares and not knowing for days what my price was. It was clearly not the two second fill that we are accustomed to today.

The markets closed for a couple of days to evaluate the situation and to try to settle accounts. When the actual losses were calculated, it was an ugly sight. Those who refer to '87 as a market correction always amuse me. Instantly, I know that they lack credibility. Black Monday was not a correction; it was a crash. On Monday, October 19, 1987, Wall Street experienced its greatest single day loss to date. The loss dwarfed that of Black Monday in '29. In 1929, the loss was only a little over 12%, but in 1987, the loss was over 22%. It was almost double. A correction? I don't think so. I, like many, many others, lost everything. I had to start over.

The financial loss that I suffered was catastrophic. However, believe it or not, that was not my biggest problem. My biggest problem was my loss of self-confidence. I questioned my ability to trade and my experience. How could I not have seen what was coming? How did I let this happen to me? Was I to blame for the suffering of my family, my clients, and myself? Should I have done things differently? What should and could I do now?

Over the next few weeks and months, I had to undergo a lot of soul searching. I questioned the basis and the rationale of the financial institutions that had been my source of livelihood for years. And, I questioned whether or not I had foolishly selected a profession in which years of work and labor could vanish in a single day.

Survive and Persist

As I thought about my plight, I remembered the struggles I had when I tried out for my high school football team. My nemesis was a big brute named Danny. At every practice, I had to face Danny. When we collided, my bones rattled and my brains shook. He must have weighed well over two hundred pounds and he was as solid as a slab of granite. I was a freshman in high school hoping to make the team, and Danny, a soon to be all-state lineman, had made it his goal in life to peel my face, one layer at a time. Day after day Danny tackled me – violently exhibiting his superior gridiron skills. When I saw that mountain coming at me, I had one thought – survive the blow. I braced for the impact. After I survived, I had another thought – flee. Quit. Forget about playing football. It is just too hard, and I don't need the hassle. Danny was deadly.

I tried to convince my Dad to see it my way. I told him that I should quit. I explained to him how hard it was. I told him how big this other guy was and how humiliated I felt to be pulverized by him day-after-day. I promised to study more, work harder, be a better human being, but Dad would have none of it. “Don't start something that you're not going to finish. You wanted to join the football team. You went out for it and now you are going to finish it. You will not be a quitter.” So day-after-day I faced the mountain.

When tryouts ended, no one was more surprised than I that I made the team. I was not an all-star and I took my turn warming the bench, but I was on the team.

Persistence had paid and I wore the team uniform with pride.

On October 20, 1987, and for many, many days thereafter, I felt like that young high school freshman that was being battered by that mountain of a lineman. The air had been knocked out of me -- I had to fight to survive. I wanted to quit trading, but I needed the money. I was a victim of the crash of '87. That is the way I viewed myself. The market had victimized me. It had behaved in an irrational and inexplicable manner and it did so intentionally to hurt me. It was personal. Rationally, I knew that was not true, but I wanted to blame someone or something. I felt sorry for myself. I was literally drowning in self-pity.

Additionally, I was also having a lot of conflicts with my employer. They approached my clients as numbers and I considered them friends. The office environment had become very unpleasant and stressful. I had to make a change. I needed to move on. I decided that I should leave my position and find employment elsewhere, but where? I had to have a new position that gave me the ability to provide for my family. What type of position should I seek? Should I stay in the financial field or practice law, or business, or something else? One thing was sure, I had to make a living somehow. My life was flipping upside down and I seemed to have no center or direction. It is difficult to relate the depth of despair that I felt.

I had not been raised with money. My father was a civil servant who made a modest income and provided for me sufficiently, but there were few frills. Dad had a well-deserved reputation for being thrifty and he usually pinched a penny until it

squeaked. Growing up, if you didn't need to turn on a light, you left it off. If you turned it on, you turned it off when you left the room. Wastefulness was a sin and you didn't waste food, clothes, utilities, gas, money, or anything else. Sears or J. C. Penny was a fine place to shop, and eating out or going on a vacation was an extravagance. Dad saved as much as he could; he saved a little from every paycheck. He managed his finances well and always prepared for that inevitable "rainy day." Now it seemed that he had managed far better than I. I was totally unprepared for the rain that pelted down on me. I was a Bozo and I felt it to my core. I asked myself over-and-over again: How could this be happening to me?

As an adult, I had become accustomed to living well. I bought what I wanted, at least most of the time. My family lived in a beautiful home. We drove new cars. My children attended private school. My wife had furs and jewelry and other trappings of the financially comfortable. Then, overnight, my family and I had to give up the luxuries we enjoyed and settle for far, far less. It was psychologically very difficult.

Once you have had money and lose it, it is painful. It is not just giving up the big house and other such stuff. I'm not so spoiled that I can't drive an older model car. But, it is the psychological effect of failure. I felt like the world's biggest fool. I had spent time and money educating myself. I had a law degree; a degree in business; training in the military and a good upbringing that stressed good money management. Yet, here I was in the worst financial situation of my life. How did I let it happen? I just kept asking myself that question over and over again. My self-confidence was just south of zero!

Just like on that football field when I had come face-to-face with that big lineman, my first thought was for survival. I liquidated everything I could. The house, the cars, the

investment portfolio – just about anything marketable was sold. Still there was not nearly enough money. I started going into debt and relying heavily on credit cards. I worked hard to appear to be okay, and that just added to the pressure. It is exhausting to try to look like all is well when you know that your sky is falling. I was probably technically bankrupt, but I never declared bankruptcy. Declaring bankruptcy was simply not an option. I never really considered it. I continued to struggle and hoped to find a way out of the deep pit where I found myself. I was not a quitter.

I had always been an optimist, happy with my life and my achievements. I had believed that good guys always win and that my future would just get better and better. Now, the man in the mirror was a confirmed pessimist. He expected the worst, and he was getting it.

Oklahoma City had weathered the Penn Square Banking Crisis and the oil crash. Yet, now there were few opportunities in the city for me. I decided to leave the west and head south. I returned to my hometown of Mobile, Alabama. I went to work for E. F. Hutton and received enough money to get on my feet. The bulk of that money was eventually lost by investing in a company founded by a relative. Once again, my ignorance cost me. I did not do enough analysis and I put all of my eggs in one basket.

As luck would have it, during this period of time in the brokerage community, consolidation and mergers were very common. Unfortunately, E. F. Hutton was soon to be no more. That particular opportunity was gone and, I basically, started looking for any viable opportunity to earn a few bucks.

By day, I continued to trade the S & P Futures. I traded very small positions and lost money far more often than I made it. My outlook on life was so dark and dismal that

I expected my trading to fail and it did. As I look back, I realize that my attitude was a tremendous detriment to my trading. I tried to improve. I studied technical analysis as well as various charting techniques, wave theories, and patterns. I read every trading book I could find. I desperately wanted to make money in the markets because I knew there were millions to be made, but nothing seemed to work for me. From 1987 until 1992, I worked incredibly hard but had nothing to show for it. Now I realize that it is not about working hard; it is about working smart.

I looked for other financial opportunities and by night I worked with a group of men to manage some funds for a local Indian tribe. We experienced some small success, but that was not the answer. We put together some capital and actually opened a casino in Biloxi, Mississippi, but that, too, was not the panacea. Every day of my life had become a fight for my survival. I call these years my dark years.

Trading is a very psychological game. If you are under too much stress or if you are too fearful and pessimistic, you cannot trade successfully. That point was driven home to me on a daily basis as I lost on trade after trade after trade. After every loss, I considered quitting, but every time I remembered my Dad admonishing me to stick it out. “If you can’t finish it, don’t start it.”

Everyday I had to tell myself again that I was not a quitter. Things would get better. I just did not know how or when. Trading is a journey, you learn as you go and I was doing a lot of learning.

The Metamorphosis Begins

Sometimes you experience an event that has a profound effect on you. You can't explain why, but it just does. You may have had similar experiences that didn't even faze you, but for some reason this time is different. The experience speaks to you in a unique and dramatic way and it impacts your life.

If you have ever tried to quit smoking or lose weight you probably know what I mean. You were well aware that you were fat. You knew rationally that you needed to lose weight because those pounds were adversely affecting your health; and you even knew how to get rid of those excess pounds. Proper nutrition was not foreign to you and you could recite dozens of diets by heart. But, you just could not lose weight or stick to any diet. In fact, you probably got fatter every time you tried to reduce the number on the scale because you were not buying into the need or the way to change.

Then one day you heard or saw something that you had heard or seen dozens of times before. And for some unknown reason, you finally got it. You began eating a balanced diet, living a healthy lifestyle, and losing weight. On that particular day you were ready for the message you received and you took it seriously and changed.

In 1992, I had a far more significant life altering experience. I didn't shed a few pounds; I shed five years of misery.

The Sermon

My wife Paula, our two sons, and I went to the Sunday Service as usual. George Mathison may have been the minister of a small Methodist church, but his ministerial skills were far from small. He was well versed in the scriptures, extremely articulate, and

very personable. When he spoke, you felt as though he was speaking to you individually. George could preach one heck of a good sermon.

On this particular day, I was anticipating going through the motions of worship; singing a few well-known hymnals, listening to some good words of encouragement, and leaving for another tough week ahead. Things started off as planned. The music was good and George began the sermon. However, when I heard his voice, things changed quickly. This message was not just good, it was great and it was tailor made for me. George was talking about forgiveness and allowing God to share life's burdens with you. He was talking about forgiving yourself and giving your burdens to someone far stronger than you will ever be. I was encouraged. Could I allow myself the freedom to give my load to God and let him help me gain a new freedom from the baggage I was carrying?

The weight had been so heavy for so long. Not one day had passed since 1987, that I had not revisited my mistakes. I had carried the guilt of that experience like a load of heavy metal welded to my being. I trudged through every day because my burden was so heavy. Could I put that burden down? Could I allow myself to forgive myself and be free? I listened more intently.

George was urging me to forgive myself for my sins and my mistakes. "If God can forgive you, surely you can forgive yourself." I was so hungry for this message. I wanted to quit calling myself a Bozo and move on with my life. I had tried, but I had been unable to do it. Now, there was hope. I leaned forward in the pew; not wanting to miss a word.

I don't remember exactly what he said, but I remember the essence of it. Or, at least the kernels of wisdom that I took from it: Life is full of problems that are often so

great that they overwhelm us. We want to solve them alone and we want to solve all of them instantly. But, we can't. No one can deal with all of the problems of life without help. Sometimes our load is too heavy; but if we share our difficulties with God and allow him to help us, he will. We can give our burdens to him and free ourselves from the guilt and the pain we are suffering.

I had not sinned in '87, but I had made mistakes. I wanted to hear more. George continued: First, give the baggage of the past to God. Then deal with life's problems from this day forward one at a time. All a man can do is the best he can do. No one can climb a mountain with one step, or cross an ocean with one row of a paddle. No one can find a solution to every one of life's problems in one fell swoop – and neither can you. Let God forgive you for your shortcomings and forgive yourself. Then take life one day at a time and do the very best that you can do on that day. Some days you will do well and some days you won't do so well. Just focus on doing the very best that you can. Solve the problems you can solve and handle the situations that you can handle that day. That is all that you can do. No man can expect any more of himself than that.

That may seem simplistic, but from my point of view, it was not. I knew that I needed to set myself free and then to take one problem at a time, one day at a time, and one trade at a time. I did it. I put that burden down. I gave it to God and I felt a sense of freedom that I had not felt in years.

Then George's message concluded with a suggestion. At the end of every day, after you have done the best that you can do, reset yourself. Think of your day as a message on a tape recorder. Visualize yourself as having a reset button in your head. At the end of the day, reset the button. The day is over. You cannot change it. Take

everything positive from it that you can, and move on. Begin the next day with a clean slate and with a determination that in the course of the new day, you will again do your best.

I'm sure the message was much more eloquently presented. It must have been persuasive because that experience changed me. It altered the way I have conducted myself from that day until this one. I started doing things differently. According to Paula, I even walked differently. I carried myself more erectly and there was lightness in my step. I put the burden down. I no longer carried it alone. Believe it or not, when I left that sermon I had a new perspective. I stopped beating myself about my past mistakes. I started looking at the present and taking each day as a new chance to do my best.

When I walked outside, I suddenly noticed that it was a perfect spring day. The sky was brilliantly blue and the grass was a deep rich green. Spring was here and azaleas, daffodils, and tulips were blooming everywhere. The ride home was so beautiful. I heard the birds singing and I felt carefree.

I applied George's message to every aspect of my life. My approach to trading dramatically changed. I began looking at the market differently. The baggage from the past had been shed. I stopped imposing my old views on the market and started listening to what the market was telling me. I was no longer a pessimist. I was optimistic again.

At the end of each trading day, I started analyzing my trades and trying to learn from them. If some or all of them were losers, I studied them hard and questioned why I had entered those particular trades. I tried to determine what indicators might have tipped me off that I was on the wrong side of the market and I pondered why I had

misread those indicators. I looked hard at the winners, too. How could I have made more money? How could I have done even better? Then I asked myself the big question. Regardless of whether I won or lost, did I do the best that I could do as a human being and as a trader? I tried hard to always be able to answer the question with a yes. I never intended to make mistakes in my life or my trading. I always did the best I could and I always used the best analysis that I could with my trading. If I had made mistakes, I put them down. I reset that button in my head and let that day go.

When I begin each trading day, I begin with a fresh start and with one goal in mind -- to be the best trader and the best person that I can be during the course of the day. I will make mistakes. We all do, but I don't worry about yesterday. I learn from my mistakes. Yesterday is gone. Today is the challenge. My goal is to be the best trader that I can be today.

Focus on Managing Risk First and Taking Profits Second

Black Monday sucker punched me, but I got back up. The psychological pain was far worse than the pain inflicted by that all-state lineman in high school. But, I did not quit. I stuck it out and my perseverance paid off. For many years, just thinking about October 19th made me ill. Little did I know that almost twenty years later, I would consider it the best thing that ever happened to me.

My focus became managing risk and taking profits became secondary. As any trader or investor knows, where there is the possibility of great reward, there is also the reality of great risk. One of my favorite trading vehicles is futures and many analysts consider futures inherently risky. To the uneducated, that is true. Futures are highly

leveraged trading instruments that allow skillful traders to make a lot of money and unskillful traders to be fleeced. Therefore, I had to design a strategy for managing my risk while trading futures. Later chapters will discuss specifics of my method, which came straight from the school of hard knocks. The most significant thing is that after Black Monday, risk management became the single most important element of my trading.

Out of my darkest days, I developed a trading method that allows me to limit my risks and protect my capital while maximizing my profit-making potential. I am truly a day trader. I get into the market, get my money or suffer my loss, and get out. I rarely hold large positions long-term, never hold futures contracts long-term, and I never leave positions in the market when I am unable to monitor them.

There is no crying in trading. I take full responsibility for my actions in the marketplace. I never blame anyone else for my failures. I make my trading decisions and I accept my results. The vast majority of the time, I am happy with my bottom line.

Throughout the course of this book, I will share some of my techniques with you. I will explain to you the significance of using a global trading approach; I will identify and explain the indicators I monitor. I will explain how I control risk and how I maximize profits. I will also detail the equipment you need to begin to trade electronically and the steps involved in getting started.

Trading can be a very risky business. Before you risk your first dollar, be sure that you educate yourself. Never risk money that you cannot afford to lose. There are many courses and programs that teach you how to trade. In 1996, with the encouragement of one of my long time friends and clients, I began the Day Trading Institute (DTI), a

trading school in Mobile, Alabama. I am dedicated to teaching the “art” of trading. At the end of my day if I have helped one person escape the failures I endured and trade this market profitably, then I consider that day a success.

Realize that my method is not the only method that works. Other methods may work for you. The key is to learn a market-tested strategy and learn how to execute it. This book is not a substitute for proper education and training. It is merely an introduction to the methods I use and teach. There is so much more to learn. Successful traders continuously learn and adapt to changing market conditions. If you are a systems trader, I have to tell you that there is no Santa Claus. The market changes; what doesn't change is the people and human nature.

If you are a beginner, take it slow. In fact, do not begin until you are certain that you know the risks involved and you have the financial resources to suffer the consequences of any actions you may take. I hope that some of my techniques prove helpful to you. Trading is not easy but the educated can win. Be a winner!!

LESSONS LEARNED

1. Be persistent. Stay in the game.
2. Don't worry about yesterday. Focus on today.
3. Educate yourself. The uneducated lose.
4. Risk management must be your first priority. Do not risk money that you cannot afford to lose.
5. Learn from every trade. Analyze and critique yourself continuously, but always trade in the present.