



>: 6 Key Trading Tips that have Gotten Me to Where I am Today

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I won't comment today on the market and where it's going next, but if you want to see what I think, you can check out the Trend Rider home page. Instead, today I will try to give you something that is much more beneficial to you (I hope).

I have pages and pages of trading tips that I've jotted down over the years as I earned my Wall Street stripes.

Even at this point in my investing career (my Trend Rider service only has 3 losses out of 29 closed trades) I STILL make time to go through those pages of trading tips on a regular basis, just so that they stay fresh in my head.

Below I list 6 of my favorite trading tips ... ones that have truly helped to get me where I am today. I hope you'll write them down just like I did, so you can use to profit in any stock market.

6 Key Trading Tips:

1) Try not to talk to people about your trading.

When trading stock you have to be on your toes, completely unbiased, and ready to change your opinion at the drop of a hat. This rule is crucial. The problem is that when you talk to people about what you are doing, it reconfirms how you feel about a trade. The more you talk about a trade, the harder it can be to change your opinion. The ability to quickly change your opinion from one moment to the next is unique, and can be a real challenge, but is vital to a successful portfolio. So try to keep the bragging to a minimum folks, or you may end up like the captain of the Titanic.

2) Be a bull AND a bear ? at least to some extent.

They call them "Long-Term Trends" for a reason. They stick around for a long time. Most of the time, you will not be in the middle of a turn around. But when a market turns around, it happens fast, especially when it turns to the downside. Whether the trend is up or down, the short term moves will be up AND down.

"Don't hold your allegiance to the Bear side or the Bull side."

~ Jesse Livermore

Even if the long-term trend is up, you should play the short-term ups and downs. You should always play both sides of the market. If the long-term trend is up, then you should have more positions that are bullish.

You should also have some bearish exposure. If you don't want to take the risk of shorting a stock, then consider buying deep in-the-money put options that expire about 6-12 months out.

Common Mistake: Let's say that the long-term trend is up. All of a sudden it occurs to you that everything is going swimmingly in the stock market. I mean, everything is just perfect ... too perfect. So you decide to play it safe and take some bearish positions, just in case.

All of a sudden the market takes a normal, healthy correction for about a month. Everyone you know is kicking themselves for not selling at the recent top, and so are you.

But the difference is that you have those bearish positions, so you feel GREAT.

Now the common mistake is to hold onto those bearish positions. Don't do it. Maybe you can hold 20% of them, but be sure to take your profits on the rest. If the long-term is up, then the market will almost surely continue its trend for a "long" time. Don't let your profit turn into a loss.

The last thing I will say about this is that you should not "micro-manage" your portfolio. If you initiate some bearish positions, and the market keeps trading higher, then the majority of your portfolio should be doing okay. So don't worry too much if a few bearish positions are going the wrong way for the time being.

You will lose some here, and lose some there, but over all you should be okay. More importantly, when the day comes that the market does have a sharp sell off followed by a bear market, your bearish positions should be working exceptionally well, which will keep you from throwing up ? and from losing 60% of your stock portfolio.

If the long-term trend is down, just do the opposite of what you see above. Take a few bullish positions, but take more bearish positions.)

3) Pay attention to price/volume activity.

"Volume = Validity."

When a stock makes a move, check out how meaningful that move was by looking at how much volume traded that day or that week. If the volume is very low, the move is probably meaningless. If it is high, you should take heed of what the stock is trying to tell you.

If you are long a stock which moves to the upside, you want to see above average volume. This is especially true when a stock breaks through a recent resistance point, or price that the stock has had noticeable trouble breaking through in the past.

Let's say that a stock ran up to \$32.00 and then sold off, as if \$32.00 was sort of its ceiling, and then it repeated those steps 3 more times. Now let's say on the fourth try, the stock breaks that \$32.00 ceiling, and trades up to \$33.50.

This is a critical time for you to check out how much volume that stock has traded. Compare that volume to its "average daily volume." You want to see at least two times the average volume traded on the day that the stock broke that resistance point. The more volume traded on that day, the better. That tells you that it is likely that the stock has much more upside.

On the flip side, if your stock has been trading higher, and it pulls back (or ?corrects?), check out the volume. Get a clear picture by looking at the stock's chart. If you notice that the volume is higher than usual, it is a red flag. You may consider selling AT LEAST half of your position.

It's an even bigger red flag if, right before the high volume sell-off, you notice that as the stock was trading higher, the volume was decreasing. That means that the buying has slowed down.

Seeing a buying slow-down followed by a big sell-off is a sign to sell.

Now, if the stock corrects but the volume is very low relative to its recent activity, that should comfort you. As a matter of fact, when a stock trades higher, and then corrects, what you should love to see is the volume getting lighter and lighter, as the stock corrects.

That may be a good time to add to your position.

What you should love to see after that is for the stock to trade higher on increasing volume.

4) Don't go back to the well.

This is sort of a tough rule, because if you know a stock very well and you understand the "rhythm" of its trading activity, it could be smart to trade what you know ? as long as you are not emotional.