

>: How Do You Make Money in the Market?

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Editor's Note: Our weekly telephone call to answer your questions has been posted [Listen now](#) to hear Teeka answer more reader questions, including ...

- What do you think gold's top is?
- Are HIGHER interest rates a good bet by Q4?
- Are country-specific ETFs on China's neighbors still a good play on Chinese growth?

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Rules, rules, rules! Nobody likes rules, but without them we would live in anarchy. Our progression as investors is marked by our ability to create and discover effective rules to guide our stockmarket dealings. Success in the market is really all about having a set of guiding principles (read rules!) that one adheres to.

Every professional investor strives for consistency, and so should you. Without a set framework for making investment decisions it's almost impossible to grow our money at a geometric rate. You've got to know how to work in order to find what *does* work. By having a set of guiding principles you can analyze your market plays and see what part of your approach needs tweaking.

There are really only two ways I know of to learn the "rules" of the stock market game:

One is by trial and error. This isn't a terrible way to learn if you have a strong stomach for losses (and you will have lots of those using the trial and error approach) and an ability to critically analyze what you did right and what you did wrong.

The other way is to invest in investor education. Books, courses, seminars and articles are all great ways to learn more about becoming a better investor.

But even this isn't the "holy grail" ... new investors - even the ones who decide to educate themselves - are faced with many questions.

For instance, many investors agonize over when to sell their stocks. It's probably one of the most difficult parts of stock market investing (the other being when to buy!). Most investors have heard of technical analysis, but don't know where to start. I've read countless books on technical analysis and most of them put me to sleep!

When I invest in education I have only two requirements. First it's got to be easy to understand ... I just don't have the time to slog through a text book. Second, it's got to tell me explicitly how I make money using the technique or information. Too many investment books are heavy on theory and light on real world practicality.

Remember what you are trying to do is find an approach that suits your personality. There are many different ways to make money out of the stock market. Some investors make all their profits just writing calendar spreads, others only short stocks, while still others will only arbitrage.

In fact, there are dozens and dozens of ways to profit from the financial markets ... commodities, stocks, currencies, options, convertible bonds, preferreds and junk bonds - the list is endless. The mistake many of us make, though, is trying to become an expert in all areas of the financial markets.

There are very few people who can trade across all markets, all the time, successfully. The good news is that you don't have to hope that you were born with the lucky gene that enables you to be a global trading g

Just like a doctor who chooses a specialty, some of the most consistently profitable traders in the world pick an area and they become experts in that space. Again, it's different for all investors. For you it may be the dynamic profit potential of options that gets your engine running. For others it may be buying distressed junk bonds or Exchange Traded Funds (ETFs).

At the end of the day it's your call as to what you want to trade. Regardless of what you end up trading, the same investment principles will still generally apply. Remember that we are essentially dealing with the twin human forces of fear and greed. Make no mistake, the day-to-day movements of the world's financial markets are governed by these two opposing forces.

It's the fundamentals that drive the long term trend, but it's fear and greed that drive the short term trend. The good news is that you can put this fear and greed cycle to work for you. When you've established what the long term trend is (it will be either bullish, meaning up - or bearish, meaning down), you can then have the fear and greed cycle put money in your pocket.

What I mean is that there are ways of telling when a sector that you like has become a bargain. The opposite is also true, there are also ways of finding out when a sector you like long term is a bad buy short term. By learning these simple principles you begin to put this fear, greed cycle on your team. Instead of constantly being battered by the ups and downs of the market you'll find yourself anticipating the down movements and almost "knowing" when markets are poised to take off again.

We will never eliminate risk altogether. That's only possible if you have access to inside information all the time! But what we are striving to do is stack as many factors in our favor so that the odds are always on making money.

By having a set of rules that have you in high percentage probability investments, you set the stage for gaining a huge competitive edge over the "house" which, in this case, is the stock market.

And coming full circle now: the odds won't ever be in your favor consistently without a guiding set of investing principles (a SYSTEM) to govern your decisions.

Next week, as you may have heard, I'm coming out with the best educational package I've ever delivered. Basically, I'm delivering that "edge over the house" to you, wrapped up in a box, with ~~bow~~ on top.

I am incredibly proud of what I've put together, and I stand behind it 100%. I can tell you unequivocally that I have held absolutely nothing back. Every piece of money making information I have ever learned will be in the course and it will enable you to confidently and profitably trade any financial instrument in any market that you want to specialize in.

Teeka Tiwari

Teeka Tiwari
Chief Investment Officer

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