

>: 8 Easy Ways to Boost Your Profits, Part 1

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During the next several weeks, be sure to tune into this space every Wednesday to learn eight tips aimed at making you a stronger, more-confident and -- most importantly -- a more-*profitable* investor.

We plan to cover the following topics, and much more.* (Check out my list of "My 6 Favorite Sectors RIGHT NOW" toward the end of this article.):

1. **Focus** -- You can't trade everything; how gaining focus will help make you money.
2. **Position Sizing** -- How much should you place in any single trade?
3. **Stop-loss Points** -- Where should you place your stop-loss?
4. **Mitigating Risk: Exchange-Traded Funds vs. Individual Stocks** -- What is the risk/reward difference between stocks and ETFs?
5. **Entering Positions** -- Where should you place your buy order or short sale order? What type of orders can you use?
6. **Exiting Positions** -- How to lock in as much of your profits as possible. How to use option strategies to exit your positions
7. **Shorting** -- What does it mean to "short" and why should you be doing it?
8. **Leverage** -- The ins and outs of why, how and when to use leverage.

**Note: As we go through this journey together, I may add to, or consolidate, some of these topics.*

Rule No. 1: Focus, Focus, Focus ... and Focus Some More

So, let us tackle the first subject: focusing, as it is the very foundation upon which the other tenets are built.

In my early investing, before I found my own "groove," I'd flit from strategy to strategy -- embracing each new approach like a long-lost loved one. I'd throw myself into each approach with reckless abandon, *risking all I had*.

Sometimes I'd win but, most times, I lost.

Even when I found a strategy that worked, I'd dilute it by spreading myself (and my capital) too thin, trying to trade every single stock I could find that fit the strategy. I frittered away a small fortune using this disjointed approach.

Conserve Your Emotional, Financial Capital

Just like those who practice medicine, I learned that the *most successful investors choose a specialty and they stick with it*. I had to find one approach and then totally own it.

I realized that I could not learn all there was to learn about trading stocks. There are just too many different approaches that one can use.

And, certainly, you can master a new technique and add it to your arsenal. But even if you can get a handle on many or even most of them, **you simply can't use too many strategies concurrently, successfully.**

As for me, I had to choose one method and then commit myself to it. The method that ended up making the most sense to me -- and, more importantly, generating regular returns -- was Point-and-Figure charting.

Maybe You Can Have it All, But Don't Try to DO it All

The other thing I learned was that **I could not trade everything**

. I just couldn't keep track of 100 open positions. I had to limit the amount of trades that I had on the table at any one time.

For me, that number is typically six. That is, *I typically will only have six trades on* at a time. (Note that I'm talking about trades, or short-term investments, which require more diligence to manage than your longer-term holdings.)

Are there times when I have more than six open trades? Sure, but the idea is to keep not only the amount of strategies manageable, but also the

number of positions because of how easy it is to lose focus when you have too much going on.

Now, depending on your style, having six active trades at a time can seem like a lot or maybe that's how many trades you make in an average morning. Either way, I'm going to show you how I make those six trades generate portfolio-sized returns.

What Makes Stocks Move? The Secret's Out...

When I discovered that more than 68% of what makes a stock go higher is sector-related, I knew that I had to start thinking in terms of sectors rather than stocks. This was yet another filter that served to hone my focus. Instead of looking at a vast sea of 12,000 stocks to choose from, I was able to narrow that down to 46 sectors.

This one move alone saved me *hundreds* of research hours a year.

What I started to learn was that some sectors would have long-term bull-market runs that were often punctuated by extreme bouts of downward volatility. I knew that *these were the groups that I wanted to be in*.

Nothing builds wealth faster than timing volatility correctly. The "hottest" sectors are also the most volatile, so I knew that these were the sectors I had to focus on. Over time, I formalized my research process into the system that many of you now know as [*Sector Hunter*](#), my automated trading service.

In the old days, I did all of this by hand; now *Sector Hunter* saves me hours of tedious research. What I would do then (and what I still do now) is focus on a handful of sectors that I want to be intimately familiar with. Even though I have developed the wherewithal to do so, I would never attempt to trade every alert in every sector put out by the system.

Long ago, I made the mistake of trading everything that looked good to me, and I paid dearly for it. These days, I use my sector-hunting system to time my trades into those industries that I believe will be the most volatile.

Why?

Because volatility is the haven for big money, and *big money creates big moves!*

My 6 Favorite Sectors RIGHT NOW

When a sector starts to trend, either up or down, the move tends to get exaggerated in "hot" sectors. Back in the 1990s, those hot sectors were biotech, drugs, computers and the Internet. I traded those sectors because that's where the money was -- that's where the *action* was.

And if you're looking for where to place your bets next, taking a cue from the traders with the biggest coffers of cash to invest can be a pretty good starting place.

At the time, I was still perfecting my *Sector Hunter* approach, but I knew the big money was to be made by catching the volatility correctly. Fast-forward to today: **the hot sectors for this decade (and probably the next) are oil, oil services, metals, China, Latin America and commodities.**

These are the sectors sucking in and spitting out the big cash. Fortunes are being made in these sectors on both the long and short side.

So instead of playing all 46 sectors, I've narrowed down my focus to just five equity sectors plus commodities. In each of these sectors, I've become extremely familiar with the trading patterns of the winners and losers in each group.

Now That You're Focused, it's Time to NARROW That Focus

To narrow my focus even further, I chose just one ETF from each group and have become an expert in how each representative ETF trades. Within my five favorite ETFs in the equity sector, I've further narrowed my focus to two to three stocks in each group. So from a global list of 12,000 stocks, I have now gone down to a very manageable list of five ETFs and 10 to 15 of their component stocks.

The moves in these stocks and ETFs are *amazing*. I mean, it's really incredible -- just in the China sector alone, we've seen 100% moves in some of the ETFs!

So, it pays to specialize -- in fact, *it pays very well*. Because just as quickly as the markets take them up, they tear them down.

When you start specializing by sector, **you gain massive clarity and focus**. This clarity provides tremendous *confidence* as you catch these securities on the way up and short them on the way down.

So, my message this week is to narrow your focus. Get clear about where you want to "spend" your mental focus and energy. Refine your approach to just a few sectors and a few big, liquid, volatile stocks in each of those sectors and begin to get a feel for how they trade. Do the same for the ETFs that cover those sectors as well.

approach interests you, then you may want to take a look at the education course I created called ["ETF Master Trader."](#) In it, I break down every facet of our sector approach and show you exactly how to select the best sectors, stocks and ETFs.

Next week, I plan to cover one of the biggest areas of confusion for new investors: **how much money to place in a trade!**

Have a great trading week and I'll see you on Wednesday with the second installment in this series. Stay tuned!



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