



Disciplined Trading Strategies

A top reason for failure –

Listening to or Studying all the Wrong Things...

Since I'm not running for political office I am going to ignore political correctness. I think my analogy loses something in the translation if I don't discuss the stereotypical husband and wife. Sorry guys but this one's going to be a little bit of a slam to you (us) 😊.

During the course of the week a happily married couple goes about their routine. On Tuesday evening the woman is wearing a brand-new dress but the husband fails to even notice. She is of course a little disappointed, but sloughs it off. Later that evening the wife relays a story about something awkward that happened to her sister, and her husband, who was kind of half listening, says "yeah that sounds like her". The wife gets a little angry because the point of the story was not to slam her sister but rather to tell about her misfortune. On Thursday the wife gets her hair and nails done and she is feeling really good about herself but once again the husband fails even notice or comment. She asked about their plans for the weekend because she had a show she wanted to see on Saturday, but the husband immediately stated that he was golfing all afternoon before she even finished her request.

She reminds him that tomorrow night, Friday, that they were going out for dinner and he says "great I remember". She suggests a restaurant to go to, but he didn't seem to be listening. She wasn't sure.

They go out to dinner Friday night and the man suggests they go to his favorite restaurant, obviously he didn't hear his wife's request the night before. She looks straight ahead and gives the infamous "whatever" and her husband proceeds to the restaurant. At dinner they're sitting at the table and they both place their orders. The wife gets up to use the restroom. While she is gone the waiter returns



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because he did not ask her what kind of salad dressing she wanted. The husband chooses the salad dressing for his wife in her absence.

When the waiter brings the salads, the wife looks at the salad and says "what is this dressing on here? The husband replies that that he told the waiter what dressing while she was gone, and asks what's the big deal, he simply picked her favorite dressing. She screams back at him at a voice loud enough to be heard throughout the restaurant that it's been over two years since she used that type of salad dressing. She lays into him for about a half-dozen other things as he sits there completely dumbfounded and quiet. She doesn't eat her dinner and doesn't talk all the way home. Upon getting home a big fight resumes and she eventually tells him to go sleep downstairs. The night was still early so he goes and knocks on his friend's door who lives across the street. He says "mind if I crash on your couch? My wife is pretty upset." The friend asks "what is she so upset about?" The husband replies, of course, "I didn't know she changed her favorite salad dressing."

The salad dressing caused all that, right ladies?

I think everyone sees the irony. That the salad dressing wasn't really the cause the fight, it was simply the "trigger", or excuse for the wife to explode all of the bottled up anger that she had. People see this in a movie and understand it perfectly. But ask them to apply it to the stock market and they don't see it.

What caused the 'crash' that started October 4th? Google it, you won't have to look far...

Here is a typical article, this excerpt below is from Money Magazine. You can also read it all if you like (<http://time.com/money/5421793/stock-market-crash-dow-investment-advice/>).



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Why Did the Stock Market Drop?

As often occurs, after a big market move, Wall Street traders offered up several explanations for what happened to the stock market on Wednesday.

One has to do with President Trump's trade war with China...

The trade war wasn't the only thing investors were reacting to, however. Also in late September, the U.S. Federal Reserve raised interest rates for the third time this year...

Was this the cause? Well, that is not really the question. The question, if you are reading this, is how do I make money in the market? Is the news helpful?

Let's look at the Tariff war first. A lot of work went into this. I personally did not learn anything I didn't know, but I discuss this topic all the time and wanted to take this opportunity to show you exactly what I mean when I discuss the fact that trying to incorporate news and the economy into stock or stock markets decisions simply does not work (I chose harsher language originally and changed it on review).



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Tariff War – “Bad” News

- 3/9/18 Trump tariffs on steel and aluminum
- 3/22/18 US proposes tariffs related to technology transfer
- 3/23/18 China tariffs on 3 bill US imports
- 4/2/18 China additional 3 bill tariffs
- 4/5/18 Trump considers another 100 bill retaliatory tariffs
- 5/3/18 Failed trade talks in Beijing
- 5/20/18 US agrees to hold off on tariffs
- 5/29/18 US moving ahead with 50 bill tariffs
- 6/15/18 US announces 50 bill more tariffs and more if retaliation
- 6/19/18 Up that now to 200 bill of tariffs
- 7/6/18 34 bill of tariffs begin
- 8/23/18 16 bill tariffs begin for retaliation
- 10/14/19 China officially announces trade war to defend its interests



Tariff War – “Good” News

- 10/29/18 Trump predicts great deal coming with Xi
- 11/1/18 Trump and Xi speak and likely deal will be reached
- 11/13/18 Two nations talking on all levels
- 11/16/18 Trump says US may not need to impose tariffs as China wants a deal

If the Tariff war caused this, why was the market higher on Oct 1 after all the initial trade war tariffs and discussions (almost 6 months worth)? And if the news on 10/4 caused all this, then how did I call the market top on October 2nd? I do not have a direct line to the president. It was in the charts. You can view the extended reasoning at the DTS Free Stuff section, "Miscellaneous Videos", Bookmark on the Market III 18-1017.

Now the chart of interest rate hikes.

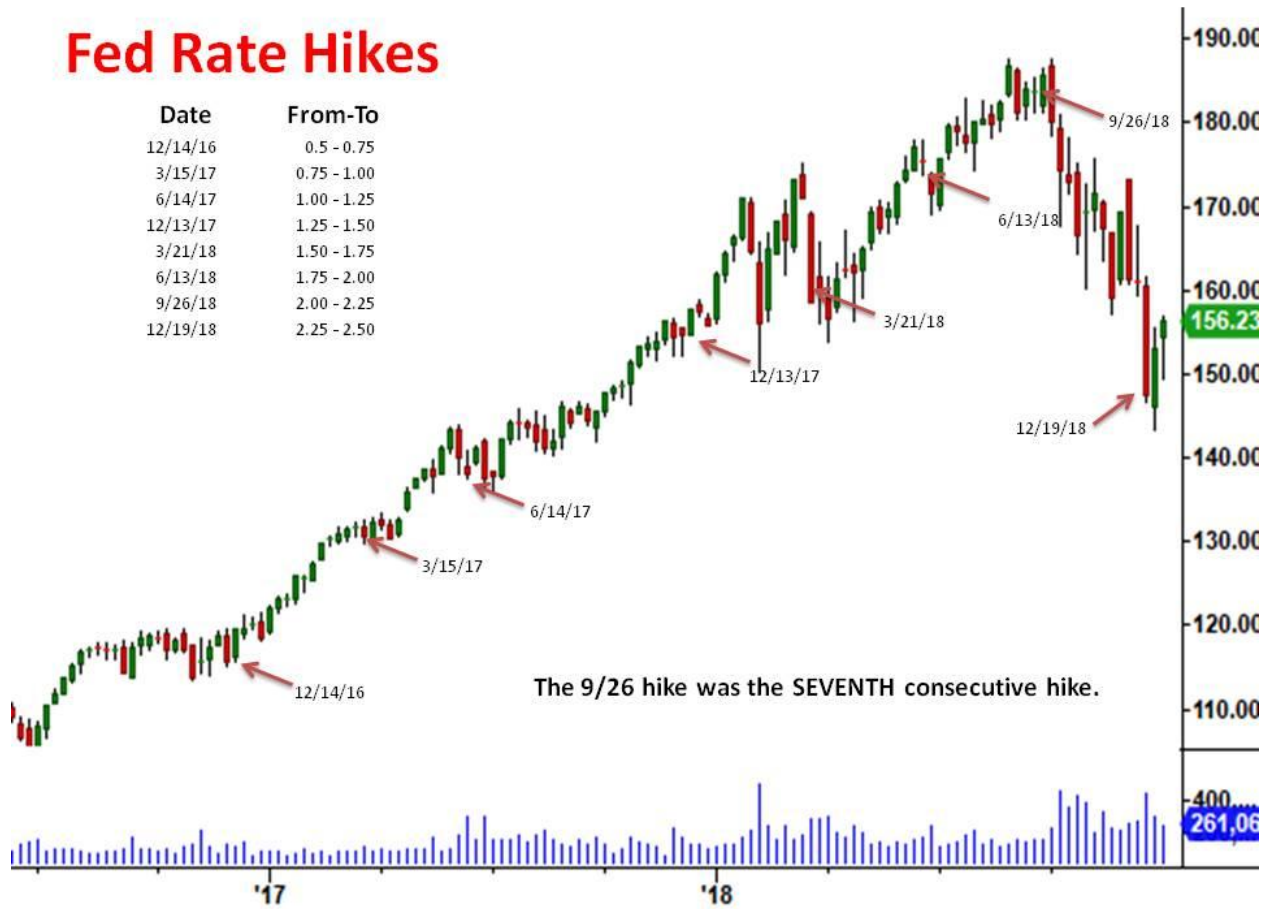


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Fed Rate Hikes

Date	From-To
12/14/16	0.5 - 0.75
3/15/17	0.75 - 1.00
6/14/17	1.00 - 1.25
12/13/17	1.25 - 1.50
3/21/18	1.50 - 1.75
6/13/18	1.75 - 2.00
9/26/18	2.00 - 2.25
12/19/18	2.25 - 2.50



If interest rate hikes caused this, why were the first six ignored completely? As a matter of fact, if you got out of the market on the first hike, you would have missed a 28.7% move in the SPY and a 55.6% move in the QQQ based on the Oct 1st high. Even if you held until today, you would still be WAY ahead.

I said above, "...wanted to take this opportunity to show you exactly what I mean when I discuss the fact that trying to incorporate news and economy into stock or stock markets decisions simply does not work".

Now that I have your attention (hopefully) after reviewing those charts, you may say, well what DO I look at.



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You look at what big money is doing. Whether it is in spite of, or because of the news, or economic data, or anything else. You learn how to read a chart.

Sure, when you research it, there will be some reason that THIS was the interest rate hike that the market could not bear, or THIS was the tariff war move that really meant something. But this is after the fact; they were not the CAUSES, they were the excuses to justify what happened.

If there were a news commentator commenting on the husband-wife fight from the story I started with, the headline would read "husband in trouble last night as he forgets his wife's favorite salad dressing". Any man studying marital affairs or any prospective engaged man who was listening to the news to make himself a better potential mate would make a note in his notebook, "always keep track of spouses favorite salad dressing". The next time they had an argument, he would be baffled because he had not mixed up the salad dressing issue.

I respect different views from people making money in the market on a regular basis. What amazes me are people who have been struggling, and refuse to change how they look at things. Take this article for what it is worth, to you.

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