



# Disciplined Trading Strategies

## Beginner's Handbook Part 2-3

Yesterday I started part one of a three part series to help beginners, and maybe some 'veteran' beginners also. I talked about the difference between a 'buy and hold' philosophy and properly understanding and managing all trades with technical analysis. I talked about how things have changed, and how most 'fundamental' criteria are not very helpful. We look at charts for the truth, and manage because things can change quickly in today's environment. Here is part two. In this issue, I want to expand on those things and discuss what time frames you may be interested in trading. In addition, there is a need to understand how this works, how to read the 'language of charts'.

### Part 2 of 3

I briefly touched on the concept of time frames last issue. It is an important topic and is the next item that needs consideration before you begin trading/investing. The concepts of 'trading' can be used to help people who are looking to better manage their IRA. They can also be used for people trying to build wealth by swing trading investment money, and for people trying to produce income by trading on an intra-day basis. This last category includes traders that are often called "day traders" or "scalpers".

If you are going to be active in the markets, it is recommended that you maintain 2 separate accounts for trading. These two accounts will have different goals and objectives. One account is a 'wealth building' account. It is for core and swing positions. Core positions are positions based on weekly charts and can last from weeks to months. They have stop losses and entry points like any other trade. Targets may be set as an objective or left to an exit based on raised stops as the stock moves up (or lowered stops as stocks move down in the case of a short). Swing positions are based on daily charts and can last from 2-5 days. This wealth building account is important to capture the major moves in the market. These



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are moves that may elude the trader who goes home flat every night. Gaps and large extended moves will benefit the swing and core trader, but will often only aggravate the intraday trader.

The second account should be 'income producing'. It consists of day trades (ranging from minutes to all day), and 'scalp' trades. Scalp trades are a specialized form of trading. They are designed to make money from very small moves in stock by using large share size and very tight stops. These strategies help to keep income flowing, even at times when the market may be moving sideways, and not generating income in the wealth building account.

Once you have decided on your time frame, it is time to begin. Not time to begin trading, but rather time to begin figuring out exactly what strategies you want to use to capture price movement. Trading is one of the most challenging endeavors in which one can participate. Unfortunately, most traders will spend more time getting educated in flat screens before buying one than they will spend getting educated in trading concepts before buying a stock. Most traders do not feel the need to get educated in trading. Most traders also fail.

No one would try to be a doctor or a lawyer without the proper schooling. Yet for some reason, new traders feel that this is an 'easy to conquer' profession. The truth is that some of the smartest and most successful people often have the most difficult time trading.

Continuous success before trading, often translates to over confidence and stubbornness while trading; this is a bad combination. You have to be able to admit when you are wrong and move on quickly. Successful people often become perfectionists; this is a quality not suited for trading. Good traders don't insist on getting them all right. The goal is to make money. Doctors often want to 'save the patient' at all costs. In the market, sick stocks are 'killed off' quickly.

Do you know, right now, what strategies you want to play in this market? This month? This week? Today? Do you know what strategies you want to play at



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different times of the day? Do you know how to handle all of the market maker tricks? Do you know how to handle reversal times? You see, the market is designed to extract money quickly from the unknowing. It is a game where very many supply much money to the very few. What side of this equation have you been on?

You need to develop a trading plan that outlines your total business plan when it comes to how you want to trade. You need to outline the strategies you want to use, and when you want to use them. You need to outline money management rules. How much will you risk on that scalp? How much on that core trade? How much can you afford to lose in one day? To do this, you need to begin to understand trading and all the concepts it involves. This is the single most important step, and I could go on for hours. Yet, the vast majority of new traders do not have a plan.

<<First seminar plug coming is over 6 weeks 😊>> Everyone has a different level of money and time they can devote to learning the 'language of charts'. I had some people mad at me because I already taught my three classes one time and they didn't even know. The schedule is on my website, I assume people know. If not, I have synthesized all the knowledge I have of technical analysis, my 'language of charts' and offer it in 3 one day classes. They are taught on 3 consecutive Saturdays, every 6 weeks. They are very economically priced so people who want to learn can learn. If you have taken classes from me before you may qualify for the retake program. They teach how to handle your IRA to how to day trade part time or full time.

There are those that continue to pay the market every day, only they often walk away with very little education. Some traders lose more money in a week than it would take to get a good start on an education. Don't be one of the people with the mindset of, 'When I make enough money trading to pay for a seminar, I will take it then....' Think of the logic in that statement. The training must come first, or it will never come.