“How to Fix the Top 10 Fatal Errors of Trading – One Flaw at a Time”

#8 – Spread too Thin
#10 – Trading too Much or too Little

From the Active Trend Trader
Disclaimer

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Effects of Fatal Trading Errors

Those *ill prepared* will Fall Prey to the Fatal Errors!

- They are victims when something like this happens

Which can be devastating!
Top 10 Fatal Errors

1. Trying to Run Before Learning to Walk
2. Trading Strategies before Knowing the System
3. Failure to Develop a Routine
4. Unrealistic Expectations
5. Failure to Use Price Clues—Entries, Exits & Trend
6. Trying to Get Even
7. Psychological Challenges
8. Spread too Thin
9. FEAR
10. Trading too Much/Trading too Little
“If you don’t know precisely what signal is yours & how you will size and manage your position—STOP TRADING!

~Peter Brandt
Top 10 Fatal Errors

8. Spread too Thin
   - Fulltime Job and Fulltime Trader is a pace that cannot be maintained
   - Not understanding trading is a marathon and not a sprint!
   - Trying to learn something new before mastering past training—Leads to a never ending search for the Holy Grail of Trading!
Benefits of a Routine - Example

The Trading Layman - Ministry Work and Family Time his most important time commitment – made his living trading!

How he used his routine:

- I prayed for inspiration on how to find better opportunities in less time.
- And instead of just flipping through charts, or watching business television, or reading tons of websites – here’s what I did:

1. Narrowed my focus to 20 financial instruments

2. Triggered on only one chart pattern – passed on everything else

3. Looked for that chart pattern on only one time frame chart.

- When I did this – I had much less work to do. And occasionally, out of the corner of my eye, I’d see an opportunity.
15 Minute Daily Review Routine

Routines are Critical and Must be Practiced – Make the Commitment!

- Benefits:
  a. Having a routine helps ensure you do things well
  b. Enhances Creativity & Productivity
  c. Making time for what matters to you!

World Class Athletes learn routines that improve their performance
  Golfers
    - Practice Routine
    - Pre-Playing Routine
    - Game Routine
    - Pre-shot Routine
    - Post Routine

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15 Minute Daily Review Routine

Follow the Few by Identifying the Few!

1. Efficient & Effective Use of Review Time!

2. Close to a Proper Set Up!

3. IBD 50, Running List, Fundamental Strong List & Composite List

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15 Minute Daily Review Routine

Follow the Few by Identifying the Few!

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15 Minute Daily Review Routine

Other Time Saving Routines:
- Define Routine – Pre, During and Post Market
  - Time of Day to trade
  - Number of Stocks/ETFs/Options/Futures
  - What Pattern or Patterns will I trade
  - Record results, thoughts, mistakes

Trading Routine:
   a. Up 1 hour before Open
   b. Check overnight conditions
   c. Trade List & Set Ups - Still Valid?
   d. Check or Place Orders
   e. Go on with your day
   f. After Hour Review (When the trading day actually begins)

Brief focused spurts of effort more productive than hours of research with no action!
Top 10 Fatal Errors

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To Avoid: “A Man’s Gotta Know His Limitations!”
10. Trading too Much/Trading too Little

Causes:
- Fear, Lack of Rules & Routine, Lack of Discipline, False Beliefs!
- Impulsive Trading in order to fix one of the above!
- Ego thinking the rules of Life don’t apply to me!
Top 10 Fatal Flaws

How Newton's fortune fell to earth
South Sea Company share price

- Newton re-enters with a lot
- Newton's friends get rich
- Newton exits happy
- Newton invests a bit
- Newton exits broke

Source: Marc Faber; Gloom Boom Doom
Top 10 Fatal Flaws

10. Trading too Much/Trading too Little

- Forcing Trades believing one has to be in a trade
- Too Many Positions (Over 10 is too many for most)
- Can’t Pull the trigger
- Won’t do the homework to trade

To Avoid: Buy when you should buy, sell when you should sell
Questions & Comments
Clarify, Simplify & Multiply

This has been the Motto of Active Trend Trading from the beginning!

We continuously work to Clarify & Simplify through refinements to the system to make it objective and easy to both learn and use.

The purpose of all presentations is to provide our fellow Active Trend Trader Members a jump start to accelerate progress up the Learning Curve.

We welcome suggestions on how to improve the learning process!

Trade Wisely & Profitably,
Dennis W. Wilborn
Founder & Lead Technical Analyst