TOP 10 SECRETS TO TRADE LIKE A PRO

Success Trading Stocks

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Introduction

First off, thank-you for taking the time to download and read this report on how you can learn the top 10 Secrets of Success Trading Stocks. It is my goal to help you understand the tips, tricks, and tools that professional traders use to consistently win in the Stock Market. ***Let's get started!***

SECRET #1

Follow a Strict Money Management System

Part of following a strict money management system means you DO NOT trade with money you CANNOT afford to lose. When you're risking the "rent money" on a trade you often make irrational decisions and become emotional because you need that money to pay your bills. This is not conducive for successful trading.

There are several money management systems that can be utilized to fit your trading style and risk. Professional traders use rules and principles that stand the test of time to maintain structure and discipline in the trading business.

Three important money management rules may include:

- ☑ **Never risk more than 10-20% of your total account value on a single trade.**
- ☑ **Never lose more than 3-5% of your total account value on a single trade.**
- ☑ **Always keep 20% of your account value in cash for hedging, rolling, and/or modifying trades.**

SECRET #2

Define Your Risk at All Times

When you "define your risk" as a trader, you eliminate the emotional aspect of trading and trade your plan instead of letting your plan trade you.

So what does the word "risk" mean in the financial markets? **Risk is defined as the probability of loss of trading capital.** In layman's, it means the odds of losing money! The Stock Market has been deemed risky mainly because of the possibility of exponential losses in trading capital due to the leveraged nature of futures, options, and margin accounts on stocks. It is important to understand that trading can be very risky, especially when trading leveraged assets such as: options, futures, FOREX, and other leveraged asset-backed securities. This is why you must be educated before you enter these shark-infested waters!

Successful traders are proficient and have a predefined trading plan with very specific trading principles. Discipline is the cornerstone of successful trading and is a key element in being a "defined-risk trader." Professional traders use discipline to cultivate strong habits that helps them navigate the market during challenging and volatile times. This is why having the defined-risk trading approach is such a integral part of your long-term "success trading stocks" plan.

It is vital that you always be in control of your actions and never let the market take advantage of you, because it will if you let it! The single formula to make money trading in the market is to: use the methods that have consistently worked for you by finding your niche, and what you feel comfortable with trading.

Take this for example: ***Mary is new to the Stock Market and just opened a brokerage account with $10,000. The first trade she makes is buying 100 shares of XYZ stock at $10/share equaling a $1,000 investment. When Mary goes into her first trade she goes into the trade understanding that she is not going to lose more than $500, or 5% of her account. By doing this, she is able to define her max loss and accepts that she is OK with taking on this risk.***

When you start to think in terms of: "what is my max loss?" and "what is my risk capital percentage?", that's when you begin to trade and act like a professional.

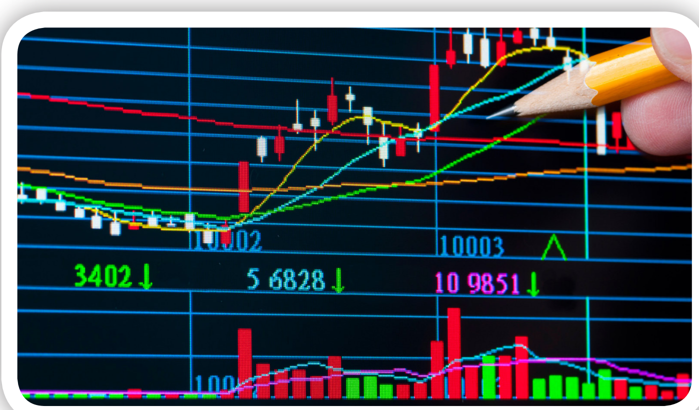
SECRET #3

Understand the Tools, Technology, and Trading Products that are Available

In this ever-growing digital age, companies are continually innovating, adding new products, and using the power of technology to increase efficiency and transparency in the very competitive marketplace.

The Stock Market and world of finance is no different than any other company out there. The market exchanges are continually adding new trading products, exchange-traded funds, weekly option chains, IPO's are continually coming to the market, and people are making a fortune in the Stock Market every day. Brokerage companies are continually enhancing trading platforms, adding ever-improving new technology, and making it easier for the "retail trader" to have the same tools and systems that were once only available to large trading firms and investment banks.

The beautiful thing about the trading business is that once you understand how to use the powerful trading platforms and interactive charting software, you have the ability to efficiently and quickly execute trades. In this day and age, the only thing separating you from the professional traders and big investment banks is the knowledge and education needed to effectively navigate the financial markets and make wise investment decisions.



"There has never been such a better time for retail traders to enter the game. Technology has made trading a level playing field by giving the retail trader access to the same tools and technology that used to only be available to professional floor traders and large institutional banks."

-Tom Sosnoff

Creator of Thinkorswim

Founder of TastyTrade

SECRET #4

Use Options to Leverage Your Capital and Mitigate Risk

There is absolutely no way to ignore the fact that options are one of the most profitable tools available in the Stock Market today. However, with great reward also comes great risk, and options are no exception.

To give you a brief overview on options, it is important to first understand that all options in the Stock Market are decaying assets that have an expiration date and strike price. You can think of an option contract like a coupon but more precisely it is a legal binding contract that gives the trader the right but not the obligation, to buy or sell a security.

There are only two types of options: **CALL** options and **PUT** options. I highlighted the call in green because, generally speaking, calls make money when stocks go up in value, and conversely puts make money when stocks decline in value. Now, each option contract, whether it be a call or put, controls 100 shares of the underlying security. So in essence you could control 500 shares of Apple stock if you purchased 5 option contracts. The way that it works is the price of the stock has to be above or below a certain price point of your option which is known as the "strike price." There are multiple strike prices to choose from on any given option chain and it is important to understand the four types of traders in the options market:

- ☑ **Buyers of call options**
- ☑ **Sellers of call options**
- ☑ **Buyers of put options**
- ☑ **Sellers of put options**

Each type of trader serves a purpose and when you are a call buyer you want the underlying asset to go up. When you're a seller of call options you are in essence selling someone else the right to own the underlying asset at the sold strike price of the option. Buyers of put options make money when the underlying asset goes down in price, and on the flip-side, when you sell puts you want the stock or underlying asset to stay above a certain price point or normally your "sold strike price" of the put options.

The best part about options is that you can control shares for a fraction of what it would cost you to purchase them outright and almost get the same dollar for dollar move! There are so many hidden tricks and strategies with options. An example would be how professional traders sell option premium and create "defined-risk" spreads that make money when prices don't move at all. That's right…you can make money when the market is moving in a sideways or neutral fashion, and even get paid hefty premiums on stocks you don't own! Which now leads us right into secret #5…

SECRET #5

Get Paid To Buy Stock By Selling Puts

This is the cute little trick that Warren Buffet used to make his firm $4.9 billion in trading profits on stocks he didn't even own.

The easiest way to illustrate this strategy is to give you a hypothetical trading example, *Joe the Trader is looking to own Google stock and doesn't feel like paying $550 to buy 1 single share. He likes the company and can see from both a technical and fundamental perspective that now is a good time to go long on Google. He wants to buy 100 shares which would cost him $55,000 or half if he is trading with a typical 50% margin account. So the $27,500 is what it would cost Joe out-of-pocket from his brokerage account to buy the 100 shares. This can also be done in a more sophisticated and smart trading manner by simply selling a put option.*

Now since Google is trading at $550 a share and Joe likes that entry point, he goes out and looks at the "front-month put options" and finds how much he can get paid by selling a put option around the 550 strike price or purchase price. The current 550 put option that expires in 24 days is selling for $10.60. By using this strategy, Joe can tie up a little over $10,000 in margin requirement or "buying power risk" by selling this put option that gives him the right but not the obligation to own Google between now and 24 days from now when the option expires. So, instead of putting out nearly $28,000, Joe gets paid $1,060 (remember an option is standardized to 100 shares of stock so, a $10.60 priced option (x) 100 = $1,060 face value) upfront to own Google at $550. This means Joe's real cost basis on the trade is closer to $540 since he is getting paid $1000 to sell the put. Also if Google stays at or above the $550 mark the put option will expire worthless and Joe gets to keep the entire $1,060 in sold premium. He then goes on to repeat the same process month-in and month-out until he gets "put into the stock."

"Getting" put into a stock is a phrase meaning when you sell a put option that expires below the sold strike price you are then required to take ownership of 100 shares **per contract** at the sold strike price. Its important to understand the intricacies of how options work because there are real risks involved and if you don't understand the underlying risks of a given trade then you are in for a rude awakening. That leads us into the next secret…

SECRET #6

Understand The Underlying Risks On The Trade

Depending on whether you are trading stocks, options or any other type of financial product, the inherent risks may be more dangerous and expansive than others. For insistence, options carry more risks than stocks because they are more volatile instruments and contain other external factors like time decay and volatility.

The Most Common and Costly Trading Mistakes Include:

☑ NOT PREDEFINING YOUR RISK

☑ NOT CUTTING YOUR LOSSES SHORT

☑ NOT SYSTEMATICALLY TAKING PROFITS

Professional traders are fully proficient on ALL of the trading risks surrounding a certain trade of strategy. There are key trading risks to be aware of in regards to trading options, and some of the top ones are listed below.

Top Three Risks Pertaining to Option Buyers Include:

1. Risk of losing your entire investment in a relatively short period of time
2. Specific exercise provisions of a specific option contract may create risks, as well as regulatory exchanges imposing exercise restrictions.
3. The risk of losing your entire investment increases as the option goes further out of the money (OTM) and as the expiration date on the option nears.

Top Three Risks Pertaining to Option Sellers Include:

1. Options sold may be exercised at anytime before expiration by the buyers discretion.
2. Sellers of both "naked" calls and puts risk unlimited losses if the security rises on a "short naked call" or if the security falls to $0 on a "short naked put."
3. The value of the underlying stock may surge or plummet unexpectedly, leading to automatic exercises and losses.

It is a known fact that options are far more risky than stocks, so depending on your appetite for risk and your trading goals it may or may not be a suitable trading style for you. It is important to note that with greater risk, comes greater reward. Although the risks may be higher with options, they offer several rewarding benefits that often overshadow the risks after they are all understood and navigated in the professional trader mindset of**…DEFINING YOUR RISK**. We will continue talking more about this element of trading further down the road. To bring us into the next pro trading secret is the simple tactic of **DIVERSIFICATION…**

SECRET #7

Diversify Your Portfolio to Avoid Catastrophic Losses

The most common sense part of diversifying your portfolio to address is to reiterate the old adage: "don't put all your eggs in one basket."

Indeed a very true statement, and I would like to follow up on that by inserting the importance of watching and or trading multiple sectors, industries, and stocks simply because many parts of the Stock Market are inter-related. It is wise to follow a basket of stocks that make are made up of blue chips, technology, biotech, industrial, retail, real estate, social media, small cap, large cap, oil $ gas, precious metals, agriculture, and the list goes on…you get the gist though. Having the business acumen and awareness of being able to follow hot industries and companies is yet another secret tool that pro traders use to navigate the Stock Market with ease.

The 5% and 10% "Set in Stone" Trading Rule!

Never lose more than 5% of your account in a single trade, and whenever your account value dips 10% below its closing value at the end of the previous month, close out all your positions and stop trading for the rest of the month. This will help you instill solid capital preservation strategies and keep you act as a disciplined trader which is critical for long-term success.

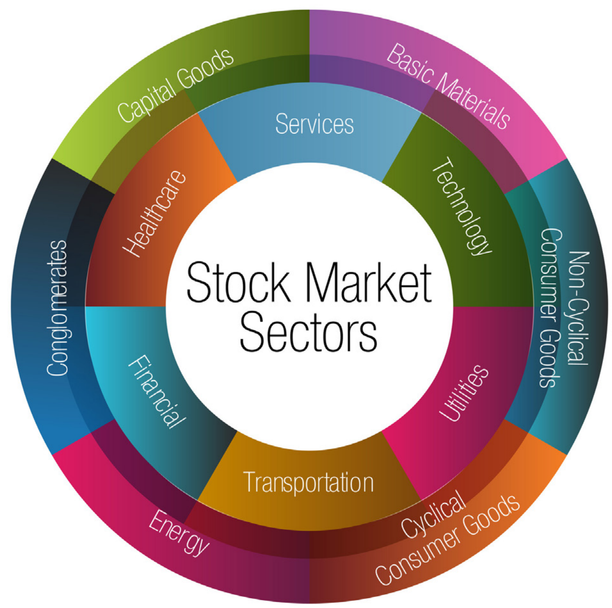
Using the 5% - 10% rule is like having your own trading manager.

Private traders have no managers therefore they need their own system of discipline to keep them in check.

Understanding Trade Risk VS. Portfolio Risk

Trade risk is the amount at risk in your trade. Use your maximum loss on spread trades. For example, *If you are in a $5 wide vertical spread that you sell for a $2 credit, your trade risk is the spread difference of $3.00 ($300 on a 1-lot spread trading example).*

Portfolio risk is the amount at risk in your portfolio. For example, ***if you have a $25,000 account and you risk 2% on a trade, the portfolio risk is $500 ($25,000 x 2% = $500) difference of $3.00 ($300 on a 1-lot spread trading example).***



Position Sizing is Paramount

To better understand position sizing, let's say you have $100,000 to invest and you're using a 2% risk model to guide your trades. If you're using a 2% stop loss on your overall account, buying $6,000 worth of options while risking $2,000 would allow you to place a generous 33% stop loss on the trade (33% (x) $6,000 = $2,000). This is the method you should use to determine a trade size. Always strive for a 3:1 risk-reward ratio!

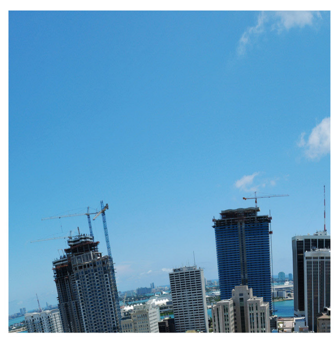
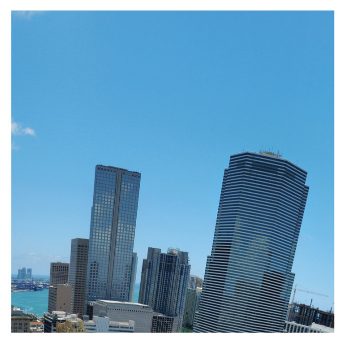
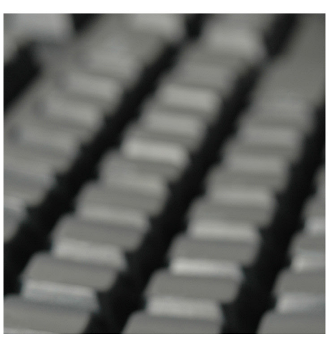
SECRET #8

Be Aware of Key News and Company Events

There is nothing worse than going into a company earnings announcement with a large option position that goes against you because you dropped the ball or weren't paying attention to key market data that is openly available to the public.

Professional traders often times don't expose themselves and risk capital going into key company events or economic events because it is far too similar to gambling. You begin to lose control when you hold positions through these volatile events. Often times you might have a company that delivers a great quarterly report and beats analyst projections, but gets punished by the market with absolutely no reasoning behind it. Gotta love Wall Street!

There are many ways to trade through a volatile market event like an earnings call on a stock or monthly employment numbers delivered by the labor department. Awareness and being "in the know" are two key elements professional traders maintain to forge ahead and persevere for the long-term. When you are aware of the current situation and you plan for future news events and developments, you stay the step ahead of the competition and will maintain an edge in the dangerous world of trading.


SECRET #9

Learn How to Use a Robust Trading Platform

These Professional Features are Now Readily Available to the Retail Trader:

- ☑ Fully Interactive Charting Packages
- ☑ Tools to Research Potential Trade Ideas
- ☑ Easy Order Facilitation Processes
- ☑ Live Streaming Media
- ☑ Trade Analysis Features
- ☑ Complex Options Modeling Software
- ☑ Probability Analysis Tools
- ☑ Futures Calendar Spreads
- ☑ Trade and Market Scans
- ☑ Hot Stocks Scanners
- ☑ Portfolio Margin
- ☑ Reporting Tools
- ☑ Millisecond Transaction Speeds
- ☑ Trade Architect
- ☑ Rewind the Trading Clock with "ThinkBack" software
- ☑ Robust Mobile Trading Apps
- ☑ Paper Money Trading
- ☑ Company Profiles with Fundamental Data
- ☑ Advanced Pairs Trading
- ☑ Market Monitor Overview Pages
- ☑ Beta Weighting
- ☑ Ability to Write Code and Software to Run Automated Trading Systems
- ☑ Advanced Order Routing
- ☑ Low Commissions for Quick Entry and Exits

A few of the top brokerage companies with powerful trading platforms.

SECRET #10

Keep Organized Records of Your Trades

Successful traders are proficient and have a predefined trading plan with very specific trading principles.

Discipline is the cornerstone of successful trading in the Stock Market because you will have the iron core mindset to cultivate strong habits that will keep you in the game (and sane) during times when the market turns on you or in times of panic and economic turmoil. Part of being a professional and disciplined trader means you take the time necessary to document your trades and learn from your mistakes. When you do this it will continue paving the way for long-term success trading stocks and options.

5 Reasons Why You Should Keep a Trading Journal:

1. **To learn from your trading mistakes so you will not make them again in the future.**
2. **To keep track of which trading strategies are working best for you.**
3. **To make sure you are adhering to your trading plan and cultivating strong trading habits.**
4. **To make sure you will not forget valuable things you have learned trading in the market as your experience builds.**
5. **To grow as a successful trader and be able to share you winning trades with others.**