

# Chapter 2

## **ACHIEVING PERFECTION**

Trade quality, not quantity. Take the best of the best. Get the big picture. If you haven't previously come across such advice, or if you have and are not following it, it is time that you take these words to heart. But how?

Trade selection and adequate planning go hand in hand. This is where most would-be professional traders miss the boat.

Much more money is made as a result of proper planning than from sitting and trading everything that comes along or “looks” good.

It's difficult to fully understand why people think they have to trade so much. It's difficult to truly grasp why people think that they have to take as many trades as they do.

Just the opposite is true. There is a correct approach to each and every trade. That is what achieving perfection is all about.

It all starts with proper management: planning, organizing, delegating, directing, and controlling.

These facets of management must be woven together into your trading; they do overlap.

Although planning is the major management function involved in achieving perfection, you can't possibly plan well unless you are organized to do so.

You must have your tools at hand: your trading software, your data, the proper equipment. All of the rudiments for planning must be in place, which in itself is a part of organizing.

You must be physically fit when you plan: well nourished, properly exercised, well rested and mentally alert — all part of having your life organized, all part of achieving perfection as a trader.

To be a winning trader, you have to be among the best. There can be no middle ground. There are only winners and losers, and to be a winner you have to be a champion. And, just like any champion, you must have discipline, self-control, and a willingness to train, train, train.

There are no runners-up in trading, you either get the gold or you give the gold. Often, while others are busy going to parties or watching sports events, you are busy poring over charts, studying, thinking, planning. When others are listening to music or watching TV, you are busy practicing your trading, practicing trade selection, working hard to become a more astute trader.

Part of achieving perfection involves the diligent study of charts. The data, as presented on your screen and preserved as charts, are, for the most part, all you have for making trading decisions. They are a picture, a visualization of what is taking place in the reality of the market. Your job in achieving perfection and becoming an adequate trader is to picture and imagine in your mind what makes prices move and form the way they do. Ask yourself, “How does what I see in front of me relate to the supply and demand for this market?” Ask yourself, “Is what I am seeing on the chart even related to supply and demand, or is what I am seeing related to an engineered move by some insider or market mover?”

Supply and demand are not what makes prices move or fail to move most of the time. The sooner you realize that fact, the better off you will be. Markets are engineered, manipulated — you need to know that.

But there's more to a chart than merely price patterns. Reflected in the chart are the emotional reactions of human beings. Reactions to rumors and news; to national and world events; to government reports — these, too, are on the charts.

You might say that price movement, or the lack thereof, is the net effect of all the perceptions of all the traders who are participating in the market for a particular commodity.

There is something else on the charts, something that too few take into account. That something is the manipulations from and by the insiders, the market movers, and by brokers holding large inventories of the underlying commodity you are attempting to trade.

In achieving perfection as a trader, you must train yourself to look for evidence of any and all of these things as you study your charts. It is the cumulative action of all perceptions which causes patterns to form on a price chart.

You must learn to look for the truths in the markets. There are certain truths which are self-evident; they are always true. For instance, take the phenomenon of a breakout. When prices break out, no one can change the fact that they did break out. It is a fact and it is true. The breakout may turn out to be a “false” breakout, but nevertheless it is a breakout. As part of achieving perfection in your trade selection skills, you have to learn to tell which breakouts are most likely true breakouts, and which ones are most likely false. How can you know? By the price patterns on the chart.

And what about trend? Your job in achieving perfection as a trader is to master how to trade a trend. A trend is a trend, is a trend. It is a trend until the end, and part of your job is to know when a market is not trending.

The trend is the trend while it lasts. While a market is trending it is telling the truth. The trend can change, but the truth is the truth. If prices are rising, the trend is up. If prices are falling, the trend is down. The truth can be found in the trend. It is an immutable fact. You are to learn to make my money by trading with the trend. You are to learn what constitutes a trend. You have to learn to spot trends early so that you can make the most out of the market while it is trending. Your job in achieving perfection as a trader is to learn to recognize when a trend will most likely begin, and just as important, to learn to be even more adept at deciphering when a trend is ending.

In achieving perfection, you must learn to recognize “your” trade(s), and to take only “your” trades. Trade the formations and patterns that **you** can easily recognize and identify.

You must learn to trade using tips and tricks that you are shown and to accumulate and keep a collection of techniques that result in the selection of high probability trades.

How are you to do all this? Practice, practice, PRACTICE. Practice recognition of congestion areas. Practice recognition of high probability breakouts. Practice trend recognition. Practice and more practice. Just like anyone who wants to achieve perfection at anything, there must be total dedication, study, practice and more practice. You are to become a trading virtuoso. You are to practice, yet always realizing that you will never attain true perfection, that there is always room for improvement. There is usually a way to refine: ways that you can do things better, more efficiently, and with greater speed and finesse.