

Learning to Trade: A Systematic Approach

by Sunny Harris

Start with a realistic goal in mind:

- Do you want to learn the basics?
- Learn a new technique?
- Or make a million dollars?

Do you have sufficient time to practice what you learn from the course? Work a minimum of 2 hours a day if you want to become a good trader.

Learn the basics first.

Know them thoroughly. And PRACTICE! You need a strong foundation. Read charts for 1 to 2 hours a day.

- Analyze candlesticks (or OHLC bars) and volume
- Identify support and resistance levels
- Identify chart patterns
- Identify trends and trading ranges
- Identify the various time frames
- Study market and sector indices
- Learn the influence that these have on individual stocks
- And the interaction between various equity markets, bond markets, currencies and commodities

Seek out a trading course that will help you to achieve this. A two-day workshop is not going to teach you all that you need to know. Find the kind that takes 3 to 6 months. You will not learn all the tricks of the trade but you will gain a good basic grounding.

Benefit from the experience of others.

Search trading forums for discussion on various training courses. Ask a few questions. Who has been on the course? When did they do the course? This is important: recent participants are normally fired with enthusiasm but how will they feel a year later? How have they benefited? What skills did they learn? Is there any ongoing support? Are there any realistic trading sessions? Would they recommend it?

Don't make the mistake of believing that you are now ready to enter the market. Do so and you may be stretched off after a few weeks, never to return. Draw up a **trading plan**. Back test it with historical data and then **stick to it** - don't keep fine tuning it. Paper trade for a month or two—until you feel that you are ready to enter the market.

Take the smallest amount of capital that you can effectively trade with and cautiously enter the market. Concentrate on achieving the best possible return over a 12 month

period. Make the commitment. Don't get excited after a few wins and increase your capital. That is a sure sign that you are not in control - the market is controlling you. Monitor your performance every week. Review each trade and assess whether you have stuck to your plan. Make notes for later as to how you could improve your plan - but don't make any changes now.

Don't day-trade in the beginning

Leave that for the professionals.

After 3 months, pause for a week. Don't place any trades. Review your performance. Identify any gaps in your knowledge that need additional work (or study). If you know there is a problem but are unsure how to solve it, consult a mentor. Find an experienced (and successful) trader who is prepared to part with a few hours of his time. Set your trading plan for the next 3 months and continue. Review at regular 3 month intervals.

After 12 months, review your performance and decide whether you are ready to commit more capital to the market. Do this again after 24 months, 36 months and so on.

Trading Books

Reading trading books is like learning how to play cricket by watching television. Trading books are useful for comparing your approach to others and identifying areas where you can improve your game but they are no substitute for actual experience. Again, most books are sold on the "magic formula" principle: "Unlock the Secrets to"; "How to Make Money in the Stock Market"; etc.

Paper Trading

Paper trading may help to perfect your technique but it is no substitute for live practice. You have to feel the pressure in order to learn. If you are not accustomed to the pressure, it will cloud your decisions when you can least afford it.

If you can't stand the Heat

...don't play in the kitchen.

If you do lose money in the market, don't blame your course provider, your broker, the institutions, insiders, the government, OPEC or the UN. They are just some of the factors that you have to take into account in your preparation. You are responsible. You are on your own. No-one except you is going to shed a tear if you burn your capital. So take care and PREPARE!