



HOW TO TRADE BETTER

ELIMINATE FEAR

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I'd like you to start the New Year off on the right foot, being the best, clearest trader you can be. I want to restate basic understanding of the Fear/Greed dilemma.

To begin, for many traders greed is a stronger emotional force than fear. I believe we are a greedy lot (that's why we enter an arena others pass on). Thus, one needs to know what emotion is gaining the upper hand in his or her daily life, be it in the markets or business.

Greed, as I have come to understand it causes us to do that which we should not! It is greed that is the active force, kicking us in, causing us to jump the gun, to hold on too long, to buy too much. Hence if you feel greed seeping inside you, I suggest you look it directly in the face to see if it is leading you into more trouble than reward.

Fear is different. Our fears cause us to not do what we should do. President Roosevelt had the all time worst comment saying, "...all we have to fear is fear itself." But then, what would you expect from a socialist who, along with Colonel House, did more to damage this country on a long-term basis than anyone before or since? I digress...

Fear is prohibitive - it puts on the brakes. It is preventive and it is very primal as it is more closely connected to survival. Indeed, we need a healthy dose of fear to keep on living. But life, or event fear, is not the same as market fear. For some unexplainable reason, we pass on the best or largest winning trades out of pure adrenaline spouting fear. We don't place stops for fear we will be stopped out. My advice is when your fear emotions tell you to not do something, in this business, as Nike says, "Just Do IT!". Scary thought – but that is why top traders are successful they do just do it.

There are two important parts to fear; the first is why it happens, the second is what it makes you do. Fear is the product of unknowing. A seal team buddy of mine said it best, "Whenever we went on a shoot and loot mission my heart was pumping but it was not from fear. We were so well trained and armed that every unknown was known. We knew what to do and how to react to any contingency". Traders are not so well prepared. They have not thought out the future, they trade with no stops (protection) and trade with no idea of where or how to take profits. Hence all of the future is unknown. It's a black hole and they are afraid of the night.

To shut down on your fears prepare for the future, and have all bases covered and you will be able to act, not react to market events.

The next point is that fear causes us to lie. Traders lie about their trades, wins or losses, especially to their spouses, so they are in a state of constant denial and fabrication, a dream world. It's no wonder they don't deal well with reality.

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I hope these insights from my career, my fears and my greed factors, give you some understanding of yours.

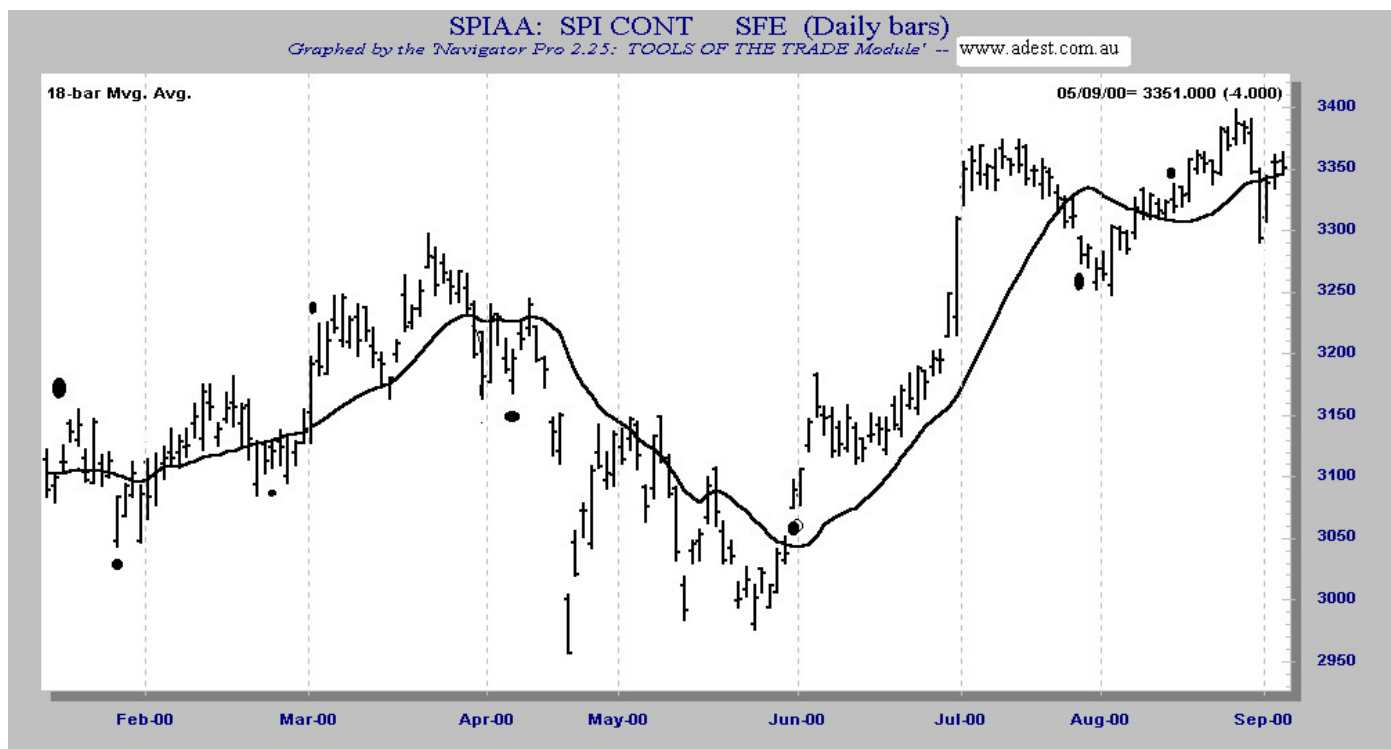
WHEN TO GET IN - WHEN TO GET OUT - TREND CHANGE SIGNAL

There are probably as many ways to determine trend change as there are traders! In this day of computers, the fancy math boys have really beaten the numbers up to develop a trend change mechanism. In a very large way trend change is a moot point, as it just tells us what has transpired with no assurance it will continue in the future.

MY CENTRAL THESIS --- Here it is, conditions cause major up and down moves, trend change. Without the conditions being present, trend change has little validity. Back a trend change with conditions and you get rip roaring bull/bear markets.

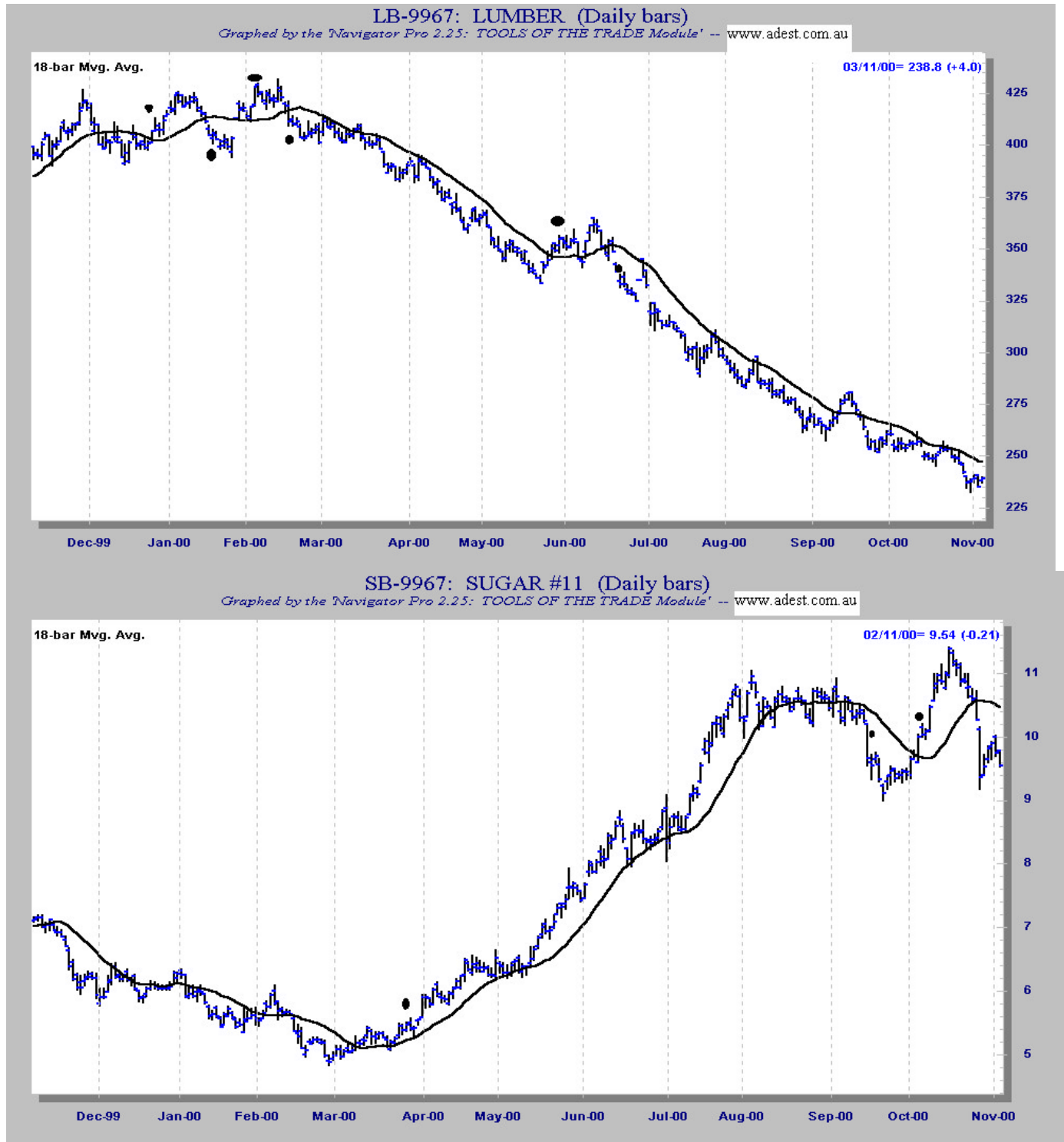
I would like to think you now understand some of these conditions, such as the commercials. Let me add to your arsenal a trend change tool. The tool illustrated in the following charts is a simple 18-day moving average of closing price, that's it, nothing fancy here.

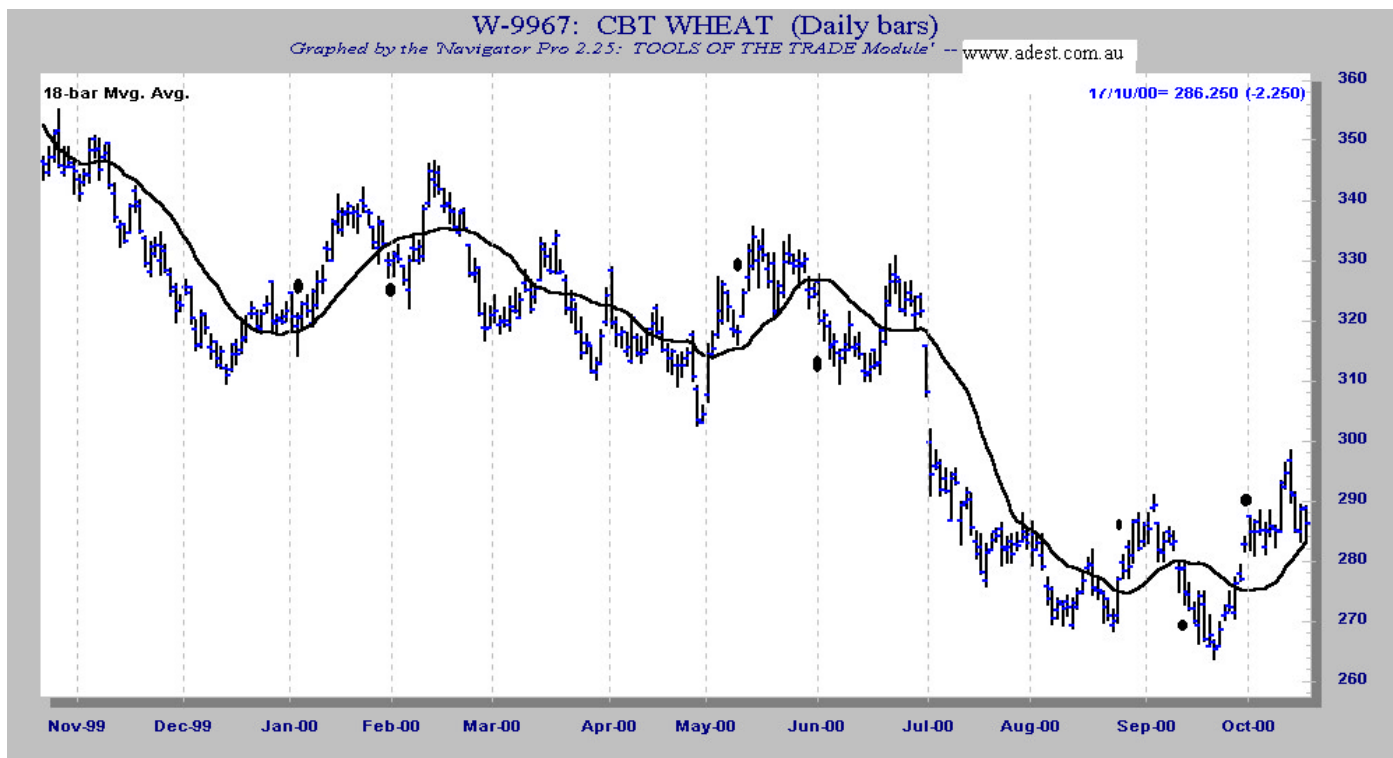
Let's look at the Australian Share Price Index. Last year at my Real Time Trading Million Dollar Challenge Seminar in Sydney I traded the SPI for the very first time. And I have to say that I quite like it – how could you not like a market that makes you money when you trade I front people and they see how you trade and share some of the profits!! Next April I hope some of the more famous Trader/Teachers/experts in the SPI will take up my Challenge to them to join me trading the SPI when I put up US\$1million and trade it again!!



The dots on the chart appear when there have been two days totally above the average for a buy and two days totally below the average for sells. This is the set up for the change. Then some select short-term buy/sell signals can be used for your entry. I teach many of these at the Inner Circle Workshops coming up in Australia in April 2002 (see www.adept.com.au for details), but as you can see, there is power to these points.

For examples, I have taken two big trend markets - the up move in Sugar and the down move in Lumber, as well as a choppy ones, Wheat. There really isn't much to learn here, other than a mere crossing above the moving average on one day, or touching it with no further extension of the move is not enough to bring about trend change.





As I see it, moving averages act as support and resistance. What's needed to bring about a long term trend change is for a power house move to follow on a short term basis, once prices gets into the area of the average.

It should go without saying, but there are so many technicians out there I'd better say --- do not take these signals on their own. These signals are just a sign, a symptom of what matters, the underlying bullish/bearish fundamental condition.

Your homework is to get some old chart books or fire up your computer to study this relationship of price, the 18-day average and trend change. This moving average is in all the chart books and software so you have no excuses.

Bibliography

Williams, L, Long Time Secrets to Short Term Trading
 Williams L, How I Made a Million Dollars Last Year Trading Commodities
 (All are available from www.adept.com.au or www.invest-store.com/adept)

Trader, author, teacher and adventurer Larry Williams turned US\$10,000 into US\$1million in one year to win the Robbins World Trading Cup.

Williams will be in Australia & Singapore in April 2003 for his very popular INNER CIRCLE WORK SHOPS & his MILLION DOLLAR CHALLENGE

At MDC Seminars Larry trade his own US\$1million account real time and shares 20% of any profits with attendees. See <http://www.liontrader.com>.

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