| | |
|---|---|
| Name: | Sherri Haskell |
| Lives: | Sausalito, CA |
| Previous profession: | Fundraiser for technology companies |
| Trades: | Stocks and futures |
| How long: | Since 1985, full time as of 1999 |
| Trading account: | Medium ($250k–$1m) |
| Software: | www.stockcharts.com, TC2005, eSignal |
| Traders' Camp: | St. Maarten, January 2003 |

CHAPTER 1

# Sherri Haskell

## A Logical Way of Looking at Things

I met with Sherri twice while writing this chapter—first in 2003 when I was just planning to write this book, and again a year later. Sherri kept excellent records—in 2004 she could pull out the trades we had discussed a year earlier as easily as the trades from the previous week. These two interviews, held 12 months apart, offer a glimpse into how a serious trader's approach can change within a year.

In October 2003 I flew to a conference in San Francisco one day early in order to visit Sherri, who lives in Sausalito. I took a shuttle from the airport, crossed the Golden Gate Bridge, and got off on the other side of the bay. The air smelled of eucalyptus trees. Sherri was waiting for me in her sporty Lexus two-seater. When we arrived at her hillside house, a Mercedes convertible was parked in the driveway—Sherri liked her cars small and nimble, much like herself.

We had a campers' meeting that night, and the following morning Sherri picked me up at the hotel and brought me back to her trading room. Wall-to-wall windows overlooked the expanse of the bay and the hills on the other side. A table underneath the windows that ran the length of the room was crammed with computers, screens, and other gear. An exercise bike and a weight-lifting rack stood against the back wall. Sherri's fat cat, whom she did not have the heart to put on a diet, kept wandering in and out through the open windows, onto her trading desk, and back into the garden.

Sherri complained to me about what she called her poor performance. "I am up 90% this year," she said. "But the year is not over yet; I'll push to do better." I laughed and said, "Lay off a bit, relax—your results are fantastic, way outside of the envelope. You're at the upper edge of the top one percent of traders." Sherri did not think so. "I'm not good enough because I see stocks that go up 400% and I only make 90%," she said. "At the end of this year I want to be up 200%."

She told me that pushing for more had different meanings for men and women. Sherri always felt compelled to push extra hard to succeed in a male world. She had done very well in two traditionally male areas of business—medical equipment sales and fund raising for start-ups. Now she was just as determined to do well in trading.

I asked Sherri to tell me about her trading and show me two recent trades—one winning and another losing. She opened a hard-bound notebook, its pages full of scribbles. "I trade a couple of different ways—one way is following breakouts. I troll at night, looking for consolidating stocks with unusual volume. Something that hasn't moved very much but has big volume—that tells me momentum is building and it may bust out."

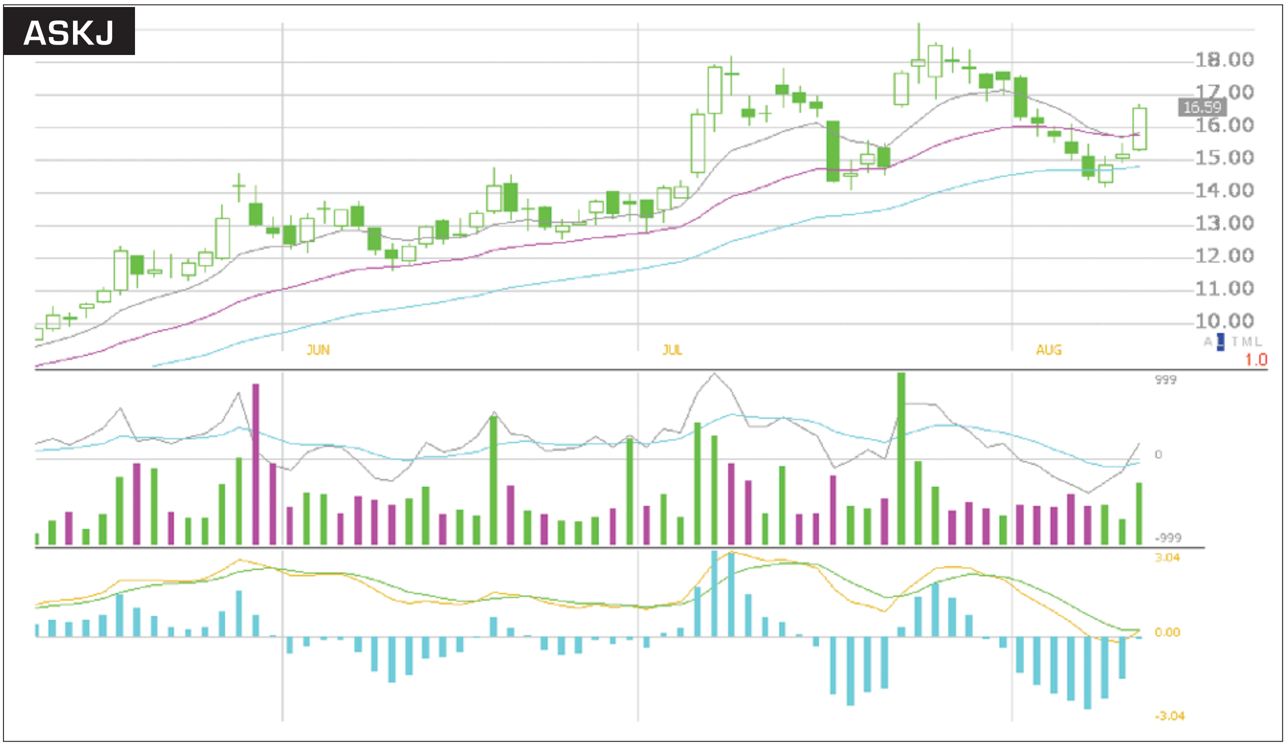
Sherri's notebook had four columns, and I read several lines. Some symbols, such as EWT and SNIC, were highlighted in yellow.

| Symbol | Comment | SafeZone | Stop |
|---|---|---|---|
| ABAX | Looks OK but ADX turned down | 15.23 | 15.69 |
| ATYT | Really tight—clear to 16.5 | 14.94 | 14.87 |
| EWT | RSI < 70, MACD-lines getting ready | 11.09 | 11.32 |
| SNIC | Nice tight range | 14.62 | 17.74 |

> I jot down ideas every evening—the yellow markings mean the stock looks wonderful and I put those into my eSignal alert system. When a stock is yellow, it usually hits my mark within a day. I have no problem finding stocks or understanding technicals. My problem is deciding where to add to positions and where to set stops. I am still refining that.
>
> Every night I go over all my positions—this morning I have 13, on most days I have about 8, but even that is too many. I write a note on each position every night and then the chart image stays in my mind, so I do not need to look at charts intraday, but simply watch price levels.
>
> I do my initial review in Stockcharts or TC2000, then track my list using eSignal in real time. End-of-day Stockcharts are the easiest to read—I do not want to pay extra for intraday real time, and 20-minute delayed quotes are useless. I put the symbols of the stocks that I selected in Stockcharts into eSignal, which lets me know when a symbol hits my price. It sends me an alert by phone, an e-mail, or a pop-up window, which is what I prefer because I am in the office most of the time.

Sherri writes herself notes in eSignal, attaching them to each ticker. All notes are dated and she cleans out old notes once a week. When Sherri likes a stock a lot, she marks it with a star, and when she does not like it, she writes **Watch!** next to it. "When the page is mostly stars, the market is bullish. When it's mostly 'Watches', it is more bearish. Before I enter a trade, I check that stock's volume—if it is strong, I go. If it is 50% above the normal daily level, it is a sure buy; otherwise I think the move has no staying power."

# TRADE 1 SHERRI'S ENTRY




**Upper pane:** Candlestick chart (daily) and three exponential moving averages—10, 28, and 50 days
**Middle pane:** Bar chart of volume (green = rising price day, purple = dropping price day); grey line—14-day TSV (time-segmented volume); blue line—a 10-day simple moving average of volume
**Lower pane:** MACD Lines and MACD-Histogram

## ASKJ

My initial buy was on 8/12/03 at $16.21. At that time several indicators were giving similar signals, confirming each other. The RSI had just crossed above 50, the price was moving up on strong volume, MACD-Histogram and both MACD Lines were rising, crossing above the zero. Stochastic was turning up from below 20. How nice! The indicators were screaming to buy, and I happened to be listening.

Will this trade make or lose money?

## TRADE 1 SHERRI'S EXIT

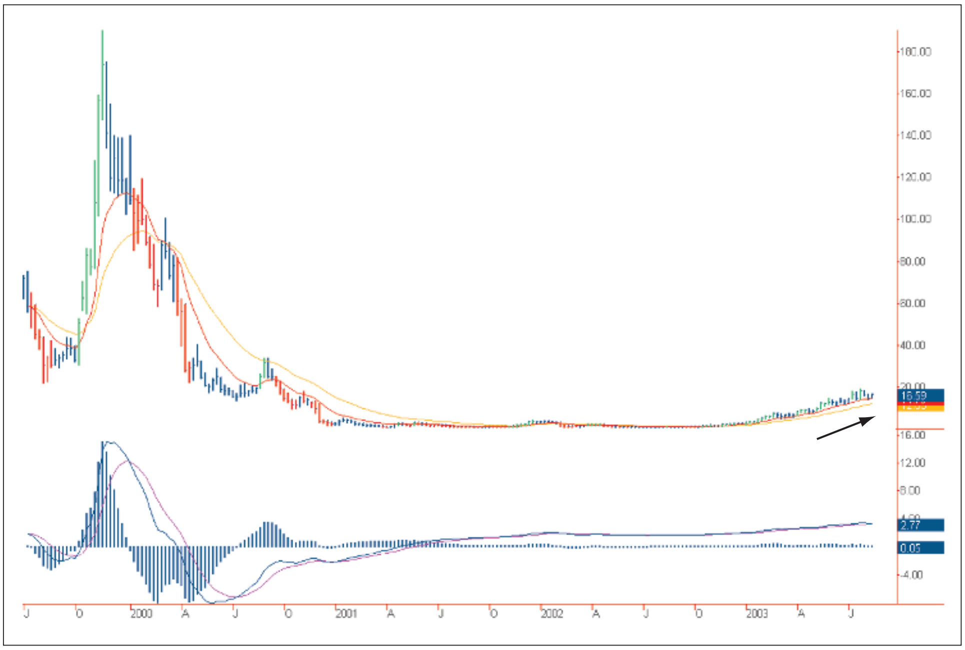

I added to my long position on 9/2/03. The stock had been moving up nicely, then developed a lateral consolidation. After four trading days, it broke out of its consolidation on extremely strong volume. RSI was advancing, MACD was strong, and Stochastic was continuing to climb. The most important factor was the breakout from the consolidation pattern on such strong volume, while all the indicators supported my action.

I sold on 9/22/03 at $20.74. The stock had been moving up for a couple of weeks, but the volume was gradually diminishing, and that got my attention. On 9/19 the price traced a *doji,* a bearish candlestick pattern. That set off an alarm, especially since the doji was on a much higher volume. I thought the price was topping out. While the price was going up, MACD-Histogram started falling off. The combination of all these factors was my cue to get out, saving my profit. I exited the next day at $20.74, just as MACD lines crossed on their way down and MACD-Histogram crossed below zero. It was time to bail out. My timing of the exit was fortunate, as the stock has continued to tumble since that day.

### TRADE SUMMARY

**Long ASKJ 8/12/03 @ $16.21**
**Added 9/2/03 @ $19.30**
**Sold all 9/22/03 @ $20.74**
**Profit = $4.53 per share on the first position,**
**$1.44 per share on the second position**

# TRADE 1—ENTRY COMMENT



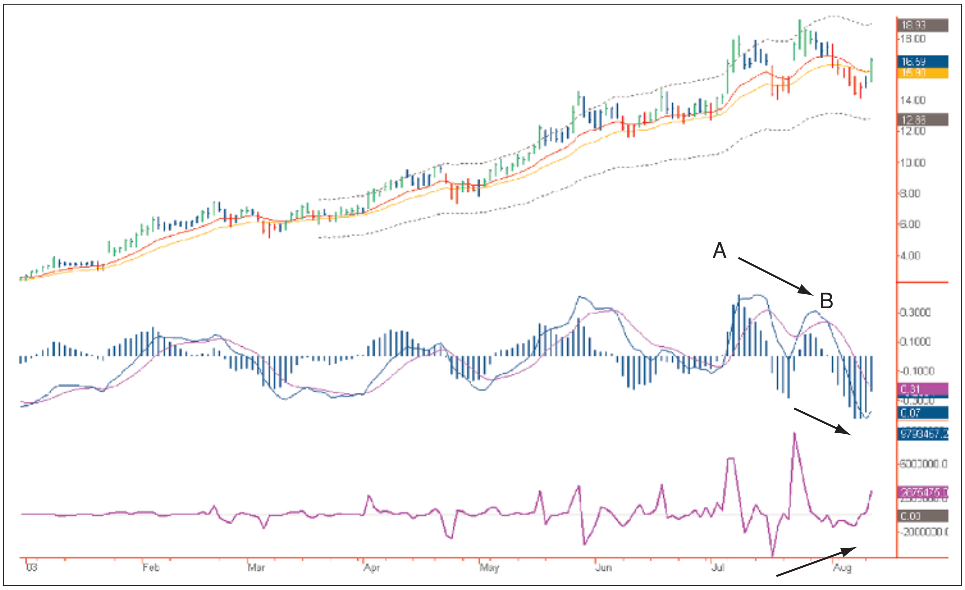

*Whenever I load up the file of a stock I have not seen for a long time, I begin by compressing its weekly chart until the entire history fits into a single screen. This allows me to tell whether that stock is cheap or expensive relative to its lifetime history.*

The history of ASKJ reveals that the stock had been sold to the grateful public in an IPO at approximately 70 (split-adjusted) and ran up above 190 in a final dizzying vertical rally in 1999. From there it crashed and then ground down to a low of 75 cents in 2001. Any stock that falls more than 99% from its peak, like ASKJ, has every right to die. But this puppy decided to live. ASKJ lay quietly on the bottom in 2001 and 2002, just trying to breathe, and in 2003 it lifted its head and started getting up, climbing into double digits. At the right edge of the weekly chart, both moving averages are trending higher, confirming the bullish trend and allowing us to buy.

**THE MOST EXPENSIVE $50**

I told Sherri about a client who had consulted with me a few years earlier. He had been trading stock index futures and after a long stretch of very poor performance started making money. At that point he set the goal of $1,000 profit per day. One day he entered a long position just right and soon was up $1,950. He decided to hold until that trade netted him a round $2,000 and took it overnight, overriding his technical rules. That day happened to have been the top of the 1999 bull market! Soon his gain shrunk to $1,000, then down to zero. He continued to hold, determined to reach his new $2,000 goal, while his trade went negative. Trying to recoup it, he doubled his position and then doubled again. By the time he threw in the towel and closed out that trade, his account had been reduced from almost $100,000 to $14,000. He then had to go to his father and ask for money, opening a whole new can of worms. —*AE*

*When the weekly charts give a buy signal, I turn to the dailies. There I decide to go long or stand aside, depending on the message of the daily charts. One thing I will never do is go short if the weekly charts tell me to buy. I will not trade against the message of the weekly Impulse system.*

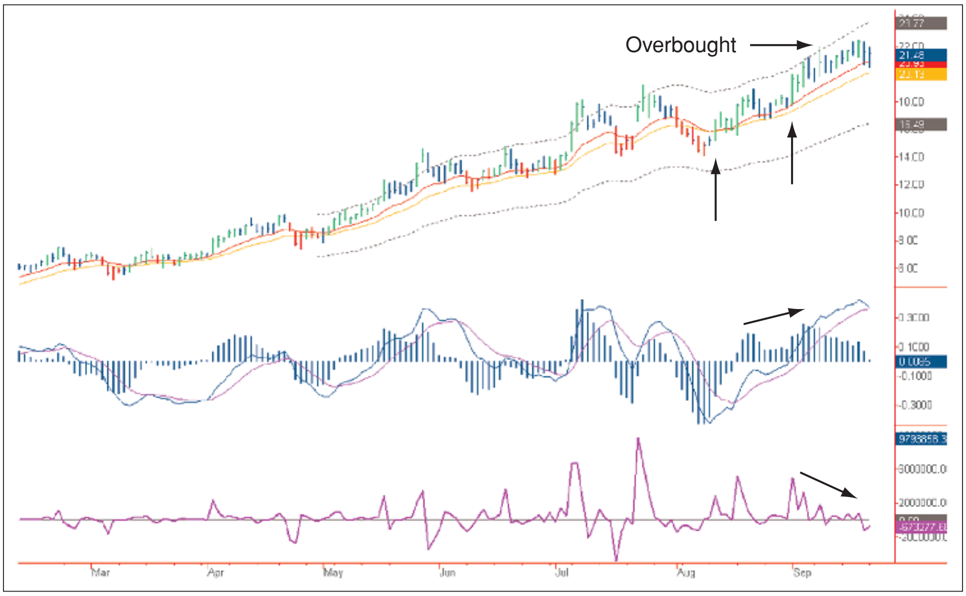



The extreme bar at the right edge of the daily chart is green—the Impulse system is giving a bullish signal. This occurs when both MACD-Histogram and the EMA are trending higher. This means that market inertia, reflected in the slope of EMA, is on the side of the bulls, and those bulls are becoming even stronger, as reflected in the rising slope of MACD-Histogram. An even better buy signal occurred a day earlier, when the color of the daily bar had changed from red to blue. When the bars stop being red, they indicate that the bears are starting to lose their power and the bulls are about to take control.

This chart is bullish, but it is not the best-looking daily chart. There are a few troublesome signs, including the bearish divergence of MACD-Histogram that occurred just before the decline near the end of the chart, which gave an extra powerful sell signal. Declines that follow bearish divergences tend to persist. A fresh multi-month record low of MACD-Histogram also points to the strength of bears.

Trading for my own account, I probably would have skipped this trade; at the same time I would not have argued with Sherri had she told me she was going to take it. Still, a serious trader like Sherri never asks anybody before making a trade. I am mentioning this only to show that different people trade differently. This is certainly a "legal" trade from the point of view of the Impulse system.

# TRADE 1—EXIT COMMENT




*Notice how the first pullback at the end of August had returned prices to their value zone, and a few days later they returned to kiss that red line. This fast moving average represents the upper border of value. It is a measure of Sherri's skill that she was able to add to her longs on that slight pullback.*

Sherri caught a beautiful Impulse trade, capturing an eruption from the bottom of a sharp decline, added on a slight pullback, and jumped off as the trend began to weaken. This trade felt iffy for the first two weeks, as prices remained stuck below $20 and the daily bars alternated between green and blue. Then a breakout, confirmed by new peaks of MACD-Histogram and Force Index, confirmed that the bulls were becoming stronger.

In early September, the bulls became especially strong. On September 4, 5, and 9, they drove prices to the upper channel line. Those contacts with the upper channel line confirmed the strength of the bulls, but afterwards, even as the rally continued, prices could not come up to that line. That was a sign that the bulls were starting to run out of steam. MACD-Histogram started sloping down and Force Index drew a broad and ominous bearish divergence, illustrating the weakness of the bulls. At that point, prices continued to rise simply out of inertia.

It is a reflection of Sherri's experience as a trader that when prices started pulling back into the sweet zone between the moving averages she sold instead of buying. Same signal, different action! Sherri did not catch the bottom of the move, nor did she nail its top. Instead, she accomplished the goal of every serious trader—she took a massive chunk out of the middle of a big move.

**ACCOUNTABILITY**

Sherri was the only trader I interviewed twice for this book. When the folks at Intershow first asked me to speak in San Francisco, I took the opportunity to schedule an interview with Sherri who lived just across the bay. When they invited me to return a year later, I called and asked Sherri to schedule a monthly traders' meeting to coincide with my visit. It felt only natural to schedule another interview and see what had changed during that year.

The one thing that absolutely did not change was Sherri's sharp focus on performance and results. She is determined to succeed in everything she does, and extremely serious about her trading. One of the best reflections of her focus on results is the quality of her records. Sherri can tell you with total precision when she traded any stock or future and why she traded it, how it looked on entry, how it looked at the exit, the result of the trade, and the lessons she learned.

Keeping good notes introduces an essential learning loop into a trader's performance. Whenever you put on a trade, you have two goals. The first is to make money; the second is to become a better trader. You may or may not reach your first goal in any given trade, but you must always reach the second. You can learn from your winning trades as well as from your losing ones. If you fail to reach that goal, the trade has been wasted.

Markets change, and good traders change with them. At the time of our first interview in October 2003 the stock market had been rising in a pretty straight line for much of the year. Sherri's account was fully committed to stocks, often going on margin. The following year was very hard for stock traders, as the market was essentially flat, with no sustainable trades, faking out both bulls and bears. When I saw Sherri in October, I learned that she did not stick around to take the punishment the way most people did. She did independent research, discovered that many futures were starting to rally from multi-year bases, and shifted her attention to those markets. She studied and traded them so seriously that by the time we met a year later, she was sending her daily spreadsheet to several friends.

There was another notable change during the year between our meetings. I could see how Sherri's charts had become cleaner and less cluttered. Beginning and intermediate traders almost always use too many tools—partly because they are just learning and partly because of a common fantasy that more tools lead to better analysis. Accomplished traders tend to use just a small number of analytic techniques, distilled by experience.

I look forward to my next visit to San Francisco, another look at Sherri's latest trades, and another visit with her traders' group. Perhaps next time I will get enough courage to go on a horseback ride with her! —*AE*

# TRADE 2 SHERRI'S ENTRY


## GRMN

I bought GRMN on 6/19/03 at $44.49 and it turned into one of those lessons I get for being a little too confident. I had been talking to another camper about GRMN—we both liked the stock and had made decent money on it. Tony persuaded me that this was a good time to buy back in—the stock was in a lateral consolidation, but it would surely break out to the upside.

The stock got hit earlier in the week but looked like it was getting ready to rebound; MACD-Histogram was turning up. It looked like we'd get a jump on the rally and opted to do that instead of being patient and waiting for a confirmation. This went against my better judgment; had I been more prudent, I would have seen RSI below its centerline and not moving up, MACD lines headed down, and Stochastic below 50 and falling.

Those were clear signals to sit on my hands. The day I bought that stock it closed below its 50-day moving average for the first time in over six months.

Will this trade make or lose money?

# TRADE 2 SHERRI'S EXIT


I sold on 6/23/03, two trading days later, at $43.36. That day the price dropped on very high volume. RSI fell below 30, MACD-Histogram dropped, confirming a growing bearish momentum, and Stochastic was falling as well. I got out as fast as I could, kicking myself for a sloppy trade.

Tony sucked me in, but I ran and he stayed and got really burned. I kept saying to him, "Don't try to be cute, don't try to be in front of the trade."

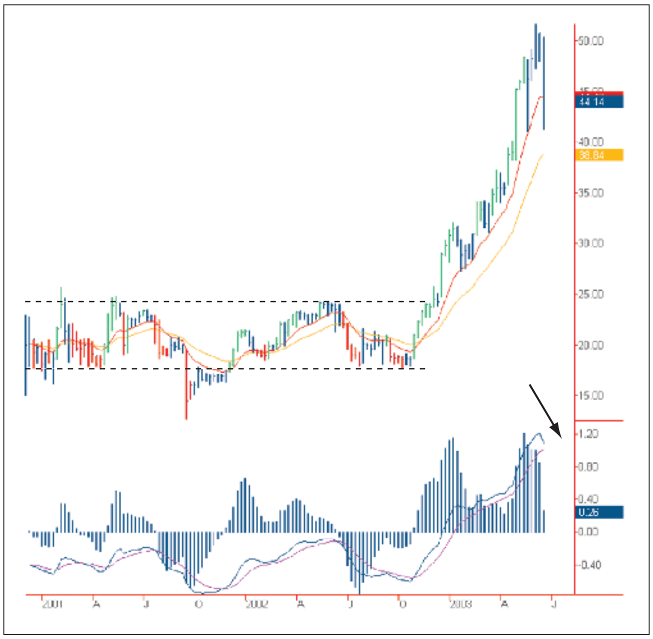
## TRADE SUMMARY

Long GRMN 6/19/03 @ $44.49

Sold 6/23/03 @ $43.36

Loss = $1.13 per share

# TRADE 2—ENTRY COMMENT



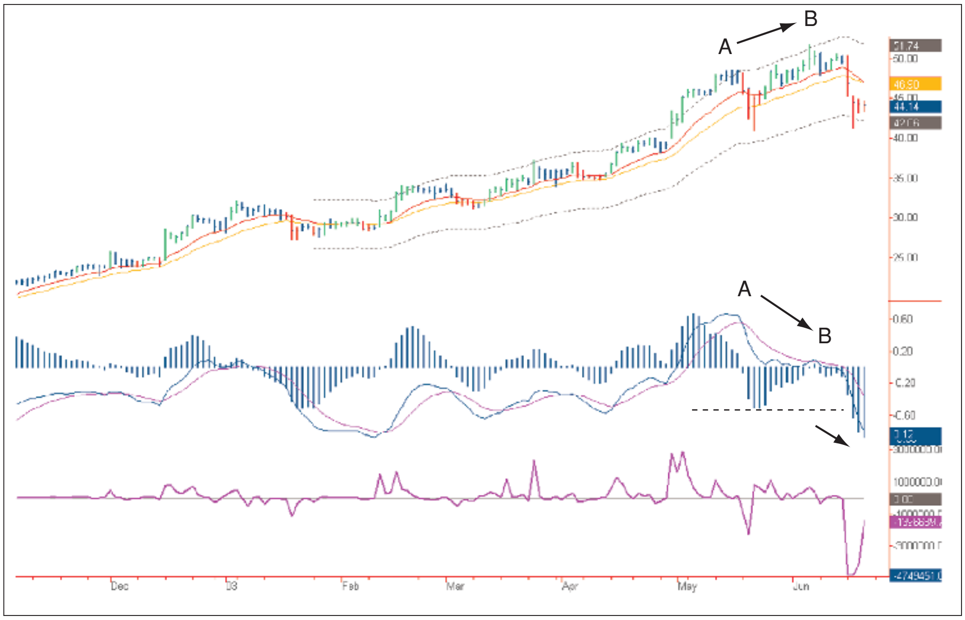
*At the right edge of the weekly chart GRMN had fallen into its value zone, a potential buying area. Still, I would not trade it from the long side until its MACD-Histogram stopped declining. Its uptick would confirm that the decline was over and it would be safe to go long. The fact that it is still above zero and falling indicates that there is plenty of room on the downside.*

GRMN had spent 2001 and much of 2002 in a flat trading range, between approximately $16 and $24, before breaking out. For several months following the breakout, it had a beautiful steady uptrend.

The stock's character began to change in May 2003, and that change provided an important warning for the bulls. Prior to that month, the weekly bars were neat and orderly, averaging about $3 in height. In May 2003 speculators started pouring in hot and heavy, as reflected by extraordinarily tall weekly bars, which reached up to $7 per week, both on the way up and on the way down. This sharp increase in the height of the weekly bars often marks the final hysterical stages of an upmove. Such tall bars often precede reversals, and I prefer to use them for taking profits rather than entering fresh positions.

### HOW TO HANDLE A LOSING TRADE

One of the key differences between winners and losers is how they handle trades that go against them. Nobody wins in every trade—everybody has to take a loss every once in a while. Winners take their losses very quickly, while losers keep hoping and waiting for a trend to turn and bail them out. They keep finding excuses and explanations for why a stock should turn just about now, while it continues to go against them, grinding down their equity and sapping their morale. There is a saying on the floor—"If you hope, you're a dope." Both Sherri and her friend went "fishing for a bottom" and failed. They made the same mistake, but there was a huge difference in how they handled a bad trade. Sherri ran quickly and got away with a small loss; her friend kept holding and hoping until he took the full measure of the decline. —*AE*




*The daily chart of GRMN shows a strong bearish divergence between the May and June peaks. In June prices rose to a new high while MACD-Histogram rose to a much lower peak, showing that below the surface the bulls were becoming weaker. Markets run on a two-party system, and when the bulls become weak, the other party is ready to take control.*

At the right edge of the daily chart MACD-Histogram is falling to a new low. The record deep bottom shows that the bears are exceptionally strong and the corresponding bottom in price is likely to be retested or exceeded. Force Index is also giving a bearish message. Its new record low, lacking any sign of a bullish divergence, fully confirms the short-term downtrend.

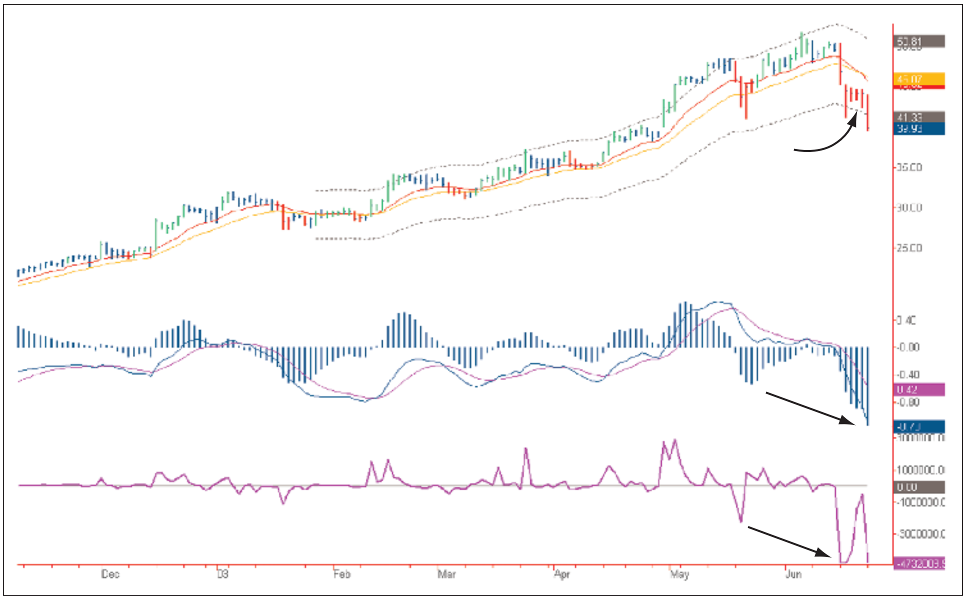
Prices at the right edge are near the lower channel line. This means it is too late to sell short, even though a new low in MACD-Histogram shows that further bearish action is likely ahead. I would much rather be shorting near the upper channel line than at this low level. GRMN looks dangerous to me at this stage, and I would stand aside at this time.

# TRADE 2—EXIT COMMENT

The message of the daily indicators, which were making fresh new lows and calling for lower prices ahead, turned out to be right. Prices tumbled to a new low. At the right edge of the chart they fell below their lower channel line, proving once again that channel boundaries do not serve as hard limits. Channels indicate where a reversal is likely to occur but do not guarantee it will in fact occur there.

With prices so weak and the bears so strong, should we look into shorting GRMN? My late great friend Lou Taylor taught me a useful technique—instead of trying to solve every single puzzle that life presents to you, go back to the general principle and decide on that basis.

In principle, most trades can be divided into two broad groups—value trades and greater fool theory trades. In a value trade we short a stock near its upper channel line and cover near the moving average or near its lower channel line. Shorting below the lower channel line is a greater fool theory trade—you know you're shorting at a low price but hope to meet a greater fool who will take this trade off your hands at an even lower price, giving you a profit. There are very few fools in the financial markets—which is why this tactic usually fails.




*The new record lows of MACD-Histogram and Force Index at the right edge of the chart indicate yet again that the corresponding price low is unlikely to be final. They show that the bears are extremely strong, and even if there is a temporary rally, they are likely to push prices down to a lower low or at least retest the current one. How far back do we look before calling a low a record low or a high a record high? About half the computer screen.*

Jesse Livermore, a great market speculator of the early twentieth century, once said, "There is a time to go long, a time to go short, and a time to go fishing." Looking at the right edge of GRMN, I would have reached for my fishing rod if I owned one.

## RETURN INTERVIEW

In September 2004 I returned to San Francisco and took a ferry to Sausalito. Sherri met me at the dock and we zoomed up the hill in her sports car. Not much had changed in the house with its intoxicating water view. Sherri's favorite cat had gotten thinner—Sherri had finally put her on a diet. The traders' group Sherri had been running since the previous year was still going strong. Just like the year before, Sherri was getting ready for another horseback trek in Europe:

> I was bored to tears in stocks and during this year have largely switched to trading futures. I had to change my style quite a bit in order to look for opportunities and confirm them. I am my own teacher and student; there are not many mentors in this department.
>
> The first month I traded futures I thought I was a genius. I had opened a $10,000 account and in three weeks it grew to $25,000. After that I no longer put stops on my positions because they could cause me to miss something. Then, one day, something happened to the U.S. dollar overnight, while I was holding metals futures. That's when I learned the hard way to use stops.
>
> Now my activity level is lower, my approach more deliberate and refined. I allow myself to hold only two futures positions—when I started I would be dealing with 10 positions at once. In futures that would be too treacherous because in some way all positions are related—you can have an avalanche come down on your head.

I used to want to trade as if that were my job. I wanted to be active, but now I want trades to come to me. I still do not have as much patience as is required. There are setups that are perfect, but you have to wait for them to come together. You must observe every day but not trade every day. Such deliberate trading makes more money. The more active you are, the more things can go wrong.

I love candlestick charts because they really tell you a story. I use fewer indicators and keep each on a separate tab so that my screen is not cluttered. I prefer MACD to everything else and have it on my screen at all times, but I occasionally check other indicators. I draw trendlines all the time—I am a very visual person and see patterns better than most traders. Before making a move, I always draw the trendlines.

Every evening I do my commodities homework—I am constantly changing and refining my methods. I recently started sending a nightly e-mail to a few friends—it helps keep me on my toes. I only review those markets that offer possible trades for the next day, plus the U.S. dollar—I think it is central to all futures. To review each and every market would be too distracting. I can do my entire list in an hour, sometimes even half an hour, depending on my schedule.

I prefer commodities but will trade a stock if I see what looks like a perfect setup. In recent months I have traded just a handful of stocks. My stock account is now only 50% invested, while a year ago it would have been 100% or even on margin. To trust this market again I would need to see a sustained rally on high volume.

**ON SHERRI'S MONITOR**

I took a picture of Sherri's monitor, festooned with dozens of cards and notes. She waved me off—"I do not want people to see my account numbers and passwords!" but let me copy one of the notes she has taped to her monitor. It listed questions Sherri asks herself before every trade:

Does a trade meet ALL of these criteria?

- Trade less
- Hold longer
- Be committed—deliberate
- Move fast in/out (don't hesitate)
- Cut losses at the earliest possible moment

—*AE*

After working for several hours, Sherri announced she was hungry and we drove to a sushi restaurant on a quiet Sausalito street. I asked about a photo I had seen pinned to a bulletin board in her trading room—a slender man with a strong angular face in an open-cockpit airplane. It was of Sherri's father:

> He was a successful doctor but made much more investing and trading. He started charting by hand when he was 50, I was 20 then. He was very academic, always studying, reading, going to seminars, and he took me along. At seminars he had this very humble persona. But he was brilliant, always exploring; he developed systems, had software written for him.

He was an intellectual but he was also a wheeler-dealer who took risks and lived big. He invested in other things—diamonds, inventions. He made a couple million investing in this electrical invention that made light bulbs last longer. He took chances, took risks. When he bought himself a big boat 10 or 15 years before he died, he named it *The Speculator.* I like people like him—people who can step out of the box.

He passed away leaving a substantial estate even though he'd grown up poor. His own father had been killed in an accident when my father was an eight-year-old boy and there was no insurance. His mother did not speak English.

He used to be very tuned into world events—this or that happening is going to end up this way or that. He had a feel for macroeconomics—I would like to be more like that. I used to sit with him in his office—he tried to teach me and wanted me to trade with him full time. But I needed a steady income and he never offered to support me for, say, six months while I was getting the hang of trading.

I wish he were around now and I could show him what I do. When I look at markets, I often ask myself, "What would he say?" He had a very logical way of looking at things, not making wild choices.

We sat on the restaurant terrace in the soft light of an early evening. Everyone knew Sherri; the owner came up to say hello and several passersby waved to her. She talked about her tango lessons and mentioned she was buying a truck to tow her horse trailer.

"Wait a second," I said. "Isn't the horse supposed to tow you around?" Sherri laughed—"Not anymore. You should see some of those new trailers. They have padding, windows, mirrors, running lights, and air conditioning."

We drove back, and just as we finished our work, Sherri said that I was running late for the last ferry. We hopped into her Lexus. She backed out of the driveway and sped down the narrow mountainside street, going backwards faster than most people go forward. "Neighbors hate when I do that," she grinned.

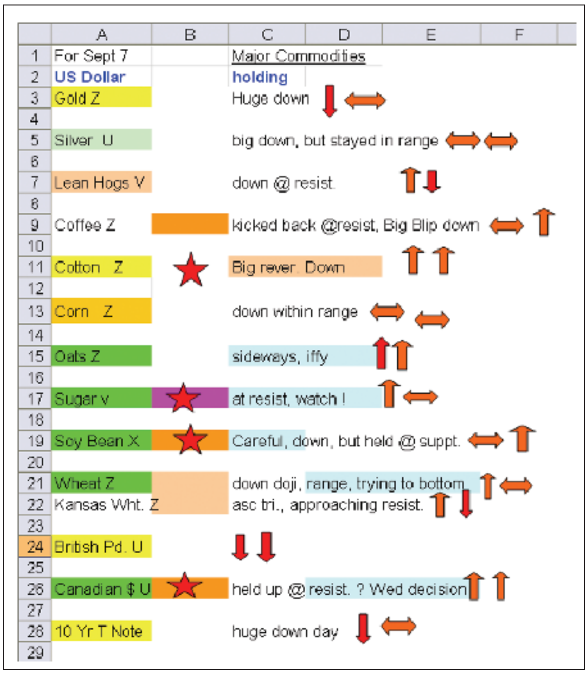
## ONE YEAR LATER

Sherri showed me two recent trades, one which she had closed that morning and another that was still running. "I bought coffee on a pullback on September 8 and I just got out today [September 23] because I saw this bearish engulfing pattern on candlestick charts."


Sherri also showed me a still open trade in TZOO, one of the hottest stocks of the year. "I see pictures more clearly than most people—support and resistance, trendlines, channels. As long as the downtrend lines stay broken and the uptrend lines keep going up, it is okay to stay in. Also, this stock is still within its channel, making it okay to hold."

Sherri showed me a spreadsheet with a summary of her analysis of commodities, which she sends to a few friends every night. I noticed a Weekly trend column next to the Daily. While last year she looked only at the daily charts, this year she also analyzed the weeklies. I wondered whether in another year's time Sherri would put weekly analysis ahead of the daily, focusing on longer-term trends.

I noticed three important changes in Sherri's work during the year that had elapsed between our interviews: Her charts grew simpler and less cluttered; she became much more selective in her trading, not running so many trades at once; and she started paying attention to weekly charts and not just daily ones.



| | A | B | C | D | E | F |
|---|---|---|---|---|---|---|
| 1 | For Sept 7 | | Major Commodities | | | |
| 2 | US Dollar | | holding | | | |
| 3 | Gold Z | | Huge down | | | |
| 4 | | | | | | |
| 5 | Silver U | | big down, but stayed in range | | | |
| 6 | | | | | | |
| 7 | Lean Hogs V | | down @ resist. | | | |
| 8 | | | | | | |
| 9 | Coffee Z | | kicked back @resist, Big Blip down | | | |
| 10 | | | | | | |
| 11 | Cotton Z | | Big rever. Down | | | |
| 12 | | | | | | |
| 13 | Corn Z | | down within range | | | |
| 14 | | | | | | |
| 15 | Oats Z | | sideways, iffy | | | |
| 16 | | | | | | |
| 17 | Sugar v | | at resist, watch ! | | | |
| 18 | | | | | | |
| 19 | Soy Bean X | | Careful, down, but held @ suppt. | | | |
| 20 | | | | | | |
| 21 | Wheat Z | | down doji, range, trying to bottom | | | |
| 22 | Kansas Wht. Z | | asc tri., approaching resist. | | | |
| 23 | | | | | | |
| 24 | British Pd. U | | | | | |
| 25 | | | | | | |
| 26 | Canadian $ U | | held up @ resist. ? Wed decision | | | |
| 27 | | | | | | |
| 28 | 10 Yr T Note | | huge down day | | | |
| 29 | | | | | | |

*An e-mail from Sherri:*

## The Best Trading System for Me

Have you ever walked up to a crowded craps table when people were screaming, the dice flying, and every imaginable expression seen around the table? If you didn't know the game, it probably looked like utter chaos. I've always thought of the stock market as a kind of global craps table. Instead of dozens of simultaneous games, there are thousands, with every conceivable kind of player, many different systems, odds and odds-makers (pundits). In addition, you must factor into the game potential influences: economic, political, and psychological. It's so daunting—until you determine *your game*.

In my early years I read everything, went to innumerable seminars and workshops, tried every guru's system. I started out like most people, looking for the Holy Grail. We think there must exist the best system and the best guru, and so we jump from game to game and end up frustrated.

Somewhere along the way I understood that I needed to determine my game and that the right system had to be my *own* system.

I spent some time thinking about my personal strengths, the way my mind and emotions operate, and the aspects of trading I enjoy the most. Where did I seem to do well consistently? I extracted bits and pieces from everything I had studied; the things that worked for me, made sense to me, and fit my own personal style. I customized that information along with personal formulations and discoveries, and created *my own system*. That was my epiphany.

The difficult part for me is the discipline. Not just the discipline of maintaining vigilance and not deviating from my system, but the discipline of not being influenced by others. I learned over time not to listen to financial programs on TV, to reduce the number of publications I receive, and to be very careful conversing with others about the market.

The market requires you to check some of your instincts while exploiting others. It's a psychological balancing act that I keep perfecting, but that takes time and conviction. The right emotional temperament helps, and so does a strong constitution. If you can start from a reasonable capital base, just like in any other business, as well as endure expensive early mistakes, the rewards can be fantastic!

A few suggestions:

- Learn candlestick interpretations. They bring the chart's story to life.
- Keep a diary and review it periodically. Write down the thoughts, emotions, and incidents at the time of each trade. You'll be surprised at the valuable information you'll find, particularly about your own behavior patterns.
- Be patient. Be deliberate. Wait for the perfect setup. When you see it, don't hesitate. If it's not happening, don't take action.
- Try not to make too many decisions during the trading day. Have your strategies mostly thought out during non-trading hours.
- Read *Reminiscences of a Stock Operator* about Jesse Livermore.
- Listen to the chart. What is it telling you? If you're not sure at once, step back. View the longer-term picture. What is it saying to you? If you're not certain, do nothing. I always let the chart speak to me, and I listen to the chart!
- Don't ignore your instincts. If you are successful at trading, your instincts have played a role!