

CHAPTER 1

Wishing You a Slow Rise

At times, I feel like a victim of some of my own successes in relation to working with new, and sometimes long-term, clients. Most traders, even the most successful ones, trade in obscurity. They make and lose money every minute, hour, day, week, and year. They are successful or they lose on their own merit, using their own faculties. Trading is a very solitary endeavor, and in order to succeed you need a lot of things; one of the most important of those is the ability to be *alone*—and control your emotions.

As a pseudo-“celebrity” trader, my wins and losses are out there in the open a lot of the time. I turned a relatively small amount of money into over \$4 million back in 1999/2000. I turned roughly \$13,000 into over \$3.8 million in 2008/2009. These are *headlines*, they are part of my resume, yes, but they are part of any marketing campaign I’ve done as well, and that’s what initially grabs someone’s attention, just like “four out of five dentists surveyed recommend Trident gum” is a headline. Wow, four out of five dentists, that’s awesome, I’m chewing Trident, baby! Well, in my case, my monetary gains are my calling card. Of course, in between those gains there have been other major gains and some very painful major losses as well. One of the realities of trading is that for every million a good trader makes, he probably lost three or four or even six or seven million to get there. You can’t net a million dollars as a full or part time trader without suffering the pain of losing your share to get there. I tell clients all the time that if you can’t handle losing, you’ll ultimately lose it all. I mean it.

Yet, when most newbies meet me online in our Legends of Wall Street chat room at Affinity Trading, they are stuck on the headlines,

2 The Art of Trend Trading

the gains. They picture themselves using the stock market as their own personal money tree. I can't tell you how many thousands of people who start mentoring programs with me will say, and it's almost verbatim—"Waxie, I want to be like you, I want to turn my \$5,000—or \$10,000, or whatever—into millions ... that's my goal!"

That's a great goal, right? *Wrong-ooooo!* It's not a great goal, it's a horrible one. It's one that in my experience inevitably will lead to most anyone blowing up their account and turning whatever amount of money they are trading with into *nothing*. Hey, man, as I said I've suffered my share of losses and that includes blowing my own account up on more than one occasion. And, typically, the reason why traders blow themselves to smithereens, whether they are stone-cold newbies, or longtime veteran traders, is because they got caught with their hands in the cookie jar far too often. They took too many "shots." They decided that Wall Street was renamed Vegas Street and that their accounts were actually gambling adjuncts where they closed their eyes and—*let it ride!*

Well, we all know how that ends more than 90 percent of the time—the ride is over and the car don't start no more cause you can't afford any more gas.

Nearly every year since I started teaching traders in 1999, we've done at least one live seminar in Las Vegas, and at each and every one of those seminars I ask the question that I already know the answer to: How many of you have gambled? Almost everyone who comes to a trading seminar in Las Vegas is also going to spend some time in the casino, or playing poker, or betting horses, or doing things that need to stay in Vegas. The follow-up question is another no-brainer: How many of you have *won* gambling? Typically, about 5 percent of my clients say they made money, but I've done seminars where it was more like 2 or 3 percent at best. And, the thing is, that's perfectly fine. Most things in moderation are fine to do, even enjoying yourself gambling knowing you are likely to lose.

And, as the saying goes: What happens in Vegas stays in Vegas ... *including your money!*

Setting Goals

What I suggest is that you set *realistic goals*, not pie-in-the-sky get-rich-quick goals. So then, the question is—what is a realistic goal?

There's no magic formula, no one-size-fits-all answer to that. It depends on many variables, but I'll try to break down what I would consider realistic:

Account Value	Daily Goal
\$5,000	\$100 to \$200
\$10,000 to \$20,000	\$200 to \$300
\$25,000 to \$50,000	\$300 to \$500
\$50,000 to \$100,000	\$500 to \$1,000+
\$100,000 to \$500,000	\$1,000 to \$5,000
\$500,000 to \$1 million+	\$1,000 to \$10,000+

Clearly you can see by this list that there's no quantifiable statistically accurate way to say—*this* is what you should be shooting for! If we get grossly general, I tell clients a realistic goal is 2 percent of whatever your portfolio is, but obviously in this case the larger your portfolio that may or may not hold true. If you have a \$10 million portfolio, I would probably say making \$200,000 is tough to shoot for. But, you can see by the above list that with many size portfolios that may actually be doable and realistic.

Ultimately, it's really going to depend on a number of factors. Trading is one of those endeavors where everyone has their own "thumbprint" that is unique, even if it's minutely. There's no straight line in trading; it's very much like life itself. There are ebbs and flows, and sometimes there are tsunamis or grand slams, but the one goal that is consistent is to work within yourself and what your comfort level is. If you want to make \$500 a day and you have a \$10,000 to \$25,000 portfolio, that's doable, *but*, and it's a big *but*, you'll likely have to trade options, which we'll talk about later in the book, since there are Securities and Exchange Commission (SEC) day trader restrictions that come into play with any portfolio under \$25,000.

1 Percent a Day Keeps the Ka-Chingos Comin'!

Sometimes I tell clients that I want them to shoot for 1 to 2 percent and I get weird looks, as though that's *soooo* little! I'm not a mathematician, but suffice to say if you compound \$100 a day every day for a year, which is roughly 200 trading days, and you started with \$5,000, that would be well over \$25,000, or a 500 percent return on

4 The Art of Trend Trading

your money in a year. Who wouldn't be happy making 500 percent a year? I certainly would, and anyone who is setting those realistic goals would be. So, slow and steady is the best way to attain wealth, in spite of it perhaps not being as exciting as you might envision going into trading. Just keep in mind that while the goal in general might be 1 to 2 percent a day, you will have your share of losing days unless you have found some sort of Nirvana of trading. Suffice to say, we'll need to get you prepared to lose in order to have a significant overall *gain!*

Don't Be in Such a Rush to Lose Your Money

Finally, for those of you who are in a rush to make a lot of money, my message couldn't be clearer: It was nice knowing you for the very brief period of time you read this book, because you have a better chance of wrestling a great white shark with blood in the water and surviving than you do getting rich quick as a trader. I've seen it countless times; I had one client who was a subscriber to my option trader service, and he said he was going to make a million dollars, starting with \$20,000. So, he took one of my option ideas and he went all-in, buying \$20,000 worth of call options according to his own account. And, because I am pretty good at what I do, if I recall, he doubled his money, making more than \$20,000!

Great, right? Yup, it would have been if he then showed restraint and used some of what we cover in the next chapter—money management. Instead, as you probably guessed by now, he let it all ride on my next idea!

And, even though I'm good at what I do and I'd stack my option play ideas against anyone out there, I am wrong sometimes. And, this time I was wrong. So, Mr. All-In went from being up 100 percent to losing all his gains *plus* his original \$20,000.

And, that's what is likely to happen to you if you try to get rich quick.

Don't be in such a rush to lose your money! With that, I wish you a *slow* and *steady* trading career.