

Special Report

“How I Made a 100.41% Return In My Portfolio in Only 6 Months...

...And Without Taking Any Enormous Risks”

By Dave Gagné

You're About to Discover How After Only **Three Short Years of Trading I was Finally Able to Develop a Trading System That Was Perfectly Suited to My Trading Style and Incredibly Profitable In The Process.**

I Am Going to Tell You Exactly How This Three Year Journey Began. The Mistakes I Made Along The Way and **The Breakthroughs I Discovered That Changed The Way I Trade Forever!**

You Will Also Learn The **Four Most Critical Skills You Must Have to Be A Successful Trader. These Skills Take Time to Develop But Without Them You Will Never Make Any Real Money In The Markets!**

(Read on.)

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Introduction

From: Dave Gagné
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Dear Investor,

Let me start by explaining how my experience in trading began. Like most people I always knew that trading in the stock market was a potentially rewarding endeavor. In fact, I knew that many people were becoming extremely wealthy trading stocks.

During the incredible bull market run up in the 1990's many investors were making outrageous money and very few of them had any real skill for trading or any specialized knowledge. Yet they continued to profit despite their lack of knowledge. That was the nature of the markets at the time; almost anybody could make money during those times.

I of course completely missed the boat. At the time I knew the stock market was a good place to make money but I had absolutely no idea how to trade or even where to begin. Then, completely out of the blue I received an invitation to attend a special trading workshop offered by a well respected financial publication. I figured I had nothing to lose accept a couple hours of my time and I always wanted to learn more about trading stocks, so I reserved a seat for myself and a guest.

On the day of the "free" workshop my guest (who turned out to be my father) and I grabbed seats as close as we could and were ready with pen and pad in hand. There were approximately 100 people attending, I could tell the majority of people were in the same boat as I was in and eager to get started.

The next four hours was a carefully scripted and delivered sales pitch for their "two day all inclusive seminar" where you will learn how to use their software and system. I must admit the process was cleverly done and I very much wanted to learn more and attend the two day workshop. The price tag was a hefty \$2,995 USD and at the time the Canadian dollar was only worth 60% of a US dollar. A tidy some indeed for a young 20 something with no clear direction where I was going in life.

Luckily my father who was my guest to the free event was even more convinced (not difficult to do) this was the best thing since sliced bread. He offered to pay for my workshop and regarded the outlay as a good investment. Looking back I would say he was right but it took me several years to realize this.

With the workshop booked for two weeks later I had plenty of time to dream of stock market riches with this can't lose system. Finally the day arrived it was the 20 June, 2002 and I was ready to get down to business. Two eight and half hour days later I emerged with a headache and a lot of new found knowledge.

I knew nothing going in and now I felt ready to take on the world. One of the comments from the instructors still resonates with me; he said "A little knowledge is a dangerous thing" and boy was he right. Basically what I learned those two days was an introduction to fundamental analysis and technical analysis. The second day covered options an even more complex area to learn for beginners.

The system or "toolbox" as they called it was a series of green arrows to buy and red arrows to sell. Sounds easy enough right! Just follow the magic arrows and they will lead you to the pot of gold. Well the problem I quickly learned was these arrows were plotted by following a series of technical indicators. They were almost always giving a signal too late. The stock's price would start to move and a couple of days later the green arrows would appear confirming the buy signal, by then I had already missed the move and if I bought now the move was ready to reverse.

The same with waiting for the red sell arrows. I would be holding a stock while I waited for the red arrows to get out. The stock would start to fall and after it made a large down move then the red arrows would appear telling me what I already knew that the price is going to fall. This is what happened with the clean signals I don't even want to get into the false signals that happened all too frequently.

Needless to say I was now clearly frustrated and disappointed. However I was still determined to make money in the stock market. This time I would have to learn how to trade just like anyone else who wants to be successful in the financial markets.

After the seminar, I opened a brokerage account and deposited \$18,000.00 CDN nearly three years of savings. After the currency exchange I had \$11714.94 US and I was already behind the eight ball because of the low Canadian dollar.

To make matters worse the brokerage firm would not provide me with a margin account or allow me to do short selling, because I did not have enough experience.

I knew enough to know that in the summer of 2002 the markets were still floundering in the midst of a powerful bear market.

Naturally I wanted to look for short selling opportunities but had to adjust my plan of attack after I was unable to do so. It felt like the deck was stacked against me from the start, but I was confident that I had what it took to win in the stock market. So I proceeded to scan for buying opportunities and wait for the green arrows to line up.

Two weeks later it finally happened and I purchased my first stock. I bought 100 shares of Americredit (ACF) on the NYSE (New York Stock Exchange) at a price of \$19.05. The stock closed \$0.50 higher for the day and I was feeling pretty good about myself. The next day I was confidently looking for some follow through, after all the green arrows were working. But I was disappointed to see the stock remained unchanged for the day.

That is about it for my early success, one up day followed by an unchanged day. I thought I was prepared but...

“Here Comes the Pain”

Several days later the price was approaching my stop loss of \$17.50. For those of you who don't know a stop loss is a price where you decide to give up and sell your stock. This price can be automatically triggered with a stop loss order with your broker or you can use a mental stop loss, where you decide to sell when price reaches that level.

I thought I was a smart guy and used a mental stop loss point of \$17.50. However when the price reached that point something happened. A little voice in my head told me “Don't worry the price is going to come back, hang on just a little while longer”. Then another voice responded “Hey, listen to that guy you're not trading to lose money, you're trading to make money.” So I listened to the voices in my head and held on.

Now I don't want you to think I'm mentally ill with voices in my head. But we all have an inner monologue, where we talk and rationalize with ourselves. If you ever traded before you know what I'm talking about. Anytime a trading decision comes your way you are faced with two decisions; buy or sell. Internally you quickly make a case for both points of view and make a decision based on that.

Several days later my shares sunk like a rock and were somewhere in the neighborhood of \$9 a share. I held on because there was no way I was taking that kind of loss. Luckily the shares rebounded and made it all the way back to my original stop loss price of \$17.50.

Now all of a sudden instead of taking my lumps and getting out with a small loss, I hear voices of greed saying “We’re back in the game now let’s try and get some profit out of this”. Almost immediately the price drops hard again all the way back to \$12 a share and now I say to myself “I know the price can go higher I’m holding on”. The price starts to climb again up past \$15.50 and offers me a second or is this the third chance to get out with minimal damage and some dignity intact. Who wants to take a guess and see if I sold at \$15.50? Nobody, well I didn’t and this time my excuse was that earnings were coming out shortly and that would surely save me and give me some profits.

I waited patiently for a couple of days for what I was sure to be positive earnings results. Finally the day arrived and sure enough the earnings numbers were favorable, higher earnings, higher revenues, etcetera etcetera. The result, a \$4 drop in price Yeehaw! Over the next few days ACF trades as low as \$6.00 and I am left scratching my head over the earnings. I read the report not that I knew how to look at all these numbers, but everything sounded great.

Apparently according to CNBC Americredit had favorable numbers but were going to change their accounting practices and the future numbers would be measured on a completely different scale. In a bear market that was all investors needed to hear for them to run for the hills, well most investors anyway. I still clung to my shares like they were my first born child and refused to sell no matter what. **I was in for the long term now!** Ah yes, those famous last words for many investors who cling to their shares when things don’t go according to plan.

Several months pass and ACF trades in a range between \$6 and \$9. Finally in early January I decide to clean house and **sold my ACF shares for \$8.00 a \$1,143.01 loss**. That must have been a new year’s resolution because I had cleaned out the rest of my portfolio the week before as well. When the dust had settled I now had a clean slate and a total of \$3200 USD in losses.



Here's a chart of ACF for those that want to see how my first and completely novice trade played out.

Six Months In and I'm Down 27%... Time for Round 2!

After my first six months didn't go so well I decided it was time to really hit the books and start from the drawing board. I wasn't a believer in the red and green arrows so I needed something else to get to the next level.

I started to read books and watch financial television. Some of the books I read were the standard trading and investing books that most traders read when they are going through the process of learning how to trade.

I read Reminiscences of a Stock Operator, Market Wizards, The New Market Wizards, Trading for a living and The Disciplined Trader. Those are just a few of the classics that I quickly devoured in my quest to learn trading. Soon I was reading books about day trading the hot trend of the 90's. It sounded like the way to go, get in get out fast and run with your profits to the bank.

I read quite a few books about the subject but most were geared to the fast paced trading of the 1990's where prices were traded in fractions and it was far easier to make money. Then I read Toni Turners Beginners Guide to Day Trading, and I loved it. She explained everything very well and gave me the tools I needed to give this a shot.

The problem is I still was not emotionally equipped to trade successfully, as evidenced by my previous six months of trading. Not to mention the fact I only had \$8500 USD in capital to attempt to day trade with. Looking back I can easily say "What the heck was I thinking" but the answer is a simple one cha-ching, I had dollar signs on the brain.

So here I go trying to day trade or at the very least trade very actively. Sometimes I would hold for a couple of days so it was kind of a hybrid day trading swing trading approach. My first month in January 2003 saw another loss of \$950 USD. I continued to hit the books and jump from strategy to strategy trying to crack the code to stock market success.

February saw some improvement, I only lost \$280. Hey I was getting better and seeing as **I only had a little over \$7250 left** I felt that maybe things would start to turn around. I had lasted eight months and *still had 62% of my starting capital left*. That was better than a lot of new traders. According to many of the books I had read most traders lose everything in the first year. So I felt if I could just stay around long enough this mystery would unravel.

In March I came out swinging and had some early small gains, \$100 here and \$200 there. On the 12 of March I had my largest win yet, **I made a \$678 one day profit** and was feeling pretty good about myself. I was up over \$1600 for the month and was starting to take larger chances. The following day I took a sizable hit and lost \$840 with Ericsson. I also found a new way to lose money by finally getting approved to trade options. Within a couple of days instead of being up \$1600 I was actually down \$1300 for the month and it was only the 17 of March.

I knew that I had to get control back and stop being so reckless. So I slowed down a little and was more selective. I ended up making a series of trades all for the same stock Boots and Coots International WEL on the Amex (American Stock Exchange). They were a company that put out oil well fires and the speculation in that stock was tremendous during this time over 200 million shares traded on some days.

This of course was during the Iraq war and the threat of oil fires was very likely and WEL had the contract. I made \$462 and then on the 19 of March I had my biggest day ever, a \$1713.57 profit. Oh yeah I was back and I was \$850 to the good for the month.

Now I was feeling pretty good again and was even starting to feel overconfident. I bragged to my friends about my \$1700 day and thought that now things were really going to go my way from now on.

Now Serving, Humble Pie... **..Mmmm**

It was Thursday March 20, 2003 (a day that will live in infamy for me, hehe) and I was tracking and playing the same stock called Boots and Coots International symbol WEL on the Amex. I was feeling very positive even a bit cocky after my big win. I had sold the stock at \$2.35 which was off the scale for this stock. I still didn't fully understand how supply and demand moved the stock all I knew was there was a good chance of there being oil well fires and the stock had momentum plus I had won big the day before.

The next day I watched as the stock plummeted over a dollar and I thought hey I'm a genius for getting out yesterday at \$2.35, then I lost track of it for about an hour and when I looked back it had recovered a dollar and was running up fast. I scrambled to place an order thinking I could just scalp out \$0.10 or \$0.20 and make a quick profit. I placed a market order for 2000 shares and was filled immediately at \$2.377 it continued upward for about 5 seconds and touched \$2.50 before the bottom completely dropped out. As it was falling panic began to set in but instead of selling in fear I doubled down my loss and bought 2000 more shares at \$1.78. I thought that it would take off again, that the market was wrong and that the price should go up. WEL closed at \$1.40 and I was carrying a huge loss into the next day praying for a rebound. The rebound never came and I finally threw in the towel on the 24 of March at the bargain price of \$0.80.

That one trade was devastating and wiped out over half of my trading capital. A total loss of \$5079.08 all I had left was a little over \$4700. It took me quite a while to recover from that financially and emotionally. In fact I didn't trade for a couple of months and went back to the drawing board again.

I continued to read more books and I attended some really expensive but very informative technical analysis seminars. I had learned a tremendous amount of

knowledge from many sources and I was only now, nearly a year later starting to realize how much effort this was going to take.

“Forget About Winning! I Want to Figure This Out”

Now I would be the first to say that my first year of trading wasn't a resounding success. I had lost just under 60% of my starting capital and was still nowhere near understanding how to win consistently. My new mission wasn't to make a million dollars but to try and figure this game out and put together some sort of game plan.

I had learned some very powerful strategies during the summer of 2003 while attending some very good trading seminars. One of the points that were hammered home was the need for a **trading plan**. At the time I took that advice like most people who think they know what they are doing and filed that information away as something I should do someday.

Now armed with some new strategies and a better understanding of how the markets work. I now decided to trade very small and limit the amount I would lose on my trades. I started testing the various strategies and looking for new opportunities on a nightly basis. For the most part this new loose trading plan was a vast improvement from my previous run and gun style. Even though I was now limiting my losses and taking on smaller positions I was still losing, albeit much more slowly. There were glimmers of great trading with the odd well managed trade but for the most part something was still lacking.

I was now starting to realize why a trading plan was so important. Just two very basic money management rules were saving me from large trading losses. That is basically all that money management is, a simple set of rules or guidelines that keeps your risk to manageable levels. I knew that I was on to something here and needed to learn more about money management and how to implement it properly into a well defined trading plan.

Another critical component I had learned that summer was that if I wanted to trade successfully I was going to have to learn how to manage my emotions while trading.

This was another trading element that I knew was extremely important and I made every effort to control myself when trading. Knowing something and doing

something are two very different things and I would quickly revert back to my old ways when greed and fear made themselves known.

One other aspect of trading was also starting to creep its way into my trading. We have all heard about it and we all think we understand it but very few people truly learn to master it. *The concept of supply and demand* is truly a universal and integral element to trading in the markets. Everyone myself included knows that this is important but like everything else I put this belief on the backburner while I was busy trying to make money.

Now after some time passed I started to notice a recurring theme in my profitable trades. Those trades were few and far between so I examined them closely. The trades that did well were the ones where I read the supply and demand correctly, managed the trade well, and wasn't swayed by my emotions. *Eureka! Way to go Einstein* (sometimes I can be sarcastic even to myself) but how do you do that consistently and many, many more times. This was the million dollar question and some serious thought and testing was going to be the only way to answer it.

It had taken nearly a year and a half and I had only discovered all the pieces I needed. Now I had to figure out how to put this puzzle together. No easy task but I was up for the challenge.

Time For A change!

Now that I knew what I needed to do I decided that it was time to take a step back and take it slow for a little while. If I was going to investigate and study these key areas of trading I had to do so without the pressure of constantly trading and getting nowhere. So I set out to get a career in the financial industry so that I could still be around and involved with the markets on a daily basis. It also gave me the ability to test and back test market theories and strategies.

I completed the *Canadian Securities Course* and was hired on by the largest discount brokerage firm in Canada. Over the next year I also completed other industry recognized courses starting with *The Conduct and Practices Handbook* which is basically the rulebook regarding conduct and ethics for securities professionals in Canada. Then I completed the *Derivatives Fundamentals Course* which was a wide ranging broad overview of derivative products such as options and futures.

Lastly I completed the *Options Licensing Course* which was much more in depth and focused mainly on options and the various option strategies. This licensing allowed me to trade options for clients. Peppared in between these major courses were some other ongoing education exams such as anti-money laundering,

privacy policies, and ethics refresher courses. It sounds like I didn't have much time to trade and the fact is I didn't, but this turned out to be a blessing in disguise. For eighteen months I toiled with learning how to trade I went from buy and hold all the way down to day trading all with very limited success.

Now with a new career in the financial industry I simply didn't have the time to trade actively so I had to come up with a new approach. I started trading longer term and really actively focusing on money management and supply and demand. I had learned a whole new skill set and knowledge base from the courses I had now completed and the career itself provided new education everyday. I didn't learn anything about trading but I learned a deeper understanding of how the markets work especially from a back office perspective. **This new poise and maturity translated into patience with my trading.** I was now able to fully understand the need to trade with a plan and learn the necessary skills to succeed.

All the skills and pieces were there in front of me I just had to refine and implement them into a trading plan. I knew I could make money I had done it before but without any consistency. Now I needed to find out what worked for me and mold that style into my plan.

Now that I was trading longer term I quickly discovered that I was not emotionally ready for day trading. I would sell at the first hint of profit and want to hold on to my losers hoping they would come back. Every price tick would cause an emotional response from glee when it went my way to panic when it did not. The experience of watching the quote screen all day while prices moved up and down was emotionally draining and my primary obstacle I had to overcome.

With the longer term approach I was now trading from days to weeks and sometimes even months and was only checking prices once maybe twice a day. This really reduced the emotional response I was feeling with my trading. I also now limited my trading strategies to only three or four different tactics and set out to master these three or four techniques and scan for new opportunities using these techniques only. I figured that if I could master just one technique it would go a long way to making my trading much more consistent. Rather than trying to learn dozens or even hundreds of new techniques without ever really mastering any of them.

In addition I now focused on that all important trading element known as supply and demand. Previously I would focus and attempt to find a technical indicator that would be my crystal ball.

I would have all sorts of indicators all over my charts all with different settings and trying to read some thing or another. Of course that never worked, I was looking at the effect when I needed to look for the cause. This of course was **price and volume!** Nothing else really mattered; price would tell me all I needed to know.

The Path is Set... A Plan is Born!

The plan was now set in motion, I had a general idea of what I wanted to do but now I had to start building the foundation of the plan. The first step was to outline what money management rules I was going to use. I already knew that money management was going to be absolutely critical to my success, so I started there.

I examined my previous trading patterns and determined that not only was my emotions a major factor in my demise but that I was taking on enormous risk. I would for example buy as many shares as I possibly could with whatever money I had in the hopes that I would hit a major home-run trade. This would work if I was right but it was pure gambling. However whenever I was wrong which was often this would lead to large and damaging losses. So I decided on a defensive style rather than focus on making money I focused on protecting my capital that I was risking in my trade. I decided to limit the amount of money I was willing to lose on any one trade to 2% of my overall trading account. This is a pretty standard and accepted level of risk for most traders, so I figured it was time to take this seriously and trade the way the professionals do.

Now with my risk limited I determined that if I could have a 3 to 1 risk to reward ratio it would greatly increase my chances of coming out ahead consistently. Basically all that means is if I was willing to risk \$1,000 on a trade I wanted to have a possible reward of \$3,000. Now with simple math like that in place I could afford to be wrong half the time and still be an overall winner.

I also created and wrote down a list of other trading rules, some of them general and some of them personal based on my trading experiences; Rules such as never place a market order in the morning, and never average down a losing trade.

I also crafted a list of entry rules and management rules for when I was in a trade and of course some exit rules were also put in place.

It looked like I had a good foundation in place, so now it was time to move on to the next step. What strategies was I going to use? I decided to keep my trading as simple as possible so I could focus on the money management and psychological side of trading. If it isn't broken don't fix it was my philosophy for my trading tactics. I decided to use some tried and true trend following strategies and of course you can't go wrong with breakouts.

The timing of these techniques was going to be a very important factor, and then the money management would take over. The idea was to trade longer term not

to actively day trade stocks. But I didn't want to be a buy and hold investor. I started researching charts of my previous trades and the charts of stocks that had made big moves. What I learned was something I had heard before but never really took to heart just like so many other trading truisms "The trend is you friend" I know it is clichéd but there is a reason that this axiom exists because it is the truth.

Looking back at historical charts it was easy to identify strong trends either up or down. What I discovered was that day trading and other short term trading approaches were very lucrative but were more of an income producing style for trading. This means it was a great money maker but now that was like a job. I would have to watch the markets all day and watch my positions very closely and still be on the lookout for new opportunities constantly. That's great, there's nothing wrong with that but I wanted to be a little less involved than that.

A short term gain over and over was fine but the best way to amass wealth in the stock market was a longer term capital building style. Years ago investors would buy a stock and hold it for many years and after that time had passed the value hopefully would have tripled or quadrupled. A more technical approach would be to try and capture a long term trend and ride that trend either up or down until it showed signs of reversing.

I definitely didn't want to day trade and be stuck in front of a quote screen all day but I also didn't want to trade a stock once every couple of years. A compromise was in order, so I decided on a position trading style. This would allow me to capture large chunks of a trend and build capital quickly and still only be in the position for either days to weeks and sometimes several months.

The plan was taking shape, I had determined my money management rules and how and what strategies I was going to trade. However I still needed to learn more about the supply and demand of price movement so that I could really start to put the odds in my favor. I set out to learn more about Japanese candlestick

charts because I felt that they really could display the supply and demand on a chart much more easily.

I had already been using candlestick charts for a while and had a decent understanding of them. I used the same approach as I did with my trading techniques I wanted to really focus on some key formations rather than try to learn them all. I found Japanese candlesticks far easier to read and used them exclusively on all of my charts.

Soon after looking at hundreds maybe thousands of charts I began to gain an intuitive "feel" for where price may be headed. Certain candle formations when combined with my entry techniques and rules began to display very identifiable patterns. I began looking closer at the candlesticks in all time frames. First I

would look at weekly charts and move my way all the way down to 5 and 15 minute charts and the same patterns were always present.

Long term all the way down to short term timeframes all displayed the same characteristics. The reason I concluded was that supply and demand was quite simply the emotions of traders playing out over and over. Greed and fear were so closely connected with supply and demand that I believe they are one and the same. Candlestick charts are simply the footprints being left behind by this constant battle between buyers and sellers. Learning to tap into that resource was invaluable to learning price movement. The only effective way to do that was to learn and understand Japanese candlestick charts.



Here is a classic example of a western bar chart. Below is the same chart of Johnson & Johnson but you can plainly see the difference in the charts not only in color but you can also read the day's price action much more clearly.



The last component and the most important one of all was learning to control my emotions. I knew that the best rules and the best setups meant nothing if I wasn't able to follow the rules. This was going to be an ongoing battle but I had to start to put this plan to the test. There was no way I was going to trade with real money this time until I felt like I was ready for the psychological challenges ahead.

I started to back test my strategies and rules first to see what the historical data would yield. Back testing is simply looking back over historical charts and applying your rules to those scenarios. Another famous quote is “Hindsight is 20/20” many people look back at charts and say “If only I had purchased there look how good I would have done.” Everyone does that and it is easy to look back at a chart and say how good a trade would have been. What's different and important about back testing is that you are following your rules for entry and exit. If you do it properly you won't end up buying at the best possible entry price and selling at the best exit price. This is how you test and tweak your rules in order to make them better and more profitable.

Back testing is by no means completely accurate; first you are not trading with real money. In fact you are not even trading in real time that comes later. Naturally there is no emotional response that will hinder you when you're back testing.

However it is an excellent way to gauge your trading plan and really should be done before you trade with real money on the line. After several weeks of back testing my strategies and rules over hundreds of stocks I felt like my plan was ready for the next step. I was quite impressed with the results and was eager to test my plan in real time.

I still was not going to use real money but I was going to paper trade my trading plan. With paper trading you want to treat your trading exactly as you would if you were trading for real. I knew that when the time came to trade for real I was going to use a conservative portfolio of \$10,000 USD, so I decided to use the same amount with my paper trading. I scanned the market for new opportunities according to my entry techniques and traded the ones my rules allowed for. I would then manage the trade exactly as I would if I were trading for real. One of the things I was trying to do was gather information on any emotional responses I was feeling while trading. Of course this would not be the same as having real money on the line but it did give me a good working knowledge of when my emotions came into play.

Early on I could tell a clear difference from the back tested trades to the real time paper trades. In back testing I had more winners because it was easy to look back at a chart that showed a clear trend for many months and apply my tactics to this chart. With the paper trading it became far more important to read the supply and demand for my entries otherwise the poor trades would quickly sputter and be stopped out.

After a couple of months of paper trading I was very pleased with the results I had a **67% win ratio and an incredible return of 73%**. It was time to really put this plan to the test and trade with real money!

Dress Rehearsal is Over... It Is Time For Business!

With new confidence and a real trading plan in my corner for the first time I was ready to take on the markets for a third occasion. I opened a new brokerage account and set aside a conservative \$10,000 USD for this new experiment. Ten thousand dollars would not nearly be enough to day trade with but for my position trading style it was a very good starting figure.

In early September 2004 I started to build my watch list of trading opportunities and was preparing to launch my new trading plan for the first time.

The first trade I entered came on September 13, 2004; I bought 380 shares of a stock with the symbol UCOMA at \$7.05. This trade although my first turned out to be one of my longest and I didn't sell until the 5 January 2005. **I made a tidy \$715.22** from this trade but **the return was a healthy 26.59%**. Scattered in between this trade was a variety of other trades some winners and some losers but the key was that my losers were very small while my winners were far larger.

In fact the largest loser I had for the six months was \$228.00 while the largest winner crushed that number and was \$1427.03.

One of the major points I was trying to incorporate was the notion of “Let your winners run and cut your losers short.” This methodology was tremendously effective and allowed me to quickly close any trades that were not doing as they were supposed to and run with the trades that were acting as I had forecasted.

While paper trading I had also refined my exit strategy from a simple target I set before entering the trade, to a set of two money management rules that were extremely effective at maximizing my trades. The first was a simple trailing stop methodology that used the stocks own volatility as a method of exiting. This allowed me to squeeze out extra profits as the stock went higher my stop loss would rise incrementally based on the average movement the stock made over a period of time.

This rule alone would make me very profitable; however I was finding that I was leaving a lot of profit on the table so I also developed an extreme profit rule that would allow me to take profits after a stock had made a large run up in a short period of time. This extreme rule was great and nearly picked the top of moves. These two rules were the only way I would exit a stock, one or the other would have to be triggered for me to exit.

The most important thing I noticed now that I had a detailed trading plan in place was that my emotions were far less active in my trading decisions. All I had to do was follow the rules not listen to my emotions (voices in my head) and my trading was vastly improved. Of course it still required much discipline to follow the rules but they were to protect my capital and that was my primary goal.

One by one the trades were completed and the results were very promising indeed. Here is a list of results from the first ten completed trades.

Symbol	Entry	Exit	Profit/Loss	%
UCOMA	7.05	8.99	\$715.22	26.59%
WMB	13.05	15.50	\$723.03	13.82%
MIG.TO	0.63	1.10	\$382.67	49.74%
VC	8.23	9.05	\$359.32	9.36%
WFR	10.71	11.67	\$458.02	8.54%
STTS	6.25	6.05	(\$221.98)	(3.55%)
ROIAK	15.72	15.42	(\$221.48)	(2.12%)
ICGE	6.13	9.10	\$1059.63	47.78%
UPCS	4.76	6.46	\$652.01	34.92%
IMAX	6.19	7.52	\$895.72	20.92%

Only two losers may have been an anomaly but the results speak for themselves, a profit of \$4,802.16. A couple of trades returned nearly 50%; this is where you can really build wealth.

The second block of trades shows a more down to earth result but I still made \$1,756.38 during those trades.

AXCM	22.42	23.54	\$306.53	3.90%
SGP	20.63	20.63	(\$21.98)	(0.27%)
WOR (SS)	19.89	20.31	(\$221.48)	(2.34%)
MOBE	6.61	7.86	\$465.52	17.98%
PBY	15.95	15.82	(\$68.13)	(1.21%)
TLWT	16.70	16.19	(\$154.58)	(3.55%)
SSRI (SS)	11.57	12.02	(\$222.23)	(4.31%)
AXYX (SS)	5.83	4.83	\$597.43	16.45%
GSS (SS)	3.91	3.00	\$850.08	23.82%
POM	21.73	22.76	\$225.22	4.31%

The third block of trades once again shows some truly impressive gains. There were some very large winners in these trades which once more pound home the point that you have to let your winners run and develop and keep those losers small.

BEV	9.45	11.88	\$981.33	24.63%
IMAX	8.75	11.07	\$733.53	23.53%
MHX	8.05	7.73	(\$221.98)	(4.41%)
SLE (SS)	23.45	23.55	(\$78.98)	(0.59%)
VDSI	7.07	7.31	\$213.39	5.63%
APCS	12.87	12.45	(\$223.58)	(3.62%)
NXTP	19.78	19.66	(\$115.99)	(0.75%)
TIF/UN.TO	13.97	17.40	\$995.75	23.60%
UEX.TO	3.05	2.71	(\$228.00)	(2.17%)
OS	20.05	27.58	\$1427.03	36.61%

The total profit for the third block was \$3,482.50 and the final trades closed on the 28 February, 2005. The total results were tremendous and a complete 180 degree turnaround for my trading. The final tally strangely enough was almost

exactly double what I started with. A total profit of \$10,041.04 slightly better than a 100% return in only a little over 6 months.

To say I was pleased with the results would be an understatement. I finally had the trading plan I was looking for and the ability to follow it. Now all I had to do was implement this plan on a larger scale and that is exactly what I have done. I even follow this plan in my retirement account and the results have continued to be remarkable.

The Need to Pass The Torch!

Things have been going extremely well for my trading for over a year. My career in the financial industry was also going very well. One of the things I noticed when I spoke with clients every day was that there was a severe lack of trading knowledge for the average person. Average Joe's like you and me are bombarded with financial information all the time. There are hundreds if not thousands of financial books out there not the mention all the trading courses and seminars being offered but few people are able to trade effectively.

One of the things I noticed when I was doing my research and study was very few of these resources actually teach you "how to trade". They give you a variety of general knowledge which is good because you still need that but then instead of hammering home a trading plan they will offer you their software or an advisory service. Of course that information doesn't come cheap and it still doesn't teach you the important skills you need to be successful in the markets.

I'm sick and tired of good hard working people being spoon fed garbage or information they will never really need or use. So I decided to do something about it. With the success of my own trading plan I decided it was important to pass this knowledge along to others. I started to write out my trading plan as a more detailed trading book. I included all the tactics I was using and the core principles were explained. Most importantly I outlined my money management rules and the things I did to overcome my psychological barriers.

Before I knew it my book was 35 chapters long and over 150 pages. I decided to break it down into three main sections and group the chapters progressively. Moreover because of the nature of the book it was going to need pictures to illustrate the concepts, so I put together over 120 charts and graphics and attached them to the key areas of the book.

That still wasn't enough! I wanted to make absolutely sure I crammed everything I could into this book so I recorded **over 5 hours of audio** and put that into the book also.

In section 1 I outlined my trading philosophy and covered some very important market forces. Such as "Did you know the market moves in cycles? If you did do you really understand how they work?" This is an absolutely critical but often overlooked part of trading. I also explain Japanese candlesticks and the basic yet very powerful candle formations.

My chapter on volume helps take the mystery out of this elusive and misunderstood trading element. Of course I also delve deep into the concept of supply and demand not only related to the financial markets but how it relates in our everyday lives and its connection with greed and fear. In the last chapter of Section 1 I tie in the perception of mass psychology and how the crowd reacts to the market. More importantly how you react to the crowd!

In Section 2 I go into more detail about technical analysis. I cover a wide range of material from trend lines to technical patterns such as flags and pennants to support and resistance. I go over in detail many technical indicators, the ones I use and some that I don't.

Lastly I cover all of the buy and sell setups that I use and explain what to look for and the action to take. I outline how to incorporate various Japanese candlesticks into the setups and **how to "Stack the deck in you favor"**.

Section 3 is where the real nuggets of gold can be found. This is the section that I will explain money management and all the rules you need to have if you want to have a fighting chance in the markets. The trailing stop and extreme profit rule are clearly explained and a simple formula is used for their calculation. I hit home the importance of risk and show you how most traders are taking on way too much risk, with disastrous consequences!

I outline a step by step process for putting together your own trading plan and tracking your performance results. I go over the various psychological pitfalls that you must avoid and the tips and tricks that will help you do that. Finally, I explain the importance of discipline and the seven principles you need to include in your trading plan. This is just a quick rundown of what is in the book there are dozens more important ideas and tidbits but they are too many to list.

Obviously a lot of hard work went into this; I didn't just throw it together over a weekend. I took me nearly eight months to complete this project to my satisfaction and I will continue to improve it always. Now I'm not saying that my book will teach you everything you need to know about trading because NO book can, but it will definitely shave years off your learning curve. Some of the money management rules will definitely help your trading immediately. I urge you to do yourself a favor and check it out on my website. **[Click Here to go There Now!](http://www.Trading-Master-Plan.com)**

Hey I know everyone wants it done for them or they want it as easy as possible. I've been there but believe me when I tell you the progression from novice to proficient trader is not going to be achieved without any education on your part. It took me over three years and tens of thousands of dollars to learn what I know now.

I was stubborn and needed to learn the "Hard way" but you don't have to. You have a choice; you can either go to the school of hard knocks where the tuition is high or you can get some solid trading education and be light years ahead of the competition.

Whatever you decide to do good luck and good trading!

Sincerely,

Dave Gagné

<http://www.Trading-Master-Plan.com>

Do me a favor and send this E-book to someone who you think would like my story.

I really appreciate your feedback e-mail any questions you have at

strategicfinance@trading-master-plan.com

