

10 Commandments (mistakes)

1. Thou Shalt Not Chase a Move. If you missed the best risk/reward entry, just let the trade go. Never chase the market.
2. Thou Shalt Not Trade in Choppy Markets. Trading is not a zero sum game. You lose money on every trade on both the bid/ask slippage and commissions/fees. Without clear directional momentum on your side you do not have an “edge” and without an edge you will not have a profit! **Never trade when the 50 MA is flat!**
3. Thou Shalt Not Trade “Kamikazes! (shorting Higher Highs or buying Lower Lows).” These can look SO good, but because momentum is against you it’s like trying to push a Sumo wrestler out of the ring.
4. Thou Shalt Not Trade Too Many Contracts for your Account Size. If you lose more money than you are comfortable with, then you will trade badly. Everyone, even the best traders, go through periods of days, weeks, and occasionally even entire months of losses. You need to keep your losses per trade and per day small enough that you can financially survive a major losing streak without having to refund your account, and without causing you emotional stress.
5. Thou Shalt Not Trade for the “Action.” Trading is a business, not an extreme sport! Like any good businessperson, your primary objective is to increase your bottom line.

- 6.** Thou Shalt Guard Your Capital; it is your lifeblood. Without it you can't trade.
- 7.** Thou Shalt Never Try to Recover Losses. When you have a losing trade, that money is gone and the trade is done. Trying to get the money back by bending your rules will only result in more losses. Remember, your rules are what make you money. They're what is proven to give you the high-probability trades.
- 8.** Thou Shalt Not Worry About "Missing the Boat." Your goal is not to catch every big move in the market, in fact you won't and no one does. Your ONLY objective is to trade your rules, and take the money the market will give you each week according to those rules. Even though we talk about "trading the market, in the strictest sense you cannot trade the market, you can only trade your rules.
- 9.** Thou Shalt Not Place Your Stops Too Close. If you are doing this it's an excellent indication that you are not in the right frame of mind for trading and you should not be trading right now. You can't trade scared. Stops should be placed where the pattern you are trading would be broken, and no closer. You must give the market room to wiggle. It doesn't move in a straight line. Allow for the bids/asks of individuals to move the market around messily within your trading setup.
- 10.** Thou Shalt Not Take Profits Too Soon. It's nearly impossible to make money based on win/loss ratios alone. Scalping is for the true pros, mostly the floor traders. Your money will be made by having a respectable win/loss ratio (in the area of 40%-60%) and having your winning trades be larger than your losing trades. Be patient with the trends and let them ring up big money for you.