

Index

- Account drawdown, 81–82
- Accumulation distribution (A/C), 179
- American Stock Exchange (AMEX), 179
- Annual equity curve
 - example, 129f
 - smoothness, 128f
- Annual percentage rate (APR), 179
- Annual trade ledger, 104f
 - example, 103–105
 - form, 153, 154f
 - statistics, 103
- Applied Reality Trading (ART), 179
 - bear price bar, 179
 - bull price bar, 179
 - elongated price bar, 179
 - inside price bar, 179
 - neutral price bar, 180
 - one-bar reversal (1B), 180
 - signal price bar, 180
 - system, 47–48
 - two-bar reversal (2B), 180
- Ask price, 180
- Asset (asset allocation), 180
- At-the-money, 180
- Average true range (ATR), 180
- Backtesting, 180
- Balance sheet, 180
- Basis, 180
- Bear (bear market), 180
- Bid-ask spread, 181
- Bid price, 181
- Black box system, 181
- Black Monday, 181
- Blue chip company, 181
- Bond (bond market), 181
- Books (resources), recommendations, 173–174
- Bracketed market, 181
- Breakout, 181
- Broker, 181
- Bull (bull market), 181
- Buy, definition, 182
- Buyer's market, 182
- Call, 182
- Candlesticks, 182
- Capital, 182
 - optimal fraction, calculation, 80–81
 - trading exposure, percentage, 76
- Cash per share, 182
- Central bank, 182
- Channeling market, 182
- Chart (chart analysis), 182
- Chicago Board of Trade (CBOT), 182
- Chicago Board Options Exchange (CBOE), 182
- Chicago Mercantile Exchange (CME), 182–183
- Chicago Mercantile Exchange Group (CME Group), 183
- Churning, 183
- Close, 183
- Closed trade box, usage, 164
- Commission, 183
- Commission ratio, 183
 - formula, 97–98
 - percentage, 108
- Commodities, 183
- Compulsive trading, problem, 33
- Consolidating market, 183
 - cycles, 51
 - identification, ART software (usage), 52f
- Consolidation
 - breakout, 51
 - market breakout (identification), ART software (usage), 53f
- Consumer Price Index (CPI), 183

- Contract, 183
- Contrarian, 183
- Correction, 183
- Corrective Elliott wave, 183
- Corrective market cycles, 52–53
- Countertrend trade, 184
- Countertrend trading, scaling out (usage), 65–66
- Cover, 184
- Covered call, 184
- Covered put, 184
- Current market dynamics, 48, 50
- Daily trade ledger
 - example, 114
 - filled orders, 115f
 - form, 153, 157f
- Daily worksheet
 - example, 114–116
 - form, 153, 158f
 - placed orders, 116f
- Data, 184
- Day trade, 184
- Day trader, 184
- Debt-to-equity ratio, 184
- Decimals, 184
- Deflation, 184
- Discipline
 - comfort zone, 137
 - level, self-definition, 135–137
 - profile, 133
 - identification, 135–136
 - score, 136–137
- Discretionary trader, 184
- Disinflation, 184
- Divergence, 184
- Diversification, 185
 - process, 146
- Dividend, 185
- Dollar cost averaging, 185
- Double witching, 185
- Doubling down, 185
- Dow Jones Industrial Average (DJIA), 185
- Downtrend, 185
- Drawdown, 185
 - handling, 142–143
 - paper trading steps, 169–170
 - persistence, 105
- Earnings per share (EPS), 185
- Edge, 185
- Education resources, 175–177
- Efficient market, 185
- Elliott wave analysis, 185
- Elliott wave theory, usage, 53
- E-mini, 185
- Entry, 185
- Entry rules, trading system (relationship), 45
- Entry signals, ART (usage), 48–50
- Environments, change (adaptation), 50–51
- Equities market, 185
- Equity, 185
- Equity curve, 185. *See also* Annual equity curve
 - plotting, 124–128
- Exchange traded fund (ETF), 186
- Exit, 186
- Exit signals, ART (usage), 48–50
- Expiration date, 186
- False breakout, 186
- Federal Open Market Committee (FOMC), 186
- Federal Reserve, board of governors, 186
- Federal Reserve System, 186
- Fibonacci retracements, 186
- Fibonacci sequence, 186
- Fill, 186
- Filter, 187
- Financial bottom line, drawdown (impact), 142–143
- Financial instruments, 187
- Financial market, entry, 167–168
- Financial risk, comfort, 133–135
- Floor trader, 187
- Forecasts, 187
- FOREX market, 187
- Fundamental analysis, 187
- Futures (futures market), 187
- Futures trade posting card, 153, 160f
- Gann analysis, 187
- Gap, 188
- Globex, 188
- Good 'till canceled (GTC), 188
- Gross Domestic Product (GDP), 188
- Grounded assessments, 188
- Hedge, 188
- Hedge fund, 188
- Hedger, 188
- Higher time-frame filter, 188
- High probability trades/investments, 188
- Hyperbolic move, 188

- Immediate or cancel (IOC), 188
- Impulsive Elliott wave, 189
- Index fund, 189
- Individual Retirement Account (IRA), 189
- Inflation, 189
- Initial Public Offering (IPO), 189
- Initial stop, 57–58
 - identification, ART software (usage), 57f
 - setting, resistance (relationship), 59–60
- Insider trading, 189
- Institutional investor, 189
- In-the-money, 189
- Intra-day time frame, 189
- Investing, definition, 189
- Investor, 189
 - insurance policy, 16–17
- Kelly formula, 80, 193
- Large capitalization (large cap), 189
- Ledgers, forms, 153, 159f
- Leverage, 190
- Limit order, 190
- Limit position, 190
- Limit price move, 190
- Liquidity, 190
 - risk, 3, 56
- Liquid market, 190
- Long, definition, 190
- Long call/put, 190
- Margin, 190
- Margin risk, 3, 190
- Market
 - index, 191
 - maker, 191
 - order, 191
 - outperformance, 105–106
 - risk, 3, 56, 191
 - symbol, usage, 164
- Market cycles
 - changes, adaptation, 50–51
 - identification, 51–54
- Mental stops, setting, 60
- Mini account, usage, 102
- Minneapolis Grain Exchange (MGEX), 191
- Minor pyramid trading point (MP), 191
- Momentum investing/trading, 191
- Money, trading (problems), 33
- Money flow index (MFI), 191
- Money management, 191
 - discussion, 149
 - goal, 1–2
 - interest, 11
 - absence, reasons, 9–10
 - numbers/probabilities, impact, 83–84
 - program, belief, 15–17
 - risk, expectation, 2
 - rules, 140
- Money management plan
 - confidence, 15
 - design, 4–5
 - development, 19–21
 - rules, 140
- Monthly trade ledger, 107f, 109f
 - examples, 106–110
 - form, 153, 155f
 - gain/loss, percentage, 106, 108, 110
- Moving Average Convergence/Divergence (MACD), 191–192
- Moving average (MA), 191
- Mutual fund, 192
- Naked option, 192
- Naked put, 192
- National Association of Securities Dealers
 - Automated Quotations System (NASDAQ), 192
- NASDAQ index, 192
- National Association of Securities Dealers (NASD), 192
- Nearest month, 192
- Negative psychological motivators, 12
- Net asset value (NAV), 192
- Net worth, 192
- New York Cotton Exchange (NYCE), 192
- New York Futures Exchange (NYFE), 192
- New York Mercantile Exchange (NYMEX), 193
- New York Stock Exchange (NYSE), 193
 - Composite Index, 193
- Nontrending market, 193
- On balance volume (OBV), 193
- One-bar trailing stop, 58
- Opening (OPG), 193
- Open interest, 193
- Open order, 193
- Open trade box, usage, 164
- Optimal fraction (f), 80–81
 - formula, 193
 - results, ROR tables (comparison), 81
- Optimization, 193–194
- Options, 194
 - exercising, 186
 - market, 194

- Options trading posting card, 153, 162f
- Oscillator, 194
- Out-of-the-money, 194
- Overbought/oversold indicator, 194
- Overnight risk, 3, 56
- Overnight trades, engagement rules, 61–62
- Overtrading, 194
- Pacific Stock Exchange (PCX), 194
- Paper gain/loss, 194
- Paper trading
 - account, annual scorecard, 127f
 - approach, reevaluation, 169
 - backtesting, usage, 170
 - concepts, understanding, 42
 - disadvantages, 170–171
 - initiation, 168
 - losses, experience, 169
 - opinions, 171
 - performance, evaluation, 168
 - plan, steps, 168–170
 - rules, design, 168
 - trades, lot grouping, 169
 - usage, 167
- Pattern recognition, 194
- Payoff ratio, 76, 79, 194
 - formula, 97
 - level, 108
- Penny stock trade, example, 18–19
- Percentage in point (PIP), 195
- Perfectionism, problems, 42–43
- Periodicals (resources), recommendations, 174–175
- Personal obstacles, 35–36
- Personal rate of return
 - determination, 78–79
 - usage, 79–80
- Personal risk profile
 - identification, 133–134
 - score, 135
- Pit, 195
- Positions, 195
 - scaling in, 70–71
 - process, 146
 - scaling out, 66
 - process, 145
 - trader, 195
- Positive psychological motivators, 12
- Posting
 - cards, 153, 163f. *See also* Trade posting cards
- Price, 195
 - bar, 195
- Price oscillator (PPO) histogram, 195
- Price-to-earnings (P/E) ratio, 195
- Primary PTP (P), 196
- Profit
 - lock in, scaling out (usage), 65–67
 - margin, 195
 - pocketing, 141
 - target, 141
- Profit/loss
 - analysis, 4
 - results, tracking, 91
 - tracking, commitment, 93–94
- Psychological motivators, 12–13. *See also*
 - Negative psychological motivators;
 - Positive psychological motivators
- Psychological trading issues/causes, 32–34
 - examination, 34–35
- Psychology, 195
 - tracking, 100–101
- Put, 196
 - option, 196
- Put-call ratio, 195
- Pyramid Trading Point (PTP), 196
 - apex, 195
 - base leg, 195
 - confirmed, 195
 - minscore, 195
 - potential, 196
 - signal, usage, 49f
 - voided, 196
- Rally, 196
- Reality-based trading, 196
- Recession, 196
- Record keeping
 - importance, 95
 - regularity, defining, 92–93
 - rules, establishment, 146–147
 - system maintenance, benefits, 91–92
 - system setup, 164
 - usage, 4
- Regression channel stop, 58
 - illustration, 59f
- Relative strength indicator (RSI), 196
- Resistance
 - level, 196
 - identification, 51
 - stop, 58

- Resources, 173
- Retracement, 196–197
- Return on investment (ROI), 197
 - consistency, 98
- Reward-to-risk ratio, 197
- Risk, 197. *See also* Two percent risk
 - comfort zone, 137
 - control, 83
 - maintenance, 67–69
 - psychology, 3, 9, 10–11
 - management rules, selection, 139
 - profile, 133
 - score, 135
 - psychology, trader mindset
 - (relationship), 31
 - score, 134–135
- Risk of ruin (ROR), 75–78
 - probabilities, 77t, 79
 - tables, ranking, 76–77
 - tables, resource, 78
- Russell 2000 index, 197
- Russell 3000 index, 197
- Scaling in, 65, 197. *See also* Positions
- Scaling out, 65, 197. *See also* Positions; Trends
 - example, 69–70
- Scalper, 198
- Scalping, scaling out (usage), 65–66
- Scorecards, 124. *See also* Paper trading; Trader's Assistant
- Seasonal trading, 198
- Sector, 198
- Securities and Exchange Commission (SEC), 198
- Self-awareness, value, 92
- Self-sabotage, tendency, 141
- Seller's market, 198
- Share, 198
- Short call/put, 198
- Sideways market, 198
- Slippage, 198
- Small capitalization (small cap), 198
- Speculator, 198
- Split, 199
- Spread, 199
- Spread, narrowing, 192
- Standard & Poor's Corporation (S&P), 199
- Standard & Poor's 500 (S&P500) Composite Stock Price Index, 197
- Standard & Poor's (S&P) e-mini, 197
- Statistic ratios, calculation/usage, 96–98
- Stochastic, 199
- Stocks, 199
- Stocks trade posting card, 153, 161f
- Stop and reverse (SAR), 199
- Stop-loss exits, 3–4, 39, 57–58, 199
 - problems, 62
 - rules, 55
- Stop order, 199
- Stop-outs, 42
- Stops
 - determination, current market dynamics
 - (usage), 63
 - moving, 60–61
 - setting
 - absence, 60
 - importance, 62–65
 - usage, 43–44
- Strengths
 - focus, 23–24
 - identification, 27–28
 - inventory, 28–29
- Success, formulas, 96
- Support level, 199
- Support level, identification, 51
- Swing trading, 199
- Technical analysis, 200
- Three-bar trailing stop, 58
- Tick, 200
- Ticker symbol, 200
- Time frame, 200
- Total net worth, trading risk (percentage), 144
- Trade, 200
 - entry/exit, determination, 47
 - exit
 - earliness, impact, 33
 - timing, 144–145
 - fear, 34
 - loss, 39–40
 - problems, 33–34
 - overthinking, 34
 - posting ledgers, usage, 99
 - problems, example, 17–18
 - risk, 3, 55–56, 200
 - determination, 49
 - trading account, usage (percentage), 143
 - winners, streak (problems), 40

- Trade posting cards, 118f–123f, 125f–126f
 - examples, 117–124
 - loss, 117
 - profit, 117
 - usage, 99
- Traders. *See* Floor trader
 - insurance policy, 16–17
 - mindset, 31–32
 - acquisition, 32
 - paralysis, avoidance, 2
 - technology sector disaster, impact, 41
- Trader's Assistant, 200
 - forms
 - availability, PDF file format, 165
 - inclusion, 100
 - record keeping system, 153–165
 - adaptation, 165
 - components, 100
 - usage, 101
 - scorecard, 101–102
- Trade size, 200
 - determination, 83
 - formula, 84–85
 - leverage, usage, 85–86
 - impact, 4
 - increase, 70–71
 - process, 67–69
 - risk psychology, relationship, 87–88
 - usage, 143
- Trade Size Calculator, 200
 - example, 86–87
 - software, 151–152
- Trading, 200
 - abundance, problem, 31
 - account, risk percentage, 144
 - accountant, role, 39
 - cessation, triggers (selection), 140–141
 - emotions, fear/greed (impact), 12
 - excess, 183
 - psychology
 - drawdown, impact, 142
 - observations, 112
 - records, examination, 92
 - risk, 55–57
 - types, management, 2–3
 - scorecard, 153, 165f
 - statistics, determination, 95–96
 - student
 - examples, 128–129
 - studies, 102–103
- Trading system
 - ignoring, 34
 - selection parameters, 46–47
 - usage, 45–46, 54
- Trailing stop, 58
 - identification, ART Software (usage), 57f
- Trending day, 201
- Trending market
 - cycles, 51
 - identification, ART software (usage), 52f
- Trend line stop, 58
 - illustration, 59f
- Trends, 200
 - channel, 200
 - exhaustion, 201
 - scaling out, 67f, 68f
- Trend trading, scaling out (usage), 65–66
- True range, 201
- Two percent risk, 83
 - formula, 84
- Ungrounded assessments, 201
- Unrealized gain/loss, 201
- Uptrend, 201
- Volatility, 201
 - risk, 3, 56
- Waves, determination, 53
- Weaknesses
 - adjustment, 23–24
 - identification, 27–28
 - inventory, 28–29
- Weekly trade ledger, 111f, 113f
 - examples, 110–114
 - form, 153, 156f
 - gain, percentage, 112, 114
 - loss, percentage, 110, 112
- Whipsaw, 201
- Winning trade, impact, 33
- Win ratio, 76, 79, 201
 - formula, 97
 - level, 105
 - percentage, 108
- Worst-case scenarios, preparedness, 20–21
- Yin/yang, 23
 - opposites
 - defining, 24–26
 - ranking, 26t
 - perceptions, 26–27