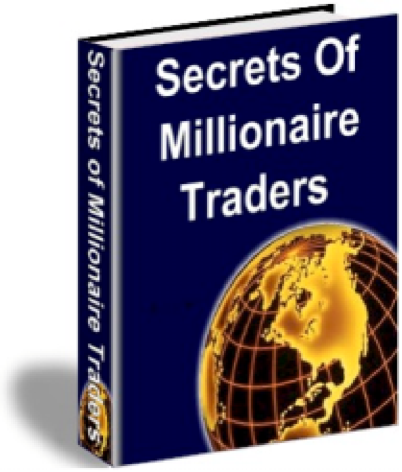

"Tricks, tips and rules from interviews with Millionaire Traders - Volume II…"

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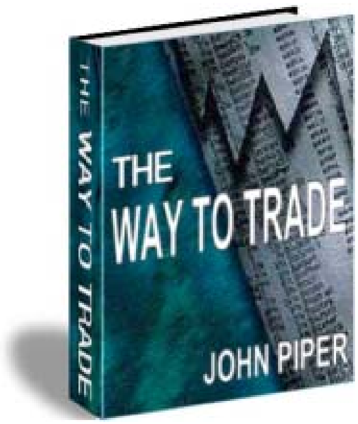

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INTRODUCTION

A very small percentage of all traders are successful.

Yet, some traders accumulate more than 1 million dollars in trading profits.

What do the successful traders do differently?

Searching for the answer to this question is what prompted interviews with several millionaire traders.

Some of the rules that millionaires use are familiar to all traders. Others may be contrary to the common beliefs.

This is volume II compiled from these interviews and follows on from the hugely influential first 25 rules, secrets and tips.

However, some of the most powerful rules have been held back for volume II…..

RULE #1 -

Use stop orders cautiously.

Stop orders are easy discipline. They may help you cut losses short automatically.

An important factor is to place your stop when you place your order. If you don't, you're tempted to give the market "a few more pennies", only adding to your potential loss.

But remember, you should use stop loss orders with great discretion because stops that are placed too tight can put you out of the market with a loss very quickly.

You can become "whipsawed" by poor placement of stops.

RULE #2 -

Get out before contract maturity.

When trading e-mini contracts, trading becomes very thin in the last few days before the contract expires. You may not find it so easy to exit at a favorable price, particularly if you have several contracts.

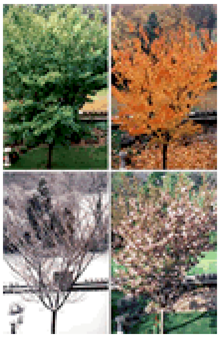
When trading commodities, the price of a commodity during the delivery month may be more volatile. The beginning trader should move into later month contracts to avoid this added risk.

The profit potential in making and taking delivery is one that should only be handled by the experienced cash market trader.

RULE #3 -
Ignore normal seasonal trends.

Although the price of corn historically goes down at harvest, one of the millionaire traders doesn't let that influence his trading.

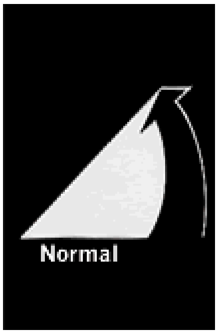
"Too many people try to trade seasonal trends, so look for a place to do just the opposite,"
he suggests.



RULE #4 -
Trade divergence from the normal.

This rule is one of the big keys some successful traders use regularly. They trade divergence from the normal or from what is expected. If traders in general believe the market is headed higher and the rally fails, it's usually a good sell signal.

Wait for market traders in general to lean one way, then time a trade in the opposite direction.

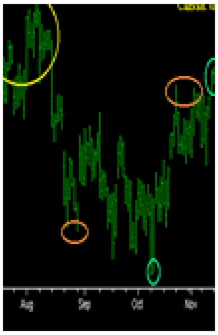


RULE #5 -

Avoid picking tops and bottoms.

When you go against the trend, believing that the market has either topped or bottomed, you are making yourself very vulnerable.

This can be a very costly lesson to learn, say the millionaires. They prefer to let the market price action prove that a top or bottom has been formed.

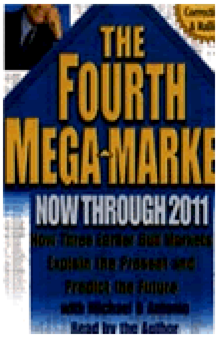


RULE #6 -

Buy bullish news, sell the fact.

If market rumors are bullish, then you should buy on the news.

But when the news reports turn into a reality, then it is time to "sell the fact".



RULE #7 -

Bull markets die of overweight.

There's an old stock market rule that says that bull markets can fall flat on their own weight when prices get top heavy.

Be especially sensitive to bearish news if you're long.

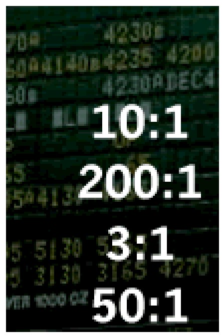
RULE #8 -

Look for good odds.

Look for opportunities where the loss potential is small in relation to the profit potential. For example, if a market is trading near its recent historic lows, it could mean a long position has great upside potential in relation to possible loss.

Watching the trading range of a market over a longer time period helps you have the perspective to determine the odds.

Market fundamentals can also be helpful in finding the "high odds" situation.



RULE #9 -
Always take windfall profits.

Sometimes you take a position and within 48 hours you have more profit than you ever expected.

Rather than watching the market a few days to figure out why the profit came so fast, the millionaires say "Take quick profits and run!"

RULE #10 -
Learn to sell short.

Most beginners tend to be bulls, which means they buy markets that they think will go higher.

Since markets often fall faster than they rise, you can frequently earn quicker profits by selling short.

Learn to trade from the short side of the market.

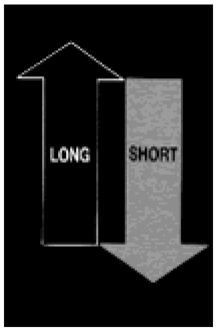
RULE #11 -
Act promptly.

The futures market is not kind to those who procrastinate. The rule of thumb the millionaires use is to act promptly. This doesn't mean you should be impulsive, but if your judgement says you should liquidate a position, do it immediately.

RULE #12 -
Don't reverse your position.

When your position is a loser and you decide to get out, don't make a 180-degree turn. For example, if you have been long and decide the market is working against you, get out and stand aside for a while before going short.

If you reverse a position you can be whipsawed - losing as the market goes down, then losing more as the market moves up.



RULE #13 -
Don't be a nickel and dimer.

If you want to be long, don't put a price limit order in a couple of pennies below the market, hoping to find a bargain.

People who try to squeeze an extra penny out of the market frequently find the market moves almost to their target, then slips away.

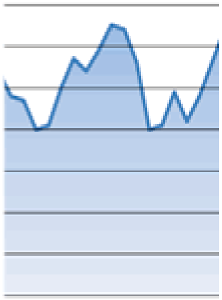
In hoping for an extra penny, they may give up much more.

When you think it's time to do something, make your move.

RULE #14 -

Know the price trend.

You can identify major price trends by using line charts, one of the fundamental tools of the successful trader. The mistake that many traders make is to buy or be long while the markets are still in a basic downtrend or selling short when they are in up trends.

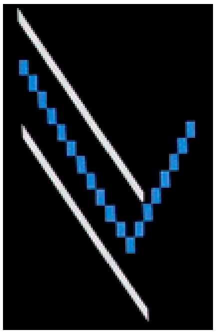


Charting markets yourself or subscribing to a chart service can help avoid costly errors of selling into obvious up trends and buying downtrends.

RULE #15 -

Watch for key breakouts through trend lines.

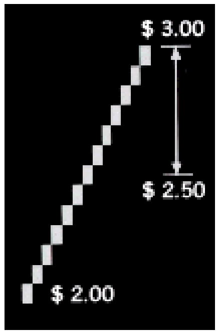
Some successful traders trade almost exclusively on this rule. They make bar charts. When prices break through a trendline and trade outside of the trendline for two or three days, it's usually a good trading signal. This violation of a downtrend line is a buy signal; the reverse is also true for a sell signal when an uptrend line is penetrated. The trendlines then give you some guidelines for determining stops.



RULE #16 -
Watch for 50% retracements of a major move.

You frequently hear the market is in a "technical reaction", which means that after a major move in either direction the market has a tendency to retrace up to 50% of that move.

The millionaires would look for another chance to buy when the price drops by 50%.



RULE #17 -
Use the half way rule when picking buy-sell spots.

This means finding out over what range a market has been trading, then buying in the lower half of that range or selling in the upper half.

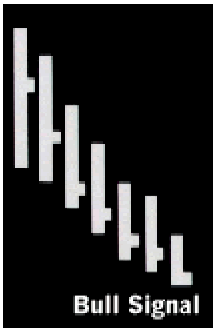
This rule is particularly useful in a trading market or in a situation where the market is trading within a chart channel.

RULE #18 -

Watch the magnitude of market change.

When a market moves lower, but by a smaller amount each day, it may be a signal for an uptrend.

When the market moves up each day, but in smaller amounts, it's an early signal that a downtrend may be just around the corner.

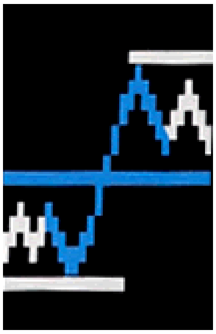


RULE #19 -

Congestion areas can mean support or resistance.

These areas act as barriers that slow down price action. When you hear a market commentator say there is technical support at a certain price level, chances are good that he is looking at a line chart which shows an old congestion area where trading took place over a narrow range for several weeks.

Major price moves may develop when the market breaks out of a trading area. Usually the longer the market has been chopping around in the trading area, the further the price moves once it breaks out.



RULE #20 -

Major moves frequently climax with a key reversal.

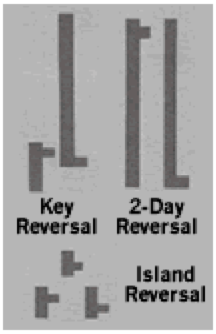
A key reversal of an uptrend is usually indicated when prices make new highs on high volume, but then close lower than the previous day's close.

A key reversal of a downtrend is a move into lows, then a strong recovery during the day with a close higher than the previous day's close.

A key reversal may come in the form of a two-day reversal when on the first day the move is into new high ground and a close on strength.

On the second day the market may open near the high close of the previous day, then close sharply lower.

An island reversal is formed when prices gap into new highs on one day, then gap lower the next day.

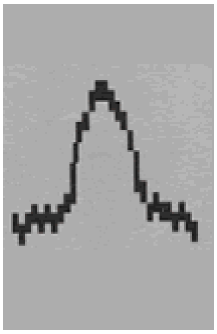


RULE #21 -

Watch for head and shoulder formations.

When you observe a chart pattern that resembles a "head and shoulder", it is usually a sign the market is topping out.

Head and shoulder patterns are not obvious until the second "shoulder" is formed by a rally or sideways pattern.

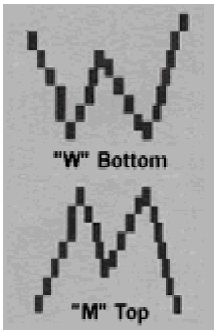


RULE #22 -

Watch for "M" tops and "W" bottoms.

When the market action on a price chart indicates a large "M", the price signal is to sell.

When a "W" is formed, it signals a move higher.

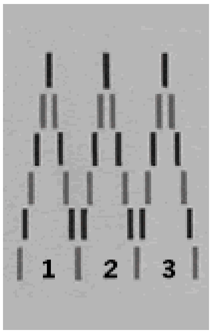


RULE #23 -

Trade triple tops and bottoms.

After a market has hit a peak the second or third time, it is a bearish signal. The reverse is true at the bottom.

The millionaires watch these signals and use them as part of their overall trading strategy.



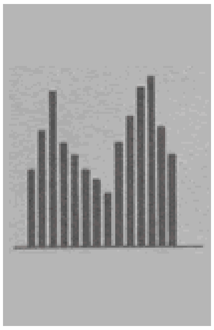
RULE #24 -

Watch volume for price clues.

When volume and price go up together, it's a buying signal. When volume increases and prices go down, it's a sell signal.

But when volume goes down, regardless of price direction, it's a signal to stand aside, or expect a market reversal.

Click here to find out more about the futures market and how to "read" volume.



RULE #25 -

Open interest may be a tip off.

If open interest is increasing as prices rise, it's a buying signal, especially if volume increases at the same time.

The reverse is also true. If open interest increases with lower prices and on good volume, it is a selling signal.

Trading Resources

Discover The Way To Trade:

Futures -	http://www.the-way-to-trade.com/futures.php
E-mini -	http://www.the-way-to-trade.com/e-mini.php
Discipline -	http://www.the-way-to-trade.com/discipline.php
Online -	http://www.the-way-to-trade.com/online.php
Stocks -	http://www.the-way-to-trade.com/stocks.php
Commodities -	http://www.the-way-to-trade.com/commodities.php
Beginners -	http://www.the-way-to-trade.com/beginners.php
Options -	http://www.the-way-to-trade.com/options.php
Swing Trading -	http://www.the-way-to-trade.com/swing-trading.php
Day Trading -	http://www.the-way-to-trade.com/day-trading.php

"Secrets of Millionaire Traders Volume II"

I hope you have enjoyed reading volume II just as much as the first set of 25 secrets of millionaire traders.

If you haven't already done so, please take a moment to check out the Netfutures site and take a look at some of the services they offer.

Best regards and wishing you continued success with your trading.

Paul Handforth
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