COMING BACK TO TRADING 2.0

WITH ANDY LINDLOFF & STEVE GOMEZ

WATCH THE INTERVIEW!

INTRODUCTION

With so many newcomers to the stock market since the 2020 COVID days, it was essential to discuss the impact of quarantine, stimulus checks, and meme stocks had on the stock market and # of new traders.

2020 was a year of change. The pandemic did not only affect many individuals' health and invoke dramatic precautions across populations; it became the precedent for a new normal and will be talked about in history books for generations to come. Besides health, one of the most significant changes stemming from the pandemic was about money. The pandemic shook our worlds upside down because it forced us to isolate ourselves, stay home, and unplug from the everyday normalities of our life.

For many people, the quarantine was an eye opening blessing in disguise. When the quarantine ended, many were left questioning whether or not they wanted to return to their previous everyday lives. During this time, people recognized the stagnant areas that needed attention—mainly their jobs/professions. As a result, Zoom became the go-to location for virtual meetings and is still used in place of in-person meetings.

Because of COVID-19, people started getting more comfortable with uncomfortable and existential questions about what they want to do with their lives. As a result, people felt more inclined than ever to get curious and try something new. 2020 – 2021 saw Tik Tok videos, stimulus checks, and meme stocks grow exponentially in popularity, setting up the stock market to receive a whirlwind of new investors and retail traders.

For a while, these new retail traders were getting by on luck and making more money than they ever thought possible. As the saying goes, "what goes up must come down," and the market found itself in a downturn once again. The novelty of trading wore off, and the stimulus checks ran dry, leaving many newbies too discouraged to try again. They had just witnessed a bad market cycle and decided to throw in the towel and return to the normalities and comfort they craved.

However, many new traders from 2020 or 2021 have had the time to lick their wounds, do their due diligence in research, and are ready to come back guns blazing in 2023. They want to return the right way by using a more refined, disciplined approach to success. And, we are here to help. Two of our most experienced and successful traders here at Trade Ideas have volunteered their time to enable new traders to find their niche and learn to survive market changes instead of running away when things get tough. Together, Steve and Andy share over 50 years of combined experience!

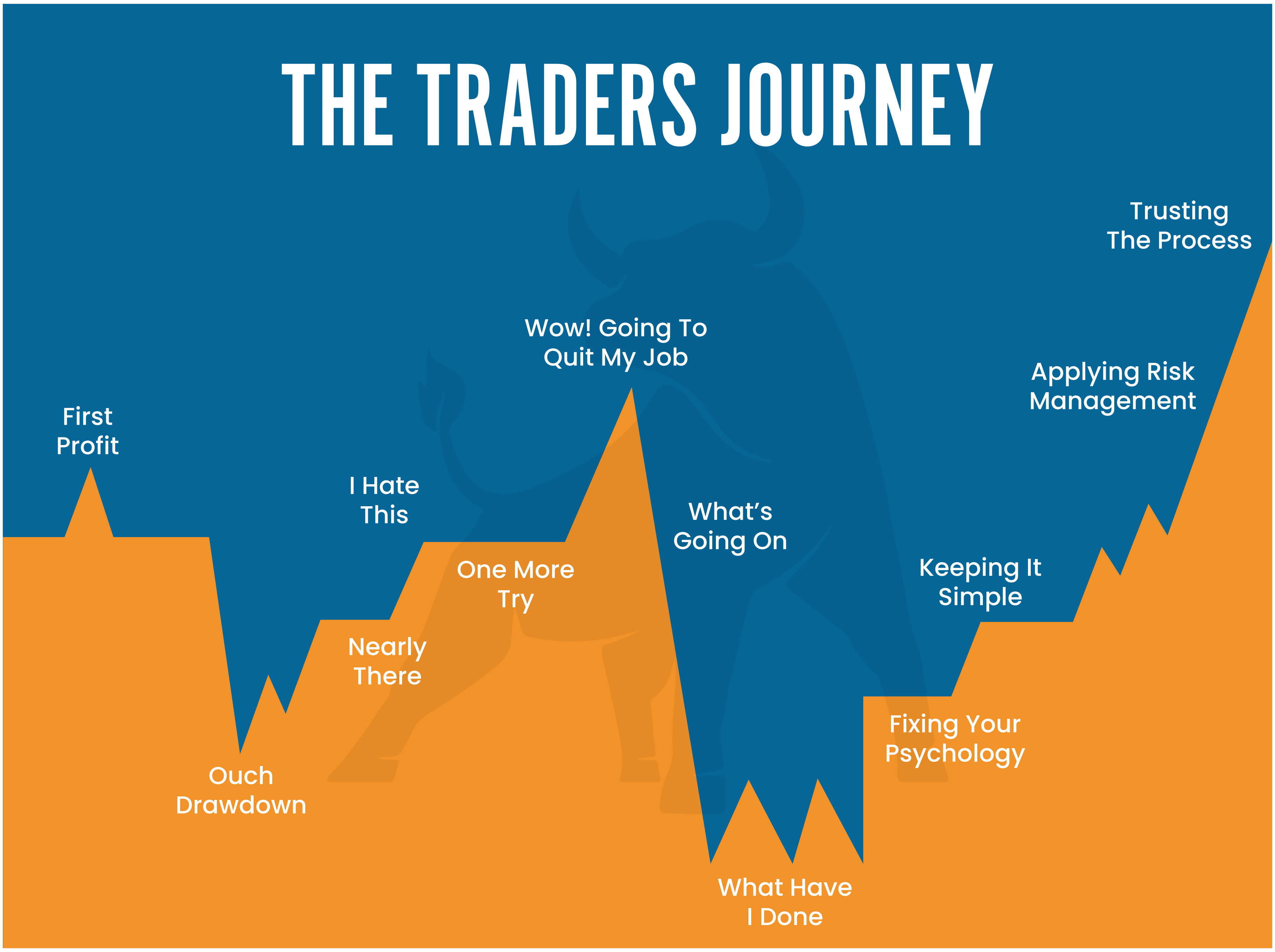
This eBook aims to provide insight to new traders and turn that interest in making money into actual money. In addition, this eBook will highlight tactics needed for those who want to return to the markets for another try using better tools and methods in 2023.

CHAPTER 1

THE TRADER'S JOURNEY

The first step in a trader's journey should be acknowledging the process—stock trading is about the journey, not the destination. If you want to succeed at trading, you must accept that your trading journey will not be linear and the rewards will not be immediate. This chapter will review the reasoning behind the trader's journey and how to avoid falling into the trap of immediate gratification.

As traders, we must learn to immerse ourselves in the unknown and get comfortable in uncomfortable situations. Before starting or restarting your trading journey, let's review what you can expect.



01- FIRST PROFIT

A trader always remembers their first profit, when it happened, how it went down, and how much money they made. The emotion behind your first profit will feel like a burst of dopamine that will keep you going, but that rush of adrenaline only lasts so long, and when you fail to profit right away, your dopamine levels plummet, leaving you in "ouch drawdown."

02 - OUCH DRAWDOWN

This term is self-explanatory: the comedown from your first profit is usually a harder fall than any. But you can't let this first obstacle deter you from continuing your journey.

03 - THE CLIMB BACK

In this part of the journey, you'll feel as if you are putting in the work but can't seem to get ahead. You might feel like you are taking two steps forward only to take one step back again. This step is where many traders start to harbor resentment toward trading and stop trying altogether. However, those who make it past that point are met with another dopamine surge to push them through.

04 - THE 2ND DOPAMINE RUSH

This is the "wow, I'm going to quit my job" peak point on the journey. You might be making more money than ever, but again you are still prioritizing immediate gratification, unable to make decisions benefiting your account over the long-term. Unfortunately, for most traders, this point is favored by hindsight and is almost impossible to see coming. These moments of overconfidence can lead to greedy, shortsighted, and ignorant decisions, which can easily result in drastic losses, even bankrupting your trading account.

05 - "WHAT HAVE I DONE?"

Most traders who made it this far in their journey choose to get off here. This bitter end is not the finish line, it's the point that makes or breaks traders. The strong-willed survive, while the others make up excuses as to why trading is not for them. You have already done the work. You might as well keep going. If you can start treating these seemingly abysmal drops in progress as lessons instead of failures, you will eventually succeed.

> Although the trading journey will have other dips and plummets and runs of bad luck, traders who make it past this point become better equipped to handle them because here's where they learn to start doing something different. This step in the journey is where traders are no longer figuring out "how to trade." They have shifted the focus inward and started asking themselves, "how can I learn to trade better?"

06 - FIXING YOUR PSYCHOLOGY

Learn that your mistakes are not isolated or unique—everyone goes through them. Once you take responsibility for where you are in your trading journey and understand you're not alone in your mistakes, you become free to shift your mindset to that of a student, not a loser.

The psychology of trading requires you to check your ego at the door and forget everything you thought you knew because that is clearly not working anymore—you must shift your efforts to learn and adapt. This psychology involves developing a trading plan, trial and error, emotional regulation, practicing simulated trading, and becoming okay with playing the long game. Once you learn that the biggest enemy in your trading journey is yourself, you start taking responsibility, and things become much simpler.

07 - PLEASE KEEP IT SIMPLE

Once you've done the work practicing and learning as much as possible, essentially starting your journey from scratch, you are ready to create your trading plan. Here you will establish your goals and how you plan to achieve them going forward (more on this later). But, again, keep a simple, straightforward strategy to make it sustainable.

> A trading plan is a road-map. Creating a plan is a requirement for beginner traders. The plan is a systematic method that can withstand the constant fluctuation of the market and provide trading security and consistency. Considering all the variables for your trading plan will inevitably require some trial and error. You can't drive for miles without knowing your destination or if you are even going in the right direction. Like a trip map, a trading plan must be created and looked at so you know where you want to go and how you intend to get there.
>
> Your plan will take time and energy to create. It should be well-researched, inalterable, feasible, and work with your daily routine. You must have every intention of sticking with your plan. Follow your trading plan carefully until it stops working and needs adjustment. You can't be impulsive or emotional. You must have a more fixed mindset to succeed as a stock trader.

08 - APPLYING RISK MANAGEMENT

After creating a trading plan, you must learn to manage risk, know when to pull back, take a break, and take the risk. This knowledge will come from experience, trading simulators, and lessons learned along the way. So it is important to keep track of your entry wins and losses for this reason. If you don't have access to a trading simulator that tracks your practice trades, keep a "paper trading" journal. Once you have established your risk/reward level ratio, start setting goals.

You can begin by setting weekly, monthly, or annual profit goals. This way, you're keeping yourself accountable and focused.

09 - TRUSTING THE PROCESS

There is only so much you can do to become the best trader you can be. Imagine trading as a game and all the steps outlined above as the rulebook—once you know all the rules, you can play the game. The more you practice and learn the ins and outs, the more wins you will begin to tally. However, even the best players accept that they will not always win due to circumstances beyond their control. Instead, the best learn from their losses, refocus their energy on what they can control, and trust the rest will work itself out. You'll soon realize that the game is never ending, so stop thinking you've lost or won after just one round of play, learn to trust the process, and enjoy the journey by playing the long game.

QUESTIONS YOU MUST ANSWER BEFORE TRADING LIVE MONEY

Think of a trading simulator as a safe space, a comfort zone for new traders. Eventually, you'll have to enter the real market with real money and get into the game. For an athlete, the game is riskier, scarier, and makes you overthink, while practice is a free space to mess up and learn—the same goes for a trader. Once you feel prepared to leave the nest, you must ensure you are ready before you kick yourself out.

> ONCE YOU FEEL PREPARED TO LEAVE THE NEST, YOU MUST ENSURE YOU ARE READY BEFORE YOU KICK YOURSELF OUT.

DO YOU KNOW YOUR TIME-FRAME?

You must know your time-frame before even thinking about leaving the simulator. Choosing a time-frame requires you to think about what kind of trader you want to be, which leads to many questions. For example: do you want to be an investor, position trader, swing trader, or day trader? Does your schedule allow you to trade on this time-frame? Do you want to use 1-minute charts or 5-minute charts? Decisiveness is an essential trait for a trader and you must make decisions daily. Knowing your time-frame creates necessary decision-making and consistent results in profit.Therefore, if you are an indecisive person, the very first thing you must do is make a plan to choose your time-frame and stick with it.

You might choose swing trading if you have a full-time job because you don't need to babysit your trades. As a swing trader, unlike day trading, you can check in periodically throughout the day. Finding your time-frame allows you to work around your schedule and perform your best.

ARE YOU KEEPING YOUR EXPECTATIONS WITHIN REASON?

You must adjust your expectations. If you expect to make money immediately or for things to pan out exactly as they did in the simulator, understand that progress can vary from three to nine months. You might streamline the learning curve or struggle more than you thought. Keep your expectations realistic and be ready for any change to come. You cannot compare or use success from other ventures in your business attempts, it is a whole new world, and you have to start fresh and be willing to mess up to learn.

WHAT IS YOUR MINIMUM TRADE LOSS?

You must figure out your minimum loss for each trade. For example: as a day trader, say your first minimum loss is $25, so you set the trading plan you used in the simulator and start small with real money. If you find a $25 loss and a $50 profit consistently works, you can slowly begin to build off that. Once you begin using real money, you must start smaller than you think. You will continue to lose if you treat trading like gambling in a casino and go big.

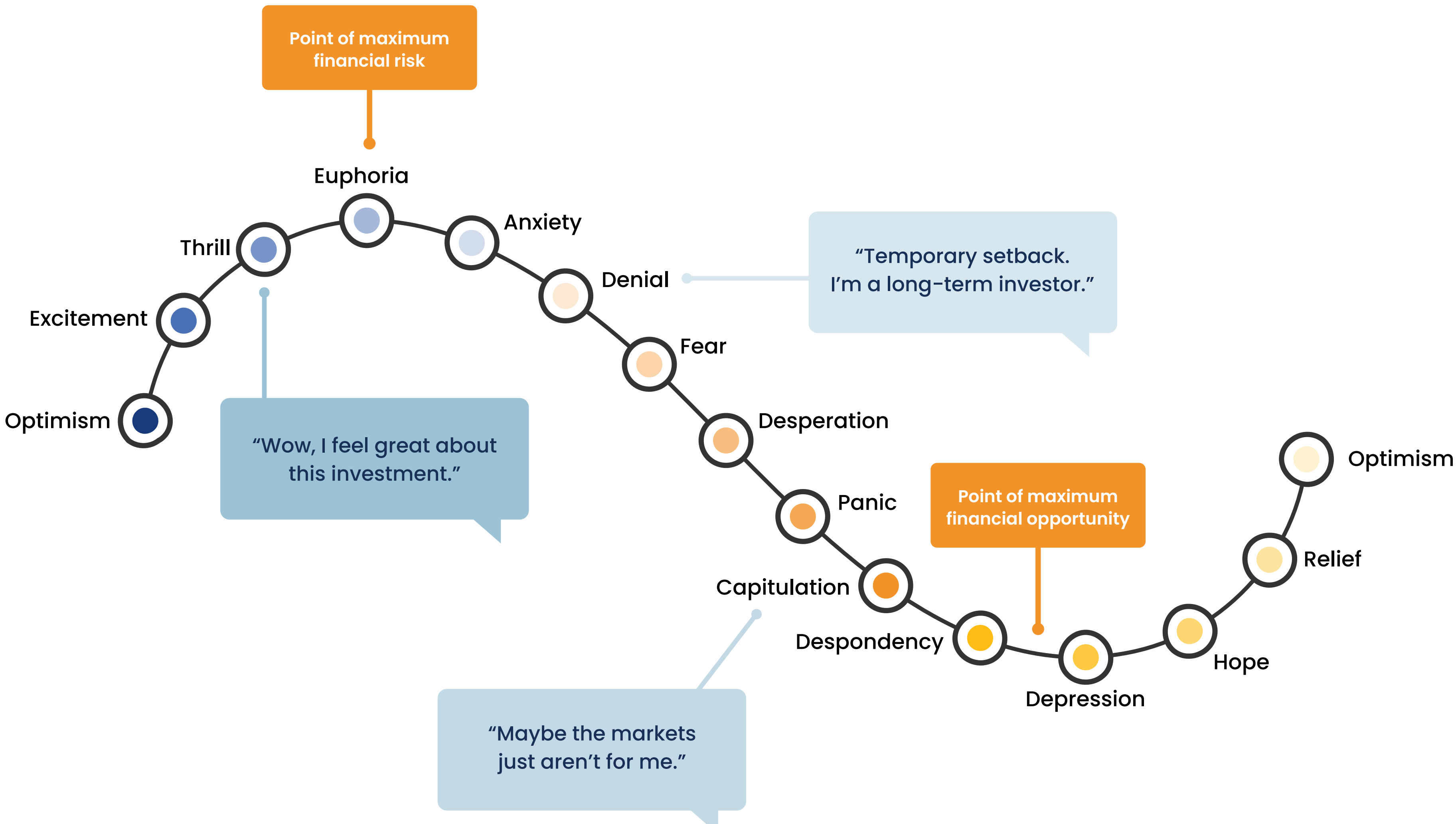
Therefore, a good rule of thumb for traders is allocating funds wisely and setting those rules. For instance, you should risk only 5% to 10% of your account—to keep losses small and profits consistent. Ask yourself, what is the most I am willing to lose? Of course, as a beginner leaving the simulator, you want that number smaller than you'd like to start.

BUSINESS OR A HOBBY?

Trading is not a casino or race track. If you are serious about trading, you must shift your mindset from trading being a hobby to a real business you're running. You do this by keeping track of your earnings and losses, journaling to learn from mistakes, and constantly reflecting so you can learn, grow and be better tomorrow.

If you answered yes to these questions confidently, you are prepared to leave the comfort of your simulator and enter the harsher reality of the market. While it is scary to exit the simulator, you can only make money as a trader once you do. You must be comfortable investing with live money because that is a new ballgame, where the real fun begins.

AVOIDING THE RISKS OF EMOTIONAL TRADING



UNDERSTAND THAT NOTHING WORKS FOR LONG IN THE MARKETS

"The definition of insanity is doing the same thing over and over and over again and expecting a different result." According to this definition of insanity from Albert Einstein, we have all been guilty of insanity at least one time in our lives. No matter what you try to accomplish, you have to give as much attention to your failures as you do your successes, if not more, if you hope to get it right. Resiliency is a trait embodied by all successful traders because they learn when to stick and when to try something new—the bounce back is critical to survival in the market. Specifically, when market trading, what once worked will hurt you if you continue to use it when it doesn't work anymore. It sounds easy enough, "learn from your mistakes, so you don't make it again," so why do we all struggle with this seemingly straightforward piece of advice? Answer: Our emotions. Emotional regulation plays a crucial role in trading.

No trader is exempt from emotion, but you must learn how to manage it to find success. It's easy to blame the market for losses, it's unpredictable, unfair, and overwhelming. Emotions like fear, greed, envy, and paranoia lead to shortsighted decisions devoid of logic. Your emotions are the enemy because they become all-consuming, leading to impulsive behavior and bad decision-making. Can we avoid emotional trading if we cannot fight these innate human emotions? Of course, but you must find a method that works for you. Here are some tips to help you practice emotional regulation in your trades.

01 - DON'T TRADE "SCARED MONEY"

The worst money to invest is the money you need. You might think all your money is "needed," so how can you start investing anything? Scared money is simply money you need to live. It's rent, mortgage, and grocery money that you cannot and should not risk. If you start trading with this money, it will only be detrimental in the long run due to its emotional attachment. The money you trade should be money you can risk investing at the moment, left over after your essentials are squared away.

02 - HAVE A PLAN AND STICK TO IT

Having a plan is the best way to avoid the sway of emotions when trading. Consistency and loyalty to your plan encourages logical, evidence-based decisions rather than impulsive emotion-based ones. You must learn to tune out noise, other opinions, and your emotions. If you continue to act on emotion and impulse, deviating from your game plan, you will remain stuck in a loop of making the same mistakes.

03 - AVOID THE FIRST 15 MINUTES OF THE TRADING DAY

The first 15 minutes of the market opening is when the algorithms run sell-stops trying to get the retail traders to emotionally sell their shares, meaning market stops are at their highest. The algorithm is trying to get you to cough up your shares, preying on the fear it knows you feel below certain levels, pressuring you to get out as quickly as possible, and forcing you to sell at a less-than-ideal price right after the market opens. If you wait 15 minutes after the market opens, you will make better trades by avoiding the algorithm driven chaos.

04 - TREAT REAL MONEY LIKE IT'S SIMULATED & MAKE DECISIONS IN THAT MINDSET

If you have an emotional attachment to your money, which most of us do, you will never take the risk necessary to make money investing.

For instance, if you think like an athlete and perform as if it is a practice run, you can remove added stress and pressure from the situation. If you imagine this money to be no different than fake money in a trading simulator, you create a much easier ride for yourself. The less pressure and attachment you put on your trade, the less riding on it, and the more you will feel comfortable trading.

> “THAT IS THE BEST WAY BECAUSE YOU ARE STILL PLAYING THE GAME BUT FROM A MUCH BETTER MINDSET OF EMOTIONAL CONTROL”

05 - DON’T COMPARE YOUR SUCCESS TO OTHER TRADERS

I know this sounds much easier said than done, but the comparison is not only the thief of joy but the thief of focus, confidence, and emotional control. For example, keep your focus if you’re in a trading room or discord group and see other traders doing better than you. You can’t let the success or failure of another trader control your trades—focus on your plan.

06 - WHEN YOU HAVE A WINNING STOCK, SELL HALF

Selling half is a popularized psychological tip that allows you to keep calm and still risk money, taking emotions out of the equation (you can have your cake and eat it too).

For example, when you see a stock going up and feel that fear creep in and think you should sell now before it drops, pause first. You are hesitant about your next move because your mind goes to the worst place and feels those emotions before anything happens (regret, anger, etc.).

Should I cash out now before it falls, or should I wait it out and see it rise? Every trader has sold shares too early in anticipation of it skyrocketing, and they have all also sold too late after it plummeted.

It is quite the catch-22 situation, a vicious cycle that traders experience daily.

Therefore, the best solution to resolve your emotional attachment is to sell half of your winning trade and pay yourself first, then risk the other half. That is the best way because you are still playing the game but from a much better mindset of emotional control.

07 - CREATE A DROP DEAD DOLLAR AMOUNT TO RISK YOU'LL STICK TO (START SMALL)

If you choose a $25 risk amount per trade and can make $50 profits consistently, that method works for you. If you keep reflecting and it still works well, you can incrementally add more to that drop amount or scale up accordingly.

Emotions will always sway us, it's human nature. As traders, emotions are significantly heightened because we are dealing with an inherent sense of fear—losing money, our security, and our sense of safety in our survival. However, that doesn't mean we should continue letting emotions run our decisions and trades. Applying these tips will help you feel less vulnerable and take back control when they run amok. Emotion is the enemy of investing for a reason—our feelings are powerful. A single emotion can lead to an impulse decision, changing the fate of your entire financial portfolio, but only if you let it.

08 - AVOID TRADING GURUS. LEARN YOUR OWN METHOD

Be contrarian against the herd. If you chase the herd, you never separate yourself. There is no one-size-fits-all when it comes to trading. You must find what works for you and set yourself up for long-term success, not recreate someone else's short-term wins. Herd mentality or bandwagon theory also drives emotions to run amok and make impulsive decisions based on others' opinions instead of critical thinking.

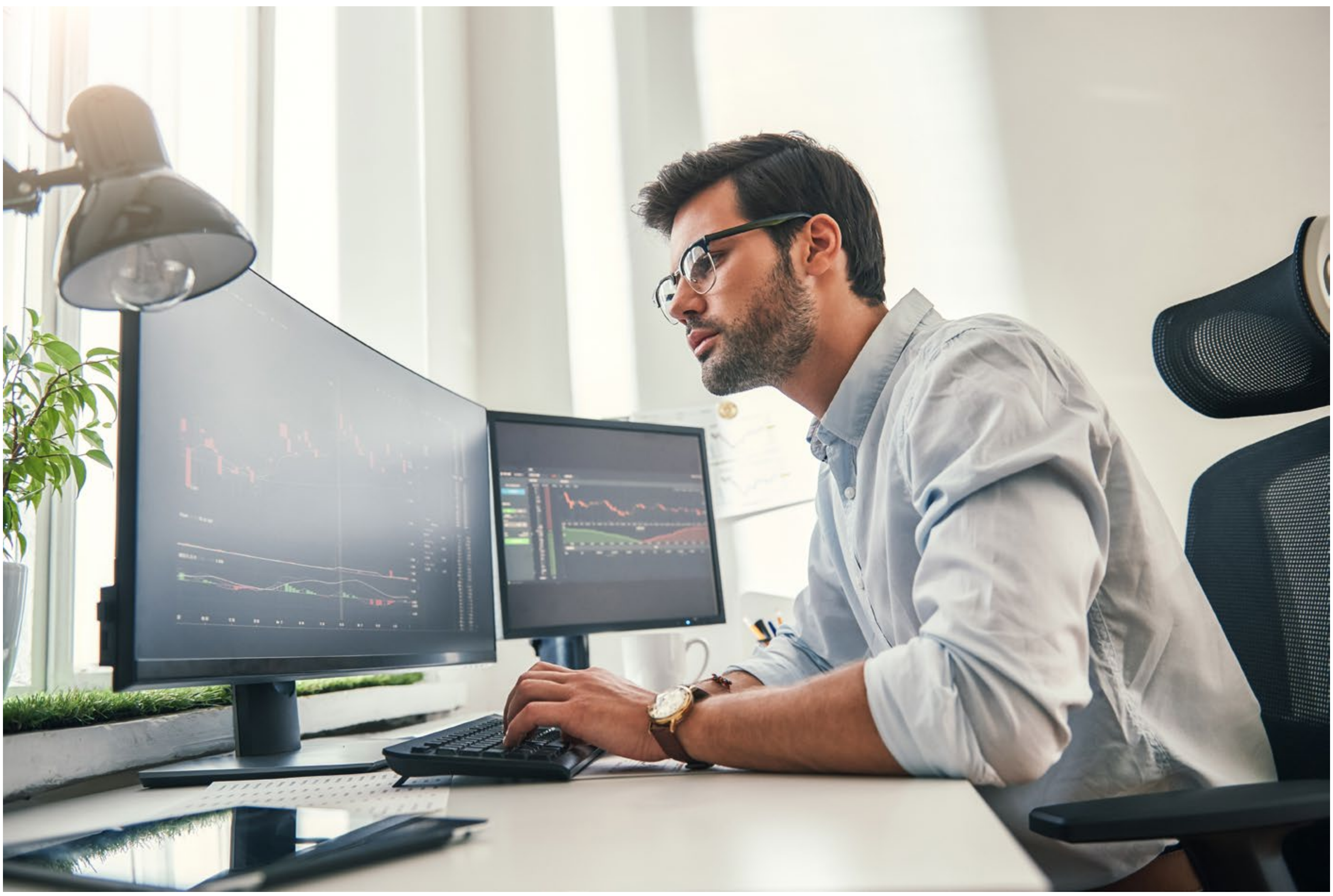
09 - ADMIT WHEN YOU ARE WRONG, QUICKER

Emotional regulation is an integral tool to becoming a successful trader. Another essential tool as a trader is the ability to admit when you are wrong, quicker. Every human being has to learn to live with their emotions and their sense of ego; knowing when to utilize it, negotiate with it, and suppress it requires focus and discipline. When dealing with money, controlling your emotions can seem impossible, especially when mixed with powerful ones like fear and greed.

Learning when to admit when you're wrong allows you to prevent trader "insanity," making the same mistakes over and over again without learning from them. You have to learn to check your ego at the door the moment the market opens in the morning, which is easier said than done.

CHAPTER 3

KNOW YOUR TIME-FRAME AND THEN KEEP IT SIMPLE



One of the most critical decisions a trader must make is what time-frame they want to trade on, essentially choosing what kind of trader they want to become.

DAY TRADING

A day trader, also called an intraday trader, is more than just a trader who trades during the day. The job of a day trader entails a more nuanced view than a swing trader. Day trading means exiting all positions by the end of the trading day.

“THE TRADER THAT CHOOSES TO KEEP STOCK POSITIONS OVERNIGHT (LIKE SWING TRADERS DO) CAN LEAD TO GREATER PROFITS THAN SELLING THE DAY BEFORE”

TIP 01 - CLOSE OUT ALL POSITIONS

Day traders do not keep open positions overnight, they end each day with a clean slate. Day traders close open positions by the close to avoid running the risk of a surprise loss in the morning because of a gap up or down. The trader that chooses to keep stock positions overnight (like swing traders do) can lead to greater profits than selling the day before, but it is far riskier as there is no telling what the overnight markets or surprise news events will do.

TIP 02 - KNOW YOUR TIME-FRAME

Day traders must be savvy, knowledgeable, and quick, stemming from intense focus throughout the day. The length of your time-frame represents how fast you are trading. Day traders usually watch their charts in 1-minute to 10-minute time-frames.

Whatever chart time-frame you choose, you will realize how fast-paced of an environment this type of trading facilitates. Day traders must be ready to sit at their desks and be as focused as they would be flying an airplane—there is no time for distractions. Therefore, day trading becomes a near-impossible route if you already have a full-time job. You must be seriously focused and committed to succeed as a day trader, especially if you want to trade on the more risky and shorter trading time-frames.

TIP 03 - AVOID THE 1-MINUTE TIME-FRAME

If you want to play in the one-minute chart, it is like trying to beat a computer playing chess—the smaller the time-frame, the more noise. Because automated market makers like Citadel own these smaller time-frames, you may get eaten alive trying to keep up. Unfortunately, newer traders are drawn to the fast-paced action of small time-frames and may only realize how deep the water is after they drown.

TIP 04 - BE PREPARED

No matter the time-frame you choose, each will require you to stay focused and invest in a more efficient trading setup at home or in the office. The day trader setup should include: a desktop computer or laptop with high-speed Internet access, backup Internet like a mobile hot-spot, a brokerage catering to day traders, and state-of-the-art charting software.

If you are currently a day trader or looking to transition to become one, Trade Ideas has you covered with all the essentials to work with the market on a day-to-day basis.

SWING TRADING

If you feel overwhelmed just reading about day trading, maybe try swing trading instead. Swing trading is usually the more straightforward short-term trading choice because it zooms out from the noise in the smaller time-frames of day trading. In addition, swing trades happen in much slower 15 minute-plus time-frames. So unlike day traders, your eyes will not have to stay glued to your screen watching every tick for eight hours.

Moreover, swing trading is better if you have other schedule obligations or the pressures of making quick decisions turns you off. Unlike day trading, which requires you to make dozens of daily choices, swing trading offers more time to slow down your decision frequency.

TIP 01

Try to wait until the end of the day for the candle to close before you decide to sell your stocks or see your current positions through another day. You can even use the end-of-day candle to open a new swing position and see if you get a head start the following day.

TIP 02

Beware of market stop orders. Market stop orders are encouraged for most traders, but swing traders have to be careful. These are controversial because of the control they give to market trading algorithms. Your commissions may be free now, however your commission-free broker sells market-stop order information to brokers using AI algos to use that information against you.

These algorithms know that when the market points drop, they will try to scare you into selling first thing in the morning out of panic and automatically sell your stock at the market stop order price.

When your broker sells your market stop orders, you are vulnerable. If you were playing poker, you would not show the dealer your hand and then let him decide that you should fold. He'd want to take your money now, not risk you winning the pot. Putting your trust in these market stop orders may feel safe, but it is not the way to win.

TIP 03

If you still choose to use market stop orders, at least wait one hour after the market opens before acting.

The collective panic and pain from overnight stop orders can result in an automatic sale lower (stop hunt) than ideal. However, the longer the day goes on, the market stop orders will become less and less harmful as people have already sold their shares and the low for the day. The risk may feel unsettling, but there is no worse feeling than selling your shares too early out of fear, only to watch it sell high when the market closes later that day. Once all the other market stop orders get cleaned out from the night before, it becomes a more fair market for you—the payoff is worth the patience.

By the end of the day, swing traders buy or sell depending on how the candle will close, while day traders make snap decisions the moment the market opens. Day trading is for quick, full-time traders who want to always cash out by the end of the day.

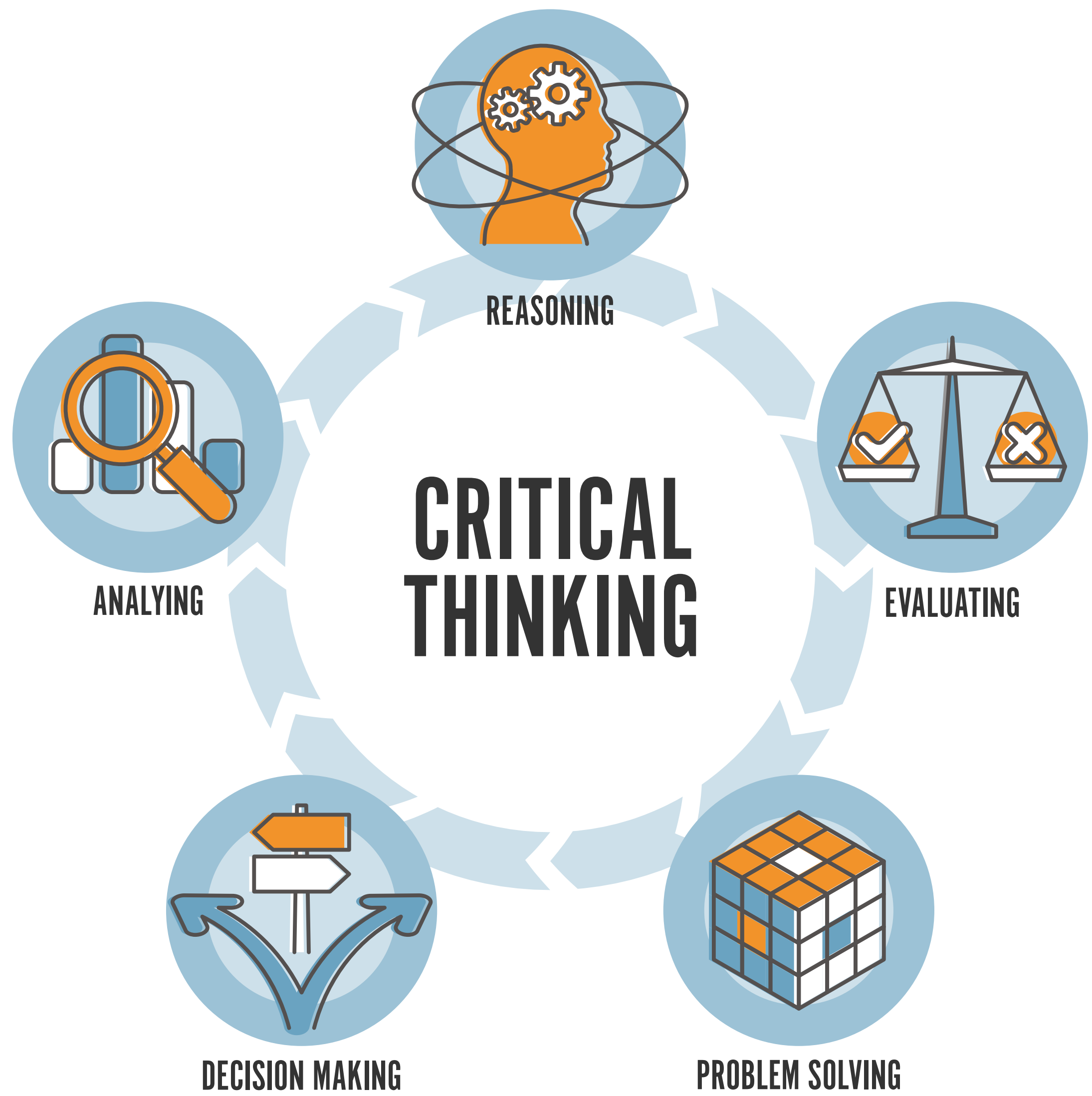
Therefore, most people find it easier to work as a swing trader, as it is less time-consuming, and you can make more money if you hold overnight. Each trading style has pros and cons; it depends on which works best for you and where you can see yourself excelling.

Pay attention to longer time-frames. More extended time-frames are underestimated in the trading world because we want the immediate gratification that shorter time-frames can provide. However, this short-term mindset trains us to get sucked into only utilizing 1-minute or 5-minute time-frames, not taking advantage of the hourly, daily, and weekly frames. The longer the trend, the more durable it will be, allowing longer time-frames to exert much greater control while most short terms fail. Even experienced day traders get blinded by short time-frames and ignore the long term. And yet they could perform better if they broadened their perspective into hourly frames.

CHAPTER 4

CRITICAL THINKING AND STRATEGY

Once you can control your actions and emotions when trading, you become better equipped to practice critical thinking and learn the tools to transform you from an average trader to a professional trader, and make a living doing it. The following tips will help you elevate your trading skills:



01 - UNDERSTANDING HOW AND WHEN TO SHORT STOCKS

This tactic is one of the core tools you must add to your trading tool-set to succeed. Surprisingly, many stock traders overlook the importance of shorting. The way to make money by short selling is to sell falling shares your broker lends you, then buy back when the price rises again. You need this new approach to level up your trading skills and make money in a bear market. It's similar to learning a backhand stroke in tennis to complement your forehand.

According to trader Eric Chang's panel regression from 2014, the data revealed that intensified short-selling activities are associated with improved price efficiency. "Short sellers trade to eliminate overpricing by selling stocks with higher contemporaneous returns following a downward trend, and their trades predict future returns" (Chang, 2014). Not to bore you with another platitude, but the journey truly is the destination. If you are serious about becoming a trader, you must be willing to dedicate your time and energy. Start thinking long-term and avoid the temptation of "get rich quick" schemes.

02 - DEVELOP RISK MANAGEMENT AND STICK TO THOSE RULES

Risk management is imperative to finding success as a trader and will change over time, but this ratio should remain consistent in trades once finding a strategy that works best. Traders must distinguish between taking too much, too little, or taking the wrong risk entirely; finding the balance is critical to becoming a more consistently profitable trader. If we risk too much, it can lead to significant variations, while taking too little results in lower returns, leaving us unable to meet our financial goals.

> “IF YOU WANT TO PLAY THIS GAME, YOU HAVE TO BE FOCUSED ON THE BIG-PICTURE, THE LONG RUN, EVEN IF IT MEANS SACRIFICING IMMEDIATE GRATIFICATION ALONG THE WAY.”

In conclusion, trading is ever-evolving and requires commitment, patience, and effort more than ever to succeed. Luck will only get you so far in the market, and your motivation will not be consistent over time as it fluctuates. Resilience is vital to be a successful trader. You must bounce back from failures before you can dwell on them. If you want to play this game, you have to be focused on the big-picture, the long run, even if it means sacrificing immediate gratification along the way. The tools presented in this book will help you trade smarter by creating a tailored plan for you, utilizing logic over emotion, and trusting the process by playing the long game. We hope you will use this eBook to re-spark your journey as a trader because you can always choose to start again.

For more information, we have had two of our most experienced traders answer some questions that will further help you along on your journey. Click on the link below to watch the video or keep scrolling to read the transcripts.

Watch Now