

TRADING IN A VOLATILE MARKET

- TOM WAITT

1. When you buy, ENTER TWO SELLS. One at your upside target, the other for protection to limit your downside, as to the risk you are willing to take.
2. Monitor your investments and change your sell points to adjust to upside potential. Raise your protective stop if necessary to protect profits.
3. Buy low and sell high would be nice, in reality it is best to buy high and sell higher to be sure a stock has already bottomed out. Strength begets strength, and weakness, weakness.
4. Keep your winners, buy more on dips, sell your losers. Do not hope them back to even, get out. Be patient with winners, be impatient with losers.
5. Have a plan and work it, target your expectations both up and down. If things change, you should change.
6. Know your abilities, get help when uncertain.
7. Stick with excellent liquidity, avoid low volume securities.
8. Remain flexible and open minded for original thought.
9. Avoid being over diversified; you can't outperform the market if you buy the market.
10. Avoid following the crowd, buy when most people are pessimistic. Sell when they are optimistic.
11. Stick with quality situations, a known trusted brand.
12. Overcome the "Fear" and "Greed" pressures.
13. Understand the stock's history of resistance and support, keep an eye on volumes of trade – it is the key to price movement.
14. Never add to a losing position.
15. Understanding mass psychology is more important than understanding economics.