



every instrument | every time frame | your plan

All material presented during this session will be of a general nature and will in no way constitute specific investment advice.

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mentor program

with louise bedford



What we'll do today

9.00 – 11.00 Louise to discuss the program

11.00 - 11.30 Morning tea

11.30 - 12.30 Chris Tate to discuss the things learned from previous Mentor Programs, mistakes Mentorees make and things you can do to maximise your success

What is the Mentor Program?

An ongoing program designed to put money into sharetraders pockets and make it stick, even if they have only 30-minutes a day, and limited knowledge about the sharemarket.

Hang around and you'll learn to trade - every instrument, every time frame, but it will be your plan.

You can repeat the program as many times as you like.

What We Do on the Program

During the first 3 months, we'll cover the foundation that every trader needs to focus on to become exceptional

We'll discuss equities, CFDs and options, and all of the hallmarks of effective trading

The second half of the course covers specific searches, trading systems and advanced tools such as FX

Watch videos and listen to podcasts to stimulate discussion and provide focus

Make suggestions based on sound trading principles

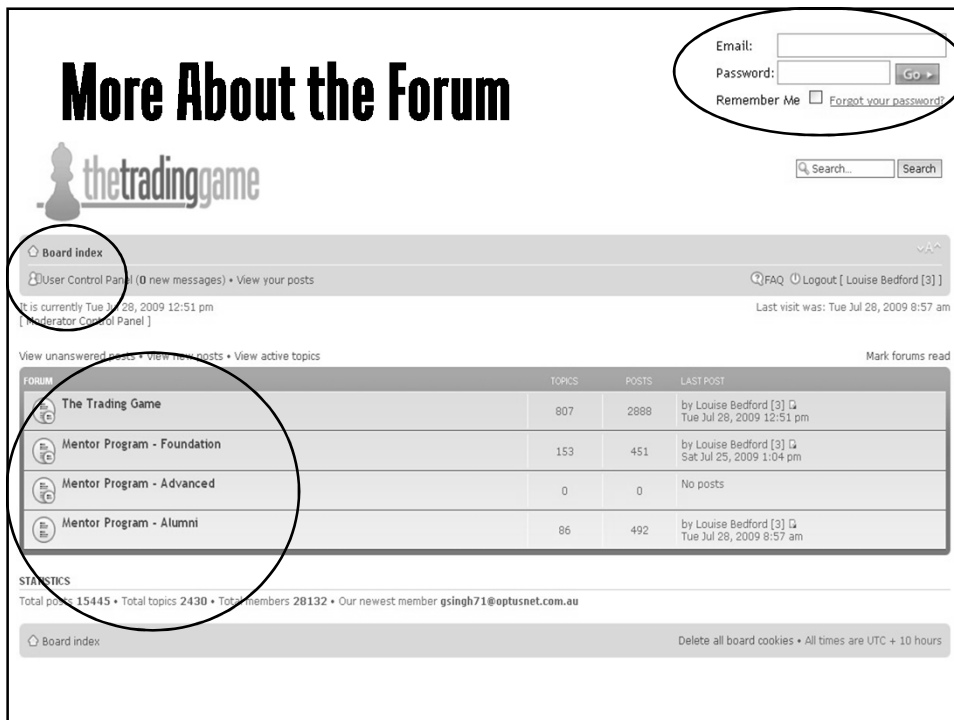
What we Don't Do. . .

Give you all the answers

The Group

We started the Mentor Program in 2001.

Add your name, background, & photo - 'The Group'



The Foundation Area



Search... Search

Board index > Mentor Program > Foundation














User Control Panel (0 new messages) > View your posts

FAQ Logout [Louise Bedford [3]]

[Moderator Control Panel]

Mentor Program - Foundation

Mark forums read

FORUM	TOPICS	POSTS	LAST POST
 Week 1 - 4 Resources	1	1	by Louise Bedford [3]  Sat Jul 25, 2009 12:32 pm
 Week 5 - 8 Resources	1	1	by Louise Bedford [3]  Sat Jul 25, 2009 12:33 pm
 Week 9 - 12 Resources	1	1	by Louise Bedford [3]  Sat Jul 25, 2009 12:33 pm
 Study Tasks	1	1	by Louise Bedford [3]  Sat Jul 25, 2009 12:48 pm
 Discussions	1	1	by Louise Bedford [3]  Sat Jul 25, 2009 1:04 pm
 Metastock	1	1	by Louise Bedford [3]  Sat Jul 25, 2009 12:44 pm
 The Group	147	445	by Marc Napoli [25359]  Fri Jul 24, 2009 4:23 pm

Make Sure You:

Keep a separate record of all postings

Maintain a separate notebook to keep notes

Don't get too far behind

Speak up early, and ask lots of questions

Forum Etiquette

Polite – say please and thank you

Don't type in UPPERCASE

Pay attention to grammar and spelling

Read through each posting before hitting submit

Break your posting into paragraphs, use bullet points

Forgive the tone of others

Forum Etiquette

Avoid sarcasm and flames sent in anger

Address any 'issues' you're having with someone by email

Don't expect an immediate answer

Remember to criticise in private but praise in public

The people who created the videos and podcasts throughout the program are still involved, so woe betide anyone who says anything negative about them

What's in a Trading Plan?

Trading Objectives and goals

Accounting Structure

Handling disaster recovery

What you'll do with your trades while on holidays

Which instruments you'll trade

Your trading system

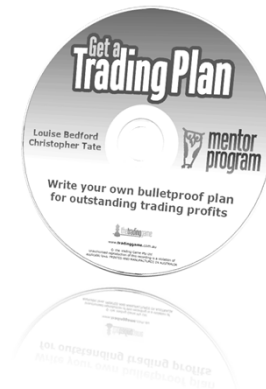
What's in a Trading System?

Your entry

Your exit

Your position sizing

Listen to your CD
'Get a Trading Plan' repeatedly
throughout the whole program



Trading Plan Template

On the CD and in your notes is a trading plan template. Your mission throughout the next 6 months is to fill this in

I suggest you re-type it out, to cement the principles, and be prepared to have multiple iterations before you settle on the right plan for your own situation

Mentor Program Topics



mentor program
with louise bedford

The first 12 weeks



Week 1

Introduction, Disaster Recovery, Structure, Role of a Trader

Forum familiarity and intro to trading buddies

Add your personal information to 'The Group' thread

Video with Mark Snell, IT expert

2 podcasts with Jason Cunningham –
Structure and Trading vs Investing

2 podcasts with Marc Otvosi and Alan Hull on
'The Role of a Trader'

Week 2

Objectives, Setups & Triggers, Metastock Intro

Setups video

Triggers video

Scott Lowther on how to use Metastock

Week 3

Stops and Position Sizing

Stops video

Position sizing video

Week 4

Pyramiding and Consolidation of Concepts

Pyramiding video

Consolidation video

Mechanical trading podcast

Week 5

Revision and Opportunity International

Revision

Focus on Opportunity International - video with Richard Fakhry

Week 6

Choosing a Platform

Video interview with Caroline Semisi – CMC

Other platforms discussion – E*TRADE, IG Markets, CommSec

Week 7 & 8

CFDs

CFDs intro and Discussion with Chris Tate

Trading with Leverage – pitfalls and advantages

Introduction to Chris Tate’s teaching style

Week 9

Trading Psychology

‘Trade for Your Life’ video - Ready to trade full-time and Top 10 mistakes

Stefan interview podcast – How to handle losses, a life-shattering experience

Peter Cook interview – An athlete’s perspective, world champion power-lifter

Week 10

Trading Plan Design

Designing a trading plan – Tom Ede’s 1st lesson interview podcast

Start writing your own trading plan if you haven’t already begun

Video – interview with Mark Bull – Focus and Skill

Week 11

Intro to Options

Intro to Options – Option trading video

Podcast – dissecting Jackie’s option trading plan

Week 12

Transition to Chris Tate's section of the program

Revision and commentary on trading plans

Video with Colin Simpson – Life after the Mentor Program

Final meeting for my section and set up for CT's section

Peter Hunt



"The support Chris and Louise have offered, their reputation in the sharemarket, and their knowledge about the **most current techniques and strategies** about making money regardless of the sharemarket conditions is **unprecedented**."

"They will put you in touch with some of the most **powerful trading tools** available to traders today."

"Thanks so much for the impact you have had on my life."

Peter Hunt
Business Manager of Ballarat Grammar,
Ballarat

Caroline Semisi



"I had a small base to begin with and after completing the Mentor Program, my capital grew by **4% in the first year, 50% in the second year and 370% in the third year.**

"I know this sounds crazy - but it's true".

Caroline Semisi
Professional Trader, Balwyn, Victoria

Rob McDonald



"Because of the principles you've taught me, I've now been able to **travel around the world**, as a sort of nomadic trader.

"I lived in **Miami** for a while and while on the road traded from locations ranging from parks in **Milan and Rome** through to Starbucks in **London, Paris** and beyond.

"I'm now living in **Singapore** for a while, with **Shanghai** next on the list, followed by **Rio** for a trading base next year, but hey, who knows! I can't thank you enough for everything you've taught me about trading and the difference it has made to my life."

Rob McDonald
Full-time nomadic trader and traveller

Barry & Elizabeth Zeuschner



"We made 872% on one CFD trade, and 598% on a share trade. If there is anyone who has not realised success after doing your training, then they haven't followed what you've laid out in a step-by-step plan, where you've taken ordinary people by the hand and led them towards deriving **rock-solid profits for the rest of their lives.**"

Barry and Elizabeth Zeuschner
Bookkeepers, Melbourne

Kym Chilton



"I recently closed out two trades for returns of 73% and 60%. The profits I have made have covered the initial cost of the course over and over again."

Kym Chilton
Engineer, father of three, Brisbane

Marc Otvosi



"As a direct result of your teachings, and directly due to your systems, **I exited at the right time before the recent downturn. This saved me 70% of my own trading capital.**

To have dropped 70% of my money would have been devastating, and because of you, Chris and Louise, I didn't have to go through that trauma. I cannot thank you enough!"

Marc Otvosi
Full-time trader, Sydney

Ben Hinton



"The moment that I came across Louise Bedford's books, CDs and DVDs, I knew that I had found what it was that I was looking for.

"Louise's straightforward and easy to understand principles of trading **helped me to develop a complete trading plan that suits me** and pointed me in the right direction.

"Thanks Louise."

Ben Hinton
Electrical contractor, Queensland

Darren Lovett



"I lost my first \$40 thousand dollar trading bank within 6 months, trading options on the back of some spruikers advice who suggested we bet 20% of our trading bank on each trade. And I paid him \$5000 for the privilege!!

"The only reason I toughed it out is because of you two. Thanks for sharing your knowledge and time and for your honesty and integrity and **not being part of the 98% of BS#!T artists out there.**"

Darren Lovett
Part-time trader, QLD

You



My objectives
in becoming a
trader are...



mentor program

with christopher tate



What I have seen.

things learned from previous groups

Be clear on why you are trading before you even contemplate going any further with the trading process.

CT – So why do you want to trade?

Punter – To spend more quality time with my family.

CT – Excellent reason. How are you going to facilitate this?

Punter – I'm going to intraday trade FX.

CT – Are you mental?

**Proper
Prior
Preparation
Prevents
Piss
Poor
Performance**



**KEEP
CALM
AND
CARRY
ON**

Mistakes made.

what the hell was that about?



I'M SORRY

I can't hear you over the sound of how awesome I am.



overconfidence



persistence



illusion



reality

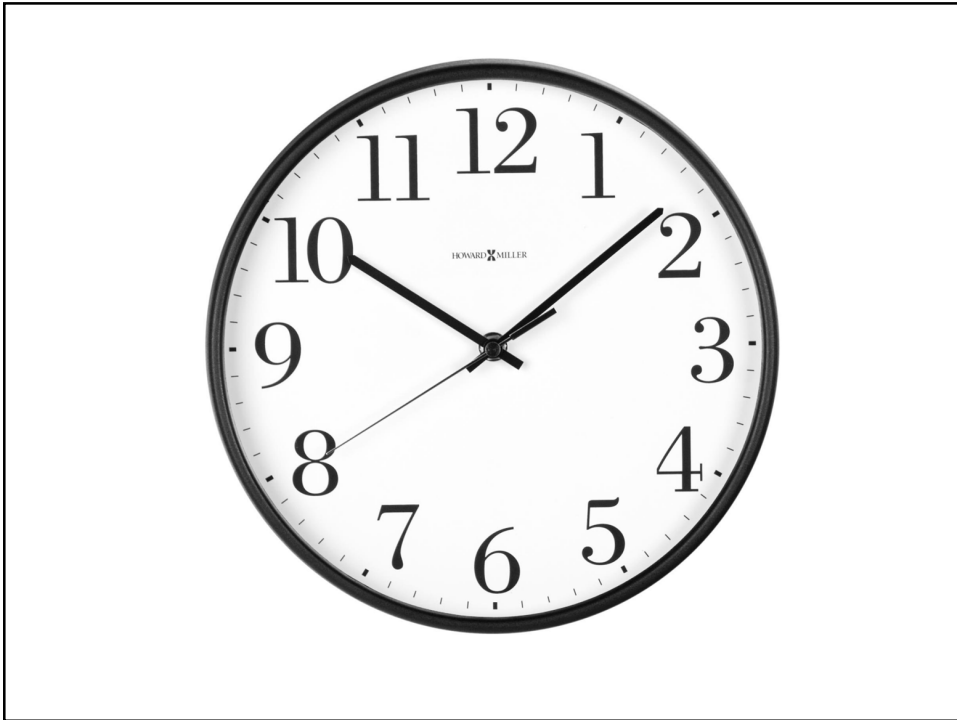
Trading is a production line.

Maximize success.

how to survive and prosper



find a friend



Rid yourself of
preconceived notions.

What you think trading is.



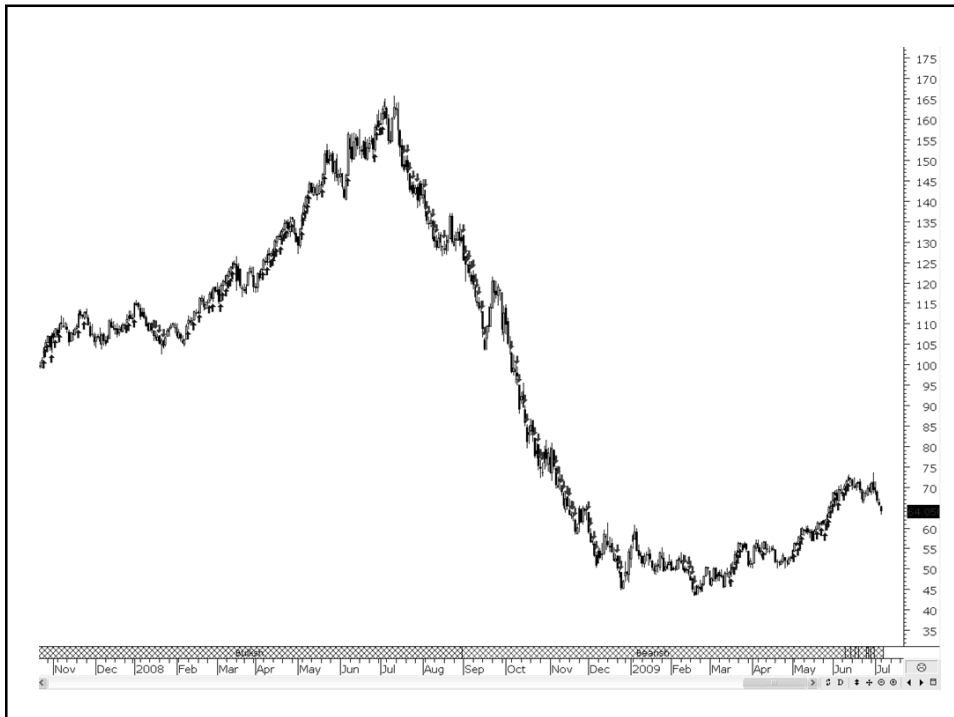
And what it really is.



Are probably two different things.

What do I do?

The System.



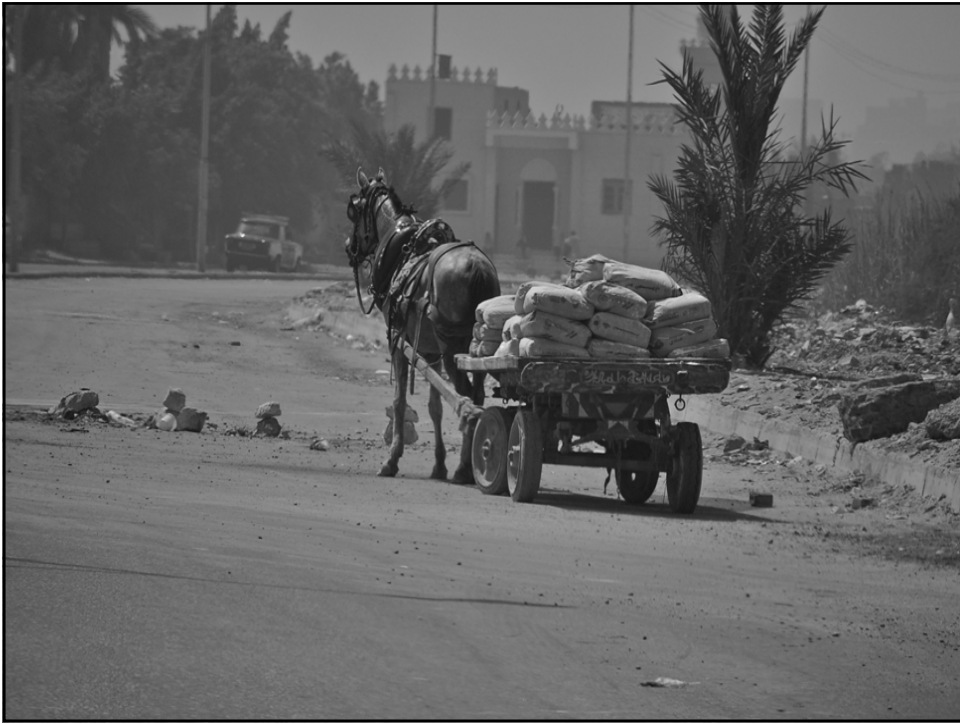
The System.

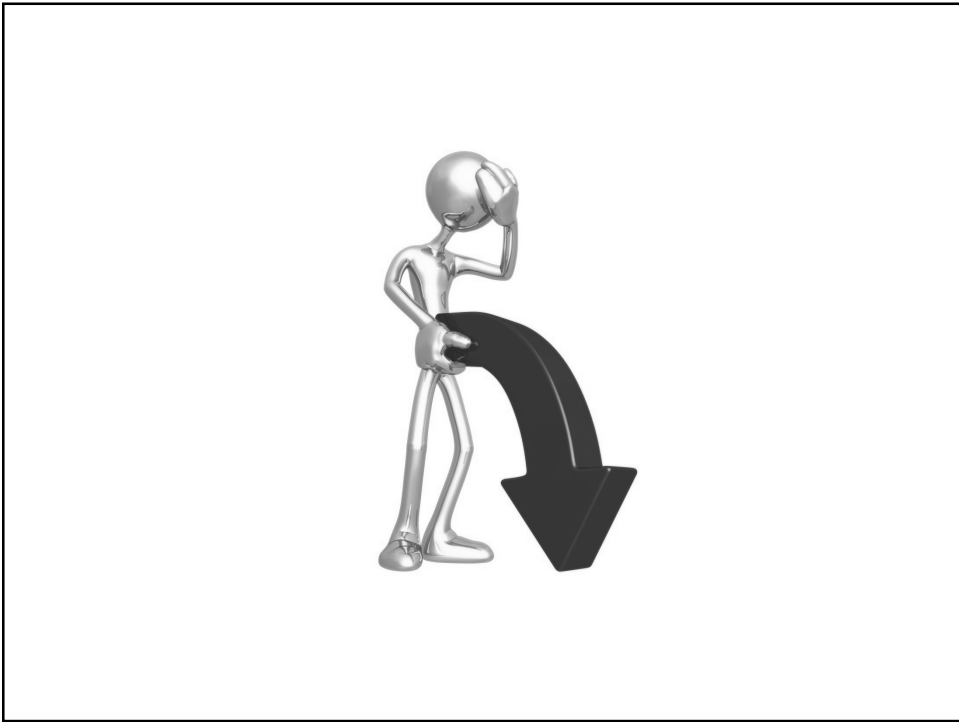
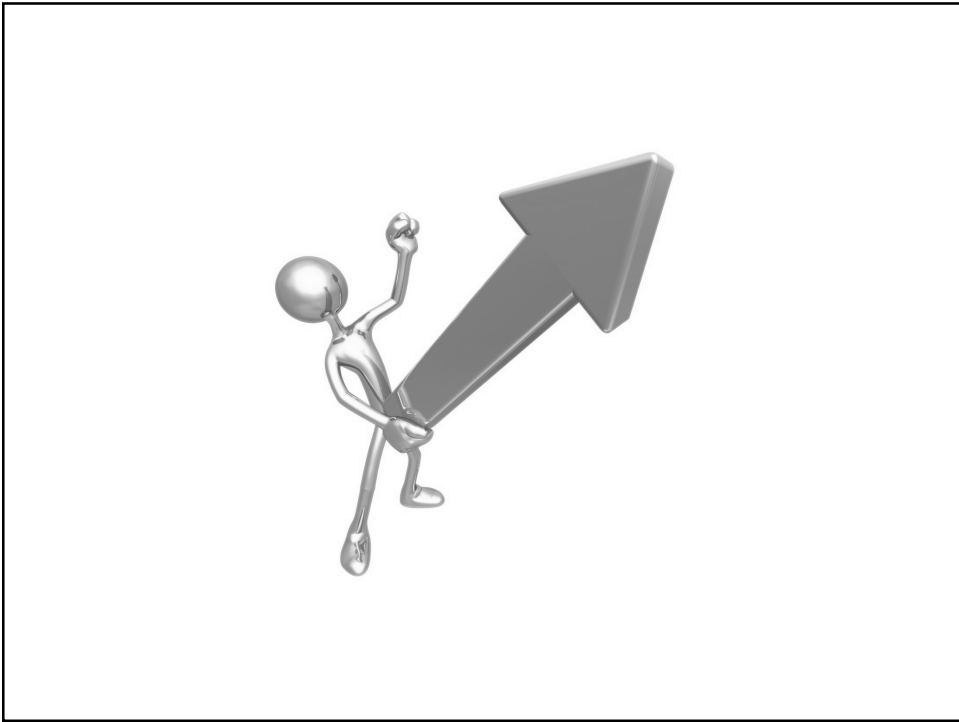
takes time.....



relax into the process







End.

Get a Trading Plan

Chris Tate's Quiz

If, in the first year of my trading, I make a profit of 100% on my \$10,000 and in the second year of trading I make a loss of 50%. What is my average return for the two years and how much money have I made at the end of the second year?

Answer: By the end of the second year of trading, you won't have made any money at all, achieving an average return of 0%.

Initial Capital: \$10,000

Year 1: \$10,000 + 100% return = \$20,000

Year 2: \$20,000 - 50% loss = \$10,000

Trading Plan Template

Over time, a robust trading plan will produce greater profits than losses. A good trade is made when you follow your trading plan to the letter regardless of a profit or loss result. It is a sign of a disciplined trader. If you are having trouble developing your own plan, I suggest that you plagiarise the ideas of other traders/authors who you relate to. After you have tried out their concepts, you can make alterations to suit your situation. Duplicate before you innovate.

Do you want to be in the top 5% of investors? Quick—grab a pen and paper and get writing. Print out this Trading Plan Review and fill it in, before you make another trade. It is absolutely essential! Take heart from the words of Warren Buffett:

To invest successfully over a lifetime does not require a stratospheric IQ, unusual business insights, or inside information. What's needed is a sound framework for making decisions and the ability to keep emotions from corroding that framework.

A trading plan can provide you with the framework that you need to succeed in the sharemarket. A trading system is a part of your trading plan.

Developing a trading system

A trading system typically includes three components: the entry/exit methodology, risk management and money management.

The *entry/exit methodology* deals with the techniques you will employ to enter/exit your trades.

Risk management deals with your risk profile. Your risk profile takes into consideration how much you are prepared to lose on a trade before you can no longer hold on, or how much of your portfolio you are prepared to lose before you stop trading altogether (that is, maximum portfolio drawdown).

Money management deals with how much capital you invest in each trade as your portfolio value fluctuates. You must calculate how much of your capital to invest in each position. This is called *position size*.

This is just a brief overview of how to develop a trading system. For a more complete exploration of this important area, refer to my book *Trading Secrets*.

Your Blueprint for Success

Suppose you were planning to purchase a business that had the potential to create an unsurpassed lifestyle for you and your family. Would you spend some time discovering the critical components necessary for success? Of course you would. You'd also work your tail off to develop a business plan that would set you up for the future.

The sharemarket has the potential to change your lifestyle forever. It's up to you to lay out a road-map that will take you from where you are now, to where you want to be. That's where a trading plan will assist.

You will derive the most benefit if you spend at least half a day considering the issues described below. The time that you invest in considering all of these possibilities will set you apart from the majority of traders.

1. Clearly write out your objectives. Are you trading for wealth creation, income, or for fun? Your objectives should be as specific as possible. Exactly what are you hoping to achieve?

2. What are your psychological strengths and weaknesses in relation to trading? What steps are you taking to overcome your weaknesses and maximise your strengths?

3. What structure will you trade under e.g. partnership, trust, company etc? If you are uncertain, visit your accountant or tax agent to ensure that you are setting up with the best structure for your own individual situation.

4. How much time per day/per week will you devote to trading? How many distractions do you face while you are trading? Is there any way to overcome these distractions?

5. What size of percentage returns are you expecting per annum? This will have an impact on your choice of markets to trade. For example, if you are expecting a 60% average return on investment, then it is likely that you will need to investigate derivatives or futures. A 20% return would be more suited to trading shares.

6. How much capital do you have to devote to your trading system? Will you use only one trading system, or several?

7. Which markets will you focus on e.g. futures, managed funds, equities, CFDs, warrants or options? Will you trade Australian shares, or overseas markets? How will you allocate capital between these areas?

8. If you experience a consecutive string of losses, how will you react? What percentage of your initial capital can you tolerate losing before you will stop trading temporarily/permanently?

9. What procedures will you follow on a day-to-day, week-to-week basis etc. to search for opportunities, monitor your existing positions and review your performance?

10. Over what time frame will you trade, e.g. intra-day, daily, weekly? How long do you envisage holding each position? If you are already trading, how long is your average hold time? Does this fit in with your psychological profile and goals?

11. What percentage of your capital are you willing to risk on each trade? When, if ever, will you alter this percentage?

12. How will you determine how much money to commit to each position? When will you increase your position size?

13. How will you set your initial stops, your breakeven stops and your trailing stops?

14. When will you move from your initial stop, to breakeven, and subsequently to a trailing stop?

15. What are your entry triggers?

16. How will you keep a record of your transactions?

17. How will you measure your performance? How often will you review your existing portfolio? How will you know when you have done well or poorly?

18. How will you handle a windfall profit?

19. What will you do with your open positions when you go on holidays?

20. How do you plan to deduct money from your trading account e.g. salary? When will this be conducted? How will this affect your position sizing etc?

The questions outlined here are designed to get you thinking in the right direction. You may find that they raise other questions you will need to address.

If you don't know how to answer any of these questions, you need to realise this is telling you something as well. It's telling you that you need to do more research before you plunge into the markets in a big way. This is a marathon, rather than a sprint. It would be better to stand back, research the areas you need to learn about, and then jump into the markets.

I want you to develop your trading skills and make more money in the next few years than you have made in your life – and the only way you'll be able to do this is through dedication to your own education.

Your trading plan should be reviewed on a frequent basis to ensure that your system is in line with your current objectives. Short-term traders should review this process every month. If you are a medium-term or longer-term trader, every 3 – 6 months should suffice.

It's essential that your plan blends in with your lifestyle and personality and it is impossible for me to fully understand your own private situation. No two traders, and therefore trading plans, are the same. This is *your* blueprint for success—no one else's.

Chris and I only teach the personal share trading methods and techniques that we use every day, under fire – no untested theories... only what works.

If you have a fire burning deep inside you that is driving you towards achieving success, then we'd like to be with you every step of the way.

I've been trading half my life. I'm one of the few traders who actually pulls back the curtain and shows you how it really is. Stay in touch by reading our monthly Trading Game email newsletters, plug into the Trading Game forum, and commit to your own education. I'll be with you every step of the way.

You've taken the first step towards achieving success in the sharemarket. Congratulations! To show you how committed I am to your success, here is my email address: louise@tradinggame.com.au.

I look at every email personally, so if there is anything I can do to make your journey even easier, be sure to let me know.

Happy trading!

Louise



Louise is a full-time private trader and author of *The Secret of Writing Options*, *The Secret of Candlestick Charting*, *Trading Secrets* and *Charting Secrets*.

Glossary

Ask: See *bid*.

At-market or At-the-market: An order to buy or sell an option or a share at the prevailing market price.

Average True Range (ATR): The average of the true ranges over the past x periods (where x is specified by the user). See *True Range*.

Average down: To buy more of a security that is not co-operating with your initial view—for example, buying more of a downtrending share. You are trading against the trend. Only ever buy more of uptrending shares.

Average up: To buy more of a share that is co-operating with your initial view. You could also short sell more of a share that is trending down. This is also known as pyramiding.

Bar chart: This is the standard form of chart utilised in Western technical analysis. A single bar consists of an open price, a high, a low and a close price for a particular session.

Back-test: A method of testing an indicator's performance by applying it to historical data.

Bear/bearish: A trader with a negative expectation of the market or share. Some texts use this phrase to signify a sideways trending market as well as a downtrending market. For the sake of simplicity, this CD will refer to 'bearish' as representing a downtrending market or share.

Bid: The price at which the buyers have registered their interest in a share. A real-time screen will show the buyers who are queuing to buy the share as bids, and the sellers who are queuing to sell their shares as *asks*.

Black candle: A bearish session showing the close lower than the opening price.

Black box system: A trading system which generates buy and sell signals, yet the calculation or rationale for these signals is not disclosed.

Breakout trade: An entry into a long position in an instrument in an existing uptrend after a significant level of resistance has been bullishly transcended.

Bull/bullish: A trader with a positive expectation that prices will rise in the market or for a particular share.

Candlesticks: A 17th century Japanese technique that uses the same information as contained in a Western bar chart, but provides a different graphical representation. Candlestick patterns of one, two, three or more candles (bars) provide an excellent timing/confirmation tool when used in conjunction with other indicators.

Call option: A call option gives the buyer the right, but not the obligation, to buy a given security at a particular price up to and including the day of expiry.

Capital: The amount of equity, or money, that you have set aside to begin trading with.

Capitalisation: See *market capitalisation*.

CFDs: (see Contracts for Difference).

Contracts: Options are sold by the contract. One option contract usually controls 1,000 shares. For example, five BHP options contracts would control 5,000 BHP shares.

Contracts for Difference (CFDs): CFDs allow you to deal on share prices without having to physically settle on the trade. With CFDs you are trading a contract that represents the share. Benefits include low brokerage, the ability to trade online and leverage.

Correction: A movement in prices against the general trend which typically occurs with little or no warning. For instance, the market periodically loses value as many of the underlying securities drop in price by several per cent.

Defensive actions: These act a last resort when the share goes against the view you had when initially writing the option. Defensive actions are a way of removing yourself from risk and minimising your potential loss if the trade goes against you.

Derivatives: A derivative is a financial instrument that has another asset as its underlying base, e.g. options, warrants, etc.

Dividend: This periodic payment is a part of a company's net profit that is paid to shareholders as a cash reward for investing in the company's shares.

Downtrend: Where prices are making consistently lower highs and lower lows.

Downtrend line: A straight line is drawn at a downward right-slanting angle connecting the peaks of the share price action. Once the prices show evidence of rising above this line in a sustainable manner, it is likely that the downtrend has been broken. Ideally, this should be accompanied by a simultaneous increase in volume.

Drawdown: The amount of dollars lost at a particular point in time compared to the previous overall gain. An alternative meaning is a retracement in equity from a previous equity high. On a share chart, the drawdown from the previous high to the current share price will show the amount by which the share price has fallen.

Equities: Another term for shares.

Exchange traded options: The options traded over shares in Australia are called 'exchange traded options' or 'American-style options'. This type of option allows the option holder to exercise the option at any time during the life of the contract.

Ex-dividend: The day after the shareholders have taken the dividend. This typically results in a share price drop.

Expectancy: This is a mathematical calculation that will provide a measure to show, for every dollar that you have invested in the market, how many dollars you will extract.

Expectancy = (probability of winning x average win) – (probability of losing x average loss)

Exponential Moving Average (EMA): The exponential moving average places more emphasis (on an exponential basis) on the most recent prices and forms a moving average line. A moving average takes the closes of several periods and plots a point. When several of these points are connected, a moving average line is

formed. Moving averages are most effective as trend-following tools. They smooth out the price action but incorporate a time lag. A moving average in a sideways-moving market is less effective.

Foreign Exchange: The Foreign Exchange is the worldwide currency market. It is one of the most liquid markets available.

Formation: See *pattern*.

Fundamentals: Fundamental analysis assists in detecting which shares have a probability of increasing or decreasing in value based on the company balance sheet and profit/loss details. Economic supply and demand information is analysed rather than the market activity of price and volume action on a share chart.

Futures: Agreements which are legally binding to buy and sell specific quantities of specified commodities or financial instruments at a particular date in the future.

FX: See *Foreign Exchange*

Gaps: Gaps show that the price activity of the preceding period is completely above or below the next candlestick or bar apparent on the chart. The gaps are spaces or holes left on the share chart when viewing candlestick charts or bar charts. In Western analysis there are three main types of real gaps: *continuation*, *breakaway* and *exhaustion*. A continuation gap suggests that the prevailing trend direction is likely to continue. An exhaustion gap is a gap that occurs towards the end of a trend and signals that the trend direction is likely to end. Such a gap can often be observed prior to a reversal trigger candlestick pattern. A breakaway gap usually signals the beginning of a new trend. Such a gap can often confirm the new trend direction after a reversal trigger candle pattern. There are also false gaps—gaps that occur on low volume—and sucker gaps—gaps that occur because of an ex-dividend situation.

Illiquid: Instruments with low levels of trading are considered illiquid and are best avoided. By trading in illiquid options/shares, if the trade goes against you, exiting from your open positions will be considerably more difficult.

Line chart: This type of chart connects the closing prices for each period to provide a continuous line that depicts share price action.

Liquid: Shares or options with a significant number of buyers and sellers already participating in actively trading this instrument.

Long or going long: This implies a bullish view of the market and describes the situation when a trader purchases an instrument to initiate a transaction. When buying shares, traders have a long view of the market.

Market capitalisation: The total number of shares that have been issued multiplied by the share price.

Managed fund: A pool of money over which investors relinquish power regarding buy and sell decisions to a fund manager, or a so-called professional trader.

Margin: The amount of money retained in trust by the Options Clearing House or your broker while you have an open written options position, a futures contract, or a short sold position. This partially insures your broker or the clearing house against a loss on your open positions.

Margin loan: A sum of money that is available for you to loan in order to purchase a select group of stocks, e.g. Top 100. Although allocations for specific firms will vary, you may be able to borrow up to 70% of the value of the shares that you would like to purchase.

Margin called: When the share price trends against your initial expectation, your broker will require a further amount of money to be deposited, often within 24 hours, in order to maintain the margin ratio of the original leveraged position.

Momentum: The velocity of a price trend. Momentum indicators show whether prices are declining at a faster or slower pace.

Moving average: See *Exponential Moving Average*.

Open market risk: When you combine all of your active positions and calculate the exposure from the current share price to the stop price that you have stipulated, you have calculated your open market risk.

Overbought: This term and the following term are generally used in relation to momentum indicators. An overbought line may be constructed manually by looking at the historic high points on a momentum indicator, or it may be an integral part of the indicator and shown as an indexed number from 0 to 100. When a momentum indicator has risen to a historic or indexed high, it implies an overbought condition where the instrument may be vulnerable to a sell-off.

Oversold: An oversold line may be constructed manually by looking at the historic low points on a momentum indicator, or it may be an integral part of the indicator and shown as an indexed number from 0 to 100. When a momentum indicator has dropped to a historic or indexed low, it implies an oversold condition where the instrument may be likely to rally.

Pattern: A single period or a number of separate trading periods that form the data for a defined candlestick formation, or another pattern based on technical analysis.

Period: The time increment on a share chart. For example, a daily chart would show each candlestick to be composed of the open, high, low and close price for a day. The terms *session* and *period* are interchangeable.

Position: Holding, or intending to hold, equity in the market.

Position size: This shows you how many of a particular instrument to buy or sell, according to your risk profile and capital available for trading. There are several methods to assist in this goal—including the equal portions model, the capital allocation model and the volatility based model.

Pyramid: To add more to your position as an instrument trends in the expected direction, e.g. to buy more of an uptrending share. To do this effectively, you should buy the largest parcel of shares first, and then add increasingly smaller positions to your initial position.

Pullback: See *retracement*.

Put option: A put option gives the buyer the right, but not the obligation, to sell a given security at a certain price within a given time.

Rally: An upward movement of prices.

Retracement: A less significant version of a *correction*.

Retracement trade: This is where an entry into a position is made, preferably on a candlestick bottom reversal, after the share price has made a counter-trend reversal.

Resistance: A price level at which sellers are expected to enter. It appears above the current price action and suggests that the price becomes resistant to making a higher high.

R multiple: A way of describing the relationship between risk and reward. For example, if you risk \$1,000 on a trade and achieve a gain of \$3,000 your R multiple for this trade is 3.

Selling options: See *writing options*.

Session: See *period*.

Short, or going short: This implies a bearish view and describes the situation when a trader short sells the market, or sells to initiate a transaction. Selling shares and then purchasing them at a later date and a lower price can generate substantial profits. Approximately 200 Australian shares can be short sold.

Sideways trend: A period of lateral price movement within a relatively narrow price band between a level of support and a level of resistance.

System design: Your entry, stop loss procedures, profit taking methodology and position sizing methods, which should appear in a written trading plan.

Support: A price level at which buyers are expected to enter. It appears beneath the current market price and signifies that the price is resistant to making a lower low.

Technical analysis: The use of price and volume action on a share chart to reach conclusions about the likely direction of future price activity.

Trading plan: Your personalised business plan that outlines how you will go about trading the market. Goals and objectives, procedures, performance measurement and trading system details should be explicitly addressed and written down, before you initiate your first trade.

True Range (TR): This indicator was defined by Welles Wilder to be the greatest of the following for each period:

- The distance from today's high to today's low.
- The distance from yesterday's close to today's high.
- The distance from yesterday's close to today's low.

Uptrend: Where prices are making consistently higher highs and higher lows.

Uptrend line: A straight line is drawn in an upward left-slanting angle connecting the troughs of the share price action. Once the prices show evidence of dropping below this line in a sustainable manner, it is likely that the uptrend has been broken.

Volatility: Choppy shares with greater distances from the peak to the trough of the share price are more volatile and will produce a greater candle range. For shares with a lower volatility level, the option premiums will also be lower. Shares

that are illiquid will usually show heightened levels of volatility.

Volume: The level of trading in a particular instrument. If volume increases in the direction of the trend or breakout, this adds to the weight of evidence that the share price movement is sustainable. A volume increase to confirm an uptrend is very important.

Warrant: A certificate that gives the holder the right, though not the obligation, to purchase or sell securities at a stipulated price within a specified time limit.

Weight of evidence: Using more than one indicator on which to base your decision regarding the likely share direction. When several chart patterns and indicators point in the same direction, their signals are reinforced. If the weight of evidence of several indicators suggests that the share is uptrending, then the bulls have probably taken control of the market.

Writing options: Option writers collect a premium or fee from an option buyer and subsequently they are obligated to fulfil the demands of the option buyer. In relation to call options, the writer must *sell* their shares or have their shares 'called away' from them, if the buyer decides to exercise his or her right. A put option writer is under obligation to *buy* the shares from a put option taker should he or she be exercised, i.e. have the shares 'put to them'.

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