Create Financial Freedom from Weekly Trading

Hello and welcome, below is the chapter index for the book.

Scroll down for a short example piece of each chapter!

Chapter Index:

Introduction

The 2 main reasons traders don't make money from the market:

1/ they don't have a system or method to trade   (Knowledge)

2/ even if they do have a method, they don't stick to it   (Psychology)

Ask yourself honestly - have you employed a method in the market (without constantly changing it) and stuck to it for a period of time to enable you to review your technical and psychological performance?

Often the reason traders don't stick to a system is that the system they have is either too difficult or they do not know the historical performance of the method they employ. Once they realise this and seek to rectify that issue, be that issue technical or psychological, they have made a quantum leap in trading mastery and the real trading and investing journey begins. In my opinion the biggest killer of trading success is stress and worry. We all entered the markets in the first place with the intention to improve our lives through financial independence, not to make life more challenging than it already can be. Stress and worry is brought about through uncertainty, as well as a healthy dose of past trauma experienced by many as a result of the global financial crisis (or in fact any loss)………………………………..

Chapter 1: Objectives

In my opinion all method creation or choice of a method starts with an objective. The objective needs to be clear and defined. In this circumstance the objective is to create a method which returns between 25-30% p.a. The method will do a minimal number of trades, focus on holding medium term (weeks to months) to long term (months to years) trades, incur minimal brokerage expenses, have a level of drawdown (portfolio pull back) that is psychologically manageable, have a reasonable win rate and minimal number of losses in a row.

The system is designed for people who are either time poor, or do not want to be looking at or analysing the market and their portfolio on a daily basis. It is also designed to minimize work, trades, decision making and to maximise the benefit of medium to longer term trends from stocks. One of those benefits is a reduction in tax liability, one of the big benefits of medium term systems rarely discussed. One of the main reasons a buy and hold strategy can work well for some is the simple fact that the trader/investor does not over trade. One of this system's objectives is to trade frequently enough to benefit from the strategy of having your money in the best place at the best time, without over trading and causing excessive stress to the operator…………………………….

Chapter 2: Explanation of Moving Averages

This section is for those with little or no charting experience. Moving averages will be explained using simple charts of stocks. The chapters to come in the book will show chart examples and discuss entries and exits using moving averages, so it is imperative you understand what they do and how they work. Intermediate or advanced traders and investors can most likely skip this chapter. Although brushing up on simplicity never hurts…………………..

Chapter 3: Rules of the Method

This is a trading system with set rules. **A distinct feature of this method is that there is absolutely no discretion in what it buys.** The entry rules have to be met by the particular stock before it becomes a valid signal, and there is only one possible buy or one stock that meets the criteria each time. **This allows the trader to know exactly what to do to.** It is a set process to follow. There is no subjectivity to confuse the operator.

This set process also allows the trader to revise accurately. One of the main reasons for trading failure is that traders do not revise their trades and decisions. Having a methodology with set rules strengthens the process of revision. Rules enables one to measure accurately the systems performance and seeing clearly where the operator is not sticking to the rules…………………..

Chapter 4: Rule 1 - The Bull Filter

When markets are going up they are considered to be in a Bull Market. When markets are going down they are considered to be in a Bear market. Our first step is to choose a method that reflects the trend and the health of the market, for we do not want to buy in a down trending market.

The best way to determine if the market (XAO) is rising and in our favour, is to use a filter that tells us if to buy or not………………………………..

Chapter 5: Rule 2 - The Entry

One of the biggest mistakes traders make is they do not buy stocks in up trends. Stocks that are trending for a period of time have a greater probability of continuing that performance and producing a winning trade.

This buy signal used in combination with the Bull Filter gives us a good chance of putting odds in our favour. We want our stock to rise over time. Buying a rising stock in a rising market is what I mean by odds in our favour…………..

Chapter 6: Rule 3 - Buy low price stocks

It's a common question and a good one. If you have money to buy a stock to add to your portfolio……………………….. which one do you buy? But better still ask the question which stock gives me the best probability of a winning trade? Because good trading is about probability, putting the odds in your favour, its probability we want to know.

When looking to create portfolio outperformance (beating the market index) it's the percent per annum return on trades that should be examined. Your portfolio will perform better if it has stocks appreciating at a higher rate per annum……………………………….

Chapter 7: Rule 4 - The Exit

What exit you use for your trade is one of the most important. In fact with most systems, exit is far more important than what the entry is. Traders and investors worry and over focus on WHEN to buy, but nearly all portfolios can be improved with a GOOD EXIT.

 The exit determines very important factors such as:

1/ the ……………

2/ the ……………………..

3/ the average win of your trades

4/ the number of …………………….

5/ the amount of drawdown (pullback) your portfolio will have.

6/ the………………………..

7/ the number of wins in a row the system has

8/ the…………………………………….

The exit is the **big influencer** on the system. Learning to trade the market is about give and take, no system is perfect, but it could be perfect for you. If choosing an exit influences so much all the above points then what is required is to get back to the objective in weekly trend trading which is……………………………..

Chapter 8: Rule 5 - Amount of capital allocation to each stock

To keep things simple and as easy as possible for the operator (you) this system uses……. of portfolio capital per stock.

Chapter 9: Review of the rules

A complete review of the 5 rules and what to look out for…………….

Chapter 10: Statistics of the system

The next part of this book discusses statistics and results of the system over different time periods……………………. The idea of looking so closely at different tests over different time frames is to demonstrate to you the best and worst of this method……………….

………………**look at these numbers from an emotional perspective**, continually asking the question "can I trade this method?"

………………..**Commitment to a strategy is easier if you fully understand what the worst case scenario** could be, so you are emotionally prepared…………………….
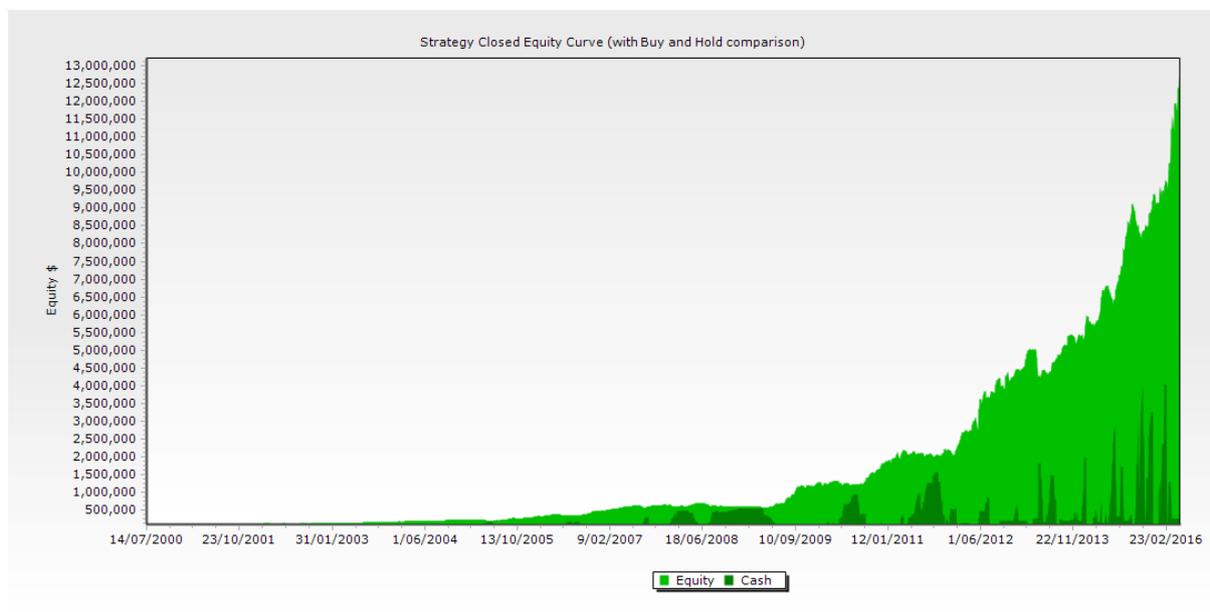
Chapter 11: Monte Carlo

two traders can adopt the identical system, like the one in this book, but get different results. If our two traders start their portfolio one week apart, obviously they are going to be holding different trades, over time their portfolio content may vary considerably. Also perhaps one trader delays on a either a sell or a buy signal, therefore missing a signal and not buying a stock that the other trader would. In fact the variations over time between portfolios can become endless.

So the question is how do we truly estimate what the average return from a method will be? The answer is Monte Carlo software. For what this clever piece of technology does is

take every possible trade taken by the system, randomise the start dates and then calculate the average return.

In the graphs and stats below Monte Carlo has taken all the trades from our method, over the last 6 years, altered all the start dates, **simulated 1,000 portfolios and averaged the return…………………………**

Chapter 12: The Pareto Principle

I am sure many of you have heard the trading saying "let profits run, cut losers short". However did you ever know why? Pareto is why. If you do not obey the above rule, you ruin the probability of the system. The trade…………………..could be one of the "Pareto trades" and go on to make a lot of money. The stock you do not……………………. could be one of Pareto's underperformers and really hurt your portfolio…………………………

Chapter 13: Commonly asked questions

Just some of the questions asked below are answered in the book…………….

So therefore what is a solid test over the long term and how does one reduce bias as much as possible?

 Do you use a fixed stop?
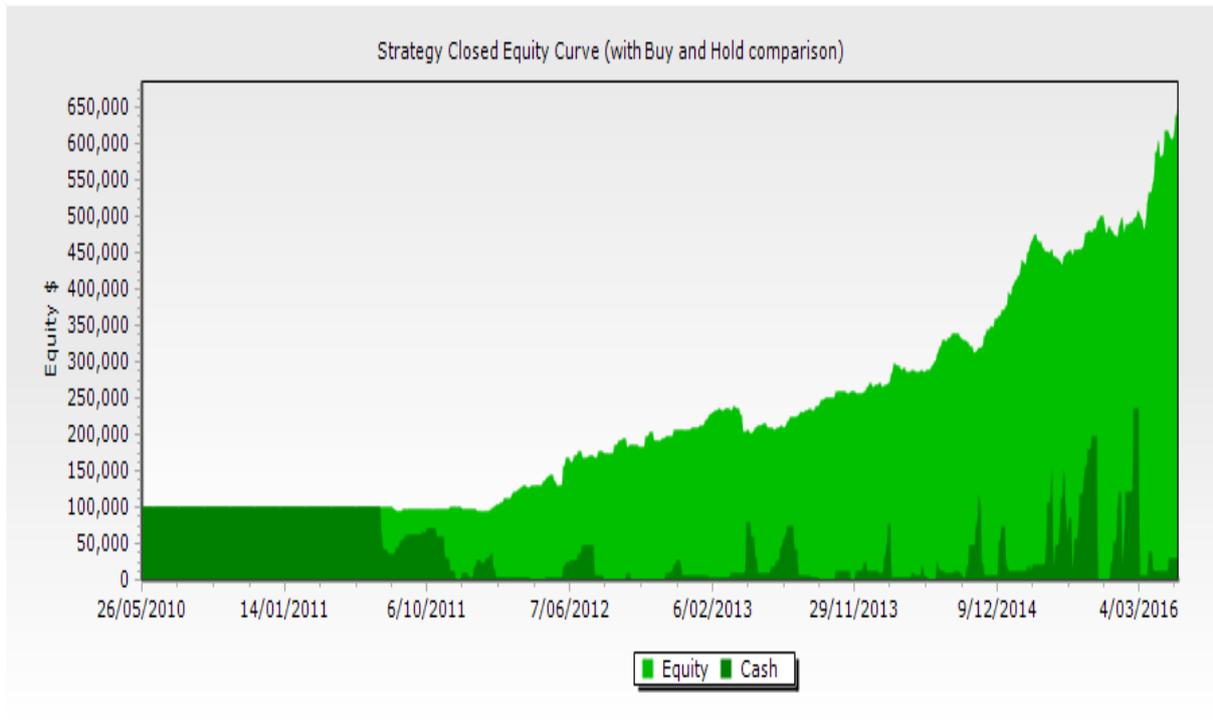
 Why not just buy the crossover?

 If I get a signal during the week do I sell?

 Do you use turnover or liquidity filters?

 Does the testing include dividends received?

 What about recent performance?

A/ I feel that the most recent trading period is more relevant, so below is the last 5 years on the ASX 300.

Strategy Closed Equity Curve (with Buy and Hold comparison)

And many more questions answered………………………………………

Chapter 14: Where to start and a personal comment from Peter

Find a teacher or at least read books……….

Charting and software: there are many free charting websites that will allow you to apply indicators like moving averages. One I use frequently is……………

Starting capital………………

CFD'S……………….

Patience: To become a good trader takes time and work, along with having a good system you stick to. This takes patience. If you are a not a patient person it will help you're trading immensely to develop that mindset. Consider the next point.

Meditation: I cannot speak highly enough of this…………………………..

I meditate and study here…………………….

Health and Fitness……………………………

……………. the trader needs to put a lot of effort into his/her mental health to stay balanced, focused and as clear and stress free as possible…..this is what I do……………..

Wealth Lab system code for this methodology. The complete computer code for this system is available for purchase. ……………………

A personal comment to you from Peter.

…………………a short term system returning 40% p.a. with all the stresses and strains you will endure can be out performed by a longer term method returning only 20% p.a. when you take into consideration tax. **If you want to trade short term make sure you have a great system or it just isn't worth it.**

medium term systems are much easier to live with………………..

……………………………If you want to trade short term make sure you have a great system or it just isn't worth it.

Longer term methods have the disadvantage of being "in the market" most of the time, but this can **also be a big advantage** at times……………Remember, you should be in the stronger stocks………………….

Whatever method or system you choose, start by constructing it within a solid business framework………….

I appreciate your purchase of this book and hope that to some degree I have either restored the faith, re lit the enthusiasm or ignited the passion you have for trading!