METHODS AND LOGICS OF STOCK MARKET SPECULATION

GSTA

FRANCOIS ABLEY

I would like to thank and dedicate this collection to all those who espouse the philosophy of financial freedom and who use the strategies of prosperity and abundance such as the stock exchange, the construction and the accumulation of assets, etc. I would also like to thank Adam Jagiellowicz, who is a co-founder of the Institute of Financial Trading and Macroeconomics (IOTAF) and also co-founder and principal responsible for the educational structure of the Online Financial Academy (OFA), which Taught me a lot both on the psychological and the technical level of Trading. he also helped me personally in my life.

So, he is an important person to me and I wanted to dedicate this collection to him which is the fruit of my learning at his side. I will not forget to mention important people, also who inspired me through social networks such as Pascal Tallarida (DMT Trading), Jerome Mangin of the National Center of Trading (CNT), and finally Raman Gill (Venus Trading), which I personally know. I also thank my readers and those who follow my analysis via the social networks and the website of my School of trading.

«The stock exchange is like a carousel; If you miss an opportunity, wait for the next one; Otherwise the sequel will be very painful! »

INTRODUCTION

Welcome to all and to all in the formidable world of stock market and speculative investment (Trading). We've all had a first time in our lives. That is why it is always more exciting when you start or when you begin a new adventure, sometimes endless. And that will certainly be the case of many of you if you make the stock Exchange, your passion; If you discover it, be sure you will not regret it. There is no secret to gain on the stock market as in many areas. You may tell me that you have to be talented to succeed in a field. You're probably right to think that.

But if I ask you this question: What is a rich and fertile fertilizer without water? The answer is of course, nothing! So, here on the stock exchange, it's the same thing. Talent helps; But that is not enough. I hear here by the talent, the culture of mathematics, the studies in finance, the fact of rubbing shoulders with traders. It's so beautiful! In the same way, it is not because you have access to all musical instruments including a recording studio that you will inevitably become a great musician; It's also valid for trading.

It is not because you will have access to Bloomberg, all the tools and information flows, to meet daily with the traders, that you will become a profitable trader. You know very well that success is very relative to several levels. This is why we often talk about self-

realization and specific goals in life. Your success can be my failure and so on. I have known and I know people who has a capital of more than $100 000 and when they win 250, $500 per trading session, they feel it's a bad day.

While for me it is a great day! Win 1,2,3, ... 100, it's always winning. No matter how much you win, that's fine. I want you to have a fixed inbound flow vision.

Regardless, the amount you earn every day, be happy. It is only at the end of the month that you will see exactly what I am talking about. It is the sum of the little things realized that are great things done in a lifetime. To reach 100, you have to go through 0, 1,2, etc. So, don't rush! It is not a sprint, but an endurance race. You will not be judged on one or two sessions, but rather on 3, 6.12 months. I went through these different phases that I just mentioned and spent a lot of hours studying graphics thinking I would know everything in 1 day.

And I got a royal wrong. You must be willing to want to learn every day. You do not care about the time you will spend, but rather about the objectives and results that result from it. If you do this, I swear that you will succeed all the time or almost. In 5 years of experience in the stock market, I can guarantee that

trading is not just math, it is not just the financial culture, etc., it is much more than that! If I can sum up in one word the trading is 25% (talent, money, etc...) and 75% psychology).

and psychology is working. How many traders have left trading? We're not counting! How much hedge fund or investment funds have burned their capital? There are legions. Trading is often compared to sport; And that is far from being wrong. Since in trading, only the motivation, the practice, the respect of the rules and the principles, the envy of realism, the patience, the discipline, which are factors of psychological order, will allow you to sublimate yourself and propel you at the top of Goals that you have set yourself.

Every day when I get up in the morning, before the American session (9.30 – 4.30 p.m.), I train to be focused because it is important.

Then I prepare the graphics on which I want to work. And when I compromise, I'm hyper-concentrated. I avoid any kind of distraction; Because it's a job. You allow 2 or 3 hours of trading per session and you give yourself to the bottom.

Then do something else in your day. Don't be greedy. Accept what the market gives you. It is not an ATM (Automated teller Machine)

or you come to use Money in the form of order, but rather a psychological fight between you and yourself (your fellows, other market players). Be humble! The market is always right. I learned it at my expense during my 5 years of experience and I continue to learn always and I love it sincerely. Prepare yourself psychologically to earn a lot of money easily and also to lose a lot of money and more often, stupidly, as it is part of your new profession or new passion. There is no profession or passion that pays as much as trading. It also gives you the opportunity to be free, to work anywhere in the world, at any time without reporting to anyone (independent trader). You will be responsible for your own choices and you must assume it costs.

In any case, know one thing; You will not be alone in your learning. I undertake to give you the maximum tool and tricks, push you and follow you throughout your learning so of course you commit yourself to want to succeed and also if you follow my training-coaching that is not other than a follow-up service and personalized learning. We put a lot of emphasis on your learning follow-up and not knowledge to just stuff your skull. I thank you so much for reading me so far and taking the time and the trouble to interest you in my collection of reflections which I conceived on the basis exclusively of my experience on the stock exchange in

order to help and contribute to propel you to the summits! This is how I invite you to visit our website, our YOUTUBE page, my TWITTER page, and also my LINKEDIN profile to learn a little more about me:

1) GSTA Global Street Trader Academie (Facebook official)
2) GSTA Global Street Trader Academie (YouTube official channel)
3) Franck Belfort (Twitter page and Trading View profile)
4) LinkedIn (François Abley Professional Profile)
5) http://gstacademie.com/ (website)

All I have to do is to wish you a pleasant reading and good moments of reflection and I talk to you very soon!

FRANÇOIS ABLEY

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I. How to reason before you intervene in the financial markets

Before you intervene in the markets, you have to belong to one of the three groups. You are either a buyer (bull) or a salesman (bear). The third group is the brokers (Wolves) who are also buyers and sellers, it is also your contra-part in the markets; The one that facilitates the exchange of cash between buyers and sellers.

In the past, it was said that it was necessary to be a wolf to win in the stock market, since it rains or snows, or it is sunny, the broker (The Wolf), that is to say, the counterpart wins on the stock exchange, since it does not carry out any. Rather execute the trade orders between bulls (buyers) and bears (sellers), and in return it cashes commissions on the various transactions executed. They also cover or protect themselves by buying and selling almost simultaneously certain correlated assets related to your positions to reduce or even eliminate its risk of loss in the financial markets. This is basically called the '' dealing Desk ''. The broker job is pretty profitable I admit.

But trader is even better. I do not learn anything by reminding you that since the end of the stock market crash of 1930, the markets no longer behave at all well since the stock market has been around for 400 years now. Indeed, it is one of the oldest professions in the world with prostitution. Buyers or sellers earn a lot of money in so-called trend markets (bullish trend vs. bearish trend), and brokers earn less since one buys once and the asset takes value and after we sell it after when we are satisfied with the added value we made. This type of transaction is called a MOMENTUM operation or placement. That is to say, we are taking advantage of the current trend towards a future trend that is emerging, which is positively projected in our analysis.

That is why if you have one day the opportunity to look at the history of the stock market or then the different stock market values in time horizons on 30, 40, or even 50 years, you will notice that the stock exchange or market values tend to increase, year after year regardless of whether there have been recessions or financial crises. Scholarships tend to be upward in time. From the end of the 1980s, to be more accurate, after the stock market crash of 1987, the stock market no longer works as the end of World War years.

Even though, as I mentioned at the outset, that they tend to function in a bullish way over time, stock market values are difficult to maintain in a portfolio. To the point that, buying an asset and hold it for it to take value and then resell it is no longer called making a '' Trade '', but rather making an investment. Because of several factors such as the geopolitical situation in countries, globalization, rapid population growth in several emerging countries, the explosion of global demand for raw materials, wars, the functioning from banks and international institutions, the inopportune intervention of the policy of Governments in the world of world finance, the stock exchange or the stock market values work with variable geometry. And that gives rise to a new way of investing called speculation.

And believe me if you want to succeed in the stock market or in finance, you must be a speculator. Being an investor of the Warren Buffet type requires a large and fundamental analysis of the companies in which you would like to invest. You will need to know the companies on which you would like to invest to the fingertips, since it is not speculation, but rather, to capitalize on the future growth of a company by holding options and actions to participate in this company.

So, you become what is called a '' Shareholder '' because you contribute to the development of this company thanks to the monetary liquidity that you have injected to it according to your means. You do not have any control over the stock price, but rather internal decisions about your participation in the stock exchange. The largest stock market fortunes built between 1990 until today have been realized through speculation. And to give you some names, people like George Soros, James Jim Simons, Paul Tudor Jones, Paul Rotter, Laura Pedersen, Leda Braga, Isabelle Ealet, etc. All these people I have just mentioned are among the greatest speculators of our time. Speculation refers to the uncertainty of the evolution of life and hence the price of the stock market. No one knows exactly what will happen tomorrow. No one has any crystal ball to know accurately the evolution of the stock exchange.

That is why, if you want to survive on the stock market, you should not try to predict or anticipate. But rather react. On the stock exchange, one is reactive because anticipation especially with leverage (we'll see it later) will ruin you and destroy your psychology. A famous physics author applied to finance by the name of Emmanuel Derman had said in his famous book, "My life as a": "**In physics, we play against God and God never changes**

the rules of the game." But in finance, we are confronted with God's creatures. And the creatures of God often change the rules of the game’’ ... So, to say that psychology so the emotion by ricochet of the stock market interveners is unpredictable as a risky event that occurs. We operate on a stock exchange, by recurrence, by statistics, but never for certainty.

That is why you should never fall in love with a market value. As also a famous analyst and trader Martin Schwartz said, "The fellowship is the only woman in the world to which it is allowed, see recommended deceiving her constantly with other stock market values.” No affinity on the stock exchange. You buy securities or a stock market value this market value or title does not behave as expected by your analysis, you automatically dispose of it without any state of mind. No mercy! or hope! We move on to the next one or the next. (Forgive me for being direct, but it's like that!) It is your capital that is at stake and it is also your trade fund, your survival in the market.

Let's go back to our background, speculation. I told you at the beginning of our thinking that trader is as better than '' broker ''. Yes, because as a trader, you can also win in both directions (buy or sell), although you belong to group, either buyer (bulls) or

seller (Bears). One can be buyers in the background on gold and also enjoy the slightest correction (short or medium term) on gold. This is the art of speculation.

And that's why I insist that you think like a speculator or that you behave like a speculator in the markets. In finance, a speculator is not a thug, or a bandit, as is often presented in society through documentaries or cinema. A speculator is a great strategist, who takes these precautions, which foresees all or almost all possible scenarios and he must be prepared to react if one of these scenarios is present or not as he wished.

Oh, yes! The speculator is also a market planner. It establishes plans, or buying strategies or sales even though it could be only bullish or bearish background. Historically speculation has accelerated with the advent of futures contracts commonly referred to as prospective markets that are derivatives, pure products of speculation.

Although our reflection will not speak of its products, a brief passage will help us to understand why in the 21st century stock market we must speculate.

This is because before, in the commodity markets, farmers, growers, and simply producers of consumer raw materials you

know (wheat, soybeans, rice, sugar, coffee, cocoa, oil, natural gas, etc.) were all. Simply worried about future crops and also their capital gains on their products from their productions compared to the global consumption that kept growing because of the factors I mentioned at the very beginning of our reflection (war, geopolitical tension, globalization, climate change, etc.).

That is why the creation of the 1st Futures Stock Exchange, in 1983 in Chicago, whose role was to facilitate the exchange of liquidity between buyers and sellers in terms of price, and the quantities between producers and consumers from the volumes of contracts exchanged.

Thus, the role of the trader was to protect farmers and producers from covering violent increases or unexpected drops in the prices of their raw materials by playing the counter-parties, which in some way allowed Guarantee a certain level of acceptable price on the price of raw materials, but also to protect themselves in terms of liquidity or profitability on their crops in case of an unpredictable intervention that will have a major impact or an unexpected case on the stock exchange. As for example global warming that acts harshly on the quality and quantity of certain raw materials such as cocoa, soy, coffee or the geopolitical

tensions that act on oil, natural gas, etc. This is historically the role of the speculator.

So, speculating is a beautiful thing! But we don't do it anyway and at any time. There is a major element that you must know before you speculate and you will be really surprised to know which one. Which takes us to the next thought.

II. How to Intervene on Any Asset of Any Market

Remember, a speculator is a strategist, a planner. Okay! It's nice, but what's he planning? On what is based its buying or selling strategy. The famous answer, which is the fundamental element you need to know and master imperatively is the price. I hope you are not shocked or dead laughing.

Of course, that's the price. Yes, I said the price or if you want the price levels. The price is the fundamental factor of the market that determines a buyer of a seller.

We often talk about equilibrium prices, that is, the agreement on the level or price area at which the sellers are willing to give up and the buyers are willing to pay. In other words, the highest price that sellers are willing to give up must be the lowest price that buyers are willing to pay.

Since a buyer will become a seller and vice versa. So, you understand, we're in a trading game.

And that's the stock market or the financial markets. There is a fundamental principle that many market participants often forget: '' Buy low and Sell High ''; Which simply means that you buy an

asset at the lowest possible price to sell it at the highest possible price.

Of course, it depends absolutely on the type of market you faced. This "Buy Low and Sell High" market adage is translated into the course of an asset or financial product.

On the stock exchange, we often talk about Dow's theory. This is the cyclical rhythm at which stock prices (price or securities) evolve where we notice that in an upward trend, the high points become increasingly high and the low points become increasingly high.

Then in a downward trend the low points become increasingly low and the high points become increasingly low, of course, following the trend. As can be seen from the two graphs below. The price area noted highest higher means the highest point and lowest lower point.

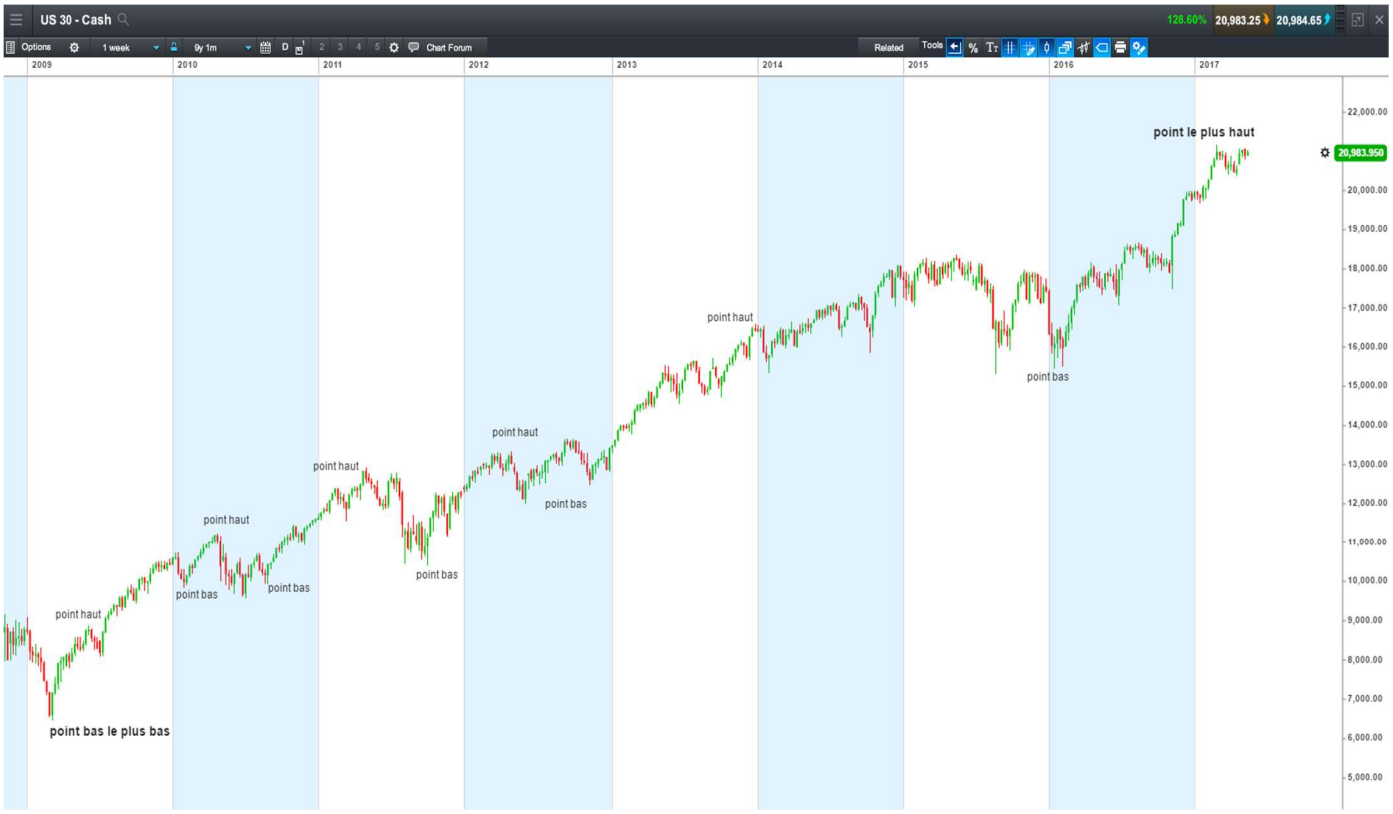

Illustration on DOW JONES graphic, Price evolution from 2009 – 2017, Source: CMC MARKETS

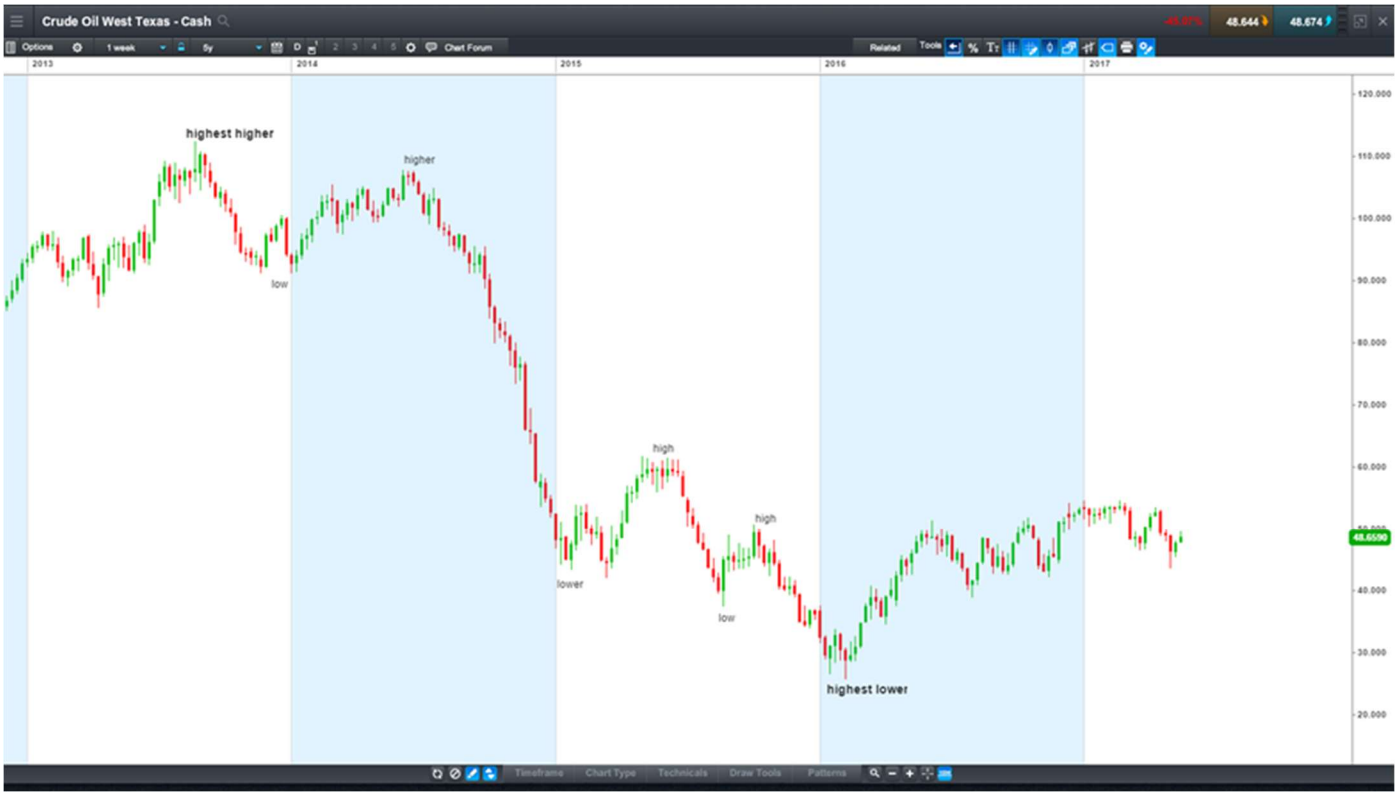

Illustration on OIL graphics, price evolution from 2014-2017, Source CMC MARKETS.

After having seen graphically the reasoning of our reflection on the price through its cyclical evolution, I now wish to draw your attention to the keenness of the subject of our reflection; That is, how to intervene in any market (indices, currencies, commodities, bonds, stocks, etc.) according to its price or value.

In fact, regardless of the type of market, whether it is quoted in point values, or in dollar values, the method of intervention is always the same. What you see on a graph is what thousands or millions of other traders look at exactly the same moment, because you are never alone in a market. So, don't try to invent hot water!

So, to say that, the price level at which you are confronted depending on your decision to buy or sell, will certainly follow another trader who would do the opposite of what you did. That is, for example, I buy the EUR/USD (Eurodollar) at 1.14150 because I believe the EUR/USD will go up to 1.14200; Well, there's someone else in the market who thinks the EUR/USD will drop from 1.14200 up to 1.14150. And so, you're going to negotiate this deal with that other trader. You're a buyer and he's a salesman.

So, you work all day or the whole session that you will be giving to this activity, will therefore negotiate prices going in the direction of your analysis of the market in which you will have to compromise.

There are many methods, even infinite ways to work the price in order to be always to have the best price to realize capital gains. The one I recommend, since it is my method of intervention, because it is all very simple and hyper efficient, it is the method of intervention based on the MOMENTUM (bullish or bearish) by the average of the prices; So, you have to properly use mobile price averages.

First what is a moving average? A moving average is a statistical tool based on the evolution of the price, which gives the average value of the prices of an asset over a given period.

This means that, if for example, in the year you usually like everyone to buy, 5 apples to $3 during the period from March to May and that the price of off-season apples increases from November to February, you will have interest in buying it during his season to make a good deal either from March to May.

So statistically speaking, the best deal on apples on 5, 10, or even 15 years is between March and may when all conditions are met

(climate, effect of supply or demand, etc.). So, the moving average on 10-year-olds, between March and May, is $3/5 apples, for example.

Then we have 2 kinds of moving averages that are simple arithmetic averages and exponential or weighted moving averages which are the 2 most used types of mobile averages on the stock exchange.

Mathematically, an arithmetical simple moving average is the sum of the prices or values that the asset takes depending on the period or a given time divided by the number of periods.

The final value of the asset is used as represented by its closing course. The exponential or weighted moving average is a moving average that takes into account the high volatility thus the strong movements by its amplitude achieved during a session, and also takes into account the value of the difference between the oldest and the newest.

We will disregard here, in our reflection, the mathematical formula of these 2 moving average since it is the idea that interests us and its use, and not its mathematical proof. The difference between the simple moving average and the exponential moving average is that, each moving average

depends on the type of market and also the period. I told you at the beginning of our thinking that the evolution of the stock exchange has changed even if the psychology and the reaction of the interveners remain the same for at least 400 years.

When the markets were very trend, very directional, it was very sensible to follow the evolution of these markets using a simple moving average, i.e. between 1915 – 1975. As a reminder, 1915 is the year of the beginning of World War I and 1975 is the year of oil shock. After this half-century, the evolution of the stock market has changed, because the world has changed.

And we have entered into market phases with more violent movements, larger amplitudes. Thus, the exponential moving average becomes more and more popular since in its method of calculation it takes into account these movements of high amplitudes; What the simple moving average does not do. In conclusion, neither the single moving average nor the exponential moving average is better than one versus the other.

It depends only on the type of market you are going to work on. If you work for example on FOREX, I highly recommend working with exponential moving averages and if you are working on the bond market, you can work with simple moving averages.

Anyway, you have to choose your market, look at its average volatility and apply its corresponding moving average. I personally work with the exponential moving average, because my preference assets are the Dow Jones (about 50 points of variation per day on average), gold (between 3 and 5 dollars in values in terms of variations per day).

So, you see here that the changes in these assets are important, which is why the choice of the exponential moving average only in this type of market is important. There are also two types of price levels that are technical price levels (moving average, technical analysis patterns, etc.). And psychological price levels (threshold of great importance). Technical price levels can often be used as a point of intervention in a market. Psychological levels or thresholds are levels of reactions of the players or market participants. They are often represented in rounded numbers e.g. 20 000 points (DOW JONES) or 1.15000 (EUR/USD).

Under no circumstances should you seek to anticipate these levels. Either you step in while we cross these levels, or after, but not before. In fact, as my experience on the stock exchange, I advise you not to anticipate the future evolution of a course. You

can like everyone to see different scenarios possible and be ready to react when these scenarios are going to happen.

But anticipating a scenario is very dangerous. Generally, in a bullish market the price or current course of your asset will always lie above a freshly passed psychological threshold and also above the technical levels.

And it will be the opposite when it is a bearish market, that is, the price or current course of the asset will be below a freshly broken psychological level and below the technical levels. If, on the other hand, we are between a psychological level and a technical level, it will be a neutral market. It is his bottom-up trend that will determine whether he continues to evolve or not.

So, to recap: if the market price you are working on is above a technical and psychological level, you must look to pay for this asset in accordance with the BUY LOW and SELL HIGH rules to have a good entry price. If the market price is rather bearish, it will still be the same principle, but opposite that is SELLING HIGH and BUY LOW. Your entry points are determined by your technical analysis, but you will be looking to sell this asset. You have to work according to what you see and not what you think. So be very patient to have your entry points and if you miss it does not

matter because there will be other opportunities; Remember the stock market has been around for over 400 years and there have been opportunities every day for 400 years. And so there will always be. Never force and never chase an entry point.

In the case of a neutral market commonly called RANGE, i.e. the area between the psychological price of the market and your technical price, you must absolutely take a point of entry at the level of the psychological zone of the market or in the vicinity and then to get out of the market on the technical levels.

Of course, it depends on the market's bottom trend. For example, if the bottom trend of a market is bullish, I will seek to pay the asset in question around the psychological zone or on the psychological level to resell it to the technical levels.

And in a bear market, it's going to be vice versa. Why do you do that? It's very simple; This is because the technical price is an arbitrary price that is determined by those who analyze the market technically.

Often the technical points of the traders in the market diverge because the technical methods used to determine a technical price are different. For example, the trader who uses the Retracement method or Fibonacci extensions to have a given

price level will not have the same price area as the one that uses moving averages to have a given price level since at the base it is not the Same method of calculation. They can be similar as for examples 1.1420 and 1.1430; It's almost similar, but it's not the same thing.

While the psychological level or psychological threshold is not determined by any trader. It is the market itself that determines it and traders react on these psychological thresholds. This has been statistically proven with historical data.

III. How to Take Profits and Cut Losses

The idea of starting is very simple; It is based on the maximum you are willing to lose in a rating session, versus the maximum you are willing to win. This hypothesis is more than valid. It is fundamental and is part of our money management in everyday life.

Now, what if we do the opposite: that is, the minimum we are willing to lose versus the minimum we are willing to accept as gain. The second hypothesis that is the inverse of the first is my personal approach. What for? for 2 reasons; The first reason is that intuitively when trading is to make money.

But I think it's better to say that when you're trading, you first have to protect your capital. Capital is our trade fund, our survival in the market; It is certain that at some point in your apprenticeship or your career in the stock market you will earn a lot of money.

But the big question is not how much you go to win, but rather how much you would have lost. It is essential that in the principles or the basics of trade, you are not judged, as a trader or a trader

on your ability to generate income since it is almost certain; But he or she will be judged on his way to master his losses.

So, the most important thing in the stock market is not the gains you're going to make, but the losses you're going to manage that will make you a profitable trader. Personally, I can trade 5 times in one session and I can make two transactions out of five. And yet at the end of the day, I am profitable by about 1% or 2% of my initial capital. It's not magic, it's purely mathematical. There are times, phases of markets, where you invest with low risks and there are times when you have to be bold, so be a little more aggressive because the opportunity arises.

It simply means that there are times when you buy or sell without leverage, and there are other times when you have to go to lever 3 or 5. It depends on the opportunity. Which brings us to the second reason that is that, the market decides the direction where he would like to leave and not you. You have to follow the deal. That's the guide.

So, learn to take the direction it gives you. You can decide the path you want to borrow to follow the direction of the market, but you cannot decide which direction the market will take.

Then, to return to losses versus profits or gains, when you return to position and your position is winning, you must first seek to secure your operation, that is to say a stop loss Win or a stop break even. This is a stop loss 0, in the sense that, whatever happens, you will not lose any money on this operation. If the market returns abruptly in the opposite direction of your position, you will not lose money. If it continues its initial direction in which you returned at the start, you will earn more.

In other words, you can even eliminate your losses and maximize your winnings. Here is the secret to be profitable on stock exchange, trade, etc. There is nothing else besides that. The world's most profitable traders know how to manage money (cutting or eliminating losses as quickly as possible and maximizing winnings). There are many ways to maximize your earnings; Either by letting them run, or by multiplying the operations in the same strategy or by reinforcing its positions from signals and price level in accordance with its strategy. It is better known as the pyramiding or the '' **compounding effect** ''.

While there is only one way to cut off its losses. You go into position on an asset; It goes wrong, you cut it automatically. Don't go into ''hope mode'' so that it ends in ''regret mode''. You cut

the position right away and after you reposition yourself when the opportunity presents itself again. Knowing how to take their profits and cut their losses are not taught in books or at school. This is learned from experience and depending on the amount of time you spend in front of a chart. Just like trading elsewhere.

It is by forging that you will become a blacksmith, is it used to say. The management of money is a matter of psychology, your psychology based on that of the market.

And it works according to strategy and your trading method. We will come back to it later on psychology in our thinking, which is the most important factor in the stock market. There are two things to know that are fundamental to a trader or a speculator (short term – long-term).

If you want to do performance (percentage of Trade earning and also percentage of capital gains depending on your equity) during your speculation sessions during the day, I would definitely recommend you to practise scalping, that is, to carry out several transactions by following the movements of the market, going downward or upward; I don't care. The goal is to perform the maximum amount of winning operations to achieve a high probability of success at the level of the gains generated.

But when you want to invest, or if you are an investor, what you should be interested in is, of course, the return on investment (RSI) in English it is the '' return on Investment (ROI) '' which is in fact the minimum risk as much as possible for the maximum gain as much as possible.

And it is in fact this factor that many beginners or intermediate traders fail to understand or confuse with the first aspect that has just been seen which is the percentage made on the capital. The second aspect usually includes the first aspect, but not the other way around; Because if you have a good return on investment on an operation, it implicitly implies that you will have realized a capital gain on your Capitol based on a limited risk, if you, of course, earn your transaction or your investment.

On the other hand, the first aspect shows how aggressive you are and how powerful you are when you win.

But it does not include the limited risk for operations. And that's where everything gets spoiled because when you want to do performance, in general you have to take a lot of risk often from excessive risks. And when things go wrong, it's the capital that goes into smoke. The risk of two facets in the trader; It can be honey like being a very sharp blade; although we often hear this

famous quote: '' big RISK = Big REWARD '', it must, of course, be prudent and know how to master the market phases where taking high risks is good and makes us enjoy the max of the market. The notion of higher-value percentage performance by the winning or losing number of positions in relation to the initial capital is totally different from the notion of return on investment which is in fact the number of risks originally generated on an investment based on the final gain realized. Their common link the risk. The only way to maximize his ROI (return on investment) is to make a pyramid on his investment, so use the '' compounding effect ''; That is to use latent capital gains to finance other investments on the same asset. You will therefore understand that to maximize your chances of advancing in the markets and thus to consistently performing is, of course, protect your capital.

This must be mechanical or almost robotic, even if it uses a lot of your psychology; But you have to do this to be profitable in the long run. Never forget this: '' On the stock market everyone loses money, but everyone also wins ''. The difference between a loser and a winner is the profits generated by the fact, how much you lose versus how much you earn! So, it's purely and simply bookkeeping. If you do not know how to protect your capital, you will always be lost or bankrupt; That's a certainty!

IV. How to be consistent and agree with his psychology and that of the market.

First before we start thinking about our psychology and that of the market, I wanted to address an important factor that often leads to the failure of traders in the markets that is the '' relationship with money ''.

Too often, people who want to take an interest in the stock market often neglect this aspect of the psychological relationship you have with money. There's an Anglo-Saxon quote to that effect that says, **'' If you can afford to lose money, don't trade ''**.

This means that if you are close to losing money in the markets then do something else.

Since I was born, I have never seen or heard a trader or businessman who does nothing but win day after day; But on the other hand, I know a lot of traders or businessmen who are prosperous and profitable because of a simple and purely accounting fact, they have fewer losses and more gains.

That is why at the beginning of our thinking, in the previous chapter, I was emphasizing the idea of protecting your capital before seeking to make gains. It's as simple as that. When you are

in the markets, although we all have the same goal, but we are all different from each other. We have different psychology and different approaches. Some have big capital and others have little. Others are hyper-brilliant in technical and fundamental analysis and others are average or even mediocre. Only the market, made up of all these players, decide where they want to go.

And our task is to follow it in a psychological way, in a technical way and in a fundamental way. Our psychology must be in agreement with ourselves and the market. "The market is like a merry-go-round"; "If you miss it, you wait for the next one." There is no one who throws himself on the merry-go-round when he starts; Unless you want to give yourself death. Here in the market it is your capital that is at stake, so be careful!

So, based on this principle or hypothesis, the 2 key factors that will be your guide to the markets are: patience (take a ticket and wait for your turn please!), and finally the sense of responsibility in the face of risks (avoid taking risks Excessive; ATTENTION to the leverage effect!).

It is used to say that patience is a way of gold and in the markets, it is far from false! On the stock exchange, we're dealing with prices. If the market does not give you an acceptable price level,

that is to say in accordance with that of your portfolio management and of itself which is called the sentiment of the market, then wait for the next level of price acceptable to you. That's all! Do not force at all! Don't chase him! (Want to take a position at any cost), otherwise you will regret it.

In terms of the sense of responsibility for risk, this is where often trading accounts or investment portfolios go into smoke. I usually do this analogy by saying that: '' **The stock market is a buffet. Everyone takes what they can swallow. Investment funds and central banks are the kitchen** ''. What you should remember from this analogy here is that you should not be greedy; That is to have your eyes bigger than your stomach, or if you want, to have your eyes bigger than your wallet.

In the same way that you eat what you can accept in your stomach, it is in the same way that you will compromise, win or lose, the money in your wallet that you are willing to accept that you can afford. It's not because it's a buffet that you have to swallow everything; be lucid and responsible!

You don't become a millionaire with $1000 of the wallet. You must agree to win and lose amounts in proportion to your capital. Instead, seek to be regular, to be constant; It is better to eat

regularly than eat big dishes occasionally! Your position sizes must be adapted to your capital.

Most novice traders want to go on a stock exchange because they are poorly informed, they are made to dream by telling them they will become millionaires with small accounts ranging from $ $1000 to $10 000. You can catch rare movements on the stock exchange that occurs at intervals of 3 to 5 years if you are lucky, but do not dream it is extremely rare. This is often called in the middle, '' making a hit on the stock market ''.

When you come to the stock market, remember, the first rule is to protect your capital. I had talked about the stop Win or stop break even. This means that when you enter a position, since at the base your capital was exposed to the risk of losing your initial investment, you will first start by securing your capital by putting a level where if the market returns abruptly against you, you will not lose money, but you will not win either.

So, on this current position, in which you are engaged, either you win what you have to win if the position goes well, or you will not lose anything if the position went against you. By doing so, you secure your capital, and what is most important is that you

remove that psychological pressure from the possibility of losing your money.

This will also allow you to optimize your winnings (to let them run to the level where you want to be run by the market), and to avoid losses of your capital; Whether you win or you won't lose anything! Psychologically it's good. This portfolio management strategy that I have just explained to also limits since in a very volatile market, you will not have time to do these manipulations, because far too often the market is very fast more than you. It can shift very quickly in the opposite direction of your position and thus impose you a loss.

In these cases, remember again, avoid falling into the hope mode so that it ends in regret mode! You go into position, it doesn't go as planned, so you get out of this position immediately. You will reposition yourself after when you are comfortable with the market and ready to intervene. Before completing this reflection on psychology, I would also like to say a word about the sentiment of the market or at least how to know the direction of the market. This ability to detect market sense or market mood, or market psychology, call it whatever you want. It does not learn

through a book, an e-book, etc.; But it is learned and mastered by the time you spend in front of a chart or a market.

What I can say on this subject according to my experience of the markets is that, to know the meaning of a market today, it should be based on the daily closing of the day before and also the previous candle of the past week. Still there remember, the markets function by recurrence, by statistics. If the current week or the past week has been a sales sentiment, there is a high likelihood that this may continue (the market to a memory). Weekly and monthly fencing are significant.

So, when you look at this information, you will be looking at the news of the market you wanted to work in. If actually the news is rather bad in the sense that your asset is bearish, then right now you will be looking for technical signals to be able to sell your assets simply.

Also, if the information you read is contrary to what you see on your chart, right now there are two things to do; Either you stay cautious and watch what the market is going to do, or you deal with what you see on your chart and not what you think. An example to finish: if I observe that during the past weeks and the current days on my chart, the Nasdaq (index of the 100 most

powerful American technology values), is bullish because of the good economic figures, me as a trader, I will look for low technical signals to pay for it (purchase) and then go and pick up high points to sell it (buy low AND sell high) simply; With, of course, a risk management adapted to my portfolio.

However, the most important thing to remember is that the more you incur a large sum on the markets and the more psychologically you will be stressed, and the more you are going to put a big pressure on the possibility of failure, and the more difficult this position will be to support since the markets do not go up or down in a straight line, but rather by the cycle.

So, this can play on your morale and lead you in the wrong direction. Therefore, be responsible for the risks and be patient and methodical. It's a process. The city of Rome has not been built in a day so you will never become a millionaire in a quotation session. Paul Tudor Jones once said: '' To become a billionaire through the stock market, you have to be a multimillionaire first. ''

As a reminder, the leverage is when you buy or sell 2, 3, 4, 5, 10 or even often 100 times more than your capital allows you to. For example, I have $10 000 on my account and I decide to return to position with an amount of $100 000 on the Forex to purchase.

Here in this position I use leverage 10 since I bought for 10 times (10%) What I have on my account. It is enough that the market shifts against me by 5% and I will be in loss of-50% of my capital.

And so, you have to pay attention to the leverage effect. You need to know how to use it there are specific rules and a proper methodology in the face of the different market phases. When the leverage effect is controlled, it almost becomes like a breeze! But when the leverage is not controlled, it becomes a nightmare!

V. How to Apply the Previous Reflections

In the end, you must create an automated chain, the rhetoric of your plan or trading method tailored to you based on the knowledge of the basics and principles that you will have acquired during your apprenticeship. The one I propose to you is the synthesis of the reflections we have seen so far.

It is also the one I have been applying for four years now that I am in the markets. It is defined in 4 steps :

1) The reasoning to have (logic or '' MINDSET '') before interfering in any market.
2) Give your strategy and your psychology with the feeling of the market.
3) Have your analysis and strategy validated with the economic news corresponding to your chosen asset and not the other way around the risk of misleading you.
4) Negotiate your prices to buy or sell and have the major reflex for the first time to secure your capital (better not lose anything and win nothing but lose only).

If you do not win a position, this is because your scenario has not been validated, and that is it! Be very patient and responsive.

Trading is a job. You have to be focused and avoid distractions. It is a risky activity because you are committing your capital against other capitals. So be sure that if you are not able to recover money from the markets, the other players will do so including yours.

Even if you work from your room or living room, or from your office, it does not matter, it would take a minimum of seriousness to be able to recover money. You must plan your workouts, have maximum daily, weekly, and monthly earnings and loss goals that you allow. This is the job normally of a risk manager, but since you are alone, as a particular trader you must also have this cap.

When you set goals, be realistic and consistent. You must have a substantial capital if you want to live on trading, for example: 100 000 – $250 000. If you just want to speculate to generate intermediate income occasionally see, right now you will need between 15 000 and $50 000, no more. I personally am not the type to have a big trading capital because it really does not help much. Still remember what I told you earlier; Avoid being absolutely to go on a stock exchange or big payouts, but be rather regular, constant. There is always a risk of having large portfolios at brokers.

In addition, you will have to do good research on the broker before opening an account. Brokers with Gable on the street must be preferred in well-established regulations in countries such as France, Canada, England, the USA, but avoid Cyprus, Belize, Latvia, Azerbaijan, etc. These countries, which I have just mentioned, without wishing to offend anyone, have light and complacent jurisdictions in the field of finance.

So, the risk of not being able to get your money back when you make gains is quite high. There are a lot of crooked and malicious brokers coming mostly from the exotic jurisdictions that absolutely have to flee.

In finishing on good grades, I wanted to thank you again and again for having taken the trouble to read this collection of reflections to the end that I have told you.

This reflects your commitment, your willingness, your motivation and your seriousness in wanting to excel. Trading is not easy, but it is not complex and complicated either. It is a set of rules and principles to be respected (the rules of the market and yourself your rules) that will make you a profitable trader throughout your journey. Remember, you are judged not during a rating session, but rather on the length of your stock exchange experience.