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NOTE

Our books are actually **full-blown courses** for traders. Each is designed to deal with a different aspect of trading.

These are not books that try to teach you some magic indicator. They teach you how to trade the reality of the markets.

You're looking right over Joe Ross' shoulder at **real trades** made in real markets. You are told when, why, and where the trade was made. You are shown his thinking when the trade was made. You see how, when, and why he entered a trade and how, when, and why he exited the trade.

We get letters and calls all the time telling us that our courses are worth their weight in gold, and we offer a no questions asked, **money-back guarantee** on every book still in saleable condition.

Trading Educators, Inc. (formerly Ross Trading International, Inc.) was founded in 1988, and has thousands of satisfied customers who have used the Joe Ross methods to **produce significant positive results** in the markets. Trading Educators, Inc. is registered with the Commodity Futures Trading Commission (CFTC), and the National Futures Association (NFA).

Chapter 11

SOME VERY BASIC TRADING

Now we want to show you some very wise trading.

Over the years, trading becomes somewhat intricate, and certainly very intuitive. This will happen when you have viewed thousands upon thousands of charts, and have experience trading in every time frame from one minute charts to weekly charts.

But trading doesn't have to be intuitive and intricate at all. In fact, some of the best trading ever done has been some of the most straightforward and simple trading.

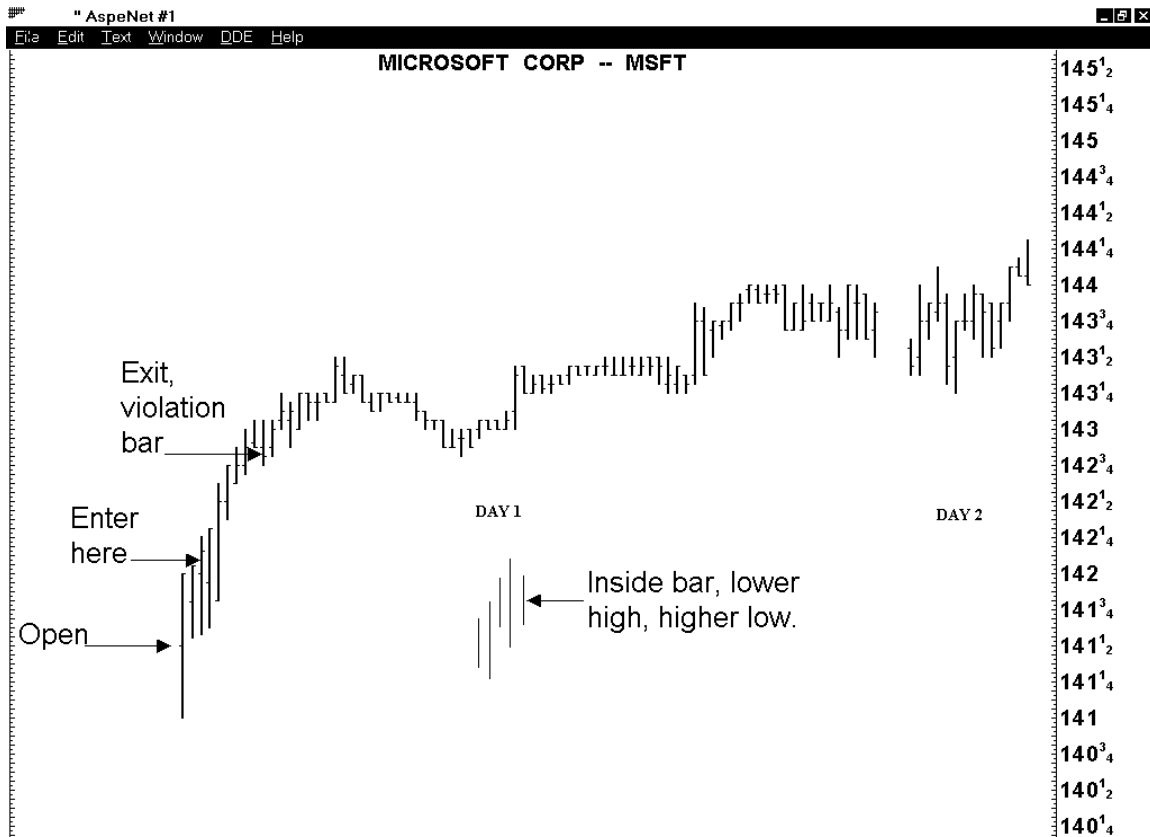
In this chapter, we're going to show you some very basic trading techniques. They have served us well for many years.

This method worked for us immediately and still works today. We have no doubt that it will always work, because it is based on truth. Truth is constant, it never changes.

You have heard time and time again that the trend is your friend. With this method, we will teach you how to use the trend. You have heard that you need to keep your losses small and stay with your winners. This technique will enable you to do that. It is so simple that many of you will not believe it. You have heard that you should let the market tell you what to do. This concept is the very embodiment of that wisdom.


It will be your loss if you don't accept the sheer simplicity of the plain truth that we're about to show you.

Electronic Trading 'TNT' I—Gorilla Trading Stuff



Are you ready for this? OK, here we go!

- **RULE 1:** IF THE 2ND 5 MINUTE BAR IS NOT AN INSIDE BAR, ENTER ON A BREAKOUT OF THE EXTREME (HIGH OR LOW) OF THE 2ND 5 MINUTE BAR.
- **RULE 2:** IF THE 2ND 5 MINUTE BAR IS AN INSIDE BAR, ENTER ON A BREAKOUT OF THE EXTREME (HIGH OR LOW) OF THE 1ST 5 MINUTE BAR.

 **RULE 3:** EXIT WHEN YOU SEE TWO REVERSAL BARS IN A SERIES OF BARS MOVING IN THE DIRECTION OF THE TRADE. THE REVERSAL BARS NEED NOT BE CONSECUTIVE. A REVERSAL BAR IS DEFINED AS A BAR OPENING HIGHER THAN IT CLOSES IN AN UPMOVE OR A BAR OPENING LOWER THAN IT CLOSES IN A DOWN MOVE.

- **RULE 4:** EXIT WHEN YOU SEE A “VIOLATION” BAR. A VIOLATION BAR IS DEFINED AS A BAR MAKING A LOWER LOW THAN THE PREVIOUS BAR IN AN UPMOVE, OR A BAR MAKING A HIGHER HIGH THAN THE PREVIOUS BAR IN A DOWN MOVE.

Electronic Trading 'TNT' I — Gorilla Trading Stuff

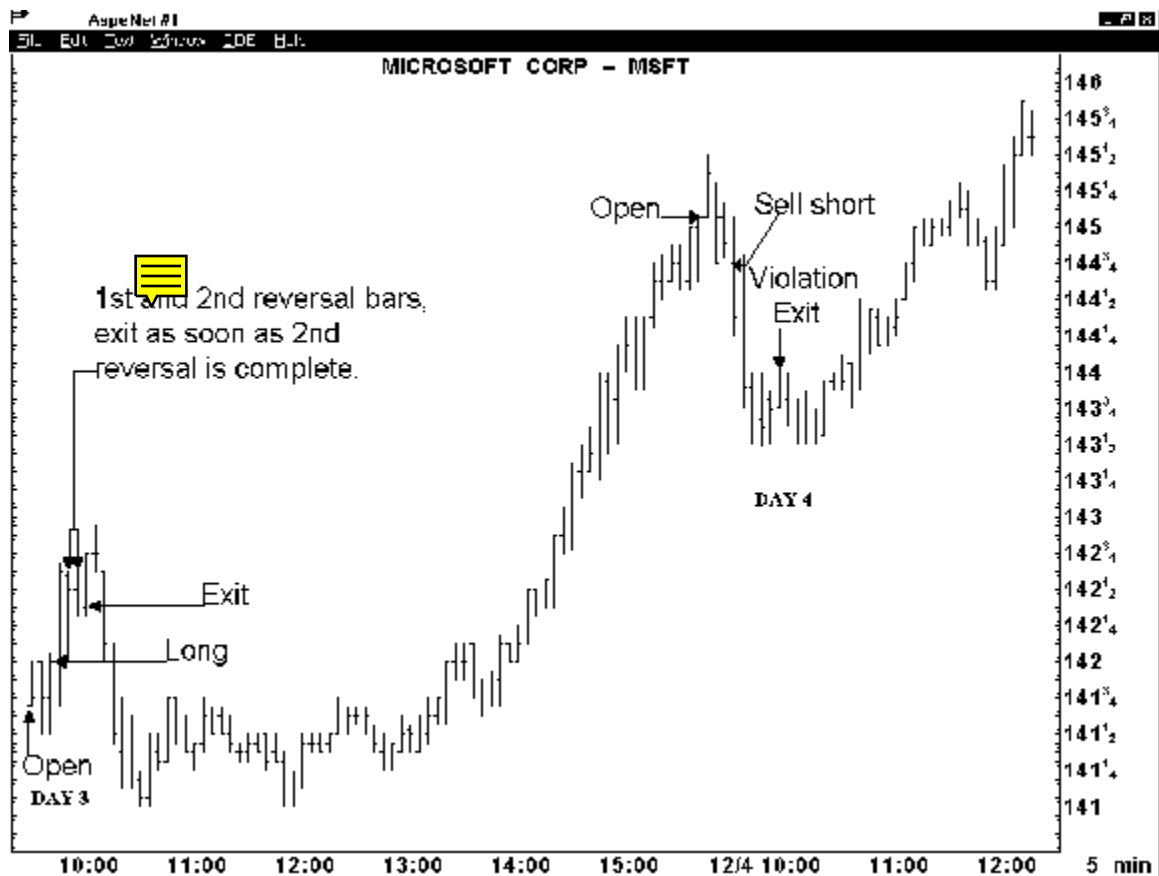
The rules shown on the chart are simple. This is an early morning trade technique based on an entry off the open on a 5 minute chart. We'll look at several days so you can see how it works. Day 1 was satisfactory in its outcome.



What you will discover is that the most important factor in a trade is not how you get in, but how you manage the trade. So far, we have had a trade that made a decent profit (previous page) and now a trade that had a small loss, a small win, or was breakeven, depending on the entry and exit prices. If we can keep up this pace of trading, we can be consistent winners.

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Day 3 gives us a winning trade, as does Day 4. We did not especially choose these days because they mostly won. We took them completely at random and they are consecutive days of a normal trading week.



So, what's the point of all this? We want you to see what trading is really like. We want you to see why you must keep your losses small.

Look at how many times we had to make trading attempts and risk small losses before we were able to really score.

That's what trading is all about. Keep in mind that losses are essentially calculated losses. There may be plenty of them, but they should all be within the parameters of the trading plan. Will such a method work in today's markets? You bet! You saw it on the preceding charts. The markets have been making the same patterns year after year, day after day. Traders come and go, but the markets keep on doing their thing.

Electronic Trading 'TNT' I—Gorilla Trading Stuff

The truth is the truth. We've shown you our way to trade. Learn to be patient and to wait for the right things to happen. The method we were using forced us to wait. We never allowed ourselves to trade what we were thinking. We traded only what we saw. The truth we had to trade with was always on the chart in front of us. There was no other truth. We had no oscillator, and no moving averages. Just a bar chart. Trading this way will force you to learn many valuable lessons.

You will learn that the market is your friend as long as you honor it. You will learn that you may have to take a lot of small hits. You will learn not to fear them. You will learn to cherish the profits that you have, and to protect them. You will learn to be unwilling to give them all back. When you are wrong, the losses must come when you have little or no profit in a trade rather than allowing a winning trade to turn into a loss. The losses have to be kept minuscule in size.

You have to manage your money. You have to pinch every penny. You must run your trading as a business. This is no game. This is real. The roof over your head may be at stake.

You must learn to enter the market more than once, to make numerous attempts. To do this, you will have to conserve capital. If you allow yourself to take a big loss the first time in, there may be no way to have the courage or the capital to try again.

Can you see that? If you allow yourself to take a beating on a trade, it not only greatly diminishes your capital, but it deprives you of the will to continue trying.

Although we can be somewhat sure of the trend (it's true while it lasts), we can never be sure of the timing. No one knows exactly when a market will break and run, or when it will continue to run. Consequently, you have to be prepared to make several attempts.

It's the sort of thing where you stick your toe in the water to see if it's too hot. If you get burned, you are quick to pull that toe out of the water. So you wait. When you see that it's time to try again, you stick that toe back into the water. Perhaps this time you can climb

Electronic Trading 'TNT' I— Gorilla Trading Stuff

into the hot tub. If not, try again. But you don't just jump in and get scalded with third degree burns all over your body.

If you sit there and take a big loss, you will have been badly burned. You'll be like a whipped dog. You'll have to slink away to a corner and lick your wounds. You'll no longer have the courage of your convictions. Do you know what you will do then? You'll probably go out and buy another system.

There's an old story that says it all. "When a woman has a bad day, she goes out and buys a new hat. When a trader has a bad day, he goes out and buys a new system." If you know who first said or wrote that, let us know.

When we do a mailing for our books, do you know who sends for them? That's right, the person who just took a big hit in the market.

If we mail the same list again, we'll get the same number of sales. Why? Because next time we'll get others who have lost.

The winners almost always throw our letters in the trash. Who wants to read a book about trading when he is winning? How many of you are willing to shell out \$2500 to \$3000 for a new system when you are ahead in your trading?