

 **Wiley Trading**

The Universal Principles of
SUCCESSFUL
TRADING

Essential Knowledge for All Traders in All Markets

BRENT PENFOLD

Advanced Praise

In my opinion trading education is delivered in two styles: quantitative and qualitative. The vast majority of information in the trading universe is quantitative—"hard-coded" information that can be replicated by the majority. However, successful trading only comes about by an understanding of qualitative learning—how you can readily teach someone to learn to lose when it goes against everything we're brought up to believe. Brent's "Just One Piece of Advice" section is one of the best attempts to get this qualitative message across. Take it. Read it. Then read it again and again.

Nick Radge

Trader and Adviser (AFSL 288200)

Author of Adaptive Analysis

www.thechartist.com.au

This book cries out to be placed in any trader's library. Brent does a superb job of outlining, exploring and evaluating the current state of position sizing algorithms. As successful traders know, money management is one of the three pillars of trading success. He also provides a unique trading plan. A great book!

Ray Barros

Professional Trader and Fund Manager

Author of The Nature of Trends

This book is a "must-read" for anybody approaching the world of trading but also for skilled traders. I've read many books but this is the one I wished I had found when I was starting this adventure. Brent addresses exactly what a trader should really focus on.

Andrea Unger

Winner of the World Cup Championship of Futures Trading[®] 2008 & 2009

Normally when asked to review a book, I will skim through it and make a few comments. With this book, I just kept reading—I couldn't stop! Brent has an amazing ability to tell it like it is. His "Just One Piece of Advice" section is brilliant, and worth the price of the book many times over. If you have a genuine deep desire to be a consistently profitable trader and want to learn what traders really need to know as opposed to what most think they need to know, do yourself a favor and read this—please!

Stuart McPhee

Trader

Author of Trading in a Nut Shell

In my 25 years in the market I have read and seen just about every trading book there is. Very few get to the crux of trading like Brent has. Get it. Read it. This is not your typical trading book, this is a comprehensive book written by a real trader for traders, everyday people who are serious about becoming successful traders.

John (JR) Robertson

Director, I-Deal Financial Group

Crawling in the right direction beats running in the wrong direction every time and *Universal Principles of Successful Trading* will definitely get you heading in the right direction. Straight forward language, simple concepts and emphasis given where emphasis is needed. I wish this book was around when I started out because to master the markets now all you have to do is master this book.

Alan Hull

Trader and Fund Manager

Author of Active Investing

When Brent asked me to review his new book *The Universal Principles of Successful Trading* I was both excited and curious. Having read his first book and recommended it to many of my clients I knew to expect something big. Brent is one of the very few authors who actually puts into practice the strategies he espouses, which lends great credibility to his words. He provides the most comprehensive approach to the various strategies of money management I've ever seen. A must read for anyone serious about trading.

David Montuoro

Futures Broker

Director, Belmont Securities

Concise, to the point, and relevant for gaining the trading skills and strategies needed to maneuver in today's marketplace, Brent provides a clear road map on how to emulate the elite traders who consistently win over the long-term. Forget the hype you hear about trading and get this book. Read it, read it and read it again. And then study it until your eyeballs drop out. Brent keeps it real and if you can too then you may just find yourself in the exclusive 10 percent winner's circle! This book is destined to become a trading classic.

Steve Mater

CFD Business Development, MF Global

In his first book Brent hits the nail on the head with a down to earth, no nonsense explanation of what you need to be a successful active trader. I haven't seen a more practical guidebook for traders in over 20 years in the financial markets. If you want to stop being in the 90 percent of traders who lose and join the elite 10 percent who win, then I suggest you throw out all your other textbooks and read this book from cover to cover. This is a book written for traders by a trader and is the obvious starting point for a successful trading career.

Tony Makowiak

Head of Dealing, Aliom Pty Ltd

The Universal Principles of Successful Trading

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All Traders in All Markets**

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BRENT PENFOLD



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*To my beautiful wife Katia, who has
given me the two greatest gifts a
husband could hope for, two beautiful
little boys, Beau and Boston.*

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ACKNOWLEDGMENTS

Although this is my book, and mine alone, its contents and richness of information are not mine alone. Within these pages, you will meet a number of elite traders, whom I call the Market Masters. They are successful traders who have generously agreed to share their experiences and success with you. Their experiences and their advice are their content, not mine, and I'd like to thank them for agreeing to participate in the book.

Some of these Market Masters I personally know, many I don't. I'd just like to take this opportunity to acknowledge my gratitude to a number of these Market Masters who generously introduced me to some of the other traders.

First to Daryl Guppy, who introduced me to Greg Morris. In addition, Daryl nearly helped me to share with you both John Bollinger and Martin Pring's thoughts. But unfortunately John was on a tight schedule at the time of writing, and was unable to participate, but he did say he thought the outline of this book was excellent. And Martin Pring was too committed due to him finalizing a new book and preparing for an imminent workshop. So a big thank you to Daryl for not only his own participation but also for introducing my book project to Greg Morris and for his warm and complimentary foreword.

I'd just like to also acknowledge my thanks to Larry Williams, who generously introduced me to Tom DeMark, Lee Gettess, Brian Schad, and Andrea Unger. Without Larry, you and I would not have had the opportunity to hear from these successful traders, so a big thank you to Larry for both his introductions and his contribution.

In turn, I'd like to give a big thank you to Andrea Unger for both his contribution and introducing me to both Kevin Davey and Michael Cook.

And I'd also like to take this opportunity to thank the rest of my Market Masters: Ray Barros, Mark D. Cook, Michael Cook, Tom Demark, Lee Gettess, Richard Melki, Geoff Morgan, Greg Morris, Nick Rage, Brian Schad, and Dar Wong for generously accepting my invitation to participate and help make this a better book.

PREFACE

Generally everyone loses in trading.
And I mean everyone.

Regardless of whether people trade forex, shares, commodities, options, warrants, futures, or contracts for difference, everyone loses. Even the elite traders who do win lose on plenty of their trades. There is no such thing as 100 percent accuracy.

And here is the sobering truth about active trading: fewer (and possibly many fewer) than 10 percent of active traders are consistently profitable over the long run. This may surprise you given the marketing hype that surrounds trading.

Despite the perceived glamor, it's a disappointing truth that very few traders are consistently profitable over the longer term. And this goes for all active traders, regardless of which markets, time frames, or instruments they choose to trade. Very few traders are consistently profitable over the longer term.

You can ignore all those dinner party conversations where you have sat in envy listening to others recount the killings they've made in the markets. You can ignore the sound of their triumphant voices as they retell their trading victories. These market warriors are more often trading chumps than trading champs. They're spinners of half truths. They're masters of deflection. They're hollow people who will only recount their victories and not their disasters. They will not share their misfortunes. They will not remember their follies. They will not talk about their big losses. And believe me most of them do have big losses, because everyone does. They are people to be ignored.

That's the bad news.

The good news is that the elite traders who do win don't necessarily know any trading secrets. Certainly, some will have very interesting trade setups and entry, stop, and exit techniques. However, there are other elite traders who use surprisingly simple ideas. Very simple ideas. Nonetheless, regardless of the individual trading techniques the elite traders use, their overall

success can be traced back to the universal principles of successful trading. Principles that are universal to all consistently profitable traders—the few 10 percent of traders who win. These principles are common among the winners. They distinguish the few winners from the majority who lose.

Their profitability is not dependent upon a single magic indicator or secretive trading technique. Their profitability is not dependent upon the market or markets they choose to trade, nor is it dependent upon the time frame or time frames they choose to monitor. Nor is their profitability dependent upon the financial instrument they choose to trade. No, their success can be traced directly back to the universal principles of successful trading. Principles that most losing traders don't know.

If you are serious about becoming a consistently profitable trader, then you will need to learn, understand, embrace, and implement the universal principles that every consistently profitable trader understands and follows. To ignore them is to guarantee your trading demise.

Regardless of what or how you trade, to be consistently profitable you need to adhere to some basic first principles of trading. You need to remember that a market is a market is a market and that a chart is a chart is a chart. So regardless which individual markets you may choose to trade, or which time frame you choose to follow, or which security you choose to trade, what comes first in profitable trading is adopting and embracing a good process of trading. The selection of which markets to monitor and which instruments to trade is secondary to the adoption and implementation of a good process of trading, and those are what the universal principles of successful trading are all about.

So if you wish to succeed in trading, you will need to understand and accept the simple truth that what distinguishes a group of successful traders from the majority who lose is not their individual entry and exit techniques but their adoption of the universal principles.

Losing traders don't know this. They are unaware of the universal principles. They continue to trade and lose in total ignorance. They continue to focus on looking for that perfect risk-free 100 percent accurate entry technique. They're unaware that there are key principles to adhere to when trading.

In my opinion, regardless whether you choose to trade the currency, equity, interest rate, energy, metals, grains, or meat markets, the universal principles of successful trading are essential to your success. And this goes for everyone regardless of whether you are a day trader, or a short-term, medium-term, or longer-term positional trader. The universal principles of successful trading are essential to your success. There is no escaping them. Regardless of whether you choose to trade options, CFDs, futures, shares, margin forex, or warrants, the universal principles of successful trading are essential to your success. I cannot say this enough. And regardless of whether you

choose to base your trades upon either traditional technical analysis, fundamental analysis, Elliott wave, W.D. Gann, candlesticks, Fibonacci, indicators, mechanical systems, seasonals, geometry, pattern recognition, or astrology, the universal principles of successful trading are essential to your success.

In a nutshell, if you trade, regardless of where, how, or why you do it, the universal principles of successful trading are essential to your success. To ignore them is to ignore the truth. To ignore them is the same as ignoring the losses in your trading account.

In my opinion there is only one universal truth in trading. And it's this. If you can get the basic first principles of trading right, then the profits will follow. They must. Period. Full stop. However, if you ignore the universal basic principles of trading, then you will continue to lose. Period. No negotiation. No arguments. No ifs or buts. You will continue to lose. Period.

And wouldn't you like to stop losing in such a consistent and miserable manner? Wouldn't you like to learn what actually makes a trader consistently profitable? Wouldn't you like to start making money in a consistent and reliable fashion? Wouldn't you like to stop jumping between failed trading methodologies and actually learn what makes a trading methodology robust and reliable? If so, then this book is for you.

If you wish to make money trading, then I am going to show you how by getting you back to the basics by teaching you the universal principles of successful trading.

But first a number of warnings. If you're here looking for a new entry, stop, or exit technique then this book is not for you. If you're here looking for a new technique to analyze market structure, then this book is not for you. And if you're here looking for a simple solution to get you profitable, then this book is not for you and nor can I help you. Although trading and the universal principles, once you know them, are relatively simple, they are not easy. There are no easy shortcuts to achieving consistent long-term profitable trading.

If you are looking for certainty in your trading, then this book is not for you and nor can I help you. There is no certainty in the markets and there is certainly no certainty in trading. There is only 100 percent probability. If you're a person who can only function in an environment that offers a high level of certainty and security, like being in a secure relationship or secure job, then trading is not for you.

If you are an intellectual who rarely admits to being wrong, then trading is not for you, because the markets have a regular tendency to belittle you and make you wrong. Intellectuals struggle with not knowing the correct answer, not being in control, and being regularly proved wrong.

However, if you are prepared to do the work, trading can offer you unlimited possibilities. Today, trading is as egalitarian as it can be. It lets

everyone compete equally. There are no barriers to entry. Today, institutions no longer have a competitive advantage over the private trader. There are no limits to foolishness when institutional traders can be just as ignorant and clueless about what works in the market as the private trader. There are no ceilings to success when private traders can achieve profitability comparable to or better than some of the best institutional traders. Trading today is the ubiquitous level playing field.

If you are patient, if you are prepared to do the work, and if you have an open mind, then I believe the universal principles will transform your trading. But it will be up to you, you alone, and no one else. Take responsibility for your actions and your actions will transform your trading account.

Good luck, good studying, and sensible trading.

Brent Penfold
Sydney, Australia

FOREWORD

It took me more than 30 years to get enough spare savings together to become involved in the market. In that 30 years, I had lots of enjoyment and adventure, including mining underground, operating heavy machinery while building roads in very remote parts of the Northern Territory in Australia, working in the Torres Strait Islands, and administering Aboriginal communities in the desert. My parents regarded this as largely a waste of a good university humanities education. Unfortunately, money slipped through my fingers like water into the sand after a desert rainstorm. It was not helped by my expensive addiction to reading new books.

The traditional road to wealth in Australia is to buy a house—and then another. With a miserable \$2,000 and a variegated work history, no bank manager regarded me as a good risk for a housing loan. I needed to make money work for me, rather than me working for money. Around this time, Warren Buffett was becoming a better-known name, and I fondly imagined I could turn \$2,000 into a reasonable sum within a reasonable time if I bought shares in a business I knew something about.

So while living in the middle of the Australian desert I bought a blue-chip mining company. I watched its share price go up and down, delivering 30 percent returns and then taking them away. I collected one of those 30 percent returns and reinvested some of the money in another blue-chip mining company at its all-time high price, never to be achieved again in the 12 years before it was finally delisted. The amount was small, so I kept the stock to remind me why I was not an investor.

The desert is a hard environment, and you survive only by learning from the experience of others. I found the market was a similar harsh environment, and survival depended on learning from the experience of others who had taken the time to write.

Books about trading were difficult to come by, and in the vast expanse of the Australian desert, there were no other traders to talk to and learn from. I fed my long standing addiction to new books with mail-order books written by other traders, mainly from the U.S. (Most of them unfortunately

were lost when my office was destroyed by flood in 1998. It's not just the market that gives and takes away.) With a spreadsheet on an Apple computer, I created rudimentary charts of price activity and learned how to understand what they were saying about the market and the activities of other traders and investors in the market.

Along the way I discovered, or learned, some of the universal principles that apply to trading. I wish I had had this book then, because it would have accelerated my market education. These principles are the core of every successful trader, although the mix and proportions are as diverse as the opportunities in the market. They are united by perhaps one common factor. It's not mentioned in this excellent coverage of the universal principles of trading, perhaps because it's so obvious that Brent Penfold, and the other traders he interviews, just assume it's natural and not worthy of note. Or perhaps it's ignored because it's not unique to trading success.

The common factor is a passion for the activity of trading. By common reckoning, it takes a minimum of 10,000 hours to become an expert in your chosen field. Brent Penfold and the traders in this book have multiples of tens of thousands of hours behind them, and these hours are further augmented by a passion for what they do. Successful traders have an aptitude and a passion. Mine started in the remote deserts of Australia, sparked initially by need. Brent found his in the dealing rooms. Others discover theirs in different locations and situations. This book is one of the results of Brent's passion for trading, for markets, and for helping others along the road to success in the market. If you aspire to the same passion, then this book will help you to identify the universal principles of trading no matter what your background.

Daryl Guppy

Trend Trading:

The 36 Strategies of The Chinese for Financial Traders

Shanghai, 2010

INTRODUCTION

This book came about for a number of reasons.

First, the success of my first book *Trading the SPI*¹ came as a surprise to me. The book was about trading the Australian “SPI” or Share Price Index futures contract. I knew for a fact that there weren’t enough private SPI index futures traders to warrant the number of book sales. Although the local index futures contract was the single largest equity instrument in Australia, it was a contract dominated by institutions, not the small private trader. So my book’s success was initially a mystery to me until I figured out why. And the why became the first reason for considering this book. You see, my first book was divided into three parts, and I believe the second part, which discussed the preparation necessary to become a successful trader, was the reason for the book’s success. Traders had come to hear about its message and bought my book even though they weren’t interested in trading the SPI index futures contract. They wanted to learn more about how to prepare themselves to become successful traders, because trading is trading and the principles discussed in part 2 were universal to all markets and all traders. I always thought part 2 was the book’s best section and I believe it was responsible for the book’s success. So the first reason for doing this book was to get its universal message on trader preparation, which I call the universal principles of successful trading, out to a wider audience.

As a sidebar to those of you who have read my first book *Trading the SPI*, much of what you’re about to read you will have seen before, so I hope you will accept my apologies for going over familiar ground. However, I hope you can understand my desire to share my ideas with a wider audience. It’s also not in my nature to make up content for the sake of content. I can only write about what I believe and what I do and what I know that works. And that is what I’m doing. So I hope this book, although parts will seem repetitive, will be an opportunity for me to reinforce to you the universal principles of successful trading.

The second reason came to me while I was in Singapore presenting at the Asian Traders and Investors Conference (ATIC). I was chatting with Stuart McPhee, an Australian share trader, educator, and author, who was sharing a story with me about how difficult it was for him to encourage people to purchase his book *Trading in a Nutshell*.² This surprised me because I rate Stuart's book highly, and said as much when I reviewed his second edition in the *Your Trader's Edge* magazine. Stuart shared with me the Singaporeans reluctance to purchase a book that had "Australian Shares" written on the front. They told Stuart they couldn't see the value in purchasing an "Australian" book since they lived in Singapore. Now although Stuart and I knew that a security is irrelevant to learning how to trade, since a chart is a chart and good trading habits take precedence over any particular market, for those new to trading, a reference to a foreign market on a book's cover can be a stumbling block. This became my second reason for doing this book. I wanted people who attended a presentation of mine, regardless of which country I presented in, to be able to purchase a book to learn more about how I approach trading.

Over the years I have been fortunate enough to be invited to present to traders in China, India, Singapore, Malaysia, Vietnam, Thailand, New Zealand, and of course Australia. And during my many presentations and workshops throughout Asia-Pacific, I have come to the clear realization that the markets do not discriminate between traders and their passports. All traders from all countries suffer equally in the tumultuous world of active trading. So I wanted a book that any trader, regardless of their geographic location, could purchase and learn what I thought was important to become a sustainable and consistently successful trader. I wanted to write a book that would transcend borders. I wanted a "borderless" book that anyone would find relevant. This became the second motivation behind this book.

The third reason was the challenge to write an outstanding "one-stop" book on how to become a successful trader. To give people a valuable resource guide for their trading, regardless of the market, time frame, instrument, or technique they preferred to trade.

By the end of this book, I will have given you a blueprint on how to become a consistently profitable trader that I wished I had been when I started out over 27 years ago. I would have certainly avoided many years of disappointment. When I joined Bank America as a trainee dealer back in 1983, I knew absolutely nothing about trading and the markets. And even after a few years of institutional trading experience, I was still ignorant about what actually worked, and it would take me many more years before I would realise it.

Since my first trade in 1983, I've probably tried just about every technique there is to trading. If there was a book, a seminar, a workshop,

or a software program that could help my trading, I either bought it, attended it, or installed it. During the 1990s, in my quest to find an edge, I felt like I was walking through a revolving seminar door. I attended many well-regarded seminars. I attended the Turtles seminar with Russell Sands, learned PPS with Curtis Arnold, studied geometry with Bryce Gilmore, and attended Larry Williams' Million Dollar Challenge (MDC) seminar. I picked up useful bites here and there, and it was Larry Williams' MDC seminar that reinforced my work with short-term mechanical price patterns.

As a trader, I trade the global index and currency futures over multiple time frames with simple mechanical models. I trade possibly the two most liquid and volatile market segments on the planet: indices and currencies. I trade a portfolio of 14 markets. For index futures, I trade the SPI, Nikkei, Taiwan, Hang Seng, Dax, Stoxx50, FTSE, Mini-Nasdaq, and E-Mini S&P500 index futures contract. For the currency futures, I trade the five main currency pairs against the US dollar, which includes the euro, British pound, Japanese yen, Swiss franc, and Australian dollar. I trade my portfolio on an almost 24/7 basis, where a day doesn't go by without me placing an order for either an index or currency future somewhere in the world.

I'm principally a pattern trader. Apart from a 200-day moving average, which I use to determine the dominant trend, I focus purely on price. And please do not read too much into my use of a 200-day moving average. There is nothing magical about me using 200 days. It's just a length I have always used. I don't even know whether it is the optimal length to determine the dominant trend, nor do I care. The last thing I would want to do in my trading is start using "optimised" variables because that's one of the quickest routes to the poorhouse.

And please understand that I don't use the 200-day moving average for finding my trade setups. I don't use it to find entry, stop, or exit levels. I just use it to determine the dominant trend because I prefer not to place trend trades against it.

From the outset, I want to make it clear that I do not consider myself a trading expert or an expert on the markets. Neither do I believe such a person exists (except possibly Larry Williams, the world-renowned trader and educator, who will trade live in front of his students while teaching). However, there is one area in which I will rate myself against most people, and that is my experience in losing money. If you want to learn the common mistakes people make in trading, I'm your man. I have more cuts, bruises, and bumps than any other trader, so I feel comfortable in claiming to be an expert in them. However, although I've hit many speed humps, I have also managed to survive and navigate my way through the confusing world of technical analysis. Hopefully, I'll help you to survive as well.

Now, although I trade 14 global index and currency futures on an almost 24/7 basis, I don't really commit a lot of time actually to "trade" these markets. I'm not a slave to my computer, where I have to watch the markets tick by tick. I trade off daily bars and it only takes me an hour a day to collect all my data, run my models and forward my orders to my broker. Remember I'm a mechanical trader, trading simple mechanical solutions. I have programmed my trading models into Visual Basic for Applications (VBA) for Excel to produce my orders automatically. I email my orders to my broker. Once my broker confirms receipt of all my orders (by return email), I relax for the next 24 hours. My broker operates a 24-hour trading desk, where my orders are well looked after.

As a mechanical trader, I trade with a positive expectancy. I use a trading strategy that delivers me clear buy and sell signals, which I consistently follow. I trust my methodologies to return long-term gains despite any short-term losses. Apart from running my website and trading, I spend most of my time researching and programming up new ideas.

As I've said, I'm no expert; however, over the years I've discovered what really counts for being successful in trading and what has really allowed me to succeed. And it's my hope that by the end of this book you will know what I know, and you will really understand that what separates the winners from the losers are the universal principles of successful trading.

As I've mentioned, it's my objective to make this a one-stop trading book, which will become a valuable resource for your trading. If you're really serious about making money from the markets, then I don't think you'll be disappointed.

From my experience, one of the reasons so many people lose in trading is that they believe what they read in trading books and magazines and what they see on charting programs. It's an unfortunate truth that most of what is written about trading or incorporated into trading programs does not work. It only makes money for the author, publisher, and software developer.

My point is, if you aren't already, please become a skeptic when you read trading books, including this one. Just because I or another author writes something, it does not necessarily make it true. I'm a big believer that all traders should welcome all opinions and ideas they hear, see, or read about trading. Every trader should embrace the choices out there in trading. However, I believe all traders, including you, should also reserve the right to determine whether an idea you have heard, seen, or read has value for you in your hands. What may work for me or another author may not necessarily work for you. After welcoming all ideas on trading you will need to first independently validate the idea for yourself before you can pass judgment. Please do not rely on another's opinion about trading, including mine. Please remain a skeptic at all times when reading trading books, like this one, and please learn how to validate

ideas first before you accept the belief has value. It pays to be a skeptic in this business of trading.

Since the introduction of CFDs and margin FX, active trading has exploded among small private traders. People can now trade just about any domestic or international share, index, currency, or commodity of their choosing from the comfort of their home PC. Between CFDs, traditional futures, and the globalization of financial markets you can now access any market you choose to. And with the knowledge you will gain from learning the universal principles of successful trading contained in this book, I believe you will do so with purpose and confidence.

And please remember that what I write is only my opinion and should not be accepted as the truth. If you like what you read then please first independently validate the ideas yourself. I hope this book will be of benefit to you and help you discover what really makes a trader successful over the longer term. If you have any questions, please do not hesitate to contact me through my website, www.IndexTrader.com.au.

THE UNIVERSAL PRINCIPLES

In this book, you will learn the foundations to successful trading. In time, you will discover that these principles are universal to all traders and all markets. Regardless what markets you trade—whether it be equities, indices, currencies, bonds, or commodities, regardless what time frame you monitor, whether it be day trading, short-term, medium-term, or long-term trading, and regardless which security you trade to gain an exposure to your preferred market—shares, CFDs, futures, forex, options, or warrants, trading is trading. Full stop. Which market, time frame, or instrument you choose is secondary to the process of good trading, which this book explores in depth through the universal principles of successful trading.

These principles will outline the essential steps I believe all successful traders must navigate before they place their first order. The principles will outline the importance of being process oriented in trading regardless whether one has a preference for discretionary or mechanical trading (in discretionary trading, a trader will make the final decision whether to trade; in mechanical trading, a trader must follow his or her trade plan's exact entry, stop, and exit rules without fear or favor, without hesitation or discretion). The principles will take you through the nuts and bolts of practical trading covering key concepts such as risk of ruin, (my) Holy Grail, expectancy, opportunities, validation, TEST, money management, methodology, and psychology.

Chapter 8 on money management alone is worth the price of this book. Once you learn where I place the importance of money management, you'll

understand why it's one of the largest chapters. I don't believe you'll find another book so accessible to the average reader (who isn't armed with a Ph.D. in mathematics) that has such a breadth of examination and depth of practical investigation into various money management strategies.

Regardless of your trading experience, I believe all traders will benefit from the universal principles. They explore what is necessary to be prepared and well positioned to succeed.

Following the universal principles, you'll meet a group of successful traders. I refer to them as the Market Masters, successful traders who are prepared to give you one piece of advice based upon their years of experience and success. Some of them you will recognize, while others you will not have heard of. Some are recent and current trading champions, the new young guns of trading. Some are market legends, the wise heads who have had a significant impact on the world of technical analysis and who have been trading the markets since the 1960s. One Market Master is possibly one of the largest individual E-Mini S&P500 traders in the world. Some are prolific authors and are the biggest names in trader education. Some trade investment funds. Some are private traders. They represent a diverse group of traders from around the world, from Singapore, Hong Kong, Italy, the U.K., America, and Australia. All of them are successful. All of them have survived the Global Financial Crisis. And all of them have generously agreed to offer you one singularly powerful piece of advice to help you toward your trading success.

By the end of this book, I hope you'll have acquired the knowledge and confidence to consider whether you're prepared to be involved in active trading. For many of you who are honest with yourselves, you will decide not to trade. You will determine that you don't have the heart to put in the hard work necessary to prepare yourself for trading. If you are one of those, then congratulations because you will be saving yourself a lot of money and heartache.

For those of you who think you can skip the universal principles, then I cannot help you. If you're not prepared actually to listen to what I'm saying, then you deserve the results you get. All I can suggest is to remember this book and write yourself a diary note to revisit it in, say, 12 months. Possibly, you'll be in a better position then to begin listening with both ears.

For those of you who realise there are no free lunches and no shortcuts along the road to successful trading, then I wish you all the best. You know it's all hard work ahead of you. And please remember there is no rush to get involved in active trading. There is no gold medal for being the first one in. Take your time. Work carefully through all the steps. Be thorough to the point of obsession in validating your ideas and remember to take a break from time to time because it does get exhausting, believe me. Once you