



5 habits of stock market winners

Tips For The Determined Trader

Habit Number 1 – Plan for battle

The market is a battleground and everybody plays to win. It is a shark-eat-shark world where anybody can be the loser today but the winner tomorrow. In such a place, only people who strategize, practice and execute their plans perfectly can deliver consistent winning outcomes.

The key to winning a battle is to understand the battleground, understand how other participants behave in the field and develop a plan so you can outplay them.

Singapore Exchange (SGX) sets the playing rules in the

battleground. An investor or trader who wants to be thorough should understand the rules set by SGX and their implications. Try to understand also the factors that drive regulation. This is because new developments can cause rules to be changed temporarily or permanently. Some regulations can be imposed suddenly but they are often predictable because the factors that drive them are obvious. Let's see the following example.

On 22 September 2008, the Singapore Exchange imposed new action to deter short-selling of stocks in the market. Although there was

no prior indication from SGX, the US Securities and Exchange Commission (SEC) and the UK Financial Services Authority took actions to halt short-selling in a concerted effort earlier on 19 September 2008. Experienced market-watchers would be anticipating similar action from SGX after the joint-action by the US and UK markets.

There are many participants in the stock market. They are not confined to just other individual investors or speculators. There are plenty of big players like banks or funds that participate in the market for their own motives or act as trustee for others.

Big corporations that are listed on the exchange are stakeholders in this game and their actions can affect their own stock prices or even others if they have a big 'footprint'. Securities firms earn commissions from transactions and will take actions to encourage trading. The media has a very influential voice.

If you want to win, understand the motivations driving other players and attempt to move in concert. As popular sayings go 'the trend is your friend' and 'when elephants

of stock market strategies.

Habit Number 2 – Learn and adapt

Every participant in the stock market is smart and highly motivated. Why? Because lazy and not-too-clever participants in the stock market have their money quickly removed from them. If your funds go to zero, you lose the game.

The market is a highly evolutionary sphere. Actions breed reaction and counteraction. New entrants replace

people become aware, the competitive edge delivered by this strategy erodes because it is harder to use it to win. Early winners start looking for other strategies while those that have been defeated by it will be looking for a different technique to beat it. When a new strategy emerges, the older one is phased out.

The second reason is because new trading products are constantly being introduced. These financial innovations drive the earnings

When a strategy works, other participants quickly catch on to make use of it. As more people become aware, the competitive edge delivered by this strategy erodes because it is harder to use it to win.

fight, the grass gets trampled' so follow the trend and don't be the grass.

Tip 1: Go to www.sgx.com to get acquainted with the regulations in the stock market.

Tip 2: Pick up a strategy that will put you in line with the trend; technical analysis is a good place to start because it is easiest to pick up and master for retail investors and traders. Go to www.teraseeds.com for a wide range

of losers. Winners are the survivors who have the most experience, stamina and motivation to skin the newcomers.

Now how does the market change so quickly?

The first reason is because everyone plays to win and therefore there is a continuous innovation in terms of strategy and thinking. When a strategy works, other participants quickly catch on to make use of it. As more

of big players like banks and securities firms. Each time a new product emerges, it reacts with existing products. Some new products fail but some replace earlier ones. Others go on to take their own place in an investor's diversified portfolio. There is knock-on effect because each change demands a reaction.

Watch your performance all the time and be ready to invest energy and time to

learn more. Winning doesn't come for free and it certainly is not easy when everybody else is strong.

Tip 1: Explore other markets like currencies even though you might be trading stocks only. That is because global financial markets are tightly correlated and the currency market which is the biggest in the world provides leading indication to the direction of stock markets.

Habit Number 3 – Stick to winners

Markets go through cycles. Many investors do not realize that even in a simple up trending phase of the market, individual stocks can go through phases of rally followed by consolidation. A consolidation is a phase in the price cycle of a stock where winners take profit leading to a short-term fall or sideways movement in price.

Smart traders maximize profit by moving from rally to rally. Losers are those who constantly get their money

stuck in a consolidation.

If the stock you are holding is not moving, there are more than 800 others listed in the Singapore Exchange. If you don't like those, there are still plenty of markets like the Tokyo Exchange, the New York Stock Exchange, the Kuala Lumpur Stock Exchange and so on. If you run out of stock exchanges, there are still the currency, bond or commodities markets.

Tip 1: Learn to identify the price cycle of stocks and learn to ride the rallies only; avoid side-way markets. Reading price charts is a good way to start.

Tip 2: Pick up only the best of the best in different markets. Don't fall in love with a few counters; when they grow ugly and lose their shine, you lose your money.

Tip 3: Get a professional charting software (such as one from www.amibroke-academy.com) to help you scan through many markets in a breeze.

Habit Number 4 – Divide and conquer

Don't put all your eggs in one basket and spread your resources among the winners according to Habit Number Three.

Habit Number 5 – Choose your peers

Associate with successful traders. They have a lot of experience that you can pick up. Some also have secret winning formulae or special insights that they might share only privately.

Most importantly, winning is an attitude. Winners are hard-working and think positively. These attitudes are infectious so you can pick them up and benefit from them. If you associate with losers, their whining and complaining will suck energy from you.

Tip 1: Join a community of professionals and make friends with thought-leaders; they are insightful, analytical people who 'see' and plan for the future.

Tip 2: Share and discuss your thoughts; bad ideas get eliminated during the discussion process while good ideas are reinforced. In addition, realize that successful people like others who share, not 'sponges' who only soak up but don't release.

Tip 3: Don't complain. Grumbling is a process that helps us release stress but excessive complaining is time consuming and negative. Be mindful and STOP if you discover that you are complaining too much. 

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