

# LIVE @ TAG

W O R K B O O K



# LIVE @ TAG

Workshop

Full-Conference

## Strategic Analysis and Trading Tactics

Have you ever wanted to learn to trade from a professional trader? Well now you can! Robert Deel will show you the professional approach to trading and aggressive investing using MetaStock from a traders perspective. Whether you hold a position for several days or for a few minutes, Robert will share his approach to trading from a high probability perspective. Some of the points that Robert will cover in his workshop include; Synergistic Application of Technical Indicators, The Anatomy of a Trade, Draw Down and the 80/20 Rule, Tactical Trading Strategy, Mathematics of Trading, Investology and much more.

Robert developed the Enhanced Tactical Allocation Portfolio Strategies methodology. This tactical diversification system is designed for serious traders and professionals who want protective diversification without incurring a serious impact on their total return

## Biography



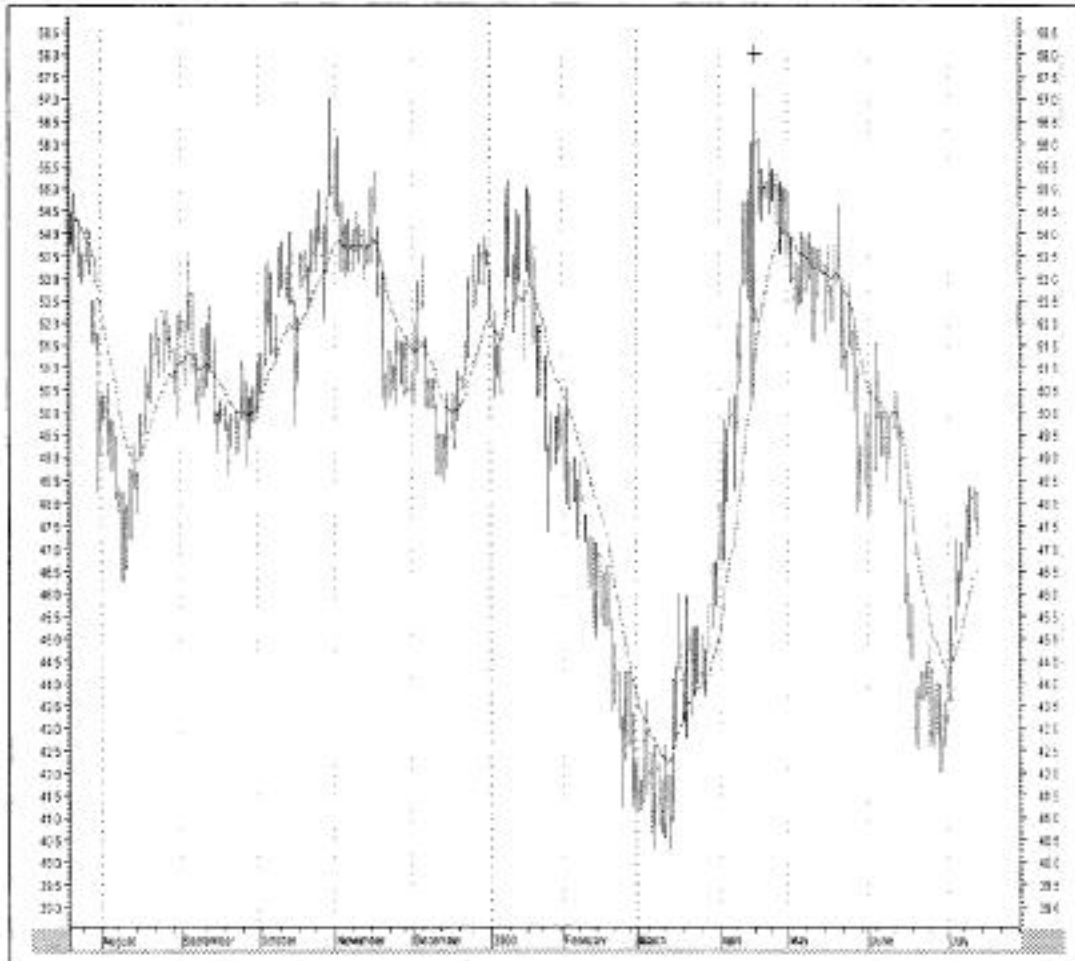
Robert Deel is a trading strategist, author, and an internationally recognized trading expert. He has trained individuals and professional traders in the disciplines of trading psychology, technical analysis, and tactical trading. Robert has trained groups of serious traders throughout the United States, Europe, Asia and Canada.

A former portfolio manager, Robert Deel managed millions of dollars and acted as the trading strategist and advisor for a Southern California money management firm. He appears regularly on television and radio and is the author of "Trading The Plan" and "The Strategic Electronic Day Trader." Robert is also CEO of Tradingschool.com. This school trains individuals and professional traders from all over the world.

Robert



# STRATEGIC ANALYSIS AND TRADING TACTICS



“You make your own success through hard work”

Robert Deel

# **THE FORMULA FOR SUCCESS**

**Self-discipline + knowledge + Experience + Skill**

**= Success**

**Success = Profits**

**You Succeed Only By Taking Action  
Its Up To You!**

## **MONEY AND EMOTION**

- What does money mean to you in one word answers?
- Joy And Fear
- Tool

## **VALUE**

How you value money, and how you made it, can affect how you invest it.

- Work        \$ 50,000
- Inheritance    \$ 50,000
- No Psychological Price
- Context Of Time
- Value Neutral

## **YOUR EGO AND WINNING CAN MAKE YOU BROKE**

You are a *winner*

- Winning can create powerful emotions which distort reality
- The more you win the better you feel and your ego takes over.
- The joy of winning is the drug that gamblers live for
- A gambler will lose as many times as necessary just of the thrill of winning once

## **YOU ARE RESPONSIBLE**

- Win or lose *you* are responsible for the outcome
- Don't blame the market or your broker
- Losses are an opportunity to focus on the problem
- Don't get caught up in personal denial

## **WHEN EVERYTHING'S RIGHT AND YOU ARE STILL WRONG**

- Lieutenant Commander Data
- Losses are a fact of life even when you're *right*
- Chaos of the market

## **RISK**

- Trained to avoid risk
- Risk = fear and loss
- The traders paradox
- How we handle risk psychologically makes the difference between success and failure
  - You will never learn how to win until you learn how to lose
  - Never forget you are the risk

## ESTABLISHING RISK TOLERANCE

- A constantly successful trader quantifies, analyzes, and truly understands and accepts risk.
- Emotional and psychological acceptance of risk is what determines your mental state in each trade
- Individual risk tolerance and time horizon makes you unique
- Ninety percent don't have an idea of their risk tolerance - trial and error
- Select a trading methodology that reflects your time frame and risk tolerance

## RISK MANAGEMENT

Risk management seems like a contraindication in terms. The mere mention of the word conjures up demons of fear and panic. Risk properly defined is the measurable probability of loss. The key words of course being *measurable probability*. Most people think of risk as uncertain and not quantifiable. This is not the case.

# NOT UNDERSTANDING THE MATHEMATICS OF TRADING

**% Loss Of Capital**

**% Gain Required To  
Recover**

5	5.3
10	11.1
15	17.6
20	25.0
25	33.3
30	42.9
35	53.8
40	66.7
45	81.8
50	100.0
55	122.0
60	150.0



# PROBABILITY OF A SERIES OF LOSSES

A winning trade does not have to be followed by another winning trade. The market is filled with variables which can change the outcome of the best strategy or system. You must expect the fact that a series of losses *can* and *will* occur. The following is based on a 50/50 outcome.

<u>Series Of Losses</u>	<u>Probability</u>
3 losses in a series	12.5 %
4 losses in a series	6.25 %
5 losses in a series	3 %
10 losses in a series	1 in a 1,000

What if you have 10 losing trades in a row? Don't say it can't happen. If you are an aggressive trader it will happen. It is just a question of when.

- Do you have the proper risk management in place to limit the losses?
- Do you have too much money in one individual trade?

# REWARD TO RISK RATIO

Profit Objective – Purchase Price = \$ 2,500 = 2.5 expectable  
Purchase Price – Exit Stop = \$ 1,000  
500x \$ 25= \$ 12,500 500x \$ 20= \$ 10,000 -=\$ 2,500  
500x \$ 20= \$ 10,000 500x \$ 18= \$ -9,000 -=\$ 1,000

## REWARD TO RISK EXAMPLE



FIGURE 1.

## THREE STOCK PORTFOLIO

Date	Shares	Buy Price	Sell Price	Buy Amt.	Sell Amt.	Profit	Loss
9-21-96	2000	18.75	23.00	38,667.55	46,191.15	7,523.60	0
10-12-96	2000	21.50	25.50	43,174.29	51,191.15	8,016.86	0
11-14-96	1000	48.88	55.25	49,052.60	55,392.60	6,340.00	0

### CASH ACCOUNT

**Account balance \$ 130,894.44**

**Increase 16.72 % or \$ 21,880.46**

**Current balance \$ 152,774.90**

Date	Shares	Buy Price	Sell Price	Buy Amt.	Sell Amt.	Profit	Loss
9-21-96	4000	18.75	23.00	75,265.14	92,278.63	17,013.49	0
10-12-96	4000	21.50	25.50	86,280.63	102,312.25	16,031.62	0
11-14-96	2000	48.88	55.25	98,035.45	110,780.00	12,744.22	0

### MARGIN ACCOUNT

**Account balance \$ 130,894.44**

**Increase 34.98 % or \$ 45,789.33**

**Current balance \$ 176,789.33**

This represents trading results over a three month period. The result is excellent by any standards but it came with a psychological price. Many people would not have been able to withstand the fluctuation in this three stock portfolio.

## THE ANXIETY OF DRAWDOWN PORTFOLIO FLUCTUATION

### CASH ACCOUNT

Shares	Share Price	Amount	Share Drawdown	Maximum Drawdown
2000	16.88	\$ 33,760.00	\$ 4,907.55	
2000	18.00	\$ 36,000.00	\$ 7,174.29	
1000	43.25	\$ 43,250.00	\$ 5,802.60	\$ 17,884.44

### MARGIN ACCOUNT

Shares	Share Price	Amount	Share Drawdown	Maximum Drawdown
4000	16.88	\$ 67,520.00	\$ 7,736.14	
4000	18.00	\$ 72,000.00	\$ 14,280.45	
2000	43.25	\$ 86,500.00	\$ 11,535.45	\$ 33,552.22

As you can see from the tables above the drawdown on both accounts could have caused psychological stress. To be a success in this business you have to conquer the twin demons of fear and panic. Both could have caused you to pull out of each trade with a loss instead of the profitable result.

What you see above is one of the primary reasons for the development of a written trading plan. This, along with the rules of investology will help guide you to a more successful outcome.

Profit by design, that's what I call a well thought out trading plan. Your plan should reflect your individual time frame and trading objectives. Make sure that your objectives are realistic and compatible with your skill and expertise.

# STOCK SELECTION COMPONENTS

## TREND

1. Trend lines +2, -2, 0
2. Support and resistance +1, -1, 0
3. Reward-to- Risk 2.5 or better
4. Chart patterns +1, -1, 0
5. Moving averages 12, 20, 50 +1, -1, 0
6. Bollinger Bands +1, -1, 0
7. TRIX (12) +1, -1, 0
8. ADX +1, -1, 0

= 8

## REWARD-TO-RISK RATIO

Must be 2.5 or greater

Reward to risk comes from chart information  
Such as support & resistance

= 3.5

## PROBABILITY

1. MACD +1, -1, 0
2. RSI (14) +1, -1, 0
3. Price ROC 12, 26, 39, +1, -1, 0
4. Williams % R +1, -1, 0
5. CCI (12) +1, -1, 0
6. Money Flow +1, -1, 0
7. Bollinger Bands +1, -1, 0

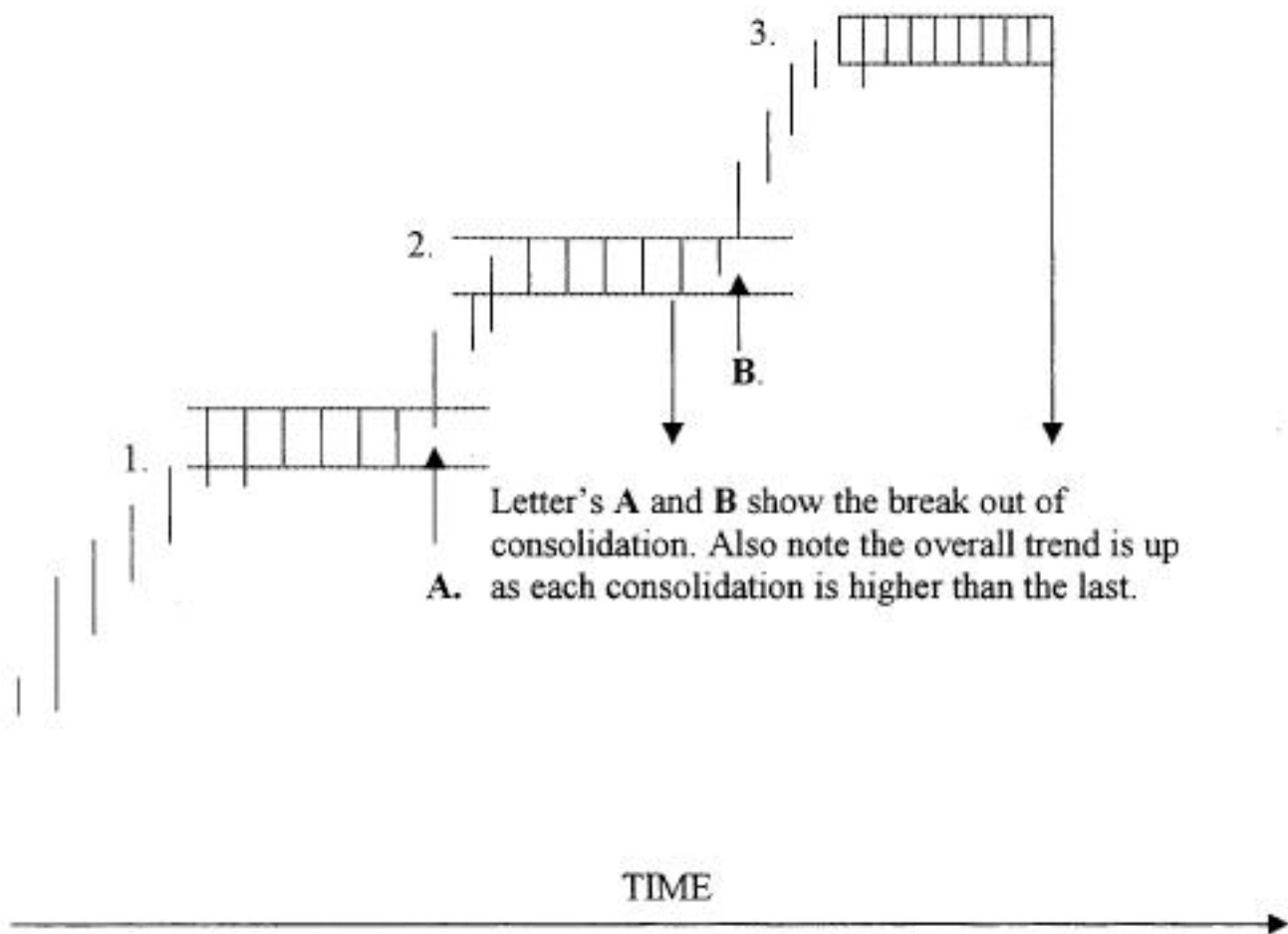
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# CHART PATTERNS AND TRADING TACTICS

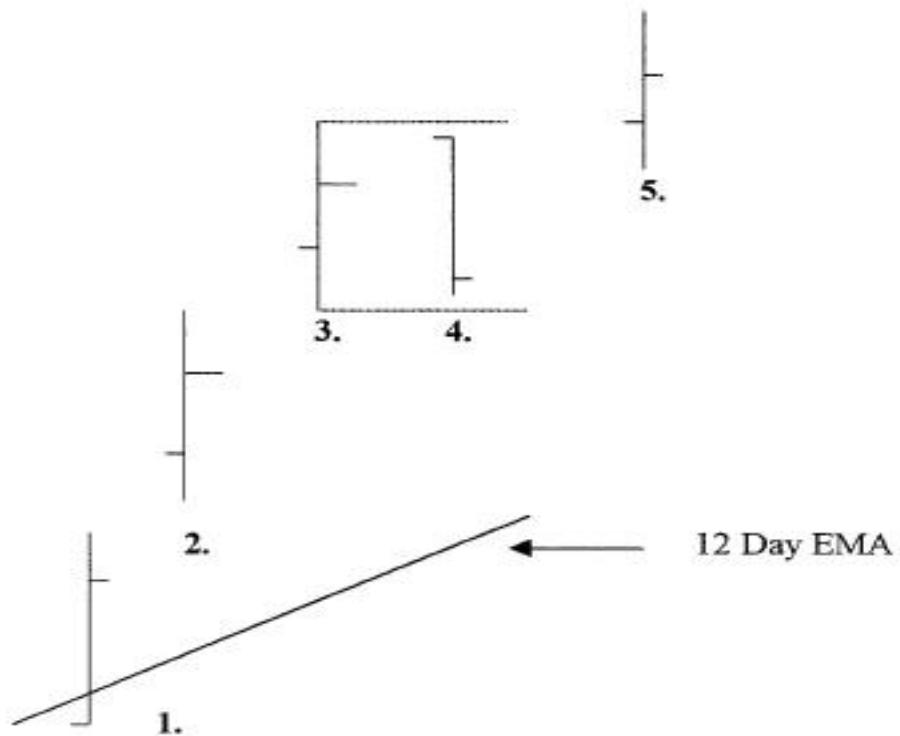
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## 2. THE TRENDING BREAK OUT OF CONSOLIDATION



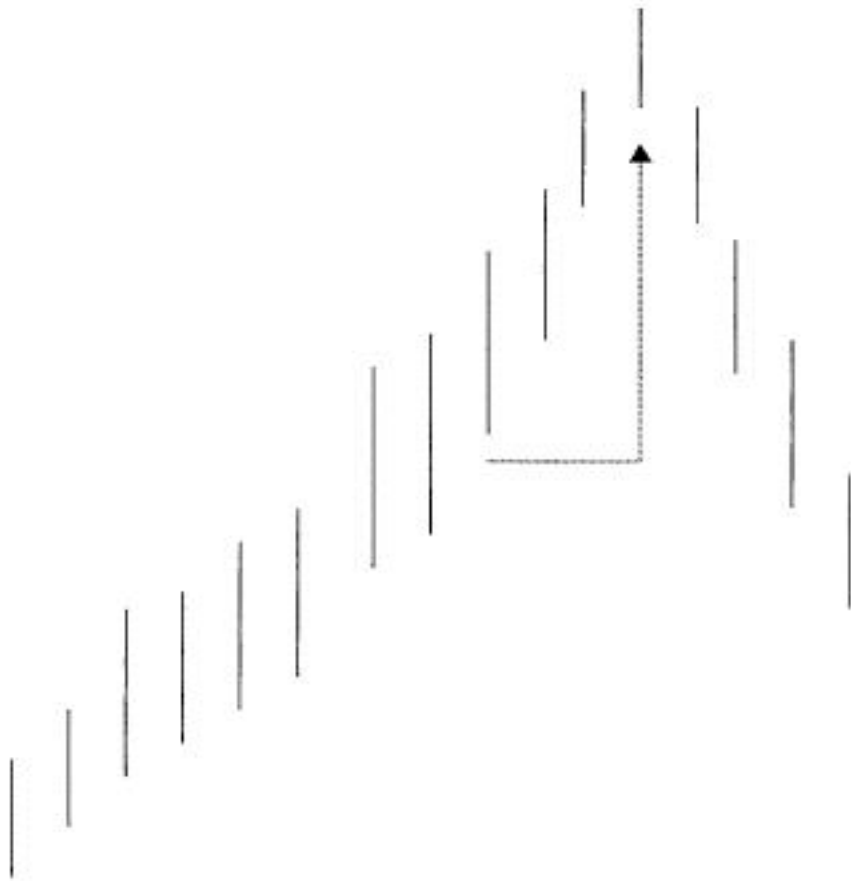
COUNT TIME INTERVALS



Day 4 shows the inside day. Note that it is inside the high low range of the previous day 3 and the dotted lines shows this relationship. Once a stock begins to move usually it will move for 3-5 days in one direction if the momentum is strong enough. A break out above a 12 day EMA with the close to the high of the day is usually enough to drive the stock for 3 days or more. The fourth day is *critical to the buy or sell decision*. If the fourth day looks like it will close lower then you will sell. This is especially true if the day opens with all the trading below the open and the close in all probability will be at or near the low. If this is reversed then the fifth day may be higher than day three. If day five is Friday you should probably sell.



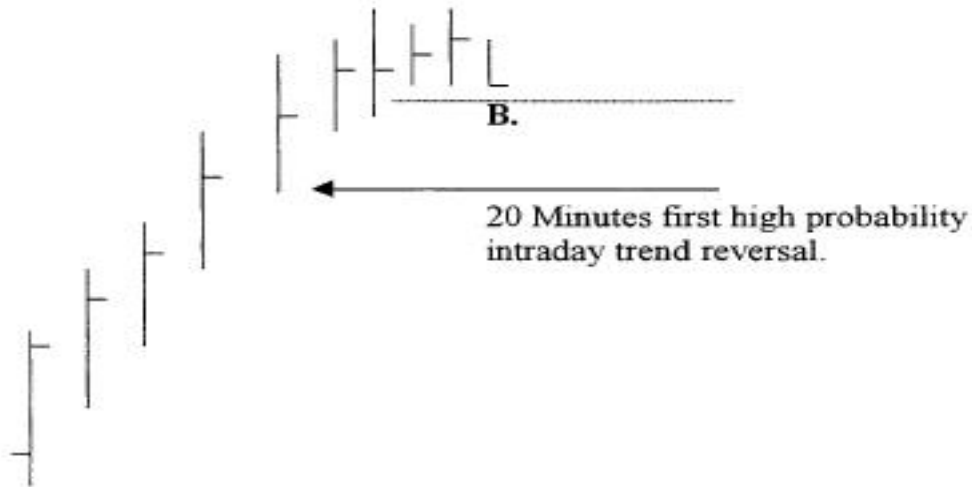
## 4. PARABOLIC RUN



1. Retracement:

2. Consolidation:

## 5. OPEN TREND RUN

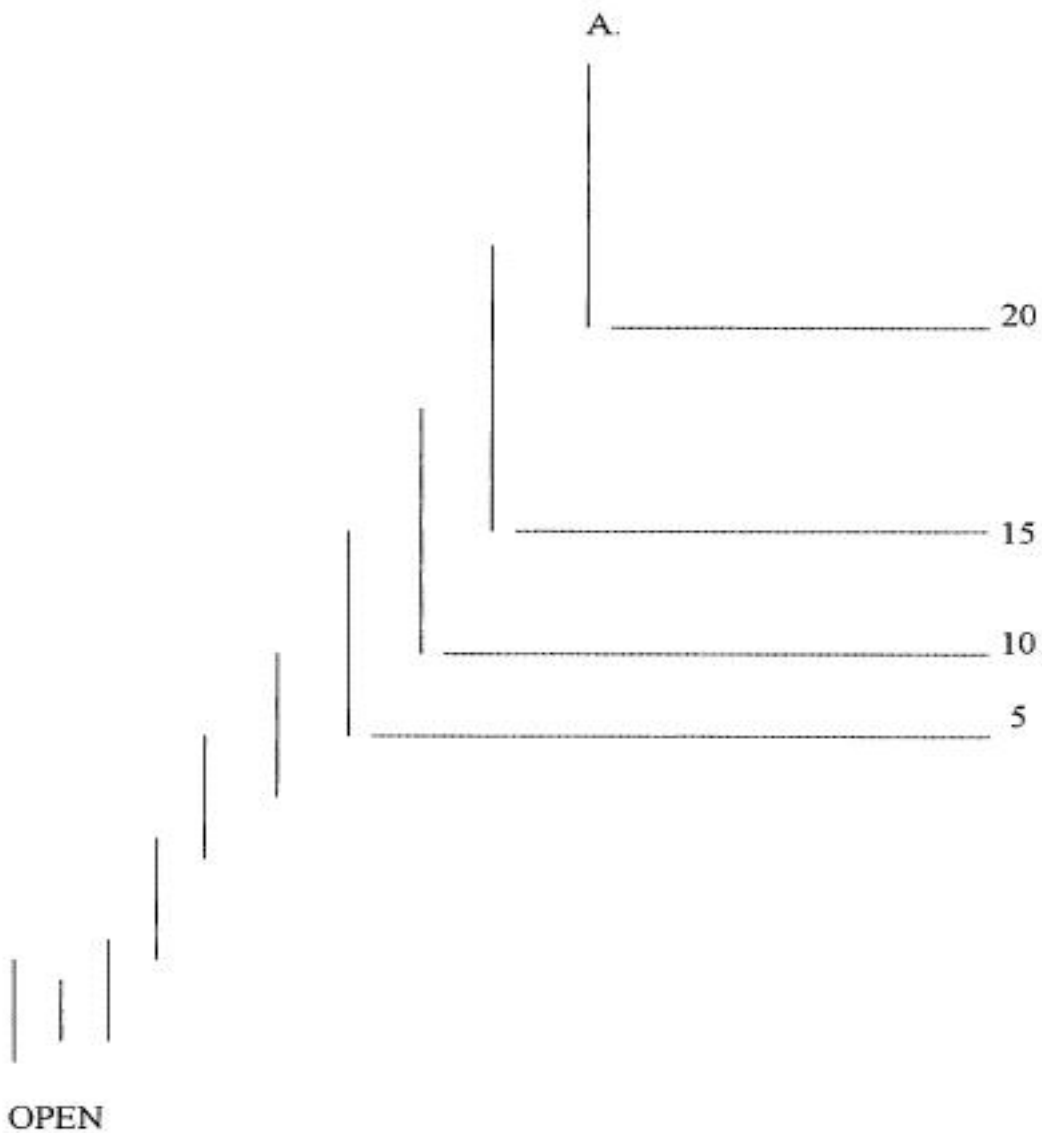


**A.**  
STOP EXIT

6:30 PACIFIC TIME  
9:30 EASTERN

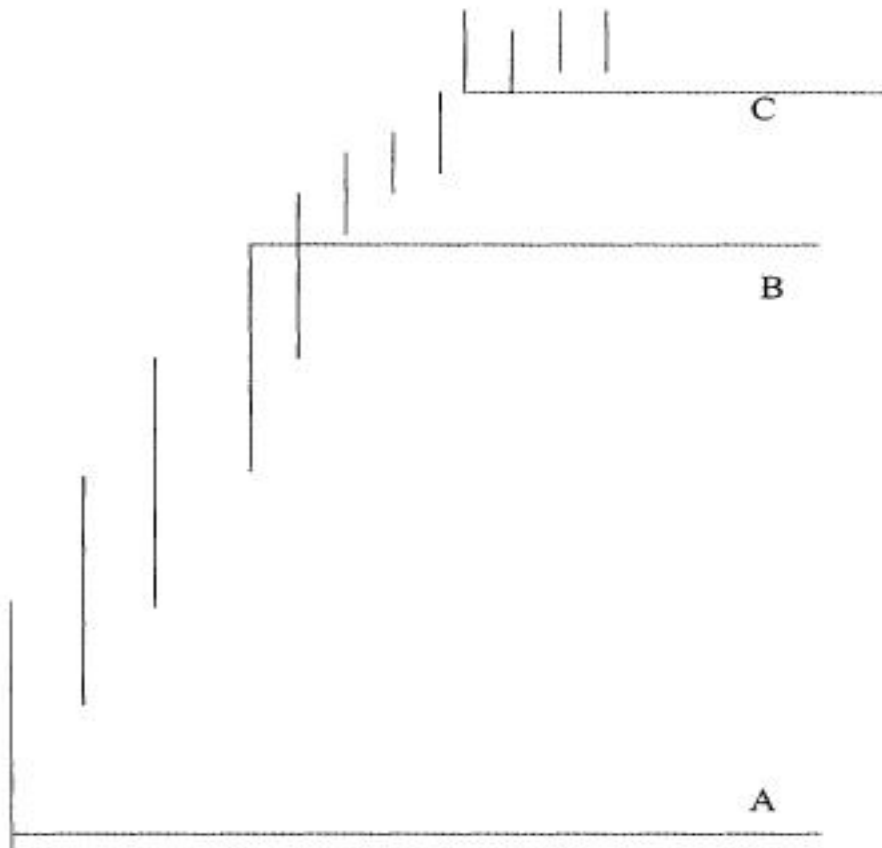
Many times your momentum screens will provide you with stocks that will explode the next day. Our market begins at 6:30 AM PACIFIC and ends at 1:00 PM. This provides you with an opportunity to participate in an open trend run. The key to open trend run is from the open point **A** you have higher highs and higher lows that stay above a 7 period and 17 period EMA. When the stock begins to consolidate or it puts in a parabolic run and the end of an extended move you take your profit. **B** shows price starting to consolidate and lose momentum. **B** would be an excellent price to sell. You could draw a trend line of the support and if the stock drops 1/8 below that support on a 5 minute bar chart you sell.

## 6. INTRADAY TREND SPIKE



The last three or four 5-minute bars show large intraday high-low range. Statistically the stock should retrace 30 percent or the time distance of three time bars- in this case, to the low of the 10 minute price bar.

## 7. INTRADAY EXHAUSTION



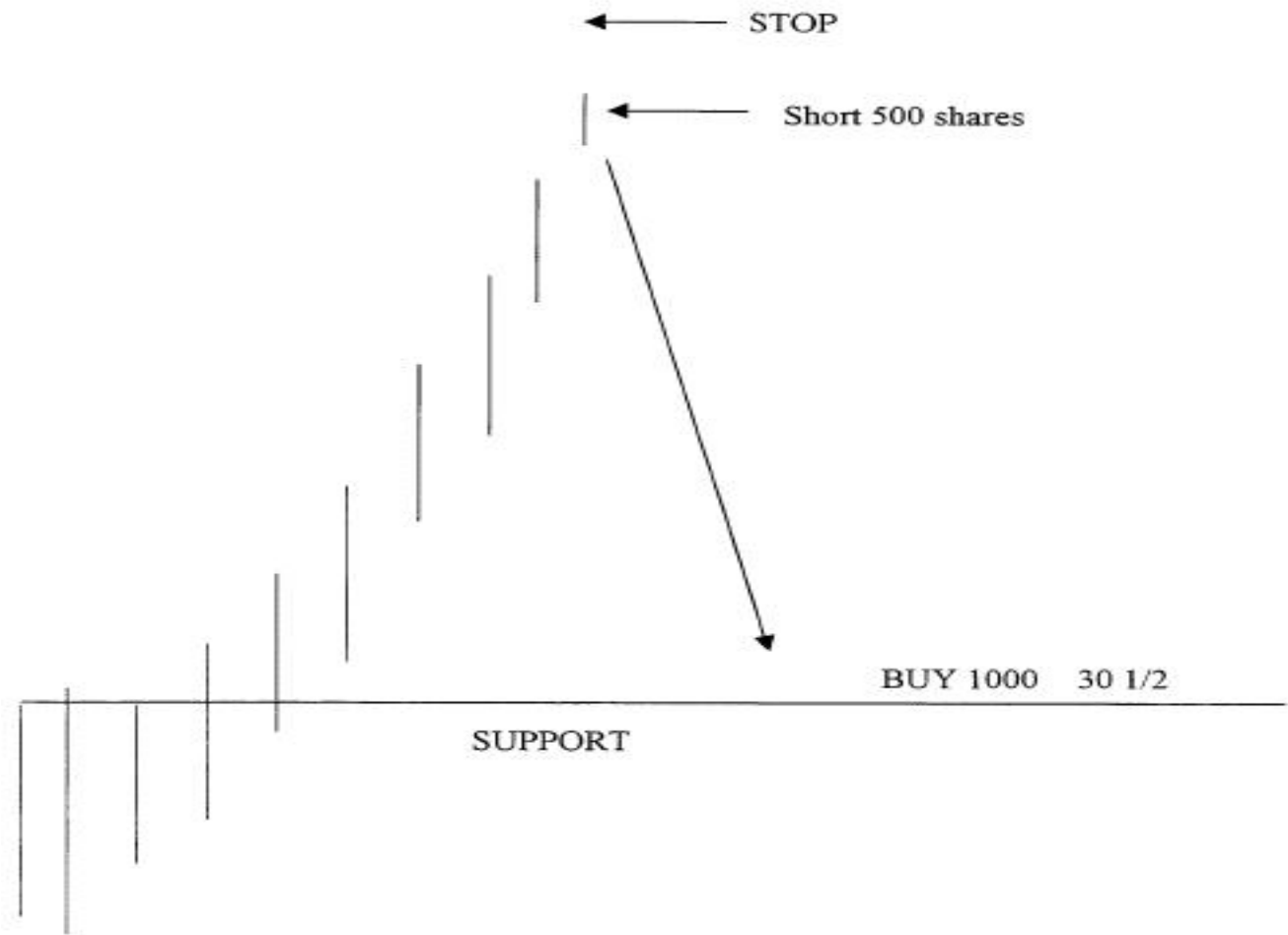
After twenty to thirty minutes a strong trend may reverse. Watch for a shrinking of high-low range. Point **A** shows strong trend. Between **B** and **C** trend begins to dissipate. Watch for a shorting opportunity.

# REAL TIME TREND MOVING AVERAGES AND PERIODS

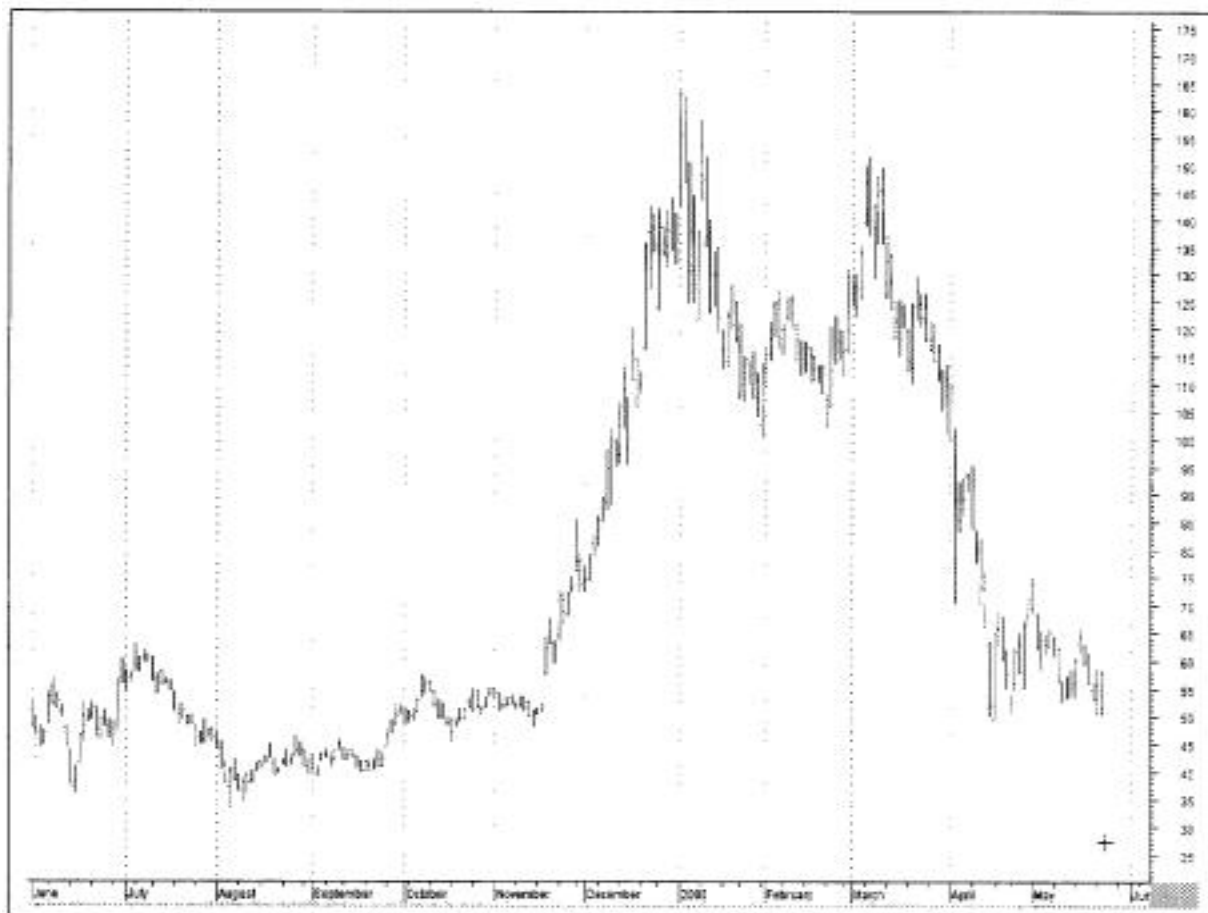
- Long term chart work on stocks 12, 20, 50 Day EMA
- Short-term chart work on stocks 3, 12 Day EMA
- Real Time chart work 7, 17 Period EMA on a 5 minute chart
- Use 17 Period EMA to smooth tick data

Use moving averages to stay in trend as long as possible.

# TRADING TACTICS



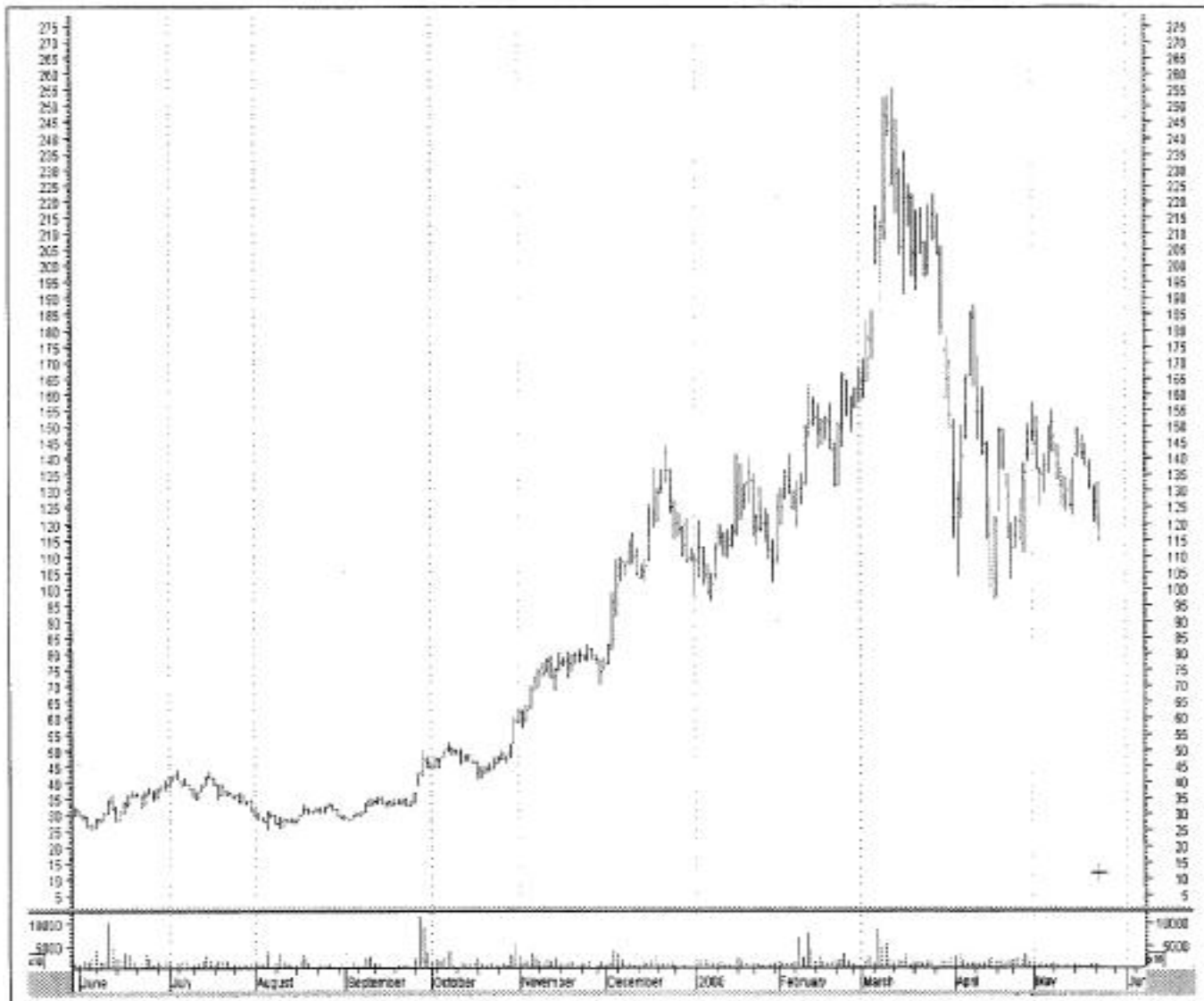
# CHART ANALYSIS HOMEWORK



Look for patterns and personality within the price movement of the stock. Note your observations here.

- 1.
- 2.
- 3.
- 4.

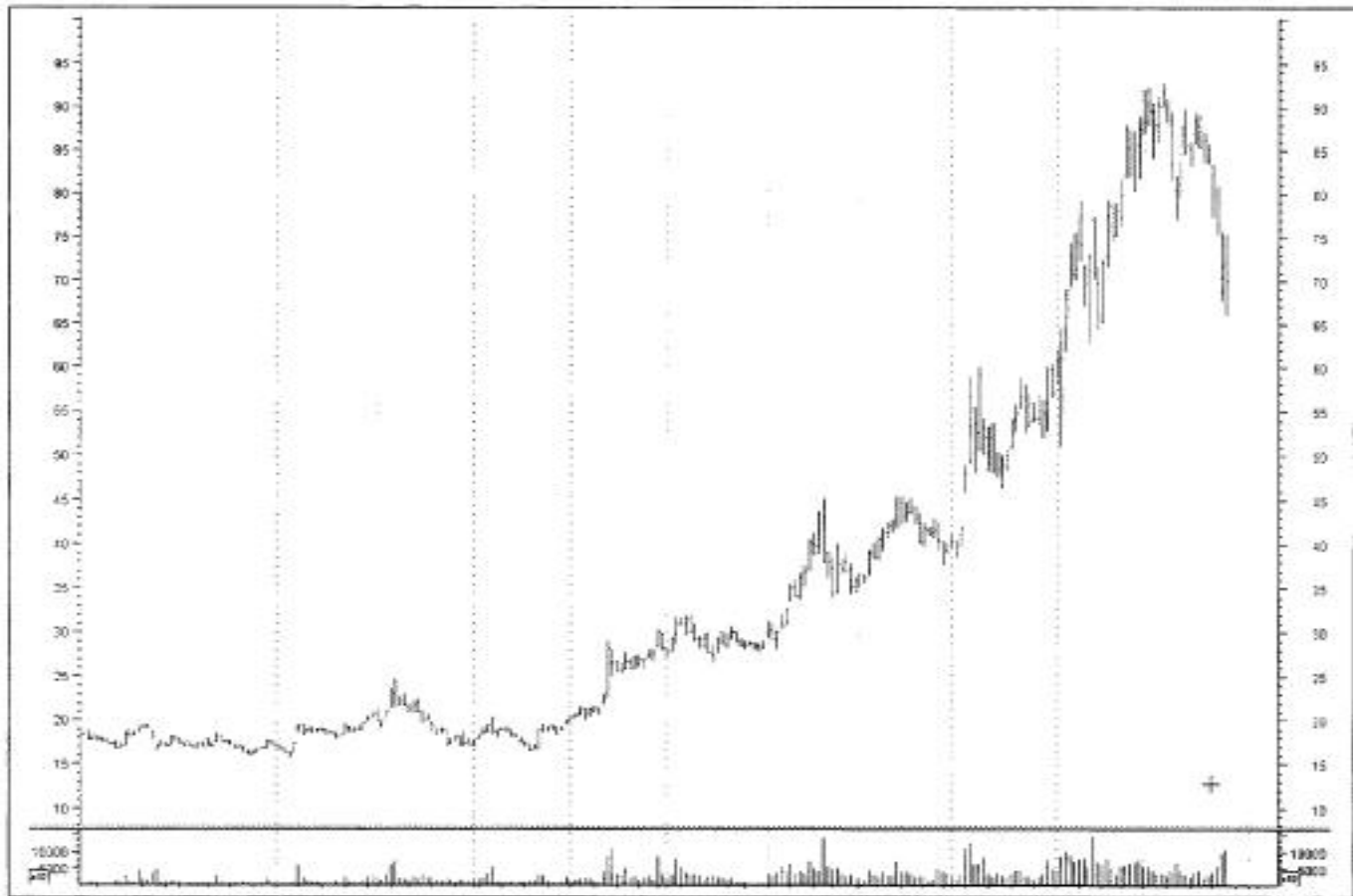
## DO TREND AND PATTERN ANALYSIS ON THIS CHART



Do not micro analyze the chart.  
The scale you view your chart in is very important.



## MORE ANALYSIS



Find the important support and resistance areas. The close was \$70 what strategy would you use at this point and would you go long or short? What would you do?

# SIMULATION 1

	BUY	SELL	HOLD	+	--	
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						

This series of exercises is designed to make you think about price pattern entry and exit points. Remember, whenever you enter a trade you become a risk manager.

## SIMULATION 2

BUY	SELL	HOLD	+	---	
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					

We hope you enjoyed this

**LIVE @ TAG**

## Personal Workshop Presentation

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