

Book Review

For Shares Charting No 3

An Invite Not to be Ignored

COME INTO MY TRADING ROOM

- A Complete Guide to Trading

By Dr Alexander Elder - 313 pages - \$93.95

Hardback – ISBN 0-471- 22534-7

Also available on CD-ROM and audio tape from www.elder.com

In 1992, Dr Alexander Elder wrote a book that was destined to be the best selling book on trading ever written. He named it *Trading for a Living*. This was an inspired title, which captured the aspirations of a generation. These were people who were increasingly disillusioned by the corporate rat race and yearning for a better life style. Earning their living from trading the financial markets seemed one of the most attractive ways to achieve that desire.

If Dr Elder's book was only an apt title, it would have joined countless thousands of unsuccessful books in the great library in the sky. Instead, *Trading for a Living* remained on the financial best seller lists for a decade. This was because it was written by someone who is both a good writer and a successful trader, a rare combination.

I read *Trading for a Living* in 1992 and it changed forever the way I look at the stock market. It opened my eyes to the importance of combining analysis with money management and psychology for a total approach to trading and investing – what Dr Elder calls the three Ms of trading – Mind, Method and Money.

Dr Elder became my friend and I had the privilege of teaching my own methods alongside him at several of his famous trading camps. This gave me a deeper understanding of his ideas, many of which had been refined and expanded since he wrote *Trading for a Living*. It seemed obvious to me that another book was needed to bring Dr Elder's latest ideas to the world.

When I discussed this with him, he told me that the reason it was taking so long to write another book was that he did not want to repeat the experience of so many people, who wrote a great book, but failed to reach the same standard in subsequent books. Dr Elder told me that the new book would not be published until he was sure it was even better than the first book.

I am writing here to tell you that Dr Elder has now published his second book and it is brilliant. He called it *Come Into my Trading Room*, another superb title that encapsulates the wish of every beginning trader to sit beside a master and learn what they do.

However, *come Into my Trading Room* is not only for beginners. Dr Elder begins with a primer, aimed at people just starting out, but which is also valuable revision for more experienced traders. From then on, Dr Elder takes both beginners and experienced traders on a journey through his methods.

Most people who start out trading soon lose most or all of their capital. Even people who have been trading for some time seem to suddenly flame out when hit by one catastrophic loss. Staying in the game is the central core of *Come Into my Trading Room*.

Most books on trading focus on how to pick stocks and tell you how you can make big profits. Dr Elder is about so much more. He shows how you must study trends in several timeframes to find the safest trades – short term trades in the direction of a longer term trend. What makes his book different is what else he does.

Having found a potentially good trade, you must know how many shares you can safely buy. You will learn the simple but effective way to do this. Then you must know where and how to place your order. Dr Elder shows his method for placing buy orders where the market is saying is a consensus of value. Using Dr Elder's method you are unlikely ever to buy the top of a trending move again. This insight alone justifies the price of the book.

The next, and perhaps the most important thing, a trader has to know is when to sell. Dr Elder will show you how to exit losing trades with only small losses and how to capture most of a trending move.

Finally, *Come Into my Trading Room* takes you through the other disciplines that separate the amateurs from the professionals. Your eyes will be opened as to how organised traders build on their successes and learn from their mistakes. I only wish this book had been available when I started out in trading.

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