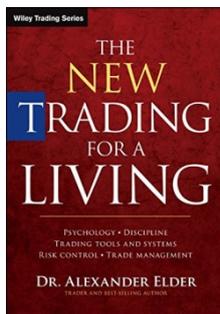


The New Trading for a Living



Psychology – Discipline - Trading Tools and Systems - Risk Control - Trade Management

By Dr Alexander Elder

I am privileged that Alex Elder has been a friend for a long time. I began investing fifty years ago. My buying and selling timing was based on point and figure charts and my analysis of value based on fundamental analysis. With the advent of computers, I became more interested in indicators rather than simply charting stock prices. It was as I began learning more about indicators that I came upon the work of Alex Elder. The first things I bought from him were what he called his Research Reports back in the mid-1980s. I remember writing to him one day (this was an era before email) to alert him that a local data vendor had plagiarised some of his copyright work without attribution.

Then Alex began to produce some videotapes on trading with indicators. By the early 1990s, I had a full set and was buying more sets to go in the videotape library I had started for the Australian Technical Analysts Association (ATAA). Then, in 1993, he wrote a best-selling book called *Trading for a Living*. This stood out in my mind as the best book that had ever been written on trading, because it dealt with what Alex called the three Ms of trading Mind, Method and Money. It presented a more holistic approach to trading and was clearly written, unlike many quite dense texts on the subject.

In the mid-1990s, the ATAA invited Alex to come to Sydney as the keynote speaker at an annual conference and I met him personally for the first time. Since then, I have been privileged to be invited to work with him as guest instructor at his trading camps in Fiji, Vanuatu, Dominican Republic and two in Macau. We have kept in regular contact and when I am in New York and there is a campers' meeting I have participated.

Over the years whenever someone asks me about learning trading, I always offer that in my opinion Alex Elder is the best teacher of trading in the world. He is the only trader I am aware of who teaches the whole of the profession of trading:

- The pivotal importance of psychology (don't confuse psychology with psychiatry as many people do). This understanding is critical for developing discipline.
- The need for a systematic, clearly defined and rigorous method of analysing markets and financial instruments and developing a trade plan.
- The paramount importance of risk management and trade management, without which the best analysis and trading systems will fail.
- How keeping good records and reviewing performance periodically is the mark of great traders and is the pathway to improvement.
- How we never reach the point where we know everything, have the perfect method or risk management and there is nothing more we can improve, let alone that things change in markets and in the world generally. So, we must keep learning.

On this last point, Alex finished *Trading for a Living* by saying:

I continue to learn, and like any trader, I reserve the right to be smarter tomorrow than I am today.

Twenty one years later, he has written *The New Trading for a Living* and what leaps out at the reader is how far his learning has taken him in almost every aspect of trading.

At this point, you might have formed the view that I am not objective about Alex's work and that I am simply writing to promote his new book.

Alternatively, you might be thinking that you have already read the original *Trading for a Living* (maybe more than once), and the new book is just a rehash.

I will try to address both these issues by explaining in detail what is in the new book. You can then make up your own mind on these points.

The format of the original *Trading for a Living* and *New Trading for a Living* is different:

<i>Trading for a Living</i>	<i>The New Trading for a Living</i>
23.5cm x 16cm	26cm x 18.5cm
Matt paper	Glossy paper
Black and white charts	Full colour charts
288 pages	286 pages

There is an introduction and ten parts to *Trading for a Living* and an introduction and eleven parts to *The New Trading for a Living*. Both have a short final chapter. Lining them up as best I can this is the structure of the two books:

<i>Trading for a Living</i>	<i>The New Trading for a Living</i>
Introduction	Introduction
Individual Psychology	Individual Psychology
Mass Psychology	Mass Psychology
Classical Chart Analysis	Classical Chart Analysis
Computerised Technical Analysis	Computerised Technical Analysis
The Neglected Essentials	Volume and Time
Stock Market Indicators	General Market Indicators
Psychological Indicators	
New Indicators	
Trading Systems	Trading Systems
	Trading Vehicles
Risk Management	Risk Management
	Practical Details
	Good Record Keeping
Afterword	A Journey Without End: How to Continue Learning

The sections on psychological indicators and new indicators in *Trading for a Living* have been subsumed into sections of *The New Trading for a Living*.

In general terms, the early parts of the old and new books are fairly similar, but the further we go through the books the more they diverge. As I read the new book, I began to wonder how much the

new book would diverge from the old and then, quite suddenly it seemed to me as though Alex had switched from driving us along in a horse and buggy to racing along in a modern car. From 1993 to 2014, Alex's methods have not just changed, they have gained far greater depth in so many ways and they have broadened out, so that the old book, great as it was at the time, seems now to have been written by a youthful trader and the new book to have been written by a seasoned trader who has learned much and developed greatly over the last twenty one years of his development.

Having watched Alex teach over the years, often taking students through his daily routines of analysis, trade planning, risk management and trade management, I can attest that *The New Trading for a Living* is a complete explanation of everything he does.

So, why read *The New Trading for a Living*? I believe that it will teach you to be a better trader. There is a lifetime of learning and experience in this book. It will enable you to more quickly learn things that might take you many years to learn on your own – if you find them and after you have spent a long time testing them and working out how to best apply them.

Most traders read Alex's books and come to his trading camps and go away, then vary his methods or even just use the key principles to devise a quite different trading system of their own. Alex himself has said many times that this is what he expects of good traders. Our methods must fit what and who we are and we are all different in so many ways. There are many ways to make money in the markets. The real value of *The New Trading for a Living* lies in the key ideas around how what happens in our minds affects everything and how we can deal with the downsides, protecting our account and building our capital using our own variations on the principles of analysis, trade planning, risk management, trade management and ongoing refining of methods that Alex has developed over a lifetime of trading experience.

One small section of the book resonated with me particularly:

A professional futures trader surprised me early in my career when he told me he spent a third of his time on risk management. Beginners jump into trades without giving them much thought. Intermediate-level traders focus on market analysis. Professionals dedicate a massive proportion of their time to risk control –and take money away from beginners and amateurs.

Perhaps this jumped out at me because I have been working intensively on this in my investing in recent years as I came more and more to appreciate how control of risk rather than pursuit of profit is a vital key to improving investment performance. So, no matter where you are on the arc of learning from beginner to professional, there are gems in this book that will lift you up a level.

Finally, you may ask why, if I am an investor, I am so enthusiastic about a book about trading. Perhaps I have just answered that in the last paragraph. I have read very widely about markets, technical analysis, fundamental analysis, trading, cycles, great traders and investors, money management, risk management and so on. Many of the things that I have learned from Alex Elder and other traders have been incorporated in various ways into my own investment plan. Without them my plan would be so much weaker.

Whether you are a beginner or a seasoned trader, there is much to learn from *The New Trading for a Living*. I will consult it more than once over the coming years whenever I encounter an investing issue, the solution for which is perplexing me. Like Alex Elder, I still have much to learn and there are

many things I do that can still be improved. The place to start is to sit down with the thinking of someone who has been there and has wrestled the problems into a successful trading method.

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