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June 14, 2023

Enlightened Stock Trading

Building Go Live Confidence in Your Trading Strategy

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Founder
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“Building Go Live Confidence In Your Trading System”

Adrian Reid
Founder – Enlightened Stock Trading



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Have you ever asked yourself questions like...

Have you ever asked yourself questions like...

- Should I take this trade or skip it?
- I don't like the look of this stock, should I pass on this signal?
- The price is near my stop loss, should I move my stop so it doesn't get hit?
- My stock is falling, should I get out now before it hits my stop?
- Everyone is talking about this stock, should I buy now so I don't miss out?
- I am in a drawdown, should I stop trading my system and find a better one?
- I don't like the look of this chart, should I take a small position size?
- This signal looks really good, should I really load up on this trade?
- This market is making me feel nervous, should I stop trading for a while?
- This chart is really gappy and erratic, should I skip this signal?
- **My stock is in profit, should I exit now while I am ahead?**

Have you ever asked yourself questions like...

- Should I take this trade or skip it?
- I don't like the look of this stock, should I pass on this signal?
- The price is near my stop loss, should I move my stop so it doesn't get hit?
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- Everyone is talking about this stock, should I buy now so I don't miss out?
- I am in a drawdown, should I stop trading my system?
- I don't like the look of this chart, should I take a small profit?
- This signal looks really good, should I really look into it?
- This market is making me feel nervous, should I trade?
- This chart is really gappy and erratic, should I skip it?
- My stock is in profit, should I exit now while I am ahead?

These types of questions
are extremely common
amongst traders!

There are two types
of traders...

Those that ask these
questions...

...and traders that DON'T ask these questions because they have 'GO LIVE CONFIDENCE' in their trading systems

MY GOAL:

To show you the path to build **GO LIVE CONFIDENCE** in your trading systems so you can get consistent trading results

NO MATTER WHAT HAPPENS IN THE MARKETS

Most traders face the
same problems...

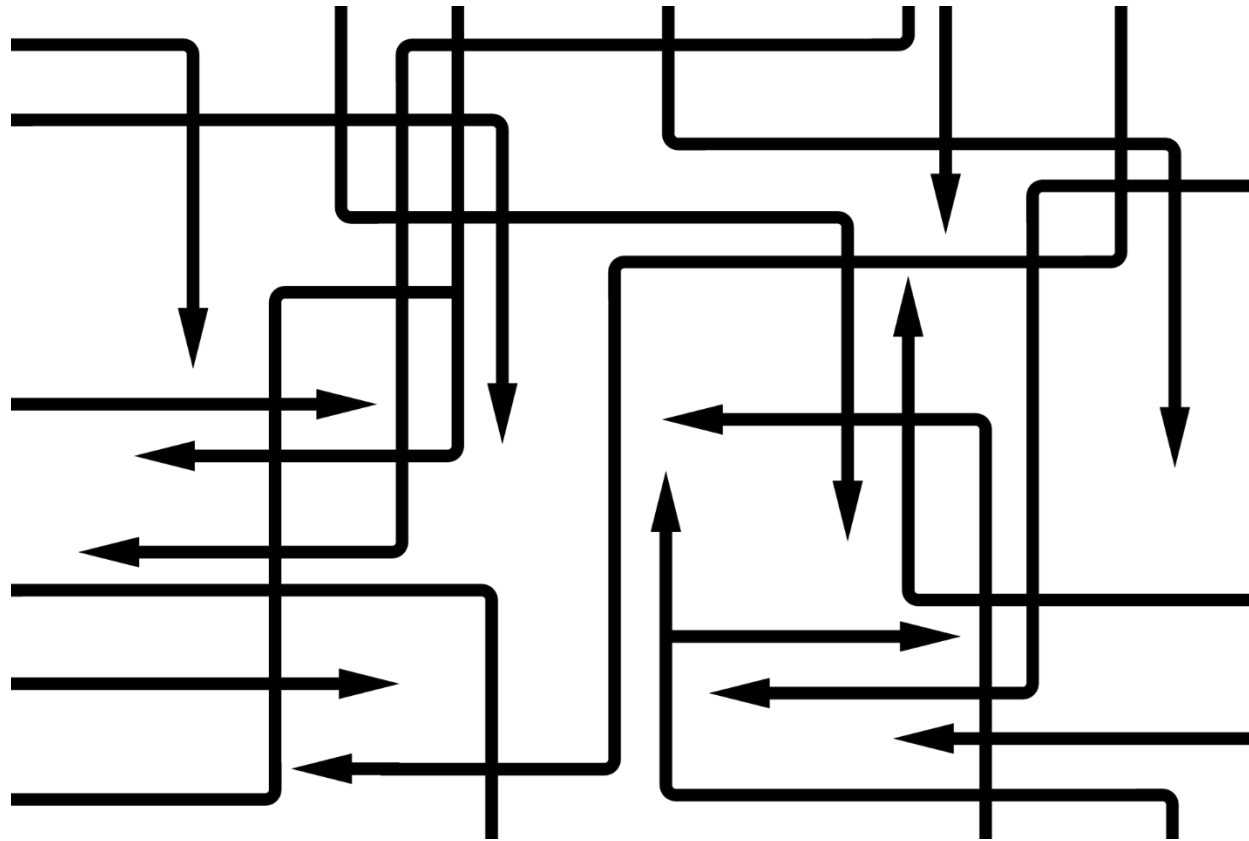
Information Overload...



Conflicting Information...



Inconsistent Decision Making



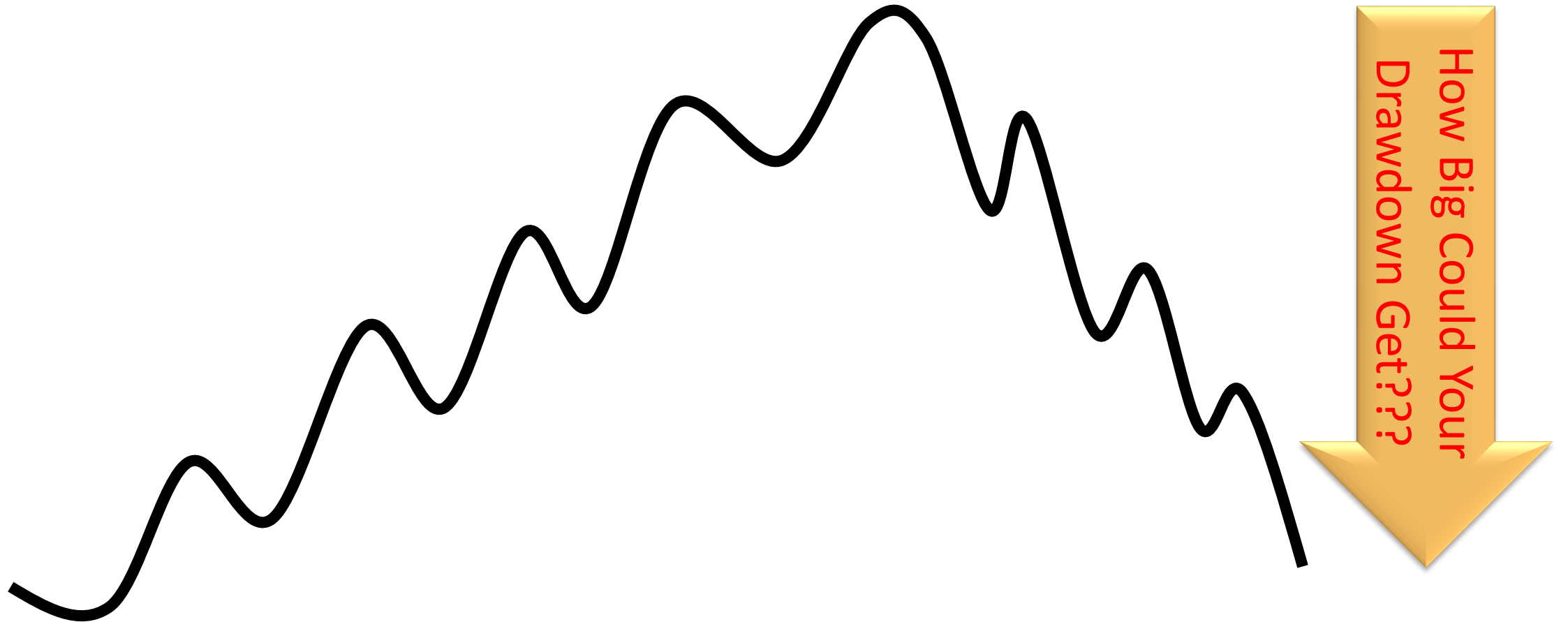
Friction Between You & Your Rules



Don't actually know if
your trading rules
really have an edge



You don't know if your maximum drawdown will be tolerable



You are not comfortable with the trading process



You don't have systems that benefit from different market behaviors



We can eliminate ALL of these
problems and build 'Go-Live
Confidence' with just 5
Principles...

Build Go Live Confidence with with 5 Principles

1. Use Complete Trading Systems

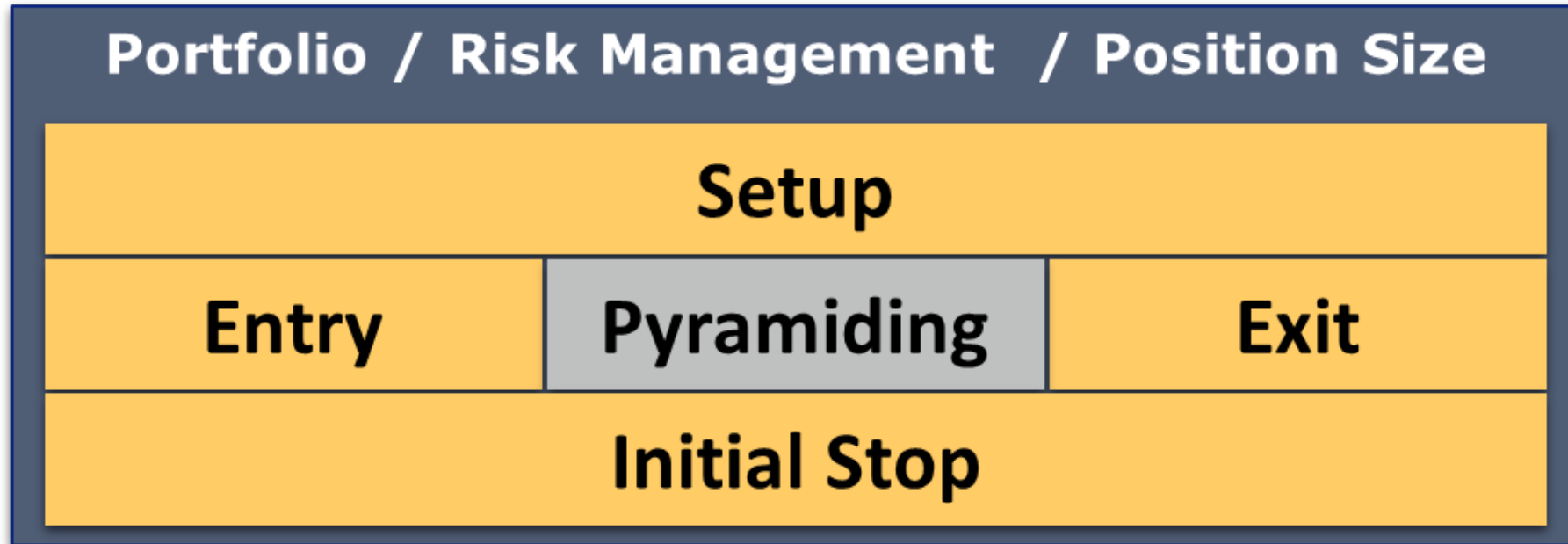
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- 3.

- 4.

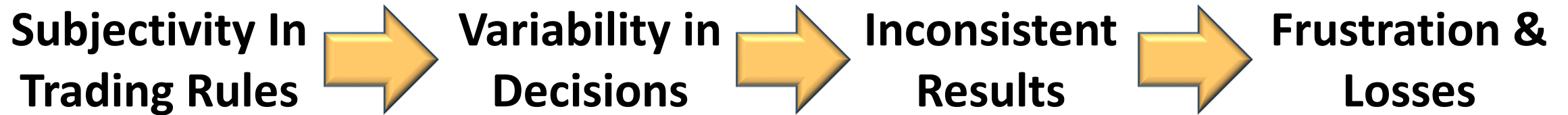
- 5.

Your trading system should define every action you take in the market



There is no subjectivity or judgement in a complete system!

Subjectivity kills trading results



Ask Yourself...

If I gave my trading rules to someone else, could they follow them **EXACTLY** without mistakes?

Build Go Live Confidence with with 5 Principles

1. Use Complete Trading Systems

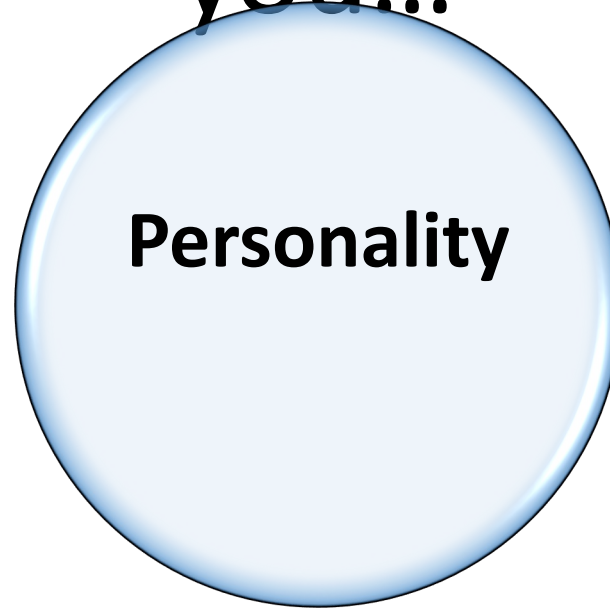
2. Ensure Your System Fits You

3.

4.

5.

Your trading strategy should feel natural for you...

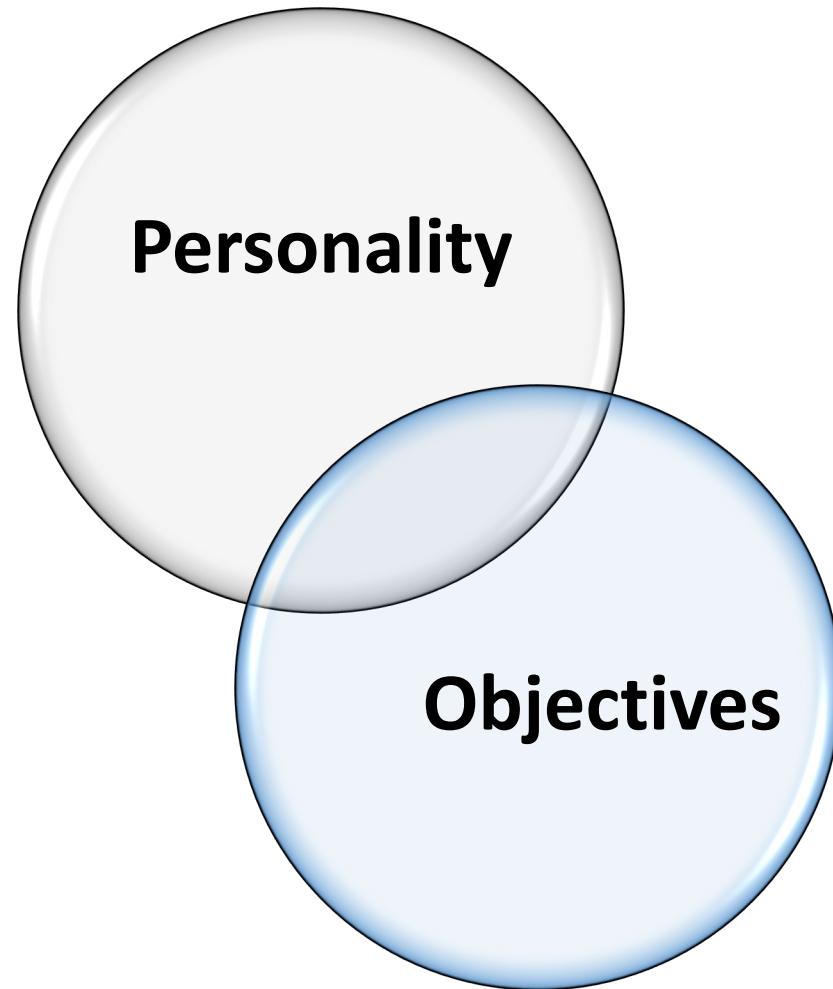


Trade Duration

Trade Frequency

Trade Profile

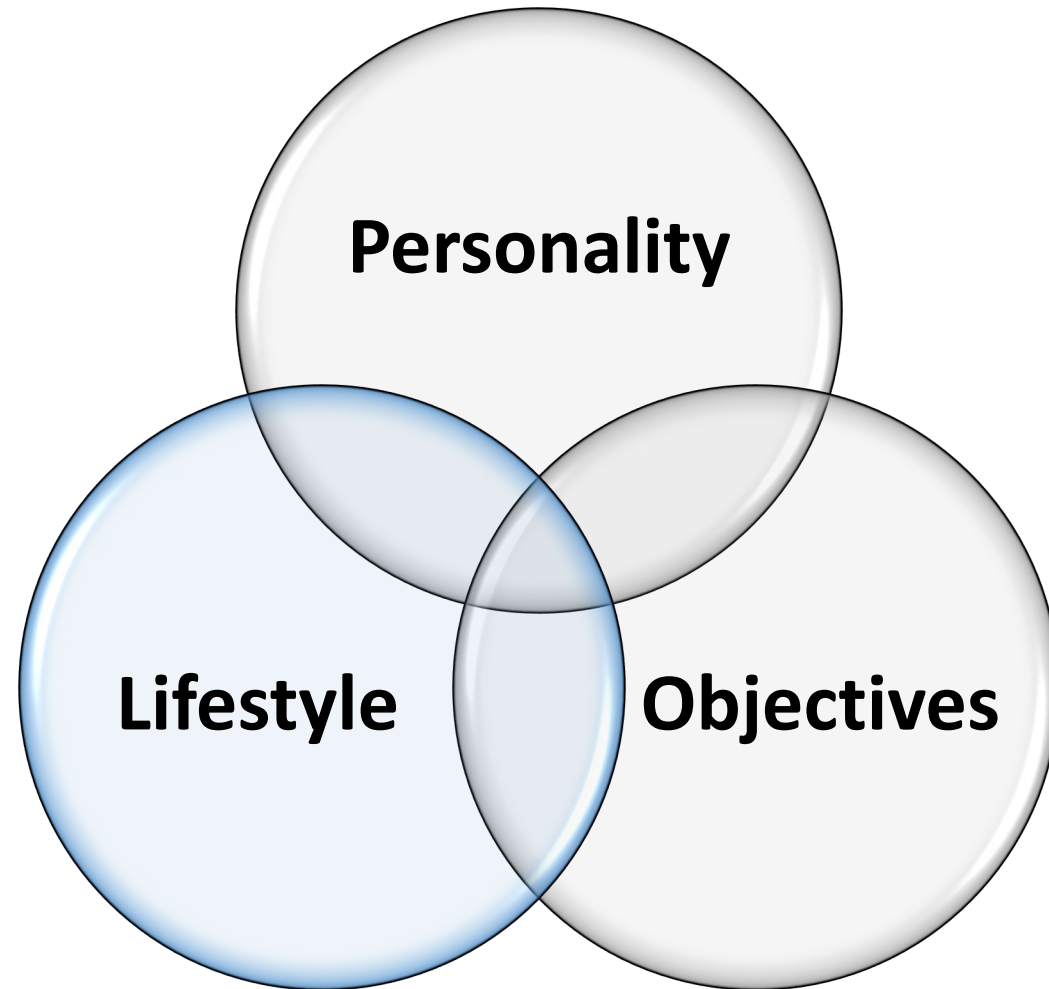
... It needs to give you what you want...



Drawdown Tolerance

Return Targets

... and fit in with the rest of your life!



Time Available

Time of Day

Level of Activity

A Great Trading Strategy...



...Ruined By Trading Mistakes



Don't use a trading strategy that...

- ... needs you to stay awake until 2:00 AM to place your trades
- ... requires you to be at the computer all day if you have a job
- ... requires you to make decisions that stress you out
- ... trades short term moves if you are more comfortable with long term moves
- ... that has many small wins and few large losses if that causes you to lose sleep
- ... trades mean reversion if you are more comfortable with trend following

Ask Yourself...

Do I feel calm and comfortable executing my trading system? Can I follow it consistently and easily?

Build Go Live Confidence with with 5 Principles

1. Use Complete Trading Systems

2. Ensure Your System Fits You

3. Backtest Your System Correctly

4.

5.

Are you datamining or catching a real edge?

Poor Practice:

- ... The stochastic crossing below 18 generates buy signals on XYZ stock
- ... The 17 day moving average crossing above 41 is a good signal on ABC stock
- ... Find a strategy in a forum and optimize it
- ... Brute force optimization to find the best parameter values every indicator

Are you datamining or catching a real edge?

Good Practice: Use a strategy that is based on a REAL, OBSERVABLE market behavior:

... **Observe that stocks tend to have long trending periods**

... **Observe that small caps trend better than Large caps**

... **Observe that stocks tend to rally on certain days of the month**

... **Observe that stocks that are trending and have a sudden setback tend to rally**

Are you datamining or catching a real edge?

Good Practice: Use a strategy that is based on a REAL, OBSERVABLE market behavior:

... **Observe that stocks tend to have long trending periods**

... **Observe that small caps trend better than Large caps**

... **Observe that stocks tend to rally on certain**

... **Observe that stocks that are trending**

You should be able to see your target stock behavior on many charts, and define rules to catch it

Ask Yourself...

Do my trading rules capture real, observable market behavior... Can I explain my edge simply?

Focus on the real purpose of optimization

Find the combination
of rules & parameter
values that give the
BEST historical
performance



Focus on the real purpose of optimization

Find the combination
of rules & parameter
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performance



This Leads To Curve Fitting
and results that look good
in the past but don't work
in real time trading



Focus on the real purpose of optimization

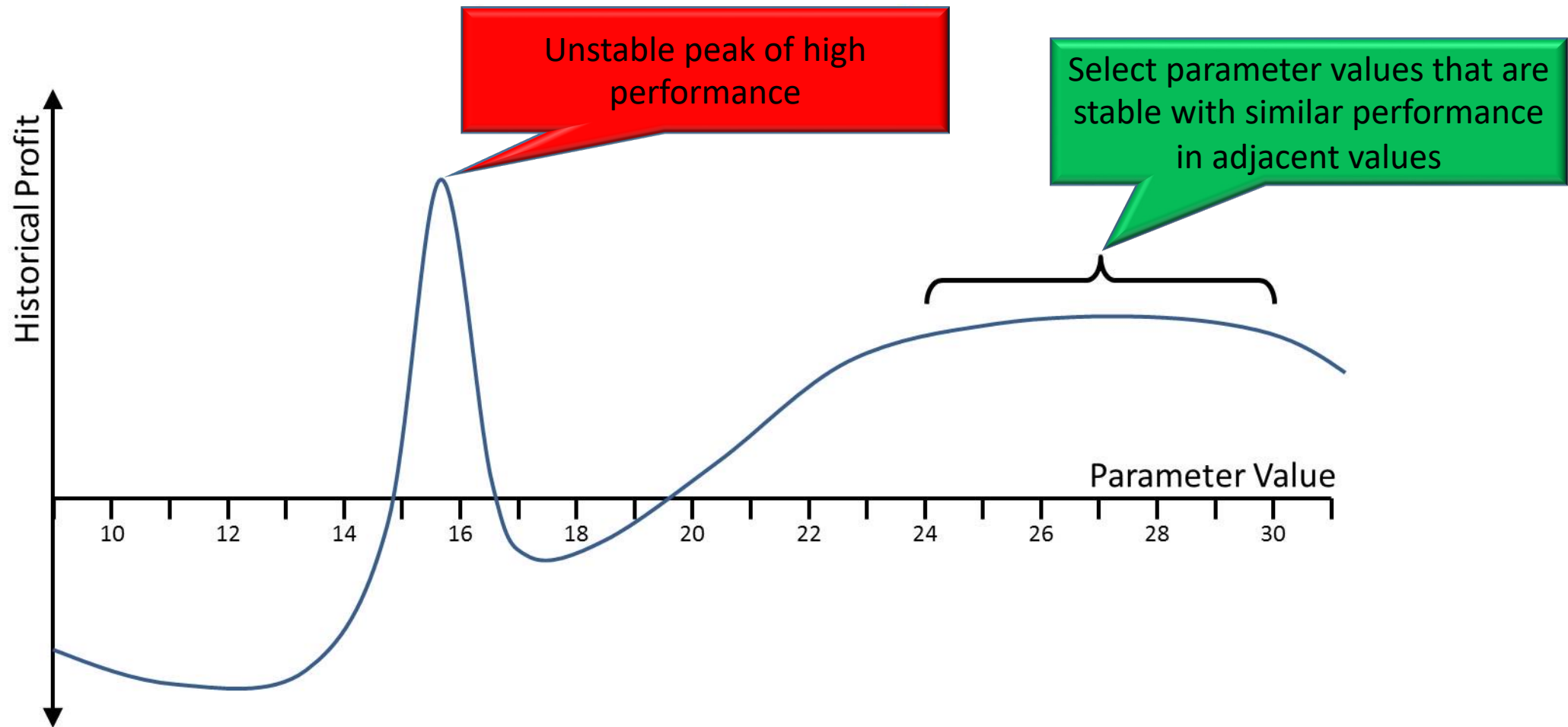
Find the combination
of rules & parameter
values that give the
BEST historical
performance



Ensure the
system is stable and
has a positive edge
over a wide range of
parameter values



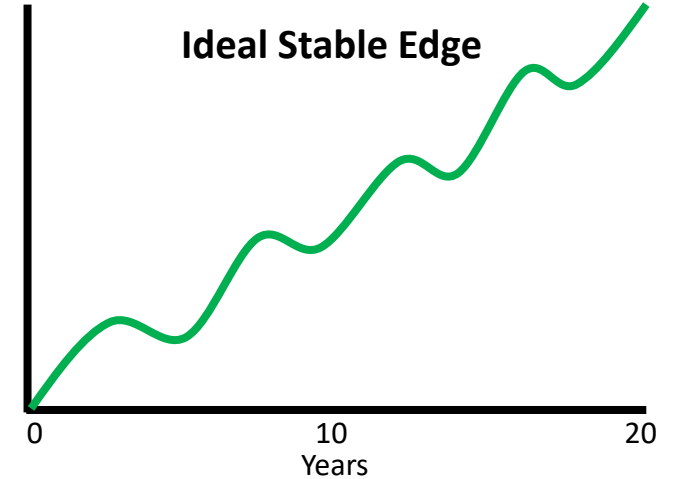
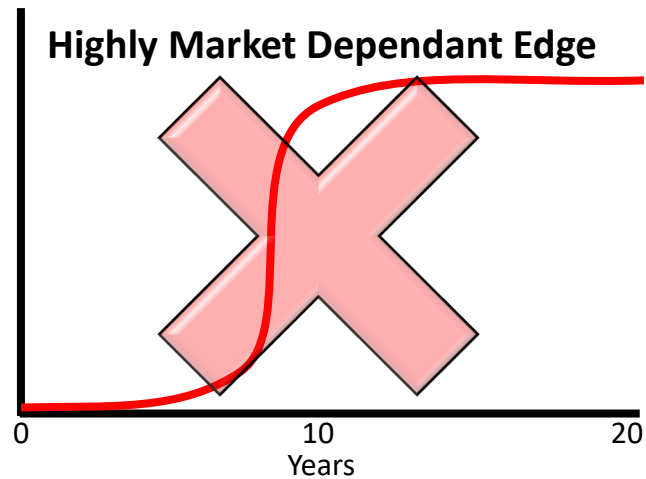
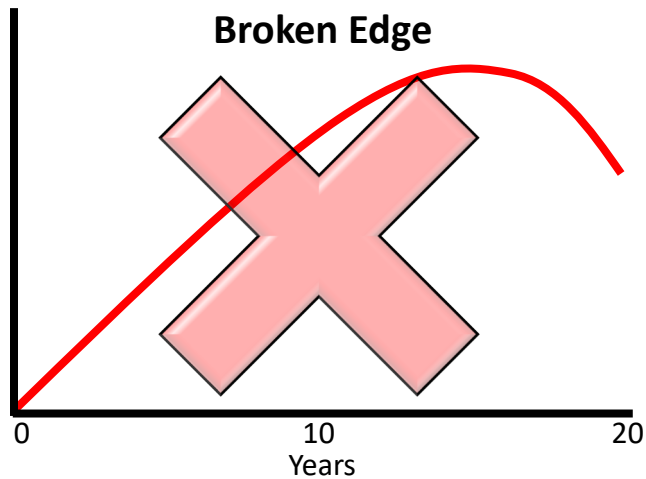
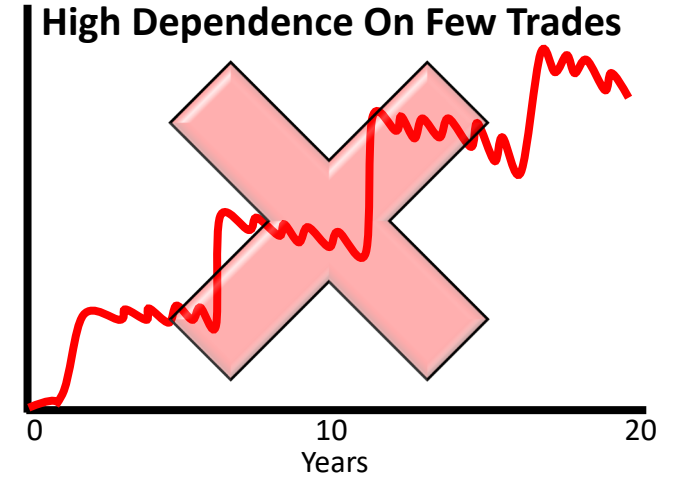
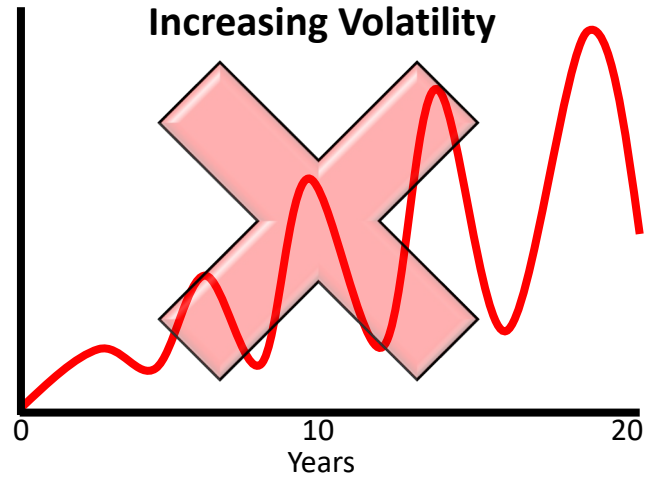
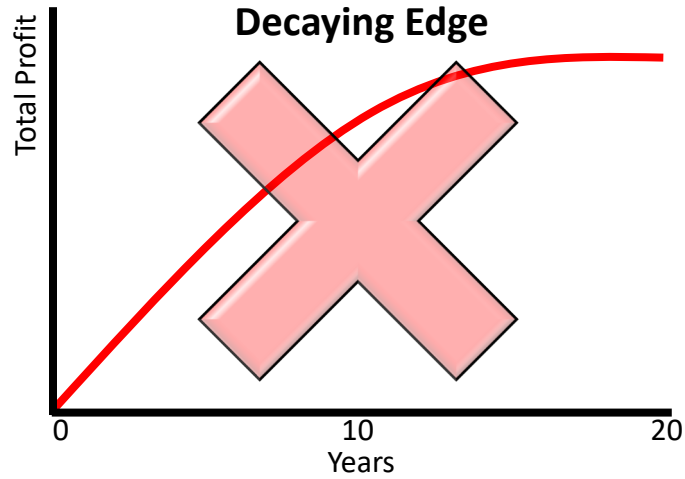
Avoid unstable performance peaks and look for stable parameter values



Ask Yourself...

Do my trading rules perform well over a wide range of parameter values?

Use Backtest To Ensure Your Edge Is Stable



Ask Yourself...

**Am I confident that my system's
edge is stable over time?**

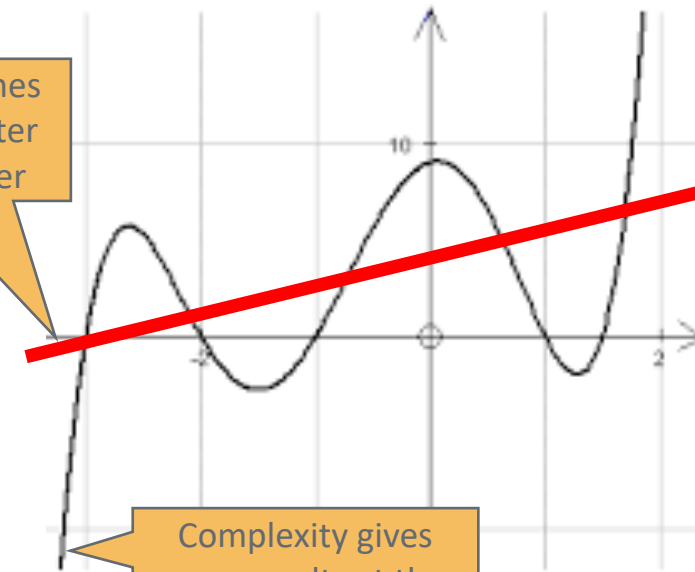
$$f(x) = x^5 + 3.5x^4 - 2.5x^3 - 12.5x^2 + 1.5x + 9$$

Reduce Your Number of Rules

- The more rules the greater the chance of curve fitting
- Yet most traders add more rules to make their system better
- Making your system simpler is a better path to trading results!

Simple approaches often have greater predictive power

Complexity gives poor results at the extremes



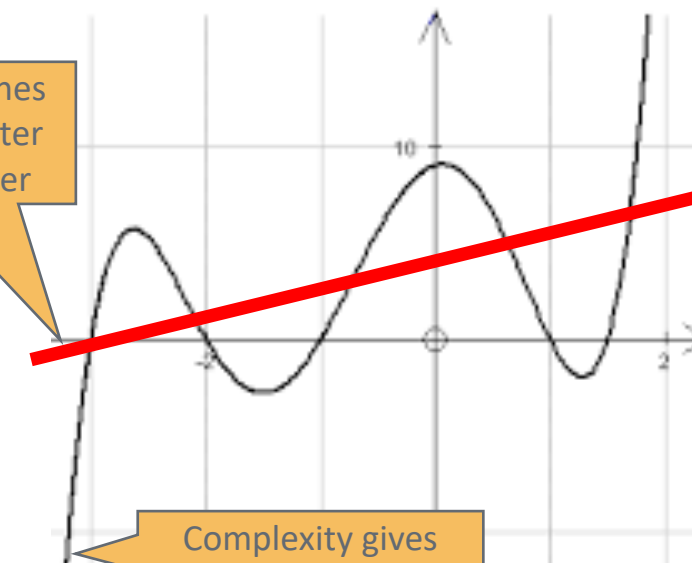
$$f(x) = x^5 + 3.5x^4 - 2.5x^3 - 12.5x^2 + 1.5x + 9$$

Reduce Your Number of Rules

- The more rules the greater the chance of curve fitting
- Yet most traders add more rules to make their system better
- Making your system simpler is a better path to trading results!
- Each additional rule in your system requires exponentially more trades to backtest & optimize with confidence
 - If you have 5 entry rules and one exit rules, the system will probably be curve fit because of the entry
 - If you have 2 entry rules and 4 exit conditions it will probably be curve fit because of the exit
 - IF you have 2 entries, 2 exits and 2 filters your system is more likely to be ok

Simple approaches often have greater predictive power

Complexity gives poor results at the extremes



Ask Yourself...

Does EVERY rule in my system significantly improve trading performance and impact a significant number of trades?

Build Go Live Confidence with with 5 Principles

1. Use Complete Trading Systems
2. Ensure Your System Fits You
3. Backtest Your System Correctly
4. Mental Preparation
- 5.

Reasons To Paper Trade

Reasons To Paper Trade

- Get comfort with the daily trading process
- Build understanding of the rules and behavior of the system
- Identify mistakes and address them before real money is involved
- Simulate trading so emotion doesn't take over when trading for real
- Give you time to save and build capital to start if you need to

Reasons To Paper Trade

- Get comfortable with the daily trading process
- Build understanding of the rules and behavior of the system
- Identify mistakes and address them before real money is involved
- Simulate trading so emotion doesn't take over
- Give you time to save and build capital

Paper trade for long enough
to satisfy yourself that you
have covered these issues...

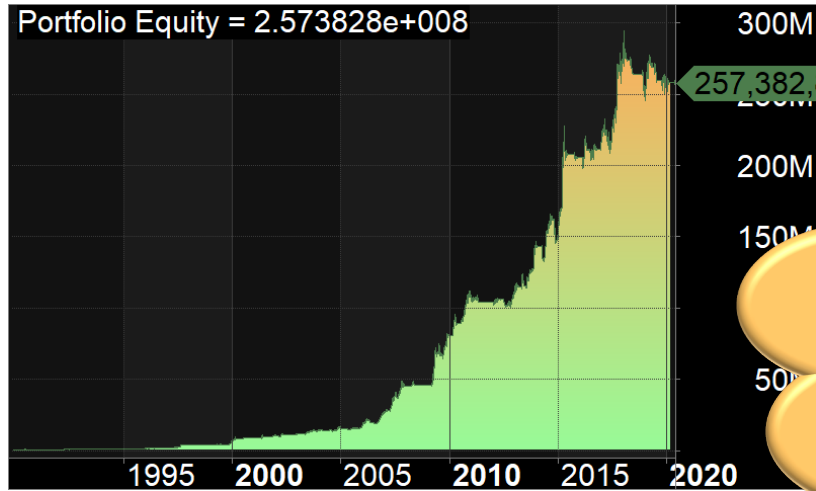
Typically 2-6 weeks

You are NOT paper trading to test if your system works. That is what backtesting is for!

Ask Yourself...

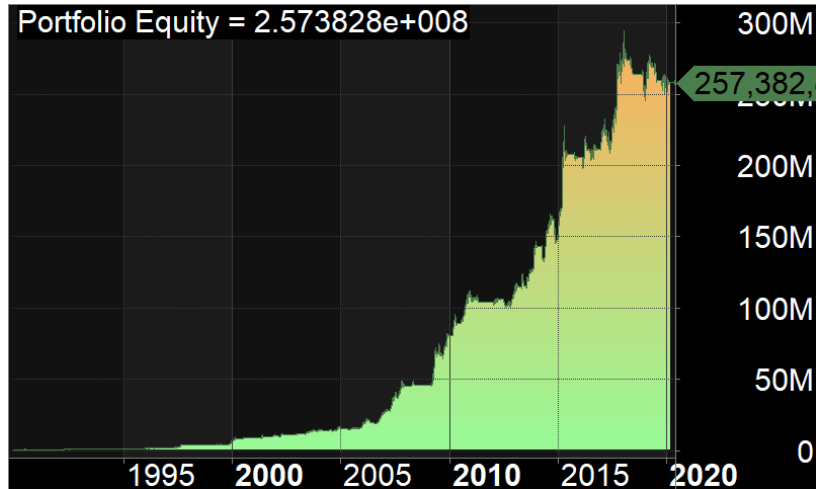
Am I confident that I can perform the daily trading process without mistakes?

Understand the equity curve - Study the Drawdown Profile and Monthly Returns

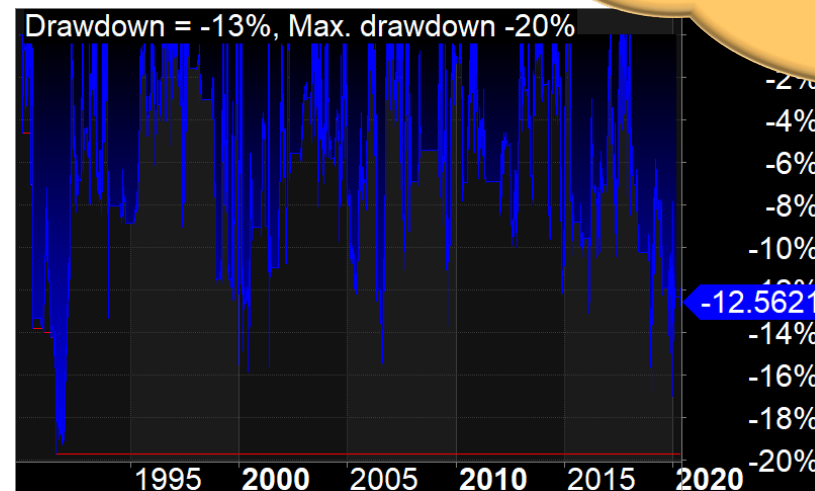


Study the daily movements in the equity curve closely and visualize this in your account

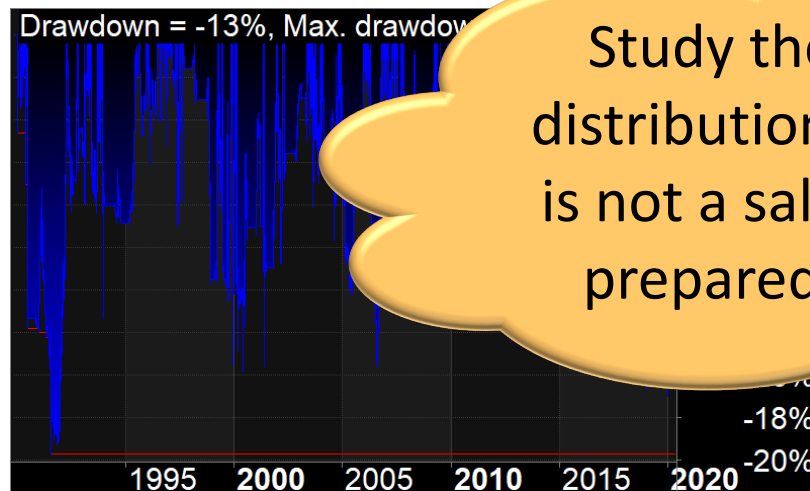
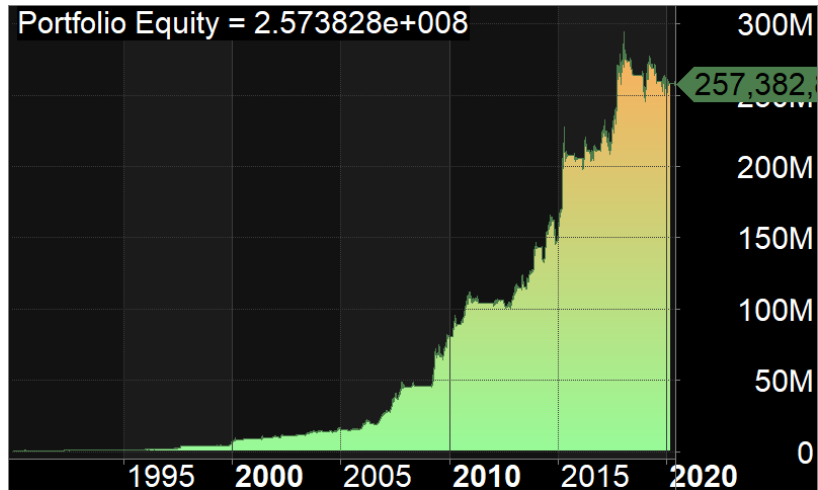
Understand the equity curve - Study the Drawdown Profile and Monthly Returns



Pay particular attention to the depth and duration of drawdown – This is what causes the most issues



Understand the equity curve - Study the Drawdown Profile and Monthly Returns



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Yr%
1990	0.0%	-1.4%	0.1%	-1.7%	2.4%	10.3%	5.4%	-9.7%	0.0%	0.0%	0.0%	-0.3%	4.0%
1991	-0.0%	3.4%	1.6%	-2.2%	-2.8%	0.0%	-0.9%	-4.3%	0.1%	-0.3%	-0.5%	-0.2%	-6.3%
1992	2.6%	4.2%	2.4%	5.3%	14.1%	-3.0%	-3.1%	-0.1%	-0.1%	4.1%	0.2%	-1.1%	27.3%
1993	-0.8%	0.8%	4.7%	4.8%	5.3%	5.7%	-5.5%	2.0%	-2.0%	17.9%	3.0%	14.8%	60.7%
1994	-4.3%	-0.2%	0.0%	0.0%	0.0%	0.0%	-0.0%	-0.3%	0.5%	-1.1%	0.0%	0.0%	-5.4%
1995	0.0%	0.0%	0.6%	0.3%	1.6%	3.9%	1.5%	0.8%	-1.4%	-2.2%	1.5%	0.3%	7.0%
1996	11.8%	-1.7%	-1.0%	1.0%	0.7%	0.4%	2.8%	-1.3%	5.9%	7.2%	6.1%	3.1%	40.1%
1997	1.9%	3.4%	-1.4%	0.9%	9.4%	0.3%	16.0%	12.8%	38.6%	-0.3%	0.0%	0.0%	107.6%
1998	0.0%	0.2%	-0.2%	-1.3%	-0.2%	0.0%	0.0%	0.0%	0.0%	0.6%	-1.6%	-7.8%	-10.0%
1999	-0.0%	0.0%	-0.1%	12.3%	-0.1%	2.4%	-5.6%	-0.6%	5.3%	-3.0%	15.2%	32.5%	68.1%
2000	9.8%	7.9%	14.4%	-0.7%	0.3%	0.2%	-0.1%	2.8%	0.7%	0.0%	0.0%	0.0%	40.0%
2001	0.7%	4.0%	-4.5%	0.0%	9.2%	1.8%	0.2%	0.0%	0.0%	0.0%	3.1%	3.9%	19.4%
2002	1.4%	-3.5%	-3.3%	6.8%	7.7%	-0.8%	0.0%	0.0%	0.0%	0.0%	-0.0%	1.2%	9.2%
2003	1.7%	0.5%			0.2%	6.1%			1.7%	5.9%	-4.5%	-0.1%	21.6%
									0.8%	10.9%	5.5%		20.2%
										-1.4%	4.2%		-2.5%
											3.6%		65.0%
											0.0%		70.3%
											0.0%		1.6%
											0.2%		74.7%
											0.2%		33.9%
											0.0%		-3.7%
											0.0%		4.7%
											0.0%		31.6%
											12.0%		2.8%
											1.5%	-5.7%	-3.2%
											0.0%	-0.3%	-0.8%
											0.2%		39.6%
											0.5%	-0.2%	0.4%
											0.0%		2.8%
											0.0%	-0.4%	-3.0%
											0.0%		-5.0%
2019	0.0%	1.0%	2.5%	1.2%	-1.8%	-0.0%	-1.4%	-2.1%	0.0%	0.0%	0.7%	-0.7%	1.6%
2020	-5.4%	4.7%	0.5%	0.0%	0.0%	-0.3%	N/A	N/A	N/A	N/A	N/A	N/A	-0.7%
Avg	1.5%	1.7%	0.8%	2.6%	2.7%	0.7%	1.6%	-0.1%	2.8%	2.6%	2.2%	2.2%	

Study the monthly & yearly distribution of returns... Trading is not a salary job, you must be prepared for the variability!

Ask Yourself...

**Am I comfortable with the variation
in returns and the depth / duration
of the potential drawdowns?**

Mental Scenarios: The Market System Map shows there are 9 potential market behaviors that you need to prepare for

The Market System Map

	Bull	Sideways	Bear
Trend Continues			
Shock Against Trend			
Change of Trend			

Ask Yourself...

**Am I prepared for what will happen
in all different market behaviors?**

Build Go Live Confidence with with 5 Principles

1. Use Complete Trading Systems
2. Ensure Your System Fits You
3. Backtest Your System Correctly
4. Mental Preparation
5. Benefit From Different Market Behaviors

As traders we have a lot to worry about...

- ❖ What if the Coronavirus comes back?
- ❖ What if there is another financial crisis?
- ❖ What if there is a war?
- ❖ What if there is a bear market?
- ❖ What if another bank fails?
- ❖ What if ...

There is always something that COULD happen in the world... but the market can ONLY do one of 9 things:

	Bull	Sideways	Bear
Trend Continues			
Shock Against Trend		*Shock in either direction	
Change of Trend			

There is always something that COULD happen in the world... but the market can ONLY do one of 9 things:

Bull

Sideways

Bear

Trend Continues

Shock Against Trend

Change of Trend

So to get more consistent trading results you simply need trading systems that cover more of the 9 behaviors!

For certain markets you need long side trend following systems when the market moves up strongly...

	Bull	Sideways	Bear
Trend Continues	Trend Following (Long)		
Shock Against Trend			
Change of Trend		Trend Following (Long / Short)	

An example of this is The Freight Train... a long side trend following system in The Trader Success System



- This trading system enters strongly trending stocks on a new breakout when the broader index is moving up
- Holds stocks until the trend has clearly changed
- Lets winning trades run >> Very Large winners
- Cuts losses short >> Small losses
- Long hold times require patience

... you need short trend following systems for down trending markets...

	Bull	Sideways	Bear
Trend Continues			Trend Following (Short)
Shock Against Trend			
Change of Trend		Trend Following (Long / Short)	

An example of this is The Slippery Dip... a short side momentum system in The Trader Success System

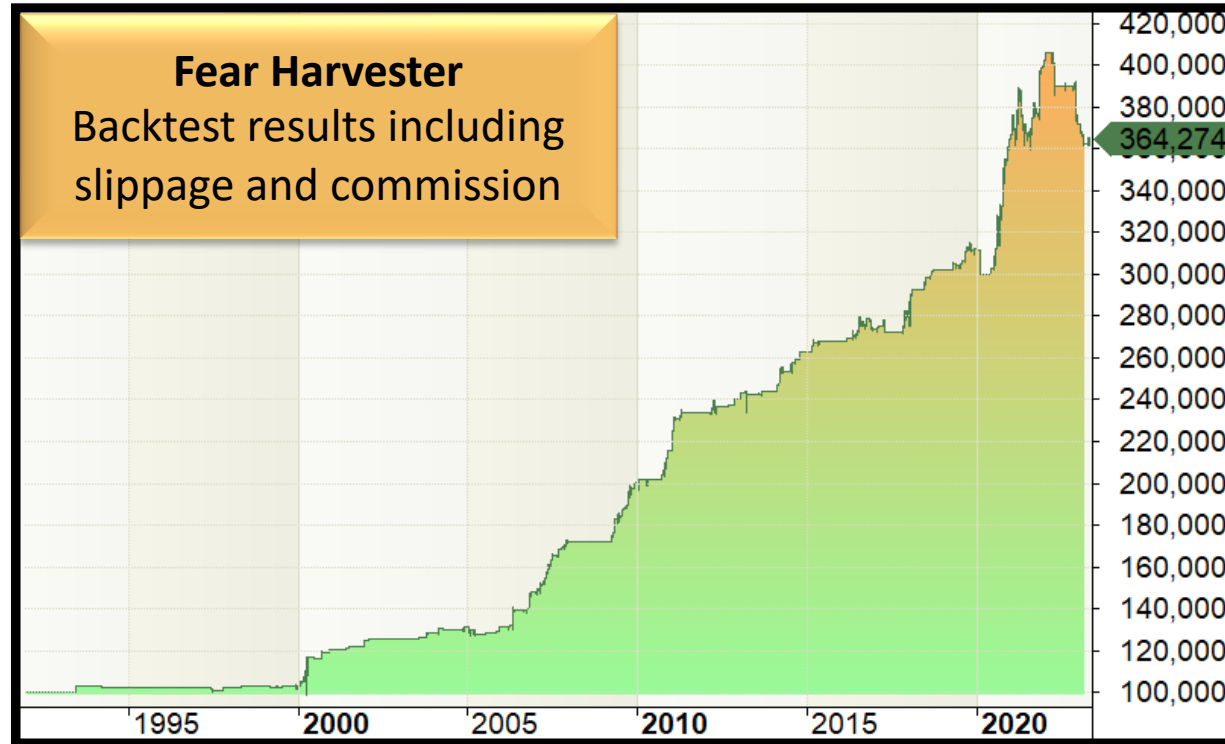


- This trading system shorts weak stocks when the index enters a downtrend or a rally in a downtrend fails
- Shorts a broad cross section of weak stocks and exits when the decline is exhausted.
- Closes trades while still in a down trend to avoid getting hurt by steep bear market rallies
- Exits quickly if the stock rallies
- Medium term system with average trade duration around 1-2 weeks

... long side mean reversion systems benefit from dips in Bull & sideways markets and trend changes in bear markets...

	Bull	Sideways	Bear
Trend Continues		Mean Reversion (Long / Short)	
Shock Against Trend	Mean Reversion (Long)	Mean Reversion (Long / Short)	
Change of Trend			Mean Reversion (Long)

An example of this is Fear Harvester... a long side mean reversion system in The Trader Success System



- This trading system enters oversold stocks in a strong uptrend in anticipation of a rapid rebound in price
- Closes positions within 1-3 days after a small bounce to catch a quick win
- Trades very selectively – selecting only the most oversold stocks and holding few positions at a time
- Benefits from market fear and greed by taking the opposite position
- Short term system with average trade duration just a few days
- Note steady consistent results through many market conditions

... and short side mean reversion benefits from rallies in Bear markets, sideways markets and trend changes in up markets

	Bull	Sideways	Bear
Trend Continues		Mean Reversion (Long / Short)	
Shock Against Trend		Mean Reversion (Long / Short)	Mean Reversion (Short)
Change of Trend	Mean Reversion (Short)		

Ask Yourself...

**Do I have trading systems that benefit
from different market behaviors?**

We have covered the 5 principles for
Building Go Live Confidence

We have covered the 5 principles for Building Go Live Confidence

- Principle 1: **Use Complete Trading Systems**

We have covered the 5 principles for Building Go Live Confidence

- Principle 1: **Use Complete Trading Systems**
- Principle 2: **Ensure Your System Fits You**

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- Principle 1: **Use Complete Trading Systems**
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- Principle 3: **Backtest Your System Correctly**
- Principle 4: **Mental Preparation**

We have covered the 5 principles for Building Go Live Confidence

- Principle 1: **Use Complete Trading Systems**
- Principle 2: **Ensure Your System Fits You**
- Principle 3: **Backtest Your System Correctly**
- Principle 4: **Mental Preparation**
- Principle 5: **Benefit From Different Market Behaviors**

Let me ask you...

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Would you like all of this for FREE?

Next Steps

Do you want to improve YOUR trading systematically?

- Get The Trader Acceleration Bundle... FREE!
 - **The Millionaire Trader Code:**
Course that shows you the path to consistent trading results
 - **Trading Systems Confidence eBook:**
Discover how to build the confidence to launch and follow your trading system
 - **Portfolio CPR Cheat Sheet:**
Step by step approach to resurrect your portfolio and position yourself for growth
 - **Daily Trading Process Cheat Sheet:**
Learn my simple daily trading process that takes just 20-30 minutes per day
 - **Trading Mistakes Cheat Sheet:**
Quickly increase your trading results by eliminating the most common trading mistakes
- Go To bit.ly/estacceleration and enter your details now (It's Free to download)

SCAN ME



