

TRADER **PETRI** .

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Things I wish I knew: the beginner trader



Previous Power Hour Presentations

- Daily routines
- Practical trading setups and rules
- Building strategies
- Trading psychology
- Risk management
- Developing your own trading plan

Copies of all these presentations and their respective videos are available at:

herenya.co.za/presentations

Knowledge builds on knowledge

- Highly recommend that you download the slides and work through previous presentations
- The idea is that these are complimentary, if not cumulative

Your success is your responsibility

- There is no nice way to say it... what you put in is what you get out
- Looking for quick easy money will always end in tears
- You have to work your face off!

Today we are going to cover

The most important lesson from today

- Trading is not going to make you rich quickly
- You need to first secure your financial base, before you start taking speculative risks
- It takes a long time to really know what you are doing
- Trading is a mind game

Things we will look at

- Key ingredients to successful trading
- The 'need money' vs 'make money' feedback loop
- Not all pyramids are bad
- The tortoise always wins the race

The major takeaway from today's talk is that if you want to be a successful trader, you must understand what you are getting yourself into and be willing to lose some money while you learn.



It's not as simple as you think

Trading is not glamorous

The reality of trading

- Only around 0.24% of new traders eventually become full-time, self sustaining traders
- Trading is very stressful
- It's a long more work than you realize
- Trading can be very lonely
- Despite the allure of excitement, good trading is boring

The Truth

The primary goal of most of the successful traders that I've met, is to find new ways to make higher returns for less risk. They aim to be consistent. Nobody tries to make a fortune on any single trade, they understand that they need to compound small winners over time. They also never get themselves in a position where one trade can do large damage.

Self-awareness is the key to success

- It's really about controlling yourself
- We make terrible decisions when we are under pressure
- Sometimes you are just wrong
- If you are not focused, don't trade
- Things change fast

The right mindset

- Try to understand how you are feeling and how what you are feeling is influencing the way you make decisions
- Do not make important decisions when you are emotionally compromised
- Being wrong is ok. Being wrong a lot is also ok. Staying wrong, or losing large amounts of money when you are wrong, is not ok
- Do not trade if you are upset, or tired, or busy with other things
- Anything is possible at any moment



There is a lot to learn

You must understand the macro-environment

Financial markets are complex

- The monetary system
- Banks and other financial institutions – exchanges and clearing houses
- Fractional reserve banking
- Securitization – how and why companies list on exchanges
- Policy and money supply
- International trade and markets

Financial instruments are complex

- Equities (shares)
- Preference shares
- Bonds
- Futures
- Options
- Swaps
- Over the Counter derivatives

Market participants are complex

- Investors
- Speculators
- Hedgers
- Brokers
- Market makers
- Mutual funds / unit trusts
- Hedge funds
- High frequency traders

Trading gurus are not real

You don't have to buy fancy software

- Most brokerage firms provide software that is more than capable
- The really advanced platforms, are really expensive, but
- Driving a Ferrari when you should really still be in a bumper car, doesn't exactly make sense

No paid course is going to make you rich

- Courses have value, but they are not going to teach you the skills you need to become a consistently successful trader
- Do courses that give you knowledge
- Trading skills are learned from books and experience

There are enough free resources

- Many websites offer real value and charge nothing

Rather invest in books

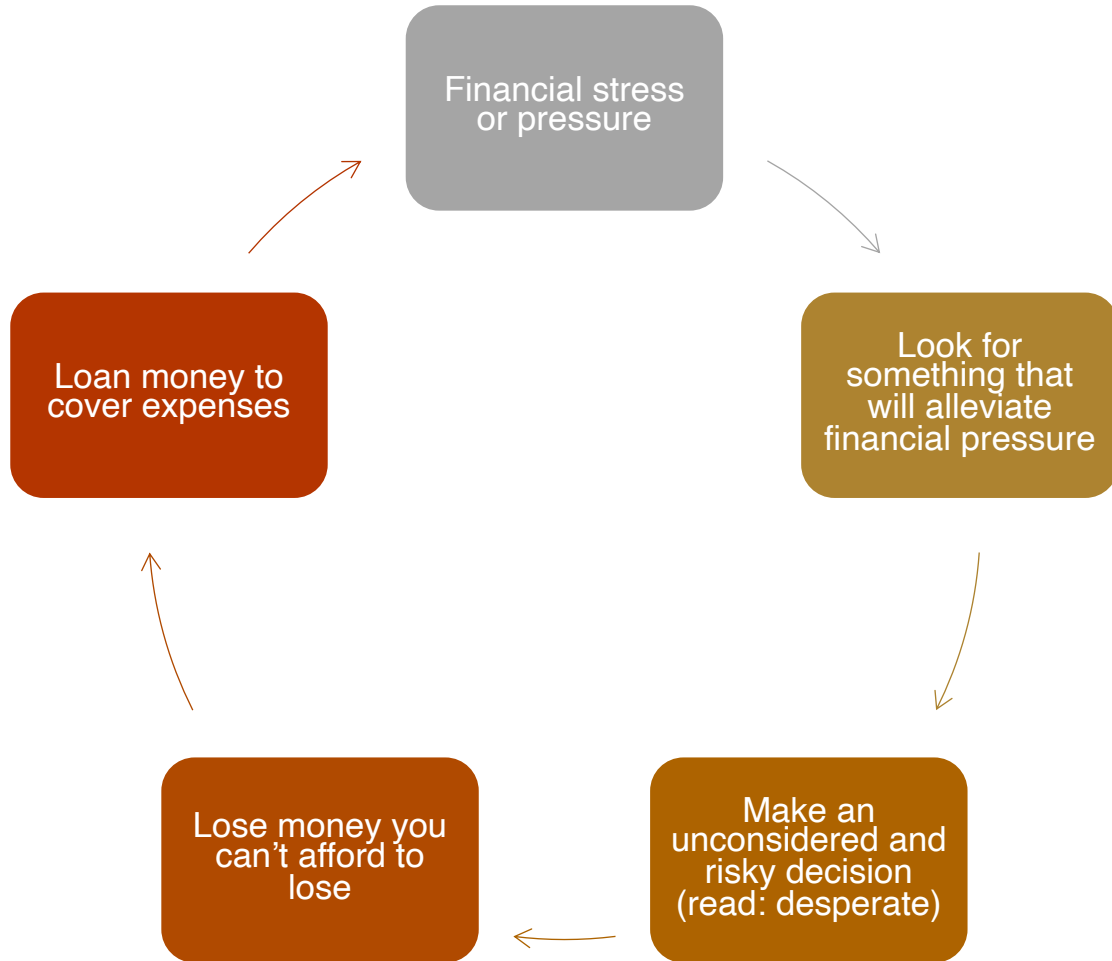
- A CMT textbook on technical analysis costs \$200
- Buying the book will be infinitely more valuable in the long-run



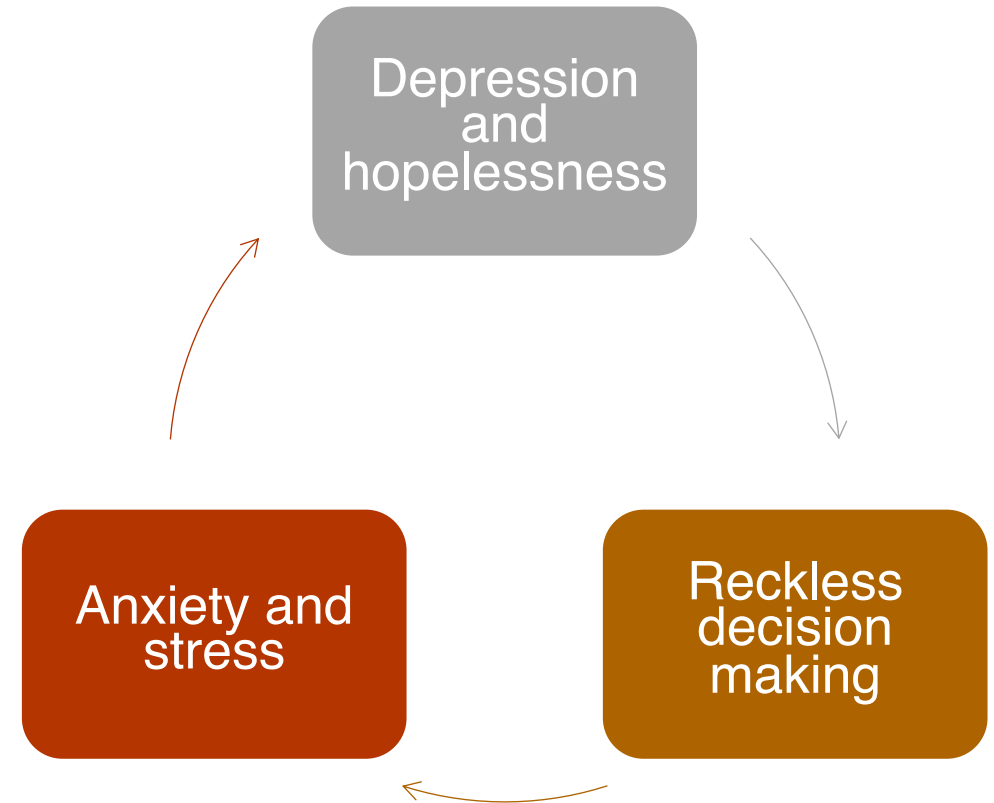
The real path to freedom

The 'need money' vs 'make money' feedback loop

Destructive behavioral cycle



Destructive emotional cycle

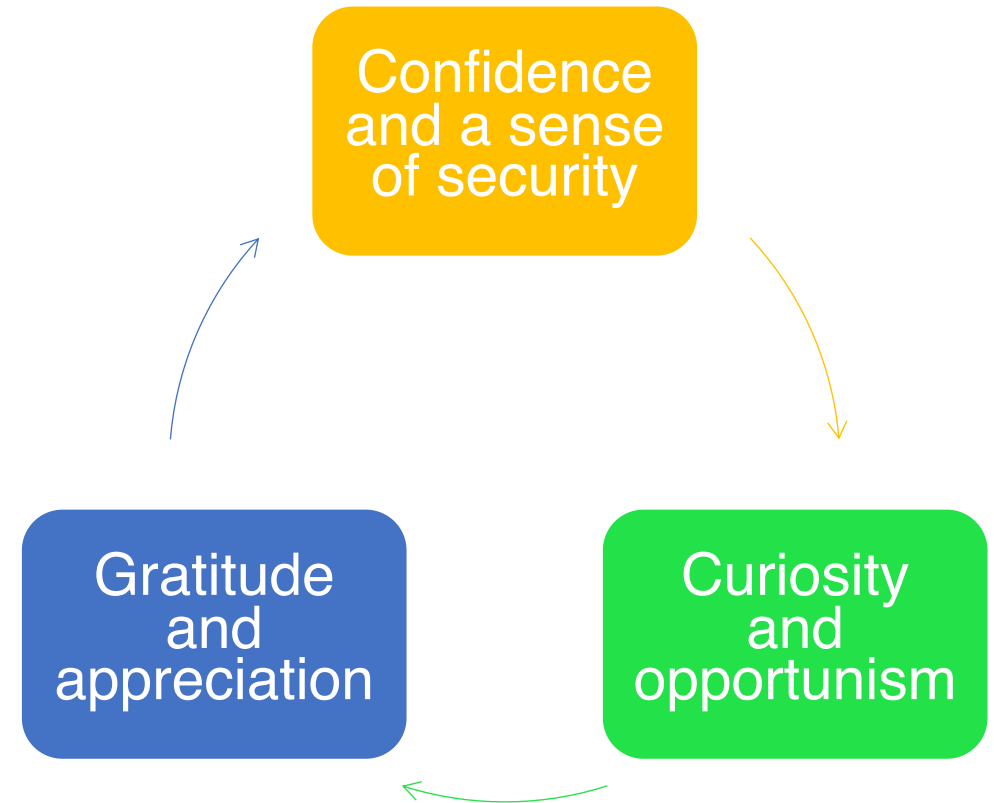


The 'need money' vs 'make money' feedback loop

Constructive behavioral cycle



Constructive emotional cycle



We must change the way we think

- Delayed gratification
- Think in decades
- Giant monuments are all built by stacking up millions of smaller pieces
- Consistency of thought and action creates dramatic results over time

Start at the beginning

- First you must save and invest
- Then you must feel comfortable with what you have
- Then you can trade / take large risk

Only 0.24% of traders actually 'make it'

- Make it = full time professional trading
- Many traders can consistently make profit, although they keep their day jobs
- Only once you know that you can sustain yourself for a while without income, will you actually make money as a full-time trader
- A sense of security will help you make better decisions

Speculative
trading
account

Liquid 'safety
net' assets

Medium-term thematic
investment portfolio

Very long-term investment /
asset portfolio

Money at
risk

- This is what you can afford to lose

The safety
buffer

- This is where you confidence and opportunism comes from

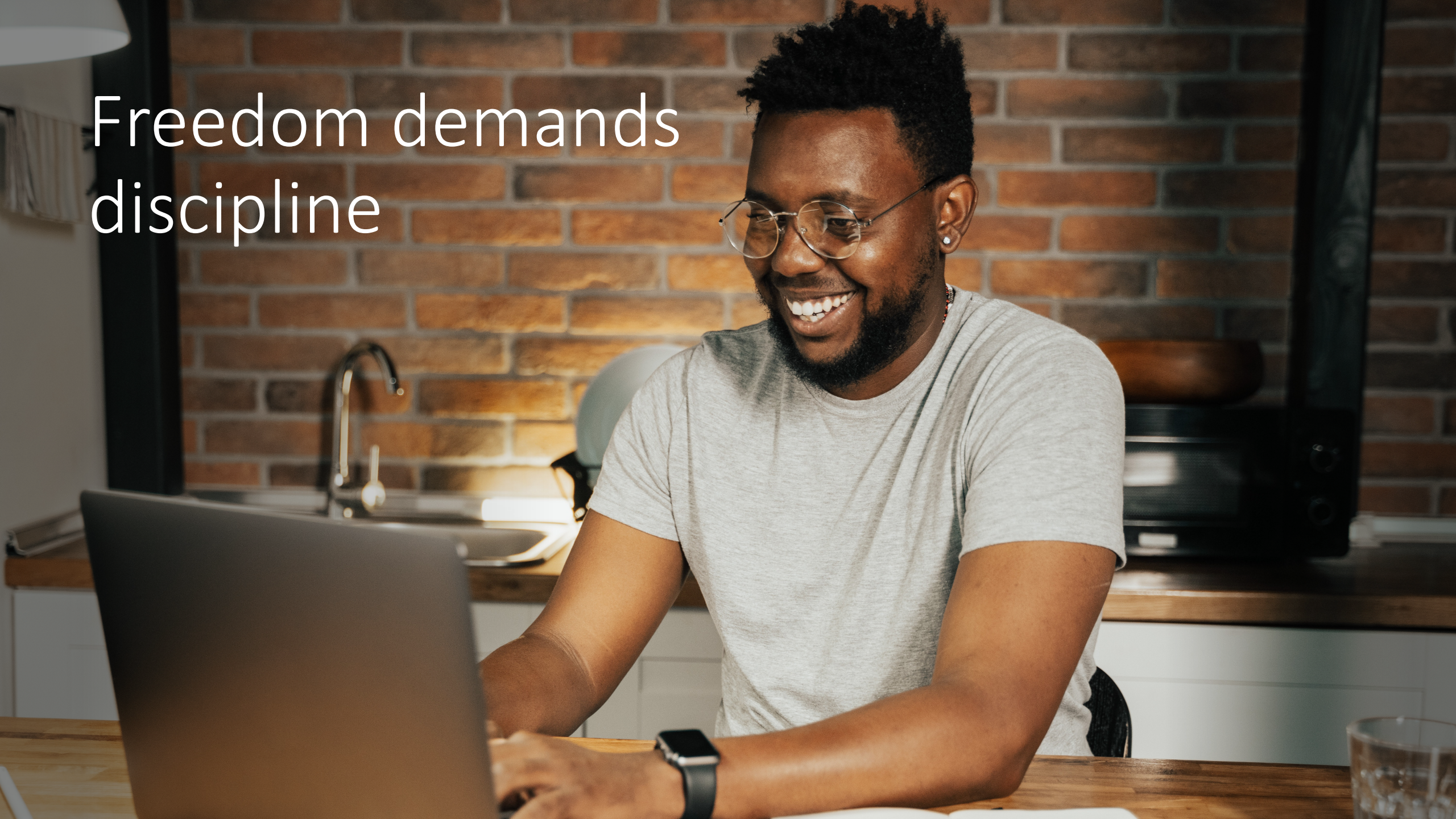
Seeing the
big picture

- This is where the big money is made

Fortress of
solitude

- This is where your deep sense of security comes from

Freedom demands
discipline



Trading is no different from professional sport

The best traders I know:

- Are routed in daily routines
- Get enough sleep
- Fuel their bodies with what it needs
- Have an external way of relieving stress
- Keep learning
- Get exercise

Successful trading is almost 90% in your head. The way you think and feel have more impact on your trading than any amount of analysis ever will.

Thank You

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