THE LUNCHTIME TRADER

Marcus de Maria

Learn to trade and invest yourself to financial freedom in just 20 minutes per day

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The Lunchtime Trader by Marcus de Maria
4th edition

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DEDICATION

This book is dedicated to all of you who have struggled financially for years and now have the courage to break out of your old beliefs and habits to win a new future for yourself and your family. For these individuals this book has been written as help and assistance. I commend your courage and wish you every success. The hardest bit is starting. Just start and you will be surprised by yourself. You can do it!

If you have further questions, please contact Investment Mastery. Our regular business hours are Mon-Fri. 9:00 am – 5:30 pm U.K. time. During these hours, you can reach us by phone or email. Outside of these hours, either leave a message or email us and we will reply within 48 hours.

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FOREWORD

The idea behind The Lunchtime Trader is simple: If you are working 8-10 hours a day for someone else, making them money, are you at least spending 20 mins a day during your lunchtime ensuring that you are creating wealth for yourself and your family? You are there anyway, you probably have access to a computer and the internet, so why not use the time while munching on your sandwich?

I have to say I didn't expect it to take off as much as it did. In one year, the book has been translated into Italian, Polish and German with Spanish on the way, and 20,000 copies downloaded.

The markets in the meantime have done what markets do, which is to change. Interest rates continue to be at historic lows (generally good for stocks) with talk of them rising again; Gold (a play on the rising dollar), Silver and Oil continue to fall, allowing us opportunities to get in at lower prices using VCA (see Chapters 5-7); QE seems to have slowed down but if things turn bad no doubt will resume again; stocks are starting to move more sideways, allowing us good buying and shorting

opportunities; China is the talk of the year, with their economy slowing (but still stronger than everyone else let's not forget) and their currency becoming one of the world's reserve currencies.

And as ever the more things change the more they are the same for a Lunchtime Trader, who knows how to take advantage of up, down and sideways markets.

I have updated the charts and ensured that the content is simple and fun to read. This is a subject that just doesn't need to be boring or difficult.

I hope you not only enjoy it but take action on one of the many demo accounts or virtual traders out there, and I hope we get the chance to meet in person at one of our events around Europe.

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CHAPTER ONE

WHY MOST PEOPLE STRUGGLE BUT YOU CAN BE ONE OF THE FINANCIAL ELITE

Larry looked at his computer screen with a smile on his face. He had barely touched his sandwich, he was so excited. He was financially free, a net worth millionaire. When he thought how far he had come, he felt a moment of pride. He couldn't wait to share the news with his wife when he got home, he grabbed the phone to text her, but stopped, wanting to tell her himself. To see the look in her eyes when he told her that she needn't worry any more. That if she wanted to, she could choose to go part-time or no longer work. He felt proud. He felt like a man - providing for his wife and children.

As he looked around the office, he wondered what all his co-workers would think if they knew. If only they had listened to him. Now he could show them how to do it. He finished his sandwich in three bites, rubbed his hands together in excitement and went back to work.

Why is it that some people manage to achieve great wealth while others are never able to even rub two pennies together? Why are these results so very different?

The quick answer to that is; the actions we take. The actions we take lead to the results we achieve.

So the question then is what drives our actions? The answer is; our thoughts, and the emotions around those thoughts. These thoughts, and specifically the feelings these thoughts give us, propel us to action – or inaction. And these actions dictate our results (or lack of results).

It is not our parents, the government, our boss, the economy, the stock market etc. that is to blame for our financial success, mediocrity or failure. It is us, or rather our thoughts, beliefs and attitude.

When we finally see that our thoughts, beliefs and attitude are the cause of our financial results, good or bad – and we stop blaming everyone and everything around us, we can start to improve our finances. Not before.

I strongly suggest you read the above paragraphs again, slowly …

Your current financial situation is the result of the many decisions you have made over time. Anything you do over and over becomes a habit. We unconsciously run the same patterns without realising it and wonder why our financial situation always stays the same.

If you want to change your current financial situation or speed it up, you need to consciously do things differently. You need to consciously create new habits. A new habit, say spending 20 – 30 minutes a day either in the morning, during your lunchtime or in the evening working on growing your wealth, will work wonders over time.

You would be amazed at how small incremental steps, taken every day, can dramatically change your financial future.

So where do we start to change these actions taken over and over? How do we start to change these habits?

1. Give yourself a reality check (pain) and ensure it stays with you
2. Find out where you want to go (this is not that easy)
3. Choose a vehicle that will get you to where you want to go the fastest
4. Form beliefs about your vehicle that you can do it, and build on those beliefs
5. Start
6. Get better at it
7. Speed up the process

Give yourself a reality check
i.e. some pain
a.k.a. where are you now?

There's a story about a man driving to the airport. Lost, he sees a local leaning against a fence by the road. The man stops to ask him for directions. "Excuse me", he says, "what is the best way to the airport please?" The local, still leaning on the fence thinks for a minute and says, "Well, I can tell you how to get there, but I wouldn't start from here".

In all journeys, including the exciting one you're about to embark on, you have to start from where you are right at this moment. Not where you would like to be, or even where you think or hope you are, but where you actually are. In other words, a reality check.

"Many people take no care of their money till they come nearly to the end of it, and others do just the same with their time."

- Johann Wolfgang von Goethe

Marcus' Story

I had just quit my job because among other things, I felt disillusioned by the lack of control I had over my own life – I remember telling my boss some dates I wanted to take off for a holiday and he told me, "I decide what dates you take off, not you!" It wasn't so much what he said, it was the way he said it that shocked me. He was aggressive almost angry, as if it was his right to control me in this way.

After that my brother and I decided to start with a network marketing company. After two years working really hard we were stars in the organisation, feted and honoured on stage, but there was one tiny problem, WE WEREN'T MAKING ANY MONEY! And as soon as we made any we were encouraged to spend it again by flying off to international conventions with the team to motivate them. Long story short, network marketing is a three to five-year game plan, and we just didn't have that time, we needed the money now.

At this stage I was £50,000 in debt and sleeping on my brother's floor. You may be thinking, "Marcus, I've got a mortgage bigger than that", but I didn't even have that. This £50,000 was bad debt with nothing to show for it and no assets to my name. I needed money right now. What

would you have done? Got a job? That's what my parents urged me to do. Most people probably would have done. But I had already ticked that box and decided it wasn't for me.

Crazily, you may think, I decided against my parents' advice. This time an acquaintance approached me about what I saw as a really amazing opportunity, investing in a start-up company he was managing. He had hooked up with an inventor who had a cool invention to do with men's urinals. Before making a decision, I asked a lot of questions – to this day the inventor still says I asked more questions than anyone has ever asked him before or since. I wanted to be sure. Then when I was satisfied I made a decision to invest. I figured that men have to pee so there had to be a market there with repeat business.

I will never forget the moment when we had negotiated a deal for the shares; the CEO shook my hand and pulled me towards him, off-balance, and looked me straight in the eye and said, "You have 2 months to raise £100,000. I don't care whether you eat or sleep but I expect you to keep to your side of the deal". Wow - those words – and the way he said them – rang in my ears. I had to get that money! The problem was I just didn't have it. What to do? I couldn't just give up so I turned to the three F's - Friends, Family and… Fools. They must have believed in

me because I managed to raise about £100,000 to invest in this new company. Just one problem, if I wasn't in deep enough before, now I was seriously in debt, so this baby really had to work.

For the next year I was working for virtually nothing, making sure that my money and the money of my three F's was going to be safe. I helped the company with sales, something I'd never done before… and it showed. We didn't make many sales, but we did get our product into key flagship locations, which turned out to be very important indeed.

One day I woke up and discovered that the CEO had run away with my £100,000 and I was left high and dry without even a share certificate. So now I had my original £50,000 debt plus an additional £100,000, half of which was strictly not my debt but I felt as if it was – when family and friends are involved it's not a good feeling.

Luckily, I had developed a great relationship with the inventor of the product and we set about forming another company, replacing the shares, attracting venture capital and doing things the right way. The company was eventually sold to a big international washroom company for just under £10 million a few years later. After a lot of hard work and pain it all turned out ok.

Let's fast forward several years. We now own property in the UK and abroad, and have invested in many promising start-ups, one with the same partner whose business we sold earlier. Our main focus though is trading and investing. We have a team of traders to trade our money for us, and a highly successful training and education business, Investment Mastery, which recently celebrated its 10-year anniversary. In that time, we have taught thousands of individuals how to become financially free through trading stocks and forex. We are currently in the process of setting up a fund structure, where people can keep their money in their own accounts, but it is linked to the account that we trade.

So, you see if I can do it you can do it too. Unless you started out with £150,000 or more in debt, like me, then you are in a better starting position than I was.

Your Net Worth calculation

Ok so what about you - where are you starting from financially? What is your Net Worth?

Your net worth is the only real measure of your current financial situation. Most people think it is how much money they make, but that's irrelevant. It is not how much you make but how much you have been able to save and then grow all these years.

So please go ahead now and take the time to approximately calculate your net worth:

Everything you own			**Everything you owe**
House	£_____	*Mortgage*	£_____
Investments	£_____	*Debts*	£_____
Money in the bank	£_____	*Credit Cards*	£_____
Other	£_____	*Loans*	£_____
Other	£_____	*Other*	£_____
Total	£_____	*Total*	£_____

Subtract one from the other and that will give you your

Net Worth £_____

If you find this difficult to do, you may want to ask some trusted family or friends to do this calculation with you.

Now comes the important part. Look at your Net Worth figure. How does that make you FEEL? Take a second to think about this – really FEEL it.

Is it more than you thought? Great just imagine what would happen if you <u>really</u> went for it? Or is it less than you thought? It's not too late - isn't it time you focused on growing it?

By the way, is your financial situation better than mine? I was - £150,000 in debt. I think you are probably better off than me starting this new journey, so just think about this: if I can do it, you can definitely do it!

Critical Net Worth
The only financial goal you will ever need

Why is your Net Worth so important? Because when you have grown it enough, you will be financially free. This is called your Critical Net Worth (CNW).

Here's how it works. How much do you think you need a year to live off, £50,000, £75,000, £100,000, £150,000, more? Let's say your aim was to have £50,000 coming in every year. This comes in every year without you going to work. In other words, it is £50,000 of passive income.

Then you would need to have a net worth of £1,000,000 sitting in a safe investment that makes 5% a year. That 5% of £1,000,000 will give you £50,000 a year. Remember, tax will be taken off your £50,000, so you will either need to grow your Net Worth larger than £1,000,000 or have a larger % return on your investment. Just 1% extra, i.e. 6% instead of 5% means that you are earning £60,000 instead of £50,000 on your £1,000,000. At 10% a year you will have £100,000 a year of passive income.

You might be looking at that £1,000,000 number and thinking that this will take me a long time to get to. You will discover how long it will take when we look at compound growth in Chapter 3. But what if you were able to make 10% a year safely? With the Buffalo strategy we are looking to make up to 35% a year. With the VCA strategy we are looking to make up to 15% a year. My traders in my trading room made 86% last year and are already up 71% this year with another 3 months of trading to go. So, 10% shouldn't be too much of a stretch. Well the good news is that at 10% you only need £500,000 as your CNW to get your £50,000 a year from your investments. And at 20% a year, you only need £250,000 as your CNW to get your £50,000 a year from your investments.

So now you know what your focus is going to be. It is on growing your net worth so that you can reach your CNW as soon as possible. The only reason that I am a multi-millionaire now is because I had a lot of mental pain being so massively in debt and therefore made a decision to change my way of thinking in order to create wealth. Basically, I am financially successful because I have spent the last few years focusing on growing my Net Worth to achieve my CNW.

It’s not magic. It’s called Focus.

If I had been focusing on other things I would NOT be in the position I am in now. Whatever you spend your time and effort on over a longer period of time, will grow. It is a law of nature. It also makes logical sense. So now you know that your focus is to grow your Net Worth so that it reaches your desired Critical Net Worth. It won’t be magic. It will be called Focus.

We believe that a great way of doing this is via trading and investing. The reason is because it is the fastest way to compound your money with the least amount of effort. I love property and business, but trading and investing allows you to massively leverage your time. And the way we are going to teach you how to do it, is in addition to everything you are doing right now. You don’t have to give up your job, business or property investing.

SUMMARY

In this chapter we discovered…

- Why some people create wealth and others will never be able to

- The journey I had to go through – and if you are not £150,000 in bad debt you are starting off in a better situation than me

- Understanding the importance of **Net Worth** and how to calculate yours

- Knowing how to target your wealth building and the significance of your **Critical Net Worth**

CHAPTER TWO

WHY THE STOCK MARKET CAN BE YOUR VEHICLE TO FINANCIAL FREEDOM

What is the stock market?

The stock market is a market where stocks and shares of companies are publicly traded. “Stocks” is the American way of saying “shares”. So, a share is literally a share of the company you are investing in. And as soon as you buy even one share, you are a shareholder in that company with certain rights. These rights include voting at General Meetings for example. You could also receive dividends. Dividends are paid out by some companies as a thank you for keeping the stock.

Ok, well that is the official version anyway. For me the stock market is a huge vault, which has a lot of money in it, waiting for someone to find the key or combination to open it up. The main challenge is that in the stock market there are a lot of different ways of making money, and you have to choose some strategies that are the right ones FOR YOU. Once you have found them – and we teach them in this book – then you just need to follow some simple rules.

What is the difference between trading and investing? Trading is when you buy a stock and sell it in the short term i.e. days to weeks. Investing is when you buy a

stock and sell it in the long term i.e. months to years. We teach both and also a mixture of both – we tend to hold our stocks for days to months and on average 6 weeks. You might even say we have invented a new way called TradInvesting – the best of both worlds.

The main problem is that most people have never learned how to trade (or invest). And because they have never learned how to trade, they make some very basic mistakes. Here's one – most people give their money to someone else to invest. That is the worst mistake of all – not taking control of your own finances. I did that once.

I remember in the early nineties I had invested in a technology fund because I thought it would be a great idea to give my money to the professionals to invest. After all they are the experts and would grow my money for me. I didn't really take much notice of the annual reports they sent because nothing much seemed to be happening, but one fine day I received the annual report and I noticed something very shocking. My account was down by 70%! I felt shocked, slightly dazed, but also, I assumed that there must be a mistake, because surely a professional investor wouldn't allow that to happen.

So, I phoned up the company, my heart pounding, and spoke to a customer service lady. I asked her to please see if this was correct, surely there must be a mistake. She said there wasn't. When I insisted, she asked me to hold on and she would talk to her manager. "Aha!" I thought, "I knew it, this is just a mistake, they are going to sort it out now". The lady came back on the phone, and I don't think I will ever forget her words: "Hello Mr de Maria, thanks for waiting, I have checked, but there is no record of you instructing us in writing, or via email, phone, fax or telephone that you wanted us to sell." This lady was basically telling me that even though I paid management fees to the fund to manage my money for me, it was my duty to tell them when to get out! I realized right there and then that I had to take control of my finances. For a start, I figured I could do better than -70%! Secondly even if I didn't do very well, I would learn from my mistakes, whereas when you give your money to someone else you can't learn from their mistakes.

It was a lesson well learned and a good thing it happened, because it spurred me on to master trading and investing.

Another mistake is doing buy and hold. This is where you buy a stock and simply hold it. So, it goes up and you hold it. It goes sideways and you hold it. It goes down and you hold it. This is not a very good strategy, because there are no rules to take your profit. So you can buy, it goes up 10%, 20%, 30%, 40%. Great. But because you are a long term buy and holder you don't even take your profits, and so it goes from 40% profit to 30% profit then 20% profit then 10% then 0 then -10% -20% etc. Really not a good strategy.

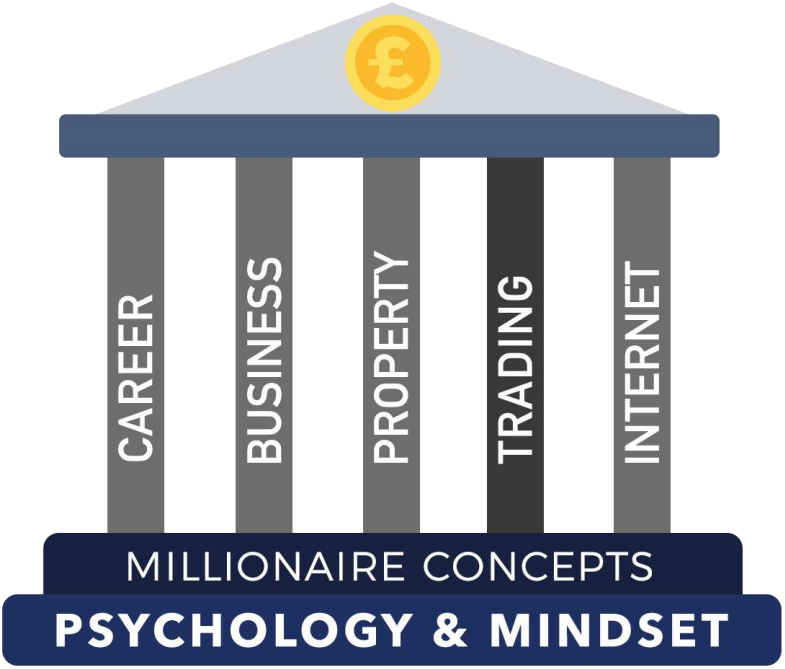
Another mistake is not using a stop loss. What is a stop loss? It is an electronic order that stops your losses. Once you tell the broker like: YourTradingBroker.com, that you don't want to lose more than 1% of your portfolio then it doesn't matter whether you are there or not. You could be at work, on holiday etc. but if it goes down more than 1% you are out of the stock automatically. Not having a stop loss is a big mistake to make.

Why the stock market?

In my first book, “The Wealth Workout – the 7 Step Process to Financial Freedom”, we discussed what I call, **The 5 Pillars of Wealth**.

The most popular choices, to help you become wealthy or financially independent in the shortest possible time, are:

- Your job, or if you take it seriously, your career
- Owning your own, traditional business
- Investing or trading in property
- Investing or trading in stocks or other vehicles like foreign exchange, precious metals like gold and silver, or commodities like oil
- Marketing a service or product on the internet



The 20 reasons why the stock market is a great way to make money

1. It is not hampered by other people

Imagine this - no staff, no customers, no boss. That should be enough in itself - no staff expenses, training or aggravations; no customers to have to please, win over and retain, and no colleagues or boss telling you what to do.

2. It is accessible to all

Regardless of how old you are, whether you are male or female, regardless of your physical ability, anyone can do it. That is not the case with property or starting your own business.

3. It requires surprisingly low starting capital compared to property or business

This is usually a surprise for people. While you have to spend thousands on property and thousands on a business, in the stock market you can start with about £2,000 or even £500 - that's a lot less, isn't it?
And you don't even need that - you can start practising and improving your skills on a simulator / or virtual

trader. It is the same as the real thing: you enter and exit the trades, based on market prices, just like the real thing, but the money is not yours: it is virtual money.
Also, there are no up-front fees (for example, for transferring money), no legal fees, marketing fees, mortgage brokers, and if you are investing in US, which we suggest, then no stamp duty.

4. It has total time flexibility

This really does depend on your lifestyle - there are daily strategies, weekly strategies, monthly strategies and yearly strategies. The trick is to choose one that fits into your lifestyle. If it doesn’t fit your lifestyle, you won’t do it consistently well.

5. It has total location flexibility

Since all we need is the internet – you have total flexibility. You can be in any room in the house, in any house in the world, or be travelling.

6. It requires minimal training

You don't need an MBA or PhD to do this; you just need a good course to teach you the basics, and then practice, practice, practice.

7. It is guaranteed to exist in the future

They are not going to decide to cancel the stock market.

8. There are no competitors - In fact, the more the better

Firstly, there are no competitors - you are not fighting against anyone else but yourself and remember: the more people buy the stock you are in, the better.

9. It is recession proof – you can make money faster when stocks go down

Did you know more millionaires are made in a recession than at any other time? So if a stock, sector, industry or the entire market starts to go down, this is when you can make the most money fast.

And get this – when the market goes sideways, when normally you think you can't make any money, this is when you can make a lot of money in the stock market.

10. There is no product/stock holding required

You don't need to purchase any inventory or have a garage full of stock.

11. It has low overheads and easy admin

The only overheads you have are your internet connection, your brokerage fees and if you have to pay for it, your charting software. That's it!

12. You don't have to borrow money

You can if you want to, but you don't have to, whereas in property (and sometimes in business), you do have to borrow money and get a mortgage.

13. There are no meetings

The biggest time wasters in the world, that are needed for business and property, are not needed in the stock market.

14. There's no physical labour

Unlike in property, and some businesses, because there is nothing to build or maintain.

15. You are in control at all times

This surprises some people. Let's imagine you have a stock and you decide you want to get out. You click a button and 5 seconds later you are out. Can you do that

with a property? In 10 minutes, days, weeks? Can you do that with your business?

16. There's a potential for a huge profit margin

One of the reasons for this is the small starting capital but also because you can buy something and sell it almost immediately when the stock goes in your direction (see above).

17. It's passive income: you can earn it whilst you're sleeping

There are two reasons for this: the first is after-hours trading - the institutions trade when the market is closed to us mere mortals. The second is that you can sell options, which allows you to take advantage of time ticking - literally amazing!

18. You can teach your children

Imagine learning this when you were much younger! We have graduates who get their children to do the filtering of stocks for them. It is like a game for children because looking at charts can be highly visual. Then the parents

can come along and do the rest while the children play with other, less educational toys.

19. It develops an abundant mentality faster

With the stock market you can measure whether you are doing well or not within a very short period of time. This way you can change your approach and correct any mistakes you are making much faster than you could in your business and certainly much faster than in property.

20. The better you get, the more ££s you make

This is incredible - can you imagine being in a job and your boss rewarding you every time you get better? And promoting you above him when you are better than he is? In the stock market, this is the case – you can make more money, the better you get – and there is no ceiling.

Have you ever practised a computer game and you became so good after practising for hours? So you can keep practising and getting better. That is precisely why you want to go on a virtual trader before committing your real money.

Comparison Chart	Job	Business	Property	Marketing on Internet	Stock
1. Is it free from being hampered by other people?	No	No	No	Maybe	**Yes**
2. Is it accessible to all?	No	No	No	**Yes**	**Yes**
3. Does it require only low starting capital?	-	No	No	Maybe	**Yes**
4. Does it have total time flexibility?	No	No	No	Maybe	**Yes**
5. Does it have total location flexibility?	No	No	No	Maybe	**Yes**
6. Does it require minimal training?	No	No	No	Maybe	**Yes**
7. Is it guaranteed to exist in the future?	No	No	**Yes**	No	**Yes**
8. Are the more competitors there are the better?	No	No	No	No	**Yes**
9. Is it recession proof?	No	No	No	No	**Yes**
10. Is there no product or stock holding?	-	No	No	Maybe	**Yes**
11. Does it have low overheads and easy admin?	-	No	No	Maybe	**Yes**
12. Can you do it without borrowing money?	**Yes**	No	No	**Yes**	**Yes**
13. Are there no meetings?	No	No	No	Maybe	**Yes**
14. Is there no physical labour required?	Maybe	No	No	**Yes**	**Yes**
15. Are you in control at all times?	No	No	No	**Yes**	**Yes**
16. Is there a huge potential profit margin?	No	Yes	Yes	Maybe	**Yes**
17. Do you earn money whilst you are asleep?	No	Maybe	Maybe	Maybe	**Yes**
18. Can you teach your children to do it?	No	Maybe	Maybe	Maybe	**Yes**
19. Does it develop an abundant mentality fast?	No	Maybe	Maybe	Maybe	**Yes**
20. Do you make more money the better you get?	No	Maybe	Maybe	Maybe	**Yes**

As you can see, the stock market is by no means the only vehicle to get you where you want to go. However, I am here to tell you that it is the easiest for a beginner and the simplest, fastest way to get started, especially if you are serious about making money.

And this is on top of everything else you are doing – we are not asking you to stop or change doing anything. This is just 20 minutes a day tops.

There are several ways to become wealthy. Normally, although not always, it involves you doing something outside of your daily activities.

During the day you work hard for your money but in your spare time, in just 20 minutes a day (mornings, lunchtime, evenings or weekends), you must ensure your money works hard for you.

That is the basic premise for becoming wealthy.
You might want to read the paragraph above again.

We believe that the stock market is a great way to do this. In fact, we believe it is the most misunderstood of all the

wealth creation vehicles. If you ask the average person in the street they will not know about it. They will have ideas about business and property but when it comes to stocks they will not know.

Here are some questions you might have, which we will answer one by one:

1. Is it really possible to make money?

2. Is it possible for ME to make money?

3. If it's so simple how come everyone isn't doing it?

4. Am I going to have the time?

5. Do I have enough money to start?

1. Is it possible to make money in stocks?

We've been teaching people for ten years how to make 3% a month (not a year), that's 36% a year on their savings, by spending as little as 20 minutes a day either in the morning, lunchtime or evening. And year after year individuals just like you go on to achieve just that and much more. Most had no experience whatsoever, none of their family or friends were doing this, but once they saw our traders doing it and more importantly other graduates – all normal people – doing it month-on-month, they knew it was possible. And so they too started achieving it.

But you have to believe that it is possible to make money in stocks. I suggest you take a look at the back of this book at the case studies we have recorded of people making money trading and investing using our strategies. As you will see they are normal people coming from all walks of life. There is nothing special about these people apart from the desire to get ahead and that they were open and willing to follow the rules we taught them.

2. Is it possible for me to make money?

Most people believe that they cannot make money in stocks. The City and the media have done a great job in convincing us that we should give them our money to invest so they can live off the management fees. If you ask the average person in the street, they literally know nothing about it. Let me ask you: Did your parents teach you about it? No. Did you learn about it at school? No. Did the Government teach you about it? No. But what we do know is that you should give your money to the experts, because they know better than you how to grow your money.

This is just not true. With the right strategies and a bit of effort you can actually outperform the so-called experts. In fact, I am going to prove it to you. Did you know that you actually have MORE chance of making money than the professionals? The reason is simple – it is because they are governed by the FCA, which governs anyone who is trading other people's money. They have put up some rules that make it very difficult for fund managers to make money. Let me show you.

There are 5 reasons why you have MORE chance of making money than the professionals, mainly because of the regulations they are under due to the fact that they are investing other people's money. Five! Not one or two but five! If this doesn't convince you then nothing will. So here goes:

The 5 Reasons why you have more chance of making money than the professionals

Reason One - Professionals are limited in what they can invest in. We are not.

Imagine a fund called Pan European Growth Utilities Fund. Sounds good? You invest your savings and hope for the best. After all, they are the professionals.

After a few months it is clear that not much is happening in the utilities sector. But in an inter-departmental meeting, our fund manager hears from the technology fund manager that the technology sector is hot right now and roaring ahead, chalking up massive gains. The technology fund manager's office is right next door to our

fund manager's office. Can our fund manager knock on his colleague’s door, get some expert advice, and invest instead in the technology market?

We wish!

Our utilities fund can only invest in gas, water or electricity companies because it is a utilities fund, not a technology fund.

No matter, our savvy fund manager can look to the East at the growth markets that are China and India to find some undiscovered gem there, right?

We wish!

Didn't you read the brochure? It's a Pan-European fund so only European utility companies are allowed.
We, on the other hand, can invest in anything and any company we want to. It is our money we are investing and so are not regulated in this way.

Funds HAVE to invest even when it is best to stay in cash. We can stay in cash.

As a professional, there might be times when the market is not looking so bullish and it might be time to get out of the markets and stay in cash. Right?

We wish!

Reason Two – Funds can take weeks to get in and out of stock – we can get in and out of companies in seconds.

Imagine a fund, like a pension fund, with billions to invest. They decide to make a new investment. The speed with which they can buy shares depends on how many shares are available to buy i.e. how many people are selling. If there are billions of shares being sold that day, no problem, the fund will buy them. The chances of that happening however, are slim to none. The chances are that there might be some 200,000 – 1,000,000 bought or sold on a daily basis. This is called Volume. Therefore, it is likely to take days if not weeks for a fund of that size to buy a position in a company.

So what? Well none of this would be a problem by itself, but as soon as there are more buyers than sellers the market makers push the prices up – meaning that if a

fund is looking to buy a large position today, it will massively push the price up at which it can buy the shares. So unless they are willing to pay more money for their shares, they have to try and get in only when there are enough people selling at the price they want to get in. This might take a few weeks. And there is no guarantee that this is going to be possible – the price might never come back down again, forcing them to buy at a higher price.

We don't have any of these worries. Our $2,000 or $20,000 or even $200,000 isn't going to be a problem at all. There will always be enough sellers in the market for us to buy what we are after, ensuring that we always get the price we want and not a penny more! And this happens in seconds, not days or weeks.

Reason Three - Funds HAVE to invest even when it is best to stay in cash. We can stay in cash.

As an Investment Fund, our professional is mandated to invest when he receives our money, no matter what is happening in the market. Can you imagine the uproar if he decided not to invest our money, stay in cash and to his horror the market would go up? We think we are

invested with him. He however stayed in cash and missed out on profits. We would be up in arms as soon as we found out.

Worst still, he would still be buying if we sent him our money when stocks are actually going down. If we questioned him he would point to the sign on the door: 'Investment Fund'. "That's what we do. Invest your money for you. You send it, we invest it".

Which leads us to reason Number 4.

Reason Four - Traditional funds can't make money when markets go down. We can sell short

We have just learned that our professional can't stay in cash. So what do they do when markets are going down?

They buy.

Obviously, they are hoping to cherry pick those companies whose shares price is going to buck the trend and go up instead. Easier said than done. For a start, market sentiment makes up approximately 65% of the movement. If the market starts moving down, people

start to panic. Panic leads to selling. Selling leads to more panic.
Wouldn't it make more sense to just sell short? This is where we make money when markets go down by selling short at a high price and buying back at a lower price?

They would if they could but the majority of funds can only buy. That means they can only make money when a market goes up. Not when it goes sideways. And they will actually lose you money when it goes down. Put another way, you have 1 in 3 chances of making money.
How do you like the odds of being able to make money in only 1 out of 3 scenarios (that's less than 50-50 chance)? Now imagine putting the odds in your favour and being able to make money in ALL market directions. How do you like THOSE odds? We can do that. They can't.

Reason Five - Funds are forced to make short term decisions to the detriment of longer-term gains. We can view things more long term and therefore benefit more.

Funds are forced to make short term decisions to the detriment of longer-term gains. We can view things more long term and therefore benefit more.

Fund managers are ranked according to their performance against each other. If a fund falls down the ranking, investors start to pull their money out. So, a fund's job is essentially to do 2 things.

1. Take investors' money in – as much as possible to earn annual management fees
2. Keep investors' money in – as long as possible to earn annual management fees

In order to do that, they will sacrifice really big long-term gains in order to make short term gains and keep their ranking. There have been stories of incredibly well-respected investors, including Warren Buffett, who were criticised about not riding the technology bubble up all the way in the late 90s. They were vindicated and later proved right when it crashed wiping out millions of profits, but by that time most had been fired.

We on the other hand, can get into a position and even if it is going the wrong way for a while, even months or years, it is ok because we are not comparing ourselves to anyone else. Jim Rogers, a maverick and contrarian investor, who ran the Quantum Fund with George Soros, will usually get in way too early but in the end, he is

proven right. They made their shareholders over 4,200% in 10 years. Now that's what I am talking about!

Now if there were one or two reasons then they could be ignored. But how can we ignore five solid gold reasons? So take heart that you really do have a great chance of making money and let’s get on with it.

3. If it’s so simple how come everyone isn’t doing it?

The answer to this question is that people just don’t know about it. They weren’t taught by their parents, by school, by the Government. Did YOU learn how to trade or invest? Let’s face it, the entire financial sector is geared towards getting you to invest your hard-earned money with them so they can earn their management fees. They don’t want you to learn how to do it yourself. That would mean their management fee is gone! In my opinion they have done a tremendous job in keeping the whole stock market covered in a veil of mystery. The general public just doesn’t know how simple it is to invest.

On a side note, you may think, as I do, that in a capitalist society the government's first priority for an education system would be to turn out highly financially savvy and motivated entrepreneurs. However, this appears not to be the case. In fact, it seems the opposite. Our schools teach nothing about starting a business, building wealth or even basic financial management, they are all geared toward getting you employed. If you had had an early education on good money practices and wealth creation, then you would most likely be in a better position than you are today to make this journey.

4. Am I going to have enough time?

Some of our investing strategies take 20 minutes a month or 20 minutes a week. We hope you have enough time for that. If you want to take it more seriously then we have the Buffalo strategy which takes just 20 minutes a day. We find that even people who think they don't have 20 minutes a day, when they start getting the results our graduates are getting, suddenly do find the 20 minutes a day.
In truth it isn't even 20 minutes a day.

"Aha!" You say, "I knew it!"

It's actually less than 20 minutes a day. Imagine you have invested your money in 6 – 8 stocks. After that there's no more for you to do. What are you going to do – stare at those stocks for 20 minutes a day? "Honey, dinner is ready!" "I can't, Marcus says I have to do 20 minutes a day!" It just isn't going to happen and there will be weeks where there isn't anything for you to do. So 20 minutes a day, especially with a bit of practice, is more than enough.

5. Do I have enough money to start?

You will be surprised to hear that it does not take much to get started. In fact, we suggest that you can get started with $2,000 in US or with a leveraged broker like YourTradingBroker.com, even as little as £500 in UK. If you can start with more, great. The more the better. But if you don't have more it is not a problem - the key is to keep adding to it every month if you can. This is what most people don't truly understand. They think they do but they actually don't understand the power of Compound Growth, which we discuss in detail in the next chapter.

SUMMARY

In this chapter we discovered...

- What is the stock market
- The 20 Reasons why the stock market is a great way to make money
- Why it really IS possible to make money trading/investing
- Why it is possible for YOU to make money trading/investing
- The 5 Reasons that you have more chance of making money than the professionals
- Why everyone has the time to spend either 20 mins a month, week or day trading/investing
- You can start with just $2000 or even £500

C H APT ER T H R EE

THE POWER OF COMPOUND GROWTH

LEARN HOW TO TURN £2K INTO OVER £2 MILLION

"Someone is sitting in the shade today because someone planted a tree a long time ago" - Warren Buffett

Reaching your Critical Net Worth in the shortest possible time

In Chapter One we discussed the importance of growing your Net Worth to achieve your Critical Net Worth as soon as possible. So how do you reach your CNW in the shortest possible time? The answer is by learning to make your money work hard for you, in other words, to invest your money, get some gains and then to reinvest those gains immediately so that your money is always working harder each time. The result of re-investing your profits like this is called 'compounding' your money. The greatest financial minds over the centuries have marvelled at the power of doing something so simple. It's been called, "The royal road to riches", "The greatest mathematical discovery in human history", "The most powerful force in the universe", and most famously by Einstein, "The Eighth Wonder of the World".

The reason I personally love compounding so much is because everyone can do it. You don't have to be a genius or a rocket scientist, you just have to resist the urge to spend your profits and instead re-invest your profits, if possible all of them, for maximum results. In fact, you can argue that the vast majority of people, who didn't steal, marry into or inherit wealth did it through compounding.

Some discovered oil, or started huge property portfolios, but it's through the use of compounding that their wealth grows from year-to-year, generation-to-generation. And this is one topic that should not be underestimated.

Compounding is the safe and sure road that luckily anyone can do. The best analogy is that of a snowball rolling downhill, the further it rolls the bigger it gets, and that's what happens to your money over time through compounding.

If I said to you, "I'll give you £1 million now or give you a penny today and I'll double the value every day for a month." Which would you take? It certainly looks like an easy choice a cool million in your pocket today or 1p today, 2p tomorrow, 4p the next day and so on for a month. Easy choice, right? Well not so fast. Let's do the maths.

Here's a chart that shows what happens with your penny over just 28 days, or a lunar month.

Day No.	No of Pennies	Day No.	No of Pennies
1	1	15	16384
2	2	16	32768
3	4	17	65536
4	8	18	131072
5	16	19	262144
6	32	20	524288
7	64	21	1048576
8	128	22	2097152
9	256	23	4194304
10	512	24	8388608
11	1024	25	16777216
12	2048	26	33554432
13	4096	27	67108864
14	8192	28	134217728

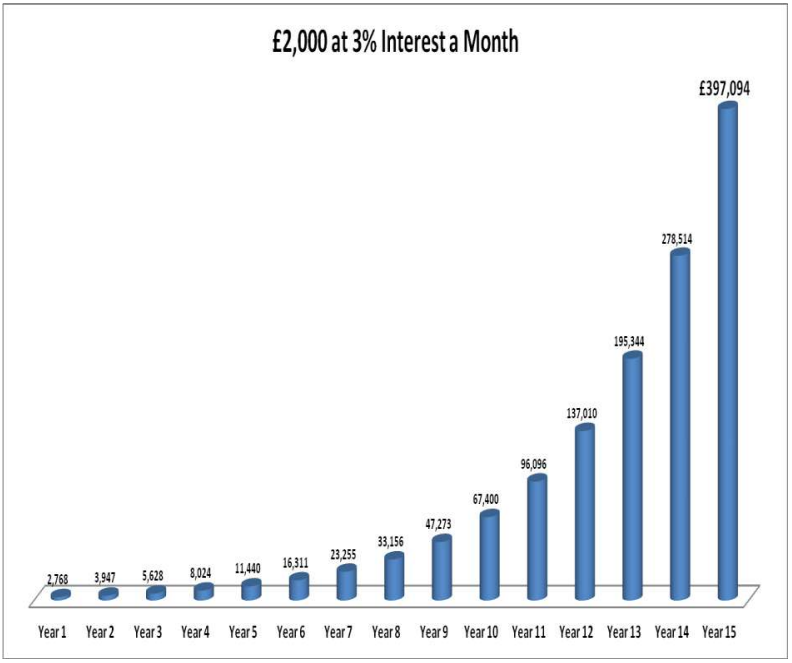
After just 28 days you have amassed the grand total of 134217728 pennies, or £1,342,177.28, that's £1.34 million! Do you still want the £1 million? Remarkable isn't it? This is the power of compounding, and this is the way you're going to build your wealth over the next few years. How many years? Let's take a look. All of them, the rest of your life, because if you are not still compounding the day you drop off the perch, then you're missing out.

Fun with numbers!

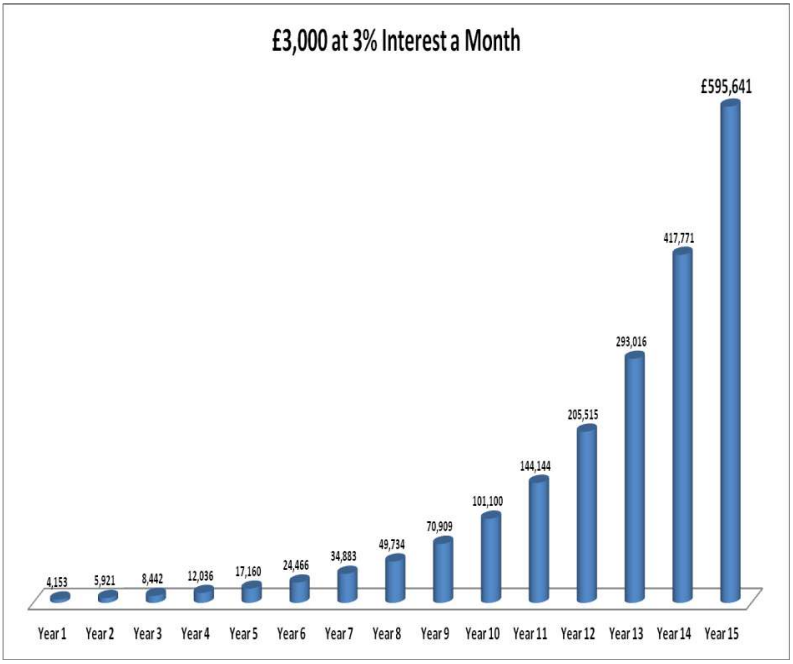
Right let's have some fun with numbers. Why is it fun? Because you're going to see how numbers can make you rich, and that's always fun!

Compounding is all about the maths, but you don't need a maths degree to understand it, a five-year old can master these numbers. Here's a chart to show you what happens if you start with £2,000 and compound it for 15 years. We are aiming at 3% a month on your initial capital. You may think that's very high, well it is if you expect to get it from the banks, but later on in the book we'll show you how our students consistently achieve this and much more.

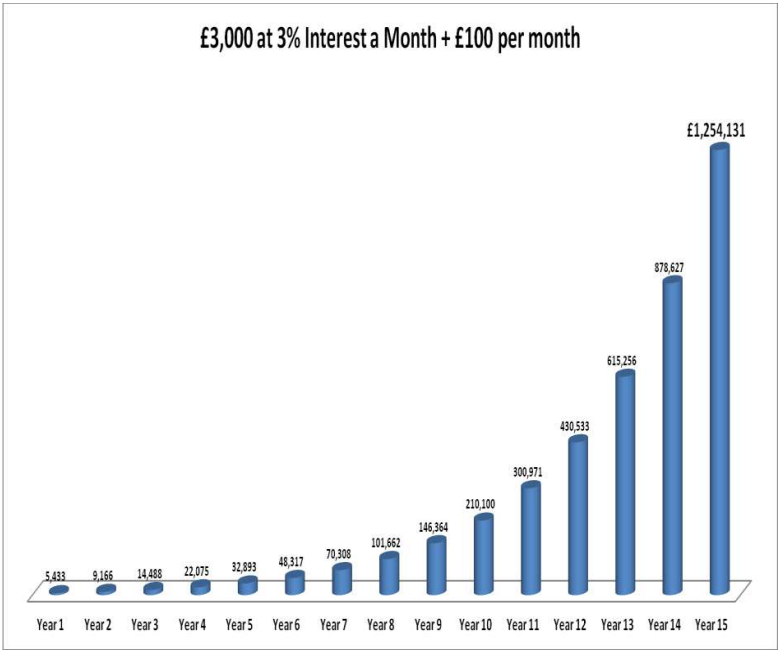
Charts with so many numbers like these can be a little off-putting, but please take a little time to understand these numbers as they'll reward you enormously in the long term.



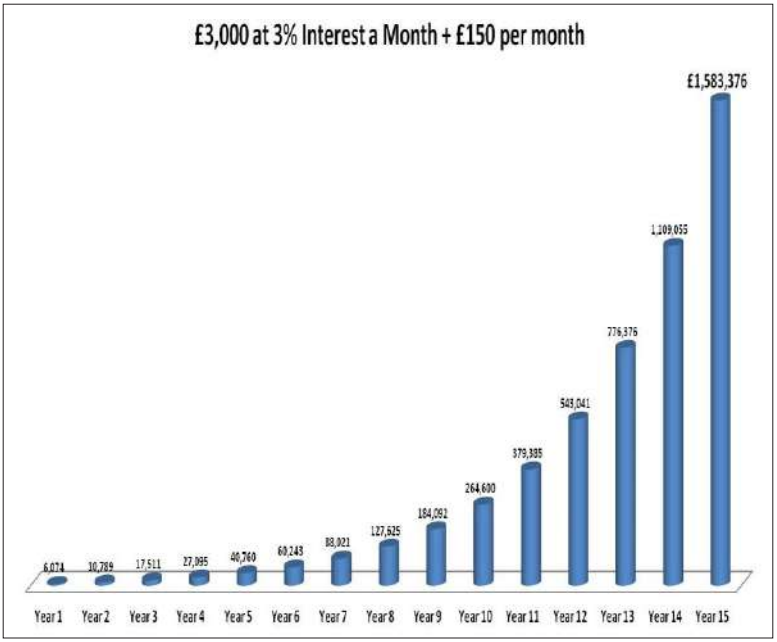
The first chart shows... If you start with £2,000 and get 3% a month for 15 years you end up with £397,094 (Not too shabby!)



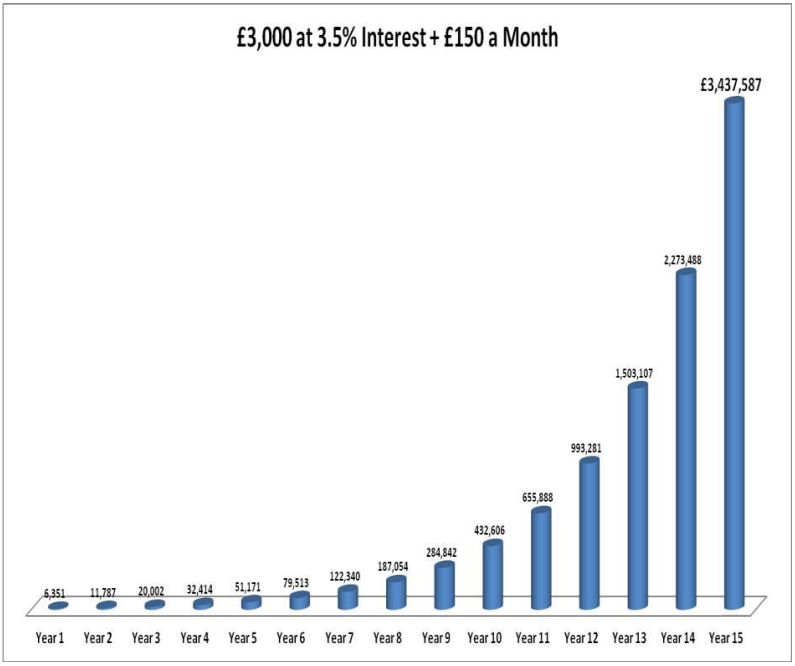
The second chart shows…If you start with a little bit more money i.e. £3,000 and get the same % returns over the same amount of time (3% a month for 15 years) you end up with a LOT more money £595,641 (Amazing!). The more money you start with the better, as you will reach your CNW faster!



The third chart shows…If you manage to save just £100 a month and add that into your trading account, you end up with £1,254,131. Saving £100 a month is not exactly difficult for the average person, especially if you stop spending that £100 elsewhere. But to turn £100 into an extra £658,490 has got to be worth it!



The fourth chart shows... If you now add an extra £50 on top of that £100, so £150 in total can you see what happens after 15 years? You end up with £1,583,376 isn't that incredible? I bet you're wondering what would happen if you really started saving now.



But it doesn't stop there; just imagine if you were able to improve your performance over time? Is it realistic to say that you would get better at something if you were to practise it for a while? The answer is "yes". So instead of making 3% a month let's say you started making 3.5% a month instead? Can you see what happens? Now we are at £3,437,587.

If this is sinking in, and you fancy making about £3.5million in the next 15 years, then the obvious questions are...

- Can I get £3,000 together to start?
- Can I add an extra £50 - £150 every month?
- Can I re-invest the interest and leave it alone to accumulate and not spend it?
- Can I get 3.5% interest a month on my investment? (The answer to this is yes, if you let us teach you how to do it for only 20 minutes a day of your time.)

The charts above are just examples of some scenarios; you may have 50 years to compound over or 5. Every person's situation is different; you may be able to add £500 a month or nothing. Take the examples and work out what you're able to do. However small or large your investment, compounding will grow it substantially!

Simply go to: - investment-mastery.com/compounding and put in the various numbers to see what is the fastest way for you to get to your Critical Net Worth. After all, this is the goal – to get to your CNW as soon as possible.

We have shown you how you can dramatically speed up your journey towards your CNW, but you have to actually DO IT. It's not theoretical; if you don't act then when you check your bank account in 15 years the money is not going to be there!

Some of you might be thinking that these results are not possible due to tax. This depends on what country you live in. For example, in UK we can use a spread betting broker like YourTradingBroker.com and therefore there is no capital gains tax to pay. In the Netherlands and Belgium there is no capital gains tax to pay no matter what broker you choose.

Slow and steady wins the race

Although compounding is quite a simple concept once you understand it, not very many people know about it or fully understand it. Do an experiment; ask a few of your close friends if they know about it and ask them to explain it to you if they say they do.

Here are some cardinal rules when using compounding...

- Start as early as you can – time is crucial when it comes to compounding
- The calculations we showed you are just 15 years. Imagine what happens in 25, 35, or 45 years!
- Always keep adding to the pot – every month if possible
- Always re-invest the profits, don't spend them
- Get as high an interest rate as possible

This is the slow, steady but sure way of making millions, the quiet path to financial freedom.

SUMMARY

In this chapter we discovered

- The power of compounding
- Why everyone should use this simple means of building wealth
- How you can start with £3,000 and end up with £3.4 million in 15 years
- How to reach your Critical Net Worth in the shortest possible time
- Slow and steady wins the race
- Start as early as you can – the longer you can keep compounding the better
- Always keep adding to the pot
- Always re-invest the profits, don’t spend them

CHAPTER FOUR

WHERE YOU CAN SAFELY INVEST YOUR MONEY

What do I invest in?

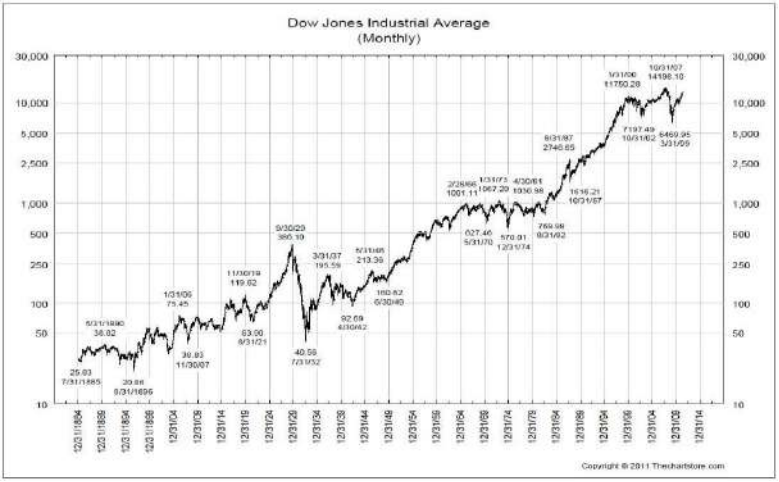
Starting trading and investing can be a bit of a minefield when you begin. First you need to decide whether to buy either stocks/shares, commodities such as oil, gold or silver or trade Forex etc. Once you have decided, you need to know which strategy you want to use. There are literally thousands of different strategies; then do you use vehicles such as the underlying stock itself? Or its options, futures etc? And what broker do you use? A normal broker or a leveraged broker using CFDs or spread betting (YourTradingBroker.com)? Next you need to know which strategy to choose. On what time frame are you going to use these strategies? One-minute charts, or 5 minutes, 15 minutes, daily, weekly etc? And then there are the hosts of indicators, and each has its own settings – the combinations run into millions.

As you can see, as a beginner it can be a bit overwhelming. So, at Investment Mastery we like to keep things very simple. Let's start with a few facts about the stock market.

As we said before, I want you to imagine the stock market being a big vault. What is in the vault? Money! And what

stops us getting into the vault with your fair share of the money in it? Simply the right combination to get in. Learn this combination and you can keep going back for more, as often as you like. It all depends on how much time you want to focus on it. If you spend more time on it you can make more money.

An important fact about the stock market is that while it tends to go up and down, up and down a lot, in the long term, the trend is generally up. Take a look at the chart below.



This is the Dow Jones, the most recognized index of USA. It consists of 30 top American companies. Can you see that the long-term direction is up?

But also, there are times when the direction is DOWN. And there are times when the direction is sideways. Here's something that most people don't know. There are THREE ways of making money – UP, DOWN and SIDEWAYS. Most people think that the idea of investing is to make money when markets go up. That is certainly one way for sure, but there are two others. And most people either don't know this or they know it but don't know how to take advantage of it.

If you only take advantage of 1 out of 3 market directions, you are basically leaving 2/3rds of the money on the table. Can you imagine that?

The good news is that **when you learn how to take advantage of all 3 market directions, then you are going to have a lot more chances of making money than 99.9% of people out there.**

Let's start with learning how to make money by investing for the medium to long term, meaning months or even years. This is done by buying low and selling high. So what do we invest in? Let me ask you a question. Can a stock go to zero? In other words, can the price fall to zero? The answer is "Yes it can". Now let me ask you another question. Can an entire market go to zero? The answer is no, because it would mean that all the stocks in that market would all have to go to zero too. Buying an index of the stock market can't go to zero. What about an entire sector, say the technology sector? Could that go to zero? No. Could an industry within that sector, i.e. the semiconductor industry go to zero? Unlikely. What about gold to zero? Unlikely. What about oil? Not within the foreseeable future.

These are all the kind of things we want to be investing in. Why?

Because, when we are investing, we want to ensure that we are putting our money into something that is not going to go to zero.

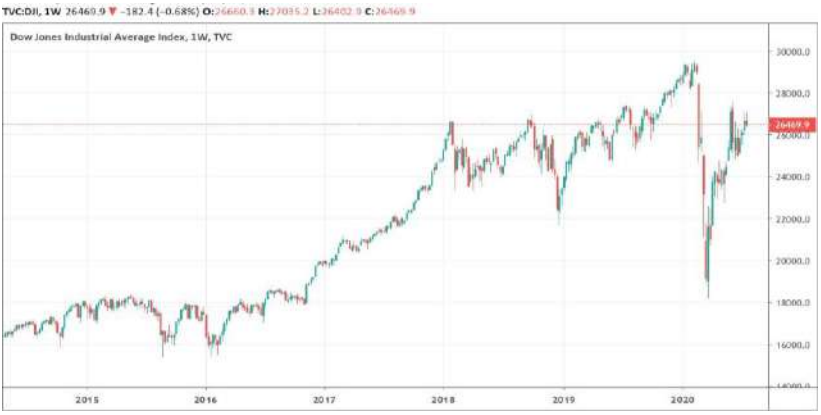
We can purchase all the above through something called an ETF. An ETF is an Exchange Traded Fund, which is simply a basket of shares already made up for you. You don't have to buy into a managed fund and pay lots of management fees, you just buy the ETF off the shelf, already filled with companies.

INDICES

The picture below is the price chart of the FTSE 100 Index. As the name suggests, it is an Index of the UK stock market, called Financial Times Stock Exchange. 100 companies make up this index. Is it likely to go to zero? No. That would mean that all 100 companies would have gone to zero. Therefore, a good candidate for us to invest in.

FTSE

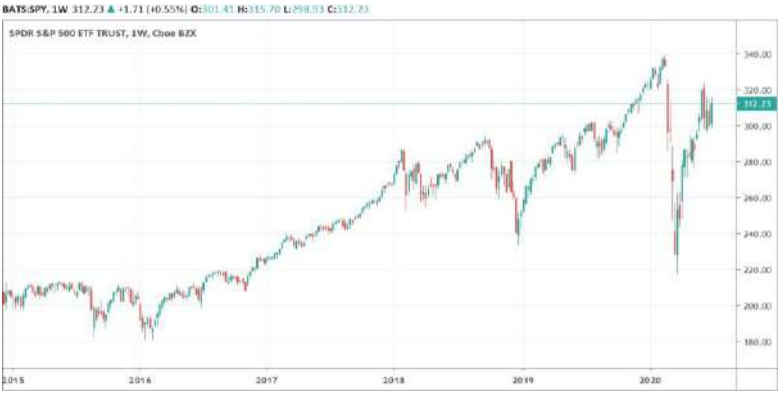
Notice that the price goes up and down all the time – each time it goes down it gives us new opportunities to get in, and each time it goes up it gives us new opportunities to get out.



DOW JONES

The American equivalent of FTSE is the Dow Jones (above) which is made of 30 top US companies.

The one we prefer to trade is Standard and Poor's 500 (SP500). This is made up of 500 companies and therefore gives us a broader indication of what is happening in the stock market. It is also more volatile and so it goes up and down more, giving us more entry points when it comes down and more exit points when it goes up.



S&P500

Another chart we like is the Nasdaq 100, which is predominantly made up of technology stocks.

NASDAQ

ENTIRE SECTORS

Indices are great because they are made up of many companies and therefore the chance of them falling to zero are not great. But they don't give us a lot of volatility. Volatility is the amount the price moves. We need it to go up and down as much as possible so we can buy and sell at a profit as much as possible.

So where else can we look? How about entire sectors? They are made up of many companies but are likely to be more volatile depending on how the sector is perceived at the time. Let's take the example below:

Oil and Gas Sector

Notice that the fluctuation between lows and highs is anywhere between 7-25%. This is the ideal.

Not all sectors move as much – take a look at the Pharmaceutical sector below: it only really fluctuates 5-10% in general, so this would not be suitable for us.

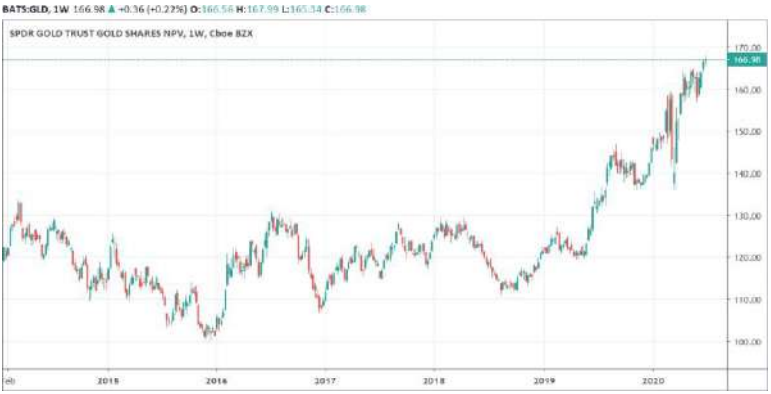
Pharmaceuticals Sector

So we have to choose the ones that do fluctuate the most, while giving us a certain amount of stability at the same time – normally the two are mutually exclusive. The

more volatile, the less stability. The more stability, the less volatility.

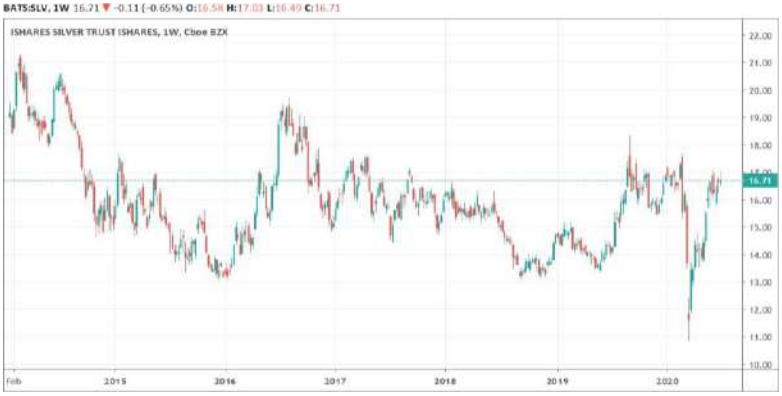
So how can we get more volatility and still stay safe? Remember stocks can go to zero.

How about entire industries? It is unlikely that gold, silver, or platinum will go to zero.



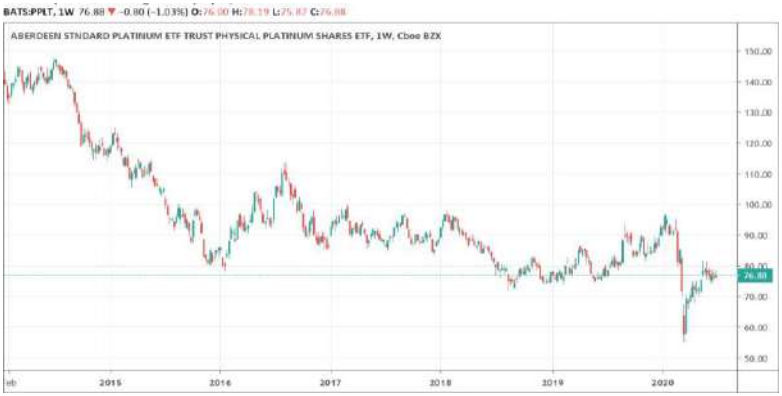
Gold

Now take a look at silver – it is not uncommon for silver to fall 20% or more. Whenever gold falls, silver falls more. Whenever gold rises, silver rises more, as if it is on an elastic band with gold. So there is much more volatility in silver and still it is not likely to fall to zero.



Silver

As well as silver, there are other industries that can be volatile, for example platinum …



Platinum

… and oil can also be volatile and not likely to fall to zero.

Oil

So what we are looking to do is to buy into something that is solid. The more something is certain, the less volatility there is. However, we have to be careful that we are not just buying into something which isn't going to move. We need a certain amount of volatility to be able to make money! The trick is to find something that is safe but still gives us the movement we need. That is why we invest in stocks.

STOCKS

But not any stocks. We are looking to buy safe stocks. What do we mean by that? Stocks that are household names that you and your friends use. For example, and these are not recommendations, but questions: do you and your friends use a Microsoft product and more importantly, are you going to continue? Is Microsoft likely to go bankrupt? What about Apple? Can you imagine Disney going bankrupt in the next few years? Unlikely. What about Intel? Unlikely. Cisco? Unlikely.
So there are a few stocks that we would consider for our buy and hold strategies, but not stocks in general.

How to find good companies using Fundamental Analysis

Most people are looking for WHICH company to invest in i.e. a healthy company with good 'fundamentals'. Fundamental Analysis shows us the current health of the company, and the rationale behind that is, if you find a good company then the share price will go up eventually. This is more of a long- term strategy – what most people don't realise is that you can find the best company in the world, but that does not mean that the share price will go up in the short term. What is equally important is the short-term sentiment of the market – so it might go down for weeks or even months before going back up. That is why we use Technical Analysis, i.e. WHEN to get into that healthy company. The key is to find a good healthy company to buy using fundamental analysis and then to time the entry as best you can using technical analysis.

Let's start with Fundamental Analysis – finding great companies. There are well over 8,000 public companies out there. The aim is to create a more manageable list

called a Watchlist of Companies, say whittling it down to 50 or less. These are the companies we will focus on.

What are the kinds of things that we might be looking at when we're looking at the health of a company? Below are some ideas of where to start using Fundamental Analysis. It will not surprise you that Earnings, which is American for Profits, is used several times:

1. PEG Ratio

The PEG is the Price Earnings to Growth Ratio. The ratio is made up of three parts. 1. P = Price 2. E = Earnings per Share (These 2 together form the famous PE Ratio), and 3. G = Earnings Growth

$$\frac{\textbf{Price / Earnings per Share}}{\textbf{Earnings growth}}$$

Let's say we have a P/E ratio of eight. As a shareholder you want know how much Earnings (profit) you have for one share i.e. I own one share, how much is the profit? For example, let's say the price of this particular stock at the moment is $24 dollars and that year we made Earnings per Share of 3 Dollars.

So, $24 / $3 means that we have a P/E ratio of 8 which means that the person who's going to buy the stock right now is paying $8 for every $1 (that's the same as $24 for every $3) that the company earns. So you are paying for future earnings. The higher the PE Ratio the more you are paying now for future earnings.

The G stands for Earnings per Share Growth i.e. the amount the Earnings per Share are projected to grow in % terms.

Confused? Don't worry. All you need to know is the PEG ratio has to be lower than 1.5 or even lower than 1 if you're really strict. If the PEG ratio is at 1 it is considered fairly valued i.e. the valuation is fair. Below 1 and you are looking at a stock that is undervalued.

2. Earnings Growth

In PEG we have Earnings Growth (G) projections. But it is so important that it deserves a section by itself. We need to be asking ourselves, "Are the profits growing and are they going to be more next year than this year?" We want to see year on year growth in earnings for the next five years. If the earnings are going up, it is likely that investors will buy the stock in the future and if they are

going down, they will most likely start selling. So how do we know what future earnings will be? Good question. Here we have to rely on expert Analysts that estimate this for us.

We're looking for five-year earnings Growth on the Earnings per Share (EPS) between 15% and 30%.
Anything higher than that is not sustainable over time.

3. Debt

We also want to ensure that a company has debt. This might seem strange but if it doesn't have debt it means it is not expanding fast enough i.e. it is not using the resources it has at hand to maximise everything it can. On the other hand, we don't want it to have too much debt in case it can't be paid off and it might go bust.
We are looking at the debt ratio that indicates the percentage of the company's assets, what they own, that are provided for by its debt.

Debt Ratio = Total Debt / Total Assets x 100 (to get it in %)

A debt ratio of greater than 100% indicates that a company has more debt than assets. Meanwhile, a debt ratio of less than 100% indicates that a company has more assets than debt.

We're looking for a debt ratio that is below 35%. If a company's debt levels are more than that, it often proves extremely difficult for the management to be able to borrow more at a certain price in order to expand the company even more, and without expansion into new markets, which is normally done by debt, corporate growth will eventually slow down and then the stock price will be affected.
Companies with lower debt often have better prospects for future expansion because they can still raise their debt, but remember we still want companies to have a certain level of debt.
The next one is less important but it's interesting to know.

4. Institutional Ownership

What percentage of the company is owned by the big boys, the institutions, the pension funds, the mutual funds, the unit trusts? Because on the one hand you don't want there to be too many of them but on the

other hand, you don't want to be investing in a company that no one knows about and no one's checked out, that you never ever heard of before.

You want to make sure that you are actually investing in a company where people who have more market experience than us have done the research and are investing. Does this make sense? A bit of institutional ownership is a good thing.
So, we don't want too high, we don't want too low, we want in the middle, so between 25% – 55%

Final one.

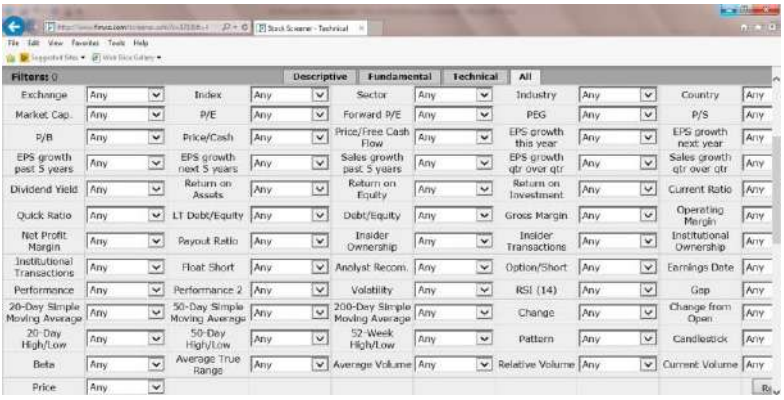
5. Price

I want the price to be above $5, preferably $10. It has to be above ten dollars because I want to make sure it's not what's called Small Cap stock i.e. small capitalisation. I want there to be enough liquidity i.e. buying and selling of the stock. Also, did you know that no stock below $5 is going to be looked up by the majority of institutions? And I want them to cover my stocks. I want them to write about my stocks. Why do I want the institution to write, to publish, to talk, and to tweet? It's marketing and a lot

more potential buyers are going to know about them and are going to invest as well. It has to be over $10.

Would you like to know how to find these companies?
We can filter them on: **FINVIZ.com**

This is a FREE stock screener where we screen through 6720 stocks that meet the criteria we are looking for above, to find the best stocks we possibly can.



Remember we are not looking to play the same game as everyone else – to find a company that will go up 1000% and make us millionaires overnight. While it sounds

good, it isn't that easy to do. So instead we are going to find good companies and then use the strategies we will be discussing in the next few chapters.

6,720+ stocks are too much for us to look at (although I did have a trader friend of mine who used to spend 5 hours every week staring at a screen doing just that). Nowadays stock screeners such as **FINVIZ.com** automatically filter down to meet our criteria, which leaves us with a much more manageable number to look at every month, say 25. We are in essence, filtering down using our criteria to get a smaller number every time.

This is how it works.

While putting in price above $10 hardly changes anything at all, putting in EPS growth of over 35% in the next 5 years means we have only 836 left! It's a good start but still too many charts for us to look at. Put in the debt lower than 30% and it comes down to 370. Still too large. Adding institutional ownership narrows it down to 321 but this is still too long for us to manage. Time to get out the big guns. The PEG under 1 gets us down to 52! Looks like only 52 stocks out of a universe of 7000+ are

undervalued at the moment. Not surprising considering we have been in a bull market since 2009.

Remember we are looking to get the list down to a more manageable number so the smaller the number the better - Increasing EPS growth to over 20% gets us down to 29. Much more manageable.

This is what the final screen looks like:

Descriptive(1)		Fundamental(4)		Technical		All(5)			
Exchange	Any	Index	Any	Sector	Any	Industry	Any	Country	Any
Market Cap.	Any	P/E	Any	Forward P/E	Any	PEG	Under 1	P/S	Any
P/B	Any	Price/Cash	Any	Price/Free Cash Flow	Any	EPS growth this year	Any	EPS growth next year	Any
EPS growth past 5 years	Any	EPS growth next 5 years	Over 20%	Sales growth past 5 years	Any	EPS growth qtr over qtr	Any	Sales growth qtr over qtr	Any
Dividend Yield	Any	Return on Assets	Any	Return on Equity	Any	Return on Investment	Any	Current Ratio	Any
Quick Ratio	Any	LT Debt/Equity	Any	Debt/Equity	Under 0.3	Gross Margin	Any	Operating Margin	Any
Net Profit Margin	Any	Payout Ratio	Any	Insider Ownership	Any	Insider Transactions	Any	Institutional Ownership	Over 30%
Institutional Transactions	Any	Float Short	Any	Analyst Recom.	Any	Option/Short	Any	Earnings Date	Any
Performance	Any	Performance 2	Any	Volatility	Any	RSI (14)	Any	Gap	Any
50-Day Simple Moving Average	Any	50-Day Simple Moving Average	Any	200-Day Simple Moving Average	Any	Change	Any	Change from Open	Any
20-Day High/Low	Any	50-Day High/Low	Any	52-Week High/Low	Any	Pattern	Any	Candlestick	Any
Beta	Any	Average True Range	Any	Average Volume	Any	Relative Volume	Any	Current Volume	Any
Price	Over $10								Reset (v

If you wanted to get that number down even more, you just need to add more criteria. As you can see there's plenty to choose from. For example, you might want to find companies giving you an annual dividend for cash-flow. Or change some of the values in the criteria we

have already chosen. The more strict the values are, the less stocks will appear, the more lax the values, the more stocks will appear.

Let's take a look at some of the stocks. I like to start with the ones that have the lowest PEG Ratio, i.e. the ones that are undervalued the most. **Please note that this does not mean it is the right time to buy the stock, in fact it rarely is** – it just means it is undervalued. It might continue to stay undervalued for a while – no-one knows how long – and I don't want to get into a long term buy-and-hold position when all I am looking for is a short-term trade to gain anywhere between 5-10% within a few weeks, and if necessary months.

By pressing on the 'Valuations' tab, I get a list of various criteria. I want to start with the lowest PEG Ratios. By pressing on the top, I can sort it that way, with the lowest PEG ratio starting at the top.

Overview | Valuation | Financial | Ownership | Performance | Technical | Custom | Charts | Tickers | Quotes | Basic | TA | News

Total: 29 4 — save as portfolio — Page

No.	Ticker	Market Cap	P/E	Fwd P/E	PEG	P/S	P/B	P/C	P/FCF	EPS this Y	EPS next Y	EPS past 5Y	EPS next 5Y	Sales past 5Y	Price	Change
1	DKL	807.61M	9.88	15.98	0.18	0.87	13.44	120.54	11.20	170.50%	7.91%	0.00%	53.50%	-	33.60	-0.74%
2	ACOR	1.34B								405.30%	60.61%	36.00%	34.00%	50.60%	33.27	-2.32%
3	YY	3.78B								244.00%	46.81%	0.00%	47.76%	-	67.14	-1.88%
4	JMI	196.83M								-	-15.85%	-	20.25%	-	14.58	1.25%
5	GEOS	936.20M								96.40%	9.23%	35.90%	37.00%	17.50%	72.31	-0.55%
6	PCCC	528.86M								8.90%	5.62%	28.20%	32.00%	4.80%	20.20	-0.20%
7	HDNG	166.91M								50.00%	-7.89%	1.80%	30.00%	-1.30%	14.24	-1.59%
8	CBPO	733.96M								337.80%	10.34%	34.40%	30.00%	41.70%	27.92	0.07%
9	CTCM	1.82B								73.50%	0.86%	-7.30%	20.93%	11.30%	11.69	3.36%
10	QCOR	4.08B								159.50%	23.06%	43.80%	31.00%	59.20%	69.28	-0.45%
11	AFOP	212.31M								116.00%	-9.24%	23.20%	25.00%	6.60%	11.55	-2.86%
12	FIX	591.47M	22.99	19.48	0.59	0.64	2.05	13.06	20.97	139.80%	18.83%	-14.80%	39.25%	3.90%	15.86	-0.19%
13	SODA	852.61M	17.87	17.42	0.65	1.62	2.60	21.75	-	56.00%	21.14%	55.90%	27.67%	38.40%	40.93	-1.73%
14	IPGP	3.49B	23.22	18.87	0.66	5.57	3.99	8.76	161.66	17.00%	18.66%	34.10%	35.00%	24.40%	67.81	-0.07%
15	WETF	1.93B	40.49	23.37	0.69	12.91	17.62	18.51	30.21	362.50%	15.29%	27.50%	58.85%	46.60%	14.98	-1.90%

By placing the cursor on the stock symbol on the left, you can quickly look at each stock chart to see if there are any chart patterns you like. I actually like the first one with the lowest PEG (see picture above) because it is heading up but with up and down swings. This gives us a good entry point. The price is too high right now – it seems to be in the middle of its range and we just need it to come down again and then we can consider an entry point.

If we want to know the highest Earnings per Share growth (EPS) in the next 5 years, you can do that too.

No.	Ticker	Market Cap	P/E	Fwd P/E	PEG	P/S	P/B	P/C	P/FCF	EPS this Y	EPS next Y	EPS past 5Y	EPS next 5Y	Sales past 5Y	Price	Change
1	PSXP	1.53B	54.40	27.12	0.89	14.35	2.75	3.64	87.08	255.00%	13.35%	0.00%	61.00%	-	43.52	3.50%
2	WETF	1.93B	40.49	23.37	0.69	12.91	17.62	18.51	30.21	362.50%	15.29%	27.50%	[illegible]	46.60%	14.98	-1.90%
3	EQM	2.89B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10%	13.20%	1.60%	57.30%	14.80%	65.00	0.02%
4	DKL	807.61M	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	50%	7.91%	0.00%	52.50%	-	33.60	-0.74%
5	YY	3.78B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	00%	46.81%	0.00%	47.76%	-	67.14	-1.68%
6	FIX	591.47M	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	80%	18.83%	-14.80%	39.25%	3.90%	15.86	-0.19%
7	GEOS	926.20M	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	40%	9.23%	35.90%	37.00%	17.50%	72.31	-0.55%
8	IPGP	3.49B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	00%	18.66%	34.10%	35.80%	24.40%	67.81	-0.07%
9	IDTI	1.77B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	30%	44.60%	-21.20%	34.25%	-0.00%	11.79	0.34%
10	ACOR	1.34B	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	20%	60.61%	36.00%	34.00%	50.60%	33.27	-2.22%
11	IIIN	355.23M	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	00%	78.76%	-23.50%	33.80%	0.60%	19.53	-2.20%
12	PCCC	528.86M	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	90%	5.62%	28.20%	32.00%	4.80%	20.20	-0.20%
13	SAVE	3.42B	22.41	15.96	0.70	2.19	4.72	6.33	19.05	4.20%	24.65%	136.80%	31.90%	11.60%	47.06	0.77%
14	RRMS	863.50M	22.95	19.63	0.72	1.30	2.30	454.47	-	46.50%	0.85%	0.00%	31.66%	-	37.41	-0.27%
15	QCOR	4.08B	16.07	10.29	0.52	5.69	10.61	19.80	15.09	159.50%	23.00%	43.80%	31.00%	50.20%	69.28	-0.45%

Notice that DKL, which was ranked number 1 on PEG, is ranked number 4 on EPS next 5 years.

SUMMARY

In this chapter we discovered...

- What we can invest in medium to long term
  - Indices, sectors and industries using ETFs and Individual Stocks

- Individual stocks: How to find good stocks using fundamental analysis
  - PEG Ratio
  - Earnings Growth,
  - Debt,
  - Institutional Ownership and
  - Price

CHAPTER FIVE

SIMPLE INVESTMENT STRATEGIES IN 10 MINUTES PER MONTH OR WEEK

PCA, VCA & BUY SELL ZONES

We are about to start describing the investing and trading strategies we use at Investment Mastery. Before we do that, we need to distinguish between the two:

Investing – Time **IN** the market: Building up a position over time so that when the big move comes you are in. The downside is that you could be in the investment for a long time and not going to make as much money as trading.

Trading – Tim**ING** the market: Trying to get in at the lowest possible point to make the most profit on that trade. The downside is that you need to have a system to get in when the stock happens to get to your price - If you didn't get in when the big move comes, you miss the big move.

INVESTMENT STRATEGY 1 : POUND COST AVERAGING (PCA)

Stats: Semi-automated. Aiming at up to 5% a year on average

The Pound Cost Averaging Strategy takes a small amount of time to set up and then is completely automated. Each strategy that follows will take a little more time, but will result in a significantly better return on investment.

No stocks mentioned are recommended. For simplicity, we also assume that you will invest £100 per month. This is an example only. You of course, should consider investing more, as there are fixed charges to pay each time you trade. However, you must only invest with money you are comfortable with – but please get started.

The simplest investment strategy in the world has got to be 'Pound Cost Averaging'. This is how many people invest indirectly in the stock market via their pensions, for example.

How does it work?

Imagine this scenario: Every month, normally at the same day of the month, money from your monthly income is transferred to your pension. The pension manager then invests some of that money by buying stocks. They are not timing the market i.e. trying to get in at a low point or price; they are just buying at the current market price irrespective of whether it has risen or fallen. They don't have to think about it. Once a month they just buy.

It is so simple, you might be thinking that you could do the same yourself, buying shares every month, saving the charges incurred by your fund manager. You would be right!

With this strategy, you are buying into the stock at an average cost over time, not at a given high or low, so no thinking is necessary. Is it really necessary to pay a 'fund manager' to do that for you?

This strategy takes the absolute least amount of effort. You can set up a direct debit and shares are purchased every month at market rate. With the right broker, this strategy can be set up in advance and **fully automated.**

Every month the broker receives your money – as explained above, £100 per month. As soon as they receive it, they invest it. In January the broker invests your £100, in February £100, in March £100 and so on every month, irrespective of the price of the share.

The price fluctuates, going up and down. Every single month they will be buying stocks at whatever the price happens to be on that date. The broker is investing the same £100 each month, but the number of shares that they can buy will differ each time.

Sometimes the broker will buy when the price happens to be high, sometimes when it is low and sometimes around the middle – wherever the price happens to be. Therefore, over time, you will buy stocks at an average price, hence the term, Pound Cost Average.

Pound Cost Averaging is better than investing all your money at once! Why? Take a look at the chart below. This is a typical stock, moving up and down in price.

Note that in September; the price was high at around the $45.86 mark.

What if you had some money during those months and without looking at the chart you invested a chunk of your money?

Sadly, y ou would have bought when the stock price was high – clearly not a great idea; we really don't want to do that. Instead of buying once and risk buying at the wrong time, we invest the same amount of money every month.

As you can see in the chart, some months you would have bought low, some months high and some months in the middle.

By buying monthly, you get an average of all these prices. Since you are investing the same amount of money, i.e. £100 per month, you get more shares when the price is low and fewer shares when the price is high.

To calculate the average price you paid, add up the money you invested over the year: 12 x £100, and divide by the total number of shares that you received. That is your average price.

Without a doubt, having an average price, i.e. somewhere in the middle, reduces your risk of buying at the wrong time in the market, i.e. the high of $45.86 or even higher.

Pound Cost Averaging is widely used because it takes no thought at all and can be **fully automated**.
This is its greatest strength because it means that most people can do it. Yet it is also its greatest weakness,

because it is so random. It depends on when the money hits the brokers' account.

For example, if you decide that you are going to invest £100 at the end of each month, the broker invests the money as soon as they get it, towards the end of the month. The broker is happy to invest even, if it is right at the top because ‘the money came in’.

If, however, you sent the money in the middle of the month, then the broker would have invested in the middle of the month. Can you see that you would have bought the stocks at different prices, depending on when you sent the money over?

PCA is fully automated and simple to do, but as you see, it is too random. At around 5% a year, it also brings in too little return. But we needed it to be able to teach you the strategy we really want you to start with - Value Cost Averaging (VCA). VCA builds on PCA and you can dramatically improve the returns on your money in just 10 minutes per month. With VCA we are looking for between 5-15% a year on average.

INVESTMENT STRATEGY 2: VALUE COST AVERAGING (VCA)

Stats: 10 minutes a month. Aiming at up to 15% a year on average

Over time VCA will make you a lot more money than PCA. Using the same concept of buying into an investment such as indices, gold, silver, oil or some good stocks every month, it attempts to lower the average cost over time by purchasing a little more in the months when the price is down and less when the monthly price is up.

So how does it work exactly?

Let us take the example above.

Remember that with PCA, we bought £100 worth of shares every month, no matter what the price? With VCA, we do it differently. With VCA we are going to spend more when the price is lower and less when the price is higher.

Let's start again with £100 a month*. We are looking to buy less in the month where the price has gone up and more if the price has gone down. For example, we are going to buy £75 worth of shares in the months that are 'up', and in the months it is lower we put in £125.
Over the two months you have still put in £200 but you have invested more in the months when the price is lower.

What does this mean for the end of the year? i.e. what do you think happens to your average price compared to PCA? Can you guess?

Your average price comes down substantially because you are putting more money in when the price is at a better value, hence the name VALUE cost averaging.

This strategy takes just 10 minutes a month! It massively outperforms PCA over time because with VCA you have brought down your average price. With VCA we are aiming to outperform the market and aiming for anything up to 15% a year. And you can wrap it up in your Individual Savings Account (ISA) so it is 100% tax free. You can also do this within your Self Invested Personal Pension (SIPP), so it is tax free for a number of years. Not paying tax on your profits MASSIVELY boosts your profits over time.

Further improvements on VCA

There are several ways we can further improve on the strategy. For example, we could invest more if the price continues to drop, and continually less if the price rises (see below).

If the price drops twice in successive months, then in the first month it drops you could invest £125*, and in month 2 you could invest £150* etc. Equally, as you can see in the example above, if it rose, you can invest less, say £75* and if it rises again in the following month, you can invest less again, say £50*. We have put an * next to these figures to make it clear that they are just examples. Clearly with brokerage costs it wouldn't make sense to go in with such low figures, so you need to work out what makes sense for you.

The idea is to invest more when it is down and less when it is up, so that your AVERAGE price is at a lower VALUE, hence, Value Cost Averaging. This way, when the price rises, you will expect a handsome profit, much more than with PCA.

Remember that this strategy cannot be fully automated like PCA because we have to actively look to see if the price has risen or has fallen. However, it takes just 10 minutes a month and over time VCA makes you better returns for just a tiny bit more effort. I hope you can see this and start implementing it as soon as possible.

At this stage we are still not timing the market. However, there are more advanced forms of VCA, using simple indicators to enter in order to time the market. While even more effective, this extra level of complexity can turn the complete novice off, so we prefer to stick with the simpler explanations above.

Most investors are happy to stop here, but if you want more % returns, then there are more levels.

INVESTMENT STRATEGY 3 : BUY– SELL ZONE

Stats: 10 minutes a week. Aiming at up to 25% a year on average

With the Pound Cost Average strategy and the Value Cost Average strategy we have not been timing the market, but ensuring that we have time IN the market. This ensures that we never miss any of the big moves that can make such a difference to your portfolios.

The next strategy, called the 'Buy-Sell Zone', is an attempt to start timing the market without the stress of actually day trading. You can look at it once a week or once a month – you decide. Once the stock price drops into a Buy Zone, it is time to start buying, and then when it goes up to a higher zone, it is time to start selling. The Zones take all the guesswork out of timing the market. It is brilliant in its simplicity, let me explain …

If we use a charting program like Big Charts or Free Stock Charts and set the time span to one year, you can see in the following chart, the highs and the lows of that stock price.

You simply draw some lines at the top and bottom of the price range. The top line is called the resistance line or ceiling and the lower line is called the support line or floor.

You also add another line in the middle of these two lines. You now have an Upper Zone (top 50%) and a Lower Zone (bottom 50%).

Two stock charting applications that we use can be found online for free at bigcharts.marketwatch.com/ and freestockcharts.com/ . All decent stock chart tools have the facility to draw lines over the top of the chart.

If we just draw another line through the top half again (top 25%) and another through the bottom half (lower 25%), we have a diagram with 4 zones in, as you can see below.

Now let's think about what we are doing for a moment. With Price Cost Averaging (PCA) and even Value Cost Averaging (VCA), we were quite happy to put money into every one of those zones, even in the top zones. The reason was because we were not trying to time the market in any way, recognising that timing the market is easier said than done.

However, some of you might be asking yourselves, "Why would you want to buy when the price is in the top half (Zones 3 and 4), especially when the stock is in the top quarter?"

The answer is - you wouldn't!

This is where the Buy – Sell Zone concept comes in.

I want to buy the stock when the price is in the lower half, say Zone 2 and buy even more when it is in Zone 1.

As you can see from the diagram above, you have the lower half, which are your Buying Zones, and you have the top half, which are your Selling Zones.
You want to buy in Zone 1 and when the price goes up to Zone 4 you want to sell this stock. In Zone 2 you should think about buying and in Zone 3 you should think about selling.

You can get quite creative here. For example, you buy £100 worth of stock when it is in Zone 2 and £200 when it is in Zone 1. You then sell 50% of the stock when it exits Zone 3 and enters into Zone 4 and the rest when it reaches the top of Zone 4.

What does this mean?

It means that you are buying near the bottom and more at the very bottom, then selling some near the top and the rest at the very top.

In other words, you are starting to time the market, but without the stress of timing it to the second (that we leave for the next strategy.)

This strategy is semi-automatic. You could look at the stock on a monthly basis and make a decision just once a month, acting on whatever the price might be at that

time. Doing that might mean you miss out on some great moves, so you could monitor it on a weekly basis, and make a decision more frequently so you are really starting to trade. We look at this in the next chapters.

SUMMARY

In this chapter we discovered…

- The difference between TIME **IN** the market and TIM**ING** the market
- Investment strategy – Price Cost Average
- Investment strategy – Value Cost Average and Advanced VCA
- Investment strategy – Buy-Sell Zones

CHAPTER SIX

TRADING STRATEGIES

BUY-SELL ZONES

ADVANCED AND

BUFFALO

Buy–Sell Zones Advanced

When we were investing we did not try to time the market. Rather we looked every month or even every week to see where the price happened to be and made a decision based on that.

With the Buy Sell Zone Advanced, we are now not waiting for the right time to get in. Rather we are waiting for the right price to get in. This is the difference between Trading and Investing. Investing does not rely on price. Trading definitely does.

Let's take another look at the chart below. From February 2019 to February 2020, the price moved from a Buy Zone to a Sell Zone several times but just for a few days at a time.

If you are looking at the charts just once a month to make a decision on your next move (investing), you would have missed lots of trading opportunities to get in and out (trading). So as traders we are going to get in when the price hits the level we are interested in. For example, we could enter the stock every time it hits either the lower level Buy Lines rather than in the middle somewhere. You can do this either by placing an order in advance and you would buy as soon as the price level is hit or you can set an alert with your broker who will send you an email when that price level is hit.

Either way as you can see you would enter the trade fewer times than with the normal Buy Sell Zones strategy Zone but you would be timing the market much better and therefore get in at much better prices.

Equally you can exit every time it hits the lines in the Sell Zone. Either by placing an order to sell in advance with your broker or you can set an alert with your broker who automatically sends you an email once the price level is hit.

Buffalo Strategy

In our last strategy, Buy – Sell Zone, we bought and sold stocks as the price moved from one Zone to the next. In other words, we started to time the market.

Now let us look at timing the market fully. We do this through the Buffalo Strategy, our name for sideways moving markets. With the Buffalos, we only buy if the price comes close to the bottom of Zone 1, and we sell when the price nears the top of our Zone 4.

Where does the term 'Buffalo' actually come from? You probably know that a rising market is called a Bull market, and a falling market is called a Bear market. However, there is a 3rd market movement, the sideways market, which up until a few years ago did not have a name.

I published an article in a national newspaper to announce the arrival of the sideways moving 'Buffalo' market. The idea was to come up with a big animal starting with the letter B. Bulls, Bears and Buffalo. I was thinking of a sideways range and the open ranges in America and the Buffalo that roam there.

It can be used in all three-time frames

- Short term – daily / weekly trades
- Medium term – weekly / monthly trades
- Long term – monthly / yearly trades

My 7 rules for the Buffalo strategy are:

1. Three bounces from either a support line, or a resistance line to enter (2 to get out)
2. The Risk:Reward ratio must be at least 1:3 i.e. For every £10 you risk you are potentially gaining £30
3. The percentage price difference between the support and resistance lines must be at least 10% (For a medium time frame 20%; for a long time frame 30%)
4. Always invest with the trend
5. The Trading Volume must be more than 200,000 a day
6. The Price must be above $10
7. Avoid if there is an earnings announcement imminent

Ok that might have been a bit of jargon but we give more detail at our 1 Day Stock Market events (see back of book for more details).

So where do you find buffalo stocks? First you have to do some fundamental analysis in the way we have described it, and then you need to find the ones that meet all the criteria above. Or alternatively we do it all for you on our website: investment-mastery.com

Let's take a look at Intel for example. Here we see a monthly view i.e. each bar represents one month:

Typically for a profitable technology company that soared in the 90s, it has just been going sideways since the price came back down in 2002.

Most people would look at this chart and not know what to do. 13 years on and the price is basically the same. How can you make money when the price doesn't go up? But this is where we make most of our trades.

Take a closer look at Intel on a weekly setting:

Because if you look closely at the weekly price movement, you will see that it does go up and down many times, giving us various entry points throughout the year. The money is made in the middle! We wait for it to come down to a recent low and start accumulating, knowing that the overall trend is up.

Another example is GNK, below. This is showing a classic Buffalo formation, just moving sideways, just waiting for us to trade it time and time again as it touches the line below.

Finding these stocks and tracking them can be a lot of work on your own. My graduates work together in the forum, continually posting stocks which are ready to trade now!

How to make money when markets go down

Remember we are not just buying and selling these stocks – we are also shorting them i.e. Making money when markets go down. What exactly is Selling Short? How can you make money when markets go down? We don't have to stand by watching our money dwindle as markets go down; we can jump in and make money as they do so.

Everyone knows that the idea of making money is to buy near the bottom and sell near the top. But what is so great about the Buffalo strategy is that we can actually go one step further. We also do something called 'sell short' near the top. This is a way of actually making money when markets go down. We then sell short at the top and buy back at the bottom, and the middle is the profit.

In other words, while most people are losing money when markets go down, we are actually making money. Most people don't understand how to make money when markets go down, which is a shame because they are missing out on almost double the trading opportunities and chances of cashing in.

This has to be part of your trading arsenal for sure – selling short almost gives you 100% more chance of making money. And also, stocks tend to fall faster than they go up. So you can make money faster. Why? Because people tend to panic as markets go down so everyone starts to exit their trades. So the stock goes down further, making even more people panic and so it continues. That is why they say that bulls walk up the stairs (slowly) and bears jump out of the window (fast). Large institutions are aware of this so they drive down prices even more, to shake everyone out before they get in.

Now some people get confused by this concept but in reality, if you look at the graph below we are still buying low and selling high and when you do that you make a profit. How else can you make a profit other than buying low and selling high? The only difference is the order in which we do this. Normally we buy first and then we sell. When we make money going down we sell first, and as it goes down we then buy. Can you see that in this way we are still buying low and selling high? Only we are doing the selling first.

Now the immediate reaction for most people is "But Marcus, how can you sell something you don't own?" Good question. The answer is, you can't. But as soon as you press that button called 'Sell Short' the broker automatically lends you the stock which you then automatically sell to the market. Then at some stage you have to buy it back to give back to the broker who lent it to you.

Let's take an example. Take a look at the graph above. If you thought that YEXT was high at $17.98 because it had fallen at that level several times, then you might be tempted to press the 'Sell Short' button. As soon as it falls you are in profit. At some stage you want to realise your profits, if possible as close to $12.86 as possible. That would be a great trade. That's a 17.98 – 12.86 /17.98 * 100 = 28.47% profit.

Please notice that when you were shorting YEXT and the price would have gone UP, you would have lost money. In the same way that when you buy a stock and it goes DOWN, you also lose money. That is why when we are trading we always use a stop loss, to ensure small losses and large gains.

Let's take another example, a made-up example. You are currently in the pen industry where you buy and sell pens, and have realised that the price of a pen does not tend to go over £1. The current price of pens is sitting at exactly £1 and you decide that you want to sell pens, however you have none in stock. You go to someone who

will lend you pens (broker) and ask for 1000 pens, which he agrees to give you. You then go on to sell those pens at £1 making £1000 in total, and sure enough the market price starts to fall. The market price reaches £0.50 and you are in profit, and you decide that you want to cash in your profits, in order to do so we need to return the pens to our lender (broker) so that we can cash in on the difference in price per pen. We then buy 1000 pens at £0.50, which cost us £500, we then return the pens to the lender (broker) and we are left with £500 profit.

In the markets this whole transaction is done with a few clicks of a few buttons and the transaction time is almost instant.

Let's take another example. Let's say that I had just bought a brand-new Mercedes E-250 sport coupe. Imagine I left the car with a friend for a year while taking a 1-year vacation around the world. Imagine that this friend sold the car and made £47,000 on the spot. One year later I come back and the first thing I do is to call my friend to get my car back. What does he have to do? He has to buy one in the market place. The price has probably fallen over that time so now they are worth only

£37,000. He buys an identical model, puts my number plate back on and gives me the car back. The difference is he has pocketed £10,000 and I am none the wiser.

Still not comfortable with the idea? Ok, do you use a mobile phone? If you do, then how does it work? How does your voice travel into the phone then get beamed halfway across the world so that you can talk to a friend? Don't know how it works exactly? No. But you still use it don't you? Yes. Why? Because it works.

There are only 4 buttons:

1. Buy
2. Sell
3. Sell Short
4. Buy back

Just practice doing it and make money as markets go down and you will soon figure it out …

SUMMARY

In this chapter we discovered…

- Trading Strategy: Buy Sell Zones Advanced

- Trading Strategy: Buffalo Strategy
    - Useful in short, medium and long term markets

- How to make money when markets go down

CHAPTER SEVEN

HOW TO MAKE MONEY WITH VERTICALLY RISING (AND FALLING) BUFFALO STOCKS

Some Buffalos don't just go sideways horizontally. Some actually crawl up (or down), and turn into vertically rising (or falling) Buffalo stocks, that look like a big Caterpillar.

Trying to time vertically rising (or falling) stocks is more complicated than sideways buffalo. This is because with the sideways buffalo the lines stay the same and once you know your entry and exit points, they tend to stay the same. With the vertical buffalos the challenge is that the line moves every single day.

Let's take a look at the chart below. This company's price chart goes up and comes down but the general direction is up. Notice how the highs get higher and the lows get higher. This means it is trending up. We can draw a vertical line at the bottom of the lowest points and we notice that the price seems to obey that line, as if by magic.

Is this a mere coincidence?

If it had just touched it twice then this might indeed have been coincidence. But when it comes down again and again to the line, and this is seen in stocks all over the world, then this cannot be mere coincidence.

In our experience, the same people all around the world are looking at this same stock. They have all drawn the same lines. And when the price comes down to the line, what do you think they are looking to do? That's right – they are looking to buy. It becomes an almost self-fulfilling prophecy, and this keeps happening until one day, it stops happening, either because the stock breaks up to the upside or down to the downside.

What is great about vertically rising stocks is that the moves can happen very fast. Why? Because it has momentum to the upside. With higher lows and higher highs, you are already increasing your chances of making money because the trend is up. If you buy you are going with the trend. This is an important lesson: Always trade with the trend. That is why if we see a trend that is down, we don't buy into it because it might continue down. And we don't know for how long, so we like to ensure that we go with the trend.

How can we tell if a stock is trending up (or down)? The most commonly used way of ascertaining this is to find a minimum of 3 levels of support. If we look at the price chart above, you will see that there are four times that price has come down to the level of the line. So there are more than the 3 we are looking for. This means the trend is most definitely up.

So now, we are looking to enter with the trend.

So how can we make money out of this? We wait for the 3rd bounce and try to get in as it starts to rise, using something called a STOP order, or we now wait for the

4th time it reaches that point and then get in at that price.

Very important is that we place our stop loss just below the low of the bar that touches the line. Equally important is that we allow the stock to go up as long as possible. Since the highs are getting higher and the lows are getting higher, this stock could go up for the foreseeable future, maybe even years.

There is always the temptation to come out too early but resist that temptation if possible. You can always take out some of the profits when it reaches a high, for example 50% but allow the rest to continue. You could raise your stop loss to just underneath the stock when it is near a high – so if it decides to come back down you take the profit automatically, but if it wants to continue up then that is fine too.

Sometimes we see the same formation as stocks go down. If we look at the price movement below, we can see a vertically falling Buffalo stock, much like a caterpillar again.

Can you count the number of bounces it had coming down on the vertical line?

If you counted 3 then that is correct. And again, we can either try to get in on the 3rd bounce using a STOP order or wait until it comes back again to the line and then sell short.

And remember if you go with the trend, you can make money fast. In fact, not only are the lows lower and the highs lower, but generally you can make money faster when markets go down. Just look to see what happened in March. Can you see how the price jumped down from when it touched the line? This is called 'gapping' which means that a large player sold overnight and when the market opened the price was substantially lower.

Rest assured you can make money whether markets go up or go down, you just need to know which button to press. And some risk management.

Are we going to make losses? Of course, we will make losses every so often, however due to the fact we use tight stop losses and let our profits run we make sure that our gains are much larger than our losses, thus more than covering any trades that may have gone into a loss.

The **Trend is Your Friend** – how to put the odds in your favour by using market direction to **your advantage**.

What we want to do now, is to explore the other market movements. For example, a stock could trend up with higher highs and higher lows. For it to be classed as 'trending' it means that it continues up over a period of time. Or a stock could trend down with lower highs and lower lows. This means that it continues down over a period of time. Now let's take each in turn.

If a stock is trending up, like the chart below, what can we do?

If you said we could buy at the bottom of the support line and sell at the top, then you would be right. The question is though, if the trend is up, where would we try to make money going down by selling short?

What would you say? Near the top?

The answer is you wouldn't.

When the trend is up, we do not sell short. We only go with the trend, never against the trend. Fighting the trend is like standing on a railway line with your hands up

in defiance, telling the oncoming train to stop and thinking you can stop it with your sheer will power. The train is much bigger and faster than you and it will squash you like a bug. It is best to quickly jump to the side, and instead of going against the trend of the train, to jump on the train in the way it is moving.

In the same way you have more chances of making money when a stock is moving up to go with the upward trend and buy into it. The highs are higher and the lows are higher, so we have to assume that once a stock is trending, it is more likely to continue in that direction than to turn around and move in the other direction.

Let’s take a look at the chart below. It is clearly trending down. Where would you sell short?

If you said you would sell short near the top of the support line and buy back near the bottom, then that would be correct.

But where would you try to buy in the hope of making money as it goes up? Where would your entry point be? Would you say near the bottom?

Go on; take a guess before reading on …

The answer is, you wouldn't. Remember we only go with the trend, we don't go against the trend. Another analogy is a bus. If you were going East, you wouldn't jump on the bus going West in the hope that it will eventually turn around and head back East? You would cross the road and wait for the bus going East, as it will likely get you there faster.

In the same way, you have more chances of making money when a stock is moving down to go with the downward trend and sell into it. The lows are lower and the highs are lower, so when a stock is trending it is more likely to continue in that direction than to turn around and move in the other direction.

Here's what else is interesting: when you see an upward moving stock, it is likely to bounce off a support line and move up faster than a sideways moving stock for example. This is because everyone else who is looking to trade that stock sees the same thing as you. And when the stock is ready, they are waiting to jump in, driving the price back up.

Another reason to always go with the trend - if the stock is going up, we buy and never ever Sell Short.

But when we see a stock trending lower, we can make money even faster – the reason is that when stocks start to go down, people tend to panic and start selling. This in turn leads to other people selling and the prices start moving even faster.

Therefore, we always go with the trend and if the stock goes down, we sell short and never ever buy.

Summary:

When the stock is going:

1. Sideways, we can buy at the bottom and sell at the top; We can sell short at the top and buy at the bottom because there is no clear trend either up or down
2. Up, we can buy at the bottom and sell at the top but we cannot sell short at the top and buy back at the bottom because that is going against the trend.
3. Down, we can sell short at the top and buy back at the bottom but we cannot buy at the bottom in the hope it will go back up because that is going against the trend.

Remember that the Trend is your Friend and you will dramatically increase the chances of making money.

In fact, here at Investment Mastery we say, “The Trend is Your Friend until the Bend at the End.”

How to time the market with the 'Bend at the End'

So how DO we time the market to know when a trend has finished? The answer is this, "The trend is your friend until the bend at the end!"

Let us take a look at the example below. FDX was trending downwards from September all the way to July. We feel that it has gone up a lot and will turn at some point but we cannot just simply sell short as we don't know when it is going to turn. Suddenly it starts to change direction. The high was around $158.54, an ideal place to sell short, but we only know that with hindsight. We never know when the trend is going to end until it already has. The high of $175.50 is therefore our first bounce but it is not until the 2nd bounce in late February at just above $165.77, bringing with it a lower low and lower high, that we think that trend might indeed have turned.

But we need to be sure. We cannot start selling short until we get confirmation.

The line connecting the first two bounces extends and is hit in July 2020. This is a chance for us to get in with a 'stop' order, which gets us in ONLY if the stock turns and goes back down.

It is almost as if everyone was waiting for the same entry point before entering. As soon as the 3rd bounce occurs, there is a sudden drop, leaving a gap. A gap is where the price closes at one point and opens the next day at a point so far away from the close price that a gap occurs on the chart. 10% and more is achieved in a day and the stock continues down for several months for approximately 33% gain.

What does this tell us? We don't need to know exactly where the top is to be able to make money. This is just as well, because no-one knows exactly where the top is going to be until after it has occurred.

Let us take a look at another example below. SNV clearly has an upwards trend from January. The highs are getting lower and the lows are getting lower. That means that we cannot buy the stock, as we have no idea when this downward trend is going to stop. As the saying goes "The trend is your friend". But where do you get in? The answer is "the bend at the end".

As you can see, in 2019, SNV suddenly changed direction and started to go up.

The lowest point is below $31.25 early January, the ideal time to get in. As much as I would like to say that we could have timed the market perfectly, this is much easier said than done. The truth is we don't know that the turn has occurred, until it has already occurred. Remember we are looking at 3 bounces to be sure that a new trend is in progress. The bounce at the beginning of October allows us to draw the trend line linking to the low of January. The next bounce in November then gives us a perfect entry point as this is the third bounce on our upwards trending support level, we can then get in using a 'Stop' order i.e. when it bounces back up.

In short: The trend is your friend … until the bend at the end!

If you see a stock heading in one direction, do not assume that it is going to turn and try to time the market and get in. You have no idea when or how long the trend is going to continue. Therefore, wait until we get confirmation that the trend is over. It is not enough that the stock starts to turn and go in the opposite direction but rather that it has established a new trend in the opposite direction.

SUMMARY

In this chapter we discovered…

- How to make money with vertically rising Buffalo stocks
- How to make money with vertically falling Buffalo stocks
- How to time the market with a 'Bend at the End'

CHAPTER EIGHT

MINIMISE YOUR RISK; MAXIMISE YOUR GAINS

Minimise your risk through 1% stop loss

Risk management is one of the most important aspects of trading. It is also the one that gets ignored the most. Think about it – the only reason people lose money is because they risk too much of it in the first place. That is why one of the greatest investors in the world, Warren Buffet, has these 2 rules:

Warren Buffet's Rules

1. Don't lose money
2. Refer to Rule Number 1

The idea is that if you don't lose too much money, you still have money left to invest. You can only make a profit if you have money to invest. If on the other hand you lose too much money then you have no more to invest.

Here is something that most people don't know – the more you lose the more difficult it is to come back and win. In fact, if you lose more than 50% of your capital, it gets very difficult indeed. Take a look at the numbers below:

Loss	Recovery Needed	Recovery Loss
5.0%	5.3%	1.05
10.0%	11.1%	1.11
20.0%	25.0%	1.25
30.0%	42.9%	1.43
40.0%	66.7%	1.67
50.0%	100.0%	2.00
60.0%	150.0%	2.50
70.0%	233.3%	3.33
80.0%	400.0%	5.00
90.0%	900.0%	10.00
95.0%	1900.0%	20.00

If you lose small amounts i.e. 1-10% then you can recover easily, but if you lose 20%, you need 25% to make up the loss. If you suffer a loss of 50% you will need 100% to get back to where you were. Then it gets steadily more difficult to make it back. At 60% loss you need 150%, 70 loss you need 233%, 80% loss 400% and 90% you will need to make a 900% gain i.e. make 9 times your money. It is virtually impossible to get back from these kinds of losses.

Can you see now why we are so adamant that you learn good Risk Management? By the way, if the words, 'Risk Management' sound too technical, then please note that all we are saying is "Don't lose too much on any one trade".

So how much is 'too much' on any one trade? It varies depending on which trader you talk to or what strategy you are trading but most serious traders will never risk much more than 1% on any one trade. Most people believe that if you were to risk 1% on any one trade then you would lose your entire account after 100 trades. On the face of it, this seems to make sense. You start off with 100% and lose 1%, meaning you have 99% left. Then 98%, 97% etc.

But this is not the case. When Einstein talked about compounding being the 8th wonder of the world, he was not just talking about compounding profits, we also compound our losses. Only this time it is Reverse Compounding. If you are risking 1% of your current capital, then your current capital is falling with every loss. Meaning that you are risking LESS after every loss you make. An example: let us assume that you have £10,000

in your account and you make a 1% or £100 loss, this means you will have £9,900 pounds left in your account. If you were then to make another loss and lose another 1% you would lose 1% of the new, lower current capital, namely £9,900 so that your second loss would NOT be £100 like the first loss, it would only be £99. In other words, you are losing LESS with every loss you make. Most people don't realise that after 100 losses you would still have 36.6% of your account left (broker fees excluded). In fact, you would need to have 462 losing trades in a row before you wiped out your account. It is more likely that you win the lottery than this happening i.e. it is virtually impossible, especially with our strategies.

This is not to say that you wouldn't be risking more than 1% at any given time. You could have several trades on at the same time, each one risking 1%. For example, if you had 5 trades on at the same time, how much of your overall capital would you be risking? The answer is 1% x 5 trades = 5% overall. But never more than 1% on any <u>one</u> trade.

So how do we calculate the risk? Not in the way most people do it. Most people will put $5,000 on each trade and believe they are risking the same on each trade. I used to do this for years. This is not correct. To find out how much money we should be spending on each trade, we need to use the Risk Management Formula.

Risk Management Formula:
Account Risk / Trade Risk
= Risk Size

In other words:

How much of the account you are risking divided by the difference between the entry price and exit price of your stop loss. This will give you the number of shares you should buy.

Let's say you have an account size of £20,000 and we are prepared to risk only 1% on any one trade. Let's say we want to trade "XYZ" which is a US stock. If our account is not in US dollars and we are trading US stocks, we must convert the amount in the account into US dollars in order for us to work out the correct account risk. We do

not have to physically go and change our account; all we have to do is a simple calculation.

All we need to do now is convert our £20,000 into US Dollars. The GBPUSD exchange rate is at 1.50, which in turn means that our £20,000 equates to $30,000. Now let us take the following example:

Entry price = $61.20

Stop Loss = $59.10

Now we have everything we need. Following the Risk Management Formula:

Account Risk / Trade Risk = Risk Size

(the number of shares you should buy)

Account Risk = $30,000 x 1% = $300

This is the maximum amount we are willing to lose. Not a penny more or less.

Trade Risk = entry price – stop loss

= $61.20 - $59.10 = $2.10

Therefore: $$\frac{\text{Account Risk}}{\text{Trade Risk}} = \frac{\$300}{\$2.10}$$

= A trade size of 142 stocks

The Risk Management Formula dictates how much capital we are going to invest.

Capital we need to invest

In this example it has worked out that we are buying 142 stocks. Which means that if we buy 142 stocks at $61.20 (entry price) we need a total of:

142 x 61.20 = $8,690.4

Notice this is not a random number which we have decided to allocate e.g. $5,000; but rather based on the price of the stock and the amount we are willing to risk e.g. 1%. In other words, the formula tells us how much money to invest.

Use this formula as it will ensure you never lose too much on any one trade.

Some people say “but if we are only risking 1% can we ever make a lot of money?” Absolutely, yes. A stock can go up 1%, 2%, 3%, 4%, 5% of your entire capital or more. But we only ever risk 1% of your entire capital per trade. That is the Golden Rule of trading.

How to get more bang for your buck

The problem with using traditional brokers is that your money is quickly tied up in trades. Imagine you are fully invested and suddenly you see the trade of the century. You could use something called margin. Margin is money that the broker lends you. Traditionally, when you place £10,000 into an account, you can trade with £20,000. It is like having an extra £10,000 overdraft facility which is there for you to use if you need to. Theoretically you can place double the amounts of trades. If it goes well, you would make double the amount of money. If you lose, you lose double the amount of money. The problem is the amount of trades – even in the example above using margin. The most trades you can be in is double the amount of trades, not more.

What if there was a way for us to be able to get into 10 – 20 times more trades than usual, while still risking the same amount of money on each trade? This is a great way to get more "bang for our buck". The way we do it is to leverage our trading. By leveraging our account, it means that less capital is needed to place the trade, therefore allowing us to get into more trades.

We do this in two ways. The first way, for people living in the UK, is a leveraged product called spread betting. This is where we will be betting on the direction we think the price will go, but we do not own the stock itself. The main advantage of spreadbetting is that it is tax free!

YourTradingBroker.com is an example of this. The second way, if you do not live in the UK, is a leveraged product called, CFDs. The term 'CFD' stands for Contracts for Difference. CFDs are another way of making money from share price movements, again without owning the share itself. We simply own a contract which we buy at one price and sell at another, making (or paying out) the difference - hence the name, Contracts For Difference. In essence it is the same as spread betting – you are placing money based on the direction you think the price will go – but with CFDs we also have to pay capital gains tax.

Spread betting is a great way to trade but is not available for people outside the UK, so you have to trade CFDs. YourTradingBroker.com is a spread betting AND CFD broker.

Many people believe that leveraging our account automatically leads to more risk. This is a misconception. We are only ever going to be risking 1% of our capital per trade, no matter what we do. The risk remains the same i.e. 1% of your account, however the amount we need for the trade decreases, due to leverage used with the broker.

Spread Betting

(UK only. If you live outside of UK please turn to CFD section below)

In spread betting we bet a certain amount of money for each point the share price moves up or down. For example, if we are buying a stock at 21.20 at £1 per point, then every time it goes up by a point we make £1. How much is a point? If the stock goes up to 21.40 we make £20 because the stock has moved up 20 points, 20 X £1 = £20. If the price were to drop to 20.90 we would lose £30 because the stock has dropped 30 points, 30 X £1 = £30.

Let us now use the same example as before where we had an account of £20,000, and risking only 1% on any one trade. Let's say we want to trade "XYZ" which is a US stock. We do not need to convert into US Dollars as we are simply going to be betting on the direction. Using the same example as before:

Entry Price = $61.20
Stop loss = $59.10

Now we have everything we need. Following the Risk Management Formula from before:

Account Risk / Trade Risk = Risk Size
(pound per point)

Account Risk = £20,000 x 1% = £200.
This is the maximum amount we are willing to lose.

Trade Risk = entry price – stop loss
= $61.20 - $59.10 = 210 points

Therefore: $$\frac{\text{Account Risk}}{\text{Trade Risk}} = \frac{£200}{210}$$

= A trade size of 0.95 (£ per point)

You may have realised that all the steps are very similar to traditional trading, so what is the difference? The difference is an important one – it is the **capital** we need to invest when spread betting.

Capital we need to invest: Traditional vs Leveraged broker

In this example we worked out that in traditional trading we would be looking at buying 142 stocks.
This means that if we buy 142 stocks at $61.20 (entry price) we need a total of:

142 x 61.20 = $8,690.4

Account which in £ at an exchange rate of 1.5

would be £5,793.60

In spread betting we typically only need to put down 5% of the amount you would need in a non-leveraged account.
In this example, 5% x the traditional amount required to invest =

0.05 x £5,793.6= £289.68

That is a huge difference. Can you now see the advantage of using a leveraged broker?

This means that instead of tying up £5,793 on one trade, you are only tying up £289 on any one trade. That's a difference of £5,503! What this means is that you have an additional £5,503 in your account to place on other trades. Let us assume that each trade only required £289. That would mean you could get into 69 trades with a £20,000 account, whereas with a traditional trading broker you could only get into 3 trades. That's a difference of 66 trades.

Therefore, if you are using a spread betting broker as opposed to a traditional one we have a lot more capital in our account to get into many more trades, which in turn allows us to have the potential to make much more money!

CFDs (outside UK only)

(If you live in the UK please turn to spread betting section above)

In CFDs we are going to be going into the trade with a certain amount of contracts, which allows us to make money from the price movement.
Let us now use the same example as before where we have an account of £20,000 and risking only 1% on any one trade.

Because we are trading CFDs, our account will most likely not be in £, so we are going to use US dollars. We want to keep the same value as before so that we can compare our results, so let's say that our account has $30,000 (used in our previous example).

Let's say we want to trade "XYZ" which is a US stock. Using the same example as before:

Entry price = $61.20
Stop Loss = $59.10

Now we have everything we need. Following the Risk Management Formula from before:

Account Risk / Trade Risk = Risk Size

(the number of shares you should buy)

Account Risk = $30,000 x 1% = $300

This is the maximum amount we are willing to lose.

Trade Risk = entry price – stop loss

= $61.20 - $59.10 = $2.10

$$\frac{\text{Account Risk}}{\text{Trade Risk}} = \frac{\$300}{\$2.10}$$

= **A trade size of 142 stocks**

You may have realised that all the steps are very similar to traditional trading, so what is the difference? The difference is an important one – it is the **capital** we need to invest when using CFDs.

Capital we need to invest: Traditional vs Leveraged broker

In this example we worked out that in traditional trading we would be looking at buying 142 stocks.

This means that if we buy 142 stocks at $61.20 (entry price) we need a total of:

142 x 61.20 = $8,690.4

In CFDs we typically only need to put down 5% of the amount we would need in a non-leveraged account.

In this example 5% x traditional amount required to invest =

0.05 x $8,690.40= $434.52

That is a huge difference. Can you now see the advantage of using a leveraged broker?

This means that instead of tying up $8,690 on one trade, you are only tying up $434 on any one trade. That's a difference of $8,255! What this means is that you have an additional $8,255 in your account to place on other trades. Let us assume that each trade only required $434. That would mean you could get into 69 trades with a £20,000 account, whereas with a traditional trading broker you could only get into 3 trades. That's a difference of 66 trades.

Therefore, if you are using a CFDs broker as opposed to a traditional one we have a lot more capital in our account to get into many more trades, which in turn allows us to have the potential to make much more money!

Additional point to consider when using CFDs

As mentioned in the UK you are not likely to be using CFDs, so this does not apply to you.

For those that are using CFDs if our account is not in US dollars and we are trading US stocks, we must convert the capital in the account into US dollars in order for us to work out the correct account risk. We do not have to physically go and change our account; all we have to do is a simple calculation. Let's take an example:

We have 20,000 EUR and we want to trade a US stock. We simply do a simple search on the internet and find the exchange rate for the EUR to USD. If we search "EUR to USD" in Google we will get the currency exchange rate we are looking for. So let us assume that the exchange rate is 1.34. All we need to do is:

20,000 EUR X 1.34 (exchange rate)
= $26,800

Therefore, our account risk calculation we will use is $26,000 instead of 20,000 EUR as the account size.

Maximise your gains through ratios

Now that we know that we always minimise our losses, we also have to maximize our gains. At our 1-day masterclass, I ask people if they would be willing to risk 1% to gain 1%. Some people put their hands up. Let me prove to you right now that this is NOT a good idea. Let us say that when we lose we lose the same amount as what we make when we win i.e. 1:1 Risk:Reward Ratio.

£1,000 every time we win
-£1,000 every time we lose

We are risking the same amount as we could be making. Can you see why we call it a Risk:Reward Ratio of 1:1? I then ask someone in the audience to take out a coin and flip it 10 times. Heads are wins; Tails are losses. This is

supposed to represent a normal strategy that has a 50% hit rate i.e. wins 50% of the time and loses 50% of the time. Normally, we get the following result:

I I I I I = 5 Heads / Wins
I I I I I = 5 Tails / Losses

You can try it out for yourself but the longer you continue to throw the coin the more likely that you will end up with the same number of Heads as Tails.

Now can you see the problem? If you win £1,000 every time you win and you lose -£1,000 every time you lose, that means -£5,000 + £5,000, meaning you end up with £0 and have to pay the broker costs every time you buy and every time you sell. A clear loss.

Of course, you can always hunt out strategies that perform better than 50%. But what most people don't realize is that the key to trading success is not to rely on a strategy working well, but to change other things to ensure that even a normal strategy can make you money.

At the moment the risk reward ratio stands at 1:1. -£1,000 if I lose and £1,000 if I win. But if we changed the

Risk:Reward ratio to 3:1, then everything changes. Let's assume we still have a 50-50 chance of winning but now:

£3,000 if I win
-£1,000 if I lose.

Now can you see that based on a strategy that wins half the time and loses half the time, then out of 10 trades I would make £15,000 and lose -£5,000 = £10,000 gain. Not bad.

How do I do this: By following the 2 Golden Rules of Trading. They are:

A. Let your profits run
B. Cut your losses short

By ensuring we have a stop loss where we only risk 1% but allowing our winners to run to 3% or more (the more the better), even if we had 50% wins and 50% losses, we would still make money.

But there's more.

What if the strategy didn't perform 50-50? What if we lost more times than we won? What if we had the following scenario?

IIIIII 6 losses and
IIII 4 gains?

That would make:

-£6,000 and £12,000 = £6,000 gain

Even worse, what if we had a strategy that was not performing well at all and we had the following scenario?

IIIIIII 7 losses and
III 3 gains

Remarkably, this would still give us:

-£7,000 and £9,000 = £2,000

In other words, you are able to LOSE twice the amount of times than you win and you would still make money

over time. Can you see now why Ratios or to be exact, the Risk:Reward Ratio of at least 1:3, is one of the biggest secrets to successful trading?

Amazingly in most of the courses I have been on, we were not told about this.

SUMMARY

In this chapter we discovered...

- Risk management is one the of the most important aspects of trading
- Every single successful trader focuses on not losing money; all novice traders focus on making money
- The number one way of not losing money is to always have a stop loss in place when trading
- The most we risk is 1% on any one trade
- To get more 'Bang for our Buck' we use a leveraged broker like YourTradingBroker.com, but please do your own research
- The Risk:Reward Ratio is the other most important aspect of trading – in fact it is one of the greatest secrets to successful trading

CHAPTER NINE

A BEGINNER'S GUIDE TO PROFITING FROM CRYPTOCURRENCIES

Introduction

At the end of 2016 I read that some cryptocurrencies had gone up by 5000% in just 12 months. I decided to do some research, fast. This is what I found: $100 worth of Bitcoins bought in 2010 would be worth well over $19 million today. How could I have missed out on those returns? It was time to get in.

A few weeks of research later and I had bought 15 different cryptocurrencies using speculation money. Most of the coins quickly went into profit, some substantially. I decided I needed to take this more seriously and really do some research. If not me then who? If not now then when? You have to be in the game to win it!

I paid several thousand dollars for the best crypto subscription service I could find, and started buying more and more cryptos based on their recommendations. I got obsessed - I was even listening to it while going running. At the time of writing I now own more than 36 different cryptos and over 50+ positions, have banked

some profits and am still up over 70% on my entire investments. Not a bad start.

What are cryptocurrencies and where did it all start?

A decentralised system for sending money to other people

Most payment systems run on a centralised network. The problem with this is that you have to incur unnecessary and expensive transaction fees. Usually, this is done by a central server that keeps track of your balances i.e. your credit card and/or the banks. It can also take several days for one bank to talk to another bank and so sending money becomes both expensive and takes too long.

A programmer calling himself Satoshi Nakamoto successfully found a way to build a decentralized digital cash system, thus avoiding the need for a centralised system.

A decentralized system means the network is powered by its users without having any third party, central authority or middleman controlling it. Neither the central bank nor the government has power over this system.

What are Cryptocurrencies?

Cryptocurrencies are digital currencies that can be used to digitally transfer money to another person safely, without having to use intermediaries or trusted third parties, like a bank or visa, e.g. toll-takers, to verify that you have sent the money and the money is now no longer yours.

You might want to read that sentence again, slowly. In addition, it does it much faster at a fraction of the cost because it does away with unnecessary and expensive transaction fees.

Why 'Crypto'?

The way digital currencies provide safety is two-fold. The first is that it uses encryption technology (hence the name Cryptocurrency).

What is the Blockchain?

The second way is to have a public ledger, where all the transactions are kept. Thousands of computers around the world are linked together to display this ledger. They refresh and update every few minutes. This network of

computers all linked together in this way is called the blockchain. You can trust it because it means that each transaction has been verified again and again by all the computers (the blockchain). With thousands of computers linked up all over the world saying the same thing, the ledger's integrity is upheld. Each cryptocurrency can have its own blockchain, although some are shared.

How does this work?

Imagine I send you 10 dollars and you send the 10 dollars to someone else. Somehow, someone has to keep track of these transactions, to avoid forgeries or anyone claiming they haven't received the money. In the past, Central Banks or banks have kept details of the transaction on something called a ledger. This is based on a centralised system.

With Bitcoin, currently the main digital currency, the whole system was turned on its head. Instead of a centralised system controlling the ledger, now thousands of computers, all around the world, each keep a copy of this ledger. Every single transaction is kept there, from the beginning to present day. This is a decentralised system, called the 'blockchain computer'.

In other words, millions of small transactions i.e. me sending you some money in another country, are documented on the blockchain, locking them in for good, so that they can't be changed afterwards. The information is trapped as irrefutable evidence and the transaction can't be undone. That's the whole point of the decentralised system - the computers allow it to remain decentralised and in the hands of many as opposed to the hands of a few who are trying to control the many.

What are Miners?

There are two ways of getting Bitcoin. You can either buy one at the current price (today's price is $4,200 for one Bitcoin) or you can 'mine' it. The analogy is like mining for gold. However, with digital currencies it is slightly different, as you don't have to go down a mine to do so. With cryptocurrencies, you have to do it through something called 'Proof of Work'. 'Proof of Work' refers to the fact that if you want a bitcoin, you have to literally prove that you have done work and in return you get paid in Bitcoin tokens.

In cryptocurrencies this is done by creating a scenario where if you want to get paid in Bitcoins, you have to do something which is not easy to do i.e. you have to commit your computers to solving puzzles or mathematical functions. If the computer solves the puzzle then it proves that you have dedicated power, time, effort, heat and computation to solve the problem. The more you do this the more of a 'vote' you are allowed to have. This vote is embodied in a Bitcoin token. You receive a token of Bitcoin (a fraction of a Bitcoin) in return for mining it.

Only miners are able to confirm a transaction. This is their role in the cryptocurrency network. They record transactions, verify them and disperse the transactional information in the network.

For every completed transaction monitored and facilitated by the miners, they are rewarded with a token of cryptocurrency, for instance with Bitcoins.

What this does is introduce scarcity into the system. Scarcity is important because the only way anything has any value is because it is scarce. If gold, like pebbles, were

to be found everywhere, it wouldn't have any value. But Bitcoins are not easy to mine – it takes computational power and time to do it, AND there are a maximum of 21 million that can ever be mined. This creates instant scarcity

What are the benefits and what problem does it solve?

1. No Third-Party Involvement

With cryptos I can send Bitcoins directly to the other person from my computer to theirs online within 10 minutes. There is no spread, no Foreign Exchange (Forex) charge, intermediaries etc. And the whole thing might cost me $10 maximum.

Now imagine this in EVERY part of society – from legal contracts between two companies to sending money across the world; from keeping money in escrow when buying a house to online payments. Basically, anywhere where there is currently a 'middle man' who is either:

a. Slowing it down or

b. Making it more expensive.

2. Lower risk than traditional currencies

When using your credit card, you are giving the end-receiver access to your full-credit line. No matter how small the amount of the transaction is, the fact that you are giving someone your card to gain access to your account is already a form of 'breach'. Most of this 'breach' is considered secure nowadays using differing safety measures like 'PIN enabled' or other methods. Then, the store initiates payment by 'pulling' the designated amount from your account using the information provided within your card.

Cryptocurrency doesn't work that way. Instead of a 'pulling' mechanism, it 'pushes' the amount that is needed to be paid or received to other cryptocurrency holders without any further information needed. Payments are possible without your personal information being tied to you or the transaction. Your account can be backed up and encrypted to ensure the safety of your money.

3. Protection from fraud

We often hear of cases where one's payment card is being used by other users but not the owner. When

contacting his card's service issuer, it is found that the card has made certain transactions without his consent. This is what we call a fraud case.

Most of the time these fraud cases get away with the crime because it is not easy to trace the fraud back to the perpetrator. What's more, it is even difficult to get the attention of law enforcement to launch an investigation with only a single instance of crime the perpetrator commits.

However, cryptocurrency is not viable to be used for fraud. Due to the fact that your personal information is kept hidden from unnecessary prying eyes, this protects you against identity theft.

It is very hard to cheat using these cryptocurrencies due to its decentralized system and the existing blockchain system. It cannot be manipulated by anyone or any organization thanks to it being cryptographically secure. All the computers have a copy of all the transactions and the computers are continuously talking to each other. This is the most secure way of doing it as no-one can hack in and make changes.

4. Universality

Over the course of payment history, nations worldwide had their differing methods of payments. We had bartering traders or money-goods exchange systems. It wasn't until traders visited other countries that they found out how to trade items with one another.

Fact is, not all countries have similar financial processes. Your card or currency may not be accepted by other countries and that is a major setback for some people. For example, most online banking, payment or cash systems require additional processing fees for their service even if that account is yours.

However, Cryptocurrencies are not bound by any of those exchange rates, transaction charges, the interest rates or any other fees applied to any countries. They can be used at any time, at any international standard, without experiencing any problems.

It also saves a lot of your time and money by reducing additional spending on transfer fees between multiple countries. This is because cryptocurrency operates on an international platform which in turn makes transactions easier than your average bank – to – bank transfer.

Why is it important for YOU?

1. Crypto Trading and Investing

Compared to other financial currencies, Bitcoin has very little barrier to entry. If you already own Bitcoin, no verification is required and you can start trading almost instantly.

Moreover, Bitcoin is not fiat currency. This simply means the price is not related to the economy or policies of any single country.

And unlike stock markets, there are no official Bitcoin exchanges. Instead, hundreds of Bitcoin exchanges operate 24/7 around the world. Because of no official exchanges, this results in no official Bitcoin price where the currency is known for its rapid and frequent price movements.

2. Personal Spending

There are millions of items now being sold for Bitcoins and this number is only increasing. You can use Bitcoin to purchase almost anything! From buying cars

(Tesla) to travelling the world (Cheapair). From buying a Microsoft product to paying estate agents.

3. HUGE potential

We could well be in the midst of the next 'Gold Rush'. If that is the case, do you really want to miss out?

For me personally I wouldn't want to be the one who said "I knew it was going to be big, but I was too lazy to do anything about it and yet again I missed out while everyone else made a fortune" AND "What if everything I have learned so far has led me up until this point". I even had the thought, "What if I become the Warren Buffett of cryptocurrencies? Someone has to - why not me?" LOL

4. Don't need a lot of money

You don't need a lot of money to make really sizeable profits, even a few hundred could turn into tens of thousands.

I personally bought $850 worth of Antshares (now called NEO) and turned that into over $90,000 in 9 months. Where else can you get 14,000% return in that time?

5. Volatility

You might have thought that Forex was volatile. You haven't seen anything yet. There are days when the portfolio is down by -15% and the next up by 15% Individual coins can fluctuate by 50% in one week. One of my coins went up over 100% in just one day. In stocks this kind of volatility would take an entire year!

6. We are just at the start

The majority of people haven't heard of it yet, meaning that prices will go up as it becomes mainstream.

What are the main cryptos and what do they do?

Below are the largest coins at time of writing in terms of their market capitalisation (price in dollars x number of shares in the market). They are in no particular order:

a. Bitcoin

This is the first ever cryptocurrency invented and remains by far the most sought-after cryptocurrency to date.

Bitcoin is known as the digital gold standard in the cryptocurrency network. As explained, Bitcoin is the pioneer of blockchain technology that made digital money possible.
It is the first ever decentralized peer-to-peer network powered by its users without any central authority or middleman which means, no unnecessary costs are included in the digital money transaction.

One major advantage that it has over other cryptocurrencies is that Bitcoins are impossible to counterfeit or inflate. The reason being there are only 21 million Bitcoins created for mining, no more no less. Therefore, it is predicted by 2140, all Bitcoins will already be mined.

b. Bitcoin Cash

In August 2017 a group of miners split off from Bitcoin to create Bitcoin Cash, in the way Ethereum Classic was created by a group splitting off from Ethereum in July 2015.
This is what is called, a 'hard fork'. A group of miners 'forked' from the main Bitcoin blockchain by switching to

a new version of software with greater transaction capacity.
This fork did not affect bitcoin balances, but millions of bitcoin users were also given bitcoin cash tokens as well.

c. Ethereum

Ethereum solves the problems of legal contracts online, eliminating middlemen taking from transactions.
Like bitcoin, Ethereum is a part of a blockchain network. The main difference between the two currencies is that Bitcoin blockchain focuses on tracking ownership of the digital currency while Ethereum blockchain focuses on running the programming code or network
Instead of having to build an entirely original blockchain for each new application, Ethereum enables the development of thousands of different applications in a single platform. In the Ethereum blockchain, miners work to earn ether. Ether is a crypto token that helps run the network.

Another use of the Ethereum blockchain is its ability to decentralize any services that are centralized. For instance, Ethereum is able to decentralize services like

loans provided by banks, online transactions using PayPal as well as voting systems and much more.

Ethereum can also be used to build a Decentralized Autonomous Organization (DAO). A DAO is a fully autonomous organization without a leader. DAOs are run by programming codes on a collection of smart contracts written in the Ethereum blockchain. DAO is designed to replace the structure of a traditional organization and like Bitcoin, eliminating the need for people and a centralized control.

d. Ethereum Classic

A few years back someone hacked into an Ethereum-based application and stole millions. There was an internal argument about whether this event should be allowed to happen or to go back in time and make good the money so no-one loses out. The purists that argued that there is no going back in blockchain technology broke away to form the new Ethereum Classic.

It is essentially the same as Ethereum, so it is unclear why we need two of the same. However, lately it is looking to distinguish itself from Ethereum.

e. Ripple

In cases where you have sent money overseas, around the globe and so on, you were delivered a SWIFT code which is an entity with a monopoly on border transfers – in 200 countries, with more than 11,000 financial institutions forming its branches.

However, Ripple, while working together with financial services, banks and institutions, wants to take down SWIFT and disrupt its functionality.

Unlike the other cryptocurrencies, Ripple operates on an open-source and a peer-to-peer decentralized platform which allows a transfer of money in any form, both fiat and cryptocurrency.

f. Monero

The technology solves the problem of privacy. Monero's main goal was to create an algorithm to add the privacy features that are missing in Bitcoin. Monero invented a system to conceal the identity of its senders and recipients.

g. Dash

Dash – Digital Cash is one of the most promising alternative coins to Bitcoin.

Dash advocates itself as peer-to-peer decentralized electronic cash. It intends to be as liquid as real cash which we use in our respective countries.

Like BTC, Dash is open-source and has its own blockchain, wallet infrastructure, and community. But unlike BTC, its transaction fee is negligible.

Dash is designed to have a total supply of 18 million coins.

h. Litecoin

When the currency was first launched, it aspired to be the 'silver' to Bitcoin's 'gold'.
One of the biggest advantages that Litecoin possesses is it can handle a higher volume of transactions thanks to its algorithm. The faster block time also prevents double spending attacks.

While Litecoin failed to secure and maintain its second place after Bitcoin, it is still actively mined and traded and is bought by investors as a backup in case Bitcoin fails.

How are the cryptocurrencies' prices determined?

The value of cryptocurrencies is dependent on the market, where the prices of various cryptocurrencies vary a lot and is one of the most fluctuating and volatile markets to date.

The price of cryptocurrencies like any other product is dependent on demand and supply. If more people demand a particular currency and it is short in supply, then the value increases. More units are mined by miners to balance the flow. However, most currencies limit the supply of their tokens.

Scarcity is an important factor when compared to fiat currencies. Fiat currencies can be printed every day, making our money worth less every year. Digital currencies however have limited supply. For instance, the total amount of bitcoin issued is only 21 million.

Therefore, Bitcoin's supply will decrease in time and will reach its final number by 2140. It also explains why bitcoin's value is higher compared to other cryptocurrencies. Dash has the same idea, limiting itself to 18.9 million – this might explain why its price is also doing well.

How do you make money with cryptocurrencies?

There are many ways to make money with cryptocurrencies. The three most popular ones are:

1. You can mine them

This is where you use your computer(s) to mine for Bitcoin i.e. use the computational power of your computer(s) to help verify certain transactions on the blockchain and be rewarded with Bitcoin or other coins.

2. You can lend them

This is where traders who need margin and leverage borrow your coins to trade with. They have to give them back to you with a % commission.

3. You can buy them

This is the topic of the following chapters

When choosing cryptocurrencies, do your research. Don't get caught up in the hype. When you are researching, remember to ask:

1. "What problem is it solving?”

If it doesn’t solve a problem then why would anyone use it or buy it? And

2. "Does it have the right team to solve that problem?"

Bitcoin and Ethereum are the most widespread by far. Imagine them like the reserve currency of the crypto world – if you wanted to invest in other cryptos, then you have to buy Bitcoin or Ethereum with your local currency first. Then you buy the other cryptocurrencies with your Bitcoin or Ethereum.

If you don’t want to buy the cryptocurrencies themselves, you can always buy a Bitcoin fund or Bitcoin

tracker. I did this for my daughter in her Junior ISA and it went up 98% making her just under £2,000 in just 3 months.
This might not seem like a lot of money but £2,000 in 3 months isn't bad for an 8-year-old!

How to start buying Bitcoins, Ethereum and other Altcoins

Generally, you have to buy Bitcoin with your fiat money first. Then you can buy other altcoins with Bitcoin. There are two ways of buying Bitcoin – through an Exchange or Direct.

1. Exchanges

a. Fiat Exchange

Cryptocurrency exchanges are websites that allow you to buy, sell and exchange cryptocurrencies for other digital currency or fiat currencies like USD or Euro. The exchanges require you to open an account and verify your identification.

b. Coin Exchange

These are websites that connect buyers and sellers where they charge certain fees for a completed transaction.

Examples of Coin Exchanges:

i. Poloniex – This is the first one I ever used
ii. Bittrex – This is the second one I opened – I like this one better
iii. Kraken – This is the third one I opened
iv. Coinbase – This is the best known. No idea why I haven't used it but I haven't

An important note: Opening these accounts is simple but it is not easy. We are at the beginning of a new technology here. Things are getting better but as a beginner it might seem very convoluted at first.

2. Direct

One of our traders here used localbitcoins.com to exchange GBP into BTC. *"I found a seller selling BTC at a predetermined price, got myself verified as per their instructions. And then made a bank transfer to them. The BTC were held in escrow until payment was received. As*

soon as the payment has been confirmed the BTC are released. I then transferred my BTC from the site into an exchange."

As always, please do your own research and due diligence.

Which strategies to use

Once we have opened up our accounts, we can start to invest in the coins. Stick to the major ones for safety first while you test the market.

As far as a strategy is concerned, use the **Value Cost Average Strategy** we describe in this book.

How do you keep your cryptocurrencies safe and store them?

To start investing in cryptocurrencies, the first thing you would need is to set up your digital wallet. In the cryptocurrency realm, the term used is "wallet". The wallet can be likened to a bank account, which can be stored in different devices.

The reason you need to do this is because there are countless stories of people losing their cryptocurrencies. Safety is paramount here – you don't want to build up a small fortune only to lose it all.

There are 4 ways to store your coins:

1. **An exchange**
   This is where you keep it on the exchange you use to trade on. The most dangerous solutions as exchanges have been hacked.
2. **An online wallet**
   This is where you transfer your coins to online wallets (either online, or on your PC or phone). Anything online can still be hacked.
3. **An offline wallet**
   a.k.a. cold storage or hard storage – this is where you store your private key on a special USB stick and so it is off grid. This is almost impossible to hack.
4. **Paper Wallet**
   This is where you can literally write down your private key on a piece of paper. Impossible to hack but don't lose the piece of paper!

With all the above, follow these 3 Rules:

1. Always back up your wallet, no matter which ones you use
2. Keep your software up to date if using software
3. Use whatever extra security there is available such as 2 Factor Authentication. Use Google Authenticator where possible as opposed to text in case someone clones your phone.

Summary: If you are planning to trade with your money (not invest), then leave it on the exchange, but if you are planning to hold it longer term then it is worth keeping it safe in a wallet.

If you have larger investments – you need to decide what that means - it is definitely worth putting into cold storage. Better safe than sorry!

How to make money out of it i.e. when to sell it

We are at the beginning of cryptocurrencies as a technology, so there could be enormous upside

potential. Therefore, unlike the normal VCA where we are looking for 15-20% upside with a safe investment, with cryptos we are looking for 100% upside or more before we start taking profit. I won't sell more than 10%. Consider taking 10% profit every time it doubles in value.

We are looking at the maximum upside. If there is one thing I have learned it is that you have to allow your winners to run if you want to make a lot of money. We are definitely holding for the long-term upside potential.

If, however you are more advanced and you see the price go up and down sideways like a Buffalo formation, you can consider buying more as it drops and sell as it goes up, keeping your original money in for the long term upside. In other words, you are trading a smaller amount while waiting for your main investment to break out to the upside. This just makes good logical sense.

Are there any drawbacks?

There are several drawbacks to cryptocurrencies. This is a totally new and unregulated industry, meaning if you

are hacked and someone takes your Bitcoins, you will not be compensated. Also, new launches of coins are increasing and no-one knows which ones will vanish and which ones are here to stay. Due to this uncertainty, price swings of 30%+ in a single day up or down are not uncommon. Therefore, at the moment, only invest money you are willing to lose.

Overall, there are 4 disadvantages of cryptocurrencies:

1. Lack of understanding about cryptocurrency.
2. Lack of consumer protection and guarantee.
3. Technical shortcomings
4. The industry is still developing

The future of cryptocurrency

I do think cryptocurrency is here to stay. To suggest otherwise would be like saying the internet was a fad when it first started. Of course, hindsight is a great thing.

Which cryptos are here to stay, however, is almost impossible to guess.

The growing level of acceptance of Bitcoin is clearly bringing this alternative currency to the mainstream. Some companies are genuinely considering investing in this currency, further fuelling its journey to the world of financial currency. Countries such as Japan have even formally accepted it as a currency.

Are we going to witness a new norm of currency through cryptocurrency one day? Researchers concluded that it is still too early to predict that it would, but one thing is for sure that this currency is slowly making its way in the world.

Is it too late to get into cryptocurrencies – have I missed the boat?

It is still very early on and new developments, coins and ideas are being generated almost on a daily basis. We are just at the start. Anything could happen. Get involved. There will no doubt be new cryptos that will also have meteoric rises which you can get into. Some haven't even been invented yet.

Whether you are in the know and can buy in time is another matter altogether. I only started less than 12 months ago and have doubled my money. I am planning to make A LOT MORE. I hope you do too.

CHAPTER TEN

YOUR MODEL FOR PROVEN SUCCESS

So, you have the motivation and you have the strategies. Here are some things you will need before you get started:

- Decide on a broker
- Decide how much money you want to start with
- Decide on who is going to help you get to where you want to go fast

Decide on a Broker

We need to use a broker to buy and sell, sell short and buy back public companies. Every time we do that we have to pay the broker. So we pay every time we buy AND every time we sell. The general rule is that we don't want to pay the broker more than 1% of what we are investing i.e. if you are investing £1,000, then the broker fees should not be more than £10. Notice that the more you invest, the less the broker will cost – generally the broker fees don't change i.e. if you are investing £10,000, the broker will still only charge £10 or 0.1%. Much better! There are several types of broker:

1.Full service broker

Some people like to use what is called a Full Service Broker. What this means is that they will do more than just fulfill your order. Using the research they have, they will help you invest and even recommend investments that they believe to be right for you. This might sound handy, especially when you are starting out, but before you go down that route consider the following:

1. You are relying on someone else's opinions.

We at Investment Mastery believe you should take control of your own finances. If you rely on someone else, you are never going to learn the strategies. What if that broker is good and then either retires or leaves the brokerage house? You are left high and dry, again not knowing what to do. You are reliant on the broker. We want to avoid this at all costs. This book is about ensuring that you are never reliant on anyone else again.

2. They are more expensive.

Enough said. We are here to make money and any costs automatically bite into our profits. Remember that especially with VCA and any strategy where you are

buying every month, you are going to have to pay the broker every time. If you have £100 to invest, you need to find some deep discount brokers who understand what you are looking to do. A £10 broker cost on a £100 investment is unacceptable, as you will be down 10% before you even start

3. They don't generally invest themselves in the companies they recommend to you

I only take advice from someone who is doing it themselves and buying the companies they recommend i.e. walk the talk. I remember a broker calling me up from New York, asking me to invest some money in a company. "Mr de Maria, all I am asking is that you put a small amount of money down, just $5,000, and when I make you some money then we can talk about putting more in." That sounded ok but when I asked him how much money he was putting into the stock, he replied, "We aren't allowed to invest in the companies we recommend." Now that might be a fact, but if he isn't investing himself, then I am not interested.

So we use an online deep discount broker – the less expensive the better.

2. Online Deep Discount Brokers

These brokers are online – you generally don't phone them up although some of them allow you to do just that or email them or go on a live chat. You simply place your order online and it is all done for you online. No need to talk to anyone. The main reason to use them is that they are cheap.

3. Spread Betting and CFD brokers

like YourTradingbroker.com

A CFD broker comes into play once you have mastered the Buffalo strategy. A CFD broker allows you to put less money on every trade, but still make the same amount of gain or loss as if you were with a local broker. So while a normal broker might require you to place $2,500 on a trade, with a CFD broker you only need $250. This means that you will be able to put many more trades on than with a normal broker. Generally speaking, these brokers are to be used for short term trading only, not for long term investing.

Decide how much money you want to start with

People often ask how much money they need to start. Generally, we believe that £2,000 is the minimum amount, although of course with a 'leveraged broker' you can start with as little as £500. You need to have a reasonable amount of experience and skill when dealing with a leveraged broker and so really you are looking at £2,000. The reason is so that you can make at least 2 trades and not put your money in 1 stock. Remember that we don't' want to be spending more than 1% on the broker, so £1,000 will be the absolute minimum per trade. Remember that this is just the beginning. The first law of compounding is to start with as much money as possible. The 2nd law of compounding is to consistently add as much money as possible to your account every single month. Please, please remember to do this. Almost no-one does and they are missing out on a LOT of profits. Remember that you don't need to make more % gains every month of years, you just need to reinvest your profits and keep adding money to your account. In turn, the same % gains on your larger lump sum will literally work wonders. So once you know how to make say 3% a month you literally have set yourself up for life.

CHAPTER ELEVEN

HOW TO TAKE YOUR FIRST STEP TO BIG SUCCESS

Decide who is going to help you get to where you want to go… fast

A vital short-cut to financial success is to find someone who's already where you want to be and copy what they do to get the same results. This is called, 'modelling' success.

What this does is speed up the process times 10. You can go through the long hours of work, the failures and frustrations, the losses, not to mention a lot of money etc. and it would take you many years. If you want to do it ten times faster, follow these steps

a. Find someone who is where you want to be
b. Make sure that they are willing to share with you how they did it – ask them to share it with you
c. Do what they did, hopefully with their help

The most difficult thing to do is to actually find someone who is willing to share it. Not that they are bad people, but what is the incentive for them to do it? They are busy doing it and making money, why should they spend time and effort helping you?

There has to be some exchange of value – it might be money or maybe you can help them with something, so you exchange services. Ask them how you can help them. Most people are so busy trying to find out how the other person can help them, they never stop to think to ask the other person how they themselves can help the other person.

I personally went on many seminars before I finally met someone who was willing to take me by the hand and show me exactly what he was doing. It was hands-on 1-1 mentoring and therefore cost me a small fortune. But it was worth it - only then did I start making money consistently. I also worked out that for every £1 I spent, I have made £56 back. Now I am happy to spend as much as I can on my education, because I know that educating myself makes me a fortune.

I always say that the goal of speeding up your journey is best accomplished by finding someone who is where you want to be, doing what you want to do and who is willing to share the knowledge of how they got there. Not easy. Why should someone who is doing what you want to do

spend time with you showing you how they did it? Sometimes people come up to me and ask,

"If you are so successful, why are you showing other people how to do it?" There are many reasons for this, including the following:

I have the time – although I am always doing other things, like raising money for business start-ups and now setting up a fund. After 8 years of single-handedly delivering all the training, I finally allowed other people to do it and it has been a great success.

It is also our way of giving back – something I never thought of doing before going on a 3-day seminar called Unleash the Power Within (UPW) by Anthony Robbins in Cardiff back in 1999. That seminar changed my life and I became part of his leadership team for several years before starting Investment Mastery, the training company that has just celebrated its 10th anniversary. Tony taught me the importance of contribution and this is my way of giving back.
The other reason is because of what we saw was happening in the industry. There were one or two

prominent seminar companies organising big events with 200 – 500 people in the room. It is almost impossible to learn in this way. So we decided to turn the industry upside down and only have small groups with a computer each and the best follow up support in the business. I remember the biggest player at the time saying to my idea of only keeping the classes small, “Huh, as soon as your business grows you will increase the number of people in the room. It’s just the way it is.” Well we never did that, we still have small groups to this day because that is the only way to learn properly.

Then there are our trainers who really are second to none.

Our current head stocks trader and trainer, Dennis, comes from a background of service but had no former financial education. Prior to joining Investment Mastery, he lost over 70% of his account in two years.

However, Dennis was committed and upon learning the strategies that we teach here at Investment Mastery he has averaged 4.53% every month for the past 3 years. Furthermore, he is currently averaging 8% a month on our more advanced strategies.

With these results, Dennis is certain that if he can learn to trade, anyone can - with the right guidance. It is his mission to teach others how to become successful traders and investors. What makes him such a great teacher is that he has been where you are now. He was once a complete beginner but now a consistently profitable trader AND trainer.

Then there was our previous head stocks trainer Paul – who was with us for 7 years - who loved helping people. He had such a big heart and would have done anything to help our students. For example, because he knew that people like to look at stocks before they go to work, he would get up at 5:30am to go through the watchlists for them. Amazing. He always said to me, “Marcus we are not teaching our students how to trade, we are teaching them how to become traders”. What’s the difference you might ask? It is an important distinction because most people don’t identify themselves as being able to make money in the stock market. Once you have that identity everything changes.

That is why we have so much success. Or should I say, that is why our students are so successful. To us it is the same thing – the more successful you are the more

successful we are. Paul often shook his head and said "Our graduates learn in 4 months what took me 4 years". How true. We are proud of this.

What is the difference between a coach and a mentor? A coach has a toolbox full of goodies that will help you get from where you are now to where you want to go but they haven't necessarily made it themselves.
A mentor is different. A mentor is already where you want to be and they can show you experientially the way THEY did it themselves.

At Investment Mastery we have a range of coaches and mentors who are both able and willing to share their knowledge with you.

The best thing you can do right now is to attend one of our 1-day masterclasses in London. Try to avoid 2-3-hour evening sales pitches that are on offer around the UK. You won't learn anything of any value in that amount of time – it is simply too short a time. Our 1-day masterclass is a full day of training designed specifically to get you started in trading and investing. Starting at 10am, it finishes at 6pm, so allowing 1 hour for lunch, we are

talking about 7 hours of content, plenty of time to get your questions answered and to meet our team. It is the ultimate beginner's guide to trading and investing.

There are 5 different parts to the 1-day event:

Part 1

- Trading and investing – is it what we want and need?
- Truths about the stock market
- Is Buy and Hold dead?
- The formula for Financial Freedom
- 8th Wonder of the World – explained like never before
- The 5 ways of speeding up your journey towards financial wealth
- How you can be sure that you are on the right path every single month

Part 2

- What is the best way to invest?
- Why you have more chances of making money than the professionals

- The best chart patterns for Trending Stocks
- The best chart patterns for Oscillating Stocks
- Indicators – how they can help to enter and exit
- The most widely used indicators for Trending stocks
- The most widely used indicators for Oscillating stocks
- What is Short Selling, when should it be used and why should you spend 50% of your time doing it?

Part 3

- The fastest way to earn money trading and investing
- The 4 Factors every successful strategy should have
- The 3 strategies every beginner should know
- The 2 strategies advanced people need to know
- Ratios: the REAL secret behind trading
- The reasons you are losing money and why?
- The risks of trading and how to minimise them

- Risk Management: the essential part of trading that most people don't know and how to keep it low

Part 4

- What are Precious Resources?
- Which ones you should be buying right now?
- A discussion about gold, silver, oil and platinum

Part 5

- My proven formula for trading and investing success
    - PS + SG + CE + FS = Consistent profits
- Discover which strategies are the right ones for you, your character and lifestyle
- Discover what your real motivational factors are for success

I've had one person tell me that they learned more practical, hands on ways of trading on this 1-day course with me ... than on a 2 day seminar where they had paid £2,000! Another person told me that he took one strategy from the course and made £10,000 in 2 months.

He was so impressed, he organised for me to speak to 200 people in Leeds.

Who is the 1 day Trading and Investing Day ideally suited for?

There are two types of people who benefit the most. Firstly, you are the kind of person who wants to know how to make money in stocks, but you might also be thinking that your job just isn't giving you quite enough cash-flow to do what you want in life. So the first person wants more cash-flow.

The second person is looking at their retirement and then looking at their pension and thinking that their pension isn't big enough to look after themselves and their families. So the second person wants to grow their wealth.

That's what I wanted to do and I wanted to do it as fast as possible. Some people want to do both: generate cash-flow and also grow their wealth.

What Next?

I hope you have enjoyed the contents of this book. It was written to assist anyone trying to overcome the obstacles in their lives that have prevented them from becoming wealthy in the past. Our aim is to circulate it to as wide an audience as possible. My own personal mission is to help as many people as I can in this field as I faced the same problems before I discovered the principles outlined in this book.

If you want to fast track your trading and accelerate your learning, why not attend our **One Day Stocks Trading and Investing Masterclass.** Normally priced at £97, we do have seasonal offers which you can take advantage of by following the link below:

Stocks Trading and Investing Masterclass

investment-mastery.com/events

APPENDIX I – CASE STUDIES

Dennis Sahlström

Stock Market Graduate and Investment Mastery Head Trader and Trainer

I have been trading and investing since 2012 and making a consistent profit of 4.53% per month since 2016. I am now trading over 6 strategies in the crypto and stock markets and am making over 10% per month on some accounts.

However, I have not always been so successful. During my first 2 years of trading I lost 70% of my account due to my lack of financial education. I made every single mistake you can think of and probably invented a few as well. I worked as a tour guide, ski-instructor and even an Au-pair, so when I say I have no financial education, I mean it.

Since meeting Marcus de Maria though, I have gone from consistently losing to consistently making money. I even moved to the UK in order to help other people become successful too. I am now, together with Marcus, teaching thousands of people all around Europe how to trade and invest. I have made it my mission to help millions of people to AVOID losing 70% of their accounts, but more importantly, to create a second income stream and become financially free through trading and investing.

I know firsthand the ENTIRE journey from being a losing trader to becoming a profitable one which is why I am so suited to training because I've been there and done it. I am also patient, have a passion for inspiring and I'm fun and down to earth too.

What is the secret to my success? To model success AND to never ever give up. In other words, keep going until you succeed. If I can do it EVERYONE can absolutely make it happen.

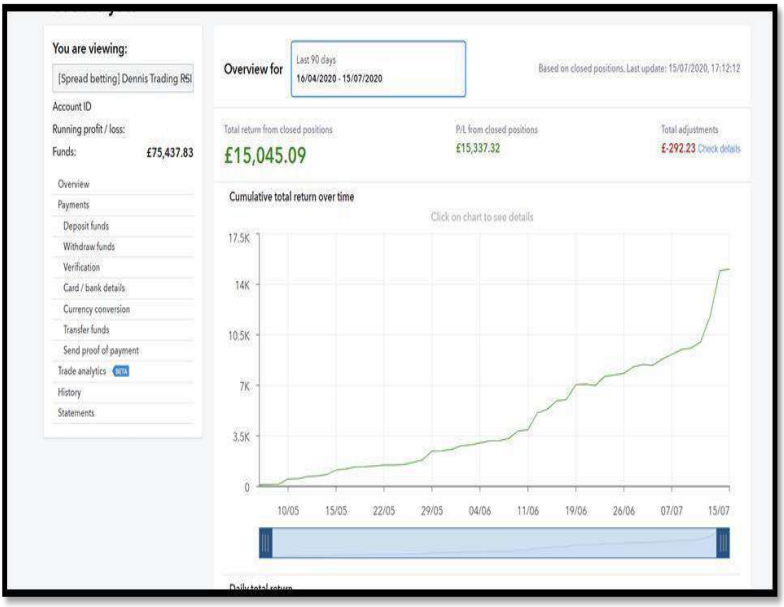
As well as Head Trader and Trainer for Investment Mastery, I am also the Co-Author of the Swedish version of Marcus' publications The Lunchtime Trader and Profiting from Cryptocurrencies. I also write articles for Trijo News, the leading cryptocurrency news company in Sweden.

Investment Mastery helped me and now I want to help you.

Dennis Sahlstrom

My results in 90 days

"If I can do it EVERYONE can absolutely make it happen."



Glenn Codd - Forex Graduate

"The first 6 months I made about 3 to 4 % a month"

When the Global Financial Crisis happened, I was running a business that was involved in raising commercial finance. Virtually overnight my business dried up as the banks decided to stop lending to companies, and this went on for the next 6 months. This event, alongside some health issues I was having, made me take a serious look at what I was doing. I had to find an alternative source of income that was more reliable, that would not evaporate due to influences that I had no control over. I had a lot of fears about the future at this time, a feeling of loss of control and not knowing what was around the next corner.

In September 2012 I decided to join the Investment Mastery Forex training program. I had already been to some of Marcus' other events and was happy to choose his company to train with. I virtually traded for the first month, but wanted to go live as quickly as possible, so I started live trading with small amounts to limit the risk. The first 6 months I made about 3 to 4% a month and then took a hit as I had a couple of losing months in October and November. I missed a few winning trades due to work commitments and this skewed my results. These were testing times mentally, and I used December to review what I was doing. I also talked to the Investment Mastery traders to check that what I was doing was on the right track. I made some changes for the New Year, including introducing a new strategy and have got back into profit again.

To anyone thinking of coming to learn how to trade with Investment Mastery I would say, definitely come along, they are a first class organisation. The whole set up is good and they really deliver on what they promise in the classes. With Investment Mastery the follow-up support is where they really excel; I go on two webinars a week and talk on the forum to other traders, which really helps.

Above all these guys actually trade what they teach, they are not just a training organisation, they actually do it day-to-day. You can talk to the traders and find out what they are doing to learn more. This is very important and makes such a difference to your confidence in the company and the trading strategies.

Stefan Carlin – Stock Market Graduate

"I increased my account 39% in 5 months"

I have always been interested in trading and the stock market, but have been working in the family business for the past 22 years, and was not fully satisfied. We provide flame retarding treatments for timber. A couple of years ago I had a period when I started to re-evaluate my life and came to the decision that how I spent my time was more important than money. I needed to find a way to escape the business and now it's in a place where I no longer need to work in it full time. From this place that I decided to find a company to teach me about trading the stockmarket, which was something I always wanted to do. I saw Marcus on a TV program and later, when I came across Investment Mastery, it felt like fate, so I signed up.

I came to the Stocks Two-Day Event in April 2012 and signed up for the Inner Circle there and then. I decided to really go for it and commit and started trading stocks immediately, initially with some losses. The main problems I had were mindset ones, I took too many risks and didn't have the discipline to manage my trading. Later that year I did the Forex Two-Day training and moved away from the stocks to trade currencies.

The Investment Mastery training was very useful and the guys who took it were great. I attend all the webinars and managed over time to develop the discipline needed to trade successfully. I don't take any wildcard trades anymore and religiously keep a trading journal. And from September 2013, about 5 months, I have been consistently profitable, increasing my account 39.6% in that time.

It has been a fantastic experience. For anyone thinking of attending the training I would suggest that they don't do it half-heartedly. Suspend your skepticism, go with an open mind and commit to it fully. I am now doing the thing I have a passion for and am full time trading.

Kitty Frericks – Stocks & Forex Graduate

"One of the most important methods is the follow up support"

I have been trading since 2004, but I was looking for a method to make me a lot more consistent profit than I use to make. I researched a lot of different courses and found that Marcus and his methods are what I have been looking for. The methods and strategies that Marcus uses appealed to me a lot as I found it to be a fantastic way to trade.

One of the most important aspects of Investment Mastery's method is the follow up support. It is vital to have some support after doing a workshop in order to learn how to trade. I find this very unique with Investment mastery as not many institutions offer after care once you attend a workshop. I can ask my questions and I know someone is always there to help. I see the IM staff as a trading family as they always give me a good feeling when I speak to them. I also get the opportunity to meet trading friends a couple of times a year which is very helpful.

At first I thought it is a bit simple but when I got into it I realised how much there is to actually learn about trading. During the workshop you go so in depth to understand all concepts of trading. There is a lot to learn and you have to put the effort and time in to it. Luckily as mentioned before as part of the ongoing support we receive from IM we access weekly webinars where we can speak to the traders directly to get our questions answered. I also connected with a few people at the workshop and we speak twice a week about our trading. I find it to be useful and beneficial to work with someone when it comes to trading.

When I trade, I always put my orders in with a ratio of 3:1 with the stop loss of 1% of my account. That makes me comfortable. The first month I was practising on a demo account and then moved on to live trading. The beginning was not always successful but now I have covered my losses. For the month of July I am 10% in profit.

I am a lot more confident after being able to learn how to trade and I feel like my goals are for sure achievable.

Wytze Platenga – Stock Market Graduate

"I have increased my capital by 21% in 3 months!"

I live in Holland and am trained as a sales manager working in the pharmaceutical industry. Work opportunities in this sector are not very good in Holland currently, so when I heard about the Investment Mastery Stock Market Trading Course I jumped at it and registered. This was around the end of April 2013 and at this stage I knew nothing about trading.

I really enjoyed the course and started trading on a virtual account to learn the strategies. This I did for about seven months and it was very successful. I turned the initial $25,000 to $40,000, which is 60% Return on Investment. I was very happy with this so started live trading, with real money, on 1st October 2013. This has also been very successful so far. I have been trading for 3 months and have increased my capital by 21% already.

I am very pleased with this success and a number of factors contributed to these results. These include my hard work; I do about 2 hours a day researching stocks. Also I was very happy with the support from Investment Mastery, the webinars and online forums are very useful. I also found the support I got from some of my fellow traders very helpful.

I now have a very realistic goal of becoming financially independent and looking ahead to enjoying trading even more and learning more too.

Otis Kloeber – Stock Market Graduate

"Up 40% in Months"

As the conductor of the European Philharmonic Orchestra, I have to be a master of my art. I therefore assumed that to earn money I need to give my money to someone who masters theirs. So I gave money to the professionals, it was quite a large sum, well diversified, and after 1 year it started to lose money. After 2 years it was down by 25%. Clearly I had to do something so I decided that I could do it better myself.

I had seen Marcus at some seminars and was impressed by him and the results that his graduates were achieving, but still a little skeptical because of my previous experience. The more I listened the more it just made sense however. So I put into practise what Marcus taught us and realised it really isn't that difficult.

I have been trading for 6 months and I can show you my account, and as you can see I started with $25,000 and it is now $34,643, so that's $9,643 and 38.5% in 6 months or just under 80% a year. Where else can you find gains like that in just 10 minutes a day? And by the way this includes all mistakes as well at the beginning. Remember that I was a total beginner. For example, once I got in at the wrong time, and another time I forgot to get out. And that is the great thing about the way that Marcus teaches this – after the workshop you are very motivated but still he wants you to first make your 'Rookie' mistakes on a virtual trader, so there is no risk at all.

I go on the weekly calls, I can ask others questions on the forum, and each day I can ask others questions on the forum, and each day that I decide to go on the Portal, I can learn more, I am never left alone, this keep the motivation up.

In my full time role as a Conductor I don't have the time to be trading 5+ hours a day, so I spend either 10 minutes in the morning, or 10 minutes in the evening. I risk only 1% - that is one of Marcus' golden rules – but I can have a 45% gain as well, which I have had as well.

Thank you, Marcus and Investment Mastery!

ABOUT THE AUTHOR

Today, Marcus is a well-respected stock market and wealth educator, financially independent, and fulfilling his purpose in life which is to teach others how to do the same. But it wasn't always like this. Not too many years ago Marcus was living on his brother's floor and over £100,000 in debt. He realised that the thinking that got him into this situation was not going to be the same to get him out of the situation.

Immersing himself with wealth creation education, he came across a formula for financial wealth. Applying this formula, he became financially independent in a few short years. As a result, Marcus started sharing this formula with others. They too became financially independent … and Investment Mastery, now one of the leading wealth creation and education companies in the UK, was born.

It is Marcus' dedicated mission to empower the people around the world to create financial wealth for themselves and their families. He also teaches one of the most misunderstood of all wealth

creation vehicles – stock market and Forex trading & investing, in a simple, easy to understand way which takes just 20 minutes a day maximum.

Marcus believes that everyone should have these basic tools to ensure financial freedom in their lives, in their spare time, so that they can enjoy life and not have to worry about money ever again. You can teach your family and friends; your children and your children's children. You can do what no-one has ever done in your family – create inter-generational wealth. He believes that everyone can do this – you just need to keep practicing long enough until you get it – and once you have it, you have it for life. The greatest adversary for Marcus and Investment Mastery is the Get Rich Quick mentality where people think they can get rich by doing nothing or get everything for free. Marcus says, "All it takes is to follow some simple steps and keep going no matter what." Marcus is widely known as a dynamic, entertaining and totally inspiring speaker. He's shared the stage with legends such as Lord Sugar, Sir Richard Branson, Tony Robbins, Bob Proctor, Mark Victor Hanson, Brian Tracy and Robert Kiyosaki. He is T Harv Eker's European Head Trainer for the Millionaire Mind Intensive.

Marcus is the author of the book, 'Wealth Workout – the Simple Seven Step Formula for Financial Success', and the contributor to leading money, finance, stock market and property publications in UK. He has appeared on BBC TV's The Money series (How to Be a Millionaire).

Marcus is always in demand as a speaker. His down to earth and approachable style mixed with humour, passion and above all integrity ensures his ability to connect instantly with any audience. He excels in delivering, and to deliver top-quality information in an accessible and fun way, whether he's addressing a room of just 50 people or a conference hall of over 5000.