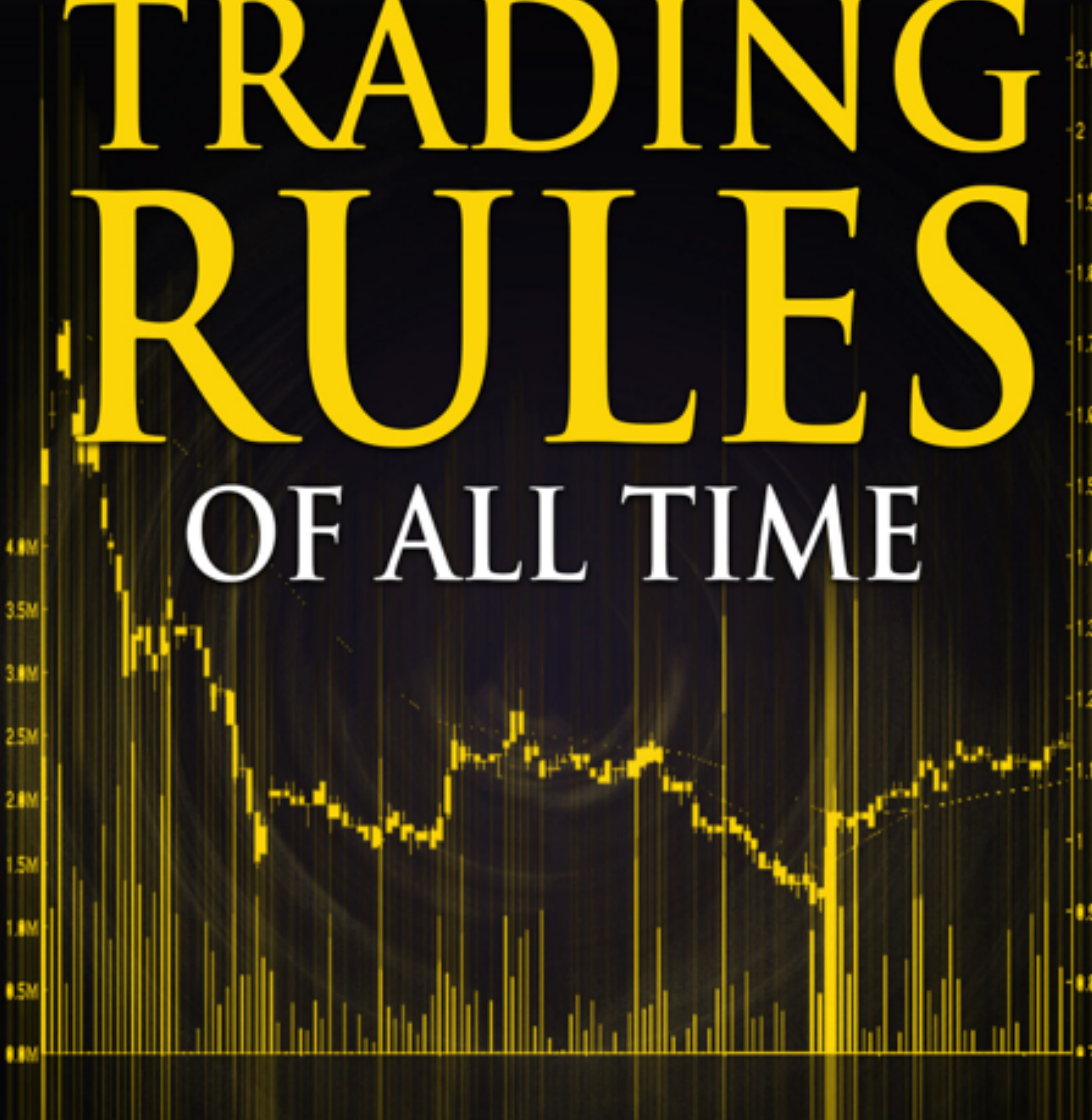
THE TOP 100 TRADING RULES OF ALL TIME



RAYNER TEO

These are **The Top 100 Trading Rules** from the best traders I've come across. They have the biggest impact on my trading and I believe their words of wisdom will go down for generations to come.

To all my subscribers, followers and friends out there, old and new, thank you for the gift of support. The Top 100 Trading Rules is to repay you for all the time and attention you've given me. Here's to you and your continued success!

Rayner Teo

JESSE LIVERMORE

1. Watch the market leaders, the stocks that have led the charge upward in a bull market.
2. They say you never go broke taking profits. No, you don't. But neither do you grow rich taking a four-point profit in a bull market.
3. Successful trading is always an emotional battle for the speculator, not an intelligent battle.
4. Remember that stocks are never too high for you to begin buying or too low to begin selling.
5. Losing money is the least of my troubles. A loss never troubles me after I take it. I forget it overnight. But being wrong – not taking the loss – that is what does the damage to the pocket book and to the soul.

6. When I’m bearish and I sell a stock, each sale must be at a lower level than the previous sale. When I am buying, the reverse is true. I must buy on a rising scale. I don’t buy long stocks on a scale down, I buy on a scale up.
7. The game of speculation is the most uniformly fascinating game in the world. But it is not a game for the stupid, the mentally lazy, the person of inferior emotional balance, or the get rich-quick adventurer. They will die poor.
8. Successful traders always follow the line of least resistance. Follow the trend. The trend is your friend.
9. Don’t worry about catching tops or bottoms, that’s fools play. Keep the number of stocks you own to a controllable number. It’s hard to herd cats, and it’s hard to track a lot of securities.
10. I believe that having the discipline to follow your rules is essential. Without specific, clear, and tested rules, speculators do not have any real chance of success.
11. I absolutely believe that price movement patterns are being repeated. They are recurring patterns that appear over and over, with slight variations. This is because markets are driven by humans – and human nature never changes.
12. Markets are never wrong, but opinions often are. Remember, the market is designed to fool most of the people most of the time.
13. After spending many years in Wall Street and after making and losing millions of dollars I want to tell you this: It never was my thinking that made the big money for me. It always was my sitting.
14. There are many times when I have been completely in cash, especially when I was unsure of the direction of the market and waiting for a confirmation of the next move.
15. It is foolhardy to make a second trade, if your first trade shows you a loss. Never average losses. Let this thought be written indelibly upon your mind.
16. Don’t take action with a trade until the market, itself, confirms your opinion. Being a little late in a trade is insurance that your opinion is correct. In other words, don’t be an impatient trader.
17. When you make a trade, “you should have a clear target where to sell if the market moves against you. And you must obey your rules! Never sustain a loss of more than 10% of your capital. Losses are twice as expensive to make up. I always established a stop before making a trade.

ED SEYKOTA

1. In order of importance to me are: (1) the long-term trend, (2) the current chart pattern, and (3) picking a good spot to buy or sell. Those are the three primary components of my trading. Way down in very distant fourth place are my fundamental ideas and, quite likely, on balance, they have cost me money.
2. If I am bullish, I neither buy on a reaction, nor wait for strength; I am already in. I turn bullish at the instant my buy stop is hit, and stay bullish until my sell stop is hit. Being bullish and not being long is illogical.
3. If I were buying, my point would be above the market. I try to identify a point at which I expect the market momentum to be strong in the direction of the trade, so as to reduce my probable risk.

4. I set protective stops at the same time I enter a trade. I normally move these stops in to lock in a profit as the trend continues. Sometimes, I take profits when a market gets wild. This usually doesn't get me out any better than waiting for my stops to close in, but it does cut down on the volatility of the portfolio, which helps calm my nerves. Losing a position is aggravating, whereas losing your nerve is devastating.
5. Before I enter a trade, I set stops at a point at which the chart sours.
6. The markets are the same now as they were five to ten years ago because they keep changing – just like they did then.
7. Risk is the uncertain possibility of loss. If you could quantify risk exactly, it would no longer be risk.
8. Speculate with less than 10% of your liquid net worth. Risk less than 1% of your speculative account on a trade. This tends to keep the fluctuations in the trading account small, relative to net worth.
9. I usually ignore advice from other traders, especially the ones who believe they are on to a "sure thing". The old timers, who talk about "maybe there is a chance of so and so," are often right and early.
10. Pyramiding instructions appear on dollar bills. Add smaller and smaller amounts on the way up. Keep your eye open at the top
11. Trend systems do not intend to pick tops or bottoms. They ride sides.
12. The key to long-term survival and prosperity has a lot to do with the money management techniques incorporated into the technical system. There are old traders and there are bold traders, but there are very few old, bold traders.
13. The manager has to decide how much risk to accept, which markets to play, and how aggressively to increase and decrease the trading base as a function of equity change. These decisions are quite important—often more important than trade timing.
14. The profitability of trading systems seems to move in cycles. Periods during which trend-following systems are highly successful will lead to their increased popularity. As the number of system users increases, and the markets shift from trending to directionless price action, these systems become unprofitable, and undercapitalized and inexperienced traders will get shaken out. Longevity is the key to success.
15. Systems don't need to be changed. The trick is for a trader to develop a system with which he is compatible.
16. I don't think traders can follow rules for very long unless they reflect their own trading style. Eventually, a breaking point is reached and the trader has to quit or change, or

find a new set of rules he can follow. This seems to be part of the process of evolution and growth of a trader.

17. Trading Systems don't eliminate whipsaws. They just include them as part of the process.
18. The trading rules I live by are: (1) Cut losses. (2) Ride winners. (3) Keep bets small. (4) Follow the rules without question. (5) Know when to break the rules.
19. The elements of good trading are: (1) cutting losses, (2) cutting losses, and (3) cutting losses. If you can follow these three rules, you may have a chance.
20. If you can't take a small loss, sooner or later you will take the mother of all losses.
21. One alternative is to keep bets small and then to systematically keep reducing risk during equity draw downs. That way you have a gentle financial and emotional touchdown.

PAUL TUDOR JONES

1. Never play macho with the market and don't over trade.
2. If I have positions going against me, I get out; if they are going for me, I keep them.
3. Decrease your trading volume when you are trading poorly; increase your volume when you are trading well.
4. Never trade in situations you don't have control. I don't risk significant amounts of money in front of key reports, since that is gambling, not trading.
5. If you have a losing position that is making you uncomfortable, get out. Because you can always get back in.
6. Don't be too concerned about where you got into a position. The only relevant question is whether you are bullish or bearish on the position that day.
7. The most important rule of trading is to play great defense, not offense.
8. Don't be a hero. Don't have an ego. Always question yourself and your ability. Don't ever feel that you are very good. The second you do, you are dead.
9. Everything gets destroyed a hundred times faster than it is built up. It takes one day to tear down something that might have taken ten years to build.

10. Markets move sharply when they move. If there is a sudden range expansion in a market that has been trading narrowly, human nature is to try to fade that price move. When you get a range expansion, the market is sending you a very loud, clear signal that the market is getting ready to move in the direction of that expansion.

11. You always want to be with whatever the predominant trend is.

12. My metric for everything I look at is the 200-day moving average of closing prices. I've seen too many things go to zero, stocks and commodities. The whole trick in investing is: "How do I keep from losing everything?" If you use the 200-day moving average rule, then you get out. You play defense, and you get out.

13. At the end of the day, your job is to buy what goes up and to sell what goes down so really who gives a damn about PE's?

DAN ZANGER

1. Make sure the stock has a well formed base or pattern such as one described on this web site and can be found on the tab "Understanding Chart Patterns" on the home page, before considering purchase. Dan highlights stocks with these patterns in his newsletter.
2. Buy the stock as it moves over the trend line of that base or pattern and make sure that volume is above recent trend shortly after this "breakout" occurs. Never pay up by more than 5% above the trend line. You should also get to know your stock's thirty day moving average volume.
3. Be very quick to sell your stock should it return back under the trend line or breakout point. Usually stops should be set about $1 below the breakout point. The more expensive the stock, the more leeway you can give it, but never have more than a $2 stop loss. Some people employ a 5% stop loss rule. This may mean selling a stock that just tried to breakout and fails in 20 minutes or 3 hours from the time it just broke out above your purchase price.

4. Sell 20 to 30% of your position as the stock moves up 15 to 20% from its breakout point.
5. Hold your strongest stocks the longest and sell stocks that stop moving up or are acting sluggish quickly. Remember stocks are only good when they are moving up.
6. Identify and follow strong groups of stocks and try to keep your selections in these groups
7. After the market has moved for a substantial period of time, your stocks will become vulnerable to a sell off, which can happen so fast and hard you won't believe it. Learn to set new higher trend lines and learn reversal patterns to help your exit of stocks
8. Remember it takes volume to move stocks, so start getting to know your stock's volume behavior and then how it reacts to spikes in volume. You can see these spikes on any chart. Volume is the key to your stock's movement and success or failure.
9. Never go on margin until you have mastered the market, charts and your emotions. Margin can wipe you out.

WILLIAN J O'NEIL

1. Don't buy cheap stocks. Buy Nasdaq stocks mainly selling between $15 and $300 a share and NYSE stocks from $20 to $300 a share. Avoid the junk pile.
2. Buy growth stocks that show each of the last three years annual earnings per share up at least 25% and the next year's consensus earnings estimate up 25% or more. Most growth stocks should also have annual cash flow of 20% or more above EPS.
3. Make sure the last two or three quarters earnings per share are up a huge amount. Look for a minimum of 25% to 30%. In bull markets, look for EPS up 40% to 500% (The higher, the better).
4. See that each of the last three quarter's sales are accelerating in their percentage increases, or the last quarter's sales are up at least 25%.

5. Buy stocks with a return on equity of 17% or more. The best companies will show a return on equity of 25% to 50%.
6. Make sure the recent quarterly after-tax profit margins are improving and near the stock's peak after-tax margins.
7. Most stocks should be in the top five or six broad industry sectors.
8. Don't buy a stock because of its dividend or P/E ratio. Buy it because it's the number one company in its particular field in terms of earnings and sales growth, ROE, profit margins, and product superiority.
9. Buy stocks with relative strength of 85 or higher.
10. Any size capitalization will do, but the majority of your stocks should trade an average daily volume of several hundred thousand shares or more.
11. Learn to read charts and recognize proper bases and exact buy points. Use daily and weekly charts to materially improve your stock selection and timing. Buy stocks are they initially breakout out of sound and proper bases with volume for the day 50% or more above normal trading volume.
12. Carefully average up, not down, and cut every single loss when it is 7% or 8% below your purchase price with absolutely no exception.
13. Write out your sell rules that show when you will sell and nail down a profit in your stock.
14. Make sure your stock has at least one or two better-performing mutual funds who have bought it in the last reporting period. You want your stocks to have increasing institutional sponsorship over the last several quarters.
15. The company should have an excellent new product or service that is selling well. It should also have a big market for its product and the opportunity for repeat sales.
16. The general market should be in an uptrend and either favoring small or big cap companies.
17. The stock should have ownership by top management..
18. Look for a "new America" entrepreneurial company rather than laggard, "old America" companies.
19. Forget your pride and ego; the market doesn't know or care what you think. No matter how smart you think you are, the market is always smarter. A high IQ and a master's degree are not guarantees of market success. Your ego could cost you a lot of money. Don't argue with the market, and never try to prove you're right and the market is wrong.

20. Watch for companies that have recently announced they are buying back 5% to 10% or more of their common stock. Find out if there is new management in the company and where it came from.

21. Don't try to buy a stock at the bottom or on the way down in price, and don't average down (If you buy at $40, don't buy more if it goes to $35 or $30).

22. If the new appear to be bad but the market yawns, you can feel more positive. The tape is telling you that the underlying market may be stronger than many believe. On the other hand, if highly positive news hits the market and stocks give ground slightly, the tape analyst might conclude the underpinnings of the market are weaker than previously believed.

23. 37% of a stock's price movement is directly tied to the performance of the industry group the stock is in. Another 12% is due to strength in it's overall sector. Therefore, half of a stock's move is due to the strength of its respective group.

RICHARD RHODES

1. The first and most important rule is - in bull markets, one is supposed to be long. This may sound obvious, but how many of us have sold the first rally in every bull market, saying that the market has moved too far, too fast. I have before, and I suspect I'll do it again at some point in the future. Thus, we've not enjoyed the profits that should have accrued to us for our initial bullish outlook, but have actually lost money while being short. In a bull market, one can only be long or on the sidelines. Remember, not having a position is a position.
2. Buy that which is showing strength - sell that which is showing weakness. The public continues to buy when prices have fallen. The professional buys because prices have rallied. This difference may not sound logical, but buying strength works. The rule of survival is not to “buy low, sell high”, but to “buy higher and sell higher”. Furthermore, when comparing various stocks within a group, buy only the strongest and sell the weakest.
3. When putting on a trade, enter it as if it has the potential to be the biggest trade of the year. Don't enter a trade until it has been well thought out, a campaign has been devised for adding to the trade, and contingency plans set for exiting the trade.
4. On minor corrections against the major trend, add to trades. In bull markets, add to the trade on minor corrections back into support levels. In bear markets, add on corrections into resistance. Use the 33-50% corrections level of the previous movement or the proper moving average as a first point in which to add.
5. Be patient. If a trade is missed, wait for a correction to occur before putting the trade on.
6. Be patient. Once a trade is put on, allow it time to develop and give it time to create the profits you expected.
7. Be patient. The old adage that “you never go broke taking a profit” is maybe the most worthless piece of advice ever given. Taking small profits is the surest way to ultimate loss I can think of, for small profits are never allowed to develop into enormous profits. The real money in trading is made from the one, two or three large trades that develop each year. You must develop the ability to patiently stay with winning trades to allow them to develop into that sort of trade.

8. Be patient. Once a trade is put on, give it time to work; give it time to insulate itself from random noise; give it time for others to see the merit of what you saw earlier than they.

9. Be impatient. As always, small loses and quick losses are the best losses. It is not the loss of money that is important. Rather, it is the mental capital that is used up when you sit with a losing trade that is important.

10. Never, ever under any condition, add to a losing trade, or “average” into a position. If you are buying, then each new buy price must be higher than the previous buy price. If you are selling, then each new selling price must be lower. This rule is to be adhered to without question.

11. Do more of what is working for you, and less of what's not. Each day, look at the various positions you are holding, and try to add to the trade that has the most profit while subtracting from that trade that is either unprofitable or is showing the smallest profit. This is the basis of the old adage, “let your profits run.”

12. When sharp losses in equity are experienced, take time off. Close all trades and stop trading for several days. The mind can play games with itself following sharp, quick losses. The urge “to get the money back” is extreme, and should not be given in to.

13. When adding to a trade, add only 1/4 to 1/2 as much as currently held. That is, if you are holding 400 shares of a stock, at the next point at which to add, add no more than 100 or 200 shares. That moves the average price of your holdings less than half of the distance moved, thus allowing you to sit through 50% corrections without touching your average price.

14. Think like a guerrilla warrior. We wish to fight on the side of the market that is winning, not wasting our time and capital on futile efforts to gain fame by buying the lows or selling the highs of some market movement. Our duty is to earn profits by fighting alongside the winning forces. If neither side is winning, then we don't need to fight at all.

15. Markets form their tops in violence; markets form their lows in quiet conditions.

16. The final 10% of the time of a bull run will usually encompass 50% or more of the price movement. Thus, the first 50% of the price movement will take 90% of the time and will require the most backing and filling and will be far more difficult to trade than the last 50%.

THANK YOU SO MUCH!

I hope these **Top 100 Trading Rules** will improve your trading performance. I can't thank you enough for your continued support for **Tradingwithrayner** and everything I do.

I appreciate each and every one of you for taking time out of your day or evening to read this.

Lastly, if you haven't already, you can follow me on Twitter (**@Rayner_teo**), and join in on the conversations going on right now on my **Facebook Group**.

Thanks again, and I wish you nothing less than success!

Rayner Teo