



# TRADING RULES AND AXIOMS FOR BEGINNING TRADERS

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## ABOUT

This is my very first Pdf-style e-book. It's a short one; however, it gets straight to the point as a quick starter for those venturing into the trading arena. Although, there's nothing quick about learning how to trade successfully. If it was easy, everyone would be doing it. I've been at this for years and have run across lots of very good resources which I will list. I listed three books which have been the most helpful for me. I wanted to keep this first Pdf-style e-book short just to help trigger some ideas for you. And help you get started positively and on the right path. Finally, years ago, I read a book by Charles Drummond, "How to Make Money in the Futures Market, and Lots of it." The number one pointer that he was emphatic about was psychology. All seasoned traders will tell you this. And it's up to you to find good books on this subject. What you'll find in this terse e-book is an aggregation of pointers I've learned over the years.

**My Disclaimer:** None of the information presented in this e-book is trading advice, it is solely for educational purposes. It is solely up to you, and it's your responsibility to question, accept or reject what is written in this e-book.

I wish you well on your educational journey to become a successful trader!

# TRADING PLAN FOR SUCCESS

**When trading financial instruments; plan everything in this order:**

1. Find the strategy > Analyze the market > Analyze data > Back test > Journalize
2. Practice the strategy > Retrade > Trade live with small amounts of capital
3. Study how to improve the strategy > Tweak algorithms and indicators > Back test
4. Study how to improve your personal trading > Timing > Emotions > Risk Management
5. Become consistant > This is based on confidence > Which is based on experience
6. After consistancy; the goal is to add size > Increase size little-by-little when goals are met
7. Proper management of capital
8. Keep gaining experience

**REMEMBER AND REVIEW THESE GOLDEN AXIOMS PRECEPTS REGULARLY:**

- 1) "UNIVERSE RESPECTS EFFORT AND COURAGE" THERE ARE NO FREE LUNCHES
- 2) PICK 1 of 3 DAYS A WEEK FOR TRADING → WEDNESDAY, THURSDAY, FRIDAY
- 3) TREATING YOUR TRADING AS A BUSINESS IS THE FOREMOST THING TO DO
- 4) STUDY A MARKET'S BEHAVIORAL CHARACTERISTICS BEFORE TRADING IT
  - a) LOOK FOR AND EXHAUST ALL WHY-NOT-TO REASONS FOR A TRADE
    - i) THE TTM\_SQUEEZE INDICATOR ISN'T ZERO OR HASN'T BEEN RECENTLY
    - ii) LINEAR REGRESSION INDICATOR ISN'T SHOWING ANY OPPORTUNITY
    - iii) WOODIES CCI ISN'T INDICATING AN OPPORTUNITY FOR A TRADE
    - iv) THE MARKET ISN'T IN AN AREA OF MINOR SUPPORT OR RESISTANCE
  - b) GET A GOOD "FEEL" AND "PULSE" OF THE MARKET'S TEMPERAMENT  
FIND AN AREA OR LEVELS WHERE THE VOLUME IS THE LEAST
  - c) WAIT FOR A MARKET CONSOLIDATION OR AN ORDERLY TREND
- 5) STUDY, REVIEW AND TRUST YOUR TRADING INDICATORS AND SIGNALS
- 6) FIND POINTS AND LEVELS OF SUPPORT AND RESISTANT WELL IN ADVANCE
- 7) PLAN ENTRIES, EXITS AND ALERTS A DAY IN ADVANCE PRIOR A TRADE
- 8) KNOW YOUR ALGORITHM(S) THOROUGHLY PRIOR TO MAKING A TRADE
- 9) AFTER A TRADE, REVIEW AND MEDITATE ON WHAT WENT WELL OR BADLY
  - a) EMBRACE AND APPRECIATE WHAT YOUR TRADES WILL TEACH YOU
- 1) IT'S ALL ABOUT WHAT THE MARKET IS TELLING YOU WHERE IT IS GOING
- 2) AVOID ALL OF THESE THINGS BY BEING AWARE OF THEM:
  - a) MAGICAL THINKING / CLOUDED JUDGEMENT / FANTASIZING
  - b) PREDICTING / MONETARY WANTS / WISHING / HOPE
- 3) KNOW THYSELF AND YOUR SHORT COMINGS THAT CAUSE LOSSES:
  - a) HESITANCY:
    - i) TO INITIATE A TRADE WHEN THERE'S AN OPPORTUNITY
    - ii) TO GET OUT WHEN THINGS DON'T APPEAR GOOD
  - b) IMPULSIVENESS
  - c) IMPATIENCE
  - d) INDECISIVENESS
  - e) FEARFULNESS

- UNCOMFORTABLE ACTIONS ARE “SOMETIMES” THE MOST PROFITABLE THINGS TO DO
- SUCCESSFUL TRADING IS NOTHING MORE THAN BUYING STOCK/FUTURES CHEAPLY FROM THOSE IN PAIN; AND SELLING IT EXPENSIVELY TO THOSE WHO ARE GREEDY. OLIVER VELEZ
- LET THE MARKET “COME TO YOU” VIA RETRACEMENTS AND LINEAR REGRESSIONS.
- BE VERY PATIENT: THE OPPORTUNITIES ALWAYS COME FROM PLANNING AND WAITING.
- SUCCESS COMES FROM FOLLOWING ONE’S TRADING PLAN PRECISELY TO THE “T”.
- TRADING IS ABOUT APPLYING SKILLS, TACTICS, PROPER EXECUTIONS & DETACHMENT.
- I can certainly do it, and I BELIEVE I can!!! ~ Napoleon Hill
- Know your inner demons and enemies: market makers, specialists & traders.
- You, and only you are responsible for your results....
- Relax prior to entering the market by stretching or reading something.
- Don’t think, “feel” (sense the market). ~ Bruce Lee
- Avoid predicting a move → react only when **opportunity knocks!!!**
- I am worthy of and deserve to make at least \$30,000 dollars annually!
- The market is my friend & field of dreams & liberator of my possibilities.
- Great discretion should be used with any attempt to override a rule.
- Trading is 80% mental and 20% technical analysis of one’s total activity.
- Learn to “love/accept” losses; because they teach you your weaknesses.
- When fatigued & tired, take time off until you recover → read books.
- Be flexible and observe “other” markets for opportunities.
- **When in doubt, stay the fuck out.**
- “Pat” yourself on your back when you follow your rules. ~ Van Tharp



## **5 Fundamental Truths of Thinking in Probabilities**

- 1. Anything can happen!!**
- 2. You don't need to know what will happen next in order to make money.**
- 3. There is a random distribution between wins and losses for any given set of variables that define an edge.**
- 4. An edge is nothing more than an indication for a higher probability of one thing happening over another.**
- 5. Every moment in the market is unique!!**

## **Creating a Belief in Consistency**

- 1. I objectively identify my edges.**
- 2. I predefine the risk of every trade.**
- 3. I completely accept the risk or I am willing to let go of the trade.**
- 4. I act on my edges without reservation or hesitation.**
- 5. I pay myself as the market makes money available to me.**
- 6. I continually monitor my susceptibility for making errors.**
- 7. I understand the absolute necessity of these principles of consistent success and; therefore, I never violate them.**

Sources: The Disciplined Trader: Developing Winning Attitudes; and Trading in the Zone  
By ~ Mark Douglas

## **REFERENCES**

Tools and Tactics for the Master Day Trader ~ Oliver Velez and Greg Capra

The Disciplined Trader: Developing Winning Attitudes ~ Mark Douglas

Trading in the Zone ~ Mark Douglas