The 7-Keys To Finding The Best Moving Stocks On Wall Street.

# CRACK THE CODE TO STOCK MARKET SUCCESS


## VINCENT DOWD

**Take Control of Your MONEY**
**Protect Your Family For LIFE**

Second edition 2022



The people and events described and depicted in this novel are fictitious and any resemblance to actual incidents or individuals is unintended and coincidental.



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Dedicated to:
All My Clients And To Their Success

# Note from the Author

Whether you are first dipping your toes into the Trading World or need a crucial review to refresh, this is the book for you. I have spent over thirty years trading and teaching the Markets, and I have compiled any and all information you would need to know in order to be financially successful with the Stock Market. Throughout my years of learning and experiences (both good and bad!), I have created the L.E.T.M.E.I.N. System as a crucial yet simple method. In addition to covering my system, we will go into depth on many topics regarding Trading and much more! Knowledge is power.

However, Trading with knowledge is more than just power. It is absolutely crucial to your financial health and financial gain. I am confident you will enjoy the knowledge I have compiled for you in this book.

-Vincent

# Introduction

It was the 1990s, and I was working for a Fortune 500 company and bought my first house, which I filled with roommates to help me cover the mortgage. This was a smart investment that paid for my house. One of my roommates, Ron, used to watch *The Nightly Business Report* which, to me, seemed rather boring. The Internet was just starting to circulate into our everyday lives as the "new thing" and the "new frontier."

I began to notice that many of the Stocks on this boring business nightly report were talking about this new technology called the "Internet." I recall the Stock Market symbols floating across the screen, hearing the jargon, and feeling that this information was way over my head and knowledge level. This man on the screen was saying words I didn't even know were a part of the English Language! I simply brushed it off and thought this was for all the smart people and the Elite. I would never understand it! After coming to this conclusion, I called it a night and headed upstairs for bed.

I did not pay much attention to it much at all after that until one day, my roommate Ron, an avid viewer of *The Nightly Business Report,* told me a company was going public called Netscape and that it could be big! I knew Netscape! I used it as my browser on my brand-new computer! I did not know what my roommate meant when he used the phrase "going public." He educated me a bit and told me it would be traded on the Stock Market for the public to buy and sell. He said he was getting in and would "make it big." Even though I found the information he shared with me interesting, once again, I paid little attention and did not give it any more thought.

Then, sometime later that year, there was a knock at the door. One of his friends showed up, and they talked about Stocks. After his friend left, Ron (my roommate) showed me $3,000 cash that he had just made on Netscape. Now, in the early 1990s, $3,000 was a lot of money, and all I can say is it definitely got my attention. I was completely gripped into this seemingly new way of earning money and was now completely obsessed with it. Anyone who knows me would know that I go "all in" on everything that I do. Not halfway, or even 73% of the way. I give 100% of myself into everything that I do. This is the manner in which I live my life.

Looking back, I don't know if Ron really ever made much money (other than the $3,000 I was shown), but I just knew that if there was even a way for such a small-time guy to get into a Stock pre-IPO (before it goes public), and knowing

Ron the way I did, it might have been just talk, but looking back on that incident, it was one of the pieces in the puzzle leading me to the Stock Market. It was the first puzzle piece on the board, and I was slowly figuring out which pieces go, whereas I began to build my new interest, and thus, the Stock Market puzzle began.

When I sold my house, I had to get rid of my dog "Niko" (a beautiful great Dane/lab mix). The lady that bought her from me traded the Stock Market full time and had a beautiful house. I continued getting signals about the Stock Market. It was as if some divine power or the universe was constantly pointing me in that direction. I kept getting sign after sign that this was going to be the next direction I was heading. It started popping up in my daily life, from newspapers to noticing it on TV. It was too late. Once you notice and start building the interest, there is no way out now!

Then, one day, I heard about trading on a talk radio show at my mom's house. She always listened to talk radio throughout the day. This guy on the show spoke for thirty minutes and made the Stock Market and strategy seem not only exciting but like it could make you rich in little to no time! I attended that seminar at a local hotel, which was the starting point for the last twenty years. I will say that the get-rich-quick idea sucked me in. However, it is not a get-rich-quick process, but it can be a very successful road if you commit to it. You have to do the work and be ready for failure and plenty of success.

I want you to know that I don't plan on telling you how rich you can get by trading the Stock Market, though I would love to think that it was that easy. There is NO GET RICH QUICK, and if it happens, typically, this is because no skill-set was developed over time on learning how to earn that money. The odds of keeping it are quite slim!

I know the late-night infomercials make it sound that way. They definitely hooked me in, and I am glad they did, as that was another part of the process on my Serene Path to trading. Make a decision to grow your wealth steadily. I also want you to remember one thing! That one thing is that wealth and riches are NOT outside of you, and they are not external! They are purely intrinsic-YOU ARE THE VALUE.

When you get your head and heart around this and on the same page, you will start to have major changes in your life. This is what I simply refer to as "alignment." When these two items are aligned, nothing will be able to stop you except yourself!

Just to let you know, Warren Buffet has averaged 23% per year. Why is this a big deal, you may ask? The TOP traders do not do better than that! I will typically say yes on a trade-by-trade basis. You can make 100%, 400%, etc., on options, but that is a trade-by-trade basis! Don't expect to make 50% a year because if you did, money would practically be thrown at you from every direction.

You can also lose 100% of your investment if you do not pay attention and become complacent. We need to come back down to earth and realize GET RICH QUICK—we say we don't want that, but after conducting thousands of seminars, I have concluded that this is exactly what people want. They just won't say it.

I do want you to know you can LOSE a lot of money trading. Let me say it again, it is more important that you acknowledge how much you make and how much you can lose. I have seen people lose a ton of money in the Markets. People out there want your money and are doing everything they can to get it from Banks to Corporations, even the Government. You have something everyone wants, so keep that in mind. This is not just a simple spin of the Rolette Wheel, and you're done. There is risk in putting your money out there into the Markets. OUR GOAL ULTIMATELY is to help you learn to keep your money and keep you safe. Once you have that locked in, we can move on to making even more money than you ever imagined.

LET THAT SINK IN…LEARN TO KEEP IT, PROTECT IT FIRST, and then the money will begin to grow. The biggest mistake amateur investors make is that they will buy a Stock, and when it turns against them, they don't sell it. They are afraid to take a loss. This loss then becomes much bigger, and as cognitive dissonance sets in, they freeze in disbelief that this could happen. After all, they think, "*I did all the work, the study, the research, and I was sure this would be a winner! How could it go down? It must be a temporary fluke, so I will hold it. It has to come back up.*"

This is the thought process that will lead to the destruction of an account. Instead, it is much easier to realize from the beginning—I have no idea what the Market will do, and no amount of study can change that. If I am wrong, I will exit immediately. If I am right, I will stay in and manage the risk. We must start from the beginning knowing that the Market will do what it does. All we can do is our best to time it right, lock in profits, and make quick decisions. If wrong, quickly take the exit and lose. This does not make you a loser! When correct, move, stop loss, and manage risk while locking in profits as you win.

I blew up my account, not once, but many times! I want to help you not do this, but the question is, will you listen to me? Will you do what I suggest to protect it? Will you?

The issue comes down to YOU. What you do, what risk you take, how you manage yourself and your emotions, and finally, what actions you end up taking. My promise to you is that I will teach you what I know. I will share my pain and my loss so that you can hopefully avoid your own. Use my painful lessons as your learning tool to advance with wisdom instead of repeating what I have already done again and again. Some of you I know like to experience it yourself. Well, losing a lot of money is not a great way to do just that. I know some of you will act on wisdom and focus your efforts on the key here—Risk Management. If you do, you will be miles ahead of the others quicker than you can imagine!

I will take my twenty years, my struggles and challenges, my losses and wins, and expose you to the lessons and wisdom so that you can move faster than I did. No matter what you do, I wish you the greatest success on your road to building freedom and wealth and learning about who you are as you face your fear, greed, and emotions in the Markets.

My intention is to take the last twenty years of my life. To distill the countless seminars, trainings, home study programs, mentors, books read, and the hundreds of thousands of dollars spent on my education and boil it down to the meat. I want to cut the fat for you and put you at the table to taste only the quality of what I have learned that has and currently is working. Does that mean you will win all the time? NO! Does that mean things won't change in the Market? NO! It does mean I will give you a big head start if you choose to implement it.

It does mean I will give you the direction that could literally save you tens of thousands of dollars being wasted or lost. These are all potential of what could happen, but in the end, as we all know, the choice is always yours. I give this to you as my gift so that you and your family may reap the reward from my countless hours of research, time, losses, and gains. I hope you honor this tool and use it to your advantage.

I will do my best to cut away the lingo, jargon, and other unnecessary terms and complex nonsense, and take what is a very big topic full of different parts and give you a foundation. Less is more with this topic! I will not fill your head with a lot of things you can buy or learn just so I can sell you something else. I will give you what I believe you need to win and protect your money in the Market. I hope it is easy to follow, enjoyable, and profitable for you. I hope you will read it, do the work, and communicate with me on this journey. The Serene Path.

## *RESULTS:*

"I made a million dollars on my first trade starting with $20." I wish I could say this. In fact, I have pretty much heard this kind of BS on the seminar circuit. Not only am I blown away that things like this have been said, but I am even more blown away at the number of crowds who get stuck in mass mind and actually believe it! Please understand this does not happen.

Some may find luck and hit the jackpot out of the gate, but when that does happen, often, there is a great fall not too far behind. I started trading while working two jobs. I was in my early twenties, driving a taxi and delivering pizzas. I was working hard because I was what we called in those days, "BROKE."

I, however, was never one to be lazy. I learned if you want something, go get it! I have always had a drive, and to me, that is the key to making things happen! Yet, today, I am also learning there is a balance to that. We also need to learn to "Let It Happen." Using our heart or our feeling space, we need to know when to make things happen and when to let things happen. This is my work now. Operating out of more a feeling center versus my mind all the time, but that is another story we will get into another time.

I had just moved back in with my single mom and took back my old bedroom in her two-bedroom condo in Thornton, Colorado. I was deeply in debt, over $30,000 from investing in many home-based businesses, spending money on a new car, and just using my credit card unwisely. Every credit card was "maxed out." I had left my corporate job due to being absolutely miserable in a corporation of 30,000 people, where I had no hope of succeeding. I needed something more! I wanted excitement and money. Since I did not have a college degree, I was told that it would be hard for me to succeed.

This was the belief system, and today, I think it still is. I just want to make it clear that this is a belief, and beliefs are not facts. They are opinions, and you can change that. Don't accept anyone else's opinion of what you can or can't do. You are the creator of life, you are the value, and once you see it and get into the flow, there is nothing stopping you.

My real skill was learned in Kindergarten. I went two years in a row. I was a Kindergarten "Flunky!" That's right! Due to learning disabilities such as Dyslexia (not labeled in the 1970s), my teachers just said, "Vince has poor self-concept and is not keeping up with his peers. He is slow and complains of illnesses a lot. He is often concerned about the big warts on his fingers…"

I learned to think differently, work around issues, and work hard to make the grade. I became independent as I did not feel I measured up to my "peers" in any way. It was not my smarts, confidence, my family… none of these were my key to success. It was only my ability to go for it and, when knocked down, get up, and keep going for it even though I felt alone, lost, confused, and depressed. I just kept going. That, to me, is worth a thousand college degrees!

I just wanted to be successful. To me, in the 1990s, success meant making a lot of money, and coming from a barrier of $35,000 annual income working in a corporation, anything over $50,000 seemed like a lot of money. However, I wanted to hit the six-figure mark. Little did I know that just about two years after attending a seminar at a hotel in Denver, I would be living in Seattle, trading Stocks and options and building financial success on the Stock Market Express. I did just that by trading the Stock Market using options. Before big success came, I blew up my account, lost all I had in my account, and saw many people do this.

**It is important to note that you could potentially blow up your account. I can help you potentially avoid that IF YOU LISTEN AND USE THE RISK MANAGEMENT I TEACH. Make that your PRIORITY…the money should be secondary!**

Then came 1996, and I hit the dot com run. It seemed I could do nothing wrong. I had made a ton of money using leverage. I would spend $500 or $1,000 on some options, and in two weeks, they were worth $4,500, $6,000, and more. I was nailing the trades on Dell Computer (DELL), America Online (AOL), and Microsoft (MSFT), the big one that I made over $100,000 on one trade was my options on Qualcomm (QCOM). I was on fire… or so I thought.

I did this by starting trading with a few thousand dollars, losing it, pulling together a few more thousand, and building a strong account. Then due to my success, I was invited to speak for, at the time, the largest financial education company in the USA. I traveled the United States teaching people what I had done, trading, and making a name for myself. I help many others to achieve financial success using the same systems and strategies. My big passion today is to help YOU achieve success using what I have learned on this journey.

My family, consisting of my single mom and older brother, could not understand how this dyslexic slow kid could blow the income out of the Market. I was making more than my family combined ever made. My friends did not get it either. One day in 1995, I left Denver in my beat-up old white and rust Toyota filled with all I owned and drove to Seattle.

Next thing you know, they saw me a few years later driving around in a new Black Mercedes, paid for cash. I could not help but be stopped and asked what I was doing, how much my payments were, and other questions like this. I was so excited. I was fortunate enough to take my mom to Hawaii and my brother to Europe and give them first-class treatment, all because I DID THE WORK! I did what others laughed at and said I could never do.

More important than my success is knowing that I impacted lives. I taught my brother and his wife how to trade, and they did well. Helping friends learn to make money on their terms and helping countless thousands learn to buy back their life, have more time, and do more things due to the power of financial literacy. I hope now to help you in the same manner.

There are a lot of challenges out there. There are obstacles that you are going to face. First of all, you have entire industries trying to get your money. I say industries because there are many. I may be hard on them. However, they all can be utilized for your benefit, should you take the time to utilize their benefits. I, however, think they rely on the fact most will never do the work or have the discipline to make it, and thus they become liabilities to the masses versus an asset, which they very well could be. Every tool can be used to build or destroy. Let's have a look.

**The Stock Market:** Consisting of traders, specialists, Market makers, institutions, banks, seminar speakers, principles, high-frequency trading firms, prop traders, etc., that are in the Market for one reason TO TAKE YOUR MONEY! They are living in a capitalistic system and have done the work to learn to take advantage of it, where the masses enter this Market with little knowledge and thus become the giving end of the wealth transfer process. *(Oh, and do you think they have invested heavily in their knowledge and tools?)*

**The Banks:** I must say that I despise most banks, as I think they are rather vile. That is not to say there are not good banks, I think there are, but most of those are "private or community banks." The job of a bank is to house your hard-earned money and hold it for you. However, they now have become the keepers of wealth. They give away money to people who do not earn it, who do not create productivity or use the creative process. They charge you fees, give you little to no interest, and they use your money when you don't to create massive wealth. Then, when they take big risks, they get bailed out with your money, and they NEVER lose.

Large banks control the money. The FED is made up of a bunch of private bankers that steal your money and value through manipulation of the money supply and interest rates. They have destroyed the value of the dollar. Had you worked thirty years ago and saved one hour of wages, today, that hour that you stored in the bank as currency is worth 95% less. You lost your value while the FED stole it. I highly recommend that you read *Creature from Jekyll Island.* It goes into all of this in greater detail. AQZ.

**Managed Funds:** These fund managers you give money to are not paid to make you money. They are paid to make the firm money. They don't work for you. They are paid and often bonused to track the Market. Let's look at this logic. If the Market is down 13% on the year and the fund is only down 10% on the year, well, they beat the Market. You lose 10%. They get paid and bonus—for losing your money! This is the game people don't know they are playing—how can you win a game where you don't know the rules?

**The Major Financial Seminar Companies:** I am discussing this at a risk. You see, I am an insider. That's right, I have not only spoken for the largest seminar companies. I do love it, and I want you to know my focus was to give great value to my clients. However, I will say that I learned a great deal in this industry, and let me give you a short lesson I found valuable. Some speakers are the "real deal," but from my time on the road, I found out that many are not. That means not only do most not do what they teach, they are often just master salesmen in the art of influence, NLP, and persuasion. The companies thrive on profits and getting you sucked into the never-ending funnel to keep paying for the next level. I don't think this is bad as long as when you are paying, you gain great value from each level, and it is working for you. That is a two-part game. They must be giving you value and strategy that works and not old ideas that sound good. You must take the information and utilize it, put in the work, and discipline yourself. Then, you will find out if the program they sold you is working or not.

While there are some great seminar companies and speakers out there that offer great value, tremendous support, and authentic care for their clients, it's important to just know that the motivation for most of them has nothing to do with YOU…it is about their next sale and next profit from that sale. I call it "love you and leave you."

This has got to STOP! Please, Please check the fruit on the tree. Do your research on the net and talk to people. I think you will be better off with smaller companies where the owner is involved with you. Again, this is a case-by-case basis.

Another challenge you face out there is that the entire system is rigged. I know people often think if you say something like this that, you are a "conspiracy theorist." I still find this funny. We are swimming in an ocean of conspiracy, but the media and governments are so good at mass programming and propaganda that they have the masses convinced that what is bad is "conspiracy theorists."

The entire idea was started by the CIA in the Kennedy era to keep people from questioning the assignation of JFK. The tactics they use are very similar to what I just talked about in the persuasion techniques of seminar speakers selling their programs or products. The Media and the Government are masters at it. They just don't sell a product. They sell an idea and belief system like in the movie *Wag The Dog*. If you don't think we are swimming in conspiracy, I invite you to research. Start with the recent "Libor Conspiracy" involving banks rigging interest rates for ten years. The IRS is being used to go after certain groups to stop them. Then, look at the precious metals manipulation, Fast-and-Furious, and I could go on and on.

## *THE POINT*

To believe everything is a conspiracy is extreme, yet many think the other side is totally logical. They believe there are no conspiracies. This is just extreme, but to come to the middle way and know that as long as there are people with money and power who have an ideal outcome they want, there will be a solution created first, and then a planned problem and reaction to get the people to accept the solution. These are key in the military handbooks. I just invite you to question everything and that you are open to the answers. When you put your money to work, always ask yourself:

**IF THE WORST DOES**
**HAPPEN, WHAT IS MY EXIT**
**PLAN? WHAT IS MY RISK?**

We could continue on who else is trying to get your money, but I think you get the point. In a culture of greed, power, and control, you are out there alone, working hard, doing your best, only to be prey for the big boys and the elite 1%.

Many people have been helped by the information I share. I can't do the work for you, however, so those who have shared their experiences chose to be consistent in their approach, discipline themselves, and say I am worth it. My life and family are worth it, and if I am going to succeed, I need to make this a priority in my life. I need to carve out the time, treat it like a business, and never quit! I will continue working on this craft, tweaking my strategies and getting better. You have the ability to do this if you choose; I hope you choose to do this.

Dear Vince,

"It was magical to attend yesterday's seminar and get to meet person like you!

You swept us all away! inspired us not by money, neither fame...it was kinda nitro boost of/for life...at least for me

Thanks universe for crossing my way to yours and having this chance writing to you :)"

*Mazen S*

# MY STORY

Allow me to share a brief synopsis of my life before I started making money trading. Many of you reading this book will already know my story, but this is a quick recap of my life so that those who do now know me may get the opportunity to get to know me through these pages.

I was born into a family with major problems. Before I was even born, my parents already had several miscarriages and two boys—Lanny and Jeff. Lanny was a year older than Jeff, and they were close as brothers often are. My father was a bit of a tyrant and alcoholic, an ex-cop, and he did not do well at making money. One summer, due to finances, he sent the boys and my mom Sharon to Kansas to stay with her parents while he sorted out his job situation. This summer would change the entire course of this family and lead me into a picture that was rather bleak and painful.

While the family was in the house, the two boys were playing in the backyard. It was so hot that day that they decided to jump the fence where the neighbor had a nice cool swimming pool. They thought they could cool off, and without asking permission, they began jumping into the pool and playing like little boys would on a summer day in Kansas.

However, neither of the boys knew how to swim.

Lanny jumped out too far and began to drown. Jeff tried to help but could not reach Lanny. He ran screaming for help, and Uncle Dave heard the call and jumped in to save Lanny…but it was too late. That day Lanny drowned. That day a family fell apart.

Just over a year later, in 1968, I was born, maybe as a replacement to fill the void for a son they lost a year earlier. I don't know exactly why I was chosen for this family, but I do know that my coming into the world and being part of this family was not filled with wonder and love. It was more dysfunction and screaming fights as my mom and dad tried to figure out how to survive with no money and no jobs. I rarely slept.

I would cry through the night and miss school a lot. I was often ill due to the constant stress in my household. My teachers noted my self-concept, and I was referred to as "being bad." It came to a point where I flunked Kindergarten due to the many sleepless nights, I'm sure. My dad would abuse my mom and call us dirty and nasty things.

One particular night, I remember my father pulled a gun and was going to shoot us. My mom threw us in the old green wood-paneled station wagon, and we drove to a nearby field and slept in the dark night inside the car. Eventually, my mom and dad got divorced, and my dad left my mom with no money, no job, and all the bills, and us two boys to top it all off!

For the next fourteen years of my life, I would watch my mom work hard in two jobs, cry every week because she could not pay bills, and spend time at the bars to escape the loneliness and pain of it all. This left my brother and me to fend for ourselves. I hated to see my mom cry and never have anything new. I hated being poor, so I knew I wanted to be rich…I did not know how, but I just knew I must, so I could take care of my mom.

Since I was not good in school, how I graduated I will never know…I did work hard, but learning was not easy for me in the packed public schools, and often the kids had a much better understanding of the concepts than I did. I often daydreamed or wondered about my life. In 1986, in my junior year, a movie came out with Tom Cruise, *Top Gun*. It was exciting, and I figured since I had no clue what to do, I would go see the world and join the Air Force.

So, I did just that in 1987, right after graduation! I never saw the world as I was stationed in Omaha, Nebraska, at Offutt Air force Base. They used to say, "once you get on it, you will never get OFFUTT." I learned this to be true, which was not too much fun. I literally was trapped in the Air Force, and I despised it. The job and life they promised, they did not fulfill. I was in Nebraska, separated from my friends and family, and had depression and culture shock.

What saved me from this misery was getting involved in a home-based business that would soon turn out to be a blessing and a curse. The Martial Arts kick-started my life journey for me that I never saw coming! We will continue my story at a later date in this book. For now, let's hop into my system and learn a few important preliminary topics before diving in head first.

# CHAPTER ONE:

# *Tactics*

## *The Tactics of The Wealth Vault System*

In my first edition of *The Black Book of Elite Traders*, I discussed key principles in mindset and discipline, as they are the foundational formula for success in trading and business. I have spent over nineteen years and hundreds of thousands of dollars in study, attending seminars, sitting with mentors, and reading and reviewing home study courses, only to find that 90% of the focus is on tactics, strategy, and techniques. Yet, 90% of traders are NOT successful.

I started asking myself why this was the case. It simply did not make sense! If someone was being fed from a silver platter all the strategies and tactics in the world, why would they not be successful? I didn't understand this. Throughout my experience, I slowly began to understand that the key to success is not technique or tactic alone but with technology that lies inside of all of us, between our ears.

Thus, the first edition of *The Black Book of Elite Traders* was created not to discuss strategies or techniques (those are a dime a dozen) but to discuss what needs to happen outside of the tactical process in order for us to be successful traders!

**Two** vital keys to winning in trading or investing are:

1. Manage your positions and risk (know your exits before you enter).
2. Manage your emotions tempered with strong Discipline.

I talk about these in the first edition of *The Black Book of Elite Traders*. The fact still remains that many people do not like to read the type of content that is present in the first edition of the book. They want the "so-called meat," which makes up certain topics such as Tactics, Strategies, and Methods, as if those will make them the money! As we discussed in the beginning, the inner dimensions need to be aligned with the outer dimensions for us to be successful traders and beyond!

## *TECHNIQUES, TACTICS, TRICKS*

Please do not worry, as I am going to give you some tactics in this eBook. However, you can find thousands of strategies and tactics in books, on the internet, in seminars, or even from "gurus." The world is full of tactics and "how-to guides." There are so many different ways to make money in the information age, yet a small number of people actually make money or profit from such information.

I have discovered several reasons for this lack of success from people who are not actively working on themselves and get (what I like to call) the "Shiny Penny Syndrome." This is where people constantly jump from one new thing to another. These people range from typical "Seminar Junkies" to "Self Help Gurus." Trust me, I know the type!

I used to teach Seminars and shared the stage with big names such as Daymond John, Tony Robbins, Jim Rogers, Carlton Sheets, Wade Cook, and George Fontanills. These people (not the big names mentioned, but the audience) attending these events are mostly "all talk" and seldom take action to become successful.

## 31 FLAVORS. YOU SHOULD NOT EAT THEM ALL.

This is the direct result of the "information age" we are currently living in. There is so much information out there now! In fact, there is too much information. This is leaving people feeling overwhelmed and overstimulated. We fill our heads with information that is not crucial or even relevant. This information floats around in our minds and blocks out all the relevant information we need! In this eBook, I am going to suggest you keep it simple.

This reminds me of myself as a kid when my mom used to take me to Baskin Robbins, the ice crème parlor. I loved going to Baskin Robbins for a treat! The best part? They did not just have Chocolate and Vanilla, but they had thirty-one flavors! I'm telling you, I wanted to taste them all! I would peer through the glass, ask for tastes, and eventually choose one. Upon leaving, I thought I might have chosen another flavor. I never focused on the ice cream in my dish. My mind was back on the other thirty flavors! The same applies to business and life. Success is when we focus on what we have chosen and do it to the best of our ability.

Later, we evaluate your results and system and decide if it is for you. Too many adults today are jumping from one strategy or tactic to the next. One seminar to the next one. One guru to the next guru. They all never find success! This is partly the fault of the information age and mass stimuli, along with Marketing magic to get the dollars out of the consumer's hands.

## *STOP IT! JUST STOP IT!*

This will break you and burn you out completely! Your job is to FOCUS on ONE THING. When we are too spread out with multiple things at once, we do not become good at any of them. You are mediocre with many things rather than focusing and becoming amazing with ONE THING. The word FOCUS is an acronym:

**F**ollow

**O**ne

**C**ourse

**U**ntil

**S**uccessful

## *THE WEALTH VAULT*

The Serene Investor System is a SIMPLE SYSTEM. Think of it as a Wealth Vault, and the way you enter this vault to reap the benefit of the riches that lie inside, meaning you have to learn how to access the CODE… the Combination I have created. It has come together through trial, error, and learning over the many years I have been trading… however you may tweak it along the way to create your personal edge!

### YOU MUST HAVE AN EDGE TO BE SUCCESSFUL

To have an edge in trading does not mean that you have to have some super amazing strategy or hidden secret. Rather, it simply means you need to have something that you do that allows you to get better odds.

An example of this would be when I started trading options in the 1990s. My trading partners and I realized that when companies announced Stock splits, oftentimes, the company would run higher on that news. I began to trade this profitably, and then upon more research, we found that there were certain forms (public information) that companies had to file with the SEC prior to increasing the number of shares to ensure they could announce a Stock split.

This little bit of information accessed and utilized allowed myself and my associates to amass strong profits by being in before the news was made public on television. It truly was public for those who were willing to do the work.

This filing became a “tip-off” for me, allowing me to enter trades early, speculating that the company would announce a Stock split. I was not always right, but the odds became much better, and since the Market is a game of probability, I wanted more of the odds stacked in my favor.

Oftentimes, we were correct and were "in" before the demand was high. We would exit on the news when the masses would jump in, which allowed us quite a bit of profit. That is an example of AN EDGE! You find the edge by spending time working on what you learn, and you may find many of these, but the key is to do the work and invest the time. ***(Note**: this strategy has not worked well in recent Markets. However, it could come back and work well again).*

The system I have developed for the Serene Investor Wealth Vault is a system that works very well. However, it is up to you to implement my system and continue working on it. I can't say that it is the end all and be all, as every trader has a different personality, and some prefer to day trade, while others swing trade, among other types of trading. The system I use would potentially be considered swing trading to position trading using options. Everyone is different! Some people love basic strategy and others like complicated systems that take hours and hours upon end to learn.

Personally, I prefer simple, and thus my system would classify as more of a "Chocolate" or "Vanilla" flavor. The "Rainbow Sherbet," or more complicated strategies, are not my favorite. My personal dislike for complicated strategies does not mean that they are bad necessarily! I just like simple and easy. I now believe "Less is More!"

You can just read this eBook, and like all books, it may be of some interest, and then you move on to the next thing. **OR…you could use this book, re-read it, underline, highlight, and implement it. You will see that the value is there! I encourage you to do the work and let it prove itself to you.**

Then, YOU DECIDE if this system is right for you. I am revealing my "Life's Work" here, and it is rare that anyone will give you this kind of value. I am not holding back. This is the complete system. If you like it and see the value in the system, you may trust me and hire me at some point as your mentor. I would be your personal guide, and should you decide to do that, you can always reach me at vince@authenticelevation.com.

Regardless, I wish you great success in this venture of trading the financial Markets.

Please note that this eBook contains my Wealth Vault System, designed to identify and trade equities. Since I started trading in the 1990s with very little money, I moved very quickly into Options Trading. An option is simply leverage and allows one to purchase **control** of a Stock without needing as much money as one would need for a basic Stock. This is where I built my focus over the last nineteen years! I don't have the room in this eBook to teach options.

However, I will be sharing my system! Once you know how to trade the way I do, then implementing options increases your return rate and minimizes your risk when done properly. I will touch on options. However, should you find that you want to really learn them, I encourage you to join the AE Trader's Cadre Group or my One-on-One coaching sessions.

I think it is important that whatever system you decide to trade resonates with you, as if it does not, you will not do the necessary work. If you find that this system does not flow with your personality style, risk tolerance, goals, or schedule, please understand that it just may not be the right fit. I would urge you to pass this book on to someone you feel may be interested. The Stock Market changed the life of myself and my family, and it could do the same for you or someone else. Once you learn to trade it and discipline yourself to do the work, everything will come flying to you.

If this is the system for you, then come back to this book and begin to implement, highlight, underline, and practice, practice, practice! **Print it out and follow the steps.**

The Wealth Vault System uses technical analysis (chart reading), fundamentals (the numbers), and options (the instrument of leverage), along with Money Management and Risk Aversion. I strive to make each simple and understandable… If you are brand new to trading, this eBook may be a bit over your head as understanding Market basics is important, from charting to options. I will cover these to a degree, but again there are books 400 pages thick and seminars that last five days on the subject of charting alone. Therefore, I will give you the meat of the Wealth Vault System. You may need to add some basics if you are newer to trading.

**NOTE:** This next section is not about the financial Markets. It is, however, a critical piece of information that provides a backdrop to the issues in the United States Educational System. If you have children, you may want to make this a spare time study, as it is vital for long-term success. What I am about to share is only a fraction of the "Truth," and unlike the movie *A Few Good Men,* where Tom Cruise is getting a Marine Discipline from his Co-Star Jack Nicolson's rant "You Can't Handle The Truth," my hope, and it is sincere, is that you can handle the truth! Like all things, I encourage you to not just trust me but TEST ME! That means, do your own research, but keep in mind you may go deep down the rabbit hole.

# CHAPTER 2:
# *The Dumbing Down Process*

I entered the public school system in the early 1970s. I flunked Kindergarten. That's right! I am a Kindergarten Flunky! I still can't believe it to this day! I struggled in school, was in special ED, and was labeled with visual-spatial disorders, speech problems, reading problems, and poor self-image. I always struggled with learning, and to be honest, I thank God for the struggle, as it kept me from buying what the mass school system was selling! I was and am a genius in my own way, yet I did not know this and was made to feel as if I was "behind" and a total loser.

My lack of understanding of their methodology led me on a journey of self-education, free thinking, continuous reading, and opening my mind to new perspectives and journeys. This has been the greatest thing for my growth and my personal development! There are so many systems, opportunities, gurus, seminars, and home study courses on the Market, yet the masses are not getting rich. The masses are also not benefiting from these "get rich quick" schemes. In fact, most are going down the slope to poverty as the classes move from middle to either Rich or Poor.

Very few Americans today understand what is coming, what is to befall our once great country. It is like standing on the beach and seeing the tsunami and somehow beating it back to the city and screaming at people, telling them to prepare, and they dismiss it and go back to watching TV. The nation has become docile, apathetic, and thus most will not be prepared for the next few years of financial turmoil.

If you have not reached success in financial terms and if you have no idea what I am talking about with the coming tsunami…I will tell you this is **NOT YOUR FAULT,** and I will say that many times. Why? Let me give you a short history of why…I encourage you to study this more, especially if you have children. You should make this a priority. You see, if you live in the modern world, the problem started long before you were born…

## *IT ALL STARTED WITH NAPOLEON AT THE BATTLE OF JENNA IN 1806*

Maybe you remember hearing about the old west or watching the television shows like *Little House On The Prairie*. Every day all the children in the area would be taught in a one-room school house. The teacher was typically a female community member who ruled with discipline and high expectations to have the children learn reading, writing, and mathematics. The children would study and have homework and yet still had chores to do at home. These children would help their family in the family business and learn how to run their own enterprise as they grew older.

This was a powerful time when most people were self-reliant, but then came the 1900s and the Industrial Revolution.

In 1814, the first American, Edward Everett, went to Prussia to get a Ph.D., eventually becoming the Governor of Massachusetts. Over the next thirty years, a great many more dignitaries head to Germany to get their degrees. Perhaps you have heard of Horace Mann, who was instrumental in the education of America? He was among them. Most of the universities were headed up by these many educators with degrees, a German creation. The idea that the "State is the father of the children" was first promoted in New York and Massachusetts, and today, it is clear the state has taken the place of parents and has become the great decider of all things.

After the civil war, Horace Mann's sister, Elizabeth Peabody (Peabody Foundation), ensured the Northern states began using the new schooling system. Then from 1869-1918, this was forced upon the Southern States. Most of the laws to enforce this new Prussian system were passed prior to 1900, and by that time, all the PhDs were taught and received their PhDs in Germany (Prussia).

*"In our dream we have limitless resources, and the people yield themselves with perfect docility to our molding hand. The present educational conventions fade from our minds; and, unhampered by tradition, we work our own good will upon a grateful and responsive rural folk. We shall not try to make these people or any of their children into philosophers or men of learning or science."*

**Rev Frederick T. Gates, Business Advisor to John D Rockefeller Sr. 1913**

There used to be school boards in EVERY town, but between 1932-1960 that number dropped from 140,000 to just 30,000, and today, there are just 15,000, ALL CONTROLLED by extensions of the Rockefeller Carnegie Foundation Education Complex. Legislature discovered that the schools were under the control of PRIVATE foundations, starting with Rockefellers, Carnegies, now Exxon and Gates…

(Sources: Congressional Studies, The (Carol) Reece Commission Report 1949, Walsh Commission Report 1915).

America, the land of the free, where opportunity and free enterprise abounded, lost its place as we went from great readers and inventors to non-readers with fewer and fewer patents. We are quickly losing our place in the world as the leader, and even today, as I write this, Forbes Magazine has named not our President Obama as the Most Powerful Person In The World but instead Russia's President Putin.

## *IF NOT DUMB ENOUGH - LET'S DRUG THEM!*

The new discipline of psychology was brought to America by the "Father" of the discipline Wilhelm Wundt (1832-1920), who brought with him over 300 educators to ensure our schools were inundated with this new discipline. The 1950s brought a psychological creation of the "Cold War," and like all wars, taxes went up to pay the bills, and the money went to fund the military-industrial complex as well as big pharma. The focus became on implementing these methods with the help of medications to show children that their classmates needed to be controlled.

In 1967, the educator training systems were revamped even further to discourage creative thinking. Three KEY documents were created to align with this new change in mass schooling.

1. Taxonomy Of Educational Objectives
2. Designing Education For The Future
3. Behavioral Teacher Educational Project

   -Direct Quote from The Behavioral Teacher Educational Project, which is still in effect TODAY. "*The impersonal manipulation through schooling of a future America in which a* few will *be able to maintain* ***CONTROL*** *over their opinions. An American which each individual receives* ***at birth*** *a* ***multipurpose identification #*** *which enables employers and other controllers to keep track of underlings and expose them to direct or subliminal influence when necessary"* and "…**Chemical experimentation** on minors would be normal procedure in the post-1967 world."

   And "…a small elite will CONTROL ALL IMPORTANT matters, one in which participatory Democracy will largely disappear, children will be MADE TO SEE through school experiments, that their classmates are so irresponsible and inadequate that they must be controlled and regulated for society's good."

*"It isn't a coincidence that Governments everywhere want to educate children. Government education, in turn, is supposed to be evidence of the state's goodness and its concern for our well-being. The real explanation is less flattering. If the Government's propaganda can take root as children grow up, those kids will be no threat to the state apparatus. They will fasten the chains to their OWN ankles."*

**Lew Rockwell**

## *SPUTNIK CAUSES A TEMPORARY RISE IN SCIENCE AND MATH*

The amazing thing was that in 1959 with the advent of Sputnik and America's realization that another country may beat us to space, things changed in education but only for a moment, where science really thrived, but that moment's gone. Now as bad as this sounds, that is not where it ends.

There was a plan to end the free-enterprise new world and change it into an employee-based "slave labor" program. Now they would not call it that. However, that is exactly what it is. The reason few fight the chains is because they can't see them. They are led into the illusion of freedom by getting paid and having the ability to "have things," but little do they know they are limited on what they can have, and the entire system ensures they have debt and control over them. It is only in Education, NOT schooling, that the slave learns that they are a slave and then can start thinking about how to escape the hidden chains.

Let me take you back to the battle of Jena in 1806. Napoleon Bonaparte lost that battle and realized they lost because too many soldiers were "thinking for themselves." That is right, "free thinkers." Napoleon knew that if he could get them to not think so much and just follow commands and do what they needed to support the nation-state, they would win more battles and gain more control. Thus a new system of education developed in Prussia in the 1800s. Eventually, that system of Prussian education came to America. It was a perfect system, and laws were passed to end the one-room schoolhouses and introduce mass schooling.

William T. Harris from (St. Louis) brought this system to America, and the key was to separate the children from parental and religious control. The goal was no longer to teach children to read and think but instead to teach them to follow orders and be obedient. Mass schooling would go hand-in-hand with mass workers in the factories, and thinking would cause issues in management, so the dumbing down process began. The teachers now had to be "certified," and this process was set up by foundations such as the Rockefeller and Carnegie Foundations. Today we have the Gates Foundation and Exxon Foundation involved.

Today in our society, MOST believe the public schooling system is a benevolent system run by the government to educate and enlighten the children, but it is really run by foundations that control the flow of information and have kept us in the dark for over a hundred years.

**The real reason for mass**
**education is to socialize,**
**irradiate creativity and develop patriotism for the nation-state.**

(sources: Rlaine Eislers the chalice and the blade

John Taylor Gatto The underground history of the American education book Source: Separating school & *state: How To Liberate American Families by Sheldon Richman*

*How to read a book by Mortimer j Adler/ Charles Van Doren*

*Dumbing Us Down: The Hidden Curriculum of Compulsory Schooling by John Taylor Gatto)*

The schooling system was developed to teach students to memorize things and discourage free thinking or creativity. The point was to break the link between the child and reading as if a child reads too well, they can become independent of the "system" and are capable of finding out ANYTHING. Today this is known as "Group Think," yet the group typically does not read nor think!

The mass schooling system broke up the disciplines into certain parts and taught at certain times, which caused students to appear as if they were learning but could not really put things together. It was set up in a three-tier system.

0.5% were the Elites (Hmm, wonder who is in this group?)

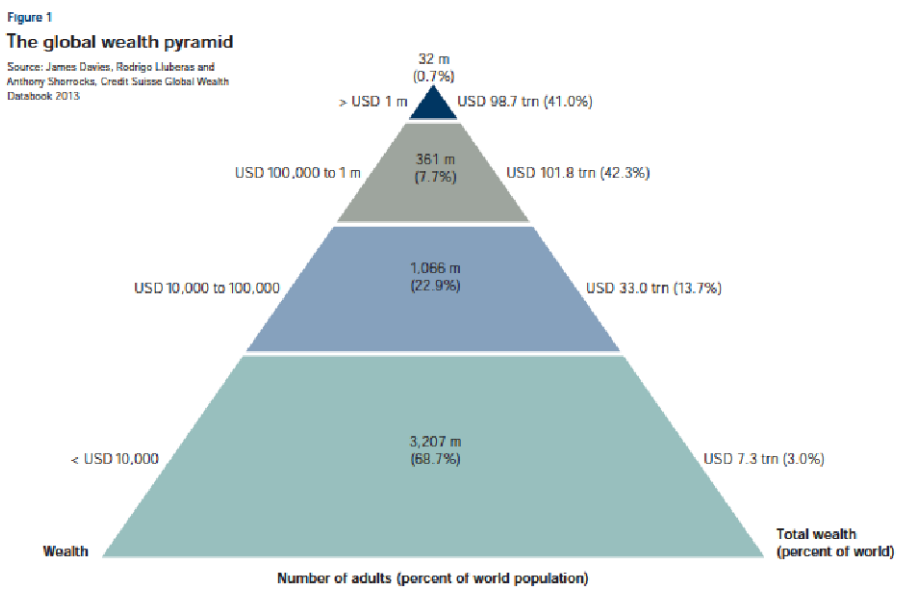
5.5% were partial thinkers (Good but not good enough to be Elites).

94% were mass schooled (volkschuelen… Well, guess what? Not the best group to be in, but we are the biggest, and if we wake up…we have the POWER).

Whole sentences and whole integrated concepts were MEMORIZED rather than whole words. Whole disciplines were divided into disciplines (math, science, art, etc.), then further into subjects, and then into units. In essence, is a way to suppress knowledge by providing the idea that they are being educated when they are actually being schooled.

It would no longer make sense to have everyone in America learn to survive on their own and be free-thinking pioneers that would not allow the rise of the Robber Barons or the Industrial era to flourish. In 1650 John Locke stated that children are a blank slate. That means fresh minds like sponges, ready to absorb the information they are taught but easy to deceive as they would know no better.

In 1776, about 85% of the citizens were reasonably educated and had independent livelihoods – they didn't need to work for anyone. By 1840, the ratio was still about 70%. The attitude of "learn and then strike out on your own" had to be broken. The Prussian system was an ideal way to do it.




## The Ultimate Purpose Was To

- Create Easy-To-Manage NON-Thinkers
- Create a large consumer class that will buy stuff they don't need from the Elite Class

To encourage students to snitch on each other so this could be utilized when adults police themselves.

**NOTE**: This type of behavior would not be tolerated in private or religious schools. Snitching is a no-no.

To stop enterprise for the masses and create an employee base where today 10% own 70% of the country's wealth. The top 1% are worth more than the remaining 9% of the elite.

Knowing that the system is orchestrated to keep people down allows you and I to seek the proper education and move out of the box that the elite try to keep us in. Making money is only a small part of this equation. However, it is the start of buying back your life and gaining the necessary influence and power needed to get you and your family back on track.

# CHAPTER 3:
## *Business vs. Hobby Thinking*

After teaching close to 200,000 people around the world, I have discovered that most people treat the Market like a hobby. Think about your hobbies, do they earn or cost you money? Most people treat trading like a hobby, not making it a priority. Thus, they do the work sporadically and when they have a chance, often skipping long periods of time. Therefore, they never get into the zone or flow and end up becoming the "givers" in the wealth transfer.

YOU MUST TREAT THIS LIKE A BUSINESS…Business will make you not just money, but a lot of money if you treat it like it should be. The Market is no different than any business, yet you have no employees, no inventory, no location, and you can do it from anywhere in the world as long as you have an Internet connection…this is a powerful business. The main work comes down to learning some basics and how to manage your own emotions of FEAR and GREED.

It is important to understand that these tactics will not work unless you gain tremendous emotional control, a proper mindset, and discipline in trading. You must become a student of the Market. Do you remember the first time you went with someone special on a date? You did not know the person, perhaps, you wanted to be on your best behavior, and when you watched their gestures, their facial expressions you could not read them. Maybe you thought to yourself, what is she/he thinking of me right now? You did not know, really. It was all guesswork because you had not spent time with the person.

Fast forward to marriage and then spending years together and now with one facial expression, you know what they are going to say…you know with no words spoken…the move, the look the body language speaks to you, but now you have learned to read it. Why? You have spent the time with the other person, and you know the patterns…this is true with the Market. You must spend time with the Market to learn to read it.

The same work you do on yourself to be a great trader will also change your life in your relationships, job, etc. They are not about the Market. They are about SELF CONTROL…learning to see from new perspectives, and understanding that nothing is done TO YOU…instead, you will learn everything happens INSIDE OF YOU. Then you and I project this movie on the world. If you don't like the movie or the channel you are watching, change it…you can change your thoughts or frequency just like you change a TV channel. It is just a different frequency you get every time you hit the remote.

## DON'T FOOL YOURSELF. MINDSET IS MORE IMPORTANT THAN STRATEGY

The sad part is often, people don't like the mindset aspect and think it is a bunch of HYPE. However, these generally are the same people who don't trade well as they go from seminar to seminar, webinar to webinar, looking for the next magic bullet strategy that will make them a ton of money. They are the get-rich-quick group thinkers.

In this eBook, I will reveal "tactics" that have made a tremendous amount of money for many people…however, there is no promise that you will make anything. You could even lose money if you don't follow the rules. Yet even when you follow the rules, guess what? You will STILL LOSE MONEY! Now the truth hurts, but the fact remains you have to lose to win, you have to fall to rise, and you have to reframe these words to allow you to keep going and not quit.

Are you a quitter? At this point, I would love to say you are NOT, however so far, all I know about you is that you downloaded my FREE eBook, so that tells me nothing, but I hope to soon get to know you to find out that you are a doer, a go-getter, someone who knows that falling down is the lesson we all had as toddlers to learn to walk …AND THEN RUN! There is NO FAILURE. There is NO NEGATIVE. There are but lessons to help us find the road again.

In my talks around the world, I share a mantra, and I want to share it with you.

*"In life, Shit happens, embrace it—Then Transform, Transmute, Transfigure it into the* FERTILIZER *of your growth."*

You can truly take all the "so-called" bad stuff in your life and turn it into powerful lessons to help, motivate, educate and inspire others. Your life has a message. Make it count!

I was born into a family with financial troubles, alcoholism, abuse, and dysfunction… these are all the dark clouds of my life—I, however, learned that it is not the event or the circumstance that matters. It is HOW WE REACT TO IT! We have the power to change our circumstances, and that starts with seeing what is and believing in the circumstance you want to see—then holding the space for it is in the creation, and in time, you will see what you think about. Remember where your attention goes—Energy flows.

## *MAGIC BULLET GURUS*

If you have traded for any time, you know these gurus that push this are a dime a dozen, and I want to make sure you know that there is NO SUCH THING! There is no get-rich-quick strategy because the magic is not the strategy. It is a secret that most never find and continue to look for time and time again, spending a ton of money and wasted time. What is that secret?

It is YOU!

You see, money flows or goes because of you and your relationship with money. To take it to a more esoteric thought process, money is just an illusion. The real value in society is you. This is why after teaching over 200,000 students around the world, I have some who take what I say and use it and make money and others who obtain the same information who go out and lose over and over and over.

## *WHAT IS THE DIFFERENCE?*

The key difference is not in the individual's teaching, technique, tactic, or ability. The key is how the individual processes the information and how they have trained to follow a plan. This can get very complex as many people in society have grown up with a poverty mentality, with a relation to money and self that has been polluted, destroyed, under-valued, and really the masses are becoming more broke and are moving to poverty, but guess what IT IS NOT YOUR FAULT!

# CHAPTER 4:
## *The L.E.T.M.E.I.N System*

*The Wealth Vault Must Be Accessed Via The CODE. The Combination is:*

*L-E-T-M-E-I-N*

Each letter in this CODE is a directive and will allow you to remember what you must do to be successful with my Wealth Vault Trading System. Again, this book will outline this for you, but knowledge is not power…. Knowledge being correctly applied is power.

As I share this ACCESS CODE for the Wealth Vault, it is not in any particular order. Each letter should be focused on and studied until you develop this process to find the best Stocks in the Market and be able to trade them. Two critical components that are not in the code are (1) Technical Analysis (where to enter and exit on the Stock chart) and (2) Risk Management (Position Sizing, Stop Loss, and Money Management). These will be covered in this Book briefly as well. What does the Access Code Stand For?

Let's turn the page and find out!

### *ACCESS CODE: LETMEIN*

**L:** Leadership Stocks
**E:** Earnings
**T:** Timing
**M:** Market Oracles
**E:** Exposure To Risk
**I:** Institutional Support
**N:** New and Hot Products/Services

By using my system, you will be able to find the best Stocks in the Market, analyze and research them quickly, and be able to enter/exit while managing risk. It is important to note that this book is not the end! This is my system for trading Stocks. However, we must carefully focus on good technical analysis, which I will do a bit in the system.

Basic charting skills are critical as a trader! Risk Management is also another component that we will touch on. I have created a risk management program and tool that helps you set the proper risk per trade. One other point is I trade options 90% of the time. This system works amazingly with leveraged vehicle-like options. However, this book is not meant to teach options. That is another topic.

We are first going to start with the letter "L." The first letter in my L.E.T.M.E.I.N. system!

# CHAPTER 5:
# *L: Leadership*

## **ACCESS CODE:** LETMEIN

**Let's start with the letter L.**

## *L: LEADERSHIP*

- Are the Stocks I am following the leaders in their industry and Market?
- Are they strong growth Stocks, newer names, and getting good traction?

## *L: LEADERSHIP.*

When I talk about leadership, I am talking about Stocks that lead in their field or sector. Stocks that are hitting NEW HIGHS! Not Stocks that are considered cheap. These Stocks may be HIGH PE (Price to Earnings). This often scares investors or traders as the philosophy has always been high PE Stocks are overvalued. Many investors spend their time looking for "Cheap" Stocks. Have you ever asked what Cheap means? It is vague, and typically its definition is compared to something else. It could be cheap compared to when they last saw the price, which was much higher, or it could be based on other Stocks in the sector.

*The Average Retail Investor's Definition of Cheap…." You may think, "I can afford this one because it is trading at $1.50, or $5, etc." This definition has nothing to do with the Stock and everything to do with the investor's mindset and belief about their own financial condition.

Let's change the word from Cheap to Inexpensive. Then, let's define it a bit more. Inexpensive means that the Stock, "REGARDLESS OF THE DOLLAR VALUE," is now a bargain. This Stock could be trading at $5, or it could be trading at $105. When you hear that a Stock is cheap or inexpensive, the metric often used is the P/E ratio. How much is someone willing to pay for the earnings per share that the company is making? The Stock's P/E is calculated by taking the CURRENT PRICE PER SHARE and dividing that by the EARNINGS PER SHARE (EPS).

Overall, it is considered that Stocks with HIGH P/Es are Expensive, whereas LOW P/Es are Inexpensive. If earnings stay constant and the price per share increases, the P/E rises, and the Stock will be considered expensive, and vice versa. We will not spend a lot of time looking at P/E, as it can lead you astray. Some of the biggest winners have had P/Es that would cause most investors to shiver and stay away…thus losing them the opportunity to win big.

If you want Stocks that can double, triple, or even hit a **"10-Bagger"** (going up 1,000% in total return), then you must get into these Stocks early in their runs. Leader Stocks tend to be ranked **#1** in their respective industry. You may also want to research the leaders of your trading industries. You may find a few who are neck and neck, providing new companies to add to your list for new opportunities. Leader Stocks also dominate their space with new and exciting products, services, technology, etc. These Stocks go from being a "no-name" to a "household name," and their earnings expand and surge. We will talk more about earnings later.

Think of Apple Computer (AAPL). They had been around for years. I remember as a kid in elementary school, the first computers were Apple Macintosh. They were pretty much just big calculators…it was just bits and bytes. It was nothing to write home about, that was for sure!

This Stock had a short run back in those days, and then over time, Microsoft and PCs became the main computers and software used. Apple fell by the wayside, and Steve Jobs, one of the co-founders, was fired by the board of directors. Nothing like getting fired from the company you spent blood, sweat, and tears working in a garage to found! It may seem tragic at the time, even Steve was broken by that, but later in life, he realized that had to happen to create the world's largest company. He had to learn new things before he was ready to lead Apple into the trillions.

Steve brought this together at a graduation speech where he said, *"you can't connect the dots looking forward, but looking backward, you can!"* Remember that in your life, what is happening may seem dark now, but it may be the very thing you need to expand to that next level. Eventually, after Steve's firing, Apple Stock fell to lower lows and became a "Laggard."

Then years later, after Steve started the company Next and worked with Pixar gaining mission-critical skills, he was suddenly brought back into the company, and with his visionary ideas, like *"1,000 songs in your pocket!"* he developed the iPod around the new MP3 technology. In 2004, Apple and Google traded at prices many would call EXPENSIVE, with a P/E ratio in the mid-thirties.

Meanwhile, the S&P 500 index was trading around fifteen times trailing profits. It was before the explosive moves we witnessed in both Apple and Google. In 2004, it may have seemed like a rip-off to buy these Stocks. Oh, how mistaken that idea was. I could have been so wealthy had I been able to predict the future!

What if you could see beyond the P/E and see into the magic of the company, vision, growth, and future? Some looked past the P/E and saw the road ahead. Apple traded at a 37x P/E ($15/$0.41) and Google 34x P/E ($85/$2.51) – Expensive …or bargain of a lifetime? Well, it was hard to tell at the time, but you now know that these were great bargains. The fact that Apple's share price appreciated from $15 to $347 and Google's went from $85 to $538 shows that focusing on PE alone can cost you a great opportunity. Growth Stocks typically have high PE due to their expansion, which drops over time.

I remember during this time, Dell Computer was top of the game in the computer space, and I owned many Dell computers, so it was natural that when Dell developed the MP3 audio device, I purchased one! I thought this was so neat until I took it out of its box and tried to use it. It was HORRIBLE! It was big and clunky! It was definitely not sexy or appealing in any way!

Then, here comes Apple with their iPod! I started noticing more and more people have these cool, stylish, designed MP3s that are easy to use and wear. I eventually bought one, of course. This was my entry drug into the Apple infrastructure and, eventually, the Apple Empire. If you really think about the magic of what Steve created, it was the "web of services" that locked us into their products like iTunes and caused us to get tangled up in their products, making it hard to leave and ensuring their lifetime revenues. When a company has a product infrastructure that makes it hard to leave for clients and creates constant revenues for the company, this is a huge competitive advantage that Warren Buffett would call a "Moat."

I then loved the iPod and iTunes so much that the next computer I got was a Mac Air. Then I upgraded to a Mac Book Pro and then an iPad! Wow! I completely changed from being a PC user and left Dell and Microsoft for Apple! And let me tell you, I don't regret it for one second! Well, maybe now a bit as technology has become an addiction for the planet, and we are being manipulated by algos that know our buying and thinking patterns. That is another story! The experience occurred for many others as people switched to the Apple Family. With simple observation, we saw the rebirth of an old company, LAGGARD, now the world's most talked about company. It surpassed oil companies in size, all based on the vision and execution of its leader and visionary Steve Jobs.

I think the average investor thinks Cheap is *"I can afford to buy it."* This is due to the programmed mind of the average person, the program Robert Kiyosaki calls the "Consumer Mindset," where they are programmed to look at the price, not the value. A critical issue in our time causing the masses to go broke and buy the wrong stuff.

I think the mantra "Buy Low/Sell High" is engrained in the heads of most investors, but again, I ask you, "What is low and what is high?" This is a trading rule I use. Trading or investing based on vague mantras or rules is a sure path to failure…every time.

The real power for Apple came in the ability to create iTunes, where the money was made by linking this store to people's devices and then coming out with the iPhone, and soon the Apple Watch became the next big thing! When you start seeing people buying into something, you may have a leader on your hands. The same happened with Chipotle Mexican Grill (CMG), based out of Denver, Colorado. I began to eat Chipotle early because it was healthy Mexican, and the food was excellent!

I began to notice that the parking lot was full, and it was typically very busy. They served pretty healthy and fast choices with burritos etc., and they were fast and of good quality, which caused a lot of demand. This was when they still had only a few stores, and it started to take off. They put many around college campuses.

I am sure you could think of others, such as Amazon.com and Facebook, which is just taking off at the time of this writing. There are leaders in every sector, and then there are those in close second…followed by the laggards. Our focus must go to the leaders in each sector, and sometimes that leader can change, so being diligent in your study of these Stocks and what they offer is CRITICAL to ensure that you are always looking at the best potential candidates for trading. Remember, leadership is just one of the letters (L) in the code.

## VINCENT, HOW DO I FIND A LEADER STOCK?

A few ways I find my leaders is by reading magazines that cover my areas of interest. I love technology, so magazines like *Wired*, *Scientific America*, *Red Herring,* etc., are all great choices. I turn my downtime (airplane flights, waiting rooms, coffee shops, etc.) into reading time. I am also a big fan of the *Investor's Business Daily* newspaper. I don't watch much television, as I think it is a medium that is mostly filled with mass programming and propaganda (even CNBC has a slant).

When I do watch, my focus is to watch the ticker symbol for Stocks that are UP big and/or Stocks I see moving, and I should note that sometimes I may or may not have heard of some of these Stocks before. This can clue me into new Stocks that have recently gone public. You will miss a tremendous opportunity if you don't stay on top of your research. It is important to keep a notepad or a trading journal and add these Stocks as potential candidates to your radar.

Here are some past LEADER STOCKS that changed their industry and set off on huge runs. These are examples to help you better understand what a LEADER STOCK is.

## A FEW PAST LEADERS

**1. AAPL:** Apple Computer with iPod, iPad, iPhone, AppleTV, Apple Watch, etc. All plugging into the iTunes money machine. It is Trading today at $115.17 per share.

**2. PCLN:** Priceline, which provides discount travel services and this one-time Stock with no real earnings, is now a powerhouse. And, as of this writing, trading at over $1,200 per share.

**3. ISRG:** Intuitive Surgical created the Da Vinci robot for surgery and became the leading company for robotic surgeries. This company today is trading at around $435 per share.

## WATCHLIST

***WATCHLIST:*** *a list of Stocks that require close surveillance, typically due to their fundamentals, new products, ideas, disruptive technology, and chart patterns ready for take-off. These lists keep the best Stocks close to your eyes.*

I keep a few different watchlists. EVERY trader must have a watchlist! A watchlist, for those who do not know what it is, is simply a list of Stocks that you find interest in or think may have the potential to make you money. I have my "A list" or "HOT LIST," which are Stocks I have researched, and are fundamentally sound, great story Stocks, growth Stocks, and ready-to-move big Stocks. They are technically ready to go, and this is the list I trade out of.

The other watchlists I have would be my "B list," which are Stocks that are just as good as the Stocks in the "A" or "HOT list," but they are still cooking. I mean, technically, they are building a base and preparing for their next move, so it may take several weeks to months before they go, and I want to keep my eye on them.

In addition, I have other watchlists like my Four Oracles (we will get to this later on how important the Four Oracles are). I have listed examples below of three watchlists.

One for the Four Oracles, which I look at daily, and so should every trader at that. The Hot Watchlist or A Watchlist is for active and ready-to-trade Stocks ONLY. Finally, the IPO (Initial Public Offerings) Watchlist. This is for new companies that look like good potential candidates. (*The Stocks and or ticker symbols may be dated and are not to be considered current candidates).

**Watchlist Four Oracles (Daily View)**

**Watchlist Hot Stocks (A) Ready To Trade**

HOT STOCKS NOW | 4 ORACLES | Sector ETFS | ipos

Add Symbols | Rename — Add Column

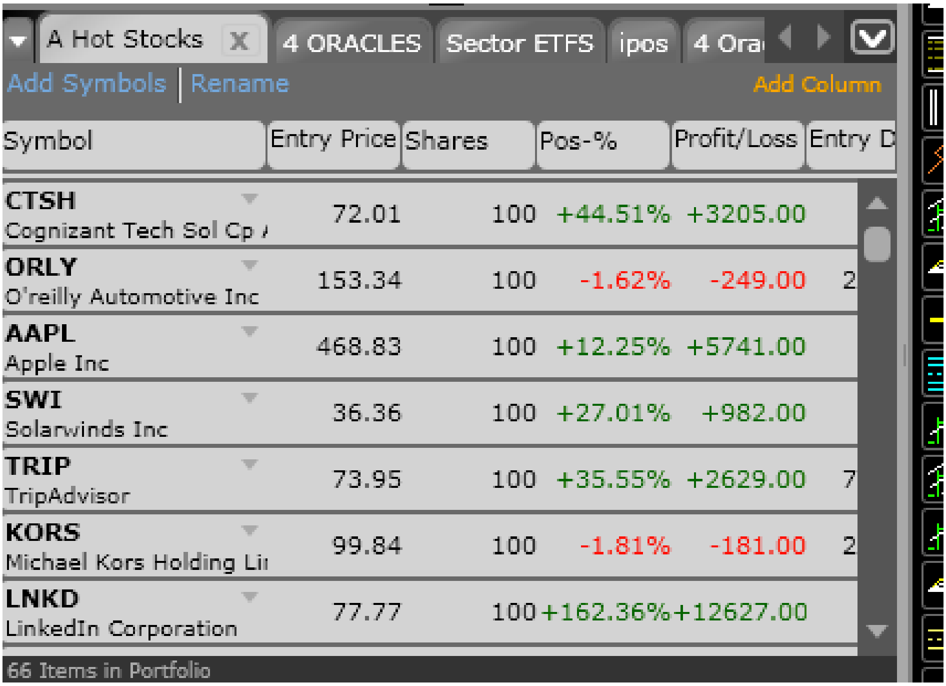
| Symbol | Entry Price | Shares | Pos-% | Profit/Loss | Entry D |
|---|---|---|---|---|---|
| **P** Pandora Media Inc | 14.48 | 100 | +158.43% | +2294.00 | |
| **INVN** Invensense Inc | 17.98 | 100 | +12.07% | +217.00 | |
| **IMPV** Imperva Inc | 32.97 | 100 | +90.08% | +2970.00 | |
| **CLVS** Clovis Oncology, Inc. | 24.26 | 100 | +228.19% | +5536.00 | |
| **UBNT** Ubiquiti Networks, Inc. | 23.76 | 100 | +107.95% | +2565.00 | |
| **MFRM** Mattress Firm Holding C | 31.21 | 100 | +39.67% | +1238.00 | |
| **SAVE** Spirit Airlines, Inc | 18.99 | 100 | +197.42% | +3749.00 | |

HOT STOCKS NOW | 4 ORACLES | Sector ETFS | ipos

Add Symbols | Remove - SP-500 | Rename — Add Column

| Symbol | Entry Price | Shares | Pos-% | Profit/Loss | Entry D |
|---|---|---|---|---|---|
| **COMPQX** Nasdaq Composite Inde | 3011.33 | 100 | +43.06% | +129679.0 | 4/1 |
| **DJ-30** Dow Jones Industrials | 12849.59 | 100 | +27.02% | +347212.0 | 4/1 |
| **NYSE** NYSE Composite Index | 7931.10 | 100 | +31.46% | +249475.0 | 4/1 |
| **SP-500** Standard & Poors 500 | 1370.26 | 100 | +35.70% | +48918.99 | 4/1 |

## IPO Watchlist




| Symbol | Entry Price | Shares | Pos-% | Profit/Loss | Entry D |
|---|---|---|---|---|---|
| CTSH<br>Cognizant Tech Sol Cp / | 72.01 | 100 | +44.51% | +3205.00 | |
| ORLY<br>O'reilly Automotive Inc | 153.34 | 100 | -1.62% | -249.00 | 2 |
| AAPL<br>Apple Inc | 468.83 | 100 | +12.25% | +5741.00 | |
| SWI<br>Solarwinds Inc | 36.36 | 100 | +27.01% | +982.00 | |
| TRIP<br>TripAdvisor | 73.95 | 100 | +35.55% | +2629.00 | 7 |
| KORS<br>Michael Kors Holding Li | 99.84 | 100 | -1.81% | -181.00 | 2 |
| LNKD<br>LinkedIn Corporation | 77.77 | 100 | +162.36% | +12627.00 | |

I have a watchlist of the main industry groups using ETFs (Exchange Traded Funds). I like to keep an eye on money flow to see which sectors are moving up and down, and the ETF watchlist allows a quick glance at that. My IPO (Initial Public Offering) watchlist I just talked about is there to keep track of NEW companies that have recently gone public in the last zero to four years, and it allows me to watch as they develop into great leaders or poor performers, which then I would remove from my list.

You must decide what works for you. However, having at least an A and B watchlist that you constantly monitor and move Stocks in and out of based on their fundamentals and technical is **CRITICAL** to ensure you are ready to take advantage of any potential profits on a breakout or momentum run.

**In Summary:** Pay attention to the Stocks that are getting news or, even better, if you find them before they become a household name. This just takes mindfulness and observation. I am not a big TV fan, but I have CNBC on to watch the ticker symbol at the bottom of the screen, which often can tip me off to big move Stocks I have not heard of or some I have. I can then research a bit more. You will start to see leaders emerge, but to be ahead of the curve, do your homework! Spend a consistent amount of time reading about the areas you are interested in and researching the Internet for new ideas.

I like to read the *Investor's Business Daily*, Magazines on science and technology, and pay attention to the CES (Computer Electronics Show) in Las Vegas annually. Keep your nose to the grindstone, make it fun, and you will start to find the LEADERS, and then just put them in your watchlists to keep them monitored.

The next letter is critical and can be the reason a Stock will begin a long run that could create a 10-Bagger and a lot of profits in your account.

# CHAPTER 6:
# *E: Earnings*

### **ACCESS CODE**: LETMEIN

## *E: EARNINGS*

- Do I have a good line in the sand looking at a 25% increase in earnings comparing the current quarter to the same quarter last year?
- Do I see a surge in the current earnings of over 70% increase vs. last earnings?
- Do I have more than one quarter of surging earnings (two or more consecutive)?
- Do I have 25% Revenue or better?
- Do I have a Return On Equity (ROE) of 17% or better?

We have discussed Leadership (L), the first directive required to enter the Wealth Vault. The next part of the access code is E.

**E: EARNINGS.** If you have ever purchased real estate, you have heard that there are three keys to being successful in this investment. Location! Location! Location! And this is no different from the Stock Market, but it is not location. However, it is **EARNINGS! EARNINGS! EARNINGS!**

Remember, it is not the retail investor (YOU and ME) that drives this Market. The Big Money is the Institutions, Pension Funds, Banks, etc. These are what I call the "Aircraft Carriers "on the Market's waters…we, on the other hand, are like little speed boats. We can't move the Markets, but we can ride the waves the Big Funds make. If we keep this in mind, knowing that we have no influence whatsoever and only trade WHAT IS instead of what WE THINK WILL BE, then we are on the right course. Institutional investors look for growth and earnings. We must learn to think exactly like they think.

I learned in my teens that if you want to be rich, find a rich person and model them. Think like they think, do what they do, and you will have the results of the right thinking and actions. The Market is no different, only a microcosm of life. Think like an Institutional Investor. Your job is to invest a LOT of money….other people's money. This is millions and billions of dollars, which is why I say they are aircraft carriers.

Picture an aircraft carrier on the ocean. If it needs to turn, it does not whip around like a speed boat. It takes quite some time to make a turn as it is absolutely massive, and in the waters of the Market, when a fund wants to buy or sell shares, they can't do it in one big dump or purchase, as it would move the price too quickly.

So, thinking like them, you must not telegraph your moves. You must slowly accumulate shares or distribute shares when selling so as not to tip off other funds or retail investors. This is where we must pay attention to volume, but we will cover that in more detail later.

Let's look at earnings in a way we will all understand. When we were young, we did not have a job, so we did not have any earnings. Our Stock was low, inexperienced, and really more of a liability to our parents, who had to fund us. Do you remember getting your first job, and you began to make some money (earnings)? I'm sure you felt that you were on a roll.

I am sure your parents were happy, and you could now afford to do things you could previously not do. A little bit more freedom of choice! Very exciting! Maybe you saved your money and built long-term value and security, or maybe you spent it as soon as it came in. Some even started spending more than they made, believing they could catch up.

These different scenarios represent the psychology or philosophy of what I like to call your "Money IQ." Unfortunately, when I was younger, I had not one ounce of financial literacy and began working hard starting at twelve. I always spent the money and never thought about building a savings account in my youth. Today, I now understand the power of having money set aside for a rainy day, as rainy days do come, unfortunately!

Let's now shift over, and talk about the types of Earnings, so that we can focus on the most essential earnings and you don't end up comparing apples with oranges. We will call Earnings this acronym (EPS) Earnings Per Share.

Earnings are reported Quarterly, which is the buzz in the Stock Market as many investors and traders play into earnings season. Some are trading up to earnings and then taking an exit to ensure they don't get hit with a surprise, while others jump in to take the risk. We want to look at the best way to handle these earnings.

First, understand that when the company announces its earnings, the numbers they share <u>may NOT be the same numbers that show up in the financial statements or headlines.</u>

**The following is from INVESTOPEDIA.COM**

There are five types of EPS to be defined in the context of the type of "earnings" being used:

## *REPORTED EPS (OR GAAP EPS)*

We define reported EPS as the number derived from generally accepted accounting principles (GAAP) reported in SEC filings. The company derives these earnings according to the accounting guidelines used. A company's reported earnings can be distorted by GAAP. For example, a one-time gain from the sale of machinery or a subsidiary could be considered operating income under GAAP and cause EPS to spike.

***NOTE:** This is why we don't care about a ONE-TIME surge in earnings. We need to see at least two quarters of surge to really take notice.

Also, a company could classify a large lump of normal operating expenses as an "unusual charge," which can boost EPS because the "unusual charge" is excluded from calculations. Investors need to read the footnotes to decide what factors should be included in "normal" earnings and adjust their own calculations accordingly.

## *ONGOING EPS*

Ongoing EPS is calculated based on normalized (or ongoing) net income and excludes anything that is an unusual one-time event. The goal is to find the stream of earnings from core operations, which can be used to forecast future EPS. This can mean excluding a large one-time gain from the sale of equipment and an unusual expense. Attempts to determine an EPS using this methodology are also called "pro forma" EPS.

** This Pro Forma makes more sense, so we see the core business without the anomalies*

## *PRO FORMA EPS*

The words "pro forma" indicate that assumptions were used to derive the number being discussed. Unlike reported EPS, pro forma EPS generally excludes some expenses or income used in calculating reported earnings. For example, if a company sells a large division, it could, in reporting historical results, exclude the expenses and revenues associated with that unit. This allows for more of an "apples-to-apples" comparison.

**Watch Earnings Per Share:** (EPS) Another example of pro forma is a company choosing to exclude some expenses because management feels that the expenses are non-recurring and distort the company's "true" earnings. Non-recurring expenses, however, seem to appear with increasing regularity these days. This raises questions about whether management knows what it's doing or is trying to build a "rainy day fund" to smooth EPS.

## *HEADLINE EPS*

The headline EPS is the EPS number that is highlighted in the company's press release and picked up in the media. Sometimes, it is the Pro Forma number, but it could also be an EPS number calculated by the analyst or pundit discussing the company. Generally, sound bites do not provide enough information to determine which EPS number is being used.

## *CASH EPS*

Cash EPS is operating cash flow (not EBITDA) divided by diluted shares outstanding. Generally, cash EPS is more important than other EPS numbers because it is a "more pure" number. Cash EPS is better because operating cash flow cannot be manipulated as easily as net income and represents real cash earned, calculated by including changes in key asset categories, such as receivables and inventories.

For example, a company with a reported EPS of 50 cents and cash EPS of $1 is preferable to a firm with a reported EPS of $1 and cash EPS of 50 cents. Although there are many factors to consider in evaluating these two hypothetical Stocks, the company with cash is generally in better financial shape.

Other EPS numbers have overshadowed cash EPS, but we expect it to get more attention because of the new GAAP rule (FAS 142), which allows companies to stop amortizing goodwill. Companies may start talking about "cash EPS" in order to differentiate between pre-FAS 142 and post-FAS 142 results. However, this "cash EPS" version is more like EBITDA per share and does not factor in changes in receivables and inventory. Consequently, it may not be as good as operating cash-flow EPS but is better in certain cases than other forms of EPS.

## *THE BOTTOM LINE*

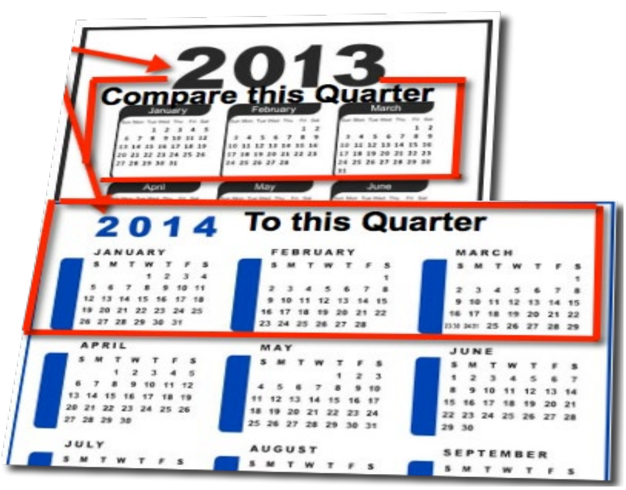
Many types of EPS are being used, and investors need to know what the EPS numbers they see represent and determine whether they are a good representation of a company's earnings. A Stock may look like a great value because it has a low P/E, but that ratio may be based on assumptions that, upon further research, you might not agree with.

**NOTE:** I use the *Investors Business Daily* EPS, as they are normalized, and via research, they have shown to be the best used.

The Earning Per Share (EPS) Rating measures a company's short and long-term earnings growth rate. The profit figures on which we base the rating are "normalized" earnings per share, which are a type of pro forma results. These don't always conform with Generally Accepted Accounting Principles (GAAP), but they better reflect a company's ongoing operations. Specifically, the after-tax amount of one-time gains and charges, extraordinary items, and other nonrecurring items are backed out of net income by our research staff in order to arrive at a "normalized" figure. Our studies have found that the normalized figure is the most appropriate for analyzing a Stock's past earnings growth and its potential going forward.

It is important to keep an eye on profitability, as research has shown that big moves in Stock come AFTER several quarters of accelerating earnings (EPS) growth. This is how you can take positions in Stocks before the big moves come. It is important to remember that we are looking at EPS, and we are not comparing this quarter to last quarter. Oftentimes, this is what most people do. Instead, we want to compare apples to apples. That means if we are in QUARTER 1 of this year, then we will want to compare QUARTER 1 to LAST YEAR QUARTER 1. This allows you to compare the same seasonality. This comparison should show strong growth in EPS.

For example, let’s say we are looking at the company ACME Holdings, and last year for quarter 1, they reported 40 cents per share EPS…this year, we are looking at the same quarter 1, and they reported 60 cents per share. This would be a 66% increase in earnings, which is excellent. However, as I said above, this is only part of the picture. Remember, this could be due to some transaction where earnings increased only this one time. We need to see more of this picture.



## WHAT IS YOUR LINE IN THE SAND?

When we are looking at earnings, we want to see consistent core growth. We need to see that the company is making more money per share, and we must have a number that would be our minimum amount to trade this Stock. William O'Neil, who founded the *Investor's Business Daily* I love so much, uses the number 25%…I like this number. This seems to work well on trading, so my line in the sand is that I need to see at least 25% growth in earnings yearly. Now, to move a bit deeper into this, we want to see good EPS of over 25%, but that is not enough to explode these Stocks higher, so what we look for next is the earnings SURGE…

Mr. O'Neil did a study and found that over forty years in the Stock Market, companies with an EPS surge of at least (line in the sand for surge) 70% surge in their earnings, had become explosive in their Stock price. This would be that the latest QUARTER had an earnings of 70% increase compared to the same quarter in the previous year. Mr. O'Neil found that three out of four Stocks with a 70% increase exploded higher, and the one out of four that did not show the 70% surge in the most recent quarter did so the VERY NEXT quarter.

This FOCUS and drawing a line in the sand could be the lift-off pad for profits. Make it count! This will help you!

Another point I need to make is that even with the 70% surge, it is important to look back a few years and see if the company was making at least a 25% increase in their quarters. If they are newer Stocks that just had an IPO (Initial Public Offering) newly listed Stocks, you may not have the data to go back that long. We are looking for great annual earnings gains and ACCELERATING recent Quarterly gains as our "tip-off."

Now, again, one quarter of acceleration may not be enough. You may want to require at least two quarters of acceleration.

Below, I have added a chart of Micron Technology, a true earnings leader in the 1990s. This chart shows not only the earnings but the acceleration on the price chart, so you can see clearly how the EPS proceeded with the BIG MOVE in the Stock.

**(Courtesy of the Investors Business Daily)**

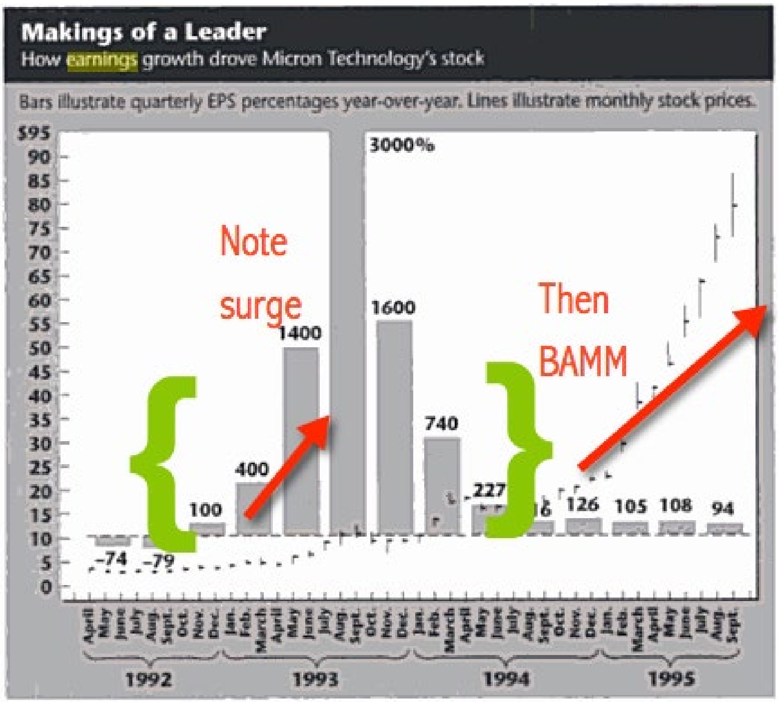



**FIGURE 2.24**
**Chart of price action in Micron Technology, Inc. over a three-year period tracks quarterly earnings.**

There is a great paradox that occurs in the Markets. Many people watch Stocks that were once great fall to new lows and feel like they can get the Stock for "Cheap." These investors are called bottom fishers…thinking that the Stock will go up. Meanwhile, they stay away from Stocks hitting new highs, fearing that they will fall. What becomes very interesting is that the Stocks that go down typically keep going down, and the Stocks hitting new highs… you guessed it….keep hitting higher highs!

It is a crazy phenomenon, and against our thinking, so this is why so many get it wrong. A trader or investor would be better served by buying Stocks hitting new highs, even if it seems a bit scary, than trying to buy Stocks that have fallen.

Just remember, there is a reason the Stock is going up or down…this is where your logic can hurt you. Remember the old slogan we talked about earlier, "Buy low sell High" …I want you to replace that slogan with a new one…"Buy HIGH…SELL HIGHER!"

We now understand that earnings (EPS) are very important to our Trading Arsenal. To really get a full spectrum, we need to look at the MOST CURRENT earnings and also the Annual Earnings. We would like to see the company gaining steam in earnings over the past three to five years. If the company has AT LEAST 25% growth in earnings over the past few years, this is a very strong history…it builds a much stronger foundation for future growth, provided the earnings continue to advance and accelerate. We really don't want to see sporadic earnings changes where we have increases, then there are bad quarters along the way. This conveys a lack of consistency and does not build a case.

Let's have a look at some examples.

In the chart below, you can see that Google (GOOG) has had great growth, but looking at the earnings, you can see they were continuing to grow their earnings, but some quarters there did not turn out well. The first is Q3 of 2012. Reported on October 18, 2012, they had a surprise to the downside.

Then, they moved into more positive surprises until July 18, 2013, where they again had a negative surprise, followed by the most recent January 30, 2014, with a smaller downside surprise. The inconsistency will not always kill the Stock, but if you can find Stocks that don't have negative surprises over the past three to five years, they may be more consistent and less volatile on their climb. Thus, less risk to get into!

## Google (GOOG) Earnings

**Courtesy streetinsider.com**

Ticker: Search | Expand Research on GOOG

**Next EPS Date** 4/21/14 *Est.
**Average EPS % Beat Rate** -0.3%
**Average % Move 1-Wk after EPS** +5.0%
**EPS Growth Rate** +12.8% *Last Qtr.
**Revenue Growth Rate** +11.4% *Last Qtr.
**Normal Earnings Time** After Close

| Date | Qtr | EPS | Cons. | Surprise | Revs | Cons. | Gd. | % Since | Details |
|---|---|---|---|---|---|---|---|---|---|
| 1/30/14 | Q413 | $12.01 | $12.26 | -$0.25 | $13.55B | $13.41B | N/A | +4.9% | Details |
| 10/17/13 | Q313 | $10.74 | $10.34 | +$0.40 | $14.89B | $14.79B | N/A | +35.5% | Details |
| 7/18/13 | Q213 | $9.56 | $10.78 | -$1.22 | $14.11B | $14.42B | N/A | +32.5% | Details |
| 4/18/13 | Q113 | $11.58 | $10.69 | +$0.89 | $13.97B | $14.04B | N/A | +56.9% | Details |
| 1/22/13 | Q412 | $10.65 | $10.52 | +$0.13 | $12.16B | $12.36B | N/A | +71.3% | Details |
| 10/18/12 | Q312 | $9.03 | $10.65 | -$1.62 | $11.33B | $11.86B | N/A | +59.8% | Details |
| 7/19/12 | Q212 | $10.12 | $10.04 | +$0.08 | $9.61B | $8.45B | N/A | +101.8% | Details |
| 4/12/12 | Q112 | $10.08 | $9.65 | +$0.43 | $8.14B | $8.15B | N/A | +85% | Details |

Expand Table

Like Google (GOOG) Earnings? Also look at AAPL, MSFT, BBRY, FB

Let's take a look below at the chart of Google (GOOG) on these dates to see how earnings impacted the moves.

**Chart 1 (GOOG) Courtesy of Tradingview.com**


*The charts here are from 2012 and 2014, but even today, in 2022, companies like Netflix (NFLX) and Snapchat (SNAP) just recently missed their earnings and dropped. Netflix dropping over $100 in a day. This is a brutal lesson for holding Stock or directional options. There are, however, strategies utilizing options that can profit regardless of direction. If you are interested in learning more about how to profit on movement vs. just direction alone, connect with Authentic Elevation at www.AuthenticElevation.com and inquire about our membership training or any courses that may help you learn to get higher returns on your money while managing risk.

Chart 2 (GOOG) Courtesy of Tradingview.com


Chart 3 (GOOG) Courtesy of Tradingview.com

**IMPORTANT EARNINGS NOTE:** Sometimes, you will see a company surprise to the downside or (miss earnings estimates), and then to your surprise, the Stock goes much higher. Why would this happen? Remember, the Market is a discounting mechanism. It is not looking to the NOW. It is looking to the FUTURE. So, if a company misses earnings, but guides higher for the year, then it could be made up in the coming quarters or full year. They also could miss due to a business transaction that may lead to stronger earnings. This is why you must continue with your homework and research! **Research! Research! Research!**

One great way to do this is to follow the company, and when they announce their results, they typically will do a LIVE EARNINGS CALL. When I started trading, you had to get on the phone to listen. Today, most companies have a website and FREE conferences to discuss financial results. This is a time for you to jump on for free and listen to learn! You will hear many analysts asking questions of the CFO and CEO, which can give some tremendous insights into what the company is actually doing.

I like to listen to the tone of the principles and the analysts, and the way they talk to each other, to determine if it is a GOOD VIBE or NOT. You can hear in someone's voice fluctuations whether or not they have confidence in whatever they are talking about or selling. Professional speakers like myself pick up on little details like this in day-to-day speech.

Often when analysts start coverage of a Stock or change their rating to a BUY or SELL, these upgrades and downgrades come after earnings and conference calls. Why not be ahead of the masses? How many people who trade do you think actually get on the calls? Very few, I would say. Most people do not go above and beyond to do the work for their desired success. Be different.

Let's look at a few more growth Stocks and their recent earnings. First is Facebook (FB). Notice, thus far, they have only had one small miss recently. The Stock is doing quite well and may continue if they keep this momentum.

## Facebook-a (FB) Earnings

**Courtesy streetinsider.com**

Ticker: [ ] Search | Expand Research on FB

| | | | |
|---|---|---|---|
| **Next EPS Date** | 5/2/14 *Est. | **EPS Growth Rate** | +82.4% *Last Qtr. |
| **Average EPS % Beat Rate** | +18.6% | **Revenue Growth Rate** | +62.9% *Last Qtr. |
| **Average % Move 1-Wk after EPS** | +13.7% | **Normal Earnings Time** | After Close |

| Date | Qtr | EPS | Cons. | Surprise | Revs | Cons. | Gd. | % Since | Details |
|---|---|---|---|---|---|---|---|---|---|
| 1/29/14 | Q413 | $0.31 | $0.27 | +$0.04 | $2.59B | $2.33B | N/A | +28.1% | Details |
| 10/30/13 | Q313 | $0.25 | $0.19 | +$0.06 | $2.02B | $1.91B | N/A | +40% | Details |
| 7/24/13 | Q213 | $0.19 | $0.14 | +$0.05 | $1.18B | $1.62B | N/A | +159.6% | Details |
| 5/1/13 | Q113 | $0.12 | $0.13 | -$0.01 | $1.46B | $1.44B | N/A | +150.6% | Details |
| 1/30/13 | Q412 | $0.17 | $0.15 | +$0.02 | $1.59B | $1.52B | N/A | +119.8% | Details |
| 10/23/12 | Q312 | $0.12 | $0.11 | +$0.01 | $1.62B | $1.23B | N/A | +251.7% | Details |
| 7/26/12 | Q212 | $0.12 | $0.12 | $0.00 | $1.18B | $1.15B | N/A | +152.2% | Details |

**Like Facebook-a (FB) Earnings? Also look at GOOG, AAPL, TWTR, MSFT**

One of the Stocks I suggested looking at in 2012 was one we just talked about, which was expanding into Europe and had been beaten up. The Stock formed a Double Bottom on the weekly chart, providing strong support for lift-off. Long Term options on this company were not too expensive, and had they been purchased, they would have made the investor a great deal of profit if traded correctly.

First, let's look at the chart, and then we will look at the earnings.

***NOTE**: During the covid lockdowns of 2020, I created an online course called Lockdown2Profits, also known as (Trigger Trader) and this course is a five-week program to help you find the best patterns to trade and generate profits. You can find out more by going to:
www.DisruptiveTrader.com

**Chart 1 (NFLX) Courtesy of Tradingview.com**


Notice the BIG fall in Netflix (NFLX) Stock in May of 2011. This was based on upping the fees to Netflix customers and some bad choices. As a result, the Stock got punished and had you been in study, you may have found this unwarranted. Let's look now at the earnings of Netflix. You will notice from April 2012, the Stock was surprising to the upside of expectations. This began to really move the Stock higher as they moved into profits.

## Netflix (NFLX) Earnings

**Courtesy streetinsider.com**

Ticker: Search | Expand Research on NFLX

Next EPS Date 4/23/14 *Est.

Average EPS % Beat Rate +31.1%

Average % Move 1-Wk after EPS +6.4%

EPS Growth Rate +507.7% *Last Qtr.

Revenue Growth Rate +24.9% *Last Qtr.

Normal Earnings Time After Close

| Date | Qtr | EPS | Cons. | Surprise | Revs | Cons. | Gd. | % Since | Details |
|---|---|---|---|---|---|---|---|---|---|
| 1/22/14 | Q413 | $0.79 | $0.65 | +$0.14 | $1.18B | $1.17B | N/A | +29.7% | Details |
| 10/21/13 | Q313 | $0.52 | $0.48 | +$0.04 | $1.11B | $1.1B | ↑ | +21.8% | Details |
| 7/22/13 | Q213 | $0.49 | $0.40 | +$0.09 | $1.07B | $1.07B | = | +65% | Details |
| 4/22/13 | Q113 | $0.31 | $0.18 | +$0.13 | $1.02B | $1.02B | ↑ | +147.9% | Details |
| 1/23/13 | Q412 | $0.13 | -$0.13 | +$0.26 | $945M | $934.12M | ↑ | +317.3% | Details |
| 10/23/12 | Q312 | $0.13 | $0.04 | +$0.09 | $905M | $905.1M | = | +534.1% | Details |
| 7/24/12 | Q212 | $0.11 | $0.05 | +$0.06 | $889M | $888.96M | N/A | +439.1% | Details |
| 4/23/12 | Q112 | -$0.08 | -$0.27 | +$0.19 | $870M | $868.07M | N/A | +322.7% | Details |

Expand Table

Let's look at one more. In the 3-D printing space, this technology may have hit its mark, and the future could hold an explosive move for Stocks in this area. The top company now is 3-D Systems (DDD). Let's look at the earnings. Then, you can seek out the chart using www.tradingview.com to see how it looks.

QUICK LINKS : Upcoming Dividends | EPS Movers | Top Upgrades | Buffett's Stocks | Newsletters | Follow @Stre

3D Systems Corp. (DDD) Earnings

**Courtesy of streetinsider.com**

Ticker: Search | Expand Research on DDD

| | | | |
|---|---|---|---|
| Next EPS Date | 2/25/14 *Est. | EPS Growth Rate | -18.8% *Last Qtr. |
| Average EPS % Beat Rate | -3.5% | Revenue Growth Rate | +49.9% *Last Qtr. |
| Average % Move 1-Wk after EPS | -1.4% | Normal Earnings Time | Before Open |

| Date | Qtr | EPS | Cons. | Surprise | Revs | Cons. | Gd. | % Since | Details |
|---|---|---|---|---|---|---|---|---|---|
| 10/29/13 | Q313 | $0.26 | $0.26 | $0.00 | $135.7M | $132.04M | ↑ | +41.7% | Details |
| 7/30/13 | Q213 | $0.20 | $0.24 | -$0.04 | $120.5M | $114.63M | ↑ | +59.8% | Details |
| 4/30/13 | Q113 | $0.21 | $0.21 | $0.00 | $102.1M | $101.61M | ↑ | +125.7% | Details |
| 2/25/13 | Q412 | $0.39 | $0.38 | +$0.01 | $101.6M | $103.86M | ↑ | +41.8% | Details |
| 10/25/12 | Q312 | $0.32 | $0.27 | +$0.05 | $90.5M | $87.14M | ↑ | +574.5% | Details |
| 7/26/12 | Q212 | $0.27 | $0.27 | $0.00 | $83.6M | $84.06M | ↑ | +606.4% | Details |
| 4/26/12 | Q112 | $0.25 | $0.13 | +$0.12 | $77.9M | $73.69M | ↑ | 0% | Details |
| 2/23/12 | Q411 | $0.27 | $0.16 | +$0.11 | $69.9M | $63.66M | ↑ | +1056.7% | Details |

Expand Table

Like 3D Systems Corp. (DDD) Earnings? Also look at SSYS, XONE, VJET, AAPL

I think you will notice that 3-D systems have been guiding higher earnings, increasing revenues, and having had several earnings surprises. We are still in the early days of 3-D printing, but this is one to watch.

## *EARNINGS REVISIONS*

More powerful than earnings announcements are the REVISIONS. When a company or an analyst guides higher and changes their view in earnings from a lower number to a higher number, this typically causes Stocks to move much higher. Remember, these analysts are using models learned at business schools, and they may decide that a multiple of twenty times next year's earnings is a fair price for the Stock.

Let's say the Analyst decides that a company is worth twenty times next year's earnings (20 P/E). Next year's earnings are estimated to be $1 per share. The stock is considered cheap if you can buy it for under $20 per share. If, however, the analyst raises guidance to $1.10, then the Stock would be cheap, under $22 per share. So, upside revisions will cause a Stock to move higher, and the opposite is also true if they revise to the downside.

Remember, the principles at these companies DON'T want to give the analysts good news because, typically, the executives' income is tied to the Stock performance, and if they are too optimistic and they miss, the Stock will tank, costing them a lot of money. The goal, then, is to be very conservative with guidance.

Steve Jobs, while at the helm of Apple Computer, was known to always guide lower, and then Apple would typically beat earnings which caused the Stock to rise after the news. This is the goal of most executives, by the way!

There are more resources on www.streetinsider.com. I, however, must warn you that the internet is always changing, so websites come and go, get bought out, and thus it is important to keep looking for great websites that will provide you the information needed for your trading career. We have come to the point that we now have a good working knowledge of earnings and what to look for!

Along with earnings, however, are other key pieces of information that you must consider, from Revenues to Return On Equity (ROE), Accumulation, and Distribution. Let's dive into these terms briefly.

## *WHAT ABOUT REVENUES?*

I can't talk about EPS or Earnings without mentioning Revenues. It is important that the company you are analyzing not only shows strong EPS and surging EPS but also strong Revenues. Some companies can increase their EPS by running more efficiently by reducing costs or staff or increasing margins, yet, if sales have not increased (bringing in more revenue), this will eventually be a problem. We want to see our revenues increasing as well. I would also suggest a 25% increase as a line in the sand on revenues. Now, that does not mean "don't trade Stocks with a 15% increase in revenues and EPS increase of 70%." The key is to put this together so that you see not only EPS increasing but Revenues also, as they go hand in glove. We need more and better sales to put more EPS into the machine.

## *RETURN ON EQUITY (ROE)*

I was never a big fan of math, as I always remember struggling with numbers from my earliest years in school. I like simple analogies that make sense, personally. When I was learning about ROE, it was put to me in a very simple way, which I want to share with you.

Let's say you have two companies. Company A and Company B. They are both in a similar industry, and company A has access to equity…let's say it is $100,000, and company B also has access to the equity of the same amount.

Company A can invest that $100,000 and make a return on it of $20,000, while company B can only get a return of $8,000. The question becomes, which manager of money would you want to invest your money in?

Company A should be the answer! This is called the Return On Equity. This is very important to note! Basically, which steward of your funds is better at managing and growing this money? We look for an **ROE of 17%** or BETTER.

At the time this is being written, strong companies like Apple have 43% ROE, which shows they are very good at getting returns on investor equity. This is something you should figure into your trading plan! Again, what is your line in the sand? Maybe like earnings, you keep that number at 25%? Or even better, if they can't meet that requirement or rule, then you don't trade them. You decide what is best for you! However, we must ensure it is part of your written trading plan. Create a custom plan for yourself and follow your rules. Accountability and Consistency are key!

## *SUMMARY*

So far, we have discussed **Leadership** and how to spot the main leaders in the Market and in their respective industries. We moved on to discuss the importance of **Earnings** (EPS) and setting some lines in the sand. I used a 25% increase in earnings per quarter relative to the previous year's same quarter. We also discussed having a three-to-five-year earnings history that shows that same line in the sand of 25%. However, this will leave out NEW Stocks or (IPO) companies, so you may want to flex on that depending on your trading plan.

Be willing to be flexible, and learn! After that, we then realized that not only do we need these great earnings. We then want to see the SURGE. A **70% or better increase in earnings,** and we prefer to see this occur not just in one quarter but at least two, if not more!

Finally, we discussed some other key considerations, such as having a good **Return on Equity** (ROE) and **Revenues** that are also increasing, again, with our line in the sand number, which I am using 25%. Please feel free to lift all your numbers to higher percentages if you see fit.

Remember, when you raise the bar, you may find fewer Stocks. However, the point of trading is not just to be busy. It is to find the best Stocks and profit from them on the best moves in the Market. So, if we raise the bar, we go from thousands of Stocks to maybe just a few. In time, you will find your number.

## *WITH EARNINGS, WE WANT TO SEE:*

- **25% (Quarter over Quarter)**
- **70% (PLUS) Surge in Earnings for at least two quarters in a row**
- **25% Quarter over Quarter Revenues**
- **17% (PLUS) Return On Equity**

## *L: Leadership*

- Are the Stocks I am following the leaders in their industry and Market?
- Are they strong growth Stocks, newer names, and getting good traction?

## *E: EARNINGS*

- Do I have a good line in the sand looking at 25% increase in earnings comparing the current quarter to the same quarter last year?
- Do I see a surge in the current earnings of over 70% increase vs. last earnings?
- Do I have more than one quarter of surging earnings (two or more consecutive)
- Do I have 25% Revenue or better?
- Do I have a Return On Equity (ROE) of 17% or better?

# CHAPTER 7:

## *T: Timing*

Well, we have covered the **LE,** and for us to get the first part of the Access Code, we next must cover **T**. This will get us the word **LET**. This next directive is vital as if you don't get this right, you will be slow to make money and create more risk. Thus getting this one spot on is key to successful trades.

We have learned in life that timing is critical. A good example of this comes from Malcolm Gladwell in his book *Outliers*. In the book, Gladwell shows how Bill Gates became a Billionaire and started Microsoft because of his timing of being born in 1955, making him of the right age during the beginning of the computer age. He was also fortunate enough to attend Lakeside, a private Seattle School with a computer. This was not the norm, and even if Bill was brilliant, he might never have had the access or opportunity if not for timing. I think Malcolm Gladwell does a great job explaining this and more in his book. How does this work in the Stock Market?

I am not going to go into the macro-Market as what era you may live in since we have seen people make money in the Markets throughout time. Sure today we have more people on the planet, and more volume all linked via the Internet and thus a global connection giving liquidity. I want to take it down to the micro-Market level, meaning the Entry/Exit of the Stocks or trades themselves.

It seems everything has its season, the ups and downs or cycles. We can see that everything has a cycle, and the Markets have cycles from the accumulation of shares to the distribution of shares. Let's call this a Bull Market and a Bear Market. To be technically correct, a Bull Market is defined as a Market that has moved UP at least 20%, and a Bear Market is technically considered to be a 20% or more drop in a Market.

Now that we have some more context behind us, let's move on to the third letter of my system (T).

**ACCESS CODE**: LE**T**MEIN

### *L: Leadership*

- Are the Stocks I am following the leaders in their industry and Market?
- Are they strong growth Stocks, newer names, and getting good traction?

### *E: Earnings*

- Do I have a good line in the sand looking at 25% increase in earnings comparing the current quarter to the same quarter last year?
- Do I see a surge in the current earnings of over 70% increase vs. last earnings?
- Do I have more than one quarter of surging earnings (two or more consecutive)
- Do I have 25% Revenue or better?
- Do I have a Return On Equity (ROE) of 17% or better?

## *T: TIMING (LESSONS BELOW)*

- Am I looking at the Weekly Chart first to get the bigger picture?
- Do I see A Clear Pattern Forming? (cup, cup and handle, Double Bottom, flat, etc.)?
- Do I have a buy-in at a proper breakout point, and is the volume supporting the move?
- Am I buying immediately and not chasing the Stock (over 5%) from breakout?
- Do I have my stop loss set at 8% below buy point?

## *TIMING THE CRITICAL FACTOR*

### Patterns

The entire universe is made up of patterns, and we, as humans, can see simple patterns. I will say simple is best. Less is more. So, in the world of Stock trading, many patterns may develop on both macro and micro levels in price action. How far you want to take this recognition and development of price patterns is up to you as the trader.

I, however, like to keep only a few in the toolbox that has been proven over time to be the most successful to trade. Remember, patterns are just a way of speaking a language to us. Everything is speaking a language, and investing yourself in studying how to read or interpret that language will give you an advantage. Think about price. It is a number…let's call it dollars for this example.

So we have a certain price of a Stock, say right now (real-time), it is trading at the price of $30 per share. What does this really represent? It is the amount that the buyers are willing to buy it at and the sellers are willing to sell it at. If the price was falling…from $30 to $29 to $28, that would mean that sellers who want to sell at a higher price are not getting buyers to pay that much, and if they really want to sell, they have to meet the buyer where the buyer is willing to buy that is the transaction point.

If I think the Stock is only worth $29 and I will not pay more than that, and if everyone looking to buy has the same feeling, then the Stock will not be at $30 long as someone who wants to sell at $30 has no buyer, so they give up and say I will take $29 and they put an offer out at $29, and the buyer buys while the seller sells. (A Sale Occurs).

Now other sellers see the price dropping, fear may kick in, and they want to sell before it drops lower. The psychology behind this is made of fear and greed from both the buyers and sellers.

Our job is to read the psychology of the price action. We will attempt to do this with the patterns I list below. Again, you can get very good at this not only with the patterns below but with any patterns you start to notice again and again. The pattern gives you a potential for probability in your favor but is not a magic bullet.

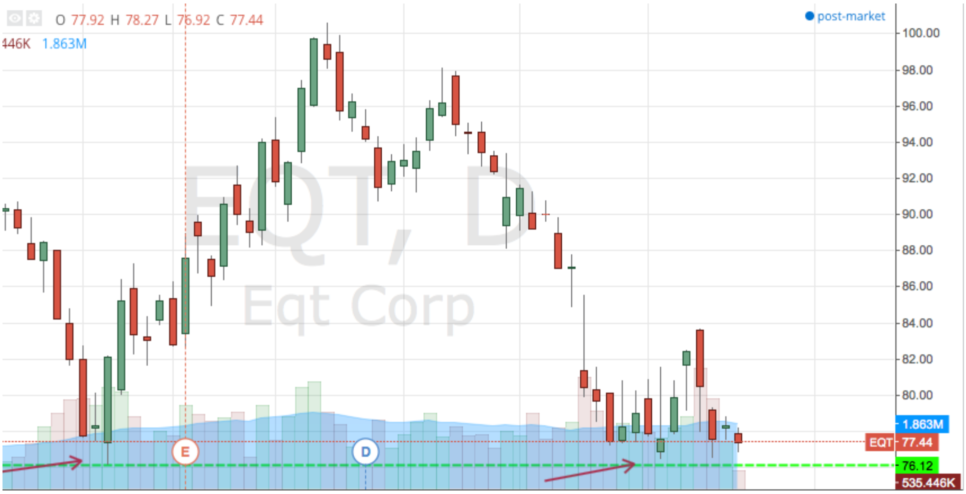
We will look at the following patterns in price.

**Double Bottom:** The Double Bottom is a simple pattern made up of a series of price bars in any given time frame. The price is moving down with a series of lower lows and lower highs until, at some point, the selling (downtrend) stops, and it finds some support. The price will then bounce back up, creating a series of higher lows and higher highs. Often armatures buy off this reversal, and it is not a good time because a proper base has not formed, so we want to wait for a more solid opportunity. Once the price moves back up, it will then come down again, creating another series of lower lows and lower highs…this time, however, the price will move to the same area as the last leg down. It may form a **W** look on price action.

There are many looks to this formation, some happen very quickly within a short time, and others take longer to develop. The price will again find support, bounce once again, and move higher. This has not created a Double Bottom. A "W" for Winner. There are regular Double Bottoms, and there are ideal Double Bottoms. The best to trade are the ideal Double Bottoms.

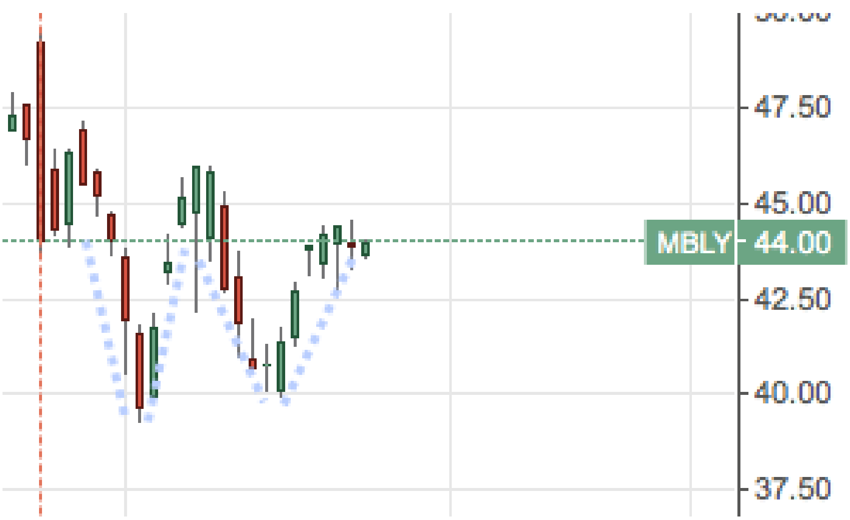
**Regular Double Bottom 1:** The price creates an equal support area and bounces. This does not shake-out the weak holders, and thus, the uptrend may fail quicker than it should.

**Chart: Courtesy of Tradingview.com**



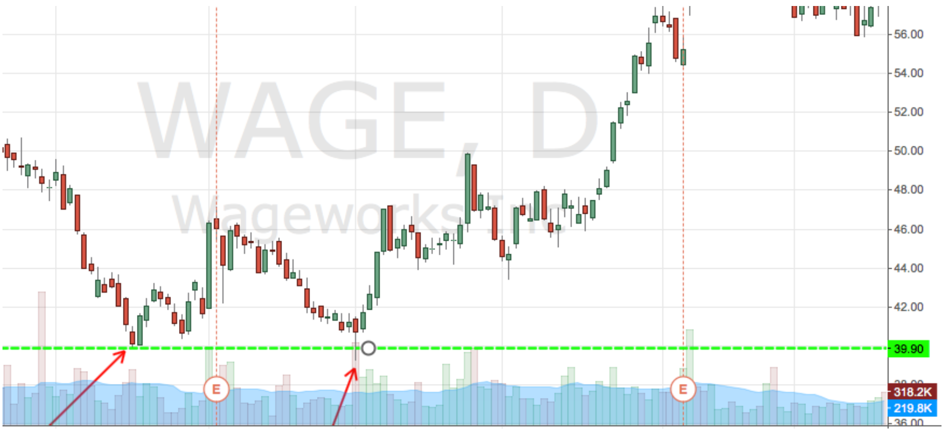

**Regular Double Bottom 2:** This is where the first leg in the Double Bottom hits a lower point than the second leg. It again does not shake-out the weak holders and is prone to failure. This does not mean that this Double Bottom will not work. It just means that without a shake-out, there are more in the position that are ready to sell, meaning we will have more overhead supply or more interest in selling along the way.

**Chart: Courtesy of Tradingview.com**



**Ideal Double Bottom:** This is the one we are looking for as the price action will drop on the first leg just as in the other regular Double Bottoms, then the price will reverse higher, eventually turning back down to find support around the same area as the first leg down. The key difference here is that the second leg down that forms the middle part of the W down will undercut the first major low. So the W looks a bit off. This means those who bought the Stock when it bounced the first leg down often set a stop loss just under the low. The second leg down stopped them out, and thus, they sold at a loss. Those buyers expecting to buy and profit had a chance on the way up, but it came back down, turning a winner into a loser and stopping them out.

**Chart: Courtesy of Tradingview.com**




This is a great opportunity to buy as we know there are fewer sellers in the Stock, and since it is rising, it is doing so on NEW buyers who don't have the same psychology of selling because they missed the first move up and had a winner turn to a loser….we have a clean slate in psychology so more buying action than selling.

This formation can work in any time frame. However, it is best to catch this on the Weekly chart. The longer a pattern takes to develop, the stronger the foundation for the potential to move higher.

*We have not talked about risk management yet. That is coming up later. However, I want to teach a little point related to timing and risk patterns. It is important that you understand there is a difference in risk between what we call $Dollar Risk and what we call Real Risk.

$Dollar Risk is a price figure of how many dollars you will lose when the stop is hit. For example, if you had a stop loss at $18 on a Stock you purchased at $20, you have a dollar risk of $2 per share. This is how much you will lose.

Real Risk is different because you may place the stop at $16 instead of $18, and you will have more dollar risk but less real risk. This would be based on a probability that the Stock will not go to $16. In the world of probability, which has more probability of a Stock at $20 hitting $18 or a Stock at $20 hitting $16? Obviously, the Stock has a higher probability of hitting a number closer to the current price. Therefore we have to look at dollar risk to ensure we manage our money, but we should also consider real risk in regard to probability, as that is how you get winning trades.

Typically, the real risk will, if hit, cost you more dollars but is less likely to be hit. Where Dollar risk will cost you less money when hit but is more likely to be hit and thus more often hit.

## *DOLLAR RISK DEMO*

Let's say you have a Stock trading at $40, and you put a stop loss at $38, which is a $2 risk on the trade. Now when you do this, you just arbitrarily pick that number which would be a low dollar risk of $2 but based on where you put it may be a real high risk. Let's say the AVERAGE TRUE RANGE (ATR), known as the price, has Stock that fluctuates on an average day, $4. This means it could move from $4 in a typical day of trading, which could be up, down, or both. This $4 move in volatility would hit your $38 stop and knock you out of the trade. So it would not be the best place to put the stop loss in this scenario. Yes, you would lose only $2, but the probability of losing it is very high. Does that make sense?

## *REAL RISK*

The real risk would be placing a stop somewhere that makes sense and protects you with a higher probability that you will not be stopped out. But, if you are, it could cost MORE than the Dollar Risk above. For example, let's say you see the same Stock we used at $40, and you notice that the ATR is $4, so you put your stop outside of that ATR range. Maybe you use a multiplier like 1.5 or 2 times the ATR. In this case, we will use the 1.5 X $4 ATR or $6. This is now outside the dollar risk area. So if the Stock does its normal volatility, you will most likely not be stopped out. If, however, it does move down $6, you will be stopped out, causing you to lose MORE money, $6 vs. the above scenario of $4. The dollar risk is higher, but the probability of it getting stopped out is less.

You have to ask yourself, would you rather lose MORE money and have less chance of that happening because you are outside the probability range, or would you rather take the chance at losing less money but have more real chance of losing it as you are within the probability range?

## *WHAT IS A DOUBLE BOTTOM?*

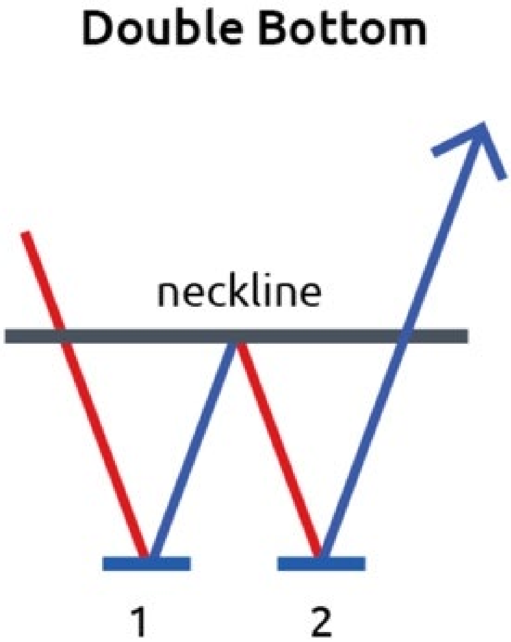
Think of a W. The Stock comes down and hits a point where it can't go any lower and bounces like a ball hitting the floor. The bounce up does not have the momentum to carry it too far before. Under its own weight, it turns again and falls back to the floor, but again, at the floor, it bounces.

**Psychology:** Think of that floor as a bunch of buyers, who every time it hits that point, they start buying it because they think it is CHEAP. If they thought it was expensive at that price, they would not buy, and there would be no floor, and it would continue to fall. In simple terms, a Double Bottom is when a Stock hits the same "area" two times in any given time frame. Often it happens pretty quick and looks like a W. However, sometimes, it takes time between the first hit and the second and does not look like a W but still has two points that hit around the same "area." I say area because it does not have to hit the same price each time. It could be just around the price.

## *WHAT IS THE BUY POINT ON A DOUBLE BOTTOM?*

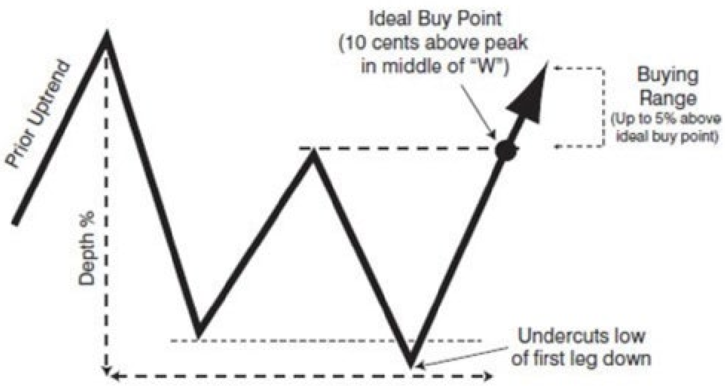
There is a technical buy point which is considered the best probability, and there is a second buy point which may have less probability but carries lower dollar risk.

Technically the buy point is when the second rise up takes out the middle of the W. Timing is critical, so you are not chasing the Stock. Stops and risk management are also very important to ensure you don't take too much risk.

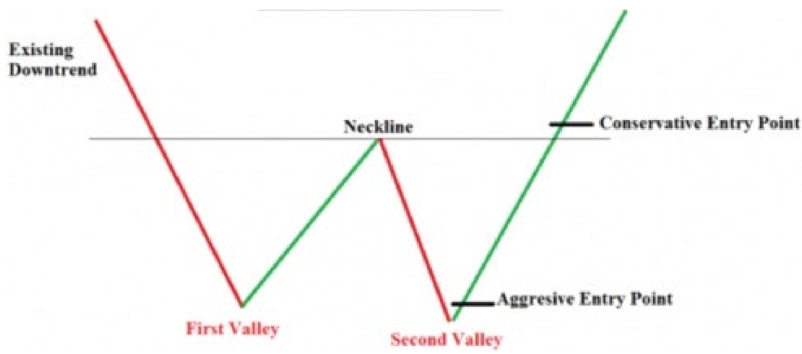



**NOTE**: since the second low did not take out the first, there will be sellers that will look to exit sooner. The rules are still the same when the breakout occurs above the high of the W. That is the buy point. A stop loss is put in at 8% below the buy point.

**Ideal Double Bottom**



Notice how the second bottom takes out the first bottom. This is what we look for, and then when we get the bounce, we wait for the breakout above the middle of the W to buy the position, and we again use the same 8% stop loss rule.




**NOTE**: Aggressive buy points would be used by more experienced traders, and the conservative is more apt to work than the aggressive.

If you see an IDEAL set up with a Double Bottom, you can often take the trade on the bounce of the shake-out. Once the right side of the W low takes out the left side and turns back up, that is a good point to buy and enter a stop below that shake-out low. This does give you less dollar risk in the trade as you enter close to the low, but it does not have the same probability as it would have you waited for the Stock to break the middle point of the W. This is the technically correct entry point with the most probability but using the standard stop below the last major low it gives you more dollar risk if it comes back down, but the real risk is less due to the probability it will not come back down.

You must create your OWN rule. My rule is that if I see a regular Double Bottom, I will often buy at the break of the W if I like the Stock. I base this on a weekly chart for a strong foundation. If, however, the Stock is a good Stock based on the LETMEIN formula and I see a Double Bottom, that is IDEAL! I will buy quicker after the pivot or low of the right side of W. Then place the stop below the right side low of the W. This is the aggressive entry and not so conservative. To be conservative, it would have to go higher and break the neckline where I would enter.

Much like we talked about above, if I enter the trade with an aggressive entry, the stop will go right under the last major low, but the probability is not as good as if I wait for the Stock to break out of the neckline. So I will have less dollar risk but more real risk. This would be Dollar Risk as the probability is not there since the Stock has not broken up past the middle of the W. Testing this over and over is a good thing for you to determine which is best, keep a journal or note it on your software and see how often you are correct.

Now let me ask you this, if everything was not competing for your attention and all you could see in the world is Double Bottoms, maybe even Ideal Double Bottoms, would you not be more prone to make money? What would happen if you just mastered this one single pattern, the Double Bottom, and tested it, took every trade you saw on great Stocks that had Double Bottoms? What if you set alerts or buys to buy on those with excellent risk management? What could happen to your accounts?

In my live seminars or coaching sessions, I often ask my students, "who makes more money, a general doctor or a specialist?" The students always know the answer when it comes to doctoring but rarely take that analogy over to trading. The specialist makes more money…but why? They are both doctors! Does the specialist know more than the general doctor? NO! They may know more about that specialty, but it does not mean they know more overall. Specializing can be very profitable…even in something as simple as a pattern that repeats over and over. If all you do is master that, then you know all about Double Bottoms and can trade them in your sleep. This can carry over to anything, including mastering one or two remaining patterns.

**Cup Formation**: This next pattern is the Market's most successful trade setup pattern. Studies show that this pattern is more successful than any pattern in the Market today. Again, we need to look at the psychology of this pattern to understand why. Timeframe is again on weekly charts allowing a long base foundation to be built.

A cup formation happens over seven or more weeks when the Stock price, which has been going up, begins to come down. This typically occurs with the overall Market correction. It is healthy for the Stock to come down and regain balance and build another base to move up out of. The Stock will drop and build the left side of the base, and once it starts to slow down, usually the price bars, which may have been bigger at the start of the base, will become much smaller and often begin to move sideways in a range. Then, at some point, there will be a move higher as we see a series of higher highs and higher lows building the right side of the base.

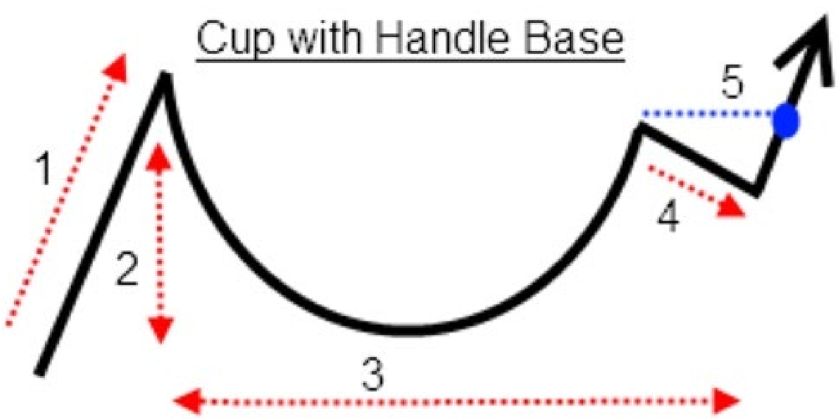
You can now start to see the cup formation take place. This means if you look at it, it could hold water "like a cup." You have the left side down and bottom and then right side up. If the Stock continues to climb higher and higher without creating another down leg or sideways action, then the price will climb back to the top of the cup, and the buy point becomes the rim of the cup or 10 cents above the high of the right rim.

## *PSYCHOLOGY*

Think about the psychology of the price on this pattern. Typically, the Stock has already run up 30% or so, has been in a nice uptrend, and needs to rest. So those who were in early begin to take profits to lock in their money, this causes a chain reaction, and others see the once great uptrend changing direction. They don't know how far it can fall, so they, too, begin to sell. This causes a steep sell-off on the left side of the cup. Notice the bigger bars and higher volume.

At some point, it slows down as those that had fear or wanted to sell have done so, and those who wanted to buy early on and missed it now see an opportunity to buy it at a discount. The buyers and sellers start to meet in the middle, thus creating the bottom. You see smaller bars, volume steady, and the Stock carves out a bottom that may last for some time as this Stock rests. This is not the time to buy.

Then some buyers come in, and we perhaps see volume increase and new highs are formed with bigger up bars. This could be just a fake-out, so we wait to see what will happen. If it goes back up to the rim of the left side, we know we have a cup. There are some rules on this, however. First, we need to ensure we have at least seven weeks in the development of this pattern as that gives the time for a firm foundation. We need to also ensure the left side does not come down too far, wiping away the 30% move that preceded it.



## *Cup And Handle Rules*

1. Move prior to formation—goal 30% move up. Want to see a larger volume as it rises, showing buyers coming in to support up move.
2. Correction from peak of move before fall (12-33%). The bottom should look more like a coffee cup ( U ) than a champagne flute ( V ). This correction will cause interest in Stock to wane.
3. Base (seven to sixty-five weeks). I use weekly charts.
4. High of pivot handle is a shake-out (sell-off from those who bought at highs and have a chance to sell and selling from those who bought at the bottom). *Usually takes one to two weeks to create the handle. Sometimes they create a cup without a handle. These often fail more due to no shake-out.*

   **NOTE:** We don't want to see the handle drop below 50% of the cup's right side, or we lose momentum and are prone to failure. (Standard is 8-12% drop from right high).

5. Volume should dry up on the handle as it drops, showing less selling pressure, then we look for the pivot and direction change to up.
6. Breakout: Entry point for buyer to enter position.

**Remember: If a cup corrects too deep, it is much harder to get momentum to rise. A 50% drop means a 100% rise to breakeven. Therefore, we look for a correction of 12-15% up to 30%. Much more depth would mean potential failure.**

## *PROJECTED TARGET*

To determine the projected target of a cup formation, consider taking the bottom of the cup to the top of the left side where the cup started and measuring that in points (dollars). Then project that number from the right rim of the cup upward and set that as the final target. Often a rule of thumb is a 25-30% move out of a cup formation. If you buy right and quickly, you can grab that move.

## *STOP LOSS*

On a breakout from a cup formation, I will generally use an 8% stop loss below the rim to keep risk low. I will discuss risk management more in a later chapter.

Cup and Handle Formation. (Note if I risk 8% to make 20-30%, my risk-to-reward ratio is 1:2, which I expect to be minimal).

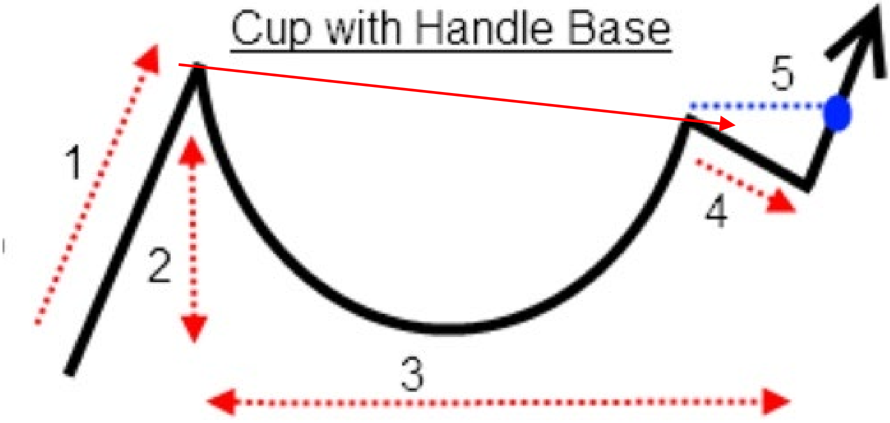
**Tight Price Action**: When looking at the weekly chart, notice if the price action is tight while in accumulation. The highs and lows each week are not too loose but are tight and steady. This shows a stronger pattern in Stock than all over the board.

**Psychology:** If we see tight patterns, like equilibrium, where the buyers and sellers are in agreement. Not too much of a battle here, and we have very small ranges and also closing around the same area as previous bars. This provides stable ground to trade off of as we can see a clear change of momentum when we break out either way up or down and a bigger move breaking the flat pattern. We also can see a volume spike and have a good entry point and stop loss point, so not as much noise as other types of patterns. This limits risk if traded correctly.

**The Buy Point**: We are going to watch for the breakout to occur off the handle when it stops reversing and heads back up. We want to see the volume expand on the breakout. If we see at least a 40-50% increase in volume, we know that this is being supported by buyers, and if we see a much higher volume like 200%, 600%, 1,000% increase, it shows institutional volume and that is good news. Most people will be fearful of buying at the highs now that it has broken out of the cup's rim, but this is the time to buy high and sell higher.

Now TIMING is critical here. If you buy before the breakout in anticipation, you may find it does not break out and ends up hitting the ceiling and collapsing, thus losing you money. If you wait, use patience for the breakout, and then buy at that point, you will often be rewarded. Today technology allows us to do this even without having to watch the Markets. You can set alarms, buy stops, and automate orders. Once the Stock breaks out, you have to buy quickly, or you will end up chasing it, which will then cause a buy point that is too high and a stop loss being put in the wrong place.

**5% RULE**: Buy within 5% of the breakout. If you buy over 5%, then you are chasing, and using our rule of setting an 8% stop loss from the breakout point will move the stop much higher. Let's say you buy at 5% above the breakout, then your stop will be 8% below, which means your stop is 3% below the actual breakout. A more in-tune trader bought at the breakout and has their stop at 8% below the break and thus less risk of being stopped out.




Another option is to draw a downward trendline off the peaks of the moves as seen above, and when a breakout occurs, buy. Still, watch for volume. This is a bit early but more logical because it has broken its downward pattern. *(Stop can even go below the pivot of the handle low).*

**Volume:** We look for volume to dry up at the lows of the price pattern. So at the bottom of the cup, we want to see volume dry up. We also want to see tight price action. This shows selling has subsided, and buyers and sellers are in balance.

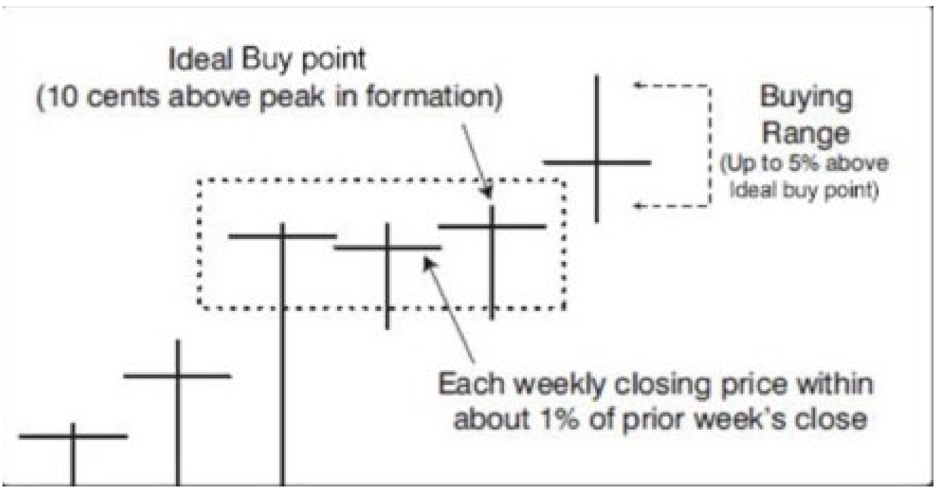
Risk Volume is the key, and you will not at key points volume may accelerate with big moves up or down. This is the gauge to see if institutions are buying or selling. Look for volume spikes and then the direction to tell you if they are buying or selling the Stock.

The Market in correction is the creative force behind patterns like the cup and handle, as 80-90% of patterns are created in the Market sell-offs. Don't get discouraged when the Market falls. Begin to look for the great Stocks, and then you will begin to see the patterns develop. You create a list of the great Stocks that have the fundamentals, leadership, and now patience is waiting for the timing to be right, the patterns to develop.

**Tight Patterns**: Tight patterns often occur after a cup and handle breakout or a Double Bottom and usually will occur as a rest point (new potential buy point). The breakout could run on average, say 20%, and then will rest. It may show a bit of correction but not as deep. It may look more flat. It will not correct more than 10-15% in this case, and it will build over several weeks a tight pattern. This is a rest before it begins the run again. Look to buy these on the breakout of the flat, or if you own this already, look to add to position.

**NOTE**: If you missed the initial pattern of the cup and handle or the Double Bottom, this would be your second chance to buy the position. It allows you to buy in a tight area with a lower risk of reversal and a good place to set a stop loss below that pattern.

**Three-Week Tight Pattern**




This is a great pattern to buy off of. Notice that each bar is a week of time, and the open is on the left, and the close is on the right, with the range being the vertical line. The important part is the open and close of the week. Each week the close is within 1% of the prior week's close. That shows a tight pattern and holding strength in price action. This often happens for three weeks, sometimes four. Either way, the buy comes on the breakout of this pattern. Buying at 10 cents above the HIGH of formation gives great entry, and stop can go 8% down again using our rule.

You can study many more chart patterns. This book is only meant to give you just a few of the best and most powerful. If you decide this is worth your time and energy, I highly suggest you begin to work on other patterns as well, where you see them over and over, so they become second nature to you.

## *ACCUMULATION and DISTRIBUTION*

Remember, you can't buy more shares than are available to sell. So how does a Stock move up or down? Think of it this way for every buyer, there will be a seller, and when that happens, we have a TRADE. Let's say BUYER A wants to buy one share for $40, and SELLER B owns the shares but wants to sell them for $41. There will be NO TRADE until they agree. Either Seller B will lower the price to $40, or Buyer A will raise his price to $41…let's say they meet in the middle, and you have Buyer A raise price to $40.50, and Seller B accepts this and sells at $40.50 now we have a trade. So, for every buyer, there is a seller. When we see a Stock move big up or down, this means there is buying pressure.

So, for example, let's say that "Good News" comes out on a Stock, maybe a new drug passed FDA Level 3 testing and will go to Market, which will add a lot of revenue to the bottom line. Now there is a buying frenzy…people want to buy the Stock, but not for $41.

Due to the news, they believe the new drug will increase the EPS so much per share that the Stock will be worth more than $50 or higher, so now traders are putting in trades to buy at $50…the seller knows the Stock is worth more than $40 so any ask for $40 will not be traded, the price will move up as more buyers offer more for the trade and once there is a seller who likes the offer he will sell…say that price is $50…now that trade goes off and the Stock has moved up from $41 to $50. The best way to think of this is like an auction.

If the auctioneer is offering an item, he starts the price out. If nobody bids at that price, he has to lower the price to get a bidder. Then it may sell, or another bidder may offer more. If there is no real interest, the item is either not going to sell, or it will sell on the cheap. When, however, the auctioneer has a GREAT item, something considered very valuable, then all kinds of bidders come out to get the item, then the price starts rising as competition kicks in. The price moves higher based on each bidder's idea of the item's worth. This is where price and value are very different.

At the time of this writing, Facebook (FB), a Stock that has been doing well at growing earnings, just purchased a company with no earnings called Whatsapp. This is an instant messaging company, and Facebook is paying for this company mostly with Stock but for $19 billion. Most pundits think it is a crazy move that is way too expensive for this company. The company has 450 million active users and leads in the Instant Messenger Space.

We know the price of this company is $19 billion. However, does it hold $19 billion in VALUE? We don't know…time will tell if this company will be worth the price paid. This is where we don't have all the answers in price vs. value.

Let’s look at a visual. When we are looking for accumulation or distribution, we really are looking to the big money, the Institutions. I mentioned earlier they will not let you know they are buying or selling. They don’t want to telegraph their moves, but we can determine this by looking at two key areas: PRICE and VOLUME.

**Accumulation:** Accumulation occurs when the Stock price closes higher and toward the top of its range. Volume is also critical in that we need to see the close higher supported by a higher volume than the previous bar's volume. On a daily chart, this would mean a higher close, with volume higher than the previous day showing institutional buying. We look to see if Stocks are moving higher on heavier than the NORMAL volume, which shows that the smart money is buying.

**Distribution:** Distribution occurs when the Stock price closes lower toward the bottom of its range for that time frame. The volume would be increasing on the selling showing institutional or smart money dumping the Stock.

When we get to the index distribution days, we will get a bit more specific on this, and that information will come under access code letter (M).

*Remember we focus on weekly time frames and daily…there is no need to go to lower time frames. So, if we look at a bar chart for a weekly, then each bar is ONE WEEK. If daily, then each bar is ONE DAY. We want to see that the Stock closes toward the top of its range on the DAY, or if we are looking at the WEEKLY, we need to see the close at the top of the range for the week.

**Daily Chart Facebook (FB) Chart courtesy of Tradingview.com**

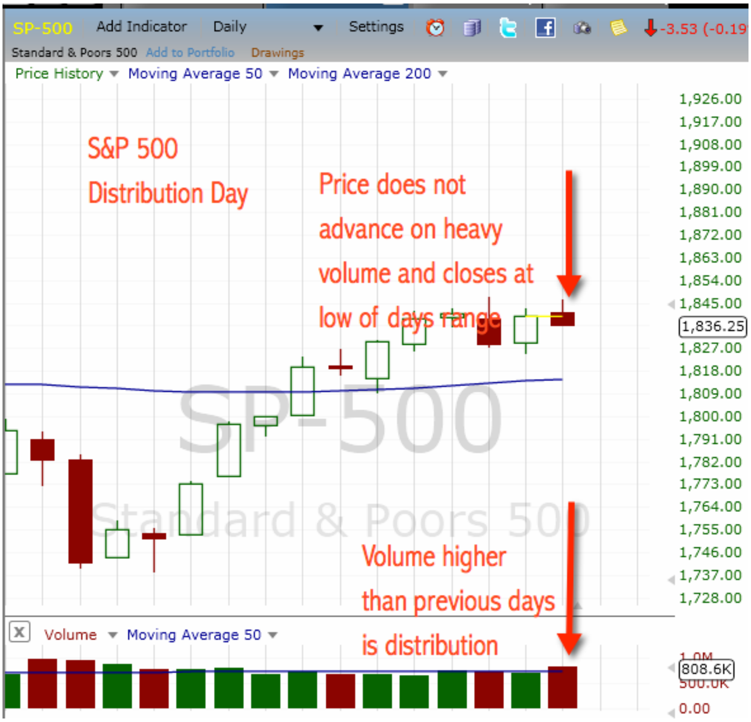
**Weekly Chart Facebook (FB) Chart courtesy of Tradingview.com**


The above chart shows accumulation weekly for Facebook. Notice the high-volume bars and the higher closes. This is a sign of institutional buying. The one thing to note is that the bar with the arrow pointing at it has a range signified by the black lines on each side, and the close is higher than the previous week. However, it did not close at the high. We see more volatility in this week due to the smaller body and more wick on each side. If you compare that to the previous candle, you have a bigger body with a stronger close toward the top of the range and very little wick below, showing more bullish strength.

When bars get smaller, it could signal a slowing trend. Thus, you may want to take action to lock in profits or keep an eye out for a short-term reversal or even a total change in direction. Facebook, however, is still hitting on all cylinders at this point, so it should continue higher in the long term unless they make a wrong move.

**Daily Chart Yandex (YNDX) Chart courtesy of Tradingview.com**


**Daily Chart SP-500 Chart courtesy of Free Stockcharts.com**



Remember, Accumulation and Distribution are based on buying and selling. The retail investor or trader (you and I) don't really move Markets. It is the institutional money. They have big potential to move Markets with mass buying and selling and prefer not to telegraph to people like you and me what they are doing. Therefore, they will trade in stealth mode, buying some here and there, but when we see the big volume, that is our indicator that they are moving in or out, and we need to see the direction of the move and analyze it the volume and price action. Taking your time to analyze past price moves along with volume on the winners and loser Stocks as well as big movers will give us the insight to use going forward.

# CHAPTER 8:
# *M: Markets*

**ACCESS CODE**: LET**M**EIN

## *L: Leadership*

- Are the Stocks I am following the leaders in their industry and Market?
- Are they strong growth Stocks, newer names, and getting good traction?

## *E: Earnings*

- Do I have a good line in the sand looking at 25% increase in earnings comparing the current quarter to the same quarter last year?
- Do I see a surge in the current earnings of over 70% increase vs. last earnings?
- Do I have more than one quarter of surging earnings (two or more consecutive)?
- Do I have 25% Revenue or better?
- Do I have a Return On Equity (ROE) of 17% or better?

## *T: Timing (Lessons Below)*

- Am I looking at the Weekly Chart first to get the bigger picture?
- Do I see A Clear Pattern Forming? (cup, cup and handle, Double Bottom, flat, etc.)?
- Do I have a buy-in at a proper breakout point, and is the volume supporting the move?
- Am I buying immediately and not chasing the Stock (over 5%) from breakout?
- Do I have my stop loss set at 8% below buy point?

## *M: MARKET*

- Are any of the indexes showing high distribution days?
- Is the Market in a confirmed uptrend?

We now move on to the fourth letter of my L.E.T.M.E.I.N. System! This is a letter of utmost importance in our education with the Markets. The Market direction is critical as trading only will work effectively if you trade in the direction of the trend. For a Bull Market (rising prices), you would look for a continuation, and the corrections are the times the patterns are formed.

We, however, must always look at the Market as a whole to ensure we are prepared to exit should danger come. There are ways to spot problems early and not get caught with the big down moves.

In this chapter, I will explain our process to spot these moves and the ability to prepare so that you can mitigate risk and be on the sidelines with cash while others are riding the Market down.

I can speak on this firsthand as my trading career began in 1995, and I did very well until 2000, when the dot com crash tanked the Markets. I was still young and had never experienced a Bear Market, and I did get caught up in the fall, losing a ton of money. It is this pain that I choose to share so that you don't have to experience that in the coming cycles to the downside.

Even though we are deeper into the ACCESS CODE, the M is the most important aspect, so you may want to start your day or week with an analysis of the overall Markets to ensure you are swimming with the tide and not against it. Knowing if you are in a Bull or Bear Market is important.

If you are in a Bull Market, the question becomes, what inning are you in, the early or the later? This is an important question. Had I known this, I would not have lost over 50% of my portfolio in the crash of 2000. In fact, I may very well have only lost a small portion.

We are going to focus on four main charts here to determine the health of the Markets. You will be using daily charts to do so. We will also look at volume changes on these charts. I like to call these charts the four oracles. They are going to give you a future potential understanding of where the Markets are going. Heed their information as it could save you tremendous pain and money.

The money managers tell you that you can't time the Markets. They are typically 95-100% invested and have enough diversification with large funds to weather the downturns. Over a long time frame, most Stocks come back. Some don't, however. In this large diversification, you can gain over time, but as a retail investor, this is much harder for you and me to do with only, say, five, ten, or twenty Stocks. Some that go down will never come back and could wipe out a lot of your portfolio, so use these rules to keep yourself safe.

We are going to use general Market indexes called the broad indexes, which give us a good view of the overall sentiment.

## *These are our Four Oracles*

1. The Standard & Poors (S&P) 500: These are the 500 companies representing the American Economy. A bit larger than the DOW 30 most have heard about.
2. The NASDAQ: This is a more volatile index and usually has more of the growth Stocks and technology Stocks, so much more movement often occurs here.
3. The Dow Jones Industrial Average: (DJIA) As mentioned above, this is the DOW 30, which holds the thirty Stocks that are supposed to represent the American Economy. Staples like Coca-Cola and AT&T are typically slower Stocks that have been around a while and don't move as much, more stable in their price action.
4. The NYSE Composite: This is a value-weighted index of all Stocks listed on the New York Stock Exchange.

**GOAL: Check these daily to look at price action and volume as they may signal a coming change in direction.**

## *MY STORY CONTINUED:*

I was fascinated by Bruce Lee when I was twelve years old. I was picked on as a kid, and I felt if I knew what Bruce Lee knew, I would be a dangerous victim. I spent a lot of time watching Karate and Kung Fu movies. I then joined martial arts and spent a lot of time watching the best martial artists, analyzing their moves, thinking, and breathing.

I became better and better by watching and analyzing and then practicing the moves. You could analyze the eye movements to determine when a punch or kick would be executed, then you could almost begin to respond before the move was made. The Market is no different. If you want to make money, watch the Markets daily, analyze, look for patterns and test again and again. You will discover formulas that work.

Later in life, on my spiritual journey, I began to practice yoga, and in doing so, I learned that the key is to observe myself. If I can observe myself and my thoughts, then I can begin to see how I operate in life and perhaps stop my reaction to outside circumstances gaining inner power and control. I have heard it said that we do not see the world as it is. We see the world the way we are! That means we see through filters eyes from past bias, and thus, we are not really in reality.

One of the best books I read in trading was *Trading In The Zone* by Mark Douglas. This book is about mindset and the mental issues that cause us to lose, and once we learn these, we can begin to win. **I suggest you read this book**.

The way to become a great trader or investor is to spend time in the Markets.

## *M: MARKET*

The Market usually takes a few tricky pullbacks up or down to fake and shake-out the weak holders or players. Once everyone weak is taken out, the Market will begin its new trend. This is true crowd or mass psychology seen in a picture. The picture tells you a lot when you spend time with it. I liken it to being in a relationship.

If you recall, when you just met that special someone you were attracted to, you did not know how to read them, they would show a face, and you would think, "hmmm, are they pissed…what is he/she thinking?" Then fast forward six years later, and in your relationship, you know the face and what it means without words. You have spent enough time together that you can read the body language. The Market becomes like that. You start to see what it is saying early.

The Market is a picture of the masses, from individuals to funds to the wealthy. It is a leading indicator and will begin moving in the direction based not on what is happening now but on what is anticipated in the future, months in advance. It is a leading indicator of the economy.

For example, Bear Markets (20%) drop or lower on a downtrend usually end while the economy is still in a downtrend. The Market precedes the good news forthcoming. Likewise, the Bull Market will typically end while the economy is still looking strong, but the Market sees storm clouds on the horizon.

***NOTE**: Much of this can be determined by the business cycle. This deserves your attention if you want to dig deeper. Learn about the business cycles, industry groups, and how they move in certain Markets.

As an investor or trader, you must know the Market's different "stages". First, we have an "Early Stage Bull Market." This is where the best trades are because they start with a big run-up and have momentum as people come in. There's less risk with these trades as you are getting in early and not at the end. Of course, in a Market like this, we will experience "Pullback" as it goes up. This is healthy and natural to have normal pullbacks of 8-12%, as this is what creates patterns that we look at on the charts every day.

A pullback is where the price declines by 6-12%. This is healthy because as buyers come into the Market and take profits, it goes up around 20-25%, and then it will pull back the 6-12% I discussed earlier. These investors are profit-takers, and as they do this, it shakes out the weak-holders, and thus, more buyers begin coming in. This will create a "base" in the pattern, also known as a Stage One Base. This is usually a sign that the Stock will run up for months another 20-25% over the next few months. For most people in the Markets, this is great news!

Just a quick reminder that a "Bull Market" represents the bull butting upwards with his horns. This means that a Bull Market represents a Market that is in an upward trend (Up 20%). The "Bear Market" represents the bear swatting down with its giant paws. This obviously means that the Market is going down or in a downturn (Down 20%).

We need to be looking at the Daily Charts and the Weekly Charts to better understand the current Market and what is happening. We need to check the Major Averages to view the Markets. Something I like to call the Four Oracles!

# THE FOUR ORACLES

1. **NASDAQ -** A "basket" of Stocks. This is where all of the Technology Stocks are listed. Usually identified as having Four Ticker Symbols (i.e., DELL, TSLA)
2. **New York Stock Exchange (NYSE) -** A bunch of different Stocks. Usually, these Stocks have Three Ticker Symbols (i.e., IBM).
3. **Dow Jones Industrial Average (DOW 30) -** This shows thirty stocks representing the U.S. Economy. They are diverse, so we can see how they're doing as an overall average.
4. **SMP 500 -** 500 Stocks that represent the U.S. Economy. This is a much wider range of Stocks than the Dow Jones Industrial Average.

The Four Oracles I have listed above should be checked EVERY DAY! REMEMBER: When we see a lot of buying in the Markets, this is good news, but a lot of selling is bad news! We use these indicators daily to see whether they're distributing (selling) or accumulating (buying). Fund Managers control much of the "behind the scenes" in the Stock Market. On Distribution Days or Accumulation Days, it is important that we pay attention to the Volume of buyers or sellers on these particular days in a month.

This type of information that I have shared with you will separate you from the Masses (usually the "losers" in trading the Stock Market). You should be able to read these charts daily and quickly tell me whether or not we are having a Distribution Day. If we have a Distribution Day on ANY ONE of the Four Oracles, then you will need to take note of that as a "Distribution Day," as we are looking for around three to six Distribution Days in a twenty-five-day period.

A Fund Manager has billions of dollars of Stock. They cannot just "dump" it all if they think the Economy is starting to go bad, so they usually try to sneak it in. They will usually do little blocks of trades, but it will be way more than average, as they are big. If they sold all of this Stock all at once, they would crush the Market and cause mass panic within the Economy. They usually sell some of this Stock off on the way up, as sometimes we can see lots of "stalls" where the price action is not moving, but there is lots of volume.

This tells us that the Fund Managers are selling the Stock but in a sneaky manner. When we get around four to six of these types of days, we should start pulling our money out. When we do this, we will oftentimes find ourselves on the sidelines as the Market crashes, which is exactly where you want to be.

The Market is like a river. It has a lot of power, and if you're in a river and trying to swim upstream, you will have many problems fighting that Resistance.

Much like the river, we want to move with the flow when it comes to the Market! We want to ALWAYS trade in the direction of the Market. If the whole Market is going up, you don't want to be a countertrend trader and trade against the Market. You will get absolutely crushed this way!

For example, if I am looking at a company like Tesla (TSLA), I will begin by looking at the NASDAQ. If I look at the charts and see everything up and it is an accumulation day with lots of buying, then I will want to be a buyer of Tesla. Of course, I want you to use my entire L.E.T.M.E.I.N. System when choosing and picking Stocks, but for the sake of using the letter we are currently learning (M) for Market, this is the principle you would use to choose a Stock using this one letter.

When the market is going down, you do have a few options. You can decide to trade on the downside (puts, etc.), but this is much more complicated. Some people are better off just pulling all of their money out, sitting on the sidelines, and hunting for Stocks that they wanted to buy previously, but were too expensive or overvalued at the time. This will give an opportunity to go shopping and buy when others are fearful. While the Market is going down, I would always suggest creating a "Shopping List" of Stocks you want to get into or have wanted to get into. There are even Stocks that prove to be great performers even in a downtrend, and these are the Stocks you should be looking at! That should tell you everything you need to know about that Stock!

As I write this paragraph, the Market is experiencing a large correction as the Federal Reserve is trying to curb inflation. The tech sector has been beaten up, but before it dropped hard, the money began to find its way into the beat-down energy Stocks, and they have performed well. Watch for sector rotation as overvalued companies will be sold off, and the money will find new undervalued positions or sectors.

DO NOT JUMP IN EARLY! Too many people jump the gun and jump in way too early when they think the Market is going to back up. It is better to be late catching less of the move than to be early (wrong) and suffering a quick downturn to continue its pain! We talked about this in (T) for (TIMING), which is critical to remember, hence why I brought it up again. Repetition is the mother of all skill. (*Reading this book ten times will put this deep in your DNA, and it will become second nature*).

**NOTE:** I use INVESTORS BUSINESS DAILY charts to look at volume, as the Four Oracles do not present this information!

# **ACCESS CODE**:
# LETMEIN

## *L: Leadership*

- Are the Stocks I am following the leaders in their industry and Market?
- Are they strong growth Stocks, newer names, and getting good traction?

## *E: Earnings*

- Do I have a good line in the sand looking at 25% increase in earnings comparing the current quarter to the same quarter last year?
- Do I see a surge in the current earnings of over 70% increase vs. last earnings?
- Do I have more than one quarter of surging earnings (two or more consecutive)?
- Do I have 25% Revenue or better?
- Do I have a Return On Equity (ROE) of 17% or better?

## *T: Timing (Lessons Below)*

- Am I looking at the Weekly Chart first to get the bigger picture?
- Do I see A Clear Pattern Forming? (cup, cup and handle, Double Bottom, flat, etc.)?
- Do I have a buy-in at a proper breakout point, and is the volume supporting the move?
- Am I buying immediately and not chasing the Stock (over 5%) from breakout?
- Do I have my stop loss set at 8% below buy point?

## *M: MARKET*

- Are any of the indexes showing high distribution days?
- Is the Market in a confirmed uptrend?

Just remember, the Market is like a river. It has a lot of power behind it and flows the way it will flow. If we decide to start swimming against the current and head up the river upstream, we will run into a lot of problems! You will be fighting to get upstream, and it will be a long struggle. Instead, we would want to swim in the direction the river is flowing and just go with the flow. It would be smooth sailing from that point on, yes? The Market is very much the same way. We want to trade in the direction of the Market and go with the flow rather than trading against the Market.

If the whole Market is going up and you are trying to counter-trade the Market in the opposite manner, you will get crushed. Now, of course, some people make money this way, and with much difficulty, but I want you to ask yourself: "Why would I fight the Market trend? Why would I make trading so much harder for myself when I can just simply move in the direction the Market is going?" When the Market shows us signals of Accumulation and Buying, we want to be buying the Markets.

Using the Four Oracles I have taught you and looking at the NASDAQ, you will quickly be able to decipher what the Market and whatever Stock you are looking at are doing. Is it going up or down? I currently invest in Tesla (TSLA). If I open my computer and see the NASDAQ is going higher, I will want to be a buyer of Tesla. Just as a reminder, do not forget to use the ENTIRE L.E.T.M.E.I.N. system when choosing to take a trade or buying/selling. Do the work, and your money will work for you, as I always say.

So, what happens if the Market is going down? There are some traders that trade on the downtrend and make quite a decent chunk of cash, but I always say that it is easier to just pull your money out of the Markets. I would recommend that you sit on the sidelines while the Market is getting wiped out, and you go what I like to call "Stock Hunting." Stock Hunting is about looking at those specific Stocks you've always wanted to buy and were maybe too expensive at the time, or maybe they performed better than you thought they would. Create a Stock Shopping List! Set yourself up for success while in a downturn in the Markets.

Sometimes in a Market going down, there will be Stocks that are still performing well and are holding up well! If you notice a Stock swimming up the river while the rest of the Stocks are getting wiped out and going down, just know that this is a very strong Stock! Not only would this be a strong Stock, but it is one you should look to get into ASAP! If you do not get into that Stock, you could really be wasting away an opportunity if the Market gets back into an uptrend and that Stock just takes off!

We have to be careful when creating our lists while "Stock Hunting." We do not want to jump into any Stocks or investments too early! It's better to get in late and be right than to be early and be dead wrong and lose more money. Of course, this refers to the "T" in my L.E.T.M.E.I.N system, which I'm sure you have read by now. Some say that "timing is not measurable" or that "timing is impossible to calculate in the Stock Market."

This is simply not true! The key is to be a student of the Market! The more you spend time with the Market, the more you will get to know it, much like dating! The exact same philosophy translates to the Market! This is why I always preach that the Stock Market is closely tied to our personal lives, from emotions around loss/wins all the way to consistency and showing up!

Each and every Stock has a different personality, movement, and patterns that occur. It may sound like a lot of work to some, but when I started with the Stock Market, I worked two jobs and stayed up late at night just looking at the charts. Of course, by 1:00 AM every day in Denver, Colorado, the Markets were closed. But, this did not stop me from studying the charts! And as I studied the charts every night, I began familiarizing myself with the different patterns and personalities the Stocks had, and that is where I began developing the system that you will be using right now!

Observe and Analyze are keywords for this letter. Much like creating a Hypothesis using the Scientific Method, you must analyze and TEST it. Of course, there are other steps in the Scientific Method, but having a good analysis of the Markets and testing your system out is crucial to your financial success in this realm. It is of utmost importance that you rely on YOURSELF to know what is going on in the Markets, and not rely on others! I say this especially in regards to most financial advisors since they make money either way, whether you win or lose!

I remember Chase Bank calling me one day and asking me if they could invest my money for me since I had such a large sum of money in my bank account. Before saying yes or no, I simply asked them if they make money, whether I win or lose in my investments, they would handle it, and they said yes. They would STILL make money if I lost! I asked them straight away, "How does that benefit me, then?" This is what the average person does! They give these money managers and advisors access to their money, and if you've never done the calculations yourself, the average financial advisor keeps 60-70% of the money you give to grow your account!

Over time, most people don't realize that your account is being drained little by little. These advisors are investing with YOUR money! This is why it is important for you to know what's going on in the Market and to use this system. Otherwise, like most people, you would take the easy way out and give your money to people who win when you lose, and we do not want that! Many of you may or may not know this, but many get bonused when you lose! If a fund manager just has to stay below a 15% loss on your account in order to get a bonus, they could do just that! Say you lost 14% of your account, and they managed to stay below that 15%. They would still get bonused while you just lost 14% of your total account. It is just not worth it.

What we just discussed above is exactly why I believe that Banking is the most vile industry on the planet. It's merely a den of thieves, and the money game is complicated. You have to learn and excel at the game to put it all in your favor.

I will now leave the banking topic to mention something very important. We are looking for four or five Distribution Days in the Market over a four-to-five-week period. These will tell us to raise cash, sell positions, and really lock in profits because, potentially, we are looking at a Downturn. It will oftentimes take two to three pullbacks (commonly referred to as shake-outs or fakeouts) before the Stock actually collapses. Just think of a motor on a tractor or a car dying. It will spurt a few times or make strange noises. The same applies to the Market in this case.

Bull Markets will usually top up right before a Recession in the Economy. The Market will continue to go up even in the midst of bad times, so this is almost an early indicator of that. Before a Recession, you will also notice massive sums of money being moved from Growth Stocks (like Technology, etc.) to more "Safe Stocks" (Energy, Consumer Goods). If a Recession is on the way, investors begin to think along the lines of "People will always need Toothpaste" rather than investing in riskier growth Stocks. These safe Stocks will never make anyone that much money, but they are more secure and less volatile than growth Stocks.

On average, a Bull Market will last around three years, and a Bear Market will last around nine months. Bull Markets always last much longer than Bear Markets, and for those of you who forgot which is which, remember, the Bull Market represents an upward trend in the Markets. I oftentimes think of a bull "bucking" its horns upwards, which would represent all of the Stocks being pushed up and growing. A Bear Market represents a Market on a downturn trend. Stocks are going down, and the entire Market could be collapsing or just in a normal downtrend. I think of a Bear swiping down the Stocks with its large claws, and it just keeps swatting.

The year is 2021, the year that this book was written and published. We are currently experiencing the longest Bull Market in history, and so it is just a matter of time until everything plummets into a downward spiral. The globe is currently over 750 trillion dollars in debt, which is unfathomable. We are an Economy that is Debt-Based and has been set up by the bankers in the Central Bank System. The entire system is based on Trust, and as most people probably know, trust is waning quickly in these old systems, especially having just gone through the COVID-19 pandemic recently.

Let's talk about protecting ourselves in a Market Downturn, as this is very important to know. When the top of the Market indicators shows up, believe them.

Do not sit around, believe, and hope that the Market will just start going back up, as this is how I and many others have lost massive amounts of dollars by the thousands. These indicators are the Distribution days I talked about. These are the early indicators! We want to sell quickly when we see four or five of these days in one month.

I suggest acting immediately when this happens by putting at least 25% of your overall Portfolio in cash. Do not be worried about even doing 50% cash if it keeps getting worse and worse! Protect your assets! Remember, you can always get back in if you're wrong, but you cannot get back out if you mess up since your money would be completely wiped out. What I just shared with you is called Wisdom. Take my advice on this, as I have personally lost so much money by not listening to this advice. I'd rather you learn from my experiences rather than your own experiences. Trust me, you will agree!

When we have a Bear Market, you have two clear choices. Trade the Downside and try to make money that way, or get that list (Stock Hunting) like we discussed earlier. Remember, the Four Oracles can help us determine what kind of Market we are experiencing in the present. Once we determine the type of Market we have, we need to dive deeper into the charts to find certain indicators.

I briefly touched on Distribution Days earlier, but now ready to go into depth about these with you. A Distribution Day is a day where volume accelerates over the previous day, and the price action does NOT go higher. We would have a stall here, which would look like a Doji or a Cross on the charts. It could open and close at the same price, or there could even be a lot of movement, but the price has not moved at all, and you see Volume accelerating, which tells you that they are selling into this. "They" are big fund managers, not Retail Investors like you and I.

The Stock could also be .2% down, but the volume is bigger than yesterday. This is another indicator that you are looking at a Distribution Day right in front of your eyes. The first one or two distribution days are not a big deal, but when we start seeing three to six, you must start raising money because potentially we are going to turn down.

**Remember, we want to cut our Stock Loss to 7-8% below your Buy Points. If you are using options, we will be using a slightly different philosophy on this, and we can get into that a bit later.**

We only need one index (one of the Four Oracles) to show a Distribution Day occurring, so that is why it's important to check all Four Oracles every day. I would also recommend that you check the patterns and trends for the Stock Market crashes, including the Credit Crisis (2008), the Dot Com Crash (2000), and of course, the Great Depression (1929), just to name a few. Some of these had patterns like the "Double Top," and you will begin to be able to identify it if and when it happens the next time it does in the Markets.

# Chapter 9:
# *E: Exposure*

**ACCESS CODE**: LETMEIN

## *L: Leadership*

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## *E: Earnings*

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- Do I see a surge in the current earnings of over 70% increase vs. last earnings?
- Do I have more than one quarter of surging earnings (two or more consecutive)?
- Do I have 25% Revenue or better?
- Do I have a Return On Equity (ROE) of 17% or better?

## *T: Timing (Lessons Below)*

- Am I looking at the Weekly Chart first to get the bigger picture?
- Do I see A Clear Pattern Forming? (cup, cup and handle, Double Bottom, flat, etc.)?
- Do I have a buy-in at a proper breakout point, and is the volume supporting the move?
- Am I buying immediately and not chasing the Stock (over 5%) from breakout?
- Do I have my stop loss set at 8% below buy point?

## *M: Market*

- Are any of the indexes showing high distribution days?
- Is the Market in a confirmed uptrend?

## *E: EXPOSURE*

- Have I calculated my position sizing?
- Is my position-sizing 1-5% for any one trade?
- Am I entering within 5% of a breakout of a properly formed base?
- Is my stop-loss maximum 8% away from my entry?
- Do I have a 2:1 reward-to-risk ratio or better?
- How much time will I allocate to be in the trade if it doesn't move?

## *MY STORY (CONT. PT 2)*

E for EXPOSURE is one of the most important letters in my L.E.T.M.E.I.N. system. When I first started trading, we were experiencing one of the biggest Bull Markets at the time, and I was making great money! Even when I looked back and realized that I made a few mistakes when first trading and starting out, I still made money on it! I learned to trade from a Company in Seattle with one of my mentors, Wade Cook. I worked for Wade Cook Seminars, a company that was the biggest seminar company centered around trading Stocks and options.

After serving in the Air Force, I was miserable in normal civilian life. I worked many corporate jobs that did not pay well, and I found myself being sold into scams easily, and I even lived with my mother up until I was twenty-eight years old! I was in an Amway Business, and it taught me how to take rejection, and I really learned a lot business-wise from those experiences. I had started a Martial Arts Studio previously when I was sixteen, by complete accident! I loved the Martial Arts, and teaching it was a gift I didn't know young Vince had inside of him! I ended up teaching a few classes, which turned into way more than just a few classes. I was teaching young kids all the way from Nebraska to Colorado.

In my mid-twenties, I had first heard about the Stock Market. I was miserable in my job, and there was a free seminar in Denver on how you could make a 300% return or more of your money in the Markets! I ended up working for this very company soon enough and grew my account from $2,000 to over $500,000 in a year and a half! And then the "Dot Com" crash happened…

Even though I had made a lot of money, the 2000 crash made me realize that my risk was way out of line, and I was over-exposed. First things first about risk is that there is risk in everything we do. A high probability of winning can lead to a high risk, and a low probability will lead to a low risk. The two principles go hand-in-hand, especially in the Stock Market!

It is important that we mitigate this risk and manage it properly when trading to protect our Financial Health. You MUST learn the Markets! So many people have come to my trainings with Ph.D.s and degrees, thinking that will spill over to the Markets.

**Spoiler Alert:** It does not! If you do not know the Markets and educate yourself on them, you will struggle with determining Risk and keeping it at bay.

There are different types of Risk when we are talking about the Stock Market. There is, first, **Policy Risk**. This type of risk involves a governmental policy that can change the entire Market. As I am writing this, we have President Biden in office, and we have record high inflation, record high gas prices, and a policy that is anti-oil and gas, and this, along with the Ukraine War, has taken gas prices from under $2 to over $7 at the pump putting a huge tax on the consumer, add to that the high inflation of 8.9% and we have a bad Market which has gone into bear mode and fear in the economy.

The policies Biden implemented in the energy sector have been very bad for the consumer and economy, not to mention the Stock Market. I am not here to go on a political rant as this has become a toxic subject, but just follow the money, and it is clear.

One of my early mentors always asked the audience, "would you like to be able to predict the future?"

Of course, everyone said, "YES!"

He would then say, "Policy + Demographics = The Future." This is the key, look at the demographics and who has the money, where they live, what policy is being implemented, and the economy and Markets will soon follow.

Next, we have **News Risk**. Headlines from the news can come out during the day or while you're sleeping and change everything for you. It can either be bad news, and your Stock drops before you even wake up, or it could be good news, and the Stock heads in the opposite direction! We also have risk on Movement and risk on Time! As far as risk on Time goes, this mainly applies to trading Options, as Options are oftentimes like an ice cube. You only have a limited time to do something with it before it melts (or expires in this case).

This book was not meant to discuss options, but I understand some of you may be trading options, and others may have an interest. If you are interested in learning high-return, low-risk trading using options, I invite you to check out my online training membership called The Trader's Cadrè. It is thirty-two hours of content and bonuses and has helped students of mine generate 200%, 300%, and even 500% returns on their trades. The key is to follow the rules. Just go to www.DisruptiveTrader.com and get enrolled. I do suggest you watch the videos over and over until you know it inside out.

Risk. This should be the very first thing you think about before trading anything at all! We should always start with the question, "What is the most that I can lose if the worst-case scenario happens?" We start to answer this question by sizing our portfolio, or what I like to call **"Position Sizing."** You can get the position sizing tool at www.DisruptiveTrader.com for FREE!

Let's say we have $10,000 in our account. Using the formula of not risking more than 1-5% of the portfolio on any trade. We would use 5% in this example, but we would have twenty trades that we could take, risking up to $500 per trade before we lost our account. If you wanted to do 3%, it would be more trades. You decide on your number, but keeping it between 1-5% is critical.

Also, consider the same sector. Having multiple trades in the same sector could be risky as the sector may get hit and lose money on all those trades.

| | | | | |
|---|---|---|---|---|
| $500 | $500 | $500 | $500 | $500 |
| $500 | $500 | $500 | $500 | $500 |
| $500 | $500 | $500 | $500 | $500 |
| $500 | $500 | $500 | $500 | $500 |

We need to consider our Portfolio as a set of blocks, and each block contains the total amount we can risk in the trade. This does not mean you can only invest that amount, but that is the MAX risk you can take if you lose.

We need to look at these blocks and ask ourselves how many trades we can take before all of our money is gone, or our account is over with. Again, this number, for the Pro Traders and the Amateurs, should be between 1-5%.

## *STOP LOSS*

The next thing we should discuss when on the subject of Risk is a Stop Loss. A stop loss is merely a safety net that you can set below your Stock Price to ensure you do not lose your entire investment. You can set this up manually or have it set up automated. Just check with your broker on what is best for you. If you buy a stock at $15 and decide to put a Stop Loss around $13, you can set it up to stay in place for one day or Good Til Cancel (GTC). You have control, so getting to know your broker's platform is important.

If the stock goes against you and hits $13, it will automatically sell your Stock at that stop price to prevent any further damage to your account. Keep in mind a STOP order is just a TRIGGER. This means once the price hits that STOP price you set, then it moves into a Market order, and you will be filled at the next price traded.

Now a key rule that you will hear from me, again and again, is to ensure your stop loss is NO FURTHER away from your entry point than 7-8%. If you are entering a trade properly based on a pattern or base and you buy at the breakout, then your 7-8% stop should protect you, and Stock that retrace and breakout don't typically retract 7-8%, but if they do then it was a fake-out and you want to exit anyway.

Use the 7-8% rule as if you let losses become bigger, you are going to have a hard time getting it back. Think about it, if you let your Stock fall 50%, you need a 100% move back up to break even. This is how people lose their money, cut losses short and let the profits run. Follow those runs with a stop loss and just re-adjust it consistently.

## *BREAKOUTS AND RISK*

Another key here is to buy at the BREAK, and without hesitation, the sooner you buy a Stock on a properly formed base at breakout, the less risk you have. If you wait and chase it, then your risk is higher. Think about it if you have a breakout and you wait until it is up 5% from the breakout and your stop loss is 7% down from there, you may get stopped out as the longer it goes up, the more odds it is going to come down and retrace.

Timing is very important. So use the rules and enter quickly on breakouts, and then set your stop immediately based on your buy point about 7-8% down from the breakout. You can still buy the Stock UP TO 5% above the breakout but just know it is riskier. However, once it is above the 5% from the breakout, don't chase it! Wait for a retracement and look for another opportunity to enter.

## *TIME RISK*

One other note is sometimes you will take a trade, and it seems great. You got in on the perfect setup, and once you are in, it stops moving. It does not go down or up. It just sits there within a tight range. It is now costing you an opportunity as you could be making money with the money tied up in that trade. So give yourself a timeframe of how long you will wait for the move. If not, get out and move on. You can always come back. I usually will use a two-to-three-week time period. If it does not move, I move on.

*__NOTE__: Try to get at least a 2:1 reward to risk on your trades or even better. So if you are entering a Stock at $20 and you believe it is heading to $26, you will have a potential $6 gain, so your risk should be at least $3 down from your entry point at $17. This way, if the Stock drops, you will lose $3, but if it rises, you will make $6.

### *CUT THE LOSERS SHORT*

The last element of Risk we need to discuss is cutting out the "Losers." Cut out your losing Stocks as quickly as you can! Hopefully, you had a Stop Loss put up, and we bought into a well-researched stock using our L.E.T.M.E.I.N. System. However, if you are losing in a Stock and it just keeps plummeting, and you don't have a physical stop loss set, don't keep hoping it turns around and goes up. Get out!

Do not hope, pray, grieve, freeze, or whatever fear reaction you may have. If you have to take a loss with stock, do so quickly and get out. The mantra is always, "*If in doubt, get the hell out.*" Obviously, we could go into much more detail about all other types of risk, but these **three elements (Position Sizing, Stop Loss & Cut The Losers Short)** I told you about are essential and absolutely crucial to your success in the Stock Market. Stay in the Winners, get out of the Losers!

One thing I learned the "hard way" is that making money is NOT nearly as important as keeping your money. The great saying, "The return on your money is not nearly as important as the return of your money!" is critical. Burn this into your brain. Manage your Risk, Mitigate your Risk, Automate Your Risk Management. Keep your eye on keeping your principle.

## **ACCESS CODE**:
## LETMEIN

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- How much time will I allocate to be in the trade if it doesn't move?

# Chapter 10:

## *I: Institutions*

I is for Institutional Support. The Stock Market is controlled by institutions, not retail traders like you and me. So when we think about the Markets, we want to think about Supply and Demand. The demand comes from the institutions, and since they are managing a great deal of money, they can't just buy and sell quickly, or it would cause massive price moves.

Their goal is to use stealth tactics and to buy in blocks and do so in a way where they are not telegraphing their buys or sells. You can watch volume to determine this, as the huge volume often signals institutional buying or selling. It may take weeks or months for an institution to acquire a large position, and therefore, they will do this over time.

The same goes for selling. They can't just dump all their Stock as it would tank the Stock and cost them money, so they need to ease out of it. This is where we have an advantage. Think of an institution like an Ocean Liner. When it starts to change direction, it takes some time, but you and I are like Wave Runners. We can change direction quickly and close positions to be safe on the sidelines.

If we have a low Supply and a lot of Demand, that Stock will go much higher. If we have a lot of supply and low demand, the Stock is going to drop. We are Retail Investors, and the big money in the Stock Market are these Institutions we are going to talk about. These are Pension Funds, Mutual Funds, Hedge Funds, Insurance Companies, Endowments, and even Educational Institutions! Now, we want to look for only the TOP institutions as they are much better at picking Stock.

We need to look at the top ten Institutions and if they are buying or selling particular Stocks. We want to get in when they buy the Stock, but this information is not available immediately! We have to check the SEC Filings for that information. For those not familiar with the SEC, it stands for Security and Exchange Commission. These major institutions must report their investments to the SEC, and if you're paying attention, you will be able to get into what they are getting into!

I have a useful tip for you. Use Google Alerts on specific institutions so that way whenever any news comes out about the specific institution you chose, you will be the first to hear about it. Additionally, go to SEC.gov to check for the papers I mentioned in the above paragraph. You want to try to find Institutions that PURCHASED Stock in the last quarter. There is even software you can use, and oftentimes your broker may offer it as part of your account. This will take a bit of research but can be worth it big time.

One note on this also is I highly recommend jumping on the conference calls during earnings season. You can get the phone number from the company website and listen to the Analysts and questions to discern information, tonality, and news that could move the Stock. This is a smart move to educate yourself on the company.

This all goes hand-in-hand with Volume. When Volume is up on a Stock 50-100%, this is almost always an Institution driving this number with their buys or sells. Paying attention to the Volume can give you a leg up in the Stock Market. Three websites will tell you which funds are buying which Stock, and they are listed below!

Fidelity ContraFund is an Institution I follow. We need to find these early "sweet spots" of early Fund Sponsorship flood companies we want to get into. This is such an important indicator for trading the Stock Market. These Funds create Liquidity in the Markets, allowing us to get in and out of our positions much simpler.

To further ensure that we are picking a good Stock or company to begin investing with, we need to check if AT LEAST fifteen to twenty Institutions are buying and investing in the Stock we are looking at. We also need to be paying attention to VOLUME. Recently as the technology sector started dropping, the money was moved to the Energy sector, and it was clear in public filings that Warren Buffett and Vanguard were buying (OXY) Occidental Petroleum, and the Stock began its large move as they added positions. You can see this if you do the work and research!

We need to ask ourselves, "Is there a volume of at least 300,000 on average per day or MORE?" Volume and Upgrades or Higher Earnings guidance are great early indicators of the stock's potential to move higher in the next weeks or months.

It is also important to note that we should be looking at only the best of the best when it comes to major institutions. Are we looking at the most respected and the best institutions in every field? Are we making sure they are credible and have lots of funding behind them? All of these factors should be playing into our decision-making moving forward. You can find much of this in the Investor's Business Daily Newspaper!

# ACCESS CODE: LETMEIN

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## *E: Earnings*

- Do I have a good line in the sand looking at 25% increase in earnings comparing the current quarter to the same quarter last year?
- Do I see a surge in the current earnings of over 70% increase vs. last earnings?
- Do I have more than one quarter of surging earnings (two or more consecutive)?
- Do I have 25% Revenue or better?
- Do I have a Return On Equity (ROE) of 17% or better?

## *T: Timing (Lessons Below)*

- Am I looking at the Weekly Chart first to get the bigger picture?
- Do I see A Clear Pattern Forming? (cup, cup and handle, Double Bottom, flat, etc.)?
- Do I have a buy-in at a proper breakout point, and is the volume supporting the move?
- Am I buying immediately and not chasing the Stock (over 5%) from breakout?
- Do I have my stop loss set at 8% below buy point?

## *M: Market*

- Are any of the indexes showing high distribution days?
- Is the Market in a confirmed uptrend?

## *E: Exposure*

- Have I calculated my position sizing?
- Is my position-sizing 1-5% for any one trade?

- Am I entering within 5% of a breakout of a properly formed base?
- Is my stop-loss maximum 8% away from my entry?
- Do I have a 2:1 reward-to-risk ratio or better?
- How much time will I allocate to be in the trade if it doesn't move?

## I: INSTITUTIONS

- Have I checked the Institutional Sponsorship?
- Are there at least fifteen to twenty institutions following the Stock?
- Is the volume at least 300,000 daily on average?
- Out of all of the institutions, are they "best of breed" institutions? Are they the top dog in their respective field?

# Chapter 11:
## *N: New*

This is the final letter in our L.E.T.M.E.I.N. System. It stands for "New." Newer companies! I look at a lot of IPOs that have just gone public myself. For example, when Uber went public, it was a disruptive technology that allowed people to make money in a new way in a shared economy. The same goes for AIRBNB! Google was also very disruptive as it was THE search engine! We even should be looking at new products such as Chipotle. Chipotle was a new restaurant/fast food style that quickly became very popular. We even look at New Management! When a great manager comes into a horrible company, they can turn it around!

In horse betting, it is said, "Bet on the Jockey, not on the horse." The same applies to a company. We want to bet on the CEO of the company, not the "horse," per se. Elon Musk is the perfect example of this. As is Steve Jobs with Apple! It is not so much the product as much as it is the CEO of a company that makes or breaks it. Apple honestly was not too great before Steve Jobs took over!

New can apply to any sector of any industry in the Economy. Virtual Reality, Pharmaceuticals, iPhones, 5G, etc. There will always be a "new" thing that explodes like crazy in the Markets. All of this boil down to the trader being Mindful. Mindfulness is an important trait to have in the trading process. Being aware and focused will not only allow you to make more money in the Stock Market and potentially be ahead of everyone else, but it will excel your own personal life by leaps and bounds! It is important that we pay attention to our surroundings and do our research, as you can usually find the next big thing early enough. I remember Heely's being such a big deal! They were shoes for kids that roller skate at the heel and were all the rage! However, Heely's only ended up being a trend, where they made lots of money and eventually collapsed on themselves.

When some of these companies first become public on the Stock Market, oftentimes, the price of the Stock will be considered "high" to the average investor. I always tell my clients to Buy High and Sell higher. If it looks too high of a price, it will almost always go up if it's a new company and things are looking good demand-wise. If you look for cheap and low Stocks, they will usually just stay the same or go even lower. The typical investor tries to buy low and sell high, which is not what we want to do in this system. We want to buy high and sell even higher!

N is the final piece of our puzzle! And the final piece of the L.E.T.M.E.I.N. system! The final question to ask ourselves in regard to the final letter of the system is, "Is the company disruptive and having a positive impact on people's lives?" If the answer is yes, you are on the right track investment-wise. If the answer is no, then congratulations! You are doing your research correctly, and it is time to move on to the next company! Keep going, and do not give up!

Try to find those few companies that are about to soar! It does not always work. However, I have often jumped into companies with New and lost money, so use your rules as stated above. I remember after Lee Iacocca retired as one of the top visionary CEOs in the world, he started working for a new company as the CEO. It was a fast-food chicken franchise, and I bought a bunch of shares for around $3 and thought it would skyrocket with Lee joining, and it actually went down and lost me money.

However, there are times when the money comes rolling in, such as Qualcomm. I read an article about their CDMA technology that would be licensed to all cellular phone companies making them a huge revenue stream. I jumped into that one as I also did my homework and knew they Were going to do a Stock split. These both helped propel the Stock to a great level making me more in six months than most made at the time in two years. Do your homework and manage your risk. The NEW could be new products, new trends, new processes, new management, new customers, new acquisitions, etc.

**ACCESS CODE:** LETMEIN

## *L: Leadership*

- Are the Stocks I am following the leaders in their industry and Market?
- Are they strong growth Stocks, newer names, and getting good traction?

## *E: Earnings*

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### *N: NEW*

- Am I looking at a "game-changing" product or service?
- Will it impact a tremendous amount of people in a positive way?
- Is it disruptive?

# CHAPTER 12

We've come a long way since the very first chapter of this book. As I write this, I realize how far we have come since the 2021 "pandemic" called COVID-19. We are facing a global reset per the World Economic Forum as countries are increasing their debt to astronomical levels. This is the age of disruption! Disruption will cause a lot of change and pain, but also a lot of opportunities!

In my seminars and workshops, I share information on the Chinese character that translates to the word "Crisis." The character is composed of two words, one meaning "danger" and the other, "opportunity." So, the question becomes, which will you experience? That depends on where we choose to focus and the knowledge we gain, and the actions we take.

> **Even now, we have new technologies converging together, such as Electronic Vehicles, Robotics, Artificial Intelligence, Space Exploration, Energy Storage, and Genomics. There are companies right now that are merging many of these topics above together. Unlike the Dot Com Bull Market of the 1990s, these companies are actually delivering results and profits and changing the landscape of the entire globe**.

My L.E.T.M.E.I.N. System is designed specifically to find these great companies and to trade and invest in them so that you can potentially generate 100%, 300%, and even 1,000% returns on your money by learning how to sort, sift, and separate the quality from the pie in the sky.

**REMEMBER: THERE IS NO SPECIFIC ORDER IN MY L.E.T.M.E.I.N. SYSTEM YOU MUST FOLLOW. YOU CAN COMPLETE THE SYSTEM IN WHICHEVER ORDER YOU PLEASE. THE ACRONYMS ARE MEANT TO HELP YOU REMEMBER THE SYSTEM SO THAT YOU MAY INVEST IN STOCKS THAT WILL BE PROFITABLE.**

In my Trader's Cadre Programs, we dive deeper into developing your skill set in Financial Literacy so that you have the ammunition to profit regardless of Market direction. I teach beyond the L.E.T.M.E.I.N. system! I teach Options Trading, which is the power of leverage. In fact, in 1995, because I didn't have a lot of money to invest, I learned options and could take a small amount of money to a rather large sum of money in a year and a half. Options are a specialized education and can be very risky if you do not know what you're doing. However, with proper training in my Trader's Cadre group, you will learn how to create low-risk/high-return trades to generate huge profits in days, weeks, and months!

## *Three Areas Of Expertise*

Over the years, I have been blessed to learn a great number of skills, and my greatest gift is my ability to teach and often to make the complex simple. Starting with trading options, I began to make a lot of money and change my life and my family's lives. This is what this book was about. I then began to speak and share this with hundreds of thousands of people worldwide, and I found a love for speaking.

I created the brand **Speak2Monetize**. It turns out I have sold over **$60 Million** from the stage, and due to my LOVE OF SPEAKING, I have decided to help business owners, executives, coaches, and would-be speakers learn to speak, influence, craft, and tell stories and pitch in a way that is not salesy.

If you desire to find out more, go to https://www.Speak2Monetize.com to find out more. Then finally, the most important thing in my life is my INNER DIMENSIONAL work. You see true abundance, amazing relationships, and great health all coming from within you—you see, it is an inside job.

I have spent time living in an Ashram learning Yoga, Yoga Therapy, and Yoga Nidra, and I have dived deep into my meditation and energy work. This is where you can reduce stress, release trauma and reconnect to your inner child to find freedom regardless of circumstances. This, to me, is more important than trading or speaking. If the inner dimensions are not right, then the outer world will just not work. The power is even if nothing else worked. If you have the inner dimensions aligned—everything will be amazing. If you are seeking healing from the inside out, to reduce stress, to live with greater joy and deeper relationships, then reach out to me for a FREE clarity call. https://www.AuthenticElevation.com

If you'd like more information, you can email support@authenticelevation.com.

In the subject line, put TRADERS CADRE INFORMATION, and send me an email. You can also reach me at https://www.AuthenticElevation.com as well as https://www.disruptivetrader.com

**Please consider following me on social media:**

**Facebook:** https://www.facebook.com/vincemdowd

**Instagram** @VincentDowd

**Clubhouse** @Speak2Monetize

I look forward to helping you to achieve your financial objectives and creating abundance from the inside out. If you enjoyed what you've learned and want to dive deeper, I look forward to meeting you in person at one of my Trader's Cadre groups or online.

One other note that I wanted to share is that my journey of financial strategy also led me through many cycles of boom and bust. I have had both the booms and busts, and to me, the busts have taught me more and developed my character. It is in these times of stress and loss that I was forced to turn inward to the true nature that we are. The real and lasting abundance of our inner dimensions.

I also realized most people have a lot of energy blocks and trauma contained within themselves, which holds them back. I utilize powerful modalities I learned, such as Yoga Nidra, Yoga Therapy, Energetic Diffusion Technique, and Deep Meditation. If you would like to find out about group or private sessions with me to heal from the inside out, then reach out to me. If, when you do so, I am still doing these sessions, it may very well benefit you on every level creating more abundance and alignment. Visit some of my Yoga Nidra sessions to discover the power of who you are. Click Here To Experience Them.

I have a very special GIFT for you that will help you track these metrics for the L.E.T.M.E.I.N System ™ you can get it for FREE here!