Brainy's Articles on

# Share Trading

## Sample trading strategies introduction

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## *Introduction*

Many people who start out to trade in shares have early disappointments, and they lose money. There are many reasons why this can happen.

Many people hear about a "trading strategy" that "seems" to be profitable. So they try to implement the strategy without really understanding it, and without first putting it to the test. In addition to that, personal emotions and psychology can have a great impact. Not understanding the financial instrument can also make a big difference between success and failure. Also, the strategy might work with some stocks and not with others.

This brief article in Brainy's series on Share Trading (number ST-6400) provides an introduction to, and a warning about, the seemingly good idea of just picking up someone else's trading strategy for implementation. It is not necessarily as easy or as successful as it seems.

***This article is a pre-cursor and a warning to the following articles which cover some sample trading strategies that focus on information that has been published by famous book authors and traders in their own text books and written materials.***

Read on for some key details.

## *What? One trading rule is not enough?*

When embarking on share trading, it is very important to have a Trading Plan, and at least one Trading Strategy (for details see Brainy's various articles on Trading Plans, Trading Strategies and Templates, with article numbers ST-24xx).

Not only should you already have your plan and strategy clearly defined, but it is important that they are written down concisely. Remember that a trading strategy is basically a predetermined set of rules for making trading decisions. That is, a "set of rules". How many rules do you need in the set of rules? What sort of rules do we need? Unfortunately there is not one single correct answer to these questions. It is a lot more complex than that.

Now your own Trading Strategy might include one concise rule such as "*price must be above the 30-week Moving Average*". This is simple, and certainly on the right track. But this single rule on its own is not guaranteed to be successful. It would be wise to incorporate additional totally different rules into the strategy.

And the exit criteria is critical. A successful trade entry rule can be totally ruined with a poor exit rule.

The sample trading strategies in the articles that follow need to be taken for what they are — sample strategies that might work for some people and not for others.

## *What works for one might not work for another*

It is important to realise that it is possible for two people to both implement the same Trading Strategy with very different results. One person could be very successful, and the other might be a failure.

One reason for this is the actual buy and sell process. There could be slippage on the actual prices. That is, when you place the buy order in the market, you might find the order filled at a price that is a little different to the intended price. Two people might realise slightly different buy prices, and slightly different sell prices. One person might use a conditional sell order to sell on the spot, while the other might sell at market price on the next day.

It is possible that a trading strategy is good at giving buy signals; but does not clearly cover the aspect of when to sell. Two people using the same trading strategy for purchase might use totally different exit strategies and then see totally different trading results.

So, a strategy that works for one person might not work for another.