

TRADING STORIES FROM THE TRENCHES

LESSONS LEARNED, WISE ADVICE, AND HELPFUL TIPS FROM SUCCESSFUL OPTIONS TRADERS

INTRODUCTION

Options trading for income can be a lonely, intense, and frustrating endeavor. When you make a mistake, it is easy to feel like you are the only dope to ever do it – which is simply not true.

What inspires us day after day is the challenge to fight against the world with only our knowledge, experience and instincts. Our goals are to make our own mark, bank some profits, and live to fight another day. Trading and investing is a game of survival. The challenge is to win, otherwise you will eventually be defeated. It truly is a zero sum game, but anyone can do it.

The stories in this ebook were shared by professionals and amateurs from all walks of life who are passionate about trading. They understand the struggle, heartache and agony that comes with trading, and they know that we are always on the edge of a disastrous cliff. They have all lived it - and survived.

You may find yourself relating to some of their stories, but hopefully you will learn something new from each experience, whether it's a mistake to avoid, advice that changes your mindset or strategy, or a new tip that brings your trading up to the next level. Happy reading!

Bob Lang
Founder, Explosive Options

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SOMETIMES THE HARDER YOU FALL, THE FASTER YOU LEARN

I was a participant in the dot-com era of the late 1990's, turning a small four-figure investment into a really nice six-figure fortune. I was in the right place at the right time – when the markets started to explode higher, I was just ... there.

I can't take credit for being a smart investor back then. Instead, I let stocks run higher and higher, going for the next big mover, and playing heavily on margin. It was a great time to be long on the markets, and I did it recklessly.

I owned every name in the book, from Yahoo to Doubleclick, from Infospace to CNet and CMGI. In the course of three years, my account reached its peak – and then it all came tumbling down when the dot-com stocks imploded. It was like musical chairs - when the music stopped you had better have a seat or you're out of the game. Well, all the seats were taken when it came to me.

Buying on margin and properly managing risk were my major problems. I had no control over what I was doing, I was just mesmerized early on by the robust gains and not bold enough to say, 'That's it, I am DONE.'

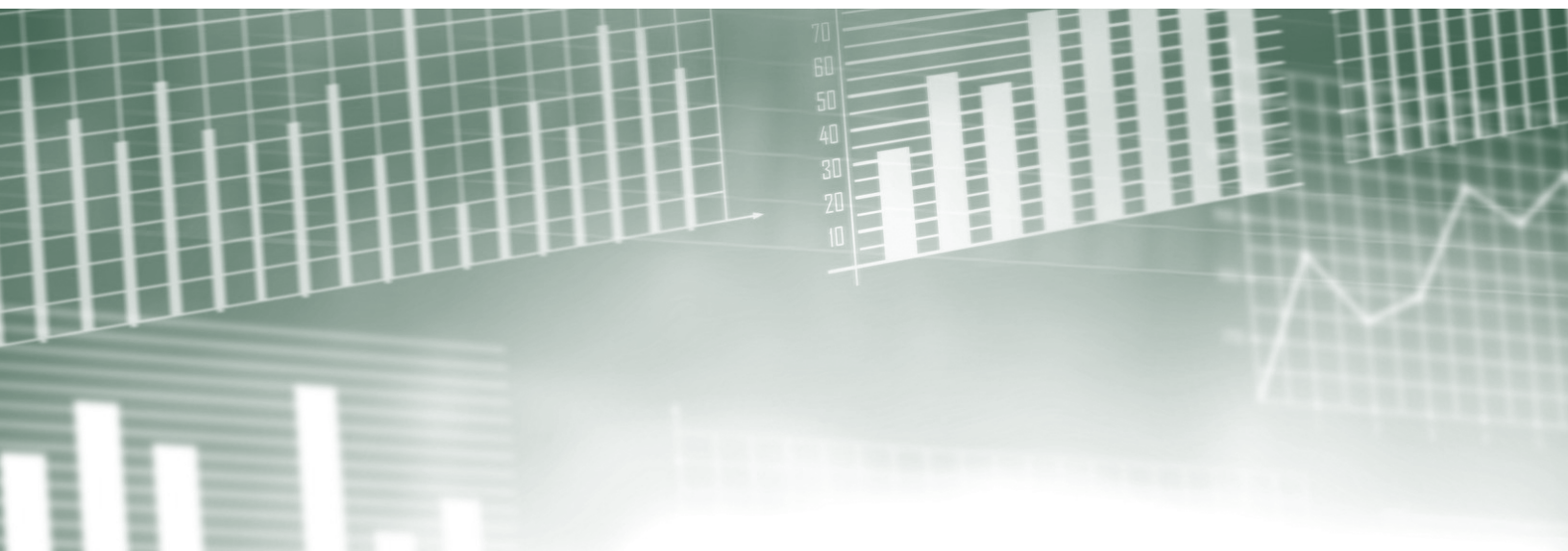
When the correction started to hit, my account got battered. Because I was leveraged to the hilt, it came fast and furious. Any small drop was magnified in my account. However, I couldn't let go.

The biggest hit came in July 2000 with a stock named Broadvision. I had amassed 7,000 shares with no protection. One Friday morning, I awoke to find the stock down eight points. I was petrified. Turns out they lost a big contract, but it got worse. It closed that day down about \$14, and yet I did not sell because I was sure it would turn back up. I watched it go down all day long and threw down expletive after expletive.

At the end of the day, my wife said I was pale as death. I was down \$100K on one stock in one day. It was terrifying. Coupled with losses taken a few short months ago, I was taken out of the game for a while.

Since then, I have not traded on margin, I only use options, and I only do cash transactions. Still, I constantly live in fear of getting blasted. Some wounds never heal and this one seems to be sticking with me forever. I would never wish my experience on anyone, but sometimes it takes a major hit to remind us that we are all prone to mistakes and that we must always be in control of our accounts.

Bob Lang
Explosive Options



EMBRACE THE “P” WORD

Persistent: Check.

Prudent: Check.

Patience: What's that?

Patience is nothing if it's not used in conjunction with your trading plan. Patience can only be rewarded by truly planning your entries and exits and letting the chart tell you when to get out of the trade.

Having quite a bit of experience trading options – directionally, as well as in and around stock, based purely on fundamentals – I was bound and determined to learn to trade better.

Nothing is worse than taking off a trade because you had a nice gain in an option on what was the beginning of a move, not the end, because you couldn't read what the chart was telling you.

I have no technical experience whatsoever. I joined Explosive Options on May 2, 2013. For the next 6 weeks, I learned there were things called momentum indicators and moving averages and that you viewed charts in several time-frames. I found out that candlesticks and volume were supposed to actually tell me things, and with the always present mentors in the trading room, I was feeling better about my future. I had direction! I knew what I had to learn to help me trade better.

I still had no idea what patience was, though.

On Wednesday, June 26, I bought a long call in Onyx Pharmaceuticals (ONXX). It started working immediately. Two days later, I looked at the chart and technical indicators. To me, it looked like it was just the beginning of a new move.

I had no reason to take it off except it was Friday. I was worried about what the weekend news might have in store for the overall market, and I had a beautiful 64 percent gain. So, I took it off. Simple as that, no real reason other than fear of losing gains. I reverted back to my original trading strategy of not knowing when to exit, but the trade was done and gains were booked. After all, it had been two whole days!

The market closed, news came out of a possible buyout, and ONXX took off to the moon. The following Monday those options were trading at a 1,580 percent increase from the entry price! My 64 percent gain would have been much more beautiful had I not taken it off. It goes without saying that I have now learned the valuable lesson of patience.

While I am just at the beginning of my learning curve and patience may be important, I don't believe it has any meaning unless it is combined with your expectations. It may have been a painful lesson for me, but one I will never forget and one that I think of every time I look to exit a trade.

Let patience, together with the charts, be your guide to getting out of the trade.

Kim Taylor
Explosive Options Member

HOW ONE BOOK INFLUENCED MY ENTIRE TRADING CAREER

When I first picked up a copy of *How To Make Money in Stocks* by William J. O'Neil, the founder of Investor's Business Daily, I didn't know much about the market. It was the early '90s and I was just out of college.

Of course, there are a lot of different ways to make money in the market, but O'Neil's methodology for picking growth stocks made a lot of sense - and it still makes sense today.

O'Neil's rules for buying and selling growth stocks are based on decades and decades of market research: What did big stock market winners look like before big price moves, and what did they look like just before they topped?

His system is about identifying fundamentally and technically healthy growth stocks that are still in the early stages of their business. It doesn't make sense to buy a growth stock after a massive price move. By then, everyone already knows about it.

In the early part of 2013, O'Neil's system identified LinkedIn (LNKD) when it was breaking out of a base. Triple-digit earnings, sales growth, and increasing fund sponsorship were a cue for individual investors to start buying. In 2013, LinkedIn gained about 85 percent from the buy point of 117.42.

O'Neil's system would've had you in Biogen Idec (BIIB) when it broke out of a base during the last week of January in 2014. With strong fundamentals and technicals in place, the rest was history. From a buy point of 155.40, Biogen Idec gained 78 percent.

O'Neil's system would've also had you in SouFun Holdings (SFUN) in the summer of 2013. It broke powerfully from a base during the week ended July 19 when the buy point was 27.90. SouFun went on to gain 189 percent over the next five and a half months. Fundamentals drove price performance.

There are a lot of misconceptions about O'Neil's system, but perception is perception and people choose to believe what they want to believe. O'Neil is commonly referred to as a momentum investor, and I know he doesn't like the term very much. Momentum investing is often scoffed at. It's a dirty word on Wall Street.

I never understood why. What's wrong with momentum anyway? Isn't it the point to target growth stocks showing momentum in all aspects of their business? You want to see earnings and sales momentum. You want to see momentum in market share gains.

Price momentum is also a good thing. What sounds better, buying a stock with earnings, sales, and momentum in mutual fund ownership, or buying a stock with no business momentum and that funds are dumping?

What's unique about O'Neil's system is that it combines fundamental and technical analysis. It also places a lot of emphasis on general market health. Contrary to popular belief, you can tell when major averages are coming out of a bear market just like you can tell when they're headed for a bear market. Price and volume always offer clues.

In the end, I'm glad *How To Make Money in Stocks* was the first book about the stock market that I read. I'm open to other perspectives, and have read many other books, but O'Neil's always made the most sense to me.

Stocks that are going up in price and trading near highs are doing so not only because of top fundamentals, but because mutual funds and other big investors are accumulating shares. Stocks going down in price and trading near lows are doing so for the exact opposite reasons.

Ken Shreve
Investors.com

HOW I TAUGHT MY STUBBORN KID ABOUT RISK MANAGEMENT

Two years ago, my son began taking an interest in trading after I had him research Celldex Therapeutics, Inc. (CLDX) for me. He was intrigued by the company's cancer drugs and wanted to invest in it. Another options trader published a blog post confirming that CLDX probably had some winners in their pipeline. So it was off to the races. In August 2012, my son bought his first 100 shares of CLDX at \$4.68.

By the end of 2012, my son had accumulated 1,200 shares. Because he wanted more exposure to CLDX and I wanted to lower his monetary risk, he applied for margin to buy calls. After selling some common, he began buying long dated otm calls and leaps.

CLDX started gaining steam on good test results, and by the fall of 2012, it broke \$30. I kept begging my son to let me sell half, but he refused to sell any CLDX positions.

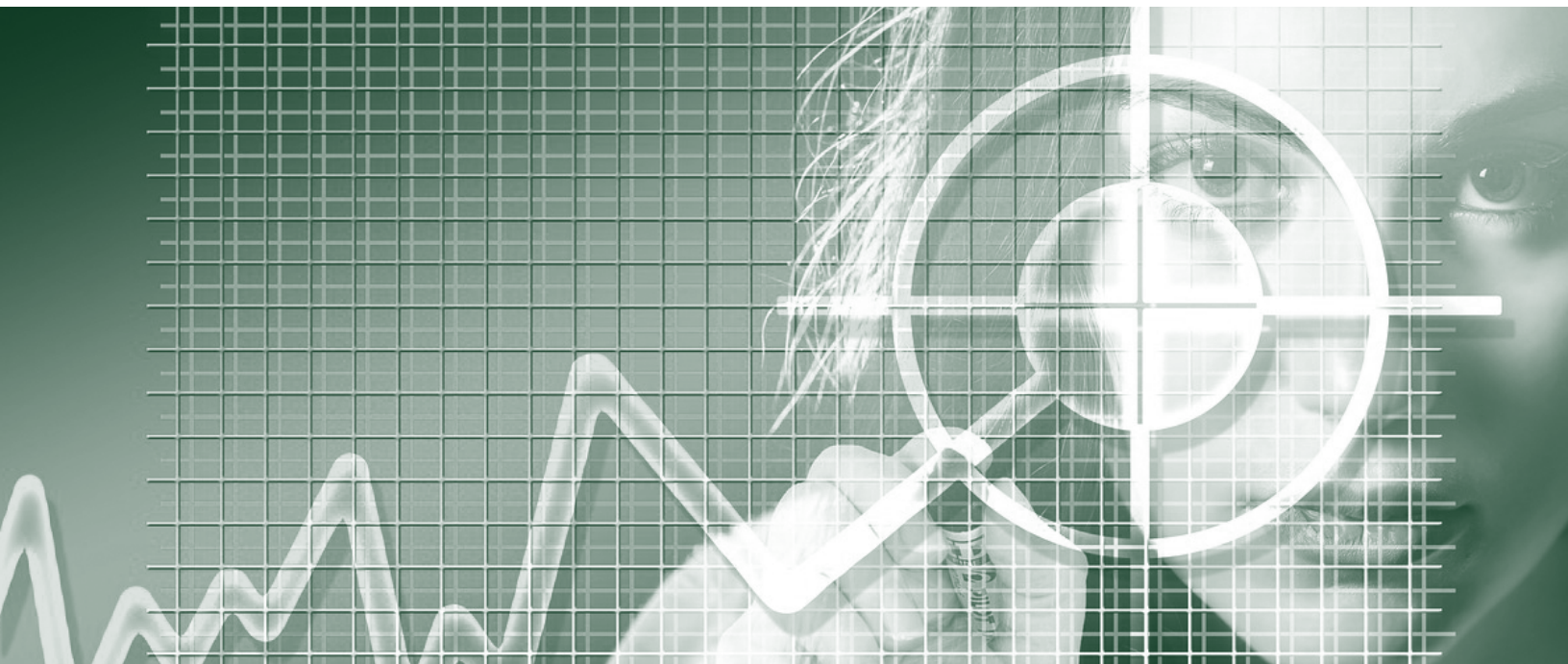
I did what any mom would do in this situation: enlist help from two of the most experienced traders* I know. They both blogged that profits had to be taken. With this fresh evidence from two other people, who are of course smarter than mom, my son unhappily OK'd the sales. Most of his profits were taken between \$31 and \$36 as CLDX topped.

To my son's shock, CLDX suddenly pulled way back to the low twenties. This was the best lesson my son could have ever gotten. He made a boatload of money, yet at the same time, he clearly saw how much money he could have left on the table.

Now he researches the biotech stocks I hear might have promise and determines if their technology looks plausible. He has a half dozen biotechs, including CLDX, plus a stable of other sector stocks. He also has acute awareness of risk management.

*Thank you Bob (Lang) and David (an Explosive Options Chat Room member) for convincing my stubborn kid that mom wasn't off her rocker!

Patricia Rowekamp
Explosive Options Member



HOW I LEARNED THAT THE MARKET DOESN'T CARE ABOUT MY OPINION

I started trading in 2004 and had a good deal of success the first few years. This all came to a quick halt during the fall of 2008 when the market cracked. There were many warning signs, but I was too stubborn to change with it.

I'll never forget the picture perfect head-and-shoulder tops many of the housing stocks made that year. Many of the patterns were predicting more than 50 percent drops. 'That can't happen,' I told myself. Well, I was right, it didn't. Instead, most dropped 90 percent.

Needless to say, I continued to remain bullish as the market dropped more and more. This was my first real bear market. I didn't trade during the tech bubble, and my naive mind couldn't fathom a bear market. As a result, I had a horrible trading year in 2008. What made me so mad was that I saw warning signs. Financials were lagging big time, bearish head-and-shoulder patterns were plaguing many housing stocks, and yet I had a calm feeling that things would be OK.

I learned that the market doesn't care what my opinion is. So many fundamental guys explained why many banking stocks were good values the whole way down. They couldn't have been more wrong. The guys who made the true fortunes were the technicians who ignored what they felt and played the charts to huge profits.

Having no bias and taking the best charts is, and always has been, the best way to trade. Someday we will have another bear market, and I'll do everything in my power to be open to it should my indicators change. There's a reason you won't meet many stubborn traders – they don't survive over time.

Ryan Detrick
SchaeffersTradingFloor.com

MY 3 CENTS OF ADVICE (ACCOUNT FOR INFLATION!)

I had been trading options for a while and knew something was missing, but I couldn't pinpoint what. In an effort to improve my strategy, I tried various services aimed at helping individual traders learn more about the trade setup, stay current with market news, and increase their percentage of winning trades.

Then I finally found Bob Lang at Explosive Options. He and his team have taught me a lot, so here is a rundown of what I have learned:

Get training from professionals every day – this is important for novice traders like me. When you know that pros have your back, you are more confident and your chances of having successful trades is higher.

Commit to learning pattern recognition and developing good setups, which translate into profitable trades.

Reduce stress and frustration by taking the time to understand why some trades work and some fail.

Take profits when you have them, regardless of your love of the name or particular setup. Eliminate overconfidence for winners and cut the losers.

Learn proper sizing with your portfolio. This is the biggest lesson I have learned with Bob. When we trade too large, it creates large swings. Even during the government shutdown and debt ceiling drama of October 2013, the swing of my portfolio was manageable and profitable.

Ajay Patel
Explosive Options Member

THE ADVICE FROM AN UNDER-THE-RADAR EXPERT THAT SHAPED MY CAREER

Mine was not exactly a normal career path. I was something of a ne'er-do-well as a kid. Although a voracious reader, I wasn't really interested in finding my way to the actual classroom in high school, and to say my grades suffered is a bit of an understatement.

Eventually my mother had enough of my foolishness, and at 16 I was invited to go it on my own. Being an idiot, I took her up on it. With my father's assistance, I found a little place in Baltimore, got my GED at night school and worked in construction, as a short order cook, and whatever else would keep me in cigarettes and books.

I spent five years as a door-to-door salesman before becoming an insurance broker with John Hancock at the suggestion of a friend. While working for John Hancock in Merced, California, I developed serious career envy after talking to the brokers who worked next door at EF Hutton.

In fact, my career envy was so serious I traveled up and down the San Joaquin Valley, applying at brokerage firms. Back in 1986, the markets were red hot, and the firms wanted MBAs and other super smart folks manning their telephones, not high school dropouts with rudimentary knowledge of economics and markets.

Eventually, one manager at Dean Witter let me take his firm's aptitude test. I blew it away, earning one of the best scores he had ever seen. But, that lack of college degree was a dream killer.

Then came the crash of '87. It turned out that those MBAs didn't know how to sell. The manager at Dean Witter had kept my aptitude test, and he sold his bosses on giving me a chance.

I came back from the New York sales and product training ready to be a superstar. I sat down that first day to start my cold calling, and I picked the stock of the day as my weapon of choice. The firm's analysts were recommending La Petite Academy, a chain of day care centers. It was great story about women returning to the work force, baby boomers having babies and the need for safe affordable child care.

I opened some accounts within my first week. The next week, the company announced earnings well below analyst expectations. The stock dropped by a cool 50 percent, and we were right back to square zero.

I went back to the firm-recommended approach of selling muni bond funds while reading all the then-popular books on the market. I read about growth stocks, chart patterns, and everything else I could get my hands on. I talked to the older brokers about what they thought worked. To my surprise, they didn't know any more than I did.

Finally someone told me I should talk to one broker, who I will call The Professor for the purposes of our story. The Professor sat in his office all day, hidden behind an enormous stack of papers and reports. He wasn't one of the top producers in terms of commission dollars, but as I came to find out, he didn't need to be.

His wife had a great job, and he was piling up enormous returns in his accounts. He was a broker, because back then, it was the easiest way to manage his family's and friends' money and get paid for it. He rarely came out of his office, he didn't prospect for business, and he only took accounts from those he wanted to work with.

For some reason, he took pity on me and gave me three things to read: *The Intelligent Investor* by Ben Graham, *The Aggressive Conservative Investor* by Marty Whitman and a Fortune article by John Train about a pig farmer named Mr. Womack.

The rest, as they say, is history. The idea of buying cheap stocks with a margin of safety made more sense to me than anything I had read, and that holds true to this day. After I had read both books and the article, The Professor gave me some advice that has shaped my career:

'Ignore the crap, buy cheap stocks and hold them until they work.'

Tim Melvin
The Deep Value Investor

WHAT I LEARNED ABOUT TUNING OUT NOISE

It was late 2011 and Regeneron Pharmaceuticals, Inc. (REGN) was trading in the 50s. In the blog comments of a technical advisor, an ophthalmologist wrote about REGN's product launch and its similarity to another drug currently on the market. He gave very detailed, very bullish information on why REGN's product was better, contradicting everything the technical advisor had blogged.

Someone responded, 'But wasn't that product approved 2 or 3 months ago?' (The stock did spike on launch before coming right back down.)

'Yes, but I don't think the analysts have considered what a blockbuster this thing will be - same revenue as the competition but only half the direct eye injections required. Patients will love to only have to undergo half the injections.'

It took a couple weeks before the stock started to move, which is when I jumped in. I held on as the stock rose, and I'm glad I did – it is now trading in the 300s!

I pin my success on the fact that I prefer to follow the charts and technicals rather than the advice of other people. While the doctor was right and the blogger was wrong, it was the doctor's comments – a professional who knew the market – that made me look more closely at this particular stock's technicals.

Lesson learned: Don't get colored by someone else's comments - the chart is it!

Burt Sugiki
Explosive Options Member



THE GOOD, THE BAD, AND THE UGLY OF OPTIONS TRADING

My most memorable trade was actually two trades: one very bad and one very good.

First, the bad: In November 2000, the Nasdaq was collapsing, but you wouldn't have known it listening to Cisco Systems CEO John Chambers. During the company's quarterly earning call, he guided their future earnings higher. The stock subsequently rose for a few days in heavy trading, but the selling soon commenced.

I wondered, 'Was this an anomaly, or was the CEO hiding something?' Cisco is a behemoth and thus a bellweather company in the technology space. Their performance impacts not only many other companies but also several segments of the economy.

After buying Cisco following Chambers' guidance, I held onto it, even as the tech and growth stock bubble burst in February 2001. I had stupidly listened to Chambers and his earnings forecast and ignored the charts.

The lesson I learned: Following the technical signals always trumps fundamentals. I should have paid more attention to the chart breaking down and not to the message of the company. If I did, I would have only owned Cisco for a short time.

Now for the good: My best trade of the last decade was McDonald's. I loaded up and bought the stock aggressively during February and March 2003, right around the start of the second Gulf War. I bought my first position under \$11 and then loaded the boat, buying most under \$20. I sold the great majority of my positions near \$55 in 2007 and 2008. You know why I bought? I read an analyst report that McDonald's was trading under book value.

The lesson I learned: Finding undervalued companies that have been beaten down for no particular reason is a good move, and it's a strategy that has fared me well over the years.

Brian Gilmartin
TrinityAsset.com



A STORY OF GREED, OVERSIZING, AND BAD TIMING

I made my first trade in April 2009 after the crash. I kept growing my investment account, adding cash and making some good moves. While I took some minor losses along the way, I was happily making returns of over 20 percent a year.

Flash forward to 2013, when I decided I really wanted to get things going, as I had a good amount of money to trade with now. I started following The Street and using some of their services. In June, I started trading options.

July was a golden month for me - I had a 33 percent return for the month alone (it didn't hurt that in July, you could do little wrong!). So I started to play with bigger and bigger amounts in single options purchases. Life was good! I continued to expand my knowledge and try new things.

Then I got greedy and badly oversized a position. It was early August. My account was at new highs. I was back from vacation and sitting on almost 60 percent more cash than earlier in the year.

I recognized that the market was becoming overbought, but I loaded up on options. A couple of days passed, and the market pullback started. I watched all of these positions starting to bleed really hard. 'What do I do?' I asked myself. 'Should I stay with the trades and just wait for the markets to turn, or should I sell and take the loss and just wait for the next opportunity to arrive?' Unfortunately, I held onto my trades, and I paid for it dearly.

Trading results are about participating and good timing. I cannot fault myself for staying in the game – at the time it seemed right.

Not to be daunted, I jumped back in later in the year, got involved in a chat room, and was determined make up my losses and bring my account back to its all time high.

I aggressively oversized a position in Netflix (NFLX) weekly options and did not give myself anytime to recover. My portfolio lost 3 percent. I should have learned not to oversize a position, especially in a weekly trade.

But never fear. I was making better trades and riding the market. I was trading with a chat room group and listening and learning. I was also continuing with my options education. Everything was going well. I was better sizing my positions, taking profits quicker (sometimes too quickly, to be honest) and getting better at following the trends and listening to what the market said.

Then Apple (APPL) came along in September. I was convinced they were going to announce the China Mobile deal. In fact, I was seeing dollar signs. I got into AAPL weeklies. Their shareholder conference went badly, and yet I doubled down to reduce my cost position, expecting the announcement of China Mobile the following early morning in Hong Kong.

Wrong. The stock dropped, and my weeklies expired worthless. I compounded the error by not being patient and pulling the plug on my October long calls. That series of mistakes cost me 6 percent of my portfolio.

Through all of these mistakes, I finally did learn some lessons:

I am very careful playing with weekly options now. If I do, I view them as a lottery ticket and keep my positions very small.

Give your positions time. Things happen that are out of your control: weather events, earnings reports, geopolitical crises. If you have a little time built in, you give the stock the opportunity to recover.

Never over-size. I had some huge success on events and started looking for the big win, but I learned that those big wins can come with regular sized trades, too. Now I add to my options once it starts to perform like I expected.

Last, and most importantly, I learned to be patient, re-evaluate my position without doubt or regret, and if I still like the fundamentals and technicals, then stay the course.

Mike Pisani
Explosive Options Member

NEVER UNDERESTIMATE A MEETING

Last December, right before the holiday break, I was invited to a public meeting of the Department of Energy's (DOE) Nuclear Energy Advisory Committee (NEAC). It sounded like one of those boring Washington meetings where everyone uses round words to say a lot of nothing.

Because NEAC is an outside group, all meetings are public. When I arrived, I noticed very few members of the public in attendance.

Though I debated going, I am glad I went, because what I heard surprised me: The nation's nuclear power plants are going broke. The NEAC believes up to a third of the nation's nuclear power plants will be retired early. Several power plants are operating with negative cash flows.

What was interesting was the conversation with DOE Secretary Ernest Moniz. The bottom line was that the Secretary was not going to carve out nuclear power for special treatment.

A few days later, the Wall Street Journal posted a blog post called, "Reactors on Slow Road to Demolition," and it claimed, 'At least 38 reactors in 23 states—more than a third of the U.S. total—face headwinds that put them at risk of early retirement.' Then they listed the top plants to exit.

The replacement cost for these exiting power plants approaches \$100 billion.

While the nation's capacity shortages seem to paint a dire picture, there are other options. The Secretary believes the market will sort it out, and as a result, there could be some big winners.

It may take years, but Exelon (EXC) is poised to win. They will lose several nuclear plants. In the end, they will own some incredibly valuable assets.

A parallel world is evolving at NRG Energy (NRG). They own a nuclear plant in Texas, but their game is coal. They plan to cull out several underperformers, and in the end, they could own some incredibly valuable coal plants.

Unfortunately, Entergy (ETR) looks like they could be in trouble. Every nuclear plant in their merchant fleet is on the retirement list. They are facing huge write-downs.

If you are in Washington and you have the time, go to one of these boring meetings. You may gain information that could make a significant difference to your options trading strategy.

Glenn Williams
RealMoney



MY UPHILL FIGHT TO BECOME A TRADER

The year was 1973, and the place was Fort Lauderdale, FL. I had torn the tendon in my right elbow during spring training with the New York Yankees. If I had been a racehorse they would have shot me, because my short career (16-6, 3.35 E.R.A., a no-hitter pitched and a shot at maybe making the big club) was over in a New York second.

So there I was, 23 years old, 2,500 miles from home and no job.

During that long drive home to California, I had a ton of time to ponder my future. Since my second passion was the stock market, the path to take was obvious: I would beat down doors to get hired as a stock broker!

I made a list of all the stock brokerage companies in my home town, and then I called each one asking for an interview. Some firms said to come into their office to apply, but most firms said they were not hiring any new stock brokers due to the fact that the economy and stock market were in turmoil. (During 1973, the stock market took a pounding, much like what we suffered during our last “great recession.” For every dollar an investor had in stock at the start of 1973, it had fallen to 38 cents by the end of 1974. Ugh.)

Nobody seemed interested in hiring anyone, especially someone as relatively young and with little working experience as I had. However, I knew that if the passion was there, a way would be found.

After a few months I had two shots to break into the business. One was as a trainee with Paine Webber, should I pass all of their tests, and the other was with the powerhouse Merrill Lynch.

After passing their test with flying colors, a manager at Merrill Lynch tried to pass me off to a friend of his, a Sears salesman, saying, ‘Kid, I want you to learn how to sell washing machines and refrigerators. After five years, come back.’

A month later, I was working for Paine Webber. They wanted people with brains, not people with sales acumen. That firm believed in doing the right thing for the client, which might not be found in the biggest commission ticket. It was during my years with that firm that I was able to learn a tremendous amount of knowledge about our new and exciting business of exchange-traded options.

In my ninth year as a stock broker for them, I managed to accumulate the capital I needed in order to buy my seat on the Philadelphia Stock Exchange, where for the next 10 years, I would trade for my own risk and reward as a Registered Options Trader (a market maker in an options pit). The year was 1983.

If the passion is there, the will finds the right path and turns loose that passion.

Skip Raschke
The Street





ADAPT OR DIE

I began trading in the late 1990s, and like most folks, I cut my trading teeth as an intraday NASDAQ scalper. Scalping OTC stocks was a great gig, until the SEC ordered both the NYSE and NASDAQ to switch from fractions to decimal pricing. This seemingly minor change put a huge number of traders out of business.

Making a living scalping for eighths (12.5¢) and quarters (25¢) was pretty easy. Flipping stocks trading in penny increments, however, was both frustrating and tedious. I had only been trading for a few years when the shift from fractions to decimals occurred, but its effect on the active trader community left a permanent mark on me. I learned early on that one's success in trading, like many aspects of business, is directly related to one's willingness and ability to adapt to a changing marketplace.

Adapting to the SEC's mandated switch from fractions to decimals, while difficult, paled in comparison to what we experienced with the advent of High Frequency Trading (HFT). HFT, or algorithmic based trading, turned trading on its head. For many, reading the tape and navigating the traditional ebb and flow of the market became impossible.

As far as my own trading is concerned, adapting and learning to trade in harmony with the HFT was my biggest challenge. Prior to the explosion of algorithmic-based trading, many of us felt as though we were on a relatively even playing field with one another, even when it came to trading with, or against, the NYSE specialist. Sure, they had the order book to lean on, but the bottom line was that as traders, they really weren't all that difficult to read.

Surviving, navigating, and prospering within a marketplace increasingly dominated by machines hasn't been easy. And you know what? It isn't going to get any easier. With that said, it's doable – provided you want it bad enough.

Bob Byrne
RetroWallStreet

THE DAY THAT CHANGED MY LIFE

It was Saturday, and after a week of working with the Special Education population in Hell's Kitchen, I was taking a much needed rest watching the New York Yankees play in the World Series.

A knock at the door of my West Side apartment roused me from bed. A young woman, close to my age, stood there with a thin cigarette between her lips. 'We are having a party upstairs and ran out of beer. I was wondering if you have any I could borrow?'

I had none, but we became friends nonetheless. She worked for Merrill Lynch on the Commodities Exchange at the World Trade Center as a Coffee, Sugar, Cocoa Floor Analyst. She kept the brokers throughout the world apprised of the big players and order flow. On the next school holiday, she brought me down to see the floor. The proverbial light bulb went off in my head. I was hooked.

Months later, I left my career as a teacher and headed to Wall Street. Continental Grain hired me as a Floor Analyst for their Commodities division, Conti-Commodities. I rubbed elbows with the best of the best traders such as Paul Tudor Jones, Mark Fisher and Richard Dennis' partner, Steve Sullivan. I learned about point and figure charts, pattern recognition, channels, pivots and calendar spreads.

Then seemingly overnight, Conti went belly up after the Hunt Brothers tried and failed to corner the silver market. I woke up suddenly unemployed. However, with all the enthusiasm of a young woman completely unfettered by this setback, I became an independent trader, borrowed \$2,000 from a clerk who believed in me, and opened a trading account.

The rest is glorious history. I paid back the clerk and leased a seat on the New York Mercantile Exchange, well on my way to a long, prosperous career as a trader. Eventually I met Keith Schneider, CEO of Marketgauge.com, who became my husband.

I still hear the ebb and flow of the noise on the floor. Only now, it's with my imagination fueled by the ticks and volume surges on a fancy, customized charting platform. The lessons of the floor befit a credo for my life:

Calculate the risk and let the winners ride!

Mish Schneider
MarketGauge



HOW CREDIT SPREADS SAVED MY TRADING CAREER

The first sentiment imparted to me as I struggled as an under-funded trader: 'Your account size has not caught up to your trading ability.' That one sentence has carried me through the dark periods of my trading career.

We have all struggled. Just when we think we've learned the lesson Mr. Market was intending to teach us, he sends his brother in to do it again and again and again until we finally realize there is a common denominator and fix the true problem.

For many years I traded full time and worked full time, all while being a single mom. It was HARD, and I often missed moves and got stopped out at the worst possible point. There were several times when I thought I must just be crazy to work as hard as I was on this thing called trading, only to have it chucked back in my face. I gave the market my time, my energy, and my money almost to the point of obsession.

I'll tell you straight up that I was hooked on trading from the very first trade. I knew this was the way I was going to alter my life course into a more positive direction. Too bad my beginning trades didn't share the same feelings.

I traded futures for a private Canadian investment team, provided charts and market calls to another fund, went to bed after watching the DAX open, and then got up in the morning to see the US pre-market. I worked a full time accounting job in between and tried to be the best parent I could. The end result was I made a ton of money for others, but my own trading seemed to crap out.

I love technical analysis. I pretty much view life from its placement in my Bollinger bands. If we're in deviation and bouncing along the bottom band, it's time to take a long hard look at what the problem might be.

Stressors that throw you off life's course – a sickness or death, divorce, layoff, no grocery money – suck the energy right out of you and cast a pall on positive changes to your financial future.

I've tried all kinds of trades, some with more success than others. As I tried to balance working full time with trading full time, one of my favorite trading strategies soon became credit spreads.

Credit spreads are way, way, way out of the money spreads and well under a major moving average or support. Before I enter a credit spread, I always ask, 'Does this stand a chance in hell of being hit?' If the answer is no, and the premium is reasonable, it gets an entry into my stable of stocks. Once in my stable, I use them over and over and over again. The best stocks for spreads are channel stocks. Just as the SPX can trade in a 100 point range for months, stocks can do that too.

I am a FIRM believer that you can master this job we call trading. With the positions I use, I usually put them on and don't tinker with them again until the week of expiration. I have a healthy emotional attachment to my money and will never place myself in a situation that might end my ability to trade.

By using credit spreads and targeting directional options for the past few years, I have really started to see growth in my account. In a 3 year period, I have gone from being a tiny private trader to a registered investment agent, and now I manage money for myself and clients as my sole means of income.

When I let go of the idea that I could control the market and started looking at trades with an eye to how much could I lose if I was wrong, my portfolio started enjoying pretty reliable growth. It might be "a little" growth, but little profits add up to big profits. Warren Buffet coined the concept of 'take care of your pennies and the dollars will follow.' My assistant once gave me a tin full of pennies because she was tired of them sitting on her desk. I'll take that money all day long! That's my concept of trading - just go after the money that's been forgotten.

Above all else, remember that trading does not define you as a person. Trading can be a very solitary endeavor and you can get all balled up inside ... been there, done that. Reach out for help. That is the driving force behind building the Explosive Options Pro Chat room. This is my safe haven to explore new ideas, mentor other traders, and enjoy positive reinforcement from a group of stellar traders.

Suzie Smith
Explosive Options

TRADING LESSONS I LEARNED THE HARD, SAVINGS-DECIMATION WAY

I have been trading for 12 years (the last 6 years in the US market, the prior 6 years in the Indian markets), and I want to share my failures and success with you:

My Disastrous First Trade

I used to go with my friend to visit his broker, which is where I first encountered stock trading. He told me that people made money by buying something called stock and then selling it higher. I thought, 'Wow! Money making is easy!'

I bought some shares of a company on my friend's broker's tip, who said, 'Buy this stock - it is only going up!' I bought a huge quantity on margin, and to my luck, the stock climbed 3 percent that day. I was so happy, I held that trade.

The next day, the stock was down 10 percent. I held onto it, thinking, 'No I can't bail! I need to make money!' The next day, it was down another 10 percent, and the next week, the stock was down almost 30 percent.

I had to pay the broker for taking delivery, but I didn't have the money. I did have a very good friend who gave me the money, though. I paid the broker and took delivery of the stock. I had to pay back my friend, and back then, that kind of money was my annual salary in India. I took an overtime job and worked from 7am to 11pm.

I paid my friend back within 6 months, by which time the stock was trading at less than 10 percent of the value that I had bought it at. Yup, I had held it, and yup, I had lost a lot of money.

Lessons learned: Never, ever buy a stock without studying it and understanding the technicals. Never trade on margin when you don't have the money. And NO BORROWING!

Things Didn't Get Better in the US

I moved to the US with my job from India. By now, stock trading was something that I did regularly, even though I had not made even a penny so far.

The first stock I traded was Google (GOOG), and I made an instant \$100 that same day. It was a "wow" of a trade for me. I liked the US market and thought it was the place to make money. I put all of my earnings in the US market, called up Fidelity and opened an options account. Yes baby, options! Invest less, make more – at least that's the way I thought about it.

Then the global financial crises happened, and I put all my money on Washington Mutual (WAMU) calls. WAMU was just tanking, and I thought it was an opportunity. I went all in with WAMU, positive that a bail out was going to happen and that it would make me a lot of money. Instead, I had another big failure. The stock tanked, and I lost all my money.

Lessons learned: Never ever go all in on one trade. Never go against the trend. Never try to bottom fish (and never dream of a jackpot as you do). Keep stop loss - very important.

A Fool and His Money Are Soon Parted - Again

I kept trading the US markets, and believe it or not I kept repeating the same mistakes. Up until the end of 2012, I had made some wrong bets on stocks like Apple (selling calls when Apple was climbing like crazy to \$700).

Although I never borrowed money from anyone, I continued to make the mistake of going all in on stocks and working against the trend. I had some really bad days. I had days when my bank account only had \$500 in it. I was down and broken, not knowing what to do.

Yes, I had my job, which paid my rent, but I used to watch people my age buying new cars, new homes, going on vacation, and enjoying life, while I was left thinking about my mistakes and wondering how I could fight back.

I made a decision not to do any stock trading. For 6 months, I saved money, followed the markets, and kept up with my favorite technician and friend Bob Lang.

Once I had enough money saved, I made a very hard decision. I took 80 percent out of my saving account and put in my TD AMERITRADE account (I love their TOS platform – it's a great thing).

I Finally Turn it Around

At this point, Apple (AAPL) was at \$400. I wanted to go all in, and this time, I had some good technicals confirming this was a good idea. I bought \$400 calls (deep in the money trading, only at \$25). It was tough to do, as AAPL was not participating in the stock market rally, but I believed in the stock and its technicals.

When AAPL announced earnings results, the same \$400 calls were now trading at \$45. I sold those, and that was my winning start. I have kept trading and listening to my good friend Bob Lang, Suzie Smith, and Dave Attardi (the combination is killer!).

I am still trying to make up for my earlier losses in life, but I am going slow and steady to be a winner. You need to be determined and persistent; options trading is a very long game. Learn from my mistakes – don't trade foolishly like I did. Tap into the wisdom of mentors like Bob, Suzie, and Dave. Listen and learn from them, and you will succeed.

Ketan Shah
Explosive Options Member



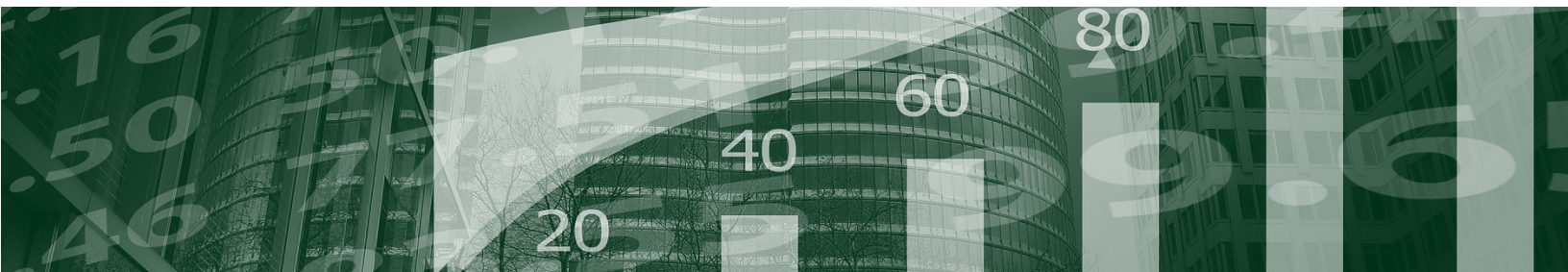
CONCLUSION

Trading and investing are tough games, whether you trade options or not. The challenges are endless, and as a result, we all go through good times and bad times on our journey.

In this ebook, you read the stories of many traders and learned how their real-life experiences made a huge an impact on their trading and investing lives and careers. Some of them had devastating financial stories that probably made you cringe, yet they are still in the game.

We all learn from our experiences and hopefully become better. And isn't that what life is all about? I've always said that trading is a metaphor for life, and I think this ebook points out how true that is.

I hope this great collection of war stories from the trenches made an impact on you. I also hope that you can relate to one or two of them, and that the lessons learned, wise advice, and tips help you find your way to a better trading and investing life.



ABOUT EXPLOSIVE OPTIONS

Explosive Options is an options trading service.

Founded in 2011 by Bob Lang, the industry's leading technical expert, we provide proprietary options trading knowledge to people who are committed long-term to trading. Our members join because they want to learn more about options trading and grow their portfolio, but they don't have the time or knowledge to do it full-time.

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