

Tips & Useful Info

Running collection of practical wisdom, rules of thumb, and insights from across the course — organised by topic, not by lesson.

Portfolio Management

- **Everything in your portfolio should be in an uptrend (HH/HL) or putting in a reversal pattern.** Nothing should have lower lows, lower highs. Seems simple because it is — the only reason people don't stick to it is psychology
- **Frank's rule: drop your worst performer every month.** The opposite of what most people do (selling winners to "lock in gains" to cover losses). Over time this improves performance by cutting the drag
- **Don't hold trapped money.** If your money is doing nothing going sideways for years, that's an opportunity cost. You don't have to buy the bottom — you can wait for the breakout
- **The 1% rule: never risk more than 1% of your account on a single trade.** With \$100K, losing 1% = \$1K. You'd have to be wrong 100 times in a row to blow your account
- **Minimum 3:1 risk-to-reward on every trade.** For every \$1 risked, aim for \$3+ reward. This means you only need to be right 30% of the time to be profitable. You're becoming the casino, not the gambler
- **Forget price. Focus on risk to reward.** A "cheap" stock with poor R:R is a bad trade. An "expensive" stock with great R:R is a good trade. Your goal isn't buy low sell high — it's risk little, make more
- **Eliminate big losses and the rest takes care of itself.** Small wins and small losses cancel each other out. Big wins grow your account. If you never have big losses (via stop losses), you'll grow over time
- **If you're emotionally attached, you're over-risked.** Can't sleep? Checking every minute? Getting defensive when someone is bearish? You've got too much in it

Retail Advantage Over Institutions

- **Retail can buy an entire position in one hit.** Big money can't — they have to accumulate over time (which is why accumulation phases exist and take so long). You can buy when it starts to trend instead of waiting years

- **Don't try to buy the bottom or sell the top.** Buy when the trend starts (breakout of accumulation, change of market structure). Faster gains than sitting in accumulation for years

Market Psychology & Discipline

- **"If you can't handle the zags, you don't deserve the zigs."** Corrections are as natural as day and night. Accept them as normal in an uptrend, or you'll panic sell every dip
- **Your biggest enemy is your own psychology.** People hold losers because admitting they were wrong is harder than watching money disappear. They sell winners early to "lock in gains." Both are ego-driven, not strategy-driven
- **"Big money loves what you hate. Big money hates what you love."** When you hate something, they typically love it. Do the opposite of the masses at extremes — the herd is always wrong at the peak and the trough
- **"The market can remain irrational longer than you can remain solvent."** Everything can say it's expensive — divergence, lowering volume, all the signals — but it can keep pushing. Sometimes the first signal reverses; sometimes it's the fourth
- **"If it's in the news, it's old news."** By the time mass media publishes, the inner circle already knew. Insiders accumulate before the news, then sell into the public buying after publication
- **Three tools to identify a top:** (1) Can you see you're in the third phase? (2) Is sentiment euphoric/universally bullish? (3) Do you have divergence on RSI and OBV? If all three = yes → start taking profits
- **Quadruple witching dates** (3rd Friday of March, June, Sept, Dec) — most major market tops and bottoms happen around these dates. Be aware of options max pain driving price toward specific levels near expiry
- **VIX above ~45-50 = capitulation = historically marks bottoms.** GFC bottom, COVID bottom, every major sell-off. When VIX is low and declining, the market is complacent
- **Process over outcome.** Focus on executing the process correctly, not whether individual trades win or lose
- **You can afford to be caught in accumulation or public participation** — you'll recover in the next phase. You **cannot afford to be caught at the top of excess** — the correction wipes out the entire move and can take 6-13 years to recover
- **"Buy the dip" works until it doesn't.** In a non-failure swing reversal, people keep buying the dip because it worked every other time. But if you can read market structure, you know this dip is different — big money is distributing INTO the dip. This is exactly how people get caught
- **The market usually gives second and third chances.** If you missed an exit, price often bounces back to your level before continuing. It's uncanny how often it happens. Don't panic — wait for the retest
- **The 382-618 zone is the "golden pocket" / "zag zone."** Every secondary correction should come back to this zone. It's where you look for buys in uptrends and where you

take profit in downtrends. If price pushes through the 618 on strong volume, it's more likely a new trend than just a zag

- **Successive deeper retracements = weakening trend.** If pullbacks go 382 → 500 → 618 → break, the trend is dying. Each time, buyers need a bigger "discount" before stepping in. Fibonacci shows this clearly
- **The "bread and butter" entry:** Fib level + lowering volume + bullish divergence OBV + bullish divergence RSI + change of market structure = the complete setup. Don't buy just because it's on a Fib level
- **Three steps forward, two steps back.** Markets zig-zag-zig-zag-zig (3 forward), then correct the WHOLE move (2 back to the golden pocket). The three zigs = accumulation, public participation, excess. The two-step correction = the bear market/distribution phase. This is Elliott Wave simplified
- **"We don't trade signals, we trade triggers."** Divergence is the signal (blinker). Change of market structure is the trigger (the car actually turning). If you drive based on blinkers alone, you'll crash within a week. Same applies to trading divergence without price confirmation
- **News creates catalysts for moves that were already due.** The S&P showed weekly bearish divergence before Trump tariffs and before COVID. The divergence signalled weakness weeks/months before — the news just expedited the pullback. By the time news hits, the setup was already there
- **Don't use multiple indicators that measure the same thing.** RSI + MACD + Stochastic RSI = all price momentum = confirmation bias, not confirmation. Use RSI (price momentum) + OBV (volume momentum) — they measure different things
- **"The glamour of wanting to pick the top or bottom is more about ego than profits."** Divergence doesn't mean reverse immediately. It can take multiple divergences before the actual turn. Don't try to be a hero — wait for the trigger
- **Build your toolkit.** Take things from every educator, every session. You might only use small pieces from each, but over time your toolkit gets comprehensive. Reversals, S/R, volume, divergence — all go in the toolkit

Sector Rotation & Money Flow

- **Money never leaves the market — it just rotates.** When one sector tops (excess phase), big money is already accumulating in the next undervalued sector
- **Look for sectors that are historically low, not historically high.** If a bear market comes, things already at historical lows won't take as big a hit and will be the outperformers. Energy, uranium, lithium, healthcare when beaten down — that's where money rotates next
- **"Bigger the base, bigger the explosion."** A long accumulation period (large sideways range) tends to lead to a larger move when it finally breaks out
- **When US tech goes down, Australian resources tend to go up** — because money rotates from technology into precious metals, mining, and commodities. Australia didn't really have a recession in 2008 because of resources

Market Mechanics

- **80% of all market volume is done by bots — and those bots are trained on technical analysis.** Good comeback for anyone who says TA is "reading tea leaves"
- **For every buyer there is a seller, for every seller there is a buyer.** Price doesn't magically go somewhere — when you sell, someone else is buying because they think it's a good deal. Always ask: why is someone buying here? Why is someone selling here?
- **Everything has a price where someone thinks it's cheap.** Even the worst assets eventually find a floor where demand steps in (AGL from \$28 to \$5 and back; ZIP from \$14 to \$0.20 and back). The same applies upward — everything has a price where people think it's too expensive
- **Stock market gaps happen because the market is only open ~6 hours per day.** News overnight (e.g. tariff announcements) causes gap ups/downs at open because of supply/demand imbalance. Crypto doesn't gap because it trades 24/7
- **The CME gap** — Wall Street trades Bitcoin futures during Wall Street hours only. When Bitcoin moves outside those hours, it creates a gap on the CME futures chart. This is what people mean by "fill the CME gap"
- **Log vs Linear charts:** Linear = \$100 movement is the same size everywhere. Logarithmic = a 10% move is the same size everywhere. Use log when looking at very broad time periods or very large price ranges
- **Rising volume is neither good nor bad — it just means the current trend is supported.** If the trend is down and volume is rising, that CONFIRMS the downtrend. Don't confuse high volume with bullish
- **"You can mask price action but you can't mask volume."** Price can look really bullish due to one whale or manipulated move. But if volume doesn't confirm it, it's probably not the whole market behind the move
- **"Price action is king, OBV is the queen."** Always analyse price action first (market structure, reversals). Only then check if volume/OBV supports. Never look at indicators first and try to make price fit — you'll get wrecked doing it backwards. Detox your charts

Charting & TradingView

- **Always start on the weekly timeframe.** Dow himself never traded below the daily. The lower the timeframe, the more noise and the harder it gets. Stick to weekly while learning
- **Match your timeframe to your investment horizon.** Investing for years? Look at the 3-monthly (quarterly) chart. Trading for weeks? Weekly. Day trading? Daily. Your chart timeframe should reflect your holding timeframe
- **Use the Replay tool to practice in real time.** Bring a chart back to a historical date and hit play — it moves as if the market is happening live. This is how you train market structure identification without the benefit of hindsight. The more you practice, the better you get — trading is no different to any other skill

- **If it's not clear, it's not there.** If you can't see clean market structure on a chart, move on to a cleaner one. Especially avoid small caps with dodgy wicks everywhere while learning
- **Don't overthink finding stocks to practice on.** Pick any random chart, practice pivots and market structure. If that chart's messy, pick another. The key is in the process, not the ticker
- **Unpack candles on lower timeframes.** A bullish engulfing on the daily might show a double bottom on the hourly. A shooting star might show a strong downtrend on the 1min. Looking "inside" candles gives you the full picture
- **Match your candlestick timeframe to your trading style.** Position trader = weekly/monthly. Swing trader = daily/weekly. Day trader = daily/hourly. Scalper = 1min/5min. Using the wrong timeframe for your style is a common mistake
- **"Long-term" means different things to different people.** Your long-term might be 1-2 years, someone else's might be 10+ years for their kids. This is why personal financial advice requires licensing — everyone's time horizons and goals are different
- **marketindex.com.au** — good for browsing ASX sectors and finding tickers
- **listcorp.com** — lists all ASX indices and sectors

Trading Strategy Insights

- **Craig only trades the public participation phase.** Gets in on the change of market structure (breakout from accumulation), gets out when he sees bearish divergence near the top. Doesn't try to catch accumulation or ride excess — moves money into the next thing entering public participation. Replicable, consistent
- **ASX Trader doesn't touch sideways markets — only trending markets.** Bull or bear, doesn't matter, but sideways is where people lose the most money. They keep trying to go long or short and keep getting stopped out
- **People don't lose money in bull or bear markets — they lose money in sideways markets.** Lose a trade, lose a trade, lose a trade — the chop kills you
- **The breakout + retest (R/S flip) is probably the best trading strategy.** It gives two confirmations: (1) sellers exhausted, (2) sellers become buyers. Best risk:reward setup
- **Retests are 100% the best entries, but only ~50% of breakouts will give you one.** If your strategy is break-and-retest, accept that half the time you'll miss the trade. Come from a mindset of abundance — there are always more trades. Never FOMO into a trade that didn't give your setup
- **Don't chase trades.** If you FOMO in after missing a retest, you'll often get caught in the pullback and hit your stop loss. Then the trade rockets without you. Wait for your setup, every time
- **Just because something reverses doesn't mean it'll give big gains.** A lot of things change market structure and then go nowhere. A reversal is confirmation of a trend change, but you need other tools (volume, divergence) for higher probability that it'll actually move. "We work on probabilities — the more indicators confirming bullish intent, the more probable we see bullish price action"

- **Craig looks for confluency:** A change of market structure back through a major horizontal S/R level is double confirmation. That's his ideal trade — reversal + breaking a major resistance level
- **"I will never take a trade unless I have a minimum of three points of confluency."** This is why the educator maintains high win percentages. Market structure + divergence + volume + index confirmation + pattern = stacking chips in your favour
- **Think like you're in front of a judge.** Every signal is evidence for your case. You should be almost shocked when a trade with 5-7 points of confluency doesn't work. If you're not shocked, you didn't have enough evidence
- **Best stocks break out before the sector.** Big money flows into the best-of-the-best first. If a commodity is bottoming (e.g. gold triple bottom), the best miners (e.g. Northern Star) will already be making higher lows before the commodity confirms. This is a leading indicator
- **Just because tech/NASDAQ is going down doesn't mean everything is.** Sector rotation means some sectors are accumulating while others distribute. The educator had 22% of his portfolio in utilities (AGL) during a market collapse, up 60% while everyone else was losing
- **Use the weekly outlook to scan sectors, then drill into individual stocks.** If a sector is breaking out, find the individual stocks within it that are also breaking out — that's multi-chart confluency
- **Phases are somewhat subjective.** Where exactly accumulation ends and public participation begins can be debated. What matters is identifying when market structure actually changes (breakout above previous highs with confirmed HH/HL)
- **Market cycles repeat roughly every 30 years.** Within a ~30-year secular bull market you get multiple smaller cyclical bull/bear markets. The major resets (lost decades) happen roughly every 30 years — Great Depression, 1970s, 2000-2009
- **Cyclical bull markets last ~3 years on average** (sometimes 2, sometimes extends to 4). We get 3-4 of these between major resets
- **The easier a trend is to spot, the closer it is to ending.** When every man and his dog can see the trend line, it probably won't hold much longer
- **Hidden divergence is for continuation patterns. Regular divergence is for reversal patterns.** You cannot use hidden divergence on H&S or double tops — the trend hasn't flipped yet. Hidden = continuation of existing trend. Regular = weakening of existing trend. Using the wrong type for the wrong pattern is a common mistake
- **Volume rules are OPPOSITE for continuation vs reversal patterns.** Continuation: volume confirms the trend, not the corrections. Reversal: volume does NOT confirm the trend (weakening) but DOES confirm the reversal direction. Get this backwards and you'll misread every setup
- **Look for change of market structure WITHIN a Darvas box before the breakout.** Don't just trade the breakout — look for buyers stepping in higher inside the range first. Mini HH/HL forming before the actual breakout = much stronger signal
- **Don't trade patterns in isolation.** The educator would drop the patterns lesson if he had to drop one. All chart patterns are just market structure — if you can read pivots and HH/HL, you don't need the pattern name. The value is in combining patterns with volume + divergence for confluency

- **Falling wedges are ASX Trader's favourite pattern to trade.** They give phenomenal risk:reward — tight stop loss, target back to the top of the wedge. Look for bullish divergence on RSI and OBV as price descends the wedge
- **Triangles come before the final move (excess phase).** After a triangle breakout, expect one last push, then a correction. If the breakout comes back within the triangle on low volume, it was likely just a short wave 5
- **Journaling is covered in week 10** — you're not supposed to be trading yet, you're still learning ingredients. Week 10 gives you the recipe card. Follow the data in your journal, not your feelings about what style suits you
- **Redo the 10-week material after finishing.** Logan (ex-student) did this and had major light bulb moments the second time through. Especially revisit pivot points, market structure, reversal patterns, and Fibonacci
- **Set achievable first goals.** Logan's first goal was just \$1,000. Once you hit it, you know you can scale. Don't pressure yourself into full-time trading — build the track record first
- **Paper trade before risking real money.** It's boring because you want to make money NOW, but it removes risk from learning. Run paper trades alongside your real account to test strategies
- **"Letting winners run" is the hardest psychological battle.** Most people nail entries but exit too early for quick profits. Fix: before entering, make a promise to yourself about the plan and stick to it. The profits you give up from early exits compound massively over time

Concepts That Link Forward

- **Phases → Elliott Wave:** Understanding accumulation/public/excess translates directly to Wave 1/Wave 3/Wave 5 in a five-wave impulse. This foundation pays off in Term 3
- **Volume confirmation** covered in Week 4 (Tenet 6). Volume bars and OBV act as "blinkers" — showing underlying strength before the reversal confirms. OBV is a leading indicator that often breaks trends before price does
- **Divergence (RSI)** covered in Week 5, expanded in Term 2. Combined with reversal patterns, it's the "ball underwater" — divergence shows underlying strength/weakness, the reversal is when you let go of the ball. RSI = price momentum, OBV = volume momentum — use both for confluency
- **Where divergence started = where the correction targets.** The trend was genuine up to the point of divergence. Everything after was "fake" or weakening. The correction typically wipes out the weak portion and returns to where divergence began. Use this as a confluency point alongside Fibonacci
- **Divergence across multiple timeframes = bigger expected move.** Hourly divergence alone = hourly pullback. Monthly + weekly + daily + hourly divergence = major multi-month reversal. The timeframe tells you the magnitude
- **Tops are easier to call than bottoms.** Impulse waves follow predictable 5-wave patterns with divergence from wave 3 to wave 5. Corrections are complex and unpredictable — sharp, sideways, or extended. They usually end in the golden pocket, but exactly where within it is tricky

- **Hidden divergence = continuation, not reversal.** Hidden bullish (higher low price, lower low RSI) says the uptrend will continue. Hidden bearish (lower high price, higher high RSI) says the downtrend will continue. Regular divergence warns of reversal; hidden divergence warns that the trend has more legs
 - **Regular bullish divergence can lead into hidden bearish.** A bounce on regular bullish might just be a setup for hidden bearish and continued downtrend. This is why you never trade divergence alone — market structure tells you which one wins
 - **Don't put all your weight on the newest tool.** Every week you learn something new and you'll want to forget the basics. Market structure, S/R, and reversal patterns are ALWAYS primary. New tools are just additional confluency
 - **Divergence has three types, not just one.** Regular (opposing directions = potential reversal), Hidden (same direction but inverse RSI/price = continuation), and Directionally Aligned (same direction but different rates = weakening). 99% of traders only know regular
 - **Don't panic on bearish divergence during a bull run.** Regular bearish often turns into hidden bullish — the RSI just resets and the trend continues. 9 out of 10 times, bearish divergence in a bull run is NOT the end. Only a change of market structure confirms it's over
 - **The progression: convergence → directionally aligned → regular divergence → reversal.** Trends start healthy, show early cracks (same direction, different rates), then obvious cracks (opposite directions), then break. Not every trend goes through all stages, but knowing the progression helps you see where you are
 - **Risk:reward and stop loss placement** — covered later in the course, but the breakout+retest strategy gives optimal setups for it
 - **Failure swing vs ABC correction** — a failure swing can lead into just an ABC correction (3 steps forward, 2 steps back) rather than a full trend reversal. Fibonacci and zig-zag zones (later) help distinguish them
 - **The most learning happens from peer collaboration, not from educators.** Post charts in the chat, give each other feedback, explain concepts to each other. If you can explain it, you understand it
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