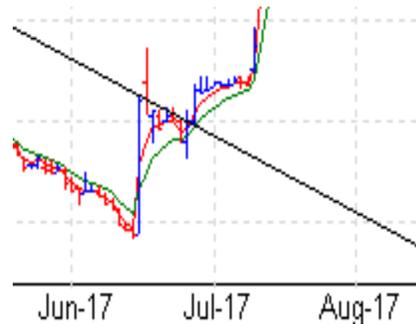


## Trade the strategy not the stock

### Paul Doggett

Those that know me, know my work, have watched one of my videos, heard me give a talk will know that I trawl the market looking for stocks that allow me to trade them by using one of the strategies which I have personally devised. Take Australian listed company ADH for example.

ADH recently had a price and breakout scenario making it perfect for a DEMAC (Doggett's Exponential Moving Average Crawl) style trade.



I know the company's ASX code is ADH but I have absolutely no idea about the company's fundamentals, its market cap, its management team, the quality of its assets or how it stacks up against its peers in the same sector on a comparison basis. I don't need to know these things as a trader. So what then, do I (you) need to know?

I need to know that one of my preferred trading techniques has given me an 'alert' signal regarding ADH, indicating that current price action is adhering to a methodology that I have developed and which allows me to trade downtrend breakouts with some safety. In this case the 'alert' signal came on June 19, 2017 when the 3 day EMA crossed above the 8 day EMA. Once I buy the stock I am no longer trading the stock. Instead I am trading the technique.

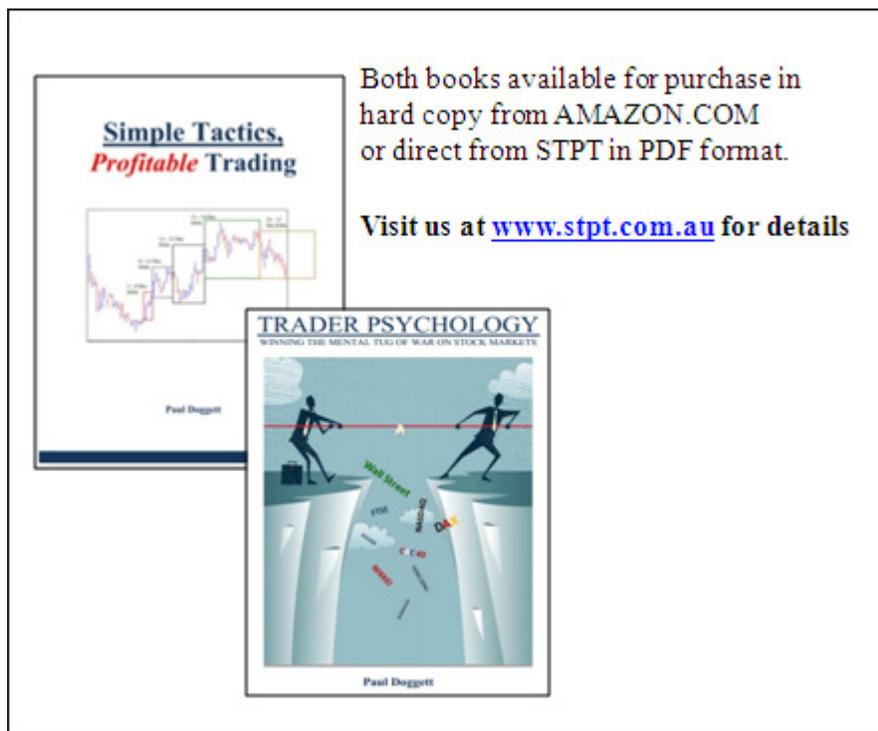
From the entry signal onwards, I am no longer trading the stock – I am trading the strategy, the technique, the tactic, whatever you'd like to call it. To be clear, I don't trade ADH as it applies to the DEMAC technique, I trade the DEMAC technique as it applies to ADH.

This is a fundamental difference in approach between experienced and novice traders. The novice trader typically continues to trade the stock rather than the technique. This means the novice is at a higher risk of getting shaken out of the trade prior to a relevant exit signal. They might get jumpy over a news article about the stock. They might get jumpy over a company release to the stock exchange. They get jumpy over losing a small open profit. They get jumpy over the open position turning negative and beginning to show a small loss. Trigger happy traders are at a higher risk of acting independently on this type of information, which, in isolation, has not generated an exit signal within the confines of the technique being used to trade the stock.

Experienced traders on the other hand don't get jumpy or trigger happy over the sort of information which makes the novice jumpy. Experienced traders are less likely to be shaken out

of the stock on a whim, or on any sudden volatility unless that volatility creates the right conditions for an exit within the predetermined exit parameters inherent within the technique that is being used.

In the case of ADH, we have a series of predetermined exit signals as outlined in our book on how to apply the DEMAC technique. For the record, the DEMAC alert allowed traders to enter ADH at around 90 cents. At the time of writing it was closer to \$2.20.



The advertisement features two book covers. The top-left cover is for 'Simple Tactics, Profitable Trading' by Paul Duggett, showing a line graph with various trading signals. The bottom-right cover is for 'TRADER PSYCHOLOGY: WINNING THE MENTAL TUG OF WAR ON STOCK MARKETS' by Paul Duggett, depicting two figures in a tug-of-war over a path labeled 'Wall Street' with various market-related terms like 'risk', 'CEO', and 'DOW'. Text to the right of the covers states: 'Both books available for purchase in hard copy from AMAZON.COM or direct from STPT in PDF format. Visit us at [www.stpt.com.au](http://www.stpt.com.au) for details'.

All rights reserved. (c) [www.stpt.com.au](http://www.stpt.com.au)

Full Disclaimer Applies. See our website for details.