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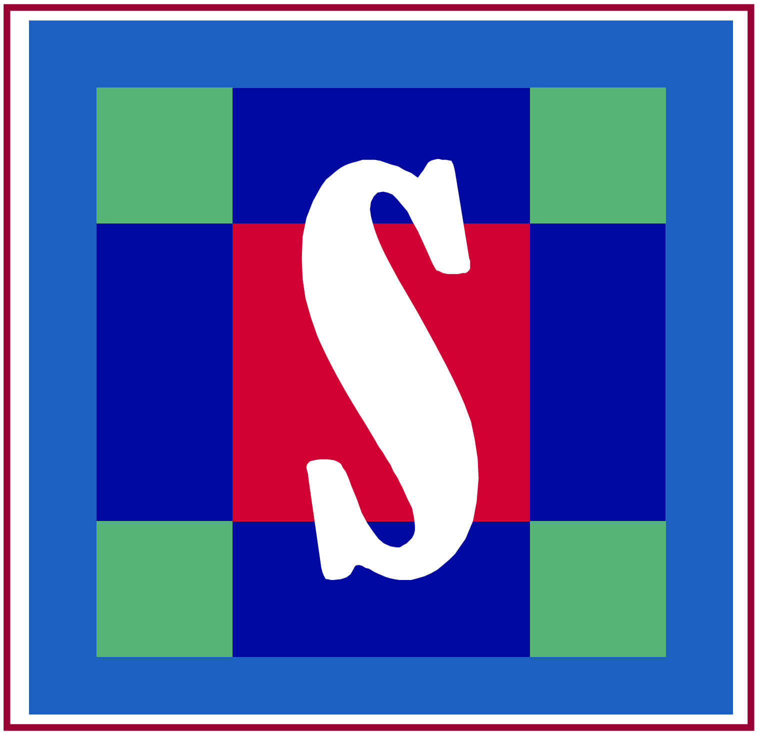

Seven "S" Framework

A free e-Book for Traders

TINA LOGAN
Trader's Roadmap
Training and Coaching for Traders

PO Box 2046, La Jolla, CA 92038
Phone: (858) 232-3879
www.tinalogan.com

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THE PATH TO SUCCESSFUL TRADING

Trading strategies are a dime a dozen. There is a lot of training available that addresses a specific trading strategy or methodology. In many cases, though, there is not adequate instruction provided about the *underlying mechanics* that create those trading opportunities. I refer to those underlying mechanics of price behavior as the *strong, organizing principles of the market*.

The basis for many trading strategies is a price *setup.* A setup is a recognizable formation that occurs on a chart. It offers the potential for a profitable trade. There are many different price setups that form as a result of the strong, organizing principles of the market. Thus, if you'll take the time to learn those principles through in-depth study of technical analysis (charting), and also learn how to execute trades effectively, you'll have the knowledge base to understand almost any trading strategy. In fact, you'll be able to develop your own strategies if you choose. But if you prefer to utilize strategies developed by other traders, you'll have the knowledge needed to understand and execute a strategy, and to tweak it to fit the current market conditions if needed.

If you were to review dozens of trading strategies, you'd likely find that the premise of most of them has to do with price behavior that tends to be repeated. The setups develop because market participants react in certain ways causing those repeating patterns to form on charts. Once you understand why and how a setup forms, you can learn to recognize it as it is developing at the *right edge* of the chart so you can profit from it.

While I do provide instruction on specific trading strategies, my training is quite comprehensive. Much of what I teach is geared toward the following:

- Helping traders build a strong foundation of knowledge of chart analysis.
- Demonstrating how to execute and manage trades efficiently.
- Teaching traders how to spot high probability trade setups.
- Providing tools and techniques that can be used to organize trading activities.

Once they have these foundational skills in place, traders have the means to understand and execute a variety of strategies, as well as develop their own unique strategies.

> ***"However much thou art read in theory,***
> ***if thou hast no practice thou art ignorant."***
>
> **~ Sa'di Gulistan**

TINA LOGAN'S *SEVEN "S"* FRAMEWORK

While teaching hundreds of traders, I've discovered a common thread. Many individuals who are striving for success may have some knowledge about chart analysis and trade execution, but *they just can't seem to get their arms around it all*. In many cases, it is because their knowledge is disjointed; or lacking in certain areas. They know a little bit about this and a little bit about that, but they are missing critical pieces. In other cases, traders may have enough knowledge but they are unable to put what they know to work. They lack the structure, confidence and discipline needed to execute a trading plan efficiently.

Often it simply comes down to the fact that an aspiring trader "doesn't know what he doesn't know!" That's why I have developed a framework that outlines the critical areas for traders to direct their focus and energy in order to become master traders. These areas all happen to begin with the letter "S," which is why I refer to this framework as the "Seven 'S's of successful trading."

In this lesson I've outlined the *Seven "S"* framework. Rather than diving right into a specific trading strategy, the *Seven "S"* model requires that novice traders step back and develop their foundational knowledge and skills before deciding on a trading methodology or strategy that is suited for them. If you are one of those optimistic novices trying to find your trading niche, this framework may help you to better define what, and how, you'll trade.

The Seven S Framework

Seven "S" addresses the following seven concepts:

STRONG PRINCIPLES | **SETUPS** | **SCREENING** | **STRATEGY**

STRUCTURE | **SECTORS** | **SELF**

Each concept is described briefly in the following pages. This instruction will provide you *a frame of reference to map out a path to become a master trader*. If you wish to follow this *Seven "S"* path, I provide in-depth instruction on these concepts throughout my course materials. Just about everything I teach fits into this *Seven "S"* construct in some fashion. My courses are available through private instruction with me, or in eBook format on the Training and Products page on my web site: www.tinalogan.com. Even if you don't choose to pursue training with me, the outline provided in this complimentary eBook will help you in your journey to becoming a successful trader.

1 – STRONG PRINCIPLES

First, we must learn to understand the strong, organizing principles of price behavior. This requires developing a strong knowledge base of technical analysis (charting). An "organizing principle" refers to a robust concept that occurs with regularity and with a fairly reliable resolution (outcome). Its existence can be seen on the charts of stocks or indexes. Following are some examples of strong market principles:

- Markets move in Trends – The market has three trends: long-, intermediate- and short-term. The trend is your friend until it ends.
- Consolidation is followed by a trend.
- Reversion to the Mean – Price tends to revert to the average, or mean. After a short-term move (price swing) in one direction, price often pauses or pulls back before it can move again in the direction of the longer trend.
- Support-Resistance Role Reversal – Once broken, support becomes resistance and resistance becomes support.
- Trend Reversals – A trend doesn't typically turn on a dime when it ends. The reversal is often more like a process than a dramatic shift in direction. Once the final bottom forms in a downtrend, that bottom is often tested one or more times before the trend actually reverses (and vice versa in an uptrend).

It is strong principles likes these that provide us profitable trading opportunities. Once these underlying mechanics of price behavior are understood, the next question should be:

> **"What happens to price when this organizing principle is under way?" In other words, what type of *setup* may develop?**

"Nothing in life is to be feared. It is only to be understood."

~ Madam Curie

2 – SETUPS

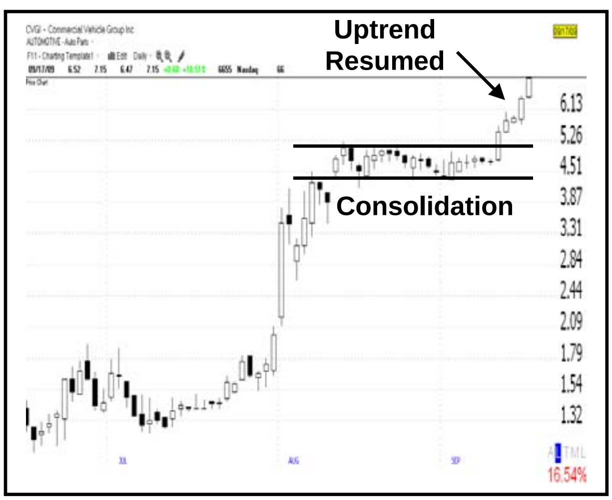
A setup is an identifiable price movement that occurs as a result of one or more strong market principles. Following are some examples:

Consolidation

Based on the premise that consolidation is followed by a trend, a consolidation pattern provides an opportunity to enter in anticipation of a breakout; or to wait for a breakout and then participate in the trend. Consolidation is a period of sideways price movement. Price may *set up* in one of the following formations:

- A shallow, lateral move; a Flag or Pennant (Figures 1.1 and 1.5)
- A deeper horizontal trading range (Figures 1.2 and 1.4)
- A Triangle (Figure 1.3)

Price often breaks out in the direction the trend was moving prior to the period of consolidation resulting in a continuation of the longer trend. Thus, these formations are often referred to as *continuation patterns.* In Figures 1.1 through 1.3, price consolidated and then resumed the uptrend. There will be instances, though, where price breaks against the prior trend instead of resuming it as illustrated in Figure 1.4.



TeleChart

Figure 1.1
Shallow Consolidation (Lateral Move)

TeleChart

Figure 1.2
Trading Range

Figures 1.1 through 1.4 illustrate prolonged periods of consolidation. Price moved primarily sideways from a few weeks to a few months in these examples. You'll also observe smaller continuation patterns that may last from a few days to a few weeks. If a sharp move (a "pole") precedes the formation of a small consolidation pattern, it may be referred to as a Pennant or a Flag. A bullish Flag is illustrated in Figure 1.5.

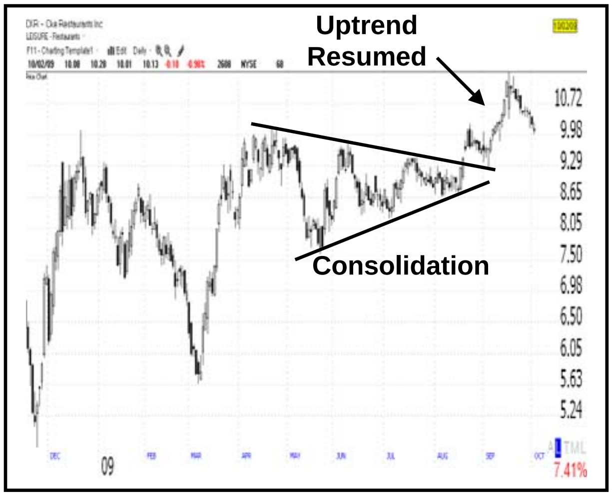


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Figure 1.3
Symmetrical Triangle

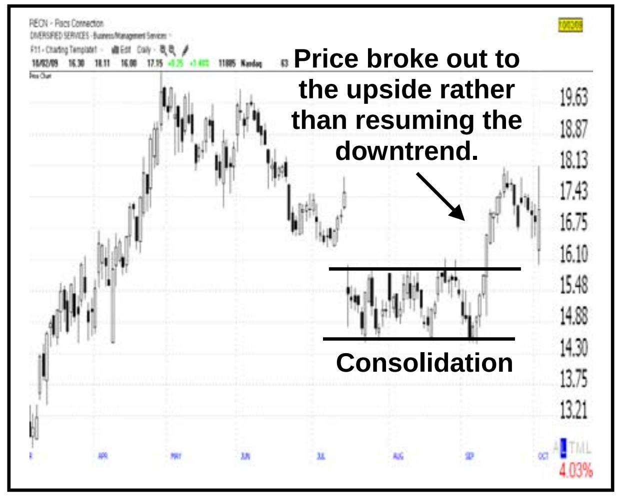

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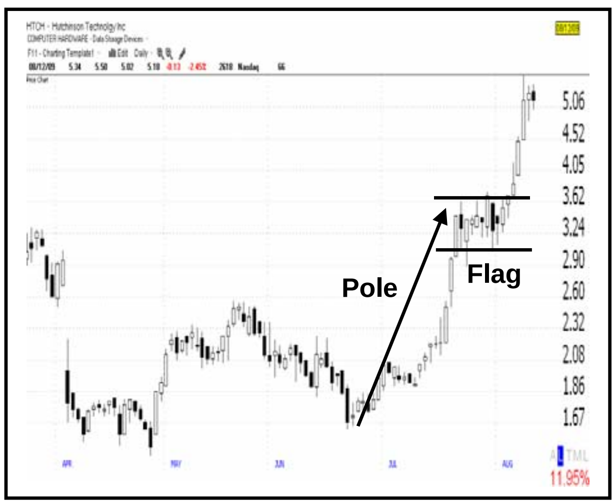
Figure 1.4
Trading Range



TeleChart

Figure 1.5
Flag

Pullbacks

Based on the principle that markets move in trends, traders can use pullbacks after directional price moves to participate in a trend. Price often declines back toward the average, or mean (Figure 1.6); or pulls back after a breakout to test a prior ceiling to see if it provides new support (support and resistance role reversal).

It is common for a bearish candlestick reversal pattern to form at the end of an upswing, and for a bullish reversal pattern to form at the end of a downswing.

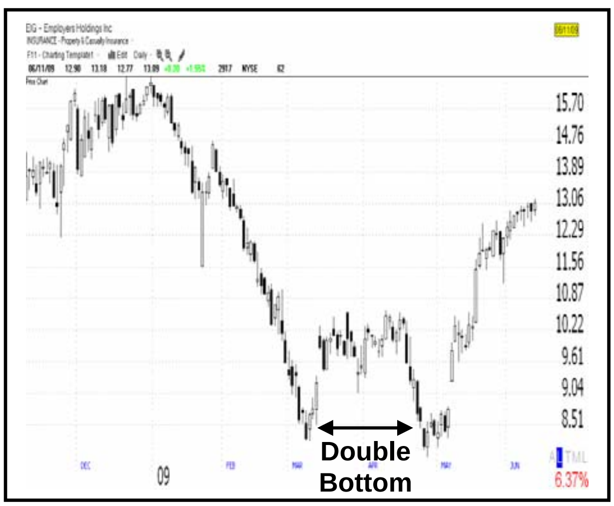
There are many bullish and bearish candlestick setups. The most common formations are described in my book, *Getting Started in Candlestick Charting* (Wiley & Sons, 2008). If you wish to learn more candlestick patterns, I suggest reviewing candlestick books by Steve Nison, Stephen Bigalow and Gregory Morris.

TeleChart

Figure 1.6
Pullbacks in an Uptrend

Classic Reversal Patterns

Based on the premise that trends don't typically turn on a dime when they change direction but instead tend to test the final peak (uptrend) or bottom (downtrend) one or more times, recognizable reversal patterns may form at those junctures (see examples in Figures 1.7 and 1.8). For instance, after a downtrend, it is common to see a Double, Triple or Head and Shoulders Bottom pattern. After an uptrend, a Double, Triple or Head and Shoulders Top may form. These are often categorized as *reversal patterns*.



TeleChart

Figure 1.7
Double Bottom

TeleChart

Figure 1.8
Head and Shoulders Top

Note that pullbacks within a trend, flags and candlestick reversal patterns are small formations. The consolidation patterns shown in Figures 1.1 through 1.4, and the classic reversal patterns illustrated in Figures 1.7 and 1.8, are significantly larger. The small patterns form over a period of *days*, whereas the larger patterns may take *several weeks or longer* to form.

I tend to focus on trading smaller patterns, especially for swing trading, and utilize the larger patterns as a chart analysis tool. For example, if I see a Double Bottom setting up on a sector chart, I know that several stocks in that group may be exhibiting bottoming patterns. I may be able to participate in a new uptrend in one or more of those stocks, or in an exchange traded fund (ETF) that represents the group. In fact, it was the formation of a large bullish Double Bottom pattern on the daily chart of the Philadelphia Housing Sector Index that steered me toward Homebuilders and Real Estate/REITs in early 2009.

Several examples of price setups were provided above; however, there are many more small and large setups that form on charts. I suggest starting out by selecting one or two setups you find appealing, and then get very good at identifying and trading them.

Once an appealing setup has been identified, ask the following question:

"How do I find the setup?" In other words, how do I *screen* for the setup?

3 – SCREENING

Following are the two components of screening:

- Computerized Screening
- Visual Screening

Computerized Screening

Traders who utilize charting programs typically pay subscription fees to receive stock market data. Data feeds may consist of about 7,000 stocks. That is too many to view on a regular basis (nor should you want to). For many trading setups, computer code can be written in order to narrow down the number of stocks to be viewed. It may not be possible to code every aspect of a setup; however, you can usually get it close enough to filter out the majority of stocks, which can significantly reduce a trader's workload.

The code can be used as a screening mechanism to filter out all stocks that do not meet the designated criteria. This is often referred to as *screening* or *scanning*. In TeleChart, a popular charting software program I use, the code is written as Personal Criteria Formulas (PCFs). The PCFs are then inserted into Easy Scans or used in sort columns. Code can also be written in TradeStation, MetaStock and many other popular charting programs.

Price and Volume Filters. Additional filters can be applied in order to further reduce the number of stocks to be viewed. An excellent filter to add is one designating a price range. For example, if a trader prefers to trade stocks between $10 and $150, all stocks that do not fall within that price range can easily be excluded. Less liquid (thinly traded) stocks may also be excluded. For instance, many traders prefer to avoid stocks that do not trade, on average, at least 150,000 shares per day.

In TeleChart, these price and volume filters can be combined into one Easy Scan. That scan can be used as a second filter called a sublist. A sublist can be applied to any Easy Scan or to any watchlist.

Creating and Utilizing Scans. For instruction on writing code, creating scans and utilizing a sublist, refer to the lesson I offer called Screening for Stocks. This lesson is available in Course 2 on Organizing Your Trading. The instructions provided are for use with TeleChart. However, even if using a charting program other than TeleChart, it is important to review the screening instruction—it may give readers ideas they can use in their charting platforms. It is essential to understand the *concepts*; the mechanics of executing those concepts may vary from one charting platform to another.

Visual Screening

Once the computer has filtered out the majority of stocks, the trader must use his trained eye to do the rest of the work. This is the "visual" part of the screening process. All stocks meeting the criteria designated by the computerized scan can be isolated to a watchlist. Not all of those will be clean setups. Many of them will be eliminated upon further scrutiny with only the best setups being considered for trades.

The goal is to narrow down a large list of stocks (approximately 7,000) to a much smaller list of good setups for potential trades. With practice, you'll learn to quickly spot the most appealing setups. The better you get at spotting a favorable setup, the quicker you'll be able to move through your scans.

Once you are able to find your favorite setup(s), you should ask the following question:

> **"How do I trade it?" In other words, what *strategy* will you use to manage the trade?**

> ***"A man carries his success or his failure with him…it does not depend on outside conditions."***
>
> **~ Ralph Waldo Emerson**

4 – STRATEGY

After acquiring knowledge about the strong principles of market behavior, learning to recognize a tradable setup, and determining how to screen for good trading candidates, we have enough information to start developing a trading *strategy*. Many novices make the mistake of trying to bypass the work that precedes this step. In doing so, they put the proverbial cart before the horse. The result is often dismal failure. And if the trader survives, he picks himself up and dusts himself off and begins the real work of developing his knowledge base first. Thus, if you are new to trading, grasping the importance of this *Seven "S"* framework can save you a lot of money, time and frustration.

Trade management refers to the *mechanics of taking a trade*. This is an integral part of a strategy. It includes elements such as: risk and money management, entry, protective stop, targets and exiting. While it is very important to be able to manage your trades well, it is equally important to have a solid reason for being in a trade in the first place. Good trade selection will save you many unnecessary losses. The first three "S's" will help you to become a better stock picker.

For more details on defining the components of a trading strategy, refer to the lesson I offer called Introduction to Trading Strategies-Techniques in Course 4.

Strategies for Sale

You may choose to develop your own strategy(ies) or utilize those of other traders and/or trainers. There is a lot of training available for purchase that addresses a specific trading strategy or methodology.

Let the buyer beware! Unfortunately, many strategies that are taught are not done so with enough detail to fully understand how the person teaching the method executes it. Often superficial information or a vague outline is provided rather than the fine detail that is needed. And then later, when a trader tries to execute the strategy on his own, he may not have access to the instructor to ask questions. If the information is provided at a lecture, the materials provided (if any), along with your notes, may not be sufficient for you to understand it when you get home; even though it seemed to make so much sense while you were in the classroom. This may not be intentional deception, but rather due to any or all of the following: 1) the trainer's ability to impart information and trading techniques; 2) the time allotted to learn the strategy and the amount of detail provided; 3) the knowledge and experience level of the student.

Having experienced these frustrations myself while I was a novice, I put great effort into avoiding these mistakes within my own training. Thus, I put a tremendous amount of detail and illustration into my training materials so the reader can understand the concepts, absorb the information and put it to work.

5 – STRUCTURE

"Structure" refers to the following:

- Planning – Develop a plan for your trading activities.
- Work Space – Set up your work area or office in a manner conducive to efficiently conducting your trading activities.
- Configuration – Configure your charting program and broker platform to suit your trading style and needs.
- Trading Routines – Develop efficient and effective routines.
- Trading Tools – Implement organizational tools that will help track and evaluate your trades, your self and your strategies.

One of the most common hindrances to success I've observed in traders is a lack of organization, structure and planning. Possessing a lot of knowledge is useless without implementing routines and methods that will put that information to work. Undisciplined traders rarely survive in this demanding and competitive business. Traders must learn to use the tools at their disposal and put their knowledge to work in an efficient and disciplined manner.

Trading is one of the most discipline-oriented professions. The best traders are either disciplined already, or quickly become so in order to survive. If being unorganized and lacking structure in your routines and trading methods are among your primary challenges, you have arrived at the right place! One of the traits I'm known for is my organizational ability.

Some key characteristics of successful traders include: structure, organization, discipline and consistency. Great traders plan their trades and trade their plans. Those who have no plan usually end up rushing into trades with little thought or analysis. Most who do so end up paying a steep price.

> ***"Plan your work for today and every day, then work your plan."***
>
> **~ Norman Vincent Peale**

6 – SECTORS

In addition to recognizing high probability setups and understanding how to manage trades, positioning yourself in the right groups of stocks at the right time can significantly improve your returns. In your study of the markets, you'll inevitably see references made to sectors and industry groups. In my opinion, this is one of the most important areas of analysis for successful trading. Unfortunately, many beginners and intermediate-level traders are not introduced to this type of analysis early in their trading careers.

It is easy to become overwhelmed with all there is to learn to become a master trader. But the sooner you can implement the analysis of index charts, sectors and industry groups, the better.

7 – SELF

"Self" refers to self-control, and the ability to evaluate yourself and make improvements and changes in order to survive and thrive in this competitive industry. One of the primary reasons aspiring traders fail in this business is due to an inability to control their emotions. Greed and fear are two strong emotions that have led to failure for many aspiring traders. You'll hear of these two emotions again and again. In fact, if you've taken any number of trades yet, you've probably experienced them already. They can have a disastrous effect when it comes to executing trades. In order to succeed, traders must learn to manage their emotions.

Unfortunately, greed and fear are not the only two emotions traders are likely to experience. There are a myriad of other emotions that work against them. For instance, many traders experience a sense of anxiety. They just can't quite get their arms around everything they need to do. A sense of being overwhelmed, frustrated or discouraged is also quite common. Some aspiring traders are plagued by these emotions to the degree that it cripples their success. When I encounter traders who are caught in this endless loop, by asking just a few questions I almost always discover they have no (or very little) structure to the way they manage their trading business.

"It has been said that our anxiety does not empty tomorrow of its sorrow, but only empties today of its strength."

~ Charles Haddon Spurgeon, 1834-1892, Preacher

LEARNING THE *SEVEN "S"* METHOD

My course materials were designed to incorporate this general *Seven "S"* structure. If you carefully review all the lessons provided, you'll recognize the seven concepts outlined previously integrated throughout the training materials as indicated below.

1. **Strong Principles** – Refer to the following lessons in Course 1-Charting:
    a. Building Your Charting Foundation
    b. Analyzing Trends
    c. Trendlines
    d. Gaps
    e. Indicators
    f. Read Tina Logan's book *Getting Started in Candlestick Charting*

2. **Setups** – Refer to the following lessons in Course 1-Charting and Course 4-Trading Strategies and Techniques:
    a. Study the charting lessons referenced in #1 above.
    b. Review the Trading Strategies and Techniques lessons in Course 4.

3. **Screening** – Refer to the following lesson in Course 2-Organizing Your Trading:
    a. Screening for Stocks

4. **Strategy** – Refer to the following lessons in Course 3-Trade Management and Course 4-Trading Strategies and Techniques:
    a. Preparing to Trade
    b. Risk and Money Management
    c. Placing Stops
    d. Trading Strategies and Techniques lessons

5. **Structure** – Refer to the following lessons in Course 2-Organizing Your Trading:
    a. Setting Up Your Trading Workstation
    b. Trading Routines and Tools

6. **Sectors** – Refer to the lessons in Course 5-Top Down Analysis:
    a. Market Classifications
    b. Sectors and Industry Groups
    c. Exchange Traded Funds (ETFs)

7. **Self** – Thoroughly learn and practice all the lessons in each course outlined above. You can help control your emotions through the following:

    a. Obtain a sufficient level of knowledge to select high probability setups and execute trades.

    b. Organize your work and implement efficient routines and tools.

    c. Adhere to prudent risk and money management rules.

As a trainer, it is my responsibility to organize the content in a way that is easy to understand, and also works when it comes time to apply it. I've used this *Seven "S"* methodology successfully for several years. It may seem time consuming at first, but once you learn the components and set up the initial structure, it becomes routine. It is worth the work!

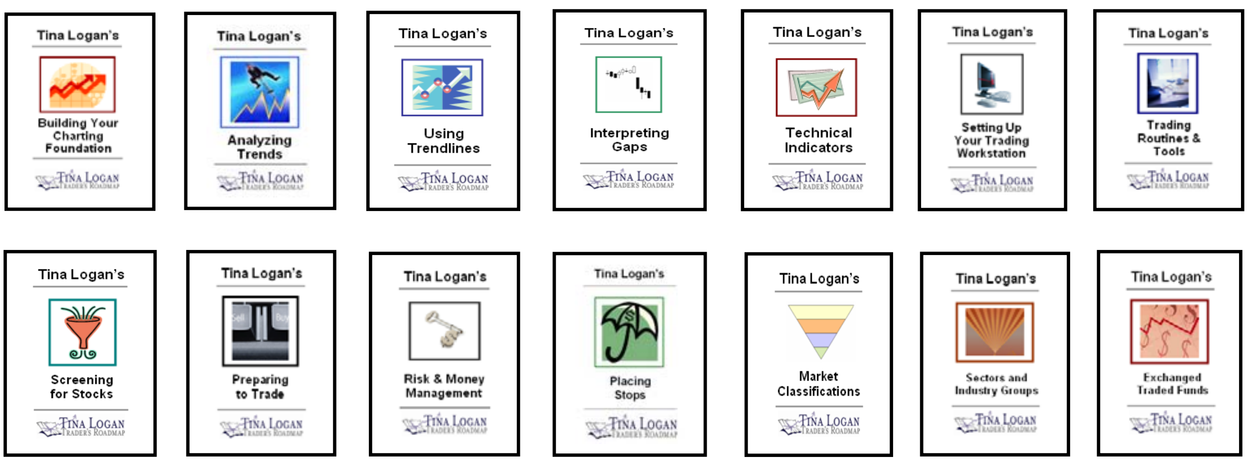
"Somehow we learn who we really are and then live with that decision."

~ Eleanor Roosevelt

Dear Valued Customer:

I truly hope you have found this lesson to be helpful in developing your trading and organizational skills. Feedback from customers is valued and helps me to improve the products and services offered. If you have any questions or comments regarding this lesson, please e-mail me directly at: tina@tinalogan.com.

If you enjoyed this product, you won't want to miss out on the additional training I offer. In my private boot camp-style tutoring course, I provide in-depth instruction on technical analysis, organizational techniques, trade management methods, specific trading strategies, stock selection and advanced techniques. I am in the process of converting all of that training to individual detailed courses you can study at your own pace from the comfort of your home. Several e-Books are available now on my web site with more to be released throughout the next few months. I have your e-mail address on file, so you will be notified as new products become available.



These and other products can be viewed at: http://www.tinalogan.com/tandp1.html

I also periodically add free content to the "Free Stuff" page on the web site at www.tinalogan.com. You may also find some helpful tips and tools on the FAQs page.

I wish you the best of luck with your trading and am pleased to help you achieve your trading and investing goals.

Sincerely,

Tina Logan
www.tinalogan.com