THE CRISIS TRADER
A Phoenix Capital Research Publication

Rule #3: Exit Strategy

Welcome to The Crisis Trader.

If you are not already familiar with options and how they work, I suggest reading our Special Report ***An Introduction to Options Trading*** before continuing with our trading guide.

If you've already read ***An Introduction to Options*** or are familiar with how options trading works, let's get started.

How *The Crisis Trader* Works

The Crisis Trader is designed to create big profits from market volatility. A big part of this involves maintaining a strict disciple, which I call ***THE THREE CARDINAL RULES OF The Crisis Trader.***

They are:

1) We ONLY make high probability trades.
2) We ALWAYS use the same position size.
3) WE ALWAYS maintain our exit strategy.

Rule #3: ALWAYS MAINTAIN STOP LOSSES

Of our three trading rules, this one is the most obvious.

Indeed, simply by following the first three rules (No Long Shots, and Always Put the Same Amount of Capital into Each Trade) you should naturally end up following Rule #3 by default.

However, I still want to stress that no matter how careful you are, losses will occur. No one is perfect and everyone suffers losses or even losing streaks (periods in which there are several losses in a row).

The key to getting through these periods emotionally and financially is to:

1) Minimize your losses (always use stop losses)
2) Learn to love your losses

Regarding #1, a stop loss is a price at which you automatically close out a trade if it turns against you.

Again, ALWAYS have a stop loss in place. I will be providing suggested stop losses for all *The Crisis Trader's* trades (usually 50%) but these are mere suggestions.

Not everyone's risk appetite is the same. So you should use a stop loss that makes you feel comfortable (whether it be -25% or -30% or whatever). But whatever you do, OBEY your stop loss. Failing to do so is a sure fire way to lose big money.

Regarding the emotional aspect of a losing trade, it is critical to learn to love your losses. What I mean by this is learning to accept losses as a part of trading and not getting too emotional about them. I find the best way to do this is to review the loss in detail, examine what was wrong about the trade set-up, and trying to learn from the mistake. Then. Move. On.

Do not let a loss get you down or fluster you. If you follow *The Crisis Trader's* stop losses your losses should always be small and never involve the loss of much trading capital.

But whatever you do, NEVER let a loss result in you dropping your trading discipline. In fact, the time to be most stringent about your trading discipline is right after suffering a loss. By holding fast to your discipline, you're actively taking steps to insure you start pulling in profitable trades again soon, which will make you feel better emotionally and financially.

This concludes *THE CRISIS TRADER TRADING GUIDE.* Again, ***THE THREE CARDINAL RULES OF THE CRISIS TRADER*** **are:**

1) No long shows; only trade high probability trades.
2) Don't risk too much capital in any one trade
3) Minimize losses as much as possible through stop losses.

These rules are all designed to help you avoid the single biggest mistake of trading: BLOWING UP.

If you follow these rules, not only will you *greatly* reduce your risk, but you'll also greatly increase the likelihood of your trading making you SERIOUS money.

And that's what *The Crisis Trader* is all about.

Graham Summers
Editor
The Crisis Trader

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