

Surviving & Thriving in 2011:
*Managing Your Plan AND Yourself for
Sustainable Success*

Don Miller



Wednesday December 29, 2010
Presentation to LBR Group

www.donmillerblog.com

Webinar Agenda

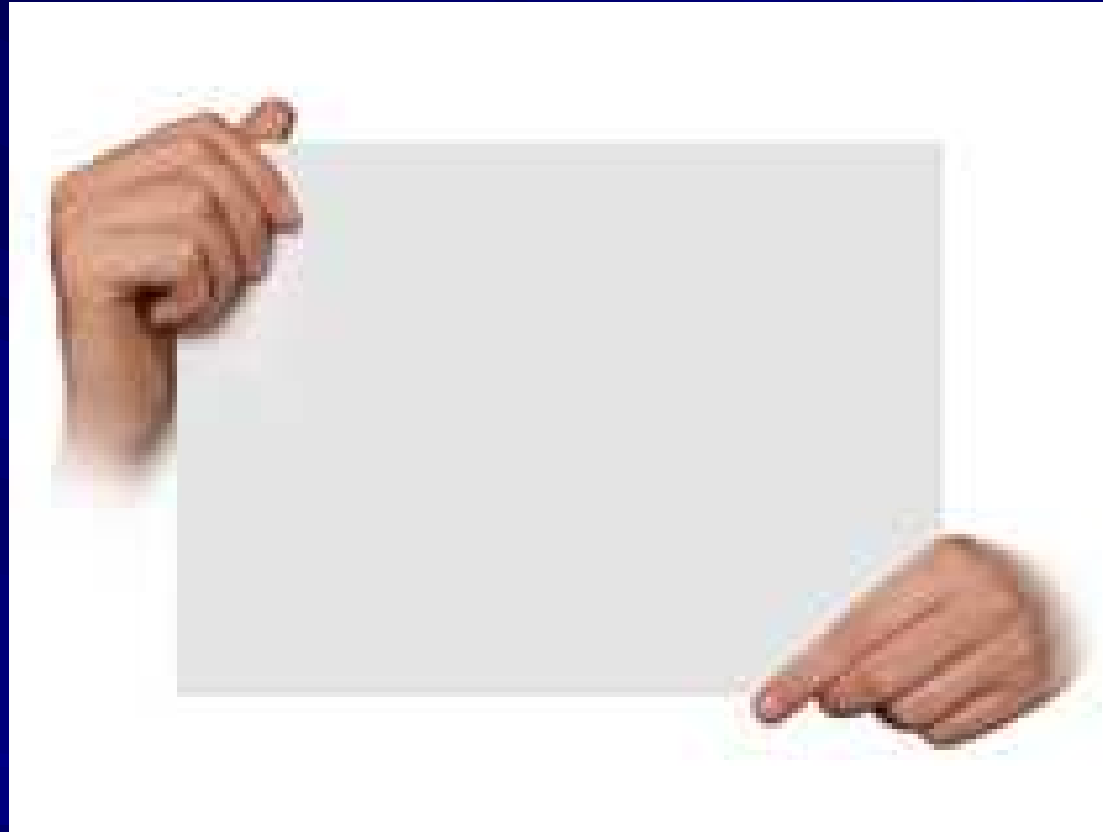
- Some Background on Don
- Don's 2011 Planning
 - “Brutally Honest” Year-End Self-Assessment of Improvement Areas
 - No One Else Will Do It, Right??
 - 2011 Plan & Priorities
- Managing Personal Momentum
- This Trader's Perspective on the Concept of “Time”
- Maintaining Perspective Throughout the Year
- A Helpful Performance Scorecard
- Reading Suggestions
- K.I.S.S.

A Bit About Don (Pre-2011)

- 49 Years “Young” ... *March 10, 2011 is the key date if you want to send black balloons*
- Education:
 - BSBA Accounting - 1983 Bryant College; Executive MBA - University of Wisconsin 1998
- Career
 - 80s & Early 90s: Progression to Telecom Executive
 - Late 90s to Today: Independent Trader & Educator
- Active Independent Trader of a Private Fund
 - 90% of Current Balance Grown From Trading Intraday
 - Member of the CME since February 2004
 - Approx. 3 Million S&P E-Mini Contracts Traded *[MF Global's largest non-institutional volume client in 2008]*
 - Business Strategy: Provide S&P Liquidity/Speculate via wholesale pricing
- 7-Year CME Career Fund Highlights *[Fully Auditable]*
 - Total Return **808%** - *NOT a boast, but will put principles discussed later in perspective*
 - Max Peak to Valley Drawdown “Early Years” 2004-2006: **(17.7%)** “Seasoned Years” 2007-2010: **(5.3%)**
 - Bested Top CTA Return benchmark for asset class in 2008
- Industry Publications & Speaking
 - Technical Analysis of Stocks & Commodities
 - SFO Magazine
 - TraderInterviews.com
 - MoneyShow.com
 - International Traders Expo
 - TradingMarkets.com
 - American Association of Individual Investors
 - Various 1999-2010 Efforts
 - Began Daily Blog Diary 2008: donmillerblog.com
 - Founded 4-Week Live “Jellie” Training Program 2009
 - Portion of Video Educational Proceeds Benefits:

Don (& Everyone Else)

1/1/2011



Don's 2010 Year-End "Brutally Honest" Self-Assessment of Areas for 2011 Improvement (Eliminate, Improve, or Simply "Dodge")

- | | |
|---|---------------|
| ■ Grinding Markets | Improve/Dodge |
| ■ Getting the 50 Yr Old A.M. Motor Running | |
| – Transition from Globex to Intraday U.S. | Improve |
| – 9:00-9:30AM ET; After 2PM ET | Dodge |
| ■ Sustained & Prolonged Focus | Improve |
| ■ Occasional Motivation & Boredom | Improve |
| – "7 Year Itch"; The "Now What?" Years | |
| – Tao of Poker Rule #286 | |
| ■ "You're not playing poker (trading) any more ... you're just throwing yourself into this zombie-like state" | |
| ■ "It's possible to get lost in the game itself ... to go too far inside it" | |
| ■ Energy Management | |
| – Shutting Down/Taking Vacations | Improve |
| ■ Cutesy Markets (i.e. DAX) vs. Bread & Butter ES | Eliminate |
| ■ Playing "Small Ball" on High Probability PJOs | Improve |
| ■ Teaching vs. Personal Trading Balance | Improve |
| ■ Excessive & Sloppy Slippage via Premature Entries, Scratching, & Re-Entering in Low Volatile Markets | Improve |
| – Tao of Poker Rule #270: | |
| ■ "A Little Past Playing Good is Playing Badly" | |
| ■ "This peculiar geography of poker can be frustrating, because just as the player has arrived at a certain level of expertise, he finds that by simply thinking ahead one more step ... he can be back once again in the territory of <i>bad play</i> . This trap is very subtle, and it can suddenly appear, as if out of the blue. You can go one step past your own expertise". | |

Don 2011 Priorities

- Same as Every Year ... Improve as a Trader & Person vs. Prior Year
- Manage Weaknesses on Prior Slide, Including ...
- Initiate 9:00 - 9:30am In-Office Exercise Routine
 - Kill Two Birds with One Stone
- Re-implement Performance Scorecard
 - Will Discuss Later
- Substantially Reduce Eurex Trading
 - Trade ES vs. Illiquid DAX
 - “Jitterbug” Rhythms: Energy & Focus Zapping
 - Too Much “Small Ball”
 - DAX Minimal Contribution to Bottom Line
 - **Negative** when considering “loss of focus” impact on Bread & Butter S&P P&L
- Transition to Photon Order Entry Platform
 - Automate Existing Key Strategies
 - The Brain & Reflexes Will Turn 50!
 - Chart-Based Trading
 - I’m very much a “Visual” trader
 - Inject sense of “Newness”
 - Like Painting the Walls a New Color



Don 2011 Priorities (Cont.)

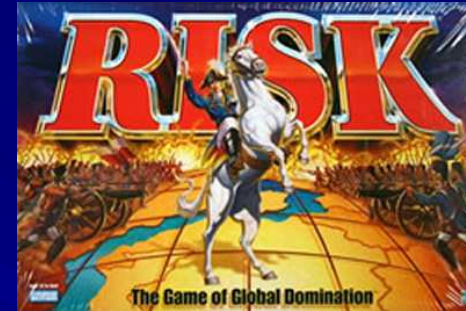
- Improve Transition From 1990s-2010 Ultra-Aggression to a 2011+ Blend of Capital Preservation, Growth, & Income
 - Preservation & Growth (via Trading & Equity Trailing Stop):
 - College & Retirement Funds
 - Met Age 50 Goal of 100% Self-Funding via Aggressive Trading
 - Growth & Income
 - Separate Smaller Account
 - Fund 100% of Cash Flow Needs Age 50-60 via Trading
 - Donate Any Excess to Charity

- Take One Sabbatical (Last One: 2006)

- Continue to “Pay it Forward” via Education & Charity
 - This Industry Continues to Sorely Lack **Substantive** Education From Proven Traders
 - **Kudos to Linda & Team LBR**
 - Continue Ongoing “Industry Transparency” Mission
 - Via real-life blogging & education
 - Successes, frustrations, challenges ... “good, bad, ugly”
 - Further Develop Leading-Edge Training Techniques
 - Continue/Increase Charitable Giving from Proceeds
 - Better Balance with Personal Trading
 - Limit live multi-week efforts in 2011

A Word to Those Who Have Climbed the Mountain of Success

A Reminder (To Self) That We're Playing the Continual Game of Managed Risk



- “The Jagged Upward Zig-Zag Graph to Success”
 - Tao of Poker Chapter 18
- Tao Rule #259 (Dealing with Large Wins, Runs, or “Big Stack” Poker):
 - *“You’d like to sit on your winnings and never go downward from this point forward. But somewhere in the back of your mind you realize the truth: There’s nowhere to go but back to the world of risk, where things may very well go down before going back up again.”*
 - Going forward, known at this trader’s desk as the *“Don Miller Rule”*

Managing Momentum



- One Word: **HUGE**
- Markets Have Momentum & Pace Which Must Be Understood & Managed
 - Obvious, Right?
- You Have Momentum & Pace Which Also Must Be Understood & Managed
 - Highly Individualistic & Will Vary By Trader
- Typical Momentum “Rules” Apply to Personal Momentum
 - Don’t Fight the Tape
 - Milk the Trend
 - Protect Your Momentum “Trade” with Stops to Reassess
 - Expect Periods of High Energy, Consolidation, & Chop
 - Trade YOUR Momentum ... **NOT** someone else’s!!

Managing Personal Momentum

- Jesse Livermore, Nick “The Greek”, Archie Karas

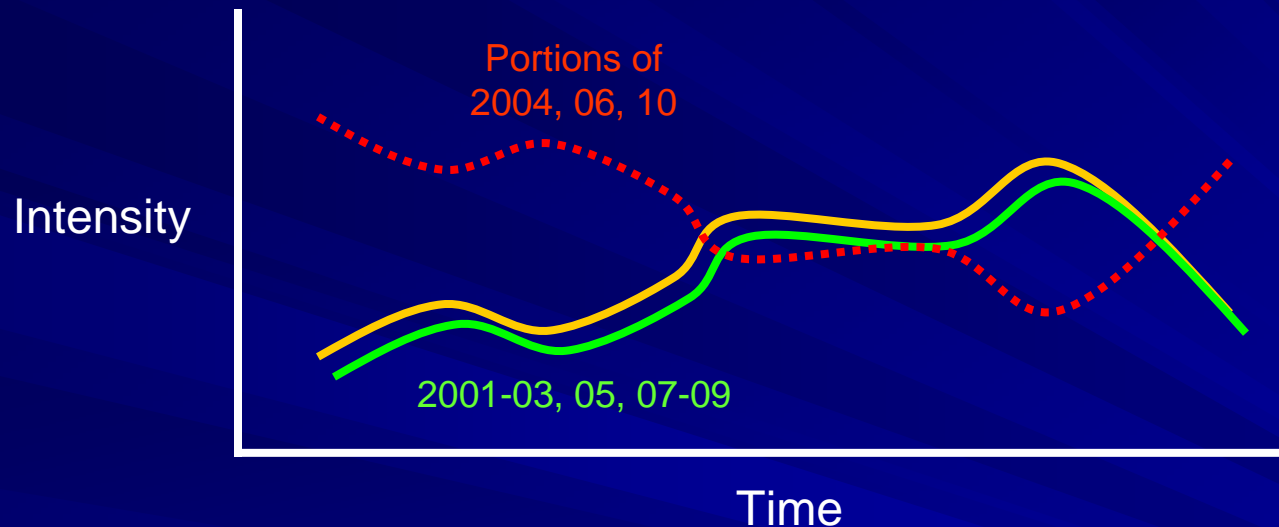


– And Thousands of Others ...

- All at One Time Known as The World’s Best Speculators in their Field, having accumulated tens of millions
 - Livermore was the believed ‘trader’ described in *“Reminiscences of a Stock Operator”*
- All Eventually Lost Everything
 - In Livermore’s case, he committed suicide after not being able to:
 - Keep to his Rules; and
 - Adapt to changing conditions/regulations

Managing Personal Momentum

Aligning Self with Market



TAKE-AWAY

Performance is as much – if not **MORE** – about personal rhythm as it is market rhythm.

Nurture & Protect It!

Market Opportunity

Personal Rhythm:

(A) Strong Focus; Minimal Health Issues, Distractions, or Non-Mkt Obligations

(B) Polar Opposite of (A)
... INCLUDING GOOD TRADERS!



The "Zone"



MONSTER PERFORMANCE

**FLAT OR LOSING
Trader "Purgatory"**

Managing Personal Momentum

- Know Yourself

- My #1 Rule in All Trading:
 - When Things are Going Well, Get Bigger ...
... When Not, Get Smaller
 - Took the LONGEST for me to (1) Implement and (2) Improve
 - Not “Master”
 - Floored the Accelerator 2001-2003, 2005, 2007 - Early 2009
 - Scaled Back Significantly 2006, 2010
 - Periods of Lost Focus, Health & “Life” Issues, and Personal Rhythm
 - Alternating between the accelerator & brake is the primary reason for the fund’s strong return vs. draw data

- **ALWAYS** have an equity curve “Reassess Point” (*trailing stop*) in place
 - Livermore, Karas, etc. DIDN’T!!
 - Karas - in a rare 2008 Interview when asked what his biggest mistakes were – said, “Obviously, not pulling up at some point.”
 - Personal “Reassess Point” Hit twice during my Career, including during the 5/6/10 Flash Crash
 - Assessed the Reason
 - “Hunkered Down” & Scalped Like Crazy
 - Replenished capital each time via Trading and **NOT** fund replenishment

Concept of Time



“High up in the North in the land called Svithjod, there stands a rock. It is 100 miles high and 100 miles wide. Once every thousand years a little bird comes to the rock to sharpen its beak. When the rock has thus been worn away, then a single day of eternity will have gone by.”

*-- Written by Hendrik Willem Van Loon
& referenced in Don's 1/17/09 blog post &
inside cover of the 2009 NY Expo Directory.*

Concept of Time



Traders **MUST** Perceive Time Differently Than Others

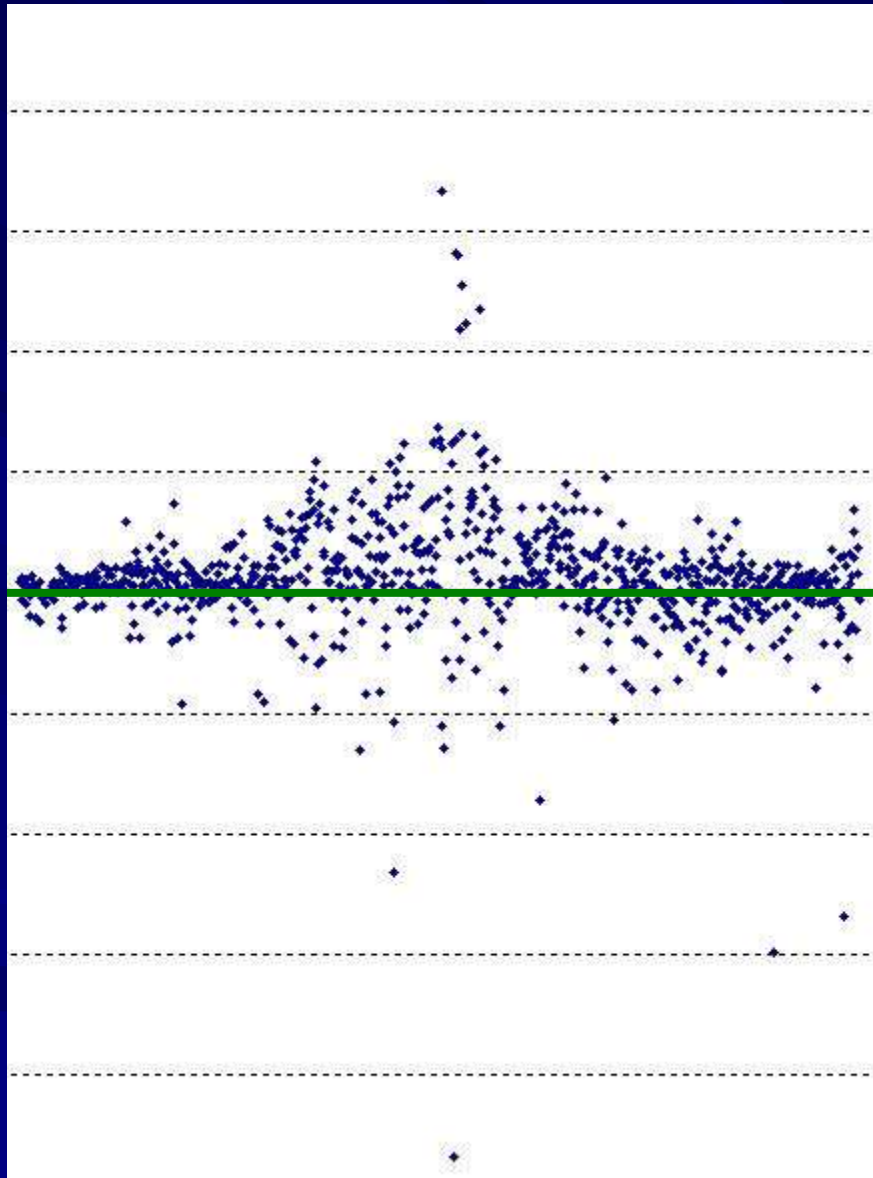
Trading Gains or Losses Only Do One Thing

- Purchase or Consume “Time”
 - Trading is Essentially a Remote Control
 - **With it You Can Fast Forward, Reverse, or Pause Time!**
 - Time Isn’t Money ... Money is Time!
- In trading, you can earn the equivalent of a “normal” job’s:
 - ... weekly income in a single trade sequence
 - ... monthly income in a single day or week
 - ... year’s income in one week or month
 - ... career’s income over a few years

Keeping Perspective

- A Single Trade, Sequence, Day, Week, Month, Year, etc. BY ITSELF is completely irrelevant
- Only the accumulation over time is relevant
- Said another way ...

Keeping Perspective



- Each dot represents a single day's actual results over an extended span of time
- Within each dot may be 5-20 trade sequences
- Above Green Line = Positive
- Think about this the next time you "high five" or "stew" over a trade result!
- Always think to yourself:
Tomorrow, I'll generate another 'dot' somewhere on the chart.
- Afraid of "generating" all those dots below the line including the large draws??
- Strive to minimize, but they're absolutely NECESSARY to generate those above
- No Risk = No Reward
- Net Sum of all dots??
- > \$2 Million

Non-Numerical Performance Scorecard

Monthly Performance Scorecard																										
	M 1/3	T 1/4	W 1/5	Th 1/6	F 1/7	Wk 1	M 1/10	T 1/11	W 1/12	Th 1/13	F 1/14	Wk 2	M 1/17	T 1/18	W 1/19	Th 1/20	F 1/21	Wk 3	M 1/24	T 1/25	W 1/26	Th 1/27	F 1/28	Wk 4	Tot	
Trading Environment																										
Ability to Monitor the Mkt																										
Focus & Energy Level																										
Pre-Session Planning																										
Trade "Desire"																										
Pattern Conviction		Trend	MATD																							
Pace Conviction																										
Volatility																										
Performance																										
Trade Management:																										
Perceived Opportunity																										
Matched Aggression																										
Entries																										
Adding to Winners																										
Exits																										
Patience																										
Adj to Changing Expectations																										
Avoiding Trouble (SOOT)																										
"No Regrets"																										
Emotional Control																										
Personal Achilles Heel "Traps":																										
9-9:30AM																										
Late PM																										
Eurex																										
Key Trade Sequences:																										
Type A																										
Type B																										
Type C																										
Bottom Line	Irrelevant						Irrelevant						Irrelevant						Irrelevant							

Color Key:

- Strong
- Moderate
- Modestly +
- Modestly -
- Poor
- Atrocious

- Implemented as an Experiment for Q1 09 to "tighten" things up after some bad habits crept in Q4 08
- Experiment Result
 - Win/Loss:
 - # Days 58-3
 - Daily \$ 11-1 (Both Personal Qtrly Bests)
- Subsequent Worst Personal Decision Ever as a Trader?
 - Abandoning the "Experiment" after Q1 ... **DUH!**

Bottom Line:
It Works!

Non-Numerical Performance Scorecard

	M 1/3	T 1/4	W 1/5	Th 1/6	F 1/7	Wk 1
Trading Environment						
Ability to Monitor the Mkt						
Focus & Energy Level						
Pre-Session Planning						
Trade "Desire"						
Pattern Conviction		Trend	MATD			
Pace Conviction						
Volatility						
Performance						
Trade Management:						
Perceived Opportunity						
Matched Aggression						
Entries						
Adding to Winners						
Exits						
Patience						
Adj to Changing Expectations					N/A	
Avoiding Trouble (SOOT)						
"No Regrets"						
Emotional Control						
Personal Achilles Heel "Traps":						
9-9:30AM						
Late PM						
Eurex						
Key Trade Sequences:						
Type A			N/A		N/A	
Type B		N/A		N/A	N/A	
Type C	N/A		N/A		N/A	
Bottom Line	Irrelevant					

Strong
 Moderate
 Modestly +
 Modestly -
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 Atrocious

Objectives:

- Determine Whether It's "You", "The Market", or Both
- Highlight & Monitor Areas of Weakness
- Provide a Visual Record to Reinforce Confidence
- De-Emphasize Numerical Results ... Especially Daily!
- Force Personal Accountability

Al Pacino - *Any Given Sunday*



You find out life is a game of inches. And so is football. Because in either game, life or football, the margin for error is SO small, I mean one half a step too late or too early, and you don't quite make it. One half second too slow, too fast, you don't quite catch it.

The inches we need are EVERYWHERE around us. They're in every break of the game, every minute, every second.

I'll tell ya this ... in any fight, it's the guy willing to die who's gonna win that inch. And I know if I'm going to have any life any more, it's because I'm still willing to FIGHT and DIE for that inch. Because that's what LIVING is.

The six inches in front of your face.

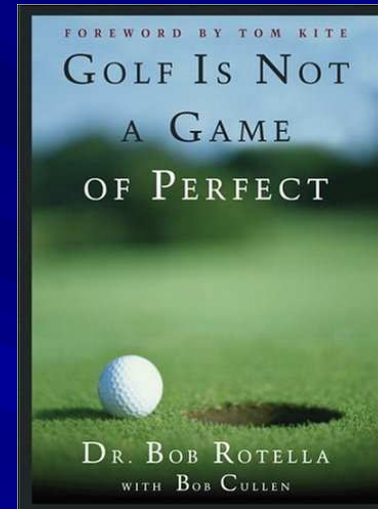
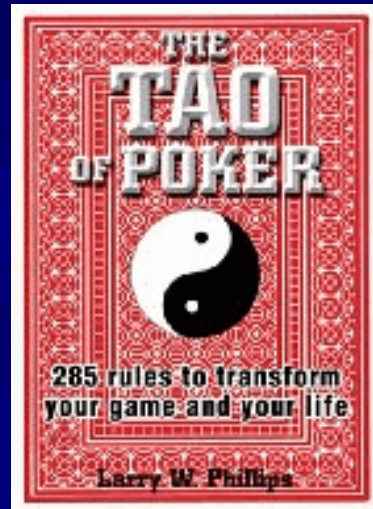
Said Another Way ...



The line separating
true excellence
from mediocrity is
razor thin.

2011 Book Suggestions

If I could ONLY read two “Trading” books:



A Final Word on Patterns

(From Don's 2010 NY Expo Presentation)

“Everything I Ever Needed to Know About Market Rhythms,
I Learned in **Trading** Kindergarten”

(Not quite, but you get the picture.)



- Breakouts Lead to Trends
- Trends Lead to Extremes
- Extremes Lead to Backing and Filling
- Backing & Filling Leads to Consolidation
- Consolidations Lead to Breakouts
- Wash, Rinse, & Repeat

Said Another Way ...



**K.I.S.S.
and Execute!**

Final Words on 2010



*Excerpts from Don's 12/31/08
"A Night to Dance" Post*

Trading is a game ... nothing more. It pales in comparison to life's true priorities, and simply provides us with the analogy of all analogies, and parable of all parables. It provides us with a unique practice field on which we can learn and then try to apply the principles to life. The better we trade, the better we live, and the better we live, the better we seem to trade.

If someone ever tells you "you can't", they're dead wrong. If you're breathing, **you can and you will**. Regardless of what the pundits say or how much the temporary pain may sting, don't ever let anyone take away your spirit and joy for life.

Tonight, we **all** dance. In part for the joy of personal victory, but for all, the survival of 2010 and the possibilities of 2011. If you're reading this, then you're still breathing and I congratulate you. You made it. And you're a year smarter.

Forgive Yourself for Any 2010 Shortcomings



Oh, the Possibilities!



Thank You & Let's Rock in 2011!

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