

DENNIS GARTMAN'S NOT-SO-SIMPLE RULES OF TRADING

- 1. *Never, Ever, Ever, Under Any Circumstance, Add to a Losing Position...***
not ever, not never! Adding to losing positions is trading's carcinogen; it is trading's driving while intoxicated. It will lead to ruin. Count on it!
- 2. *Trade Like a Wized Mercenary Soldier:***
We must fight on the winning side, not on the side we may believe to be correct economically.
- 3. *Mental Capital Trumps Real Capital:***
Capital comes in two types, mental and real, and the former is far more valuable than the latter. Holding losing positions costs measurable real capital, but it costs immeasurable mental capital.
- 4. *This Is Not a Business of Buying Low and Selling High;***
it is, however, a business of buying high and selling higher. Strength tends to beget strength, and weakness, weakness.
- 5. *In Bull Markets One Can Only Be Long or Neutral, and in bear markets, one can only be short or neutral.***
This may seem self-evident; few understand it however, and fewer still embrace it.
- 6. *"Markets Can Remain Illogical Far Longer Than You or I Can Remain Solvent".***
These are Keynes' words, and illogic does often reign, despite what the academics would have us believe.
- 7. *Buy Markets That Show Greatest Strength; Sell Markets That Show Greatest Weakness:***
Metaphorically, when bearish we need to throw rocks into the wettest paper sacks, for they break most easily. When bullish we need to sail the strongest winds, for they carry the farthest.
- 8. *Think Like a Fundamentalist; Trade Like a Simple Technician:***
The fundamentals may drive a market and we need to understand them, but if the chart is not bullish, why be bullish? Be bullish when the technicals and fundamentals, as you understand them, run in tandem.
- 9. *Trading Runs in Cycles, Some Good, Most Bad:***
Trade large and aggressively when trading well; trade small and ever smaller when trading poorly. In "good times," even errors turn to profits; in "bad times," the most well-researched trade will go awry. This is the nature of trading; accept it and move on.
- 10. *Keep Your Technical Systems Simple:***
Complicated systems breed confusion; simplicity breeds elegance. The great traders we've known have the simplest methods of trading. There is a correlation here!
- 11. *Understanding Mass Psychology Is Often More Important Than Understanding Economics:***
Simply put, "When they are cryin', you should be buyin'! And when they are yellin', you should be sellin'!"
- 12. *Bear Market Corrections Are More Violent and Far Swifter Than Bull Market Corrections:***
Why they are is still a mystery to us, but they are; we accept it as fact and we move on.
- 13. *There Is Never Just One Cockroach:***

The lesson of bad news on most stocks is that more shall follow... usually hard upon and always with detrimental effect upon price, until such time as panic prevails and the weakest hands finally exit their positions.

14. ***Be Patient with Winning Trades; Be Enormously Impatient with Losing Trades:***
The older we get, the more small losses we take each year... and our profits grow accordingly
15. ***Do More of That Which Is Working and Less of That Which Is Not:***
This works in life as well as trading. Do the things that have been proven of merit. Add to winning trades; cut back or eliminate losing ones. If there is a "secret" to trading (and of life), this is it.
16. ***All Rules Are Meant To Be Broken.... but only very, very infrequently.***
Genius comes in knowing how truly infrequently one can do so and still prosper.