Twitter Thread by Steve Burns



Steve Burns
@SJosephBurns

William J. O’Neil’s 10 trading principles that made him a fortune and a legend:

A thread ■■

He sells a stock he is holding after it has gone down 7% from his purchase price.

“I make it a rule to never lose more than 7% on any stock I buy. If a stock drops 7% below my purchase price, I will automatically sell it at the market – no second-guessing, no hesitation”

One of the major keys to his profitable trading was only having small losses when he was wrong.

“The whole secret to winning in the stock market is to lose the least amount possible when you’re not right.”

William O’Neil studied historical chart patterns relentlessly and read thousands of trading books.

“90% of the people in the stock market, professionals and amateurs alike, simply haven’t done enough homework.”

He invested in an industries leading stocks not its laggards and dogs.

“It seldom pays to invest in laggard stocks, even if they look tantalizingly cheap. Look for, and confine your purchases to market leaders.”

O’Neil ‘s investing style lead to big winners & small losing trades

Investors cash in small, easy-to-take profits & hold their losers.This tactic is exactly the opposite of correct investment procedure.Investors will sell a stock with profit before they will sell one with a loss

He did not waste his time and money playing the short side in bull markets.

“Cardinal Rule #1 is to sell short only during what you believe is a developing bear market, not a bull market.”

Fundamentals told O’Neil what to buy & the chart told him when to buy.

“The #1 market leader is not the largest company or the 1 with the most recognized brand name; it’s the 1 with the best quarterly & annual earnings growth, ROE, profit margins, sales growth, and price action”

Some investors have trouble making decisions to buy or sell. They vacillate & can’t make up their minds. They are unsure because they really don’t know what they are doing. They don’t have a plan, a set of principles, or rules to guide them & are uncertain of what they should do.

■ O’Neil knew exactly what he was doing in the markets. He had a trading plan, trading principles, and rules.

“Since the market tends to go in the opposite direction of what the majority of people think, I would say 95% of all these people you hear on TV shows are giving you their personal opinion & personal opinions are almost always worthless-facts and markets are far more reliable.”

Best way to measure a stock’s supply & demand is by watching its daily volume.When a stock pulls back in price,you want to see volume dry up,indicating no significant selling pressure. When it rallies up in price, you want to see volume rise, which represents institutional buying