

SCOTT REDLER

Inside the Mind of a Pro Trader



SCOTT REDLER
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Welcome to Your Exclusive Bonus Interview!

Redler All-Access gives you a good look at how I trade day-to-day.

But I also want to share some details about my trading journey, and why I trade the way I do. So I'm sharing this classic interview from 2020 so you can better understand how I approach the market.

This interview transcript was part of the Peak Performance Audio Program, which is no longer offered to the public.

Keep in mind that this is a transcript of the audio interview posted on your Redler All-Access portal, so some minor editing was done to aid readability.

Also, some of the products and services mentioned in this interview are no longer available.

You'll also hear references to prices and stocks (Green Mountain Coffee anyone?) that are not relevant.

But don't let any of that distract you -- the lessons I discuss will still be valuable 20 years from now.

Now turn the page and start reading!

Scott Redler
Chief Strategic Officer, T3 Live

Positions Disclosure: as of 5/21/2020 at 4:15 p.m. ET, Scott J. Redler held the following positions:

Longs: MBIO, BBBY, TWTR, TLRY, TSLA, BCRX 6/19 \$5 calls, GLD 6/26 \$162.50 calls, TWTR 6/19 \$30 calls, GSX 6/19 \$35 puts

Shorts: SPY, SPY 5/22 \$299.50 calls, SPY 5/22 \$299 calls, BA 5/22 \$122 puts, SPY 5/22 \$301 calls, AMZN 5/22 \$2440 puts, BA 5/22 \$124 puts, TSLA 5/22 \$760 puts

PETER: Welcome to the T3 Live Peak Trading Performance audio program. The goal of the Peak Performance program is for you to learn the mental strategies and tactics of other traders who are a little bit further down the trader path than you so you can close the gap between where you are and where you would like to be. The objective is for you is to learn from the experience of our mentors so that you can develop a mindset that creates the consistency that all traders desire. My name is Pete Renzulli and today I'm very excited to be joined by Scott Redler. How are you doing today Scott?

SCOTT: I'm doing great! Thanks for having me.

PETER: For those one or two people who watch CNBC and don't know who you are, we'll share some details about your. Scott has appeared on, CNBC, Bloomberg, Fox, been a contributor to the Wall Street Journal.

SCOTT: And, Investor's Business Daily, my favorite newspaper.

PETER: Investor's Business Daily is one of my favorites too. There's so many of them that's why I couldn't name them all. But I guess more importantly, let's talk about your work both here at T3 and more specifically, the Morning Call. As you say, you're in charge of the troops.

You're in charge of setting the game plan and putting together the actual product that we put out, but it's also the product you actually trade from. So, I've been very interested in this particular interview because you're known as the workhorse, and known for your sense of duty and discipline. And I think that's probably something that a lot of people don't understand, that having that plan or that routine is really where the consistency does come from. Am I wrong in that?

SCOTT: I think you're dead on. What I try is I try and lead by example. If I'm in every day by 6:30, I'd really like a lot of the traders to be in early. They don't have to be in at 6:30. They're not preparing to put together a live broadcast in order to be displayed for everyone to act on, but I fully need to be prepared every single day so I can approach my day with a strategic plan.

Everyone's day is different. Mine is actually very long because of the amount of content that I have to put together. But really, the reason why it works is because I'm putting together the game plan, the content myself. When I go in the morning and I look at 30 to 50 charts, I'm really doing it so I can put myself in a position to think fast, act quickly and be prepared at 9:30.

SCOTT: So, when I'm able to actually do the live Morning Call with my co-host, whether it's Alex, whether it's Stephanie, whoever it is, it's actually a way for me to rethink all of my strategies that I'm going to use to approach the day and it gives me a bit more conviction where I'm like, "Oh, I did that this morning, now I'm looking at it on TV with Alex and that chart of Apple looks great, the S&P right now looks a little iffy so maybe the short will trigger from the price point sheet." So, by doing the Morning Call, it satisfies my visual approach of the market by looking at the charts and it gives me a chance to talk, because everyone knows the Red Dog could talk for a while! And so it complements then the price point sheet which is just something you need in front of you. So the beauty of technology and the beauty of having a disciplined routine is we can get everything in early in the morning so then the trader could actually watch the Morning Call, take the price point sheet and have time to look at it and say, "You know what, I was looking at that also. You know what, that strategy is similar to my own." And then they could take it in so then they are confident enough, when the bell rings, they could use it for themselves because everyone uses the information differently based on their skill set, their time frame, and risk.

(Please note: the Price Point Sheet has been replaced by Redler All-Access)

PETER: Actually, interestingly, you had mentioned briefly your strategy. Now, before I met you, I actually purchased an interview that you did because I knew that you were respected as a trader. I wanted to see what your thought process was for the trades and the strategies and that kind of thing and you mentioned during the interview that you were a cocktail napkin trader. If you could elaborate on that a little bit and if I could follow it up with a second question, maybe you could tackle both of them, strategy development to get to the point where you know how you're coming in to run your business every day. From a realistic perspective, whether it's from your experience or the experience of the traders that you're training, whether they have a little bit of experience or none - like you have your group that you're working with, that help you out with a lot of the stuff you have going on for prepping the day because it is a lot of stuff with your schedule - how long does it take for you to come up with a strategy, which maybe ties into the cocktail napkin thing, and then how much time do you think somebody should realistically allow themselves to go through to eventually come up with what will be their strategy. I think far too many people will think, I'm going to look at a couple of books and then it would be my strategy.

SCOTT: That's a lot of questions!

PETER: Yeah.

SCOTT: I'll start with the cocktail napkins.

PETER: Sure.

SCOTT: I got that from Art Cashin who I respect so highly as a technician. A lot of people use so many different indicators, and typically, one indicator is going to negate another indicator and negate another one so I try and keep it simple. And, my simple approach is, I use chart patterns and then I apply relative strength. When a stock is acting well while markets go down, it shows me relative strength. And then you combine that with the chart pattern, that's a strategy. And all of a sudden, a stock with a nice chart pattern and the market goes up, and that stock doesn't act well, you take note. That means it just maybe fell down the list a little bit. So, you use little gauges on putting together your strategy. So many people think, oh, I need to see the RSI and the MACD cross and the day count and all these kind of things. Maybe I would make more money if I used those but I know that's not the way I think. I need to think simple so I can react quickly and then you develop your inner voice.

PETER: Yeah.

SCOTT: It's the inner voice that's always telling you something like, like in the first half an hour, wow, this is acting well, maybe you should add here based on the chart pattern in the first 30 minutes of the day. You're thinking "you're in this and the chart did look good, today might not be the day, the futures are strong, it's not moving, maybe lighten up..." and you develop that style. But the style has to be somewhat simple. Otherwise, you're never going to act on it. So if it's a little bit simple, in a cocktail napkin format where you have a few different things you need trigger, you'll put on the trades and you know how to take them off to protect yourself.

PETER: If I could paraphrase you and maybe you could tell me if I'm right. If it's too complicated, it can be hard to have conviction or confidence.

SCOTT: Right, because you need too many things to happen in order to put on a trade. There are good setups and there are bad setups.

SCOTT: When you're at the blackjack table, you got an 11 versus 6 and I think that's a good setup. You double down, you know the probabilities, that's how you do it. You know that if you get a five or a king, that's a horrible hand and unfortunately, you can't pull your hand back like the way you could pull yourself back in the market if you have a horrible setup.

PETER:I just want to touch on something that you had mentioned there which you kind of glossed over, but I think is very important and I actually spoke to somebody about it this morning -- are the busiest times of the day like the first hour and last hour when you do most of your VTF stuff?

SCOTT: Yes.

PETER:Busiest times of the day?

SCOTT: Busiest times of the day. If you come on the VTF, you usually hear me from about 9:30 to 11:00 and then again from 3:00 to 4:00.

PETER:So I guess if I could touch on and maybe ask you to elaborate on talking to yourself, one of the things... and like we could joke around it but I actually went through... I actually had somebody comment to me that one of the things that they appreciate from us when we do our mentoring is they get to listen to all of the factors that we put into making a decision as it's unfolding. And you kind of just touched on it, and maybe if we can elaborate, a good trader does talk to himself.

SCOTT: Yes.

PETER:You have your game plan coming into the day and maybe if you can take that a little deeper on that process of thinking.

SCOTT: So I'll use, today for example, a stock like Apple because everyone trades Apple. I trade it a lot. If it has a great setup, coming in where it's tight and I'm looking for it to get above a level. Say the futures are down seven handles and Apple closed strong the prior day and it's down \$1.20, what I'll say to myself is OK, I want to see the Futures go from down 9 handles to down 10 handles, and Apple not going any lower.

SCOTT: So right there, that will show me, Apple will probably fill its gap, I could trade it for a gap fill, make a little bit of money, and then if it fills its gap and the Futures still didn't even perk up yet or get stronger and it holds positive, chances are, my next entry will be when the Futures bounce and it trades to a prior day high for trade number two. And then if more than two just worked and then you have a price pattern breakout and you see the volume come in, then all of a sudden, you could do it again and then you have three different trades that you need to trigger. Sometimes all three won't, but one will, and as long as you don't push the envelope on the two and the three when it's not there. You could make your little single and then pull back and say today is not the day. You could do that with every stock, every situation.

PETER: You basically just gave three strategies that you think of while the market is unfolding. I think a misconception that a lot of newer traders, and we'll define that as let's say less than a year, only go through the first one. They have the if but they don't have the then, so in other words if a bull flag unfolds, I'm getting long and then we'll see what happens after that. And I think a professional has as many contingencies in place and it's really not a matter of predicting, it's a matter of following the probability and not so much trading from a right or wrong perspective as much as this should happen but this is what I'm definitely going to do, is that the right way to word it?

SCOTT: Yes, I like that and it's not too complicated. Those three strategies you just gave were not very complicated. I wasn't looking at the RSI. I might have at the corner of my eye been looking at how's Google acting, how's Baidu acting to say, oh, they're kind of strong also, so Apple is not just alone. So it gives even more conviction that these things are acting strong before the futures, so then maybe, there's more conviction there.

PETER: Phenomenal. Now, actually, I could tell you in two, one, two, or three with I've heard you mentioned before, you have your A trades, your B trades, and your C trades. Can you walk through the process of what would make one an A trade versus a B trade? And maybe what would make it go from B to A or B to C?

SCOTT: An A trade, you have setup, you have a tight pattern, and it's looking to resolve it, whether it's to the downside or whether it's to the upside. Typically in a strong market, I love when a stock is setup to make new 52-week highs. That's a great trade, it's one of those trades I love.

PETER: Hmm-hmm.

SCOTT: But that's a great setup. So, if it's set up with a chart pattern, very tight and ready to expand, that's on the A list. That's setting up... I'm usually excited, Like yesterday, Netflix was an exciting setup because even though it's a broken stock and it has been trashed, it had a gap down after earnings and it has been four days down for four days across, and then there was a level there. For four days, Netflix could not get above 88. And I was saying, if it gets above 88, there could be a four to five dollar trade. I wrote that in the price point sheet and I wrote it in my letter, I talked about it with Alex in the quick hits. So, I put it out there and then it went above 88 on some volume while the tape wasn't even strong yet, and it wound up going to 92. That was a \$7.00 trade. It was an excitable setup, it was an A setup, and not a 52-week high setup because it was different, but it was still an A setup. And then today, it was a B setup because it closed strong yesterday. The Futures are down, so I was like, oh, maybe Netflix can go positive and push through yesterday's high just for a trade. Not quite a gap filled powerful trade where you're in it all day, but a negative to positive and then it all gapped down \$1.50 and I bought a little bit, Futures went down, it didn't go down, one positive, added a little bit as one positive, then it stalled at the prior day high, and then just ran out of gas and I was done with it. So it was a B trade today and now it's back on the C list.

PETER: It's very, very interesting how two traders can look at the same stock because I actually saw the same exact trade and I didn't trade it. Today though, what you had just mentioned about when it failed at the highs, I actually started to look for a short sale because I had it as an A short from the longer time frame. I think that's what makes trading so exciting. Once you have the fundamentals down of what's a high probability trade based on your strategy, neither one of the trades were necessarily right or wrong, but they made sense based on the way we decide to look at the market.

SCOTT: Right, and you could have said okay, "I want to see that Netflix pushed through yesterday's high and then ran out of gas and once it gets below yesterday's high, I can short it with a stop at today's morning high." And then you have at least your risk defined, and then it went down \$2.00 and you could have made \$2.00 on the long side, \$2.00 on the short side. As long as there's a strategy on why you're doing it, then both sides of the tape, you can make money.

PETER: Absolutely, and I could even take it a step further where when I saw the failed test today. I actually had two scenarios built out which were exactly what you just said.

PETER:I said, if we fail at the high and I see some sort of weakness, maybe a wick on the candle or something like that, I'm going to short it into yesterday's high as the resistance. If it holds, I'd like to short. If it breaks through I'll take the loss, and then consider it long if it holds above the level. The point I want to get across is not so much to talk about my trade -- I'm here to talk about yours.

SCOTT: You trade by the way.

PETER:It's important that when the people that get the transcripts of this, we are literally giving them if/then scenarios for them to learn to help develop their own stuff and I think that's important. I don't think enough traders in my experience - and I know you work with a tremendous amount of traders yourself -- know it's not just about the pattern itself. There's so much more that goes into the argument of building a good trade and whether it's an A trade or a C trade. And the management of an A trade versus a C trade is different because they have different probabilities.

SCOTT: And as a fine line, even if someone is still looking at the A trade the same way you are, did they perform? Did they wait too long? Did they buy too much? Did they add after everyone got in?

So there are still ways to approach the A trade to have it effective and a lot of traders were on the same desk, looking at the same trade. Two people could make money, two people could lose money. Now, the ones that make money usually are more in tune with their own style and what makes them tick and they know what they can handle. Some who were trying to piggyback will say, "Oh, I could buy 2,000 shares of that." And they probably can't. So if they buy it and it goes them a little bit, they're shaking in their boots, and then they don't hold for what should have been the stop. Then they sell only to watch it make new highs. And then they're probably buying it again and they're chasing their tail while the stock is going round and round. Even if you have the right setup and the right strategy, it's that fine line whether you're going to make money or lose money and that comes from the mental side on how you prepare yourself for it.

PETER:Let's actually talk a little bit about something you had mentioned before about a trader hesitating. What separates a trader who hesitates when they see a crystal clear pattern unfolding from a pro like yourself who doesn't hesitate when the pattern unfolds? What's the mental gap in between there?

SCOTT: Experience. Seeing it happen and actually having a profitable trade from it. The more times that you see it, the more times you'll trust it, and then there'll be a lot of times when a trader sees it and doesn't act and then gets pissed at himself. And that's why he's going to write it down in his little book. So then that little voice on his shoulder says, "Hey buddy, you missed it the last time, get it this time." You see it long enough, then you'll start reacting to it and then you'll understand why. The same way, if you also like the strategy and you buy 500 shares and it worked out well and you're like oh I wish I had 1,000 or 1,500 shares. You keep doing 500 shares and it keeps working, the little voice will say, "Hey buddy, step it up, go to 700, 800 shares." So that's why you have to always listen to him, and it just takes time. I am still trying to grow and trying to learn and trying to hold longer, add more size, do multiple positions. And at times, I trade out of my bounds and I have to pull back in, so it's always a learning curve and it just depends on what step you're at.

PETER: Is it important to consciously be aware of "I want to get bigger" and I know I'm going to go through a little bit of rough patch because mentally, I think every trader has gone through this -- where as soon as you step up in size, the trading gods are going to slap you around a little bit because you're not comfortable at that level. I think it's important for traders to know that they're not the only people going through that. I think everybody has gone through that, have you?

SCOTT: Oh yeah, I've tried many times, and I just always revert back to my style of hitting singles and doubles, which is just what I've learned and what I've accepted. There are so many times I'll put together the price point sheet on the Morning Call, there'll be 30 scenarios and eight of them will trigger and I'll be in two and some people in the chat will be like, "Well, it just triggered or the minors went or you gave a great goal strategy, why are you only in Apple, LVS, and the Spiders?" I'm like, well, I have to probably leave and print out the notes for a CNBC segment. I have to go. I'm not going to be in everything. There are times when I'm the offensive coordinator writing the plays out for the whole team. Then also, I'm a player on the field but I could just be the wide receiver going out and catching two passes and saying that's a good day for me. Or I could be quarterback, giving the groove, moving and grooving all day long and doing every play but I'm not always going to be that quarterback. But I'll always be there to write the plays and if you want to play whatever position that is on the field, that's two-two, you do that and I'm just putting out at the high probability plays and just because I'm not doing it, because I'm not comfortable sometimes being in eight things because of my commitments for the day, it doesn't mean I don't trade it or it's not going to work.

PETER: Let's work a little bit on helping the inexperienced inconsistent trader. You've obviously had your own experience, so what are some of the things that you've seen that are common for struggling traders? What are they either not getting or not doing?

SCOTT: Well, sometimes their eyes are too big. They see what other traders around them are doing and they want to make as much as them and they don't have the skill set yet. And some traders also that are in a rut, they just don't know how to have green days. When someone is in a rut, it's smart to take them all off and start over and just get a few green days. So you have to know how to pull yourself back and you have to know how to get out of a rut and you have to do it in an honest, slow way. If you lose three hands in a row, you're not betting all in on the fourth hand to try and make it back because then you're going to lose that and you're going to be out of business.

PETER: A lot of people do that.

SCOTT: So it's those small steady steps in order to get back on your feet and then once you're moving, typically you feel good and you make the right decisions and you have to know what it takes to do that and it's just small steps.

PETER: Do you think most traders have too short of a time frame that they give themselves to learn trading as a craft or as a skill?

SCOTT: A hundred percent. I don't understand why people think that all of a sudden you can come into your trading career and by the time, a year ends, you're going to be making six figures. If you want to become a lawyer, you have to spend 100 grand, go to law school for three years and then work a hundred hours. If you want to be a doctor, you have to go for five years. So, to learn how to navigate the stock market which everyone in the world is horrible at, you think in one year you'll be making six figures? You're out of your mind. I say the same thing to college kids who want to become a trader, you better tell your parents that they're going to be supporting you for a while or you better get a job as a waiter. I was emceeding bar mitzvahs when I was learning how to trade because I needed to make the money on the weekends in order to give myself the time during the week. So, I think I've been doing that 13 years and I'm still learning and I still want to make more money. But for a new trader, you have to be in a position where you know that you're not going to really be making money.

SCOTT: For the first six months, you'll probably be down. Maybe after six months, you start getting positive. And then after a year, you could start making some consistent money and then hopefully two years in, if you're really good, you have a career or at least have something stable. I've seen people take three years and their family has given them three years and then all of a sudden boom, they start going really fast after they build their own base, just like a chart. Charts take a long time to build and so does learning how to navigate the stock market. And if you don't have all your ducks in a row where...even if you've left your career and you're 35 years old and you want to be a trader, you can't have people nagging in your ear saying how long is it going to take? When are you going to start making money? You have to have the right structure in place and support in order to think clearly and make the right decisions. So you have to set up your system first that's supportive so then you could become successful. If you don't have that support system, you already have a hand tied behind your back.

PETER: Everybody sees the polished version of Scott Redler on television and all the videos and everything, let's talk a little bit about the development of Scott to become a professional trader without going too far back all 13 years but maybe your entrance into the business and getting to the point where you felt like you belong.

SCOTT: I was a broker first and I didn't like being a broker. I was a trader by nature. I hated the fact that you have an idea and you have to sell someone on it and I don't like someone else being responsible for my success. So in 1999, I started as a trader. I was always somewhat of a leader because all growing up in high school, I was always working doing the bar mitzvahs and then in college I was president of my fraternity and I play football. So I always like to have control of where I was going to go.

SCOTT: And then, just by navigating the markets, I really learned a lot. What changed me to be a bit more disciplined and know that the world isn't all fine and dandy was one when my best friend passed away from leukemia when I was 30. He passed away and he was my partner in clubs, he was my roommate in college, and he was the biggest party guy, and he just wasn't attuned with his body. After school, no one goes to doctors for some reason, so anyone listening to this. If you've been out of school for a few years and you think you don't have to go see the doctor - go get a checkup!

PETER: My brother is actually going through that right now.

SCOTT: Sorry to hear. So it kind of was a wakeup call and that's what got me serious where I started to do these triathlons with The Leukemia & Lymphoma Society. I was like, okay, let me raise some money. I was on the board of this foundation and I started doing these triathlons and my first run was the New York City Tri ,and right away, my personality took over where I went from being a participant to a mentor to fundraising captain. So for three years, I worked with the Leukemia & Lymphoma Society, always taking it up a step because that's what you want to do. You always want to expand and I really started to get my discipline and started to get focused on the tradin. Because you had to have such a disciplined routine for approaching the triathlon in order to finish it the way you want to, and it was the same type of thing with trading. So I started to really hone in my skills and that's when I also stopped drinking a little less, because you can't go run and swim and bike if you're a little hungover. Not that I was an alcoholic but, you're in your 20's and you're having fun in the city. And I just really started to put it together where I started to make consistent money and every year, I've made more. I don't make as much as the biggest traders out there, but I also don't have the swings, and I'm fine with that. I'm a singles, double hitter and every year I think since 2003, I've made more money so I'm growing each step of the way and every year I've done a bigger triathlon. So, I'm always trying to like push myself in the athletics and then also push myself a bit in the trading. Last year, I did the New York City marathon and I qualified for Boston because I wanted to do it. So it's like putting your mind to something and then figuring out a plan to get there. And then you have to follow the plan and it's the same thing with trading. You have to have your plan, you have to create your plan and then you have to follow it and you have to like it. I always give some talk sometimes and you have to like your routine. I like getting on the boat and reading IBD and getting together going through the charts, stopping off getting my egg sandwich and iced coffee and being the first one in. The lights are out and I eat my sandwich with coffee and check the charts and start writing.

SCOTT: I'm a morning person so it works. You have to figure out what works for you.

PETER: Actually, I mentally feel sometimes that being in there earlier is part of my edge.

SCOTT: Yeah.

PETER: I feel like that extra hard work is a part of where you can be confident and have conviction where you're prepared.

SCOTT: Right. It's true. Like Friday is tough for me because my wife is a doctor and she's in charge of taking Chace to work Monday through Thursday. So on Fridays, we don't do the Live Morning Call because she needs one morning off. So on Fridays, I take Chace to daycare and then I take an 8:00 boat. I'm not in until 8:35 on Fridays and I feel lost. So it irks me when I see traders come in at 8:30, 8:45 consistently. I'm like, how the hell do you know what's going on in the market, where things were in the morning, what news is out, what are you being prepared for if you're coming in at 8:30, 8:40? I do it once a week and it throws my whole day off. But I have to manage my family life.

PETER: Actually, let's relate that difference in preparation because of other responsibilities, does that affect how you trade that day?

SCOTT: If I feel a little rushed, maybe I take a step back at the open, maybe I do a little less, maybe I'm happy making a little less and all I want to do is make some money.. So, it definitely changes the way I approach it and even my confidence, I think my confidence is a little lighter on days that I don't start at 6:30 in the morning because I feel like I'm not sure of where things are and I'm a little out of sorts.

PETER: Top three trading rules?

SCOTT: I have a lot of trading rules and they're different depending on the day. I would say, if you have a stop loss for the day, stick to it or actually even if you're not seeing it, don't actually hit your stop loss for the day. Let's say I give myself \$2,000 to lose and that's it. Most traders that are down \$1,200, won't stop at \$1,200. they'll wait until they stopped \$2,000. If you do that five times in a month, that's \$800.00 times five., That's \$4,000 that you just threw away.

SCOTT: You threw away a little bit of your edge because. And so think about, when you're up \$800 or \$1,200 and all of a sudden, you have one of those trades where you're trying to go from \$1,200 to \$1,800 and you go from \$1,200 down to \$800, you know what? \$800 is still a good day. I came in to work, I don't want to give it all back, so let me just book it because green days add up. I don't like giving back money/

PETER: Trailing stop?

SCOTT: On the way down and on the way up. Do it both ways so do it both ways. Stop before you go red. s

PETER: Actually, I have a very interesting story about somebody who actually traded here and in relation to what you were saying about the P&L. His stop loss with us at that time was \$1,000 and there was one particular day where he was up \$5,000 in the morning and went from plus \$5,000 to negative \$1,000. So, I went over to him and I said "don't you think \$2,500 is okay?"

SCOTT: Right.

PETER: You know what his answer was? But I'm allowed to lose \$1,000. Isn't that crazy?

SCOTT: Wow, you should have fired him right there.

PETER: Well, yeah, we parted ways and he's actually out of the business now.

SCOTT: Right.

PETER: But I mean, that's kind of getting back to what you said before about having the right perspective on the business and I think most people who are not "professionals" who maybe have a full time job, they don't understand how professionals are more concerned with just their equity curve going up every day.

SCOTT: Right.

PETER: When I hear... I mean, home runs happen when everything lines up but we're here to pay the bills.

SCOTT: And I get so pissed like every trader that loves to close in their highs. If I have my five grand in a day and I finished up \$3,500, I'm like damn, it sucks.

PETER: Yeah.

SCOTT: But if you went from zero to up \$3,500 and you closed at \$3,500, it's like okay, \$3,500 was a good day! It all depends on how you get there.

PETER: That's so true.

SCOTT: So, everyone has their little quirks, just know what quirks make you tick so follow them. So, that's definitely everyone and the rule also is net money, don't have your eyeballs too big. There are a lot of guys on the floor that may have bigger days but I can take home more over a year because I net money. And the way you net money is by not giving too much back and not saying "OK, I'm up eight grand, I want to see ten grand" and then you go from up eight to only up three because you're pushing trades. And then the next day I always say, if you had your best day and you're up 10 grand, you know what? Just be green the next day. Don't go for 15 because think of how long it took you to get to 10. Those guys that push too hard usually give it all back.

PETER: If you can go back and give the younger version of yourself advice, what would you say? A younger trader, not the younger linebacker, the younger trader.

SCOTT: The younger Red Dog, Red Pup?

PETER: Yeah, exactly, the puppy dog.

SCOTT: Puppy dog? I would say just take a little bit more risk on

PETER: While you were younger.

SCOTT: I'm actually very happy with the slow steady pace and I would say is, potential is unfortunate if it's not used, so I do think there has been some potential within me that has not come out yet because of my disciplined compact approach.

PETER: I think all great achievers feel that way that there's always a little bit more and then do you feel that? Do you feel it?

SCOTT: I do, I feel like it's unfortunate when potential is not reached but I know my infrastructure so I'm happy with it. There are guys out there that make a lot more money on my strategies than I do and if I got pissed off about that, then I would be a bad person or a jealous person. I don't find myself jealous. I'm very happy for someone bought gold when I said buy gold at a thousand and had a \$100 million book and made a lot more money than I did having maybe \$2,000 or \$3,000 of the GLD, that's fine. That's the beauty of T3 Live. It doesn't matter if you trade with a \$50,000 account or you have a billion dollar fund. You could use my Apple, Google, or Goldman strategies, anyway you want to. And for me, I guess it would have been better to maybe push the envelope a little bit, but then who knows where I would be today?

PETER: Talk a little bit about dealing with adversity because we're on television or you're on television, everybody listens to people that are on TV and it appears that these are the people that have success all the time, define a little bit of how you personally deal with a bad day, a tough trading loss, or more specifically, let's say you were in a rut or something like that, what's going through your head?

SCOTT: I like to train. That's why I go to the gym on lunch time. I know, the way I take them. I'm in the office at 6:30, by 11:30, my mind is Jello so I go, I take a spin class at lunch so it gives me an hour to train, get my head free, and relax. And then I could come back around 1:30, 2:00, get myself together and trade. That's why I'm usually only on the radio from 3:00 to 4:00. So to me, training has been a good outlet. And plus, I do a lot of work with charities. I just coached with the American Cancer Society and I saw what a bad day really is. Having a red P&L is not really a bad day in the scheme of things when you're going through chemotherapy or your brother just passed away at the age of 39 because of a disease that got diagnosed six months earlier. So, by working with a lot of these charities, it has helped me put in perspective what a bad day is and what a good day is. And again, if you're in a rut, take a step back, clear out your account and just get some green days and then make progress. But be accountable and know you're in a rut and be honest with yourself and say OK, I'm in a rut, I need to pull back. A lot of people don't do that and they don't look at themselves in the mirror and say to themselves, you better make a little change here before things get out of hand.

PETER: Define pulling back, like, what should a trader do that you would coach?

SCOTT: If you're a 1,000 share trader, go to 500 shares. If you're a 5,000 share trader, go to 1,000 shares. If you carry 10 to 12 positions, carry four. Just pull it back so you can see it clear. You can control your account better so you can start broadening it out once you start getting back on track.

PETER: Single most important actionable step someone could take to the market tomorrow?

SCOTT: I would say come in 30 minutes earlier if you can.

PETER: Good advice, preparation again, getting back to what your mindset and what's making you successful. What differentiates those that excel at trading from the vast majority?

SCOTT: They know it's not a get rich quick scheme, they know it's small steps, it's a grinding type of business, as much as people think it's glamorous. It's the furthest thing from that. It's a blue collar job where you have to go in every single day and you have to appreciate the fact that you can make \$3,000 in a day and you're not out digging ditches or working until 12:00 at night or travelling around the country and not seeing your family. So embrace the fact that you have the opportunity and the skill set to make money.

PETER: Did you have an epiphany or a moment when you felt like you would be consistent or it's more of a gradual process where you just kept seeing improvement?

SCOTT: It was really just a gradual process. I never really tried to expand too fast so I never was like "wow, that was awesome." I've had great days or you've had good days where like wow, that really worked out. But if you're looking for something that really worked out which happens not often, that one in 10 times, I'd rather have the 7-8 things that worked out typically all the time versus going for those two or three that are explosive. But every now and then, getting in an explosive situation is fun.

PETER: And then define, I think there are different stages of development for a trader, there's complete newbie, less than six months to a year, 18 months and then more than a year, let's just pick on two of them here, let's say somebody less than a year, what are the top two skills they should be focusing on to give themselves a chance?

SCOTT: Less than a year? Learn chart patterns, learn why and think about why psychologically they work, and that they're not just a bunch of squiggly lines. Like if there's a stock in a bull flag that, goes from five to 10, what's behind that.

PETER: Do you think that most new traders focus too much on whether or not they're making money as opposed to whether or not they're actually really learning?

SCOTT: Yes, some of them do. A lot of people come in with the wrong illusion that they're going to learn, be making six figures within six months and that's the furthest from the truth. Even if you're a rock star, it's not going to happen. So, it's also up to the mentor and the coach to lower the expectations of the new trader, to tell them it's not the case. And if you come in with lowered expectations, then if you're pleasantly surprised and things happen quicker, you feel better about it. So, it really, it's about learning why things are going on and why things are happening and getting comfortable in the first six months to a year and not about making money.

PETER: What's the proper mindset for committing capital to the market once you would trade?

SCOTT: Just know why you're doing it and know why it should work and if those parameters don't happen, just take it out.

PETER: OK. The best advice you have ever received that you'd like to pass along to another trader?

SCOTT: Just trade in your bounds, know what makes you tick. Like if you're not comfortable being short, learn a little how to be short but then just don't short blindly. But if you're comfortable being a bull, trading bullish patterns, then that's your setup, that's what you're comfortable with but don't just limit yourself and say, I'm not going to short anything because stocks go up and stocks go down. So, just don't be like a one trick pony but also, you don't have to push it on something you don't feel comfortable with because then you're never going to excel.

PETER: As a professional trader, what is taking a loss mean to you after you exit the position? What are saying to yourself?

SCOTT: That it didn't work. Look for the next move. Look for the next situation.

PETER: Do you think most traders think that way and make it that simple?

SCOTT: I don't know, it's weird, so many people have that complex of they have to be right and I don't have to be right. Even when I go in the media and I give the high probability plays and if I say, we're going to go to 1,200, 1,300 like I did three weeks ago in October when we were at 1150. And if all of a sudden, the composure of the market changes, I'm not going to just say I have to be right and stick behind it because we trade real time and the market changes every day. So, if you see little changes, you change your thesis and you just be honest about it and that's what creates consistency because you don't always have to be right, that's why, I know a lot of doctors and lawyers are going to hear this taking this thing but typically, they are the worst stock traders or stock participants because they usually control their environment. The lawyer controls his courtroom, controls everything that goes on. The doctor has the control of the operating table in order for life or death so they think they can control the market, and they think that they are right in the market. But you can't control the market. We're like the jockeys. The horse is going to move and we just have to ride it the right way and know when he's slowing down or speeding up.

PETER: When you're trading well, is it you or the market?

SCOTT: It's a little bit of both. Sometimes, market movement is more conducive for traders and sometimes it's not, so you just always have to realize when it's time to pull yourself back and not expect too much. And then when the market is conducive to your style, you go to a tier two or tier three and never going to do that if it's not conducive for you. You'd be so frustrated that when finally things start to set up and work out the way you would want them to, you'll be too bad and bruised. I see that a lot of times during the day, I go out and go take my spin class or run for an hour. When I come back at 2:00 and the market is in the exact same spot, and I see traders with their hair all over the place and their eyes are all red. They're all frazzled because they've been trading this little tiny range from 11:30 until 2:00, which is a time when usually markets do nothing. So then by the time I come in, I'm like, oh, it's 2:30, this looks good, that looks good. And then they get pissed off at me because I didn't have to sit through the water torture of the 11:30 to 2:00. But then there's also the times when something happens midday and I'm not on my seat and they get to catch it. But that's one of those explosive situations that happen once a week. I'd rather be consistent four to five times a week.

PETER:I think what I'm getting at the interview, it seems like just into what you just said, you're more concerned with what's going to happen most of the time than that one time. So it's like we get this huge move when you're at the spin class, it doesn't normally happen so you can't beat yourself up over it and new strategies are more designed to what happens most of the time as opposed to waiting for the one, the outlier.

SCOTT: Exactly, and it's nice to catch the outlier.

PETER:Oh yeah, absolutely, absolutely.

SCOTT: Right, it's always nice.

PETER:But it's hard to plan for the outlier though.

SCOTT: Yeah, it's hard to plan for.

PETER:How do you define trading confidence because we'd all like to achieve it and as a trader, it's amazing how you can have it for three months in a row and one day or trade could be like, you feel like you fell out of a boat and you couldn't hit water.

SCOTT: Well, I think, with trading confidence, I'd say it's maybe kind of the same as you don't let your highs get too high or your lows get too low. Because if your highs get too high and you're too overconfident, you're going to slip up and you can just push the keys and you're going to fall asleep behind the wheel. And if you're too low and your confidence too down, the situations that you used to act on and you used to see clearly, you're not going to see and you're going to miss out. So, don't go out and when things are good, get too loose and when things are slow, don't just put a blind eye to the market.

PETER: What do you think about people who are fundamentalists for lack of better way of putting it, who would look down on technical analysis as a skill or a method of making money?

SCOTT: I think it's ignorant. I don't talk bad about analysts or about fundamental analysis and as I've grown as a market participant, I need to know a little bit of everything because being on TV and being everywhere, I've had to learn politics and fundamental analysis and overseas politics. I think it makes you more well rounded. I think everyone should know a little bit of everything.

But the fact of the matter is even someone like... I'm wanting to say the talking heads who said, Netflix is overvalued, Green Mountain Coffee is overvalued. Fundamentally, it might have been but could you stay solvent from 100 to 300? Technically, it was acting bullish and constructive and stayed intact. We saw when Netflix started to lose some momentum, started to show relative weakness, saw the market bounced big enough so it wasn't acting the same and we saw it happened. So, you need to know what are the fundamentals and when things line up technically.

So you have to know the what and the when to really kill it so a little bit of both I think makes sense and if someone is going to just turn a cold shoulder to a tactic, I think that they're being ignorant.

PETER: Let's say you're training somebody and let's actually go to a doctor or a lawyer. Somebody is leaving that industry, you know that they're a very intelligent person who's used to being in that control they're used to working as hard as they can, what advice are you giving them?

SCOTT: Well, at first, I would say you know nothing and if you approach the market like you know nothing, you'll make more money versus thinking that the market can't do something because Greece's GDP is X or thinking the market is going to do something because unemployment is over 9%. OK, I will say that things are maybe pressing on the economy, but it might not be pressing on the stock market today. So, go in there and have an open mind, and leave your scalpel and your hammer at the courtroom and in the surgery table and learn what you're here to learn. Listen to the instructor and take notes. Take notes as if you're going back to school because right now, you're going back to school to learn a skill set and granted, common sense is always key. I use common sense to my technical and fundamental approach at times two but really, it's a skill set of tactics and just learn the tactics without having a preconceived notion on whether or not they're going to work or not.

PETER: You had mentioned that you started in '99 which is obviously a financially rewarding time to have been dropped into the market. How did you handle the subsequent 18 months to two years of where it wasn't buy and buy some more and then the market fixes it for you while you're learning?

SCOTT: Well, what's great is I've seen so many different markets now because when I did learn, I learned... I started trading when the NASDAQ went from 4,000 to 5,000 so that was... and then really, turned into the whole debacle from 5,000 to 1,000. A stock would drop \$60.00 and I was trained to catch that \$4.00 bounce before it dropped another 30. I didn't know how to short stock.

PETER: So it was long only?

SCOTT: Well, I was more comfortable being long, so instead of catching \$60 down moves in the stocks, I would see the relative strength and watch a little area and catch a \$68.00 bounce and then it would go lower and I would just wait for another setup. But eventually, I learned how to short because you had to. But each time, you saw a different set of charts and how things worked out. And then over time, you've seen that a lot of patterns repeat themselves because human emotions repeat.

SCOTT: Fear, greed, complacency, they all show up in the charts, you know, holes in the charts and whether something has a good base, whether it's a growth story, sectors rotate things that were in play and used to be a fan favorite, turned into old news. Dell was a huge winner in the late '90s and then I remember when Taser came and went and then you had RIMM which was unstoppable and then for the last year, all we've been saying is it's going to become a teenager and it's 18 something now so you learn as you go. But one thing is to live within your means. I have always said to traders like if you have a big month, you made \$50,000 in a month, spend like it's your average month. If your average month is 20 and you made 50, don't go out there and think you're going to make 100, spend that. Keep saving.

I've seen the best traders in the business becomes shells of themselves because they had a great year, they made \$1 million dollars and then they took on a \$700,000 mortgage and a few cars. And then the next year, maybe they made half a million so they went into the savings. And then the next year after that, they made only 100 and then they started to force trades because they had to make the money. They can't think clearly and they become frazzled and they're put out of the business. I've seen that happen to lots of traders. I'd rather see you live in a smaller house, maybe buy one car instead of having two or three. Just do it slow and steady because the more slow and steady you do it, the more clearly you're going to think and see. You're not going to have the stress on you that you have to make this amount of money when the market is not giving you that. So, like I said, don't get the highs tget oo high, the lows get too low and just treat this career as a cost average career. One year is going to be better than the other, one is going to be worse than another, and you're always going to have your best year. So get in an area you're comfortable with. And then when you make well above that, throw some on the side for a rainy day.

PETER:OK. Parting wisdom, let's say somebody is not so much learning directly from you but you have a chance let's say to mentor somebody,, what are you going to work on with them the first couple of months from a mental perspective?

SCOTT: Oh, first is also being prepared with a routine, getting in early, getting ready. And then what I'd like to do is I'd like them to write down what their three or four ideas are for that day. You write down three or four ideas and then they're probably going to be trading whether they're good or not. And then at the end of the day, see which ideas did they trade. And so many people say like OK, I have this idea and this idea and they worked out but I didn't trade it, OK, why not? So write it down and then look at it after or if you had the strategy. Maybe you traded it and lost money. Why? Did you have too many shares? Did you not hold long enough? So, really just try and break down why you are not achieving the success you want. And the only way you could do that is by putting it on paper so you can see it. So you develop your inner voice. So write down what you think. You could also be thinking totally wrong. You could have said, I think this is going to go down, this is why, and it goes up. So, at least you'll find out whether or not your ideas are wrong. Half the battle is having the right ideas and then the other half is executing on them. So, first figure out if your ideas are correct and then figure out whether you can make money with them. And if you can't make money, why? And if you can, how do you make more? And then it will all come to you because you'll have a journal and the more times you see your ideas work out, you'll hopefully make little, little changes, not big changes. and then you'll start having success.

And then success breeds more success.