MATI TRADER

LESSON 1: MARKETS

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The founder is not responsible for any errors nor any personal financial risk.

Dear *MATI Trader*,

Here we are in the first lesson of the ***MATI Trader System*** programme.

Founder

Timon Rossolimos

You'll find this programme is presented in a user-friendly, interactive and easily understood language. It's also assembled into a series of what I call the '4 Trading Pillars To Your Success' (Markets, Method, Money and Mind). Plus one bonus lesson with the extra tools and information you'll need to optimise your trading performance.

Whether you've never traded the markets, dabbled a bit or you're an experienced trader looking to improve, this could be the guide you've been waiting for.

Every bit of advice, knowledge and wisdom I've learnt since 2003, you'll find in this exclusive and single concise piece of work. Throughout this journey, you'll learn different trading lessons, strategies, ideas and tools along the way.

My passion and priority with the ***MATI Trader System*** programme, is to show you how to trade for a living using proven and trusted methods – with practical and real examples – in a clear, understandable and easy way.

This is not an instant-gratification and a ‘Get-Rich-Quick’ programme. This is a complete guide you’ll need to absorb and apply to your everyday trading.

The ***MATI Trader System*** programme will show you how to bank a consistent income, on both rising and falling markets.

We’ll now get into the first lesson of the programme.

This lesson will tackle the first pillar to your trading success – The MARKETS Pillar.

LEARNING GOALS
At the end of lesson 1, you'll be able to:
Understand trading basics: What, why, where and how?
See why trading is a profitable career choice
Know all the markets available to trade
Compare a day at the Farmer’s Market to the financial world
See how trading and investing are like relationships vs marriage
Differentiate between technical and fundamental analysis
Know the main drivers to profitable fundamental analysis
Define technical analysis with just one word
See why derivatives are special to traders
Understand how gearing is a money-multiplier
Know the advantages and disadvantages of trading
Prepare your trading work station with – Minimalism

Just so you know. I'm going to be with you every step of the way during this programme.

Let's get started.

Trade well,

TimonR

Timon Rossolimos

Founder, ***Timon and MATI Enterprise (Pty) Ltd***

Trading – A Long History Story Short

As old as mankind is, so is the practice of trading.

A simple concept which remains the same today as it was over 10,000 years ago.

To exchange one item for another item for the sake of mutual benefit.

However, instead of exchanging cacao leaves for shiny gemstones, today we exchange paper bills in the form of money for a cup of coffee.

We are all familiar with the concept of 'trading' as we exchange money for goods and services almost every day of our lives.

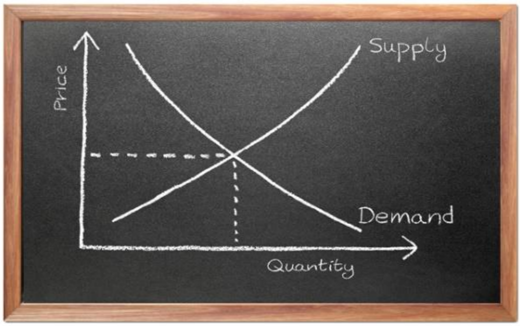
In the financial markets, it is the same principle. With trading, you'll buy a market at a lower price, with the speculation that you'll sell it at a higher price for a profit. Or you'll sell a market at a higher price, with the idea that the price will drop, where you'll re-buy it at a lower price for a profit.

In order to do so, we'll need to ask an important question.

"How do you know which way the market will go?"

To answer this question, you'll need to tackle the age-old concept of supply and demand.

Let's head to the Farmer's Market, to see how it works.



At The Farmer's Market

Day 1

Dum's Fruit Stall is known as the best place to buy strawberries.

The owner tells you he has 10 boxes of these strawberries to sell. With you being the only customer in sight, the owner decides to sell you the strawberries at a reasonable price of just R10 per box. As there is a higher supply of strawberries than there is demand, you were able to buy them at a low price.

Day 2

The next day, the stall owner arrives with another 10 boxes of strawberries to sell.

This time he is surprised to find that there are over 20 willing buyers lined up. The owner decides to pump up the price of the strawberries to R50 instead of R10 per box.

He knows that with a higher demand for strawberries than he has to supply, the buyers will be willing to pay more. To conclude the power of demand and supply, here's a summary over the last two days at the Farmer's Market.

Day 1:

Low demand ~ High supply ~ Low price
(1 customer) (10 boxes) (R10 per box)

Day 2:

High demand ~ Low supply ~ High price
(20 customers) (10 boxes) (R50 per box)

The stall owner will keep raising the price to allocate his scarce supply of strawberries. As the prices rise, so does the stall owner's profits.

He'll do this every day, until the customers find that the strawberries are too expensive to buy. He'll then have no choice but to drop the price per box once again.

This phenomenon is based on human nature. With traits such as fear, greed, ego and anticipation, the art of exchanging, bartering and trading goods and services for a profit was almost inevitable.

The supply and demand concept also applies to the financial world.

Let’s look at two scenarios with shares.

✓ Scenario #1:

When a company’s financial results come out better than expected, the more people will want to buy the company’s shares. This rise in buyers (demand) will lead to an increase in the share price.

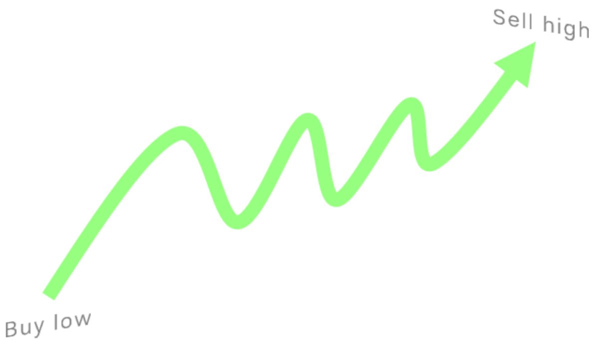
✗ Scenario #2:

However, if the company’s financial results finished off worse than expected, then this will have an opposite effect. The investors will want to sell their positions resulting in less buyers, which will drive the share price down.

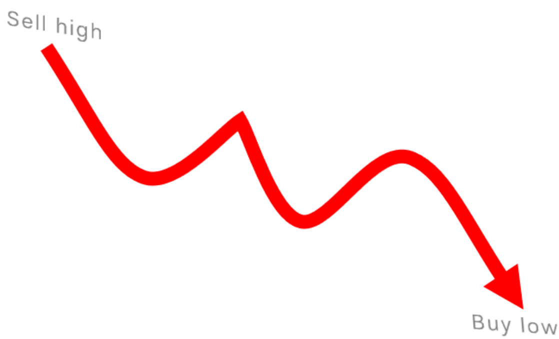
As traders, with supply and demand, we will speculate and anticipate the market’s price direction first and then profit in one of two ways.

Either we'll:

- Buy low (go long) and sell it at a higher price or,



- Sell high (go short) and buy it back at a lower price.



You can trade just about anything online nowadays including:

- ✓ Shares
- ✓ Indices
- ✓ Commodities
- ✓ Currencies
- ✓ Crypto-currencies

Trading & Investing

Relationships Vs Marriage

There are two foundations of analysing the financial markets namely: Technical and fundamental analysis. Let's start with the foundation that most investors use.

#1: Fundamental analysis

Investors focus mainly on fundamental analysis. This is the art of buying a market below an anticipated future value. Investors' do this by analysing several financial drivers and factors of the market, which includes the:

- ✓ **Financial statements**
  (Income, cash flow statement and balance sheet)
- ✓ **Accounting ratios**
  (EPS, DPS, P:E, DY and PEG)
- ✓ **Company prospects**
  (Future valuation of the stock)
- ✓ **Economic and political factors**
- ✓ **Changing lifestyles and demographics**
- ✓ **Income tax rate and laws**
- ✓ **Industry trends**
- ✓ **News and earnings announcements**
  (Quarterly and annual earnings)

#2: Technical analysis

Technical analysis is the other school of thought.

If I had to sum up what technical analysis is in just one word, I would say...

Charting.

This relies on chart analysis, price data, indicators and volume that a technical analyst uses to make different probability predictions on the future market prices.

With technical analysis, you'll base your probability prediction using; chart analysis, price data, indicators and volume.

Technical analysts try to time the market entries and exits using different:

- ✓ **Price charts** (Line charts, candlesticks and OHLC charts)
- ✓ **Oscillators** (RSI, MACD, Stochastics, OBV and ADX)
- ✓ **Momentum indicators** (Moving averages and Bollinger Bands)
- ✓ **Volume**
- ✓ **Patterns, formations and trends**

Note: In this programme, you'll learn a simple breakout momentum strategy with a 62.5% win rate I've used since 2003.

Trading and investing similarities and differences

With trading and investing you can buy, sell and monitor different financial markets.

That is pretty much where the similarities end.

As there's not one true definition and representation between trading and investing, here's a table with some of my main differences.

	Trading	Investing
Time	Short term (Less than 3 years)	Long term (More than 3 years)
Frequency (per year)	Many	Few
Risk	Higher risk	Lower risk
Analysis	Technical	Fundamental
Approach	Long / Short (Buys and Sells)	Long (Buys only)
Products	Derivatives	Shares

If there was one significant difference that separates trading from investing, I would imagine it would have to be based on the level of:

Commitment.

With investing, the relationship is more of a long-term commitment. It’s as if the shareholder decides to marry the share. The marriage may either last a lifetime or end up with a content or a devastating divorce after a couple of years.

With trading, the relationship is more of a short-term proposition. You could call it speed dating. Some relationships will be great and others will be heart-breaking.

Most traders nowadays use geared and risky instruments called derivatives.

Derivatives

A Trader's Dream

A derivative is a financial instrument between two parties whose market value derives and depends on an underlying asset.

The underlying asset can either be a share, index, commodity, currency or even a crypto-currency.

There are several forms of derivatives you can trade, including:

- CFDs (Contracts For Difference)
- Spread trading
- Futures
- Options and warrants

The main reason why most people use these types of derivatives is because it's a cheaper and a more profitable method to trade the markets...

To understand this better, we'll need to examine the very essence of how derivatives work through the function of gearing.

Gearing

The Money-Multiplier-Effect

Gearing (leverage or margin trading), allows you to pay a small amount of money (deposit) in order to gain control and be exposed to a larger sum of money.

Let's simplify this with a more relatable life example:

When you buy a house for R1,000,000, it is very similar to trading derivatives.

At first, the homeowner most probably won't have the full R1,000,000 to buy the house with just one purchase.

Instead, they'll sign a bond agreement, make a 10% deposit (R100,000), borrow the rest from the bank and be exposed to the full purchase price of the home.

This is a similar concept for when you trade derivatives.

How gearing works with CFDs

Let's say you buy 1,000 shares of *Jimbo's Group Ltd* at R50 per share. Based on your analysis, you believe the share price will rally to R60.

As a shareholder, you'll need to pay the full R50,000 to own the entire value of the 1,000 shares (R50 Per share X 1,000 Shares).

In three months' time, if the share price hits R60 your new share exposure will be R60,000 worth of shares (1,000 Shares X R60 Per share).

Note: I've excluded trading costs for simplicity purposes.

If you sold all your shares, you'd bank a decent R10,000 profit (R60,000 – R50,000). However, you had to pay the full R50,000 to be exposed to those 1,000 shares.

When you trade a geared instrument like CFDs, you won't ever have to pay the full value of a share again.

A CFD is an unlisted over-the-counter financial derivative contract between two parties to exchange the difference between the opening and the closing price of the underlying asset.

Let's break that down:

- **A CFD (Contract For Difference)** is an
- **Unlisted** (You don't trade through an exchange)
- **Over The Counter** (Either via a private dealer or a market maker)
- **Financial derivative contract** (Value from the underlying market)
- **Between two parties** (The buyer and seller) to
- **Exchange** the
- **Price difference** between the opening and the closing price of the
- **Underlying asset** (The market the CFD price is based on)

Using the example from earlier – you see that *Jimbo's Group Ltd* offers the function to trade CFDs.

If the initial margin (deposit) requirement is 10% of the share's value, this means, you'll only have to pay R5.00 per CFD rather than the full R50 payment for one share.

With this information, you can now calculate the gearing of the *Jimbo's Group Ltd* CFD.

The gearing calculation on a per CFD basis is as follows:

Gearing = (Exposure per share ÷ Initial deposit per CFD)

= (R50 Per share ÷ R5.00 Per CFD)

= 10 Times

With a gearing of 10 times, this means two things...

#1. For each one CFD you buy for R5.00 per CFD, you'll be exposed to 10 times more (the full value of one *Jimbo's Group Ltd* share).

#2. For every one cent the share price rises or falls, you'll gain or lose 10 cents.

To be exposed to the full 1,000 shares value of *Jimbo's Group Ltd,* you'll need to buy 1,000 CFDs. This will require a deposit of R5,000 (1,000 CFDs X R5.00 Per CFD).

If the share price reaches R60 in three months time, your new overall trade exposure will be R60,000 worth of shares (1,000 Shares X R60 Per share).

If you sold all your CFDs, you'd bank a R10,000 profit (R60,000 – R50,000).

Now that we've covered how derivatives and gearing works with trading, let's highlight the advantages and the disadvantages of trading derivatives.

Derivative Trading – Advantages

#1: ADVANTAGE

Minimal costs

When you trade using a derivative, you never actually own anything physical. This means, you won't have to worry about paying high brokerage and other trading costs like:

- STT (Securities Transfer Tax)
- Stamp duty
- Settlement and clearing fees
- Investor Protection Levy
- VAT
- STRATE

#2: ADVANTAGE

Profit from up or down markets

With derivatives, you can buy (go long) a market at a low price and sell it at a higher price for a profit. Or you can sell (go short) a market at a high price and buy it back at a lower price for a profit.

#3: ADVANTAGE

Get paid dividends

When you buy a derivative of the underlying share, which pays dividends, you'll be entitled to the full amount.

Note: You'll need to make sure the underlying share does pay dividends to their shareholders.

#4: ADVANTAGE

Instant access to world markets

Your broker or market maker will most likely offer you a large range of markets to trade on your one account, including: local & international shares, commodities, currencies, indices and even crypto-currencies.

#5: ADVANTAGE

Profit from more with less

As you'll only have to pay a tiny portion of the price per derivative, you'll have more free capital to commit to other trading opportunities.

Derivative Trading – Disadvantages

#1: DISADVANTAGE

Gearing – Magnified losses

Gearing is a double-edged sword. If the trade goes against you, you could wind up losing more money than what you deposited.

If your trade continues to move against you, you may receive a margin call from your provider. This is the worst-case scenario where you'll need to deposit more funds into your account, in order to keep your trade open.

Note: It's important to carefully implement the money and risk management strategies, you'll learn in this programme.

#2: DISADVANTAGE

Commitment

With derivatives trading, you'll need to commit more time to your trades than you would with ordinary investing.

If you're an intraday trader, this could range to a couple of hours a day. Or if you're a position trader like myself, you'll need to commit to around 30 minutes per week.

#3: DISADVANTAGE

No shareholder privileges

With derivatives, you give up the benefit of owning a part of a company through shares. In other words, you won't be able to vote, attend AGMs or have any influence in the underlying companies.

#4: DISADVANTAGE

Pay dividends when you're short

If you sell (go short) a trading derivative and the underlying share pays dividends, you are liable to pay the portion of the dividend instead.

Now that you know the advantages and disadvantages of trading derivatives, it's time to create your trading work station.

Prepare Your Trading Work Station

The best place to start your trading career is by creating your work station at home. This is where you'll analyse, monitor, trade the markets and prepare for the next trading day.

Let's start with your...

#1: Trading room – Fresh and so clean

If you'd like to be, somewhat, a minimalist trader, the first important step is to find a room away from anything that might interfere with your trading such as noises from the TV, family, animals and even social media.

You might also want to remove any paintings, photos or anything else you have hanging on the wall.

They might be nice to have in other areas of your house but with trading, you'll find they will distract you.

#2: Trading desk – Less is more

Next, make sure the room is cool, with fresh air and has enough lighting. I'd suggest you change your lights to cool-white. With just these few tips, I am sure you will have a more professional feel and a calmer experience with your trading.

With a trading desk, you'll need a comfortable chair with only two screens. One screen for your trading platform, to buy and sell trades, and another screen to analyse your charts.

Next, you'll need to de-clutter your desk. Take off any unnecessary table-pieces, stationery and try to neaten up your desk as much as you can. A cleaner desk will give you a calmer, more organised and a clear work place for when you trade.

Spare just 10 minutes after each trading day to neaten up your desk. This will help you prepare for the next day with a clear and a refreshed mind.

Here are seven things you'll find on my trading desk:

- ✓ 1 Laptop
- ✓ 1 Monitor
- ✓ 1 Good Internet connection
- ✓ 1 Calculator
- ✓ 1 Pen
- ✓ 1 Exam pad
- ✓ 1 Trading cheat sheet (which I'll send to you in Lesson two)

You might be thinking, is that it? Yes, that's it. Simple and minimalistic. The way I believe trading should be.

Let's now get into the three essential tools you'll need to set up your trading platform, in the next part of the ***MATI Trader System*** programme.

Final Words For Lesson 1

We've come to the end of part one of the ***MATI Trader System*** programme. Whether you're a novice or an experienced trader, you're about to learn many new tactics and tips you can apply to your everyday trading routine.

With this programme you're about to skip the steep learning curve and avoid paying any unnecessary school fees. In lesson two, we'll cover the second pillar to your trading success – The METHOD Pillar.

At the end of lesson two, you'll be able to:

- Build your trading system with three tools
- Trade the most powerful chart type – Candlesticks
- Know which way the market is going with three lines
- Create your ideal watch list with these criteria
- Identify the best and most liquid markets to trade
- Differentiate between a healthy and an unhealthy chart
- Know when it is the best time to trade
- Choose whether you're a short term or a medium-term trader
- See why MATI is the perfect word for the system
- Understand what breakout trading is in a nutshell
- Find the strongest support and resistance levels on any chart
- Identify the perfect breakout with a three-step-checklist
- Place your entry, stop loss and take profit levels with each trade
- Spot five profitable breakout patterns on any market
- Validate high, medium and low probability trades with MATI
- Download the ***MATI Trader System*** Cheat sheet
- See how MATI went from 22 indicators to just 1 since 2003

PLEASE NOTE:

If you are not a VIP member of the complete ***MATI Trader System*** programme yet where you can watch and enjoy the next four lessons, you can become a member by clicking here.

Or you can email me your **NAME** with the words ***"Yes, I want to complete the MATI Trader System programme"***

and we'll personally send you everything you need to continue with the programme within 24 hours.

I'll see you in lesson two.

Trade well,

Timon R

Timon Rossolimos

Founder, *Timon and MATI Enterprise (Pty) Ltd*

Join our Facebook group today!

www.facebook.com/groups/MATITrader

ABOUT THE CREATOR

Timon Rossolimos – professional trader, author, speaker and entrepreneur – brings you what he has had the honour of sharing to over 257,000 people since 2003, everything you need in one place to trade for a living.

OUR AIM

To empower, create and grow a life-time community of the most passionate and aspiring ***MATI Traders***. This way we can all look for high probability trades to profit and live a lifestyle of financial-freedom from the ***MATI Trader System*** and other trading strategies.

WHY MATI?

MATI stands for ***Momentum Automatic Trading Indicator***. You'll learn strategies and tactics that uses **MOMENTUM** to **AUTOMATE** breakout **TRADING** signals with just one **INDICATOR** – price action.

CONTACT US

If you have a trading question, suggestion or you'd like to share your feedback, you are more than welcome to contact Timon by emailing Timon@TimonAndMATI.com.