# In The Money

## The simple options strategy that always beats the market

**Heather Cullen**

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### Heather Cullen

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# Dedication

**To my wonderful children**
**Kim and Simon**

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**HeatherCullen.com**

# Introduction

Years ago, as I was buying yet another book promising to reveal stock market secrets and make me fabulously wealthy, I had the niggling doubt: *why are you writing this? Why aren't you sipping vintage champagne on your yacht and partying with the rich and famous?*

You, dear reader, are probably having exactly the same thoughts right now about this book. Let me set your mind at ease.

I am not going to show you how to become a millionaire overnight. I don't know how to do that, and I don't know anyone who does. What I ***am*** going to do is show you a very simple strategy to trade the stock market which has brought me double-digit returns over the past years, and it can do the same for you. It's called the ITM Strategy.

You can do the In The Money (ITM) strategy from anywhere with an Internet connection, and that's practically everywhere these days. You want to spend 4 months this summer drifting through France and Italy? No problem! That's what I did last year, and am going to be doing again this year, and next year too. It is absolutely the best 'job' in the world. I love it and want to show you how to do it too.

Everything starts with a first step. You have just done it. Congratulations on taking the first step on the way to becoming wealthy and financially free.

# Prologue

You've read motivational books, checked out the get-rich-quick websites, and watched the success videos. You've recited affirmations, manifested, and made motivation boards. You know that you can be whoever you want to be and do whatever you want to do. It's all in your mindset. If you believe it hard enough it will magically happen.

***But, deep down, do you really believe it?***

I don't. How many people do you know who really have it made? I bet you know WAY more people who are still reading books about 'fulfilling their potential' or 'living their dream' or who have just given up. Motivational books and courses are great to get you all fired up but that's about it. They will tell you to 'take action' but are very vague on what action you should take.

Let's face it, not many people get to 'live their dream'. It's not because of a lack of energy or intelligence or drive. ***It's because of lack of money***. They don't have a practical strategy to actually make money. They don't know where to start.

Trying to live the dream without money? It's just not going to happen! Money gives you freedom. Money means you don't have to worry. Money means you don't have to do things you don't want to do. Money means you get to do the things you DO want to do.

I know this because for many years I wanted what I (rather vulgarly) called 'F U money'. Despite having a high-flying career in IT, I always had to defer to the CEO, who could make my life

miserable by making bad decisions that I had to implement. So many times, I just wanted to be able to say: ***F U, I am out of here***. But I couldn't. Not then. I needed the pay cheque.

Fast forward to today. I don't work for anybody else and haven't for many years. I don't do things I don't want to do (like cleaning the house for a start!). I do things that I do want to do like traveling – business or first class of course. I have time to enjoy my life. I don't worry about the future. I know I have enough money, and I know that I will make lots more. I am free to live my life the way I want, and that is a wonderful feeling.

This book will show you how to do it too. You will learn to trade the market safely, and with returns that are double or triple the market. The trading strategy (ITM) that I am going to show you only takes about 10 minutes a week, and it is something I love to do. It's not a chore in any way. In fact, I love checking my accounts every day and updating my wealth spreadsheet.

So, buckle up for an invigorating journey to your wealthy future. A journey where you will learn to make money and be on your way to becoming financially free to live the life that you want.

**If you want to have a better performance than the crowd, you must do things differently from the crowd.**

**Sir John Templeton**

# Chapter 1. Monkeys and Markets

The stock market is a lot of fun if you know what you are doing and are on the right side of it. Checking your accounts and finding you are $1K, $10K, or $50K richer than yesterday really gives you a nice, safe, warm feeling inside. You feel proud of yourself. You've made money, but more importantly, you know HOW to make money.

The stock market is a totally miserable place to be if you don't know what you are doing, and it is going against you. When you are losing money, seeing your hard-earned capital disappear – well, that's guaranteed to spoil your day! You feel helpless. You watch your balance go down, not knowing what to do except to sell in a panic. That gives you a cold, shaky, panicky feeling. I know. I've been there. It's horrible. And I am never going there again.

If you have been there too, then you'll know how little fun it is, and it's the main reason why most people stop playing the market. It's a very common situation, not just for newbies, but also for stock market 'experts'. Now for the good news: I am going

to show you how to never be in this position, and how to keep yourself safe while you make profits in the market.

Before we start let's look at how the so-called 'market experts' actually perform. If you think that they know what they are doing and making lots of money then you are in for a big surprise. In fact, their performance is guaranteed to shock you!

## Why a Monkey Can Beat the Market

Did you know that a blindfolded monkey throwing darts at a newspaper's financial pages can select a portfolio that does just as well as one carefully selected by experts?

That's not a joke. It's actually correct. The claim was made in the 1972 book ***A Random Walk Down Wall Street*** and has been tested and found to be true. OK, it wasn't tested by real monkeys wearing real blindfolds. Instead of real monkeys, they used people who selected 100 random 30-stock portfolios. And yes, you guessed it, the randomly selected portfolios did better!

This wasn't a one-off experiment either. They repeated the process of replicating 100 monkeys throwing darts at the stock pages every year from 1964 to 2011 and tracked the results. Each year, an average of 98 of the 100 monkey portfolios beat the average of all the stocks.

How could a blindfolded monkey pick stocks better than highly trained and highly paid experts? There is a very easy answer: because the experts don't do it very well at all. In fact, most 'expert' stock pickers perform ***worse*** than the average of all stocks, which is usually the benchmark they are trying to beat.

Did you know that fewer than 1 in 5 beat the average? Yet, we keep on giving our money to these experts who can't even match the market! Are we crazy? The short answer is yes, we are. Warren Buffet, the well-known investor, has said that Wall Street



is the only place where people ride in their Rolls Royce to get advice from people who take the subway.

## How Bad are the Experts?

That means that ***4 out of 5 experts underperform the market.*** Morningstar, the investment research and management firm, found that in 2016 only 18% of fund managers beat the market. To make it even worse, the fund managers who beat the market one year rarely did it 2 years in a row. How can this be?

There are thousands of 'expert' fund managers and many thousands of managed funds. Most investment management firms will have lots of different funds. This isn't just to give their customers a choice, but of course that's what they say in the glossy brochures. Oh no! It is so that they can cover all bases.

By the law of averages, some of the funds will perform well, some funds will perform badly, and some will be just average. But the investment management firm will be able to point to a few well-performing funds and publicize the performance of the best ones, while conveniently ignoring the funds that performed badly.

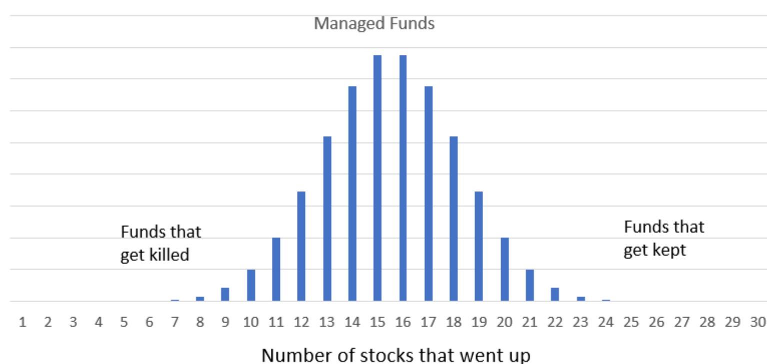
What happens to the funds that perform badly? They will be quietly killed off. Funds are killed off quite regularly. 30% of the poorest performing funds in the 5 years to March 2012 had disappeared by March 2017.

To get a feel of what is happening and to keep things simple, let's assume that all these thousands of funds are made up of 30 equally weighted stocks. These stocks have been carefully selected by the expert fund managers because they think that they will go up in price.

Obviously, some portfolios will perform better than others. In some, all 30 stocks might go up. In others, all 30 stocks might go down. Most will be in the middle somewhere, with some stocks

going up and some stocks going down. By chance alone, half of the stocks will go up and half will go down.

*(To make things simple we are assuming that it is equally likely that a stock will go up or down. In a bull market more stocks will go up; in a bear market more stocks will go down. In this case, the distribution will be skewed but there will still be funds that outperform and funds that underperform.)*




The distribution of funds will be as in the diagram, a Bell or normal curve. There will be some good performers and some terrible performers, but most will be around the middle. No prizes for guessing which ones will be the keepers and which ones will quietly disappear!

## Picking a Winning Fund

Everyone wants to pick a fund that is going to do well, but how can they know which ones they are? Unfortunately, there is no sure way to choose a fund that is going to be successful. If there was, everybody would do it.

You will have seen the warning *past performance is no indication of future performance.* Well, that's absolutely right. Studies have shown that if you pick a fund from the top 25% best-performing



funds for one year, then the chances of it being in the top 25% the next year are - wait for it - 25%! In other words, no better than chance. How many were still there the next year? 4%. The year after? 0.5%. The year after that? 0.3%. So, the next time someone tells you how well their funds under management are doing, just smile politely and say that you are delighted for them. You know better.

We've seen that picking a winning fund is a loser's game. It can't be done. So, what are we going to do?

## The Einstein Approach

The good news is that you don't have to be a rocket scientist to win on the stock market. In fact, you don't even have to know a lot about it. People can spend every waking hour following it and reading about it, but that doesn't generally help them be successful in the market.

Some people do spend all their time looking at it. It is addictive. I know. I've personally wasted way too many days in front of a screen convinced that there was an answer in there somewhere if I worked hard enough at it. Realizing that hard work did not translate into success was hard to accept.

Why I - and everyone else who spends hours and days researching - didn't win was because what I ended up with was knowledge. A lot of knowledge, but that wasn't enough. What I needed was wisdom. What's the difference?

- **Knowledge** is knowing that a tomato is a fruit.
- **Wisdom** is not putting it in a fruit salad.

That said, you DO have to know all about the bit of the market that we are going to play in. I am not suggesting that you stumble blindly in. I am going to work on the Einstein principle:

***Everything should be made as simple as possible,***
***but not simpler.***

The good news is that the part of the market you need to know about it is only a very small part of the stock market information that is floating around. Most of that information is just 'noise' and you can safely ignore it. In fact, I recommend that you do. Let other people worry about the rest of it. You don't need to.

## The Market and the Beach

If you listen to journalists and stock market experts you are guaranteed to end up confused and misinformed, which is not good. You need a clear head and to be able to look past all that noise, because noise is just what it is.

I always think that the stock market is a bit like the ocean and the tides. If the tide is coming in some waves are bigger than others and travel further up the beach making a new 'record'. Some waves do not even make it to where the last wave did, maybe a lot less. But soon afterward another wave comes that will end up further up the beach. And that happens again and again.

If you start watching the waves, then you can become fascinated by them. "Oh look, that one is the biggest so far, I bet the next one will get even further up the beach". Then it doesn't. Some waves are always going to go higher than others. Some aren't going to reach a previous high. But if the tide is still coming in you don't bet against the tide.

***Smart people know that you keep your eye on the***
***tide, not the waves.***

Of course, at some stage, the tide is going to change and start going out. We know that. Just like at some stage the stock market will stop going up and start to go down. We know that too. But I will show you how to recognize the 'turn of the tide' so that you don't get caught.



## Clickbait and Listicles

So why is there all this noise? Every day you are bombarded with articles that scream ***Market Crash Imminent!*** or ***Dow to Double in Next Year!*** or some such rubbish. And woe betide you if you click on any of these headlines. You will be bombarded with even more rubbish articles.

Why do journalists and 'experts' do it? ***Because that is how they get paid***. Journalists get paid by getting as many people to click on their articles as they can. The more clicks, the more they get paid, and the more of an expert they are. It's not like the days of paper newspapers, where there was very little feedback about how many people read a particular article. With online news, every click is tracked so that they know exactly how many people are reading it. Let's say you are writing a news article and you only get paid if you reach 50,000 clicks. Clearly, you want as many clicks as you can get. What do you think people are going to click on?

**Markets pretty normal, same as yesterday**
**OR**
**Expert says market crash starting this week!**

Of course, the second one is going to get more clicks. Who wants to read that yesterday was quite normal, much the same as the day before? That's a 'meh'. On the other hand, if the market is going to crash, they definitely want to know about it, especially if it is an 'expert' saying so. So, they click. It's not just for articles on the stock market. We all recognize:

**Sure-fire cure for back pain doctors don't want you to know!**
**80-year-old woman looks 25. You'll never guess her secret!**
**Young Mum lost 50kg in 2 weeks with this simple little trick!**

We've all clicked on these headlines. I definitely have. What is annoying is that if you have clicked on a headline about, say, luggage then you are going to be bombarded with more of the

same for weeks, even after you have bought your new travel bag. Some stock market headlines you are almost guaranteed to see:

**World's richest man warns of stock market meltdown!**
**Stock market overvalued; experts say sell now!**
**Experts predict imminent stock market crash!**

It is always amusing to look at articles from one or more years ago. You will see hundreds of shocking headlines that never came true or even came remotely close to coming true.

As well as clickbait, there are listicles, a word made up of 'list' and 'articles'. These are incredibly popular and get lots of clicks.

**9 things you didn't know about Kim Kardashian.**
**7 shocking reasons you'll never eat airline food again.**
**5 secrets to a better sex life.**

Listicles are especially popular with finance reporters who know absolutely nothing about, and have had no experience of, the stock market. Some headlines you will have seen:

**Warren Buffett's 7 secrets that can make you rich!**
**5 stocks to buy right now.**
**11 mistakes most stock market traders make.**

Why am I showing you these? ***Because you have to learn to ignore them.*** This is very, very important. You can't stop seeing the headlines, but you don't have to respond to them. Remember why they are being written. Someone wants you to click on them so that they will be paid. They don't care if they are giving you good information or not. They just want you to click.

**So. Don't. Click.**

Keep a clear head. Avoid having your mind getting cluttered up with the rubbish they are writing and get on with making money.



If they knew how to do that, they wouldn't be writing clickbait headlines!

***Remember the beach. The 'experts' are talking about the waves. We keep an eye on the tide.***

## The Rich Get Richer

The saying goes: ***the rich get richer, and the poor get poorer***. If you want to be rich (and let's face it, you wouldn't be reading this book unless you did) then you need to follow what the rich people do, not what the poor people do. So, let's look at the differences.

Let's think of an average person, not rich but not poor. Let's call her Katy. Katy does not own any stocks directly, but she has a retirement fund. She is not involved in making decisions about where the fund invests her money. In fact, she has no idea what she is invested in.

Someone else manages that for her, she just looks at the statement once a year and hopes that it is bigger than the year before. Which it usually is, although nowhere near as much as she would like it to be.

Katy would like to have more money. She thinks it would be lovely not to have to worry about it all the time. She would love to be financially free. But there's a problem. She doesn't know how to do it! She doesn't know anything about the stock market or how to trade it. In fact, she doesn't even know anyone who does.

Katy is not alone. Most people don't own shares and don't know anyone who does. In fact, more US families own cats (30%) than stocks (14%), according to a CNN report. The statistics for American Households in 2017 show that:

- 51% own no stocks.
- 35% indirectly own stock (retirement accounts).
- 14% directly own stocks.

This is for the total population. When you look at WHO owns the stocks the picture becomes much clearer. Stock ownership is a “rich peoples’ thing”. It’s the rich who own the stocks:

- The richest **1%** own over **40%** of stocks.
- The richest **10%** own **84%** of stocks.
- The richest **20%** own well over **90%** of stocks.

That’s the rich, and they are doing very well. There’s a saying ***It takes money to make money*** and to some extent that is true. The more money you have the more money you can make.

If you have $1,000 and you increase it by 5% you get $50. If you have $1,000,000 and you increase it by 5% you get $50,000. A big difference! But I am going to show you a strategy where you can get started with very little money, but really magnify your profits.

So, that’s the rich. What about everyone else? Well, that’s not so pretty:

- The bottom 60% own just 1.8% of stocks.
- The bottom 80% own just 7% of stocks, *including their retirement accounts.*

So, you can see that Katy not knowing anyone who invests in the stock market is not unusual. In fact, it would be **more** unusual if she **did** know someone who actively invested.

## Shark Attacks and Ice Cream

How do the rich get richer? Well, most of that is due to the stock market. Property is right up there also as a rich person’s investment, but it is not really practical for many people. If you are going to own investment properties, you need a lot of money to get started and you may not see a profit for some years.



We can see from the figures above that rich people own stocks. People who are not rich tend not to own stocks. Is there a correlation? In my opinion that is a resounding YES! However, we need to be careful about assuming that just because two things correlate (i.e., they move in tandem) that one causes the other.

For example, rich people tend to have more expensive cars, but just buying an expensive car will not make you rich. In fact, it is probably going to do just the opposite! Every statistician knows:

**Correlation is not Causation (but it can be!)**

What do they mean by this? Just because 2 things move together it doesn’t mean that they are related. For example, the number of smartphones has increased in recent years and so has the incidence of obesity. One could draw an inference that both correlate with our increasingly sedentary lifestyles, but no one would seriously suggest that smartphones cause obesity.

Likewise, shark attacks are highly correlated with the amount of ice cream sold. Clearly, anyone attacked by a shark is not more likely to go and buy an ice cream, and anyone eating an ice cream is not suddenly going to be more attractive to sharks. The probable explanation is that shark attacks and ice cream are both correlated with summer. In summer, more people are likely to be in the ocean where shark attacks can occur, and in summer people tend to eat more ice cream. Hence, we have correlation but not causation. However, people confuse the two all the time and become convinced that one ***causes*** the other. If you want to have a laugh and see some totally ridiculous connections just google ‘*spurious correlations*’.

If you don’t own stocks, then you are missing out on something that could make you wealthy. Rich people invest in stocks because they produce wealth, unlike expensive cars which reduce wealth, and hence they get richer. However, I am not suggesting that you

run out and buy some stocks. Definitely not, that's way too risky. There are smarter ways of making money than owning stocks outright, which is what this book is about. But remember:

**If you want to get rich - legally - the stock market is the way to do it.**

We are going to use a strategy that is simple and elegant and guaranteed to beat the market. If the market goes up by 10%, you will make 20%. If the market goes up 20% then you will be 40% up. Way better than the 'experts' we were looking at earlier!

## What Katy Did

Let's get back to Katy. Katy is aware of the stock market but has no idea how to make money from it, although she definitely wants the freedom that money can give her.

One day Katy was reading some statistics on a website. She saw that 94% of rich households have significant stock holdings (over $10K). But she didn't know anyone who owned stocks. Katy knew about property. She knew a lot of people who were buying their own homes – and they were often mortgaged up to their eyeballs!

And that is why the middle class isn't rich. Not because they own their own home or have a mortgage, but because they don't have anything else. Most people in the middle class have all their wealth tied up in their homes. It's their biggest asset. But:

***For the richest Americans, only 7.6% of their wealth is tied up in their house***.

So why do the rich get richer, and the poor get poorer? The answers are in the figures above!

Now I am not saying that you shouldn't try to own your own home. I do, and I can understand anyone wanting to own their



own place. What I ***am*** saying is that it is not enough. You need an extra plan if you want to be financially free. And that extra plan should be the stock market. So, let's start with a crash course on how the stock market really works.

## Bulls and Bears

Fund managers, stock pickers, market analysts, financial gurus. The one thing they all have in common is that they love having people think that they are smarter than the average bear.

That was an in-joke. Couldn't resist it. You probably know the expression 'bulls and bears' but let's just go over it anyway so that there is no confusion.

- A **Bull** is someone who thinks the market, or a stock, is going **UP.**
- A **Bear** is someone who thinks the market, or a stock, is going **DOWN.**

Why are they called bulls and bears? The most common explanation is to think of their method of attack:

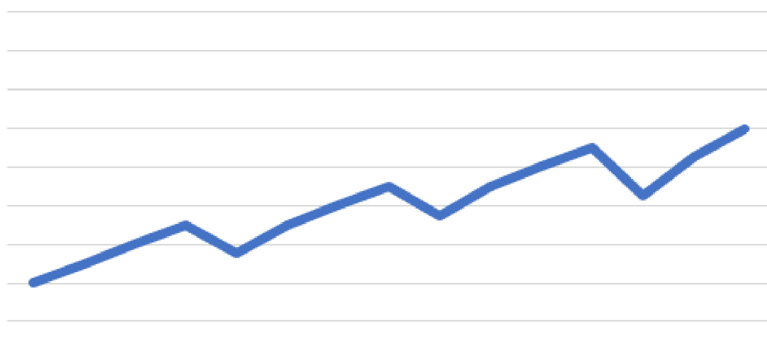
- Bulls lower their head then toss UP.
- Bears raise their paws and crash DOWN.

## The Difference Between Bulls and Bears

There is a saying about the bulls and the bears which is very true:

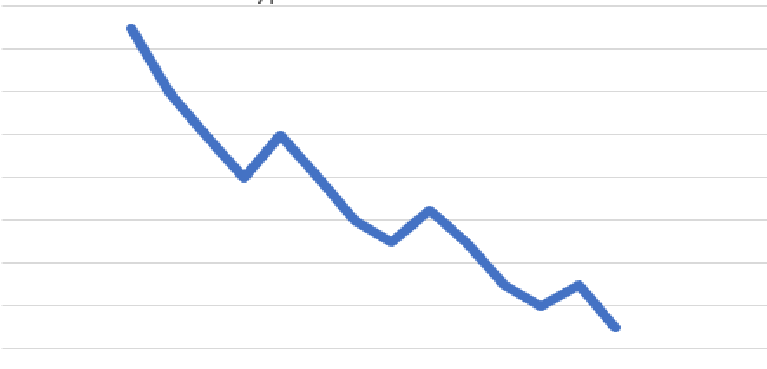
- Bulls walk up the stairs
- Bears jump out the window

What do we mean by that? It means that markets tend to go up slowly, often quite steadily, which is easier to trade because it is predictable. When markets are going up it is called a ***bull market.***




On the other hand, when markets go down, they can go down with breathtaking speed. For example, the COVID bear market of 2020 lasted 27 days, and the market dropped 34%. Terrifying!

Bear markets often catch unprepared people by surprise, and they panic and sell, usually at the worst possible time. Anything to stop the pain of watching their profits, or even their capital, disappear before their eyes!




On the way down, markets often stop for a few pauses on the way. Everyone thinks 'Whew, thank goodness that's over!' and there is what is called a 'relief rally' where people pile back into



the market again driving the prices up. It's more picturesquely, but rather heartlessly, called a 'dead cat bounce'.

As people buy back in, they often buy back their stocks at a higher price than they sold them during the panic. Then the bear market resumes, there is another drop, and the same thing happens again. And again. The diagram above is what a bear market typically looks like. It goes down, but not straight down. It is more like a sawtooth than a straight line. Finally, the market bottoms out and starts to rise again. It always has. It always does. It always will.

## How Do I Know If It's a Bull or a Bear Market?

When I started writing the first edition of this book, we were in a bull market. The post-GFC (Global Financial Crisis) bull market had been going on for quite a long time, over 10 years, although during that time there had been some major reversals, like at the end of 2018 when it plummeted by 20%. There had been lots of headlines saying it was the longest bull market ever.

Then something big happened. COVID happened. The market plummeted, ending the long bull market. What followed was a very sudden and painful bear market that no one saw coming. It was unusual because it was an event caused not by the economy or financial conditions, but a pandemic that closed down most of the world. The extent of closing down really was unprecedented. This was the quickest, most sudden bear market ever.

The recovery from the Covid bear market was swift and a new bull market lasted until the start of 2022, when the market again turned down and entered a bear market. At the time of this update (February 2023), we are still technically in a bear market. Bear markets and how to trade them are discussed in more detail

in the companion book ***In The Money: Bear Market Strategy***. The ITM rules that I am going to show you in this book will guide you safely through incredible events such as a pandemic and the worldwide lockdown.

All bull markets end sometime, and successful traders - that's you (when you have finished reading the book) and me - need to know how to recognize a market top. Not the exact date, of course, no one knows that. But we need to know when it is getting close.

There is a saying ***they don't ring a bell at the top,*** *b*ut the signs of a bull market petering out are obvious when you know what to look for. We'll go through these signs so that you will be able to recognize them. Once we know that we are near the top of a bull market what do we do? We get out of our positions, slowly and carefully, at a nice profit. We don't dump them in a mad panic.

Then we look at how we make money on the way down. You can make money in both a bull and a bear market. The difference is that you can make money more quickly in a bear market because the market moves more quickly. *This book does not cover the bear market strategy.* The next book in this series, **In The Money: Bear Market Strategy,** is all about how to trade a bear market.

Remember, ***the bulls go up the stairs, the bears jump out the window!***

## What a Market Top Looks Like

During a bull market, people make money. Some more than others (and you are going to be one of the ones who makes more). After a while, everyday people start to notice what's happening.

They read about people who have made enough money to buy a new house, send their children to college, go on great vacations, and so on. Then they start to hear about someone's friend who bought this stock, and guess what? The next day it went up 10



times, and they bought a yacht! Then it's on the TV news, and there are adverts everywhere for 'systems' that are guaranteed to make you money and courses to show you how to beat the stock market. The headlines scream at you:

***Dow Makes Another All-Time High!***
***Sixteen-year-old trader makes $1 million in 1 week!***
***Homeless man now a Millionaire!***

It seems to be everywhere. People are gripped with FOMO: Fear Of Missing Out. They figure if other people can do it then they can too. So, they sign up with some 'education' or 'financial advice' company offering them a sure-fire way of picking stocks that are going to double or triple, and they jump in. Usually right at the wrong time, just when the market is peaking. Market Top signs to look out for:

- Headlines and news are mostly positive.
- Lots of adverts for free courses about trading.
- Lots of adverts about 'black box' systems guaranteed to identify stocks that are going to go up.
- People you know are buying stocks for the first time.
- You hear about people borrowing to invest in stocks.
- Taxi / Uber drivers start giving you stock tips.
- You hear someone say: ***This time it's different***.

My personal experience of the Global Financial Crisis of 2008 was terrifying because all around I saw people losing their life savings and their houses. I had no idea when it would finish, no one did, so I was waiting for a bottom like everyone else.

Luckily, I personally didn't lose any money in my trading accounts although I did lose a lot in my managed funds (never again!). I had seen the signs and was prepared. The tipping point was when I read an article in August 2007 about how the stock market could never crash again. I didn't understand what the writer was trying

to say, it seemed like gobbledygook to me. But I **did** recognize what it meant. It was really saying '***This Time It's Different'***.

I realized that the other signs were all around as well, so started to close down my positions. I was a little early (August/September 2007), so I had to endure the pain of seeing the market keep going up while I was sitting on the sidelines. I started to doubt myself and think that I had got it wrong and everyone else was right. Everybody else was still making money and crowing about it. I felt like a bit of an idiot. A lot of an idiot, actually.

But I was only out by a month or two. The market peaked in October 2007 then started sliding and did not reach the bottom until March 2009 by which time it had lost 57% of its value. Luckily, being out of the market I was not affected, other than the retirement money I had in managed funds. They froze all withdrawals, leading me to vow never to let anyone else manage any of my money ever again. Sadly, however, many people lost their life savings.

We had the Covid bear market in 2020. What I found strange was that initially the markets shrugged off the threat of a pandemic and did not seem to realize the seriousness of the situation. Then, of course, all of a sudden it did, and the market dropped like a stone.

Between the 19th of February and the 23rd of March, it lost 34% of its value. For people watching their investments and retirement funds disappear before their eyes, it must have been terrifying.

A famous investor, Sir John Templeton, once said:

**Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria.**

This sums it up nicely. So where are we right now, in February 2023? I would guess somewhere between pessimism and



skepticism. Every attempt to rally (optimism) has turned into a bull trap (if you don't know what that is don't worry, we will cover them later in the book) so pessimism still abounds.

2022 was an exceptionally painful year as the stock market slid quite slowly into a bear market. The definition of a bear market is that it drops 20% from its highs, and it did by June 2022. Technically, we are still in a bear market; to exit we have to increase 20% from the low and we have not done this yet. The market has been rising steadily this year so far, but as yet a new bull market has not started.

Will it? Or will it drop again, and the bear market will resume? It could do; A look at the bear market of the early 2000s shows this.

Would the ITM strategy have kept you safe during the bear markets? Yes, it would***. If you were following the ITM (In The Market) rules you would have sold before your losses became large***. I followed the rules, so I got out before I lost too much money. They kept me safe, so I was watching with horror - but from the sidelines. A much more comfortable place to be!

To see the actual trades with the getting out and getting in signals visit https://HeatherCullen.com/backtesting.

## Chapter 1 Highlights

At the end of each chapter, we will review the major points so that you can check that you haven't missed anything.

- Experts are not good at getting results – most underperform the market. Managed funds don't perform any better.
- The market direction (trend) is like the tide, the daily fluctuations (noise) are like the waves. We are going to trade with the tide and ignore the waves.
- The news is full of market noise. We have to learn to read the mood, but not get sucked into believing the headlines and experts.
- Rich people get rich because they own stocks. Poor people stay poor because they don't.
- Bull markets are when stocks are on an uptrend. Bear markets are when stocks are in a downtrend. We need to know which one we are in to be able to trade safely.

And finally, some more words of wisdom from Sir John Templeton:

***When people are desperately trying to sell, help them and buy. When people are enthusiastically trying to buy, help them and sell.***

# Chapter 2. The Rollercoaster

Right now, you're thinking *'OK, I want to start now, let's just cut straight to the strategy!'* Fear not, we will get there as promised, but first, we have to dispel a few myths and look at WHY people generally lose money on the stock market. Forewarned is forearmed. You need to know what to expect so that you can handle it with equanimity, and not panic and freak out because you don't know what is 'normal'.

### Why People Lose Money on the Stock Market

Almost everyone has a horror story about the stock market. How they lost their shirt, or their friend lost theirs', or their friend's friend, or someone they heard about somewhere. These poor people had their life savings wiped out, and lost their house, now they are working two jobs to make ends meet.

The sad thing is that these stories are probably true. People who don't know what they are doing often lose everything. The stock