

# **Losing It**

Ten Easy Steps to Losing a Fortune on the  
Stock Market

By Morgan Stone

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*Dedicated to the brokerages and banks, which reap untold wealth  
from these very techniques.*

## Step One - Buy Books on Trading and Technical Analysis

Stock market losses, big or small, are not just a fable, a myth or something that only happens only to the other guy. In fact, with the wealth of tools, information, books, gimmicks, scams and out right lies designed to harvest your money, it is now easier than ever to lose big-time. So, there is no excuse. Let's get down to losing some hard earned money right away.

### **Books, Books, and More Books...**

#### **...Not to Mention Pamphlets, Papers and Brochures**

The fact that you're reading this e-booklet is an indication that you may have already lost considerable money to the stock market racket by buying trading books and publications. This e-booklet is free so it doesn't count, though I'm going to help you lose money; I'm not going to take it from you. There's a very efficient system in place for that already. If you have never purchased a trading book, you should start doing so right away. There is absolutely no shortage of them and they certainly are not cheap. Although you probably won't spend a complete fortune on them, they will cost you considerable coin; a good first step on your way to true financial failure.

If you already have a truckload of these promising tomes proudly displayed in bookcases in your elegant "trading room" (read den), gaudy colors and eye-grabbing designs displayed for all to see, you're only part way there. You have to read the come-ons and promises of instant wealth, study them, and follow the instructions with care. These books have been written by people who may honestly believe in the techniques they describe. Fortunately, they seem never to have observed the mass behavior of prey. The First People's of North America, knowing how their prey behaved en mass, were able to successfully slaughter entire herds of bison by stampeding them off cliffs. They did this by knowing how bison behave as a herd under certain circumstances. Professionals, with direct access, high volume and algorithmic trading systems, along with nearly limitless millions of dollars enabling them to manipulate, have studied and know well the mass

behavior of their prey, the herd. By following the techniques outlined in those bookstore trading publications, you too will be able to behave like a member of the herd, thereby being very effectively parted from your money. It's easy! Start studying, start trading, and start losing today.

### **Technical Analysis**

Back when I was a kid - not that I considered myself a kid at the time - I had a high school Driver's Ed assignment to watch an intersection for two hours and make note of repeating behaviors. It was my introduction to technical analysis. I noticed repeating behavioral patterns along the lines of: when the light goes orange people speed up, when it goes red they stop, when it goes green they go, if they don't go fast enough, middle fingers get raised and swears get shouted.

If an alien beamed down to the intersection - my Driver's Ed instructor might have been some sort of alien - and bet against my predictive powers, I could have cleaned him out. Until, that is, he clued in to what I had observed and used his super traffic-signal-control-ray-gun to manipulate the lights. Knowing ole chrome-dome (that's the alien, my Driver's Ed instructor), he would catch on pretty quickly. I imagine he'd be generating the signals that made the traffic go, speed up, stop and shout obscenities in no time. Then, he'd clean me out if, that is, I had any money which usually I didn't because I spent it on music I can't believe I ever listened to and junk food I wish I had never eaten.

So, how does this intersection observation analogy shed light on helping us lose money on the stock market? Well, imagine what would happen if we could create technical analysis buy and sell signals/patterns on stock charts to instigate mass prey/herd behavior. Sure, I know. If we could do that, we would be rich. Well, as individuals we can't, but there are organizations that can and do. By manipulating the market through technical analysis signals, they are quite capable of harvesting our money very effectively. Thus by following technical analysis you too will be able to join the herd, and there's a cliff dead ahead.

## Step Two - Follow Online Advice, Chat Rooms, and the Internet

This comes in two tempting flavors: paid-for and free. Both are highly effective at separating you from your cash. The free stuff, however, tends to have the advantage of leaving you feeling suckered, ripped off, and well and truly scammed. In the end, you won't just have lost your money, but as an added bonus, you'll lose all confidence and develop ulcers. The free advice can cost you the most, so don't overlook it in your quest to lose a fortune on the stock market.

The scams available out there to Hoover up your money are numerous. Therefore, I only have room here for a few of my favorites. You, too, can discover new and wondrous scams by the sombrero-full all over the Internet.

### **Pump and Dump - An Oldie but a Goodie**

There's a stock that doesn't have much volume. You've never heard of it before, but suddenly it's all the rage. When you hear words like, "you absolutely have to get on board before it's too late," it's your golden opportunity! You're bound to lose money. Chances are, you will buy at the top, whoever was touting the stock will have a big short position, and the stock will crash. Your position will be almost worthless and the stock touter's (pumper and dumper's) position will be big and fat on your money when he buys your nearly worthless shares back to cover his short position. It's brilliant in its simplicity and an obvious favorite of people just like you and me looking for ways to lose it all on the stock market. It must be, it keeps happening. It can work the other way too. Don't overlook this tried and true technique to lose a fortune on the stock market.

### **"Every Prediction This Guy Makes Comes True"**

You're bored, there's nothing in your inbox but spam, so you read some of it. "Free stock tip - XYZ is going up." You don't really care, but you make a mental note of it. Your favorite TV show is in reruns and you probably should mow the lawn now that you have that beer holder on the mower handle. The next day you happen to notice that XYZ is

indeed up. This sparks some primal interest in you. Who is this spammer and what does he know? You notice another letter in the spam box predicting XYZ will go up again. The next day it does go up. With sweaty palms (a sign you're itching to lose big-time) you're digging in your spam box hoping desperately to find another of those golden come-ons. As luck would have it, you find one. XYZ is going down. And it does! Your golden goose has come home to roost. But the current spam doesn't give you a prediction, it tells you to shell out big bucks for the next prediction. What the hell? The guy with the exorbitant fee has been right every time.

I've just outlined a perfect strategy to lose money and get taken for a ride. If you find yourself in this position, go for it! This is what will happen next: either XYZ will go in the predicted direction and, chuffed (figuring you have to make your fortune before you can lose it), you will pile more money into that prescient prediction service or XYZ won't perform and, cracking a cold one, you'll say to yourself "Oh well, he gets it right *most* of the time," and still pile on more money. The same thing will likely continue to occur. If you're lucky enough to have two big losses in a row you might just be broke or below minimums already.

I know magicians tend not to reveal their tricks, but this one has been around forever and is elegant in its simplicity. I will share the mechanics with you. A spammer takes a stock, any stock, and a DVD with a vast number of harvested e-mail addresses - any spammer can get one for a handful of rubles in some hacker bazaar on the back streets of Moscow. Then they spam one half of the addresses with a prediction XYZ will go up and the other half with a prediction XYZ will go down. Still don't get it? Okay I'll go on... Let's say that DVD had 1 million e-mail addresses. Five hundred thousand of those have been sent the correct prediction. The five hundred thousand with the incorrect prediction are simply ignored. Now, the Five hundred thousand that got the correct prediction will be divided into two groups, one of which gets a prediction of up and the other of down. As before, the one that got it wrong is discarded... By now, the spammers have a well primed, frothing at the mouth market consisting of one hundred twenty five thousand potential customers eager to lose big-time. They can divide that number by two for a long time and

still rake it in. Especially given that the dupes have now paid for the service. Call it blind faith, call it a refusal to be wrong, call it unable to see the egg all over your face, but the tendency is to believe in the product more strongly once you've paid cold, hard cash for it. The spammers can count on an astonishingly high percentage of dupes to actually carry on paying for a completely bogus service.

When this scam comes your way put everything you've got into it! This is a wonderful chance to lose big-time!

## Step Three - Trade WITHOUT Insider Information

This one's a no-brainer. If you *have* insider information and you want to *lose* money, don't trade. That way, you won't lose money (or break the law) but at least you won't make any. If, however, you don't happen to have insider information, this is a very easy step to take. Essentially, trading without insider information - which you probably don't have or you wouldn't be reading this e-booklet - is a very effective way to lose money on the stock market.

Like Gordon Gecko from the movie Wall Street, insiders trade sure things. In other words, they don't trade without insider information. They *make money* by taking it from those who have no access to such data. Therefore, if you find yourself without insider information, which is more than likely if you aren't the Gordon Gecko type, you stand a slightly better than 50-50 chance of handing your money over to somebody who has access to it.

To reiterate, make sure you have *no insider information* before you make a trade if you want to ensure consistent losses.

## Step Four - Improve Your Odds of Losing Big-Time with Options

Ever heard of leverage? Of course you have. But did you know it's one of the best ways to not only wipe out your savings but to leave you in debt as an added bonus? Stock options are one of several ways to use this handy cash reduction method.

What is an option? Well, it's absolutely nothing, actually. You pay for it, and then it decreases in value over time until it is worthless - which technically how it started out when you bought it. I can see that gleam in your eye as you imagine how effective this might be at losing money, so let me explain further. An option is simply the option to buy or sell a stock for a specific price sometime between now and a specific future date. Do you own the stock? No, you own the right to buy or sell the stock, which you've never actually owned. Confusing? Good - it's supposed to be. Like that game with the shells and the pea, confusion is your friend when you're trying to lose money like a pro.

Something to keep in mind while losing money with options is that 75% of all options eventually expire worthless. So, you buy one of these things - or 100 because you have to buy them in batches of 100 - and you have a 75% chance of your money being entirely thrown away. With odds like that, who needs to bother with the actual stocks? Of course, being the wily type, I can anticipate your next question; a 75% loss means there must be winners on the other side of that equation somewhere. Well yes, actually the winners are mostly the brokerages charging exorbitant fees to trade these things. There are people who sell options, a process called *writing options*. People who sell them are called writers, and sort of like writers of fine literature such as the e-book you're currently reading, option writers tend not to make a lot of money. It is highly speculative and an excellent way to lose more than you've got... definitely something that should be considered on your path to financial ruin.

## Step Five - Invest Your Way to Financial Ruin

More the tortoise's approach to losing money than that of the hare, if you are patient you can still reap a slow and steady erosion of funds in this manner. Of course, there are always exceptions and it is still possible to divest yourself of equity rather rapidly under certain circumstances... Some examples: you could have bought a house in 2007, dot-com stocks in 1999, the Russian ruble in 98, NASDAQ stocks in 87, railways in the 1840s or tulips in around 1637. Then again, if you were buying tulips in 1637 there's somebody from Guinness who'd like to have a word with you.

Companies want you to invest in their stocks to finance growth in return for a tiny interest in the enterprise. You can be reasonably certain, however, that the company big wigs will avail themselves of any opportunity to pay themselves first, foremost and handsomely, including what they consider to be well deserved extravagant perks, long before taking any shareholder's interests into consideration.

Companies have risen in value over decades, of course. But how many? Sure, we remember IBM, McDonald's Corp., GM - whoops... But who remembers the ones that didn't? Let's have a show of hands - ah yes, I thought so, those who have lost, big-time. Those big losers remind us all that investing in stock is a tried and true road to financial ruin.

"I have a friend..." is definitely an excellent way for potential money-losing statements to begin. The promising statement continues: "who kept telling me to not give up on a favorite stock." Let's call this stock "XYZ" to avoid libel and defamation issues - I've checked, there is no XYZ trading on any exchange listed by the big Internet service providers and if there happens to be and I missed it, I am in no way referring to it specifically. This friend - actually, he's a *former* friend - told me at increasing levels of volume, that if I like XYZ at \$85 I'll love it at \$65 and I'll love it even more at \$42.75. I wasn't loving it so much at \$16.32, but I kept buying, even going into debt to do so. By the time my nervous brokerage wanted their money back, I was well and truly broke!

I had stumbled upon an almost effortless way to lose money on the stock market!

While your buying and holding won't make your brokerage or bank rich, a constant erosion of wealth can eat away at your investment while the executive officers, owners, etc. find a way to get hold of your money to buy themselves villas in the South of Spain. There are certainly possibilities here to watch your fortune disappear, especially if you select your stocks carefully. Stocks with a "get rich quick" agenda should be at the top of your list of picks. So, you can see that investing in stocks, if handled carefully, can be an effective and time honored way to lose money on the stock market and a step that should not be overlooked when planning for your financial ruin.

## Step Six - Follow the News to Lose

Who owns the news? Why, big corporations financed by taxpayers and stockholders. Of course, the government is also largely run by large corporations that can use various policies as well as government ineptitude to manipulate the stock market. But the news is a wonderful tool for manipulation. It's like the world's biggest pump and dump scam and it's not only legal, it's trusted, and can be followed blindly right over that cliff up ahead.

To use the news effectively to lose a fortune, however, you must ignore nagging observations like the way news seems to follow a one-month cycle, going from good to gloomy, which incidentally happens to follow the cycle of the futures and options market. Or that stock predictors on news casts tend to be wrong with the kind of devastating accuracy a small time stock tout might have in a pump and dump scheme. Don't forget, every trade is a winning trade... for someone. You just want to make sure that someone isn't you. This is easy if you follow the news to lose.

## Step Seven - Lock In Your Losses with a Stoploss

Don't let the name of this trading technique fool you into thinking it's not an effective way to lose money hand over fist. Sure, it stops you from losing more of your investment on a particular position - not counting those exorbitant trading fees, which actually *do* count, of course - but it does lock in whatever you have lost. If you're getting any sort of trading advice or following technical analysis manuals, you will have been instructed to set your stop loss to trigger at a level where the stock will invariably turn around and become profitable, if you were still in it, that is. Of course at that point, your stop loss will have already been triggered and you will have taken an excellent loss, paid more trading fees, and will be sitting at your computer, hopefully with a cold one, watching the stock take off.

Now, thinking back to that ability to "know your prey," let's say you knew where people were going to put their stop losses and you had the money and power to manipulate the market. Well, luckily for us, there are professionals whose business it is to make sure we lose big-time, knowing from those very same trading books and other advice we read and study, just where we will set our stops. Just to make sure the system doesn't coddle those misguided souls who for some strange reason actually want to *make* money, the brokerages *know* where the stops have been placed, and make sure that information is available.

Therefore, don't worry that the "stoploss" will actually stop your losses. Set your stops carefully and you will stoploss your way to losing a fortune on the stock market.

## Step Eight - Cut Your Losses, Let Your Winners Ride

This step follows the stoploss because it works almost the same way. Of course, wouldn't it be great, both for those who want to lose money and those who want to make it, if stock prices moved in one direction and stuck to it. They don't. They go up, down and sideways. The way this time-honored technique works to enable the loss of money is by closing positions when you have a guaranteed loss and leaving profitable positions open until they become losses.

Way back in the era of disco, a couple of traders bet that one of them could train lizards, amphibians or something of that sort to trade stocks and make a profit by simply following a set of rules that cut losses and let the winners ride, even adding to them as they became more profitable. Turns out lizards and amphibians have way too much common sense to play the stock market, so they ended up using instead folks who knew nothing about trading except that you should follow a simple set of rules. Guess what? They were wildly successful. Then again, it *was* the disco era. There were no retail traders, stock market manipulation was difficult, there were no level II terminals in the hands of regular people, and even professional traders relied on hand-drawn charts and telephones with only one ring-tone and a wire from the wall.

Just try this technique nowadays. You'll be up against supercomputers, high-volume trading, levels of platforms that would make your nose bleed, multibillion-dollar hedge funds, mutual funds, banks, governments, and maybe even bored housewives with an iPhone. Right! there is really no way you can move fast enough, big enough, or brash enough to not lose money, and lose it fast. So, cut your losses and ride your winners all the way to the poor house.

## Step Nine - Ignore the Negative Chatter and Believe in the System

Delusion and willful ignorance are helpful in developing a losing mindset. The psychology of losing is important when trying to make those losses consistent. It's important to ignore warnings, to have absolutely no doubts, and to contradict anyone who may try to wreck your losing game by using words like "gambling," "risk," "rigged system," "house," "dealer," or "the biggest game in town." Just keep telling yourself, "trading is a science, a skill, an art" - anything but gambling. Hell, if you admit to gambling you're only a step away from questioning this racket and the art of losing money. So, don't let responsibility or reality ruin that losing mindset.

## Step Ten -The Trend Is Your Friend Right to the End

"The trend is your friend." I'm sure you've heard this platitude, along with others like, "buy low sell high." There is actually some truth in them when it comes to losing big-time. Aside from the mind calming and focusing effect they have as a mantra, they also contain valuable lessons.

Let's focus on, "The trend is your friend," because once you have identified a trend, you sure as heck won't be able to "Buy low, and sell high." Part of the beauty of these platitudes is that because we have only one mouth we can't utter them both at the same time. If we could, we'd realize they're contradictory and we might notice other inconsistencies eroding that losing mindset. But for our purposes the trend is indeed our friend, because once we identify the trend, it's too late to make money and we are ripe for a loss.

"Why is that? Why not trade really fast, like day trading or scalping?" If you're asking these questions, you probably don't need an e-book like this to tell you how to lose and lose big on the stock market. But, for those of you just starting out on a losing career, I will explain. You can certainly trade faster and look for a shorter trend, but by the time you find it, whoever started it will be raking up your money and then bringing it to an end. No matter how fast you think or act, supercomputers and trillions of dollars are thinking and acting faster than you. You hang on a little longer, just to be fair to those who want to try to make money on the stock market, but the trend still eludes you. It's been said by many a smart mathematician that the stock market, its trends, its patterns, are fractal in nature. What this means is that they occur in all time frames. That trend you see developing now is going to end right about the time you call it your friend. It's been designed by mathematicians, traders, gamblers, psychologists, and other wildlife to do just that. Therefore, on your way to debtor's prison, the trend is truly your friend.

## In the End

Perhaps you've been down this road a ways. Maybe you're just starting out, or maybe you're looking for a good self-deprecating laugh. Hey, laughter is the medicine that might make those losses seem a bit less bitter. Regardless, this essay is a lighthearted warning to those of you who actually do *not* want to lose your hard-earned money, to take this game seriously, skeptically, and never, ever, with money you can't afford to lose.

Unless, of course, you truly do *want* to lose your entire fortune (such as it is) investing in the stock market.

Also by Morgan Stone

### **Know That You can be Free**

Meg helped her partner, Elena, flee Russia: an increasingly hateful and oppressive society. In March 2006, the two women started their escape in Kiev, Ukraine. In April 2007, Elena and Meg arrived safely in Victoria, Canada after spending months in hiding, and surviving a ten-month ocean crossing journey in a sailboat.

*Know that You Can be Free* is Meg's recollection of some aspects of that journey, including reflections on women's empowerment and other personal-liberty related subjects.

### **A Dangerously Unconventional View of Canada**

“Oh Canada!” From these loaded words and exultant headlines, one assumes this North American pseudo-country is a veritable utopia. But what do we really know about Canada? What is life like there? What are the people like in Canada? Join me for a hilarious, no holds barred, irreverent, interview with Meg, a Canadian, familiar with a class system that officially doesn't exist; two worlds, two very different realities: obscene wealth, ignorance, safety, and contempt; yet, just across the tracks, it's a world of servitude, poverty, social programming, fear and despair.

Consider this fair warning: you might just puncture a lung, laughing yourself to hysterics with Meg's megadose of whoop ass reality. Be careful, it bites!

books are available on

**morganstone.ca**