

SAMPLE PREVIEW

# The Naked Trader

How anyone can make money  
trading shares

*3rd edition*

by Robbie Burns

Hh

*Also by Robbie Burns*

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**The Naked Trader's Guide to Spread Betting**  
How to make money from shares in up or down markets

[www.nakedtrader.co.uk](http://www.nakedtrader.co.uk)

# Preface

## Welcome to the Crazy World of Shares



**E**ver wondered whether you could make money by buying and selling shares? And maybe eventually quitting that damn job to do it? Being able to tell the boss to stuff it?

I think you can – whatever your age, job, status or character defects!

I did it. And honestly, I am not a planet brain, I'm not great at maths and I'm pretty lazy. So if I did it, you can too!

This third edition of *The Naked Trader* will be your best friend if you want to learn how to make money from shares. I'll reveal to you common-sense stock market knowledge that's taken me more than 14 years to learn. You can learn from the things I've got right – and learn even more from the things I've got wrong. Not to mention things that other people have got right and wrong, too.

Oh, and don't worry – I speak plain English, not the financial gobbledegook others hide behind. I hope you'll gain from my experiences without having to trawl through a lot of boring old financial twaddle found in so many other books about the market.

## Is this book for you?

Who is this book aimed at? Well, anyone interested in making money from trading shares. For starters, it's perfect for total beginners to the stock market – the first bits of the book, for instance, are all about exactly what your first steps should be, and all the core information you absolutely must know (but for once written in a way that won't give you concussion).

But it's also very much for those of you who are already trading, and who want to improve. It's packed to bursting with strategies and helpful hints that have all worked for me. I think that should also make it equally interesting to the more experienced investor, who perhaps wants to try out some new ideas.

And no matter your experience, if you have ever bought books about making money in the markets before, but found yourself collapsing off your chair in boredom after five minutes, this book is for you too. Trading isn't dull, so there's no reason for a trading guide to be a papery equivalent of Ovaltine. That's why this one isn't.

The only trading topic this book doesn't cover in any great depth is technical analysis. So if double bottoms are your thing, I'm afraid you'll need to look elsewhere. [Oo-er, missus, etc. – Ed.] I'll touch on them briefly. [I bet you will. – Ed.] But that's all. [I'm out of innuendoes now. – Ed.]

Put simply, this book will teach you everything you need to know about how to make money from shares – and without giving you a headache. I've got a low concentration threshold myself. If I can write it, you can read it!

*Robbie  
London, 2011*

# Introduction

## Trading Shares, Eating Toast, Making Money

**W**hen I wrote the original *Naked Trader* back in 2005 I thought it would be a one-off. I never expected it to sell many copies. I had felt there was a gap in the market for a simple-to-read book on how to make money from shares, written by someone who has really done it full-time, but I was stunned when it turned out that gap was pretty big and the book went on to be a bestseller. Three years later I wrote the second edition, which sold even more than the first one.

I'm so pleased that my writing seems to help people. The emails from those who tell me they've never even bothered reading a whole book before, but have managed to finish *The Naked Trader*, are very satisfying indeed.

This completely updated third edition is designed to be read from scratch, so there is no need to buy the previous two editions. In fact, if you bought one of those, I hope you will find this new edition worth getting too. It's a top-to-bottom revision, adding another four years of market experience to the core material of the earlier books, with tons of refinements and new stuff throughout.

## Why a third edition?

Markets change and move fast. Since I wrote the last edition (2007) many things have happened in the world of shares, and I've learned a lot too. I only want to bring out new editions when I think I've got something genuinely new and valuable to add, and the time definitely feels right now.

This book contains lots of new strategies and ideas that have arisen out of the past four years of trading. In that time, my trades have actually become more profitable, and I've been able to refine a number of new techniques

that are definitely worth passing on. In fact, since the last edition I've become a millionaire. [It's true. He dresses like Mr Monopoly now. – Ed.]

So if you bought either of the previous editions and enjoyed them, I hope you will like this one just as much. Of course, there is some ground that has to be covered for new readers, and old hands may find some of this familiar.



But much else is new, and everything else has been updated, refreshed and spring-cleaned. This is still the one book you need to get started in trading, as well as a source of seriously decent strategies for making that trading worthwhile.

## Jargon-free, common-sense advice

If you've never traded a share before it doesn't matter, as I'll guide you every step of the way. And if you have traded for a while and have made losses, I am confident I can put you on the road to long-term stock market success by getting rid of your bad habits.

If you have traded shares for a while, but you're struggling to make money, I hope you'll find some of my strategies useful.

You won't find any inexplicable stock market jargon in this book – I write in plain English. You won't have to start scratching your head and think,

‘Has he lapsed into Esperanto?’ I’m going to explain how to buy and sell shares the easy way, and guide you to the winners. I’ll be taking you through every step and explaining all the silly jargon.

*The fact is: stock market investment is easier than you think.*

Brokers and tipsters love to spout jargon because it makes them look clever, and helps persuade you to part with your hard-earned money as a result of their ‘advice’. But I’ll guide you through all that nonsense so that *you* can make your own decisions and do your own research.

## **This is not a get-rich-quick book (sorry!)**

One thing I certainly can’t do is promise that £10,000 you have spare is going to become £100,000 overnight as a result of reading this book.

Though I have become a millionaire, it has taken me many years. Building a fortune from trading takes time, and you will make more money by growing your money slowly than by trying to make a million in a year (you won’t succeed, and the flame-out could be pretty disastrous).

You know those ads:

*“Make £400 a day from the markets ... ”*

*“Become a stock market millionaire with our software ... ”*

Come on, you’ve always known in your heart of hearts that when something sounds too good to be true – it is!

This book is about building your wealth slowly and surely – with realistic targets and time frames. Using discipline, good stock-picking techniques and avoiding the mistakes new investors nearly always make, I believe I can make you richer. But you just aren’t going to become a millionaire overnight.

I became a millionaire, but believe me, it took loads and loads of nights!

Trading shares is an exciting roller-coaster ride with plenty of thrills and spills. I really hope that excitement comes over in *Naked Trader*.

If you have never bought or sold a share before, I hope I’ll arm you with the information you’ll need to start trading. This includes everything from how to buy a share to getting real-time prices.

Then I'll tell you everything I've learned over 14 active years of trading. You'll learn what makes shares move and what to watch for before pressing that buy button. I can also reveal how to make money by backing shares to go *down*. And I hope to provide you with tons of useful info you just won't find anywhere else.



Whether you have a small amount to trade, or you've inherited £100,000, I hope after reading this book that you will be well-armed to enter the fray.

So, get a cup of tea, put your feet up and welcome to the crazy world of shares. Oh, and never forget the toast.







# Escaping the Rat Race

## My story

**I**n about 1998 I remember sitting in a grim office overlooking a dismal carpet warehouse on the A4 and thinking: “Is this how I want to spend my life?”

I was earning quite a bit, but I wasn’t happy. I didn’t want to be in a horrible office working for a big company anymore. I knew what I wanted: freedom!

I quit the rat race in 2001 and have never looked back. I love my lifestyle. No moody bosses or targets. Just me! Of course there are no office politics – but I can live without them!

I now sit at home in my office overlooking the Thames, with my feet up, putting on a trade here and there and relaxing. My wealth continues to build in the markets over time.

Luckily for me, I realised working for someone else – unless you absolutely *love* what you do – is a mug’s game. You’re just there to pay the mortgage every month.

So while I worked for BSkyB, I also worked for myself. I had a shiny Reuters machine on my desk (after the cleaner had been), and I learned everything about the markets through practice.

I quickly realised I could make a lot more money trading than in my full-time job, and in 2001 I quit to trade more or less full time. Before this, though, I had to get some extra money to trade with.

## **The delectable Buffy**

So while still employed I started to develop other income streams – one of which, incredibly, included a *Buffy the Vampire Slayer* information line. This made me £250,000 over four years! It simply involved me reading out the latest Buffy news on my phone at home – eager viewers would call a line to hear the recording, and I made money out of each call. Sadly the series ended in 2000, and so with it the line.

I started it for a bit of a laugh ... but on its first day the guy who owned the phone company called me and said: “Bugger me, it’s just taken £400!”

## **Happiness is ... residual income**

And I sold mobile phones and cut-price phone calls and energy for a company called Telecom Plus. And still do now, actually, from time to time via my website. I got – and still get – a cut of every phone call made or energy used by customers that have signed up through me. It’s called residual income and it pays all my bills even now. I still earn from customers I sold to in 1999!

Armed, therefore, with a huge pile of cash, I quit my job and decided to trade full-time.

## **Waiter, there’s a fish in my fish pie**

However, I did want a bit of a fallback in case I wasn’t such a great trader, so I bought a café near a tube station in Fulham. That proved a lot of fun and I made quite a bit of money. My wife and I improved it till it made £1,000 a day instead of £300 – it was very successful.

So successful, in fact, that it actually became a pain in the neck. More customers, which led to more staff, which led to more problems. Classic growing pains.

Sometimes staff didn’t turn up and I found myself making coffees at 7am! It involved all kinds of problems: firing staff; talking to customers complaining there was fish in their fish pie; and dealing with all the mess a café brings.

The worst incident I can remember was when all the staff were sick, and I was on my own behind the counter trying to deal with a large queue of people.

So I shouted out to the café: “I need help! Anyone want a short-term job? £10 an hour.” And one of the customers came to my rescue and started serving. There was a lovely community spirit and I met a lot of great people.

But with my son arriving on the scene it became too much effort to run it, and enough was enough.

I had originally intended it to be the start of a chain, and I nearly bought a second café, but decided in the end I didn’t want to be a retail mogul. Too much effort – I’d rather have less money and enjoy relaxing.

So I sold the café for roughly double what I paid for it. Interestingly, running the café helped my trading because a café business is quite complex, and learning the accounts helped me evaluate stock market businesses.

## **A lazy life**

So now I just trade and run my website **[www.nakedtrader.co.uk](http://www.nakedtrader.co.uk)**.

I also hold five to six seminars a year, where I show readers my techniques using live markets on a large screen. I really enjoy them and it gets me out of the house too.

And it’s amazing how many share picks come out of these seminars which go on to make me plenty of dough.

It’s also good fun to meet readers and have a drink with them. If you want to come to one, see the info on the seminars at the end of the book. Maybe we’ll have a drink together sometime!

The markets have certainly made me very happy. There are plenty of other people like me around who have managed to quit their office jobs and trade. And they, like me, are nothing special. All it takes is some discipline, determination, and – I’m afraid – some trading capital. I can help you sort out the discipline and determination, but you have to come up with some capital.

I hope *The Naked Trader* will put you on the first rung of the escape ladder. Trading stock markets really is much simpler than you might imagine once you see past the jargon. And I promise you won’t find any of that here.

## What sort of trader am I?

I suppose I am more of a medium-term investor/fairly frequent trader than a day trader. Maybe I should be called the Naked Investor. I expect you imagine a *trader* to be someone sitting at a desk all day feverishly buying and selling shares.

Well, that's not me at all. I don't want to be like that. I want to be, oohhh ... drinking tea and eating toast. Having a snooze. Going to the gym. Watching the racing. Sitting in the garden with a good book (or a bad one – I always fall asleep, whatever the book is like. Especially if it is a finance one). And I enjoy playing with my son. And, okay, basically I'm a bit lazy (is it time for a nap yet?).

What I hope you'll learn is that **you don't need to spend 40 hours a week in front of a screen watching every move the market makes.** And it is even possible to trade or invest if you have a full-time job, as long as you can get some peace and quiet on the internet at work at some point during the day.

In fact, that may be the best way to start trading. Begin by making some extra money while you're working, and learn the tricks of the trade.

Instead of spending all day emailing your friends, getting addicted to Facebook or Twitter, fiddling with your iThing or BlueBerry, spend a bit of time at work learning how to invest.

### Keep this book handy

I suggest you keep me handy, even when you think you've sussed out how to make money. Because, even if you've read the book once or twice, you may need me again if you fall into bad ways – and believe me, you will be tempted. And I will always be here for you to skim through ...

Anyway, I really hope you enjoy the book. You don't need to read it all in one sitting. Read it in bits and let it sink in. Take it on holiday and read it on the beach. Keep it handy when you're going through a bad trading patch. Don't take it on a date, though. There just isn't room for the three of us in the relationship.



# What Do You Want From Your Trading?

## Develop a money strategy/income streams

Before you launch yourself into the wild world of shares, you need to ask yourself why you're doing it.

- What sort of return are you after?
- Are you a high-risk, high-return hotshot or do you just want a few extra quid?
- Are you looking to build wealth over a long period?
- Just want a bit of fun?
- Make a bit extra to buy a new car?
- Hoping it will help pay school fees for your kids?
- Provide a better retirement?
- Or do you want to become a full-time trader?



Think about what you want from the market, because what you want (and how much you want it) will really affect how you trade.

## Make more money by not relying on the markets

I believe it is easier to make money on the markets if it is *not* your main source (or would-be main source) of income.

If you're currently in a full-time job, you should do what I did and think about new income streams that will let you quit and trade but still have a fallback. I did a Buffy phone line and became a distributor for Telecom Plus, selling telephony and energy in my spare time. Think about things you could do, or find to do, to make extra cash alongside your trading.

Is there anything extra you could do at work to build up money for yourself? Or any contacts who might give you freelance work? See if you can find yourself some new income. It's one of the ways to eventually quit work.

The reason I suggest more than one source of income is that you will be more relaxed when trading. If you are trying to make trading your only source of income you will be much more stressed – and therefore more likely to snatch at profits, not cut losers, and not make enough money.

## How much money do I need to start trading?

The question of how much money you need to start trading comes up a lot. If you only have £500, there really isn't that much point because of dealing commissions. You also won't really be able to get yourself a balanced portfolio (AKA a broad range of shares). And you will want some balance in there.

With around £500, I reckon you're better off waiting till you've built a bigger pot. In the meantime, it's definitely worth 'paper trading'. In other words, give yourself (say) 50 grand in pretend money, and play the markets on paper – keeping a record of buy prices for shares you go in for, and then how they perform, and what you sell for.

A lot of successful traders start this way, though it will never be a perfect replica of the real thing. (Extraordinarily, one can be a little calmer when only risking a fictional fortune.) Also, if paper trading, no return trips please to the Bank of Me, Myself and I, and its magic money-making biro when paper trades go the wrong way. Haven't you heard that credit is impossible to get these days?

So what's a reasonable figure? I would say that once you have around three grand or more, you have enough to start putting real money into the markets.



## How much money do I need to become a full-time trader?

The amount of money you need to become a full-time trader depends on how much you think you need to live on, and how much you think you can make from investing. I reckon realistically full-time investors can and need to aim each year to be making 20–25% on the money they have invested. This is with dividends (the profits paid out by a company to its shareholders) paying for their trading costs.

This means that, if someone has trading money of £100,000, a full-time trader is someone who can get £25,000 out of it with the right discipline, and is happy living on that amount of money. If you need more to live off, you'll need to invest more.

It is possible to make more than 20–25%, of course, but you'd have to be really good or have a couple of lucky breaks. The point is, you have to be realistic about it. I have people who email me to say they have started being full-time traders with just £10k. I think they are bonkers. It won't happen. Some people think they can do it by using leverage – in other words, debt on-demand that supersedes the amount they can buy and sell – in spread betting. However, what often happens is that instead of making more money they go bust. Spectacularly! Losing not just their own money, but money that isn't theirs ... My view is: don't use the credit you can get. Use genuine money.

**Reader spot – no margin for errors**

“I tried a £50k day trade using leverage, without having the money to settle. My position lost 10% and I had to sell other shares to cover the shortfall on a bad day for the FTSE 100. What did I learn? Don't day trade with someone else's money – they'll definitely want it back!”

And above all, please ... as said, only use money you can afford to lose a lot of – even 50% of it. Heck, all of it. You have to be prepared for such an outcome, or you just won't be able to trade in peace. And bad things do sometimes happen ... So if you have £10,000, ask yourself – will I be okay if a lot of that, God forbid, goes down the drain? And only put in as much as you *are* okay with. Then you're safe.



*Praise for The Naked Trader*  
*previous editions*

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“The book covers an impressive amount of ground, from the basics of setting up as a trader, to the meat of strategies and psychology, and plenty of honest examples of where things have gone wrong. As an introduction to the world of shares, *The Naked Trader* scores highly.”

– Dominic Picarda, *Investors Chronicle*



“*The Naked Trader* is a huge hit because it makes novice investors money.”

– Clem Chambers, *ADVFN*



“The tell-it-to-you-straight style will appeal to those who fancy dabbling in the stock market but are put off by the jargon and City gent image ... designed to be easy to dip in and out of ... makes share dealing sound fun and tempting.”

– *Daily Telegraph*

“The relaxed way to **make a fortune!**”

– David Schwartz, market expert



“Personable, calm, witty and great company, **Robbie is an inspiration** ... he has a knack for spotting undervalued or overbought companies and for picking just the right moment to trade them.”

– CNN



“Burns is **really good for trading advice**; incredibly amusing to read, you might read it in an evening.”

– *Citywire* Readers’ dozen



“Robbie is his own man and his book will show you that it is possible to **build a substantial portfolio** using common-sense techniques.”

George Hallmey, Click Events