TRADING SYNDICATE EDUCATION SERIES

The Wave Principle, Modernised

Book Two — Application:
from a wave count to an order ticket

Book Two of Two · Trading Syndicate Education Series
Established 2021 · Trade Better, Cut The Bull.

About this book

Where Book One stops

Book One taught you to see structure — the five-with, three-against shape, the three rules, degree, the motive and corrective families, and the proportions that hold them together. Seeing structure is necessary. It is not sufficient. Plenty of people can label a chart beautifully and still lose money every month.

This volume is about the other half: turning a count into a decision with a price, a size and an exit attached. Everything here is written for the instruments we focus on at Trading Syndicate — gold (XAUUSD), silver (XAGUSD), USA100 and USA30 traded through HFM — and for the long-term share side of the plan on EasyEquities, in rands, after costs.

What this book will make you do

Write the invalidation price **before** the entry price, every single time.

Size every position from the stop distance and a fixed percentage of the account — never from conviction.

Run the same pre-session, in-session and post-session routine daily, and grade yourself on process rather than on profit.

Read it once end to end. Then use Chapter 09 as a printed checklist beside your screen until the routine is automatic.

Important — please read

Trading Syndicate is an educational brand. We are **not** a licensed financial services provider, and nothing in this book is financial advice or a recommendation to buy or sell anything.

Leveraged instruments such as spot metals and index CFDs can lose you more than you deposit. Every number used in this book is illustrative. Practise on a demo account first and consult a licensed advisor before risking real money.

This is an original work. It explains publicly known market theory and risk arithmetic in our own words; it is not a reproduction of, and is not affiliated with or endorsed by, any other author or publisher.

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CHAPTER 01

From a count to a decision

A wave count is an opinion about where you are inside a move. A trade is a commitment of money with a defined loss. The gap between the two is where most education stops and most accounts are lost.

The three things a count must produce

If your analysis does not end with these three outputs, it is a drawing exercise rather than preparation for a trade.

- **A zone.** A band of price where you are willing to engage — never a single number, because a single number is false precision and guarantees you either miss or chase.
- **An invalidation.** The exact price at which the count is wrong. It comes from the rules in Book One, not from the size of loss you find comfortable.
- **An expectation.** Where the move goes if the count is right, expressed as a target band so you can measure reward against risk before committing.

> **The order of operations never changes**
>
> Count → invalidation → zone → target → reward-to-risk test → size → order. Reverse any two of those steps and you have started negotiating with yourself.

Why the invalidation comes first

If you pick the entry first, every subsequent decision bends to protect that entry. The stop drifts to wherever leaves the position alive. The target stretches to make the numbers look acceptable. The size grows because the stop is now tight. This is the exact sequence that produces a large, unplanned loss on an otherwise ordinary day.

Fixing the invalidation first removes the negotiation. The market has already told you where your idea dies; your only remaining decisions are whether the entry is close enough to that price to be worth taking, and how small the position must be for that distance to be affordable.

The only two ways to lose properly

There are exactly two acceptable outcomes for a losing trade: price reached your invalidation and you were flat, or the setup never triggered and you were never in. Everything else — a widened stop, an averaged-down position, a trade taken outside the plan — is an unforced error, and unforced errors are the only losses you have any control over.

CHAPTER 02

Choosing the degree you actually trade

Degree confusion is the single most common reason a good count produces a bad trade. You are right about the market and wrong about the timeframe you expressed it on.

Pick one degree as your **trade degree** — the one your entry, stop and target all belong to. The degree above sets your bias and tells you which direction you are permitted to trade. The degree below is used only to time the entry once price is already in your zone. Three timeframes, three separate jobs, and never mixed.

Chart	Job	What you take from it	What you must not do
Weekly	Context	Cycle stage, direction of travel, the half-cycle high and low.	Never place an order from it.
Daily	Trade degree	The leg you are trading, the zone, the invalidation and the target band.	Never widen it to survive 4-hour noise.
4-hour	Timing	The trigger: rejection, retest, or a close back inside the zone.	Never let it override the daily bias.

Matching hold time to degree

Your trade degree also fixes how long the trade should reasonably take. A daily-degree correction into a demand zone is a multi-day idea; checking it every ten minutes is how you talk yourself out of it at the worst moment. Decide the expected duration when you write the thesis, and treat a trade that has gone far past it as a trade whose premise has quietly expired.

The permission rule

You are only permitted to trade **with** the direction of the degree above your trade degree. If the weekly is in a motive phase upward, daily-degree corrections are buy opportunities and daily-degree rallies are not sell opportunities.

Counter-trend trades at trade degree are for later, smaller, and only when the degree above has itself turned. There is no shortage of trades. There is a permanent shortage of capital.

CHAPTER 03

The trade thesis, written in five lines

If you cannot write the idea in five short lines, you do not have an idea yet. Write it before the order, in a notebook or a notes app, every time.

Line	What goes in it	Why it exists
1 · Bias	Degree above, its stage, and the direction it permits.	Stops you fighting the larger move.
2 · Leg	Which leg of the count you believe you are entering.	Sets the behaviour you should expect while in the trade.
3 · Zone	The price band, built from at least two independent measurements.	Turns a wish into a resting order.
4 · Invalidation	One exact price and what it would mean.	Defines the loss before the profit.
5 · Alternate	The most likely other count, and what would confirm it.	Pre-decides your reaction to being wrong.

A worked thesis

Illustrative only, and deliberately dull — a good thesis reads like a form, not like a forecast.

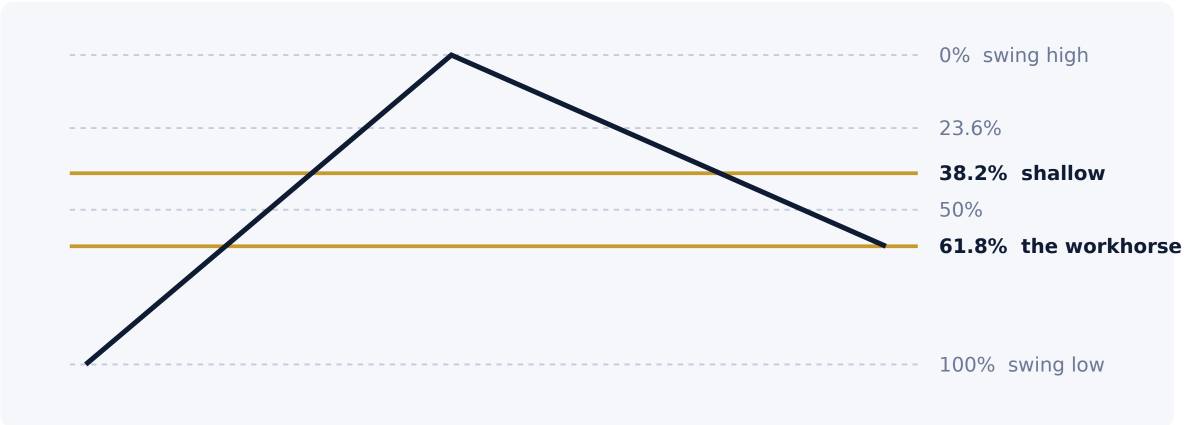
- **Bias.** Weekly gold motive and above the half-cycle mid. Longs only at daily degree.
- **Leg.** Daily three-leg correction; the final leg is finishing into a demand block.
- **Zone.** The 50–61.8% retracement of the last daily leg, overlapping the demand block.
- **Invalidation.** A daily close below the start of the previous daily wave 1.
- **Alternate.** The correction is a flat and needs one more sideways leg; I would know if price stalls under the block for more than two sessions without a reaction.

> **The two-sentence test**
>
> Read your thesis aloud. If you cannot explain to somebody who does not trade *where you get in, where you get out, and what would prove you wrong* in two sentences, the thesis is not finished.

CHAPTER 04

Entries: zones, triggers and the cost of chasing

The entry is the least important of the three prices and the one traders obsess over most. Its only real job is to sit close enough to the invalidation that the position can be a sensible size.



Building the zone

- **Retrace the last leg.** The 50–61.8% band holds most tradeable pullbacks; 38.2% suits strong trends, 78.6% suits deep, sentiment-driven corrections.
- **Project the leg before it.** Equality and 1.618× give you where the next leg should run, which is what makes the reward side measurable.
- **Overlay structure.** A prior swing level or an order block inside the retracement band narrows the zone and gives the stop somewhere natural to hide behind.

Where all three overlap, you have a zone worth resting an order in. Where only one exists, you have a guess with a decimal point on it.

Limit order or trigger?

Approach	Use it when	Trade-off
Resting limit at the zone edge	The zone is tight and the invalidation is close behind it.	Best price and smallest risk; you will be filled on some counts that fail.
Wait for a 4-hour trigger	The zone is wide, or the instrument is in a volatile session.	Fewer bad fills; worse price, so the position must be smaller.
Market order after the move started	Almost never.	Worst price, widest stop, smallest size — the arithmetic of chasing.

The cost of chasing, in one line

Entering halfway to your target doubles your stop distance and halves your position size for the same rand risk — so you take the same loss for half the reward. Chasing is not impatience; it is a mathematical downgrade of the trade.

If price leaves the zone without you, the trade is gone. There will be another one this week. The most profitable habit in this book is the willingness to be left behind.

Two entries that look identical and are not

Both traders below are long the same instrument on the same count, with the same R100 of risk. The only difference is where they engaged. This table is the whole argument for patience, expressed as arithmetic.

	Waited for the zone	Chased the move
Entry relative to zone	At the zone edge	Halfway to target
Distance to invalidation	20 points	45 points
Position size at R100 risk	R5.00 per point	R2.22 per point
Distance to first target	60 points	35 points
Profit if target is reached	R300	R78
Reward-to-risk	3.0 : 1	0.8 : 1 — fails the gate

Same analysis, same risk, same outcome from the market — and roughly a quarter of the result. The chased trade also fails the reward-to-risk gate in Chapter 07, which means it was never a trade at all.

CHAPTER 05

Stops: where structure says, not where fear says

A stop is not a measure of how much you are willing to lose. It is the price at which your reason for being in the trade has stopped existing.

Placing it

- Start at the invalidation from your thesis — the price that breaks a rule from Book One.
- Add a buffer beyond it for spread and noise: enough that ordinary volatility cannot reach it, small enough that it still means something. On metals, think in terms of the recent average daily range rather than a fixed number of points.
- Place it on the opposite side of the structural level, not on the level itself. Levels get wicked through; that is what they are for.
- Set it at the same moment as the entry order. A stop you intend to add later is a stop you will not add.

Three things a stop is never for

It is never moved further away because price is approaching it.

It is never removed “just for the news release”.

It is never sized to fit the position — the position is sized to fit the stop.

Moving a stop legitimately

There is exactly one direction a stop may move: toward profit, and only when structure has moved with it. A new higher low at your trade degree justifies lifting the stop beneath it. Price simply being up does not.

Moving to break-even too early is its own error. It converts a well-sized trade into a coin flip on noise and is the most common reason traders find themselves flat right before the move they correctly predicted. Move the stop when the chart earns it, not when your pulse asks for it.

CHAPTER 06

Position sizing in rands

This is the chapter that decides whether you are still trading in a year. Everything before it is analysis; this is arithmetic, and the arithmetic is not optional.

The formula

Position size = (account × risk %) ÷ (stop distance × value per point)

Risk 0.5% to 1% of the account on any single idea. On a R10,000 account that is R50 to R100 — which will feel absurdly small, and that feeling is precisely why most accounts do not survive their first bad week.

Account	Risk at 1%	Stop 20 pts, R10/pt	Stop 50 pts, R10/pt
R5,000	R50	0.25 lots equivalent	0.10 lots equivalent
R10,000	R100	0.50 lots equivalent	0.20 lots equivalent
R25,000	R250	1.25 lots equivalent	0.50 lots equivalent
R50,000	R500	2.50 lots equivalent	1.00 lots equivalent

The numbers above are illustrative and the point of them is the pattern, not the values: the wider the stop, the smaller the position, always, automatically, with no discretion involved. Check the exact contract size and value per point for your instrument in your platform before trading anything.

Why leverage is not the lever you think

Leverage decides how much margin a position ties up. It does not decide your risk — your stop distance and your size do. A 1:500 account and a 1:30 account running the same risk percentage and the same stops will lose money at exactly the same rate. High leverage is only dangerous because it makes an oversized position possible, not because it is dangerous in itself.

Drawdown arithmetic

A 10% loss needs an 11% gain to recover. A 50% loss needs 100%. A 70% loss needs 233%.

Small, fixed, boring risk per trade is not caution. It is the only structure in which a positive edge has time to show up.

Daily and weekly limits

- Three consecutive losses, or 3% of the account down in a day: stop trading until tomorrow.
- 6% down in a week: halve your risk per trade until you have three consecutive planned, rule-following trades — win or lose.

- Never increase risk to recover a loss. The market does not know you are behind.

Sizing across two instruments at once

Risk is counted per idea, not per ticket. Gold and silver move together, so a long in both is one idea expressed twice — and if you have put full risk on each, you are running double risk on a single view.

- Correlated positions (gold and silver; USA100 and USA30) share one risk allocation between them. Half the normal size each, not full size each.
- Cap total open risk across everything at roughly 2% of the account. If two trades are already live at 1%, the third setup is a spectator, however good it looks.
- Count risk on open positions at their current stop, not their original one. A trade with the stop lifted above entry no longer consumes an allocation.

The question that prevents the worst days

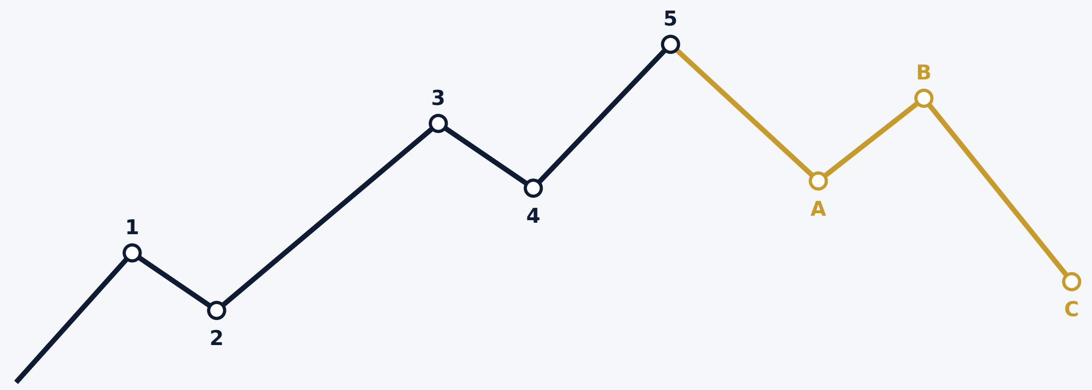
Before every order: *if every position I now hold hits its stop in the next hour, what is the total in rands, and can I be relaxed about it?*

If the answer is anything other than a calm yes, the position is too big. Reduce it — do not talk yourself into it.

CHAPTER 07

Targets, partials and managing a live trade

Management is where a correct analysis is most often converted into a mediocre result. The cure is the same as everywhere else in this book: decide in advance, then execute.



Motive phase (five waves, with the trend)

Corrective phase (three waves, against it)

Setting the target band

- **First target** — the nearest opposing structure: the prior swing, the far edge of the range, or the opposite order block. This is where partial profit belongs.
- **Second target** — the projection: equality with the reference leg, or 1.618× it if the leg you are trading is likely the extended one.
- **Runner** — only when the degree above agrees. Trail it beneath structure at trade degree and accept that most runners give back some of their peak.

The reward-to-risk gate

Measure from your intended entry to the *first* target, not the most optimistic one. If that distance is not at least twice your stop distance, the trade does not pass. At 2:1 you can be wrong six times out of ten and still grow the account; at 1:1 you need to be right most of the time, and nobody is.

Win rate	At 1:1	At 2:1	At 3:1
40%	Losing	Break-even to slightly up	Strongly profitable
50%	Break-even before costs	Profitable	Strongly profitable
60%	Slightly profitable	Strongly profitable	Very strongly profitable

Two rules for partials

Take partial profit at the first target and move the stop to structure — not automatically to break-even, but to the nearest level that has actually formed.

Never add to a losing position. Adding to a winner is only acceptable at a fresh, independently valid setup with its own stop and its own size.

When to exit early

You may leave a trade before the stop or the target for exactly one reason: the premise has changed. The structure you entered against has broken, or the degree above has flipped. Boredom, a scary candle, and someone's opinion online are not premise changes.

A management plan written in advance

Write these four lines at the same time as the entry order. Once price is moving, you are only allowed to execute them — not to revise them.

Event	Pre-decided action
First target reached	Close half. Move the stop to the nearest formed structure below.
Stop reached	Nothing to do — the order does it. Log the trade and move on.
Premise breaks before either	Close the whole position at market. A broken premise is not a wait-and-see.
Neither happens by the expected duration	Reduce or close. A thesis that has not worked in its own timeframe has expired.

Notice that none of the four rows require a judgement call in the moment. That is the point. Every decision you can move from the middle of a live trade to the calm before it is a decision you will make better.

CHAPTER 08

The four instruments, one at a time

The method is identical across instruments; the character is not. These are the four we analyse first every session, and what each one demands of you.

Instrument	Character	What it demands
XAUUSD — gold	Trends cleanly, respects structure, reacts hard to rates and risk sentiment.	Patience for the retracement; wide enough stops for news spikes.
XAGUSD — silver	Same direction as gold, roughly twice the volatility and more false breaks.	Smaller size for the same rand risk; never assume a gold level works here.
USA100 — Nasdaq 100	Fast, tech-driven, strong trends and violent single-session reversals.	Respect the session clock; earnings and rate decisions dominate structure.
USA30 — Dow 30	Slower, broader, more orderly retracements than USA100.	Better for learning structure; do not expect USA100-sized moves.

Sessions matter more than most people admit

- The London–New York overlap (roughly 15:00–18:00 SA time) carries the most volume and the cleanest structural moves on all four.
- The Asian session is usually range-bound on the metals — a good time to mark levels, a poor time to trade breakouts.
- Around scheduled high-impact news, spreads widen and stops are reached that structure never justified. Either be flat, or be sized for it.

One instrument at a time

Learn one of the four properly before adding a second. You are building a memory of how a specific market behaves at its levels, and that memory does not transfer as well as the vocabulary does.

CHAPTER 09

The session routine and the journal

Consistency comes from a checklist, not from inspiration. Same instruments, same times, same rules, recorded every day.

Pre-session — 20 minutes

- Weekly chart per instrument: stage, direction of travel, half-cycle high and low.
- Daily chart: the current leg and the two nearest zones above and below.
- Write the five-line thesis for any instrument that has one. If it does not, write “no trade” and mean it.
- Note the day's scheduled news times and decide in advance whether you will be in the market.

In session

- Only trade the zones you marked before the open.
- Place the entry, stop and first target as orders at the same time.
- No new ideas mid-session. An unplanned trade is a rule breach even when it wins — especially when it wins.

Post-session — 10 minutes

- Log every trade: instrument, thesis line, entry, stop, target, outcome in rands.
- Grade the process, not the result: did you follow the plan, yes or no?
- Screenshot the chart with your zone marked. A year of these is the most valuable trading book you will ever own.

The weekly review

Once a week, count only two numbers: how many trades followed the plan, and what those trades earned. Then count what the rule-breaking trades cost you.

That single comparison changes more behaviour than any amount of further study.

CHAPTER 10

Feeding trading profits into a long-term portfolio

Day trading is how the money is made in this plan. Long-term investing is how it is kept. The two must never share an account, and they must never share a mandate.

- Fund the trading account only with money you can genuinely afford to lose.
- Withdraw a fixed share of trading profits every month — a rule, not a decision — and move it to the investing account.
- Never move capital the other way to rescue a margin call. That single transfer is how a trading problem becomes a life problem.

What the investing side is buying

On the JSE and US markets through EasyEquities, the screener on the Trading Syndicate site ranks shares on dividend safety, balance-sheet strength, profitability and valuation, and then shows the outcome in rands *after* costs. That last part is the part almost every other tool skips.

Cost or tax	Roughly	Effect
Brokerage	~0.25% per trade	Charged both when buying and when selling.
JSE statutory fees	STT, Strate, IPL plus VAT	Small individually; material on frequent small buys.
FX spread on US shares	~0.5% each way	Paid converting rand to dollars and back.
Dividend withholding	20% SA, 15% US	Deducted before the cash reaches you.

A headline 6% yield can land closer to 4.5% once those are taken out. Comparing net yield on cost in rands, rather than headline yield, is the whole reason the screener exists.

Portfolio guardrails

Cap any single share at roughly 10–15% of the portfolio, and prefer one strong name per sector to five variations of the same bet.

Hold both rand and dollar earnings so one currency cannot dictate the outcome.

Buy monthly rather than trying to time a perfect entry — the opposite discipline to the trading account, and deliberately so.

REFERENCE

Checklists and formulas

The five lines, every trade

- Bias — degree above, its stage, direction permitted.
- Leg — which leg of the count you are entering.
- Zone — the band, from two or more independent measurements.
- Invalidation — one exact price.
- Alternate — the other count, and what would confirm it.

The formulas

- **Position size** = (account × risk %) ÷ (stop distance × value per point).
- **Reward-to-risk** = (entry to first target) ÷ (entry to stop). Must be ≥ 2.
- **Recovery needed** = loss % ÷ (100% − loss %). Ten percent needs eleven; fifty needs a hundred.

Hard limits

- 0.5–1% of the account risked per trade.
- Stop the day after three losses or 3% down.
- Halve risk for the rest of the week after 6% down.
- No unplanned trades, ever — wins included.

Glossary of terms used in Book Two

Term	Meaning
Trade degree	The timeframe your entry, stop and target all belong to.
Invalidation	The exact price at which the count, and therefore the trade, is wrong.
Zone	A price band built from overlapping independent measurements.
Trigger	A lower-degree signal used only to time entry inside an existing zone.
Value per point	What one point of price movement is worth per unit of position size.
Reward-to-risk	Distance to first target divided by distance to stop.
Drawdown	Peak-to-trough decline in account equity.
Runner	The remaining portion of a position held after partial profit is taken.

A thirty-day starting plan

If you want one concrete way to use these two books, use this. It is deliberately unambitious, because the goal of the first month is evidence about your own behaviour, not profit.

Week	What you do	What you are proving
1	Demo only. Mark zones and write the five lines daily. Place no orders.	That you can produce a thesis without needing to trade it.
2	Demo, one instrument, maximum one trade a day, all orders set together.	That you can execute a plan mechanically.
3	Demo, same rules, plus the journal and the weekly review.	That your rule-following trades outperform your improvised ones.
4	Live at the smallest size your platform allows, same rules exactly.	That real money does not change how you behave.

If any week fails its test, repeat that week. There is no prize for reaching live trading quickly, and there is a very direct penalty for reaching it early.

Final word

Nothing in these two books will make you right more often. They are designed to make being wrong cheap and being right worth something.

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