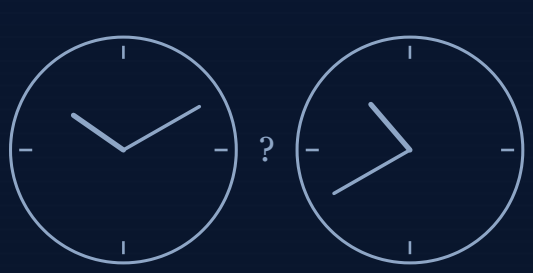
TITANS OF TOMORROW

DICK ARMS, AS LINDA TELLS IT · ILLUSTRATION



TWO WATCHES · THEY NEVER AGREE

Two watches, you never know what time it is.



ONE WATCH · ALWAYS KNOW

One watch, you always do.

IN THE GUEST SEAT **Linda Bradford Raschke · Floor trader, CTA, fund manager**

Forty years of trading. *Less, done better.*

"Get the main idea right. Once you can get that main idea right, that's 90% of the game."

Read this before you press play. More than a dozen guests on this show told Waqar he had to interview Linda. She came off the equity options floor, traded the S&P futures on the first day they listed, ran money as a CTA and still trades every day for the fun of it. Her edge is what she leaves out: one clock, one main idea a day, one bet size, and an exit table built like an insurance company's. This companion lays all four out in her own words.

01 HOW TO USE THIS COMPANION

Watch *with* this.

01 **Start with the time horizon.** Waqar asks why the pros seem to hold for months. Her answer starts with funds that hold for under 24 hours, and why the crystal ball gets foggy the further out you look.

02 **Listen for the two watches.** The Dick Arms story, and why she says an indicator built on price can never test out as an edge.

03 **Try the volume spike experiment.** Drop to a one minute chart and see where the spike landed. Her answer to the order flow crowd.

04 **Write down the exit table.** Small target, big target, trailing stop, time stop. Then the number that surprises Waqar: how rarely the trail is the right one.

05 **Catch the profit centers.** How she split her trading into separate books, all on one even bet size.

06 **Stay for the end.** Flow, intuition, what AI changes for a small trader, and her advice for lasting fifty years in the game.

02 THE FRAMEWORK

The one watch *rule.*

Linda builds it in four layers, and every one of them is about leaving something out. First, one watch. Strip the chart down to what actually tests out, because two tools that disagree leave you knowing less. Second, one main idea. Before any entry, decide whether today is a low to high day or a high to low day. Third, one bet size. Every trade gets the same unit, worked out from each market's average dollar range and reset each quarter. Fourth, one exit table. Before the trade, know which exit fits it: a small target, a big target, a trailing stop or a time stop.

02 THE FRAMEWORK · THE ONE WATCH RULE

One rule, *four layers.*

01 · ONE WATCH · STRIP THE CHART DOWN

They never agree
Moving averages, oscillators and patterns stacked up add noise, not certainty.

Price is ahead
Indicators are derivatives of price. Price is always one step ahead of them.

Use what tests
ATR functions and percentage functions hold up when you build a real model.

↓

02 · ONE MAIN IDEA · THE TREND FOR THE DAY

Low to high, or high to low?
Get that right and you have 90% of the game, in her words.

Outside the first hour
Trading outside the first hour's range? The trend for the day is your friend.

Off the open
Breakouts and range expansion work best off a session opening.

↓

03 · ONE BET SIZE · THE UNIT

Even bets
She doesn't know where the winners will be, so every trade gets the same unit.

Reset each quarter
Average dollar range per market sets how many contracts make one unit.

All in, all out
If there is a reason to take part off, there is a reason to take it all off.

↓

04 · ONE EXIT TABLE · THE ACTUARIAL VIEW

Pick the exit first
Small target, big target, trailing stop or time stop. Each one fits a different trade.

Trail rarely
On pure technical trading, a trail is the best exit no more than about 15% of the time.

Wait for aberrations
Huge gaps, insane volume, broken relationships. That is where the gold is buried.

FIG 00 · THE ONE WATCH RULE, TOP TO BOTTOM

03 THE EPISODE AT A GLANCE

One conversation, *five threads.*

Waqar came in wanting to uncover truths about the market, not just setups: why things work, and whether past price can tell you anything about future price. Linda kept pulling him back to something simpler. These are the five threads under her answers.

THREAD 01

Day one of the S&P

She traded the S&P futures the very first day they were listed, calling the order down to the floor from the Pacific Coast Stock Exchange. She thinks it was around 285, and remembers taking about 80 cents. Huge, back then.

THREAD 02

The floor's clock

The crowd paid up off the open and the move was over in about 25 minutes. Specialists went to lunch before noon and you got the counter trend. The Fidelity crew came back around 2pm and got the party going again.

THREAD 03

Nine years, no net worth

While she ran the fund, a business manager took every call and every bill. She went about nine years without knowing her own net worth, or whether she was up or down on the year. "I just liked playing the game."

THREAD 04

Why she shut the fund

Auditors, attorneys, accountants and $7,000 a month in data fees. It started to feel like running a business, so she packed it in. She'll never stop trading. Lately, broken ribs and all, it is 20 hour days on AI models.

THREAD 05

The field is levelling

She read that the Medallion Fund spends something like $50 million a month on data and engineers to keep finding new strategies, and that an individual can now do a version of it for about $500 a month. "It's leveling the playing field." And the algos you fear? "Be grateful," she says. They are the liquidity.

04 THE HIGH SIGNAL TAKEAWAYS

Eight rules *worth keeping*.

Transferable decision rules pulled straight from the conversation. Principles you can use, with no calls attached.

01 **Carry one watch.** "If you have two watches, you'll never know what time it is." Cut to the essential tools.

02 **Get the main idea right.** Is it a low to high day or a high to low day? Start there, before you think about entries.

03 **Break out off the open.** Breakout and range expansion trades belong off a session opening, when the volume is there.

04 **Keep the bet size even.** "The minute I start monkeying around with that, it's going to be Murphy's Law."

05 **All in, all out.** People scale out of winners and take the full hit on losers. That doesn't make sense to her.

06 **Trail only when it earns it.** Most of the time a small target or a big target is the better exit. The trail is for the rare runner.

07 **Kill the biggest loser.** "If you eliminated your biggest loser year after year, I bet you'd be three times more profitable."

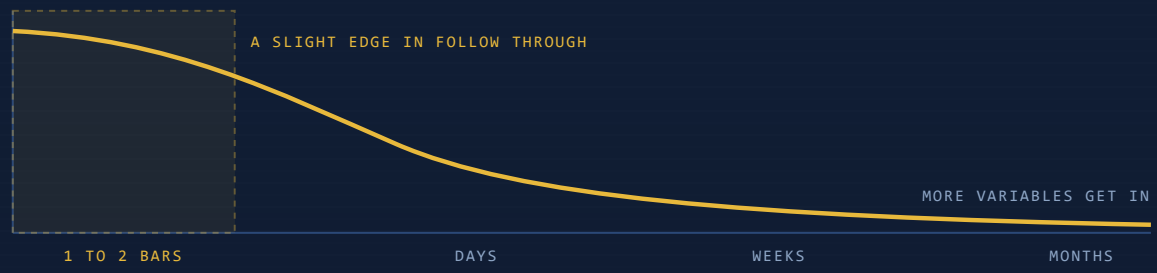
08 **Enter on signals, never intuition.** She has never made a trade off intuition. It only gets a say in the exit: "this doesn't look like it's working."

05 THE MENTAL MODEL

Predicting is an *evil word.*

Does past price help predict future price? It depends how far out you look. Over one or two bars she can get a positive expectation, on a five minute chart or a daily. Go further and more variables get in. "It's not a closed system." A tsunami, an invention, a drug discovery. Waqar sums it up as certainty decaying with time, and she agrees.

HOW MUCH YOU CAN TRUST A FORECAST, BY HOW FAR OUT IT LOOKS · ILLUSTRATION



The crystal ball gets foggy the further out you look.

FIG 01 · WHY SHE WORKS THE SHORT HORIZON

THE GUESSING GAME

Reading who is doing what is a game she refuses to play. The biggest players split orders across accounts and firms and are never in and out like an elephant. "If you think you can read that, you're crazy."

THE SMALL TRADER'S EDGE

It can take a boring mutual fund two weeks to cut a big position in half. She can bang out a 20 lot at the market with no slippage. They are dinosaurs, she says. Being nimble with liquidity is your edge.

The real money: her view is that money management is where the real money is made, along with understanding the outliers. The everyday hourly chart is everyone's. The aberrations are the unique information.

06 THE PLAYBOOK · PART ONE

Carry *one watch.*

Retail traders add tools to feel safe: a moving average, plus trend, plus a pattern, plus Ichimoku. Linda goes the other way. Her old friend Richard Arms put it best: two watches never agree, so you never know the time. Cut down to the few indicators that help your pattern recognition, and stop staring at squiggly lines.

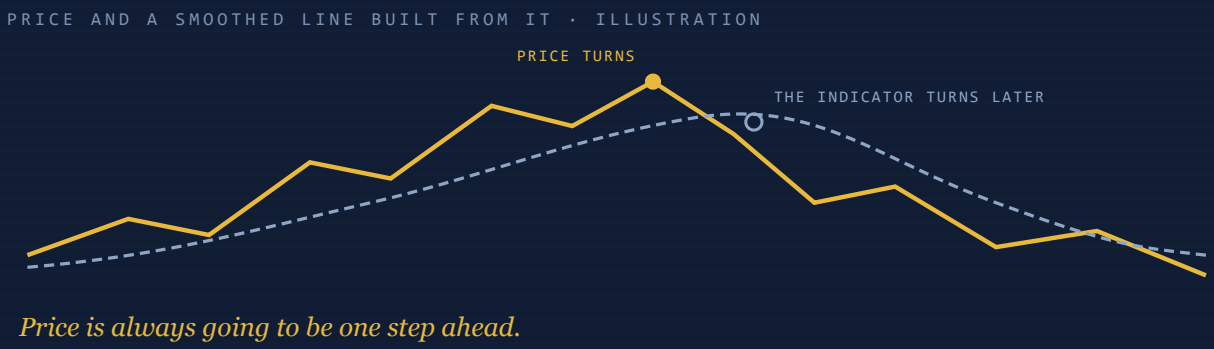


FIG 02 · SLICE OR DICE IT HOW YOU LIKE, A DERIVATIVE OF PRICE FOLLOWS PRICE

01 **Know what can't test out.** Moving averages and oscillators come from the first and second derivative of price. They can smooth noise, but she says you can't build a system with a positive edge on them.

02 **Use what does.** For a model with a statistically significant edge, she reaches for ATR functions and percentage functions.

03 **Let the bar chart show the imbalance.** Order flow is "a fancy way of looking at volume" and swings with time of day. Three bars up in a row on a five minute chart already tells you buyers are in.

04 **Read the spikes for what they are.** Drop a volume spike to the one minute chart. About 80% of the time it sits on a prior intraday swing high or low: algos triggering off a channel break.

06 THE PLAYBOOK · PART TWO

One main *idea*.

Most traders obsess over how to get in. Linda starts with where the day is going. "Is it a low to high day? Are we going higher, or is it a high to low day?" Then she minds her initial trade location, because that sets her risk. A low to high day opens near its low and closes near its high.

A TREND DAY, BREAKING OUT OF THE FIRST HOUR'S RANGE · ILLUSTRATION



Get the direction of the day right, and the entry gets easy.

FIG 03 · "IS THERE A TREND FOR THE DAY?" HER DEPARTURE POINT

THE RHYTHM

From the Taylor trading technique: after two days high to low, the sellers have exhausted themselves, so it is time for a low to high day. Profitable trades get held another day or two. Unprofitable ones become day trades.

THE PROFIT CENTERS

S&P scalps, one to three a day. In one day, out the next. Daily and weekly divergence setups, "best risk reward in the book." Seasonal plays like oats. Any one of them could lead a quarter.

Scalping, her way: an S&P day usually has two or three swings lasting 60 to 90 minutes. She only tries to catch one or two of them. "That's scalping to me." Not in and out all day.

06 THE PLAYBOOK · PART THREE

One bet *size*.

"I want an even bet size because I don't know where the winners are going to be." At the start of every quarter she works out a unit from each market's average dollar range. Then each trade is just a spot on the game board: put on a unit, take it off. She never thinks about the dollars.

HER EXAMPLE · ONE UNIT OF RISK IN TWO MARKETS



Different markets, the same bet.

FIG 04 · HER NUMBERS FROM THE EPISODE, SAID AS AN EXAMPLE, NOT AS TODAY'S RANGES

DISCRETIONARY IN A DRAWDOWN

Cut your size. Something is wrong: too little sleep, a regime change you missed, or sloppy unforced errors. Regroup and find out why. Maybe stop trading that market. And if it starts really bothering you, take days off.

SYSTEMATIC IN A DRAWDOWN

The opposite. The last thing you want is to cut size, because a system in a drawdown is about ready to spring a big win. Two schools, she says, and both have good grounding.

Size for the streak: "Everybody's going to have six losers in a row. That's a given." Even with a 90% win rate. Build that into your unit from day one.

06 THE PLAYBOOK · PART FOUR

One exit *table.*

Give yourself a few exit strategies to choose from and track how each one does. What you are building, she says, is an actuarial table, the way an insurance company works out life expectancy: fuzzy variables and probabilities. Measure your units in ATR, the average true range of the timeframe you trade.

THE EXIT	HOW SHE SIZES IT	WHEN IT FITS
Small target	About half an ATR	Most of the time, especially intraday and discretionary
Big target	Maybe 3 ATR, or a standard deviation move	When the move is just starting
Trailing stop	e.g. Wilder's volatility stop, using 2.5 ATR	No more than about 15% of the time: springs, traps, aberrations
Time stop	Hold for a set number of bars or days	To cap how long a trade gets to work

FIG 05 · THE EXIT TABLE, AS SHE LAID IT OUT

ANY TRAIL WORKS ON THE BEST TRADES

Her team spent about two years modelling every trailing stop they could think of. Each won some quarters. Her statistician's verdict: on the best trades, it doesn't matter which technique you use. "They're all going to keep you in."

IF YOU DO SCALE

She is usually all in, all out. For scalers she cites Perry Kaufman's maths: in five pieces, take the first three close together, because the odds of duration drop off. Then the fourth, then the fifth as the runner.

Dollars per time unit: a friend who traded volatility breakouts taught her the aim. Get into the market where you can make the most dollars in the least amount of time.

07 GUARDRAILS

Five ways to *misapply this.*

01 · Adding tools to feel certain

Every extra indicator feels like another moat. In practice they disagree, and you freeze or pick the one that tells you what you want.

FIX Cut to the essentials. If you build a model, build it on ATR and percentage functions.

02 · Guessing who is behind the move

Reading the tape to spot the big player. They disguise their orders, and the algos ping in and out faster than you can blink.

FIX Let the bar chart show the imbalance, and judge the day by its direction.

03 · Sizing up on high conviction

To her, "high conviction" sounds like a cognitive bias. Vary the bet and Murphy's Law puts the big size on the loser.

FIX One unit for every trade, recalculated each quarter from average dollar range.

04 · Trailing every trade

Everyone wants to trail and catch the big one. Most trades never become it, and the trail hands the profit back.

FIX Play for the small or big target by default. Save the trail for the rare runner.

05 · Pushing through a discretionary drawdown

Stress makes you do "the dumbest, stupidest things unconsciously," she says. Your mind is telling you to chill out.

FIX Cut size, take a day or two off, and find the cause before you size back up.

08 IMPLEMENTATION

Do this *next*.

THE ONE DISCIPLINE TO HOLD

Play the game. Don't lose money.

The big money comes from the aberrations, and they are rare. In the meantime you play the small games without giving it back. When the opening comes, you trail the stop, stay with the trade, and even add in its direction. "This takes a long time to understand."

01 **Write tomorrow's plan tonight.** Her main ritual is homework the night before. A written game plan takes about half an hour.

02 **Paper-trade a volatility breakout.** Five markets, about two trades a week each. Write every result down until wins and losses stop moving you.

03 **Set your unit for the quarter.** Average true range times tick value for each market, so every trade risks the same.

04 **Start your exit table.** Print the day's charts, circle your entries, and note how far good trades moved against you. Then pick the exit that fits.

Watch the Linda Raschke episode →
Keep this open beside it and tick off each layer of the one watch rule as it comes up.

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READ BEFORE YOU WATCH, TRADE AFTER

This companion was built from the full conversation between Waqar Asim and Linda Bradford Raschke so you can use it rather than admire it. It describes Linda's views in her own words and is not trading advice.