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Bolling: Avoid Urge to Get 'Even'

Eric Bolling

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If the first day of trading is any guide, September is proving to be as volatile as the last few months. My friend Mike Santoli at *Barron's* recently noted that the recent market moves can partially be explained by a simple notion: Investors burned by the market are trading bigger and bigger in order to "get back to even."

This makes a lot of sense. I remember a day when natural [gas prices](#) were falling. I had been bullish in the morning -- and right -- as the early trade was higher. But as the day progressed, a weather pattern changed and the sellers took over.

I foolishly decided to defend my position. (That's a very bad idea, as no one is bigger than the market -- a golden rule to successful traders). As prices tumbled, I added to my long positions, assuming that I would need only a small bump up in price to "get back to even."

The price continued to fall, and I continued to add, still only needing a small turn north in price and I could get "back to even."

That day, I got a call from my mentor Mark Fisher.

FSH: "How's it going?"

Me: "Not great, but all I need is a few cents and I'm back to even."

FSH: "What's your position?"

Me: "Long 1,000 nat gas"

FSH: "Against what?"

Me: "Uh ... nothing."

FSH: "Have you lost your mind? That's enough gas to supply the Eastern Seaboard for a week! Get out!"

He was right. I sold out the position for a bad loss. If I had stayed with the position for a few minutes more, it would have been a disaster.

The main point: Trading bigger positions in a bad trading market is ill advised. In markets that move in percentage points and turn on a dime, we should be trading smaller.

I am not saying to close shop, just trade small positions so that you can get out quickly and live to trade another day.

My buddy, who happens to double as one of my stockbrokers, called me today. He asked, "Do we step up in the energies now?" My response was ..."not yet." My gut is that there may be some more downside to oil and natural gas before this unwinding of positions is over.

I also believe the dollar has more room to the upside. In this column, I have been talking about a bullish dollar play for the last four months. I still love that trade and still own U.S. dollar futures as well as the **PowerShares DB U.S. Dollar Index Bullish Fund**(UUP - [Cramer's Take](#) - [Stockpickr](#)).

This is a multiyear breakout, and I will add to the long-dollar position on a pullback. In contrast to the points made earlier, adding to a winner is advised while adding to a loser is usually a bad bet.

My good friend, Dennis Gartman, pointed out today that the troubles in Japan's prime minister's [office](#) are another bullish factor for the dollar. Currency traders may be inclined to race out of yen and into a safe-haven currency.

I believe that the dollar is still the world's safest currency, contrary to many pessimists that write investment newsletters - many of whom can't pull the trigger on their bad [energy](#) calls. Many of them followed Goldman Sachs' \$200 oil call like sheep to the slaughterhouse. Many of them bury their bad call on oil in the form of, "We said long term oil bull." Lame!

Also, there are flows into and out of sectors, and the money is clearly flowing out of oil right now. The dollar should continue to be the beneficiary of the flow.

Don't be lame, get out of losers and by all means: Trade with your head, not over it.

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