Embrace Volatility

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Most people (the public, portfolio managers, regulators) view volatility as a bad thing, something to be avoided in the market if possible. Indeed, under modern portfolio theory, the greater the volatility the more uncertain an asset's future value. Professional traders, i.e., those focused on capturing relatively short-term market fluctuations, on the other hand see volatility as opportunity.

Volatility breeds. Increasing vol predicts increasing vol and decreasing vol predicts decreasing vol. Professionals know how to identify and leverage these trends and will trade more aggressively in high volatility environments, usually just when the rest of the world seeks to disgorge themselves of volatility risk.

Related ideas for short-term traders --

- Trade only if you have a reasonable expectation of getting paid for taking the risk. You only get paid to take risks that others do not want, such as volatility risk.

- Stay out of quiet markets and markets that do not display a strong directional tendency. "The big money is made during very active markets. Big swings and large volumes produce unmistakable indications and a harvest for the experienced operator." -- *Richard Wyckoff, ca. 1910*

- Traders have few excuses for marrying a limited number of markets or time frames. Trade in markets and time frames not dominated by stat arb, market making, day-traders, the public, etc., where participation has dampened volatility.