

Attributes of a successful trader

I am often asked as a success coach why success is so difficult in trading and active investing. The answer is quite complex. In essence those who join the top 10% of successful traders must be doing something special, something different to the 90% who don't succeed.

You know the statistics for success in the business of trading are little different from success rates for start up businesses in other fields. About 90% of new businesses disappear within 2 years. A business that lasts 5 years has cemented a success pattern that can endure if the operation is committed and flexible enough to maintain a current edge.

In the business of trading, it's about control. My mantra is that the trader must be in control of himself or herself and his or her account in all market conditions. Yes the task seems complex and difficult, yet it has to be done to achieve success.

There is nothing new in this. Listen to how WD Gann sums it up after 5 decades of watching himself and others in "45 Years In Wall Street". The section is entitled 'Human Element the Greatest Weakness' can be found on page 26 in the Lambert Gann Publishing Co. 1976 edition.

Quote: "It is your own acts that cause your losses, because you did the buying and selling. You must look for the trouble within and correct it. Then you will make success and not before... I can give you the best rules in the world and the best methods for determining the position of a stock, and then you can lose money on account of the human element that is your greatest weakness. You will fail to follow the rules. You will work on hope and fear instead of facts. You will delay. You will become impatient. You will act too quickly or you will delay too long in acting, thus cheating yourself on account of your human weakness and blaming it on the market... therefore strive to follow the rules, or keep out of speculation for you are doomed to failure." End quote.

Well it couldn't be any clearer than that could it? You can have optimistic intentions, the best technical analysis or trading system in the world but you will not succeed unless you are in control of your human element. If you don't, you would be better off out of trading because you will probably fail.

Your success is not a question of market psychology. Don't attempt to blame or excuse poor results on that score. Gann shows that it's your personal psychology left on its own that is not conducive to success. Successful trading will require a personal growth plan that projects you into the top 10% and then keeps you there.

Characteristics for success

In my work as a coach of traders and active investors I have been able to witness a large number of diverse accounts. We have all read about the super-trading professional Market Wizards and how they go about their business. Of course the thing that strikes you there is that they all do it differently, yet successfully. This is reinforced by my work with Australian super-traders. As a coach I have been privileged to work with 'ordinary' people who have changed poor returns into consistent, growing and in some cases spectacular profits. What then is the breakthrough for these successful traders? What are the hallmarks of success that I have observed while assisting my clients become successful?

There are 3 attributes that are shared by those who choose to become successful at trading and active investing.

The attributes are

- A personalised approach
- Discipline and
- Passion

Let's examine each attribute in turn.

A personalised approach:

You may be thinking that technical or fundamental analysis is the key. I have observed in my work traders who use either or both and for a few neither and they all achieve success. The turning point for success is when the trader accepts complete responsibility for his or her analysis, and in fact takes charge of it. The analysis doesn't drive the trader; rather the trader drives it.

Everyone knows that the business of trading requires the practice of stopping losses, and riding winners. Successful traders do these tasks but in their own way compatible with their personality, trading style and method. One feature in common is that these tasks are anticipated before the market has confirmed them. In fact coaching purposefully develops this quality that signifies personal control rather than being churned around by what the market does.

Successful traders treat conventional wisdom with circumspection. Let me give you an example. Most books and courses require that a set of details about a particular trade be written down or check listed before the trade is ordered. Do you know what? Most of my really successful clients just execute the trade because they **know** their criteria have been met. (Of course they do systematically record the order and execution details of their trade.) For some a bureaucratic approach is suitable, for others it is an impediment. It just depends on their personal approach.

A note of caution is appropriate here as well. Many newcomers to trading think or are encouraged to think that what they have to do is apply the methods of a guru such as a Gann, an Elliot, or a Williams. In other words transfer their responsibility for success (and failure) onto an external 'hero' to spare them their inner growth journey. Yet the Gann quote above warns against this for good reason. If you have the same personality, experience, capital base and infrastructure as the 'hero' then you might replicate their results. By all means use their precepts in constructing your trading approach but in the final wash up your success is determined by you and your capacity to take personal responsibility and exercise control. You can never be Gann, Elliot or Williams but you can and ultimately will have to institute your own particular version of your master's way.

One last note about a personalised approach: the market can easily discount an approach that is used by many. This is the problem with black box systems. Your personalised approach is durable and successful because it is unique in an ocean of market participants.

Discipline

Success in any field requires discipline. When the athlete climbs the podium to receive the gold medal it's easy to overlook the hours and hours of dedication and discipline that prepared the way for the success. It didn't happen by just rolling up on the day and being lucky. And it won't happen in your trading either.

Discipline for traders has two facets: one relates to account management and the other to self-management.

Successful trading is not a hit or miss affair. Success comes from the will to win and the determination and endurance to follow through. Successful traders take a hard headed approach and regard their enterprise as a business rather than an indulgence or

hobby. They expect their accounts to accumulate, despite being stopped out often. They know that with discipline they will prevail.

As you would expect, the Gann quote above reinforces what I have noted in my own work with traders about discipline. The key elements of discipline for traders are maintaining patience and overcoming procrastination.

Patience is especially important in managing winning positions. Really big winners are relatively rare and you simply must be there to do your job to collect when they occur. You need the discipline to recognise and not to fold a winning hand when it comes.

You need patience to wait for your signals. However, indecision and delay when you have the entry or exit signal means you are really not up to the job yet. Procrastination is an abrogation of discipline will spoil your results by reducing the profit potential of, or even missing out on winners, and giving losers too much rope. You must act when your record tells you to do so. Procrastination has to be overcome if you are serious about success.

Successful traders have the discipline to remain focused on their business tasks despite the events occurring outside their control, for example in times of panic or extreme volatility. They know that success comes from thinking and doing without emotion and hesitation those things that are required of them in any market condition. Obviously handling losses requires discipline; but so too does account accrual and ongoing success. In fact I will go so far to say the discipline of success is so counter intuitive and demanding that many who show talent, who neither lose nor win much, have faltered at this barrier. Yet it is the transition to and the hallmark of really successful trading. It can be so readily addressed to take you into the top 10%.

Passion

By passion I do not mean an emotional connection with regard to trading. By passion I do mean enthusiasm, motivation and the commitment to stay with the task, especially as pressure comes on, as it inevitably will. Passion allows you to act in uncertain situations: it enables you to act when indicated before you feel confident and powerful.

My clients who succeed really enjoy their trading. Is this surprising? Success breeds success. Trading isn't an ordeal; rather it's a challenge. The successful ones aren't ambivalent about it: they want to do it, and do it well. Setbacks do not dent their confidence and enthusiasm (for long) but are regarded as an opportunity to learn and refine their methods. Passion enables them to be self-evaluative and to strive for better outcomes.

Passion emanates from the fact that their trading or investing business gives meaning to their life and satisfies deep psychological needs. Specifically these would be the need for achievement, freedom, fun and self-actualisation.

Conclusion

The observations in this article imply that the trader or active investor must establish and implement a method that complements his or her unique personality, risk tolerance, time horizon and capital base. Mimicking methods from gurus or using trading ideas from others are unlikely to work for you over the long haul.

There is no panacea or Holy Grail: just determination to explore, adapt, develop and apply one's own personal approach with discipline and passion. Fortunately coaching really expedites and streamlines the development of each of these essential attributes.

As a success coach of traders, I know that the skills can be learned, practiced and integrated into the foundation of your future success. This is a matter of choice for



you. Do you want to be completely responsible for following the rules promptly and without fail: to take your signals, to cut your losses and to ride your winners?

As in other fields of human endeavor you can be coached to overcome your barriers, to become disciplined enough to remain in control and reach your goals in a competitive environment. In fact top performers in sport, entertainment and more and more in business would not countenance operation without coaching to overcome their human weakness and encourage, if not inspire, the drive for achievement.

Success and money in markets has always flowed to the strongest hands. Coaching involves practical and effective processes that can help you take responsibility for the development of your human element as outlined by WD Gann, and to learn and implement new skills and behaviours that make your trading hands strong and successful.