



Winning Performance in Trading

In a previous article I outlined the attributes of successful traders: namely, a personalized approach, discipline and passion. In this article I want to take a deeper look into the actual performance dimensions that lead to consistent and growing profits. Firstly, let me quickly review the attributes I mentioned previously.

1. A personalized approach

I have worked with scores of successful traders and each individual has a unique strategy which gives them a winning edge. Essentially good strategy integrates a coherent analytical framework combining multiple time frames with the management skills that enable losers to be kept small and to allow winners to be as large as the market allows.

Conversely if you do what the majority do you won't have an edge and you will lose.

2. Discipline

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 and consistency they will prevail.

Successful traders have the discipline to remain focused on their business tasks despite the events occurring outside their control, for example panic and extreme volatility.

3. Passion

By passion I do not mean an emotional outlet 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.

My clients who succeed really enjoy their trading. Is this surprising? Success breeds success. Trading isn't an ordeal; rather it's an absorbing 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.



Now let's delve deeper into the type of performance that is essential for success. In particular I want to compare the type of thinking and action of top performers with what is the public or general view which leads to poor quality outcomes.

To do this I want to use an analogy of performance with which you will be familiar: driving a car. For more detail on this analogy refer to my book "Licensed to Profit by Trading in Financial Markets".

When you are in command of your car your performance is heuristic. All the complex input sensory data relating to speed, traffic, and direction are integrated within your brain to instantaneously and automatically produce the desired outcome moment by moment that enables you to reach your destination. There is an emotional component to this. These emotions are associated with trusting yourself to perform, relaxed and poised, at your best in the dynamic yet dangerous environment, and to enjoy the journey.

This is exactly how top operators approach trading. They perform heuristically in the face of complex market input.

On the other hand it is difficult to achieve top performance in trading if you are effortful, mechanical, judgmental and analytical. I'm not saying that analysis is not important. It is. You need a road map. But you don't put the road map in front to your vision when you drive.

But if you have to analyse and deliberate, to think about what you need to do and how to do it before you execute you will probably hesitate, unable to perform well to take advantage of the opportunity as it presents itself. After all if you see a bus coming towards you in your lane you don't calculate its momentum and your breaking distance or consciously think about what you need to do and how do you do it. Your heuristic performance enables you to short circuit all this. You just hit the brakes and swerve away.

Unfortunately the general view of trading is that it merely relies upon the mechanical application of analysis. But this is insufficient for great trading outcomes.

Learning to trade heuristically

It is possible for you perform in financial markets, i.e. trade, in a heuristic fashion? Yes of course it is if you have the will and the patience to learn how to do and trust it. After all you have already demonstrated your capacity to achieve this feat when you learned to drive your car. The heuristic approach is Learned Behaviour. It probably won't come naturally. Ironically the mechanical and analytical phase provides you the base to go forward with. Most traders in the break even zone are so close.



Here are 3 key elements I encourage in my clients.

1. Presence

You need to stay in the present moment and to keep your mind sharply focused on the trade in front of you. You have to learn to flawlessly execute in the moment what the market is presenting to you. You have to relinquish both past outcomes and the unknowable future. This moment is all that you have to deal with. Nothing else matters now.

In the present moment you remain unattached to your account, your ego and even your desires. You just trust your capacity to perform well in each moment to create success overall.

2. Freedom

In the moment you need to avoid mechanical, judgmental and analytical thoughts as well as negative emotions. You should be trusting in your ability and your acumen to flawlessly execute what you have prepared for and anticipated. You need to release your fantasies about wealth and power emanating from your trading, as well as your anxieties and fears of failure and annihilation.

You are free to act in the moment because you don't have a view or prediction about the market in the future that you need to defend. You are free to implement your strategy. This is emotionally not only liberating but also pleasurable and satisfying.

3. Strategy

You need to develop and stick with the routines and procedures that maximize your strategy. You trust that you will take the necessary action that your strategy requires as the market unfolds. You know that your strategy will project false positive trades as well as winning trades. Accept that as an ingredient of the business.

Your ego or cleverness isn't under scrutiny: the efficacy of the strategy is. Your detachment allows you to put your strategy under the spotlight to use feedback to improve it for the future.

Conclusion

In this article I am suggesting that the way to win at trading is to learn, develop and use the same type of performance dimensions as when you drive your car. Yes you do need an efficient trading platform and excellent market analyst tools. But to profit consistently and handsomely you need to go the extra mile and learn and do heuristic performance in the market setting.