Magical Forex Trading System

By : Alex Buzby

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Introduction:

Congratulations and welcome ……….

Well, people kept asking me to write a book about trading after telling them about the number of trading courses that I had attended.

Finally, I got the time to have a go at writing this short book. I didn't want to "pad out" this book by telling you all about the history of forex and the rest. There are plenty of books that talk about this.

This book will mainly concentrate on the system. If you want to learn more about the basics of forex you can do a research on Google.

Before you get carried away with the title of this book, I have to say that I have not found a magical way of trading the markets ! I simply chose this title in order to blend it in with my other site – Magical trading.

However, hopefully you will find some magic in the logic of the system.

Some points to mention :

1. Although the book talks about forex, I believe it could be used in any market that has continuous data, BUT, the oscillator used here is the one taken from VT trader which is actually a forex program. This is why I have not mentioned any other market.

2. I am hoping to get someone to program the oscillator into Metatrader as well (I know people use that software) and therefore will give you the code once it is done.

3. As already mentioned, for my charts I use a brokerage firm that has a platform called VT trader. Their site is www.visualtradingsystems.com or the other site is www.cmsfx.com

I have got a live account with CMS by depositing $250 (opened about 2/3 years ago). You could just have the demo account , but I have heard that their demo account is less reliable. Therefore, probably better to open a live account with them.

PLEASE NOTE that I only use these guys for charts. I have never traded through these people and have heard some mixed views on whether they are a good broker or not.

4. This system can be traded on ANY time frame – from a 1 min chart to a weekly or monthly chart. I would not personally trade any time frame less than a 15 minute chart, unless maybe after a news announcement.

So Let's get started………….

What are we attempting to do ? With this method, we are trying to identify the trend of the market and then enter trades on retracements.

Those who have studied Elliott waves may relate to this. But before you get excited (or put off), we will not be discussing Elliott waves here……. I only wanted to mention that there is some truth in Elliott waves - in that the market usually does not move in a straight line.

I refer to this as the "natural flow " of the market.

Even in a very strong market, it will rise sharply and then because of some traders taking profits, it could retrace a little and then carry on higher still.

Of course, there are times when it will move sideways.

The idea of trading the retracements in the main trend has always appealed to me. Some people like breakout systems instead - I would say that the breakout systems usually require bigger stops.

Using bigger stops gets me worried and I am not comfortable with that. As I said in my other book, it all depends on your personality . This is such an important issue and I will mention it AGAIN when we come to managing trades.

It is also worth mentioning here that this is NOT a mechanical system. Most parts of the method are pretty mechanical, but I believe that 100% mechanical systems have limitations.

The markets change and evolve all the time, depending on people's emotions. Mechanical systems usually are quite rigid and can't cope with this.

Anyway, the first thing to do is download the VT trader from either www.cmsfx.com or www.visualtradingsystems.com .

As I said I have a live account with them because at the time, it was more reliable than the demo account, but they could have resolved their problems now with their demo account. So you may want to try the demo account first.

How do we identify the trend ?

Most people use some form of Moving Averages to do this and that's exactly what we will be using here.

Two EXPONETIAL MOVING AVERAGES are used here. These are very common in every charting software that you use.

As a side note, I thought I would mention this myth here…….. At one of the seminars that I attended few years ago (mentioned in my other book), the "guru" told us : "Never use exponential moving averages, always simple moving averages !"

What kind of "rubbish" is that??? Moving averages are all similar and depending on what you want to do, you may use simple, exponential, weighted or others…….. they all have their place.

Anyway, we will use the following :

1. A 15 period Exponential Moving Average (15 EMA)
2. A 40 period Exponential Moving Average (40 EMA)

The other indicator that we use which needs the VT trader platform is called :

Stochastic RSI Oscillator

Don't ask me how it is worked out. My best guess is that it is a mixture of the Stochastic and the RSI indicator (a simplistic view I guess!)

I am not too bothered about how it is calculated, BUT it seems to do the job. Unfortunately the normal Stochastic does not give the same swings. I found that the Stochastic RSI indicator was much better.

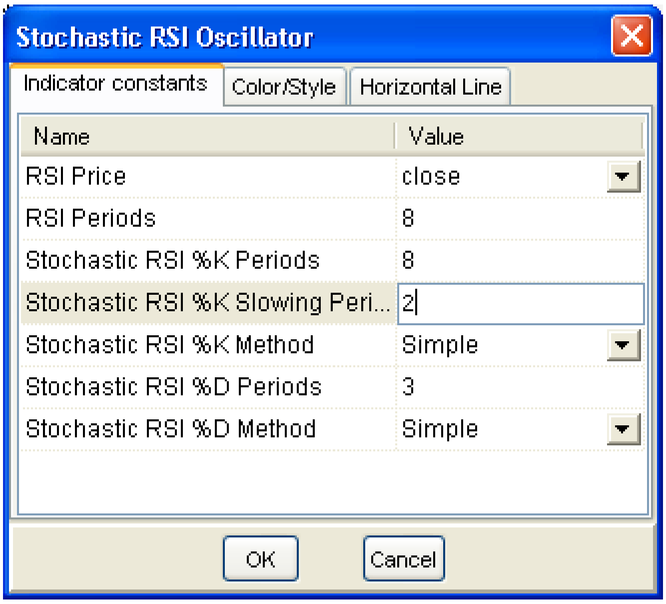
The above chart shows the VT chart. The green line is the 15 EMA and the magenta line is the 40 EMA.

Incidentally, there is **NOTHING MAGICAL** about using these moving averages. I reckon you could use different combinations of EMAs. For instance, maybe a 10 period with a 30 period. I think you get the idea.

You could even try to use 2 simple moving averages or weighted moving averages.

The oscillator at the bottom is the Stochastic RSI. The default settings for this is 8, 8, 3. However, I have changed the last digit to a 2 which seems to swing slightly more.

October 08 UPDATE: It looks like VT trader has changed the Stochastic RSI settings in its latest version. When you open the latest version, just change the settings to 8,8,2 .



I have shown this above.

However, go to "color/style" tab and click on %D. Change the colour here to WHITE, so that we don't see the trigger line.

Bear in mind that everything comes at a price. My settings will give you more signals, BUT at the same time it can give you more false signals. You can test the settings on this to your liking, but my settings are 8, 8, 2.

That's it !! Nice and simple. Note that we are not using loads of indicators to cloud the picture. You need to keep your charts simple or else you would get a very confusing picture.

Now, please watch the first Tutorial video on setting up the charts.

CLICK HERE FOR VIDEO TUTORIAL ONE

Ok, Now that we all know how to set up the charts, we will concentrate on the signals generated.

Basically, if our 15 EMA crosses above the 40 EMA, we say that the trend is up. If the 15 EMA goes below the 40 EMA, we say that the market is in a down trend.

Now that we have identified the trend, we will look for setups for entering the market.

This is where the Oscillator comes into play. If the market goes up and then retraces enough, our oscillator will go below the 20 level (an oversold position) and this is where we look for a buy (in an up trend).


GBP/JPY 30 min BID 238.44 17:00:00 High 241.33 Low 237.87
GBP/JPY 30 min 238.44 17:00:00
Account(s) Information
Dealing Rates
Open Positions
Orders
Summary by Accounts
Moving Average (C,15,E,0,0)
Moving Average (C,40,E,0,0)
An up trend has started here
Stochastic RSI Oscillator (8, 8, 2)
Volume
10/29/07 21:00 240.24 11/01 16:56:01

The above chart identifies where the trend has changed to an up trend. Once that happens, we then look for the oscillator value to move below 20 and then as it is rising, we enter the market.

The red arrows all show potential places where trades could have been initiated. Not all the trades end up being successful. That is part of trading……….

Rather than try to explain things here, it's a lot easier for me to explain them in a video clip that go into more detail on the thought pattern on these trades.

The entry can be done on what I call an "anticipation", which will allow earlier entry into a trade, BUT it could also result in a false trade ! Please see the following video for an explanation.

CLICK HERE FOR VIDEO TUTORIAL TWO

Ok, the second video should have outlined the set ups. In the next video I will show you more charts on this, so everyone will understand what we are trying to identify.

As far as trading times go, a market such as GBP/USD is probably most active from 2.00am Eastern (New York Time) to about 1pm Eastern (EST) , therefore it makes sense to trade in between these times.

Generally any of the European currencies such as Eur/Usd would be most active during the above times and not in Asian times.

If you had to trade the Asian session (from about 6pm EST to about 2am EST), then you may want to consider some of the Asian markets.

Anyway, you need to monitor and watch these to find the best market suited to your needs.

The above chart is the 15min GBP/USD chart. I wanted to show you the active times on the chart.

Trades 1 and 2 are actually middle of the night and as you can see they did not really go anywhere. Actually trade 1 would not have been filled, if you did not “anticipate “ a trade and waited for the bar to close and the oscillator to go below 80 (i.e. below the over-bought territory).

Trade 3 was, however, a better trade and the entry would have been after the 2.15am bar had closed, with a very little risk.

CLICK HERE FOR VIDEO TUTORIAL THREE

Therefore, a recap of entry set up:

As we said, the trend has to be up or down as identified by the moving averages. If the trend is up, then we are only interested when the Oscillator goes in to oversold position (i.e. below 20)

Then we can either anticipate a buy or wait for the next bar to close. Each has its pros and cons and I suggest that you need to consider other factors in deciding this.

In the next section, I will outline the first method for targets and stop losses.

Method 1- Targets and stop losses

As I mentioned in video three, one method would be to just risk the bar (plus spreads) and then once price has gone the same distance as the stop loss, to bring the stop loss to break-even.

The target that can be used, will be twice the stop loss. E.g. if the stop loss is 15 pips, then your target could be 30 pips. Once you have 15 pips in profits, stop is moved to break even.

This method is pretty mechanical. It will work in some places, but maybe not well in others.

CLICK HERE FOR VIDEO TUTORIAL FOUR

Method 2- Trailing the stops

For those looking for bigger gains, another possibility is to have a bigger stops and just trail the stop below the bars.

What we mean by this is that, you count the bars and then trail behind them. It's probably better shown in a video, so here is video 5.

CLICK HERE FOR VIDEO TUTORIAL FIVE

Method 3 – Using the Fibonacci level

I must admit that I am not really a fan of Fibonacci trading. However, I realise that there are lots of traders who use it.

I have been on a one day seminar with a guy who just traded off Fib levels. The problem that I had, was not knowing which level the price bounced off.

Basically, the method that we will use, looks for taking profits at a certain level. I have seen a few traders use this and so I wanted to outline it here. The fib level that we are interested in, is the 161.8% level (I think fib experts call it "an extension").

Watch the next video for a demonstration of this.

CLICK HERE FOR VIDEO TUTORIAL SIX

Just to make this clear, I have done a second video and will include a screen shot of that as well.

As I say on the video, Fib levels don't work all the time, but at least it will give you some form of a target. It's very hard trading, without having an idea of where you want to exit ! This basically is part of planning ahead.

CLICK HERE FOR VIDEO TUTORIAL SEVEN

It is simply meant to be some kind of a target. You will see other levels on the Fib tool, but I don't use any of them.

In the next section, I shall be talking briefly about money management.


EUR/JPY 30 min BID 161.96 14:00:00 High 163.75 Low 161.36
EUR/JPY 30 min 161.96 14:00:00
Account(s) Information
Dealing Rates
Open Positions
Orders
Summary by Accounts
Moving Average (C,40,E,0,0)
Moving Average (C,15,E,0,0)
Stochastic RSI Oscillator (8, 8, 2)
Volume
0.0%
50.0%
61.8%
76.4%
100.0%
123.6%
138.2%
150.0%
161.8%
176.4%
200.0%
11/07/07 02:30 167.72 11/15 13:53:53

Money Management

I am only going to be brief on this……. Those of you who have been trading for sometime, will have seen these all before, so I don't want to spend too much time on it.

Risk level : You may have heard people saying never to risk a big chunk of your account on a single trade. Remember that **ALL** trading is based on probabilities.

Therefore, even if you think that you have found the Magic formula, never risk more than 2-5% of an account on a trade. (day trading, probably use 2% and positional trading, maybe up to 5%).

As far as forex goes, other traders normally talk about trading one mini lot per $1000 that you have.

With brokers such as www.Oanda.com , you could trade very small amounts. It's probably a good place to start to trade, using a demo account.

Once your account grows, you will be able to increase the number of lots traded.

That's it, as far as money management goes. In the next section, I will talk about each trader's personality.

Our Trading personalities

I wanted to mention this, since we are all different. This affects the stop loss and profit targets, amongst other things.

For instance, my own personality is to come to break even quite quickly. I hate taking a big loss. Naturally this has its advantages and disadvantages.

The good point is that you will usually not have a great loss. The bad point is that usually you would only have small profits. The reason for this is because your stop is usually pretty close and a small move against you, would result in the position being stopped out.

In contrast, some traders are able to absorb reasonable losses in exchange for gaining bigger profits.

This is why it is important to know what type of a trader you are.

Also, some of us maybe happy with say a 15 minute chart, but others will use say a 4 hour chart.

The first type will have smaller stops, but (probably) smaller losses. The latter would aim for bigger profit points, but will also have greater risk. It goes hand in hand.

CLICK HERE FOR VIDEO TUTORIAL EIGHT

Please remember that there are no substitutes for experience in this kind of trading. Therefore, you MUST put the time in learning different aspects of trading.

Some more points to mention

Obviously , not every signal is going to be a good one. One way to filter out some of the signals is through using a higher time frame to get the bigger picture.

For example, if you are day trading using the 15 minute charts, then you may also want to have the 2 moving averages on, say, an hourly chart, especially if you have some experience of reading charts.

So you would take a buy signal (long trade) only if the hourly and 15 minute charts are in an up trend and you have the oscillator set up on the 15 minute chart.

The other thing that you may be able to see from the hourly chart (in this example), is whether the market is in a clear trend or, whether it is just moving sideways.

Beware of holiday periods. (See Forex Factory and Forex news below). For instance, if there is a holiday in the US, then at least do not trade any of the pairs that have US as part of it. I would probably keep away from all the markets.

IF you are day trading, then you must be aware of all the economic reports that come out during the day. Predicting the outcome of these is almost impossible, but at least you will not be surprised to see a sudden move in the market after the reports.

One of the sites that mentions the time of these reports, is Forex Factory (see the appendix).

So what to do now

You should now have a good grasp of what we are trying to achieve with this method.

Bear in mind that nothing in trading is perfect and the same applies to this kind of trading. There will be some big moves that you may miss and also you could have a rough time entering a trade after a losing trade.

But on the same note, you should also have times when you get a few winning trades in a row.

As far as the stop losses and targets go, you may know of methods that work better for YOU. I am always learning about these (and indeed about trading !).

Therefore, it will make sense to go through this book a few times and make sure you understand it. Then, WITHOUT risking a penny, get a demo account opened and just do some demo trades. I will give you some websites for forex brokers.

Get a demo account with one of these. Once you get the hang of the platform and the method, then switch over to real trading, BUT using the smallest increment.

The reason for real trading is that paper trading (using a demo account) will not arouse your emotions ! Doesn't matter how much you tell yourself to treat paper trading the same as real trading, it will still not work.

The nice thing is that you can start with small amounts on the real platform.

BE PATIENT……… and give yourself time to learn everything.

You may even be quite experienced already and just use a part of this ebook. That's fine, as long as it helps you.

I have outlined some broker websites that would have demo accounts. Actually, I think most brokers do have demo accounts now.

I have taken the following pages from my other book and thought that they would be appropriate, since some people will not have read my other book.

If you have, then you could ignore the next few pages.

- **Type of personality**

We all have different personalities and this is very important in trading. Not everyone is suited to trading.

If you are someone who likes to take their time in analysing the situation, then I doubt if you are suited to **day trading**.

In that case opt for Swing or Positional trading……. Which can usually last anything from one or two days to one or two months and longer.

Most types of day trading (but not all) will require the person to be very **decisive** and **act** promptly.

Is there an ideal set up ? NO - with the benefit of **hindsight**, everything is clear. In the heat of the moment, things are **not** that clear.

- **How comfortable are you with RISK ?**

Each time you enter the market, you are taking a risk - mainly a risk of loss. Some people are fine with handling risk. Obviously your risk will also vary with the position that you have on.

No one knows the outcome of any single trade. You can only judge the **probable** outcome, since we are dealing with **uncertainty** here.

I am more of a conservative type. Therefore, I was not always comfortable with taking risk. I have learnt to assess the risk compared to the reward that I will be getting.

- **Are you a perfectionist ?**

I sometimes tend to be. There is **no** perfection in the markets. It doesn't matter how good you are, you cannot be correct on **all** your calls !

Always remember that you are dealing with the **future** and the future is **uncertain** . Some people try to predict it. Sometimes it will be correct and sometimes it won't be.

The markets will teach you this. As you will see, no 2 days are exactly the same in the markets (whichever it may be).

After a while trying and testing, you will see that there are no right or wrong answers (See below).

- **Is there a correct way to trade the markets?**

The simple answer is NO!!

Most of the courses/ seminars that I attended, kept telling us that their methods are **unique**. They were dismissing all the other methods, saying they don't work.

You only need to read the book Market Wizards (or the New Market Wizards) to see that this is not true. In these books, Jack Schwager interviews several **top** traders. Guess what ? Their methods and markets that they trade are **very** different !! **Yet they are all top traders.**

They also used Technical and Fundamental analysis- although I think the majority of day traders would use Technical analysis.

- **Do you have the discipline needed?**

This one is **key**, but let me tell you - it is hard……..

Suppose you are in the market. You have set in a stop loss and the market is going against you. It is approaching your stop….are you disciplined enough to leave the stop in ?

OR are you going to get scared and get out prematurely (I used to do this sometimes). Is your **ego** going to get the better of you? i.e. you end up moving your stop further out, since you hate losing.

Both these actions show lack of discipline. Discipline can also show up in taking profits…… Imagine you have a target to take profits. The market is very close to that level and starts stalling at that price for a while. What do you do ? The market **should** reach that level, but as I said earlier no 2 trades are the same !

It is very painful to see your unrealised profits disappear, since you did not reach target and did not exit !

- **"Trading not to lose"**

Being undercapitalised can contribute to this behaviour. Most forex brokers will show off by mentioning that you can open an account with say $300…….

This amount is probably too small (unless you are with Oanda - see Appendix). You should risk about 1-4 % (depending on your strategy of course). So with a $300 account if your stop amounted to $30, effectively you are risking 10% ! Normally too high.

THE MARKET WILL DO ITS OWN THING AND IS ALWAYS RIGHT !

- **How about Money Management?**

This is a **very** important aspect of trading. There are other books written on this, so I shall just outline my own views.

For some time while I was still trying to learn, I thought that the key was to try and achieve as many winners as possible. Whilst this is true to some extent, it is not necessary. Let me give you an example:

Suppose you take 10 trades in a row. Your stop-loss is 5 points each time, but you take profits when you achieve 10 points. Your system only has a 50% profit : loss ratio. i.e. in our scenario you win 5 and lose 5……….

So your loss is 25points, BUT your win is 50 points. This is despite only a 50% success rate.

In our other example, we have a method/system that takes 10 trades. It seems like a good method. We have an 80% win: loss ratio……..but we don't mind having big stops (relatively) and so our winning target is 10 points and the stop loss is 40 points……..

So, our winners = 80 points but our losers are also 80 points. Breakeven ! By the time you take off commissions, you are actually in **negative** territory.

These are very simple examples. Real trading is usually more complex than this, especially on taking profits since some traders tend to use trailing stops (stops trail behind the price, as it moves in their favour).

I hope you can get the idea. You **do not** need a high percentage of winners. However, your profit : loss ratio should be 2:1 or greater.

Again, there is no right or wrong answer here. It could be lower than 2:1, depending on your hit rate - I think you get the idea. You won't believe it, but it took me sometime to absorb the fact that this is true.

However, as far as psychology goes, the more winners you have, the more comfortable you will feel. Those traders in positional trading (more than one day trades), tend to have a winning ratio of say 35-45% only.

On the face of it, this seems too low but what they tend to concentrate on, is riding a trend (up OR down) . Their winners could be say 5 times larger than the losses.

OTHER ASPECTS OF MONEY MANAGEMENT:

Another aspect of money management is to do with your position size. I will just mention this in brief. Most traders will look to get the maximum profits out of a trade. With the benefit of **hindsight**, this is easy to see.

Don't let this fool you!

What other traders tend to do is just aim small, but aim for **consistency**. Once they are consistent, they then just add to the size which is traded……. gradually increasing and compounding.

Consistency ? The AIM of every trader.

I personally think that every serious trader should have the aim of being consistent. It is too easy to have a "see-saw " type of trading. When I talk about consistency, its probably more to do with applying your system/method consistently. Discipline is needed here.

We can aim for a certain number of points or monetary gains per week, but there are **no** guarantees of achieving this. As I said above, the market will do its own thing.

Conclusion

I do hope that you have enjoyed the book. It is not meant to be the answer to all the trading problems, but it should hopefully show you some new angels into trading.

Remember : Trading cannot be learnt over one or two days - you need lots of practice, learning time and resolving your psychological issues.

Good Luck,

Alex Buzby

Email: alex@magicaltrading.com

APPENDIX

I will give you some websites here that may be useful.

www.oanda.com - They have a game account that you can practice on. Pretty easy platform to start on. You can also start very small with them. One thing to watch out for, is the wide spreads during news times.

www.fxsol.com - I think they still offer a micro mini lot account, which enables you to trade very small. Please have a look for yourself.

www.gftforex.com - a friend uses them and likes them, so I thought I mention them here.

www.prorealtime.com - these people provide FREE end of day charting package, just in case you are interested in a market other than forex.

There are a lot more brokers out there, please do a bit of research on them.

www.metaquotes.net - You can download meta trader from this site (another charting package).

www.forexfactory.com - this is one of the sites where you can find the daily economical reports that affect the forex markets. There are others, but this one is a good one.

www.forexnews.com - similar to Forex Factory.

www.directyourmind.com - There is a CD on this site called Trading Mind. This one is on psychology, but it is UNIQUE since it communicates with the subconscious. It is quite clever the way its done and I reckon has a greater impact..

www.ruthroosevelt.com - See the book : Exceptional Trading - The mind game.

www.markdouglas.com - couple of books on psychology that you may find useful.

SPECIAL REPORT:

The Following is an extract from the book : "Exceptional Trading- The mind Game" by Ruth Barrons Roosevelt (see ruthroosevelt.com)- published by Traders Press (Traderspress.com). I appreciate Ruth's permission to use this, as I like it very much. Hope you enjoy it as well.

THE DOERS AND THE THINKERS

" We have left undone those things which we ought to have done; and we have those things which we ought not to have done; and there is no health in us " - The Book of Common Prayer

In my opinion there are two basic types of traders. Each has specific strengths, and each has specific vulnerabilities.

The first group I call the Thinkers. These are the analysis folk. They tend to be risk averse. They are not comfortable with risk, and so they try to avoid it. These people have barriers between their thinking and their doing.

The second group I call the Doers. These are the action folk. They are risk takers. Risk gives them a certain excitement, a sense of being truly alive. They actually enjoy being on the edge. These people are capable of acting before they think. They frequently act with insufficient prior analysis.

I often think that if I could match up my client base into pairs of thinkers-doers, the clients could go swimmingly along. But the Thinkers don't trust the Doers with their precious analysis. And the Doers don't particularly trust the Thinker's analysis, and besides they resist outside direction or limitation.

PROFILE OF A LOSING THINKER

“ We have left undone those things which we ought to have done. “
- The Book of Common Prayer

“ He who desires but acts not, breeds pestilence. “
- William Blake

First, let’s look at a composite profile of losing Thinkers. The Thinker’s *modus vivendi* is thought. Their style is thinking rather than feeling or doing. Thinking is their protection. But it takes more than thought to be a successful trader. You have to do as well. Thinkers very often are drawn into trading through system analysis. They know their way around computers, and if they don’t, they soon learn.

Thinkers love doing research and analysis. However, their problems start when the analysis is complete. First, they may have trouble bringing the analysis to a conclusion - there’s always another aspect to research.

Then when they do finally complete the analysis, they are often surprised to find out that they cannot trade. Their method gives the signals, but they cannot put on the trades. They are trapped in the cliché of the paralysis of analysis.

After receiving a signal they may second-guess the system or they may decide to change the system. Sometimes they simply hesitate so long that the market has moved swiftly without them. They may end up chasing the market only to get scared and jump out, or worse still find that the market has turned against them.

Losing thinkers are totally uncomfortable with risk. They are fearful of losing money or of discrediting themselves. This fear causes them to have difficulty in pulling the trigger to get into a trade. It causes them to grab profits too soon. It causes them to freeze in a trade and take huge losses. Losing Thinkers find themselves constantly changing their system, or even changing systems. They are continually looking for a better way. Looking for a better way is all right, but the probabilities don’t work in your favour if you keep shifting them or second-guessing them.

I recommend to such traders that they create for themselves a rule that they can only institute changes at the beginning of the month. This gives them some kind of thoughtful discipline, and keeps them from being whipsawed in their methods.

Losing Thinkers often suffer from the need to be right. They want things to be correct. They often are perfectionists, holding themselves to an exacting standard of pristine perfection. They tend to look at things in small chunks. They demand precision. They tend to be rigid. With such a predisposition, how can they possibly be comfortable in the rough and tumble vagaries and uncertainties of the market place ?

In short , Losing Thinkers just aren't players. Trading for them is not play. It's not fun. To be really good at something, to be outstanding, you have to love what you do. You have to have a passion for it. Loving what you do and doing what you love is the greatest blessing a person can have.

PROFILE OF A LOSING DOER

"…and we have done those things which we ought not to have done."
- The Book of Common Prayer

" Action without thought is like shooting without aim."
- American Proverb

" A man of action forced into a state of thought is unhappy until he can get out of it "
- John Galsworthy

Doers, on the other hand, love to play. They love trading. However, Doers have a different set of dangers and difficulties. Losing Doers often act before they think. They love the action for the action's sake.

They also react quickly, and often they react mindlessly. These reactions can cause them to get whipsawed, can cause them to overtrade, and cause them to dig a hole deeper once they are in it by adding to losing positions or by flailing out in many directions in an effort to make things better.

Losing Doers may have a valid trading plan, and they may have a proven methodology or system; but they tend to shift course during a trade or during the trading day and go off on tangents.

Sometimes they may be totally disciplined in one pit, only to run over to another pit and throw on un-researched trades that will rob them of their entire week's hard earned winnings.

They may even go along trading in a disciplined manner for weeks, and then suddenly go berserk. In one day or one week of wild trading they can give back all their profits.

Losing doers have the attitude of let's try it and see what happens. They will tend to play with their profits recklessly. When they are losing, they will frantically try to get even.

Losing Doers, like losing Thinkers, know fear. Losing Doers are thoroughly acquainted with greed as well. They may ratchet back and forth between the two emotional polarities. They tend to over trade in quantity as well as frequency.

If they are caught in a losing trade, they will be inclined to add to it. If they see a strong opportunity, they will frequently bet the farm. The trouble with betting the farm is that even if you are right 99% of the time, you will lose your stake on the 1% when you are wrong.

Losing Doers often don't have a sound management plan. They may not even have thought about money management. When they do have a money management policy, they are likely to violate it. Losing Doers can get euphoric and lose sight of reality and lose their grasp on what is actually happening. Like gamblers, when they are euphoric, they tend to believe that they are on to a sure thing. In such a condition, they tend to exaggerate the possibility of profit and disregard the possibility of loss.

Losing Doers are often gamblers. It's a fine line between trading and gambling. Each is based on chance. The problem with gambling (and trading) is when you haven't carefully calculated the odds or when the activity gets out of control and becomes compulsive.

Losing Doers may well have the inability to control the impulse to trade, and may continue to trade even when their trading capital is depleted. They may borrow or steal. Or they may simply keep filling their trading account with money they make at another job.

Pathological gambling is different from normal recreational gambling. And pathological trading is different from trading as a business.

Pathological traders and gamblers are looking for an intensity that eludes them in ordinary living. This sense of the action, this sense of being truly alive only when at risk has a tremendous draw for the losing Doer.

The losing Doer trades excessively for the thrills. Go rock climbing, fly a plane, take up downhill ski racing , or any other dangerous and exciting sport.
But, please, keep your thrills out of the trading arena. And, please, only trade with risk capital.

THE IRONY

Losing thinkers dread the risk. They associate so much pain to the process of trading and being at risk that they are unable to trade effectively. Through countless and repetitive mis- manoeuvres, they actually create the pain they are trying to avoid.

Losing Doers love the risk. They associate so much pleasure to the process of trading just for trading's sake that they turn what could be a very profitable operation into a sick and losing situation.

Can you change your type ? Of course not. But you can evolve to being a winning Thinker or a winning Doer. Or you could just form a partnership with a trader from the other type.

SELF ASSESSMENT OF PROFILE TYPE

Are you a Doer or a Thinker ?

How does being a Doer or a Thinker enhance your trading ?

How does being a Doer or Thinker jeopardise your trading ?

What steps can you take to balance this proclivity?

Well, I hope you have enjoyed this report- my thanks to Ruth.
Good luck with your trading and may the wealth be with you as always.

Alex

