

Trading Changes

By Martin Laurence Kemp

As traders, we soon come to realise and appreciate how difficult it can be to take money consistently from the markets. We learn that to have a chance of doing so requires us to make a lot more effort than we may have imagined. We need to have extensive knowledge of the markets and instruments we intend to trade, a sound grasp of technical analysis, a thorough macro-economic overview and also to have secured for ourselves an appropriate amount of “risk” capital. However, most importantly, and the issue this article seeks to address, is the effort that is required to study ourselves when we trade and specifically to understand how the patterns of behaviour we come to observe in ourselves whilst trading, once identified, can be reframed so as to be appropriately aligned to the demands of the market.

It is the character of this effort that separates the winners from the losers. The market will always frustrate us until there is both clarity regarding, and application of, the necessary effort [which paradoxically, once accepted and integrated, becomes actually quite easy to implement]. Having ascertained the stringent demands of the market we must find a way to develop the qualities in ourselves that best model the requisite qualities for trading success then build and sustain the self discipline to practice these so as to tilt the unforgiving odds slightly more in our favour.

Patterns of behaviour

For most of us, especially the more independent, discretionary type trader, and best efforts notwithstanding, our rationality can easily be displaced and overwhelmed by the tug of underlying emotion. What we discover is that the very process of engaging our beliefs, hopes, expectations and money with the market leads to the emergence of inner drives, propensities and perhaps compulsions that do not easily dovetail with the requirements for trading success and often appear to sabotage our best intentions.

Becoming aware of these patterns requires a willingness to confront aspects of ourselves we may have chosen to suppress, [for probably perfectly sound reasons], and then uncovering the coded messages or scripts they carry. Being a successful trader presupposes a toughness and tenacity born from having grappled with and overcome the inner demons that plague our every step towards success and having integrated these appropriately so that we are in charge of them rather than vice versa.

As we find ourselves performing at well below our imagined par we acknowledge that certain aspects of our approach need something of a radical overhaul if we are to pursue the evidently elusive success we crave. Here is where we may initially deduce the solution be found in a myriad of externals such as a better charting package and a deeper knowledge of technical analysis, more screens, different markets, more capital etc. Of course, these may all be helpful and we need all the edges we can get. But to look for the keys to success through these avenues alone can encourage the erroneous belief that just doing more of what we already do will somehow engender a transformation of trading results.

Most trading journals carry seductive adverts for market beating software and systems and I’m sure many of these companies make a good living in the picks and shovels business. Perhaps there are actually people out there who truly believe that the path to riches is going to

be sold in a magazine for five hundred pounds. Frankly, we have to ask ourselves to what extent, if any, this attraction to a ready made package is still some residual grail hunting that promises to relieve us of the need to actually think for ourselves. In my experience, what is actually needed is a thorough shift in approach that originates in how we structure our beliefs about the nature of trading. Clearly, this is something that cannot be bought over the counter and has to happen deep inside ourselves and is usually a long and onerous process.

Process of change

So, how might we begin the process of change that will equip us with the tools for eventual success? There is not necessarily a seamless, unbroken chronology here but we could reasonably suggest that the following steps are all essential

- Awareness of repeating behavioural patterns that occur whilst trading, emotionally, mentally and somatically
- Identification, naming and crystallisation of these patterns
- Commitment to changing any behaviours and patterns that are incompatible with trading success
- Formulating and nurturing a vision of yourself as a successful trader
- Devising strategies and techniques that will support the realisation of this vision
- Practicing market actions that are in line with this commitment and vision
- Persisting with these actions until they have replaced the previously less productive actions and become automatic
- Continuing this process indefinitely from top to bottom

Say, for example, that you struggle to run your winners for as long or as profitably as your methodology / intuition suggests. Perhaps you are still encumbered and controlled by a set of fear based trading beliefs that reflect experiences from the past. On the surface, the reasons could be properly and justifiably ascribed to the fear of losing profit. But fear, of course, has many subtle nuances, idiosyncratically structured and expressed according to the early messages you received from your family and upbringing.

Many traders I have spoken to find leaving the lions share of the potential profit regularly on the table to be even more painful emotionally than actual losses. Continually closing winners early, irrespective of whether this is the right market action to take at the time, betrays a lack of understanding of and respect for the probabilistic parameters within which success happens.

Inner messages

Bringing your awareness and attention to these moments of “decision” can reveal some interesting and potentially beneficial insights about the storehouse of inner commands and injunctions that presently serve as a significant determinant of your trading behaviours. As you become increasingly familiar with these repetitive and very powerful patterns of belief, thought and behaviour you may want to begin to consider them as potential allies in disguise, if you like. For although you may not have approved of the actions they apparently compelled you to take, nevertheless they are acting purely as servants to some earlier, perhaps no longer appropriate, commands you gave them. They have been unfailingly doing as they were told / informed and usually represent key expressions of the ongoing narrative that you have created about yourself.

The more you gain clarity about these messages the better. Maybe you can come to find the inner voice that each of these messages communicates to you, usually to be found as a short, simple phrase. It can also be helpful to give an injunction or command a name so that you develop a relationship with it and gradually bring it into the realm of awareness that marks the beginning of its demise as a potent force in your life. So, for example, you might discover that you have acquired a “poverty consciousness” which may considerably limit your risk taking abilities and may manifest as an inner voice saying something like “there’s never enough”. Or maybe as a child you picked up that “it’s all my fault” and how you have come to hold and express this in a trading context has been to feel guilty by saying to yourself “I am a loser”, with predictable results.

Of course, there is the possibility that you inherited a primarily positive script, full of beneficial intention. However, even this does not necessarily mean that these qualities you have developed will cut much mustard in the market. It is a fact that attributes that shine elsewhere in our lives may prove detrimental in a market sense. Even if you are pretty sussed out and together you’re probably going to have a degree of unlearning to do before you can get it as a trader. And, if like most of us, you bring the odd bit of emotional baggage to your work then it truly can be a formidable task to get yourself out of the way enough to see what needs to be done and then do it.

For sure, it may be relatively straightforward for you to sell yourself the idea of change on an intellectual level but the emotional and visceral responses it will generate are far more challenging to deal with. Changing past patterns involves going through the very real fear of letting go. You don’t know what will happen. As a trader you need to ask yourself, at a deep level, if it’s a trade you want to take.

Commitment to change

Assuming it is, the next, crucial step is to commit to change these patterns and bring your will, conscious intent and energy to this task. How quickly and convincingly you are able to do this is a reflection of both the depth to which your patterns are ingrained and the levels of frustration you have had to bear as well as the extent of your desire and passion for success. Commitment is a moment to moment journey, not some whimsical ideal that evaporates at the first sign of difficulty and as such you need to be clear what it is you are about to undertake. The existing, entrenched patterns are unlikely to give up their apparently presumed and rightful place in your unconscious without a murmur of dissent and so finding ways of gradually reducing their impact becomes important.

One way of facilitating this is by understanding that the inherent purpose of these patterns is not in question and is being neither compromised nor changed. The innate quality of reliable, dependable resourcefulness is being retained. All that changes is the message/injunction that you request your unconscious to communicate. It is likely that the original task entrusted to the unconscious, amongst other things, was to ensure survival, safety and behaviour appropriate to the needs identified at that [earlier] time. If you can find the belief in yourself that your unconscious can become your trading friend then it makes the task of committing to change much easier and provides a ready made motivation to get you going.

Visualisation

One way of further facilitating these changes is to formulate a vision of yourself as a successful trader. Imagination, as Einstein remarked, is more important than knowledge and when combined with and directed by the purposeful intent of your conscious mind it becomes

a potent force working for your benefit. Flesh out your vision, the more rounded and 3D the better. See yourself in front of your screens executing profitably and become aware of as many aspects of yourself and your surroundings in this vision as you can. What is your posture like? And your breathing?

What are the physical sensations that you are aware of as you trade successfully? What thoughts pass through your mind? What are you feeling as you take consistent profits from the market? What is the ambience of your trading room? What music, if any, are you listening to?

You might also want to experiment with images within the vision that speak to you. For example, you could picture two pots on your desk, one almost full, containing slips of paper on which are written your winning trades and the other almost empty containing your losing trades. You can have fun designing something that works for you and as long as you believe what you are visualizing is possible then the only limit is your own imagination. The key thing is to find images that connect you to the process of success and make these as clear as you can. Try varying the intensity of colour you see in your visualization and play around with the fine tuning until you have something which feels right and fitting and is tangible, real and achievable. The more you can get an experiential sense of what your vision of yourself as a successful trader looks and feels like the better. The unconscious mind receives this experience as if it is already in the present and so the greater your intensity of focus and purpose and the more you commit to it the deeper root it can take.

Visualisation is most effectively undertaken when you can get your mind to a place of quiet and stillness. Ideally you want to be able to bring your brainwave activity to the alpha level of 8-12 waves per second. This is associated with introspection and relaxation, superlearning and the production of calming neurochemicals. Change needs to happen at the deeper levels of the mind in order to take root and become lasting. What you are attempting to do is to plant a root in fertile soil and so, if you like, you need to get as many weeds out of the way before you start. You become what you think about and focus on with intensity and purpose so once you are clear what you want and you know what you need to do to get there then you can trust your unconscious to find ways of delivering the results you request from it.

Transition through conflict

In the process of allowing these changes to gradually unfold there is inevitably conflict. You are asking your unconscious to accept something different than is already there and the transition between the inherited and established old and the consciously self determined new creates a tension and varying levels of resistance. It is important to understand that this is the key that underscores the process of change and how you deal with this is what determines your eventual results. As you build and strengthen your self discipline this adds to the developing momentum. The trend is your friend. And this is one you want to ride forever.

Having created and developed your vision it becomes important to find a way of grounding this with actions that will support it and further the process of change. Such actions have many functions. Firstly, they serve to reinforce what you have committed to and visualized. You trade in accordance with your new vision of yourself as a success and practice the methods and actions you deem appropriate to this, moment to moment through the trading day. Trading from this new perspective encourages you to align the conscious mind and will with the seeds of change already planted in your unconscious mind. Secondly, it becomes increasingly difficult for you to trade in the old [losing] ways you had previously followed

and do so with the awareness of the new methods you have designed. Thirdly, having specific criteria to follow and trade by lessens the potential for emotional disruption and sabotage.

Also you need to be clear in yourself that you believe you are worthy of the success you seek and that you are capable of achieving it. The more you choose to take actions that are different from what you have traditionally done the more you help yourself to reinforce the power of your new vision of yourself. You can also help yourself by determining a clear set of strategies that will focus and strengthen your resolve you to run your winners, get into and out of trades or whatever particular problem you are struggling with. Once you have identified the trading behaviours that are not serving you in these respects then you can break these down so as to understand their constituent parts and watch for them to arise and then go against them and trade completely from the perspective of your vision. Of course, all the above assumes that you are cognisant with strategies that reflect the hard and fast rules that will lead to success. There will obviously be a personal slant to what you request your unconscious to develop and deliver but the “programme” needs to be built around the time tested market truths, which though evident to all, lose nothing in repetition. Any vision of yourself must therefore be tailored around the following :-

- Judicious trade selection
- Clear criteria for entries and exits
- Capital preservation
- Acceptable risk parameters
- Running winners patiently
- Cutting losses quickly

Additionally you must find a style of trading that suits your personality. It is no use trying to be something that you are not and fighting your own tape. You have to fit to find success. If you are by nature aggressive and risk hungry and you like fast action then it is more likely you will find your thing as a daytrader rather than as a swing trader. As you feel comfortable with and established in your new vision of yourself and it begins to yield the desired results in terms of consistent profits then you can perhaps broaden your approach and take these new found skills into different trading avenues but initially choose one approach and stick to it.

In the end, you just have to keep on keeping on, do the right things over and over again and persist until you reach the stage referred to as unconscious competence. The successful trader is the one who is able to bear the uncertainties involved in such a transition and walk the line with confidence and unshakeable self belief.

In a sense it's about finding and following “the way”. You may have impulses, historic dispositions and a strong desire to do things your way in anticipation of a particular reward [money] but the only way to play the ultimate numbers game is by making your way and the market's one and, as we all know, the market is always right.