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*There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits*

Saturday, February 15, 2014

## Market Sense

Many traders relate trading to "Poker". I have read it a thousand times since I started my market adventure. Still I do not know what this Poker is all about.

I always felt, trading is like driving a car. Everybody start learning it the same way. We learn rules and regulations familiarize with the controls and deliberately practice operating them. But knowing all these won't make you a driver. To drive the car with confidence, you need something else. What it is?

It is called "Road Sense". It is something that we acquire by experience. Level of road sense differentiates an excellent driver from an average one. I do not know how to define road sense. It is simply our ability to assess ourselves and others around leading to good judgments and driving habits.

Good judgment of the situation will help us to avoid trouble and accidents on the road. This involves understanding the behavior of other drivers, assessing our own strength and weaknesses, controlling situations and avoiding risks.

Trading is not different. Knowing all the patterns and trading tactics is not going to work unless you develop "Market Sense". But it takes time and experience to develop. Unfortunately most of the people won't stay that long. They will simply quit or flirt to some other method.

If you are really serious about your trading, select a method with a positive expectancy and stay long enough to develop this Market Sense. Your first priority should be the survival during this learning curve.

Anyway, start learning Poker and Golf. Traders are supposed to play these.!!!!!!!

Posted by [SMART Trader](#) at 12:06 PM



## 5 comments:



[SuMa](#) February 15, 2014 at 8:49 PM

I have also thought of trading just like driving.

The biggest mistake that a trader try to do is even before he learns how to drive, he wants to create a robot who can sit in front of the steering and drive. Just think about it. How much of none sense it is! Can you create a robot who can drive successfully in chaotic road, if you don't yourself know how to drive well?

I have myself been guilty of this. In my early days, I tried thousands of hours to create a mechanical system ( i.e. a robot) which can trade for me.

Now, I laugh at those days.

Reply



[SMART Trader](#) February 15, 2014 at 9:12 PM

TraderInTheZONE

Thanks for the comment.

You are right.

Another funny thing is that people try to drive looking at the rear view mirror.

ST

Reply



[Unknown](#) February 15, 2014 at 10:59 PM

Yes, first phase is the most difficult time...as most of traders couldn't survive..... and share market have a bad name creating most Roadpatis than crorepatis....

Reply



PA Trader February 19, 2014 at 10:19 AM

What I have been observing is that whenever I pick up a new strategy (Yes, I have done that often, but now trying to stick to DP), the initial few days are good. I am able to make good trades. But as I learn more about the strategy, do some back testing, paper trading, I begin to loose grip. When I started paper trading DP, I used to get around 60% successful trades, now that has dropped down to 40%. I have realized that

- a) I begin to over analyze and micro manage
  - b) I begin to over trade
  - c) I begin to "find nails because I now have a hammer".
  - d) I started off with just using major DPs such as PDH, PDL, IRH, IRL, BRN. Now after going through most of the forum posts, I begin to confuse myself with MSPs, TRAPs, SACs, Cigarettes etc. Either I take premature exits or keep my trade running till they hit SLs.
- ST...your advise please.

Reply



SMART Trader February 19, 2014 at 6:36 PM

PATrader

Your win % coming down means you are taking more low probability trades. Even with a 40% win rate you will be able to make money.

Read

<http://niftyinirvana.blogspot.in/2012/11/win-more-lose-less.html>

In my opinion your problem is fear of missing out. You are trying to take each and every trade under the method. This will do more harm than good.

Let me give an example first two trades stop out at 10 points. Loss is 20 points+4 point commission=24 points. You need to win 26 points on third trade to breakeven. So eliminating the low probability trades should be the priority.

Do more what makes money for you and eliminate others. This will depend on your personality and you have to work on it.

For example

1. Losing more on CT trades. Skip CT trades
2. Losing more on IR breaks. Avoid BOs of IR.
3. Losing where FTA is very close
4. More BOF are working. Focus on it
5. Win more on day extremes. Focus and bet big on them

Do not over complicate. Price won't hit two DPs at a time. When price is moving to a DP plan your trade in advance. You can trade it in 4 ways. TST, BO, BPB and BOF. Visualize and analyze the 4 trades in advance. SCORE it and decide which one you are going to take and which one you are going to skip. Further plan how you are going to manage the trades you are going to take. Plan the trade and trade the plan. Planning is not something you do the previous night.

Don't allow the Market to surprise you.

ST

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  - [July](#) (27)
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  - [April](#) (22)
  - [March](#) (24)
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    - [18022014](#)
    - [17022014](#)
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- [2012](#) (338)