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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, September 7, 2013

Trading is Hard

Trading is simple. No doubt. But learning to trade is really hard. People want to make trading simple. They want to reduce it to a few simple setups that can be traded mechanically with discipline. I warn you, this is not going to work.

The reason is Markets are not simple. It is all about ambiguity, complexity and uncertainty. Simple setups that can be traded mechanically will never succeed consistently. It is not going to give you an enduring edge.

Traders want everything clear cut, rule based and mechanical. But every moment in the Market is unique and mechanical methods are not going to capture it. If you are approaching price action trading this way, I am afraid you are practicing a useless skill.

Try to develop a contextual view. This involves synthesizing different elements like location, space, order flow etc and much more. Learn to execute the trades in this context. I would like to remind you that learning all this is complex and will take time.

Don't be afraid and disheartened. This is not an impossible task. Many traders have done it and achieved trading consistency. If they can do it, we can also. We are also made of the same stuff as they are.

Posted by [SMART Trader](#) at 8:50 PM



12 comments:



[Sunil Saranjame](#) September 7, 2013 at 9:44 PM

Well, if one is trading intraday then what you say has a point.

But what about people who want to catch a big trend?

For example, a trader uses a simple ema cross. He gets a buy trigger on 5 stocks. So he enters into all the 5. 3 work well, while 2 fail.

Out of the 3 which work, 1 really takes the cake - it turns out to be a real winner.

So ST I guess it all depends on what one wants to do.

Intraday techniques like order flow, dp's etc are out once the time frame becomes bigger.

Thanks, I like your posts as always.

Keep themgunning!

Reply



[SMART Trader](#) September 7, 2013 at 11:09 PM

SS

I beg to differ, Sir

Contexts are applicable to higher time frames also. I agree DP's like HOD, LOD etc are irrelevant, but there may be other factors to be considered

I will not enter on an EMA cross(Long)

1. into a proven solid resistance

2. if the sector index is approaching a barrier

3. if overall market is approaching a resistance area

4. if the relative strength of stock is lagging with respect to the overall market and sector

5. if it is a falling stock on a dead cat bounce

6. if it is a tainted stock

7. if any crucial announcement or news is due

8. Well known positional traders will never touch a stock without momentum and earnings acceleration

9. Most of the swing and positional traders avoid out of favor sectors and industries

10. Many traders consider the traded volume and float to select stocks

Further I don't think one can make money betting on probabilities like 3 out of 5 EMA cross work. I will prefer to research and find out

what makes EMA cross overs click.I will try to trade those where these factors are present.

My focus is to identify and enter trades with a very high probability of working and not betting on everything and expecting the probability to bail me out

IMHO such probabilities wont give an edge.If it were so Market will get exploited massively by big money. This never happens. There is no static edge in Markets

ST

Reply



Sunil Saranjame September 7, 2013 at 11:18 PM

Agreed. But there are filters one can use, and you have already numbered some of them

For example I have a basket of outperforming stocks. Momentum is behind them. So a simple ema cross in these will work better than a random stock.

Thanks,

Reply

Anonymous September 8, 2013 at 2:38 PM

@Sunil Saranjame

hi sorry to butt in here,

I use cross to trade and filter it self is price action as by ST.

please share what are the filters that you use for an intraday trade when you use crossover to make an entry? and what crossover is best for trading intraday trading with 2 or 3 min charts?

hope it helps lot others too,

Babu

Reply



Sunil Saranjame September 8, 2013 at 6:47 PM

Hi Babu, first of all if you are trading ST sirs method then better to use it as he is using it / as he has taught us. You will land up in trouble if you mix things together.

Having said that, I do use 15 min charts and 3 ema method for positional trades.

Here it is important to see where the buy / sell trigger comes - if it is too far away from the price then I avoid it. That is a filter.

Thanks,

Reply



Sunil Saranjame September 8, 2013 at 7:01 PM

@Babu - sorry, forgot your last question -

There is nothing like a "best setting" for any ema cross - it is after all a compromise - if your emas are larger then you will get fewer signals but better ones and if your emas are shorter then you will get plenty of signals + plenty of whipsaws too. So it is a trade off.

On 15 I'm currently using 5/10/15.

I tried / used 9/18/27 but found the signals were coming a bit late.

Thanks,

Reply



HARISH TAHKHAR September 8, 2013 at 8:09 PM

More than 75% loose money because trading or investments has no enduse (consumption) but tranfer of money from weak knowldge and poor actions to sound knowledge and smart actions.

All screen based trading are FI,DI or MF operations.Imagine how much knowldge needed.

Best Strategy : To be a trader one must undergo Technical Educatios & Practical traing courses like Dr.C.A.Advocate and other professions at least for 1 or 2 years.

Google search many online and free educaional course are availbel.

Reply



SMART Trader September 8, 2013 at 8:51 PM

Harish

IMHO 90% of the people are mediocre and do not excel in their chosen professions irrespective of their training and education.This is applicable to all cross sections of the society like CAs, Engineers , Traders,plumbers, carpenters and Doctors.

Fortunately , in many professions there are no methods for proper evaluation and there are ways to conceal their mediocrity. There are loopholes to avoid accountability and escape from responsibility.

Unfortunately, in trading those who excel will only survive. Mediocre will blow their account and go bust. For traders there is no way to

conceal. Their account will always tell the truth.

ST

Reply

Anonymous September 10, 2013 at 8:16 AM

Hi,

when trading price action subjective do come into the trading as its a constantly evolving. BUT saying that mechanical system does not work is wrong. One may be good in price action but that does not mean other things dont work.

I believe you must be aware of speculator swing trading system which is there on icharts. its pure mechanical. everything is well defined and objective, no ambiguity in it. and i know ppl who are trading it profitably for ages.

there are many such examples take ROBERT miner approach to EW completely objective and rule based.

what i feel is one after spending couple of years and trying out many methods and still survive will settle with one method or approach or trading be it price action or ew or any other, which he/she feels comfortable and with which he can associate himself.

there are many to make money in stock mkt and be profitable imp thing is to have the right attitude and approach to it.

regds,

Reply



SMART Trader September 10, 2013 at 11:03 AM

Anon

Agreed. Markets are evolving and constantly changing. Is this applicable to price action traders alone? Are Mechanical system traders immune to this?

I never told mechanical systems wont work. I believe no mechanical system is going to make money in the long run unless it is modified, fine tuned and adapted to the changing conditions continuously. In other words it can only be used contextually or some discretion is to be involved. At least when to trade it and when to sit out.

I settled for a discretionary style of trading because I believe Market will not provide a static edge. Why Hedge funds and Mutual funds struggle to produce alpha? Why they are hiring and researching spending Billions of dollars? Why cant they trade these proven proven crossovers and SAR methods? I approach trading as purely subjective and discretionary mental sport.

From your writing I learn that you have neither traded nor back tested the Speculator method or Robert Miner method on your own. Is this the right attitude and approach to trading you call for?

Reply

Anonymous September 10, 2013 at 12:06 PM

hi,

well i am not here to fight or debate. its my view i have written. and i also know that there will be disagreement among ppl which is fine with me.

reading back testing. i dont believe in any back testing i prefer live testing.

as far as wht you learnt from my writing i dont have any control on it. its been 5.5 years i am trading for living using robert miner approach on EOD and weekly time frames and i have not tweaked or change it till date i dont kow wht would be the definition of long term or short term

regarding spec method i had traded with it for a short while but found it didnt suit me. so left it.

i dont know anything about hedge funds as i dont have any data or anything. so in no position to agree or disagree with you, as i also dont know whether your are saying general thing or having some real knowledge about it.

without knowing me you question my attitude and approach to trading, is not the right thing for me.

I am not against discretionary PA stuff or only in favor of rule based trading. as i have written earlier what suits an individual use it as method/system/setups in overall trading equation has little contribution.

regds,

Reply



SMART Trader September 10, 2013 at 1:31 PM

Anon

A fight is the last thing I want in this blog.

Everybody trades their beliefs. whatever I write here is with respect to this particular method. I have very narrow focus. The post was a reminder against trying to trade this method mechanically.

"without knowing me you question my attitude and approach to trading, is not the right thing for me."


I am so sorry for that. I don't want to hurt your feelings. Leave it. It was because I took ("One may be good in price action but that does not mean other things don't work") a bit personally Sorry for that.

ST

Reply

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