

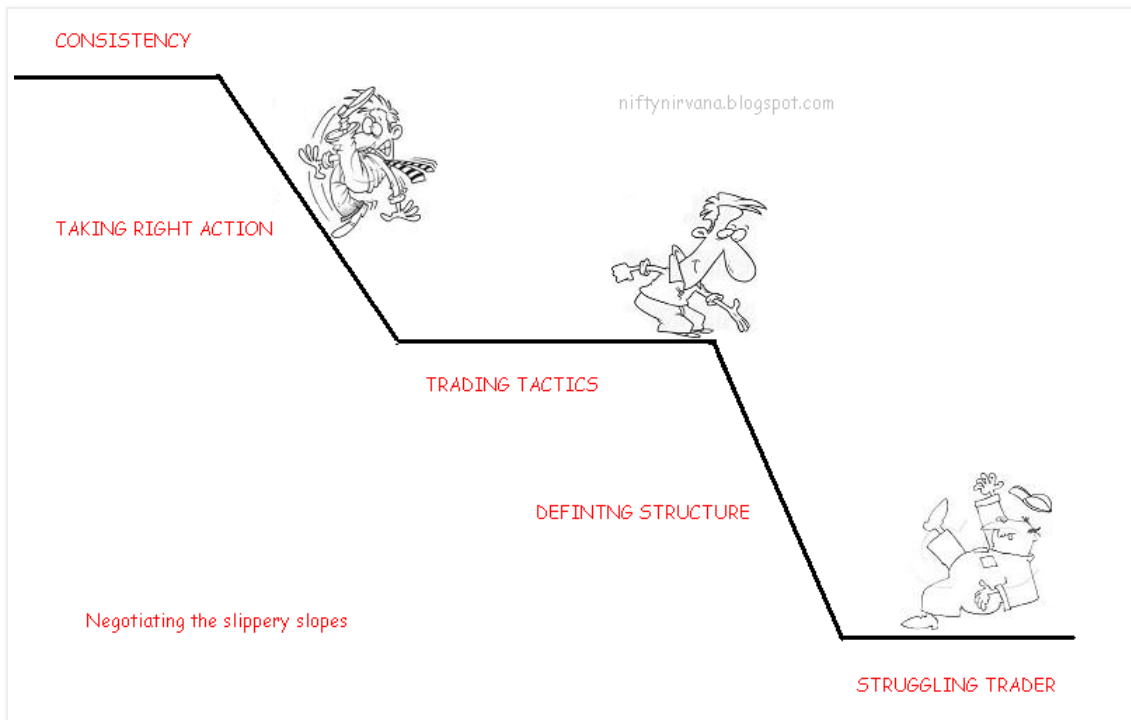


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There is a substantial risk of loss associated with trading Derivatives . Losses can and will occur. My methods will not ensure profits

Saturday, August 11, 2012

Slippery Slopes



You might have read a lot about the process of Trader Development. There are tons of materials available all over the internet. As always, I have a very simple approach to this subject also. In my humble opinion there are only three stages in trader development. You need to negotiate two slippery slopes and a plateau. These stages are Structure, Tactics and Action.

Structure

First stage is defining the structure of the market. This is a slippery slope and most of the traders fail to climb this. Structure is simply a frame work within which the market moves. Imagine a foot ball field. There are certain rules under which the game is played. If you are not aware of these rules, you will think that the moves are random. Markets do not have such hard and fast rules, yet you need to define a framework to trade it.

Nobody knows the exact structure of the market. Indicators, Market Profile, MAs, Elliot waves, Gann etc etc are all attempts to define the structure of the market. We need to define this structure and identify the **"Actionable"** price levels where we can initiate trades. Observe and ensure price is respecting these levels repeatedly and these levels are **"Actionable"**. *There is no point in proceeding any further without total trust in your defined structure.*

I Consider Market to move between levels which I call Decision Points. Observing a lot of charts, I am convinced that Market respects these levels repeatedly and these levels are **"Actionable"**.

Tactics

The second stage is deciding upon the methods to trade the price moves within the defined structure. This is all about tactics. This is relatively easy part and can be achieved with a little bit of trial and error. Interestingly many traders think this is the most important stage and try to trade without properly defining the Market Structure. I have seen people trading candle patterns paying no attention to the location. I trade patterns like TST, BOF, BPB and FTC at Decision points.

Action

The next stage is Decisive Action. This is going to be another slippery slope. Having defined the structure and identified the tactics to trade, we need massive action. We need to acquire the ability to take the right action at the right time. It is going to take some time and we need to preserve our capital and survive the learning curve. **Visualization** can be very helpful during this stage. We may need to address many issues related to poor money management, trade management and psychological issues such as impatience, fear and greed.

There will be set backs. Instead of identifying the cause and rectifying it, many traders come back to stage two and start dealing with patterns again or worse start defining their structure again putting themselves all the way back to stage one. Trading Consistency will remain elusive for them.

6 comments:



[VK](#) August 11, 2012 at 10:15 PM

Hello ST

very good article, simple, crisp, and helpful.

Regards

Vinod

Reply



[Smita](#) August 12, 2012 at 8:57 AM

Thanks ST for the write up .
Pls find time to write about the patterns , At times when I see price action as BPB it is in fact a BOF , and at times when I see price action as break out it is BOF.

Reply



[SMART Trader](#) August 12, 2012 at 11:17 AM

@Vinod

Thanks

@Smita

There will be always uncertainty and confusion around DP. You rarely get a text book pattern. There is no other way but learn to operate in an uncertain environment.

This skill has to be learned by doing. Luckily now we can get software and data to simulate the trades without risking our hard earned money.

Do it in the right logical order. First you define the structure, decide upon the tactics and go for massive action

ST

Reply



[rb9](#) August 20, 2012 at 8:18 PM

Dear Sir, that's just many like me behave and start over all again and that's how the markets are made
Great Article more simplified.

Reply



[ranprasad](#) October 4, 2012 at 3:55 PM

respected sir,
thanx for interesting post. pl keep posting and my request i am new to market pl explain short forms like TST, BOF, BPB, FTC.
regards,
ranprasad.

Reply



[SMART Trader](#) October 4, 2012 at 7:28 PM

Ranprasad

Please check the glossary at the bottom

ST

Reply

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