How to Conduct an Effective Trading Session Review

By Lance Beggs

'Because You'd Rather Be Trading For A Living...'

How to Conduct an Effective Trading Session Review

by Lance Beggs

Published by:
LB68 Publishing Pty Ltd
PO Box 4097
Kirwan QLD 4817
Email: support@yourtradingcoach.com

2nd Edition, 2014.

Published in Australia.

Free Reprint Rights

You are welcome to share this ebook via electronic means, including forwarding a copy to your friends, sharing it with your newsletter subscribers, hosting it on your website, or including it as a free bonus with any other trading product, provided the following conditions are met:

- You are not to charge any money for this ebook.
- You are not to make any changes to the ebook.
- You are to include a link to my website, http://www.YourTradingCoach.com, along with any email, webpage or newsletter distribution of this ebook.

Disclaimer

This document is published by LB68 Publishing Pty Ltd. If you continue to browse and use this document, you are agreeing to comply with and be bound by the legal notices of our primary website, YourTradingCoach.com:

Disclaimer - http://yourtradingcoach.com/disclaimer/
Terms and Conditions - http://yourtradingcoach.com/terms-conditions/
Privacy Policy - http://www.yourtradingcoach.com/privacy-policy/

All references to this document and the content within refer to not only this document but also to all associated and related courses, products, services and webpages, and all mediums of communication including text, video, audio and image.

This document is for educational and general informational purposes only and nothing contained on it is or is intended to be construed as advice. It does not take into account your individual objectives, financial situation or needs. It should not be used, relied upon or treated as a substitute for specific or professional advice. You should, before you act or use any of this information, consider the appropriateness of this information having regard to your own personal objectives, financial situation and needs. You should obtain your own independent professional advice before making any decision based on this information and you agree that you use this document and all related content at your own risk.

The information in this document is general in nature only. It should not be your only source of information but should be treated as a guide only. We make no representations, promises, warranties or guarantees regarding any positive impact on your business including revenue or otherwise.

The content of this document has been prepared by LB68 Publishing Pty Ltd on the basis of information and sources believed to be reliable. While we endeavor to keep the information up-to-date and correct, we make no representation or warranties of any kind, express or implied, about the completeness, accuracy, reliability or suitability with respect to the information contained in this document for any purpose. Any reliance you place on such information is therefore strictly at your own risk.

In no event will we be liable for any loss or damage including and without limitation, indirect or consequential loss or damage, or any loss or damage howsoever arising from loss of data or profits arising out of, or in connection with the use of this document.

Reference to any market, trading timeframe, analysis style or trading technique is for the purpose of information and education only. They are not to be considered a recommendation as being appropriate to your circumstances or needs.

All charting platforms and chart layouts (including timeframes, indicators and parameters) used within this document are being used to demonstrate and explain a trading concept, for the purposes of information and education only. These charting platforms and chart layouts are in no way recommended as being suitable for your trading purposes.

Charts, setups and trade examples shown throughout this document have been chosen in order to provide the best possible demonstration of concept, for information and education purposes. They were not necessarily traded live by the author.

Through this document you may be able to link to other websites which are not under the control of LB68 Publishing Pty Ltd. We have no control over the nature, content and availability of those websites. The inclusion of any links does not necessarily imply a recommendation or endorse the views expressed within them.

U.S. Government Required Disclaimer:

Futures Trading and Options trading has large potential rewards, but also large potential risk. You must be aware of the risks and be willing to accept them in order to invest in the futures and options markets. Don't trade with money you can't afford to lose. This is neither a solicitation nor an offer to Buy/Sell futures or options. No representation is being made that any account will or is likely to achieve profits or losses similar to those discussed on this web site. The past performance of any trading system or methodology is not necessarily indicative of future results.

CFTC RULE 4.41 - HYPOTHETICAL OR SIMULATED PERFORMANCE RESULTS HAVE CERTAIN LIMITATIONS. UNLIKE AN ACTUAL PERFORMANCE RECORD, SIMULATED RESULTS DO NOT REPRESENT ACTUAL TRADING. ALSO, SINCE THE TRADES HAVE NOT BEEN EXECUTED, THE RESULTS MAY HAVE UNDER-OR-OVER COMPENSATED FOR THE IMPACT, IF ANY, OF CERTAIN MARKET FACTORS, SUCH AS LACK OF LIQUIDITY. SIMULATED TRADING PROGRAMS IN GENERAL ARE ALSO SUBJECT TO THE FACT THAT THEY ARE DESIGNED WITH THE BENEFIT OF HINDSIGHT. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFIT OR LOSSES SIMILAR TO THOSE SHOWN

About the Author

Lance Beggs is a full time day-trader with a current preference for FX futures and E-mini futures markets. His style of trading is discretionary, operating in the direction of short-term sentiment within a framework of support and resistance.

As an ex-military helicopter pilot and aviation safety specialist, Lance has an interest in applying the lessons and philosophy of aviation safety to the trading environment, through study in human factors, risk management and crew resource management.

He is the founder and chief contributor to http://www.YourTradingCoach.com, which aims to provide quality trading education and resources with an emphasis on the 'less sexy' but more important aspects of trading – business management, risk management, money management and trading psychology.

Lance can be contacted via support@YourTradingCoach.com

Table of Contents

How to Conduct an Effective Trading Session Review

One of the greatest processes you have at your disposal, for maximizing your learning and fast-tracking your development as a trader, is your review process.

Let's have a look at how I recommend you carry out this often-neglected part of your daily trading routine...

For too many traders, the review process is simply entering their trading results into their trading journal spreadsheet and then looking at their daily P&L. While that is important, as part of your daily admin and longer-term strategy review processes, it's not a session-review process.

The important principle behind an effective daily review process, in my opinion, is carrying out ***a comparison between your performance and perfect performance*****.** That is, looking at the session with the benefit of hindsight and asking some hard questions about both your read of the market environment and your ability to trade that environment.

The following are some examples of session review Q&A which you may wish to consider, based on a discretionary trading strategy. Of course, you'll need to adjust, add or delete as required to suit your own trading style.

Market Environment

- With hindsight, how would you define the market environment?
- How successful were you in identifying the market environment during the trading session?
- What signs were present to indicate this environment?
- What key pattern features were present and how could they have been used to identify the market trend and bias?
- Step manually through the chart bar by bar, or use a market replay feature to step through the chart at high speed, observing the market environment and the signals that identify that environment, trend and bias.
- Print the chart and add appropriate notes to your Market Structure Journal (*See the ebook, "The Greatest Trading Book – Ever"*).

Trades Taken

- With the benefit of hindsight, was your trade based on a valid setup for that market environment?

- If this was a valid trade:

    - Review the signals that led you to identify the trade opportunity?
    - What was the ideal entry point? How does that compare to your entry? What signals (if any) did the market provide, which could have led to an improved entry?
    - Was the initial stop location appropriate? Was it in accordance with your trading plan? Where, with the benefit of hindsight, should the stop have been placed? What signals (if any) did the market provide to identify that location?
    - What was the optimal trade management strategy, in order to minimize risk when wrong or maximize gain when right? How does that compare to your trade management strategy? What signals (if any) did the market provide for moving the stop to breakeven, or beyond?
    - What was the optimal exit location or locations, in order to minimize risk when wrong or maximize gain when right? How does this compare to your exit location? What signals (if any) did the market provide to identify this ideal exit location?

- If this was not a valid trade:

    - What signals were present that should have led you to avoid that trade?
    - Having got into the trade, was the initial stop location appropriate? Was it in accordance with my trading plan? Where, with the benefit of hindsight, should the stop have been placed? What signals (if any) did the market provide to identify that location?
    - What was the optimal way to manage this trade, in order to minimize risk when wrong or maximize gain when right? How does that compare to your trade management strategy? What signals (if any) did the market provide for moving the stop to breakeven, or beyond?
    - What was the optimal exit location or locations, in order to minimize risk when wrong or maximize gain when right? How does this compare to your exit location? What signals (if any) did the market provide to identify this ideal exit location?

- Replay that portion of the trading session, making optimal decisions for valid trades and avoiding invalid trades, either by stepping manually through the chart bar by bar, or use a market replay feature.

Trades Missed

- With the benefit of hindsight, where were the valid trade opportunities that were missed?
- For each of these trade opportunities:
    - What signals did the market provide that should have alerted me to the trade setup?
    - What was the ideal entry point? What signals (if any) did the market provide, which could have led to identify this ideal entry?
    - Where, with the benefit of hindsight, should the stop have been placed? What signals (if any) did the market provide to identify that location?
    - What was the optimal trade management strategy, in order to minimize risk when wrong or maximize gain when right? What signals (if any) did the market provide for moving the stop to breakeven, or beyond?
    - What was the optimal exit location or locations, in order to minimize risk when wrong or maximize gain when right? What signals (if any) did the market provide to identify these ideal exit locations?
- Replay the trade, making optimal decisions, either by stepping manually through the chart bar by bar, or use a market replay feature.

Simple - a comparison between your performance and perfect performance, with a replay of the perfect performance in order to reinforce the lessons learnt, and hopefully lead your future trading sessions just that little bit closer to perfection.

The same process can also be adopted for reviewing other areas of your trading business, such as your physical and mental performance. Compare your performance with perfect performance, reviewing the way you should have performed that session, and hope to perform in future sessions.

Let’s look at an example…

Trade Session Review Example

Having discussed the process involved in our trading session review, let’s now look at an example of a missed trade.

The example is from the open of the UK session on April 6th, 2010, which provided us with a beautiful Asian session breakout failure trade.

The three blue horizontal lines represent pre-session support and resistance, the upper two bracketing the Asian session price action. The green bullish breakout candle was actually the last minute PRIOR TO the commencement of the UK session (07:59 GMT). And it was failure of this breakout that set up the best opportunity of this session. Assuming that we missed the trade, let's conduct a review to see how we *should have* seen it.

We'll look at the one minute chart for detail. (NOTE: I'm using timeframes that I trade, but of course when you do it the principles should be applied to whatever timeframes and markets you personally trade)

And we'll work through the Q&A that we used as an example in Part One:

- What signals did the market provide that should have alerted me to the trade setup?
- What was the ideal entry point? What signals (if any) did the market provide, which could have led to identify this ideal entry?
- Where, with the benefit of hindsight, should the stop have been placed? What signals (if any) did the market provide to identify that location?
- What was the optimal trade management strategy, in order to minimize risk when wrong or maximize gain when right? What signals (if any) did the market provide for moving the stop to breakeven, or beyond?
- What was the optimal exit location or locations, in order to minimize risk when wrong or maximize gain when right? What signals (if any) did the market provide to identify these ideal exit locations?

What signals did the market provide that should have alerted me to the trade setup?

Breakout of a narrow range Asian session often produces good opportunity, either as a straight breakout trade, or as a breakout failure. So, I should always remain alert and prepared for this opportunity. It's as simple as that! I need to specifically note the Asian Session ranges, as had been done here via the support and resistance lines, and remind myself that any test or break of these levels should be monitored for a potential trade.

In this case, the breakout occurring prior to the session opening (even in the last minute) makes it a little more doubtful. My bias was therefore slightly shifted towards a breakout failure, but I always remain ready to change that bias if the market accepts prices above the breakout point (pullback or stall which remains above the breakout point). Either can produce good opportunity, so I should be on alert for one of two possible setups - a breakout failure or a breakout pullback.

What was the ideal entry point? What signals (if any) did the market provide, which could have led to identify this ideal entry?

Candle B confirms my slightly bearish bias. If the breakout had been genuine, the session opening should have taken price to close at new highs. Instead, the first minute produced a lower close. There is opportunity for a small scalp on the one minute chart as this potential breakout failure will likely bring at least some selling orders to the market. Target for the scalp would be the point of initiation of the breakout in the vicinity of candle D, assuming I was able to hold through the pause shown by candle C.

The primary trade opportunity though comes at the point at which the bulk of the breakout traders accept they're wrong. The lower momentum rally and retest attempt, from the lows of candle D, has me ready for this failure.

The ideal entry point would involve a break below both the initial breakout candle A and the swing low of candle D, as this would clearly show as a failed breakout on all timeframes, in particular everything up to 5 min which would show price falling below the lows of the candle following the breakout (You can see that on the 3 min chart above as price breaks below the uppermost red candle.)

My preference is always for multiple part entries, usually all-in, scaling out. So let's say I put on two parts here at the entry, which occurred on candle E.

Where, with the benefit of hindsight, should the stop have been placed? What signals (if any) did the market provide to identify that location?

Stops above candle E would be fine. More conservative would be above the highs at B, although any price above E would really invalidate my trade idea (breakout, initial pullback, failure to return to previous breakout highs). The stop was never threatened.

What was the optimal trade management strategy, in order to minimize risk when wrong or maximize gain when right? What signals (if any) did the market provide for moving the stop to breakeven, or beyond?

Part 1 for me always involves a target. The ideal here would be somewhere just above the lower Asian session support, within candle F.

Part 2 will either have a further target, or a trailing stop of some kind, dependent on the expected market environment. In this case, as we've broken out of the narrow range Asian session, and it's the first 'real' trading session following the Easter long weekend, I would anticipate the potential for a larger move. Part

2 could have its stop move to breakeven on achievement of part 1, and would then make use of a trailing stop.

What was the optimal exit location or locations, in order to minimize risk when wrong or maximize gain when right? What signals (if any) did the market provide to identify these ideal exit locations?

Part 1 was discussed above.

I expect I would have been quite comfortable with a decision to exit on candle G. While the best trailing stop position is usually above retracement swing highs, in this case I would have likely brought it closer rather than giving back such a large portion of the gains. The higher volume on the first green candle from the lows, combined with the inability to hold below 1.5175 resistance, would lead me to take an exit somewhere on candle G.

In hindsight, holding the stop above the 1.5200 round number would have worked well, but that's rarely going to be an option I would consider. I'd be very happy with a candle G exit.

\- - - -

So that's an example. Yes, it's all hindsight based, but it's a matter of reviewing the chart with this hindsight in order to see how I should have traded. Reinforcing 'good analysis' with the benefit of hindsight will hopefully help me see it 'live' next time.

An important point to finish up:

Please be aware that 'perfect hindsight trading' does not only involve those trades that win. We know that often an ideal trade setup and entry will result in a loss. This same process though can help us to review the price action, as it should have alerted us to the potential trade failure, and helped us to minimize our risk through wise exit decisions. Perfect practice of a perfect setup, in an unpredictable and uncertain market!

Happy trading session reviews,

Lance Beggs

Resources

www.YourTradingCoach.com

Trading Website:	http://www.yourtradingcoach.com/
Strategy:	http://www.ytcpriceactiontrader.com/
YouTube Videos:	http://www.youtube.com/YourTradingCoach
Ebooks:	http://yourtradingcoach.com/ebooks/
Social Media Links:	http://yourtradingcoach.com/social-media/

'Because You'd Rather Be Trading For A Living...'