Volume Five – Trader Development

YTC Price Action Trader
by Lance Beggs

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About the Author

Lance Beggs is a full time day-trader with a current preference for forex, FX futures and emini-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.

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"Growth is an erratic forward movement: two steps forward, one step back. Remember that and be very gentle with yourself."

…Julia Cameron

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15.1 – FACT: Most Readers Will Fail to Achieve Consistent Profitability

In previous volumes I've presented my theory of the markets, my method of analysis and my trading strategy. Yet, I still expect most readers will fail to achieve consistent profitability.

Why is that?

Let's consider the failure rate within this industry. While I have no authoritative source to provide, the failure rate is often quoted as being anywhere from 80-95%. I'd suggest it's possibly even worse than 95%.

While I hope to achieve much better than this, through the detailed explanations and examples I've provided (and through other forms of ongoing education in future), I'd be naïve to think that all readers of my ebook series will succeed. The reality is that most won't.

The strategy I've provided is simple in concept – fade weakness when price interacts with S/R, and fade weakness in a pullback within a trend.

The reality though is that it's hard to trade in the uncertainty of market price action. It's the infinite variations of the patterns that will have you doubting and second guessing your analysis.

Let's consider some variations we've seen in earlier chapters, of price approaching an S/R level.

Every example provided in figure 15.1 (next page) is unique, just as every occurrence in the markets is unique.

As price approaches an area of S/R, should you take a TST entry? Or should you hold out for a break of the level and a possible BOF? As price slowed into the area of resistance in example (a), there was a great TST opportunity at the doji (mid-chart). Of course, this trade was stopped out as price continued to push just a little further to create a BOF setup. If you took the first, and were stopped out by the choppy price action, will you now have the confidence to take the second?

Example (b) produced similar price action – a weakening test of S/R which then stopped us out, broke S/R and then moved again in our original direction. While a similar scenario to (a), the questions it raises are very different. In this occurrence, price held below the support level for almost 10 minutes. Is this enough to show acceptance of price below the support zone? Should you be holding for a BPB, rather than taking any BOF entry? Will you trust the BOF trigger, or delay slightly and miss the rapid move higher?

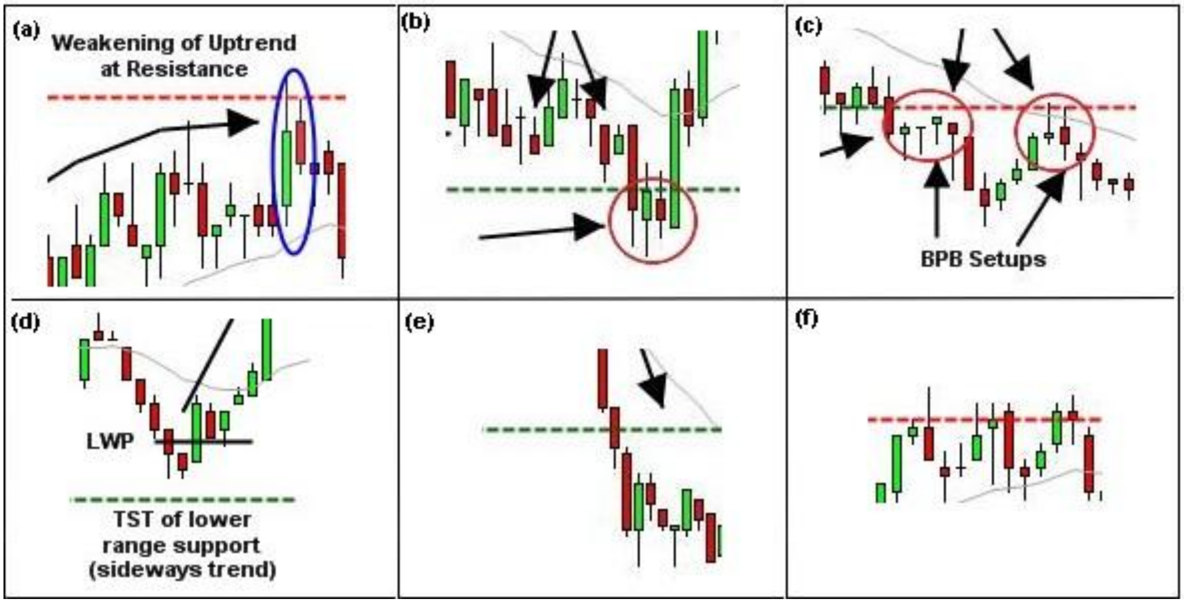

Figure 15.1 – Variation of Patterns at Price Interaction with S/R

Example (c) shows another variation. The nice tails below the post-breakout price action would have you jumping at the chance to take a BOF entry. But somehow there was never enough demand to drive price higher. Would you have had the ability to perceive the failure, and the courage to reverse into the first BPB setup? If you did, and then saw it scratched at breakeven when price returned to the S/R level again, would you have had the confidence to take the second BPB entry? Or would the recent loss and scratching have you a bit hesitant to re-enter?

Sometimes the market never quite reaches the level as shown in (d). Sometimes it smashes straight through it, as in example (e). Other times, as in (f), price just holds at the level and grinds sideways, allowing neither bulls nor bears the opportunity for profit.

Every situation in the markets is unique. That's what makes it so hard to trade.

Your results will vary anywhere on the scale from consistent loser to consistent winner, dependent on:

- Your ability to perceive the shifting forces of strength and weakness within the market, and place that within the context of higher timeframe structure, in order to identify the likely future direction of price action;

- Your ability to identify areas of trade opportunity within that price action, and to time entry and exit decisions in order to minimise risk and maximise profit potential; and

- Your ability to trust yourself and your strategy, with sufficient confidence to allow you to take the entry and exit signals without hesitation.

All three of the above are a result of experience. They don't come from reading this book. They don't come from watching a video of me trade. They come as a result of getting in the market and trading; making mistakes, identifying them, learning from them, and improving.

Learning to operate in the uncertain market environment, is a process (or journey) of gradual improvement.

So, why will most fail? Simply, because they won't last the journey! They'll quit before they make it.

15.2 - The Journey

Success in trading does not come from a *Holy Grail* strategy that you simply implement with discipline. You can't just GET a trading system or strategy; you have to BECOME a trader. It's a journey of trial and error; of two steps forward and one step back; of growth and development.

It's the infinite variations on the patterns, within an environment of uncertainty, being executed and managed by a trader, handicapped by fear based heuristics, biases and flawed decision making processes, that make this game so hard.

I can't give you a solution – it's a journey that you have to take; a process of growth and development. All I can do is point you in the right direction.

Learn to read the price action. Determine the market environment. Learn to place current price action into the context of the larger timeframe price action. Identify areas of opportunity within that environment. Find a low risk entry position. Get in. Manage the hell out of the trade, in order to firstly minimise risk and secondly maximise opportunity. Make a ton of mistakes. Review them. Learn from them. Repeat them over and over until it finally sinks in. Grow and improve.

It's not about simple, objective entry and exit rules. It's about knowing when to take the setup and when to avoid it (based on context and the current nature of price action). It's about knowing when to use a pullback (limit order) entry or when to take a breakout entry. It's about knowing when to scratch a trade, rather than hold on hoping for it to reach the target. It's about learning to be ok with being wrong. It's about learning to TRUST yourself. It's about learning to TRUST the strategy.

It's about forgiving yourself when you make mistakes. Again and again and again!

It's about being ok with losses, and with stopping out to the tick before the market moves on without you, because you've seen this enough times to know that it's just part of the game, and you can simply move on to the next setup secure in the knowledge that new equity highs are just around the corner.

This all takes time - exposure to the markets - exposure to the process of making decisions and taking action - exposure to error.

It's not about certainty. It's about becoming comfortable operating in an environment of uncertainty. Knowing that you don't know what's going to happen next, and being ok with that. Knowing that even though you don't know where price will go next, you have proven through experience that you have the skills, knowledge and attitude required to manage the opportunity appropriately to minimise risk or maximise gain, regardless of which eventuates.

Learning to trade is NOT learning a price action setup. It is a process of BECOMING a trader.

It is a journey of growth and development – developing your perceptual abilities; developing your awareness of risk; developing your decision making abilities; developing your tolerance for uncertainty.

Learning to trade is a process of Trader Development.

Until you accept that, you'll never make it. You'll be stuck in the search for the simple trading system or strategy.

The analysis process in chapter 3 and the strategy in chapter 4 simply provided you with the tools for interacting with the market. Now you have to learn how to trade them.

It's not easy. But others have made it and so can you.

The following chapters will help you along your journey.

Chapter 16 will provide you with the tools and techniques to ensure you progress as fast as possible. And Chapter 17 will get you started on your first steps, laying out a roadmap for the journey ahead.

Chapter Sixteen – The Learning Process

16.1 – Effective Learning

We've clearly established earlier that trading success does not come from any special set of rules or indicators.

Rather it comes from an ability to read the price action, identifying signs of strength and weakness, understanding what that means, projecting that forward to identify potential future price action, and being able to take advantage of the areas of wholesale trade opportunity within that action.

It's a dynamic, subjective and largely intuitive process.

Achieving mastery of that process is the result of **deliberate practice**.

16.2 – Deliberate Practice

Deliberate practice, also referred to as Deep Practice, is a motivated, solution-focused process of seeking improvement in any performance related activity.

It is practice, over and over again, in which we act, receive feedback on our results, identify potential improvement and then repeat.

As Daniel Coyle says in "The Talent Code":

"Deep practice is not simply about struggling; it's about seeking out a particular struggle, which involves a cycle of distinct actions.

1. *Pick a target.*
2. *Reach for it.*
3. *Evaluate the gap between the target and the reach.*
4. *Return to setup one.*

Essentially, it's a process of repeated exposure combined with a process of trial and error.

Most people accept that riding a bike is simple. But only because you went through the learning process of trial and error – falling off many times and getting back on.

Trading is the same. Maximise exposure; and learn through a process of trial and error.

The concept of deliberate practice is well demonstrated in this great extract from an SMB Capital blog post:

"… these patterns are most useful if you own them and make them your own. I have trained traders in the past and one of the exercises I had them do was literally to find several hundred examples of support / resistance both holding and failing on daily charts, and then to examine price action on intraday charts around those levels. You really do have to see many hundreds of patterns before you are comfortable with all the variations of holding and failing (and then failures of failures). I do not believe it is constructive, or even possible, to catalog all of the possible variations, but intuition will slowly grow from repeated exposure. Be aware that there is a tremendous difference between understanding patterns and trading, and this is but one of many important elements of price action."

http://www.smbtraining.com/blog/will-support-hold-or-fail-price-rejection-can-usually-tell-the-tale

Refer to "Cambridge Handbook of Expertise and Export Performance" by Anders Ericsson for more detailed study, or "The Talent Code" by Daniel Coyle for a great, easy to read introduction.

16.3 – Trade–Record–Review-Improve

As professional traders, we aim to implement deliberate practice into our daily routines. Not just during your learning phase, but continuing throughout your whole career. After all, in this game your learning will never end.

We do that through what I refer to as a *Trade-Record-Review-Improve* cycle.

Trade

- Self-explanatory… trade the markets in accordance with your trading plan and procedures manual.

Record

- Record results in your trading logs and journals.

Review

- Review your results, considering the four key questions:
  a. What did you expect to happen?
  b. What did happen?
  c. Why was there a difference?
  d. What can you learn from this?

Improve

- Implement improvements, either through setting process goals for the next trading session, or through amendment to the trading plan and/or procedures manual.

16.4 – Deliberate Practice Tools and Techniques

16.4.1 – Defined Trading Procedures

Defined trading procedures are the primary deliberate practice tool for the Trade stage (of our Trade-Record-Review-Improve cycle).

Chapter 12 documented our trading plan. Chapter 13 documented our trading procedures. By having clearly defined and documented procedures we ensure we minimise the likelihood of procedural error and maximise the likelihood of correct application of our trading strategy.

Our procedures manual also provides processes for ensuring we remain in a focused state with positive mindset.

Results will depend on our ability to correctly apply our plan and procedures; plus our level of expertise with regards to market analysis and decision making.

16.4.2 - Trading Logs and Journals

Chapter 14 outlined the numerous trading logs and journals which we use to record observations and outcomes during our trading process.

These logs and journals are the primary tools for the Record stage (of our Trade-Record-Review-Improve cycle), also featuring heavily during the Review stage.

Journals also offer the benefit of being easily accessible for further reading, whenever we have spare time.

16.4.3 - Documented Review Process

Our procedures manual, outlined in Chapter 13, provided a sample session review procedure.

The primary aim of the session review is, in my opinion, 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.

This post-session review procedure is therefore the primary tool in achieving an effective Review stage (of our Trade-Record-Review-Improve cycle).

You may also wish to refer to the following article series, titled, "How to Conduct an Effective Trading Session Review":

- Part One: http://www.yourtradingcoach.com/Articles-Business-Management/Effective-Trading-Session-Review-1-of-2.html
- Part Two: http://www.yourtradingcoach.com/Articles-Business-Management/Effective-Trading-Session-Review-2-of-2.html

The procedures manual also outlines processes for our longer-term reviews – monthly and annual.

The end result of the review process is a set of process goals for the next trading session; recorded in your trading log. This, hopefully applied with success in the next session, is the Improve part of your Trade-Record-Review-Improve cycle.

16.4.4 - Market Replay

Our session review process also includes recommendations for use of a market replay feature, if your trading platform offers such a tool.

Market replay allows you to replay the trading session in a simulated environment. Price bars appear tick by tick, exactly as they did when trading live.

It will typically offer controls, as displayed below for play, pause and fast-forward, as well as a slide control to move to any particular chart time period.

We are also able to re-enter and manage trades all over again, this time in a simulated environment.

This is an ideal tool for implementing deliberate practice.

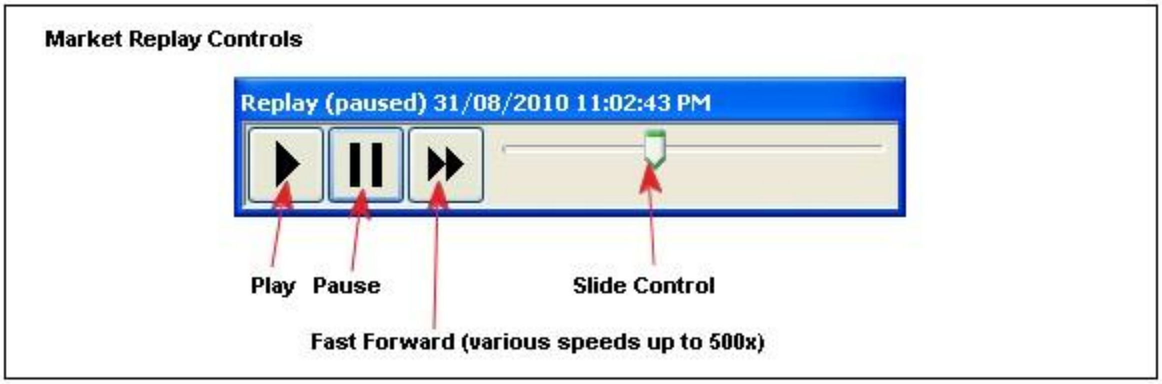

Figure 16.1 - Market Replay Controls - NinjaTrader

Our post-session review allows us to identify errors within our analysis or decision making. The market replay then allows us the opportunity to re-trade our setups again with the benefit of perfect hindsight; reinforcing correct behavior, enhancing our intuitive pattern recognition abilities, and advancing us further along our path of trader development.

Let's look quickly at an example of the use of the market replay tool. You may recall the following trade from chapter 5, example 7.

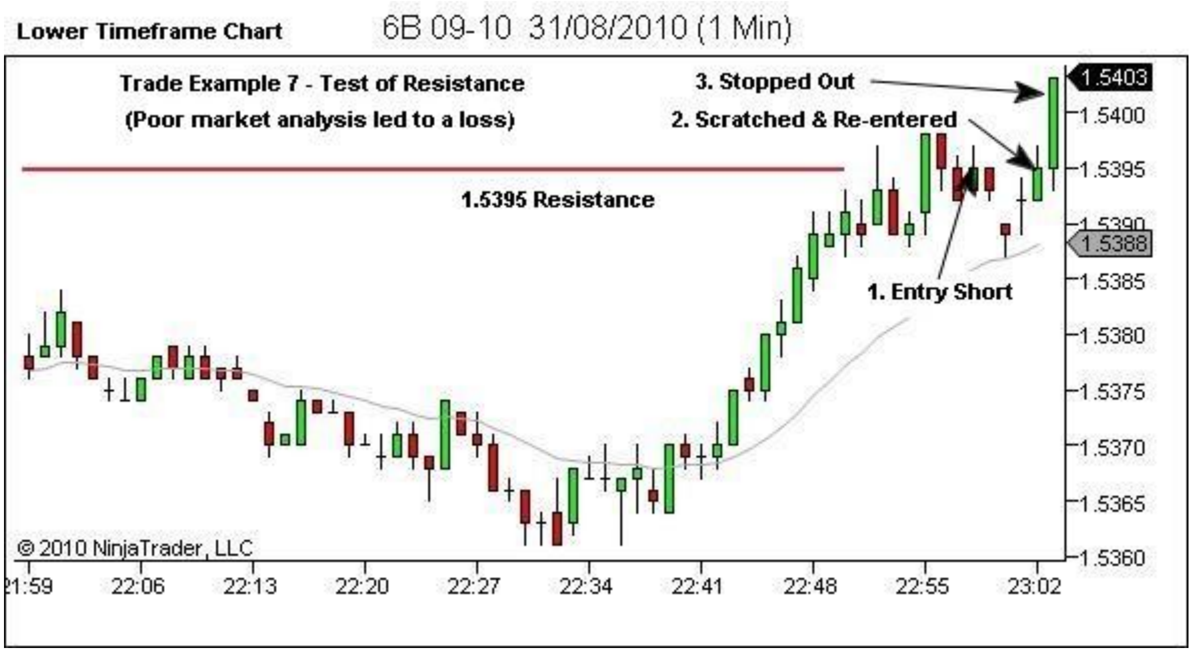

Figure 16.2 - Poor Market Analysis Leading to a Trade Loss

In this example, my expectation for a strong area of resistance led me to largely ignoring the signs of strength and weakness within the price action. I entered short in a low probability situation; and despite a feeling of unease, and further warning signs, I still managed to hold the trade for a small loss.

The use of a market replay after the session allows me to trade this setup again. I was able to start a couple of minutes prior to entry in order to feel the bullish pressure that existed in swing A, noticing the ease with which price moved higher. I then experienced the difficulty with which price fell during swing B; and the stall (and failure to follow through) when price dropped to the swing low area.

I also felt the ease with which price again moved upwards in swing C.

I did this again entering and managing in the same places as when I traded the original action, in order to feel how wrong it was.

I then repeated the action with 'perfect hindsight' trade entry and management, entering long after the spring between swings B and C, when I should have entered long, or reversed my short if I had taken that original entry.

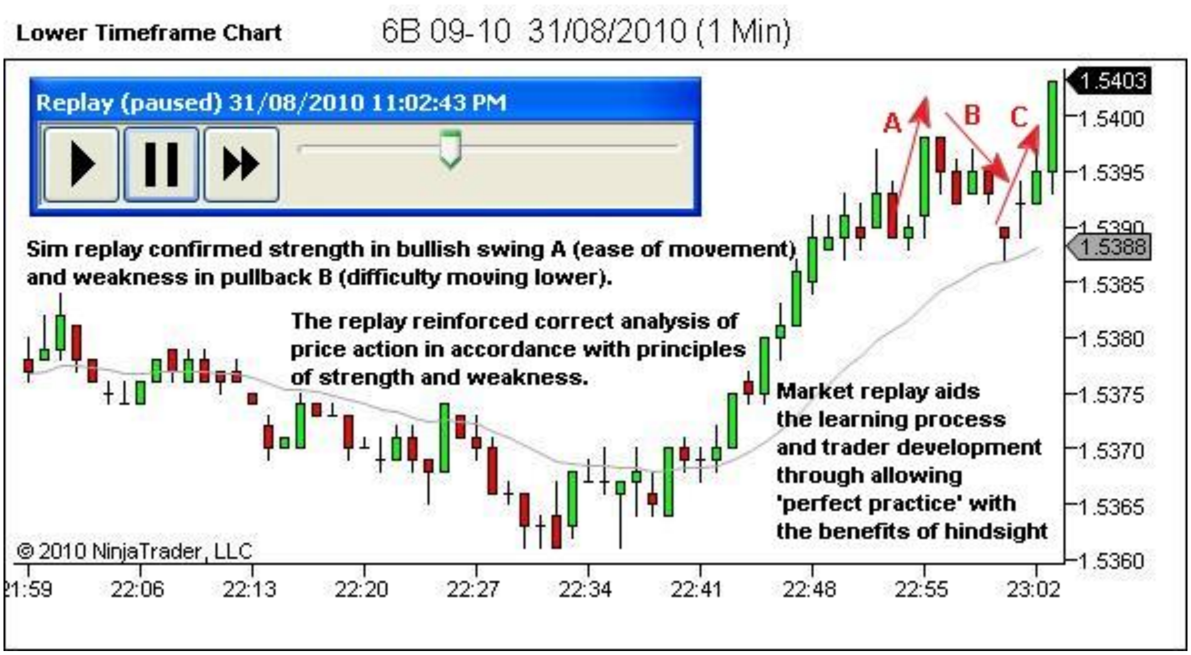

Figure 16.3 - Market Replay as a Trader Development Tool

While the exact price action will not occur again in future (every setup is unique), many very similar situations will occur over the remainder of my trading career.

Through taking these actions post-session, I have reinforced the lessons from this trade, as well as experienced perfect trade entry and management.

And I have taken another small step forward in my development as a trader.

16.4.5 - Market Replay Alternatives

If your trading platform does not offer a market replay feature, I highly recommend you consider changing platforms.

However there are alternatives.

1) Use video and audio screen capture software such as Camtasia, in order to record your live trades. This allows you to play back the video during your post-session review and compare your live trading decisions (supported by audio comments during the trade) with hindsight-perfect trading decisions. However this does not allow for re-trading the setup, as available through market replay.

2) As a last resort, simply step bar by bar through your charts, either on the screen or on paper, reviewing your trading decisions from the perspective of your hindsight-perfect analysis. It's not as good as market replay, but don't discount it if this is all you can do. It's still achieving deliberate practice – trading, seeking feedback, identifying the lessons, reinforcing correct behaviour, and repeating.

16.4.6 – Peer Review

One further option you may wish to consider for enhancing your deliberate practice is peer review.

It requires that you create a trading group – a small number of traders (I'd suggest 4 to 6) who act to support each other through the learning phase.

This is not something I have been involved in (at least not in a way which worked). It can be quite difficult to find the right group of people if you don't already have a network of friends all interested in trading the same markets, timeframe and strategy.

However, if you do have an established network, or can create one, consider implementing the following review process.

After each session (if time allows), or at least once a week over the weekend, each person is to submit their journals to another member of the group for review and feedback.

You'll learn from reviewing their work. And you'll learn from reviewing the feedback they provide on your work.

As I said, it can be difficult to find the right group of people. I never did. But if you can achieve this I suspect it will be the next-best thing to having a personal mentor, and a whole lot cheaper.

Chapter Seventeen – Taking Action

17.1 - Taking Action

Our aim in this chapter is to put in place a process to follow as you progress from wherever you are right now, towards consistent profitability.

If you're a novice, start at the beginning. If you're experienced, start at the beginning as well, comforted by the fact that you'll progress faster.

As with anything I present, feel free to adapt it to your own needs. Although I will caution you; there are no short-cuts in this game. Learning is a process. Cut out or amend steps at your own risk.

17.2 - The Development Stages

We'll start by defining several stages of development.

Figure 17.1 – Development Stages

We establish our foundation; we learn to trade in a simulated environment; we learn to trade live with minimum size; and we learn to trade live with increasing size.

Each stage must be clearly defined, with targets to achieve prior to advancing to the next stage. Let's do that now.

17.2.1 – Stage 1 – Establish Your Foundation

Foundation Knowledge:

1) Read the six volumes of YTC Price Action Trader.

Setup:

1) Choose your market and timeframe.
2) Document your trading plan and procedures manual – *Chapters 12 and 13.*
3) Establish your logs and journals – *Chapter 14.*
4) Set up your trading platform – *Chapter 11.*

Study price action – market structure and setup areas:

1) Print historical charts (all three timeframes) for 100 trading sessions.
2) Take the charts for one session, and study price action with the benefit of *hindsight perfection.*
   a) Where were the *higher timeframe* S/R levels? Mark them on the *higher* and *trading timeframe* charts, only to the point at which they become irrelevant. Then add new levels as they come into play.
   b) Study the nature of price movement within the structure. Define the changes of trend. How did it trend? Is it moving with ease, or facing opposing orderflow throughout? What does this tell you about the bullish or bearish sentiment of market participants? What clues were provided that could have alerted you to the nature of price movement? Note any significant changes in structure, such as key breakout points, or areas of smooth price trend vs congestion. Look for clues that could have alerted you to the changing environment. Record observations on the charts. Record significant observations within your Lessons Learnt Journal.
   c) Identify setup areas and mark them on the chart. How could you have identified these in advance? Where are the signs of strength and weakness leading into the area? How did price act within the area, to provide clues as to potential success or failure?
      i) Study price interaction with S/R. What clues did price offer regarding potential test, breakout failure or breakout pullback opportunity? How could you have seen this in advance?
      ii) Study pullbacks. What price action led to a simple, single-swing pullback? What price action led to complex (multiple swing or extended duration) pullbacks?

   d) **Don't worry about trades at this stage.** Simply make observations of market structure, the nature of price movement and setup areas.
3) Place the charts in your market structure journal.
4) Repeat steps 2 and 3 for all 100 sessions.

Simulator practice – market structure and setup areas:

1) Trade a simulator (demo) platform with live or recorded market data.
2) Follow price action throughout the session while carrying out your initial and ongoing analysis processes. Make notes within your trading log throughout the session. Print (or screen capture) charts if necessary to record price action at the time of your trading log observations.
3) **Do NOT concern yourself with trade entry, management and exit.** Just aim to follow price; maintaining your assessment of likely *future trend* direction and areas of trade opportunity.
4) Following each session, conduct your post-session review process in order to compare your actual performance with *hindsight-perfect* performance.
5) Print charts and make notes for your journals – lessons learnt and market structure.
6) Repeat for as long as necessary to feel comfortable with the process. I recommend no less than two weeks (10 sessions). Make use of market replay if time is available, in order to reinforce any lessons learnt and build your intuitive mental model of the markets and price action.

Study price action – trade opportunity:

1) Return to your 100 session chart printouts.
2) Having become comfortable with identifying market structure and setup opportunities, you will now consider trade entry and management. Start with the printouts for the first session.
   a) Review the previously identified setups.
   b) How should you have traded these setup areas (in broad principle only)? Where was the ideal entry point? Consider the nature of price movement (smooth or choppy with much candle overlap, for example) – how could that have influenced your trade entry decision? How should you have managed the trade, with the benefit of hindsight? Should you have scratched? When should you have moved stops to breakeven, or beyond? Where was the ideal exit? What clues were provided with the price action to lead to this *hindsight-perfect* trade?
3) Repeat step 2 for all sessions.
4) Return the charts to your Market Structure Journal for future study.

Simulator practice (market replay) – trade opportunity:

1) For each of the previously recorded simulator sessions:
    a) Replay market data with the intent of again conducting your initial and ongoing analysis, this time also trading each of the setups.
    b) Following each setup, pause to review your attempts to trade it. Where did you correctly read the market sentiment and make correct trading decisions? Where should your decisions have been different? Record any lessons in your lessons learnt journal.

Target for Advancement to Stage 2:

1) Minimum 100 historical sessions reviewed in hindsight – market structure and setup areas.
2) Minimum 2 weeks simulator trading – market structure and setup areas – NO TRADES.
3) Minimum 100 historical sessions reviewed in hindsight – trade opportunity.
4) Minimum 2 weeks simulator trading (market replay) – trade opportunity

Yes, this will take at least a month! Or possibly a lot longer if you don't have 100 sessions of historical data! You may wish to consider similar markets to make up the numbers, but I recommend at least 50 sessions from the actual markets you will trade.

Be patient. You will learn a lot during this process.

17.2.2 – Stage 2 – Simulator Environment

Initial Benchmark:

1) Review the Pre, During and Post-Session Routines – *Chapter 13*
2) Commence trading the strategy as if live, but within the safety of a simulator (demo) environment.
3) **Carry out all daily routines for one week.** Do not concern yourself with results, although all trading must be conducted in as professional a manner as possible. We are not playing here! This is serious business!
4) Record your trading stats. These set your initial benchmark. You will most likely not have achieved profitable results. Do not be concerned. This is merely your starting point.

Improvement:

1) Continue trading, aiming for gradual improvements through an effective review process.
2) Refer to the later section on Challenges and Difficulties, if necessary.
3) Repeat until achieving profitable results in each of four consecutive weeks.

Target for Advancement to Stage 3:

1) Profitable results in each of four consecutive weeks, within the simulator (demo) environment.

17.2.3 – Stage 3 – Live Environment – Minimum Size

Initial Benchmark:

1) Commence trading the strategy in a live market environment, with the minimum position size possible for each of your two part positions.
2) Carry out all daily routines for one week.
3) STOP TRADING if you lose 10% of your trading funds. Something is most likely NOT going right. Conduct a thorough review and return to the simulator environment. Note: You must be financially able to afford the loss of this 10% of your trading funds. If not, do not commence stage 3 until having saved a larger account balance. Alternatively, consider moving to a market that allows smaller accounts and smaller position sizes.
4) Record your trading stats. These set your initial benchmark. You will most likely not have achieved profitable results. Do not be concerned. This is merely your starting point.

Improvement:

1) Continue trading, aiming for gradual improvements through an effective review process.
2) Refer to the later section on Challenges and Difficulties, if necessary.
3) There is to be no consideration for increasing position size until achieving profitable results in each of four consecutive weeks. Size increase though is not compulsory. Remain at minimum size for as long as you need.

Target for Advancement to Stage 4:

1) Profitable results in each of four consecutive weeks, within the live market environment, with minimum position size.

17.2.4 – Stage 4 – Live Environment – Increasing Size

Proof of Ability:

1) Return to a simulated environment, trading the increased position size.
2) Carry out all daily routines for one week.
3) Do not transition to a live environment until demonstrating a profitable week. If you fail to achieve profitability, consider either returning to the previous size for additional time, or attempting a second week. If the second week is not profitable you must remain at the original size. You may only progress to the live environment if the combined fortnight is profitable.

Trading Increased Size:

1) Continue trading, aiming for gradual improvements through an effective review process.
2) Refer to the later section on Challenges and Difficulties, if necessary.
3) There is to be no consideration for further increases of position size until achieving profitable results in each of four consecutive weeks at each size level. Size increase though is not compulsory. Remain at the current size for as long as you need.

Target for Further Size Increases:

1) Profitable results in each of four consecutive weeks, within the live market environment, with the current position size.

17.2.5 – As You Progress…

NOTE:

1) All size increases must involve a gradual increase, not a large jump. There is no hurry. The number one priority is to ensure survival at each level, prior to advancing to larger size.

2) Throughout this development plan I have referred to trading for a week. Obviously different weeks will have different numbers of trades. The intent is that each week provides a minimum of 20 trades. If your week does not provide this, carry this week over to include the next. That is, group the trades from the fortnight and consider that as a single week, for the purposes of our development plan.

17.3 – Taking Action - Alternate Strategies

If having read this book you find the strategy does not suit your psychology, or your view of the markets, or whatever else, that's absolutely fine. You can develop your own approach, or refer to my Resources Page for recommended alternates:
http://www.yourtradingcoach.com/Trading-Resources.html.

This series of books will have provided you with a good foundation, and an understanding of the type of processes you'll need to develop.

You will need to clearly document the fundamental principles behind how you see the markets and price movement, and where that offers trade opportunity. From there you will develop your trading plan and your procedures manual. This will take time, via another process of trial and error.

To discover the fundamental principles behind your strategy, you will benefit greatly from a period of time just watching price action.

Study live markets for as long as necessary, to gain a feel for how it moves. Study the different environments and the way price moves within each.

When comfortable with the movement of price, only then look for the trade opportunity within that movement. How can you identify the opportunity in advance? How can you gain a wholesale entry within that setup area?

In my opinion, it's all about how price interacts with areas of previous supply/demand imbalance. You may not like my way of identifying and trading these areas, but by watching price as it interacts with areas of S/R, swing highs and lows, and pullbacks within a trend, you'll find your own patterns for future price movement and for possible trade opportunity.

Remember though, trading is NOT about fixed rules or simple setups.

I've provided rules and structure within this book, as I've attempted to define what was largely a subjective and intuitive process as clearly as possible, for learning purposes. But within my rules there is much room for subjectivity. You'll need to do the same. It's how the market works!

It's not about simple rules for providing certainty. It's about getting better at making subjective decisions in uncertainty.

Having defined your strategy, I then recommend implementing the same process defined in section 17.2, for advancing through the four stages of trader development.

17.4 – Challenges and Difficulties

There are potentially an infinite number of challenges and difficulties which you will encounter on your trading journey. It's not possible to list them all. Although it is my intention that as many as possible will be addressed through the free articles at the YTC website. Please check the archives.

The greatest tool you have for identifying and overcoming any personal challenges will be your review process. If you can identify it, you can overcome it. Set process goals for the upcoming trading sessions, or draft amendments to your trading plan or procedures manual.

In time, through trial and error, all challenges can be overcome.

In this section though, I wish to provide some guidance regarding a couple of methods which I personally found useful in overcoming challenges and difficulties.

Reduce Size

Always the best option – cut size to a level which is almost meaningless.

Cut to the minimum allowed position size if necessary.

If problems still persist, return to the sim environment.

Simplification

This is an idea that I believe is the best way to advance along the path towards consistent profitability - **simplification**.

Through effective record keeping and an effective review process, identify what is working well and what is not working well.

Find ways to do more of what is working, and completely disregard (if possible) what is not working.

Sometimes this will solve the problem. More often it will simply bypass it, leaving it for another day (if ever).

In other words, through trial and error and an effective review process, find your strongest setups and market environments, and specialise just in them. Find the weakest and drop them for now.

Adapt as required.

Do whatever is required to achieve consistent profitability.

Examples…

If your best results come from with-trend trades, limit yourself to ONLY with-trend trades.

If breakout failure setups provide your best results, consider limiting your trading to breakout failure setups only.

Advancement through most stages of our plan require only four consecutive weeks of profitability. Do whatever is required to advance.

Hopefully when you discover that you're achieving greater levels of consistency, and better levels of profitability, maybe you'll accept that you don't need to trade those setups which cause you challenges. Stick to what works, and maximise that opportunity.

Two Timeframes; Simpler Entries

Along similar lines (simplification), if you're having trouble with the *lower timeframe* entries, then just get rid of this timeframe for a while.

Just trade the *trading timeframe* within the *higher timeframe* structure. If the R:R is appropriate, then take your entry at the LWP based on a breakout of the *trading timeframe* price action. Forget about trying to time better entries through the *lower timeframe*, until you're more comfortable with the whole process.

Right Focus

In trading the YTC Price Action Trader methodology, the temptation can be to focus too much on the l*ower timeframe* chart. After all, that's where the most price action happens. If you find yourself taking too many lower probability trades, it's likely that this is where you're searching for them. You're excluding the big picture.

This was a great challenge for me.

The strategy is designed around the *trading timeframe* movement within the *higher timeframe* structure. The *lower timeframe* should only be used for fine-tuning your *trading timeframe* analysis and for timing entry and exit.

Improve focus on the *trading timeframe* chart, simply by making it larger and more central to your field of view.

A simple solution… but it works.

One Good Trade

I'll borrow this heading from the excellent book by Mike Bellafiore, "One Good Trade".

Success doesn't require a magical strategy. Simply that you ensure the next trade is a good trade. Then the next trade after that is a good trade. And then the next trade is a good trade.

Avoid the lower probability, speculative or impulsive trades. Just make "good trades".

It may as simple as confirming that the trade is in the direction of recent strength and against recent weakness. Or it may be more detailed than that. Set up your own checklist criteria for a "good trade" and ONLY trade those setups which match your criteria list.

Affirmation Action Statements

We've mentioned them before. Create affirmation action statements for any areas causing you problems, to keep your mind focused on correct actions, rather than being influenced by fear and doubt.

Let's look at an example.

One of the most common challenges in early stages of our career is just getting a limit order onto the system. Price is in the setup area. The stop area is identified. The target is identified. The entry zone is identified. But you sit there waiting, paralysed by fear and doubt thinking, "what if it goes further?"

Recognising the fact that adjusting an existing order is easier than putting one on to start with, we might adopt the following affirmation action statements.

1) Confirm – setup, stop, target
2) Confirm – R:R
3) Trust
4) Confidence
5) Place Order
6) Work Order

On (5), we place the order on the platform, well away from price. Beyond the proper stop area if you need to. This should be much easier. Price should NOT get there. Now work the order closer as price action increases your confidence.

It's simple. It's short. It can be memorised, or placed within sight on the wall at your trading desk.

Treat the statements as an order – if you decide to verbalise the statements, then you must carry out any actions dictated by the statements. Place the order, and then work it closer.

Employ a Team of Traders

Ok, not actually a team of traders! But you may benefit from separating the functions of your trading business and taking on the persona of a particular employee with a particular role and job description.

Have your market analysis conducted by an Analyst. Their role is simply to identify likely future price action and trade opportunity.

Have your pre-trade preparation in the setup area, and your decision to trade, monitored by your Risk Manager. Someone who will never allow you to enter a trade which does not offer acceptable R:R parameters. And someone who will never allow you to exceed your session drawdown limits.

Have the trade entry carried out by an Order Entry Clerk. While you're adopting this persona, you are NOT allowed to second guess any trades. The Risk Manager approved it. Your job is to simply execute, and then hand over to the Operations Manager who will manage the trade in accordance with the procedures manual.

Trade and session reviews are conducted by the Compliance Manager. Would you be happy with the performance of your trading team today, or will you be demanding improved performance in the next section, and achievement of some new process-based goals?

Review your performance assuming the role of your Trading Coach, as if you're providing a review of another person's performance. Typically we are less critical of other trader's decisions, than we are of our own.

Sounds stupid? It helps. Give it a try.

17.5 - The Target

How do you know when you've made it?

One day you will have achieved sufficient consistency in your results to have met your *Reasons Why*, which you established back in chapter 10.

Celebrate! You deserve it.

However this is not the time to let down your guard.

The reality is that this game will never be completely mastered. You will never achieve perfection – just improved ability.

Continue with your Trade-Record-Review-Improve cycle.

Keep moving forward.

17.6 – Additional Study

This volume has covered many topics which could be expanded upon to fill a whole series of books. I encourage you to consider this material as an introduction to these concepts and become a student of them through further research and education. In particular, Learning Theory should be considered essential study for all traders.

Resources

Trading Website: www.YourTradingCoach.com
Trading Course: www.YTCPriceActionTrader.com
YouTube Videos: www.youtube.com/YourTradingCoach

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