

The Greatest Trading Book – Ever!



By Lance Beggs

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

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by Lance Beggs

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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.

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**“Repeticio est mater studiorum.”
(Repetition is the mother of all learning)**

...Saint Thomas Aquinas

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The Greatest Trading Book – Ever!

If you've noticed the small number of pages in this ebook, you may suspect that this is not the Greatest Trading Book – Ever!

And you'd be correct. But don't worry; there's a simple explanation. This book will explain exactly how you can create The Greatest Trading Book – Ever!

You see, it's not a book you can buy. It's something you create.

Let me explain...

Your “Market Structure Journal”

Over the last decade I have easily read well over a hundred trading books.

And while I consider a small handful of those to be absolute ‘must read’ books (see <http://yourtradingcoach.com/bookstore/> for a list), there's one book that I continue to refer to almost daily which has had a far greater influence on my results than any other book.

That book is my “Market Structure Journal”.

A “Market Structure Journal” is a folder containing printouts of charts, along with notes detailing my observations about market structure and price movement.

Why do I rate this book so highly?

Because one of the keys to trading success, in my opinion, is to develop the ability to read the market – feeling and understanding the flow of price as it unravels at the hard-right edge of the chart.

Simple setups do not work; consistently failing to adapt to the ambiguous and uncertain nature of market price action.

Real opportunity is found through developing a feel for the nature of the market environment and how the current price action is flowing within that environment - commonly referred to as understanding the market context.

Expertise in reading the market doesn't come naturally, and doesn't come easily. It's a skill we must learn through experience. If used correctly, the "Market Structure Journal" can be an effective tool for helping to fast-track your experience and your expertise.

Seeking Expertise

As Dr Brett Steenbarger states below, expertise requires a sustained period of time immersed in market activity.

"Could it be that greatness in trading follows the same patterns observed among artists, scientists, and squash players? If so, one would expect the expert trader to have spent a sustained period of time immersed in the markets, following market action, practicing trading, and maintaining a high level of focus and concentration. These are the very same conditions that generate optimal implicit learning. Expertise appears to be gained by maximizing the number of learning trials and by maximizing one's focus during these learning trials so as to extract the most learning possible. When this can be sustained over a lengthy period, the result is an internalized set of skills that, like the competence of the violinist, cannot be readily captured in verbal form."

... Dr Brett Steenbarger, "The Psychology of Trading"

While the ideal learning environment is live trading, or simulation trading, this is just not possible to achieve 24 hours a day.

A Market Structure Journal offers another opportunity to immerse yourself in price action, increasing your number of 'learning trials' and your opportunities for implicit learning.

Creating Your “Market Structure Journal”

After each session, I print a number of charts from different timeframes, exactly as they appear on my trading platform. I insert these charts into the front of the folder and add a notes page in which I’ve documented any insights into the market structure displayed by those charts.

What should the notes cover? It’s largely up to you; dependent on how you conduct your analysis. My own method of trading the emini futures and forex markets on an intraday basis, involves analysis of price flow within a framework of support and resistance. So I’m primarily looking for any observations about the nature of the price movement around areas of prior support or resistance.

How does price react when it tests these areas? Did it accelerate into the area, or perhaps just slowly grind its way into the S/R zone?

What was the outcome of this test of S/R? What clues were provided that might indicate a reversal, or a breakout?

What clues were provided that might have alerted me to a breakout failure, or if the breakout worked, then how did price behave on the breakout pullback?

How does price move in a fast trend environment? How does it flow in narrow range congestion, or a wide-swinging channel? What clues did the market provide to alert us to the current market environment?

Customize your market structure notes to suit your own analysis style. If you conduct analysis across multiple timeframes, then print multiple charts, on multiple pages if necessary. If you conduct analysis comparing the performance of different instruments, once again print them all, on a single page if they fit, otherwise use multiple pages. Whatever you need is fine. The aim is to reproduce the analysis you would conduct on your screen as closely as possible.

There are two ways to format your “Market Structure Journal”.

Firstly, you could write your notes directly onto the page, such as shown in the scanned example below.



However, that's not my preferred approach. My preference is to separate the charts and notes.

I simply file the charts exactly as printed from my screen, without any notes. Then on a separate notes page, I document any market structure insights from that chart. Why do I prefer that?

"...the differences between expert performers and normal adults reflect a life-long period of deliberate effort to improve performance in a specific domain."

... K. Anders Ericsson, Ralf Th. Krampe, and Clemens Tesch-Romer, *"The Role of Deliberate Practice in the Acquisition of Expert Performance"*, 1993

The above quote from Ericsson et al. doesn't just mention practice, but rather 'deliberate practice'.

Normal practice would be just a simple reading of the journal. The temptation when reading notes on a chart is to simply observe that price action does match the notes. We confirm previous analysis, rather than analyzing the charts from a fresh starting point.

Deliberate practice on the other hand, has a greater purpose – the attainment and improvement of skill. Through examining charts as if straight from the screen (without notes), we are forced to conduct our ‘market structure’ analysis again from first principles. On completion of this analysis, immediate feedback can be obtained by comparing our new analysis with our previous analysis, as recorded on the separate notes page. And from time to time, we may find that we have discovered something new on the chart, as our experience and expertise has grown and allowed us to see the price action from a new perspective.

“The real voyage of discovery consists not in seeking new landscapes but in having new eyes.”

...Marcel Proust

Using Your “Market Structure Journal”

This is the easy part...

Whenever you have any spare time, open up your “Market Structure Journal” to an old chart, or group of charts, and conduct some analysis.

Yes, it’s done in hindsight. It’s not the hard right edge of the screen, and you can easily see what’s coming next. But that won’t matter – we’re not trying to recreate the live trading experience. Of course, you could always cover the right-hand side price action, and unveil price one bar at a time.

Deliberate practice in reading historical price action will improve your ability to read the market live. Combining your “Market Structure Journal” with further deliberate practice on a simulator, gives you an excellent opportunity to maximize your learning trials and fast-track your path to trading expertise.

Happy Trading,

Lance Beggs

Resources

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Strategy: <http://www.ytcpriceactiontrader.com/>
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