Great!

You’ve got your trading strategy and you know when to enter and exit the markets.

So what now?

Well, after the trade is over, you must journal them correctly so you can go back and review them again.

This is what separates the boys from the men. This is what separates the amateurs from the pros. This is what separates winners from losers.

If you ask me, this is possibly the most important section. This is where the money making opportunity lies. This is how you take your trading to the next level.

So, here’s what you’ll learn:

- How to journal your trades like a pro
- How to review your trades and uncover “hidden gems”
- How to improve your trading strategy
- How to fix your personal trading issues

Are you ready?

Then let’s begin…

How to journal your trades like a pro

Let me ask you …

Do you remember what you had for lunch last Thursday?

I guess not.

And here’s the thing:

If you can’t remember the trades you took, then how are you going to improve your trading?

With no data to refer to, it’s impossible to improve your trading results.

So, if you are serious about becoming a consistently profitable trader, then you must have a trading journal (no questions asked).

Now, your trading journal consists of two parts:

- The quantitative data
- The charts

Let me explain…

The quantitative data

If you ask any trader if he knows his “numbers”, chances are, he only knows his P&L.

And it isn't enough because it doesn't help improve your trading performance.

So, if you are serious about taking your trading to the next level, then you must record these metrics:

Date – The date you entered the trade

Timeframe – The timeframe you traded

Setup – The trading setup that got you into the trade

Market – The market you traded

Long/short – The direction of your trade

Price in – The price you entered

Price out – The price you exited

Stop loss – The price of your initial stop loss

Initial risk – The $ amount you are risking on the trade

P&L – Profit or loss in terms of $

R – Profit or loss in terms of R

Here is an example:

A	B	C	D	E	F	G	H	I	J	K	L
No	Date	Timeframe	Setup	Market	Long/Short	Price in	Price out	Stop loss	Initial risk	P&L	R
1	10/10/2016	Daily	False break	EURUSD	Long	1.25	1.27	1.24	$1,000	$2,000	2

Once you have a decent sample size of trades, you will understand the power of it. Because you can answer questions like:

- Which are my best trading setups?
- Which are my worst trading setups?
- Which are my best markets to trade?
- What is my average win loss ratio?
- What is my average risk to reward?

And with this information, you can improve your trading performance.

For example:

You can stop trading the setups that are causing you to lose money. And instead, focus on your best trading setups.

Can you see how powerful this is?

The charts

Now you've seen how important it is to record your metrics… but it isn't enough.

Because it doesn't show you your entries, exits, chart patterns, Support & Resistance, market structure, and etc. This is why saving your charts is the next thing to do.

Here's how to do it:

1. Save the chart of the higher timeframe
2. Save the chart of your entry timeframe
3. Save the chart after the trade is over

Let me explain:

1. Chart of the higher timeframe

This chart shows you where you are in the "big picture".

It's important as it shows you what the market structure of the higher timeframe is, and the key Support & Resistance areas you need to pay attention to.

On this chart, you can write down your thoughts like:

- What is the market structure?
- Where are the Support & Resistance areas?

2. Chart of the entry timeframe

This chart shows you the exact level of your entry, stop loss and the trading setup you took.

On this chart, you can:

- Mark out the level of your entry and stop loss
- State the emotions you're experiencing when entering the trade

3. Chart of the trade after it's completed

This chart shows you the end result of your trade you took on the entry timeframe.

For example:

If your entry timeframe is on the Daily, then you will save the chart based on the Daily after the trade is over.

On this chart, you will write down your thoughts like:

- Did you follow your trading plan?
- If you didn't follow your trading plan, what's the reason? How could you prevent it from happening again?

- What is your profit/loss in terms of R?

How to review your trades and uncover "hidden gems"

Once you have journal down at least 25 trades (of the same trading setup), you can do a trade review. You want to answer questions like:

1. What is your winning rate?
2. What is your losing rate?
3. What is your R-multiple gained/loss?
4. What is your expectancy?
5. Are there any patterns that link to your losers?
6. Are there any patterns that link to your winners?

Questions 1 to 4 are self-explanatory; it tells you whether your trading setup is profitable or not.

What I want to focus on are questions 5 and 6, as this helps you improve your trading results.

Are there any patterns that link to my losers?

Here's how to do it:

1. Organise your trades according to the setup (like false break, buildup, and etc.)
2. Group your losers within the same setup
3. Identify similar pattern within the losers

For example:

My trades are unlikely to go far when I'm trading against the trend.

So I usually avoid counter-trend trades. But for traders who trade counter trend, it would be prudent to take your profits quickly before the markets reverse back into its trending direction.

Are there any patterns that link to my winners?

1. Organise your trades according to the setup
2. Group your winners within the same setup
3. Identify similar pattern within the winners

For example:

I found that the best breakout trades are those that consolidate for a long period of time.

These are the type of breakouts I should focus on as they have the potential to "explode" higher, and offer favorable risk to reward.

After doing your trade review, you don't want to immediately change your strategy because a sample size of 25 trades is not significant enough.

Instead, identify the patterns you have discovered and see if they still persist over the next 75 trades.

If they do, then you could make changes to your strategy and adapt it accordingly.

How to improve your trading strategy

Here's the thing:

You can have the correct discipline, proper risk management, and be diligent in recording your trades.

But, it's no guarantee you will be a consistently profitable trader.

Why?

Because if your trading strategy has no edge in the markets, nothing else matters.

So if your trading strategy has no positive expectancy, then here are some suggestions for you:

- Avoid trading in unfavourable market conditions
- Trade with the trend
- Trade from an area of value
- Set a proper stop loss

Let me explain…

Avoid trading in unfavourable market conditions

This is a fact:

No trading strategy will work all the time.

As a trader, you must know which market conditions are favourable to you, and which are not.

This is important because if you are trading in unfavourable market conditions, you will incur unnecessary losses and erode whatever edge you might have.

Here's why… let's assume in favorable market conditions, your strategy yields a gain of 20R over a year.

But because you are also trading in unfavorable market conditions, it cost you a loss of 22R.

This results in a net loss of -2R.

But, what if you could avoid trading in poor market conditions?

Instead of a net loss of -2R, you would have a net gain of 20R.

Can you see how powerful this is?

Now, I know this is an over-simplistic analogy. But my point is this… you want to identify which market conditions are unfavorable to you and avoid trading during that period.

It could be the deciding factor whether you are a winning or losing trader.

Trade with the trend

You'd probably heard this a gazillion times that… "The trend is your friend".

This shouldn't be a surprise as I've explained earlier that by trading with the trend, you increase your win rate and improve your risk to reward.

So here's a simple rule to keep you on the right side of the trend:

If the price is above the 200-period moving average, then you should stay long.

If the price is below the 200-period moving average, then you should stay short.

Lastly, you want to use this technique on your trading timeframe.

This means if you are trading the daily timeframe, then you will look at the 200-period moving average on the Daily chart.

Or if you are trading the 1-hour timeframe, then you will look at the 200-period moving average on the 1-hour chart. You get my point.

Trade from an area of value

Let me ask you something… do you want to buy apples when they are selling 3 for $10 or 3 for $2?

Chances are if you are like me, you want to buy them at value, right?

And it's the same for trading.

You want to trade from an area of value. You want to buy low and sell high. You want a favorable risk to reward on your trades.

But the question is… how?

First, identify areas of value on your charts.

There are different ways to express value on your charts. You can use Support & Resistance, Channels, Trendline, Pivot points, Fibonacci retracements, and etc.

Next, be patient and wait for the price to come to your area of value.

Finally, execute the trade when you get an entry trigger.

If you can do this, you will better time your entries and have a tighter stop loss (since you can just place it beyond the structure of the markets).

Set a proper stop loss

When you set a stop loss, you don't want to set it based on the dollar amount you're willing to risk.

It's ridiculous because the market doesn't care how much money you have in your account.

Next, you don't want to set your stop loss too tight because you will get stopped out by the "noise".

Likewise, you don't want to set it too wide because it reduces your risk to reward.

So, what's the solution?

In my opinion, the best way is to trade from an area of value and place your stop loss using the structure of the markets (like Support & Resistance).

Also, don't place your stop loss 1 pip below Support because it gets triggered easily (I talk about this in the stop loss lesson).

Instead, give it more "buffer" like 1 or 2 ATR below the lows of Support.

You will find yourself in a trade longer and should you get stopped out, chances are the market is about to trade lower.

Remember, place your stop loss at a level that if reached, will invalidate your trading setup.

And not based on how much you are willing to lose, or what's left in your trading account.

How to fix your personal trading issues

Trading is a personal endeavour.

Your biggest competition isn't the algorithms, hedge funds, institutions, or anyone else.

Rather, it's you against yourself.

Sometimes, it's not that your strategy isn't working but, it's your own personal issues that are in your way of trading.

And here are some common issues you might face…

- Overtrading
- Hesitation to pull the trigger
- No proper risk management
- Analysis paralysis
- Fear of missing out

So here are solutions to help you overcome these issues.

It's based on this 3-step technique (which I learnt from Tom Dante):

1. Define the problem
2. Ask yourself why you have this problem
3. Find a solution

Let me explain…

Define the problem

Let’s assume you have the habit of overtrading.

You are firing too many trades even though there’s no reason to do so.

This causes you to incur a higher transaction cost which reduces your profitability.

Also, you’re not following your trading plan which makes it impossible to review and improve your trading results.

Why do you have this problem

The reason you’re overtrading is that you feel you must be in the markets all the time.

Find a solution

First, you must understand that trading is not about firing trade after trade.

It’s about identifying the trading setups that meet your requirements and executing it consistently day in and day out.

This means you’re waiting most of the time for the correct trading setup, and that is the right thing to do.

Next, tell yourself in trading you are not paid by the hour but, by doing the right things over and over again.

Then, write this down on a piece of paper and read this affirmation daily.

Here’s another example…

Define the problem

Let’s assume you have you don’t have proper risk management.

You are risking far too much relative to the size of your account and this cause you to blow up multiple trading accounts consistently.

Why do you have this problem

You have a $500 trading account and if you risked 1% of your capital, it means a nominal value of $5 risk per trade.

Even if you get a 1 to 3 risk to reward on your trade, that’s only a profit of $15.

This doesn’t make sense to you as such paltry sum is not worth your time and effort to learn how to trade.

Solution

First, understand that in trading you need money to make money.

Even professional traders can’t make a huge sum of money with a $500 trading account.

So, if your trading account is small, go get a job, save up, and slowly increase the size of your account.

Because the amount of money you can make is a function of your trading capital.

Next, judging your performance in terms of money is not an objective measure because it does not consider the level of risk taken.

Instead, you should be thinking in terms of R.

Summary

- It's important to journal your trades so you can review and improve your trading results
- You want to find the patterns that are linked to your losses and avoid trading setups
- You want to find the patterns that are linked to your winners and focus on these trading setups
- You can improve your strategy by not trading in poor market conditions, trading with the trend, trading from an area of value, and set a proper stop loss
- To fix your personal trading issues: 1) Define the problem 2) Ask yourself why you have the problem 3) Find a solution