

Refining The Routine May Require Spring Cleaning!



Active Trend Trading



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*Almost every huge trading loss is a result of pride
and overconfidence.*

*Pride and Overconfidence, are basically the delusion that we are
smarter than everyone. Even God!*

~ Active Trend Trader

Refining The Routine

What is the objective of your routine?

Everyone knows how to tie their shoes—had to know how to go to kindergarten—but is your routine correct?



What's that extra hole for? It Has a Major Objective... I'll bet that most of us don't use it because its not part of our Routine!

Refining The Routine

What is the objective of your trading routine?

- This is a crucial question that may have many answers but what is the best answer?

Some of the answers may be:

- Make Money
- Get through the routine
- Find good stocks

Each of these are valid and worthy answers to the question but—I believe the best answer is to:

- **Identify solid entry action points and place our orders—Design the Trade**

Refining The Routine

If the best answer to the question of why have a routine is:

- **Identify solid entry action points and place our orders—Design the Trade**

Then the focus of the routine should be finding stocks and ETF's that meet the objective!

If a routine is not efficient or has so many moving parts that we tire before reaching the objective. We need to modify our routine habits!

Food For Thought

I am your constant companion,

I am your greatest helper or your heaviest burden.

I will push you onward or drag you down to failure.

I am at your command.

Half of the tasks that you do you might just as well turn over to me and I will do them quickly and correctly.

I am easily managed. You must merely be firm with me.

Show me exactly how you want something done.

After a few lessons, I will do it automatically.

I am the servant of all great people and the regret of all failures as well.

Those who are great, I have made great.

Those who are failures, I have made failures.

I am not a machine, but I will work with all its precision plus the intelligence of a person.

Now you may run me for profit, or you may run me for ruin.

It makes no difference to me.

Take me, train me, be firm with me and I will lay the world at your feet.

Be easy with me and I will destroy you.

I am called Habit

-- Author Unknown

Refining The Routine

If the best answer to the question of why have a routine is:

- **Identify solid entry action points and place our orders— to Design the Trade**

Then the focus of the routine should be finding stocks and ETF's that meet the objective!

Haphazard routines lead to haphazard trading.

When refining a routine, we must be totally honest with ourselves—and then learn to trust ourselves because we know we will make good decisions!

We must know our tendencies—But not label them as “good” or “bad”

- Over cautious or under cautious
- Frozen by fear or fearless
- Rule follower or emotional and impulse driven (don't need no stinking routine)

More Food For Thought

There is a saying:

“If you know the market and know yourself, you will consistently profit.
If you know the market but not yourself, your success will be random.
If you do not know the market or yourself, you will consistently lose money.”

- Success in the market is not just about the market; it is also about knowing how you react to fear and greed.
- A trader will continue to struggle if they are unwilling to identify true characteristics about themselves, regardless of how undesirable they may seem.
- Further, the process of knowing yourself as a trader and a person will never end, so do not delay.
- Recognize that becoming a Master Trader is a never-ending Journey

Our Biggest Trading Challenge & Opportunity

Am I up for the challenge and opportunity of me?



Refining The Routine – With Spring Cleaning

Routines Should Eliminate Distractions and Limit Choices

Objective: **Identify solid entry action points and place our orders—Design the Trade**

1. Eliminate Distractions

- Know what you're looking for—Know your entry patterns and rules
- Example: How many stocks or ETF's can be open at one time?
- Focus on the preset watch list
- Clean Up Chart Settings

2. Limit Choices

- Preset Watch List
- Stop With 2-7 candidates especially in a target rich environment
- Be Specific about patterns (see last week's training)
- Move Quickly (Yes or No if a stock meets the criteria or not)

3. Finish by meeting the objective

- If there are set ups—prepare the trade (questions-ask)
- Paper trade at least (this is a great way to establish a routine of taking proper action)
- No Trade Set-up—Don't Force it and Don't See What's Not There!

Refining The Routine

Routines Should Eliminate Distractions and Limit Choices

Objective: **Identify solid entry action points and place our orders—Design the Trade**

4. What does a proper trade order look like?
5. Commit to the Routine & Healthy Habits!

Where to Start?

Spring Cleaning

Where to start?

Start with the Low Hanging Fruit!

1. Watchlist – Trying to Watch too many! Or Trying to See too much!
2. Charts - Too Many Indicators too Little Price!

The Bottom Line: It's important to note that technical analysis deals in probabilities rather than certainties. There is no combination of indicators that will accurately predict the markets' moves 100% of the time.

While too many indicators, or the incorrect use of indicators, can blur a trader's view of the markets,

traders who use technical indicators carefully and effectively can more accurately pinpoint high-probability trading setups, increasing their odds of success in the markets.

Spring Cleaning

Charts - Too Many Tools
Telling us the Same Thing

Trading the Indicators
or the Price Action

When was the last time
you went Naked?



Clean Up Your Charts

Many investors and active traders use technical trading indicators to help identify high-probability trade entry and exit points. Hundreds of indicators are available on most trading platforms; therefore, it is easy to use too many indicators or to use them inefficiently.

Using Multiple Indicators – Without Focus Overload

Types of Indicators: Technical indicators are mathematical calculations based on a trading instrument's past and current price or volume activity. Technical analysts use this information to evaluate historical performance and to predict future prices.

Indicators do not specifically provide any buy and sell signals

Avoiding Redundancy: "Multicollinearity" is a statistical term that refers to the multiple counting of the same information. This is a common problem in technical analysis that occurs when the same types of indicators are applied to one chart. The results create redundant signals that can be misleading.

Can cause traders to discount important information like PRICE ACTION SIGNALS!

Spring Cleaning

Using Complementary Indicators: To avoid the problems associated with multicollinearity, traders should select indicators that work well with, or complement, each other without providing redundant results. This can be achieved by applying different types of indicators to a chart.

A trader could use one momentum and one trend indicator; for example, a stochastic oscillator (a momentum indicator) and an Average Directional Index, or ADX (a trend indicator).

Keep Charts Clean: Since a trader's charting platform is his or her portal to the markets, it is important that the charts enhance, not hinder, a trader's market analysis. Easy-to-read charts and workspaces (the entire screen, including charts, news feeds, order entry windows, etc.) can improve a trader's situational awareness, allowing the trader to rapidly decipher and respond to market activity.

Information Overload: Many of today's traders use multiple monitors in order to display several charts and order entry windows. Even if six monitors are used, it should not be considered a green light to devote every square inch of screen space to technical indicators.

Information overload occurs when a trader attempts to interpret so much data that all of it essentially becomes lost.

Spring Cleaning

Tips for Organizing: Creating a well-organized workspace that uses only relevant analysis tools is a process. The quiver of technical indicators that a trader uses may change from time to time, depending on market conditions, strategies being employed and trading style.

Optimization: Many of today's advanced trading platforms allow traders to perform optimization studies to determine the input that results in optimal performance. Traders can enter a range for a specified input, such as a moving average length, for example, and the platform will perform the calculations to find the input that creates the most favorable results.

Optimization is an important step in developing an objective strategy that defines trade entry, exit, and money management rules.

Overoptimization: While optimization studies can help traders identify the most profitable inputs, over-optimizing can create a situation where theoretical results look fantastic, but live trading results will suffer because the system has been tweaked to perform well only on a certain, historical data set.

Avoid over-optimization by understanding and utilizing proper backtesting and forward testing techniques as part of an overall strategy development process.

Spring Cleaning

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Questions & Comments