

Timely Advice from a Pro Trader



Johan Kriek offers advice to traders about how to move from the losing side of trading to the winning side. The solution is in your psychology.

Have you ever felt like you have experienced the following situation:

“Every time I place a trade, the market moves in the opposite direction!!”

In the Live Trading Room, we sometimes joke that someone must place a trade in the opposite direction so that the market can move in favor of the rest of us.

I have done some research on this great misconception and many traders really feel this way (even if they do not want to admit it).

Success in Trading is 80% Psychology and 20% Methodology

If the perfect trading system was published on the front page of *The Wall Street Journal*, 10% of the people trading the system would make money while the rest would still lose money.

Why is that? The cause is a lack of self-control and confidence.

We are taught from an early age to acquire power in order to manipulate and force change, so we can follow our destiny. This, we are taught, is the only way to get what we want in life.

This mental attitude will definitely not work in the trading environment!

Manipulating the markets is beyond our power and control. The only part of trading that we can control is ourselves.

How do I achieve Self-Control and Confidence?

Self-control is gained by exercising discipline and by gaining confidence through improving your skills in trading.

In the market environment, you and you alone have to make the trading decisions – and you must have the discipline to abide by the decisions that you make.

A trader has the power to give money to themselves – or to give it to other traders.

In the trading environment a trader will make their own decisions and needs the discipline to abide by the rules!

The Thing about Statistics

As a trader, can you admit that your trading system is just experiencing a drawdown period? Everyone, including myself, has had their trading entry system generate multiple consecutive losses – and then you start thinking...

It is the negative thoughts that influence your confidence, which eventually leads to greater losses.

Likewise, many beginning traders will win. The winnings will erode the trader's humility and at the same time, intensify their greed. It is a very serious issue that many traders in my experience have had trouble with. Overcoming this psychological barrier is crucial to a trader's success.

So, the Lesson Learned is – Apply your Rules!

Say you start your account with \$5,000 and risk no more than 1% of the total account equity on any given trade. Using this strategy, you will have to fail 100 times before you empty your account.

Is it possible to fail 100 times in a row? Only if you do not learn from your mistakes!

If you can muster the discipline to follow your system's rules, you are eliminating that dangerous 'human factor' from your trading. This is the most important step towards becoming a successful trader.

Remember – do not keep your trading problems to yourself!

First of all, there are a few things that we must all understand, no matter where you are as a trader:

- From a psychological perspective, the trading environment has the possibility of fulfilling one's grandest expectations of financial independence and freedom, while at the same time presenting you with the risk of losing everything you own in terms of equity.
- You as the trader will need to control yourself in ways that may be completely alien to you, yet absolutely essential for any sort of long-term success on this market (and any other such market as well).
- The trading environment gives you the opportunity to experience complete freedom of expression combined with unlimited possibilities and unlimited risk.

How will a beginner trader answer the following questions?

- Are you prepared to lose?
- Can you afford to lose?
- Will you, as a trader, always protect your capital when you are trading?

Many traders convince themselves that they have found a sure-fire winning trade, and as a consequence they do not place protective stop losses, as the rule dictates.

Inevitably, they will manage to lose a large portion of their equity. We have heard this story many times from fellow Live Trading Room members and other traders.

“I am right and the market is wrong!!”

Many beginning traders have the misconception that the trading business comes naturally. They believe that they are uniquely qualified to succeed without studying and gaining experience. There is no job in the world that you can succeed without exerting effort and gaining experience.

you do not have to waste time searching for the Holy Grail entry system. Take your existing system and make it your Holy Grail by decreasing your drawdown.

How do I decrease my Drawdown?

Various strategies exist that will give you a context to trade within. For instance, the Probability Study Technique where you identify the highest probable direction of the market for the next few hours and then only execute your trading entry system within that specific direction.

As a result, even if the timing of your entry is off, just by trading within a context you can greatly increase the effectiveness of your entry system and decrease your drawdown by limiting consecutive losses.

You are the Trading System

Many beginner traders are in a hurry and impatient. They have unrealistic perceptions of making huge amounts of money, fast and in a short period of time. This causes them to break their money management rules (if they have any to begin with).

It is probably the furthest thing from the truth to think that a good trading methodology alone will make money. You as a trader are the trading strategy.

You are the “Trading System” – and when you combine a little patience and discipline to wait for a suitable trade according to your guidelines and rules (even if you trade on little golden crosses using only two moving averages), you are on the right track.

Clean Up Your Trading!

If you are on the losing side, why not start exposing 1% of your capital on any given trade and build up a track record. I will gladly show you in the Live Trading Room how to work out your drawdown and help you decrease it effectively.

Remember that if you can decrease your drawdown, you can expose more at the end of the day to make more profits but you have to get your drawdown cleaned up before you can take that next step (almost like taking a step backwards before taking three steps forward).

Trading with Guidelines, Money Management and Psychology are deceptively deep subjects in that they do not

The Drawdown Issue

With a disciplined approach, strictly following your rules,

seem to be important. Do not be deceived!

Let's discuss Speculation

"Speculation involves the commitment of money in the hope of making an extraordinary profit based on presumptions about the risks and possible returns associated with a particular trade."

Therefore, if you classify yourself as an intraday trader, you are speculating in the Forex markets. For instance, I teach and trade a 1-minute scalping technique in the direction of the highest probability and try not to stay in a trade for more than 5 minutes at a time. Do not even mention that I also use leverage on most trades.

Point – Most of us are speculators. We use a trading strategy based on a series of rules or a set of indicators and then exchange one currency for another to capture profits on the short-term moves in the Forex markets.

With that said, let's discuss the "wonderful" world of Gambling:

"Gambling involves betting on an uncertain outcome and accepting risk for the sake of enjoyment or risk itself and accepting any return, even negative returns."

Why do we need to know all this? Doesn't it make you think sometimes that what we are all doing in the Forex markets (or any other market using leverage and intraday trading) is in fact gambling?

Well, to be honest, "Yes," I have. This is a very interesting thought.

Think about it this way – You pay money for a trading system sold by a guru/pro trader and you start trading, but you keep on losing money!

Why is that – because you are, in fact, gambling. Yes you are, my friend. Not one single individual in this whole wide world of ours is the same. The trading guru who sold you the trading strategy forms part of that system, and when he gives you the system you are suddenly not trading the same way due to the fact that you do not think the same way and therefore you are gambling.

So what do we learn from this?

"To become a successful trader, you must first become fully disciplined in what you do, before you even think of taking someone else's system and trading it!"

Traders need an edge in the Forex game and it is logical to switch from gambling to speculating with a very good probability of winning.

If this article hits a home run, then I suggest you do the following:

Take your trading entry system, regardless of what it is, and execute your system within a certain context. For instance, the Probability Study technique, just to remove the gambling factor, by reducing consecutive losses.

If you do not believe me, go and check your trading transaction details – every serious equity-wiping scenario occurred when you had a series of consecutive losses. Trading within a context removes those consecutive losses.

Forget about searching for the Holy Grail. You are the Holy Grail. Take your losing trading strategy (entry system) and make it the Holy Grail by executing your system only in the direction of highest probability, even if you do not make money right away.

If you can reduce your consecutive losses, the money will come and over time you will generate a track record. Only then, can you see how much your drawdown is. Once you know your own personal drawdown, then you can start exposing more, and making more money at the end of the day.

To become a successful trader, you need to take these steps first and you will reach your goal. I hope my advice has given you better insight into what you may be doing wrong, if you are on the losing side of trading.

Johan Kriek started his trading career when he was just nineteen years old. After finishing school, Johan studied Computer Engineering and started to work for Forex Trader South Africa as an IT specialist.

Within one year, Johan advanced from IT Specialist to lecturing and conducting seminars.

Gradually, Johan became an FX Specialist and conducted various courses in South Africa for Forex Worldwide Training and Support.

From here on, Johan never looked back. He studied Investment Management and Portfolio Analysis at the University of South Africa and for the past four years, he has been trading the FX Futures market for a living with his business partner Mr. Rudy Nel.