



By Paul Lange

Disciplined Trading Strategies

Good Morning All;

This article was originally written by me more years ago than I would like to admit. It was by far and away the most popular one I ever wrote and had many comments from people. I went back and tried to find one of the original copies and shook the dust off it; so if any of the words sound like they are discussing something in the past, they are...

Your Progress as a Trader

Does this sound like you? “I am really getting the hang of trading. I see the setups, and most of them work well. I see the plays and I am making real progress. The only problem is, I have been breaking even for as long as I can remember”.

This is a stage many people go through. This is what this article addresses. It is one article, and cannot fix your issues, but it can make you aware and start you down the right path. Remember; your technical expertise is your ‘foundation’ to your trading. If you do not know the charts, you will never get far. Many know the charts, but still struggle. Those are the ones I that are addressed here. This article is long, so read it three times 😊

Your Progress as a Trader

One of the most difficult things for a newer trader to measure is their own progress. How do you know where you stand? Here are some observations of the levels that many newer traders have passed on their way to becoming successful traders.



By Paul Lange

Disciplined Trading Strategies

The first group of people may describe you if you traded before getting any education. You had some great successes, only to give it all back quickly. Trying desperately for those successes to return, you became frustrated and lost money. You just could not seem to find the 'groove' you once had. You increased your share size and started keeping more overnights, hoping to get the 'home run' to get you back to even. Eventually, your account started draining and you needed that 'home run' more than ever. That home run of course, never came.

The next stage may be where some of you are now. You are in a trading room. Maybe you have taken a seminar or two. You see the plays. You see the strategies. You are excited because you see the trades work right in front of you. It is not like reading about someone's past conquests in a book, you are seeing the strategies in play, but you are having one of several problems. Maybe you just cannot pull the trigger on a play. You might be trying, but are always just a little too late to get filled, so you either chase it to your detriment or you miss the play. Or, you feel like you always seem to pick the loser. You pick it first and then you are gun shy for the rest of the day. Or, you might get the winner and sell it fast only to watch the room go on to hold it for a big winner. This is a common phase. You have to ask, how did some of the others get beyond this? How do they get the winners?

Next are a group of people that certainly describe some of you. You are really starting to feel good. You are getting in the plays, and starting to hold some winners. You are developing a real 'sense to get out of the losers' just in the nick of time. You are starting to grow your account. BUT, just then, you find a mistake comes along. It takes you back to where you were. Hummmm you say, you won't do that again. You do not. But, lo and behold, another mistake comes along; a different one but has the same result. However, you are getting smarter now, you keep eliminating those mistakes. If you do, you are one of the ones that make it to the next step. If not, you spend a long time in this phase trying to rid yourself of mistakes, but just can't do it. Eventually you will, but it becomes a race between getting these final touches down and if your account will last.



By Paul Lange

Disciplined Trading Strategies

Finally, those who make it get a feeling of calm in the morning. While you always have enjoyed trading, it is now relaxing rather than nerve racking. You look back on all those rules you learned, and realize they were all that was needed; you just needed to know how to follow them. You just needed to really 'get it' the second time. Get it right.... Experience has come in and developed your sense of 'art' that you need to trade. Where all the technical analysis in the world tells you a stock will hold at this support level, you get a 'sense' that it will not, so you are ready to get out quick, and it saves you. You take a loss on a good trade in stride and take the play again the next time it comes up, because it was a good play.

How long does it take to get through this process? Many time estimates have been given. For many people, that feeling of 'calm' comes over them in about 9-11 months of trading full time. It is hard to say, as everyone is different. So what do you do to get through these steps? Well, if you are here reading this, you are already through the first step. You are getting training in a method and a discipline. Training will not guarantee success, but not getting training or help will almost guarantee failure, or, at least guarantee a long learning period and needs lots of capital to burn through...

If you are in the second phase, where you just cannot get involved or make the plays work for you, you need to do several things. If you have not done so, you do need to consider getting the education. Bite the bullet and take 'the' seminars to take for your education. It is a drop in the bucket and a necessary foundation.

Develop a trading plan and only play the stocks that fall into your plan. When you play them, make up your mind to play them. Get in first, sell in stages where you have determined to, and follow your stop management plan. You must be able to trust YOURSELF first. You must be tracking your trades, and be sure to use an informative spreadsheet to track your trades. Eliminate mistakes; track all the data regarding your trades and follow a plan.

If you pick losing plays all the time and just cannot figure out why, consider it may not be 'bad luck'. Perhaps, you have a mindset of picking what you consider to be



By Paul Lange

Disciplined Trading Strategies

the safest play, at a 'calmer' time of day that is easier to get in. However, consider also, maybe things are not as they seem... Is this really safer, once the market is quiet, once people are letting you buy the stock? Think about it. You may be attracting yourself to plays that are destined to lose. Many plays that require early entries during hectic market times are admittedly anything but calming but can be among the most successful.

Reducing risk as much as possible is critical in trading, but there is also the other extreme. Trading has inherent risks; some of them cannot be eliminated. Some of you may be too far on the other extreme. Here is a quote for you, from a famous entrepreneur:

"Not many people will pay to see a high wire act where the tight rope is only one foot off the ground.... Why? Because there is no risk; and without risk, there can be no reward...." (If you think you know the author to this quote, email me, very few do).

If you have made it to the next stage, where you have done all of the above and it has paid off, you are doing well, but if you still cannot get the account up due to a few problems, consider this. This is a great analogy, and applies to much more than trading. It is taken from the great American sport of baseball. Consider that a batter that hits .333 for any season can name his price in baseball. Anyone that does this year after year will be hall of fame material and be among the highest paid athletes on the planet. Consider that a batter that hits .250 will be sent back to the minors that year unless he has a great glove, or is a pitcher. Now consider this. The difference between .333 and .250 is one hit in 3 times at bat versus one hit in 4 times at bat. That means that for every 12 times at bat the superstar gets ONE MORE HIT than the minor leaguer. Consider how many 'hits' are often the result of a ball passing just inches from a defenders glove, a defender that could of been playing one step out of place. Consider how many 'outs' were the result of hitting a line drive 'shot' that happened to be right in a defenders glove, one who never even saw the ball coming...



By Paul Lange

Disciplined Trading Strategies

What is the point? Just this. Sometimes you are very close to being successful, but that one in twelve hit is eluding you. If you had a few bad trades, maybe you have eliminated them. Maybe you were very close to not being in those trades. You just need to fine tune, don't lose focus, and let your senses develop. **THE PLANS AND RULES KEEP YOU IN THE GAME WHILE YOU ARE LEARNING AND KEEP YOU IN FOR THE LONG TERM...**

Remember that a seminar, or any kind of taught instruction, no matter how excellent, is only information. The process of taking that information and translating it to a workable system demands hard work, experience, and discipline on your part. Most people do not understand this, and of those who do understand, few are actually willing to commit the hard work. Of those, even fewer have the needed discipline.

The hardest thing for most traders is to be able to understand the need of this knowledge, before it is too late. This is not an easy profession. Many of those that 'learned' to trade in the late 1990's are gone. Many fooled themselves. They mistook learning a difficult profession, with just riding a bull market. They could be sloppy and it would not matter. It was just a matter of time before the stock came back. Many traders never even knew how to short. Why would you? The market will 'never' go down.

Since then, we have experienced a record fall, a substantial move up, and another record fall and another record move up. If the market is sideways for five years, will you flourish? Only those who are well educated have played these moves correctly. Those learning now are learning all the tools, all the strategies, and waging battle at a time that will benefit you for the rest of your life.

I hope you are enjoying these lessons and that they add to your trading profitability.