

2 TRADERS

[EP63: Downhill Road](#)

www.2traderspodcast.com

Walter: I think that it's a mistake to look at someone else and say "Well, it works for trader Ed so I'm going to do what he does". I just think that's a big mistake. I think you can draw some confidence by trying to follow what someone else does but, in the end, it is not going to last...

Announcer: Two Traders, Darren and Walter, pull back the curtain on profitable trading systems, consistent money management, and profitable psychological triggers. Welcome to the Two Traders Podcast.

Walter: Hey, Darren. Welcome to the Two Traders Podcast. How are you?

Darren: Very good. Thanks, Walter.

Walter: We are going to talk about this idea and a lot of people, probably listeners, don't think that this is something that they necessarily do. I just find it fascinating, this idea -- and it's often on forums where you will see... Typically, what will happen, Darren, is someone will come on, they'll show people what they're doing, their trading system, their approach, how they're making money, and then it's all downhill from there.

You get a few people come in and go "Yeah, that is just great. I am going to try it out". Eventually, some people will come in and just go "There's no way this will work. Your reward/risk ratio is all off" or "You don't have enough trade" or whatever, all these reasons why it won't work.

To me, it is so obvious what is going on which is the people who are the naysayers, they just do not connect with the system. That's it, that's all it is. It has nothing to do with whether or not the original poster is "that trader is making money". It has everything to do with the fact that the other people don't jive with that system and they don't see it in the same way so, that's fine, go off to another corner and find your system.

To me, it is just really interesting and then there's other things at play there but I was just interested in your thoughts on why other traders sometimes have the need to pull other traders down and talk about other traders disparagingly because they feel like so and so. Doesn't really know what he is talking about.

Darren: Is it because it's the trader's strategy is at odds with this? They need that confirmation bias of everyone agreeing that the trend analyzer are the right way to trade or fundamentals are the only way to trade. If someone is saying that they used that information, it's not everyone agreeing with them and so they need to attack it.

It's quite interesting, like you say, that some people even though they're not trading that way, they are being open minded and saying "Okay, that's interesting. Tell me

more". Other people will be straight in their words "It's not going to work". It's a different personality traits going on there or they are just at different stages in their trading.

Walter: Yeah, that could be. Like for example, let's say that somebody is new to trading and they see someone post some crazy system on a forum. And then now, you've got someone who's been trading for twenty years and they see the same post.

Let's say for the sake of argument that the system involves -- the entry involves -- flipping a coin. If it's heads you buy and if it's tail you sell.

Now, the new trader might look at this and go "That's insane. There's no way that's going to work". Whereas, the trader that has been around for twenty years might look at this and go "I could see where this would work, the exit and the risk/reward, this and that".

It's basically because they're both focusing on different things. The trader who's got more experience is focusing on the reward/risk ratio, on the exit strategy, on how this trader is managing this trades. The new trader is just focusing on the entry. It could be that's essentially the difference. Is that along the lines that you were thinking or no?

Darren: Yeah. And I think if you've been trading a long time, you've probably got a lot of confidence in your strategy and that leads you to want to suggest that other ideas, perhaps, not could as the new trader is suggesting they are. You've got to have that single minded confidence in the way you trade.

To a certain extent, you've got to believe that it's the best way to trade but, at the same time, if you really are consistent and experienced trading you'll know that there are other factors involved such as yourself. As it particularly fit in the way you trade and your psychology and how you've been brought up and all of these personality traits are coming into it, as well.

Although I might be not the biggest supporter of technical analysis, at the same time, if someone suggest a technical approach I won't bluntly say "Well, it won't work" because I know there's more to it than that. You've got to have that bloody minded confidence in the way you trade and think it's the best but, at the same time, you've got to accept that there's more than one way to that.

Walter: Yeah, absolutely. I'll never forget, Darren, the first time I ever went to a trading workshop or whatever. I just turned the corner so I was just starting to trade profitably. I went to this trading workshop and I remember thinking, reading all the

materials about what we were going to cover in the workshop and everything. I remember thinking to myself of “I know what the system is”.

I was convinced that the system that was going to be revealed was exactly what I’d learned on an online forum. I thought “Oh, it’s going to be the same thing” because I was so into this system that I’d learned how to trade online. I thought it was the greatest thing ever.

So, it colored my view. It’s that confirmation bias thing of everything I saw was that and everything support of that. Of course, it was totally different. Like, what was at the workshop was completely different to the system that I’d learned how to trade, probably. I just thought it was fascinating looking back on that that I was such a strong believer in that system that it colored my whole view of trading.

Darren: Yeah. And I think also, this kind of information that is on forums doesn’t help, as well, because it tends to be information that can be specific to a certain trader. When people are talking about strategies, they are generally talking about something that is working for them and you’ve got a lot of that information but you get a very little of the information that really works for everyone.

I think we spend a lot of time on forums reading and it’s personal specific information that we’re taking in. There should be more post about psychology that affects us all and cognitive biases and those kind of elements of trading that ring true for the majority rather than strategies which can be very specific to just individuals.

Walter: Yeah, absolutely. I think about that a lot in terms of as a new trader or as someone who is new to this. How do you build up something that you are going to be comfortable with? How do you create something that you’re going to lock into and consistently apply?

I think that it’s a mistake to look at someone else and say “Well, it works for trader Ed so I’m going to do what he does.” I just think that’s a big mistake. You can draw some confidence by trying to follow what someone else does but, in the end, it’s not going to last.

In a way, it’s like a halloween costume. It’s really fun to put on the costume and look like something else but you’re not going to be wearing that costume everyday of the year. It’s just not going to work. I don’t know if that is the best analogy but that’s what just popped into my head. It’s one of those things that you just can’t do it. You can’t be Frankenstein everyday of the year. It is just not going to happen.

Darren: I think we want the quick fix really, don't we? We want to read in one page what we need to do and that be it and get on with it. Why are we going to start to explore something like psychology which takes more time in training and trial and error?

Why are we going to look at those things? So we tend to look at wrong information too much and we don't look at the right information enough. That is why a lot of the forums just descend into this back stabbing and shutting down each of them.

Let's be honest, if you have any consistency in trading you should realize that the strategy is only a small part of it. Essentially, pretty much any of the ideas out there could be made to work.

Walter: Absolutely. One of the things that people will often say is when someone insults them or drags their name through mud or whatever is they'll go someone so and so. He does not feel good about himself and that is why he has to drag you down.

In trading, there's a lot of ego, too. What I've learned from speaking to other traders who go -- I don't really go to a lot of trading things but I know traders who do -- and they've told me things like how so and so had such a strong ego.

He was talking about how he predicted the GBP or the EUR or whatever. It's almost like the trader has wrapped up himself in his trading, his defined two years, and his worth based on his trading results.

In much the same way that perhaps some would say -- and I don't think it is not to the extent that as it was back in 1940's or whatever but -- some women might define themselves as being the wife of her husband.

"My husband is an Engineer, and he is this and that, worked on a space shuttle" or whatever. You know what I mean? Their identity is wrapped up in their husband. In the same way, I think a lot of traders identify with their worth based on their results so there is a lot of ego there. "I want to show that I am the best" sort of thing.

Darren: That is probably a large part of why most of us get into trading initially, anyway. I don't think it is just the money. I think that the notion of being a successful trader makes you appear intelligent and smart and somehow better than the people around you.

It is like the top five percent of traders. They are on a pedestal a little bit and I think a lot of us bring that strays. Probably why we all struggle with trading initially because ego is really destructive as a trader as like anyone you can lose that as you are starting to become a trader. That is maybe why we feel the need to put other traders down.

Walter: That is interesting. I do think that ego thing, there is a lot to that to being able to step aside and let the market tell you what to do. That is definitely true. One thing that I struggled with when I decided to get into trading was actually the exact opposite of what you have just said which was I really didn't want to identify myself as a trader.

The reason why was because what I was doing before trading was something that I was so convinced that that was going to be my identity. That was like my dream job before I got into trading. I couldn't really justify walking away from my dream job because I really thought that was the coolest job to have.

Like, when you go to a cocktail party or whatever and everyone says "what do you do?" I thought the job that I have was just so cool I didn't want to step down to be a trader. I know it sounds weird but I really struggled with that.

Darren: It doesn't sound massively weird because I don't tell people that I am a trader now because whenever you mention that you trade currencies, you get that rolling of the eyes and then nearly always you get that "Well, be careful because you will lose all your money" conversation. I never tell anyone that I am a trader now other than people that I've known for a long time.

Walter: I think that's a good move. I never I agree with that, that line of thinking. I used to... I wouldn't tell people that I was studying psychology. I would just say I am studying business or something.

Darren: Yeah.

Walter: It's just because it's the same thing where people would say "Oh, are you analyzing me?" or whatever. Because you are studying psychology, others said you're analyzing everyone. It has that connotation, the same thing with trading. It is like people either normally, if you say that they are going to say, they are going to think one of two things.

They are going to think "Wow, this guy is brilliant" because you are a quant or something like that or they're going to think you're an idiot gambler. You know what I mean? Like, there are almost no more in between unless they do not really understand what you just said.

Darren: Yeah. I suppose it is the same when you say... I get the same vibe when people say to me my brother is a professional poker player. Again, it's one of those careers where a lot of people don't make it or lose money and a very small percentage do so you are instantly assumed that if someone is having a good year, he's going to lose all his money soon.

Here is the interesting thing though, why is it that we don't get a lot of this on Naked Forex? What's the difference on this forum where we don't get a lot of this sort of negative shutting down of traders when they put forward?

Let us be honest, we've got some pretty, wacky and wild ideas on there, just some regular technical trading as well but people are very keen to think outside of the box and try new stuff and push the boundary of it and people are much more accepting. Why do you think that is?

Walter:

I have no idea other than I feel like our friend Nicholas said it the best which was someone asked in a webinar and they said -- and Nicholas, she's one of the traders in the forum -- they asked her in the webinar, "how do you choose a trading mentor?"

She laughed and she said "I don't know, I think that is a funny question. It's sort of like choosing your friend". I think that's the best way to see it in terms of how do you choose what kind of trading forum you want to frequent. So, I guess, it's like choosing your friends. Who do you like to hang out with? Who do you feel comfortable with?

You know what I mean? That's sort of a community and so some people are just attracted to certain type of community and others are attracted to different one. I feel like we can put out, it's almost like if I dress in black, all black and I don't know what else can I do -- have a bulldog and a chainsmoker and just eat McDonalds, something like that.

I probably end up in a certain.. that's going to send me to a certain path. Whereas, if I get really dressed up and wears a suit and tie, a really expensive shoes or whatever even though I don't have anywhere to go, I'll probably end up in another crowd. You know what I mean?

I think of that in the same way with these online communities where if you put off a certain vibe or approach or show who you are, you can see what makes sense to you. We have people come in all the time who like, they'll say "Oh, this is so great, everyone is helpful".

That is the expectation that when you go in there you are not here to take people down, you are not here to do anything other than share information and try to help other people out.

I mean, that is really what it is all about. Let's face it, trading is a very solitary thing and most of us are introverts, we are the attractions to some of those. To have an online community where you can share ideas and interact is a really cool thing especially if they are not going to try to shoot you down. I think it is cool.

I was actually talking to my friend about this today and I am glad it come up. Ten gents actually, which is you know... I used to go to work, I used to trade the London market, so I had this job, this trading job, where I was basically a prop trader.

Here in Australia, people would be coming home. They'd be taking the train home and they'd be coming home Thursday evening. Everyone is getting excited because they are going to go out and go drinking or go to dinner with their friends or whatever.

I was getting on a train going to my... Going to work because the London market was getting ready to fire up. I felt so isolated, I felt like I was just an outsider because everyone else was doing the 9-5 thing and they were all getting ready to have fun and then I was going to work.

That's the thing about trading. Sometimes you're at home taking trades where everyone is at work, maybe your spouse is at work, so you are at home with your kids or trading or whatever. It is just a different path.

It is really cool to have a helpful group of traders who are there to offer their solutions, their suggestions and help build things for you and so, I don't know, maybe we've just been lucky, Darren. I don't know. Do you have any theories on it?

Darren:

A couple of things bring to mind to me. One is that, we've got an authority figure in this forum which is obviously you. It is your forum and you are quite vocal, as well. We actually hear your voice and from that we can make judgments about your personality rather than it just being a free-forum which is open to everyone.

With trading, the relationships that we've had, growing up with authority figures plays a big part in it and I think that probably plays a part in the forum that we have. Like there is an authority figure there, that is quite psychologically different.

You just have an information put across, as well. If it is just all written strategies in a thread then it is much harder to get any empathy with the writer. Whereas, we are getting videos with your voice on and that is more comforting for people when they're trying to assess the validity of the information they are getting. That, psychologically, is a big part of it.

Walter:

Wow! That is fascinating. You mentioned that you had known a trader, you have worked with a trader before or he had shown you some things or something like that, I don't know. There was some sharing of ideas. How did that go? Is that like on Skype or was that through just written word?

Darren: It was all on Skype. We trade together in a day and be exchanging just texts and then in the evening when we've finished trading we do a Skype call. We just have a sociable chat but we also do discuss the trading and trading ideas, as well.

I think that how the information is taking in plays a big part in it because we have this core idea how we deal with authority figures. How we receive information can play a part in that. If you actually hear someone's voice then, you are subconsciously making assumptions about that person and how valid their information is and how sweet and how smart they are. You are in the background making that assumptions.

Walter: Yeah. So they are probably doing that right now as our listeners are listening to this podcast, right?

Darren: Yeah, definitely. I am not as boring as I sound.

Walter: That is too funny. You bring up some really interesting points that, I have to admit, I haven't really thought much about this. To me, trading -- technical trading, I suppose would say, as opposed to fundamentals -- where you're just taking an idea and translating that into a position, an idea about the world or the economies or whatever.

I think it is a very visual thing so I always just assumed that if you go to Youtube, you will see a lot of videos about trading stuff released every time. I do. There are a lot of videos about technical trading on Youtube and things like that.

I've always just assume that that was just a good way to get across trading ideas and yet, you are right. Like thinking back to 2003, 2004, back then I remember going into trading forums and the two things that stuck out were that: one, that they are almost every trading systems thread would devolve into some sort of ego-competition.

The other thing was that, typically, what you would see is you'd see some chart example. You'd see an example and then maybe there'll be like a download or an indicator or something like that to download but it might be a PDFs.

It was not really a lot of video happening and maybe that is just because that's where the web was or whatever. There was still video back then on the web. That is interesting that you bring that up, that the medium has an influence.

Darren: Yeah. There was some research on the highest performing traders and they find that -- the institutional traders they find that -- while they were working, the manager would converse with them much more and ask how they were feeling and how things were going rather than just getting an email "You're risking too much" or whatever. There is

definitely something in how we perceive the person that is giving us the information, as well.

Walter: Yeah, that's fascinating. That is really cool. I'm glad that you've brought that up. In the end, I guess we can say there are a lot of different reasons why people feel sometimes compelled to bring others down. It could be ego, it could be the system does not make sense to them therefore it has to be wrong.

It could be any number of things but the great thing about the internet is it's now at that point -- and it is only probably going to get better, as far as I can see -- where there is so much information, so many people online, and it's digging up these deep issues so that you can find a place that makes sense to you.

You can find that community, you can find that area of the internet where you want to spend time in because it's that diverse now. There is so much information that it is fractured down into this little bits. I think that is really cool because for traders, it's great. We can find what we want and we can really find our little area of the internet where we want to spend time in.

It is always good to break out and learn new things and stuff like that but, at the same time, it is not like it was. I can literally remember back in 2003 looking through the internet and there was very little out there that I could lock into.

In 2001, even less. There was -- I can only find -- one book about currency trading back in 2001 and it was not particularly good. In the forums, too. I mean, there were forums too. I actually spent a lot in stock trading forums that have a little sort of currency off shoot or little sections that were devoted to currency trading and things like that because that is really all I can find.

Now, it's to the point where pick wherever you want and it's there for you. It's just really great.

Darren: If you feel like shutting someone down on a forum or telling them that something doesn't work then it makes sense to just consider your words before you reply because if you fail blankly, there is something that it is not going to work. If you really are a good trader, you should also appreciate it. If it doesn't work for you or might not work for the majority of traders, does not necessarily mean that it can't work.

Walter: Exactly. That's it. Cool! Thanks for your time, Darren. I'll look forward to seeing you next time.

Darren: Cheers, Walter!

