

2 TRADERS

[EP88: Sailing Against The Current](#)

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Darren: The movement of price is a random world and levy flight. You can trade the movement, you don't need to predict or know where it is going...

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: Welcome back to the Two Traders Podcast. It's Walter here and we've got Darren over there, on the other side of the world. Hello, Darren.

Darren: Hello, Walter.

Walter: So, we have a question, Darren, today from a listener who says, "I'm consistently trading against the market. When I buy, I should have sold and when I sell, I should have bought." What sort of advice can we offer to this trader?

Darren: Well, thinking outside the box, I'd say why not use a bracket trade because you're getting the direction wrong but you're picking turning points pretty accurately. So, put bracket trade when you want to enter a short, stick along 20 pips above it.

It does not really matter what direction is right. What matters is it moves to the point where you are entering and if you've got an ability to pick a moment when price is going to move then you could capitalize on that by using a simple bracket trade.

Walter: Yeah, that's a great point. It reminds me of, do you know who Larry Williams is? He's a famous futures trader.

Darren: I do.

Walter: Yeah. So, I saw a video where he was talking about -- he's got this prediction thing every year where he predicts different markets -- and he was predicting the Euro and he said, "This is what we think the Euro is going to do this year" -- or next year, it's December when he releases it -- and so he was talking about how the charts are unfolding, kind of like advancing stuff.

It was a line chart. He was comparing last year's prediction to the actual result with the Euro and it was interesting because he said, "You know, some people say" -- because there were some examples where he had picked a trough on the chart when actually it's a peak or there was a peak on the Euro and on in his prediction it was a trough.

So, he was saying, "Some people say that you can still use these mirror things when it's absolutely 100% wrong and make money." He said, "I'm not sure about that" but I'm not sure if I've decided if that's true but it's interesting that people. You know what I

mean? So, he's got the prediction that it's going to peak out on March 15 or whatever and it ends up making like the low of the 3-month period or whatever on March 15.

So, I just found that interesting because it reminds me of this trader. Basically, what we're saying is your instincts are wrong. This is typical, this is really typical. We know from the the Turtles when they were taught to go against their instinct. When they had only one more trade to take and had two possible signals, they would just go with the one that they didn't like the most. That was what they were taught.

I think I mentioned before, a friend of mine, he recruited traders for his fund and all he did was just reverse their trades. They thought that they were trading demo. They thought that they were trying to qualify to trade for the fund but they were actually trading for the fund and he was just reversing their trades because it was so consistent that new traders would be on the wrong side of the market.

I even asked him. I said, "Don't you ever worry? Aren't you ever worried that you're going to get like a winner in there that's going to impact the results of your fund?" And he said, "No, they'll always cut their winners short and let their losers run so, it's not a problem."

If someone did do well then he would qualify them for the fund and then they would become a trader and all that. Then of course, they would blow up. I just thought it was interesting.

It's almost a little bit unethical because it's like giving, doing an experiment-- and they do this a lot in psychology where they'll tell you they're doing one thing and then they're doing something else.

At the end of the experiment, they'll always tell you, "Okay, this is what we're really doing." They debrief you, right? But, he wasn't doing any debriefing. He was just trying to keep his losing traders motivated to keep trying to qualify because they were money. You know what I mean?

There were money in the door so his big issue was trying to figure out new ways to motivate his losing traders to keep trying to qualify which I found really weird. But, that was a great idea because he is picking these points and he's just on the wrong side then you could definitely bracket. Makes a lot of sense.

So, would it be like a situation where you would say, like an upside breakout and then it reverse then hit the sell trade. It will cancel the buy trade out, right? Like, it's the only one trade to be on it any given time, basically.

Darren: Yeah. It sounds to me like he is perhaps trying to trade breakouts or something because sometimes you've got to look at it from a different point of view. We can't be like really one dimensional. How we think about trading, and we think trading is about finding a spot and then being able to pick where it goes next, in the direction it goes.

It certainly sounds like he's picking moments where price does move. He's finding interesting levels where price does something and moves. Perhaps that could be his edge, he is good at picking areas where price does move.

He is thinking that he needs to get the direction by it and maybe he needs to say, "Well, I'm picking these spots where price moves, 30 or 50 pips or however many it is, is there a way I can sort of build a strategy to make an edge from that?"

It's usually difficult to be unique in that thinking because it is very hard to convince yourself that what everybody else is doing might be wrong. Everyone else is doing it, it's got to be the right thing to do. "I need to wait for a specific point and pick that it is going to go up or pick that it's going to go down and that is just one way."

The movement of price is a random walk and levy flight, you can trade the movement, you don't need to predict or know where it is going. You need price to move from point A to point B and within that to be some profit.

Sometimes, you need to step back and say, "Let's not look at what I'm getting wrong, what I'm getting right and can I build some sort of edge out of that?" It might not be the route he wants to go down but that's how I will think of it.

I think, "Hang on, every time I place a trade, price is moving. It's not going sideways so, how can I generate profits from that ability?"

Walter: Yeah, that is a good point. I would also say, another thing might be one of my favorite tricks is just wait for another candle. I do this a lot and drives people crazy. They say "You're going to miss out".

Well, what I've learned is I'd rather pay the price of waiting the extra candle just for that extra bit of information before making my decision. It's been well worth it in most cases. Sometimes, it's going to go when you're gonna go well, it's already gone. "It's gone 80 pips so I'm not gonna get in now." But oftentimes, he might be in a situation where he gets a signal he says, "Okay, I'm gonna go now. This is my trade".

If he waits for one more candle, he gets that extra bit of information that tells him, "Okay, this is what's gonna go on here." I find that really useful especially if you're at the end of Asian Session and you see a potential trade. I think it makes a whole lot of sense

that you wait for London open to get that extra really important bit of information. I find that bit of information really useful.

Same thing goes if you're at the midday London so it's a 5-hours difference..

Darren: Yeah. You're talking about the 11 to midday?

Walter: Yeah. So, same sort of thing. Like you might have a signal but you're like "Ah! New York is going to open in an hour. It makes a lot of sense to me to wait for that extra candle." To tell you or whatever, extra 4-hour, extra day, doesn't matter whatever the timeframe is but I find that really useful too.

To me, I feel like one of the things that I've noticed about traders and I've noticed in myself, when I started trading was in the beginning it was more about, "Okay, let's sit down and take a trade."

The more I do this, the longer I do it. It becomes more about I don't need to sit down and take a trade, figure out what the direction of the market is and then jump in. What I really needed to do is just sit around and wait until I get a really nice looking trade. That is how I approach it now. I don't know if that's part of it.

Darren: More of cherry picks sort of thing.

Walter: Yeah, cherry picking. Exactly. I think those are really two useful pieces that he might use. He might use a bracket approach. He might just wait another candle. Those are the two things that might help but the biggest thing I think is going to be experience.

Just having a lot of charts, looking through a lot of charts, trading a lot of charts on a simulator like the forex tester or something like that. He can get more trades under his belt and more experience, that's probably going to help too.

I do not know how you do but I spent 4 years -- just really, really painful 4 years. I didn't have anyone to go to and when I first started trading, there was one book on forex trading and it totally sucked. The worst book ever. It was literally the worst book ever.

I remember reading at the end of the book, there was this appendix that had all these Gann numbers on it and what was weird was like the book wasn't even about Gann. He didn't talk about Gann at all anywhere in the book.

Darren: Was it after the section? At the end there?

Walter: Yeah.

Darren: He didn't know what to put in the last 20 pages so I've checked some Gann.

Walter: Yeah, I think it was what it seemed like. It was the weirdest thing. It had all these Gann's levels and I was like, "What am I supposed to do with these?" There was no description or information on how to use these numbers. It was like the square of 9... It was pages and pages of numbers.

What's interesting was my friend who've got me into trading later on, he met the guy who wrote the book. We were really so excited. He's going to meet this guy blah, blah, blah and all stuff like that. My friend was working for a hedge fund and the hedge fund basically hired this guy to do a presentation for potential clients.

It was so funny. He was like, "Yeah, that guy he wasn't making any money." That was what my friend said after the whole thing. He's like, "No, not that guy. He's not trading." It was pretty funny.

That was a long winded way of saying that experiences is going to help you as well. Maybe waiting for a candle. I think Darren's idea of bracket is brilliant, that's another way because you might be picking these spots.

Just like Darren said, you're just on the other side and you need to allow that to unfold as well. That's all I've got. I hope that's helpful. Do you have anything else? Or is that all about it?

Darren: I don't know what else I could add, really, but I think you just needs to perhaps, like you say, try adjusting his strategy a little bit. Like you say, he might just be rushing into his trades a bit and a bit too early.

Walter: Yeah, okay. Great! Thanks for your time, Darren. We'll see you next time. I think next time, we are going to talk about choosing the right system so that'll be interesting.

Darren: Cool, Walter. See you soon!

Walter: Bye.

