2 TRADERS

EP12: Comfort Trading

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Walter: In fact, some people tell you if you don't win more often you're not going to make money, which of course is not true at all.

Announcer: Two traders, Darren and Walter, pull back the curtain on profitable trading systems, consistent money management, and profitable psychological triggers. Welcome to the 2 Traders Podcast.

Walter: In this episode of the 2 Traders Podcast, Darren posts his last 100 trades on social media and gets really weird feedback. I talk about why your account size may dictate how often you trade. You'll see why focusing on your reward-to-risk ratio may lead to trading burnout. We also jump into the interesting thing about sex and being wrong. I talk about the Japanese cheesecake and you'll see how anchoring may lead to losing trading habits. You'll see why there's a danger focusing solely on profits. Darren talks about the elevator experiment that he saw on TV. Darren also gets into how he controls destructive trading urges.

I talk about what you might be able to learn from a very weird dentist in Queensland, Australia. Darren talks about why he thinks you might want to trade what you know. Darren has a theory about unforced trading errors that he jumps into in this episode. Finally, you'll learn how the Turtles were taught to avoid trading mistakes. All this and more in this episode of the 2 Traders Podcast. Welcome, Darren, to the 2 Traders Podcast. How are you going today?

Darren: I'm going pretty good. Had another good week trade in. It's going really well at the moment, actually.

Walter: Excellent. Last time we spoke, I remember you said you wanted to talk about something. What exactly is on your mind?

Darren: I wanted to talk about this idea of priming. Have you heard of priming?

Walter: Yes. When I think of it, I think of the psychological aspect. Is that what you're into, or what do you mean?

Darren: Yeah. There was a documentary I saw. I want to talk about priming and I want to also talk about traders' expectations and results as well. I'm not sure which way to go first, really. Let's just talk about the results first because this is something that happened this week when I was trading. Traders have got this idea about what are acceptable results and what are unacceptable. Sometimes you might ... As an example, I quite often on my Facebook page I post my most recent results of my own trading. I posted it this week, and I do it in blocks of a hundred trades. At the moment for me, that's about 4 weeks trading, just under 4 weeks trading. I posted this hundred results and my win rate was 49% and my average winner was 2.6 and my average loser was 1.5.

To me, if I can do that consistently, that's amazing. It's beyond what I'd really be happy with. It's amazing the amount of traders that replied to that and essentially were saying, "Well, how can we improve those results?" It's just like in any other sort of form of trying to make money, whatever it be, even if you're betting on the horses, if someone could consistently give you close to 2-to-1 on half of all your bets, if you sat down and worked it out, you'd buy it as hand-off and say, "Yeah, sure. It's a no brainer." It's just weird how we've got into this certain amount of win rate and certain amount of risk-to-reward that if you're not achieving that then somehow you've got to make improvements. Even if you've got expectancy to make consistent profits, people have got this desire to improve them.

Walter: Well, when I think of this, I think of when you post videos on Facebook or whatever blogs and things, people tend to talk about how that's, "You don't know what you're talking about." I mean, the trolls come out on YouTube and Facebook and things like that. I don't really pay attention to them because I don't know if that's what you're referring to because you're actually couching it in sort of a nice way saying, "Well, how can we improve this?" Almost like these are your friends who are trying to help you out. My experience has been that most of those people are happy to talk about improvements, but some of the most scathing remarks are just the trolls.

Typically, if somebody's going around on Facebook looking for traders or YouTube looking at trading videos, they're probably not settled on a trading system and they're probably not making money consistently. That's just been my experience, so I'm not really concerned about someone who's not making money and what they're thoughts are, really. I do think you bring up a good point in that it's likely that people are focusing on your win rate and not looking at the whole thing in context, which, as you suggested, is really the expectancy of the system. The expectancy of the system with those numbers is obviously really good.

Although the win rate is less that 50% or hovering around 50%, that's what a lot of people are going to focus on. I've noticed that most people would rather win. In fact, some people tell you if you don't win more often you're not going to make money, which of course is not true at all. Actually, this week we're going to have a trader come in in the forum who wins like 1 out of 4 times or 1 out of 3 times and he makes a whole boatload of money. These things are not true, but it's what we focus on. I don't know exactly what the flavor of the comments are that you're getting, if they're more kind of "you don't know what you're talking about" or are they really constructive and saying, "Hey, Darren. What if you did this or what if you did that?"

Darren: Yeah. I just think it strikes me that there's a lot of traders that are perhaps missing the point and perhaps not focusing on an end goal and maybe they're drawn to win rather than saying, "What am I in this trade-in for?" For me, I want a regular income that I can be consistent with and that's it for me. If I do the math and then the whole thing together makes sense and whether I win 30% of my trades or 70 doesn't make any difference. The other one I noticed that people rarely take any notice of is the frequency of trades. If you only make a small net profit on your trades but you're getting 30 trades a week, then that could be sufficient. If you're only getting 2 setups a month, then obviously it's a different scenario. Frequency of trades is so rarely taken into account and people are really interested in data, but if your data is not complete, then you might as well not bother.

Walter: Well, I've noticed in my interactions with traders that frequency of trades is something that they do. Maybe that's because it's a reaction to the fact that I don't typically have 15 trades going a week. What I get a lot of is, "Hey, Walter. This looks good on the daily. Why don't I trade this on the 1-minute chart?" Something like that because they want to get more trades. That's usually a product of having a small account and they just want to build it up quickly, so they see that. From what I've seen, frequency of trades is a focus, win rates is a focus, but expectancy is not a focus, risk of ruin is not a focus. They want to trade a lot, they want to have a high win rate. They want to make a lot of money and they want to do it really quickly.

If you have a larger account, you don't have to trade that often because 1% of a big account is a lot more money than risking 1% on a smaller account, so it all works together, but I think you're right. I think typically what happens is people focus on the wrong things. That's why I don't have a real problem ... There's 2 ways to approach this. I don't have a problem with those traders out there who write books and say you've got to focus on reward-to-risk ratio and don't worry about the win rate. Really you need to focus on reward-to-risk ratio, make sure it's 3-to-1, blah, blah, blah. I don't really have a problem with that. I do think it's been beaten into the ground, that most traders, if they do read trading books and these sorts of educational materials, they're going to get this message.

Here's the problem with that, a lot of traders, they can't win that marathon. They can't finish that marathon. In other words, they get beat down psychologically when they lose 7 out of 10 times, and so they start to drift and look for something better. That's why I'm actually I think a little bit different than some of the other traders out there who say, "You got to get 3-to-1, you got to get 3-to-1." I say, "Look, if you really understand your risk to ruin and you're okay with having a lower reward-to-risk ratio, then you can go with a high win rate, but you got to be really careful because it's easier to make mistakes and slip into that negative expectancy if you start taking profits too early. Right?"

There is a danger there, it's just a different danger. The danger with a high reward-to-risk ratio is you burn out and you look for something better because you're sick of losing. Then the risk with the high win rate is that you start to take profits too early and you reduce your reward-to-risk ratio too much. The other thing that's interesting about what you say is this idea that we want to be right, I've found that female traders, as a whole, are so much better at being wrong, which is a funny thing to say but it's true. Women, if you look at the data in psychology, we know that men will talk over women in just everyday conversation and women are really good at pointing out subtle ... They're very subtle at the way that they point out that men might be wrong or reconsider something.

If you watch traders especially, if you go an watch a trader speak or something, you'll hear the trader talk about all of his wins and how great he is and blah, blah, blah, and all [this is 00:10:40] real big ego. Right? Typically, not all the time, but typically, and it's really this idea that they want to be the winner. They want to be right. What I love about female traders, besides the fact that as a whole they typically, I believe, much more likely to succeed than men, it's also that they're just okay ... Part of it, I believe, is they're just okay with being wrong. That's kind of an interesting thing that you're bringing up there. I think that there is a lot to this idea that too many traders want to be right. You were saying that a lot of the people were concentrating on basically bumping your win rate, right? Is that what it was?

Darren: I don't know. Maybe I've just got a bit of a thing for this expectation thing at the moment. I think it's a big thing and people are missing out on it. I think it's almost one of those first things that you should plan. Obviously you're not going to do that because when you first come to trading, you want to get a bit of background and you want to read and learn some strategies and you need to take some information in first. Unless you really know what you're trying to achieve, I don't think you can really ... It's like an important part of your strategy, really.

Walter: Yeah. What I hear what you're saying is you need to focus on the whole recipe, which is the expectation recipe. All the piece of expectation that are why you're trading. You want to make money. Right? That's what you want to do. Some people are focusing on little elements of that. It reminds me of my friend. She came to Australia from Japan and she was talking about the difference in what people eat over here in Australia and how different that is to Japan. She was making cakes and cheesecakes and things. She was using like 1/5 of the sugar that the recipe called for. She was focusing on the sugar and why, "Oh, there's too much sugar in these recipes," and things like that.

I don't know if you've been to Japan, Darren, but they have these desserts where they eat things like sweet beans. It's like, "Whoa, this bean is really sweet." It's something that's totally different to the Western world, we pump things full of sugar and fat because that's really addictive and it tastes really good to us. They have a different range. Anyway, all of her focus was on the sugar in these recipes and I was like, "Yeah, but you got to make sure it still ends up like a cake or like a cheesecake." You know what I mean?

Darren: Instead of cheeseboard, yeah.

Walter: She was focusing so much on the sugar and whether or not she could taste too much sugar in it. In the end of it, you're like, "Is this really a piece of cake or is it like a bagel now?" You know what I mean?

Darren: Yeah. It is about the big picture. And I expect a lot of people even consider it. I think they think, "Well, I'm just going to be so bloody good at trading, then the end result could be whatever I want." The real world is just not like that. I just think it makes the day-to-day process much easier, as well, if you have ... I mean, it doesn't have to be like fixed targets, but lets say you work out what income you need a month to do what you want to do and just kind of, "Okay, well, I could achieve that with just a 50% win rate." Then you can look back at your actual trade-in, though, and see how far you're off and see where you need to improve rather than just kind of look at some figures and say, "You know, 50% win rates not high enough for me. I need 70." Not basing that on any real data.

Walter: Yeah. Absolutely, they're not…..

Darren: We do that a lot, don't we? We make decisions, basically, but without referring to the data first and we just assume basically. That is a massive mistake in trading.

Walter: Yeah, and it happens in many different areas of trading. We tend to focus on specific things like when I think of trading mistakes, I think of anchoring, how we use anchors and we say things like, "Well, I bought the Euro at 1.15 even, and it's fallen down to 1.14, 1.1398 now. If it gets back up to 1.15 even, I'm going to dump my trade." We've put that value on the Euro at 1.15 even though the markets moved a hundred pips now against us. We still had that value in our mind, so we hold on to these losers hoping they're going to turn around. That's because we've anchored that thing ... That's what's important to us is that the Euro get back to where we entered at. Those sorts of mistakes are so easy and so common, that's just the way we operate. We use anchors and so a lot of people, they anchor on the win rate.

That win rates 49%, Darren, that's just not good enough, which is crazy because like you said, if you run the numbers on that and somebody's ... If you just said to somebody like, "Okay, you're going to make 1 point ... For every dollar you risk, you make $1.85 or whatever it is or whatever it works out to be." People would probably say, "Yeah, I'll take that." Most people are going to say, "Yup. Let's do that. Let's go with that. Let's roll with that. Yup."

Darren: Or you should be thinking, or asking, "How consistent is that? How many weeks have you done that on the top? Is that likely to continue?" Then you can get a real idea of the profit you could make. Yeah, people done focus on that, do they?

Walter: Exactly, yeah. They miss out on compounding. We think about things ... Yeah, like people who invest money with somebody, they'll see a result and they'll go, "Wow, that's really good. We made 6% this month." Then they'll draw straight line to the moon and go, "Okay, 6% compounded every year. Let's see, that's 72% ..." They start doing things like that, too, where it's just, "Okay, this is the way it is." What about that month where we lose 4%? What about the month where there aren't as many trades in December or whatever? Those sorts of things don't come into ... We just focus on ... I think most traders probably focus on the good more than the bad, so they're much more likely to say, "Okay, I can trade this system." Then you say, "Wait a minute, what was the largest draw down that you had?" "Oh, it was 40%." Oh, okay, so you're going to be able to trade?

If your hundred thousand account gets down to 61,000, are you really going to be able to sit through that? Are you going to not change it up and change everything because you've lost $39,000? Are you really going to be able to do that? They overestimate their ability to sit through those draw downs.

Darren: Yes, certainly. Especially when you rely on your back testing. You do your back testing and you go through large periods of time in fast forward, essentially, and then when it comes to the crunch and you're sat there Tuesday afternoon with a draw down and nothing's happened for 5 hours, it's just like a completely different mental game then, isn't it? You're actually in the performance and that's where people struggle, really. Again, that comes back to expectations. If you know strategy consistently has 2 bad days a week, if you sat there on Tuesday with a day and a half losing, then it shouldn't be a problem for you.

Walter: Exactly, yeah.

Darren: Let's talk about this priming thing because I didn't know about this before and there was a documentary about it the other day on TV.

Walter: Okay.

Darren: For people who don't know what it's about, they did this experiment where they took people up in a lift to an interview with someone they didn't know. They first group they took them up and there was a guy in the lift with them and he just asked them to hold his coffee whilst he was sorting his paper out. It was a warm coffee and then they went and had this really brief interview with this guy, maybe 2 minutes. Then they were questioned after whether they'd give this guy an important position in their company. Nearly everyone said yes. Then they repeated the same experiment, but this time they gave them an ice cold drink to hold in the lift. Same question, same scenario, and this time they were all about, "Well, I only met him for a bit. I'm not sure. I don't think he's the right sort of person."

The idea is that warm things are comforting, so that made them have warm, comforting thoughts. Because of that, they warmed to this guy that they met in the interview. It just completely blew me away. I thought, "Well, does that mean if you get up in the morning to trade and you've got a warm drink there that you're more likely to sort of feel good about your trades than if you had a ice cold one?" What if you're from a really hot climate and being warm isn't necessarily a good thing there? Does it work the opposite way? What are your thoughts on this?

Walter: Yeah, right. Well, it's interesting. I'd like to know more details like what time of the year did they do the ... Was it in the winter that they did this in the li- It was in the lift, right?

Darren: Yeah. I don't know that, but it didn't look like a warm climate, let's put it that way. The idea is that the feeling of being warm is comforting and reminds you of like having a hug from your mom or something like that. In general, you've got more warm feelings going on inside you.

Walter: Right. Well, there's a competing theory. There will be an alternative explanation for those results. There's a theory called terror management theory, which I think we should probably do an entire podcast about because it's so interesting. I don't think we've spoken about it, but this theory in a nutshell is that we're all scared to die and when we think about dying, it changes our perception ... What we try and do is we try and hold on to our culture. This guy got into the lift presumably in the morning. Most people in the morning in a temperate, mild climate, in the morning they typically, in the Western world they have like a hot tea or a hot coffee. Right? That would be the stereotype. The stereotype would be that someone would have this hot drink.

If you don't fit the stereotype, then people tend not to like you as much. This interacts with whether or not you've considered your own demise and that's part of the whole terror management theory thing. There is an interaction there, but like I said, we probably could do a whole thing on this, but ... If a terror management theorist was looking at these data, and again I haven't seen the study, so I don't know all the details, but they might suggest is that what's here is simply that the person has fit the stereotype of a worker, like a worker who comes in the morning. Worker comes in the morning with his papers and his briefcase or whatever, and his hot drink.

If the worker comes in the morning without a hot drink, instead a cold drink, is he like a weird guy who drinks like spirulina smoothies in the morning or something and he doesn't have a coffee? That's a little bit ... You know what I mean? It could be, it could be that. People tend to like people who fit the stereotypes. We know some of these really ingenious terror management theories, they've actually looked at people that fit stereotypes of different ethnic groups and, believe it or not, typically people will like someone more and show more favorable ratings in many different ways if they fit the stereotype than if they don't. Again, this interacts with whether or not they've considered the fact that they are going to die one day.

That's where the terror management comes in. Just taking this piece of it, you could argue that. That would be one possible competing explanation, but I understand where they're going with this. They're saying you know, kind of warm and that sort of thing. Does it mean that you should be trading in a really warm office? My office at home is really warm and inviting, whereas my office off-campus, like away from home, is really cold. It's got hardwood floors. It's a cold corner of the building. Should I only be trading at home because my home office has all this sunlight and really nice and warm with a nice view? Should I not be trading at my office? I wonder if these things are something that could affect my results, I don't know. I'd be interested to see them duplicate it and try and come up with a design that would pull away the bias towards stereotypes if that in fact is a competing explanation, which I'm suggesting might be.

Darren: Yeah. I do wonder about because I'm quite strict with my trade-in day, even if I perhaps change how I'm trading, I try to have it all planned out so every day is pretty much like a Groundhog Day. There's no real surprises in my environment. I set my alarm, it goes off at my coffee. I check my emails. Do you know what I mean? I do it in a structured way and I find that.....

Walter: Is that superstition? That's not superstition. It's just structure.

Darren: I think it's just like I've got to do something to control my mistakes. How can I control it completely? That's just by when I have a good day I remember how to repeat that because it's so structured I can remember the process. Whereas if I was trading from a different room every day, I think I might struggle with that. I certainly struggle when I travel trying to get back into trading. I didn't realize it for a long time, but the last time I went it really sort of ... I'm in a different environment here, things aren't as they normal are. I mean, I'm getting up at a different time of the day compared to the markets. I'm still getting up in the morning, obviously, but there it's during the Asian trading session. I think so. I think for me it certainly helps.

Walter: Yeah. I know traders who will actually physically leave their house and go an office just because they want to feel like they've got this daily structure. When you get back from holiday, do you feel like you have to click into that routine to make sure that you're on track? Is that the idea?

Darren: Yeah, definitely. 100%. I need to ... Well, I don't know whether I do or not, but I feel I need to do and for me it makes it easier to trade. Same with my strategy as well. I tend to be more structured in it now than I ever used to be. Maybe that's kind of a.....from that.

Walter: Do you trade when you're away or not much when you're on holidays?

Darren: No, I'm pretty awful when I'm on holiday, actually. It's something that I need to get around because I like going on holiday. I want to do more of that. I'm going away in November and I'm going to have another go then, but I'm traveling with another trader this time, so that might be quite interesting. Maybe having another trader there and having someone else with an interesting in trading might make it a bit easier to get into it.

Walter: Yeah, absolutely. That might be the ticket. Also, if you're taking an average of 25 trades a week, and presumably on a holiday you're trying to relax, maybe it's just not possible to trade at the same clip when you're on holiday if you're doing things and enjoying yourself, right? You just might not be able to physically squeeze them into the day.

Darren: Yeah. I am in a sort of cycle of quite intense trading at the moment, but I don't think that's necessarily a bad thing. I think it's good, actually, that I get to the end of the day and I'm sort of, "Okay, I'm tired from today. That was hard work. I had to concentrate." I had to concentrate and it kind of feels right, really, because I feel like I'm going to work and perhaps that's putting me in a more focused frame of mind and not just loafing off and putting a trade on when I feel like it. I'm actually going to work, if you like.

Walter: Sure. Do you have set hours where you say, "I'm only going to trade for these 5 hours and after that I quit," or set number of trades to take per day? How do you limit yourself from just going hog wild?

Darren: Again, structured entries. My entries can only happen at the end of when a H1, a 60-minute bar closes, so I can only do 1 trade per hour maximum. Actually, for it to be 1 every hour is pretty much impossible anyway with the way I'm trading. Generally, I get 3 or 4 a day, so that structures the number of trades. I have a specific time when I don't trade. I've even got an indicator now that marks it on the chart so I can see when I'm spaced to start trading and when I stop. The only reason I go out of that is when I'm tired. If I get tired, even if I'm in a trade, I stop for a day. I know that's an acceptable reason whereas before I'd perhaps continue on. I just know that I'm going to make the wrong decision or highly likely to make the wrong decision if I continue while I'm tired.

Walter: Yeah, right. That makes perfect sense. There's a famous dentist who consults for medical professionals around the world. One of the interesting things about his dental practice, other than the fact that they don't have any signs, they don't advertise. One of the things that's interesting is, I didn't know this, but in dentistry, they have high suicide rates. One of the highest professions, one of the highest suicide rates. Also, there's a lot of churn, like the staff, the support staff, they leave a lot. They don't tend to stay. What he does is when everyone comes into the office, they have this big whiteboard and they have to write a number, so you know when someone comes in if they're a bit grumpy, a bit sad, or if they're a bit cheerful and happy.

Right when you walk in, you can see where everyone's number's at, so it's almost like it gives you a context to relate to them knowing that, "Oh, well Jan's got a 6 today, so something's bothering her, so I don't want to be too ..." You know what I mean? You can kind of know who you're dealing with. I know traders who do the same thing. They wake up in the morning and before they start trading, they'll give themselves a number like, "How am I feeling today? Am I feeling really good or not so good?" It's not really rating the trade, it's rating yourself so that you know where you're at as you go into this and you start making your decisions. I just thought that can be a really smart way to approach it. I don't do that, but I can understand why some traders might do that, I suppose. Yeah.

Darren: Why are dentists topping themselves, then? I mean, they earn good money, it's not a particularly stressful job.

Walter: Apparently it is stressful. I think looking in someone's dirty mouth all day long ... You know what I mean? You're basically just drilling mouths and people are painful and there's blood everywhere. I've no idea why it is, but apparently, the dentists have a really ... and they're not really considered doctors by the other doctors. You know? That's one of my favorite things to do, actually, is whenever I go to a doctor I make sure they call me doctor because I have a PhD in psychology. They just assume when they say my name, "Dr. Peters!" They just assume like, "Oh, so you're in private practice, or what are you ..." I say, "Oh, I'm a psychologist." They're like, "Oh."

I just love doing that because of course the medical profession fields like they have, they own that name doctor. Any dentist or psychologist or anyone else who has a PhD or a doctorate degree, you're not a real doctor. That's one of my favorite things. Yeah, I'm not sure exactly what it is. Apparently, it's just not fun to look into peoples mouths and drill and have blood spurting and just this dirty breath coming at you all day. Apparently, it's not something that long-term people can handle. I don't know. It sounds crazy, but this guy ... Yeah?

Darren: You'd think it'd be like coal miners or some really horrible, hard manual labor. They've all got Mercedes and big houses.

Walter: You'd think if anyone's going to do it, it'd be a stone mason. Right? The stone mason's going to be the guy that offs himself, not the dentist. It's crazy. They snap. They snap at each other. They tell the support staff, "Go get this," and the support staff resents them because they're so ... You know. This guy really, he explains it quite well. What he's done is he's completely shifted his whole business and made it almost to where it's like a club and you have the be invited to come and see him and everyone loves working there and the staff's been there 20 years now. All of a sudden, he's completely turned it around, which is great, but I just didn't realize that it was so bad in the first place.

Darren: It ties in with where I really want to take the priming thing is this whole idea of being happy in your trading and getting set up and feeling comfortable when you go to trade like a lot of the big corporations have done now. They've made the workplace more friendly and less strict so people can be more creative.

Walter: Absolutely, yeah. They've got volleyball courts on campus and lots of beanbags or whatever. They're trying to make it comfortable. Okay, so if I wanted to set myself up with some anchors and to prime myself for my trading session, what might I do? I might have a routine where I do the same sort of thing, get up the same time, check the same websites, maybe look at the overnight news, and then study my charts, get a cup of tea or coffee, sit down. Maybe I'll do some stretching after that to get the blood flowing. Then sit down and decide, "What's my daily plan?" What would you say to that? How do you approach it? Do you go for a run and then come back and drink your coffee and sit down? How do you structure your day when you're creating this routine?

Darren: I wish I did go for a run. I think really, with me, it's more about having it actually planned out, really. I have actually taken the time to plan out what I'm going to do. I have 3 alarms on my phone, one at 6:55, one at 7:55, one at 8:55, so that makes sure that I get the first three hours of the morning even if I fall back to sleep. I think really it's just that repeat in pattern for me. I get up and start trading at the same time and I stop at the same time. I've reduced the amount of instruments I trade as well. I've been forever changing instruments. I don't know why, really. I've never really got any hard data that says, "Well, you're better off trading gold than you are the Euro."

I think that's something we all do, isn't it? We jump instruments really when it's not necessarily. Yeah, I've reduced that. I've tried the currencies I know now. I spend most of my time in the UK, so why am I not trading the Pound and the Euro all the time? Because consciously or subconsciously, it's news about those that are always part of my life. It makes sense to trade those, as well. I think really it's just years of experience of just whittling down, "What am I doing that really is not benefiting my trading?" Getting all of that out of it and just simplifying it.

Walter: Excellent, yeah. Really what you're trying to guard against is taking a trade outside of your rules, I suppose. Is that fair to say? Basically, you want to be awake during the sweet spot of the market, which is I guess 8 to 11 your time in the morning, and you trade the pairs you're comfortable with and you make sure they fit precisely into your strategy, into your ...

Darren: I think the longer you go without making unforced errors, if you want to call them that, the more startlingly obvious it becomes when you are making one. It just becomes easier and easier to remove them from your game. The more wild you are and, "Oh, that's not really the strategy I'm trading now, but it's a good setup, I'll take that," and jumping into different pairs and taking a trade there. When you trade like that, you really are out of control and I don't think human beings are really built to be able work in that way with regards trading. I think it's a case of trying to get as long a period as possible without making those human errors. It just becomes habitual and I think if you can remove almost completely from your trading, you're miles better off.

Walter: Yeah, absolutely. That's definitely the way ... It's kind of like what happens over time as you switch. In the beginning as a trader, your gut is wrong. As you gain experience, it's exactly what you just mentioned, which is so many trades not making an unforced error, when you start to make it it's obvious. Right? That's how I believe that you can mark your progression. In the beginning, you should almost go against your gut. Your gut is your enemy. Then later on, it's like that's almost like your gauge and it's your test, your litmus. It's tell you, "Okay, ah, no, no. I'm going off the rails here. This is the wrong territory to be in."

You don't have that in the beginning, at least I didn't. I certainly didn't. That was the point. My trading partner and I in the beginning, we were actually sitting down seriously considering every trade that we took to just do the opposite because that was the only way that we were going to make any money. Of course, I don't think that would've worked either, but that's the kind of feeling that you get. They told that to the Turtles when Richard Dennis and William Eckhardt taught the Turtles they said, "Look, if you've got 2 trades, you don't know which one to take, go with the one that you think is the least likely to work out. Just take that one." Which I found fascinating as well.

Darren: The interesting thing as well is the one part of your trading that you can have a hundred percent win rate on guaranteed, which is removing error trades. You've planned out your system. See if you can go a week with 0 trades that are outside of your plan. That's one way that you could have ... If I want a high strike rate, try and score it one removing those human errors.

Walter: Yeah, that's great advice. For those of you listening, the only way you can do that is to have a very specific trading plan. That's the only way that that's possible. If you're thinking to yourself, "Well, how am I going to do that?" That just means that your trading plan is not precise and it doesn't list exactly what you're looking for in a trade setup.

Darren: Yeah. It's the one thing that I think a lot of people don't do. I think a lot of experienced traders probably still haven't done it either. You can certainly achieve a certain level of competence without it, but it definitely helps. It's been proven to help writing stuff down.

Walter: Absolutely. All right, Darren. I think that's probably going to be good enough for today. How are you feeling about talking about death next time?

Darren: Yeah, bring it on.

Walter: Excellent. All right, we'll see you next time then. Take care.

Darren: Okay. Cheers, Walter.