

# 2 TRADERS

[EP147: Seeding Your Subconscious \(Part 1 of 2\)](#)

**Darren:** Sometimes we're taking a hammer when we need a screwdriver because we're stuck in this loop, we don't realize that that is what we are doing...

**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 to Two Traders. It's Walter here. Hi, Darren. How are you doing?

**Darren:** Good morning, Walter. Very good, thank you.

**Walter:** Great! Great to hear you again. So I've been thinking about this and apparently you're thinking about this as well which is really cool. Hopefully, we'll have different interesting perspective on this.

I've been looking into research along the lines of how you can achieve your goals or perform better based on seeding your subconscious. There's a pretty good literature out there behind this idea of if you want to do better at something and there's also anecdotal evidence going back centuries.

Inventors and people like these who've used their subconscious as a tool for solving problems, overcoming challenges along the way that obviously come across. Inventors have this issue all the time. They know what they want to do but they're just not sure exactly how to do it. How to create that product or that thing, to solve that problem.

I'm just kind of thinking from a trader's point of view, how important is it for us to be aware of the fact that it is possible to do better and achieve, get a better hit rate I suppose, at trying to succeed and reach your goals if you employ the power of your subconscious.

I think this is something that is important especially if you are surrounded by a lot of influences that are adjusting what you believe is possible. If you are around a lot of people, I'm thinking about traders that I know who've been in a situation where some of their family members, people close to them, do not believe that trading is like a viable career or whatever. They don't believe that it is something that they should really be spending their time on. It's a waste of time.

You know, these can kind of pull you down psychologically and so one of the things that I think a lot about is how you can counteract to these things that come up. How do you deal with these things? I think the subconscious is a great place to start. What are some of the things that you've been thinking along these lines?

**Darren:** When we're talking about the subconscious, in layman's terms, what do we mean by that? Are we talking about beliefs, basically? Is that another way of describing?

**Walter:** To me, the subconscious is the driving force behind most of our behaviors because we pretty much live life on autopilot and so our conscious minds just like when we do things, our conscious minds will say, "I did that. The reason why I drove that way to the party was because I always do this and I just thought today is Saturday. It's going to be busier or whatever."

When really what's going on is our subconscious is making the decisions for most of the things we do in life. Our conscious mind is just kind of covering and saying, "This is really what I was thinking" and basically making us look a little bit smarter than we really are. That is how I look at it anyway.

It is sort of the driver of all of our...

**Darren:** Would you say it's kind of like actions we take without really considering them?

**Walter:** Absolutely. Same page.

**Darren:** Okay, cool. Well, I've been sort of looking at this idea myself and I've been looking at this idea of thinking patterns. With regards to trading, this is the idea that when we're faced with a problem, we kind of have a pattern of how we deal with that problem. We re-apply that pattern and if it doesn't work out, what we tend to do is we do the same pattern again but we just tweak things around a little bit. And we feel like we're trying new ideas and coming at stuff from different angles but, essentially, we are stuck in a loop and we are just really repeating the same thing again.

The idea is that these loops we kind of learned when we're young. When we first have a success dealing with a problem or a challenge we've learned a pattern of how we dealt with that problem and then when we find similar problems going forward we tend to revert to that pattern.

I suppose you could say that is kind of a subconscious thing and this bit of research I've been looking at is this idea of rather than doing that. What we do is we look at how people deal with problems in other areas and then try and apply those patterns of thinking to the problem we are stuck with.

You try to breakout of that subconscious which is kind of similar to what you are saying. You are trying to seed your subconscious with seeds from different areas. That is something that I've been having quite a bit of a success.

For instance, I've been studying investing in the stock market a lot which is very similar to trading. What I've learned from that is perhaps some of the techniques they've used there which is really popular and worked well, that might be shunned in a sort of day trading, forex trading world, actually do lay bear fruit switching them over. It is about changing that thinking pattern, your conscious thinking pattern.

**Walter:** What do you mean by that? So you're kind of see the markets from one point of view and you have to switch that up when you get into the share world, the stock world?

**Darren:** Yeah. To give an example, in the day trading of forex trading world, people tend to be very focused on having high win rates and having these kind of linear returns and being so short term seems very popular.

Whereas, when you look at investors, they're much less concerned with individual trades and short term. They tend to be much more long term, not completely but so it's like saying, "Do those ideas transfer? Is that a better way to think in forex trading where the consensus tends to be the other way. Can those ideas transfer over?"

It doesn't have to be just from investing in forex trading but it's just this idea of if you're approaching a problem using the same thinking patterns all the time, then perhaps change your pattern of entry or your candlesticks pattern and you'll think you are kind of coming at it from a different point of view. Whereas, really you're just stuck in a loop.

**Walter:** Yeah, I agree. I think those being stuck in a loop sort of things are often come from things we learn in life and are kind of incorporated. For example, let's say that you are a trader who, growing up as a child, you had some sort of event where somebody told you as a child, "You are not worth it. You'll never going to amount to anything" or something horrible like that. Says to a child, "You'll never going to make it. You'll never amount to anything" something like that.

And then as a trader, you get to this point -- I know this is really a simple example but you get to the point -- where you're able to build your account to a certain level and then boom! You can't get it beyond that. It's like this magic wall, boom!

It could be something like that in your head, you might not even be aware of that. It might take a lot of work to pull that out and say, "Okay! Oh yes! I remember my Auntie told me that when I was 8 years old" or whatever, something like that.

We get these patterns, things like that that keep coming up. Like you're saying. Let's say, you're a scalper. You like to take 10 pip profits and you understand that your reward to risk ratio is all upside down and you have to be really careful about cutting your losses quickly and all these sorts of things. But, you keep making the same mistakes and you keep letting these losing trades totally impact your account.

So then, what do you do? You might decide, "You know what? This Stochastics is not working for me anymore. I want to move to Momentum." You feel like you're changing it but you're actually doing the same thing. You are making the same mistake in terms of not letting go of those losing trades but to you it's a whole new system because you've got a new indicator on there or something. I know these are really simple ideas but they happen all the time with traders.

**Darren:** Exactly what I am talking about. I think a lot of the time, we're focusing on details that don't really matter because we have this pattern of dealing with the problem. Sometimes we're taking a hammer when we need a screwdriver because we're stuck in this loop. We don't realize that that's what we're doing. You have to kind of have come at it from a more radical approach.

Like for instance, I'm talking about trailing stops and I'll give suggestions of the way that a strategy or my particular approach. Most of the questions will be about what is the specific level where I start to trail. And really, that isn't the question you should be asking. You should be asking why a trailing stop is better than a fixed stop if it is.

I think in trading we focused on the precision because there's some sort of pattern loop generally in our subconscious that focuses on that. I think it's about moving the focus away from that and away from the precision. Is this a subconscious thing, is what I'm saying.

**Walter:** Yeah. I think we have certain desires. To me, this side of trading there's two levels. There's the conscious level that we're aware of the cognitive biases, hindsight bias, optimism bias, all of these sorts of things that come into trading. And then there's the subconscious level which we're sort of tackling today and that's the idea that there are these drivers inside of us that have come from different places. Oftentimes, we don't know where they've come from.

If you'll look at a computer program, there are certain rules that the computer runs by and that's kind of how we are. We have these certain rules that we used consciously, those are called cognitive biases and subconsciously. These are the repeating patterns. Our patterns of behavior that we do over and over again.

One of the obvious ones for trading is that we want to win. When you start playing soccer as a kid, you're trained to have desire to win. You want to win. The paradox of trading is that oftentimes, breaking that down and sort of disintegrating that real desire that we have in trading can help a lot. Because if you'll let go of that and you learn to lose and accept losing, oftentimes that can improve your profitability greatly.

Everybody wants to win. Everyone wants to take the quick win and for a lot of people that is the road to losing as traders and we know this. You've pointed this out, Darren. This is basically the big error that a lot of forex traders make. It's trying to take really small profits. Unfortunately, even though they are right more often than not, they're more often right than wrong because these are really small profits, their bigger losses eat up all of those wins.

**Darren:** This has kind of to me, suggest that the idea with trading is you really need to study one field and become an expert in it. This is suggesting really that, that probably isn't the way to go because you have a limited array of thinking patterns that then you can apply to the problem.

This to me says really, what we should be studying is more fields outside of trading and get a general idea of how to deal with problems. What sort of problems are best dealt with this way and what sort of problems are best dealt with that way.

Because we've kind of all have the same triggers, don't we? We generally all go through the same sort of education system. I imagine sort of globally. Where you grew up would make a slight difference as well but it's suggesting that a broader knowledge would help you as a trader. Would you agree with that?

**Walter:** A broader knowledge, yeah. I would say so a broader knowledge. I don't think that you necessarily needed to dig into one thing.

**Darren:** Would you say if you want to be a great trader and you want to be a swing trader and you want to use price action then the best thing to do is for the next two years, just study price action.

**Walter:** Yeah.

**Darren:** And just study trading. We already know the importance of Psychology. So, perhaps you want to apply Psychology to it as well and it'll be hard to deny that.

**Walter:** Or game theory.

**Darren:** Game theory. You know I've learned a lot from studying poker players, really good take advice.

**Walter:** Exactly. I know you're going to say that, Darren.

**Darren:** Annie Duke now who is really big in the trading investing world was an amazing poker player. And Psychology as well, everyone is quoting there and with good reason because it is a slightly different field. How you deal being a really good poker player is slightly

different to how you deal with being a good trader but the stuff that we can learn from both sides is the same.

You could say with sport, we could learn a lot from great sportsmen about performance and we can also learn a lot from sport about how skill and luck are important in achieving good results.

I like this idea of studying how problems are dealt within other fields and then considering how you deal with the problems with trading. It opens up, it seed your subconscious with these different ideas, these different approaches.

**Walter:** I feel like when we first, like when you first get into trading, we see it from the wrong way. We feel like you just needed to dig into that one area. For me it was about technical analysis when I first started trading or learning about trading. I read everything I could get my hands on in terms of technical analysis.

**Darren:** But why was that? Why do you think it was technical analysis?

**Walter:** Because I thought the key was to crack the code. That you need to crack the code, you crack the code to the markets and then boom! You've unlocked the treasure chest. That was my thinking. You need to figure it out.

**Darren:** You're suggesting that it was in your subconscious. You didn't know what planted that seed in your subconscious, that technical analysis was the way to go, something primed it.

**Walter:** Probably Gann. Probably reading about Gann like a lot of traders do. The Myth of Gann. I don't know. I have no idea if it is true but the story goes -- everyone has probably heard it -- that there was a Journalist for the New York Times or something like this who've followed this W.D Gann fellow for a month or two recorded all of his trades and he claimed to have sort of figured it out the harmonics of the universe. And he had two losing trades out of 38 losing trades and he built up this many empires.

And then he wrote a book and he said that the key is in the book. But the book was like some sort of a weird fiction book. All of these people have either claimed to have cracked the code of Gann or have wanted to crack the code of the Great Gann. I think that's probably what sent me down that rabbit hole.

I was just thinking, "Okay, somebody obviously had figured it out." I feel like when you get into trading, you'll almost have to decide like either there is, and I know this is simplifying like it's the 80/20 rule.

80% of the traders who come into trading, I think go down to one of these two paths. They either think, "You know what? It's all rigged. The banks and the funds and the trading robots and algorithms, those guys have got it all rigged. It's rigged. It is not going to work. It's really hard. You just have to join them basically"

Or, a lot of traders think, "No. There's actually a way to do this. You just have to do X" and X could be learned fundamental analysis or learned technical analysis or study under somebody who you think is really good and learned how to scalp or order flow analysis like he does.

Whatever it is but usually either it's under your control. It's internal locus of control which is I control my destiny. So I just have to learn this thing then I'll crack the code and I'll be able to make money in the markets.

Or, it's external locus of control. "I can't do this. It's the big boys who are able to do this" and then you have to decide are you just going to go work with them because they're the ones obviously that have the game rigged.

I feel like that's the and I could be wrong about it but I feel that most traders, when we first get into it, we kind of fall into one of those categories. What do you think?

**Darren:** My suspicion is it is the easiest and most available information that surround that you get when you start. If that fits with what you want to believe trading is about then that's what people grab into.

I just think now, technical analysis is the big bus thing. If you put forex trading into Google, you're just going to get a load of technical analysis stuff. And that just kind of fits what most people want to believe. It's that, "I just need to learn this thing and I've got to crack" that is what everyone comes with.

It is how readily available that information is and how appealing it is that plants the seed. It seems to me that once that seed is planted, it is really hard to break from that and look for ideas out there. Especially if it instantly matches in your head what you'd like to believe trading is about.

I think that this idea of planting seed is really going into levels because if you agree with what I'm saying and you think that, "Okay, that is possibly what happens" it does suggest that it's fairly easy to find an edge over the masses, over the majority because really you just have to look for new seeds to plant. That should be your study.

Your study shouldn't be to just continue looking at charts and looking for patterns there. Unless you've happen to approach trading that way and you're extremely successful doing that but if you're not, I think you need to take this idea of planting new seeds in your subconscious.

**Walter:** I think part of it is becoming aware what do you do to become aware of what is going on in there right now. For example, you want to plant tomatoes in the garden, do you have to first eradicate the weeds? Is that what you have to do first? Do you have to go in and just kill all the weeds before you plant the tomatoes or is it like, "Oh, it doesn't really matter what's back there. I'm just going to start planting tomatoes."

**Darren:** You do definitely but it easy to spot that there's a problem there. The one that wakes me up to myself was this, I had an idea, so I did the backtest. The backtest looks really good. Now I did the live trading and the live trading was terrible.

I went through that thinking pattern. I repeated that process over and over again for a really long time to a point where I said, "What is going wrong here?" Eventually I found out that it was me that was going wrong and then I could start to plant new seeds.

I am guessing that is not a unique experience for traders. I had a good strategy but I was making mistakes when I took that strategy live. So, it was me that was the problem. That made me start to look at my processes, my Psychology and my beliefs to try and find out why my performance was not matching my backtest performance.

**Walter:** Did you identify a mistake or a challenge? Like a challenge that you felt that you had to overcome? Was it like, "Oh, I remember when I was a kid, we always did this so that's why I am doing this" or was it just something more sort of Monday, "Oh I keep taking wrong trades because I keep doing this and I just need to stop doing that."

**Darren:** I really didn't go back to find the deep psychological root cause of why I was making these mistakes. I just basically realized that I had two options. I could continue on doing what I was doing and basically lose all my money or I could make a change but that seed had been planted in my subconscious then that I needed to actually make a change if I wanted to achieve my goals. I think then it's fairly easy really but you can put some persistence in place then to help you deal with the problem

**Walter:** No doubt.

**Darren:** If you followed your system and you try to replicate your backtest and you did everything right then obviously it wasn't you. But in my case, it was definitely me that was the problem.

**Walter:** I feel like sometimes as traders, we live in a fishbowl sort of thing. We don't see the water. We're restricted, we're in this little domain, we can't see outside of it. We're almost like it's hard for us to break outside of what we consider possible or normal.

**Darren:** Definitely. This is why I am suggesting kind of looking, if you're trying to deal with the problem and you just keep going on forex forums and reading about traders and reading technical analysis book and that is not working for you then a good way to start is to start looking outside of that domain.

It is the same I think with this idea of staying in your comfort zone as well. We tend to trade a system and we'll say, "Perhaps, I need to hold my trades longer" so you're going to aim for 2 to 1 or 3 to 1 and you'll feel like you are making this radical change to how you are trading. But really, you've just tweaked it out a little bit and that doesn't work either.

Holding trades longer, that doesn't work you've dismissed that idea as well. I've done a few experiments where I've said, "Okay, we've got this simple system with a single moving average." 200 period moving average and people will argue, "Ow, shouldn't it be the 180, the 150, the 210?" I said, "Okay, make it a 4,000. Make a radical change to test that belief that around the 200 is so important. Try making real radical changes."

Instead of going for a 2 to 1 risk/reward to 3 to 1, how about going for a 10 or a 20 and test those. It is about where your sphere of comfort is. It is about testing those areas and tweaking them. I think from there you'll get new ideas and new approaches and new ways of thinking about a problem.

**Walter:** That's all the time we have for Part One. In Part Two, you are going to hear about how to infuse more creativity into your trading. The secrets to building artificial intelligence based trading systems that work. How your subconscious mind directs your trading behavior and how you can change this to improve your trading.

The best time of the day to seed your subconscious to profitable thoughts. Two biases you must be aware of if you want to trade successfully for a long time. And really how loose should your trading be.

All these and more in Part Two. We'll see you next time. Happy Trading!