EP69: The Age of Distractions

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Walter: What you needed to do is find out what you believe and you stick to that. Stick to your beliefs and let those beliefs grow into a system that you’ll stick with for life...

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 the Two Traders Podcast. It’s Walter here and I’ve got Darren on the line. Good day, Darren.

Darren: Morning, Walter.

Walter: It is an interesting idea that you came up with that we are going to use for today’s topic and I’ll just let all the listener’s know. I received this cryptic email from Darren. It says “The secret to becoming a great trader is to divorce your wife, sell your kids, sell your house, move up a mountain, live naked in a wood shack and eat vegetables from your garden”.

So, Darren, please explain what are we going to be talking about.

Darren: Obviously, when I sent that email, I was trading. I was a bit bored and there is some serious point to it which was this idea that a lot of people think to find happiness in their life and control in their life. What they really need to do is just simplify; sell everything, move up a mountain, block out the rest of the world, and live this holistic lifestyle.

I just thought that there is a parallel there with trading and it’s this idea of removing distractions from your trading. On obvious level, there’s this distractions of your everyday life like your spouse and your family and problems you’ve got outside of trading.

Maybe you’ve got debt, bills to pay, other stuff that have to do that gets in the way of your trading. Going deeper on from that, I think there’s distractions in the way that we choose to trade. These stuff get involve in our trading, in our strategy, in the way we set up to trade.

I think also that if you can reduce those number of distractions, as well, then you are better set to trade profitably long term. I see a lot of traders that trade very technical approaches with price action and then they sit in the chatroom and talk about the news all day.
I am thinking you are not actually using this to trade at all for your strategy but you are also discussing it and throwing out assumptions about how relevant it’s going to be to trade.

We can get caught into this trap where if we just have lots of information, whether we are using it or not, then that cannot be a negative thing. I think it can... It can throw you off. It happens on a really subconscious level and you don’t notice it really happening.

The point is that you should really have a look at the distractions that are going on when you’re trading or did distractions that are, perhaps, part of your trading setups and strategy that might be making the whole process hard to feel.

**Walter:**

It is a great point. One of the things that first brings to mind when you mentioned is how we’ve basically living in an age of distraction. If there is one thing that I can say about our modern life, assuming you are not living in a shack up on a mountain and completely unplugged, most of us would have to admit, on some level, we live in an age of distractions.

I am just thinking back in the ‘80’s in the US, there was basically -- same here in Australia -- we basically had a few different choices in terms of what you are going to watch on TV.

Now, you’ve got these wealth of choice. It is the same thing with the internet. When the internet first popped up, there was basically two internets; there was the academic internet/military internet, and then there was porn.

Now, you have everything. You have every single type of niche you can think of. It’s listed and it’s a deep niche in the internet. If you want to look up somebody who can give you advice on what happens to your ferret when you put your ferret into a hospital and the veterinarian goes into deep brain surgery on your ferret.

You can find that on the internet, that is there. We live in this age of distraction, I would say, and so what you are tapping into this idea that is not so good for a trader, right?

**Darren:**

I don’t think it is. Also, when we come to designing a strategy, we see it there as well. We think that adding extra parameters to the entry, the management, the exit as somehow that extra information is always going to be a bad thing.

I read that the more parameters you add, the more likely is it you are going to be data mining and curve fitting and that system is going to be less robust in the long run. It is something that we all do and it is very hard to resist.
How do you plan to remove the strategy? How do you decide what elements, distractions and what are actually helping you achieve your goal? I unfortunately do not have simple answers for that and I think that probably varies from trader to trader.

**Walter:** I agree, obviously, with the system creation. The one thing that I’ve always based my trading on was this idea that the more system robust you trade that the more likely that you are to last and hopefully the less likely you are to say “the markets changed” or, “things have changed, I’ve got to throw this away”. That is a different separate issue.

The other thing that comes to mind here is that I can imagine some people are listening to this thinking “That’s true. If I could just focus in my trading, it’ll be so much better. I am going to quit my job now”.

What would you say to that? To me that is a red flag.

**Darren:** If you can identify that your job is the reason that you are not being as successful as you should be, if it is reducing your profitability and you are sure of that, then maybe. But, I think often that’s a case of just focusing on the money. “As soon as I quit my job then I am definitely going to win more money”.

I doubt that is usually the problem. The reason you are losing money is probably something more within you than your job. For me, personally, I keep of a work outside of trading because that keeps me grounded.

Obviously, I do not do it in a way that interferes with my trading. If I’m having to physically do another job when I should be making an entry or exit decision then that would be distracting. I make sure that the two don’t clash. I actually get some benefits from having some time away.

That was another really great comment I heard from a trader this week. He said that we spent so much time in this kind of microscopes, staring at the data. Perhaps, staring at our charts and looking at price action and we are taking all these detour in. If you don’t once in awhile step away from that, your brain does not actually do anything with that data.

Then when you go into something else then sometimes the brain synthesizes it, he says. You get this little light bulb moments. I think it is important to work out what is actually a distraction and what can actually be beneficial.
Again, really, you need to have this very honest appraisal of your trading and be able to work out which elements are really helping your trading and which elements are really just distractions.

**Walter:**

Obviously, for the traders who were thinking “Yeah, I better quit my job so I can focus in on my trading and get better and then the money will flow”. The next issue that will pop up most likely for many people is that you get to the point now where you don’t have your income coming in anymore and depression mounts.

That changes your approach. You’ll need more trades, whatever it is that will change the way you probably would’ve traded if you’ve got a stash of money in the bank account to tie you over up to nine months.

There are many things that come into play rather that just distractions, I would say. The other thing I would say though is that one thing that I’ve noticed from traders, like from professional traders, bank traders that I’ve spoken to, is that the biggest complaint they have. Do you know what it is?

Their biggest complaint is they’ve got an overload of information. They’ve got too much information. If you are working at a bank trading desk or you are working at a fund and you’ve got all these analyst working for you, either way they’re basically be sending you all these crap.

You’ve got to weigh through all of this. It is one of those things where a lot of these people, they actually make a conscious decision to turn off and just focus on a few different things. To me, that is the big message when you are thinking about this.

This idea of focus and how, when we focus on something, we get more of that. It is funny how it works that way but it tends to be in life I find, anyway, and many others I know that when you start focusing on one thing, you seem to get more of that.

That is what I would say to traders who are concerned about the news. If you’ve got technical system or not sure if you know exactly what is going on, this is one of the things that people tell. People that do not know much about trading, the first assumption they make is “Oh my gosh! You must’ve spent a lot of time analyzing all of the newspaper and everything that is going on with the world”.

The reality for me, at least, is actually the opposite. I try to stay away from that as much as possible and just look at the charts. That is what happens when you become a technical trader and you try to steer clear of those “funny fundamentals”, as I like to call them.
I am interested in getting your take on this idea of focus, Darren. So, if you agree, is it something that you can consciously adapt? Your point about this idea that we collect information and then we need time to actually let it stew and analyze.

I think a lot of that, for some people, happens in your dreams. If you’ve ever had situation where you had a problem and you are stewing it over for sometime, you wake up in the morning then you have a solution.

Even if you do not remember your dream, it may be that that maybe what is going on. There is some data that suggest and some anecdotal evidence from people who, throughout the years, who’ve used dreams in this idea that when they’ve got this idea that they’re trying to figure out their issue. What is the problem here? How do I fix this problem? That is my main issue.

When they go to sleep, they’ll actually consciously say “Okay, I am going to work on this as I am sleeping and when I wake up, I’ll have the answers”. I think there is a lot to be said for that idea that you are talking about where we actually spend time working on issues.

Even though we don’t really know that we’re doing that, it’s in the background, subconsciously.

**Darren:**

I think most traders with any longevity of some consistent success, they’ve got to a point where they understand “What is the key thing that makes my trading work?” Obviously, when you start out then it’s very hard to get to that point and it takes a lot of time.

It takes a lot of times sticking at the same thing through a lot of bad results. In those periods, then you need to take in a lot of data and it can be a distraction to you. There is a line that you can get over where “Okay, I understand what it is about how I trade and my system that works. This one core idea that works”.

Anything else really does not matter. You get to the point where you can go and look at more information because your one core idea is ingrained in you. You know it works so it’s very hard to get shaken out of that confidence in your system. Obviously, you’ve got peaks and troughs.

For example, I can go and sit in a chatroom which is talking purely about technical levels and price action and, at the same time, be trading the system that doesn’t use any of that and not be suade by it.

In fact, it actually becomes good extra information because I could say “Okay, I appreciate that people don’t trade the way I do and I just see how they’re trading”. In
a way, it gives me confidence in my opposite view whether it’s for everyone, I couldn’t say.

You do reach a point where you have this pinpoint focus on your key element where you know this is the thing that works for me. You have this feeling that although you might tweak it over time, you can’t really see yourself ever trading another way.

I can’t say whether every trader gets to that point but I’m sure there must be something similar for everyone that makes it as a trader.

**Walter:**  
I think you are right. You need to define yourself as a trader and say “Okay, this is the thing that I can definitely say I believe in”. For example, you might be a trader out there who trades reversion to the mean.

So the instrument that you use or the way that you do that, as a technical trader, maybe that you’ll look at pivots. So if the market gets to R2 or R3 or whatever, you go the other way or, if it gets to Bollinger Band, you go the other way.

You see that is the kind of your core idea, reversion to the mean. If you are a trend trader, of course you are saying “My core idea is that the market occasionally takes off in these strong trends and I want to capitalize on that”.

You are always trying to capture that. If you are support and resistance, you say “the market tends to find these areas where it reacts” so you’ve got to decide what to do when the market gets there.

All of these different ideas you can use but your point is well taken which is if you get to that point, you have so much data under your belt -- so many experiences, and so many trades under your belt -- you will eventually decide “Okay, I can see why these people trade Bollinger Bands but that is not for me”.

In a way, it is almost like watching other parents with their kids and see how they are parenting. You may not agree with what they do. Like you say, Darren, confront your own view. We are living in this confirmation bias, aren’t we? This cognitive bias where we just see what fits our theory.

When I see other parents, I think “Well, that is their way of doing but I would never do that”. It is the same thing that you are talking about with the system. You see other people in forums, or whatever, talking about this system and that system, you’ll say “That is cool, I’m glad that works for them but that would never be something I would do”.

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Darren: I’ve done that in the school playground, as well. I’ll tell you the other thing that I’ve noticed is you, quite often see with developing traders, they’ll find an idea. Perhaps someone that you are chatting to, he’ll explain a system of trading, they’ve run with it and they’re very excited.

They do lots of testing and then they are really into it. All of a sudden, they’ll just blow up and completely disappear. You will not hear from them for weeks. Sooner or later, they will come back and say “I’ve just cut myself off from everything. I cut out the chat room and the forum. I went away”. They seem to come back and they seem to find their groove then. It is when you are changing your beliefs so you started out taking in all these informations and none of it is quite coming out together.

Then you get something that you really believe in and all of that prior information gets in the way of you nailing it, if such. You have to cut yourself off from it. This is like the original idea, this notion of disappearing up a mountain and cutting yourself off.

I’ve seen it happened time and time for traders. I think “Yeah, he is doing really well”. Then all of a sudden, he’ll disappear. I won’t hear from them for weeks and then I’ll think “They must’ve lost all their money or gone to trading away.”

Then they’ll pop back up and say “I just cut myself off. It’s all come together now, I’ve been doing really well now for three months consistently winning” or whatever. You do need to cut yourself off from it and it could be a good method for helping traders.

Walter: When I hear the story about someone doing that I’ll often think “Well, it’s probably something related to risk management” but that does not necessarily have to be risk management that blows them up.

It could also be that they’ve bent the rules, or gone somewhere outside of what they were originally planning to do. I think that the point is, focus is what lead them to where they want to go.

For traders who are starting out and they find two or three systems they like, I’ll always say just focus on the one and let that one be your system. That’s the way to make it work, to me, is to make sure you are really, really good at one thing.

Just dive into that and let the other stuff come up later after you “master” that for a year, two or three years. Then you can move on to something else because, otherwise, you just get stuck in that cycle of always looking for the next best thing.
I do not know anyone who can find a system, trade a system, do well, throw it away and go find a completely different system, trade that system, do really well. It is just not that common that you do that.

What you are doing now is you are just keep setting yourself back if you keep looking for a better system when your issue is probably more likely related to mindset or money management. That is the issue here, it is not just the system.

For those traders out there who were wondering “what can I do?” I think focus is a valuable thing. You can even apply those like... Let’s say, that you do have a job, how do you create a little universe when you are just focusing on your trading?

You could tell your family or your roommates or whoever, your flatmates “Look, this is what is happening, when I get home from work, I am going to spend ninety minutes on the chart and I don’t need any distractions. Do not let anyone come into my room”.

You have a little area where you just do your trading in that area, in that spot. What ends up happening is you’ve associate trading with that. You’ve create a habit overtime, you’ve been doing the same thing in the same spot, analyzing your charts or whatever.

Maybe you have a job and you are just looking at the daily charts. Maybe you do that every morning or in the evening, it does not really matter. The point is getting into that routine and focusing on that issue, on that system and getting good at that.

That is really where you are going to make your game. It is not going to be by scrapping your system because you had another 30% drawdown. To me, that is the way to make this work for traders. Everyone gets what they want out of the markets.

If you want to go on a chatroom or whatever and talk about how you blew up your account once again for the third time this year, that is what you are getting out of being in the market.

You’re getting these worst stories, you can tell your friends, your buddies on the chat room or some people wants to get something else from the markets. Maybe they want to be associated with Darren.

“Darren is a cool guy. I am going to get myself associated with Darren and trade like he does”. That is not really what’s going to get you there either. What you needed to do is find out what you believe and stick to that.

Stick to your beliefs and let those beliefs grow into a system that you’ll stick with for life. That would be my advice. I know that some people listening to this want us to say
“Yeah, focus. You need to focus on your trading, quit your job and then everything good will happen”.

Well, I do not think that is going to work either. I think for a lot of people that put too much pressure on, unless you have a big pile of money that you can rely on and you really reduce the stress to make a consistent income from your trading, I think that is not going to work either. Those would be my suggestions.

Do you have any, Darren, for our listeners?

Darren: I’d say, definitely, do not quit your job until you’ve got a year of profitable trading. I remember people saying stuff like that to me and thinking “A year? I’ve got to wait a year? I want to quit next week”.

I remember that really vividly, actually. You need a year and even if you do have a big pile of cash, if you don’t know what you are doing, then you’ve just got more money to lose, in my mind.

Walter: Absolutely.

Darren: The last thing for me is you don’t have to know it all. I know so little about trading in it’s entirety. I do not know what binary options are, I do not know what cut detour is, I do not know the difference between a ECN and broker.

I do not know all of these informations. You don’t have to know every single thing about the markets and every element. You just have to have your one great idea and that can come from anywhere.

It does not have to come from other people’s rule. Don’t feel that you need to know absolutely everything there is to know about trading. I’ve read one trading book when I first started, in my first month of trading, I bought a wily basics of technical analysis book.

That is the only trading book I’ve ever read. Again, I am not knocking learning things and I am not knocking reading. Actually, reading is supposed to be really helpful but I just want to stress that you do not have to know it all to find your edge in your way of trading.

Walter: That is such a great piece of advice. At a recent workshop, one of our traders who was making good money and is a great trader, he felt like he was missing out. He did not understand all these other things like the Stochastics.
He felt like he needed to widen his education. You know what we all told him? All of these more experienced traders just basically said “No, do not do it. Get away from that”. Exactly what you just said, Darren.

We said “Look, you get away from all that and just focus on the thing that you do well”. It is fascinating but I feel like in a lot of things, we feel like we need to know everything. If you want to go ahead and be get all those certifications, like Certified Market Technicians and all of that stuff, they will make you learn all of that stuff.

The funny thing is it is not going to help. Like, if I went and sat down right now and try to take the CMT test or whatever it is called, there is no way I would succeed because they set things up and say, “This is what the moving average is going to tell you” and all that.

There is like a certain set way of making that you are suppose to be able to... You are supposed to wear that hat and think just like everyone else. I think that is absolutely crazy when it comes to trading.

I agree with that advice, Darren. That is a great advice. In fact, when you say “read”, what would you tell people to read? I know what are you going to say but when you say “Okay, let us not read books about trading”.

What should they be reading?

**Darren:** I read novels. Switch off from the chart, read novels. Learn about people and characters, have a breadth of knowledge. Don’t have a knowledge of trading. Learn about all of the things in the world that you might be interested in, where you might be good or you might have some empathy with.

They will make you a more rounded person. You will be able to examine yourself much more accurately when your trading and see your flaws, see what you are really good at. Go for breadth of knowledge much more than just thinking about trading all the time.

**Walter:** Reading books about history, seeing how different crowds reacts to different things. Reading about psychology, reading about neuroscience, reading about lots of different things are going to help you in trading.

Probably much more so than reading a book on some guys telling you about Bollinger Bands. These are some things that we can use, these are like concrete pieces of advice that you can use if this resonates with you.
I really want to thank you, Darren. I have to admit when I got the email, I thought “What the...? What is going on here?” I am glad that we talked about this because this is really an important aspect of trading and I appreciate it.

**Darren:** Yeah. Brilliant chat, Walter, and I will see you next time.

**Walter:** Okay.