

Supporting Show Notes for the Futures Radio Show interview with Anthony Crudele and Mandi Pour Rafsendjani from www.tradingpsychology.com.au

Why is Journaling and analyzing trading metrics useful?



2 types of Journaling:

- Wellbeing approach to prepare for trading session with the intention to inoculate from trading risks such as lack of discipline, lack of focus, etc.
- Performance Improvement approach identifying areas of improvement

In the wellbeing approach we make sure that we create the circumstances for success. We use a checklist to tick off each step of preparation before we dive into the market action.

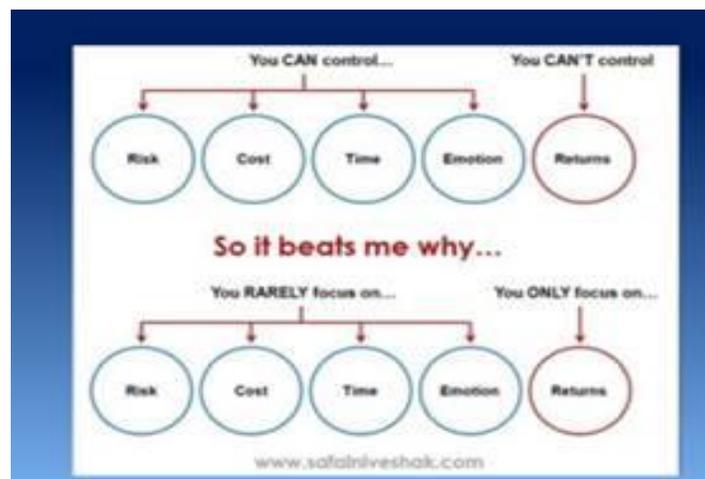
Pro Tip: Journaling helps with discipline inoculation; the routine of self-analysis and knowing where you are at (if you like it or not) gives certainty, certainty brings clarity of thought, clarity breeds confidence.

High Performance Cycle (courtesy of Steve Ward's book – High Performance Trading, one of my favourite books)



Planning is 'what if' thinking, if 'A' happens, what would I do, if 'B' happens, what would I do.
Execution: Control the controllable, focus on the process.

Safalniveshak: "You CAN control Risk, Cost, Time, Emotions, and you CAN'T control Returns. So, it beats me why you rarely focus on Risk, Cost, Time, Emotion and you only focus on Returns."



Progress, what could I do well, where could I improve, have I gotten better, how much progress have I made, where am I making progress

Wellbeing Approach = Set Yourself Up For Success:

Pre-Market Preparation, tick off following list (pilot example)

How do I feel overall:

On a scale of 0 to 10.. how is my mental and emotional capital? What do I need to do to feel better?

Did I have enough nutritious food / water?

Do I feel

- well rested?
- physically relaxed
- mentally calm
- alert
- in control
- energized
- positive
- focused
- confident
- effortless
- present in the moment

Is my trading room organized and free of distractions?

Am I well prepared for the trading session: analysed the markets, listened to podcasts, and written my plan of action for today's trading session?

Pro Tip: If you have distractions such as disagreements, unwell family members, tax bills etc, journal what is on your mind, write down how and when you will attend to it, then mentally put it into a box and leave it outside your trading room for it to be picked up again and to be taken care of after the trading session concluded.



*If you feel stressed or out of balance, do what it takes to feel focused and at cause before you start trading. It could be doing a yoga sun salutation, Feldenkrais, meditation or mindfulness work (see Steve Ward's fabulous book *Trader Mind*).*

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Have I filled up all my silos according to my wheel of life?



Pro Tip: Every day do something for each segment of the wheel of life. I make sure to meet or chat on the phone (no text or messenger!!) every day with one of my friends and family members, that I do at least 1 hour of movement every day: run / yoga / Feldenkrais away from my screen, in nature.

Every day I do something for my personal development, professional development, do something that makes me happy etc.

This is how I make sure my emotional capital is high, all my silos are filled and are being re-filled before they get empty. When there are enough legs under a table, it doesn't matter if one is wobbly.



Post-Market Analysis for Performance Improvement

3 Levels of analysis: PnL / performance metrics / behavioural performance metrics

We want to improve our behavior (trading mindset) and fine tune our strategy according to the ever changing dynamics of the markets, so that we can keep increasing our PnL.

Our programming and conditioning (yes, you guessed it, if you like it or not, it comes mostly from our upbringing) determines our thoughts and feelings. Thinking and feeling cause us to act in certain ways, and that is what makes us generate a profit or a loss, determines if we will ever succeed in trading.

Step 1: What are your results = PnL?

Now work backwards: We know that our results were created by our actions. That's why we identify which thoughts and feelings caused our actions or behavior.

Goal is to change the thinking and feeling patterns that cause the behavior and so improve our results.

Step 2: Start with the results you have generated = PnL. What are the stats? How did you create it?

Advanced Statistics	Trades	Summary	Hourly	Daily	Risk Of Ruin	Duration	MAE/MFE
Trades:	Longs Won:			Profit Factor:			consecutive wins (\$):
Profitability:	Shorts Won:			Standard Deviation:			consecutive profit (count):
Pips:	Best Trade(A\$):			Sharpe Ratio:			consecutive wins:
Average Win:	Worst Trade(A\$):			Z-Score (Probability):			consecutive losses (\$):
Average Loss:	Best Trade (Pips):			Expectancy:			consecutive loss (count):
Lots:	Worst Trade (Pips):			AHPR:			consecutive losses:
Commissions:	Avg. Trade Length:			GHPR:			

This is a snapshot from the data available on www.Myfxbook.com

Step 3. Now make a list: of losing trades?

Out of the last 100 losing trades (for the overachievers of you, out of the losing trades of the whole year), how many were within the scope of your strategy, when you followed your exit rules?

How many were due to you not following your strategy (i.e. letting your losses run far beyond your pre-defined exit)?

1. Now that we have this data, for the losing trades where you followed your strategy, do the following assessment:

- What was the context in the markets?

Market environment (has market behavior changed bull to bear, trending to sideways etc)

Trading strategy: Is your strategy still suitable for the market environment -> don't trade a trend following strategy in a sideways market.

- How was the quality of your process?

Timing – what did your trade do after you entered, did trade go immediately offsite or onsite?

Timing of entry and exit of your trades as per your strategy (MAE / MFE)

Your best and worst performing days / times of day / instrument (that's how I know to trade the DAX.. best performer in my stats, and not t trade gold!! Worst performer in MY stats)

Expectancy of your system

This gives you insights into where and how to improve your strategy.

2. Identify your “Critical Moments”: How specifically did you sabotage your trading results by making stupid mistakes, not being disciplined, patient etc?)

Step 1: fill in the 10 Strikes out (modelled on Demon Finder from Tom Dante) – find out what your most common mistake is (I found that for most traders it 1 or 2 behavioural patterns repeated over and over again). Now you know when you are most at risk to make a stupid mistake.

PLACE A CHECK MARK IN THE CORRESPONDING BOX EACH TIME YOU MAKE AN ERROR

IF YOU FOLLOWED YOUR RULES AND TRADE STILL ENDED UP IN A LOSS (WITH EXIT FOLLOWING YOUR STOP
DETERMINE WHICH TRADING ERROR IS OUTPACING THE REST

IF YOU REACH 10 ERRORS IN ANY GIVEN CATEGORY - STOP TRADING!

	1	2	3	4	5	6	7	8	9	10	STOP TRADING!
FOLLOWED RULES											
ENTERED TOO SOON											
ENTERED TOO LATE											
TAKEN PROFITS TOO EARLY											
EXITED TOO LATE											
NOT IN TRADING PLAN											
TOOK TOO MUCH RISK											
DIDN'T TAKE PLANNED TRADE											
GOT DISTRACTED / NOT FOCUSED											
MISSED TRADE SETUP											
OVERTRADED											
UNDERTRADED											

(pls don't stop trading when you followed your rules 😊)

Following is a long list of examples, that I compiled from my own experiences and also out of the experiences of my traders I work with. I found a major trigger for traders to spin out of control is that they start 'binge trading' after a loss in the attempt to recover the loss instantly.

The solution is, to take back charge by consciously taking the account balance as the new starting balance to make profits from, stay away from contracts you have recently incurred a big loss in, and keep reassuring yourselves that losses don't need to be made back straight away, that there are plenty of opportunities over the coming days, and to only take the profits the market offers, instead of hoping for a single winning trade where you'd recuperate the whole loss and more. That is magical thinking, but you know you have to be realistic.

Examples of critical moments that lead to self-destructive trading behaviour:

- 1) When I considered to get onto a trade, but didn't and it then turned out to be a great trade – sense of regret, having missed out.
- 2) When I was in a profit that turned into a loss because I followed my rules.
- 3) The magic number seems to be 3. I can take my losses 3 times and the fourth time I let it run into the abyss.

- 4) When the market rallies up without me and I missed out on the move. Driven by the feeling of having missed the first big move, I will start looking for short entries, put my stop outside the reversal candle just to be taken out because the strong rally continues.
- 5) Got out of a trade and it keeps moving, I calculate in my brain how much more I could have made and feel the bitter pinch of regret because I missed out on profits.
- 6) After a string of profitable trades I get Superman syndrome and start getting sloppy.
- 7) When I have a disagreement with someone I care about.
- 8) When I am feeling out of integrity because I didn't keep my promise.
- 9) When I or a loved one have health concerns.
- 10) After sudden financial pressure with an unexpected expense.
- 11) Seeing trades setting up but not taking them because they are not ticking enough boxes of my trading system and then price moves exactly how I expected it. Once again bitterly counting "the dollars that could have been in my pocket but aren't".
- 12) Trading when I am tired. I know I am tired and know I shouldn't trade, but hey there is this great setup, or hey I need to make money because I have bills to pay. Even though I know that being tired makes me take on more risk. And once I dug myself into a hole, being more tired and annoyed, I start making even riskier decisions. I overtrade.
- 13) Trading after having had an unresolved disagreement with someone or even the phone company. Makes me feel powerless because 'they don't want to see my viewpoint', and so I try to gain my 'power' back by entering a trade, which of course is just an illusion of power that fades very quickly when I realise the trade is most likely to end up in a loss.
- 14) Losing traders have the belief that trading losses have to be made back not just eventually but immediately, preferably in the same contract at similar price levels and in one trade (because they want to stop feeling bad).

Step 4: Self-Management:

How many winning trades can you have in a row before you start sabotaging your results? Number of winning trades in a row vs number of losing trades in a row

At what point do you stop following your system?

I know for myself I can have 3 or 4 losing trades in a row where I follow my exit strategy. After that I start avoiding taking losses, start manipulating my stop losses by moving or removing them. So I know

after 3 losing trades I need to take a break and refill my emotional capital (need to know yourself and how you best recuperate when you feel depleted)

Biggest winner / biggest loser -> are they an indication that you are not taking your losses as per your strategy? If your biggest loser is bigger than your biggest winner and you are not making profits, then you need to work on transforming this behavior. Having said that, I have worked with traders who have bigger losses than winners and still their profits are enormous!

Step 5: Cognitive and Emotional Journaling

1. Cognitive Journaling to find emotional / cognitive trigger for self-sabotaging behavior

Emotional Journaling

Activating Event (situation)	Self-talk just before sabotaging behaviour	Feeling just BEFORE sabotaging behaviour	Body language - physiology
Did not take loss at pre-defined exit and lost 40% of account AFTER having had a sensational run of profits	Oh no, I just made such a good profit. I was working so hard for this, now I give it all back. It's not fair! What's wrong with me? When will I ever make it?	Feel frustrated and tense, Feeling deflated, disillusioned Weak At the effect of life Helpless Hopeless Disappointed WHERE IN YOUR BODY DO YOU FEEL THIS?	Starting to slump in chair, Hanging head Shallow breathing

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reframing

Self-Coaching Technique: (From Steve Ward – High Performance Trading / Trader Mind)

Cognitive Journaling (Steve Ward)

Activating Event (situation)	Beliefs (self-talk)	Consequences (outcomes)	Disputation, Efforts to Change (coach)
Losing trade at start of day / session	Typical. Whenever I have a losing trade at the start it always leads to a bad day	Feel frustrated and tense, Try to hard Decision making affected	Does a losing trade at the start of the day REALLY mean the whole day will be bad? The order of my outcomes is random and unimportant. Refocus, stay calm and wait

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Our ability to understand our thought patterns, emotions and correlated physiology helps to determine what drives and inspires our trading decisions, where we are at emotionally and what frustrates us.

It also helps us appropriately respond and use our emotions as warning signals (see my article on Emotional Guidance System).

How Do I feel / think?

How do I know that? What is the evidence?

What can I do to change how I feel and get myself a little closer to my Ideal Trading State?

Now that you know what you are thinking, investigate what you are feeling in the moment so you can start using your emotions as a guidance system. I know when I am at risk of doing something stupid, because I feel the feeling of Superhero creeping up from my solar plexus. Or I feel the deflating feeling of “I don’t want to take another losing trade” creeping up in my tummy.

THE BIGGEST MISTAKE I SEE TRADERS DO IN THEIR JOURNALING, THEY WRITE DOWN HOW THEY FEEL AFTER THEY MADE A LOSS. YOU NEED TO KNOW HOW YOU FEEL AND WHAT YOU

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THINK JUST ABOUT BEFORE YOU MADE THE LOSS, SO THAT YOU CAN STOP YOURSELF IN THE TRACKS!!

That's why mindfulness and meditation is so useful, as it helps with self-awareness and helps us being aware of the warning signs well in advance so that we can rather than trying to fix a bad trading situation (i.e. trying to recover from a big loss) and in it's place take preventative action.

Wheel of Journaling – Areas we need to identify in order to improve our performance and achieve our trading goals.



Thank you for listening to my interview with Anthony. We hope it helps you to live your dream life xx



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