The Key to Successful Trading

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If you were pushed, what would you say is the single characteristic that gives successful traders their edge?

The search to identify the key to successful trading has driven many writers and researchers. Among the most notable of the resulting books are the 'Wizards' series by Jack Schwager.

And the answer they found? The key to successful trading is to be consistent in what you do.

Consistency: the Key to Successful Trading

Notice the importance of this finding. There is no single inherent characteristic that leads to success.

It is not that the best traders are the smartest, or had outstanding education or started out rich. All these would help and many of the best certainly had these and other obvious beneficial attributes.

But it's not what you start with, it's what you do with your abilities that matters.

And what matters most is that you approach trading and making trading decisions in a consistent manner.

This means having a plan and sticking to it.

So it's not enough to have a great plan. You must be able to implement the plan.

And this is where consistency really matters.

Becoming More Consistent

Achieving consistency is not about learning more technical material or having more information. You need all this but it's the way that you use what you have that is at issue.

This requires emotional consistency. And the big enemy of emotional consistency is stress.

Because the markets are always changing you are reacting to a changing environment. You must react to what you see in the market, but you must do so consistently.

If stress takes over you become unpredictable and reactive to forces other than the market, most notably emotions such as fear, anger, regret or greed that are likely the source of the stress.

If you have a plan you trust and act according to your plan then decisions are kept to a minimum.

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When decisions are required they are made according to a process that is laid out in the plan.

The only inputs into the decisions are the rules of the plan and the information that is presented by the market.

Neither of these changes in any way depending on the level of stress you are feeling. So the outcome of your decisions should not be affected.

Are You Emotionally Consistent?

If you achieve a state of emotional consistency you will be:

- Emotionally stable, perhaps even neutral. Your emotional state will not change and your trading will not be unduly affected by life events unrelated to the trading. If this is the case then you have a good chance of being in tune with the plan and with the market.
- Able to see that attaching feelings of happiness or pride to winning trades is just as harmful as attaching feelings of sadness or anxiety to losing trades. Feeling satisfied at a job well done is a very different matter.
- Focused on your objectives. Your objectives should be already well defined and they can be envisaged in a manner that links them to your trading decisions.
- Focused on the information that is presented, not on what ‘should’ be happening or might be desirable. Totally accepting what is, in present time, puts you in tune with the market.
- Able to set targets and maintain focus and mental stamina until the target is reached. It’s no good getting most of the way there and then letting it all slip.
- Able to accept that you are not perfect. If you are wrong, then that’s all there is to it. Act accordingly. If you have made mistakes you will not correct them if you don’t admit them to yourself. And if you are not correcting them you are repeating them.
- Able to accept information and not try to control it. You react to the market, you cannot control it or know what is going to happen next.
- Solution seeking. Not everything will go right. Only you are responsible for putting things right. There is no outside ‘higher power’ to look to.

Psychology Really Matters

It has long been known that the psychological aspects of trading are just as important as technical analysis.

The writings of leading authors on trading, such as Alexander Elder and Van Tharp are good examples of the importance that must be attached to these issues.

And with the arena of psychology, the key to successful trading is consistency.

Other authors have argued that in respect of the psychological requirements, trading is similar to competitive sports.

Research increasingly support the idea that mindfulness can play a very beneficial role here.

For example, Michael Chaskalson's book 'The Mindful Workplace' identified that employees who engaged in mindfulness exercises showed signs of:

- improved attention, job performance, productivity and satisfaction;
- reduced experience of psychological distress and neuroticism;
- greater well-being and satisfaction;
- increased blood flow with reduced blood pressure;
- improved social skills;
- increased self-awareness;
- higher success in achieving academic and personal goals;
- greater awareness, understanding and acceptance of their emotions and quicker recovery from bad moods;
- less frequent negative thoughts with improved self-esteem and reduced dependence on external validation;
- reduced defensiveness and aggressiveness when threatened;
- enhanced ability to manage internal thoughts and feelings and resist acting on impulse;
- fewer hospital admissions for heart disease, cancer and infectious diseases; and
- a reduction in addictive behaviors.

Mindfulness Offers a Way to Consistency

That's quite a list and I'm not saying you will experience all these benefits.

But the evidence indicates that mindfulness can improve concentration, awareness and objectivity with improved calmness under pressure.

Consistent implementation of a good plan is the key to successful trading.

Improvements in these areas will certainly improve your ability to implement your plan consistently.

Would not this improve your trading?

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