Twitter Thread by TraderLion

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How To Reach Peak Trading Performance (Thread)

Trading is you versus the Market. It's a one on one battle with a system designed to take your money if you lack discipline and an identifiable edge.

To achieve success and be able to take on this opponent, you must conquer your own faults and work towards incremental improvement.

Learning to trade, analyze charts, and manage risk are skills that you can carry with you for a lifetime.

However before you can reach the performance phase and consistently capture alpha, every trader must go through learning phases.

Your journey begins as a rookie trader, thrust in the midst of a pitched battle between yourself and the market.

Traders in this phase have no cohesive strategy or feedback loops which they use to test ideas and then improve. They take trades based on FOMO, what friends are saying, and what is claimed to be a sure thing from pundits and social media.

During this phase, this is a significant lack of discipline and accountability. Any profits are attributed to skill and any losses are the fault of algos, the fed, or the smart money. The focus is on getting rich quick, excitement, perfect stocks and perfect indicators.

There is no thought of risk management and often traders in this phase will experience large drawdowns and frustration when the market becomes choppy. Batting averages will fluctuate and average gains will be much smaller than average losses

For many this will be the only phase they experience before giving up.

However with discipline and hardwork, everyone can move on to the next one

The next phase begins with a commitment to yourself.

Do you want to learn and improve at trading and build wealth over time?

Are you willing to put in the work of reading books, taking courses, watching webinars, and researching edges to accumulate the knowledge necessary to successfully and consistently trade?

Once you make this commitment, you have begun the transition into the consistency phase.

In this phase, you must focus on the process of trading, not the potential rewards.

You should be building comprehensive rules which will govern your trading decisions from stock selection, buy/sells, position-sizing, to how you will deal with different market environments.

You should also focus on building habits that prepare you for the trading day. Most of the work should be done pre/post market and on the weekends.

Position Sizes, entry points, and stop-loss levels can all be determined in advance.

Trading is about fixing your problems. You have to be a good problem solver and not an excuse maker.

Here are some common issues of traders in the consistency phase:

Focusing on low potential/quality stocks & setups
Entering at non-optimal points (extended from a pivot/support)
Being inconsistent with position sizes and stop losses.
Trading out of tune with the market

The solution to all these issues is discipline and hard work, there are no shortcuts here. Focus your efforts on the identification of issues with your trading and then obsess over solving them.

The length of the consistency phase depends on how much deliberate study a trader does.

Books, seminars, and videos from experienced traders sharing mistakes & lessons can provide the foundation to quickly accelerate your learning curve.

During this phase you start to realize that after a certain point, trading is less about the perfect setup and being right, but more about being in sync with your own emotions, the market, and managing risk above all else.

At this point the focus starts to turn less from being right to targeting high potential setups and taking only small losses when wrong.

Having the discipline to wait for the right pitch becomes critical.

The consistency phase naturally transitions to the Performance phase in trading as you identify your edges and manage risk effectively.

During this phase the goal is to simply perform.

Traders become confident in their chosen setups and narrow their focus to only stocks which meet their strict criteria.

Daily and weekend routines keep them in touch with market conditions, what types of setups are working, and high potential ideas for the trading day.

Every day these traders do their homework and prepare for success.

The goal is to perform when the conditions are right and increase their equity curve, and then scale back to minimal exposure when conditions change.

Go flat, perform, repeat.

Trading is a lifelong journey and traders in every phase experience drawdowns, knocks to their confidence, and poor performance periods.

However, while newer traders might get frustrated during bad times, over trade and size up to get back what they have lost, more experienced traders in the performance phase fall back on their risk management rules, their routines, and scale back until they find their footing.

They recognize that trading will be an ever evolving process and that the market will always be there. They are involved in the markets to perform not for the action.

Learn to recognize which phase you are currently in.

Identify your weaknesses through post analysis and strive to address them by adding rules and routines.

Focus inward, not on another trader's action on twitter who may be in a completely different phase than yourself

It’s all about incremental improvement and growth and being better than yourself one year ago.