CONSISTENCY

CONSISTENCY is a common challenge all traders face. There were old studies made and the statistics show that 95% of traders lose money. I don't know if that 95% is correct or perhaps 90% would be the real figure. But I think this should be looked at over very long term that 90 or 95 percent of investors and traders will lose their money when they do not have OPM to trade with.

We all knew from Big E post that he had win rate of 70 to 80 percent. But How many traders trading TMS the way he did have achieved this same high win rate between 2011 and 2015. We know that Eric aka Big E passed away in 2012 and how many traders continued to trade TMS the way he did and have maintained consistent win rate. I think we all would like to hear from these winning traders.

But for study and discussion purposes, let’s just use that 95% as a benchmark and we do not want to fall into that 95% group.

How do we measure our trading consistency?
Monthly, Quarterly, Half-yearly of Yearly? Or
by the number of trades completed? 20 trades, 100 trades, 200 trades, etc.

In 2009 I attended a workshop conducted by a well know professional trader and hedge fund manager in Asia. (cannot mention his name here otherwise I would have breach FF Code of Conduct for membership). He shared several models on how to manage trading consistency. All his models revolve around the number of trades completed and / or the duration of the trading business cycle.

In my case, I follow the trading business cycle and decided to use a short cycle of 20-trading days.
I set **SMART™** targets/objectives – to achieve a 10% profit during each 20-trading days and a maximum drawdown of 10% also within the same 20-trading days cycle. This means when I suffer trade losses during a 20-trading days cycle, I cut my losses and I don’t wait till the end of the cycle. No if’s, no but’s, etc. simply bite the bullet and cut the losses short…this is a business rule and must follow with discipline.

When we use the 20-trading days cycle model, during, at the end of every 20-trading days cycle, we will know if we belong to the 5% winners or that 95% losers groups. Being in the 5% will give us more confidence and this has positive effect on our mental state… our trading psychology.
When we keep track of our trading performance using this 20-trading days cycle, over a long period of 3 to 5 years, you will realise how often you are in the 5% group of winners and the other 95% group of losers. This is the frequency you are being 5% or 95%.

The next big task is to work on the EXPECTANCY of our trading performance. We all know the Expectancy model taught by Dr Van Tharp. This is the same way how I

measure my Expectancy using the same 20-trading days as one cycle. The 10% profit target per 20-trading days is **SMART™.** Our main trading task is to reach this 10% as early as possible in that 20 days period. My average to reach 10% has improved from 15~20 days to now between 10~15 days. Still working hard at this average. ☺
The profit gain in most of the 20-trading days cycle were above that 10%. Some were as high as 30% in one cycle. With 3 to 4 losing cycles and these do not happen to create an absolute drawdown in my base trading account.

After a completion of 10-cycles, I will know how the number of times I am in the 5% winners group and 95% group. I am good to have achieved 60% of the cycles in the winners group and 40% in the loser group. When I look at my performance in this way, that 95% loser group will not bother me. I focus my time and energy in achieving high Expectancy in my winning cycles.

Acronyms:

OPM = Other People's Money or better call that the Market' Money.

*SMART = **S**imple, **M**easurable, **A**chievable, **R**ealistic and **T**imed-based.*

Reading resources:

Enhancing Trader Performance by Dr Brett N Steenbarger

The Daily Trading Coach by Dr Brett N Steenbarger