How Profitable Traders Think Differently to Achieve Massive Success

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Today we're going to take a little bit of a different twist. I'm essentially going to be responding to some of the email conversations that I get from mentoring clients and students.

I want to specifically touch on something that is an issue that is not talked about enough, but probably should be, and that's the move over from I'm starting to learn how to read charts, I'm getting involved in the business, and crossing the abyss from I know everything I'm supposed to know, but I'm not making any money yet.

It's like, I see the patterns, I understand the routing, I understand the setups, and I understand risk/reward. I'm looking at everything, I know everything exactly what I'm supposed to be looking at, and I'm just not converting it into money.

And then the emails that we get as a follow-up are basically insinuating, I got stopped out of my ideas today, and I'm probably the only person on Wall Street who got stopped out of my ideas. And I want to get to the point where you have some sort of a framework or a thought process or a structure to help you get the results that you want, crossing that abyss to consistency.

Now, I know the thought that everybody would like to have, or the desire that everybody would like to have, is getting to the point where I'm one of those traders, one of the big guys who's putting up those numbers.

If you're in the trader path along the lines where you're trying to get from, I understand everything, to I make living as a trader, the result you're trying to get is to pay your bills. So, let's start from the foundation of where you are, which is you're not that big guy yet, but you want to be that big woman trader and the person that people come to and ask advice.

Let's start with tangible numbers without something that is too far out of your reach that makes you force trades in share size and risk that maybe you haven't proven yet that you can handle.

It's very important to assess and brutally assess where you're starting from. So again, if you've seen some of the talks that I do, or you happen to be in the mentoring room with myself, it's all about revenue minus expenses, and far too many people take more risk, which is a trading expense, then your business, your trading profits, can pay for.

So again, if you translate it into business terms, it's somebody taking on an office too big before their business has enough revenue, or somebody expanding their restaurant without having the revenues to pay for the expansion.

Now, here's the thing. When I'm talking about having that revenue to expand to allocate to pay for bigger expenses, which would be bigger risk per trade, I'm not talking about you had a good week. I'm talking about you had a good multi-month run. Three months, four months, five months where my P&L is there, I'm making money, this is not luck, it's too many different market conditions and I'm okay. I'm doing all right and now it's time for me to maybe bring on another employee which would translate into maybe multiple positions, but I can't stress enough; don't do that until you can generate revenue consistently.

Stop listening to what everybody else is saying, stop caring about numbers that anybody else might be putting up. That's great to hear, it's aspirational, but you need to be able to get to a point where you can prove to yourself I know what I'm looking at, and I just took money out of the market for a month, 45 days, two months.

Now you've got something working, and during that whole time you should be making a list of what's working, what's not working, what kind of conditions you like, what kind of conditions you don't like.

So, I'm basically going to read from an email that somebody sent me last night, without mentioning the name, and I think a lot of people fit into this category of, I know everything I'm looking at, but I don't think well enough as a winning trader to cross that road, abyss, whatever you want to call it, to get to the other side to go from, I know what I'm looking at to I know how to run my business and I make some consistent money.

So, if you could just bear with me while I read some of the email. The email that basically came was, everything I did today was according to my plan, but then I got short, it ran in my face, I got long and it went down, and I didn't make money. That's a trader who's struggling with one of two things. They're either struggling with their strategy or their conviction to follow through on the strategy.

So, assuming you have a strategy, then it's a question of believing that your strategy works over time. To think like a winning trader, you have to believe, it's imperative to believe in your edge over time. Not on a trade-by-trade basis. To get the results, to get the desired goal that you have, you have to judge your results over time.

So, I'll get a little bit into the email, we'll pick it apart just a little bit, so hopefully you guys can watch the video, pause it, write down the various things. I have about seven or eight things to briefly walk through, but the ending is the most important.

So, basically what I wrote back was, "I appreciate you writing me." I cannot tell you how many people we reach out to that are in the ***Six-Figure Trader*,** that are, imploring them to ask a question, because if it's just us talking at you without you coming back to us and having a back and forth conversation about something you need to learn; not what everybody needs to learn, what you need to learn, it's only going to be us giving you general advice and not specific trading strategy, tactic, thought-process advice from a mentor to a student.

So, the first thing I wrote was, "I appreciate you writing back to me. I can honestly help and want very badly to do so, but in my opinion, and my experience from doing this now for 15 years, the majority of traders, for whatever reason, keep looking for the holy grail when they already have more than enough weapons to earn a living." And I feel that whole-heartedly.

The training scenario for anybody getting involved in the business is first you learn what you're looking at, and then the path of many different trading environments is really where the training starts. First you understand the material, but that's just the indoctrination. That's just the orientation to what you're supposed to look at. Then you need to get behind the wheel and get into different conditions.

So I put, "As you correctly put in this letter, it's all about you at a certain point." So, the thing I was addressing here was that this trader did not say they got me, or they were out to get me, or why me, he essentially said in the email, what am I doing, which is enormously important to getting to the point where you can start to cross that pattern where you're taking responsibility for the results. When you start getting into "they ran my stops," "the specialist was out to get me," all of that stuff, you're not in control and you're not taking responsibility.

So, I'm addressing that he's taking responsibility and actually, obviously, finally sent in an email for some help. So I put, "I personally have gone through everything you're going through right now, and the best I can give you is this advice. Number one: don't trade anymore than 300 shares maximum, ever, until you can string together two consecutive months, at least, of net profits."

Now, here's what comes back. Well, how am I supposed to make a living? Well, here's the thing. Everybody's going to have a trader tuition that they pay to the market. Everybody. How much that tuition costs is up to you. Do not size-up until you can generate revenue.

Now, I was very specific in here. I said a couple of months. If you feel like you know what you're looking at, give yourself a couple of months to show you can generate revenue. Not I had a good day and you're skipping out, months. Different periods, different volatility, different conditions. Now you start to develop that confidence bank up here, where you start to say, you know what? That was a lot of trading. That was eight weeks of training, maybe I'm on to something here, and now you start to develop the conviction.

Next, number two: Intraday trading specifically. Don't be so quick to add to a position. If you've worked a good trade, and the stock, let's just say for argument sake, has a dollar ATR, a dollar average true range, and you worked the order, you were patient on the entry, you got the right price, and now the stock is 75 cents in your favor and you have these delusions of grandeur in your head that it pushes up and up. This is the trade; I'm going to make all of my dreams come true on this trade. You know what? Make a dollar on the trade.

You don't have to add and get maximum trade size and keep tiring into. Make money. Earn while you learn. Don't be so quick unless you have an unbelievably perfect storm of the broad base market, the sector you're in, and the stock, all doing exactly the same thing and there's a lot of money flowing in or out.

If you worked the order, you were patient for the order, don't add to it. Make a dollar. Don't decrease your average price of the trade. And then it pulls back a little bit and you're scared out of the trade, and then you're mad that because you added it brought your average price down. If you worked the order, planned for the trade, earn while you learn. There's nothing wrong with making that full thing on just your first piece. All right?

Number three: This is very important, don't trade anything not in your plan in the first two hours of the day, and you can revaluate in the afternoon. This is one of my biggest pet peeves. If you have 12 hours to plan for 9:30 in the morning, let's say from yesterday's close, don't tell me or convince yourself; somebody next to you calls something out, or somebody in the room calls something out, or something pops up where you had three seconds worth of evaluating whether it's a good idea, you put it on, and that's a trade you're going to make money on.

Run your business from the first two hours of the day, 9:30 to 11:30, off of what you spent a lot of time meticulously planning. I want to be long on these stocks, I'm looking for these significant levels, or I want to be short on these stocks, and

I'm looking for these levels, and it's going to mean something to mean if we get to those levels.

Number four: If you earn good money, and obviously good money is relative to everybody, for your share size for your share size in the first two hours, stop for the day. Stop. Yes, we'd all love to print money from 9:30 to 4:00.

If a good day for you is $500, I'll just throw a number out there, and you're up $500 at 10:30, do one of two things: scale back significantly on your trailing stop, so in other words if you go to $500 to $400, you don't want to go from $500 to $0, you want to walk every day building up that mental goodwill in your head, and book it. Book it.

Let's throw something out there; a mortgage payment, a car payment, and two vacations. Let's run $50,000 for the year. Let's just start out with some significant stuff like that. Put a number out there. That's $250, $300 a day, consistently. Prove to yourself you belong in the business. Not, “I know what I'm looking at,” **prove it.**

Respect the fact that's its real money and you need to pay the bills.

So, learn and earn first and you'll understand the conditions to size up, but don't be embarrassed, don't be afraid, pull back and be like, "you know what? Real money. I'm walking away. I'm keeping it. I'm putting it in my pocket."

Next, number five: Admit where you are and brutally assess all trades so you never trade the WTH trades. We call those in the private room, the ***What the Heck trades***, where you're looking over, you see something, you see a flag, or you think you see a flag, and you put a trade on and it's clearly not one of your A trades. Maybe it's a B trade, maybe it's a C trade, but you get out of the trade, you take the small loss because you had very little edge, and you're like, what the heck was I doing? And I cleaned that up a little bit for the video, so it goes through compliance.

Stay away from the WTH trade. Only trade your A trades. What we talk about all the time in the game plan meeting in the morning, you're going to have losing trades. You want to exit your trades and exit the trade and say, "That was my trade, it was a good idea, it just didn't follow through." You want to write this down. You want to lose money on good ideas if you're going to lose money.

Next. Stay away from the first ten minutes, especially if the stock had a huge move in that first ten-minute window. Because think about this, the stock flies, and I'll say flies relative; the stock goes up a dollar in the first minutes. It has this huge green candle in the first five minutes. "I can't wait to get long, I can't wait to get long. I came into the day, I wanted to get long."

Well, what's happening? How are you going to manage your risk? A dollar the other way? Let the stock settle in a little bit. Now, ten minutes is just an example, it's some sort of structure, but the point I'm making here is you need some sort of reference point to manage your risk. So, you have this enormous volatility in the first five minutes, there's going to be more risk with that because you can't manage your risk other than being shaken out of a trade because of a dollar amount.

Next. And these are very important points within this here. Learn to accept the uncertainty of each trade. Very important two points there. Accepting the uncertainty. Nobody knows what's definitely going to happen. All we know is to set up probability. So, I'll read the whole sentence and then we'll get a little deeper.

Learn to accept the uncertainty of each trade, and be okay with the fact that anything can happen. New traders don't understand this because they come into the business and they say, "bull flag," "bear flag," "breakout," "support," "resistance," those work. Well, I've got news for you. I've written trading books. Sometimes it could take a week to find the perfect pattern you're going to put in the book.

Patterns are probabilities. Part of the probability. Anything can happen. So, I'm going to read that again. Learn to accept the uncertainty of each trade and be okay with the fact that anything can happen.

Now, I'm getting into myself personally here, if I have a bad day I immediately determine one of three things. We all have bad days at some point. Number one: was I trading not smart? Number two: was it tough, choppy, light volume day and good ideas simply did not follow through?

Or number three: did I trade good ideas that simply did something not normal, and I'm going to elaborate on this a little bit, that did something not normal; for example, stocks going higher eight days in a row? I will continue to trade my strategy flawlessly because my edge is where my strategy is.

So, I'm going to repeat that again and then I'm going to get into one or two points here. Did I trade good ideas that simply did something not normal, for example, stocks going eight days a row in one direction?

Now, we all know it's usually three to five days, two days back, and three to five, whatever. Eight or nine days in a row, if your strategy says to do something differently, like maybe not to continue to get long and the stock continues to go, it's more important to follow your strategy.

So, we assess those three things. Did I trade poorly? Was it a tough, choppy market that didn't follow through? Or did I follow my strategy and just something not normal happened, and I accept it because I make money by applying my strategy based on what normally happens.

So again, this is about the result you want to get. You have an aspiration to become a consistently profitable trader. Winning traders assess their day based on those three things. Did I not pay attention or did something else happen? All right? So, we'll get into that a little more.

Number one is my responsibility. It's my responsibility to recognize and stop if I'm trading like a dodo bird. Number one. Number two. Number two is also good trading. If I put on ideas according to my strategy, but don't earn money, that's good trading. It just means the ideas didn't follow through. That's how winning traders think. Did I follow my strategy?

Number three. Number three is also good trading. If I put on a trade, and then a stock or a market does something completely abnormal, for argument's sake, whatever that could happen to be. I'll just use a Bollinger band as an example. If a stock goes up to a Bollinger band, normally, 80% of the time that's where it slows down. I'm not saying I used it. I'm just giving an example, and it continues to go for another three days.

If you use RSI or stochastics and it gets pegged at 100 or 0 for days, that's not normal. But we're trading for what normally happens, so if a pattern unfolds and a stock continues to do what it doesn't normally do, it's still good trading.
Winning traders are devoted to their strategy over time.

Now, I'm going to get a little bit into what happened to me personally over the last couple of weeks to illustrate the point and how, I'll say it, I'm a winning trader. How I feel is the proper way and has proven over time, what is the proper way to handle that for you to have conviction and belief in yourself. Okay? All right.

What I basically wrote is, I personally had a few tough days on my strategy for probably two days of this week. Maybe three days. But I made a good portion of that money back the next couple of days by sticking to that strategy. Prior to the couple of days that I just had that were tough days, I had 11 days in a row where I made money.

Now here's the thought process. And I actually talked to a couple of traders in my mentoring room about this in the morning. The couple of days that I didn't earn money but stuck to my strategy, they were all jumping off like it was the titanic, jumping off the boat saying, this doesn't work, etc., etc.

You have to stick to your strategy, so when the strategy starts to unfold again, it's the law of large numbers, if you manage your risk, your strategy should produce money for you over time if you manage your risk. So, making money 11 days in a row, and then having two tough days, you can't say on the two tough days, does what I do work? You have too much data if you've worked hard on your strategy to say my strategy works, right now it's just not following through.

So, go back to those three things. Was it me trading like a dodo bird? Was it just a tough day to trade? Or did I do what I'm supposed to do what I'm supposed to do and something abnormal happened? You should be mostly focused to become a winning trader on following your strategy flawlessly, providing you have a strategy. And then prove to yourself over a couple of months, assess what happened; you, the market, or etc., as we just went over with those three points.

So, I wrote in there, it wasn't luck I had those 11 days in a row. I believe in my strategy, managed my risk when it didn't follow through, and then in the following few days when my strategy unfolded, I made the money back. And that's how winning traders think.

So, to sum it up here, get yourself out of judging your results on a trade-by-trade basis. It has to be results over time as your strategy unfolds over time, and not every flip of the coin. For you to have the winning mindset, you have to believe in your strategy all of the time. If it works and you have a couple of tough days, scale back a little bit.

Now, here's an advanced tip. If you're trading your strategy, and let's say like I did, and I should have recognized it sooner but I didn't; you have eleven days in a row like I did, and you get to a point where you say, today was a grind, something different was going on there.

And then the next day comes and not only did you stop the streak, but then the next day you lost a little bit of money, your alarm should be going off and be like, all right, we might be getting into number three where something abnormal might be happening here.

So, it's your job to recognize, are the conditions changing a little bit, or is the rubber band being stretched a little bit further than what my strategy says I should be getting involved now, and if it does my advice is just to scale back a little bit until your strategy starts to unfold cleanly.

One last thing. The conversation that we had today, it was in reference to holding a losing trade. Now, I want to give you a little mental thing that I use with myself. If I catch myself holding a losing trade, I admit it's a losing trade, it's clearly not a losing trade, it's clearly not working out, but I'm still holding it, here's what I do: I literally say out loud to myself, I can't believe this is the only trade I'm going to ever have an opportunity to make money on, so I better hold onto this one.

And just even saying it, it sounds ridiculous. So, if you catch yourself saying that out loud, I have to hold this losing trade, I'm never going to have another opportunity to make money in a stock ever again, pull the plug on the trade because it's just ridiculous to have that thought process, and it's the only reason to hang on to a trade like that.

Your ego is telling you, you're right, the market's wrong, and you're believing it's the only opportunity.

So, if you're holding a losing trade and you clearly no it's not a good trade, kick it out. It's not going to be the only trade you're going to have an opportunity to make money in.

Review this report a couple of times, we covered a lot of important stuff.

Have a great day!

All the best,

Pete

Order flow shows you how to spot the large buy and sell orders that move the market.

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