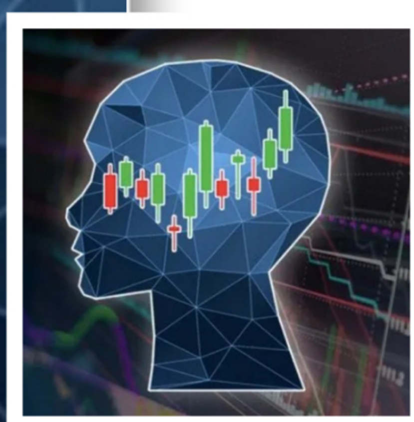
Richard Sterling

TRADING IN THE ELEMENT

A Traders Path Of Least Resistance



Part 1. Trading Edge

In my perspective this is being able to trade the strategy one resonates with most, on the pairs one resonates the most with. Navigating the contrast is the path to profitability.

Part 2. What Pairs Resonate Most

Different strategies work better on different pairs. One may find that certain pairs resonate for a period of time and then no longer do. The opposite is also true, one may find a pair that resonates with them now which didn't before. With different experience levels I've seen traders move from slower moving pairs to faster moving more volatile pairs.

Part 3. Making Your Own Strategy

In my observation it has been a well known fact that different people are successful with different strategies. Many of them tend to swear it's the only strategy to use but when in reality they found a strategy that they are able to trade well. It's also a well known fact that many successful traders create their own strategy. This typically consists of them finding a strategy they resonate most with and then making their own adjustments to it. The most important underlying aspects are to create an environment where one can make good decisions quickly with little thought and to trade what they see, not what they think.

Part 4. The Importance Of Creating An Environment That Requires Little Thought

I believe it's important to create an environment where one has to think very little while in a trade as one's mind and imagination can create illusions beyond their original plan of execution and one can revert to trading what they think instead of what they see.

Part 5. Rigidness

I believe it's often a misconception that if one's too rigid then they won't be profitable. This generalization can deceive one. One needs to be rigid in their trading strategy, timing windows and execution. Their ability to align to the pairs and strategies they resonate with the most is one's fluid navigation through the market.

Part 6. Self Sabotage

In my perspective self sabotage in trading is another name for leaving too much to discretion. Too much discretion leads to guessing and guessing leads to inconsistent results. Essentially one blames one self for something that is merely a flaw in trade execution, management and lack of understanding in the situation. Ever hear a trading influencer explain how they got in a trade but never exactly tell you what their exit is to get out?. Those types of guessing games are short lived while one may go on a hot streak while using too much discretion, it can become short lived in the longer term when they go the opposite direction and don't have a sustainable way to get back out. Too much discretion and guessing only conditions one to have a gambling mindset over time and one can find themselves stuck and in a place of self blame and agony.

Part 7. Discretion

In my perspective the only place discretion belongs in trading is choosing the pairs that resonate with one the most and using the strategies that resonate the most with them.

Part 8. Discipline

In my perspective knowing the "why" in trading is the anchor that keeps one grounded and focused and then discipline is the natural result. Ever wondered why some people are disciplined in day to day life but can't stay disciplined in trading? In my observation it's because they are becoming conditioned to gamble without even knowing it and this is where the market wins. Knowing all the "whys" in trading is important so that one is able to think in the right context.

Part 9. The 1-2 Trades Per Day Philosophy

I have seen many traders dramatically improve by setting a daily limit of 1 or 2 trades per day. This allows for the market not to be able to exploit one's psychology and gives traders room to blossom.

Part 10. Timing

From my observation in most cases the first 3 hours of each session is considered to be the highest volume times in the market. As a day trader I consider this to be the highest probability window and stay inside this window with my trading opportunities. I only trade the New York session as that is my preference. I believe one can only stay consistent by focusing on the things one can control.

It's important to note that Gold opens 20 minutes after the New York open. Oil opens 1 hour after the New York open. And indices open 1 and a half hours after the New York open.

Part 11. Execution

I use the 20 EMA on the 5 minute chart for my executions. I enter the trade when a candle closes inside the EMA and I exit the trade when a candle closes outside the EMA. This creates an environment where one can make good decisions quickly with little thought. Depending on which pair is being traded one can change the time frame they use this concept on. A simple backtest will indicate which one is optimal. The most important thing is to create an environment where one can make good decisions quickly with little thought.

Part 12. Market Structure

I look for a M or W pattern on the 1 to 5 minute chart depending on what direction I'm trading in. You can use other reversal patterns, this is just my preference.

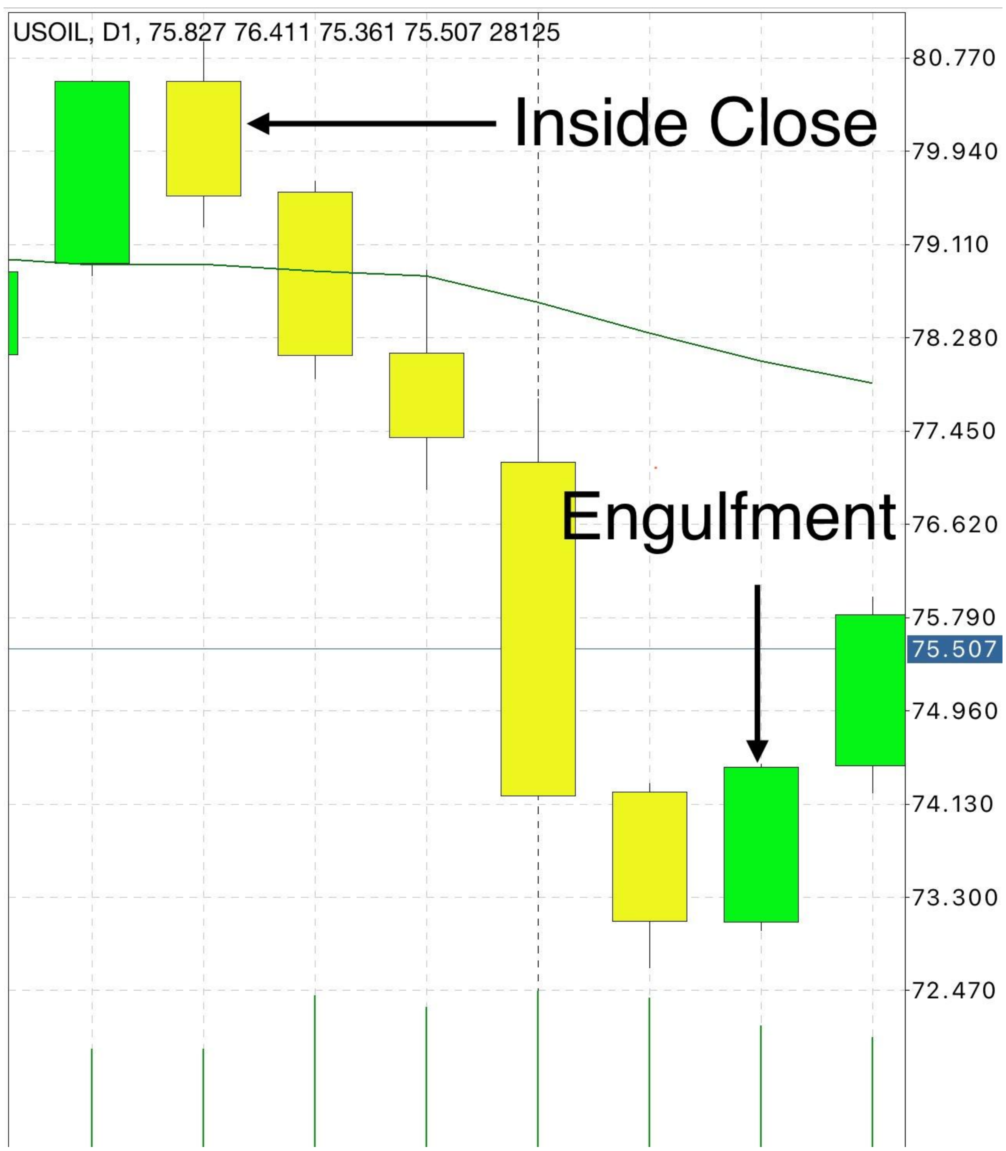
Part 13. Stops

I place my stops at the most recent swing high or swing low depending on which direction I'm trading in.

Part 14. Strategy 1

On the daily chart I look for a candle to close inside of or engulf the previous day's candle on a Wednesday or Thursday. This is a flag for a major trend reversal. On the following day I look to enter and manage a trade opportunity on the 5 minute chart using the entry parameters outlined on the platform. The probability of catching a large move with a lot of momentum is high as I am moving with the large players on the daily chart while trading on the 5 minute chart.

One can make adjustments to this concept and theory to formulate a strategy that suits their personality. The important part is to create a consistent environment so they can have consistent results. It's important for one to create an environment where one can make good decisions quickly with little thought.



Part 15. Strategy 2

This strategy has the same criteria as strategy 1 but is applicable to the rest of the days of the week. On these days you set your risk to reward at a 1 to 1 take profit instead of waiting for an exit signal on the EMA for exits.

Part 16. Probability Gauge

I always imagine when I'm in a trade that there's a probability meter running and the further the trade goes the less probability it has to keep going. This thought process keeps me vigilant and sharp so that I'm able to exit when I get my technical signal to exit. Many times it's easy to get too comfortable while in a winning trade thinking it will go forever and revert into an illusive state of mind where one trades what they think and not what they see causing them to ignore their exit signal. Sometimes the market will go forever and sometimes it won't and one's not here to become caught up into the seduction of the market. One's only here to control the things one can control because what else is there?.

Part 17. Goals

I have always found that setting goals over a longer duration of time eliminates the sense of urgency in trading. I've found it also allows me more time to deal with mistakes and losses that get in the way.

Part 18. Affirmations

I need to create an environment where I can make good decisions quickly with little thought

I only focus on the things I can control

Money loves structure