

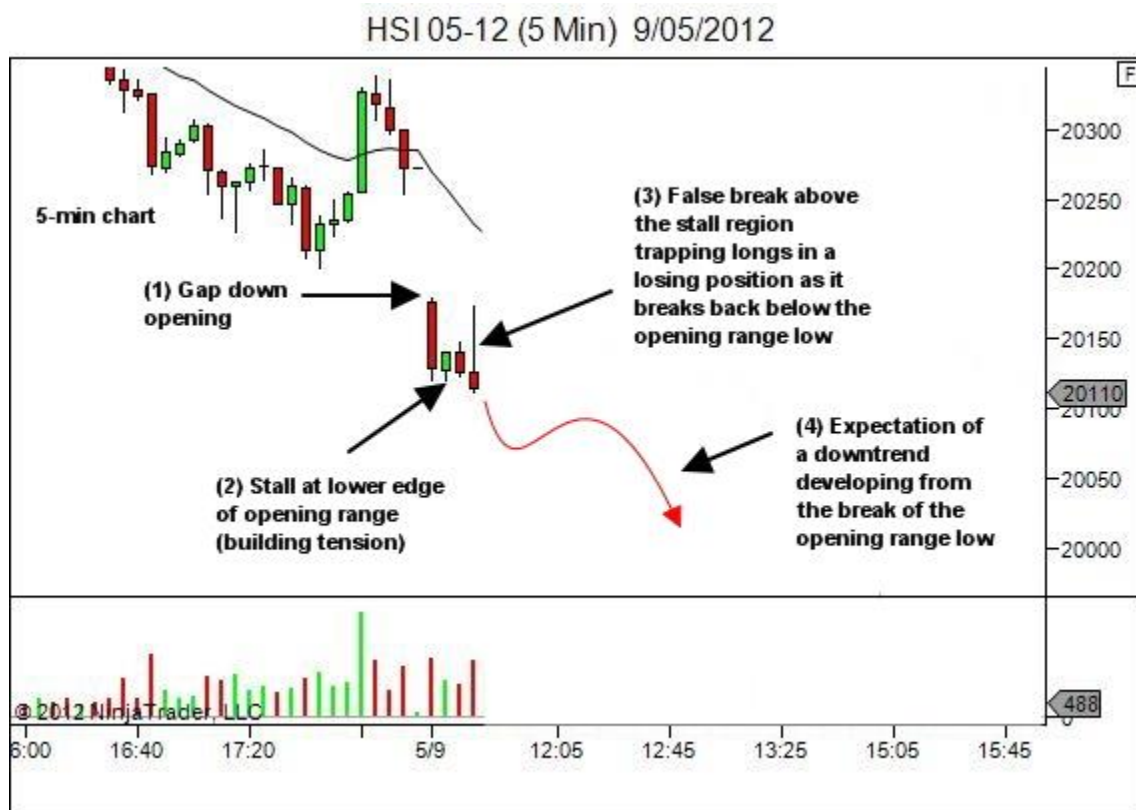
## Having a Bias is Fine! Just Be Prepared to Drop it When Reality Shows It's Wrong!

Wednesday 9th May 2012

It's been a really SLOW week in the HSI so far, in particular today.

But even in a narrow-range sideways market we can find something interesting in the price action.

Today's 5-minute chart offered the following price action, which for maybe 8 out of 10 traders would be screaming, "This market is going down"!



Of course, 8 out of 10 people are often wrong!



In this case, I was sided with those who were wrong. I did have expectations of a downtrending session, as per the red arrow in the first chart.

However... and here's today's lesson... I was able to drop my expectations quickly through having considered the following - (a) what price action will be required to validate my expectations, and (b) what price action would invalidate my expectations.

People often say that having a bias in the market is dangerous. I disagree. I think everyone who trades has a bias. You can't trade without some expectation for future direction of price. The danger though is when you are unwilling to drop your bias when faced with clear evidence it's wrong.

In the [YTC Price Action Trader](#) we are taught to always question our bias. In our initial analysis we include a step which asks, "What price action would invalidate your assessment of future trend direction?" (Vol 2, P163, Step 5).

And in our ongoing bar-by-bar analysis we are continually asking whether the new candle supports our current premise, or whether we need to reconsider our analysis. (Vol 2, P184, Sect 3.53)

It's fine to have an expectation. But make sure you know when to drop it.

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