

Hi folks.

I first published this on another board and thought you might like it - its seems to be plagiarised all over the net now so might as well put it here before someone else dows

Many of you don't know, but I used to be involved in training people in various things (not trading) and I thought I might share with you the journey that you take when beginning anything new. also if I show you my kind of writing style you might just buy my beginners forex book

This cycle is as true for trading as it is for learning to drive a car and consists of five components.

I'm going to take you through each stage so you can recognise exactly where you are in your trading journey.

Step One: Unconscious Incompetence.

This is the first step you take when starting to look into trading. you know that its a good way of making money cos you've heard so many things about it and heard of so many millionaires. Unfortunately, just like when you first desire to drive a car you think it will be easy - after all, how hard can it be?? - price either moves up or down - what's the big secret to that then - lets get cracking!

unfortunately, just as when you first take your place in front of a steering wheel you find very quickly that you haven't got the first clue about what you're trying to do. you take lots of trades and lots of risks. when you enter a trade it turns against you so you reverse and it turns again .. and again, and again.

you try to turn around your losses by doubling up every time you trade - sometimes you'll get away with it but more often than not you will come away scathed and bruised

Well this is stage one - you are totally oblivious to your incompetence at trading. Stage one can last for a week or two of trading but the market is usually swift and you move onto stage two.

Stage Two - Conscious Incompetence

Stage two is where you realise that there is more work involved in this and that you might actually have to work a few things out.

you consciously realise that you are an incompetent trader - you don't have the skills or the insight to turn a regular profit.

During this phase you will buy systems and e-books galore, read websites based everywhere from Russia to the Ukraine. and begin your search for the holy grail.

During this time you will be a system whore - you will flick from method to method day by day and week by week never sticking with one long enough to actually see if it does work. every time you came upon a new indicator you'll be ecstatic that this is the one that will make all the difference.

you will test out automated systems on Meta-trader, you'll play with moving averages, Fibonacci lines, support & resistance, Pivots, Fractals, Divergence, DMI, ADX, and a hundred other things all in the vain hope that your 'magic system' starts today.

you'll be a top and bottom picker, trying to find the exact point of reversal with your indicators and you'll find yourself chasing losing trades and even adding to them cos you are so sure you are right.

You'll go into the live chat room and see other traders making pips and you want to know why it's not you - you'll ask a million questions, some of which are so dumb that looking back you feel a bit silly. You'll then reach the point where you think all the ones who are calling pips after pips are liars - they can't be making that amount cos you've studied and you don't make that, you know as much as they do and they must be lying. but they're in there day after day and their account just grows whilst yours falls.

You will be like a teenager - the traders that make money will freely give you advice but you're stubborn and think that you know best - you take no notice and over leverage your account even though everyone says you are mad to - but you know better.

you'll consider following the calls that others make but even then it won't work so you try paying for signals from someone else - they don't work for you either.

This phase can last ages and ages - in fact in reality it can last well over a year - My own period lasted about 18 months.

Eventually you do begin to come out of this phase. You've probably committed more time and money than you ever thought you would, lost 2 or 3 loaded accounts and all but given up maybe 3 or 4 times.

Then comes stage 3

Stage 3 - The Eureka Moment

Towards the end of stage two you begin to realise that it's not the system that is making the difference.

you realise that it's actually possible to make money with a simple moving average and nothing else IF you can get your head and money management right

You start to read books on the psychology of trading and identify with the characters portrayed in those books.

Finally comes the eureka moment.

The eureka moment causes a new connection to be made in your brain.

you suddenly realise that neither you, nor anyone else can accurately predict what the market will do in the next ten seconds, never mind the next 20 mins.

You start to work just one system that you mould to your own way of trading, you're starting to get happy and you define your risk threshold.

You start to take every trade that your 'edge' shows has a good probability of winning with.

when the trade turns bad you don't get angry or even because you know in your head that as you couldn't possibly predict it it isn't your fault - as soon as you realise that the trade is bad you close it . The next trade will have higher odds of success cos you know your simple system works.

You have realised in an instant that the trading game is about one thing - consistency of your 'edge' and your discipline to take all the trades no matter what.

You learn about proper money management and leverage - risk of account etc etc - and this time it actually soaks in and you think back to those who advised the same thing a year ago with a smile

you weren't ready then, but you are now.

The eureka moment came the moment that you truly accepted that you cannot predict the market.

Then comes stage four

Stage 4 - Conscious Competence

Ok, now you are making trades whenever your system tells you to.

you take losses just as easily as you take wins

you now let your winners run to their conclusion fully accepting the risk and knowing that your system makes more money than it loses and when you're on a loser you close it swiftly with little pain to your account

You are now at a point where you break even most of the time - day in day out, you will have weeks where you make 100 pips and weeks where you lose 100 pips - generally you are breaking even and not losing money.

you are now conscious of the fact that you are making calls that are generally good and you are getting respect from other traders as you chat the day away.

You still have to work at it and think about your trades but as this continues you begin to make more money than you lose consistently.

you'll start the day on a 20 pip win, take a 35 pip loss and have no feelings that you've given those pips back because you know that it will come back again.

you will now begin to make consistent pips week in and week out 25 pips one week, 50 the next and so on.

this lasts about 6 months

then comes Stage Five

Stage Five - Unconscious Competence

Now we're cooking - just like driving a car, every day you get in your seat and trade - you do everything now on an unconscious level.

you are running on autopilot. You start to pick the really big trades and getting 100 pips in a day is becoming quite normal to you.

This is trading utopia - you have mastered your emotions and you are now a trader with a rapidly growing account.

you're a star in the trading chat room and people listen to what you say. you recognise yourself in their questions from about two years ago.

you pass on your advice but you know most of it is futile cos they're teenagers - some of them will get to where you are - some will do it fast and others will be slower - literally dozens and dozens will never get past stage two but a few will.

Trading is no longer exciting - in fact it's probably boring you to bits - like everything in life when you get good at it or do it for your job - it gets boring - you're doing your job and that's that.

You can now say with your head held high "**I'm a currency trader**"

I hope you've enjoyed this text and can recognise yourself in some stage or another - personally I'm at stage four now and am constantly making good amounts of pips - I've been trading in total for about 3 years and the first two were hell on earth.

for those of you reading this who stick with it, I'll look forward to the banter we have together in the future when we are both bored to death during the trading day

Soultrader