YTC Trading Newsletter - 28th April 2017

- Trade Review - Should He Have Exited?
- YTC Price Action Trader - Feedback
- A Key Part of my Analysis

Hi Traders,

Let's take a look at a trade from one of the YTC readers, in which he asks whether he should have scratched the trade during multiple retests of the entry zone.

It's a great trade. And a really great question. Check out my thoughts below.

Happy trading,

Lance Beggs.

Trade Review - Should He Have Exited?

I received a question from a reader who made an exceptional trade but was concerned that he should have exited the trade much earlier, scratching for a small loss and then possibly seeking re-entry.

I love this!

I would typically expect most traders to be ecstatic about a win.

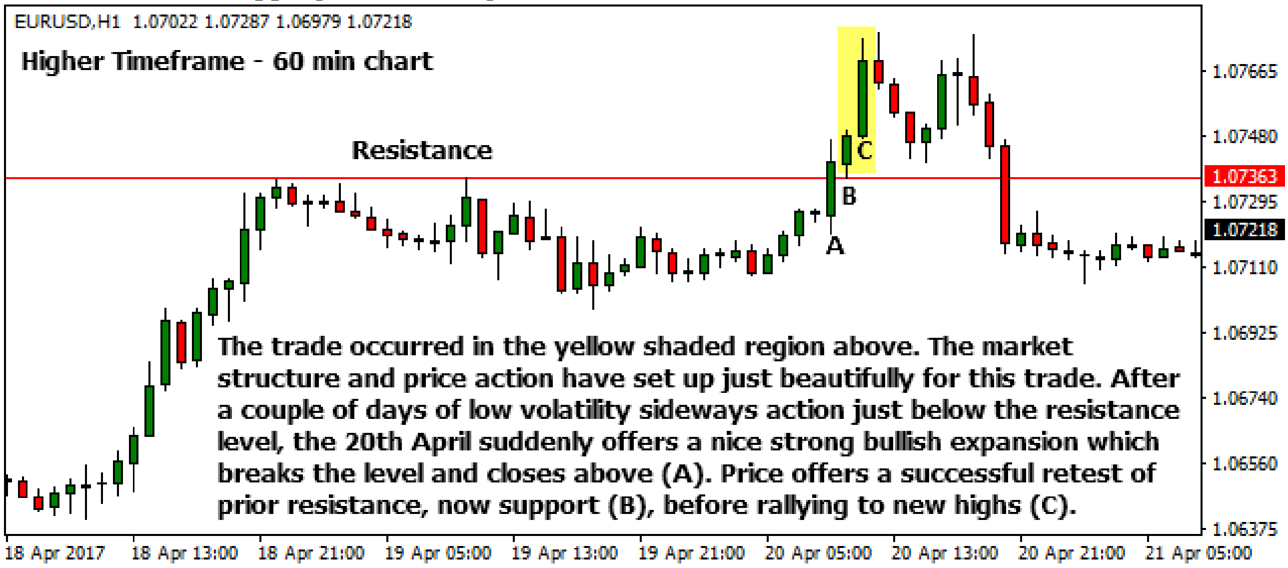
But it's a sign of someone much more advanced along the journey, who is more concerned about developing good process than in just celebrating the win.

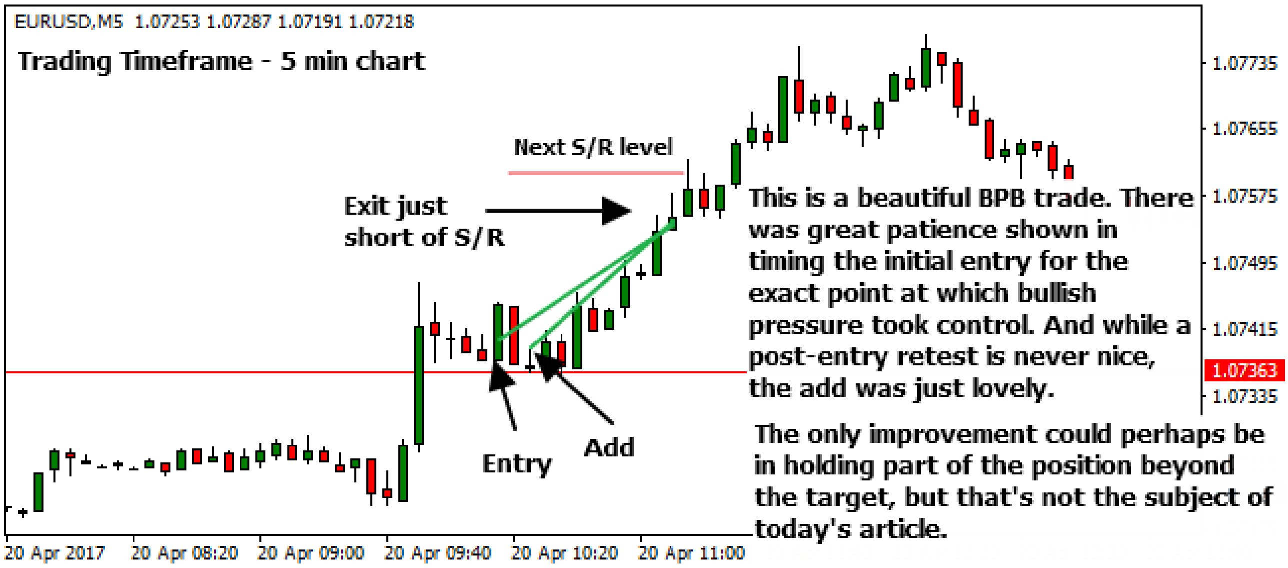
Here is the trade, along with their question. I've had to shrink the image a bit to fit here.

I'll discuss the question below so it's not essential to be able to read the text. But if you are interested, click on the image and it will open a full-size copy in your browser.

The Trading Timeframe is the 5 minute chart, shown in the small insert to the upper left. The main part of the image shows the 1 minute Lower Timeframe.

But let's take a look through my charts, starting with the 60 minute timeframe for some wider context and then stepping down through both the 5 and 1 minute charts.





Awesome!

I love it. That is a very nice BPB trade.

But here's the question, courtesy of the trader who we'll just call M.I.

M.I. is correct in his understanding of my style of trading. Over the years I've developed a preference for active management of my positions, in particular around the entry point. My preference is to not just hold and HOPE. But rather to be taking off risk if I feel the position is threatened. And re-entering if the trade premise does remain intact.

It's always impossible to say exactly how I would have traded something live, when I wasn't actually there to experience the price action. Hindsight knowledge of the outcome DOES alter the way we believe we would have traded.

So taking this with a grain of salt, here is what I "believe" I would have done:

Here is the thing though - IT DOESN'T MATTER.

There is no right or wrong method of trade management.

Either way is fine - completely passive set and forget, or quite active like I prefer. Or in fact anything in-between.

What is important is finding and developing your own style and then using that consistently.

Sometimes passive management will have outperformed. Quite likely in this case, M.I.'s management method would have resulted in greater profits than mine. At other times though, active management will be far more profitable (such as here).

Find what fits your personality. And just be consistent.

Here is the IMPORTANT THING TO REMEMBER, regardless of which style you choose:

We both have the same area at which we deem the trade invalid.

Either way is fine. Find what best fits your personality and just be consistent. Active, passive, or any blend in-between.

Your style will likely develop over time, regardless of which you start with. Track your results. And work to improve.

Even better, if you can afford the time, track both methods and compare the results over time.

Most likely though, personality will play a greater part in the ultimate style, rather than which offers the greater profitability.

A little tip though, if you're unsure where to start. Look at the worst case for each scenario and see which offers the maximum regret. Then avoid that option.

Passive management - the worst case scenario is when the trade does fail and you could clearly see that it had lost it's edge, having tons of time to scratch the trade for a small profit or small loss, but instead hold the trade for a full-size loss just because someone told you "that's how you're meant to do it!".

Active management - the worst case scenario is when the trade idea works, but you've scratched the position for a small profit or small loss, and then can't find any way back in, watching the market move to your original targets without you.

Visualise placing a trade. And then work through both scenarios. Which feels the worst? Now, avoid that method and start with the other.

For me, I'm quite comfortable missing a trade. I'm happy to let it go. It wasn't mine to catch. And I'll just move on to the next.

But holding a position for a loss, when I could see it coming well ahead of time. That's just stupid (IMHO).

I choose active trade management.

But it's not the only way. And it's not necessarily the right option for you.

M.I., you chose a passive style of management for this trade. And it was a GREAT TRADE. Perhaps that is the style that suits your personality the most at this stage of your development? If so, don't worry about how I would have traded the position. Take notes on your trade. Keep your stats. And continue to monitor and grow over time, allowing your trade management style to naturally evolve over time.

That was a great trade. Well done. Keep it up. :)

Happy trading,

Lance Beggs

[YourTradingCoach | Because You'd Rather Be Trading For A Living!]