

Week 27

3rd – 7th July 2023

I am staring on a blank screen. I have roamed through my mind for the perfect start to this week's review. I have dismissed every sentence. I have dismissed every idea.

I have dismissed them because they were either a precursor to an **excuse**, or a precursor to a "**dismissive**" account of the week that has just gone.

There is no excuse good enough to explain the week. There is no desire to dismiss the last week as "one of those weeks". As you might have guessed by now, I am never writing for anybody but myself. I just happen to publish what I write.

Shakespeare wrote in Hamlet that "There is something rotten in the state of Denmark". I am Denmark, and indeed there is something rotten inside.

In Hamlet (courtesy my English teacher from three decades ago, and her insistence that Shakespeare was a micro-cosmos of life) our protagonist is torn between his honour to avenge his father's death and his position within the royal family, which dictates he must leave his father's killer alone.

The famous line "There is something rotten in the state of Denmark", to me at least, is symbolic of the battle between doing what you want to do and doing what you have to do or are expected to do.

I can take that one step further today. I am torn between what I can do, which I know will result in small steady returns, and what I want to do, which is to "take on the house".

I want to have the £20k days again, like I did over and over last year. I want to ride the winners and squeeze them for all they are worth, like I did last year, and at the beginning of this year. I want million-pound years every year.

But it is not working out for me. The market is not giving me an opportunity to do so at the frequency they did last year. You don't have to take my word for it. I posted two charts during the last week of trading. They prove it all.

The daily chart of the Dow Jones Index from 2022 until today. I have attached a measure of volatility called Average True Range. The Average True Range measures the average “high minus low” over a generic period of 14 trading bars, in this case 14 days (it is a throwback to the time when the market was open on Saturdays, and it made sense to use a half cycle of the normal 28 days trading month).

Back in 2022 the index had ranges of 500 to 700 per day. That made for lovely trading for a trader like me. Momentum was full on, and I took advantage of it. As the bull market matured, the volatility died down, so much so that the daily ranges are now at the lowest of the last two years.



The ranges are now running below 300 per day. That is a significant drop from 2022. I haven't showed the other chart in this week's review. It is a chart of the VIX index. It shows how the fear index has moved from an average of 28 to an average of 14 over the last 18 months.

SO WHAT?



Exactly. So what?

I said I wasn't going to make excuses, and now I am justifying my own poor performance. I am blaming it on the lack of volatility and the lack of fear. I am saying the markets have changed.

Andy Warhol once said that "they always say time changes things, but you actually have to change them yourself."

If the markets change, change with them. Don't blame the market for your inability to get your "kicks" from running huge positions. Take what you can get, adjust your expectations to reflect the market, and get out when the market doesn't suit you. I am quick to add that the above sentence is written to "me", and it is not directed at you.

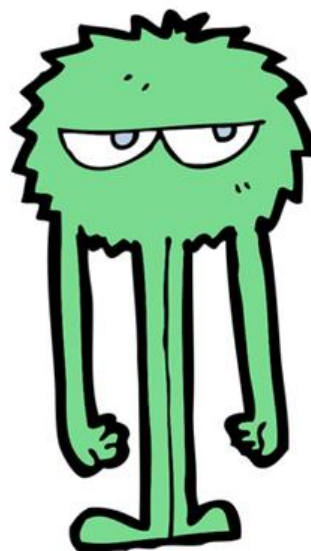
I don't deny that I am finding trading hard at the moment. I think you will agree with me that the problem is me. The problem is not the market. OK, there may be a decrease

in volatility, but it is nothing new. There have been other periods in the last 20 years where the market volatility died down. I still managed to pay the mortgage and put food on the table during those times.

So why should this time be any different? Well, it turns out that the problem is my expectations of the market.

Let's take a look at the last week from the perspective of the School Run Strategy. We all know it is thoroughly tested, and we know it has a positive expectancy.

"IF YOU DON'T LIKE
SOMETHING,
CHANGE IT. IF YOU
CAN'T CHANGE IT,
CHANGE YOUR
ATTITUDE."



Monday the 3rd of July opened as the DAX does – with volatility – which then quickly calmed down to near nothing. The School Run Strategy – see Resource channel for more information – triggered a long at 16,210. The high was 16,210.45!!

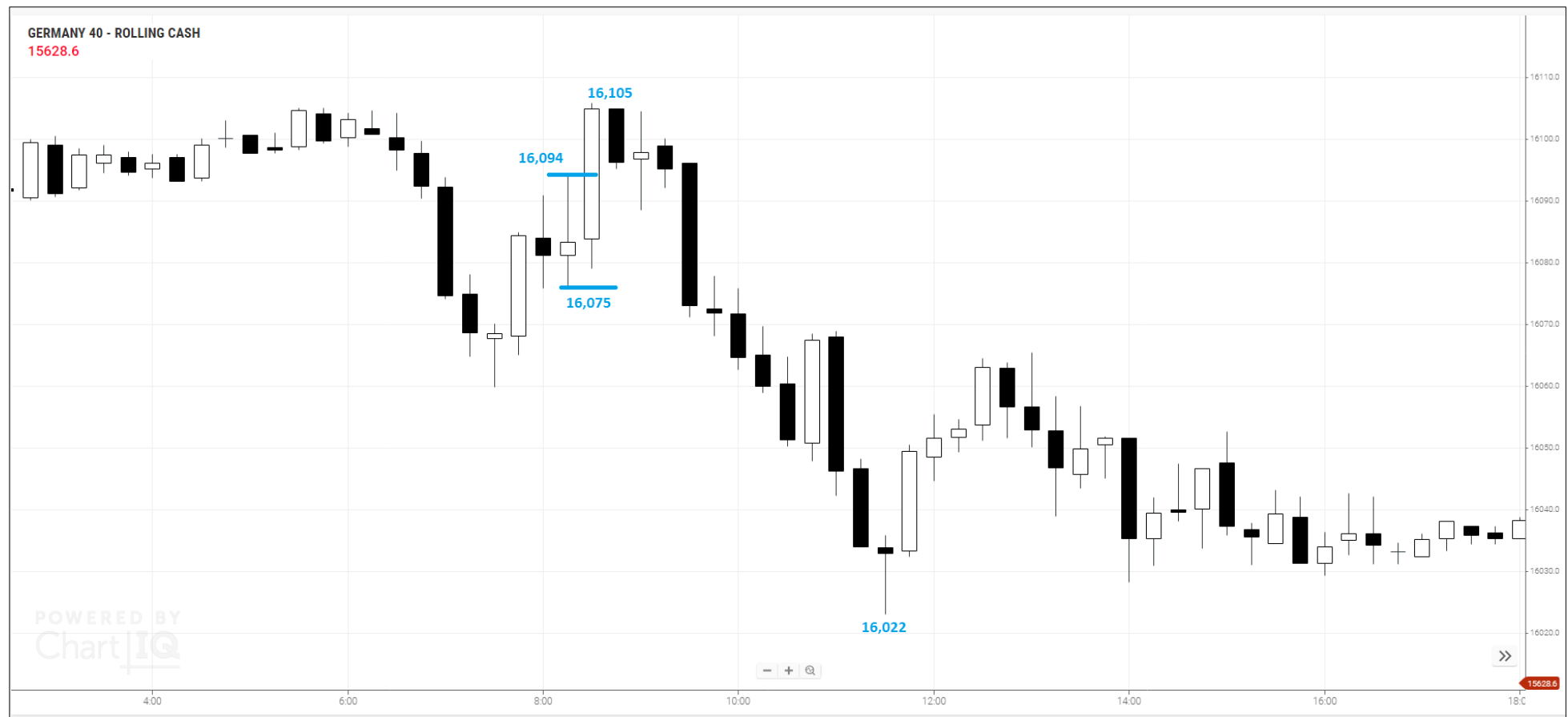
Incidentally – look at the red box inside the chart, and you will see the data from Esignal. It never shows the higher high on the 15min chart. I can't explain why the Esignal dataset shows one thing, and the broker shows another. I double checked with another broker (IG Markets), and they also showed a higher high like TD365 did. Anyway, I am losing 45 on long, and I have a plus 100 in the short direction.

As you can see, you would clearly have made the loss back, and perhaps then some. I left that day ending up losing!

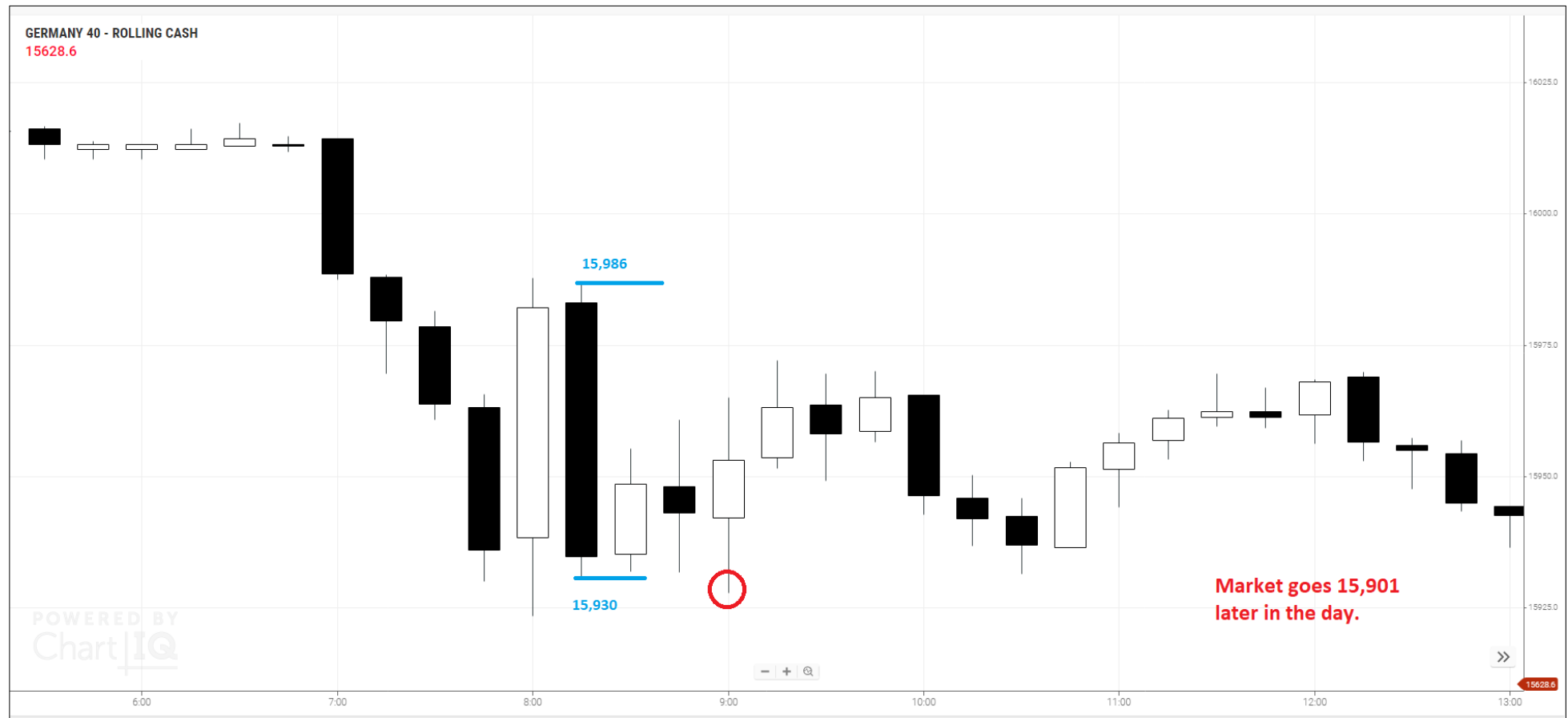


The 4th of July 2023 is similar to the 3rd of July. I could simply have followed the strategy that I must have spent easily 500 hours researching and developing and trying and discarding. I would have found myself long, with a profit for a little while, and I would have been stopped out and flipped short. I would have lost 25, and I would have made 40. Net would be plus 15.

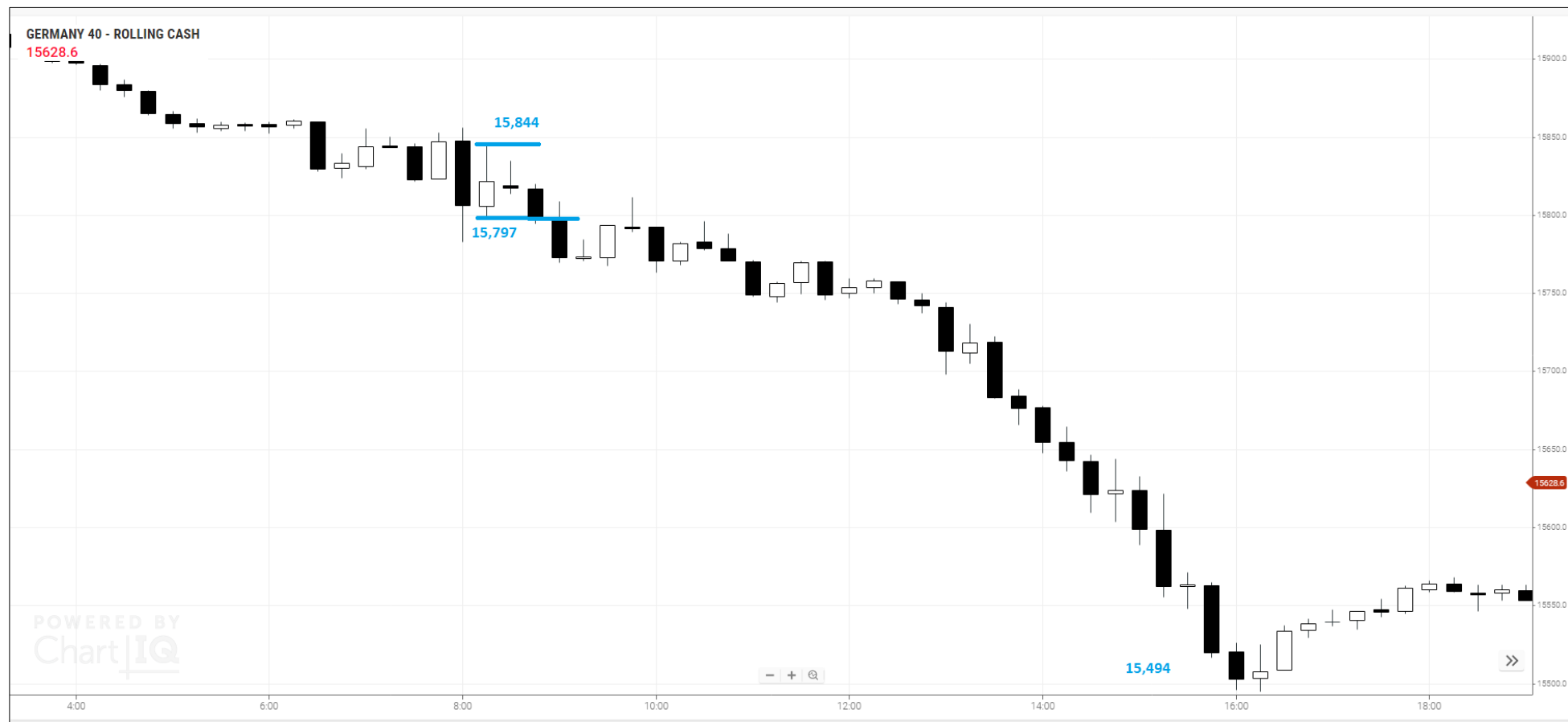
It is interesting to note how the 15th min number 4 instead of number 2 from the open, both today and yesterday would have been far more lucrative to follow. Keep this thought!!!



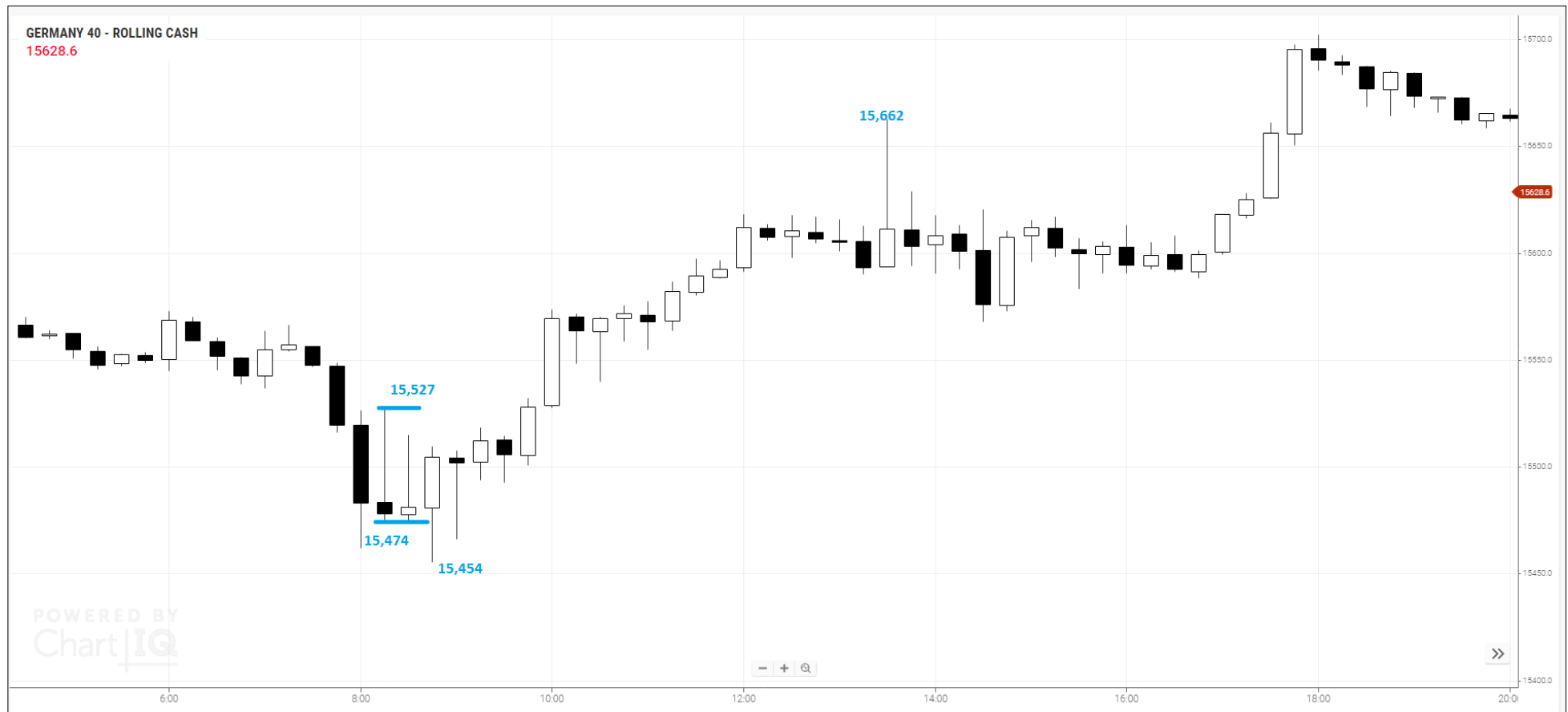
The next day, the 5th of July 2023 was another example of not following the system. The market was difficult and rangebound, but eventually I could have exited my position with a profit of 25 points. Did I? Nope!



The following day is the one that stings the most. I had an uncomplicated entry, and all I had to do is ride the trend. The entry was 15,794. The exit is anyone's guess, but my position actually never went into negative. There were 300 DAX points in that day. Did I get it? Nope!



Then comes the final day of the week. The DAX signals a short, and then reverses. I would have lost 60, although with a bit of luck I would have moved stop loss down after I was plus 20. Had I flipped the switch, I would have had an 80-to-90-point winner.



All in all, I had a system that would give me plenty, if I followed it, but I didn't. I lost on a week where my system gave me a net positive of around 300 to 400 DAX points – and that is without me adding to my winners! My trading size is £200 a point. I missed an £80,000 week – and ended losing about the same.

That is not acceptable in my world. I developed a strategy for the purpose of ensuring my livelihood. Unlike the vast majority of traders, who test their strategies, and who use automation for testing, I test manually. It means that the workload for me is 100-fold, if not thousand-fold, compared to the trader using automation.

But I get to see all of it – every chart – every nuance – and I learn from it. However, lately I have not been as motivated as I once was. I found some relief in a documentary I saw on Netflix. I am not a fan of Usain Bolt. I am not “not a fan” either. I am sort of indifferent.

Yet, as if guided by an unseen force, I flick through the program and I come to a point halfway through the program, when Bolt talks about motivation.

What motivates people who are already top of their game? Am I at the top of my game? I know I can become better, but I would say that my size and my consistency put me at the top of the trading game.

What were Usain Bolt's motivations to be the best? What did 'winning' actually mean to him? Well, at the start of his career, he wanted to clear his parents' debts. Then he wanted to secure his own future and buy himself nice things.

His success made him money, which secured his future and that of his family. So, what did he do when he had all those things? What was left? He had nothing left to motivate him. As he states boldly and honestly in the documentary, it is hard to be as hungry for an Olympic gold medal, when you already won two of them.

What changed for Bolt? He saw his rival Gatlin in a TV interview saying he would get the world record at Rio. That interview changed Bolt's motivation. He wouldn't let Gatlin take his world record, and thus win gold. Bolt wasn't motivated about winning gold, or holding the world record, but he didn't want Gatlin to take his title as the world's fastest man.

I don't have a “Gatlin”.

All I have is myself.

What motivates you when you have achieved all that you dreamt of?

What do you do?

When I am not researching, or trading, I like to write. I am currently writing on a book, which has the working title of “The Hole that Can't Be Filled”. The theme of the book is trusting the inner voice to guide you through life. So, what is my inner voice saying now? Do I even want to trade?

In my book *Best Loser Wins* I use an exercise which I call the Blank Paper Exercise. It is by far THE most potent exercise that a man or woman can do to find the roots of their desires or frustration and anxiety. The essence of the exercise (which in the book is used as a tool to eradicate fear and other misgivings in trading) is to find a place of comfort, with a pen and blank pad in front of you. Then you close your eyes, focus on your breath to the point, where you are calm, and then you ask yourself hard existential questions. It could be questions such as:

Do you love your partner?

Do you want to work as a (fill in the blanks)

Do I want another child?

Am I certain I want to take on caring for my mother/father?

This exercise is brutal, because you are going to get answers that will potentially shake you to the core. The answers are uncensored, straight from your subconscious, with no agenda, no pretence, no desire to hurt you, but to pay heed to the call for honest guidance and answers.

We can pretend, and most people live their lives pretending to be happy. Instead, they are walking invalids, aching to do something else with their lives, numbing their senses with food and drink and unimportant indulgences. Many of us are living lives of quiet desperation, aching to break from the expectations of our surroundings, but without truly understanding why we feel how we feel.

I did this exercise 32 years ago. I was just out of college, and all the expectations from family and friends were aimed in one direction, but it was not the direction of my heart. I had a burning desire to break free, but I dared not listen to the voice inside. The pain of doing what I knew to be right was more than I could handle.

How many times have you asked yourself “What is it you REALLY want?” I don’t think one in a million people can answer that. How many times have you asked the question “What actually motivates you?”.

And how many times have you listened to the answer? Honestly? And how many times do others REALLY listen? Are we afraid that the answer won’t be what others expect or want to hear?

I felt an instant connection to Usain Bolt and his exceptional honesty and integrity to himself and his life. He was not motivated by winning anymore. When I heard him explain himself, I felt I could be true to myself.

I am not motivated by money alone anymore. I am not motivated by just making a living from trading. I need to feel I am pushing the boundaries of what is possible as a trader, in terms of size, in terms of entries and exits.

And that has been evident from my trading this week. I could sail that ship safely to the harbour every day and make good money from it. Instead, I pursued an agenda, pushing myself and my stake size into a territory, where I became alive, away from the mundaneness of School Run and Advanced School Run. I took on the house (the house is the market), and I crashed and burned, retreating to my base, wounded, wondering if I should even be trading at all.

Is it all too honest? No, there is no such thing. I am not writing to gain admirers, nor am I seeking forgiveness for a bad week. I am the problem, and I am the only one who can fix that problem.

I have 500 messages waiting me. They are full of opinions. "Go back to scalping". "Don't beat yourself up". "Your course is a disappointment, and you never answer my questions." "You should learn ICT." "Why are you not adding?". "Why are you adding?"

The list is long, and I am sure it is well intentioned. I wouldn't personally like to advice Bolt on how to find his motivation. In the end Bolt retired soon after making those statements. He was tired of the long hours, the gut-wrenching solitude of training.

I did the Blank Paper Exercise today. I asked myself, "Do you want to stop trading?". The answer was a resounding NO. "What is wrong?" I am tired of losing was the answer that came back.

Did you know that losing can cause a dip in your testosterone levels. It is interesting how our minds can narrate our hormones, merely by how we think.

I am at a crossroad. I am struggling with the mundaneness of trading. I have lost (temporarily I believe) the love for the process. I have done it for many years, and I am at times bored with it. That is a dangerous emotion, because your mind tends to find a way to get you want you want. Even Usain Bolt's own manager was concerned he might get injured on purpose, just to escape the boredom of training.

I acknowledge my emotion, which is the reason why I in the weeks to come will follow my mechanical rules to the letter. I need to find the rhythm again. I need to find that peace again, before I start adding aggressively.

What does it mean? It means I will trade School Run, and one other strategy that I use, and that will be that. I want to go through all next week, sticking to my game plan laid out right now. I will then assess when the mental state of mind is right to begin to "free flow" again.

Until tomorrow.

Tom x