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May/June 2019

FIRST-QUARTER WINNERS AND LOSERS

HOW TO BE A HIGH PERFORMING TRADER

ROUTINES OR CHAOS: THE SECRETS OF SUCCESSFUL TRADERS

THE FRAUGHT WORLD OF TRADING RISKS

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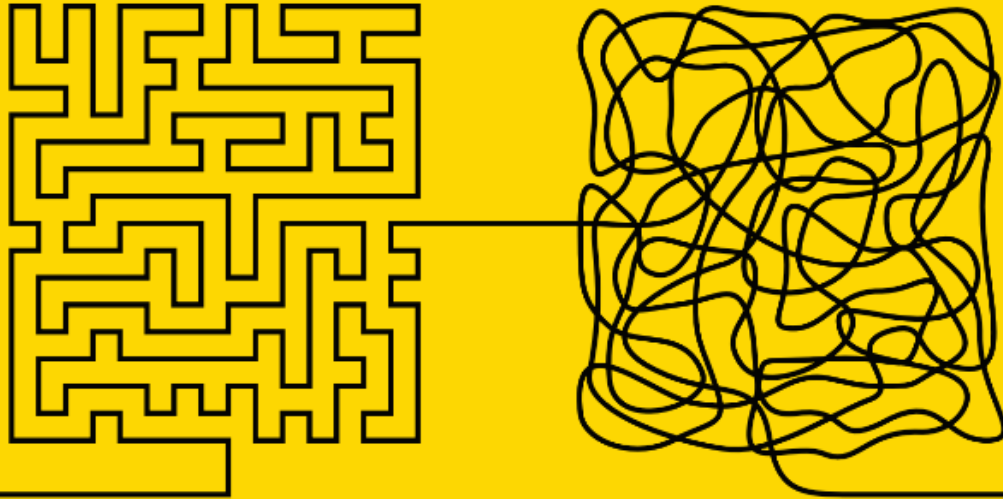
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Routines or CHAOS:

The Secrets of Successful Traders

By Eva Diaz

Daily routines play a critical role in the success of top athletes, musical and artistic performers and other world recognised achievers in various fields.

For example, it's been reported that Microsoft founder Bill Gates used to work out on the treadmill after waking up as part of his daily routine.

Meanwhile, Tesla founder Elon Musk, admits that the first thing he does after waking up in the morning is to answer critical emails for the first 30 minutes of the day.

Though they may sound dull and boring, routines have been recognised as important in building good habits that help people achieve their goals – and ultimately become

successful.

But you may be asking, what do routines have to do with trading?

When traders have to deal with an ever-changing market that throws up unpredictable scenarios all the time, what can mundane routines do for traders?

How can routine help you succeed as a trader when the markets seem to be in constant chaos?

Reading the tales and books from some of the world's successful traders, they all emphasize the importance of trading routines. And all trading coaches dedicate a lot of time and effort in designing and developing routines for traders.

Let's look at a few legendary traders and high-profile personalities in finance and how they used routine in their trading.

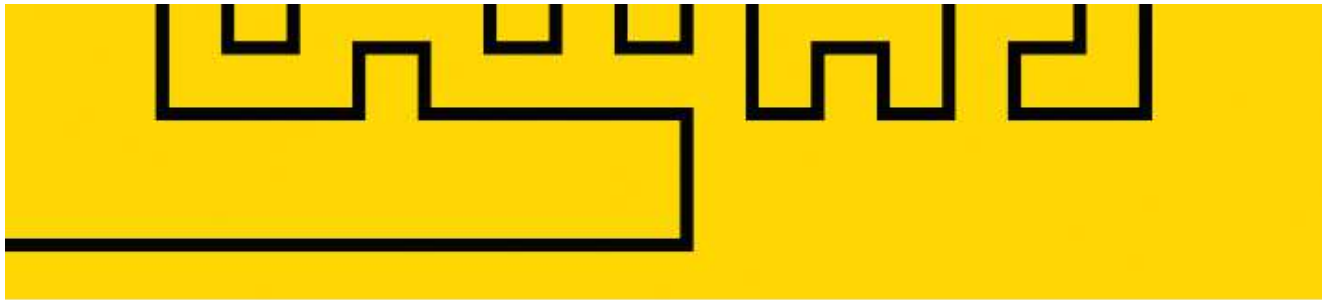
Martin 'Buzzy' Schwartz detailed his trading routine in his book *Pit Bull: Lessons from Wall Street's Champion Day Trader*.

Schwartz's trading day usually starts at 6.45 AM and finishes at 10.30 PM.

While that may sound like a long and intense trading routine, this routine served Schwartz well and made him one of the most recognised successful traders in the world.

Another world-renowned trader is Mark D. Cook, who has been featured in Jack Schwager's book *Market Wizards*.

Cook, who came from a farming family



in Ohio, USA, admitted to sticking to his trading rules and routines as if they're his bible. He's known to locking himself in his trading room in a barn and no one is allowed to disturb him during trading hours.

Billionaire hedge-fund founder Ray Dalio has been quoted saying his daily 20-25 minute meditation must be one of the keys to his success in the finance industry.

You don't have to be a Marty Schwartz, Mark D. Cook or Ray Dalio to get the benefits of daily routines. But you definitely need to get started into some positive trading routines if you aspire to be one of those successful traders.

Benefits of trading routines

So, why is a trading routine important? Does it really help traders be more successful? Or is it just another fad that is sure to fade?

This is because traders deal with a market that has many unpredictable components. Trying to make sense of market volatility without a set of rules and routines can be like going out on a kayak without any paddle to help you steer or to keep steady when the waves and the winds pick up and toss you up and down wildly.

Routines can help you propel into action

An outstanding benefit from having routines that has been highlighted by many trainers, coaches and performance mentors is that it saves people from thinking or hesitating at critical times.

When you have set routines, you know what to do even when there are many uncertainties in the markets. Having routines makes you more decisive and action ready. There is no room for hesitation or confusion because you have tried and

tested routines in place.

Many documented cases of sports teams and individual athletes have been used to show convincing and positive results when people use routines. And this is not limited to elite sports or artistic performers.

Use basic routines to develop good habits

As a trader, you can put in place routines that will help you become more efficient, more disciplined, and more productive. And your routine can be as simple as checking the overnight market performance before the start of your trading day; review of all your open positions; review your position sizes before each trade and review of your exit points.

There's no doubt you already know that indecision is one of the worst enemies of traders. Indecision can cause you to miss a trade. Or it can cost you a lot of money if you hesitate to get out of a losing position quickly.

But if you have set routines that will help you get in and out of trades (based on previous setups and rules), you can eliminate any indecision or hesitation during trading days.

And while the routines themselves may not guarantee success in trading, what we've seen over and over again with all successful traders is that they have a set of trading routines that they follow and stick to.

In a sense, having a trading routine is one of the basics that you need to have if you want to improve and enhance your trading.

In his book *The Daily Trading Coach: 101 Lessons for Becoming Your Own Trading Coach*, Brett Steenbarger repeatedly talks about routines – physical as well as mental – routines that traders need to include in their trading.

Having coached thousands of individual and institutional traders all over the world, Steenbarger is a strong advocate of building and sticking to daily trading rules and routines.

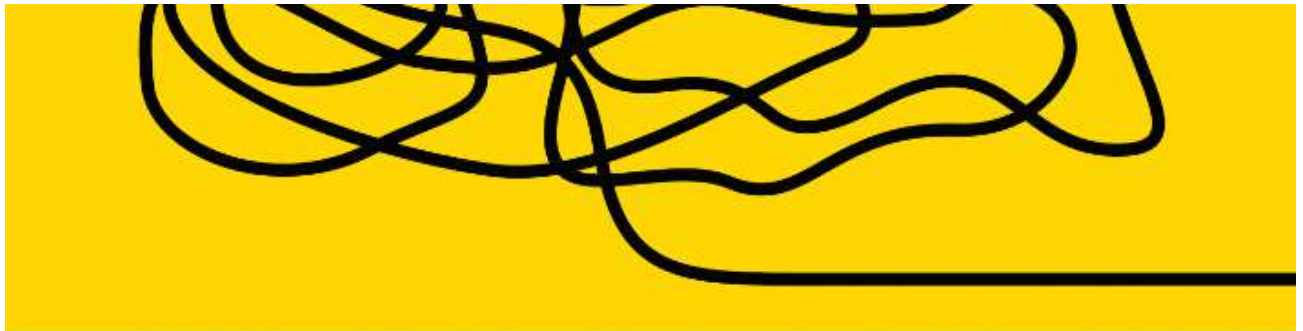
Steenbarger suggests creating opportunities for repetition (routines) before and during the trading day. For example, his strategy involves the following:

- 1. Make a list of your most important trading rules** – for example, your entry rules, risk management rules, position sizing and exit rules.
- 2. Create a routine before trading begins to review the rules** – Marty Schwartz does this every trading day no matter how many decades he's been trading the markets.

"The more you think about rules and rehearses them, the more they become part of you. Repetition creates internalisation." Steenbarger

- 3. Create a break in your trading day to review your rule-following.** Use the midday break when markets usually slow down, to clear your head and review your trading up to that point.
- 4. Use the rules at the end of the day as a report card.** The end of the trading day is a great opportunity to review if you have performed according to your trading rules. An objective assessment to see which rules were not followed is a good indication on what you need to work on or what you can improve on.

Steve Ward, a trading coach and author, dedicated a chapter in his book *High Performance Traders*, on rules and



routines for traders.

According to Ward, who has also coached elite athletes, routines can be powerful. And why is this?

“Routines can enable us to quickly and efficiently get ready to do; to get into a required state for action with the minimum of worry.”

If you look at other high performers such as actors, athletes and musicians – they all have routines that they follow before their performance.

And the same should be true for traders. It's best to have daily or weekly routines that can make you more efficient with your trading.

Daily trading routines – If you're a full-time trader, your daily trading routine can start from the moment you wake up until the market close. Checking the market's opening and closing levels and reviewing your trading positions can be the most basic part of your daily routine. You have to know what is happening in the markets.

Weekly trading routines – If you're a part-time trader with another day job, you may still have a daily routine even if it only involves scanning the markets at the open and close each day. And you may have a weekly or monthly routine to check your portfolio or simply to keep on top of what's moving the markets.

The important thing is to get started with the trading routine that will work for you. There's no point in designing a routine that you can't follow or stick to because it doesn't fit into what you're trying to do with your trading.

Another critical thing to consider when it comes to routines is sticking with it. This

means doing it day in day out.

Whether you have a set routine for your daily trading or is just setting out to develop a trading routine, you can benefit from reading about the trading routine of successful traders. Also, there are many books about the benefits of using routines and developing positive habits.

In his book ***The Power of Habit***, Charles Duhigg explained how habits are formed. It is by repeating certain things over and over again until they become ingrained and part of your system.

As a trader, one of the most important things you can do on a daily basis, particularly if you're an active trader is a daily check of the markets.

It goes without saying that you need to monitor what happened in other markets overnight. Whether you're in the US, Europe, Asia or Australia, you need to know what happened in other markets the night before that may affect your trading for the day.

If you monitor the markets at the same time every trading day, it won't take long before this becomes part of your daily activity. Do one activity at the same time of the day for several days or weeks and it will soon become a habit.

Another book that highlights the benefits of routines and habits is ***Atomic Habits***, written by James Clear. In this book, Clear tells how he slowly and gradually developed habits that helped him in his recovery from a major injury until his full recovery and return to sports.

Setting up routines, sticking to them diligently until they become good positive habits may take time. But as many successful traders and high performers the world over have proven, having positive

daily routines can be your trading edge in the long run.

If you are after a trading specific routine, here's what Martin Schwartz shared in his book.

Martin Schwartz' daily trading routine

6:45 AM – Rise and shine.

6:45 – 7:40 – Shower, breakfast and other personal activities to get him ready for the day.

7:40 AM – Checking the overnight market for big moves, big news and events that may affect the market. Scan the market for trade opportunities or see what's moving in other markets. Remember Schwartz traded all sorts of instruments from bonds to options and share futures.

9:30 AM – Reviews his checklist which is a summary of his checkpoints for taking positions and general strategy reminders.

Then he will be ready to place some trades for the day.


12:30 PM – Lunch.

1:00 – 4:00 PM – Afternoon trading.

4:00 – 4:15 PM – Wrap up and analysis of the trading day.

6:00 – 6:30 PM – Dinner.

6:30 – 7:00 PM – Review of charts and marketing monitoring; review of data

7:00 – 10:30 PM – Preparation for the next day's trading. Big picture analysis, strategies, review and spot trends, general market direction. 

Eva Diaz is the author of *Real Traders, Real Lives, Real Money (Books 1 & 2)* – which tell the stories of top Australian retail traders in the CFD and FX markets. She is also a co-founder of *Profile Booster*, a consulting and digital marketing company that specialises in the financial services industry.



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