



HIGH PERFORMANCE TRADING

**35 Practical Strategies and
Techniques to Enhance Your Trading
Psychology and Performance**

STEVE WARD

• • • **Sample** • • •

High Performance Trading

35 Practical Strategies and Techniques to Enhance
Your Trading Psychology and Performance

by Steve Ward

HARRIMAN HOUSE LTD

3A Penns Road
Petersfield
Hampshire
GU32 2EW
GREAT BRITAIN

Tel: +44 (0)1730 233870
Fax: +44 (0)1730 233880
Email: enquiries@harriman-house.com
Website: www.harriman-house.com

First published in Great Britain in 2009 by Harriman House.

Copyright © Harriman House Ltd

The right of Steve Ward to be identified as the author has been asserted
in accordance with the Copyright, Design and Patents Act 1988.

978-1-905641-61-1

British Library Cataloguing in Publication Data

A CIP catalogue record for this book can be obtained from the British Library.

All rights reserved; no part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise without the prior written permission of the Publisher. This book may not be lent, resold, hired out or otherwise disposed of by way of trade in any form of binding or cover other than that in which it is published without the prior written consent of the Publisher.

Printed and bound in Great Britain by CPI Antony Rowe, Chippenham

No responsibility for loss occasioned to any person or corporate body acting or refraining to act as a result of reading material in this book can be accepted by the Publisher, by the Author, or by the employer of the Author.

Designated trademarks and brands are the property of their respective owners.

To Sabine and Ollie

Contents

About the Author	vii
Acknowledgements	ix
Preface	xi
Introduction	xiii
Part One – Planning and Preparing for Trading Success	1
STRATEGY 1: Set Yourself Up for Success	3
STRATEGY 2: It's Down to You	15
STRATEGY 3: Fuelling Success – Motivation and Commitment	21
STRATEGY 4: Develop a Compelling Vision of Trading Success	31
STRATEGY 5: T.R.A.D.E. to Success – Goal Achievement Strategies	37
STRATEGY 6: Know Who You Need to Become	47
STRATEGY 7: Find Your Magic – Developing Your Trading Strategy	51
STRATEGY 8: Identify Your Critical Performance Factors	63
STRATEGY 9: Be P.R.E.Pared!	71
STRATEGY 10: Create a High-Performance Environment	79
Part Two – Decision-Making, Discipline and Flawless Execution	87
STRATEGY 11: Discipline and Your Ideal Trading State	89
STRATEGY 12: Deal With Distraction – Refocussing Strategies	103
STRATEGY 13: Stay Calm When the Pressure is On	109
STRATEGY 14: Get Energised – Manage Your Energy Levels	117
STRATEGY 15: Run Your Profits, Cut Your Losses	125
STRATEGY 16: Handle Losses Like a Winner	135
STRATEGY 17: Parking Errors – Dealing Effectively With Mistakes	141
STRATEGY 18: Be Wary of Overconfidence	149
STRATEGY 19: Deal With Negative Emotions Positively	157
STRATEGY 20: Embrace Risk and Uncertainty	163
STRATEGY 21: Pull the Trigger – Overcome Hesitation and Fear	169
STRATEGY 22: Understand That More is Not Always More	177
STRATEGY 23: Transform Adversity Into Challenge	185
STRATEGY 24: When Times Are Great, Keep Them Great	195

Part Three – Evaluation, Analysis and Improving and Sustaining Performance	201
STRATEGY 25: Learn More – Keep Getting Better	203
STRATEGY 26: Know Your Score – Measuring Trading Performance	215
STRATEGY 27: Develop Winning Routines and Rituals	225
STRATEGY 28: Build Resilience	231
STRATEGY 29: Manage Stress	243
STRATEGY 30: Achieve Balance	253
STRATEGY 31: Plan Your Growth	261
STRATEGY 32: Generate New Trading Behaviours	267
STRATEGY 33: Utilise Your Strengths and Successes	277
STRATEGY 34: Mind Your Language	283
STRATEGY 35: Be Persistent!	289

About the Author

Steve Ward is a performance consultant, trader performance coach, director of High Performance Trading and has traded FX and stock indices. He provides specialised trader performance and psychology coaching and training programmes for traders in the retail, proprietary and institutional sectors, and provides consultancy to trading and financial institutions across the globe working in the areas of trader recruitment, selection, assessment, training and development. Steve has extensive experience as an in-house performance coach and trainer for leading trading institutions, and in co-managing a large team of over 40 professional traders in London. He was a consultant to the BBC TV series *Million Dollar Traders* and is a regular trainer at the London Stock Exchange.

Steve has a history of working with elite level performers including athletes and sports teams at world championship and Olympic level. His work utilises techniques and strategies from sports and performance psychology, cognitive behavioural and performance coaching, and behavioural finance, to help traders to develop the success skills and winning mindset required to achieve their trading goals.

High Performance Trading

High Performance Trading is a leading supplier of trading psychology and performance services to traders and trading institutions across the globe.

We work with traders, helping them to achieve and sustain high performance, to develop the skills and winning mindset required, thereby maximising their trading potential and profitability.

We offer our clients a wide range of high quality services and products including:

- 1:1 trader psychology and performance coaching
- Seminars and workshops
- Online High Performance Trading training programme
- High Performance Trading weekend seminars
- Resources, including books and articles

- Consultancy services in recruiting, selecting, training and developing traders

If you would like to find out more about how to enhance your trading performance and maximise your profitability, do pay a visit to our website or email direct.

www.highperformancetrading.co.uk

info@highperformancetrading.co.uk

Acknowledgements

There have of course been many people who have been instrumental in helping and guiding me to be where I am today and who have helped me to achieve many of my goals and ambitions (this book being one of them!) and so I would like to take this opportunity to say a few heartfelt thank yous.

The Oscars read as follows!

For their lifelong support and encouragement – my parents Vic and Judy Ward.

For supporting me in pursuing the things I love to do – my beautiful wife Sabine and my amazing son and champion Oliver.

For always being there when needed – my lifelong best mate Blairy.

For his wisdom and encouragement – a great coach and ever-improving Yoda impersonator, Donald MacNaughton.

For igniting my passion for performance psychology and setting me loose in the world of sports psychology – Jeffrey Hodges.

For setting me on the path to trading psychology – Gavin Gobby.

For introducing me to the institutional world of trading – Khoi Tu.

For teaching me to trade and introducing me to the world of retail trading – Nick McDonald.

For some great business ideas and some great times together over the years – David Helps and Delme Thompson.

For the opportunity to work at ‘probably’ the best proprietary trading group in the world and for supporting me in the writing of this book – Sonny Schneider and Matthew Silvester

For making this book possible – every trader I have ever worked with; everyone who has given input and feedback; and also to the many authors who have led the field in trading psychology, and provided inspiration to my own study of this topic, most notably Brett Steenbarger, Mark Douglas and Ari Kiev.

And finally to the most understanding editorial team in the world – we got there!

Thank you all.

Preface

It was 2005 when I first entered the world of trading, having previously spent my time working in sports and performance psychology with elite athletes, sports teams and corporate clients. I was invited to London to present some seminars on performance psychology to a large trading institution, with an audience comprised of about 150 traders. I was initially disappointed to find that not one of them wore a pinstripe suit or bowler hat and that the dress code seemed more akin to mandatory jeans and t-shirts. It was, however, the beginning of what has been an amazing journey of learning and discovery, in which I have become ever more involved in the world of financial trading, even becoming a trader myself.

The premise behind my initial invitation was simple but novel. The institution had been looking to create the very best environment to train successful traders in, and which the best traders would want to work from, too. But something was still missing.

They had a fantastic modern office right in the heart of the City; they provided the best trading platforms and charting packages; they had developed an excellent graduate training programme; they had high speed connectivity, impressive risk management and just about everything that a trader could want. (Including a games room and a concierge service!) Yet they felt that the performance of the traders could still be better – and ultimately after having looked at all of the possible environmental and external factors that contribute to trading success, they finally looked to the most important person in the trading equation: the trader himself. Enabling the trader to perform at his or her peak for as much of the time as possible was seen as being key to maximising the profitability of the individual and therefore the organisation.

“ The trader performing at their peak for as much of the time as possible is key to maximising profitability. ”

Over a period of almost twelve months I presented regular seminars to the traders on topics such as emotional state management, goal achievement, concentration and focussing, the development of a trader's mindset – as well as working with many traders on a 1:1 and group coaching basis. The feedback was exceptionally positive, and from this beginning I ended up working with

institutions and traders across the globe, embarking on a path that I had never envisioned but am now absolutely passionate about. Why?

The world of trading is dynamic, results-driven and highly pressurised: all of the factors that I had enjoyed so much in working alongside the sporting world. Yet trading for me offered something different, too – it was a much more complex and demanding puzzle. Trading has so many components to it that can influence performance. The markets are an ever-evolving and truly dynamic environment. Traders expect demonstrable results, and always demand the highest level of performance from themselves. So here within trading was almost a greater, more intricate challenge: how to bolster, refine and constantly improve the performance, not of physical athletes, but of participants in complex global finance. To this day I am of course still learning so much from working with traders, trader managers, trainers and other coaches, and there is always new research to be read and considered. But you hold in your hands the distillation of the wisdom and experience I have accrued so far, in this rigorous and enjoyable process.

The pursuit of my passion for high-performance in trading is something that I feel fortunate to be able to undertake each and every day. I have also become a trader myself, and so have, in many ways, become the athlete as well as the coach! Each time I trade is a reminder for me of the demands and joys involved in becoming a successful trader.

Steve Ward, 2009

Introduction

This book is entitled *High Performance Trading* and is a practical guide to enhancing your trading performance and psychology. It is about helping you to achieve and then, most importantly, sustain high performance.

The book is divided into three core parts, representing the three areas of the 'performance cycle' – planning and preparation; execution; and evaluation and analysis leading into performance improvement.

Trading performance and the results that it brings are the hub of the trading performance and psychology wheel. The three dimensions are the core components to achieving success, not just in trading but in any performance activity.

In Part One, 'Planning and Preparing for Trading Success', we look at how we can set ourselves up for trading success and what we can do to stack the odds of success in our favour.

In Part Two, 'Decision-Making, Discipline and Flawless Execution', we look at practical approaches for making more effective trading decisions, improving your trading discipline and for adopting a flawless execution approach.

In Part Three, 'Evaluation, Analysis and Improving and Sustaining Performance', we explore how to measure and assess trading performance so that we can get the valuable feedback required to help us to identify what we should do more of, what we should do less of, what we should start doing, and what we should stop doing. Importantly, we then look at how to improve performance, how to change behaviour – and how to become a better trader.

High-performance trading is more than a set of techniques and strategies, though; it is an approach, a mindset, a philosophy. A high-performance approach is founded on the desire, passion and commitment to achieve the best possible standard of performance: by putting in the effort and time to develop the required skills, knowledge and understanding; by accepting responsibility for your results, and understanding that at any given time the results you are getting are purely a reflection of your current performance level, your ability, knowledge and skills.

As Brett Steenbarger notes in *Enhancing Trading Performance*, "When a person truly commits to achieving excellence in an area, and becomes absorbed in the process of achieving their best possible performance, they will automatically

begin to make changes to their outlook, perception and beliefs, and to adopt performance orientated behaviours.”

The high-performance approach to trading is typified by the following:

- Striving to be the best trader that you can be – focussing on personal excellence – and working on achieving and sustaining the highest levels of performance possible, underpinned by strong motivation and commitment.
- Setting yourself up for success through the development of goals, a trading strategy, a business approach, and training and practice.
- Focussing on the flawless execution of your strategy, making the best possible decisions and staying disciplined. Evaluating and analysing performance regularly and using this feedback to make the required changes to enhance your trading performance.
- Persisting during the good and the bad times.

High Performance Trading is the result of over five years spent working full-time with financial traders across the globe in institutions and proprietary trading groups, and with retail trading clients in the arena of trading performance and psychology. It is intended to be a sharing of ideas, findings and thoughts that have been drawn from my experience of trader recruitment,

“ This is a user manual of practical and useful approaches, strategies and techniques that you can implement right away. ”

selection, assessment, development, training and coaching with traders of all ages, experiences, success levels and asset classes. I have also drawn on the knowledge and expertise of the traders

that I have had the pleasure of working with, the industry leaders in the world of trader training and coaching, as well as the many excellent books that exist on performance, sports psychology, personal development and trading psychology.

The intention behind this book is not to provide a theoretical discussion of leading topics in trading psychology (as there are many good ones already in existence). Rather, it is to provide a user manual of practical and useful approaches, strategies and techniques that you can implement within your own trading to enhance your current level of performance. Not every strategy or technique will be relevant for everyone and indeed I hope that this book will be used equally as a reference book, dipped in and out of, and picked up and

read as and when circumstances dictate – from my own reading I know that what I see as valuable in a book is most often dictated by where I am at with my performance myself.

Before I started to put this book together I asked traders what they wanted from a book on trading performance and psychology, and here are the key items they suggested:

- Practical strategies and techniques
- Easy to read and access information
- Short chapters
- Diagrams
- Stories and case studies to illustrate points

I have aimed to write this book for you, the trader, following the formula that traders suggested, and covering the topics that they felt would be most useful. In essence this is a book by the trader and for the trader. My greatest hope is that you get something useful and valuable from these pages, that you take the time and effort to apply such lessons, and that your trading performance is enhanced as a result.

If you have the urge for greater in-depth knowledge or a more theoretical understanding of some of these areas then I would refer you to the recommended texts and resources listed throughout the book and also in the appendix.

My own personal measure of success for this book will be the number of people that took something from it, implemented into their trading and experienced a positive improvement in performance – let me know if that was you!

Part One

Planning and Preparing
for Trading Success

STRATEGY 1

Set Yourself Up for Success

"Becoming a great trader is a marathon not a sprint!"

– Abe Cohen, trader mentor

Transforming into a Trader

In my consulting role with traders I am fortunate enough to be involved with professional proprietary traders, bank traders and retail traders at different points along the learning and experience curve. Some of the traders I work with I have known for several years now, and I have witnessed some of them grow from being excited trainee beginners to consistently very profitable professionals. The traders who become successful and profitable have achieved something that most people who take up trading do not – they have become traders. What do I mean by this? They have transformed from *learning* to trade, through *becoming* traders, to *being* traders. Each phase has its own distinct make-up, and transition from one to another is a process that takes place over time.

Here are a few thoughts on what may differentiate a trader at different phases of this transformational process:

Transformational trading – 3 stages to becoming a trader

1. Learning to Trade

- Develop required basic skills, knowledge and understanding.
- Spend time on simulators/paper trading, practicing basics.
- Trading small size in live markets.
- Developing key actions and disciplines.
- Working from directed knowledge – perhaps trading a strategy learnt from a course.
- Focus on developing basic trading skills.
- Conscious execution of skills – moving from incompetence to competence.
- May still be naive about the challenge and difficulty of achieving trading success.
- Prone to overconfidence from early successes in the market.

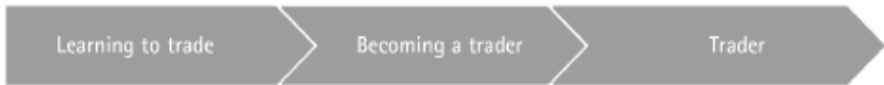
2. Becoming a Trader

- Beginning to personalize their trading strategy and style.
- Continual development of skills, knowledge and understanding.
- Focus on developing trading competence.
- Some skills becoming more subconscious through repetition and practice.
- Likely to have encountered periods of drawdown and losses that have tested their commitment, self-belief and resilience.
- Developing awareness of importance of psychology and performance in trading.

3. Trader

- Has the skill and ability to develop and execute strategy in line with own abilities, skill and strengths, as well as preferred risk, decision-making, information-processing and behavioural styles.
- Extensive levels of unconscious competence.
- Continual improvement is still a focus.
- Focus on developing trading expertise and mastery.
- Flexible and adaptable to changing market and personal circumstances.
- Able, if prepared and willing, to coach and mentor traders.
- Experienced – ‘weathered’ – in the markets!
- Fully understands the importance of psychology in achieving consistent trading performance.
- Less focussed on P&L and more focussed on execution and mastering their craft.

Although I have given three discrete categories here, we are really looking at a continuum of development as shown in the following diagram.



Beginner – Novice – Competent – Expert – Master

Where would you place yourself on this continuum?

What is the evidence for that?

Time Precedes Success

“Only time determines whether you will become a successful trader.”

– Harold Cataquet, trader coach, Cataquet Associates

In my younger days I was a keen martial artist studying both Aikido and Jiu Jitsu. I remember one day asking my sensei (teacher) what he felt the most important quality or distinguishing factor was between those students who achieved black belt, and those that didn't. “That is easy,” he said, “the people who make black belt just keep coming and training hard.”

In essence the key success factor was time: keeping engaged in the activity long enough to get good at it. Time is actually a big factor in achieving success in all high-performance arenas; and trading is no exception. In his book *Outliers*, which examines what it takes to become highly successful in any given area, Malcolm Gladwell gives the figure of 10,000 hours' commitment. In *The Road to Excellence*, K. Anders Ericsson estimates ten years; and there is of course the old adage that 'it takes ten years to become an overnight success'. One of my favourite ways of putting this basic demand for commitment comes from Steve Lumley, a UK triathlon coach, talking about how long it takes to reach peak level performance in elite triathlon competition – 4 x 6 x 48 x 10. (Or 4 hours a day for 6 days each week, for 48 weeks of the year, for 10 years.)

Over the years I have been very fortunate to see many traders make the transition from beginner, to novice, to competent, to expert trader; achieving high levels of success and reaping the return on the significant amounts of time, energy and in some cases money that they have invested early on in their careers. The one common factor in all of their cases is that they spent long enough in the markets to develop the required levels of skill, knowledge,

attitudes and behaviours. Success was not achieved overnight. They survived the learning curve and got to the earning curve! Many people, on the other hand, drop out through running out of personal or trading capital, not being resilient enough to cope with the stress and pressure of trading, or through frustration at the difficulty of the challenge that trading presents.

Getting to When it Clicks

Time enables you to not only acquire the skills, knowledge, attitudes and behaviours that are required to trade successfully but it also keeps you in the game so that you can get to the 'clicking point'.

One of the most fundamental obstacles that you must overcome as a trader is the task of ensuring that you stay in the markets for as long as is possible until it has clicked – and then you are off!

Real Life Examples: Getting to the Clicking Point

“I believe that every new trader is working towards that day when things ‘click’. It obviously happens at different speeds for different people. The key thing is to keep yourself in the markets long enough to allow it to happen for you.

“I had been struggling to get my trading account up through a certain level and achieve what I felt was the next step in my trading career. I was doing the right things and trading well, but every time my account got near to this financial level, things started to go a little wrong. I felt confident in what I was doing as I was being fairly consistent and diligent in my approach. I spoke to a much more senior trader about this and he advised me to remain patient. He said if I kept doing the right things then the opportunities would come; I should seize them when they did.

“Pretty basic advice, but just what I needed to hear. Soon afterwards an opportunity did arrive, and because I was confident and focussed I capitalised well and burst through that barrier. From there I’ve never really looked back. Maintaining the right practices and keeping my discipline allowed me to stay solvent and in the markets long enough for

a big opportunity to come along. Having a good strategy and plan allowed me to recognise and capitalise on that opportunity.”

– Stewart Hampton, Trader

“I remember the day it all clicked. I remember it so clearly. To this day I am still not sure why it did – but it did! Interestingly, when it clicks, all the stuff everyone said was important, but you thought was too easy to be significant, realises itself.”

– Nick McDonald, Trade With Precision

Experience Counts

Experience is one of the most important factors behind consistently successful traders, and experience is purely an outcome of time. What happens over this period that is so critical?

- Learning from mistakes
- Improved knowledge, skills and understanding
- Improved knowledge of self and strengths/weaknesses
- Pattern recognition
- Experience different market conditions
- Conditioning of behaviours and responses

For every trader, getting to the stage where you have acquired sufficient market time and gained the required level of competence is a primary goal. How long is this period? How long is a piece of string! It will be different for different people. We are all unique, with our own particular set of circumstances. We are, however, talking years here – and not days. This is a serious endeavour, as all truly profitable pursuits must be.

“How long does it take to know that you are a successful trader? This is a difficult question. A good friend of mine who is involved with business development suggests that once you have got past the first three years then you are probably quite established, so it may be something similar for a trader.”

– Nick Shannon, occupational psychologist

The J-Curve

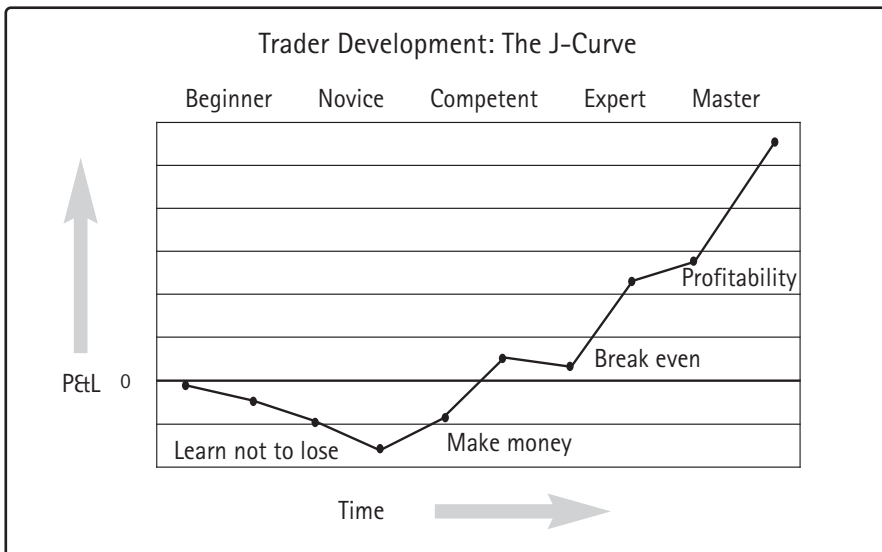
One of the most important strategies a trader can adopt is to do everything possible to make sure that they stay in the game long enough to get good at it and for it to click. This is what I call setting yourself up for real success –

“ You have to learn to stay in the game long enough to get good at it. ”

putting in place specific actions and strategies to create enduring, rather than transitory, achievement.

When you learn to trade it is not uncommon to see performance shape

itself as what is known as a J-Curve, as shown in the diagram below. The J-Curve is a typical and common development curve for traders. In the early stages of their career they are still learning, and so execution is not accurate or well refined – leading to perhaps more losses. There is also a greater chance of errors being made, and commissions and costs still have to be paid. This can lead to a typical dip in trading account balance whilst the trader is essentially trying to learn how to not lose money, how to manage risk and establish good trading habits. In phase two, the trader is now focussed on making money, is making less errors, and the execution of their strategy is improving. In the third phase the trader is at break-even – covering costs and losses with their trading. Finally the trader enters profitability. It is important to note that progression and growth is not ongoing or exponential from this point and that in fact some traders can go backwards quite significantly.



Different traders will have different development curves and this will depend on many factors, including the products being traded, the market conditions, commission structures, any overheads, and then how many performance accelerators can be utilised to sustain progress.

For some traders, growth occurs from early on in the curve and increases over time. For others there is a long phase of waiting to break out and 'get it'.

Short and Shallow – Trading Success Factors

For all traders, keeping the dip in the curve as short and as shallow as possible is the key to enhancing your profitability and becoming successful as a trader. With this in mind, it is important to understand that there are specific factors that enable this to happen, and that you can actively implement these factors to accelerate and sustain your progress along the curve – I call them the Trading Success Factors.

For example, poor risk and money management can have a big impact on the depth to which the J-Curve goes. Likewise, the amount of time that you can actively spend trading the markets, and the quality of the training and coaching that you get, can have a significant impact on how long it takes to break even.

Practical Strategy: Trading Success Factors

Take a look at the list below of Trading Success Factors. Which do you have already? Are there areas where you could develop and enhance your performance? What do you need to work on and develop next in order to continue developing your trading?

- Strength of purpose and commitment – critical to keep you going
- Resilience – psychological/physical/financial
- Strong risk and money management strategies
- Training, coaching and mentoring – high quality, organised and structured
- Ability to learn and adapt
- Skills, knowledge, understanding
- Hard work and effort

- Beliefs, attitudes, perceptions about yourself, trading, the markets, success and money/wealth
- Development of a suitable and successful strategy with an edge/positive expectancy
- Timing of entry to the markets – is the current market conducive to learning
- Love of trading and the markets
- Time/immersion – time to learn and trade
- Support – friends, family, colleagues
- Deliberate, focussed practice



Trader Top Tips

"A good friend of mine always told me to make sure that you live to fight another day. That was invaluable advice."

– David Helps, LIFFE

"Manage your risk, it will give you the staying power to succeed."

– SJG, trader

"In order to become a successful trader I believe that the key thing is hard work. When you begin you must immerse yourself fully in every single aspect of the job. You can never know too much."

– Lawrie Inman, trader

"Personally I feel success requires similar core traits and commitments, independent of the occupation. It is simply magnified in trading, because an individual's survival does not rest in the hands of an employer, and perhaps more so, because our decisions yield rapid results, be them favourable or otherwise.

"With this in mind, I would advise traders that resilience, money management and emotional control are, in my experience, essential in achieving long-term success. I am firmly of the belief that at the opening stages of a trading career, it is not the technical know-how that most separates the level of achievement

of the individual, but his/her ability to apply their plans in real time, and it is the above mentioned attributes that facilitate that."

– **Edward Arees, trader**

"Be first in the office, take no holidays for the first two years, and get to know the best traders around you."

– **Mark Lindop, trader**

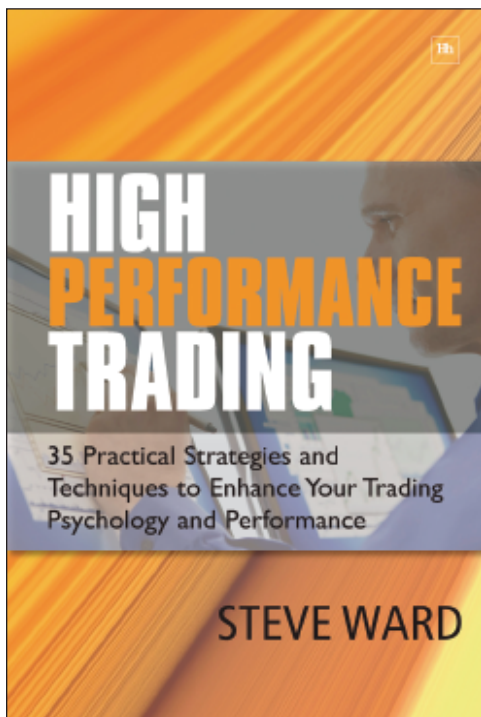
"In the beginning your aim should be to develop confidence and structure. Get comfortable with your trading strategy, develop good habits and discipline and be prepared to do whatever it takes to achieve success. It is critical that you avoid getting yourself into a situation where you are desperate and have to make money – this is the situation that more than any other seems to have the most destructive effect on a person and their ability to trade well."

– **Matthew Silvester, head of training, Schneider Trading Associates**

High Performance Trading

35 Practical Strategies and Techniques to Enhance Your Trading Psychology and Performance

Steve Ward



Available direct from Harriman House and all good booksellers. To order a copy of the print or ebook edition go to:

www.harriman-house.com/highperformancetrading

Paperback: 9781905641611

eBook: 9781906659905

