



TRADING COACH

Build your whole trading system

www.trading-coach.fr

The Perceptive Trader

www.theperceptivetrader.com



« HOW TO ASSESS AND OVERCOME OUR
HUMAN NATURE IN TRADING »

ONLINE TRADING CLASSROOM—SATURDAY 22 JANUARY 2022— 3 PM (CET TIME)

www.trading-coach75.com

www.theperceptivetrader.com

TABLE OF CONTENTS



I-PRESENTATION

II-THE CONTRAST BETWEEN HUMAN NATURE AND THE NATURE OF THE MARKETS

III-BIASES OF THE HUMAN MIND THAT AFFECT OUR TRADING

TABLE OF CONTENTS



IV- HOW TO OVERCOME THESE BIASES

IV-1 CONSCIOUS AND UNCONSCIOUS BRAIN

IV-2 THE PROCESS OF CHANGE

V- EMBRACING MARKET UNCERTAINTY

I-Introducing and purpose of the classroom



❖ PURPOSE OF THE CLASSROOM

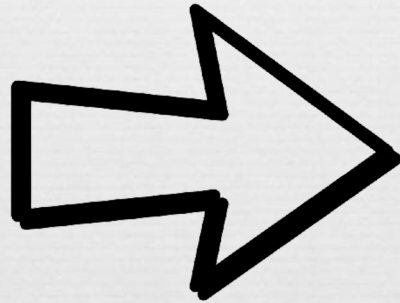
FLORIAN

SARA

II-The contrast between human nature and the nature of the markets



**SEEKING
CERTAINTY**



**EMBRACING
UNCERTAINTY**

II-The contrast between human nature and the nature of the markets



OUR BODIES GOAL: USE THE ENERGY BUDGET EFFICIENTLY

SAVING ENERGY → TURN ESSENTIAL ACTIVITIES AUTOMATIC (UNCONSCIOUS)

OLD BEHAVIORAL PATTERNS BROUGHT TO TRADING DON'T WORK

HOW CAN WE REDUCE THE GAP BETWEEN THE TRADER YOU ARE NOW AND THE TRADER YOU WANT TO BE?

1- Knowing yourself

2- Knowing what a profitable trader looks like

3- Knowing what you need to change to become one

II-The contrast between human nature and the nature of the markets



❖ Individual psychology

Fear,

Hope,

Greed,

Cognitive and emotional biases.

III-Biases of the human mind that affect our trading



❖ The mass psychology

THE "CONTRARIAN" NATURE OF THE MARKET,

"NOT SOLD NOT LOST" AND "MAXIMIZING THE HIT RATIO ONLY", TWO
MAJOR MISTAKES TO ABSOLUTELY AVOID,

THE PSYCHOLOGY OF CROWDS.

III-Biases of the human mind that affect our trading



❖ ZOOM on psychological biases: « Loss aversion bias »

Definition: propensity to be more affected by a loss than by a gain of the same magnitude (2.5 times more),

Implication in trading: the trader lets his losses run and quickly takes his gains,

How can this be remedied? Understand what statistical advantage is.

III-Biases of the human mind that affect our trading



- ❖ ZOOM on psychological biases: « **Confirmation bias** »
- Definition: looking for information that validates an initial decision, no matter how bad or irrational it is,
- Implication in trading: staying on a losing position,
- How can we remedy this? Have a systematic and rational approach.

III-Biases of the human mind that affect our trading



- ❖ ZOOM on psychological biases: « **the herding bias** »
- Definition: tendency to act like the masses,
- Implication in trading: sheep-like behavior that often ends badly (bubbles),
- How can we remedy it? Do the work and develop your own advantage based on objective and indisputable facts.

III-Biases of the human mind that affect our trading



- ❖ ZOOM on psychological biases: « **the conservatism bias** »
- Conservatism: It is a tendency of people to maintain their prior beliefs or forecasts by improperly incorporating new information.
- Conservatism bias influences FMPs to *maintain a view or a forecast* to avoid the difficulties associated with analyzing new information.
- Conservatism bias makes *slow to react to new information*
- How to overcome this bias: consider new information objectively

III-Biases of the human mind that affect our trading



- ❖ ZOOM on psychological biases: «Overconfidence bias»
 - Tendency to think we are smarter than others,
 - The consequence is that we can stay in a losing position too long, have a position size too high, not taking losses, overtrading and revenge trading,
 - How to overcome this bias: backtest your edge, journal you trades, challenge your whole trading system with hard fact (maths)

IV-How to overcome these biases



V-1 Conscious and unconscious brain

- Change happens in the unconscious
- Root of the problem VS Working on the surface
- Unconscious information → Conscious change → Unconscious altered information

Event trigger → Perception → Emotions

IV-How to overcome these biases



V-1 Conscious and unconscious brain

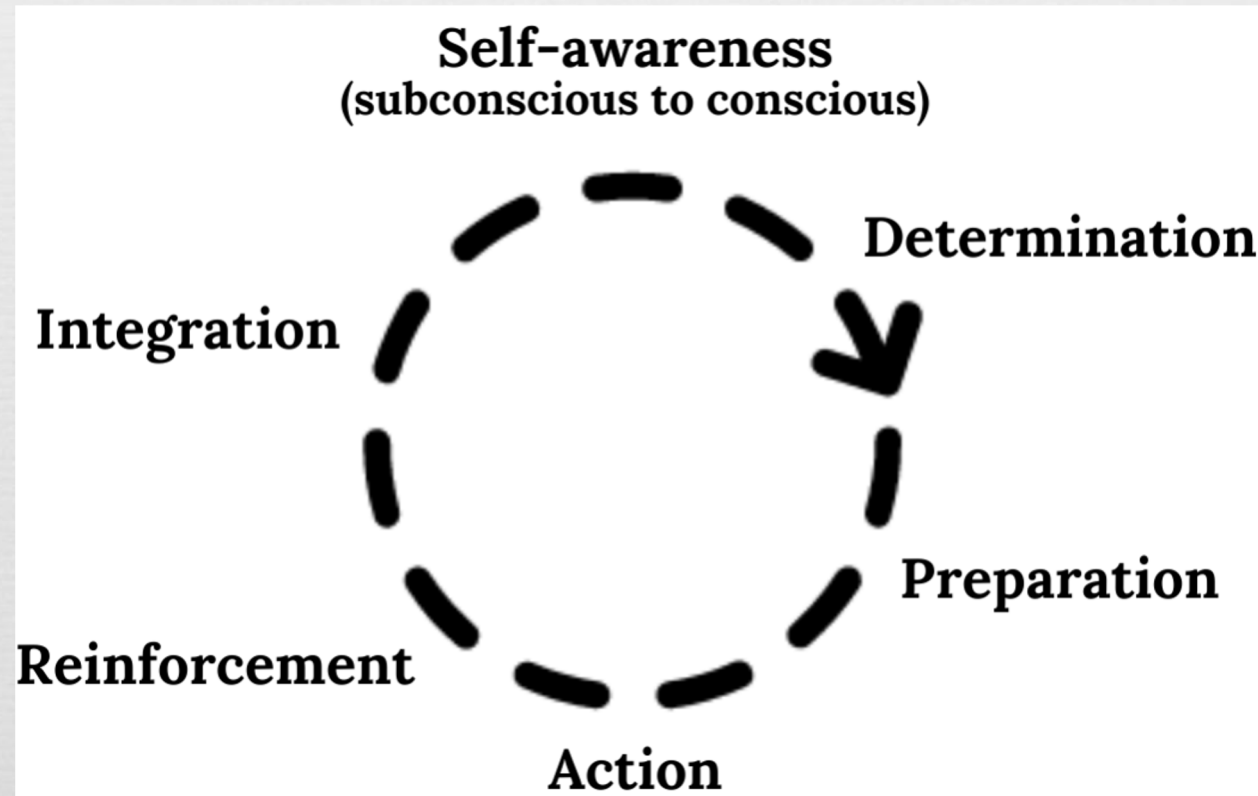
Coping behavior



IV-How to overcome these biases



V-2 The process of change



IV-How to overcome these biases



V-2 The process of change

SELF-AWARENESS (passing information from the subconscious to the conscious mind) → **DETERMINATION** (decide what needs to change) → **PREPARATION** (establishing a plan to change) → **ACTION** (turn it into a routine) → **REINFORCEMENT** (turn it into a habit) → **INTEGRATION** (transform it in a belief - back to the unconscious mind by repetition)

IV-How to overcome these biases



V-2 The process of change

SELF-AWARENESS

- Trading journal
- Beliefs → perception → event-trigger → emotions → response (mistake)
- Working on the reversed way

IV-How to overcome these biases



V-2 The process of change

DETERMINATION

- How does a profitable trader look like?
- How do I look like?
- How do I bridge that gap? What do I need to change?

IV-How to overcome these biases



V-2 The process of change

PREPARATION

- Establishing a plan to change
- Trading routine focused on the process

ACTION

- Identifying emotions when they appear
- Breaking the cycle and executing good behavior

IV-How to overcome these biases



V-2 The process of change

REINFORCEMENT & INTEGRATION

- Break the cycle multiple times
- Repetition of the good trading behavior when the emotions-trigger appear.
- Repetition → Neural pathway gets stronger → Ingrained in the subconscious mind

IV-How to overcome these biases



V-2 The process of change

EXAMPLE

I'm losing because I overtrade (awareness) → I need to stop entering trades outside of my strategy (determination) → Every time I feel impatient and angry, break the cycle and go do something else until re-establish emotional balance (preparation/plan) → Identifying emotions at the moment and executing the plan real-time (action) → Repeating the good behavior every time the emotions-trigger appear (reinforcement) → Turning it into an effortless habit (integration)

V-Embracing market uncertainty



How?

What can we control?

Probabilities - edge

Performance

Risk

What can we NOT control?

Price

Outcomes

V-Embracing market uncertainty



Have a life outside of the charts

Exercise

Mindfulness

Set performance-based goals

Trading routine focused on the process

Break negative cycles

Write and journal

Think long-term

The CUP WITH HANDLE

ONCY-DECEMBER 2019



The CUP WITH HANDLE

DARE-FEBRUARY 2021

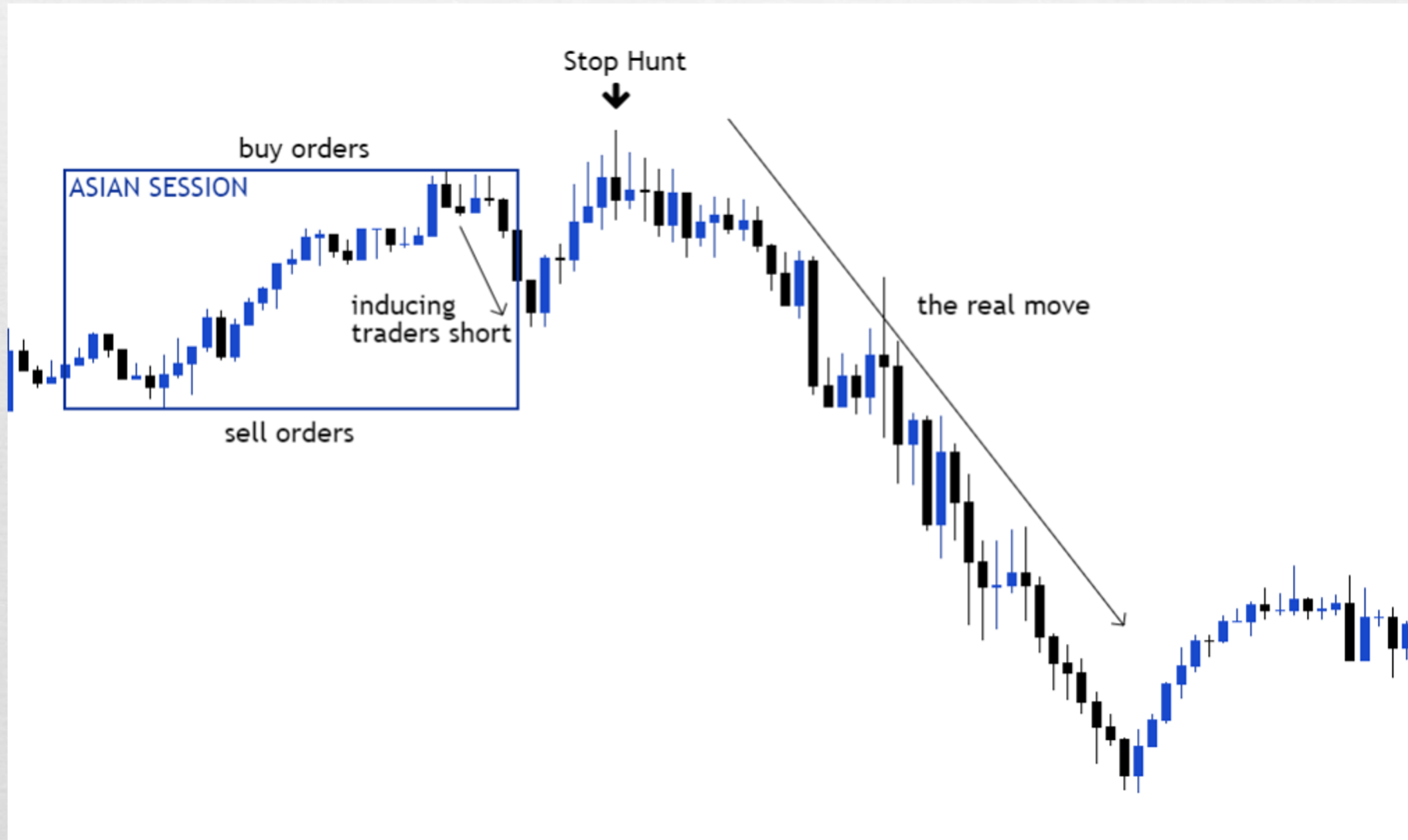


The FALLING WEDGE

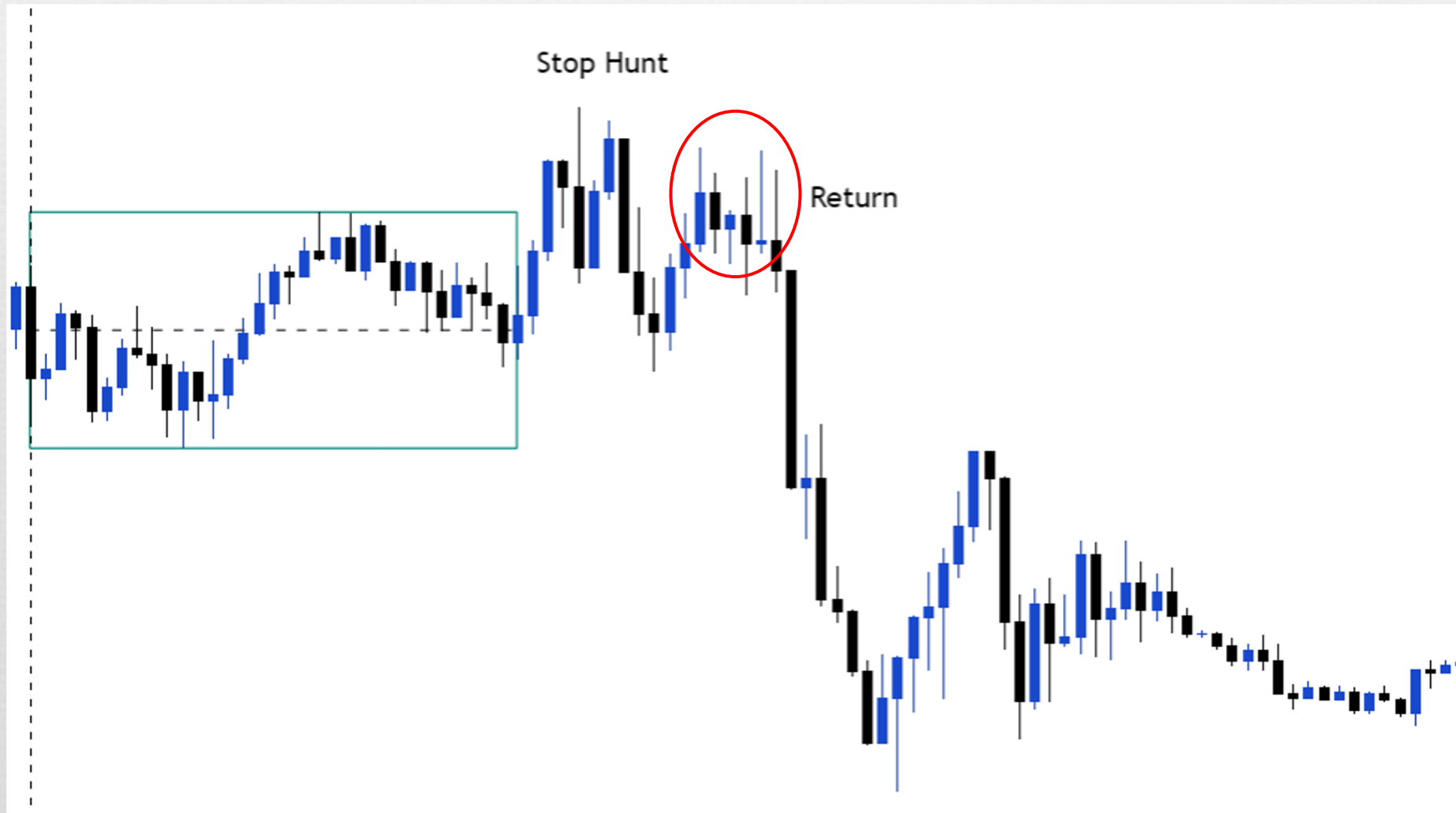
BPTH-FÉVRIER 2019



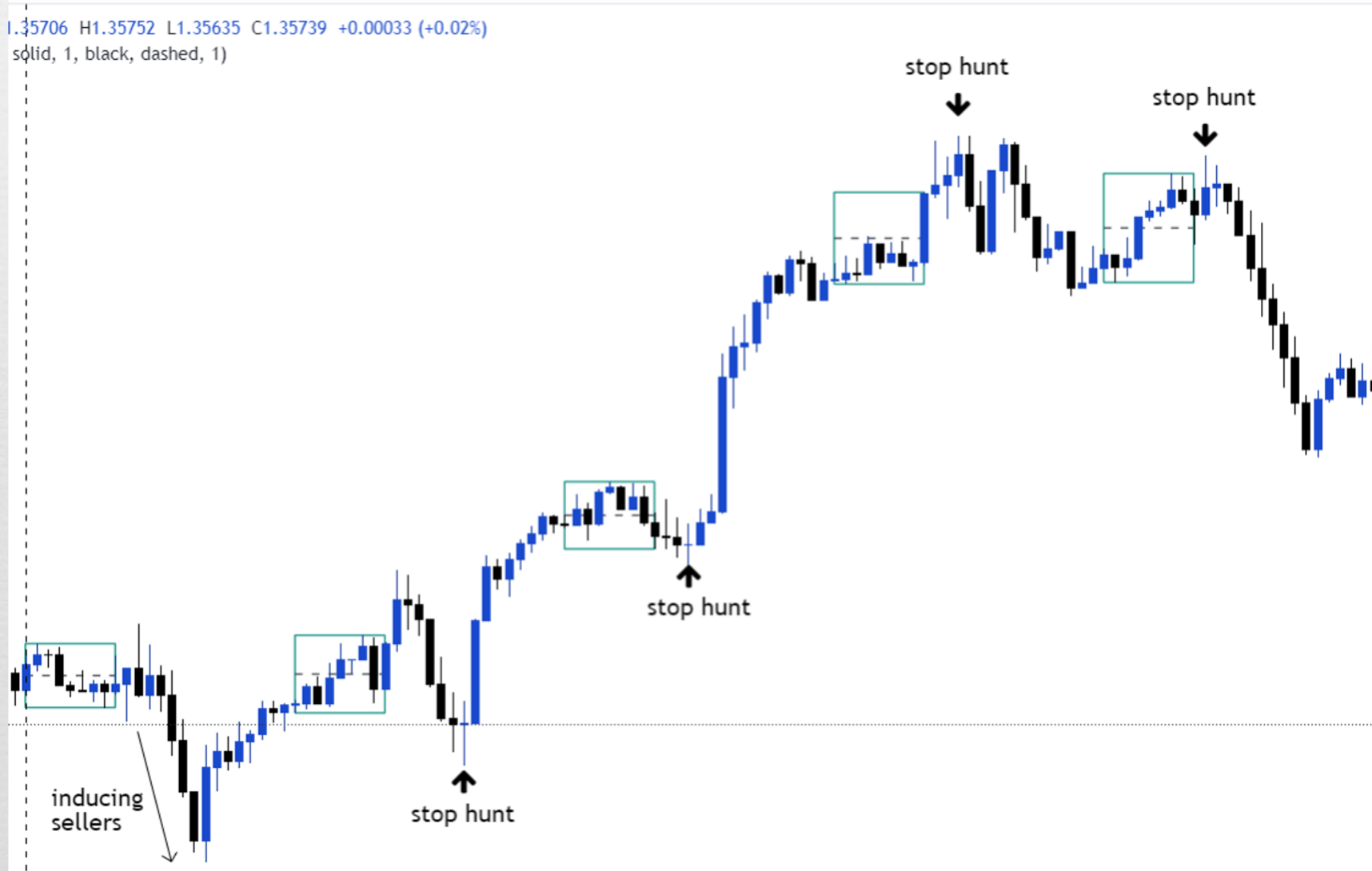
Intra-day Pattern



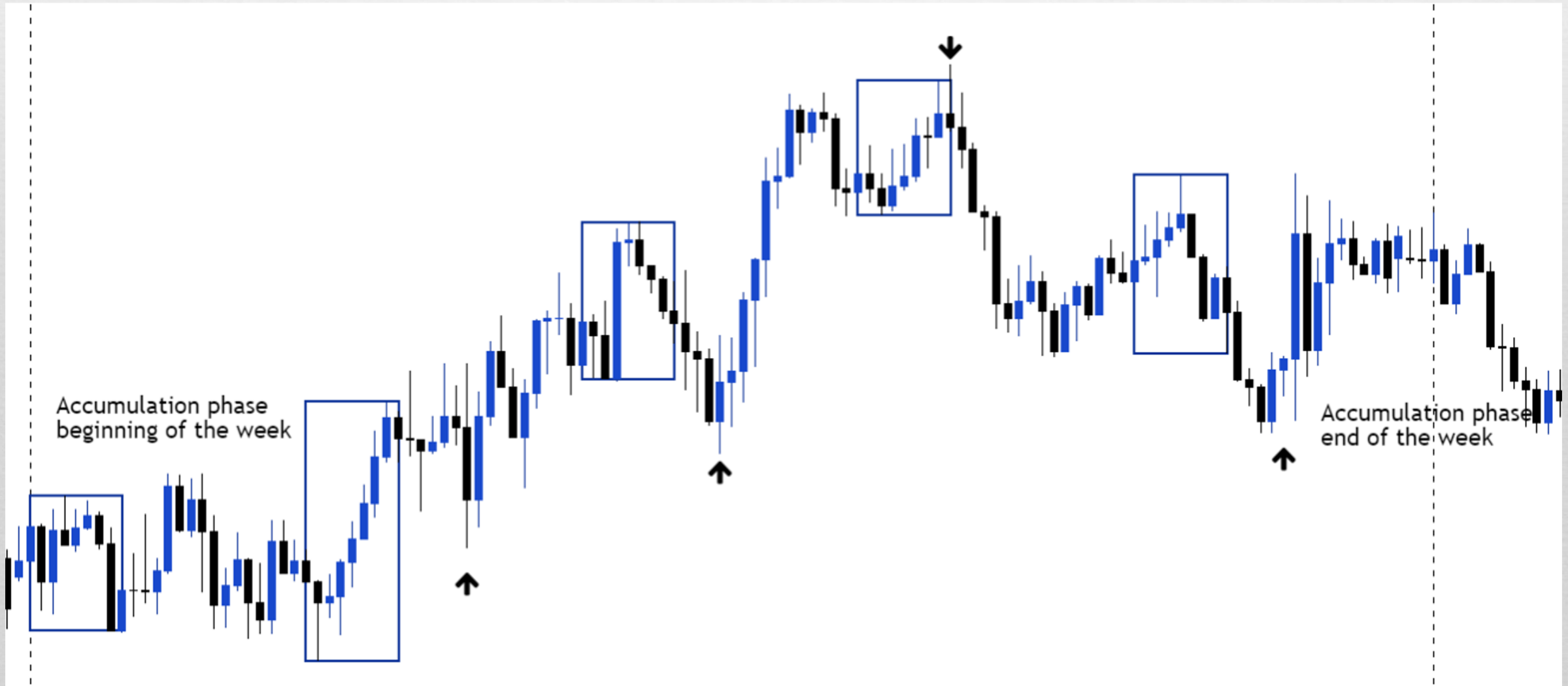
Intra-day Pattern



Intra-Week Pattern



Intra-Week Pattern



TO LEARN MORE



◆ **BIBLIOGRAPHY** *(non exhaustive)*

- ✦ « **Trading in the zone** » BY MARK DOUGLAS
- ✦ « **The new trading for a living** » BY ALEXANDER ELDER
- ✦ « **Psychology of crowds** » BY GUSTAVE LEBON
- ✦ « **Trend following** » BY MICHAEL COVEL

TO LEARN MORE



www.theperceptivetrader.com

www.trading-coach75.com