SUCCESSFUL TRADING ENCOMPASSES A HEALTHY BLEND OF MARKET UNDERSTANDING & SELF-UNDERSTANDING

THE FALL SEASON STARTS ON TUESDAY

This is the first in a three-part series that provides a weekend market update accompanied by a topic relevant to short-term traders.

Traders live in a challenging environment. Each article in the series has been selected to address specific challenges.

The first article will examine the statement: "Successful Trading Encompasses A Healthy Blend of Market Understanding And Self-Understanding". I will address why this is both my greatest strength and my greatest weakness.

The second article addresses "The Biggest Challenges And Factors That Contribute To Our Short-term Losses".

The third and final article, will be titled "Perception Versus Reality". Trading problems emerge when our perception is not realistically aligned with objective reality.

MY STRENGTH IS MY GREATEST WEAKNESS

I am a short-term, probability-based trader; however, this approach introduces both advantages and disadvantages. Over the years, there have been times when the disadvantages outweighed the positive aspects. Let's attempt an objective view of the pros and cons.

PROS:

1. More Objective Decision-Making
   My decisions are more heavily based on odds rather than underlying emotions or subjective judgments. My odds-based thinking reflects my observations surrounding market structure, volume, quality of highs and lows, the employment of references to assess if my competition is more likely to be short-term or long-term traders.
2. Risk Management
   Thinking in terms of probabilities helps me assess and manage risk more effectively. Considering the likelihood of various outcomes allows me to determine position sizing and risk management strategies more realistically.

3. Historical Observations
   This approach relies heavily on employing historical observations and over time is enhanced by intuition.
4. Consistency
   Over time, the above observations lead to guidelines and probabilities. These guidelines and probabilities, when being employed, reduce impulsive or random responses leading to a more disciplined trading approach.

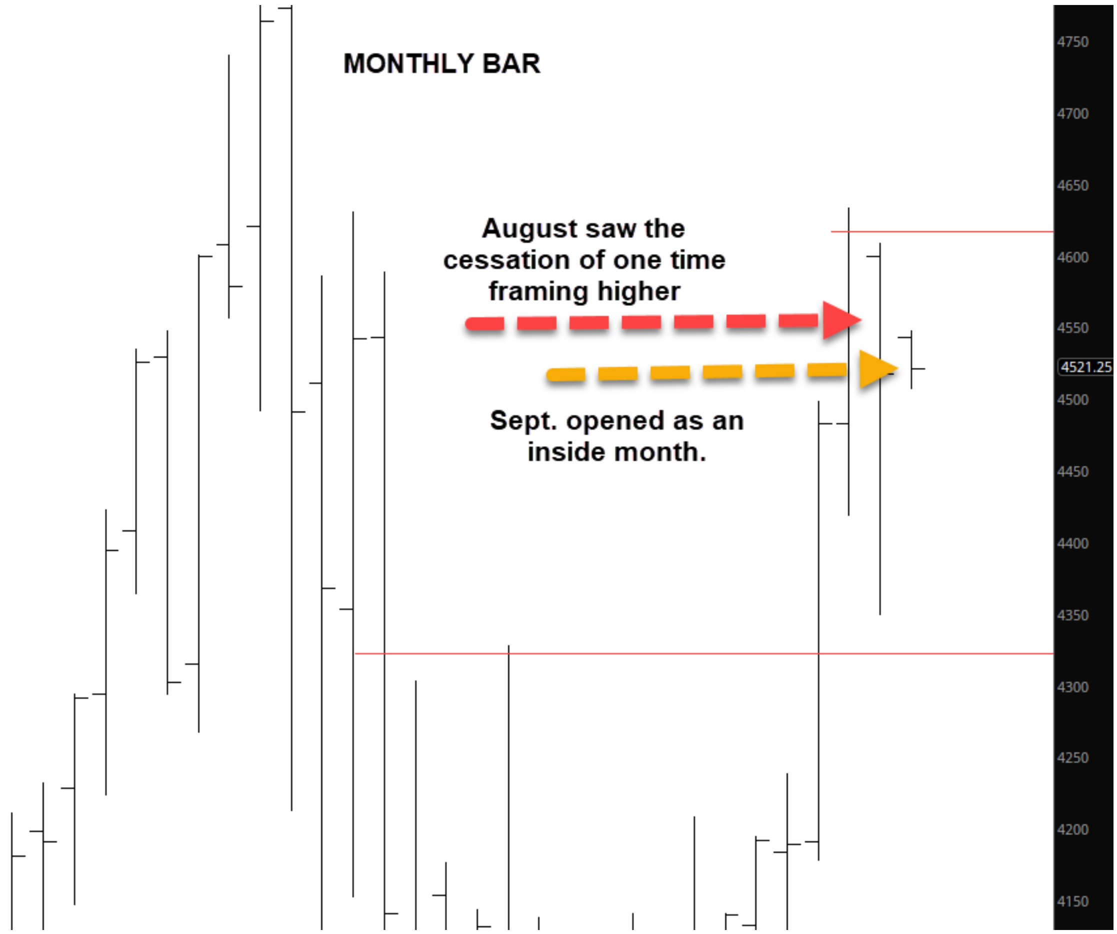
CONS:

1. Probabilities are based on available data and assumptions, which may not capture all relevant market information. Market conditions, unexpected events, or new information can quickly change the probabilities rendering our prior predictions meaningless.
2. Relying too heavily on probabilities has often created a false sense of security leading to overconfidence and complacency. In other words, this approach can lead to mental inflexibility.
3. Relying too heavily on probabilities may make you more susceptible to market volatility. Sudden market movements, unpredictable events, or changes in market sentiment can quickly invalidate probability-based decisions.

A combination of probabilistic thinking, risk management, and market awareness, are far more satisfactory. In other words, one size does not fit all.

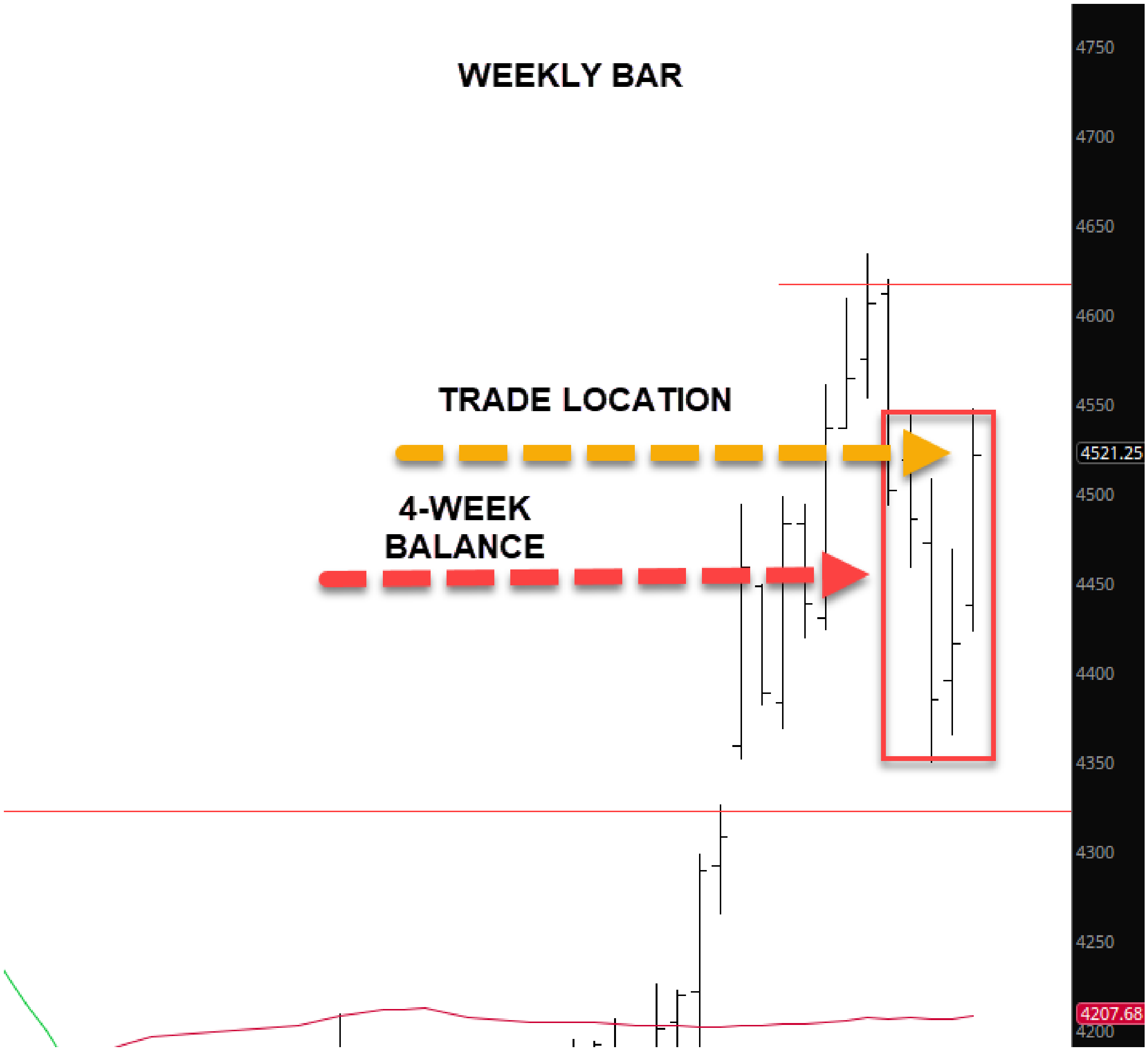
In the upcoming Intensive, market awareness and mental flexibility will be constantly interwoven.

RECAP & PREPARATION REPORT FOR 9-5-2023



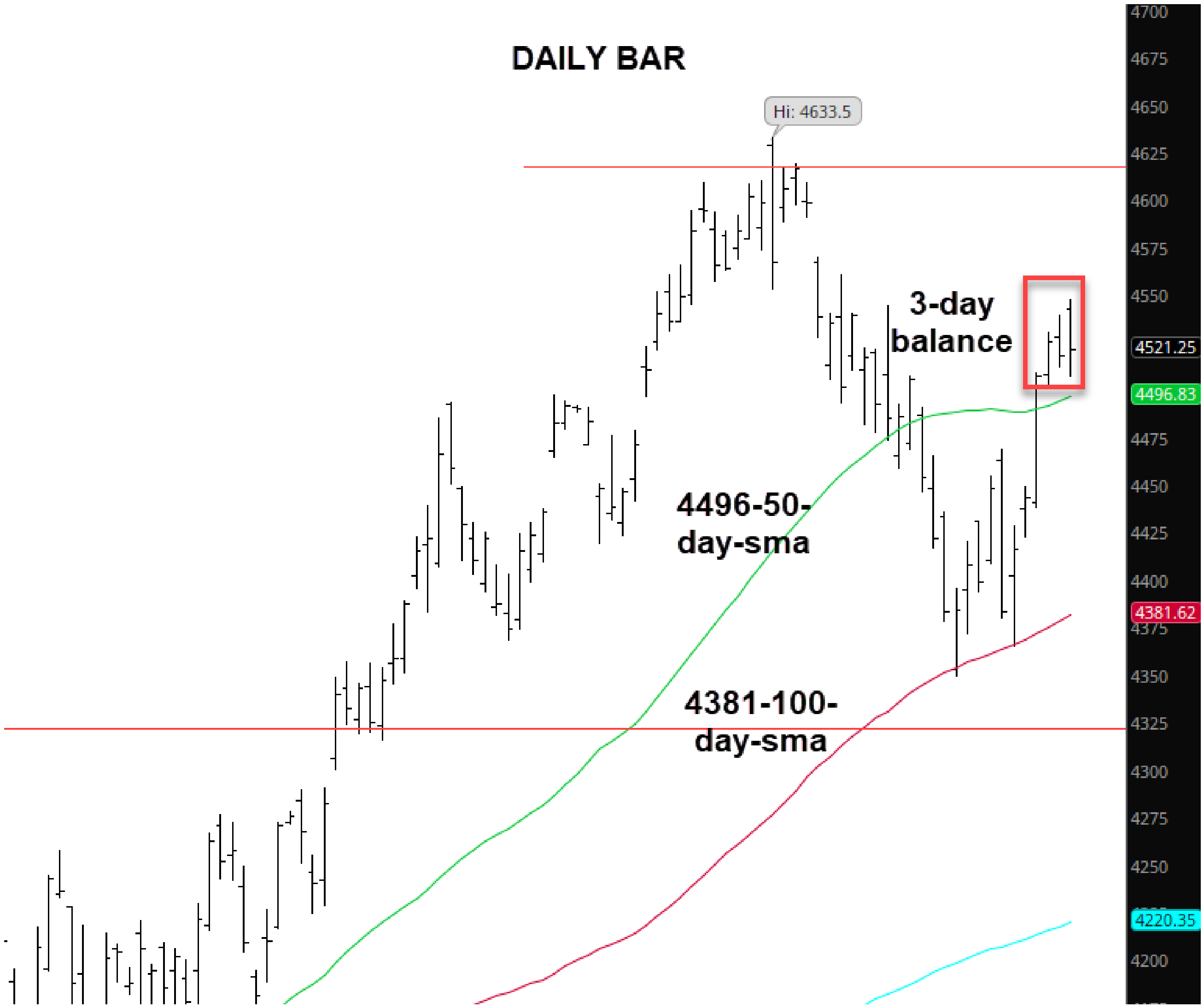
An inside month represents, at least for now, short-term balance.

When we transition to the daily bar, we will be presented with a totally different perspective.



The weekly bar shows a 4-week balance with trade location at the upper end of the balance.

Prepare yourself for a different perspective when viewing the daily bar.



The daily also shows a balance; however, the trade location is opposite the trade location on the weekly bar.

If change is to occur, it always shows first on the daily.

Short-term traders have been overly focused on the 50-day SMA.

1. If the market holds the 50-day SMA there is a strong suggestion that neither longer-term traders nor investors are interested in selling.
2. The read becomes more complicated if the 50-day SMA fails to hold. If it fails to hold, pay close attention to volume.