The Principles of Consistent Trading Explained

Mark Douglas, in his books, talks about the principles of trading consistency that traders must adopt if they want consistent trading results. Whilst as you are about to see, and I am about to take you through, all these principles are not all actions that you need to take.

A lot of these principles are mindset states and understanding of how the market operates, so that you can trade freely. What does this actually really mean? A lot of traders don't really understand the true premise behind how the markets operate, and especially, what they need to do and how they need to think about the markets to make consistent profits.

In this **PDF BONUS,** I am going to go through the five fundamental truths of trading and seven principles of consistency, explaining each one and how they work as I go.

The 5 Fundamental Truths of Trading

1. Anything can happen.

I like to say anything can and does happen. We have a lot of examples in recent memory of HUGE "anything happens" types of events happening.

I am talking about market events, such as the "Fat Finger" incident where trillions was attempted to be traded and the whole market panicked for a few minutes literally wiping 700-1000 pips of a lot of pairs in 1-2 minutes. Cont...

We have had other chaos like the Swiss all of a sudden no longer manipulating their currency, which created huge effects. We have the Japanese regularly and always out of nowhere doing what they please with their currency.

These are just a few. There are daily smaller trade-specific incidents. The point is, don't be a hero. Always trade for another day.

2. You don't need to know what is going to happen next to make money.
Not many traders get this. How on earth can you possibly make money if you don't know what is going to happen, right? Surely, I need to be able to predict where price is going?

To make money in the markets, all you need is an advantage. You need an edge. This edge could be as small as 51%. You can never know what is going to happen in the markets - no one can, but you can have an edge.

If you have an edge, then overtime, and as you make trades, your edge can play out. If you have an edge or advantage or 51%, then that 51% over time and over playing trades would start to come out on top. YOU DON'T NEED TO KNOW what is going to happen in the next trade because over many trades, your edge is going to make you profits.

3. There is a random distribution between wins and losses for any given set of variables that define an edge.
If you have a win rate of 60%, does this mean that for every 10 trades, you are going to win 6 and then lose 4? NO; of course not.

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You CAN know that you have an edge over the market, but you CANNOT know when exactly the winners are going to come and when the losers are going to come, and that is why it is so important we always trade for another day and let our edge play out over time.

4. An edge is nothing more than an indication of a higher probability of one thing happening over another.

This one is super self explanatory; your trading edge (your market advantage) is just a higher chance of doing something over something else. That's it.

5. Every moment in the market is unique.

This one is often an "AHA" moment for a lot of traders, so read this one carefully. Every single moment that happens in the market, no matter how similar it may look, is unique and different.

No matter how exact a pin bar may look like a previous setup, it is so important you acknowledge that every moment is unique. Why? Because traders often get trapped into looking and trading past markets rather, than today's.

For example; they will see a pin bar today and they will think to themselves that this pin bar looks "exactly" like a pin bar I traded just last month that turned out great.

Instead of just placing the normal risk trade, the trader will put 3 x the risk trade because they are convinced the trade will work out because the other "exact" same looking trade worked out.

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The problem is that every moment is completely unique. Think of it this way; for those two pin bars to be the same, even if they are in the same pair and time frame, they would need to have the EXACT same traders in the market with the EXACT same trade sizes they had last time with the EXACT same trade orders entering and exiting at the EXACT same times. IMPOSSIBLE. **It is so important that we trade our edge and every single trade on it's merit.**

The 7 Principles of Consistency

1. I objectively identify my edges.

This is crucial and sets apart the professionals from the retail traders. The pro's have a clearly defined edge. A professional trader is able to go into the market and easily identify exactly what their edge does and does not look like. A retail trader, on the other hand, has a much harder job doing this. They are umming and arghing.

Your edge needs to be written down. It needs to be clearly defined and if you want help simplifying this and making things super easy then download my FREE 7 step Pre-Trade checklist at **www.ForexSchoolOnline.com/checklist** that will show you how to make a trade checklist.

2. I predefine the risk of every trade.

If you are not already doing this, then you need to start NOW. Before each and every trade, you need to be working out how big your stop is, how much money you are prepared to lose, and then going over to the Forex School Online Position Size Calculator at **www.ForexSchoolOnline.com/position-calculator** and getting your correct trade position size, so that on each trade, you are trading a different size trade amount.

It is very important that before each trade, you work out just how much money you are prepared to lose and you actually accept that you may lose this money. You also need to set your stop loss at this amount, so that you do not lose any more than this amount.

Preparing yourself mentally in this way will free yourself of a lot for your trade and allow you to make the trade knowing that you have accepted whatever the outcome.

3. I completely accept the risk or I am willing to let go of the trade.
This goes hand in hand with my last comment above. If after going through your preparation for the trade, you are not willing to accept the risk and you are not willing to lose the money, you need to be 100% honest with yourself.

It is no good getting into the trade with scared money, HOPING that you will catch a winner, and then realising your fear is doing the exact thing you were desperately wishing against - a loss.

Scared money in the Forex markets is lost money, and because there are so many pro's sitting and waiting to take your scared money, you are far better off keeping it until you are ready to accept the full risk of the next trade.

4. I act on my edges without reservation or hesitation.
Do you pull the trigger every time without fail? If you don't, you could be messing with your trading edge and watering it down. You cannot pick and choose what trades to play and what trades not to play. If a trade meets the rules within your edge, then you need to pull the trigger and take the trade setup - every time.

5. I pay myself as the market makes money available to me.
Greed is a killer. Traders all like to tell their friends about the 15:1 risk reward winner they just bagged last night, so they can pump each other up. The problem is that record risk reward winners don't pay the bills.

At the end of the month when you are looking at your trading statement, are you looking at how big your risk reward is or how many dollars you have made or lost? I know what I am looking at.

Keep that in mind with everything you do in your trading business. All that matters is making profit. That is why we trade. Not for risk reward.

6. I continually monitor my susceptibility for making errors.
This is something I educate about regularly and was in the lesson you have just come from. It is so important, as the serious trader that you are, that you continually watch out for any errors that may be creeping in.

The best way to do this? As we have just been through; through the **Forex School Online trading Journal** and regular reviews. This is going to ensure that you stay on top of your trading and catch any nasty bad habits that are starting to repeat in your trading.

7. I understand the absolute necessity of these principles of consistent success; therefore, I never violate them.
THE MOST IMPORTANT PRINCIPLE OF THE 12! Without doubt, the most important, but also, the most commonly violated principle amongst all traders is this last principle; Discipline to the rules and principles.

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Whether it be this set of principles or our own set of rules and principles, they become as useless as the paper they are written on unless they are strictly followed. As traders, we are really fantastic at making up new sets of rules, but not great at following them.

A major key to success is being a trader that is fanatical about following your rules, checklists, trading plans, and principles. **This will set you right apart from the pack**.

All the success with using these principles in your trading. If you have any questions or you want to discuss anything at all, just send me an email.

Safe trading,
Johnathon

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