

Overcoming Inconsistency: Building the Ability to Keep What You Make

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- Consistency is a hard sell because there's no dopamine involved in it.
 - But it's necessary to keep what you make in trading.
- But, sadly, in the process of trader development, **consistency naturally comes last.**
- Trader Development Steps
 - Unconsciously Inconsistent
 - Optimism
 - Exploration
 - Winning
 - Transition
 - Tangled Web
 - Consciously Consistent
 - Integration
 - Simplification
 - Mastery
- You don't need consistency in the beginning because you learn a lot more from your mistakes than your successes.
 - Inconsistency begets education.
- After a few years, however, aspiring traders experience a Performance Gap between their Intentions and their actual behavior under pressure.
 - You start to realize that you won't be able to keep what you make without becoming a more consistent trader.
- In order to accomplish the Transition to Consistency, we need to develop a New Mental Framework for our trading.
- A systematic framework that enables us to become Consistently Effective in an Inconsistent Environment.
- The key is to **stay patient.**

- Consistency takes most traders years to achieve.
- You likely won't break that norm, and that's okay.
- Trading ceases to be an adventure where you improvise solutions and instead becomes a structured rule-following business.
 - It's still a casino, except this time, you're the house, not the customer.
 - You define the Game and the Rules.
 - So you can pay yourself what you're worth.
- This is the heart of discipline.
 - It's not just about creating your own rules.
 - It's about creating your own game entirely.
- "To be honest, I'm not the smartest person... but I have the discipline and knowledge to repeat one simple strategy and the same routine every morning for 12 years." -Andrew Aziz
 - Defining the game has two parts: psychological and technical.
 - In a recent email, Andrew summarized both aspects in one sentence.
 - This is the best part about BBT: the moderators model consistency.
 - Consistency is mostly defined by what it's not because it's so simple in theory, but difficult in practice.
 - With practice, however, it can become a habit. Like brushing your teeth.
 - This is why consistency requires time: any habit does. Consistency is no different.
- This is why most professional traders recommend only practicing one strategy in the beginning.
 - You're not just practicing the strategy.
 - You're mostly practicing consistency.
- **Be gentle with yourself on consistency. It is inherently difficult to build.**
- The Inconsistency Problem
 - You can make money without being consistent.
 - Improvisation works well in bull markets, sometimes.

- The typical inconsistency pattern is to make progress for a few hours, a few days, maybe a few weeks or even months.
- And then you feel like you've turned the corner!
- But then, out of the blue, you lose it all in a sudden rush of chaotic behavior.
- Your equity curve takes the stairs up and the elevator down.
- And on the way down, it can feel like you're sleepwalking through a disaster.
 - It's called Zombie Mode.
- Consistency is a Personality trait.
 - It runs on a scale from low to high, and your score doesn't change much over an entire lifetime.
 - That's why personality tests are used in corporate HR.
 - Hiring managers filter out individuals who score low in this category.
 - Or, at least, they used to when hiring on merit.
 - Except, in trading, you aspire to be the CEO, the CFO, and the HR Manger for your one-person trading business.
- The distribution of personality traits (such as consistency) follows a bell curve.
 - About 65% of the population is moderately consistent/disciplined enough to get by in life and not get killed in traffic.
 - But moderate consistency is not sufficient for active trading.
 - Trading is harder than living.
 - Bell curves have long tails.
 - At the extremes, about 35% of people are either highly disciplined Rule Followers or freedom-loving entrepreneurs who really appreciate not having a boss.
 - Guess which group is attracted to day trading?
 - That's right: the group with the least natural interest in Consistency.
- In active trading, inconsistency constantly reasserts itself.
 - This is known as entropy.
 - It's remarkably easy to get carried away into a drama of our own making.

- We don't even notice the transition into chaos!
- Signs of Inconsistency
 - The #1 symptom of inconsistency is Time Compression.
 - This shows up as a sense of urgency.
 - The urge to get involved, a compulsion to chase, or to be early so as not to Miss Out.
 - Or a decision to immediately make back a loss or fix a mistake.
 - It can be like a trance. It can't be corrected by a reminder on a Post-It note on your screen.
 - You'll never look at it.
 - It can't be corrected with a breathing exercise because when we're excited, we hold our breath.
 - Inconsistency is resistant to intervention
 - Mere words can't override human nature.
 - Repeated "I'm a disciplined trader" 50 times to a brain that knows it isn't doesn't move the needle at all.
 - We need to interrupt a reactive process deep in our primal brain.
 - We have to grab and hold the attention of what Daniel Kahneman calls "System 2," which is our Planning Brain.
 - It's the rational part of our brain that created the Signal we should be waiting for.
 - And if you don't know your signal, well, you should.
- To recruit System 2, we have two choices: Willpower or Neuroplasticity.
 - Willpower is the classic solution, but if you lack consistency/discipline in your personality, you'll also lack willpower.
 - That makes this option hit or miss, at best.
- Fortunately, there's an easier way to build Consistency, which takes advantage of how the brain actually builds new habits.
 - Hebb's Law: "Neurons that fire together wire together."

- In the time it takes to say the word “discipline,” the human brain can grow a million new connections.
- System 2 is naturally habitual, predictable, and consistent.
 - We need to strengthen its resolve in the face of System 1’s primal behavior.
 - This doesn’t require willpower.
 - It requires practice.
- The Power of Purpose
 - New habits develop organically through Practice (repetition).
 - Repetition requires intention and commitment.
 - Having a meaningful purpose drives both.
- Purpose is an abiding awareness that the change we desire isn’t just a good idea, it’s essential in order to reach an important personal goal, such as keeping what we make.
- The quality of our practice matters.
 - Consistency depends on practicing the right way to trade.
 - Like practicing a play in a sports playbook.
 - It can take years to develop a complete playbook, but you probably have a few plays (well-defined setups) that you can practice right now.
- How to Practice
 - Your entry is the first moment you make contact with the market, and the last moment of complete control.
 - To keep things simple, start your consistency project by just practicing entries.
 - A good entry is the outcome of a defined protocol.
 - A defined protocol produces an unambiguous signal.
 - A bad entry presents us with a problem to solve.
- The Carefree State of Mind
 - Good entries are produced by what Mark Douglas defines as a “Carefree State of Mind.”
 - It’s *not* to be confused with casual. It’s not a beach scene.
 - It’s closer to silence. It’s closer to Zen.

- By the way, *The Disciplined Trader* by Mark Douglas is an excellent book for trading psychology.
- Here, we are free from the hesitation caused by the threat of losing money.
- And what remains is our Right Mind.
 - Only fret over the conditions you can control.
 - Practicing entries is one of the easiest ways to practice this.
- To stay in our Right mind, we need to interrupt any urgency or over-engagement and distance ourselves from the market's drama to regain self-control.
 - There's no drama in a pilot's cockpit.
 - And there shouldn't be at your trading desk either.
- Our goal is to strengthen our System 2 by gaining real-time awareness and understanding of System 1 and System 2.
 - If there was more time in this webinar, that's what we would create right now.
 - But it's better to do that exercise on your own anyway.
 - The following are the steps on how to form your own exercise.
- You can download a brand-new MP3 program called *Winning the Consistency Game* from Dr. Reid's website.
 - daytradingpsychology.com/consistency-mp3
 - To schedule a free 15-min consultation:
 - doc@daytradingpsychology.com
- If you want more trading psychology reading material, any book by anyone in the BBT community will do you good.
 - So, Michael (the current moderator) and Andrew.
 - *Best Loser Wins* by Tom Hougaard.
 - And both books by Mark Douglas.
 - Most importantly, keep the list short. You can easily go down this rabbit hole and consume too much information.