

From the Field to the Floor 11 Trading Tips: Slumps

By Eli Radke

I literally jumped into trading. I got the money to open my first trading account from a bet involving the LaSalle Street Bridge and liquor. I learned a lot from that moment about trading. First I negotiated the purse down from half the original amount; never give any of your trading account balance away before you get it. Secondly, never be in a situation trading when money becomes a factor. When I really think about it, most of the experiences in my life have helped me shape my trading identity.

I am a former Division I scholarship athlete. Playing football has been a significant force that shaped my trading identity. I am not one of those former athletes who say that if I had only not been injured I would have played professionally. Yes I did inherit my grandfather's knees and after five surgeries there was not a lot of knee left. The truth is I was not good enough or more over I was not willing to do what was necessary to keep playing. That failure was one of the best things to have ever happened to me. It was first time in my life that I wanted something and did not achieve it. When one door opens an infinite number open. After college, I moved to Chicago, it is probably similar to someone who does not know they want to be an actor moving to L.A. The truth is I moved to Chicago to work in the restaurant business and found trading in the best town to trade futures.

The second part of my life started November 11th, and I knew it was the first day of the rest of my life. I stepped on the trading floor at the Chicago Mercantile Exchange, it was amazing. It was like the first time I stepped onto the football field. The lights were bright, the energy was contagious, and I could see the emotion. Deafening silence followed by deafening eruptions, fear everywhere, not the type of fear from physical pain, it was more intense. I saw happiness, but that was more bred from relief I would understand later. The pain of losing, not money but their livelihood was everywhere. That should have scared me but it drew me in closer. It was chaos but only because I did not understand anything. It was like being in a dream. My initiation to the trading floor gave me a lot more information then I could grasp at the time. I was hooked; I knew that trading was going to be my singular focus. Unfortunately, it would all take a lot of time and cause me a lot of pain.

I was fortunate to be taken under the wing of some of the top traders at the CME. I later had an opportunity to pass some of that knowledge along to other traders as an educator. It turned out to be the perfect combination, trading and being able to teach others. I was able to give back, similar to the coaches that had helped me in my athletic career. Jumping into that river set me on the path to finding something that gives every fiber of my being purpose. Trading is not glamorous, it is not easy, it is scary, it can be taken from me at any time but there is nothing else I would rather be doing. If at any point you have any questions or do not understand something or question what I wrote please feel free to send me an email: info@mytradingnet.com

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Introduction

“Slumps are like soft beds, easy to get into and hard to get out of.”

Johnny Bench

Slumps are a part of trading. Really, slumps are a part of life. An athlete slumps, a sales person slumps, and just about any performance related participant is susceptible to slumps. Slumps are neither good nor bad, they are just there. That may sound weird that slumps could be good and that they are not always bad. The obvious connotation of a slump is negative but it is important to re-frame it and see it as a positive and use it to your advantage. A slump is a period of time when a trader is not trading to their full potential. It may mean that they are making very little money or worst case scenario losing a lot of money.

Identifying a slump before it gets out of control is very important. A slump can last for a few trades or for a few years if you have enough money and patient. A slump can get out of control if a trader forgets the basic reason for markets: INFORMATION. Every trade/market provides information regardless of the monetary outcome. Every trade is an opportunity to learn about the market, yourself and the relationship between the two. If, after completion of your trading day, you do not feel as if you learned anything you lost regardless of how much money you made and generally you lost money as well. Each trade is an audition for the next. The stakes, if you progress normally as a trader, will always be greater. Your slumps will only cost you more if you are not learning something about the market, yourself, and the relationship between the two. Use a trading journal and taking the time to make detailed notes after each trade and each day is essential. Review your notes daily. The reason for trading is to make money but that is not the only measure of productivity. Each day is different and some days only losing a little is great and other days making a lot is bad. Because this is true I use another grading scale other than money. I was given this system by a fellow trader, Andrew Darthmouth, and modified it slightly. Days are graded as followed:

A: Stuck to rules and hit profit target, **B:** Stuck to rules and made some money, **C:** Stuck to rules and lost money, **D:** Broke rules and hit profit target, **E:** Broke rules and made some money, **F:** Broke rules and lost money

Individual trades are graded as followed:

1: Followed pre-trade plan and exceeded profit goal, **2:** Followed pre-trade plan and met profit, **3:** Followed pre-trade plan and got the best outcome (could be a loss or little or no gain), **4:** Followed pre-trade plan and got stopped out, **5:** Had no plan or exceeded max loss.

It is important to have some measuring stick other than money, by doing so you will be able to identify slumps sooner or identify slump likely behavior before it becomes an emergency.

Each person handles slumps differently, the following tips will detail ways to prevent, recognize, and get out of slumps.