

How to maximize your trader's intuition

For daytraders, there are numerous elements that go into successful trading. Having a solid trading method certainly is a cornerstone. But sound psychology can often be just as important to a trader's success or failure.

Unlike position trading in which you check your position once a day, daytrading requires a completely different set of psychological tools and is much tougher psychologically. In fact, I'd say that most daytraders who fail can trace their failure to psychological problems rather than troubles with methodology.

Assuming your methodology is well-constructed, there are several simple things you can do to improve your trader's psychology, or trader intuition. Author and psychological trading coach Adrienne Toghraie says "Intuition/discretion is the only advantage that individual traders have which institutions cannot overpower."

Trading psychology is a broad field to cover, but a good starting point is to examine the elements around you - the trading screen and your trading desk. What many traders do not realize is that charting tools on your screen actually inhibit your ability to see the flow of the price action. Seeing the flow and getting in tune with it is critical to developing your intuitive skills.

SCREEN CLEANING

So start by cleaning everything off your screen that doesn't actually help you trade. Why? Because the

mind can only handle five to 12 variables at one time. When you add new variables, you naturally lose track of old variables. Most traders try to improve their trading by adding things to their charts. Do the opposite and remove everything possible. And be diligent about keeping your charts clean.

Reducing your candlesticks to a single color is a classic example of simplification. There's been a tendency in the last few years to make Japanese candlesticks multiple colors: blue for bull, red for bear and gray upper and lower shadows. This is usually the default configuration in most charting software when you build a chart. Colorful candlesticks are attractive and seem to sell charting software, but don't supply additional information.

The colors are unnecessary variables because the only information in a candlestick is the open, high, low and close. Using classic candlesticks of only one color, hollow for bull, and filled-in for bear, reduces the number of variables and also eliminates changes in color, or the transition from bull to bear and bear to bull, which is yet another variable. The color change is disruptive to seeing the overall flow of the market. And even more importantly, traders respond with less emotion to single color candlesticks than to multi-color candlesticks. My students are amazed when we show them examples of this on the screen.

Another area to clean up is any indicator that overlays the price

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action. Examples of this are moving averages, double moving averages, triple moving averages, Keltner Channels, Bollinger Bands, LRS, parabolic, and many others. Indicators should be put into a pane below the price action pane. The problem with overlaying an indicator on top of the price action is that your eye automatically looks at the difference between the price action and the indicator line. And that overlay changes the way you see the price action. My students are surprised at how their eyes automatically look at the difference between the price action and the indicator line. They soon see how it takes their focus off the flow of the price action.

Other non-indicator lines including trend lines, horizontal lines and full-screen mouse crosshairs overlaying the price action have the same effect. Again, your eye automatically looks at the difference between the lines and the price action.

Another example of the "difference" phenomenon is grid lines. Anytime you have a grid of any type on the screen, your eye automatically boxes in the price action. The grid can be dotted, horizontal, or full. It doesn't matter. All grids create boxes and shut off the natural flow of price action. Proverbial boxes inhibit intuition.

Most of my students come to the



first day of class having watched charts with some kind of grid or line on top of the price action. When they leave with simple clean charts, they notice how much easier it is to see the flow of the price action and find it much easier to get in tune with the market. Once free of such unnecessary chart elements, traders can develop their intuition.

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Beyond chart elements, there are physical tools in your workspace that inhibit intuition. Clutter all over your desk will do the same thing. Move it somewhere so that you can't see it. And while you're at it, take down the Post-It notes all over the edges of the screen.

You may ask, what's all this got to do with intuition? To do almost anything well, especially trading,

includes intuition. Anything on the screen that puts you into the analytical mode inhibits your powerful intuition. This simply means operating efficiently without having to analyze too much. It is a state of "just knowing." And for traders, it's got to be OK to just know without knowing precisely why you know.

When you're operating intuitively, trading flows and just happens. There's no adrenaline rush.

You're relaxed and patient. You simply wait for the good trades to come to you. You don't need to look for them. When they're there, they're there. When they're not, you just wait for the next opportunity. Intuitive trading is effortless. In fact, if there's any effort expended, intuition is diminished.

We want our environment and chart layouts to help intuition, not inhibit it. Intuition is much more powerful than logic. Toghraie says "Intuition can be quantified and reliable.... In fact, it may be the most reliable indicator a trader has."

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