

BREAKING **The Beginners Cycle**

By Nick Radge.

The trader's life becomes a revolving door of disappointment and frustration as they move from method to method without consistent results, also known as the beginner's cycle.

The advent of online share trading has seen a dramatic increase in stock market newsletters, courses and related services. Many traders inadvertently find themselves stuck in the beginner's cycle. They may have attended a course or seminar, or purchased a black box system only to discover that the results are drastically different from what was touted. As a result, they move onto the next one.

Others may have purchased some trading software and read a few books to commence a more self directed approach, only to find themselves suffering from 'analysis paralysis' as they discover the plethora of indicators within the software and devote most of their time discovering the holy grail. They flip from one stock trading system to another, perhaps discarding methods prematurely.

Chances are the trader is focused on short term trading strategies and is primarily using discretionary methods. The trader's life becomes a revolving door of disappointment and frustration as they move from method to method without consistent results, also known as the beginner's cycle.

THEREFORE THE QUESTION IS: HOW DO YOU BREAK THE CYCLE?

First, stop trading if you are throwing good money after bad and are not confident in your methods. Step back and look honestly at how you are engaging the market, what is working and what is not.

If you have a trading plan, revise it; if not, then start writing one because you need to treat your trading like a business.

Focus on your goals, strengths and weaknesses. If you have not addressed your trader's mindset in any way, now is the time to start. If you have, but are still struggling, perhaps you need to do more.

Reading *'Trading in the Zone'* by Mark Douglas could be a good starting point. Even though the book is not about the stock market, the concepts in Mark's book are comprehensively discussed in Eckhart Tolle's brilliant publication- *The Power of Now*.

Assistance from professionals such as psychologists may also be beneficial.

Whichever methods you choose, the goal is to gain a better understanding of yourself and most importantly realise whether you have any repeating operating patterns, usually subconscious, that may be hindering your trading performance.


Most aspiring traders seem to focus on short-term strategies that are discretionary in nature. If this is the case, it means you are stuck in the beginner's cycle. Therefore it may be more beneficial to focus on a mechanical long term trading strategy, which has many benefits.

If you do not yet have the skills to design and thoroughly test your own strategies then following someone else's could also be a viable option. Be sure to conduct sound due diligence on the system and provider if you head down this path. Make sure that the system is tested thoroughly, not optimised and that you are comfortable with it and the drawdowns inherent in the system.

Trading stocks with a long-term mechanical system allows the beginner to trade in a more relaxed manner. Moreover it gives them the gift of time, the one ingredient that is most likely missing in their trading life,

which will ultimately allow them to break the beginner's cycle. It is important to choose a system that takes approximately ten minutes a day to administer because it frees up a significant amount of time to work on other areas of trading whilst still allowing the trader to trade and experience capital growth.

It takes time to work on a trading plan and develop a strong trader's psychology. It is essential for every successful trader to learn more about money management, create and test other trading ideas thoroughly, learn software coding and learn about other markets. This can be accomplished more thoroughly if the trader is not pressurised with the expectation of immediate results.

As capital allows, new systems or strategies can be added to the trading plan and by then the trader will have a much more solid foundation, which will contribute to future growth. 

Nick Radge is a professional trader, educator and author who has been trading and investing since 1985. Nick has worked for numerous international investment banks - from the trading floor of the Sydney Futures Exchange to International dealing desks in Sydney, London and Singapore. In 2005 Nick established *The Chartist* (www.thechartist.com.au), a subscription-based stock market advisory service