

## Trading Truths I learned the Hard Way

### Roger Felton

As a professional trader and trading mentor for many years, I'll be the first to tell you that I don't have all the answers. But then, nobody does. No one has all the answers about anything. But over the years I've learned quite a bit about the art and science of trading. In the first 5 years of my career I became a leading expert on what doesn't work. Learning what did work took a whole lot longer. But, trader to trader, I'd like to talk openly and honestly about some of the most common and the most important misconceptions traders have that can make consistent success nearly impossible to achieve.

I'll be sharing some trading tips and recent discoveries with you. But first, you should know why most traders would fail miserably even if they were given the finest trading system in the world. To best explain this apparent dichotomy, we have to understand the mindset of the typical trader.

Everyone should already know that the typical trader is struggling to one degree or another. In fact, 90% consistently fail. Why, with such dismal odds of success would anyone choose trading as a career? It all comes down to what we, as passionate traders, believe about ourselves.



From the very first day we begin our trading journey, we know that the benefits of mastering markets is worth every penny we invest and every year we spend getting there. Every trader begins with the indomitable belief that they are different from the majority who fail. Being willing to work hard and sacrifice must surely make us destined to be one of the top 10%. After all, that formula has always worked before in all other life experiences, right?

Before any long-term success can be achieved, it is imperative that traders understand what I call "The Fundamental Laws of Trading That Traders Fundamentally Ignore". They are the following:

- **There's no such thing as a "winning trading system"**. If there were, you couldn't buy it for a million dollars. Systems don't win, traders do and the systems they use are simply tools to help them do their job better. If systems actually did the "winning", then every trader using that system would naturally win and we all know that is impossible.
- **When a trader is experiencing negative emotions such as frustration, impatience, anger, panic, fear, etc. they cannot succeed.** In fact, no one attempting to perform a difficult mental task requiring clear focus is likely to succeed. Certainly not for the long haul. When negative emotions creep into your mental state at any time, stop trading your live account immediately. You will lose.
- **Confidence conquers all negative human emotions.** They cannot exist in the presence of extreme unshakable confidence and that level can only be achieved through knowledge, training and experience.

- **Knowledge and training can be self-taught, but that almost always takes many years and, even then, usually results in failure.** That's because it's the slowest way to learn and that means it's also the most expensive in unnecessary trading losses. Additionally, most traders lack the objectivity to recognize when they have acquired a bad habit or adopting a weak or ineffective method or system. Traders can require months or even years trying to recover from a time and money wasting detour.
- **The quickest and most cost-effective way to build confidence, acquire powerful trading knowledge and master a system or method best suited to your personality, trading style and account size is by having a mentor.** Your personal mentor should be a successful professional trader who is familiar with many trading systems and styles and who knows how to effectively and efficiently teach anyone with the passion to learn. Personally, I am convinced that having a personal private mentor is the single most important thing any trader can do to give themselves the best chance of long term success. It's also the reason I've enjoyed serving as a mentor to hundreds of traders over the past 16 years.

Before we move on to some trading tips and techniques, I want to make sure that everyone understands the importance of the points covered above. No trading system or technique, no matter how simple it appears, can be mastered without knowledge, training and practice. With that, let's begin with some of the charts I use that you might find to be different...or even down right foreign to the ones you're used to. But I wouldn't use them if they weren't far superior to every other bar type in existence based on the way I trade.

When I look for trade setups, I want them to be as clear and accurate as possible so eliminating market noise is a must. Noise breeds confusion and confusion breeds mistakes. So, to begin, let's look at familiar turf and observe a 3 minute chart of the popular S&P Emini (symbol ES) on 6/29/15.



Whether you are looking at time-based charts such as this or tick charts, volume charts, etc. they all share the same characteristic shaky, jerky, massive noise that makes any market's true directional intent very difficult to determine. So traders must resort to noise filters in the form of moving averages, Keltner Channels and Bollinger Bands and a slew of other indicators whose sole purpose is to try to make sense of utter chaos. Did I mention that 90% of all traders fail? Did I also mention that 90% of all traders try to trade with these kinds of bar types? Could there be a connection?

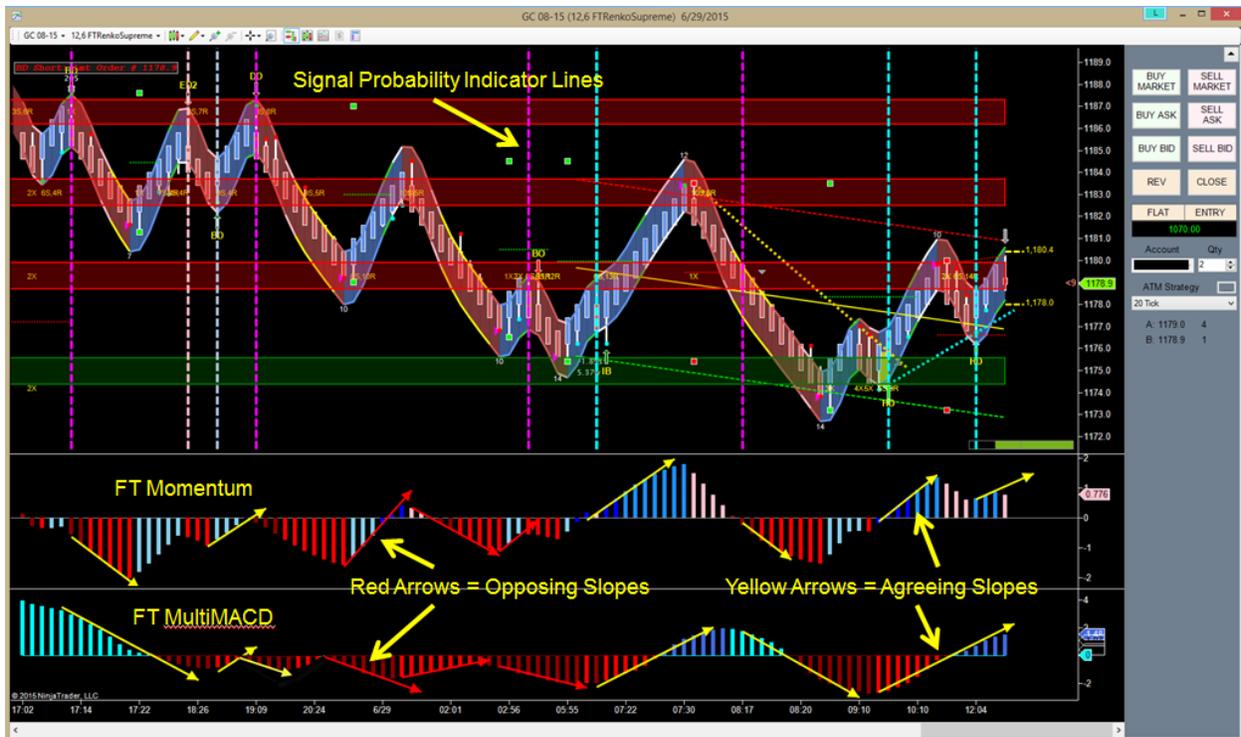
Ok, let's now take a look at the bar type that I use exclusively and my traders wouldn't trade without. We call them FT Renko Supreme and our example below has the added acronym "OHLC" which means that traders can actually peer into each Renko bar and see exactly what price did from the Open to the High to the Low and to the Close of every bar for as far back historically as you care to go.



Notice how angular they make the market appear...almost geometric. When price heads in a direction, it tends to hold that direction long enough to extract some excellent profit potential. Notice also that the entry signals that appear here with the yellow labels and arrows are totally foreign to nearly every trader on the planet. TL1 & 2, BR, SA, UA. These and several other proprietary entry points were developed because these modified Renko bars cried out for an entirely new set of signals and signal filters.

So, you see, it's not enough to just have a great bar type that automatically filters market noise. You must also know how to take full advantage of the many additional characteristics that these bars possess. One example is how remarkably smoother and more predictable many common analysis indicators are able to filter these already highly accurate signal entries. As an example, let's look at a brand new feature we just added to the dozens of functions that our SignalPro software performs. Look at the chart below and notice the two histograms in panels 2 and 3.

Panel 2 is a modified Momentum and panel 3 is our MultiMACD indicator. I've used these two indicators in tandem for quite some time. By simply noting the current rise and falls of the histograms, we could observe when signals fired with both histograms agreeing on their directional confluence (slopes). Steeper agreeing slopes indicated a stronger and longer run or pullback.



The new indicator addition now takes that data and analyzes it for slope and confluence and places a vertical line at the earliest point where directional strength is indicated. Anything forward (to the right of) a **magenta** line would tell us to take the first Short signal occurring. The **cyan** vertical lines would be for Longs.

Often the lines occur right at the time a signal fires as we see happening numerous times here. Another interesting and useful function of this indicator is that, when a magenta or cyan vertical line appears, no signals opposing that direction are allowed to print. This greatly reduces the temptation to enter a trade that has limited profit potential.

For more detailed information on the many ways you can profit from these Renko Supreme bars or for any questions, comments or requests you might have, please email us: [Questions@FeltonTrading.com](mailto:Questions@FeltonTrading.com). Or, you can visit us free of charge in our Trading Room any time by clicking on the **Free Trial** button on our website [www.feltontrading.com](http://www.feltontrading.com).