

10,000 Hours and Practise Makes Permanent vs. Perfect Practise



Do we review our performance? How do we even train as traders? Well, there are ways we can do it.

It is important that we acknowledge that practise does not make perfect. It makes permanent. This is why it is important to have a mentor but having a mentor in trading is not straightforward.

For example, I am a mentor of sort, but I am not the kind of mentor that can mentor people individually because my income is derived from trading – which pays much better than mentoring, unless of course you are prepared to pay me tens of thousands.

Nevertheless, we can take daily steps towards our goal of becoming profitable traders by going through some simple but laborious steps.

1/ we can daily review our performance. Perhaps you learn by visual orientation, in which case it is obvious to mark your trades on the chart and inspect the chart regularly.

2/ we can set goals – not “goal” goals, but “process” goals, such as “I will review all my trades before I go to bed”.

The truth to success is nuanced and will depend on more than one factor. Nature vs nurture springs to me, but having stated that, I am a firm believer that we can far surpass our own “current” perceptions of what is possible, by creating a foundation that nurtures and encourages a daily routine for our reviews.

We can think about how we are going to get better at what we do.

Thinking about how to get better

For example, we can hire charting packages cheaply that has a “play-back function, which will enable us to play the price action one bar at a time.

Goal directed practise activities such as these will create change in your mental chemistry over time. At the heart of the matter is that there are many dedicated chartists and analysts who would like to trade well, but they can't because their training is one sided.

I was good at sports, and I probably could have made it professional, had I directed my attention towards betterment and had the proper support network been present, but it wasn't. As traders we have to create our own network, our own support group.

Just because you are good at something to begin with, to be successful you almost have to be a changed person. Famous researcher Anders Ericson talks about deliberate practice and the 10,000-hour rule.

It was Malcom Gladwell who brought this to the attention of the world through his book “Outliers”. I am an outlier, and I know why I am an outlier. You can also be an outlier, if you do what I did.

In order to get better, you need to change how able you are to do something. True improvement doesn't come from idly going over old charts.

What does improve your performance is not quantity but quality of the problem. If I ask you to review the DAX for the entire week on a 15min chart, you might go to work, and perhaps apply your own perception of the chart.

However, if I ask you to review the entire week of the DAX, specifically homing in on the amount of time that the 15min chart closes below say a prior bar in the time frame 9am until 10am, and again from 15:30 until 16:30 (around EU and US open), then your training becomes much more specific. It becomes much more focused because your mind is trying to solve a problem.

In conclusion, the hours spent is less important, even though that is what Malcolm Gladwell argued. What will improve your performance is solving specific problems. This is what Ericson really meant in his work about deliberate practise.

You are completing a task rather than mindlessly going over an old routine.

So, 10,000 hours of just doing something is not correct. You have to operate outside your comfort zone. And you need to get feedback,

What can you change that will improve their performance? Many will not know what that is, and as a result their “trader training” is just the act of going over old charts. That is a problem because “apophenia” sets in. This is the concept of seeing something which actually isn’t there, or it is there only in your mind.

A teacher however can look at your performance and direct you. I argue you don’t need that in trading, but you need to set tasks, which are stimulating and driven by your curiosity.

ENERGY

So the 10,000-hour rule is more purposefully used to describe the act of getting better if it is used solved problems of a specific nature. Now this is where we as traders can benefit from said knowledge, because we can let our imagination run riot and dream up ideas we want to test and work through.

I would like to take you through some of those “domains” that I have gone through, in the hope that it can inspire you to do the same. Ericsson said they didn’t count the hours you were “going through the motions”, but the hours you engage in a problem-solving act – a self-directed or mentor guided purposeful practise – deliberate practise.

Just doing something will not improve your performance. You have to work outside our comfort zone. you need expert giving you feedback. We don’t have that, but we have the market. What can you change to improve your performance, but most people don’t know what they can change because they never engage in the act of trying to figure it out. They just blame the market.

The best never stop being students of the market. What you do repeatedly becomes permanent, it doesn’t improve your performance markedly, but specific tasks, task-specific problem solving will take your trading to an entire new level.

OK, so let’s go through some of the specifics.