

Norman Hallett,  
CEO of Subconscious Training Corporation,  
Interview's Ray Barros,  
Professional Trader, Fund Manager and Educator

**Topic:**  
“Keeping A Trading Journal”

August, 2008

**Norman Hallett (NH):** Hello everybody, this is Norman Hallett and I'm here today with Ray Barros, an expert in trading journaling and that's why we're here today to talk to Ray about how to run your trade journal the proper way. Just to give you a little background on Ray, Ray is a professional trader, fund manager, author and educator. Since he started trading more than 20 years ago his track record reflects a whopping 39% per annum return on a compounded basis. This means a hypothetical investment of a thousand dollars returned over 230,000 dollars in a 17 year period between 1990 and 2007. That's quite extraordinary.

He is also the author of *The Nature of Trends*, published by Wiley Press. He's been a regular feature in regional newspapers and publications like the *Sidney Morning Herald*, *Trading Edge Magazine*, on and on, *Business Times*, *Smart Investor*. The interviews in these magazines have focused on his trading strategies as well as his opinions on market sentiment. They've also dealt with his track record, trading psychology, which is why I've chosen him to interview today. These publications have also dealt with his track record trading philosophy, how and why he's got into trading and what advise he would give to those wishing to become traders and investors.

He's formerly a lawyer by profession and in trading, Ray gave up his lucrative law profession in the 1980's to focus on his first love, which is trading. His initial attempts at trading failed miserably and he suffered heavy losses as most of us seem to do in the beginning, but after making all of these mistakes in a traders manual and then some, finally he got his trading stride and his approach gave him the market edge and this approach has proven effective in both trending and congested markets, allowing him to trade profitably and consistently. Therefore, he was highly sought after by major banks to manage their funds.

At the time, he's also very much sought after as a trainer to train other institutional traders based on the strategies and techniques he developed. In the early 1990's he became an outsourced FX trader and this gave him the flexibility to focus on his next great passion, which is teaching. So, over the last 20 years

of trading, Ray's seen many traders, both beginners and seasoned traders making... And he's noticed that a lot of traders mistake luck for skill. From the outset he felt that it's not necessary for them to make the same mistakes that he made and he felt that he could help them trade profitably under all market conditions by equipping them with the right tools and thinking skills propelled by his desire to give something back to society and by his love of teaching,

Ray started giving public seminars to equip people with the correct tools and skills. What I believe sets Ray apart from many other of his peers, is his rich experience, his track record and his personal commitment to each and every one of his students. This commitment is further sealed by Ray's belief that the positive effect he has on these students and their pursuit of their goals will measure his success as a teacher and that kind of way of thinking says a lot for him.

Am I embarrassing you with this kind of a lengthy introduction Ray?

**Ray Barros (RB):** Well, a little bit. It looks better on paper.

**NH:** I got most of it from your site, but I did add my personal nuances there. I want to thank you, Ray, for submitting to this talk about trade journaling. As you know, I run a new intensive called The Disciplined Trader and we talk about all things trading discipline and the ideas in the area of trade journaling confuses a lot of people. There are a lot of interpretations about what trade journaling is, how it should be done and so on. I asked my students in this current class to come up with some questions that they'd like to ask you about the proper way to run their journal. If I could, I'd like to just start at the top and ask you some of these questions and get your ideas.

**RB:** Absolutely, go ahead.

**NH:** Starting with the first question, would the primary purpose...you know, rather than starting with the first question, can you give me just your general feeling about why it's important to maintain a trade journal?

**RB:** Well, for me, trade journals actually fulfill two purposes. One is your first question is an identification of patterns that will eventually lead to correction of behaviors. One thing I might point out right at the beginning is the fact that when people write journals, they tend to write on the negative aspects. Sometimes it's used as the sounding board just to release feelings and I'll come to that in a moment, but I think it's important that they identify both negative and positive patterns. In other words, what are the conditions under which I trade best and what are the conditions under which I don't trade so well. I think you need to put both of those things down and that helps you of course with your behavioral change. The second part is just a cathartic experience, like I had an experience last night. I'd just come down to Sidney because my Mom's ill. It was quite a

shock to see how much she'd deteriorated. Before going to the hospital, I had thought I put in my stops. I say that because I woke up in the middle of the night and found that I'm short soy beans and that part of my positions for whatever reason, I did something wrong or something else went wrong, the stop was never triggered and I'd had a stop at about 12.97, market was trading at 13.37 at the time. It's a shock to the system when that happens. You exit the position, but you do have some emotions and I found a good way of clearing the system so that you don't do something silly, you don't try and jump back in or stop and reverse or something like that. You get in there and you write down the feelings of how you're feeling. It creates a bit of a buffer zone from the stimulus to the response, if you know what I mean. So, the second, what I'm saying here is that the journal for me serves another purpose, which is to allow me to express my feelings in a safe environment and it stops me from doing emotional trades.

**NH:** Would you say that the primary purpose of keeping a journal would be to maintain and correct behavior? Would you say that's the primary purpose?

**RB:** I would say it's two. That's one of the primary purposes, as I said in the correction of behavior when I identified both the positive and the negative. In other words, under what conditions do I trade best under? What conditions do I trade at my worst? Certainly that leads to a correction of behavior, but also, I think it's an adjunct to the primary purpose is to that allows you to express and articulate your emotions in a safe environment. And I think that's important.

**NH:** Describe the process of journaling. Do you write it up daily? Do you summarize weekly, monthly? How do you run your journal?

**RB:** Okay, I actually write it up daily. I write it up, my journal is a little bit complicated and it suits my personality and you know, your students will have to take what they can from it. I actually have three types of journals if I can put it that way. I have a personal journal. I have a trading, what you'd call I guess a psychological journal. It's a journal in which I keep track of the trades. I'll go through it in a little bit more detail in a moment, and then I have an equity journal which is as much a part of the psychological journal as the other two, because it gives me the bench marks to indicate whether or not I'm trading well. The psychological journal, I use to identify the trade, why do I take the trade, what are the reasons? What are my thought processes? What are the conditions under which I'm taking this trade? Am I having stress at home? Are things really cruel? So, I've reduced, well, I haven't reduced it, but I've added to it if you will, a rating formula. So, I have two rating that I use. The first rating is what I call a 310 method. 3 is where I enter and exit according to the plan. 1 is where I exit or enter according to the plan. I've broken discipline somewhere there and 0 means I've entered and exited without following the plan in both entry and exit. I want to make sure that I score at least 90%. So, what I'll do is I'll clip these ratings into the journal and at the end of each trade of course it'll be either a 3 a 1 or a 0. Then, at the end of each week, and then at then end of each month, I

want to make sure that my trading is scoring 90% and if it's not, then I know I'm breaching discipline and then I go through my text in the journal that I've written down and try and find out what are the conditions under which these events are occurring and what I can do to change them.

The other thing that I do, that's something Brett Steenbarger either told me or I had lunch with him one day in Chicago and I think he mentioned it then. Is, I actually Camtasia when I'm trading, because I enter on entry day basis and I'm a position trader, but I do enter on an entry day basis. So, I Camtasia them, what I'm doing when I'm actually doing the trade and then I mark the spot on Camtasia where I need, if something happens, I need to get back to. I'll go to that spot. So, at the end of the trading day, I've entered the market say, I've logged in my entries and my stops and so on, and then I'll go to that spot in Camtasia and say, "Well, what was it about here that I wanted to make a note, a specific note in my text journal?" So, that's what I do. I obviously don't need to do the Camtasia every day, because it's only when I enter and exit, but I would probably do at least 30 minutes for my journals daily.

Sometimes it takes an hour if Camtasia's a little bit long and what I'm looking to do at all times, as I said at the beginning was, I look for those conditions under which I trade best and look for those conditions that cause me problems and then by keeping a journal I identify those conditions and then I can then also log the types of behavioral change or the types of remedies I'm trying to bring about the behavioral change. I find that to be really useful. That's where the journal really comes into its own. Identifying the problem can be quite simple some times, but identifying the solution to the problems are not that easy sometimes and by keeping the journal and keeping a log of all the things I've tried, that's very helpful.

**NH:** So, you really use these journals in concert with each other to arrive at the solution?

**RB:** Absolutely, yeah. Going back to that equity journal I keep, you know, the expectancy formula, average dollar when multiplied by the win rate minus average dollar loss multiplied by the loss rate. I keep track of these both on a daily, weekly and monthly basis and I keep track of my, it's got a benchmark, you know, if it's a certain average, I do plus or minus one standard deviation of my expectancy ratio and if I find it goes, say, mean minus two, let's say I'm normally somewhere between 1.8 and 2.5 is my expectancy ratio per trade and I suddenly drop to 1 for that month or that week, then I start to say my trading is not doing very well. I close down or I reduce my size dramatically and then I start to look for the conditions under which that is occurring.

Now, sometimes it has nothing to do with my discipline. Sometimes it's just that my particular approach to market it not suiting those conditions that the market is currently undergoing. When in that situation, I just cut my size down.

Sometimes I can actually say, “Well, okay, here’s a pattern that’s repeating. This is something I have to do. There’s something I have to fix. There’s something I have to amend. I have to change this behavior. How am I going to go about it?” I would not trade as well as I trade without the journals. I think they form an important part of my trading activity as analyzing and entering and exiting the market.

**NH:** You mentioned Camtasia a number of times. For those traders that don’t know what Camtasia is... well, a screen shot is a moment in time on your desktop. A Camtasia video is like a movie of what’s on your desktop so that when you tell Camtasia to begin, you define what part of the screen you want recorded, what part of your monitor you want recorded. You press the record button and it will start to record a moving history of exactly what you’re looking at on your screen so that you can actually, so what you’re saying is that you use Camtasia when you want to enter, when you know that you’ll be entering and exiting a trade. You turn Camtasia on and you’re seeing a live, literally recorded version of what you’re doing to enter and exit. Is that what you’re saying?

**RB:** That’s exactly right, Norman. I find that memory can sometimes be self-serving and often you think, “Oh, well, I executed that perfectly,” and all things being equal, you may have, but sometimes you suddenly find that in fact it was an impulse move. I’ve had a couple of trades about this March that I actually executed at my price and when I reviewed it, I actually found that I had been acting not so much according to the plan, but according to, because of the way that the market was moving. In other words, I gave into an impulse trade and then I noticed that there was a certain pattern developing and I was doing impulse trades and because of Camtasia I was able to A, identify, and then subsequently I was able to change the behavior. But, Camtasia enabled me to identify it, because without Camtasia, just looking at the entries would have said, “Oh, yeah, I planned to enter at such and such a price. That’s exactly what I’ve done. I’ve entered the exact number that I said I would,” and I would have thought everything was okay. But, Camtasia stops you from kidding yourself.

**NH:** That’s exactly what I was going to say. It’s a great way to keep you responsible to yourself and honest to yourself, which is what journaling is all about, saying honest with yourself. Even in private we tend to talk ourselves, we tend to support what we did whether right or wrong and make it right. The whole idea of journaling and capturing things on Camtasia in this particular example is to force yourself, really, to be honest with yourself. I’m sure it gets easier and easier, but Camtasia, what a terrific way to keep yourself honest with yourself.

**RB:** Yeah, absolutely.

**NH:** Let’s get to the next question. Do you use a template?

**RB:** Yes, I do, I do. I actually, and you know, for what it's worth, I sent you a little copy of that template that I use. Essentially, the first part of the text journal will contain my plan. It will contain details of the plan of my position size, my intrigue, where the kind of price is, where the stop is, what I'm risking on the trade. I do this on every entry just to force myself both to keep an equity spreadsheet, which I call market to market. So, I'm using double entries if you will, to ensure that I don't lose sight of the fact that I'm either making or losing money. Where I have the stop, tells me, something Ed Sequoda said, which I think would be useful, he says, "It doesn't matter what the open positions are, what they profit is on the open position, what's important is where the stop is." That's your real profit or loss, because, you may have \$1,00 in profit, but if your stop is minus 200, you're position is minus 200, not a plus 1,000.

So, I like to have this in front of me at all times to remind me that, you know, we tend to get carried away, let me just go back and say, we tend to get carried away when markets are going in our favor, we just, well, I do anyway. I start thinking, oh well, it looks at though this is going to get to my target without any troubled markets, you know. Everything's hunky-dory. With the stop is, I keep reminding myself, hey, that stop means that I still have it at minus 200 and I'm making 1,000, note that getting carried away here, I'm still at a minus 200 level. Do I have to move my stop down or up if the case might be to lock in some profit. That keeps me honest, if you will.

The second part of the journal is basically, a set of charts which tell me how I entered and exited the market. Then, below that I have what I call the subjective elements, influencing factors. Pete Stottlemeyer taught me that in any market, the context, there are three fundamentals in place. Either it's an unexpected event, by that he means there is an underlying structure to the current market that the traders are missing. For example, subprime is a classical example and mind you, the failure for traders to appreciate that the US is probably going to head for hyper-inflation and so that Bernanke is going to have to increase dramatically at the rates next year, after the elections. An unexpected event is, fundamentals in the market place that traders are ignoring so that value will lead price and then you got two others.

Surprise events, which are acts of God, in which case price will come back to value. In other words, you'll get an aberration in the price, but, like if you look at soy beans last night, for example, the market shot up and then came straight back down. That's a classical surprise event, something stirred the emotions of the traders. Chernobyl was another good example, that eventually markets return to their level. Then, the expected events, which are resulting in congestion market, because people are reacting to known items. So, I try and list those things in my journal. I'm trying to anticipate any, things that I ought to be aware of that I'm ignoring and also I put in there things that are happening in my events that are influencing me in my personal life. You know, if my wife and I are having a fight or we're having a particularly good time or my mom's sick, things of that

nature going there. I also have a rating for stress, stress rating I call it. I rate myself from 3 to 0. 3 being least stressed, 0 being most stressed and I like to try and keep track to see if there's any correlation between my stress levels and my trading and actually there are, of course. Whenever I'm too stressed, I will reduce size. So, that's a template that I use.

**NH:** You mentioned that your mom's sick and I certainly hope that she can get better. Did that enter into, do you think, did that make an entry into your journal, with the missing of the stop today?

**RB:** Absolutely, I mean, first thing I did when I heard Mom was sick, I cut, reduced my position size, my open position size. I reduced, because I tend to be aggressive. Another thing I learned from Pete Stottlemeyer, is that people tend to trade most often in congestion markets, particularly the middle of the congestion, they get stopped and the stop and reverse and if you're using something average system, you get in and out in congestion markets, particularly in the middle, which is the wrong place to do it. You want to trade congestion, you trade the top and bottom of the boundaries. In a trending market, you want to get aggressive, because the market's in your favor. So, if the market is trending, I will try to sell every rally and buy every dip if it's trending up, sell every rally if it's trending down. So, in this particular case, I had taken some positions of 12.87 and I cut those positions and then I had some positions at about 13.23, so I put my stop down to 13.17  $\frac{3}{4}$ . Looking at Camtasia, I didn't notice that when I clicked it, for some reason, you click on an online platform, you hit T to transmit with my platform, and then it will turn green. Now, I hit the T, clearly hit the T, but for some reason it didn't transmit and I didn't notice that, I was in such a hurry to leave, because I was putting this on before I caught the plane. It just didn't transmit and then end result was I didn't have a stop. I think that was a direct result of Mom. I was rushing to catch a plane, blah, blah, blah, and I didn't notice that it didn't go through, whereas normally I would notice. I would wait for it to turn green.

**NH:** Very telling, because we all have personal issues and bring them to our trading and that's very telling an honest of you there. Do you cross-reference in your journal? Do you cross-reference charts and accounts and so on? How do you relate all of these things?

**RB:** All of my trades have a trade number and a date of course, and the instrument, but I tend to use the trade number as my cross-reference more to cross-reference the various journals that I use. So, generally speaking, I'll have a trade number. On the side, I use one note and when ever I put an entry on the right hand side, will be the date and the trade number, so that if there's a cross-reverence I'll say, you know, this is in relation to trade number 10. So, I know everything from the various journals. I use one note for both my personal and my trading and in my equity spreadsheet all my trades are numbered so I can always got to all of the 10s and put everything together. With my summaries, which I

didn't send you, my monthly summaries, I'll put... One thing I could tell your students, you need to do summaries, I think, weekly if you're a position trader, you might have to do it more often if you're a day trader. But, for me, the key is the monthly summary because what I'm trying to do there is take the eyes out of the summaries I've done on the week. I do a little bit of coaching and what tends to happen is some students deal with the journals very religiously, but they don't extract any information from them.

So, all that effort they put into writing the journal to me, is wasted, because they haven't learned anything from it. So, you need to summarize on a, I summarize mine on a weekly basis, take the guts out of it and then I shift it to a monthly summary and I see if I can see any reoccurring patterns. If you do, then you want to put them together.

**NH:** So, you do all this micro-work in order to get a good macro look at it on the weeklies and the monthlies?

**RB:** Absolutely, yep, and that's my personality. I tend to start with an overview shift, have an idea what I want in life as a holistic, but a bit of macro-view as you say and then I want to make sure that the micro is supporting that macro-view. So, that's the way I tend to work.

**NH:** I'm going to ask you this question that I know the answer to, but I think the listeners may be surprised at the answer. How long do you spend journaling every day?

**RB:** I would say I probably spend about an hour a day on average. Sometimes it can be more. To me, journaling is the key reason I'm successful. I don't think market knowledge. I think it's the psychology side that helps me. I need to keep my balance, because when I was losing money, I would react emotionally to loses and there was a time when, Chrissy, my wife, was very, very supportive, in fact, had I not been for her, I certainly wouldn't be seen today. Many times I would say, I know the markets and yet I'm not putting into action what I know I should be doing and it was only when I built up this idea that market's A, a probability game and B, that I have to keep track of myself more than I have to keep track of, or as much as I keep track of the markets, that success started to come. So, for me journaling is an important part. Now, I spent probably about an hour, hour and a half a day on analysis. I would spend almost as much time on a journal, at least an hour a day.

**NH:** I think that surprised most people. I get a lot of questions about, I get a lot of responses 10 minutes, 15 minutes and I agree that doesn't really matter your personality type. There's not much work that you can do with self-analysis on a daily basis in such a short period of time, but I think people have to get used to journaling if they haven't journaled before and kind of build up to it as opposed to making it work, making it seem like work right up front.

**RB:** Yeah, I agree. You know, I liken it to someone who wants to run a marathon and he's a bit like me, who's grossly overweight at the moment. I've got to do something about that. They want to run a marathon and they can't run 100 meters without running out of puff. I think journaling, you build up slowly. I mean, I didn't start with an hour a day. I started with 10 minutes and I said, "Okay, what's the most important thing that's happened that I have to put in the journal?" and then slowly built into the framework that I have now. I certainly don't want to give the impression that if you've never journaled before, you should go and start trying to do it for an hour a day. I don't think it will happen. I think you need to do it gradually. You know, the quicker you can do it, the better, but you need to take small, baby steps.

**NH:** Right, what happens is I think the more you journal, the more you get into it, the more you see results from your journaling, the realizations that you discover about yourself and your position as a professional trader, whether you're acting professionally or whether you're just winging it. The journal is the look into yourself and as you start to make the entries, even five or ten minutes a day, as you start getting honest with yourself, you start to see the results. It starts with a little conflict and as you resolve the conflict, you improve as a trader, it becomes more and more of a habit, you want to do more and more of it. Did you find that to be the same with you?

**RB:** Yeah, yeah, absolutely, Norman. You're 100% correct. I started with 10 minutes a day and it slowly built and I built it over a year. It took me a year to get it to the point where I was writing and probably five years before I really got happy with the framework and probably, you know, it's an ongoing process, the journal that I use. I mean, I'm very happy. I haven't changed it for a while now, but you know, something will happen and I'll probably change it a little bit as time goes on, but I did start at 10 minutes a day and as I said, it took me about a year to really get to a point where I was really doing it an hour a day.

**NH:** Do you make any entries in your journal if you're not trading? You know, general notes or do you just kind of abandon it just for the days? What do you do?

**RB:** As I said earlier on, I actually have 3 journals. I have the equity, the trading and the personal. The trading journal, if I'm not trading, I abandon, because there's not entries about journaling, but I always keep my personal journal going. I guess that answers that question. I never stop journaling. Journaling is part of my life and I'll do it on my personal level, on my personal journal, which I cross-reference to my trading journals, but, on trading journals, well, if there's nothing on, there's nothing on.

**NH:** We at the Disciplined Trader, most of the course happens online, but there's one physical thing that I make sure all of the traders get in the very

beginning and that's a leather bound, a really nice journal for them to keep their personal notes in and it's because I believe that using your hand and your thoughts and just sitting down with yourself with a pen and paper and entering in your journal helps to feed the subconscious mind tactically with your eyes, with your hands, with your thoughts, even whispering as you're writing, you're really starting to be more introspective. However, there's a whole part of electronic journaling. Do you recommend electronic? How do you fit the two or do you do any physical journal where you write with a pen and paper or is it all electronic with you?

**RB:** Well, now days it's all electronic, but when I started, I started with a physical journal. I didn't like electronic journals when I first started journaling. I kept, like you said, a nice bound journal and I kept that going. But, then I found that the cross-referencing became difficult, because I have multiple positions, I have the same trade, but multiple positions in a trade and it became difficult to fit them. So, now everything is electronic journals. I make use of mind maps and colors and what I like about One Note is the fact that you can put nice little icons, nice little tags they call them and you can put picture into your journals. I tend to be very visual and I love to have icons and colors and arrows and that sort of thing. So, now days it's all electronic but when I first started it was all by hand.

**NH:** Let's say you bump into the ADD trader, and there's a few of them out there. A guy or gal that can't sit still, they understand that journaling is important and they want to do the introspection. They're doing the best they can to make it happen for themselves. What's the minimum journaling that they have to do if they're not disposed to spending a lot of time on journaling?

**RB:** I think that if you're just starting, 5, 10 minutes, you know, just promise yourself, I'm going to sit down and however you're going to do your journals, I know some of my students for example, they record their journals. They actually put it on tape, they get their sensory input from the audio, so, all of their stuff's on mp3 files, little iPods or whatever they carry around with them. but, I would spend 5 minutes, I mean, just promise yourself, I'm going to sit down. There doesn't have to be a set time, it's just a time you promise yourself. I'm going to sit down for 5 minutes and as soon as 5 minutes is over, I'm going to get up. I'm going to sit down for 3 minutes, the moment I get up it's over. And as you said, once you start doing it, it's like the runner, once he starts to run and he gets fit, then not running becomes uncomfortable. We need to push that comfort zone level. We're so used to operating within our comfort zones, so anything that's strange or unique makes it uncomfortable.

So, just promise ourselves, three minutes. I'm just going to be uncomfortable for three minutes and then surely I can do that and then after a while, 3 minutes gets comfortable, you start, the person themselves, the trader themselves will push that envelope. It's just a question of getting started and making it into a habit and once you get that, it's fine. The other thing is that, okay, we can write. Most

journals are written, but as I said, some people prefer auditory. One of the guys that I coach once in a while, he keeps an mp3 file with printed charts. That's his journal and he cross-references it that way. It doesn't really matter, I think, how you keep the journal as long as you can use that to identify patterns of behavior that are causing you grief or patterns of behavior that are causing you to have really good trades. So, that's what I'd say. I don't think time is the important thing; it's doing it and doing it on a consistent basis. How much time can you spend doing a journal day in and day out so that it becomes a no-brainer? That's the question that I would pose to your students.

**NH:** Interesting, that's a good way of putting it. I think you're bringing up the important point that one man's journal is not another woman's best way to journal. In other words, you have to know yourself and the way you're best at taking a look at yourself and if you're auditory, then the mp3 may work better for you. If you're an engineer that decided to become a trader, then maybe keeping extensive Excel spreadsheets may be the way to go. You know, if you're more of a sensitive person and tend to be driven by emotion, which of course you need to control in being a trader, perhaps just the written word, paper and pencil can help you to be introspective. But, I think it's important when you agree to identify, to self-identify what you are as a person, how you best handle information.

**RB:** Yep, I agree Norman, yep.

**NH:** Here is a question from a trader who often has multiple profit targets, in fact recently he's been logging the targets on charts that are separate from the journal and his question is, do you post profit targets after logging in entry information?

**RB:** I'm not sure I understand that.

**NH:** Do you post profit targets after logging in entry information? That was his question.

**RB:** Well, I do multiple exits. I do multiple entries and multiple exits. In terms of my journal, what I do is, my journal for that trade is not finished until the last entry has been exited and on my spreadsheet I will keep an average of the price as I enter the market, I average, because I'll enter the market at different levels at different numbers. So, I keep an average price and I keep all of the multiple entries. When I do the journal, I only keep the average price. As I said, my entry will be my average price if I entered it five times. I don't write down the five entries, that's already on my spreadsheet, but what I do put down is my average price and I average the exits. So, if I have multiple exits as I'm exiting the position, then I will put the average exit in.

**NH:** Do you have any other suggestions for scalpers in journaling?

**RB:** Norman, I'm sorry about this. I have a philosophy that if I don't know anything about something, I'd rather say I don't know. Scalping has never been my forte; I've done a bit of day trading. I do day trade from time to time, but scalping, I'm not a scalper so I don't know. I don't know, you know, I've got friends who buy the bid and sell the offer and they do maybe 200, 300 trades a day. I don't know. I can't even conceive, and I haven't really spent a lot of time thinking about it, but just sitting down here talking to you, I can't conceive of a way that I could. Maybe Camtasia would help, I guess? I don't know Norman. I'm sorry. I'd love to help.

**NH:** Not a problem. That's a tough question for me too, because I've never been a scalper type trader. I'll do a little research for that person, see if I can't assist him in another way, but certainly experience is the best player here. When you write in your journal, with an example as well, he says here, when he writes in his journal, please ask Ray what he writes in his journal with an example as well as when he writes this in his journal. In other words, immediately after doing a trade, do you wait until the end of the day and write in your journal? How do you manage that and also, do you review the trading journals at the end of the day? I think you covered that, but after a trade is made and after you've made a series of trades, when are you actually making the journal entries?

**RB:** Well, my journal entries are always done, I mean, a couple of things I do, definitely at the end of each day. I make sure all of my spreadsheets are up to date, all my entries and exits are entered and I make sure that all of my journal entries are done. My day is not complete until those things get done. It doesn't matter what else is happening in my life. So, I guess I'm answering that one and as I say, it will take me about an hour a day to do that. So, my trading day is complete only when the journaling is complete. In terms of reviews, I said I will review it daily, but most of my emphasis is on the weekly and monthly reviews.

**NH:** Well, it's been thrilling listening to you. I do have one more question and I kind of like this question. It's my kind of question. What questions do you ask yourself once you've completed a winning or a losing trade?

**RB:** Well, they're both the same. The questions are both the same, really what I ask myself is the first thing I want to look at, I look at is I compare the expectancy for the trade, in other words, relative to my, I look at the profit that I made relative to my reward, sorry, relative to my risk. I want to know whether or not that's within tolerance, so that's the first thing I do, because I keep stats of the expectancy ratio and the expectancy result, you know, average dollar when multiplied by the win rate, minus average dollar loss, multiplied by the loss rate is your expectancy rate and then you divide it rather than minus it and that's your ratio. So, I will compare my results for this trade relative to my historical results. Are they within what I expect them to be? If they are, then I will just have a quick look. It's almost an expectation there that I won't find anything of use in this particular trade, because the result is within normal boundaries. I will have a

quick look just to make sure that there's nothing in the journal that would suggest otherwise. Where I really focus on, let's say my expectancy's normally a maximum of 2.8, 2.75 and I suddenly get a 3.8 or 4.5, something like that, something way out of the ordinary.

I will comb through the journal saying, "Okay, did I get lucky?" Because, I think sometimes you just get lucky, you know, the market happens to suit your conditions. Did I get lucky or is there something there I want to notice? Is there something there that is happening within the marketplace that better suits my plan than I otherwise believed or is there something happening in my life or have I suddenly turned the corner somewhere? Is there something in there that I should make note of? And, it's the same when I lose. If I lose outside of expectations, if I should, you know, like this one on the soy beans would be a classic example. What can I learn from this trade? What would I have done differently? So, I'm looking for something exceptional that had occurred. I try to identify the environment or the conditions under which it occurred and then if it's something that's a loss, you don't want to repeat it. If it's something that's a profit, you do want to repeat it.

So, if it's a profitable trade, how can I repeat those conditions that I've identified as being exceptional and can be repeatable, they're not just lucky or hey, what happened in this particular case? I was under stress. How can I make sure that doesn't happen again, because obviously, we all have stressful situations? So, that's what I ask myself after each winning or losing trade.

**NH:** Excellent! Ray, you are the man when it comes to journaling! Ray Barros, I've been talking to. Fabulous information, Ray, I really appreciate the time you've spend in submitting yourself to my student's questions there. They're going to be much appreciative. I'm sure if they were with us right now, they'd be giving you a round of applause. So, again, thank you so much for spending time with me today.

**RB:** No problem, Norman. If I might just say this, I want to thank you. You're probably not aware of it, but I've picked up a couple of your products now and then and I think you do some really good work with the industry and I'd like to thank you for that because anything we can do to help the newbies come along and not, what is it, 80, 90% of newbies lose money? And anything you've done to assist that to increase that ratio upwards so that less newbies lose money, I deeply appreciate. So, thank you very much.

**NH:** Well, thanks Ray, really this whole topic of journaling is probably the most misunderstood as far as managing your trading psychology, so, again, I really appreciate the information. Ray Barros, ladies and gentlemen. Thank you again.

**RB:** Thank you, thanks Norman.

**NH:** Good night.

**RB:** Good night, sir.