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Enlightened Stock Trading

The Blueprint for Trading Success: Overcoming Human Bias with Systematic Strategies

Adrian Reid
Founder
Enlightened Stock Trading

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Blueprint for Trading Success

Overcoming Human Bias with Systematic Strategies

Adrian Reid
Founder – Enlightened Stock Trading

ENLIGHTENED STOCK TRADING

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MY GOAL:

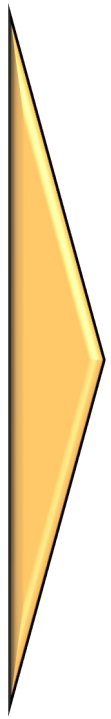
To show you the shortest and most reliable path to consistent trading

NO MATTER WHAT YOUR RESULTS UP TILL NOW

Some of the challenges traders face…

COMMON PSYCHOLOGY ISSUES

- ❑ Fear of being wiped out
- ❑ Lack of confidence in your edge / rules
- ❑ Regular execution mistakes
- ❑ Anxiety about your trades
- ❑ Over / under aggressive on risk control
- ❑ Trading takes too long
- ❑ Micromanaging individual trades
- ❑ Breaking / bending your rules
- ❑ (… and many more)



- × Trading takes too much time
- × Break rules at the worst possible moment
- × Erratic / inconsistent results
- × Large unexpected drawdowns
- × Slow account growth
- × Account blow-up

THE REASON:

Our Brain makes it almost impossible to succeed…

EXAMPLE

CONFIRMATION BIAS

The tendency to search for, notice and remember information in a way that confirms one's preconceptions

Ignoring data that don’t align with your positions

EXAMPLE

LOSS AVERSION

The pain of losing is about twice as powerful as the pleasure of gaining

Traders hold onto losers hoping the will turn around

EXAMPLE

RECENCY BIAS

Giving more weight to recent events than older ones

Decisions not based on true probabilities

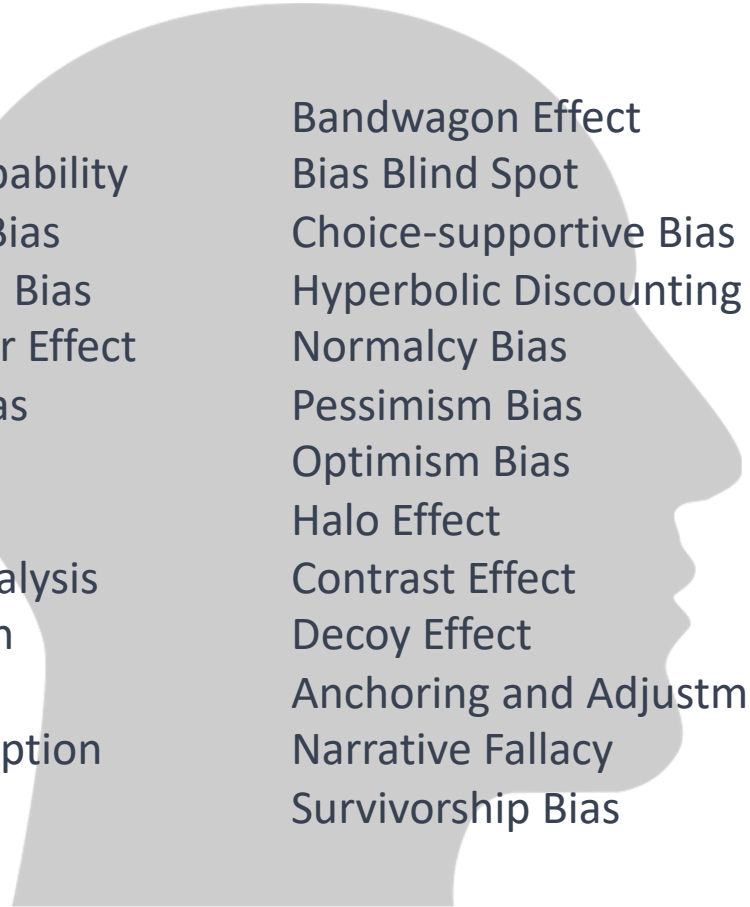
EXAMPLE

INFORMATION BIAS

Seeking information even when it does not affect action

Time expands and confusion sets in

There are dozens of biases that impact our trading decisions



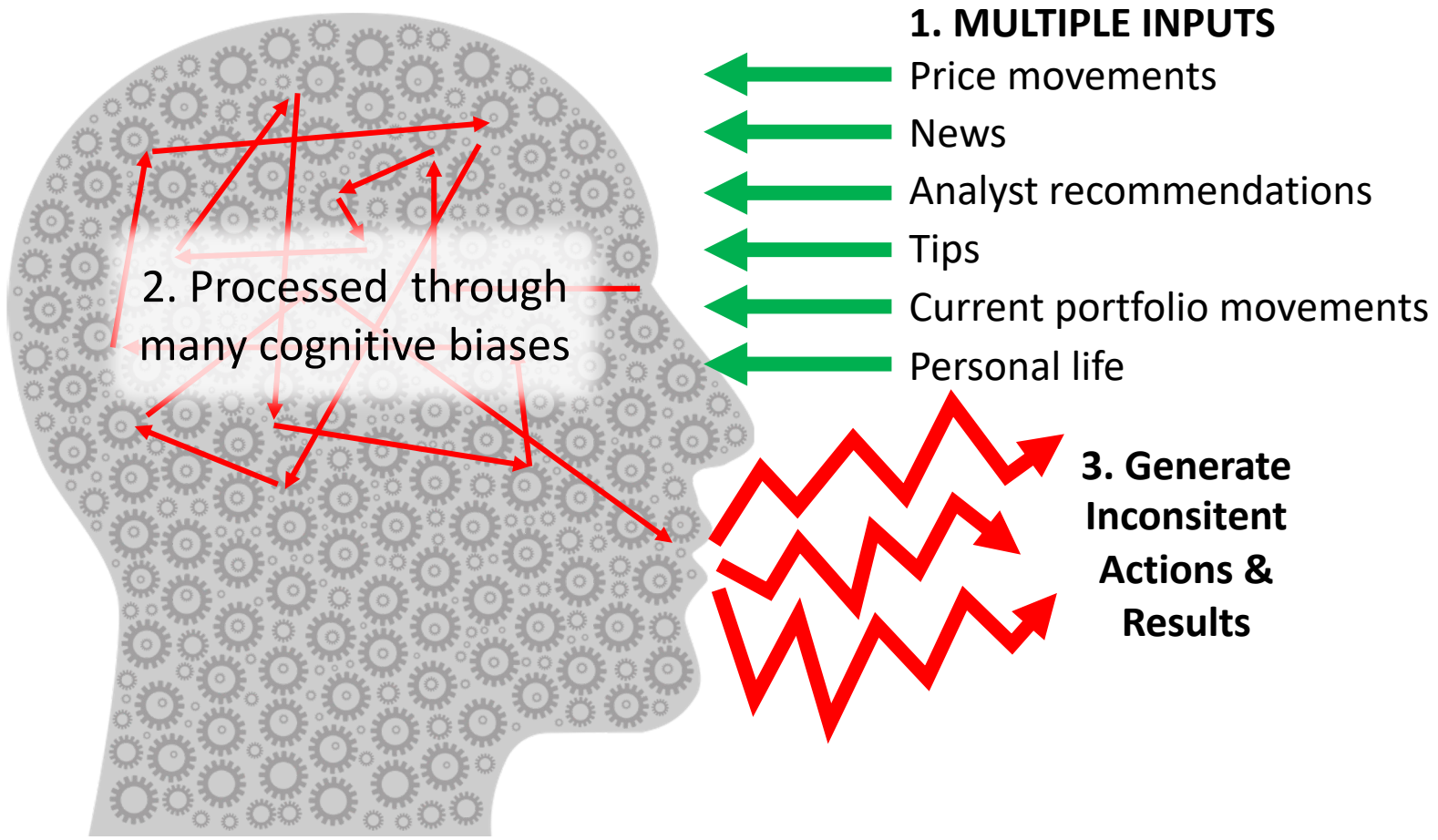
Confirmation Bias
Overconfidence Bias
Loss Aversion
Disposition Effect
Recency Bias
Anchoring Bias
Herd Mentality
Gambler's Fallacy
Availability Heuristic
Hindsight Bias
Sunk Cost Fallacy
Endowment Effect
Status Quo Bias

Action Bias
Neglect of Probability
Conservatism Bias
Self-attribution Bias
Dunning-Kruger Effect
Information Bias
Ostrich Effect
Outcome Bias
Paralysis by Analysis
Regret Aversion
Salience Bias
Selective Perception
Zero-risk Bias

Bandwagon Effect
Bias Blind Spot
Choice-supportive Bias
Hyperbolic Discounting
Normalcy Bias
Pessimism Bias
Optimism Bias
Halo Effect
Contrast Effect
Decoy Effect
Anchoring and Adjustment
Narrative Fallacy
Survivorship Bias

Authority Bias
Familiarity Bias
Ambiguity Aversion
Representativeness Heuristic
Escalation of Commitment
House Money Effect
Disposability Effect
Clustering Illusion
Commitment and Consistency Bias
Money Illusion
Framing Effect
Etc…
Etc…

These biases make trading success unlikely… because our decision making is too compromised



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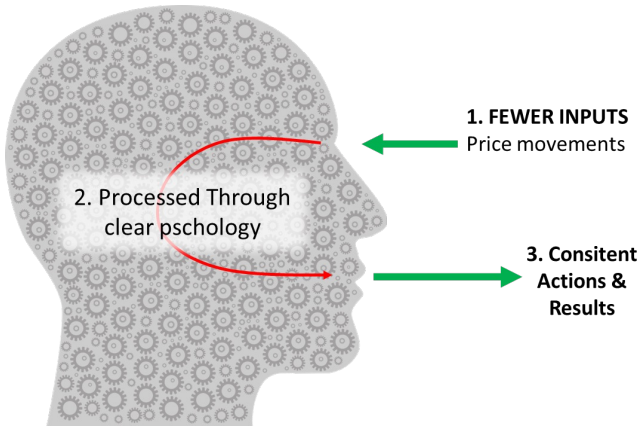
Framing Effect
Etc
Etc

HUMAN'S NATURALLY JUST DON'T MAKE GOOD TRADERS!!!

THE SOLUTION

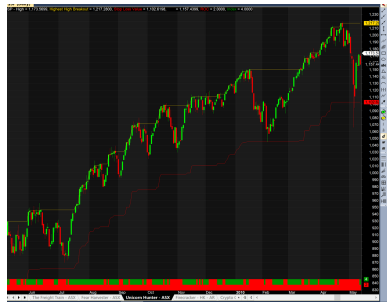
1. <u>YEARS</u> of Psychology Work



OR

2. BYPASS The Psychology Problems by SYSTEMISING your trading

Price Data

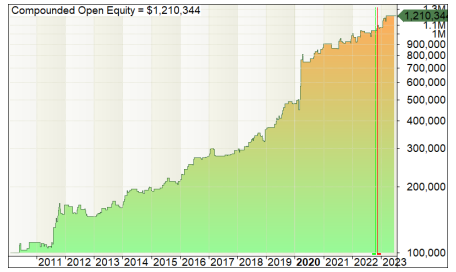


OBJECTIVE RULES

If A + B + C… BUY

If D or E… SELL

CONSISTENT RESULTS



Objective Rules = Strategy / System / Algo

The rules make the decision to buy or sell, so the psychology does not get in the way (… as much)

Example Trading System

```
//=============================================================================
//Entry Conditions (Liquidity Filters, Volatility Filters, Setup, Entry Triggers)
//=============================================================================

TrendFilter                = C > EMA(C,200);

VolatilityFilter           = ATR(14)/C>0.08;

LiquidityFilter            = MA(C*V,20)>1000000;

EntryTrigger               = Cross(5,RSI(3));

SellRule1                  = C>EMA(C,3);

SellRule2                  = C<EMA(C,200);


//=============================================================================
// Specify which rules to use in the Buy and Sell conditions...
//=============================================================================

Buy             =   TrendFilter
                    AND VolatilityFilter
                    AND LiquidityFilter
                    AND EntryTrigger;

Sell            =   SellRule1
                    OR SellRule2;

//=============================================================================
// Position Sizing & Risk Management
//=============================================================================

PositionScore = 100-RSI(3);

ApplyStop(stopTypeLoss,stopModePercent,40,2,False,5);
SetPositionSize(10,spsPercentOfEquity);
```

Example strategy only
Not a recommendation to trade

Backtesting

Code the rules

```
//------------------------------------------------------------------------
//Entry Conditions (Liquidity Filters, Volatility Filters, Setup, Entry Triggers)
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TrendFilter             = C > EMA(C,200);

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PositionScore = 100-RSI(3);

ApplyStop(stopTypeLoss,stopModePercent,40,2,False,5);
SetPositionSize(10,spsPercentOfEquity);
```
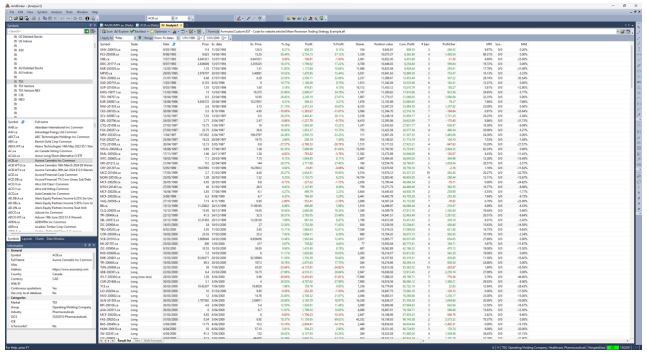
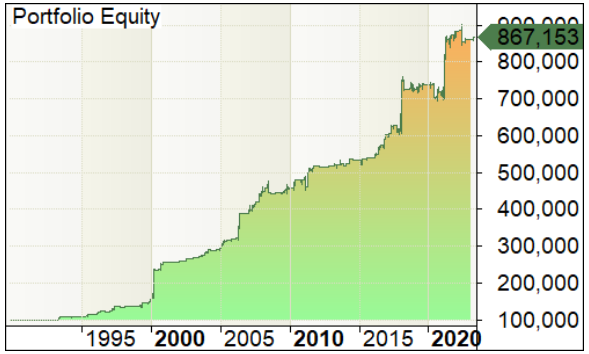

Use trading software (e.g. Amibroker) to generate all historical trades over past 30 years & Assemble portfolio



Evaluate & Improve Performance



Historical Performance From Strategy Backtest

All trades	
Initial capital	100000.00
Ending capital	867152.58
Net Profit	
Net Profit %	
Exposure %	
Net Risk Adjusted Return %	
Annual Return %	
Risk Adjusted Return %	
Transaction costs	
All trades	
Avg. Profit/Loss	
Avg. Profit/Loss %	
Avg. Bars Held	
Winners	
Total Profit	
Avg. Profit	
Avg. Profit %	
Avg. Bars Held	
Max. Consecutive	
Largest win	
# bars in largest win	
Losers	
Total Loss	
Avg. Loss	
Avg. Loss %	
Avg. Bars Held	
Max. Consecutive	
Largest loss	
# bars in largest loss	
Max. trade drawdown	
Max. trade % drawdown	
Max. system drawdown	
Max. system % drawdown	
Recovery Factor	
CAR/MaxDD	
RAR/MaxDD	
Profit Factor	
Payoff Ratio	
Standard Error	
Risk-Reward Ratio	
Ulcer Index	
Ulcer Performance Index	0.56
Sharpe Ratio of trades	2.90
K-Ratio	0.05

Hypothetical Backtest Results using Amibroker + Norgate historical data

Any trading symbols, entities or investment products displayed are for illustrative purposes only and are not intended to portray recommendations. Past performance is not necessarily indicative of future results.

Example Trades

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Benefits of Systematic Trading

- Huge amount of data about strategy performance
- Shows performance over multiple market cycles
- Improved consistency
- Absolute confidence
- Quantified edge
- Reduced time
- Improved diversification
- Bypass most psychological issues
- Allows you to evaluate whether emotional impulses are helpful… (lets do an example)

How to test emotional impulses

```
//========================================================================
//Entry Conditions (Liquidity Filters, Volatility Filters, Setup, Entry Triggers)
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//========================================================================
// Position Sizing & Risk Management
//========================================================================

PositionScore = 100-RSI(3);

ApplyStop(stopTypeLoss,stopModePercent,40,2,False,5);
SetPositionSize(10,spsPercentOfEquity);
```
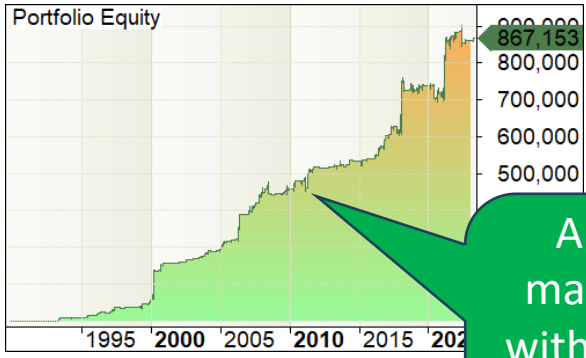
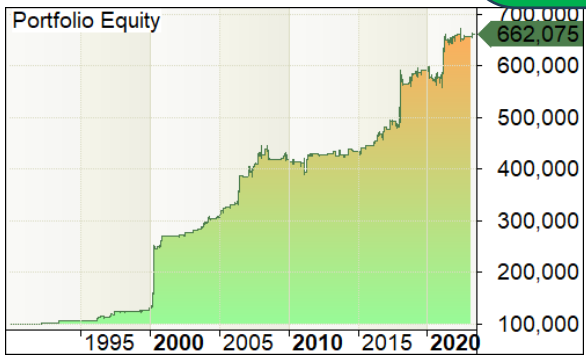

AARRGGHH… a 40% stop loss is way too wide. I don't want that much risk!!!

Test with 40% stop

Test with 5% stop



Ah… a wider stop made higher returns with lower drawdown. Ok, I'll just follow the system 🤩



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THE SOLUTION

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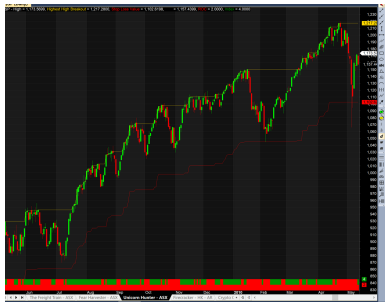

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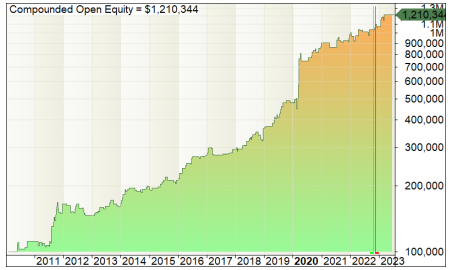

Objective Rules = Strategy / System / Algo

The rules make the decision to buy or sell, so the psychology does not get in the way (… as much)

Let me ask you…

- Would you like to take your trading to the next level?
- Do you want specific, actionable guidance to improve your trading?
- Would you like to discover simple changes you can make to improve your results, reduce your risk and make you a better trader?

Would you like all of this for FREE?

Next Steps

Do you want to improve YOUR trading systematically?

- Get The Trader Acceleration Bundle… FREE!
  - **The Millionaire Trader Code:**
    Course that shows you the path to consistent trading results
  - **Trading Systems Confidence eBook:**
    Discover how to build the confidence to launch and follow your trading system
  - **Portfolio CPR Cheat Sheet:**
    Step by step approach to resurrect your portfolio and position yourself for growth
  - **Daily Trading Process Cheat Sheet:**
    Learn my simple daily trading process that takes just 20-30 minutes per day
  - **Trading Mistakes Cheat Sheet:**
    Quickly increase your trading results by eliminating the most common trading mistakes

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