

# ForexDecoded



## The Holistic Trader.

What Trading Mode Do You Use?

- L - Mode
- $\mathcal{R}$  - Mode

**Holistic** : Emphasizing the functional relation between parts and the whole. Or to put it another way: Emphasizing the importance of the whole and the *interdependence* of its parts.

So what are we talking about and what's it got to do with trading?

You have two brains: a left and a right. Your **L- eft** brain is your verbal and rational brain; it thinks in numbers, letters and words. Your  **$\mathcal{R}$ - ight** brain is non-verbal and intuitive; it thinks in **patterns** or pictures, composed of '**whole things**'. It does NOT comprehend reductions, numbers, letters or words.

In order to gain access to the subdominant visual, perceptual  $\mathcal{R}$  - Mode of the brain, it is necessary to present the brain with a job that the verbal, analytic **L – Mode** will turn down.

For most people, L – Mode thinking seems easy, normal and familiar. (Exceptions are young children and dyslexic individuals.)

You're about to learn something that may change how you view the world. You will see things differently. Once you've read this information you may never be the same person again. You'll be aware of something that can completely alter your perspective on how you do things throughout the rest of your life.

Even though we're applying these findings to the trading, they can and should be used in *all* aspects of your life. Because without you being consciously aware that

you're applying this knowledge, by learning these principles and just being aware of them, they will give you a different **world** perspective. A **Holistic** view.

### **Which Mode Do Artists Use?**

When the artist Henri Matisse was asked whether, when eating a tomato, he looked at it the way an artist would. Matisse replied:

*“No, when I eat a tomato I look at it the way anyone else would, but when I paint a tomato, then I see it differently.”*

Most people are aware that they, on occasions, slip into the R- Mode consciousness. This altered state of daydreaming. Things like jogging, typing, listening to music, drawing, reading and motorway driving.

Motorway driving is about keeping track of relational, spatial information and sensing complex components which make up the **overall** traffic configuration. Many people do a lot of creative thinking while driving and often lose track of time. However if driving conditions are difficult or you're late, or someone is sharing a car with you, then the altered (daydream) state does not happen.

Your signature does more than identify you. It also expresses your individuality, your creativity. When you sign your signature, are you consciously aware of each curve and line you make? If so, then you're using L-Mode and your signature is slow to write, appears childlike and looks NON- artistic. An R-Mode signature generally contains lots of curves and is effortlessly written. It does not necessarily look, or indeed has to look, like readable text. It's a sign, an artistic display of the person writing it.

- The **L** – eft side of the brain controls the right side of the body.
- The **R** – ight side of the brain controls the left side of the body.

There are two modes of thinking, verbal and nonverbal, represented in the left and right sides of the brain. The education system and science in general, tends to

neglect the nonverbal form of intellect. Society therefore discriminates against the right hemisphere of the brain. If you're left handed, then you can relate to that statement.

Until recently, there was a bias against left hand/Right brain children. They were forced to use the right hand for writing and eating and so on. This practice caused problems that lasted into adulthood.

If you're an R-Mode person and you try to use (or are forced to use) L-Mode solutions for problems, then you are not going to get the best results. In fact not only are you likely to fail, but in the long term your self esteem and confidence will deteriorate to such an extent that you may well end up feeling totally inadequate for anything, and end up down a path of self destructive behaviour.

The Latin word for **right** is *dexter*, from the word "dexterity," meaning "skill" or adroitness."

You only have to look around you for the R-Mode (left brain dominant) bias. Synonyms for right handed are things like: "correct," "indispensable," "reliable," "straight," "just," "Political Right," "a formal dinner where the place of honour is at the host's right hand side," "the groom stands on the right," "shake hands with the right hand," "good," "just," "proper."

The Latin word for **left** is *sinister*, meaning "bad," "ominous," "treacherous."

L-Mode people (right brain dominant) live with meanings such as: "awkward," "gawky," "weak," "worthless."

The derogatory meaning of left may reflect a prejudice from a right-handed majority against a minority of people who were different, that is, left-handed (therefore right brain dominant).

Basically it's the left brain calling the right brain bad names. But the right brain has no language of it's own with which to defend itself.

Hence you have a continuous conflict within yourself.....especially whenever **decisions** have to be made!

Does this sound familiar:

*“He may be saying all the right things, but I just don’t trust him.”*

Or

*“There’s something about that person I don’t like.”*

These statements are intuitive observations that both sides of the brain are at work, processing the same information in two different ways. As each of our hemispheres gathers in the same information, each half of the brain may handle the information in different ways. The task is divided between the hemispheres, each handling the part suited to its style of processing and sorting the information. Or one half of the brain (usually the dominant verbal left) will “take over” and inhibit the other half.

The **left** hemisphere analyzes, abstracts, counts, marks time, plans step-by-step procedures, verbalizes and makes rational statements based on logic.

The **right** hemisphere “sees” things that exist only in the mind’s eye. In visual mode it can see how all the parts fit together to make up the whole picture. The right hemisphere understands metaphors, dreams, creates new combinations of ideas. When something is too complex to be put into words you can make gestures to communicate, i.e. describing a spiral staircase.

A writer uses words and a musician notes. The words and the notes are the techniques of those two crafts and are available to everyone. But a creative individual intuitively sees possibilities for transforming data, which is available to everyone, into a new creation. Creative individuals recognise the difference between the two processes of gathering data and transforming that data creatively. Both sides of the brain must therefore work in harmony.

Many creative people seem to have an intuitive awareness of the separate-sided brain. Rudyard Kipling wrote a poem entitled “The Two Sided Man,” more than fifty years ago and is an interpretation of the two sides of the brain.

When the Right brain is used for information processing, you use intuition and have moments when everything seems to fall into place. You see the big picture and proclaim “Ah-ha I see!” The “Eureka! I’ve found it” attributed to Archimedes.

Therefore the R-Mode is intuitive, subjective, relational, holistic and time-free, and is totally ignored by our present day learning programs. Most of our educational system is geared towards cultivating the verbal, rational, on-time left brain. Therefore half our brain is not trained and is neglected.

Schools are simply not equipped to teach the right brain. You can’t reason with it because it has no verbal control. You can’t get it to make any logical propositions such as good or bad. It can’t sequence things, such as doing the first thing first, taking the next step, and then the next. It can start from anywhere, or take in everything at once. It has no sense of time. It can’t comprehend the phrase “this is a waste of time.” It can’t categorize or name anything. It sees things as they are in the present moment in time. It sees things as they simply are, in all their complexity. It does not analyze.

School systems are structured to teach left brain principles. Teaching is sequenced: grades one, then two, then three in a linear direction. Study is verbal and numerical: reading, writing, arithmetic.

To use creativity and intuition you will need to use your right brain. The dreamer, the artificer, the artist. Who will teach you creative imagination, visualization, spatial skills, creativity, inventiveness, intuition? These are not by-products of training in verbal, analytic and numerical skills. Yet this is what educators “hope” will happen.....*as if by magic!*

However, such development does occur in spite of the school system. You only have to look at Albert Einstein to see the **survival** capacity of the creative right brain.

But because our culture is so slanted towards left brain skills, we are losing a large proportion of the potential abilities of creative people. Is this you?

Ever heard somebody that has been taught to play the piano from sheet music? Sheet music reading is based on mathematics. The **right** brain is the creative side, so why is music taught via the left brain? Because the teachers don't know any other way to teach a musical instrument and grade it.

Music grades are sequential and therefore so are the music exercises and teachings. But, the great composers of old never learnt their music craft from reading sheet music! Their teachers taught them, at a very young age, how the different sounds made on the piano, came from the different shapes of their hands. They never went near a sheet of music, until they actually needed it to transpose their creative compositions and ideas onto paper. That's when they learned how to write notes and musical symbols. Hence both sides of the brain have now been used.

Most people give up the piano at an early age because of the way they're taught – *sheet music*. Teaching via sheet music creates a conflict between the artistic, creative **right** brain, and the numerical, verbal, analyzing **left** brain. Hence the conflict is too much and the student packs it in as being too difficult to learn. Or he sees himself as just not musical. This I think is one of the saddest examples of how great enjoyment, can be destroyed from bad teaching practices. There are some musical teachers out there that do understand this, and if you're interested in learning the piano, then I suggest you track down one of those teachers. I was fortunate to come across one, and it truly is an eye opening and enjoyable experience.

Now you need to think about all the different ways you're using your brain. You need to think about everything you use to solve problems. Are you using a system that does not suit you? Is the problem at hand more suited to left or right brain? Are you creating an internal conflict?

Let's consider the following extract taken from 'The New Market Wizards' by Jack D Schwager:

Linda Bradford Rashke.....”*I believe my most important skill is an ability to perceive patterns in the market. She goes on to say, “I practiced piano for several hours every single day. Musical scores are just symbols and patterns. Sitting there for hours every day, analyzing scores, probably helped that part of my brain related to pattern recognition.”*

Jack D Schwager sums her up by concluding: *“With her ability to see patterns that others don’t, she has been able to trade short term price swings with a consistency that would defy the laws of probability, if indeed there were no patterns in those movements. Clearly, there are movements in price even over periods as short as a few days or a single day.”*

Accuracy of her winning trades: 70%

*“I also noted that when she actually tried to teach somebody her method, she failed. This was despite that her apprentice was hardworking, loyal, in perfect physical shape and emotionally stable.”*

Now from the above information, you can easily deduce that Linda is a right brain person and has developed her skills based on information processed through her right brain. Therefore she is R-Mode trader trying to teach her method to an L-Mode individual.

Now let’s consider a left brain trader.....L-Mode.

The Turtle Trading method is a **mechanical** L-Mode system.

Richard Dennis used this technique and found worldwide fame in the 1970s. The method was known as the “Turtle Trading System” and was a systematic trading system he used to trade and manage funds on a purely mechanical basis. After a few years of success, Dennis decided that he could train anyone to trade using his purely mechanical system.

He chose a group of 23 individuals and taught them his system. What he told them was that there were really two systems, a short term and long term one. He said that the parameters of the system were fixed and that they were not to be optimised as it was already the best way to trade the system.....*now and forever*.

**This is the basic short term system:**

- Buy LONG Rule:
- Buy at the highest high of the last 20 days
  
- Exit LONG Rule:
- Exit at the lowest low of the last 10 days.
  
- Sell SHORT Rule:
- Go short at the lowest low of the last 20 days.
  
- Exit SHORT Rule:
- Exit at the highest high of the last 10 days.

Accuracy of winning trades: 35%. (Because of the money management system used, the profits were considerable.)

The above system appeared to work in Dennis' time because there were a lot of long term moves back then. It's basically a channel breakout system that followed a trend till the end (exit rule triggered). But it's main success was due to the scatter gun technique where a lot of markets were traded, in the hopes that one or two would go into a big trend, at which point they would use a money management technique to increase their purchases on that particular trending market. Therefore, if a market was NOT trending, it would lose an awful lot of money. And if you used this system for the past number of years, you would have lost a considerable amount of money. It has not been the slightest bit profitable.

So you can surmise from these two extremes, that they're totally different trading techniques. One is more suitable for left brain people (mechanical) while the other is right brain dominant (pattern recognition).

- A mechanical trading system can easily be taught.....L-Mode
- The question is: Can pattern recognition be taught.....R-Mode?

If you are a number orientated person you may not be able to trade using pattern recognition. Unless you first teach yourself how to activate the right side of your brain.

There have been numerous ways to try and trade patterns. But if you examine them closely, you will see that they're really mechanical in nature.

The most fundamental problem you have is that each market has its **own individual** pattern. So if I taught you the patterns of Soya beans and you tried to use it for trading stocks, Indexes or the currency market, you would fail!

*The question you need to ask yourself is...*

Do I have the personality to trade using a totally mechanical system or am I more suited to a holistic style. A holistic view can be learned with an open mind, and is undoubtedly the most profitable. A mechanical system will be taken up by those who refuse, or are too lazy, to think. A mechanical trading system is really nothing more than a gambling system. It blindly follows a strict set of rules with no regard to the prevailing market conditions.

Discretionary trading is the method used by all successful traders. However once they reach a high level of success, their trading becomes more *mechanical!!!*

## How to Activate R-MODE

Print this page off and draw this horse image on a piece of paper to the best of your ability. Please do it without reading the next page.



Now copy the same horse image but turn the horse picture upside down and draw the picture from that perspective. Please do it without reading the next page.



So what happened?

When you drew the image upside down, your logical L-Mode stopped working, because it was confused. It couldn't see the logic of the image. Therefore your R-Mode took over and made you draw WHAT YOU SAW and not what you knew to be there!

You can try this experiment with signatures.

If you wished to copy somebody's signature accurately, then you would turn the signature upside down and draw from that perspective.

Now you know how some of the better artists see the world. Shapes and patterns!