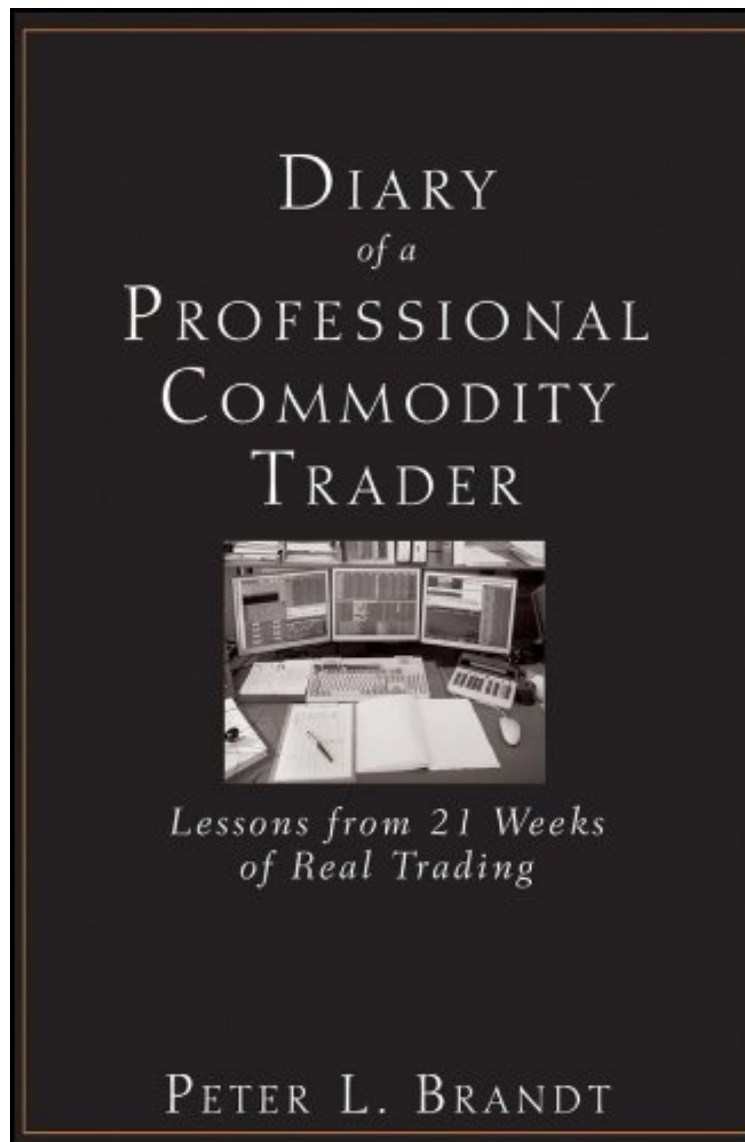


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Diary of a Professional Commodity Trader: Lessons from 21 Weeks of Real Trading

Peter L. Brandt

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Peter L. Brandt : Diary of a Professional Commodity Trader: Lessons from 21 Weeks of Real Trading before purchasing it in order to gauge whether or not it would be worth my time, and all praised Diary of a Professional Commodity Trader: Lessons from 21 Weeks of Real Trading:

2 of 2 people found the following review helpful. Sitting with a Market Wizard...By J.livermoreIt's a rare opportunity to get an inside look at the trading process of a legend. But that's exactly what Peter L. Brandt (PLB)

provides with his book *Diary of a Professional Commodity Trader: Lessons from 21 Weeks of Real Trading*. The title is self-explanatory. PLB takes you with him as he trades over a 21 week period of time. You see every trade, every profit, and every loss. The book is a front row seat to the thought process of a master whorsquo;s averaged over 40% compounded returns throughout his 40 year trading career. Most famous traders you hear about have a few good years and then blow out. Theyrsquo;re only known for their ldquo;big callsrdquo; and CNBC appearances. But PLB has been consistently making huge profits for four decades, through every market environment imaginable. This type of longevity is extremely uncommon. Most of us have read the *Market Wizards* series. The interviews are fantastic and packed with tons of useful knowledge. But in the end they are just interviews. Imagine actually being able to sit with one of the Wizards as they trade themselves. PLB provides that experience. Throughout the book yoursquo;ll see PLB give it to you straight. There's no sensationalism. No promise of ridiculous returns. No bulls***. It's REAL trading. You see exactly what a professional goes through, from emotional and psychological management all the way to actual trade management. There's a ridiculous amount of useful information packed in this book, but a few key lessons stand out to our team at Macro Ops. One is PLB's focus on trade management over every other aspect of his strategy. This flies directly in the face of what most investors believe successful trading consists of. A majority think it's all about trade identification. That's why yoursquo;ll see them jump from indicator to indicator, looking for some holy grail that'squo;ll find them non-stop winners. This is not the way a professional operates. As PLB explains early on: ldquo;I will explore all of the trading components I believe are necessary for consistent success later in this book, but trade identification is the least important of all. In my opinion, learning the importance of managing losing trades is the single most important trading component. rdquo; ldquo;Consistently profitable commodity trading is not about discovering some magic way to find profitable trades. rdquo; PLB understands that identifying a trade is only 10% of the process. The other 90% is managing the trade once yoursquo;re in it. And when it comes to management, PLB knows that the name of the game is risk control. PLB again: ldquo;Consistently successful trading is founded on solid risk management. rdquo; The ability to keep your losses small will bring you success in the long-run. Avoiding that one big mistake that'squo;ll permanently take you out of the market is key. As the old saying goes, the best offense is a great defense. PLB continually displays this reality throughout his book, especially when considering his number of winning trades versus losing trades. PLB's long-term success rate for individual trades is only around 30%. That means that 70% of his trades wind up losers. So how is he still so profitable year after year? Strict risk management. The losses he takes are very small. His few winners more than make up for all of them. With a strategy like this, where a majority of your trades are losers, a focus on process is of utmost importance. As PLB explains: ldquo;Successful trading is the process of doing certain things over and over again with discipline and patience. rdquo; ldquo;It is possible to be profitable over time even though the majority of trading events will be losers. ldquo; Processrdquo; will trump the results of any given trade or series of trades. rdquo; It's not easy psychologically to have 70% of your trades fail. Most traders wouldn't be able to handle it. But PLB can because he's so focused on process. He can have 8 losers in a row and still follow his plan. He knows that it's not the next trade, or the next 10 trades, but the entire cycle that needs to play through. His hand is not only steadied by years of experience, but also by a true understanding of his own strategy. For example, PLB knows the exact average number of trades he should take each year. Not only that, but he also knows how many of each type of trade he should be taking. The number of major pattern trades. The number of minor pattern trades. He understands how each portion should play out within his broader strategy. In total he'squo;ll experience about 235 trading events in a year. Only 75 (32%) will be profitable and just 20 of those 75 will make his bottom line. By bottom line he means the trades that are mainly responsible for his profits that year. Most of his winning trades will only serve to cancel out the losers. But 20 of them will be big winners that'squo;ll significantly move his PL. Understanding his strategy down to the number and types of trades gives PLB the ability to continually execute through any market environment. Strategies work in cycles, just like the market. They go through periods of major gains while also experiencing times of drawdown. The trick is to keep executing through both periods to complete the full cycle. If the strategy is sound, the net result should be positive, or in PLB's case, extremely positive. PLB's thorough comprehension of his strategy gives him the confidence to know when it's working and when it's not. As he explains: ldquo;I am constantly studying and analyzing my trading performance for two major reasons: to determine if my trading plan is in sync with the markets and to determine if I am in sync with my trading plan. rdquo; This introspection allows him to make the right decisions throughout each cycle. It also comes in handy when evolving his strategy over time. Many traders tend to switch their strategy too often, basing it off the last few trades. PLB on the other hand is very careful to make changes because he realizes the folly of over-optimizing to one environment or another. But even though he's very cautious when it comes to switching things up, his careful study and analysis helps him make a change when it really counts. For example, price breakouts are not as reliable now as they were a few decades ago. PLB has been able to adapt his strategy accordingly. But yoursquo;ll never see him make the mistake of adjusting his strategy based off some temporary drawdown. That's the advantage he's earned from developing a full-cycle mentality in regards to his strategy. The other interesting thing about PLB is that he's a pure chartist. He relies solely on price and nothing else, and with price alone he's been able to achieve his superior trading record. PLB has a deep

understanding of what price actually is and the proper way to use it. He explains that there's nothing magical about chart patterns. They don't predict the future. At anytime, he says he really has no idea where price is going. Charts are just used to develop a process. To establish targets, define risk, and determine broad direction. Nothing more. This falls right in with what we believe at Macro Ops. Price is really just a way to simplify the extreme complexity that markets create. It takes infinite amounts of information and distills it into one simple reading. Price isn't magic and shouldn't be used as such. The lessons learned from Peter Brandt's Diary are priceless. Though we run a global macro strategy at Macro Ops, you can still see Peter's influence in everything we do. He's one of the best mentors out there and we strive each day to be as disciplined with our process and ultimately as profitable as him in the markets. If you want a master class in REAL trading, then Peter Brandt's Diary of a Professional Commodity Trader: Lessons from 21 Weeks of Real Trading is for you.

2 of 2 people found the following review helpful. Top 3 in my library

By Asset Manager Mine is a kindle version, and I read via the Kindle app for PC

Pros:-The author frankly shared his lifelong experiences and Five-month Trading Diary..it was a valuable read for me and is a good reference.

Cons:-1.The classical chart patterns(basis of his discussions) have lost some of their relevance in today's market environment ..(which is mainly short-termism) and the author acknowledges this ..today's reality...2.Kindle edition has issues:-some of the figures and tables are not readable :-2.1.the font size is too small and we cannot zoom in..2.2 the table orientation is vertical and Kindle app has no "ROTATE" facility..Hopefully rectifies this in their Kindle App updates..hence I reduced 1 star.-I solved this by going to "wiley onlinelibrary" and downloading this chapter for free as a pdf :- [...]

Top trading books in my library:-1.High Probability Trading- By Marcel Link2.New Market Wizards-by Jack Schwager3.This book

5 of 5 people found the following review helpful. Great book if you want to trade for a living

By FAS Capital

The thing that interested me in Diary of a Professional Commodity Trader is that it is less about the actual trading methodology (although there is plenty of that if you want to learn exactly how "he" does it) but more importantly at least for me is how does someone go from trading as a hobby to becoming a professional and doing this as a living. Not in terms of being mentally prepared but how do you actually do it, literally? How many trades do you make a day, week, or month? Your position sizing? How do you pyramid? How do you scale back when the trade is going against you? Your average win:loss rate? All important things to consider if you want to trade for a living. There are many books discussing methods for each of these topics but reading something in a book and actually putting it into practice is a different story. There are tons of books out there that show great setups and proper buy points that any half decent trader would be able to identify but realistically this will not help you make money. It is very easy to spot a buy point on a long-term daily chart of AAPL and say "Just buy here and you would be up 300%" but it is an entirely different thing to make the decision in real time and hold it. The reason I bought this book is because it claimed to do exactly this, walk you through the thought process of every trade by someone who earns a living trading for 21 weeks. See all his wins and all his losses, all his successes and all his mistakes. There are too many good one-liners throughout the book to mention but I will offer just one here. "You have spent 90% of your effort on the least important of trading components: trade identification...trade identification is the least important of all. In my opinion, learning the importance of managing losing trades is the single most important trading component." There is so much wisdom in this one line I can't do it justice. That is why this book is so good because he doesn't just say "cut your losses" but rather shows you "when I make a trade and it goes against me, this is how I exit." The whole book is about how he puts "theory into practice." I will not give away any more of the book but let me say that it did just what it claimed to do. This is as close as you can get to sitting side by side to a real professional and someone that puts food on the table by trading. If you are seriously interested in trading this book is definitely a good read. If your aspirations are to one day do this for a living then I would say it is a must read.

"We've all read about the high rollers who go boom and bust, but this book is different. Packed with straightforward prose, practical knowledge and honest counsel, Diary of a Professional Commodity Trader delivers far more than the title promises. Peter Brandt methodically explains what no one has before: how a dedicated individual can trade for a living. If that is your destination, this is your ticket." - Robert Prechter, Elliott Wave International

"This book is insanely great. The refreshing clarity this book brings to the table is brilliant. I think this is an amazing, excellent book, one that could help a whole new generation of traders." - Jack Sparrow

"This is the most honest trading book of the last decade. Peter tracks recent trials and tribulations on his path to success dating back to the 1980s. He shares numerous insights into the emotional and technical challenges of trading, right down to his track record over the years. Peter candidly documents a recent trading period. His ultimate success reflects the importance of staying true to a process while still allowing flexibility to modify rules as market conditions change. Anyone desiring longevity in the business really needs to read this book." - Linda Raschke, trader, President of LBR Group, Inc., and co-author of the best selling book, Street Smarts-High Probability Short Term Trading Strategies.

"Almost every book about trading for a living is either fraudulent or boring (or both). This book is neither. Not only is it a good read for anyone seriously wanting to know what trading is really like, it is also very interesting, mostly due to its real-time, diary format. As someone who has done myself what he describes, I highly recommend it." - Robert Zellner, Independent trader, former director of

Chicago Mercantile Exchange and former CEO, Citicorp Futures Corp"Trading is not what most people think it is, as you will find out in this real life experience from Peter Brandt, a well-seasoned trader. You will learn what he looks for in trades, what tells him to hop aboard and how to get out. Well worth reading!"- Larry Williams, author and trader"Anyone interested in trading---and not just commodity trading---is going to cherish this book. In a world that tends to become intoxicated with "magic formulas" Peter Brandt provides the necessary sobering balance: the "secret," if there is any such thing, is in recognizing your basic human weaknesses and strengths and working with them, in the context of some relatively simple rules that are effective if you are persistent. The light that Brandt shines on the inner monologue of trading is of incalculable value. There are many ways to extract profits from the markets, but none of them matter if you can't control yourself---for that we need self recognition and self analysis: Brandt's detailed diary is like a great novel, revealing the inner life and character of a trader, revealing the kinds of inner understanding we all need if we hope to navigate an ultimately unknowable future. Traders would do well to try to become, as individuals, more like Peter Brandt."- Lowell Miller President CIO Miller/Howard Investments, Inc., author of The Single Best Investment"Mr. Brandt takes the reader far beyond mere descriptions of classical trading patterns. His book offers insights, observations and practical information gleaned from over two decades of consistently successful trading performance. A must read for anyone wishing to enter the world of risk.