



This is an interview called *Charting the Past, Present and Future with Rob Mitchell*. Rob is a financial researcher, consultant, money manager and trading mentor specializing in the development of advanced trading tools and solutions for trading futures, stocks and foreign exchange markets. This interview was posted to the MarketTradersJournal.com website which was retired in 2018. Rob's email is axiomrt@gmail.com.

Charting the Past, Present and Future with Rob Mitchell ©November 26, 2013

Rob Mitchell began trading in the 1970s when he bought some AT&T stock. His mother, who was an avid stock market investor, had passed away and she left him some money. Rob's mother had great results trading so Rob made a promise to her that he would do the same. But like most newcomers to the stock market, the enthusiastic bubble burst when he failed to make a profit. Rob recalls, "I promptly lost a lot of it but my stubborn nature vowed to figure out how trading really works. This took many years before I became remotely competent with it."

Currently, Rob is the President of Axiom Research & Trading Inc., a market research firm specializing in the futures market and parent company to MarketTradersJournal.com that provides educational resources and trading solutions for intraday trading and day traders. Additionally, he has been a Commodity Trading Advisor and/or Registered Investment Advisor as well as the largest Emini S&P trader in the world. Most important, Rob is a trading educator; coach and mentor who helps people achieve their goals as traders.

Rob gives some valuable advice to new traders entering the market on how much importance should be put on reading the past and present movement of charts to predict the future of a stock. "It is extremely important to understand the meaning of shapes and patterns on charts. It tells you where traders are trapped on the wrong side of the market. These patterns lead to opportunity," explains Rob.

Have you ever wondered how well the history of a chart can define the future, especially when unforeseen intangibles can wreak havoc on this false sense of security? Well, 2008 was a perfect example.

"In 2008, there was a lot of volatility. It was just crazy. There were multiple 1.5% intraday

swings up and down in those days in the stock indexes. You never really know when this kind of environment will ensue beyond noting that the government is repetitively imprudent with policy. However, the actual time at which it all becomes volatile is very hard to gauge. Because of this, a lot of trading has turned to shorter term trading compared to years ago. You can often predict downside movement in the stock market as it is typically preceded by increases in daily ranges (volatility). These smaller and earlier changes in volatility are often predictive of downside movement and more volatility,” explains Rob.

A three-part question was posed to Rob to help traders understand the relevancy of charts:

- a) How does a stock’s past chart movement influence the present movement of a chart?
- b) What are the factors that generally move a stock forward and the qualities of a company that one looks for before purchasing?
- c) How can a newcomer entering the market not be blindsided just by putting faith in a stock’s chart movement?

His answers and observations were astute and realistic. “As mentioned, there are traps where traders get on the wrong side of the market or get caught out (in the case of long only participants). There are two basic forms of trading that lead to certain kinds of price movement. One is a counter-trend market. In this case, the market alternates up and down. The other is a trend. This is where the market will move in one direction more-or-less for a prolonged period.

Particularly in the stock indexes and/or components of the major indices, the desired direction is up and government policy is geared towards this end in various ways. As a result, you have a trend environment with government backing and manipulation. Those are the various factors involved, so you get a trend in the present tense.

Newcomers are in trouble because in order to be successful in many cases, you have to do the opposite of what feels right or what is intuitive. This is almost impossible to do. It is tough.”

Regarding how precise Rob has been with respect to predicting the movement of a stock by chart analysis he admits, “It really depends. A lot of my trading these days is shorter term and some is very short term. With intraday trading, I strive to be 70+% accurate. This is possible if you are patient and wait for the situations where things are stacked in your favor. You also must have an exit plan, as they just don’t go up or down forever especially anymore.”

A trader has to be ready for surprises at any time and prepared to maneuver out of a crisis if chart movement is unpredictable. Simply put Rob confesses, “I can get caught in moves against me. I always have a stop in place and I just let it take me out of the market if my plan does not manifest.” Experienced traders would agree that it’s better to be safe than sorry.

In such an unpredictable environment, stock market traders must have faith, especially when market volatility challenges a trader to make some tough decisions. “I think a trader must put

faith in himself. He must protect his self-image above all so he is intact in his desire to be a trader, his skill set in implementing it. It is ultimately his self-image that makes it possible to stay the course,” urges Rob.

Some traders resort to using robots that presumably take the emotion out of trading. However, traders may find it uncomfortable giving up control to a robot compared to using one’s own judgment that ironically may include chart analysis. Rob clarifies how being a mechanical systems trader isn’t necessarily the answer. He also warns about finding the wrong mentor.

“For many years all my trading was algorithmic. Believe me, that does not necessarily take the emotion out of it but it might help to keep you from not following your plan as a trader. There are a lot of pitfalls to being a mechanical systems trader. Systems run their course by working for a while and then not or by working in various market environments. With respect to the best systems, traders know which models to put into place at any given time. This of course is discretion within a larger set of rules. It is complicated and this topic could get very lengthy. Robots cannot identify patterns a human can see on a chart in many cases. In order to learn this sort of skill you will need to practice. In this way, trading is much like medicine or law; you practice it. Finding a mentor can be a huge help and can potentially take years off your learning curve. But aspiring traders need to be cautious as there are many charlatans out there preying on newcomers, so beware!”

Cyclical patterns of predictability and unpredictability can interfere with and/or assist in the decision making progress of stock market trading. Traders can get engulfed and destroyed financially by the consequences of a cyclical pattern. As a trader and mentor, it becomes a test of balance and resolve especially when dealing with clients. Rob does not sugarcoat the unpredictable effects of cyclical patterns. “It wreaks havoc on your ability to function. What’s worse is you may have to deal with the fear of brokers or clients. You have to be a rock and stick to your plan. It is very hard and goes against every grain of your being.”

The top 5 important lessons Rob has learned since he first began trading are as follows:

- You must manage risk first and foremost. This means manage how much you might lose more than how much you think you might gain. Furthermore, do not use leverage unless you are ahead (and maybe not even then).
- You must have big winners. This means you have to stay with it (this will be hard).
- You must not overtrade.
- You must be very passionate about it; you must do it to win and not casually or you will lose.
- You must find a place in your mind where it is fun. If it does not feel fun or easy, like a kid playing, then you are probably in trouble. This carefree attitude requires capitalization and competent mastery of your skill set and the conviction to see it through. That being said, trading is probably the toughest thing any human could ever do.

With respect to the relevancy of charts and when a trader decides to invest by taking chart movement into consideration Rob advises, “Everything is a pattern. Learn patterns and study them. They repeat.”

Rob shares advice when making decisions to engage in a trade with or without the assistance of chart data.

- Trade with the trend because it stacks things in your favor statistically.
- See a situation or pattern where the market has trapped traders on the wrong side. Their stop loss orders will fuel the rally and invite more price action with the (continuing) trend.
- Learn to understand trend in different dimensions (some call this time frame but, there is more to it than that). For example, sometimes it will look like an uptrend has turned south but not on the bigger pattern or time frame.
- Use charts that are clear and that are based on some form of volume at a minimum (this also includes tick volume). Time based charts, especially in the faster time frames, are the worst kind of chart you can use. For this purpose, he developed the Ultimate Tick Bars for intraday trading.
- Learn to read momentum; what appears weak is often strong and this is where the majority ends up being wrong. Some of the best trades occur under these circumstances.
- Enter trades where the risk is commensurate with the potential for reward.
- The best trades are often where price is moving into uncharted territory. Some of the best traders wait for these situations.

Rob attests that in conjunction with trading comes “the development of a proper self-image and skill. I know in my heart trading is a solitary activity. You must have extreme focus as mentioned.” It helps to have a good mentor but essentially, the decision-making is ultimately one’s own.

Rob initiated the Intraday Trend Trading Room as a beta program with the focus being on Crude Oil because many had asked about it in the past. Unfortunately, his experiment with the Trading Room had mixed results. Rob feels traders can learn more about trading in Crude Oil in a week than they might be able to learn in other markets over the course of a year.

“It really moves and it can really speed up the learning curve in my opinion, especially if you have someone pointing out what is happening. Again, however, in the beta tests I found these concepts, though rudimentary, to be difficult for casual attendees to grasp. It has been said that 95% of the people / traders lose and this may be an understatement in the long run. I was testing to see what kind of environment came of it. In many ways, a Trading Room can be the worst thing that can happen to a trader because they will not ultimately take full responsibility for their actions,” explains Rob.

Nevertheless, people still want mentors. Many people who participated in this beta program were eager to learn so Rob has initiated some training parameters for future mentoring. The platform has yet to be determined.

Rob Mitchell has come a long way from the young man who enthusiastically invested the money his mother gave him and experienced unexpected defeat. However, his drive to succeed was far greater than the acceptance of failure. Having faith in his own judgment after developing critical thinking skills has been his saving grace. Becoming a master interpreter of stock market trends took patience, determination, and the desire to understand what makes a successful stock market trader. This is why Rob Mitchell is an accomplished trader today.

Rob Mitchell's favorite quote is:

"What lies behind us and what lies before us are small matters compared to what lies within us. And when we bring what is within us out into the world, miracles happen." Ralph Waldo Emerson (1803-1882), American Essayist and Poet

Rob Mitchell

Axiom Research & Trading, Inc.

<http://StockIndexTradingRoom.com>

<http://MarketMapTrader.com>

<http://OilTradingRoom.com>

<http://EminiForecaster.com>

<http://IndicatorSmart.com>

<http://LiveInspired.guru>