



July 24, 2024

## THE LONG PULL: 1H 2024 Classical Charting Performance Review

Friendly reminder that our latest **MOHO Idea Lunch** with Alex G on classical charting is *this* [Friday, July 26th, at 1 PM ET](#).

Mark your calendars, and I'll see you there!

Alex G killed it this year by trading classical chart patterns. That's why I wanted him to do a webinar. As you'll see in the following pages, I've struggled this year trading classical patterns.

But that's trading. It's frustrating. You experience drawdowns, losing streaks, night sweats, and that little voice telling you to quit.

I remember stumbling on a [2011 Peter Brandt blog post](#) where he described his latest drawdown (emphasis added):

*"I am in a 12-month drawdown of around 13 percent. The peak-to-valley magnitude of this drawdown (marked by red box) has been mild by historical standards, but the duration has been a 30-year record ...*

*I have had some excellent trades in the past 12 months, but they have been too few and far between. As I stated earlier in this correspondence, **this past year has been like Chinese water torture...drip...drip...drip!** Of all the drawdowns I have encountered over the years, this one has without a doubt been the emotionally toughest to endure."*

Chinese water torture ... what a perfect description.

It's fun sharing good performance data. It pads the ego and all that. But there's tremendous benefit in sharing your struggles. It humbles you.

But more importantly, it keeps you honest about your process ... at least it does for me. It's easier to avoid tilt when I'm vulnerable about my trading pains. I don't feel the need to "fake" anything with you guys ... it's why I love the Collective.

So, let's review my performance: the good, the bad, and the ugly.

## Reviewing the Three Trading Setups

I'm tracking three strategies (i.e., Setups) this year. They're all based on the BAT and 8EMA hard-stop rules.

### Setup 1: 4R Profit

- **Conditions:** Set BAT to 4R Profit Target with 8EMA stop-loss
- **Patterns Traded:** Rectangles, cup and handles, head and shoulders, ascending/descending triangles

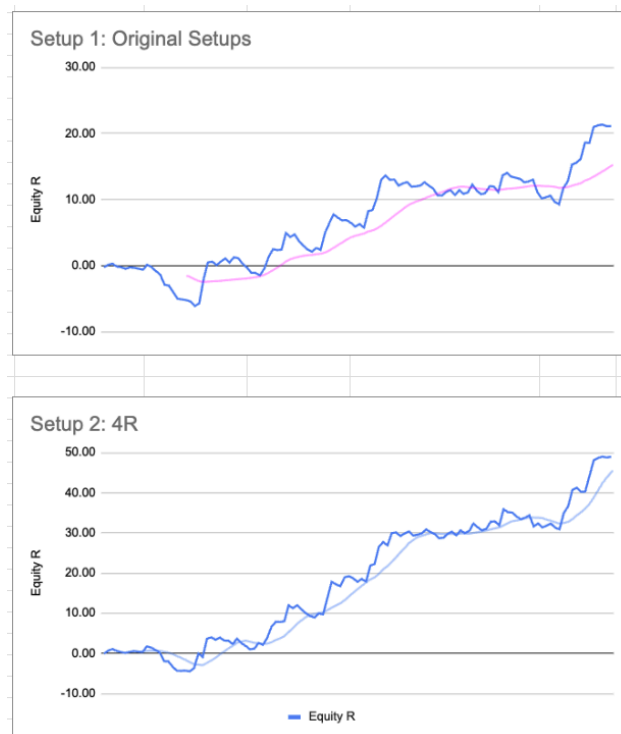
### Setup 2: 2.5R Profit

- **Conditions:** Set BAT to 2.5R Profit Target with 8EMA stop-loss
- **Patterns Traded:** Rectangles, cup and handles, head and shoulders, ascending/descending triangles

### Setup 3: 4R Rectangles Only

- **Conditions:** Set BAT to 4R Profit Target with 8EMA stop-loss
- **Patterns Traded:** Rectangles

After reviewing last year's performance data, I switched from 2.5R profit targets to 4R (see below).



The 4R Strategy outperformed 2.5R on nearly every metric.

<b>Avg Win</b>	1.42
<b>Avg Loss</b>	-0.69
<b>Win Rate</b>	52%
<b>Total R</b>	48.93
<b>Expectancy</b>	0.41
<b>Standard Dev</b>	1.52
<b>Exp/StdDev</b>	0.27
<b>SQN</b>	2.96
<b>SQN(100)</b>	2.71

<b>% Return</b>	58.84%
<b># Days</b>	426
<b>CAGR</b>	48.65%
<b>Drawdown</b>	-8.30%
<b>CAGR/MaxDD</b>	5.86
<b>Profit Factor</b>	2.31

Now I know what you're thinking ... *"why switch to this strategy based on one year of performance data?"*

I didn't switch to 4R because of higher returns. I switched because the strategy generated significantly higher returns for slightly higher drawdowns.

For example, the 4R strategy had a CAGR/MaxDD of 5.86x, while the 2.5R strategy had a 3.59x CAGR/MaxDD.

This is where trading gets personal. I'm comfortable with an increased drawdown for the *potential* of higher returns.

So, I made 4R my Setup 1 for 2024. I assumed that I'd generate higher returns than 2.5R with greater volatility, longer losing streaks, and more 1R losses.

Here are the results seven months into the year.

# 1H 2024 Trading Performance Review

Setup 1		Setup 2.5R		Setups 4R Rectangle	
<b>Total Trades</b>	58	<b>Total Trades</b>	53	<b>Total Trades</b>	34
<b>Wins</b>	19	<b>Wins</b>	16	<b>Wins</b>	12
<b>Losses</b>	39	<b>Losses</b>	37	<b>Losses</b>	22
<b>Breakevens</b>	0	<b>Breakevens</b>	0	<b>Breakevens</b>	0
<b>Avg Win</b>	1.36	<b>Avg Win</b>	0.99	<b>Avg Win</b>	1.91
<b>Avg Loss</b>	-0.66	<b>Avg Loss</b>	-0.48	<b>Avg Loss</b>	-0.66
<b>Win Rate</b>	33%	<b>Win Rate</b>	30%	<b>Win Rate</b>	35%
<b>Total R</b>	0.17	<b>Total R</b>	-1.89	<b>Total R</b>	8.36
<b>Expectancy</b>	0.00	<b>Expectancy</b>	-0.04	<b>Expectancy</b>	0.25
<b>Standard Dev</b>	1.32	<b>Standard Dev</b>	0.92	<b>Standard Dev</b>	1.62
<b>Exp/StdDev</b>	0.00	<b>Exp/StdDev</b>	-0.04	<b>Exp/StdDev</b>	0.15
<b>SQN</b>	0.02	<b>SQN</b>	-0.28	<b>SQN</b>	0.89
<b>SQN(100)</b>	0.02	<b>SQN(100)</b>	-0.39	<b>SQN(100)</b>	1.52
<b>Beg Balance</b>	\$24,716	<b>Beg Balance</b>	\$24,716	<b>Beg Balance</b>	\$24,716
<b>End Balance</b>	\$24,079	<b>End Balance</b>	\$23,782	<b>End Balance</b>	\$26,115
<b>% Return</b>	-2.58%	<b>% Return</b>	-3.78%	<b>% Return</b>	5.66%
<b># Days</b>	200	<b># Days</b>	200	<b># Days</b>	200
<b>CAGR</b>	-4.65%	<b>CAGR</b>	-6.79%	<b>CAGR</b>	10.57%
<b>Drawdown</b>	-9.99%	<b>Drawdown</b>	-8.11%	<b>Drawdown</b>	-5.97%
<b>CAGR/MaxDD</b>	-0.47	<b>CAGR/MaxDD</b>	-0.84	<b>CAGR/MaxDD</b>	1.77
<b>Profit Factor</b>	0.90	<b>Profit Factor</b>	0.79	<b>Profit Factor</b>	1.37

There are a few things that stand out.

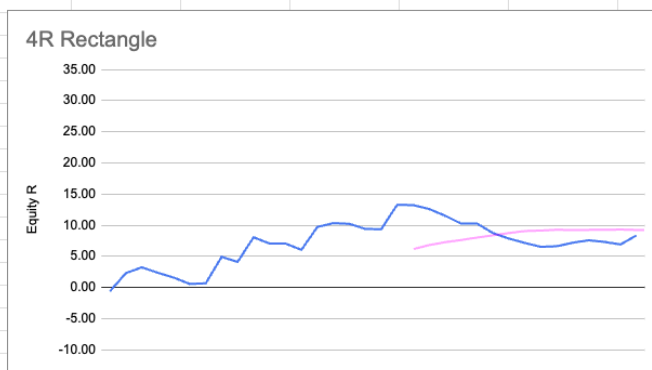
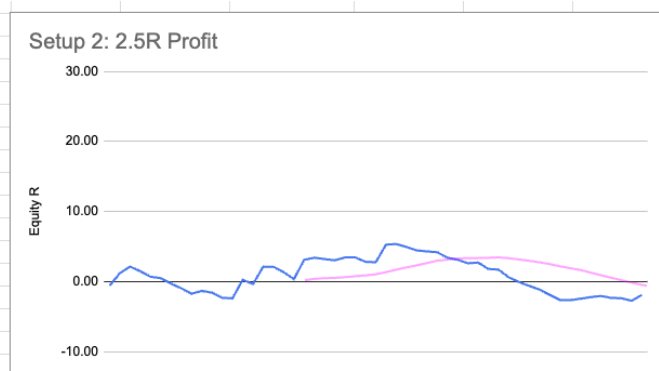
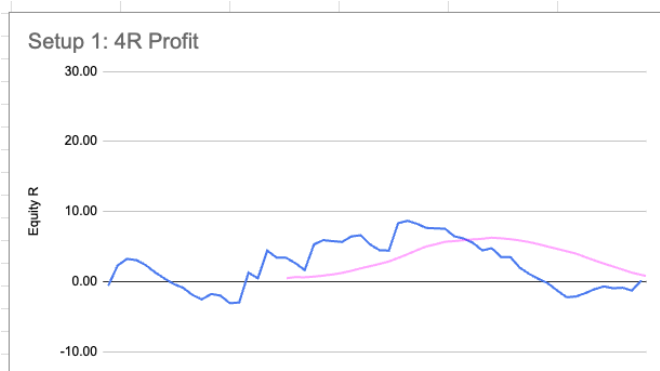
One is the 33% win rate. Nearly 70% of my trades have lost money, but I'm averaging a breakeven expectancy. So, despite losing money on 70% of my trades, my wins are *mostly* covering my losses.

Which is why I love the 4R system.

Two is the CAGR/MaxDD and Profit Factor. Both are higher in the 4R system than 2.5R despite a higher drawdown.

Finally, the 4R rectangle data crushes the 4R and 2.5R systems on **every metric!** Drawdowns are nearly half of my 4R Setup 1.

The magnitude of 4R Rectangles' outperformance is shown in the following equity curve charts (see below).



The 4R Rectangle Setup doesn't completely avoid drawdowns (its longest being ~6%). However, the drawdowns are shallow and "bottom out" faster than the 4R and 2.5R setups.

Let's examine the trade data more thoroughly, starting with Setup 1.

## Setup 1 Performance Drivers

SETUP 1: 4R Profit				
ATTRIBUTE 1 ANALYSIS: CHART TIME FRAME				
Attribute	Trade Count	Win Rate	Total R	Expectancy
Daily	42	40%	6.06	0.14
Weekly	14	14%	-4.19	-0.30
Monthly	2	0%	-1.70	-0.85
ATTRIBUTE 2 ANALYSIS: CONTINUATION OR REVERSAL				
Attribute	Trade Count	Win Rate	Total R	Expectancy
Continuation	51	31%	-1.49	-0.03
Reversal	7	43%	1.66	0.24
	0	0%	0	0.00
	0	0%	0	0.00
ATTRIBUTE 3 ANALYSIS: PATTERN				
Attribute	Trade Count	Win Rate	Total R	Expectancy
Rectangle	34	35%	8.36	0.25
Ascending Triangle	3	0%	-2.23	-0.74
Cup and Handle	2	0%	-1.99	-0.99
Symmetrical Triangle	0	#DIV/0!	0.00	#DIV/0!
Channel	0	#DIV/0!	0.00	#DIV/0!
Descending Triangle	1	0%	-0.17	-0.17
Head & Shoulders	18	39%	-3.80	-0.21

This is where you reach through your computer, laptop, or cell phone and shake me, saying, “*Why don’t you just trade rectangles on daily time frames, you idiot?*”

Rectangles are the only pattern with **positive expectancy** this year (+0.25).

Another fascinating wrinkle is that H&S patterns have the highest win rate (39%) but the worst Total R (-3.80).

I was also surprised that Reversal patterns outperform Continuation patterns and by such magnitude ... 43% WR versus 31% and 1.66R versus -1.49R.

## Setup 2 Performance Drivers

SETUP 2: 2.5R Profit				
ATTRIBUTE 1 ANALYSIS: CONFIRM OR EXTEND				
Attribute	Trade Count	Win Rate	Total R	Expectancy
Daily	39	36%	1.67	0.04
Weekly	12	17%	-2.32	-0.19
Monthly	2	0%	-1.25	-0.62
	0	0%	0	0.00
ATTRIBUTE 2 ANALYSIS: CONTINUATION OR REVERSAL				
Attribute	Trade Count	Win Rate	Total R	Expectancy
Continuation	47	28%	-3.60	-0.08
Reversal	6	50%	1.71	0.28
	0	0%	0	0.00
	0	0%	0	0.00
ATTRIBUTE 3 ANALYSIS: PATTERN				
Attribute	Trade Count	Win Rate	Total R	Expectancy
Ascending Triangle	2	0%	-1.27	-0.63
Rectangle	32	31%	4.28	0.13
Head & Shoulders	16	38%	-3.20	-0.20
Cup and Handle	2	0%	-1.49	-0.75
Symmetrical Triangle	0	#DIV/0!	0.00	#DIV/0!
Channel	0	#DIV/0!	0.00	#DIV/0!
Descending Triangle	1	0%	-0.21	-0.21

A few things stand out. First, the 2.5R setup works better on longer-term time frames (weekly and monthly charts). This makes sense as the initial stop is much wider than 4R, allowing the 8EMA to advance above the -1R loss initial stop quickly.

For example, 4R Weekly Trades generated a -4.19R loss while the 2.5R setup Weekly Trades lost only 2.32R.

However, the 2.5R Setup underperforms 4R in every metric, from expectancy to win rate to Total R.

I want to spend the rest of this report discussing the good, bad, and ugly of the first half of the trading year.

## The Good: Robust System & Strong Mental Performance

While I wish my trading performance were better than 0.17R, a lot of good has happened this year.

First, I've stuck to my system without going on tilt. I've taken good trades, traded within my risk tolerance (never more than 1.25x leverage), and avoided symmetrical triangles (see, Mike, I *can* do it!).

Has it been difficult? Of course. But that's why we backtest systems. We're flipping coins here. Sometimes, the coin comes up heads a few times in a row. That doesn't mean the coin is broken. It means probability still works.

I had an eight-trade losing streak this year. Eight straight trades of losing money. It sucked. But here's what I wrote in the #classical-charting channel.



Brandon 10:17

@channel I am currently on an 8-trade losing streak. Not fun! However, I'm not letting it discourage me. These are eight trades out of the thousands I'll take in my life, and the hundreds I'll take the rest of the year.

I can't do anything about my past trades. All I can do is focus on hitting the next ball over the net. Taking the next best setup in front of me, and only trading setups that have the highest profit expectancy.

The other thing to remember is that I'm still within two 4R trades of new equity curve ATHs. Sure, it doesn't *feel* like that during a drawdown. But that's the mindset you must have to succeed. You never know when your next trade will hit 4R profit. You never know when that drawdown will end.

All you know is that you must stay true to your process and take only the highest quality setups. Let the chips fall where they may.

I know I reference tennis a lot, but it's such a perfect comparison to trading. If I hit a beautiful down-the-line forehand, but my competitor races over and smashes a cross-court winner, should I be upset? No! He made a great shot and I hit the best shot I could in that moment.

That's all trading is. Make the best trade you can in the moment, and let go of the result. (edited)



You wouldn't catch me writing something like that last year ... Instead, I'd be trading every symmetrical triangle I could to "make back" the profits the market "took" from me.

Drawdowns can either strengthen or weaken your resolve as a trader. The good news is that **you make that choice.**

Maybe it's a coincidence that I ended my losing streak shortly after posting that ...



Brandon 13:04

I am officially down to breakeven/slightly loss-making on the year in my classical charting trading account.

The good news is that we still have half the year left. That doesn't mean I'm trying to "win it back the way I lost it." Far from it.

I'm hyper-focusing on taking the best setups and ensuring I never have too many open positions at once (measured via margin leverage -- I try to never go over 1-1.25x).

Does it suck giving back all the gains I made YTD? Of course. But remember, the market is a humbling mechanism. I cannot (read: will not) let my ego try and "get back" at the market. The market doesn't owe me anything and it doesn't know I trade.

The only things I can control are my process, risk management, and taking the best setups. I'm gathering important data on my trading systems regardless of what my PnL says. And I'm doing it all in real-time with full transparency for everyone in here.

Onward!





## The Bad: The Entire Q2 2024

I should've stopped trading after Q1, gone to the beach, and returned in June. And I have the data to prove it:

- Total R: -9.36R
- Winning Trades: 5
  - Average Win: 0.37R
- Losing Trades: 16
  - Average Loss: -0.70R
- Win Rate: 31%

Not only did I have an eight-trade losing streak—which I ended with a 0.32R win—but I followed it with *another* eight-trade losing streak!

Realized R
-0.41
-0.60
-0.07
-0.04
-1.08
-0.32
-0.62
-1.08
0.32
-1.25
-0.01
-1.53
-0.88
-0.71
-0.63
-1.03
-0.95

I couldn't *buy* a profitable trade. This was made worse by taking four losing trades of >1R (meaning the stock gapped down pre-market, etc.).

Then there's the ugly.

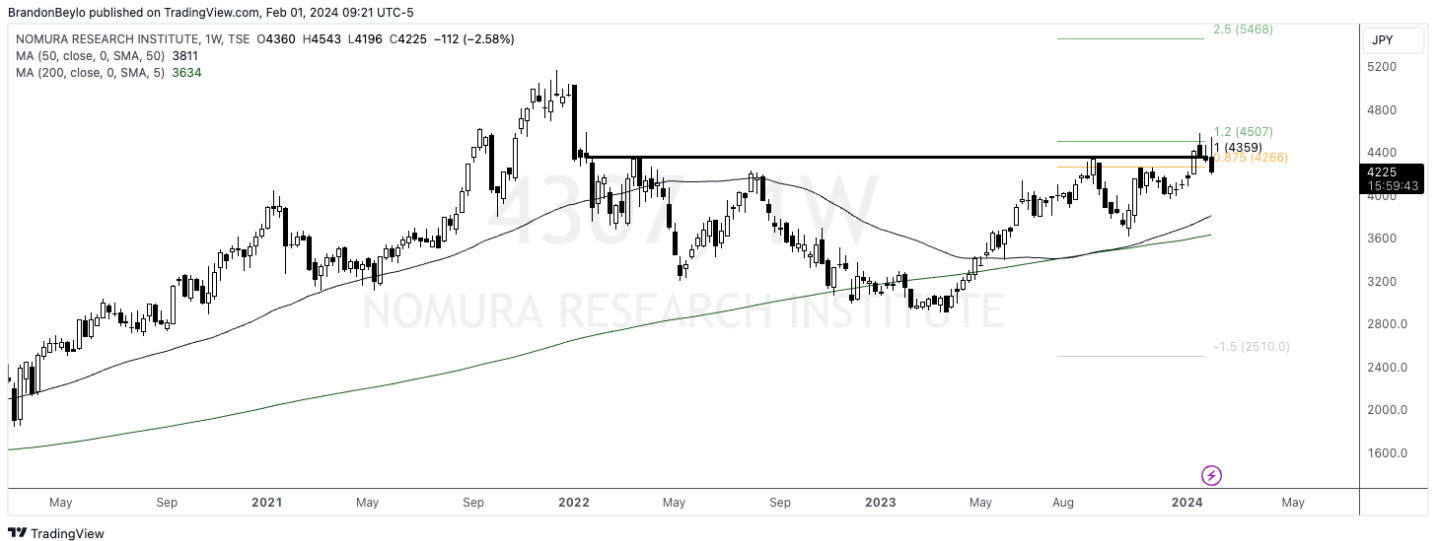
# The Ugly: Taking Trades I Know I Shouldn't Have

The most important thing about a trading log is that it reveals all the trades you *know* you shouldn't have taken.

I call these “ugly” trades ... where I look back and think, “*why in the hell did I take that?*”

Let's review the most ugly trades of 1H 2024.

## Nomura Research (4307): -1.04R Loss



## Intel Corporation (INTC): -1R Loss

BrandonBeylo published on TradingView.com, Mar 05, 2024 09:36 UTC-5



## Calibre Mining (CXB): -1.32R Loss

BrandonBeylo published on TradingView.com, Mar 20, 2024 09:33 UTC-4



## Globex Mining (GMX): -1.08R Loss

BrandonBeylo published on TradingView.com, May 06, 2024 11:32 UTC-4



Do you notice a theme with these ugly trades? Hint: *Look left.*

They all have walls of future selling pressure in the form of buyers at higher prices. In other words, these aren't continuation patterns but reversals.

But instead of reversing off a significant base (i.e., like a Ted Warren stock), these patterns try to buck a recent and often substantial downtrend.

I should've never taken these trades on that principle alone.

But I did. Why? I wanted to get back the profits the market took from me. Or I was bored or hungry or felt like I "had" to take the trade for some underlying fundamental reason (i.e., CXB).

These are the ugly trades I want to eliminate from my process. If I remove them, my Total R flips from 0.17R to 4.61R ... or **27x higher**.

That's the difference a few ugly trades can make in a trading year. Remember, the Pareto Principle works both ways.

## Conclusion: How I'm Approaching 2H 2024

I've taken a lot of lumps in the first seven months of the year. But there are knowledge gems in those lumps.

These gems help inform how I'll trade the rest of the year.

For example, I'm focusing on **Rectangle Continuation patterns on daily time frames**.

I want every trade I take to meet that criteria.

This means I'll likely trade fewer setups the rest of the year, which is fine as long as I'm taking the highest-expectancy setups.

I don't have to make back my profits the same way I lost them. I can wait for the market to give me great setups, take the setups, and let the chips fall where they lay.

My goal isn't to make *at least* 20%, 30%, or some other quantitative metric. My goal for the rest of the year is to **trade well**. If I do that, the numbers should take care of themselves.

I hope you enjoyed this classical charting performance review. I can't wait to see you at the MOHO Idea Lunch this Friday!