THE PRINCIPLED TRADER INSTITUTE

ISSUE NO. 03 — INDICATIONS YOU’RE BEING TAUGHT, NOT LED

A Principled Trader's *Mindset*

Notes on judgment, integrity, and the long game of a trading career — for aspiring commodity traders.

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A Principled Trader's Mindset — Issue 3

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Every trader develops instincts — for a market, for a counterparty, for when a deal feels right. The instinct this piece is about is quieter than those, and just as necessary: **discernment** — the ability to hear an explanation, weigh it against sound principle, and decide for yourself whether it holds, regardless of who's offering it or how confidently they offer it.

On a trading desk, the most important lessons rarely arrive labeled as lessons. They arrive disguised as ordinary conversation — a senior walking you through "how we usually handle this," a shortcut passed along in the tone of shared wisdom rather than instruction. Almost always, that's exactly what it is: genuine experience, offered generously, worth absorbing as it's meant. Discernment doesn't mean doubting that. It means having a way to tell it apart from the rarer case — an assumption dressed up as principle because it's more comfortable to believe than to examine.

From the inside, in the moment, the two can be nearly indistinguishable. That's not a flaw in the Learner — it's simply what makes discernment a skill worth building deliberately, rather than assuming it develops on its own.

The same instinct shows up in negotiation, where it's easier to see. A counterparty's questions can walk you toward disclosing more than you meant to — your desk's inventory pressure, your floor price, how badly you need a deal to close — three individually reasonable questions in, and you're describing something you'd never have volunteered cold. Nobody has to be acting in bad faith for this to happen; good questions and leading questions use the same technique, and discernment is what tells you which one you're actually answering.

The same mechanism operates off the trading floor. A sequence of individually reasonable explanations can lead a Learner toward accepting something as simply "how it's done" — not because anyone set out to mislead, but because it's easier to inherit an explanation than to test one, especially when it comes from someone more experienced.

Discernment isn't about who's speaking — it's about whether the reasoning survives being said out loud. Would this explanation hold up, plainly stated, to someone with no reason to accept it politely — a compliance desk, a regulator, a counterparty with nothing to gain from agreeing? Not "does this feel right coming from someone I respect." Not "does everyone around me seem to accept it." Those measure comfort, not soundness — and comfort is exactly what an unexamined assumption is built to produce.

This isn't a test for catching bad actors — most of the time, it will simply confirm that the explanation was sound all along, and that's a useful outcome too: real judgment, reinforced rather than assumed. The value isn't in suspicion. It's in building a habit of discernment that doesn't depend on trusting your own comfort as evidence.

A question worth carrying onto the desk: next time an explanation for "why we do it this way" lands as obviously right, pause for one beat and ask — would this still sound right if I had to say it, plainly, to someone whose entire job was to be skeptical of it?

Discernment like this is one of the instincts built into every module of The Principled Trader Institute's curriculum — not because judgment can be taught in a single sitting, but because the capacity to exercise it can be practiced long before it's ever actually tested.

More at theprincipledtraderinstitute.com.