THE PRINCIPLED TRADER INSTITUTE

A Principled Trader’s *Mindset*

ISSUE NO. 04 — READING A PRICE YOU DIDN’T SET

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

Reading a Price You Didn't Set

A Principled Trader's Mindset — Issue 4

Open a trading screen and a number sits there, published, final-looking — Brent, WTI, a naphtha assessment, a chemicals index. It's easy to treat it the way you'd treat a fact of nature: the price simply *is* what it is, and your job starts after it. Most people who trade never ask the question underneath that number: who actually built it, and how?

The honest answer is that almost none of the prices a physical or paper trader lives by were "discovered" in the way a screen implies — they were assessed. Platts, Argus, ICIS and the handful of agencies like them don't run a market the way an exchange does. They watch it — collecting real trades, firm bids and offers, and indicative levels from participants across a trading day — and then they publish a number that represents their considered judgment of where the market actually stood. That's not a criticism of the number. It's simply what it is: a professional judgment, built by a defined process, not a fact that fell out of the sky.

That process has real mechanics worth knowing, because they're exactly where two honest agencies can land on different numbers for what looks like the same thing. An assessment weighs its inputs by an evidence hierarchy — a confirmed trade counts for more than a firm bid, which counts for more than an indicative level nobody's obligated to honor. It concentrates its attention on a defined assessment window, often near the close, on the theory that this is when the most informed participants are transacting with genuine intent, not testing the water. And before any of that data becomes a single published number, it gets normalized — adjusted onto a common basis across delivery location, timing, and grade, because raw data almost never arrives already comparable. Each of those three steps is a judgment call, made in good faith, by people applying a documented methodology. None of them is arbitrary. None of them is beyond question, either.

Here's where it becomes a discernment skill rather than trivia. Say two credible sources publish different prices for what looks like the same grade, at the same location, on the same day. The undisciplined reaction is to assume one of them is simply wrong — or worse, to assume something improper is going on. The disciplined reaction is to ask about mechanism first: what evidence window did each one use, what normalization basis did each apply, what was actually trading versus merely quoted. Nine times out of ten, the gap resolves the moment you understand how each number was actually built. That's not a lesser form of understanding a market than knowing where the price will move next — it's the foundation that makes the second kind of judgment worth trusting at all.

This is the same instinct this Newsletter keeps returning to, aimed at a different target. Discernment isn't only about reading the people around you with clear eyes — it's about reading the market's own reference points the same way: not with suspicion, and not with blind acceptance either, but with a working understanding of how they were actually made. A trader who can only quote a benchmark has memorized an output. A trader who can explain how it was built has something closer to real command of their own market — and, not coincidentally, is a great deal harder to mislead by either a bad number or a bad accusation about one.

More at theprincipledtraderinstitute.com.