

GAME PSYCHOLOGY – TECHNIQUES TO MASTER YOUR EMOTIONS

Fear, ignorance, and greed are very destructive emotions that all traders need to conquer. These little demons wreak havoc on all traders' decisions from time to time.

Do you quickly identify them and deal with them, or do you let them control your actions?

The bulk of your trading profits does not come from a few trades but rather from a string of consistent trades over a long period of time. Do not worry about losses; they will happen. Your success is influenced by how you react emotionally to the losses or the fatigue in trading, especially if you are simply focused on day trading. If trading is becoming monotonous or tiring, then change your time frame horizons; reduce your leverage or lot size, and change to swing trading.

Many students I have mentored and worked with began trading on a steady pace but began to get in trouble once they prematurely started trading with way too many positions. When you discover a trading signal or a system that shows consistency, the one emotional element that will interfere with your success is greed.

If you find yourself asking, "How do I make serious money in this game?" as a small speculator, if you want to make big bucks, perhaps you need to expand on your interest and expertise in all aspects of the financial market. Diversify not only what markets you trade, but also what time frames you trade, such as day, swing, or position trading.

You may have a superior understanding of the fundamental developments, and now you can apply technical analysis tools such as Elliott wave, Fibonacci, and pivot point analysis to aid you in the timing of your entries and, most important, the exits.

Trading requires a disciplined approach toward risk management; most traders fail when they break their own rules. In fact, the famous speculator of our time, Jesse Livermore, was nearly broke and committed suicide. The main reason? He broke his own trading rules. Successful trading is all about diligence and hard work and having a winning attitude! Take the trades that were developed with thought and keen observations and that were triggered on predefined trading signals. This is what will help you develop the confidence to execute when a trading opportunity presents itself.

Lack of confidence and fear are your enemies. Trading on a rule-based system will help you overcome any issues as long as you are trading based on a signal or a bona fide trigger. Forget missing out on an opportunity that drives traders to a state of fearfulness. You cannot act on emotional impulse. That is why, if you wait until the actual close of the time period to trigger a trade, you will see a tremendous improvement in your trading results.

Remember, your mind can and does play tricks on you when you are trading. You might see a signal; but if it is not confirmed by the close of the time period, then you could be setting yourself up for disaster.

It is always that little subconscious voice that tells you to just hang in there, just keep holding on to the loser, the market will bounce back. Traders who sit on a losing trade, hoping and praying that the market will soon turn around in their favor, are destined for failure. You need to identify these negative thoughts and start focusing on the condition of the market itself. Do not let these thoughts control your actions.

SIMULATED TRADING

It goes without saying that the more practice you have in any skill, the better you will be. But if you practice the wrong thing over and over, then there is little hope for improvement. It just so happens that this also applies to trading.

Traders' Negative Traits and the Remedies

Destructive Habit Remedy Exercise

Destructive Habit	Remedy Exercise
Gets out of winners too early.	Trade multiple lots and scale out of half of the positions; setting stops on the balance just above breakeven.
Holds on to losers too long.	Implement hard stops rather than mental stop-close-only orders.
Is afraid to enter positions.	Cut back on your position size or on the lot value.
Doesn't act on signals; is always anticipating	Accept the fact the market is better than you are. Learn to deal with trading with the flow of the market rather than trying to see who is smarter.
Gets too aggressive with lot size.	This tendency generally comes from pure greed and a feeling of invincibility. These are humbling times when you find out that no matter how great a system or trading signal is, it generally fails the morning you wake up and decide to go "all in."
Is not profitable enough, expectations too high	Focus on a goal. Look to trade on a specific setup, strategy, or pattern. Set a goal for the trade even if it is only 20 points per trade. Concentrate on that goal. When you achieve your daily goal after a period of at least two weeks, review your progress and equity balance. Write down your results and your evaluation. This will help solidify the purpose of your actions and eliminate unrealistic expectations.

If you have never traded or if you switch to a new company, it is extremely advisable to get accustomed to the trading platform that may be unique to that company. That makes all the sense in the world. The biggest concern is that a trader needs to take action when a trigger is generated rather than taking a wait-and-see attitude and then reacting to the market long after the market has moved.

Hesitation is a trader's enemy; *plan your trade, and then trade your plan.*

Simulated trading is helpful in understanding the mechanics of a trading execution platform. However, putting real money on the line is what will test your trading skills.

Here is a suggestion: If you want to really see if you have what it takes to be a professional trader who can execute a testable trading system, then trade with the smallest lot or position size for a period of six weeks or more until you develop a relaxed state of mind when you trade, until it becomes second nature to you.

Open an ultra-mini-sized account, and apply the trading signal to that market. This is a nifty idea for those who are beginners and still have day jobs. The markets trade 24 hours a day, you can afford to hold positions overnight, and you have money on the line so that you will be more realistic in execution of your trading plan. You can trade at night and execute trading signals in an extremely liquid market. If you have a system that works reasonably well based on statistical back-testing studies, the only confidence that should be in question is your ability to execute the signals

You will learn that when you place a trade, it is based on an educated decision, not merely a guess. Developing that knowledge will give you the confidence to execute and to act on the trading signals. Building confidence in yourself and in your trading skills is extremely important in stimulating an optimistic winning attitude. Opening a mini account just may help a newcomer using a technical based system. If you want to follow what the money makers do, have a good plan, method, or system; execute when a trigger presents a call to action; and maintain a winning attitude!

The saying is old but very true: Practice does make perfect. In this business, you may not achieve perfection, but you will develop consistency.

What I did not cover was how to help you overcome negative thoughts and feelings. As human beings, we react to current events from past experiences. If you have a hard time admitting defeat, that is one element based on ego that keeps you in losing trades. You must develop a robotic mindset.

The key is to reduce such outside influences as events and even your trading surroundings so you are the most comfortable you can be in both state of mind and physical condition.

I have a great exercise to improve your mindset through positive visualization techniques or positive affirmations. Positive affirmations are extremely important to help improve self-confidence, especially in this business. This exercise requires real physical exertion.

What you need to do

is to pick up that 20-pound pen or pencil and write out these words 10 times a day: “I choose to be a positive, fearless, and successful trader” and

“I choose to succeed in making money trading the markets.” By doing this, you are reaffirming to your subconscious mind that you are a successful trader. You are then going to focus only on the positive forces and work on combating the destructive negative emotions that can and usually do interfere with being successful in trading.

RELAX: STRESS BUILDS ANXIETY

This job can be stressful, not from losing but from accumulating a winning position, which causes an increase in your heart rate. Take quiet times during the day to help you focus your attention on the business at hand; after all, not everyone can be staring at a quote screen all day without taking a breather. Relaxation techniques through yoga exercises actually work and are easy to do.

Take in a few deep breaths through your nose. While doing so, tell yourself to relax, and say to yourself that you are in control and focused in the now.

One more version is to take a long deep breath and hold it for about 10 seconds. You are going to *slowly* exhale and at the same time concentrate on saying to yourself: “I am calm and relaxed.” You should repeat it at least six times.

Trade the Plan

When you have no plan of attack or specific plan of action before entering a trade, you are trading by the seat of your pants. This will invite negative emotions of fear and doubt because you don't know how much money may be made or lost.

Scared Money

It does not take a fortune to trade the markets with success. It all comes down to how you manage your risks and trades. Let the winners ride; and, for gosh sakes, get out of the losers when the signals turn on you. Don't get burned by not being able to admit defeat. There will be another trade. If you trade with money you cannot afford to lose, odds are you will lose it because you will accept small profits to build your account.

Trade your plan.

Instant Gratification

Beginning traders, if you expect to quit your day job, don't! Use trading to supplement your income, and find out first if you can make a good living trading. Find out if trading is even fun for you after the first few months.

High-Risk Gamblers

Using protective stop mechanisms are crucial. Whether you use a stopclose- only, a hard stop, a timing stop, or a amount, don't be a gambler who risks it all. No stop method is perfect, but at least you have a good idea of how much money you are willing to risk on the trade.

Patience and Discipline Go Hand in Hand

While patience and discipline are often discussed, as are many other virtues, these are the essence of what trading successfully is about. You must wait for your setups and demonstrate the discipline to act on them. Getting bored is one great way to enter bad trades. You need to practice patience, otherwise you are setting yourself up for a loss.

Picking Tops and Bottoms

It's all about human nature. We all want to buy cheap and sell expensive. In trading, we discover new values that dispel our beliefs in what truly is cheap or expensive. That is why it is important to use a rule-based approach in the market and to trade on signals rather than depend on gut instincts.

Overtrading or Trading Too Many Positions

To add to the stress, they trade with excessive positions. It goes without saying that if you find this happening to you at this point in your trading career, ask yourself what the risk parameters of the trading strategy are and what aspect of the overall position you like. I have asked many traders when they are in this predicament if they begin a thought process on how the trade is working and if it is an acceptable position or size of position for the overall account. If the answer is no, that the trade is not acceptable, then action needs to be taken by eliminating a portion of the trade or cutting the trade entirely.

Is Your Trading Environment

Conducive to Trading?

Is the place in which you are trading set up to allow you to concentrate or focus on your trading? If there are distractions, then the slightest interruption can cause a negative thought to interfere with a trading decision. Once you are in a trade, you cannot control the market—only your thoughts and actions. You have the ultimate power over your own thoughts and actions.

If you have any distractions (loud neighbours, poor seating, bad lighting, or, my favourite, listening to a financial station and being subjected to someone else's opinion), these are the factors that may influence your thoughts and then your actions. Therefore, make sure your trading space or environment makes you comfortable and relaxed.

And remember, try to eliminate outside distractions that can spark emotional responses, especially something irritating, something that can invoke anger. If you are in a frustrated mood or simply anxious or impatient from sitting with a trade for too long, that emotional response could trigger inappropriate action, such as getting out of the market right before the move occurs. Stay calm, cool, and collected. Be the master of your emotions!

Tribute to :

The above excerpt is from ***John L. Person***