

Discipline, Mental Skills and the Psychology of Trading.

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Are you searching for answers to become a master trader? Or are you still trying to be a profitable trader? Trading is not easy as most people think, why is that out all those who try, over 90% fail?

My trading experience expands 2 decades, and also being a trading mentor I have also interviewed many traders, many of them have struggled to earn any profits after so many years of trading and yet they continue to fund their trading accounts.

Most traders do not realize that successful trading comes from a belief and confidence within oneself. It's an attitude! It's thinking like a winner. It's trading to win, not trading to lose. The fact is, trading, as all of you should know, is a zero sum game. You either are a winner or a loser. Why does a trader let his loss accumulate? Why does a trader snatch a profit and not let it run? When you are wrong, why don't you admit it? All these answers come from within. It's trading psychology not technical knowledge. For anyone preparing a trading plan, the first thing you must do is to get to know yourself. This may seem silly, but 95% of trading plans that I have seen do not cover this important aspect.

Then the question arises, "why a few win and most don't?"

First, think about this. Every trader has access to the same tools, the same research, the same charts, the same quotes, the same proven trading methods, etc. So, why is it that, with everybody having access to the same stuff, only a few make consistent profits over time?

Well, it's clear that the common denominator is the PERSON. Yes, YOU!

So, if somebody asked me to list the BIG THREE mental / emotional characteristics that define the majority of successful FOREX traders, I would list:

1. Discipline & Passion
2. Confidence & Courage
3. Patience & Persistence

One could have a great trading methodology and a system, but weak on psychology is likely to fail. Whereas someone with a mediocre trading system, but strong discipline with mental & psychology skills is likely to be on a winning side. One trader I recently interviewed has no clue about Macd, or stochastics or RSIs or Elliott Wave. He has a very simple system of trading the breakout on triangles and trendlines – that's all he does, and consistently produces over 700 pips profit trading Forex.

He has a simple system, a set of rules, sets achievable and realistic goals – and all he does is follow these simple rules! – No rocket science. Recently one trader told me "I'd read very good books by Elder, Mark Douglas, Toni Turner, Candlestick course by Nison, Edwin Lefevre etc. however, after reading those I was still trying to find the 'secret' to trading successfully and was not sure about

my system. I realised that the 'secret' to successful trading is that there is no secret! I've also developed a system from very effective strategies that suits my psychology and my style, and more importantly I have devised a Trading Plan”

DISCIPLINE & PASSION:

Discipline - Majority of traders are not disciplined in their approach, else they would not be failing. These failed traders simply hate to hear the word Discipline! As Jack Schwager points out in his book, 'The New Market Wizards', "Discipline was probably the most frequent word used by the exceptional traders that I interviewed. Often it was mentioned in an almost apologetic tone: 'I know you've heard this a million times before, but believe me, it's really important'."

Discipline allows you to more effectively plan your work (trades) and work (trade) your plan. Discipline – “Habit of Obedience” – yes the keyword being habit, i.e. have a Trading Plan and make a habit of following it. The golden rule should be **No Signal – No Trade.**

Passion - We may spend a third of our life working, so you deserve to feel fulfilled in what you do, you do it because you love to do it! – Yes the monetary rewards are the by-product of your success in doing things you love to do.

How can you be naturally successful at something, continue to fine-tune your trading skills, seek the services of a mentor, and stomach the ups and downs of the business and if you don't know WHY you're doing it? As Michael Jordan once said, "If you have a love for the game, your talent will eventually catch up to you." So if you do not have the love for trading, will you succeed?

To sum-up this Mental skill set PAIR (Discipline / Passion): You must be disciplined AND remain emotionally detached from the market.

CONFIDENCE & COURAGE:

One of the basic traits of successful traders is that they believe in themselves first. They have the confidence and courage to stick with their plan, not stray from their rules, go against the crowd if need be, and see the end result (the Big Picture) in their mind.

What does every successful TRADER have in common? From the book, 'Poker, Sex and Dying': "Poker is an explosive game combining money, ego, and emotions. It is not enough to know, have information, and insight regarding your opponent (the markets), you must know of yourself." Therefore within your trading plan, you must have a section about YOU – get to know yourself

In the early days of my trading career, I had faced many a situation where I "knew" exactly where the price was going, had a trading plan, but failed to follow it. Of course, greed, fear, and our other emotions stood in our way. When you let this happen to you...all your knowledge, planning and information quickly becomes useless.

In other words, no matter how good you are at analysing the market, if you don't

have confidence, all you're really doing is repeatedly creating experiences to which you will respond with similar frustration and anxiety.

How do you achieve confidence? You gather knowledge, practice discipline, and grow as a person. The more you learn about the markets, your approach to trading the markets and, more importantly, yourself...the more effective you become as a trader. The more effective you become, the less fearful you are. Confidence is the lack of fear. When you are confident, you can win.

PATIENCE and PERSISTENCE:

In this day and age of instant gratification, people want thrills without risks, wine without alcohol, more money without effort, beer without belly and yes, a profitable trade without doing homework.

The market knows better than you and I, don't rush to trade, you have to have patience and wait for the right signal – A golden rule No Signal – No Trade.

The successful trader realizes that patience pays! Every successful trader has a special talent for 'watching and waiting' and waits until trading behaviour has dictated when to enter the market. The prudent FOREX trader specifically applies patience to his/her advantage by:

Listening To The Market. The market is continually donating valuable trading information, and you must get into the proper frame of mind where you are in reality taking your orders from the action of the market itself or the signals your trading system is sending you. Your judgment will become poorer from the very time that you decide you know more about the market than the market itself is telling you, and you throw patience aside and give in to fear or hope.

Sitting On The Sidelines While Waiting For a Trend to Develop. It has often been said that looking at one's screen during the trading day is like sitting in front of a slot machine and trying to resist gambling. Successful traders in the FOREX have learned that they cannot buck the major price trend of the individual currency-pair they are trading. You still don't want to let impatience cause you to trade against the trend.

While patience is important not only in waiting for the right trades, it's also important in staying with the trades that are working. You must know how to wait patiently for the optimal time to sell. Selling a winner too early is not going to allow your account balance to increase exponentially at an ideal rate. So, this is where the 'persistence' mental factor comes in as well. You can be 'patient' until the cows come home but if you don't persistently control your impulses and don't persistently follow your exit rules, and then your profits won't balance out losses over time.

"Be patient with winning trades; be enormously impatient with losing trades. Remember, it is quite possible to make large sums trading/investing if we are "right" only 30% of the time, as long as our losses are small and our profits are large." - **Dennis Gartman**

Success in trading depends on education to learn the critical technical analysis, trading techniques, sound money management habits, and how to control your emotions. The education involves many stages, individual self-study, group lessons, classroom study, and constant practice. This takes you to a near professional level. Then, they add one more dimension, individual mentoring and coaching to rise to the absolute top and remain there over their professional career.

Do you really need a mentor or a coach? The best golfer in the world thinks so! Tiger Woods pays his coach over 1 million dollars per year! Yet he makes over 50 million dollars per year. In fact, all professional athletes have coaches to help make them better. The reason you choose to spend the money on coaching is to shorten that learning curve over which all traders have to travel, while increasing your levels of success; it is a cost of doing business. Remember if you are or want to be a professional trader you are in a business.

Today's traders are lucky in that, they have many facilities and resources available. When I started trading 2 decades ago, there were very few resources available to a retail trader, few had heard of a Trading Coach or a mentor, no Internet and indeed no public boards such as T2W – trading was lonely.

After 10 years of trading, overall I was a loser. This period included major Stockmarket crashes, such as the 87 crash, and the 91 Gulf war. Trading was tough. My trading took to a new level, when I went to the Trading Expo in USA and was introduced to a Trading Coach.

I sought the services of a coach; the main focus of my coach was Psychology, an area that I had totally ignored all these years. My life as a trader was to change forever and I have not looked back, trading has become so easy and I am able to pick an iron-clad trade with great ease.

As I have often said, ignore the trend at your own peril; today I add if you ignore the psychology of trading you may not succeed.

“Failure is a man who has not learnt from his blunders, if you are able to cash on that experience you are on the path to success” – Jay Lakhani