

Stock Trading is an Inside Job

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TRADING IS AN INSIDE JOB

We all know traders who spend every waking trading day staring at banks of monitors, own every trading book on the planet, preach to us about multifarious technical indicators until our eyes glaze over, and literally eat, breathe and sleep the financial markets.

Still, when it comes right down to it, they may not make more money as other traders who-while taking the markets extremely seriously--execute their trades from a laptop on the dining room table and think relative strength has something to do with weight benches and sweaty dumbbells.

Truth is ... about 10% of our trading success comes from our trading and market knowledge, our ability to put it into action, and the proper computer equipment and trading programs.

The other 90-percent of our trading victories comes from the way we approach the markets ... our feelings that direct our actions, or call it the eighteen inch connection between our head and our hearts. (Yes, our hearts "believe" Ever heard the saying "I believe with all my heart"?).

Three methods you can use enhance your approach to the market and improve your mind-set are 1) eliminate "right" and "wrong" from your trading vocabulary, 2) check out your internal belief systems, and 3) strive to stay positive and proactive throughout the trading day.

ELIMINATE "RIGHT" AND "WRONG" FROM YOUR TRADING VOCABULARY

It sounds funny, but it's true: one big step you can make toward trading success is eliminate "right" and "wrong" from your trading vocabulary.

If you plan your trade carefully before you enter each position, then follow your risk management plan--if the trade goes against you and you are stopped out--you are not "wrong" The market simply moves in a different direction than your set of possibilities and probabilities indicate. Your loss is a business loss. It's part of the game. Shrug it off.

If, however, you insist on beating yourself up for being "wrong," it will color your perception of the markets. Then, the next time a good trading opportunity presents itself, you may avoid a really good play out of fear of "being wrong," again.

On the flip side, say your trade hands you a huge gain. Boasting loudly to yourself and friends that you were massively "right" can infuse you with a cockiness that leads to a downfall. Suddenly, you feel invincible! You start entering sloppy set-ups and getting sloppier with your protective stops. You end up losing all of your profits, and then some.

Instead of dwelling on "right" and "wrong," dwell on executing precisely planned trades, then executing those trades with a calm confidence born of your discipline, knowledge and experience. I promise, if you trade with skill and discipline, the money will follow.

CHECK OUT YOUR INTERNAL BELIEF SYSTEMS

Every time we study a chart and then click on a "buy" or "sell" button, the decision we made had to first run through the gamut of our thought associations and belief personal systems. These associations and systems act as our mental filters.

Our mental filters are woven from the threads of a lifetime of feelings and experiences. While they are designed to keep us from harm (don't touch the fire), some filters actually limit our success at trading. Negative mental beliefs--most of which we aren't even aware of holding - can act as cogs in our personal operating systems. These beliefs can limit decisions and the nimble mindset so necessary to trading mastery.

Take an hour or two one day this week, and go to a quiet place where you can be alone. Ask your self some revealing questions:

Do you really believe that you deserve to make money-and maybe lots of it?

Or are you unwittingly harboring old lectures from authority figures in your youth that sound something like "You're so lazy, you'll never make any money"? That deep-seated belief system can sabotage the shiniest trading career.

Do you sub-consciously believe "the love of all money is the root of all evil"? Most of us grew up with that old saying. While money certainly doesn't assure happiness, the truth is, prosperity is a good thing. It not only allows us to experience the best life has to offer, it also provides us with the opportunity to share with others and improve their lives.

False, worn-out belief systems can haunt us into adulthood, run deep under our personal self-image and seep into our trading decisions. You'll trade better and make more money if you take the time to drag yours into the sunlight, examine them, and then send them packing.

STAY POSITIVE AND PROACTIVE

Each trading day, your goal is to settle at your desk and approach the financial markets with positive and proactive objectivity. Think like this:

Strive to observe and interact with the market as it truly is, not as you wish it were.

Assume feelings of calmness and confidence; you should feel no pressure to do anything except follow your plan.

When the market gives you a signal to act according to your plan, you execute the trade quickly and calmly.

Once in a trade, you focus on managing your risk; you know that protecting your capital is always your primary goal.

You stay proactive throughout the day; with your trading plan in place-you can take whatever scenario the market sends your way.

Maybe you don't have a bank of monitors to trade from, maybe you haven't read every trading book written, and perhaps you think relative strength has something to do with your Uncle Fred--who really can bench-press more than some younger guys.

Even so, if you can eliminate "right" and "wrong" from your trading vocabulary, keep your internal belief systems free of limiting thoughts, and approach each trading day with a positive, proactive mindset born of discipline and a well-thought out good trading plan, you'll definitely make good progress on the road that leads to trading success.

Toni Turner is a trader and investor with seventeen years of experience in the financial markets. She is the best-selling author of "A Beginner's Guide to Day Trading Online, 2nd Edition, A Beginner's Guide to Short Term Trading and Short-Term Trading in the New Stock Market"

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