

Every trader has heard the saying that trading is all about following rules and being disciplined. However, very few take action to implement an analysis of whether they are following the rules or being disciplined. After all, most of us hate "paperwork".

In the TradersHelpDesk workshops, one of our primary focus areas is developing the skills of a business analyst, instead of an indicator analyst. For those of you that were not there, we had about 15 participants. Out of the 15 participants, 4 were following my methodology and used it in some form in their trading plan. One particular participant agreed to submit his results to me 30, 60, and 90 days post-seminar so that I could do articles based on what he has learned. But, first, a little bit of background information on the participant.

This particular seminar participant loves to trade. He loves waking up in the morning just to watch the price tick. And, as he has said, there is never a trade that he will not take. Prior to the seminar, he had somewhat of a ruleset, which he sometimes followed. He knew that he had problems following rules but did not know how to overcome the issue. And, to his advantage, he is also an avid golfer. Some of you may be wondering why being an avid golfer is an advantage for him. Well, any golfer that wants to improve his skill, is constantly seeking ways to improve his swings. They often keep checklists on how to improve a swing and they are very disciplined. All skills that a successful trader needs and that he could relate to.

Most traders need to recognize what they are losing, in dollar amounts, to see the need to change their behaviors. In order to accomplish this task, a trader must trade exactly the same way, for a period of at least 30 days to measure the results. Then, they can analyze the results and change their behaviors accordingly. This client uses a ruleset that is very similar to mine, however, he takes all profit at Clipper 1. As of April 23, 2010, his results were as follows:

14 positive trades of 28 Following Rules:

+\$3125.00

5 positive Trades of 36 NOT Following Rules:

--- \$3200.00

Now that he has a way of measuring what he did the last thirty days, he also has a way of changing what is causing the losses -- NOT FOLLOWING RULES, also known as TRIGGER-HAPPY. In order to change the behavior, two things must happen. One, you have to identify the behavior, which he did. Two, he must change the behavior but how?

First, a trader must be able to think like a winner. He knew at the seminar that he had trouble following rules. We actually went to dinner on Tuesday night, after one day of live trading, and his exact words were, "I cannot follow the rules". We talked for a while and decided that just for one day, Wednesday, he would follow his given ruleset. And he

did. What changed from Tuesday to Wednesday? His mental attitude. Instead of thinking, "I cannot follow rules", he thought, "I can follow the rules." That is the power of positive thinking.

Second, sometimes destructive behavior is caused by a "trigger". Since this client also maintains detailed daily logs of each and every trade, a post-analysis checklist and a daily summation of all trades. Armed with these reports, he can identify which trades entice him to enter against his ruleset. For example, is there a particular day of the week or particular time of day (like first thing in the morning) that makes him susceptible to entering trades against his ruleset or a particular pattern on his charts or indicators that entice him to break the rules or, perhaps, after four trades he gets trigger-happy. After identifying when he is most susceptible to becoming trigger-happy, he is cognizant of the conditions and outcomes based on previous behavior. Something as simple as having a sign posted in front of his screen that says, "I CAN FOLLOW MY RULES" is a gentle reminder to think positive.

While this all sounds simplistic, make no mistakes about it, it is hard. That is why trading is one of the hardest in the world, not physically but mentally. Negative thoughts bounce around in a trader's head all day. I'm a loser; I cannot follow rules; I am not disciplined; I cannot succeed; I cannot understand the charts; my indicators don't work; and on and on it goes. Just for one week I challenge each of you to notate your negative thoughts and then change that thought to a positive. Just for one week, instead of thinking I cannot succeed think I can succeed; think I can follow rules instead of I cannot follow rules -- JUST FOR ONE WEEK.