Zoom in on Personal Trading Behavior And Profit from It

Provided by permission of SFO Magazine Both experienced and aspiring traders spend a great deal of time trying to recognize patterns in the markets – charts and indicators on multiple time frames, seasonal tendencies around specific times of the month or year,sentiment and flow of funds data. Clearly, there are many different ways to skin a cat. By analyzing patterns, a trader is looking for a compelling reason to initiate a trade or to exit an existing one. Markets are monitored for subtle shifts in the basic supply-and-demand equation, and once an "initial condition" is detected that indicates a spot where there is a probable edge, the game simply becomes a matter of setting up an entry trigger, defining initial risk and then learning how to manage a trade properly in response to the market's actions. The trader manages the trade by watching for confirmation or non-confirmation. But why is it that it never seems to play out so simply in real life? After all, it is just a numbers game, and it really doesn't take long to learn the basic rules. Perhaps it is because trading normally is ten percent learning about the market and 90 percent learning about you. Unfortunately, if a trader doesn't know himself, the markets are a very expensive place to find out. If traders were to spend half as much time studying their own behavioral patterns as they did studying the markets, the benefit to the bottom line would be much greater than having unlimited access to every course, video, system or technical book ever written on the markets. **No Runs, Some Hits, Unforced Errors?** Let's look at some common patterns that lead to unforced errors. Consider the trader who has been diligently monitoring a market for a particular setup and, for whatever reason, the initial trade is missed. He then makes a reactive spontaneous trade out of frustration for having missed the first one. The market has had a good run, and his account is at a new high. The trader then proudly marvels at the gains he's made and proceeds to get sloppy and complacent, leading to an extended draw down period. He misses an exit spot for a win- ning trade and lets a winner turn into a loser. Out of frustra- tion, he then averages down in the hopes of at least trying to get back to even. Many bad behaviors are the result of emotional reactions. However, some are simply the result of bad habits. The goal is to make trading as automatic as possible and, so, the ultimate goal should be to create winning habits. As Socrates put it, "We are what we repeatedly do. Excellence, then, is a habit."Here are some tools that can help traders identify the behavioral patterns that hold them back and, further, how to eliminate them or at the very least get them back under control. Equally as important for traders is the ability to identify the behaviors that they are doing right, because this is the first step towards building confidence. **To read More,Please download the book.** Download This Book