Trading like a Sniper:

how i make millions $ from trading !

3rd Edition

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For my forever love Amy, who inspired me, and make my trading better !

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Backgrounds

I also experienced big loss before i finally enter the trading zone. Like the most other great traders, you can learn a lot of things from the loss. The difference is most traders gave up before they can enter the trading zone. There will be failure, will be defeat, and also there is correct way for trading. The problem is how to identify the correct way and committed to the objectives of trading. This is a hard process especially when you faced with repeated loss. I personal also have such problems in past years. And finally i learned from the lessons. There is a way to stay in the zone.

There are tons of books on the trading zone. Many of them described the zone and how to enter the zone. Some of them also examined the ways to stay in the zone. However, nearly all of them are useless. I bet most of them does not have the real trading experience. They just analyze from the perspective professional psychology concepts or based on the facts of their clients (traders) performance and behavior during trading. This is NOT real at all. Everyone can do reasonable analysis of the trading. But when it comes to real trading, they just lose the power. Because they are not the ultimate way to stay in the Zone. The zone is amazing, attracting and charming. Every trader wanna enter it, stay in the zone aiming make a lot of money from market. In the past years, i faced with a lot of losing traders. I can see their struggle, their gut and repeat failure. So i decide to write this little book to help those in need.

I started trading Forex and stocks since 2006 after gradated with a economics degree. I was successful in study and thus thought i could be success in trading as well. This is big mistake. Trading is totally different. At the first 2 year, i made money, i feel it is easy to make money, i bought my Own sport car, villa, etc. I just become rich overnight. I did not feel the danger is ahead. When i trading the forex in later 2010. my big positions got liquidated in the big move, which turn my profits into a big loss. A trade make me into debt. Near the bankruptcy. Stress, fear and even i feel to suicide. The early success most come from the luck rather than the correct trading practice. Then the success cant be consistent. So the loss is a must in the way. Soon or later. I read books from the big names in psychology. “disciplined trader” of Mark Douglas, psychology books of Ari Kiev, etc. Many of them are great books. I learned a lot of concepts which i never heard of when i started trading in 2006. luck plays a key role in my early success.

In mid 2012, i restarted trading. I invested with borrowed $10k as i feel fear to trade after the first big loss. I became hesitate and afraid to lose. So i adopted the defensive trading style. after 6 months, i grew it into $73k. i feel i entered the zone and stay in the zone successfully. I enjoyed this feeling until another big loss strike me. The repeated over trading happened again. I placed big trades after the a normal loss. I just lost control of myself. The big loss made me into another bankrupt situation. I become defeat. I cant stare at the charting MT4, i cant sleep. I doubt that i could be trader. I just repeated the same mistake. I stopped trading those days. Another reason is i have no money left to try another time.

One day, my wife asked me why not join a team if you cant control yourself. I know i have a good chance for my trading. My problem is just the emotional trading. The concept of Teamwork never shows in my mind before. My wife saved me. The following trading success proved this 100%. in early 2013, i formed the team based trading style and become profit consistently. In later 2014, binary option become popular. But most of them are scam brokers, cant withdraw money. Then i found Ig.com provided sprint market and we made more than 1 million dollars on it till ig.com removed the sprint market from its site. Binary option provide a new trading approach for us. After that we approached to binary.com. We make another $150k+ but they limited our accounts, can only win tens dollars per day. All accounts get limited. In the mid 2015, my friend Ms Jones in Chicago asked me to manage her nadex account with 100k as a starting capital. during the rest of 2015, i made 450k for each of us with compounding (she paid me 50% of the net profits) . From the beginning of 2016, Jones referred another 3 friends of her to let me trade for them. the capital size grows to $700k USD in total. Then we launched the managed account service: peakbinaryoption.com to accept managed account for clients. In the past years, we have served more than 1000 clients and rejected numerous of small accounts. From then my trading career changed from personal trading to trading for others.

the teamwork in this book is a little different from the common concept. I will explain more in the last chapter of this book. In this book, i will take about the trading zone, emotion management and risk management together, teamwork based trading and how to trade like a sniper. Because i think there are a lot of new traders, they need the basic concepts and knowledge. If you are experienced and then can skip them to save time. Team based trading and trading like a sniper is the the most important part of this book. I wish every trader could trade in the zone and become consistent profitable in long term.

Chapter 1: the Trading zone

What's the zone

There is no definition for the trading zone as everyone has different understanding. Trading zone just is a state of the trader. Ari Kiev already described this in details in their books.

"Once you are at your desk, looking at your terminals, you feel as though you are really seeing the larger universe of the stock market as a whole, not as bits and pieces of data. You are clear-eyed and calm as you phone your contacts, scroll through numbers, glance at the Internet. Yet there is a special conviction to your moves. As you see opportunities, you place your orders one after the other, nimbly, as if you were a great quarterback effortlessly throwing pinpoint passes downfield."

You can imagine that and visualize it before start trading of the day. The trading zone is the state you are doing everything about trading in the correct way. This zone will activate your positive experience to keep you in peak performance. You will overcome the limiting thoughts. The comfortable zone will make your mind open and make objective trading decisions.

It is not hard to enter the zone as you can imagine and visualize it. Then follow them. But it is difficult to stay in the zone. When there is losing trades, your inner emotional mind will arise and hijack your trading zone. You become nervous, anger, revenge the market. Then the zone disappear. Therefore, to stay in the zone, there is a lot more things to do.

strategies to stay the Zone

The market is uncertainty, probability based environment. Risk and opportunity collide. The traders cant predict the future and thus cant be prepared for all changes. While our brain are emotional in the uncertainty world. To survive in the market, we desire to win forever and fear the loss. We are not prepared for loss. At some moment, you start over trade without any reason. You may tried to move the stop loss and hope the market will around to make you win. You dont want lose money which conflicts with your ambitious goal.

The perfect winning strategies you planned is generated by your thinking mind while the emotional mind shares the thinking mind. The emotional mind only care short term benefits. So when there is loss, it is easy to get emotional while profits make you over trading. All these facts indicate that the emotional mind control this.

The emotion mind take part in all decisions you make. When the uncertainty ramps up, it will take the lead to control your choosing. In the ancient days, there are tiger, lions, etc can endanger the life of human being. So the caveman consider them as danger and thus emotional mind get triggered as saw them. But in nowadays, there is no such dangerous animals in our life. We need identify the new dangers. Loss on trading actually is considered as a new danger automatically. After loss of money, there are negative results. So when you can imagine, you know that loss of money will trigger your emotional mind. When you are totally control by emotion, then there is no discipline, no plans, no rules, ect can be executed successfully. The trading zone would disappear automatically. Therefore to stay in the zone, we need have a new understanding of the danger on market "loss". we need develop our brain to accept loss and change the imagine of dangerous thing. In this way, we would reduce the chance hijack by the emotional mind

Loss---->emotional mind hijack thinking mind --->make emotional trades---out of zone

As shown in the above flow, you can see loss is the key. The old recognition toward loss should be changed to reduce its negative effect. In the following chapters, i will explain how to deal with the fear of loss and accept it gradually after a deep understanding of the market. The emotion management also will be discussed to keep you away from the negative effect of other emotions, like anger, eager, greed, overconfidence, etc.

Chapter 2 Emotion management

Emotion nature

The ignorance of your human nature will be the first line to ruin your trading. Many traders think they can separate the emotions from the thinking (trading mind). you may know that our brain consists of two spheres, the left brain and the right brain. They work together with to keep our brain on a high level function. When you learn to trade, only the left logic brain sphere is trained and developed. The right emotional brain is ignored. Therefore, in the real trading world, the right brain cant adopt to the uncertainty and risk,etc in the market environment. This also explained that many traders have enough knowledge, good trading system, healthy trading plan but they still cant make money. This is because the right brain is not trained to work with left brain when exposed to risk and uncertainty.

Without training, your right emotional brain will seek for short term survival and consider the short term profit as main goal. Therefore, when you experience loss, you become fear and consider loss as a danger, and then take higher risk to try win back the loss. There is a big mistake is many traders try to avoid the emotion and want to trade without emotion. This is ignorance of the objective fact as our brain is built in both logic and emotion spheres. This cant be changed. So the ignorance can be secure or consistent. Emotion mind can hijack your logic mind unexpectedly. After the hijacking, your brain will be controlled by emotions, fear, aggression, anger, revenge the market, etc.

You can imagine the last trade that went against you and how you reacted. In the fear or aggression response to the trade going against you. The thinking mind just stop work, it become supportive to the emotional response. It justify your mistake decisions, support you to make aggressive trades. It is not rational at all. When all emotions decline, you start to ruminating, “whats going one” “ why should i trade in that aggressive style?” then you just cant believe you made those bad trades, you begin to regret, self doubt. Therefore, you can see it is not a problem of your trading system, not a problem of other facts. It is just the result of your undeveloped right emotional brain. Most trades are fascinated into the holy grail in trading system. Everyone know there is no 100% winning system at all. Even you can win 99.99% trades, only one trader could ruin all your trading career.

All the emotional hijacking occurs secretly. Most of trading decisions actually are made by emotional mind under stress while we dont know that at all as the logic mind is hijacked. The logic thinking mind only work as supporting role. Every trader do not want it to be this but this is truth. Therefore, we need develop our right emotional mind to deal with uncertainty and risk in market environment from probability perspective. although the emotional brain is designed to be right, to be in control, we can still teach it to deal with uncertainty and risk in different ways. In the following part of this chapter, i will discuss more on how to train your emotional brain to evolve in order to suit for the trading world.

Master your Fear& greed

Fear and greed are the two main emoticons plays an important role in your trading. When you win you become greed while you may become fear when you faced with loss. You may experience both emotions in a single day even a single trade. Both can affect your trading negatively. When you win several trades, you may become ambitious and make unrealistic goals for monthly return, begin to take higher risk. Then the high risk bring in big loss. You become the powerless, fear to place trade, fear to take risk. You cant catch the opportunity showing in front of you. You will get out of the winning positions too quickly as you fear to lose back again although there is good chance for the growth of the profits.

To conquer these two emotions, it is key to stick to your trading plan. Dont exit the trades only when you feel anxiety. Just follow your daily trading plan and the plan for each trade. Actively monitor your feeling, the market movement. Dont let the emotion control your behavior.

The natural trading routine is to take quick profits on the winning trades and holding the losing trades longer. From the perspective of statistics,this will render a negative performance on your account balance as the losing amount is bigger than the profit. Therefore, we need counteract our emotion of fear. We need train our brain to learn to let the winners run and get out of losing trades quickly. Another bad effect is when you hold the losing market too long means you trade against the market and hope the market turn around to favor you. This is impossible. When the loss become bigger, you will lose the power to act and fear to trigger next trade.

Most traders consider fear and greed as two different emotions. Actually, i feel both are the same one while greed plays more important role. For example, when you risk $10, you wont feel fear at all, but when you risk $1 million per trade. You will feel anxiety when market against you. Therefore, to control fear, the money management is a solution. Take proper risk level is helpful to control the fear emotion. Therefore, to take normal risk level, you need counteract your greed. When you control greed, you will control of fear. When you control fear, you become easier to stay in the zone with confidence as the smaller possible loss cant affect you much. Your trading mind wont get hijacked by those emotional trades and mind.

Despite a commanding knowledge of trading, the vast majority of traders experience fear every day on a level that compromises their capacity to trade effectively. They can almost touch the promise of trading, but they cannot capture their financial dreams. This problem eventually comes to a boiling point somewhere in the evolution of a trader. At this turning point they either leave trading, continue to suffer losses, or begin to take a closer look at themselves. They recognize that the Holy Grail is not "out there" in their system or methodology. The trouble lies within them – their Inner Trader, the part of them dealing with fear. The solution also lies within them.

So much energy is then focused on pushing through their fears in trading (rightfully so) that another question is never raised. Is fear the enemy – or is it a symptom of something going on below the threshold of awareness?

It dawns on the evolving trader that the battle has never "been out there" in the markets. When you learn how to disrupt the "little fear", do you suddenly become a consistently winning trader? The answer is, rarely. Mastering fear is the start of a journey toward the inner trader. As jarring as this realization may be to a trader battling his fears, this is only the first, and foundational, step into the transformation of the self required to become a successful trader.

Learning to deal effectively with fear opens the door to re-training the brain and mind for peak performance trading. Ultimately, a trader perceives and acts based on his deepest beliefs about the self's ability to handle the uncertainties of life and the markets. This is where potential lies. Fear blocks development of potential beyond the trader's self limiting, survival based, beliefs about the self. But what are the tools and skills a trader needs to harness in order to develop his potential as a trader?

Loss is a must

Most traders hate loss before they wont want to admit they cause an error. This will make them holding the losing trades too long, hoping the market will reverse. Most traders tend to give up and allow the account wiped out then they could restart trading fresh the next time rather than to keep fighting to cut the loss before it grows big. When the loss is smaller, it is easier for the trade to get out of the trades to cut loss. But when the loss is big, the emotional mind is triggered and start to hijack the logic mind, making your powerless. This make the loss keep growing with market evolution.

Everyone knows that loss is a must part but it is hard for most trader to accept. As there is no 100% winning system forever. You have to train your brain to accept the loss as a part of trading.

trader's fear of loss is not only located in the here and now of his trading, but also in his history. And that history shaped how he sees the market, opportunity, risk, and reward. He adapted to avoid loss. This is his Adapted Voice reacting unconsciously (mindlessly) to the Prosecuting

Attorney in his head. This trader can hear a voice in him saying, "Don't you dare be foolish. Don't risk your capital stupidly. Keep a tight lid on your losses – or you'll be left homeless." Out of fear of loss inherited from a previous generation, his internal dialog limits who he can be today as a trader. Tragic – the historical dialog he trades from was transparent to him. Now, it is not. He no longer mindlessly has to be held prisoner by this inter generational conversation of possibilities.

Fear, in particular, is the most primitive of our emotions. It is the mother of biologic survival. That is why a trader must learn how to manage fear, or it will continue to overwhelm the impartial, disciplined, patient, and courageous kind of thinking upon which successful trading is built. Although fear will never be eliminated from a trader's psychology, its intensity can be regulated so that it does not sweep the mind away in a cascade of negative thinking that leads to catastrophic results. Once managed, fear can be directed to help build an effective methodology for risk management. The problem with most traders is that they attempt to push fear aside or ignore it. As we will be seeing shortly, this fear has a lot to do with avoiding looking into the mirror at ourselves and facing our own personal demons.

Traders can deceive themselves and others, but they cannot deceive their trading account. It is the measure of how effective the organization of the self is in trading – not the stories you tell to yourself or others. Traders must learn to honor their internal struggle with their fears. To do this, the fear must be approached – not avoided (hesitation of entering trades) or attacked (impulsive trading). When the trader approaches his fears and learns from them, he or she opens the opportunity to re-organize him/herself into a more effective trader.

Mastering the Mind that Over-Trades

In euphoria (when you are on a winning streak with an undisciplined mind), the feeling element causes you to believe in the certainty that the good times are going to roll on forever. Out of this, the trader drops his guard and begins to trade outside of his trading plan and produces a state of mind that over trades, impulse trades, or revenge trades.

In a trained trader's mind, the trader maintains an emotional state of disciplined impartiality. The feeling element of this emotional state produces a belief in the certainty that the trader can take advantage of what ever the market is willing to give it. This state of mind is much more conducive to effective trading and can be developed though memory enrichment and symbolic representation.

Over trading also make your winning rate lower and make you at disadvantages from the probability perspective. so from long run, over trading will make you reach a negative expectation on trading results.

Your Desire to Win and Achieving a Profitable Mindset Are Different

Sooner or later it comes down to the head game in trading – no matter how hard you may try to insulate yourself from this inevitable reality. You are motivated to win, and you want to make things happen. This seems like a good thing. But, somehow your desire to win seems to become part of the problem. Your trading account keeps pointing out (with no respect for your long held beliefs about winning) what you do not want to see. Working harder is not working. And your winning attitude seems to have some glitches in it when trading. In particular, your desire to win and your ability to actually be consistently profitable seem to be at odds with one another (when you look at the hard facts that your trading account reveals to you).

You may experience this crack in your logic in the form of crashing accounts, bleeding accounts over time, giving it all back (and more) after periods of profitability, and/or getting stuck (and staying stuck) at a particular level in your trading. If you desire to be consistently profitable, turning a blind eye to performance problems in your trading is clearly dangerous to the health of your trading account. But it consistently keeps happening despite your best efforts. So why do you (and other traders) keep doing it?

The solution lies in first truly recognizing that you are not in control and your desire to fix the problem by yourself is not working. The missing factor for the motivated trader is acknowledging that you are stuck, and that there is a high likelihood that you are going to stay stuck – no matter how hard you try or how resolved you are to fix your trading on your own. This is why traders are often their own worst enemies. This is a milestone that the vast majority of traders do not evolve beyond. They keep trying harder in a misdirected attempt to correct the problem. The problem, blinded by their notions of winning, is that they do not know what the problem is.

Trading confronts the trader with a very different reality than what they have been accustomed to. The force of will means nothing. The markets simply do not care. Whatever mind you bring to the head game of trading and project on the markets, in its disinterested way the markets will simply take away or give you capital based on the quality of the mindset you bring to the performance of your trading. You may care, but the markets do not. This is why it is so important to start listening to your trading account very differently. What is it really telling you? It is providing you with the information you need to train the brain and mind for the rigors of working with the financial markets.

A New Understanding of Alpha's Need to Win

The very desire you have to win – to make things happen and control outcome – is a bias that sets up a whole chain of events that is contrary to the mindset needed for long-term trading success. How can that be? To our ancestral relatives, a serious desire to win was necessary for survival. Whether it was chasing prey, confronting threats, or enhanced mate selection through status – winning brought home food, allowed survival, and moved more desired genes into the species. Over time these attributes of acquiring food, protecting self and others, and achieving high status in the clan produced the cluster of traits that are commonly called alpha. Notice that embedded into these survival attributes of the alpha is striving. Survival (whether in the form of being a successful hunter, protector, or a high status individual in a group) means the successful solutions were wired into the genetic predisposition of future generations.

The desire to win the game of survival and the striving to survive did not guarantee survival, but it did give the alpha an enhanced edge in an otherwise very dangerous world. It gave him the illusion of control and that was enough for enhancing survival. Alphas led their groups and produced the necessary edge in adaptation that allowed these traits to become victors in evolution. As the mind developed, the alphas began to think of themselves as winners. The desire to win and the striving to win became entrenched into a personal psychology. As alphas, they became "winners". Best of all, it worked.

With the force of evolution at their back, alphas began to believe they themselves caused winning and control over outcome. What had been an adaptive edge in survival morphed into a winner who believed he could make things happen and control outcome. The desire to survive became the desire to win outcome and the striving for survival's sake became the working "hard-and-smart" of the winner. Our caveman ancestors had to believe that, by desiring and striving, they could make survival happen – even though it was merely an edge. The actual desiring and striving was far more important to the goal of survival than actually winning the survival game. They had no control over winning, but the desire and striving gave them the illusion of controlling destiny. That was all that mattered.

The illusion of control, wired into the alphas' constitution by adaptation, worked just fine. Until they encountered trading, that is.

An Old Adaptation Meets New Conditions

Most alphas get into trading having experienced success in former endeavors and jobs. Their winning attitude, their desire for victory, and their hard work produced a formula that gave the alpha ample evidence that he or she could control outcome, knew how to win, and deserved his or her status as an alpha. It was natural for him (or her) to be in control and to believe he/she would win. The problem of the desire to control and striving for victory exposed the illusion of control – and not the ability to actually control. His/her trading account kept defying the deeply held belief of being in control and being right.

The alpha wants to believe he is in control, but the trading account busts this illusion of control again and again. The things the alpha did so well – chase down food, fight for your life and win, and high status – were found to turn against him. Adding more desire and striving did not change the outcome. The desire for winning now produced an urgency to enter trades that were not good set-ups, simply in a desire to "make things happen". The striving (no giving up) kept him in trades that he needed to close out with a small loss. The need for status kept him from seeking help when clearly he needed to adapt to new conditions.

The New Alpha Rising

The alpha brings enormous advantages to the table for success in many fields. But these advantages have to be modified for success in trading. The desire to win and the urgency to act have to be modified for trading. The alphas that come into my practice have similar problems. They impulsively chase trades, they over-trade, and they tend to revenge trade. Then after major losses, they are scared to trade until they push through their fear. These are aspects of the very characteristics that makes alphas successful in other endeavors outside of trading. The desire to win often pushes the trader not to accept losses. Yet traders have to become very good losers (minimizing the size of losses) in addition to having a desire to win. Therefore, the desire to win really has to be hybridized to a new construct – the desire to perform effectively.

What has to be accepted is that the alpha cannot make things happen and force winning to occur. All that control that is at the core of an alpha's personality has to be re-channeled. Instead of controlling outcome, he must learn to shift the emphasis to controlling performance. Here, he/she has to become designer of the new alpha. The control of performance, not outcome. The end game is the same – the desire to win – but now the process is focused on performance as the avenue to the probability of winning. This is a major shift from natural selection where the desire to win, in fact, gives one an advantage in survival. Now the alpha is moving beyond survival and learning how to develop the mind that thrives in the world of probability, risk, and capital.

The other trait that has to be modified is the urgency to act. Alphas are notorious for taking action while others hesitate. Yet in trading that very trait leads to trouble. Without a more disciplined and patient approach the urgency to act leads to over-trading and revenge trading. But what if more discernment were brought to the equation? It is not the capacity to act that needs to be changed. Rather, it is the discernment of WHEN to act that needs to be developed in re-training the alpha for trading.

As a way to illustrate this principle, look at the similarities and differences between the African lion and the American cougar. Both are apex predators in their environments. Both are the alphas of their worlds. But they do it differently. One is not better than the other – they are only different. Each is adapted to a different environment in much the same way that the alpha human must adapt from the old environment he came from to the new environment of trading.

The African lion stalks and chases in coordinated attacks on open fields. And lions are very successful in what they do. They have risen to become the apex predators of their world. They also absorb a lot of injuries. They get gored and kicked by big animals, so their losses can be large on an individual level. But the group survives due to the sheer numbers of the pride. Yet if you took that same successful apex predator and placed him in the forests of North America as a lone hunter, do you think that that the African lion would have the same success? No. The world they adapted to is different. Therefore the ways of the apex predator need to evolve.

Now think of the American cougar. It is a solitary hunter adapted mostly for the forests of North America. This is where the American cougar and the trader are very similar. They are solitary hunters that need to adapt their skills for their environment. The cougar is not a stalking or chasing predator. Instead he is an ambush predator. This is a very different approach than the African lion – but just as lethal in its own world. The cougar waits patiently in a tree or on a rock ledge for the deer to enter the setup. The cougar knows the habits of the deer (for the trader, that's technical analysis). The cougar knows the high likelihood of his success, but he chooses to wait for the deer to walk into his ambush. The uncertainty of the strike happens rapidly – there is no drama of the chase. Instead the cougar either drops the deer almost immediately, or the deer gets away. And there is little chance of injury for the cougar. (The potential of losses are much smaller for the cougar than the lion.) If the cougar misses (takes a loss), it is minimal. He just climbs the tree again, waiting for the next valid setup.

Both these animals evolved into apex predators adapted to particular environments. The same applies to alphas who become traders – with one major twist. Humans can design the way they respond to the environment, rather than adapt through natural selection. There is a great lesson here.

Rarely does an alpha possess the trait of patience when he first engages the uncertainty and risk of trading. Instead it is all about making things happen. He adapted his alpha-ness to the environment from which he came. But now he is in the environment of trading where he cannot control outcome through his desire to win or his urgency to act. But what he can do is adapt by design.

There is nothing wrong with the traits of the alpha. Many highly successful people can attest to this. The question is whether the traits of the alpha are adaptive to the world of trading. And it is a big question. Many alphas try to ram the form of alpha that has brought success in the past on to the new endeavor of trading. That particular form, without the added trait of disciplined patience, is not going to work in the new world of trading. The alpha can still become the apex predator, but it will take on a different form. Both the African lion and the American cougar are very successful apex predators for the environments for which they have adapted. And every alpha initially wants to be the African lion when they engage trading. It's natural – it's what they know. But it doesn't work.

The American cougar is a model that works in trading, where money and risk are present. He is patient. He is disciplined. He will wait for the valid setup. And he will execute. And if he's wrong, he gets out without injury. But the odds are with him in his environment. And you can develop this apex trader by design. You can become the designer of the trading mind you bring to engage the markets. Adapt yourself to the demands of the markets. Take the power of alpha to the next level, the one that works for trading. Fortunately, it can be learned.

How to Manage uncertainty

Do you view uncertainty as a threat and attack? Do you avoid uncertainty? Or do you approach uncertainty with curiosity? This is what is wired into your developing perceptual map by the mechanism of attachment.

A brain wired to look for certainty so he could feel safe found only risk management of uncertainty in the market. This threw his decision making capacity into flux and the risk averse investor that he was got swept away into impulsive decisions in the heat of a trade.

emotions are biological in nature and take over our psychology. They are deeply primitive and do not recognize that we have a psychological nature. Helping us to survive instinctively is their nature. And implicit to the nature of an emotion, particularly fear and greed, is the motivation (what the emotion is urging you to do) and the meaning that becomes embedded into the emotion. Fear is going to push us to avoid discomfort and uncertainty – certainly important to survival.

Traders experience the fear of uncertainty in the form of hesitation. They are looking for the confirmation of the certainty that something is going to happen. In trading there is not certainty – in trading there is probability. In risk management the trader manages the uncertainty with the probability of success. The odds need to be in the trader's favor.

Unfortunately for traders, this is not the way our neuro-biology evolved. Your brain wants certainty even if there is little probability of something bad happening. This is called negative appraisal.

Finding the Blind Spot Sabotaging Your Potential

You know it's possible. You feel it inside you. Every day you see the potential in the markets just waiting to be tapped. And you know you can do it. But even with your best effort, you consistently face the realization that achieving your trading potential is far more elusive than you initially figured. It's up and then down. You think you finally have your act together – then you give it all back and more. Consequently, time and capital drag on without achieving the kind of success you know is possible. What are you missing that could be the defining difference in your trading or active investing?

No one warned you about the mindset problem you were going to run into when trading or active investing. Or if you were warned, you were not listening with ears that could hear the truth. You assumed that you had trading psychology down – that it was simply not a problem area for you. You wanted to believe that success in trading could be mastered by hard work, good education, and a winning attitude. And so once you had the knowledge and figured out trading, you were going to make things happen. And, like so many before you, you dismissed the need to develop your mindset for the unique conditions of trading.

At first, you believed that your inability to keep a level head under the pressures of trading was just part of the learning curve. You were going to get through it – you had confidence in your abilities and your knowledge of trading. It was just a matter of time. And with your winner's attitude firmly in control of your mind, you knew you could do it. Then the weeks, months, and years of that learning curve kept unfolding into the future – meanwhile your results didn't show the progress you were seeking. At some moment you came to realize (perhaps not admitting it to anyone else) that there was something fundamentally wrong with the way you were interacting with the markets.

Trading performance did not produce consistently profitable results. You still came unhinged at exactly the wrong moments. If you could only follow your rules, everything would be fine. But you kept breaking your rules without even realizing it. Damage was done without your ever knowing it – until it was too late. And you were left with the trader's refrain – what was I thinking? Out of nowhere the self-sabotage bug struck again. Your results stayed inconsistent despite all the knowledge you had acquired and your desire to win.

Does this sound familiar? It should. Traders at all levels stay limited by a glass ceiling that limits the potential of their trading all the time. And it does not go away with all the "winning mindset" stuff you throw at it. If the power is within you to build a mind for trading, what is it you are missing? The questions we want to address here are: What is the Glass Ceiling that Limits Potential? How Do I Break Though the Glass Ceiling and Reach Greater Potential? Where Is this Potential Found and How Do I Develop It?

Re-examining Success and Winning in Trading

Success in trading requires a completely different mindset than the one used outside of trading in other areas of your life. At some point in their journey into trading, people discover that the laws of success, so useful in other endeavors, do not apply to trading. A very different kind of success mind is required for trading. Visualizing success, a positive mental attitude, persistence, force of will, and a focus on winning, (so central to a winning mindset) do not generalize to trading well. If they work so well in other areas of your life, why don't they work in trading?

The answer is the illusion of control. Your brain, inherited from our Caveman ancestors, was built to control your environment and to control outcome in a dangerous world that included saber toothed tigers, big bears, and potential starvation (conditions that a trader never experiences in today's world). Short term survival was the name of the game. So the human brain adapted to making decisions lightning fast for your immediate survival. Any and all challenges were life threatening, rather than psychologically uncomfortable. When successful solutions to short term survival problems were found, they were locked into automatic response patterns (called emotions) that did not require thinking as part of the solution. Thinking required too much time. And when thinking finally did show up, it simply supported what the emotional brain had already decided. Responses to perceived threats had to be faster than thinking allowed…good for survival; bad for the probability management needed for an effective trading mind.

This adaptive response got rooted in emotions that by-passed thinking – called your survival instincts. And it worked in those pre-historic times as an advantage for your survival. And the survival instincts became locked in as the default programming that drives short term survival success, particularly under stress. This is very good news for the survival of our species before the advent of modern times. It is also the bane of every trader trying to get control over his emotional responses to uncertainty and risk. And it is an inescapable need for trader development.

Why? The emotional brain, where all this survival instinct programming is situated, does not distinguish between biological threat and psychological discomfort. To it, all uncertainty is dangerous because it is no longer in control. And not being in control of outcome in a dangerous world means only one thing – a threat to biological existence. The survival instincts of the emotional brain trigger and hijack the thinking brain in nanoseconds. The brain reacts for short term survival rather than for long term benefit. You face this dilemma every day as a trader.

Translation: When you hesitate at entry, your emotional brain celebrates a victory. It has averted danger. If you cannot get into the trade, then you don't have the risk of losing the trade. This is success to the survival instincts of the emotional brain. Or if you have been managing a trade and it has been going sideways on you, spending most of its time against you, your emotional brain sees this as an attack with its very survival at stake.

To it, you are in eminent life-threatening danger. Then the trade crosses the threshold into positive territory – how do you think your emotional brain interprets this?

It sees it as an opportunity to jump to safety and survival. You, as a trader, see this situation as leaving a bunch of money on the table because of the fear of missing out. But to the emotional brain – this is a victory that will reinforce the patterned behavior. The survival needs of the emotional brain and the probability management needs of the thinking brain are at odds with one another. AND THE EMOTIONAL BRAIN WINS EVERY TIME. And if you do not know how to calm the emotional brain's tendency to act from its survival instincts, it will win every time BECAUSE THE EMOTIONAL BRAIN GOVERNS THE KIND OF THINKING YOUR RATIONAL BRAIN IS CAPABLE OF. This problem in the relationship between the emotional brain and the thinking brain has to be solved if the trader is to develop a brain/mind that can trade effectively.

All thinking is emotional state dependent. Until you understand how to work with the emotional brain (Emotional Intelligence), the mind you bring to trading will always be inadequate for the needs of trading.

The First Task – Using Your Emotional Brain to Create the Trading Mind

Your emotional brain determines the quality of thinking you are capable of under stress. And trading or active investing (anything that involves uncertainty and risk) triggers stress reactions that will activate the survival instincts of the emotional brain. Unless you learn how to work with the emotional brain so it distinguishes between psychological stress and biological threat, you are stuck with the short term bias of your survival instincts. More than that though, the emotional brain can be trained to respond very differently to uncertainty in training.

The emotional brain is your partner (whether you like it or not) and not your adversary. You will have to learn how to regulate emotions so that you can control the intensity of your emotions. Without this skill, you will continue to experience emotional hijackings as you try to manhandle emotions (which is not possible long term). And you will have to accept that there is no such thing as FREEDOM FROM EMOTION. But as you gain skill in training the emotional brain, you discover that there is FREEDOM OF EMOTION.

You do not get to choose whether you trigger to emotions as you engage uncertainty and risk. However, you can develop the skill of WHICH emotions you can call forward into your working mind to engage uncertainty and risk. This is a revelation if you are trying to figure out how to create a mind that trades effectively. The default programming in your emotional brain, forged through evolution and time, pairs fight/flight (aggression/fear) to the experience of uncertainty. Remember, left to its own devices, the emotional brain interprets uncertainty as a biological threat to which it reacts. This is what has you stuck in self-limiting trading patterns. You experience this default programming every day as you trade when your mind is hijacked by the emotional brain and, consequently, you do not follow your rules. Fortunately there is another way.

In the courses that I teach, traders learn how to use their FREEDOM OF EMOTION possibility to bring forward a different set of emotions to create the thinking mind that engages uncertainty. This is where the trader learns to claim the power within the Self. Once regulated, the emotional brain can be taught to respond to uncertainty, not through the reactive program of fight/flight, but through new emotional design.

The emotional brain learned over the passage of time and generations to associate uncertainty (remember it was indeed a dangerous world where uncertainty more than likely meant a threat to survival) with aggression and/or fear, or what we call fight/flight. Because the solution worked, it was wired into habit and through the generations it became a genetic predisposition inherited as primal, instinctual programming.You experience this primitive short term "fix" gone permanent every time you experience fear, anger, greed, or an impulse to chase in your trading.

The problem is that the world for which the solution was created does not exist anymore. However the emotional brain (without retraining) does not know that the old dangerous world it was designed for is not the current world of trading. It simply projects its survival instinct biases onto the world of the markets as environment. And when uncertainty and risk show up together, the old survival brain kicks in as if you still live back in the dangerous world of our caveman ancestors. And you know what happens then – another emotional hijacking.

This is the default programming that you arrive to trading with. It does not mean you are stuck with it. It can be retrained. Remember, the original association of the emotions of aggression and fear to uncertainty was a learned response. Through repeated use and genetic transmission it became a trait that is wired into genetic predisposition. At this point it became emotionally reactive. And that's not good for trading or anyone who works with uncertainty and risk together. Fortunately for human beings, the wiring can be re-adapted by design.

Rewiring Your Response to Uncertainty

The brain is composed of a number of emotional programs beyond aggression or anger and fear-based emotions. Among these are the emotional programs (you could call them emotions) of discipline, courage, self-compassion, and impartiality. It is these four, working together, that create an emotional cocktail that gives rise to a mind that is suitable for effectively managing the probability of uncertainty and risk. These are emotional programs that live in all human beings, but they are not the ones that were originally successful for managing uncertainty and risk short term in the dangerous world of our caveman ancestors. So they were not selected to be the programmed emotional response to the danger of uncertainty back then.

However they are still resident emotional programs in the brain and are available and accessible. And they can be associated with various changes in the status of the environment. So, you can re-train your brain's response to the default reactive programming of encountering uncertainty and risk. The design work to do this is actually pulling up the emotional programs as you are experiencing uncertainty and risk and maintaining them through the encounter. As they produce long term success in working with uncertainty, the association is built between uncertainty and the new emotions as a successful solution to engaging uncertainty. And the neurons that fire together, wire together. Over time, you develop the new neural circuit that pairs uncertainty with the emotional cocktail of discipline, courage, self-compassion, and impartiality.

In our work with traders and active investors, I use a highly specialized process to create this new association between uncertainty and the mind that engages probability. It starts with emotional intelligence – relearning how emotions work and how to use them. With this new knowledge you learn how to regulate the old reactive emotional patterns that you came to trading with so that they don't hijack your trading mind. Then you learn mindfulness, where you develop an observing self that becomes the watcher of thought and emotion. This is a powerful step.

In learning mindfulness you discover that you and your thoughts are not the same. Even you and your beliefs are not the same. There is always awareness that can observe thoughts and beliefs non-judgmentally. This is where you truly begin to claim the power within yourself. Rather than staying stuck in the default survival programming you inherited from nature and adaptation, you become the designer of the mind that engages uncertainty. The talent is already within you. It is a matter of your standing up and claiming your potential from the survival programming you got stuck with and applying that potential to the mind built for managing uncertainty. The need for this change is essential. Your brain/mind was built for another time and place – not for the rigors of managing the uncertainty and risk of trading.

No amount of talking and platitudes will solve the problem. The talent is there, latent, waiting to be tapped and developed. The need is there. The mind you brought to trading simply is not up for the job. It's nothing personal – it is just the reality of the situation. The key questions are: Do you have the eyes to see this fork in the road? And, how do you respond? Do you stay stuck in the past, or are you ready to claim the potential living within you?

From Self-Sabotage --> Humble Confidence

Are You Ready to Make the Necessary Changes?

A trader's quest for consistent profitability predictably comes to a fork in the road. There comes a moment when you realize you have been running into a brick wall in your pursuit of trading success. Knowledge and performance do not match up. Most likely, you know "how to trade" in theory. You can win in simulation. By all appearances, you know trading – you can talk the talk of trading. People respect your knowledge – even seek you out. It feels good to have the respect of your peers – almost believing your knowledge does mean success.

But there is that profitability gap stridently staring you in the face. There is a persistent gap between performance and knowledge in your live trading with capital at risk. Your trading account keeps busting you from your idea of yourself as a successful trader. Something is wrong, but you cannot see it. It is what you do with this fork in the road that makes all the difference in the world. Everybody has either been there or is approaching this moment in their trading evolution. All want to succeed, but few are willing to make the changes that allow a shift from their current mindset to the mindset required for effective trading.

The truth is that neither your brain nor your mind was built for trading. And if you don't change the brain from which your mind emerges, you will not make it in trading. It's not that something is wrong with your brain/mind. It is just that it is built for very different purposes than the mind required for trading effectiveness. And the brain, with its mandate for self-preservation, does not want to change what has historically been successful for short term survival. And therein lays the problem with wanting to be right versus wanting to be effective.

Your brain was built for short term survival, and the mind that emerges from your brain follows the survival instincts locked into your DNA. It is mandated to attempt to control outcome and predict what is going to happen. Good for short term survival – bad for the long term mind needed for probability management. As long as you don't change the brain that trades, you stay stuck in self-limiting patterns – no matter how brilliant or knowledgeable your mind is. Until you learn how to change the tendencies of your genetic predisposition, your mind follows the dictates of the survival instincts of the brain – even if you are human.

But Why Can't I Detect This Happening to Me?

This does not sound logical at first. The problem is that the rational mind simply covers up the driving forces of what really motivates the brain. You are not aware of most of what the brain is doing underneath the surface of the mind. One of the major things that the brain does to manage all the information it has to process is to push all familiar patterns into the background where they become automatic. Once the brain finds a successful solution to a problem and it becomes familiar, it is simply pushed into the background – outside of conscious thought. Otherwise there would be so much clutter in the mind that there would not be enough processing speed to manage all the stuff the brain has to do to survive. You are not aware of the automatic, reactive (instantaneous) solutions to problems that the brain/mind encounters when it engages uncertainty. Before thinking has occurred, the brain has already made the decision. The rational mind only makes up alibis for what the survival instructs of the emotional mind has already decided. This is a serious problem in trading.

Let me give you an example. A trader complains that the fear of missing out is causing him to jump into trades BEFORE he checks for the confirmations required by his trading rules. He tries hard to stop this problem from occurring by willpower and by working hard. But the harder he tries, the more persistent he acts impulsively at trade entry at exactly the wrong time. The more he pushes against the pattern, the more the pattern persists. It does not make logical sense as long as you hold onto the assumption that you are actually a rational being, where logic trumps emotion. The truth is that the trader has triggered an old emotional survival pattern that simply has been hijacking the trading mind. He doesn't know how to stop the problem because he does not understand the problem from an emotional motivation standpoint (despite the trained engineer that he is).

When analyzed carefully, we discover that the problem impulse only becomes evident to him after one or two valid set-ups have passed without his acting on them. But it was the very first missed opportunity that set up the pattern rooted in this fear of missing out. In slowing down his thought process through emotional regulation and mindfulness, he discovered the cue to the reactive pattern launch. Once he missed the entry opportunity (it develops fast and you have to be in a state of readiness), he wished that he hadn't missed the opportunity. And then he holds on to that emotionally charged thought and it grows into "better not miss the next one". As many reactive patterns go, this one was forged in another time and place. He got few opportunities to prove himself while growing up and learned that he had to never miss an opportunity in order to show that he mattered.

The genesis of the problem reactivity resulted because his brain learned an effective short term solution to his concern of proving his inherent value – and that solution (being successful) got locked into familiar pattern. And, because it became a familiar pattern, it was pushed into the background of all the other stuff the brain/mind was doing. Out of sight, out of mind. It became an automatic response to anytime he experienced the fear of missing out. Now the pattern is so dug in that it appears almost like a personality trait. It worked well academically, in athletics, and even in his career – until trading.

Now that emotionally driven pattern (that had helped him achieve in many areas of his life) was an obstacle to his growth as a trader. The familiar (and unconscious) pattern was now the source of his impulsive decision making in trading. Once it had been right. Now it has become destructive and causes him to have ineffective performances in the moments of managing uncertainty. How could something that had been so RIGHT have turned into something so wrong? Controlling outcomes appeared under his control through this personality pattern until he started trading. In trading, controlling outcome is only a dangerous illusion. Different worlds. Different rules. Do you insist on being right – or do you open yourself to learning how to become effective in a different world? This is the question that is the fork in the road.

How Do You Change What You Cannot See?

Fortunately your brain is very adaptable. And with effective intervention, it can be re-trained from the reactivity patterns deeply rooted in its survival instincts to a brain that gives rise to an intentional mind built for managing uncertainty and probability. The key is that you have to become an active participant in the re-development of the way your mind engages uncertainty. You cannot be scared of change – you have to become its champion. The very first step is to give up the notion that you can control or predict outcome – the very foundation upon which your caveman brain is built.

It is this caveman trait to reactively control or predict outcome that is at the center of the problem with your performances in trading. No matter how hard you push, no matter how much you positively visualize winning, and/or no matter how much stuff you throw at better prediction models – the uncertainty of trading refuses to be tamed. Acknowledging that and closing it down as a possibility opens up another possibility for your trading mind – controlling the mind that engages the inherent uncertainty and risk of trading. By mastering the emotions that give rise to the mind, a whole new world emerges. It is a world that focuses on performance and process rather than controlling outcome or prediction. As long as you are trying to control what cannot be controlled, you will be exposing the brain and mind to learned helplessness. Force of will or denial of feelings simply entrenches emotional reactivity deeper into automatic pattern.

But through emotional regulation training, you can learn to slow down the intensity of an emerging emotion. It does not have to hijack your trading mind. It may be uncomfortable facing the uncertainty and risk of a trading decision, but the experience does not have to overwhelm your thinking mind. This is the first stage of emotional intelligence development.To master an emotion, you have to first regulate it so that you can learn from it. Fear, anger, revenge, and over-confidence have much to teach if you, the observer, is willing to listen and make the necessary changes. Emotional regulation is not the cure, but it does put you in a position of being able to learn what is behind the emotion.

Mindfulness: What is Behind the Emotion

Developing the skill of Mindfulness is essential to the development of the trading mind. You have to develop the inner eyes to see what you have pushed out of working awareness so that you can deal with it effectively. Mindfulness awakens a phenomenon called the Observing Self. This is when you recognize that you and your thoughts are not one and the same. There is always a separation between thoughts that run through the mind and the inherent awareness that observes thought running through the mind.

It is in developing this human talent into a skill that allows you to change the way you respond to uncertainty and not the way you believe you should – big difference. You come with a genetic predisposition to associate uncertainty with danger and a fight/flight response. But that is only a historical adaptation. It does not have to be that way.Through emotional regulation and observation you can change the emotions that are triggered when you encounter uncertainty.

It is here that the mindful trader begins to recognize that he or she can become the designer of the Self that engages uncertainty. Rather than staying stuck with what you inherited from history, you can train the adaptable brain into learning to respond emotionally to uncertainty far differently than the historical default programming of Uncertainty → Confusion → Vulnerability → Fight/Flight. This is the emotional wiring that is so troublesome for traders as they try to maintain a rational mind when trying to make decisions under the conditions of uncertainty and capital risk. The vulnerability is going to trigger an emotional response. The default emotional programming is the problem. Fight/Flight leads to fear and impulse responses that shut down thinking at the very time you need to have your wits about you.

The vulnerability of being wrong or the exhilaration of being right will always be present when engaging uncertainty. That is just how challenges and emotions work. However, with training, the emotion triggered by the uncertainty can become disciplined impartiality where you are patient, yet focused, ready, and alert – perfect for managing the challenges of uncertainty. By design, you have changed the association between emotion and uncertainty.The historical default adaptation is from uncertainty to fight/flight. With emotional skills development that can be changed. Uncertainty can be trained to evoke disciplined impartiality.

This is the goal of applied mindfulness. By observing non-judgmentally you realize that you are not stuck in a particular organization (adaptation) of the Self. There is no judgment (condemnation) of yourself; there is only recognition that a particular organization of the Self is either working or not working effectively to extract capital out of the markets. The brain is free to re-adapt itself to higher functioning. It is only your competence to manage the mind that trade; something that can be improved, rather than a tragic flaw you really do not want to acknowledge. Mistakes becomes the spring board to learning and reorganizing the self, and not a reflection of your value as a human being. This is a powerful shift.

Applied mindfulness is a powerful tool when you learn how to use it. It helps you to escape the tyranny of self-judgment, and, instead, start using emotions to build the mind that trades – and to learn much about yourself in the process. It really does come down to letting go of the need to be right (which is an impossible task in trading) and embracing the notion of emotional intelligence. In emotional intelligence you are looking to learn about how to use emotions to construct a more effective Self that engages uncertainty (and not to be right or wrong). It is here that your psychological edge is born. The key is a decision on your part that you want to become more effective (in terms of your trading account) rather than the position of having to be right (an ineffective psychology of trading). Right or effective – it's your choice.

How to Maintain Self-Emotional Control

Keeping the Trading Mind Poised for Disciplined and Clear Thinking

"It's up and down. Up and down. One minute I'm on top of the world; the next minute I'm gripped by fear. It's like that cartoon where two people are riding in a roller coaster car. As they climb to highs and fall to lows, each one feels the mania of exhilaration then the agony of defeat. That's what it's been like for me the last couple of months. Keeping my sanity during the ride is challenging."

Have you felt the surge of the markets during this power climb? Can you feel your pulse accelerate as you witness its pull and feel the rush of adrenaline in anticipation of epic opportunity? In particular, have you felt the crazy rise of Bitcoin? How has it affected the mind you bring to trading? Have you felt that there was an urgency brewing to take advantage of this moment?

Have you pounced on the opportunity, ready to ride the wave, expecting to take advantage of this powerful wave of growth? Or have you opted out, believing that the bubble is bound to bust? No matter which way you have been swayed, it is easy for the excitement and/or danger of this market to trigger you emotionally. And by affecting you emotionally in this charged moment, the quality of the trading mind that you bring to the management of this uncertainty is also impacted.

And, therein, lies the problem for the trader/active investor. Everybody seems to be rushing in now, ready to grab the money while the "getting' is good". The excitement is brewing at an ever maddening pace. The big problem for the trader or active investor is to keep his/her head together rather than being sucked into the vortex of irrational exuberance. That is the danger for the trader/investor. If he can keep his emotions managed, then the opportunity of living in this surging market can be performed with a stable state of mind – advantage to the trader/active investor.

But if he is seduced by the dream of making a whole bunch of money (as an outcome) fast, then the opportunity of living in this moment of a surging market is executed from a mind consumed by euphoria – advantage to the traders/investors who bet against him. Or if the surging market is approached with a mind rooted in fear of potential loss (the bubble has to burst!), the trader simply stays on the sidelines and watches – and dreams of what could have been.

How do your emotions affect the opportunity in this moment of historically surging markets? Let's find out why it is so important to manage the emotions that engage the surging roller coaster ride of this market.

Emotions Shape the Mind You Bring to Interpret the Markets

Emotions have far more impact on thinking than the vast majority of traders or active investors recognize. In the emerging field of Emotional Intelligence, what is now recognized is that all thinking is emotional state dependent. That means that the way you think about the markets, the way you perceive the markets, and the way you interpret the markets is dependent on the emotions that have sway over your brain as you engage the markets. There is not a time you don't have emotions affecting your capacity to think and assess – it's just a matter of which emotions. As a trader are you aware of, and managing, the emotions that give rise to thinking and cognition? Rarely are traders/active investors capable of doing this without deep experience and training.

In fact, you do not have emotions – they have you. Literally, your Thinking Brain grew out of your Emotional Brain in the distant past. And, as a consequence, there is an intricate network of fibers (neural pathways) leading from the Emotional Brain into the Neo-cortex – that is why emotion has so much sway over thinking and perception. But unfortunately, there are few communication pathways back from the Thinking Brain into the Emotional Brain. That's why you have so little control over your performances when you are under stress. Also, by not understanding your emotional nature and its impact on cognition and perception, you are left at a distinct disadvantage when trying to contain or manage emotions.

The big pill for the trader/active investor to swallow is that you are not a rational being that can be influenced by emotion. Rather, you are an emotional being that has the capacity to think from the emotional state of reason. This is why it is enormously important to manage the emotions that give rise to thinking and perception, particularly in a surging market. Now let's take a look at the prevalent emotions in a surging market to see what you need to be on guard against as you negotiate the uncertainty, risk, and reward of this historical surging market.

The Emotions of a Surging Market

The key to managing uncertainty with capital at risk is to maintain a mindset that is rooted in the emotions of discipline, patience, and impartiality. These emotions create a mindset that manages uncertainty for long term advantage rather than for short term survival. This is exactly what is needed for a surging market, where temptation and fear become big motivating factors. But this is easier said than done. There are certain emotions that act like dangerous contagions in surging markets for which traders need to be prepared.

The first is euphoria, or what was called "irrational exuberance" by Alan Greenspan. Euphoria is an emotional state that "makes you" believe that the good times are going to roll on forever. The problem with euphoria is that it feels good. And who does not want to feel good? The problem is the "feeling good" is the feeling element of euphoria, which means that the chemistry (all that reward center dopamine) is influencing the way you think and perceive. You are no longer thinking long term from an emotional base of discipline, patience, and impartiality. Instead, when under the influence of euphoria's dopamine rush, you are thinking and judging from a short term perspective that minimizes the perception of risk.

Everything is reward (that's dopamine's effect on perception) as far as the mind can see, and risk is pushed aside. And the mindset becomes over-confident rather than humbly confident. The behavior is that, under the influence of euphoria and an over-confident mind, traders take risks that they never would have when in a sane mind. The problem is that euphoria (or feeling good) shifts the mind from a long term perspective to a short term perspective where risk is ignored or minimized.

The second is greed. You see all this money being made. And you want to take as much as you can before the moment is gone. And you believe you have to act with urgency before somebody else gets what should be yours. "Take it while the getting is good" – that's greed. Notice that greed is outcome-focused, rather than process or performance oriented. Rationally, you may know that you cannot control outcome,only performance. Yet as a primitive survival emotion, greed has a short term focus and has an enormous influence on reason. Greed will have you believing you can control outcome – but only if you act now. Greed pushes a long term perspective aside (needed for effective management of risk and uncertainty) and replaces it with a short term focus on the feeling of power and reward. There is the urgent need to act now rather than acting from a long term perspective rooted in discipline, patience, and impartiality.

The third emotion to be on the lookout for is lust. If you have ever over-traded, you know the feeling state of the emotion of lust. Jumping in and chasing profits is a thrill. It is often described as mania. You just cannot stop yourself. Your mind is consumed by lust (not just the feeling good overconfidence of euphoria). If you have ever thought, after you have burned through a bundle of capital, "What just happened? What happened to me? What was I thinking?" – you have fallen into lust while trading. In a surging market the impulsiveness of lust is easily triggered. It is easy to get sucked into the mania of a surging market.

The fourth emotion to be mindful of is the fear of missing out (FOMO). You see all this opportunity pass you by. And with each tick, you feel more urgency to jump into this bull market. The fear is that the opportunity of this surging market will pass you by and you will be left on the sidelines with nothing to show for it. The FOMO (the fear of being left behind) leads to the urgency to act without the due diligence of your rules. Instead of planning your trade and trading your plan, you make exceptions to hurry up the process before the train pulls out without you.

The final emotion that we will cover is the fear of loss. Many traders are watching this surging market and are afraid to get in because they fear the market will correct itself just as they get in. It is this anticipation of bad things happening to them in the near term future that paralyzes their capacity to take advantage of the opportunities that are also present at the very same time that risk happens to be present. It is the fear of potential loss that keeps them from acting.

How Does a Trader Keep a Level Head?

Once a trader recognizes the impact that emotions have on perception and performance, the first job of the trader/active investor in a surging market is to calm his emotional circuitry down. Without calming his emotions down, he/she is liable to having his or her trading mind swept away by one, or a combination, of the emotions described in this article. But to calm the emotion down, you have to notice the emotion BEFORE it builds up a head of steam and hijacks your mind.

How do you notice an emotion? Because emotions are biological in their nature (they take over your psychology), they have a dependable signature that allows you to observe them. I train my clients to watch for evidence of emerging emotions by paying attention to their breathing, their muscle tension, and their heart rate as primary indicators of the presence of an emotion. Emotions have a specific signature that combines breathing style, muscle tension, and heart rate. As you trigger the excitatory arousal of an emotion, your breathing changes, you develop specific muscle tension in your body, and your heart rate accelerates.

Once the excitement of euphoria, over-confidence, greed, and/or lust emerges, the body (and then the mind) change, because the body and the mind are preparing to chase opportunity. Breathing stops or becomes shallow. Muscles tense, getting ready to spring the body into action. Heart rate accelerates, pumping blood and stress hormones into the system as it prepares for imminent action. If this is allowed to happen, the capacity to maintain a disciplined, patient, and impartial mind is compromised. And you no longer have a trading mind that can make sound decisions because the reasoning centers of the brain have been taken offline. Everything is focused on the aggression of chasing opportunity (i.e. in caveman days – of chasing prey).

Because these emotional states give rise to dopamine, you feel confident, powerful, and correct in your convictions – with little or no evidence. The emotion simply takes over and the mind needed for performance and risk management is pushed aside. This is why it is so important to observe the emotion before it takes over the creation of the mind you bring to performance.

In learning how to observe emotions (even the ones you think you would like to feel), you can alter them by emotional state regulation. Using bellows breathing and muscle relaxation in the environment of trading, you can control the intensity of the emotion so that it does not alter your trading mind. It takes work, but if you do not do so, you will stay stuck in the repeated impulsive hijackings of the trading mind that are so common in bull and surging markets.If you are going to become a proficient and consistently profitable trader, it is simply a skill that you must acquire.

Mastering Your Emotions and Mind When Risking Capital

Risking capital under pressure can be like a time bomb ticking away in your head. One moment everything is under control and then (in the blink of an eye) the thought or threat of losing capital pulses through you – creating an emotional avalanche that covers up rational thinking. It may be at an entry point, where you have to come to grips with the possibility that you could lose money – and a shudder runs through you. It could be when your position goes against you and you feel the money slipping through your fingers – and an urgency consumes you to get it back before it's too late. Or it could be after your position has turned profitable and waves of anxiety pulse through you – and you regretfully get out way too early with a skinny profit. Or even worse, after a string of victories, you give it all back in a flush of over-confidence.

In theory, decision making in trading or actively managing positions looks so simple. Logically you know what to do and how to do it. It's pretty straightforward. Then, in real time, you have to take action where you put your money at risk. Then all bets are off.Where a logical human being stood only moments before, now an emotional hostage is on the loose. And often you do not even notice it. What happens in the moments before or after you put capital at risk that transforms you from the rational Dr. Jekyll to the out of control Mr. Hyde?

The Collision of the Emotional and Thinking Brain

On the surface it appears that thinking is the king of the mountain. From the cradle you are taught to keep your emotions in check and be rational when making decisions. So ubiquitous is this line of reasoning, that it never occurs to you to examine the veracity of that assumption. Logically, you should be able to stay rational throughout a trade or while you are holding a position, giving you a tremendous edge in executing your plan. And by not letting emotions into the equation when capital is at risk, you should be able to stay cool and calm. You simply need to control your emotions by the force of logic, right? However, this is the thinking that leads you into emotional ambushes.

Unfortunately, thinking and emotions do not work that way. You may not notice the emotion behind thinking (which doesn't matter in the overall scheme of things) but thinking follows emotions. We are taught that emotions follow thinking, but Emotional Intelligence theory holds that all thinking is emotional state dependent. The emotions are there, in the background, dictating what you think. You may have pushed the emotion out of your working awareness, but it is still operating waiting to be activated by any event that occurs that could negatively or positively impact your performance in the moment. Uncertainty while risking capital is such an event.

The reason you can appear to possess freedom from emotion is because you believe that you are in control – you are wired that way through adaptation. Reactive emotions do not need to activate when you believe you are in control of outcome or believe you are right (which is another way of saying that you are in control). The problem occurs when your belief conflicts with actual experience – as so often happens when risking capital. In active investing and in trading, no matter how much you BELIEVE you are in control through your logic – you discover constantly that what you thought was control was, in fact, only an illusion.

Your investment or trading account demonstrates clearly that you do not control outcome – no matter how much you want to believe otherwise. And, no matter how much you want to believe that you are in control of outcome, your trading account keeps reminding you that is not true. There is simply no place to hide from this reality. Then the experience of not having control activates the fight/flight response of the sympathetic nervous system, and you are on the short list for an emotional hijacking.

The emotional brain has just knocked out the rational brain in the first 30 seconds of the first round. In Emotional Intelligence work you quickly discover that not only is all thinking emotional state dependent, but also that the thinking brain is not rational – it is rationalizing in nature. The thinking brain makes up explanations to support what the emotional brain has already decided. The logical left brain likes to believe it is the horse that pulls the cart, while actually it is the cart that the emotional brain pulls – thinking follows emotion. The logical brain is not in control – it only appears to be. But in moments of stress, when the money counts, everything reverts back to the emotional brain. And unfortunately most active investors and traders are unprepared for this reality. This is where the survival instincts of the emotional brain take over and thinking becomes a slave to the primitive emotional responses to the threats inherent with an encounter with uncertainty. The old brain wins every time if you do not know how to work with it.

That is why traders and active investors fall apart at just the wrong time. Logic is hijacked. It feels so good to believe that, through logic, you can minimize the impact of emotions. And it really does appear that you can control emotions through the use of logic and reason. But this is true only when the money does not count. When capital risk enters the equation, the emotional brain wakes up from its slumber and feels either threatened or has an urgency to attack an opportunity. Logic is thrown out the back door in nano-seconds. Literally, sensorial information is reviewed by the thalamus complex in the limbic system (the emotional brain) and a quick and dirty decision is made to cut off communication with the thinking brain. Then an urgent signal is routed to the amygdala where the fight/flight response is activated. The elapsed time for this decision and action to be made is .003 seconds. The slowpoke, the thinking brain, never had a chance after the triggering of your most primitive beliefs about managing money in the midst of uncertainty.

There's one last thing about the emotional brain you need to know. It is built for: short term survival (called survival instincts), controlling your environment, and believing it is right (no matter what). This is what gets the active investor in so much trouble. The trader or active investor needs a probability-based mind that calculates for the long term. But what he or she brings to the table is a brain that evolved to survive in the short term.

The emotional brain does not distinguish between biological threat and the psychological discomfort of feeling vulnerable when capital is at risk. So every time you put capital at risk, you are priming the emotional brain to look for danger to life itself. Literally, the brain is scanning for lions, tigers, and bears. Not a potential loss of money – but a potential loss of life. And it has to act immediately (no time for that slowpoke thinking brain) for survival's sake. This is the situation you are summoning up every time you put capital at risk. The mind you brought to trading, based on survival instincts and short term survival, is not suitable for the rigors of active investing or trading.

What nature has done, you will need to re-do. Let's look at how you might re-design the brain/mind from its original intent of surviving in the short term and re-build it for success in the long term with capital at risk. Understand that this is a very different brain than the one you brought with you.

How Do You Fix this Problem?

The brain/mind you brought to trading and active investing was built for another time and place. It would not be configured the way it is (based on lightning fast survival instincts) if it did not serve short term survival. The problem is that a very different brain/mind is needed to work with probability, rather than certainty. Your ancient emotional responses to uncertainty have to be re-wired from how you evolved as a result of natural selection and adaptation. Then the very beliefs you harbor about your capacity to engage uncertainty successfully have to be examined and changed. Not an easy task, but for the motivated this is a do-able task.

The very first thing that you need to do is to cool down the hotwired emotional circuits that fire when you experience stress coming in the form of a perceived threat or opportunity. In my work I teach a combination of emotional regulation skills (bellows breathing and muscle relaxation) that is applied at the moment of exposure to uncertainty. You learn to literally cool the emotion down so that it builds up enough intensity to hijack the thinking brain. Why breathing and muscle relaxation? Because emotions are biological and take over psychology under the stress of risking capital. Since they are biological, emotions will have a biological signature (including breath style and muscle tension) as they amp up for action.

Skillful use of bellows breathing and muscle relaxation will interrupt this process. This is critical. By interrupting the buildup of the emotion before it can take over thinking – and then replacing it with breathing and relaxation that support calmer emotional states – you can exert an enormous influence over the manifestation of the emotion. You can literally change the stress response from fear to relaxed confidence. A powerful skill is honed for managing the brain and mind that engages uncertainty. But it is not enough.

Re-building the Trading Mind

Evolution and adaptation built the brain/mind for short term survival, to believe that outcome could be controlled, and with a bias to win and not lose. And for the environment in which early humans lived, these adaptations led to triumph and the survival of the species. However, the trading environment is very different from the environments within which early man adapted. This is the fatal flaw that a trader has to grasp to be successful in trading. There has to be a shift from a focus on the certainty of short term success to the probability of long term odds. This is a major shift that does not come naturally.

The next thing that has to occur is for the brain/mind to move from the bias of control over outcome to the recognition that the only thing the trader and/or active investor controls is their performance – not the outcome. This is a major gap that takes significant effort to re-design. And, finally, the trader must also transform his/her notion of winning – or the need to be right.

This is embedded in the very beliefs that drive performance under pressure. That is what is being measured when you look at the health of your P&L. You may have talked yourself into believing that you can control outcome, that you can make things happen, and that you are a winner – but the only measure that defines success in trading and active investing is the health of your trading account. It literally is showing you how effective (not how right) your beliefs are that you project onto the markets for extracting more capital out of the markets than is extracted from you.

To create success in your performances, you have to let go of the illusion of success, that you can make "it" happen, and that you can be right by sheer force of will. Those conditions may produce success in other arenas of your life, but they do not produce success in trading and active investing. A very different attitude has to be developed (and measured by your P&L statement). You will have to become comfortable with being wrong a lot and let go of outcome. You come to understand that the only thing you really control is you – not the markets. You control the mind that you bring into the moment of performance. Not the outcome of that performance. The most difficult belief that has to be altered is about "being a winner". You have no control over whether or not you win or lose. You control how you play the game. If you win, you simply landed on the right side of probability. If you lose, you simply landed on the wrong side of probability. And when you are wrong, you promptly acknowledge it instead of trying to force the issue.

You control performance – not whether you win or lose. It is a mindset that is developed. It is not intellectual, and it is not developed through the force of will. It is changed by re-building the neural circuits that evolved a long time ago to ensure your survival in a dangerous world. Certainty had to be built in, even if it was an illusion. That belief about your capacity to control outcome no longer applies to the environment of trading. Instead of a certainty-based mind, now a probability-based mind is favored for adaptation.

To their misfortune, this is the gap that few traders or active investors learn to bridge. They keep attempting to force something that no longer works to their advantage. And the markets do not care one way or the other. Adapt or perish. It is critical that you adapt your brain/mind for this new environment. The brain/mind you brought to manage the uncertainty in either trading or active investing is not going to be the one that brings success. That has to be built by your personal design. Beliefs about your capacity to manage uncertainty are now the adaptive forces to be cultivated, not by natural selection, but by design. Your job is to consciously develop those performance beliefs and measure them by the health of your P&L – that is what points out if those beliefs are really effective or not. This is the pathway to the evolution of the probability-based mind needed for managing capital at risk. Fortunately the brain is adaptable. As is the trader who recognizes the need and the opportunity.

Build a Patient Disciplined Trading Mind

It's the trader's emotional roller-coaster ride, and it's confounding. You have only one head, but you have two very different brains – the Left and the Right Hemispheres. And in trading, they are most likely working counter to one another – to your detriment. They both bring totally different attributes to the table of the trading mind, where one is prized and the other is treated like an undesirable relative you cannot avoid. In modern society the logic and reason of the Left Brain is preferred and encouraged, while the emotional and intuitive centers of the Right Brain are discounted and ignored. This is where the trouble begins, because both work as a unit to shape the world the trader sees.

The problem is that modern trading is taught as if the Left Brain (home of Logic and Reason) are the only allowable attributes of the brain to be used in the analysis and execution of trading. (Only Left Brain thinking is allowed!) In fact, the influence of emotion and intuition from the Right Brain is intentionally pushed to the margins of awareness in the hopes that the trader can operate in a world of pure logic and without the influence of emotion on his/her decisions. (If only this could be done.) Most traders believe that emotions are to be controlled or left out of the calculus of the trading mind. ("Trade without emotion" or "leave your emotions at the door".) Look at trader education courses and you will see relevant emotional education left out of their coursework, or highly marginalized.

Is this trading paradigm working? No, it never has. Traders with great knowledge, logic, and reason are constantly trading from a brain and mind sabotaged by fear of some sort or by aggression that leads to over-trading, revenge trading, and impulse trading. There is a serious problem – one that just about everyone is trying to deny. Despite the desire to ignore the impact of emotions on the quality of the trading mind (to ignore that we have one head with two brains) the lack of emotional intelligence in traders' skill sets keeps raising its ugly head every time the trading mind is hijacked. It's not going to go away until you learn about your emotional nature – and then learn to work with it. Are you listening?

What Does One Head: Two Minds Mean to Trading Performance?

While you stare at charts evaluating potential and then act on that potential, your two brains are on the job, whether you notice or not. Your major focus is almost certainly on the one you are familiar with, which you believe represents who you (as a trader) really are – the Left Brain. All that charting, all that evaluation, all that understanding that you are working with is right out of your friend – the Left Brain, your partner in trading. You are so comfortable with this trading partner that you probably do not even notice it working, crunching the numbers, and living in probability land. It seems so natural. But that is only half the story.

The other brain – your Right Hemisphere – is also in operation. But most of the time your Emotional Brain is behind the scenes doing its job – looking for threats and opportunities on the horizon – but the main focus of its work is below the threshold of your awareness, where over 95% of your decisions are actually made. You just do not notice the instinctive process. And because the emotional brain does not "think" the way the Left Brain does, you are not accustomed to noticing that it is around, doing its job in the background. It's just you and your Thinking Brain doing the job of trading. Adding to the phenomenon of the work of your Emotional Brain simply falling into the background of your awareness, the thinking component of your Left Brain is highly coveted and desired in today's world. So the thinking comes forward in your awareness and the role of emotions is pushed into the shadows of your working awareness. Everything seems good to the unsuspecting trader. But remember what it is doing – it is scanning the environment on the lookout for trouble before it gets to you (fear based brain) or looking for a potential meal (leading to the urgency to act).

Up until this moment it is easy to ignore that the Right Hemisphere of the Brain (where your emotional nature resides) is making a contribution to the collective trading mind. The trader does not notice that he or she is calm, relaxed, and patient. These are just familiar emotional patterns that have sunk beneath conscious threshold. The trader does not notice these emotions that are working with the rational thinking of the Left Hemisphere. To the trader, it seems as though he or she is trading without emotion, but nothing could be further from the truth. All thinking is emotional state dependent. But in their lack of emotional intelligence and awareness, the emotions giving rise to thinking are simply ships passing quietly in the night. At least until the thalamus sensory region in your Right Hemisphere spots a potential threat on the horizon.

That "threat" could easily be a signal that tells the trader that a set-up is forming. To the primitive Emotional Brain that forming set-up is a threat to short term survival (the only kind of survival the Emotional Brain understands). The forming set-up represents the threat of uncertainty and biological risk – danger of potential loss of short term survival. Within nano-seconds a signal is sent to the amygdala to prepare for fight/flight, if the threat continues. Meanwhile, the trader (connected only to the logic of the Thinking Brain) only sees a potential set-up on the horizon. He or she misses the emotional input from the Right Hemisphere because he/she has learned to ignore emotions.

The Emotional Brain has woken up and the trader did not have the emotional intelligence to notice the watershed moment. Time moves on. A confirmation occurs. This is a solid set-up. Time to prepare for possible entry. To the trader, this is all logic driven, but he is not attuned to what is going on in the other half of his brain – the Right Hemisphere. (Remember that this is literally half your brain that is being ignored.) With the confirmation, the thalamus sensory area hits an alarm. Now, by its survival instinct estimation, a serious potential threat to short term survival is real. If the trader enters that trade, there could be loss. The Emotional Brain does not distinguish between psychological stress and biological threat. It sees potential loss of life (not money) and goes to its private line to the amygdala. It's time to crank up a fear response to this threat. The trader experiences a burst of anxiety and starts second-guessing the rapidly approaching entry point. Another confirmation. The trader, already nervous and experiencing self-doubt, starts looking for a suitable entry point.

The more the trader tries to stay logical about the entry point, the more the emotion of fear ramps up. The emotion pushes back. He freezes. He cannot make himself pull the trigger. Self-doubt about it being a good entry point or not abounds, as well as self-condemnation. He curses himself for not taking the trade. The trade opportunity passes and the trader has a sigh of relief (that's the limbic reward system giving the brain a squirt of dopamine or endorphin for a great job of short term survival). Now the behavior is becoming solidified as a neural pattern and will fire more easily next time.

Clueless to the participation of the Right Hemisphere of his one brain in the myth of his rational (beyond emotion) mind, the trader is left wondering what just happened. How did emotion jump into the logic of his trading plan and blow it up? Meanwhile the trader has just experienced what one head, two brains looks like when they are not acting together in concert. The emotional brain is your partner, whether you like it or not. You had better learn to accept that there are two brains at work when you engage uncertainty and risk or you will continue the same old self-limiting patterns. Thinking will not get you out of this problem. It is part of the problem. It is also part of the solution.

The Integrated Trading Mind

When you look at the Right and Left Hemispheres of the brain side by side, it seems hard to believe that traders consistently try to trade with half a brain. The Right Hemisphere is big. It's half the brain. Who in their right mind would believe that, under the stress of uncertainty, you could just ignore the influence that half your working brain has on brain functioning? Yet that is exactly what traders attempt to do. And no wonder there is such a high failure rate among traders trying to do just that! There is also a communications network (the corpus colosseum) that integrates the separate function of both Brain Hemispheres into a functioning unit.

The Left and Right Hemispheres of the one brain do have a lot of work to do to get the brain ready for trading. The Right Hemisphere (the Emotional Brain) was built for another time and place. It evolved much earlier than the Thinking Brain of the Left Hemisphere. It is literally built with a bias to control outcome in short term survival situations. (This is a big problem in trading since you have to let go of the illusion of control.)

The Emotional Brain wants to be right, even if it is proven wrong. And it wants to predict outcome. And you, as a trader, are triggering these built-in biases every time you saddle up your computers to trade. This is what makes emotional intelligence so essential for the trader building a brain and mind for the management of uncertainty. Unless you learn to manage emotion and use emotion effectively to create the mind that trades, you will continue to fall directly into the line of fire of the limbic brain of the Right Hemisphere. It's that simple.

Put under pressure without training, the limbic brain (with its bias toward controlling outcome and not being able to tell the difference between psychological stress and biological threat) is hard wired to trigger to the fight/flight response of the sympathetic nervous system (SNS). You experience this every time you have entry problems, trade impulsively, fall apart when the trade goes against you, take premature profits, beat yourself up after a loss, or fall into over-confidence (then failure) when you win. These are simply the successful short term survival strategies of the emotional brain. They worked great for millions of years, as our ancestors became a very successful species. However the evolved strategy does not work in the Probability world of trading.

What has to occur for success in trading is that you are going to have to become the designer of how the Limbic Brain engages Uncertainty with the Thinking Brain. You already know the short term survival strategies of the Emotional Brain that no longer work for trading. But that does not mean you just try to cut off emotion at the root (which cannot be done). There is not FREEDOM FROM EMOTION possible. But there is FREEDOM OF EMOTION. This is where you become the designer of the emotional response to uncertainty. And this is where the Right and Left Hemispheres of the Brain come into a new cooperative arrangement.

Getting the Mind Right for Trading

Fortunately the emotional brain's reaction to uncertainty can be retrained. The very first step is letting go of the illusion of control. That's a scary thought to the emotional brain, so you first have to calm the excitatory responses of emotions to encounters with uncertainty. This is called emotional regulation. Here, you are no longer denying or pushing emotions away. Instead you are learning how to manage the intensity of the emotion so that it does not activate the fight/flight response. This way, thinking can be kept on line even as you feel emotions of fear, greed, or anger.

But that is never enough. Calming emotions can get you to the door of the mind and here the skill of mindfulness needs to be developed so that you can look into your mind and find the beliefs that drive your performances. The old beliefs, developed by the emotional brain long before the thinking brain came online, have to be deconstructed. You do not simply replace beliefs like an interchangeable part. The very neural circuitry of your beliefs literally has to be deconstructed and a new belief habituated (again, not replaced). This takes effort and training.

The new beliefs being fostered are not rooted in the need to control or predict outcome. Instead they are rooted in your capacity to perform in the face of uncertainty. This is a very new brain and mind than the one you brought with you to trading. The new assumption about winning is not about outcome, which you cannot control no matter how hard you try. It is about what you can control – your performance. It is about the calm, disciplined, and impartial mind that engages the uncertainty rather than the caveman brain you brought to trading. It is not trying to control outcome. It is maintaining the mind that engages uncertainty. This is the new psychology of winning in trading.

Developing Real Emotional Discipline

Why Does Discipline Break Down in Critical Moments?

Just try to tell or force your emotional brain to stay calm, cool, and collected while facing something beyond your control and potentially dangerous. You know what this feels like – you feel it every day when you risk capital. Despite your conviction to be right, you know that the outcome of the trade is uncertain. Under these conditions, try to exercise your emotional discipline to maintain your rational mind.

See yourself in the situation. Get into it for a moment. Let a memory bubble up when discipline broke down. Take it in. Focus in on the memory. Feel it. You steel yourself up, ready to fend off any emotion that surfaces. You're in control, right? Force it to your will. At first you're okay, for you have been taught to control emotions. Feel the emotion build as you resist it.

Then something happens. Start with the activation of the emotion. Push against it trying to stop it. Feel the emotion revving up. Notice what happens in your body. Where do you feel the muscle tension? In your shoulders? Neck? Gut? Notice your jaw. What sensations do you feel in your body? Any queasiness? Is there a lump in your gut or throat? And what about your breathing? Are you holding your breath or breathing rapidly? Notice how real it feels. Let it get stronger. You have just activated the emotional brain and its primitive survival instincts. Notice how it sweeps reason and discipline away.

Not only are you experiencing the activation of an unwanted emotion (fear or greed), you are also feeling it grow (all those biological markers described in the second paragraph) – getting ready to spring into action and take over your mind. That "springing into action" (when you feel the emotion and its urgency to act) is the chemistry of the emotion surging into your body and brain, preparing you to act NOW without the need for thought. Reason has now been blown out of the water. Thinking is now dominated by fear or greed rather than reason, which is needed for successful management of probability.

And your mind – what's happening to your mind? Is it racing? Are you falling into self-doubt? Do you have an urgency to act right this second without thinking it through? Or has your mind frozen? Maybe your mind has become fixated and developed tunnel vision so that you don't have access to your trading rules at this critical time. Your mind has become slave to the very emotions that you are trying to prevent. And now, in the midst of this emotional hijacking, you act from the fear and/or greed that you tried to stop, rather than the reason and logic needed for success in trading.

Misunderstanding Discipline

How many times has this happened? It's not that you haven't tried hard to be emotionally disciplined in your trading. Trying hard is not the problem. The problem is the way you understand discipline. Misunderstanding how to achieve trading discipline guarantees that you will continue to lose emotional control of your mind when you face the challenges of exposing yourself to trading's uncertainties. You pit an emotional brain's default programming of needing to be right, needing to be in control of outcome, and needing to predict with certainty what will happen against the reality of not being in control of outcome and you have a formula for emotional hijackings. The truth is that your emotional brain hates randomness and is wired to predict outcome because it craves deterministic outcomes – which are not possible in trading.

Your notion of discipline is trying to force what cannot be done – trying to predict patterns that make you feel confident in being able to control outcome. But no matter how many indicators you have, how great the computer programs are that you use, or what other special knowledge you have access to, it is impossible to predict outcome out of a pattern. A very different kind of discipline is required to prepare you for the management of probability when the mind you brought to trading craves determinism.

Why Does Discipline Break Down?

In seeking the answer as to why discipline breaks down in trading, start with your misunderstanding of emotion and its relationship to thinking. Emotions are not psychological in nature – they are not in your mind. Instead, they are deeply biological in nature. Their connection to thinking is that they take over thinking and cognition. That is the point that is missed. People are taught from the cradle to separate emotions from the reason of thinking. In this view, rational thinking (what you want to have while making trading decisions) represents the absence of emotion as a component of cognition. How many times have you heard, "If only my emotions didn't get in the way, I would be able to think clearly and make better decisions while trading?"

This statement sounds so self-evident. Who would not want to think rationally without emotions while trading? It would make life so much easier. By force of will, you keep trying to control your emotions as you trade by pushing them away, and/or by denying them – this is the standard practice of discipline as it is currently taught in trading. Yet the emotions keep erupting through this notion of discipline and compromise the rational mind. The more you resist dealing with the emotion effectively, the more it persists.

If you understood emotions – and your emotional nature – better, you would see the fallacy of this approach. The very discipline you are trying to subject your emotional nature to while trading is exacerbating the very problem you are trying to solve. Remember, the more you resist the emotion, the more it persists. Controlling emotions (particularly primitive fight/flight ones) by force is not going to work. What is it you are missing about the nature of emotions and their relationship with you that could open a very different door of understanding in working with them?

The Nature of Emotions and You

First, emotions are biological. They were there long before the thinking brain ever showed up. And as the thinking brain evolved, emotions grew in coordination with the seat of thinking – the neocortex. Emotions are biological action potentials that coordinate activity between the organism (you, the trader) and the environment (the markets). At the core of emotion's purpose is the need to keep you alive in the environment in which you dwell. And losing capital is seen as a biological threat to the emotional brain.

Just a few short years ago our cavemen ancestors lived in a very different world than the one that we now inhabit. It was dangerous and he/she had to have their wits about them to survive. They were not endowed with the powerful thinking brain that we now take for granted. Instead they had an emotional brain from which, over time, the thinking brain evolved. So our early caveman ancestors had to learn to survive before the advent of thinking as we understand it. And the emotional brain was there to adapt us to the dangerous world back then. Originally it operated without the component of thinking that modern man takes for granted. This is the same emotional brain that you bring to trading today.

The lesson here is that primitive survival emotions evolved to respond to life threatening situations before thinking ever came on line. The emotion will fire based on primitive survival instincts rooted in fear, aggression, and approach motivations. When our cavemen ancestors faced a dangerous saber toothed tiger, in the blink of an eye the emotion activated, built up a head of steam, chemically flooded into the body, and put the body in motion – all without thought being a factor. This is why thought is mostly by-passed today when an emotion fires while you trade with capital at risk. The thinking brain was not party to the original construction of the brain. And if the emotional brain deems something is threatening in its environment, it fires and acts WITHOUT thinking having a part in the decision. This is exactly what your survival instincts were designed to do, and they did it well for the environment to which they adapted.

When thinking did show up much, much later in the evolution of humans, it adapted to serve emotion. This is where you really have to make a turnaround in your understanding of emotion and cognition if you are seeking success as a trader. Your thinking is totally dependent upon your emotional state, for thinking produces explanations or narratives that support what the emotional brain has already decided.

This presents a dilemma in trading. The emotional brain cannot tell the difference between biological threat and psychological discomfort. Every time you experience the challenge of putting capital at risk with an uncertain future, you are signaling the emotional brain that a threat to its well-being is at hand and action needs to be taken immediately. The survival instincts of the emotional brain (fight/flight response) take over the functioning of the trading mind. Instead of making decisions devoid of emotion with a rational mind, you are making decisions with a mind consumed by survival based primitive emotions.

Every time you engage uncertainty and experience vulnerability, you are reawakening this instinctual emotional process. There is no escape from it, just as there is no freedom FROM emotion. However, with applied effort you can retrain the way the brain responds to uncertainty so that you have freedom OF emotion. Along with that freedom OF emotion comes a redefined notion of discipline.

Emotional Discipline Redefined

The standard that defines conventional notions of discipline is centered on being emotionally tough, being able to "take it", and forcing your will upon emotions to control them. This approach may have been successful in other areas of your life, but generally produces disastrous results when employed in trading. But if we begin examining discipline from an Emotional Intelligence perspective aided by an enlightened understanding of emotions and cognition, a very different understanding of discipline becomes possible.

In my work I define discipline as the capacity to maintain order under pressure. But how do you do that? First, and foremost, you stop denying emotions and, instead, start turning toward them – no matter how uncomfortable that may be initially. Remember, emotions are not a choice. They are a part of the very fabric of your capacity to respond to challenges in your (trading) environment. And if you accept that the default programming of your brain when exposed to uncertainty is a felt sense of vulnerability, emotional discipline is about how you respond to your vulnerability in the face of uncertainty.

Traditional discipline is about getting tough and forceful in the face of vulnerability. You are not listening to the needs of your vulnerability for reassurance and calming down. Instead you are trying to force the emotion into submission. And the more you resist, the more the emotion persists until it becomes an enraged 800 pound gorilla creating pandemonium in your trading mind – and your ability to perform under pressure. This approach does not work, no matter how “right” it feels. (The trading account is the final arbiter of effective emotional and mental discipline.)

A more emotionally enlightened way of working with emotions (particularly fear, aggression, and greed) is to notice them and turn toward them, rather than denying them. It is this “turning toward” the discomfort of a negative emotion that turns discipline into a new direction. In turning toward the emotion, you acknowledge it and the information it is trying to tell you. The first order of business in this new model of discipline is to disrupt and then calm the emotion BEFORE it works up a head of steam. That is done through emotional regulation – diaphragmatic breathing and muscle tension reduction. Next, instead of yelling character assassinations at yourself in the name of discipline, you self-soothe your fear instead. You use calming language spoken from a state of self-compassion, and the fear responds to this approach by lessening its intensity. You will find this a far more effective way of “maintaining order under pressure”. This is the new discipline in action.

Discipline is also defined in my work as the Ruler archetype. Discipline is the emotional program in the emotional brain that is motivated to “maintain order under pressure” (essentially lead) and the Ruler is the voice of this emotional program in the mind. And it is the one that needs to be activated and brought into working awareness to bring forth a disciplined state of mind. I am going to give you an example of this force (or potential voice) that lives within you. What follows is a short article I wrote for another publication that illustrates discipline as the Ruler archetype.

Using Mindfulness to Build an Effective Trading Psychology

Theory and practice are very different in trading and active investing. In theory, success is just a numbers game when you follow your rules. This was the dream you bought into. It's so straight forward in theory. All you have to do is follow your rules, that's all. Your plan works when you work the plan. It is simple enough. All you have to do is "do it". This is the dream you bought into and believe passionately. Logically you know that there will be losses – it's just part of the game. No big deal and, in theory, you're ready for it. Rationally you keep telling yourself this – with your rules you have an edge. And that's where the magic is. You know this to be true – you can smell the success, almost touch it. Just follow your rules.

But in practice, things fall apart without you even noticing all the red flags unfurling right in front of your unseeing eyes. At the start, you feel confident because you're in control. You and your plan are ready. Then doubt or over-confidence creep unnoticed into the mind. You take a hit…but you can handle that. Then another. Things start rolling now. The Positive Mental Attitude (PMA) pumping up your trading psychology comes crashing down. In the blink of an eye your disciplined mind that was following your rules is ambushed. In its place are fear, chaos, impulsiveness, and aggression. You come unglued without even noticing it until it's too late. All that work is blown up yet again. Where did the rational mind go that was going to follow its trading plan rules? And what about that substantial loss you just sustained? The wind just got knocked out of you. The emotional discipline to unite theory and practice disappeared into the dark night of your trading soul. Again.

The Emotional Brain Overwhelms Rational Thinking

If you are a highly motivated trader or active investor, trading knowledge is not the problem. You will have a methodology and a platform that provide an edge. What is missing is the performance psychology that uses your knowledge of trading and platform while risking capital. Specifically, the trader must focus on the implicit beliefs (out of conscious awareness) that drive the trader's performance when engaging uncertainty (with capital at risk) as measured by the health of your trading or investment account. If you listen closely to the chatter in the mind when challenged by uncertainty, your trading account will reveal the hidden beliefs that drive your performance.

Everybody wants to be a winner and are perplexed why they are not winning, considering all the effort that is invested into optimizing their trading business. If effort were the price for being consistently profitable, there would be many, many more successful traders. Yet between theory and practice is a great shake-out. And that gap between theory and practice is the six inches between your ears – your mindset…specifically, the beliefs embedded into the emotional brain that drive performance under pressure. Not the beliefs you talk about, but the ones that are revealed in the midst of performance. These beliefs are actually learning that were once successful for survival's sake and were, therefore, habituated into the neural circuitry. You are not conscious of them, but they shape the world you see. And they are called your survival instincts.

These beliefs are not rational and do not respond to reason. They are far more primitive than that. Limbic beliefs were there long before the rational mind evolved. Consequently, the highly coveted rational part of the brain and mind SERVES the emotional brain. Emotional beliefs, below conscious threshold, drive the rationalizing mind. This is a big problem for traders because they are projecting these beliefs onto the markets every day. And they are revealed in your performances under pressure. The important point is that reason serves them because they are the survival instincts. Literally, they are activated when the brain is exposed to uncertainty, particularly when tangible risk is involved.

To the survival beliefs of the emotional brain, all uncertainty is a biological risk to survival. And the emotional brain cannot tell the difference between biological threat to life and psychological discomfort. To it, uncertainty (not being able to control outcome) is a threat to survival – not just a threat to the capital you have at risk on any given position. Every time you risk capital in the markets you are invariably activating this primitive survival instinct that will compromise logical thinking unless you have rewired the default survival programming. You may experience this phenomenon when you attempt to enter a trade where you are risking capital and back off, even though it's a valid set up. You may experience this triggering of your survival instincts when a trade goes against you and you feel the sudden rush of adrenaline and an accelerating pulse. Or you may feel it when you experience FOMO (fear of missing out) that causes you to leave money on the table to protect a skinny profit – or in jumping into a trade because you do not want to miss the anticipated move (like you did last time).

Access to all that rational knowledge (all that theory) that you possess is washed away as the fight/flight response to uncertainty is activated and you are unceremoniously hurled into emotional thinking. This is the problem that nobody seems to want to talk about, but EVERYBODY is experiencing. Until you are willing to change the default emotional learning (the beliefs that drive your performance in a challenging environment) about your capacity to manage uncertainty (as defined by your trading account), you will stay mired in the slip-sliding gap between theory and practice. Until you can consistently use your theory effectively in the practice of actually risking capital, you will stay on the roller coaster ride of up and down performance. To change that you will need to get at the unconscious beliefs that are holding back your management of uncertainty. And that is a scary thought to the survival instincts of the brain. It would rather see you stuck in an unprofitable pattern that it knows than to risk changing. (The demon you know is better than the demon you might meet if you were to change.)

So traders stay stuck in under-achieving performances for years on end. They can talk the talk of trading, but they are not talking about the equity growth of their trading account. They can smell the tantalizing scent of success at a distance, but never quite get there in the winner's circle. Why? Because they never step back out of the familiar and examine the beliefs that drive the show. People are not willing to change the way the brain and mind operate when engaging uncertainty. Instead of changing their performance beliefs, they keep tinkering with their systems. But what would happen if they were willing to change?

Building the Mind for Trading

Developing a knowledge base in Emotional Intelligence and learning to regulate emotions is really the start of trader self-development. The real key is to become an emotionally intelligent trader, learning how to use emotions to your advantage. You will always be facing uncertainty and risk in trading and active trading. Therefore, without a commitment to re-training, you will always be triggering the fight/flight response of the autonomic nervous system – unless you retrain your default survival programming. There is no freedom FROM the triggering of emotions in responses to the challenges of uncertainty, opportunity, and risk. But there is freedom OF emotion by learning and what emotions emerge to form the trading mind and practicing the calming of these emotions.

This is the key to keeping and then designing the mind that you bring to the management of uncertainty, opportunity, and risk. As you feel the surging of the markets, you experience old, primitive responses that are based on survival – not long term success. As a human being who trades or actively invests, an enormous opportunity is open to you. You can change the way your biology, brain, and mind respond to the uncertainty, opportunity, and risk of the surging market. It creates a whole new ball game about engaging the markets in such time. Instead of being sucked into the old narrative built for survival in another time and place – you can become the designer of your mind that engages such powerful moments in a surging market.

Beliefs in Action

The beliefs that the limbic brain has formed determine how your whole brain engages Uncertainty. These beliefs spring into action the moment that uncertainty with risk is engaged. They are not verbal. They really are not beliefs on the level of the Limbic Brain. They are KNOWINGS made from experience. If the knowing is successful in solving the problem the knowing is integrated into the organism's (trader's) emotional response to changes in the organism's environment. When those Limbic Knowings cross the threshold of the corpus colosseum into the thinking brain of the Left Hemisphere – presto – you get psychological beliefs.

If you want to change your performance in the face of uncertainty (i.e. trading) you have to change the Limbic Knowing – that is what is driving the beliefs of the Thinking Brain. This is the integration of the one Brain's two Hemispheres – Right (Emotional) and Left (Thinking). The first task is for the Thinking Brain to acknowledge that Emotions have always driven thinking in the first place. And because of that, Thinking and Emotions are inseparably linked and must learn to cooperate as a unit. The second task is similar. The Emotional Brain has to develop trust in the Thinking Brain. Trust that the Thinking Brain will learn how to use emotion to create the mind that thinks. This is FREEDOM OF EMOTION. Now an integrated approach to uncertainty and risk can be developed. This is the traders mind. Train the brain – there is one brain, but two spheres. Both show up when you engage uncertainty and risk. Ignoring one and glorifying the other does not work. Training them to work cooperatively does.

Mastering Self-Doubt

Opportunity knocks. You've been waiting for it. The setup is taking shape and it's looking good. All you have to do is do what you know you need to do. It's simple really. It's the moment of decision that you know all too well when putting capital at risk. You know what to do, but you can't do it. Instead you freeze. Time stands still as self-doubt seizes your mind – "What if you're wrong? What if you lose? What if you're not right?" The debate inside your head rages. You feel the fear bubble up. Heart pounding, you watch yourself hesitate. Meanwhile, you hear yourself scream, "Just do what you know to do – just do it!" But that voice gets drowned out by the growing wave of self-doubt. Then the opportunity is gone.

At first, there is a moment of relief – the struggle is over. It feels good that the drama has passed. After all, you could have lost money, but you didn't. Then, as your rational mind comes back on line, you realize that you have let another perfectly good set up pass you by again. Now it's not self-doubt or momentary relief that fills your mind. No, it is self-recrimination and frustration that fills up the self-talk in your head – "What's wrong with you; why can't you just do what you know to do? Why? Why? Why?"

<u>Entry is not the Only Place Self-Doubt Raises Its Ugly Head</u>

Though entry problems are a common area for hesitation and self-doubt to occur, there are numerous other places in the process of managing trades that the trading mind is easily hijacked by self-doubt as the trader is experiencing the uncertainty of probability when capital is at risk. Getting caught in a side-ways trade will do the same thing. Another place where self-doubt, hesitation, freezing, and fear of loss become magnified and take over the trading mind is when a trade goes against you. More seasoned traders discover that taking profits early, in a spasm of self-doubt, is the largest hurdle between them and getting to the next level in their trading.

In all these situations, self-doubt appears as an internal struggle in the trading mind, where knowing what to do is stripped away from BEING able to act on your knowledge. But why is self-doubt such a big problem? Many traders come from backgrounds where they were self-confident. They were confident that could manipulate the conditions of their environment for achieving success. How can such a confident mind devolve (in such a short period of time) into self-doubt that compromises your trading results?

The Biology of Self-Doubt

Your brain is a major problem when it comes to trading and active investing. It is not built to entertain uncertainty, randomness, ambiguity, and probability. In fact, it evolved to avoid these conditions because they were associated with biological threat. Anything uncertain in our ancestors' environment was considered dangerous and to be avoided. Instead, your human brain evolved to seek short term solutions to survival threats. Your ancestors just wanted to live another day by avoiding threat IN THE MOMENT. This strategy worked – short term success trumped long term success. So avoidance of uncertainty was opted in by natural selection so that it became a trait that was passed on to future generations. This bias toward short term survival over long term benefit became the survival instincts of the emotional brain long before you showed up. You just inherited what had proven successful for survival in another time and place. And now it shows up in your trading mind today.

Now add one other factor to this biological priming for choosing short term survival over long term benefit. All thinking is emotional state dependent. You never think without the influence of emotion – ever. In fact, what you call thinking is simply the thinking brain (the neo-cortex) creating explanations (many times simply alibis) for what the emotional brain has already decided. So, even though thinking and logic may appear to be independent from emotion, it is an illusion that will get every trader in trouble. This discovery has led to the invention of the relatively new field of emotional economics. For many years economics assumed that humans acted rationally in an economy, but the evidence of decision making did not support that assumption. Economics now assume that humans act irrationally in the economy, rather than rationally.

The same with consumer marketing. Consumers rarely make rational decisions. They make emotional decisions that they then rationalize to appear as though they are rational. As an example take a look at all the guys who purchase really expensive heavy duty pick-up trucks that are built for serious work and which they can barely afford. Then they drive around in them (looking very manly) while the trucks rarely are used for the work for which they were created. It's all testosterone without an ounce of reason. It allows a couch potato male to FEEL manly without having to actually BE manly. The feeling of an emotion trumps thinking every time. Humans are rationalizing animals, not rational animals. And this is exactly what you are experiencing with self-doubt where you have the knowledge to do what needs to be done, but you cannot act on it under the pressure presented by uncertainty with capital at risk.

How does this apply to self-doubt in trading? Underneath all the logic to get into a trade for the probability of long term gain is an instinctual and primitive uncertainty monster that has a completely different agenda – it wants to FEEL safe in the moment when exposed to challenging circumstances. That need for feeling safe is being undermined by the instinctual fear of the uncertainty you are attempting to expose it to. From the Emotional Brain's perspective, "You", the trader, are exposing it to a biological threat that it MUST stop you from doing. It has an imperative to stop the thinking brain (that's you trying to trade and make decisions for your long term best interest) EVEN IF THAT INCLUDES HIJACKING THE THINKING BRAIN.

Now to trading. When you are in the mental confusion of "knowing what to do, but not being about to do it", you are experiencing your evolutionary biology short circuiting your capacity to think. The emotional brain's bias is short term survival. If you do not get into the trade and risk capital (biological threat), you have avoided the threat and thereby won the survival test. Long term survival options do not enter the picture. The emotional brain's only consideration is short term survival. And you not getting in the trade in the first place is a victory. You will experience that victory by feeling a momentary sense of relief from the squirt of dopamine that your emotional brain provided you for reward.

If you hesitate or fall into confusion as you trade and risk capital, this scenario is being played out on a continuous loop. AND IT IS HAPPENING BENEATH THE THRESHOLD OF YOUR AWARENESS – you do not even know it is happening. It is the pattern that the emotional brain has locked in for your short term survival and it simply plows the thinking brain out of the way – hence your hesitation, freezing, and confusion. No amount of willpower or positive thinking will get it to stand down. But if you learn how to regulate emotions and create a new mind that engages the moment of uncertainty, you can rewire what nature has adapted you for. Before that, let's now look at the psychology of the trading mind that engages the uncertainty of risking capital where outcome is not controllable.

The Psychology of Self-Doubt

For short term survival's sake, your inherited biology does not want you in the trade in the first place. It would rather FEEL safe in the short term even if it is sacrificing long term advantage. Hesitating, freezing, or getting confused is a simply a means to affect your thinking brain's performance. The effect is that you know what to do, but you cannot do it. It's like there is a disconnect between your knowledge of trading and your capacity to use that knowledge effectively when the money counts. That "no man's land" is where emotion and belief intersect.

These particular beliefs alluded to are not the ones you say you have when in a sound mind, but they are the beliefs you hold about your capacity to manage uncertainty while in performance (or life threatening) stress. Remember, we are not talking about thinking here. Thinking (your thoughts) occurs long after emotion and beliefs have set the stage for engaging uncertainty. Instead we are talking about beliefs as learned assumptions that drive emotional reactions and your engagement with the environment of the markets. And the result of these beliefs in action will be found in the health of your trading account – and not the story (or narrative) you tell about the beliefs that drive performance under pressure. This is an important distinction which few traders appreciate.

In the gospel according to the Emotional Brain, your fear of loss is tied to your belief that you (as a living organism) cannot manage the potentially life threatening encounter with uncertainty – otherwise known as the fear of death. The belief that you might not be able to manage the encounter with a dangerous situation elicits the psychology of the fear of loss. And out of the activation of that fear comes the avoidance of the encounter. You experience that avoidance by freezing (not doing what you know you need to do when you need to do it), hesitation (cannot make a decision), and/or confusion (paralyzed thinking). To the Emotional Brain, you are experiencing the fear of potential death and instinctually finding a way of backing out of a dangerous situation BEFORE THE THREAT IS REALIZED.

That fear of loss may be expressed in a different way. You may experience the need not to lose, the need to win, the need to be right, or the need to predict outcome. In effect, it is about the brain's need to control outcome. Your beliefs that you project onto the markets are all about controlling outcome or predicting outcome. The various fears of trading come from NOT being able to produce this mandate of your survival brain.

This is the great problem in learning how to be successful in trading. The very brain you brought to trading that is mandated by its survival instincts to control outcome (and whose psychology is built around this assumption) encounters a world in trading where it is rendered useless. It experiences powerlessness in the face of continual uncertainty. And the emotional brain is much faster than the thinking brain. It is like bringing an army equipped with slingshots, spears, and bows to fight a modern army equipped with the latest weaponry. The emotional brain, with its beliefs about power and control, is rendered ineffective when confronted by the inherent randomness and uncertainty of the markets. A very new mind and beliefs are needed.

In mindfulness the trader starts to notice, to examine, what he or she experiences. He or she just does not let the experience drift on by. It is examined like a detective studying a criminal case. Suddenly there is a connection between body, brain, emotion, beliefs, mind and performance. An order of separation begins to develop between the thoughts and feelings running through your head and the observer noticing them. The chatter of thoughts in your head is not just "your" thoughts. You will find very self-limiting voices in your mind that are counter to trading success. This is the beginning of awakening the Observer of the Self – mindfulness. Instead of the same-old, same-old sliding past the trader without ever really questioning, the trader examines these voices the way an anthropologist would explore the way a culture constructs the reality they live in. This is where change begins.

A startling discovery is made. You and your thoughts are not the same. Even more to the point – "you" are not having thoughts; they are having you. You have been adrift in a river of thoughts, beliefs, biases, and assumptions that has created the reality you live in – and trade in. You have been asleep at the wheel, not even noticing the map that you have been using to direct you. And waking up, you discover that it is not a good map. You have not chosen how to think, access, and emote. Instead you have fallen into a narrative that defines you. But "you" are not that narrative. But never seeing the narrative in which you are stuck, you assume that the narrative is actually you. No, it is only one possible organization of a Self among a much larger potential. This has great implications for the mind that you bring to the act of risking capital in the midst of uncertainty. If you were an impartial detective watching yourself make trade decisions under stress, what would this detective say about the pattern of your decision making? This is the narrative that needs to be re-programmed for effective management of the uncertainty found in trading.

How Do You Unite Theory and Practice?

You are not stuck in one particular way of perceiving and acting in the world. This is the powerful possibility that Mindfulness opens up for the trader who is seeking to train the mind for the rigors of working in the environment of the markets. In applying Mindfulness, with its examining perspective, the possibility of designing and building a mind for trading awakens. Instead of trying to force a brain and mind built by nature for short-term survival (trying to control outcome, predict outcome, and the need to be "right") – you can redesign it.

At the core of this redesign effort is getting at implicit beliefs that are outside of your working awareness, but which impact your performances, and make them explicit (bringing them into working awareness) so they can be examined. The emotional brain simply was solving an adaptive problem when it fell into the beliefs that currently drive your performances in the face of uncertainty. If your emotional brain found short-term success acting from a particular belief, it was simply wired into familiar pattern and became "you". It is not a fixed trait. It is only one organization of a Self within a vast potential – if you awaken to this potential. Your current mode of reacting to uncertainty is adaptive. Your emotional brain adapted you to this way of solving how you engage uncertainty at another time, place, and circumstance.

What was successful then (and wired into pattern) is rarely effective for trading. The old emotional learning was based on controlling outcome (at least the illusion of control), predicting pattern, and being right (or not being wrong). That emotional learning will not work in trading. Trading and active investing demands that you give up the illusion of control to become effective. This condition is what makes trading so hard for the vast majority of hard working traders to find success. You have to change the beliefs that you project upon the markets. So the emotional beliefs that drive performance in the midst of uncertainty have to change – there is no way around this condition. The new emotional learnings lead to beliefs where you control the mind that you bring to the moment of performance. You cannot control outcome. You never could. It was only an illusion busted by the power of the markets over your mind. But being in charge of the mind you bring to the engagement of uncertainty – that's a very real tangible asset that you can develop.

Much like the professional golfer at a big money tournament, where he cannot control the weather or other player's games, you have to focus on what you can control – the mind you bring to performance. And it will unite theory and practice into a force that engages uncertainty very differently than pretending to control what you cannot control. This is the humble step toward the necessary self-mastery. It is the edge that you can develop by regulating your emotional nature and becoming mindful of the mind you bring to performance. By doing so, you will notice that you follow your rules undaunted by the emotional storms around you. A very new trading narrative has arisen and taken ahold of your trading mind. You have adapted your survival brain and mind into the probability based mind need for success in trading.

Building a Winning Trading Psychology

I hate to lose. It's just such a bad feeling when I lose. Everything else in my life I can pretty much force my way and prevail – but trading has my number. And I know that losing is part of trading, but that doesn't make it any easier to take a loss. It's one thing to tell yourself that platitude, but it's quite another to actually take a series of losses and see your P/L shrinking. It's getting harder to keep my winning attitude when I lose, so I have to push myself even more. I can see what I'm doing is not working, but I keep on doing it hoping that through sheer determination things will turn around.

Your Winning Mindset Is Killing Your Trading

To be successful, traders must travel down a collision course between two equal, but very opposite, forces. First is the force (deeply rooted in the survival instincts of our species) that wants to win (and in particular, not to lose) and make things happen. This is a trait that is hard wired into human response patterns to uncertainty because of its success long before humans had a psychology of the self. Failing is not an option from this deeply ingrained bias. Failing meant death to our early ancestors, when they were dealing with the dangerous uncertainties of their world. Unfortunately that world is still real today and is actionable to the limbic brain of modern man and exacerbated while trading. You still carry your caveman brain and instincts into trading every time you pull up your charts. That mindset is where the trouble begins.

The second, opposing force is the real powerlessness of the trader to control outcome regardless of his best efforts – expressed as the fear of failure. Despite a trader's desire and will to win, trading is an endeavor about managing the randomness and probability of taking action in an uncertain world where winning and losing are both potential outcomes. And where there is no certainty about what will happen. It is this sense of powerlessness (expressed in fight/flight responses to the fear of losing or as aggression that leads to over trading or revenge trading) that has to be transformed from ancient emotional brain programming for short term survival. Your survival instinct (limbic brain responses to uncertainty) have to be modified for the world of probability found in trading and active investing. This is the elephant in the room that few acknowledge in trading.

Put this collision course into perspective. Every trader “knows” that he or she has to follow his/her rules to create an edge of probability in the randomness of the markets and increase the probability of winning a particular trade or group of trades. Everybody “knows” this, or, at least, gives lip service to it. Yet very traders can “do” this – follow their rules under pressure with skin in the game.

To illustrate this point, a client of mine was at a local trader’s group meeting in Washington, DC. He had the floor and was talking about his struggles with following his rules and how he was finally making progress. Then he asked those in this sizable group to raise their hands if they had trouble following their rules. Nearly everyone raised their hands. Everybody “knows”, but no one can do it. You would think that for something as important to success in trading as following your rules, everybody would be searching for an answer to this problem. They may be searching, but they are searching in all the wrong places.

Their knowledge of trading suddenly disappears when the money is real and they are gripped by the reality of their powerlessness over outcome. The fear of failure becomes real. Human survival instinct trumps the thinking brain in the blink of an eye. The ancient emotional brain wants one thing while the potential long term success envisioned by your modern thinking brain wants another. And the trader is caught in the middle between two powerful, but opposing, forces. The emotional brain is experiencing the powerlessness of the fear of failure (death) in the short term, while the new thinking brain envisions an edge in the probability of success. This is the internal drama you face every day when trying to follow your rules. The emotional brain's survival instincts win this encounter every time, until you learn how to work with the emotional brain.

This is what your autonomic nervous system experiences, which is outside of conscious awareness and control. But how do you experience the encounter with uncertainty with money on the line? Traders experience anxiety, fear, even dread, and fall into self-doubt. They begin looking for more confirmation in their set ups as a way of "not losing". They believe if they lose, they fail. And failing with money on the line triggers the survival oriented fight/flight response to the uncertainty they are experiencing. This is happening without their conscious consent. It is simply an automatic limbic response to the uncertainty and risk inherent in the situation.

Your limbic brain (your emotional brain) would rather avoid the possibility of losing (of failing) because it perceives it as a threat to life. The limbic brain does not know about psychological discomfort. It is all about short term survival. And if it can keep you out of the trade, then it wins short term survival because you cannot fail if you do not enter the game. It is a short term win for your emotional brain, but a long term loss for your effectiveness as a trader.

Other traders experience their short term survival instincts differently. Some find that when the trade "goes against them", they panic or turn to anger and throw good money after bad hoping that the trade will turn around so that they will not have to experience failure. The fight/flight response is already triggered for short term survival and the thinking brain (with its long term success view) is pushed to the side. In their experience of failure, traders then want to get their money back and begin revenge trading. This is the same fight/flight response to uncertainty as the fear based response – only this survival route is governed by anger and aggression. Either way, the thinking brain has been hijacked by the emotional brain and its fear of failure that has taken over the trader's psychology.

Impulse, or over trading due to over confidence, has a similar emotional pattern but is driven by your "chase" instinct. Our hunter-gather caveman ancestors chased a lot of prey as part of their quest for survival. When the opportunity was there, they had to jump on it – or risk going hungry. Chasing prey was a way to make survival success happen and avoid survival failure. They had to be confident in the face of danger for the sake of survival. There was also a thrill of the chase that pushed our ancestors to brave dangerous situations that were very risky if they failed. But failure was not an option if the hunters and their families were to survive. It became a powerful driving force that found a home in modern trader's psychology. Because of its success, the chase instinct got wired into the habitual patterns of successful hunters over the eons. Then, caveman days gave way to the postmodern world. And the modern human being (with his large thinking brain) found trading, but brought his emotional brain from his hunter-gather days into the fray. When you sit down and feel the urgency to act on a trade, you are activating this powerful survival chase instinct. Only now you are jumping into ill-advised trades. The urgency to act overwhelmed trading psychology and produced over-trading.

Stepping Up to Your Fear of Failure

To develop your brain and mind for risking capital in uncertain markets, you must redefine your beliefs concerning failure. Failure (without biological threat) is the way the brain learns. It does not learn from success. Success literally digs the pattern deeper into automatic responses outside of the thinking brain. And trading success has a lot of failure in it. But the way you approach and deal with failure has to change to redevelop the mind for trading. Let me explain.

Recently Shaq O'Neal, the famed basketball player was on the Today Show talking about his experience with failure. His team was playing Michael Jordan's team for the championship. Shaq spoke about what a difficult series it was for him – and that he did not play well. Shaq was disappointed in his performance. He felt he failed himself and his team.

After the game when the players were shaking hands, Michael Jordan came up to Shaq O'Neal and patted him on the back. Then O'Neal told the audience what Jordan said to him – "Shaq, you played a hard game. You must get comfortable with failure and work with it if you plan to get to the next level." Then Jordan walked away. Those few words from Michael Jordan opened up Shaq's eyes to a new way of understanding failure. Failure was announcing that you needed to develop your skills and beliefs to a new standard. It was not an indictment of your soul as a human being.

Most traders hide from their failures, and, consequently, stay stuck in a mindset that cannot meet the challenges of trading and managing uncertainty. You are going to fail as you trade. The question is what are you going to do with that failure?

Separating Failure from Identity

People invest enormous emotional energy into being a winner (and not a loser). And a winner cannot fail. This identity of being a winner is sorely tested through trading. The problem with a winning mindset is that you have to win to maintain it. And with the winner's mindset there is an assumption that you can make results happen in your favor. This mentality works well in many domains of a person's life. People often come to trading after experiencing success (winning) and bring this attitude of hard work, positive attitude, and a will to win into their new career in trading. The thought is that the winner's mindset worked before and it will work in trading.

In this mindset, failing is about not trying hard enough, not bringing enough of a willful mindset to the game, or not being positive enough. When you lose, you get up and go at it again – being persistent until you win. You push yourself and tough it out. Failing is not an option for a winner in this narrative. Failing is a character flaw that you have to stand up to so you can force it into being a winner. This way of viewing the world is fostered in competitive cultures so that winning is everything and failure is unacceptable – and failure brings shame.

Many an alpha male and female have brought this attitude of winning by making things happen and being in control to their trading life. Many a perfectionist has brought perfectionism (not making a mistake) to trading as a way to control outcome. After all, if you do everything right without a mistake, you will win and avoid experiencing failure. Then both the alpha and the perfectionist get to trading and discover that controlling outcome is an illusion, though it has served them well in the past. The alpha discovers he or she has no power to force outcome to his/her will. And the perfectionist discovers that you can do everything right and still be wrong in trading. This is the collision course spoken in the beginning of this article

The way they have dealt with randomness and uncertainty (so hated by the emotional brain) in the past has no relevance for the environment to which they must now adapt. This new opportunity for your brain and you to learn initially flips out your limbic brain. It has settled in on a particular learning that defines what success and failure are and how to avoid failure for short term survival success. It does not know how to transform the earlier emotional learning of what a winner is into the mindset required for success in trading.

Actually, in trading you are asking the emotional brain to do the exact opposite of what it was designed to do by natural selection. Its survival motivation is set – avoid failure. (To the emotional brain failure means death.) It abhors randomness and uncertainty and you are pushing it into engaging uncertainty while maintaining rational control. This is not going to happen. Remember the trader who asked a crowd of fellow traders if they could follow their rules under pressure? Well, this is the emotional brain on uncertainty that you brought to trading.

Redefining Winning and Failure

Winning does not define the worth of the human being. It only means that you landed on the right side of probability. And failure only means that you landed on the wrong side of probability, relative to your interest. Neither says anything about your value as a human being. Yet, when you are trading, winning and losing become personal – particularly if you have some back to back losses. The truth is (even if you did everything right) there was only a probability of winning – and a probability of losing. You do not have (nor will you ever have) the ability to control outcome in trading. But you do control the mind that you bring to the moment of performance. You can master your performance, which you can control, and that gives you the capacity to make manifest the edge your system and rules theoretically give you.

This is where theory and practice become partners. Your job is to focus on performance in the moment as you are trading. Winners and losers will come and go. This is the probability based mind needed for trading. You will know you are thinking from this new mindset when you evaluate your trading day. The questions are simple – is this a valid set up? Would I take it again regardless if I won or lost? Did I deliver a master's performance? It was never about winning and losing. It was never about avoiding failure. It was about learning from failure and accepting failure (losing) as a skill set to improve performance. This is the emotional self-mastery that you learned from listening to your failure and reconstructing the self that trades. You are the edge that drives your trading system. The power was always inside you waiting to be tapped and developed. This is one of the greatest lessons learned in a trader's self-development.

Becoming a Highly Effective Trader

There is an invisible hole right in the middle of your trading strategy doing damage to your trading potential every day. And if you could plug that hole, things would be very different. You would be achieving your dreams of financial success and experiencing personal satisfaction. The reality, though, is that you have the plan but you cannot seem to trade your plan when the money is real and the losses count. You try hard and are determined, but the results speak for themselves. Talk is cheap. Results speak loudly. After all that effort and expense, the roller coaster ride of trading still dominates your trading account.

At some moment smart traders conclude that the problem is with the mindset they bring to trading. Do not take it personally – just about every trader has this same problem. Nobody wants to get up-close and personal about it, particularly trader trainers selling you the dream, so it remains the elephant in the room that nobody acknowledges. Consequently, traders are left to their own devices to find the hole in their trading performances and to fix it – but with a brain that absolutely refuses to see itself as the problem. A daunting task when you see the failure rate of traders trying to become successful.

The Three-Legged Stool of Successful Trading, to the Rescue

Mindset is the last place in the world that you might look to find problems in your trading and your trading system. Traders acknowledge problems in their trading psychology, but seek the answer to their problems somewhere else other than within. But there are three aspects that have to be combined in order to create the conditions of effective trading. Without all three working together, the 3-legged stool of successful trading is unbalanced and does not produce the stable conditions needed for success. Enormous emphasis, money, and time are placed on two of the three…platform and methodology are enormously important aspects of effective trading. But it is the mindset of the trader that drives both platform and methodology. Without an effective mindset the other two are wasted.

If you have ever worked with a clunky or inadequate platform, you know the importance of having an efficient platform to execute your trading strategy. It is necessary. The same with your trading methodology or the way you effectively manage risk. Ultimately, trading is about finding reoccurring patterns in an ocean of randomness. Your methodology has to give you an edge in the management of this randomness. By being able to discern potential patterns that work to your favor, you are able to extract capital from the markets at a rate higher than the capital you give to the markets. It is this proven risk management of a solid methodology that gives you a favored potential in terms of outcome. The problem is that it is rare to find a trader who has the solid mindset that allows him to trade his edge.

And if humans were rational beings, these two elements of trading (platform and methodology) would be enough to provide the necessary advantage in managing reoccurring patterns in a field of randomness. That is a big “IF”. Think of it in terms of auto racing. The track is the platform upon which all cars and drivers compete for success. The car is the methodology – delivering an edge to the driving team if, and only if, the driver (trader psychology) has the right skill sets to effectively manage his car on that track. In any given domain of performance there will be a large field of people who know how to operate. However, in racing, there will only be about 10 or 15 elite performers who can drive that car to success on a consistent basis. The driver makes a huge difference. So it is a decision of whether you truly want to perform at an elite level – or if you are satisfied with seeing your potential but not doing what it takes to realize it.

So it is with trading. Platform and methodology are necessary to compete. But these two are never enough to become an elite performer. Until the trader learns to be an emotionally disciplined manager of risk (as determined by the success or failure of his trading account) he remains just a player in a crowd of performers who cannot bring a performance edge to their methodology. They have the know-how to trade in theory, but they do not know how to trade in practice when the money counts. The defining factor is not what you want to believe about yourself, but that ultimately matters tremendously in trading. It is about the health of your trading account that determines the development of your potential as a trader. Your trading account will tell you the truth whether or not you want to hear the news.

This is precisely where traders get and stay stuck. They keep looking to the technology of trading, the knowledge of trading, for the answers to their performance problems rather than within themselves. And in doing so, they miss seeing the impact that performance psychology has on trading success. Just about anyone who has been around a while has figured out platform and methodology. However, psychologically they cannot handle the pressure of risking capital to uncertain outcomes. Trading psychology becomes the stumbling block for many a knowledgeable trader, who cannot move from knowledge to performance. Trading knowledge does not provide an edge unless the performance psychology is rooted in emotional discipline – planning your trade and trading your plan.

The management of emotions is essential for this to occur. Otherwise every time you engage uncertainty, you force the brain into a vulnerable position – a position in which it could lose. Vulnerability is dangerous to the emotional brain. It interprets vulnerability as a biological threat – not just psychological discomfort. This is how the fight/flight response is triggered just when you need a calm disciplined mind for the work of managing uncertainty and risk. When you trade and do not accept that control is an illusion, you need to recognize that you are throwing the survival based emotional brain back into the dangerous times from which it evolved. Your trading mind is a set-up for emotional hijacking every time you risk capital with an uncertain future. The survival instincts of your emotional brain short circuits logic every time, until you retrain the default survival response.

Until you can fix this glitch from your evolutionary past, your thinking brain will always be set up for failure due to being hijacked by the power of survival instincts embedded in your emotional brain. The question is how do you solve this problem so that reason and logic are available to you as you engage uncertainty and risk? This is the hole in your trading strategy.

Freedom FROM Emotion vs. Freedom OF Emotion

Emotions are an inescapable reality of trading. There is no "leaving emotions at the door" or "trading without emotions". These are dangerous notions that attempt to ignore the power of emotions over your ability to think clearly. Emotions are ever present. In fact, the only time that you are not engaged in emotions is when you are dead. So not having emotions to deal with is not an option. It is learning how to use emotions intelligently that needs to become your aim. It is by employing the intelligent use of emotions that you learn how to create the mind that can trade effectively. This is freedom OF emotion.

First, ask yourself – What is an emotion? Go ahead; take a moment and jot down your answer. What is an emotion to you? Is it a feeling? Is it part of your psychology? Is it touchy-feely? Whatever you believe an emotion is – write it down. Now, let's cut to the chase. Here is the neuro-biological definition that I use for emotion. An emotion is a biological action potential that coordinates action between the organism (that's you the trader) and the environment in which it is embedded (that's the markets you trade in). Emotions are caused by changes in status of the environment. Now think of all those charts you read for entering trades and managing trades – there are lots of changes in status going on all the time. And each time there is a change in status in the markets, there is a learned emotional response that is triggered in the trader (especially by perceived threats of loss). By definition, you are going to have to become emotionally intelligent if you are going to become a highly effective trader. There is no way around it, except through it.

Now go back and compare your definition of emotion to the one that is given here. Do you see the difference? This is the hole in your trading strategy and performance. It's time to become emotionally intelligent in the use of emotions.

Developing the Mind from Emotion

Notice that the mind you engage uncertainty with comes from an emotional base. Thinking or perception does not come BEFORE emotion. Thinking comes AFTER emotion is triggered from the intersection of primitive beliefs learned by the limbic brain as it engages uncertainty. It is here that the trader must unlearn what his emotional brain has hardwired about its capacity to manage uncertainty on a survival level and learn to train the emotional brain to engage uncertainty from an emotional base of discipline, courage, self-compassion, and impartiality. This is the emotional cocktail that leads to a mind that can successfully manage probability. It is not natural, but it can be developed. (This is not easy to do or there would be a plethora of successful traders.) It can be learned though.

The default emotional programming of the emotional brain is to trigger to the fight/flight response when uncertainty creates a sense of vulnerability. That is just a given. Your biology works that way. You experience this phenomenon every time you fear entering a trading, or, conversely, jump into a trade that is not a planned trade (impulse trading). One response is simply fear based while the other is aggression based. Both are rooted in primitive limbic learnings leading to the fight/flight response. This is the adapted route for lightening quick responses to perceived danger in the environment (the markets).

First you have to interrupt the default programming that leads to fight/flight – or nothing can change. Fortunately breathing and muscle tension are actually part of an emotion. When you alter your breathing and the amount of tension in your muscle groups, you change the course of the emotion. Fear and anger require stopped breath or shallow and fast breathing to be maintained. If you train yourself with diaphragmatic breathing as a response to uncertainty (relaxation response), you alter the thinking that comes out of the emotion.

Same with muscle tension. Muscle tension really is emotional arousal in action. You are experiencing your body preparing for fleeing or fighting. If you volitionally relax your muscles, you will interrupt the emotional arousal toward fight/flight. By doing this, you can create a relaxation response to the stress caused by exposure to uncertainty and risk. It is a talent you will need to develop into a skill.

This is just first aid though. What an emotionally intelligent trader is doing is actually creating the mind (rather than reacting to circumstance) that engages uncertainty and risk. It is created by willfully developing a new limbic learning in response to uncertainty. Rather than holding on to the illusion that you can control outcome, the emotionally intelligent trader comes to accept that he controls the mind that he brings to the moment of performance.That mind is rooted in discipline, courage, self-compassion, and impartiality. This is the emotionally based mind that can manage uncertainty and risk effectively. It is controlling what it can control – its own self-mastery.

Self-Mastery is the Missing Piece of the Puzzle

Emotional self-mastery gives the trader the edge in performance. If you have your trading act together, you already have a methodology that provides an edge in the management of probability. With emotional self-mastery, you bring the mind that has a psychological edge that drives your platform and trading strategy. This fills the hole in your trading strategy and completes the three legged stool of effective trading. Left brain logic and right brain emotion are now in partnership with one another. The hole has become an edge. It does require evolving the brain and mind you brought to trading and people (and traders) are typically resistant to change. Yet the potential is there if you are willing to face your fear of change and claim a new destiny.

Build a probability mind

Understanding the Gap Between Your Knowledge and Your Performance

Fear and aggression are the basic emotions rooted in the brain and mind that you bring to trading everyday when faced with danger of uncertainty. They are natural as our brain is evolved in this way. But this plays an important role in our trading decision. Therefore, we need train our brain to adopt to the trading world with uncertainty and risk. Then we can reduce the negative effects of the emotional mind.

To achieve their dreams, traders have a much higher mountain to climb than they realize. By not understanding the problem, they stay stuck in self-limiting patterns. Emotions and trading mindset do not appear on a trader's "must have" radar until pain forces them into recognizing the deficits in their trading performances. After getting gashed several times or experiencing the death of a thousand tiny cuts, they start considering that their head game may be part of the problem – only to discover it's a very large part.

They have chased external solutions to their trading performance, adding stuff to reduce risk and increase prediction to the point that it gets unwieldy and cumbersome to use. They have also bounced around different experts' rooms – believing that the solution is "out there" waiting to be found. Years (and lost opportunity) pass while they are stuck in the pursuit of the fallacy of the Holy Grail. Finally, those who are left standing discover it is their mindset that is the real root of the problem. And they are poised to fix it. But even if they want to get to the meat of the problem and fix it – what exactly is the problem with their trading psychology?

What if the problem were more than your mental performance psychology? What if the problem in your trading performance was bigger than just a few cognitive adjustments to thought reframing (the quick fix)? What if you could not just take the bull by the horns and will your way to winning? What if the problem was really rooted in your brain and biology of survival – far beyond personal flaws in performance psychology? The truth is that tweaking your psychology is never going to be enough to solve this trading problem of performance under the stress of risk and potential loss rooted in the survival instincts of your limbic brain. And your primal emotional brain just does not behave the way you want it to. It does not think. It emotes. What does that mean?

Your Brain Is Not Built to Manage Probability

Here's a quote from Stephen Porges, PhD, (an imminent neuro-researcher of primal emotional systems and their regulation in brain and body) in his book, The Healing Power of Emotion.

"Our (central) nervous system functions as a sentry by continuously evaluating risk in the environment.Through neural surveillance mechanisms, our brain identifies features of risk and safety. Many of the features of risk and safety are not learned, but rather are hardwired into our nervous system and reflect adaptive strategies associated with our phylogenetic history (early ancestors from another time and place and long before thinking was on the human horizon).

These adaptive strategies are automatic (implicit) and out of conscious awareness (explicit). They do not think as you understand it – they are hardwired to react for short term survival. Now, let's apply the reality of what Porges is declaring to you, the trader. First, notice that the brain is built to evaluate risk (your capital) in the environment (the markets). Second, your brain comes front-loaded with hardwired automatic responses that are adaptive to short term survival, rather than long term gain (a bummer for the long term probability mindset needed for trading effectively). The third part is that this is going on behind your back, out of your awareness. And what are you doing as a trader? You are evaluating risk and safety from a thinking brain perspective, while the brain is handling the job from a primal, emotional brain position. Who do you figure is going to win this fight? It's a slam dunk. And the thinking brain never sees the hijacking coming. Under the conditions of risk and stress, it never gets the memo in the first place until after the fact.

What does this look like in trading?

The trader is focused on planning his trade and then trading his plan. This is where the edge in probability favors the trader. That is your rational thinking brain's solution to probability enhancement. It seems only logical to do it this way. Unfortunately, we have anointed logic and the thinking brain as the king (which blinds you to the power of the emotional brain), when really it is only the servant to the primal instincts of survival for the emotional brain. And guess what happens when you walk into a trading situation with a determination that you are going to "plan your trade, and trade your plan"? This logical approach rarely succeeds. And if it did go according to plan, there would be a lot more successful traders than there are. What happens instead is that your thinking brain is simply, and unceremoniously,over-written by a far more primitive and powerful competitive system in the brain/mind that you bring to the performance of trading. That highly prized thinking brain was locked out of the brain's decision-making tree. And you were unaware of this.

Let me give you an example of how lighting fast decisions are really made in trading. The circumstances will be unique, but look at the guiding principle that drives decision making in the brain that finally filters into your trading mind.

A certain client has a problem with impulsive and revenge trading that bedevils him. He will jump into trades that, in retrospect, he knows were not in his trading plan for the day. He also revenge trades and will not let go of a position that has gone against him and simply will not give up, fighting to the last ounce of his strength. He's perplexed. He knows better than this, but he cannot stop himself.

Why would the emotional brain override his carefully laid plans? Let's review how his brain adapted to experience. This man grew up in a South American country where a military junta ruled with an iron fist. His family was being hunted down by death squads. Fear was everywhere. Eventually his father was captured and simply disappeared without a trace. Constantly on the run, his mother left her son with various relatives and friends for his protection. He constantly faced poverty, hunger, and fear for his life for many years. Survival was a real and present danger.

Just getting enough to eat at times was a life or death situation for him and his family.And they were depending on him to be able to beg, borrow, or steal enough food to survive. He had to succeed or his family would suffer. He literally faced life and death situations with only his wits to help him. He had to win the day – everybody was depending on him. These were the environmental circumstances that his limbic brain had mandated in order for him to survive.

Consider what his brain learned about survival – "you must win, everybody is depending on you in the darkest hours".This adaptive learning was key to him and his family in order to survive against incredible odds. And it was hardwired into him as a successful survival strategy at the level of the limbic brain – and before thinking.

Limbic (Emotional) Learning Migrates from the Past to the Present Moment

Now fast forward several decades. He is an adult now whose drive has produced success on a large scale. He owns a conglomerate company that has hundreds of employees. This fierce need to succeed (or else) drove him to financial success that few achieve. Then he began trading. That's where the trouble began. He had been hardwired to not take a loss (it's lethal, remember) and he had to succeed because many were depending on him. The brain is evaluating risk and safety for its short term survival mandate. In trading, where the brain is supposed to evaluate risk and safety in the context of long term probability potential, unconscious (implicit) adaptive responses the emotional brain made in another time and place are triggered in the face of the uncertainty of risk and safety by the short term survival instincts experienced long ago. Limbic learning swamps the rational trading plan.

In that moment the thinking brain simply is not accessible. The automatic response to the threat of uncertainty and risk is:He MUST succeed because everyone is depending on him. When he experiences a trade going against him, the mental model is exactly the emotive response of his limbic brain to the situation. Thinking is pushed aside until it is safe. Remember in his adaptive response to challenges of uncertainty and risk is a mandate to succeed at all costs. In the new environment of trading, the response to perceived threat is disastrous.

This is how the limbic brain learns how to interact with the environment of potential risk and threat. Look at your own trading to see what limbic learning is managing your encounters with uncertainty and risk. It does not have to be as dramatic as the real life example above. Scarcity thinking is adaptive and is rampant in the families of the world. The point is that the survival instincts of your limbic brain will adapt to solutions to uncertainty, threat, opportunity, and risk. Once it finds a solution that works for the short term survival of the organism (trader), it will lock the answer into a permanent response pattern to perceived threats or opportunities. And until you learn how to unlock these unconscious (implicit) remedies, you are stuck with them. That's the rub.

Add Psychology to Adaptive, Survival-Focused Limbic Learning

Up until this moment psychology is not the driver of the reactivity to uncertainty and risk. This is the way a mammalian brain evolved to deal with the challenges of living and stress. Now let's take these limbic learnings (that are happening below conscious threshold) as they work with the thinking brain. Those limbic solutions to managing uncertainty take on the power of beliefs. At first it is all about survival in the moment. As psychology awakens, beliefs about your capacity to deal with uncertainty begin consolidating from these limbic learnings. Now instead of just a survival adaptation working with conditions in the environment, the organism (the trader) encodes beliefs that are at the root of the limbic solution.

As psychology arises from its biological ground, the trader comes to believe certain things about him or herself. That they are inadequate (not smart enough), have to win to matter, don't deserve success, or are powerless to influence their destiny. These beliefs, once formed and encoded into psychology, are projected onto the markets. This is where you figure out that you are trading your beliefs about your capacity to manage the challenges of life. And then a story (called a narrative) is created in the emerging mind that explains what the limbic or emotional brain has already decided. Now you have psychology interfacing with biology.

Traders tell stories about their beliefs of winning and losing. About making things happen and being in control. The alpha wants to win to prove himself, while the perfectionist wants to do everything right so he will not lose. It is these stories that constitute your psychology of winning, off being right, or of never measuring up. And as you tell these stories to yourself and act on these stories, you find out if they are effective at extracting capital from the markets. The story and the beliefs that drive your narrative are revealed in the health of your trading account. At the core are the beliefs that arose from the limbic response to the challenges of uncertainty and risk. The thinking brain simply created a story to justify what the limbic or emotional brain decided. That is where traders arrive in their trading, get stuck, and stay stuck – until they come to understand that beliefs, like limbic learnings, are fluid and adaptable.

This is the link between your emotional brain adapting you to survive in an environment (remember our friend who survived the death squads) and the psychological beliefs that arise from those learnings. Every time you experience fear in some aspect of trading, you are experiencing the adaptive limbic learning that has given rise to your beliefs about your capacity to manage uncertainty. Your trading account reveals whether or not those beliefs, rooted in the adaptive responses from your past, are effective for managing the uncertainty of probability. Unfortunately most traders stay stuck in their thinking brain's invented story and avoid getting at the root of the problem and changing the way their trading mind engages uncertainty.

The Triumph of Trading Psychology – Emotional Brain and Thinking Mind Integration

The emotional and thinking brain need to work together to build the mind optimal for effective management of uncertainty and risk – the trading mind. In the same way the brain shapes the mind, the mind can also shape the brain. This is the loop that links biology and psychology. There is a mountain to climb – no doubt about it. And you can redesign a brain that evolved for short term survival in the face of risk and uncertainty into a trading mind that is comfortable engaging uncertainty and risk. This is the challenge of developing the trading mind.

My attempt here is to help you understand the problem that has to be solved if you wish to develop an effective trading mind.Without understanding the problem properly, there is little likelihood that the trading mind can be developed. But understanding the problem in new light gives direction to the quest. It is the first step. The mountain still has to be climbed, but with new understanding you can climb in the light of your new awareness.

If you are like most traders, emotionally illiterate, the crashes are only seen after the fact. And you cannot understand why your trading mind keeps getting emotionally hijacked – you're trying so hard.You are clueless about the way the brain makes decisions when exposed to uncertainty, risk, and potential capital loss. Fully more than 90% of the trading decisions you make are happening below the conscious threshold in the Emotional Brain. The coveted Thinking Brain does not even show up as part of the decision until after the fact. Traders fight this invisible enemy because they refuse to adapt the old survival programming of their primal brain for the rigors of managing risk in a world of uncertainty. This dilemma is why it is so difficult to produce success in trading. You are asking the brain to do something that it is not designed to do – and yet, you keep forcing the issue, thinking it will be different this time.

Trading forces you to really examine which mindsets work and which don't work. And what traders are continually forced to acknowledge is that the brain/mind they brought to trading simply does not manage probability well at all. It's nothing personal. But if you are to become consistently profitable, it is your responsibility to change what nature has given you. Your trading account cuts to the bone. It shows you, beyond all doubt, if the mind you trade with is working effectively or not in managing uncertainty and probability. In truth, the reason so many traders fail is because they refuse to adapt, despite the mountain of evidence that demonstrate the old way is not working.

In evolution and in trading, it is not the fittest or strongest (or the most knowledgeable) that make the survival cut. Wait, didn't Darwin say that survival belongs to the strongest? No, he did not. What evolves and moves on from the challenges of engaging uncertainty is being the most adaptive – this is the crux of creating success in trading. Failure to adapt is the biggest obstacle that stands between your idea of success and the reality of trading. People refuse to adapt even when overwhelming evidence indicates the pressure or need for adaptation is real and present.

In trading, extinction is not about a species dying off and disappearing from the gene pool. Rather it is about your capital being extinguished over time so that you are no longer contributing to the capital risk pool of the markets. The capital disappears as does the trader – another dead end trail because the trader did not heed the need to adapt. Adapt or perish. It's pretty simply in concept. So why is it so hard to do? Well, for starters, the brain you know so little about – your Limbic Brain – it dead set against your attempting to force logic upon it when Logic is not part of the calculus of its operation.

Recognizing the Need for Honest Change

Your performance problems start with the great divide called your Thinking Brain and your Emotional Brain. The Thinking Brain is that part of you that thinks in language. It's analytical, rational, and solves abstract problems – like those found in trading. It also creates narratives – the stories we hear in our heads about us and who we are. You probably have heard the narrative Self Doubt erupt in your mind when trying to make a trading decision. The key to understanding this is to accept that you are not having thoughts about Self Doubt. Instead thoughts (called a narrative) are having you – creating your experience of managing uncertainty. And most people become so identified with these stories that the Thinking of Left Brain has created, that they believe that the stories are the truth. It never even occurs to them that these stories need to be examined. They are not you, but they are happening to you as a Historical Narrative of the way your Limbic Brain learned how (in another time and place) to deal with the short term survival aspects of uncertainty.

And that is the exact problem with trading. Because your trading account forces you (eventually) to start examining the stories that you are telling yourself about who you are. Many of the stories that traders tell themselves simply are not consistent with the unbiased news that their trading account keeps revealing to them. Typical stories are:"I'm a disciplined trader" (yet your trading account shows a lot of undisciplined behavior); "I'm a successful trader" (yet your trading account reveals a lack of success); "I'm a patient trader" (yet your trading account shows a lot of erratic and impulsive moment s); “I only take trades that fit my rules” (yet your trading account shows that you take trades outside of your rules). The narrative and stories go on. These are only a few that show the inconsistency between the narrative produced by the Thinking Brain and its desire to be a winner and the clarity that the trading account reveals about the story that the Left Brain has created.

What we see is that the story that the Left Brain creates and keeps telling itself (and you) often does not measure up to the evidence that the trading account reveals. But the trader is really invested in the narrative and feels uncomfortable and vulnerable when the narrative is disputed by evidence. Humans prefer the fiction created by the Left Brain over the inconvenient truth revealed by the trading account. Or as Groucho Marx once quipped, “Who you gonna believe? – your lyin’ eyes, or me?”

The brain simply does not want to let go of an organization of the Self that has already been constructed and feels true – even if it is not working in managing Probability.This is where the natural selection power of evolution will produce extinction if the trader resists change. What traders miss is realizing that the Left Brain has only created a narrative that supports what the Emotional Brain has already decided. Not only is the narrative a rationalization, or alibi, that the Left Brain has created to support the Limbic Learning (unconscious) of the Emotional Brain, but also the quality of thinking that comes out of the Left Brain is emotional-state-dependent. Rational thinking is not independent of emotion. It is deeply influenced by emotional meaning.This is the watershed moment that separates elite traders from the rest of the pack that struggle.

The Thinking Brain is a servant to the Emotional Brain.It is not independent. Nor is it in charge – it only looks that way in a trader’s mindlessness. The conscious, language heavy, Thinking Brain really does not run the show – though it tells a story that it does. It is the Emotional Brain, that ancient brain that all social mammalians share, that dictates how you as a trader engage the uncertainty as revealed in trading. And until you master your emotional nature, you will find success in trading to be a roller coaster ride. Your Emotional and Thinking Brain have to work together. This is the elephant in the room that everyone denies is really there. It is also what keeps you stuck in present performance patterns.

Understanding Your Emotional Brain on Trading

Your Emotional Brain is primitive and primal. It does not perceive the way the Thinking Brain does. It is built to scan the environments for threats, risk, and safety factors. It does this from a short term survival perspective – literally survival in the moment. It does not think or evaluate. Information comes into the brain and based on history and what has been successful in the past, a lighting decision is made about how to react to the factor in the environment.As a trader you experience this primitive decision tree every time you feel fear of potential loss when looking at trade entry points.You also experience this survival, instinct-driven decision-making every time you experience a trade going against you and you feel the fear and anger which leads to revenge trading.

None of this involves thinking and evaluation on a logical level. Rational thinking and logic are way down the pecking order in decision-making under stress. Thinking and evaluation simply got pushed out of the way once fear, anger, or impulse blossomed into emotional force. Thinking then followed the emotion that triggered and then took over the mind. You also experience this sequence every time you feel FOMO – take the profit before it is taken away from you! The urgency to protect the skinny profit by the survival instincts of the Emotional Brain blows the Thinking Brain's desire to see that trade reach its target. Thinking comes in late to create an alibi for what the survival instincts of the primitive emotional brain already decided. There's that fiction, or storytelling, aspect of the Thinking Brain in action – late to the party but with a good excuse.

Under the stress of risking capital, this is how an untrained mind behaves. It is focused on survival in the moment, controlling outcome, being right, and not losing. The problem with trading (compared with other endeavors) is that the trader has to acknowledge his lack of control over outcome, that he is often wrong, and that he is going to lose often. When the brain is forced into accepting this new reality, "something's gotta give" – and what "gives" is impartial thinking. Fight/flight triggers because the uncertainty over the outcome has triggered the trader's brain to experience vulnerability. The feeling of vulnerability is directly linked to triggering of the fight/flight response to uncertainty – the very thing that the trader does not want to happen.

How Do You Get Out of This Fix?

When the Emotional Brain first engages uncertainty, it learns to solve the problem of short term survival presented by the stressor. This is called a Limbic Learning. This problem solution is amoral – it simply wants to find and incorporate a way of dealing with the potential threat of the uncertainty. If it is successful, that learning locks into neural networks and simply fires as a proven way of solving the problem. Much later a psychology of meaning moves the Limbic Learning (amoral in nature) into something new – an emotional belief. It is here that Trading Psychology develops.

Ultimately you need to change the beliefs that you, the trader, is projecting onto the markets. Those beliefs are reflected in the health of your trading account. However, those beliefs have now been encoded into emotionally reactive patterns supported by neural pathways. These emotionally reactive patterns have to be calmed down BEFORE you can get underneath – to the beliefs, assumptions, and biases that drive your performance under the stress of uncertainty.

In my work this process follows a sequence. First the trader has to retrain the body's triggering to emotion. The emotional triggering is a reactive pattern that fires and then takes over the mind. In Emotional Regulation you learn how to calm down the intensity of the emotional firing so that it does not hijack the trading mind. That's step one. Nothing else matters until you can regulate the emotion. The next step is learning Mindfulness as a way of slowing down your thoughts and then separating from them. In this step you learn that thoughts will always be there, but you do not have to identify with them and get carried away into that world of thought. You, instead, can step back out of the thought train and re-center yourself.

These are the two essential skills. And with Mindfulness you begin exploring the different aspects of your humanness and discover that your mind is a busy neighborhood.A neighborhood with some really great neighbors and some really bad neighbors. And you begin to discern them through Mindfulness. You discover that you have choice over what aspects of the Self govern the mind that engages uncertainty. This is where you really begin to get control of the mind that you bring to the moment of performance.

You learn to let go of the impossible task of trying to control outcome (that you never had control over anyway). And you begin to focus on what you do control – and this is big. You learn through applied mindfulness how to control the emotional programs that give rise to the quality of your thinking. Instead of a mind rooted in fear and/or aggression that engages uncertainty, you find that you can bring a mind rooted in discipline, courage, self-soothing, and impartiality to the table of trading. This is the psychological edge needed to produce the method edge you have, in theory. Now the emotional brain is your partner with the Thinking Brain. They work together as one unit. This is the Traders State of Mind needed for working effectively with the uncertainty of risking capital. This is the Probability Mind that has evolved from the fear based mind that you brought to trading. You have become the designer, rather than allowing natural selection to determine the mind you bring to trading.

Mastering Fear and Impulse

What is the real problem that makes it so difficult for you to stay emotionally centered while trading? Let's redefine the problem traders have with their performances in trading. And get a better understanding of the problem of inconsistent performance so that the core of the problem can be revealed – so you can go about solving the real problem rather than just trying to put a band-aid on a symptom of the problem.

Every day traders walk into a trap and get blindsided emotionally. They have no idea what they are getting themselves into when they engage the uncertainty and risk found in trading. They don't grasp that instinctive decisions are being made and acted upon without conscious awareness – but they see it happening to them. Often their experience prior to trading came from a world where they appeared successful in controlling their destiny by sheer hard work, a winning attitude, and persistence. And of course, they then try to apply the same principles of winning, or prosperity psychology, to trading. And when they do not succeed, they try harder. Then harder. But the harder they try to force their old winning mindset to fit their new world of trading, the more persistent the problem of consistent profitability becomes. Traders get and stay stuck in this quandary despite their best intentions.

Based on their past success, the last place in the world they would look for solutions to their trading problems would be in their own psychology. They feel that their mindset is an asset to their eventual success and they need to simply find and fix the problem. Yet no matter how many toys they buy, courses they take, or teachers they have studied with – the problem of consistent profitability is still there vexing them. They cannot shake it. Somewhere there is a crack in their plan for success. Emotions still get in the way. Whether it is based in fear or aggression, emotions still hijack their performance and it costs money and time. Only after hitting a brick wall repeatedly does trading psychology get on the radar screen of the trader.

What You Do Not Understand Will Hurt You

Ignorance of your human and emotional nature is the fast lane to destructive trading. Emotions are inseparable from thinking and, consequently, trading. It is the height of mindlessness to believe they are separate. Yet little effort is given to developing the emotions tied to trading performance. Instead only more Left Brain knowledge is taught. In fact, you do not have emotions – they have you. Let me illustrate this point. Your brain is composed of two separate spheres – the Left and the

Right Brain. And they are connected by a communications link called the corpus callosum. The corpus callosum facilitates both sides of the brain to work together, combining the emotions of the Right Brain with the logic of the Left Brain. When they are working together in synch, your brain functions on a high level – perfect for the demands of trading. And what is striking about the two halves of the whole brain is that each half is about the same size as the other. You'd think people would notice that – but they don't.

In the way trading is taught and practiced, only the Left Brain (center of logic and reason) is developed. What happens to the Right Brain in trader development? It is ignored or given superficial platitudes instead of real training. So the mind that traders bring to trading is built from a highly developed Left Brain where knowledge is developed about theories of working with Probability. But the Right Brain is not trained to complement the reason and logic of the Left Brain when exposed to uncertainty and risk, with no reset button. Instead, the Right Brain is pushed aside and left to the original primal programming developed in another time and place. And therein, lies the big problem for traders who seek a stable mind to work with the uncertainties and risks of trading. You are literally asking an emotional brain, developed for short term survival in a dangerous world from another time, to stop reacting to the danger of uncertainty and risk because of your naivety. Reality does not work this way, as your trading account will attest. You must understand fully that one half of your Brain (and, therefore, the mind that arises out of it) is devoted to emotion. You need emotion (not just reason) to develop the brain for engaging the uncertainty and risk of trading.

The problem is that the emotional brain you brought to trading (through no fault of its own) is not up to the task.It is still rooted in an understanding that uncertainty and risk are bad for the survival of the organism (that is you, the trader). It still is scanning the horizon for saber toothed tigers and other dangers that threaten survival in the short term. All that knowledge you have developed for effective trading is useless if the emotional brain being used to work with that knowledge is straight from your caveman ancestors.

Who do you think wins when the Emotional Brain is triggered to survival instinct while your Left Brain is trying to think rationally? It's a no-brainer – but traders keep trying to force survival emotions into submission so that they can trade "without emotion". Trying to force an undeveloped emotional brain to engage uncertainty and risk calmly and patiently is going to lead to emotional hijacking. Literally, the Emotional Brain just cuts off contact with the thinking Left Brain – there is no struggle. From that point, all action is driven by primitive emotional programs (fear and aggression) while the thinking brain is simply shut down until further notice.

Your Emotional Brain is your partner in trading performance whether you like it or not. And it is an equal half of your mind's engagement with uncertainty. Probably the most important one. Why? Because the emotions of your Right Brain make a decision first – then the rationalizing Left Brain creates a story to support whatever your Emotional Brain has already decided. That's because all thinking is emotional state dependent. This is what gets traders in trouble. They believe that their rational self is in charge. It's pure deception. Yet that is what traders are usually taught as emotional state management. Think about the last time that a trade went against you and you reacted. In the fear/aggression response to the trade going against you – notice the thinking that was going on. It was supporting the emotional response of the Right Brain. It is not being rational. Rather it is creating a story that leads to revenge or helplessness. Only after all the excitement is over does the reason of the Left Brain come back on-line and you can hear yourself ruminating, "What was I thinking?" The emotions of the moment determined the kind of thinking that the Left Brain produced.

And all this is happening underneath the radar of your thinking brain. This is the mindlessness that you have to awaken from – in trading it will rob you of your potential. It is estimated that more than 90% of the decisions you make under the stress of trading are made by the emotional brain – with the thinking brain only making an appearance in a supporting role. I know this is not the way you'd like it to be. But if you can grasp that the emotional brain has this much influence over your success or failure – and it is wired to abhor uncertainty and risk – it becomes apparent that this HALF of your brain needs to be developed to work with Probability.

This can open a huge door for you as a trader and the way you engage the uncertainty and risk of trading. The Right Brain does not want to do what you are trying to force it to do. And the more you attempt to force it – the more it will continue to hijack the needed thinking and reason of the Left Brain. Even though the Emotional Brain is designed to want to be in control and to be right, it can be taught to engage Uncertainty and Risk very differently than the way it evolved. And that is good news.

Re-Designing the Right Brain for Probability Management

The brain and mind you bring to trading every day, when responding to the danger of uncertainty, is rooted in fear (avoiding threat) and aggression (attacking threat or opportunity). These pathways are so etched into your neuro-circuitry that they are called the fight/flight response of the sympathetic nervous system. It is built to respond to threats in the environment reactively and very fast by bypassing thought (or the Left Brain function). This is just the primitive emotional programming with which all human beings are endowed. So your brain is simply doing the job that evolution evolved it to do. But you are not stuck with what nature gave you.

Fortunately there is another pathway that can trigger when the brain (or the trader's mind) engages uncertainty with real risk. That other pathway is called Approach Motivation. Approach Motivation is characterized by curiosity, openness, acceptance, and patience. It is not a reaction to potential threat, but an openness to possibility. So when the brain engages Uncertainty with the potential of loss, the Attack and Avoid Motivation of the sympathetic nervous system is hardwired to respond to the vulnerability caused by the Uncertainty. But with training, the brain can learn to engage Uncertainty and vulnerability from Approach Motivation. This leads to a completely different way of responding to uncertainty. From the rarer Approach Motivation, different emotions arise from the encounter with Uncertainty and vulnerability. Discipline, courage, patience, and clear thinking create a curious, patient mind that takes on a long term view rather than the short term survival, instinctual wiring of fight/flight.

This happens on a subconscious level – as Malcolm Gladwell described in his book Blink…in the blink of an eye. The brain can be re-trained to shift from sub-cortical (subconscious) survival reactivity when encountering Uncertainty (fight/flight) to the Approach Motivation where both Left Brain and Right Brain are working as a coordinated team. The vulnerability experienced as a result of encountering uncertainty and risk is simply part of the human experience. But you can radically change the emotions that show up in the midst of that vulnerability that give rise to the mind that engages the moment – changing from Attack/Avoid Motivation to Approach Motivation. The trader needs the Approach Motivation to develop a long term success mindset for managing Uncertainty. This is the emotional development that traders need to embrace. The Left Brain needs a partner so that it can deliver its promise of reason and logic. And the Right Brain needs development so that it can deliver the emotional goods needed by the Left Brain.

Becoming a Patient Trader Through Mindfulness

Notice the jump in mindfulness that has to be made in order to become witness to the deeper drama going on when you are trading in an environment of uncertainty and real capital risk. Staying mindless in trading is going to keep you stuck in self-limiting emotionally reactive patterns. Coming to a new understanding of the problem you face every day in trading can open a very new door in learning how to manage the mind you bring to the moment in trading.The brain can be re-trained for the conditions of the trading environment. The first step of mindfulness is noticing that the brain and mind are very different that you thought they were. Instead of mindlessly using your brain and mind as a battering ram, you can mindfully develop the brain and mind to integrate emotion and knowledge to produce a highly effective awareness for the management of your experience of uncertainty. Defining the real problem can help you set your trading free from the limitations you have inadvertently established.

That very real problem is that the brain/mind you bring to trading is not going to work with the demands of managing the uncertainty of trading. The brain wants short term control over outcome and it wants to be right – a formula for trading disaster. You need a mind that is focused on performance in the moment, rather than outcome. The brain can be trained to do this. It is the trader that has to wake up to this reality. It becomes a choice. Every time you evaluate your trading account, it is telling you what choice you are making. The question that arises from this reckoning is simple: Do you choose to be right, or do you choose to be effective? And your trading account holds the mirror of truth.

Chapter 3 risk management

Take proper risk

Trading involves the risks and uncertainty. You take a trade based on insufficient information in the unpredictable market environment. The successful risk management is to take risk in a controlled way, by following the rules, manage draw downs, cut loss, add to winners, etc.

Risk and uncertainty of the market can affect your trading performance directly. So this require you to manage the risk actively to be profitable in long run. Even you hate risk, you still need to manage the risk as they are nature of trading world. With the great practice of risk management, you can be trained to monitor your positions, controlling loss in intuitive manner to improve performance.

To manage your risk, you need first identify the two basic issues:

* How much can you tolerate to lose ?

* Does risk management can secure i have chance to continue trading for rest days?

History - Google Chrome

Secure | https://trade.nadex.com/dealing/pd/cfd/myaccount/transactionHistory.htm?historyPeriod=86400000&historyCode=7&historyDateFrom=T...

Type	Date	Time	Description	Amount
Settlement Payout	02/14/18	04:20:02	10 LONG GBP/JPY >142.36 (4:20AM) @ 76.75	$1,000.00
Settlement Payout	02/14/18	04:20:03	10 SHORT USD/JPY >111.05 (4:20AM) @ 59.25	$1,000.00
Settlement Payout	02/14/18	04:20:04	15 LONG EUR/USD >1.1259 (4:20AM) @ 75.25	$1,500.00
Settlement Payout	02/14/18	04:20:04	10 SHORT EUR/USD >1.1263 (4:20AM) @ 10.25	$1,000.00
Settlement Payout	02/14/18	04:20:05	10 LONG AUD/USD >.7105 (4:20AM) @ 65.75	$1,000.00
Settlement Payout	02/14/18	05:00:04	15 LONG AUD/USD >.7090 (5AM) @ 75.75	$1,500.00
Settlement Payout	02/14/18	05:15:00	20 LONG Germany 30 (Mar) >11166 (5AM) @ 65.25	$2,000.00
Settlement Payout	02/14/18	05:15:00	15 SHORT FTSE 100 (Mar) >7189 (5AM) @ 25	$1,500.00
Settlement Payout	02/14/18	06:00:03	13 SHORT EUR/JPY >125.07 (6AM) @ 43.25	$0.00
Settlement Payout	02/14/18	06:00:03	10 SHORT EUR/JPY >125.17 (6AM) @ 28.25	$1,000.00
Settlement Payout	02/14/18	06:00:03	17 LONG EUR/JPY >124.57 (6AM) @ 79.75	$1,700.00

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After you get the answer of these two questions, you can decide how much to risk each trade. And when will you exit the trades before expiry if you trade on Nadex. But if you trade binary option on binary.com, you cant close trades before expiry. This should be considered. Therefore, you may risk smaller on binary.com as you cant cut loss if the market against you.

To decide how much you want earn from the trad,e you may need to calculate how much the market need to move in your favor. Then set a stop profit there. And calculate how much you can afford to lose to set a stop loss their. Most traders set the stop loss or stop profit near the support/resistance level. This is good strategy but if you trade binary option, you don't need this. You only need to be correct at some specific time. But a good trend following can increase your chance to win.

Manage open positions actively

To make money, you need keep the profitable trades grow and exit the losing trades soon. In this way, you would keep a higher profitability. As discussed earlier, this is counteract to our human nature. So this need you train your brain to adopt this changes.

On Nadex trading, i generally close all trades before expiry on some cases as the market become highly volatile when there is news or event. It is a good choice to exit with profits before them. There also change when the market move in my favor in deep. The market reverse is in a very low probability, then i would choose to stick and keep the positions till expiry to maximize the profits.

I generally risk 2% of the capital on each trade if trading on binary.com and 5% of capital on Nadex trading. You need calculate your own risk level according to your risk tolerance level before you start trading. Then just follow the rules. I know It is hard to follow but it is must if you want to make money consistently.

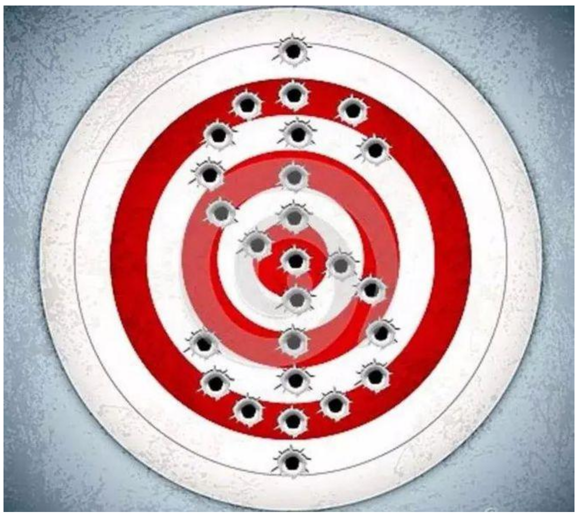
Chapter 4 Trade like a Sniper

Machine-gunner vs Sniper

In the war, a sniper has an edge to his/her enemy: patience, great shooting and self control under long time high pressure. We can use the similar concepts in trading. In the trading, you also need a edge: a trading system which produce good signals. And you need master the system to maintain a high winning rate. You also need to develop and train yourself to keep high level self control and discipline. When you in faced with the over trading and fast money seduction, you can perfectly execute your plan and edge. Your account just like the life of a sniper. We need actively to control our mind and behavior to survive and succeed in trading.

The sniper trader pursue the high winning rate. They place very few trades compared with others. This kind of traders generally survive and make money in long run. They value every dollar risked. While most other traders just trading like a machine-gunner. They soon used off all their bullets. Has no money to trade when the real good trading signal shows.

When you trade like a machine-gunner, you may place trade when every



you see a chance and expect you could win every trade. But the truth is market always move up and downs. When you place trades too frequent, you can win some trades while lose some. From the perspective of

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	86… 021	eUSDT	14 Jul 2022 01:12:54 GMT	10.00	14 Jul 2022 01:27:55 GMT	17.79	+7.79
	86… 241	eUSDT	14 Jul 2022 01:12:51 GMT	10.00	14 Jul 2022 01:27:52 GMT	17.84	+7.84
	86… 941	eUSDT	14 Jul 2022 01:12:48 GMT	10.00	14 Jul 2022 01:27:49 GMT	17.62	+7.62
	86… 941	eUSDT	14 Jul 2022 01:12:03 GMT	10.00	14 Jul 2022 01:27:04 GMT	18.18	+8.18
	86… 361	eUSDT	14 Jul 2022 00:55:05 GMT	10.00	14 Jul 2022 01:15:06 GMT	0.00	-10.00
	86… 901	eUSDT	14 Jul 2022 00:54:49 GMT	10.00	14 Jul 2022 01:09:50 GMT	0.00	-10.00
	86… 141	eUSDT	14 Jul 2022 00:54:45 GMT	10.00	14 Jul 2022 01:09:46 GMT	0.00	-10.00

statistics and probability. You may break-even, slight in loss or profit. Considering the time cost and commissions paid to broker, you will lose money in long run.

While the sniper trader would choose wait with patience and only place trades when there is very high chance. They does not pursue 100%

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	8[redacted]21	eUSDT	04 Jul 2022 01:26:22 GMT	30.00	04 Jul 2022 01:56:24 GMT	54.58	+24.58
	8[redacted]01	eUSDT	04 Jul 2022 01:26:20 GMT	30.00	04 Jul 2022 01:56:24 GMT	54.58	+24.58
	8[redacted]21	eUSDT	04 Jul 2022 01:26:17 GMT	30.00	04 Jul 2022 01:56:19 GMT	54.58	+24.58
	8[redacted]21	eUSDT	04 Jul 2022 01:25:35 GMT	30.00	04 Jul 2022 01:55:37 GMT	54.58	+24.58
	8[redacted]51	eUSDT	04 Jul 2022 01:25:33 GMT	30.00	04 Jul 2022 01:55:34 GMT	54.58	+24.58
	8[redacted]51	eUSDT	04 Jul 2022 01:25:30 GMT	30.00	04 Jul 2022 01:55:31 GMT	54.58	+24.58
	8[redacted]01	eUSDT	04 Jul 2022 01:25:27 GMT	30.00	04 Jul 2022 01:55:31 GMT	54.58	+24.58

strike rate but they make no efforts to secure a 100% winning rate.

Less is more

As a trader, what we can learn from sniper is "less is more" however, for a newbie, he would think the more the better. So they try to learn and add more indicators on their charting. Do more trading and more analysis. Spend more money on EA or trading robot. If the EA or robot can make money, they wont need waste time to do ads to sell them.

All these wrong beliefs can result in Over trading. Actually, most newbie traders like machine gunner as they want to make more money and dislike to miss any opportunity. Soon they found they used up all their money. Have no more money to take further trading. If you wanna trade like a sniper to win at high rate. Then you would have to accept the basic concept “less is more”. just like a sniper, wait with patience for the target. You just need learn how to wait with patience for the trading edge. Then place trade when the opportunities shows up.

A sniper may need wait hours, even days for the target. On trading, there are much more opportunities. We just need the **patience** to wait the predetermined trading chance shows up.

Longer time frame charting

Generally, the longer time frame can secure a higher winning rate. This also means there is less trading chance shows up. This is more like the sniper trading. If you look at the 1 minute or 5 minutes charting. The trend can reverse very frequently. It is hard to predict with a high chance. With the minutes time framework, the trading system can produce many signals and most are not reliable. If you try to place trades on them. The winning rate would be very low. The turnover would be very big but profit just get diluted by losing trades. This is also related to your trading products. If you trade forex, stock, etc. You may look at the 1 hour or daily candlestick charting to identify the trend. However, if you trade binary option with short time. You may choose 5 minutes or 15 minutes time frame on charting. Our ultimate goal of trading is make money not playing or satisfy the personal addiction.

Patience training like sniper

Patience is the typical characteristic of a sniper. This secure their strike rate. On trading, most traders lose patience. To avoid the miss of any chance, most newbie traders inclined to trade the signal they found on the charting. They explore the charting and found there is"good chance signal" then place trades accordingly. They dont have a predetermined setting for signal and wait for it. In this way, they will become subjective and the fact is we cant change the market. We can only accept the market movement and do actions according to the objective movement. When you actively looking for good chance, it just become subjective and thus got derivation from the real market. This obviously cause loss. Sometimes, you maybe lucky and win some trades you found. This is will be risky and result in big loss in long run. When comes to real money. It is the nature of human beings to become greedy and impatient. So we need train our patience actively. I would list some tips to help train your patience:

1. Do keep fit with exercise regularly. The physical training can reduce your pressure, and help you build your self discipline. This also can enable you keep a clear mind. You can do running, swimming, or whatever strength training.

2. Mediation: this help you improve your emotion management.

3. Boring practice. This method is what i learned from the training of sniper. I would take some boring practice like write the number repeatedly, pick the mung bean from the jumby bean, dig numerous of holes on an egg with needle. Do these kind of "useless" things is boring. After you practice this day after day, your tolerance with your boring things will improve. The waiting for good chance is also boring as your

logical brain become idle. The emotional brain will seduce you to make impulse trades on fake signals.

Chapter 5: ultimate consistent way: teamwork

Teamwork: external control

You may find it is hard for you to succeed in controlling your emotion although you have read many books or training course. You are not alone. I personal have the same experience. I repeatedly make the same mistake before i found a solution that all trading psychology books never talk about. Because nearly all of them actually are not real traders or they have not found the solution. They are outsider while the real successfully traders hide their light on this correct way. It is hard for a trader to train his brain successfully as it is anti-human nature. If you cant control yourself, there is one easy way to out: teamwork. I'm not mean you need to build a big team with many members. It can be in any flexible style. Can be at least two members. This is totally depending on your specific backgrounds. I would my put my own case as an example.

My own experience

Firstly, i reviewed my own trading history, and find that the overall winning rate is 73.67% in those 7 years. This means i have a good sense of the market. At least I'm having an edge. If i can stick to the money management like i discussed above, there should be good profits consistently. However, i lost big twice in the past. I feel defeat and powerless in front of such a high winning system but produced big loss unexpectedly. I repeatedly make mistakes make me lose the confidence to control my self. In those days, my wife inspired me for the trading. This totally changed my trading career. She know nothing about trading so he can propose the idea of “teamwork”. it is so simple but i never thought of.

When you cant control yourself successfully, then just change your mind to invite another member to build a member. If you trade independent by yourself, this could be a way out for most of you.

In the following days, i only do meditation, watching the market movement calmly, wait for opportunity with patience. When i see a nice chance according to my system. I would ask my wife to place the trade according to the planned money management rule. She managed the account, control the password, i only watch the market and provide the order for her to place. In this way, i can avoid the emotional trades. So there is consistent profits in long run. On binary option trading, this is possible as she only need click the mouse to place put or call orders. This trading style kept till binary.com limited our accounts after won big money.

After get limited by binary.com, i have to seek for new trading opportunity. In the mid 2015, my friend Ms Jones in Chicago asked me to manage her nadex account with 100k as a starting capital. Nadex is a little complex for my wife to place trades and manage the positions. While on binary.com you cant exit trades before expiry. On nadex, we need manage the position actively to maximize profits or cut loss. Then i have to build a new team. Then i invited my classmates from the major of mathematics, psychology and finance. Three of us make the trading decision together to improve the winning chance while one trader place trades and manage open positions.

During the rest of 2015, we made 450k for each of us with compounding (she paid me 50% of the net profits) on the Jones' Nadex account . From the beginning of 2016, Jones referred another 3 friends of her to let me trade for them. the capital size grows to 700k USD in total. From then we begin the account management for others. I don't want to be a billionaire or something like that. Trading is only a life style. There are many things to pursue and enjoy in my life. That's why i would not hesitate to share my own successful experience.

Appendix: trading record on a VIP client's deriv.com account

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	86[redacted]31	eUSDT	11 Jul 2022 01:26:10 GMT	50.00	11 Jul 2022 01:56:11 GMT	90.95	+40.95
	86[redacted]51	eUSDT	11 Jul 2022 01:26:08 GMT	50.00	11 Jul 2022 01:56:09 GMT	90.95	+40.95
	86[redacted]01	eUSDT	11 Jul 2022 01:26:06 GMT	50.00	11 Jul 2022 01:56:09 GMT	90.95	+40.95
	86[redacted]31	eUSDT	11 Jul 2022 01:26:03 GMT	50.00	11 Jul 2022 01:56:05 GMT	90.95	+40.95
	86[redacted]31	eUSDT	11 Jul 2022 01:26:01 GMT	50.00	11 Jul 2022 01:56:04 GMT	90.95	+40.95
	86[redacted]31	eUSDT	11 Jul 2022 01:25:59 GMT	50.00	11 Jul 2022 01:56:00 GMT	90.95	+40.95
	86[redacted]21	eUSDT	11 Jul 2022 01:25:57 GMT	50.00	11 Jul 2022 01:56:01 GMT	90.95	+40.95

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	85[redacted]81	eUSDT	29 Jun 2022 02:01:03 GMT	50.00	29 Jun 2022 03:01:04 GMT	90.97	+40.97
	85[redacted]41	eUSDT	29 Jun 2022 02:00:55 GMT	50.00	29 Jun 2022 03:00:56 GMT	90.97	+40.97
	85[redacted]81	eUSDT	29 Jun 2022 02:00:51 GMT	50.00	29 Jun 2022 03:00:52 GMT	90.97	+40.97
	85[redacted]81	eUSDT	29 Jun 2022 02:00:46 GMT	50.00	29 Jun 2022 03:00:47 GMT	90.97	+40.97
	85[redacted]61	eUSDT	29 Jun 2022 02:00:43 GMT	50.00	29 Jun 2022 03:00:44 GMT	90.97	+40.97
	85[redacted]41	eUSDT	29 Jun 2022 02:00:40 GMT	50.00	29 Jun 2022 03:00:42 GMT	90.97	+40.97
	85[redacted]81	eUSDT	29 Jun 2022 02:00:31 GMT	50.00	29 Jun 2022 03:00:32 GMT	90.97	+40.97

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	85[redacted]41	eUSDT	29 Jun 2022 02:06:08 GMT	50.00	29 Jun 2022 03:06:09 GMT	90.97	+40.97
	85[redacted]41	eUSDT	29 Jun 2022 02:06:06 GMT	50.00	29 Jun 2022 03:06:07 GMT	90.97	+40.97
	85[redacted]01	eUSDT	29 Jun 2022 02:06:03 GMT	50.00	29 Jun 2022 03:06:05 GMT	90.97	+40.97
	85[redacted]61	eUSDT	29 Jun 2022 02:06:01 GMT	50.00	29 Jun 2022 03:06:02 GMT	90.97	+40.97
	85[redacted]01	eUSDT	29 Jun 2022 02:05:59 GMT	50.00	29 Jun 2022 03:06:00 GMT	90.97	+40.97
	85[redacted]01	eUSDT	29 Jun 2022 02:05:57 GMT	50.00	29 Jun 2022 03:05:59 GMT	90.97	+40.97
	85[redacted]01	eUSDT	29 Jun 2022 02:05:54 GMT	50.00	29 Jun 2022 03:05:55 GMT	90.97	+40.97

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	85[redacted]81	eUSDT	29 Jun 2022 02:05:41 GMT	50.00	29 Jun 2022 03:05:42 GMT	90.97	+40.97
	85[redacted]61	eUSDT	29 Jun 2022 02:05:39 GMT	50.00	29 Jun 2022 03:05:40 GMT	90.97	+40.97
	85[redacted]61	eUSDT	29 Jun 2022 02:05:32 GMT	50.00	29 Jun 2022 03:05:34 GMT	90.97	+40.97
	85[redacted]41	eUSDT	29 Jun 2022 02:05:29 GMT	50.00	29 Jun 2022 03:05:30 GMT	90.97	+40.97
	85[redacted]41	eUSDT	29 Jun 2022 02:05:26 GMT	50.00	29 Jun 2022 03:05:30 GMT	90.97	+40.97
	85[redacted]81	eUSDT	29 Jun 2022 02:05:23 GMT	50.00	29 Jun 2022 03:05:25 GMT	90.97	+40.97
	85[redacted]41	eUSDT	29 Jun 2022 02:05:06 GMT	30.00	29 Jun 2022 02:35:08 GMT	54.57	+24.57

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	857[redacted]01	eUSDT	27 Jun 2022 01:16:01 GMT	20.00	27 Jun 2022 01:31:02 GMT	37.82	+17.82
	857[redacted]01	eUSDT	27 Jun 2022 01:15:57 GMT	20.00	27 Jun 2022 01:30:57 GMT	0.00	-20.00
	857[redacted]21	eUSDT	27 Jun 2022 01:15:54 GMT	20.00	27 Jun 2022 01:30:55 GMT	0.00	-20.00
	857[redacted]01	eUSDT	27 Jun 2022 01:15:51 GMT	20.00	27 Jun 2022 01:30:52 GMT	38.05	+18.05
	857[redacted]01	eUSDT	27 Jun 2022 01:15:48 GMT	20.00	27 Jun 2022 01:30:49 GMT	37.89	+17.89
	857[redacted]41	eUSDT	27 Jun 2022 01:15:45 GMT	20.00	27 Jun 2022 01:30:46 GMT	37.89	+17.89
	857[redacted]01	eUSDT	27 Jun 2022 01:15:41 GMT	20.00	27 Jun 2022 01:30:42 GMT	37.86	+17.86

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	85[redacted]01	eUSDT	23 Jun 2022 04:00:08 GMT	50.00	23 Jun 2022 04:30:14 GMT	90.96	+40.96
	85[redacted]81	eUSDT	23 Jun 2022 04:00:06 GMT	50.00	23 Jun 2022 04:30:14 GMT	90.96	+40.96
	85[redacted]81	eUSDT	23 Jun 2022 04:00:03 GMT	50.00	23 Jun 2022 04:30:05 GMT	90.96	+40.96
	85[redacted]41	eUSDT	23 Jun 2022 04:00:00 GMT	50.00	23 Jun 2022 04:30:05 GMT	90.96	+40.96
	85[redacted]61	eUSDT	23 Jun 2022 03:59:58 GMT	50.00	23 Jun 2022 04:30:04 GMT	90.96	+40.96
	85[redacted]21	eUSDT	23 Jun 2022 03:59:54 GMT	50.00	23 Jun 2022 04:40:07 GMT	90.96	+40.96
	85[redacted]01	eUSDT	23 Jun 2022 03:59:51 GMT	50.00	23 Jun 2022 04:39:54 GMT	90.96	+40.96

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
AUD Index	84[redacted]261	eUSDT	15 Jun 2022 01:47:12 GMT	50.00	15 Jun 2022 02:02:13 GMT	0.00	**-50.00**
	84[redacted]01	eUSDT	15 Jun 2022 01:47:08 GMT	50.00	15 Jun 2022 02:02:09 GMT	92.79	**+42.79**
	84[redacted]01	eUSDT	15 Jun 2022 01:47:05 GMT	50.00	15 Jun 2022 02:02:06 GMT	0.00	**-50.00**
	84[redacted]01	eUSDT	15 Jun 2022 01:46:31 GMT	50.00	15 Jun 2022 02:01:31 GMT	88.72	**+38.72**
	84[redacted]01	eUSDT	15 Jun 2022 01:46:27 GMT	50.00	15 Jun 2022 02:01:28 GMT	88.19	**+38.19**
	84[redacted]81	eUSDT	15 Jun 2022 01:46:23 GMT	50.00	15 Jun 2022 02:01:23 GMT	88.40	**+38.40**
	84[redacted]21	eUSDT	15 Jun 2022 01:46:19 GMT	50.00	15 Jun 2022 02:01:20 GMT	88.29	**+38.29**

Type	Ref. ID	Currency	Buy time	Buy price	Sell time	Sell price	Profit / Loss
	84[redacted]61	eUSDT	15 Jun 2022 01:45:19 GMT	50.00	15 Jun 2022 02:00:20 GMT	90.26	**+40.26**
	84[redacted]41	eUSDT	15 Jun 2022 01:45:16 GMT	50.00	15 Jun 2022 02:00:17 GMT	0.00	**-50.00**
	84[redacted]61	eUSDT	15 Jun 2022 01:45:12 GMT	30.00	15 Jun 2022 02:00:13 GMT	53.67	**+23.67**
	84[redacted]81	eUSDT	15 Jun 2022 01:45:09 GMT	30.00	15 Jun 2022 02:00:11 GMT	53.55	**+23.55**
	84[redacted]61	eUSDT	14 Jun 2022 01:57:52 GMT	20.00	14 Jun 2022 02:12:53 GMT	35.16	**+15.16**
	84[redacted]21	eUSDT	14 Jun 2022 01:57:50 GMT	20.00	14 Jun 2022 02:12:51 GMT	35.08	**+15.08**
	84[redacted]81	eUSDT	14 Jun 2022 01:57:47 GMT	20.00	14 Jun 2022 02:12:48 GMT	35.16	**+15.16**

If you have any new idea or problems, feel free to contact me. I would be happy to help.

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