

7 Steps to Stop Impulsive Trading From Killing Your Profits! The Psychology of You



**Active Trend Trading
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“Most trading errors come from a lack of patience and a compulsion 'to do something' - even when nothing really needs to be done!”

~ Active Trend Trader

Impulsive & Compulsive Trading

What does an Impulsive & Compulsive Trader Look Like?

1. Driven By Emotions – May have a Winning System but doesn't use it because of:

Fear, Greed, Ego, Lust, etc.

2. Holding onto false beliefs like:

I don't deserve to win!

3. Self-Sabotaging Subconscious Conditioning

Has Success and then Self-Destructs

To Avoid: Become a Mechanical Trader. Switch from a Trader to a Wealth Builder. Admit that there may be issues

The Psychology of You

How we think determines how we trade!

What we think about ourselves effects the way we trade!

George Carlin said, *“No mater where I go—There I am!”*

Learning to become a master trader means learning about and how to master ourselves.

Knowing ourselves is critical to successful trading!

Knowing ourselves helps us to recognize our biases and make critical adjustments to how we trade!

The Psychology of You

There is a saying:

“If you know the market and know yourself, you will consistently profit.

If you know the market but not yourself, ***your success will be random.***

If you do not know the market or yourself, ***you will consistently lose money.***”

- Success in the market is not just about the market; it is also about knowing how you react to fear and greed.
- A trader will continue to struggle if they are unwilling to identify true characteristics about themselves, regardless of how undesirable they may seem.
- Further, the process of knowing yourself as a trader and a person will never end, so start now.
- Recognize that becoming a Master Trader is a never-ending Journey

Biggest Trading Challenge & Opportunity – ME!

Am I up for the challenge and opportunity of me?



Our Biggest Trading Challenge & Opportunity

- **Setting a new course is about taking inventory of ourselves and taking a *Fresh View* of what needs to be done**

I must know about:

- **My Current Skill Level**
- **How I handle Discipline**
- **What role does denial play in my trading**
- **Who Am I**
- **Patience Pays & Over Trading Underpays**
- **Wearing myself out by constantly chasing the vapor of the Holy Grail**
- **Trading Fear & Habits**
- **Managing my expectations**



Food For Thought

I am your constant companion,

I am your greatest helper or your heaviest burden.

I will push you onward or drag you down to failure.

I am at your command.

Half of the tasks that you do you might just as well turn over to me and I will do them quickly and correctly.

I am easily managed. You must merely be firm with me.

Show me exactly how you want something done.

After a few lessons, I will do it automatically.

I am the servant of all great people and the regret of all failures as well.

Those who are great, I have made great.

Those who are failures, I have made failures.

I am not a machine but I will work with all its precision plus the intelligence of a person.

Now you may run me for profit or you may run me for ruin.

It makes no difference to me.

Take me, train me, be firm with me and I will lay the world at your feet.

Be easy with me and I will destroy you.

I am called Habit

~~Author Unknown



The Psychology of You

Review Questions—What are my **HABITS**

- Am I disciplined? *In **What areas of my life am I more disciplined?***
- Do I deny truths about myself?
- Can I follow rules? ***How well do I follow rules?***
- Am I submissive and admissive when I should be?
- Do I easily become emotionally charged and irrational?
- How do I react when I am emotionally charged?
- Do I react without thinking?
- Do I listen without hearing?
- Do I learn without becoming wiser?



The Psychology of You

Year In Review Questions—What are my **HABITS--cont**

- Am I a planner?
- Am I flexible, or rigid in my thinking?
- Am I prideful or humble?
- Am I objective, or opinionated?
- Do I hold a bias, or can I consider facts in an unbiased manner?
- Am I sabotaged by subconscious biases
- Am I stubborn and have to be right all the time?
- Am I greedy?
- Do I act/do things beyond my means?
- **Am I willing to change?**

I want to write down the answers—in my Trade Journal



Our Biggest Trading Challenge & Opportunity

- **A Wise, Disciplined, Consistently Successful Trader has discovered that to the “Holy Grail” of trading is actually within themselves—and has been there all the time!**

Learning a System is crucial—if a trader does not take the necessary action here—the journey is doomed!

Learning About Themselves is perhaps more Crucial—a trader who is unwilling to discover who they truly are is not just doomed but will never untie from the dock!

Applying What we’ve Learned is where we start becoming Wise, Disciplined, Consistent & Profitable



Our Biggest Trading Challenge & Opportunity

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Grade yourself on the following between 1-10 with 10 being strongest:

1. Persistence with my goals
2. Patience
3. Determination to do what it takes to achieve my goals
4. Resilience
5. On Purpose—Stay the course
6. Accountable to myself

Modern Life seems to be haphazard, which effects our ability to master the characteristics above!



Looking for Answers in non-obvious places

Asking the question—is it me?

Most often the answer is that yes it's me but it is also my lack of understanding of the system and other distractions

- ❖ Improving Our Trading Personality may require a multiple pronged approach of starting new habits
 - ❖ Physical
 - ❖ Mental
 - ❖ Psychological



Physical

What am I doing consistently to stay healthy?

- Fitness—how many times a week do I exercise?
- Diet—do I eat healthy?
- Sleep—I can't hoot with the owls and soar with the eagles!



Mental

What am I doing to keep my mental edge?

- Listen to my “self” talk (do I ever call myself “stupid”, or say “you can’t do anything right!”)
- If I find that I demean myself when I talk to myself—I might be getting in the way of success
- Use affirmations to speak out who I really am!
- My choice—out of the mouth come either words that curse or words that bless!
- Change the way you see yourself!



Mental Exercises

“I am a Wise, Disciplined, Consistently Successful Trader!”

say this out loud in front of your mirror 3 times twice a day for a month!

Then add: “and a Darn Good Looking One Too!”

This is at least guaranteed to make you smile! I won't get into the importance of smiling but it does good things for you!!

Others: “I am a Profitable Trader and I apply the skills of a Profitable Trader every single day!



Mental Exercises 2

I am a Wise, Disciplined, Consistent, Profitable Trader because:

I identify trend, support & resistance and momentum on every trade

I know the intermediate and short-term trend on every trade

I know if I am trading the intermediate or short-term trend on every trade

I buy where I'm supposed to buy, and I sell where I'm supposed to sell

I have a stop and target on every trade

I have written rules that follow my system on every trade

Like a master chess player I think several moves in advance—but only trade based on price action

I trade the Market not my thoughts

I follow and trade my rules and the profits take care of themselves

I take consistent action and I am consistently profitable



Mental Exercises 3

Develop a Probabilistic Mind-Set (Mark Douglass—Trading in the Zone)

Admit: Anything can happen

- I don't have to know what's going to happen next to make money
- There is a random distribution between wins and losses
- An Edge is nothing more than an indication of higher probability of one thing happening over another
- EVERY MOMENT IN THE MARKET IS UNIQUE!

I Am A CONSISTENT TRADER BECAUSE: I objectively identify my edges

- I Predefine risk on every trade
- I completely accept the risk, or I will let go of the trade
- I act on my edges without reservation or hesitation
- I pay myself as the market makes money available to me
- I continually monitor my susceptibility for making errors!
- I understand the absolute necessity of these principles of Consistent Success

and, therefore ***I NEVER VIOLATE THEM!***

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