

# **7 Habits** **of a** **Highly** **Successful** **Trader**

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## 1) Take Complete Responsibility:

For the successful trader knows every action he takes, every decision he makes he ,and only he, is responsible for that action.

You will never meet a successful trader who is looking to blame someone else, or something else for the consequences of his results. It just will not happen.

You see, when you accept 100%, no questions asked responsibility for all your actions you close the door to "excuses" behind you. When something goes wrong instead of looking for someone else to shoulder the blame, you will accept responsibility, note it down and vow never to repeat it again. Simply, you are willing to accept you are going to make mistakes, but more importantly, you are going to learn and never repeat those mistakes. A vital component of any winning trader.

Could you imagine Warren Buffet losing a few million \$\$\$'s on a share trade and then blaming the general conditions of the market. Or blaming his broker for giving him dud advice? no way! Just not going to happen. I will guarantee when top traders takes a loss the first thing they will ask them-selves is "Did I follow my rules?" If the answer is yes, then they will look at their rules. Is there something that could be changed in their rules to avoid this loss again? Many times the answer will be a re-sounding no.

On the other hand, if after asking the question "did I follow my rules?", If the answer is NO. Then some deep self explanation will be called for. Why did I fail to follow my rules? How can I stop my-self from doing that gain? Am I likely to do that gain, etc..

But do you notice the wording of the questions? How can I, Will I, Why did I. IHHHH Here the trader knows he takes total responsibility for every trade and is seeking re-assurance that he will not break the rules again.

There's an old saying in trading:  
" If you have to ask you shouldn't be trading"

Think about it. If you have a system that you have tested and proven over the long run that it does outperform the market and it is a system that fits you, why will you EVER have to ask for an opinion? What extra will a third party opinion provide? Apart from confusing you and clouding your opinion?

If you are a long term trend follower then why ask a day trader?  
If you are a value investor then asking a momentum trader will be a total waste of time. What I am saying is, no two people have the same opinion. Why would you believe some-one else over your trading rules? It's a fact of life, and even more so in trading, most people want to be told what to do rather than acting on their own. Yet this is a major reason most people fail in the markets. Either accept total responsibility for your trading action or do not trade at all.

If your number one rule is "to follow your rules" why will you need to ask a guru what they think of your position? If you EVER find your-self wanting to ask a third party about your position do this:

- \* Close the position out.
- \* Review your plan and rules.
- \* Work out why you lack the responsibility to follow that plan
- \* When you are convinced you don't need a third party opinion start trading again.

How can a trader learn to accept total responsibility?  
Have a set of rules and realize THE most important point in trading is following those rules. Once you have a set of firmly established rules you will find your-self not having to follow out-side opinion. In fact I go to great lengths not to listen to outside opinion. Simply because, I know by following my rules I will be on the right side of the market 95% of the time and I will never miss a big move. Those kind of figures are much better than any out-side source can give you.

So from today, learn to take total responsibility for all your trading decisions. Strive to develop and then religiously follow a set of trading rules, knowing it is the importance of following those rules that ultimately determines whether you will win or lose in the long run.

If you ever find your-self thinking, "they did this" or, "the market caused that loss." Change it to: "Did I follow my rules?" If the answer is yes pat your-self on the back as you are on your way to becoming a market winner (one of the minority). If the answer is NO find out why and strive never to repeat this error again.

Accept total and utter responsibility for every trade you take from today and you'll be amazed at how easy trading really is.

## 2) **Have a System That fits You:**

Every successful trader, investor, money manager, etc.. has a system that fits them. Some are long term, some mechanical, some intuitive, day traders, scalpers, arbitrage, value, momentum. The system itself is not the important factor. What is? Is that the system fits their unique personality.

The system does not matter. I've heard of value investors (Warren Buffet) who make untold millions from the stock market. I've heard of day traders taking home over \$2 million per annum in profits. I've heard of a dancer making \$2,5 million from Momentum trading. What do they have in common? As you can see it's not the system but they operate a style of trading that they are both happy with and excel at. They wouldn't dream of trading any other way. No-one told them to trade this way it just happened this way.

Too many traders try to copy the latest hot fad in trading. Right now that would be day trading. But that style of trading will not suite every-one. To be a successful day trader you have to love the short term up and downs of the market during the day. Being in contact with quotes for hours at a time. Yes, there are a number of traders making very good incomes from day trading, but there's many more who lose their shirts within a couple of months and don't even find out whether day trading is suited to their temperament.

For some traders buying a stock and holding on to it for a year as it doubles in price would be torture. Although long term investing can offer fantastic rewards with very little work unless you have the patience and discipline to ride your profits all the way to the top then you'll never succeed with this method.

It's a little like choosing a career. I remember reading a book some time ago about the world's best managers. And one characteristic the author emphasized with all these top achievers was their LOVE for their chosen careers. Most of them said they couldn't believe they were getting paid to do something they loved so much. It's no different in trading. You will only be a top trader if you trade a system which you simply love to trade. You wouldn't swap that way of trading for anything. And the profits you make, well that's just icing on the cake.

How do you find a system you are happy with? You have to work backwards. First work out your objectives!

Ask these questions:

- \* What annual rate of return do I want?
- \* Do I want to trade full time, part time, hardly any time?
- \* Can I handle the stress of day trading and short term trading?
- \* Do I have the patience for long term trading?
- \* What kind of personality am I? Do I need lots of action, Do I need to make decisions all the time?
- \* What trading books have I read and which top traders do I most admire and why? Could you easily copy their style of trading?

What-ever you do don't read about a hot shot day trader and then try to emulate him if day trading is not for you. Strive to find a way of trading you will be comfortable with and aim to become the world's best at this style of trading.

For me I like the thought of buying a share at \$30 and selling it 9 months later for \$130. Sure it doesn't happen all the time. But it only takes one or two of these moves per year to make it a fantastic return. I am very patient. Not only whilst in a trade but I see absolutely nothing wrong with sitting on the side-lines for months. If the conditions aren't right for me than I will not trade. I love the idea of spending just a few minutes per day checking the charts and the rest of the time is mine to study and write, etc.. For me the big money is in the big moves, not the individual fluctuations.

This style of trading will not suite every-one, but the point is after many years of trial and error I have found a system that fits me and I aim to become THE world's best trader with this system. You must do the same. If you are trading a system that does not fit your personality you can never gain the confidence nor the results to truly make the big profits. If you are a new trader or an unsuccessful one then I suggest you start by asking your-self "What kind of trading suites my personality?" Spend lots of time getting this correct as this is you foundation. Build a strong foundation and your trading system will be strong and stand the test of time. Build a weak foundation and your trading system will crumble along with your money.

This is where the majority of traders go wrong. They have no idea which style of trading suites them. They keep buying into the latest software, or listening to the new guru, hoping this will change their trading results. Most never get to know what successful trading is all about as the average

trader lasts SIX months. I believe any trader who can last over TWO years in the market will probably go on to become one of those rare breeds: A Stock Market Winner. Why? Because after two years they start to develop a set of rules that fits them. They start trading a way they are comfortable with. Unfortunately, in their haste to make a ton of money, most traders will never get two years experience before they lose their money and/or their interest.

Say it today.

" I will find a system that fits me and I will become THE world's best trader at this ONE style of trading"

Go and get to work. There's a lot of soul searching to be done.



### 3) Plan a Trade and Trade a Plan:

Without doubt, no trader will last long if he doesn't plan every trade. But there is absolutely no point in making a plan for a trade if you are not disciplined enough to follow it.

A plan should cater for every eventuality. As Richard Dennis (Turtles fame) said, "Don't worry about where the prices are going. Worry about what you are going to do when they get there."

Think about what is being said here. Once you put your money down on a trade you can not control the prices. So stop worrying about what could happen and concentrate on you trigger points and what you will do when these points are violated. By doing this your trading stops being emotional and now becomes very systematic and stress free.

Look at this example:

1) you like the look of stock XYZ Corp. currently trading at \$40 and you place a buy 100, stop in at \$42. This is just the beginning. You must then ask and answer the following questions:

\* IF filled on this trade where will I place my initial stop loss. i.e "How much of my capital am I willing to lose?"

\* IF filled on this trade how will I take profits? By how much will I trail my stop? What exit strategies will I use?

\* IF filled, will i add more shares as the trade goes my way?

\* If filled and the share does not show a profit after X weeks, will I get out, or will I let my trailing stop exit me from the trade.

\* IF stopped out of this trade will i be willing to try and get back in, or completely scratch the trade and look else-where?

2) So having made a complete plan, prior to entering the trade you place the order to buy 100 XYZ corp at: \$42.

3) You are filled at \$42 1/4, automatically you place a stop order in at \$39. No guessing it's done automatically.

4) The trade goes your way and a second buy order is placed in at \$50.

5) You buy 100 more at \$50 and the stop is now moved up to \$45.

6) The trade goes your way and you keep raising your stop at a safe distance behind.

7) Your sell stop is hit at \$130 and you exit the trade with a massive profit.

Do you see now that by having a plan everything becomes automatic. You know where to get in, place stops, add and exit. In short you are now trading professionally and not from emotion.

Not once did you have to ask for opinion. Not once were you afraid of letting a profit get away, or of a loss becoming too big. Simply put, if you make a plan and have the discipline to follow it trading becomes very simple and stress free.

In my many years of trading one point I try to get across to other would be traders is the market will always do its utmost to throw you off track. Once in a share it's a little like riding a wild horse. The prices will thrash around violently shaking off all scared and emotional traders. It will only be the ones who have the discipline to follow a set plan that will benefit from the full move.

If you ever find your-self having to ask some-one for an opinion on a stock you hold then it can only be because you either have not made a plan, or you are second guessing the plan, in which case you may as well not bother making one in the first place.

Planning a trade should be no different from planning a journey. You must plan for all kinds of events. Especially the unforeseen ones. Most of the time a trade will go your way and the plan will barely have to be looked at but what if the share gaps down? flies up? goes sideways for six weeks, the market crashes, the company announces a complete surprise announcement which makes the share gain \$30 in one day? If you aren't prepared for these surprises then when one does happen you are going to find yourself wandering what to do. And once your are trading from the "hip" and not from a plan then expect your results to worsen.

Having a plan totally removes all opinion and emotion from a trade and anything which does this can only be good news. Time and time again at seminars and meetings I hear the same

questions:

" I bought ABC stock at \$25 a few months ago, do you think I should still keep it?"

When I hear such questions I (discreetly) shake my head. How can any-one trade such a way? Where is his plan? When he got into the trade where was he get out point? Basically what the hell is this guy doing trading? Does he really expect to out-perform the market when he has to ask a third party about his stock holdings?

If this guy had a plan and more importantly the discipline to follow he would never ask such a question.

This is probably the single biggest reason people love to follow opinion. People just love to be told to do something rather than thinking of it for them-selves. Reading a recent Internet magazine I was astounded by the number of followers some of the tip sheets have. The top ones have from 15,000 to 80,000. Are any of these followers really making them-selves better traders? I have no doubt a small percentage are but the majority aren't. Why? Because by following some-one else they abandon the principles laid down in this book. There is no system. Responsibility has no been shifted to the guru (so there's the excuse for the losses in place) Worse of all they do not have a solid plan.

When you start following your own plans you will find yourself not wanting to listen to out-side opinion. If you hold ADF stock and bought at \$60 and your initial stop loss is at \$56 then why would you care if the local guru is saying, "Sell ADF it's over-valued and will fall to \$20." For one, he is just as likely to be wrong as right and secondly if your stop is at \$56 then let this kick you out of the trade. At least that way when you ask your-self "did I follow my rules today?" the answer will be YES.

I can guarantee before Warren Buffet, or George Soros buys \$50,000,000 worth of stocks they know exactly what they will do if prices swing one way or another. Could you imagine Warren Buffet thinking, " gee, I bought \$20,000,000 worth of DFG stock and it's down by 15%. what shall I do?" No way! And why should it be any different for your trading? The point is it doesn't matter whether you are trading with a \$5,000 account or a \$50,000,000 the principles are the same. You must eliminate all emotion and follow YOUR plan.

To be a winner in the markets you can never trade from emotion. and the only way to eliminate emotion is to have the iron discipline to follow your own plan. It's said most traders never plan a trade never mind have the discipline to follow one. If you want to become one of the few market winners you must "Plan every trade and trade every plan"

#### **4. Work Hard at Learning How to Trade Properly and Keep Working:**

This is no different from any other trade. Would you expect to become a brain surgeon after attending a week-end seminar and reading a few books? Yet, why do so many people expect to become a Market Wizard within such a short period of time?

If you ever have the privilege to ask questions to a successful trader you'll realize just how much effort, time, determination and lost money it took until they arrived at where they are. Being a consistent stock market winner is no different from being a top lawyer, Doctor or businessman.

First you must decide that you really do want to trade. Ask your-self is trading the stock market something I am genuinely interested in or are you lured by the potential money it has to offer you? I always remember reading a book called " Grow Rich With Peace of Mind" Napoleon Hill. Whilst interviewing the top people in a number of professions he came to the conclusion that these people loved their chosen fields. They would have done it for no money. Trading is the same. If your number one goal in trading the markets is simply to make as much money as possible then I doubt you'll make it into the super trader status. If you are simply chasing the money it can be a motivation as long as you are motivated to learn and work at what really works in the market and NOT keep chasing the latest hot new trading idea that exploits peoples love of money to make them act.

I am amazed at the number of traders who have not even read a number of very basic stock market books. It seems it is too much effort for them to read a book and learn some basic principles. Yet, these people will blow a \$10,000 account in less than 6 months chasing the pipe dream. Get real! Successful trading requires not only a lot of ground work but on-going effort in order to keep at the very top of your game.

In market wizards' I and II you will find that ,all but one trader, went through years of trial and error, not to mention huge amounts of effort until they became consistent, successful traders. Why should it be any different for us? Are we saying we are better than they are? Make no mistake, just like it takes many years of intense studying to become a top lawyer, to become a top trader is no different. If you are new then don't expect to strike out and make 80%+ returns

from the day you start. If you do then give me a call and I'll see what you have that no-one else has. Consider the first three years of your trading as going to University. The stock market is the teacher and your initial account are your fees ( so keep it small)

So, what does it mean to work hard at your trading? I have broken it down into two sections:

Firstly you will have to spend much time on analyzing your-self, your personality, find a trading style you are most comfortable with, learn how to trade properly, read, study, ask questions. Basically, you are going to have to start from scratch and build a system that fits you. It will take a couple of years at a minimum. If this sounds like too much effort GOOD. You have just saved your-self a lot of lost money. Forget trading and move on to something which genuinely interests you.

If doing the above ground works sounds good, and you can't wait to get started then may-be there is hope.

Once you have developed a trading system that fits you and you have the iron clad discipline to follow your plan then it is a constant battle to stay on top of your trading. As a trader you will never get there, you are always getting there. You must strive to keep improving. Never be satisfied with your trading system. Whilst I don't say "keep looking for fault," I do say every system and trader can be improved. The markets change their character over time, so keep working on what impacts new developments have on them. Strive to become even more disciplined and keep working on your mistakes.

Yes, even veteran traders still make silly mistakes. Look at Jesse Livermore ( and I suggest you not only read this book, but study and fear the way this guy operated). Livermore was a stock and commodity trader way back in the early 1900's. He ran a small shoe-string account into several millions but kept losing it. On the one hand he was one of the greatest traders to have ever lived, yet on the hand he was dangerous in that he could not control his emotions. Having run an account up to millions and then losing it, one would think this experience was painful enough so as not to be repeated? Yet when he painfully started from scratch, built his account into several million again, only to lose it in one bad trade, then the alarm bells should have been ringing. Any-one can make a mistake but to not learn from it is fatal. Sadly, after repeating this event one more time he could not face the thought of making a come-back

again and took his own life.

So whilst Livermore was a top, top trader he never worked enough on his own psychology. Had he worked on a sound money management plan and strictly followed a plan for every trade he would not have created this situation.

The lesson? Even when you have made it to become a successful trader that one fatal mistake is lurking in the dark waiting to hit you. Only by keeping on top of your emotions and working on your trading will you avoid running into a catastrophe.

How long does it take to become a competent trader? There is no set time but i would say as a general rule here are some guide-lines:

(0-1 yrs)

- \* Work on finding out whether you are willing to put the time and effort into finding a system that not only works but fits your personality.
- \* Read some basic books on the stock market. Don't just read them and think "hmm that's interesting, next one.." Really try to get inside the traders mind. Get a feel for how much time and effort was put in before they became successful, how many times did they go down closed avenues? What characteristic made them such a good trader?
- \* Attend a couple of seminars. But not -ones where the "Secrets of the Stock Market are Revealed" The secret is there are no secrets. Give them a wide berth. Go to seminars about basic chart reading skills, psychology of trading, money management, etc.. and if the lecturer knows his stuff then get his contact information and keep asking as much information as possible.
- \* Using a very simple charting package, start looking at some bar charts of shares and the markets. Do nothing but observe
- \* Buy a self help book. Could be a motivational book or similar work and work through it. My trading and life has become so much better since I started working on my-self. It will definitely help in finding a system that fits you.

At the end of year 1 you should know whether trading is for you. And a certain kind of trading technique should appeal to you more than others. Go with this natural feel, it is the one that fits you personality.

If you find trading is not for you? Great! You have saved a lot of time and money. Move on. It's not for every-one. I personally know of some traders who will have to go back to the start if they wish to succeed. In the meantime they keep handing money to the market. It's sad because they've been trading for years. When will the penny drop?

YEAR 2:

- \* Open an account with a small amount of cash. This is your learning fees. Expect to lose it all as part of your fees.
- \* Keep reading, studying, attending seminars and asking successful traders.
- \* Develop a style of trading you are comfortable with. Back test it by hand and get a feel for the size, regularity and number of trades your system gives out. Try to determine how many streaks it comes out worth. ie did it have 5 successive losing trades? Did it have 7 successive winning trades? That way in the heat of battle and your system has just given you 5 successive losers you know there is nothing wrong. Get a feel for how it reacts in certain market cycles. Every system acts better in certain market conditions than in others.
- \* Develop a plan. (re-read section 2) Try to accommodate for every possibility.
- \* Keep observing the charts. I am not a great believer in paper trading in order to find how much progress you have made in trading. Simply because you have no emotions whilst playing games and it is controlling emotions that separates the winners from the losers.

But what I am a great believer in is playing simulation games so as to get a feel for how money management plays such an important role and for you to get a feel for how any game of chance can and will have streaks.

This is what i do from time to time.

Get a hat or jar and place 100 marbles inside. I paint the winners blue and the losers red. I paint a HR (home run >10 \* Risk gain) on just four of those marbles and I paint a BL ( big loss >4 \* risk) on four of them. All the rest are either 4 \* Risk gains or 1 \* risk losses. Here's the interesting part. Start risking different dollar amounts on each trade and see the difference in your results after 100 trades. This should really hammer home the importance of money management.



Firstly, say you start with a \$10,000 account risk just 2,5% on each trade. Therefore, risk per one trade is \$250 or  $R = \$250$ . If you draw a losing marble your account is debited \$250. If you draw a winning marble your account is credited by  $4 * \$250 = \$1,000$ . If you hit a "Home Run" then your account is credited by  $10 * R = \$2,500$ . On the other hand if you hit a "big loss" trade then you are debited by \$1,000.

Put the effort in and give this a try. You'll be amazed at the difference position sizing can have on your account after 100 trades. You'll see even in a 50/50 you run into streaks of winners and losers. Having 5 successive winners and losers is quite common. Not only that try to imagine your-self trading this system. How are you going to be feeling after taking 5 successive losses? Will you be feeling something is wrong. What happens if you risk \$500 per trade and you start off with a "big loser"? That's a \$2,000 loss. Can you come back from this? Be pro-active and play around with the figures it's a great simulation.

\* If you feel comfortable trading make a trade.

The whole point of trading is to follow your rules. Making or losing money is not the important point. Trade with such a small amount it hardly seems worthwhile. What you want to know here is:

How do I react when my money is down?  
Can I follow my rules?  
Is my system working in the long run?

Year 3

You should have your own system that fits you and starting to take small gains out of the market. If you still find your-self lacking the discipline to follow the signals ask why? Keep playing the simulation game as though it was your system and see why taking four or five successive losing trades is acceptable as long as you can manage the risk.

Year 4

By now, if you are still trading, you should be pulling consistent profits from the market and know your-self well enough to continue learning.

Consider learning to trade like taking a degree in the stock market. Are you willing to sacrifice 4 years in order to learn the trade? If not, then walk away now. If you are then get to it.

If you want to be a top trader there's a lot of work involved.

Don't be fooled by all the trade magazines saying you can pull 100% out of the markets year in and year out with no effort. It isn't going to happen. But if you really do keep working at it the rewards can be amazing.

## **5. Positive Self- Belief:**

" All truly wise thoughts have been thought already thousands of times; but to truly make them ours we must think them over again honestly, till they take root in our personal experience."

- Goethe

Iron clad belief not only in the system you are trading but also in your discipline to execute both entry and exits flawlessly are essential to your success in trading.

The top traders know it is the discipline displayed in following their rules that is the important thing in trading and the money rewards are secondary. For if you can not execute your signals, on both entry and exit, without question it takes just one mistake to give all those hard earned profits back to the market.

Positive self-belief is built from repetition after repetition of following your rules. Extensive back-testing of your system and constant self analysis.

You'll never be able to follow a system if you have a doubt in your mind. That's why so many people who buy other peoples systems fail. When that system goes through a losing period the person who purchased it will throw it away and search for the next system. Yet the trader who has rock solid belief will be aware that the system does display periods of losses. He's seen it all before and sits it out waiting for the conditions to become more favourable. When they do he gets back in and makes a ton more cash. The person who purchased the system in the meanwhile is now losing more money with the new system because that too has just come into a losing streak.

Only by doing the groundwork in section four will a trader have confidence in a system. You must strive to work through as much market data as is possible with any system so as to know what is normal and what isn't. This is why even the top famous traders have losing streaks and they never batter an eyelid. Every-one seems to be aware that George Soros is the greatest trader alive. The guy made billions in the 1980's and 1990's, yet he as also had some amazing losing periods. His fund has also lost billions and posted big negative returns. Did it bother him? He knew that his style of trading will go through losing periods. Just as dawn follows dusk, a losing period is usually followed by a winning period and vice -versa. Yet too many traders throw in the towel after taking a couple of successive losers. They are never around when the system kicks

into a big winning period.

What you believe is what you get. If you look at your problem areas you'll find they are rooted in faulty and limited beliefs. So if you are having problems with your trading results examine your beliefs about trading. If deep down you have negative feelings about trading, or making money or you lack complete confidence in either the system you are following or your-self then you have to stop trading and go back and find out why.

A person who is a compulsive gambler will never make it trading the markets. I'm sure when they lose a substantial amount of their capital then every-one else will be to blame, but deep down if they analyzed their beliefs about trading they would probably admit they see it as a big casino. If your beliefs about making money are negative then how can you expect to make money in stocks? I have heard of traders running accounts up to a ceiling figure, say \$1 million and then losing it all. They have repeated this several times before seeking help. Usually, it is found that some deep seated, negative belief about making a lot of money has caused them to push the self-destruct button. As Ed Seykota ( very successful professional trader) says, every-one gets what they want from life. You'll find in trading you'll get what you want.

You have to ask your-self what are your beliefs about trading? Are you told continuously that trading is a no win game? It's a gamble? You can't win? Trend following doesn't work? etc... Do you believe any of it? Write down what you believe about trading. What kind of returns do you think are possible? How much time and effort do you believe you must put into a day's work to obtain a day's pay? When I first started trading I felt I needed to work hour after hour every day. I checked on the quotes continuously, phoned my broker, read reports, listened to the news, etc.. Why? Because I believed I had to put in hard work to receive pay. It took a long time to shake that belief out.

If you believe it's relatively simple to make 50% p.a from the stock market year in and year out, with very low risk and with just ten minutes work per day then good, because it's possible. Then this is what you'll work towards ( I know many people will disagree but first ask whether these people are in a position to pass comment).

On the other hand, if you believe just working ten minutes per day for a wage is a lazy way to success and you feel uncomfortable with this then you will have to resolve this conflict before you can obtain these results.

Choose your beliefs wisely. In all problems with your trading you are both the problem and solution. The top traders know this. If they go through an extensive period of losers they'll start analyzing their beliefs. Looking inside and not out-side for the answers.

How do you develop positive self-belief?

Foremost, it has to be said it takes a lot of work (refer to the previous chapter.) You will have to start with accepting total responsibility for your trading, be willing to put a lot of work into finding and testing a trading system. The rest is built from experience. It takes years of experience for you to develop the belief. A bit of a catch 22 but how do you gain experience in trading? By staying in the game. Trade with such a small risk in the early years that it hardly seems worth your while. View trading as a 20 year venture and not a "get rich quick scheme."

It is only when you have total confidence will you be able to view your trading in terms of points rather than money. Once you are on this level the rewards can be staggering. Which brings me on to the next chapter.

## **6) View Trading as a Score in Points and Not In Money:**

Really what I am saying is "follow your time tested rules which you have complete belief in and forget about everything else"

How can you do that when it's money we are trading with? Use some imagination. Pretend it's not money but simply a game your playing and your account represents points scored. Stop counting dollars every time the market moves and start concentrating on following your rules flawlessly. When you can operate on this level not only do your profits soar over the long run but it takes away all the stress of trading.

Think about it. No more are you watching the quotes intra-day thinking "wow! I have just made enough to buy a new car," or "uhhh.. I've just lost my holiday money" This kind of trading is emotionally draining. No-one can succeed like this. This was me in my early days. I would be so down when I checked my quotes during the day only to find I had lost \$500. And the next day when I found I was up by \$500 I was the life and sole of the party. Even if I could have made a success by trading this way I wouldn't have enjoyed it and I would have given up.

Nowadays with my low risk/ high reward trading system I check the charts at the end of day in 5 minutes and that's it. I simply ask my-self: " Should I buy, sell or hold according to my rules?" I give my-self ten seconds to answer and do what has to be done. I am not a trader any more but a rule follower. That's how I feel. ( why do you think I have so much time to write?)

Reading Market Wizards I and II it was a prominent feature I noticed with all top traders. They never saw the markets as a cash box but simply as a way of operating a business. the name of the business was to follow their rules and score the points. It's not possible to become a top trader if you view every tick in the market as money lost and gained.

If making and losing money leads to emotional distress and joy and emotions are one of the most potent destroyers of successful trading then common sense dictates that in order to be a Highly Successful Trader you

must eliminate all emotion from trading. How is this done? Easy, follow the rules. How do you follow your rules? Make it THE most important element in your trading. Forget about the money that will take care of it-self it's all about those rules and how well you can follow them.

If you ever just read one book on the stock market then please let it be:

" How I Made \$2 million" by Nicolas Darvas

I love this book so much because when you have read it as many times as I have (50+) you begin to realize how well this guy turned his trading around from an emotional losing trader into a robotic, disciplined, money, generating, machine. What made his success possible? Apart from the usual accepting complete responsibility, developing a system that fitted him, planning his trades and lots of initial groundwork. The real reason he made so much money was because he never counted the money in the general sense. He had a set of rules and when it flashed a buy he placed on a percentage of his capital. It made no difference whether it was \$5,000 or \$500,000, it was all the same to him. He stopped counting money and flawlessly followed his rules.

If I could just describe a section that had profound effect on my trading.

In one trade Darvas bought \$350,000 of a share at \$53 1/2. The share then climbed to over \$100 and his broker telegraphed him with the message: "profits now \$250,000" Darvas now realized that whilst he had been so busy concentrating on following his rules he has forgotten all about the paper profits building up. When he received the telegramme he now knew if he sold out he would be rich for life ( this was the 1950's) Every fiber in his body was saying "sell. abandon your rules and take the profit."

So he walked around Paris trying to work out what to do. Questions and thoughts such as will the share fall back? Should I sell and take the sure profit? Shall I just break my rules this one time? Kept repeating them-selves time and time again.

Finally he decided not to sell and to stick with his rules. It was anything but easy to do. But he was proved right. In the weeks ahead the share continued to rise and making that decision to stick to his rules he was able to hold on and make much more profit.

Had he have constantly been calculating his trades on a day to day basis in money terms I doubt he would have had the nerve to stay in so long. Amazing story and one definitely worth reading.

You see how theory is all very well. Every trader worth his salt knows the Wall Street sayings :

"cut your losses"

"let your profits run"

"trade with the trend" blah,blah,blah

But it is another ball game to do this in the heat of battle.

Time and time again when I enter a trade I want to bend the rules, "just this one time." But I have gathered enough experience to realize I can NEVER break my rules. Not one trade can be the exception. I have learned to do this by counting in terms of points scored and not money.

What separates the winners from the losers? It's certainly not knowledge? I believe what really separates winners from losers is the ability to follow your rules without exception, regardless of the circumstances. Very few traders have the discipline to do this.



## **7. Keep trading as Part of a Balanced life:**

Trading be it successfully or not, is a very stressful career. When one is dealing with making and losing money based on your perceptions the stresses can be enormous. You must do everything in your power to eliminate the stresses.

I have never met or heard of a successful, highly stressed trader. In fact it's quite the opposite. Most of the successful traders I have talked to seem very relaxed and confident. I suppose this is what has made them such success in the first place.

Reading Market Wizards' (Jack Swager) one common factor picked up on all the best traders was their ability to disassociate them-selves with the market action. It was almost as if they were unconcerned with their positions. Considering some of these guys (and girls) traded with hundreds of millions of dollars at a time this is a remarkable feat. Most of the traders I know get excited when they have a couple of hundred dollars at stake.

I know my own trading results went through the roof when I actually spent less time "trying to control the market." By this I mean staring at the quote machine and end of day graphs all the time. I took up tennis lessons, jogging, reading, writing, even other business ventures just so I could take my total focus away from the markets. Not only did my results improve dramatically but so did my quality of life.

How can the top traders keep it so cool when the risks are so high?  
Go through this book again:

- 1) They decided a long time ago to take responsibility and find out what works
- 2) They have a system that fits them.
- 3) They plan every trade down to the finest detail ( wouldn't you if you had \$50 million at stake? more importantly they know when push comes to shove they will follow the rules.
- 4) They have put the ground work into this system and continue to do so.

- 5) They have complete confidence in both the system they follow and in their own skill to flawlessly execute it.
- 6) They definitely view trading as a game in points and stopped counting the money a long time ago. Most of the top traders are very wealthy so if they aren't trading for enjoyment ( and winning) they'd simply retire.
- 7) Finally they learned a long time ago that they alone can not control the markets. Watching a quote machine and hanging on to "guru" advice all day is a losing system. Most of the top traders have a life out-side of trading. Realizing the importance of keeping it all in balance.

Trading is no different from any other aspect of life. If your total focus is on one point then every little dip and peak becomes exaggerated. This kind of peak and valley emotional trading will not only ruin your trading results but it could destroy you as a person as well.

Even if you was to make millions from the markets is it worth it at all costs? Surely it's the journey that is important and not the arriving at the destination.

In order to trade successfully you need to take time off. Re-charge the batteries and gain some perspective. I remember my first few years as a stock market player. I would spend all day, night, weekends reading, studying, staring at the charts, trying different systems, etc.... Frankly I wouldn't wish it on any-one. Yes, I learned so much, without the intensity of study I wouldn't have become so successful, so quickly ( 5 years) but if I had to do it again, or if I was giving advice to a new trader, I would have kept my life much more balanced. "Work hard, play hard." "Not work and work some more."

The stresses are big enough without making it the only focus in your life. Take a ten year view on your performance. Realize that if you can gain just a 30% return in the stock market year after year you are doing better than most.

Treat trading like any other business. Work hard from 9-5 and then be disciplined to switch off and live your life.

Some of my very best trades have come from placing a buy order in the market

and setting a stop loss order with my broker. Going away for a months vacation without looking at a share price. Coming back home and finding my share has jumped by 40%. It never stops to amaze me how simple successful trading is.

Trading can be frustrating if you feel you can control the markets. There's this feeling that by checking on the prices four times a day you will perform better. But this is a complete waste of time and it leads you in to doing something stupid. as long as you plan your system and follow those rules why would you ever need to check on the prices during the day. Use the time intelligently and in so doing it will give you more free time. Wasn't that the whole attraction of getting into the stock originally?

Stock trading is a weird way to make a lot of money. We are brought up to believe that to earn a honest days pay you must do an honest days work. But if you buy \$50,000 worth of stock at \$50 and sell 1 year later at \$200, you have made \$150,000 profit. Amazingly it only took 30 minutes to do this as long as you checked the prices for 1 minute daily and followed your rules. What elses is there to do? Yet, most people will have a problem making this kind of money from the work put in. I am sure when the share hits \$70 most traders will snatch at the profits in order to take the sure profit and then lose those profits chasing other trades. Yet it will be the balanced trader who spends his time wisely and follows his rules who will always make the big money.

So keep it in perspective. Realize you have no way of controlling the prices. If you find your-self "itching" for more action then take up some interest AWAY from the markets. NEVER try to make your trading more interesting or exciting. If you do this you are forcing the markets into something that simply does not exist.

If you spend more than 15 minutes per day managing your trades it's too long. ask our-self whether you are trying to see something that doesn't exist.

Successful, profitable trading is:

- \* Boring
- \* Effortless
- \* Easy
- \* Stress free

AFTER you have MASTERED the "7 Habits of a Highly Successful Trader"

Are you going to spend the necessary time mastering these principles until they become habits? A habit is something you do without thought. It takes a lot

of time and effort but the end results are worth it.

## 8. CONCLUSION:

I have structured my book in such a way so that a trader (or would be trader) can get to the roots of what successful trading is all about. I mean there's so much false information brandied around these days it's hard to know what or who to believe.

First ask your-self:

Q1) "How can I become a successful trader with lots of spare time and a well balanced life?"

Ans: View trading as a game in term of points and don't focus on the money.

Q2) "How do I do this?"

Ans: Have complete self-belief not only in your system but in your-self

Q3) "How do I get this?"

Ans: Do the ground work on your system and your-self. Keep working towards perfection.

Q4) "Where should I do the work?"

Ans: Plan for every eventuality in every trade and more importantly have the discipline to follow that plan regardless.

Q5) "How do I plan a trade and develop the confidence in this plan?"

Ans: Either start from scratch and build a system that fits you or find a successful system that does fit your personality

q6 "How do I go about finding such a system?"

(<http://www.stressfreetrading.com> might be your answer)

Ans: Decide today that you and you alone are responsible for your trading results and get to work.

I hope that by reading "The 7 Habits of a Highly Successful Trader" you

can see beyond the "cliche's" of:

" Let your profits run"

" Cut your losses"

" Follow your rules"

and some of the wrong ones:

"You can never go broke taking a profit"

" Buy a good stock and forget about it"

" Buy low and sell high"

Successful trading goes well beyond ancient quotes and sayings.

Profitable trading is both very simple yet paradoxically, very difficult?

Explain?

It's very simple in that if you can develop a system that fits your personality and have the discipline to follow it that's all you need in order to be a winner.

But look at it this way. 95% of people who try trading lose? So it can't be that easy. Most people lose because they do the simple things wrong. They don't have a plan, a system, beg for tips and never get to know how to trade successfully.

Like any profession. Some people can adapt much quicker than others. But I am convinced any-one who "wants" to be a successful trader can be.

I take it if you have had the persistence to read my book all the way through then trading must hold some interest to you and I congratulate you on putting in more effort than 95% of other people will.

If you want to look at a winning system then I urge you to go to my web site and see what I have to offer. Once you become familiar with

the system you will have to follow the habits so as to develop the rock solid discipline to follow it.

When you can do this the good results will follow.

<http://www.stressfreetrading.com>

Thank you for taking the time to read my book.

Which-ever path you take I wish you the best of luck. And please, please be very careful. The answer will not be found by following tips and black box's although many will try to convince you other wise.

Sincerely

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