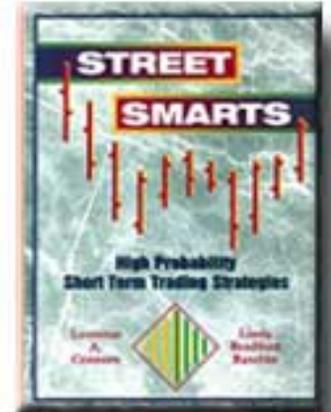




Secrets of Top Trading Performance

Trading is a performance-oriented discipline and every great athlete, trader, or performer will occasionally hit performance blocks. Every Olympic contender trained hard physically, but the difference between the ones who made the Olympic team and those who did not was the emphasis put on mental coaching by the winners. Much of a trader's early education is concentrated on strategies and market analysis. But what are the necessary ingredients for peak performance? What are the tools for both mastering the mental side of the game and busting out of the inevitable slumps that can occur along the way?



Mindset

First - what is the mindset necessary for peak performance? How does one ultimately get in the groove? There is no better feeling than being in the "flow" - especially with trading. That is what many of us live for and what keeps us in the game, because trading can be a very tough business with long hours.

There are several key common ingredients when you are performing your best (see sidebar), no matter what the field.

EXPECT success. It begins initially with your self-talk. Do you get down on yourself when you make a mistake? - or do you say to yourself - next time I will do

Key Ingredients to Performing Your Best

1. **Passion.** You must be passionate about what you are doing and having fun. Passion first, then performance.
2. **Confidence.** Top performance comes from having a high degree of confidence. You must have the confidence that you can take control and face adversity. You must also be confident that you will have a favorable outcome over time.
3. **Concentration.** Peak performance comes from exceptional CONCENTRATION. You must

better because I have great trade management and am a superior trader! Be your own best motivator and believer in yourself. Positive Self Talk leads to positive BELIEFS. If you believe you can do something, you WILL eventually find a way. When you have a positive belief system that the eventual outcome will be OK, then you are more mentally and physically relaxed. You then have better concentration, which leads to smoother execution, which of course leads to peak performance.

Now, on the flip side of the coin, negative self-talk sows seeds of doubt. This lowers self-confidence, which leads to a negative belief system.

This then creates anxiety, which leads to disrupted

concentration. Now the trader becomes tense and tentative which in turn leads to poor performance. Talk about a vicious cycle!

Positive Self Talk

What are some concrete tools to break the cycle and bust out of the slump? The number one tool for starters is POSITIVE SELF TALK. We all talk to ourselves in our own head. Be aware of the things you are saying to yourself. The written word is also a powerful tool. Read affirmations and books on positive thinking. Norman Vincent Peale, Napoleon Hill ... Arnold Schwarzenegger's autobiography are a few. Richard Marcinko wrote a

- concentrate on the process, though, not the outcome. A sprinter who is in the lead is thinking about the wind on their face, how relaxed their arms are, feeling the perfect stride...they are totally in the moment. The person who does NOT have the edge is thinking, "Oh, that runner is pulling ahead of me...I don't know if I have enough wind to catch the leader..." They are tense and tight because they are thinking about the outcome, not the process.
4. ***Resiliency.*** Great performances come from being able to rebound quickly and forget about mistakes.
 5. ***Challenge.*** Great performance comes from pushing yourself and trying to overcome limitations. Staying in the safe zone becomes a monkey on your back. Challenge yourself to take that hard trade. Manage it. If it does not work out, so what...your risk was limited and you can pat yourself on the back for taking the hard trade in the first place.
 6. ***See and DO ... don't think!*** Great performance comes from turning off the brain and becoming automatic. This is being in the Zone ...in the groove. You can't overanalyze the markets during the trading day.
 7. ***Relaxation.*** When you are relaxed, your reflexes and timing are superior because you are loose.

book called the Rogue Warrior. He talked about the Will to WIN and the belief that ANY circumstances could be overcome. This is a great inspirational book for traders.

Next - act like you are already where you want to be. Assume the mannerisms, posture and talk of a top trader. In addition to self-talk and reading written words, develop mental pictures. Visualize what you are going to do with your wealth or how it is that you want to live. Think of the power that money would give you to start any organization you want or to make other people's lives better. Visualize your dream house. Program your subconscious as though you are already there. Dare to dream.

OK - talk, words and pictures...what is next? Look at your environment that you have surrounded yourself with. Your success in trading will also be a product of your environment and I am not just talking about office space. Look at the people you surround yourself with. Do they support your activities? Surround yourself with people who believe in you, who smile, and who are enthusiastic in anything they try or do. The top Olympic athletes had friends and family cheering them on every step of the way.

Be Prepared

All of the above factors deal with external factors and internal belief systems. Now let's get down to the DOING part! Every trader should be prepared before the markets open because they already did their homework - right?! One of the most impressive points in the Rogue Warrior book was this veteran navy seal's obsession for being totally prepared for Mr. Murphy! There was always a backup plan for everything and this is what kept him alive. Prepare your daily game plan by looking for both new setups and preparing strategies for managing existing positions.

So, assuming that you have done your daily homework as a trader, the next step is to learn how to get into the groove. There is no better tool for this than having routines and rituals. Pre-market rituals help calm the nerves, get you into a rhythm, and also help to turn off the logical part of your brain - the part that wants to overanalyze everything. If you have a chattering monkey sitting behind your ear, routines and rituals are one of the best things to shut that monkey up. Maybe there is an opening sequence of tasks you do before the market opens. Perhaps in the middle of the day you draw swing charts or take periodic readings of the market's action. Maybe you keep a journal and make notes to yourself. At the end of the day, what type of record keeping do you do for your trading

activity? What do you do to unwind? Salesmen are taught to do small rituals before cold calling clients. It controls the anxieties and fears of rejection. Baseball pitchers have a pre-wind up ritual. It calms their minds and puts their body on the autopilot mode. It keeps them involved in the PROCESS and not thinking about the outcome. One of the more common rituals on the trading floors was to wear the same disgusting lucky tie every day. If the mind BELIEVED that the tie was lucky, this was all the traders needed to tip the long term odds in their favor.

Here is another helpful factor: A healthy body keeps a healthy mind. EXERCISE! This gets oxygen to the brain and keeps the blood flowing. How can you expect to be a peak performer when you are eating junk food and going through insulin swings? Or perhaps you drank too much wine the night before or are jittery from drinking too much coffee. How can you concentrate well if you are not getting a full decent night's sleep? Sure, most of these are minor factors but they can all add up to major bumps in your performance. One moment of sloppiness can lead to forgetting to place stops or letting a bad trade go too long. Then when damage is done, your confidence gets chipped away. You must treat your confidence level as something to be protected. Good habits will keep your confidence level high. Once you have good habits, it will allow you to increase your trading size.

If you want to push yourself to the next level in your trading and are wondering how to increase your size, you MUST have a foundation of good habits. If you are running into a mental block in this area, it is your subconscious's way of telling you that either you have not done adequate preparation or you are not satisfied with your money management habits.

Goal Setting

There is one more extremely important thing that contributes to your success and that is GOAL SETTING. When you set your goals, they must be concrete and measurable. You must also break them down into bite size pieces. Perhaps your larger goal is to make 7 digits over the next three years, but how do you get there? Put together a more detailed business plan that is NOT dollar oriented but will help you eventually reach your dollar-oriented goal. Maybe it includes how many trades you should make per week, how much time you should devote each evening to preparation and studying charts, and plans for controlling risk. Both short term and long term goals help achieve peak performance.

You must also have concrete ways to measure those goals. Top athletes know the splits that they run. They know if they are ON or OFF according to how practice goes. They know their unforced error percentage, their personal best, and their competition's stats. The same should apply to you in your trading. Know your weekly win/loss ratios, your trade frequency, and the average amount of profit or loss each month. Only by having something to measure can you tell if you are improving or not and moving closer to your goal!

The battleground isn't the markets but what's within you. The more you talk with other traders, the more you realize that everyone goes through various common experiences. Everyone makes many of the same classic mistakes. But what distinguishes the ones who can ultimately overcome them?

The accompanying comments (see sidebar) were inspired from **Brad Gilbert's** book, *Winning Ugly*, which was written about tennis. There are many parallels between tennis and trading, both being individual performance disciplines.

And on that last note, remember that **ATTITUDE is everything**. How you frame out an individual experience or event will affect your success in the long run. Do you see a trading loss or bad drawdown period as a major setback, or do you see it as a learning experience from which you can figure out how to be on the RIGHT

- ***Desire.*** The most successful players are the ones who have a *burning desire to win*.
- ***Defy Failure!*** Don't check out of the game. *Never give up!*
- ***Consistency.*** *Improve your consistency.* Stay active, stay involved, and keep your feet moving.
- ***Patience.*** *Be patient.* Do not force a trade that isn't there. Wait for the play to set up.
- ***Management.*** When you get a good trade, go for it. Manage it. Trail a stop. *Don't be too eager to get out.*
- ***Flexibility.*** *Be flexible* - if what you are doing isn't working, change what you are doing!
- ***Confidence.*** When down, get a little rhythm and confidence going. *Don't worry about being too ambitious.*
- ***Concentration.*** *Stay with your game.* Don't let outside distractions bother you. They take energy and break your concentration.
- ***Know Yourself.*** Match your particular strengths to the type of market conditions.
- ***Clean Up Your Act.*** *Hate making stupid mistakes and unforced errors.* This includes not getting out of a bad trade when you know you are wrong.

side of a trade instead of the wrong side the next time around. Many great traders use periods after drawdowns

- **Stay Positive.** Many players will play their best game when they are coming from behind.

to go back to the drawing board. Some of the best systems and trading ideas have come after periods of adversity. What incentive is there to learn and improve ourselves when everything is smooth sailing and we are fat and happy? But when times are tough, that is when we can rise to the occasion and prove that we can overcome any obstacle set down in our path. So many great athletes have been able to come from behind when they are down because they have learned how to seize that one opening or opportunity and CONVERT. They latch on to the tiniest shift in momentum and milk it for all it is worth. Latch on to that next winning trade and convert. The first small moral victory is the first step towards reaching the top of Mt. Everest. And if you keep making small steady steps, you will eventually reach the top. Sometimes for a trader, the greatest feeling in the world can be making back those losses, no matter how long it takes, because once you have done that, you realize you can do anything.



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