

MASTER TRADING PSYCHOLOGY CLASS #1

EMOTIONS

FOMO

HR

CONFIDENCE

TRADING PLANS

Teachers

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What We Are Going To Cover In This Course

- Perspectives within trading psychology, and trading “awareness”
- Internal & external data traders face
- Why traders stray away from their trading plan
- Self awareness in your mental state of trading
- Building strategies and routines to improve your trading psychology
- Case studies of traders Agnieszka has worked with to see how these strategies are applied on real traders
- And a whole lot more to help you develop and maintain a winning trading mindset!

Our Perspective of Trading Psychology

- All traders in the grand scheme of things are trading their P&L, or their feelings about your P&L (For better/worse)
- Instead of strictly and blindly following your trading plan/risk management, you are primarily responding to your P&L, your feelings about it, and your beliefs about yourself as a trader
 - Once you can accept this, your awareness and perspective can shift to realizing your faults
- Real-time emotional awareness: Allows you to constantly be aware of your emotions, and control your actions in your own best interest.
 - **Most traders** are **taught to eliminate or control** their emotions. However your emotional awareness is what is required to be practiced and improved upon. Emotions simply don't 'go away'

The Importance of Trading Psychology

“THE KEY TO TRADING SUCCESS IS EMOTIONAL DISCIPLINE. IF INTELLIGENCE WERE THE KEY, THERE WOULD BE A LOT MORE PEOPLE MAKING MONEY TRADING.”

Victor Sperandeo

Legendary trader and author

@TRADINGPSYCH

How Your Trading Plan Affects Your Mindset

- Why we are starting out discussing your trading plan:
- The trading plan is the foundation to your trading business
- Your trading psychology is what determines your ability to execute and STICK to the plan
 - The remaining classes will be foundational to helping you execute on your plan, be mentally aware of influences, and keep you in check as a trader
- A trading plan needs to be built based off your unique personality, goals, and risk tolerance

Trading Plans

- Trading plans are your exact process, and method for having an edge in the market.
- We treat our trading plan just like **business plans**
 - No successful business has grown from random acts.
- If you have taken our bootcamp, we provide you with trading plan examples, which is also included in your course page
- **BIG ITEM** we want to talk about today is why **YOU HAVE** to stick to your trading plan, why traders fail to follow it, and what are the biggest obstacles you need to overcome

What Makes A Successful Trading Plan?

- **Why Statement** → Why are you trading in the first place?
- **Objectives** → Specific, challenging, and achievable
- **Trading Style** → Day trades, swing trades, hybrid?
- **Setups** → What will be your go-to setups?
- **Risk Management** → How much are you comfortable risking in a trade?
- **Trading Rules** → What rules will you implement to protect yourself from your most destructive tendencies?
- **Routines** → Morning, nightly, weekend routines to help you achieve peak performance
- **Journaling Trades** → Track trading metrics to measure trading performance
- **Reviewing & Education** → How will you keep improving and sharpening your trading skills?

Trading Plan Examples

- Put real time and effort into them. Some of our students' plans are 10+ pages long.
- Student examples:
- <https://f.hubspotusercontent10.net/hubfs/1820662/Trading%20Plan%20Template%20%232.pdf>
- <https://f.hubspotusercontent10.net/hubfs/1820662/Trading%20Plan%20Template%20%231.docx>

Why Traders Fail To Follow It

- They do it once to say they did it, and leave it in their closet/google drive never to be used/seen again
- They think they know more than they do, and do not need a process to follow
- They put on a series of winning trades then think they are good without it
- Sabotaging beliefs not in alignment with trading objectives
- Next slide we will discuss how your **personal filter** plays a huge role in your ability to follow your trading plan

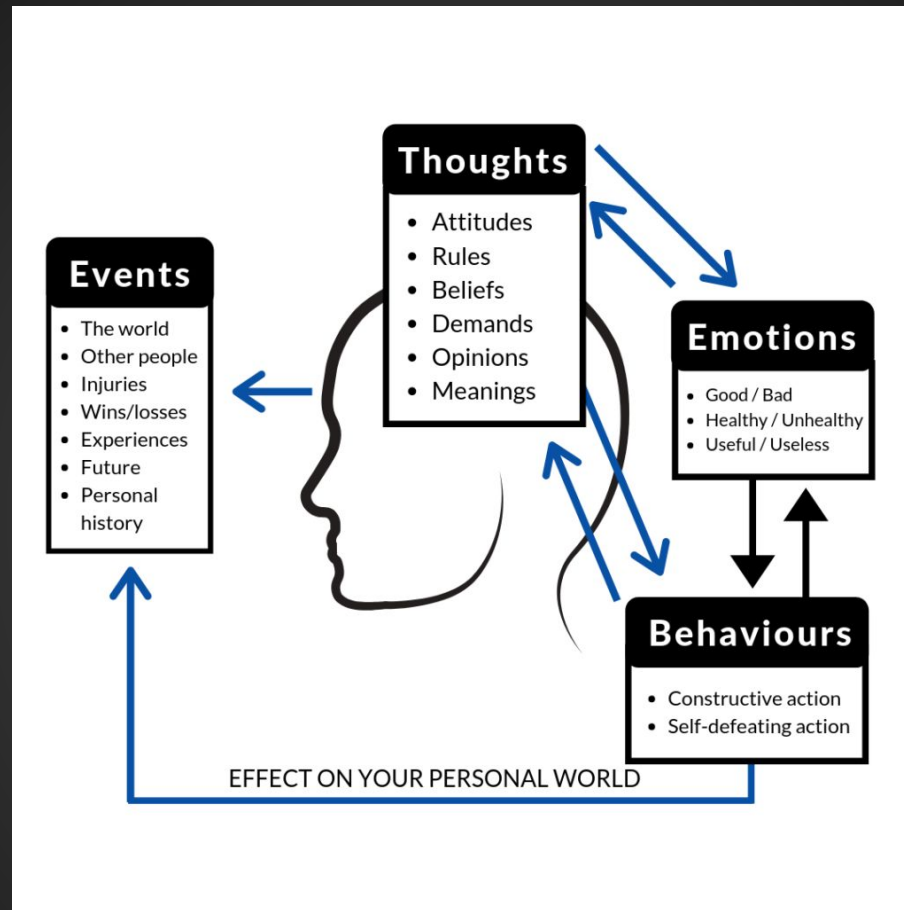
Understand Your Personal Filter

- Your personal filter is the way you see, interact with and interpret the world around you
- Understanding how your personal filter operates is a critical step in improving performance.
- Our personal filter is partly constructed from our deepest fears, hopes, expectations and personal beliefs. And much of this is unconscious, or outside our present awareness
- NOBODY sees the market the same way. Two great traders will look at the same chart and see opposite trends
- It is critical to understand how your personal filter operates, and how it affects your perception of the markets

How Emotions Affect Our Ability To Execute

- Emotions are our number 1 obstacle to objective and accurate perception of the markets. They play a huge part in our personal filter
- Emotions can be conscious or subconscious, it is critical to build self-awareness of how your trading is affected by them
- Eliminating emotions is challenging, focus on MANAGING them.
- For example, create rules to protect your account from your fearful tendencies
- Don't just journal your trades, journal the EMOTIONS and how you felt during the trade.
 - Too fearful and take unnecessary losses?
 - Too greedy and let huge unrealized gain evaporate?

How Our Thoughts & Emotions Shape Behavior



Common Trading Mistakes You Can Control

- Trading mistakes for the majority of times are controllable decisions you make that typically come from the influence of EMOTIONAL and mental pressures.
- Emotional influences can deter your focus, and executions which results in you not following your set out trading plan
- These are trading mistakes YOU NEED to be aware of, and make a plan on preventing if you currently struggle with them:
 - Revenge trading
 - Gambling
 - Emotional attachment
 - Paralysis by Analysis
 - FOMO
 - Fear
 - Ego

Ways To Prevent Controllable Mental Mistakes

○ **Revenge Trading**

- Don't just take a trade to take a trade. Never trade off your P&L and make an effort to look at it as minimal as possible throughout the day. If you know and follow your risk management rules, you will know roughly where you stand in the day in terms of PNL.

○ **Gambling**

- When you get overwhelmed, or frustrated with low outcome wins or losses, you may feel influenced to put more size behind your trades, take a more volatile stock, chase a big gainer, etc.
- Always check in with yourself as to how you feel prior to entering a trade.

○ **Emotional attachment**

- Traders that get emotionally attached to tickers often is a result of over analyzing the stock, its fundamentals

○ **Paralysis by Analysis**

- Far too many times, trader fail to pull the trigger. They overanalyze a stock, they have too many indicators to properly vet a trading setup, or they are watching too many tickers to truly have a focus on entering a trade. Always ensure you are prepared enough

Ways To Prevent Controllable Mental Mistakes

○ FOMO

- There are always trading opportunities to find
- Just because one trader is in \$X stock, doesn't mean it fits your plan, risk tolerance, emotions, etc.
- Set a checklist of criteria that qualifies you entering a trade. (ie. multi-timeframe alignment? High relative volume? Pulling back to support? Curling ma's? Risk accounted for?)

○ Fear

- If you are newer to trading, seeing your PNL move second by second, and seeing numbers moving all around your screen can become overwhelming
- Focus on your entry & exits first with lower size. Make it so if you take a loss following your plan, it does not impact your mental/emotional influence

○ Ego

- Traders that are over-confident in their abilities often succumb to lazy mistakes that can be avoidable if they were aware of their trading weaknesses
- Never feel like the market owe you anything. Ego can impact FOMO, Revenge Trading, and a Gambling mindset that throughs you on tilt. We will go into even more detail in our other classes!

Sticking Your Trading Plan

- You now have a basic understanding of what stops you from doing you are supposed to be doing
- Set goals that you have to check into daily, weekly, monthly, and annually
- Make it exciting, yet tangible & realistic to your personal situation
- Keep it within hands-reach. Whether it's pinning your plan to your desktop, or having it printed out on your desk.
- Keep disciplined routines in your non-trading life: It carries over
- Find trading buddies talk with daily. Hold each other accountable
- Developing self-awareness of bad trading habits (next class topic is dedicated to this)

How To Comeback From Losses

- Trading is NOT a linear curve. Learn to accept losses & always learn from them.
- Account blowups aren't always avoidable. Ensure if you do blow up your account, you thoroughly audit your trading, so you can come back with a fresh mind and different perspective than before.
- Take time away from markets
- Journal & find your strengths and weaknesses
 - Modify your trading plan to work on your weaknesses, and focus on your strengths
- Set risk management rules to prevent massive account swings (daily max losses, going in with lighter position size until you get back into a groove)

Motivational Power of Regret

- **Regret** is unavoidable in trading, and it can both be related to fear, and is just as motivating as fear
 - You must have a plan to deal with regret and the anticipation of it
 - If you don't, you leave yourself vulnerable to letting regret control your behaviour as a trader
- Examples of **trading regret**
 - **Exit a winning trade**, only to see the stock continue to work without you in it
 - Watching a ticker but refraining from entering, only to see the setup pan out exactly how you had anticipated
- Managing a winning trade involves us dealing with the **anticipation of regret** (should I sell now? Or is it too early? Do I hold this dip?)
 - The problem is these thoughts often over-power your trading plan, and can cause you to trade “out of order” or on “tilt”

Motivational Power of Regret

○ Feeling Regret In Losing Trades

- Imagine being in a losing position, and feeling the pressure to hold onto your position because you don't want to miss the possibility (regret) of it turning into a winning trade

○ Feeling Regret As A Flat Trader

- You may also be pressured by regret for not being in the market, or simply taking small wins/losses, only to see other traders hitting their profit target goals

○ **Big key** is to understand and be **aware** of the “**feeling of regret**” and not let it dictate your next trading decision.

- Although it is **unavoidable**, our goal is to be able to **manage it** by knowing its potential impact, and **refraining from the influence it may have on your trading.**