WERNER HOCHLEITNER´S

Sic Parvis Magna

presents

"7 practical exercises to start your trading / investing day"

This PDF is bisected into a theoretical part, pointing out a few of the most common trading mistakes caused by our emotions and a practical part showing how to overcome those psychological tripwires.

Without further ado, here is a list where you probably find yourself somewhere in between those lines.

Lets start with a few of the most common mistakes with a psychological background - (Please note that this is just an excerpt of mistakes that would be avoidable with the right mindset) .

Too much risk / not enough risk

So you got a well scripted Trading plan and made a commitment to the risk factor you want to take for each trade. At some occassions however, "at a good opportunity" you take the 3-folded risk and come up with ideas taken from games of chance, like Martingale. By doing this you increase the risk by adding the lost capital to the money you risk for each trade. Imagine only 3 lost trades in a row and you see easely how fast this could become very expensive. It´s simply not compatible with common sense and even less with serious money management.

Suffering losses because of not enough risk are usually the effect of too tight put stopps. If you strategy tells you to put the stopp loss 50 points away from the entry level, than why do you just use 30 points? In case the distance to the stop is too far away for your accounts size, than just use a smaller size of the position. You dont need to trade a full lot in forex or the big index futures.

No targets and no clue about how to manage your trades

No matter if Pivot lines, Fibunacci, technical resistance or other ways to evaluate a situation. Eventually we all need a target when we enter a trade, how else should we manage the trade correctly? We should know when to exit a trade or to realize profits and limit our losses. To be greedy by trying to push every trade to it´s limit won´t lead to success. It´s true that the saying "Limit your losses, let profitable trades keep on going" is right, but you should also know when it´s enough and you should exit.

Another situation would be to wait when a trade is in a minus. What if the certain product won´t come to the desired level for months? Especially with leverage products, this could be quite expensive over time, since the over-night-holding costs would extend dramatically.

No Strategy, trading by "gut feel"

Intuition is a great thing, but it´s the wrong approach to trading. It´s all about the money and therefore we tend to make unreasonable decisions, which again could lead to talk yourself into a trade, eventho you should have stayed away.

A positive attitude towards trading is beneficial and trading without a strategy is sheer madness. How should the management and overall plan be repeatable when you just listened to some random gut feeling? Being stubborn and ignoring the laws of the market has already flattened many accounts

No basic education and trading knowledge - e.g. fundamental - what could happen in case of bad numbers coming with the Non-Farming-Payrolls news?

You are invested and now observing the market. The rates are moving as expected with a calm pace. All of a sudden, there is a hectic, the rates rise up 5%, just to fall 7% a few seconds later. If you got lucky you´ll get stopped out at the right point. But think about an unlucky case, when the rates rapidly hunt in the wrong direction, jumping over your stopp-loss limit? In that case you can watch your account dimished to a part of what is was before within seconds and this is already a good outcome, remember what a margin call is? So, what happend? Maybe it was just unexpected news from the non-farming payrolls, a sudden increase of interests or something similar. Pretentiously ignoring technical and fundamental education out of pure arrogance could cost you a fortune.

Getting rich quick - unrealistic expactations

Trader X just uploaded a video where he made 274.000.- USD within a few minutes. I want that too, right here and now! Well, Trader X maybe has app. 100 times your account size. Maybe he needed 18 takes, after 17 losses in a row to produce that content? Maybe it´s even a demo account and the video is done for the sake to attract affiliates for a Broker and receive commission fees. All of these things are possible but sometimes get generously overlooked by beginners, completly caught in the web of unrealistic expectations.

Greed in combination with inpatience has always been a bad advisor

Practical Part / Exercises
Welcome to the practical part. On the following pages, I´ll introduce you to 6 exercises and a bonus idea to release stress and stay more calm when involved in the markets. Just pick some of the following methods if you like and see with which you get the best results

1. Never again "maybe"! - Train your decision making muscle
What do you want for breakfast tomorrow? Coffee or Tea? Don´t care? A bagel or a some bread? Some strawberry jam or orange marmelade? Doesn´t matter? No, it does matter! Decide for one of the mentioned, active and full consciously.
In the first moment it may sounds weird, but it´s exactly the practising with such easy decisions that is of elementary importance. Making such decisions every day, every hour, triggers a habit and subjectively hard decisions become easier over time. Mastering this exercise you are then used to make decisions and be in charge.
And when you are doing that, get rid of phrases like "I don´t care", "Doesn´t matter", or "I don´t give a ..." too, say want you want, clear and simple.

2. It´s your fault! - Take responsibility, always
Practise taking responsibility even in situations where it´s not your fault that you now have to face an argument. Try to change position with the opponent and reflect his/her views on the situation.
You might were invested in a market, followed strictly your strategy, made everything right and still, a losing trade. You shouldn´t throw ýour strategy over board, but maybe control if there is room for improvement. Trading is constant learning and optimizing.
This exercises is also applicable for interpersonal issues. What should you have done so that the other one would have not reacted that way? Try to take yourself out ot the equation and observe a situation from a different angle, an alternative perspective.

3. Activate yourself - Sport for the unathletic
It´s not necessary to get a fitness club membership or do a triathlon every morning.
A little movement in the morning can activate your body and mind, and you do not even have to leave the house to do that. Here is an idea for you:
Put a chair again right in front of you and than step up, wait a second and than step down. Was that a difficult thing to do? No, it wasn´t. Now do this 100 times.
Eventho it seems weird the first time, you will feel something in your legs already after a few repetitions which causes a body activation.
Another idea: If you live in a house with more than 2 floors. Why not walk up a few floors and than come back and repeat.
No more excuses for to not go into the gym. Be creative, make your home your gym! 10 minutes daily can already be enough

4. Calm down - and stay a while
As we know, Adrenalin is useful for our body in some cases and it gets replaced by Cortisol after about 10 minutes of stress. This endorses us to stay aware on a lower stress-level without "overheating" on the wrong hormones. Especially in trading it´s crucial to stay aware and conscious with an unbiased mind.
To archieve a state of calmness, Yoga exercises can help. You do not necessarely have to move to India and practise the "Sun worshipper" for hours. Get yourself a book for starters and pick just a few positions that feel right for you. And again, you don´t need to become a pro, 3-4 positions can be enough for the start.
Do not feel any kind of pressure to work your way through difficult positions. It´s important that you feel well while doing them and appreciate this feeling full consciously. At the beginning, your thoughts will digress but that will end soon and is part of the game.

5. Be aware of the abundance
Greed is an emotion that cloaks everyone sometimes, from the trading rookie to the experienced Funds Manager. What can we do to defeat that problem emotion? We actually need the opposite of greed to build up a wall in our mindset. What´s the opposite you might ask? It´s simply abundance.
Everybody will tell you, just trade with money you can afford to lose. Thats also includes the idea of never ever being close to an existance threatening level even if you flatten an account completely. You know that you have enough money in the background, an abundance of money if you want to say so.
Surround yourself with pictures of abundance, eventho it might sound esoteric for the first time. Get rid of the prejudice of "need to earn money" and approach the trading desk with a "I have more than enough" mindset. Give that approach a chance, maybe for just a few days and see what results it brings.
"Abundance is not something we can achieve, but something we need to turn into" Dr. Wayne Dyer.

6. Let lose of the "Must"
The parameter of your strategy for to enter a trade are fullfilled for 90%. Is it really necessary to wait for the remaining 10%? The direction could change and than there wouldn´t be an entry option left and I wouldn´t be able to enter the markets! STOP
Seriously, you want to enter a trade where you are insecure about the direction just for the sake of "but you have to trade each day"?
Other situation: A friend of yours told you he makes 15 trades each day, and you just do 3-4. You probably should catch up, right? NO, you shouldn´t!
The markets will be there for your tomorrow and the next day and so on, and good entry opportunities will also happen again. Remember, someone that risks e. g. 1% for each trade 15 times a day, risks 15% all together. You on the other side, risk just 3-4%.
In a case were you feel almost forced to enter a trade, try the following. If you really see a 100% chance of entering a trade, than stay outside, turn of your computer and take a walk. By doing this, you take the pressure of "must trade" off you and you stopp evaluating the importance of siongle trades too much.

7. Indulge yourself with a light dose of daily Youtube - Watch positive emotional videos for your start in the day

Don´t read the newspapers in the morning, don´t even glimpse at them. Don´t turn on the radio or even worse, the TV. Bad news sell far better, thats why they got repeated endlessly. The problem is, that has an effect, at least subconciously, on our mood and we therefore approach the day on a negative emotional level. It´s by far better to approach the daily trading routine with a smile and an unbiased mind towards the markets.

To be prepared, take your time and search for videos on youtube that trigger positive emotions, like animal videos. There is an abundance of videos about cats, dogs, kittens and puppies. It´s scientifically proven that pets have a positive and balancing effect on us. In case your are not so much an animal fan, watch videos about humans doing incredible things like in the "People are awesome" series. Whatever it is, it should make you smile and should motivate you give your best for the day. Maybe 10-20 minutes before the markets open, a few minues of such videos and you can start your trading day with a far more relaxed approach

Summary:

There are plenty of more minor and major obstacles you have to pass when trading the markets, but the good news is: They all can be trespassed and you can be successful. The decision to do this, the courage and the persistancy is yours to bring. Try some sort of self-reflection every day, make it a habit to observe your behaviour when you are involved in the markets. Only this way you can reduce negtive thought patterns step by step and eventually make more profits

Lets say it again with a far eastern words of wisdom: A true master is someone who has defeated himself and stands above all mundane things. Put on trading, it means the victory over our negtive emotions, our negative mindest and a with the market and never against it.