

PART I

Chapter 1

DISGRUNTLED

The following situation happens quite often to many traders. Look it over and see if it has been happening to you:

You have been faithfully following your trading plan and the rules you've set for trading. By following them you are now in a trade that doesn't look so good. At the same time, by following your trading plan, you see that you've missed a beautiful move in a different market, one that could have made you a lot of money.

You are in a bad trade and you've missed out on a great trade. You become disgruntled. You think to yourself that your trading plan must not be so great. You think there must be a better methodology that you should use that will prevent this from happening. You think to yourself, "Yes! That's it, I'll change the way I do things." So you create a new rule or modify an old one so that such a rule would have let you capture the trade you missed and avoid the one you took. Have you been making this mistake?

Here's another way it can happen: You are in a trade, and your rules cause you to be stopped out with little or no profit. Shortly after you exit the trade according to plan, prices take off and move to where, had you stayed in, you would have made substantial profits. The move leaves you sitting there thinking you are stupid. You reason that there must be something wrong with the way you do things.

Your rules, your plan, or both must not be right. So you change what you are doing, or make a new rule so that the next time this happens, you won't be left behind.

You have just abandoned all of the hard work you've previously done that enabled you to successfully trade futures. You've abandoned your education and learning. You've abandoned the wisdom that will enable you to be consistently successful as a trader. You've just started trading history, and you are supposed to be trading on the

future movement of prices. You are trading what happened, not what will happen. By not being willing to be left *behind*, you are setting yourself up for being left *out*.

If you've been having thoughts, or have been acting as we've just described, you have a terrible problem with greed. Why? Because greed can never get enough. You can't satisfy greed. Greed wants more, and yet more.

Not every trade is your trade. Not every trade has to work out for you. You have to be satisfied with getting a reasonable share of trades that fit your description of a good trade. Some of those trades will turn out to be great trades, others are good trades, and a certain percentage of your trades will be bad. There's no way around it.

Not every good trade will turn into a great trade. When you enter a trade according to your rules and trading plan, you have no idea whether or not it will turn out to be a good trade, much less a great trade. The reality of trading is that, try as you might, you cannot know the future.

Whenever we miss a big move and then try to find some pattern, indicator, rationale, or modification to make to what we are doing so that the next time we will not miss the “big” move, it is a part of the hunt for something magic — a continuation of our quest for the holy grail of trading.

What a terrible mistake to allow yourself to make. Winning as a trader consists of making some small profits and some larger profits on a regular basis. Obviously, there will be some losses. We regularly want to keep losses small, but there are times when a loss will get away from us and turn out to be bigger than desired.

If adversity causes you to become disgruntled, then you really need to examine your thinking and your approach to trading. Your trading plan must allow for disappointment and loss.

You've got to believe in what you are doing and be able to trade from the knowledge that when you follow your rules and your plan, you will make money from your trading.

When you become disgruntled and begin to change your plan, your rules, or both, you are setting yourself up for almost certain failure and the worst thing that can happen to a trader — you will lose the courage of your convictions. Without it you cannot trade with any level of confidence.

This is why we encourage you to write out the reasons and rationale for every trade you make, even if you have to do it after you have completed the trade. You must develop a keen recognition of the trades that are *your* trades. Write out your trading plan every day and for every trade you intend to make. If you did not have time to plan every trade, be sure to review those you did make without pre-planning. Then you can go back over your trading and be able to see why and when you are successful.

Reminder: Here are some steps to take before the market opens.

- View major formations on the charts of those futures you intend to trade. View potential congestion areas, get the big picture from the longer term charts.
- Write down all potential entries as you see them on the chart.

You need to go through this exercise every day that you trade. This takes discipline. However, doing so will help you develop the kinds of habits that will mold you into a great trader.

If you are too busy to be disciplined, then you are too busy to trade. If you don't discipline yourself, you will soon disappear from the trading scene.