

PART I

All of the Answers Are Already Within

Part I of *Trade with Passion and Purpose* looks at basic psychological concepts in an effort to understand the framework behind why we make the decisions that we do. At times you may wonder how the concepts actually apply to trading in the stock market, but it's important to keep reading. Experienced traders know that success in the markets is less about what's happening with stocks and more about what's happening inside of each individual to influence their decisions to buy or sell. It's easy to assume that our financial and trading knowledge is what will make us successful or not. However, our book knowledge is not what will make us successful traders. Instead, it is our understanding of our self and our ability to handle stress, fear, and anxiety that will help us to be the best we can be in the world of trading.

At the end of the day, buying and selling are decisions built on emotions. As much as we try to logically reason through everything, the fact is that emotions are a major part of every trader's day. And if we don't understand *why* we are making the decisions we are, then all the logic piled on top will never make a difference. Imagine being an auto mechanic without really ever understanding how an engine works. You might be able to fix the occasional small problem, but when it comes to rebuilding the whole thing, you might as well forget it. But if you've taken the time to understand all of

the principles, you won't just be able to rebuild an engine, you might also be able to make the engine even better.

Thus, while you're reading Part I of the book, remember that the markets are about emotions, not just numbers. If we take the time to look at our personal principles of self, we will know how we are *emotionally* reacting to the movements of the markets. And by looking into self, we will learn not only to trade with passion and purpose, but also by instinct and intuition.

All of the concepts in Part I have to do with you, not the markets. You are the most important part of the market, because you are the only one pushing the buy and sell button. It's easy to overlook this point and only look outside of ourselves for market factors that present trading opportunities. However, truly profitable trading does not come from the market, it comes from us, distinguishing when opportunity has presented itself and then pulling the trigger. Successful trading is built on a solid sense of personal psychology and emotions, not numbers.

CHAPTER 1

Finding Your Purpose-Center

The greatest revolution of our generation is the discovery that human beings, by changing the inner attitudes of their minds, can change the outer aspects of their lives.

—William James

Deep in your heart, you have all the answers. You already know the answers to questions like: Do I love my life? Do I really love trading? Can I really make it? Do I have the dedication? Do I really want to be doing this? If you dig deeply and honestly, you'll find a clear, firm *purpose-centered* voice that will guide you through the chaos.

Looking deep within and inquiring whether you are truly open to change is the first step toward taking your life to the next level. Have you ever tried to study for an exam in a course that you absolutely hated? It's almost impossible. If your heart isn't in it, generally you'll be lucky to pull off an average grade. But we don't just want to be average; we want to live *passionately with purpose* to find true happiness.

THE GROUNDWORK

We *want* to be successful. But what is success? The answer is different for everyone. For some, success is \$500 a month, enough to live humbly and paint the days away. For others, it means becoming the next Warren Buffett. Success is a deeply personal feeling, and achieving success isn't easy, especially if your yardstick is tied to making money in the markets.

So where do we begin? First and foremost, we must make a conscious commitment to persevere, even when things are tough. This admonition sounds simple, but is often overlooked. To be successful in the markets, we have to make the initial conscious commitment to be the best we can be and to love every moment of what we're doing. Write down a statement of commitment and display it to where you can see it. It's critical to keep reminding yourself, "I am a trader, and I've already made the conscious commitment to being the best trader I can possibly be. I equally understand there are going to be some very tough times ahead, but when they come, I will remain calm and weather the storm." Use language that feels true for you, but writing out something similar is the first step to clarifying your commitment to trading with passion and purpose. The only person who can make a difference in your bottom line is you. And, we often forget that we are in control of our trading destiny. We cannot rely on hope or luck; we need to rely only on the conscious decisions we make every day.

The key to making these decisions rationally is to make the conscious commitment to becoming the best traders we can be. Part of this commitment comes from finding our purpose-center, so we know why we are doing what we are doing. Once we've completed this step and made the conscious commitment to being the best we can be, we're ready to take the additional steps to lay the groundwork for our success. The next section in this chapter helps us find our purpose-center by taking the time to outline our mission statements.

Once we have a deep understanding of why we are doing what we are doing, we can then look into the framework of our beliefs and discover why we make the trading decisions that we do. Specifically, you'll read about this concept in terms of Morita therapy and dogma. Morita therapy helps us remain in the moment, while understanding dogma helps us transcend the beliefs that hold us down, all of which will help us live and trade with a purpose-center, in the zone. I would like to reiterate that while reading Part I, you may wonder, "What does this have to do with trading?" Understanding your mission statement and being able to stay "in the moment" has everything to do with trading. There are countless books out there on trading strategies, but none will do you an iota of good if you do not have a solid understanding of your own psyche. Trading is emotional, a fact that's easy to overlook. But as the most important key to success, it is something that we simply cannot afford to schlep aside.

CLARIFYING YOUR PURPOSE-CENTER THROUGH THE MISSION STATEMENT

As with anything else in life, to be effective traders, we need to be passionate about what we are doing. In the world of trading, passion can be our lifeline

to profitability. More important, we must have a clear purpose of who we are, what we believe in, and what we are attempting to do. We must understand the macro picture of ourselves. So many of us wander around from day to day never knowing what our purpose is. And while some may never find their true purpose in life, we can at least *try* to understand what it is that we are seeking from a calm, rational stance, particularly in the markets. If we don't have some idea as to why we are trying to accomplish what we are, we will simply wander aimlessly from thing to thing, until we finally cave in or, by luck, find the one thing that fits. While this wandering course may ultimately prove successful, the journey is that much more difficult and confusing.

Finding our bigger purpose in life is certainly something that each of us must undertake on our own. Everyone's purpose is unique. My aim is to help you uncover your life and investing purposes by looking at the bigger picture of who you are, your desires, and the motivations behind your wishes. This discovery is essential to becoming great traders.

To begin clarifying your purpose in the market (and life), take a moment to write down why you are trading in the first place, what you want out of trading, and what you hope to achieve. This is what I wrote:

My trading purpose is to make money, and I am trading because I love trading. Moreover, I am trading so that I can financially liberate myself to pursue my other passions: painting, writing, helping others, my spiritual journey, and my family. I am a trader because I love the excitement of it. I am trading for a living because I want to make \$50 million dollars before I am 40. I believe that in the markets, anything is possible, and I believe I can do it.

You might be asking yourself: Why is any of this necessary? My argument is this: The primary step in ensuring our success is knowing precisely why we're doing what we're doing. The road to success is stressful. When everything is crumbling and I ask myself, "What's the point?" because I've written out my mission statement and clarified my purpose-center (which you just read), I will have an *answer*. That answer is my purpose-center, and because I have taken the time to write it out, I will overcome the self-defeating lack of self-assuredness that the other guys around me are probably going through, and I will instantly have given myself the psychological edge of having a clear understanding within myself of *why* I am doing what I am doing. It's one less question to rattle around in my head when I need to be clear to make accurate decisions.

When the heat turns on in the market (and life), we can often ask ourselves, "What's the point?" I ask myself this negative question particularly often after a sting of losing trades. But when I do, I remind myself of what I

have already written out in my purpose-center mission statement, and then in the back of my mind I say, “Oh yeah, now I remember.”

Let me give you an example. In October of 2006, I felt the markets were significantly overbought and that a reversal would soon appear. Through my research, I noticed that there was plenty of room to run on the upside over the long term, but for the present moment, the major indexes had run up way too fast. I believed that a significant pullback would appear, bringing the indexes back to a normal level, where buying could then resume.

Acting on this belief, I began taking put positions on almost everything I could find. Within a week of Halloween, I had built option positions exceeding 1,600 put contracts, or 160,000 shares. But I was early, and before I knew it, my options had lost over \$60,000 in premium, due to time decay, and the market's traveling higher. I felt very frustrated, angry, and, most of all, just plain wrong. Every night, I would pore over charts, earnings releases, and economic data. And at about midnight, when I turned off the lights, I felt the same way. . . that the markets were overbought in the short-term.

Then each day I'd try to trade my way out of the market moving higher, while my P&L continued to grow more and more red. Countless times I asked myself, “If I'm so good, why am I losing so bad? What's the point? No one can beat the markets.” And then, somewhere inside of me, a little voice would say, “I am trading for a living because I love it; that's the point. And if it was easy, everyone would be doing it.”

I hung in there, and in the first week of the November, most of my positions traded exactly in the direction I'd hoped, and I kicked butt. But these gains didn't come without a price; I've never been so stressed out in my entire life, and it was all I could do to simply keep it together. But I learned that knowing our purpose-center works . . . especially when times get really, really tough. This isn't just talk. What I'm covering in this book are things that have helped me make a ton of money. Simply examining my psyche and knowing my purpose-center saved me from closing my positions when the walls were caving in.

It's as simple as this: In writing down a trading mission statement, we provide ourselves with a clear idea of why we're doing what we're doing.

You might have noticed that my trading purpose overlaps into some of my life's purposes as well. And, I think for many, we will find that as we turn over one stone of purpose on a micro level (like trading), we will find another stone of our macro life purposes. Knowing why we are doing what we are will give us that much better chance of moving through our trades with precise direction. If we haven't honestly clarified why we're trading in the first place, when things start to get really rough, there's a pretty good chance (read: almost certain) that we will begin to question everything.

If we know our purpose-center, every moment is a new beginning in which we can change everything that is. It's the place where, no matter how

disappointed we feel, we will remember our dreams and find hope again. If we know our purpose-center, our dreams are that much closer to becoming a reality.

I cannot stress how important it is to *write down your mission statement (purpose-center)*. You might think doing so is corny, but it's not. It's good housekeeping and is as vital as writing down our goals often. Unless you just get lucky, you will *never* make it in the world of trading if you don't have some idea of how and why. I've seen thousands of traders blow up and fade out because they never made the solid commitment to plan how they are going to succeed based on *why* they were trading in the first place. They flounder, they dwindle, they're gone before you know it. Don't be one of them.

Writing down your mission statement and knowing your purpose-center is not the same as creating a trading plan. The two activities overlap, but they are not the same. The mission statement clarifies *why* you are doing what you are doing; the trading plan lays out *how* you're going to get there, and it is vital to being a successful trader as well. Chapter 17 covers the trading plan.

It's easy to struggle with the mission statement, as it means that we have to know ourselves on an intimate level, while embracing and accepting all of our faults, strengths, and characteristics of self that make us who we are. If we find that we are not centered, perhaps it is because we haven't quite found an understanding of ourselves. And, with so many outside distractions, if we are not centered, we can easily become pawns in the larger game of life, allowing ourselves to be tossed about by its changing and chaotic winds. With this concept in mind, over the next section we investigate and test our purpose-centeredness from the standpoint of Morita therapy and dogma. Some of the ideas may surprise you! In Chapter 3, you then take these concepts one step further, putting them in the context of ego and esteem.

For now though, we focus solely on the purpose-center of our balanced self. The following concepts are very important in day-to-day life and the world of trading, and can help you narrow your mission statement as well.

MORITA THERAPY AND DOGMA

Founded in Japan by Dr. Shoma Morita in the late 1800s and early 1900s, Morita therapy combines principles of psychotherapy with hints of Zen Buddhism. Morita was forming his ideas in Asia at the same time as Sigmund Freud and Carl Jung were working in Europe. For the context of this discussion, we do not delve into Freud, though we cover a slight bit of Jung and the collective unconscious, which you will read more about in Chapter 9.

Dr. Morita attempted to bring each person into the “now” by making the subject cognitively aware of what reality was presenting at that particular moment in time.¹ Dr. Morita believed that unless we understand and are aware of what is happening in the reality around us, we cannot understand what needs to be done. If we cannot or do not want to see the reality unfolding in front of our very eyes, we just won’t have the perceptive ability to create change . . . or simply handle the events at hand. His theory further contends that we have to understand what we can and cannot control, and not try to fix everything. Those things that are beyond our control must be comprehended in an undetached manner and then accepted. We must understand the moment, but not overanalyze every second that crosses our path.

Morita therapy finds some similarity to the Serenity Prayer of Alcoholics Anonymous, which says, “God, grant me the serenity to accept the things I cannot change, the courage to change the things I can, and the wisdom to know the difference.” (Oddly enough, some roots of Alcoholics Anonymous can be traced back to Carl Jung through one of his patients, Rowland H., who eventually passed his ideas along to Ebby Thatcher, a friend of A.A. cofounder, Bill Wilson.) The point is that we must have the courage to change the things that we can, and to let go of the things that we can’t. You’ve heard the statement “It is what it is.” What this statement is saying is that “it” is done, and that by accepting “it,” we receptively bring ourselves into the moment at hand. We are not pretending “it” is something different than the reality that it is. When we admit the truth of the situation to ourselves, we validate our feelings and ourselves as people. And we are accepting the reality of the moment at hand.

It’s important to understand that by accepting the moment at hand, and letting go of the things we cannot control doesn’t mean that we mindlessly forget what has happened or ignore the future. It means that we understand that we can analyze the past and the future, but we accept the present and make a conscious decision to remain completely in “it.” When we don’t feel emotionally comfortable with something, one of the easiest things for us to do is check out. We basically build a comfy little wall of apathy, resentment, anger, or some other defensive emotion so that we don’t have to really examine the emotion at hand. It’s a game we all play with ourselves, especially when we are faced with the possibility that we are wrong. Some people do this by blaming other people for the problems in their life, bad trade they just made, or complete devastation of their portfolio. No one likes to admit they were in control of the things that caused the walls to crumble.

In Morita therapy, when we develop this bad habit (which tends to lead to anxiety), we must take one step at a time to correct the problem. Part of the healing process in Morita therapy is living in a state of *arugamama*, which means accepting our feelings or thoughts without trying to change

them. When we actively involve Morita therapy in our purpose-center, we are accepting ourselves for all that we are. Moreover, when we have a losing trade and, instead of trying to blame it on some facet of the market, accept that we made the wrong decision and accept the grief, pain, and sense of loss that accompanies the losing trade, we free ourselves. In doing so, we are able to move beyond the moment at hand.²

Think about what you have just read in terms of dogma. Dogma is a principle, doctrine, or belief that is upheld regardless of truth.³ It's important to note that my referring to dogma here is not done from the standpoint of religion. Instead, I am referring to dogma and dogmatism as upholding beliefs only to conform to what we have been conditioned to know on social and business levels. The problem is that when we abide by the dogmatic principles of what we've been conditioned to believe, we fail to see the truth of the situation. In other words, our attachment to dogma dangerously blinds us from seeing, experiencing, and understanding multiple facets of any situation. From the standpoint of Morita therapy, unchecked dogma only keeps us from becoming purpose-centered people, because we wind up seeing reality with a rigid, one-sided lens. Moreover, if we do not see the present in a clear sense, we cannot know what to do in trivial and difficult situations, except stick to whatever idiosyncratic line of thinking we've subconsciously, or consciously, accepted as reality.

Thus, in our journey to find our purpose-center we must be in the moment, shedding the potentially dogmatic principles that are restricting us from ourselves and a clear sense of reality. Morita therapy holds that we must transcend our feelings and emotions to find our purpose-center. But we can only do so by accepting our feelings and emotions. We must understand the dogma of ourselves and the dogma of the market around us. In doing so, our sense of self evolves into a new paradigm of centered awareness that allows us to move beyond conventionally upheld imaginary beliefs. If we do not take the time to accept the emotions that are the true cause of our discomfort, we can create a credulous reality that will only keep us from the moment. To overcome this destructive way of life, we must simply acknowledge and accept our feelings in order to move beyond them and remain centered. We must break the defensive dogma of self that keeps us from accepting ourselves and the reality of the situation at hand. Through this acceptance, we bring ourselves in the moment. And to be successful traders, this is a principle that we must attempt to embrace. Otherwise we will never be able to remain purpose-centered within ourselves, the moment at hand, and the markets we are trading in.

In the Western world of psychology, we are often taught that we should learn to control our emotions. This viewpoint holds that by controlling our emotions, we can overcome ourselves. But we're only human, you and me. We have emotions, and when investing, we often have a flood of them.

Through Morita therapy, we need to understand that our feelings are uncontrollable; we can't just stuff them down or pretend that they're not happening. We can't just control them and make them go away. In Morita therapy we're not trying to modify our emotions or push them aside; we're simply accepting them. When we accept what we are feeling, we can take new action without pretending that the emotion we were just feeling doesn't exist. We accept the emotion and thus transcend it. We are not trying to make the bad emotion go away, we're just saying, "it is what it is," and opening ourselves up to new emotions.

Accepting our emotions when they surface creates a state of nonsuffering. What's more, when we accept our emotions, we often are able to let them go, which also brings us out of a state of "me." Anger is an emotion based on "me." Sadness is an emotion based on "me." Hope is an emotion based on something that will happen in the future. While hope is an emotion that has much to do "me," it is not an emotion that is completely preoccupied with ourselves. It is an emotion that relies on a positive event in the future. When we accept our negative emotions (like anger from a losing trade), we leave our pity-pot, step into the moment, and look for the next great trade. Accepting our emotions is an act of personal balance. And this is why Morita therapy is called "the psychology of action." We're not just sitting around analyzing why we're mad at the trade we just made; we're saying to ourselves, "I'm mad at myself, I made a bad decision, and I accept that I made that decision. It's okay to be mad at myself, and I'm going to try to make a better trading decision the next time."

If we're going to be great, we have to take action, not sit around and analyze why we're sad, mad, or frustrated. We do need to understand that there are some emotions that need to be examined—like fear—but in the end, the only way to overcome the emotion is to accept it. (Chapter 6 covers fear in more detail.) If we're afraid of something, we can't just face it without first accepting it. If we do, we won't know how to let go of it, because we have never really accepted it as a valid emotion in the first place. From a general stance of social conditioning (seen in much Western psychology), if you fall off a bike, mostly we're taught to get back up and do it again. Don't think about it, just do it. And that's fine; it is taking action, after all. But even after you get back on the bike, you'll still have that fear in the back of your mind. It won't be until you ride it over and over that you build confidence. But if you say, "I'm afraid to ride that bike again, and I just accept the fear as fear, and recognize that it is fear. But I'm going to try to do it again," when you do get back on the bike, you have a greater chance of being purged from the fear for good because you know what it is, and have recognized it. And you might be more courageous about riding the bike sooner because you know why you're not courageous. You're courageous because you were feeling fearful, and your actions have overcome the fear. It's important to

point out that we didn't overanalyze why we were fearful of riding the bike; we just accepted that we were.

From another viewpoint, by accepting our emotions, such as elation when a huge trade moves in our direction, we recenter ourselves so as not to make a foolish decision in the future without thinking. Accepting our successes as an emotion keeps our ego in check . . . something you'll read more about in Chapter 16 on self-destruction.

The bottom line is that to accept our emotions, we must break down the dogma of self and the world around us to have a clear sense of personal understanding. When we challenge dogma, we strengthen our purpose-center.

PURPOSE-CENTER AS SELF-AWARENESS IN STYLE

Ponder the word *proprioception* for a moment. What this funny word means is to have a sense of self. I stumbled on this word, when reading about tango. When dancing the tango, "to become experts in shared movement, we need to learn how to extend ourselves through our partner's body—an extension that is continually changing shape, balance, axis, and position."⁴ Think of the stock market as your dance partner. When you move with the market, you have to understand that so many factors are constantly shifting. To have a solid sense of self and avoid falling on your face, you need to really pay attention to your space, your movements, the music. Without a sense of self in the greater picture, we are hopelessly moving erratically, while continually stepping on the toes of the market around us.

In trading, many are not purpose-centered because they have not found the truth within themselves, but also have not found where they stand in the market that surrounds them. Many generally assume that there are hard-and-fast rules to trading and that a particular style of trading will return constant profits. And when they hear about a style of trading that works well for another (usually hype), they chase after it like hounds on the hunt. But there is a fundamental breakdown in doing so. When we simply apply the so-called rules of the game that have been developed by someone else without taking ourselves into the equation, we forget that *we are the most important part of the equation*. What I'm referring to is the false belief that there can ever be a set of hard rules of trading that exclude human emotion. So many people rely on the idea that there's an infallible system of trading that will always work for them. It's dogma all over again, and one that can inevitably lead to an unpleasant surprise.

Let me paint a brief picture of what I'm talking about. A tennis player can master all the rules of the game. She can have a mechanically sound

swing that returns the ball time and time again. However, she may also find that when in competition, she is running ragged all over the court. And then she loses the game. When she stops to ask what went wrong, she might stumble on the idea that she's simply not playing "her game." Perhaps she failed to consider that depending on what she thinks as her saving grace—be it that same mechanical swing or some other strength—it did not allow her to play as aggressively as she could or be the best tennis player possible. She is relying so much on the fundamentals of the game that she forgets to consider the changes in her environment, or even within herself. Once she finds her purpose-center she can then refine the mechanics of the game to best suit her abilities and play in harmony with the ever-changing moment. Understanding the mechanics of the game is vital, but understanding how we each can best utilize the mechanics is even more important.

Some of the best traders know all the rules, but they play with a purpose-centered, personalized style of trading that puts money into their pockets on a regular basis. They have found out how to live in the reality of the moment, with their own style, while understanding that there are never dogmatic hard rules to every situation. Their purpose-center informs their every move. Self-awareness through purpose-center is the combination of knowledge and an actualized sense of style. Purpose-center is moving beyond simply protecting ourselves from our feelings by restricting ourselves to the fundamentals of the game. When we have a solid sense of self and purpose-center, we are living in the moment and seeing all of reality clearly.

See, the market is a really tricky place, and often the game shifts on a regular basis. I've seen many instances of a company reporting blowout earnings, only to then see the stock tank. All fundamental logic said the stock should have gone up. But it didn't. Someone somewhere had a huge position and decided to dump it because the earnings (even though they beat Wall Street), didn't quite fit the bill. Fundamental rules would have said to hold the stock after earnings, but the reality of the situation was more like "get rid of it," otherwise you're going to be stuck in a loser. In developing our sense of style while still understanding the fundamentals, we may have had a better chance of seeing the moment, situation, and sell off more clearly. The market is tricky, and the mechanics *always* change.

Now let's apply this concept of purpose-center in the practical sense. When you quiet yourself, how do you perform the best when the heat is on? Listen closely to yourself. Picture yourself right now where you do all your trading. Where are you? How are you breathing? What do your shoulders feel like? Pay attention to what's going on inside your mind and body. Now acknowledge the emotions that begin to surface when the bids in your portfolio's position start to dry up. In your mind's eye—and be very honest with yourself—are you performing to your highest level without emotion? What do you do next? Can you identify how you feel? Are any of your actions/decisions based on protecting your emotional well-being? Do

you break down because you were trading something that you felt uncomfortable with? Do you discover you were trading a particular market that is above your risk tolerance? The point is that when we find out what we are comfortable with and what appeals most to us—what *feels* absolutely right—we have taken a crucial step to finding our purpose-center. Even more important, if we can calmly look at ourselves when everything starts to fall apart and our emotions form a violent tornado within, we are given a precious and vital opportunity to finally overcome the destructive habit of never seeing the situation clearly. It's often said that you have to know all the rules before you can break them. And this is too often all too true. But when we have a solid sense of self and know our purpose-center, we develop our own style while also being able to still see all situations clearly. We are well balanced from within, because we can live in the moment while still hanging on the infrastructure of self that is our style. In essence, we know the so-called rules of the market, but because we also know the rules of ourselves, we can break the rules of the market . . . and create the trading success we dream of.

We all know—internally—when we are off balance. We know when we are doing something that makes us feel off-kilter. In trading, if you feel off-kilter, you are not trading in the purpose-center of you, and most likely the emotion of the situation will command the outcome. If you are a technician, and you decide to buy a stock because the price-earnings ratio is low, will you know where to close the trade if the stock begins to tumble? What I'm saying is that if you are a technical analyst, why did you allow fundamentals to get you into the trade? In contrast, you may be a fundamental analyst, holding a stock that you believe is a great value. If the stock breaks below the 200-day moving average, and you close it based on the aforementioned technical event, will you be kicking yourself when Wall Street realizes the stock *is* a good value and buys it up?

But, there's more to this story. Sometimes we find a method of style that appeals to us, and by getting attached to this method, somehow forget to recognize the other important facets of knowledge that are so vitally important to our success. Remember our tennis player with the mechanical swing? In essence, when we mistakenly determine that the strict fundamentals of the game are our purpose-center, we are really creating a falsely dogmatic situation that will only set us up for failure. The key is to remain open to all possibilities. Again, only by knowing all the rules will we ever be able to break them.

THE DOGMA OF STYLE

Purpose-centeredness with Morita theory holds the idea that if you believe you are a fundamental or technical analyst in the first place is a dogmatic

situation setting you up for failure. Our eagerness to find that “it,” that ultimate *methode du jour* that we can claim as our very own style, will result in negative emotions when things start to break down. We will find ourselves even more frustrated, not only with the situation at hand, but with ourselves due to our overidentification with the method that’s not working. Worse, if there’s no realization that our trading knowledge is faulty, we wind up overlooking, repressing, or denying the emotions that surface in tandem, instead of acknowledging them and seeing the situation clearly. The essence of who you are, knowing how you prefer to trade, and listening to what *you* are telling you, is only as good as your ability to live in the moment, even if the reality of the situation presents something you are uncomfortable with, don’t know, don’t understand, or simply can’t comprehend. You can be both a fundamental and technical trader—there are no rules to what you can or can’t do—but you just need to know yourself and make the commitment to look at the reality of every situation for what it is, even if it is beyond your comfort level. What’s more, you must make the conscious commitment to not overidentify with one style of trading. You can create your own style, but not taking the time to look at all the information out there will only lead to ruin. Even more important, once you do develop *your* style, it’s important to still keep one eye open for new ideas in the market. I’ve heard many fundamental traders scoff at technical analysis and vice versa, and when I do, I think to myself, “You’re only hindering yourself by *not* taking the time to learn new things.” The markets are about emotions, and, sometimes, the greater public is selling because of a technical event, not a fundamental one. It would be a shame to not be able to see the situation clearly simply because our chosen style prevented us from learning all that we could.

In bringing this back to our conversation about Morita therapy, our purpose-center, and dogma, to become successful investors we must first find ourselves, do the work necessary to understand the market, and then loosely assemble our stylistic methods (being careful not to create a rigid sense of dogma) by which we expect to profit. And we must also never shut the door on accepting new realities or learning new things if we are to remain in the reality of the moment. Only then—through learning, discipline, commitment, and learning even more—will our trading lives truly be set free. Our purpose-center can help us stay on this path, while constantly reminding us to stay clear of creating false dogma.

When someone scoffs at an idea, chances are it’s because they don’t really understand it. All the great inventions in this world would have *never* happened unless someone went out on a limb and tried something new. It’s the same for your purpose-center and trading style; you can create something *totally new*. You just have to know yourself and the rules of the game first. Learn the rules of the game, and then break them.

Once we discover our purpose-center in the market, or in our personal lives, we are able to find a sense of self that allows each of us to be the best we can be, within the context of ourselves. In short, by understanding our purpose-center, we can then take advantage of our strengths to develop our personal trading style, but, even more so, we will be able to see where our weaknesses are as well. And knowing what we are not good at is just as important as knowing what we do very well.

Here's something that will help further develop your purpose-center and commence destroying dogma: Take inventory of yourself and what you know. Begin by writing out on a sheet of paper all the things you know about trading and investing. Write down what you know about fundamental and technical analysis, economics, trading rules, trading platforms, your money management plan, commodities, foreign markets, and so on. By doing so, you will see (on paper) the inventory of your trading life. Then you will be able to see what you are lacking as well. Next, where you find that you don't know something, ask yourself why you haven't taken the time to learn. Chances are you have not studied the missing items yet because some dogmatic aspect that you believe to be true has kept you from learning everything you can.

Then start picking items from the list and begin learning about them. When you are done working through the list, go back and write out your mission statement again. Chances are that with your new knowledge, it may change a little. Because you know more, your approach to the market and why you are doing what you are doing might have changed. Your new sense of style may change your mission.

Remember, though, that if you're not good at a particular style of trading but you really want to trade that way, it doesn't mean you can't do it. You can; you just have to work a little harder than the next guy to be the best. If you've clarified in your mission statement that you want to trade a particular way, while also stating that you know you struggle with that style, but make the commitment to yourself to be the best, then nothing can stop you. Take Spud Webb for example, who has an amazing story of overcoming odds.

When the infamous basketball player Spud Webb was in junior high school, the coach told him to "sit in the stands" because of his small stature. At the time, he was only 4'11". The summer before his senior year, he worked tirelessly to achieve a 42" vertical jump to dunk a basketball. That's almost four feet! But it didn't come easy, and he had to work hard every day to do it. Webb eventually grew to 5'7", which is nearly laughable when considering playing in the pros. But he did. He played 814 games with the Atlanta Hawks and the Sacramento Kings, and he won the 1986 Slam Dunk contest.

What we learn from Spud's story is that if you want it bad enough, you can get it. You just have to decide what it is that you want, and then work your tail off to make it happen. And, more important, don't ever laugh at

someone else if you think they can't do something, or you think they're not doing it the right way . . . they might just make you eat your words someday. When we know our purpose-center, recognize the dogma we want to crush, and remain in the moment, *nothing* can stop us.

SUMMARY

Over the course of this chapter we've covered a brief understanding of our purpose-center from the aspect of Morita theory, which tells us that to be the most effective traders we can be, we have to know why we're doing what we're doing, and we have to remain in the moment. Moreover, when we learn the rules of the game, we can develop our own sense of style, but we have to be very careful not to let this style impede us from knowing what's true or impair our ability to learn new things and see the situation from a clear, unbiased standpoint. And we have to be able to accept our emotions for what they are, while understanding that there's a fine line between acceptance and overanalysis. Lastly, we must at least try to understand our purpose-center through a mission statement, which is what will help us clarify why we're doing what we're doing in the first place. Knowing our mission statement will help keep us together when things get rough.

We've built a solid foundation so far and now we're going to add to it by examining our awareness of the moment, while hearing from the closing pitcher for the Chicago Cubs. What you read in Chapter 2 will bring together everything we've covered so far.