

**PART I**

# **Fly-Fishing Lessons**

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**CHAPTER 1****Three *P*'s in  
a Pod**

**W**hen I was a small boy, I used to watch fishing boats drift by in front of our cabin. I remember sitting with my father on our front deck, listening to his comments about each boat: how they were fishing, whether they were experienced or novice, and whether they knew where the holes were located or were content simply to float aimlessly down the middle of the river. Sometimes he would say, “Don’t they know this is my river?”

Designated a Blue Ribbon Trout Stream, the Henry’s Fork of the Snake River in Idaho provides some of the best and most challenging fly fishing in the world. It was obvious to my dad which boats were successful and which were not. Those moments years ago planted some fertile seeds within me that begged for nourishment. I wanted so badly to learn how to fly fish and fly fish well. I figured that if my father was good enough to measure someone’s skill simply through momentary observation, then he must be good. I wanted to be like him, whatever the cost in terms of time, money, and effort.

Early on as a trader and a fly fisherman, I gained an appreciation for the value of observing others. Those observations have helped me realize that experienced fly fishermen feel great satisfaction and joy in every step, not just during “the kill.” Planning, preparing, tying and presenting the flies, stalking, casting, hooking, and retrieving are all vital steps, combining to produce a trophy. Whenever the fishermen would pause to savor their success with a picture or two before releasing some 20-inch rainbow trout, I would be reminded that their focus was on the process; the reward was secondary. It became clear to me that a polished and confident

process would lead to an expected result. I understood that I had to learn and perfect all the steps of that process. That was my first and most important lesson in becoming a successful fly fisherman.

It is the same in trading the stock market. We must focus on the process and on gaining knowledge of the tools of our trade, our software and indicators, along with their interpretations. Research and simulated trading are vital for learning to trade. As you develop proficiency, the financial rewards flow naturally, rewarding your continuing effort to improve and evolve.

Both fly fishing and trading require three psychological traits. To win consistently, you need all three of them. Miss just one, and any effort will quickly degenerate into something mundane and boring.

The three essential *p*'s are passion, patience, and persistence.

## PASSION

Passion is the driving force—passion to learn, to excel, to become better than you are today.

I'm convinced that passion is innate in all of us early on in our lives. From toddlers to teens, we are introduced to many stimulating and interesting facets of life. Gradually, we encounter life's challenges, disappointments, and failures. Discouragement creeps in to obscure our vision of unlimited possibilities. This happens to most of us as we trek through life, and a corrosive effect builds up over time. In defense, we risk imprisoning ourselves in patterns of frozen behavior. Passion provides the key to unlock this stalemate, freeing us to embrace life and all it has to offer.

## PATIENCE

Patience keeps you on the course of development. We learn from books and paper trades and then from real money trades. If you take time, your growth will be steady like that of a tree. You cannot rush the development process to bear fruit.

Patience is difficult to develop. It is far easier to be impatient and lose interest. Sustaining passion in all our endeavors helps us develop patience.

## PERSISTENCE

There will be times when trading will frustrate you, but you have to keep attacking and approaching it from different angles to find your niche.

Ralph Waldo Emerson said, “That which we persist in doing becomes easy to do; not that the nature of the thing has changed, but that our power to do has increased.”

The reverse of this is also true: “That which we don’t persist in doing becomes harder to do; not that the nature of the thing has changed, but that our power to do has decreased.” This is a universal law, applicable to all realms of our lives: mental, physical, emotional, academic, and social.

What this means in terms of learning to trade is that certain levels of discomfort and wear and tear on us are necessary and natural parts of the process.

Several years ago, I bought a small fishing boat with a brand-new engine that didn’t quite perform to my expectations. When I returned and asked the mechanic what the problem could be, he said, “Be patient, put several hours on the engine, and wait for it to break in. At that point, the engine valves will seat, and you’ll get better performance.” Keep in mind that this engine was a precision-crafted machine, but even so, it needed to go through the break-in process to seat the valves into a perfect fit. Then, and only then, did performance become optimal.

Unless you are feeling occasional pain and frustration in trading, requiring you to display patience and persistence, you probably won’t catch that “second wind” and reach the performance level you desire. Learning to become a proficient trader requires persistence to reach that threshold when it feels like it is “downhill now.”

If you are passionate, patient, and persistent, you will arrive at your destination. It is only a matter of when, not if.

What else is important? When things begin to stack up in your favor, there is a tendency toward smugness and arrogance, which destroy the very process that you have established. Remember to be grateful, not greedy—humble, not haughty. This attitude will protect you against self-destructive psychology.

With these three *p*’s in place, the next step is to equip yourself for the journey. We will discuss these topics in detail in the chapters that follow:

- *Knowledge.* It’s one thing to own a tool; it’s quite another to know how to use it proficiently. When I first started, I read many books on the subject of trading, but none hit home like those by Dr. Alexander Elder. I treated his books like textbooks, with more than half of the words highlighted and underscored. I read and reread the texts, worked through the study guides, then took the tests. I approached the acquisition of knowledge extremely seriously.
- *Tools of the trade.* They include hardware, software, trading platforms, and the rules for placing orders. You must develop a working knowledge of all these important items.

- *Skill through practice.* Do you ever wonder why we call it the “practice” of medicine? It is an evolutionary process, one in which the practitioner is constantly perfecting his knowledge and skills. That is why, in health care, you find residencies where young doctors intensively study important subjects and then implement that knowledge in a supervised clinical setting on real patients. The takeaway here is that we should refer to it as the “practice” of trading, implying that the same degree of intensive study and practice is necessary before we put live money at risk.