

CHAPTER ONE

THE MENTAL KEYS TO BECOMING A MASTERFUL ONLINE TRADING ATHLETE

Do you believe that champions are just born that way, or do you believe that champions earn their success through application of talent? If you said that champions have to earn it, congratulations, we are on the same page. If you said that champions are born that way, we hope to convince you that you are wrong. You see, over the years we have seen many talented players who do not achieve what they are capable of and it has nothing to do with their talent level. Instead, it has everything to do with their commitment, their goals, and their focus. For every champion who makes it to the NBA, NFL, MLB, and so on, there are many equally talented athletes who drop out along the way. Champions become great through applying certain fundamental principles to their lives.

There are tons of people who could be great, but they don't practice the basics. They don't want to work at it.

—Michael Jordan, quoted on his return
to the Chicago Bulls, March 27, 1995.

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Sport psychologists have studied in depth the factors that make up long-term success. Our goal in this book is to show you what we have learned about success, and how to apply it to your world of online trading. We will assume that you have the talent and desire to be a successful online trading athlete. We will go beyond that and show you that what you think about, the goals you set, what you choose to focus on, and your attitude toward trading will be the final factors that decide how successful you are.

GETTING STARTED— MOTIVATION

In the next chapter, we discuss in depth the art of goal setting, and show you why being good at that skill is critical for successful trading. At the heart of goal setting is having a dream. All of the Olympic athletes whom we work with begin with a dream. There is something they want out of their sporting participation. The dream varies from individual to individual. For one athlete it is the dream of being the best in the world at what he does; for another it is the dream of representing her country at the Olympic Games; and for another it is the dream of doing something he loves and has fun with every day for the next four years. The athletes tell us that when things get rough, when they experience a setback, when they feel like giving up, it is the dream that keeps them going. They think about their dream and they just do not want to let it die, they cannot bear to give it up. So they struggle on, giving it one more try, and very often another, and often yet another, until the dream is fulfilled.

What is your dream as an online trading athlete? If you do not have one, what is going to keep you going when

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things get rough? What will sustain you when the market turns against you, when you have a terrible month, when your friends quit, or when you seem to lack the energy to keep going? It is easy to be focused and happy when everything is going well. What makes a champion is that they have persevered through the hard times, so that when opportunity presents itself, they know how important their chance is. For example, in 1998 and 1999, quarterback John Elway won the Super Bowl with the Denver Broncos, the ultimate achievement for any football player. But in 1986, 1987, and 1990, he lost the Super Bowl, each time in disastrous, almost humiliating fashion. As he got older the bumps and bruises of an NFL career began to multiply, and he must have asked himself many times whether it was worthwhile to continue. But he had the dream of winning the Super Bowl, and this sustained him through the hardest times until he fulfilled his ambition.

Not every dream comes true, but the interesting thing is that the retired athletes we have spoken to are happy that they pursued their dream, whether it became a reality or not. "I never won that Olympic medal," says Jan, a figure skater. "But the places I've been, the people I've met, are all due to that dream. I can't bear to think of how empty my life might have been without it." Another athlete commented, "Yes, I would have given anything to go to the Olympic Games. Being so close was very hard to take. But then again, I realize now how much I've grown from my experience. I learned an awful lot during those 10 years. I certainly wouldn't give back a single minute of that time."

For some of you, the answer to the question "What is my dream as a trader?" is an easy one. You already have a vivid picture in your mind of what you want to accomplish in your trading career. But for others reading this book, this is a tough question. We want you to take your time with it, because the answer is very important. And your dreams will be

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very, very important in shaping the goals you set in the next chapter.

*You can't hit a target you cannot see and you cannot see
a target you do not have.*

—Zig Ziglar

If you are drawing a blank right now, begin by asking yourself, “Why am I trading?” Is it for the money, the freedom, the thrill, or to escape from doing something else? Did you start because a friend started trading, or because you read a magazine article about trading, or because you have expertise in finances or stocks? There is no right answer to this question, but it is very important that you have an answer. If you cannot answer the question “Why am I trading?” you are destined to be like a ship without a rudder. Your trading will drift aimlessly, and based on our experience and observations, you are unlikely to enjoy any long-term success. Our work in sport psychology has taught us that those who achieve great things are those who have great goals. They know where they are going. As you begin to think about and describe your dream, you are on your way to being able to develop your own personal trading mission statement. This statement will be a valuable resource in your efforts to master the mental game of online trading.

You have probably heard a lot about mission statements over the past few years. They seem to have become trendy, and for a good reason: they work! What might surprise you is that it is not only big corporations that have mission statements. Top athletes and high performers in other fields often personalize their goals through specific mission statements as well. A mission statement organizes your goals into a clear statement of purpose and helps remind you every day of why you enjoy trading and what your trading objectives

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are. As an online trading athlete, it is up to you to find your mission, your purpose, your reason for “Why am I trading?”

It is only possible to coach effectively if you are doing something you truly enjoy. It's difficult to win doing something you don't enjoy.

—Joe Paterno

Mission statements should be clear, brief, and personalized. Every statement for every trader will be different. Take some time to fully work out your motives for being a trader. Once you are able to put your mission statement down on paper it will serve as the bedrock to your future success as an online trading athlete. To help you develop the basics of a personal trading mission statement, complete the following exercise.

A) Write down what you think your top three strengths are as a trader.

1. _____
2. _____
3. _____

B) Write down three qualities you would like to have, or aspects of your trading you want to improve on.

1. _____
2. _____
3. _____

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C) Now write down three things that you can expect if you are successful as an online trading athlete

1. _____
2. _____
3. _____

To complete your first mission statement, fill in the blanks below with your answers to the questions above:

"I am A . My goal as an online trading athlete is to B . By sticking to my game plan, I will accomplish C ."

Here are some examples of how traders we know have used the above exercise to develop their own personal trading mission statements. First are the answers from Debbie, an experienced trader who spent six years in various aspects of customer relations with a financial services institution, trading part-time, before she became a full-time trader. Debbie was also a nationally ranked tennis player in college. Here are her answers to these questions:

A) Write down what you think your top three strengths are.

1. I am a competitive athlete
2. I have a strong work ethic
3. I enjoy working with people

B) Write down three qualities you would like to have or improve on.

1. More discipline

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2. Have more fun trading
3. Show more patience

C) Now write down three things that you can expect if you are successful as an online trading athlete

1. Financial security
2. Recognition from peers
3. Satisfaction in my career choice

DEBBIE'S PERSONAL TRADING MISSION STATEMENT

"I am a competitive online trading athlete. My goal is to be disciplined and patient every time I step up to serve in the trading game. I will enjoy my time trading. Sticking to my personal game plan will enable me to become an all-star and achieve financial success."

Notice that when she completed her mission statement, Debbie was able to identify clearly why she was trading. However, she did not write this statement on her first attempt. It took several months of thought and self-discovery to understand why she was in the trading game. Once she got to this version, she found that it made sense to her and kept her focused when she was having an off day or when she fell into a slump. We will discuss dealing with slumps and setbacks in detail in Chapters 3 and 4, but realize that the ability to deal with failures begins with the self-knowledge that you are doing something worthwhile, something that makes you not want to give up easily.

Here is another example of the process of constructing a personal trading mission statement, this time from a rookie trader, Joel, who was 45 when he retired as a fireman and took up trading as an occupation.

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A) Write down what you think your top three strengths are.

1. I am strong and determined
2. I am willing to sacrifice to get what I want
3. I enjoy life

B) Write down three qualities you would like to have or improve on.

1. I want to know more about trading
2. I do not want to gamble
3. I need more confidence

C) Now write down three things that you can expect if you are successful as an online trading athlete.

1. I will make a nest egg for my retirement years
2. I will be knowledgeable
3. I will impress my buddies

JOEL'S PERSONAL TRADING MISSION STATEMENT

"I am a strong, determined trader and I will commit myself to being the best trader I can be. My goal as an online trading athlete is to be smart, prudent, and confident. I will make a game plan, stick to it, and enjoy working hard until I retire."

You can immediately see how Joel's statement is vastly different from Debbie's, and how it is a reflection of his unique personality and his approach to life. The bottom line is a good mission statement is what works for you.

Over time, we change, or trading skills change, and so our mission statements must change. Be willing to add or

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alter your mission statement as you grow in your career as an online trading athlete. We suggest an annual end-of-the-year review of your personal mission statement to see if it needs updating.

Now that you have committed your first mission statement to paper make sure you post it over your “trading stadium” (desk area) so that you can read it whenever you need to remind yourself of your purpose and objectives. (To find out more about how to set up your own Winner’s Trading Stadium, see Appendix A, Extra Innings, beginning on page 219 in the back of this book.)

LONG-TERM SUCCESS—INNER MOTIVATION

Understanding why you trade is the first step to becoming a successful trader, but it is just a beginning. To be truly successful over the long haul, you need to examine your motivations more carefully and begin to understand that there are differences between doing something in order to get a payoff, and doing something because you want to be good at it. Although we all like to receive some reward for doing a good job, sport psychologists have found that athletes are actually more successful when they stop focusing all their energies on trying to win, and learn to focus on being excellent at what they do. Does this sound confusing? It might at first, but the concept is actually very simple. There is a big difference between looking good and actually being good.

Some of your motivations for being a trader are external to you (financial reward, recognition from colleagues) while others are more internal to you (the rush you get from competing, the satisfaction of having mastered a new approach

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to trading). What we have found are that these internal motivations are what sustain you when things get hard. If a situation is difficult and challenging, and your motivation is purely external, there is a tendency to give up or look for the easy way out. But if your motivation is internal, the difficult and challenging way is actually the most satisfying. Those with a strong inner motivation seek out challenges so that they can keep pushing themselves to be better.

Sport psychologists call this the difference between an ego approach to competition and a mastery approach. Let us look at the differences.

Someone with an ego approach to trading:

- Wants to be thought of as a successful trader
- Wants to win
- Compares themselves to other traders
- Is scared of losing
- Wants to look good
- Does not care how they win, as long as they do

Someone with a mastery approach to trading:

- Wants to be an excellent trader
- Is always looking for ways to improve
- Does not worry about the performance of other traders
- Is not satisfied with a good outcome if their approach was flawed
- Does not like to lose, but learns from every setback
- Wants to be good

Why is this important? It is important because it is very natural and very human to have a strong ego approach to competition. Most people like to win and to look good in the process. But without developing a strong mastery

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approach, winning will be an infrequent experience, more dependent on luck than on skills. Think about it from a sports point of view. If you were picking teams, who would you want on your team? Someone who cares mainly about looking good, or someone who really wants to be good? Well, you are the first and most important member of your trading team. So are you really good, or do you just try to look good?

Here is what legendary Penn State football coach Joe Paterno has to say on this same subject:

Many coaches think of success and excellence as though they are the same. They're not. Success is perishable and often outside our control. In contrast, excellence is something that's lasting, dependable, and largely within a person's control. In sport, in business, in politics, we all know people who are very successful and try to keep other people down. But people who truly excel do not resent excellence in others. People who shoot only for success, however, always feel threatened by other people's success. Success is measured by what other people think; by whether they ask for autographs, buy tickets, stand up to applaud and cheer. Excellence is best measured by the achievers.

Both an ego and a mastery focus can exist within the same person. You can care about what others think of you and also have a strong desire to be excellent at what you do. But our assumption is that an ego approach comes naturally, whereas a mastery approach takes work and practice. Throughout this book we will be emphasizing a mastery approach to trading. Here is our simple goal: we want you to reach your potential as an online trading athlete. That means that you must keep asking yourself, what can I do to

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improve as a trader? Why do I want to keep working hard at this? Do I really want to be good at what I do? If you can develop a greater commitment to this mastery approach to trading, we can guarantee that you will enjoy your trading more and achieve at a higher level.

A LOOK AT THE EGO AND MASTERY APPROACH: RAY AND THE DISCUS

My work with Ray is an excellent demonstration of the changes that can occur in moving from an ego to a mastery approach to sport. Ray came to me frustrated because he felt he had the talent to compete with the best throwers in the nation but his results did not back up his confidence. He struck me as a wonderful athlete, with most of the tools to be successful, but his anxiety was holding him back.

When I asked Ray what his goals were, they were focused almost entirely on lots of hard work and physical practice. I asked him if he had any mental goals, but he was puzzled by what I meant. I explained that in my experience, the hardest thing about the Olympics is not the physical demands of the sport, but the emotional pressures that an athlete feels. I explained that it is possible to prepare for these emotional stresses by setting mental training goals. Ray was interested and wanted to learn more. We agreed to work together on some mental training.

One of the hardest things for Ray to do was concentrate at a big meet. He complained that he always felt distracted and unfocused, and admitted that he was somewhat intimidated by the better throwers and their reputations. I asked whether he practiced concentration during workouts, but interestingly, his practices were of-

ten unfocused, too. He worked during the day at a shoe store, and would rush to practice to try and get as many throws in as he could. He was often angry with himself during workouts for not throwing as well as he should.

My “diagnosis” of Ray was that he had a strong ego approach, but his mastery approach was weak. He was constantly comparing himself to the best throwers, with the result that he felt inferior to them and thus lacked confidence. In addition, he was putting in lots of practice time, but much of it was not quality practice time, so he was not getting the most out of it. He did not really know how to be the best thrower he could be. I wanted to help Ray develop more confidence by lessening his comparisons to other throwers and by focusing more on what he needed to do to improve.

Ray knew I had helped several of his friends, so he was willing to try my first suggestion, which was to take some time before every practice to sit down, take some deep breaths, and think about what he wanted to accomplish that day. What were his practice goals? What aspects of his technique did he want to work on? How was he going to improve his concentration during the workout?

For example, when we first began to work together, Ray was working on his tempo during throws. He wanted to feel more in rhythm and more in control, and he wanted to “explode” into his release. I asked him to imagine a great throw in his mind before each practice, to really focus on feeling a smooth rhythm and tempo. I also encouraged him to do some deep breathing and to relax right before each throw, to see if this would help him concentrate.

(continued)

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Ray was dubious at first, because he was actually doing less work in practice by spending the first 15 minutes “not doing very much but huffing and puffing,” as he described it. But to his surprise, he found that he was soon throwing farther, more consistently, than he had ever done before. Each week brought a new practice personal record. He was very excited about his next big meet, and could not wait to show everyone how well he was throwing. But to his consternation, he showed up for the competition and threw poorly; none of his throws approached what he was routinely doing in practice.

Ray was very unhappy the next time we met, and complained that he was not making any progress. I reminded him of how much he had accomplished at his workouts, and suggested that now it was time to bring the same approach to competition. I suggested that he create some time for himself before the next meet to do the same routine he did at workouts—relax, breathe deeply, visualize some excellent throws, and go over his goals for the meet. Once again he was full of anticipation of his next competition, and once again he was disappointed because he threw poorly.

When we discussed Ray’s goals at our next meeting, he told me that his main goal was to beat his rival, Anthony, and to show some of his other friends how far he was throwing. I went over the basics of the differences between an ego and a mastery approach with Ray and asked him to tell me into which category his goals fell. He said they were ego goals because he was comparing himself to others. I agreed. “Ray,” I explained, “as long as you keep comparing yourself with these other guys, you won’t have 100 percent concentration to focus on yourself. If you throw really, really, far, does

it matter how far Anthony throws?” “No,” agreed Ray, “if I throw as well as I can I believe I’ll win. But I don’t think Anthony respects me. He doesn’t think I’m a very good thrower. I want to show him.”

After some discussion I convinced Ray to try something different at the next meet. He was to go up to Anthony and compliment him, and then ask him for some advice on a small technical detail of his swing. I wanted Ray to start thinking of Anthony as a potential friend. Ray was also going to set some mental goals for the competition, to focus 100 percent on each throw, to focus on his rhythm and tempo, and to relax and concentrate before each throw. Sure enough, at his next meet, Ray set a new competition personal record. At the meet after that, he won the meet and had the best throw of the year nationally. Not only that, he was surprised to find Anthony was not the hostile, critical enemy he had imagined, but a nice guy who was as much into throwing as Ray was.

Ray went from strength to strength, and a year after we started working together he won the national championship. Of course, most of the credit goes to the tremendous hard work that Ray put in. But I also believe that a turning point occurred when Ray began to learn some mental skills for throwing, and learned to develop a better mastery approach to go along with his natural ego approach to competition.

What we know, and what you will discover, is that the same sport psychology approaches Ray used to achieve excellence will make you a better trader. Think about it, was Ray’s situation any different than that of an online trader who wants to find out how much money he made compared

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to another trader? Such a trader often considers himself a success if he made more and a failure if he made less. This sounds like the same motivational issues occurring in different environments.

Our entire book is filled with simple sport psychology strategies for the online trading athlete, and we have provided many examples to show you how the traders we have worked with have used these strategies to increase their online trading success. All we ask of you is that you consider putting these approaches into your trading game plan so that you can reach your potential as an online trading athlete.

THE RULES OF TRADING

One of our clients, Bryan, developed a set of rules that he used to put some discipline into his trading day. By taking this mastery approach to trading, he was able to concentrate and focus during his trading day. Here is the actual list of eight rules that Bryan used to become a better online trading athlete. These rules worked for him, but as you work your way through this book you will develop your own rules to trade by.

AN ONLINE TRADING ATHLETE'S RULES

1. Read my mission statement every trading day
2. Focus before I sit and begin trading (tell myself it is "game time")
3. Clear my stadium (trading area) of distractions
4. Trade quick, trade confident
5. Three bad trades in a row, take a 10–15 minute break

6. Take a break every 90 to 120 minutes to stay mentally focused
7. If I am going to eat lunch, eat; if I am going to trade, trade
8. If I lose focus, reread mission statement and take three deep breaths

Bryan Taylor

Bryan believed that his rules were a contract that he had with himself. For this reason, he chose to sign them. Because you are also an online trading athlete, we would recommend that you develop your own set of trading rules as you make your way through the book. To help you out, we have provided some general trading rules in each chapter. These are not trading rules about buying low and selling high (remember we are trading coaches, not financial advisors). Rather, these are rules to remind you of what you need to do to be a winning trader; of what you need to focus on to give 100 percent to your trading day; and of what you must keep in mind to achieve excellence as an online trading athlete.

We will come back to these trading rules at the end of the book, and encourage you to sign your own set of rules and make them binding because if you develop a mastery approach to trading and stick to it, you will be around to win all the batting titles your shelf can hold. However, move away from these rules and you might find yourself watching the game from the stands or on television with a lot less in your bank account.

Add your motivation and enthusiasm to our sport psychology strategies, and we believe you have an unbeatable formula for long-term trading success. Take a page out of the handbooks of the great coaches and remember that there are

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many things that are outside your control—the actions of others, the market, the economy, and the decisions made by companies and their shareholders. You must ignore these things and concentrate on those things you can control. Just as all-stars like Ken Griffey, Jr. and Randy Johnson do not waste time worrying about things outside their control such as umpire calls and crowd noise, you must forget about external distractions and focus your attention on what you can control: your own thoughts and your focus of attention. With your new mission statement and your commitment to becoming a masterful trader, you are now ready to tackle even bigger challenges in the world of online trading. Let us move on to the next important topic, the skill of goal setting.

The formula for a good coach: 90 percent talent . . . 90 percent discipline . . . 90 percent work. He must never be satisfied with what he does. It is never as good as it can be done. Always dream and shoot higher than you know you can do. Don't bother just to be better than your contemporaries or predecessors. Try to be better than yourself.

—William Faulkner

**THE MENTAL KEYS TO BECOMING A
MASTERFUL ONLINE TRADING ATHLETE**

- Start with understanding your motivation
 - The personal trading mission statement
 - Internal versus external motivation
- Long-term success comes from inner motivation
 - The difference between mastery trading and ego trading
- Develop your own rules of trading

