

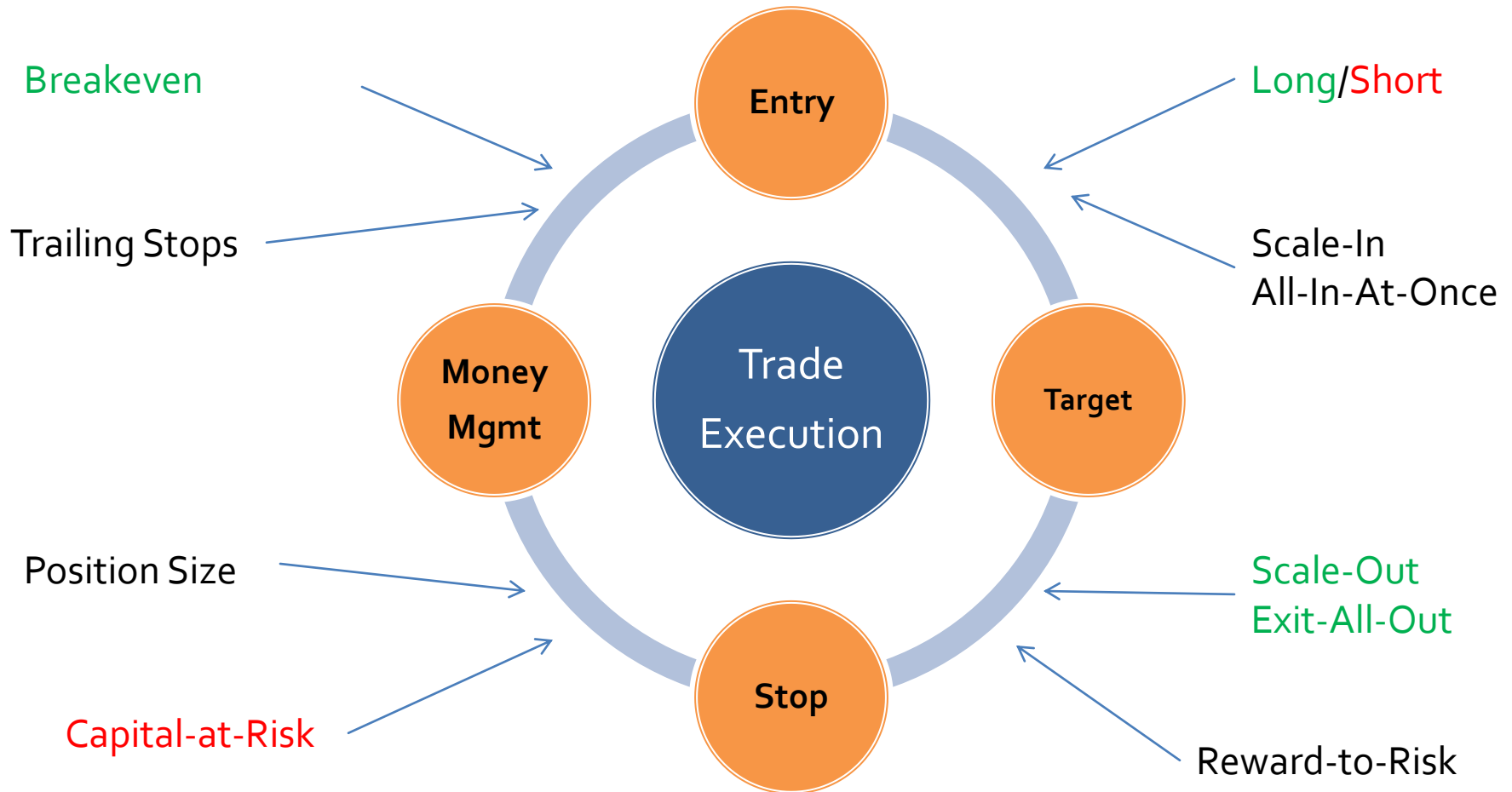
How To Effectively Change Your Trading Habits

Trading EveryDay

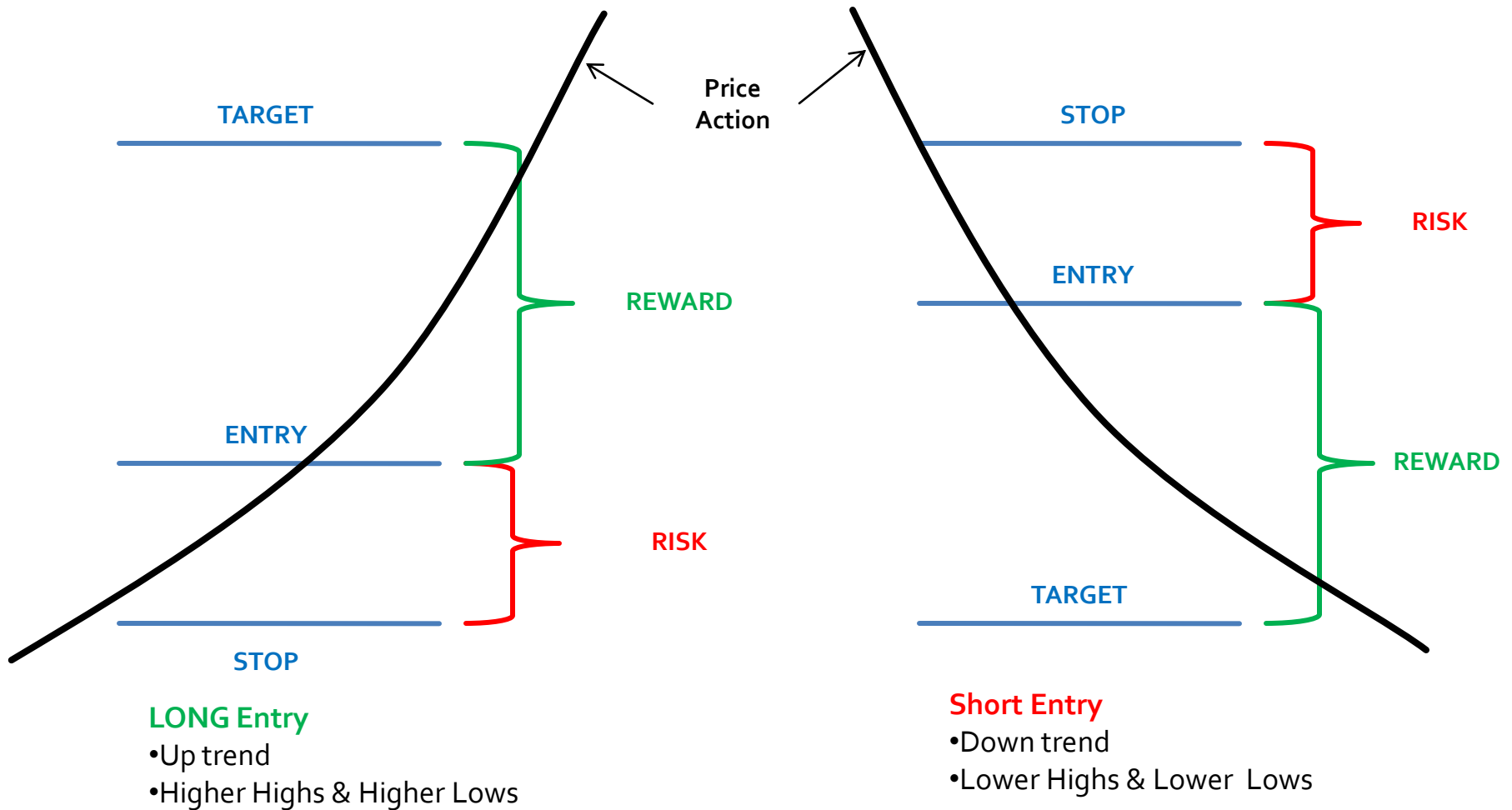
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Trade Execution Decisions Per Trade



Trading Execution



Four (4) Categories of Bad Habits

Over Trading

- Trading too many times in a day
- Too many entries in a trend
- Consistently using big position sizes and overconfident

Chasing The Markets/Setups

- Emotional withdrawal and perception of “missing a real good” trade
- Ignoring greater time frame trend

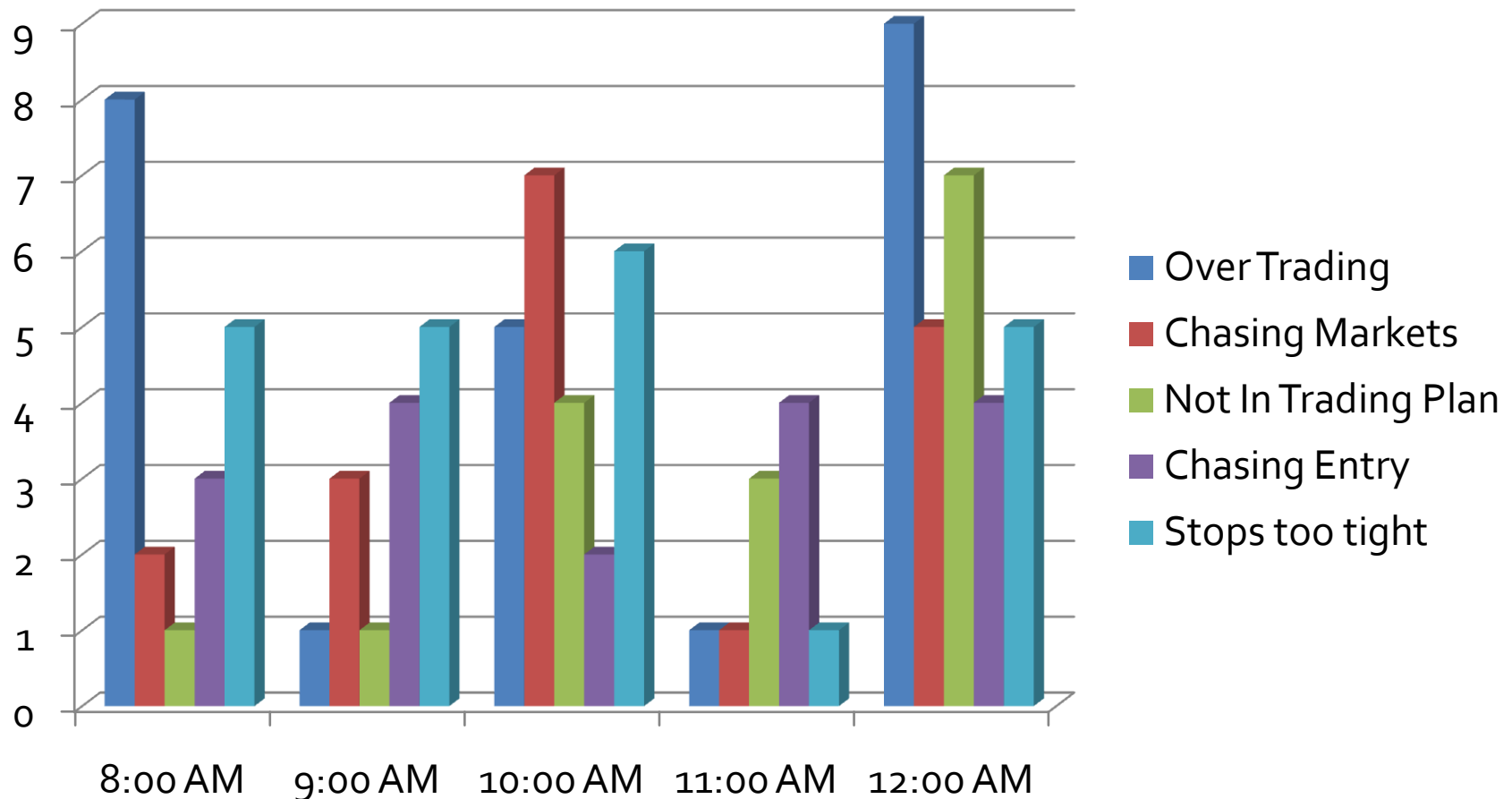
Absence of Risk/Money Management Discipline

- Refusal to use stops
- Refusal to have daily targets for losses and profits

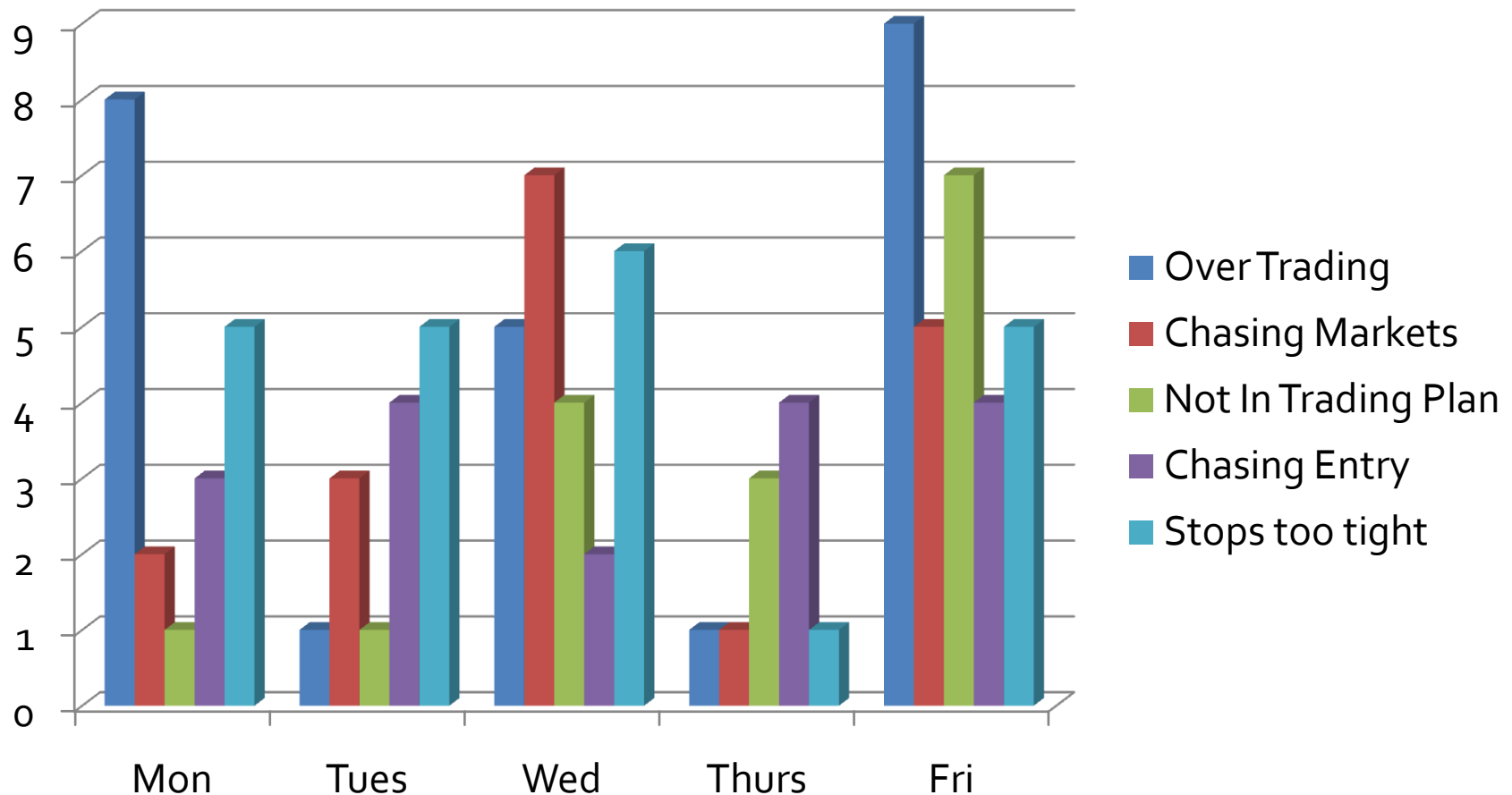
“Slot Machine” Approach To Trading – No Accountability

- Trade “real money” without a real “trading plan”
- Denial that trading is a numbers game...ignores the “odds” paradigm in trading

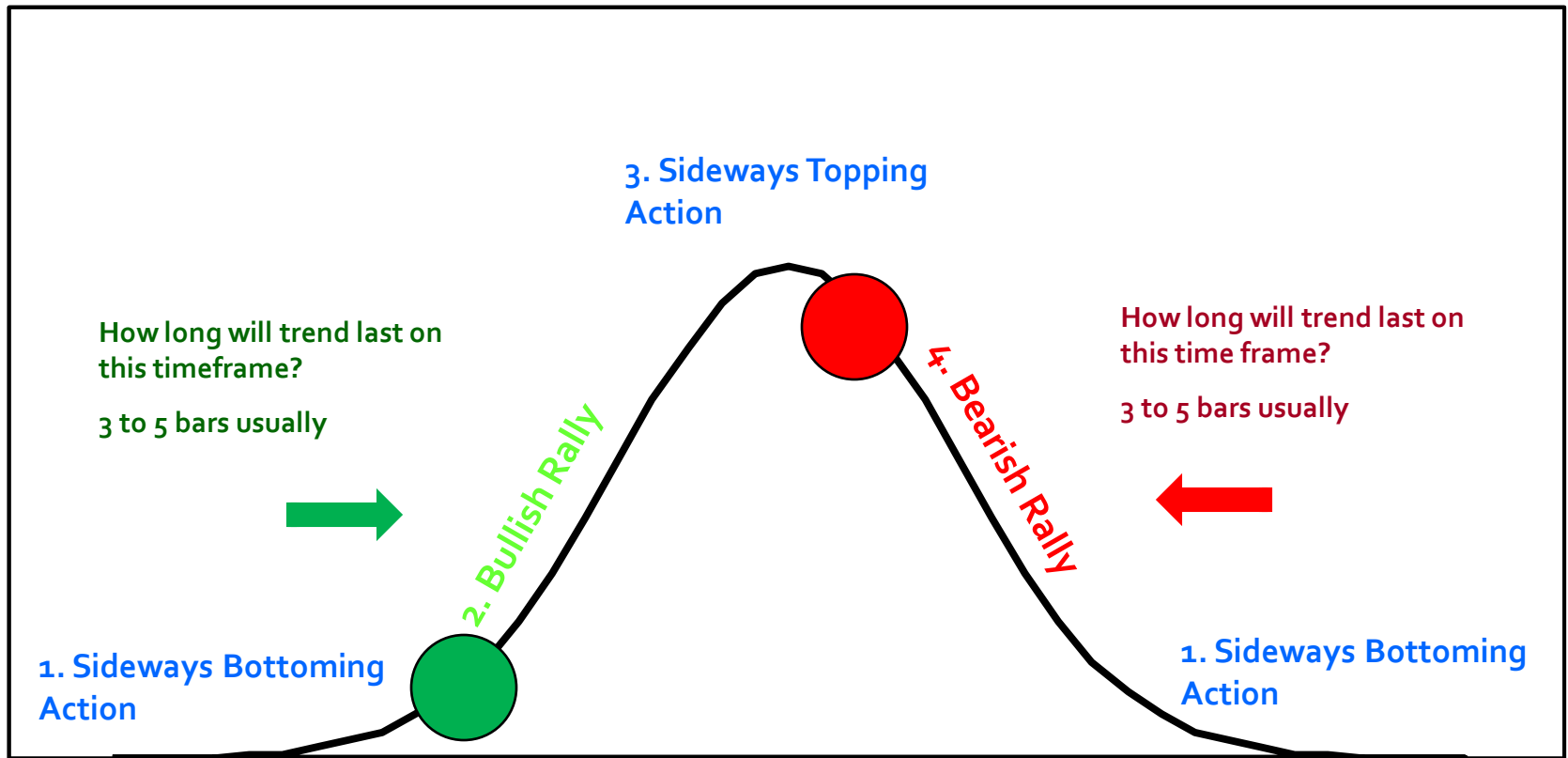
Histogram of Intraday - Good/Bad Habits



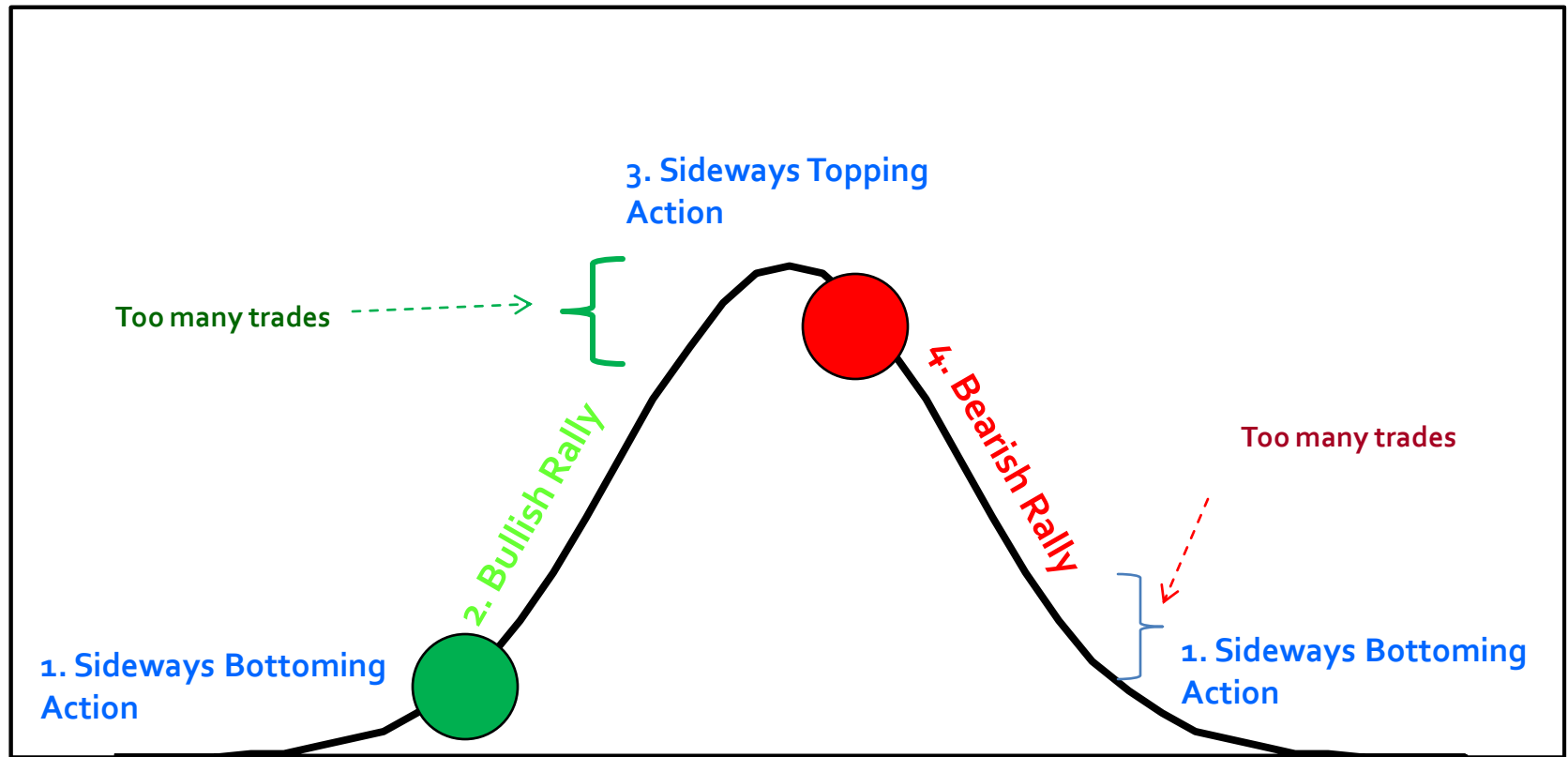
Histogram of Day of Week - Good/Bad Habits



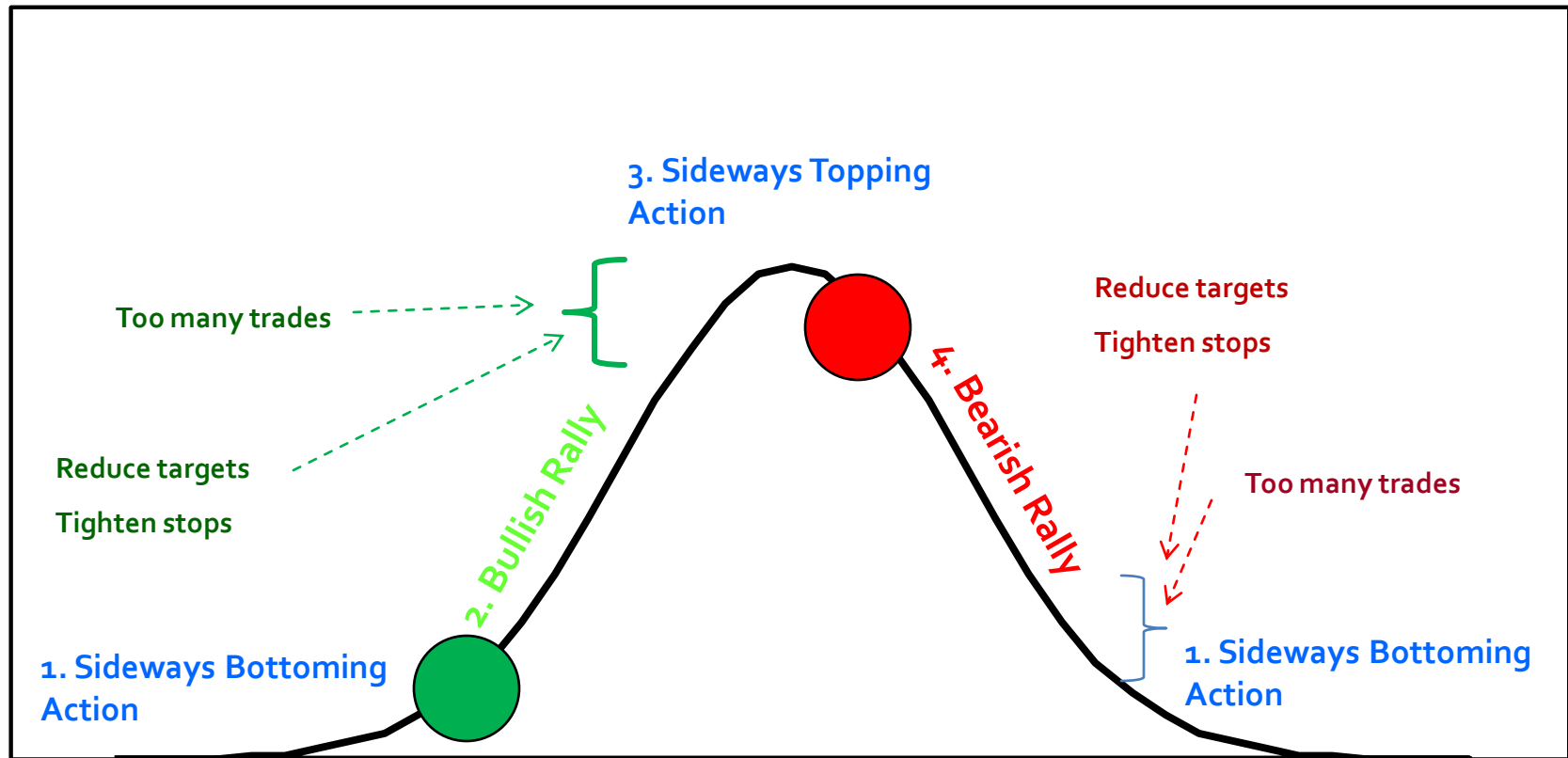
Market Cycle



Over-trading on Market Cycle



Over-trading on Market Cycle



Intraday Overtrading - # of trades

Trade #	Strategy Setup	Position	P&L Result	R-R	P&L \$
1	Bullish Flag	Long	Profit	2:1	+200
2	38% Fib Retrace	Long	Loss	1:1	-100
3	Bullish Flag	Long	Profit	3:1	+300
4	50% Fib Retrace	Long	Profit	4:1	+200
5	M – Chart Pattern	Short	Profit	3:1	+400
6	Bearish Flag	Short	Loss	1:1	-250
7	Bearish Engulfing	Short	Loss	2:1	-500
8	Bullish 3-Bar Reversal	Long	Loss	3:1	-350
Net Total					-100

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Immediate Concern

Intraday Overtrading – Position Size

Trade #	Strategy Setup	Position	Position Size	P&L Result	R-R	P&L \$
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Net Total						-100

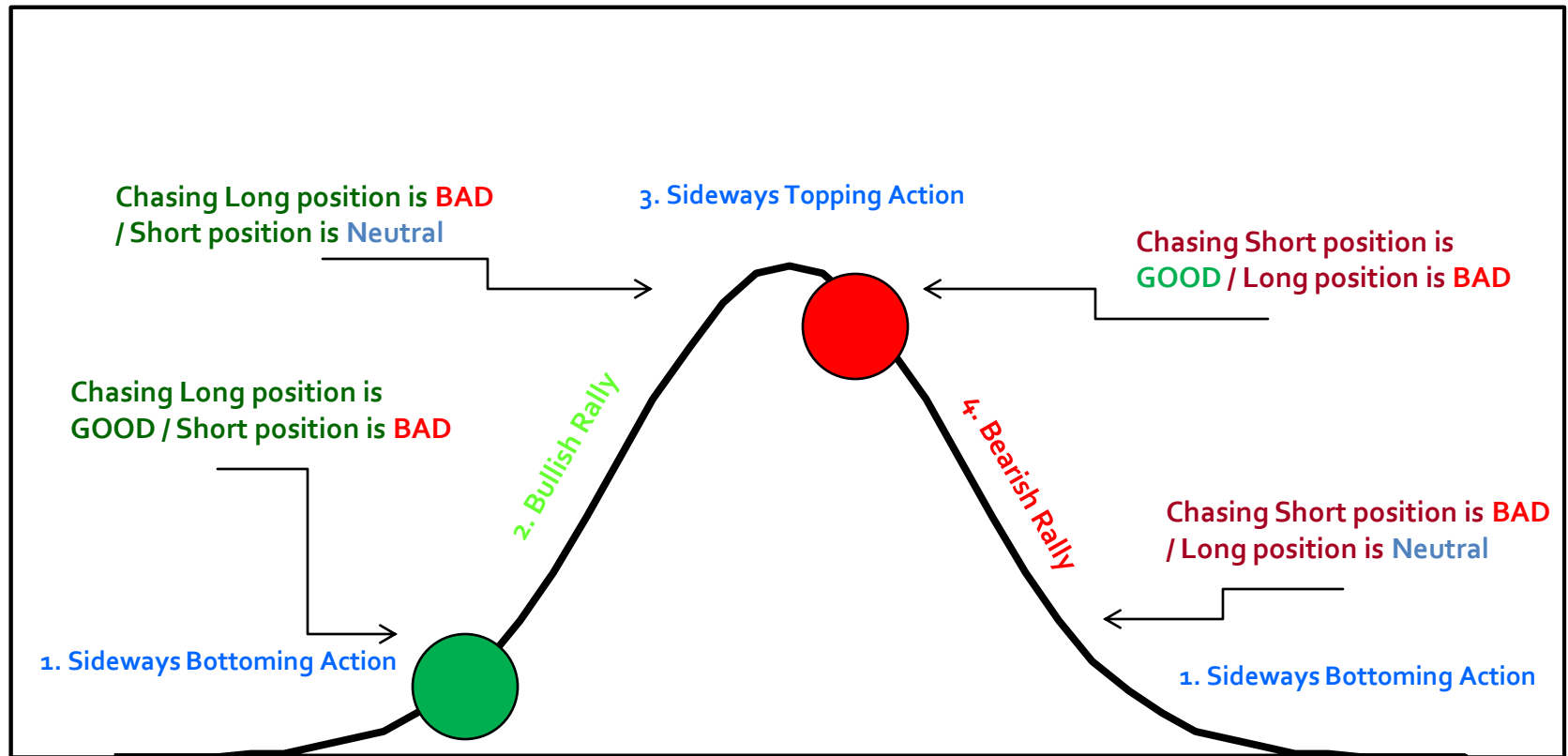
Intraday Overtrading – Position Size

Trade #	Strategy Setup	Position	Position Size	P&L Result	R-R	P&L \$	Error #
1	Bullish Flag	Long	100	Profit	2:1	+200	0
2	38% Fib Retrace	Long	100	Loss	1:1	-100	2
3	Bullish Flag	Long	100	Profit	3:1	+300	0
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5	M – Chart Pattern	Short	100	Profit	3:1	+400	0
6	Bearish Flag	Short	100	Loss	1:1	-250	3
7	Bearish Engulfing	Short	500	Loss	2:1	-500	4
8	Bullish 3-Bar Reversal	Long	100	Loss	3:1	-350	7
Net Total						-100	

Chasing The Market

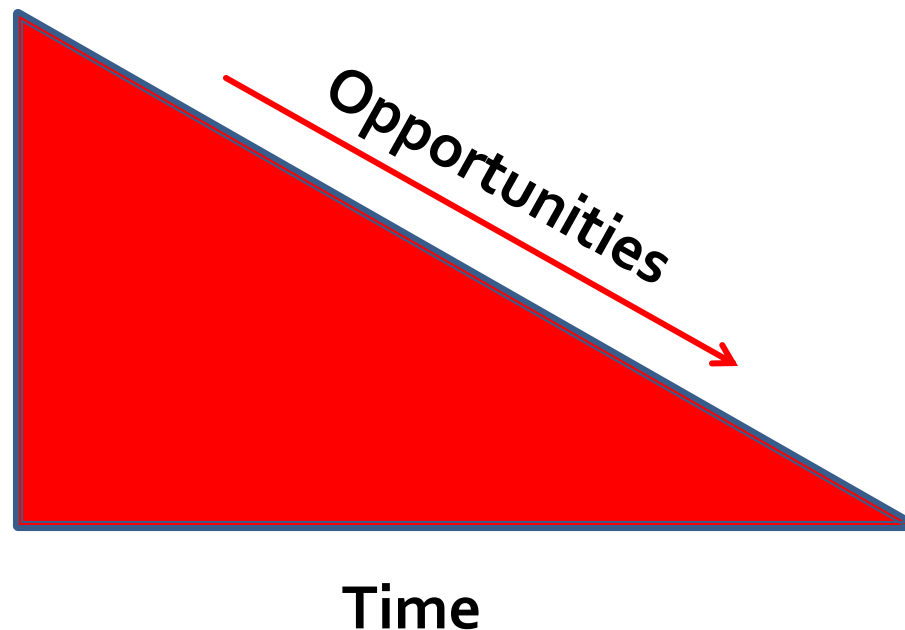
- Looking for “Instant Gratification”
- Having a “Cheapskate Mindset”
 - Not acquiring the proper trading education, tools and software to succeed
- Like fast-paced, risk-filled environment
- Trading from a mindset of “greed” or “desperation”
- Overconfidence
 - Have a very demanding ego that unfortunately distorts one’s rational thinking
 - Emotions empower your actions
 - Remaining in position to avoid admitting wrong
- Relying on “Sense of Timing” or “Trading Intuition”
- Competitiveness
- Revenge Mindset

Chasing Positions with Market Cycle



Opportunity Wedge

- **Opportunity Wedge**: The idea that trading is like a wedge and that over time, horizons close and opportunities diminish and are lost.



Absence of Risk and Money Management

Trade #	Strategy Setup	Position	Position Size	P&L Result	R-R	P&L \$	Target	Equity	Error #
1	Bullish Flag	Long	100	Profit	2:1	+200	300	+200	0
2	38% Fib Retracement	Long	100	Loss	1:1	-100	300	+100	2
3	Bullish Flag	Long	100	Profit	3:1	+300	300	+400	0
4	50% Fib Retracement	Long	100	Profit	4:1	+200	400	+600	0
5	M – Chart Pattern	Short	100	Profit	3:1	+400	300	+1000	0
6	Bearish Flag	Short	100	Loss	1:1	-250	300	+750	3
7	Bearish Engulfing	Short	500	Loss	2:1	-500	300	+250	4
8	Bullish 3-Bar Reversal	Long	100	Loss	3:1	-350	300	-100	7
Net Total						-100			

Money Management



LONG POSITIONS

SYMBOL

TXU

Trading Account Size	\$25,000
Tolerance Level	1.0%
Total Risk per Trade	\$250

Calculator	
Stop Size	\$1.63
# of shares to buy	100

Manual
0

Risk to Reward Ratio	3
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%

Auto
66.37

Stop Size	# of Shares You can Take
up to: \$0.25	1000
up to: \$0.375	666
up to: \$0.50	500
up to: \$0.625	400
up to: \$0.75	333
up to: \$0.875	285
up to: \$1.00	250
up to: \$1.25	200
up to: \$1.50	166
up to: \$1.75	142
up to: \$2.00	125
up to: \$2.25	111
up to: \$2.50	100
up to: \$2.75	90
up to: \$3.00	83
up to: \$3.25	76
up to: \$3.50	71
up to: \$3.75	66
up to: \$4.00	62
up to: \$4.25	58
up to: \$4.50	55
up to: \$4.75	52
up to: \$5.00	50

Resistance/Target	65.06	5.82%
Stock Entry Price	61.48	
Support/Stop Loss	59.85	-2.65%
Potential Profit	3.58	
Potential Loss	-1.63	

Ratio

Profit to Loss	2.19	Bad
Target Profit	\$358	5.82%
Target Loss	-\$163	-2.65%

MARGIN
NOT REQUIRED

Total Trade \$	\$6,148
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Manual
\$0

Holding Period

Hours	
Days	X
Weeks	

Remaining Capital	\$18,852	Okay
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NOTE(S)

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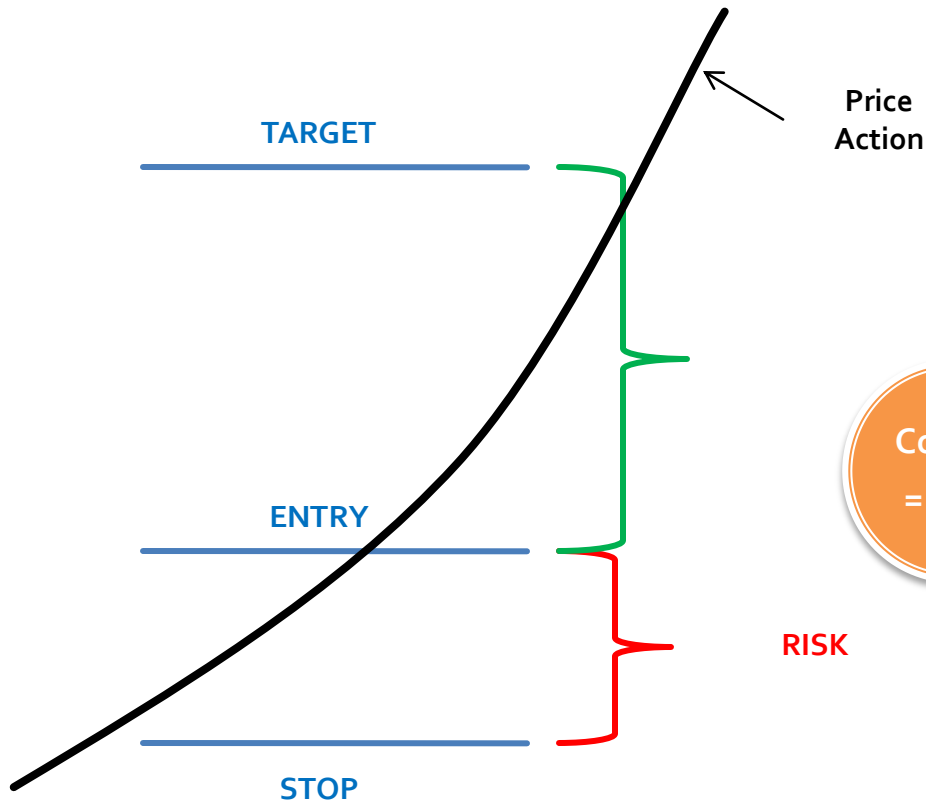
Manual
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Holding Period	
Hours	
Days	X
Weeks	

Remaining Capital	\$18,852	Okay
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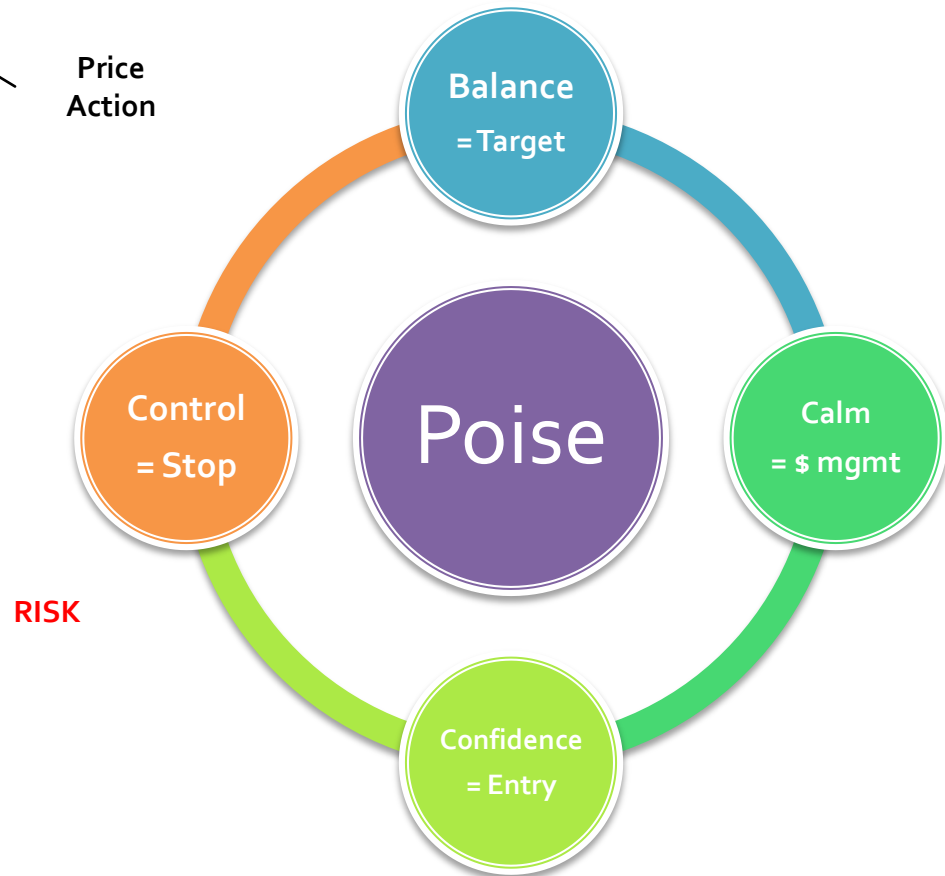
NOTE(S)

Mental Preparation



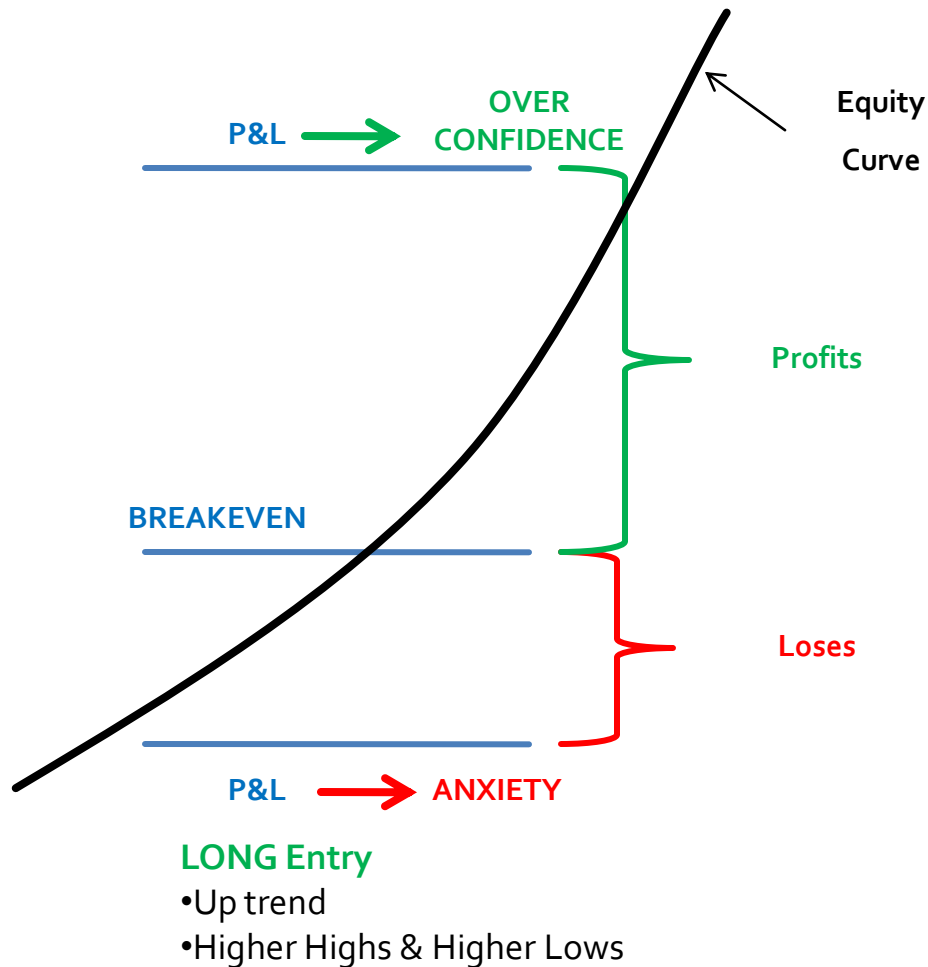
LONG Entry

- Up trend
- Higher Highs & Higher Lows



Continuous Cycle

Trading Execution – Profits & Losses



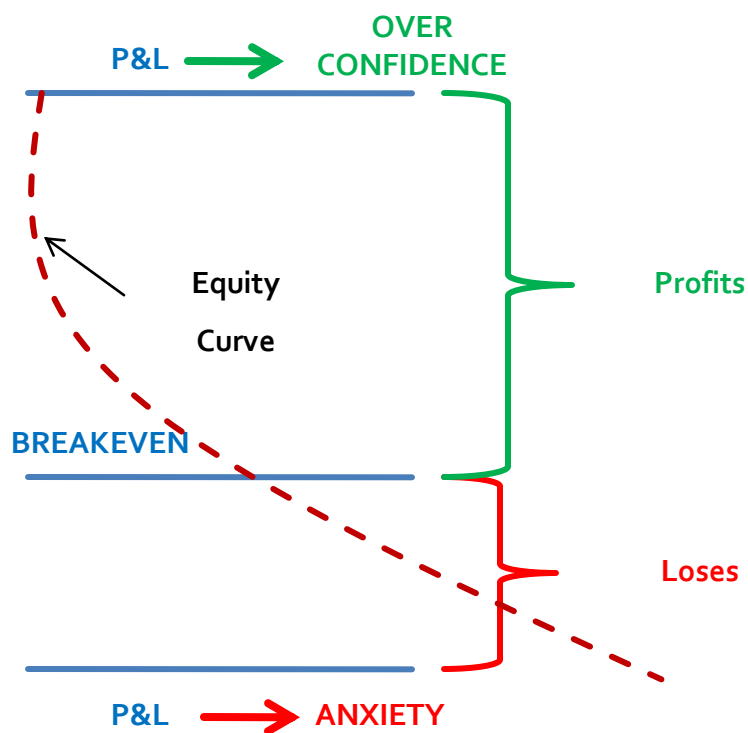
P&L leads to a multitude of instant emotions

Inadequate position size intensifies the emotions

P&L turning negative magnifies the emotions

* Similar for Short Execution

Trading Execution – Profits & Losses



LONG Entry

- Up trend
- Higher Highs & Higher Lows

P&L leads to a multitude of gradual emotions

Lack of Risk & Money Management controls intensifies the emotions

P&L turning negative magnifies the emotions

* Similar for Short Execution

Changing Habits

- Must Master What You Already Know...FOCUS on
 - *Trade Execution*
 - *Trading Plan*
 - *Risk & Money Management*
 - *Trading Psychology*
- Eliminate denial.
- Practice position size management

“Slot Machine” Approach To Trading – No Accountability

- Trade “real money” without a real “trading plan”
- Denial that trading is a numbers game....ignores the “odds” paradigm in trading