

INTRO



The Management Rule

THE MANAGEMENT RULE

controlling hope and fear

CONCEPT

Take the “small” money the market makes available, or hold until the real target is reached. But do not – and I repeat, *do not* – make “in-between management.”



I sometimes think that speculation must be an unnatural sort of business, because I find that the average speculator has arrayed against him his own nature. The weaknesses that all men are prone to are fatal to success in speculation.

Reminiscences of a Stock Operator



The speculator's chief enemies are always boring from within. It is inseparable from human nature to hope and to fear. In speculation, when the market goes against you, you hope that every day will be the last day--and you lose more than you should had you not listened to hope--the same ally that is so potent a success-bringer to empire builders and pioneers, big and little. ..And when the market goes your way, you become fearful that the next day will take away your profit, and you get out-too soon.

Reminiscences of a Stock Operator



Fear keeps you from making as much money as you ought to. The successful trader has to fight these two deep-seated instincts. He has to reverse what you might call his natural impulses. Instead of hoping, he must fear; instead of fearing, he must hope. He must fear that his loss may develop into a much bigger loss, and hope that his profit may become a big profit. It is absolutely wrong to gamble in stocks the way the average man does.

Reminiscences of a Stock Operator

Managing Your Emotions

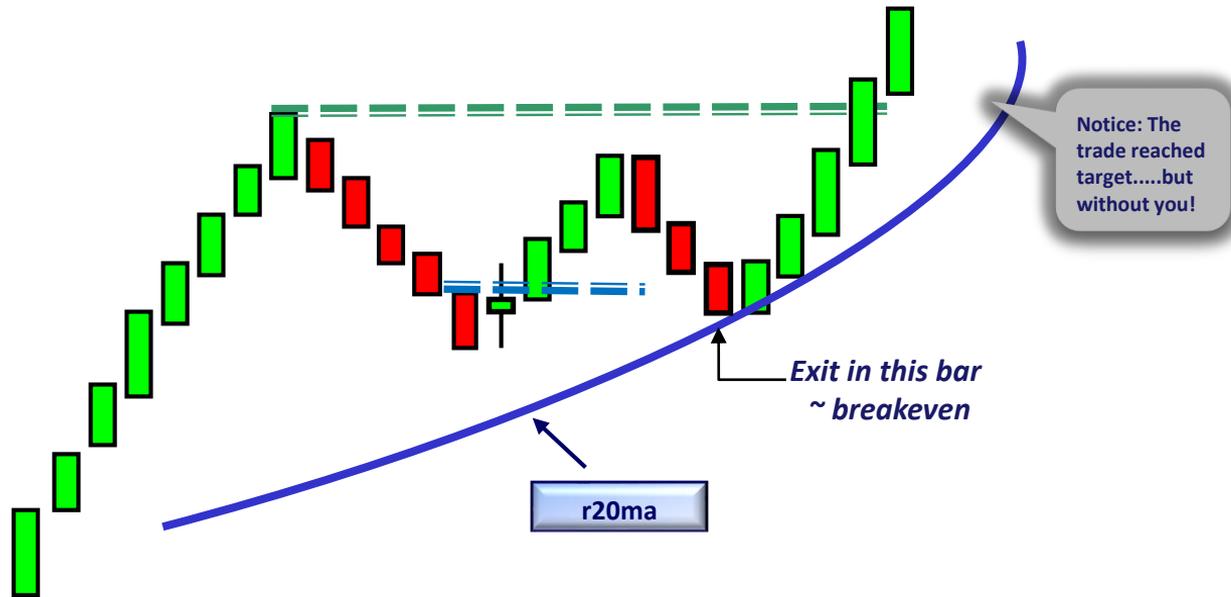
*No matter how you look at it,
trading is 100% psychological.*

When the trader is operating out of fear...

THE MANAGEMENT RULE

How Most Traders Manage Their Trades

The insidious thing about fear is that it narrows our attention unto the object of fear so that we end up doing the same thing we are trying to avoid.



Managing Your Emotions

When the trader is operating on hope...

THE MANAGEMENT RULE

Chart Reading

Let's say you went long the Buy Setup but the Buy Setup failed...

When you get out of the trade, you feel petrified that you never noticed the downtrend.

Again, fear limits our perception unto the object of fear, making most everything else invisible.



Managing Your Emotions

*This is why it's often said that
traders eat like birds and crap like elephants*

THE MANAGEMENT RULE

How Most Traders Manage Their Trades

This is what I call the "In-between management method."

This is also the most common mistake aspiring professional traders make!





Solution...

Understand thoroughly how fear and hope cause a lot of problems:

- Prevent you from reading market information objectively
- Make you act on impulse rather than hard logic
- Lose self-confidence to always act in your own self-interest
- Many more issues...

Accept the risk before putting on a trade

- Not accepting the risk is how the vicious cycle begins for most traders

Stop perceiving market information as either painful or happy

Maintain an objective state of mind...

- By monitoring your stream of thoughts (video recording your trades can be helpful)

Know that your losses are the result of your attitude



When an archer shoots for nothing he has all his skill. If he shoots for a brass buckle he is already nervous. If he shoots for a prize of gold he goes blind. He is out of his mind! He sees two targets. His skill has not changed. But the prize divides him. He cares. He thinks more of winning than of shooting and the need to win drains him of power.

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Thanks!

Questions?

Please reach out to me

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