



Mindful Trading: Mastering Your Emotions and the Inner Game

“This book will show you how to develop the potential in you to trade from a sense of calm, confident, impartial, and courageous authority.”

J. Rande Howell, MEd, LPC

Mindful Trading:

Mastering Your Emotions and Your Inner Game

***A Guide to Creating Your
Peak Performance State of Mind for Trading***

J. Rande Howell, MEd, LPC

(2010 All Rights Reserved)

Acknowledgements:

There are many that have made this book, and its work, possible. I have been blessed by a number of people and situations, with uncanny synchronicity, that have shown up at the right time and the right place — for this I give thanks to a mystery beyond my understanding.

None of this would have been possible without my business partner and wife, Delores. She made my writing understandable and kept me organized — for this I am indebted forever. My daughter, Lisi, is the designer of the powerful image on the cover. And my son, Lee, is the model. Both have performed beyond the call of duty. I also give thanks to the traders who initially encouraged me to develop the Ignite Your Spark Programming and who helped me discover traders as a focus of my work.

Then there are the giants whose work allowed me to integrate many different disciplines into a coherent theory of awareness and transformation. These include Herbert Benson, Aaron Beck, John Bowlby, Mary Ainsworth, Steven Stosny, Fernando Flores, Stephen Wolinsky, Carol Pearson, and Carl Jung. Each are giants in their particular domain. They have allowed me to see beyond my limitations.

I also give thanks to traders as a group. It is their motivation and urgency to learn that has been an inspiration to me. Without them, I would never have found the deep sense of purpose and meaning that defines my life.

Rande

Table of Contents

<i>Introduction - Part I</i>	5—14
<i>Chapter 1:</i> Possibility, Probability, Belief, and Trading	15—40
<i>Chapter 2:</i> Managing Emotions While Trading: Integrating Left Brain and Right Brain for Balanced Trading	41—56
<i>Chapter 3:</i> The First Step to Emotional State Management: Naming Your Fear	57 —70
<i>Chapter 4:</i> The 9 Roadblocks to Your Trading Success: How Your Fears Manifest in Trading	71—102
Part II : Re-Inventing the Self: Creating a Trader’s State of Mind	103—106
<i>Chapter 5:</i> Taming the Furies: Disrupting Fear and Calming the Mind	107—128
<i>Chapter 6:</i> Mindfulness : Awakening the Observer of the Self	129—148
<i>Chapter 7:</i> The Internal Dialog: Wrestling Control of the Mind From Limiting Patterns	149—178
<i>Chapter 8:</i> The Mindful Trader: Reorganizing the Committee of the Self	179—223
<i>Epilog:</i> The Internal Struggle	224—226

Introduction - Part I

*“I have never worked so hard for easy money in my life.”
A long suffering trader*

Six Months Prior

“I give up. I quit,” Jacob writes in the midst of despair to his online trading community, “I’m losing more now than when I started. When I was working and trading, I made money. Trading wasn’t a problem. I didn’t depend on it; I always had the fall-back position of my job. Then when I quit my job to devote my time to trading full time, things started going downhill. It has consumed me. After three years of researching, demo trading, live trading, webinars, trading groups, books, magazines, I have finally decided to throw in the towel. My life has been turned into a mess. I’m smart – I thought I could learn how to do this successfully. I hate giving up, but I have a family to support and this just ain’t workin’, so back to looking for another 9-5 hum drum job - oh well.”

In response to his on-line trading friend’s dark night of the soul, a successful trader compassionately inquires, “Have you ever considered that the problem is in you head? Maybe you’ve missed the obvious. Maybe trading success is not in methodology and trader tricks. Maybe the problem is your mindset. It’s your mindset that uses the tools of methodology and platform. Maybe you need to find the courage to challenge yourself, rather than cut bait and run. Trading will force you to face your demons – the

very ones you've been avoiding. It takes courage, but it opens the door to a new world of possibility. Wouldn't you want to look into that before you give up your dreams?"

Jacob responds, "I've read all the trader psychology books – even had a coach. Went so far as to have someone tell me my stars and planets weren't in alignment – how weird is that? They were able to tell me what I needed to become and what I 'should' be doing, but they couldn't teach me HOW to change."

"Try one more time – you can always quit later" came the reply. Finding inspiration in his friend's words, and in a moment of courage, Jacob reevaluated his thinking and decided to do just that before he admitted defeat. This time he was really going to take a good look at himself as the responsible party.

Six Months Later

Chatting with the trader who had encouraged him to train his mind rather than avoid his discomfort, Jacob reports, "I am at 50% wins with my wins being 2.3 times bigger than my losses. I always said if I could be at 50% with a 2 to 1 ratio, I could make a lot of money trading. I feel like the percentage and the ratio will both continue to increase.

Since I first started working with my trader psychology coach less than two months ago, I have gone from bad trading patterns and growing more fearful every day, to having my team of inner heroes in place. I had no idea how inter-related trading and my psychology were. All of this is a direct result of the change brought about by learning how to face my fears courageously and to establish a calm assertive state of mind. For the first time in a long while, I feel optimistic about the future. And each day I look forward to my trading – that's quite a change. It's a great way of developing the potential I have as a human being.."

What Happened to Jacob's Trading?

Did you miss anything? What happened in those 2-6 months that changed Jacob from throwing in the towel to trading confidently? How on earth does Jacob (or any trader for that matter) go from a deepening despair about his prospect for trading success to a growing confidence that his trading skills have opened the door to his financial freedom – with a trading account that reflects this change?

Essentially this book addresses the huge breakdown I hear from traders all the time:

“I know HOW to trade, but my emotions keep getting in the way and sabotaging my efforts. How do I change?” The answer to this question is the difference between success and failure in trading.

To answer these questions, let's start in the beginning.

Most traders lose long before they make a trade. They enter their trading day with their thinking already clouded by a fear of loss, a fear of not being able to make up for their losses, or an urgency to make up for prior losses. Entering a trading situation in this state of mind is a set up for losing that can become an avalanche. Learning to manage this is the difference between success and failure.

Unfortunately, traders ignore or avoid dealing with their emotional nature and their mind. And in the left brained, information over-loaded, and emotion ignored trader education process found in trading today, it is no wonder. In their ensuing mindlessness they do not see or understand the linkage between brain and mind – and trading. They become blind to the unseen forces that shape perception and create the dynamics of their trading. Mind and trading cannot be separated. Yet traders ignore the mind, living in the dangerous misconception that they can push emotions and beliefs aside. They might as well be walking on the edge of a cliff wearing a blindfold. It is only a matter of time before they blindly take a step that puts them into a free fall.

It does not have to be this way. You do not have to be like the vast majority of traders who lose because they do not know or refuse to know how brain, mind, and trading inter-relate. You are about to take a voyage of discovery into this inter-linked world that shows up in your trading room as “you” coordinate your platform, your methodology, and the perceptual map called your brain. Let’s take a look.

The Three Legged Stool of Trading

There are three dynamic inter-related aspects to trading – platform, methodology, and psychology. In much the same way that a scalpel is an extension of a surgeon’s mind and hand in an operating room, so is the trading platform, methodology, and psychology of mind for a trader. The scalpel in the hands of an untrained person is dangerous to the outcome of an operation (or trade). To increase the probability of success, the surgeon also needs to be located in a platform (operating room) that creates an ideal environment for successful outcome (beginning to sound like trading does it not?) The surgeon has also invested years in learning a system of knowledge (a methodology) that internalizes a skill set that allows him to make precise cuts with great confidence. The platform (the operating room that provides the essential environment for surgery or in your case – trading) is not really useful to the surgeon if he does not have a deeply learned methodology.

It all comes together with the surgeon holding the scalpel. (Think about you as a trader with your finger on the trigger.) The surgeon’s mind has not only been trained in technique (a trader’s methodology), but also emotionally so that he is about to maintain discipline, patience, impartiality, and courage. These must be maintained because there is little margin for error. He is able to emotionally manage his mindset in a calm, assertive state of mind no matter what happens. It is this state of mind that separates great surgeons from mediocrity. It’s the same with traders.

Trading System ↔ Methodology ↔ Psychology

Now let's take a look at trading as a dynamic process that occurs between your trading system (your platform), your methodology (your method of risk management), and your psychology (the director of the process).

It sounds so easy when you read the advertisements: "When you use this system the keys to your future will be in your hands. You will have the power. Just buy this and you are on the way to easy street!" And the trader dreams about the proposition and wants it. Of course there are those pesky little disclaimers in very small print at the bottom of the page that are ignored. What began as a laptop mushrooms into an elaborate, many-screened system that would make NASA rocket scientists feel envious. Then the trader turns it on and soon discovers that it is dangerous to his financial health without methodology training.

Next the trader discovers trader education that is focused on teaching methodology. For most traders, reading a few books and picking up some tips is far less than adequate to become competent in learning to build a methodology that enables the trader to manage risk effectively. Many thousands of dollars later, the trader knows **HOW** to trade. This is an essential step much like the surgeon has to go to medical school and take residencies to build the skills to know HOW to cut a human body effectively.

Now the trader is prepared. Like our friend in the beginning vignette you, as the trader, have learned a tried and true methodology that almost assures trading success if you follow its rules and park your emotions at the door of your trading room. You have experienced success doing simulated trading with play money and are confident of your skills. You're ready to get in on the action.

And then you crash (maybe after some initial success). The moment real money entered the trading game, everything changed. Uncertainties, fears, self doubt, and impulsiveness trigger and overwhelm your carefully laid plans. At first, you

try to push these emotional nuisances to the side. But they seem to sneak attack you and before you know it you wake up in the middle of the night with bad trader dreams about losing everything or you find yourself in a cold sweat. Your mind begins to ruminate about your upcoming trading day and you wake up with knots in your stomach, dreading going into your trading room. You can already predict the doom that is whispering in the back of your mind. You are already in a fearful state of mind before you start trading – and so starts your trading day.

You try positive thinking or some thought reframing technique with an anchor that you have picked up from a trader psychology article. That works for a tantalizingly short time then stops working, so you try rationalize your increasing losses by telling yourself that losses are part of trading – so no big deal (another reframing technique). Yet a voice in the back of your mind recognizes that you are BS'ing yourself. You are in self doubt. And you continue to trade from this state of mind waiting, as if by magic, for things to change. They do not.

You Trade Your Psychology

This is about the time that you, as a trader, realize that it is your psychology that actually is doing the trading. Your platform and methodology are only tools that your mind uses to interact with the market (same as the surgeon). And unless you learn how to deal with your psychology and change it, you will continue losing. The choice at this moment is a critical juncture in the journey of a trader. You can either get out, as our friend Jacob was considering, or you can develop your mind for trading.

It is at this moment that the separate legs of trading (platform, methodology, and psychology) come together and begin to function as a unit. Traders, like everybody else in the world, have invested enormous energy into avoiding what they fear. The difference is that trading does not allow you to avoid your flaws. In trading, your flaws find you in the process of trading. Wherever there is a weak spot in the integrated system

of platform, methodology, and psychology, trading will expose it. It is just a matter of whether you embrace change or avoid it. Short term, avoidance works. Long term it brings disaster.

Platform and methodology limitations are fairly easy to spot. Psychological blind spots are not. And even if you do find them, how do you correct them? That is exactly what we are going to be exploring in this book.

The Organization of this Book

We start here – recognizing that your personal psychology is what trades. It is not your methodology or your platform. Both are essential in creating effective trading performances, but they are only tools. It is the organization of the self, your psychology, that trades. You trade yourself. And “you” are what you believe at the core of the self – not all that superficial fluff that you tell other people. That is why when your money enters the trading, everything changes. Trading cuts right through the fluff to the core of what you have been avoiding. Sorry, but that is the nature of trading.

Suddenly, you are thrown into risk. And depending on the organization of your psychology, you either trigger to fear and self doubt or to grandiosity (greed) and impulsiveness. Trading from this state of mind creates incredible suffering for traders. Re-organizing the self so that your psychology trades from a peak performance state of mind is the essential quest for a determined trader.

Initially we will be looking into the nature of perception. You will learn why you see what you see – and do not see what you don’t see (particularly the pitfalls of mindless trading). To do this, you will be learning about the biological and psychological nature of fear and how to manage it so that a more empowered trader begins to emerge within you. You will be learning about how to emotionally regulate fear and greed so they do not sweep you, your thinking, and your trading off into never-never land. Emotional hijackings can become a thing of the past. It takes work, but every successful trader has to learn this lesson. The payoff is consistent, less stressful, and disci-

plined trading.

Next you will be learning about Mindfulness. This is where you discover that you and your thoughts are not the same. You will literally learn how to step back and observe the heretofore unseen forces in the mind that have been dominating your state of mind. With this skill you will see how to find the discipline, patience, courage, and impartiality so necessary for effective trading.

This is the moment where you will discover that you can re-organize your beliefs and perceptions to become a different “you”. You can become the person who brings forth consistent trading. You are really learning that these aspects of the self are already there; you have simply been blind to their existence and did not know how to develop these aspects of the self. Nurturing and developing them so that they are center stage during your trading day becomes the skill to be managed.

Essentially this is a book about hope. You will learn how to “see” the market from a different perspective. And from that perspective more positive possibility begins to open to you. So let’s start with possibility and how we become mindless to our potential to become consistent traders and blind to how to find more purpose, meaning, and joy in our lives. How do we come to be living in the lives we inhabit? It is interesting, let’s take a look.

Where Do You Go From Here?

Rande Howell, through Trader's State of Mind, offers a number of integrated trader psychology educational opportunities that link your biology, your emotions, your mind, and your spirituality into an integrated system for re-organizing the self for peak performance trading. They move in stages, where new skills are integrated into previously learned skills.

His methodology begins with teaching how to disrupt and manage emotional arousal, so incredibly essential in trading performance, with breath training. This is the link between your emotions as biology and your emotions as psychology that has to be mastered so that the mind can be worked with for long term change.

Once the body is relaxed, he then teaches how to take fear off line in the mind. This leads to the capacity to produce mindfulness. It is this tool of mindfulness that a new psychology of the self becomes possible to enhance trading performance.

As the skill of mindfulness is developed, you become aware of a powerful dialog going on within your mind. It is your blindness to this historical internal dialog that binds you to your self limiting performances in trading and life. Recognizing that you and your thoughts are not the same becomes the launching pad for discovering empowered elements of the self that have been pushed out of your awareness.

Awakening these forgotten aspects of your humanness opens the door to re-organizing your belief system from self limiting beliefs to empowered beliefs about the self. It is this expansion of possibility of who and what you can be that leads to the development of a very different trader. A trader that trades from a disciplined, patient, courageous, and impartial state of mind.

About Rande Howell



Rande Howell (MEd, LPC) combines knowledge of emotional intelligence and peak performance to teach traders how to distinguish between fear and uncertainty. His work centers on how to break fear-based, self-limiting beliefs and how to reorganize the self to reach higher levels of performance while managing uncertainty and probability.

Most traders lose long before they make a trade. They enter their trading day with their thinking already clouded by a fear of loss, a fear of not being able to make up for their losses, or an urgency to make up for prior losses. Entering a trading situation in this state of mind is a set up for losing that can become an avalanche. Learning to manage this is the difference between success and failure.

It does not have to be this way. You do not have to be like the vast majority of traders who lose because they do not know or refuse to know how brain, mind, and trading inter-relate. You are about to take a voyage of discovery into this inter-linked world that shows up in your trading room as “you”. In re-organizing your mind for trading, a transformed “you” coordinates your platform, your methodology, and the perceptual map called your brain from a calm impartial authority — the trader’s state of mind.