Introduction to Trading Psychology

A Practical Guide to Improve Your Trading Psychology

by

Mike Baehr

Chief Training Officer, Peak Capital Trading Trading Coach, Bear Bull Traders www.BearBullTraders.com

In collaboration with Andrew Aziz

Founder and CEO, Peak Capital Trading Founder, Bear Bull Traders www.PeakCapitalTrading.com

DISCLAIMER:

The author and collaborator, www.BearBullTraders.com ("the Company"), including its employees, contractors, shareholders, and affiliates, are NOT an investment advisory service, a registered investment advisor, or a broker-dealer, and they do not undertake to advise clients on which securities they should buy or sell for themselves. It must be understood that a very high degree of risk is involved in trading securities. The Company, the author, the publisher, affiliates of the Company assume responsibility or liability for trading and investment results. Statements on the Company's website and in its publications are made as of the date stated and are subject to change without notice. It should not be assumed that the methods, techniques, or indicators presented in these products will be profitable nor that they will not result in losses. In addition, the indicators, strategies, rules, and all other features of the Company's products (collectively, "the Information") are provided for informational and educational purposes only and should not be construed as investment advice. Examples presented are for educational purposes only. Accordingly, readers should not rely solely on the Information in making any trades or investments. Rather, they should use the Information only as a starting point for doing additional independent research in order to allow them to form their own opinions regarding trading and investments. Investors and traders should always consult with their licensed financial advisors, and tax advisors to determine the suitability of any investment.

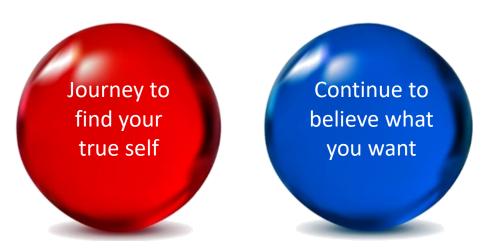


Figure 2.1 – Red Pill or Blue Pill Decision

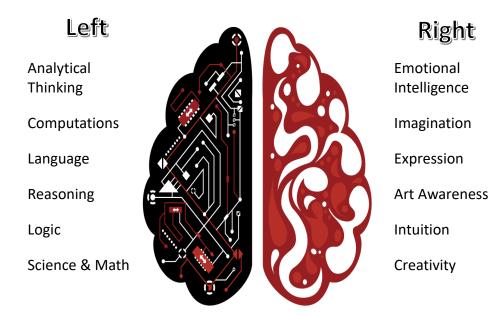


Figure 3.1 – Left Brain vs. Right Brain Characteristics (The Left & Right Brain Theory)

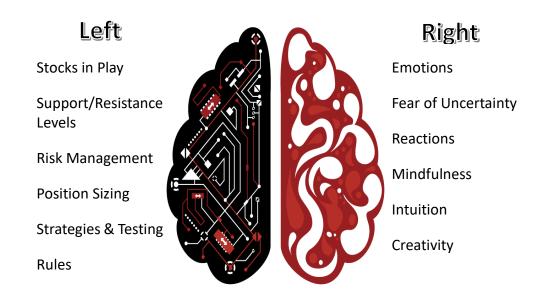


Figure 3.2 - Left Brain vs. Right Brain (Application for Traders)

Psychology Analysis

Psychology of the Trade:

- Pre-Market Situation:
- My Pre-Market Thoughts:
- My Thoughts on the Market:
- Prior to the Trade:
 - Focus:
 - Confidence:
 - Anxiety:
 - Calmness:
 - FOBW:
 - Hesitation:

During the Trade:

- Focus:
- Confidence:
- Anxiety:
- Calmness:
- FOBW:
- Self-Sabotage:

After the Trade:

- Discipline:
- Courage:
- Patience:
- · Impartiality:
- Satisfaction:
- Competence:

Figure 3.3 – Trading Journal (Psychology Analysis)

Self-Awareness Review

Physically:

as a trader?

Hours of Sleep:

Physical Training Yesterday:

Alcohol: Food: Mentally: Alertness: Focus Rating: Physical Rating: Emotional Capital: Awareness: Implementation of Improvement Areas: • What did you do Yesterday that helped you improve

Figure 3.4 – Trading Journal (Self-Awareness Review)

Figure 3.5 – Trading Journal (Trade Analysis)

(14) Stock Information:

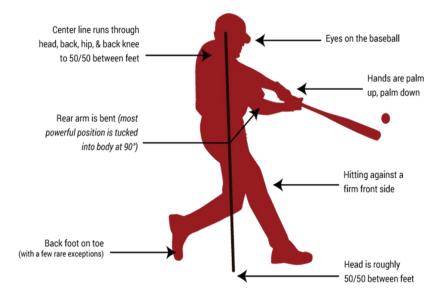


Figure 7.1 – Proper Mechanics for a Baseball Player

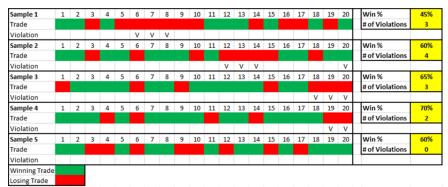


Figure 8.1 – Strategy Sets (Combined)

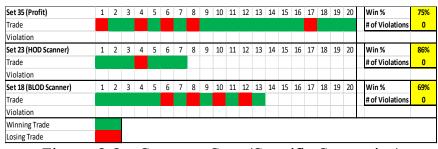


Figure 8.2 – Strategy Sets (Specific Strategies)



Figure 11.1 - Rewarded for Violation of Stop Loss



Figure 11.2 - Punished for Violation of Stop Loss

Self-Awareness Review

Physically: Hours of Sleep: Physical Training Yesterday: Alcohol: Food: Mentally: Alertness: Focus Rating: Physical Rating: Emotional Capital: Awareness: Implementation of Improvement Areas: • What did you do Yesterday that helped you improve

Figure 15.1 – Trading Journal (Self-Awareness Review)

as a trader:

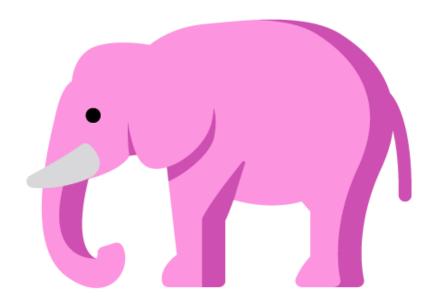


Figure 16.1 – Pink Elephant Exercise

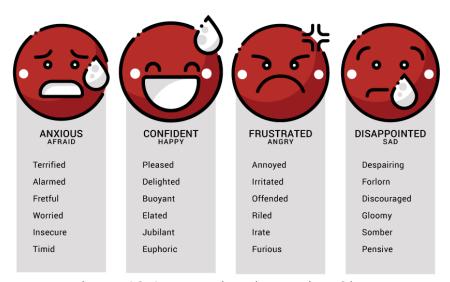


Figure 18.1 – Emotional Reaction Chart

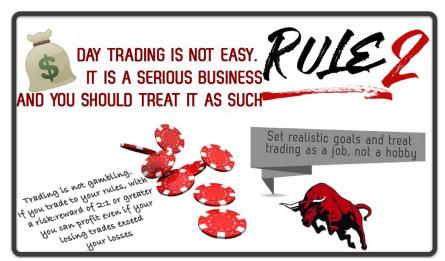
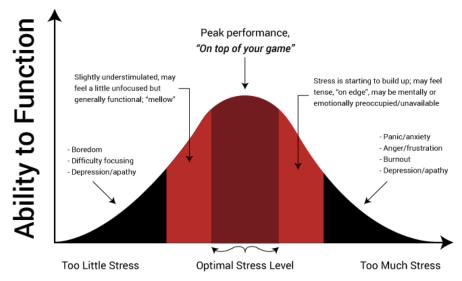


Figure 19.1 – Rule 2 in How to Day Trade for a Living



Current Amount of Stress

Figure 20.1 - Optimal Stress Curve

If the image is difficult to read. you may access it at the following link: https://bearbulltraders.com/go/day-trading-business-plan/

TRADER'S BUSINESS PLAN TIMELINE SWOT ANALYSIS Drafting a business's vision statement is an important step in the A timeline should be used to manage the progression from your WEAKNESSES) What could you improve A inhelies should be used to drankee the progression from your initial decision to the state trading, to your trading education and similar discision to state trading, to your trading reducation and trading. This tradings have been seen to the state of your journey, it is continually trading the trading the state of your journey, it is continually pupilated as progress is made to ensure, your trading business does not become stignals. It uses benchmarks to evaluate progress and keep the focus on how much have benchmarks to evaluate progress and keep the focus on how much have benchmarks to evaluate progress and keep the focus on how much have benchmarks to evaluate progress. creation of a business plan. It is one part the owner's dream for the business and another part the path the owner is laying for their Where do you have fewer resources than others? business in the future. The vision statement is generally written with long-term perspective in mind. The statement should be well-written (2) What are others likely to see as weaknesses? and compacted into one or two descriptive and passionate sentences about your desires for pursuing trading as a career. OPPORTUNITIES What opportunities are open to you? A mission statement is a key tool that can be as important as your business plan. It captures the essence of your trading goals and the philosophies which support them. Equally important, your mission statement signals what your business is all about to yourself. Answering (2) What trends could you take advantage of? these questions will help you create a verbal picture of your business plan: (2) Who is going to be your support network? (3) When are you available to trade? Why do you want to day trade? (?) What are your long-term goals? Who are you going to learn from? What capital is available to you? Planning Resources TradeBook ACTION PLAN **TOOLS & SERVICES** The action plan explains how you will operate and manage your trading business. It addresses the back office activities that do not relate directly to your trading MONEY AND RISK MANAGEMENT High-speed Internet Service You need a reliable Internet provider that offers ___ or ____ % of my account per trade. I will risk \$__ high-speed Internet. plan. Some of these activities include I am allowed to scale up my size after being consistent Setting up your trading station My daily profit target is S___ or ____ % of my account. Deciding on a community You need a high-quality direct-access broker. Your My daily max loss is \$____ or ___ of my account. broker is your vehicle to trade. Retaining a tax planner I have platform risk controls enabled: V N Choosing a broker, platform, and Fast trade execution is the key for day traders to be successful. You need to be able to move in and out of trades quickly. I am allowed to take a max of _____ trades per day. Internet provider Establishing accountability relationships My break-even win accuracy is _____ %. I stop trading or wind down when the clock reads: _ 000 Scanners Thousands of stocks are moving in the market every single day, but finding a setup that is both consistent and a good fit is really hard. Trade ideas software for scanning the market is a great tool for finding the best trades. Analyzing statistics from your trading STRATEGIES AND PATTERNS **EDUCATIONAL PLAN** I don't trade the first ____ minutes after the Open Creating an educational plan gives you a visual picture of what you will need to accomplish over a period of time and provides you with an idea of how long it will take to meet your trading goals. It is important to know what is required as you progress through the learning curve. Having a well-thought-out plan allows you to manage expectations throughout your journey. I trade stocks with at least ____ million share float. Community of Traders Trading alone is very difficult and can be I prefer to trade stocks with a price range of: emotionally overwhelming. To whom will you ask your questions? Online communities are excellent places for meeting like-minded traders. They can be powerful learning tools. TRADE MANAGEMENT Sample Educational Plan. Months 0 - 2 Learn (Read, Watch, Train) I take _____ % off my position on each partial while exiting. A trading journal is a tool to keep track of all of the trades I move my stop to break-even after taking partials: Y N Months 2 - 3 Plan (Create Go Strategies) A trading journal is a tool to keep track of all of the trady, you have made. A few of the benefits of a trading journal are the shift of the shif Goals, Timeline, Journal, Trading Plan, Build I seek a realized return of _____ times the amount I risk Months 3 - 6 My stop losses are Mental Hard Practice (Develop a Routine, Trade Sim, Revise Strategies, Trading Plan, Journal, Run Stats) months 6 - 9 What you did well ing Plan, Journal, Run Stats) ⊕ Entry, stop loss, profit target ⊕ What you did not do well Months 9 - ? Perfect (Trade Live, Improve Routine, Strategies, Trading Time of the trade What you can improve on A psychology review See TradeBook for more info Plan, Journal, Run Stats) Rules are developed outside of market hours when we have a clear head and are not under pressure or distress. These rules are made to safeguard us when our mind is clouded and our emotions are at their peak. Rules are our friends who will protect us from

Setting daily, weekly, monthly, quarterly, and yearly goals (and making progress on them) assists in maintaining a positive emotional attitude toward the ups and downs of learning to day trade. Ensure you have SMART goals:

- Each goal is direct, detailed, and meaningful. Measurable Each goal is quantifiable to track progress or success.

- Relevant
 Each goal aligns with your business plan.

- 1 Day trading is not a strategy to get rich quickly.
- 3 Day traders do not hold positions overnight. If necessary, you must sell with a loss to make sure you do not hold on to any stock overnight.
- 4 Always ask, "Is this stock moving because the overall market is moving, or is it moving because it has a unique fundamental catalyst?"
- 5 Success in day trading comes from risk management finding low-risk entries with a high potential reward. The minimum windose ratio should be 2:1.
- 6 Your broker will buy and sell stocks for you at the Exchange. Your only job as a day trader is to manage risk. You cannot be a successful day trader without excellent risk management skills, even if you are the master of many effective strategies.
- Retail traders trade only Stocks in Flay, high relative volume stocks that have fundamental catalysts and are being traded regardless of the overall market.
- g Hollow candlesticks, where the close is greater than the open, indicate buying pressure. Filled candlesticks, where the close is less than the open, indicate selling pressure.
- 10 Indicators only indicate; they should not be allowed to dictate.

Figure 20.2 - Bear Bull Trader's Day Trading Business Plan Infographic